BOUYGUES
REGISTRATION DOCUMENT
2006

CONCORDANCE

Headings of Annex 1, EU Regulation No. 809/2004	Page number of Registration Document
1. Persons responsible	248
2. Statutory auditors	122; 199
3. Selected financial information	12-15
3.1 Historical financial information	inside front cover; 139
3.2 Interim financial information	not applicable
4. Risk factors	33; 45; 57; 68-69; 80-81; 94-99
5. Information about the issuer	
5.1 History and development of the issuer	140
5.2 Investments	14; 150; 152; 204
6. Business overview	
6.1 Principal activities	22-89
6.2 Principal markets	22-26; 34-39; 46-50; 58-62; 70-75
6.3 Exceptional factors	not applicable
6.4 Situations of dependence	69; 81; 141
6.5 Basis for any statements made by the issuer regarding its competitive position	24-26; 34-38; 46-50; 59-61; 72; 85-86
7. Organisational structure	
7.1 Brief description	7
7.2 Significant subsidiaries	201-202; 213
8. Property, plant and equipment	
8.1 Existing or planned material tangible fixed assets	169
8.2 Environmental issues that may affect utilisation of tangible fixed assets	33; 42-43; 57; 66-67; 76-77
9. Operating and financial review	
9.1 Financial condition	12-15
9.2 Operating results	12-13
10. Capital resources	
10.1 Short- and long-term capital resources	176-177
10.2 Sources and amounts of cash flows	152; 198
10.3 Borrowing requirements and funding structure	96-97
10.4 Restrictions on the use of capital resources that have materially affected or could materially affect operations	not applicable
10.5 Anticipated sources of funds to carry out planned investments	12-15
11. Research and development, patents and licences	32-33; 45; 56-57; 67-68; 79-80; 85
12. Trend information	15; 33; 45; 57; 69; 81; 89
13. Profit forecasts or estimates	not applicable
14. Administrative, management and supervisory bodies and senior management	
14.1 Administrative, management and supervisory bodies and senior management	6; 102-117
14.2 Conflicts of interest relating to administrative, management and supervisory bodies and senior management	113-114
15. Remuneration and benefits	
15.1 Amount of remuneration and benefits in kind	123-126
15.2 Total amounts set aside or accrued to provide pension, retirement or similar benefits	123
16. Board practices	
16.1 Date of expiration of current terms of office	102-113
16.2 Service contracts with members of administrative, management or supervisory bodies	114
16.3 Information about the audit committee and remuneration committee	116-117; 120-121
16.4 Compliance with the prevailing corporate governance regime	113
17. Employees	
17.1 Number of employees	22; 34; 46; 58; 70; 84; 195
17.2 Shareholdings and stock options	126-129; 131
17.3 Arrangements for involving employees in the capital	136
18. Major shareholders	
18.1 Shareholders owning over 5% of the share capital or voting rights	130-131
18.2 Existence of different voting rights	140
18.3 Direct or indirect ownership or control	130-131
18.4 Known arrangements, the operation of which may result in a change of control	not applicable
19. Related party transactions	197
20. Financial information concerning assets and liabilities, financial position and profits and losses	
20.1 Historical financial information	inside front cover; 139
20.2 Pro forma financial information	not applicable
20.3 Financial statements	150-213
20.4 Auditing of historical annual financial information	inside front cover; 225-226
20.5 Age of latest financial information	146-147
20.6 Interim and other financial information	not applicable
20.7 Dividend policy	10
20.8 Legal and arbitration proceedings	98-99
20.9 Significant change in financial or trading position	not applicable
21. Additional information	
21.1 Share capital	134-138
21.2 Memorandum and articles of association	140
22. Material contracts	86; 156-157
23. Third party information, expert statements and declarations of interest	not applicable
24. Documents on display	141-147
25. Information on holdings	84; 86-89

Historical financial information for 2004 and 2005
The following information is included by reference in this Registration Document:

- the consolidated financial statements for the year ending 31 December 2005, the notes to the financial statements and the auditors' reports relating thereto, presented on pages 152 to 208 and page 226 of the 2005 Annual Report filed with the Autorité des Marchés Financiers on 12 April 2006;
- the consolidated financial statements for the year ending 31 December 2004, the notes to the financial statements and the auditors' reports relating thereto, presented on pages 94 to 122 and page 143 of the 2004 Financial Review filed with the Autorité des Marchés Financiers on 12 April 2005;

These documents are available in the "Finance/Shareholders" section of the Bouygues website at www.bouygues.com.

CONTENTS

Chairman's statement 2

1. The Group

Management team 6
Simplified Group organisation chart 7
Bouygues and its shareholders 8
Key figures 12
Sustainable development in the Group 16

2. Business activities and sustainable development

Bouygues Construction: full-service contractor 22
Bouygues Immobilier: a leading property developer 34
Colas: the world's leading roadbuilder 46
TF1: number-one television group in France 58
Bouygues Telecom: mobile communication services 70
Sustainable development: additional indicators by business 82
Bouygues SA 84
Alstom: promising cooperation 86
Highlights since 1 January 2007 90

3. Risks 93

4. Legal and financial information

Corporate governance 102
Remuneration of corporate officers – Stock options 123
Share ownership 130
Stock market performance 132
Share capital 134
Results of Bouygues SA 138
Legal information 140
Annual publications 142

5. Financial statements

Consolidated financial statements 150
Parent company financial statements 203

6. Annual General Meeting of 26 April 2007

Agenda 216
Board of Directors' reports 218
Auditors' reports 225
Draft resolutions 237

AMF

This document is a free translation of the Registration Document filed with the Autorité des Marchés Financiers (AMF) on 10 April 2007 pursuant to Article 212-13 of the AMF's General Regulation. It may be used in support of a financial transaction if supplemented by a stock exchange prospectus.

A year of outstanding performance

CHAIRMAN'S STATEMENT

Bouygues turned in an outstanding performance in 2006, achieving a 50% rise in net profit and a 10% rise in sales.

Profitability in the three construction businesses improved further in a context of intensive commercial activity buoyed by favourable economic conditions.

Bouygues Construction booked a 38% increase in orders to reach record levels. **Bouygues Immobilier** grew faster than the market, especially in the residential sector. **Colas increased its order book by 18%** for the second year running and reported a substantial improvement in sales and net profit.

TF1, which continues to be France's leading TV channel in terms of audience share and advertising revenue, has refocused on its business as a multimedia content provider.

Bouygues Telecom has been a shining success thanks to its Neo and Exprima contracts. It now has 8.7 million customers and reported the fastest sales growth of the three French operators in 2006.

A major event, the acquisition of a stake in Alstom in April 2006, was backed up by a cooperation agreement which is implemented pragmatically, giving Bouygues an opportunity to expand in the promising power and transport sectors.

The ordinary dividend is to rise by 33%. The Board of Directors will ask the Annual General Meeting on 26 April 2007 to approve the payment of a dividend of €1.20 per share.

We stepped up our sustainable development policy with initiatives that included publishing a Code of Ethics and signing up to the UN Global Compact. In 2007, we will be launching Bouygues Partage, a new capital increase reserved for employees, to give them an ever-increasing share of the Group's performance.

I am confident in our future, since the outlook is bright indeed. By the end of 2007, we will have recruited 35,000 new employees worldwide in two years, 20,300 of them in France. I should like to thank our employees for their hard work and their commitment, on which our present and future success depend, and our shareholders, whose confidence and support are essential.

27 February 2007

Martin Bouygues Chairman and CEO

On 1 July 2006,
Bouygues moved into
new headquarters at
32 Avenue Hoche in Paris,
in a building designed
by the architect
Kevin Roche.

I. The Group

6 Management team

7 Simplified Group organisation chart

8 Bouygues and its shareholders

12 Key figures

16 Sustainable development in the Group

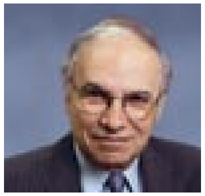
MANAGEMENT TEAM

Bouygues parent company

Olivier Poupart-Lafarge
Deputy CEO

Martin Bouygues
Chairman and CEO

Olivier Bouygues
Deputy CEO



Alain Pouyat
Executive VP,
Information Systems and
New Technologies

Jean-Claude Tostivin
Senior VP,
Human Resources
and Administration

Lionel Verdouck
Senior VP,
Cash Management
and Finance

Jean-François Guillemin
Corporate Secretary

Heads of the five business areas

Yves Gabriel
Chairman and CEO,
Bouygues Construction

François Bertière
Chairman and CEO,
Bouygues Immobilier

Alain Dupont
Chairman and CEO,
Colas

Patrick Le Lay
Chairman and CEO,
TF1

Philippe Montagner
Chairman and CEO,
Bouygues Telecom

SIMPLIFIED GROUP ORGANISATION CHART AT 27 FEBRUARY 2007

BOARD OF DIRECTORS

Chairman and CEO

Martin Bouygues

Executive Directors

Olivier Poupart-Lafarge
Deputy CEO

Olivier Bouygues
Deputy CEO and standing representative of SCDM, Director

Directors

Pierre Barberis
Former Deputy CEO, Oberthur

Patricia Barbizet
CEO and director, Artémis

François Bertière
Chairman and CEO, Bouygues Immobilier

Mrs Francis Bouygues

Georges Chodron de Courcel
Deputy CEO, BNP Paribas

Charles de Croisset
International Advisor to Goldman Sachs International

Michel Derbesse
Former Deputy CEO, Bouygues

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

Alain Dupont
Chairman and CEO, Colas

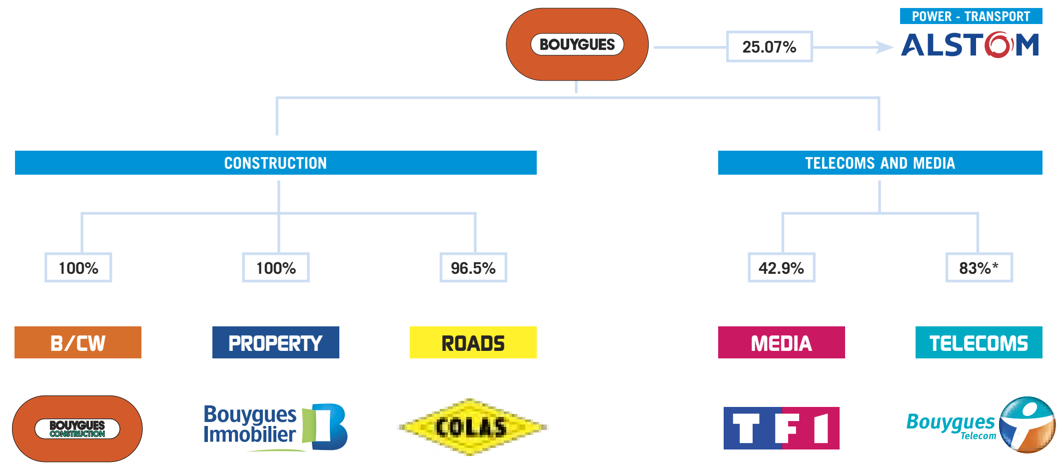
Yves Gabriel
Chairman and CEO, Bouygues Construction

Jean-Michel Gras
Director representing employee shareholders

Thierry Jourdaine
Director representing employee shareholders

Patrick Kron
Chairman and CEO, Alstom

Patrick Le Lay
Chairman and CEO, TF1



* consolidated at 89.5% since June 2005

Jean Peyrelevade
Vice-Chairman, Leonardo France

François-Henri Pinault
Chairman and CEO, PPR

Michel Rouger
Former Presiding Judge of Paris Commercial Court

Non-voting supervisors

Philippe Montagner

Alain Pouyat*

BOARD COMMITTEES

Accounts Committee

Michel Rouger (Chairman)
Patricia Barbizet
Georges Chodron de Courcel

Selection Committee

Jean Peyrelevade (Chairman)
François-Henri Pinault

Remuneration Committee

Pierre Barberis (Chairman)
Patricia Barbizet

Ethics and Sponsorship Committee

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

* Proposed to the Annual General Meeting of 26 April 2007

BOUYGUES AND ITS SHAREHOLDERS

Annual General Meeting held at Challenger on 27 April 2006

Listed in Paris since 1970, Bouygues is still one of the leading stocks in the market, as demonstrated by its inclusion in the CAC 40 index. Throughout this period, we have been committed to involving our shareholders in our initiatives, combining corporate responsibility with an entrepreneurial spirit.

Communicating with our shareholders

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

Financial press releases

- Our financial press releases, announcing our sales and earnings figures and major financial transactions, are distributed widely and immediately in France and around the world, through news agencies and over the internet. Since January 2007, we have issued regulated information through a service provider licensed by the Autorité des Marchés Financiers, in accordance with current laws and regulations.

- These announcements are also reproduced in notices placed in leading French and international financial, business and investment print media. During 2006, our notices were published in 13 different newspapers and magazines.

Website

In line with our commitment to timeliness, transparency and equal access to information, our website www.bouygues.com provides shareholders with detailed, constantly-updated news about Bouygues, including key performance indicators and information about our management, businesses and values.

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

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

Shareholders can also contact staff in the relevant departments at Bouygues SA via two dedicated e-mail addresses: servicetitres.actionnaires@bouygues.com and investors@bouygues.com

Publications

We regularly send our most important publications (“Bouygues in Brief”, the full annual report, and our in-house magazine *Le Minorange*) to our shareholders, especially our registered shareholders.

Results announcements

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

Meeting investors

Our senior management arranges regular meetings with our shareholders and with major French and foreign institutional investors, in order to establish and foster genuine dialogue.

- Three major meetings are held each year. Two of these coincide with the announcement of our full-year and first-half results; the third is the Annual General Meeting, which is held at Challenger, our former corporate headquarters building at Saint-Quentin-en-Yvelines near Paris. Publication of our quarterly results is accompanied by conference calls for professional investors and financial analysts.
- On 13 November 2006, we went on the road to meet our individual shareholders at a meeting held in Nice with the support of the French Federation of Investment Clubs (FFCI) and the French Association of Investor Relations Professionals (CLIFF). The next such meeting is scheduled for 15 October 2007 in Marseille.
- Over 300 contacts a year between Bouygues and investors and analysts from France and abroad help maintain constant dialogue. Outside France, our roadshows in key financial centres give major international investors an opportunity to meet our management team and quiz them about our strategy and prospects, and tell us what they think about Bouygues. These roadshows also help to raise our international profile. We held 13 roadshows in 2006 in countries such as the United Kingdom, the United States, Germany, Japan, Switzerland, the Scandinavian countries, the Netherlands and Belgium.
- We also take part in sector conferences aimed at French and international institutional investors. During 2006, Bouygues Telecom senior executives attended two major telecoms conferences, organised by Citigroup (London, March) and Morgan Stanley (Barcelona, November).
- Coverage of our stock by financial analysts expanded further during 2006. Currently, 23 brokers in France and abroad are actively following the company, compared with 18 at end-2005. Of these, 70% had Buy recommendations on the stock.

Registered share service

Since 1990, we have provided a registered share service offering personalised account-keeping to holders of fully registered shares (free of charge) and of administered registered shares. Holders of fully registered shares receive regular information from Bouygues, and have direct access to the company. All holders of registered shares (whether fully registered or administered) enjoy double voting rights once their shares have been held in this form for more than two years. Shareholders wishing to hold their shares as registered shares should contact their financial intermediary.

Bouygues Share Account Service contacts:

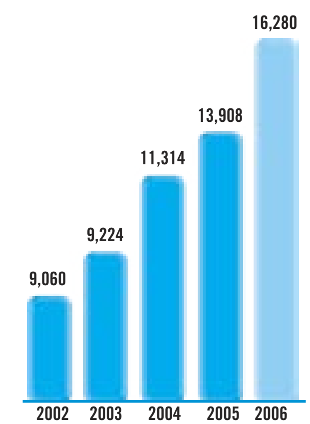
Tel.: +33 (0)1 44 20 11 07
+33 (0)1 44 20 10 73
Toll-free: 0805 120 007
(from fixed lines in France)
e-mail:
servicetitres.actionnaires@bouygues.com

Creating value

Market capitalisation

At end-2006, Bouygues had a market capitalisation of €16.3 billion, 17% higher than at end-2005. Because the number of shares outstanding was virtually unchanged, this performance was due primarily to the increase in the share price. Over 10 years, the value we have created for our shareholders has been impressive: €100 invested in Bouygues shares at the start of 1996 was worth €1,049 on 26 February 2007, representing annual growth of 23%. This calculation assumes that all dividends were reinvested in Bouygues shares, including the January 2005 exceptional payout of €5 per share (15% of our market capitalisation), made to reward our shareholders after several years of heavy investment by the Group.

Market capitalisation, 2002-2006
(€ million, at 31 December)

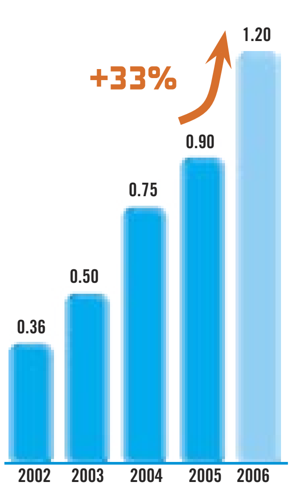


Dividend

Every year since 2003, we have increased the dividend paid to our shareholders, with dividend growth close to the rate of growth in recurring net profit.

On 27 February 2007, the Board of Directors decided to ask the Annual General Meeting to approve a substantially higher dividend for 2006: the proposed dividend of €1.20 per share represents a 33% increase on the 2005 dividend of €0.90. This proposal reflects our commitment to increase ordinary dividends and shareholder returns over the long term, and raises the dividend-to-earnings ratio (based on recurring profit) from 37% to 39%.

Ordinary dividend
(€ per share)



Share buybacks

We have a policy of repurchasing our own shares on the market in order to optimise return on equity and offset the dilutive effect of newly-issued shares.

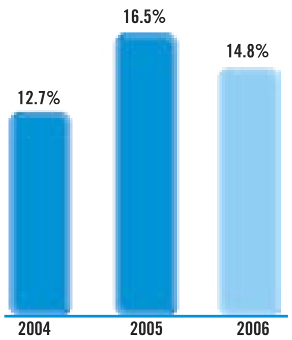
During 2006, we cancelled 6.4 million of our own shares (equivalent to 1.9% of the share capital as at 31 December 2006) to eliminate the dilutive effect of the new shares issued in early 2006 in connection with the Bouygues Confiance 3 employee share ownership plan and on the exercise of stock options.

Return on Capital Employed (ROCE)

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

In 2006, the Bouygues group reported ROCE of 14.8%, lower than in 2005 due to the €2.5 billion strategic investment in Alstom. Despite this investment, 2006 ROCE is still around double our weighted average cost of capital. ROCE has advanced significantly over the last 10 years, having stood at 8.6% in 1996.

ROCE*

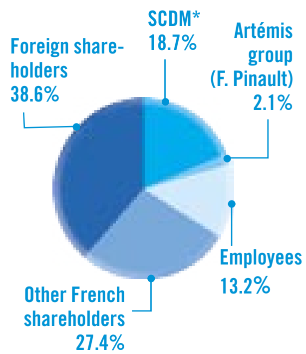


ROCE = (current operating profit after tax + share of profits/losses of associates) ÷ average capital employed
NB: average capital employed = shareholders' equity + debt

Share ownership at end-December 2006

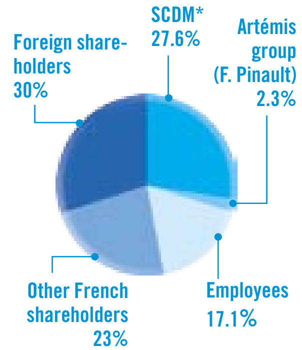
- There were a number of changes in the ownership structure of Bouygues SA during 2006. SCDM, a company controlled by Martin and Olivier Bouygues, increased its stake by half a percentage point. The stake held by the Artémis group (François Pinault) fell sharply by 5.7 percentage points following the April 2006 conversion of convertible bonds issued by Artémis in 2003. The interest held by employees was stable at 13.2%, giving Bouygues the highest rate of employee share ownership in the CAC 40. Finally, the percentage interest held by non-French shareholders showed a further increase, reflecting the higher profile of Bouygues among international investors.
- The difference between percentage ownership and voting rights is due to the fact that all investors who hold their shares in registered form for more than two years are given double voting rights.

Share ownership
at 31 December 2006



Number of shares: 334,777,583

Voting rights
at 31 December 2006



Number of voting rights: 430,943,889

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

Share price since 1 January 2006

During 2006, the Bouygues share price rose by 17.7%, in line with the 17.5% rise in the CAC 40 and the 15.1% rise in the DJ Euro Stoxx® 50 (an index comprising the 50 largest capitalisations in the euro zone, which does not include Bouygues).

Three main positive factors underpinned our share price performance: further growth in sales, profitability and orders for our three construction businesses; market share gains for Bouygues Telecom, thanks to the highly successful Neo and Exprima unlimited call plans; and the strategic partnership with Alstom, which enabled us to make a major investment in the power and transport markets.

Stock market performance since end-2005

2007 calendar

- **26 April 2007**
  Annual General Meeting
- **3 May 2007**
  Dividend payment
- **14 May 2007**
  First-quarter 2007 sales
- **6 June 2007**
  First-quarter 2007 earnings
- **9 August 2007**
  First-half 2007 sales
- **31 August 2007**
  First-half 2007 earnings
- **15 October 2007**
  FFCI/Cliff shareholder information meeting, Marseille
- **14 November 2007**
  Nine-month 2007 sales
- **5 December 2007**
  Nine-month 2007 earnings

Bouygues share factsheet

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

Contact

Anthony Mellor
Investor Relations Director
Tel.: +33 (0)1 44 20 12 77
Fax: +33 (0)1 44 20 12 43
Address: 32 Avenue Hoche
75008 Paris, France
e-mail: investors@bouygues.com

KEY FIGURES

FINANCIAL HIGHLIGHTS

€ million	2005	2006	2006/2005
Sales	23,983	26,408	+10%
EBITDA(1)	3,268	3,279	=
Operating profit	1,745	1,877	+8%
Net profit attributable to the Group	832	1,246	+50%
Recurring net profit(2)	824	1,038	+26%
Return on capital employed (ROCE)	16.5%	14.8%	-1.7 pts
Cash flow	3,090	3,155	+2%
Free cash flow(3)	1,104	789	-29%
Net debt (period-end)	5,561	6,493	+17%
Debt-to-equity ratio (period-end)	2,352	4,176	+78%
Ratio d'endettement (fin de période)	42%	64%	+22 pts
Net dividend (€ per share)	0.90	1.20(4)	+33%
Number of employees	115,441	122,561	+6%

(1) Current operating profit excluding net depreciation and amortisation expense and changes in provisions, and impairment losses (after reversals of utilised and non-utilised provisions and of impairment losses). (2) Net profit, excluding net profit attributable to the Group from discontinued operations: in 2006, this comprised €109 million for TPS and €99 million for Bouygues Telecom Caraïbe (BTC). (3) Cash flow minus (i) cost of net debt, (ii) income tax expense for the year and (iii) net capital expenditure. (4) To be submitted for approval by the Annual General Meeting on 26 April 2007

In accordance with IFRS, only the share of net profits from TPS and BTC, both of which were held for sale at 31 December 2005, was booked in the consolidated financial statements for 2005 and 2006.

Bouygues had another excellent year in terms of both sales and profit in 2006. The Group's three construction businesses and Bouygues Telecom generated particularly strong commercial momentum, posting record performances.

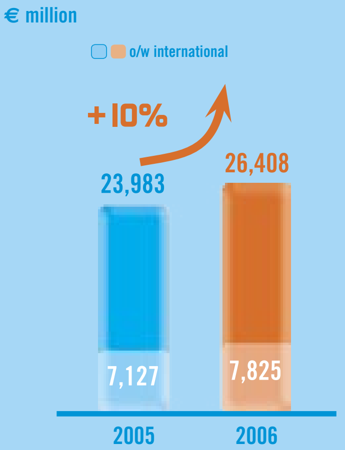
Sharp rise in net profit

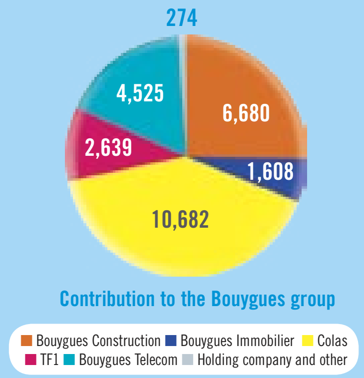
Sales reached €26.4 billion in 2006, a rise of 10%, with all businesses contributing to growth. Operating profit increased by 8% to €1,877 million. Net profit, which climbed by 50%, included the share of profit attributable to the Group from discontinued operations: €109 million for TPS and €99 million for Bouygues Telecom Caraïbe (BTC). Recurring net profit, which excludes these items, rose by 26%. Alstom, accounted for as an associate (by the equity method) over the last six months of 2006, contributed €56 million to consolidated net profit for the year.

Healthy balance sheet

Net debt was €4,176 million at 31 December 2006; the debt-to-equity ratio was 64%. Excluding the €2.5 billion investment in Alstom, consolidated net debt fell by €700 million. Bouygues continued to enjoy a Standard & Poor's A- rating with stable outlook.

SALES: €26.4 billion





Contribution to the Bouygues group

Bouygues group. Consolidated sales for 2006 were €26.4 billion, 10% up on the previous year, both in France and internationally. All businesses reported growth.

Bouygues Construction. Sales grew by 15% (11% on a like-for-like basis and at constant exchange rates), thanks to excellent market conditions for building in France, the start of major international projects during the year, and expansion in the electrical contracting and maintenance business (ETDE).

Bouygues Immobilier. Sales rose by 3%. Over the year as a whole, housing reported an increase of 20% while, as expected, commercial property sales declined (by 32%) as the cycle bottomed out.

Colas. Sales rose by 13%, or by 11% on a like-for-like basis and at constant exchange rates. Positive factors included favourable market conditions, fine weather (especially in France and North America), and the impact of the rises in raw material prices.

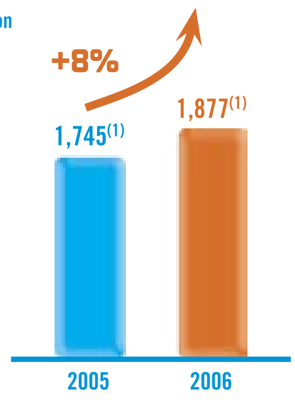
TF1. Sales were 6% higher. Net advertising revenue for the TF1 channel rose by 3.7%, and revenue from other activities were up by 10%.

Bouygues Telecom. Sales rose by 2%* in 2006, while net sales from network increased by 1.3%*. In commercial terms, Bouygues Telecom performed well in 2006, thanks to the success of the Neo, Exprima and Universal Mobile consumer call plans and the line-up for businesses.

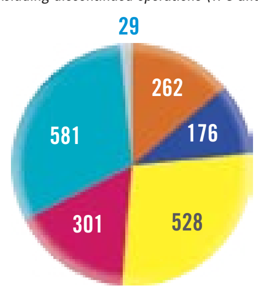
** On a like-for-like basis (excluding BTC)*

OPERATING PROFIT: € 1,877 million

€ million



(1) Excluding discontinued operations (TPS and BTC)



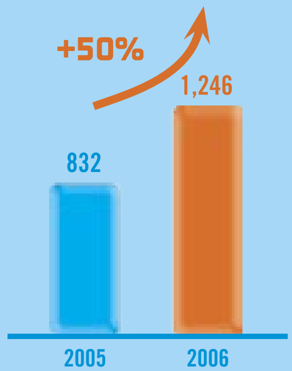
Contribution to the Bouygues group

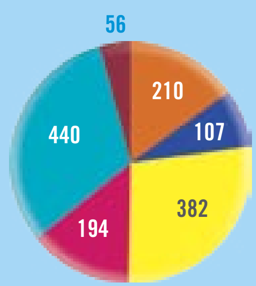
Operating profit advanced broadly in line with sales during 2006.

The construction businesses achieved a further improvement in current operating margin in 2006. Conversely, TF1 and Bouygues Telecom saw margins eroded by commercial expenses: costs related to the Football World Cup in the case of TF1, and marketing costs incurred on the successful launch of the Neo and Exprima unlimited call plans on 1 March 2006 in the case of Bouygues Telecom.

NET PROFIT ATT. TO THE GROUP: € 1,246 million

€ million



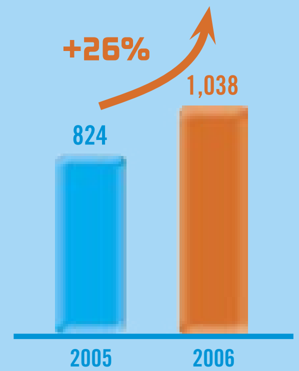


Net loss from "Holding company and other": €143 million

Contribution to the Bouygues group

RECURRING NET PROFIT: € 1,038 million

€ million



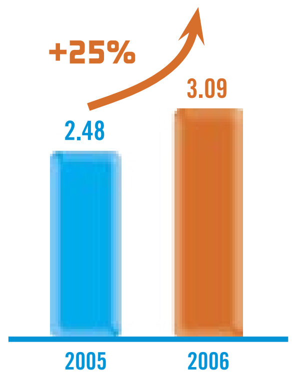
Net profit attributable to the Group surged by 50% in 2006 to €1,246 million. This figure includes profit of €208 million attributable to the Group from discontinued operations: TPS (€109 million) and BTC (€99 million). Both these divested businesses were created and developed organically within the Bouygues group.

All businesses grew their contribution to Group net profit.

Excluding net profit from these discontinued operations, recurring net profit rose by 26%.

Alstom, in which Bouygues holds a 25.1% interest, was accounted for as an associate (by the equity method) over the last six months of 2006, contributing €56 million to consolidated net profit.

RECURRING EARNINGS PER SHARE: €3.09



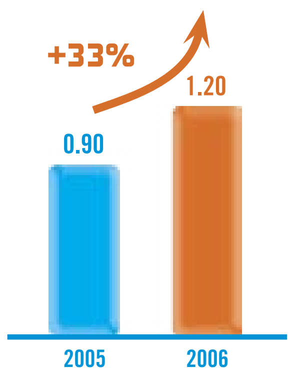
Recurring earnings per share (excluding net profit from discontinued operations) was €3.09. Earnings per share based on total net profit attributable to the Group was €3.71.

The average number of shares in issue was higher in 2006 than in 2005.

Over the five years from 2002 to 2006, recurring earnings per share has been multiplied by 3.3.

NET DIVIDEND PER SHARE: € 1.20

€ per share



Once again, Bouygues increased shareholder returns in 2006.

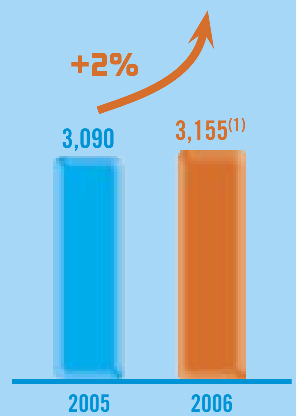
Thanks to healthy 2006 results and a favourable outlook, the Group was able to propose a further substantial increase in the dividend.

The Board of Directors will ask the Annual General Meeting of 26 April 2007 to approve a dividend of €1.20 per share. This represents an increase of 33%, in line with growth in recurring net profit. The dividend will be paid on 3 May 2007.

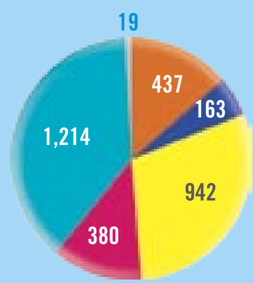
Between 1996 and 2006, Bouygues has paid out an aggregate of €3.1 billion to its shareholders in dividends. This includes €1.4 billion of ordinary dividends, plus the exceptional payout of €1.7 billion (€5 per share) made on 7 January 2005, equivalent to 15% of the market capitalisation at that time.

CASH FLOW: €3,155 million

€ million



(1) Excluding discontinued operations (TPS and BTC)



Contribution to the Bouygues group

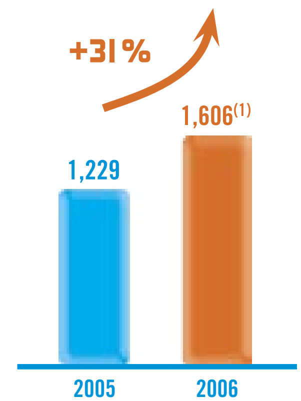
Bouygues Construction ■ Bouygues Immobilier ■ Colas
■ TF1 ■ Bouygues Telecom ■ Holding company and other

Cash flow generated by the Bouygues group showed a slight increase of 2% in 2006.

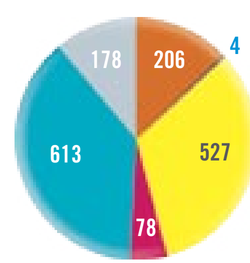
Bouygues retains substantial capacity to fund future development.

NET CAPITAL EXPENDITURE: € 1,606 million

€ million



(1) Excluding discontinued operations (TPS and BTC)



Contribution to the Bouygues group

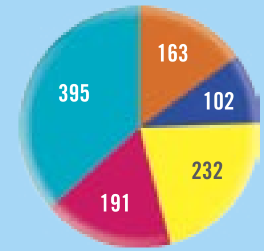
Bouygues Construction ■ Bouygues Immobilier ■ Colas
■ TF1 ■ Bouygues Telecom ■ Holding company and other

Net capital expenditure rose sharply during 2006, reflecting expansion in the activities of Bouygues Construction and Colas.

The amount shown for "Holding company and other" relates primarily to the new corporate headquarters on Avenue Hoche in Paris.

FREE CASH FLOW*: €789 million

€ million



Contribution to the Bouygues group

Bouygues Construction ■ Bouygues Immobilier ■ Colas
■ TF1 ■ Bouygues Telecom ■ Holding company and other

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

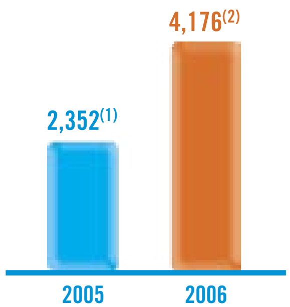
Bouygues generated cash flow of €3,155 million in 2006, 2% higher than in 2005. After deducting the cost of net debt (€200 million), income tax expense for the year (€560 million) and net capital expenditure (€1,606 million), free cash flow was €789 million, a reduction relative to the 2005 figure.

This trends reflects a higher level of capital expenditure by the Group.

(*) "Holding company and other" generated negative free cash flow of €294 million.

NET DEBT: €4,176 million

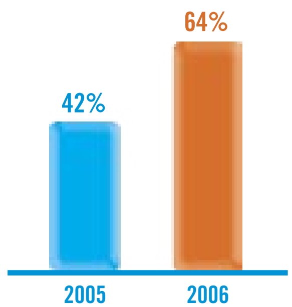
€ million



(1) Excluding TPS

(2) Excluding TPS and BTC

DEBT-TO-EQUITY RATIO: 64%



Bouygues' financial position remained healthy at end-2006.

Net debt was €4.2 billion, or 64% of equity. Excluding the €2.5 billion investment in Alstom, net debt fell by €700 million year on year, thanks to improved operating performances.

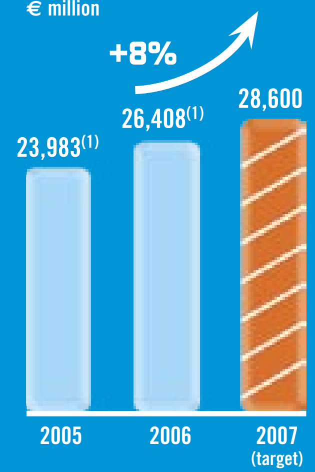
There was a mixed picture across the various businesses. Bouygues Construction and Bouygues Telecom significantly improved their cash positions, reporting surplus cash of €2,059 million (up €185 million) and €66 million (up €507 million) respectively. At Colas, the cash surplus of €409 million was virtually unchanged year on year (down €6 million). TF1 reported a slight increase in net debt of €28 million, to €379 million. Bouygues Immobilier again showed a net cash surplus, of €26 million, though at a lower level than in 2005 due to increased working capital needs.

Net debt reported at "Holding company and other" level amounted to €6,357 million. The sharp increase relative to the previous year reflects the strategic investment in Alstom of €2,524 million.

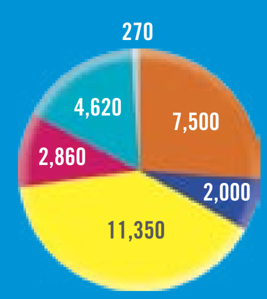
In view of this robust financial position, with an evenly spread debt maturity profile and excellent liquidity, Standard & Poor's has maintained Bouygues' A- rating with stable outlook.

2007 SALES TARGET: €28,600 million

€ million



(1) Excluding discontinued operations (TPS and BTC)



Contribution to the Bouygues group

Bouygues Construction · Bouygues Immobilier · Colas · TF1 · Bouygues Telecom · Holding company and other

The prospects for 2007 are good: Bouygues expects full-year sales to reach €28.6 billion, up 8% on 2006 (7% in France and 10% in international markets).

All businesses are expected to achieve growth:

12% for Bouygues Construction, thanks to the high level of orders booked in 2006 and development of major international projects;

24% for Bouygues Immobilier, driven by an upturn in commercial property and continuing buoyancy in the French residential property market;

6% for Colas, with French markets stabilising at a high level and fine prospects abroad;

8% for TF1, which will benefit from the decision to allow retailers to advertise on television;

2% for Bouygues Telecom, with a continuing negative effect from incoming call rate cuts (18% cut on 1 January 2007) imposed by the regulator, offset by growth in the subscriber base.

SUSTAINABLE DEVELOPMENT IN THE GROUP

Sustainable development is a growing and legitimate aspiration expressed by the Group's customers, partners and employees. It also represents an economic opportunity. The Group continued to structure and step up its actions for sustainable development in 2006.

Strategy

Sustainable development is an integral part of the Group's strategy in all its businesses. Applying the principle of continuous improvement, Bouygues SA and its subsidiaries have drawn up roadmaps in response to the challenges they face. The roadmaps include measurable targets.

In 2005, Bouygues SA created a Sustainable Development Department headed by Deputy CEO Olivier Bouygues. Its mission is to foster a virtuous circle in the Group based on sharing best practice in the sphere of social and environmental responsibility, raising awareness among employees and providing training, and supporting business areas as they address sustainable development issues.

Sustainable development in the Group's business areas

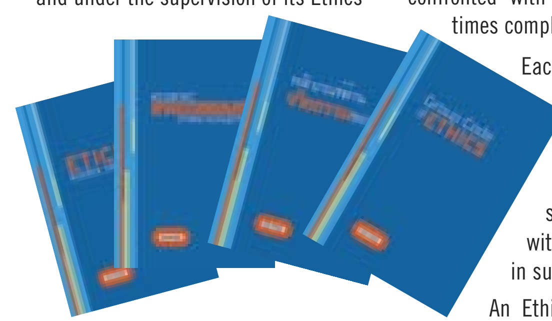
A sustainable development report for each of the Group's business areas is included in the section on business activities in 2006.

Global Compact

Bouygues SA signed up to the United Nations Global Compact on 8 December 2006. The participation of the parent company, joining Bouygues' five business areas, means that the entire Group is now committed to the initiative. Within the framework of the Global Compact, Bouygues undertakes to embrace, support and enact a set of core values in the areas of human rights, labour standards, the environment and anti-corruption. As a signatory to the Global Compact, the Group reflects the Global Compact's 10 principles[1] in its business practices and will communicate annually on progress made, highlighting one initiative per business area per year.

Code of Ethics

In 2006, Bouygues' Board of Directors decided to adopt and distribute a Code of Ethics, prepared at the instigation and under the supervision of its Ethics and Sponsorship Committee.



In the Code of Ethics, Bouygues asserts the core values it aims to observe in view of its responsibilities towards its customers, employees, shareholders, public- and private-sector partners and civil society as a whole. Bouygues expects all Group employees to comply with these core values of respect, fairness and honesty in the workplace.

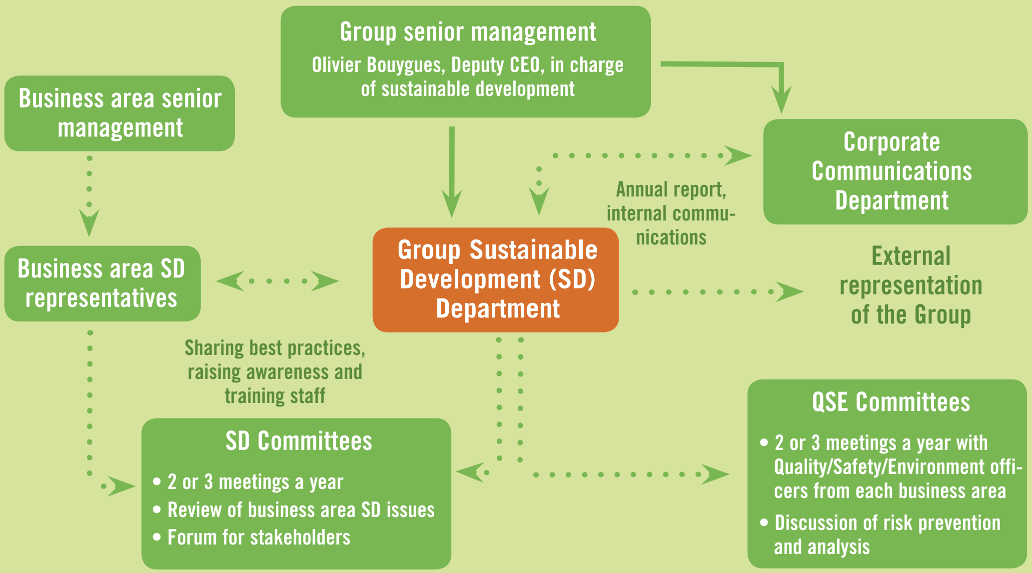
The Code of Ethics thus calls on all staff, whatever their level, to adopt the set of professional ethics it enshrines. It points out that certain practices, such as corruption, or the financing of political activity in France, are strictly prohibited. It also contains recommendations intended to help employees decide how they should behave when confronted with real-life and sometimes complex situations.

Each Group entity must implement the Code of Ethics, which emphasises the particular responsibility of managers with regard to their staff in such matters.

An Ethics Officer has been appointed and the Code makes provision for whistleblowing. The Ethics and Sponsorship Committee has made sure that the whistleblowing procedure is entirely consistent with the authorisation issued by the

(1) See www.unglobalcompact.org/AboutTheGC/TheTenPrinciples/index.html

Our organisation



Commission Nationale Informatique et Libertés (CNIL), the French data protection watchdog, on 8 December 2005.

SRI index

In March 2007, Bouygues was included in the ECPI Ethical Index Euro for socially responsible investment (SRI). The index contains 150 listed companies in the euro zone, selected for their best practice in social, environmental and ethical matters. Inclusion in other SRI indexes is one of Bouygues' objectives.

Membership of CSR Europe

In October 2006, Bouygues SA joined CSR Europe, a Brussels-based network of 65 European multinationals created in 1995 to foster exchange on best practice in social and environmental responsibility.

Executive training

For several years now, the Bouygues group has regarded training as a preferred way of disseminating and implementing the values it wishes to promote and observe. Many seminars are organised, both within subsidiaries and at Group level.

The Bouygues Management Institute (IMB) was created in 1999 to train, inform and motivate Group senior executives. Seminars on "Development of Bouygues Values" and "Respect & Performance" are organised several times a year for executives from the Group's different business areas. A total of 2,511 managers have attended 192 seminars since their creation. Martin Bouygues has spoken at each of the 32 seminars on the Group's values, enabling executives to hear what their Chairman and CEO has to say on the subject and have their questions answered.

A new one-day seminar on "Social & Environmental Responsibility" was introduced in 2006, with each session training 12 to 15 managers in sustainable development matters. They are told about the steps some companies have taken to address the issues. After discussing their own practices and convictions, they are invited to think about where and how improvements can be made. Two sessions took place in 2006 and over 100 executives will have attended the seminars by the end of 2007.

Communications

The actions of the Sustainable Development Department and its associated committees are explained and updated in the Bouygues group's internal and external communications media, such as the Group website www.bouygues.com, *Le Minorange* (the Group's in-house magazine with a circulation of 50,000) and *Challenger Express,* a bi-monthly newsletter for the Group's 3,500 managers. A section containing practical advice on sustainable development has also been posted on the Bouygues SA intranet site.

Extra-financial performance

To enhance measurement of its extra-financial performance, the Bouygues group will implement a dedicated software application in all its operating units in 2007.

The Group's values

- **People** are our greatest resource.
- **Customers** are the reason for the company's existence and satisfying them our only goal.
- **Quality** is the key to competitiveness.
- **Creativity** enables us to offer our customers original, practical solutions at the best cost.
- **Technical innovation,** which improves the cost and efficiency of our products, underpins our success.
- **Respect** for oneself, for others and for the environment inspires our everyday behaviour.
- **Promotion** is based on individual merit.
- **Training** gives our people the means to extend their knowledge and enhance their professional life.
- **Young people** and their potential will forge the company's future.
- **Challenge** drives progress. To stay a leader, we must act like a challenger.
- **Attitude** is more powerful than technical and economic strength alone.

The Francis Bouygues Foundation helps high-school leavers to continue in higher education

Self-assessment

Bouygues SA has developed self-assessment software since 2002. Dubbed Abby, the software enables managers to compare themselves with the European Foundation for Quality Management (EFQM) model, using an anonymous voting system. Tracking and updating managerial best practice in sustainable development, the software covers the main contributing factors to sustainable excellence, divided into nine separate criteria. The self-assessment exercise also helps to identify an organisation's strengths and areas for improvement. The steps needed to achieve progress are then discussed and ranked by order of importance. Six Abby self-assessments were performed in the Group in 2006.

Sponsorship

On 26 April 2006, Bouygues SA signed a sponsorship agreement with the French Ministry of Defence and the Ministry of Culture and Communication for restoration of the Hôtel de la Marine on the Place de la Concorde in Paris. Bouygues is financing and carrying out the restoration at a cost of €6.2 million. The work includes renovating the peristyle, the golden gallery and the two formal reception rooms of this listed building, which has been the headquarters of the French Navy since 1789. The restoration is taking place under a skill sponsorship scheme whereby Bouygues, through its construction subsidiaries, is providing construction expertise and its experience of restoring historical monuments.

The Hôtel de la Marine is being restored under a skill sponsorship scheme

Bouygues SA is providing €200,000 a year over three years to support an experimental high-school project instigated by the Paris Institute of Political Studies to combat under-achievement at school in the northern suburbs of Paris. The project, launched in September 2006, concerns 500 pupils in 17 general and vocational tenth-grade classes in four high schools.

In 2006, Bouygues also supported 30 or so charities working mainly in the social, humanitarian and medical sphere, donating a total of €3.2 million.

Francis Bouygues Foundation

The Francis Bouygues Foundation, created in 2005, helps deserving high-school leavers to continue in higher education. Mentored by a Bouygues employee, each student receives a grant of €1,500 to €8,000 a year for four to six years. Following the 17 students selected in 2005, the Foundation chose 49 recipients to form its Class of '06. This is the Bouygues group's first cross-cutting sponsorship initiative, complementing the operations carried out independently by Bouygues SA and the five business areas.

Employee share ownership

Prompted by the Group's healthy full-year results and the positive outlook for 2007, Martin Bouygues proposed to the Board of Directors that employees should share the benefits through a new employee share ownership plan. Called Bouygues Partage, the plan is accessible on equal terms and combines three advantages:

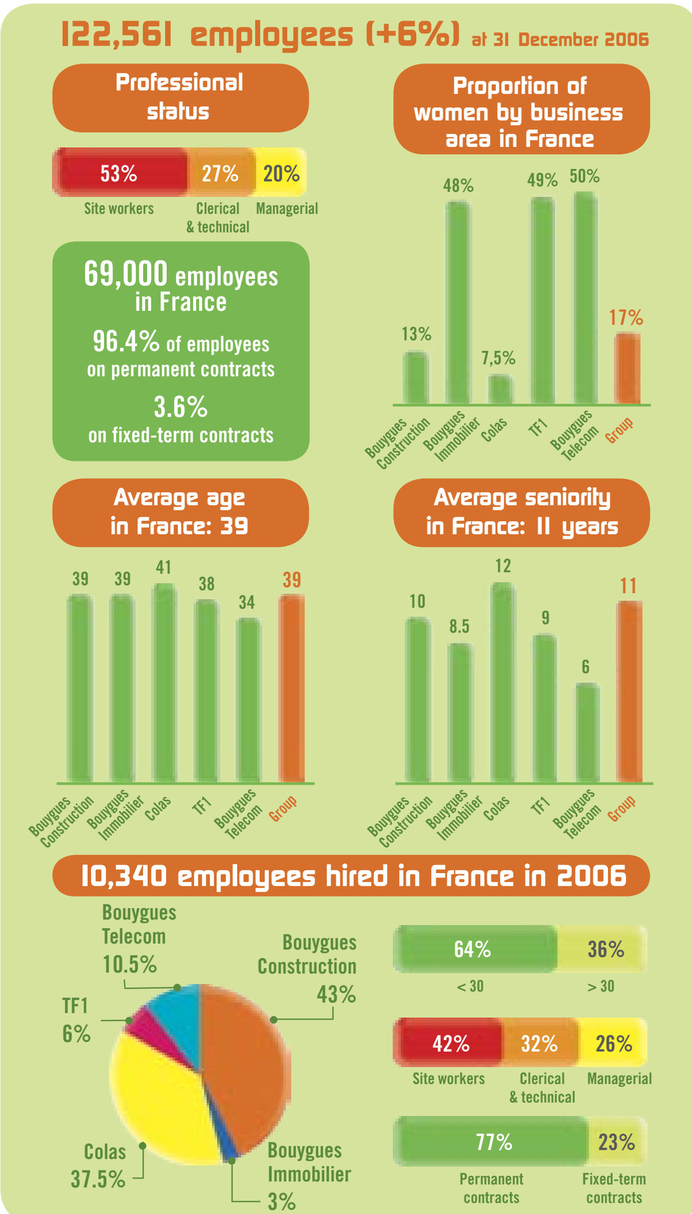
- a 20% discount for the subscription of three Bouygues shares;
- an employer's matching contribution equivalent to the purchase price of nine shares per investor;
- gearing, which brings the number of subscribed shares to 120.

For the price of three shares, each investor will thus be able to own 12 shares after five years and any capital gains on 108 other shares.

Bouygues Partage is consistent with the Group's core belief that employees should be given a direct interest in its success. Counting all staff-only mutual funds, employees are jointly Bouygues' second largest shareholder with 13.2% of the stock and 17.1% of the voting rights at 31 December 2006. This figure makes Bouygues the French CAC 40 company with the highest level of employee share ownership.

Operations in Africa

Finagestion, a Bouygues subsidiary, has taken over Saur's activities in Africa since the firm was sold to the investment fund PAI in 2004. Several



The Group plans to hire over 10,000 employees in France in 2007

social and environmental responsibility initiatives were undertaken in 2006. In Senegal, SDE (Sénégalaise des Eaux) coordinated environmental protection actions on Gorée Island, a UNESCO world heritage site. The island is currently being rehabilitated and work is being carried out to enhance its natural resources. SDE, the first company in Senegal to be awarded quality and safety certification, continued its fight against AIDS in the country, carrying out a number of actions that include screening, prevention of mother-daughter transmission and awareness-raising. CIE (Compagnie Ivoirienne d'Electricité) conducted a similar campaign in Ivory Coast.

Partnership

The Bouygues group will adopt Total Excellium Diesel fuel for its entire vehicle fleet in France.

The decision was taken after a six-month trial by Bouygues Construction in which the performance of Total Excellium Diesel was compared with conventional diesel fuel. The trial, conducted in partnership with quality and standards organisations AFAQ and AFNOR, resulted in fuel savings of 3.7% and a 3.7% reduction of carbon dioxide emissions.

The Bouygues group aims to reduce fuel consumption and carbon dioxide emissions by 5% by the end of 2007.

Outlook for 2007

At Martin Bouygues' instigation, a number of cross-cutting actions will be taken in 2007:

- step up measurement of extra-financial performance;
- develop expertise in "sustainable neighbourhoods" and energy-efficient buildings;
- enhance health-related aspects of Quality/Safety/Environment management systems;
- give further thought to sustainable development marketing;
- implement a "Kyoto" plan for the Group.

The unique curved glass staircase in the entrance hall to Bouygues' new headquarters required months of research and tests.

2. Business activities and sustainable development

22 Bouygues Construction
34 Bouygues Immobilier
46 Colas
58 TF1
70 Bouygues Telecom
82 Sustainable development: additional indicators by business
84 Bouygues SA
86 Alstom: promising cooperation
90 Highlights since 1 January 2007

FULL-SERVICE CONTRACTOR

Excellent commercial and financial performance in 2006

Machang Bridge, South Korea

Bouygues Construction is one of the world's leading construction firms. Operating in building, civil works and electrical and HVAC engineering, its know-how covers the entire project life-span from design to maintenance.

Highlights

PPP/PFI projects

- Prisons in Le Havre, Le Mans and Poitiers in France (€234m).
- Waltham Forest Schools in the UK (€39m).
- Street lighting in Redcar and Cleveland in the UK (€59m).

Major contracts concluded

- A41 motorway in France (€512m).
- Cyprus airports (€488m).
- Flamanville EPR nuclear power plant in France (€348m).
- Ritz-Carlton Hotel in Dubai (€155m).

Projects under construction

- Olkiluoto nuclear power plant in Finland (€170m).
- T1 tower in Paris-La Défense (€97m).

Projects delivered in 2006

- Lok Ma Chau tunnel in Hong Kong (€290m).
- Central Middlesex Hospital in London (€108m).

Sales 2006
€6,923m
(+13%)

Current operating margin
4.4%
(+0.3 point)

Net profit att. to the Group
€209m
(+19 %)

Order book
€8,668m
(+45%)
New accounting method

Employees
42,900

Sales target 2007
€7,800m
(+13%)

Outstanding performance

Record order intakes: €9 billion (+38%)

2006 was an outstanding year for Bouygues Construction, which recorded a 34% increase in orders in France to €5.3 billion and a 44% increase in its international markets to €3.7 billion.

Altogether, order intakes rose by 38% to reach record levels. This achievement, combined with the order books of companies acquired during the year, explains the strong growth in overall orders, which rose by 45% to €8,668 million, exceeding sales during the year (€6,923 million) for the first time in five years.

Sharp rise in sales: up 13% to €6,923 million

Bouygues Construction reported strong growth in all its business areas. In France, sales rose by 17% to €4,268 million and on international markets by 7% to €2,655 million.

Acquisitions in 2006 enabled Bouygues Construction to expand its network in Europe while consolidating its skills in high value-added activities.

Three significant acquisitions in Europe

- With the acquisition of Marazzi (sales of €98 million), Losinger Construction stepped up the pace of its growth in German-speaking Switzerland and in the property development sector.
- Bouygues Bâtiment International acquired a majority stake in VCES (sales of €116 million) in the Czech Republic, expanding its services in the design, financing, construction and operation of major projects.
- Thermal Transfer (sales of €109 million) has acknowledged expertise in the turnkey design and construction of clean rooms. This third acquisition underlines ETDE's determination to expand in the United Kingdom, its second largest market after France.

The Ritz-Carlton Hotel project in Dubai

DTP Terrassement

A jump in net profit: up 19% to €209 million

The net margin rose from 2.9% in 2005 to 3% in 2006 as the group continued its policy of carefully selecting projects and controlling risks.

A further increase in net cash

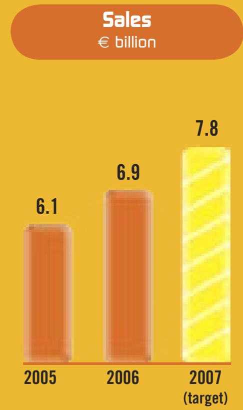
Bouygues Construction's net cash surplus rose by €185 million to €2,059 million. As well as contributing to its control of construction risks, it gives the group the capacity to pursue its development strategy.

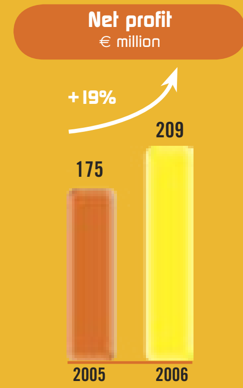
Cash flow rose by 7% to €437 million. Bouygues Construction continued its active growth policy in 2006, recording a net capital outlay (cash flow) of €391 million.

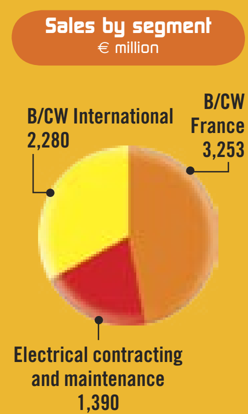
Building and civil works

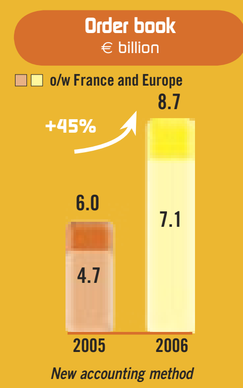
France

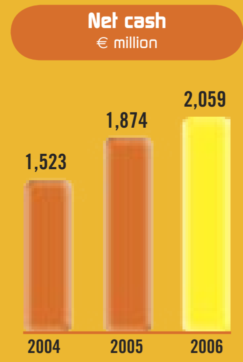
2006 was a record year for the construction industry in France. Demand for new housing remained very strong, with a record 421,000 new housing starts. The improvement in the non-residential market in 2005 gathered pace in 2006, especially in the construction of public buildings, offices and industrial buildings. The volume of completed civil engineering work increased by more than 7%.

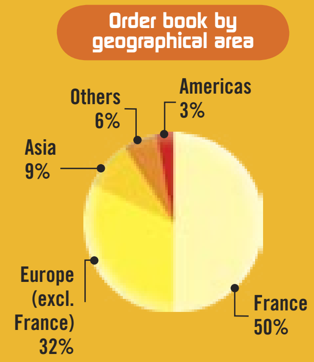












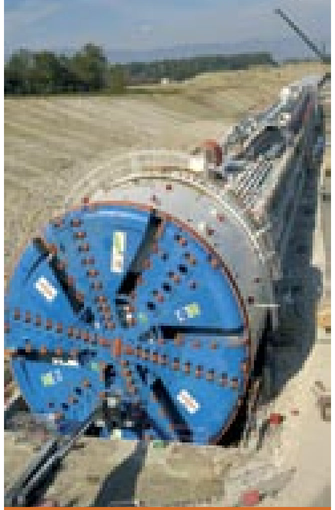
CONSOLIDATED BALANCE SHEET AT 31 DECEMBER

ASSETS (€ million)	2005	2006
• Tangible and intangible fixed assets	265	400
• Goodwill	175	293
• Non-current financial assets	218	219
NON-CURRENT ASSETS	658	912
• Current assets	2,255	2,894
• Cash and equivalents	2,074	2,399
• Financial instruments (debt-related)	-	-
CURRENT ASSETS	4,329	5,293
• Held-for-sale assets	-	-
TOTAL ASSETS	4,987	6,205

LIABILITIES (€ million)	2005	2006
• Shareholders' equity att. to the Group	414	526
• Minority interests	4	5
SHAREHOLDERS' EQUITY	418	531
• Long-term debt	122	229
• Non-current provisions	519	587
• Other non-current liabilities	1	3
NON-CURRENT LIABILITIES	642	819
• Debt (amount due within one year)	4	5
• Current liabilities	3,849	4,744
• Overdrafts and short-term bank borrowings	74	106
• Financial instruments (debt-related)	-	-
CURRENT LIABILITIES	3,927	4,855
• Liabilities on held-for-sale assets	-	-
TOTAL LIABILITIES	4,987	6,205
NET DEBT	(1,874)	(2,059)

CONSOLIDATED INCOME STATEMENT

(€ million)	2005	2006
SALES	6,131	6,923
CURRENT OPERATING PROFIT	249	305
• Other operating income and expenses	(11)	(43)
OPERATING PROFIT	238	262
• Income generated by net financial surplus	32	51
• Other financial income and expenses	1	9
• Income tax expense	(114)	(119)
• Share of profits and losses of associates	19	8
NET PROFIT BEFORE RESULTS OF DISCONTINUED AND HELD-FOR-SALE OPERATIONS	176	211
• Net profit of discontinued and held-for-sale operations	-	-
NET PROFIT	176	211
• Minority interests	(1)	(2)
CONSOLIDATED NET PROFIT ATTRIBUTABLE TO THE GROUP	175	209



The A41 tunnel-boring machine

On a market worth an estimated €184 billion, Bouygues Construction is one of the three major players alongside Vinci and Eiffage. The rest of the market is shared between a large number of small and medium-sized regional firms. The market leader in the Paris region, Bouygues Construction is also one of the top four construction firms in each of the five main French regions.

Diversification into high value-added businesses, coupled with an ongoing strategy of careful project selection and risk control, has laid the foundations for a significant improvement in the group's performance in recent years. Bouygues Construction aims to be a market benchmark in public-private partnerships (PPP) and property development, which involves putting together projects by identifying sites, introducing investors and users, and providing design and construction expertise. Through its specialist subsidiaries, Bouygues Construction is positioned as a full-service contractor for its clients, whether public- or private-sector investors or local authorities, taking account of all their expectations in order to bring their projects to fruition.

On a flourishing market, **Bouygues Bâtiment Ile-de-France** reported an 18% increase in sales to €1,376 million – a considerably higher increase than the market average of 5%. It stepped up its expansion in the renovation market, winning three contracts worth over €50 million each, including one for €82 million to renovate the offices of French MPs on Rue de l'Université in Paris, and confirmed its arrival in the property development sector by winning a €68 million contract for the Porte des Poissonniers redevelopment project. It also demonstrated its commitment to sustainable development by delivering the new headquarters of Bouygues SA (the Group's parent company), the first office building in Paris with HQE (High Environmental Quality) certification.

The French regional subsidiaries of **Bouygues Entreprises France-Europe,** operating on both building and civil works markets, reported a 17% increase in sales across all their markets to €1,554 million. One highlight in 2006 was the growing share of major infrastructure projects, since the group took orders for five projects worth over €40 million each, compared with just one in 2005: the A41 motorway, hospitals in Evreux, Caen and Clermont-Ferrand, and a prison in Mont-de-Marsan. The strong growth of its Cirmad property development subsidiaries also made a substantial contribution to this fine performance, since their sales increased by over 50% in 2006.

Bouygues Travaux Publics, focusing on major infrastructure projects, reported sales of €242 million in France in 2006. The year saw the start of work on a number of large-scale projects, including the A41 motorway (€512 million) and the Toulon tunnel (€89 million). Following on from the Olkiluoto nuclear power station in Finland and several first-generation power stations, the award of the €348 million contract to build the Flamanville EPR nuclear power plant testifies to the group's expertise in nuclear civil engineering. DTP Terrassement, which generated sales of €105 million in France in 2006, extended its coverage in France by establishing regional branches, a move which should increase the proportion of recurring business.

International

Internationally, Bouygues Construction operates through local subsidiaries or consortia formed for specific projects. Competition is fierce, against a backdrop of consolidation among European groups, the return of American firms since 2003 and the rise of players from emerging countries. According to the annual survey conducted by the magazine *Engineering News Record* (ENR) in December 2006, the top 225 international construction firms generated sales of €160 billion ($189 billion) outside their home markets in 2005, an increase of 13% in dollar terms (30% in euro terms) in relation to 2004.

In the **United Kingdom,** a market worth an estimated €192 billion, Bouygues UK concentrated on PFI projects for hospitals (it delivered the Central Middlesex Hospital), schools (it signed contracts worth €155 million for schools in Peterborough and

T1 Tower, Paris-La Défense

Bouygues UK delivered the Central Middlesex Hospital

Lewisham) and social housing, sectors in which the government has embarked on major construction programmes. In **Switzerland,** Losinger stepped up its growth (+26% in 2006), especially in the German-speaking part of the country. The acquisition of Marazzi will enable the firm to strengthen its property development business and hence to become a major player in the Swiss construction industry. In **Cyprus,** Bouygues Bâtiment International began work on the €488 million airports project, the group's first airport concession.

In **Eastern Europe,** Bouygues Construction aims to secure a long-term presence through the solid performance of its local subsidiaries. Growth of 59% in Romania was stimulated by opportunities arising from the country's entry into the European Union in 2007. Growth was even higher in Russia (64%), where prospects are particularly bright in Yekaterinburg, with the conclusion of a €72 million contract for a Hyatt hotel. The acquisition of VCES gave Bouygues Bâtiment International a firm foothold in the Czech Republic, one of the fastest-growing economies in the European Union. The Czech construction sector expanded by 4.2% in 2005.

In 2006, DTP Terrassement, in partnership with Bouygues Travaux Publics and VSL, won a €72 million contract to build a 22-kilometre section of the A4 motorway in Poland, a project consistent with its expansion strategy in Central Europe.

Bouygues Construction has a long-standing presence in the **Asia-Pacific zone** through its Dragages subsidiary, established in Hong Kong since 1955. It is taking advantage of the opportunities created by development of the New Territories, in particular targeting projects requiring a high level of technical skill, such as the €46 million extension of the Ocean Park amusement park.

Bouygues Thai, the third largest construction firm in Thailand, generated 80% of its business from the construction of luxury residential towers – it is building three 231-metre apartment blocks at a cost of €43 million – and benefited from the country's rapid growth. In China, Bouygues Travaux Publics teamed up with local contractor STEC in a joint venture to build the €71 million Chongming Tunnel between Changxing Island and Shanghai-Pudong.

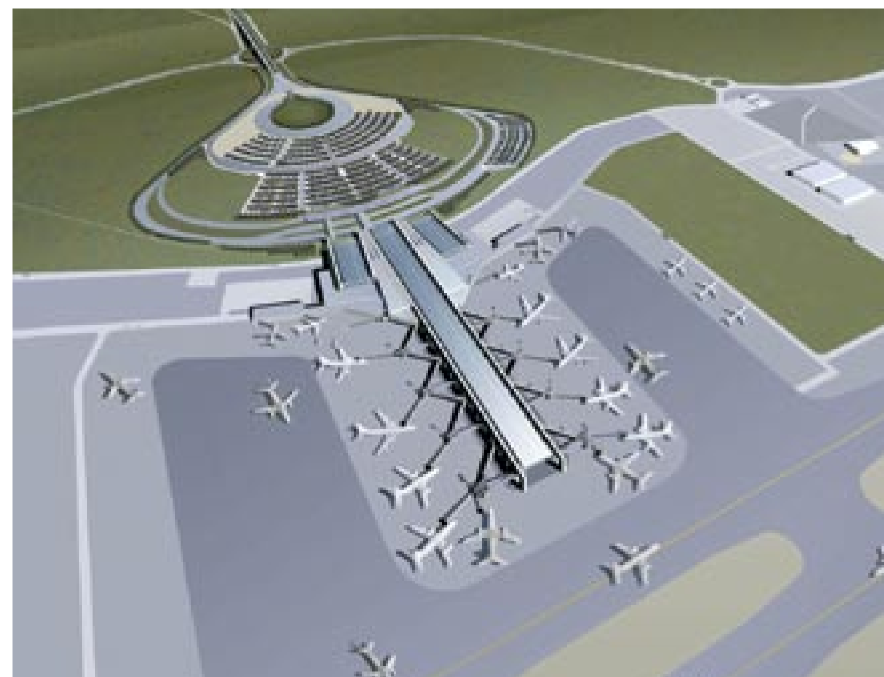
Bouygues Construction continued its development strategy in the **Middle East**. Following on from the contract to precast and erect 45 kilometres of viaducts for the Dubai light rail transit system won by VSL in 2005, the group clinched a €155 million contract to build a Ritz-Carlton Hotel in Dubai and a €76 million contract for the Equestrian Club project in Jeddah. Some 80 hotel projects are scheduled in this very fast-growing region over the next four years.

Present in Cuba since 1997 and in Trinidad and Tobago since 2005, Bouygues Bâtiment International continued its expansion in the **Americas**, especially the Caribbean, where it expects to conclude a first contract in the Turks and Caicos Islands in 2007.

The region is experiencing an unprecedented tourist boom, with thousands of hotel rooms either planned or under construction.

In Jamaica, where the civil engineering market has been stimulated by the mining of bauxite, one of the country's main natural resources, Bouygues Travaux Publics delivered the second phase of Highway 2000 (€63 million), operated by the Concessions Division.

In **Africa,** where DTP Terrassement has operated for many years, the firm focused on internationally financed projects like the €22 million renovation of the link between Brazzaville and Kinkala in the Congo. In Morocco, having completed the port of Tangiers project (€187 million), the group benefited from the rise in tourism and business travel, winning a €47 million contract to build a hotel complex in Marrakesh.



Cyprus airports project

Electrical contracting and maintenance

ETDE has three lines of business with a substantial services component: utility networks (37% of sales), electrical and HVAC engineering (25%) and facilities management (28%). International markets accounted for a growing proportion of the group's business (19%).

ETDE's contribution to Bouygues Construction's consolidated sales in 2006 rose by 41% to €1,390 million. It acquired 13 companies during the year and recorded organic growth of 14%.

France

In a highly consolidated electrical contracting and maintenance market, ETDE has the twin objective of extending its geographical coverage and acquiring new skills to become an integrator and full-service provider.

ETDE consolidated its nationwide coverage in the utility networks segment with the acquisition of Aygobère in south-western France, Seras in western France, SNEF in southern France and Brenon in central France.

The electrical and HVAC engineering division boosted its expertise in the hospital sector with its work on the Clermont-Ferrand hospital, and in rail tunnel safety, looking forward to the construction of future high-speed rail links (Fréjus tunnel). It added to its geographical coverage and technical skills with four acquisitions: Gilbert Frères (CCTV in the Paris region), Imatec (HVAC engineering in northern France), KDR (plumbing and heating in the northern Paris region) and Simer (instrumentation in Le Havre, Normandy).

ETDE has won PFI street lighting contracts in London

Exprimm, ETDE's facilities management subsidiary, stepped up the pace of its growth, winning a number of significant building maintenance contracts, including with GIAT Industries and Total. ETDE Réseaux et Communications acquired two companies in the Lyon area, Technitelec and Gesdat, to extend its geographical coverage. Axione won a number of public service delegation contracts, notably in Charente-Maritime and in Quimper, Brittany.

International

ETDE also operates on international markets through well-established local subsidiaries. In **Africa,** where it has been present for over 50 years, ETDE recorded 57% growth in its utility networks business, driven by a €20 million contract to build water and power networks in the Congo. Since 2005, it has extended its network of subsidiaries in the **United Kingdom,** where it is a well-established player in street lighting (it has PFI contracts worth €98 million with the London suburbs of Barnet and Enfield) and public-infrastructure facilities management (contracts worth €171 million with Lewisham and Peterborough schools). In 2006, ETDE added the design and construction of clean rooms to its businesses with the acquisition of Thermal Transfer. In **Switzerland,** ETDE acquired HVAC engineering firm Ballestra Galiotto. The acquisition was in line with its strategy to grow its FM operations and develop a long-term international business with subsidiaries that can offer clients a comprehensive range of hard and soft FM services. With the acquisition of Szigma-Coop, a leader on the HVAC engineering market in **Hungary,** ETDE has gained a foothold in Eastern Europe. On a fast-growing market, its long-term aim is to establish a broad, enduring presence in Hungary, covering all ETDE market segments.

Axione is active on the broadband networks market

ETDE is also involved internationally in specific high value-added projects, either directly with clients (reconstruction of a high-voltage power line in Finland) or in partnership with Bouygues Bâtiment International (Tema office buildings in Moscow).

SUSTAINABLE DEVELOPMENT

SUSTAINABLE DEVELOPMENT

Challenges

In 2006, under the impetus of senior management, Bouygues Construction moved from a series of isolated initiatives to a consistent, structured sustainable development policy.

In line with Bouygues Construction's values, combining the quest for performance with respect for people, the policy reflects both a long-term vision and a highly operational mindset.

The groundwork was carried out by a sustainable development committee, chaired by a senior executive from the Bouygues Construction management committee and made up of representatives from all units across the group.

The first step towards building the policy was to analyse the challenges facing all group companies (see diagram below). To address these issues, defined in relation to Bouygues Construction's main stakeholders, seven key themes and 42 actions were identified. They constitute the common core of the sustainable development policy for all Bouygues Construction subsidiaries. Rollout began in early 2007.

The seven key themes

While the sustainable development policy – based on seven key themes – was rolled out in early 2007, some of the actions included in it were begun in 2006.

Theme 1 - Foster a trusting relationship with our clients, based on consideration, transparency and innovation

Commitments

- Always be available and willing to listen to clients.
- Do not compromise on competition rules and professional ethics.
- Meet our clients' requirements in terms of Quality/Safety/Environment (QSE).
- Propose innovative solutions to clients to meet the expectations of their stakeholders, particularly with respect to environmental protection.

Common core actions

- Make greater use of customer satisfaction surveys.
- Raise managers' awareness of professional ethics issues.
- Initiate triple certification processes (ISO 9001, ISO 14001, OHSAS 18001) at all operating units.
- Propose innovative solutions to save energy and raw materials and expand use of recycled materials.

Achievements in 2006

Listening to clients

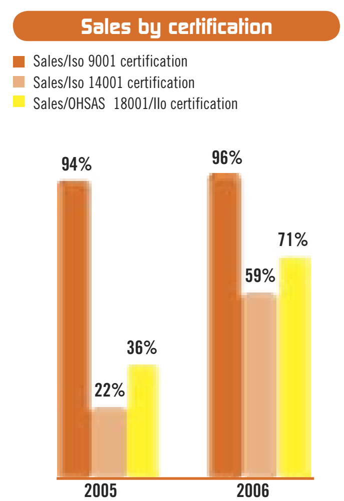
A review of practices relating to customer satisfaction surveys was carried out in all the group's main entities and a number of areas for progress were identified, such as using such surveys more systematically and bringing in specialist organisations to ensure that they are conducted to professional standards and that freedom of expression is not inhibited.

Transparency

Steps were taken in 2006 to raise awareness of transparency issues among Bouygues Construction employees, especially at managerial level. The Code of Ethics drawn up by Bouygues SA was circulated to all Bouygues Construction employees in France and is being distributed to foreign subsidiaries. 150 managers attended the "Development of Bouygues Values" seminar organised by Bouygues SA.

Triple certification

Bouygues Construction has set itself the goal of across-the-board implementation of an integrated QSE management system. Significant progress was made with certification in 2006. Operating units with triple certification accounted for 47% of sales.



Innovation

Wherever the rules allow, Bouygues Construction seeks to include ecological alternatives or environmentally innovative solutions in its bids or in the construction methods it proposes. In 2006, for example, Bouygues Construction's Swiss subsidiary Losinger developed a questionnaire for clients in order to analyse with them the environmental impacts of their projects at the design stage.

Sorting waste on a work site

Testimonial

Jean-Paul Segade

CEO of Clermont-Ferrand Hospital

We have the good fortune to be building a new hospital in Clermont-Ferrand. As it is designed to have a lifetime of over 50 years, it is essential that we should be able to integrate a sustainable development policy in compliance with French and international standards. Our first step was to test the quality of the soil to safeguard against any pollution. Then, with Bouygues Construction, we looked at pre-demolition work, especially the traceability of materials, and the construction phase, since a hospital has to be modular. Likewise, solar power was proposed as an additional energy source. As far as sustainable development is concerned, we expect the builders to come up with suggestions and to be adaptable. They must also not be afraid to tell us the truth: the project may be more expensive to build, but we will be able to save on energy costs afterwards.

Offering QSE performance guarantees

Theme 2 – Incorporate risk into the day-to-day management of the company

Commitments

- Assess the financial, technical, environmental and social risks of each project perceived as a whole.
- Limit exposure to high-risk countries.
- Assess the reputation risk of projects perceived as a whole.

Common core actions

- Heighten vigilance on environmental and social risks.
- Develop employees' skills in these areas.
- Conduct surveys of country risk (political, financial, social, etc.).
- Assess the reputation risk associated with each contract and its wider context.

Achievements in 2006

Bouygues Construction has made use of internal procedures to better identify, control and manage the risks inherent in its business, such as technical risks, geological risks, meteorological risks, works-related nuisance, etc. The group intends to step up vigilance on the environmental, social and reputation risks arising from its operations. Backing up the risk analysis carried out by Bouygues Construction staff, entities are hiring experts and formalising their risk management systems. Bouygues Travaux Publics, for example, has recruited a risk manager to oversee that aspect of its business and to ensure that operational staff give it due consideration.

Theme 3 – Lead our business sectors in terms of occupational health and safety

Commitments

- Provide physical protection for our employees and outside service providers (casual workers, subcontractors) – "One aim: zero accidents".
- Promote ergonomic design and use of workstations.
- Take health risks into account.

Common core actions

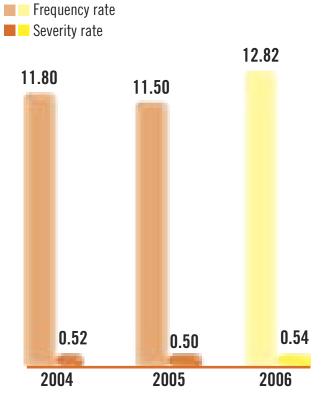
- Strive for a high level of prevention and extend it to all continents.
- Involve partners and subcontractors in our progress on safety approaches.
- Improve road safety.
- Use an ergonomic approach to improve working conditions.
- Inform employees about dangerous substances and handling procedures.
- Promote vaccination.
- Prevent drug and alcohol abuse and smoking.

Achievements in 2006

■ Safety management

Comprehensive health and safety management, backed up by a standing prevention, health and safety committee, has enabled Bouygues Construction to become one of the pacesetters in the construction industry, with an accident rate four times lower than the average for the industry in France. However, in 2006 these results showed a slight deterioration in comparison with 2005. This was due partly to the sharp rise in activity, which meant hiring less experienced workers, and partly to the acquisition of firms with accident rates closer to the national average, especially by ETDE, which had a high level of external growth in 2006. Two fatal accidents occurred during the year, a reminder of the need to step up preventive measures.

Accident frequency and severity rate



■ Accident prevention

Subsidiaries' safety results were taken into account when calculating employee profit-sharing bonuses in 2006. Prevention also involves mobilising employees through poster campaigns and training for site workers. Innovative training ideas include a

"building licence", along the lines of a driving licence, awarded to site workers who pass a safety test.

Efforts have been made to encourage the adoption of such practices outside France, including in countries where laws and regulations are less stringent. For example, ETDE's international operations division organised a safety seminar in Libreville, Gabon for the health, safety and environment (HSE) officers of the group's African subsidiaries. Featuring contributions from outside speakers, the seminar also provided a forum for safety reports and for work on a company driving licence scheme.

■ Involving partners and subcontractors

Efforts to include temporary staff in training programmes continued in 2006, helping to stabilise the accident frequency rate for casual workers at 19.64 after a sharp fall of 18% in 2005.

Involving subcontractors is one of the priorities of the group's safety policy. In January 2006, Bouygues Bâtiment Ile-de-France – Ouvrages Publics signed a partnership agreement with OPPBTP, the French construction industry health and safety body, with the aim of promoting information, training and prevention initiatives among its main partners and subcontractors. Eight partner firms are involved in the scheme.

■ Improving road safety

Initiatives to improve road safety continued in 2006 through prevention campaigns like the one conducted by DTP Terrassement, which launched a training scheme for all employees.

Brézillon also achieved the distinction of winning the Laplace Trophy awarded by CRAMIF, the Paris region health insurance organisation, for its overall road risk management system. Covering aspects such as driver awareness, vehicle and driver management and the organisation of site visits, it has cut road accidents by 40% in three years.

■ Promoting an ergonomic approach

The ergonomic approach to continuous prevention continues to make progress. Bouygues Travaux Publics recruited an ergonomist in 2006 to support the introduction of the approach at all its work sites. The initiative has helped to improve workstations on tunnel-boring machines for the A41 motorway project in France and the Gautrain project in South Africa and on the launching girders for the East Tsing Yi Viaduct in Hong Kong. The company has also given its line managers training in the subject as part of the "Atouts TP" course.

In partnership with a supplier, Bouygues Construction has developed a new form panel for pouring concrete, with a sophisticated ergonomic design that provides greater comfort and safety for site workers.

■ Developing programmes to protect employees' health

High-risk products are systematically identified so that hazardous products can be eliminated and recommendations for other products drawn up. Certain form oils were banned in 2006.

In 2006, Bouygues Construction SA ran a campaign to promote awareness of influenza vaccination and provided detailed information about precautions to take against the risk of bird flu.

One major health objective in 2007 is to raise awareness of the dangers of drug and alcohol abuse and smoking.

Theme 4 – Develop our employees' skills and promote equal opportunity

Commitments

- Make Bouygues Construction more attractive.
- Promote the personal development of employees (welfare, fulfilment and career development).
- Encourage diversity in the company.
- Encourage employees to play an active role in sustainable development actions.

Common core actions

- Design action plans at every entity to enhance attractiveness.
- Design individual training plans.
- Develop site worker guilds or career paths that reward top-flight workers.
- Conduct employee satisfaction surveys.
- Increase the number of women employees in the company.
- Introduce a section on employees with disabilities in our HR policy.
- Apply equal opportunity to the hiring process.
- Encourage the involvement of employees in the sustainable development approach.

Achievements in 2006

■ Making the company more attractive

Bouygues Construction hired 8,500 new employees in 2006. The sharp rise in activity both in France and on international markets means that the company will have to maintain a very high level of recruitment: it expects to hire 10,000 new employees, 4,000 of them in France, in 2007.

In this context, the company's attractiveness is a key strategic factor and was identified as a priority for 2006 and 2007. The Bouygues Construction Challenges, targeting different groups (recent graduates, supervisors and site workers), formed part of the company's response to the vital issue of recruitment, alongside its more traditional presence in business and engineering schools and universities.

To encourage loyalty, profit-sharing agreements were concluded in most Bouygues Construction subsidiaries in June 2006.

■ Personalised training

Bouygues Construction spent €25.6 million on training in France in 2006, representing over 4% of the total payroll. In addition to general training, staff may also benefit from vocational training such as managerial courses, sales courses and springboard courses for experienced supervisory staff. The aim in 2007 is to add to the range of training options on offer and to tailor training more closely to individual requirements.

■ Site worker guilds

The Minorange Guild, created by Francis Bouygues in 1963, had 949 members out of 8,500 site workers in France at the end of 2006. Divided

Creation of a corporate university

Like any established university, the aim of the FM University created by Ecovert FM (UK) is to give students high-quality education which leads to a qualification and offers possibilities for promotion. The university will also act as an R&D centre. Ecovert FM is accredited by government departments and professional organisations to deliver diploma courses in areas such as HR management, finance, safety and facilities management. The university is open to employees of Ecovert FM and to recent graduates on induction courses and in apprenticeships.

into 16 orders, it aims to recognise the best site workers, exemplary in their transmission of knowledge to young people, safety, fraternity, solidarity and respect on-site.

Diversity in the workplace

Initiatives taken in 2006 focused on three areas.

- Better integration of women, who represented 12.6% of employees and 17% of managerial staff, slightly more than in 2005 (14%). A growing number of women are being appointed to positions of operational responsibility, on project sites, in sales and in property development, for example. However, there are still very few female site workers despite initiatives such as the partnership concluded by GFC Construction with

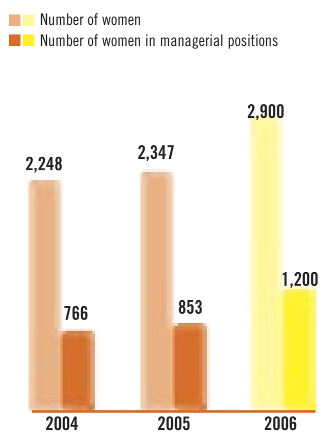
Women make up 12.6% of the workforce

ANPE, the French national employment agency, to train women site workers.

- Several companies have taken steps to integrate disabled workers and keep them in employment. Bouygues Bâtiment Ile-de-France has signed a "Entreprise-Handicap" charter with the French Ministry of Employment, Social Cohesion and Housing and Logirep, a registered social landlord. The firm is committed to doing more to recruit disabled workers and going beyond regulatory requirements in order to improve disabled access to new buildings.
- In May 2006, ETDE signed a three-year agreement between unions and management containing four major commitments:
  - raising employee awareness about disability issues;
  - recruiting disabled employees (60 by 2008);
  - keeping disabled employees in employment (the company already has 130);
  - subcontracting work to the sheltered sector (sales worth €100,000 was subcontracted in 2006).
- Consideration is being given to the question of ensuring equal opportunity in the hiring process, including a benchmarking study to identify best practice elsewhere and a training plan to raise awareness among those responsible for recruitment.

Diversity is regarded as a major area for progress.

Women employees



Theme 5 – Establish balanced, long-term relationships with partners, suppliers and subcontractors

Commitments

- Enter into partnerships with our subcontractors to involve them in our progress approaches.
- Ensure that our suppliers comply with quality and labour standards.
- Combat illegal labour.

Common core actions

- Involve subcontractors in our QSE approaches.
- Develop a partnership approach with our subcontractors.
- Audit suppliers in emerging countries on quality and labour rights aspects.
- Implement procedures to combat illegal labour.

Achievements in 2006

Forging closer links with subcontractors

Partnerships take various forms, such as agreements between major subcontractors and joint working groups to identify possible improvements in productivity, safety and quality (e.g. the PIST approach in the Paris region). Listening is another key aspect, formalised at Brézillon since September 2006 in a cooperation review: on completion of a project, subcontractors are invited to give their overall view of the project's various phases and their relations with Brézillon.

Ensuring compliance with quality and labour rights requirements

A Sustainable Development Charter, drawn up in 2006, will gradually be appended to all contracts with suppliers and subcontractors. Particular attention will be paid to companies from emerging countries where laws and regulations are less stringent than in OECD countries. The purchasing department has developed a specific audit procedure to assess the quality of labour rights and it will be introduced groupwide in 2007. An agreement has been reached with Munich University to carry out the audits.

Ensuring safety

Testimonial

Patrick Blanche

*CEO, Métallerie de L'Authion**

We took part in the Subcontractor Partnership and Engineering (PIST) project between Bouygues Construction and its subcontractors. We are involved in projects a long way upstream, which enables us to develop standard solutions and save time and money. We offer the architects our technological know-how and bargaining power, and comply with standards on QSE, after-sales service, etc., which enables us to improve in these areas. In return, we gain more brand awareness and business. Recognising subcontractors as fully-fledged partners is a loyalty-building tool for companies.

** subcontractor of Bouygues Bâtiment Ile-de-France*

Theme 6 – Ensure that our businesses respect the environment

Commitments	Common core actions
Design • Advise on the choice of techniques and materials used, incorporating life-cycle analysis. • Continue and expand our research work on sustainable construction. • Develop buildings with high environmental standards when we are the project designers.	• Establish a reference list of targeted products (for schools, hospitals, housing) indicating the energy consumed to manufacture, use and recycle them at the end of the life cycle. • Promote a flagship sustainable construction research focus at every entity. • Develop and sell these buildings.
Construction • Manage energy consumption and conserve natural resources. • Reduce and recycle waste generated by our building sites. • Minimise the disturbance for local residents.	• Aim for a high level of environmental protection and extend this to all continents. • Develop equipment of high environmental standard. • Reduce fuel consumption. • Reduce and recycle waste. • Implement an action plan to minimise the disturbance for local residents. • Take action to listen to and work with local residents (noticeboards, hotline, website, etc.).
In general • Encourage small ways to help the environment. • Respect the traditions and value systems in the countries where we do business.	• Make employees aware of everyday behaviours that protect the environment. • Inform expatriate employees about the countries where they are assigned.

Achievements in 2006

■ **Including environmental factors in design**

Sustainable construction is the leading item of research expenditure, accounting for 21% of Bouygues Construction's R&D budget. Several subjects are being studied, including a Habitat sustainable construction index, energy-efficient residential buildings, energy consumption commitments for future buildings, etc.

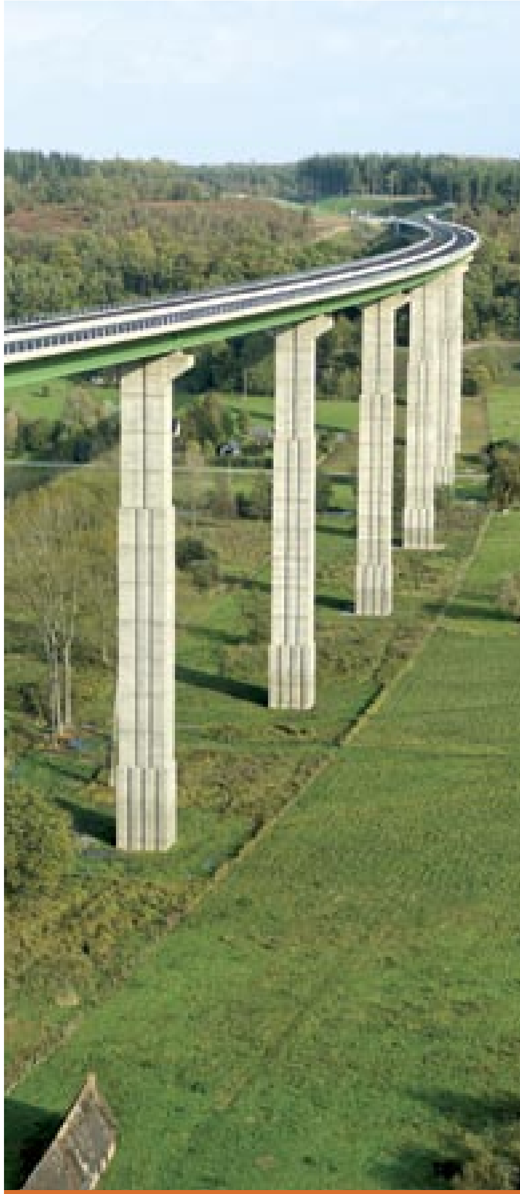
Through a number of its subsidiaries, Bouygues Construction has developed expertise in the High Environmental Quality approach, the aim of which is to design and build healthy and comfortable buildings that consume little energy. Since 2003, Elan has offered technical assistance in HQE both to clients and to construction firms. In 2006, the group designed and sold 21 HQE buildings, most of them in Western Europe.

■ **Respect for the environment on construction sites**

The number of construction sites implementing plans designed to encourage staff to integrate the QSE dimension throughout the project lifecycle increased both in France and abroad in 2006. Introduced in 2005 as part of the group's new QSE policy, they have been well-received by employees. At Bouygues Entreprises France-Europe, sites which comply with the rules may lay claim to the internal QSE label, which rewards efforts in energy-saving, waste management and relations with local residents. A total of 128 projects were awarded the QSE label in 2006.

Some examples of practices:

- Exprimm, one of the group's FM subsidiaries, worked on a range of biodegradable products to replace the conventional chemicals (cleaning agents, degreasers) it uses in its business.
- The group continued to develop ecological equipment such as retention basins for form oils (130 are in use), water control boxes and a solar-powered water heater.



Ensuring that projects blend into their environment

- Reducing fuel consumption is another major issue. DTP Terrassement, which uses almost 40 million litres of diesel a year, systematically provides machine operators with training in environment-friendly operating methods in order to reduce consumption. Exprimm encourages its staff to use e-meetings with the aim of reducing the fuel consumption of a fleet of 200 vehicles by 10% over 12 months. To mobilise employees, the firm redistributes the savings in bonuses.
- The quality of relations with local residents is a primary concern. Steps were taken in 2006 to improve consultation with local associations before projects begin and throughout the project life-cycle, to ensure constant communication with residents and to reduce nuisances like noise, dust and traffic.
- While building the A41 Annecy-Geneva motorway, situated in an environmentally sensitive area, the company was at the origin of a large number of information and communications initiatives, such as organising meetings with environmental groups and residents' associations and public visits to work sites, setting up a highly informative website and a freephone number, etc. Two staff are employed full-time to look after relations with local stakeholders.

Theme 7 – Participate in the economic and social life of the regions where we operate

Commitments

- Develop a reintegration policy for people in economic or social difficulty.
- Implement development actions in regions where we operate and contribute to preserving heritage.

Common core actions

- Establish partnerships with associations and sports clubs that promote education and reintegration for young people.
- Participate in joint operations with local reintegration organisations.
- Promote actions to support education and health.
- Develop cultural sponsorship.

Achievements in 2006

Reintegration policy for people in economic or social difficulty

This commitment takes various forms in France, such as the financing of associations that help to reintegrate young people, partnerships that involve staff members personally (as in the case of GFC Construction's "Sport in the City" initiative, which in addition to providing money organises sports meetings and visits to project sites for young people), and recruitment by Bouygues Bâtiment Ile-de-France – Construction Privée of young people from the Auteuil orphanage for courses at the Gustave Eiffel apprentice training centre created by the group in 1997.

Initiatives have also been carried out in cooperation with organisations that promote youth employment.

For example, ETDE and Bouygues Bâtiment Ile-de-France organised a recruitment drive for young people from Clichy-sous-Bois and Montfermeil, underprivileged suburbs to the north of Paris, in partnership with local organisations and associations. 12 of the 35 preselected young candidates were subsequently hired.

Internationally, Bouygues Construction has a proactive policy of employing local site workers and managers. In Cuba, Bouygues Bâtiment International has implemented a highly structured system for transferring know-how to local staff.

Solidarity in education and health

Through initiatives taken by its subsidiaries, Bouygues Construction has sought to bring greater focus to its action on solidarity in education and health. Bouygues Thai, with EDF and Carrefour, continued its support for Baan Nam Kem school in Thailand. Having built the school after the destruction caused by the tsunami, the company is now funding a teacher from France as well as teaching equipment and materials.

In healthcare, DTP Terrassement commissioned the building of a new dispensary at the Morila mine in Mali, providing round-the-clock healthcare to the 550 mineworkers and their families. The medical staff has been increased to meet growing needs, especially relating to malaria and AIDS. The team of one doctor, one nurse and six nursing assistants deals with 7,000 patient visits a year.

In 2006, group subsidiaries supported 75 charities and associations and worked with 100 or so reintegration organisations.

Research and development

R&D occupies a growing place in Bouygues Construction's development strategy. Central to each of its lines of business, R&D plays an essential part in improving the group's competitiveness and performance. Bouygues Construction's tradition of innovation is in evidence in all its projects, whether at the commercial, design or construction stage. Proof of the driving role of innovation in the group's growth, the budget allocated to R&D in the group as a whole rose by 86% in relation to 2005 to €3 million in 2006.

To stimulate innovation at all levels and to enhance its R&D programme, Bouygues Construction has introduced a centralised organisation with an R&D committee and an innovation cycle.

The committee defines R&D policy across the group, selecting priority themes, appointing project managers and deciding budgets, deliverables and schedules.

It coordinates the R&D cycle by drawing up a formal programme that is incorporated into each entity's strategy. Each year it selects the subjects to be included in the cross-cutting programme according to two specific criteria: their synergy within the group and their high value-added.

Research at Bouygues Construction focuses on five priority themes: the "total cost" approach, targeting the hospital, prison and motorway segments; sustainable construction, including the development of partnerships with EDF around energy-efficient buildings; concrete; productivity and robotics; and virtual construction.

The Innovation Competition, first held in 2005, generated 331 entries, 41 of which were included in Bouygues Construction's R&D programme for 2006. Three new themes produced by the competition were addressed in 2006: tunnelling and geotechnical engineering, instrumentation, and new generation EPR nuclear power stations, with the construction of a large-scale model to EDF's precise specifications.

Research led to a number of practical applications in 2006, including the creation of a sustainable construction intranet site, up to date with all the latest technological regulations and listing best practices in HQE and H&E; the development of a cathodic protection technique for concrete in seawater on the Tangiers seaport project in Morocco; the application of instrumentation for the disc cutters of the A41 tunnel-boring machine to measure their behaviour in real time; and building a prototype wall and

Swisscom Mobile headquarters in Bern, an HQE building

ceiling sander robot for nuclear plant dismantling activities.

In 2006, Bouygues Construction took part for the first time in the European Research and Innovation Exhibition in Paris, where it also organised a round table on sustainable construction.

Operating risks

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

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

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

Bouygues Construction subsidiaries do not currently face any major client solvency risk in their regular operations. Work on complex major projects liable to generate risks because of their size or technical complexity represents less than 10% of Bouygues Construction's activity. On large-scale projects, Bouygues Construction entities implement a policy to pool risks and optimise the management of resources.

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's legal departments 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.

Bouygues Construction also has commitment and control procedures which define the terms and conditions under which entities can enter into commitments.

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

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

Risks in connection with the storage and transport of waste and toxic products relate mainly to the use of oils and fuels when pouring concrete and carrying out earthworks. In each project, the company takes the necessary steps to prevent any risk of accidental pollution that may arise and to react as quickly and effectively as possible if an accident should occur. Bouygues Construction ensures that it complies at all times with the regulations in force and implements the necessary prevention and management systems.

Outlook for 2007

Bouygues Construction operates on buoyant markets with bright prospects for growth. The order book amounted to €8,668 million at end-December 2006, covering 68% of forecast sales in 2007. The Group will pursue its strategy of focusing on high value-added business, especially:

- **public-private partnership projects involving schools, hospitals and street lighting in France and the UK;**
- **property development, which generates a growing share of building activity in France and Europe;**
- **infrastructure concessions, which offer attractive prospects in the transport sector in France and elsewhere;**
- **electrical contracting and maintenance, where ETDE is maintaining a policy of external growth in France and in Europe while continuing to grow organically.**

A LEADING PROPERTY DEVELOPER

Record growth in residential reservations and a sharp rise in profit

Reservations increased 59% by value on the commercial market in France

With 33 branches in France and eight subsidiaries elsewhere in Europe, Bouygues Immobilier develops residential, office and retail park projects. The company increased its market share in 2006.

Highlights

Residential

- 10,852 housing units reserved (+32%).
- Sharp rise outside the Paris area (+43%).
- Expansion in Poland (+68%).

Commercial

- Recovery in France (145,000 sq. metres sold).
- Rise in reservations (+27%) to €466 million.
- Sale of 38,000 sq. metres in Nanterre.
- Delivery of 36,000 sq. metres of office space in Madrid (Cristalia).

Development

- Contract awarded for La Berge du Lac in Bordeaux: 1,545 housing units on a 30-hectare (75-acre) site.
- Agreement with Cerqual for "Habitat & Environment" certification of all housing development projects in France.
- Launch of Maisons Elîka, a range of affordable housing.

Sales 2006
€ 1,608m
(+3%)

Current operating margin
10.9%
(+0,9 point)

Net profit att. to the Group
€ 107m
(+19%)

Employees
1,245

Sales target 2007
€2,000m
(+24%)

A leading property developer

Bouygues Immobilier's mission is to provide its customers – companies or private individuals – with offices, retail parks and housing suited to their needs.

Bouygues Immobilier identifies, surveys and buys land, then draws up projects with well-known architects and designers. The next step is to develop the project, generally as contracting authority, and to market it to customers, whether private individuals, companies or investors.

The company, in robust financial health, reported a 19% increase in net profit and further increased its market share in 2006, both in the Paris area and the rest of France.

Reservations amounted to €2,278 million in 2006, a 31% increase on the previous year, and included;

- 10,852 housing units for €1,793 million, a rise of 33%;
- 145,000 sq. metres of commercial property for €466 million, a rise of 27%.

Sales totalled €1,608 million in 2006, 3% more than in 2005.

The residential sector contributed €1,260 million to total sales, representing 78% (an increase of 20%), while the commercial sector contributed €348 million, representing 22% (a decrease of 32%).

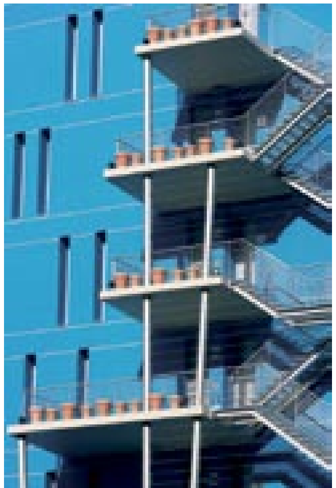
Current operating profit amounted to €176 million, giving a margin on sales of 10.9%, compared with 10% in 2005.

Net profit attributable to the Group came to €107 million, up 19%.

The company had shareholders' equity of €331 million and posted a net cash surplus for the fifth consecutive year.

Bouygues Immobilier's operating activity was sustained by a flourishing market and very strong demand.

Exaltis Tower in Paris-La Défense

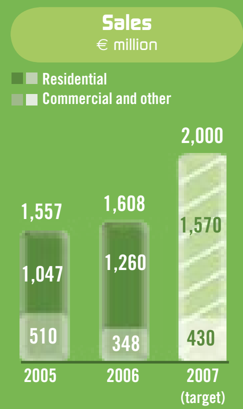


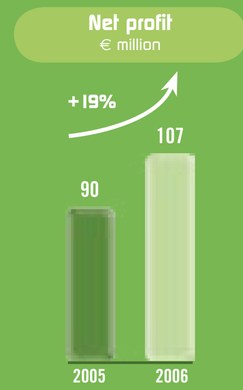
Mar Vermelho, offices in Lisbon

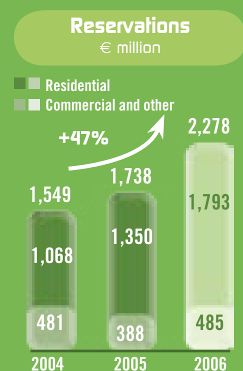
Residential property: still growing

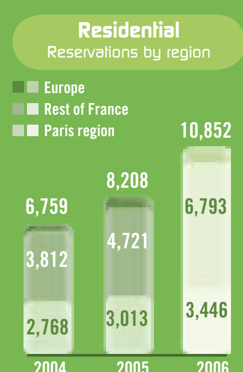
The residential property market in France continued to thrive in 2006. The private property development market, estimated at 126,300 units in 2006, grew by 3.5% in comparison with 2005. It was highly active and prices continued to rise, although the pace of growth slowed to approximately 7%. The rate of sales also slowed, with property taking 8.5 months to sell, up from 6 months.

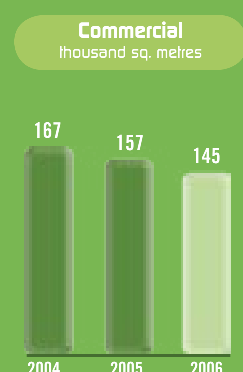
The fundamentals remained sound. The housing requirement rose steadily due to an ageing population and migration from the north and centre of France towards the Atlantic coast and the Mediterranean seaboard. New needs also emerged among single-parent and blended families.











CONSOLIDATED BALANCE SHEET AT 31 DECEMBER

ASSETS (€ million)	2005	2006
• Tangible and intangible fixed assets	47	13
• Goodwill	-	-
• Non-current financial assets	34	46
NON-CURRENT ASSETS	81	59
• Current assets	957	1 484
• Cash and equivalents	237	144
• Financial instruments (debt-related)	-	-
CURRENT ASSETS	1,194	1,628
• Held-for-sale assets	-	-
TOTAL ASSETS	1,275	1,687

LIABILITIES (€ million)	2005	2006
• Shareholders' equity att. to the Group	284	330
• Minority interests	1	1
SHAREHOLDERS' EQUITY	285	331
• Long-term debt	72	38
• Non-current provisions	79	85
• Other non-current liabilities	5	3
NON-CURRENT LIABILITIES	156	126
• Debt (amount due within one year)	14	78
• Current liabilities	819	1,150
• Overdrafts and short-term bank borrowings	1	2
• Financial instruments (debt-related)	-	-
CURRENT LIABILITIES	834	1,230
• Liabilities on held-for-sale assets	-	-
TOTAL LIABILITIES	1,275	1,687
NET DEBT	(150)	(26)

CONSOLIDATED INCOME STATEMENT

(€ million)	2005	2006
SALES	1,557	1,608
CURRENT OPERATING PROFIT	156	176
• Other operating income and expenses	-	-
OPERATING PROFIT	156	176
• Cost of net debt	1	(1)
• Other financial income and expenses	(12)	(10)
• Income tax expense	(53)	(56)
• Share of profits and losses of associates	-	-
NET PROFIT BEFORE RESULTS OF DISCONTINUED AND HELD-FOR-SALE OPERATIONS	92	109
• Net profit of discontinued and held-for-sale operations	-	-
NET PROFIT	92	109
• Minority interests	2	2
CONSOLIDATED NET PROFIT ATTRIBUTABLE TO THE GROUP	90	107

The Seine-Ouest Mozart project in Issy-les-Moulineaux near Paris

At the same time, private individuals felt a growing need to invest in property as a safe haven for their retirement. In 2006, the market was boosted by legislation that introduced new tax incentives and adapted existing measures.

Continued low interest rates also encouraged borrowing.

In this context, Bouygues Immobilier reported a sharp rise (+14%) in book sales in the residential segment in France. It also experienced exceptional growth in commercial terms in 2006, with a 32% rise in housing reservations to 10,209 units in France. The Paris area contributed 14% and the rest of France 43%, setting a new sales record for the company. Bouygues Immobilier continued to increase its market share, taking 8.1% of the French market in 2006, compared with 6.4% in 2005.

Reservations outside the Paris area accounted for 66% of Bouygues Immobilier's total reservations in France.

The residential property market was still highly fragmented: the top eight French property developers accounted for 40% of the market and the top four for 27%. Bouygues Immobilier's two main rivals on the residential market were Nexity and Kaufman and Broad.

Paris region

Bouygues Immobilier significantly consolidated its position in the Paris region, where the top four property developers accounted for less than half the market. Its market share rose from 13% in 2005 to 18% in 2006. Reservations in the Paris region represented 33% of the total.

Because of the lack of land for development in Paris and the sharp rise in prices, Bouygues Immobilier expanded mostly in the second and third ring of suburbs, offering affordable schemes for first-time home buyers.

Several major projects are under way:

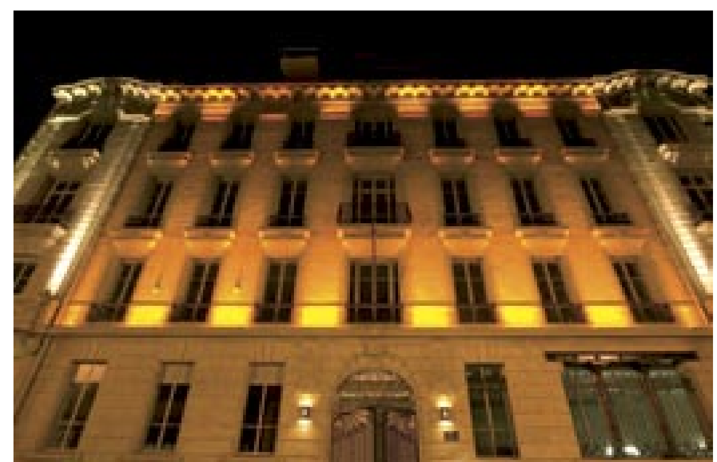
- developments in the inner suburbs, including the 52-apartment Villa Schaeffer in Aubervilliers, the 30-unit Clos Majorelle in Saint Ouen, the 143-unit Respireo development in Bobigny and the Crescendo project in Argenteuil. With prices ranging from €3,300 to €3,600 per sq. metre, these schemes are attractive to first-time home buyers and investors alike;
- intermediate developments at around €4,000 per sq. metre in Châtillon (100 units) and Plessis-Robinson (40 apartments);
- programmes in the outer suburbs, like the 71-unit Hameau Grand Clair development in Chanteloup and a 68-unit townhouse development in Chelles.

Two large-scale programmes were delivered :

- Les Jardins du Carrousel, a joint development with Cogedim in Issy-les-Moulineaux including 500 apartments and covering more than 40,000 sq. metres. One of the biggest projects in the Paris region, it was built using the finest materials in a historic setting with sumptuous gardens;
- the latest tranche of the Bords de Seine project, a major 700-unit development in Mantes-la-Jolie with three other developers, on a prime site on the banks of the River Seine.

Rest of France

The French regions have made a fast-growing contribution to Bouygues Immobilier's growth in recent years. The market remained highly fragmented, with the top four property developers accounting for only 24% of the market.



Offices converted into luxury apartments in Marseille

Residential reservations rose by 32%

This expansion has been driven by strong growth in southern and south-eastern France, the Rhône-Alpes region and along the Atlantic coast. Bouygues Immobilier has increased its presence in the regions, opening several new branches over the past few years. With 33 branches across France, 29 of them outside the Paris area, the company is in a good position to meet its customers' expectations. Bouygues Immobilier continued to reap the benefits of a denser nationwide network.

A reorganisation, with the creation of two operational divisions covering northern and southern France respectively, has enabled the company to expand significantly while improving its position. As planned, Bouygues Immobilier opened new branches in Caen, Reims and Metz in 2006, boosting its coverage to 210 towns and cities nationwide. To ensure sustained growth, the company created a number of new jobs during the year, hiring 375 new staff, two-thirds of them in branches outside the Paris area.

Several remarkable projects were delivered in the course of the year:

- Côté Maine, a prestige 122-unit development in Angers and a creative response to a difficult environment;
- the 71-unit Patio Verde development in Floirac, 6 kilometres from Bordeaux, built to extremely strict environmental specifications, including sun-blinds to limit heating consumption and large windows that increase brightness by 18%;
- Les Chais in Bordeaux, an unusual development of 51 detached houses designed by contemporary architects on one of the finest sites in the city;
- the Rivoli development in Marseille, comprising 36 luxury apartments in a meticulously restored former office building;
- Indiana, an award-winning 34-unit development in Fréjus with "Habitat & Environment" certification, combining high-tech comfort with a natural environment.

A number of major developments were begun in 2006:

- a 104-unit project in the centre of Saint-Cyr-sur-Loire involving the redevelopment of school buildings as townhouses together with a number of apartment buildings;
- a 119-unit student hall of residence in Douai;
- a 75-unit nursing home in La Roche-sur-Yon;
- Le Parc Vert Marine in Houlgate, a town-centre development involving 67 apartments and houses;
- two substantial projects in Rennes, the 100-unit Cour d'Auvergne and the 102-unit Jardin des Senteurs;
- La Petite Sensive in Nantes, a 196-unit co-development with Eiffage;
- Les Jardins Luna, a 131-unit development in Dijon;
- the Villa Saint Louis, a 99-unit development in Bordeaux.

In 2006, Bouygues Immobilier was awarded the Berge du Lac contract in Bordeaux involving the construction of 1,550 housing units on a 30-hectare (75-acre) site together with all the necessary amenities, such as schools, shops and services, a cultural centre, a sports centre, etc.

In Toulouse, Bouygues Immobilier is one of three co-developers for the Ponts Jumeaux project, involving 550 apartments (including 100 social housing units) in nine buildings on a 10-hectare (25-acre) site, plus an office building and shops.

Commercial property

Recovery of the office segment

The office market in France recovered in 2006 after declining for several years. Reservations taken by Bouygues Immobilier rose 59% by value to €417 million, representing 133,000 sq. metres sold.

The rise was due partly to a shortage of large new international-standard buildings in Paris and the surrounding area. Furthermore, investors had substantial amounts of available cash and were highly active in France, investing €23 billion, including about 17% in new buildings.

The upshot of these various factors was a rise in rents and a fall in expected returns on developments let to users. Bouygues Immobilier, mostly involved in large projects of over 20,000 sq. metres, is well-placed on this market, since it has a substantial and secure property portfolio for the next three years. The projects it manages are located in many attractive areas on the outskirts of Paris, such

Vallmar development in Barcelona


Bouygues Immobilier sold 145,000 sq. metres of offices, shops and hotels in 2006

as La Défense and Nanterre, but also in emerging or fast-growing suburbs like Orly, Massy, Meudon, Saclay and Saint-Denis. The value of projects in the pipeline exceeds €2 billion.

Bouygues Immobilier develops new prestige buildings and renovates existing properties. It maintained its activity in 2006, selling 145,000 sq. metres of offices, shops and hotels, including 12,000 sq. metres in Europe, consolidating its position as the leader on the market for new office space.

Bouygues Immobilier's major projects, like Seine Ouest, a new High Environmental Quality (HQE) business district in Issy-les-Moulineaux near Paris, meet the sustainable development expectations of investors and users alike.

The company delivered a number of major projects in 2006:

- Exaltis (21,000 sq. metres), an elegant 14-storey building of restrained architectural design in the heart of the La Défense business district;
- a new 6,000-sq.-metre tranche of the Château Blanc development in Wasquehal, five minutes from Lille, a flagship of the new business park concept;
- the first tranche of the vast Woodstock project in Saint-Priest, near Lyon, involving 13 two-storey buildings covering 32,000 sq. metres, including 20,000 sq. metres of office space and 12,000 sq. metres of business premises and laboratories. As the name suggests, wood was the preferred construction material;
- the 12,700-sq.-metre Grand Horizon building in Marseille.

Major projects in progress include:

- Mozart, part of an 89,000-sq.-metre development in Issy-les-Moulineaux that includes 45,000 sq. metres for Bouygues Telecom's future headquarters. An ambitious project with HQE certification, it combines high technology with respect for the environment;
- Forum Seine in Issy-les-Moulineaux, including the creation of 20,000 sq. metres of office space, part of which will house the headquarters of Bouygues Immobilier, designed by renowned architect Christian de Portzamparc;
- Bouygues Telecom's technical centre in Meudon (53,600 sq. metres);
- the 39,000-sq.-metre Spallis building in the Pleyel development zone in Saint-Denis;
- the headquarters of Total Raffinage in Nanterre in partnership with Colony Capital (38,000 sq. metres);
- the headquarters of Schneider Electric in Nanterre with BNP Paribas (33,400 sq. metres), sold to La Mondiale;
- Le Patio (8,920 sq. metres) and Plein Ouest (11,000 sq. metres) in Marseille;

The Patio Verde development in Floirac

- the Rouen train station office development (5,938 sq. metres);
- a project in the Euralille business park in Lille.

Retail parks: a successful launch

Bouygues Immobilier continued to consolidate its position on the French retail park market. In 2006, the company, which has considerable experience in the sector elsewhere in Europe, began projects in Orange (30,000 sq. metres) and Caen (15,000 sq. metres). The projects are on schedule and progressing smoothly.

The retail park concept is designed to offer a complementary experience to city-centre shopping, taking an innovative architectural and environmental approach tailored to each project.

These two projects are currently awaiting administrative authorisation. Works are expected to start in 2008.

Europe: continuing to grow

Bouygues Immobilier pursued its development in the five European countries where it has operations (Spain, Portugal, Germany, Belgium and Poland), generating a 29% increase in sales on 2005 to €217 million.

In Spain, Bouygues Inmobiliaria delivered the first four buildings of the Cristalia office development in Madrid to DBRE and Crédit Suisse, representing 34,800 of the total 92,000 sq. metres.

It also delivered a 33,000-sq.-metre shopping centre in Alcala de Guadaira (Seville) to the investor CGS and a 13,700-sq.-metre office building in Barcelona to Inverseguros. It has begun a 328-unit co-development with Pierre & Vacances in Manilva on the Costa del Sol.

In Portugal, Bouygues Imobiliaria is involved in two retail park projects in Portimao (34,000 sq. metres) in the south of the country and in Braga (41,000 sq. metres) in the north, where it has already sold the whole of its 18,800-sq.-metre retail centre project. It has also let and delivered 7,000 sq. metres of office space in Lisbon to the European Maritime Safety Agency (EMSA), while 10,000 sq. metres of office space on the same site have been pre-let to Sonae, for delivery in 2007.

In Germany, Bouygues Immobilien finished marketing its 60-unit Solitaires development, sold a 3,000-sq.-metre office building and started to sell the 30,000-sq.-metre Main Triangel development.

In Belgium, Bouygues Immobilier Belgium continued to market and build its 450-apartment West Point development in Molenbeek-Saint-Jean in the suburbs of Brussels.

Work on the second tranche of Sedgewick House started in 2006 and the Chasse Royale development was delivered.

The company is embarking on its first office development, a 20,000-sq.-metre project in Auderghem, and has filed an application for planning permission for a retail park in Charleroi.

In Poland, in a buoyant residential housing market, 358 units were reserved, representing a 68% increase on 2005. The company also delivered its second project in Warsaw, a 105-apartment residential development.

Bouygues Immobilier Polska, which has substantial land reserves in Warsaw representing a potential of almost 2,500 housing units, is looking to start its first commercial property developments and to expand in other cities.

Bouygues Immobilier Polska aims to build over 1,000 housing units a year in two years.

The Bouygues Telecom technical centre in Meudon

SUSTAINABLE DEVELOPMENT

SUSTAINABLE DEVELOPMENT

Bouygues Immobilier increased its headcount by 36% in 2006

Challenges

Over the last three years, Bouygues Immobilier has adopted a formal corporate response to the question of how it should take account of the social and environmental consequences of its activity.

François Bertière, Chairman and CEO of Bouygues Immobilier, has thus introduced a number of measures to address the major challenges facing the company, including:

- taking greater account of environmental criteria in residential developments;
- systematically conducting quality surveys;
- diversifying recruitment, in particular through apprenticeships;
- continuing to make access to housing more widely available with Maisons Elîka.

Organisation

Bouygues Immobilier's sustainable development policy is headed by Philippe Jossé, Vice President, Development and Services, and a member of the management committee. The sustainable development committee, which he chairs, monitors the policy and how it is put into practice within the company. The committee is coordinated by the quality director and actions are implemented by officers at regional level. Senior management analyses sustainable development policy and sets guidelines at strategy reviews which take place twice a year.

The ethics and sponsorship committee, created in 2005, monitors employees' compliance with the rules of conduct. It also defines the company's sponsorship strategy and ensures that its recommendations are acted on.

Sustainable development policy

Employees

Diversified recruitment

Bouygues Immobilier hired 375 new employees in 2006 and posted an increase of 21% in its headcount. The turnover rate was less than 5%. A total of 45% of the new recruits, most of them for operational positions, were under 30 years of age. Bouygues Immobilier has broadened its recruitment horizons in order to keep pace with its development.

The company has thus opted to focus on apprenticeships, increasing the number of apprentices sixfold. By doing so, it aims to give young people long-term training in its lines of business, while at the same time enabling them to finish their schooling. The human resources department mostly recruits graduates; looking for new profiles and greater diversity, however, it is now seeking to vary its sources of recruitment outside the property development and construction sectors.

To respond efficiently to the 10,000 job applications it receives each year, the human resources department deals with the majority of them over the internet. Implementation of a new management software package has helped to reduce paper consumption.

Applications received by post are scanned by disabled people in a sheltered work centre.

Bouygues Immobilier welcomed 120 paid interns in 2006. The selection process is as thorough as for new employees, since the aim is to train interns so that they can be taken on as permanent staff after their internship. 25% of student interns at Bouygues Immobilier were offered a permanent employment contract.

With this in mind, relationships with the higher education sector have been strengthened. Bouygues Immobilier took part in three higher education forums in 2006 and a communications campaign has been developed, focusing on the property development business and highlighting Bouygues Immobilier's skills.

Skills enhancement and training

In 2006, annual appraisals between employees and their line managers were enhanced by a new assessment tool, Booster, designed to show up each individual's skills. The assessment criteria, which correspond to clear and easily understandable skill levels, provide a formal assessment which is both more accurate and closer to the reality of the business.

In 2006, Bouygues Immobilier devoted 3.7% of its total payroll to training. A total of 2,620 registrations for training courses were recorded and 3,800 days of training were delivered, giving an average of 3.75 days per employee. Courses included training in customer service and stress management, emphasising a professional approach to personal behaviour.

At the same time, Bouygues Immobilier promoted its "Seniors Club", which enables retirees to give up some of their time to training and helping younger employees. The company encourages this way of passing on experience by preparing volunteers well before they retire. Two employees who retired in 2006 helped to train new recruits in the firm during the year.

In 2006, to underpin its commitment to the "Habitat & Environment" certification scheme for new residential programmes, the company introduced a specific training module targeting regional managers, branch managers, technical staff and project coordinators for certified programmes.

Anti-discrimination measures

François Bertière, Bouygues Immobilier's Chairman and CEO, spoke at each of the seven two-day induction seminars attended by a total of 250 new recruits in 2006, explaining the company's policy and strategy. He thus helped to train new arrivals by drawing their attention to the company's six behavioural values and to the Code of Ethics implemented throughout the Bouygues group.

Bouygues Immobilier set up working groups, which in 2007 will focus on:

- raising awareness of gender equality and anti-discrimination measures;
- identifying best practice to encourage contractual partners to take a stance against discrimination;
- raising awareness among customers and providing them with information.

Gender equality is reflected in the gender mix of the company's workforce, since 50% are women.

190 women and 185 men were hired in 2006, and as many women as men left the company.

Integration of people with disabilities

The number of disabled employees is still relatively small, but options are being considered that will facilitate the integration of more disabled people. A member of the human resources department has been assigned to the task.

Absenteeism

Absenteeism is measured by the total number of days of sick leave in relation to the total number of days worked during the year. The rate in 2006 was 1.73%, slightly lower than in the last two years.

Gender equality is reflected in the gender mix

Employee profit-sharing

In 2006, for the third year running, the cap on profit-sharing meant that lower-paid staff were able to take home bonuses amounting to up to a month's pay. More employees benefited from profit-sharing than in the previous year. A profit-sharing agreement was signed between management and unions.

Internal communications on environmental protection

A working committee on good citizenship has been set up. Wastefulness, waste sorting and energy saving are just some of the issues it will be dealing with, drawn from ideas and suggestions put forward by employees. Bouygues Immobilier wishes to promote a culture within the company of finding ways to reduce the environmental impacts of its activities, based on voluntary efforts, with the idea of getting each member of staff to feel responsible, both at home and at work.

Measuring employee satisfaction

In November 2006, for the first time, the human resources department commissioned a major independent agency, Publicis Consultants, to carry out a survey of the company's employees. 67% responded to the survey, and as the agency's data processing methods guaranteed anonymity, employees were able to answer the questions freely. The workforce will be informed of the results of the survey in 2007.

The purpose of the survey was to listen to employees, measure their degree of satisfaction with the company and their expectations of it, and assess their level of well-being and how they feel about their working conditions. As well as providing feedback, the answers will be processed to generate statistical indicators. From a management standpoint, the survey will help to identify possible areas for improvement.

Labour/management relations

Following works council elections in December, the quality of labour/management relations was enhanced in 2006 by the arrival on Bouygues Immobilier's works council of representatives from the FO and CFTC unions, the latter not having been represented at national level after the previous elections.

For the first time in the company's history, the election was held via the internet using a secure site provided by a specialist company, e-votez. This innovative measure simplified the practical arrangements for voting and led to a high turnout of 76%.

Stakeholders: customers, partners and outside service providers

Under its environmental policy, Bouygues Immobilier is committed to designing programmes that respect their surroundings and ecosystems and to factoring in the conservation of resources. Making that commitment a reality involves training the people concerned. Bouygues Immobilier's teams adhere to the company's environmental and social policy and to innovation in design and construction, going beyond strict legal obligations. A number of organisational measures have been taken, including the appointment of a sustainable development officer, and the entire workforce will be involved in this new proactive policy.

Environmental policy

A new milestone in environmental awareness in the company was passed in October 2006 with the introduction of the "Habitat & Environment" (H&E) process. An agreement was concluded with Cerqual[1], whereby Bouygues Immobilier undertakes to improve the environmental quality of its residential programmes.

From 1 July 2007, all planning permission applications for residential programmes will include a request for

(1) The certification body for new residential property development.

H&E certification. The company will incorporate the H&E process into all its quality procedures, from design to after-sales service. It will select partners willing to do likewise and support them in their efforts, in particular by organising training and awareness-raising programmes with Cerqual and the European engineering consultants GreenAffair. Quality audits of suppliers' services will also be conducted.

At the same time, Bouygues Immobilier will provide buyers, property managers and building managers with an environmental code of conduct, describing best energy-saving practices.

A number of indicators have been selected for this initiative – unique in the property development business – and will be measured in 2007 for certified programmes. They include:

- primary energy saving;
- savings resulting from the consumption of recycled water;
- savings on greenhouse gas emissions;
- waste tracking (recycling, disposal).

Requests for certification were submitted for 21 programmes in 2006, representing 900 housing units.

Two model programmes

The Patio Lumière programme in Grenoble is a fine illustration of Bouygues Immobilier's proactive sustainable development policy. It includes 43 condominium units in a 5-hectare park in a renovated neighbourhood.
In Magny-les-Hameaux, outside Paris, 35 houses have been awarded "Habitat & Environment" certification thanks to the installation of solar panels that generate 30% of energy requirements and shafts below ground for energy recovery. They will be delivered in 2007.

In the commercial property segment, Bouygues Immobilier uses High Environmental Quality (HQE®) certification. It has embarked on the design phase of a 156,000-sq.-metre project in Issy-les-Moulineaux subdivided into several strategic programmes, including the Mozart development, the EOS Generali building and Block 15 of the Forum Seine development. Six HQE programmes will enter the construction phase in 2007.

For some of its HQE projects, Bouygues Immobilier draws on the internationally recognised expertise of firms such as OTH, Tribu and Terreco, which are standard-setters in the field.

Customers

Measuring customer satisfaction

The satisfaction rate for customers taking delivery in 2006 was 75%, compared with 72% in 2005. Bouygues Immobilier will conduct systematic quality surveys of all customers taking delivery in order to measure their satisfaction, including in the environmental sphere.

A new affordable line for first-time home buyers

When the French government announced a programme to encourage residential construction for first-time home buyers and low income-earners, Bouygues Immobilier immediately showed its interest in the sector and set about developing new products to meet the demand.

The company has thus launched a range of high-quality detached houses at affordable prices, marketed through a specific subsidiary under the Maisons Elîka brand. Built in a village community spirit, the houses are intended for low income-earners with limited access to credit and little or no personal contribution. The initiative reflects a wider engagement with the community, since it offers harmonious urban development, social diversity and a strong commitment to the environment (Maisons Elîka houses have "Habitat & Environment" certification).

Three sites have been chosen for Maisons Elîka programmes in the coming months and a first building permit has already been filed for the construction of 49 homes. Five operations have already been scheduled for 2007, representing almost 200 houses, and 1,000 houses will be built per year from 2010, i.e. 10% of Bouygues Immobilier's current activity in the residential property segment.

Systematic customer satisfaction surveys

General policy towards contractors, suppliers and service providers

Responsible purchasing

Following the introduction of a purchasing policy in 2005 with the aim of approving contractors according to

Bouygues Immobilier is a founding partner of the Cité de l'Architecture et du Patrimoine

quality and reliability criteria, Bouygues Immobilier has extended its policy and, in 2006, created partnerships which define priorities for progress. By signing a two-year partnership agreement, Bouygues Immobilier's co-contractors undertake to implement best practice. In return, the company enables them to plan their activity and guarantees bonuses if a project is delivered with a shorter snagging list.

Social and environmental clauses

Membership of the UN Global Compact has implications not only for the company but also for its partners. In 2007, Bouygues Immobilier plans to include social and environmental clauses in the framework agreements it concludes with its service providers, suppliers and partners.

Civil society

In 2006, Bouygues Immobilier created a specific team for major urban projects to help local authorities develop projects on a neighbourhood scale, especially those involving the rehabilitation of derelict land.

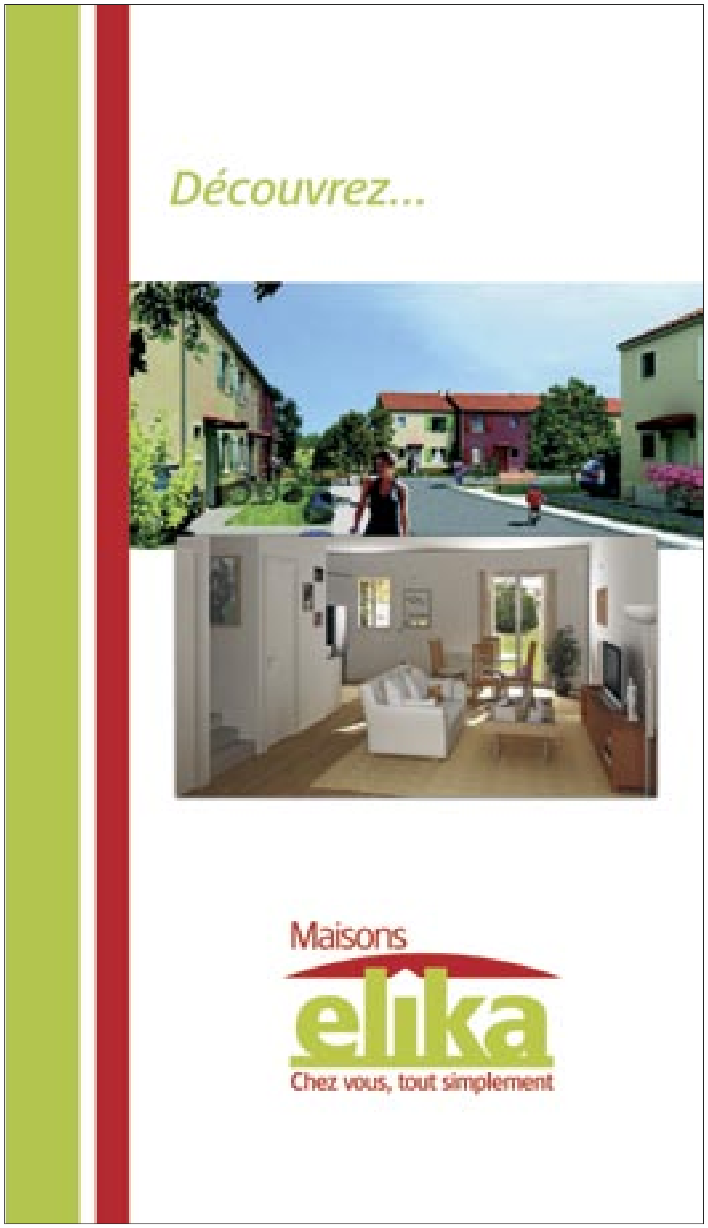
Other commitments

For the third year running, Bouygues Immobilier staff gave full support to the Telethon on its twentieth anniversary. The Bouygues Immobilier Telethon Challenge was supported nationwide by more than 1,000 volunteers from the company, representing over 90% of the workforce. As a result of this collective commitment, the company was able to hand a cheque for €280,482 to the French muscular dystrophy charity, placing Bouygues Immobilier among the top 10 corporate donors.

Corporate sponsorship

In 2006, Bouygues Immobilier became one of the founding partners of the Cité de l'Architecture et du Patrimoine and signed a three-year sponsorship agreement with the institution, established to promote architecture in France. Bouygues Immobilier has thus signalled its commitment to sustainable heritage and active support for creativity in architecture. The company intends to continue its partnerships with well-known architects, while also unearthing new talents.

As part of the programme of the Cité de l'Architecture, the Ecole de Chaillot will also provide training to Bouygues Immobilier staff with the aim of increasing their awareness of architectural creation.



In 2006, the Golden Pyramid competition, launched three years ago by the French property developers' federation, awarded prizes to four Bouygues Immobilier projects among those submitted by members, notably in the sustainable housing category. One programme in Obernai scooped the regional prize, the sustainable housing prize and the prize for the most attractive development.

Bouygues Immobilier further supports initiatives in favour of architecture by sponsoring the New Albums for Young Architects (NAJA) competition and by inviting architects aged under 35 to submit bids for projects.

Research and development

Bouygues Immobilier invests in R&D, focusing on strategic marketing and new product design.

In 2006, it was the first property developer to seek "Habitat & Environment" certification for all its programmes. The company has also developed the Maisons Elîka concept of affordable houses for first-time home buyers, a unique example in the property development sector.

Work currently in progress concerns:

- new service concepts connected with housing sales;
- the development of a new activity around major urban development projects and support for local authorities, including the creation of a specific team;
- support for the recently created specific products department, focusing on products like student halls of residence and retirement and nursing homes.

Operating risks

Bouygues Immobilier has identified its major environmental, health, technology, media and political risks.

Site pollution is one of the biggest risks Bouygues Immobilier faces as a property developer. The company systematically conducts detailed soil surveys of sites before buying them in order to trace their history. If there is any doubt or suspicion, an expert is asked to carry out an exhaustive analysis and if necessary may be commissioned to clean up the site.

To guard against this risk, the company generally requires the seller of the land to clean up the site beforehand or to assume clean-up costs.

When a site has existing buildings scheduled for demolition, Bouygues Immobilier ensures compliance with asbestos removal and site clean-up regulations, checking in particular that the work is entrusted to approved contractors, thus guaranteeing compliance with health and safety regulations.

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.

Outlook for 2007

Bouygues Immobilier intends to consolidate its position as France's leading property developer and as a key player in Europe. Its strategy for 2007 is as follows:

- residential property: **pursue vigorous but managed growth, especially in the French regions, Poland and Belgium;**
- offices: **focus on the sale and construction aspects of projects during the development phase;**
- "Habitat & Environment" certification: **implement the process for all housing development projects;**
- maintain a high level of profitability **and a robust financial structure.**

The company expects a further rise in residential property reservations to grow its share of a stable market and a sharp upturn in the commercial property segment. Sales in 2007 are likely to increase significantly as a result of vigorous commercial activity in 2005 and 2006.

THE WORLD'S LEADING ROADBUILDER

Further profitable growth in 2006, sharp rise in sales and net profit

Trapp quarry in Raon-l'Etape, Vosges region, France

Highlights

Mainland France

Resurfacing of the A5, A9, A16, A26 and A29 motorways; construction of bypasses in Meaux, Beauvais and Jarnac; renovation of runway 4 at Orly airport; tramways and bus lanes in Marseille, Montpellier, Saint-Étienne, Le Mans, Paris and Nantes; waterproofing and cladding of satellite S3 at Roissy-CDG airport; completion of tracklaying for the East European high-speed rail line; urban surfacing projects using Vegecol-based asphalt mixes.

International and French overseas departments and territories

PFI contract in Portsmouth, UK; construction of a section of the D1 motorway in Slovakia; construction of a wastewater treatment plant in Csepel, Hungary; renovation of the I-25, I-75 and I-585 Interstate Highways in the United States; construction of infrastructure for a mine in Madagascar; long-term road maintenance contracts in Alberta, Canada.

Sales 2006

€ 10,716m

(+ 12%)

• • •

Current operating margin

4.9%

(+0.5 point)

• • •

Net profit att. to the Group

€396m

(+29%)

• • •

Employees

60,600

• • •

Sales target 2007

€ 11,400m

(+6%)

Building on first-rate performance

Confirming and building on its good results in 2005, Colas continued to pursue a strategy of profitable growth in 2006. Sales rose by 12.3% to €10.7 billion, generating a 29% increase in net profit attributable to the Group of €396 million. Cash flow climbed by 20% to €942 million, net investment amounted to €581 million and the balance sheet showed a net cash surplus of €409 million.

Present throughout the roadbuilding sector

Operating in all segments of roadbuilding and transport infrastructure, Colas also spans the full range of upstream industrial activities, from quarries and mixing plants to units producing emulsions and binders.

Colas operates in all segments of roadbuilding and transport infrastructure. It also spans the full range of upstream industrial activities, from quarries and mixing plants to units producing emulsions and binders.

All Colas' activities in 2006 were located in generally buoyant markets with considerable needs for infrastructure modernisation or maintenance. Consolidated sales increased sharply, driven by a steady rise in orders throughout the year and the impact of the rising cost of raw materials. An effective and well-organised network of 1,400 profit centres in 40 countries around the world enables the company to take full advantage of a high level of public and private investment. Under these circumstances, and helped by excellent weather, almost all the group's subsidiaries maintained or improved their performance.

Roads

The group's road business in France is highly diversified. Each year, the company completes some 54,000 projects in transport infrastructure construction or maintenance (motorways, main roads, local roads, airports, ports, railways, tramways and bus lanes), industrial and commercial hubs, paving and network services for houses and apartment buildings, urban amenities such as pedestrian areas and squares, recreational facilities (sports facilities, motor-racing tracks, cycle paths) and environmental amenities (retention basins, landscaping, wind farms). Upstream, it produces aggregates and

Meaux bypass to the east of Paris

The Paris tramway

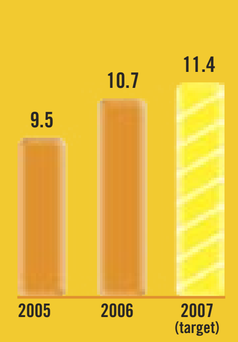
makes roadbuilding materials (asphalt mixes, binders and emulsions) for its own use or for sale. It also has a building operation in the Paris region which includes conventional construction work, mostly office buildings, and the demolition and deconstruction of old buildings, and a substantial civil engineering and building activity in Reunion Island.

Four other activities complement its roadbuilding business.

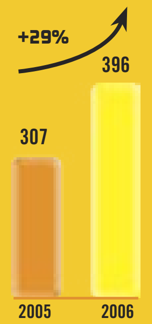
Safety and signalling

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

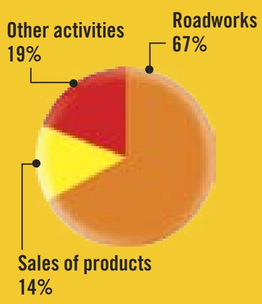
Sales
€ billion



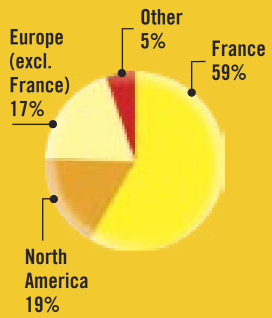
Net profit
€ million



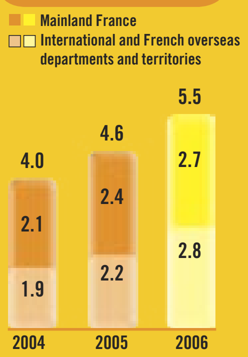
Sales by segment



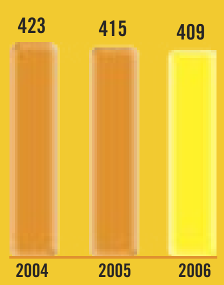
Sales by region



Order book
€ billion



Net cash flow
€ million



CONSOLIDATED BALANCE SHEET AT 31 DECEMBER

ASSETS (€ million)	2005	2006
• Tangible and intangible fixed assets	1,687	1,888
• Goodwill	205	222
• Non-current financial assets	428	503
NON-CURRENT ASSETS	2,320	2,613
• Current assets	2,960	3,446
• Cash and equivalents	661	704
• Financial instruments (debt-related)	9	4
CURRENT ASSETS	3,630	4,154
• Held-for-sale assets	-	-
TOTAL ASSETS	5,950	6,767

LIABILITIES (€ million)	2005	2006
• Shareholders' equity att. to the Group	1,451	1,694
• Minority interests	27	27
SHAREHOLDERS' EQUITY	1,478	1,721
• Long-term debt	108	137
• Non-current provisions	471	513
• Other non-current liabilities	59	63
NON-CURRENT LIABILITIES	638	713
• Debt (amount due within one year)	38	32
• Current liabilities	3,687	4,171
• Overdrafts and short-term bank borrowings	100	126
• Financial instruments (debt-related)	9	4
CURRENT LIABILITIES	3,834	4,333
• Liabilities on held-for-sale assets	-	-
TOTAL LIABILITIES	5,950	6,767
NET DEBT	(415)	(409)

CONSOLIDATED INCOME STATEMENT

(€ million)	2005	2006
SALES	9,540	10,716
CURRENT OPERATING PROFIT	422	524
• Other operating income and expenses	(32)	4
OPERATING PROFIT	390	528
• Cost of net debt	(10)	(15)
• Other financial income and expenses	4	3
• Income tax expense	(121)	(168)
• Share of profits and losses of associates	49	54
NET PROFIT BEFORE RESULTS OF DISCONTINUED AND HELD-FOR-SALE OPERATIONS	312	402
• Net profit of discontinued and held-for-sale operations	-	-
NET PROFIT	312	402
• Minority interests	(5)	(6)
CONSOLIDATED NET PROFIT ATTRIBUTABLE TO THE GROUP	307	396

Tamarind Road in Reunion Island

Pipes and mains

The pipes, mains and drilling business includes the laying and maintenance of large-diameter pipes for transporting fluids (oil and gas) and smaller-diameter pipes for water, ductwork and cabling, electricity, heating, telecommunications, etc., deep drilling and long-distance, large-diameter horizontal directional drilling.

Waterproofing

The waterproofing business comprises the production and marketing in France and on international markets of waterproofing membranes, skydomes and smoke/fume extraction systems, the installation and maintenance of servo-controls, the waterproofing of roadways (mastic asphalt) and the waterproofing, cladding and roofing of buildings.

Rail

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

Competitive environment

On roadworks and civil engineering markets, Colas subsidiaries are in competition with Eurovia (Vinci), Eiffage TP and a very dense network of some 1,600 small, medium and large local and regional firms. Lafarge and Ciments Français are competitors on the aggregates markets, along with regional and local quarrying firms, some of which also have a civil engineering activity. Subsidiaries operating in complementary activities compete with the specialist units of the French construction firms already mentioned and their international counterparts, plus a host of regional, national and foreign specialist firms of all sizes, including:

- Signature (Burelle group), Girod and Lacroix in the signalling segment;
- and Vossloh, TSO, Balfour Beatty, Carillion, Comsa and Tecsa in the rail segment.

Colas is the leading roadbuilder and in second place for the production of aggregates, rail engineering and waterproofing. A ranking for other activities would be meaningless.

Colas' international road business is very similar to its activity in France, although individual projects tend to be larger in North America, Central Europe and the Indian Ocean. Roadworks are supplemented by upstream industrial activities, including the production of aggregates, asphalt mixes, emulsions and ready-mix concrete. The proportion of products sold to third parties may be higher, as is the case in North America, for example.

The group's main complementary activities outside France are pipes, mains and drilling, civil and rail engineering in Europe, and building and civil engineering in the Indian Ocean. In Asia, Colas is expanding into the storage and marketing of oil products, especially bitumen, mostly for roads.

Laying pipelines

Colas has prime and growing positions in all the countries or regions where it operates (there is no national market in these sectors in the United States or Canada) and is in competition in each country with local firms or subsidiaries of major international construction firms, cement makers or materials producers.

The road business is highly seasonal both in France and elsewhere. This characteristic is more marked in some countries than others. Activity is relatively slow in the first quarter, which accounts for around 15% of total sales. Most work is carried out between April and October, generating around 70% of sales.

Strong sales growth in 2006

France

Consolidated sales in France rose by 14.4% on 2005 to €6.3 billion.

Mainland France

On a buoyant road market, Colas and its 16 regional road subsidiaries reported a 14% rise in sales to €4.8 billion. Business thrived, aided by fine weather and local government spending on urban development, urban transport projects (especially tramways) and road maintenance, motorway and airport projects, and by private-sector investment in property, logistics, industrial plant and the energy sector. Better results were due to an increase in business by volume, productivity improvements and the ongoing modernisation of industrial plant and equipment. Some acquisitions were made in the materials production (aggregates, concrete), roadbuilding and demolition segments.

Safety and signalling

Safety and signalling subsidiaries held their own in 2006, recording only a slight decrease in sales (1%) thanks to steady orders for the installation and maintenance of guard rails and noise barriers. The group's road paint production and road marking subsidiaries maintained their market share and continued to develop their range of green products.

Pipes and mains

Sales in the pipes, mains and drilling business rose by 9% on the previous year. The acquisition of a company with an international customer base specialising in long-distance, large-diameter horizontal directional drilling has extended the group's range of expertise.

Waterproofing

Waterproofing subsidiaries reported a 9% rise in sales compared with 2005. Export sales increased on all markets despite the drag caused by a sharp rise in raw material prices, which are difficult to pass on in their entirety.

Rail

Sales at the rail division rose by 15%. The acquisition of a regional company has completed the group's coverage of south-western France. A freight transport licence and a safety certificate have been obtained. On 20 December 2006, Colas and Spie signed an exclusivity agreement with a view to the sale of Spie Rail to Colas. With forecast sales of €300 million in 2006, the acquisition will pave the way for the creation in 2007 of a unit that can offer the full range of rail infrastructure and superstructure construction and maintenance services in France, from design to construction (ballast, track laying, catenary systems, signalling), and that is also capable of tackling major rail infrastructure projects in France and elsewhere (see also "Highlights since 1 January 2007", page 90, "Preliminary agreement for the sale of Spie Rail to Colas").

French overseas departments

GTOI, the group's subsidiary in Reunion Island, expanded rapidly. Its building activity was sustained by both public- and private-sector demand, its civil engineering activity by major projects, and its industrial production of construction materials by growth in the construction sector. In Guadeloupe, because of the low level of local authority investment, business depended mainly on roads and utility contracts. In French Guiana, sales were comparable with the 2005 figure. Total sales in the French overseas departments rose by 23%.

International markets and French overseas territories

Sales on international markets and in French overseas territories amounted to €4.4 billion, a 9.5% increase on 2005 (6.7% like-on-like and at constant exchange rates).

Europe

Sales in Europe (excluding France) rose by 2.4% on 2005 to €1,848 million. The group's solid performance in Europe in 2006 was masked by the completion of a number of major projects, notably motorways in Hungary and the Antwerp ring road in Belgium.

In Belgium, sales fell back slightly in comparison with 2005 following completion of the project to renovate the Antwerp ring road. In Denmark, activity picked up slightly. In the UK, Colas Ltd. was able to report higher sales despite an overall decline in spending on roads, due in particular to the second year of a PFI contract to renovate and maintain roads in Portsmouth. A number of multi-year maintenance contracts were also obtained or renewed in 2006. The market in Ireland continued to flourish. Two bitumen depots in Dublin and Belfast were acquired under joint venture arrangements, together with bitumen marketing activities. Sales at Colas Switzerland rose after remaining flat for several years, although conditions on the roads market remained tight. The group's subsidiaries in Hungary, the Czech Republic and Slovakia reported excellent levels of activity. In Romania, approaching membership of the


Tracklaying for the East European high-speed rail line

European Union gave the market a boost; a new aggregate production facility was acquired. In Austria and Germany, the production of binders remained stable. In Poland, the traditional market and the private-sector market showed signs of recovery. New specialist companies in the Czech Republic and Hungary joined the group.

North America

With record sales of almost €2.1 billion, up 15.7% on the previous year, 2006 was an excellent year for Colas in North America. Like-on-like and at constant exchange rates, the growth rate was 9.5%.

In the United States, continuing the trend in 2005, sales rose by 12% on buoyant markets in most of the 23 states where the group's subsidiaries operate, including California, where business picked up again. Strict controls on operating costs, especially the cost of raw materials, helped subsidiaries to cushion the effect of the sharp rise in prices for oil products (bitumen and fuel). Acquisitions were made in Ohio, Virginia, Georgia, South Carolina and Alaska. In Canada, activity remained at a sustained level as subsidiaries benefited from high public spending and steady growth in the residential, commercial and industrial segments across the country, especially the western provinces, which have substantial oil resources in the form of bituminous shale. Acquisitions were made in Quebec, Alberta and British Columbia.

Indian Ocean – Africa

In **Morocco,** in a highly competitive market, sales in 2006 were slightly higher than in 2005.

In **Benin,** the start of a new project should reverse the decline in sales.

In **Gabon,** infrastructure work on oil industry sites continued. In **southern Africa,** sales remained stable. Sales in the Indian Ocean region continued to grow, mostly as a result of major projects under way in **Madagascar.**

French overseas territories

Activity in **Mayotte** benefited from public-sector investment and oil industry projects. Sales in **New Caledonia** rose following the resumption of a mining project and an ambitious social housing programme.

Asia

Colas now has operations in seven Asian countries. Its business, based on the production and sales of bituminous products, is expanding despite the volatility of raw material prices and sharp swings in product availability. Almost 1 million tonnes of bituminous binders were distributed from 10 depots. The group continued its strategy of producing, storing and distributing oil products, especially bitumen and emulsions.

In **Thailand,** Tasco and the group's other companies reported the fastest sales growth in the region.

In **Malaysia,** KBC, in which Tasco has a 50% stake, is completing the construction of a bitumen refinery near the east coast port of Kemaman. The plant will ultimately be able to handle 25,000 barrels of oil a day and will produce up to 800,000 tonnes of bitumen a year from the second quarter of 2007. In China, Tasco acquired a 51% stake in a bitumen depot to the south of Shanghai, bringing the number of its plants in the country to four.

In **India,** Hinco, which has six production units, consolidated its leading position on the emulsions market and continued to expand.

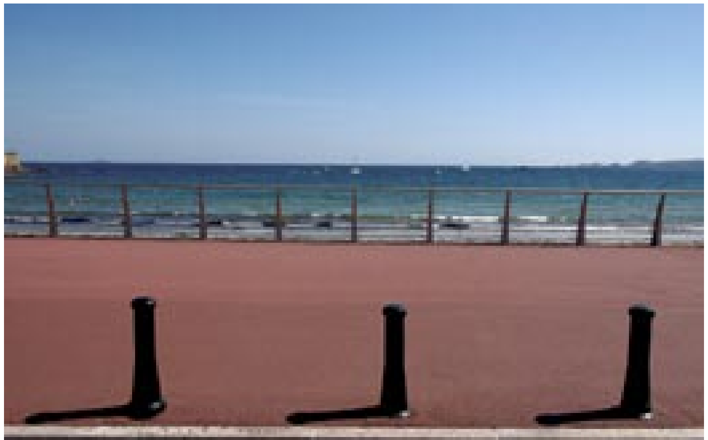
In **South Korea,** the newly created subsidiary Isco acquired a quarry with an asphalt plant.

Colas had operations in some 40 countries in 2006.

The following examples reflect the wide variety of projects in which it is involved: in France, construction and maintenance of motorways (sections of the A5, A9, A16, A26, A29) and roads (Meaux, Beauvais and Sables-d'Olonne bypasses), reinforcement of airport runways at Orly, Roissy and Lille-Lesquin, surfacing of access and storage zones at the port of Calais, urban surfacing projects using Vegecol-based asphalt mixes, tramways in Marseille, Montpellier, Saint-Etienne, Le Mans, Paris and Clermont-Ferrand, laying of a 1,200-millimetre diameter, 20-kilometre gas pipeline for Gaz de France Transport between Fos-sur-Mer and Saint-Martin-de-Crau, waterproofing and cladding of satellite S3 at Roissy-CDG airport, completion of tracklaying for 190 kilometres of the East European high-speed rail line, deconstruction work on Terminal 2E at Roissy-CDG airport, construction of the Tamarind Road in Reunion Island; on international markets, in the UK, renovation of roads in Portsmouth under a 25-year PFI contract signed in 2004; in Belgium, renovation of a section of the Brussels ring road; in Hungary, construction of a motorway section of the Budapest ring road (M0) and of a wastewater treatment plant in Csepel; in the Czech Republic, start of construction work on a section of the D47 motorway; in Slovakia, construction of an 8-kilometre section of the D1 motorway; in Romania, renovation of roads; in the United States, renovation of a section of the I-79 Interstate highway in Pennsylvania, renovation of the main runway of Syracuse airport in New York State, resurfacing of the runway at Kotzebue airport in Alaska; in Canada, construction of a private airfield and of a section of Highway 63 at Fort McMurray in Alberta; in Morocco, widening of RN16 serving the new port of Tangiers; in Madagascar, construction and renovation of RN6.

Colas continued its policy of expanding the production and sale of construction materials, especially aggregates. The group produced a total of 113 million tonnes in 2006 (an increase of 11.3%) from over 600 quarries and gravel pits spanning the entire scope of its operations. The group either directly owns or has operating rights to reserves of aggregates totalling 2.6 billion tonnes, equivalent to roughly 23 years' production.

SUSTAINABLE DEVELOPMENT



Over 350 surfacing projects used Vegecol in 2006

Challenges

Criticised for their association with cars and trucks, roads nevertheless have a key role to play in sustainable development, in areas such as freedom of movement, economic and cultural exchanges, political union within a country and social advancement, and as a consumer of recycled materials from many different industries. Colas firmly believes that it should conduct its business in compliance with requirements that may be grouped into five action programmes revolving around three major strategic priorities.

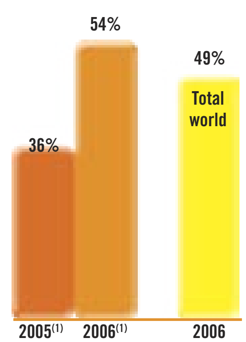
Organisation

In conjunction with senior management, the environment division provides support and follow-up, working with headquarters staff and subsidiaries to coordinate a network of over 100 environment officers throughout the group. It is gradually establishing specific indicators based entirely on data sets that can be consolidated and are reliable enough to provide a foundation for forward-looking policy decisions.

Quality, safety and environment certification is not an end in itself. Certification is used as a performance tool in each particular sphere:

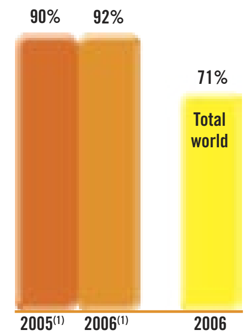
- a systematic policy of ISO 9001 or equivalent certification is reflected in the fact that 80% of sales are generated by subsidiaries with quality certification (except in the United States, where ISO 9001 certification is unsuited to the mindset and the legalistic culture, although this does not exclude an effective quality-based approach);
- the safety policy is structured around actions and indicators designed to mobilise the workforce, making systematic certification unnecessary;
- for the environment, priority is given to industrial sites, although some subsidiaries have opted for certification of their entire activity. 30% of total sales are generated by subsidiaries with environmental certification, the rate rising to almost 50% for industrial activities;
- QSE integration is not systematic since compliance with each set of standards is treated as a separate issue, although half a dozen subsidiaries have opted for an integrated QSE approach and have been awarded ISO 9001, ISO 14001 and OHSAS 18001 certification.

Environmental certification of industrial activities
(as % of sales)



(1) Belgium, Switzerland and mainland France

Quality certification of all activities
(as % of sales)



(1) Belgium, Switzerland and mainland France

Sustainable development policy

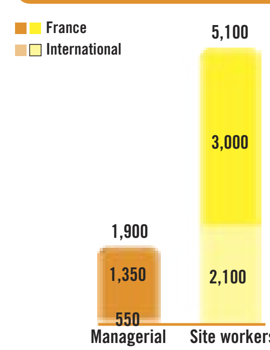
Three major strategic priorities

Recruiting the right people

Recruitment

Colas renews about 10% of its workforce each year. In view of the complexity of its operations and markets, the group aims to diversify the profile of its recruits. Recruitment policy is adapted to the local context but always aims to be consistent with the legal, labour and societal environment and to comply with International Labour Organisation conventions.

Recruitment en 2006



Recruitment in 2006 increased by 35% in relation to the previous year. Even so, certain needs are difficult to meet due to a lack of suitable candidates or pressure on labour markets in major urban areas.

Consequently, Colas stepped up and diversified its recruitment initiatives, including a national poster campaign targeting the general public with the slogan "One day I will build roads with Colas", use of the internet, contacts with schools and universities, use of employees' own personal networks, etc.

Colas hosted 2,650 interns in 2006, 6% more than in 2005, including 600 outside mainland France. Almost 70% of the 150 engineering students on final-year internships were hired. The internships, covered by agreements with the higher education institutions concerned, are for short periods (three to six months); they are not intended to replace permanent positions and the pay is consistent with the work done.

Civil engineering, especially on the operational side, is a predominantly male business, although the number of female graduate recruits is increasing. The proportion of women in support functions is rising, including in senior positions.

Colas is involved in measures to help

Rebuilding the Rova Palace in Madagascar under the aegis of UNESCO

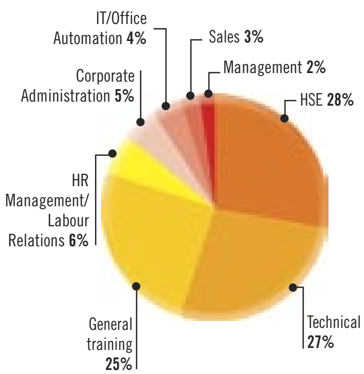
the long-term unemployed. In France, such actions include cooperation with training and placement bodies and with organisations that help young people with schooling difficulties to find work, the employment of disadvantaged young people who are poorly integrated into society with the judicial youth protection service, and a partnership with the Defence Ministry's "Second Chance" scheme which provides training to young people in difficulty. Similar actions are taken outside mainland France, such as the integration of workers of Mexican origin in cooperation with local authorities in the United States and of unskilled men and women from deprived neighbourhoods in New Caledonia. Efforts to employ and accommodate the disabled were stepped up in 2006 through measures such as membership of Tremplin, an association formed by several large French firms to favour employment of the disabled, the provision of disabled staff for secretarial and reception tasks by Sotres-Lorraine, and a partnership with a temporary employment agency specialising in the placement of disabled workers.

Training

Investment in training is a priority for Colas, which has substantial training budgets (4% of the total payroll in France). Training is provided both in subsidiaries and through Colas Campus, which hosted nearly 3,700 employees on 372 training courses in 2006.

Particular importance is placed on apprenticeships and alternate workplace/classroom training for young people: almost 500 such contracts were concluded in France in 2006.

Breakdown of training hours by theme (in France)



Pay and loyalty

In France, when employees start their careers, pay scales are based on their qualifications. Elsewhere it may depend on industry agreements. Pay then varies according to the achievement of individual targets and the level of responsibility. A performance-related element is the rule. The group's good results in 2006 meant that pay could be increased by more than the rate of inflation, a factor which is amplified if other elements of total remuneration are included, such as employee profit-sharing (significantly higher) and benefits schemes.

Priority is given to promotion from within, facilitated by the group's training policy. Colas encourages long careers, in some cases extending beyond retirement age, and consideration is being given to ways of improving the prospects of older employees.

Societal acceptance of industrial sites

Colas has a vertical integration strategy for the production of construction materials such as aggregates, ready-mix concrete, asphalt mixes, emulsions, binders, waterproofing membranes, road paints and resins. It can be difficult to get society to accept industrial sites because of the fear of nuisance. It is essential to restore and strengthen dialogue with local communities around three themes:

- the reduction or elimination of environmental impacts, going beyond mere compliance with administrative requirements, and a policy of systematic environmental certification;
- the introduction of methodologies and internal benchmarking systems to help operators to make progress;
- the creation of an indicator for tracking local dialogue. Industrial plants which maintain a structured dialogue with local residents, local authorities and government agencies account for almost 30% of sales in the segment.

Ethics

Colas has initiated a number of actions in conjunction with independent partners.

- **AQP, the French weighing quality association,** in partnership with Socotec and Veritas, aims to equip asphalt plants with a foolproof weighing system to ensure the traceability of deliveries. Three-quarters of the tonnage of asphalt mixes produced in France is sold using a system of this type.
- **Resale of second-hand civil engineering plant:** in France, Colas was behind the launch by a major international firm of auction sales of second-hand plant, under the supervision of Tracfin[1]. All Colas' sales of second-hand equipment are made through this channel, representing €6.7 million in 2006.
- **Training in competition law:** all the group's profit centre managers and senior managers in the subsidiaries were given training in competition law by legal experts in 2006, in eight sessions attended by over 800 employees. 123 staff members attended similar sessions organised outside France.

(1) The French financial intelligence unit and money-laundering watchdog

Five action programmes

Recycling

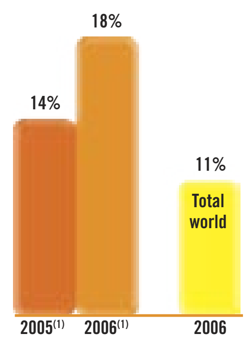
Recycling is a real priority, since Colas is a major producer and user of construction materials. The company engages in four types of recycling:

- the incorporation of waste materials that bring additional properties: Colsoft, a noise-reducing mix, incorporates powdered rubber from used tyres; Scintiflex, a reflecting surfacing, incorporates waste glass; the Fractal Wall noise barrier contains wood waste; Compogom, used to make sub-bases, contains ground automobile tyres;
- recycled and reusing construction waste: excess cut from earthworks (Ecosol), mastic asphalt from sidewalks (25% in the mastic asphalt used in work for the Paris city authorities), demolition concrete (30 crushing plants in France), asphalt mix surfacing that is recycled in situ (south-western France and Morocco) or incorporated into new mixes at mixing plants, etc.;
- substitution at equivalent quality and cost: rubble, thermal power station fines used in the production of asphalt mixes, slag from the steel industry;
- use of substandard materials in the public interest: Colas handles over 40% of the clinker produced in the Greater Lyon region and recycled almost 70,000 tonnes of foundry sand in the Nord-Picardie region in 2006.

Almost 8 million tonnes of materials are recycled in these ways. This represents over 11% of Colas' total production of aggregates, equivalent to the output of 24 average-size Colas quarries, and the figure is rising fast. Colas asphalt mixes alone incorporate 8% of reclaimed asphalt pavement (RAP), saving over 3 million tonnes, equivalent to the output of 32 standard Colas mixing plants, and about 150,000 tonnes of bitumen, equivalent to the output of a medium-sized refinery.

Energy

Recycled materials
(as % of output from quarries and gravel pits)



(1) Belgium, Switzerland and mainland France

Energy consumption

A general audit of energy consumption has been in progress since 2005 with the aim of defining relevant indicators in this complex field. A number of actions were taken in 2006:

- for industrial sites, strengthening internal standards systems used in ISO 14001 type management systems so that a specific energy saving plan can be drawn up for each site;
- selection criteria that give priority to energy efficiency when purchasing equipment;
- monitoring of consumption for each type of vehicle, make and driver in order to guide investment choices, streamline maintenance and identify training needs (a smoother driving style may generate fuel savings of 10 to 15%);
- trials of alternatives to fossil fuels.

Energy content of products and technologies

- **Neophalte BT,** a mastic asphalt manufactured at about 100°C lower than the usual temperatures, is increasingly widely used in France and, above all, on international markets. 7,000 sq. metres of pavement in Casablanca have been surfaced with the product.
- **3E mixes (Environmentally-friendly, Energy Efficient),** made at temperatures 40 to 50°C lower than traditional mixes, represent an energy saving of 10 to 20% and meet European and US standards.
- **The Vegeroute range** has been developed to replace oil and petrochemical products with plant-based raw materials while also reducing temperatures and quantities. Vegeroute won the annual innovation award at the 2006 French local government trade fair.

Neophalte BT is increasingly widely used in France and around the world

The range includes:

- fluxes which offer the additional advantage of preventing evaporation of volatile organic compounds (VOC) and improving bitumen's properties;
- Vegecol, a translucent and colourable bitumen substitute which performs just as well as or better than bitumen. It won an International Road Federation prize and the IAT National Innovation Award in the UK in 2006. Over 350 projects using Vegecol were completed in 2006, 140 of them outside France, compared with 60 in 2005 and four in 2004, consuming 1,900 tonnes of the binder, compared with 600 in 2005 and under 60 in 2004;
- Vegemark, a new binder for road markings, which enables the section to be opened back up to traffic 10 times sooner than a conventional product;
- Ostrea, a road-marking product developed with support from Ademe, the French environment and energy management agency. Derived from Vegemark, it replaces conventional limestone with recycled oyster shells. Ostrea was awarded the Pierre Potier prize for innovation in 2006 at a ceremony presided by the French Minister for Industry.


Safety training has been stepped up

- **"Ecosoftware", an ecological decision support tool for road structures** is used as part of the lifecycle analysis process to calculate alternative technical solutions designed to reduce energy content and greenhouse gas emissions.

Safety

Preventing industrial accidents

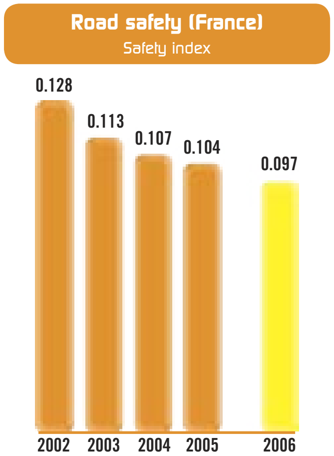
Priority is given to individual training. Almost one-third of training hours are devoted to safety. In 2006, the emphasis was placed on training workplace safety officers.

To improve the safety training provided to new site workers in France, Colas has developed a laptop computer application showing images, photographs, films and interviews describing risk situations.

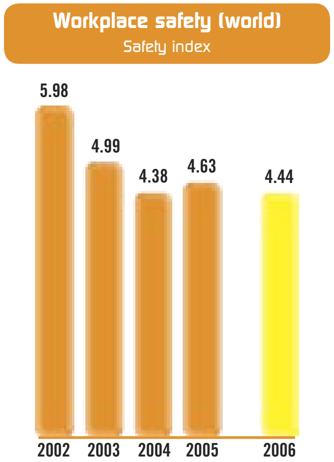
A partnership was concluded with seven temporary employment agencies in 2006 to improve the safety of temporary site workers.

In Madagascar, Colas recorded 1 million hours worked without accident on a major project lasting 11 months and involving over 600 workers.

The aim is to achieve an accident frequency rate (AFR) of under 10 by 2010. A second objective for 2008 is to completely eliminate accidents entailing time off work in 50% of profit centres. A total of 12,784 employees (21% of the workforce) received first-aid training by the end of 2006 and the group's aim is to increase the proportion to 30% by 2008.



Number of accidents involving third parties/ vehicle fleet



Road safety

Colas signed up to the European Road Safety Charter in 2005. The policy implemented in France has been extended to the whole of Europe with the aim of achieving a 25% reduction in accidents involving third parties by 2008. Measures have already been tried and tested in France (where Colas has 500 road safety officers and 18,700 employees have been trained in safe driving techniques), the UK, Belgium, Switzerland, Poland and the Indian Ocean and are gradually being introduced elsewhere, including the establishment of a steering committee and road safety programmes.

Health

In several regions, support has been provided to employees who want to stop smoking. French subsidiaries have introduced rules on alcohol consumption. A programme was introduced in 2006 to raise awareness of drug issues among safety officers. In the United States, regular drug and alcohol testing is relatively widespread.

Chemical risk

Under the provisions of REACH, the new EU regulation on the Registration, Evaluation and Authorisation of Chemicals, chemical products will have to be controlled before they can be marketed. For Colas, the regulation endorses its search for substitute products for the manufacture of emulsions, binders, marking products, etc. As the trend will probably lead to a reduction of the number of products sold by chemical firms, steps need to be taken to anticipate the situation.

Going beyond the regulatory framework, Colas' aim is to accelerate and round out its control of chemical risk by means of internal methodological tools

Training in road safety

such as inventories of substances used, risk ranking, risk reduction by elimination, substitution or ecological design, training and the provision of information to employees about residual risk.

The group's chemical risk policy defines a number of priority actions:

- **solvents:** elimination from laboratory use (objective almost fully achieved); replacement of workshop solvents by detergents or bacterial solutions (objective almost fully achieved in France); elimination of toluene from paints;
- **pigments:** elimination of heavy metal-based pigments in paints (objective achieved); research into non-powder-based forms (starting);
- **anti-adhesives:** elimination of fuel oil use by teams operating spreading equipment and replacement with plant-oil methyl esters (being implemented);
- **bitumen fumes:** encouragement of studies by independent organisations at European level. In France, the information available to date shows that the risk can be classed as "low and sufficiently controlled" within the meaning of health and safety legislation and in line with workplace healthcare guidelines, which rule out the need for close medical supervision.

North-South dialogue: Morocco and Madagascar

Colas is firmly established in Morocco and Madagascar, operating in the countries for over 50 years. Its actions contribute to growth, economic, social and cultural development, and environmental protection.

- **In Morocco:**
  - opening of a training centre for technicians;
  - elimination of transformers using pyralene;
  - introduction with partners of a waste oil disposal procedure;
  - creation of two foundations supporting NGOs running a clothing bank and helping single mothers;
  - financing of the digging of a well in Erachidia province and construction of a solar pumping station for a village.
- **In Madagascar:**
  - modernisation of workplace healthcare for all employees including regular check-ups and campaigns against malaria, diarrhoea and AIDS (over 1,500 staff took part in a voluntary anonymous testing programme in 2006);
  - help with reforesting by the Malagasy government, campaign to encourage people to stop using wood charcoal;
  - introduction of specific waste disposal procedures for products like waste oil;
  - €500,000 donation for rebuilding the Rova Palace, also known as the Queen's Palace, destroyed by fire in 1995 and a symbol of Madagascar's history. Colas is carrying out the bulk of the restoration work in partnership with other contractors.

Colas' involvement in these two countries naturally means that it is a preferred partner for major projects:

- **In the south of Madagascar,** the QMM titanium ore mining project is intended as a textbook example of sustainable development, including local employment, health and safety, environmental protection, trickle-down benefits at local and national level, etc.;
- **In Rabat,** the Bouregreg development project is intended to be both economically viable and exemplary in sustainable development terms, including urban rehabilitation, the restoration and enhancement of architectural heritage, the improvement of transport facilities, the closure and upgrading of landfills, and the protection and adaptation of a sociological fabric consisting largely of small-scale craft industries.

Formal dialogue with civil society

Private enterprise and infrastructure

Colas defends the idea that relations between the public sector and the private sector have changed in the sphere of infrastructure construction and maintenance. The company supports the use of alternative financing options like PPP, PFI and concessions to optimise investment and reduce the consumption of resources.

In the same spirit, while the practice of alternative tenders can make an additional contribution to a project, ruling them out curbs innovation. That is why Colas develops tools enabling it to propose "eco-alternatives" based on bio-products or road structures that use less energy and generate fewer greenhouse gas emissions.

Involvement in community life and support for projects

In France, where Colas has already incorporated local employment schemes into its human resources policy, involvement in community life mainly takes the form of supporting cultural initiatives (about 100), sports (over 300 teams) and good causes (about 30 projects) which express Colas' values of collective commitment and drive. It devotes around €1.3 million to corporate sponsorship.

In January 2006, Colas signed a partnership agreement with Assia El Hannouni, a disabled athlete who won four gold medals at the Athens Paralympics in 2004 and two gold medals at the World Championships in 2006. Colas provides her with material support for her training and studies; in return, she takes part in company events, sharing her experience with employees.

Actions in other countries are less easy to identify, although an initial survey suggests that the group is involved in about 150 actions at a cost of €500,000. They include support for 40 or so educational and humanitarian projects, such as financing the construction of housing and schools for the poor in Vietnam, 40 or so cultural initiatives and almost 100 sporting actions.

Encouraging the dissemination of ideas

This policy covers three main areas: the arts, through the Colas Foundation, which brings modern art into the workplace; human, social, economic and political sciences through the Colas Circle, which regularly invites thinkers and opinion-shapers to speak on a key subject of their choice; and the hard sciences, with the "Rencontres Scientifiques Colas", gatherings of top scientists organised in partnership with the science magazine *La Recherche.*

Research and development

Research has been a strategic priority for Colas for a very long time. With a portfolio of 135 patents for products used in France and around the world, the group continues to pioneer new roadbuilding techniques suited to the different needs of an ever-changing global market. Colas spent €61 million on R&D[1] in 2006, including 60% in France.

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

The group has an extensive international network of in-house technical staff, expanding continuously as new companies join the group. A driver of innovation, the network has close links with operational divisions and teams in the field. At its heart, the Campus for Science and Techniques in Magny-les-Hameaux, to the west of Paris, is the road industry's biggest private research centre and spearheads the group's innovation policy. The researchers there place their skills and capabilities at the service of other group companies not only for conventional projects but also for major undertakings and more complex operations such as the construction of tramways or PPP and PFI contracts like the one in Portsmouth (UK). Over 80 specialists work at the Campus,

Campus for Science and Techniques in Magny-les-Hameaux outside Paris

(1) According to the OECD definition, including pure research, experimental development, technical laboratory activities and software.

Colas hired 7,000 new employees in 2006

including engineers and technicians, physicists, chemists, materials scientists and metrologists.

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

Each unit has state-of-the-art laboratory and computer equipment, regularly replaced to remain at the cutting edge of technological innovation, including materials analysis equipment, sophisticated modelling software, risk measurement tools and modern auscultation apparatus. The equipment enables research teams to meet clients' needs and optimise tenders by proposing alternative technical solutions.

In all, 1,800 men and women work in the Colas technical network (45% in mainland France), including 1,000 people in the group's laboratories and 800 in its design offices.

Operating risks

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

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

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

In 2006, during construction work on the port extension at Longoni in Mayotte, the accidental spillage of sludge by a sub-contractor was quickly remediated in a clean-up involving the pumping of several thousand tonnes of sludge and mud, in coordination with scientific experts and the authorities.

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

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

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

Outlook for 2007

The order book at end-December 2006 was 18% higher than in 2005 (+12% in mainland France, +25% in international units and French overseas departments and territories) and evenly spread across all activities, subsidiaries and regions.

Colas is preparing a number of tenders for motorway projects (new sections operated under concession contracts) and railway projects under PPPs.

Available information suggests a high level of activity in the first half of 2007, both in France and internationally. External growth could be higher than in 2006.

Colas can therefore look forward to further expansion in 2007, continuing its profitable growth strategy.

NUMBER-ONE TELEVISION GROUP IN FRANCE

Still the most-watched TV channel, a winning diversification strategy

The French series *RIS* is a major hit

TF1 is using a multimedia content strategy to consolidate its leading position. The group, now organised into cross-functional divisions by programme format, offers advertisers a combination of high-profile programming and strong ties with target audiences.

Highlights

- **December:** acquisition of a 95% stake in 1001 listes, the leading wedding list website; announcement of the acquisition of a 33.5% minority interest in AB group. Almost 5 billion page hits on tf1.fr in 2006.
- **October:** launch of JET, a game show channel.
- **August:** French Finance Ministry approval of the merger between Canal+ Group and TPS.
- **June:** creation of WAT, France's leading cross-platform multimedia content publishing site; acquisition of a 20% stake in Overblog, the second biggest blog platform in France.
- **March:** distribution of LCI, TV Breizh and TF1 in Belgium.
- **January:** advertising and content partnership with Neuf Cegetel.

Sales 2006
€2,654m
(+6%)

Current operating margin
11.3%
(-2.2 points)

Net profit att. to the Group*
€452m
(+92%)
* incl. €254m from TPS

Employees
3,800

Sales target 2007
€2,875m
(+8%)

The TF1 group reported a 6% rise in consolidated sales in 2006 to €2,654 million. Net advertising revenue from the TF1 core channel rose by 3.7% to €1,708 million, mainly due to heavier spending by advertisers in the telecommunications and service sectors. Revenue from other activities increased by 10% on 2005, with Teleshopping, French theme channels, TF1 International and Eurosport International making a particularly significant contribution.

Current operating profit amounted to €300.8 million, 11.3% less than in 2005. This was mainly attributable to a 15.3% rise in programme costs at TF1, including exceptional broadcasting costs of €113.6 million for the Football World Cup in 2006. Stripping out the World Cup effect, programme costs increased by 2.9%.

Net profit from ongoing activities amounted to €198.7 million, 9.9% lower than in 2005, mirroring the dip in current operating profit. The merger of TPS and the Canal+ Group's pay-TV businesses in France had a €253.6 million impact on TF1's consolidated income statement in 2006. Consequently, the TF1 group reported net profit attributable to the Group of €452.5 million for the year.

Shareholders' equity at 31 December 2006 amounted to €1,358 million. Net debt amounted to €378.5 million, equivalent to 27.9% of equity.

Net cash flow from operations amounted to €323.4 million in 2006, compared with €248.8 million in 2005.

French channels

Revenue from French channels increased by 5.7% in 2006. Advertising revenue from TF1 rose by 3.7% and revenue from other activities by 14.3%. However, current operating profit fell by 15.9%, mainly due to higher programme costs connected with broadcasting the Football World Cup in 2006.

Nearly 11 million viewers watched *L'Enquête Corse*

The Football World Cup

TF1 channel

TF1 had 98 of the 100 top audience ratings in 2006, its best performance since 1991. TF1 continues to show the highest-profile programmes on French television.

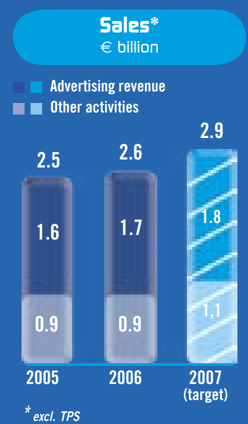
French drama shown on TF1 accounted for 47 of the 100 top ratings.

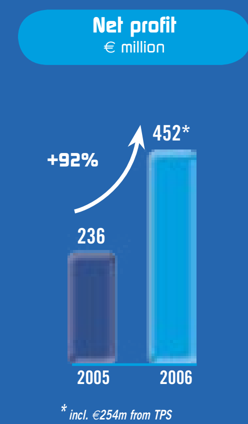
Matches in the FIFA Football World Cup took the first eight places in the ranking and included the highest-ever audience score since the creation of Médiamat, when 22.2 million viewers watched the semi-final between Portugal and France on 5 July.

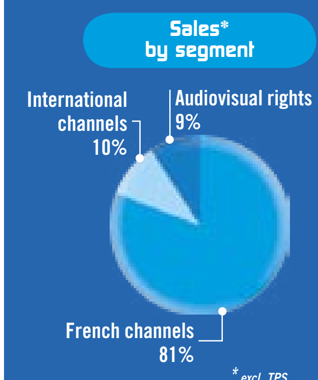
American series *(CSI, CSI: Miami, CSI: NY)* took 14 places, with a record 10.3 million viewers for an episode of *CSI: Miami* on 10 May 2006.

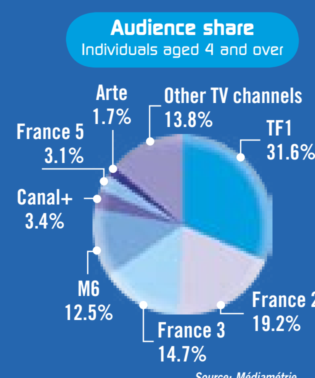
Films screened on TF1 took 12 places, some of them attracting over 12 million viewers.

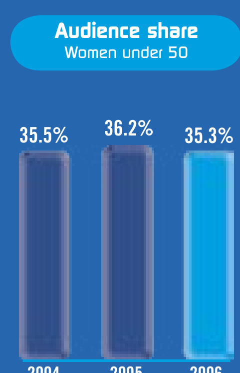
The average audience for prime-time programmes on TF1 in 2006 increased by over 300,000 to 7.6 million, the best score since 1994.











CONSOLIDATED BALANCE SHEET AT 31 DECEMBER

ASSETS (€ million)	2005	2006
• Tangible and intangible fixed assets	332	311
• Goodwill	481	505
• Non-current financial assets	118	754
NON-CURRENT ASSETS	931	1,570
• Current assets	1,787	1,851
• Cash and equivalents	176	275
• Financial instruments (debt-related)	12	2
CURRENT ASSETS	1,975	2,128
• Held-for-sale assets	564	-
TOTAL ASSETS	3,470	3,698

LIABILITIES (€ million)	2005	2006
• Shareholders' equity att. to the Group	1,051	1,358
• Minority interests	(1)	-
SHAREHOLDERS' EQUITY	1,050	1,358
• Long-term debt	513	506
• Non-current provisions	32	34
• Other non-current liabilities	49	38
NON-CURRENT LIABILITIES	594	578
• Debt (amount due within one year)	25	147
• Current liabilities	1,450	1,612
• Overdrafts and short-term bank borrowings	1	2
• Financial instruments (debt-related)	-	1
CURRENT LIABILITIES	1,476	1,762
• Liabilities on held-for-sale assets	350	-
TOTAL LIABILITIES	3,470	3,698
NET DEBT	351	379

CONSOLIDATED INCOME STATEMENT

(€ million)	2005	2006
SALES	2,509	2,654
CURRENT OPERATING PROFIT	339	301
• Other operating income and expenses	14	-
OPERATING PROFIT	353	301
• Cost of net debt	(13)	(12)
• Other financial income and expenses	-	(5)
• Income tax expense	(115)	(99)
• Share of profits and losses of associates	(5)	13
NET PROFIT BEFORE RESULTS OF DISCONTINUED AND HELD-FOR-SALE OPERATIONS	220	198
• Net profit of discontinued and held-for-sale operations	14	254
NET PROFIT	234	452
• Minority interests	2	-
CONSOLIDATED NET PROFIT ATTRIBUTABLE TO THE GROUP	236	452


Michel Serrault in *Monsieur Léon*

TF1 is the only channel in France capable of regularly attracting 10 million viewers and more, in a digital audiovisual environment where viewers have an increasingly wide choice of channels and services.

TF1's advertising revenue increased by 3.7% in 2006. The channel's market share rose by 0.4(1) of a percentage point to 54.8%(1), reflecting differing trends from one sector to another.

- TV advertising by producers of mass consumer goods has declined steadily since autumn 2004. Advertising expenditure on food and cleaning products in 2006 fell by 2.9%(1) and 3.5%(1), respectively, in comparison with the previous year. In contrast, advertising expenditure on beverages rose by 5.5%(1) and on cosmetics by 1.6%(1).
- Spending by the telecommunications and service sectors continued to rise. Telecoms became the fourth largest TV advertiser, behind food, cosmetics and publishing.
- Spending by the service sector rose by 30.2%(1) to €500.4 million(1) in 2006. Spending by banks (half the expenditure in the sector) rose by 33%(1) and by insurance companies (one-third of expenditure in the sector) by 63%(1).

French theme channels

French theme channels generated sales of €153.8 million in 2006, up 10.3% on the previous year. Advertising revenue increased by 14% over the period. In this context, the performance of TV Breizh stood out: combining good viewing figures with an increase in the number of households receiving it, the channel reported a 37% rise in sales.

Good viewing figures and successive reorganisations enabled the group to reduce its operating loss on theme channels in 2006 by €3.4 million to €13.4 million, including a €3.5 million charge for the launch of the JET game show channel. TV Breizh broke even in operating terms in 2006.

Secure distribution contracts in France and other French-speaking countries, good viewing figures and strict cost control should enable the group's theme channels to break even in operating terms in 2007 and generate an operating margin of 10% in 2008. The discovery division should also break even in 2007.

(1) Source: Secodip

Number of households receiving the channels
in millions

Channels	2006	2005	Change
Eurosport France	6.8	6.5	+4.6%
TV Breizh	5.2	4.6	+13.0%
LCI	6.1	5.4	+13.0%
TMC*	14.8	9.2	+60.9%
TF6	3.0	2.8	+7.1%
Série Club	2.5	2.2	+13.6%
Odyssée	2.2	2.2	-
Histoire	4.5	4.3	+4.7%
Ushuaïa TV	1.1	1.2	-8.3%

** incl. terrestrial in southern and south-eastern France (approx. 2.2 million households) and DTT*

TV-related activities

Teleshopping

The Teleshopping group generated sales of €110.4 million in 2006, a 23.5% rise, on the back of a 52% increase in the internet business, which accounted for 27% of the Teleshopping group's sales of goods.

In 2007, Teleshopping will benefit from the launch of a home-shopping venture in Turkey in partnership with Dogan TV and from the integration of wedding list website 1001 listes, acquired in December 2006.

The Teleshopping group reported an operating profit of €8.7 million in 2006.

TF1 Entreprises

TF1 Entreprises and its subsidiaries reported a 24.4% rise in sales in 2006, driven by hits in the music business, sales of board games (the number of units sold in 2006 almost doubled to 572,900) and the expansion of below-the-line activities.

TF1 Entreprises reported an operating profit of €5.9 million in 2006.


The average audience for prime-time programmes increased by over 300,000

Production

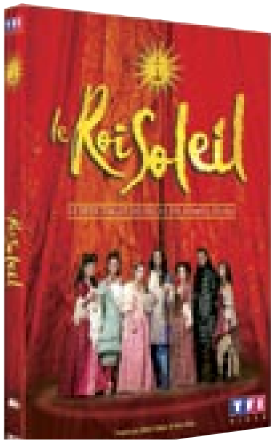
The production division, mainly comprising TF1 Films Production, TF1 Publicité Production and Glem, generated sales of €31.1 million in 2006 and reported an operating loss of €1.3 million, including a €3.5 million provision for investments in associates.

E-TF1

E-TF1 reported a further 3% increase in sales to €71.3 million in 2006 following the previous year's sharp rise. Revenue from advertising and the sale of content continued to grow with the increasing popularity of the tf1.fr site (the number of unique visitors rose by 72%[2] between December 2005 and December 2006). E-TF1 reported an operating profit of €3.8 million.

Audiovisual rights

The audiovisual rights division reported a 3.4% increase in sales and a 10.3% improvement in its operating margin. TF1 Video sold over 23 million DVDs in 2006, an increase of 13% on 2005. However, sales were down 1.6% due to lower average prices for DVDs. The three best-selling titles in 2006 were *Le Roi Soleil* (over 610,000 copies sold), Gad Elmaleh (over 500,000 copies sold) and Florence Foresti (over 400,000 copies sold). TF1 Video reported an operating profit of €15.6 million, representing an operating margin of 9.9%.



International channels

Eurosport International reported a 6.5% rise in sales to €259.1 million. Subscriber revenue increased by 7.6%, partly due to an expanding European market (103.4 million households outside France receive the Eurosport channel), but also thanks to the quality of the Eurosport group's channels and its brand reputation, thereby boosting the number of paying subscribers. Advertising revenue increased by 6.8%, fuelled by the Turin Winter Olympics, which attracted 140 million viewers in Europe.

Eurosport International's operating profit remained stable at €29.7 million, representing a margin of 11.5%. This result takes account of the higher cost of broadcasting rights for the Turin Winter Olympics and the cost of developing WTCC, Eurosport 2 and Eurosport in Asia.

France 24, jointly owned by TF1 and France Télévisions in equal partnership, was launched on 6 December 2006. It was proportionately consolidated in TF1's consolidated financial statements for 2006, although its impact on the financial statements was not material.

Teleshopping increased its sales by 23.5%

Sale of TPS

On 6 January 2006, Vivendi Universal, TF1 and M6 concluded an agreement to merge the French pay-TV businesses of Canal+ and TPS in an entity controlled by Vivendi Universal. The agreement was submitted to the CSA, the French broadcasting authority, and to the competition authorities for approval. The merger of the French pay-TV businesses of TF1, M6 and Vivendi was completed on 4 January 2007. Vivendi Universal owns 85% of the new entity, TF1 has 9.9% and M6 5.1%.

The merger has its origins in four major factors affecting the overall balance of the television industry in France, especially the pay-TV segment:

- rapid developments in digital distribution technologies (ADSL, DTT, mobile TV, etc.) and high take-up rates among consumers, resulting in an increasing number of distribution platforms for audiovisual content;

(2) Source: Médiamétrie/Xiti/NielsenNetRatings panel/Cyberestat

Eurosport and four of the group's other theme channels are in the top 10 in terms of audience

- the spread of free-to-view offerings, especially on DTT and ADSL, with operators offering packages of free channels;
- the arrival of powerful new operators on the pay-TV market, especially telecoms operators and internet service providers offering triple play (3P) services (telephone, television and internet access). At the same time, the French market is attracting the interest of multinational publishing and retail groups. These factors are compounded by a restructuring of the cable industry, making it a highly competitive channel for 3P and 4P offerings;
- differences in the way the various players are regulated. Telecoms operators are not subject to the same obligations as TV channels, especially as regards the proportion of new content and restrictions on ownership, and some channels avoid French regulations by broadcasting from other countries.

The strategic merger between Canal+ and TPS gives the new entity critical mass in a shifting competitive environment, while at the same time capitalising on the merged companies' know-how and improving the creativity, quality and variety of the products on offer.

TF1 and M6 will keep their stakes in the new entity for at least three years following completion of the transaction. They may then exercise a put option at market value, with a guaranteed minimum of €1.13 billion for 15% of the share capital, valuing the entity as a whole at €7.5 billion.

Acquisition of a stake in the AB group

TF1 has given an unconditional commitment to take a 33.5% stake in the AB group at a cost of €230 million.

The AB group:

- has a library of more than 1,300 French-language TV programmes representing 37,000 hours of broadcasting time;
- operates free-to-air channels: TMC (in which it has a 40% stake) and NT1 (wholly owned) in France and AB 3 and AB 4 in Belgium;
- operates pay-TV channels distributed via satellite, cable, DTT and ADSL, including RTL 9 (in which it has a 65% stake).

The founder of the AB group, Claude Berda, who owns 66.5% of the equity, will retain exclusive control and continue as Chairman.

Mimie Mathy in *Joséphine Ange Gardien* on TF1

SUSTAINABLE DEVELOPMENT

SUSTAINABLE DEVELOPMENT

tfou.fr has a strict child protection policy

Challenges

TF1, France's leading general-interest TV channel, has long been committed to defending and promoting the values connected with its core business of creating and broadcasting programmes. These fundamental values, set out in a convention with the CSA, the French broadcasting authority, and updated in 2002, are implemented both in programming and in the internal operating procedures of the channel and its subsidiaries.

Five key challenges have been defined following the introduction of roadmaps involving senior management, employees and suppliers:

- assume responsibility for produced and aired content;
- reflect the concerns and diversity of contemporary society in programme schedules;
- maintain a strong link between TF1 and civil society;
- ensure virtuous management of human resources and labour/management relations at TF1;
- manage environmental issues responsibly.

Organisation

A corporate social responsibility (CSR) plan was introduced in 2006, headed by an executive who reports directly to Chairman and CEO Patrick Le Lay and coordinates actions with the Bouygues group. He is backed up by a team which organises reflection on the subject and implements the plan groupwide. A steering committee approves options and priorities. By the end of 2007, each of the 30 or more people involved will have attended a seminar on sustainable development organised by Bouygues SA, the parent company.

Sustainable development policy

Several social and environmental rating agencies have recognised the ethical and responsible behaviour of the TF1 group. TF1 is included in three sustainable development indexes: DJSI Stoxx, APSI Eurozone and the FTSE4Good Europe Index.

Responsibility for content

TF1 is committed to doing whatever is necessary to ensure full compliance with the CSA Charter and BVP (advertising standards authority) recommendations and to taking part in discussions on emerging issues relating to the social responsibility of the media and advertisers. Its commitments include:

- guaranteeing editorial independence and ethical reporting;
- taking action in favour of responsible programming and broadcasting;
- ensuring child protection (websites, icons on programmes, etc.).

Respect for viewers is expressed first and foremost in on-air and online content. The convention with the CSA signed in 2002 summarises TF1's commitments: independence and pluralism for news, respect for public life and privacy, and child protection. The role of advertising in consumer behaviour and the concerns it inspires in civil society in areas such as obesity and energy-saving are new issues that audiovisual regulators have taken on board. Claude Cohen, Chairman of TF1 Publicité, is a member of the French


Guaranteeing editorial independence and ethical reporting

Advertising Ethics Council set up by the BVP in December 2005. The Council has made sustainable development its priority for 2007.

Ethical reporting

The news department guarantees editorial independence. Journalists are free to bring any subject before viewers as long as it qualifies as news. In contrast, they are committed to unbiased reporting. All items are viewed by the senior editor before they are aired.

The legal affairs and regulation department organises regular "Freedom and Responsibility" seminars for journalists to remind them of the legal rules they must observe when reporting news. About 30 journalists attended such seminars in 2006.

Compliance

TF1 has established a compliance unit, attached to the broadcasting department, to ensure that programmes are consistent with CSA regulations.

Internet

Particular attention is paid to children aged 4 to 10, both in children's programmes on TFOU and on the tfou.fr website. Security is the major issue, tackled by controlling links out of the site and from forums. The only links out of tfou.fr are to partner sites. In all other cases, users are told that they are leaving the secure site. In forums, children can use only certain words predefined according to the subject. A partnership has been concluded with Action Innocence, an association which promotes child protection on the internet, and a parent's charter explains how the site works.

Social cohesion

As France's leading TV channel, TF1 is committed to playing a part in revitalising social cohesion, in particular by:

- reflecting the diversity of cultures, origins and opinions;
- encouraging new talent through programme schedules and when buying content;
- raising viewers' awareness of sustainable development and the major issues facing society.

Diversity on air

In 2006, TF1 continued its efforts, begun in previous years, to ensure that its programmes reflect the diversity of cultures and origins, especially among journalists and newsreaders on TF1 and LCI, but also in the public and among participants in game shows. Reality TV programmes systematically include candidates who reflect the diversity of the French population. In drama series, steps have been taken with producers and casting agencies to cast actors from visible minorities as characters in aspirational professions, such as doctors, judges, lawyers, etc.

Supporting good causes

In January 2006, for the seventeenth year running, TF1 teamed up with France's leading hospitals charity for its annual "Pièces Jaunes" fundraising campaign.

In February 2006, TF1 aired a cancer campaign free of charge.

TF1 partners the "Pièces Jaunes" campaign

Special programmes in support of good causes

> **All children have rights**
>
> TF1 supports the "All Children Have Rights" campaign organised by Les Petits Citoyens, an association that promotes civic awareness among children. The aim of the campaign is to make young viewers aware of the International Convention on the Rights of the Child. From 20 November 2006 to 7 January 2007, the children's programme TFOU aired 30 one-minute cartoons on subjects ranging from education and adoption to slavery, produced by Les Petits Citoyens and endorsed by celebrities.

TF1 helps to raise viewer awareness of climate change through programmes like Ushuaïa Nature, presented by environment campaigner Nicolas Hulot, and other programmes on its theme channels and websites.

Each year, TF1's children's programmes department launches at least one campaign to make children more aware of the major problems facing society (see box).

Civil society

TF1 is committed to strengthening its ties with its public and continuing its actions in favour of the community by:

- listening to viewers;
- making content accessible to hearing-impaired viewers;
- innovating on community issues, especially relating to deprived suburbs.

Hearing-impaired viewers

Without waiting for the new convention that will set private TV companies the same target as public broadcasters (subtitles for all programmes by 2010), TF1 is steadily increasing the number of hours and programmes with subtitles, and the amount of money it spends on them.

Number of hours with subtitles
31% in 2005, 49% in 2006
3,838 hours with subtitles

2007 target
60% of programmes

Listening to viewers

TF1 has run a viewer feedback centre for the last 10 years. With a staff of 12, the centre takes about 300 calls and handles 500 letters or e-mails a day, giving a total of about 150,000 contacts in 2006. E-mails are answered within 48 hours, letters within a week. The feedback is analysed at weekly meetings and a technical unit has been set up to advise viewers experiencing reception problems.

Solidarity

TF1's Solidarity Committee, chaired by Claude Cohen and made up of representatives from TF1's main divisions and departments, meets once a month to consider the many requests for assistance that TF1 receives. The committee manages a budget comprising donations of both airtime and money. Thus, advertisements for certain charities may be made or aired free of charge.

Donations* in 2006
€21,365,325
(€18,565,437 in 2005)
** value of airtime, donations made via game shows, advertising slots offered to charities free of charge, gifts in kind*

The TF1 Foundation, created in 2006, will support charity projects targeting young people from sensitive areas.

Nouvelle Cour

In 2006, TF1 and TBWA France created the Nouvelle Cour communications agency based in La Courneuve, north of Paris. Each year, the agency will take five or six young people with an advanced vocational diploma and offer them a first job for a maximum of one to two years. The project aims to foster potential talent in underprivileged suburbs.

Human resources and labour/ management relations

TF1 is committed to maintaining a very high level of employee benefits to enhance its workers' welfare and job security.

It offers a number of family-friendly benefits, including bonuses for marriage and the birth of a child, daycare provision and childcare allowances paid by works councils. Pregnant women remain on full pay for the entire time they are off work and their working week is reduced by 10 hours from the sixth month of pregnancy. They may also take four weeks' additional breastfeeding leave after their regular maternity leave.

88.58% of employees have joined the corporate savings plan, to which the company contributes €3,750 per employee per year. Since 2006, employees have been able to join the Bouygues group's long-term retirement savings plan.

A high level of insurance and benefits is provided, the company paying half the contribution. Specific cover is provided for all employees travelling to high-risk areas.

TF1 seeks to create a pleasant working environment by providing services for its employees, such as a public transport ticketing machine, a travel agency, an ATM, a hairdresser, a gym, etc. Regular consultations are organised with a sports doctor, a healthcare insurance adviser and a social worker.

Under the national employer-sponsored housing assistance programme, TF1 is able to offer employees social housing in an emergency. The group also offers its employees all the other advantages available under the scheme, such as low-interest loans for home improvements and advances for rental deposits.

Contract workers

Industry-wide negotiations began in 2006 with the aim of giving contract workers employed by public- and private-sector broadcasters collective rights. An agreement was concluded in December 2006 by all the broadcasters and the major trade unions (CFDT, CFTC, CGC and FO).

TF1 has continued to take a proactive approach to integrating contract workers, hiring over 550 non-permanent employees (technicians, freelancers and directors) over the last five years. For the first time, the proportion of contract workers at TF1 fell below the 10% mark.


TF1 takes a proactive approach to integrating contract workers


The TF1 group conducted its first carbon audit

At the same time, TF1 has extended a number of employee benefits to its contract workers, including:

- the possibility of taking part in employee-only share issues by TF1 or Bouygues under the conditions contained in the agreement;
- healthcare insurance and a benefits scheme,
- a specific 35-hour week agreement for contract workers, an annual review of pay scales and access to social and cultural activities organised by the works council.

Gender equality

TF1 continued its policy of non-discrimination between men and women, especially in recruitment, promotion and pay. The same proportion of women as men were promoted in 2006 (approx. 13% of each). 60% of male employees received training in 2006, compared with just over 62% of female employees. The works council's gender equality committee has carried out a comparative review of the situation of employees of TF1 SA according to a range of criteria, such as headcount, holidays, training and pay, so that discrepancies can be rectified where they are identified on the basis of precise indicators.

Approximately 70% of women taking maternity leave in 2005 received a higher-than-average pay rise in 2006, showing that having children does not adversely affect the pay of TF1's female employees. A decision has been taken, with the trade unions, to give all female salaried employees taking maternity leave in 2006 the full amount of negotiated general and individual pay increases in 2007.

Disabled workers

For several years now, the TF1 group has been conducting an awareness-raising campaign designed to bring more people with disabilities into the workforce. The campaign has four main thrusts: direct employment, continuing employment, use of the sheltered sector, and information and awareness-raising. A company-wide agreement on the subject will be negotiated in 2007.

Career development

The TF1 group supports employees throughout their working life by means of personalised career development.

The group spends over 3% of its payroll on training.

Mobility is also one of the guiding principles of TF1's human resources policy. 257 employees changed jobs within the group in 2006.

Environmental issues

TF1 is committed to best practice in environmental protection, including its suppliers and employees in the approach. Its commitments include:

- taking steps to limit the group's direct ecological footprint;
- raising awareness of environmental protection among its employees;
- engaging in responsible purchasing.

All environmental issues are handled within the framework of the environmental management system established in 2005. The threefold challenge is to promote and implement best practice in the sector, anticipate the effects of climate change and the need to reduce energy consumption (including suppliers in the approach), and make staff more aware of the environmental impacts of individual behaviour.

The reduction of energy consumption at TF1's main site in Boulogne-Billancourt began in 2006. Actions on the roadmap which contributed to the reduction, such as movement detectors, low-energy light-bulbs and new types of studio lighting, will continue in 2007.

Carbon audit

With support from Ademe, the French environment and energy management agency, the TF1 group carried out its first carbon audit in order to map the sources of greenhouse gas emissions and consider how to reduce them in the context of French and European commitments. As soon as the first results became known, in February 2007, a working group was set up to propose actions to encourage reductions or offsetting. Initial results will be presented to the sustainable development committee. An internal awareness-raising campaign will be launched to support the action plan.

Energy consumption

With the new set for its TV news broadcasts, TF1 inaugurated the first energy-efficient lighting system in a TV studio, backed up by awareness-raising measures among operators. The new system, which makes no concessions as to lighting quality, reduces the average consumption of set lighting for an edition of the TV news by over 25% in comparison with the previous system, representing the equivalent of 8 tonnes of CO_2 a year. The energy-efficient approach, inspired by the European GreenLight project, will be extended to a study of all the lighting in the Boulogne-Billancourt building.

Awareness-raising

Several internal awareness-raising events were organised in 2006, including the screening of *An Inconvenient Truth,* a briefing on climate change issues for journalists, promotion of Fair Trade products in the canteen, distribution of the Nicolas Hulot Foundation's *Little Green Book,* etc., echoed in internal communications media. Environmental protection criteria, and sustainable development considerations in general, have been included in the group's calls for tender since 2005.

Teleshopping and WEEE

Teleshopping markets consumer products and goods. The company and its customers generate waste electrical and electronic equipment (WEEE). On 15 November, Teleshopping joined Ecologic, a government-approved organisation which collects and recycles waste electrical and electronic equipment, to initiate a waste management programme in compliance with the European WEEE directive. Teleshopping also aims to encourage eco-design in 2008.

Stakeholder relations

Stakeholders	Player(s) in TF1	Examples of actions
Regulator	Corporate Secretary, external communications, broadcasting and TF1 Publicité	Meetings, participation in working groups, reviews.
Viewers	Viewer feedback centre	Answering all individual contacts (e-mails, phone calls, letters).
Advertisers	TF1 Publicité sales department	Publication of general conditions of sale. Website: tf1publicité.fr.
Employees and trade unions	Management, HR and labour affairs managers	Dialogue and negotiation of agreements with employee representatives: 50 meetings a year, intranet for trade unions; development of internal communications media (print materials, group intranet, suggestion box, etc.); annual appraisal; conferences, films, poster campaigns, etc.; provision of internal documents (company regulations, Eticnet).
Producers	Programme units and compliance unit	Compliance unit in attendance at all shoots.
Charities, NGOs	Broadcasting, Solidarity Committee, labour affairs department	Solidarity Committee considers all requests for assistance and issues a reply. Multi-year contracts with JVA (JeVeuxAider.com), FNH (Nicolas Hulot Foundation); partnerships (e.g. Action Innocence). Membership (Tremplin), sustained dialogue with many charities (e.g. for the hearing-impaired).
Shareholders and financial community	Financial communications	Shareholder guide. AGM, analyst meetings. Annual report. Road shows for institutional investors. Meetings and conference calls with analysts. Regular telephone contacts. Website.
Suppliers and service providers	Technologies and internal resources department	Inclusion of suppliers in the company's cross-cutting policies (risk management, sustainable development) through constant and personalised dialogue.

Research and development

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

Programmes

A substantial part of the TF1 group's business involves creation and innovation for game shows, light entertainment, drama series and film production, the results of which cannot be predicted with certainty. The process of creating a new concept for a programme may include the following steps:

- buying a programme format or concept or contracting with an author;
- carrying out a sociological study for the new programmes with viewers;
- consultancy services;
- location-scouting, casting, designing sets, producing a pilot.

Programme-related R&D expenditure therefore includes:

- these costs, if the new drama or entertainment formats have not yet been broadcast in that form, whether or not they can be, and as they affect the expenses for the year (scrapped or aired);

- the cost of literary contracts relating to new concepts (not yet broadcast) scrapped during the year.

Technological innovation

The TF1 group has set up a research and development team focusing on technological innovation, with the task of:

- monitoring consumer technologies and how they are used;
- suggesting ideas for new products using emerging technologies;
- developing prototypes and conducting trials;
- carrying out marketing, consumer and economic studies.

In 2006, the department mainly worked on:

- new advertising products (new video formats, outdoor);
- non-linear viewing models (video-on-demand, both pay and free, PVR, etc.);
- mobile products (mobile TV, podcasts, etc.);
- new activities based on innovative concepts (launch costs and investments) that the group has never before used commercially. In 2006, the TF1 group launched:
  - WAT, the first French internet platform on which users can upload videos, music, photos and text;
  - JET, the first multimedia game show channel;
  - two companies developing innovative products:
    - Overblog, France's second biggest blog platform;
    - *En Direct Avec*: real-time expert advice from jockeys just before the start of horse races.

The TF1 group spent approximately €13.7 million on research and development in 2006.

Operating risks

Industrial and environmental risks

The Réagir committee created in 2003 continued to monitor and prevent the major risks associated with the group's core processes. It also regularly updates and tests business continuity plans that would be implemented following an exceptional event which interrupted the broadcasting signal or prevented access to the TF1 building. The resources devoted to risk management were increased in 2006.

A secure external backup site is operational for three processes: broadcasting programmes, preparing news bulletins (TF1 and LCI) and producing advertisements for the TF1 core channel. The company's vital functions are incorporated into the contingency plan through a business continuity process which includes broadcasting services, advertising sales, accounts, cash management, payroll and information systems. Tests are carried out periodically and arrangements are adjusted as necessary.

Technical modifications were made to the external backup arrangements in 2005 and 2006, involving a new backup control room on a second outside site, because of the introduction of digitised broadcasting. All backup resources will be located on a single site in 2007.

Formula 1 motor racing live on TF1

Broadcasting of TF1 programmes– Risk of an interruption 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, using Atlantic Bird 3 for unscrambled broadcasts;
- by cable (cable operators are obliged to carry certain analogue channels).

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

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 trans-

TF1 pursues a multimedia content strategy

mission if TDF's network fails.

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

Interruptions in signal transmissions have occurred for technical reasons, such as transmitter or power supply failure, or for reasons internal to TDF, especially industrial action. The penalties contained in the contract are in no way commensurate with TF1's potential operating losses when such incidents occur (loss of audience, damage to TF1's image, advertisers' demands for compensation, loss of merchandising rights, etc.). The damage that TF1 could sustain if a transmitter fails is obviously proportional to the number of viewers served by the defective equipment. A failure in the Paris region, with its 10 million viewers, could have major economic repercussions. That is why TF1 has negotiated a deal to ensure that TDF technicians intervene very quickly if an incident occurs and has asked for emergency measures to be stepped up. Apart from one incident involving a local site, no long-term transmitter failure has occurred to date.

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

Regulatory risk

TF1 is an audiovisual communication service requiring a licence. Its initial licence to use frequencies, granted for a 10-year period from 4 April 1987 under the Act of 30 September 1986, expired in 1997.

By decision 96-614 of 17 September 1996, TF1's licence was renewed for a further five years as of 16 April 1997 without a competitive bidding procedure.

TF1's licence was automatically renewed for the period 2002 to 2007 by a CSA decision of 20 November 2001. Under Article 82 of the Act of 30 September 1986 as amended, the licence was automatically extended until 2012 because of the requirement to simulcast in DTT. By a decision of 10 June 2003, the CSA amended TF1's licence and convention to include provisions relating to the broadcasting of programmes in DTT.

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

Act 2005-102 of 11 February 2005 on equal opportunities for the disabled established the principle that the channel should make all its programmes except advertising accessible to the hearing-impaired within five years. The CSA may accept that some programmes need not comply with this requirement because of their characteristics (the exceptions are provided for in the convention).

Legislation relating to the modernisation of broadcasting and the television of tomorrow, amending the 1986 Act, was promulgated on 5 March 2007.

The new law regulates the introduction of high-definition and mobile TV and the switch-off of analogue terrestrial transmissions in France. It provides for the complete cessation of analogue terrestrial transmissions on 30 November 2011, with the phase-out beginning on 31 March 2008. The law also provides for two types of compensation for existing private terrestrial operators: an automatic five-year extension of their licences (if the channel operators are members of the public interest grouping implementing the measures paving the way for analogue switch-off) and an additional DTT channel in 2011 (with specific production and broadcasting requirements attached).

Existing private free-to-air terrestrial broadcasters will also be given a five-year extension of their licences when they switch off their analogue transmissions in compensation of the requirement to provide 95% of the French population with DTT coverage.

Outlook for 2007

- **Strengthen its unifying role by consolidating TF1 as France's leading TV channel, developing its other channels and offering new formats for programmes and services suited to new technologies and new modes of consumption, such as mobile phones.**
- **Expand international operations with pan-European theme offerings like Eurosport, JET and WAT, and extend the distribution of its channels in French-speaking areas.**
- **Implement a multimedia content strategy based on the channel's major programme formats (news, sport, entertainment, films, series, etc.).**

The TV advertising market in France opened up to mass retailers on 1 January 2007, thereby benefiting TF1. The cost of programmes on the TF1 core channel, excluding major sporting events, is expected to rise by 2.5-3% in 2007.

MOBILE COMMUNICATION SERVICES

Excellent performance in 2006 thanks to the success of Neo and Exprima

The number of contract customers increased by 15%

Bouygues Telecom put unlimited calling at the core of its strategy with the launch of the Neo and Exprima call plans on 1 March 2006. A total of 1.5 million customers had signed up to the new plans by the end of December.

Highlights

- **November:** launch of a trial of contactless mobile technology across the entire Paris region mass transit system.
- **October:** Neo passes the 1-million customer mark, seven months after launch.
- **July:** start of rollout of the HSDPA network.
- **June:** creation of the Bouygues Telecom Foundation, focusing on medical and social initiatives, the environment and the French language.
- **May:** tenth anniversary of Bouygues Telecom's commercial launch.
- **April:** sale of Bouygues Telecom Caraïbe to Digicel.
- **March:** launch of Neo and Exprima, two unlimited call plans.

Sales 2006
€4,539m
(+2%)

Current operating margin
12.8%
(-1.9 points)

Net profit att. to the Group*
491
(+39%)
* incl. €110m from BTC

Employees
7,400

Sales target 2007
€4,630m
(+2%)

A year of commercial investment

Bouygues Telecom reported consolidated sales of €4,539 million in 2006. The sales figure for 2005 was restated following the sale of Bouygues Telecom Caraïbe in April 2006: like-on-like, sales increased by 2.1%, despite a 24% cut in call termination charges imposed by ARCEP, the French telecoms regulator, from 1 January 2006.

Net sales from network rose 1.3% to €4,256 million. Excluding revenue from incoming calls (hit by the cut in call termination charges) and roaming, growth was 6%.

This achievement was mainly due to 9.4% growth in the customer base over the year, sustained by the success of the Neo and Exprima unlimited call plans.

The trend towards less voice traffic was reversed in 2006, due in large part to greater consumption on unlimited call plans: average use amounted to 270 minutes per month. In contrast, average revenue per user (ARPU) continued to decline, from €44.80 in 2005 to €41.60 in 2006, mostly as a result of the reduction of call termination charges.

Neo's commercial success had an immediate twofold negative impact on EBITDA:

- subscriber acquisition costs, virtually flat on a unit basis, rose as a result of the increase in the number of subscribers;
- mobile-to-mobile billing rose sharply because of the volume of mobile-to-mobile calls during the unlimited calling period (8pm to midnight).

Consolidated EBITDA amounted to €1,229 million, or 29.3% of net sales from network; the equivalent figures in 2005 were €1,324 million and 31.9%

of net sales from network.

The current operating profit was affected by lower EBITDA, falling from €653 million in 2005 to €581 million in 2006, representing a decline of 1.9 points in the current operating margin.

Bouygues Telecom invested heavily in sales and marketing in 2006, which had a significant impact on margins but strengthened the company's position for the years to come.

Net profit amounted to €491 million, including €110 million from held-for-sale activities. The entire share capital of Bouygues Telecom Caraïbe was sold to Digicel for €155 million, including reimbursement of the shareholder advance made by Bouygues Telecom to its subsidiary.

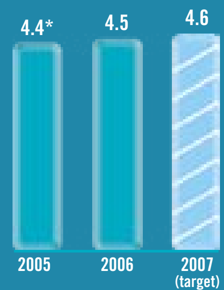
The cash flow generated in 2006 enabled the company to pay an initial dividend of €400 million in April 2006 and to reimburse all its bank debt. Bouygues Telecom ended the year with a net cash surplus of €66 million, compared with net debt of €441 million at end-2005.

Good commercial results

The market

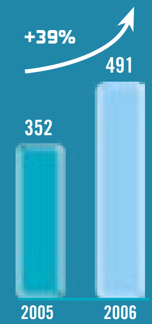
There were 51.7 million SIM cards in France at 31 December 2006, an increase of 7.6% over 2005. Significant growth occurred in the postpaid segment, which expanded by 10%, whereas the prepaid segment grew more slowly. Growth was boosted by mobile virtual network operators (MVNO), whose SIM card base increased by 1.1 million units,

Sales*
€ billion

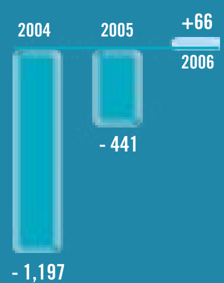


* pro forma, excl. Bouygues Telecom Caraïbe (BTC)

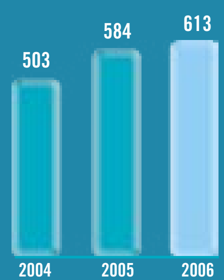
Net profit
€ million



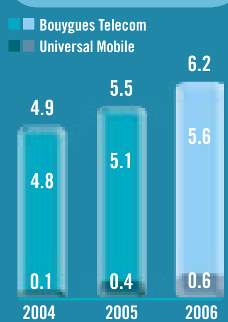
Net cash position
€ million



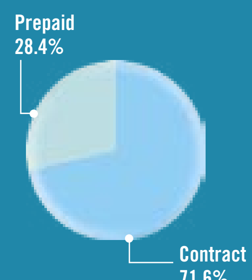
Net operating investment
€ million



Contract customers
millions



Customer split*



* at 31 December 2006

CONSOLIDATED BALANCE SHEET AT 31 DECEMBER

ASSETS (€ million)	2005	2006
• Tangible and intangible fixed assets	3,078	3,045
• Goodwill	12	1
• Non-current financial assets	205	67
NON-CURRENT ASSETS	3,295	3,113
• Current assets	1,011	1,010
• Cash and equivalents	5	92
• Financial instruments (debt-related)	-	-
CURRENT ASSETS	1,016	1,102
• Held-for-sale assets	-	-
TOTAL ASSETS	4,311	4,215

LIABILITIES (€ million)	2005	2006
• Shareholders' equity att. to the Group	2,132	2,214
• Minority interests	-	-
SHAREHOLDERS' EQUITY	2,132	2,214
• Long-term debt	434	19
• Non-current provisions	54	100
• Other non-current liabilities	-	-
NON-CURRENT LIABILITIES	488	119
• Debt (amount due within one year)	11	6
• Current liabilities	1,679	1,875
• Overdrafts and short-term bank borrowings	-	1
• Financial instruments (debt-related)	1	-
CURRENT LIABILITIES	1,691	1,882
• Liabilities on held-for-sale assets	-	-
TOTAL LIABILITIES	4,311	4,215
NET DEBT	441	(66)

CONSOLIDATED INCOME STATEMENT

(€ million)	2005	2006
SALES	4,447	4,539
CURRENT OPERATING PROFIT	653	581
• Other operating income and expenses	(58)	-
OPERATING PROFIT	595	581
• Cost of net debt	(25)	(9)
• Other financial income and expenses	-	-
• Income tax expense	(220)	(191)
• Share of profits and losses of associates	-	-
NET PROFIT BEFORE RESULTS OF DISCONTINUED AND HELD-FOR-SALE OPERATIONS	350	381
• Net profit of discontinued and held-for-sale operations	2	110
NET PROFIT	352	491
• Minority interests	-	-
CONSOLIDATED NET PROFIT ATTRIBUTABLE TO THE GROUP	352	491

accounting for 31% of total growth in the French SIM card market.

By the ARCEP definition, the market penetration rate reached 81.8% at 31 December 2006.

Competition

In this market context, Bouygues Telecom achieved its best-ever commercial performance. Thanks to the success of Neo and Exprima, its market share for postpaid net additions amounted to 26%.

At end-2006, Bouygues Telecom had 6,248,000 postpaid customers, a 14.6% increase in one year. With postpaid customers accounting for 71.6% of the total, Bouygues Telecom's customer mix improved by 3.2 points over the year. Bouygues Telecom's share of the postpaid market in mainland France rose from 18.4% at end-2005 to 19.1% at end-2006.

Sales and marketing

Bouygues Telecom completely overhauled its call plans in the first half of 2006. Following on from the Reference and Integral contracts, two unlimited call plans have been on offer since 1 March 2006:

- **Neo,** offering unlimited calls to all fixed and mobile operators in France every day from 8 pm to midnight, plus calls to Europe and North America at the same price as calls to France. Seven plans are on offer, ranging from two to 15 hours;
- **Exprima,** offering unlimited calls to all fixed operators every day from 8 pm to midnight. Six plans are on offer, ranging from one to eight hours.

These all-new offers in France have proved highly popular, attracting 1.5 million customers by the end of 2006, the majority of them under 25 years of age.

With Neo and Exprima plus an unlimited i-mode® option, Bouygues Telecom offers a converging range of mobile voice and internet solutions with unlimited calling.

Universal Mobile, with 680,000 customers at end-December, continued to attract young people. Since August, Universal Mobile and Nomad customers with a compatible handset have also had access to i-mode® and to free unlimited e-mail.

Bouygues Telecom introduced broadband access for the general public in November, offering an internet connection from a laptop equipped with a GPRS/EDGE card. A simple and generous 100Mb contract is available to all customers, whether they have a call plan or not. With no time restriction, users can send and receive e-mails, surf the internet and use instant messaging.

The launch of the EDGE broadband network in 2005 enabled Bouygues Telecom to increase its share of the business services market. The number of lines rose by 18.5% in 2006, driven by demand from high-value SMEs and professionals.

Distribution

Bouygues Telecom has strengthened its presence in distribution channels using the internet. Its online store, which can be accessed from www.bouyguestelecom.fr, is an interactive outlet where all the company's products can be bought or subscribed to online. Available 24/7, the store offers a wide range of handsets and offers internet users specific advantages such as free call time and bonus text messages. Delivery is made free of charge within 48 hours.

Customer relations

Customer relations have been at the heart of Bouygues Telecom's strategy for many years.

- The company made the policy decision not to outsource its six call centres for contract customers, all located in France.
- Multi-skilled staff are given responsibility for portfolios of customers.
- A major skills and training programme has been introduced, dispensed by the Bouygues Telecom Academy, created in June 2005.

Universal Mobile continues to attract young people

- The expertise of customer advisors was recognised by the creation in March 2005 of a Circle of Customer Advisors. It had 140 members by the end of 2006, distinguished by their professional skills and team spirit.

Also recognising the quality of its customer relations, in December 2006 Bouygues Telecom obtained NF Service certification from AFAQ AFNOR Certification for the consumer call plans component of its customer service operations.

Subsidiaries

Réseau Clubs Bouygues Telecom (RCBT)

RCBT, the network of Bouygues Telecom Club stores, continued to expand, opening 47 new outlets in 2006, wherever possible in shopping centres, as in the previous year.

RCBT had 521 stores at 31 December 2006 (after five closures), compared with 479 at end-2005.

In 2005, Bouygues Telecom carried out successful trials of a new modular store concept in 22 outlets, based on the idea of combining productivity with optimum customer service. As a result, RCBT rolled out the concept in 112 additional stores in 2006.

In order to strengthen its retail network, improve know-how at sales outlets and enhance customer service, in 2005 RCBT created a branch network alongside its proprietary and associate stores. Seven branches were in operation at the end of 2005 and the number had risen to 54 by the end of 2006.

Contributing to better consumer protection

Bouygues Telecom Club stores account for 32% of new customers, 45% of renewals and 90% of after-sales service.

RCBT generated sales of €319 million in 2006.

Téléciel

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

In 2006, Téléciel continued to successfully develop Phonéo, an umbrella brand for a nationwide network of independent retailers specialising in mobile telephony and multimedia. It had 76 members at 31 December 2006. As Téléciel's partners, they are entitled to various advantages while preserving their own identity and reputation.

Téléciel reported a 34% increase in sales in 2006 to €142 million.

Regulatory environment

A number of regulatory issues arose in 2006, in most cases either resulting in substantial investment or having a significant impact on operators' revenue.

Price regulation

SMS termination

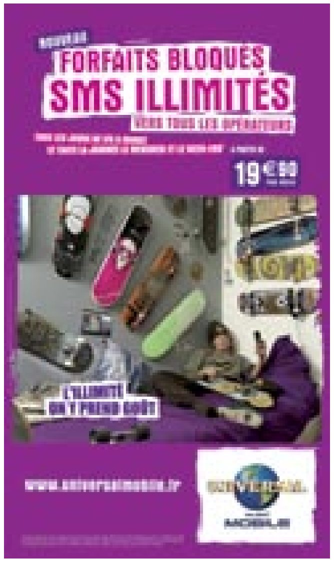
In July, ARCEP issued a decision setting SMS termination charges at €0.03 for Orange and SFR and €0.035 for Bouygues Telecom, making France the first EU country to identify SMS termination as a relevant market and to regulate it. In its opinion, the European Commission emphasised that asymmetrical termination charges between operators can be only temporary.

Voice call termination

In September, ARCEP published voice call termination charges for 2007. They will be €0.75 per minute for Orange and SFR, corresponding to a cut of roughly 21%, and €0.924 per minute for Bouygues Telecom, corresponding to a reduction of around 18%. ARCEP considers that preserving the differential between Bouygues Telecom's termination charges and those of its two competitors is justified by cost differences. ARCEP will review the €0.174 differential in absolute terms in favour of Bouygues Telecom at the end of 2007 after studying how cost differences between the operators have evolved and drawing up a common cost model.

International roaming

After studies carried out by a number of EU Member States, the European Union decided to take the regulatory route on international roaming and issued a draft regulation in July. The regulation would cover both wholesale and retail charges and would imply a cut of over 50%.



The French Parliament and the Cabinet are due to vote on the draft regulation by June 2007. It would take effect in September for wholesale charges and six months later for retail charges.

The process of revising the European regulatory framework for electronic communications began in 2006

Licences

Public consultation

When the GSM licences of Orange and SFR were renewed, the two operators asked to be allowed to continue using some of their 2G frequencies to continue their rollout of UMTS. In early October, ARCEP launched a public consultation on the conditions for reuse of 900 and 1,800MHz frequencies for 3G and canvassed industry interest in the fourth available 3G licence to find out whether it should reckon on three or four operators when sharing out the 900 and 1,800MHz bands.

In a report issued at the end of November after the consultation, ARCEP said that it had received several expressions of interest in the fourth licence.

Consequently, it is planning to launch an application procedure for the licence in 2007.

GSM licence

In October, ARCEP also launched a consultation on the terms for renewal of Bouygues Telecom's GSM licence, which expires on 8 December 2009.

The interested party must be informed of the terms for renewal of the licence two years before it expires, i.e. in December 2007 for Bouygues Telecom.

ARCEP proposed to renew the licence under the same terms as those applied to Orange and SFR when their 2G licence was renewed in March. The principle of renewing the licence has not been queried.

European regulatory framework

Revision of the European regulatory framework for electronic communications began in 2006. Provision was made for this recurring process in the 2007 directives which constitute the current framework. At the end of 2005, the European Commission began consultations intended to pave the way for legislative proposals amending the regulatory framework, for adoption by the end of 2008 and application by Member States from 2010. The Commission has announced a draft directive for the second half of 2007.

Consumption

In 2006, electronic communications operators implemented their commitments given at a round table organised by the French Minister for Industry on 27 September 2005. The commitments included:

- systematically offering contracts lasting not more than 12 months for all types of service (Bouygues Telecom systematically offers a 12-month contract alongside its 24-month contracts);
- making no charge for time spent on hold to call centres, as of mid-2006 for technical assistance with mobiles and from the end of the year for all other services (Bouygues Telecom is developing a no-charge function for time spent on hold to short numbers for introduction in the summer of 2007);

- reducing the lead time for terminating contracts to one month (this is already the case for new Bouygues Telecom customers).

Mobile TV

Following tests conducted by operators, in which Bouygues Telecom played a leading role, the French Senate adopted draft legislation paving the way for the development of personal mobile TV. The legislation provides for:

- the allocation of frequencies to TV channels by the CSA (the French broadcasting authority), taking account of candidates' commitments to nationwide and indoor coverage;
- the possibility of paying for access to personal mobile TV.

The bill was amended to introduce certain additional measures, such as a ban on "blank screens" for personal mobile TV, designed to limit speculation on the acquisition of exclusive rights.

Portability

ARCEP issued guidelines on the new portability arrangements in March 2006.

The operators have formed a consortium to develop the information system that will provide central management of portability for the benefit of all those involved.

Given the time needed to develop and test the system, the government and ARCEP accepted that the statutory implementation date of 1 January 2007 was unrealistic. The new portability arrangements will therefore be introduced in May 2007. Customers will be able to transfer their numbers by applying to the new operator of their choice, who will pass on the termination request to the original operator. The number will be transferred within seven days.

The new system should help to make the market more flexible, benefiting the operators with the most innovative offers.

Universal directory

In early 2006, ARCEP initiated a sanction procedure against a certain number of operators, including Bouygues Telecom, for failing to provide subscriber lists, and an administrative enquiry into the provision of information to customers about their right to inclusion in the directory and the terms for inclusion. Bouygues Telecom has taken the necessary measures.

ARCEP also submitted for public consultation a draft decision designed to strengthen procedures for inclusion in the directory and to set principles for pricing the sale of lists. Following an opinion issued by the French Radiocommunications Advisory Commission, a final version has been submitted to the minister for approval.

6.2 million contract customers in 2006

Bouygues Telecom stores account for **45%** of contract renewals

Blind spots

In July 2003, the three mobile phone operators signed an agreement with the government, local authority representatives and ARCEP with the aim of installing some 2,200 radio masts to provide coverage to 3,100 municipalities. The programme to cover blind spots continued in 2006: 1,071 base stations had been installed by the end of the year and 1,682 municipalities covered. The programme should be complete by the end of 2007.

SUSTAINABLE DEVELOPMENT

NF Service certification for consumer call plan customer relations centres

Challenges

- Continue to improve coverage and ensure access to mobile telephony throughout France while integrating base stations into their environment.
- Step up the collection of used handsets in partnership with Bouygues Telecom's subsidiary RCBT in order to recycle them through suitable channels and promote ecologically responsible behaviour among consumers.
- Contribute to better consumer protection, in particular by improving customer information, following the reports issued by the Conseil National de la Consommation (French national consumer council) in 2006.

Organisation

Bouygues Telecom's sustainable development policy is coordinated by the service quality and innovation department in liaison with operational and support units.

Options and objectives are defined by a steering committee made up of members of senior management. A sustainable development executive committee, comprising representatives of the firm's main lines of business, meets monthly to monitor progress, ensure operational coherence and prepare quarterly reports for the steering committee.

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

Commitment to the environment

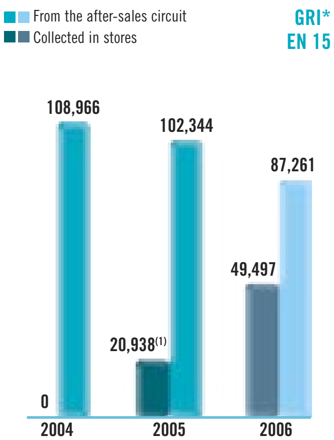
Collecting and recycling waste

Batteries and handsets

The 500 Bouygues Telecom stores took back almost 50,000 old handsets in 2006, representing 3.5% of products sold in the year. Customers were offered a special discount in return for their old handset.

The initiative has been extended to business and e-commerce customers since the EU directive on waste electrical and electronic equipment came into force. A scheme for employees has also been introduced.

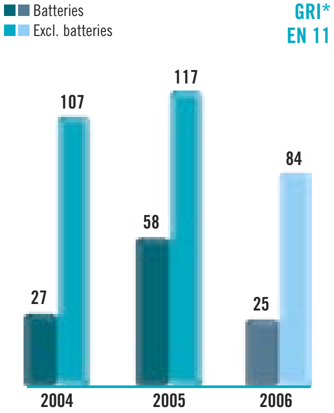
Number of handsets recycled



(1) Period from June to September 2005

Profits from the collection scheme will be donated to the Nicolas Hulot Foundation and used to finance environmental awareness camps for children.

Recycled network equipment (in tonnes)



Waste

In early 2006, Bouygues Telecom obtained assurances from its suppliers concerning their ability to comply with Restriction of Hazardous Substances (RoHS) regulations, which ban certain substances like lead and mercury from electrical and electronic equipment.

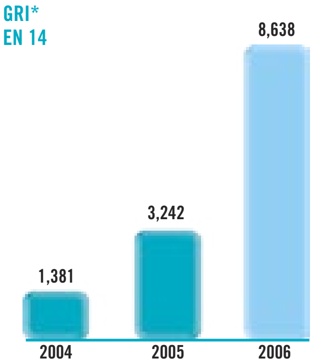
Bouygues Telecom also trained about 30 site managers in regulations relating to the traceability and treatment of hazardous waste (neon tubes, batteries, cooling fluid, etc.) for implementation in their buildings. Internal audits were introduced towards the end of 2006.

Reducing nuisance and pollution

Blending into the environment

Bouygues Telecom implements the best practice guide produced in April 2004 by the association of French mayors (AMF) and the French mobile phone operators association (AFOM). The guide is designed to ensure that the installation of base stations is a more transparent process involving greater consultation and that it takes place more harmoniously, wherever the site.

Number of base stations subject to an integration assessment (aggregate)



Bouygues Telecom guarantees that all its new base stations will blend into the environment and has promised that all the equipment it has installed in France since the company's creation will have been assessed by the end of 2007. 62% of the installed base was audited in 2006 and 88% of base stations are already integrated into the environment according to the 12 environmental integration principles defined by the three French mobile operators.

= improvement noted directly by the public

* The indicators refer to the Global Reporting Initiative, an international database of sustainable development indicators

Base stations blend into their environment (in this case, it is in the bell-tower)

Greenhouse gases

Bouygues Telecom is continuing its efforts to reduce employee travel by encouraging video-conferencing. Use of video-conference facilities doubled in 2006, with over 2,700 hours reserved, representing the equivalent of about 2 million kilometres of travel by train, plane or car and a saving of 270 tonnes of CO_2.

In addition, 40 maintenance technicians tested GPS as a means of planning maintenance visits to optimise travel routes. The scheme will be extended to all technicians by mid-2007.

Optimising electricity and paper consumption

Electricity consumption

In 2006, Bouygues Telecom conducted a campaign to measure the electricity consumption of electronic equipment at its base stations. The campaign showed that some equipment has more capacity than is required to cope with the traffic. 3,754 over-dimensioned items of equipment were switched off, generating an annual saving of around 750MWh.

The company is continuing its experiments using renewable energy sources to power its base stations. Two new sites should be powered by fuel cells by the end of the first quarter of 2007.

An energy saving of more than 8% has been achieved in offices by improving centralised building management, changing some lighting systems and replacing CRT screens with LCD flat screens.

Paper consumption

Bouygues Telecom has stepped up its efforts to promote electronic billing among its customers. Over half a million subscribers were being billed electronically by the end of 2006, almost seven times more than in 2005.

Consumption of paper used for communicating with customers also declined on a like-on-like basis from 3,000 tonnes in 2005 to 2,650 tonnes in 2006.

Measures continued in 2006 to install a network of digital photocopiers, programmed to operate in double-sided mode and equipped with a scan function. 310,000 pages were digitised in 2006, saving 620 reams of paper. Installation of the 250 machines should be complete by the end of 2007.

Environmentally conscious building design

Printania, the new customer relations centre in Bourges opened on 5 June 2006, was awarded HQE certification for commercial buildings. HQE certification is due to be extended to other future Bouygues Telecom sites.

Commitment to society

Promoting health and safety

Bouygues Telecom fulfils its duty of transparency on the subject of radio-frequencies and health by providing the public with all the information at its disposal (see the section on "Operating risks", "Health").

In 2006, it continued to answer letters and e-mails and to measure electromagnetic fields upon request.

Workplace health and safety are also primary considerations. Preventive measures have been continued, especially for technicians working at base stations. A campaign was carried out to inform over 300 employees of how to act when carrying out maintenance work in areas infected with the bird flu virus. 1,600 employees in all received health and safety training in 2006.

Supporting our customers

Child protection

Under a charter signed by the mobile operators setting out their commit-

Questions to
Jean-Jacques Lebelle

customer advisor and member of the health and safety committee of the Bourges customer relations centre

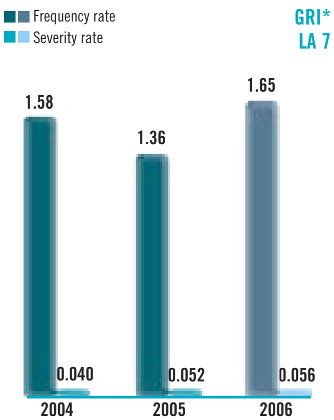
How did you get involved in the project to obtain HQE certification for the site?
Along with the other members of the health and safety committee, I was asked to take part in workshops designed to pave the way for the new site, alongside architects, ergonomists, doctors and buyers. The aim was to look at various ways of improving employees' comfort.
I was in charge of lighting, air conditioning, ambient noise and workstation furniture. We tested different types of furniture for two months, changing teams every week.

What is the perceived benefit to customer advisors?
Indirect and gradual lighting prevents reflections on screens and keyboards while preserving a space that is partly lit by natural light. A mixing-box air conditioning system helps to avoid allergies. Ambient noise is abated by using absorbent materials in the ceilings and a quieter air circulation system. Glass separators, adjustable chairs and flat screens help to optimise workstation ergonomics.

ments relating to mobile multimedia content, Bouygues Telecom takes part in the work of the internet rights forum.

Since November 2006, the company has systematically offered parental control for i-mode at the sales outlet at the time of subscription if the user of the line is a minor.

Frequency and severity of workplace accidents



Response to disability

Since May 2006, Bouygues Telecom has labelled handsets according to criteria for different types of disability, defined with associations representing disabled people. It is also continuing its action with the association HandiCaPZero, offering to install voice software free of charge for the visually-impaired.

Favouring equal opportunity

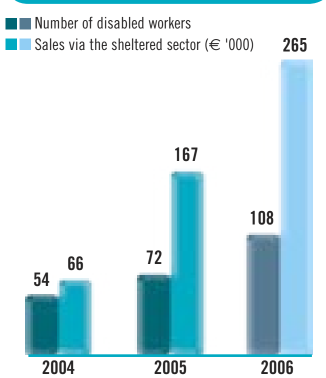
Disabled workers

The number of disabled workers in all of Bouygues Telecom's departments rose by 50% in 2006 and the volume of sales with sheltered workshops and employment centres for the disabled also increased. A total of 56 human resources managers received training to increase their awareness of disability issues and a brochure on the subject was distributed to the entire workforce.

Diversity in the workforce

To promote non-discrimination among its employees on the grounds of gender, age or origin, in 2006 Bouygues Telecom carried out a campaign among human resources managers to raise awareness of diversified recruitment. An agreement on gender equality in the workplace was concluded between trade unions and management covering equal opportunity in jobs, training, careers, pay and the work/life balance. Negotiations also started on the employment of older workers.

Employment of workers with disabilities



Skills development

Bouygues Telecom is committed to providing diploma training to certify the skill levels attained by employees in the customer relations, IT and network departments. 800 managerial staff attended a seminar on ethics initiated by the Bouygues group which reasserts the view that respect and performance are compatible in the workplace.

Monitoring the origin of products

Since signing up to the UN Global Compact in 2003, Bouygues Telecom has involved its suppliers in initiatives to comply with the 10 principles of the Global Compact, recapitulated in a clause included in contracts. In 2006, the company carried out six audits to ensure that corrective action requested after initial audits had been taken and to assess potential new sub-contractors taking part in tender procedures. The aim of the audits is to ensure that the conditions under which products are manufactured in low-cost countries comply with workers' fundamental labour rights. Suppliers that fail to rectify identified cases of critical or major non-compliance within an agreed time may be replaced or delisted. This sanction was not applied in 2006.

The company enhanced its responsible purchasing policy with a training programme, running until mid-2007, under which all buyers will learn how to evaluate and control the social and environmental risks associated with their purchasing portfolio. They are also encouraged to purchase low-energy, recyclable products and to source their purchases from the sheltered sector where possible.

Supporting good citizenship initiatives

The Bouygues Telecom Foundation was created in May 2006 to coordinate sponsorship initiatives previously carried out directly by the company.

Its primary mission is to support projects that seek to raise awareness among and forge links between people in three areas: environmental protection, assistance for people in medical or social difficulty, and promotion of the French language among young people.

Bouygues Telecom also emphasises the distinctive nature of its approach, based on its employees' involvement in the good causes it supports. A pioneer in the field, the company donates 3,000 working hours each year which

Questions to

Manuel Pereira

director of HandiCaPZero

What can an operator like Bouygues Telecom do to make mobile phones more accessible to disabled people?

The mobile phone has become a essential means of communication for disabled people. In partnership with HandiCaPZero, Bouygues Telecom has made an appropriate response to the vital need for autonomy. For example, brochures and bills are available in Braille for blind people, and in large print for the visually-impaired. Bouygues Telecom offers Mobile Speak and Mobile Accessibility screen reader software free of charge on certain handsets. Text-to-speech functionality has been a real success, ensuring that visually-impaired users can get the best out of their mobile phones.

How would you describe the relationship between HandiCaPZero and Bouygues Telecom?

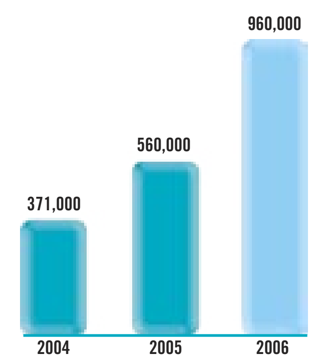
We have been working together since 2000 to give the visually-impaired the best possible access to mobile phone services. In the context of a frank and constructive relationship, the partnership has led to a number of highly appreciated solutions. For example, Bouygues Telecom consults us when selecting the handsets most accessible to the visually-impaired and non-sighted. To give access to all the available information, the service should move towards audio formats and the accessibility of the Bouygues Telecom website.

= *improvement noted directly by the public* employee volunteers can devote to the Foundation's actions. Almost 300 employees joined the Foundation in 2006.

Projects included an ongoing effort to convince as many people as possible to join the Earth Challenge launched by the Nicolas Hulot Foundation to reduce CO_2 emissions. A total of 3,268 employees and 153,615 customers – almost a quarter of all French supporters of the initiative – had signed up to the Earth Challenge by the end of 2006.

Bouygues Telecom and the Bouygues Telecom Foundation supported 600 sponsorship projects in 2006. Bouygues Telecom also helps to fund the Francis Bouygues Foundation, which provides financial support to French and French-speaking high-school graduates who have difficulty financing their higher education.

Spending on good causes (€)




The Bourges customer relations centre is in an HQE building

Management systems

Quality-driven management

Bouygues Telecom has always been careful to ensure that customer satisfaction and customer expectations are an integral part of its corporate and business processes.

- The system introduced to guarantee the quality of service provided to consumer call plan customers has been awarded NF Service certification by AFAQ AFNOR Certification. In order to obtain certification, the company must comply with 17 commitments defined by the industry, consumer associations and DGCCRF, the government trading standards authority, under the aegis of AFNOR, relating to aspects such as greeting customers, staff training, how queries and complaints are handled, etc. For further information, see www.bouyguestelecom.fr and www.marque-nf.com.
- Work on eight pilot processes showed the benefits of process-based management in terms of continuous improvement. The involvement of the consumer after-sales service manager and the director of the department responsible for sales to distributors in the approach was recognised when they won awards at an annual ceremony organised by the French association of process managers. ISO 9001 certification for the company's after-sales service was renewed in June 2006.

Bouygues Telecom also makes use of international standards as a source of progress, including:

- Capability Maturity Model Integration (CMMI) for IT projects and Information Technology Information Library (ITIL) for systems operation;
- European Foundation for Quality Management (EFQM), on the basis of which five self-assessments of management systems were carried out in various departments in 2006.

Innovation

The 2006 Innovation Forum once again underlined the key role played by innovation at Bouygues Telecom, attracting over 300 projects from employees in 12 departments.

The Forum also provided an opportunity to showcase innovative technologies that help to protect the environment and simplify people's everyday lives. The uses of such technologies, based on machine-to-machine solutions using Bouygues Telecom's GPRS network, include on-board telematics, remote infrastructure management and remote measurement, as well as applications that manage energy consumption in buildings and monitor home medical visits.

Dialogue with stakeholders

Bouygues Telecom has conducted many customer satisfaction and usage studies, the results of which have been incorporated into action plans.

- The 2006 customer satisfaction survey showed an increase in the proportion of Bouygues Telecom call plan customers who said they were very satisfied in relation to a large number of criteria, including products and services, which are where their main expectations lie.
- A major study of usages and attitudes, carried out on a representative sample of the French population, provided quantitative data on customer perceptions and qualitative information about what they expect from mobile services.

A survey was carried out to assess how customers and potential customers perceive Bouygues Telecom's commitment to sustainable development. As a result, the company stepped up measures relating to respect and support for the consumer. The survey also helped the company to define priorities for its communication with customers.

The consumer and legal affairs departments, which interface with consumer affairs bodies, took an active part in the work of the French national consumer council in 2006. At the government's request, the work concerned improvements to consumer information. Bouygues Telecom's participation helped to underline the importance the company places on the customer's well-being and to develop its relations with consumer organisations.

A fourth employee satisfaction survey was conducted in November 2006 to find out what employees think about the issues facing the company in nine areas, such as pay, ethics and customer satisfaction. The survey achieved a response rate of 50%.

Research and development

The new technologies department carries out and coordinates R&D, monitoring developments in all the technologies that have a potential impact on Bouygues Telecom's business, such as new networks, new services, IP, SIM cards, handsets, etc.

To increase its capacity for forward-looking research and innovation, Bouygues Telecom has offices in Silicon Valley and Tokyo which enable the company to take advantage of these two

Optimised working conditions at the Bourges customer relations centre

regions highly attuned to technological progress. In 2006, Bouygues Telecom's R&D activity focused on the following areas in particular:

Mobile TV and multimedia

- Bouygues Telecom finalised two mobile TV trials in Paris, the first with Orange and TPS using DVB-H and the second with TF1 and VDL using T-DMB. As well as providing an opportunity for testing the reactions of potential users, the trials confirmed Bouygues Telecom's preference for DVB-H technology.
- Bouygues Telecom modelled a service providing interactive access to a TV portal (so-called "rich media" solution), combining a broadcast DVB-H signal with a return on the mobile operator's EDGE cellular network.
- Tests were carried out on conditional access to TV services, including a laboratory mock-up of the entire encryption and broadcasting chain, so that the operational and technical aspects of such a system, and the possibilities in service terms, could be analysed in detail.

Embedded applications and SIM cards

In partnership with certain handset suppliers, Bouygues Telecom developed a prototype RFID contactless handset for an operational trial of the Navigo travel card with the Paris region mass transit authority RATP. The Navigo application, embedded in a mobile phone, continues to work even when the battery is flat.

Fixed-mobile convergence

Work has been done on VoIP and fixed-mobile convergence. Amongst other things, the business services division is developing a fixed-mobile convergence service for small and medium-size business customers.

Broadband

The Wimax technology was tested in depth on the basis of an experimental licence. The tests measured the current performance of the technology with the aim of gaining a better understanding of the risks and opportunities it represents for a mobile operator like Bouygues Telecom.

Industrial property – Protecting innovation

Bouygues Telecom has a proactive policy of protecting and enhancing the value of its inventions and know-how, particularly through patents. At the end of 2006, the company had a portfolio of 65 families of patents filed or issued in France.

Partnerships and relations with higher education institutions

Bouygues Telecom supports higher education institutions involved in telecommunications, such as Groupe des Ecoles des Télécommunications (GET), Supelec and Eurecom. It made donations totalling €215,000 to such institutions in 2006.

Innovation

Since 2001, Bouygues Telecom has coordinated a scientific council comprising high-level scientists and academics working in the fields of biology, technology, economics and sociology.

Innovation policy is defined centrally and implemented in each department.

Each year, the Innovation Forum provides a showcase for innovative projects and their authors. A total of 15 of the 300 projects submitted in 2006 were selected and rewarded for their innovative qualities (implementation and results). They included a multichannel tool for disseminating information, the new Neo call plan and a sales forecasting tool.

Innovation is also the fruit of cooperation with technology partners, suppliers and customers, and of exchanges with start-ups and experts such as forecasters and sociologists, enabling the company to benefit from external input.

Operating risks

Over the last four years, Bouygues Telecom has developed a risk management process which is both top-down (risks are identified by management) and bottom-up (risks are identified by operational staff). A common assessment methodology provides the basis for quarterly reporting, following which priorities can be identified.

The major risk categories identified are as follows.

Competition

- The search for a candidate for the fourth UMTS licence, recently revived by ARCEP, may lead to the emergence of a new network granted favourable conditions for entry onto an already highly competitive market. Bouygues Telecom is preparing for the arrival of a new operator by securing customer loyalty through generous offerings and high-quality customer relations.
- The movement by major retailers towards the creation of MVNOs represents the risk of a loss of market share in that particular distribution channel. Bouygues Telecom is continuing to develop a network of stores under the Bouygues Telecom Club name. At the same time it has carried out groundwork on its website in preparation for the deployment of optimised contact channels.

Technology

- The technology needed to deliver a mobile telephone service is by nature sophisticated. Software failure may have consequences on service delivery. A control and security unit has been on guard 24/7 ever since Bouygues Telecom was launched. It can take remote action or trigger the necessary alarms for on-site intervention. Malfunction scenarios have been identified, resulting in the preparation of action plans for reducing risk, updated several times a year.
- All Bouygues Telecom's operational processes rely on information systems. As a malfunction can endanger critical activities, a considerable amount of work has been done to map the systems involved in the main customer functions and to establish tracking indicators. An information systems continuity plan, I-Réagir, has been in place for several years and is regularly reviewed and tested.

Fraud

Bouygues Telecom is an obvious target for attempted fraud, ranging from the theft of a handset from stock to the large-scale deflection of interconnection traffic. An anti-fraud unit with sophisticated 24/7 monitoring tools can react in real time and at a distance to identify and deal with potential fraud. A committee meets monthly to supervise and monitor cross-cutting action.

Health

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 encourages scientific research in the field through the French Health and Radiofrequencies Foundation, created in July 2005. A public-interest body, its purpose is to define, promote and fund research into the effects of exposure to radiofrequencies.

Bouygues Telecom provides the public with all the information at its disposal about such research through a website, www.sante.bouyguestelecom.com, a brochure summarising the issues and a leaflet on mobile phones and health distributed at all its stores. Above all, the company is formally committed to taking account of the results of scientific research by introducing any protective measures that such studies may reveal to be necessary.

Suppliers

- The hardware in mobile phones may fail. Failure rates for each handset are tracked permanently according to specific criteria, allowing the company to anticipate problems and react rapidly to product returns, in consultation with the suppliers concerned.
- There are relatively few suppliers of core network hardware, meaning that it is difficult to spread sources of supply. Bouygues Telecom monitors the quality of each supplier of critical equipment on a contractual basis, according to strict operating criteria that are reviewed on a regular basis.

Exogenous risks

- Storms and other adverse weather conditions may damage network superstructure like aerials. Bouygues Telecom has developed an emergency procedure for rapid repairs so that service can be resumed within an acceptable time.
- Like all companies with sites on the River Seine, Bouygues Telecom is exposed to flood risk. Under the O-Réagir plan, critical sites have been placed out of reach of floodwaters and a business continuity plan has been drawn up to ensure the best possible service in the event of a flood.

Licence and regulation

- When licences are renewed, a redistribution of frequencies could result in a reduction of the current spectrum which would require a rethink of the overall network engineering. As a recognised player in the field Bouygues Telecom is an active participant in industry representative bodies and is preparing for any technological changes such a shift would imply.
- Bouygues Telecom may temporarily not comply with a statutory requirement that is technically complex to implement. The company is attentive to all developments affecting the regulatory environment. It takes appropriate steps to justify on technical grounds the time required to ensure compliance consistent with the expected quality of service.

Outlook for 2007

The HSDPA network will come on stream in major urban areas in 2007. Rollout began in 2006.

Bouygues Telecom expects to be ready to embark on the pre-launch of mobile digital TV by the end of 2007, using the DVB-H standard, provided that the government allocates frequencies in time.

Trials of contactless applications will continue, especially on public transport and for payments via mobile phone.

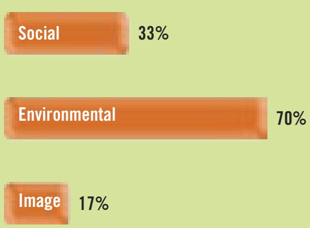
The 18% cut in Bouygues Telecom's call termination rates from 1 January 2007 will curb growth in net sales from network, as in previous years, although the figure is still expected to rise by 3% over the year to €4,325 million.

SUSTAINABLE DEVELOPMENT: ADDITIONAL INDICATORS BY BUSINESS

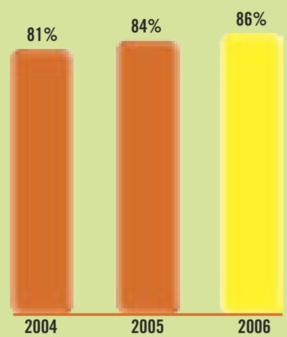
BOUYGUES CONSTRUCTION

Percentage of OUs* with risk management procedures

* OU = Operating Unit
Bouygues Construction has 45 OUs

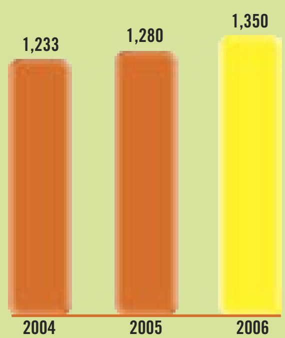


Employees having an annual appraisal



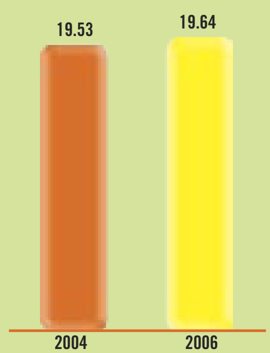
Road accidents* involving third parties

* Bouygues Construction fleet in Europe



Accident frequency rate for temporary employees*

* on Bouygues Construction work sites

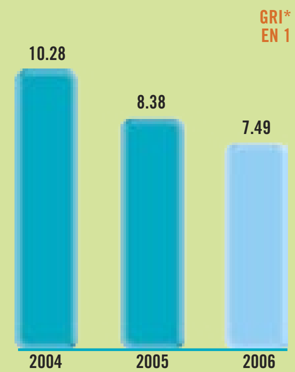


Bouygues Telecom

Environmental indicators

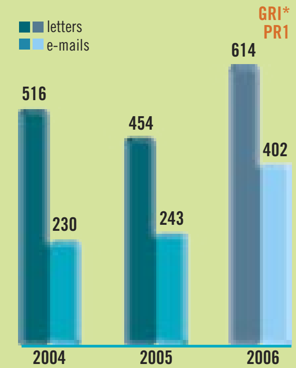
Electricity consumption per occupied workstation in offices (MWh)

Paper consumption per occupied workstation (reams)

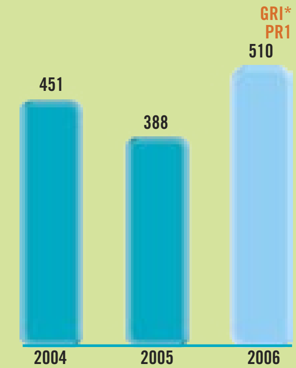


Societal and human resource indicators

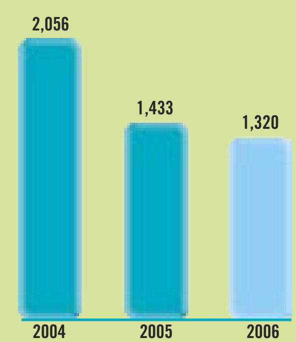
Answers to letters and e-mails on the subject of radiofrequencies and health



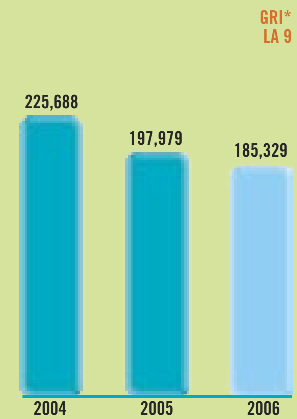
Electromagnetic field measurements requested by stakeholders



Average amount of employee profit-sharing (€)

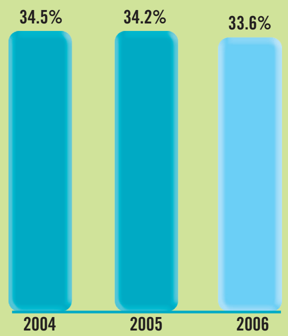


Training hours

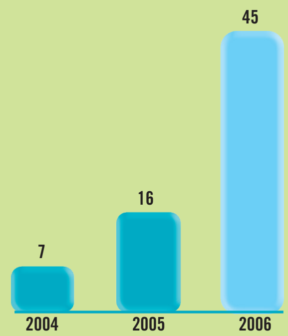


* The indicators refer to the Global Reporting Initiative, an international database of sustainable development indicators

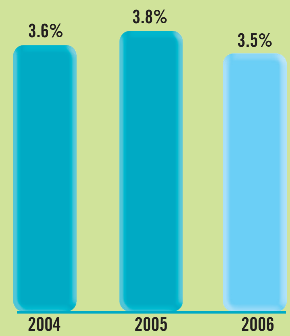
Women in managerial positions



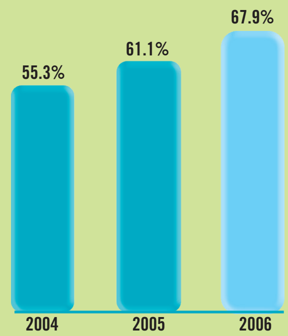
Disabled employees hired



Absenteeism rate
(excluding maternity leave)

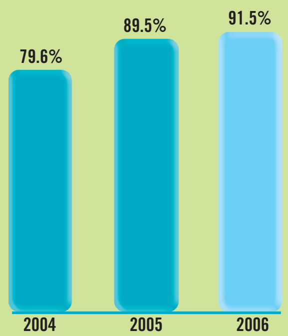


Membership of Group savings plan

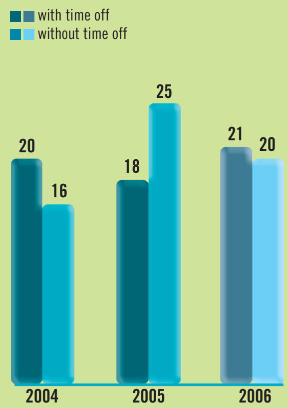


Employees receiving training

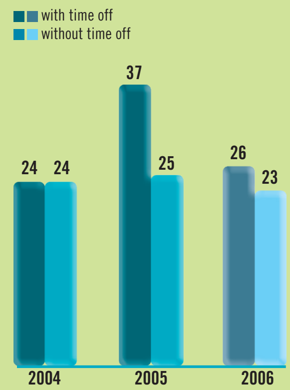
GRI*
LA 9



Workplace accidents



Accidents on the way to or from work



Environmental indicators 2006

29,839,000 kWh
of energy consumed

69,000 cu. m.
of water consumed

1,600 tonnes
of waste recycled

Human resource indicators 2006

253
net jobs created

40,756 hours off work

3.99%
absenteeism rate

Societal indicators 2006

4.87%
workplace accident rate

0.18%
accident severity rate

28 work-related accidents
(with or without time off)

BOUYGUES SA

The Bouygues SA headquarters building is a showcase for the entire Group

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

Sales 2006
€60m
(-6%)

Operating loss
(25)
(-8.7%)

Net profit att. to the Group
€603m
(+131%)

Employees
168

French GAAP

Services rendered to subsidiaries

As well as being responsible for the overall management of the Group, Bouygues SA provides a range of services and expertise to Group businesses in areas such as finance, communications, new technologies, insurance, legal affairs and human resources.

For that purpose, Bouygues SA concludes annual agreements with its operating units under which it invoices them for services rendered.

Management

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

New headquarters

Bouygues SA moved into its new headquarters at 32 Avenue Hoche in the eighth *arrondissement* of Paris on 1 July 2006. The headquarters now house the Group's senior management and the parent company staff. Built by Bouygues Bâtiment Ile-de-France, it is the third building in France and the first in Paris to be awarded High Environmental Quality (HQE) certification.

Alstom

Bouygues–Alstom partnership

In a new strategic move for the Group in the power and transport sectors, Bouygues and Alstom signed a commercial and operational partnership agreement on 26 April 2006. At the same time, Bouygues acquired a 21% stake in Alstom which it raised to 25.1% in December 2006. Cooperation between the two groups has now been established, with teams working increasingly side by side (see pp. 86-87).

Financial transactions

Simplification of Bouygues SA's capital structure

In accordance with the authorisation given by the Annual General Meeting on 27 April 2006, Bouygues completed the operation to reconstitute its investment and voting rights certificates as shares, thus simplifying its capital structure.

Bond issues

Long-term financing of the investment in Alstom was secured by means of two bond issues: a 7-year issue for €1,150 million and a 10-year issue for €600 million. The average actuarial rate after hedging is 4.28% per annum before tax.

The company restaurant

Foster exchange, maximise the benefit of accumulated experience and develop team spirit within the Group

Bouygues SA also launched a £400 million 20-year bond issue at a fixed rate of 5.50% per annum, concluding a swap contract at the same time which enabled it to exchange the £400 million for €595 million. As a result of this agreement, the coupon is 5.01% and the actuarial rate is 5.12%.

Financial flows

In 2006, Bouygues SA received dividends totalling €722,949,638 from its subsidiaries as follows:

Bouygues Construction:	€115,949,955
Bouygues Immobilier:	€63,000,000
Colas:	€149,041,282
TF1:	€59,667,767
Bouygues Telecom:	€330,886,644
Other:	€4,403,990

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

Research and development

Most research and development work is undertaken within the Group's main subsidiaries. However, Bouygues SA plays a coordinating role, organising exchanges and providing advice through its e-Lab, a specialist R&D unit which provides support to Bouygues entities in areas such as technological advances and innovations developed by researchers and start-ups. The e-Lab has also developed acknowledged expertise in operational research into optimisation.

The e-Lab's activities currently focus on four main tasks:

- produce or test scientific and software innovations relating to decision science and new technologies before they reach the marketplace;
- provide advice and support for complex projects with high technological or scientific value-added;
- link Group subsidiaries with innovators, start-ups, university research laboratories and manufacturers;
- coordinate innovation initiatives designed to exchange and share best practice within the Group.

Other activities

Finagestion, the subsidiary which took over Saur's equity interests in a number of African companies, reported a profit in line with forecasts in 2006. SDE's water distribution contract in Senegal was renewed. Siza in South Africa is being sold.

ALSTOM PROMISING COOPERATION

Alstom is the world's leading supplier of high-speed trains

In 2006, Bouygues and Alstom concluded a major non-exclusive cooperation agreement. Bouygues has a 25.1% stake in Alstom.

Highlights

- **April:** implementation of commercial and operational cooperation between Bouygues and Alstom.
- **September:** contracts awarded in conjunction with Alstom in Reims (design, financing, construction and operation of a tramway) and for the Flamanville nuclear power plant (civil engineering and steam turbine).
- **October:** first material expression of cooperation, with Bouygues taking a 50% stake in Alstom Hydro Holding, a company formed by Alstom to group all its hydropower activities.

Non-exclusive cooperation agreement between Bouygues and Alstom

The growing complexity of major infrastructure construction projects is leading some clients to seek turnkey contracts covering financing, design, construction, risk management and operation. In this context, Alstom and Bouygues face common challenges: the need to identify client requirements and provide support at an early stage of the project, ensure tight control over commercial costs, respond to the pressure of meeting deadlines and providing performance guarantees, and handle increasingly complex contract management.

On 26 April 2006, Alstom and Bouygues concluded a commercial and operational cooperation agreement. By sharing best practice in project management and pooling their commercial resources, the two groups plan to jointly develop integrated projects worldwide as they arise, drawing on Bouygues' expertise in civil engineering as well as Alstom's know-how in power generation systems and rail transport.

However, the cooperation agreement does not contain any exclusivity clause. The two groups will continue to work with the partners that are best suited to each project in the interest of their clients.

Acquisition by Bouygues of a stake in Alstom

In addition to this partnership, on 26 June 2006 Bouygues acquired the French government's stake in Alstom comprising 29,051,244 shares representing 21.01% of the capital. The shares were acquired at a price of €68.21 per share, representing an investment of €2 billion for Bouygues. The European Commission had previously authorised the acquisition.

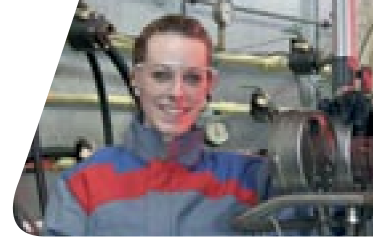
Bouygues subsequently raised its stake to 25.1% by buying shares on the market.

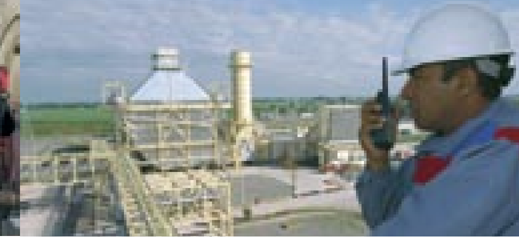
Bouygues has given a commitment to keep the shares bought from the government for at least three years.

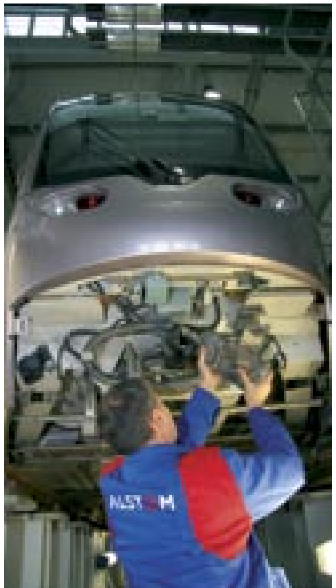
In accordance with stock market regulations, Bouygues has stated its intentions for the next 12 months, indicating in particular that it may increase its interest in Alstom but has no intention of taking control. Bouygues does not plan to cross the threshold of one-third of Alstom's capital or voting rights and will not make a tender offer for the remaining shares.

The stake in Alstom is consolidated by the equity method: the net con-

Alstom has installed 25% of the world's thermal power generation equipment







Technological expertise

tribution was included in Bouygues' consolidated financial statements at 31 December 2006.

Creation with Alstom of a joint venture in hydropower

As part of the process of establishing cooperation between the two groups, Bouygues also acquired a 50% interest in Alstom Hydro Holding, a company created by Alstom to house its hydropower equipment supply business, for €150 million. The new organisation of its hydropower business and the presence of Bouygues are a direct result of commitments given by Alstom to the European Commission.

Alstom is the world's leading supplier of hydropower generation equipment. Bouygues is interested in the hydropower market since civil engineering is a major component of the construction of such plants. A clause in the agreements between the two groups gives Bouygues the option of selling its stake to Alstom if the Board blocks certain decisions or during a 20-day period after 31 October 2009.

Overview of Alstom

Alstom is an international group with more than 60,000 employees and operations in 70 countries around the world. In its most recent financial year, it reported sales of €13.4 billion in its three lines of business: Power Systems (power generation equipment), Power Service (power plant operation and maintenance services), and Transport (railway rolling stock including high-speed trains, signalling systems and transport system operating services).

The group generates 50% of its sales in Europe, 20% in Asia-Pacific, 20% in North and South America and 10% in Africa and the Middle East.

Alstom has more than 250,000 shareholders.

Alstom's lines of business

Power Systems Sector
Power Service Sector

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

Alstom's competitive advantage is its presence in all types of power generation, including hydro, oil, natural gas, coal and lignite, as well as conventional nuclear power plants. Specialising in the management of turnkey projects, Alstom is able to optimise power plant performance. At the same time, Alstom is a leader in clean-coal combustion technologies and, more generally, in high-performance and cost-saving pollution control systems. These enable its clients to ensure compliance not only with current environmental regulatory requirements but also with those of the future.

Alstom estimates that it has installed about 25% of the world's thermal power generation equipment. This experience is essential in the service sector, where Alstom upgrades existing plants, either its own or those of other manufacturers, and provides life-cycle maintenance. Its main competitors are General Electric, Siemens and Mitsubishi, which tend to concentrate on servicing their own equipment. The Power Service Sector also gives the highest priority to systems and services that make power plants both cleaner and more efficient.

Alstom is the world's leading supplier of hydropower equipment, with around 30% of the market.

Bouygues and Alstom won the contract for the Flamanville nuclear power plant (France)

The Citadis tramway project in Reims (France)

Transport Sector

The Transport Sector offers the most comprehensive and technologically advanced range of products and services in the rail transport segment. The world's leading supplier of high-speed trains, Alstom is also well-positioned in urban light rail and tram systems, commuter and high-speed regional trains, signalling, infrastructure and all related services.

The world's second leading provider in the railway supply industry, Alstom is advantageously placed in relation to its main competitors, Bombardier and Siemens. Alstom has staked out a position as a leader in advanced technologies, including rail traffic management, automatic metros, ground-level switched contacts for tramways and AGV fourth-generation high-speed trains, capable of carrying 450 passengers at a standard operating speed of 350kph.

Alstom's commercial activity in 2006

In the year to 31 March 2006, orders taken by Alstom increased by 8% like-on-like to €15.3 billion, bringing the order book to €27 billion (up 9% like-on-like). The trend was confirmed in the first nine months of the 2006/07 financial year, since Alstom booked orders worth €14.3 billion, a like-on-like increase of 34% on same period in the previous year. The order book at 31 December 2006 amounted to €31 billion, the equivalent of about 28 months' activity.

The Power Systems Sector reported record business, almost doubling its order intakes at 31 December 2006 in comparison with the previous year. Orders in the Power Service Sector remained buoyant. Third-quarter orders in the Transport Sector were relatively low, although the figures did not include major orders for locomotives in China and the sub-contracting of commuter trains in the Paris region.

The Power Systems and Power Service Sectors won a number of very large contracts in 2006 (the figures correspond to Alstom's share of the contract):

- Turnkey contracts for two power plants in Fos-sur-Mer, France (€300 million);
- The biggest steam turbine ever built, for the future EPR nuclear power plant in Flamanville, France (€350 million);
- The world's biggest lignite-fired thermal power plant in Neurath, Germany (€450 million);
- Two gas-fired combined-cycle power plants in Abruzzo and Calabria, Italy (€470 million);
- Turnkey contract and 12-year maintenance contract for a gas-fired combined-cycle power plant in Sydney, Australia (€250 million);
- Turnkey contract and 12-year maintenance contract for a gas-fired combined-cycle power plant in the UK (€400 million);
- Combined-cycle power plant in Malaga, Spain (€300 million);


Alstom supplied the turbines and generators for the Three Gorges Dam in China

- High-performance coal-fired power plant in Weston, US (€560 million);
- Clean-coal power plant near Galabavo in Bulgaria (€700 million);
- Turnkey contract for the world's biggest clean-coal power plant in Belchatow, Poland (€900 million);
- Cogeneration power plant in Moscow (€170 million), the first turnkey contract in the power industry in Russia.

The Transport Sector also reported good commercial results in 2006 and won several major contracts:

- 70 double-deck regional train cars for SNCF (€135 million);
- A second tramway line in Orleans (€108 million);
- The Reims tramway (€222 million);
- 16 commuter trains for Stockholm (€120 million);
- 170 cars for the Budapest metro (approx. €220 million);
- 37 regional trains for Deutsche Bahn (€160 million);
- 49 regional trains in Sweden (€240 million);
- 27 trains and an option for 40 more for the Hamburg metro (€123 million);
- The first tramway in Algiers (€225 million).

In China, Alstom has concluded a series of significant agreements in both the rail transport and the power generation sectors. In rail transport, Alstom and its Chinese partner have been chosen to build 500 freight locomotives (Alstom's share of the contract is worth €300 million). In power generation, the agreements concern hydropower equipment and are worth €100 million.

Alstom's results

Alstom's financial year ends on 31 March. Alstom's results since 2005 reflect the success of the recovery plan to turn the group around.

FY 2005/06

Alstom achieved the targets it set itself in FY 2005/06: an operating margin of 5.6% and an operating profit of €746 million (up 73% like-on-like); free cash flow of €525 million, compared with €77 million a year earlier; net profit of €178 million, compared with a loss of €628 million in the previous year; and a reduction in debt to €1.25 billion.

First half of FY 2006/07

Results for the first half of FY 2006/07 confirm that the group has now entered a phase of profitable growth: half-year sales at 30 September 2006 were up 8% like-on-like and profitability continued to improve (the operating margin rose from 5.5% to 6.3%). Net profit attributable to the group increased by 67% to €227 million and the group generated substantial free cash flow of €747 million (up 108%). Net debt amounted to €611 million and the debt-to-equity ratio fell from 68% to 30%.

The Alstom share

The Alstom share returned to the Paris Bourse CAC 40 index on 31 July 2006, a further indication of the recovery plan's success. The share price stood at €102.70 on 29 December, the last trading day of 2006. This represented a rise of 111.23% over the year, making Alstom the second best performer in terms of share price among the CAC 40 companies in 2006.

Outlook

Alstom is benefiting from favourable conditions on the power market. A surge in business in recent years, coupled with the level of orders taken in the first nine months of FY 2006/07, should produce a 10% rise in sales in the year to 31 March 2007 on a like-on-like basis in relation to the previous year.

The operating margin should continue to improve in the second half of FY 2006/07 and is likely to exceed the target of 7% set for FY 2007/08.

HIGHLIGHTS SINCE 1 JANUARY 2007

Bouygues Immobilier launched the Seine Ouest development, a 160,000-sq.-metre business district

Bouygues Construction uses the world's largest tunnel-boring machines

Bouygues Construction has recently started excavation of a twin-tube tunnel in China using the world's largest tunnel-boring machines (15.43 metres in diameter).

Bouygues Travaux Publics has been commissioned to build an 8-kilometre dual three-lane tunnel under the Yangtze River Estuary, linking Changxing Island to the Shanghai-Pudong district on the mainland. The two tunnel-boring machines will operate simultaneously so that the project can be completed in time for the Shanghai Universal Exposition in June 2010.

The contract, worth a total of €185 million (€74 million for Bouygues Travaux Publics), is being carried out as a joint venture with the Chinese contractor Stec.

Up to 400 employees will work on the project at its peak. This is the first construction contract in mainland China for Bouygues Travaux Publics, which has previously acted as a technical consultant on various projects including the Olympic Stadium in Beijing.

The previous record for the world's largest tunnel-boring machine was held by the machine used to excavate the Groene Hart Tunnel in the Netherlands (14.90 metres in diameter), delivered by Bouygues Travaux Publics at the end of 2005.

Start of the Gautrain project in South Africa

Financial arrangements for the Gautrain project in South Africa were completed on 26 January 2007. Bouygues Construction has now begun work on the €500 million 80-kilometre rail link between Johannesburg, Pretoria and Johannesburg International Airport.

Bouygues Immobilier launches Seine Ouest development

On 26 January 2007, Bouygues Immobilier launched Seine Ouest, a new business district just outside the Paris inner ring road.

The 160,000-sq.-metre project is the result of a joint initiative of the Paris city authorities and the municipality of Issy-les-Moulineaux to convert the neighbourhood's last remaining derelict industrial sites into a new world-class business district. Three major operations will be carried out:

- the 46,000-sq.-metre EOS Generali building, scheduled for delivery in mid-2008, which is due to house a major international firm;
- an 89,000-sq.-metre development on a site formerly occupied by electricity utility EDF, including the 45,500-sq.-metre Mozart tower which will accommodate the future headquarters of Bouygues Telecom, scheduled for delivery in mid-2010;
- a 24,000-sq.-metre project, including Bouygues Immobilier's future headquarters, for delivery in 2009.

The architects Arquitectoniqua, Bridot Willerval, Christian de Portzamparc and Jean-Michel Wilmotte have designed the buildings, which will give a distinctive identity to this forward-looking neighbourhood.

The entire project will act as a showcase for innovative High Environmental Quality (HQE) construction. Primary energy consumption will be half that of the average French office building, CO_2 emissions will be very low (12 kilograms per sq. metre per year) and solar power will be used to produce hot water for company restaurants.

Preliminary agreement for the sale of Spie Rail to Colas

Colas and Spie, whose main shareholder is PAI Partners, signed a preliminary agreement for the sale of Spie Rail to Colas, subject to approval of the takeover by the competent authorities. Spie Rail specialises in railway con-


Alstom won major contracts in early 2007

struction in France and abroad.

At the same time, Colas SA and Amec plc signed an agreement for the sale to Colas SA of a 50% interest in Amec Spie Rail Systems Ltd. (ASRSL), a British railway company, the other 50% being held by Spie Rail.

Between them, the two companies had total sales of around €400 million in 2006.

Bouygues Telecom launches the first unlimited plan for calls to all fixed operators 24/7

Bouygues Telecom offered the Exprima 24/24 plan with free unlimited calls 24/7 to all fixed operators, including VoIP systems, in mainland France until 26 March 2007.

The plan lets consumers use the same handset at home and whilst on the move.

Bouygues Telecom thus satisfies customers' needs, since 60% of mobile phone calls are made from outside the home and one-third of mobile phone calls are made to fixed operators.

Bouygues Telecom launches a Blackberry contract for under €10

On 16 January 2007, Bouygues Telecom Entreprises launched the BlackBerry® Pearl, the most recent addition to the BlackBerry range, offering small businesses a monthly data plan for just €9.


A preliminary agreement was signed for the sale of Spie Rail to Colas

Completion of the TPS–Canal+ merger

On 4 January 2007, TF1, M6 and Vivendi signed the final agreement merging the pay-TV businesses in France of TPS and Canal+. TF1 now has a 9.9% stake in Canal+ France, a new entity controlled by Vivendi.

New commercial success for Alstom

Alstom reported a number of significant commercial successes in early 2007: French rail operator SNCF ordered 51 new regional trains from Alstom Transport for €270 million, Alstom Hydro was awarded equipment supply contracts in Ecuador and Venezuela worth a total of €100 million and Alstom Power was chosen to upgrade the Laguena Verde nuclear power station in Mexico, taking a €150 million slice of a contract worth €470 million.

On 8 March 2007, Alstom announced that it had signed an agreement to acquire Power Systems Mfg (PSM), a high-tech company which provides improved gas-turbine parts and low-Nox upgrade solutions for gas turbines. Alstom will pay $242 million for the acquisition.

Bouygues' new headquarters includes a business centre where Group managers can receive their guests.

3. Risks

94 Country risk

94 Market risk

98 Exceptional events – Legal disputes

99 Insurance – Risk coverage

The Bouygues group is exposed to different types of risk. It is continuing to step up its policy of identifying and managing risk so that it can achieve its main objectives.

1. COUNTRY RISK

Most of the Bouygues group's businesses have little or no exposure to country risk.

The Group has adopted a 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. The Group seeks to ensure the continuity of contracts with its clients, but its first concern is for the safety of its employees, including repatriation if necessary. 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.

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

Bouygues Construction does not at present have any significant business in countries affected by serious civil disturbances or armed conflict.

Bouygues Construction, which has had operations in Turkmenistan for more than 10 years, was the target of a press campaign in 2006. Bouygues Construction intends to observe political neutrality in carrying out its business. As a matter of policy, the Bouygues group does not operate in countries where an international embargo is in effect. To the best of the Group's knowledge, neither the French government nor the European Union nor any major international public organisation has imposed an embargo on or issued any reserves about doing business in Turkmenistan.

Finagestion, a Bouygues subsidiary which took over Saur's African subsidiaries, continues to be affected by country risk in connection with Ivory Coast.

CIE and SODECI distribute water and power in Ivory Coast under public service delegation contracts, though they are not responsible for investment. CIPREL is a power generation subsidiary in Ivory Coast which also owns assets there. Despite political instability, the companies were able to maintain a normal level of operations in 2006. Guarantees taken out with BPL meant that the Bouygues group had no significant net exposure in Ivory Coast at the end of 2006.

Roadworks in Alberta, Canada

2. MARKET RISK

Interest rate and exchange rate risk

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

Nature of the Group's exposure to risk

Exchange rate risk

Broadly speaking, the Group has little exposure to exchange rate risk in its ordinary business operations. As far as possible, 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 income is not greatly affected by interest rate movements. Most of its debt is effectively fixed-rate, in the form of fixed-rate bonds and a portfolio of hedging instruments that transform variable-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 euro zone would have little impact on the Group's income statement.

Group-wide policies on hedging instruments

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

In addition, these instruments:

- are used only for hedging purposes;
- are contracted only with leading French and foreign banks;

- present no risk of illiquidity in a downturn.

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

Hedging rules

Exchange rate risk

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

Equity interests in foreign companies are generally covered by debt of a comparable amount in the same currency on the books of the companies holding the interests in question.

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

Interest rate risk

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

In practice, the entities that hedge interest rate risk are those whose business is capital-intensive by nature (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 methods

As a general rule, the Group uses hedge accounting for its hedging instruments. Hedge documentation is prepared in accordance with IAS 39 and one of two methods is used to account for hedging instruments:

- fair value hedge: changes in the fair value of the hedging instrument and the hedged item are recognised symmetrically in the income statement;
- cash flow hedge: the ineffective part of the change in the fair value of the hedging instrument is recognised in the income statement and the effective part in shareholders' equity (until the transaction is unwound).

In a few cases, such as when the notional amount is small or the maturity is short, it is Group policy not to use hedge accounting so as to avoid cumbersome administrative procedures. In such cases, any change in the fair value of the hedging instrument is recognised in the income statement.

Market value of hedging instruments

At 31 December 2006, the market value (net present value) of the portfolio of hedging instruments was +€19 million. This amount consists mainly of the net present value of interest rate swaps to hedge the Group's debt (fair value and cash flow hedges) and the net present value of forward transactions to hedge the currency risk on commercial transactions.

The market value by type of hedge was as follows:

- transactions as part of a fair value hedge: +€6 million;
- transactions as part of a cash flow hedge: +€13 million.

If the yield curve were to shift upward (downward) by 1 percentage point, the market value of the portfolio of hedging instruments would be respectively +€18 million (+€20 million).

If the euro were to depreciate by 1% against all other currencies, the market value of the portfolio would be +€15 million.

Values have been calculated by the Group or obtained from the bank counterparties to the contracts.

Salle Pleyel in Paris, renovated in 2006

Maturity of interest-bearing debt (€ million)

	Current debt 2007	Non-current debt: 1 to 2 years 2008	2 to 3 years 2009	3 to 4 years 2010	4 to 5 years 2011	5 to 6 years 2012	6 years and over 2013 and beyond	Other	Total non-current debt 12/2006	Total 12/2005
Bond issues	140		1,007	498	749		4,310		6,564	4,008
Bank borrowings	98	29	65	23	9	6	45		177	176
Finance lease obligations	24	15	13	12	8	4	4		56	57
Other debt	149	16	20	3	5	3			47	20
Participating loans										
Total interest-bearing debt	**411**	**60**	**1,105**	**536**	**771**	**13**	**4,359**		**6,844**	**4,261**
Call option for 6.5% of Bouygues Telecom	456									460
Total (including Bouygues Telecom call)	**867**	**60**	**1,105**	**536**	**771**	**13**	**4,359**		**6,844**	**4,721**
Comparative at 31/12/2005	**694**	**549**	**35**	**1 036**	**526**	**782**	**1,793**			**4,721**

Split of current and non-current debt by currency

	Europe: Euro	GBP	Other currencies	USD	CFA	Other currencies	Total
Non-current 12/2006	6,105	650	19	13	31	26	6,844
Current 12/2006	833	2	16	1	5	10	867
Non-current 12/2005	4,610	38	23	9	35	6	4,721
Current 12/2005	677		3	1	11	2	694

Split of current and non-current debt by interest rate type

Split of current and non-current debt, including the effect of all open interest rate hedging contracts at the balance sheet date:

	12/2006	12/2005
Fixed rate(1)	87%	85%
Variable rate	13%	15%

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

Interest rate risk

The split of financial assets and liabilities by interest rate type at 31 December 2006 was as follows:

	Variable rate	Fixed rate	Total
Financial liabilities	693	7,018	7,711
Financial assets(*)	3,535		3,535
Net position before hedging	(2,842)	7,018	4,176
Interest rate hedges	345	(345)	
Net position after hedging	**(2,497)**	**6,673**	**4,176**
Adjustment for the seasonal nature of certain activities	275		
Net position after hedging and adjustment	**(2,222)**		

(*) Including €6 million for fair value of financial instruments used to hedge net debt

An immediate 1% rise in short-term interest rates would reduce interest charges by €22.2 million over a full year.

Interest rate hedging

Maturity	Outstanding at 31/12/2006				Total outstanding at 31/12/2005
	2007	2008 to 2011	Beyond	Total	
Interest rate swaps					
- on financial assets	951	32	/	983[1]	**559**
- on financial liabilities	311	788	55	1,154[2]	**1,068**
Future rate agreements					
- on financial assets	/	/	/	/	**/**
- on financial liabilities	/	/	/	/	**/**
Caps/floors					
- on financial assets	/	/	/	/	**/**
- on financial liabilities	/	204	/	204	**/**

(1) Of which swaps paying fixed rate: €583 million

(2) Of which swaps paying fixed rate: €654 million

Exchange rate hedging by currency

Currency	31 December 2006 (value in € million)					Total	Total outstanding at 31/12/2005
	USD	GBP	CHF	HKD	Other		
Forward purchases/sales							
- Forward purchases	158	14	/	/	191	363	**114**
- Forward sales	110	13	4	27	56	210	**269**
Currency swaps	62	32	43	/	118	255	**321**
Currency options							
- Purchased	20	2	2	36	7	67	**53**
- Written	/	/	/	/	/	/	**4**

Collateral given

	Total 12/2006	Construction	Property	Roads	Media	Telecoms	Bouygues SA and other activities	Maturity			Total 12/2005
								< 1 year	1 to 5 years	> 5 years	Total	
Mortgages secured on land and buildings or pledges of plant and equipment	10	2		8				1	4	5	10	9
Pledges of securities and subordinated loans	8	8							6	2	8	25
Group total	**18**	**10**		**8**				**1**	**10**	**7**	**18**	**34**

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 2006, the Group had €3,535 million in available cash and equivalents plus €4,205 million of medium-term confirmed and unused bank facilities. The Group does not therefore face any liquidity risk.

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

3. EXCEPTIONAL EVENTS – LEGAL DISPUTES

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

The main disputes pending at the present time are described below.

Construction

Bouygues Construction may lodge claims during projects, generally because work is interrupted or designs are changed while work is in progress. The biggest claim currently pending relates to work on the Megajoule Laser in Bordeaux for the Commissariat à l'Energie Atomique (CEA).

Two Bouygues Construction subsidiaries, Bouygues Bâtiment International and Bouygues Travaux Publics, are party to arbitrations relating to projects in Uganda and Hungary respectively.

Bouygues Construction and Colas subsidiaries are involved in actions taken by the French competition authorities.

The most important cases are as follows.

- The French Competition Council is due to issue a decision in the first quarter of 2007 in a case involving public procurement contracts in the Paris region in the early 1990s. As a possible fine is calculated on the basis of sales in the last financial year before the penalty, Brézillon and Bouygues Bâtiment Ile-de-France, succeeding its former subsidiary Olin, are exposed to a significant risk of pecuniary sanction. The French competition and consumer affairs authority, DGCCRF, has asked the Council to apply the maximum rate of 5% of the sales of the companies concerned. The two companies have challenged the Competition Council's analysis and pointed out the disproportionate nature of the proposed penalty. However, they have taken the precaution of constituting provisions.
- Following a sanction imposed by the French Competition Council in 1995, a claim for compensation made by SNCF in 1997 against all the contractors involved in building the TGV Nord high-speed rail link to northern France is pending before the Conseil d'Etat. SNCF is seeking compensation for the damage it claims to have suffered. An expert investigation lasting several years found in the case of certain packages that the prejudice was significantly less than SNCF had estimated and concluded for other packages that such an evaluation was unreliable, given the difficulties of estimating civil engineering work.

Telecoms

- Following the failure which struck its network on 17 November 2004, Bouygues Telecom brought an action for compensation against Tekelec in the United States. Tekelec is the supplier of virtual HLR servers, a critical component of the Bouygues Telecom network. Bouygues Telecom and Tekelec reached an out-of-court settlement at the end of February 2007, bringing the dispute to an end.
- On 30 November 2005, the French Competition Council imposed a €58 million fine on Bouygues Telecom in connection with alleged collusion between mobile phone operators. Bouygues Telecom lodged an appeal against the decision with the Paris Appeal Court, which upheld the Competition Council's decision on 12 December 2006. Bouygues Telecom lodged a final appeal with the Court of Cassation on 9 January 2007.

Bouygues Telecom network management centre

- After Bouygues Telecom's first appeal was dismissed, customers brought 3,600 claims for compensation against the company. A hearing was set for 29 March 2007. The highest individual claims for compensation do not exceed €300.
- Seven managers of Bouygues Telecom Club stores brought an action against RCBT, a Bouygues Telecom subsidiary, before the Versailles employment tribunal, asking for their relationship with RCBT to be reclassified as an employment contract and seeking compensation. Twelve other managers joined the suit. The tribunal found against RCBT on 25 April 2006; RCBT appealed its decision. On 24 October 2006, the Versailles Appeal Court issued a judgment upholding the existence of an employment contract between RCBT and certain managers. The managers' claims for compensation will be heard in 2007.
- Bouygues and Bouygues Telecom are continuing their appeal before the Court of First Instance of the European Communities relating to the state aid granted during the recapitalisation of France Telecom in 2002 and the retroactive modification of UMTS licence fees in favour of Orange and SFR.
- Bouygues Telecom is also continuing its complaint against the existence and practices of the Orange-SFR duopoly which dominates the French mobile phone market. The French Competition Council is currently considering the matter.

4. INSURANCE – RISK COVERAGE

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

Because of the range of their activities, the Group and its subsidiaries have to contract very different types of insurance, suited to each situation. The risks incurred by the Group in its five lines of business are not comparable. Consequently, each business takes out its own insurance policies. Premiums also vary considerably; the Group's premium payments to general insurance companies represent approximately 0.3% of sales, a percentage which can be understood only in the light of that diversity.

In addition to mandatory insurance, covering 10-year building guarantees in France and automobile third party liability for example, the main policies are as follows.

- **Damage.** The cover is generally equal to the value of the assets insured. For the largest concentrations of value, however, the cover is limited to the amount of repairs for damage occurring in a disaster scenario, defined with the insurers' consent following prior expert valuations carried out by external consultants.

  When damage to the insured assets is likely to cause an interruption in operations, insurance is taken out to cover the resulting operating losses. The cover is based on the length of time for which the damaged site is unavailable according to the disaster scenario used and existing disaster recovery plans.
- **Site insurance.** The cover is equal to the market value. By way of an exception, for certain geographically extended projects, the cover may also be limited to the amount of repairs for damage occurring in a disaster scenario. The scenario is determined according to the type of project (e.g. motorway, viaduct or tunnel) and the part of the world in which it is situated, so as to assess the risk of earthquakes or cyclones, for example, and the resulting damage. The cover is sometimes limited by the total available capacity on the world insurance market, for example for damage resulting from earthquakes or terrorist acts in another country.
- **Liability insurance.** These policies insure against damage to third parties for which Group companies may be responsible. As these companies are of very different size and operate in very different businesses, the cover is tailored to the risks incurred. It is generally in excess of €5 million per claim.

For all these policies, deductibles are adjusted to optimise the overall cost to the Group according to the likelihood of claims and the premium reductions that can be obtained from insurers by increasing deductibles. Taking these factors into account, certain risks are insured without any deductible at all while others are insured with a higher deductible, amounting in some cases to as much as €2 million.

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

The Group and its subsidiaries continue to take preventive measures and introduce safeguards to further reduce the likelihood of accidents and losses and to limit their scope. One benefit of this policy is to facilitate negotiations with insurers over the amount of premiums and conditions of coverage.

Jean-Michel Wilmotte, the interior architect for Bouygues' new headquarters, has chosen the finest materials. Here, the boardroom.

4. Legal and financial information

102 Corporate governance

123 Remuneration of corporate officers
Stock options

130 Share ownership

132 Stock market performance

134 Share capital

138 Results of Bouygues SA

140 Legal information

142 Annual publications

CORPORATE GOVERNANCE

I. BOARD OF DIRECTORS AND INTERNAL CONTROL

Chairman's report on the preparation and organisation of the Board of Directors' work and on the company's internal control procedures (Article L. 225-37 of the Commercial Code).

1.1. Organisation of the Board of Directors

1.1.1. Membership

- The Board currently comprises 20 directors and one non-voting supervisor, including:
  - 18 directors appointed by the Annual General Meeting for a term of three years (six years for directors already in office at the time of the Annual General Meeting of 28 April 2005);
  - two directors appointed by the Annual General Meeting for a term of two years and appointed from the Supervisory Boards of the mutual funds (profit-sharing, company savings plans) representing employee shareholders;
  - one non-voting supervisor: pursuant to Article 18 of the by-laws, the supervisor is responsible for ensuring strict compliance with the by-laws and attends Board meetings in an advisory capacity.
- The Board has created four committees to help it carry out its tasks: the Accounts Committee, the Remuneration Committee, the Selection Committee and the Ethics and Sponsorship Committee.

In accordance with Article L. 225-23 of the Commercial Code, as amended by the law dated 30 December 2006 on the development of employee shareholding and profit-sharing schemes, it will be proposed that the Annual General Meeting of 26 April 2007 amend the by-laws to include provisions governing the appointment of directors to represent employee shareholders and to align the term of office of these directors with that of the other directors, thereby extending their term of office from two to three years.

1.1.2. Information on directors (at 31 December 2006)

	Expertise/experience	Principal positions outside Bouygues SA
CHAIRMAN AND CEO		
Martin Bouygues 32 Avenue Hoche 75008 Paris - France Date of birth: 03/05/1952 Date of first appointment: 21/01/1982 Expiry date of current term of office: 2009 Number of shares in the company: 168,282 (62,524,780 via SCDM)	Martin Bouygues joined the Bouygues group in 1974 as works supervisor for the construction of the large Parisian shopping complex Les Halles before working in sales management. In 1978, he helped to establish Maison Bouygues, specialising in the sale of catalogue homes. In 1984, Martin Bouygues began diversifying Maison Bouygues and, together with the Bouygues group, acquired Saur, a water treatment and distribution company. He was appointed Chairman and CEO of Saur two years later. Martin Bouygues became a director of Bouygues in 1982 and was appointed Vice-Chairman in 1987. On 5 September 1989, Martin Bouygues took over from Francis Bouygues as Chairman and CEO of Bouygues.	**Chairman of SCDM**

OTHER POSITIONS AND FUNCTIONS IN THE GROUP	OTHER POSITIONS AND FUNCTIONS OUTSIDE THE GROUP	FORMER POSITIONS AND FUNCTIONS DURING THE LAST FIVE YEARS (outside the Bouygues group)
Director of TF1. Director of Sodeci. Director of CIE.	Director of HSBC. Standing representative of SCDM on the board of Actiby. Standing representative of SCDM on the board of SCDM Participations.	Director of Actiby (in 2002). Chairman and CEO and director of SCDM (in 2003).

Expertise/experience		Principal positions outside Bouygues SA

DEPUTY CHIEF EXECUTIVE OFFICERS

Olivier Poupart-Lafarge 32 Avenue Hoche 75008 Paris - France Date of birth: 26/10/1942 Date of first appointment: 17/10/1985 Expiry date of current term of office: 2009 (2008 Deputy CEO) Number of shares in the company: 513,535	Graduate of the École des Hautes Études Commerciales (HEC). Olivier Poupart-Lafarge joined the Bouygues group in 1974. He was finance department manager for two years before being appointed head of the international finance department in 1976. He became executive secretary of Bouygues Bâtiment International in 1980 and director of international finance in 1983. In 1984, Olivier Poupart-Lafarge was named Executive Vice-President, Group Finance and Strategy. In June 2002, he was appointed Deputy CEO of Bouygues.	**Co-CEO of SCDM**

OTHER POSITIONS AND FUNCTIONS IN THE GROUP	OTHER POSITIONS AND FUNCTIONS OUTSIDE THE GROUP	FORMER POSITIONS AND FUNCTIONS DURING THE LAST FIVE YEARS (outside the Bouygues group)
Director of Bouygues Telecom. Director of Colas. Director of TF1. Standing representative of Bouygues on the Board of Bouygues Construction. Standing representative of Bouygues on the Board of Bouygues Immobilier.	Director of BIC. Director of Alstom.	Director of SCDM (in 2003).

Olivier Bouygues 32 Avenue Hoche 75008 Paris - France Standing representative of SCDM, director Date of birth: 14/09/1950 Date of first appointment: 05/06/1984 Expiry date of current term of office: 2007 (2009 Deputy CEO) Number of shares in the company: 500 (62,524,780 via SCDM)	Engineering graduate of the École Nationale Supérieure du Pétrole (ENSPM). Olivier Bouygues joined the Bouygues group in 1974. His career began in the Group civil works branch. From 1983 to 1988, at Bouygues Offshore, he held the posts of director of Boscam, a Cameroon subsidiary, then director of the France Works and Special Projects division. From 1988 to 1992, he was Chairman and CEO of Maison Bouygues. In 1992, he became Group Executive Vice-President of Utilities Management, which grouped the international and French activities of Saur. In 1997, Bouygues and Saur acquired Cise, thereby creating the third largest French utilities management group. At the end of 2004, Saur was sold to PAI Partners. In 2002, Olivier Bouygues became Deputy CEO of Bouygues.	**Co-CEO of SCDM**

OTHER POSITIONS AND FUNCTIONS IN THE GROUP	OTHER POSITIONS AND FUNCTIONS OUTSIDE THE GROUP	FORMER POSITIONS AND FUNCTIONS DURING THE LAST FIVE YEARS (outside the Bouygues group)
Chairman and director of Finagestion. Chairman and CEO and director of Seci. Director of TF1, Bouygues Telecom, Colas, Bouygues Construction, Eurosport, Sodeci, CIE and Sénégalaise des Eaux.	Director of Alstom. Chairman of SAGRI-E and SAGRI-F. Director of Cefina. Standing representative of SCDM on the Board of SCDM Énergie. Non partner manager of SIR and SIB.	Deputy CEO of SCDM (in 2002). Director of Esso (in 2002). Director of Actiby (in 2004). Director of Novasaur (in 2006).

	Expertise/experience	Principal positions outside Bouygues SA

OTHER DIRECTORS

Pierre Barberis 27B Rufino Pacific Tower 6784 Ayala Avenue Makati City Metro Manila – 1200 Philippines Date of birth: 29/05/1942 Date of first appointment: 24/06/1997 Expiry date of current term of office: 2009 Number of shares in the company: 500	Graduate of the École Polytechnique and the Institute of French Actuaries. Pierre Barberis began his career at Caisse des Dépôts et Consignations and joined Crédit Lyonnais in 1966 where in 1974 he became director of information technology and organisation. From 1979 he was in turn CEO of Trigano SA, Crédit du Nord and Axa Group. He was Vice-Chairman of Axa from 1987 to 1991. He then became Chairman of VEV and ran several computer software companies. From May 2002 to November 2006, Pierre Barberis was Deputy CEO of Oberthur Card Systems.	

OTHER POSITIONS AND FUNCTIONS IN THE GROUP	OTHER POSITIONS AND FUNCTIONS OUTSIDE THE GROUP	FORMER POSITIONS AND FUNCTIONS DURING THE LAST FIVE YEARS (outside the Bouygues group)
-	Chairman and director of Wilson Gestion. Manager of Amrom.	Chairman of Prolaire and BFB (in 2002). Chairman and director of SGQ (in 2002). Director of Boostworks (in 2002). Director of Wyde Inc. (in 2003). Director of Vendôme Rome (in 2003). Director of Rodier Corp. (in 2003). Director of Lainière Holding (in 2004). Director of Sengac (in 2004). Chairman and director of VEV (in 2004). Director of Alliance Internationale (in 2005). Deputy CEO and director of Oberthur Card Systems (in 2006).

	Expertise/experience	Principal positions outside Bouygues SA
Patricia Barbizet 12 Rue François 1er 75008 Paris - France Date of birth: 17/04/1955 Date of first appointment: 22/12/1998 (standing representative of Artémis) 2nd appointment: 13/12/2005 (natural person director) Expiry date of current term of office: 2008 Number of shares in the company: 500	Graduate of the École Supérieure de Commerce de Paris (ESCP). Patricia Barbizet held important posts in the finance department of the Renault group before becoming finance director of the Pinault group in 1989. She has been CEO and director of Artémis since 1992 and Chairman of the supervisory board of PPR since 2002. She was named Vice-Chairman and director of PPR in May 2005.	**CEO and director of Artémis**

OTHER POSITIONS AND FUNCTIONS IN THE GROUP	OTHER POSITIONS AND FUNCTIONS OUTSIDE THE GROUP	FORMER POSITIONS AND FUNCTIONS DURING THE LAST FIVE YEARS (outside the Bouygues group)
Director of TF1.	Vice-Chairman and director of PPR. CEO and director of Palazzo Grassi (Italy). Director of Fnac SA, Société Nouvelle du Théâtre Marigny and Air France. Chairman and CEO and director of Piasa. Chairman and Board member of Christies International Plc. Member of the supervisory board of Gucci Group NV and Yves Saint Laurent. Member of the management board of SC du Vignoble de Château Latour. CEO and member of the supervisory board of Financière Pinault (non proxy). Standing representative of Artémis on the Board of Sebdo Le Point and Agefi.	Member of the Financial Markets Council (in 2002). Member of the supervisory board of Yves Saint Laurent Haute Couture (in 2002). Member of the supervisory board of Yves Saint Laurent Parfums (in 2004). Chairman of the Société Nouvelle du Théâtre Marigny (in 2005). Chairman of the supervisory board of Pinault-Printemps-Redoute (in 2005).

	Expertise/experience	Principal positions outside Bouygues SA
François Bertière 150 Route de la Reine 92100 Boulogne-Billancourt - France Date of birth: 17/09/1950 Date of first appointment: 27/04/2006 Expiry date of current term of office: 2009 Number of shares in the company: 6,000	Graduate of the École Polytechnique and the École Nationale des Ponts et Chaussées. Architect (DPLG). François Bertière began his career in 1974 in the Infrastructure Ministry. In 1977, he was appointed technical advisor to the office of the French Education Ministry, then deputy director in charge of planning at the Regional Intrastructure Department of Upper Corsica in 1978. In 1981, he became director of urban development at the Public Development Agency (EPA) of Cergy-Pontoise. He joined the Bouygues group in 1985 as Deputy CEO of Française de Constructions. In 1988, he was appointed Chairman and CEO of France Construction, Vice-Chairman and CEO of Bouygues Immobilier in 1997, then Chairman and CEO of Bouygues Immobilier in 2001. François Bertière has been a director of Bouygues Immobilier since 1991.	**Chairman and CEO of Bouygues Immobilier**

OTHER POSITIONS AND FUNCTIONS IN THE GROUP	OTHER POSITIONS AND FUNCTIONS OUTSIDE THE GROUP	FORMER POSITIONS AND FUNCTIONS DURING THE LAST FIVE YEARS (outside the Bouygues group)
Chairman and CEO of Bouygues Immobilier and director of Bouygues Immobilier – CMC.	-	-

	Expertise/experience	Principal positions outside Bouygues SA
Mrs Francis Bouygues 50 Rue Fabert 75007 Paris - France Date of birth: 21/06/1924 Date of first appointment: 19/10/1993 Expiry date of current term of office: 2009 Number of shares in the company: 110 (5,290,034 via FMB)	-	-

OTHER POSITIONS AND FUNCTIONS IN THE GROUP	OTHER POSITIONS AND FUNCTIONS OUTSIDE THE GROUP	FORMER POSITIONS AND FUNCTIONS DURING THE LAST FIVE YEARS (outside the Bouygues group)
-	-	-

	Expertise/experience	Principal positions outside Bouygues SA
Georges Chodron de Courcel 3 Rue d'Antin 75002 Paris - France Date of birth: 20/05/1950 Date of first appointment: 30/01/1996 Expiry date of current term of office: 2009 Number of shares in the company: 930	Graduate of the École Centrale de Paris. Holds a degree in economics. Georges Chodron de Courcel joined BNP in 1972, where he became head of financial research in the finance department in 1978, then executive secretary of Banexi in 1982. He then became director of securities management and director of finance and industrial investment. In 1989, he was appointed Chairman of Banexi, then central director of BNP in 1990. In 1995, he became executive vice-president then CEO of BNP from 1996 to 1999. After the merger with Paribas in August 1999, Georges Chodron de Courcel was head of the finance and investment arm of BNP Paribas from 1999 to 2003. He has been Deputy CEO of BNP Paribas since June 2003.	**Deputy CEO of BNP Paribas**

OTHER POSITIONS AND FUNCTIONS IN THE GROUP	OTHER POSITIONS AND FUNCTIONS OUTSIDE THE GROUP	FORMER POSITIONS AND FUNCTIONS DURING THE LAST FIVE YEARS (outside the Bouygues group)
-	Director of Alstom. Director of Nexans and FFP (Société Foncière, Financière et de Participations). Member of the supervisory board of Lagardère SCA. Supervisor of Scor SA and Safran.	Member of the supervisory board of Sommer SA (in 2002). Director of Scor SA (in 2003). Member of the executive committee of BNP Paribas (in 2003). Member of the supervisory board of Safran (formerly Sagem) (in 2005). Supervisor of Scor Global Life (formerly Scor Vie) (in 2006).

	Expertise/experience	Principal positions outside Bouygues SA
Charles de Croisset Peterborough Court 133 Fleet Street London ECA4 2BB United Kingdom Date of birth: 28/09/1943 Date of first appointment: 09/09/2003 Expiry date of current term of office: 2010 Number of shares in the company: 5,000	Graduate of the Institut d'Études Politiques de Paris (IEP) and the École Nationale d'Administration (ENA). Holds a degree in law. Charles de Croisset joined the French Finance Ministry as inspector in 1968. He was head of the private office of the Industry Minister in 1979 and joined Crédit Commercial de France (CCF) in 1980 as executive secretary. He became executive vice-president of CCF in 1983, and then CEO and director in 1987. He was then appointed head of the private office of the Finance Minister (1987-1988). In 1993, he was appointed Chairman and CEO of CCF, and in 2000, CEO and director of HSBC Holdings Plc and director of HSBC Bank Plc. In March 2004, Charles de Croisset became Vice-Chairman Europe of Goldman Sachs, then international advisor to Goldman Sachs International in 2006.	**International advisor to Goldman Sachs International**

OTHER POSITIONS AND FUNCTIONS IN THE GROUP	OTHER POSITIONS AND FUNCTIONS OUTSIDE THE GROUP	FORMER POSITIONS AND FUNCTIONS DURING THE LAST FIVE YEARS (outside the Bouygues group)
-	Chairman of the Fondation du Patrimoine. Director of Renault and Thales. Member of the supervisory board of Euler and Hermes. Member of the college of supervisors of Galeries Lafayette.	Chairman of the supervisory board of Nobel (in 2002). Standing representative of SRRE Luxembourg on the board of Somarel (in 2003). Chairman and CEO of CCF (in 2004). Executive director of HSBC Holdings Plc (in 2004). Director of HSBC CCF (in 2004). Director of Asset Management Holding (in 2004). Director of HSBC Bank Plc (in 2004). Director of HSBC Holding Plc (in 2004). Member of the Board of Directors of HSBC Private Holding (in 2004). Member of the Board of HSBC Guyerzeller Bank AG (in 2004).

Michel Derbesse 64 Avenue Raymond Poincaré 75116 Paris - France Date of birth: 25/04/1935 Date of first appointment: 05/06/1984 Expiry date of current term of office: 2008 Number of shares in the company: 111,434	Graduate engineer of the École Spéciale des Travaux Publics (ESTP). Michel Derbesse joined Bouygues in 1962. He began his career as site engineer, and continued in the Group's network of construction subsidiaries. He was appointed Deputy CEO of GFC (Lyon) in 1975, then Chairman and CEO of Dalla Vera (Orléans) in 1977, CEO then Chairman and CEO of GFC in 1978 and then COO of the whole regional network of construction companies in 1982. He became Group Executive Vice-President, Construction (building/civil works and roadworks) in 1986. He was Chairman of Screg from 1986 to 1996. From October 1995 to March 2005, he was COO then Deputy CEO of the Bouygues group.	**Director of FNTP**

OTHER POSITIONS AND FUNCTIONS IN THE GROUP	OTHER POSITIONS AND FUNCTIONS OUTSIDE THE GROUP	FORMER POSITIONS AND FUNCTIONS DURING THE LAST FIVE YEARS (outside the Bouygues group)
	Director of Société Fermière du Casino Municipal de Cannes.	Director of SCDM (in 2002).

	Expertise/experience	Principal positions outside Bouygues SA
Lucien Douroux 20 Rue de la Baume 75008 Paris - France Date of birth: 16/08/1933 Date of first appointment: 30/03/1999 Expiry date of current term of office: 2007 Number of shares in the company: 500	Graduate of the Conservatoire National des Arts et Métiers (CNAM). Lucien Douroux was appointed CEO of Caisse Régionale du Crédit Agricole de Paris et d'Île-de-France in 1976. He was CEO of Caisse Nationale du Crédit Agricole from 1993 to 1999 and Chairman of the supervisory board of Crédit Agricole Indosuez from 1999 to 2001.	**Director of Banque de Gestion Privée Indosuez**

OTHER POSITIONS AND FUNCTIONS IN THE GROUP	OTHER POSITIONS AND FUNCTIONS OUTSIDE THE GROUP	FORMER POSITIONS AND FUNCTIONS DURING THE LAST FIVE YEARS (outside the Bouygues group)
-	-	Vice-Chairman of Wafabanq (in 2004). Chairman of the supervisory board of Fonds de Garantie des Dépôts (in 2004). Director of Suez (in 2005). Director of Euris (in 2006). Chairman of Banque de Gestion Privée Indosuez (in 2006).

	Expertise/experience	Principal positions outside Bouygues SA
Alain Dupont 7 Place René Clair 92653 Boulogne-Billancourt - France Date of birth: 31/07/1940 Date of first appointment: 07/10/1997 Expiry date of current term of office: 2008 Number of shares in the company: 2,300	Graduate of the École Spéciale des Travaux Publics (ESTP). Alain Dupont began his career as site engineer at Screg in 1965. He was works manager at Orly airport in 1968 and was then appointed agency manager in 1970, then Île-de-France regional manager in 1975 and Chairman and CEO of Screg Île-de-France in 1978. In 1983, Alain Dupont was appointed Deputy CEO of Colas, before becoming director and CEO in 1985, then Chairman and CEO in 1987.	**Chairman and CEO of Colas SA**

OTHER POSITIONS AND FUNCTIONS IN THE GROUP	OTHER POSITIONS AND FUNCTIONS OUTSIDE THE GROUP	FORMER POSITIONS AND FUNCTIONS DURING THE LAST FIVE YEARS (outside the Bouygues group)
Chairman of the Board and director of Colas Inc. Director of Colas Île-de-France Normandie, Colas Rhône-Alpes, Smac, Spac, Société Parisienne d'Études d'Informatique et de Gestion, Colas Suisse Holding and Colascanada. Standing representative of Colas on the Board of Colas Centre-Ouest, Colas Midi-Méditerranée, Colas Sud-Ouest and Somaro. Standing representative of Spare on the Board of Colas Est. Standing representative of SPRI on the Board of Colas Nord-Picardie. Standing representative of Colas on the Board of Cofiroute. Representative of Colas on the supervisory board of Grands Travaux Routiers and Colas Émulsions. Member of the supervisory board of La Route Marocaine and Société Moghrébienne d'Entreprises et de Travaux. Chairman and CEO of Colasie. Director of Colas Ltd, Hindustan Colas ltd, Tasco.	-	-

	Expertise/experience	Principal positions outside Bouygues SA
Yves Gabriel 1 Avenue Eugène Freyssinet 78280 Guyancourt - France Date of birth: 19/03/1950 Date of first appointment: 10/09/2002 Expiry date of current term of office: 2010 Number of shares in the company: 35,943	Civil engineering graduate of the École Nationale des Ponts et Chaussées. Yves Gabriel joined the Bouygues group in 1976. His career began at Screg Île-de-France as works engineer; he then became sector head and manager of a regional branch office. In 1985, he established Screg Bâtiment where he was CEO until 1992. From 1989 to 1992, he was also appointed CEO of Bouygues' industrial construction division and was Chairman of Ballestrero. From 1992 to 1996, he was CEO of the Screg group (French road construction group). In November 1996, he joined the Saur group as executive vice-president responsible for activities in France and the merger with the Cise group. In June 2000, he was appointed CEO of the Saur group. In September 2002, he was appointed Chairman and CEO of Bouygues Construction.	**Chairman and CEO of Bouygues Construction**

OTHER POSITIONS AND FUNCTIONS IN THE GROUP	OTHER POSITIONS AND FUNCTIONS OUTSIDE THE GROUP	FORMER POSITIONS AND FUNCTIONS DURING THE LAST FIVE YEARS (outside the Bouygues group)
Director of ETDE. Standing representative of Bouygues Construction on the Boards of Bouygues Bâtiment International, Bouygues Bâtiment Île-de-France and Bouygues Travaux Publics.	Director of FNTP.	First Vice-Chairman and Director of SEFI (in 2005).

Jean-Michel Gras Columbia Centre d'affaires La Boursidière 92355 Le Plessis-Robinson Cedex France Representing the employee mutual funds Date of birth: 20/10/1970 Date of first appointment: 28/04/2005 Expiry date of current term of office: 2007	Jean-Michel Gras joined Bouygues Telecom in 1996 as purchasing quality engineer. He then carried out network information systems project management assignments before becoming head of computer purchasing. Since the beginning of 2006, he has been manager of Bouygues Telecom's network, telecoms and services purchasing.	**Purchasing manager, Bouygues Telecom**

OTHER POSITIONS AND FUNCTIONS IN THE GROUP	OTHER POSITIONS AND FUNCTIONS OUTSIDE THE GROUP	FORMER POSITIONS AND FUNCTIONS DURING THE LAST FIVE YEARS (outside the Bouygues group)
-	-	-

	Expertise/experience	Principal positions outside Bouygues SA
Thierry Jourdaine 1 Avenue Eugène Freyssinet 78280 Guyancourt - France Representing the employee mutual funds Date of birth: 08/06/1963 Date of first appointment: 16/12/2003 Expiry date of current term of office: 2007	Thierry Jourdaine joined Bouygues in 1985 as works supervisor. He was a quality manager at Bouygues Bâtiment Residential Division from 1996 to 2001. Thierry Jourdaine then became a quality manager at Bouygues Bâtiment International.	**Quality manager, Bouygues Bâtiment International**

OTHER POSITIONS AND FUNCTIONS IN THE GROUP	OTHER POSITIONS AND FUNCTIONS OUTSIDE THE GROUP	FORMER POSITIONS AND FUNCTIONS DURING THE LAST FIVE YEARS (outside the Bouygues group)
-	-	-

	Expertise/experience	Principal positions outside Bouygues SA
Patrick Kron 3 Avenue Malraux 92300 Levallois-Perret - France Date of birth: 26/09/1953 Date of first appointment: 06/12/2006 Expiry date of current term of office: 2010 Number of shares in the company: 500	Graduate of the École Polytechnique and engineer of the Corps des Mines. Patrick Kron began his career at the Industry Ministry from 1979 to 1984 before joining the Péchiney group. From 1984 to 1993, he occupied various operational and financial positions at Péchiney, notably President of the Electrometallurgy Division. In 1993, he became member of the executive committee of the Péchiney group and Chairman and CEO of Carbone Lorraine from 1993 to 1997. From 1995 to 1997, he ran Péchiney's Food and Health Care Packaging Sector and held the position of COO of the American National Can Company in Chicago, United States. From 1998 to 2002, Patrick Kron was Chairman of the executive board of Imerys before joining Alstom where he has been CEO since January 2003, and Chairman and CEO since March 2003.	**Chairman and CEO of Alstom**

OTHER POSITIONS AND FUNCTIONS IN THE GROUP	OTHER POSITIONS AND FUNCTIONS OUTSIDE THE GROUP	FORMER POSITIONS AND FUNCTIONS DURING THE LAST FIVE YEARS (outside the Bouygues group)
-	Director of Alstom UK Holdings Ltd. Director of Alstom Ltd. Director of the vocal group "Les Arts Florissants".	Chairman of the executive board of Imerys (in 2002). Member of the supervisory board of Imerys (in 2005). Director of Imerys (in 2006). Member of the supervisory board of Vivendi Universal (in 2006).

	Expertise/experience	Principal positions outside Bouygues SA
Patrick Le Lay 1 Quai du Point du jour 92656 Boulogne-Billancourt - France Date of birth: 07/06/1942 Date of first appointment: 24/04/1986 Expiry date of current term of office: 2008 Number of shares in the company: 78,150	Engineering graduate of the École Spéciale des Travaux Publics (ESTP) and graduate of the Institut d'Études Politiques de Paris (IEP), Centre des Hautes Études de la Construction and Centre de Préparation aux Affaires. Patrick Le Lay joined the Bouygues group in 1981. He was initially deputy corporate secretary, then corporate secretary of Bouygues. He became head of the Group Diversification division in 1984. Following the privatisation of TF1 in 1987, Patrick Le Lay became Vice-Chairman and CEO, then Chairman and CEO in 1988.	**Chairman and CEO of TF1**

OTHER POSITIONS AND FUNCTIONS IN THE GROUP	OTHER POSITIONS AND FUNCTIONS OUTSIDE THE GROUP	FORMER POSITIONS AND FUNCTIONS DURING THE LAST FIVE YEARS (outside the Bouygues group)
Director of Colas. Director of TV Breizh. Member of the supervisory board of France 24.	Chairman of Incunables & Co.	Standing representative of TF1 on the Board of GIE Sogedif (in 2002). Standing representative of TF1 on the Board of the Société d'Administration and de Gestion de l'Audiovisuel Sportif – Sagas (in 2002). Chairman and CEO of the Société Européenne de Télétransmission Sportives (in 2002). Standing representative of TF1 on the Board of Siccis (in 2004). Standing representative of TF1 on the Board of Téléma (in 2006). Standing representative of TF1 Développement on the Board of Télévision par Satellite Gestion (in 2006). Standing representative of TV Breizh on the Board of TVB Nantes (in 2006). Standing representative of TPS Sport on the Board of TPS Motivation (in 2006). Director of Prima TV (in 2006).

Jean Peyrelevade 73 Rue d'Anjou 75008 Paris - France Date of birth: 24/10/1939 Date of first appointment: 25/01/1994 Expiry date of current term of office: 2007 Number of shares in the company: 3,750	Graduate of the École Polytechnique, Institut d'Études Politiques (IEP) and civil aviation engineer in chief. Jean Peyrelevade was deputy head of the private office of the Prime Minister in 1981, and in 1983 became Chairman of Compagnie Financière de Suez and, at the same time, of Banque Indosuez. He was appointed Chairman and CEO of Banque Stern, then in 1988 became Chairman of UAP, before becoming Chairman of Crédit Lyonnais in 1993 for 10 years. He is currently a merchant banker at Banca Leonardo group.	**Vice-Chairman of Leonardo France**

OTHER POSITIONS AND FUNCTIONS IN THE GROUP	OTHER POSITIONS AND FUNCTIONS OUTSIDE THE GROUP	FORMER POSITIONS AND FUNCTIONS DURING THE LAST FIVE YEARS (outside the Bouygues group)
-	Director of Suez, DNCA Finance and Société Monégasque d'Électricité et de Gaz. Member of the supervisory board of CMA-CGM.	Director of AGF (in 2002). Director of Club Méditerranée (in 2002). Director of MK2 (in 2002). Director of LVMH (in 2003). Chairman and director of Crédit Lyonnais (in 2003). Chairman of the supervisory board of Clinvest (in 2003). Standing representative of Crédit Lyonnais on the Board of Lagardère Groupe (in 2004). Director of Power Corporation of Canada (in 2004). Member of the supervisory board of Groupe Express-Expansion (in 2005). Co-manager of Quadrature (Toulouse & associés) (in 2005).

	Expertise/experience	Principal positions outside Bouygues SA
François-Henri Pinault 10 Avenue Hoche 75008 Paris - France Date of birth: 28/05/1962 Date of first appointment: 22/12/1998 (Standing representative of Financière Pinault) 2nd appointment: 13/12/2005 (natural person director) Expiry date of current term of office: 2010 Number of shares in the company: 500	Graduate of the École des Hautes Études Commerciales (HEC). François-Henri Pinault has spent his whole career within the PPR group. He was CEO of France Bois Industries from 1989 to 1990 and was appointed Chairman and CEO of Pinault Distribution in 1991. In 1993, he became Chairman of CFAO. He was appointed Chairman and CEO of Fnac in 1997, and was then executive vice-president of PPR Group and then head of Internet activities and Chairman of the supervisory board of PPR-Interactive from 2000 to 2001. Since 1998, François-Henri Pinault has been a director, and since 2003 Chairman of the Board of Directors of Artémis. In 2005, he became Chairman of the executive board and then Chairman and CEO of PPR.	**Chairman and CEO of PPR**

OTHER POSITIONS AND FUNCTIONS IN THE GROUP	OTHER POSITIONS AND FUNCTIONS OUTSIDE THE GROUP	FORMER POSITIONS AND FUNCTIONS DURING THE LAST FIVE YEARS (outside the Bouygues group)
-	Managing partner of Financière Pinault. Chairman of the Board of Directors of Artémis. Chairman of the supervisory board of Gucci Group NV. Vice-Chairman of the supervisory board of Boucheron Holding. Director of Simetra Obligations, Fnac SA and Soft Computing. Member of the supervisory board of Yves Saint Laurent. Member of the management committee of SC du vignoble de Château Latour. Director, Christies International Plc (UK).	Deputy CEO of Artémis (in 2003). Standing representative of Artémis on the supervisory board of Guilbert (in 2003). Director of TV Breizh (in 2004). Vice-Chairman and Member of the supervisory board of Pinault-Printemps-Redoute (in 2005). Member of the executive board of Pinault-Printemps-Redoute (in 2005). Chairman and CEO of Simetra Obligations (in 2005). Standing representative of Artémis on the board of Conforama Holding (in 2005). Director of Palazzo Grassi (in 2005). Director of Afipa (in 2005).

	Expertise/experience	Principal positions outside Bouygues SA
Michel Rouger 30 Rue Claude Lorrain 75016 Paris - France Date of birth: 08/12/1928 Date of first appointment: 30/01/1996 Expiry date of current term of office: 2008 Number of shares in the company: 500	Graduate of the Institut Technique de Prévision Économique et Sociale. Michel Rouger took part in the establishment and development of Banque Sofinco (1956-1984), as director of operations and risk. In 1985, he joined the Suez group as executive vice-president of Sofiroute, where he ran various subsidiaries – as Chairman of Céfina and CEO of Cogiroute – until 1991. He has been a judge at the commercial court of Paris since 1980, and was presiding judge of the court between 1992 and 1995. He was Chairman of the Consortium de Réalisation (CDR) between 1995 and 1998, and continues to carry on the activities of consulting, mediation and independent directorships. He is Chairman of the Council for Moderation and Prevention (2006).	-

OTHER POSITIONS AND FUNCTIONS IN THE GROUP	OTHER POSITIONS AND FUNCTIONS OUTSIDE THE GROUP	FORMER POSITIONS AND FUNCTIONS DURING THE LAST FIVE YEARS (outside the Bouygues group)
-	Member of the supervisory board of Centuria. Director of Compagnie Financière M.I.29. Manager of Michel Rouger Conseil. Chairman of Emer Parcs.	Chairman of Angelynvest (in 2002). Member of the supervisory board of De Broeck Université (in 2002). Director of De Broeck Diffusion (in 2003). Chairman of Promega (in 2004). Member of the supervisory board of Lagardère Groupe (in 2004). Chairman of the supervisory board of Sharing Knowledge (in 2006).

Expertise/experience		Principal positions outside Bouygues SA
SCDM 32 Avenue Hoche 75008 Paris - France Number of shares in the company: 62,524,780		

OTHER POSITIONS AND FUNCTIONS IN THE GROUP	OTHER POSITIONS AND FUNCTIONS OUTSIDE THE GROUP	FORMER POSITIONS AND FUNCTIONS DURING THE LAST FIVE YEARS (outside the Bouygues group)
Director of GIE 32 Hoche.	Chairman of Actiby, SCDM Énergie and SCDM Participations.	-

SUPERVISOR

Philippe Montagner 20 Quai du Point du jour 92100 Boulogne-Billancourt - France Date of birth: 04/12/1942 Date of first appointment: 24/04/2003 Expiry date of current term of office: 2009 Number of shares in the company: 120,758	Graduate of the École Spéciale des Travaux Publics (ESTP) and the Centre des Hautes Études du Béton Armé et Précontraint. Philippe Montagner joined the Bouygues group in 1968 and managed some of the largest projects carried out by the Group (University of Riyadh, Channel Tunnel) as well as running several major subsidiaries. Since 1994, he has run the Telecommunications division of the Bouygues group. Philippe Montagner was Chairman of Bouygues Telecom from June 1994 to February 2004 and again since October 2005.	**Chairman and CEO and director of Bouygues Telecom**

OTHER POSITIONS AND FUNCTIONS IN THE GROUP	OTHER POSITIONS AND FUNCTIONS OUTSIDE THE GROUP	FORMER POSITIONS AND FUNCTIONS DURING THE LAST FIVE YEARS (outside the Bouygues group)
Director of TF1, ETDE and Bouygues Immobilier.	Vice-Chairman and member of the supervisory board of Ginger Groupe Ingénierie Europe.	-

Bouygues' position with regard to the current corporate governance regime

In order to ensure transparency and good corporate governance, Bouygues intends to comply with the provisions of the European Commission Recommendation dated 15 February 2005 relating to the role of directors, and with the provisions of the report entitled "Corporate governance of listed companies" published in October 2003 under the aegis of the French Association of Private Companies (AFEP) and the French Business Movement (MEDEF). These principles particularly underpin the Board of Directors' rules of procedure. However, the company does not comply fully with some of the recommendations (meetings of external directors without other directors in attendance; committees comprising at least three members).

Combining the functions of Chairman and Chief Executive Officer in one position

The senior management of the company is the responsibility of the Chairman of the Board of Directors. This appeared to be the appropriate choice, since Martin Bouygues has always been heavily involved in operational activities. The Board of Directors has not placed any restrictions on the powers of the Chief Executive Officer.

Independence of directors

The Board of Directors has carried out an assessment of its members and considered what proportion of them are independent directors.

The European Commission Recommendation dated 15 February 2005 emphasises that when independence criteria are applied, the Board of Directors should attach more importance to substance than to form. Like the AFEP-MEDEF report of October 2003, it states that independence must be understood as the absence of any substantial conflict of interest likely to influence a director's judgment. These are the main factors taken into consideration by the Board when making its assessment.

After having examined the situation of each of the directors, and noted the advice of the Selection Committee, the Board considers Pierre Barberis, Georges Chodron de Courcel, Charles de Croisset, Lucien Douroux, Jean Peyrelevade and Michel Rouger to be "independent directors" within the meaning of the European Commission Recommendation and of the AFEP-MEDEF report. Lucien Douroux and Jean Peyrelevade have held management positions with financial institutions that have a business relationship with the company, but they have not held such positions for a number of years, and furthermore the institutions concerned have undergone substantial changes since that time. The Selection Committee, having examined the relationship between Bouygues and BNP Paribas, has also concluded that Georges Chodron de Courcel is not in a situation of material conflict of interest.

The Board takes the view that none of these persons is connected with the company, with the shareholders controlling it or with its management by a relationship creating such a conflict of interest. These six directors are therefore considered independent in the light of the European Commission Recommendation and the AFEP-MEDEF report.

With the exception of the directors representing employee shareholders, six out of 18 of the directors are therefore independent, representing one-third of the members of the Board of Directors, as recommended by the AFEP-MEDEF report. The Board takes the view that its current composition, characterised by the presence of directors representing substantial shareholders and directors exercising managerial functions within the Group, but also by a relatively high proportion of independent directors, contributes to good corporate governance.

■ Family relationships

Martin Bouygues and Olivier Bouygues are sons of Mrs Francis Bouygues.

■ Potential conflicts of interest

Article 5 of the rules of procedure of the Board of Directors provides that directors shall undertake to inform the Chairman of the Board of Directors of any situation of conflict of interest, even of a potential nature, and not to take part in the vote on any resolution which directly or indirectly concerns them.

Georges Chodron de Courcel is Deputy CEO of BNP Paribas, a company which may offer banking services or support to the Group. He is also director of Alstom.

Major shareholders of the group (SCDM and Mrs Francis Bouygues) are directly or indirectly represented on the Board of Directors by Martin Bouygues, Olivier Poupart-Lafarge, Olivier Bouygues and Mrs Francis Bouygues.

Patricia Barbizet and François-Henri Pinault are, respectively, CEO and Chairman of Artémis, a company in the Pinault group which, as at 31 December 2006, holds 2.09% of Bouygues' share capital.

Martin Bouygues, Olivier Poupart-Lafarge, Oliver Bouygues, Patricia Barbizet, Alain Dupont, Patrick Le Lay and Yves Gabriel are corporate officers or directors of various companies in the Bouygues group.

Patrick Kron is director and Chairman and CEO of Alstom, a company in which Bouygues holds 25.07% of the share capital as at 31 December 2006, and in which Olivier Bouygues and Olivier Poupart-Lafarge are directors.

As far as Bouygues is aware, there are no other potential conflicts of interest between the duties of any of the members of the Board of Directors to the company and their private interests and/or other duties.

■ Judgments and orders

As far as the company is aware, during the last five years, except as set out below, none of the members of the management bodies:

- has been found guilty of fraud;
- has been associated with any insolvency, sequestration or liquidation;
- has been incriminated or subject to official public sanction by any statutory or regulatory body, including professional bodies;
- has been prevented by a court from acting as a member of an issuer's administrative, management or supervisory body or from being involved in an issuer's management or the conduct of its business.

Jean Peyrelevade was indicted in 2004 by a grand jury of the central district of California on the petition of the federal prosecutor in connection with the Executive Life affair. This indictment was dropped following Mr Peyrelevade's signature at the beginning of 2006 of an Alford Guilty Plea by which he agreed to various sanctions whilst maintaining he was innocent. These sanctions have no effect on his capacity to manage and administrate companies, other than banking establishments in the United States.

■ Other information

Patricia Barbizet and François-Henri Pinault were initially selected as members of the Board of Directors pursuant to the shareholder agreement entered into between SCDM and Artémis, however this agreement terminated on 24 May 2006. No other member of the Board of Directors has been selected pursuant to any arrangement or agreement entered into with the company's principal shareholders, customers, suppliers or other persons, and no such other arrangements or agreements exist.

The members of the Board of Directors have not agreed to any restriction in relation to the sale of their investment in the capital of the company, with the exception of the rules relating to the prevention of insider dealing and the obligation contained in the by-laws whereby each director must be the owner of at least 10 shares in the company, on the understanding that the rules of procedure of the Board of Directors recommend that each director should be the owner of at least 500 shares in the company throughout his or her term of office.

With the exception of the employment contracts of salaried directors, and subject to the contract between SCDM and Bouygues which has been approved under the regulated agreements procedure, there are no service contracts in existence between the members of the Bouygues Board of Directors and any of the company's subsidiaries which provide for the granting of any benefits.

1.1.3. Assessment of the Board of Directors

In accordance with the provisions of the AFEP-MEDEF report, once a year the Board of Directors devotes an item on its agenda to the assessment of its own operations.

This principle of governance has been included in the Board's rules of procedure.

Thus, on 6 December 2006, the Board of Directors devoted an item on its agenda to a discussion of its organisation and operations. A questionnaire and a note on the Board's operations had been circulated to directors in advance to enable useful preparation for this exchange.

Although this assessment showed a high level of satisfaction overall in relation to the topics under discussion, the Board identified areas for improvement relating to, in particular, information on various markets where the Group operates and on human resources, sustainable development initiatives and research and development.

The assessment of the Board's membership, work and the reports of the four Committees was very positive.

1.1.4. Changes to the membership of the Board

■ Changes to the membership of the Board in 2006

The Annual General Meeting of 27 April 2006 renewed the appointments as directors of Martin Bouygues, Mrs Francis Bouygues and Georges Chodron de Courcel and appointed a director, François Bertière.

The Annual General Meeting of 27 April 2006 also ratified the co-options of François-Henri Pinault and Patricia Barbizet.

On 6 December 2006, the Board co-opted Patrick Kron in the place of Alain Pouyat.

■ Proposed changes to the Board to be submitted to the Annual General Meeting

Renewal of the term of office of three directors

On the proposal of the Board of Directors, following the advice of the Selection Committee, the Annual General Meeting of 26 April 2007 will be asked to renew the terms of office of the company SCDM and of Mr Lucien Douroux and Mr Jean Peyrelevade for a period of three years.

Information on these directors appears in paragraph 1.1.2. above.

Ratification of the co-option of a director

On the proposal of the Board of Directors, following the advice of the Selection Committee, the Annual General Meeting of 26 April 2007 will be asked to ratify the co-option as director of Patrick Kron, in the place of Alain Pouyat, for the latter's remaining term of office.

Information on this director appears in paragraph 1.1.2. above.

Election of two directors representing employee shareholders

It will be proposed that the Annual General Meeting of 26 April 2007 should elect as directors representing employee shareholders:

- Thierry Jourdaine,
- Jean-Michel Gras.

These individuals have been selected as candidates for this election by the Supervisory Boards of the mutual funds "Participation Groupe Bouygues", "PEE Groupe Bouygues", "Bouygues Confiance 3", at meetings held on 9 February 2007.

Information on these directors appears in paragraph 1.1.2. above.

Subject to approval by the Annual General Meeting of the amendments to the by-laws, and pursuant to the law dated 30 December 2006 for the development of employee shareholding and profit-sharing, it is proposed that the term of office of these directors be brought into line with that of the other directors, i.e. three years, ending after the ordinary general meeting called to approve the financial statements for 2009. In any event, their term of office shall end early if their employment contract terminates or if the company which employs them leaves the Bouygues group.

Appointment of a new supervisor

It will be proposed that the Annual General Meeting of 26 April 2007 should appoint Alain Pouyat as supervisor for a term of three years.

Alain Pouyat is a graduate of the École Nationale Supérieure des Arts et Métiers (ENSAM). He joined Bouygues in 1970, starting as a computer engineer and was appointed IT director in 1981 followed by Group IT director in 1986. He has been Group Senior Vice-President, Information Systems and New Technologies since 1988. Alain Pouyat was a director of Bouygues from 1999 to 2003 and 2004 to 2006. He was supervisor of Bouygues from 1998 to 1999.

1.1.5. Meetings

The Board of Directors holds four ordinary meetings a year, (February/March, June, August and December. At the February/March meeting, the Board approves the financial statements for the previous financial year; at the June meeting, it examines the 31 March financial statements, reviews the company's performance during the first half of the year and considers the strategic priorities for each line of business and for the Group as a whole; in August, the Board considers and closes the half-year financial statements; in December it considers the 30 September financial statements and reviews the company's sales and profits estimates for the past year and the business plan for the three forthcoming years. Other Board meetings are held as the Group's business requires.

The agenda for Board meetings is in three parts: business activities, financial statements 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 financial statements.

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

1.1.6. Board of Directors' rules of procedure

The Board adopted a set of rules of procedure at its meeting on 10 September 2002. The rules of procedure were amended in June 2003 to take account of the recommendations of the Bouton report, in March 2005 in order to transpose the provisions of the AMF's General Regulation concerning dealings by corporate officers in the company's securities, and in September 2005 in order to authorise participation in Board meetings by means of telecommunication. In February 2006, the Board of Directors again amended its rules of procedure to take account of the entry into force of new provisions, and particularly by introducing a definition of criteria for the independence of directors in accordance with the European Recommendation of 15 February 2005 and the AFEP-MEDEF report of October 2003.

In December 2006, the Board of Directors introduced provisions relating to disclosure of transactions on the company's securities by directors and closely connected persons.

The rules of procedure were updated again in February 2007 by the addition of the following provisions:

- Prohibition on granting of stock options or allotment of bonus shares to senior executives leaving the company.
- Prohibition on entering into risk hedging transactions relating to exercise of stock options or the sale of bonus shares.
- Recommendation that corporate officers, who wish to exercise stock options or sell bonus shares, obtain confirmation from the Group Ethics Officer that they do not hold privileged information.
- When stock options are granted or bonus shares allotted, the Board shall determine the number

of bonus shares or shares resulting from the exercise of stock options that the Chairman, the CEO and the Deputy CEOs are obliged to retain until the expiry of their term of office.

- Increase in the number of members of the Ethics and Sponsorship Committee.

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

The rules of procedure set out the annual programme of work to be carried out by the Board. They provide that any significant disposals or acquisitions planned by the Group must be submitted to the Board in advance for approval.

The rules are also designed to ensure that the Board receives the information it needs in order to function properly. Every year, the Board devotes an item on the agenda of one of its meetings to an assessment of its own workings.

It is recommended that each director own at least 500 Bouygues shares in registered form. Directors undertake not to vote on matters where they have a conflict of interest. They must disclose any transactions that they, or persons closely associated with them, may enter into in relation to the company's securities within five days of the conclusion of such transactions, in accordance with the regulations in force.

Annexes to the rules of procedure define the remit and operating rules of the four Committees set up since 1995. These rules restrict membership of the Committees to directors independent of the company's management. Corporate officers or salaried directors of the company cannot therefore sit on the Committees. The Committees are chaired by independent directors.

Particular attention has been paid to the Accounts Committee. In particular, the rules provide that the Accounts Committee should supervise the appointment of the auditors and ensure that they are independent, for example by monitoring their fees. The rules of procedure also specify how the Remuneration Committee should monitor the variable element of corporate officers' pay. It does not allow senior executives to be awarded stock options at a discount.

The rules of procedure provide that at least two directors must be independent within the meaning of the European Recommendation and the AFEP-MEDEF report.

1.2. Review of the Board of Directors' activity in 2006

The Board met six times in 2006. The attendance rate of the directors was 85%.

In addition to the decisions and deliberations included on the agenda pursuant to applicable law and regulations, the Board considered in particular the proposed non-exclusive cooperation agreement between Bouygues and Alstom and the proposed acquisition by Bouygues of a stake in Alstom; the creation of the joint venture Alstom Hydro Holding; the proposed reconstitution of voting right certificates and investment certificates as shares; the share buy-back programme; the proposed amendments to the rules of procedure; the creation of an economic interest grouping to acquire and manage the building at 32 Avenue Hoche in Paris, Bouygues' new head office; the TPS-Canal+ merger; the implementation of a sponsorship agreement with the French government with a view to restoring the Hôtel de la Marine in Paris; the proposals for implementation of a whistleblowing system and a Code of Ethics applicable to all Group employees. It also monitored the implementation of lists of insiders as provided under the law dated 20 July 2005.

The Board noted the terms of the bond issues made in February 2006 in an amount of €250 million, in May 2006 in an aggregate amount of €1,750 million and in October 2006 in an amount of £400 million.

The Board approved the renewal of the tax integration regime for a period of five years (2007-2011).

The Board authorised a stock option plan for Group executives and employees. It decided to launch an employee share ownership plan in 2007 called "Bouygues Partage".

More generally it considered on a regular basis how each of the Group's businesses was progressing; the Board also examined the strategic options and business plans of each of the businesses and of the parent company.

Having received the reports of the relevant Committees, the Board also drew up its annual report including the chapter on corporate officers' remuneration, the quarterly and annual financial statements, the special report on stock options and the special report on share buy-backs; it acquainted itself with the financial statements and set the amount of the dividend. It drew up the draft resolutions to be submitted to the Annual General Meeting of 27 April 2006.

At its meeting of 28 February 2006, the Board assessed whether six of its members were independent. The results of this assessment are set forth in paragraph 1.1.2. above.

At its meeting of 6 December 2006, the Board reviewed its membership, organisation and operating procedures, and those of the four Committees described below. The results of this review are set forth in paragraph 1.1.3. above.

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 financial statements before they are presented to the Board, ensuring that the accounting methods used to draw up the financial statements are both relevant and consistent, and verifying the internal procedures used for the collection and verification of the information on which the financial statements are based. It also supervises the appointment of the auditors.

The members of the Accounts Committee are Michel Rouger (Chairman), Patricia Barbizet and Georges Chodron de Courcel. Michel Rouger and Georges Chodron de Courcel are independent directors.

The Accounts Committee met four times in 2006 and the attendance rate of its members was 100%. The Committee verified the comparability of the financial statements after changes in the scope of consolidation of the Group, and ensured that the extent of the audit was sufficient. It analysed the provisions included in the financial statements according to subject matter and scope, and reviewed the quarterly financial statements.

The Accounts Committee also examined the following matters:

- the fines imposed by the Conseil de la Concurrence (French Competition Council);
- the regulations relating to accounting valuation of concessions;

- the accounting treatment of the acquisition by Bouygues of a stake in Alstom;
- the investment of €150 million by Bouygues to acquire 50% of the holding company formed by Alstom to group its turbine and equipment manufacturing activity for hydro power plants;
- the effectiveness of the swap terms for the GBP sterling bond issue;
- recognition in the financial statements of the Football World Cup rights acquired by TF1;
- the consequences of subsequent dismantling Bouygues Telecom's base stations;
- Bouygues Construction's major construction sites.

In the context of its work, the Accounts Committee interviewed the Group's CFO, accounts and audit director and auditors, without senior executives present.

1.3.2. Remuneration Committee

The Remuneration Committee was created in 1996 with the task of putting proposals to the Board concerning the remuneration and other benefits of corporate officers. Its members are Pierre Barberis (Chairman) and Patricia Barbizet. Pierre Barberis is an independent director.

The Remuneration Committee met once in 2006 and the attendance rate of its members was 100%. It considered the remuneration of corporate officers and the stock options awarded to them. It also examined and put to the Board reports on the remuneration of corporate officers and the award and exercise of stock options during the year.

1.3.3. Selection Committee

The Selection Committee was created in July 1997. Its task is to examine applications for directorships and proposals to create Board committees. It issues an opinion in the event of the appointment, renewal or dismissal of a chief executive officer or deputy chief executive officer. The Committee comprises Jean Peyrelevade (Chairman) and François-Henri Pinault. Jean Peyrelevade is an independent director.

The Selection Committee met twice in 2006: the attendance rate was 100%. The Committee gave its opinion on the status as independent directors of Pierre Barberis, Georges Chodron de Courcel, Charles de Croisset, Lucien Douroux, Jean Peyrelevade and Michel Rouger; it gave its opinion on the appointment of François Bertière as director, and on the renewal of the directorships of Martin Bouygues, Mrs Francis Bouygues and Georges Chodron de Courcel. It also gave its opinion on the renewal of the appointment of Martin Bouygues as CEO. The Committee gave an opinion on the co-option of Patrick Kron. The Committee gave favourable opinions on all of these points.

1.3.4. Ethics and Sponsorship Committee

The Ethics and Sponsorship Committee, created in March 2001, monitors compliance with the Group's values and rules of good conduct and issues opinions on corporate sponsorship projects. Its members are Lucien Douroux (Chairman), François-Henri Pinault and Michel Derbesse. Lucien Douroux is an independent director. Jean-Michel Gras, one of the two directors representing employee shareholders, joined the Committee in February 2007.

The Ethics and Sponsorship Committee met four times in 2006 and the attendance rate of its members was 75%. After reviewing numerous projects proposed to Bouygues, the Committee gave a favourable opinion on the commencement or continuation of 31 sponsorship initiatives of a humanitarian, medical, social and cultural nature. The Committee also supervised the preparation of a Code of Ethics for the Bouygues group including a whistleblowing procedure. It recommended that the Board approve the drafting and dissemination of the Code.

1.4. Internal control procedures

Bouygues and its subsidiaries are acutely aware of the importance of internal control, a process which helps to give reasonable assurance as to achievement of the Group's principal objectives.

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

While the general purpose of internal control is to help the Group achieve its operational objectives, it is also intended to ensure that the manner in which the Group is managed and conducts its business, and the behaviour of staff, comply with the regulations and with the rules and guidelines that Bouygues wishes Group companies to adhere to.

It is of course in accounting and financial matters that internal controls are most widely applied, given the potential importance of the quality and reliability of the Group's accounting and financial information.

Like any control system, however, the system set up by Bouygues cannot provide a cast-iron guarantee of its capacity to achieve its objectives.

1.4.1. General internal control environment

The parent company and its senior executives strive to create an environment that promotes awareness among Group employees of the need for internal control.

- Where ethics and integrity are concerned, the Chairman and CEO regularly issues strong messages to the Group's senior executives about the need for their conduct to be irreproachable in every respect, which means both complying with prevailing laws and regulations and respecting the Group's own values.

He does so firstly at Group Management Meetings, which are attended once a quarter by the Group's top managers, but also within the framework of the Bouygues Management Institute, which organises a monthly seminar on "Development of Bouygues Values", designed to raise awareness among top management of the need to comply in all circumstances with laws and regulations and with the ethical rules that form the basis of the Group's mindset. The Chairman and CEO of Bouygues and other members of the company's senior management always speak at these seminars.

From time to time, the Group's Corporate Secretary organises executive seminars designed more specifically to remind participants of the regulations that apply in various areas and how they tie in with legal problems encountered by the company's businesses.

The Board of Directors of Bouygues has created an Ethics and Sponsorship Committee whose tasks include:

- helping to define the rules of conduct and guidelines for action on which executives and other employees must base their behaviour;
- proposing or advising on initiatives to promote exemplary professional conduct in this area;
- ensuring compliance with the values and rules of conduct thus defined.

The Ethics and Sponsorship Committee comprises three directors (four directors since February 2007) and is chaired by an independent director.

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

In 2006, the parent company took this initiative of continuous progress further by issuing a Group Code of Ethics. In this Code, Bouygues lays down the essential values it intends the Group and its employees to adhere to in the workplace. The introduction of this Code will help to achieve the objective of better conduct and is intended to help staff take decisions in real situations by reference to clear and precise principles.

- Maintaining a high level of competence among Bouygues group employees is also one of the parent company's aims, since it helps to create an environment favourable to internal control. Bouygues therefore takes a proactive approach to staff training while seeking to secure the loyalty of its senior employees. This will preserve a level of experience and knowledge in the company which will enable the Group's culture and values to be passed on.

  By running the Bouygues Management Institute, and through the seminars it organises, the parent company makes a significant contribution to training the Group's senior managers, while informing them of the company's requirements and expectations in terms both of competence and mindset.

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

  These principles are formulated at Management Committee level and passed on to businesses at all levels (Board of Directors, senior management, management committee). Major decisions taken by the Group at the highest level (concerning UMTS or TV football rights, for example) are consistently inspired by this principle of rigorous and prudent management, and serve as a benchmark for the day-to-day management of each business.

- The parent company plays a leading role in human resources management policy at Group level.

  Thus, the Senior Vice-President, Group Human Resources and Administration, chairs and coordinates the Group Human Resources Committee, an essential link for the transmission of the Group's values.

  The Group's human resources charter also contributes to the spreading of the Group's culture by reminding everyone that the company's development is primarily dependent on people.

  For their part, the businesses have been engaged for a number of years in very important work with the aim of controlling the risks inherent in their activity. They have put in place structures and procedures which contribute to the development of internal control within the Group.

1.4.2. Objectives/activities and control procedures – risks

a) Objectives/management cycle

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

- The Group's general objectives are defined through the management cycle, a process which enables the Group's senior management to participate upstream in defining the strategies of each business, to approve their business plans prepared in the context of that strategic framework, and then to monitor the progressive achievement of the objectives during the course of the year.

  The principles of the management cycle are directly applicable in all Group entities, thus ensuring that the Group as a whole has a solid and coherent structure.

  This iterative process enables the Group's senior management at all times to ensure that the objectives are consistent with the strategies, to monitor any discrepancies between the results and the objectives, and to anticipate the remedial measures to be taken at the level of the Group or of the business (financing requirements, redefinition of priorities, etc.).

  Another aim is to provide the Group's senior management and the Bouygues Board of Directors with all the information necessary for them to take decisions.

  The principal members of the parent company's senior management attend Board meetings of the holding companies of the Group's major subsidiaries, and it is those Boards that decide the strategic priorities and business plans.

Strategic plan and business plan

Each business defines its own medium-term strategic plan (over a three-year period) taking into account the Group's general strategy and its own particular characteristics. The strategic plan is presented to the Group's senior management by the senior management of each business and to the June meeting of the Bouygues Board of Directors.

The resulting action plans form the basis of the three-year business plans, and these are presented to the Group's senior management by the senior management of each business and in December to the Bouygues Board of Directors.

Business plans are adjusted in March to take account of the financial statements for the previous financial year and of any significant developments affecting the initial plan.

Annual plan

In the December business plan, the plan for the first year is the most detailed, representing a commitment by each business to the Group's senior management. This is known as the annual plan.

A first review of progress (or an update) of the annual plan for the current year takes place in June, when the strategic plan is presented to the Group's 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, in particular, to the reliability of financial information, essential for a listed company, or to compliance with laws and regulations, which is essential to the Group's success.

b) Activities and control procedures

Internal control implies the identification and analysis of factors that may hinder the achievement of objectives (concept of risks) and in some cases the introduction of the means to control such risks. It is characterised by the existence of bodies or structures exercising internal control, and the implementation of control standards and procedures.

Major risks of a general nature

The various committees
(major risks – QSE – sustainable development)
In 2002, as part of its policy to control major risks, the parent company set up a major risk management committee whose task was to improve major risk management procedures within the various businesses.

This committee, which existed until 2005, was wholly successful in carrying out its task since it raised the awareness of all the businesses, which set up procedures and/or structures for the management of major risks (risk analysis, crisis management, training, etc.).

The principal issues examined by the businesses (depending on their activities) relate in general to:

- technological risk;
- environmental risk;
- health risk;
- protection of strategic assets.

At the end of 2005, Bouygues took a new initiative by creating a sustainable development department headed by Olivier Bouygues. Its purpose is to help the businesses share best practice, raise awareness and train staff, and to assist and advise the sustainable development officers in the businesses.

In this context, Bouygues also has an organisational role as regards QSE and sustainable development, in relation to which two committees comprising senior executives from the businesses meet regularly under the Chairmanship of Olivier Bouygues to discuss matters considered essential by the parent company.

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

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

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

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

The parent company continues to organise crisis management training sessions for senior employees. Most of the subsidiaries have put similar systems in place. For example, at TF1 the purpose of the "Réagir" system is to define the action plan for re-establishing key processes in the event of disruption.

Legal aspects
The Group's Corporate Secretary monitors matters with significant legal implications for the Group.

In this context, the Corporate Secretary and the parent company's lawyers may occasionally become involved alongside the businesses in handling major disputes or matters having an impact at Group level.

Bouygues' Corporate Secretary chairs the Group's legal committee which is made up of the legal directors of the businesses. He thus coordinates and supervises all the Group's legal affairs.

The Corporate Secretary is also Group Ethics Officer.

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

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

In addition, Olivier Poupart-Lafarge, Deputy CEO, delegates fairly wide powers to his most senior colleagues (in support divisions) to enable them to carry out their respective functions (for example, Jean-Claude Tostivin, Senior Vice-President, Group Human Resources and Administration; Lionel Verdouck, Senior Vice-President, Cash Management and Finance).

Olivier Poupart-Lafarge also delegates special powers to certain employees to carry out tasks of a limited nature.

Insurance
The Group's risk and insurance department provides assistance, advice and support to the Group's subsidiaries. It also has a role in internal control procedures as applied to risk management.

Having a comprehensive overview of the policy of the various businesses as regards insurance, the Group's risk and insurance department takes out Group insurance to complement the insurance taken out at business level.

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

In 2006, the risk and insurance department also assumed direct responsibility for the insurance of Finagestion.

Risks specific to the businesses

Each business is responsible for examining the specific risks to which it is exposed and for adopting the appropriate procedures according to the nature of the risks identified.

These specific risks may differ considerably depending on the business concerned. For example, they may relate to regulation (TF1, Bouygues Telecom), public health (Bouygues Telecom), technology (TF1, Bouygues Telecom), competition (Bouygues Telecom), the environment (Colas, Bouygues Immobilier), or country risk.

The businesses have also set up very formalised commitment procedures intended to ensure better control of commercial commitment.

Thus, depending on the level of financial commitments, the amount of works or the technical challenges involved, the various entities of Bouygues Construction are obliged to make an application to request the agreement of Bouygues Construction's senior management.

Thus in 2006, more than 80 applications were considered by Bouygues Construction's senior management under the commitments procedure.

This is also the case at Colas where, despite a very strong culture of decentralisation, arrangements exist for the control of commitments both in terms of commercial commitments (submission of projects to "contract committees") and in terms of external growth transactions, which must be presented and secure the prior agreement of the senior management of Colas and sometimes even of its Board of Directors.

At TF1, particular attention is given to the purchasing process, which can result in very substantial commitments (for example in the case of contracts for the purchase of rights). These contracts are subject to a specific validation procedure involving various departments, and sometimes senior management, depending on the amount of the commitments and the nature of the contract concerned.

At Bouygues Telecom, commercial offers involve very substantial stakes and this is the reason why they are examined by an offers committee in which the senior management of the company is involved. Since 2005 an "offers review" committee has existed for the same reasons to ensure follow-up of commercial offers and monitor the results in the light of initial forecasts.

At Bouygues Telecom, customer relations are absolutely fundamental. In December 2006 Bouygues Telecom obtained NF Service certification from AFAQ AFNOR Certification for the consumer call plans component of its customer service operations. Customer relations staff training and information are handled by a special unit (the Bouygues Telecom Academy).

At TF1, the importance of the role of the following must be underlined:

- the core channel department with programme compliance control and compliance with the station's operating terms of reference;
- the technologies and internal resources department, which controls broadcasting and runs a back-up site for security.

Bouygues' Board of Directors also periodically assesses the Group's major risks and has a report prepared and presented to it which maps and prioritises the principal risks. Finally, the Group's senior management may also commission a specific audit of a given risk, either by an outside consultant or internally by the audit department of the relevant business.

Financial and accounting risks

Group consolidation and accounting department

A Group consolidation and accounting department exists within the parent company, and reports to Olivier Poupart-Lafarge, Deputy CEO. Its principal task is to define and establish consistent rules and methods of consolidation for the Group and to assist the businesses in their consolidated management. It also prepares the parent company financial statements.

Consolidation is carried out quarterly on a step-by-step basis. Each business consolidates at its own level using identical methods defined by the Group consolidation and accounting department, which then carries out the overall consolidation of the Group's financial statements.

A specific software product developed by a specialist company is used to consolidate the financial statements at the various levels. A very large number of listed companies use this software. It is implemented by each of the businesses in the context of their step-by-step approach to consolidation, and ensures rigorous control over preparation of the financial statements, which are thus subject to standard procedures.

In addition to the computerised accounting system, a number of years ago the Group consolidation and accounting department produced a Group consolidation handbook containing the rules and procedures applicable to consolidation throughout the Group. The handbook is an important reference tool for the preparation of the consolidated financial statements. In the context of the transition to IAS/IFRS, the Group consolidation and accounting department has created a dedicated intranet site setting out the various principles and options that apply within the Group.

As part of its task of organising and coordinating consolidation of the financial statements, the Group consolidation and accounting department also regularly provides the businesses with information about the rules and methods that apply (by organising seminars, distributing circulars, etc.), and thus helps to maintain the consistency of the system used to prepare the consolidated financial statements. This has particularly been the case in relation to the introduction of IAS/IFRS.

The company uses Adamau accounting software for the management of obligations and control of expenditure, together with Ulysse software to monitor expenses, which enables formalised and secure procedures to be applied when expenses are incurred.

Accounts Committee

The Board of Directors of Bouygues set up the Accounts Committee in 1995. Its task is, in particular, to ensure that the accounting methods adopted for the preparation of the financial statements are both relevant and consistent, and to verify the internal procedures for reporting and monitoring the information on which the financial statements are based.

In addition to carrying out general and regular checks, the Committee selects specific subjects for detailed examination, such as the consequences of disposals or acquisitions. It checks the accounting treatment of the risks incurred by the various companies of the Group, particularly country risk and, in the case of Bouygues Construction, the risks involved in the completion of certain projects. The Committee pays particular attention to changes in accounting methods, and therefore regularly examines decisions and measures taken to implement the new IAS/IFRS. Chaired by an independent director, the Committee meets at regular intervals (it met four times in 2006).

The Accounts Committee interviews the auditors without representatives of the company being present, and can issue any reports and opinions for the Board of Directors. In 2006, the auditors provided the Accounts Committee with a report summarising their work, dealing particularly with internal control, and commented on this report to the Committee.

The same systems are in place within the Boards of the major subsidiaries, all of which have created an accounts committee.

Management control

The global organisation of the management control system is such that no Group company can avoid the control process. All companies not controlled by the businesses are controlled by the parent company.

Using procedures of various kinds, the parent company also exercises management control at its own and at Group level.

The rules governing relations between the parent company and the businesses were summarised in a document produced by the Group strategy and development department in 2001. This document was updated in 2005, and serves as a reference for all the businesses.

Parent company management control

The Group's strategy and development department prepares an annual expenditure budget in close cooperation with other departments of the parent company.

Structural expenses are monitored on a monthly basis so that any discrepancies in relation to the budget can be swiftly identified and analysed.

This analysis helps to identify discrepancies which could cast doubt on the annual forecast.

Twice a year, the Group strategy and development department updates the expenditure budget for the current year in liaison with the departments concerned.

Group reporting

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

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

Every quarter, interim financial statements are produced along with the monthly indicators.

Thus, the management cycle and the control and reporting procedures provide a regular flow of information and ensure a constant dialogue with the businesses. As a result, plans can be adjusted and the parent company is always in a position to control the management of its subsidiaries and intervene in advance of strategic decisions.

Projects in the businesses

In the businesses, management control is also carried out through the specifically assigned departments and dedicated information systems that have been put in place. For example, in 2006 Bouygues Construction launched the Edifice project with a view to modernising financial management of construction projects, and to improve budget control and reporting by introducing new software. Bouygues Immobilier also set up specific systems adapted for marketing management (Opus software) and management of property development projects (Derby software) and a system for determining the financial results of these projects (Avanti software).

Cash management and finance

The parent company's cash management and finance department defines and monitors the application of sound financial management principles at Group level. Its role is both to organise and coordinate.

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

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

Improvement of cash management and financial risk control are also matters of concern for the businesses. For example the cash management and finance department of Bouygues Construction in 2006 deployed a new software package (AMELIS) to boost control of the Bouygues Construction group's exposure to financial commitment by signature (endorsements, guarantees, sureties, etc.).

Internal audit

Audit is a means of analysis, control and information which plays a vital role in risk analysis and management. All the businesses are aware of the importance of internal audit, to the extent that they have decided to set up their own permanent internal audit structures.

Each business now has a structured internal audit department carrying out tasks in a very broad range of areas including management control and finance.

Audits are carried out according to a rigorous methodology. After each audit, a report is prepared containing an analysis and recommendations which are then followed up.

There is also a Group audit department at parent company level, which carries out audits of the businesses' IT systems at the request of the Group's senior management or that of the business itself.

Whistleblowing procedure

In 2003, the Bouygues group set up a whistleblowing procedure, which is intended to enable the Group's employees to report ethical irregularities.

The procedure has been brought into line with the recommendations of the French data protection authority. In accordance with the Recommendation of the European Commission dated 15 February 2005 relating to the role of directors, the procedure operates under the control of the Accounts Committee but also of the Ethics and Sponsorship Committee of the Board of Directors.

1.4.3. Information and communications

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

Existing information systems (see section 1.4.2.) provide a means of managing and controlling the business, and communication helps both to make staff more aware of the importance of control and to provide those outside the Group with reliable and relevant information in compliance with legal requirements.

a) Internal communications

The corporate communications department plays an active part in circulating information to the Group's employees, which strengthens the Group's identity and has a unifying role.

Reporting directly to the Chairman and CEO of Bouygues, it is responsible for the bi-monthly newsletter for managers *Challenger Express* and the in-house magazine *Le Minorange,* published twice yearly, which provide a real link between all the Group's employees.

It also supervises e.by and ebysa, the Bouygues group and parent company intranet portals, which provide online access to large amounts of information and are used by Group and company employees as a real working tool.

The corporate communications department also publishes "Bouygues in Brief", a brochure containing financial information which is circulated externally as well as to managerial, technical and clerical staff.

Group Management Meetings, which are attended four times a year by the Group's top managers, also play an essential role in internal communications, and help transmit the Group's culture and values. For senior management at Group level, they provide an important channel for transmitting key information and messages to the Group's senior executives.

b) External communications

The corporate communications department works in close cooperation with the businesses for their mutual benefit.

Its main tasks are to:

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

c) Financial communications

The Group's cash management and finance department is responsible for financial communications (relations with investors and financial analysts) and is constantly in contact with shareholders and analysts while providing the market with the information it needs.

Great care is taken in preparing the Registration Document, which the Group considers a major channel of communication.

1.4.4. Steering

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

Bouygues' Accounts Committee is the main body responsible for exercising such supervision.

Under the Board's rules of procedure, one of the tasks of the Accounts Committee is to "verify internal procedures for gathering and monitoring the information used to prepare the financial statements".

The Board has also asked Philippe Montagner, a member of senior management, to conduct a comprehensive review of the major risks to which the Group is exposed, including an assessment of the extent to which the risks associated with the Group's various entities are taken into account.

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

Chairman of the Board of Directors

2. SUPERVISION BY THE AUDITORS

2.1. Statutory auditors

Mazars & Guérard (Mazars group), 61 Rue Henri Regnault, 92075 Paris-La Défense Cedex (France), represented by Gilles Rainaut, appointed as statutory auditors for the first time at the Annual General Meeting on 10 June 1998, and whose appointment was renewed for a further six-year term by the Annual General Meeting on 22 April 2004.

Mazars & Guérard are members of the Paris regional association of auditors.

Ernst & Young Audit, Faubourg de l'Arche, 11 Allée de l'Arche, 92037 Paris-La Défense Cedex (France), represented by Jean-Claude Lomberget, appointed as statutory auditors for the first time at the Annual General Meeting on 24 April 2003, for a six-year term.

Ernst & Young Audit are members of the Versailles regional association of auditors.

2.2. Alternate auditors

Thierry Colin (Mazars group), appointed as alternate auditor for the first time at the Annual General Meeting on 25 May 2000, and whose appointment was renewed for a further six-year term by the Annual General Meeting on 22 April 2004.

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

2.3. Fees of the statutory auditors and of the members of their networks paid by the Group

The fees paid to each of the statutory auditors and to the members of their network by Bouygues and all fully consolidated Group companies are shown in Note 22 to the consolidated financial statements (page 199 of this document).

REMUNERATION OF CORPORATE OFFICERS AND STOCK OPTIONS GRANTED TO CORPORATE OFFICERS AND EMPLOYEES

I. REMUNERATION OF CORPORATE OFFICERS

I.1. Report on remuneration (Articles L. 225-102-1 and L. 225-37 last para., of the Commercial Code)

I - The principles and rules applicable to the remuneration of corporate officers

The Board of Directors has drawn up the following principles and rules for fixing the remuneration and other benefits granted to corporate officers.

The Board of Directors will as from 2007 take account of the AFEP-MEDEF recommendations published in January 2007 relating to the remuneration of senior executives and corporate officers of listed companies.

■ Fixed remuneration and benefits in kind

The rules for determining fixed remuneration were decided in 1999 and have been applied in a consistent manner since then.

Fixed remuneration takes account of the level and difficulty of the individual's responsibilities, job experience, seniority in the Group, and also the wage policy of groups or companies in similar sectors.

Benefits in kind involve use of a company car, plus in the case of Martin Bouygues and Olivier Bouygues the part-time availability for personal requirements of a personal assistant and a chauffeur/security guard.

■ Variable remuneration

The rules for determining the variable element of remuneration were also decided in 1999 and have not changed since then.

The variable element of remuneration is decided on an individual basis: The Board decides the criteria for the variable element of each senior executive's remuneration and limits it to a percentage of the fixed remuneration. The percentage limit relative to the fixed remuneration also depends on the individual senior executive. The criteria have been decided taking into account the position held by the corporate officer and the business in which he or she works.

The first part of the variable remuneration is based on the performance of the company managed by the corporate officer and/or that of the Group, with performance being determined by reference to major economic indicators.

- Difference in performance between the Bouygues share price and the performance of the CAC 40 index.
- Change in Bouygues' consolidated net profit (Group share).
- Change in the consolidated net profit (Group share) of the subsidiary managed by the corporate officer (Bouygues Construction, Bouygues Immobilier, Colas, TF1 or Bouygues Telecom).
- Difference in performance between the share price of the subsidiary managed by the corporate officer and performance of the SBF 120 index (applicable only to TF1).

Various criteria are applied to each corporate officer. Each criterion is used to determine part of the variable remuneration. Information on the criteria is set out in the table in paragraph II below.

Qualitative criteria are applied to determine the second part of the variable remuneration. The relevance of the strategy and quality of management are taken into account, especially the ability to motivate teams and build loyalty, the way the company is organised, the use of innovative solutions and quality of orders. Seniority in the Group also counts as a qualitative criterion and is taken into account both in the fixed and variable elements of the remuneration.

The weighting of the qualitative criteria on remuneration paid in 2006 is also shown in the table below.

In exceptional cases, upon the advice of the Remuneration Committee, the Board may award special bonuses.

■ Other information regarding remuneration

All remuneration is paid by Bouygues, apart from that of Alain Dupont who is paid directly by Colas, and Martin Bouygues and Olivier Bouygues, whose remuneration is invoiced to Bouygues by SCDM pursuant to the agreement governing relations between Bouygues and SCDM, which has been approved under the regulated agreements procedure.

Remuneration paid by Bouygues is invoiced back to the relevant subsidiary if the corporate officer performs his or her duties there (F. Bertière: Bouygues Immobilier; Y. Gabriel: Bouygues Construction; P. Le Lay: TF1).

In accordance with the guide for preparation of annual reports dated 27 January 2006 published by the Autorité des Marchés Financiers, details of the salaries paid to the two directors representing employee shareholders who have an employment contract with Bouygues or one of its subsidiaries are not provided.

■ Additional retirement provision

Corporate officers and salaried directors have the benefit of the additional retirement provision introduced for the members of the Group's management committee, namely 0.92% of the reference salary per year of service under the regime. The Group is not obliged to set aside provisions in respect of this additional retirement provision, which takes the form of an insurance policy taken out with an insurer outside the Group. This additional retirement provision has been approved pursuant to the regulated agreements procedure.

■ Compensation on leaving the company

The company and its subsidiaries have not entered into any commitment and have not given any undertaking relating to the granting of compensation in the event that the Chairman, Deputy CEOs or salaried directors leave the company.

Salaried directors have the benefit of the collective agreement applicable to the company (Paris region construction company executives' collective agreement). A senior executive whose employment contract has been suspended during the period in which he or she is a corporate officer also has the benefit of this collective agreement as soon as his or her employment contract becomes effective again at the end of his or her appointment as corporate officer. Salaried directors or such senior executives may therefore receive the compensation provided for under this collective agreement in the event of dismissal or retirement. Martin Bouygues, Chairman and CEO, and Olivier Bouygues, Deputy CEO, will not benefit from such compensation if their appointments come to an end. Conversely, Olivier Poupart-Lafarge, Patrick Le Lay, Yves Gabriel, Alain Dupont and François Bertière are eligible for such compensation.

II. Remuneration of corporate officers

Remuneration of the three corporate officers

	Position and length of service within the Group	Remuneration[1]	Amounts in respect of FY 2004 in euros[2]		Amounts in respect of FY 2005 in euros[2]		Amounts in respect of FY 2006 in euros[2]		Criteria for variable remuneration (FY 2006)[6]	Benefits in kind in euros[7]		
			due[3]	paid	due[3]	paid	due[3]	paid		in 2004	in 2005	in 2006
M. Bouygues	Chairman and CEO 33 years	Fixed	920,000 0%	920,000	920,000 0%	920,000	920,000 0%	920,000	• difference in performance between the Bouygues share price and the CAC 40 index (50%). • change in consolidated net profit (Group share) (50%).			
		Variable	1,380,000 0%	1,380,000	1,380,000 0%	1,380,000	1,380,000 0%	1,380,000				
		% variable/fixed[4]	150%		150%		150%					
		Ceiling (variable)[5]	150%		150%		150%					
		TOTAL	**2,300,000**	**2,300,000**	**2,300,000**	**2,300,000**	**2,300,000**	**2,300,000**		135,236 +8,9%	50,236 -63%	42,836 -15%
O. Poupart-Lafarge	Deputy CEO 33 years	Fixed	920,000 0%	920,000	920,000 0%	920,000	920,000 0%	920,000	• difference in performance between the Bouygues share price and the CAC 40 index (27%). • change in consolidated net profit (Group share) (40%). • several qualitative criteria (33%).			
		Variable	1,242,000 0%	1,242,000	1,380,000 +11%	1,242,000	1,380,000 0%	1,380,000				
		% variable/fixed[4]	135%		150%		150%					
		Ceiling (variable)[5]	135%		150%		150%					
		TOTAL	**2,162,000**	**2,162,000**	**2,300,000**	**2,162,000**	**2,300,000**	**2,300,000**		4,140 0%	4,176 +0,87%	3,700 -11%
O. Bouygues[1]	Deputy CEO 33 years	Fixed	920,000 0%	920,000	920,000 0%	920,000	920,000 0%	920,000	• difference in performance between the Bouygues share price and the CAC 40 index (18%). • change in consolidated net profit (Group share) (41%). • several qualitative criteria (41%).			
		Variable	1,012,000 +7.9%	937,625	1,012,000 0%	1,012,000	1,104,000 9%	1,012,000				
		% variable/fixed[4]	110%		110%		120%					
		Ceiling (variable)[5]	110%		110%		120%					
		TOTAL	**1,932,000**	**1,857,625**	**1,932,000**	**1,932,000**	**2,024,000**	**1,932,000**		82,584 +1,4%	10,584 -87%	10,584 0%
		TOTAL CORPORATE OFFICERS	**6,394,000 +1,7%**	**6,319,625**	**6,532,000 +2,16%**	**6,394,000**	**6,624,000 +1,4%**	**6,532,000**		**221,960**	**64,996**	**57,120**

(1) No remuneration other than that mentioned in the table was paid to corporate officers by companies in the Group.
(2) Amounts due = all the amounts allocated in respect of one financial year. Amounts paid = all the amounts paid in the financial year, however the variable part allocated for a financial year is actually paid in the first quarter of the following year.
(3) Amounts due: the percentages inserted under the fixed and variable remuneration show variations by reference to the previous financial year (2003 or 2004).
(4) Variable remuneration expressed as a percentage of fixed remuneration. (5) Variable remuneration ceiling, fixed as a percentage of fixed remuneration.

Remuneration of salaried directors

	Position and length of service within the Group	Remuneration[1]	Amounts in respect of FY 2004 in euros[2]		Amounts in respect of FY 2005 in euros[2]		Amounts in respect of FY 2006 in euros[2]		Criteria for variable remuneration (FY 2006)[6]	Benefits in kind in euros[7]		
			due[3]	paid	due[3]	paid	due[3]	paid		in 2004	in 2005	in 2006
F. Bertière	Director 22 years	Fixed					820,000 +17%	820,000	• difference in performance between the Bouygues share price and the CAC 40 index (18%). • change in consolidated net profit (Group share) of Bouygues (14%). • change in consolidated net profit (Group share) of Bouygues Immobilier (40%). • several qualitative criteria (28%).			
		Variable					984,000 +17%	840,000				
		% variable/fixed[4]					120%					
		Ceiling (variable)[5]					120%					
		TOTAL					**1,804,000**	**1,660,000**			4,944	4,944 0%
A. Dupont	Director 42 years	Fixed	920,000 0%	920,000	920,000 0%	920,000	920,000 0%	920,000	• difference in performance between the Bouygues share price and the CAC 40 index (7%). • change in consolidated net profit (Group share) of Bouygues (16%). • change in consolidated net profit (Group share) of Colas (50%). • several qualitative criteria (27%).			
		Variable	1,334,000 0%	1,334,000	1,380,000 +3.45%	1,334,000	1,380,000 0%	1,380,000				
		% variable/fixed[4]	145%		150%		150%					
		Ceiling (variable)[5]	145%		150%		150%					
		Exceptional bonus	-	-	690,000	-		690,000				
		TOTAL	**2,254,000**	**2,254,000**	**2,990,000**	**2,254,000**	**2,300,000**	**2,990,000**		4,100 0%	4,100 0%	4,100 0%
Y. Gabriel	Director 32 years	Fixed	750,000 +2.8%	750,000	850,000 +13.33%	850,000	920,000 +8%	920,000	• difference in performance between the Bouygues share price and the CAC 40 index (18%). • change in consolidated net profit (Group share) of Bouygues Construction (40%). • several qualitative criteria (28%). • profit of Bouygues (8%).			
		Variable	825,000 +11.6%	739,310	1,062,500 +28.80%	825,000	1,242,000 +17%	1,062,500				
		% variable/fixed[4]	110%		125%		135%					
		Ceiling (variable)[5]	110%		125%		135%					
		TOTAL	**1,575,000**	**1,489,310**	**1,912,500**	**1,675,000**	**2,162,000**	**1,982,500**		8,748 +42.7%	8,748 0%	8,671 -1%
P. Le Lay	Director 26 years	Fixed	920,000 0%	920,000	920,000 0%	920,000	920,000 0%	920,000	• difference in performance between the Bouygues share price and the CAC 40 index (7%). • difference in performance between the TF1 share price and the CAC 40 index (20%). • change in consolidated net profit (Group share) of TF1 (40%). • several qualitative criteria (33%).			
		Variable	1,132,667 -17.9%	1,380,000	1,216,000 +7.36%	1,132,667	1,380,000 +13%	1,216,000				
		% variable/fixed[4]	123%		132%		150%					
		Ceiling (variable)[5]	150%		150%		150%					
		TOTAL	**2,052,667**	**2,300,000**	**2,136,000**	**2,052,667**	**2,300,000**	**2,136,000**		4,140 0%	4,140 0%	4,140 0%

(6) Criteria for variable remuneration: the percentage expresses the weighting of the criteria in the determination of the total variable remuneration. (7) Benefits in kind: the percentages show the variations as compared to the previous financial year (2004 or 2005).

III. Directors' fees

(€)		Origin (Note 1 and 2)	2004	2005	2006
M. Bouygues	Chairman and CEO	Bouygues directors' fees	48,784	48,784	48,784
		Subsidiary directors' fees	25,416	26,666	25,291
O. Poupart-Lafarge	Deputy CEO	Bouygues directors' fees	24,392	24,392	24,392
		Subsidiary directors' fees	53,340	55,465	60,246
O. Bouygues	Deputy CEO	Bouygues directors' fees	24,392	24,392	24,392
		Subsidiary directors' fees	32,562	46,277	55,099
Sub-total corporate officers	Chairman and CEO Deputy CEO	Bouygues directors' fees	97,568	97,568	97,568
		Subsidiaries directors' fees	111,318	128,408	140,636
		TOTAL	**208,886**	**225,976**	**238,204**
P. Barberis	Director	Bouygues directors' fees	30,490	30,490	30,490
P. Barbizet	Director	Bouygues directors' fees	24,392 12,196	24,392 12,196	24,392 12,196
		Subsidiary directors' fees	26,779	28,269	27,925
F. Bertière	Director	Bouygues directors' fees			18,294
Mrs F. Bouygues	Director	Bouygues directors' fees	24,392	24,392	24,392
G. Chodron de Courcel	Director	Bouygues directors' fees	30,490	30,490	30,490
C. de Croisset	Director	Bouygues directors' fees	24,392	24,392	24,392
M. Derbesse	Director	Bouygues directors' fees	24,392	27,441	30,490
		Subsidiary directors' fees	40,752	30,893	
L. Douroux	Director	Bouygues directors' fees	30,490	30,490	30,490
A. Dupont	Director	Bouygues directors' fees	24,392	24,392	24,392
		Subsidiary directors' fees	15,000	15,000	18,750
Y. Gabriel	Director	Bouygues directors' fees	24,392	24,392	24,392
J.M. Gras	Director	Bouygues directors' fees	-	18,294	24,392
T. Jourdaine	Director	Bouygues directors' fees	24,392	24,392	24,392
P. Kron	Director	Bouygues directors' fees			6,098
P. Le Lay	Director	Bouygues directors' fees	24,392	24,392	24,392
		Subsidiary directors' fees	107,050	108,300	112,050
J. Peyrelevade	Director	Bouygues directors' fees	30,490	30,490	30,490
F.H. Pinault	Director	Bouygues directors' fees	24,392 6,098	24,392 6,098	24,392 12,196
A. Pouyat	Director	Bouygues directors' fees	18,294	24,392	24,392
		Subsidiary directors' fees	27,446	28,696	27,321
M. Rouger	Director	Bouygues directors' fees	30,490	30,490	30,490
Sub-total directors	Director	Bouygues directors' fees	408,566	436,007	475,644
		Subsidiary directors' fees	217,027	211,158	186,046
		TOTAL	**625,593**	**647,165**	**661,690**
Total directors' fees (Note 3)		Bouygues directors' fees	561,016	576,261	573,212
		Subsidiary directors' fees	328,345	339,566	326,682
		TOTAL	889,361	915,827	899,894

Note 1: Bouygues directors' fees = fees paid in respect of participation on the Board of Bouygues. The total amount of directors' fees to be allocated to corporate officers and directors of Bouygues SA was fixed by the Annual General Meeting of 24 April 2003 at €700,000 each financial year, the Board being given the discretion as to how it should be split. The amounts shown opposite include directors' fees paid with respect to participation on one or more Board committees. Directors' fees paid to each director amount to €24,392 per year. The Chairman and CEO is allocated directors' fees of €48,784 per year. Additional directors' fees paid to members of a Committee amount to €6,098 per year.

Note 2: Subsidiary directors' fees = fees paid by Group companies within the meaning of Article L. 233-16 of the Commercial Code. This includes Colas, Bouygues Telecom and TF1.

Note 3: The total amount of directors' fees includes fees paid in the financial years 2004 and 2005 to Carmélina Formond (€24,392 in 2004 and €12,196 in 2005) and to Serge Weinberg (€30,490 in 2004 and 2005); these directors left the Board in 2005.

Note 4: Philippe Montagner, supervisor, receives directors' fees of €24,392 each financial year. With respect to his position as corporate officer in Group subsidiaries, he also received directors' fees in an amount of €28,696.

Note 5: Reminder: A. Pouyat left the Board of Directors in 2006; Patrick Kron was co-opted in his place.

1.2 Special report on granting of stock options and bonus shares (Article L. 225-184 and Article L. 225-197-4 of the Commercial Code)

I - Principles and rules for granting of stock options and bonus shares

The twentieth resolution of the Annual General Meeting on 28 April 2005 authorised the Board of Directors on one or more occasions to grant options conferring a right to subscribe for new shares or to purchase existing shares. This authorisation was conferred for a period of five years and required the beneficiaries of these options to be employees and/or corporate officers of Bouygues or of companies or economic interest groupings directly or indirectly associated with Bouygues under the terms of Article L. 225-180 of the Commercial Code.

The nineteenth resolution of the Annual General Meeting on 28 April 2005 also authorised the Board of Directors on one or more occasions to allot bonus shares whether in existence or to be issued in the future. This authorisation was conferred for a period of thirty-eight months and required the beneficiaries of these shares to be employees and/or corporate officers of Bouygues or of companies or economic interest groupings directly or indirectly associated with Bouygues under the terms of Article L. 225-197-2 of the Commercial Code.

To date, the Board of Directors has not made use of the authorisations granted by the Annual General Meeting to allot bonus shares or grant options to purchase shares. All options granted have been to subscribe for shares.

■ **General rules applicable to granting of stock options and bonus shares**

- Stock options or bonus shares are granted to help attract senior executives and employees, build loyalty, and reward and give them an interest over the medium and long term in the development of the company because of their contribution to its increase in value.
- More than 1,000 senior executives and employees are beneficiaries under each plan. The beneficiaries are selected and individual allotments are decided by reference to each beneficiary's responsibility and performance, with particular attention being paid to executives with potential.
- In the case of stock options, no discount is applied.
- Options may not be exercised during the 15 calendar days prior to publication of quarterly, half-yearly or full-year financial statements.

In accordance with the AFEP/MEDEF recommendations of January 2007, the Board in 2007 will decide how often and during what period of the year stock options or bonus shares will be granted.

■ **Specific rules applicable to corporate officers**

The Board of Directors has incorporated the following rules into its rules of procedure:

- Prohibition on granting of stock options or bonus shares to senior executives leaving the company.
- Prohibition on entering into risk hedging transactions relating to exercise of options or the sale of bonus shares.
- Recommendation that corporate officers who wish to exercise stock options or sell bonus shares obtain confirmation from the Group Ethics Officer that they do not hold privileged information.
- When stock options or bonus shares are granted, the Board shall determine the number of bonus shares or shares resulting from the exercise of stock options that the Chairman, the CEO and the Deputy CEOs are obliged to retain until the expiry of their term of office. This provision will be applied to any stock options that may be granted in 2007, and any subsequent stock options that may be granted.

II – General information: characteristics of stock subscription options

All of the stock options granted by the Board of Directors have the following characteristics:

- Exercise price: average of the opening prices quoted on the 20 trading days prior to granting of the stock options, with no discount.
- Validity period: seven years as from the date the stock options are granted.
- Lock-up period: four years following the date the stock options are granted.
- Exercise period: the three years after expiry of the lock-up period (with three exceptions where stock options may be exercised at any time during the seven years: stock options exercised by heirs within six months of death of a beneficiary; change of control of Bouygues or cash tender or exchange offer relating to Bouygues; exercise of stock options in accordance with Articles 445-6 of the Labour Code, using credits acquired under a Group savings plan).
- Automatic cancellation if employment contract or appointment as corporate officer is terminated, unless given special authorisation, invalidity or retirement.

III – Breakdown of stock options for each plan and category of beneficiary

	2000	2001	2002	2003	2004	2005	2006
Date of AGM	25/05/2000	25/05/2000	25/05/2000	25/05/2000	22/04/2004	28/04/2005	27/04/2006
Date of Board meeting	04/07/2000	27/03/2001 03/07/2001 18/09/2001	25/06/2002 17/12/2002	17/06/2003	15/03/2004	21/06/2005	05/09/2006
Number of stock options granted at each Board meeting:	1,239,800	4,023,600	3,598,100	2,996,000	3,180,750	3,102,500	3,700,000
• of which corporate officers		690,000	1,150,000	625,000	800,000	500,000	750,000
• of which 10 employees of the company		1,180,000	320,000	412,000	422,000	347,000	356,000
Original exercise price prior to adjustment	€69.13	€33.75 to €39.40	€27.08 to €27.56	€22.80	€29.61	€31.34	€40.00
Exercise price after adjustment(1)	€58.74	€28.67 to €33.47	€23.00 to €23.41	€19.37	€25.15	€31.34	€40.00
Exercise period commencement date	04/07/2005	27/03/2005 03/07/2005 18/09/2005	25/06/2006 17/12/2006	17/06/2007	15/03/2008	21/06/2009	05/09/2010
Expiry date	03/07/2007	26/03/2008 02/07/2008 17/09/2008	24/06/2009 16/12/2009	16/06/2010	14/03/2011	20/06/2012	04/09/2013
Number of options remaining valid at 31/12/2006	**1,269,340**	**2,584,412**	**2,752,204**	**3,345,566**	**3,545,206**	**2,941,434**	**3,656,100**
							Total: 20,094,262

(1) In accordance with the law, the exercise prices were adjusted on 7 January 2005 because of an exceptional payout.

As at 31 December 2006, the number of stock options remaining valid and exercisable (those no longer in the lock-up period and those where the exercise price is lower than the stock market price of 29 December 2006, the last quoted price in the financial year, i.e. €48.63) represents a maximum of 10,353,752 new shares, i.e. 3.09% of the share capital as at 31 December 2006.

IV – Stock options granted and exercised in 2006

General information

Options giving the right to subscribe for new shares in Bouygues were granted during 2006. On 5 September 2006, the Board of Directors granted 3,700,000 stock options to 1,130 beneficiaries, corporate officers or employees of the company or companies in the Bouygues group.

Date granted	Number of options granted	Exercise price of the options (in €)
5 September 2006	3,700,000	40

At the time the stock options were granted and using the same method as for the consolidated financial statements, each stock option was valued at €4.78.

This stock option plan represents 1.10% of the company's share capital as at 31 December 2006.

Stock options granted to corporate officers and salaried directors of Bouygues

Corporate officers	Company granting the options	Date granted	Number of options	Exercise price of the options (in €)
Martin Bouygues	Bouygues	5 September 2006	200,000	40
Olivier Poupart-Lafarge	Bouygues	5 September 2006	150,000	40
Olivier Bouygues	Bouygues	5 September 2006	100,000	40
		Total	450,000	

The stock options granted to the Chairman and CEO represent 5.5% of the 2006 plan. The options granted to the Chairman and CEO and to the two Deputy CEOs represent 12.16% of the 2006 plan.

These stock options represent 0.03% of the company's share capital (100,000 stock options), 0.045% of the share capital (150,000 stock options) and 0.06% of the share capital (200,000 stock options). In total, the stock options granted in 2006 to the three corporate officers represent 0.134% of the company's share capital as at 31/12/2006.

Salaried directors	Company granting the options	Date granted	Number of options	Exercise price of the options (in €)
François Bertière	Bouygues	5 September 2006	100,000	40
Alain Dupont	Bouygues	5 September 2006	100,000	40
Yves Gabriel	Bouygues	5 September 2006	100,000	40
		Total	300,000	

TF1 allotted Patrick Le Lay, its Chairman and CEO, a number of bonus shares during the 2006 financial year: a minimum number of 45,000 TF1 shares and a contingent allotment which could bring the final total number of shares allotted to 105,000 TF1 shares.

Stock options granted to the 10 employees (not corporate officers) of Bouygues having received the largest number of options in 2006

Names	Company granting the options	Date granted	Number of options	Exercise price of the options (in €)
Jacques Bernard	Bouygues	5 September 2006	18,000	40
Gérard Bucourt	Bouygues	5 September 2006	10,000	40
Michel Buxeraud	Bouygues	5 September 2006	12,000	40
Blandine Delafon	Bouygues	5 September 2006	14,000	40
Jean-François Guillemin	Bouygues	5 September 2006	30,000	40
Philippe Montagner	Bouygues	5 September 2006	100,000	40
Alain Pouyat	Bouygues	5 September 2006	100,000	40
Jean-Claude Tostivin	Bouygues	5 September 2006	30,000	40
Lionel Verdouck	Bouygues	5 September 2006	30,000	40
Gilles Zancanaro	Bouygues	5 September 2006	12,000	40
		Total	356,000	

Apart from Patrick Le Lay (see above), the corporate officers and employees of Bouygues have not been granted stock options or allotted bonus shares by companies connected to Bouygues during 2006 under the conditions provided in 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.

Stock options exercised by corporate officers and all employees in the Bouygues group in 2006

Bouygues stock options exercised by corporate officers and salaried directors, and all employees in the Bouygues group in 2006, were as follows:

Plan	Exercise price of the options (in €)	Number of options exercised in 2006
30/03/99	18.35	628,320
06/07/99	21.01	943,607
04/11/99	25.18	156,700
27/03/01	33.47	783,736
03/07/01	32.81	588,447
18/09/01	28.67	100,000
25/06/02	23.41	1,182,598
17/06/03	19.37	22,129
15/03/04	25.15	11,415
21/06/05	31.34	8,441
	Total	4,425,393

Stock options exercised by corporate officers of Bouygues in 2006

Corporate officers	Company granting the options	Date granted	Number of options	Exercise price of the options (in €)
François Bertière	Bouygues	30/03/99	17,972	18.35
Martin Bouygues	Bouygues	27/03/01	82,383	33.47
		25/06/02	235,379	23.41
Olivier Bouygues	Bouygues	25/06/02	117,690	23.41
Michel Derbesse	Bouygues	06/07/99	898,418	21.01
	Bouygues	27/03/01	70,614	33.47
Alain Dupont	Bouygues	18/09/01	100,000	28.67
Yves Gabriel	Bouygues	30/03/99	35,943	18.35
Patrick Le Lay	Bouygues	30/03/99	59,904	18.35
	TF1	20/09/99	200,000	23.27
Olivier Poupart-Lafarge	Bouygues	27/03/01	58,845	33.47
		25/06/02	117,690	23.41
Alain Pouyat	Bouygues	30/03/99	95,847	18.35
	Total	**Bouygues** **TF1**	**1,890,685** **200,000**	

Stock options exercised in 2006 by the 10 Bouygues employees with the highest number of options

Names	Company granting the options	Date granted	Number of options	Exercise price of the options (in €)
Jacques Bernard	Bouygues	27/06/01	4,708	33.47
		25/06/02	3,200	23.41
		15/06/03	2,100	19.37
Georges Colombani	Bouygues	27/03/01	4,708	33.47
Blandine Delafon	Bouygues	27/03/01	7,062	33.47
Ariel Dubois de Montreynaud	Bouygues	30/03/99	11,993	18.35
Gérard Heslouin	Bouygues	30/03/99	11,993	18.35
Jean-Philippe Lafond	Bouygues	27/03/01	1,766	33.47
		25/06/02	2,943	23.41
Gérard Lemarié	Bouygues	04/11/99	11,840	25.18
Philippe Montagner	Bouygues	27/03/01	47,076	33.47
		03/07/01	188,447	32.81
Jean-Claude Tostivin	Bouygues	25/06/02	16,477	23.41
Lionel Verdouck	Bouygues	27/03/01	11,769	33.47
		25/06/02	16,477	23.41
	Total	**Bouygues**	**342,559**	

During 2006, 2,192,149 stock options were exercised by employees of Bouygues or its subsidiaries not including corporate officers, salaried directors and the 10 persons referred to above.

1.3 Summary of the remuneration, benefits in kind and options granted to the three corporate officers in 2006

(€)	M. Bouygues	O. Poupart-Lafarge	O. Bouygues
Fixed remuneration	920,000	920,000	920,000
Variable remuneration	1,380,000	1,380,000	1,104,000
Benefits in kind	43,000	4,000	11,000
Total	**2,343,000**	**2,304,000**	**2,035,000**
Accounting value of stock options granted in 2006 and exercisable as from September 2010	**957,000**	**717,000**	**478,000**

The Board of Directors

SHARE OWNERSHIP

I. CHANGES IN SHARE OWNERSHIP OVER THE LAST THREE YEARS

Shareholder	Situation at 31 December 2006				Situation at 31 December 2005				Situation at 31 December 2004			
	Number of shares	% of capital	Number of voting rights[1]	% of voting rights	Number of shares	% of capital	Number of voting rights	% of voting rights	Number of shares	% of capital	Number of voting rights	% of voting rights
SCDM[2]	62,693,562	18.73	118,995,301	27.61	61,262,080	18.19	107,372,414	25.34	56,849,198	17.08	103,411,302	24.72
Artémis group[3]	6,982,575	2.09	9,789,093	2.27	26,266,778	7.80	29,573,296	6.98	26,306,518	7.91	29,613,036	7.08
Bouygues employees	44,286,383	13.23	73,697,437	17.10	44,774,405	13.30	74,311,729	17.54	38,357,093	11.53	66,025,941	15.78
Other French shareholders	90,102,298	26.90	97,749,293	22.69	84,323,571	25.04	92,443,742	21.82	121,235,815	36.43	129,258,321	30.90
Capital Group International	26,969,688	8.06	26,969,688	6.26	26,969,688	8.01	26,969,688	6.36				
Other foreign shareholders	102,181,590	30.52	102,181,590	23.71	93,061,374	27.63	93,061,374	21.96	90,000,000	27.05	90,000,000	21.52
Bouygues	1,561,487[4]	0.47	1,561,487[5]	0.36	105,000[4]	0.03	0	0	10,000	ns	0	0
Total	**334,777,583**	**100**	**430,943,889**	**100**	**336,762,896**	**100**	**423,732,243**	**100**	**332,758,624**	**100**	**418,308,600**	**100**

(1) In accordance with Article 223-11 of the General Regulation of the Autorité des Marchés Financiers, the total number of voting rights has since 2006 been calculated on the basis of all shares with voting rights attached, including those of which the voting rights have been suspended.

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

(3) The Artémis group (François Pinault) includes Artémis, Tennessee and Financière Pinault, companies which directly own Bouygues shares.

(4) Treasury shares held under share buy-back programmes.

(5) Voting rights attached to shares owned by Bouygues are suspended.

Apart from Capital Group International, the company is not aware of any shareholder, other than those shown in the table above, holding more than 5% of the capital or voting rights.

Significant changes in share ownership

The main changes in share ownership since 31 December 2005 are as follows:

- a slight decrease in the interest held by employees, from 13.30% to 13.23% of the capital and from 17.54% to 17.10% of the voting rights;
- an increase in the interest held by SCDM, from 18.19% to 18.73% of the capital and from 25.34% to 27.61% of the voting rights;
- a reduction in the interest held by the Artémis group, from 7.8% to 2.09% of the capital and from 6.98% to 2.27% of the voting rights;
- an increase in the interests held by foreign institutional investors, from 35.64% to 38.58% of the capital and from 28.32% to 29.97% of the voting rights.

The interest reported for Capital Group International, Inc. (CGII), an American investment firm that is the parent company of a group of fund management companies, is that disclosed on 8 August 2005 when CGII declared that it had passed above the 5% thresholds of the capital and voting rights of Bouygues.

The Annual General Meeting of 27 April 2006 approved the reconstitution of the investment certificates as shares; this reconstitution was carried out on 18 May 2006. Details of the reconstitution are provided in item 1.1 of the "Share Capital" section of this Registration Document.

2. SHAREHOLDER AGREEMENT

SCDM and Artémis signed a shareholder agreement on 4 December 1998 relating to their holdings in Bouygues; this agreement has subsequently been amended three times. The agreement, and the amendments thereto, were published by the Conseil des Marchés Financiers or the Autorité des Marchés Financiers in decisions or notices dated 9 December 1998, 13 September 2001, 23 May 2003 and 18 January 2005.

On 24 May 2006, the Artémis group passed below the thresholds of 5% of the capital and voting rights of Bouygues following an exchange of bonds issued on 26 June 2003 by Simetra Obligations (a company controlled by Artémis) for existing Bouygues shares. The terms of this bond issue included an option to exchange the bonds for existing Bouygues shares.

SCDM and the Artémis group had agreed that their shareholder agreement would be terminated unconditionally if the Artémis group passed below the threshold of 5% of the capital of Bouygues. As a result, SCDM and the Artémis group declared that with effect from 24 May 2006 they were no longer acting in concert.

3. VOTING RIGHTS

The terms on which the principal shareholders of Bouygues hold voting rights are no different from those enjoyed by the other shareholders. They are entitled, on the same terms as the other shareholders, to double voting rights subject to the conditions specified in Article 12 of the by-laws, the terms of which are reproduced below (p. 140).

Transactions in Bouygues shares during 2006 by directors, officers and other persons referred to in Article L. 621-18-2 of the Monetary and Financial Code (Art. 223-26 of the AMF General Regulation)

Person involved	Transaction carried out	Nature of transaction	Number of transactions	Number of shares	Amount (€)
SCDM Director	In a personal capacity	Purchase	7	467,200	21,358,344.00
	Via a subsidiary (related party)	Purchase	5	1,101,855	45,562,542.68
Patricia Barbizet Director	In a personal capacity	Purchase	1	500	21,915.00
François Bertière Director	In a personal capacity	Exercise of options	1	17,972	329,786.20
		Sale	3	30,326	1,359,048.80
Martin Bouygues Chairman and CEO	In a personal capacity	Exercise of options	2	317,762	8,267,581.40
		Sale	3	300,000	12,698,700.00
Olivier Bouygues Deputy CEO	In a personal capacity	Exercise of options	1	117,690	2,755,122.90
		Sale	7	273,005	11,857,315.30
Michel Derbesse Director	In a personal capacity	Exercise of options	13	969,032	21,239,212.76
		Sale	13	969,032	38,267,610.27
Alain Dupont Director	In a personal capacity	Exercise of options	3	100,000	2,867,000.00
		Sale	3	100,000	4,023,260.00
Yves Gabriel Director	In a personal capacity	Exercise of options	1	35,943	659,554.05
		Sale	1	18,000	835,560.00
Patrick Le Lay Director	In a personal capacity	Exercise of options	1	59,904	1,099,238.40
		Sale	2	99,904	4,195,852.80
Philippe Montagner Non-voting supervisor	In a personal capacity	Exercise of options	3	235,523	7,758,579.79
		Sale	4	225,000	10,483,880.00
François-Henri Pinault Director	In a personal capacity	Purchase	6	500	21,162.30
Olivier Poupart-Lafarge Deputy CEO	In a personal capacity	Exercise of options	2	176,535	4,724,665.05
		Sale	1	40,000	1,910,000.00
Alain Pouyat Director	In a personal capacity	Exercise of options	1	95,847	1,758,792.45
		Sale	3	95,847	4,121,195.20
Nonce Paolini Deputy CEO, Bouygues Telecom	In a personal capacity	Exercise of options	2	26,481	738,316.35
		Sale	2	26,481	1,143,536.22

STOCK MARKET PERFORMANCE

I. BOUYGUES ON THE STOCK MARKET IN 2006

Bouygues shares are listed on Eurolist by Euronext (compartment A). The shares are included in the CAC 40, Euronext 100, FTSE Eurofirst 80 and Dow Jones Stoxx 600 indices, and are eligible for the deferred settlement service ("SRD") and French equity savings plans ("PEAs").

There were a total of 334,777,583 shares in issue at 31 December 2006.

During 2006, the number of shares in issue fell slightly (by approximately 2 million): 4,425,393 shares were issued as a result of the exercise of stock options, while 6,410,706 shares were cancelled.

The average number of shares in issue during 2006 was 338,409,305.

The average daily volume traded was 1,499,351 shares.

Over 2006 as a whole, the Bouygues share price rose by 17.7%, in line with the rise in the CAC 40 over the year (17.5%). There were three distinct phases in the share price performance during the year:

- Between January and April 2006, the share price tracked the market (CAC 40).
- From May 2006, the CAC 40 – in common with European stock markets generally – had a bumpy ride, which lasted until June. During this period, Bouygues shares fell further than their reference market, bottoming out at €36.05 in July.
- Bouygues shares then rallied from this low, outperforming the reference indices (CAC 40, DJ Eurostoxx 50, etc.) during the second half of the year.

Among the factors that contributed to this fine full-year performance by Bouygues (which has continued in 2007) are:

- Very good performances from construction businesses, including double-digit sales growth, record order books and increased margins.
- Further solid commercial performance by Bouygues Telecom, thanks to the new Neo and Exprima call plans.
- Continuation of favourable economic conditions.
- The increase in the value of the interest in Alstom, thanks to a strong run-up in the Alstom share price to end-December.

	Number of shares[1]	Dividend for the year (€)			Quoted market price (€)			Dividend yield based on closing price (%)
		Net	Tax credit	Total	High	Low	Closing	
2002	344,361,919	0.36	0.18	0.54	38.80	20.40	26.31	2.1
2003	333,199,969	0.50	0.25	0.75	28.28	16.61	27.72	2.7
2004	332,758,624	0.75[2]	-	0.75	34.26	25.94	34.00	2.2
2005	336,762,896	0.90[2]	-	0.90	42.67	28.75	41.30	2.2
2006	**334,777,583**	**1.20[2]**	**-**	**1.20**	**49.42**	**36.05**	**48.63**	**2.5**

On 27 February 2007, the share was trading at €55.00.

(1) Includes investment certificates for the period prior to 2006. All outstanding investment certificates were reconstituted as shares on 18 May 2006.

(2) The tax credit has been abolished with effect from 1 January 2005. The dividend now entitles individuals tax-resident in France to tax relief (of 50% in 2005 and 40% in 2006 and 2007).

2. TRENDS IN SHARE PRICE AND TRADING VOLUME

Bouygues share price over the last 18 months

	High	Low	Number of shares traded	Capital traded (€m)
2005				
July	36.45	33.33	25,651,501	900
August	37.59	35.81	41,024,083	1,499
September	38.90	35.86	22,373,185	827
October	41.29	37.06	28,575,475	1,110
November	42.67	40.22	30,698,986	1,267
December	42.22	40.00	21,971,061	901
2006				
January	45.43	40.68	30,158,199	1,302
February	46.19	43.67	20,562,028	924
March	45.35	41.67	30,542,179	1,316
April	44.80	40.50	30,092,759	1,286
May	47.40	40.70	48,245,123	2,142
June	43.28	37.61	37,146,586	1,489
July	41.30	36.05	28,312,450	1,076
August	41.37	38.26	27,851,146	1,102
September	42.32	40.70	29,794,560	1,234
October	46.70	41.77	33,899,991	1,502
November	47.13	43.81	30,966,828	1,413
December	49.42	43.60	33,803,326	1,596

Source: Euronext

SHARE CAPITAL

I. GENERAL INFORMATION

I.1. Amount of the share capital

On 31 December 2005, the share capital of Bouygues was €336,762,896, divided into 336,762,896 shares with a nominal value of €1 each. 473,867 shares were split into as many investment certificates and voting right certificates.

In order to simplify Bouygues' share capital structure, the Annual General Meeting of 27 April 2006 resolved to reconstitute all voting right certificates and investment certificates as shares; the unit value of each voting right certificate was set at €5.46; this price was determined by reference to the ratio between the price of the voting right certificate and the price of the Bouygues share plus a premium of 50%.

The detailed terms of this operation are set out in the Board of Directors' special report to the Annual General Meeting of 27 April 2006 (pages 233 to 236 of the 2005 Annual Report).

During 2006, 4,425,393 new shares were created following the exercise of stock options granted to Group employees and 6,410,706 shares bought back by the company were cancelled.

Consequently, the share capital of Bouygues at 31 December 2006 was €334,777,583, divided into 334,777,583 shares with a nominal value of €1 each.

The total number of voting rights[1] at 31 December 2006 was 430,943,889 (at 31 December 2005, the number of voting rights was 423,732,243).

(1) Including non-voting shares, in accordance with the new calculation provisions of the AMF's General Regulation.

I.2. Changes in the share capital over the last five years

All amounts in the table below are in euros.

Years	Increases and reductions in the share capital within the last five years	Amount of the changes in the share capital		Amount of the share capital	Cumulative number of shares and investment certificates[1]
		Nominal	Premiums and incorporation of reserves		
2002	• Exercise of stock options for 610,530 shares • OCEANE bond conversion: 10 shares	610,530 10	3,930,741 246	344,361,909 344,361,919	344,361,909 344,361,919
from 1 January to 16 June 2003	• Exercise of stock options for 58,370 shares	58,370	375,903	344,420,289	344,420,289
17 June 2003	• Cancellation of 9,685,825 shares bought back by the company	(9,685,825)	(236,218,525)	334,734,464	334,734,464
from 17 June to 10 December 2003	• Exercise of stock options for 318,070 shares	318,070	2,048,371	335,052,534	335,052,534
16 December 2003	• Cancellation of 2,521,365 shares bought back by the company	(2,521,365)	(57,386,267)	332,531,169	332,531,169
from 11 December to 31 December 2003	• Exercise of stock options for 668,800 shares	668,800	4,307,072	333,199,969	333,199,969
from 1 January to 10 June 2004	• Exercise of stock options for 386,240 shares • OCEANE bond conversion: 13,556,732 shares	386,240 13,556,732	3,646,271 335,881,691	333,586,209 347,142,941	333,586,209 347,142,941
15 June 2004	• Cancellation of 13,942,972 shares bought back by the company	(13,942,972)	(379,655,105)	333,199,969	333,199,969
from 11 June to 6 October 2004	• Exercise of stock options for 191,742 shares	191,742	4,032,822	333,391,711	333,391,711
14 December 2004	• Cancellation of 633,087 shares bought back by the company	(633,087)	(20,177,199)	332,758,624	332,758,624
from 1 January to 16 June 2005	• Exercise of stock options for 801,427 shares	801,427	14,464,213	333,560,051	333,560,051
21 June 2005	• Cancellation of 1,048,873 shares bought back by the company	(1,048,873)	(31,649,972)	332,511,178	332,511,178
from 17 June to 8 December 2005	• Exercise of stock options for 1,163,673 shares	1,163,673	26,788,468	333,674,851	333,674,851
13 December 2005	• Cancellation of 7,312,776 shares bought back by the company	(7,312,776)	(279,502,996)	326,362,075	326,362,075
28 December 2005	• Subscription by the Bouygues Confiance 3 mutual fund for 9,972,331 shares	9,972,331	240,034,007	336,334,406	336,334,406
from 9 December to 31 December 2005	• Exercise of stock options for 428,490 shares	428,490	7,986,521	336,762,896	336,762,896
from 1 January to 30 November 2006	• Exercise of stock options for 3,818,642 shares	3,818,642	90,923,045	340,581,538	340,581,538
6 December 2006	• Cancellation of treasury stock	(6,410,706)	(263,827,884)	334,170,832	334,170,832
from 1 December to 31 December 2006	• Exercise of stock options for 606,751 shares	606,751	17,022,599	334,777,583	334,777,583

(1) Reconstitution of existing investment certificates as shares on 18 May 2006.

1.3. Authorisations to increase or reduce the share capital or to buy back shares

In accordance with Article L. 225-100 paragraph 7 of the Commercial Code, the following table lists the current powers granted to the Board of Directors by the Annual General Meeting, and the use made of these powers during the financial year.

Purpose	Global ceiling or maximum nominal amount (€m)	Duration	AGM	Use of the powers during the 2006 financial year
1. Purchase by the company of its own shares	10% of the share capital	18 months	27/04/2006	Purchase of 12,098,697 shares (including 9,083,630 in respect of the buy-back programme authorised by the AGM on 27 April 2006)
2. Issue (with pre-emptive rights) of shares or securities giving access to the share capital of the company or of a company of which it has more than 50% control	150 5,000 (debt securities)	26 months	28/04/2005	nil
3. Capital increase by incorporation of premiums, reserves or earnings	4,000	26 months	28/04/2005	nil
4. Issue (without pre-emptive rights) of shares or securities giving access to the share capital of the company or of a company of which it has more than 50% control	150(1) 5,000 (debt securities)(1)	26 months	28/04/2005	nil
5. Increase in the number of shares to be issued in the event of an increase in the share capital with or without pre-emptive rights	15% of the initial issue(1)	26 months	28/04/2005	nil
6. Setting of the price for public issues, without pre-emptive rights, of equity securities or any securities giving access to the share capital	10% of the share capital(1)	26 months	28/04/2005	nil
7. Increase in the share capital as consideration for contributions in kind consisting of shares of a company or of securities giving access to the share capital of a company	10% of the share capital(1)	26 months	28/04/2005	nil
8. Increase in the share capital as consideration for securities tendered to a public exchange offer	150(1)	26 months	28/04/2005	nil
9. Increase in the share capital for the benefit of company or Group employees subscribing to a company savings scheme	10% of the share capital	26 months	28/04/2005	06/12/2006: launch of "Bouygues Partage" (increase in share capital of €250 million, including issue premium, reserved for employees to be implemented in 2007)
10. Approval of the issue by a subsidiary of the company of equity securities giving access, whether immediately or in the future, to shares of the company	150(1)	26 months	28/04/2005	nil
11. Allotment of shares free of charge to company or Group employees	10% of the share capital	38 months	28/04/2005	nil
12. Issue of shares in the context of stock options, without pre-emptive rights	Limit fixed by law	38 months	28/04/2005	05/09/2006: launch of a stock option plan enabling 1,130 beneficiaries to subscribe for 3,700,000 shares (exercise price: €40)
13. Issue of negotiable securities conferring a right to the allotment of debt securities	5,000	26 months	28/04/2005	nil
14. Reduction of the share capital by cancellation of treasury stock	10% of the share capital per 24-month period	18 months	27/04/2006	06/12/2006: cancellation of 6,410,706 shares (1.88% of the share capital at such date)
15. Use of delegations and authorisations in order to increase the company's capital in the event of a public offer for the company's shares	Ceilings fixed in the relevant authorisations	14 months	27/04/2006	nil
16. Issue of equity warrants on preferential terms during the period of a public offer for the company's shares	150(1)	18 months	27/04/2006	nil

(1) To be applied against the overall ceiling set out in point 2 of this table.

2. SUPPLEMENTARY REPORT ON THE USE OF DELEGATIONS RELATING TO CAPITAL INCREASES

The supplementary report of the Board of Directors provided for by Article L. 225-129-5 of the Commercial Code and Article 155-2 of the Decree of 23 March 1967 appears on pages 223-224 of this Registration Document.

3. FINANCIAL AUTHORISATIONS SUBMITTED TO THE ANNUAL GENERAL MEETING OF 26 APRIL 2007

The table opposite summarises the delegated powers and authorisations to be conferred on the Board of Directors by the Annual General Meeting on 26 April 2007. With effect from the date of their approval by the meeting, these financial authorisations cancel and replace the unused portion, if applicable, of those previously granted for the same purpose.

Purpose	Global ceiling or maximum nominal amount (€m)	Duration
1. Purchase by the company of its own shares	1,500 10% of the share capital	18 months
2. Issue (with pre-emptive rights) of shares or securities giving access to the share capital of the company or of a company of which it has more than 50% control	150 5,000 (debt securities)	26 months
3. Capital increase by incorporation of premiums, reserves or earnings	4,000	26 months
4. Issue (without pre-emptive rights) of shares or securities giving access to the share capital of the company or of a company of which it has more than 50% control	150(1) 5,000 (debt securities)(1)	26 months
5. Increase in the number of shares to be issued in the event of an increase in the share capital with or without pre-emptive rights	15% of the initial issue(1)	26 months
6. Setting of the price for public issues, without pre-emptive rights, of equity securities or any securities giving access to the share capital	10% of the share capital(1)	26 months
7. Increase in the share capital as consideration for contributions in kind consisting of shares of a company or of securities giving access to the share capital of a company	10% of the share capital(1)	26 months
8. Increase in the share capital as consideration for securities tendered to a public exchange offer	150(1)	26 months
9. Increase in the share capital for the benefit of company or Group employees subscribing to a company savings scheme	10% of the share capital	26 months
10. Approval of the issue by a subsidiary of the company of equity securities giving access, whether immediately or in the future, to shares of the company	150(1)	26 months
11. Allotment of shares free of charge to company or Group employees	10% of the share capital	38 months
12. Use of delegations and authorisations in order to increase the company's capital in the event of a public offer for the company's shares	Ceilings fixed in the relevant authorisations	18 months
13. Issue of equity warrants on preferential terms during the period of a public offer for the company's shares	400	18 months
14. Issue of negotiable securities conferring a right to the allotment of debt securities	5,000	26 months
15. Reduction of the share capital by cancellation of treasury stock	10% of the share capital per 24-month period	18 months

(1) To be applied against the overall ceiling set out in point 2 of this table.

4. COMPANY SAVINGS PLAN

On 31 December 2006, Group employees owned 13.23% of the share capital of Bouygues and 17.10% of its voting rights, mainly through a number of mutual funds.

- The mutual fund created in 1968 invests in Bouygues shares bought on the market. On 31 December 2006, this fund owned 3.14% of the capital of Bouygues and 4.42% of the voting rights.
- The Group savings plan mutual fund collects voluntary contributions from employees and the contribution made by the company. These are invested in Bouygues shares by direct purchases made on the market. On 31 December 2006, this fund owned 3.88% of the capital of Bouygues and 5.31% of the voting rights.
- Following the increases in the share capital carried out in 2001 and 2005, the leveraged mutual funds known as Bouygues Confiance 2, Bouygues Confiance 2 International and Bouygues Confiance 3, own 5.08% of the share capital and 5.76% of the voting rights as at 31 December 2006. The Bouygues Confiance 2 and Bouygues Confiance 2 International mutual funds were closed in January 2007, after unwinding of the relevant savings plan transactions.
- A Bouygues Immobilier mutual fund owns 0.12% of the share capital and 0.16% of the voting rights.

5. STOCK OPTIONS

On 31 December 2006, current stock options granted pursuant to authorisations conferred by extraordinary general meetings represented a maximum of 10,353,752 new shares, i.e. 3.09% of the share capital as at 31 December 2006. This figure relates to options that can actually be exercised, i.e. where the exercise right is no longer restricted and where the exercise price is lower than the stock market price on 29 December 2006 (€48.63).

6. POTENTIAL CREATION OF NEW SHARES

10,353,752 shares would be added to the 334,777,583 shares existing on 31 December 2006 if all exercisable stock options were exercised, bringing the total number of shares to 345,131,335.

7. BUY-BACK OF SHARES

Special report on the buy-back of shares (Article L. 225-209 of the Commercial Code)

1. Summary of the use made by the Board of Directors of the authorisations conferred by the Annual General Meeting

The Annual General Meetings on 28 April 2005 and 27 April 2006 authorised the Board of Directors to cause the company to buy back its own shares in the context of the share buy-back programmes.

The table below, prepared in accordance with the provisions of Article 241-2 of the AMF's General Regulation and the AMF instruction no. 2005-06 dated 22 February 2005, presents in summary format the transactions carried out by the company on its own shares from 21 March 2006 (the date of the report on the previous programme) to 16 February 2007, the date of this report.

Position at 16 February 2007

Percentage of share capital held directly or indirectly as treasury stock: 0.44%

Number of shares cancelled during the last 24 months: 14,772,355

Number of shares held in a portfolio[1]: 1,498,987

Book value of the portfolio: 71,729,301

Market value of the portfolio[2]: 81,260,085

(1) Including 57,500 pursuant to a liquidity contract complying with the AFEI Code of Ethics.

(2) Opening price as at 19 February 2007: €54.21.

Transactions outside the liquidity contract:

	Cumulative gross amounts		Positions opened as at 16 February 2007			
			Opened buy positions		Opened sell positions	
	Purchases	Sales/ Transfers	Call options purchased	Futures purchased	Call options sold	Futures sold
Number of shares	7,007,093	0	(1)			
Average maximum maturity (years)			(1)			
Average transaction price	€43.39	0				
Average exercise price			(1)			
Amounts	304,058,382	0				

(1) Call options purchased:

	Option 1	*Option 2*	*Option 3*
Number of shares	*2,283,650*	*3,056,000*	*1,196,630*
Average maximum maturity (years)	*1.1*	*5.3*	*3.8*
Average exercise price	*33.81*	*31.34*	*31.34*

Transactions within the liquidity contract:

	Cumulative gross amounts	
	Purchases	Sales/Transfers
Number of shares	3,413,374	3,755,874
Average transaction price	45.59	45.49
Amounts	155,616,653	170,872,804

Shares cancelled by the company

The Board of Directors resolved on 6 December 2006 to cancel 6,410,706 shares, putting into effect the authorisation granted by the Annual General Meeting of 27 April 2006 to the Board of Directors to reduce the share capital by cancelling up to 10% of the shares comprising the share capital in any 24-month period in accordance with the law. These shares included 546,000 shares initially set aside for future Group expansion and were later earmarked for cancellation.

2. Description of the share buy-back programme submitted for approval by the Annual General Meeting of 26 April 2007

Pursuant to Articles 241-2 and 241-3 of the AMF's General Regulation, the company presents below a description of the share buy-back programme to be submitted for approval by the Annual General Meeting of 26 April 2007.

Maximum amount of the share capital able to be bought back by the company: 10% of the total number of shares comprising the share capital at the date of the buy-back; the total number of shares held on any particular date may not exceed 10% of the existing capital at such date.

The objectives of the buy-back programme are:

- to ensure the liquidity of and make a market in 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 deliver shares upon exercise of rights attached to securities which give rights to allotment of shares in the company by way of repayment, conversion, exchange, presentation of a warrant or in any other manner;
- to retain shares with a view to using them subsequently as a medium of payment or exchange in an acquisition;
- to allot 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 allotment of bonus shares;
- to cancel shares, subject to authorisation by the extraordinary general meeting;
- to implement any market practice accepted by the Autorité des Marchés Financiers and generally to carry out any other transaction in compliance with prevailing regulations.

Shares bought back and retained by Bouygues will be stripped of their voting rights and will not confer rights to the payment of dividends. Share buy-backs may be carried out, in compliance with prevailing regulations, in any manner notably on or off-market (including the over-the-counter market), by use of, in particular, derivative financial instruments and at any time in particular during a cash tender or exchange offer and during a standing offer. The entire programme may be carried out through block trades.

Shares purchased may be sold in particular under the conditions laid down by the Autorité des Marchés Financiers in its instruction dated 6 December 2005 relating to the introduction of a new regime governing the buy-back of a company's own shares.

The company may, pursuant to this authorisation, acquire or sell its own shares on or off-market, subject to the following limits:

- maximum purchase price: €80 per share,
- minimum sale price: €30 per share,

subject to any adjustments relating to transactions in the share capital.

The maximum amount of funds to be used for the share buy-back programme is €1,500,000,000 (one billion five hundred million euros).

Duration of the programme: eighteen months as from the Annual General Meeting of 26 April 2007, i.e. until 26 October 2008.

RESULTS OF BOUYGUES SA

I. DIVIDEND

I.1. Appropriation and distribution of the earnings of Bouygues SA (parent company)

The Annual General Meeting, having acquainted itself with the management report and having noted that distributable earnings amounted to €838,625,254.57, is asked to approve the following appropriation and distribution:

- Distribution of a first net dividend (5% of par) of €0.05 per share, representing a total amount of €16,738,879.15, drawn from distributable earnings;
- Distribution of an additional net dividend of €1.15 per share, representing a total amount of €384,994,220.45;
- Appropriation of the balance, amounting to €436,892,154.97, to retained earnings.

Subject to approval by the Annual General Meeting, the dividend of €1.20 net per share will be paid in cash from 3 May 2007.

Should the company hold some of its own shares when the dividend is distributed, the sum corresponding to the amount of dividend not paid because of the nature of such shares will be appropriated to retained earnings.

The company is required by law to state the dividends distributed in respect of each of the last three years and the related tax credits. They were as follows:

	FY 2003	FY 2004	FY 2005	Exceptional payout of January 2005(2)
Number of shares	333,199,969	332,758,624	336,762,896	332,758,624
Dividend	€0.50	€0.75	€0.90	€2.52
Tax credit(1)	€0.25	-	-	-
Total dividend per share	€0.75	€0.75	€0.90	€2.52
Total dividend payment	€166,423,811.00	€248,928,093.00	€301,951,234.80	€838,551,732.48
Distributed income eligible for the rebate specified in item 2 of Article 158.3 of the French General Tax Code	-	€248,928,093.00	€301,951,234.80	€838,551,732.48

(1) Calculated at the rate of 50%.

(2) The amounts shown relate to the portion of the exceptional payout of €5.00 per share or per investment certificate (approved by the Annual General Meeting of 7 October 2004 and paid on 7 January 2005) classified as dividend for tax purposes. Of the total €5.00 payout, €2.52 was classified for tax purposes as exceptional dividend and €2.48 as repayment of capital contributions.

Dividends not claimed within five years are paid to the French State.

2. Five-year financial summary (€)

	2002	2003	2004	2005	2006
CAPITAL AT YEAR-END					
a) Share capital	344,361,919	333,199,969	332,758,624	336,762,896	334,777,583
b) Number of ordinary shares in issue	343,801,210	332,671,539	332,254,414	336,289,029	334,777,583
c) Number of investment certificates (without voting rights)	560,709	528,430	504,210	473,867	0
d) Maximum number of shares to be issued in the future:					
• by reconstitution of investment certificates and voting right certificates as shares(1)	560,709	528,430	504,210	473,867	0
• by exercise of stock options	13,420,560	15,326,960	17,626,248	20,953,720	20,094,262
• by conversion and/or exchange of convertible bonds	16,550,746	16,550,746	0	0	0
OPERATIONS AND RESULTS FOR THE YEAR					
a) Sales excluding taxes	62,497,403	61,677,048	68,137,090	64,270,115	60,463,413
b) Earnings before tax, depreciation, amortisation and provisions	21,715,695	119,984,708	385,435,019	173,230,055	490,059,858
c) Income tax	(1,925,403)	58,783,774	55,295,002	(37,656,430)	60,879,976
d) Employee profit-sharing	-	(250,000)	(69,154)	(224,770)	(473,100)
e) Earnings after tax, depreciation, amortisation and provisions	120,842,391	216,422,001	585,890,338	260,833,378	603,396,473
f) Distributed earnings	121,089,514	166,423,811	248,928,093	301,951,235	401,733,100
g) Withholding tax	0	0	NONE	NONE	NONE
PER SHARE DATA					
a) Earnings after tax but before depreciation, amortisation and provisions	0.06	0.54	1.32	0.40	1.65
b) Earnings after tax, depreciation, amortisation and provisions	0.35	0.65	1.76	0.77	1.80
c) Gross dividend allocated to each share	0.54	0.75	0.75(2)	0.90(2)	1.20(2)
PERSONNEL					
a) Average number of employees during the year	253	244	227	195	175
b) Total payroll for the year	36,496,987	37,747,311	38,215,169	34,374,008	28,511,081
c) Amount paid in respect of employee benefits (social security, welfare benefits, etc.) for the year	11,250,274	12,551,862	13,363,283	11,678,781	10,910,295

(1) Such reconstitution does not change the share capital

(2) Without tax credit

LEGAL INFORMATION

1. GENERAL INFORMATION

Company name	Bouygues
Registered office	32 Avenue Hoche 75008 Paris - France
Registration number	RCS 572 015 246 Paris
APE code	452 B
Form	Société Anonyme (public limited company)
Date of incorporation	15 October 1956
Expiry date	14 October 2089
Financial year	1 January to 31 December
Governing law	French

2. BRIEF HISTORY OF THE GROUP

1952	Francis Bouygues forms a building firm
1955	First diversification: creation of Bouygues Immobilier
1970	Bouygues is floated on the Paris stock market
1984	Expansion into services, takeover of Saur (sold in 2005)
1986	Acquisition of Colas, the world's leading roadbuilding company
1987	Bouygues is named operator and main shareholder of TF1
1989	Martin Bouygues is appointed Chairman and 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
2006	Stake acquired in Alstom

3. BY-LAWS

3.1. Purpose (Article 2 of the by-laws)

The company has as its purpose in all countries:

- the acquisition, directly or indirectly, of interests in all French or foreign companies or groupings, whatever their purpose or business, and the management and disposal as appropriate of such interests,
- the creation, acquisition, operation and disposal as appropriate of all French or foreign undertakings, in any field of business, whether industrial, commercial or financial, including in particular in the construction sector (building, civil works, roads, property) and the service sector (public utilities management, media, telecommunications),
- and, in general, all industrial, commercial, financial, mining and agricultural operations or transactions and all operations or transactions involving movable or real property relating directly or indirectly to the purpose set forth above or to all similar or related purposes that may enable or facilitate the achievement or pursuit thereof.

3.2. Appropriation of earnings (Article 24 of the by-laws)

At least 5% of net earnings for the year, minus prior losses if any, are retained in order to constitute the legal reserve. This requirement ceases to be mandatory when the legal reserve equals one-tenth of the share capital.

The sum necessary to pay shareholders 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 General Meeting, the balance of distributable earnings is divided between the shareholders.

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 and include all shareholders, whatever the number of shares they hold.

Special meetings of holders of bonds issued by the company may be called in the cases provided for by the prevailing laws and regulations.

3.4. Double voting rights (Article 12 of the by-laws - Provision in force since 1 January 1972)

Double voting rights are allocated to all fully paid-up shares that are proved to have been registered for at least two years in the name of the same holder.

In the event of a capital increase by incorporation of reserves, profits or premiums, double voting rights are conferred as of issue on registered shares allocated as a bonus to shareholders in respect of existing shares conferring such entitlement. Double voting rights attached to registered shares will be lost if such shares are converted into bearer shares or if title to them is transferred, except in cases where the law provides otherwise.

The extraordinary annual meeting may not abolish double voting rights unless 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 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 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. SHAREHOLDER AGREEMENTS ENTERED INTO BY BOUYGUES

4.1. Bouygues Telecom

The material provisions of the Bouygues Telecom shareholder agreement are the following: a reciprocal right of pre-emption; prohibition, without the prior agreement of the other shareholders, on disposals of securities to a telephone operator providing services to the public; an undertaking by each party not to acquire a stake in the capital of any competing operator.

The BNP Paribas group wished to have liquidity in its holding of 6.5% of Bouygues Telecom's capital. To this end, Bouygues granted it a put option exercisable at any time as from 1 September 2005 to 31 July 2007. In consideration for this, the BNP Paribas group granted Bouygues a call option exercisable from 1 to 30 September 2007.

4.2. Alstom

In connection with the formation of a joint venture called Alstom Hydro Holding between Alstom subsidiaries Alstom Power Centrales and Alstom Holdings and Bouygues, Bouygues and Alstom entered into a joint-venture agreement on 29 September 2006, which was amended by a supplemental agreement dated 31 October 2006.

In the joint-venture agreement, the parties included a provision whereby Bouygues could sell its holding in the simplified limited company (SAS) Alstom Hydro Holding within a 20-day period after 31 October 2009, or prior to such date, in the event that the Board of Directors of Alstom Hydro Holding became deadlocked on the adoption of certain decisions under the contract. If this option is exercised, the Alstom Hydro Holding shares may be sold either in cash for a total price of €175 million or against delivery by Alstom Power Centrales of 2,200,000 Alstom shares.

If Bouygues were to exercise the option for shares in Alstom, Alstom Power Centrales has undertaken to do its utmost to deliver the relevant shares, or failing which, pay Bouygues a cash sum equal to 2,200,000 multiplied by the closing price of the Alstom share on the third trading day preceding the effective exit date of Bouygues from the joint venture.

In accordance with Article L. 233-11 of the Commercial Code, these terms of the agreement between Bouygues and Alstom have been disclosed to the AMF, which published them on 14 November 2006.

5. FACTORS LIKELY TO HAVE AN IMPACT ON ANY PUBLIC TENDER OFFER PRICE

In accordance with Article L. 225-100-3 of the Commercial Code, the factors likely to have an impact on the offer price in any potential tender offer relating to Bouygues' shares are set out below:

- Capital structure: information relating to Bouygues' share capital structure is set out in the "Share Ownership" chapter on pages 130-131 of this document.
- Restrictions in the by-laws on exercise of voting rights: Article 8.3 of the by-laws, relating to crossing of thresholds, is reproduced in paragraph 3.5 of this chapter.
- Direct or indirect holdings in the share capital of which Bouygues is aware pursuant to Articles L. 233-7 and L. 233-12 of the Commercial Code: the relevant information is set out in the "Share Ownership" chapter on pages 130-131 of this document.
- Powers of the Board of Directors with respect to issuance and buy-back of shares: the relevant information is set out in the "Share Capital" chapter on pages 134-138 of this document.
- Agreements entered into by Bouygues which will be modified or expire in the event of a change of control of Bouygues: the 10-year bonds maturing in May 2016, 7-year bonds maturing in 2013, and the 20-year bonds in pounds sterling maturing in 2026 include a "change of control" clause providing for the early repayment of its bond debt in the event of a change of control of Bouygues resulting in a downgrading of its credit rating.
- A change of control of Bouygues could potentially jeopardise TF1's authorisation to operate a national terrestrial television broadcasting service; indeed, Article 41-3 2° of the law dated 30 September 1986 governing audiovisual media specifies that any natural or legal person which controls, within the meaning of Article L. 233-3 of the Commercial Code, any company holding such an authorisation, or which has placed it under its authority or dependency, is deemed to be the holder of the authorisation; Article 42-3 adds that the authorisation may be withdrawn, without prior formal demand, if there is any material change to the circumstances based on which the authorisation was granted, in particular changes to share capital structure.

6. PUBLICLY AVAILABLE DOCUMENTS

The person responsible for this Registration Document certifies that, throughout the period this Registration Document remains valid, the following documents, or copies thereof, will be available for public consultation at Bouygues' registered office located at 32 Avenue Hoche, 75008 Paris, France:

- the deed of incorporation and by-laws of Bouygues;
- all reports, letters and other documents, historical financial information, appraisals and statements prepared by experts at Bouygues' request, any part of which is included or referred to in this Registration Document;
- historical financial information relating to Bouygues and its subsidiaries for each of the two financial years preceding publication of this Registration Document.

Except for the deed of incorporation, all of the above-mentioned documents may also be consulted online on Bouygues' website www.bouygues.com, under the heading "Finance/Shareholders".

ANNUAL PUBLICATIONS

I. PUBLISHED INFORMATION

In accordance with Article L. 451-1-1 of the Monetary and Financial Code, and Article 222-7 of the AMF's General Regulation, this document contains all the information published or made public by the company within the European Economic Area or in any other country during the last 12 months in order to satisfy its legal or regulatory obligations with respect to financial instruments, issuers of financial instruments or markets in financial instruments.

MISCELLANEOUS INFORMATION		
Date of publication	Subject	Publication
2006		
2 January 2006	Decision to increase share capital Amendment of by-laws Bank certificate Updated by-laws	Office of the Clerk of the Paris Commercial Court
4 January 2006	Decision to increase share capital Amendment of by-laws Updated by-laws	Office of the Clerk of the Paris Commercial Court
6 January 2006	Resignations and appointments of directors Recording of a share capital increase Recording of a share capital decrease Amendment of by-laws	Les Petites Affiches
13 January 2006	Press release containing the half-yearly statement of the liquidity contract	AMF website
18 January 2006	Number of voting rights and shares	BALO
8 February 2006	Admission to trading and listing of shares	BALO
9 February 2006	Sales for FY 2005	AMF website - Bouygues website
13 February 2006	Sales for FY 2005	BALO
21 February 2006	Reference document (Prospectus) of 21 February 2006, unaudited consolidated financial statements at 30/06/2005 and unaudited consolidated financial statements at 30/09/2005	Luxembourg Stock Exchange website
1 March 2006	Full-year 2005 net profit	AMF website - Bouygues website
	Financial announcements	Les Échos (2/03/06), L'Agefi Hebdo (3/03/06), Valeurs actuelles (3/03/06), La Vie Financière (3/03/06), Le Figaro (4/03/06), Investir (4/03/06), Option Finance (6/03/06), La Tribune (6/03/06), Le Monde (4/03/06 et 8/03/06), Handelsblatt (9/03/06), Wall Street Europe, Asia and US editions (6/03/06) Financial Times - Europe edition (20/03/06)
6 March 2006	Notice of meeting (special meeting of holders of voting right certificates)	BALO
6 March 2006	Press release (special meeting of holders of voting right certificates)	Les Échos (06/03/06) L'Agefi (10/03/06) Bouygues website
15 March 2006	Notice of meeting (special meeting of holders of investment certificates and Annual General Meeting)	BALO

MISCELLANEOUS INFORMATION		
Date of publication	Subject	Publication
15 March 2006	Press release (special meeting of holders of investment certificates)	BALO
17 March 2006	Press release (special meeting of holders of investment certificates and Annual General Meeting)	Les Échos L'Agefi Bouygues website
27 March 2006	Notice of meeting (special meeting of holders of voting right certificates)	BALO Les Petites Affiches
7 April 2006	Full-year financial statements	BALO
7 April 2006	Notice of meeting (Annual General Meeting)	BALO Les Petites Affiches
7 April 2006	Notice of meeting (special meeting of holders of investment certificates)	BALO Les Petites Affiches
12 April 2006	Annual Report	AMF website - Bouygues website
18 April 2006	Document Filing: Expert appraiser's report on special benefits	Office of the Clerk of the Paris Commercial Court
19 April 2006	2nd Notice of meeting (special meeting of holders of voting right certificates)	BALO Les Petites Affiches
20 April 2006	Crossing of thresholds	AMF website
26 April 2006	Rectification notice relating to the full-year financial statements	BALO
26 April 2006	Rectification notice relating to the 2nd notice of meeting (special meeting of holders of voting right certificates)	BALO
27 April 2006	Crossing of thresholds	AMF website
27 April 2006	Acquisition by Bouygues of the French government's 21% stake in Alstom	AMF website - Bouygues website
28 April 2006	Reconstitution as shares of existing investment certificates and voting right certificates	AMF website Bouygues website
4 May 2006	Appointment of a director	Les Petites Affiches
8 May 2006	Certificate of the statutory auditors	BALO
9 May 2006	Announcement of a bond issue Advance publication of sales for first-quarter 2006	AMF website - Bouygues website
9 May 2006	Sales for first-quarter 2006	AMF website - Bouygues website
12 May 2006	Total number of voting rights at 27 April 2006	BALO
12 May 2006	Authorisation to increase share capital	Office of the Clerk of the Paris Commercial Court
12 May 2006	Decision to reduce share capital	Office of the Clerk of the Paris Commercial Court
12 May 2006	Amendments to by-laws and updated by-laws	Office of the Clerk of the Paris Commercial Court

MISCELLANEOUS INFORMATION		
Date of publication	**Subject**	**Publication**
15 May 2006	Sales for first-quarter 2006	BALO
16 May 2006	Prospectus and reference document of 23 May 2006 (issue 2006-2013)	Luxembourg Stock Exchange website
16 May 2006	Prospectus and reference document of 23 May 2006 (issue 2006-2016)	Luxembourg Stock Exchange website
17 May 2006	Filing of parent company financial statements. This filing comprises the following items: • report of the statutory auditors on the parent company financial statements; • 2005 annual financial statements including balance sheet, income statement and notes to the financial statements; • management report of the Board of Directors to the Annual General Meeting of 27 April 2006; • Chairman's report; • table of appropriation of earnings; • resolution of the Annual General Meeting of 27 April 2006 approving this appropriation; • inventory of transferable securities.	Office of the Clerk of the Paris Commercial Court
17 May 2006	Filing of consolidated financial statements. This filing comprises the following items: • report of the statutory auditors on the consolidated financial statements; • 2005 consolidated financial statements including balance sheet, income statement and notes to the financial statements; • management report of the Board of Directors to the Annual General Meeting of 27 April 2006; • Chairman's report; • table of appropriation of earnings; • resolution of the Annual General Meeting of 27 April 2006 approving the consolidated financial statements; • inventory of transferable securities.	Office of the Clerk of the Paris Commercial Court
17 May 2006	Denial / TF1	AMF website - Bouygues website
19 May 2006	Amendments to by-laws and updated by-laws	Office of the Clerk of the Paris Commercial Court
24 May 2006	Artémis-SCDM press release	AMF website - Bouygues website
8 June 2006	Net profit for first-quarter 2006	AMF website - Bouygues website
	Financial announcements	Les Échos (9/06/2006) L'Agefi (16/06/2006)
12 June 2006	Change of registered office	Les Petites Affiches
26 June 2006	Acquisition by Bouygues of the French government's stake in Alstom	AMF website - Bouygues website
4 July 2006	Press release containing the half-yearly statement of the liquidity contract	AMF website
11 July 2006	Ratification of change of registered office	Office of the Clerk of the Paris Commercial Court
25 July 2006	Fitch rating	Bouygues website
10 August 2006	First-half 2006 sales	AMF website - Bouygues website

MISCELLANEOUS INFORMATION		
Date of publication	**Subject**	**Publication**
11 August 2006	First-half 2006 sales	BALO
31 August 2006	Denial	AMF website - Bouygues website
6 September 2006	First-half 2006 net profit	AMF website - Bouygues website
	Financial announcements	Les Échos (7/09/06), Le Monde (8/09/06), Journal des Finances (8/09/06), La Vie Financière (8/09/06), Investir (9/09/06), Le Figaro (10/09/06), La Tribune (12/09/06), L'Agefi Hebdo (14/09/06), Financial Times Europe edition (18/09//06), Wall Street Journal Europe edition (13/09/06), Wall Street Journal US edition (13/09/06), Wall Street Journal Asia edition (13/09/06)
13 October 2006	Table of sales and profit for first-half 2006 (or half-yearly consolidated financial statements and half-yearly business reports)	BALO
8 November 2006	Bouygues head-office building – 32 Avenue Hoche: First office building in Paris with HQE® certification	AMF website - Bouygues website
9 November 2006	Sales for the first nine months of 2006	AMF website - Bouygues website
10 November 2006	Sales for the first nine months of 2006	BALO
7 December 2006	Net profit for the first nine months of 2006 "Bouygues Partage" employee share ownership plan for Group employees	AMF website - Bouygues website
	Financial announcements	Les Échos (8/12/06) L'Agefi Hebdo (14/12/06)
14 December 2006	Resignation and appointment of directors Recording of a share capital increase Recording of a share capital decrease Amendment of by-laws	Les Petites Affiches
25-26 December 2006	Rectification notice Reduction of share capital	Les Petites Affiches
2007		
8 January 2007	Press release containing the half-yearly statement of the liquidity contract	AMF website - Bouygues website
15 January 2007	Recording of a share capital increase Amendment of by-laws	Les Petites Affiches

MISCELLANEOUS INFORMATION		
Date of publication	**Subject**	**Publication**
18 January 2007	Decision to increase and reduce share capital Amendment of by-laws Updated by-laws Change of directors	Office of the Clerk of the Paris Commercial Court
24 January 2007	Sustainable development: the Bouygues and Saur groups test Total Excellium fuel	Bouygues website
26 January 2007	Admission to trading and listing of shares	BALO
2 February 2007	Monthly publication of number of shares and voting rights	Bouygues website and business information publisher
6 February 2007	Decision to increase share capital Amendment of by-laws Updated by-laws	Office of the Clerk of the Paris Commercial Court
12 February 2007	Full-year 2006 sales	Bouygues website and business information publisher
14 February 2007	Full-year 2006 sales	BALO
28 February 2007	Full-year 2006 net profit	Bouygues website and business information publisher
	Financial announcements	Les Échos (1/03/07) Le Monde (3/03/07) Le Figaro (3/03/07) Investir (3/03/07) Journal des Finances (3/03/07) La Tribune (5/03/07) Option Finance (5/03/07) L'Agefi Hebdo (8/03/07) Wall Street Europe edition (8/03/07) La Vie Financière (9/03/07) Valeurs actuelles (9/03/07) Financial Times Europe edition (14/03/07) Wall Street US edition (14/03/07) Handelsblatt (16/03/07)
1 March	Monthly publication of number of shares and voting rights	Bouygues website and business information publisher
9 March 2007	Notice of meeting (Annual General Meeting)	BALO – Bouygues website
9 March 2007	Press release (Annual General Meeting)	Les Échos Bouygues website and business information publisher
14 March 2007	Denial	Bouygues website and business information publisher
21 March 2007	Rectification – Notice of meeting (Annual General Meeting)	BALO – Bouygues website

Press releases relating to trading by Bouygues in its own shares		
Date of publication	Period	Publication
2006		
2 January 2006	27 and 29 December 2005	AMF website Bouygues website
9 January 2006	2 January 2006	
16 January 2006	December 2005	
30 January 2006	26 and 27 January 2006	
6 February 2006	1 February 2006	
27 February 2006	23 February 2006	
6 March 2006	1 to 3 March 2006	
13 March 2006	6 to 8 March 2006	
27 March 2006	21 to 23 March 2006	
3 April 2006	28 March 2006	
10 April 2006	3 to 7 April 2006	
2 May 2006	25 April 2006	
9 May 2006	2 May 2006	
15 May 2006	10 May 2006	
16 May 2006	10 May 2006 (cancels and replaces the 15 May 2006 declaration)	
22 May 2006	15 to 17 May 2006	
29 May 2006	22 to 26 May 2006	
6 June 2006	1 June 2006	
12 June 2006	8 and 9 June 2006	
19 June 2006	12 and 13 June 2006	
26 June 2006	20 to 23 June 2006	
3 July 2006	27 to 30 June 2006	
10 July 2006	3 to 7 July 2006	
17 July 2006	10 to 14 July 2006	
24 July 2006	17 to 21 July 2006	
31 July 2006	24 to 27 July 2006	
7 August 2006	1 to 3 August 2006	
16 August 2006	10 and 11 August 2006	
4 September 2006	28 August and 1 September 2006	
11 September 2006	6 to 8 September 2006	
18 September 2006	11 to 15 September 2006	
25 September 2006	18 to 22 September 2006	
2 October 2006	25 to 29 September 2006	
9 October 2006	2 to 6 October 2006	
16 October 2006	9 to 13 October 2006	
23 October 2006	17 to 20 October 2006	
30 October 2006	23 to 27 October 2006	
6 November 2006	30 October to 2 November 2006	
13 November 2006	6 to 10 November 2006	
20 November 2006	13 to 17 November 2006	
27 November 2006	20 to 24 November 2006	
4 December 2006	27 November to 1 December 2006	
11 December 2006	4 to 8 December 2006	
18 December 2006	11 to 15 December 2006	
26 December 2006	18 to 22 December 2006	
2007		
2 January 2007	27 to 29 December 2006	AMF website Bouygues website
8 January 2007	2 January 2007	
31 January 2007	25 January 2007	
2 February 2007	January 2007	Bouygues website and business information publisher
5 February 2007	1 February 2007	Bouygues website
1 March	February 2007	Bouygues website and business information publisher
5 March 2007	1 March 2007	Bouygues website

Press releases relating to transactions by corporate officers or closely related individuals		
Date of publication	Dates of the transactions	Publication
2006		
2 January 2006	from 27 to 30 December 2005	AMF website Bouygues website
9 January 2006	from 2 to 6 January 2006	
16 January 2006	12 January 2006	
6 March 2006	2 and 3 March 2006	
20 March 2006	15 and 16 March 2006	
2 May 2006	20 March 2006 and 20 and 21 March 2006	

2. AVAILABILITY OF INFORMATION

2.1. In electronic form

Bouygues website: www.bouygues.com

Autorité des Marchés Financiers (AMF) website: www.amf-france.org

Official Gazette (BALO) website: www.journal-officiel.gouv.fr

Website of the office of the Clerk of the Paris Commercial Tribunal: www.infogreffe.fr

Luxembourg Stock Exchange website: www.bourse.lu

Business information publisher's website: www.lesechos-comfi.fr

2.2. In print form

All of the documents referred to in this Registration Document are available free of charge from the company.

Bouygues' new headquarters, awarded High Environmental Quality (HQE) certification, has a 400-sq.-metre interior garden visible from the street.

5. Financial statements

Consolidated financial statements

150 Balance sheet
151 Income statement
152 Cash flow statement
153 Change in shareholders' equity
155 Notes

Parent company financial statements

203 Balance sheet
204 Income statement
204 Cash flow statement
205 Notes

BOUYGUES GROUP - CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEET AT 31 DECEMBER 2006

Assets (in millions of euros)

	Note	12/2006 net	12/2005 net	12/2004 net
Property, plant and equipment	3.2.1	5,039	4,615	4,629
Intangible assets	3.2.2	1,022	1,056	1,020
Goodwill	3.2.3	4,781	4,618	4,540
Investments in associates	3.2.4	2,940	497	486
Other non-current financial assets	3.2.4	1,087	283	237
Deferred tax assets and long-term tax receivable	7.1	271	375	569
NON-CURRENT ASSETS	**16**	**15,140**	**11,444**	**11,481**
Inventories / Programmes / Broadcasting rights	4.1	2,298	1,804	1,691
Advances and down payments on orders	4.2	333	357	369
Trade receivables	4.3	6,252	5,418	4,575
Tax asset (receivable)	4.3	40	71	45
Other receivables and prepaid expenses	4.3	1,952	1,684	2,464
Cash and equivalents	4.5	3,776	3,215	3,260
Financial instruments[1]	17.3	11	35	48
Other current financial assets	17.3	18	6	15
CURRENT ASSETS		**14,680**	**12,590**	**12,467**
Held-for-sale assets			564[2]	
TOTAL ASSETS	**16**	**29,820**	**24,598**	**23,948**

Liabilities and shareholders' equity (in millions of euros)

	Note	12/2006	12/2005	12/2004
Shareholders' equity				
- Share capital		335	337	333
- Share premiums and reserves		3,827	3,417	2,771
- Translation reserve		8	44	(15)
- Treasury shares		(69)		
- Current year's consolidated net profit		1,246	832	909
Shareholders' equity attributable to the Group		5,347	4,630	3,998
Minority interests		1,146	931	980
SHAREHOLDERS' EQUITY	**5**	**6,493**	**5,561**	**4,978**
Non-current debt	8.1	6,844	4,721	4,648
Non-current provisions	6.1	1,432	1,265	1,176
Deferred tax liabilities and non-current tax liabilities	7.2	75	89	158
TOTAL NON-CURRENT LIABILITIES	**16**	**8,351**	**6,075**	**5,982**
Advances and down payments on orders	10	958	677	679
Current debt	8.1	867	694	242
Current taxes payable	10	144	211	177
Trade payables	10	6,744	5,805	5,207
Current provisions	6.2	690	676	540
Other current liabilities	10	5,316	4,351	5,846
Overdrafts and short-term bank borrowings	10	247	178	252
Financial instruments[1]	17.3	5	9	41
Other current financial liabilities	17.3	5	11	4
CURRENT LIABILITIES	**10**	**14,976**	**12,612**	**12,988**
Liabilities on held-for-sale assets			350[2]	
TOTAL LIABILITIES & SHAREHOLDERS' EQUITY	**16**	**29,820**	**24,598**	**23,948**
NET DEBT	**9.1**	**(4,176)**	**(2,352)**	**(1,875)**

(1) Hedging of financial liabilities at fair value
(2) TPS, which was held for sale in 2005, is shown separately on the lines "Held-for-sale assets" and "Liabilities on held-for-sale assets"

CONSOLIDATED INCOME STATEMENT

(in millions of euros)

	Note	2006[1]	2005[1]	2004[1]
SALES[2]	**11/16**	**26,408**	**23,983**	**20,815**
Other revenues from operations	11.1	180	147	141
Purchases used in production		(11,748)	(10,188)	(8,990)
Personnel costs		(5,278)	(4,802)	(4,376)
External charges		(6,449)	(5,657)	(4,454)
Taxes other than income tax		(585)	(510)	(468)
Net depreciation and amortisation expense		(1,190)	(1,183)	(1,089)
Net charges to provisions and impairment losses		(384)	(458)	(279)
Changes in production and property development inventories		471	58	(13)
Other operating income and expenses[3]		496	459	274
CURRENT OPERATING PROFIT	**12/16**	**1,921**	**1,849**	**1,561**
Non-current operating income and expenses	12/16	(44)	(104)	0
OPERATING PROFIT	**12/16**	**1,877**	**1,745**	**1,561**
COST OF NET DEBT	**13/16**	**(200)**	**(186)**	**(156)**
Other financial income and expenses		**(22)**	**(29)**	**(30)**
Income tax expense	14.1/16	(555)	(570)	(503)
Share of profits and losses of associates	3.2.4/16	118	62	37
NET PROFITS BEFORE RESULTS OF DISCONTINUED AND HELD-FOR-SALE OPERATIONS	**16**	**1,218**	**1,022**	**909**
Net profit of discontinued and held-for-sale operations	16/23	364	16	206
NET PROFIT	**16**	**1,582**	**1,038**	**1,115**
Attributable to the Group	16	1,246	832	909
Minority interests		336	192	206
Minority interests in share of profits/losses of associates			14	
BASIC EARNINGS PER SHARE (in euros)	**15**	**3.71**	**2.51**	**2.72**
DILUTED EARNINGS PER SHARE (in euros)	**15**	**3.60**	**2.42**	**2.68**

(1) Excluding income and expenses of discontinued and held-for-sale operations			
- 2006: divestment of BTC/Canal+ France financial asset received in exchange for TPS shares: profits/losses shown separately on the line "Net profit of discontinued and held-for-sale operations"			
(2) Of which sales generated abroad	***7,825***	***7,127***	***5,989***
(3) Of which reversals of provisions and impairment no longer required	***216***	***222***	***124***

CONSOLIDATED CASH FLOW STATEMENT (in millions of euros)

	Note	2006	2005	2004
A - NET CASH GENERATED BY OPERATING ACTIVITIES				
Cash flow				
Consolidated net profit (including minority interests)	16	**1,582**	1,038	1,115
Share of profit or loss from associates[1]		(66)	(30)	(13)
Elimination of dividends from non-consolidated companies		(7)	(5)	(6)
Charges to (write-backs of) depreciation and amortisation, impairment and non-current provisions		1,332	1,336	1,306
Gains and losses on asset disposals		(460)	(54)	(353)
Miscellaneous charges		14	48	3
sub-total		**2,395**	2,333	2,052
Cost of net debt		200	187	162
Income tax expense for the year		560	570	500
Cash flow	16	3,155	3,090	2,714
Changes in working capital related to operating activities[2] (including deferred taxes)		(18)	(511)	35
NET CASH GENERATED BY OPERATING ACTIVITIES		**3,137**	**2,579**	**2,749**
B - NET CASH USED IN INVESTING ACTIVITIES				
Purchase price of property, plant and equipment and intangible assets	16	(1,702)	(1,371)	(1,221)
Proceeds from disposals of property, plant and equipment and intangible assets	16	96	142	174
Net liabilities related to property, plant and equipment and intangible assets		171	38	107
Purchase price of non-consolidated companies and other investments	16	(41)	(5)	(54)
Proceeds from disposals of non-consolidated companies and other investments	16	47	5	7
Net liabilities related to non-consolidated companies and other investments		2		
Effects of changes in scope of consolidation				
Purchase price of investments in consolidated companies	16	(2,646)	(328)	(284)
Proceeds from disposals of investments in consolidated companies	16	193	78	1,153
Amount receivable from Saur disposal			1,031	(1,031)
Net liabilities related to investments in consolidated companies and effect of other changes in scope on cash		(139)	(60)	22
Other cash used in investing activities (change in loans, dividends received from non-consolidated companies)		(115)	(71)	(10)
NET CASH USED IN INVESTING ACTIVITIES		**(4,134)**	**(541)**	**(1,137)**

	Note	2006	2005	2004
C - NET CASH USED IN FINANCING ACTIVITIES				
Capital increases during the year paid for by shareholders and minority interests (including exercise of stock options)		(112)	(18)	5
Purchase of treasury shares		(69)	(41)	(58)
Dividends paid during the year				
Dividends paid to shareholders of the parent company		(302)	(249)	(164)
Dividends paid to minority shareholders of consolidated companies		(135)	(91)	(94)
Exceptional payout made in 2005			(1,664)	1,664
Other changes in share capital		17	(11)	(1,667)
Change in debt[3]		2,325	160	(270)
Cost of net debt[4]		(200)	(187)	(162)
Other cash used in financing activities		(8)	4	(93)
NET CASH GENERATED BY/(USED IN) FINANCING ACTIVITIES	9	**1,516**	**(2,097)**	**(839)**
D - EFFECT OF FOREIGN EXCHANGE FLUCTUATIONS		**(27)**	**25**	**(8)**
CHANGE IN NET CASH (A + B + C + D)	9	**492**	**(34)**	**765**
CASH POSITION AT 1 JANUARY		**3,037**	**3,008**	**2,250**
Net cash flows during the year		492	(34)	765
Other non-monetary flows			6	(7)
TPS, held-for-sale in 2005: elimination of cash flow			57	
Cash at end of period		**3,529**	**3,037**	**3,008**

(1) Elimination of share of profit or loss of associates + dividends received from associates

*(2) **Definition of change in working capital:** Current assets - Current liabilities (including current provisions, excluding current financial liabilities and financial instruments (debt hedging) -> in financing)*

*(3) **Definition of debt:** non-current debt + current debt*

*(4) **Of which net interest paid** (291) (220) (208)*

CHANGE IN CONSOLIDATED SHAREHOLDERS' EQUITY AT 31 DECEMBER 2006 (in millions of euros)

GROUP SHARE	Share capital Share premium	Reserves related to capital / Retained earnings	Consolidated reserves and profit for the year	Translation reserves	Treasury shares	Profits recognised directly in equity	TOTAL GROUP
POSITION AT 01/01/2004	**2,310**	**755**	**1,940**			**9**	**5,014**
MOVEMENTS IN 2004							
Capital and reserves transactions, net	(58)						(58)
Share-based payment			7				7
Treasury shares							
Dividends			(1,828)				(1,828)
Net profit for the year (attributable to the Group)			909				909
Financial instruments						6	6
Translation adjustments				(15)			(15)
Other changes			(36)		(1)		(37)
POSITION AT 31 DECEMBER 2004	**2,252**	**755**	**992**	**(15)**	**(1)**	**15**	**3,998**
MOVEMENTS IN 2005							
Capital and reserves transactions, net	(19)	331	(331)				(19)
Share-based payment			39				39
Treasury shares							
Dividends			(249)				(249)
Net profit for the year (attributable to the Group)			832				832
Financial instruments						(9)	(9)
Translation adjustments				59			59
Other changes	1		24		(4)	(42)	(21)
POSITION AT 31 DECEMBER 2005	**2,234**	**1,086**	**1,307**	**44**	**(5)**	**(36)**	**4,630**
MOVEMENTS IN 2006							
Capital and reserves transactions, net	(157)	(46)	46				(157)
Share-based payment			26				26
Treasury shares					(70)		(70)
Dividends			(302)				(302)
Net profit for the year (attributable to the Group)			1,246				1,246
Financial instruments						78	78
Translation adjustments				(36)			(36)
Other changes			(35)			(33)	(68)
POSITION AT 31 DECEMBER 2006	**2,077**	**1,040**	**2,288**	**8**	**(75)**	**9**	**5,347**

CHANGE IN CONSOLIDATED SHAREHOLDERS' EQUITY AT 31 DECEMBER 2006 (in millions of euros) - CONTINUED

MINORITY INTERESTS	Share capital Share premium	Reserves related to capital / Retained earnings	Consolidated reserves and profit for the year	Translation reserves	Treasury shares	Profits recognised directly in equity	TOTAL MINORITY INTERESTS
POSITION AT 1 JANUARY 2004			**890**				**890**
MOVEMENTS IN 2004							
Capital and reserves transactions, net			5				5
Dividends			(94)				(94)
Net profit for the year (attributable to minority interests)			206				206
Financial instruments						2	2
Translation adjustments							
Change in scope of consolidation							
Other changes			(29)				(29)
POSITION AT 31 DECEMBER 2006			**978**			**2**	**980**
MOVEMENTS IN 2005							
Capital and reserves transactions, net							
Dividends			(91)				(91)
Net profit for the year (attributable to minority interests)			206				206
Financial instruments							
Translation adjustments						3	3
Change in scope of consolidation			(170)				(170)
Other changes			3				3
POSITION AT 31 DECEMBER 2005			**926**			**5**	**931**
MOVEMENTS IN 2006							
Capital and reserves transactions, net			45				45
Dividends			(134)				(134)
Net profit for the year (attributable to minority interests)			336				336
Financial instruments						(2)	(2)
Translation adjustments						(2)	(2)
Change in scope of consolidation			(31)				(31)
Other changes			3				3
POSITION AT 31 DECEMBER 2006			**1,145**			**1**	**1,146**
TOTAL SHAREHOLDERS' EQUITY	**2,077**	**1,040**	**3,433**	**8**	**(75)**	**10**	**6,493**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONTENTS

1. Significant events of the year

2. Accounting policies

3. Non-current assets

4. Current assets

5. Consolidated shareholders' equity

6. Non-current and current provisions

7. Non-current tax assets and liabilities

8. Non-current and current debt

9. Main components of change in net debt

10. Current liabilities

11. Analysis of sales and other revenues from operations

12. Operating profit

13. Cost of net debt

14. Income tax expense

15. Basic and diluted earnings per share

16. Segment information

17. Financial instruments

18. Off balance sheet commitments

19. Headcount, employee benefit obligations and employee share ownership

20. Disclosures on related parties and remuneration of directors and senior executives

21. Additional cash flow statement information

22. Auditors' fees

23. Changes in scope of consolidation and discontinued/held-for-sale operations

24. Principal exchange rates

25. List of consolidated companies

The consolidated financial statements of the Bouygues group for the year ended 31 December 2006 have been prepared using the principles and methods defined in International Financial Reporting Standards (IFRS) as adopted by the European Union (European Council Regulation 1606/2002 of 19 July 2002).

They have been prepared in millions of euros, and comprise:

- *the balance sheet and income statement;*
- *the statement of changes in shareholders' equity;*
- *the cash flow statement;*
- *the notes to the financial statements[1].*

The comparatives consist of the financial statements for the years ended 31 December 2005 and 31 December 2004, also prepared in accordance with IFRS.

(1) The notes to the financial statements include comparatives with 2005. Comparatives with 2004 are not shown in the notes, but may be found in the 2005 Annual Report.

NOTE 1: SIGNIFICANT EVENTS OF THE YEAR

1.1. Scope of consolidation as at 31 December 2006

• Main changes in the scope of consolidation:

1,083 entities were consolidated as at 31 December 2006 (compared with 983 as at 31 December 2005). The main changes during the year were:

a) Alstom: acquisition of a 25.07% interest (see note 1.4).

b) Bouygues Construction: acquisitions of ETDE subsidiaries (Thermal Transfer UK), Balestra (Switzerland), Szigma (Hungary), Marazzi AG (Switzerland), and various construction project joint ventures set up or deconsolidated on project completion.

c) Acquisitions, net of divestments, by Colas: Cermak (Czech Republic), Vecchietti, Ferrrari, etc.

d) Acquisitions by TF1 (1001 listes, etc), and the transfer of TPS to Canal+ France.

• Sale of Novasaur:

At 31 December 2005, the Bouygues group held a 9.88% interest in Novasaur, the holding company of the Saur group. This entire interest (shares, and bonds redeemable for cash or shares) was sold for €41 million during the first quarter of 2006, generating a net gain of €27 million.

• Transfer of TPS to Canal+ France:

On 6 January 2006, agreement was reached between Vivendi, TF1 and M6 on the terms for a merger of the French pay TV activities of the Canal+ Group and TPS. Under the agreement, TPS Gestion (which owned 100% of TPS) was to be transferred to Canal+ France, an entity wholly controlled by Vivendi. TF1 was to have taken a 9.9% stake in this entity, together with a put option exercisable in February 2010 at the greater of (i) an independent valuation or (ii) a minimum price of €745.8 million (valuing 100% of Canal+ France at €7.5 billion).

This agreement was subject to approval from the French competition authorities. On 30 August 2006, the merger received competition clearance from the Minister of the Economy and Finance, subject to undertakings made by Vivendi and Canal+ France.

Under the agreements governing the transitional period between clearance from the French competition authorities and the transfer to Canal+ France of the entire interest in TPS Gestion (100% owner of TPS) on 4 January 2007, TF1 and Métropole Télévision-M6 ceased to govern the operating and financial policies of TPS with effect from 1 September 2006, and hence ceased to exercise joint control over TPS. Consequently, the consolidated financial statements of TF1 only include income and expenses generated by TPS over the first eight months of the year.

On 30 November 2006, in accordance with the terms of the agreement, TF1 subscribed €129.4 million to a share issue carried out by TPS Gestion.

The consolidated financial statements of TF1 for the year ended 31 December 2006 include an overall net gain of €254 million on this transaction, the Bouygues group's share of this gain being €109 million. The parameters used in determining the net gain on the transaction were based on the terms of the draft shares-for-assets exchange agreement transferring TPS Gestion (which owns 100% of TPS) to Canal+ France. This agreement was signed on 19 December 2006 and approved by an Extraordinary General Meeting of Canal+ France shareholders on 4 January 2007.

On 4 January 2007 TF1, M6 and Vivendi signed a shareholders' agreement under which TF1 and M6 have a joint exit right in the event that Vivendi/Groupe Canal+ divest exclusive control over Canal+ France, and a priority right to sell their shares in the event of a stock market flotation of Canal+ France.

TF1 has no representative on the Canal+ France Supervisory Board and no rights to exercise any control over the management of the company.

1.2. Bond issues

• Supplementary bond issue of €250 million:

On 31 January 2006, Bouygues carried out a bond issue of €250 million, supplementary to the initial July 2005 issue of €750 million. The issue matures in 2020, was priced at 97.203%, and bears interest at 4.25%.

This issue extends the average maturity of the Bouygues group's debt.

• Other bond issues in 2006:

- In order to secure long-term refinancing for part of the investment in Alstom, Bouygues carried out a euro-denominated bond issue in May 2006, in two tranches:

  a) €1,150 million maturing 2013, priced at 99.812% and bearing interest at 4.50%.

  b) €600 million maturing 2016, priced at 99.657% and bearing interest at 4.75%.

- In early October 2006, Bouygues carried out a £400 million 20-year bond issue on the sterling market, paying interest in sterling at 5.5%.

Because this issue is being used to refinance the euro-denominated acquisition of Alstom, Bouygues contracted a cross currency swap with the bankers who acted as lead managers on the issue. The swap has the same maturity as the bond issue, and hedges fluctuations in the sterling debt. The euro equivalent interest rate is 5.01%. Like the Group's other bond issues, the portion of this issue maturing after more than one year is classified in "Non-current debt". These bond issues do not include any equity instruments. Accrued interest payable is recorded in "Current liabilities".

1.3. Sale of Bouygues Telecom Caraïbe

On 28 April 2006, following fulfilment of all the sale conditions, Bouygues Telecom sold its wholly-owned subsidiary Bouygues Telecom Caraïbe to Digicel Limited (Jamaica) for €155.4 million. The sale generated a gain of €110.2 million, reported in "Net profit of discontinued and held-for-sale operations" in the income statement. The Bouygues group's share of this gain was €98.7 million.

1.4. Acquisition of Alstom shares

On 26 April 2006, Alstom and Bouygues signed a cooperation agreement approved by the Boards of Directors of the two groups.

On 26 June 2006, the European Commission authorised the acquisition by Bouygues of the French government's interest in Alstom (29,051,244 shares, representing 21.01% of the capital).

At 31 December 2006, after purchasing a further 4.06% interest in the market, Bouygues held 25.07% of the capital and voting rights of Alstom. The investment in Alstom is accounted for by the equity method, and is carried at net acquisition cost of €2,374 million. This amount includes Bouygues' share of Alstom's net profit since the date of acquisition (26 June 2006), estimated on the basis of the published interim consolidated financial statements for the six months ended 30 September 2006; the differential between estimated and actual results for the final quarter of 2006 will be recognised by Bouygues in the first quarter of 2007.

In accordance with IAS 28, the interest in Alstom is included in the balance sheet under "Investments in associates" at a carrying amount of €2,413 million. This carrying amount includes goodwill as determined by an independent valuation at the date of acquisition in accordance with IFRS 3, Business Combinations:

a) The identifiable assets, liabilities and contingent liabilities acquired as at 30 June 2006 were measured at fair value, with changes in the fair value during the period to 31 December 2006 taken into account.

b) The valuation identified few assets that required remeasurement, apart from the following intangibles:

   - the brand name;
   - acquired technology;
   - the backlog.

   (see Note 2 for a description of the valuation method)

c) After fair value remeasurements, the goodwill arising on the acquisition in the books of the Bouygues group amounted to €1,616 million.

d) The amortisation of fair value remeasurements had a negative effect of €18 million (25.07% share) on the consolidated income statement of the Bouygues group for the year ended 31 December 2006.

1.5. Alstom Hydro Holding

In October 2006, Bouygues acquired 50% of Alstom Hydro Holding (Alstom's hydro-power division) from Alstom for €150 million.

Under the agreements with Alstom signed on 29 September 2006 and 31 October 2006:

- Alstom has specific rights, in particular in the event of disagreement between the shareholders.
- Bouygues has an option to sell its shares back to Alstom in November 2009, or earlier in the event of disagreement with Alstom:
  - for €175 million;
  - in exchange for 2.2 million Alstom shares, or the equivalent value in euros.

Consequently:

- The interest in Alstom Hydro Holding, over which Alstom has exclusive control, is not consolidated by the Bouygues group but recognised as a non-current financial asset.
- Because of the long-term industrial strategy underpinning relations between Bouygues and Alstom, the Bouygues group has decided not to account for the call option entitling it to exchange this asset for Alstom shares (as described above) as a financial instrument. If this item had been accounted for as a financial instrument, the resulting volatility would have had an estimated favourable impact of €50 million on the financial statements as at 31 December 2006.

1.6. "Bouygues Partage" employee share ownership plan

A new employee share ownership plan, designed to give employees a stake in the future development of the Bouygues group on attractive terms, was announced to the Group's employees in December 2006 ahead of implementation in the first half of 2007.

The employer's contribution to be paid by Bouygues in 2007 was accrued in the financial statements as at 31 December 2006. The amount of the discount (20%), treated as an employee benefit under IFRS, was recognised as an expense in the year ended 31 December 2006, on the assumption that 30,000 employees would take up the offer.

Other information:

• Subscription price per share =	€36.44
• Plan announcement date =	7 December 2006
• Nominal discount per share offered to employees (against spot price on the grant date) =	€9.11
• Discount per share under IFRS =	€4.19
• Method used to value lock-up clause =	As recommended by the French national accounting standard-setter (CNC)
• Expense recognised in the consolidated income statement =	€15.1m
• Spot price per share on the grant date =	€45.55

1.7. Significant events and changes in the scope of consolidation since 31 December 2006

None.

NOTE 2: ACCOUNTING POLICIES

2.1. Declaration of compliance

- The consolidated financial statements of the Bouygues group have been prepared in accordance with the standards issued by the International Accounting Standards Board as applicable in the European Union on 31 December 2006. These standards, collectively referred to as International Financial Reporting Standards (IFRS), also include International Accounting Standards (IAS) and interpretations issued by the Standing Interpretations Committee (SIC) and the International Financial Reporting Interpretations Committee (IFRIC).
- This is in compliance with European Council regulation 1606/2002, adopted on 19 July 2002.
- The Bouygues group consolidated financial statements include the financial statements of Bouygues and its subsidiaries, and investments in associates. They are presented in millions of euros, the currency in which the majority of the Group's transactions are denominated.

  The consolidated financial statements were adopted by the Board of Directors on 27 February 2007, and will be submitted for approval by the shareholders at the next Ordinary General Meeting in April 2007.
- Business activities:

The Bouygues group is a diversified industrial group. Its operations are split into two sectors:

a) **Construction:**
- Bouygues Construction (Building & Civil Works, Electrical contracting)
- Bouygues Immobilier (Property)
- Colas (Roads)

b) **Telecoms/Media:**
- TF1 (Television)
- Bouygues Telecom (Mobile Telephony)

The Bouygues group has operations in nearly 80 countries. In 2006, it generated €26,408 million of sales, of which €7,285 million was generated outside France.

In June 2006, Bouygues acquired an interest in Alstom, with which it signed a cooperation agreement. The deal gives Bouygues a presence in two new high-growth businesses: Transport and Power.

2.2. Basis of preparation

The consolidated financial statements have been prepared using the historical cost convention, with the exception of certain financial assets and liabilities which are measured at fair value.

- Principal new standards and interpretations mandatorily applicable in 2006:
  - IFRIC 4: Determining whether an Arrangement contains a Lease.
  - IFRIC 5: Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds.
  - IFRIC 6: Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment.
  - Amendment to IAS 19 (Employee Benefits): the Bouygues group elected not to recognise actuarial gains and losses in consolidated shareholders' equity in 2006, but to continue using the "corridor" method as in 2005.
  - Amendment to IAS 39: cash flow hedges of forecast intragroup transactions (impact immaterial).
- These new or amended standards and interpretations applicable from 1 January 2006 had no material impact on the financial statements for the year ended 31 December 2006.
- Other new or amended standards and interpretations not mandatorily applicable at 31 December 2006:
  - Bouygues has applied IFRIC 12 (not yet approved by the European Union) to the Portsmouth PFI contract recorded in the books of Colas.

    Colas: The Portsmouth PFI contract has been accounted for as a receivable (financial asset), since this treatment most closely reflects the underlying financial and economic reality of the contract. No other contracts of this type are held by Colas.

    Bouygues Construction: PFI contracts are entered into with governmental authorities by companies in which the Bouygues group holds an interest of less than 20%. These entities are not consolidated, given the effective limitations on the Group's role in them. Most concession companies are accounted for as associates (equity method).
- The other new or amended pronouncements (amendments to IAS 1, IFRS 7, IFRS 8, and IFRIC 7 to 12), which had either been adopted or were in the process of approval by the European Union at the balance sheet date, have not been early adopted by the Bouygues group. The impact of these pronouncements on the financial statements is currently being reviewed, but is unlikely to be material.
- Elective accounting treatments and estimates used in the valuation of certain assets, liabilities, income and expenses:

Preparing financial statements to comply with IFRS requires the use of estimates and assumptions which may have affected the amounts reported for assets, liabilities and contingent liabilities at the balance sheet date, and the amounts of income and expenses reported for the financial year.

These estimates and assumptions have been applied consistently on the basis of past experience and of various other factors regarded as reasonable forming the basis of assessments of the valuations of assets and liabilities for accounting purposes. Actual results may differ materially from these estimates if different assumptions or conditions apply.

The main items involved are goodwill impairment, share-based payment (stock options), employee benefits (lump-sum retirement benefits and discount offered under the Bouygues Partage employee share ownership plan), fair value of unlisted financial instruments, other miscellaneous provisions, and deferred tax assets).

Where no standard or interpretation applies to a specific transaction, Group management has exercised its judgement to define and apply accounting policies that will provide relevant and reliable financial information, such that the financial statements:

- represent faithfully the financial position, financial performance and cash flows of the Group;
- reflect the economic substance of the underlying transactions;
- are neutral, prudent, and complete in all material respects.

2.3. Consolidation methods

- Companies over which Bouygues exercises control are consolidated using the full consolidation method.

  Exclusive control over TF1:
  - Bouygues holds 42.9% of the capital and voting rights of TF1.
  - Exclusive control by Bouygues is demonstrated by the fact that:
    - Bouygues has consistently and regularly held a majority of the voting rights exercised at TF1 shareholders' meetings.
    - No other shareholder directly or indirectly controls a higher share of voting rights than Bouygues.
    - Bouygues has clearly had exclusive power to determine decisions at TF1 shareholders' meetings during at least two consecutive financial years.

  Other factors indicating the existence of exclusive control include:
  - the large number of seats on the TF1 Board of Directors allocated to Bouygues;
  - the role of Bouygues in appointing key executives of TF1.

All these factors clearly establish that Bouygues exercises exclusive control over TF1.

- Investments in joint ventures:

A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity which is subject to joint control. Bouygues consolidates the assets, liabilities, income and expenses of such entities using the proportionate consolidation method based on the percentage of control exercised.

- Investments in associates:

An associate is a company over which Bouygues exercises significant influence without exercising control. Significant influence is presumed to exist where Bouygues directly or indirectly holds at least 20% of the entity's voting rights.

The net profit or loss and assets and liabilities of such entities are accounted for by the equity method.

- Alstom: Bouygues exercises significant influence over Alstom, as demonstrated by (i) its 25.07% interest in the capital and (ii) its control of two seats on the Board of Directors. Consequently, this investment has been accounted for by the equity method since 26 June 2006, the acquisition date, and is shown (inclusive of goodwill) under "Investments in associates" in the balance sheet.

- In accordance with IAS 39, equity investments in non-consolidated entities are recognised at fair value and are subject to impairment testing.

Changes in scope of consolidation:

	2006	2005
Fully consolidated	825	760
Proportionately consolidated	226	197
Equity method	32	26
	1,083	983

- The main changes during 2006 are described in "Significant Events".

2.4. Business combinations

The acquisition cost of a business combination (including transaction costs) is allocated to the identifiable assets and liabilities of the acquiree, measured at fair value at the acquisition date. These identifiable assets and liabilities are presented in the balance sheet using the full fair value method in accordance with IFRS 3. This method involves remeasuring the assets and liabilities acquired at fair value in full (including minority interests), rather than remeasuring just the percentage interest acquired.

Goodwill recognised prior to 1 January 2004 continues to be measured using the partial fair value method. This method involves restricting the fair value remeasurement of identifiable items to the percentage interest acquired. Subsequent to this date, minority interests in these items have been measured under IFRS at the carrying amount of consolidated assets and liabilities as shown in the balance sheet of the acquired entity.

Fair value is the amount for which an asset or cash generating unit could be sold between knowledgeable, willing parties in an arm's length transaction. Goodwill represents the excess of acquisition cost over the acquirer's interest in the fair value of the acquiree's identifiable assets, liabilities and contingent liabilities that can be reliably measured at the acquisition date; it is allocated to the cash generating unit (which within the Bouygues group equates to the business segment) benefiting from the business combination.

The main initial allocations of acquisition cost to identifiable assets and liabilities may be adjusted within the twelve months following the acquisition date, after which they may no longer be adjusted.

Negative goodwill is taken to the income statement in the period in which the acquisition is made.

Subsequently, goodwill is carried at cost net of any impairment losses identified using the methods described under "Subsequent remeasurement of non-current assets" below, in accordance with IAS 36. Impairment losses are charged to the income statement as an operating item.

- **Alstom: Method used to allocate fair value between identifiable assets/liabilities and goodwill:**
  - The acquisition cost of the investment as at 31 December 2006 was €2,374 million.

    This comprises (i) the price paid in April 2006 to acquire the French government's 21.01% interest; (ii) the price paid to acquire an additional 4.06% stake on the stock market; and (iii) directly attributable acquisition costs.

    The fair value estimates were prepared by an independent valuer and were in most cases determined as of 30 June 2006 (for a 23.26% stake), based on published information about the Alstom group and on valuation reports prepared by external financial advisers in connection with the Bouygues group's acquisition of the initial stake in Alstom.

    The additional acquisitions made in the second half of 2006 (a further 1.81% interest) do not affect the valuations used in the purchase price allocation as at 30 June 2006.

- Remeasurement as at 31 December 2006:

  The Bouygues group's 25.07% share of the estimated consolidated net assets of the Alstom group as at 31 December 2006 was €2,109 million, after taking into account profits for the year then ended (based partly on estimates). On this basis, the excess of purchase cost over the pre-acquisition carrying amount of the net assets acquired was €1,896 million.

- Based on the independent valuer's review, this amount was allocated as follows to the identifiable assets and liabilities of the Alstom group, after remeasurement at fair value:

Separate assets identified and recognised, and assets remeasured at fair value:

		Fair value estimate 100%	Fair value estimate Bouygues share
a) Intangible assets (brand name and technology) =	+2,441		
- Under IFRS 3, an intangible asset may be recognised separately if it meets the definition of an intangible asset in IAS 38 and its fair value can be measured reliably.			
- Brand name: The valuation of the Alstom brand name is based on discounting the future royalties that a third party would pay to use the Alstom brand name (assumed to have an indefinite life).		1,352	339
- Technology: Alstom owns or has been granted licences to use various patents and other intellectual property rights (amortised over 15 years).		1,089	273
More than 120 patents have been filed in France and Europe, and Alstom has a strong focus on research and development. The valuation is based on discounting the future royalties that a third party would pay to use Alstom technology.			
b) Backlog		355	89
The backlog represents all services not yet executed under contracts already signed, valued sector by sector based on publicly-available information.			
The backlog margin rate used (by sector) was estimated based on linear interpolation as at 30 June 2006 of actual sector margins as at 31 March and 30 September 2006.			
The backlog was valued on the basis of the profit generated after paying a return on the support assets required to produce the services included in the backlog (EVA method).			
The amount used for support assets in the backlog calculation results from a number of technical options designed to reflect the specific characteristics of large-scale contracting.			
c) Provisions for pension obligations (actuarial gains and losses)		(1,008)	(253)
In accordance with IFRS 3 and IAS 19, the Bouygues group is required to recognise all cumulative actuarial gains and losses not yet fully recognised by the Alstom group, whether or not they fall within the "corridor".			
Cumulative unrecognised net actuarial losses as at 30 June 2006 amount to €1,032 million, falling to €1,008 million once unrecognised past service cost is taken into account.			
This treatment means that the Bouygues group is eliminating through profit or loss the actuarial losses expensed by Alstom (€65 million for the last financial year, ended 31 March 2006). As a result, the liability recognised by the Bouygues group will be extinguished over time at the same rate as that used in the books of Alstom.			
d) Deferred tax liabilities, financial liabilities and other items		(671)	(168)
The remeasurements made in connection with the acquisition give rise to the recognition of deferred taxes on the difference between the carrying amount and tax base of identifiable assets and liabilities. The total deferred tax liability amounts to €537 million based on a tax rate of 31%, including €426 million for non-depreciable assets.			
No deferred tax asset was recognised by the Bouygues group in respect of tax loss carry-forwards held by the Alstom group due to lack of sufficient information regarding these losses and the entities and countries involved.			
Given the asset divestment program carried out between 2002 and 2005, the fair value of the majority of the property, plant and equipment has been assumed to be close to its carrying amount.			
Fair value remeasurements		1,117	280
e) Balance: goodwill recognised by Bouygues:		**/**	**1,616**
Total allocation		**/**	**1,896**

Net amortisation expense of €18 million was charged during the year ended 31 December 2006 in respect of these remeasurements.

2.5. Foreign currency translation

2.5.1. Transactions denominated in foreign currencies

Transactions denominated in foreign currencies are translated into euros at the average exchange rate on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the closing exchange rate. Translation differences are recognised as income or expenses in the income statement. Non-monetary assets and liabilities denominated in foreign currencies and accounted for at historical cost are translated using the exchange rate on the date of the transaction.

2.5.2. Financial statements of foreign entities

All assets and liabilities of consolidated entities with a functional currency other than the euro are translated at the closing exchange rate. Income and expenses are translated at the average exchange rate for the period. Translation differences arising from this treatment, and arising from the retranslation of a subsidiary's opening shareholders' equity at the closing exchange rate, are taken to the translation reserve, which is a component of "Share premium and reserves" in shareholders' equity. Translation differences arising on the net investment in foreign subsidiaries and associates are recognised in shareholders' equity.

2.6. Deferred taxation

Deferred taxation is recognised on differences between the carrying amount and tax base of assets or liabilities, and arises as a result of:

- Temporary differences between the carrying amount and tax base of assets or liabilities, which may be:
  - items generating a tax liability in the future (deferred tax liabilities), arising mainly from income that is liable to tax in future periods; or
  - items deductible from taxable profits in the future (deferred tax assets), mainly provisions that are temporarily non-deductible for tax purposes.
- Tax losses available for carry-forward (deferred tax assets), provided that there is a genuine probability of recovery in future periods.

Deferred taxes are measured using known applicable tax rates at the balance sheet date. In the case of French entities, deferred tax assets have been adjusted to reflect the effect of changes in tax legislation and of new tax rates.

Deferred taxes are not discounted.

Deferred tax assets are included in non-current assets.

2.7. Non-current assets

2.7.1. Property, plant and equipment

Property, plant and equipment is measured at acquisition cost net of accumulated depreciation and impairment. Depreciation is recognised on a straight line basis over the estimated useful life of the asset.

Useful lives by main asset category and business segment:

	Construction	Media	Telecoms	
Mineral deposits (quarries)	(1)			
Non-operating buildings	10 to 40 years	25 to 50 years	-	
Industrial buildings	10 to 20 years	-	20 years	
Plant, equipment and tooling	3 to 8 years	3 to 7 years	5 to 20 years	(2)
Other property, plant and equipment (vehicles and office equipment)	3 to 10 years	2 to 10 years		(2)

In accordance with IAS 16, when an item of property, plant and equipment consists of components with different useful lives, each component is accounted for and depreciated as a separate item of property, plant and equipment.

Gains and losses on disposal represent the difference between the sale proceeds and the carrying amount, and are recognised in the income statement under "Other operating income and expenses".

(1) Depreciated on the basis of the rate of depletion, up to a maximum of 40 years (Colas)

(2) Depending on the type of asset

Depreciation periods are reviewed annually, and are adjusted if expectations differ from previous estimates.

■ Leases:

Items of property, plant and equipment held under leases (or agreements containing leases in the sense of IFRIC 4) whereby the Bouygues group retains substantially all the risks and rewards of ownership are recognised as assets in the balance sheet. Leases are classified as finance leases or operating leases in accordance with the criteria specified in IAS 17.

Assets held under finance leases are recognised in the balance sheet in "Property, plant and equipment" at the lower of fair value or the present value of the minimum lease payments, less accumulated depreciation and impairment losses. They are depreciated over their estimated useful lives. The lease obligation is recognised as a liability under "Debt" in the balance sheet.

Obligations under operating leases are disclosed in off balance sheet commitments.

■ Grants received:

Investment grants received from national, regional or local governments are netted off the value of the assets concerned, and depreciated at the same rate as those assets.

2.7.2. Intangible assets

IAS 38 defines an intangible asset as an identifiable non-monetary asset without physical substance, which may be:

- separable, i.e. capable of being independently sold, transferred, licensed, rented or exchanged; or
- derived from contractual or other legal rights, whether separable or not.

Intangible assets with finite useful lives are depreciable. Intangible assets with indefinite useful lives are not depreciable, but are subject to an impairment test at each balance sheet date.

They include:

- **Development expenses:**
  - In accordance with IFRS, incorporation and research expenses are expensed as incurred.
  - Development expenses are capitalised if the relevant criteria are met, i.e. if they are expected to generate future economic benefits and their cost can be reliably measured.
- **Concessions, patents and similar rights:**

These include the following assets held by Bouygues Telecom:

Type of asset	Amortisation method	Period
GSM frequency costs	straight line	12 years
UMTS licence	straight line	17.5 years(1)
IT system software and developments	straight line	4 years
Office software	straight line	4 years

*(1) **UMTS licence:** The amortisation period for the UMTS licence will match its useful life; since the high-speed network opened on 26 May 2005, Bouygues Telecom has been amortising its UMTS licence over a period of 17.5 years.*

The fee for the UMTS licence, awarded for a 20-year period, comprises:

- a fixed component of €619.2 million, recognised as an intangible asset on the date the licence was awarded (12 December 2002).
- a variable component, calculated at 1% of sales generated by the operation of the third generation mobile network, which is recognised in the income statement for the period with effect from the opening of the UMTS network.

2.7.3. Other intangible assets

Other intangible assets recognised by the Group include leasehold rights and broadcasting rights (TF1).

TF1 broadcasting rights:

This item includes shares in films and programmes produced or co-produced by TF1 Films Production, TF1-Video, Glem, Glem film and Téléma; distribution and trading rights owned by TF1 International TCM DA, TF1 Entreprises and CIBY DA; and music rights owned by Une Musique and Baxter.

Broadcasting rights are recognised as assets, at historical cost. Dates of initial recognition and amortisation methods are as follows:

Initial recognition	Amortisation method		
	Co-production shares	Broadcasting rights Distribution / Trading	Music rights
At end of shooting	in line with revenues (minimum 3 years straight line)		
On receipt of censors' certificate	3 years straight line		
On signature of contract		3 years straight line minimum, or in line with revenues - 5 years for trading	2 years 75% in year 1 25% in year 2

- For films co-produced by TF1 Films Production and Téléma, the Group adopts industry practice and amortises in line with revenues, based on a minimum straight-line charge over three years.
- An impairment loss is recognised on a line by line basis where estimated future revenues do not cover the carrying amount of the asset.

2.7.4. Subsequent remeasurement of non-current assets

The carrying amount of non-current assets is reviewed in accordance with Group accounting policies on an annual basis, or more frequently if internal or external events or circumstances indicate that an asset may be impaired. In particular, the carrying amount of intangible assets (other than broadcasting rights, which are measured using the policies described above) and goodwill is compared with their recoverable amount.

In determining value in use, intangible assets to which independent cash flows cannot be directly allocated are grouped within the cash-generating units (CGU) to which they belong, or within the appropriate group of CGUs representing the lowest level at which management monitors return on investment (business segment level in the case of the Bouygues group). The value in use of CGUs is measured using the discounted cash flow (DCF) method, applying the following principles:

- the pre-tax cash flows used are those derived from the medium-term business plan prepared by the management of the business segment as part of the Group's management cycle;
- the discount rate is determined by adjusting the segment's weighted average cost of capital to arrive at a pre-tax rate;
- the terminal value is calculated by aggregating the discounted cash flows to infinity, based on normative cash flows and a perpetual growth rate that is consistent with the growth potential of the markets in which the business segment operates and with its competitive position in those markets.

The recoverable amount of the CGU as determined above is then compared with the carrying amount in the consolidated balance sheet of the non-current assets (including goodwill) attributed to the CGU. If this carrying amount is greater than the recoverable amount of the CGU, an impairment loss is recognised, this loss being allocated in the first instance to any goodwill recognised in the balance sheet.

■ **Information on impairment tests performed:**

Subsidiaries for which goodwill is shown as a separate asset in the balance sheet:

Bouygues Telecom:

The recoverable amount of the Bouygues Telecom CGU was determined by calculating its value in use using the DCF method, based on three-year cash flow projections as per the business plan approved by management.

An after-tax discount rate of 5.80% was used. Cash flows beyond the projection period were extrapolated using a reasonable, sector-specific perpetual growth rate (based on three-year cash flow projections, and on normative cash flow thereafter).

An analysis of the sensitivity of the calculation to the valuation of the key parameters showed no probable scenario in which the recoverable amount of the CGU would become less than its carrying amount.

Colas:

The recoverable amount of the Colas CGU was determined by calculating its value in use using the DCF method, based on three-year cash flow projections as per the business plan approved by management.

An after-tax discount rate of 6.17% was used. Cash flows beyond the projection period were extrapolated using a reasonable, sector-specific perpetual growth rate (based on three-year cash flow projections, and on normative cash flow thereafter).

An analysis of the sensitivity of the calculation to the valuation of the key parameters showed no probable scenario in which the recoverable amount of the CGU would become less than its carrying amount.

TF1:

The recoverable amount of the TF1 CGU was determined by reference to the closing stock market price on 31 December 2006; this value is significantly greater than the carrying amount.

Impairment testing of goodwill on associates:

Because goodwill included in the carrying amount of investments in associates is not shown separately, it is not tested separately for impairment under IAS 36. The total carrying amount of the investment is tested for impairment by comparing its recoverable amount (higher of value in use or fair value less costs to sell) with its carrying amount, where there is evidence of impairment.

The estimated fair value of Alstom as at 31 December 2006, based on the quoted share price, is very substantially greater than its carrying amount.

- For other non-current assets (in particular non-depreciable assets), an impairment loss is recognised as soon as there is evidence that the asset is impaired.

2.7.5. Non-current financial assets

In addition to deferred tax assets (treated as non-current), other non-current financial assets include loans and receivables (including amounts due from non-consolidated companies), deposits and caution money, and investments in non-consolidated companies over which the Bouygues group exercises neither control nor significant influence.

Investments in non-consolidated companies are measured at fair value, with changes in fair value taken to shareholders' equity.

Fair value is the market price for listed investments, and value in use for unlisted investments. Value in use is determined using the most appropriate criteria for each individual investment.

If there is objective evidence that an investment is impaired, the accumulated losses taken to shareholders' equity are recognised in the income statement.

Advances to non-consolidated companies, and other loans and receivables, are accounted for at amortised cost, determined using the effective interest method.

In the case of variable-rate loans and receivables, cash flows are periodically re-estimated to reflect changes in market interest rates, resulting in an adjustment to the effective interest rate and hence to the valuation of the loan or receivable.

Loans and receivables are reviewed for objective evidence of impairment. An impairment loss is recognised if the carrying amount of a financial asset is greater than the estimated recoverable amount as determined by impairment testing. Impairment losses are recognised in the income statement.

2.8. Current assets

2.8.1. Inventories

Inventories are stated at the lower of cost (first in first out or weighted average cost, depending on the nature of the business) or market price.

Where the realisable value of inventory is lower than cost, a provision for impairment is recognised.

2.8.2. Programmes and broadcasting rights (TF1)

In order to secure broadcasting schedules for future years, the TF1 group enters into binding contracts, sometimes for a period of several years, under which the Group acquires (and the other party agrees to deliver) programmes and sports transmission rights.

These contracts are valued as follows:

■ **Programmes and broadcasting rights:**

Rights acquisition contracts not yet recognised in inventory at the balance sheet date are priced at the contractual amount or the estimated future cash outflow, less any advance payments made under the contract. Advance payments are recognised in the balance sheet as a supplier prepayment in "Trade and other debtors".

■ **Sports transmission rights:**

Acquisitions of sports transmission rights under irrevocable orders placed before the balance sheet date are priced at the contractual amount less any sums already paid at that date.

A programme is treated as ready for broadcast and recognised in inventory under "Programmes and broadcasting rights" when the following two conditions are met: technical acceptance (for in-house and external productions), and opening of rights (for external productions). Any programme

	Type of programme		
	Dramas with a running time of at least 52 minutes	Films, TV movies, series, cartoons	Other programmes and broadcasting rights
1st transmission	80%	50%	100%
2nd transmission	20%	50%	-

acquisition advance payments made before these conditions are met are treated as supplier prepayments.

The line "Programmes and broadcasting rights" in the balance sheet comprises:

- in-house productions, comprising programmes made by TF1 group companies for the TF1 channel,
- external productions, comprising broadcasting rights acquired by TF1 group channels and co-production shares of broadcasts made for TF1 group channels.

External productions that have not been broadcast, and the rights to which have expired, are expensed as a component of current operating profit.

The value of programmes and broadcasting rights is measured as follows:

- in-house production: at overall production cost (direct costs plus a portion of indirect production costs);
- broadcasting rights and co-productions: at purchase cost, less consumption for the year calculated at each balance sheet date.

TF1 SA programmes (which account for most of the Group's programme inventory) are deemed to have been consumed as transmitted. If they are acquired for a single transmission, they are regarded as having been consumed in full at the time of transmission. If they are acquired for two or more transmissions, consumption is calculated as above, according to the type of programme.

"Other programmes and broadcasting rights" in the table above refers to children's programmes other than cartoons, entertainment shows, plays, factual and documentary programmes, news, sport, and dramas with a running time of less than 52 minutes.

A provision for impairment is recorded once it becomes probable that a programme will not be transmitted.

2.8.3. Trade receivables

Trade receivables are carried at face value, net of impairment recorded to reflect the probability of recovery. These receivables are usually short-term and non interest-bearing. They are measured at the original invoice amount, unless application of an implied interest rate would have a material effect.

In line with the percentage of completion method of accounting for long-term contracts, trade receivables include:

- statements issued as works are executed or services provided, and accepted by the project owner;
- unbilled receivables, arising where works are entitled to acceptance but billing or acceptance by the project owner has been delayed.

2.8.4. Other current receivables and prepaid expenses

Other receivables are carried at face value, net of impairment recorded to reflect the probability of recovery.

2.9. Financial instruments

Some Group entities use hedging instruments to limit the impact on the income statement of fluctuations in exchange rates and interest rates. The Group's policy on the use of financial instruments is described below.

2.9.1. Risks to which the Group is exposed

■ Currency risk

In general, the Bouygues group has little exposure to currency risk in routine commercial transactions. Wherever possible, expenses relating to a contract are incurred in the same currency as that in which the contract is billed. This applies to most projects executed outside France, on which local-currency expenses (sub-contracting and supplies) represent a much higher proportion than euro-denominated expenses. In addition, the Group pays particular attention to risks relating to assets denominated in non-convertible currencies, and to country risk generally.

■ Interest rate risk

The Group's financial income and expenses have low sensitivity to interest rate risk. The bulk of debt is in the form of fixed-rate bond issues, and a range of hedging instruments is used to convert variable-rate debt into fixed-rate debt.

On average over the year, the amount of variable-rate debt in the balance sheet is less than the amount of surplus cash invested at variable rates. The consolidated income statement would be only marginally affected by fluctuations in euro interest rates, or by a divergence in interest rate trends between the euro and other major currencies.

2.9.2. Principles applied to all hedging instruments

The only instruments used for hedging purposes are forward currency purchases and sales, currency swaps and purchases of currency options for currency risk hedging purposes; and interest rate swaps, future rate agreements, and purchases of caps and collars for interest rate risk hedging purposes.

These instruments:

- are used solely for hedging purposes;
- are contracted solely with high-quality French and foreign banks;
- carry no liquidity risk in the event of a downturn.

Specific reports are prepared for those responsible for the management and supervision of the relevant Group companies describing the use of hedging instruments, the selection of counterparties with whom they are contracted, and more generally the management of exposure to currency risk and interest rate risk.

2.9.3. Hedging rules

■ Currency risk

Group policy is to hedge systematically all residual currency exposure relating to commercial transactions. If the future cash flow is certain, the currency risk is hedged by buying or selling currency forward, or by means of currency swaps. For some large contracts, options may be taken out for hedging purposes before the awarding of the contract has been confirmed.

In general, equity investments in foreign companies are hedged by a debt of a similar amount in the same currency, recorded in the books of the company that owns the investment.

In the interests of efficiency, the currency positions of some Group entities may be managed centrally, which in some cases may result in the offset of matching positions.

■ Interest rate risk

Group policy is for each sub-group to hedge some or all of its financial assets and liabilities, where these are foreseeable and recurring.

In practice, this applies to capital-intensive businesses (telecoms and media). These entities control their future interest charges by fixing their cost of debt using swaps and future rate agreements, or by limiting it through the use of caps, over a period equivalent to that of the financial liabilities to be hedged.

As with currency risk, the interest rate positions of some Group entities may, in the interests of efficiency, be managed centrally and partially offset.

2.9.4. Accounting methods

In general, the financial instruments used by the Group qualify for hedge accounting, which means that the hedging relationship is documented in accordance with the requirements of IAS 39. Two types of accounting treatment are used:

- Fair value hedges: changes in the fair value of the hedging instrument and changes in the fair value of the hedged item are recognised symmetrically in the income statement.
- Cash flow hedges: changes in the fair value of the hedging instrument are recognised in the income statement for the ineffective portion of the hedging relationship, and in shareholders' equity (until the hedge is closed out) for the effective portion.

In a few cases (involving small notional amounts and a short hedging period), financial instruments are deliberately excluded from hedge accounting in order to avoid excessive administrative processing. In these cases, changes in the fair value of the financial instrument are taken directly to the income statement.

2.10. Consolidated shareholders' equity

Treasury shares are deducted from consolidated shareholders' equity. No gains or losses arising on the cancellation of treasury shares are recognised in the income statement.

If a Group subsidiary holds its own shares, an additional percentage interest in that subsidiary is recognised at Group level.

■ Translation reserve

The translation reserve represents translation differences arising since 1 January 2004, when the reserve was deemed to be zero and the balance transferred to "Retained earnings".

2.11. Non-current liabilities

2.11.1. Non-current debt (portion due after more than one year)

With the exception of derivative instruments accounted for as financial liabilities measured at fair value, all other borrowings and financial liabilities are recognised initially at fair value and subsequently at amortised cost, measured using the effective interest method.

Transaction costs directly attributable to the acquisition or issuance of a financial liability are offset against that liability, and amortised over the life of the liability using the effective interest method.

The effective interest rate is the rate that exactly discounts estimated future cash payments to maturity (or to the next market rate repricing date) to the net carrying amount of the liability. The calculation takes account of all fees and points paid or received by the parties to the contract.

The portion of long-term debt due within less than one year is included in current liabilities.

Call option over a 6.5% interest in the capital of Bouygues Telecom (BNP Paribas)

On 21 June 2005, Bouygues granted BNP Paribas a promise to buy the latter's 6.5% interest in the capital of Bouygues Telecom, exercisable at any time between 1 September 2005 and 31 July 2007 at a price of between €477 million and €495 million depending on the date of exercise.

At the same time, BNP Paribas granted Bouygues a promise to sell this interest to Bouygues, exercisable between 1 September 2007 and 30 September 2007 at a price of €497 million.

Change in the value of the financial liability between 21 June 2005 and 31 December 2006				
	Residual term (years)	Future value of the liability (€m)	Present value of the liability (€m)	
21 June 2005	2.28	497	449	
31 December 2005	1.75	497	460	
31 December 2006	0.75	471 (1)	**456**	-> Increase in current debt

(1) After payment of dividends by Bouygues Telecom (impact: reduction of €26m).

- Discount rate (contractual): 2.07%.
- The 6.5% minority interest in Bouygues Telecom is eliminated, reducing minority interests by €130m at end 2006.
- Goodwill recognised as an asset in 2005: €320m.
- Bouygues Telecom's contribution to consolidated net profit includes the additional 6.5% interest, raising the total contribution to 89.55%.

2.11.2. Non-current provisions

Under IAS 37, "Provisions, Contingent Liabilities and Contingent Assets", a provision is recorded where the Group has an obligation to a third party at the balance sheet date resulting from a past event, the settlement of which is expected to result in an outflow from the Group of resources embodying economic benefits.

The amount recognised as a provision represents the Group's estimate of the outflow of resources that will be needed to settle the obligation.

Non-current provisions are not usually associated with the normal business cycle of each segment (compare the definition of current provisions below).

Non-current provisions mainly comprise:

- Provisions established to cover the uninsured portion of risks under two-year and 10-year construction contract guarantees. These provisions are recognised in line with recognition of contract revenues, based on statistical data reflecting actual experience over the long term.
- Provisions related to notified tax reassessments and fines levied by the competition authorities.
- Provisions for litigation, claims and foreseeable risks relating to the Group's operations, especially foreign operations, including permanent withdrawal from projects and sundry risks and liabilities.
- Provisions for site remediation costs.
- Employee benefits:
  - Provisions for obligations to employees in respect of lump-sum benefits payable on retirement.
  - Provisions for long-service awards.

  This provision is calculated using the projected unit credit method based on final salary, and on the basis of the collective agreement for each business segment. The calculation takes account of:

  - status, age and length of service for each employee category;
  - employee turnover, calculated on the basis of the average number of leavers by business segment, age bracket and employee category;
  - average salary and wages including bonuses and benefits in kind, uplifted by a coefficient to reflect the applicable percentage of employer's social security charges;
  - a final salary inflation rate;
  - a discount rate applied to the obligation over the projected period to the retirement date;
  - estimated life expectancy, based on mortality tables.

  The Group does not recognise movements in this obligation arising from changes in actuarial assumptions unless they are more than plus or minus 10% of the retirement benefit obligation (the corridor method). Any actuarial gains and losses recognised are amortised through the income statement over the average remaining working lives of the employees concerned.

- Provisions for pension obligations (depending on the country and terms of the pension plan).

  To cover their pension obligations, Group companies make regular payments to external bodies including public and private pension funds and insurance companies (defined-contribution plans). There are however some remaining defined-benefit plans still in existence, mainly in the Colas group (United Kingdom, Ireland, Canada); only a limited number of employees are involved, as it was decided some years ago to close the schemes to new entrants.

- The actuarial assumptions used to measure the present value of the pension obligation and the service cost for the period in respect of defined-benefit plans represent the best estimate of the variables that will determine the final cost of the benefits. These assumptions are internally consistent. The discount rate was determined by reference to the expected market rate at the balance sheet date, taking into account the estimated timing of benefit payments (see Note 19).

2.12. Current liabilities

2.12.1 Advances and down-payments on orders

This item comprises advances and down-payments received from clients on start of construction contracts.

2.12.2. Current provisions

- Provisions relating to the normal business cycle of each segment. These mainly comprise
  - Provisions for construction contract risks, joint ventures, etc.;
  - Provisions for restructuring;
  - Provision for customer loyalty programmes (Bouygues Telecom), etc.

    Bouygues Telecom has introduced a loyalty programme for customers who subscribe to a price plan.

    Under the programme, customers acquire rights as and when billings are issued.

    Customers may subsequently use these rights to replace their handsets on favourable terms, provided they sign up for another period of at least 12 months.

    For business customers, the rights give entitlement to a free handset.

    A provision is recorded as rights are awarded, taking into account the likelihood they will be exercised; the provision is released as the rights are used.

    In the absence of specific international accounting standards or interpretations on this issue, the French GAAP accounting treatment has been retained for IFRS reporting purposes.
- Provisions for losses to completion on contracts. These relate to construction contracts in progress, and take account of claims accepted by the client. They are measured on a contract by contract basis, with no netting between them.

2.12.3. Trade payables and other current liabilities

Because of the short-term nature of these liabilities, they are shown in the consolidated financial statements at a reasonable estimate of market value.

2.13. Income statement

As allowed under IAS 1, "Presentation of Financial Statements", the Bouygues group presents an income statement that classifies expenses by nature, in the format specified in recommendation 2004-R-02 issued by the French national accounting standard-setter, the Conseil National de la Comptabilité (CNC), on 27 October 2004. An income statement classifying expenses by function is shown in Note 17 to the financial statements.

2.13.1. Definition of operating revenues

Revenues from the Group's operations are recognised when:

- it is probable that the future economic benefits of the transaction will flow to the Group;
- the amount of revenue can be reliably measured;
- at the transaction date, it is probable that the amount of the sale will be recovered.

■ **Bouygues Telecom:**

Bouygues Telecom generates revenue from services and handset sales.

Services

Price plans and commercial services are invoiced one month in advance, and the corresponding revenue is recognised on a straight-line basis over the service period.

Revenues from call charges other than price plans, roaming fees and interconnection fees are recognised as the service is used.

Service discounts offered to new customers on subscription to price plans that are contingent upon the customer committing to retain their subscription for a specified period are charged to income over the minimum commitment period.

Services carried out on behalf of content providers in relation to SMS+ services, special numbers and i-mode services are not included in income and expenses for the period. Only the margin on such services is recognised in sales.

Handset sales

Handset sales are recognised on the sale of the handset to the distributor or retailer, but the margin on the sale is eliminated until the line is activated by the customer.

Distributor/retailer commission

All commission payable to distributors and retailers is recognised as an expense.

2.13.2. Accounting for long-term contracts

■ **Construction activities**

In all the Group's construction activities, long-term contracts are accounted for using the percentage of completion method. The revenue recognised equals the latest estimate of the total selling price of the contract multiplied by the actual stage of completion determined by reference to the physical state of progress of the construction work.

If a contract is expected to generate a loss on completion, a provision for losses to completion is recognised as a current provision in the balance sheet. The loss is provided for in full as soon as it can be reliably measured, irrespective of the stage of completion.

■ **Property development**

The accounting treatment applied to property development activities is as follows:

property development revenues are recognised using the percentage of completion method once the following conditions have been met:

- building permit with no appeal;
- signature of notarised deed of sale or development contract;
- construction contract signed (order given to start works).

The percentage of completion represents costs incurred to date as a proportion of the total estimated costs to completion.

Property development project finishing costs are recognised on a percentage of completion basis.

All interest charges associated with ongoing or completed property development projects are expensed as incurred.

2.13.3. Profits/losses from joint operations

These profits and losses are included in "Other operating income and expenses", and represent the Group's share of profits or losses from non-consolidated companies involved in the operation of production sites for road-building and asphalt products; they are included in current operating profit.

2.13.4. Share-based payment

In accordance with IFRS 2, stock subscription options granted to corporate officers or employees of Bouygues or other Group companies (TF1) are accounted for in the financial statements as follows: the fair value of the options granted (corresponding to the fair value of the services rendered by the employees as consideration for the options) is recognised as an employee benefit under "Personnel costs" in the income statement, with the matching entry credited to shareholders' equity.

The amount of the employee benefit is measured at the grant date of the option using the Black & Scholes model, and is charged to the income statement over the vesting period of the rights. In accordance with IFRS 2, this treatment applies only to plans awarded after 7 November 2002.

2.14. Cash flow statement

The cash flow statement is presented in accordance with IAS 7 and CNC recommendation 2004-R-02.

This statement explains changes in the Group's net cash position, which is defined as the net total of the following balance sheet items:

- cash and equivalents;
- overdrafts and short-term bank borrowings.

2.15. Off balance sheet commitments

A summary of contractual obligations and commercial commitments in provided in Note 18.

2.16. Financial indicators

Definitions of key financial indicators:

2.16.1. EBITDA

Current operating profit excluding net depreciation and amortisation expense and changes in provisions, and impairment losses (after reversals of utilised and non-utilised provisions and of impairment losses).

2.16.2. Free cash flow

Operating cash flow before changes in working capital less net capital expenditure for the period.

2.16.3. Net debt

This represents the aggregate of:

- cash and equivalents;
- overdrafts and short-term bank borrowings;
- non-current and current debt;
- financial instruments (used to hedge financial liabilities measured at fair value).

2.17. Other information

Comparability of the IFRS financial statements:

- The accounting policies applied under IFRS as at 31 December 2006 are the same as those applied as at 31 December 2005, and consequently there is no impairment of the comparability of balance sheet, income statement and cash flow statement items between accounting periods.
- The comparative income statements shown have been restated to exclude the contributions from TPS and BTC.

NOTE 3: NON-CURRENT ASSETS 15,140

An analysis of non-current assets by business segment is provided in Note 16.

3.1 Summary of net investment for the period (operating and financing)

	2006	2005
Acquisitions of property, plant and equipment	1,531	1,198
Acquisitions of intangible assets	171	173
Investment in operating assets	**1,702**	**1,371**
Non-current financial assets (investments in consolidated and non-consolidated companies, other long-term investments)	2,687	333
Total investment	**4,389**	**1,704**
Disposals of non-current assets	(336)	(225)
Net investment	**4,053**	**1,479**

3.2 Movements during the period 5,039

3.2.1 Property, plant and equipment

Gross value	Land and buildings	Industrial plant and equipment	Other property, plant and equipment	PP&E under construction and advance payments	Total
1 January 2005	1,350	6,938	1,773	176	10,237
Translation adjustments	30	95	29		154
Transfers between items & other	12	83	(202)	(116)	(223)
Changes in scope of consolidation	(30)	(49)	21	(6)	(64)
Acquisitions and other increases	64	807	225	102	1,198
Disposals and other reductions	(13)	(424)	(145)	(4)	(586)
31 December 2005	**1,413**	**7,450**	**1,701**	**152**	**10,716**
of which finance leases	30	67	158		255
Movements during 2006					
Translation adjustments	(18)	(61)	(23)	(3)	(105)
Transfers between items & other	26	88	5	(123)	(4)
Changes in scope of consolidation	(22)	35	9	7	29
Acquisitions and other increases[1]	226	796	272	237	1,531
Disposals and other reductions	(16)	(312)	(121)	(1)	(450)
31 December 2006	**1,609**	**7,996**	**1,843**	**269**	**11,717**
of which finance leases	22	84	123		229
Depreciation and impairment					
1 January 2005	(426)	(3,965)	(1,217)		(5,608)
Translation adjustments	(7)	(60)	(18)		(85)
Transfers between items & other	(2)	1	181		180
Changes in scope of consolidation	10	5	1		16
Disposals and other reductions	7	340	122		469
Net depreciation expense	(46)	(796)	(231)		(1,073)
Impairment losses recognised					
Impairment losses reversed					
31 December 2005	**(464)**	**(4,475)**	**(1,162)**		**(6,101)**
of which finance leases	(10)	(38)	(110)		(158)
Movements during 2006					
Translation adjustments					
Transfers between items & other	4	39	15		58
Changes in scope of consolidation	(1)	(5)	5		(1)
Disposals and other reductions	10	(13)	(8)		(11)
Net depreciation expense	6	286	113		405
Impairment losses recognised	(51)	(761)	(216)		(1,028)
Impairment losses reversed					
31 December 2006	**(496)**	**(4,929)**	**(1,253)**		**(6,678)**
of which finance leases	(6)	(45)	(98)		(149)
Net					
31 December 2005	**949**	**2,975**	**539**	**152**	**4,615**
of which finance leases	20	29	48		97
31 December 2006	**1,113**	**3,067**	**590**	**269**	**5,039[2]**
of which finance leases	16	39	25		80

(1) Including Bouygues Telecom: network investments of €497 million

(2) Including investment grants netted off property, plant and equipment: impact -€84 million

Analyses of the carrying amount of intangible assets and property, plant and equipment, and of investment in operating assets, by business segment and geographical area are provided in Note 16, "Segment Information".

3.2.2 Intangible assets

1,022

Gross value	Development expenses	Concessions, patents and similar rights(1)	Other intangible assets	Total
1 January 2005	**6**	**1,098**	**899**	**2,003**
Translation adjustments	0	0	3	3
Transfers between items & other	0	(17)	(10)	(27)
Changes in scope of consolidation	(7)	(7)	35	21
Acquisitions and other increases	1	46	124	171
Disposals and other reductions	0	(10)	(4)	(14)
31 December 2005	**0**	**1,110**	**1,047**	**2,157**
Movements in 2006				
Translation adjustments	0	0	(1)	(1)
Transfers between items & other	149	(145)	(4)	0
Changes in scope of consolidation	0	(22)	6	(16)
Acquisitions and other increases	24	53	82	159
Disposals and other reductions	0	(6)	(9)	(15)
31 December 2006	**173**	**990**	**1,121**	**2,284**
Amortisation and impairment				
1 January 2005	**(4)**	**(250)**	**(729)**	**(983)**
Translation adjustments	0	0	(1)	(1)
Transfers between items & other	0	14	3	17
Changes in scope of consolidation	4	8	(13)	(1)
Disposals and other reductions	0	8	3	11
Net amortisation expense	0	(83)	(61)	(144)
Impairment losses recognised	0	0	0	0
Impairment losses reversed	0	0	0	0
31 December 2005	**0**	**(303)**	**(798)**	**(1,101)**
Movements in 2006				
Translation adjustments	0	0	1	1
Transfers between items & other	(75)	73	0	(2)
Changes in scope of consolidation	0	13	(4)	9
Disposals and other reductions	0	6	5	11
Net amortisation expense	(28)	(69)	(83)	(180)
Impairment losses recognised	0	0	0	0
Impairment losses reversed	0	0	0	0
31 December 2006	**(103)**	**(280)**	**(879)**	**(1,262)**
Net				
31 December 2005	**0**	**807**	**249**	**1,056**
31 December 2006	**70**	**710**	**242**	**1,022(2)**

(1) Includes Bouygues Telecom UTMS licence: €619 million -> see Note 2 for description of amortisation method

(2) Including investment grants netted off intangible assets: impact -€10 million

3.2.3 Goodwill 4,781

■ **Movement in carrying amount of goodwill during 2006: +€163 million**

	Gross value	Impairment	Carrying amount
1 January 2005	**4,556**	**(16)**	**4,540**
Changes in scope of consolidation	500[1]		500
Impairment losses		(7)	(7)
Other movements	(415)[2]		(415)
31 December 2005	**4,641**	**(23)**	**4,618**
Movements in 2006			
Changes in scope of consolidation	171[3]		171
Impairment losses		(16)	(16)
Other movements	8		8
31 December 2006	**4,820**	**(39)**	**4,781**

(1) Includes +€320 million on 6.5% interest in Bouygues Telecom (call option)

(2) Includes -€420 million for TPS, in process of divestment at end 2005, reclassified to "Held-for-sale assets"

(3) Principal acquisitions included:

TF1:	*1001 listes*	*24*
Bouygues Construction:	*Marazzi*	*35*
	Thermal T.	*29*
	VCES	*20*

■ **Split of goodwill by cash generating unit (CGU)**

See Note 2 for details about the concept of a CGU.

CGU	31 December 2006 Total	31 December 2006 % of parent	31 December 2005 Total	31 December 2005 % of parent
Bouygues Construction[1]	224	99.97%	106	99.97%
Colas[2]	827	96.49%	805	96.42%
TF1[2]	1,085	42.92%	1,047	42.93%
Bouygues Telecom[2]	2,645	89.55%	2,655	89.55%
Other activities			5	
Total Bouygues	**4,781**		**4,618**	

(1) Only includes goodwill on subsidiaries acquired by the CGU

(2) Includes goodwill on subsidiaries acquired by the CGU and on acquisitions made by the parent company (Bouygues SA)

■ **Consolidated purchase price of listed shares (TF1 and Colas)**

	Consolidated purchase price per share[1]	Quoted closing share price at 31 December 2006
TF1	11.95	28.11
Colas	71.42	228.50

(1) Carrying amount per share in the consolidated financial statements.

Impairment tests were carried out as described in Note 2, and showed no evidence of impairment of intangible assets or goodwill attached to the Group's CGUs (business segments).

3.2.4 Non-current financial assets and non-current tax assets 4,298

These assets include:

- Investments in associates (companies accounted for by the equity method)
- Other non-current financial assets

	Gross value: Associates[1]	Gross value: Other non-current assets: Investments in non-consolidated companies	Gross value: Other non-current assets: Other non-current assets	Gross value: Total gross value	Impairment	Carrying amount	Non-current deferred tax assets
1 January 2005	**488**	**223**	**148**	**859**	**(136)**	**723**	**569**
Translation adjustment	4		3	7		7	2
Transfers between items & other	(17)	21	(7)	(3)	1	(2)	(53)
Changes in scope of consolidation	(12)	(10)	1	(21)	(11)	(32)	1
Acquisitions and other increases	36	6	94	136		136	1
Disposals and other reductions		(29)	(33)	(62)		(62)	
Net impairment reversals/(losses)					10	10	(145)
31 December 2005	**499**	**211**	**206**	**916**	**(136)**	**780**	**375**
Movements in 2006							
Translation adjustment	(1)			(1)		(1)	(1)
Transfers between items & other	7	13	(11)	9	(8)	1	
Changes in scope of consolidation	2,356	15	608	2,979	(34)	2,945	2
Acquisitions and other increases	150	39	268	457		457	7
Disposals and other reductions	(51)	(43)	(43)	(137)		(137)	(4)
Net impairment reversals/(losses)					(18)	(18)	(108)
31 December 2006	**2,960**	**235**	**1,028**	**4,223**	**(196)**	**4,027**	**271**

(1) Includes goodwill relating to associates: €1,751 million

3.2.4.1 Investments in associates 2,940

	Share of net assets held	Share of 2006 net profit/ (loss)	Goodwill on associates	Carrying amount
1 January 2005	**350**		**136**	**486**
Translation adjustment	4		0	4
Transfers between items & other	(17)		0	(17)
Changes in scope of consolidation	(12)		0	(12)
Acquisitions and other increases	64		0	64
Disposals and other reductions	(28)		0	(28)
Net impairment reversals/(losses)				0
31 December 2005	**361**		**136**	**497**
Movements in 2006				
Translation adjustment	(1)	0	0	(1)
Transfers between items & other	3	0	0	3
Changes in scope of consolidation	741	0	1,616(2)	2,357
Acquisitions and other increases	18	136	0	154
Disposals and other reductions	(51)	0	(1)	(52)
Net impairment reversals/(losses)		(18)	0	(18)
31 December 2006	**1,071**	**118**	**1,751**	**2,940(1)**

(1) Includes: - Alstom = €2,413 million. Based on the quoted stock market price at 31 December 2006 of €102.70, the Bouygues group's interest is worth €3,560 million
- Cofiroute (Colas) = €393 million (see below)
(2) Alstom goodwill (based on 25.07% interest)

The Bouygues group owns a number of interests in associates, which are listed in Note 25 (Detailed List of Consolidated Companies at 31 December 2006).

Principal associates:

	31 December 2005	Net movement in 2006	31 December 2006	Of which: share of net profit/(loss)
Alstom		2,413	2,413	56
Construction				
Public works concession companies	52	2	54	8
Other associates	10	2	12	5
Roads				
Cofiroute	369	24	393	50
Other associates	26	2	28	4
Media	40	0	40	13
Results of other associates				(18)(1)
Total	**497**	**2,443**	**2,940**	**118**

(1) Amortisation charged against depreciable assets identified as part of the Alstom purchase price allocation (see Note 2)

Summary information about the assets, liabilities, income and expenses of the Bouygues group's principal associates is provided below.

Amounts shown are for 100% of the associate	31 December 2006	
	Alstom(1)	Cofiroute
Non-current assets	8,568	4,915
Current assets	9,617	699
Assets held for sale	803	
Total assets	**18,988**	**5,614**
Shareholders' equity	2,043	1,570
Non-current liabilities	3,623	3,472
Current liabilities	12,462	572
Liabilities on held-for-sale assets	860	
Total liabilities	**18,988**	**5,614**
Sales	6,608	966
Current operating profit	413	510
Net profit/(loss) of discontinued and held-for-sale operations	(15)	
Net profit	**218**	**301**
Net profit attributable to the Group	**227**	**301**

Amounts shown are for 100% of the associate	31 December 2005	
	Alstom(2)	Cofiroute
Non-current assets	8,479	4,421
Current assets	8,785	594
Assets held for sale	1,144	
Total assets	**18,408**	**5,015**
Shareholders' equity	1,840	1,428
Non-current liabilities	3,623	3,107
Current liabilities	11,802	480
Liabilities on held-for-sale assets	1,143	
Total liabilities	**18,408**	**5,015**
Sales	13,413	900
Current operating profit	746	465
Net profit/(loss) of discontinued and held-for-sale operations	(198)	
Net profit	**181**	**276**
Net profit attributable to the Group	**178**	**276**

(1) Published interim financial statements of Alstom for the six months ended 30 September 2006 (Alstom's financial year-end is 31 March)
(2) Financial statements for the year ended 31 March 2006

■ 3.2.4.2 Other non-current financial assets 1,087

Investments in non-consolidated companies: 114
Other non-current financial assets: 973

Carrying amount of principal investments in non-consolidated companies at 31 December 2006

	31/12/2006								31/12/2005
Investment	**Gross value**	**Impairment**	**Carrying amount**	**% interest**	**Total assets**	**Total current & non-current liabilities**	**Total sales**	**Net profit**	**Carrying amount**
French companies									
CATC	2		**2**	99.8%		-	-	-	**2**
Foncière du Point du jour	10	(7)	**3**	100.0%	3	-	-	-	**3**
Périphérique de Lyon	9	(8)	**1**	38.7%	4	-	-	-	**1**
Sylver	4		**4**	49.0%					**4**
Novasaur[2]	0	0	**0**		-	-	-	-	**36**
Asphalt and binder companies (Colas)[1]	14	(2)	**12**		-	-	-	-	**17**
Other investments in French companies	72	(29)	**43**		-	-	-	-	**18**
Sub-total	**111**	**(46)**	**65**		**7**	**0**	**0**	**0**	**81**
Foreign companies									
Socoprim (Ivory Coast)	13		**13**	66.3%	22	1		-	14
Ma Chang (South Korea)	9		**9**	30.0%	109	88			7
CCIB (Romania)	6	(6)	**0**	22.0%	-	-	-	-	0
VSL Corporation (United States)	22	(22)	**0**	100.0%					0
Asphalt and binder companies (Colas)[1]	2	(1)	**1**		-	-	-	-	1
Other investments in French companies	72	(46)	**26**		-	-	-	-	11
Sub-total	**124**	**(75)**	**49**		**131**	**89**	**0**	**0**	**33**
Total	**235**	**(121)**	**114**		**138**	**89**	**0**	**0**	**114**

(1) The information provided for Colas asphalt & binder companies and other investments in French and foreign companies relates to a number of companies, for which individual information is not disclosed on grounds of immateriality
(2) Sold in 2006

3.2.4.3. Other non-current financial assets 973

The main items included in this heading are:

• Canal+ France financial asset (transfer of TPS)		629(1)
• Advances to non-consolidated companies		183(2)
• Non-current loans and receivables		41
• Other long-term investments:		120
comprising:		
- Deposits and caution money	105	
- Other long-term investment securities	15(3)	

(1) The Canal+ France financial asset received in exchange for the transfer of TPS shares represents 9.9% of the capital of Canal+ France plus a put option exercisable in February 2010 under which TF1 may sell its entire interest in Canal+ France for the greater of:

- *a minimum price of €745.8m (for the TF1 interest)*
- *an independent valuation as of the exercise date of the option*

At 31 December 2006, the fair value of this asset was determined on the basis of the minimum price of €745.8m, discounted at the contractual rate of interest as per the agreement of 6 January 2006 -> income statement impact

(2) Mainly the non-current receivable (financial asset) relating to Alstom Hydro Holding (see Note 1)

(3) Main components of "Other long-term investment securities":

Mutual funds	*5*
Other investments individually less than €2 million	*10*
	15

Analysis of investments in non-consolidated companies and other non-current financial assets (excluding associates) by type *1,087*

	Available-for-sale financial assets(1)	Loans and receivables(3)	Financial assets at fair value through profit or loss(2)	Held-to-maturity financial assets(3)	Total
31 December 2005	98	99	5	81	**283**
Movements during 2006	(2)	132	626	48	**804**
31 December 2006	96	231	631	129	**1 087**
Due within less than 1 year	2	8		1	**11**
Due within 1-5 years	7	21	629		**657**
Due after more than 5 years	87	202	2	128	**419**

(1) Impact of remeasurement recognised in equity

(2) Impact of remeasurement recognised in profit or loss

(3) Measured at amortised cost

Investments in joint ventures

The Bouygues group holds a number of interests in joint ventures, which are listed in Note 25 (Detailed List of Consolidated Companies at 31 December 2006).

Aggregate amounts of assets/liabilities and key income statement indicators are shown below:

Bouygues share	31 December 2006	31 December 2005
Non-current assets	147	160
Current assets	1,067	603
Total assets	**1,214**	**763**
Shareholders' equity	83	28
Non-current liabilities	100	157
Current liabilities	1,031	578
Total liabilities & shareholders' equity	**1,214**	**763**
Sales	**1,287**	**918**
Operating profit	**70**	**39**
Net profit	**68**	**21**

3.2.5 Non-current tax assets 271

See Note 7 for details.

NOTE 4: CURRENT ASSETS 14,680

4.1 Inventories 2,298

Stocks	31 December 2006			31 December 2005		
	Gross value	Impairment(1)	Carrying amount	Gross value	Impairment(1)	Carrying amount
Inventories: raw materials, supplies, finished goods and property development inventories	1,826	(79)	**1,747**	1,368	(75)	1,293
Programmes and broadcasting rights (TF1)	693	(142)	**551**	655	(144)	511
Total	**2,519**	**(221)**	**2,298**	**2,023**	**(219)**	**1,804**

(1) Includes: Losses charged during the period (77) (110)
Losses reversed during the period 85[(a)] 95
(a) Includes reversals of impairment losses on property development inventories (Bouygues Immobilier): 18

Programming schedules for future years not yet recognised

The maturities of broadcasting and sports transmission rights contracts (see Note 2 for details) are as follows:

	Maturity				
	within less than 1 year	within 1-5 years	after more than 5 years	Total 2006	Total 2005
• Programmes and broadcasting rights[(a)]	486	702	102	**1,290**	1,633
• Sports transmission rights	197	584	170	**951**	940
Total	**683**	**1,286**	**272**	**2,241**	**2,573**

(a) Some of these contracts are denominated in foreign currencies: €12.2m in Swiss francs, €53.7m in pounds sterling and €429.5m in US dollars.

4.2 Advances and down-payments on orders 333

	31 December 2006			31 December 2005		
	Gross value	Impairment	Carrying amount	Gross value	Impairment	Carrying amount
Advances and down-payments on orders	337	(4)	**333**	360	(3)	357

4.3 Trade receivables, tax assets and other receivables 8,244

	31 December 2006			31 December 2005		
	Gross value	Impairment	Carrying amount	Gross value	Impairment	Carrying amount
Trade receivables (including unbilled receivables)	6,586	(334)	**6,252**	5,759	(341)	**5,418**
Current tax assets (tax receivable)	42	(2)	**40**	73	(2)	**71**
Other receivables and prepaid expenses						
other operating receivables (employees, social security, government & other)	1,377	(23)	**1,354**	1,148	(20)	**1,128**
sundry receivables	528	(96)	**432**	495	(89)	**406**
prepaid expenses	166		**166**	150		**150**
Sub-total	2,071	(119)	**1,952**	1,793	(109)	**1,684**
Total	**8,699**	**(455)**	**8,244**	**7,625**	**(452)**	**7,173**

4.4 Financial instruments (assets) 29

See Note 17, Financial Instruments.

4.5 Cash and equivalents 3,776

Cash and equivalents	31 December 2006 Gross value	Impairment	Carrying amount	31 December 2005 Gross value	Impairment	Carrying amount
Cash	669		**669**	618		618
Short-term investment securities	3,110	(3)	**3,107**(1)	2,609	(12)	2,597
Total	**3,779**	**(3)**	**3,776**	**3,227**	**(12)**	**3,215**

- Bouygues SA holds €2,712m of these short-term investment securities.
- Investments are placed by the Group with high-quality French and foreign banks.
- Cash equivalents are readily convertible into cash.

(1) Short-term investment securities are mainly classified as available-for-sale.

Net cash and equivalents as shown in the cash flow statement comprise the following items:

	31/12/2006	31/12/2005
Assets		
Cash	669	618
Short-term investment securities	3,107	2,597
Sub-total	3,776	3,215
Liabilities		
Overdrafts and short-term bank borrowings	(247)	(178)
Sub-total	(247)	(178)
Net cash and equivalents	**3,529**	**3,037**

Split of cash and equivalents by currency at 31 December 2006	Euro	Pound sterling	Swiss franc	Other European currencies	US dollar	Other	Total
Cash	278	36	46	81	23	205	**669**
Short-term investment securities	3,087		3		2	15	**3,107**
Financial instruments							
Overdrafts and short-term bank borrowings	(84)	(3)	(1)	(82)	(1)	(76)	**(247)**
Total 2006	**3,281**	**33**	**48**	**(1)**	**24**	**144**	**3,529**
Total 2005	**2,895**	**22**	**31**	**19**	**26**	**44**	**3,037**

NOTE 5: CONSOLIDATED SHAREHOLDERS' EQUITY

5.1 Share capital of Bouygues SA (in euros) €334,777,583

As at 31 December 2006, the share capital of Bouygues SA consisted of 334,777,583 shares. Movements in the year ended 31 December 2006 were as follows:

	1 January 2006	Movements during 2006 Reductions	Increases	31 December 2006
Shares	336,289,029	(6,410,706)	4,899,260	334,777,583
Investment certificates	473,867	(473,867)		
Number of shares/certificates	**336,762,896**	**(6,884,573)**	**4,899,260**	**334,777,583**
Par value (in euros)	€1			**€1**
Share capital (in euros)	**336,762,896**	**(6,884,573)**	**4,899,260**	**334,777,583**

5.2 Shareholders' equity as at 31 December 2006 attributable to the Group and to minority interests

31/12/2006	Share capital	Share premium	Reserves related to capital	Retained earnings	Consolidated reserves & profit for year	Treasury shares	Items recognised directly in equity	Total 31/12/2006
Attributable to the Group	335	1,742	805	235	2,288	(75)	17	**5,347**
Minority interests					1,145		1	**1,146**
Total shareholders' equity	**335**	**1,742**	**805**	**235**	**3,433**	**(75)**	**18**	**6,493**

5.3 Analysis of selected items included in shareholders' equity attributable to the Group

(included in share premium and reserves, translation reserve and other items recognised directly in equity)

	Note	31/12/2006
Translation reserve (closing balance)	1	**8**
Fair value remeasurement reserve (closing balance)	2	**84**
Share-based payment - IFRS 2 (movement during the year)	3	**26**
Other movements during the year	4	**(68)**

1 - Translation reserve

The translation reserve at 31 December 2006 reflects translation differences arising since 1 January 2004, when the existing reserve was deemed to be zero. The principal translation differences in the year ended 31 December 2006 arose on foreign companies reporting in:

	31/12/2005	Movement in 2006	31/12/2006
US dollars	18	(29)	(11)
Canadian dollars	14	(12)	2
Other currencies	12	5	17
Total	**44**	**(36)**	**8**

2 - Fair value remeasurement reserve

Reserve arising on the remeasurement of financial instruments and available-for-sale financial assets at fair value:

	31/12/2005	Movement in 2006	31/12/2006
Movement during the year	6	78[1]	84

(1) Primarily remeasurements of the fair value of Bouygues SA bond issues (effective interest rate calculation).

3 - Share-based payment (IFRS2): impact on consolidated shareholders' equity

	31/12/2005	31/12/2006	(charged to "Personnel costs")
TF1 and Bouygues SA stock options			
• Transfer to reserves			
- TF1	2	2	Portion attributable to the Bouygues group
- Bouygues SA	7	9	Based on plans granted since November 2002
Consolidated expense	**9**	**11**	
Employee share ownership plans			Cost of benefit awarded to employees on
- Bouygues Confiance 3	30		21 June 2005 (discount to share price)
- Bouygues Partage		15	Cost of benefit awarded to employees in 2006 (discount to share price) Plan to be implemented in 2007
Total	**39**	**26**	

4 - Other movements

	31/12/2005	31/12/2006
Other movements	(22)	(68)[1]
Total	**(22)**	**(68)**

(1) includes deferred taxes: - on fair value remeasurement reserve: -€22 million
- on Bouygues Partage discount: -€11 million

NOTE 6: NON-CURRENT AND CURRENT PROVISIONS

6.1 Non-current provisions = 1,432

	Long-term employee benefits[1]	Litigation and claims[2]	Guarantees given[3]	Other non-current provisions[4]	Total
1 January 2005	**331**	**243**	**215**	**387**	**1,176**
Movements in 2005					
Translation adjustments	1		1	2	4
Transfers between items	1	(19)	(2)	(19)	(39)
Changes in accounting method and scope of consolidation	1	(1)		(21)	(21)
Charges to provisions	67	141	75	103	386
Provisions utilised	(30)	(28)	(39)	(66)	(163)
Provisions no longer required	(3)	(27)	(18)	(30)	(78)
31 December 2005	**368**	**309**	**232**	**356**	**1,265**
Movements in 2006					
Translation adjustments			(1)	(1)	(2)
Transfers between items & other	1	(5)	1	11	8
Changes in accounting method and scope of consolidation	(1)		4	19	22
Charges to provisions	45	126	90	132	393
Provisions utilised	(14)	(28)	(42)	(50)	(134)
Provisions no longer required	(2)	(69)	(16)	(33)	(120)
31 December 2006	**397**	**333**	**268**	**434**	**1,432**

			includes: Principal segments involved:	
*(1) **Long-term employee benefits***		***397***	*- Bouygues Construction*	*100*
Lump-sum retirement benefits	*278*		*- Colas*	*204*
Long-service awards	*97*		*- TF1*	*35*
Other long-term employee benefits	*22*			
*(2) **Litigation and claims***		***333***	*- Bouygues Construction*	*184*
Provisions for customer disputes	*118*		*- Bouygues Immobilier*	*41*
Subcontractor claims	*45*		*- Colas*	*82*
Employee-related litigation and claims	*20*			
Other litigation and claims	*150*			
*(3) **Guarantees given***		***268***	*- Bouygues Construction*	*175*
Provisions for guarantees given	*189*		*- Bouygues Immobiler*	*16*
Additional building, civil engineering / civil works guarantees	*79*		*- Colas*	*73*
*(4) **Other non-current provisions***		***434***	*- Bouygues Construction*	*128*
Risks related to official inspections	*137*		*- Colas*	*154*
Provisions for miscellaneous foreign risks	*14*		*- Bouygues Telecom*	*47*
Provisions for subsidiaries and affiliates	*24*			
Provisions for contractual obligations	*8*			
Provisions for site remediation costs	*89*			
Other non-current provisions	*162*			

6.2 Current provisions = 690

Provisions relating to the operating cycle (see Note 2)

	Provisions for customer warranties	Provisions for project risks and project completion	Provisions for losses to completion	Provisions for customer loyalty programmes (Bouygues Telecom)	Other current provisions	Total
1 January 2005	**27**	**146**	**74**	**147**	**146**	**540**
Movements in 2005						
Translation adjustments		2	2		2	6
Transfers between items	2	(10)	36		43	71
Changes in accounting method and scope of consolidation		(1)	(3)		(13)	(17)
Charges to provisions	19	71	81	155	90	416
Provisions utilised	(15)	(33)	(27)	(128)	(59)	(262)
Provisions no longer required	(2)	(22)	(31)		(23)	(78)
31 December 2005	**31**	**153**	**132**	**174**	**186**	**676**
Movements in 2006						
Translation adjustments		(3)	(1)			(4)
Transfers between items	(1)	(1)	(10)		(18)	(30)
Changes in accounting method and scope of consolidation	(1)	(6)	3	(5)	(3)	(12)
Charges to provisions	24	69	74	166	100	433
Provisions utilised	(14)	(28)	(72)	(157)	(55)	(326)
Provisions no longer required	(3)	(19)	(14)	(1)	(10)	(47)
31 December 2006	**36**	**165 (1)**	**112 (3)**	**177**	**200 (2)**	**690**

		Includes: Principal segments involved:	
(1) including:			
- provisions for risks on completed projects:	*81*	*- Bouygues Construction*	*127*
- provisions for final settlement on projects:	*84*	*- Colas*	*38*
(2) including:			
- reinsurance costs:	*23*	*- Challenger Réa*	
- other current provisions:	*177*	*- Bouygues Construction*	*49*
		- Colas	*36*
		- TF1	*43*

(3) Relates to the Construction segment: Bouygues Construction €62m, Bouygues Immobilier €15m and Colas €35m

(Individual project provisions are not disclosed for confidentiality reasons)

NOTE 7: NON-CURRENT TAX ASSETS/LIABILITIES 271/75

7.1 Non-current tax assets

	31/12/2005	Movement	31/12/2006
Deferred tax assets	**375**	**(125)**	**250**
• Bouygues Telecom (1)	203	(139)	64
• Other segments	172	**14**	186
Non-current tax receivable	**0**	**21**	**21**
Total non-current tax assets	**375**	**(104)**	**271**

(1) Bouygues Telecom: The balance at 31 December 2006 consists of deferred tax assets on temporary differences, all deferred tax assets relating to tax loss carry-forwards having been absorbed as of that date.

7.2 Non-current tax liabilities

	31/12/2005	Movement	31/12/2006
Deferred tax liabilities	89	(14)	75
Other non-current tax liabilities	0	0	0
Total non-current tax liabilities	**89**	**(14)**	**75**

7.3 Deferred tax assets and liabilities by business segment

Type of deferred taxation by business segment	Net deferred tax asset/liability at 31/12/05	Changes in scope of consolidation	Translation adjustment	Movements during 2006		Other items	Net deferred tax asset/liability at 31/12/06
				Gain	Expense		
A - Tax losses available for carry-forward							
Bouygues Construction	3	4			(1)		**6**
Bouygues Immobilier							**0**
Colas	7			2			**9**
TF1	12				(3)		**9**
Bouygues Telecom	164			1	(145)	(20)	**0**
Bouygues SA and other activities							**0**
Sub-total	**186**	**4**	**0**	**3**	**(149)**	**(20)**	**24**
B - Temporary differences[1]							
Bouygues Construction	57	(1)		1			**57**
Bouygues Immobilier	21			6			**27**
Colas	(4)	(3)	3	13	(11)	(1)	**(3)**
TF1	(3)	(1)		13			**9**
Bouygues Telecom	38					26	**64**
Bouygues SA and other activities	(9)			44	(3)	(35)	**(3)**
Sub-total	**100**	**(5)**	**3**	**77**	**(14)**	**(10)**	**151**
Total	**286**	**(1)**	**3**	**80**	**(163)**	**(30)**	**175[2]**

(1) Main sources of deferred taxation:

	2006	***2005***
- Deferred tax assets on employee benefits	*110*	*87*
- Deferred tax on temporarily non-deductible provisions	*50*	*54*
- Restricted provisions booked solely for tax purposes	*(61)*	*(57)*
- Other	*52*	*16*
	151	*100*

(2) Net deferred tax asset (€250m - €75m)

7.4 Period to recovery of deferred tax assets

31 December 2006	Less than 2 years	2 to 5 years	Over 5 years	Total
Period to recovery of deferred tax assets	114	117	19	**250**

7.5 Unrecognised deferred tax assets

Amount of deferred tax assets not recognised due to low probability of recovery:

	31/12/2005	Movements during 2006	31/12/2006
Bouygues Construction	51	5	56
Bouygues Immobilier	18	(1)	17
Colas	27	(7)	20
TF1	42	(1)	41
Bouygues Telecom	29	(29)	
Other	28	(10)	18
Total unrecognised deferred tax assets	**195**	**(43)[1]**	**152**

(1) Primarily on the disposal of Bouygues Telecom Caraïbes: -€29m

NOTE 8: NON-CURRENT AND CURRENT DEBT 7,711

Non-current debt	**6,844**
Current debt	**867**

8.1 Interest-bearing debt by maturity

	Current debt 2007	Non-current debt						Other	Total non-current debt 31/12/2006	Total 12/2005
		1 to 2 years 2008	2 to 3 years 2009	3 to 4 years 2010	4 to 5 years 2011	5 to 6 years 2012	6 or more years 2013 & later			
Bond issues	140		1,007	498	749		4,310		**6,564**	**4,008**
Bank borrowings	98	29	65	23	9	6	45		**177**	**176**
Finance lease obligations	24	15	13	12	8	4	4		**56**	**57**
Other debt	149	16	20	3	5	3			**47**	**20**
Total interest-bearing debt	**411**	**60**	**1,105**	**536**	**771**	**13**	**4,359**		**6,844**	**4,261**
Bouygues Telecom 6.5% call option	**456**									**460**
Total inc. Bouygues Telecom option	**867**	**60**	**1,105**	**536**	**771**	**13**	**4,359**		**6,844**	**4,721**
Comparative at 31/12/2005	**694**	**549**	**35**	**1,036**	**526**	**782**	**1,793**			**4,721**

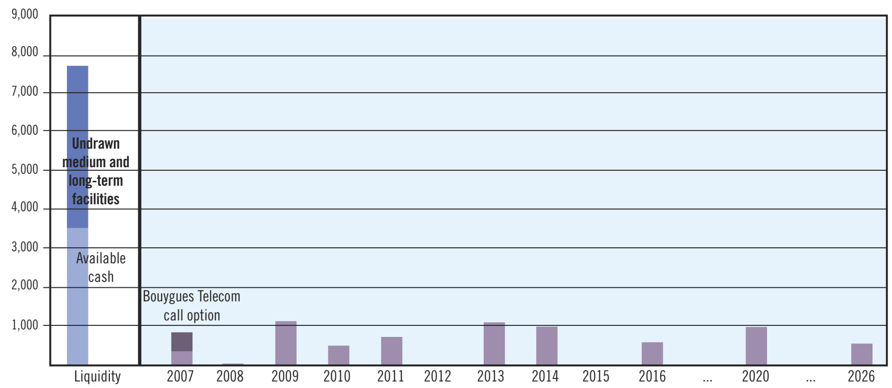
Finance lease obligations by business segment	Construction	Property	Roads	Media	Telecoms	Bouygues SA & other activities	Total
Non-current, 31 December 2006			**35**	**2**	**19**		**56**
Current, 31 December 2006			**20**	**1**	**3**		**24**
Non-current, 31 December 2005			**32**	**2**	**23**		**57**
Current, 31 December 2005			**26**	**1**	**8**		**35**

8.2 Confirmed credit facilities and drawdowns

Description	Confirmed facilities - Maturity				Drawdowns - Maturity			
	Less than 1 year	1 to 5 years	Over 5 years	Total	Less than 1 year	1 to 5 years	Over 5 years	Total
Bond issues (primarily Bouygues SA)	140	2,254	4,310	**6,704**	140	2,254	4,310	**6,704**
Bank borrowings	274	4,024	182	**4,480**	98	126	51	**275**
Other borrowings	173	92	11	**276**	173	92	11	**276**
Total before Bouygues Telecom call option	**587**	**6,370**	**4,503**	**11,460**	**411**	**2,472**	**4,372**	**7,255**
Bouygues Telecom 6.5% call option	456			**456**	456			**456**
Total including Bouygues Telecom call option	**1,043**	**6,370**	**4,503**	**11,916**	**867**	**2,472**	**4,372**	**7,711**

8.3 Liquidity at 31 December 2006

As at 31 December 2006, available cash stood at €3,535 million (including €6 million of financial instruments contracted to hedge net debt). The Group also had €4,205 million of undrawn confirmed medium-term credit facilities as at the same date.



Consequently, the Group has no exposure to liquidity risk.

The credit facilities contracted by Bouygues contain no financial covenants or trigger events, and nor do those used by Bouygues subsidiaries.

The 10-year bond issue maturing May 2016, the 7-year bond issue maturing May 2013 and the 20-year sterling bond issue maturing 2026 all contain a change of control clause relating to Bouygues SA.

8.4 Split of current and non-current debt by interest rate type

Split of current and non-current debt, including the effect of all open interest rate hedging contracts at the balance sheet date:

	12/2006	12/2005
• Fixed rate[1]	87%	85%
• Variable rate	13%	15%

(1) Rates fixed for more than one year

8.5 Interest rate

The split of financial assets and financial liabilities by interest rate type at 31 December 2006 was as follows:

	Variable rate	Fixed rate	Total
Financial liabilities	693	**7,018**	**7,711**
Financial assets(*)	3,535		**3,535**
Net position before hedging	(2,842)	**7,018**	**4,176**
Interest rate hedges	345	**(345)**	
Net position after hedging	**(2,497)**	**6,673**	**4,176**
Adjustment for seasonal nature of certain activities	275		
Net position after hedging and adjustment	**(2,222)**		

(*) Includes €6 million for the fair value of financial instruments contracted to hedge net debt.

An immediate 1% rise in short-term interest rates would reduce net interest expense by €22.2 million over a full year.

8.6 Split of current and non-current debt by currency

	Europe						
	Euro	Pound Sterling	Other currencies	US Dollar	CFA Franc	Other currencies	Total
Non-current, 31/12/06	6,105	650	19	13	31	26	**6,844**
Current, 31/12/06	833	2	16	1	5	10	**867**
Non-current, 31/12/05	4,610	38	23	9	35	6	**4,721**
Current, 31/12/05	677		3	1	11	2	**694**

An analysis of net debt by business segment is provided in Note 16.

NOTE 9: MAIN COMPONENTS OF CHANGE IN NET DEBT (4,176)

9.1 Change in net debt

	31/12/2005	Movements during 2006	31/12/2006
Cash and equivalents	3,215	561	**3,776**
Overdrafts and short-term bank borrowings	(178)	(69)	**(247)**
Net cash and equivalents	**3,037**	**492[1]**	**3,529**
Long-term debt	(4,721)	(2,123)	**(6,844)**
Debt (amount due within one year)	(694)	(173)	**(867)**
Financial instruments, net	26	(20)	**6**
Gross debt	**(5,389)**	**(2,316)**	**(7,705)**
Net debt	**(2,352)**	**(1,824)**	**(4,176)**

(1) Cash and equivalents as analysed in the 2006 cash flow statement (net cash flows + non-monetary movements)

9.2 Principal transactions in the year ended 31 December 2006

Net debt at 31 December 2005	**(2,352)**
Main impacts of changes in scope of consolidation	**81**
Dividends paid by Bouygues and its subsidiaries	**(463)**
Bouygues Confiance 3 share issue (2006 tranche)	**54**
Main acquisitions and disposals of investments and financial assets	**(181)**
Purchase of treasury shares, net of stock options exercised (Bouygues SA and TF1)	**(220)**
Operating and other items	**1,429**
Net debt at 31 December 2006 before Alstom transactions	**(1,652)**
Alstom transactions during 2006	
- Acquisition of interest in Alstom (French State 21.01%, stock market 4.06%)	**(2,374)**
- Alstom Hydro Holding financial asset (receivable)	**(150)**
Net debt at 31 December 2006	**(4,176)**

Sign convention: cash and equivalents positive, debt negative

NOTE 10: CURRENT LIABILITIES 14,976

Breakdown of current liabilities

	31/12/2006	31/12/2005
Advances and down-payments received	958	677
Debt (amount due within one year)[1]	867	694
Current taxes payable	144	211
Trade payables	6,744	5,805
Current provisions[2]	690	676
Other current liabilities, deferred income and similar		
Other operating liabilities (employees, social security, government)	2,298	1,998
Deferred income	1,217	961
Other non-financial liabilities	1,801	1,392
Overdrafts and short-term bank borrowings	247	178
Financial instruments (hedging of fair-value financial liabilities)[3]	5	9
Other current financial liabilities	5	11
Total	**14,976**	**12,612**

(1) See analysis in Note 8
(2) See analysis in Note 6.2
(3) See analysis in Note 17

NOTE 11: ANALYSIS OF SALES AND OTHER REVENUES FROM OPERATIONS

11.1 Analysis by accounting classification

	2006	2005
Sales of goods	2,496	2,233
Sales of services	10,104	9,086
Construction contracts	13,808	12,664
Sales	**26,408**	**23,983**
Royalties	2	
Other revenues from operations	178	147
Other revenues from operations	**180**	**147**
Total	**26,588**	**24,130**

There were no material exchanges of goods or services in the year ended 31 December 2006.

Information about construction contracts

	Bouygues Construction	Colas	Total
Unbilled works	301	279	580
Warranty retentions	44	23	67
Works billed in advance	(799)	(216)	(1,015)
Advance payments received	(502)	(63)	(565)

II.2 Analysis by business segment

Sales reported by fully-consolidated companies include accounting revenues from works contracts and sales of goods and services.

Segment	2006 sales				2005 sales			
	France	International	Total	%	France	International	Total	%
Construction	4,063	2,617	6,680	25	3,346	2,469	5,815	24
Property	1,390	218	1,608	6	1,389	168	1,557	6
Roads	6,239	4,443	10,682	41	5,436	3,988	9,424	39
Media	2,361	278	2,639	10	2,239	250	2,489	11
Telecoms	4,525		4,525	17	4,435		4,435	19
Bouygues SA & other activities	5	269	274	1	11	252	263	1
Consolidated sales	**18,583**	**7,825**	**26,408**	**100**	**16,856**	**7,127**	**23,983**	**100**
% change vs. 2005	**10%**	**10%**	**10%**					

II.3 Analysis by geographical area

	2006 sales		2005 sales	
	Total	%	Total	%
France	18,583	70	16,856	70
European Union (25 members)	2,811	10	2,636	11
Rest of Europe	1,009	4	766	3
Africa	1,034	4	1,056	4
Middle East	77	0	21	0
United States and Canada	2,067	8	1,781	8
Central and South America	154	1	132	1
Asia-Pacific	673	3	735	3
Total	**26,408**	**100**	**23,983**	**100**

II.4 Split by type of contract, France/International (%)

	2006			2005		
	France	International	Overall	France	International	Overall
Public-sector contracts(1)	31	48	36	29	49	35
Private-sector contracts	69	52	64	71	51	65

(1) Sales billed directly to government departments or local authorities (mainly works and maintenance contracts) in France and abroad.

NOTE 12: OPERATING PROFIT 1,877

	2006	2005
Current operating profit		
Sales	26,408	23,983
Other revenues from operations	180	147
Purchases used in production and external charges	(18,197)	(15,845)
Taxes other than income tax	(585)	(510)
Personnel costs	(5,278)	(4,802)
Net depreciation, amortisation, provisions and impairment		
Depreciation and amortisation	(1,190)	(1,183)
Net charge to provisions and impairment losses	(384)	(458)
Changes in production & property development inventories	471	58
Other operating income and expenses	496	459
Reversals of provisions no longer required[1]	216	222
Net gain on disposals of non-current assets	98	84
Other income and expenses	182	153
Current operating profit	**1,921**	**1,849**
Non-current operating income and expenses[2]	(44)	(104)
Operating profit	**1,877**	**1,745**

See Note 16 for an analysis by business segment.

(1) Reversals of provisions no longer required are individually immaterial.

(2) Fines for anti-competitive practices in 2006:

- Construction segment	*44*
Fines for anti-competitive practices in 2005:	
- Bouygues Telecom	*58*
- Construction segment	*46*

NOTE 13: COST OF NET DEBT (200)

Components of cost of net debt

Cost of net debt	2006	2005
- net debt	(198)	(175)
- finance leases	(4)	(6)
- financial instruments	2	(5)
Total	**(200)**	**(186)**

NOTE 14: INCOME TAX EXPENSE (555)

14.1 Analysis of income tax expense

	2006			2005		
	France	Other countries	Total	France	Other countries	Total
Tax payable to the tax authorities	(327)	(133)	(460)	(282)	(122)	(404)
Change in deferred tax liabilities	14	(1)	13	(19)	(1)	(20)
Change in deferred tax assets[1]	(106)	(2)	(108)	(153)	7	(146)
Total	**(419)**	**(136)**	**(555)**	**(454)**	**(116)**	**(570)**

(1) Includes Bouygues Telecom deferred tax assets written back.

See Note 16 for an analysis by business segment.

14.2 Tax proof (reconciliation between standard tax rate and effective tax rate)

Differences between the standard corporate income tax rate applicable in France and the effective tax rate based on the consolidated financial statements are as follows:

	2006	2005
• **Net profit**	1,582	1,038
Eliminations:		
Income tax expense	555	570
Net profit of discontinued and held-for-sale operations	(364)	(16)
Share of profits and losses of associates	(118)	(62)
• **Net profit before tax**	**1,655**	**1,530**
Standard tax rate in France	34.43%	34.93%
Recognition and utilisation of tax loss carry-forwards	0.49%	(0.81%)
Effect of permanent differences	(0.32%)	4.20%
Flat-rate taxes, dividend taxes and tax credits	0.65%	0.88%
Taxes at rates not linked to profits: differences in tax rates, long-term capital gains, foreign taxes	(1.75%)	(1.91%)
• **Effective tax rate**	**33.50%**	**37.29%**

NOTE 15: BASIC AND DILUTED EARNINGS PER SHARE

Earnings per share before dilution (basic earnings per share) is obtained by dividing net profit attributable to the Group by the weighted average number of shares outstanding during the year, excluding the average number of ordinary shares bought and held as treasury shares.

	2006	2005
Net profit attributable to the Group (€m)	1,246	832
Weighted average number of shares outstanding	335,953,459	332,036,321
Basic earnings per share (in euros)	**3.71**	**2.51**

Diluted earnings per share is calculated by reference to the weighted average number of shares outstanding, adjusted for the conversion of all potentially dilutive shares (i.e. stock subscription options legally and effectively exercisable at the balance sheet date).

	2006	2005
Net profit used to calculate diluted earnings per share	1,246	832
Weighted average number of shares outstanding	335,953,459	332,036,321
Adjustment for potential dilutive effect of stock options	10,353,752	11,351,815
Diluted earnings per share (in euros)	**3.60**	**2.42**

NOTE 16: SEGMENT INFORMATION

Segment information is provided in two forms: **1- By business segment:** Construction (Bouygues Construction); Property (Bouygues Immobilier); Roads (Colas); Media (TF1); Telecoms (Bouygues Telecom); Bouygues SA and other activities **2- By geographical area:** France, Rest of Europe, Africa, Asia-Pacific, Americas, Middle East (Sales are allocated by the location where the sales are generated, and property, plant and equipment by location of the asset)

16.1 Analysis by business segment - year ended 31 December 2006

	Construction	Property	Roads	Media	Telecoms	Bouygues SA & other activities	Total 2006
INCOME STATEMENT							
Total sales	6,923	1,608	10,716	2,654	4,539	542	**26,982**
Inter-segment sales	(243)		(34)	(15)	(14)	(268)	**(574)**
Third-party sales	**6,680**	**1,608**	**10,682**	**2,639**	**4,525**	**274**	**26,408**
Net depreciation and amortisation expense	(103)	(2)	(369)	(86)	(595)	(35)	**(1,190)**
Net charges to provisions	(117)	(4)	(134)	(30)	(78)	(21)	**(384)**
Current operating profit	**305**	**176**	**524**	**301**	**581**	**34**	**1,921**
Non-current operating income and expenses	(43)		4			(5)	**(44)**
Operating profit	**262**	**176**	**528**	**301**	**581**	**29**	**1,877**
Cost of net debt	51	(1)	(15)	(12)	(9)	(214)	**(200)**
Income tax expense	(119)	(56)	(168)	(99)	(191)	78	**(555)**
Share of profits and losses of associates	8		54	13		43	**118**
Net profit before results of discontinued and held-for-sale operations	**211**	**109**	**402**	**198**	**381**	**(83)**	**1,218**
Net profit of discontinued and held-for-sale operations				254	110		**364**
Net profit	**211**	**109**	**402**	**452**	**491**	**(83)**	**1,582**
Net profit attributable to the Group	**210**	**107**	**382**	**194**	**440**	**(87)**	**1,246**
BALANCE SHEET							
Property, plant and equipment	372	9	1,835	152	2,273	398	**5,039**
Intangible assets	20	3	61	157	771	10	**1,022**
Goodwill	224		827	1,085	2,645		**4,781**
Deferred tax assets and non-current tax receivables	66	30	68	23	64	20	**271**
Investments in associates	66		422	40		2,412	**2,940**
Other non-current assets	87	16	144	657	3	180	**1,087**
Cash and equivalents	344	96	272	275	9	2,780	**3,776**
Unallocated assets							**10,904**
Total assets							**29,820**
Non-current liabilities	230	38	137	506	18	5,915	**6,844**
Non-current provisions	587	85	513	46	100	101	**1,432**
Deferred tax liabilities and non-current tax liabilities	3	2	63	5		2	**75**
Current financial liabilities	4	79	32	145	6	601	**867**
Overdrafts and short-term bank borrowings	(1,949)	(46)	(306)	3	(82)	2,627	**247**
Unallocated liabilities							**20,355**
Total liabilities							**29,820**
Net debt(1)	2,059	26	410	(379)	67	(6,359)	**(4,176)**
CASH FLOW STATEMENT							
Operating cash flow before changes in working capital	437	163	942	380	1,214	19	**3,155**
Net acquisitions of property, plant and equipment and intangible assets	(206)	(4)	(527)	(78)	(613)	(178)	**(1,606)**
Net acquisitions of investments in consolidated companies and other investments	(169)	11	(54)	(42)	121	(2,314)	**(2,447)**
OTHER INDICATORS							
Ebitda	430	161	976	412	1,229	71	**3,279**
Free cash flow	163	102	232	191	395	(294)	**789**

(1) Contribution at business segment level, including Bouygues Relais and Uniservice current accounts (these inter-segment accounts are eliminated in the "Bouygues SA & other activities" column).

16.2 Analysis by business segment - year ended 31 December 2005

	Construction	Property	Roads	Media	Telecoms	Bouygues SA & other activities	Total 2005
INCOME STATEMENT							
Total sales	6,131	1,557	9,540	2,508	4,447	423	**24,606**
Inter-segment sales	(316)		(116)	(19)	(12)	(160)	**(623)**
Third-party sales	**5,815**	**1,557**	**9,424**	**2,489**	**4,435**	**263**	23,983
Net depreciation and amortisation expense	(111)	(3)	(338)	(80)	(613)	(38)	**(1,183)**
Net charges to provisions	(186)	(44)	(107)	(44)	(68)	(9)	**(458)**
Current operating profit	**250**	**156**	**421**	**353**	**653**	**16**	1,849
Non-current operating income and expenses	(12)		(32)		(58)	(2)	(104)
Operating profit	**238**	**156**	**389**	**353**	**595**	**14**	**1,745**
Cost of net debt	32	1	(10)	(12)	(25)	(172)	**(186)**
Income tax expense	(114)	(53)	(121)	(116)	(220)	54	**(570)**
Share of profits and losses of associates	19		49	(5)		(1)	**62**
Net profit before results of discontinued and held-for-sale operations	**176**	**92**	**312**	**221**	**350**	**(129)**	1,022
Net profit of discontinued and held-for-sale operations				14	2		**16**
Net profit	**176**	**92**	**312**	**235**	**352**	**(129)**	**1,038**
Net profit attributable to the Group	**176**	**90**	**296**	**101**	**301**	**(132)**	**832**
BALANCE SHEET							
Property, plant and equipment	247	46	1,650	152	2,270	250	**4,615**
Intangible assets	11	1	47	178	806	13	**1,056**
Goodwill	106		805	1,047	2,655	5	**4,618**
Deferred tax assets and non-current tax receivables	61	26	64	16	203	5	**375**
Investments in associates	62		395	40			**497**
Other non-current assets	89	8	98	21	3	64	**283**
Cash and equivalents	251	40	241	177	5	2,501	**3,215**
Unallocated assets							**9,939**
Total assets							**24,598**
Non-current liabilities	8	72	108	513	23	3,997	**4,721**
Non-current provisions	519	79	471	47	54	95	**1,265**
Deferred tax liabilities and non-current tax liabilities	1	5	61	7		15	**89**
Current financial liabilities	4	14	37	25	11	603	**694**
Overdrafts and short-term bank borrowings	56	1	100	1	1	19	**178**
Unallocated liabilities							**17,651**
Total liabilities							**29,820**
Net debt(1)	1,874	150	415	(351)	(441)	(3,999)	**(2,352)**
CASH FLOW STATEMENT							
Operating cash flow before changes in working capital	411	161	781	453	1,261	23	**3,090**
Net acquisitions of property, plant and equipment and intangible assets	(56)	(4)	(411)	(155)	(584)	(19)	**(1,229)**
Net acquisitions of investments in consolidated companies and other investments	(39)		(134)	(30)		(47)	**(250)**
OTHER INDICATORS							
Ebitda	444	177	828	457	1,324	38	**3,268**
Free cash flow	273	105	239	170	431	(114)	**1,104**

(1) Contribution at business segment level, including Bouygues Relais and Uniservice current accounts (these inter-segment accounts are eliminated in the "Bouygues SA & other activities" column). Sign convention: cash and equivalents positive, debt negative.

16.3 Analysis by geographical area

Year ended 31 December 2006	France	European Union (25 members)	Rest of Europe	Africa	Asia-Pacific	Americas	Middle East	Total
Income statement								
Third-party sales	18,583	2,811	1,009	1,034	673	2,221	77	**26,408**
Balance sheet								
Property, plant and equipment(1)	3,880	345	118	203	56	434	3	**5,039**
Intangible assets	967	28	8	10	1	8		**1,022**
Unallocated assets								**23,759**
Total assets								**29,820**
Cash flow statement								
Purchase price of property, plant and equipment and intangibles	(1,314)	(110)	(31)	(65)	(29)	(150)	(3)	**(1,702)**

(1) Includes assets held under finance leases.

Year ended 31 December 2005	France	European Union	Rest of Europe	Africa	Asia-Pacific	Americas	Middle East	Total
Income statement								
Third-party sales	16,856	2,636	766	1,056	735	1,913	21	**23,983**
Balance sheet								
Property, plant and equipment(1)	3,725	248	53	199	41	349		**4,615**
Intangible assets	1,015	22		13		6		**1,056**
Unallocated assets								**18,927**
Total assets								**24,598**
Cash flow statement								
Purchase price of property, plant and equipment and intangibles	(1,093)	(70)	(19)	(71)	(17)	(101)		**(1,371)**

(1) Includes assets held under finance leases.

16.4 Income statement by function

2006	Construction (Bouygues Construction)	Property (Bouygues Immobilier)	Roads (Colas)	Media (TF1)	Telecoms (Bouygues Telecom)	Bouygues SA & other activities	Total
Consolidated sales	**6,680**	**1,608**	**10,682**	**2,639**	**4,525**	**274**	**26,408**
Cost of sales	(5,609)	(1,277)	(9,244)	(1,973)	(3,326)	(226)	**(21,655)**
Gross profit	**1,071**	**331**	**1,438**	**666**	**1,199**	**48** (1)	**4,753**
Research and development expenses	(8)	(2)	(61)	(8)	(22)	(1)	**(102)**
Selling expenses	(333)	(100)		(141)	(155)		**(729)**
Administrative expenses	(438)	(53)	(848)	(216)	(441)	(45)	**(2,041)**
Goodwill impairment			(9)	(4)		(6)	**(19)**
Other current operating income & expenses	13		4	4		38	**59**
Current operating profit	**305**	**176**	**524**	**301**	**581**	**34**	**1,921**

(1) Gross margin rate = 18.0%

2005	Construction (Bouygues Construction)	Property (Bouygues Immobilier)	Roads (Colas)	Media (TF1)	Telecoms (Bouygues Telecom)	Bouygues SA & other activities	Total
Consolidated sales	**5,815**	**1,557**	**9,424**	**2,489**	**4,435**	**263**	**23,983**
Cost of sales	(4,903)	(1,264)	(8,130)	(1,799)	(3,166)	(222)	**(19,484)**
Gross profit	**912**	**293**	**1 294**	**690**	**1,269**	**41** (2)	**4,499**
Research and development expenses	(7)	(1)	(107)		(21)	(1)	**(137)**
Selling expenses	(289)	(97)		(138)	(164)	(3)	**(691)**
Administrative expenses	(366)	(41)	(765)	(199)	(431)	(75)	**(1,877)**
Goodwill impairment			(1)			(5)	**(6)**
Other current operating income & expenses		2				59	**61**
Current operating profit	**250**	**156**	**421**	**353**	**653**	**16**	**1,849**

(2) Gross margin rate = 18.8%

NOTE 17: FINANCIAL INSTRUMENTS

The tables presented below show the aggregate nominal amounts at 31 December 2006 for each type of financial instrument used, split by residual maturity for interest rate hedges and by currency for currency hedges.

17.1 Interest rate hedges

Analysis by maturity

Maturity	Notional amounts at 31/12/06				Notional amounts
	2007	2008 to 2011	After 2011	Total	31/12/2005
Interest rate swaps					
- on financial assets	951	32	-	**983**[1]	**559**
- on financial liabilities	311	788	55	**1,154**[2]	**1,068**
Future rate agreements					
- on financial assets	-	-	-	**-**	**-**
- on financial liabilities	-	-	-	**-**	**-**
Caps / floors					
- on financial assets	-	-	-	**-**	**-**
- on financial liabilities	-	204	-	**204**	**-**

(1) of which swaps paying fixed rate: 583
(2) of which swaps paying fixed rate: 654

Analysis by business segment

	Construction	Property	Roads	Media	Telecoms	Bouygues SA & other activities	Total 2006	Total 2005
Interest rate swaps								
- on financial assets	400	-	-	-	-	583	**983**	**559**
- on financial liabilities	19	-	55	400	480	200	**1,154**	**1,068**
Future rate agreements								
- on financial assets	-	-	-	-	-	-	**-**	
- on financial liabilities	-	-	-	-	-	-	**-**	
Caps / floors								
- on financial assets	-	-	-	-	-	-	**-**	
- on financial liabilities	54	-	-	150	-	-	**204**	

In the case of renewable interest rate hedges, the amounts shown in the columns relate to the longest maturity.

17.2 Currency hedges

Analysis by currency

Currency	At 31 December 2006 (equivalent value, in millions of euros) US Dollar	Pound sterling	Swiss franc	Hong Kong dollar	Other	Total 31/12/2006	Total 31/12/2005
Forward purchases/sales							
- forward purchases	158	14	-	-	191	**363**	**114**
- forward sales	110	13	4	27	56	**210**	**269**
Currency swaps	62	32	43	-	118	**255**	**321**
Currency options							
- forward purchases	20	2	2	36	7	**67**	**53**
- forward sales	-	-	-	-	-		**4**

Analysis by business segment

	Construction	Property	Roads	Media	Telecoms	Bouygues SA & other activities	Total 2006	Total 2005
Forward purchases/sales								
- forward purchases	74	-	147	128	14	-	**363**	**114**
- forward sales	183	-	-	27	-	-	**210**	**269**
Currency swaps	39	-	-	-	-	216	**255**	**321**
Currency options								
- forward purchases	7	-	-	36	24	-	**67**	**53**
- forward sales	-	-	-	-	-	-		**4**

17.3 Market value of hedging instruments

At 31 December 2006, the market value (net present value) of the hedging instruments portfolio was +€19 million. This amount mainly comprises the net present value of interest rate swaps contracted to hedge the Group's debt (fair value hedges and cash flow hedges), and the net present value of forwards and futures contracted to hedge currency risk arising on commercial transactions.

The split of this market value by type of hedge is as follows:

- fair value hedges of components of net debt: +€6 million
- cash flow hedges: +€13 million

A movement of +1.00% in the yield curve would increase the market value of the hedging instruments portfolio by €18 million; a movement of -1.00% in the yield curve would increase the market value of the hedging instruments portfolio by €20 million.

A uniform 1% depreciation in the euro against all other currencies would increase the market value of the hedging instruments portfolio by €15 million.

These calculations were prepared by the Bouygues group, or obtained from the banks with whom the instruments were contracted.

NOTE 18: OFF BALANCE SHEET COMMITMENTS

18.1 Reciprocal commitments

Commitments given/received	Total 12/2006	Construction	Property	Roads	Media	Telecoms	Bouygues SA & other activities	Maturity under 1 year	Maturity 1 to 5 years	Maturity over 5 years	Maturity Total	Total 12/2005
Commitments given	**1,940**	**35**	**453**	**163**	**422**	**867**		**646**	**907**	**387**	**1,940**	**2,072**
Image transmission	**280**				280			70	210		**280**	**387**
Operating leases(1)	**1,151**	32	24	88	142	865(2)		225	539	387	**1,151**	**1,040**
Irrevocable purchase obligations	**509**	3	429(3)	75		2		351	158		**509**	**645**
Commitments received	**1,953**	**35**	**453**	**163**	**422**	**880**		**659**	**907**	**387**	**1,953**	**2,032**
Image transmission	**280**				280			70	210		**280**	**387**
Operating leases(1)	**1,151**	32	24	88	142	865		225	539	387	**1,151**	**1,040**
Irrevocable purchase obligations	**522**	3	429	75		15		364	158		**522**	**605**
Balance(4)	**(13)**					**(13)**		**(13)**			**(13)**	**40**

(1) Minimum future lease payments due until the normal renewal date of the lease (or earliest potential termination date) under operating leases relating to current operations (land, buildings, plant & equipment, etc).

(2) Bouygues Telecom: commitments given in connection with operating activities, primarily commercial leases of property and sites housing technical installations for the network (including site rentals of €633.9m and property rentals of €173.1m).

(3) Bouygues Immobilier: irrevocable commitments, subject to conditions, relating to the purchase of land banks.

(4) Bouygues Telecom: effect of the specific terms of certain equipment supply contracts.

18.2 Sundry commitments

	Total 12/2006	Construction	Property	Roads	Media	Telecoms	Bouygues SA & other activities	Maturity under 1 year	Maturity 1 to 5 years	Maturity over 5 years	Maturity Total	Total 12/2005
Commitments given	**703**	**154**	**22**	**70**	**54**	**355**	**48**	**344**	**252**	**107**	**703**	**648**
Other contractual obligations and commercial commitments given(1) (guarantees, endorsements, etc)	**703**	154	22	70	54	355	48	344	252	107	**703**	**648**
Commitments received	**68**				**24**	**12**	**32**	**27**	**39**	**2**	**68**	**100**
Other contractual obligations and commercial commitments received (guarantees, endorsements, etc)	**68**				24	12	32	27	39	2	**68**	**100**
Balance	**635**	**154**	**22**	**70**	**30**	**343**	**16**	**317**	**213**	**105**	**635**	**548**

(1) In the course of its ordinary activities, the Group provides ten-year guarantees or performance bonds for which no quantified estimate or disclosure is made unless it becomes apparent that the guarantee or bond will require the Group to make payments, in which case a provision would be recognised.

18.3 Other commitments

Commitments given by Bouygues Telecom:

GSM licence	Bouygues Telecom has a GSM licence which requires compliance with a number of obligations; the company is in compliance with all these obligations. This licence is due for renewal in 2009.
UMTS licence	The UMTS licence awarded to Bouygues Telecom requires compliance with various obligations, relating in particular to the pace of the roll-out, geographical coverage and the commercial opening of the network. Bouygues Telecom is currently in the process of rolling out the network. In a ruling issued on 20 May 2005, the French telecommunications regulator (ARCEP) put back to 30 April 2007 at the latest the date by which Bouygues Telecom is required to make the UMTS services covered by the licence commercially available.
Blind spots	In 2002, Bouygues Telecom and the two other French mobile operators committed to providing coverage in a number of blind spots. This commitment was set out in an agreement signed in 2003 and amended in 2004. The three operators are obliged to provide coverage to 3,100 communities, representing 2,250 sites. Bouygues Telecom was in compliance with its coverage obligations as at 31 December 2006.

Commitment given by Bouygues SA:

Commitment to retain the Alstom shares acquired from the French State for at least three years.

Commitment received by Bouygues SA:

Put option on Alstom Hydro Holding shares granted by Alstom to Bouygues SA, see Note 1.5.

TF1 commitments:

Under the agreements between Vivendi, TF1 and M6, the commitments and guarantees provided by TF1 and M6 in respect of the obligations of TPS were covered by a counter-guarantee issued by Vivendi taking effect from 4 January 2007.
Consequently, the commitments entered into by TF1 and M6 are disclosed neither in "Commitments given" nor "Commitments received" as at 31 December 2006.
TF1 has also entered into an agreement, subject to certain conditions, to acquire an interest in AB Group for €230m during 2007.

	Total 12/2006	Construction	Property	Roads	Media	Telecoms	Bouygues SA & other activities	Maturity under 1 year	Maturity 1 to 5 years	Maturity over 5 years	Maturity Total	Total 12/2005
Total commitments given	2,643	189	475	233	476	1,222	48	990	1,159	494	2,643	2,720
Total commitments received	2,021	35	453	163	446	892	32	686	946	389	2,021	2,132

No material off balance sheet commitments have been omitted from this disclosure, in accordance with applicable accounting standards.

18.4 Collateral given

	Total 12/2006	Construction	Property	Roads	Media	Telecoms	Bouygues SA & other activities	Maturity under 1 year	Maturity 1 to 5 years	Maturity over 5 years	Maturity Total	Total 12/2005
Mortgages secured on land and buildings, pledges of plant and equipment	10	2		8				1	4	5	10	9
Pledges of securities and subordinated loans	8	8							6	2	8	25
Total	18	10		8				1	10	7	18	34

18.5 Contingent assets and liabilities

Contingent assets: Litigation	In February 2005, Bouygues Telecom instituted proceedings against Tekelec US, the supplier of two computer servers that failed on 17 November 2004, making it impossible for a number of Bouygues Telecom subscribers to make or receive calls. The case is currently before the courts of North Carolina. Bouygues Telecom is alleging negligence by the manufacturer, and is claiming damages. - the French Competition Commission ruling of 30 November 2005, which ordered Bouygues Telecom to pay a fine of €58 million for alleged collusion, was upheld by the Paris Appeal Court on 12 December 2006. Bouygues Telecom has appealed against the Appeal Court's decision.
Claims	In 2006 and earlier, Bouygues Construction filed claims relating to ongoing and completed projects. These claims will not be recognised as assets until accepted by the client.

Contingent liabilities: Litigation	The French Competition Commission is investigating a complaint about the SMS rates charged by Bouygues Telecom, SFR and Orange France. No grounds have yet been lodged for this complaint, in which there have been no further developments since April 2004.

18.6 Obligations under finance leases and operating leases

18.6.1 Obligations under finance leases

Summary of future minimum lease payments	under 1 year	1 to 5 years	Total
Finance leases at 31 December 2006	26	57	83
Comparative at 31 December 2005	42	61	103

Present value of minimum lease payments	under 1 year	1 to 5 years	Total
Minimum lease payments	26	57	83
Finance charges	4	7	11
Present value of minimum lease payments	**22**	**50**	**72**
Comparative at 31 December 2005	38	51	89

The amount of contingent rent under finance leases at 31 December 2006 is: nil

18.6.2 Obligations under operating leases

Minimum payments for the year	Total lease payments
Minimum payments for the year ended 31 December 2006	150

Summary of future minimum lease payments	under 1 year	1 to 5 years	over 5 years	Total
Operating leases at 31 December 2006	225	539	387	1,151
Comparative at 31 December 2005	191	513	336	1,040

NOTE 19: HEADCOUNT, EMPLOYEE BENEFIT OBLIGATIONS AND EMPLOYEE SHARE OWNERSHIP

19.1 Average headcount

	2006	2005
Managerial	**18,511**	16,456
Supervisory, technical and clerical	**18,650**	17,715
Site workers	**28,758**	27,230
Sub-total: France	**65,919**	**61,401**
Expatriates and local contract staff	**57,599**	57,004
Total average headcount	**123,518**	**118,405**[1]

(1) Excludes headcount of TPS and BTC; average headcount of 689 included at 31 December 2005

19.2 Employee benefit obligations and retirement benefit obligations (post-employment benefits)

The tables below disclose information about the Bouygues group's retirement benefit obligations (see Note 2 for accounting policies).

19.2.1 Defined-contribution plans

	2006	2005
Amounts recognised as expenses	(1,404)	(1,382)

The above defined-contribution expenses comprise contributions to:
- health insurance and mutual insurance funds
- pension funds (compulsory and top-up schemes)
- unemployment insurance funds

For related-party information, see Note 20.

19.2.2 Defined-benefit plans

Net expense recognised in the income statement (as an operating item)

	Lump-sum retirement benefits		Pensions	
	2006	2005	2006	2005
Current service cost	11	13	(2)	
Interest expense on obligation	11	9	5	2
Expected return on plan assets	(1)		(4)	(2)
Net actuarial loss/(gain) recognised	1	(1)	2	
Past service cost	5	6	(1)	(1)
Net expense recognised in the income statement	**27**	**27**	**0**	**(1)**

Amounts recognised in the balance sheet

	Lump-sum retirement benefits		Pensions	
	31/12/2006	31/12/2005	31/12/2006	31/12/2005
Present value of obligation[1]	347	335	118	103
Fair value of plan assets	(2)[2]	(3)[2]	(88)	(74)
Net unrecognised actuarial loss/(gain)		(10)	(13)	(12)
Unrecognised past service cost	(67)	(71)	5	5
Net obligation recognised	**278**	**251**	**22**	**22**

(1) Total present value of obligation relating to lump-sum retirement benefits and pensions.

(2) Residual TF1 fund covering a portion of the obligation, reducing the present value of the TF1 obligation.

Movement in balance sheet items

	Lump-sum retirement benefits			Pensions		
	31/12/2006	31/12/2005	31/12/2004	31/12/2006	31/12/2005	31/12/2004
Position at 1 January	251	225	224	22	22	21
Expense recognised	27	27	29		1	
Changes in scope of consolidation	(1)		(29)		(1)	
Translation adjustment						
Transfers between items and other movements	1	(1)	1			1
Position at 31 December	**278**	**251**	**225**	**22**	**22**	**22**

Main actuarial assumptions used to measure lump-sum retirement benefit obligations

	31/12/2006	31/12/2005
Discount rate (OAT TEC 10)	3.38-3.83%	3.38-3.57%
Mortality table	INSEE	INSEE
Retirement age		
- Managerial	60/63 years	60/63 years
- Technical, supervisory, clerical & site workers	60 years	60 years
Salary inflation rate(1)	2-4.6%	2-4.3%

(1) Including general inflation

Analysis by business segment for the year ended 31 December 2006

	Construction	Property	Roads	Media	Telecoms	Bouygues SA & other activities	Total
Net lump-sum retirement benefit expense	7	1	12	2	3	2	**27**
Non-current provisions (balance sheet)							
- Lump-sum retirement benefits	72	7	128	28	23	20	**278**
- Pensions	1		21				**22**

Analysis by geographical area for the year ended 31 December 2006

	France(2)	European Union	Africa	Asia-Pacific	Americas	Total
Net lump-sum retirement benefit expense(1)	26		1			**27**
Non-current provisions (balance sheet):						
- Lump-sum retirement benefits	260	1	15	1	1	**278**
- Pensions		20			2	**22**

(1) Pension expense for the year ended 31 December 2006 is immaterial.

(2) Includes French overseas departments.

19.3 Employee share ownership

19.3.1 Stock options

■ Securities giving potential access to the share capital

Share price at 29 December 2006: €48.63

Plan	Options outstanding at 31 December 2006	Date of grant	Earliest normal exercise date	Earliest employee share ownership plan exercise date	Exercise price (€)
2000.07	1,269,340	04/07/2000	04/07/2005	-	**58.74**
2001.03	1,195,965	27/03/2001	27/03/2005	-	**33.47**
2001.07	1,088,447	03/07/2001	03/07/2005	-	**32.81**
2001.09	300,000	18/09/2001	18/09/2005	-	**28.67**
2002.06	2,163,757	25/06/2002*	25/06/2006	25/06/2003	**23.41**
2002.12	588,447	17/12/2002	17/12/2006	17/12/2003	**23.00**
2003.06	3,345,566	17/06/2003	17/06/2007	17/06/2004	**19.37**
2004.03	3,545,206	15/03/2004	15/03/2008	15/03/2005	**25.15**
2005.06	2,941,434	21/06/2005	21/06/2009	21/06/2006	**31.34**
2006.09	3,656,100	05/09/2006	05/09/2010	05/09/2007	**40.00**

(*) Employee share ownership plan rules apply from the June 2002 plan onwards.

1) Options legally exercisable at 31 December 2006, either by normal exercise or by partial exercise ahead of the normal exercise date under the terms of the employee savings plan (applies to plans granted from June 2002 onwards).

2) Options effectively exercisable at 31 December 2006, i.e. options that are in the money (exercise price below the closing share price at 29 December 2006: €48.63).

NOTE 20: DISCLOSURES ON RELATED PARTIES AND REMUNERATION OF DIRECTORS/SENIOR EXECUTIVES

20.1 Related-party disclosures

	Expenses		Income		Receivables		Liabilities	
	2006	2005	2006	2005	31/12/06	31/12/05	31/12/06	31/12/05
Parties with an ownership interest (SCDM)	6	6				1		
Joint ventures	73	99	214	177	97	74	93	76
Associates	2	13	314	103	69	38	192	18
Other related parties	11	17	25	5	26	23	38	33
Total	**92**	**135**	**553**	**285**	**192**	**136**	**323**	**127**
Maturity								
less than 1 year					177	106	136	125
1 to 5 years					9	11	187	2
more than 5 years					6	19		
includes: impairment of doubtful receivables (primarily non-consolidated companies)					**68**	**49**		

20.2 Remuneration and benefits paid to directors and senior executives

These disclosures cover members of the Group's Management Committee who were in post on 31 December 2006.

Direct remuneration: €19,825,740, comprising basic remuneration of €8,263,974, exceptional variable remuneration of €10,996,491 paid in 2007 on the basis of 2006 performance, and €565,275 of directors' fees.

Directors' fees paid to non-executive directors and non-voting supervisors amounted to €387,703.

Short-term benefits: none

Post-employment benefits: Members of the Management Committee belong to a top-up retirement benefit plan based on 0.92% of their reference salary for each year's membership of the plan. This plan is contracted out to an insurance company. Contributions paid into the fund managed by the insurance company amounted to €3,000,000 in 2006.

Long-term benefits: none

Termination benefits: These comprise lump-sum retirement benefits of €714,134.

Share-based payment: 950,000 stock options were granted on 5 September 2006 at an exercise price of €40. The earliest exercise date is 5 September 2010, and the expense recognised in the year ended 31 December 2006 was €357,540.

NOTE 21: ADDITIONAL CASH FLOW STATEMENT INFORMATION

21.1 Cash flows of acquired and divested subsidiaries

Breakdown by business segment of net cash flows resulting from acquisitions and divestments of subsidiaries:

Acquired/divested subsidiaries	Construction	Property	Roads	Media	Telecoms	Bouygues SA & other activities	Total year ended 31/12/2006
Cash and equivalents	13	9	(3)	107	3	(1)	**128**
Inventories	(65)	(3)	5	(2)	3		**(62)**
Trade receivables	(111)	(31)	(54)	(9)	16	(2)	**(191)**
Non-current assets	(39)	19	(38)	(80)	121	(2,362)	**(2,379)**
Goodwill	(116)		(26)	(40)	11	1	**(170)**
Trade payables	133	27	72	(11)	(30)	7	**198**
Non-current debt	19	(12)	10				**17**
Non-current provisions	9	2	(2)		(3)		**6**
Net acquisition cost	**(157)**	**11**	**(36)**	**(35)**	**121**	**(2,357)**	**(2,453)**
Cash acquired or divested	(13)	(9)	3	(107)	(3)	1	**(128)**
Net debt on long-term investments			(11)				**(11)**
Net cash flow resulting from acquisitions and divestments of subsidiaries	**(170)**	**2**	**(44)**	**(142)**	**118**	**(2,356)**	**(2,592)[1]**

(1) Includes: Acquisition of shares in Alstom (25.07% interest as at 31 December 2006): (2,374)

NOTE 22: AUDITORS' FEES

The table below shows fees paid to the auditors (and member firms of their networks) responsible for the audit of the consolidated financial statements of Bouygues and consolidated companies, as expensed through the income statement in 2006.

Engagement in thousands of euros	Mazars & Guérard network			Ernst & Young network			Other firms[1]			Total expense	
	12/2006	%	12/2005	12/2006	%	12/2005	12/2006	%	12/2005	12/2006	12/2005
A - Audit											
Audit of consolidated and individual company financial statements[a]	4,336	98	3,413	2,775	92	3,000	7,225	84	6,600	14,336	13,013
- Bouygues SA	*189*		*144*	*189*		*184*				*378*	*328*
- Consolidated companies	*4,147*		*3,269*	*2,586*		*2,816*	*7,225*		*6,600*	*13,958*	*12,685*
Related engagements[b]	109	2	165	255	8	214	748	9	320	1,112	699
- Bouygues SA	*45*		*63*	*36*		*12*				*81*	*75*
- Consolidated companies	*64*		*102*	*219*		*202*	*748*		*320*	*1,031*	*624*
Sub-total	**4,445**	**100**	**3,578**	**3,030**	**100**	**3,214**	**7,973**	**93**	**6,920**	**15,448**	**13,712**
B - Other services[c]											
Company law, tax, employment law				31	1	53	499	6	856	530	909
Information technology											
Internal audit											
Other	(24)	0	41	(42)	(1)	52	96	1	78	30	171
Sub-total	**(24)**	**0**	**41**	**(11)**	**(0)**	**105**	**595**	**7**	**934**	**560**	**1,080**
Total fee expense	**4,421**	**100**	**3,619**	**3,019**	**100**	**3,319**	**8,568**	**100**	**7,854**	**16,008**	**14,792**

(1) In the interests of comprehensiveness, this table includes fees paid to other firms.

(a) Includes services provided by independent experts and member firms to the auditors in connection with their audit engagement.

(b) Includes procedures and directly related services provided to the issuer or its subsidiaries:

- by the auditors, in compliance with article 10 of the Code of Ethics;

- by a member firm of the auditor's network, in compliance with articles 23 and 24 of the Code of Ethics.

(c) Non-audit services provided, in compliance with article 24 of the Code of Ethics, by member firms to subsidiaries of the issuer on whose financial statements an audit opinion is issued.

NOTE 23: CHANGES IN SCOPE OF CONSOLIDATION AND DISCONTINUED/HELD-FOR-SALE OPERATIONS

■ Transfer of TPS to Canal+ France (see Note 1)

On 30 November 2006, in accordance with agreements between the parties, TF1 subscribed €129.4 million to a share issue carried out by TPS Gestion.

The net impact reported in the consolidated income statement of TF1 for the year ended 31 December 2006 was a gain of €253.6 million.

The parameters used in determining the net gain on the transaction were based on the terms of the draft shares-for-assets exchange agreement transferring TPS Gestion (which owns 100% of TPS) to Canal+ France. This agreement was signed on 19 December 2006 and approved by an Extraordinary General Meeting of Canal+ France shareholders on 4 January 2007.

With effect from 4 January 2007, the share ownership structure of Canal+ France has been: Vivendi 65%, Lagardère 20%, TF1 9.9% and M6 5.1%.

Impacts on:

1. Balance sheet: Assets and liabilities of discontinued and held-for-sale operations on the 2005 balance sheet -> TPS:

	12/2005 TPS
Non-current assets	
Property, plant and equipment and intangible assets	53
Goodwill	420
Other non-current assets	4
Current assets	
Cash and equivalents	(57)
Other current assets	144
Total: Held-for-sale assets	**564**
Non-current liabilities	
Non-current debt	10
Other non-current liabilities	1
Current liabilities	
Current debt	38
Other current liabilities	301
Total: Liabilities on held-for-sale assets	**350**
Net assets divested	214

2. Cash flow statement: In the cash flow statement for the year ended 31 December 2006, the contribution of TPS cash flows to the change in the Group's net cash position is included in the line "Impact from changes in scope of consolidation".

3. Income statement: Income and expenses generated by discontinued and held-for-sale operations are as follows:

	TPS (8 months)	12/2006 BTC (4 months)	Total	TPS (12 months)	12/2005 BTC (12 months)	Total
Sales	235	32	267	365	90	455
Operating profit	45	(2)	43	17	3	20
Cost of net debt	(1)	0	(1)	(3)	(1)	(4)
Other financial income and expenses	(1)	0	(1)	1		1
Income tax expense	(1)	0	(1)	(1)		(1)
Net profit before gains on divestment	**42**	**(2)**	**40**	**14**	**2**	**16**
Gains on divestment, net of taxes	**212**	**112**	**324**			**0**
Net profit of discontinued and held-for-sale operations	**254**	**110**	**364**	**14**	**2**	**16**

NOTE 24: PRINCIPAL EXCHANGE RATES

Convention: 1 local currency unit = x euros

Country	Currency unit	Closing rate		Annual average rate	
		31/12/06	31/12/05	31/12/06	31/12/05
EUROPE					
Denmark	Danish krone	0.134120	0.134039	0.134066	0.134183
United Kingdom	Pound sterling	1.489203	1.459215	1.466482	1.464040
Hungary	Hungarian forint	0.003972	0.003955	0.003786	0.004023
Poland	Polish zloty	0.261028	0.259067	0.256439	0.248636
Czech Republic	Czech koruna	0.036383	0.034483	0.035379	0.032826
Romania	Romanian leu	0.295552	0.271724	0.284694	0.275932
Switzerland	Swiss franc	0.622316	0.643045	0.634213	0.646064
NORTH AMERICA					
United States	US dollar	0.759301	0.847673	0.791771	0.807765
Canada	Canadian dollar	0.654407	0.728597	0.700939	0.666800
REST OF THE WORLD					
Morocco	Moroccan dirham	0.089759	0.091672	0.090474	0.090819
Thailand	Thai baht	0.021381	0.020645	0.021037	0.020027
Hong Kong	Hong Kong dollar	0.097648	0.109321	0.101914	0.103872
African Financial Community	CFA franc	0.001524	0.001524	0.001524	0.001524
South Africa	South African rand	0.108549	0.133973	0.115831	0.126888

NOTE 25: DETAILED LIST OF CONSOLIDATED COMPANIES AT 31 DECEMBER 2006

Principal Group companies	City/Country	% interest		% direct and indirect control(1)	
		2006	2005	2006	2005
A - TELECOMS - MEDIA					
1. TELECOMS - BOUYGUES TELECOM group					
Full consolidation					
Bouygues Telecom SA and its subsidiaries	Boulogne-Billancourt / France	89.55	89.55		
2. MEDIA - TF1 group					
Full consolidation					
Télévision Française 1 SA	Boulogne-Billancourt / France	42.92	42.93		
Ciby Droits Audiovisuels	Boulogne-Billancourt / France	42.92	42.93	100.00	100.00
La Chaîne Info (LCI)	Boulogne-Billancourt / France	42.92	42.93	100.00	100.00
Télé Shopping	Boulogne-Billancourt / France	42.92	42.93	100.00	100.00
TF1 International	Boulogne-Billancourt / France	42.92	42.93	100.00	100.00
TF1 Publicité	Boulogne-Billancourt / France	42.92	42.93	100.00	100.00
TF1 Vidéo	Boulogne-Billancourt / France	42.92	42.93	100.00	100.00
Une Musique	Boulogne-Billancourt / France	42.92	42.93	100.00	100.00
E-TF1	Boulogne-Billancourt / France	42.92	42.93	100.00	100.00
Eurosport SA and its subsidiaries	Boulogne-Billancourt / France	42.92	42.93	100.00	100.00
Proportionate consolidation					
Télévision Par Satellite (TPS)	Issy-les-Moulineaux / France	-	28.33	-	66.00
Associates (equity method)					
Métro France Publications	Paris / France	14.72	14.72	34.30	34.30
B - CONSTRUCTION					
1. CONSTRUCTION - BOUYGUES CONSTRUCTION group					
Full consolidation					
Bouygues Construction SA	Saint-Quentin-en-Yvelines / France	99.97	99.97		
Bouygues Bâtiment Ile-de-France					
Bouygues Bâtiment Ile-de-France SA	Saint-Quentin-en-Yvelines / France	99.97	99.97		
Batiment France subsidiaries					
Bati Renov SA	Orly / France	99.88	99.88		
Brézillon SA	Noyon / France	99.33	99.33		
Sodéarif SA	Saint-Quentin-en-Yvelines / France	99.96	99.96		

(1) where percentage control differs from percentage interest

Principal Group companies	City/Country	% interest		% direct and indirect control(1)	
		2006	2005	2006	2005
Bouygues Bâtiment International					
Bouygues Bâtiment International SA	Saint-Quentin-en-Yvelines / France	99.97	99.97		
Bâtiment International subsidiaries					
Bouygues Hungaria	Budapest / Hungary	Deconsolidated	99.97		
Bouygues Polska	Warsaw / Poland	Deconsolidated	99.97		
Bouygues Thaï Ltd	Bangkok / Thailand	48.98	48.98		
Bymaro	Casablanca / Morocco	99.95	99.95		
DTP Singapour Pte. Ltd	Singapore	99.97	99.97		
VCES Holding SRO and its subsidiaries	Pardubice / Czech Republic	50.98	-		
Entreprises France-Europe subsidiaries					
DV Construction SA	Mérignac/ France	99.97	99.97		
GTB Bouyer Duchemin SA	Nantes/ France	99.97	99.97		
GFC Construction SA	Caluire et Cuire / France	99.97	99.97		
Norpac SA	Villeneuve d'Ascq / France	99.97	99.97		
Pertuy Construction SA	Maxeville / France	99.97	99.97		
Quille SA	Rouen / France	99.97	99.97		
Acieroïd SA	Barcelona / Spain	99.97	99.97		
Bouygues UK Ltd	London / United Kingdom	99.97	99.97		
Losinger Construction AG	Bern / Switzerland	99.97	99.97		
Marazzi / Holding AG and its subsidiaries	Bern / Switzerland	99.97	-		
Bouygues Travaux Publics					
Bouygues TP SA	Saint-Quentin-en-Yvelines / France	99.97	99.97		
Prader Losinger SA	Sion / Switzerland	99.64	99.64		
Prader AG Tunnelbau	Zurich / Switzerland	99.90	99.90		
Other Bouygues Construction subsidiaries					
DTP Terrassement SA	Saint-Quentin-en-Yvelines / France	99.97	99.97		
Dragages et TP (Hong Kong) Ltd	Hong Kong / China	99.97	99.97		
VSL International Ltd	Bern / Switzerland	99.88	99.88		
Entreprise Transport & Distribution d'Électricité (ETDE) Group					
ETDE SA	Saint-Quentin-en-Yvelines / France	99.97	99.97		
Axione and its subsidiaries	Malakoff / France	99.97	99.97		
ETDE Réseaux et Communication SA	Villebon-sur-Yvette / France	99.97	99.97		
Exprimm SA	Saint-Quentin-en-Yvelines / France	99.97	99.97		
Gallet Delage SA	Saint-Quentin-en-Yvelines / France	99.97	99.97		
Mainguy SAS	Vertou / France	99.97	99.97		
Serma SAS	Champforgueil / France	99.97	99.97		
Stefal and its subsidiaries	Montrouge / France	99.97	99.97		
Transel SAS	Saint-Quentin-en-Yvelines / France	99.97	99.97		
David Webster Lighting and its subsidiaries	Hertfordshire / United Kingdom	99.97	99.97		
Ecovert FM	London / United Kingdom	99.97	99.97		
Icel Maidstone Ltd	Sittingbourne / United Kingdom	99.97	99.97		
Société gabonaise d'électrification et de canalisation (Sogec)	Libreville / Gabon	84.39	84.39		

Principal Group companies	City/Country	% interest 2006	% interest 2005	% direct and indirect control[1] 2006	% direct and indirect control[1] 2005
Szigma Coop	Gyor / Hungary	99.97	-		
Thermal Transfer Ltd	East Kilbride / Scotland	99.97	-		
Proportionate consolidation					
Bouygues TP					
Bombela Civils Jv Ltd	Johannesburg / South Africa	44.99	-		
Associates (equity method)					
Bouygues Construction					
Consortium Stade de France SA	Saint-Denis / France	33.32	33.32		
Bouygues Bâtiment International					
Hermes Airports Ltd	Nicosia / Cyprus	21.99	-		
Bouygues TP					
Adelac SAS	Archamps / France	39.19	39.19		
Autoroute de Liaison Seine - Sarthe SA	Versailles / France	33.16	33.16		
Bombela Concession Company Ltd	Johannesburg / South Africa	24.99	-		
Aka	Budapest / Hungary	25.11	25.12		
Bina Fincom	Zagreb / Croatia	50.98	50.98		

2. ROADS - COLAS group

Principal Group companies	City/Country	% interest 2006	% interest 2005	% direct and indirect control[1] 2006	% direct and indirect control[1] 2005
Full consolidation					
Colas SA and its regional subsidiaries (Colas. Screg et Sacer)	Boulogne-Billancourt / France	96.49	96.42		
Grands Travaux Océan Indien (GTOI) SA	Le Port (La Réunion) / France	96.48	96.41	99.99	99.99
Spac and its subsidiaries	Clichy / France	96.48	96.41	100.00	100.00
Seco-rail	Chatou / France	96.48	96.41	100.00	100.00
Somaro	Chatou / France	96.48	96.41	100.00	100.00
Colas Guadeloupe	Baie-Mahault / France	96.48	96.41	100.00	100.00
Colas Martinique	Le Lamentin / France	96.48	96.41	100.00	100.00
Smac and its subsidiaries	Boulogne-Billancourt / France	96.48	96.41	100.00	100.00
Colas Hungaria and its subsidiaries	Budapest / Hungary	96.49	96.41	100.00	100.00
Colas Danmark A/s	Virum / Denmark	96.49	96.42	100.00	100.00
Colas SA and its subsidiaries	Lausanne / Switzerland	95.74	95.66	99.22	99.22
Colas Inc and its subsidiaries	Morristown New Jersey / USA	96.49	96.42	100.00	100.00
Colas du Maroc and its subsidiaries	Casablanca / Morocco	96.48	96.41	100.00	100.00
Colas Ltd and its subsidiaries	Rowfant-Crakley / United Kingdom	96.49	96.42	100.00	100.00
Strada Sp. Zo. O.	Sroda-Wielkopol / Poland	96.49	96.42	100.00	100.00
Routière Colas Du Gabon	Libreville / Gabon	86.74	86.67	89.90	89.90
Colas Belgium and its subsidiaries	Bruxelles / Belgium	96.49	96.41	100.00	100.00
Cermak et Hrachovec	Prague / Czech Republic	96.49	-	100.00	-
Proportionate consolidation					
Carrières Roy	St-Varent / France	48.23	48.19	49.98	49.98

(1) where percentage control differs from percentage interest

Principal Group companies	City/Country	% interest 2006	% interest 2005	% direct and indirect control[1] 2006	% direct and indirect control[1] 2005
Associates (equity method)					
Cofiroute	Sèvres / France	16.08	16.07	16.67	16.67

3. PROPERTY - BOUYGUES IMMOBILIER group

Principal Group companies	City/Country	% interest 2006	% interest 2005	% direct and indirect control[1] 2006	% direct and indirect control[1] 2005
Full consolidation					
Bouygues Immobilier	Boulogne-Billancourt / France	100.00	100.00		
SNC Bouygues Immobilier Entreprises Île-de-France	Boulogne-Billancourt / France	100.00	100.00		
SNC Bouygues Immobilier Paris	Boulogne-Billancourt / France	100.00	100.00		
SNC Bouygues Immobilier Est	Strasbourg / France	100.00	100.00		
SLC and its subsidiaries	Lyon / France	100.00	100.00		
Parque Empresarial Cristalia SL	Madrid / Spain	100.00	100.00		
SA Bouygues Inmobilaria	Madrid / Spain	100.00	100.00		

C - OTHER SUBSIDIARIES

Principal Group companies	City/Country	% interest 2006	% interest 2005	% direct and indirect control[1] 2006	% direct and indirect control[1] 2005
Full consolidation					
Finagestion and its subsidiaries (Africa)	Saint-Quentin-en-Yvelines / France	100.00	100.00		
Bouygues Relais SNC	Paris / France	100.00	100.00		
Challenger SNC	Paris / France	100.00	100.00		
Société Francaise de Participation & Gestion (SFPG) SA and its subsidiaries	Paris / France	99.76	99.76		
GIE 32 Hoche	Paris / France	90.00	-		
Challenger Réassurance	Luxembourg	99.99	99.99		
Uniservice	Geneva / Switzerland	99.99	99.99		
Associates (equity method)					
Alstom	Levallois-Perret / France	25.07	-		

BOUYGUES SA (PARENT COMPANY) FRENCH GAAP

PARENT COMPANY BALANCE SHEET AT 31 DECEMBER 2006

Assets (in millions of euros)

	Gross 2006	Amortisation, depreciation & impairment 2006	Net 2006	Net 2005	Net 2004
Intangible assets	2	1	1	1	
Property, plant and equipment	1	1			
Long-term investments	9,675	8	9,667	6,927	7,277
Holdings in subsidiaries & affiliates	*9,549*	*4*	*9,545*	*6,831*	*6,726*
Loans/advances to subsidiaries & affiliates	*47*		*47*	*67*	*541*
Other	*79*	*4*	*75*	*29*	*10*
NON-CURRENT ASSETS	**9,678**	**10**	**9,668**	**6,928**	**7,277**
Inventories and work in progress					
Advances and payments on account					
Trade debtors	17		17	18	19
Other debtors	132	2	130	332	879
Short-term investments	2,692		2,692	2,436	2,507
Cash	9		9	9	9
CURRENT ASSETS	**2,850**	**2**	**2,848**	**2,795**	**3,414**
Other assets	48		48	28	26
TOTAL ASSETS	**12,576**	**12**	**12,564**	**9,751**	**10,717**

Liabilities & shareholders' equity (in millions of euros)

	Net 2006	Net 2005	Net 2004
Share capital	335	337	333
Share premium and reserves	2,547	2,708	2,632
Retained earnings	235	276	42
Net profit for the year	603	261	586
Restricted provisions	1		
SHAREHOLDERS' EQUITY	**3,721**	**3,582**	**3,593**
Provisions	76	137	187
Debt	6,245	4,101	3,345
Advances and progress payments received			
Trade creditors	25	21	47
Other creditors	36	87	1 782
LIABILITIES	**6,382**	**4,346**	**5,361**
BANK OVERDRAFTS AND CURRENT ACCOUNTS	**2,424**	**1,823**	**1,763**
Other liabilities	37		
TOTAL LIABILITIES & SHAREHOLDERS' EQUITY	**12,564**	**9,751**	**10,717**

INCOME STATEMENT (IN MILLIONS OF EUROS)

	2006	2005	2004
SALES	**60**	**64**	**68**
Other operating revenues	6	6	3
Purchases and changes in inventory			
Taxes other than income tax	(1)	(2)	(2)
Personnel costs	(39)	(46)	(52)
Other operating expenses	(48)	(44)	(42)
Depreciation, amortisation, impairment & provisions, net	(3)	(1)	(5)
OPERATING LOSS	**(25)**	**(23)**	**(30)**
Financial income and expenses	518	209	343
PROFIT BEFORE TAX AND EXCEPTIONAL ITEMS	**493**	**186**	**313**
Exceptional items	50	113	218
Income taxes and profit-sharing	60	(38)	55
NET PROFIT	**603**	**261**	**586**

CASH FLOW STATEMENT (IN MILLIONS OF EUROS)

	2006	2005	2004
A - OPERATING ACTIVITIES			
Cash flow from operations before changes in working capital	**575**	**213**	**294**
Net profit for the year	603	261	586
Amortisation, depreciation & impairment of non-current assets, net	5	(12)	(154)
Charges to/reversals of provisions, net	(61)	(52)	9
Transfers of deferred charges	32	(5)	(6)
Gains/losses on disposals of non-current assets	(4)	21	(141)
Change in working capital	**155**	**(305)**	**71**
Current assets	202	(249)	(48)
Current liabilities	(47)	(56)	119
NET CASH GENERATED BY/(USED IN) OPERATING ACTIVITIES	**730**	**(92)**	**365**
B - INVESTING ACTIVITIES			
Increases in non-current assets			
Acquisitions of intangible assets and property, plant and equipment			
Acquisitions of long-term investments	(2,798)	(158)	(45)
	(2,798)	**(158)**	**(45)**
Disposals of non-current assets	41	26	802
Investment, net	**(2,757)**	**(132)**	**757**
Other long-term financial investments, net	21	475	88
Amounts receivable/payable in respect of non-current assets, net		795	(797)
NET CASH GENERATED BY/(USED IN) INVESTING ACTIVITIES	**(2,736)**	**1,138**	**48**
C - FINANCING ACTIVITIES			
Change in shareholders' equity	(162)	(18)	(1,727)
Exceptional payout made in 2005		(1,664)	1,664
Dividends paid	(302)	(249)	(166)
Change in debt	2,125	754	357
NET CASH GENERATED BY/(USED IN) FINANCING ACTIVITIES	**1,661**	**(1,177)**	**128**
CHANGE IN NET CASH POSITION (A+B+C)	**(345)**	**(131)**	**541**
Cash position at 1 January	622	753	212
Other non-monetary flows			
Change during the year	(345)	(131)	541
NET CASH POSITION AT 31 DECEMBER	**277**	**622**	**753**

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

CONTENTS

1. Significant events of the year
2. Accounting policies
3. Non-current assets
4. Current assets by maturity
5. Other assets and liabilities
6. Changes in shareholders' equity
7. Composition of share capital
8. Provisions
9. Liabilities by maturity at the balance sheet date
10. Details of amounts involving related companies
11. Financial instruments
12. Off balance sheet commitments given and received
13. Sales
14. Group tax election and income tax expense
15. Contingent tax position
16. Average number of employees during the year
17. Advances, loans and remuneration: directors and senior executives
18. List of investments
19. List of subsidiaries and affiliates

Figures in millions of euros

NOTE 1: SIGNIFICANT EVENTS OF THE YEAR

1.1. Holdings in subsidiaries and affiliates

1.1.1. Principal increases

Acquisitions of Colas shares during the year comprised €7 million of purchases on the stock market and €29 million of dividends received in the form of shares, making a total of €36 million. As a result, the percentage interest in Colas increased from 96.42% to 96.49% during the year.

Bouygues acquired Bouygues Telecom shares from its subsidiary SFPG for €36 million. As a result, the percentage interest in Bouygues Telecom increased from 82.20% to 82.68% during the year.

1.1.2. Alstom

On 26 June 2006, Bouygues acquired the French government's interest in Alstom (29,051,244 shares, representing 21.01% of the capital).

As a result of additional purchases in the market, Bouygues held 25.07% of the capital and voting rights of Alstom as at 31 December 2006. The total carrying amount of the investment was €2,374 million.

1.1.3. Alstom Hydro Holding

In October 2006, Bouygues acquired 50% of Alstom's hydro power division, Alstom Hydro Holding, for €150 million.

Under the agreements with Alstom signed on 29 September 2006 and 31 October 2006, Bouygues will have the following options available on 31 October 2009, 3 years after the date of the acquisition:

- retain its existing holding and be diluted to a 25% interest (via conversion of the convertible bond issue);
- retain its existing holding at 50% by subscribing to a share issue;
- sell its interest back to Alstom for €175 million on the option exercise date, or in exchange for 2.2 million Alstom shares (1.6% of the capital of Alstom).

1.1.4. GIE 32 Hoche

GIE 32 Hoche, an economic interest grouping set up by Bouygues and SCDM, owns the assets of the new Bouygues corporate headquarters on Avenue Hoche, Paris. Bouygues has a 90% interest in this grouping, with a carrying amount of €132 million.

1.1.5. Principal divestments

- Novasaur:

On 22 February 2006, Bouygues sold its residual interest in Novasaur, the entity set up by PAI Partners to act as the holding company for Saur, for €19 million.

The Novasaur "ORAN" bonds (bonds redeemable for new shares) were also sold, for €21 million.

1.2. Treasury shares

7,852,193 treasury shares were acquired at a value of €339 million and included in "Other long-term investments". 6,410,706 treasury shares were cancelled in December 2006 via a capital reduction of €270 million (Board decision of 6 December 2006).

As at 31 December 2006, 120,000 treasury shares were held under a liquidity agreement.

1.3. Conversion of investment certificates and voting right certificates into ordinary shares

As approved by an Extraordinary General Meeting of the shareholders, the investment certificates and voting right certificates were converted into 467,190 ordinary shares.

The cost of this conversion for Bouygues was an expense of €2.6 million, recognised as an exceptional item.

1.4. Bouygues Partage

A new employee share ownership plan, "Bouygues Partage", was announced to Group employees in December 2006 ahead of implementation in the first half of 2007.

The plan is designed to give employees a stake in the future development of the Bouygues group and to encourage employee share ownership, via a savings plan offering attractive terms.

The employer's contribution payable by Bouygues in 2007, amounting to €53,785, was accrued in the financial statements as at 31 December 2006.

1.5. Advances to subsidiaries and affiliates

Finagestion: partial repayment of advances (€19.8 million).

1.6. Bond issues

1.6.1. Supplementary issue to the July 2005 bond issue

The €750 million bond issue made in July 2005 was increased to €1 billion in February 2006.

- Supplementary amount: €250 million
- Rate: 4.25%
- Issue priced at: 97.203%
- Redemption terms: redeemable in full at par on 22 July 2020.

1.6.2. May 2006 bond issues

- Amounts: €600 million and €1,150 million
- Rates: 4.75% and 4.50%
- Issues priced at: 99.657% and 99.812%
- Redemption terms: redeemable in full at par on 24 May 2016 and 24 May 2013 respectively.

1.6.3. October 2006 bond issue

- Amount: £400 million
- Rate: 5.50%
- Issue priced at: 98.662%
- Redemption terms: redeemable in full at par on 6 October 2026.
- Cross currency swap converting the initial sterling debt into euro debt.

1.7. Net financial income

Net financial income was €518 million, and comprised (in €million):

• Dividends received and share of partnership profits	730
• Net interest expense	(235)
• Net change in impairment and provisions relating to subsidiaries	6
• Gains on disposals of short-term investments	19
• Other	(2)

NOTE 2: ACCOUNTING POLICIES

The financial statements have been prepared in accordance with the current provisions of French law.

2.1. Intangible assets

Expenditure on intangible assets is recognised in accordance with the historical cost convention.

As a general principle, software acquired from third parties is recognised as an intangible asset and amortised on a straight-line basis over a maximum of five years.

2.2. Property, plant and equipment

Property, plant and equipment is recognised at acquisition cost net of reclaimable taxes. Transaction costs that do not form part of the market value of the acquired asset are expensed as incurred.

Depreciation is calculated on a straight-line basis, according to the nature and estimated useful life of each asset component. Where plant and equipment is eligible for accelerated tax depreciation, an additional depreciation charge is recognised in the income statement.

CNC Regulation 2002-10 (depreciation and impairment of assets) and CNC Regulation 2004-06 (recognition and measurement of assets) have been applied.

Estimated useful lives and depreciation methods

Buildings	40 years	straight-line
Fixtures and fittings	10 years	straight-line
Computer hardware	3 years	straight-line
Office furniture	10 years	straight-line

2.3. Long-term investments

2.3.1. Holdings in subsidiaries and affiliates and other long-term investment securities

Holdings in subsidiaries and affiliates and other long-term investment securities are recognised at cost, including directly attributable acquisition costs.

2.3.2. Value in use of investments

Holdings in subsidiaries and affiliates and other long-term investment securities are also measured at value in use, determined using objective criteria (stock market price for quoted companies, shareholders' equity, profitability), forecast data (economic outlook, earnings prospects), or any other information indicative of the actual value of the asset.

If value in use is less than cost, a provision for impairment is recorded to cover the difference.

2.3.3. Long-term receivables

Long-term receivables are shown in the balance sheet at face value. If the realisable value (taking into account the probability of recovery) is less than the carrying amount, a provision for impairment is recorded to cover the difference.

2.4. Receivables and payables expressed in foreign currencies

Receivables and payables expressed in foreign currencies are translated at the exchange rate prevailing on the balance sheet date, or at the hedged rate if the item is covered by a currency hedge.

Unrealised foreign exchange gains and losses are taken to suspense accounts in the balance sheet; unrealised losses are recognised in the income statement by means of a provision.

2.5. Short-term investments

The short-term investment portfolio is measured in accordance with French accounting standards.

The value of equity securities, negotiable debt instruments and money-market mutual funds was determined by reference to the latest estimate as at 31 December 2006. In the case of quoted securities, the average quoted stock market price over the last month of the financial year was used.

2.6. Other assets

Deferred charges mainly comprise the portion of bond issue costs not covered by the issue premium. In the case of convertible bonds, any unamortised issue costs relating to bonds converted into shares are offset against the share premium on the newly-issued shares.

Bond redemption premium relates to bond issues priced at the following percentages of nominal value: 99.348% (November 2003 issue), 99.05% (October 2004 issue), 99.804% (July 2005 issue), 97.203% (February 2006 issue), 99.657% (May 2006 issue), 99.812% (May 2006 issue), and 98.662% (October 2006 issue).

2.7. Provisions

These mainly comprise:

- provisions for income taxes, in particular split taxes;
- provisions for miscellaneous risks and for additional risks relating to loss-making subsidiaries, established where the negative net assets of a subsidiary are not wholly covered by provisions for impairment of Bouygues SA's investment in and loans and/or advances to that subsidiary;
- provisions for charges, including employee benefits (bonuses, lump-sum retirement benefits, long-service awards and the Bouygues Partage employee share ownership plan).

2.8. Hedging instruments

Bouygues SA uses hedging instruments to limit the impact on the income statement of fluctuations in exchange rates and interest rates.

These instruments share the following characteristics:

- they are limited to the following products: forward currency purchases and sales, currency swaps, cross currency swaps and purchases of currency options for currency risk hedging purposes, and interest rate swaps, future rate agreements, and purchases of caps and collars for interest rate risk hedging purposes;

- they are used solely for hedging and pre-hedging purposes;
- they are contracted solely with high-quality French and foreign banks;
- they carry no liquidity risk in the event of a downturn.

Gains and losses on financial instruments used for hedging purposes are recognised in the income statement symmetrically with gains and losses arising on the hedged item. Cash payments received on the pre-hedging of bond issues are accounted for as deferred income and recognised over the term of the issue.

2.9. Retirement benefit obligations

Methods and assumptions used in calculating the obligation:

- projected unit credit method based on final salary;
- benefits as defined in agreements or established by custom within the company, taking into account the new collective agreement for managerial grade staff applicable from 1 January 2005;
- obligation measured in accordance with CNC opinions and recommendations of July 2000, April 2003 and March 2004;
- vested rights as of 31 December 2006;
- employees classified in groups with similar characteristics in terms of grade, age and length of service;
- average monthly salary for each employee group, uplifted by a percentage to reflect the applicable rate of employer's social security charges;
- salary inflation rate: 4.60%
- discount rate: 3.38%
- average employee turnover rate calculated on the basis of average number of leavers over the last six years;
- life expectancy by reference to 1993 mortality tables.

2.10. Consolidation

Bouygues SA is the ultimate parent company in the consolidation.

NOTE 3: NON-CURRENT ASSETS

	Balance at 1 Jan. 2006	Increases	Decreases	Balance at 31 Dec. 2006
Intangible assets				
Software	2			2
Other				
Gross value	**2**			**2**
Accumulated amortisation	(1)			(1)
Net value	**1**			**1**
Property, plant and equipment				
Land and buildings				
Other				
Gross value				
Accumulated depreciation				
Net value				
Long-term investments				
Holdings in subsidiaries & affiliates	6,835	2,729	15	9,549
Loans/advances to subsidiaries & affiliates(1)	68		21	47
Other	33	338	292	79
Gross value	**6,936**	**3,067**	**328**	**9,675**
Impairment	(9)		(1)	(8)
Net value	**6,927**	**3,067**	**327**	**9,667**
Total net value	**6,928**	**3,067**	**327**	**9,668**

	Gross value
(1) of which amounts falling due after more than one year	
Loans/advances to subsidiaries & affiliates	*47*

NOTE 4: CURRENT ASSETS BY MATURITY

	Gross	< 1 year	> 1 year
Advance payments and payments on account			
Trade debtors	26	20	6
Other debtors	122	99	23
Total	**148**	**119**	**29**

NOTE 5: OTHER ASSETS AND LIABILITIES

	Balance at 1 Jan. 2006	Increases in the year	Amortisation for the year	Balance at 31 Dec. 2006	Amount due in < 1 year
OTHER ASSETS					
Bond issue costs	**14**	**5**	**2**	**17**	**2**
Bond redemption premium	**13**	**20**	**3**	**30**	**3**
Other	**1**	**1**	**1**	**1**	**1**
Total	**28**	**26**	**6**	**48**	**6**
OTHER LIABILITIES					
Deferred income (cash payment received on interest rate swap)		40	3	**37**	5
Other					
Total		**40**	**3**	**37**	**5**

NOTE 6: CHANGES IN SHAREHOLDERS' EQUITY

Shareholders' equity at 31 December 2005 before appropriation of profits	**3,581**
Profits appropriated to shareholders' equity	261
Dividends paid	(302)
Shareholders' equity after appropriation of profits	**3,540**
Changes in share capital	(2)
Changes in share premium and reserves	(421)
Net profit for the period	603
Restricted provisions	1
Shareholders' equity at 31 December 2006	**3,721**

NOTE 7: COMPOSITION OF SHARE CAPITAL

	Number of voting rights	Number of shares	Number of investment certificates	Total
Start of period	423,732,243	336,289,029	473,867	336,762,896
Movement during the period	7,211,646	(1,511,446)(1)	(473,867)	(1,985,313)
End of period	430,943,889	334,777,583		334,777,583
Par value:				**€1**

Maximum number of potentially dilutive shares 20,094,262

(1) Movements in number of shares during the period:

Increases: 4,899,260 by exercise of stock options and conversion of investment certificates

Decreases: 6,410,706 by cancellation of treasury shares pursuant to the Board decision of 6 December 2006

NOTE 8: PROVISIONS

	Balance at 1 Jan. 2006	Charge for the year	Reversals during the year		Balance at 31 Dec. 2006
			Used	Unused	
Provisions for subsidiaries	2			1	1
Provisions for taxes	74	3		56	21
Other provisions	7	3	2	5	3
Provisions for risks	**83**	**6**	**2**	**62**	**25**
Provisions for charges	**54**	**10**		**12**	**52**
Total	**137**	**16**	**2**	**74**	**77**
			76		
Operating items		10	10		
Financial items			5		
Exceptional items		6	61		
		16	**76**		

NOTE 9: LIABILITIES BY MATURITY AT THE BALANCE SHEET DATE

	Gross value	< 1 year	1 to 5 years	> 5 years
Debt				
Bond issues				
May 2002 bond issue(1)	1,037	37	1,000	
November 2003 bond issue(2)	779	29	750	
October 2004 bond issue(3)	1,008	8		1,000
July 2005 bond issue(4)	764	14		750
February 2006 bond issue(5)	255	5		250
May 2006 bond issue(6)	617	17		600
May 2006 bond issue(7)	1,182	32		1,150
October 2006 bond issue(8)	602	7		595
Bank borrowings				
Total debt	**6,244**	**149**	**1,750**	**4,345**
Trade creditors	**25**	**25**		
Other creditors	**36**	**36**		
Bank overdrafts and current accounts	**2,424**	**2,424**		
Deferred income	**37**	**5**	**20**	**12**
Total	**8,766**	**2,639**	**1,770**	**4,357**

Original amounts, excluding accrued interest

(1) May 2002 bond issue:
Amount: €750 million in May 2002 and €250 million in December 2002 - rate: 5.875%
Redemption terms: redeemable in full at par on 15 May 2009

(2) November 2003 bond issue:
Amount: €750 million - rate: 4.625%
Redemption terms: redeemable in full at par on 25 February 2011

(3) October 2004 bond issue:
Amount: €1 billion - rate: 4.375%
Redemption terms: redeemable in full at par on 29 October 2014

(4) July 2005 bond issue:
Amount: €750 million - rate: 4.25%
Redemption terms: redeemable in full at par on 22 July 2020

(5) Supplementary issue to July 2005 bond issue:
Amount : €250 million - rate: 4.25%
Redemption terms: redeemable in full at par on 22 July 2020

(6) May 2006 bond issue:
Amount: €600 million - rate: 4.75%
Redemption terms: redeemable in full at par on 24 May 2016

(7) May 2006 bond issue:
Amount: €1,150 million - rate: 4.5%
Redemption terms: redeemable in full at par on 24 May 2013

(8) October 2006 bond issue:
Amount: £400 million (€595.33 million) - rate: 5.5%
Redemption terms: redeemable in full at par on 6 October 2026

NOTE 10: DETAILS OF AMOUNTS INVOLVING RELATED COMPANIES

	Amount		Amount
Assets		**Liabilities**	
Long-term investments	9,596	Debt	
Trade debtors	17	Trade creditors	7
Other debtors	37	Other creditors	13
Cash and current accounts		Bank overdrafts and current accounts	2,424
Total	**9,650**	**Total**	**2,444**
Expenses		**Income**	
Operating expenses	10	Operating income	60
Financial expenses	53	Financial income	733
Income tax expenses		Income tax credits	201
Total	**63**	**Total**	**994**

NOTE 11: FINANCIAL INSTRUMENTS

11.1. Interest rate hedges

Amount outstanding at 31 December 2006 by maturity	2007	2008 to 2011	After 2011	Total
Interest rate swaps				
On financial assets	551			551
On financial liabilities		200		200

11.2. Currency hedges

Amount outstanding at 31 December 2006 by currency	CHF	GBP	USD	Other	Total
Forward currency contracts					
Forward purchases					
Forward sales					
Currency swaps	33				33

At 31 December 2006, the market value of the hedging instruments portfolio was + €5.3 million.

11.3. Options

Calls : At 31 December 2006, Bouygues SA held 5,339,650 call options on Bouygues shares (€51.3 million); 0.336 call options in connection with the Bouygues Confiance 2 plan (immaterial); and 993,646 call options in connection with the Bouygues Confiance 3 plan.

NOTE 12: OFF BALANCE SHEET COMMITMENTS

		Amount of guarantee	of which related companies
Commitments given (contingent liabilities)			
Retirement benefit obligations		6	
Other commitments given	(1)	469	
Total		**475**	
Commitments received (contingent assets)			
Other commitments received	(1)	469	
Total		**469**	

(1) Gross amount of the BNP Paribas put option for Bouygues Telecom shares.

Commitment given:
Commitment to retain the Alstom shares acquired from the French government for at least three years.

Commitment received:
Put option for Alstom Hydro Holding shares, granted by Alstom to Bouygues SA: see Note 1.1.3.

In the past, before the construction business was spun off into separate subsidiaries, Bouygues SA issued performance bonds in connection with its ordinary activities. Some of these performance bonds have been retained by the company, although the contracts were executed by its subsidiaries; they are not quantified or disclosed specifically unless they are liable to result in the Group being obliged to make a payment.
In such cases, a provision is recorded to cover the amount involved.

NOTE 13: SALES

Sales recorded by Bouygues SA mainly comprise shared costs recharged to subsidiaries.

NOTE 14: GROUP TAX ELECTION AND INCOME TAX EXPENSE

Bouygues made a group tax election in 1997 under article 223 A-U of the French General Tax Code; this election still applies. In addition to Bouygues SA, the group tax election included 82 subsidiaries in 2006.

Each company in the tax group recognises its own income tax expense as though the group election is not in place; the parent company recognises any tax savings.

At the end of the period, Bouygues SA recognised a net income tax gain, comprising:

	Short-term	Long-term	Total
Net income tax expense on:			
Profit before tax and exceptional items	42		42
Other non-exceptional items: reversal of provision for split taxes	3		3
Exceptional items	(178)	(7)	(185)
	(133)	(7)	(140)
Tax gain from group tax election (income tax received from profit-making subsidiaries in the tax group)	194	7	201
Total	**61**	**(0)**	**61**

NOTE 15: CONTINGENT TAX POSITION

	At 1 January 2006		Movements in the year		At 31 December 2006	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
Non-deductible expenses:						
Provision for income taxes	112		3	59	56	
Other provisions	17		16	15	18	
Total	**129**		**19**	**74**	**74**	
Expenses deductible for tax purposes, and income liable to tax but not recognised for accounting purposes						
Unrealised foreign exchange losses						
Unrealised foreign exchange gains						
Unrealised foreign exchange gains/losses, net						
Deferred income			40	3	37	
Capitalisation bonds	6		19	6	19	
Share of losses of general partnerships		8	8		0	
Bouygues Confiance 2 call options						
Bouygues Confiance 3 call options			7		7	
Other income and expenses	**6**	**8**	**74**	**9**	**63**	
Total	**6**	**8**	**74**	**9**	**63**	

NOTE 16: AVERAGE NUMBER OF EMPLOYEES DURING THE YEAR

	2006	2005
Managerial	138	148
Administrative/clerical, technical and supervisory	37	47
Total	**175**	**195**

NOTE 17: ADVANCES, LOANS AND REMUNERATION: DIRECTORS AND SENIOR EXECUTIVES

Remuneration of directors and senior executives:

- The total amount of direct and indirect remuneration of all kinds received from French and foreign companies by senior executives (CEO and Deputy CEOs) was as follows: €2.8 million of basic remuneration, €3.9 million of variable remuneration paid in early 2007 based on 2006 performance, and €0.24 million of directors' fees.
- Directors' fees paid to members of the Board of Directors and non-voting supervisors: €0.5 million

NOTE 18: LIST OF INVESTMENTS AT 31 DECEMBER 2006

Holdings in subsidiaries and affiliates	Number of shares	%	Estimated value(1)	
Alstom	34,663,214	25,073	3,560	(b)
Alstom Hydro Holding	7,523,990	50,000	150	(a)
Bouygues Construction	1,705,126	99,935	515	(c)
Bouygues Immobilier	44,994	99,987	326	(c)
Bouygues Telecom	33,456,679	82,684	4,159	(a)
Colas	31,236,540	96,488	1,646	(a)
TF1	91,796,565	42,885	2,580	(b)
Other investments			248	(a)
Total holdings in subsidiaries and affiliates			**13,184**	
Negotiable debt instruments and money-market mutual funds			2,539	(a)
Capitalisation bonds			131	(b)
Other investments			48	(b)
Total short-term investments			**2,718**	
Total investments			**15,902**	

(1) The value shown is:

(a) carrying amount in the balance sheet (net book value)

(b) stock market value (closing price for equities, average price for the last month of the year for bonds)

(c) share of consolidated net assets

NOTE 19: LIST OF SUBSIDIARIES AND AFFILIATES

	Share capital[1]	Other shareholders' equity[1][2]	%	Book value of investment[3] Gross	Book value of investment[3] Net	Loans and advances	Guarantees[3]	Sales[3]	Net profit/(loss)[3]	Dividends received[3]	Comments
A - Detailed information											
1. Subsidiaries (interest > 50%)											
France											
Bouygues Construction	128	387	99.94	59	59			6,923	210	116	[4]
Bouygues Immobilier	69	257	99.99	245	245			1,608	107	63	[4]
Bouygues Telecom	617	1,597	82.68	4,158	4,158			4,539	491	331	[4]
C2S			99.96	1	1			9			
Colas	49	1,640	96.49	1,646	1,646			10,716	396	149	[4]
Finagestion		16	99.84			47		260	14		
SFPG		30	99.76						31		[5]
Sotegi			99.76								[5]
Total				**6,109**	**6,109**	**47**		**24,055**	**1,249**	**659**	
Other countries											
Uniservice	51	19	99.99	32	32				2	3	
Total				**32**	**32**				**2**	**3**	
2. Affiliates (between 10% and 50%)											
France											
TF1	43	1 315	42.89	731	731			2,654	453	59	[4]
Alstom	1,936	(96)	25.07	2,374	2,374						
Alstom Hydro Holding	150		50.00	150	150						
Total				**3,255**	**3,255**			**2,654**	**453**	**59**	
Other countries											
Total											
B - Aggregate information											
3. Other subsidiaries											
France				148	148			164	6	2	
Other countries				4				9			
4. Other affiliates											
France				1	1			94	2		
Other countries											
Overall total				**9,549**	**9,545**	**47**		**26,976**	**1,712**	**723**	

(1) In the local functional currency
(2) Including net profit/(loss) for the year
(3) In euros
(4) Parent company of a sub-group: consolidated reserves, sales and net profit/loss for the sub-group
(5) Year ended 30 November

Bouygues' new headquarters has a 360-seat auditorium for meetings, private film screenings or concerts.

6. Annual General Meeting of 26 April 2007

216 Agenda

218 Board of Directors' reports

225 Auditors' reports

237 Draft resolutions

AGENDA

1. ORDINARY GENERAL MEETING

The reports of the Board of Directors, the Chairman and the auditors

- Board of Directors' report.
- Board of Directors' report on the situation and operations of the company and the Group's companies in 2006.
- Chairman's report on the preparation and organisation of the Board of Directors' work and on internal control procedures.
- Auditors' reports for 2006.
- Auditors' report on the Chairman's report, concerning internal control procedures relating to the preparation and treatment of accounting and financial information.
- Auditors' special report on regulated agreements.
- Board of Directors' special report on stock options.
- Board of Directors' special report on share buy-backs.

Resolutions

- Approval of the parent company financial statements for the year ended 31 December 2006.
- Approval of the consolidated financial statements for the year ended 31 December 2006.
- Appropriation of earnings for 2006.
- Approval of the agreements referred to in Article L. 225-38 of the Commercial Code.
- Ratification of the co-option of a director (Patrick Kron).
- Renewal of the term of office of a director (Lucien Douroux).
- Renewal of the term of office of a director (Jean Peyrelevade).
- Renewal of the term of office of a director (SCDM).
- Election of two directors representing employee shareholders (Thierry Jourdaine, Jean-Michel Gras).
- Appointment of a supervisor (Alain Pouyat).
- Authorisation to the Board of Directors with a view to enabling the company to buy back its own shares.

2. EXTRAORDINARY GENERAL MEETING

Board of Directors' and auditors' reports

- Board of Directors' report.
- Supplementary Board of Directors' report on the capital increase reserved for employees.
- Supplementary auditors' report on the capital increase reserved for employees.
- Auditors' special report on the authorisations for the capital increase and the issue of securities giving access to the company's capital with or without cancellation of pre-emptive rights.
- Auditors' special report on the authorisation for the capital increase reserved for employees and corporate officers of Bouygues group companies subscribing to a company savings scheme.
- Auditors' special report on the authorisation for the issue of equity warrants allotted free of charge to shareholders in the event of a cash tender or exchange offer for the company's shares.
- Auditors' special report on the authorisation for the allotment of existing or future shares free of charge to corporate officers and salaried employees.
- Auditors' special report on the authorisations for the creation or issue of securities giving rights to allotment of debt securities.
- Auditors' report on the authorisations for the reduction of capital by cancellation of shares bought back by the company.

Resolutions

- Delegation of powers to the Board of Directors to increase the capital, preserving pre-emptive rights, by issuing ordinary shares or securities giving access to ordinary shares in the company or in a company over which it has more than 50% control.
- Delegation of powers to the Board of Directors to increase the capital by incorporating premiums, reserves or earnings.
- Delegation of powers to the Board of Directors to increase the capital, without pre-emptive rights, by issuing ordinary shares or securities giving access to ordinary shares in the company or in a company over which it has more than 50% control.
- Authorisation to the Board of Directors to increase the number of shares to be issued in the event of a capital increase with or without pre-emptive rights.
- Authorisation to the Board of Directors to set the price, in accordance with the terms decided by the Annual General Meeting, for public issues of equity securities or securities giving access to capital, without pre-emptive rights, up to a limit of 10% of the capital.
- Delegation of powers to the Board of Directors to carry out a capital increase as consideration for contributions in kind consisting of a company's shares or securities giving access to capital.
- Delegation of powers to the Board of Directors to carry out a capital increase, without pre-emptive rights, as consideration for securities tendered to a public exchange offer.

- Delegation of powers to the Board of Directors to carry out a capital increase for the benefit of employees or corporate officers of the company or companies in the Group subscribing to a company savings scheme.

- Delegation of powers to the Board of Directors to issue shares following the issue by a Bouygues subsidiary of securities giving immediate or future access to shares in the company.

- Authorisation to the Board of Directors to use delegations and authorisations in order to increase the company's capital in the event of a public offer for the company's shares.

- Authorisation to the Board of Directors to issue equity warrants during the period of a public offer for the company's shares.

- Authorisation to the Board of Directors to allot existing or future shares free of charge to salaried employees and corporate officers of the company or companies in the Group, or certain categories thereof.

- Delegation of powers to the Board of Directors to issue all securities giving rights to allotment of debt securities.

- Authorisation to the Board of Directors to reduce the company's capital by cancelling treasury stock.

- Amendment of the by-laws.

- Powers to carry out formalities.

BOARD OF DIRECTORS' REPORTS

BOARD OF DIRECTORS' REPORT AND REPORT ON THE RESOLUTIONS SUBMITTED TO THE ANNUAL GENERAL MEETING

Ladies and Gentlemen,

We have called you to this Annual General Meeting to ask you to approve twenty-eight resolutions, the contents of which are set out in this report.

RESOLUTIONS WITHIN THE AUTHORITY OF THE ORDINARY GENERAL MEETING

Approval of financial statements

The ***first three resolutions*** concern approval of Bouygues SA's parent company financial statements and consolidated financial statements as at 31 December 2006, the appropriation of earnings and distribution of a dividend fixed at €1.20 per share, payable in cash as from 3 May 2007.

Information about the company's management in 2006, the parent company financial statements and the consolidated financial statements and the proposed appropriation of earnings is contained in the report on the company's operations in 2006. 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.

Regulated agreements

The ***fourth resolution*** concerns approval of the agreements referred to in Article L. 225-38 of the Commercial Code, which are the subject of an auditors' special report.

Ratification, renewal and appointment of directors

The ***fifth resolution*** concerns the ratification of the co-option of Mr Patrick Kron as director, in the place of Alain Pouyat, for the remainder of Mr Alain Pouyat's term of office, i.e. ending after the Annual General Meeting called to approve the financial statements for 2009.

In the ***sixth, seventh and eighth*** resolutions, your Board proposes to renew the terms of office of the following for a period of three years, i.e. until after the Annual General Meeting called to approve the financial statements for 2009:

- Mr Lucien Douroux,
- Mr Jean Peyrelevade,
- the company SCDM.

Information relating to these directors appears in the Chairman's report on the Board of Directors' work.

In the ***ninth and tenth resolutions,*** your Board proposes to elect as directors to represent employee shareholders:

- Mr Thierry Jourdaine,
- Mr Jean-Michel Gras,

who are both employees proposed as candidates by the Supervisory Boards of the mutual funds holding shares in the company.

Information relating to these directors appears in the Chairman's report on the Board of Directors' work.

Subject to approval by the Annual General Meeting of the amendments to the by-laws, and pursuant to the law dated 30 December 2006 relating to the development of employee shareholding and profit-sharing schemes, it is proposed that the term of office of these directors be brought in line with that of the other directors, which is three years, expiring after the Annual General Meeting called to approve the financial statements for 2009. In any event, their appointment shall end early if their employment contract terminates or if the company which employs them leaves the Bouygues group.

Appointment of a supervisor

The purpose of the ***eleventh resolution*** is the appointment of Mr Alain Pouyat as supervisor, for a term of three years, expiring after the Annual General Meeting called to approve the financial statements for 2009.

Information relating to Alain Pouyat appears in the Chairman's report on the Board of Directors' work.

Share buy-back programme

In the ***twelfth resolution,*** the Board asks you to authorise it to cause the company to buy back its own shares, under and in accordance with Articles L. 225-209 to L. 225-212 of the Commercial Code.

According to this regulation, the total number of shares purchased may not exceed 10% of the capital. The unit purchase price must not be greater than €80 per share and the sale price must not be less than €30 per share, subject to any adjustments relating to transactions in the share capital.

This authorisation, which will replace the authorisation given by the ordinary general meeting of 27 April 2006, is requested for a period of eighteen months. It is intended to enable the company, in compliance with Commission Regulation (EC) no. 2273/2003 dated 22 December 2003 and Articles 241-1 to 241-6 of the General Regulation of the Autorité des Marchés Financiers:

- to ensure the liquidity of and make a market in 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 deliver shares upon exercise of rights attached to securities giving access to the company's capital;
- to retain shares with a view to using them subsequently as a medium of payment or exchange in an acquisition;
- to allot 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 allotment of bonus shares;
- to cancel shares, subject to authorisation by the extraordinary general meeting;
- to implement any market practice accepted by the Autorité des Marchés Financiers and generally to carry out any other transaction in compliance with prevailing regulations.

We propose to allocate a maximum total amount of €1,500,000,000 (one billion five hundred million euros) to this buy-back programme, outlined in the special report on share buy-backs, a copy of which has been given to you.

RESOLUTIONS WITHIN THE AUTHORITY OF THE EXTRAORDINARY GENERAL MEETING

Capital increases with pre-emptive rights

The ***thirteenth resolution*** concerns, in accordance with Article L. 225-129-2 of the Commercial Code, delegation of power to the Board of Directors, with the power to sub-delegate to any person authorised by law, to carry out one or more capital increases by issuing, with pre-emptive rights, ordinary shares in the company and securities of any kind whatsoever, issued free of charge or for consideration, giving access in whatever manner, now and/or in future, to ordinary shares, whether in existence or to be issued in future, in Bouygues or, in accordance with Article L. 228-93 of the Commercial Code, in any company in which Bouygues owns directly or indirectly more than half the capital.

The securities giving access to capital may take the form of, in particular, debt securities or be linked to the issue of such securities, or may permit them to be issued as intermediary securities. In particular, they may be subordinated or unsubordinated, perpetual or non perpetual, and be redeemable after payment in full of other creditors, excluding or including holders of participating loan notes and non-voting shares or even be subject to a priority order of payment.

The total amount of capital increases that may be made, under both this delegation of power and under the fifteenth, eighteenth, nineteenth and twenty-first resolutions, may not exceed one hundred and fifty million euros (€150,000,000) in nominal value. The total amount of debt securities giving access to capital issued by the company may not exceed five billion euros (€5,000,000,000) in nominal value. This amount is common to all debt securities to be issued pursuant to the fifteenth resolution; it is independent of and separate from the amount of the securities giving rights to allotment of debt securities which may be issued pursuant to the twenty-fifth resolution and from the amount of the debt securities which the Board of Directors may decide to issue or authorise to be issued in accordance with Article L. 228-40 of the Commercial Code.

This delegation of power is valid for a period of twenty-six months as from the date of the Annual General Meeting. It cancels the unused portion, as from the date of the Annual General Meeting, if applicable, of any previous delegation given for the same purpose.

The shareholders will have pre-emptive rights to subscribe for an irreducible number of ordinary shares and securities issued under this resolution, in proportion to the amount of shares they hold. If the Board of Directors so decides, the shareholders will also have the right to subscribe for a reducible number of additional shares.

Capital increases by incorporating premiums, reserves or earnings

The purpose of the ***fourteenth resolution*** is, in accordance with Articles L. 225-129-2 and L. 225-130 of the Commercial Code, to delegate to the Board of Directors, with the power to sub-delegate to any person authorised by law, the power to carry out one or more capital increases by incorporation of premiums, reserves, earnings or other amounts which may be incorporated into the capital in accordance with applicable law and the by-laws, by alloting bonus shares or by increasing the nominal value of the existing shares or by combining the two procedures.

The total amount of capital increases that may be made hereunder may not exceed €4,000,000,000 (four billion euros) in nominal value, an amount that is independent of and separate from the overall limit set in the thirteenth resolution.

In the case of a capital increase by allotment of bonus shares, fractional shares may not be traded or transferred and the relevant equity securities shall be sold.

This delegation of power is valid for a period of twenty-six months as from the date of the Annual General Meeting. It cancels, as from the date of the Annual General Meeting, the unused portion of any previous delegation given for the same purpose.

Capital increases without pre-emptive rights

In the ***fifteenth resolution,*** we are proposing to delegate to the Board of Directors, with the power to sub-delegate to any person authorised by law, the power to carry out a capital increase by issuing, without pre-emptive rights, ordinary shares in the company and any securities, issued free of charge or for consideration, giving access in whatever manner, now and/or in future, to ordinary shares, whether in existence or to be issued in future, in Bouygues or, in accordance with Article L. 228-93 of the Commercial Code, in any company in which Bouygues owns directly or indirectly more than half of the capital.

The securities giving access to capital may take the form of, in particular, debt securities or be linked to the issue of such securities, or may permit them to be issued as intermediary securities under the same terms as specified in the thirteenth resolution.

The total amount of capital increases that may be implemented pursuant to this resolution may not exceed one hundred and fifty million euros (€150,000,000) in nominal value; such amount shall count towards the overall limit of one hundred and fifty million euros set in the thirteenth resolution. The total amount of debt securities so issued giving access to capital shall not exceed five billion euros (€5,000,000,000 in nominal value). Such amount is common to all debt securities to be issued pursuant to the thirteenth resolution; it is independent of and separate both from the amount of the securities giving rights to allotment of debt securities which may be issued pursuant to the twenty-fifth resolution and from the amount of debt securities which the Board of Directors may decide to issue or authorise to be issued in accordance with Article L. 228-40 of the Commercial Code.

In accordance with the Decree of 10 February 2005, the issue price for ordinary shares to be issued under this resolution shall be determined in such a way that the amount paid or to be paid to the company for each ordinary share issued shall be equal to or greater than the minimum amount required by applicable law and regulations, in other words equal to or greater than the weighted average of the prices over the last three trading days preceding the setting of the price less a maximum discount of 5%. If the seventeenth resolution is adopted, the Board shall nevertheless be authorised to derogate from the legal pricing terms, up to a limit of 10% of the capital in each twelve-month period, under the terms set forth in that resolution.

Furthermore, in accordance with applicable law and regulations, your Board may grant shareholders a priority subscription period of at least three trading days.

This delegation of power is valid for a period of twenty-six months as from the date of the Annual General Meeting. It cancels, as from the date of the Annual General Meeting, the unused portion of any previous delegation given for the same purpose.

This resolution cancels the pre-emptive rights to securities to be issued pursuant to this delegation, and at the same time confers on the Board of Directors the power to grant shareholders a priority subscription period. This authorisation also entails waiver by the shareholders of their pre-emptive rights to shares in Bouygues to which the securities issued pursuant to this resolution may give entitlement.

Increase in the number of securities to be issued in the event of a capital increase with or without pre-emptive rights

The ***sixteenth resolution*** concerns, in accordance with Article L. 225-135-1 of the Commercial Code, the authorisation to be given to the Board of Directors, with the power to sub-delegate to any person authorised by law, to decide, in respect of each of the issues decided pursuant to the thirteenth and fifteenth resolutions, to increase the number of securities to be issued, during a period of thirty days from closing of subscriptions, up to a limit of 15% of the initial issue for the same price as the initial issue, subject to compliance with the upper limit(s) set forth in such resolutions

This authorisation is valid for a period of twenty-six months as from the date of the Annual General Meeting.

Setting the issue price, in the event of capital increase(s) by public issues up to a limit of 10% of the capital, without pre-emptive rights

The ***seventeenth resolution*** is intended, in accordance with Article L. 225-136 1° of the Commercial Code, to authorise the Board of Directors, with the power to sub-delegate to any person authorised by law, in respect of each of the issues decided pursuant to the fifteenth resolution and up to a limit of 10% of the capital for a period of twelve months, to derogate from the pricing terms set forth in such resolution and, in accordance with the terms fixed by the Annual General Meeting, to set the issue price of the equity securities and/or securities to be publicly issued, without pre-emptive rights.

The Board shall have the option of the following two methods for setting the issue price of the equity securities:

- issue price equal to the average price observed over a maximum period of six months prior to the issue date, or
- issue price equal to the volume weighted average price on the exchange on the day preceding the issue (VWAP 1 day) with a maximum discount of 20%.

This authorisation is valid for a period of twenty-six months as from the date of the Annual General Meeting.

Capital increases as consideration for contributions in kind consisting of a company's shares or securities giving access to capital in accordance with Article L. 225-147 of the Commercial Code

The ***eighteenth resolution*** is intended, in accordance with Article L. 225-147 of the Commercial Code, to delegate to the Board of Directors, the powers required to make, based on the report of the expert appraisers, one or more capital increases, up to a limit of 10% of the capital, as consideration for contributions in kind to the company of equity securities or securities giving access to the capital, in cases where Article L. 225-148 of the Commercial Code is not applicable.

The amount of all capital increases made pursuant to this resolution shall count towards the overall limit set forth in the thirteenth resolution.

This delegation of power is valid for a period of twenty-six months as from the date of the Annual General Meeting. It cancels the unused portion, if applicable, of any previous delegation given for the same purpose.

Capital increases, in accordance with Article L. 225-148 of the Commercial Code, in the event of a public exchange offer by the company

The purpose of the ***nineteenth resolution*** is, in accordance with Article L. 225-148 of the Commercial Code, to delegate to the Board of Directors, with the power to sub-delegate to any person authorised by law, the power to carry out, in such amounts and at such times as it shall determine, in light of the opinion of the auditors on the terms of and consequences of the issue, one or more capital increases as consideration for securities tendered to a public exchange offer made by the company with respect to securities of a company whose shares are admitted to trading on a regulated market as referred to in Article L. 225-148 of the Commercial Code. The amount of all capital increases made pursuant to this resolution shall count towards the overall limit of one hundred and fifty million euros (€150,000,000) set forth in the thirteenth resolution.

This delegation of power is valid for a period of twenty-six months as from the date of the Annual General Meeting. It cancels, as from the date of the Annual General Meeting, the unused portion of any previous delegation given for the same purpose.

Capital increases for the benefit of employees

The purpose of the ***twentieth resolution*** is to delegate to the Board of Directors the power to carry out, in such amounts and at such times as it deems fit, one or more capital increases reserved for employees and corporate officers of the company and companies connected to it within the meaning of Article L. 225-180 of the Commercial Code, on condition that they do not exceed 10% of the company's capital at the date of the Board decision, such limit being independent of and separate from the limit provided in the thirteenth resolution, by issuing new shares for payment in cash and, if applicable, by incorporation of reserves, earnings or premiums into the capital and by allotment of bonus shares or securities giving access to capital.

According to Article L. 225-129-6 of the Commercial Code introduced by order no. 2002-604 dated 24 June 2004, the Annual General Meeting must give a decision on any draft resolution for increasing the capital for the benefit of employees under and in accordance with Article L. 443-5 of the Labour Code, if it intends to delegate its power to carry out capital increases. In this case, the thirteenth, fourteenth, fifteenth, nineteenth and twenty-first resolutions include such delegations of power.

In accordance with Article L. 443-5 of the Labour Code, the subscription price may not be more than 20% less (or 30% less in cases where the planned lock-up period is equal to or greater than 10 years), than the average of the initial quoted prices for the share on Eurolist by Euronext™ during the twenty trading days preceding the date of the decision of the Board of Directors setting the opening date for subscriptions.

In the context of this authorisation, the Board shall have full powers to decide the date and terms of the issues to be made pursuant to this authorisation, record the capital increases that have taken place, amend the by-laws accordingly and carry out the required formalities, and charge the expenses of each capital increase against the premium applicable to each increase.

When this authorisation is used, the Board of Directors shall prepare a supplementary report at the next ordinary general meeting, certified by the auditors, describing the final terms and conditions of the capital increase(s).

This delegation of power is valid for a period of twenty-six months. It cancels, as from the date of the Annual General Meeting, the unused portion of any previous delegation given for the same purpose.

This resolution implies cancellation of the shareholders' pre-emptive rights for the benefit of the employees for whom the capital increase is reserved and the waiver of any right to the shares or other securities giving access to capital allotted free of charge on the basis of this resolution.

This resolution implies cancellation of the shareholders' pre-emptive rights for the benefit of beneficiaries of shares allotted free of charge.

This resolution also makes a specific reference under the terms of which the Annual General Meeting acknowledges the decision taken on 6 December 2006 by the Board of Directors, acting pursuant to a delegation of power given by the Annual General Meeting on 28 April 2005, involving a capital increase not exceeding €250,000,000 (two hundred and fifty million euros), including issue premium, for the benefit of employees and reiterates, in so far as may be necessary, for the purposes of Article 34 of the law of 30 December 2006, the authorisation for the resulting shares to be issued.

The purpose of this reference, in the context of the operation decided by the Board on 6 December 2006, is to enable the company to take advantage of a taxation measure made under the law of 30 December 2006 to develop employee shareholding and profit-sharing schemes, which allows companies to deduct from taxable profits the difference between their subscription price and the value of the shares on the date of the capital increase.

Issue of securities giving access to shares in Bouygues by a company in which Bouygues holds directly or indirectly more than half of the capital

The purpose of the ***twenty-first resolution*** is to delegate to the Board of Directors, in accordance with Article L. 225-93 of the Commercial Code, with the power to sub-delegate to any person authorised by law, the power to issue ordinary shares in Bouygues as a result of the issuance of securities by any company in which Bouygues holds more than half the capital directly or indirectly.

According to Article L. 228-93 of the Commercial Code, a limited company may now issue securities giving access to the capital of the company which holds more than half of its capital directly or indirectly. The issue must be authorised by the extraordinary general meeting of the company called to issue such securities and by the extraordinary general meeting of the company exercising such rights, in accordance with Article L. 228-92; the Annual General Meeting must give a decision on the Board of Directors' report and on the auditors' special report.

The amount of all capital increases made as a result of this resolution shall count towards the overall limit set forth in the thirteenth resolution.

This delegation of power is granted to the Board for a period of twenty-six months.

The issue of such securities shall be authorised by the extraordinary general meeting of the relevant subsidiary and the issue of the Bouygues shares, to which such securities give entitlement, shall be decided simultaneously by your Board of Directors on the basis of this financial authorisation, after prior authorisation of the Board of Directors.

Capital increases during a public offer period

The purpose of the ***twenty-second resolution*** is to enable the Board of Directors to use the delegations and authorisations granted by the combined general meeting in order to increase the company's capital during a public offer period relating to securities in the company, in compliance with applicable laws and regulations in force at such time.

In this instance, the aim is to apply the principle of reciprocity based on Article L. 233-33 of the Commercial Code, i.e. not requiring your company to obtain an authorisation from the Annual General Meeting during the public offer period to take steps that may cause the offer to fail when the bidder is not itself subject to the same or similar requirements.

This authorisation is given for eighteen months.

Issues of equity warrants during a public offer period

The aim of the ***twenty-third resolution*** is to authorise the Board of Directors, in accordance with Article L. 233-32-II of the Commercial Code, to issue equity warrants on preferential terms to shareholders, in the event of a public offer for the company's shares, and allot them free of charge to shareholders. These warrants shall lapse automatically as soon as the offer or any other competing offer has failed, lapsed or been withdrawn.

Like the previous resolution, the aim is to apply the principle of reciprocity, i.e. not requiring your company to obtain an authorisation from the Annual General Meeting during the public offer period to take steps that may cause the offer to fail when the bidder is not itself subject to the same or similar requirements.

This authorisation is given for eighteen months.

Allotment of shares free of charge

The purpose of the ***twenty-fourth resolution*** is to authorise the Board of Directors, in accordance with Articles L. 225-197-1 et seq. of the Commercial Code, to allot existing or future shares free of charge, to salaried employees and corporate officers of the company or companies or economic interest groupings connected to it within the meaning of Article L. 225-197-2 of the Commercial Code.

In accordance with the law, a number of shares not exceeding 10% of the company's capital may be allotted free of charge; no employee or corporate officer may hold more than 10% of the company's capital as a result of such allotment.

Acquisition of the shares by the beneficiaries shall not be final until the end of an acquisition period of two years, and beneficiaries of such shares must not dispose of them for a minimum period of two years as from the final allotment date referred to above.

However, the law dated 30 December 2006 for the development of employee shareholding and profit-sharing schemes provides that the Annual General Meeting may now decide that allotments of shares shall become final prior to expiry of the acquisition period in the case of beneficiaries classified as category-two or category-three invalids as provided in Article L. 341-4 of the Social Security Code. We propose to make use of this option to assist any beneficiaries who are afflicted by a particularly serious level of invalidity.

The draft resolution also fixes, as permitted by Article 39 of the law dated 30 December 2006 referred to above, a retention period of four years for some or all of the shares allotted on terms determined by the Board of Directors. This may concern for example, shares allotted to non-French tax resident beneficiaries where the laws of their country of residence charge tax at the time of the allotment (and not, as in France, only at the time of disposal). The beneficiaries of such shares do not own them until the end of a four-year period instead of two years, but, unlike the other shares, they are not subject to a minimum retention period of two years. The Board of Directors shall however have the option of setting a mandatory retention period in certain circumstances for some or all of the shares.

The amount of capital increases resulting from the issue of bonus shares is independent of and separate from the overall limit set forth in the thirteenth resolution.

This authorisation is granted for a period of thirty-eight months.

In accordance with Article L. 225-197-4 of the Commercial Code, a special report on all allotments of bonus shares under this authorisation shall be provided each year to the Annual General Meeting.

Issues of securities giving rights to allotment of debt securities not entailing a capital increase

You are requested under the ***twenty-fifth resolution,*** to delegate to the Board of Directors, with the power to sub-delegate 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, the power to create and issue securities giving immediate or future right to the allotment of debt securities, such as bonds, debt securities or their equivalent, perpetual or redeemable subordinated securities, or any other securities granting a right of claim against the company.

This delegation is granted up to a limit of €5,000,000,000 (five billion euros) which shall not count towards the limit of €5,000,000,000 (five billion euros) provided in the thirteenth and fifteenth resolutions. Under this delegation of power, the Board of Directors may determine the terms and conditions and all characteristics of the relevant securities and debt securities.

This delegation, granted for a period of twenty-six months, cancels any previous delegation given for the same purpose.

Reduction of capital by cancellation of treasury stock

The purpose of the ***twenty-sixth resolution*** is, in accordance with the provisions of Article L. 225-209 of the Commercial Code, to authorise the Board of Directors, with the power to sub-delegate to any person authorised by law, to cancel on one or more occasions, at its own initiative, up to a limit of 10% of the share capital in any twenty-four-month period, some or all of the shares that the company holds or may hold as a result of using the various purchase authorisations given by the Annual General Meeting to the Board, and to reduce the share capital by the same amount.

This authorisation is given for eighteen months and cancels any previous authorisation having the same purpose.

Amendment of the by-laws

The ***twenty-seventh resolution*** concerns updating the by-laws:

- in accordance with the law dated 30 December 2006 on the development of employee shareholding and profit-sharing schemes, the by-laws shall set out the conditions under which employee shareholders shall appoint directors representing employee shareholders; also, the terms of office of these directors shall be aligned with that of the other directors. The term of office of directors representing employee shareholders is therefore extended from two to three years;
- taking account of the amendments introduced by the Decree dated 11 December 2006, the objective of which is to facilitate attendance of shareholders' meetings (abolition of the certificate of unavailability and introduction of the concept of "record date" at midnight D-3), it is proposed to simply make a reference to the provisions of the law and amend Articles 19.2 and 19.3 of the by-laws accordingly;
- taking account of the new postal ballot provisions introduced by this decree, it is proposed that the second sub-paragraph of Article 19.4, which set out the wording which had to be included on postal ballot forms, be deleted. The regulations on this point are in fact sufficiently precise and we do not consider it necessary to reproduce them in the by-laws.

Powers

The ***twenty-eighth resolution*** concerns powers to carry out formalities for both the ordinary and extraordinary general meeting.

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Information about the conduct of the company's business, which we have a statutory obligation to provide, is contained in the management report sent to you.

We ask you to vote on the resolutions put to you.

The Board of Directors

BOARD OF DIRECTORS' REPORT ON THE SITUATION AND OPERATIONS OF THE COMPANY AND THE GROUP'S COMPANIES IN 2006

This information is set out on pages 5-99, 123-126 and 130-141 of the Registration Document.

CHAIRMAN'S REPORT ON THE PREPARATION AND ORGANISATION OF THE BOARD OF DIRECTORS' WORK AND ON INTERNAL CONTROL PROCEDURES

This report is set out on pages 102-122 of the Registration Document.

BOARD OF DIRECTORS' SPECIAL REPORT ON STOCK OPTIONS

This special report is set out on pages 126-129 of the Registration Document.

BOARD OF DIRECTORS' SPECIAL REPORT ON SHARE BUY-BACKS

This special report is set out on pages 137-138 of the Registration Document.

SUPPLEMENTARY BOARD OF DIRECTORS' REPORT ON THE CAPITAL INCREASE RESERVED FOR BOUYGUES GROUP EMPLOYEES IN FRANCE SUBSCRIBING TO THE BOUYGUES GROUP SAVINGS PLAN (ARTICLE 155-2 OF THE DECREE OF 23 MARCH 1967 ON COMMERCIAL COMPANIES)

Ladies and Gentlemen,

We remind you that at the Annual General Meeting on 28 April 2005, you authorised the Board of Directors to decide at its own discretion, for a period of twenty-six months, to increase the share capital on one or more occasions, up to a limit of 10%, by issuing new shares for payment in cash and reserved for Bouygues employees and employees of affiliated companies subscribing to a corporate savings plan.

You delegated to the Board of Directors, with the option of sub-delegating to the Chief Executive Officer or, with his consent, to one or more Deputy Chief Executive Officers, the powers needed to carry out such capital increases and to set the final terms and conditions.

Using these delegated powers, the Board of Directors decided at its meeting of 6 December 2006 to carry out a capital increase reserved for employees of the French companies of the Bouygues group or any other companies subscribing to the Bouygues group savings plan so that employees might increase their savings on preferential terms and raise their stake in the Group, thus strengthening their position as major shareholders in Bouygues.

The capital increase, known as "Bouygues Partage" will be effected through an employee share ownership scheme created specifically for this purpose, to be approved by the French securities regulator (Autorité des Marchés Financiers, AMF). The maximum amount is €250 million (including the issue premium).

Employees subscribing for the capital increase will benefit from a 20% discount on the share price, a matching contribution from the employer and gearing, as follows:

- the subscription price was set at 80% of the average opening share price quoted during the twenty trading days prior to 6 December 2006, i.e. €36.44;
- the employee's personal contribution is equal to the value of three Bouygues shares minus the 20% discount. The employer's contribution is three times that of the employee;
- under the terms of the exchange transaction between the employee share ownership scheme and the bank, each employee's personal contribution will be topped up by a contribution from the bank equal to nine times that contribution ("gearing").

On leaving the employee share ownership scheme, employees will recoup:

- the value of the shares acquired through their personal contribution and that of the employer, i.e. 12 shares;
- a percentage of the capital gain on the 108 shares acquired through the bank's contribution, this gain being the difference between the value of the share on leaving the scheme and the reference price (€45.55 before the 20% discount).

The capital increase represents a moderate risk for the employees wishing to participate, since their investment is limited to the subscription price of three shares.

Shares subscribed through the employee share ownership scheme will bear interest as from 1 January 2007 (ex 2006 dividend). The new shares will be equivalent to existing shares.

The subscription period will begin on 15 March 2007 at the earliest and end on 31 May 2007 at the latest. The Chairman will determine the terms for the payment of subscriptions.

In accordance with the decision of the Annual General Meeting of 28 April 2005, the total number of shares created since this date for Bouygues employees and employees of affiliated companies subscribing to a corporate savings plan will be less than 10% of the existing share capital on the day on which the Board takes its decision. Thus,

- 9,972,331 new shares were subscribed on 28 December 2005 by the "Bouygues Confiance 3" employee share ownership scheme, representing 2.93% of the current share capital;
- given the authorised amount and the subscription price, the maximum number of shares that can be created for the "Bouygues Partage" capital increase is 6,860,520 shares, equal to 2.1% of the share capital on 30 November 2006 (after cancellation of shares).

The impact of the issue of up to 6,860,520 new shares on a shareholder owning 1% of Bouygues' share capital and not subscribing to the capital increase would be as follows:

	Percentage stake
Before issue	1.00%
After issue of a maximum of 6,860,520 new shares	0.98%

Furthermore, the impact of this issue on the proportion of consolidated shareholders' equity (attributable to the Group) as at 30 September 2006 for a shareholder owning one Bouygues share and not subscribing to the capital increase would be as follows:

Share of shareholders' equity (attributable to the Group) as at 30 September 2006	
Before issue	€15.21
After issue of a maximum of 6,860,520 new shares	€14.91

Given the issue price and the volume involved, the transaction is unlikely to have a significant impact on the share price.

Furthermore, in view of the authorisations granted by the Annual General Meeting of 27 April 2006, your Board of Directors has authorised the company to acquire a maximum number of its own shares without reducing its shareholders' equity, then to cancel these shares in order to limit the dilutive impact of the capital increase.

Pursuant to the provisions of Article 155-2(3) of the Decree of 23 March 1967, this report will be made available to the shareholders at the company's registered office within a maximum of fifteen days of the Board meeting and its contents revealed to the shareholders at the next Annual General Meeting.

6 December 2006.

Chairman of the Board of Directors

AUDITORS' REPORTS

Auditors' general report on the annual financial statements of Bouygues SA

Ladies and Gentlemen,

In accordance with the terms of our appointment at your Annual General Meeting, we hereby present our report for the year ended 31 December 2006 on:

- our audit of the accompanying annual financial statements of Bouygues SA;
- the substantiation of our opinion;
- the specific verifications and information required by law.

The annual financial statements are the responsibility of the Board of Directors. Our responsibility is to express an opinion on these financial statements based on our audit.

I. Opinion on the annual financial statements

We conducted our audit in accordance with the professional standards applicable in France. Those standards require that we plan and perform our audit to obtain reasonable assurance that the annual financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts in the financial statements. 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 financial statements give a true and fair view of the company's financial position, assets and liabilities at 31 December 2006 and of the results of its operations for the year then ended in conformity with French generally accepted accounting principles.

II. Substantiation of our opinion

Pursuant to the provisions of Article L. 823-9 of the Commercial Code on the substantiation of our opinion, we draw your attention to the following matters.

Holdings in subsidiaries and affiliates recognised as assets on the company's balance sheet are valued using the methods described in Note 2.3 to the parent company financial statements. We reviewed the specific data used to estimate the carrying amounts and, where applicable, verified the calculation of impairment losses. We have no matters to report as to the methods used, the reasonableness of the estimates made and the relevance of the information disclosed in the notes to the financial statements.

Our assessment of these matters formed an integral part of our overall audit of the annual financial statements and therefore contributed to the opinion expressed in the first part of this report.

III. Specific verifications and information

We also carried out the specific verifications required by law in accordance with the professional standards applicable in France.

We have no matters to report as to:

- the fairness of the information provided in the Board of Directors' management report and the documents sent to shareholders concerning the company's financial position and annual financial statements, and the consistency of that information with the annual financial statements;
- the fairness of the information provided in the management report on remuneration and benefits granted to corporate officers, and on all commitments of any kind granted to them upon or after their assumption, cessation or change of office.

As required by law, we have satisfied ourselves that the information relating to acquisitions of equity interests and controlling interests and to the identity of shareholders has been disclosed in the management report.

Paris-La Défense and Courbevoie, 5 March 2007

The Auditors

Mazars & Guérard
Gilles Rainaut

Ernst & Young Audit
Jean-Claude Lomberget

Auditors' report on the consolidated financial statements

Ladies and Gentlemen,

In accordance with the terms of our appointment at your Annual General Meeting, we have audited the accompanying consolidated financial statements of Bouygues for the year ended 31 December 2006.

The consolidated financial statements are the responsibility of the Board of Directors. Our responsibility is to express an opinion on these financial statements based on our audit.

I. Opinion on the consolidated financial statements

We conducted our audit in accordance with the professional standards applicable in France. Those standards require that we plan and perform our audit to obtain reasonable assurance that the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts in the financial statements. 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 of the assets and liabilities and financial position of the group of consolidated entities at 31 December 2006 and of the results of its operations for the year then ended, in conformity with International Financial Reporting Standards as endorsed by the European Union.

Without qualifying our opinion, we draw your attention to the matters set out in Notes 1.4 and 1.5 to the consolidated financial statements concerning the accounting treatment used for initial recognition of the shareholdings acquired in Alstom and Alstom Hydro Holding in 2006.

II. Substantiation of our opinion

Pursuant to the provisions of Article L. 823-9 of the Commercial Code on the substantiation of our opinion, we draw your attention to the following matters:

- Impairment tests were carried out on intangible assets and goodwill as described in Note 2.7.4 to the consolidated financial statements. We reviewed the methods used to carry out the tests and the underlying assumptions.
- Current and non-current provisions appearing on the balance sheet in amounts of €690 million and €1,432 million respectively were valued using the rules and methods described in Notes 2.12.2 and 2.11.2 to the consolidated financial statements. In light of the information available to date, our assessment of these provisions was based in particular on an analysis of the processes used by senior management to identify and assess the risks.
- Note 1.4 to the consolidated financial statements sets out the accounting treatment used for the Group's acquisition of a shareholding in the Alstom group. Our work consisted of examining the data used, assessing the assumptions made, reviewing the calculations and ensuring that an appropriate level of information had been disclosed in Note 2.4 to the consolidated financial statements. We assessed the impact on the consolidated financial statements of non-recognition of the change in fair value of the embedded financial instrument described in Note 1.5 to the consolidated financial statements. We incorporated the impact of this divergence from IFRS treatment in the results and conclusions of our audit work.

Our assessment of these matters formed an integral part of our overall audit of the consolidated financial statements and therefore contributed to the opinion expressed in the first part of this report.

III. Specific verifications

We also reviewed the information contained in the Board of Directors' management report in accordance with the professional standards applicable in France. We have no matters to report on the fairness of this information or on the consistency of this information with the consolidated financial statements.

Paris-La Défense and Courbevoie, 5 March 2007

The Auditors

Mazars & Guérard

Gilles Rainaut

Ernst & Young Audit

Jean-Claude Lomberget

Auditors' report in accordance with Article L. 225-235 of the Commercial Code on the report of the Chairman of Bouygues SA on internal control procedures relating to the preparation and treatment of accounting and financial information

Ladies and Gentlemen,

In our capacity as auditors of Bouygues SA and pursuant to the provisions of Article L. 225-235 of the Commercial Code, we hereby present our report for the year ended 31 December 2006 on the report prepared by the Chairman of your company in accordance with the provisions of Article L. 225-37 of the Commercial Code.

It is the Chairman's responsibility to report on the work and practices of the Board of Directors and the company's internal control procedures.

Our responsibility is to report our comments on the information contained in the Chairman's report relating to internal control procedures over the preparation and treatment of accounting and financial information.

We conducted our assignment in accordance with professional practices applicable in France. Those practices require us to plan and perform procedures to assess whether the information provided in the Chairman's report on internal control procedures over the preparation and treatment of accounting and financial information is fairly stated. Our work included:

- acquainting ourselves with the objectives and general organisation of internal controls and with 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 matters to report as to the information on the company's internal control procedures over the preparation and treatment of accounting and financial information contained in the Chairman's report prepared pursuant to the provisions of Article L. 225-37 of the Commercial Code.

Paris-La Défense and Courbevoie, 5 March 2007

The Auditors

Mazars & Guérard

Gilles Rainaut

Ernst & Young Audit

Jean-Claude Lomberget

Auditors' special report on regulated agreements and commitments

Ladies and Gentlemen,

In our capacity as auditors of your company, we hereby present our report on regulated agreements and commitments.

Pursuant to Article L. 225-40 of the Commercial Code, we were advised of those agreements and commitments that had received prior approval from your Board of Directors.

It is not our responsibility to ascertain the existence of any other such agreements or commitments, nor to comment on their usefulness or substance. We are simply required to report to you, based on the information provided, on the basic terms and conditions of the agreements that have been disclosed to us. Under the provisions of Article 92 of the Decree of 23 March 1967, it is your responsibility to determine whether the agreements and commitments are appropriate and should be approved.

We conducted our investigations in accordance with the professional standards applicable in France. Those standards require us to plan and perform procedures to verify that the information disclosed to us is consistent with the contents of the source documents.

Shared service agreements

Bouygues has entered into shared service agreements with its main subsidiaries under which it provides its sub-groups with services, relating in particular to management, human resources, information technology and finance.

Bouygues invoiced the following amounts in respect of this agreement in 2006:

Subsidiaries	Amount excluding VAT	Persons concerned
Bouygues Construction	€10,840,537	Yves Gabriel, Olivier Bouygues and Olivier Poupart-Lafarge
Bouygues Immobilier	€2,215,646	Olivier Poupart-Lafarge
Bouygues Telecom	€7,003,859	Olivier Bouygues, Olivier Poupart-Lafarge and Alain Pouyat
TF1	€3,765,978	Patricia Barbizet, Martin Bouygues, Olivier Bouygues, Patrick Le Lay, Olivier Poupart-Lafarge and Alain Pouyat
Colas	€16,068,706	Olivier Bouygues, Alain Dupont, Patrick Le Lay and Olivier Poupart-Lafarge
Finagestion	€850,104	Olivier Bouygues

Creation of 32 Hoche GIE

Bouygues and SCDM have created an economic interest grouping (GIE) for the main purpose of acquiring the building at 32 Avenue Hoche in Paris and making it available to the consortium's members. 32 Hoche GIE is 90%-owned by Bouygues and 10% by SCDM.

Persons concerned: Martin Bouygues, Olivier Bouygues and Olivier Poupart-Lafarge.

Service agreement: use of Bouygues' offices at 90 Avenue des Champs-Élysées and 32 Avenue Hoche

Bouygues provides the Group's main subsidiaries with fully equipped offices and associated services (reception, catering, conference room, office equipment, etc.) for temporary use. These offices were at 90 Avenue des Champs-Élysées until June 2006 and subsequently at 32 Avenue Hoche.

The service agreements relating to the use of Bouygues' offices at 32 Avenue Hoche by some subsidiaries have been transferred by Bouygues to 32 Hoche GIE.

In 2006, Bouygues invoiced the following amounts in respect of the use of its offices at 90 Avenue des Champs-Élysées:

Subsidiaries	Amount excluding VAT	Persons concerned
Bouygues Bâtiment International	€15,046	Yves Gabriel
Bouygues Bâtiment Ile-de-France	€215,705	Yves Gabriel
Bouygues Construction	€151,880	Yves Gabriel, Olivier Bouygues and Olivier Poupart-Lafarge
Bouygues Travaux Publics	€50,465	Yves Gabriel
Bouygues Telecom	€13,435	Olivier Bouygues, Olivier Poupart-Lafarge and Alain Pouyat
ETDE	€39,146	Yves Gabriel and Alain Pouyat
Bouygues Immobilier	€2,015	Olivier Poupart-Lafarge

Service agreements: use of aircraft owned by Bouygues

Bouygues has entered into an agreement with its main subsidiaries for the use of its aircraft.

Bouygues invoiced the following amounts in respect of this agreement in 2006:

Subsidiaries	Amount excluding VAT	Persons concerned
Bouygues Construction	€397,108	Yves Gabriel, Olivier Bouygues and Olivier Poupart-Lafarge
Bouygues Bâtiment International	€107,125	Yves Gabriel
Bouygues Bâtiment Ile-de-France	-	Yves Gabriel
Bouygues Travaux Publics	€58,725	Yves Gabriel
Bouygues Immobilier	€18,125	Olivier Poupart-Lafarge
TF1 group	€601,517	Patricia Barbizet, Martin Bouygues, Olivier Bouygues, Patrick Le Lay, Olivier Poupart-Lafarge and Alain Pouyat
Eurosport	€49,268	Olivier Bouygues
Colas	€933,283	Olivier Bouygues, Alain Dupont, Patrick Le Lay and Olivier Poupart-Lafarge
Bouygues Telecom	€161,400	Olivier Bouygues, Olivier Poupart-Lafarge and Alain Pouyat
ETDE	-	Yves Gabriel and Alain Pouyat
Finagestion	€302,133	Olivier Bouygues

Service agreement: administration of TF1 shares

Bouygues has entered into an agreement for its registrar department to administer TF1 shares. In 2006, Bouygues invoiced TF1 the sum of €60,000 excluding VAT under this agreement.

Persons concerned: Patricia Barbizet, Martin Bouygues, Olivier Bouygues, Patrick Le Lay, Olivier Poupart-Lafarge and Alain Pouyat.

Agreement between Bouygues and SCDM

Under the terms of this agreement, SCDM invoices Bouygues for costs incurred up to a maximum of €8 million a year, relating to:

- salaries, in particular those of Martin and Olivier Bouygues, who are paid exclusively by SCDM;
- research and analysis relating to strategic developments and expansion of the Bouygues group;
- miscellaneous services.

SCDM may also provide Bouygues with other specific services outside the scope of its ongoing commitment. These specific services are invoiced at usual market conditions. Under the terms of the agreement, Bouygues also invoiced SCDM annual rent of €85,000 for offices totalling 130 sq. metres at Challenger (until Bouygues SA's relocation to 32 Avenue Hoche in Paris in June 2006), in addition to invoicing SCDM for specific services at usual market conditions.

Under the agreement, SCDM invoiced Bouygues €6,151,439 excluding VAT and Bouygues invoiced SCDM €543,138 excluding VAT.

Agreement between Bouygues and Alstom

Bouygues and Alstom have entered into a partnership covering industrial, commercial and financial cooperation commitments, as well as Bouygues' acquisition of a 50% shareholding in Alstom Hydro Holding.

The agreement relating to Alstom Hydro Holding contains a mechanism allowing Bouygues to sell its shareholding on or after 31 October 2009, or before that date in the event of a disagreement between Alstom Power Centrale and Bouygues (co-partners) at Alstom Hydro Holding Board level.

Under this put option, Bouygues may sell its shareholding in Alstom Hydro Holding either for a cash consideration of €175 million, or in exchange for 2,200,000 Alstom shares to be tendered by Alstom Power Centrale.

Should Alstom Power Centrale fail to deliver the Alstom shares, Bouygues will receive a cash consideration equal to 2,200,000 multiplied by the closing price of Alstom shares on the third trading day before Bouygues exercises its put option over Alstom Hydro Holding.

Persons concerned: Georges Chodron de Courcel and Jean Peyrelevade.

Brand co-existence agreement with Bouygues Telecom

Bouygues owns the trade name "Bouygues Telecom", while Bouygues Telecom owns the Bouygues Telecom logotype. Bouygues Telecom wished to register trademarks associating both the "Bouygues Telecom" trade name and the logotype.

Bouygues has authorised Bouygues Telecom to register the trademarks in question in its own name in France and other countries covered by the Bouygues Telecom trademark licence agreement dated 9 July 1996 and has accordingly granted Bouygues Telecom the right to use the trademarks.

This right is granted free of charge for a term equal to the term of the Bouygues Telecom trademark licence agreement.

Persons concerned: Olivier Bouygues, Olivier Poupart-Lafarge and Alain Pouyat.

Construction and project management agreement for the Hôtel de la Marine

As part of the sponsorship agreement with the French government for the restoration of the Hôtel de la Marine, Bouygues has entered into two contracts with Bouygues Bâtiment Ile-de-France:

- a renovation contract for an estimated amount of €4,800,000 excluding VAT;
- a project management contract to provide Bouygues with assistance in completing the works and advice, for the sum of approximately €200,000 excluding VAT.

Bouygues Bâtiment Ile-de-France invoiced Bouygues the sum of €1,775,469 excluding VAT in respect of these contracts in 2006.

Person concerned: Yves Gabriel.

Trademark licence agreement between Bouygues and 32 Hoche GIE

Bouygues has granted 32 Hoche GIE a non-exclusive right to use the Minorange ellipse or combined trademark (logo + Bouygues name) for a term of 10 years.

Bouygues invoiced the sum of €318 in respect of this agreement in 2006.

Persons concerned: Martin Bouygues, Olivier Bouygues and Olivier Poupart-Lafarge.

Amendments to the trademark licence agreement between Bouygues and Bouygues Bâtiment International

Bouygues and Bouygues Bâtiment International have entered into two amendments to the trademark licence agreement. The first extends the exclusive licence to use the "Bouygues Bâtiment" trade name to Trinidad and Tobago and the non-exclusive licence to use the Minorange ellipse to the following territories: Hungary, Morocco, Czech Republic, Romania, Trinidad and Tobago, Latvia, Lithuania, Thailand and Vietnam. The second removes Portugal from the list of territories covered by the "Bouygues Bâtiment" trademark licence agreement.

Person concerned: Yves Gabriel.

In accordance with the Decree of 23 March 1967, we were advised that the following agreements and commitments, approved in previous years, remained in effect during 2006.

Reciprocal interest-bearing advances between Bouygues and its subsidiaries

Bouygues invoiced its subsidiaries interest in the sum of €2,078,042 at rates lower than the tax-deductible minimum (4.48%) for euro-denominated advances.

Call and put options over Bouygues Telecom shares held by the BNP Paribas group

With a view to the potential purchase of all the Bouygues Telecom shares held by the BNP Paribas group (6.5% of Bouygues Telecom's capital) for a basic price of €475 million, Bouygues entered into the following call and put options with BNP Paribas on 21 June 2005:

- Bouygues granted BNP Paribas a put option valid until 31 July 2007;
- BNP Paribas granted Bouygues a call option exercisable between 1 and 30 September 2007.

These options have not been exercised to date. The basic price of €475 million bears interest at a rate of 2.07% from the day on which the options were signed until the date on which the purchase takes place. Dividends paid before the transfer of ownership, plus interest at a rate of 2.07%, will be deducted from the basic price.

Continuation of guarantees given by Bouygues to Bouygues Bâtiment International

In January 1998, Bouygues entered into a concession agreement relating to an equestrian club project in Jeddah (Saudi Arabia). Following the spin-offs in June 1999, one result of which was to substitute Bouygues Bâtiment (since renamed Bouygues Bâtiment International) for Bouygues, the two companies entered into an agreement to amend the clauses relating to joint and several liability.

Trademark licence agreements

■ With Bouygues Construction, Bouygues Travaux Publics and Bouygues Immobilier

Bouygues entered into trademark licence agreements in 2000 with Bouygues Construction, Bouygues Bâtiment, Bouygues Travaux Publics and Bouygues Immobilier, giving them:

- the right to use respectively the Bouygues Construction, Bouygues Bâtiment, Bouygues Travaux Publics and Bouygues Immobilier trademarks, company names and trade names;
- the right for companies in the Construction sector to use the Minorange ellipse.

Bouygues invoiced the following amounts in respect of this agreement in 2006:

Subsidiaries	Amount excluding VAT
Bouygues Construction	€36,283
Bouygues Travaux Publics	€15,855
Bouygues Immobilier	€16,464

■ With Bouygues Bâtiment International and Bouygues Bâtiment Ile-de-France

Bouygues entered into the following agreements in 2003:

- with Bouygues Bâtiment International, an amendment to the trademark licence agreement of 21 December 2000, granting it the right to use the Bouygues Bâtiment trademarks in certain foreign countries, to use the Minorange ellipse trademarks in France and the said 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 trademark in France, a non-exclusive right to use the Bouygues Bâtiment company name and trade name in France, a non-exclusive right to use the Minorange ellipse trademark in France in conjunction with the Bouygues Bâtiment name, and the right to use the Bouygues Bâtiment company name and trade name.

Bouygues invoiced the following amounts in respect of these agreements in 2006:

Subsidiaries	Amount excluding VAT
Bouygues Bâtiment International	€7,318
Bouygues Bâtiment Ile-de-France	€15,550

With Bouygues Telecom

Bouygues entered into a trademark licence agreement with Bouygues Telecom in 1996, subsequently amended in 1997 and 2001, granting it the following rights:

- an exclusive licence to use the Bouygues Telecom trademark in France: Bouygues invoiced an amount of €15,245 excluding VAT in respect of this agreement in 2006;
- exclusive licences to use the Bouygues Telecom trademarks in 99 foreign countries: Bouygues invoiced a total amount of €30,185 excluding VAT in respect of these agreements in 2006;
- an exclusive licence to use the Bouygtel trademark in France: Bouygues invoiced an amount of €15,245 excluding VAT in respect of this agreement in 2006;
- a non-exclusive licence to use the Bouygnet trademark in France: Bouygues invoiced an amount of €1,524 excluding VAT in respect of this agreement in 2006.

Technical support agreement between Bouygues and TF1 Publicité

An agreement was entered into on 17 September 2004 under the terms of which Bouygues' e-Lab department provides TF1 with technical support services for the creation and optimisation of advertising products and services offered by TF1 Publicité. This agreement expired on 31 December 2006.

Bouygues invoiced an amount of €110,000 excluding VAT in respect of this agreement in 2006.

Assumption of defence costs

On 16 December 2003, Bouygues approved the principle that it would assume costs incurred by executive officers 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 committed in performance of their duties or by the mere fact of their holding office as Director, Chairman, CEO or Deputy CEO or any equivalent position in a Group company.

No sums were paid in respect of this agreement in 2006.

Sponsorship agreement between Bouygues and Arsep

The sponsorship agreement entered into by Bouygues and Arsep for the purpose of raising funds for the Edmus project to computerise data on multiple sclerosis sufferers continued during 2006.

The sum of €40,000 excluding VAT was paid in respect of this agreement in 2006.

Supplementary pension plan for executive officers

Bouygues is party to a supplementary pension plan agreement for the members of the Group's Management Committee, including the corporate officers and salaried directors of Bouygues SA. This supplementary plan represents 0.92% of the reference salary for each year of membership of the plan. It has been outsourced to an insurance company. The contribution paid in 2006 to the fund set up by the insurance company was €1,641,101 excluding VAT.

Sub-licences for "Magnitude" accounting and financial consolidation software between Bouygues and certain subsidiaries

Bouygues SA has agreed to grant Bouygues Construction, Colas and Bouygues Immobilier a sub-licence to use "Magnitude" accounting and financial consolidation software.

The following amounts were invoiced to these subsidiaries in respect of 2006:

Subsidiaries	Amount excluding VAT
Bouygues Immobilier	€5,000
Bouygues Construction	€42,000
Colas	€58,000

Other agreements:

With Bouygues Construction

On 1 January 2000, Bouygues entered into a nine-year sub-lease with Bouygues Construction (with three-year and six-year cancellation options for the lessee) relating to part of the Challenger building.

Bouygues Construction invoiced an amount of €1,613,867 excluding VAT in respect of this agreement in 2006.

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 expired in February 2006.

With SCI des Travaux Publics du 90 Avenue des Champs-Élysées

The agreement entered into on 10 September 2003 with SCI des Travaux Publics du 90 Avenue des Champs-Élysées (represented by the Fédération Nationale des Travaux Publics - FNTP) in the context of the sale by Bouygues of its offices on the Champs-Élysées, with deferred transfer of possession, expired in June 2006.

Bouygues was invoiced an amount of €395,104 excluding taxes in respect of its occupation of these premises in 2006.

Paris-La Défense and Courbevoie, 5 March 2007

The Auditors

Mazars & Guérard

Gilles Rainaut

Ernst & Young Audit

Jean-Claude Lomberget

Supplementary auditors' report on the capital increase reserved for employees subscribing to a company savings scheme

Ladies and Gentlemen,

In our capacity as auditors of your company and pursuant to the provisions of Article 155-2 of the Decree of 23 March 1967, we hereby present a supplementary report to our special report of 16 March 2005 on the issuance of shares reserved for Bouygues employees and employees of related companies subscribing to a company savings scheme, as authorised by the Annual General Meeting of 28 April 2005.

This meeting delegated authority to the Board of Directors to carry out such transactions over a period of twenty-six months, up to a maximum of 10% of the share capital on the date of the Board's decision.

At its meeting of 6 December 2006, the Board of Directors decided to carry out a capital increase reserved for employees under this authorisation, of a maximum of €250 million, via the issuance of 6,860,520 shares at a subscription price of €36.44 per share.

It is the responsibility of the Board of Directors to prepare a supplementary report in accordance with Articles 155-1 and 155-2 of the Decree of 23 March 1967. We are required to give our opinion on certain information provided in this report and on the proposal to waive the shareholders' pre-emptive rights.

We conducted our assignment in accordance with the professional standards applicable in France. Those standards require that we plan and perform procedures to verify:

- the fairness of the figures taken from the condensed interim consolidated financial statements for the six months to 30 September 2006, prepared under the responsibility of the Board of Directors in accordance with IAS 34 on Interim Financial Reporting as endorsed by the European Union. We conducted a limited review of those interim financial statements in accordance with the professional standards applicable in France;
- the conformity of the terms and conditions of the transaction with the delegation of authority granted by the Annual General Meeting, and the fairness of the information provided in the supplementary report of the Board of Directors on the calculation method and final amount of the issue price.

We have no matters to report on:

- the fairness of the figures taken from the company's financial statements and given in the supplementary report of the Board of Directors;
- the conformity of the terms and conditions of the transaction with the delegation of authority granted by the Annual General Meeting of 28 April 2005 and with the information provided at that meeting;
- the proposal to waive the shareholders' pre-emptive rights, which you have already approved, and the calculation method and final amount of the issue price;
- the presentation of the impact of the issue on (i) the position of holders of shares or securities giving access to the share capital assessed in relation to shareholders' equity and (ii) the share price.

Paris-La Défense and Courbevoie, 19 December 2006

The Auditors

Mazars & Guérard

Gilles Rainaut

Ernst & Young Audit

Jean-Claude Lomberget

Auditors' report on the issuance of various securities with or without pre-emptive rights

Ladies and Gentlemen,

In our capacity as auditors of your company and pursuant to the Commercial Code and in particular Articles L. 225-135, L. 225-136 and L. 228-92 thereof, we hereby present our report on the proposal to delegate authority to the Board of Directors to issue shares and securities giving access to the share capital with or without pre-emptive rights, these being transactions that you are required to approve. On the basis of its report, the Board of Directors is seeking:

- delegation of authority with the power to sub-delegate, for a period of twenty-six months from the date of this meeting, pursuant to Article L. 225-129-2 of the Commercial Code, to issue on one or more occasions:
  - ordinary shares or securities giving access to the share capital of the company or a company more than 50% controlled by the company, with pre-emptive rights (thirteenth resolution) or without pre-emptive rights (fifteenth resolution), up to a maximum nominal value of €150,000,000. These amounts may be increased by 15% under the terms and conditions set out in the sixteenth resolution;
  - ordinary shares or securities giving access to the share capital in the event of a public exchange offer made by your company, in accordance with the terms of the nineteenth resolution;
  - ordinary shares arising as a result of the issuance by a Bouygues subsidiary of securities giving access to Bouygues' share capital (twenty-first resolution) pursuant to the fifteenth resolution;
- delegation of powers for a period of twenty-six months pursuant to Article L. 225-147 of the Commercial Code, to issue ordinary shares or securities giving access to the share capital to tender as consideration for contributions in kind consisting of another company's shares or securities giving access to the share capital of another company (eighteenth resolution);
- authority under the seventeenth resolution and pursuant to the delegation of authority granted under the fifteenth resolution, to set the issue price of shares or securities giving access to the share capital, up to a maximum of 10% of the share capital;

under the fifteenth, seventeenth, eighteenth, nineteenth and twenty-first resolutions, a waiver of your pre-emptive rights.

The Board of Directors is also seeking, in the twenty-second resolution, power to use these delegations of authority in the event of a public offer for the company's shares should the provisions of the first paragraph of Article L. 233-33 of the Commercial Code apply.

It is the responsibility of the Board of Directors to prepare a report in accordance with Articles 154, 155 and 155-1 of the Decree of 23 March 1967. We are required to express an opinion on the fairness of the financial information taken from the financial statements and on certain other information concerning the issue given in the report.

We conducted our assignment in accordance with the professional standards applicable in France. Those standards require us to plan and perform procedures to verify the contents of the Board of Directors' report on the transaction and the method of determining the issue price of shares or securities giving access to the share capital.

Subject to our subsequent review of the proposed terms and conditions of the issue, we have no matters to report as to the method of determining the issue price of the shares to be issued as described in the Board of Directors' report with respect to the fifteenth, seventeenth, nineteenth and twenty-first resolutions.

In addition, as this report does not specify the method of determining the issue price of shares to be issued pursuant to the thirteenth and eighteenth resolutions, we cannot express an opinion on the data used to calculate the issue price.

As the issue price has not yet been fixed, we cannot express an opinion on the final terms and conditions of the transactions nor, consequently, on the proposal that you waive your pre-emptive rights over certain issues, the principle of which is nonetheless a logical consequence of the authorisation submitted for your approval.

In accordance with Article 155-2 of the Decree of 23 March 1967, we will draw up a supplementary report if the Board of Directors decides to use its authority to make issues without pre-emptive rights or issues of securities giving access to the share capital.

Paris-La Défense and Courbevoie, 5 March 2007

The Auditors

Mazars & Guérard

Gilles Rainaut

Ernst & Young Audit

Jean-Claude Lomberget

Auditors' report on capital increases with waiver of shareholders' pre-emptive rights via the issuance of new shares to employees or corporate officers of the company or Group companies subscribing to a company savings scheme

Ladies and Gentlemen,

In our capacity as auditors of your company and pursuant to Articles L. 225-135 et seq. of the Commercial Code, we hereby present our report on the proposal to delegate authority to the Board of Directors to increase the share capital by issuing ordinary shares with waiver of pre-emptive rights to employees and corporate officers of the company or a group company, in an amount not exceeding 10% of the share capital on the date of the Board's decision, these being transactions which you are required to approve.

You are required to approve such capital increase pursuant to Articles L. 225-129-6 of the Commercial Code and L. 443-5 of the Labour Code.

Based on its report, the Board of Directors is seeking delegation of authority to carry out one or more capital increases over a period of twenty-six months and is asking you to waive your pre-emptive rights. It will be the responsibility of the Board of Directors to set the final terms and conditions of any such transaction.

It is the responsibility of the Board of Directors to prepare a report in accordance with Articles 154 and 155 of the Decree of 23 March 1967. We are required to express an opinion on the fairness of the financial information taken from the financial statements, on the proposal to waive the shareholders' pre-emptive rights and on certain other information concerning the issue given in the report.

We conducted our assignment in accordance with the professional standards applicable in France. Those standards require us to plan and perform procedures to verify the contents of the report drawn up by the Board of Directors on the transaction and the method of determining the issue price.

Subject to our subsequent review of the proposed terms and conditions of the capital increase(s), we have no matters to report as to the method of determining the issue price as described in the Board of Directors' report.

As the issue price has not yet been fixed, we cannot express an opinion on the final terms and conditions of the capital increase(s) nor, consequently, on the proposal that you waive your pre-emptive rights.

In accordance with Article 155-2 of the Decree of 23 March 1967, we will draw up a supplementary report when the Board of Directors decides to use this authority.

Paris-La Défense and Courbevoie, 5 March 2007

The Auditors

Mazars & Guérard

Gilles Rainaut

Ernst & Young Audit

Jean-Claude Lomberget

Auditors' report on the issuance of equity warrants allotted free of charge during a public offer for the company's shares

Ladies and Gentlemen,

In our capacity as auditors of your company and pursuant to Article L. 228-92 of the Commercial Code, we hereby present our report on the issuance of equity warrants allotted free of charge during a public offer for the company's shares, this being a transaction that you are required to approve.

Based on its report, the Board of Directors is seeking delegation of authority, pursuant to Article L. 233-32 II of the Commercial Code, to:

- issue equity warrants giving the holders the right to subscribe for one or more shares in the company on preferential terms, and to allot such warrants free of charge to all shareholders who hold shares in the company prior to expiry of the offer period;
- to set the terms and conditions of exercise and other characteristics of the equity warrants.

The maximum nominal value of the shares that may be issued upon exercise of the warrants may not exceed €400,000,000 and the maximum number of warrants that may be issued may not exceed the number of shares comprising the share capital at the time the warrants are issued.

It is the responsibility of the Board of Directors to prepare a report in accordance with Articles 154, 155, 155-1 and 155-3 of the Decree of 23 March 1967. We are required to express an opinion on the fairness of the financial information taken from the financial statements and on certain other information concerning the issue given in the report.

We conducted our assignment in accordance with professional practices applicable in France. Those practices require us to plan and perform procedures to verify the contents of the Board of Directors' report on the transaction.

We have no matters to report as to the information provided in the Board of Directors' report on the proposed issuance of equity warrants during a public offer for the company's shares.

In accordance with Article 155-2 of the Decree of 23 March 1967, we will draw up a supplementary report if the Board of Directors decides to use this authority.

Paris-La Défense and Courbevoie, 5 March 2007

The Auditors

Mazars & Guérard

Gilles Rainaut

Ernst & Young Audit

Jean-Claude Lomberget

Special report of the auditors on the allotment of existing or new shares free of charge to salaried employees and corporate officers of the company

Ladies and Gentlemen,

In our capacity as auditors to the company and pursuant to Article L. 225-197-1 of the Commercial Code, we hereby present our report on the proposal to allot existing or new shares free of charge to salaried employees and corporate officers of the company and companies related to it within the meaning of Article L. 225-197-2 of the Commercial Code.

The Board of Directors is seeking delegation of authority to allot existing or new shares free of charge. Under the twenty-second resolution, the Board is also seeking power to use this authority during a public offer for the company's shares should the provisions of the first paragraph of Article L. 233-33 of the Commercial Code apply.

It is the responsibility of the Board of Directors to prepare a report on the proposed transaction. We are required to report to you on any matters to be brought to your attention regarding the information provided in the report.

As there are no specific professional standards covering this type of transaction, which was authorised by a law enacted on 30 December 2004, we performed the procedures we deemed necessary. Those procedures included verifying that the proposed terms and conditions as stated in the Board of Directors' report comply with the law.

We have no matters to report as to the information provided in the Board of Directors' report on the proposed allotment of shares free of charge.

Paris-La Défense and Courbevoie, 5 March 2007

The Auditors

Mazars & Guérard

Gilles Rainaut

Ernst & Young Audit

Jean-Claude Lomberget

Auditors' report on the issuance of securities giving entitlement to the allotment of debt securities

Ladies and Gentlemen,

In our capacity as auditors to the company and pursuant to Article L. 228-92 of the Commercial Code, we hereby present our report on the proposal to delegate authority to the Board of Directors to issue securities giving entitlement to the allotment of debt securities to a maximum nominal value of €5,000,000,000, this being a transaction that you are required to approve.

Based on its report, the Board of Directors is seeking delegation of authority to make such issues for a period of twenty-six months. It will be the responsibility of the Board of Directors to determine the final terms and conditions of any such issues.

It is the responsibility of the Board of Directors to prepare a report in accordance with Articles 154 and 155 of the Decree of 23 March 1967. We are required to express an opinion on the fairness of the financial information taken from the financial statements and on the presentation of the company's indebtedness given in the report.

We conducted our assignment in accordance with professional practices applicable in France. Those practices require that we plan and perform procedures to verify the contents of the Board of Directors' report on this transaction.

As the final terms and conditions of the issue have not yet been fixed, we cannot express an opinion thereon.

In accordance with Article 155-2 of the Decree of 23 March 1967, we will prepare a supplementary report if the Board of Directors decides to use this authority.

Paris-La Défense and Courbevoie, 5 March 2007

The Auditors

Mazars & Guérard

Gilles Rainaut

Ernst & Young Audit

Jean-Claude Lomberget

Auditors' report on the reduction of share capital by cancelling shares bought back by the company

Ladies and Gentlemen,

In our capacity as auditors of Bouygues and as required under the provisions of Article L. 225-209, paragraph 7, of the Commercial Code in the event of a reduction of capital by cancellation of repurchased shares, we hereby present our report on our assessment of the reasons for and terms of the proposed capital reduction.

We conducted our assignment in accordance with the professional standards applicable in France. Those standards require that we plan and perform procedures to assess whether the reasons for and terms of the capital reduction are proper.

This transaction is related to the share buy-back programme under which the company may repurchase its own shares up to a maximum of 10% of the capital on the conditions set forth in Article L. 10-225 of the Commercial Code. This programme is also being submitted for approval by the Annual General Meeting, and would be granted for a period of eighteen months.

The Board of Directors is seeking full powers, for a period of eighteen months, to cancel shares purchased under the proposed share buy-back programme up to a maximum of 10% of the share capital in any one twenty-four month period.

We have no matters to report as to the reasons for and conditions of the proposed capital reduction, bearing in mind that such a transaction is subject to your prior approval of the proposed share buy-back programme.

Paris-La Défense and Courbevoie, 5 March 2007

The Auditors

Mazars & Guérard

Gilles Rainaut

Ernst & Young Audit

Jean-Claude Lomberget

DRAFT RESOLUTIONS

I. ORDINARY GENERAL MEETING

First resolution

(Approval of the parent company financial statements for 2006 and discharge of directors)

The Annual General Meeting, having satisfied the conditions for quorum and majority required for ordinary general meetings, having acquainted itself with the Board of Directors' management report on the company's operations and situation in 2006, the Chairman's report appended to the management report, the auditors' general report on the financial statements for the year, and the auditors' report on the Chairman's report, hereby approves the parent company financial statements as at 31 December 2006, as presented, showing a net profit of €603,396,472.57, and the transactions recorded in the financial statements or summarised in these reports.

The Annual General Meeting hereby gives the directors full and final discharge for performance of their duties in 2006.

Second resolution

(Approval of the consolidated financial statements for 2006)

The Annual General Meeting, having satisfied the conditions for quorum and majority required for ordinary general meetings, having acquainted itself with the Board of Directors' management report on the company's operations and situation of the Group, the Chairman's report appended to the management report, the auditors' report on the consolidated financial statements and the auditors' report on the Chairman's report, hereby approves the consolidated financial statements as at 31 December 2006 as presented, showing a net profit attributable to the Group of €1,246,000,000, and the transactions recorded in the financial statements or summarised in these reports.

Third resolution

(Appropriation of earnings, fixing of a dividend)

The Annual General Meeting, having satisfied the conditions for quorum and majority required for ordinary general meetings, having acquainted itself with the Board of Directors' management report, and noting that distributable earnings amount to €838,625,254.57, hereby resolves:

- to distribute a first net dividend (5% of par) of €0.05 per share, making a total of €16,738,879.15,
- to distribute an additional net dividend of €1.15 per share, making a total of €384,994,220.45,
- to carry over the remainder in the amount of €436,892,154.97.

The dividend, which equals €1.20 net per share, shall be payable in cash as from 3 May 2007.

In accordance with paragraph 2° of Article 158.3 of the General Tax Code, natural persons resident in France for tax purposes as from 1 January 2007 will be eligible for 40% tax relief on the dividend, or €0.48 per share.

Other than the dividend referred to above, no other earnings, whether or not eligible for the above-mentioned 40% allowance, are distributed pursuant to this general meeting.

If the company is holding some of its own stock at the dividend payment date, an amount equal to the dividends not distributed because of the nature of such stock shall be allocated to retained earnings.

The Annual General Meeting notes that the Board of Directors has fulfilled its statutory obligation to state the amount of dividends distributed in the last three years.

	Financial year 2003	Financial year 2004	Exceptional payout January 2005(2)	Financial year 2005
Number of shares	333,199,969	332,758,624	332,758,624	336,762,896
Dividend	€0.50	€0.75	€2.52	€0.90
Tax credit(1)	€0.25	-	-	-
Total dividend per share	€0.75	€0.75	€2.52	€0.90
Total dividend	€166,423,811.00	€248,928,093.00	€838,551,732.48	€301,951,234.80
Distributed earnings eligible for tax relief in accordance with para 2° of Article 158.3 of the General Tax Code	-	€248,928,093.00	€838,551,732.48	€301,951,234.80

(1) On the basis of a 50% tax credit.

(2) The amounts shown relate to the fraction, similar to a dividend for tax purposes, of the exceptional payout of €5.00 per share or per investment certificate decided by the ordinary general meeting of 7 October 2004 and distributed on 7 January 2005. This payout qualifies for tax purposes as an exceptional dividend of €2.52 and a capital contribution repayment of €2.48.

Fourth resolution

(Agreements referred to in Article L. 225-38 of the Commercial Code)

The Annual General Meeting, having satisfied the conditions for quorum and majority required for ordinary general meetings and in accordance with Article L. 225-40 of the Commercial Code, having acquainted itself with the auditors' special report on the agreements referred to in Article L. 225-38 of the Commercial Code, hereby approves the agreements referred to therein.

Fifth resolution

(Ratification of the co-option of a director)

The Annual General Meeting, having satisfied the conditions for quorum and majority required for ordinary general meetings, hereby ratifies the co-option of Mr Patrick Kron, residing at 86 Avenue Foch, 75116 Paris - France, in the place of Mr Alain Pouyat, as director, as decided by the Board meeting on 6 December 2006, for the remainder of Mr Alain Pouyat's term of office, i.e. after the Annual General Meeting called to approve the financial statements for 2009.

Sixth resolution

(Renewal of the term of office of a director)

The Annual General Meeting, having satisfied the conditions for quorum and majority required for ordinary general meetings, notes that the term of office as director of Mr Lucien Douroux, residing at 8 Rue Magellan, 75008 Paris, France, expires on today's date and hereby renews such appointment for a term of three years expiring after the Annual General Meeting called to approve the financial statements for 2009.

Seventh resolution

(Renewal of the term of office of a director)

The Annual General Meeting, having satisfied the conditions for quorum and majority required for ordinary general meetings, notes that the term of office as director of Mr Jean Peyrelevade, residing at 61 Avenue Charles de Gaulle, 92200 Neuilly-sur-Seine, France, expires on today's date and hereby renews such appointment for a term of three years expiring after the Annual General Meeting called to approve the financial statements for 2009.

Eighth resolution

(Renewal of the term of office of a director)

The Annual General Meeting, having satisfied the conditions for quorum and majority required for ordinary general meetings, notes that the term of office as director of the company SCDM, having its registered office at 32 Avenue Hoche, 75008 Paris, France, expires on today's date and hereby renews such appointment for a term of three years expiring after the Annual General Meeting called to approve the financial statements for 2009.

Ninth resolution

(Election of a director from the Supervisory Board of one of the mutual funds representing employee shareholders)

The Annual General Meeting, having satisfied the conditions for quorum and majority required for ordinary general meetings, hereby elects Mr Thierry Jourdaine, residing at 9 Boulevard Abel Cornaton, 91290 Arpajon, France, as a director from the Supervisory Board of one of the mutual funds holding shares in the company.

Subject to adoption by the Annual General Meeting of the twenty-seventh resolution (amendment of the by-laws), the term of Mr Thierry Jourdaine's appointment is three years expiring after the Annual General Meeting called to approve the financial statements for 2009, or earlier if his employment contract terminates (unless transferred internally within the Bouygues group) or if the company which employs him leaves the Bouygues group.

If the Annual General Meeting does not approve such resolution, the term of Mr Thierry Jourdaine's appointment shall be two years, expiring after the Annual General Meeting called to approve the financial statements for 2008, or earlier if his employment contract terminates (unless transferred internally within the Bouygues group) or if the company which employs him leaves the Bouygues group.

Tenth resolution

(Election of a director from the Supervisory Board of one of the mutual funds representing employee shareholders)

The Annual General Meeting, having satisfied the conditions for quorum and majority required for ordinary general meetings, hereby elects Mr Jean-Michel Gras, residing at 60 Rue Lamennais, 92370 Chaville, France, as a director from the Supervisory Board of one of the mutual funds holding shares in the company.

Subject to adoption by the Annual General Meeting of the twenty-seventh resolution (amendment of the by-laws), the term of Mr Jean-Michel Gras' appointment is three years expiring after the Annual General Meeting called to approve the financial statements for 2009, or earlier if his employment contract terminates (unless transferred internally within the Bouygues group) or if the company which employs him leaves the Bouygues group.

If the Annual General Meeting does not approve such resolution, the term of Mr Jean-Michel Gras' appointment shall be two years, expiring after the Annual General Meeting called to approve the financial statements for 2008, or earlier if his employment contract terminates (unless transferred internally within the Bouygues group) if or the company which employs him leaves the Bouygues group.

Eleventh resolution

(Appointment of a supervisor)

The Annual General Meeting, having satisfied the conditions for quorum and majority required for ordinary general meetings, hereby appoints Mr Alain Pouyat, residing at 28 Rue Sainte Anne, 78000 Versailles, France, as supervisor for a term of three years.

His term of office shall expire after the Annual General Meeting called to approve the financial statements for 2009.

Twelfth resolution

(Authorisation to the Board of Directors to enable the company to buy back its own shares)

The Annual General Meeting, having satisfied the conditions for quorum and majority required for ordinary general meetings, having acquainted itself with the special Board of Directors' report, hereby authorises the Board of Directors, with the power to sub-delegate, to cause the company to buy back its own shares, in compliance with laws and regulations applicable at the time of the buy-back, and in particular in compliance with the conditions and obligations laid down by the Commercial Code, European Regulation (EC) No. 2273/2003 of 22 December 2003, and by the General Regulation of the Autorité des Marchés Financiers.

The purpose of this authorisation is to enable the company:

- to ensure the liquidity of and make a market in 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 deliver shares upon exercise of rights attached to securities which give rights to allotment of shares in the company by way of repayment, conversion, exchange, presentation of a warrant or in any other manner;
- to retain shares with a view to using them subsequently as a medium of payment or exchange in an acquisition;
- to allot 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 allotment of bonus shares;
- to cancel shares, subject to authorisation by the extraordinary general meeting;
- to implement any market practice accepted by the Autorité des Marchés Financiers and generally to carry out any other transaction in compliance with prevailing regulations.

Share buy-backs may be carried out, in compliance with prevailing regulations, in any manner notably on or off-market (including the over-the-counter market), by use of, in particular, derivative financial instruments and at any time in particular during a cash tender or exchange offer and during a standing offer. The entire programme may be carried out through block trades.

Shares purchased may be sold in particular under the conditions laid down by the Autorité des Marchés Financiers in its instruction dated 6 December 2005 relating to the introduction of a new regime governing the buy-back of a company's own shares.

The company may, pursuant to this authorisation, acquire or sell its own shares on or off-market, subject to the following limits:

- maximum purchase price: €80 per share,
- minimum sale price: €30 per share,

subject to any adjustments relating to transactions in the share capital.

The maximum amount of funds to be used for the share buy-back programme is €1,500,000,000 (one billion five hundred million euros). The total number of shares held on any particular date may not exceed 10% of the existing capital at such date.

For the purpose of implementing this authorisation, the Board of Directors is granted full powers, especially to assess whether it is appropriate to launch a buy-back programme and to decide the terms and conditions thereof. The Board may delegate its powers with respect to placing all stock orders, concluding all agreements, in particular with a view to registration of purchases and sales of shares, making all declarations to the Autorité des Marchés Financiers or any other body, accomplishing all other formalities and in general taking all necessary measures.

The Board of Directors shall, in its special report to the Annual General Meeting, give shareholders information relating to purchases, transfers, sales or cancellations of shares carried out pursuant to this authorisation.

This authorisation is given for eighteen months from the date of this meeting.

It cancels the unused portion of any previous authorisation given for the same purpose.

2. EXTRAORDINARY GENERAL MEETING

Thirteenth resolution

(Delegation of powers to the Board of Directors to increase the capital, with pre-emptive rights, by issuing ordinary shares or securities giving access to ordinary shares in the company or in a company over which it has more than 50% control)

The Annual General Meeting, having satisfied the conditions for quorum and majority required for extraordinary general 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 power to sub-delegate to any person authorised by law, the power to carry out one or more capital increases, by such amount and at such times and under such terms as it shall deem fit, by issuing, with pre-emptive rights, both in France and abroad, in euros, in a foreign currency or in any other monetary unit based on a basket of currencies, (i) ordinary shares in the company, and (ii) securities of any kind whatsoever, issued free of charge or for consideration, giving access in whatever manner, now and/or in future, at any time or on a set date, to ordinary shares, whether in existence or to be issued in future, in the company or in any company in which it owns directly or indirectly more than half the share capital (a "Subsidiary"). Such shares and securities may be subscribed for in cash or by set-off of mutual debts.
2. resolves that the total amount of capital increases in cash that may be implemented now and/or in future pursuant to this delegation of power may not exceed €150,000,000 (one hundred and fifty million euros) in nominal value, plus, where applicable, the nominal amount of the additional shares to be issued in order to protect, in accordance with law, the rights of holders of securities giving access to ordinary shares in the company, provided that this global limit on capital increases is common to the fifteenth, eighteenth, nineteenth and twenty-first resolutions and that the total nominal amount of capital increases implemented pursuant to these resolutions are applied against this overall limit.
3. resolves that the securities giving access to ordinary shares in the company or a Subsidiary so issued may take the form of, in particular, debt securities or be linked to the issue of such securities or may permit them to be issued as intermediary securities. In particular, they may be subordinated or unsubordinated, perpetual or non perpetual, and be issued in euros or a foreign currency or any other monetary unit established with reference to a basket of currencies.

   The nominal amount of all of the debt securities so issued shall not exceed €5,000,000,000 (five billion euros) or the equivalent on the date the issue is decided, provided that such amount does not include above-par redemption premium(s), if provided for. This amount is common to all debt securities that may be issued pursuant to the fifteenth resolution put before this general meeting; it is independent of and separate from the amount of the securities giving rights to allotment of debt securities which may be issued pursuant to the twenty-fifth resolution put before this general meeting and from the amount of the debt securities which the Board of Directors may decide to issue or authorise to be issued in accordance with Article L. 228-40 of the Commercial Code. Debt securities (giving access to ordinary shares in the company or a Subsidiary) may be issued at a fixed or floating rate of interest, with or without capitalisation, and may be subject to repayment, with or without premium, or redemption; they may also be repurchased on the market or be the subject of an offer by the company to purchase or exchange them.

4. in case this delegation is utilised by the Board of Directors, resolves that:

   a. shareholders will have pre-emptive rights to subscribe for an irreducible number of ordinary shares and securities issued under this resolution, in proportion to the amount of shares they hold.

   b. the Board of Directors shall also have the option to grant shareholders the right to subscribe for a reducible number of additional shares, which will be exercised in proportion to their rights and up to the limit of the amounts they request.

   c. if exact rights subscriptions and, if applicable, excess rights subscriptions, do not account for the entire issue of ordinary shares or securities made pursuant to this delegation, the Board may, in such order as it shall determine, use one and/or other of the following options:

      - limit the issue to the amount of subscriptions received provided that this amount reaches at least three quarters of the amount of the issue decided;
      - distribute as it sees fit all or part of the securities which have not been subscribed for;
      - offer to the public some or all of the securities which have not been subscribed for on the French and/or international market and/or abroad.

5. grants this authorisation for a period of twenty-six months.

6. notes that this delegation cancels the unused portion of any previous authorisation given for the same purpose.

7. notes that this delegation entails the waiver by the shareholders of their pre-emptive rights to ordinary shares in the company to which any securities issued pursuant to this delegation may give entitlement.

8. resolves that the Board of Directors shall determine the characteristics, amount and terms of any issue and the securities to be issued. It shall, in particular, determine the category of the securities to be issued and, taking account of the indications given in its report, set their subscription price, with or without premium, the terms for payment of subscriptions, the date of first entitlement to dividends, which may be retroactive, or the terms on which the securities issued pursuant to this resolution shall give access to ordinary shares in the company or a Subsidiary, and the conditions under which, in accordance with applicable law, the allotment rights of holders of securities giving access to ordinary shares may be temporarily suspended.

   The Board of Directors shall have full powers to implement this delegation, in particular by entering into any agreements for this purpose, with a view notably to the successful completion of all issues, to proceed with the above-mentioned issues on one or more occasions, in such amounts and at such times as it may deem fit, in France and/or, if applicable, abroad and/or on the international market (or, where appropriate, to postpone any such issue), to confirm such issue has taken place and amend the by-laws accordingly, and to carry out all formalities and declarations and request all authorisations as may be necessary for the implementation and successful completion of such issues.

Fourteenth resolution

(Delegation of powers to the Board of Directors to increase the capital by incorporating premiums, reserves or earnings)

The Annual General Meeting, having satisfied the conditions for quorum and majority required for extraordinary general 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 power to sub-delegate to any person authorised by law, the power to carry out, in such amounts and at such times as it may deem fit, one or more capital increases by incorporation successively or simultaneously into the capital of premiums, reserves, earnings or other amounts which may be incorporated into capital in accordance with applicable law and the by-laws, by allotting bonus shares or by increasing the nominal value of the existing shares or by combining the two procedures.

   Resolves that the total amount of capital increases that may be implemented pursuant to this resolution may not exceed €4,000,000,000 (four billion euros) in nominal value, plus, as applicable, the nominal amount of the additional shares to be issued to protect, in accordance with law, the rights of holders of securities giving access to ordinary shares in the company. The limit set in this delegation is independent of and separate from the overall limit set in the thirteenth resolution.

   In case this delegation is utilised by the Board of Directors, resolves, in accordance with Article L. 225-130 of the Commercial Code, that in the case of a capital increase by allotment of bonus shares, fractional shares may not be traded or transferred and that the relevant equity securities shall be sold; the proceeds of sale shall be paid to the rights holders within the legal time limit.

2. grants this authorisation for a period of twenty-six months.

3. notes that this delegation cancels the unused portion of any previous authorisation given for the same purpose.

4. the Board of Directors shall have full powers to implement this delegation, and generally, to take all steps and carry out all formalities as may be necessary for the successful completion of each such capital increase, confirm such increase has taken place and amend the by-laws accordingly.

Fifteenth resolution

(Delegation of powers to the Board of Directors to increase the capital, without pre-emptive rights, by issuing ordinary shares or securities giving access to ordinary shares in the company or in a company over which it has more than 50% control)

The Annual General Meeting, having satisfied the conditions for quorum and majority required for extraordinary general 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 power to sub-delegate to any person authorised by law, the power to carry out one or more capital increases, by such amount, and at such times as it shall deem fit, by issuing, without shareholders' pre-emptive rights, both in France and abroad, in euros, in a foreign currency or in any other monetary unit based on a basket of currencies, (i) ordinary shares in the company, and (ii) any securities giving access in whatever manner, now and/or in future, to ordinary shares, whether in existence or to be issued in future, in the company or in any company in which it owns directly or indirectly more than half of the capital (a "Subsidiary"), which may be subscribed for in cash or by set-off of mutual debts
2. resolves that the total amount of capital increases that may be implemented now or in future pursuant to this resolution may not exceed €150,000,000 (one hundred and fifty million euros) in nominal value, plus, as applicable, the nominal amount of the additional shares to be issued to protect, in accordance with law, the rights of holders of securities giving access to ordinary shares in the company; such amount shall count towards the overall limit set in the thirteenth resolution.
3. resolves that the securities giving access to ordinary shares in the company or a Subsidiary so issued may take the form of, in particular, debt securities or be linked to the issue of such securities, or may permit them to be issued as intermediary securities. In particular, they may be subordinated or unsubordinated, perpetual or non perpetual, and be issued in euros or a foreign currency or any other monetary unit established with reference to a basket of currencies.

   The nominal amount of the debt securities so issued shall not exceed €5,000,000,000 (five billion euros) or the equivalent on the date the issue is decided. This amount counts towards the limit set in the thirteenth resolution and does not include above par redemption premium(s), if provided for. The amount is independent of and separate both from the amount of the securities giving rights to allotment of debt securities which may be issued pursuant to the twenty-fifth resolution put before this general meeting and from the amount of the debt securities which the Board of Directors may decide to issue or authorise to be issued in accordance with Article L. 228-40 of the Commercial Code. Debt securities giving access to ordinary shares in the company or a Subsidiary may be issued at fixed or floating rates of interest, with or without capitalisation, and may be subject to repayment, with or without premium, or redemption; they may also be repurchased on the market or be the subject of an offer by the company to purchase or exchange them.
4. resolves to cancel the shareholders' pre-emptive rights to the securities that may be issued in accordance with the law and to give the Board of Directors power to grant shareholders a priority right to subscribe for them on a reducible and/or irreducible basis, pursuant to Article L. 225-135 of the Commercial Code. If subscriptions, including those of shareholders where such is the case, do not account for the entire issue, the Board may limit the amount of the issue in accordance with applicable law.
5. notes that this delegation entails the waiver by the shareholders of their pre-emptive rights to ordinary shares in the company to which any securities issued pursuant to this delegation may give entitlement.
6. resolves that the Board of Directors shall determine the characteristics, amount and terms of any issue and of the securities to be issued. It shall, in particular, determine the category of the securities to be issued and, taking account of the indications given in its report, set their subscription price, with or without premium, the date of first entitlement to dividends, which may be retroactive, and, if applicable, the period during which or the terms on which the securities issued pursuant to this resolution shall give access to ordinary shares in the company or a Subsidiary, in accordance with applicable law, and the conditions under which, in accordance with applicable law, the allotment rights of holders of securities giving access to ordinary shares may be temporarily suspended. The issue price of the ordinary shares and the securities is such that the sum received immediately by the company (or by a Subsidiary that issues securities giving access to its ordinary shares), plus any amount likely to be received subsequently by the company or the Subsidiary, as the case may be, is equal to or greater than the minimum amount required by law for each ordinary share.
7. grants this authorisation for a period of twenty-six months.
8. notes that this delegation cancels the unused portion of any previous authorisation given for the same purpose.
9. resolves that the Board of Directors shall have full powers to implement this delegation, in particular by entering into any agreements for this purpose, with a view notably to the successful completion of all issues, to make the above-mentioned issues on one or more occasions, in such amounts and at such times as it may deem fit, in France and/or, if applicable, abroad and/or on the international market (or, where appropriate, to postpone any such issue), to confirm such issue has taken place and amend the by-laws accordingly, and to carry out all formalities and declarations and request all authorisations as may be necessary for the implementation and successful completion of such issues.

Sixteenth resolution

(Authorisation to the Board of Directors to increase the number of securities to be issued in the event of a capital increase with or without pre-emptive rights)

The Annual General Meeting, having satisfied the conditions for quorum and majority required for extraordinary general 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 power to sub-delegate to any person authorised by law, to decide, in respect of each of the issues decided pursuant to the thirteenth and fifteenth resolutions above, to increase the number of securities to be issued, during a period of thirty days from closing of subscriptions, up to a limit of 15% of the initial issue for the same price as the initial issue, subject to compliance with the upper limit(s) set forth in the resolution pursuant to which such issue is decided.
2. grants this authorisation for a period of twenty-six months.

Seventeenth resolution

(Authorisation to the Board of Directors to set the price, in accordance with the terms decided by the Annual General Meeting, for public issues of equity securities or securities giving access to capital, without pre-emptive rights, up to a limit of 10% of the capital)

The Annual General Meeting, having satisfied the conditions for quorum and majority required for extraordinary general 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 to the extent that the securities to be issued immediately or at a later date are equivalent to equity securities admitted to trading on a regulated market:

1. authorises the Board of Directors, with the power to sub-delegate to any person authorised by law, in respect of each of the issues decided pursuant to the fifteenth resolution and up to a limit of 10% of the capital (as at the date of this general meeting) for a period of twelve months, to derogate from the pricing terms set forth in the fifteenth resolution and to set the issue price of the equity securities and/or securities to be publicly issued, without pre-emptive rights, in accordance with the following provisions:

   a. in the case of equity securities, the issue price shall be equal:

      - either to the average price observed over a maximum period of six months prior to the issue date, or
      - to the volume weighted average price on the exchange on the day preceding the issue (VWAP 1 day) with a maximum discount of 20%.

   b. in the case of securities, the issue price shall be such that the sum received immediately by the company, plus the amount it is likely to receive subsequently, will be equal to at least the amount referred to in sub-paragraph (a) above in respect of each ordinary share issued by virtue of the issue of such securities.

2. sets the validity of this authorisation at twenty-six months.

3. resolves that the Board of Directors shall have full powers to implement this resolution in accordance with the terms of the fifteenth resolution.

Eighteenth resolution

(Delegation of powers to the Board of Directors to carry out a capital increase as consideration for contributions in kind consisting of a company's shares or securities giving access to capital)

The Annual General Meeting, having satisfied the conditions for quorum and majority required for extraordinary general 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, under and pursuant to the terms of the fifteenth resolution, with the power to sub-delegate to any person authorised by law, the power to issue, based on the report of the expert appraisers referred to in sub-paragraphs 1 and 2 of the above-mentioned Article L. 225-147, ordinary shares of the company or securities giving access in whatever manner, now or in future, to ordinary shares in the company, whether in existence or to be issued at a future date, as consideration for contributions in kind to the company of equity securities or securities giving access to the capital, in cases where Article L. 225-148 of the Commercial Code is not applicable.

2. resolves that the maximum nominal amount of capital increases, now or in future, as a result of issues made pursuant to this delegation is set at 10% of the capital (as such capital exists at the date of this general meeting), provided that the amount of all capital increases made pursuant to this resolution shall count towards the overall limit set forth in the thirteenth resolution.

3. notes that this delegation entails the waiver by the shareholders of their pre-emptive rights to ordinary shares in the company to which any securities issued pursuant to this delegation may give entitlement.

4. resolves that the Board of Directors shall have full powers to implement this resolution, in particular, to take its decision, based on the report of the expert appraisers referred to in sub-paragraphs 1 and 2 of the above-mentioned Article L. 225-147 on the valuation of the contributions in kind and granting of special privileges. The Board is also empowered to record the completion of the capital increases made pursuant to this delegation, amend the by-laws accordingly, carry out all formalities and make all declarations and request all such authorisations as may be necessary for such contributions to be made, and determine the conditions under which the allotment rights of holders of securities giving access to ordinary shares may be temporarily suspended in accordance with applicable law.

5. grants this authorisation for a period of twenty-six months.

6. notes that this delegation cancels the unused portion of any previous authorisation given for the same purpose.

Nineteenth resolution

(Delegation of powers to the Board of Directors to increase the capital, without pre-emptive rights, as consideration for securities tendered to a public exchange offer)

The Annual General Meeting, having satisfied the conditions for quorum and majority required for extraordinary general 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 power to sub-delegate to any person authorised by law, the power to issue, under and pursuant to the terms of the fifteenth resolution, ordinary shares of the company or securities giving access in whatever manner, now or in future, to ordinary shares in the company, whether in existence or to be issued at a future date, as consideration for securities tendered to a public exchange offer made by the company, in France or abroad, in accordance with local regulations, with respect to securities of a company whose shares are admitted to trading on a regulated market as referred to in Article L. 225-148 of the Commercial Code.

   The amount of all capital increases made pursuant to this resolution shall count towards the overall limit set forth in the thirteenth resolution.

2. notes that this delegation entails the waiver by the shareholders of their pre-emptive rights to ordinary shares in the company to which any securities issued pursuant to this delegation may give entitlement.

3. resolves that the Board of Directors shall have full powers to implement the public offers referred to in this resolution, in particular:
   - to set the exchange ratio and, if applicable, the cash portion of the consideration;
   - to confirm the number of securities tendered for exchange;
   - to determine the dates, terms and conditions of the issue, in particular the price and date of first entitlement to dividends, of the new ordinary shares or, if applicable, of the securities giving immediate or future access to ordinary shares in the company;
   - to determine the conditions under which, in accordance with applicable law, the allotment rights of holders of securities giving access to ordinary shares may be temporarily suspended;
   - to enter on the liabilities side of the balance sheet in a "share premium" account, to which all shareholders shall have rights, the difference between the issue price of the new ordinary shares and their nominal value;
   - if applicable, to charge all expenses, taxes and duties incurred in relation to the transaction authorised hereunder to the "share premium";
   - generally to take all useful steps and enter into all agreements to bring the transaction authorised hereunder to successful completion, confirm the capital increase(s) and amend the by-laws accordingly.
4. grants this authorisation for a period of twenty-six months.
5. notes that this delegation cancels the unused portion of any previous authorisation given for the same purpose.

Twentieth resolution

(Delegation of powers to the Board of Directors to carry out a capital increase for the benefit of employees or corporate officers of the company or companies in the Group subscribing to a company savings scheme)

The Annual General Meeting, having satisfied the conditions for quorum and majority required for extraordinary general meetings, having acquainted itself with the Board of Directors' report and the auditors' special report and, in accordance with the provisions of, on the one hand, the Commercial Code especially Articles L. 225-129-6 (sub-paragraph 1) and L. 225-138-1 and, on the other hand, Articles L. 443-1 seq. of the Labour Code:

1. delegates to the Board of Directors the power to carry out one or more capital increases, upon its own initiative, in such amounts and at such times as it deems fit, on condition that they do not exceed 10% of the company's capital at the date of the Board decision. The capital increases may be carried out by issuing new shares for payment in cash and, if applicable, by incorporation of reserves, earnings or premiums into the capital and by allotment of bonus shares or other securities giving access to capital, subject to applicable law. The meeting also resolves that the limit applicable to this delegation is independent and separate and that the amount of the capital increases made under this delegation shall not count towards the overall limit provided in the thirteenth resolution or towards the limits provided in the fourteenth and twenty-fourth resolutions.
2. reserves subscriptions for all the shares to be issued for employees and corporate officers of Bouygues and employees and corporate officers of the French and foreign companies which are connected to it within the meaning of applicable legislation, subscribing to a company or Group savings plan or any inter-company savings scheme.
3. resolves that the subscription price for the new shares, set by the Board of Directors in accordance with Article L. 443-5 of the Labour Code at the time of each issue, may not be more than 20% less, or 30% less in the cases provided by law, than the average of the initial quoted prices for the share on Eurolist by Euronext™ during the twenty trading days preceding the date of the decision of the Board of Directors setting the opening date for subscriptions.
4. resolves that this resolution implies cancellation of the shareholders' pre-emptive rights for the benefit of the employees and corporate officers for whom the capital increase is reserved and the waiver of any right to the shares or other securities giving access to capital allotted free of charge on the basis of this resolution.
5. delegates full powers to the Board of Directors for the purpose of:
   - deciding the date and terms and conditions of the issues to be made pursuant to this resolution; in particular, to decide whether the shares shall be subscribed directly or through a mutual fund or through another entity in accordance with applicable law; deciding and fixing the terms for allotting bonus shares or other securities giving access to capital, pursuant to the authorisation given above. The Board is also empowered to fix the issue price of the new shares to be issued in compliance with the above rules, to set opening and closing dates for subscriptions and the dates of first entitlement to dividends, payment period, subject to a maximum period of three years, and to fix if appropriate the maximum number of shares per employee and per issue that may be subscribed for;
   - record the capital increase(s) that have taken place for an amount equal to the amount of shares that will actually be subscribed for;
   - carry out all operations and formalities, either itself or through an agent;
   - amend the by-laws to reflect the capital increases;
   - charge the expenses of the capital increases against the premium applicable to each increase and take from such amount the sums required to bring the legal reserve fund to one-tenth of the new capital following each increase;
   - generally do all that is necessary.

The Board of Directors may, subject to the limits it has set, delegate to the Chief Executive Officer or, with the Chief Executive Officer's agreement, to one or more Deputy Chief Executive Officers, the power granted to it under this resolution.

6. grants this authorisation for a period of twenty-six months.
7. having acquainted itself with the supplementary reports of the Board of Directors and of the auditors, acknowledges the decision taken on 6 December 2006 by the Board of Directors, acting pursuant to a delegation of power given by the Annual General Meeting on 28 April 2005, to implement "Bouygues Partage" in 2007, involving a capital increase not exceeding €250,000,000 (two hundred and fifty million euros), including the issue premium. This will be effected by issuing a maximum of

6,860,520 shares at €36.44 per share for the benefit of employees of the French companies subscribing to the Bouygues group savings plan. Special authorisation is hereby given, in so far as may be necessary, for the purposes of Article 34 of Act 2006-1770 of 30 December 2006, for "Bouygues Partage" to be implemented and the resulting shares to be issued.

8. acknowledges that, other than with respect to "Bouygues Partage" as referred to above, this delegation cancels, as from today, the unused portion of any previous delegation given for the same purpose.

Twenty-first resolution

(Delegation of powers to the Board of Directors to issue shares following the issuance by a Bouygues subsidiary of securities giving immediate or future access to shares in the company)

The Annual General Meeting, having satisfied the conditions for quorum and majority required for extraordinary general 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 power to sub-delegate to any person authorised by law, in the context of the fifteenth resolution, the power to issue ordinary shares in Bouygues as a result of the issuance of securities by any company in which Bouygues holds more than half of the capital directly or indirectly (the "Subsidiaries"); and expressly authorises the consequential capital increase(s).

   These securities shall be issued by the Subsidiaries with the agreement of the Board of Directors of the company and may, in accordance with Article L. 228-93 of the Commercial Code, give immediate or future access in any manner to ordinary shares in the company; such securities may be issued on one or more occasions, in France, on foreign markets and/or the international market.

   Pursuant to this resolution, the company's shareholders waive, for the benefit of the holders of any securities that may be issued by the Subsidiaries, their pre-emptive rights to the ordinary shares to which the aforementioned securities issued by the Subsidiaries may give entitlement.

2. acknowledges that the company's shareholders have no pre-emptive rights over the aforementioned securities issued by the Subsidiaries.

   The limit on the nominal amount of capital increases as a result of all issues made pursuant to this delegation shall count towards the overall limit set forth in the thirteenth resolution.

   In any event, the amount payable to the company at the time of issue or thereafter shall, in accordance with the fifteenth resolution, with respect to each ordinary share issued as a result of the issue of such securities, be equal to or greater than the minimum amount provided by applicable law and regulations in force at the time this delegation is utilised, after such amount has been adjusted, if necessary, to take account of the different dates of first entitlement.

3. resolves that the Board of Directors shall have full powers to implement this resolution, in agreement with the Boards of Directors, executive boards or other corporate governance or management bodies of the issuing Subsidiaries, in particular to set the amounts to be issued, decide the terms and conditions of the issue and category of the securities to be issued, set the date of first entitlement to dividends, which may be retroactive, of the securities to be created and, generally, take all useful measures and enter into any contracts and agreements to bring the proposed issues to completion, under and in accordance with all applicable French and, if appropriate, foreign laws and regulations. The Board of Directors shall have full powers to amend the by-laws to reflect the utilisation of this delegation, in accordance with the terms of its report to this general meeting.

4. grants this authorisation for a period of twenty-six months.

5. notes that this delegation cancels any previous delegation given for the same purpose.

Twenty-second resolution

(Authorisation to the Board of Directors to use delegations and authorisations in order to increase the company's capital in the event of a public offer for the company's shares)

The Annual General Meeting, having satisfied the conditions for quorum and majority required for extraordinary general meetings, having acquainted itself with the Board of Directors' report and the auditors' special report, expressly authorises the Board of Directors, for a period of eighteen months from the date of this general meeting, to utilise, during a public offer period relating to securities in the company, and in compliance with applicable laws and regulations in force at such time, the delegations of power and authorisations given to the Board of Directors by this general meeting to increase the capital, in any lawful manner, subject to the conditions and limits provided in the following resolutions:

- thirteenth resolution *(Delegation of powers to the Board of Directors to increase the capital, with pre-emptive rights, by issuing ordinary shares or securities giving access to ordinary shares in the company or in a company over which it has more than 50% control);*
- fourteenth resolution *(Delegation of powers to the Board of Directors to increase the capital by incorporating premiums, reserves or earnings);*
- fifteenth resolution *(Delegation of powers to the Board of Directors to increase the capital, without pre-emptive rights, by issuing ordinary shares or securities giving access to ordinary shares in the company or in a company over which it has more than 50% control);*
- sixteenth resolution *(Authorisation to the Board of Directors to increase the number of securities to be issued in the event of a capital increase with or without pre-emptive rights);*
- seventeenth resolution *(Authorisation to the Board of Directors to set the issue price, in accordance with the terms decided by the Annual General Meeting, for public issues of equity securities or securities giving access to capital, without pre-emptive rights, up to a limit of 10% of the capital);*
- eighteenth resolution *(Delegation of powers to the Board of Directors to carry out a capital increase as consideration for contributions in kind consisting of a company's shares or securities giving access to capital);*
- nineteenth resolution *(Delegation of powers to the Board of Directors to increase the capital, without pre-emptive rights, as consideration for securities to a public exchange offer);*
- twentieth resolution *(Delegation of powers to the Board of Directors to carry out a capital increase for the benefit of employees or corporate officers of the company or companies in the Group subscribing to a company savings scheme);*

- twenty-first resolution *(Delegation of powers to the Board of Directors to issue shares following the issuance by a Bouygues subsidiary of securities giving immediate or future access to shares in the company).*
- twenty-fourth resolution *(Authorisation to the Board of Directors to allot existing or future shares free of charge to salaried employees and corporate officers of the company or companies in the Group, or certain categories thereof)*

Twenty-third resolution

(Delegation of powers to the Board of Directors to issue equity warrants during the period of a public offer for the company's shares)

The Annual General Meeting, having satisfied the conditions for quorum and majority required by Article L. 225-98 of the Commercial Code, and in accordance with Articles L. 233-32 II and L. 233-33 of the Commercial Code, having acquainted itself with the Board of Directors' report and the auditors' special report:

1. delegates to the Board of Directors the power, for a period of eighteen months from the date of this general meeting, in compliance with applicable law and regulations, on one or more occasions, during the period of a public offer for the company's shares, to issue warrants giving rights to subscribe on preferential terms for one or more shares in the company, and to allot such warrants free of charge to all shareholders who hold shares in the company prior to expiry of the offer period. These warrants shall lapse automatically as soon as the offer or any other competing offer has failed, lapsed or been withdrawn.
2. resolves that the maximum nominal amount of any capital increase resulting from the exercise of such equity warrants may not exceed €400,000,000 (four hundred million euros), such amount not counting towards the overall limit set forth in the thirteenth resolution, and that the maximum number of equity warrants that may be issued shall not exceed the number of shares forming the capital at the time the warrants are issued.
3. resolves that the Board of Directors shall have full powers to determine the conditions of exercise of the equity warrants, which must relate to the terms of the offer or any other competing offer, and the other characteristics of the warrants, such as the exercise price or the terms for determining the exercise price, and more generally the characteristics and terms of any issue decided on the basis of this authorisation.
4. notes that this authorisation entails the waiver by shareholders of their pre-emptive rights to ordinary shares in the company to which any warrants issued pursuant to this authorisation may give entitlement.
5. notes that this delegation cancels any previous delegation having the same purpose.

Twenty-fourth resolution

(Authorisation to the Board of Directors to allot existing or future shares free of charge to salaried employees and corporate officers of the company or companies in the Group, or certain categories thereof)

The Annual General Meeting, having satisfied the conditions for quorum and majority required for extraordinary general 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 to allot, on one or more occasions, existing or future shares in the company free of charge to the beneficiaries identified below.
2. resolves that the beneficiaries of the shares, who shall be nominated by the Board of Directors, may be employees (or certain categories thereof) and/or corporate officers (or some of them) both of Bouygues and of companies or economic interest groupings associated with Bouygues within the meaning of Article L. 225-197-2 of the Commercial Code.
3. resolves that, pursuant to this authorisation, the Board of Directors may allocate a maximum of 10% of the company's capital (existing at the time it takes its decision) and that the amount of any capital increase resulting from the issue of such shares is independent and separate and shall not count towards the limit provided in the twentieth resolution or the limit provided in the fourteenth resolution nor towards the overall limit provided in the thirteenth resolution.
4. resolves that the allotment of shares to their beneficiaries shall not be final until the end of a two-year acquisition period. However such acquisition period shall be four years with respect to all or some of the shares allotted under such conditions as the Board may determine.
5. resolves that the beneficiaries shall retain their bonus shares for a minimum period of two years, such period beginning as from the final allotment date of the shares; however, such minimum retention period shall not apply to shares subject to a four-year acquisition period.
6. resolves that the allotment of bonus shares shall occur immediately, prior to the end of the acquisition period, in the case of beneficiaries classified as category-two or category-three invalids as provided in Article L. 341-4 of the Social Security Code; moreover, in such case, the shares shall be freely transferable.
7. authorises the Board of Directors to utilise the authorisations given, or which will be given, by the Annual General Meeting in accordance with Articles L. 225-208 and L. 225-209 of the Commercial Code.
8. acknowledges that this authorisation automatically entails the waiver by the shareholders, for the benefit of beneficiaries of shares to be issued, of the pre-emptive rights to ordinary shares to be issued progressively as allotment of such shares becomes final, and the waiver of all rights to ordinary shares allotted free of charge on the basis of this authorisation.
9. resolves that the Board of Directors shall have full powers to implement this authorisation in accordance with applicable law and regulations, and in particular to:
   - set the conditions and, if applicable, the criteria for allotment of the shares, in existence or to be issued, and to draw up the list or the categories of beneficiaries of the shares;
   - set the seniority requirement for beneficiaries;
   - provide for the option to temporarily suspend allotment rights;
   - determine the conditions under which the acquisition period shall be four years;
   - set any other terms and conditions under which the shares shall be allotted;
   - carry out and have carried out all acts and formalities in order to proceed with share buy-backs and/or to finalise capital

increase(s) that may be made pursuant to this authorisation, amend the by-laws accordingly and generally do all that is necessary, with the power to sub-delegate under and in accordance with the law.

10. sets the validity of this authorisation at thirty-eight months from the date of this general meeting.
11. notes that this delegation cancels, as from today, any unused portion of any previous delegation given for the same purpose.

Twenty-fifth resolution

(Delegation of powers to the Board of Directors to issue all securities giving rights to allotment of debt securities)

The Annual General Meeting, having satisfied the conditions for quorum and majority required for extraordinary general 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 power to sub-delegate to any person authorised by law, the power to decide on its own initiative to create and issue securities giving immediate or future right to the allotment of debt securities, such as bonds, debt securities or their equivalent, perpetual or redeemable subordinated securities, or any other securities granting, in respect of any single issue, the same rights of claim against the company. The securities can be issued on one or more occasions in France and abroad, provided the maximum nominal amount does not exceed €5,000,000,000 (five billion euros) or the equivalent in a foreign currency or in any other monetary unit based on a basket of currencies. The securities may be secured by mortgage or other collateral or be unsecured, in the proportions, in the form and at such times, interest rates and terms of issue and redemption that the Board deems appropriate.
2. grants full powers to the Board of Directors to carry out such issues and stipulates that it shall have total discretion to determine the terms and conditions and all characteristics of the securities and debt securities. Any such securities may pay interest at fixed or floating rates and may be redeemed at a fixed or variable premium over par, in which case the premium will be in addition to the above ceiling of €5,000,000,000 (five billion euros), which shall apply to all securities issued pursuant to this delegation. The Board is empowered to set, depending on market conditions, the terms for redeeming or calling the securities to be issued and the debt securities to which such securities will give a right of allotment, with a fixed or variable premium where applicable, or for their repurchase by the company, where such is the case. The Board may also decide to secure or collateralise the securities to be issued and the debt securities to which such securities will give a right of allotment and to determine the nature and characteristics of such guarantees.
3. grants this authorisation for a period of twenty-six months.
4. notes that this delegation cancels any previous delegation given for the same purpose.

Twenty-sixth resolution

(Authorisation to the Board of Directors to reduce the company's capital by the cancellation of treasury stock)

The Annual General Meeting, having satisfied the conditions for quorum and majority required for extraordinary general meetings, having acquainted itself with the Board of Directors' report and the auditors' special report:

1. authorises the Board of Directors, in accordance with Article L. 225-209 of the Commercial Code, to cancel, at its own initiative, on one or more occasions, some or all of the shares that the company holds or may hold as a result of utilising the various authorisations for the purchase of its own shares given by the Annual General Meeting to the Board of Directors, up to a limit of 10% of the capital in any twenty-four-month period.
2. authorises the Board of Directors to apply the difference between the purchase value of the cancelled shares and their nominal value against all available premium and reserve funds.
3. delegates to the Board of Directors, with the power to sub-delegate under and in accordance with applicable law, full powers to carry out the capital reduction(s) resulting from cancellations of shares authorised by this resolution, to have the relevant entries made in the financial statements, to amend the by-laws accordingly, and generally to carry out all necessary formalities.
4. grants this authorisation for eighteen months;
5. notes that this authorisation cancels any previous authorisation having the same purpose.

Twenty-seventh resolution

(Amendment of the by-laws)

The Annual General Meeting, having satisfied the conditions for quorum and majority required for extraordinary general meetings, having acquainted itself with the Board of Directors' report, resolves to amend the by-laws as follows:

1. The first two paragraphs of Article 13 (Composition of the Board) shall be modified as follows:

Former wording

*"**13.1.** The company shall be managed by a Board of Directors having three to eighteen members, without prejudice to the exception provided by law in the event of a merger, chosen from among the shareholders and appointed by the shareholders' meeting, and two members, also appointed by the shareholders' meeting, chosen from the members of the Supervisory Boards of mutual funds representing the employees.*

13.2. The term of office of directors appointed by the shareholders' meeting from among the shareholders 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 shareholders' meeting on 28 April 2005 shall be six years.

The term of office of directors appointed from the members of the Supervisory Boards of mutual funds representing the employees shall be two years, expiring at term or in the event of termination of their employment contract. The company shall take all steps to organise their replacement or renewal at such date.

Directors may be reappointed."

New wording

*“**13.1.** The company shall be managed by a Board of Directors having three to eighteen members, without prejudice to the exception provided by law in the event of a merger, appointed by the shareholders’ meeting, and up to two members representing employee-shareholders elected by the shareholders’ meeting on the proposal of the Supervisory Boards of the mutual funds created in the context of the Bouygues group employee savings schemes which invest principally in the company’s shares.*

The Supervisory Boards of the mutual funds shall elect, by simple majority vote in each mutual fund, two candidates from amongst the employee members of a Supervisory Board of one of the mutual funds, provided that only the two candidates which, by virtue of the number of shares in the company held by the mutual fund appointing them, represent in total the largest amount of capital in the company, shall be subject to the vote of the shareholders’ meeting.

***13.2.** The term of office of directors shall be three years, ending on conclusion of the ordinary shareholders' meeting held in the year in which their term of office expires. However, it is provided that:*

- *the term of office of sitting directors at the date of the ordinary shareholders’ meeting on 28 April 2005 shall be six years,*
- *the term of office of the director elected from amongst the employee members of a Supervisory Board of one of the mutual funds shall expire automatically in the event of termination of his employment contract (other than in the case of an intragroup transfer) or in the event that the company that employs him leaves the Bouygues group. The Board of Directors shall take all steps to replace the director whose term of office has thus expired.*

Directors may be reappointed.”

2. Article 19.2 shall be modified as follows:

Former wording

*“**19.2.** All shareholders may attend meetings. However, their attendance at meetings is conditional:*

a. for the registered shareholders, on their registration in a named account on the company’s books at the latest on the third day preceding the meeting date,

b. for the holders of bearer shares, on the filing at the registered office or at the place indicated in the notices of meeting published in BALO (Bulletin d’annonces légales obligatoires–Bulletin of Compulsory Legal Notices), or on receipt by the company at its registered office or at the place indicated in the abovementioned notices, at the latest on the third day preceding the meeting date, of a certificate of deposit issued by an authorised intermediary, certifying that the shares registered in an account are not available until the meeting date.”

New wording

“19.2. All shareholders may attend meetings under the conditions provided by law.”

3. Article 19.3 shall be modified as follows:

Former wording

*“**19.3.** Shareholders may be represented, under the conditions provided by law, provided that they meet one of the conditions set forth at Article 19.2 above.”*

New wording

*“**19.3.** All shareholders satisfying the conditions required to attend meetings may also be represented, under the conditions provided by law.”*

4. The second sub-paragraph of Article 19.4 is deleted.

Twenty-eighth resolution

(Powers to carry out formalities)

The Annual General Meeting gives full powers to the holder of an original, a copy or extract of the minutes of this general meeting to carry out all legal or administrative formalities and to make all filings and publications under and in accordance with applicable law.

CERTIFICATE OF RESPONSIBILITY

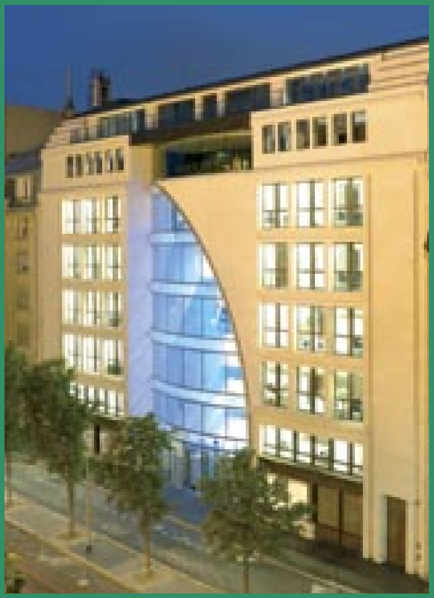
Having taken all reasonable steps to that end, I certify that to the best of my knowledge the information contained in this Registration Document accurately reflects the true situation and that there are no material omissions.

The statutory auditors, Ernst & Young Audit and Mazars & Guérard, have provided me with an opinion in which they state that they have verified the information relating to the financial situation and financial statements provided in this Registration Document, and that they have read the Registration Document as a whole.

The statutory auditors have prepared reports, containing observations, on the historical financial information provided in this Registration Document, which appear on pages 225 and 226 or are listed on the inside front cover of this Registration Document.

Paris, 9 April 2007

Martin Bouygues
Chairman and CEO



Bouygues group
Headquarters of Bouygues SA
32 Avenue Hoche
75378 Paris cedex 08 - France
Tel.: +33 1 44 20 10 00
www.bouygues.com

Challenger,
headquarters of Bouygues Construction

Bouygues Construction
Challenger
1 Avenue Eugène Freyssinet - Guyancourt
78061 Saint-Quentin-en-Yvelines cedex
France
Tel.: +33 1 30 60 33 00
www.bouygues-construction.com

Bouygues Immobilier
150 Route de la Reine
92513 Boulogne-Billancourt cedex
France
Tel.: +33 1 55 38 25 25
www.bouygues-immobilier.com

Colas
7 Place René Clair
92653 Boulogne-Billancourt cedex
France
Tel.: +33 1 47 61 75 00
www.colas.com

TF1
1 Quai du Point du jour
92656 Boulogne-Billancourt cedex
France
Tel.: +33 1 41 41 12 34
www.tf1.fr

Bouygues Telecom
Arcs de Seine
20 Quai du Point du jour
92640 Boulogne-Billancourt cedex
France
Tel.: +33 1 39 26 75 00
www.bouyguestelecom.fr

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