

2016 REGISTRATION DOCUMENT

BUSINESS ACTIVITIES AND CSR
FULL-YEAR FINANCIAL
REPORT

A photograph of two women in business attire standing on a paved walkway in front of a large, modern building with a prominent glass dome and a steel frame. They are looking at a smartphone held by one of them. The sky is clear and blue.

BOUYGUES

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BUSINESS ACTIVITIES AND CSR - FULL-YEAR FINANCIAL REPORT

The Registration Document can
be consulted and downloaded from
the www.bouygues.com website



This document is a free translation of the Registration Document filed with the Autorité des Marchés Financiers (AMF) on 22 March 2017, pursuant to Article 212-13 of the AMF General Regulation. It may be used in support of a financial transaction if supplemented by a stock exchange prospectus bearing an AMF visa. This document has been prepared by the issuer and its signatories may be held liable for it.



"WE MET OR EXCEEDED ALL OUR TARGETS FOR THE YEAR"

INTERVIEW WITH MARTIN BOUYGUES, CHAIRMAN AND CEO

How would you assess the Group's performance in 2016?

The outstanding feature of the year was the sharp increase in the Group's results, driven by Bouygues Telecom and the construction businesses. We met or exceeded all our targets in 2016.

The Group continued to improve its profitability, recording a current operating margin of 3.5%, up 0.6 points on 2015.

The current operating margin in the construction businesses increased by 0.3 points in 2016. TF1 exceeded its target for reducing the cost of programmes. Bouygues Telecom continued to grow, recording a 6% rise in sales in 2016 and a three-point improvement in its EBITDA margin to 23%. The savings target was exceeded and net capital expenditure was in line with expectations.

More specifically, how do you see the commercial performance of Bouygues' construction businesses?

The order book in the construction businesses reached a record level of €30.2 billion at end-2016, up 6%^a year-on-year.

In France, the order book rose 7% year-on-year. Order intake at Bouygues Construction increased by 17% in 2016 and included a number of major contracts such as the Port of Calais extension, Tour Alto in Paris-La Défense and the roll-out of FTTH^b networks in the Nord and Pas-de-Calais departments of northern France. At Bouygues Immobilier, residential property reservations were 19% higher than in 2015, showing positive momentum on the back of historically low interest rates, the Pinel tax incentive and an extension of the zero-interest loan programme. The order book at Colas at end-2016 was up 7% year-on-year after falling for three successive years.

The Group continued its policy of targeted growth on international markets and saw the order book at end-2016 rise 6%^a year-on-year. It included significant contracts such as Hinkley Point C in the UK and Line 3 of the Cairo metro in Egypt. International orders accounted for 58% of the order book at Bouygues Construction and Colas at end-December 2016.

(a) At constant exchange rates.

(b) Fibre To The Home.

(c) Excluding Machine-to-Machine.

What about Bouygues Telecom?

Bouygues Telecom's good 2016 commercial and financial results confirmed its strategic choices.

The number of mobile customers continued to grow, rising by 1,105,000 over the full year, for a total of 13 million at end-2016. With an additional 1,096,000 new mobile customers^c since the end of 2014, Bouygues Telecom was one year ahead of schedule in achieving its objective of gaining 1 million new mobile customers^c since end-2014. 4G penetration within Bouygues Telecom's customer base continued and now accounts for 65% of mobile customers^c, reaching 6.9 million users at end-December 2016. The spread of 4G was accompanied by a sharp increase in mobile data usage.

"BOUYGUES IS WELL POSITIONED FOR THE FUTURE"

Bouygues Telecom continued to grow steadily on the fixed broadband market, gaining 313,000 new customers in 2016, for a total of 3.1 million customers at end-December 2016. As a result, Bouygues Telecom is well positioned to meet its target of 1 million additional fixed broadband customers at end-2017 versus end-2014. FTTH accounted for 26% of net annual growth in 2016, with 81,000 new adds, for a total of 121,000 customers at end-2016. Bouygues Telecom had 482,000 very-high-speed customers at end-December 2016.

You introduced a new organisation in 2016 with the appointment of two Deputy CEOs, Olivier Roussat, Chairman and CEO of Bouygues Telecom, and Philippe Marien, the Group's Chief Financial Officer and Senior Vice-President for Human Resources, Information Systems and Innovation. Why was that?

The mission of the Chairman and CEO of Bouygues is to serve the Group. That means serving its customers, its employees and its shareholders. You have to be on the job the whole time, of course, but you also need to look forward in order to understand how the world is going to change in the future and how to prepare the Group for those changes. So I decided to appoint two new Deputy CEOs, Olivier Roussat and Philippe Marien, to serve alongside me with Olivier Bouygues. They will assist me in my management of the Group so that Bouygues is better prepared for developments in the future.

Your son Edward and nephew Cyril have joined the Board of Directors. What is the significance of their appointment?

My brother Olivier and I have four children between us. The two seats on the Bouygues Board of Directors will be held successively by two of them in turn in order to train them up further for their role as Group shareholders. All four of them already work for Bouygues or SCDM and as a result are all the more aware of what is expected of them as Board members. The appointments give the Group's management more coherence, more strength and above all, whatever happens, a medium- and long-term outlook. The Board of Directors has the people at its disposal to continue its work in all circumstances.

What are the Bouygues group's strengths in facing these challenges?

The Group is now well positioned for the future. Our business segments have adapted their strategies and organisations to changes in their markets in order seize new opportunities.

We have broadened the offer portfolio with innovative solutions in response to new customer uses, especially for sustainable construction. Innovations include eco-neighbourhoods, positive-energy rehabilitation of existing buildings, solar roads and flexible, collaborative workspaces in the construction businesses, the 4G box in rural areas and the Internet of Things at Bouygues Telecom and virtual reality in programmes at TF1. We have strengthened the culture of flexibility and efficiency in our organisations and they are rolling out a far-reaching digital transformation policy.

With net debt of €1.9 billion at end-December 2016, €695 million lower than at end-December 2015, the Group's financial structure provides scope for development.

What is your outlook?

The Group expects profitability to continue improving in 2017, driven by all business segments. The current operating margin of the construction businesses should continue to improve. Profitability at TF1 should carry on rising, driven by a multi-channel, multi-media and multi-activity strategy, with a double-digit current operating margin target in 2019. Lastly, Bouygues Telecom confirmed its 25% EBITDA margin target for 2017 and set a new target of €300 million of free cash-flow in three years' time.

1

THE GROUP

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1.1 Profile

1.1.1 Moving forward in everyday life

With 118,000 employees and a wide range of business activities (construction, media, telecommunications) Bouygues seeks to improve people's everyday lives. Operating in nearly 90 countries, the Group and its partners construct solutions to meet essential needs – housing, transport, information, communication – and which bring progress to society.

Among the major issues of the 21st century, companies face a threefold challenge. It is:

- **ecological**, due to climate change, shrinking biodiversity and depletion of resources;
- **demographic**, with increasingly rapid urbanisation and the needs in housing, mobility and communication that result from it;
- **technological**, with the digital transformation of tools, methods and uses.

The Bouygues group's construction businesses meet the need for sustainable infrastructure and buildings. Its telecoms arm aims to make technology easy to use and available to everyone, while the media activity, which aims to both take part in and reflect changes in society, provides an offering of information and entertainment accessible on all screens (TV, PC, smartphones, etc.). All Bouygues' activities aim to make urban environments more sustainable and more desirable.

All over the world people want to live in pleasant urban environments that are increasingly eco-friendly and frugal in their consumption of resources. Bouygues offers a whole range of innovative solutions to make urban environments more energy-efficient, improve urban services and reduce the inconveniences of urban life, based on four guiding principles:

- **Renovation to improve housing** (positive-energy and passive-energy buildings etc.) whilst respecting architectural heritage and biodiversity at the same time;
- **Better buildings to reduce waste** (materials that are eco-responsible and easily recyclable, the circular economy, etc.);
- **A new approach to urban design to increase well-being** (sustainable neighbourhoods, soft mobility, smart grids, etc.);
- **New services that are useful to everyone** (centralised coordination of urban services, renewable energy production, etc.).

In order to prepare for the future needs of society stemming from climate change and the digital revolution, Bouygues invests in open and shared innovation, paying attention to feedback from its ecosystem and using digital technology to reinvent its business models.

Strengths

A strong and distinctive culture

- 118,000 employees who share the values of **respect**, **trust** and **fairness**
- A management approach based on empowerment, encouraging **self-reliance** and **initiative**
- A **constructive** approach to labour relations

A full-service offering on stable long-term markets

- A **diversified offering** aiming to bring **daily progress**, whether through the construction of infrastructure and buildings or the provision of new digital services
- **Acknowledged know-how**, expertise in **complex projects** (sustainable construction, urban development, media, telecoms, etc.)

A capacity for powerful, open innovation for the benefit of customers

An international group since 1972

- A dense **nationwide network** in France and a **strong international presence**
- The capacity to **deploy teams** on major projects worldwide

A robust financial structure

- **Regular** free cash flow generation
- A **very high** level of liquidity
- A **low level** of debt

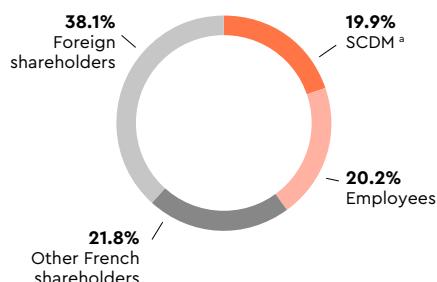
Key dates in the Group's history

In **1952**, Francis Bouygues establishes Entreprise Francis Bouygues (EFB), a building firm. The company diversifies into property development in **1956** by creating Stim, which later becomes Bouygues Immobilier. In **1986**, Bouygues becomes the world's largest construction firm following the acquisition of Screg, the leading roadworks contractor. In **1987**, Bouygues diversifies again by becoming the largest shareholder of TF1, France's leading mainstream TV channel. In **1994**, Bouygues is awarded a licence to operate France's third mobile phone network, resulting in the creation of Bouygues Telecom in **1996**. In **2006**, the Group acquires the French government's stake in Alstom and becomes its leading shareholder.

A stable ownership structure

MAIN SHAREHOLDERS

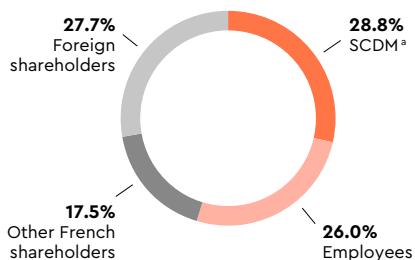
at 31 December 2016



354,908,547 shares

VOTING RIGHTS

at 31 December 2016



488,430,028 voting rights

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

In figures

at 31 December 2016



EMPLOYEES

117,997



SECTORS OF ACTIVITY

3

Construction:
Bouygues Construction
Bouygues Immobilier
Colas

Media:
TF1

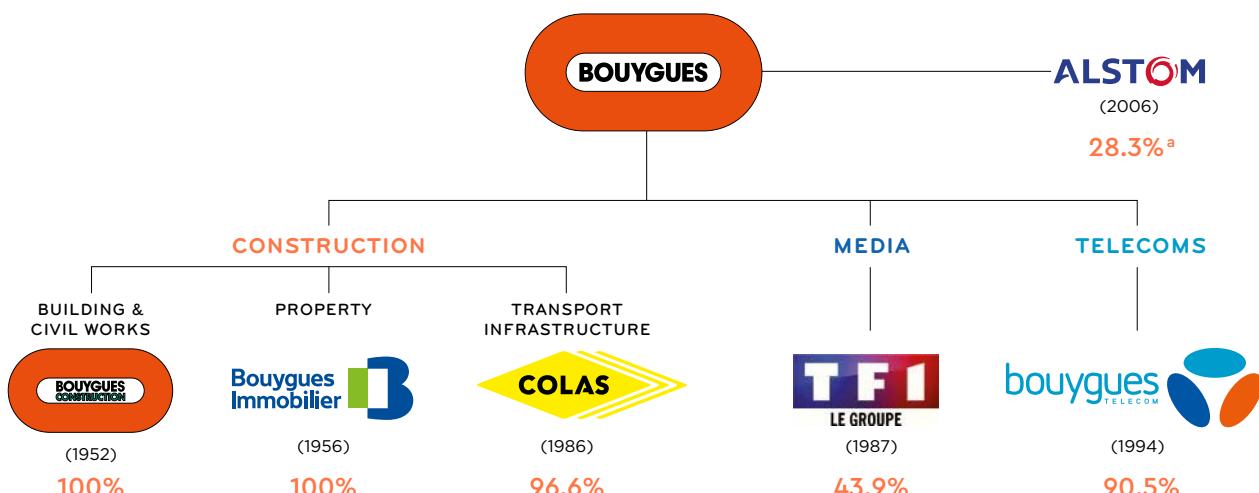
Telecoms:
Bouygues Telecom

PRESENCE

Nearly 90 countries

SIMPLIFIED GROUP ORGANISATION CHART

at 31 December 2016



(a) Includes the 20% covered by the simple loan agreement with the French state.

1.1.2 Organisation and governance

1.1.2.1 The Board of Directors at 31 December 2016

| Chairman and CEO



Martin Bouygues

| Deputy CEO



Olivier Bouygues
Director

| Directors



LEFT TO RIGHT: **François Bertiére**, Chairman of Bouygues Immobilier – **Cyril Bouygues**, standing representative of SCDM Participations – **Edward Bouygues**, standing representative of SCDM – **Francis Castagné**, director representing employees – **Raphaëlle Deflesselle**, director representing employees



LEFT TO RIGHT: **Clara Gaymard^a**, Co-founder of Raise – **Anne-Marie Idrac^a**, Chair of the supervisory board of Toulouse-Blagnac Airport – **Patrick Kron**, Chairman of Truffle Capital – **Hervé Le Bouc**, Chairman and CEO of Colas – **Helman le Pas de Sécheval^a**, General Counsel of the Veolia group

(a) Director qualified as independent by the Board of Directors.

The Board of Directors refers to the recommendations of the Afep-Medef Corporate Governance Code. It draws on the work of three committees.



Colette Lewiner^c, Advisor to the Chairman of Capgemini –
Sandra Nombret, director representing employee shareholders



Rose-Marie Van Lerberghe^c, Senior Advisor to BPI group –
Michèle Vilain, director representing employee shareholders

- (a) Excluding directors representing employees.
- (b) Excluding directors representing employees or representing employee shareholders.
- (c) Director qualified as independent by the Board of Directors.
- (d) Director representing employee shareholders.
- (e) Director representing employees.

1 Board committees

ACCOUNTS COMMITTEE
Helman le Pas de Sécheval^c (Chairman)
Clara Gaymard^c
Anne-Marie Idrac^c
Michèle Vilain^d

SELECTION AND REMUNERATION COMMITTEE
Colette Lewiner^c (Chairwoman)
Francis Castagné^e
Helman le Pas de Sécheval^c

ETHICS, CSR AND PATRONAGE COMMITTEE
Anne-Marie Idrac^c (Chairwoman)
Raphaëlle Deflesselle^e
Sandra Nombret^d
Rose-Marie Van Lerberghe^c

1.1.2.2 Senior management team at 31 December 2016

| Parent company



Martin Bouygues
Chairman and CEO



Olivier Bouygues
Deputy CEO



Philippe Marien
Deputy CEO



Olivier Roussat
Deputy CEO



Jean-François Guillemin
General Counsel

| Heads of the five business segments



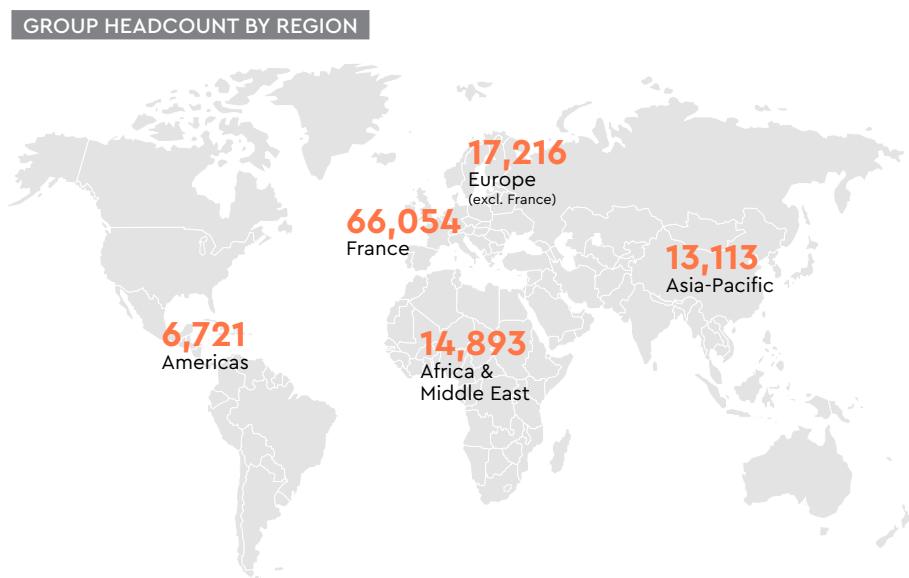
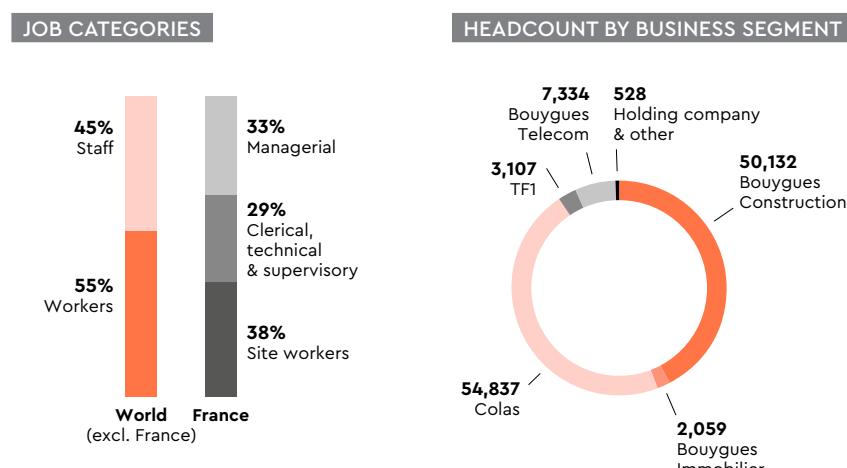
LEFT TO RIGHT: **Philippe Bonnave**, Chairman and CEO of Bouygues Construction – **François Bertiére**, Chairman of Bouygues Immobilier – **Hervé Le Bouc**, Chairman and CEO of Colas – **Gilles Périsson**, Chairman and CEO of TF1 – **Olivier Roussat**, Chairman and CEO of Bouygues Telecom

1.1.3 The Group's workforce

Bouygues is a diversified industrial group that draws on a wide diversity of skills and expertise. It relies on men and women who share the values enshrined in the Group's Human Resources Charter: respect, trust and fairness.

Bouygues' values are presented and elaborated on in the Group's Code of Ethics, and in its Human Resources Charter. The Bouygues group's corporate social responsibility policy and initiatives are described in chapter 3 "Human resources, environmental and social information" of this document.

Headcount at 31 December 2016



1.1.4 Bouygues and innovation

1.1.4.1 Open Innovation for start-ups and digital transformation

In the recent period a number of "game changers" have made their appearance, particularly in the areas of hotel accommodation and passenger transport. They come from other sectors and their approaches, based on digital technologies, robotics or artificial intelligence, are very different from those of traditional players. They can have a strong impact on markets. Bouygues' business segments, having introduced an open innovation policy towards start-ups in 2008 – which became widespread from 2015 –, are in regular contact with a large number of such players.

The Bouygues group's Open Innovation policy towards start-ups

Open Innovation hand-in-hand with start-ups enables the Group's business segments to draw on these nimble and visionary enterprises, which gain commercial contacts in exchange, so that they can:

- use cutting-edge products and services to **stand out** from the competition,
- **prepare for the future and test** new and potentially disruptive business models.

The policy also leverages innovation by providing substantial external financial resources and spreading risk. Preference is given to start-ups in the seed phase because that is where innovation is strongest and the most influence can be brought to bear in order to guide products or strategies and meet the start-up's need for completed projects to show prospects.

Two conditions must be fulfilled for Group business segments to establish a robust partnership with start-ups:

- the product or service in question must **create value** within the business segment backing the start-up,
- the business segment must be confident that the start-up has a **long-term future**.

In order to meet the second condition, the Group has set up an investment arm with the aim of safeguarding start-ups by providing equity and expertise on how to run a business.

The following organisation has been in place since 2015:

- business segments are entirely responsible for **choosing** the start-ups in which they decide to invest and for creating their own investment vehicles;
- Bouygues Développement, created by Bouygues SA, is the Group's advisory and management arm. It draws on the venture capital experience gained with Bouygues Telecom Initiatives, created in 2008, in order to **coordinate, prepare and manage** investments in the start-ups chosen by the business segments.

Over the course of 2016, Bouygues group business segments set up over a hundred partnerships with start-ups and invested in around a dozen of them.

1.1.4.2 Digital transformation plan

In addition to open innovation with start-ups, an essential building block in the Group's development, Bouygues has made digital transformation a core element of its strategy.

The Group's digital transformation plan, designed to reinvent the company by making it more attractive and creating further possibilities for growth, is based on four goals:

- the creation of new activities or new products and services;
- an improvement in productivity;
- improving knowledge of customers and relations with them; and
- an enhancement of the Group's attractiveness.

In 2016, the first year of the plan, priority was given to enlisting the support of employees. At a meeting of all the Group's managers at a Digital Transformation Day on 18 November 2016, the business segments presented innovative practices that illustrate how the movement has accelerated in four areas:

Making life easier for customers

- The new customer area on the Bouygues Telecom website came online in November 2016. Designed for ease of use on mobile phones and any other type of device, it offers customers **access to all the features** they need to manage their account, such as tracking their consumption, subscriptions and invoices.
- Bouygues Immobilier's Flexom app has been provided to all buyers of residential properties marketed since September 2016. Owners can **control their homes** (heating, lighting, roller shutters, etc.) from a smartphone and access building or neighbourhood services, such as concierge services.
- With their 3D configurators, Bouygues Immobilier customers can go on a **virtual visit of and customise** their future home or workplace.

Improving operations

- With Mix Manager and Reason software, Colas employees can monitor the operation of asphalt plants in real time on all types of device, offering **better control** over quality, energy efficiency and supply.
- Using a dedicated website to access the Woobees network of customers, customer advisers and in-house experts, Bouygues Telecom customers can get **real-time answers** to their after-sales questions.
- Bouygues Construction's large-screen "BIM booth"^a, trialled since April 2016, offers on-site viewing of 3D plans of the structure. As the facility is weatherproof, it can also be used outdoors. Taking digital modelling into the field in this way means that BIM can play its full role in **improving productivity, safety and collaborative working**.

(a) See also p. 105.

Expanding the customer base

- In May 2016, TF1 organised an **e-sport** tournament in partnership with Glory4gamers, a specialist videogame start-up. The event was a great success and will be repeated, with the finals being shown on XTRA, a Web TV channel. TF1 is using the initiative to target very fast-growing and motivated audiences who spend record amounts of time on videogames and are difficult to reach via conventional TV.
- Bouygues SA and its five business segments created a Group interactive 3D app called **Explore the City**, presented at exhibitions organised in France particularly in the context of COP 21. Giving an entertaining and informative insight into the Group's responses to major environmental challenges, the app is also used by sales people to show how the innovative solutions offered by the Group complement each other and how it can assemble and interlock them for the benefit of customers.

Promoting a digital culture

- The COOC (corporate open online course) on **Building Information Modelling (BIM)**, which Colas put online in November 2016, provides targeted mass training to employees so that they can become ambassadors for a major key technology.
- Le Spot Bouygues, an open innovation space on the **Epitech^a** campus, aims to get students to think about issues facing the Group in its various lines of business and to develop operational prototypes using innovative technologies. It encourages students to bring their critical and creative faculties to bear on the company's operational workings.

1.1.4.3 Organisation of innovation in the Group

Respecting the independence of each business segment, the Group's innovation organisation has the following features:

- a large number of grassroots initiatives, sometimes on the same subjects;
 - a quick transition to the trial phase in order to get feedback from users and dispel risks;
 - business-specific strategic priorities underpinned by organisational structures suited to the specific nature of each business segment;
- The parent company has two support structures:
- e-lab, its in-house research and innovation unit;
 - Bouygues Développement, to conduct financial assessments and monitor equity interests in start-ups (see section 1.1.4.1 on p. 12).

e-lab

Through its knowledge and understanding of new technologies and its network of partners, e-lab **helps the business segments** design innovative products and services. These include, for Colas and Bouygues Construction, improving productivity and site workers' safety by incorporating digital technology into equipment such as hard-hats and clothing and into processes such as equipment tracking; for Bouygues Telecom, developing a multifunction sensor for the Internet of Things in order to increase the number of cases where it can be used; and for Colas, a location sensor for smart mobility services.

Its second mission is to **facilitate exchanges** with elite universities and other industrial firms. The Ideas Lab in Grenoble is a prime example, bringing together the CEA^b, academic partners in Grenoble and major industrial partners such as Air Liquide, Engie, Leroy Merlin, Suez, MAIF and BNF. Projects in 2016 concerned work on the **future of higher education and the campus (2050)**, **connected operators** and **fuel poverty**.

e-lab also coordinates innovation in the Group and fosters synergies between subsidiaries. It organises many exchanges between the business segments through seminars, committees, conventions and field trips and it also supports the Group's digital transformation plan.

(a) Epitech is a French IT university created in 1999 offering a five-year computer science course.
(b) French Atomic Energy Commission

1.1.5 Bouygues group: main sites

Bouygues group: main sites	Location	Surface area	Environmental certification	Group-owned
Bouygues SA	32 avenue Hoche 75008 Paris France	7,600 m ²	HQE™	Yes
Bouygues Construction	Challenger 1 avenue Eugène Freyssinet 78280 Guyancourt France	67,000 m ²	<ul style="list-style-type: none"> ■ HQE™ Exceptional ■ LEED® Platinum ■ BREEAM® Outstanding ■ "BBC-effinergie®" low-energy label ■ BiodiverCity label 	Yes
Bouygues Immobilier	3 boulevard Gallieni 92130 Issy-les-Moulineaux France	6,250 m ²	HQE™	No
Colas	Échangeur (South Wing) 7 place René Clair 92100 Boulogne-Billancourt France	4,735 m ²		No
	(North Wing) 40 rue Fanfan la Tulipe 92100 Boulogne-Billancourt France	3,400 m ²		No
TF1	Tour 1 quai du Point du jour 92100 Boulogne-Billancourt France	35,167 m ²		Yes
	Atrium 6 place Abel Gance 92100 Boulogne-Billancourt France	20,220 m ²		No
Bouygues Telecom	Head office 37-39 rue Boissière 75116 Paris France	325 m ²		No
	Technopôle 13-15 avenue du Maréchal Juin 92360 Meudon France	54,243 m ²	<ul style="list-style-type: none"> ■ HQE™ ■ ISO 50001 	No

BBC-effinergie®: A French low-energy certification label.

BiodiverCity: The first international label that indicates biodiversity has been factored into property development construction and renovation projects.

BREEAM®: Building Research Establishment Environmental Assessment Method (UK certification)

HQE™: High Environmental Quality (French certification)

LEED®: Leadership in Energy and Environmental Design (US certification)

1.2 Bouygues and its shareholders

Listed on the Paris stock exchange since 1970, Bouygues is one of the market's flagship stocks, as demonstrated by its almost uninterrupted inclusion in the CAC 40 index. Throughout this period, the Group has been committed to involving its shareholders in its development, combining corporate responsibility with an entrepreneurial spirit.

1.2.1 Shareholder contacts

Shareholders and investors

Karine Adam Gruson

Investor Relations Director

- Tel.: +33 (0) 1 44 20 10 79
- E-mail: investors@bouygues.com

Registered share service

Gaëlle Pinçon – Romain Lartigue

- Tel.: +33 (0) 1 44 20 10 61/10 36
- Toll free: 0 805 120 007 (from fixed lines in France)
- E-mail: servicetitres.actionnaires@bouygues.com
- Fax: +33 (0) 1 44 20 12 42

1.2.2 Registered share service

Fully registered shares

Bouygues offers a free, unintermediated account-keeping service to holders of fully registered shares.

Fully registered shareholders are also guaranteed to receive regular information from Bouygues, and are automatically sent notices of shareholders' meetings.

All holders of registered shares 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.

1.2.3 Investor relations

2016 Key figures

- Four results releases: Bouygues senior management presented the Group's full-year and half-year results at face-to-face meetings, and first-quarter and third-quarter results via conference calls.

(a) Socially Responsible Investment

- Nearly 600 investors met with management or the Investor Relations team.
- Fifteen roadshows were held in six countries.
- The Group attended eight conferences on sector-specific and more broad-based themes.
- Bond investors: a presentation in Paris, a conference in London.
- A Governance roadshow in Paris.
- A meeting dedicated exclusively to individual shareholders was held in Toulouse.
- An SRI^a event dedicated to the Wattway solar road (see chapter 2, section 2.1.4 Colas).
- 20 brokers in France and around the world cover the Bouygues share.

1.2.4 The bouygues.com website

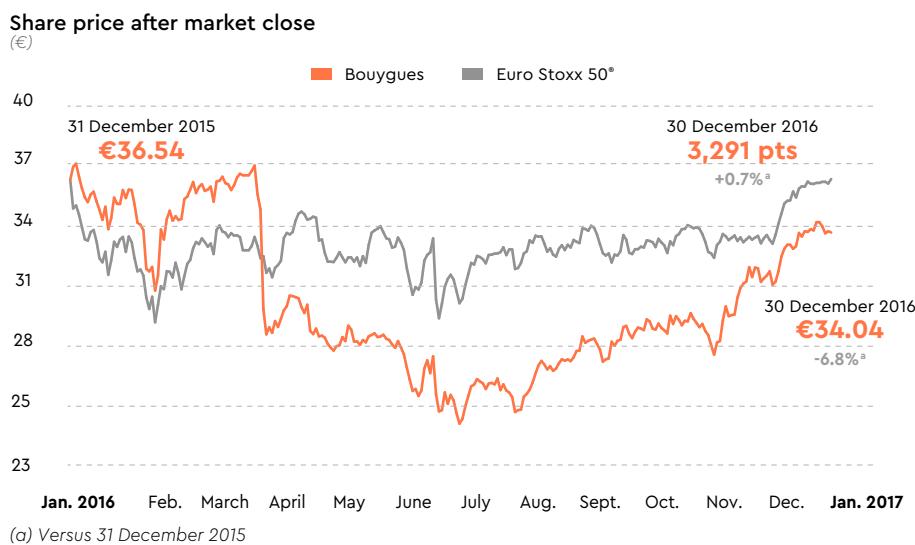
All the information you need

The www.bouygues.com website is a very important tool for communicating with shareholders, analysts and investors. Following the site's revamp in 2016, French financial weekly *Le Revenu* awarded Bouygues its Silver trophy (*Trophée d'Argent*) for the best digital communication for a CAC40 company. The information available includes:

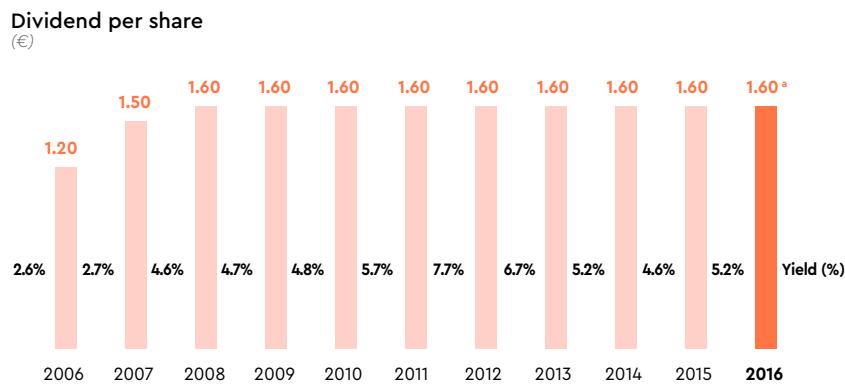
- published financial documents: press releases, full financial statements, results presentations, archive recordings of past presentations, etc.;
- regulated information, including all the registration documents since 2006;
- *At a Glance* (a brochure distributed to coincide with the presentation of the annual financial statements) since 2002;
- a historical data file, downloadable in Excel, showing key figures for the Bouygues group over the past 12 years;
- the analysts' consensus compiled by Bouygues;
- a special section for shareholders: documents relating to the Annual General Meeting, FAQ, etc.;
- detailed information about the Bouygues group's activities, key performance indicators, senior management, etc.;
- an interactive intraday Bouygues share price tracker.

1.2.5 The Bouygues share

SHARE PERFORMANCE SINCE THE END OF 2015



DIVIDEND PER SHARE



(a) To be proposed to the AGM on 27 April 2017. Payment of dividend on 5 May 2017.

Yield:

- 2006 to 2015: dividend per share relative to average share price between two successive ex-dates.
- 2016: ratio of dividend per share to the average price over a rolling 12-month period at 8 February 2017


**The
Bouygues share**
Factsheet

LISTING
Euronext Paris (compartment A)

ISIN CODE
FR0000120503

IDENTIFICATION CODES
Bloomberg: EN:FP
Reuters: BOUY.PA

PAR VALUE
€1

AVERAGE SHARE PRICE IN 2016
€30.71
(average closing price –
Source: NYSE Euronext)

**AVERAGE DAILY TRADING VOLUME
ON EURONEXT**
0.9 million shares
(Source: NYSE Euronext)

MARKET CAPITALISATION
€12,083 million
(at 31 December 2016)

STOCK MARKET INDICES
CAC 40, FTSE Eurofirst 300,
Dow Jones Stoxx 600, Euronext 100

SRI INDICES
incl. STOXX Global ESG Leaders,
Euronext Vigeo Eurozone 120, CDLI
(Climate Disclosure Leadership Index),
MSCI World ESG Index and
MSCI ACWI ESG Index

SECTOR CLASSIFICATION
MSCI/S&P indices:
Construction and Engineering
FTSE and Dow Jones indices:
Construction & Materials

OTHER INFORMATION
Eligible for deferred
settlement service (SRD)
and French equity savings plans (PEAs)

2017 Key dates

THURSDAY 27 APRIL

Bouygues Annual General Meeting at Challenger (Saint-Quentin-en-Yvelines, France)

FRIDAY 5 MAY

Dividend payment

WEDNESDAY 17 MAY

First-quarter 2017 results

THURSDAY 31 AUGUST

First-half 2017 results

THURSDAY 16 NOVEMBER

Nine-month 2017 results

1.3 2016 financial year

1.3.1 Key figures

The outstanding feature of 2016 was the sharp increase in the Group's results, driven by Bouygues Telecom and the construction businesses.

Financial highlights

(€ million)	2016	2015	2016/2015
Sales	31,768	32,428	-2% ^a
EBITDA ^b	2,757	2,411	+€346m
Current operating profit	1,121	941	+€180m
Operating profit ^c	947	668	+€279m
Net profit attributable to the Group	732	403	+€329m
Net profit attributable to the Group excluding exceptional items ^d	632	489	+€143m
Earnings per share (€)	2.11	1.19	+0.92
Cash flow	2,504	2,067	+€437m
Net capital expenditure	1,638	1,423 ^e	+€215m
Free cash flow ^f	395	251 ^e	+€144m
Shareholders' equity (end of period)	9,420	9,293	+€127m
Net debt (end of period)	1,866	2,561	-€695m
Gearing ratio (net debt/shareholders' equity)	20%	28%	-8pts
Net dividend per share (€)	1.60 ^g	1.60	=
Headcount	117,997	120,254	-2,257

(a) Stable like-for-like and at constant exchange rates. Definitions:

- at constant exchange rates: change after translating foreign-currency sales for the current period at the exchange rates for the comparative period
- on a like-for-like basis: change in sales for the periods compared, recalculated so that divested entities are included, or acquired entities excluded, over the same length of time in each period

(b) Current operating profit plus net depreciation and amortisation expense plus net provisions and impairment losses minus reversals of unutilised provisions and impairment losses.

(c) In 2015, includes non-current charges of €123 million at Bouygues Telecom, €95 million at Colas, €35 million at Bouygues Construction, €17 million at TF1 and €4 million at Bouygues Immobilier. In 2016, includes non-current charges of €84 million at TF1, €62 million at Colas, €23 million at Bouygues Construction, and €13 at Bouygues Immobilier; and non-current income of €20 million at Bouygues Telecom (of which €84 million of non-current charges related to the roll-out of network sharing, and non-current income of €104 million related to a capital gain on the sale of towers).

(d) After stripping out capital gains and non-current items.

(e) Excluding exceptional items relating to Bouygues Telecom (acquisition of frequencies in the 700 MHz band for €467 million).

(f) Cash flow minus cost of net debt minus income tax expense minus net capital expenditure. It is calculated before changes in working capital requirements.

(g) To be submitted for approval at the AGM on 27 April 2017.

Sales

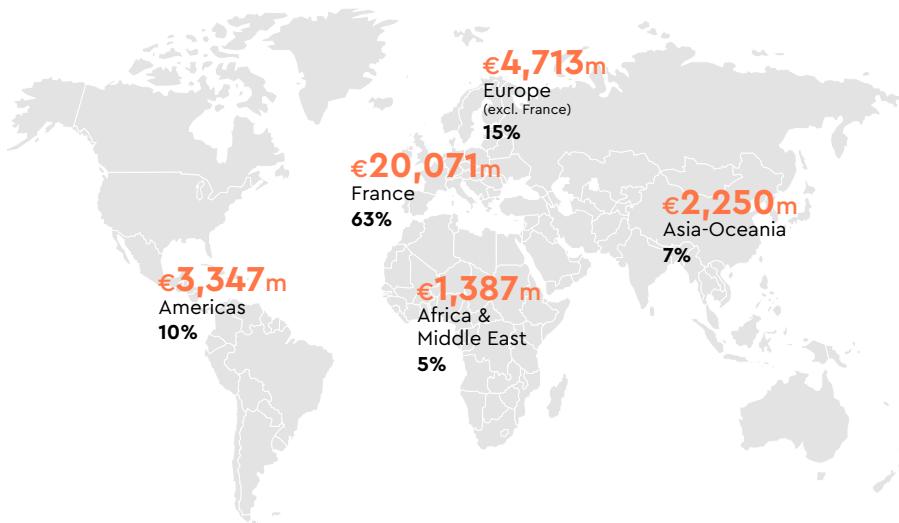
Sales generated by the **Bouygues group** reached €31.8 billion in 2016, down 2% on 2015, but stable on a like-for-like basis and at constant exchange rates.

The **construction businesses** reported 2016 full-year sales (net of internal transactions) of €25 billion, down 4% on 2015. Reported sales were negatively impacted by an exchange rate effect of €364 million and a scope effect of €283 million, mainly at Colas. On a like-for-like basis and at constant exchange rates, sales were down slightly by 1%.

Bouygues Construction reported sales of €11,815 million, down 1% on 2015, but stable on a like-for-like basis and at constant exchange rates. Sales at **Bouygues Immobilier** were €2,568 million, up 11% year-on-year, due largely to an increase in residential property reservations since 2015 after three consecutive years of decline.

SALES BY REGION

€31,768m



Colas generated sales of €11,006 million, down 8% on 2015 (down 4% on a like-for-like basis and at constant exchange rates). This decline was mainly due to lower activity at roadbuilding in Central Europe and Canada and in the specialised activities.

Sales at **TF1** reached €2,063 million, 3% higher than in 2015, boosted by the first-time consolidation of Newen Studios from 1 January 2016.

Bouygues Telecom reported 2016 sales of €4,761 million, up 6% year-on-year. Sales from network also rose by 6%, to €4,055 million, and have now been on an uptrend for six consecutive quarters, driven largely by an increase in the subscriber base combined with stabilisation of Average Revenue Per User (ARPU).

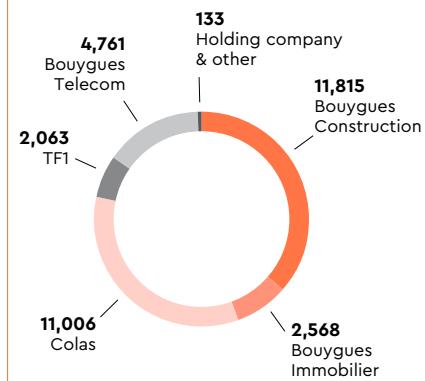
Sales

€ million

€31.8bn
(-2%)



By business segment^a



(a) Impact of intragroup eliminations: -€578 million.

Current operating profit

Current operating profit for the **Bouygues group** rose by 19% relative to 2015, to €1,121 million.

Current operating profit for the **construction businesses** was €879 million, while their current operating margin improved 0.3 points versus 2015 to 3.5%. Current operating margin at Bouygues Construction was virtually unchanged at 2.8%, but at Bouygues Immobilier it advanced by 0.5 points versus 2015 to 6.5%. This improvement reflected the initial effects of the transformation plans, and better management of the marketing policy in residential property sales. At Colas, current operating margin increased by 0.6 points year-on-year to 3.5%. It benefited from the fact that losses at Société de la Raffinerie de Dunkerque (SRD) were classified as non-current, and from healthier margins in roadbuilding.

TF1 posted current operating profit of €129 million, €29 million lower than in 2015, largely due to the cost of screening the Euro 2016 soccer tournament. In 2015, it had

been boosted by €34 million arising from the deconsolidation of Eurosport France. Current operating margin for 2016 was 6.3%, down 1.6 points year-on-year.

Bouygues Telecom reported EBITDA of €916 million in 2016, a year-on-year increase of €164 million. The EBITDA margin was 23% (up three points year-on-year), in line with the 25% target set for 2017. The main positive factors were a good commercial performance during the year in both the mobile and fixed businesses, combined with cost savings derived from the transformation plan. There was also an improvement at current operating level, with a loss of €11 million in 2015 turning into a profit of €149 million in 2016.

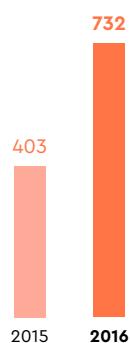
After €174 million of non-current expenses (€287 million of non-current expenses across all the business segments combined, partly offset by €113 million of non-current income arising mainly on the sale of towers by Bouygues Telecom), **Group operating profit** for 2016 came to €947 million, up 42% year-on-year.

Net profit attributable to the Group

Net profit attributable to the Group amounted to €732 million in 2016, compared with €403 million in 2015. The 2016 figure includes capital gains on the disposals of towers and on the stakes in the A41 and A63 motorway

concession companies. After stripping out these exceptional items, net profit attributable to the Group for 2016 was €632 million, versus €489 million in 2015 (up 29% year-on-year).

NET PROFIT ATTRIBUTABLE TO THE GROUP



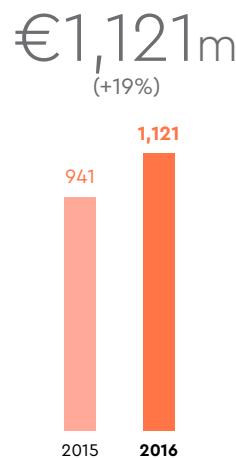
NET PROFIT ATTRIBUTABLE TO THE GROUP EXCLUDING EXCEPTIONAL ITEMS



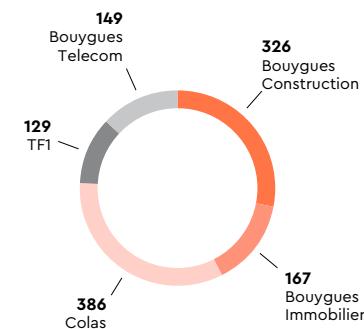
(a) After stripping out the non-current charges and income (net of taxes) recorded by each business segment and the capital gains on the divestments of Bouygues Construction's and Colas' stakes.

Current operating profit

€ million

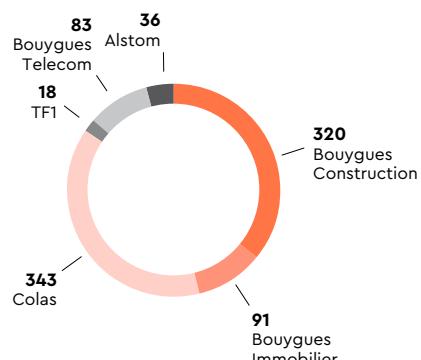


By business segment^a



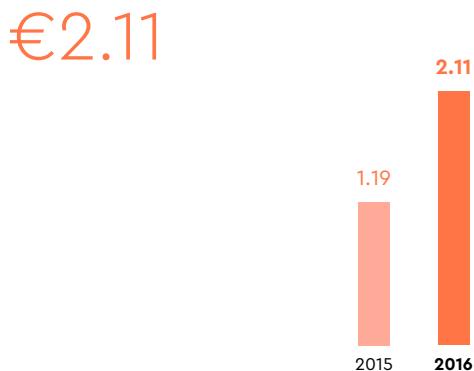
(a) "Holding company & other" reported a current operating loss of €36 million.

CONTRIBUTION TO NET PROFIT ATTRIBUTABLE TO THE GROUP BY BUSINESS SEGMENT^a



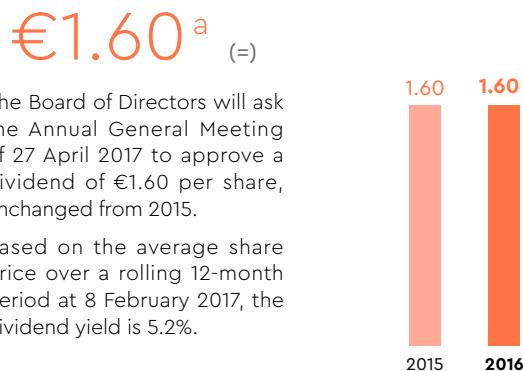
(a) "Holding company & other" reported a net loss of €159 million.

Earnings per share ^a €



(a) Basic earnings per share from continuing operations.

Dividend per share €



The Board of Directors will ask the Annual General Meeting of 27 April 2017 to approve a dividend of €1.60 per share, unchanged from 2015.

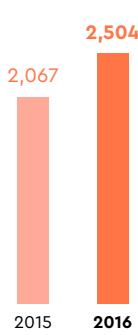
Based on the average share price over a rolling 12-month period at 8 February 2017, the dividend yield is 5.2%.

(a) To be submitted for approval at the AGM on 27 April 2017.

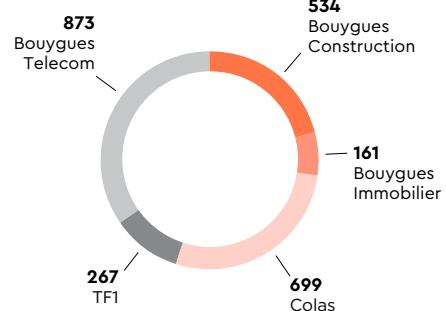
Cash flow € million

€2,504m (+21%)

Group cash flow was €437 million higher year-on-year, reflecting the good operating performances of the construction businesses and Bouygues Telecom.



CONTRIBUTION BY BUSINESS SEGMENT ^a

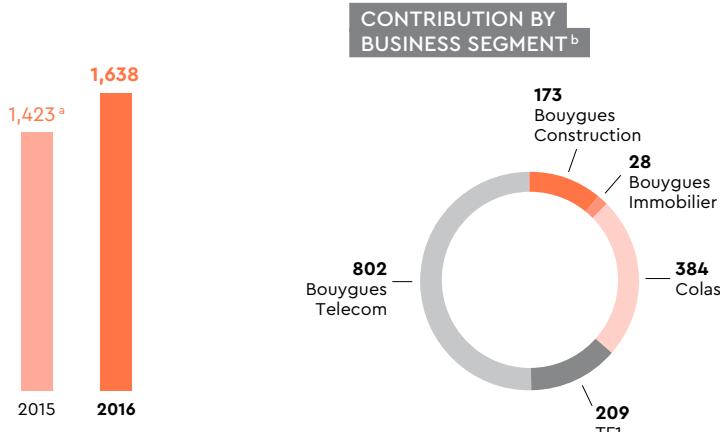


(a) "Holding company & other" reported a net cash outflow of €30 million.

Net capital expenditure € million

€1,638m (+15%)

Net capital expenditure rose by €215 million year-on-year, in line with expectations. The increase reflects (i) at TF1, the first-time consolidation of Newen Studios from January 2016 and the change in accounting rules for French drama and (ii) at Colas, higher capital expenditure compared to 2015 when it was particularly low due to reduced levels of activity.



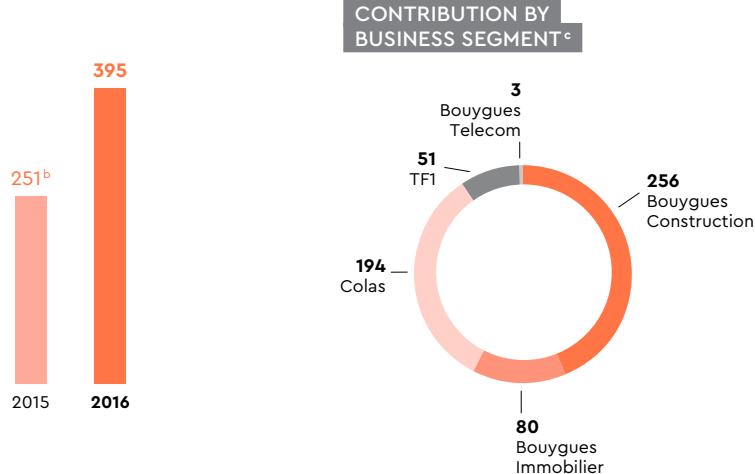
(a) Excluding exceptional items relating to Bouygues Telecom (acquisition of frequencies in the 700 MHz band for €467 million).

(b) Net capital expenditure by "Holding company & other" was €42 million.

Free cash flow^a € million

€395m (+57%)

Excluding exceptional items relating to the acquisition of frequencies by Bouygues Telecom, free cash flow rose by €144 million in 2016. This improvement was driven by Bouygues Telecom (+€128 million year-on-year) and the construction businesses (+€43 million year-on-year).



(a) Cash flow minus cost of net debt minus income tax expense minus net capital expenditure. It is calculated before changes in working capital requirements.

(b) Excluding exceptional items relating to Bouygues Telecom (acquisition of frequencies in the 700 MHz band for €467 million).

(c) "Holding company & other" reported a free cash outflow of €189 million.

Net debt € million

€1,866m (-€695m)



Net debt stood at €1,866 million at end-December 2016, versus €2,561 million a year earlier.

Operating activities generated a net cash inflow of €580 million in 2016, €33 million more than in 2015, thanks to improved Group profitability and very tight control over working capital needs.

The dividend payout in 2016 was €662 million.

In addition, proceeds from the Alstom public share buy-back offer and net divestments during 2016 reduced net debt by €860 million.

Trends in net debt (or net surplus cash) at business segment level were as follows:

- Net surplus cash held by **Bouygues Construction** improved by €115 million versus end-2015 to €3,387 million even after payment of a €250 million interim dividend, thanks to very careful management of working capital needs;
- **Bouygues Immobilier** ended 2016 with net debt of €124 million, following a €90 million interim dividend payment and financing needs for major urban regeneration projects;
- Net surplus cash held by **Colas** at end-December 2016 was €517 million, down €43 million year-on-year, after a €178 million interim dividend payment;
- **TF1** had net surplus cash of €187 million at the end of 2016. This was €514 million lower than the 2015 year-end figure due to a tough

comparative (largely because the proceeds from the sale of the stake in Eurosport International were received in 2015) and to the acquisition of Newen Studios in 2016;

- Net debt at **Bouygues Telecom** was €1,012 million, an increase of €122 million versus the end of 2015;
- Net debt at **Holding company & other level** was €4,821 million, €1,388 million less than at the end of 2015. This was due mainly to the proceeds of the Alstom public share buy-back offer (€996 million) and 2016 interim dividends paid by the construction businesses (€512 million).

In December 2016, the Group carried out a €750 million bond issue bearing interest at 1.375%.

Bouygues has a credit rating of BAA1/stable outlook from Moody's, and BBB/positive outlook from Standard & Poor's.

The Group has excellent liquidity (€10.1 billion at end-December 2016, comprising €4.6 billion of cash and cash equivalents and €5.5 billion of undrawn credit facilities), and a very well-spread debt maturity schedule.

Outlook for 2017

Over the last few years and in all its business segments, the Bouygues group has adapted its strategy and organisation to changes in its markets and strengthened a culture of flexibility and efficiency that is crucial in a constantly evolving environment. As a result, the Group is well positioned to seize new opportunities.

Bouygues expects to continue to improve its profitability in 2017, driven by all the business segments.

■ In a market that exhibits long-term growth potential sustained by the gradual roll-out of infrastructure programmes in developed countries, the **construction businesses** have a high level order book and solid competitive edge on their rivals. In this context, they will continue to apply a selective approach and focus on profitability

rather than volumes. Consequently, the current operating margin should continue to improve in 2017.

- The strategy implemented by **TF1** should allow it to improve its profitability, aiming for a double-digit current operating margin in 2019. Ongoing tight cost control should allow it to hold the average annual cost of programmes (excluding sporting events) for the five freeview channels at €980 million for 2017 and over the next three years and achieve €25–30 million of recurrent savings (excluding cost of programmes).
- **Bouygues Telecom** confirmed its 25% EBITDA margin target for 2017 and set a new free cash flow^a target of €300 million in three years' time.

(a) Cash flow minus cost of net debt minus income tax expense minus net capital expenditure. It is calculated before changes in working capital requirements.

1.3.2 Highlights

Governance

- On 19 February, Gilles Pélisson becomes Chairman and CEO of TF1 following Nonce Paolini's decision to retire.
- At Bouygues' Combined Annual General Meeting of 21 April, Edward and Cyril Bouygues, respectively sons of Martin and Olivier Bouygues, are appointed to the Group's Board of Directors. Edward Bouygues is a standing representative of SCDM and Cyril Bouygues is a standing representative of SCDM Participations. Furthermore, Clara Gaymard is appointed a director of Bouygues.
- On a proposal from Martin Bouygues on 31 August, Bouygues' Board of Directors unanimously appoints Olivier Roussat and Philippe Marien as Deputy CEOs. With Olivier Bouygues, Deputy CEO since 2002, they will henceforth assist Martin Bouygues in his duties as the Group's Chief Executive Officer.

Negotiations. On 1 April, Bouygues' Board of Directors unanimously decides to bring the merger discussions that were started on 5 January with Orange to an end as it was not possible to reach an agreement between the parties.

SRI. On 25 October, the Bouygues group joins CDP's Climate A List. This list, which includes all the companies taking part in the programme that obtained the best results following CDP's assessment, highlights the performance of their initiatives in favour of the climate.

Bond issue. On 7 December, Bouygues issued a bond of €750 million with an historically low coupon of 1.375% and maturing in 2027.

Employee share ownership plan. In November, a capital increase of a maximum of €150 million (inclusive of share premium) – called Bouygues Confiance n°8 – is offered to employees of the Group's French companies between 14 November and 2 December. As a result of this leveraged transaction, 7,400,463 Bouygues shares are acquired on 28 December by a dedicated mutual fund at the preferential price of €20.269, which equates to a discount of 30% versus the reference share price.

1.3.2.1 Construction businesses

JANUARY

Algeria. In a joint venture with Algerian engineering contractor Kou.G.C., Colas Rail wins two contracts for the extension of the metro in Algiers.

FEBRUARY

Tower block. On 5 February, Bouygues Construction announces the gain of a property-development contract for the construction of Tour Alto in La Défense, the business district west of Paris. The 150-m-tall building designed by IF Architectes will comprise 38 storeys. Handover: 2020.

Réinventer.Paris. Following a call for tenders by the Municipality of Paris, the "Réinventer.Paris" international jury awarded Bouygues Construction and its partner, the architecture and urban planning firm TVK, the contract to redevelop the Triangle Éole-Évangile zone in order to make it the French capital's first "zero carbon" district.

La Poste du Louvre. Poste Immo awards Bouygues Construction with the contract to renovate the French Post Office's historic facility on Rue du Louvre in the 1st arrondissement of Paris, right in the heart of the capital. 32 months of work will be required to transform this structure

into a mixed-use building that will contain postal activities, retail space, housing units, public amenities and a hotel by 2018.

Renovation. Logement Francilien and Bouygues Immobilier sign a partnership agreement concerning the future of Les Indes neighbourhood in Sartrouville, north-west of Paris. This project will be a prototype of the urban renewal of tomorrow. The neighbourhood will gradually be replaced by a new, structured urban complex comprising small residential buildings, quality external areas, and retail premises.

Urban development. Bouygues Immobilier wins a contract for the construction of a town-centre mixed development neighbourhood in Grasse, southern France. It will comprise 8,000 m² of residential property and 10,400 m² of retail premises.

MARCH

Innovation. Bouygues Construction and datBIM, a specialist in product data, sign a three-year partnership agreement for facilitating access by BIM (Building Information Modelling) users to catalogues presenting data on the products of small construction businesses and suppliers. By involving the supply chain, this partnership marks a further step in the roll-out of BIM in the construction sector.

Asia. Bouygues Construction hands over the largest photovoltaic solar farm in South-East Asia on Negros Island in the Philippines. More than 425,000 photovoltaic panels were installed over an area of 170 hectares. Bouygues Construction will also operate and maintain the plant for a period of four years.

Egypt. As part of a consortium, Bouygues Construction wins the construction contract for phase 3 of Cairo metro's Line No.3, which mainly comprises 17.7 km of new line as well as 15 new stations.

Mauritius. Transinvest Construction, a Mauritian subsidiary of Colas, is awarded the contract for the extension of the M2 motorway to Sir Seewoosagur Ramgoolam Airport by Airports of Mauritius. The project, to be carried out under a joint-venture with local contractor General Construction, involves construction of 4.5 kilometres of dual two-lane motorway.

APRIL

Smart Grid. IssyGrid, which was the first district smart grid to be created in 2012, is operational and its data is now available in real time. Within the Seine Ouest business district and the Fort d'Issy residential development in Issy-les-Moulineaux, just south of Paris, it covers 1,000 connected homes, four office buildings and the Paris appeal court's new Bar Law School.

Morocco. Bymaro, a subsidiary of Bouygues Bâtiment International in Morocco, is building the Yves Saint Laurent Museum in Marrakesh for Fondation Pierre Bergé-Yves Saint Laurent. It is scheduled to open in the autumn of 2017.

MAY

Singapore. Property developer United Venture Development awards Dragages Singapore, a Bouygues Construction subsidiary, a contract for construction of two new housing projects in the heart of the capital. Handover is scheduled for mid-2019.

Watway. Colas enters the phase where the use of its solar road is to be evaluated. The first trial application is on a car park in France's Vendée department. This is followed in December 2016 with a second trial project in front of Antoine de Saint-Exupéry secondary school in Bellevigny.

Grand Paris. On 4 June, the first civil engineering works on the Grand Paris Express scheme, for the future Fort d'Issy – Vanves – Clamart railway station on Line 15 South, are launched. The project has been awarded to a consortium comprising Bouygues Travaux Publics and three subsidiaries of the Soletanche Bachy group. By 2022, the new line will put the stations of Noisy-Champs and Pont-de-Sèvres just thirty-five minutes apart.

Ritz. In Paris, the revolving door of the famous luxury hotel The Ritz opens again on 6 June, after the interior is completely redesigned by New York architect firm Thierry W. Despont. The prestigious establishment on Place Vendôme, founded in 1898, had been under refurbishment by Bouygues Construction's renovation subsidiary for the previous four years.

Green Home. On 21 June, François Bertiére, Chairman and CEO of Bouygues Immobilier, inaugurates Green Home in Nanterre (west of Paris), a mixed-use, positive-energy building that draws on bioclimatic architecture and the use of energy-efficient systems such as photovoltaic solar panels.

Flexom. On 23 June, Bouygues Immobilier presents its new solution for connected housing called Flexom, which comes at no extra cost for customers. It is the first developer to propose this kind of connected and personalised housing to customers nationwide.

JULY

Rehabilitation. The Paris–Lyon high-rise building opposite Gare de Lyon train station in Paris is to be renovated by Bouygues Construction to accommodate a 4-star Courtyard hotel operated by the Marriott group. The building is owned by the Axa group.

UK. Colas Rail Ltd, the UK subsidiary of Colas Rail, is to take part in an alliance (called "Midland Metro Alliance"), with the West Midlands Combined Authority and engineering consultancies Egis Rail, Tony Gee and Pell Frischmann, in the work for the extension of the Birmingham tram system.

Low carbon. The Green Office® Enjoy project, developed by Bouygues Immobilier and Caisse des Dépôts and located in the Paris-Batignolles district, is the largest commercial building in France to be awarded the BBCA (low-carbon building) label.

AUGUST

Monaco. Bouygues Construction starts the maritime infrastructure works that will comprise the first phase of a six-hectare offshore extension on Monaco's coastline. The project, which comprises the creation of an eco-neighbourhood, is aiming for the HQE™ Aménagement, BREEAM® and Label Port Propre certification.

Thailand. On 30 August, the inauguration of Mahanakhon tower, Thailand's highest building, takes place. The design-and-build project – carried out by Bouygues Construction – tops out on the Bangkok skyline at 314 m.

SEPTEMBER

Port. The foundation stone of Calais Port 2015, the Port of Calais extension – a project entrusted to a consortium centred around Bouygues Travaux Publics and Colas Nord-Est – was laid on 26 September. It is the largest ongoing priority maritime infrastructure project in the European Union and will double the port's current capacity when it opens in 2021.

Urban planning. Bouygues Immobilier is chosen to redevelop the railway station district in the French town of Divonne-les-Bains, right beside the Swiss border. The project is part of the company's UrbanEra initiative. It calls for strengthening the appeal of the town centre through development of a vast pedestrian concourse and an urban park.

Nextdoor. On 29 September, Bouygues Immobilier inaugurates a new Nextdoor collaborative workspace in the Parisian business district of La Défense. Located in the Cœur Défense tower, the space can host 450 people. There are now four different Nextdoor sites after including those opened in Issy-les-Moulineaux in 2015 and 2016, and the one opened at Paris-Gare de Lyon on 1 December 2016.

Belgium. Colas Belgium refurbishes the stone-paved concourse and installs mooring bollards, marker studs, and period rails around the new headquarters building of the Port of Antwerp. The crystalline building positioned above the former fire station is the work of renowned architect Zaha Hadid, who passed away in March 2016.

OCTOBER

Airport. Colas hands over the renovated runway No. 2 at Paris Charles-de-Gaulle Airport, allowing flights to resume on 3 October. The work was carried out jointly with Colas Grands Travaux and concerned taxiway Roméo and runway 2 over more than four km. A total of more than 250 employees from six Colas subsidiaries and 15 branches worked on the project.

Religion. The Russian Orthodox Spiritual and Cultural Centre in the 7th arrondissement of Paris is inaugurated on 18 October. Mandated by the Russian Federation, Bouygues Construction was in charge of the design-and-build of the project, which is split into four separate buildings: a cultural centre, an Orthodox cathedral, a parish centre, and a primary school.

Satisfaction. The 9th edition of "Les Palmes de la Relation Client", organised by the French Customer Relations Association (AFRC), awarded the prize for the year's best customer relations director to Céline Sarrazin, Director of Customer Relations at Bouygues Immobilier.

Patronage. On 12 October, the "Réver(cités), Villes Recyclables et Résilientes" exhibition for resilient and recyclable cities opens at La Cité de l'Architecture et du Patrimoine in Paris. It is the result of work carried out by l'Observatoire de la Ville, an initiative of Bouygues Immobilier's corporate foundation.

NOVEMBER

Digital technology. Bouygues group organises a Digital Transformation Day at Challenger, the headquarters of Bouygues Construction, on 18 November. The aims of the event are to inform employees about the importance of digital technology and its impact, to encourage the spread of ideas within the Group and to experiment with digital technology, via stands, activities and roundtable discussions. Around 20 start-ups and suppliers also take part in the event.

Chernobyl. The confinement shelter for reactor n° 4 of the Chernobyl nuclear power plant in Ukraine, built by Novarka, a consortium of Bouygues Construction and Vinci Construction Grands Projets, is slid and put into place. It will keep the site safe during dismantling of the ageing sarcophagus and enable the management of the radioactive waste.

Environment. Between 29 November and 2 December, the Group's business segments organise a stand under a common banner to showcase their innovations for sustainable and desirable urban environments at the 27th edition of the Pollutec trade fair in Lyon.

Training. For the third year running, Colas comes fifth in the "Happy Trainees" ranking of companies preferred by interns. Ranked in the category of companies with between 100 and 500 interns, the group obtains a score of 4.36 out of 5.

DECEMBER

The Solar road. On 22 December 2016, Ségolène Royal, French Minister of the Environment, Energy and the Sea, and Jean-Claude Lenoir, Senator for the Orne department, inaugurate the first large-scale Wattway solar road project (one km long). This trial site, comprised of 2,880 photovoltaic panels installed on the RD5 road, should generate 280 MWh per year.

Slovakia. Colas hands over the Banovce and Bebravou bypass, which is located in the centre of Slovakia. This road forms part of the country's national infrastructure modernisation policy.

Positive energy. Schneider Electric chooses Bouygues Immobilier to develop its new corporate campus in Grenoble. This 26,750-m² building is aiming for certification against the LEED® Platinum standard. Handover is scheduled for 2018.

Innovation. A Shared Innovation Day is organised by Bouygues Construction on 14 December at Challenger for its customers, partners and employees. Bouygues Construction's ambitions in this domain are now reflected in its new tagline – "L'innovation partagée/Shared Innovation".

ESTP. Guest of honour Martin Bouygues inaugurates the 37th ESTP Forum on 16 December at the Paris Expo Porte de Versailles exhibition centre. This forum is organised by École Spéciale des Travaux Publics (ESTP), the elite engineering and civil works school from which nearly 1,300 Group employees have graduated, and gives some 5,000 students the chance to meet more than 150 companies, academic institutions and universities.

1.3.2.2 Media – Telecoms

JANUARY

Soccer. TF1 acquires from FIFA the rights to the next four major international soccer tournaments over all media (TV and web). This includes World Cups 2018 and 2022 in Russia and Qatar respectively, the Women's World Cup 2019 in France and the Confederations Cup 2017 in Russia.

Production. On 26 January, FLCP, the holding company of the Newen group, and TF1 announce they have completed a transaction according to which TF1 obtains a 70% stake in the capital of FLCP, which changes its name to Newen Studios and combines Newen and Neweb.

FEBRUARY

IOT. On 2 February, Bouygues Telecom strengthens its position in the Internet of Things with the creation of Objenious, a subsidiary responsible for marketing commercial offerings. Objenious uses the LoRa network, currently being rolled out by Bouygues Telecom.

APRIL

Bbox. The new version of Bouygues Telecom's Bbox Miami triple-play offer, launched on 11 April, gives a far more enriched experience thanks to Android TV and more than 170 TV channels, of which 41 in HD. Access

to Google Play store means that users can enjoy thousands of apps and Google Cast enables content on smartphones or tablets to be viewed directly on the TV. A voice-search function is now also available.

JUNE

TMC. The TF1 group acquires the Principality of Monaco's 20% stake in television channel TMC. The transaction is carried out via a share swap that will enable the Principality to become a 1.1% shareholder in TF1.

Euro 2016. The entire TF1 group is involved in broadcasting the European soccer championship, held in France from 10 June to 10 July. This outstanding coverage is provided by TF1, TMC, LCI and MYTF1. Nine Euro matches aired by TF1 rank among the top 100 audience ratings of 2016.

JULY

Divestment. Bouygues Telecom announces an agreement with Cellnex regarding the sale of 230 towers in France. The terms of the agreement stipulate this number can be lifted to a total of 500 towers. Accordingly, Bouygues Telecom completes the sale of the remaining 270 towers to Cellnex in December.

AUGUST

LCI. Broadcast on channel 26 of freeview DTT since 5 April, LCI gets a complete makeover in August enabling it to offer a complete news service, on both digital and television platforms. As the only news channel available on both Apple TV and Android TV, LCI offers its viewers news on all devices.

OCTOBER

Home gateway. Bouygues Telecom allows its customers to trial its first 4G home gateway. Designed for households with low internet speeds and located where fibre is not available, this new home gateway uses the strength of Bouygues Telecom's 4G network. Marketed on a "buy and try" basis, this unique fixed internet offer will be modified according to feedback received from those customers that have tested it.

DECEMBER

Handball. The TF1 group announces it will be the exclusive freeview broadcaster of the IHF 2017™ World Men's Handball Championship final taking place in Paris on 29 January 2017. TF1 will also be airing the quarter-final and the semi-final matches of the French team, if it qualifies. In December 2017, the TF1 group will air the quarter-final, the semi-final and the final of the IHF 2017™ World Women's Handball Championship in Germany, if the French team qualifies.

Ratings TF1 scored 90 of the 100 best audience ratings of 2016. It achieved its best performance since 2006 with 36 of its drama shows ranking in the top 100 of the year.

4G. Bouygues Telecom is the first operator to cross the threshold of 10,000 active 4G antennas in France. Following 303 new authorised 4G antennas in November 2016, it continues to be the leader in France with 10,104 active 4G antennas. At the end of 2016, more than 85% of people in France can benefit from Bouygues Telecom's 4G network.

1.4 Main events since 1 January 2017

1.4.1 Construction businesses

On 11 January, **Bouygues Construction** announces it will take part in the construction of Hinkley Point C nuclear power plant in the UK. This follows the award by EDF of the contract for the construction of the buildings housing two EPR-technology nuclear reactors at Hinkley Point to Bouygues Construction subsidiary Bouygues Travaux Publics, in a joint venture with British contractor Laing O'Rourke. The Bouygues Construction share in the deal amounts to over €1.7 billion.

On 12 January, in a consortium with ETF (a subsidiary of Eurovia), the lead firm, Colas Rail (a subsidiary of **Colas**) won a 7-year contract for maintenance of the metro in Chile's capital, Santiago. The €35-million deal covers preventive and remedial maintenance, as well as "special corrective works", for the tracks of rubber-tyred lines 1, 2, and 5 and the steel tracks of lines 4 and 4A, including full grinding of the steel rails. The five lines that currently make up the Chilean capital's metro system have 100 stations on a total track length of 103 kilometres.

On 18 January, as part of a consortium with Alstom and Thales, **Colas** group subsidiary Colas Rail wins a new contract for construction of Line No. 3 of the Hanoi metro, in Vietnam. By the end of 2021 the line will cover a distance of 12.5 km and connect 12 stations between Hanoi train station and the town of Nhon, west of the capital. This third contract is worth €44 million.

On 24 January, **Bouygues Immobilier** launches the Nanterre Coeur Université development. This 76,000-m² mixed-use neighbourhood, located close to Nanterre Université train station and multimodal transport hub, forms part of the larger Seine Arche mixed development zone project. It was designed by UrbanEra®, the Bouygues Immobilier department in charge of urban development, for the municipality of Nanterre and Epadesa (the La Défense Seine Arche development authority).

1.4.2 Media

On 12 January, the **TF1** group boosts its digital expansion with the purchase of a 6.1% equity stake in Studio71, the world's 4th biggest Multi-Channel Network^a, with over six billion videos viewed per month and more than 1,100 channels (its number of subscribers per channel makes it the European leader in this domain). Studio71, which has an international footprint (Germany, the US, the UK), is a subsidiary of ProsiebenSat.1, one of Germany's leading media groups.

On 30 January, **TF1** confirms it has accepted an offer, under certain conditions, from Mediawan SA for the acquisition of its 33.5% stake in Groupe AB.

1.4.3 Telecoms

On 23 January, **Bouygues Telecom** launches the 4G box for households located in France's less densely populated areas so that they can benefit from very-high-speed internet in the home. Up to now, internet connections in these areas have been too slow to enable them to enjoy the latest digital technology in the best conditions. The 4G box is available for 10 million eligible households living in France's rural areas.

On 1 February 2017, **Bouygues Telecom** and Cellnex announce the signature of an agreement relating to the operation of 3,000 telecoms towers in France. Bouygues Telecom will gradually transfer an initial batch of 1,800 existing towers to Cellnex over the next two years. Furthermore, Bouygues Telecom and Cellnex will build 1,200 new towers together over the next five years. A 15-year hosting and services agreement signed with Cellnex will enable Bouygues Telecom to ensure the quality and scalability of its mobile offering over the long term.

1.4.4 Alstom

On 11 January, **Alstom**, in a consortium with Bombardier, announces that it will design and supply the new generation of two-level rolling stock for lines D and E of the Paris region RER suburban rail network operated by SNCF Transilien. The project for a requirement estimated at 255 trainsets (125 for RER Line D and 130 for RER Line E), at a cost believed to be around €3.75 billion, is the largest ever financed by the Paris region transport authority (Stif).

On 23 January, **Alstom** wins its first tram contract in Taiwan, comprising the supply of 15 Citadis trams for Phase 2 of the Kaohsiung tram system that is scheduled to be carrying passengers in 2019. This is Alstom's first in Taiwan, and comes on top of a number of recent contract gains in the Asia-Pacific region, particularly in China and Australia.

(a) Organisations that work with video platforms such as YouTube to offer assistance in areas such as product, programming, funding, cross-promotion, partner management, digital rights management, monetisation/sales, and/or audience development.

2

BUSINESS ACTIVITIES

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2.1 Construction businesses

The Bouygues group's construction businesses satisfy the growing needs for infrastructure, sustainable buildings and mobility. In order to do this, they draw on the creativity of highly motivated men and women attentive to the needs of the world around them.

2.1.1 Profile

The Bouygues group's construction businesses have operations in nearly 90 countries. Bouygues is amongst the world leaders in the sector.

The Group focuses on **markets with long-term growth potential** in a world where demographic growth, urbanisation and new environmental imperatives are generating significant needs in terms of buildings, infrastructure and services.

Bouygues responds to these major challenges through a strategy of **profitable and sustainable growth** driven by innovation, sustainable construction and meeting its customers' requirements in its construction, property development, transport infrastructure and energy and services businesses.

Strengths

Globally acknowledged expertise

- **High level technical skills** in complex projects such as bridges, tunnels in urban settings and very tall buildings
- **Experienced and highly motivated people:** human capital is Bouygues' greatest resource, reflected in the skills, experience and motivation of its workforce
- Operations all over the world, combining **well-established local subsidiaries** with the capacity to deploy teams for **specific, one-off major projects**, and a **dense nationwide network** in France

Innovative, high value-added products and services

- A **full-service offering** spanning the entire construction industry value chain, from usage analysis to deconstruction, via design, construction, maintenance and user services
- A **proactive research and innovation policy** in order to keep pace with the new uses of customers and end-users

- **Major projects and solutions, already operational or planned, which address environmental challenges.** With its partners, Bouygues designs and builds sustainable neighbourhoods. It also offers energy-producing structures (positive-energy buildings, solar road) and timber-framed low-carbon buildings, and rehabilitates existing buildings in order to reduce their energy footprint

The ability to adapt quickly

- **The capacity to manage business cycles**
- **Nimble organisations:** thanks to their skills and expertise, Bouygues' construction businesses are able to adapt their offers quickly to customers' requirements and market changes
- **Flexible management of resources**

A diversified order book

- A continuing high level of orders **in France and on international markets**

A robust financial profile

- A substantial **cash surplus**
- Regular **free cash flow** generation

| Three business segments



Shared innovation

A leader in sustainable construction, Bouygues Construction is a socially-responsible and proactive company that makes innovation its primary added value. A global player in construction with operations in over 80 countries and 50,100 employees, it designs, builds and operates projects in the building, infrastructure and manufacturing sectors. (see following page)



A leading property developer in France

As an urban developer/operator, Bouygues Immobilier is rolling out a pioneering sustainable development and innovation strategy. Drawing on its expertise in green property and with more than 2,000 employees, it is committed to developing innovative low-carbon solutions for its many property programmes. (see page 38)



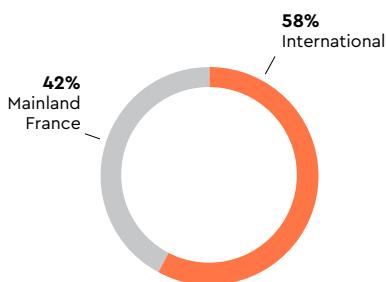
A world leader in transport infrastructure construction and maintenance

Operating in over 50 countries worldwide and drawing on a headcount of more than 54,800, Colas completes around 90,000 projects a year that meet the challenges of mobility, urbanisation and the environment. It spans the full range of production and recycling activities related to most of its lines of business. (see page 44)



ORDER BOOK OF BOUYGUES CONSTRUCTION AND COLAS

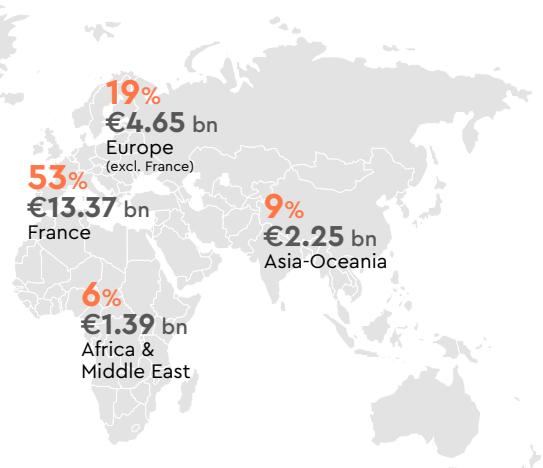
at end-December 2016



CONSTRUCTION BUSINESSES: SALES BY REGION

at end-December 2016

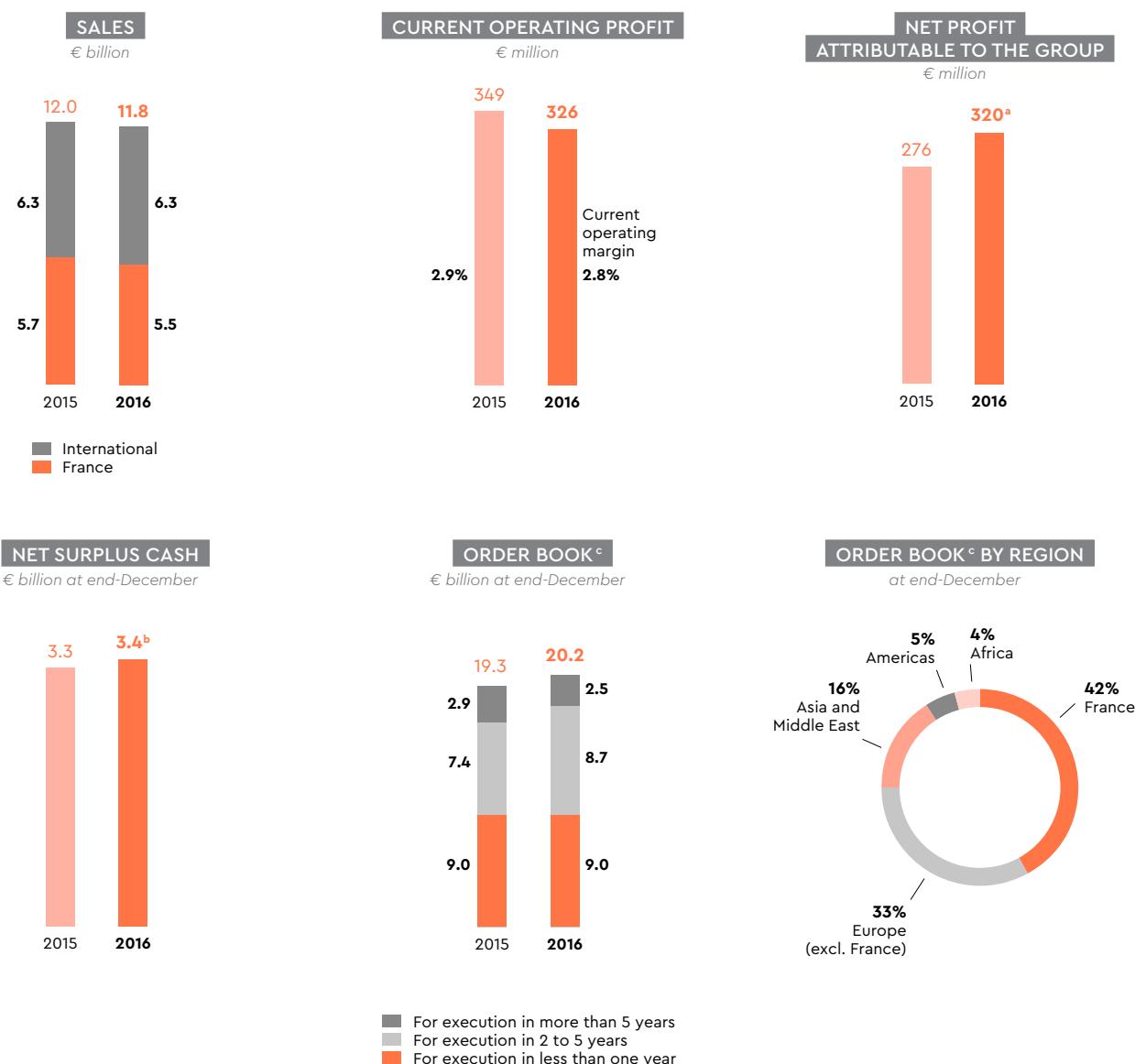
€25bn



2.1.2 Bouygues Construction: shared innovation

A global player in construction with operations in over 80 countries, Bouygues Construction designs, builds and operates building, infrastructure and industrial projects.

As a responsible and committed leader in sustainable construction, Bouygues Construction makes innovation its primary added value. "Shared innovation", the group's new tagline, already benefits its customers and its 50,100 employees.



(a) Includes €110 million of net capital gain on the sale of the stake in the motorway concession company Adelac (A41 motorway).

(b) After payment of a 2016 interim dividend of €250 million.

(c) Represents the volume of activity remaining to be carried out on operations subject to firm orders (contract signed and in force).

CONDENSED BALANCE SHEET

Assets

at 31 December, € million	2016	2015
Property, plant and equipment and intangible assets	752	789
Goodwill	540	557
Non-current financial assets and taxes	377	393
NON-CURRENT ASSETS	1,669	1,739
Current assets	4,392	4,236
Cash and cash equivalents	4,427	4,392
Financial instruments – Hedging of debt		
CURRENT ASSETS	8,819	8,628
Held-for-sale assets and operations		35
TOTAL ASSETS	10,488	10,402

Liabilities and shareholders' equity

at 31 December, € million	2016	2015
Shareholders' equity attributable to the Group	743	912
Non-controlling interests	26	24
SHAREHOLDERS' EQUITY	769	936
Non-current debt	543	573
Non-current provisions	853	828
Other non-current liabilities and taxes	24	28
NON-CURRENT LIABILITIES	1,420	1,429
Current debt	22	9
Current liabilities	7,802	7,490
Overdrafts and short-term bank borrowings	475	538
Financial instruments – Hedging of debt		
CURRENT LIABILITIES	8,299	8,037
Liabilities related to held-for-sale operations		
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	10,488	10,402
NET SURPLUS CASH	3,387	3,272

CONDENSED INCOME STATEMENT

(€ million)	2016	2015
SALES	11,815	11,975
Net depreciation and amortisation expense	(227)	(190)
Net charges to provisions and impairment losses	(193)	(238)
Other income and expenses	(11,069)	(11,198)
CURRENT OPERATING PROFIT	326	349
Other operating income and expenses	(23)	(35)
OPERATING PROFIT	303	314
Income from net surplus cash	14	9
Other financial income and expenses	3	17
Income tax expense	(119)	(108)
Share of net profits/losses of joint-ventures and associates	121	56
NET PROFIT	322	288
Net profit attributable to non-controlling interests	2	12
NET PROFIT ATTRIBUTABLE TO THE GROUP	320	276

Key figures

at 31 December 2016

EMPLOYEES

50,132

SALES

€11,815m
(-1%)

CURRENT OPERATING MARGIN

2.8%
(-0.1 points)

NET PROFIT ATTRIBUTABLE TO THE GROUP

€320m
(+16%)

ORDER BOOK

€20.2bn
(+4%)

2

Highlights

Major contract gains

- Civil works at Hinkley Point C EPR (UK)
- Nouveau Portier offshore extension (Monaco)
- Port of Calais extension
- Roll-out and operation of the FTTH network of the Nord and Pas-de-Calais departments in northern France

Projects under construction

- La Seine Musicale in Boulogne-Billancourt
- Tuen Mun - Chek Lap Kok Tunnel in Hong-Kong
- Morpheus luxury hotel (in Macao)
- Biomass waste-to-energy plant in Belfast (UK)
- Paris district court complex

Projects handed over

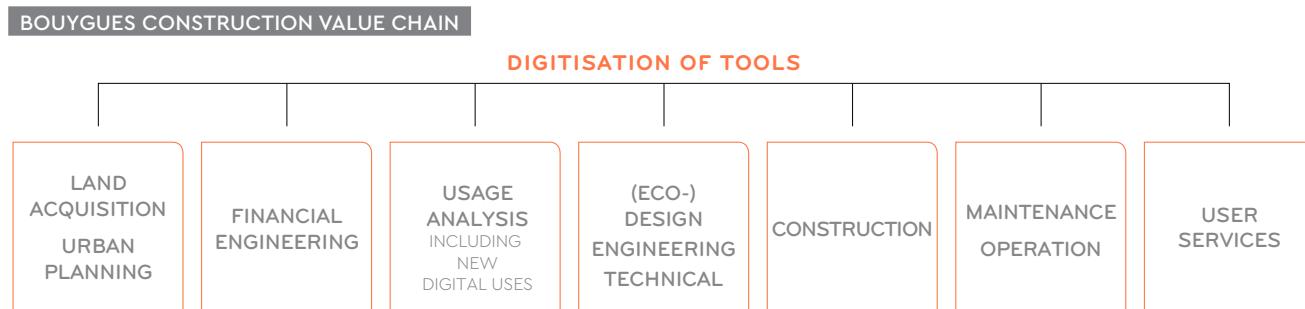
- MahaNakhon tower in Thailand
- Russian Orthodox Spiritual and Cultural Centre in Paris
- Pollo solar farm (Philippines)

Concessions management

- Sale of stake in Adelac, the concession-holder of the A41 motorway

2.1.2.1 Profile

Bouygues Construction operates in the building, infrastructure and industrial sectors with the aim of being a global player that spans the entire construction industry value chain.



Bouygues Construction is acknowledged as a **benchmark player in sustainable construction** through the construction of many eco-neighbourhoods, low-carbon (timber-frame) buildings and structures certified against the best world eco-standards, as well as through the rehabilitation of sites in order to reach positive-energy status.

As a pro-active and socially-responsible company, Bouygues Construction performs its **corporate social responsibility** duties to the full, particularly by supporting its corporate foundation Terre Plurielle, adhering to strong ethical and managerial commitments, and by prioritising health and safety.

Growth strategy and opportunities

Bouygues Construction's strategy in the building, infrastructure and industrial sectors is based on a number of priorities:

- **expanding its core activities in the places where Bouygues Construction has a long-term presence** (France, Switzerland, Hong Kong, Australia, the UK, etc.) and, more broadly speaking, by **targeting value-added projects** while taking a highly selective approach and ensuring that risks are controlled;
- **ensuring customer satisfaction over the long term**, in particular through after-sales support;
- **capitalising on its knowledge of markets in key sectors**, such as rehabilitation, healthcare and hotels, and **encouraging synergies** in order to propose full-service offerings which meet customers' needs;
- **ensuring control over execution and high-quality products and services** while improving productivity in order to further enhance performance in the building process.

In its various market sectors, Bouygues Construction is aiming in particular to:

- expand its options and skills in **property development** by drawing on its LinkCity^a network;
- be a top-notch player in the **major infrastructure** (bridges, tunnels) market and in **power grid installation** in France and worldwide;

- in **energy production**, offer turnkey solutions (power stations, solar farms, biomass plants, etc.), favour strategic partnerships and position Bouygues Construction on the EPC (engineering, procurement and construction) market;
- enhance its skills in **industrial processes and maintenance** and develop cutting-edge skills in areas such as robotics, automation, smart buildings and the Internet of Things;
- in digital technology, roll out **telecommunications infrastructure** offerings in France and on international markets.

Strengths and assets

An innovative, responsible and pro-active player, Bouygues Construction has many strengths to draw on in all of its businesses:

- Bouygues Construction's **know-how** is based primarily on the talent of its 50,132 employees, spread out in over 80 countries, who share the same customer-focused values;
- **Distinctive, high value-added products and services** driven by innovation in all its forms:
 - **digital**, in particular with BIM (Building Information Modelling^b), which industrialises processes and operating methods, and enables information-sharing all the way down to worksite level,
 - **technological**, with R&D teams focused on those areas that offer the most promising prospects to its businesses, such as materials and structures, energy efficiency, building methods, ergonomics and productivity, eco-design, smart buildings, sustainable neighbourhoods and urban services, tunnel-boring machines and prestressing,
 - **operational**, including the roll-out of lean management techniques at all levels in order to improve efficiency,
 - **commercial**, in order to offer distinctive products and services,
 - **managerial**, by continually improving organisational structures and rolling out collaborative working methods in order to increase agility and performance.

(a) As of 1 January 2016, the new brand name for Bouygues Construction's property development subsidiaries.
(b) See page 105 also.

- **A strong international presence:** Bouygues Construction operates worldwide on a long-term basis through well-established local subsidiaries or on one-off, technically complex major projects. These two approaches are complementary and give the company the necessary flexibility to mobilise its resources quickly on strong-potential markets. Bouygues Construction generates over half its sales on international markets;
- **Long experience of managing complex projects:** thanks to its motivated people with high level technical skills, Bouygues Construction is able to fully meet the needs of public and private customers;
- **The capacity to adapt to changing markets:** the level of the order book provides good medium-term visibility, enabling costs to be adjusted while focusing investment on the most buoyant markets;
- **A policy of controlling operating and financial risks:** strict application of procedures at all levels of the company guarantees that the right projects are selected and carried out smoothly;
- **Robust financial performance:** over the last ten years, Bouygues Construction has demonstrated its capacity to preserve profitability and maintain a robust financial situation.

Market position

Given the organisational structure of its direct competitors, it is difficult to make like-for-like comparisons between them and Bouygues Construction.

- **In Europe:** based on the 2015 ranking published by trade magazine *Le Moniteur* in December 2016, the Bouygues group's construction businesses arm (Bouygues Construction, Bouygues Immobilier, Colas) is the **third largest in Europe** after the Spanish firm ACS (Hochtief, Germany's leading construction firm, has been a subsidiary of ACS since 2011) and Vinci's Contracting and Property Development division, and ahead of the Swedish contractor Skanska and the French contractor Eiffage.
- **In the world:** the Group's construction businesses arm is placed **ninth in the 2015 ENR ranking of international contractors** published in August 2016, based on the share of sales generated on international markets.
- **In France:** in a French building and civil works market worth about €200 billion according to a Euroconstruct estimate in December 2016, Bouygues Construction (excluding Bouygues Energies & Services) is **one of the top three contractors** ahead of Eiffage Construction and behind Vinci Construction (2015 ranking published by *Le Moniteur* in December 2016). The market also includes many small and medium-sized firms. In energy and services, Bouygues Energies & Services is in sixth place after Vinci Energies, Spie, Eiffage Énergie, Dalkia and Engie-Cofely (2015 ranking published by *Le Moniteur* in December 2016).

(a) definitions:

- at constant exchange rates: change after translating foreign-currency sales for the current period at the exchange rates for the comparative period
- on a like-for-like basis: change in sales for the periods compared, recalculated so that divested entities are included, or acquired entities excluded, over the same length of time in each period.

2.1.2.2 Business activity in 2016

Excellent commercial performance and robust financial results

EXCEPTIONAL ORDER INTAKE: €2,633 MILLION

Order intake in 2016 reached a record €12,633 million. It included ten contracts worth more than €100 million, six of them on international markets.

In **France**, order intake amounted to €5,761 million, 17% more than in 2015. Orders included the roll-out of FTTH (Fibre To The Home) networks in the Nord, Pas de Calais and Savoie departments, the Port of Calais extension, Tour Alto in the La Défense business district of Paris, renovation of the Louvre Post Office building in central Paris, Campus Luminy in Marseille, several packages for the construction of property complexes in the Wacken Europe international business district in Strasbourg, and the two Trigone office buildings in Issy-les-Moulineaux, just outside Paris.

Order intake on **international** markets came to €6,872 million, close to the level in 2015. Orders included civil engineering works for the Hinkley Point C EPR nuclear plant in the UK, the Monaco offshore extension project, a new section of Line 3 of the Cairo metro in Egypt, six hotel complex projects in Cuba, the Les jardins du couchant property development at Nyon and new work packages for the Erlenmatt (Basel) and Greencity (Zurich) eco-neighbourhoods in Switzerland, the Clementi property development in Singapore, University 6 in Turkmenistan, Hounslow Civic Centre in the UK and Joseph Brant Hospital in Ontario, Canada.

In 2016, buildings with environmental certification accounted for 72% of the order intake, the same as in 2015.

A RECORD ORDER BOOK GIVING LONG-TERM VISIBILITY (€20.2 BILLION)

The order book at end-2016 stood at a high €20.2 billion, up 4% on end-December 2015, with international markets accounting for 58%. Europe (excluding France) and Asia-Oceania are the two most important international regions. Orders booked at end-2016 to be executed in 2017 amounted to €9.0 billion and orders to be executed beyond 2017 amounted to €11.2 billion, giving good visibility on future activity.

SALES: €11,815 MILLION (STABLE LIKE-FOR-LIKE AND AT CONSTANT EXCHANGE RATES^a)

Sales in 2016 fell 1.3% year-on-year to €11,185 million, with building and civil works accounting for 81% and energies and services for 19%. Like-for-like and at constant exchange rates, they were down 1%.

Sales in France fell 3% to €5,527 million, reflecting hesitation on the part of both public and private investors, and represented 47% of total

sales. Sales outside France were stable at €6,288 million despite a fall in the pound sterling.

ROBUST OPERATING RESULTS

Current operating profit came to €326 million, versus €349 million in 2015, and the current operating margin stood at 2.8%, compared with 2.9% in 2015.

Financial income amounted to €17 million, compared with €26 million in 2015.

Net profit attributable to the Group came to a high €320 million, versus €276 million in 2015, boosted by the capital gain on the sale of the stake in Adelac, a motorway concession company.

RECORD NET SURPLUS CASH: €3,387 MILLION

Bouygues Construction posted record net surplus cash of €3.4 billion at end-2016 after payment of a 2016 interim dividend of €250 million.

Developments in Bouygues Construction's markets and activities

Construction needs around the world are growing due to increased urbanisation and challenges related to the environment and climate change. Technological progress also offers increased opportunities. The areas most concerned are urban rehabilitation, renovation and residential energy efficiency, transport, urban infrastructure, energy infrastructure and amenity projects.

Drawing on its expertise throughout the value chain, Bouygues Construction can offer its customers increasingly competitive solutions for complex major projects.

BUILDING AND CIVIL WORKS

In 2016, sales in the building and civil works segment came to €9,580 million, lower than the 2015 figure of €9,857 million. Sales amounted to €4,406 million in France and €5,174 million on international markets.

France

Contrasting conditions prevailed on the construction market in France. Government policy in support of housing construction, such as the Pinel tax incentive and the zero-interest loan programme, combined with low interest rates directly favoured the building sector despite pressure on government budgets and hesitation on the part of private and industrial investors.

The construction market in the Paris region was sustained by substantial housing needs and the "Grand Paris" major infrastructure programme, which offers attractive long-term opportunities. The "Grand Paris Express" rapid transit project (the largest since the 1960s) represents civil works contracts worth €25 billion over the period to 2030.

The market was also boosted by renovation needs stemming from recent environmental legislation (the Grenelle environment laws) and

the appeal of the capital, reflected in innovation programmes such as "Réinventer Paris" and "Réinventer la Seine".

In the rest of France, the building segment remained under pressure, with projects tending to become smaller. Winning large-scale projects continues to be a very long and highly complex process, though some programmes such as the Institute for the Sustainable City help to sustain the market.

2016 sales: €4,406 million (-4%)

In the Paris region, Bouygues Construction continued work on major amenity projects such as the Paris district court complex, La Seine Musicale in Boulogne-Billancourt, renovation of the Longchamp racecourse and rehabilitation of the Louvre Post Office building in Paris.

In the commercial property segment, work continued on several office rehabilitation projects in Paris; on Rue des Archives, Rue Malakoff and Boulevard de Grenelle. Commercial activity in the segment was marked by the order for the Tour Alto tower in the La Défense business district of Paris.

Construction work also continued on several work packages for the Batignolles property development in Paris, comprising offices, social and private housing and shops.

Elsewhere in France, Bouygues Construction's four regional building subsidiaries were particularly active on the public-sector education and culture markets, with projects including renovation of the University of Bordeaux campus, extension and rehabilitation of the museum of fine arts in Nantes and the handover in 2016 of a new residential complex on the Saint-Jean-d'Angély campus of the University of Nice-Sophia Antipolis.

In the healthcare sector, Bouygues Construction continued work on two buildings for the Strasbourg teaching hospitals and on the new hospital at Saint-Laurent-du-Maroni in French Guiana.

In the private sector, Bouygues Construction continued work on the Sky 56 office building in Lyon and took orders for several work packages for the construction of property complexes in the Wacken Europe business district in Strasbourg.

Work continued on major projects such as the property development programme associated with Stade Vélodrome stadium in Marseille, Lyon-Saint Exupéry airport and the future Bordeaux Métropole Arena entertainment complex.

In civil works, Bouygues Construction continued work on complex major projects, including civil engineering for the Flamanville EPR nuclear power plant, the viaduct on the New coastal road on Reunion Island, the L2 Marseille bypass, the Nîmes-Montpellier railway bypass, the second tunnel package of the Paris metro Line 14 extension project, phases 3 and 5 of the Nice tramway and the renovation and extension of a wastewater pre-treatment plant in Clichy, north of Paris. Another highlight of 2016 was the order for a major project to extend the Port of Calais. In addition, regional branches all over France specialise in smaller-scale civil engineering projects and earthworks.

Europe

The construction market in Europe has been showing signs of recovery since 2014, especially in Sweden, Ireland, the UK and some eastern European countries (Hungary, Poland and the Czech Republic).

In Western Europe, Bouygues Construction subsidiaries are particularly active in the UK, where the market is worth approximately €200 billion, and in Switzerland (approx. €50 billion). In the UK, uncertainty about what will happen to the economy following the Brexit vote in June 2016 helped to stabilise a construction market that was overheating. In Switzerland, the construction sector remained steady as a result of a flourishing economy.

2016 sales: €2,126 million (-3%)

In the **UK**, Bouygues Construction's activity was underpinned by urban regeneration projects. The company continued work on the Canning Town project in London, the Gascoigne Estate in Barking and Addlestone town centre in Surrey, and was chosen to develop and build a new Civic Centre in Hounslow, west London. Work also continued on the Manhattan Loft Gardens tower, which has now reached its definitive height. The development will play a key role in renewing and reinvigorating Stratford in east London.

In the education sector, Bouygues Construction continued work on The Triangle, the new headquarters of Cambridge University's examination board, and recently booked an order for a property development project involving the construction of a university technical college and student residences at Ebury Bridge Centre in London. It also started construction work on a secondary school and on a centre for autism in Pembroke (Wales).

In late 2016, the company won the civil engineering contract for the Hinkley Point C EPR nuclear power plant.

Bouygues Construction also continued work on a proton-beam therapy cancer treatment centre in London.

Demand in **Switzerland** remained strong, especially on the housing market. Bouygues Construction drew on its expertise in putting together complex property development projects with stringent environmental requirements, building the Im Lenz eco-neighbourhood in Lenzburg, the L'Atelier complex in Geneva and the Faubourg 1227 residential complex at Carouge (Geneva). On other occasions this same level of expertise was able to win contracts for entire neighbourhoods such as Les jardins du couchant, a residential complex in Nyon, for another work package in the Erlenmatt eco-neighbourhood in Basel and two new work packages for the Greencycle eco-neighbourhood in Zurich.

In **Central Europe**, Bouygues Construction has well-established positions through local subsidiaries in Poland and the Czech Republic, which continued to expand their building activities.

Elsewhere in Europe, Bouygues Construction is also involved on a one-off basis in major infrastructure projects. Work on the new confinement

shelter for the damaged nuclear reactor at Chernobyl in **Ukraine**, which is being built in partnership with Vinci, has culminated in the largest moveable land-based structure ever built. The arch will make the accident site safe and, with a lifetime of 100 years, allow for the eventual dismantling of the existing shelter and management of the radioactive waste. In **Croatia**, work continued on the construction of a new terminal at Zagreb Airport and renovation of the existing terminal.

Asia – Oceania

Growth rates on Asian markets remained very high despite a slowdown in China due to a fall in regional funding, consumption and imports.

Hong Kong, Singapore and Myanmar (since it opened up its economy) continue to be high-potential countries. Australia is heavily dependent on the mining industry, which accounts for 20% of its GDP, and consequently on exports. The Australian government's current policy aims to support the economy by investing in training and infrastructure.

2016 sales: €1,912 million (+5%)

Bouygues Construction has a strong local presence in the **Asia-Oceania** region, especially in Hong Kong, where it has been a player for 60 years, and in Singapore. Civil works activity continued unabated in **Hong Kong**. Several major projects are under construction, including a section of the giant Hong Kong-Zhuhai-Macao bridge, the sub-sea Tuen Mun-Chek Lap Kok road tunnel, two twin-tube tunnels for the six-kilometre extension of the Shatin to Central Link metro line, and two 4.8-kilometre tunnels for the dual two-lane highway linking the north-east of Hong Kong to the Liantang boundary control point with mainland China.

Bouygues Construction is a recognised player on the Asian building market, especially for high-rise structures. In **Singapore**, work continued on the Bishan and Buangkok condominium tower blocks. In **Bangkok**, the company is building three residential tower blocks and the new Australian Embassy complex. In 2016, it handed over the MahaNakhon tower, the tallest residential building in Thailand. In **Macao**, work continued on the 39-storey, 6-star luxury Morpheus hotel in the heart of the City of Dreams entertainment complex.

In **Myanmar**, Bouygues Construction continued to establish its presence, building the second phase of the Star City residential complex in Yangon. In **Australia**, work continued on the NorthConnex motorway link project in Sydney.

Africa – Middle East

Major projects are expected in Africa, linked in particular to rapid urbanisation, though the geopolitical context remains fragile and heavily dependent on prices for raw materials. In the Middle East, the economic situation is uncertain because it is highly reliant on the price of oil. However, transport infrastructure needs and the exploitation of natural resources make this a high-potential region for construction firms.

2016 sales: €753 million (-3%)

In **Africa**, Bouygues Construction's building and civil engineering firms work on major infrastructure projects. In **Egypt**, after taking part in the construction of Lines 1 and 2 of the Cairo metro, the company started work on the new phase of Line 3. Bouygues Construction is currently operating the Riviera Marcory bridge in Abidjan, **Ivory Coast**, and building the Ridge Hospital extension in Accra, **Ghana**. In **Nigeria**, work continued on the corporate headquarters of Nigeria LNG, a company which produces liquefied natural gas, and the Jabi Lake Mall in Abuja.

The company's expertise in earthworks for opencast mining is illustrated in its operation of gold mines at Kibali in the **Democratic Republic of Congo**, Tongon in **Ivory Coast** and Gounkoto in **Mali**.

Bouygues Construction is involved in roadbuilding projects in several African countries in response to considerable demand, especially in **Ivory Coast** and **Gabon**.

In the **Middle East**, the company started building two sewage tunnels in **Qatar** as part of a strategic project to collect, pump and treat wastewater in the south of Doha. It also completed work on the Qatar Petroleum District in the same city, a vast complex that includes nine high-rise office buildings.

Americas – Caribbean

There are opportunities in the Americas, especially the United States and Canada, as a result of the stated intention of rebuilding infrastructure, though they are tempered by a risk of greater protectionism. In Cuba, the expanding hotel industry and the need for infrastructure such as airports and port facilities make the country an attractive proposition for Bouygues Construction.

2016 sales: €348 million (-20%)

The **Americas/Caribbean** region is growing strongly. Bouygues Construction has a long-term presence in **Cuba**, where it is a recognised

specialist in the construction of turnkey luxury hotel complexes. The company continued construction work on around a dozen up-market hotel complexes in Havana, on Cayo Santa Maria, Cayo Coco and Cayo Crus and at Varadero, and also took orders for six new hotels in 2016. The number of tourists visiting the island has soared, opening up great prospects for the Cuban hotel industry.

In the **United States**, Bouygues Construction put the finishing touches to the Brickell City Centre development in Miami, a complex comprising offices, shops, apartments and hotels.

In **Canada**, the company continued work on Iqaluit International Airport in the country's Arctic north

ENERGIES AND SERVICES

Bouygues Energies & Services contributed €2,235 million to Bouygues Construction's consolidated sales compared with €2,118 million in 2015, a rise of 6%. Bouygues Energies & Services has three business lines: network infrastructure, facilities management and electrical and HVAC engineering. It also builds turnkey power generation facilities such as biomass power plants and solar farms.

There is growing demand in industry for cutting-edge expertise in areas such as robotisation and smart buildings, as well as for complex processes and industrial maintenance. In addition, environmental issues, demographic growth, spreading urbanisation and increasingly scarce raw materials make energy efficiency in buildings a central concern. Fast-growing telecommunications needs have also increased demand for network infrastructure. These key trends on the energy and services markets offer Bouygues Energies & Services sources of growth, both in the countries where it has most of its operations (France, the UK, Switzerland and Canada) and in emerging countries, especially in Asia and Africa.

France

2016 sales: €1,121 million (+4%)

In addition to its traditional networks activity, Bouygues Energies & Services, through its Axione subsidiary, helps local authorities to implement their digital development policies. Axione continued to roll out very-high-speed broadband networks in the Oise, Eure-et-Loir, Vaucluse and Aisne departments. In 2016 it took orders to roll out FTTH (Fibre To The Home) networks in the Nord, Pas de Calais and Savoie departments. These three contracts involve activating more than 750,000 new FTTH premises.

In electrical and HVAC engineering, Bouygues Energies & Services provided mechanical and electrical equipment for the L2 Marseille bypass and electrical and HVAC engineering packages for the Saint-Laurent-du-Maroni hospital in French Guiana. It also handed over a thermal power plant in the French part of the Caribbean island of Saint Martin.

In the framework of public-private partnerships, Bouygues Energies & Services provided maintenance services for the Paris zoo, the French Defence Ministry in Paris and the University of Bordeaux. It also continued a number of street-lighting contracts, the most important one being with the City of Paris.

International

2016 sales: €1,114 million (+7%)

Bouygues Energies & Services is continuing to expand in its three main lines of business (FM, energy and digital networks, and electrical, HVAC and mechanical engineering) in Europe (especially the UK and Switzerland), Africa (Gabon and Ivory Coast) and North America (Canada).

On international markets, Bouygues Energies & Services is an expert in major turnkey power grid infrastructure projects. It handed over a turnkey solar farm in **the Philippines**, currently the largest such facility in south-east Asia, and continued work on a thermal power station in **Gibraltar** and two biomass waste-to-energy gasification plants in the **UK**, at Hoddesdon, north of London, and in Belfast (Northern Ireland).

It has a facilities management (maintenance and services) business in Europe, with contracts for the offices of Crédit Suisse in **Switzerland** and of King's College, London in the **UK**.

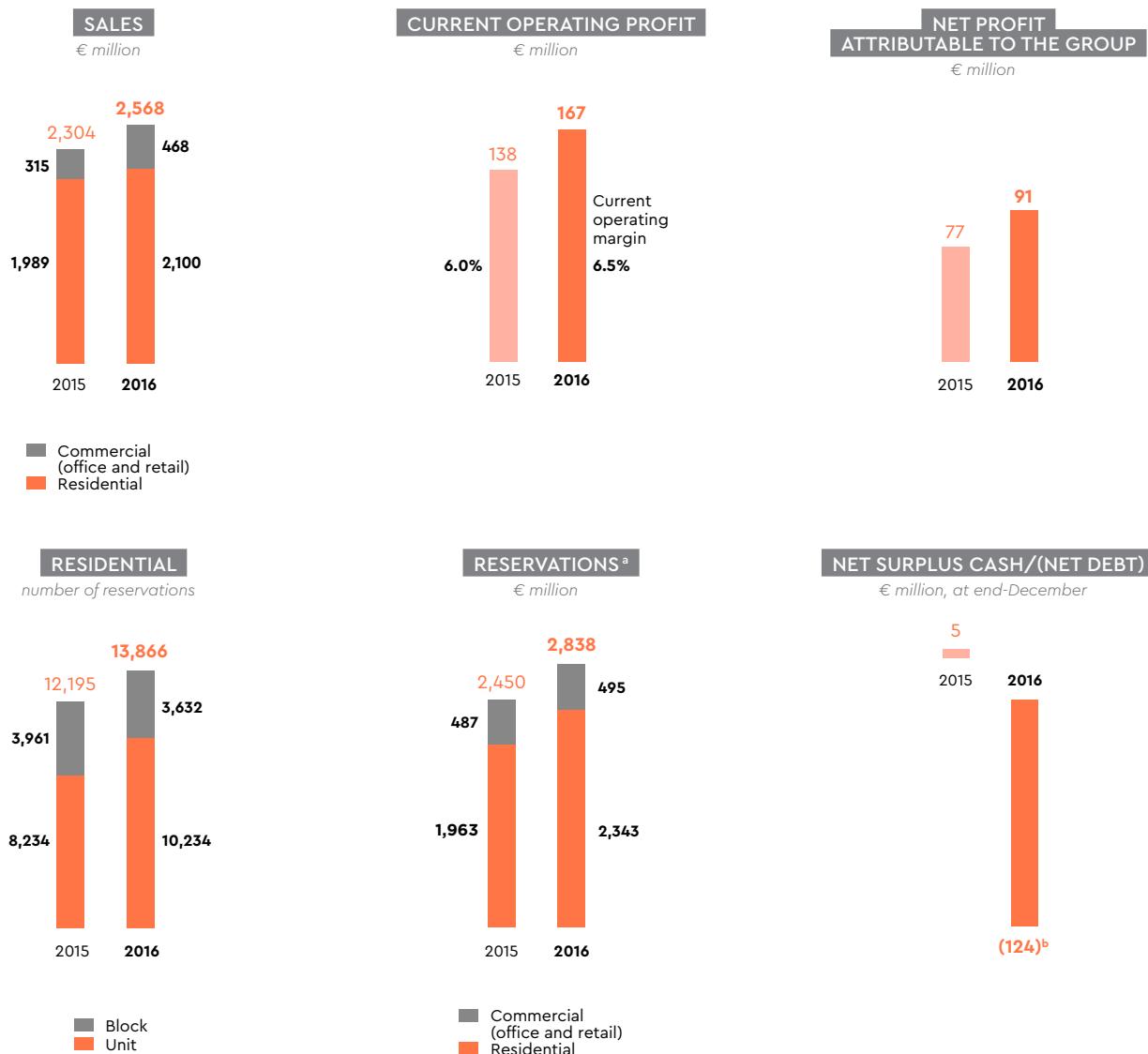
In Africa, Bouygues Energies & Services is involved in power transport and distribution, mainly in **Ivory Coast** and **Gabon**.

In **Canada**, Bouygues Energies & Services provides FM for Surrey Hospital and the RCMP headquarters. It is expanding on the electrical engineering market via its Plan Group subsidiary, which in 2016 was awarded the electrical engineering package for Joseph Brant Hospital in Ontario.

FM contracts, both in France and elsewhere, guarantee Bouygues Energies & Services recurring long-term income.

2.1.3 Bouygues Immobilier, a leading property developer in France

An urban developer/operator, Bouygues Immobilier develops residential, office building, retail and sustainable neighbourhood projects. For a number of years, Bouygues Immobilier has been developing innovative low-carbon solutions for its various programmes.



(a) Residential property reservations are reported net of cancellations. Commercial property reservations are firm orders that cannot be cancelled.
(b) After payment of a 2016 interim dividend of €90 million.

CONDENSED BALANCE SHEET

Assets

at 31 December, € million	2016	2015
Property, plant and equipment and intangible assets	66	50
Goodwill		
Non-current financial assets and taxes	43	42
NON-CURRENT ASSETS	109	92
Current assets	1,784	1,665
Cash and cash equivalents	90	69
Financial instruments – Hedging of debt		
CURRENT ASSETS	1,874	1,734
Held-for-sale assets and operations		
TOTAL ASSETS	1,983	1,826

Liabilities and shareholders' equity

at 31 December, € million	2016	2015
Shareholders' equity attributable to the Group	399	476
Non-controlling interests	3	3
SHAREHOLDERS' EQUITY	402	479
Non-current debt	34	41
Non-current provisions	89	84
Other non-current liabilities and taxes	8	
NON-CURRENT LIABILITIES	131	125
Current debt	4	10
Current liabilities	1,270	1,199
Overdrafts and short-term bank borrowings	176	13
Financial instruments – Hedging of debt		
CURRENT LIABILITIES	1,450	1,222
Liabilities related to held-for-sale operations		
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	1,983	1,826
NET SURPLUS CASH/(NET DEBT)	(124)	5

CONDENSED INCOME STATEMENT

€ million	2016	2015
SALES	2,568	2,304
Net depreciation and amortisation expense	(7)	(7)
Net charges to provisions and impairment losses	(35)	(9)
Other income and expenses	(2,359)	(2,150)
CURRENT OPERATING PROFIT	167	138
Other operating income and expenses	(13)	(4)
OPERATING PROFIT	154	134
Cost of net debt	(2)	(1)
Other financial income and expenses	(9)	(10)
Income tax expense	(51)	(45)
Share of net profits/losses of joint-ventures and associates	(1)	(1)
NET PROFIT	91	77
Net profit attributable to non-controlling interests		
NET PROFIT ATTRIBUTABLE TO THE GROUP	91	77

Key figures

at 31 December 2016

EMPLOYEES

2,059

SALES

€2,568m
(+11%)

CURRENT OPERATING MARGIN

6.5%
(+0.5 points)

NET PROFIT ATTRIBUTABLE TO THE GROUP

€91m
(+18%)

2

Highlights

Residential

- Inauguration of Green Home in Nanterre
- Launch of Flexom (the first nationwide app for smart and connected housing)

Commercial

- Three new Nextdoor sites (Issy-les-Moulineaux, La Défense, Paris-Gare de Lyon)
- Sale of Green Office® Spring in Nanterre, certified against the "Bepos" low-energy label, to Icade, and start of work on Green Office® Enjoy which has BBCA low-carbon Building certification

Urban planning

- Partnership agreement between Bouygues Immobilier and social landlord Logement Francilien to transform La Cité des Indes in Sartouville, north-west of Paris, into a mixed-use neighbourhood
- With UrbanEra®, award of contract to develop the Étoile Annemasse-Genève mixed development zone and the station district in Divonne-les-Bains in eastern France
- Coordination of the 100,000-m² Amédée Saint-Germain mixed-use development in Bordeaux, chosen within the framework of the national call for projects for Industrial Demonstrators for the Sustainable City

CSR

- Awarded "Top Employer France 2016" certification for the third year in succession

2.1.3.1 Profile

Growth strategy

Drawing on its expertise in green property development, Bouygues Immobilier is consolidating its position as an urban developer/operator, basing its future growth on the following three strategic priorities.

INNOVATION FOR A SUSTAINABLE AND DESIRABLE URBAN ENVIRONMENT

Implementing a pioneering sustainable development strategy, Bouygues Immobilier confirmed its leadership in this area in 2016.

- **Energy savings:** green property development is a strategic element of Bouygues Immobilier's innovation policy. In the commercial segment, around 15 Green Office® positive-energy projects are under way, notably in Bordeaux, home to the future headquarters of the Caisse d'Épargne Aquitaine Poitou-Charentes bank. In the residential segment, after Vert Eden in Aix-en-Provence, L'Avance in Montreuil, east of Paris, and Green Home in Nanterre, west of Paris, in July 2016 Bouygues Immobilier handed over L'Odyssée at Anglet in southwest France, a residential complex, one of whose positive-energy buildings will be the first in France to be certified by Cerqual under its experimental Bepos-Effinergie 2013 pilot scheme.
- **Creating property value for customers by rehabilitating their commercial property assets:** the Rehagreen® initiative continues to ramp up with the handover of the Lemnys project in June 2016. Owned by AG2R La Mondiale, this rehabilitated complex houses the headquarters of La Poste (Paris 15th arrondissement/Issy-les-Moulineaux). Three new projects are to be handed over in 2017: Intown for Scor (Paris 9th arrondissement), Seizame for CNP Assurances (Paris 16th arrondissement) and Ipsi-Facto for La Française REM (Montrouge).
- **Offering services at the neighbourhood level:** Bouygues Immobilier offers local authorities an innovative service package called UrbanEra®. Consisting in the design and development of mixed-use sustainable neighbourhoods combining residential properties, offices and shops, it enabled the company to win a number of projects in 2015 and 2016. Bouygues Immobilier also teams up with many industrial partners and start-ups, creating local ecosystems to invent the urban services of the future.

TECHNICAL AND ARCHITECTURAL QUALITY: A KEY PRIORITY

Using cutting-edge materials and technologies to improve the technical quality of its buildings is an ongoing concern for Bouygues Immobilier. A comprehensive quality management system incorporating ISO 9001 and NF® Habitat certification coupled with a training programme for technical staff ensure that the company can rapidly adapt to changing markets and optimise the cost of works.

Bouygues Immobilier also teams up with leading names in contemporary architecture such as Wilmotte & Associés for SMA's future head office in Paris, and Eduardo Souto de Moura, winner of the Pritzker prize in 2011, for the residential building "Lago" in the Ginko eco-neighbourhood in Bordeaux Lake.

CUSTOMER SATISFACTION

Customer satisfaction is at the heart of Bouygues Immobilier's concerns. In 2016 it introduced a transformation plan called "100% Customers". The aim is to develop a genuine customer-centred culture by training all staff, digitising exchanges with customers and enhancing the entire purchasing process from reservation to the end of the first year in a new home.

Assets and opportunities

Its position and product range give Bouygues Immobilier a definite edge in a much improved market environment.

- **Extensive geographical coverage:** 33 branches in France keep the company close to customers and strengthen ties with local stakeholders;
- **A wide and diversified range of residential products and services,** including affordable and intermediate housing for owner-occupiers, buy-to-let properties, student and senior citizen accommodation, single-family homes, etc.;
- **Customisation and adaptability integrated into residential property design:** flexible, customisable and connected homes put residents' requirements first;
- **A perfect match between commercial products and businesses' new expectations:** Bouygues Immobilier has focused its strategy on three priorities: turnkey buildings, positive-energy buildings with Green Office® and the rehabilitation of existing office buildings with Rehagreen®. Bouygues Immobilier has also launched Nextdoor, a new model for commercial property offering businesses innovative, flexible and collaborative work spaces which are easy to reach by public transport;
- **Acknowledged expertise in sustainable neighbourhoods:** with UrbanEra®, Bouygues Immobilier supports local authorities over the long term with their development projects and offers a wide range of services to improve quality of life for residents;
- **An Open Innovation policy** based on several pillars: organised identification of start-ups, intrapreneurship, co-development of operational projects and equity interests in start-ups specialising in property through Bird, an investment subsidiary;
- **Proven capacity to adapt to changing conditions**, with risk control a priority;
- **A robust business model** that guarantees a healthy financial structure for the company.

Market position

With a market share of 10%^b, Bouygues Immobilier is France's leading residential property developer on a par with Nexity, and ahead of its other main rivals, such as Cogedim, Icade and Kaufman & Broad. A benchmark player in the commercial property segment, Bouygues Immobilier differentiates itself from its main competitors (Icade, Nexity, Sogeprom and BNP Paribas Immobilier) by offering innovative environmental products (Green Office® and Rehagreen®) and by positioning itself as a pioneer in terms of new working practices (Nextdoor). At neighbourhood level, Bouygues Immobilier has confirmed its leading position in sustainable urban development with its UrbanEra® initiative.

(a) A service that consists in identifying and implementing a rehabilitation scenario that combines the owner's property enhancement objectives and the requirements of the commercial property market while respecting the architectural heritage of the property assets concerned.

(b) Source: ECLN (new housing survey) - Data from developers (February 2017).

2.1.3.2 Business activity in 2016

In a market that picked up significantly, Bouygues Immobilier took 13,866 residential property reservations in 2016, 14% more than in 2015, worth €2,343 million, up 19% on 2015. In the commercial property segment, in a stable market, reservations rose 2% year-on-year to €495 million.

Total reservations were worth €2,838 million, up 16% on 2015.

The order book stood at €2,966 million at end-December 2016, up 13% year-on-year.

Consolidated sales in 2016 amounted to €2,568 million, up 11% on the previous year. The rise reflects the upturn in residential property reservations since 2015 after declining for three consecutive years (2012–2014). Residential property sales amounted to €2,100 million, up 6% on 2015, and commercial property sales to €468 million, an increase of 49% on 2015.

Current operating profit amounted to €167 million, representing 6.5% of sales compared with 6.0% in 2015.

Net profit attributable to the Group amounted to €91 million, up 18% on 2015.

The number of completed but unsold units at end-2016 remained small, representing less than one week of marketing.

Shareholders' equity stood at €402 million.

Bouygues Immobilier had net debt of €124 million at 31 December 2016 following the payment of a 2016 interim dividend of €90 million.

Developments in Bouygues Immobilier's markets and activities

RESIDENTIAL PROPERTY

A rise in reservations in a sharply recovering market

The French residential property market continued to recover in 2016, with 125,000 housing units sold compared with 102,538 in 2015. This growth was due to:

- attractive government measures to stimulate buy-to-let investment;
- the zero-interest loan programme, adjusted in 2016, which leveraged the purchasing power of first-time buyers;
- historically low mortgage interest rates.

In this favourable environment, Bouygues Immobilier saw a significant increase in reservations in France that was nevertheless lower than the pace of market growth, mainly due to a lower level of block reservations, such as for serviced residences. Unit sales were up 26% at 9,091 units, in line with the market.

Product diversification and customisation

In a much improved market, Bouygues Immobilier consolidated its mainly entry- to mid-level positioning in order to meet most buyers' needs for affordable housing. Because of the variety of its customer profiles, Bouygues Immobilier is diversifying its property offering by marketing several types of multi-unit housing (for first-time buyers or buy-to-let investors, at below market prices, intermediate and social housing), single-family houses and serviced residences for senior citizens and students.

In order to make life easier and in response to new demands, Bouygues Immobilier offers its customers connected and smart homes. All residential properties marketed since the end of 2016 are equipped with Flexom, a wireless, battery-less 'full radio' system which enables residents to control a number of features in their home such as lighting, roller shutters and heating, either from inside or remotely, from a smartphone or tablet.

In addition to smart homes, Bouygues Immobilier has modernised its range of interior decoration options (flooring, bathroom fittings) in partnership with a design consultancy in order to offer customers ever-higher levels of personalisation.

Innovation for the benefit of customers

A number of other innovations have been introduced, such as immersive 3D visits of a show apartment during which customers can view on the web all the different interior decoration options, and home automation systems, such as remote control of roller shutters, lights and heating. A fully personalised web-based home configurator has also been rolled out on certain programmes, offering customers the possibility of virtually fitting out a chosen apartment, with styles and materials rendered in high definition. It also displays the dimensions and price of the selected options room by room so that they can calculate the corresponding cost in real time.

In September 2016, Bouygues Immobilier defined its group Building Information Management (BIM) policy with the aim of integrating BIM into the design and production of all projects by 2021, setting target thresholds of 20% in 2017 and 60% in 2018. In the residential property segment, digital modelling will facilitate product design and pave the way for greater customer involvement in the creation of their future home.

Strengthened customer support

Bouygues Immobilier placed the customer experience at the centre of its concerns in 2016, rolling out its "100% clients" project. A number of initiatives were introduced in order to increase customer satisfaction and capitalise on key moments in the home-buying process, from reservation to handover. For example, video bulletins were put together at the start of works in order to give future residents a better practical understanding of each participant's role on the worksite and prepare them for the next stages. Furthermore, instant-reaction customer surveys are sent out on the evening after handover in order to measure customer satisfaction in real time.

COMMERCIAL PROPERTY

Green property and new workspaces: a winning strategy

Against the background of a gradual improvement in the French economy, take-up rates in the commercial property market in the Paris region rose by 7% in 2016 after declining for several years, with rents stable at a still-low level. Investment remained stable at a high level.

In these conditions, Bouygues Immobilier sold 88,950 m² of office and retail space in France in 2016, worth a total of €495 million.

Bouygues Immobilier's commercial property strategy in 2016 focused on the following three priorities:

Roll-out of the Green Office® and Rehagreen® concepts

In November 2016, work got under way on Bouygues Immobilier's Green Office® Enjoy project in the Clichy-Batignolles mixed development zone in Paris. A joint development with Caisse des Dépôts, designed by architects Baumschlager Eberle and Scape in partnership with Woodeum and engineering consultant AIA, Green Office® Enjoy is the largest corporate building in France to be awarded the low-carbon building association's BBCA label. Featuring a composite timber and concrete structure, the 17,400-m² building consists of a ground floor, two floors resting on spring isolators, and five timber storeys. Other Green Office® highlights in 2016 included the acquisition of Green Office® Quartz in Paris by CNP Assurances and the laying of the foundation stone of Green Office® en Seine in Meudon, acquired by Affine.

Under the Rehagreen® initiative to enhance the value of existing property assets, Bouygues Immobilier handed over Lemnys, the headquarters building of La Poste in Issy-les-Moulineaux. Designed by Atelier Elisabeth et Christian de Portzamparc, the 42,000-m² office complex is the result of a rehabilitation project that increased the floor area by adding a 7th storey. Particular care was taken to bring natural light into the building, with the creation of a double-height glazed podium on the ground floor.

Successful turnkey projects

The outcome of ongoing dialogue with users, the turnkey strategy aims to design projects tailored to specific customers. Major achievements in 2016 included the laying of the foundation stone of Art&Fact 2.0. at Rueil-Malmaison, which will house PSA Peugeot-Citroën's new 16,250 m² headquarters. Schneider Electric has chosen Bouygues Immobilier to develop its new 26,750-m² positive-energy corporate campus in Grenoble, with all-use energy consumption of less than 37 kWhFE/m²/year. The project, of worldwide scope for Schneider Electric, is aiming for LEED® Platinum certification.

Development of Nextdoor: a response to changing ways of working

After the first Nextdoor was launched in Issy-les-Moulineaux in March 2015, three new sites were opened in 2016, at Paris-La Défense, Issy-les-Moulineaux and Paris-Gare de Lyon. New-generation methods have been used to design these economical, flexible and collaborative work spaces; optimised and comfortable, they encourage networking, creativity and performance. Altogether, the four Nextdoor sites offer 15,900 m² of office space, equivalent to 1,700 workstations.

SUSTAINABLE URBAN DEVELOPMENT

Aware of the many demographic, environmental, economic and social challenges facing local authorities in relation to urban development, in 2015 Bouygues Immobilier stepped up its strategy for the development of major mixed-use urban projects in mainland France by creating a specific UrbanEra® division.

Divonne-les-Bains: renovating the town centre

Bouygues Immobilier was chosen to carry out the project to redevelop the railway station district of Divonne-les-Bains, on the border with Switzerland. Designed to improve the appeal of the town centre, the project, designed by Jean-Paul Viguier and Atelier Descombes Rampini, calls for a vast pedestrian concourse and an urban park in order to create an attractive mixed-use area totalling 46,820 m².

Annemasse: development of the Étoile Annemasse-Genève mixed development zone

The 19-hectare Étoile Annemasse-Genève project is a mixed development zone in the heart of the conurbation on the Franco-Swiss border near Geneva. Backed by Annemasse Agglo, the metropolitan area authority, it spans the municipalities of Ambilly, Annemasse and Ville-la-Grand. The future mixed-use eco-neighbourhood, comprising housing, offices, shops and public amenities with a total floor area of around 160,000 m², is part of a strategic, multifunctional project to develop brownfield sites around Annemasse railway station, which in 2019 will be served by the Léman Express cross-border rapid transit system.

Sartrouville: urban transformation of Les Indes district

On 9 February 2016 Logement Francilien, one of France's leading social landlords, and Bouygues Immobilier signed a partnership agreement for the gradual and sustainable urban transformation of the Les Indes district of Sartrouville, west of Paris. It is the first time that a social landlord and a property developer have combined their respective skills in order to plan the future of an urban planning policy priority neighbourhood.

Bordeaux Amédée Saint-Germain: redevelopment of a brownfield railway site

Amédée Saint-Germain is a project to redevelop a 5.5-hectare brownfield railway site on the edge of the city. With the architecture and urban planning firm LAN, UrbanEra® has come up with a 100,000-m² mixed-use project to develop a neighbourhood with a strong identity by enhancing the value of existing property assets on the site and designing high-quality living spaces. It will include a neighbourhood energy performance contract (EPC), the only one of its kind in France to date.

Lyon Living Lab

Another of the Industrial Demonstrators for the Sustainable City, the Lyon Living Lab project (28,000 m²), of which Bouygues Immobilier is the lead firm, is a future sustainable, desirable and innovative neighbourhood that will complete the Lyon Confluence mixed development zone.

INTERNATIONAL

Bouygues Immobilier's international business remained strong in 2016.

Poland

After consolidating its activity in Warsaw, embarking on a first project in Poznan and opening a new branch in Wroclaw, Bouygues Immobilier continued its policy of regional diversification and took reservations for over 1,000 housing units, an increase of 30%.

Belgium

Bouygues Immobilier continued its residential property activity on a stable market.

Morocco

Bouygues Immobilier continued to market its 450-unit Les Faubourgs d'Anfa project in Casablanca in 2016. The site, developed by Auda, a Moroccan subsidiary of Caisse des Dépôts et Consignations, will host Casablanca's future financial centre.

Spain

Bouygues Inmobiliaria, the company's Spanish subsidiary, handed over a 213-room Ibis City Styles hotel in Barcelona, developed for the investor Boissée Finances.

OPEN INNOVATION: MAKING THE COMPANY MORE NIMBLE

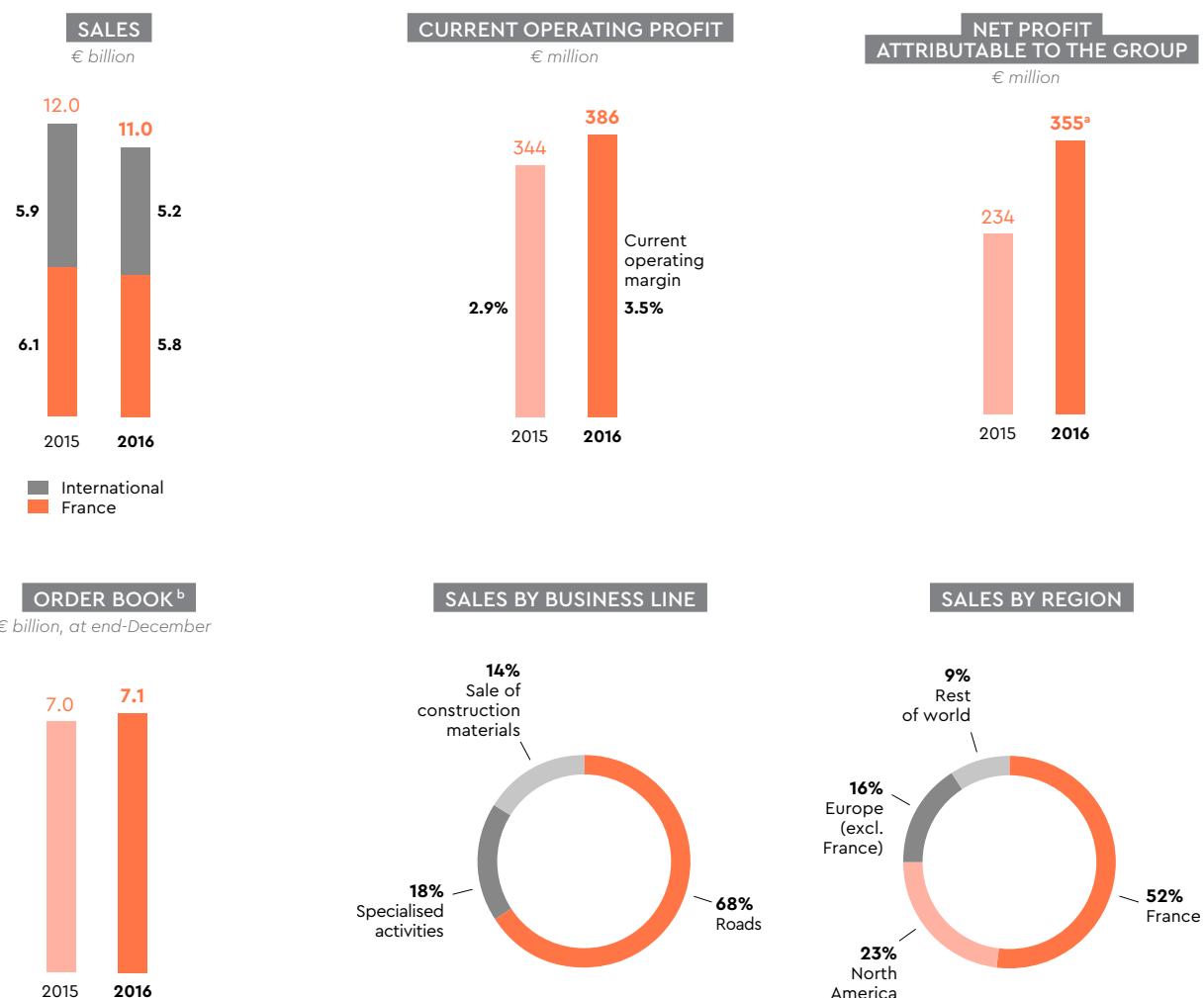
After creating BIRD in 2015 as a specific subsidiary to invest in start-ups specialising in property development, Bouygues Immobilier took stakes in Ikimo9, an online new homes comparison service, and YAD.space, a creative agency specialising in design and storytelling for unique and innovative spaces.

The company has also developed an ambitious Building Information Management plan, with the aim of integrating BIM into the design and production of all programmes by 2021.

2.1.4 Colas, a world leader in transport infrastructure construction and maintenance

Colas operates in transport infrastructure construction and maintenance in over 50 countries worldwide. The group, which completed around 90,000 projects in 2016, meets the challenges of mobility, urbanisation and the environment.

The group spans the full range of production and recycling activities related to most of its lines of business.



(a) Includes a net capital gain of €72 million on the sale of stakes in the motorway concession companies Atlandes (A63 motorway) and Adelac (A41 motorway).

(b) Represents the volume of activity remaining to be carried out on operations subject to firm orders (contract signed and in force).

CONDENSED BALANCE SHEET

Assets

at 31 December, € million	2016	2015
Property, plant and equipment and intangible assets	2,486	2,478
Goodwill	500	507
Non-current financial assets and taxes	730	684
NON-CURRENT ASSETS	3,716	3,669
Current assets	3,930	3,538
Cash and cash equivalents	759	848
Financial instruments – Hedging of debt	17	18
CURRENT ASSETS	4,706	4,404
Held-for-sale assets and operations		
TOTAL ASSETS	8,422	8,073

Liabilities and shareholders' equity

at 31 December, € million	2016	2015
Shareholders' equity attributable to the Group	2,680	2,693
Non-controlling interests	33	31
SHAREHOLDERS' EQUITY	2,713	2,724
Non-current debt	125	176
Non-current provisions	917	837
Other non-current liabilities and taxes	71	73
NON-CURRENT LIABILITIES	1,113	1,086
Current debt	73	44
Current liabilities	4,462	4,133
Overdrafts and short-term bank borrowings	42	62
Financial instruments – Hedging of debt	19	24
CURRENT LIABILITIES	4,596	4,263
Liabilities related to held-for-sale operations		
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	8,422	8,073
NET SURPLUS CASH	517	560

CONDENSED INCOME STATEMENT

€ million	2016	2015
SALES	11,006	11,960
Net depreciation and amortisation expense	(399)	(420)
Net charges to provisions and impairment losses	(155)	(186)
Other income and expenses	(10,066)	(11,010)
CURRENT OPERATING PROFIT	386	344
Other operating income and expenses	(62)	(95)
OPERATING PROFIT	324	249
Cost of net debt	(13)	(19)
Other financial income and expense	74	(2)
Income tax expense	(108)	(68)
Share of net profits/losses of joint-ventures and associates	82	78
NET PROFIT	359	238
Net profit attributable to non-controlling interests	4	4
NET PROFIT ATTRIBUTABLE TO THE GROUP	355	234

Key figures

at 31 December 2016

EMPLOYEES

54,837

SALES

€11,006m
(-8%)

CURRENT OPERATING MARGIN

3.5%
(+0.6 points)

NET PROFIT ATTRIBUTABLE TO THE GROUP

€355m
(+52%)ORDER BOOK
At end-December€7,058m
(+1%)

2

Highlights

Major contract gains

- Extension of Port of Calais
- Construction of a section of the M35 motorway in Hungary
- Contracts to resurface roads and highways in the United States and Canada
- Upgrading and widening of the RN 1 road in Gabon
- Extensions A and C of the Algiers metro

Major projects under construction

- L2 Marseille bypass
- Nîmes-Montpellier high-speed railway bypass
- Elevated section and interchange for the New coastal road on Reunion Island
- Iqaluit airport in Nunavut (Canada)
- Tangiers-Kenitra high-speed rail line in Morocco
- Extension of Line 3 of the Cairo metro and construction of Lines 3 and 6 of the Santiago metro in Chile
- The first Wattway photovoltaic road surface trial projects

Disposal/Acquisition

- Acquisition of stakes in jointly-owned or jointly-operated materials production and roadworks companies in the Middle East
- Disposal of the stakes in motorway concession companies Atlandes (A63 motorway) and Adelac (A41 motorway)

2.1.4.1 Profile

With 800 profit centres and 2,000 materials production units in over 50 countries around the world, Colas is a leader in transport infrastructure construction and maintenance and spans the full range of production and recycling activities related to most of its lines of business. Colas completed around 90,000 projects in 2016 and much of its core business is of a recurrent nature.

With nearly 55,000 employees, Colas reported sales of €11.0 billion in 2016, of which France accounted for 52%, Europe (excl. France) for 16%, North America for 23% and other countries for 9%.

Colas operates in all areas of transport infrastructure construction and maintenance through two main operating divisions: roads, its core business, and complementary specialised activities.

Activities

ROADS (82% OF SALES)

Road infrastructure construction and maintenance (68% of sales)

Each year, Colas builds and/or maintains roads and motorways, as well as airport runways, ports, industrial, logistics and commercial hubs, external works and amenities, reserved-lane public transport (bus lanes and tramways), recreational facilities and environmental projects. It also has a civil engineering activity spanning both small and large projects, and a marginal building activity.

Production and sale of construction materials (14% of sales)

Upstream of roadbuilding, Colas produces and recycles construction materials (aggregates, emulsions, ready-mix concrete, bitumen) through an extensive international network of 714 quarries, 123 emulsion plants, 565 asphalt plants, 177 ready-mix concrete plants and one bitumen production plant^a.

SPECIALISED ACTIVITIES (18% OF SALES)

Colas has five specialised activities, excluding the production and sales of refined products in France, halted in early 2016.

Railways (9% of sales)

The Railways activity (Colas Rail) comprises the design and engineering of complex, large-scale projects and the construction, renewal and maintenance of rail networks (conventional and high-speed lines, trams and metro systems).

Waterproofing (5% of sales)

Waterproofing (Smac) comprises the production and sale of waterproofing membranes as well as the waterproofing and cladding of buildings.

Road safety and signalling (2% of sales)

The Road safety and signalling business is operated through Aximum and consists in the manufacture, installation and maintenance of road safety equipment, road markings, traffic signs, as well as traffic management and access control equipment.

Networks (2% of sales)

The networks business (Spac) encompasses the installation and maintenance of large- and small-diameter pipes and pipelines for conveying fluids (oil, gas and water) and for dry networks (electricity, heating and telecommunications).

Growth strategies and opportunities

Colas' strategy of profitable growth and responsible development is based on the following priorities:

- **strengthening and extending a durable network of profit centres around the world**, mainly by external growth, in order to establish and consolidate leading positions on local markets and take advantage of a degree of geographical diversification that helps to spread risk;
- **controlling supplies of the materials and resources it needs for its activities**, through optimised industrial integration designed to increase security and quality of supply, generate more value-added and improve competitiveness;
- **continuing to develop existing specialised activities**, which often enhance the range of products and services offered to customers, help to develop synergies and gain a foothold in new regions and markets, and enable the company to position itself on growing markets, such as railways;
- **offering broader services** by continuing to develop complex projects (PPPs, concessions, network management) that integrate all its technical, financial and legal skills, as well as building major projects that are complementary to its traditional core business;
- **innovating, especially by designing new products and developing new technologies**, through a research and development policy which seeks to keep pace with customers' expectations in areas such as quality, comfort, safety, protection of the environment and cost, and to design the road of the future;
- **favouring profitability over volume**, with the aim of constantly improving margins across all businesses.

(a) The Kemaman plant in Malaysia. The Dunkirk bitumen plant halted production in early 2016.

Strengths and assets

Colas' main strengths are:

- positions on long-term growth markets. Substantial needs for transport infrastructure worldwide are underpinned by structural factors such as population growth, urbanisation, increased global trade, lack of infrastructure in emerging countries, renewal of existing infrastructure in developed countries, mobility and environmental challenges. Colas' core business mix includes a substantial proportion of upkeep and maintenance activities that meet recurring needs and generate a large number of projects, helping to spread risk;
- vertical integration upstream of the production chain and a policy of controlling the supplies of materials required by its activities (aggregates, binders, asphalt mixes, ready-mix concrete and bitumen) that contribute to the group's operating performance;
- a network of 800 profit centres and 2,000 materials production units in over 50 countries around the world, some of them dating back over a hundred years. The density of this network is an advantage in businesses where maintaining a local presence and keeping close to customers are key success factors;
- a decentralised organisation with strong local roots that is flexible, responsive and adapted to market needs. Having a limited number of levels of management means that decisions can be taken at the most appropriate and effective level. Its organisational structure enables the group to react flexibly in operational terms and to adapt to changing market conditions;
- human capital that creates collective intelligence, with values and a passion shaped by a long common history shared by 55,000 employees;
- an innovation policy, especially in technical areas, supported by a 2,000-strong international network comprising a Campus for Science and Techniques (CST), which is the road industry's leading private R&D centre, some 50 laboratories and 100 engineering consultancies;
- the capacity to execute complex projects. Capable of offering end-to-end services wherever it operates, including the design, construction, engineering and maintenance of major transport infrastructure projects, Colas has achieved a number of major commercial successes and is able to grasp the opportunities associated with complex types of project (concessions, PPP^a, PFI^a, MAC/ASC^a) that offer an optimised response to customers' needs;
- a robust financial structure and a capacity to generate cash flow which, as well as being advantages in tendering for certain projects, enable the Colas group to pursue further growth by continuing to invest in targeted assets.

Market position

Colas is the leader on the roads market in mainland France ahead of Eurovia (Vinci) and Eiffage Travaux Publics. It is also in competition with large nationwide French firms (NGE, Malet), regional firms (Ramery, Charrier, Pigeon, Roger Martin) and an extensive network of small and medium-sized regional and local firms. Cement makers are competitors on the markets for aggregates and ready-mix concrete. In North America, Colas competes with local, regional and national firms as well as subsidiaries of multinationals. Colas has prime positions in the roadbuilding sector in most of the other countries where it operates, its main competitors being domestic players or subsidiaries of large international firms.

In its specialised activities, Colas' main competitors in France are, for example, ETF (Eurovia), TSO (NGE), TGS (Alstom) and Eiffage Rail in the railway sector, Soprema in the waterproofing sector, Signature (Eurovia), Agilis (NGE), AER (Eiffage), Girod and Lacroix in road safety and signalling, and Spiecapag, Sicim, Bonatti, Ponticelli, Endel and Eiffel (Eiffage) for networks. In the UK, Colas Rail's main competitors are Balfour Beatty, Carillion, Babcock, VolkerWessels, Vinci, Skanska, BAM and Ferrovial.

2.1.4.2 Business activity in 2016

The Colas group reported sales of €11,006 million in 2016, down 8% on the previous year (down 4% like-for-like and constant exchange rates^b), in a context of sluggish worldwide growth. However, the trend on Colas' markets differed from one region or country to another. Other significant features of the year were a decline in volumes on certain markets, considerable scope and currency effects and a fall in prices for raw materials, especially oil products. Sales fell 4% in France and 12% on international markets (down 5% like-for-like and at constant exchange rates).

Sales in the roads activity fell 8% (down 5% like-for-like and at constant exchange rates), with Central Europe, Canada and French overseas departments accounting for most of the decline. The roads activity in mainland France was virtually stable over the year. The sales of specialised activities (excluding the production and sale of refined products in France) fell 3% like-for-like and at constant exchange rates, with the decline spread between waterproofing, pipelines and road safety and signalling.

Current operating profit amounted to €386 million, compared with €344 million in 2015, due in particular to the stemming of current losses in the production and sale of refined products activity in France and the effects of adjustment plans in mainland France and on international markets. The current operating margin rose from 2.9% to 3.5%.

(a) PPP: Public-Private Partnership; PFI: Private Finance-Initiative (a solution launched in 1992 in the UK by the government designed to entrust the private sector with the financing, construction and maintenance of public infrastructure, including the associated services); MAC-ASC: Management Agent Contractor/Asset Support Contract. MAC contracts, which were renamed ASC contracts in 2012 (for new contracts) are multi-annual contracts – five years with a possible extension of two years – in use in the UK. ASC contracts are signed between the public authority in charge of managing roads and motorways (Highway Agency) and a private company (operator) with the aim of ensuring the upkeep and maintenance of a specific zone of the UK road and motorway network (the network is divided into 13 geographic zones).

(b) definitions:

- at constant exchange rates: change after translating foreign-currency sales for the current period at the exchange rates for the comparative period
- on a like-for-like basis: change in sales for the periods compared, recalculated so that divested entities are included, or acquired entities excluded, over the same length of time in each period.

Non-current charges of €62 million before tax were booked during the period, most of them representing overheads at SRD, closed in 2016.

Other financial income and expenses came to €74 million (up by €76 million versus 2015). They mainly included the capital gain on the sale of the stakes in the motorway concession companies Atlandes (A63 motorway) and Adelac (A41 motorway).

The contribution of joint ventures and associates amounted to €82 million, €4 million more than in 2015 (€78 million).

Net profit attributable to the Group amounted to €355 million, compared with €234 million in 2015.

Net capital expenditure amounted to €384 million in 2016, compared with €311 million in 2015, a year in which the company took a cautious approach to investment in tangible assets.

Colas continued to examine opportunities for acquisitions in 2016, but external growth during the year was modest. Only a small number of acquisitions were made, with a view to strengthening existing operations. Equity investments amounted to €15 million, compared with €18 million in 2015, and disposals of equity interests amounted to €150 million.

The financial structure therefore remained robust, with a high level of shareholders' equity (€2.7 billion) and net surplus cash of €517 million at end-December 2016, €135 million more than at end-December 2015, before the payment of a 2016 interim dividend of €178 million.

Roads

(2016 sales: €8,971 million)

Sales were 8% lower than in 2015 (5% lower like-for-like and at constant exchange rates).

ROADS MAINLAND FRANCE

(2016 SALES: €3,990 MILLION)

Sales in 2016 were virtually stable in comparison with 2015 after falling for several years. The sales figure automatically reflects the fall in prices for oil products, especially bitumen, during the year and in fact masks a very slight upturn in activity. Although central government grants to local authorities continued to diminish, some city authorities launched projects such as tramways and bus rapid transit (BRT) corridors in the second part of their term of office. The private-sector market remained stable. Sales were stable nationwide, with the exception of a slight fall in the Rhône-Alpes region of south-eastern France. Adjustment plans continued on a market where margins remained under pressure.

The major PPP projects in which Colas has been involved in recent years either neared completion or were completed. The Troisseroux bypass in the Oise department north-west of Paris and the eastern section of

the L2 Marseille bypass were handed over in late 2016 (work on the northern section has started), and roadworks linked to the construction of the Nîmes-Montpellier high-speed railway bypass were completed.

ROADS EUROPE

(2016 SALES: €1,374 MILLION)

Sales were 18% lower than in 2015 (16% lower like-for-like and at constant exchange rates).

Sales in **Northern Europe** were 5% lower than in 2015 (2% lower like-for-like and at constant exchange rates). Activity fell back in the **UK** due to a slowdown in capital spending after the vote in favour of Brexit and delays in the roll-out of an announced major road infrastructure investment programme. Sales picked up slightly in **Belgium**, **Switzerland** and **Denmark**, and more strongly in **Ireland** and **Iceland**.

As expected, sales in **Central Europe** fell significantly due to a delay in the launch of calls for tender for road and motorway projects financed by European funds. In **Hungary**, where a number of calls for tender were issued in the second half of the year, work started on construction of the M35 motorway and the widening of Highway 21. In **Slovakia**, the major R2 expressway project was handed over. In the **Czech Republic**, contracts for two new sections of the D1 motorway are due to be awarded. Sales in **Poland** were boosted by private investment, while markets in **Croatia** and **Slovenia** remained sluggish.

ROADS NORTH AMERICA

(2016 SALES: €2,474 MILLION)

Sales were 7% lower than in 2015 (6% lower like-for-like and at constant exchange rates).

In the **United States**, sales were stable like-for-like and at constant exchange rates, affected by the fall in prices for oil products, especially bitumen, and the policy of refocusing on core businesses, putting an end to major civil engineering projects. The roads market has not yet felt the full benefit of the Fast Act, an 8-year federal plan to improve infrastructure, but was sustained by numerous infrastructure funding initiatives in certain states. The private sector slowly started to pick up again.

In **Canada**, sales were lower than in 2015 due to a high base of comparison and a slowdown in investment following the sharp fall in oil prices, which hit the western provinces, especially Alberta. The effects of the major 10-year federal plan to support investment in infrastructure had not yet been felt. In Ontario, the level of activity was satisfactory. The market in Quebec was still weak. The Iqaluit International Airport PPP project in Nunavut neared completion.

ROADS “REST OF THE WORLD” (2016 SALES: €1,133 MILLION)

A 19% decline in sales versus 2015 (down 4% like-for-like and at constant exchange rates) reflected contrasting situations:

- sales fell in the **French overseas departments**. Activity remained broadly flat in the **Caribbean-French Guiana** zone as Martinique and French Guiana were hit by the halt in local authority investment on new-build and maintenance projects. On **Reunion Island**, work on the New coastal road partly offset a further decline in the traditional public works and civil engineering business, though building activity was boosted by large-scale projects. Activity on **Mayotte** suffered from the lack of any major projects;
- in **Africa** and **the Indian Ocean**: activity in **Morocco** started to benefit from investment in infrastructure and in private-sector industry. In **West and Central Africa**, sales reflected the extent of countries' dependence on the price of oil and other raw materials. Sales rose in **Ivory Coast**, work continued on the Tchetti-Savalou and Logozouhé-Glazoué roads in **Benin**, work started on resurfacing the RN4 road in **Togo** and sales declined in Gabon. The company won a major contract for a mining customer in **Guinea-Conakry** at the end of the year. Sales in **Southern Africa**, driven by the manufacture and sale of emulsions, were hit by falling prices for raw materials. Activity in **Madagascar** and **Mauritius** remained slack in the absence of major contracts;
- In the **Middle East**, the companies acquired at the end of 2015 and at beginning of 2016 in the United Arab Emirates, Oman and Qatar performed well during the year. These subsidiaries are consolidated using the equity method and therefore do not contribute to sales;
- Sales rose in **Asia/Australia/New Caledonia**, stripping out the scope effects of the sale to the Thai subsidiary Tipco of subsidiaries involved in the storage, transport and sale of bitumen in Vietnam, Indonesia and Singapore. In Asia, activity focuses on the production, distribution and sale of bitumen products via a network comprising a bitumen production plant in Malaysia, 28 emulsion plants and 21 bitumen depots. Sales were stable in **India** but lower in **Thailand** after a record year in 2015, reflecting a significant slowdown in the region. Activity in **Australia** (roadworks and the sale of bitumen and emulsions) picked up. The subsidiary in **New Caledonia** maintained its level of activity.

2

Specialised activities (2016 sales: €2,016 million)

Sales by specialised activities, excluding the production and sale of refined products in France, amounted to €2,004 million, down 5% on 2015.

- Sales in the **Railways** business fell 4% to €967 but remained virtually stable like-for-like and at constant exchange rates, with international sales outstripping domestic sales for the first time. In France, the track renewal and maintenance activity started up later than in 2015, the share of closed-line renewal projects decreased and the tramway activity had not yet benefited from new projects launched in the second half of the year. Rail works on the Nîmes-Montpellier high-speed railway bypass neared completion. In the UK, the level of activity was comparable to 2015, a record year, and work started on the major contract to upgrade the Wessex railway network. Work continued on the Tangiers-Kenitra high-speed link in Morocco and Lines 3 and 6 of the Santiago metro in Chile, and construction of extensions A and C of Line 1 of the Algiers metro began;
- **Waterproofing**: sales fell 8% to €547 million on a building market in mainland France that picked up slightly in the second half of the year;
- **Road safety and signalling**: sales fell 3% to €301 million on shrinking markets that are highly competitive due to overcapacity in the industry;
- **Networks**: sales fell 4% to €189 million, though solid activity in industrial projects offset a decline in the pipeline segment;
- **Production and sale of refined products**: sales amounted to €12 million compared with €120 million in 2015. SRD halted production at its Dunkirk facility in early 2016.

Projects

In 2016, Colas carried out 90,000 projects in 50 or so countries. The following examples illustrate the range and diversity of Colas' operations and projects.

MAINLAND FRANCE

- Construction of the Nîmes-Montpellier high-speed railway bypass, a PPP project.
- Construction of the L2 Marseille bypass, a PPP project.
- Handover of the Troissereux bypass, a PPP project in the Oise department north-west of Paris.
- Extension of the A34 motorway in the Ardennes, widening of a section of the A71 motorway, resurfacing of sections of the A6, A8, A39, A40 and A85 motorways.
- Resurfacing of runway 2 at Roissy-Charles de Gaulle airport.
- Renovation work on the track formation between Niort and La Rochelle.
- Extension of Line 14 of the Paris metro.
- Construction of bus rapid transit (BRT) corridors at Lorient (western France), Montbéliard (eastern France) and Pau (south-west France).
- Installation of signalling and safety equipment for the L2 Marseille bypass, the Troissereux bypass and the Nîmes-Montpellier railway bypass.
- Cladding of the Paris District Court.
- Construction of interconnection stations for GRTgaz in the Saône-et-Loire department (central France).

INTERNATIONAL AND FRENCH OVERSEAS DEPARTMENTS

- **Northern Europe:** upgrading and maintenance of the road network in central London under an eight-year contract, resurfacing of runways at East Midlands airport and upgrading of the Wessex railway network in the UK; maintenance of a 250-kilometre road network under a five-year contract in Ireland; refurbishment of a test track at the Lommel motor racing circuit in Belgium; resurfacing of runways and taxiways at Keflavik airport in Iceland.
- **Central Europe:** start of construction of the M35 motorway and upgrading of tramway track in Budapest, Hungary; construction

of the Banovce bypass (R2 expressway) as part of a design-build contract in Slovakia. Lastly, a major contract was signed at the end of 2016 for the construction of a bypass on Highway 47 in Hungary.

- **United States:** refurbishment of a section of Interstate 75 in South Carolina; construction of a new access road to the container terminal at the port of Norfolk, Virginia; renewal of bridges and culverts and widening of highways on Interstate 81 in Pennsylvania; reconstruction of the main road into the centre of Fairbanks, Alaska.
- **Canada:** resurfacing of runways, taxiways and access roads at Iqaluit International Airport in Nunavut (a PPP project); resurfacing of a section of Highway 173 in Quebec; refurbishment of road surface in the towns of Brampton and Mississauga, Ontario; multiyear road maintenance contracts in Edmonton, Alberta; upgrading of a section of the Tuck Inlet Road in British Columbia.
- **South America:** construction of Lines 3 and 6 of the Santiago metro in Chile.
- **French overseas departments:** extension of the Pointe des Grives port terminal at Fort-de-France, Martinique; construction of an interchange and an elevated section of the New Coastal Road and construction of a new health centre at Saint-Paul on Réunion Island.
- **Africa and the Indian Ocean region:** construction of the Tangiers-Kenitra high-speed rail line and renewal of road pavement on the Settat-Marrakesh motorway in Morocco; extensions A and C of Line 1 of the Algiers metro; construction of the Tchetti-Savalou and Logozouhé-Glazoué roads in Benin; resurfacing of sections of the RN4 road between Tabligbo and Aného in Togo; refurbishment and widening of the RN1 road out of Libreville in Gabon; resurfacing of a section of the RN5 road in Madagascar.
- **Asia and Australia:** widening of the highway at Surin in Thailand; maintenance of the road pavement on sections of the Pacific Highway in Australia; construction of the Nouville clinic at Nouméa in New Caledonia.

2.1.5 Outlook for 2017

In a market that exhibits long-term growth potential sustained by the gradual roll-out of infrastructure programmes in developed countries, the construction businesses have a solid competitive edge on their rivals and a high level order book. In this context, they will continue to apply a selective approach and focus on profitability rather than volumes. Consequently, the current operating margin should continue to improve in 2017.

Bouygues Construction

Bouygues Construction enjoys good visibility, backed up by:

- **orders at 31 December 2016 to be executed in 2017** worth €9.0 billion;
- **sustained international activity**, especially in places less affected by the economic crisis, such as Hong Kong, Singapore, Canada, Switzerland, the UK and Australia, which are highly rated by the NGO Transparency International;
- **a long-term order book** (to be executed beyond five years) worth €2.5 billion at 31 December 2016;
- **a sound financial structure**, with net surplus cash of €3.4 billion;
- **a lead in sustainable construction**, to which the company devotes much of its R&D budget;
- **a commitment to shared innovation** for the benefit of customers.

Tight control over the execution of major projects, a selective approach to orders and innovation will continue to be central priorities for Bouygues Construction in 2017, together with protecting the health and safety of employees and project partners.

Bouygues Immobilier

In 2017, in a residential property market likely to remain buoyant, Bouygues Immobilier intends to pursue growth in France and elsewhere and to consolidate its position as an urban developer/operator. The company will continue to draw on the drivers that have underpinned its success to date: innovation and sustainable development, technical and architectural quality, and listening to and providing support to customers.

- **Residential:** innovation will be used to benefit customers by offering them a more personalised, connected, modular and sustainable living environment. The company will continue to strive to provide affordable, high-quality homes by diversifying the range of properties and products (intermediate housing, managed residences, etc.) and optimising design (BIM).

- **Commercial:** Bouygues Immobilier aims to test a new model for large firms, incorporating the Nextdoor approach into the design of corporate headquarters, in response to rapidly changing demand.
- **Urban planning:** having been awarded numerous projects in 2015 and 2016, the primary aim in 2017 will be to implement the operational aspects, keeping to schedules and rolling out innovative urban services that will pave the way for the sustainable and desirable urban environment of the future.
- **International:** the company will continue to pursue growth from its existing subsidiaries.

Colas

Colas' order book at end-December 2016 stood at €7.1 billion, a high level and 1% higher than a year previously (up 2% at constant currencies). Orders in mainland France were up 7% at €2.9 billion, whereas orders on international and French overseas markets were down 3% (stable at constant currencies) at €4.2 billion.

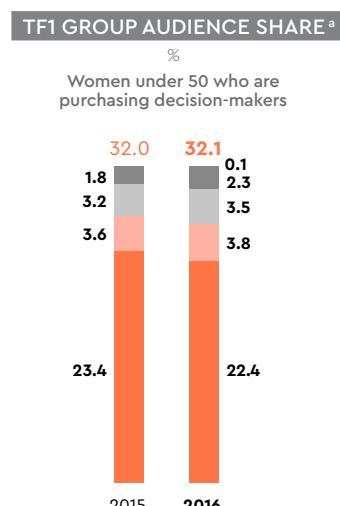
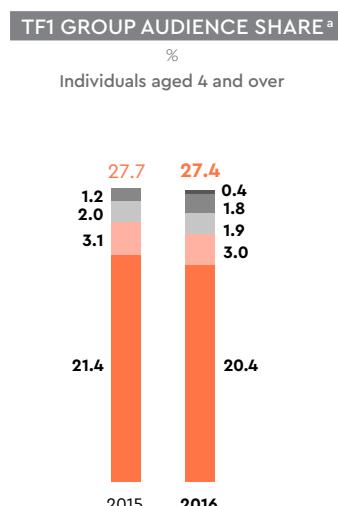
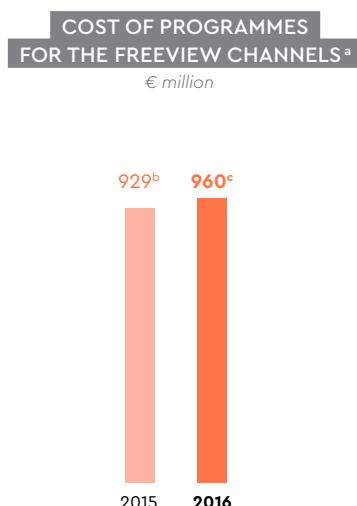
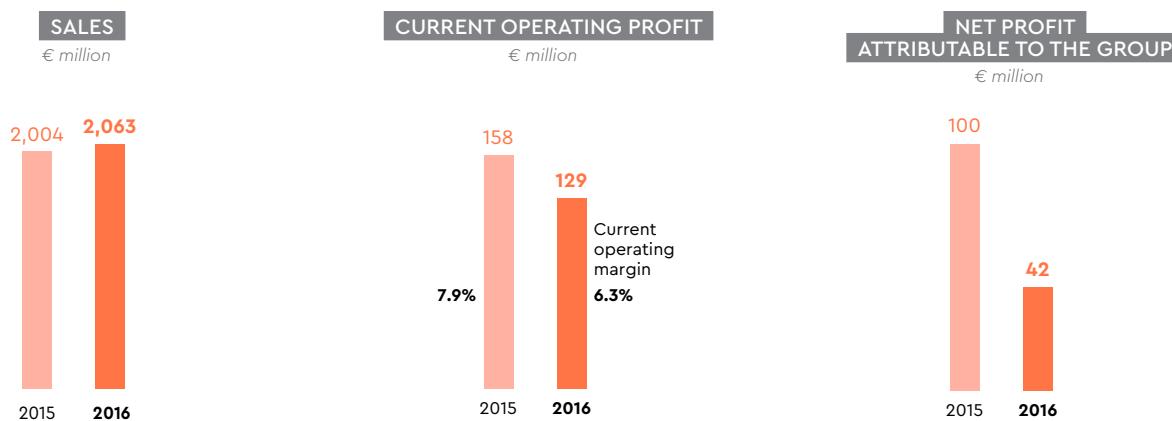
Sales in the roads activity in mainland France could rise slightly in 2017, since the market probably bottomed out in 2016. Colas will pursue the objectives set out in its plan, namely to extend its subsidiaries' range of activities, transform the group's organisation and operating methods and improve the operating margin. The international roads activity should grow, especially in North America and Central Europe. The railway activity should also do well in France. The initial benefits of infrastructure spending plans in the UK, Canada and the United States could begin to work through. In other specialised activities, sales are likely to rise in Networks activities as a result of a strong order book and in Waterproofing as the building market continues to recover. Road Safety and Signalling is the only segment where the market is still weak.

On the basis of these projections and available information, and excluding external growth, sales in 2017 are likely to be higher than in 2016. Colas also intends to continue to expand its international operations and has the necessary financial resources to fund such growth, whether organic or through acquisitions.

2.2 TF1, the leading private television group in France

The leading media group in France, TF1 has a mission to inform and entertain. It offers its audiences a variety of channels with distinctive and complementary content that can be viewed on all screens and on the move (TV, smartphones, etc.).

TF1 is pursuing its transformation by ramping up the roll-out of its multi-channel, multi-media and multi-business strategy and its expansion into production and digital media.



(a) Excluding non-current charges and sporting events.

(b) TF1, TMC, NT1, HD1.

(c) TF1, TMC, NT1, HD1, LCI.

(a) Source: Médiamétrie, annual average.

CONDENSED BALANCE SHEET

Assets

at 31 December, € million	2016	2015
Property, plant and equipment and intangible assets	411	295
Goodwill	561	433
Non-current financial assets and taxes	121	114
NON-CURRENT ASSETS	1,093	842
Current assets	1,703	1,669
Cash and cash equivalents	420	703
Financial instruments – Hedging of debt		
CURRENT ASSETS	2,123	2,372
Held-for-sale assets and operations		
TOTAL ASSETS	3,216	3,214

Liabilities and shareholders' equity

at 31 December, € million	2016	2015
Shareholders' equity attributable to the Group	1,494	1,742
Non-controlling interests	(1)	19
SHAREHOLDERS' EQUITY	1,493	1,761
Non-current debt	225	
Non-current provisions	54	51
Other non-current liabilities and taxes	43	12
NON-CURRENT LIABILITIES	322	63
Current debt	7	
Current liabilities	1,393	1,388
Overdrafts and short-term bank borrowings	1	2
Financial instruments – Hedging of debt		
CURRENT LIABILITIES	1,401	1,390
Liabilities related to held-for-sale operations		
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	3,216	3,214
NET SURPLUS CASH	187	701

CONDENSED INCOME STATEMENT

€ million	2016	2015
SALES	2,063	2,004
Net depreciation and amortisation expense	(178)	(57)
Net charges to provisions and impairment losses	(81)	12
Other income and expenses	(1,675)	(1,801)
CURRENT OPERATING PROFIT	129	158
Other operating income and expenses	(84)	(17)
OPERATING PROFIT	45	141
(Cost of net debt)/Income from net surplus cash	(1)	1
Other financial income and expenses	(4)	(3)
Income tax expense	(6)	(42)
Share of net profits/losses of joint-ventures and associates	10	6
NET PROFIT	44	103
Net profit attributable to non-controlling interests	2	3
NET PROFIT ATTRIBUTABLE TO THE GROUP	42	100

Key figures

at 31 December 2016

EMPLOYEES

3,107

SALES

€2,063m
(+3%)

CURRENT OPERATING PROFIT

€129m
(-18%)

CURRENT OPERATING MARGIN

6.3%
(-1.6 points)

2

Highlights

Governance

- Gilles Pélisson is appointed Chairman and CEO of TF1

Audiovisual production

- Acquisition of a majority stake in Newen, a major player in audiovisual production and distribution in France
- Agreement between TF1 and production companies, whereby the proportion of TF1's spend invested in content from "dependent" producers increases

Broadcasting

- LCI migrates to freeview DTT on 5 April 2016

Ratings

- 90 of the 100 best television audience ratings of 2016 scored by the TF1 channel (Médiamétrie)
- Screening of the Euro 2016 soccer tournament (up to 19.3 million viewers according to Médiamétrie)

2.2.1 Profile

TF1 broadcasts free and pay-TV content and is developing production and entertainment activities that are consistent with its core business. It is the leading private media group in freeview television in France, producing four complementary freeview TV channels – TF1, TMC, NT1, HD1 and LCI^a – that together claimed an average 27.4%^b audience share in 2016.

The group is strengthening this position by continuously adapting to new content consumption behaviour. TF1 has developed a powerful digital version of its television offering, proposing exclusive digital content and VOD offers to reach all viewer segments across all platforms.

In pay-TV, TF1 produces theme channels responding to the specific expectations of TV viewers: TV Breizh, Histoire, Ushuaïa TV and Serieclub.

Through this unique and powerful offering, TF1's advertising sales teams bring advertisers the possibility of combining the high ratings of its television channels with the advantages of personal digital media. The teams also sell advertising space for Les Indés Radios and a number of websites.

TF1 produces and distributes content not just intended for its own broadcasting but for the rest of the French and European market. In January 2016, TF1 acquired a 70% stake in Newen Studios, a major player in audiovisual production and distribution (see section 2.2.1.3), with a view to stepping up the roll-out of its production and distribution activities in Europe.

The TF1 group has also created a broad range of complementary activities in home shopping, licences, board games, music production and live shows.

Mindful of its social responsibilities, TF1 is committed to ongoing dialogue with all its stakeholders, the aim being to ensure transparency and continue improving the group's practices.

2.2.1.1 Development strategy and opportunities

Over the last few years, the competitive landscape has been marked by a number of often disruptive changes, including the arrival of global-sized competitors, concentration in the production sector, an increase in the number of freeview channels in France on digital terrestrial television (DTT), and the intermediation of a limited number

of advertising agencies. Furthermore, the television advertising market remained stable in 2016.

To improve its profitability, TF1 has accelerated the implementation of its multi-channel, multi-media and multi-business strategy and the transformation of the group.

Harnessing its long-standing strengths, TF1 is creating value by:

- **boosting the power of its leading flagship shows** so as to promote the value of the TF1 channel's advertising spots;
- **optimising the portfolio of freeview channels** by strengthening the identity of each one and the complementary fit between them, and by developing synergies and bi-media television-web offers.

At the same time, TF1 is simplifying its organisational structures and digitising its operating procedures to become more nimble and thus reduce costs.

Lastly, TF1 strives continuously to engage its stakeholders and raise their awareness regarding its environment and the issues facing the French audiovisual sector as a whole.

2.2.1.2 Strengths and assets

The global offering of the TF1 group gives it robust assets:

- **a unique position in the French audiovisual sector** through its five complementary freeview channels, including TF1, a leading brand in France;
 - **large audiences** spanning much of the population;
 - **powerful brands**, with many combinations of TV and digital media, ensuring optimum reach;
 - **unique exposure opportunities for advertisers** across all platforms;
- **high-potential partnerships** thanks to the European Media Alliance^c, of which it is a member, and with European broadcasters and producers via Newen Studios;
- **recognised expertise in the production, distribution and editorial treatment** of audiovisual content;
- **a strong capacity for innovation**, enabling it to cope with structural and cyclical market developments (see also section 1.1.4 of this document);
- **a robust financial structure** that gives TF1 the means to finance its growth and profitability ambitions.

(a) Following the decision of the CSA (French broadcasting authority) in December 2015, LCI joined TF1's freeview line-up on 5 April 2016.

(b) Source: Médiamat by Médiamétrie, consolidated ratings at 31 December 2016. Audience: individuals aged 4 and over.

(c) An initiative of ProSiebenSat.1, this is a media network comprised of several leading European broadcasters whose aim is to boost geographic reach and investment opportunities in the digital sphere.

2.2.1.3 Market position

Freeview TV and pay-TV

In a French DTT market comprising 27 freeview channels, the TF1 group airs, in addition to the leading channel TF1, a multi-channel offering with TMC, NT1, HD1 and LCI. It competes with state-owned channels, and private groups such as Métropole Télévision (M6, W9, 6Ter) and Canal+ group (Canal+, C8, Cstar).

The group remains the most powerful private player, with an audience share of 27.4%^a at 31 December 2016 compared with 14.1% for its main private-sector rival.

In the advertising market, the TF1 group also competes against the press, radio, web, billboard and cinema media. Advertising spend is highest in television. TF1 Publicité, the TF1 group's advertising sales agency, has extended its business activities to include radio and web.

Furthermore, the TF1 group is confronted with the arrival of global web players in the broadcasting sector. It is appealing to the authorities to introduce fair competition rules.

In pay-TV, the TF1 group markets the theme channels Ushuaïa TV, Histoire, TV Breizh and Serieclub to other operators.

Digital

The TF1 group has rolled out its MYTF1 digital brand across all media. Its catch-up TV (IPTV) is used by an average 10 million unique visitors^b a month. In October 2016, the TF1 group topped the one billion videos viewed mark^c. Also, MYTF1VOD is the VOD platform with the widest distribution^d in France.

The TF1 group boasts strong presence on social media, the aim being to develop a unique relationship with its TV viewers.

2

Production and entertainment

Boasting a long-standing presence in audiovisual content through the sales of rights catalogues, its video activity and the coproduction of films, TF1 strengthened its position in the audiovisual content production and distribution market in 2016 by acquiring a 70% stake in Newen. The latter delivered over 1,300 hours of programmes in 2016, ranking it as the number-one producer of drama and the number-three producer of light entertainment shows in France.

TF1 is also strongly positioned in connected markets (including music, games, home shopping and licences), enabling it to diversify its revenue streams.

2.2.2 Business activity in 2016

In 2016, amid a difficult economic and competitive environment, TF1 pursued its transformation by rolling out its multi-channel, multi-media and multi-business strategy and strengthened its position in freeview television with the migration of LCI to free-to-air, effective from 5 April 2016. It also ramped up its development in digital media and in the production and distribution of audiovisual content, through the acquisition of a majority stake in Newen.

2.2.2.1 Changing behaviour in a still fragmented market

Television continues to appeal to advertisers, even though the lack of momentum in the French economy prevented a substantial increase in the television advertising market.

Competition remained fierce in the television market. Boosted by the migration to high definition in April 2016 of almost all the high-definition DTT channels, the growing power of the six new HD DTT channels launched in December 2012 weighed on the audience share of some incumbent channels. The TF1 group confirmed its position as the leading private television group in France in 2016. Its audience

share remained unrivalled, at 27.4% of individuals aged 4 and over^a and 32.1% of women aged under 50 who are purchasing decision-makers^a. The TF1 TV channel remains the undisputed leader on the strength of its mainstream and event-driven programming, while the TF1 group's DTT channels all made progress on the "women aged under 50 who are purchasing decision-makers" target. LCI, the group's rolling news channel, rounded out the freeview offering in April 2016.

In other developments, technological advances and the resulting new uses are accelerating the growth of non-linear TV content consumption, which is increasingly multi-screen. That being so, the TF1 group continued to develop its digital presence in 2016. The MYTF1 site topped one million video views this year, and TF1 acquired a majority stake in MinuteBuzz, a leading entertainment media in France on social platforms with millennials, with nine million subscribers and two million video views in 2016. TF1 also shored up its position in content production by acquiring a 70% stake in the French production company Newen.

By rolling out its multi-channel, multi-media and multi-business strategy, TF1 stepped up its transformation to strengthen its positions in its markets, opening up new avenues of development for the coming years, particularly in production and digital media.

(a) Médiamat by Médiamétrie (consolidated 2016 average).

(b) Médiamétrie/NetRatings (2016 average over IPTV).

(c) Total for January to end-October 2016 for videos based on the programmes of the TF1 group's freeview channels. Sources: AT Internet – Médiamétrie eStat – Orange/Médiamétrie-Médiamat.

(d) VOD platforms declared used (CNC survey).

2.2.2.2 Key figures in 2016

Sales up 3%

TF1 posted consolidated sales of €2,063 million in 2016, up €59 million on 2015.

The overall figure comprises advertising sales of €1,530 million, down €24 million on 2015, and sales from other businesses of €533 million, up €82 million year-on-year.

Advertising sales for the TF1 group's five freeview channels fell 1.0% to €1,455 million owing to the absence of a substantial recovery in, the television advertising market. Furthermore, TF1's other advertising businesses were down €9 million as a result of the discontinuation of the print version of the Metronews freesheet and the non-renewal of the advertising contracts with beIN Sport and the Discovery group, offset in part by growth in digital advertising revenues.

The increase in sales for other businesses owed primarily to scope effects, including a positive effect stemming from the consolidation of Newen Studios on 1 January 2016 and a negative effect resulting from the deconsolidation of Eurosport France for €17.8 million on 31 March 2015 as well as the sales of sports rights relative to the Rugby World Cup in third-quarter 2015 for €13 million.

TF1 sales are made up of Broadcasting sales (€1,670 million, down €66 million) and Studios and Entertainment sales (€393 million, up €125 million). The fall in Broadcasting sales can be attributed to a slight decrease in advertising sales at its five freeview channels (€14.6 million), the end of LCI distribution revenues in 2016, no resale of sports rights and scope effects related to the deconsolidation of Eurosport France.

The increase in Studios and Entertainment sales is related to the consolidation of Newen Studios since 1 January 2016. The strong performance by TF1 Entertainment only partly offset the fall in business activity at Téléshopping.

In 2016, 97% of TF1 sales were generated in France, 2.5% in Europe (excluding France) and 0.5% in the rest of the world.

Current operating profit of €129 million

The cost of programmes for the group's five freeview channels, excluding non-current items and sporting events, came to €960 million in 2016 versus €929 million a year earlier for the four freeview channels. The screening costs for the Euro 2016 soccer matches on the group's channels came to €46.1 million (€36.9 million, net of replacement programmes).

In 2016, other current charges, depreciation and provisions rose by €36.6 million. This increase was mainly attributable to scope effects due to the inclusion of charges from Newen Studios, and the decline in charges related partly to the fall in charges at Metronews, following the discontinuation of its paper version, and partly to the deconsolidation of Eurosport France.

TF1's current operating profit totalled €129 million, compared with €158 million in 2015, which included a €34 million gain from the deconsolidation of Eurosport France in 2015. The operating margin fell 1.6 points to 6.3%, compared with 7.9% a year earlier.

At end-December 2016, operating profit stood at €45 million. The overall figure comprises €84 million in non-current charges, which included the following items:

- the impact of the decree of 27 April 2015 relative to co-production shares on the cost of French drama programmes;
- non-current charges stemming from TF1's transformation plan;
- amortisation charged against goodwill identified as part of the acquisition of Newen Studios;
- the operating loss at the LCI channel, which migrated to free-to-air on 5 April 2016.

The share of companies accounted for by the equity method increased €4 million, while income tax expense fell €36 million. Consequently, net profit fell €59 million year on year to €44 million.

Positive net cash position

At 31 December 2016, total shareholders' equity came to €1,493 million, for total assets of €3,216 million. The group's net surplus cash stood at €187 million.

2.2.2.3 Business review in 2016

The benchmark television offering in France

TF1 remained the leading private-sector television group in France in 2016. It did so despite fierce competition in the freeview television market, marked in particular by increasing viewer fragmentation and competition from new, broader digital offers.

The combined audience share of the TF1 group's five freeview channels came out at 27.4% of individuals aged 4 and over, down slightly by 0.3 points year on year. The group slightly increased its audience share of women aged under 50 who are purchasing decision-makers to 32.1% (up 0.1 points), and maintained its audience share of individuals aged 25–49 at 28.9%.

THE TF1 TV CHANNEL

The TF1 TV channel confirmed its leadership in 2016 through events-driven programming that continued to appeal to a wide range of viewers. According to Médiamat by Médiamétrie, the channel claimed 90 of the top 100 audience ratings in 2016 and scored several successes across all programme genres. Thirty-six of the top 100 spots (up four spots on 2015) were claimed by French drama, a category in which TF1 renewed its offer through new shows (*Sam, Le secret d'Elise, Bright-eyed Revenge, Munch*) and high-profile brands (*Section de recherches, Profilage*). Thanks to the Euro 2016 soccer tournament, the TF1 group was able to reach 19.3 million viewers^a during the semi-final match. The channel achieved a 20.4% audience share with individuals aged 4 and over, a 22.4% audience share with women aged under 50 who are purchasing decision-makers and a 20.6% audience share of people aged between 25 and 49.

(a) Médiamat 2016 by Médiamétrie (consolidated audience ratings at 31 December).

THE DTT CHANNELS

The TF1 group's DTT channels – TMC, NT1, HD1 and LCI – posted an excellent year, growing their audience share (+1.1 points) with women aged under 50 who are purchasing decision-makers to 9.7%, compared with 8.6% in 2015 (excluding LCI).

With a new visual identity and a new editorial line, illustrated in particular by the launch of the *Quotidien* show in September, TMC increased its audience share in 2016, scoring 3.8% with the women aged under 50 who are purchasing decision-makers target.

The audience shares of NT1 and HD1 also increased, to 3.5% and 2.3% respectively.

Lastly, the rolling news channel LCI's new editorial approach introduced on 29 August resulted in an audience share of 0.4% with individuals aged 4 and over in 2016.

Growth in the digital business

The digital business grew strongly in 2016 owing to an increase in interactivity and advertising sales on MYTF1. The MYTF1 platform on ADSL home gateways^a attracted a high of 10.7 million^b unique visitors on catch-up TV. Some 1.3 billion free videos were viewed, up 15% year on year.

For the first time, TF1 rolled out an innovative service that allows customers to purchase episodes of the French drama show *Bright-eyed Revenge* ahead of its television broadcast. More than 150,000 paid episodes (rentals and purchases) were viewed via VOD, showing TF1's ability to generate revenue from digital content.

A committed and responsible media group

The TF1 group's social responsibility policy and the quality of its reporting in that area are aimed at strengthening dialogue with stakeholders and the trust of the public (see also chapter 3 of this Registration document).

In 2016, TF1 campaigned on the topic of gender equality, notably by giving women experts a voice on news programmes and by developing gender equality at all levels of the company. TF1 also initiated an ambitious training programme on digital media that will concern the entire workforce over the next three years. TF1 is listed on the DJSI index with a Gold ranking, awarded to just three media companies worldwide. TF1 also figured for the first time in the Corporate Knights^c ranking of the top 100 most sustainable companies.

2.2.3 Outlook for 2017

2016 was a year of transformation, in which the TF1 group set new operational priorities and implemented a new organisational structure. In 2017, it will push ahead with a resolutely multi-channel, multi-media and multi-activity strategy, combining pulling power with targeted reach on each channel and developing growth areas in DTT, digital and production.

This strategy should help TF1 improve its profitability: it is targeting a double-digit current operating margin in 2019, with growth in non-advertising revenue for the five free-to-air channels expected to account for at least one-third of consolidated sales in that year.

TF1 will continue to apply a rigorous management approach, which from 2017 onwards will enable it to:

- limit the cost of programmes by optimising investment in content. This will involve an overhaul of the rights buying policy, increasing

in-house production, and developing content for digital devices. Over the next three years, this policy should enable the group to hold the average annual cost of programmes (excluding major sporting events) for the five free-to-air channels at €980 million;

- achieve €25 million to €30 million of recurrent savings (excluding cost of programmes) under the "Recover" plan;
- maintain its share of the advertising market by extracting maximum value from the premium inventories, and growing the DTT channels and digital content;
- take new initiatives in distribution so as to maximise the value of its services, both in France and internationally.

(a) Source: Médiamétrie-Médiamat/Catch-up TV via ISP boxes.

(b) Source: Médiamat IPTV Médiamétrie.

(c) Global top 100 of "the most sustainable corporations in the world" published on 18 January 2017 by the Canadian magazine Corporate Knights to coincide with the World Economic Forum in Davos.

2.3 Bouygues Telecom, an operator at the hub of its customers' digital lives

A major player in the French electronic communications market, Bouygues Telecom is committed to delivering the best possible digital experience for everyone by developing uses.

Bouygues Telecom's success is underpinned by the recognised quality of its mobile and fixed networks and attractively priced offers.



(a) Current operating profit plus net depreciation and amortisation expense plus net provisions and impairment losses minus reversals of unutilised provisions and impairment losses.

(b) EBITDA/sales from network.

CONDENSED BALANCE SHEET

Assets

at 31 December, € million	2016	2015
Property, plant and equipment and intangible assets	4,862	4,903
Goodwill	5	5
Non-current financial assets and taxes	10	38
NON-CURRENT ASSETS	4,877	4,946
Current assets	1,348	1,251
Cash and cash equivalents	23	19
Financial instruments – Hedging of debt		
CURRENT ASSETS	1,371	1,270
Held-for-sale assets and operations	121	
TOTAL ASSETS	6,369	6,216

Liabilities and shareholders' equity

at 31 December, € million	2016	2015
Shareholders' equity attributable to the Group	2,851	2,760
Non-controlling interests		
SHAREHOLDERS' EQUITY	2,851	2,760
Non-current debt	995	876
Non-current provisions	247	258
Other non-current liabilities and taxes	27	
NON-CURRENT LIABILITIES	1,269	1,134
Current debt	40	33
Current liabilities	2,209	2,289
Overdrafts and short-term bank borrowings		
Financial instruments – Hedging of debt		
CURRENT LIABILITIES	2,249	2,322
Liabilities related to held-for-sale operations		
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	6,369	6,216
NET DEBT	(1,012)	(890)

CONDENSED INCOME STATEMENT

€ million	2016	2015
SALES	4,761	4,505
Net depreciation and amortisation expense	(781)	(773)
Net charges to provisions and impairment losses	(1)	(2)
Other income and expenses	(3,830)	(3,741)
CURRENT OPERATING PROFIT/(LOSS)	149	(11)
Other operating income and expenses	20	(123)
OPERATING PROFIT/(LOSS)	169	(134)
Cost of net debt	(8)	(8)
Other financial income and expenses	(9)	(8)
Income tax charge	(60)	51
Share of net profits/losses of joint-ventures and associates		34
NET PROFIT/(LOSS)	92	(65)
Net profit attributable to non-controlling interests		
NET PROFIT/(LOSS) ATTRIBUTABLE TO THE GROUP	92	(65)

Key figures

at 31 December 2016

EMPLOYEES

7,334

SALES

€4,761m
(+6%)

EBITDA

€916m
(+22%)EBITDA MARGIN^a**23%**
(+3 points)

(a) EBITDA/sales from network.

2

Highlights

February

- Creation of Objenious, a subsidiary dedicated to the Internet of Things (IoT)

April

- Bouygues Telecom is the first operator to open a 700 MHz site. These frequencies that were acquired in November 2015 provide better network coverage inside buildings
- The Bbox Miami offer is enhanced with Android TV and many other services such as Netflix

June

- Bouygues Telecom celebrates its 20th birthday

September

- The operator breaks through the three-million fixed customer mark

October

- The 100,000 FTTH^a customer threshold is broken

December

- Bouygues Telecom is the first operator to open more than 10,000 active 4G sites

(a) Fibre To The Home.

2.3.1 Profile

Reflecting its tagline "We love technology", Bouygues Telecom has continually innovated since its founding to enhance the digital experience of its customers by offering solutions adapted to the many new ways people use mobile and fixed services:

- After inventing the mobile call plan in 1996, Bouygues Telecom launched the first unlimited call plans with Neo in 2006. In 2011, Bouygues Telecom also introduced B&YOU, the market's first SIM-only/Web-only service with no minimum term. Bouygues Telecom upgraded its infrastructure in 2011 and launched the first nationwide 4G network in France in 2013 to prepare for the explosion in mobile data demand and ensure a high-quality customer experience – a decisive factor in consumer choice.
- To make very-high-speed internet available to customers in areas with limited ADSL or Fibre-to-the-Home coverage, Bouygues Telecom began marketing a 4G home gateway in rural areas in January 2017. This innovative service benefits from the quality and performance of the operator's 4G mobile network.
- In order to become a convergent operator, Bouygues Telecom acquired its own fixed network in 2008. In 2009, Bouygues Telecom invented the market's first quadruple-play offer (fixed and mobile telephony, internet and television), branded "Tout-en-un ideo". In 2010 Bouygues Telecom launched Bbox Fibre, its first very-high-speed offering. To accelerate its growth in the fixed market, in 2014 Bouygues Telecom introduced ground-breaking pricing, launching a triple-play broadband offer for €19.99 per month. In 2015, Bouygues Telecom launched Bbox Miami, its first TV box in partnership with Google, available on both DSL broadband and very-high-speed FTTH networks.
- With the creation of its Objenious subsidiary in 2016 Bouygues Telecom ramped up its Internet of Things (IoT) activities, based on its Long Range (LoRa) network, which covered all of France at the end of 2016 with 4,000 antennas.

2.3.1.1 Market position

In a French mobile market that totalled 82 million SIM cards at end-2016, Bouygues Telecom was in third position with 13 million customers, behind Orange and SFR Group, but ahead of Free Mobile and the MVNOs^b. Bouygues Telecom had a 15.8% share of the mobile market at end-2016, 0.9 points higher than at end-2015.

In a French fixed broadband market^a with 27.7 million customers at end-2016, Bouygues Telecom ranked fourth with 3.1 million customers, behind Orange, Iliad and SFR Group. Bouygues Telecom had 11.2% of the French fixed broadband market at end-2016, 0.8 points more than at end-2015, and a 8.9% share of the very-high-speed market at end-2016.

Bouygues Telecom only operates in mainland France.

2.3.1.2 Development strategy and opportunities

Bouygues Telecom has positioned itself as the dependable operator that helps people take full advantage of digital technologies, with a three-pronged strategy.

Strengthen leadership in 4G to keep pace with the surge in mobile data usage

The excellent quality of Bouygues Telecom's nationwide 4G network provides the company with a lasting competitive edge that sets it apart in a fiercely competitive market. Bouygues Telecom thus continues to strengthen its leadership by continually improving the coverage and quality of service of its mobile network.

The operator is continuing to strengthen coverage in very dense areas with a programme to increase the number of sites by over 50% within four years to prepare for the introduction of 5G. It is also rolling out new sites in less dense areas thanks to the network sharing agreement with SFR Group.

At end-2016 Bouygues Telecom covered 85% of the French population and is targeting 92% coverage for 2017 and 99% coverage in 2018.

In addition, thanks to its wide range of frequency bands, which account for 25% of the spectrum available in France, Bouygues Telecom can accommodate customers' growing mobile data usage.

Pursuing growth in the fixed business to strengthen its position in households

In a bid to accelerate its growth in the fixed market, Bouygues Telecom has been marketing high-quality ADSL offers at very competitive prices since 2014. In 2015, Bouygues Telecom launched an attractively-priced FTTH offer to establish a presence in this market.

In order to increase the number of households eligible for these ground-breaking prices, Bouygues Telecom has stepped up the development of its directly-owned fixed infrastructure.

Developing Business and Corporate as well as Internet of Things^c (IoT) services

The business segment is a key avenue of growth for Bouygues Telecom. The Bouygues Telecom Entreprises customer base has risen considerably since the launch of the 4G network and the expansion of innovative fixed broadband products and services.

Bouygues Telecom also aims to support the development of the Internet of Things (IoT) by deploying a network based on LoRa technology through its subsidiary Objenious in order to market services to businesses.

(a) Most recent data published by Arcep (French telecommunications regulator). Scope: "Mainland France" for the mobile market. "Mainland France and French overseas departments" for fixed broadband (including very-high-speed). Very-high-speed subscriptions are those with a peak download speed of 30 Mbit/s or more (Arcep definition).

(b) Mobile Virtual Network Operators.

(c) The Internet of Things is a network that transmits data between connected devices via the Internet.

2.3.1.3 Strengths and assets

A customer base of 16.1 million

Bouygues Telecom had 13 million mobile customers at end-2016 and 3.1 million on the fixed broadband and very-high-speed market.

High-performance mobile and fixed networks acclaimed for their quality

Thanks to more than 16,600 sites Bouygues Telecom is able to offer its customers directly-owned coverage of 99% of the population with 2G, 98% of the population with 3G and 85% of the population with 4G.

Mobile internet connection surveys such as nPerf and 4Gmark underline the quality of Bouygues Telecom in the French market, both in terms of download speeds and overall user experience^a.

Furthermore, Bouygues Telecom markets its offers to all telephone lines eligible for ADSL, which include 17.4 million households via its own directly-owned network, as well as its FTTH offers on its own Fibre network, which had two million premises marketed^b and nine million premises secured^c at end-2016.

From 2017, the operator is ramping up the roll-out of its FTTH network with a target of 19 million premises secured in 2019, of which 12 million premises marketed. For 2022, the target is to have 20 million premises marketed. In addition to its directly-owned FTTH network, Bouygues Telecom can also use the SFR network to provide very-high-speed services to its customers.

Access to a wide frequency spectrum

At end-2016, Bouygues Telecom had access to frequencies in a number of different bands (700, 800, 900, 1800, 2100 and 2600 MHz).

Bouygues Telecom has invested around €2 billion in accessing regulated frequencies, thereby gaining a long-term competitive advantage to keep pace with the explosion in its customers' mobile data consumption. Thanks to this wide range of frequency bands and the technology underpinning its network infrastructure, Bouygues Telecom has been able to aggregate its various frequency bands to offer even faster speeds and improved quality of service.

Attractive mobile and fixed services

Bouygues Telecom simplified its range of mobile plans in 2014, offering B&You plans without a phone or minimum term, as well as Sensation plans with a phone and minimum term. This range of plans expanded in 2016 with higher data allowances and inclusive European roaming for its best customers.

Bouygues Telecom offers a competitive line of fixed services on ADSL, VDSL and fibre networks, all with superior quality. In 2016 the Bbox Miami offer was enhanced with Android TV.

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All-new distribution and support network for an enhanced customer experience

Bouygues Telecom provides all its customers with daily support through an excellent customer relations service that includes 3,500 customer and sales advisers, 523 Club Bouygues Telecom stores, a website, social media and on-line assistants.

2.3.2 Business activity in 2016

Bouygues Telecom successfully continued its aggressive strategy in the mobile and fixed segments in 2016 while pursuing an in-depth transformation. These efforts flowed through to solid commercial performance and improved financial results.

2.3.2.1 Business review

The French mobile^d and fixed broadband^e market

The French telecommunications market has experienced sweeping change for a number of years, impacted by several underlying trends. These trends were confirmed by events in 2016, notably:

- Increased competitive pressure in both the mobile and fixed segments, coupled with a surge in promotional offers;

- Growing appeal of very-high-speed fixed and mobile services as customers increasingly access video and content on demand at home and on the move;
- Customer handset purchase behaviour changed as SIM-only sales rose sharply and new ways of financing handset purchases emerged (pre-owned phone market, consumer loans, handset rental, etc.);
- Web-only sales gathered pace as sales at third-party distribution channels declined.

The French mobile phone market totalled 70.3 million SIM cards, excluding machine-to-machine^f SIM cards, and continued to expand in the fourth quarter of 2016, increasing by 1.3% compared with the fourth quarter of 2015. Growth was driven by the 3.4% rise in the number of plan customers. The prepaid market contracted by a further 9.3% compared with Q4 2015.

(a) Best 4G connection rate in 2016 according to nPerf survey, best 4G browsing (nPerf survey for Q1 2016, Q2 2016 and Q4 2016), best 4G download speed for YouTube video (nPerf survey for Q2 2016, Q3 2016 and Q4 2016) and first in terms of proportion of 4G tests (4GMark survey for Q1 2016, Q3 2016 and Q4 2016).

(b) Premises marketed: premises and building deployed and connected to the street cabinet.

(c) Premises secured: premises being deployed (or ordered) up to the street cabinet.

(d) Most recent data published by Arcep for mainland France.

(e) Includes fixed broadband and very-high-speed subscriptions. Most recent data published by Arcep.

(f) Machine-to-Machine: a technology that allows the exchange of data between devices fitted with a SIM card and an IT server.

Mobile Virtual Network Operators (MVNOs) accounted for 9.2% of the total mainland France subscriber base (including MtoM), which was steady year-on-year.

The number of fixed broadband and very-high-speed subscriptions reached 27.7 million in the fourth quarter of 2016, representing net growth of 842,000 subscriptions year-on-year (up 3.1%), driven by the sharp increase in very-high-speed subscriptions^a, which rose by 29%.

Bouygues Telecom's commercial results in the mobile market

MOBILE SERVICES

Bouygues Telecom enhanced its mobile products and services in 2016 to help customers develop their 4G internet usage. A total of 4.6 million customers saw their data allowances increased; to 5GB for Sensation and B&You 3GB customers, and to 20GB for customers already on 5GB plans. In addition, bonus services for customers on Sensation 5GB plans and above were enhanced with a weekend of unlimited free mobile internet so they could test and enjoy the full range of Bouygues Telecom's 4G services without constraint. Bouygues Telecom regularly ran promotional offers for its best customers. These included free roaming services in Europe in the summer of 2016 and weekends of unlimited internet or TV.

COMMERCIAL PERFORMANCE

Mobile customers

Bouygues Telecom's mobile customer base grew by 1.1 million customers in 2016 to 13.0 million customers, compared with an increase of 769,000 customers in 2015. Bouygues Telecom gained 591,000 more mobile plan customers excluding MtoM in the full-year 2016, totalling 10.7 million customers at end-2016. Bouygues Telecom gained 1.1 million mobile plan customers excluding MtoM between end-2014 and end-2016, thus achieving the objective it set at the Capital Markets Day in October 2015 one year early.

4G proves a success

At end-2016, Bouygues Telecom had 6.9 million active 4G customers^b, representing 65% of its mobile customer base excluding MtoM.

Since the launch of 4G, Bouygues Telecom's customers have developed new mobile internet use patterns. Retail mobile customers (excluding MtoM) consumed an average of 3.1GB of data per month in December 2016, compared with 1.5GB in December 2015, and active 4G customers consumed 4.2GB of data in December 2016 (consumption up 1.7x versus December 2015).

MVNOs

There were 3.1 million active^c MVNO customers on the Bouygues Telecom network at end-2016, 458,000 more than at end-2015. The increase was mainly due to the agreements concluded between Bouygues Telecom and Lebara Mobile, Lycamobile and EIT, MVNOs that target individuals looking for attractively-priced international calling.

Bouygues Telecom's commercial results in the fixed broadband market

FIXED BROADBAND SERVICES

Launched in 2014, the Bbox triple-play broadband offer – phone, internet and television at a very attractive price of €19.99 per month – continued to prove hugely popular with households.

In another technological breakthrough, Bouygues Telecom rolled out Bbox Miami in early 2015, combining the very best of TV and the web with a single interface. In April 2016, Bbox Miami was enhanced with Android TV, whilst remaining the most competitively priced on the market at €26.99 per month (plus a €3 monthly rental fee for the Bbox).

In January 2017, Bouygues Telecom rolled out a unique and innovative product for households in areas of France where internet connections are too slow. Thanks to its high-quality 4G mobile network, Bouygues Telecom is offering its 4G box, a very-high-speed internet service for the home, to 10 million eligible households in France's less densely populated areas.

RAMPING UP THE ROLL-OUT OF THE DIRECTLY-OWNED NETWORK

Bouygues Telecom stepped up the roll-out of its directly-owned fixed infrastructure – ADSL and FTTH – in order to provide services to as many households as possible at highly competitive prices and increase its share of the broadband and very-high-speed market.

- Bouygues Telecom's directly-owned ADSL network covered 17.4 million households at end-December 2016 via more than 1,900 central offices, compared with 1,500 at end-2015.
- In the very-high-speed market, Bouygues Telecom continued to roll out its directly-owned FTTH network, increasing the number of premises secured^d to nine million and the number of premises marketed to two million at end-December 2016. By 2019, the target is to increase the number of premises secured to 19 million, of which 12 million will be premises marketed. The company aims to market 20 million premises by 2022.

In 2013, Bouygues Telecom began to include VDSL2 in its fixed broadband offers at no extra cost, delivering theoretical download speeds of up to 100 Mbit/s. VDSL2 enables Bouygues Telecom to further expand its very-high-speed coverage in France.

COMMERCIAL PERFORMANCE

For the past three years, Bouygues Telecom has consistently performed well in the fixed broadband market, posting a 1.8-point increase in market share. Bouygues Telecom accounted for 37.2% of total net growth of the French fixed broadband market in 2016, attracting 313,000 new customers.

Bouygues Telecom had 3.1 million fixed broadband customers at end-December 2016, including 482,000 very-high-speed customers, representing 15.5% of its base. Bouygues Telecom's FTTH customers numbered 121,000, rising steadily since the market launch of the FTTH offer in mid-2015.

(a) Very-high-speed subscriptions are those with a peak download speed of 30 Mbit/s or more.

(b) Customers having used the 4G network during the last three months (Arcep definition).

(c) An estimate of the active MVNO customer base (customers who have carried out an outgoing operation during the last month).

(d) Being deployed (or ordered) up to the street cabinet.

Development of new growth opportunities

INTERNET OF THINGS (IOT)

Bouygues Telecom is a founding member of the LoRa Alliance, which includes more than 140 members from around the world. Already being rolled out by market leaders in many countries, Long Range (LoRa) technology is globally recognised as the most advanced technology for Internet of Things (IoT) applications. As announced, Bouygues Telecom had deployed a LoRa network that covered all of France by the end of 2016. Its subsidiary Objenious markets a catalogue of products and services aimed at businesses for a variety of uses such as the geolocation of things, predictive maintenance and energy monitoring.

BUSINESS AND CORPORATE SERVICES

Bouygues Telecom's business and corporate activity has developed into a particularly dynamic growth driver.

2016 was marked by commercial success on many fronts and Bouygues Telecom was ranked third in the corporate services market (SMEs and major accounts). Bouygues Telecom saw its mobile business customer base increase by 10% and its fixed business customer base grow by 19%. The 2016 BVA market survey ranked Bouygues Telecom Entreprises ahead of Orange Business Services and SFR Business for customer experience. Also in 2016, the company launched its Fibre-to-the-Home (FTTH) services and expanded its directly-owned Fibre-to-the-Office (FTTO) coverage.

Bouygues Telecom Entreprises has set the following priorities:

- stay close and attentive to its customers;
- become a major player in fixed broadband services using its directly-owned fibre infrastructure and alternative 4G connections;
- develop value-added services in voice (VoIP, UCaaS), data (VPNs) and managed services thanks to an extensive ecosystem of partners;
- make inroads in the network security market.

Bouygues Telecom Entreprises had more than 2.1 million fixed and mobile customers (from SMEs to large corporations, including 13 companies listed on the CAC 40) for its fixed and mobile services at end-2016.

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2.3.2.2 Financial results

For the second year in a row, Bouygues Telecom posted an increase in its sales and earnings, driven by a robust commercial performance. Bouygues Telecom reported sales of €4,761 million in 2016, 6% higher than in 2015.

Sales from network amounted to €4,055 million in 2016, up 6% versus 2015, driven by an increase in the number of customers and stabilisation of mobile ARPU^a at €22.70 per month in the fourth quarter of 2016.

EBITDA stood at €916 million in 2016, €164 million higher than in 2015. This increase was due to cost savings of €427 million in 2016 compared with 2013, as well as the increase in sales. The EBITDA margin reached 22.6%, compared with 19.7% in 2015, in line with the target of 25% for 2017.

Operating profit stood at €169 million, compared with a loss of €134 million in 2015, and included non-current income of €20 million. This figure includes non-current charges of €84 million related to the roll-out of network sharing with SFR and non-current income of €104 million attributable to the capital gain on the sale of 500 mobile towers to Cellnex.

Gross capital expenditure amounted to €992 million in 2016.

The main items were the roll-out of the 4G network, continued expansion of the 3G network, the roll-out of the fixed ADSL and FTTH network, and home gateways for new customers.

Bouygues Telecom's asset disposals totalled €190 million in 2016, of which €147 million for the sale of 500 mobile towers to Cellnex, thereby bringing net capital expenditure to €802 million.

Free cash flow^b was €3 million, €595 million higher than in 2015, when 700 MHz frequencies were acquired for €467 million. This increase was also due to higher EBITDA in 2016. Total net debt stood at €1,012 million at end-2016, compared with €890 million at end-2015.

2.3.3 Outlook for 2017

Bouygues Telecom confirmed its 25% EBITDA margin target for 2017 and set a new target of €300 million of free cash-flow^b in three years' time.

(a) Quarterly Average Revenue Per User (ARPU), adjusted on a monthly basis, excluding Machine-to-Machine SIM cards and free SIM cards.
 (b) Cash flow minus cost of net debt minus income tax expense minus net capital expenditure. It is calculated before changes in WCR.

2.4 Bouygues SA

As the parent company of an industrial group, Bouygues SA focuses mainly on the development of the Group's various business segments. It is the place where decisions are taken that determine the Group's activities and the allocation of its financial resources.

Key figures	
at 31 December 2016	
EMPLOYEES	165
SALES	€73m
OPERATING LOSS	€39m
NET PROFIT	€973m

2.4.1 Internal control – Risk management – Compliance

From its inception, the Bouygues group has made risk management one of the cornerstones of its corporate culture because its founder had a highly innovative vision of the construction business.

Today Bouygues SA, the Group's parent company, regards internal control, risk management and compliance as being among its core missions. Many actions have been taken in each of the five business segments over a number of years, on the parent company's initiative and under its supervision. They are organised around three strands: an Internal Control Reference Manual, self-assessment of the implementation of the core principles of this reference manual, and identification and monitoring of major risks.

In accordance with the Group's Code of Ethics, compliance is one of the key objectives of these three policies. In close cooperation with its business segments, Bouygues SA has drawn up compliance programmes relating to competition, anti-corruption, financial information and securities trading, and conflicts of interest. The programmes were approved by the Board of Directors in January 2014 and have been widely distributed around the Group. A fifth compliance programme, focusing on embargoes and export restrictions, is due to be rolled out within the Group in 2017.

A description of the Group's internal control and risk management system is given in the Report by the Chairman of the Board of Directors in chapter 5, section 5.2.2, of this document.

2.4.2 Management

Bouygues SA pays particular attention to management of the Group, taking steps to encourage dialogue and exchanges of experience between support structures and business segments, to motivate staff and to uphold a shared commitment to the Group's values. The main actions in this sphere in 2016 are described in chapter 3 "Human resources, environmental and social information" of this document.

2.4.3 Governance

On 30 August 2016, on a proposal from Chairman and CEO Martin Bouygues, Bouygues' Board of Directors unanimously appointed two new Deputy CEOs, Olivier Roussat and Philippe Marien. With Olivier Bouygues, a Deputy CEO since 2002, they now assist Martin

Bouygues with his duties as the Group's Chief Executive. Olivier Roussat continues to act as Chairman and CEO of Bouygues Telecom, and Philippe Marien as CFO and Senior Vice-President Human Resources, Information Systems and Innovation for the Group.

2.4.4 Employee share ownership

Bouygues has long been convinced that it is important to give employees a stake in the Group because they play a key role in its success. As a result, in 2016 Bouygues' Board of Directors approved a new capital increase reserved for employees. The leveraged operation, called Bouygues Confiance n°8, ended successfully on 28 December 2016 with 14,808 employees subscribing, who represented 22.1% of those eligible. Details of the operation are given in the Board of Directors' supplementary report and in the Auditors' supplementary report in chapter 6, section 6.2.2, of this document.

It again demonstrates the Group's proactive approach to employee share ownership, which is a core component of its culture and values.

At 31 December 2016, Group employees owned 20.2% of the share capital of Bouygues and held 26.0% of its voting rights, through a number of dedicated mutual funds.

Since 1995, two representatives of employee shareholders have had seats on Bouygues' Board of Directors.

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2.4.5 The shareholding in Alstom

On 28 January 2016, Alstom announced the results of its public share buy-back offer. Within the scope of this operation, Alstom repurchased 28.46 million Alstom shares held by Bouygues at a price of €35 per share, for a total amount of €996 million. Following the repurchase at the end of January 2016, the Bouygues group therefore held 62.1 million shares representing 28.3% of Alstom, compared with 29.2% at 31 December 2015.

On 22 June 2014, Bouygues concluded an agreement with the French government giving the latter an option to acquire up to 20% of Alstom's

capital from Bouygues under certain conditions. On 4 February 2016, under the terms of this agreement, Bouygues loaned the French government 20% of Alstom's capital and voting rights. On a proposal from Bouygues, Alstom's shareholders' meeting on 18 December 2015 also approved the appointment of Mr. Olivier Bourges, Group General Counsel, PSA, as a director recommended by the French government.

Further information is given in sections 2.5 and 6.1.3.2 of this document.

2.4.6 Services rendered to business segments

As well as being responsible for the overall management of the Group, Bouygues SA provides a range of general and expert services to the Group's business segments in areas such as finance, communication, sustainable development, patronage, new technologies, insurance, legal affairs and human resources. For that purpose, Bouygues SA and the main Group companies renew annual agreements under which each business segment can call on general and expert services as necessary.

The amounts invoiced for such services in 2016 are shown in section 2.4.7 "Financial flows" below and in the Auditors' report on regulated agreements in chapter 8, section 8.3.1, of this document.

2.4.7 Financial flows

FY 2015 dividends

In 2016, Bouygues SA received dividends for FY 2015 totalling €575 million from its subsidiaries as follows:

■ Bouygues Construction	€250m
■ Bouygues Immobilier	€77m
■ Colas	€172m
■ TF1	€73m
■ Other	€3m

Service agreement costs

In 2016, Bouygues SA invoiced its business segments the following amounts under service agreements:

■ Bouygues Construction	€16.4m
■ Bouygues Immobilier	€3.1m
■ Colas	€15.8m
■ TF1	€3.0m
■ Bouygues Telecom	€7.1m

Trademark licence agreements

In 2016, Bouygues SA received royalties under trademark licence agreements with the business segments that use the "Bouygues" trademark:

■ Bouygues Construction	€0.5m
■ Bouygues Immobilier	€0.25m
■ Bouygues Telecom	€0.7m

Flows of funds between the business segments

There are no significant flows of funds between the Group's business segments. Cash management is centralised within financial subsidiaries wholly owned by Bouygues SA. This arrangement ensures optimum management of financial expenses, since the surplus cash generated by certain subsidiaries can be used in addition to or in place of confirmed lines of credit granted by credit institutions to others. When investing surplus cash, Bouygues has always avoided speculative instruments such as securitisation vehicles and high-yield mutual funds.

FY 2016 interim dividends

In December 2016, Bouygues SA received interim dividends for FY 2016 totalling €534 million, of which €512 million was from the construction businesses:

■ Bouygues Construction	€250m
■ Bouygues Immobilier	€90m
■ Colas	€172m
■ Other	€22m

2.4.8 R&D – Human resources

See chapters 1 and 3 of this document.

2.4.9 Other activities

2.4.9.1 Bouygues Europe

Since April 2012 Bouygues Europe, a wholly-owned Belgian subsidiary of Bouygues SA, has represented the Bouygues group's interests within European institutions. Bouygues Europe works for both Bouygues SA and its subsidiaries, advising them and representing them in the European institutions as well as monitoring legislation and regulation on issues of key importance to Group companies. In order to guide its action, Bouygues Europe has set up an advisory committee comprising a representative from Bouygues SA and from each of the Group's five main business segments.

2.4.9.2 Bouygues Asia

Bouygues Asia KK, a wholly-owned subsidiary of Bouygues SA set up in Tokyo in December 2014, is tasked with keeping abreast of technological advances, organising field trips and identifying partners that could collaborate with either Bouygues SA or its business segments. Bouygues Asia's activity is consistent with the Bouygues group's determination to:

- identify new trends;
- promote innovation within the Group;
- support Group companies by creating and growing partnerships in Asia.

The activities of Bouygues Asia cover a very wide geographical area that includes Japan, South Korea, China and Taiwan. Bouygues Asia also offers its assistance and services to customers outside the Group, in particular French SMEs wishing to set up or develop further in Asia.

2.4.9.3 Bouygues Développement

In January 2015, Bouygues acquired the entire share capital of BTI Développement, an Open Innovation company owned by Bouygues Telecom, and renamed it Bouygues Développement. Serving all the Group's business segments, the company's main tasks are to:

- benchmark innovative start-ups working in fields identified by the business segments;
- set up investor pools;
- provide recommendations and advice on investment opportunities;
- coordinate networks of financial partners; and
- support the management of equity interests (governance, entrepreneur coaching, etc.).

2.5 Alstom, a global specialist in transport solutions

As a promoter of sustainable mobility, Alstom aims to be its customers' preferred partner for transport solutions.

Developing and marketing systems, equipment and services for the railway sector, Alstom offers the widest range of solutions on the market, from high-speed trains to metros and tramways, together with associated maintenance, modernisation, infrastructure and signalling solutions. Alstom is a world leader in integrated railway systems.



Based in France, Alstom operates in over 60 countries and has 31,000 employees. Bouygues held a 8.3% stake at 31 December 2016, plus 20% covered by the simple loan agreement with the French State (see also sections 1.4, 2.4.5 and 6.1.3.2 of this document).

2.5.1 Profile

2.5.1.1 Context

The railway market is growing steadily, driven by increasing urbanisation. The accessible annual global railway market for the period 2016–2018 is worth an estimated €110 billion. This figure is expected to rise to an annual average of €122 billion over the period 2019–2021, representing an annual average growth rate of 3.2%^a.

Operating in over 60 countries, offering a comprehensive range of solutions and constantly innovating, Alstom enjoys a leading position in trains, systems, services and signalling.

2.5.1.2 The preferred partner for transport solutions

Alstom's business is based on four activities: trains, systems (including infrastructure), services and signalling.

Trains

Alstom's range of trains spans the entire market from very high-speed trains to urban transport.

When it comes to improving the capacity, operating frequency and safety of their fleets while protecting the environment, operators can rely on Alstom's innovative and economically efficient urban solutions. From Citadis tramways, Citadis Dualis tram-trains and Metropolis metros to X'Trapolis suburban trains, Alstom works daily to meet the mobility challenge.

(a) Source: Union des Industries Ferroviaires Européennes/European Rail Industry Association – 2016.

One of Alstom's priorities is to help make rail competitive in comparison with air or road transport. Alstom champions regional mobility with its Coradia range and its Prima passenger locomotives. It is redrawing the very high-speed train map with the Coradia Liner V200 and its Avelia range comprising Pendolino, Euroduplex, AGV and Avelia Liberty, the latest addition. Alstom also supports the freight market with its Prima locomotives.

Systems

Alstom brings together all its cross-cutting know-how as a rail manufacturer to manage urban rail systems in their entirety, including trains, signalling, infrastructure and services.

INFRASTRUCTURE

Alstom offers a comprehensive range of sustainable solutions for tracklaying, electrification and the supply of electromechanical equipment for installation in stations and depots.

Alstom designs and installs innovative solutions for automated tracklaying with Appitrack, for improving energy efficiency with Hesop (a reversible power-supply substation), and for non-catenary power supply with solutions such as APS (ground-level power supply) and SRS (its latest ground-based static charging system).

INTEGRATED SYSTEMS

Operators often seek comprehensive solutions to their needs in order to tackle complex projects or better focus on their core business. That is what Alstom, the leading provider of integrated urban systems, offers its customers, whether on the urban transport or mainline market, ensuring optimised costs, faster delivery times and an optimal level of performance for all equipment.

Signalling

Alstom supports infrastructure operators and managers with the means to carry passengers and goods safely and seamlessly, thus optimising the efficiency of urban or mainline networks. It provides them with control and information systems and with onboard and trackside equipment. As well as traveller information and comfort, they guarantee operating efficiency and safety. Alstom also develops passenger safety solutions and network management control centres.

Services

Alstom works hand-in-hand with its customers, whether public or private rail operators, fleet administrators or maintenance specialists, by offering a range of customised services (maintenance, modernisation, parts and repairs, support services) for their trains, infrastructure and rail control systems.

The goal is to ensure safe, global and optimised management throughout service life.

2.5.1.3 Objectives and results

Alstom saw the first results of its 2020 strategy in 2016, enabling the company to confirm its objectives.

■ **Customer-focused organisation:** Alstom was awarded a number of major projects, underlining the confidence of its international customers. For example Expolink, an Alstom-led consortium with Acciona and Gulermak, won a contract from RTA (Roads and Transport Authority) to extend the Dubai metro system. Alstom will also provide the Italian operator NTV with four Pendolino high-speed trains and the related maintenance services.

Present in 60 countries, Alstom has adapted its organisation to strengthen its international coverage and better respond to the needs of customers at the local level;

■ **Complete range of solutions:** from the Rio de Janeiro tramway system to infrastructure projects in the UK and signalling projects in Canada, Alstom combines its skills to offer customers an array of expertise spanning all aspects of rail transport.

Systems, signalling and services activities are expected to generate 60% of Alstom's sales by 2020;

■ **Value creation through innovation:** Alstom proved its ability to offer increasingly innovative solutions, a source of competitiveness and differentiation, by winning a contract in the United States to supply new Avelia Liberty high-speed trains and by unveiling the Coradia iLint, powered by a hydrogen fuel cell.

Newly developed products will account for 30% of Alstom's order intake within the next three years.

■ **Operational and environmental excellence:** in a market that makes ever-greater demands in terms of competitiveness and sustainable solutions, Alstom has made operational and environmental excellence a priority. The new generation of Coradia regional trains, for example, will offer enhanced options for variable configuration at optimised cost. Italy and the Netherlands will be the first to benefit from them, having placed orders for 150 and 79 trains respectively.

■ **Diverse and entrepreneurial people:** Alstom encourages all types of diversity within its teams in areas such as gender and multiculturalism, and promotes a strong entrepreneurial spirit that gives all its employees a stake in the company's future.

2.5.2 Business activity

2.5.2.1 Commercial activity

FY 2015/16 results

Between 1 April 2015 and 31 March 2016 Alstom posted a record commercial performance with an order intake of €10.6 billion and an order book that stood at €30.4 billion. Sales over the same period amounted to €6.9 billion, an increase of 12% (up 7% like-for-like and at constant exchange rates). Adjusted operating profit^a came to €366 million, 23% higher than in the previous period, giving a margin of 5.3%. Net profit attributable to the Group amounted to €3.0 billion, boosted by the sale of the Energy activities to General Electric and after the impact of exceptional impairments, mostly in France. Alstom's balance sheet is very strong. Net debt fell sharply to €0.2 billion at 31 March 2016 from €3.1 billion a year earlier. Shareholders' equity at 31 March 2016 stood at €3.3 billion.

H1 2016/17 results

Alstom booked orders worth €6.2 billion between 1 April and 30 September 2016, taking the order book to a new record high of €33.6 billion. Sales over the same period rose 8% (7% like-for-like and at constant exchange rates) to €3.6 billion. Adjusted operating profit rose from €167 million to €200 million, representing an increase of 20% and a margin of 5.6%. Net profit attributable to the Group amounted to €128 million. Free cash flow in the first half of FY2016/17 was an exceptionally high €333 million.

9-month 2016/17 results

Order intake in the first nine months of 2016/17 (from 1 April to 31 December 2016) amounted to €7.2 billion compared with €6.3 billion over the same period of the previous year, an increase of 16%. Sales amounted to €5.2 billion, an increase of 6% (up 5% like-for-like and at constant exchange rates) in comparison with the first nine months of FY2015/16. The book-to-bill ratio remained at a high 1.4.

The order book at 31 December 2016 hit a new high of €33.8 billion, giving Alstom excellent visibility for future sales.

Acquisitions, partnerships and investments

April 2016:

- Alstom completed the acquisition of a 51% stake in CTLE (Commuter Transport & Locomotive Engineering), a South African company that specialises in modernising trains. The shares were acquired from CTE (Commuter Transport Engineering) and IDC (Industrial Development Corporation), which continue to be shareholders.

■ Nexans and Alstom concluded an agreement setting out new governance arrangements for Cablance, a 50/50 joint venture in Fez (Morocco). After a five-year partnership, Alstom acquired Nexans' shares in Cablance and became sole owner of the company.

■ Alstom, EMA (Entreprise Métro d'Alger), Ferrovial and SNTF (Société Nationale des Transports Ferroviaires) concluded a framework agreement to extend the activities of their joint-venture Cital^b to include the assembly and maintenance of regional and inter-city trains in addition to its current focus on Citadis trams.

The Alstom share price

Alstom's share price was €26.18 at 31 December 2016.

2.5.2.2 Highlights of the first nine months of FY2016/17

France

- First innovation partnership between Alstom and SNCF to create the next generation of high-speed trains.
- Order from the Greater Lyon metropolitan authority for 30 new-generation metro trainsets.

Europe

- Renewal of the signalling system on the Great Western Main Line in the UK.
- Two contracts for new-generation regional trains in Italy and the Netherlands.
- Four Pendolino high-speed trains and associated maintenance in Italy.
- 24 Coradia Continental regional trains for southern Germany.

Africa and Middle East

- Extension of the Dubai metro system by the Expolink consortium (Alstom, Acciona and Gulermak).
- A signalling and telecommunication system^c and infrastructure^d for the Cairo metro in Egypt.
- Delivery by Gibela, an Alstom joint venture in South Africa, to Prasa (Passenger Rail Agency of South Africa) of the first X'Trapolis Mega train.

(a) Operating profit adjusted for the following items: net restructuring and rationalisation costs; impairment of intangible assets and property, plant and equipment; gains, losses or remeasurements arising on divestment of securities or change of control; any non-recurring item such as costs incurred or write-downs of remeasured assets in connection with a business combination; and costs associated with legal proceedings outside the ordinary course of business.

(b) Alstom (49%), Ferrovial (41%) and EMA (10%).

(c) In a consortium with Thales, led by Alstom.

(d) In a consortium with Colas Rail, Orascom and Arabco.

Americas

- Entry into service of the Rio de Janeiro tramway system for the 2016 Olympic Games in Brazil.
- New Metropolis cars and trainsets for Line 1 of the Lima metro in Peru.
- 28 Avelia Liberty high-speed trains for Amtrak in the United States.
- Maintenance of the light rail transit system in Ottawa, Canada.
- Five-year maintenance contract for 219 freight locomotives in Mexico.

Innovation

- Unveiling of the new hydrogen-powered Coradia iLint regional train.
- Acquisition of Nomad Digital, the world's leading provider of connectivity solutions to the railway industry.

2.5.3 Outlook

The objectives defined in the 2020 strategy are confirmed.

Sales to 2020 are expected to post organic growth of 5% per year. The adjusted operating margin should reach around 7% in 2020, driven

by volume, the portfolio mix and the effects of operational excellence initiatives. From 2020, Alstom expects to convert more or less all its net income into free cash flow.

3

HUMAN RESOURCES, ENVIRONMENTAL AND SOCIAL INFORMATION

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3.1 The Bouygues group's Corporate Social Responsibility policy

Chapter 3 of this Registration Document contains the Bouygues group's key CSR indicators and related information. Further information is available by visiting the Group's corporate website at www.bouygues.com. In addition, CSR reports by the Group's business segments can be downloaded from their respective websites^a.

3.1.1 Group CSR policy

Delivering **high-performance, innovative solutions** for meeting sustainable development challenges is a major growth avenue for Bouygues. Corporate social responsibility, or CSR, at Bouygues also means **limiting and, wherever possible, reducing the negative impacts from its activities on the environment and society** by cushioning effects on ecosystems, better explaining its operations and taking the expectations of stakeholders into account.

Correspondingly, CSR is central to strategy at the Group, which is adapting business models so that customers can be offered sustainably designed and produced solutions that create value in alternative ways.

The best practices applied by each of the Bouygues group's business segments in the human resources, environmental and social spheres are more tangible proof of this strategy. All initiatives are implemented with the help of reliable indicators that are audited on a regular basis for purposes of compliance and continuous improvement.

Bouygues, in its business activities, also takes into account **United Nations Sustainable Development Goals (SDGs)** and pledges to attain as many of these goals as possible by:

- reducing the negative impacts from its business activities;
- increasing their positive effects, mainly through internally developed solutions as well as best practices.

Paying close attention to the impact of its activities on these issues, the Group focuses on SDGs linked to **urban environments, infrastructure, climate change and sustainable economic growth**, which dovetail with its core businesses. The priority SDGs pinpointed by Bouygues are as follows:



This chapter outlines some of the emblematic initiatives conducted by the Group and its business segments in the fulfilment of SDGs. Other examples can be consulted by visiting www.bouygues.com.

(a) www.bouygues-construction.com, www.bouygues-immobilier-corporate.com, www.colas.com, www.groupe-tf1.fr, www.corporate.bouyguestelecom.fr

The Bouygues group's second materiality assessment

In 2016, the Group conducted its second materiality assessment to update the ranking of its sustainable development challenges. It was carried out in three phases:

- **26 significant Group-wide challenges were identified** – (the Group's CSR challenges were mapped out) by reviewing a wide variety of documentation, from CSR guidelines and Group publications to benchmarks, questionnaires from extra-financial rating agencies and more;
- **these challenges were ranked**, after consulting internal and external stakeholders, in the form of a materiality matrix;
- **the results from the matrix were shared** with a panel of stakeholders with expertise in sustainable development, planning and innovation, to integrate their expectations more fully into the Group's thinking process on the future development of its business segments.

The six most relevant challenges identified by internal and external stakeholders are:

- safeguarding business ethics;
- minimising the environmental impact from business processes, operations, and purchased products and services;
- promoting the energy transition and limiting GHG emissions;
- upholding human rights in all aspects of decision-making;
- acting as an integrator and planner for sustainable land management;
- promoting useful and sustainable innovations.

The detailed findings of the assessment, including the methodology used, are available at www.bouygues.com under Sustainable development/Our policy.

The policies and action plans connected with these issues are detailed in this chapter.

3

3.1.2 CSR oversight

Within the Bouygues group, human resources, environmental and social matters are handled separately by each business segment because they are closest to their own operations.

Monitoring and overall coordination of initiatives is provided at parent-company level (Bouygues SA) by the Ethics, CSR and Patronage Committee, and by the Group Sustainable Development-Quality Safety Environment (QSE) department.

■ Set up in 2001, the Ethics, CSR and Patronage Committee meets several times annually to review these three themes on behalf of the Board of Directors. The committee is currently chaired by Anne-Marie Idrac. In 2016, it gave a favourable opinion on the launch or continuation of some 25 patronage initiatives of an educational, medical or humanitarian nature. It also oversaw the enactment of the four compliance programmes adopted in 2014 to define and develop the prevention of non-compliant practices in the spheres of competition, anti-corruption, financial information and securities trading, and conflicts of interest.

■ The Group Sustainable Development-Quality Safety Environment (QSE) department oversees general policy, in conjunction with support departments, and circulates information about best practices. Group-wide committees, seminars and conferences organised by this department are useful opportunities for developing practices able to meet sustainable development challenges. Olivier Bouygues, Deputy CEO of the Bouygues group, is responsible for Group-wide sustainable development initiatives.

Within the Bouygues group's five business segments, coordination of CSR themes is handled in conjunction with the Human Resources and Sustainable Development/Environment departments of the business segments themselves. At Bouygues Construction, these departments report to the Innovation and Sustainable Development department and, at Bouygues Immobilier, to the Communication, Marketing and Sustainable Development department. At Colas and TF1, they report to senior management and, at Bouygues Telecom, to the Innovation department.

Each business segment furthermore coordinates a network of liaison officers that, for example, sit on company-wide committees, such as Bouygues Construction's Sustainable Development committee, which comprises representatives from operating units and support services. Every two years, Colas holds awareness-raising seminars for its network of Environment officers in France and abroad. The event held in 2014 was marked by the launch of the EOCE programme, representing a solid network of environment liaison officers and aiming to forge cooperation and encourage the sharing of solutions, expertise and best practices. The first feedback from this initiative was provided in 2016.

On the ground, HR and QSE teams as well as the whole network of operational liaison officers from the Sustainable Development teams of each business segment, spearhead the Group's CSR policies, with a focus on keeping risks under control. Sales teams are also encouraged to factor in sustainable development solutions. At Bouygues Construction, for example, a module on sustainable construction is included in the Campus Commerce training course, and a network of sustainable-construction sales advisory staff has existed since 2013.

3.1.3 CSR reporting methodology

CSR reporting is one of the preferred ways in which the Bouygues group monitors and coordinates its CSR policies.

Just as roll-out of these policies and initiatives is itself delegated to the individual business segments, so that they can deal with the distinctive issues they face, the Group's reporting policy is built on **decentralisation and accountability** when being implemented by each business segment.

So that key Group-wide indicators can be published annually, Bouygues SA each year carries out three reporting campaigns amongst the five business segments on the human resources, environmental and social themes.

The first is managed by the Group Human Resources department while the other two are the responsibility of the Group Sustainable Development-Quality Safety Environment (QSE) department.

3.1.3.1 Selecting and defining indicators

Addressing statutory obligations of transparency, the Group's CSR indicators are used to **steer the policies implemented** by its business segments and **satisfy the expectations of external and internal stakeholders** (such as employees, shareholders and extra-financial rating agencies).

Bouygues is a diversified industrial group. Extra-financial indicators are chosen and defined by consensus between the various players involved in reporting through the work of several monitoring committees, whose task it is to identify the most relevant indicators and ensure reliable conditions for data collection. These committees take into account the diversity of the Group's operations.

A Group-wide committee dedicated to the Group's extra-financial reporting

Under the coordination of the Group Sustainable Development-QSE department, the Extra-Financial and CSR Reporting committee **reviews the annually reported data and manages any changes** affecting environmental and social indicators. Sustainable development officers from each business segment and a representative of the HRIS (Human Resources Information System) committee, with more specific responsibility for the human resources part, sit on this committee.

Specific Group committees for the human resources reporting

Two committees design and carry out human resources reporting within the Group:

- **The Human Resources Reporting Improvement committee**, made up of the experienced human resources managers from the parent company and the Group's business segments, determines reporting priorities (e.g. constructive labour relations and health & safety) and draws up a map of indicators likely to illustrate them, in keeping with the specific features of each business segment. It reviews each data collection exercise with a view to continuous improvement in terms of processes, reliability and relevance of the indicators.
- **The HRIS and Indicator Tracking committee** is made up of employee-management oversight staff. It precisely defines each indicator in terms of scope, computation formula, frequency, deadlines and so forth.

As these committees are decentralised, members communicate using ByLink Network, the Bouygues group's collaborative platform.

The Bouygues group's reporting protocol

To ensure the CSR reporting procedure and the qualitative and quantitative information published by the Group is both uniform and reliable, a reporting protocol covering the human resources, environmental and social components was compiled in 2013. It is updated annually in consultation with each business segment, and it incorporates the findings of the work carried out by the committees.

The protocol specifies the methodology to be used when collecting data for the indicators of the three components, namely definition, scope, units, computation formula and contributors. It is the handbook used by all participants in the Group reporting procedure. The specific procedures to be applied for each business segment are provided in the annexes of this handbook.

The Bouygues group reporting protocol is circulated in French and English to liaison officers in each business segment. It is also available on the Group's collaborative work platform (ByLink Network).

3.1.3.2 Data collection procedure for indicators

In compliance with the guidelines contained in the Group's reporting protocol, the collection, verification and consolidation of extra-financial indicators between Bouygues SA and each business segment are carried out using a reporting software package that includes a workflow process.

This software package, which ensures that indicators are reliable and that consolidation rules and definitions are respected, is updated annually to take into account changes to reporting.

3.1.3.3 Consolidation

Human resources reporting

CONSOLIDATION RULES

Human resource indicators are consolidated at Group level. The policy for consolidating data is as follows:

- fully consolidated companies are consolidated 100%;
- proportionately consolidated companies are consolidated 100% where the equity interest strictly exceeds 50%, otherwise they are excluded;
- companies accounted for by the equity method are not consolidated.

All employees of a company within the scope of consolidation are counted in the computation of HR indicators, including if they exercise their activity in a company not within the scope of HR reporting (e.g. in the context of a temporary job posting or secondment abroad).

The registered workforce comprises all persons bound by an employment contract to a company within the scope of consolidation or, if not, paid directly by such a company, unless there is a commercial contract (such as a services contract) between them.

The active workforce comprises all registered employees (see definition of registered workforce above) whose employment contract has not been suspended. The employment contracts of employees on the following type of leave are deemed to have been suspended:

- sabbatical leave;
- business creation leave;
- parental leave;
- training leave;
- conversion leave.

Lastly, there are two categories of employee: staff (supervisory, management and technical personnel) and workers (site works).

INDICATOR COVERAGE RATE

To take into account the various challenges faced by the business segments as well as local constraints, human resources reporting currently has four different types of scope:

- **Global**, which covers 100% of the workforce. In 2016, 43% of indicators had this scope.
- **France**, which covers 55.7% of the workforce. In 2016, 39% of indicators had this scope, corresponding – besides France itself – to French overseas territories (French Polynesia, Saint Barthélemy, Saint Martin, Saint-Pierre-et-Miquelon, and Wallis and Futuna) and French overseas departments (Guadeloupe, French Guiana, Martinique, Mayotte and Réunion Island). Clipperton Island, the French Southern and Antarctic Lands and New Caledonia are therefore excluded;
- **Non-France companies with more than 300 employees**, comprising 55 firms representing 38.7% of the Group headcount and 88% of the international workforce. In 2016, 7% of indicators had this scope.
- **France and non-France companies with more than 300 employees**, comprising 94.7% of the workforce. In 2016, 11% of indicators had this scope.

This breakdown testifies to a continuous broadening in the degree of coverage of HR indicators and is the result of a proactive approach by an inter-business segment working group. Decided upon in 2013 by the Bouygues group, the extension of HR reporting worldwide continues chiefly within Bouygues Construction and Colas via the roll-out of their HR Information Systems (HRIS).

CHANGES TO HUMAN RESOURCES REPORTING

Group HR reporting continues to improve through a rethinking of indicators and of their particular scope, as well as through the introduction of reporting systems that include HR data from internationally based firms.

Bouygues Construction continues to roll out its "Global HR" programme, which will ultimately provide a comprehensive view of pay reviews, appraisals and talent management (2017–2018).

Colas is rolling out a harmonised, secure information system encompassing HR and employment data. It will ultimately be accessible to managers and non-management employees alike. Roll-out of HRIS internationally, which began in 2016 with Europe and Africa, will continue during 2017.

Environmental and social reporting

CONSOLIDATION RULES

Two types of indicator make up the Group's environmental and social reporting:

- **indicators for which information is collated at Group level**, namely indicators that can apply to all the Group's business segments, for which all, or the majority of, business segments provide their own quantitative data;
- **indicators specific to a business segment**, which are indicators that apply solely to a business segment or to a line of business therein.

All environmental and social indicators are collected worldwide by business segments that have operations outside France. Some indicators do not cover or are not applicable to all the operations of a business segment. Where this occurs, the coverage scope of an indicator is shown as a percentage of total business-segment sales, or by specifying the organisational scope to which the indicator applies on a 100% basis.

Colas expresses coverage of several of its indicators as a percentage of sales before intercompany eliminations (i.e. sales with intragroup transfers and disposals added back). This figure factors in Colas' upstream activity (chiefly building materials), whereas vertical integration would result in more than 50% of materials production being eliminated.

The environmental impact of the Bouygues group's head office at 32 Avenue Hoche in Paris (0.15% of the Group headcount) is not included in the scope of consolidation (see section entitled "Bouygues group: main sites" in chapter 1).

Consolidation rules specific to Bouygues Construction

All subsidiaries of Bouygues Construction have to report environmental and social information. Companies that are fully consolidated and those in which the equity interest is 50% or more are consolidated on a 100% basis in the extra-financial reporting.

In 2016, the coverage rate of Bouygues Construction's reporting is 90%. The remaining 10% is due to the following exemptions:

- companies in which the equity interest is below 50%;
- companies accounted for by the equity method;
- companies that were acquired less than three years ago;
- companies subject to specific rules defined for certain entities, e.g.:
 - **Bouygues Bâtiment International**: structures where the headcount is less than 10 and/or without a production activity are not included in the extra-financial reporting;
 - **Bouygues Energies & Services**: structures whose sales are less than €10 million are not included in the extra-financial reporting, unless the sum of the sales figures of the excluded structures exceeds 5% of the total sales figure for Bouygues Energies & Services.

Furthermore, in the interests of consistency, the Concessions department is not included in the Sustainable Development reporting because it is not consolidated in the financial reporting either. Nonetheless, the liaison officers in this entity carry out reporting for the purpose of coordinating sustainable development initiatives internally.

Lastly, DTP (the group's earthworks business) was fully absorbed by Bouygues Travaux Publics in 2016. Consequently, the coverage rate has been calculated by taking an estimation from the business plan presented in early 2016.

Consolidation rules specific to Colas

Environmental and social indicators are calculated and consolidated by Colas on the basis of a larger scope relative to the financial scope of consolidation to reflect the extent of its risks and responsibilities.

It therefore includes:

- concerning materials production, companies owned alongside outside partners for which Colas does not always have control over environmental aspects (as, for example, is the case with sites in which Colas has a minority interest);
- materials production companies, even when their consolidated sales are lower than the threshold for financial consolidation (€2 million). The total volume of materials produced by these companies can be significant, even though their sales are often subject to a high rate of elimination (intragroup transfers or disposals) due to Colas' vertical integration.

Consolidation rules for environmental and social data are as follows:

- companies that are fully consolidated for financial purposes (level of control between 50% and 100%) are integrated and consolidated at a rate of 100%;
- companies that are proportionately consolidated for financial purposes are integrated in proportion to the level of control;
- companies accounted for by the equity method are integrated in proportion to the level of ownership.

Consolidation rules specific to Bouygues Immobilier

Environmental and social indicators cover the full scope of Bouygues Immobilier France and international activities.

In 2016, at Bouygues Immobilier, the reporting coverage rate as a proportion of sales is 95.6% when overseas subsidiaries (Belgium, Morocco and Poland) are excluded. This rate drops to 89.4% when the French subsidiaries (Loticis, Ossabois, Nextdoor, Patrignani, SLC and Urbis) are also excluded.

CHANGES TO GROUP CARBON REPORTING

To comply with the changes in carbon-reporting obligations arising from France's Energy Transition for Green Growth law, published in the Official Journal on 18 August 2015, the business segments of the Bouygues group are adapting their practices for measuring CO₂ emissions to take into account the concept of "significance" of the

reported emissions sources and the widening of the data-collection scope to the entire value chain.

The Group's five business segments have already pre-empted regulations by extending the sphere of Scope 3 to include the measurement of greenhouse gas emissions arising from subcontractors' goods and services. Bouygues Immobilier and Bouygues Telecom have also conducted comprehensive carbon audits that include emissions generated by the operation of completed property development projects or by the use of their products.

Various initiatives in 2017 will consist in:

- broadening the measurement of CO₂ emissions generated by the use of goods and services produced for the Group as a whole, where such sources are both significant and relevant;
- rebasing carbon reporting within the Group, for which data are currently collected by scope, on the concept of significant emissions sources. Carbon audits can then be analysed to identify the largest emissions sources along the entire life cycles of the Group's products and services in order to better target the priority actions to be implemented.

3.1.3.4 Reporting period

Human resources reporting

To ensure consistency and uniformity with other legal reporting obligations for human resource indicators (human resources audit report, comparative status report and training plan, etc.), data are collected and consolidated with reference to the period from 1 January 2016 to 31 December 2016.

Environmental and social reporting

Since 2013, the annual closing date for environmental and social indicators has been set at 30 September to allow for precise consolidation and analysis, given the time required for gathering and processing this type of data. Bouygues' 2016 reporting period for environmental and social indicators therefore ran from 1 October 2015 to 30 September 2016.

To ensure consistency and uniformity with other chapters in the Registration Document, the indicators shown in the introduction to 3.4 "Social information" are reported over a calendar year (1 January 2016 to 31 December 2016). The "Expenditure relating to patronage and sponsorship initiatives" indicator, which is part of this same presentation, is informed by social reporting and therefore has a non-standard year (1 October 2015 to 30 September 2016).

3.2 Human resources information

3.2.1 The workforce

3.2.1.1 General trend in the Group's workforce

"At Bouygues, people are our most important resource. Since their motivation and competence are key to our success and progress, the quality of human interaction is fundamental..." (Extract from the Group's Human Resources Charter)

The Bouygues group operates in nearly 90 countries. At 31 December 2016, it employed 117,997 people, spanning a wide range of business activities and expertise.

Headcount by region at 31 December 2016

Scope ^a : global	Holding company and other	Bouygues Construction	Bouygues Immobilier	Colas	TF1	Bouygues Telecom	2016 Group total	2015 Group total
France	337	20,153	1,948	33,217	3,068	7,331	66,054	67,436
Europe (excl. France)	19	8,038	99	9,021	39		17,216	17,057
Africa and Middle East	101	8,125	12	6,655			14,893	15,378
North America	1	933		4,630		3	5,567	5,476
Central/South America	51	509		594			1,154	1,038
Asia-Pacific	19	12,374		720			13,113	13,869
International	191	29,979	111	21,620	39	3	51,943	52,818
France + International	528^b	50,132	2,059	54,837	3,107	7,334	117,997	120,254

(a) Coverage: 100 % of the Group's headcount.

(b) O/w holding company: 165.

Indicators available at www.bouygues.com: Number of temporary and occasional workers as full-time equivalents (France), Headcount by type of contract (permanent and temporary - France), Headcount by job category (France).

Headcount in France and the International activities fell by 1.89%.

Personnel at **Bouygues Construction** was stable, edging up by 0.1%. The proportion of the non-French headcount did not change substantially, representing 60% of the total – in line with the fact that the highest share of sales is generated outside France.

In 2016, headcount at **Bouygues Immobilier** increased both in France and internationally, as a result of growth in the French residential property market and the company's diversification strategy (Loticis, Nextdoor etc.).

The global workforce at **Colas**, at 31 December 2016, was down 3.6% relative to 31 December 2015, consistent with the drop in business activity. In France, where the market was challenging, the workforce was down 2.6%:

- -3% at the road construction subsidiaries in mainland France (69.8% of the workforce), which have been forced to adapt to a decline in activity and margins for several years;
- -2.8% in the French overseas departments;
- -1.8% at the Specialised activities subsidiaries, due in particular to lower sales from water and energy distribution, waterproofing, and road safety and signalling.

Outside France, the decline was 5.24%, featuring most notably:

- Asia/Pacific (720 employees): -50.3%. The consolidation scope changed considerably as a result of the disposals of bitumen storage and sale companies in Thailand, Indonesia and Vietnam.
- in South America (594 employees): +53%, as the contract for a work package on the Santiago metro (Chile) ramped up.

Headcount at **TF1** increased upon consolidation of the Newen group (368 employees).

The workforce at **Bouygues Telecom** decreased as a result of the reduced need for seasonal employment and the end of the voluntary redundancy plan.

Workforce by gender

Scope ^a : global	Holding company and other	Bouygues Construction	Bouygues Immobilier	Colas	TF1	Bouygues Telecom	2016 Group total	2015 Group total ^b
Women	24.8%	19.4%	46.5%	10.1%	50.2%	42.2%	17.8%	17.5%
Men	75.2%	80.6%	53.5%	89.9%	49.8%	57.8%	82.2%	82.5%

(a) Coverage: 100% of the Group's headcount.

(b) New indicator introduced in 2016 with the 2015 figures restated.

The proportion of women working for **Bouygues Construction** and **Colas** increased in 2016. The Group's other business segments maintained relatively equal numbers between women and men.

Workforce by age range

Scope ^a : global	Holding company and other	Bouygues Construction	Bouygues Immobilier	Colas	TF1	Bouygues Telecom	2016 Group total	2015 Group total ^b
Under 25	3.0%	7.1%	10.8%	5.3%	6.6%	7.2%	6.3%	5.4%
25-34	24.4%	29.8%	30.9%	22.5%	22.9%	36.8%	26.7%	27.0%
35-44	32.2%	28.8 %	31.6%	27.3%	30.3%	38.3%	28.8%	28.6%
45-54	25.4%	23.6%	19.6%	29.7%	29.6%	15.3%	26.0%	27.3%
55 and over	15.0%	10.7%	7.1%	15.2%	10.6%	2.4%	12.2%	11.7%

(a) Coverage: 99.4 % of the Group's headcount.

(b) In 2015, this indicator was only calculated for France.

Indicators available at www.bouygues.com: Average age and seniority (France).

In 2016, the scope of this indicator was broadened to include international operations so that age distribution could be monitored on a Group level. Comparison with 2015 is not meaningful but the indicator will be reproduced next year.

3.2.1.2 Recruitment policy

Promoting the recruitment of new employees is a key issue for the Group, enabling it to support business growth, integrate tomorrow's talents and foster innovation in partnership with the academic world. As a result, the Bouygues group's business segments are active young graduate recruiters.

Preparing for future intake

A premium higher-education partnership was signed with Centrale/Supélec to forge a special bond with students and offer them career opportunities in the Group's various activities. A strong relationship also exists with ESTP, specifically through the sponsorship of two graduating classes by Colas (2018) and Bouygues Construction (2019), respectively, and in the form of a partnership with Bouygues Immobilier.

The aim of this sponsoring is to forge ties with students right from the first year by promoting the Group's brand and the opportunities on offer at its companies. This, in turn, will prepare a strong pool of interns and graduates for the future. Sponsorship initiatives generally last three years. During this time, regular events are held and students can avail themselves of an individual coaching programme to support them with their career goals.

The internship policy operated by Group companies in conjunction with universities and other higher-education institutions gives students and graduates access to a vast learning experience as well as to hiring

opportunities. Four business segments of the Bouygues group have been recognised by France's "Happy Trainees" ranking, which highlights those companies most preferred by interns: Colas came 2nd, Bouygues Telecom 7th, Bouygues Construction 8th and Bouygues Immobilier 10th.

Developing digital communications for attracting talent

To support recruitment policy and attract future talent, the Group's business segments are developing action plans using digital communication channels (social media and job boards) and scouting operations at the grass roots level by attending higher-education fairs and forums and, as far as possible, endeavouring to develop joint representation on behalf of all business segments.

Providing access to all job offers through the www.bouygues.com web site promotes equal opportunities and highlights the wealth of opportunities on offer at the Group in its various operations, both inside and outside France. More than 1,300 offers are available on the website, divided into 26 different professions.

The Careers section on Bouygues Construction's website leads visitors on a comprehensive tour of its activities and sites. During 2016, 315,000 visits were recorded; almost 42% of external applications were received directly as a result of this website.

Forums are also stepping into the digital world by providing tablets for use during events at selected educational institutions, thanks to which students can consult internship and job offers and even submit

applications on the spot. HR and operating-unit employees are also on hand to talk with potential applicants.

The Bouygues Construction forum, held on 3 November 2016, was redesigned and featured 30-minute job-dating sessions, held alongside the main forum. Young people were preselected before the event by the HR and business-line employees in attendance using pre-recorded video interviews. Altogether, of the 83 final interviews conducted, 25 aspiring applicants received an internship offer.

In 2016, Bouygues Immobilier held a forum at its main locations on the same day, as a way of presenting its business activities and promoting diversity in intake.

Colas uses social media in addition to Hub Carrière Colas (www.hubcarrierecolas.com), its careers platform, and the "Join us" part of its main website. In late 2016, an innovative system enabling individuals to submit unsolicited applications in the form of videos was launched on Hub Carrière Colas.

TF1 rolled out its new employer brand, "TF1 Carrières positives", part of its strategy for digitising its HR procedures.

Lastly, Bouygues Telecom launched its new employer brand in keeping with its new identity and its corporate message. Since late 2016, this has taken the form of a new careers portal, accessible on every kind of mobile device, supplemented by an active digital communication campaign on social networks. HR employees have been trained in recruitment and profile searches using digital technology such as social networks and other more novel applications, e.g. the short-listing of applicants using pre-recorded videos and live interviews, and interactive tablet-based apps at recruitment forums.

Strengthening higher-education partnerships outside France

With the aim of encouraging career ambitions around the globe, the INTERNational Programme, launched in late 2015 by Bouygues Construction, attracted a total of 307 applications from university students in France and further afield. Twelve (half of which were women) were selected in February 2016 for standard and international business internships in seven locations including the UK, Hong Kong, Australia, Qatar and Shanghai. Of the three intakes of the INTERNational Programme to date, 82% of the chosen applicants were still working in the Bouygues group, in the form of standard internships, permanent contracts or international business internships.

In Australia, the local subsidiary of Bouygues Travaux Publics strengthened ties with nearby universities through its partnership with the University of Technology Sydney (UTS). The firm offers a scholarship programme to undergraduate engineers that involves an internship offer, with the possibility of a job offer upon completion of their studies. Bouygues Construction Australia also renewed its partnership with UNSW (University of New South Wales) and now offers a scholarship programme aimed at young female engineers to raise awareness about the different types of jobs available and encourage them to consider a career in the construction industry.

Dragages Singapore kept up relations with selected universities such as the National University of Singapore and the Nanyang Technological University of Singapore through participation in forums and networking sessions that included worksite visits. In Cuba, Bouygues Bâtiment International presented its subsidiary in a vocational high school, followed by a job-dating exercise with all the students, leading to the recruitment of 50 site workers.

3.2.1.3 Recruitment and departures

External recruitment by job category

Scope ^a : global	Holding company and other	Bouygues Construction	Bouygues Immobilier	Colas	TF1	Bouygues Telecom	2016 Group total	2015 Group total ^b
France	70	2,197	510	2,917	530	1,249	7,473	3,952
Managerial	49	1,111	244	430	313	292	2,439	1,253
Clerical, technical & supervisory	21	769	213	646	217	957	2,823	1,233
Site workers		317	53	1,841			2,211	1,466
International		11,942	30	12,910	7		24,889	26,582
Staff ^c		3,145	30	2,233	7		5,415	5,701
Workers ^d		8,797		10,677			19,474	20,881
France + International	70	14,139	540	15,827	537	1,249	32,362	30,534

(a) Coverage: 99.7% of the Group's headcount.

(b) France recruitment data for 2015 included only permanent contracts.

(c) Supervisory, managerial and technical personnel.

(d) Site workers.

Indicator available at www.bouygues.com: Internships during the year (France).

For France, the method for calculating recruitment intake has changed to include both permanent and fixed-term contracts (in contrast to previous years, when only permanent contracts were counted).

The overall recruitment trend at **Bouygues Construction** was driven upwards by higher business volumes in France. In international markets, which account for over half of sales, intake was flat.

Hiring levels for the **Colas** group remained high (+29.7% in France) but was down 10.4% outside France.

In France, the rise in new hires (+30%) reflected stronger confidence in near-term growth in the road construction market (the workforce at end-2015 had reached a record low):

- +112% at the road construction subsidiaries in mainland France (from 444 to 940 hires);
- +20% at the Specialised activities subsidiaries (from 829 to 998 hires).

In contrast, permanent and seasonal hires outside France fell 10.4% in 2016. In North America, Africa and Asia, hiring levels of workers reflect the seasonal nature of business activities.

Bouygues Immobilier's decision to diversify (with ventures such as Nextdoor) and expand outside France led to higher intake.

Number of departures

Scope ^a : global	Holding company and other	Bouygues Construction	Bouygues Immobilier	Colas	TF1	Bouygues Telecom	2016 Group total	2015 Group total ^b
Number of departures (all types of contract)	61	14,438	394	17,185	759	1,851	34,688	28,995^a

(a) Coverage: 99.7% of the Group's headcount.

(b) In 2015, the number of departures covered only the international scope.

Indicators available at www.bouygues.com: Reason for departure (France), Staff turnover (France).

Scope ^a : global	Holding company and other	Bouygues Construction	Bouygues Immobilier	Colas	TF1	Bouygues Telecom	2016 Group total	2015 Group total
Number of dismissals (permanent employees)	9	824	50	1,530	135	351	2,899	3,451

(a) Coverage: 55.7% of the Group's headcount.

In 2016, the way of calculating departures changed to cover the entire Group. Hiring levels were slightly lower than the number of departures, much of which were due to the termination of contracts restricted to the duration of a worksite.

At **Bouygues Construction** and **Colas**, the number of dismissals dropped by approximately 20%.

The rise in dismissals at **TF1** was mainly due to the redundancy plan at subsidiary Metronews.

3.2.1.4 Group compensation policy

The Bouygues group's compensation policy aims to reward professional conduct and the potential of each employee, as well as individual and team performance.

Comprehensive compensation

A comprehensive system of compensation applies to all employees worldwide, comprising a basic salary and variable bonus payments (determined by country and occupation). These arrangements may be supplemented by other employee benefits such as occupational pensions as well as health and personal-risk insurance.

In France, 97% of all employees are covered by compulsory or voluntary profit-sharing arrangements in various Group entities. Additionally, employee-savings incentives (e.g. company savings and collective retirement savings schemes) are regularly supplemented by capital increases reserved for employees, such as the Bouygues Confiance n°8 operation in 2016. In 2016, the employer contribution to the company savings scheme was increased, with the maximum employer grant rising from €3,360 to €4,080.

Last year also, communication on employee savings schemes went digital in the form of video clips on the collective retirement savings scheme and the Bouygues Confiance n°8 operation. An interactive brochure covering all employee savings arrangements available in France was made available to employees on the Group's intranet.

Internationally, company savings arrangements similar to the French system are available in some countries. In the UK, Bouygues Construction offers ShareBY and Colas offers the "Colas UK Share Incentive Plan". Arrangements in Switzerland and Hong Kong have met with huge success for several years.

The Group also strives to reward professional conduct and mindset among its best site workers through the Minorange Guild. A similar system is in place at Bouygues Telecom, where it is called the Customer Advisors Club. Bouygues Construction and Colas have 16 such site worker guilds, active in the Group's main locations.

Compensation policies adapted to each profile and geographical area

10 REDUCED INEQUALITIES



At Bouygues Construction, wages in non-French operations can be revised as much as three times per year. Some countries experienced different developments depending on the national economic context (in Sub-Saharan Africa, pay rises budgeted at 3-5% of payroll versus 1.0-1.5% in Switzerland), whether a market was growing strongly (increases of 2-3% in Canada, Hong Kong and Australia) and whether local labour was in short supply (2-3% in the UK).

Compensation policy also relies on a People & Talent Review, redesigned in 2015, which covers nearly 10,000 employees who are at manager level or higher. This process is used to enhance the talent pool and develop personalised career plans, with close to 2,000 employees monitored by French and non-French subsidiaries (chiefly in Europe and Asia). One of the strong points of this process is that it fosters the career paths of more people from the non-French operations, amongst which many women.

For example, approximately 100 locally hired female employees of Bouygues Bâtiment International have been identified and are being monitored in this way, representing close to 25% of the entity's key people. These women are also part of World Club, a talent-management network structured by region (Africa-Middle East, Europe and Asia-Americas), which provides scope to dialogue, share experiences and work together on strategic corporate challenges.

Global HR, a new platform that started to be rolled out in 2016, is able to manage three HR procedures on a single system for both French and international operations: compensation, annual appraisals and talent management. Hong Kong, Singapore, Australia and Morocco have been the first countries to use it, for annual appraisals and pay reviews. The aim is that Global HR will be up and running in all international sites by the end of 2018.

Colas also pays special attention to compensation policy in its international operations. It is determined at the local level, in line with the group's annual guidelines and business conditions. In each country,

compensation policy is consistent with market standards, based on compensation surveys (e.g. US and Europe) and on the terms of both collective bargaining agreements and negotiations with trade unions and employee representatives.

Personal feedback report on pay components – positioning in line with industry pay surveys

Bouygues Immobilier has pledged to provide each employee every year with a personalised document summarising all the types of compensation that they receive.

Keen to observe other firms and ensure its ongoing competitiveness in the market, Bouygues Immobilier participates in annual pay surveys and, wherever necessary, adapts its practices. For example, since 2016, Bouygues Immobilier has offered personalised company-car arrangements, whereby those employees entitled to this benefit may choose between a company vehicle or the payment of a gross monthly allowance in the form of travel credit.

Since 2007, Bouygues Telecom has provided its employees with a record of total compensation, which for each employee summarises all pay sources (both direct and indirect) and other benefits offered by Bouygues Telecom or the Group. This includes a thirteen month's salary, a holiday bonus and employer contributions to company savings and collective retirement savings schemes, as well as time savings accounts, personal-risk and supplementary health insurance, and childcare assistance.

A Compensation & Benefits service has been set up at TF1 so that HR can better align compensation policy with corporate strategy and pay with performance.

In addition, pay surveys were carried out with the help of an outside consultancy, to situate pay packages at TF1 in comparison to the rest of the industry as a whole and, where necessary, make changes.

Using these benchmarks has led to the introduction of compensation management tools such as salary scales and hiring matrices, as well as measures for targeting potentially disadvantaged groups.

3.2.1.5 Salary trends in France

Average annual gross salary in France by job category and trend^a

Scope ^b : France €	Holding company and other	Bouygues Construction	Bouygues Immobilier ^c	Colas	TF1 ^d	Bouygues Telecom ^e
Managerial	79,001	58,414	65,123	61,446	72,861	60,645
Change vs. 2015 ^f	-3.8%	0.5% ^g	2.4%	0.3%	2.7%	1.1%
Clerical, technical & supervisory	34,784	32,229	30,457	36,245	41,233	26,877
Change vs. 2015 ^f	6.0%	0.2%	2.6%	0.9%	1.9%	2.2%
Site workers		27,541	18,940	26,160		
Change vs. 2015 ^f		0.8%	-2.0%	1.1%		

(a) Permanent staff.

(b) Coverage: 55.7% of the Group's headcount.

(c) Excluding sales staff.

(d) Including journalists.

(e) Including customer relations advisers.

(f) Change calculated on the basis of average wages in the previous year.

(g) The average wage in 2015 has been recalculated to exclude expatriates governed by French law, in accordance with the 2016 definition.

Indicators available at www.bouygues.com: Total gross contribution by employer to the company savings scheme (France), Total gross contribution by employer to the collective retirement savings scheme (France), Total amount of profit-sharing (paid in 2016 in respect of 2015) and Percentage of employees promoted (France).

(see comments on page 84)

3

Despite very low inflation and mediocre economic conditions in France, the wages of employees at **Bouygues Construction**, revised annually at the start of each year, rose by 1.7% in 2016, which was higher than in 2015. Amid wage restraint, particular attention was paid to those in the lowest ten percent, many of whom were beginning their careers.

Supplementing its wage policy, Bouygues Construction also places special importance on internal promotion. In France, 2,300 employees, or over 10% of the workforce, received a promotion in 2016.

In a challenging domestic market with inflation at 0.2% in 2016, payroll costs at **Colas France** were deliberately kept under control.

Benefits granted to employees

€ million	2016	2015	2014
Net profit	784	480	1,064
Cost of employee benefits excluding dividends	175	150	153
Profit before costs associated with employee benefits	959	630	1,217
Cost of employee benefits including dividends	(248)	(237)	(242)
Dividends payable to non-employee shareholders for the year	(535)	(567)	(652)
APPROPRIATION TO RESERVES	176	(174)	323

Profit paid out as Group employee benefits and related costs takes into account profit-sharing, employer contributions to company savings and collective retirement savings schemes, expenses under IFRS on Bouygues Confiance employee share ownership schemes and stock options, as well as dividends paid on employee-owned shares.

The net residual balance of 2016 profits after employee benefits and distribution to non-employee shareholders represents an amount of €176 million, which was allocated to reserves

3.2.2 The workplace

Worktime organisation varies by local business context and the type of legal arrangements in force, which may be different in each country.

Decisions take into account the demands of customer satisfaction and the maintenance of a healthy work/life balance.

Monitoring of and changes to worktime in the business segments

At Bouygues Construction's French operations, clocking-in procedures and timesheets were revised in 2016 for the purposes of modernisation and harmonisation. For clerical, technical and supervisory staff, as well as managerial staff, absences are henceforth managed on a case-by-case basis with the line manager, who is given a central role in the process. For site workers, a single portal is used for all worksites in France. These new interfaces make it easier to keep track of employees' worktime. The aim is to have a common interface for all entities by the end of 2017.

In France, Colas prefers to apply annualisation and a fixed number of days worked.

Annualisation, combined with the worktime modulation plan applying to site workers and some clerical, technical and supervisory staff, means that work can be organised according to seasonality, while overtime can be rewarded.

In the Specialised activities like Railways and Road signalling, where safety requires that work be carried out at night, specific procedures are used for the organisation of worktime.

The method of a fixed number of days worked, which applies to managers, is being extended to some clerical, technical and supervisory employees.

The tool used to manage worktime and time off for employees whose worktime is counted in days keeps track of days worked, rest days and leave days on a monthly basis. It is also designed to facilitate ongoing dialogue between managers and employees about their workloads and work/life balance, based on a monthly schedule determined by the timesheets. This schedule must be approved by both employees working on a fixed-day basis and their managers.

Outside France, the seasonal nature of business impacts workplace organisation. In North America, for example, projects are mainly carried out between spring and autumn, with seasonal employees rehired from one year to the next. In Europe, worktime is calculated on an annual basis in Hungary, Slovakia and Romania. In Africa, the fact that roadwork projects often take place at remote sites requires a specific type of organisation, based for example on four consecutive rest days at the end of the month and a six-day working week.

Bouygues Telecom has made changes to the working week. Under the terms of the new agreement, the number of hours worked annually remains the same for the majority of clerical, technical and supervisory staff. However, the working week is now shorter, leading automatically to a reduction in the number of rest-days. For managers, annual worktime will increase by two days. This new system will apply automatically to new hires as well as to existing employees who opt for the arrangement (in return for a pay rise).

Lastly, the agreement on time savings accounts at TF1, which was renegotiated in 2015 and signed by all labour organisations, paid off fully in 2016 with more employees opting to take leave instead of money.

Adopting new forms of work organisation

Wherever possible, the Group encourages working from, which can increase employee satisfaction while yielding gains for the company by improving productivity and optimising the use of office space. For example, the arrangement has been adopted by 1,200 employees at Bouygues Telecom (20% of the headcount).

In France, all Group companies:

- have put into place flexible work methods such as mobile working, working from home and coworking;
- have defined a strategy for preventing cognitive overload (e.g. stress, burn-out) as well as harassment, by signing agreements on quality of life at work and conducting anonymous surveys amongst employees;

- have policies for maintaining a healthy work/life balance, while TF1 and Bouygues Telecom have signed the Parenting Charter.

Bouygues Immobilier is rethinking workspaces for its customers and its own teams in accordance with the new digital paradigm and latest management practices. For example, the Galeo headquarters and several other locations are transforming into shared workspaces, reconfigured depending on usage types, with the aim of promoting collaborative working and well-being in the workplace. There is a broad range of workspaces, from fixed and shared office space to creative rooms and quiet zones.

One of Bouygues Immobilier's ventures last year was the introduction of an intrapreneurship policy, by which employees with promising ideas can receive financial backing and be dispensed of their usual tasks to focus on bringing their plans to fruition.

3.2.2.1 Worktime organisation

Number of hours worked^a

Scope ^b : global	Holding company and other	Bouygues Construction	Bouygues Immobilier	Colas	TF1	Bouygues Telecom	2016 Group total	2015 Group total ^a
Number of hours worked		603,397	102,509,285	3,130,515	105,530,724	4,944,581	13,207,522	229,926,024

(a) New indicator introduced in 2016 with the 2015 figures restated.

(b) Coverage: 99.7% of the Group's headcount.

The total number of hours worked at **Bouygues Construction** in 2016 was unchanged relative to 2015 (edging down by a mere 0.5%), with sales and headcount also stable on a global basis. The split by region highlights different situations. Hours worked rose sharply when worksites were in start-up phase (Hong Kong, Morocco and Switzerland) but dropped when they had been completed (Congo, Ivory Coast, Myanmar, Nigeria, the Philippines, Singapore, Thailand and Qatar).

At **Colas**, the number of hours worked fell by 3.9%, in conjunction with the decline in the global workforce.

Worktime schedule

Scope ^a : France	Holding company and other	Bouygues Construction	Bouygues Immobilier	Colas	TF1	Bouygues Telecom	2016 Group total	2015 Group total
Hourly	36.2%	53.3%	36.8%	81.5%	26.6%	56.8%	66.3%	67.4%
Annual (incl. senior executives)	63.8%	46.7%	63.2%	18.5%	73.4%	43.2%	33.7%	32.6%

(a) Coverage: 55.7% of the Group's headcount.

The indicator is specific to France and thus excludes international data.

Indicator available at www.bouygues.com: Average number of part-time workers (France).

3.2.2.2 Absenteeism

Number of days off work as a result of a workplace accident^a

Scope ^b : global	Holding company and other	Bouygues Construction	Bouygues Immobilier	Colas	TF1	Bouygues Telecom	2016 Group total	2015 Group total ^a
Number of days off work as a result of a workplace accident	3	21,323	1,047	55,596	1,982	2,691	82,642	89,694

(a) New indicator introduced in 2016 with the 2015 figures restated.

(b) Coverage: 99.7% of the Group's headcount.

Absenteeism^a

Scope ^b : France	Holding company and other	Bouygues Construction	Bouygues Immobilier	Colas	TF1	Bouygues Telecom	2016 Group total	2015 Group total
Absenteeism	2.9%	3.7%	2.6%	5.2%	3.0%	5.2%	4.6%	4.5%

(a) Permanent staff.

(b) Coverage: 55.7% of the Group's headcount.

Absenteeism is defined as the number of calendar days absent as a result of workplace accidents, commuting accidents, occupational illnesses and other illnesses versus [average number of permanent staff x 365].

3.2.3 Labour relations

The Bouygues group believes that trade unions and other employee representative bodies are essential for progressive labour relations, which in turn contribute to its companies' success. Having open communication channels with these bodies lays the groundwork for constructive relations.

Resources available to trade unions, in addition to those allocated by each business segment, were determined at Group level by a 2005 agreement. Employee representative bodies in the different business segments are supplemented by the Group Council in France (30 representatives from various works councils around the Group) and the European Works Council (24 representatives from 12 countries). As privileged forums for meetings between union representatives and Group executives, they provide an opportunity for forthright discussions about the Group's business and financial prospects and about developments relating to jobs, HR policy, health and safety.

An extremely high turnout for workplace elections in France, which was much better (82.3% in 2016) than the nationwide average (42.8% in 2013 according to France's national council on labour relations), gives employee representatives a real degree of legitimacy. An e-library of economic and HR-related information is made available to the 3,474 employee representatives and 407 employee representative bodies, using which they can examine supporting documentation ahead of consultation meetings on corporate strategy. Use of this system – in accordance with the Rebsamen Act on Labour Relations and Employment – will be extended to other instances of mandatory consultation.

Additionally, the collaborative ByLink Network, which was made available to the entire Bouygues group in 2015, gives employees access to an open and transparent discussion forum that can be used to stay up to date on Group news and share business-segment best practices through theme-based online communities.

All in all, management-employee dialogue is founded upon respectful, employee-empowering labour relations, thereby avoiding the kind of major stumbling blocks that could otherwise disrupt the Group's business operations.

3.2.3.1 Relations with employee representatives, summary of collective agreements

In 2016, 237 agreements were signed or renewed, underlining the dynamic labour relations within the Group.

In France, collective bargaining at Group level culminated in 2016 with a new version of the agreement governing the collective retirement savings scheme, designated for all employees irrespective of occupation.

Internationally, labour relations are guided by the rules applicable in the specific countries.

Lastly, each of the Group's business segments has been required to sign other agreements based on their own circumstances.

Bouygues Construction

Besides the new agreements signed last year in France, labour relations elsewhere followed – and often went one step further than – the regulations applicable in the specific countries.

For example, Bouygues Construction often chooses the most beneficial options in the HR (e.g. for insurance against death) and social domains (e.g. school building and humanitarian projects through the Terre Plurielle corporate foundation). These issues are systematically audited within the scope of Bouygues Bâtiment International's HR development index, which aims to ensure that Bouygues Construction's HR policies and procedures are rolled out to all of Bouygues Bâtiment International's long-term operations. Deployment across France is scheduled this year.

Bouygues Immobilier

In 2016, CSR agreements were renegotiated at Bouygues Immobilier, covering quality of life at work, occupational integration and ongoing employment of disabled people, job and careers planning, together with the intergenerational contract and voluntary profit-sharing.

In connection with compulsory annual negotiations, employee representatives at Bouygues Immobilier implemented a solution supplementing statutory arrangements whereby employees can take leave to look after a seriously ill child, spouse or parent. Additionally, paid leave donations are now possible as a way of helping colleagues within the same company.

Colas

Three company-wide agreements concerned the following areas:

- Healthcare and personal-risk coverage: an agreement was reached with three out of the four trade unions to adjust coverage for eye care and doctors' fees and the childbirth allowance;
- Voluntary profit-sharing: a third agreement was signed with two majority trade unions. The aim of this arrangement is to give employees a vested interest in the economic performance (in terms of operating profit) and safety performance (assessed via safety indicators) of their companies. The agreement covers 2016, 2017 and 2018;
- Jobs and skills plan: during the fourth quarter of 2016, Colas began negotiations towards an agreement in this area. The objective of this agreement will be to assist Colas companies and their employees in managing the adaptations and transformations they may find to be necessary in the coming years.

TF1

In 2016, TF1 signed an ambitious three-year agreement for the benefit of disabled employees. Despite the tough business context, direct hiring targets and the volume of sales generated with the sheltered sector were maintained. Under the preceding three-year agreement, the latter target was exceeded from year two.

Furthermore, TF1 has begun negotiating its job and skills plan, the chief purpose of which is establishing an occupational monitoring centre whose main aim will be mapping all the professions within the TF1 group of companies, identifying those under threat and those that are up and coming.

Bouygues Telecom

After the compulsory annual negotiations, consisting of the agreement with all representative trade unions, several other agreements were signed, covering the occupational integration and retention of disabled employees in the workplace, worktime and working from home arrangements, and the organisation of digital customer relations together with gender equality and a new voluntary profit-sharing agreement for 2016, 2017 and 2018.

3

Turnout in elections for employee representatives (1st round, principals)

Scope ^a : France	Holding company and other	Bouygues Construction	Bouygues Immobilier	Colas	TF1	Bouygues Telecom	2016 Group total	2015 Group total
Turnout in the most recent works council elections	89%	87%	74%	83%	80%	69%	82%	82%

(a) Coverage: 55.7% of the Group's headcount

The indicator is specific to France and thus excludes international data.

Indicators available on www.bouygues.com: Percentage of employees covered by a satisfaction survey (France), Percentage of employees receiving a formal annual appraisal (France).

Turnout in elections for employee representatives remained stable at a high level.

3.2.3.2 Summary of collective agreements

Collective agreements negotiated

Scope ^a : France	Holding company and other	Bouygues Construction	Bouygues Immobilier	Colas	TF1	Bouygues Telecom	2016 Group total	2015 Group total
Number of collective agreements negotiated, including mandatory annual negotiations	4	76	14	116	10	17	237	284

(a) Coverage: 55.7% of the Group's headcount.

The indicator is specific to France and thus excludes international data.

3.2.3.3 Coordinating labour relations

In addition to ByLink Network, the Group-wide collaborative network, the five business segments have their own collaborative platforms. Because these networks all use Microsoft's Yammer solution, adoption of this new work resource was easier for all concerned. Worldwide, Bouygues offers widely-distributed interactive communication channels to facilitate exchange (e.g. corporate social media and chat applications). Throughout the year, various events are held within each business segment, offering opportunities to meet and dialogue more often.

In its international operations, Bouygues Construction gives all new hires a welcome pack similar to the one handed out to employees joining French entities. Events that reward long service (such as medal-giving evenings), lunch meetings with chief executives and regular satisfaction surveys all provide opportunities for exchanging with locally-based employees.

At Bouygues Immobilier, web conferences are held twice annually with the Chairman and CEO so that employees can ask questions directly. Satisfaction and perception surveys are also conducted on a regular basis, enabling employees to offer their viewpoint on Bouygues Immobilier's core strategic objectives.

Each quarter, Bouygues Telecom organises information briefings that bring together over five hundred managers to discuss strategic targets and the major projects in progress. During these meetings, it is possible to dialogue directly with senior management. Additionally, every two months, a pre-recorded video interview with the CEO is posted on the company intranet during which he answers questions that are submitted ahead of time by employees.

To support its transformation, TF1 launched a range of different communication initiatives. In addition to monthly newsletters, the Head of Strategy, Development and Transformation hosted after-work Q&A events during which the company's main challenges were detailed, with more than 12 departments and almost 500 employees in attendance. In addition, regular breakfast meetings enabled grassroots dialogue with Chairman and CEO Gilles Pélisson, who also gave exclusive interviews during the year. Lastly, filmed interviews with Executive Committee members were posted so that strategic issues could be explained in depth.

3.2.4 Health and safety

The Bouygues group aims to reduce the frequency and severity of occupational accidents to which it is highly exposed through its operations, and works towards better employee health. All business segments furthermore aim to enhance road safety and forestall psychosocial risks (through surveys, early warnings and management training in best practices).

It is on worksites where the need for accident prevention is crucial. The Group's construction businesses are therefore working extremely hard in the area of health and safety (safety equipment, training, detection and monitoring of near-accidents), and their results surpass industry standards^a. In France, health, safety and working-conditions policies are implemented in consultation with Health & Safety committees. Implementation of a safety management system, part of which may have OHSAS 18001 certification, is the organisational bedrock at Bouygues' operating units in the construction sector.

Group entities take active steps to improve the safety of all persons who work on their sites. As personal physical integrity is at stake, Bouygues group entities require their Suppliers to have identical work safety requirements when operating on Bouygues sites. In that regard, it is each Supplier's responsibility to bring any identified anomaly to the attention of the manager of the Bouygues group site where it is working (taken from the CSR Charter for suppliers and subcontractors, which is appended to procurement contracts).

3.2.4.1 Safety in the workplace

To implement this policy in the field, senior managers at subsidiaries have for many years drawn on a global network of health & safety officers as well as a broad range of safety resources, including training on safety, eco-driving techniques, first aid training and 15-minute "starter" sessions on safety basics. Other resources include awareness-raising initiatives, accident analysis, best-practice sharing, cross-subsidiary challenges and half-yearly rankings.

Considering the current international context and the existence of potential flashpoints, Bouygues Construction has reinforced its security arrangements by appointing a Security director. Reporting to the committee founded in 2015, he is tasked with ensuring an optimal level of security for all Bouygues Construction employees and worksites.

A Health and Safety department, reporting directly to the Chairman and CEO of Bouygues Construction, has also been created. The main thrusts of its strategy are to:

- promote a uniform approach across all its activities by defining worldwide performance standards that respect regulations in the countries where the Group operates;
- commit employees, subcontractors, suppliers and clients to achieve the "zero-accident" target through the correct mindset, words and deeds;
- target operational excellence by measuring the extent to which standards have been implemented in all activities and sharing proactive approaches;
- maintain performance by showing that there is no room for compromise where standards are concerned.

(a) <http://www.inrs.fr/actualites/statistiques-BTP-2014.html>

Safety indicators are reviewed quarterly by the Bouygues Construction general management committee and have been integrated into voluntary profit-sharing agreements over the past decade. Under the agreements negotiated in 2015, these indicators are considered additional criteria, in addition to business performance that can either increase or reduce bonuses (depending on locally assessed levels of safety). Consequently, all employees – regardless of whether they are on a worksite or at a head office – are made aware of the safety policy and the "zero accident" target and are involved in implementing them.

A seminar held in mid-2016 brought together all of Bouygues Construction's health & safety officers to define safety rules that will reduce the risk of injury on worksites and during other operations. These rules, which will be disseminated on a world health & safety day, to be held on all worksites in the first half of 2017, equally concern those planning operations, those carrying out the work and those inspecting operations. This will lead to improved health & safety results around the globe, in pursuance of the zero accident target. This will in turn reduce accident rates as each employee will be prompted to take action as soon as these rules are contravened.

In addition, methods for analysing incidents and accidents have been harmonised. More than 20 employees in France took part in a four-day training course and are now set to deploy them in entities nationwide. In 2017, this training will be extended to international operations. Acciline, a reporting system dedicated to occupational safety, continued to be rolled out, thus facilitating data collection, accident monitoring and data analysis. In 2016, it covered all business entities in France, Switzerland and the UK as well as VSL's operations.

The Leading Safety training course was introduced in 2016 aimed at various levels of project management in order to help forge a shared health & safety culture. The first sessions took place in France during 2016 and the programme will be rolled out internationally in 2017.

Workplace accidents

Scope ^a : global	Holding company and other	Bouygues Construction	Bouygues Immobilier	Colas	TF1	Bouygues Telecom	2016 Group total	2015 Group total
Frequency rate ^b of workplace accidents among staff	3.3	3.8	9.3	7.0	4.0	5.5	5.4	5.6
Severity rate ^c of workplace accidents among staff		0.21	0.33	0.53	0.40	0.20	0.36	0.38
Number of fatal accidents		1		3			4	9

(a) Coverage: 99.7% of the Group's headcount.

(b) Number of accidents involving time off work x 1,000,000/number of hours worked. In France, these are accidents leading to more than one day off work, reported to and recognised by healthcare authorities.

(c) Number of days off work as a result of a workplace accident x 1,000/number of hours worked.

Bouygues Construction and **Colas** both pursue a highly pro-active risk prevention policy. The above figures, which year after year are below the industry averages (based on FFB – EGF-BTP trade federation surveys), confirm that policies and actions are having a lasting effect on the frequency and severity of accidents, which is, in turn, positive for employee health.

(a) Safety Week (20 – 24 June 2016) took place in all Colas entities in France and abroad, focusing on the theme "I'm a pro. I wear my gear."

Commitment to health & safety is evaluated during the annual appraisals of all employees in France and in the international operations.

At Colas, 2016 featured the implementation of a new safety policy, launched as part of Safety Week^a. The Chairman and CEO reaffirmed Colas' focus on safety as its number-one core value, combined with zero tolerance of any divergence from acceptable behaviour. He also mentioned the prime importance of managers setting an example.

Five major themes have been selected: "Complying with rules", "Training and information", "Ensuring safety at worksites", "Verification", and "Analysis and planning".

Each one results in a tangible action: the mandatory use of Personal Protective Equipment (PPE) by employees, safety training for all new arrivals, risk analysis prior to the start of each worksite, manufacturing process changes and deployment of safety cross-audits. This Safety policy is to be expanded each year with new measures, which will then become standards at Colas.

Significant action was taken in 2016:

- The number of safety coaching sessions for business unit managers increased. For example, Colas Sud-Ouest provided training to all its managers and executive committee members;
- The Ergomat system, which sets a higher mandatory safety standard when ordering operating machinery (with action taken on loading shovels in 2016) was implemented;
- Outside France, the Goal Zero process was rolled out in the US, with the assistance of Caterpillar Safety Services. Initiatives were carried out in the context of the Colas Innovation Board (CIB), with the aim of improving employee safety.

3.2.4.2 Health in the workplace



At Bouygues Construction, a group-wide ergonomics department has been created to help entities roll out the health policy. Its aim is to ensure that ergonomic principles are respected and workstations are optimised for safeguarding employee health. It is also used to design work situations that protect employee health and increase female representation in the business activities. Training in ergonomic principles is offered to Working method and Health & Safety specialists and a common set of guidelines has been defined and made available for consultation.

To fight psychosocial risks and encourage a better work/life balance, Bouygues Bâtiment in France has implemented a plan of action that, on the one hand, includes training and awareness-raising programmes for all levels of management (e.g. the "Harmonie et Performance" training programme) and, on the other, implements the "Harmonies" charter for new projects, to define jointly the best practices to follow for the duration of worksites. This covers team organisation, meetings, email usage, mobile-working spaces and fostering a welcoming and friendly atmosphere.

At Challenger, Bouygues Construction's headquarters, a special relaxation area called a "Zen" space (opened in 2013) attracts more than 6,000 visits each year.

Specific actions, in connection with musculoskeletal disorders, are being enacted by Colas (e.g. training in postures and movements and development of the ExoPush powered exoskeletons) to help reduce strain for asphalt paving teams, avoid noise and ultraviolet exposure, and prevent alcohol and drug abuse as well as psychosocial risk factors.

Colas has implemented mechanisms and actions to reduce employee exposure to bitumen fumes, silica dust and chlorinated solvents (see chapter 4, "Risk factors", of this present report).

Thanks to its network of around a hundred safety officers in the field, Colas has raised its employees' awareness and increased their training on these issues.

At Bouygues Telecom, medical social workers adopted the theme of preventing psychoactive substance abuse in 2016. A wide array of initiatives were carried out to raise awareness about addiction not only among employees but also among those active in prevention, namely Health & Safety committees as well as HR and workplace health teams. The 180 telecoms network technicians spent a day learning about and discussing safety, under the title "Ensuring health and safety for yourself and others". For several years, a well-being and stress monitoring unit has been in place.

Social protection outside France^a

Scope ^b : outside France	Holding company and other	Bouygues Construction	Bouygues Immobilier	Colas	TF1	Bouygues Telecom	2016 Group total	2015 Group total
Social protection outside France		100%		96%			98%	96%

(a) Percentage of companies employing more than 300 people, operating outside France, providing social protection to employees.
(b) Coverage: 38.7% of the Group's headcount.

Social protection schemes, a key priority in HR policies internationally, continue to be rolled out on worksites.

Recognised occupational illnesses^a

Scope: France	Holding company and other	Bouygues Construction	Bouygues Immobilier	Colas	TF1	Bouygues Telecom	2016 Group total	2015 Group total
Recognised occupational illnesses		69	2	149	1		221	222

(a) Coverage: 55.7% of the Group's headcount.
The indicator is specific to France and thus excludes international data.

3.2.5 Development of talent and skills

The Bouygues group endeavours, for its employees, to create a setting in which they can develop their employability and enhance job skills through support and training programmes.

Systematic interviews with managers (mandatory in all business segments), the provision of training to all Group employees, and internal job mobility departments in each entity are some of the tangible initiatives being carried out in France and in the international operations, in keeping with the strategic targets of the business segments.

Provision of training

The Training and Corporate university departments in each business segment aim to develop – through grassroots initiatives – the technical and managerial skills of employees in the short and longer terms, at every level of the organisation.

Bouygues remains highly committed to the Gustave Eiffel apprentice training centre (CFA). The Group's investment is structured around three main avenues: streamlining of training programmes in accordance with the Group's business needs; expansion of continuing vocational training; and development of induction-support skills.

Internal job mobility and promotion within the Group

Internal job mobility and promotion within the Group both contribute to enhancing employees' career paths and their employability. Teams and systems operating in each business segment assist in the dissemination of job offers, promote diversity in Group-based opportunities and support employees seeking internal job mobility opportunities. Each business segment can draw on the help of the Group's Internal Job Mobility department, which lists offers and facilitates job mobility between subsidiaries. The average number of vacancies listed on Mobyclic, the extranet devoted to internal job mobility within the Group, rose by 45% in 2016, increasing from 495 in 2015 to 800 in 2016.

A forum on internal job mobility within Bouygues Construction was held in April 2016 with the aim of promoting mobility to the six locations that recruit most: Switzerland, the UK, Cuba, the Paris region, the French regions and other markets such as Africa and Australia. More than 80 HR and operational employees took part in this event, and approximately 40 internal job transfers were completed by the end of the year.

Bouygues Immobilier has introduced "Mobility packs" to finance training for employees changing profession. This has helped increase the number of people switching jobs, particularly between those working in Support functions and those working in core business functions and vice versa.

3.2.5.1 Development of expertise and employability

Proficiency in business fundamentals and career support

Group employees have access an increasing number of vocational and diploma courses to boost their employability. Arrangements are also in place, both in France and elsewhere, to provide refresher training to employees who so wish (e.g. literacy and numeracy).

In late 2015, Bouygues Construction began overhauling its training strategy. Four priority subjects were defined, leading to the launch of pilot courses in the second half of 2016: a behavioural and managerial ethics course, a module for works management, a course for sales staff, and three health & safety courses (for "team leaders", "supervisory staff" and "works management". More than 200 employees, including approximately 100 team leaders, were trained up on these courses, which will be made available worldwide during 2017.

Additionally, diploma courses were introduced to recognise on-the-job expertise, topped up with a training module. The first intake comprised around 12 employees aiming for the vocational "team leader" qualification.

The training and skills development policy at Colas gives pride of place to safety management training for works supervisors, as well as training on technical fundamentals and team management.

Colas Campus, the in-house training entity, held a total of 362 training sessions during the year across France, with 3,058 employees attending. It delivers training programmes based on a common curriculum, facilitating the career development of site workers, clerical, technical and supervisory staff, and managers. Among these programmes, the five Colas University courses have supported the career development of 267 managers.

Internationally, in line with Colas guidelines, the training plans put in place mainly relate to the development of core skills and safety. They take shape through both local initiatives and shared programmes.

- In central Europe, training is delivered under the aegis of programmes shared by the various countries where Colas operates. In 2016, the main focuses of this training were safety, core skills and leadership. In northern Europe, training offers are organised by business line. In the UK, Belgium and Switzerland in particular, training is delivered through organisations similar to Colas Campus. Its Northern Europe University runs management and leadership training programmes for its local English-speaking managers. Overall in Europe, the number of employees trained has reached a high level (3,786).
- In Africa, the objective is to roll out a training plan that will deliver real and lasting results, as in Morocco and Gabon.
- In North America, group subsidiaries have trained 7,786 employees, mainly in safety, core skills and methods for inducting new hires, through Colas Campus and local initiatives. Managers receive training through the three programmes run by Colas North America University.
- In Canada, training is provided under the Colas Canada Educational Training Series programme and includes a diploma course in association with the Northern Alberta Institute of Technology.

Bouygues Telecom is investing heavily in the career development of its employees, through in-house diploma courses, thanks to which several hundred employees have been able to use their personal training accounts to follow diploma courses in a wide range of fields, such as customer relations. Furthermore, it offers work experience accreditation for accountants, receivables collection officers, customer support advisers and so forth. Altogether, the 100 participating employees are on track to earn higher-education or degree-level qualifications.

Additionally, to reinforce expertise in customer relations, training areas were installed in each of Bouygues Telecom's customer relations

centres to offer continuous training and coaching for advisers, under the supervision of "coach" team managers.

New learning and training methods

The digitisation of learning is providing broader access to content and enabling training that is adapted to the operational constraints faced by employees. Innovative teaching techniques (such as Serious Games^a, MOOC^b and SPOC^c) are encouraging take-up of new content. Four of the Bouygues group's business segments have digital training platforms: Bouygues Construction (Byle@rn), Bouygues Immobilier (BI Learn), TF1 and Bouygues Telecom (e-campus).

At Bouygues Immobilier, training requests are now placed using an online interface. Each employee is able to enter an individual training request directly, which is then sent to the line manager for approval (a reason must be given in the event of rejection). Managers may also enter an individual request on behalf of their employees. These are then sent to HR for approval, in accordance with the group training budget and the company's strategic projects at any given time. Approved

training requests are placed into the system and form the basis of the training plan.

In 2016, Colas introduced several innovative new training approaches (e.g. Serious Games and e-learning) in areas ranging from leadership and negotiation skills to ethics. Colas Campus has begun to convert its listing of training courses into digital form, a process that is expected to be completed by the end of 2017, using new technologies to present its offerings in a more dynamic and interactive way.

TF1 focused on supporting its transformation through adaptation to new technologies. One of the aims of its TF1 "University" training solution is to promote learning and experience-sharing through open-mindedness and collective thinking.

After the Manager course, initiated in 2015, the University in the same year introduced a Connect course (involving three days of immersion), which any TF1 employee can take. Connect is a skills development course in the areas of innovation, business and the digital arena, focusing on specific lines of business: News, Content, Innovation and Business.

Existence of a formal training plan^a

Scope ^b : France – International (companies employing more than 300 people)	Holding company and other	Bouygues Construction	Bouygues Immobilier	Colas	TF1	Bouygues Telecom	2016 Group total
Existence of a formal training plan	100%	89%	57%	99%	100%	80%	96%

(a) Scope of indicator extended to French companies in 2016.

(b) Coverage: 94.7% of the Group's headcount.

At **Bouygues Immobilier**, the figure of 57% represents 97% of the headcount. Only three companies (37 employees in total) are not covered by a formal training plan (Loticis, Nextdoor and Patrignani).

Training

Scope ^a : France – International (companies employing more than 300 people)	Holding company and other	Bouygues Construction	Bouygues Immobilier	Colas	TF1	Bouygues Telecom	2016 Group total
Number of employees trained ^b	149	25,749	1,334	35,473	1,870	4,327	68,902
Number of days' training ^b	811	58,665	5,068	113,921	5,689	11,479	195,633

(a) Coverage: 94.7% of the Group's headcount.

(b) New indicators introduced in 2016

Indicator available at www.bouygues.com: Training by type.

(a) An app that combines the serious aspects (Serious) of instruction, learning, communication or information, with the fun aspects of video games (Game) – based on the definition of researcher Julian Alvarez.

(b) Massive Open Online Courses.

(c) Small Private Online Course.

3.2.5.2 Induction of new hires

Work/study contracts, end-of-study internships, mentoring and Group induction days are all ways used by the Bouygues group to induct new recruits successfully.

The training of young people via work/study contracts represents a large recruitment pool for Bouygues Construction, which hosts students of all levels, from vocational high-school to postgraduate level, in all lines of work.

To help retain the best interns and work/study students, Bouygues Construction held a Top Trainees Day on 30 June 2016. Participants in this event were preselected on the basis of their applications and an appraisal of their level of commitment during their assignment within the company. As a result, 77 interns and apprentices were retained (France only). The day was structured around a team-building initiative, a speech by the head of HR and the chairwoman of Welink (the network dedicated to promoting female employees at Bouygues Construction) as well as workshops on public speaking and digital identity, and a forum for discussing opportunities. This event was coordinated by 25 HR experts.

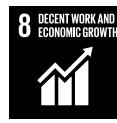
Taking its cue from the "Happy Trainees" surveys conducted by JobTeaser and meilleures.entreprises.com, Dragages Hong Kong in January circulated a questionnaire among its international business interns and other interns who were asked about six topics: working conditions, management, motivation, pride, career development and work enjoyment. The results were disseminated in March, during a special day event to which these interns were invited. Overall, 92% of the 31 participants questioned stated that they were happy with their experience.

Bouygues Immobilier likewise places considerable importance on internships and work/study arrangements, all the while ensuring diversity in intake. For several years, the BI Campus day has provided an opportunity for the company to assert the fundamental values of its HR policy to interns and apprentices. The purpose of this day is also for young people to network within Bouygues Immobilier.

For its new hires, Bouygues Immobilier has completely redesigned its BI Quest induction days. In the initial months after joining, new employees are asked to take part – via the BI Learn platform – in a Serious Game through which they will discover the company, its lines of business and its managers, all in the form of video presentations. They are then invited to meet members of senior management. A Graduate Programme has also been put in place, through which graduates can discover the wide range of professions in the company, the challenges that it faces and its business lines. The programme, designed to produce home-grown talent, lasts 18 months. Admission is highly selective.

Colas inducts students under various programmes during their studies. In France, more than a 1,000 interns, including 145 recent or upcoming graduates, were welcomed in 2016. Orientation programmes and business-specific training rely on mentoring. Orientation training for young managers is organised around a series of initiatives over a three-year period. These include the "Tour de France", induction days at subsidiaries and the Colas orientation day (during their first 18 months), followed by a Colas University 1 course between the 18th and 24st month. Colas is recognised as one of the best companies in France for starting one's career, ranking fifth in the "Happy At Work, for starters" listings. Sixty-eight interns were hired as employees in France this year.

As part of its new HR Information System (HRIS), TF1 has introduced a module in which new hires must enter the personal details required for their staff record. The module also contains the requisite documentation for their induction into the company.



At Bouygues Telecom, all functions within the company can now recruit young people on work/study contracts. The application process has been facilitated by using live chats with potential candidates. Last year, Bouygues Telecom held its first company-wide induction day as a way of firming up the commitment from all its young talents (both work/study students and interns) by helping them find out more about the company and build up their own network of contacts.

3

Work/study training contracts

Scope ^a : France	Holding company and other	Bouygues Construction	Bouygues Immobilier	Colas	TF1	Bouygues Telecom	2016 Group total	2015 Group total
Number of apprenticeship contracts during the year		254	35	324	37	74	724	567
Number of professional training contracts during the year	4	132	85	226	112	70	629	545
TOTAL	4	386	120	550	149	144	1,353	1,112

(a) Coverage: 55.7% of the Group's headcount.

The indicator is specific to France and thus excludes international data.

Relative to 2015, the number of apprenticeship contracts rose by 27.6% and the number of professional training contracts increased by 15.4%. These increases reflect the Group's pro-active work/study policy as well as the better business conditions.

3.2.6 Equal opportunity

"We are an equal opportunity employer. No applicant or employee receives less favourable treatment because of gender, ethnic background, religion, beliefs, disability, age, sexual orientation or nationality. This is a moral obligation as well as a corporate priority." (Extract from Bouygues group Human Resources Charter, drafted in 2008).

The Bouygues group operates a three-pronged diversity policy, with the help of the Diversity-Equal Opportunity committee, which brings together several times a year specialists from the different business segments to encourage implementation of best practices.

Promotion of diversity and equal opportunities

The Bouygues group aims to promote diversity in terms of qualifications and professional experience, at the hiring stage and thereafter. Equally important, occupational integration is managed through a variety of channels, such as direct hiring, outsourcing to occupational integration companies or to temporary employment agencies specialising in occupational integration. In addition, the Group ensures that its commitments in this domain are respected by subcontractors "Chantiers Ecoles" and integrated into its training programmes.

Gender equality

The promotion of gender equality is a goal that is expressed clearly by Martin Bouygues and shared by all Bouygues group business segments. In 2016, following on from previous years, the Bouygues group invited 12 female employees working in various business segments to take part in the 12th Women's Forum for Economy & Society, with a view to drawing inspiration from current trends and best practices enacted in companies around the globe.

In France, the proportion of women managers has been rising steadily for several years. Across all business segments, equal pay between men and women is monitored and a budget is assigned to harmonisation where this is necessary.

Hiring people with disabilities

The Bouygues group is active in employing people with disabilities. Its policy in this area has four priority areas:

- recruitment through specialist forums as well as membership of specialist organisations or the use of specialist recruitment agencies;
- keeping the disabled in employment by improving access via the adaptation of workstations and equipment;
- raising awareness and communicating clearly to encourage employees and managers to regard people with disabilities in a positive way;
- subcontracting to sheltered workshops and disability-friendly companies.

In 2016, the Group – in conjunction with Cap Emploi – ran a job-dating event to recruit employees with disabilities on work/study contracts.

A structured disability policy is firmly established in all the Bouygues group's business segments in France, including disability officers to coordinate actions and training for human resources managers and staff. Specific policies exist to help retain disabled employees and adapt working hours to their needs.

3.2.6.1 Promotion of diversity and equal opportunity, and anti-discrimination policy

Bouygues Construction trains employees to avoid stereotyping and operates a stringent anti-discrimination policy. A work group was set up in 2016 to define Bouygues Construction's cultural and social diversity targets. Several initiatives have already taken place to date:

- An "equal opportunity" course has trained almost 500 employees since its inception.
- Three e-learning modules (diversity, gender equality and disability) have been completed and will become part of the new-recruit induction programme in January 2017. They will also become a prerequisite in manager training courses.
- All employees and international business interns leaving on their first secondment abroad must follow the Day One single-day course, which provides an introduction to intercultural management, leading to better cohesion in multicultural teams abroad.

Each country has specific, tailored policies:

- In France, a host of initiatives are under way to open the doors of the company to young people from underprivileged backgrounds. These include HR coaching, worksite and office visits, and business-line presentations, offered through partnerships with specialist charities, such as France's national network of companies for equal opportunities in the education system, Sport dans la Ville and Institut de l'Engagement.
- In Australia, initiatives focus on the aboriginal culture. Training on indigenous cultural awareness is provided to employees so that they factor cultural differences into their management and working methods. Several key events were held during National Reconciliation Week.
- At Bouygues UK, employees spend one day a year volunteering for a cause of their choice, e.g. helping the underprivileged, or promoting women's and disabled people's rights. This helps to raise awareness among employees and external stakeholders about the issues deemed important by the company. More than 135 employees have taken part in the scheme since September 2015, of whom 96% state that it has improved their view of the company.

To promote diversity in terms of qualifications and professional experience, graduate recruitment officers within Bouygues Construction have for several years been working hard to diversify intake sources as a way of attaining more diverse profiles. Bouygues Construction has for many years participated in the University-Business Forum, where university students are able to meet HR officers. Several entities within Bouygues Construction have removed the mention of diplomas from their organisational charts to avoid placing too much emphasis on employees' educational qualifications to the detriment of their professional experience and individual qualities.

Bouygues Immobilier provides the "Respect and Performance" module on the theme of managing diversity, to all the company's experienced managers. This helps them foster intra-team cooperation, understand diversity, and find the keys for making diversity a factor in promoting performance and personal development amongst all employees. So far, 141 employees have followed this training module.

Bouygues Immobilier is also a founding partner of the Bagneux second chance school near Paris. Coaching sessions on job interviews as well as discovery workshops focusing on various professions are organised regularly.

Colas has a proactive policy in operation in regard to these matters. Managers are still reminded of the importance of non-discrimination by way of regular presentations during their Colas University training, which they receive at different stages of their career paths within the company.

The Colas 2016–2017 action plan focuses on expanding its disability policy, promoting gender balance and developing tools to help employ disadvantaged individuals. This is complemented by the job and skills planning agreement, which contains a "new generation" contract.

- In France, diversity policies are implemented at the local level by its French subsidiaries: the Accord Handicap disability agreement at Colas Ile-de-France Normandie, local partnerships with occupational integration structures at Colas Centre-Ouest and regional committees working to help staff with disabilities remain in employment at Colas Sud-Ouest.
- Outside France, subsidiaries located in English-speaking countries are focusing their efforts on measures to combat discrimination.

US subsidiaries are bound by federal laws prohibiting job discrimination in hiring, employee treatment and compensation. They make their commitments clear and send vacancy announcements to placement agencies that specialise in the employment of minorities or to specialist newspapers. US-based employees who feel they are victims of harassment may call a toll-free number for help.

In the UK, Colas Ltd has charters and procedures in place against all forms of discrimination.

Boasting a Diversity label since 2010, TF1 is continually pro-active in promoting diversity and equal opportunity at a company-wide level. All HR procedures have been reviewed so that each step can be traced and applicants are treated fairly. Managers receive regular training on diversity and fighting stereotypes. In 2014, TF1 set up Allodiscrim, an external counselling service, in conjunction with a legal practice.

A partnership between Bouygues Telecom and Mozaik RH, as part of the PasserElles programme, was set up to encourage the employment of young women from diverse ethnic backgrounds. A social module was added to the 2016 mentoring programme, whereby 11 such young women, in search of their first-ever job, were mentored by 11 women from Bouygues Telecom's women's network.

Bouygues Telecom's first Generational Agreement (2014–2016) expired last year and is due to be renegotiated in 2017. The company is henceforth focusing on work/study arrangements and the hiring of young people, as well as increasing the use of fixed-term contracts for older workers, the preparation of the transition from work to retirement and passing on knowledge.

3.2.6.2 Gender equality

Action plans in force within all the Group's business segments

As construction has always been a predominantly male industry in France, the challenge for Bouygues Construction and Colas is to make themselves more attractive to female job applicants. In order to do this, they are carrying out communication campaigns in universities and schools.

Additionally, at Bouygues Construction, special attention is paid to gender equality during annual pay reviews. A report is compiled on all countries annually, with two indicators provided to management: the number of men and women promoted, and the average percentage pay rise by gender. Bouygues Energies & Services UK also conducted a comprehensive audit on equal pay between men and women.

Bouygues Construction is furthermore making a deliberate effort to recruit more young women, from school-leaving to higher-education level. Partnering "Déployons nos Elles", a scheme operated by Entreprises pour la Cité and Elles Bougent, Bouygues Construction all across France organises worksite visits, business-line presentations and sponsorship for young women – to show that these jobs are also accessible to women, in turn encouraging them to contemplate a career in construction.

Bouygues Construction's corporate foundation, Terre Plurielle, in conjunction with Bouygues UK and the NGO Women into Construction, provides support to young women interested in a career in the construction industry. Through this venture, Bouygues UK employees mentor a number of women by sharing their experiences and networks, in turn making it easier for them to break into the industry – either within the Bouygues group or within another company.

At Bouygues Immobilier, gender equality is on the rise at every level of the company. Based on latest figures, the workforce is almost equally balanced between men and women. The target is now that equal representation becomes a reality in all lines of business.

To promote equality in the career paths of women and men in terms of senior positions (which entails having more women accede to these roles), Bouygues Immobilier works hard – in its Careers committees – to identify and support talented employees, regardless of gender and age, in keeping with each person's career goals.

At Colas, gender equality is a policy supported all the way up to boardroom level. It is enshrined in an ambitious action plan for 2016 and 2017, conveyed by:

- initiatives to attract and hire more women (designating male-female duos to serve as Colas ambassadors at targeted educational institutions, initiatives with hiring partners such as temporary and permanent employment agencies, support for women's sporting and cultural organisations);
- getting managers involved in promoting gender equality (specific managerial training, emphasising the advantages of gender balance in internal communications materials);
- introduction of a career management programme specifically for female employees: visibility, career development, assistance through mentoring^a (2017).

(a) A training system whereby senior employees share their experience and network with a junior member of staff to help that person meet their job targets and career goals.

In 2016, TF1 signed a Parenting Charter, which is part of its policy to support employees – both men and women – in achieving a better work/life balance. The priority aim is to increase the proportion of women managers, which rose from 29% to 35% in the Management Committee (comprising the 150 leading managers of the TF1 group).

Bouygues Telecom has set a target for women to represent 30% of senior managers by the end of 2018.

Development of women's networks in France and internationally

Welink, the network dedicated to promoting female success within Bouygues Construction, in 2016 had almost 600 members in France, Switzerland and the UK. This proactive body regularly holds after-work events, at which members can broaden their network, and organises mentoring^a and conferences, which are also open to non-members. A number of different events were organised by Welink UK to mark International Women's Day on 8 March 2016. These comprised round tables, conferences, networking events and worksite visits. All these initiatives were supported and sponsored by a range of departments. In 2016, a regional branch of Welink was created in Asia (Welink Asia).



The diversity network called "Fifty-Fifty", sponsored by Catherine Nayl, Executive VP of News & Information at TF1, celebrated its first birthday last year. On 30 September 2016, the company's first internal mentoring scheme was launched, with Chairman and CEO Gilles Pélisson in attendance at the event. It is aimed at promising female employees and adds a further dimension to the cross-mentoring scheme launched in conjunction with Cisco and Bouygues Telecom in 2013.

Through the "Femmes et Management" programme, Bouygues Telecom made further achievements in promoting women, encouraging solidarity and developing women's opportunities.

In 2016, 66 men and women from Bouygues Telecom, TF1 and Cisco took part in the annual cross-mentoring scheme, benefiting from preparatory and follow-up sessions to help understand the key factors to ensure success, such as posture, best practices, feedback and sharing, as mentors and mentees.

In addition to the annual training plan, personal development workshops (128 participants in 2016) and seminars are offered to women by the Bouyg't'Elles women's network, which last year celebrated its fifth birthday. This network also offers a space for deliberating and sharing experience on topics such as personal marketing, networking, assertiveness and businesswomen in the digital marketplace.

Furthermore, every year it promotes technical and engineering professions amongst young women from secondary schools as part of the Girls@Tec operation.

Status of women in the Group^a

Scope ^a : global	Holding company and other	Bouygues Construction	Bouygues Immobilier	Colas	TF1	Bouygues Telecom	2016 Group total	2015 Group total ^b
Women with Staff status ^c	24.8%	25.5%	47.9%	21.0%	50.2%	42.2%	27.6%	28.0%
o/w women with Manager status ^d	15.9%	12.8%	25.9%	10.2%	38.4%	23.7%	16.1%	15.4%
Woman with Worker status ^e		11.7%	13.1%	2.1%			6.1%	5.4%

(a) Coverage: 100% of the Group's headcount.

(b) New indicators introduced in 2016 with the 2015 figures restated.

(c) Supervisory, managerial and technical personnel.

(d) In France, managers are employees who are department heads or higher; internationally, they are employees who are part of a management body.

(e) Site workers.

The number of female managers has risen across the Group over the past three years as a result of a pro-active policy of promoting women to more senior positions.

3.2.6.3 Hiring people with disabilities

Several arrangements have been implemented by **Bouygues Construction** to protect the careers and ensure the safety of employees with disabilities, such as improvements to accessibility, special fire evacuation procedures, and workstation and equipment adaptations.

Collaboration between purchasing and HR departments has led to increased sourcing from the sheltered sector. To increase such sourcing, it is essential to raise awareness amongst personal assistants.

Bouygues Travaux Publics organised several such meetings for approximately 30 head-office PAs to present the services available from local sheltered workshops. Bouygues Bâtiment Ile-de-France held worksite visits with sheltered workshops to mark Sustainable Development Week, while Brézillon ran a communication campaign called "Osez l'Esat" promoting sourcing from sheltered workshops.

At Bouygues Energies & Services UK, a special disabilities network was founded to decide on company-wide actions for fostering greater inclusion and higher retention of disabled employees.

(a) A training system whereby senior employees share their experience and network with a junior member of staff to help that person meet their job targets and career goals.

At Bouygues Immobilier, actions aimed at raising awareness among staff, recruiting, retaining the disabled in employment and increasing subcontracting to the sheltered sector have paid off, with the proportion of disabled employees rising three-fold in the space of six years to close to 3%. Additionally, the work of 46 local liaison officers, under the auspices of the Disability Task Force, led to the formation of new partnerships with companies in the sheltered sector. Framework contracts were also signed with these companies concerning activities relating to the core business of Bouygues Immobilier.

The number of employees with disabilities working at Colas companies was up 3.5%, reflecting its efforts to help staff with disabilities remain in employment. Sales with sheltered workshops remained high. Momentum was maintained with the launch of a new disabilities policy across Colas and its subsidiaries. This has sections on awareness-raising (disability management), increasing purchasing from the sheltered sector and continued work to retain disabled workers in employment, with the help of local partners.

Part of the Disability agreement at TF1 consists of granting extra days of leave (usable a half-day at a time if required) to parents of disabled children.

Bouygues Telecom has achieved a rate of 4% in regard to disabled employees. In conjunction with the Disability Task Force, the emphasis last year was on retaining disabled employees and work/study arrangements, as means to supporting disabled employees in achieving degree-level qualifications and taking up related occupations. This also provides for a pool of potential recruits. In partnership with CapEmploi, Bouygues Telecom teamed up with other Group business segments for the third annual job-dating event, which it also hosted, to recruit employees with disabilities on work/study contracts. Purchasing teams also received training in ways to increase sourcing from the sheltered/disability-friendly sector.

Employees with disabilities

Scope ^a : France	Holding company and other	Bouygues Construction	Bouygues Immobilier	Colas	TF1	Bouygues Telecom	2016 Group total	2015 Group total
Number of employees with disabilities	3	543	36	975	67	277	1,901	1,862
Number of employees with disabilities hired during the year		9	4	9	12	15	49	42
Sales with sheltered workshops and disability-friendly companies during the year	n.m.	€2.198m	€0.360m	€1.456m	€0.294m	€1.079m	€5.390m	€4.851m

(a) Coverage: 55.7% of the Group's headcount.

n.m.: non-meaningful.

The indicator is specific to France and thus excludes international data.

3

3.2.7 Compliance with International Labour Organisation (ILO) conventions

The Bouygues group promotes the Fundamental Conventions of the ILO as well as human rights in the countries where it operates. Signed in 2006, the UN Global Compact recognises freedom of association and the right to collective bargaining while seeking to eliminate discrimination and forced and child labour. Each year, the Group reaffirms its commitment to these objectives. The Group's Code of Ethics and Human Resources Charter, widely circulated internally and available at www.bouygues.com, remind all staff of its expectations in this regard. In sometimes complex circumstances, operational managers have a duty to prevent any infringement of human rights

in areas relating to their activity. That vigilance must be an integral part of their day-to-day work. It should be noted that, outside France, an employee consultation body exists in more than two-thirds of major subsidiaries.

Because its operations span the globe, Bouygues Construction must constantly house production teams arriving from distant locations or even from abroad. All worksite living quarters must meet the minimum standards laid down by Bouygues Construction in terms of facilities and decency of living conditions, regardless of country and place of work.

3.2.7.1 Freedom of association and the right to collective bargaining

Existence of employee representative bodies in the international activities^a

Scope ^b : outside France (companies with more than 300 employees)	Holding company and other	Bouygues Construction	Bouygues Immobilier	Colas	TF1	Bouygues Telecom	2016 Group total	2015 Group total
Existence of employee representative bodies in international activities		48%		78%			64%	66%

(a) Holding company and other, Bouygues Immobilier, TF1 and Bouygues Telecom are not covered by this indicator on account of its scope. Only companies employing more than 300 people operating outside France are concerned.

(b) Coverage: 38.7% of the Group's headcount.

The decline in this indicator is due to the application of the 300 employee cut-off point, and does not reflect **Bouygues Construction's** proactive policy in this domain. The group's HR policy is currently being rolled out in some recently acquired or created entities with more than 300 employees, e.g. the subsidiaries created for a public works project in Qatar and the integration of Canadian firm Plan Group. Neither do these entities yet have employee representation.

In countries where ILO conventions governing trade union rights and freedoms have not been ratified, all subsidiaries aim to implement arrangements that give employees a voice. The Group is convinced that high-quality dialogue between labour and management is the cornerstone of harmonious relations in the workplace.

Employee representation is being expanded to all Bouygues Construction sites so that employees can also play a part in improving labour policy and quality of life at work. These arbitrators, or representatives, are appointed through elections or merely on account of the esteem in which they are held in the local community. Labour relations, which are monitored jointly by senior management and HR departments, are audited within the scope of Bouygues Bâtiment International's HR development index. This is gradually being rolled out to other entities.

3.2.7.2 Non-discrimination in employment and occupation

The Bouygues group's Code of Ethics states that "the Group shall apply a fair human resources policy that is consistent with the law. It refrains from all discrimination on unlawful grounds". Fair treatment and equal opportunity are one of the principles of the Human Resources Charter and apply to all aspects of the employee's career, from recruitment and training to promotion, information and communication.

Bouygues Construction's diversity policy is applied in all international locations, prioritising gender equality, occupational integration and disability friendliness. It also operates a social policy via which patronage ventures are conducted by the corporate foundation Terre Plurielle all around the globe.

3.2.7.3 Elimination of forced or compulsory labour

Respect for fundamental values and principles of human rights is enshrined in the Bouygues group's Code of Ethics and Human Resources Charter. The Supplier CSR Charter forbids all use of forced or compulsory labour.

Bouygues Construction's HR management system, Chorus, which is being rolled out in the international operations, monitors employees at all times, assigning to each one a personnel record containing information such as contract details, working schedule, age, length of service and social security/national ID number.

By the end of 2016, Chorus had been introduced in 80% of long-term operations with more than 300 employees.

3.2.7.4 The effective abolition of child labour

Further to strict compliance with ILO recommendations on child labour, companies within the Bouygues group work to ensure that rules are also complied with by their business partners through the Supplier CSR Charter (see section 3.4.3 "Partners, suppliers and subcontractors").

3.3 Environmental information

Further information can be found by visiting www.bouygues.com or consulting the CSR documentation of the individual business segments available on their respective websites.

3.3.1 General environmental policy

3.3.1.1 Environmental policy

Environmental issues are considered strategic by Bouygues as it aims to rank among the leading solution providers in regard to the planet-wide challenges of climate change and resource scarcity. Sustainable construction and smart urban planning are two such solutions. The Group is also enacting indicator-driven initiatives to limit and then reduce the environmental impact of its operations.

The environmental policies of the Group's business segments cover the various phases of their operations.

■ **In the design phase**, all factor environmental issues into their product and service offers. This can be seen in the following:

- at Bouygues Construction and Bouygues Immobilier, environmental certifications of their products (BREEAM®, LEED®, HQE™, BBC-effnergie®, Minergie® and so forth);
- In the construction businesses, lifecycle assessments and the provision of eco-friendly alternatives.

Sustainable construction and research into environmental solutions are a key focus of innovation at Bouygues Immobilier, Bouygues Construction and Colas. It accounts for a large proportion of R&D expenditure at these last two business segments.

Bouygues Construction

Indicator	Scope (activity or region)	Coverage	2016	2015	Remarks
R&D budget spent on sustainable construction	Global	90% of Bouygues Construction's consolidated sales	49%	48%	The following areas of R&D are considered as sustainable construction: energy, carbon, savings on resources and materials, biodiversity, user well-being and safety, usage quality, eco-design, processes and methods (industrialisation, product-quality improvements, reducing arduous work, etc.) and tools (overall cost, new technologies, etc.).
Buildings in the order intake with environmental labelling or certification prescribed by Bouygues Construction	Construction activities	55% of Bouygues Construction's consolidated sales	76%	72%	Whenever Bouygues Construction acts as a designer/builder, over two-thirds of its building-related order intake includes environmental certification commitments that are superior than applicable regulations.

■ **Concerning Group operations** (chiefly worksites and fixed locations such as workshops and production sites), management of environmental impacts chiefly relies on the use of energy management systems (ISO 14001) as well as certifications (HQE™, LEED®, BREEAM®).

In addition to this, the Bouygues group's construction businesses have developed their own environmental protection procedures that tie in with their specific operations, namely Bouygues Construction's Ecosite, Bouygues Immobilier's Clean Worksite Charter^b and Colas' environmental self-assessment checklists.

■ **As part of its internal processes**, the Group implements a certification policy governing the construction and operation of its own buildings. The headquarters of Bouygues SA, Bouygues Construction and Bouygues Immobilier as well as Bouygues Telecom's Technopôle, Printania (a customer relations centre) and data centre carry this certification (see section 1.1.5. "Bouygues group: main sites" on p. 14).

■ **Given the type of product and service offered by the Group**, environmental-performance policies applied when structures are in operation are crucially important. Bouygues Construction and Bouygues Immobilier support customers in managing and limiting

(a) Minergie® and Minergie-eco® are pan-European performance labels originating from Switzerland. They are mainly prescribed by Losinger Marazzi, Bouygues Construction's Swiss subsidiary.

(b) The Clean Worksite Charter applies to all of Bouygues Immobilier's commercial property developments (14.8% of its sales) and to residential developments that are NF Habitat HQE™ certified. Since 2016, NF Habitat HQE™ has superseded the NF Logement and NF Logement HQE certification schemes. This new certification places more emphasis on in-depth guidelines to minimise disturbances via worksite design.

their final energy consumption. For example, their offers include performance commitments in the form of Energy Performance Contracts (EPC) applying to commercial and residential property (see p. 110).

Environmental certifications relating to the operation of buildings (HQE™, LEED®, BREEAM® in use), prescribed by the business segments, carry requirements in energy and resource management under operations-maintenance.

3.3.1.2 Environmental risk prevention

Risk analysis

Environmental risk prevention requires early-stage analysis that maps or assesses the risks connected with production sites or fixed business-related locations such as workshops and quarries.

Bouygues Telecom produces an annually updated mapping of environmental risks relating to its operations, correlated with the company's guide on environmental and CSR reporting obligations. Where required, remedial action plans are implemented.

Bouygues Immobilier systematically retains the services of an environmental consultancy firm as soon as it becomes interested in a plot of land. If the report raises question marks, the firm is then asked to perform a more detailed analysis and, where required, soil, subsoil

and groundwater rehabilitation measures so that the plot is compatible with the future assignment of the land.

Environmental management systems

An integral part of CSR policy at Bouygues, implementation of an environmental management system is one of the four principles that the business segments pledge to enact to improve the Group's environmental performance.

For example, Bouygues Immobilier has pledged to abide by all requirements of the NF Habitat - NF Habitat HQE™ certifications, using a management system that is audited annually by Cerqual Qualitel Certification (25% of operations checked in the design stage and at handover for compliance with the standard).

To reduce environmental hazards on sites operated by Colas and Bouygues Construction, both business segments rely on ISO 14001-certified environmental management systems. ISO 14001 incorporates a risk assessment and procedures by which entities can address the environmental issues relating to their particular activity.

At Colas, ISO 14001 is applied to its materials production sites. Annual cross-audits of subsidiaries in Belgium, mainland France and Switzerland serve to evaluate facilities and reinforce environmental hazard prevention. These audits are carried out at approximately one hundred sites per year, representing around 14% of sites in that geographical area, by in-house teams.

Bouygues Construction

Indicator	Scope (activity or region)	Coverage	2016	2015	Remarks
Sales covered by an ISO 14001-certified EMS ^a	Global	90% of Bouygues Construction's consolidated sales	96%	90%	Management of environmental impacts in Bouygues Construction's operations is enhanced by a risk prevention policy based on an ISO 14001-certified environmental management system that is used almost universally given that 96% of its operations were certified compliant in 2016.

(a) Environmental Management System.

Internal procedures

Additionally, so that the environmental risks pertaining specifically to their type of activities are better managed, the Group's business segments have implemented their own internal environmental management systems and labels.

■ Bouygues Immobilier applies the Clean Worksite Charter to all its commercial property developments (corresponding to 14.8% of sales)^a. The Charter involves the appointment of an environmental coordinator before work begins, at the contractor's expense. These coordinators are present throughout projects. Their role is to gather, store and classify all environmental data required to ensure a low-impact worksite, as well as to ensure compliance with measures in

force. Each trade designates an environmental officer, who is then the coordinator's contact person.

- Checklists at Colas, which cover most of its fixed facilities (hot and cold mixing plants, emulsion and binder plants, bitumen depots, quarries, gravel pits, recycling platforms, ready-mix concrete plants, prefabrication plants, construction waste disposal sites, laboratories and workshops, etc.), constitute a concrete benchmark for assessing environmental performance. Standardised checklists have been developed for each type of fixed installation, representing around 2,000 production units all over the world.
- The Ecosite label is used to manage the impact of environmental hazards and pollution on Bouygues Construction's worksites.

(a) Residential property developments are covered by NF Habitat and NF Habitat HQE™ certifications.

Ecosite label: enhancing the environmental performance of Bouygues Construction's worksites

Ecosite, developed by in-house teams and introduced in 2010, ensures compliance with Bouygues Construction's own environmental policies and with standards derived from the most stringent regulations, on issues ranging from managing waste and protecting biodiversity to minimising disturbances for local residents.

It is applicable to all Bouygues Construction entities and is based on three main strands:

- worksite environmental standards, which summarise recommendations for safeguarding the environment, with examples of best practices and suggested bio-based materials;
- an evaluation grid assessing implementation of recommendations;
- a worksite environmental label issued on the basis of assessments.

Ecosite stipulates early-stage analysis of environmental risks. The actions to be carried out are then organised in accordance with several themes: waste, hazardous materials, noise pollution, air, aquatic environment, biodiversity, energy consumption, cleanliness and storage. The label also has a section on managing environmental emergencies and worksite-related information (especially maintaining dialogue with local residents). It is one component of Bouygues Construction's policy of achieving operational excellence on its worksites. For customers, it represents an assurance that the interests of both the environment and local residents are protected.

In 2016, serious thought was given to creating a new in-house label covering not only Ecosite environmental standards but also new worksite criteria dealing with human resources-related and social aspects.

3

Bouygues Construction

Indicator	Scope (activity or region)	Coverage	2016	2015	Remarks
Worskites carrying the Ecosite^a label	Global	90% of Bouygues Construction's consolidated sales	56%	65%	In 2016, 56% of worksites carried the Ecosite label. The decline was due to the drop in labelling by Bouygues Energies & Services as a result of its structural reorganisation.

(a) The percentage of worksites carrying the Ecosite label is calculated by dividing the number of eligible certified worksites by the number of those eligible (whether certified or otherwise). Eligibility criteria refer to duration, activity and worksite progress thresholds, which depend on each particular entity.

Colas

Indicator	Scope	Coverage	2016	2015	Remarks
Environmental certification of materials production sites % of sales before inter-company eliminations	Global	100% of sales (before inter-company eliminations) generated by materials production activities	62%	60%	The materials production sites environmental certification level edged up. It was satisfactory given the range of contexts around the world where Colas operates and the non-controlling interests held by Colas in many of these businesses.
Rate of environmental self-assessment using Colas checklists^a % of sales before inter-company eliminations	Global	100% of sales (before inter-company eliminations) of materials production activities for which checklists are applicable	85%	89%	The environmental self-assessment using checklists indicator fell by four percentage points in 2016, following a broader scope used in 2016 as well as a small deterioration in this indicator in the US, Western Africa and Oceania. However, checklist assessments remain the cornerstone of the policy put into practice by Colas to control environmental risk.
Materials production activities that use a tool to manage environmental impacts (environmental certification and/or Colas checklists) % of sales before inter-company eliminations	Global	100% of sales (before inter-company eliminations) generated by materials production activities	85%	81%	The percentage of materials production sites that use a tool to manage environmental impacts increased and remains at a high level. The target is to reach 100%. This is an ambitious target given that other shareholders in subsidiaries might be involved, some of which are majority owners, preventing Colas from ensuring complete oversight.

(a) Activities to which the checklist applies: fixed quarries; fixed gravel pits; borrow pits; hot-mix plants; cold-mix plants; oil and bitumen refineries; asphalt plants; plants making binder, emulsions and/or fixed modified binders; ready-mix concrete plants; fixed prefabrication plants; fixed recycling plants; bituminous membrane facilities; various fixed installations; fixed bituminous binder storage facilities. This excludes some highly specific industrial activities for which volume is derisory (e.g. production of steel structural framing) or which are too complex for establishing a checklist, even for substantial operations (the Société de la Raffinerie de Dunkerque site).

3.3.1.3 Training and raising awareness to help protect the environment

The Bouygues group implements numerous programmes to train and raise awareness among employees about environmental protection.

Training and awareness-raising at Group level

Group Management Meetings, attended quarterly by the 350 top managers at Bouygues, offer a regular forum for discussing sustainable development issues in the form of lectures, expert briefings and "presentation pitches". These meetings also provide an excellent opportunity for disclosing information and exchanging views on the Group's commitments on the issues of energy transition, environmental policy and human resources management. In 2016, the Group's Energy-Climate policy (following on from COP21) together with open innovation, organisational changes in response to collaborative work practices and the digital transformation were all discussed.

Since 2014, the Group's Innovation and Sustainable Development-QSE departments have been jointly running a series of lectures (Explore), equipping managers to integrate sustainable-development issues into business models.

Concurrently, Abby seminars (organised by the Group Sustainable Development-QSE department) train Group managers to self-assess their own practices and situate themselves in relation to best practice as defined by the EFQM (European Foundation for Quality Management) model and ISO 26000. Since beginning in 2006, more than 70 sessions have been held, averaging 12 participants each time. The Bouygues Management Institute (IMB) training module, "Towards the participatory company", aimed at senior executives from the five business segments, also tackles the major challenges relating to the societal shifts that are driving changes in the Group's business models. The eight sessions held in 2016 brought together some 70 managers.

Additionally, the Group Corporate Communications department is raising awareness about eco-design among all business segment communications departments. Its self-assessment resource for events, Resp'event (launched in 2014) assisted in-house event organisers in eco-design (e.g. for the TF1 2015 summer tour as well as for the World Efficiency and La Galerie des solutions events, both held in the context of COP21). In 2016, it also developed a training programme for helping communications officers adopt more responsible digital practices, in terms of the eco-design for digital media and message content, for example. The 3D app "Explore The City", available to all Bouygues group employees, uses models of 85 flagship projects and solutions to describe the Group's environmental contribution.

Lastly, since its launch in 2015, the collaborative extranet site, ByLink Network, has driven synergies across the Group. Major sustainable-development projects such as the Group's Energy-Carbon strategy, the circular economy and CSR reporting, are now coordinated through this network, which at the end of 2016 had over 3,500 users.

Business segment initiatives

In conjunction with these Group-wide initiatives, the five business segments organise and run training and awareness-raising exercises so that the specific challenges relating to their respective activities can be taken into account. For example, at Bouygues Construction, Bouygues Immobilier and Colas, training programmes contain several modules that are partially or wholly devoted to such issues.

On Bouygues Construction worksites, teams are systematically briefed through 15-minute QSE training sessions, which raise awareness among site workers about the quality-related, safety and environmental issues specific to the work in progress. This instance of environmental education focuses on waste and pollution hazards.

Lastly, each business segment raises awareness among staff about eco-friendly behaviour. For example, as part of its "Responsible Branch" programme, five Bouygues Immobilier branches (out of 32) were recognised for their best practices in mobility, energy consumption, waste management and community action. Bouygues Immobilier wants to have all its branches achieving this recognition by 2020.

Sustainable Development Week and Mobility Week are other high points in the internal communications calendar. In 2016, Bouygues Construction held its first annual "Sustainable Development Moments" event, during which employees from all entities were asked to present their best practices briefly, in the form of a "presentation pitch". Meanwhile, Bouygues Telecom sought to increase awareness among employees about sustainable innovation by demonstrating the Fairphone, the first fair-trade smartphone ever, and by illustrating the eco-design and accessibility features of the Bbox Miami.

Raising awareness among the general public

The Group works to raise awareness among external stakeholders on matters of environmental protection and climate change. For example, the Energy Performance Contracts (EPC) prescribed by the business segments comprise information on how to reduce energy consumption within buildings.



One of the charities supported by the Bouygues Immobilier corporate foundation is Unis-Cité, which has pioneered voluntary community service in France. As part of this initiative, the foundation lends financial support to the Médiateur programme, which promotes eco-friendly behaviour among families living in underprivileged neighbourhoods, which in turn reduces their water and electricity bills. By encouraging the wider implementation of this programme, and through employee involvement, Bouygues Immobilier aims for such families to save 20% on these bills by 2020.

Bouygues Immobilier

Indicator	Scope (activity or region)	Coverage	2016	2015	Remarks
Number of volunteers in the MédiaTerre programme supported by Bouygues Immobilier in areas of engagement	France and subsidiaries	96% of Bouygues Immobilier's consolidated sales	186	154	Unis-Cité continues to implement MédiaTerre in new areas by signing up more volunteers. In 2016, 32 volunteers joined with the 154 already working to help families fight fuel poverty.

Additionally, as part of the 22nd UN conference on climate change (COP22), held in Morocco on 7-18 November 2016, the Ushuaïa TV channel, operated by TF1, broadcast a daily round-up called COP Connexion, which explained the environmental challenges highlighted by this global conference. In 2015, TF1 group channels (TF1, LCI and Ushuaïa TV) had provided extensive news coverage of climate issues and the global negotiations that took place at the COP21 Paris meeting.

In December 2016, TF1 hosted the conference entitled "La Finance Investit le Durable" at its Boulogne-Billancourt headquarters. This event, organised by C3D (the Association of Sustainable Development Directors) and EY Advisory, brought together leading lights from the financial, investment and sustainable development communities to trace out the latest financial trends for encouraging corporate social responsibility.

3.3.1.4 Provisions and guarantees set aside for environmental risks

In the normal course of its business, Bouygues Construction is exposed to direct pollution risks, which are both limited in nature and strictly controlled. Potential hazards are carefully assessed based on a full analysis of operations. As a result, the company does not have to set aside a material amount of provisions.

Pollution risk is included in Bouygues Immobilier's major-risk map. Land-purchasing procedures include preliminary soil testing. Obtaining

a report certifying the absence of any soil or subsoil pollution is a necessary precondition before signing a contract for the purchase of land. An exemption may only be granted upon prior authorisation of the vetting committee. In this specific case, cost overruns from decontamination, assessed on a case-by-case basis, are folded into the total cost of the transaction, prior to signature of the land-purchase contract. Because the related financial data is confidential, it is not possible to disclose an order of magnitude for the amount provisioned.

Colas makes provisions for clean-up expenses on contaminated land when the amounts have been determined based on an assessment by an independent firm and when a date for site rehabilitation has been set (by the competent authority, for example) or is otherwise known (upon lease termination, for example). With regard to financial guarantees and provisions for rehabilitation, a large number of quarries and other sites worldwide are subject to specific regulatory requirements when they are no longer operated and require provisions to cover environmental risks during operation. This entails a wide variety of guarantees and practices (such as performance bonds, insurance, escrow accounts and provisions) that depend on national laws. Colas' provisions on site rehabilitation commitments totalled €169 million at 31 December 2016. To date, there is nothing that indicates that these comprehensive measures are insufficient, neither during internal or external audits nor during the investigation of insurance claims.

There are no business-related environmental risks at TF1 and Bouygues Telecom that would warrant the booking of provisions.

3.3.2 Management of pollution and disturbances

3.3.2.1 Preventing and rectifying pollution

Pollution arising from the Group's business activities is diverse and varied (air, water or soil pollution etc.). This is mainly generated by the Group's construction worksites or operations at fixed locations – in the form of dust, water pollution and fumes from plants.

On the Group's worksites and fixed locations, external certifications (ISO 14001) and in-house standards (the Bouygues Construction Ecosite label and the Colas checklist) are the main resources available to operating units for preventing pollution.

Bouygues Construction handles these issues through the "hazardous materials", "air" and "bodies of water" standards that are part of its Ecosite policy (see p. 101). Emergency procedures exist in the event of

pollution incidents that put in place the appropriate remedial action. In addition, a database keeps a list of hazardous materials and the associated preventive measures.

At Colas, all sites covered by a certified management system prepare an environmental analysis, dashboards and action plans for reducing pollution in cases where this is deemed significant. In addition to these measures, checklists cover such aspects as site organisation, storage, environmental management, and environmental impact and risk management (water and air pollution, waste, natural and technological risks, noise and vibration).

The environmental certifications used by Bouygues Construction and Bouygues Immobilier also contain points to watch during the construction phase. For example, an HQE™ operation must ensure

that all kinds of pollution (air, water and soil) are kept to a minimum. Bouygues Immobilier has developed the Clean Worksite Charter, which aims to prevent and lessen air, water and soil pollution. Lastly, the quality benchmarks (HQE™, BREEAM®, LEED®) promoted by Bouygues Construction and Bouygues Immobilier comprise obligations for the design and operational phases that reduce air, water and soil pollution.

The Group's business segments also undertake other targeted initiatives to reduce the impact of disturbances arising from their activities. Bouygues Construction's rehabilitation of contaminated land, and closed-loop water recycling, and road watering (to limit the dust emissions) on Colas worksites, are examples of Group actions.

Air, water and soil pollution arising from the operations of Bouygues Telecom and TF1 are very low and, moreover, immaterial on the scale of the entire Bouygues group.

3.3.2.2 Measures taken to reduce other disturbances

The other forms of disturbances to which the Group's activities may give rise are mainly exposure to noise (either day or night time), odours, night-time lighting or vibrations. Its Media and Telecoms businesses pay attention to the issues of exposure to electromagnetic waves.

Acceptance of production sites and worksites by local residents is a sensitive question for the Group's business segments. In addition to the measures set forth in the ISO 14001 environmental certification, disturbances suffered by local residents are among the points monitored in internal standards (Ecosite, Clean Worksite Charter, checklists).

One of the standards of Bouygues Construction's Ecosite initiative addresses the management of noise pollution in consultation with project stakeholders. Furthermore, Bouygues Construction markets a noise barrier for local residents, developed by its acoustics and vibrations skills centre, which is staffed by experts from its various operating units.

Bouygues Immobilier checks noise levels on sites covered by the Clean Worksite Charter. Where necessary, remedial measures can be taken to reduce disturbances resulting from excessive noise or vibrations.

Bouygues Telecom and TF1 are especially attentive to exposure to the waves emanating from their masts. For example, a safety perimeter is set up around all of Bouygues Telecom's radioelectric stations (antenna). This ensures compliance, beyond the perimeter, with the exposure limits defined by the decree of 3 May 2002 in regard to all freely accessible areas. Any access inside the perimeter is only granted once the signals have been turned off.

Research conducted to reduce disturbances arising from use of the Group's products is yielding innovations, leading to the marketing of more effective solutions. For example, Colas is developing products that reduce traffic noise, such as fractal-technology noise barriers, and most significantly noise-reducing asphalt mixes (Nanosoft®, Rugosoft® and similar), which can reduce traffic noise by as much as nine dB. In 2016, 324,000 tonnes were produced, up 34% compared to 2015. This product range reflects the continuing effort Colas has been investing in R&D for many years, and for which it has received a number of awards.

3.3.3 The Circular economy

The construction industry generates 70% of the 345 million tonnes of waste produced in France^a. Under France's energy transition legislation, coming into effect in 2020, 70% of waste produced from building deconstruction activities will have to be recycled. The Bouygues group and its business segments have identified a whole host of environmental and economic benefits that can be harnessed in connection with this issue, and have adjusted their operations accordingly. For example, Bouygues Immobilier in 2016 began a policy for incorporating the circular economy into its property developments. Campus Sanofi Val de Bièvre, which won the 2015 Simi "Grand Prix" award, was one of the pilot projects, targeting the recycling of 80% of deconstruction materials. Gutting and selective deconstruction work will begin in January 2017.

Various initiatives are enacted within Bouygues that take into account the guiding principles of the circular economy and eco-design. These include selecting sustainable materials in design phases, using less resources in the building of products, recovering and recycling materials (whereby waste is reintroduced into the production cycle as a secondary raw material), and using innovation to lengthen product lifecycles.

Other Group solutions make use of contributions from:

- the sharing economy, which leads to optimised use of the goods and services offered by the Group, e.g. shared spaces in the eco-neighbourhoods built by Bouygues (car parks, gardens, etc.);
- the functional economy, according to whose tenets it is better to offer a service than sell goods en masse, e.g. Nextdoor's coworking spaces.



In 2016, Bouygues set up an Action Tank to encourage collaborative projects between the various business segments in the spheres of the circular economy and sustainable urban environments. Several initiatives are in study phase, one of which is a digital platform that would list materials recovered from deconstruction and renovation operations and then connect those offering such raw materials and finished components with future users. Another would separate land, building and housing rights to reduce purchasing costs for first-time buyers.

(a) 2012 data, Ademe (French environment and energy management agency), taken from "Waste: Key Figures" (2015).

Digital technology lies at the centre of these ideas, making it easier to anticipate demand for and optimise the reuse of materials, and improving the interchange of raw materials and finished components.

Promoting the circular economy through BIM

BIM (Building Information Modelling) creates a smart virtual 3D model that is used to make the best possible decisions in regard to a structure's entire lifecycle, then disseminate these decisions to all project stakeholders.

BIM contains information on the identity and the thermal, environmental and mechanical performance of objects and their constituent materials, as well as on their installation, utilisation, maintenance, recyclability and lifecycle.

The tool is used to optimise the building's environmental impact throughout its useful life. In design phase, for example, simulations made by taking into account the features of materials, their degree of recyclability and building methods are used to select the best scenario – one which combines reductions in materials used, optimisation of the building's eventual deconstruction and a lower construction-related environmental impact. Worksite management is also optimised because components come prefabricated, where possible. The frequency of remedial measures and the amount of reject materials are also reduced, which in turn leads to less waste materials from worksites. Lastly, in the deconstruction phase, BIM shows precisely the volumes of materials present that can be consigned for potential reuse. It also makes gutting and demolition operations more efficient.

The Group's construction businesses (Bouygues Construction, Bouygues Immobilier and Colas) use BIM for management of their operations.

Bouygues Construction has been working on BIM since 2007 and uses it in many projects of varying dimensions, both in France and abroad. Examples include a housing project in Normandy, the Palexo Hotel in Geneva and the future Paris district court. (where BIM data from the construction phase will be carried over by facility management teams for optimising their operations). As digital technology is applied to Bouygues Construction's operations, BIM is being deployed to all projects, at every one of their phases. BIM booths are being installed on worksites so that up-to-date 3D plans can be readily used by site workers, even in the open air. Bouygues Immobilier's policy is that all its operations will use BIM by 2020.

3

3.3.3.1 Preventing and managing waste^a

Recycling and reusing construction-site waste

The business segments of the Bouygues group limit the production of waste arising from construction activities and promote recycling through several programmes. Environmental management systems (e.g. ISO 14001), as well as internal standards (Ecosite label, Clean Worksite Charter and checklists) also make provision for responsible waste management. One of Bouygues Construction's Ecosite standards includes metrics on the sorting, storage, collection, transportation and treatment of waste as well as the specific treatment of hazardous materials, namely pollutants or waste with properties endangering the environment or people. Bouygues Immobilier's Clean Worksite Charter^b makes waste recycling mandatory, notably via a waste management plan.

Programmes for reducing and recycling waste on construction sites, especially for Bouygues Construction's civil works activities,

continue to be implemented. Excavated materials are recovered for use as backfill or for the environmental rehabilitation of sites. Several of Bouygues Construction's operations reuse raw materials directly on-site. During the renovation of Longchamp racetrack by Bouygues Bâtiment Ile-de-France, concrete extracted from deconstruction operations was crushed, sorted and then reused in-place as part of a short supply chain. In this example, close to 30,000 m² of concrete was recycled for worksite requirements.

Bouygues Immobilier is part of the nationwide Démoclès project, bringing together all stakeholders active in the deconstruction process. The first phase aimed to draft recommendations for facilitating and encouraging the reuse of interior building components. The second phase, which began in late 2016, consists of trialling these recommendations.

Lastly, waste management is a vital consideration for Colas, whose dedication to recycling is mainly seen in the recovery and reprocessing of asphalt pavement from roadway deconstruction. Three indicators track this process.

(a) Preventing food waste: given the type of businesses operated by the Bouygues group, this new objective is not meaningful. Food waste is only an issue for institutional catering. However, it is mentioned specifically in some contracts with the catering providers servicing the Group's main head offices.

(b) The Clean Worksite Charter applies to all of Bouygues Immobilier's commercial property developments and to residential developments that are HQE™ certified. (cf. p. 99)

Colas

Indicator	Scope (activity or region)	Coverage	2016	2015	Remarks
Recycled materials in relation to the volume of aggregates produced	Global	Asphalt mix and aggregate production activities, and railway worksites	11%	10%	In 2016, Colas recycled and recovered almost 8.5 million tonnes of materials, equating to 11% of its total aggregates production. This indicator has improved significantly, with the number of tonnes of recycled materials ^a and aggregates production increasing by 18% and 8%, respectively. The rise in recycled material tonnage is largely attributable to the increase in ballast recycled at Colas Rail and to the growing use of recycled materials by road construction subsidiaries in mainland France and North America, particularly the US.
Asphalt pavement recycled in order to reclaim bitumen	Global	Materials production activities	15%	14%	The percentage of asphalt aggregates recycled to reclaim bitumen increased by one point in 2016, which is consistent with the annual increase over the past few years. The volume of reclaimed asphalt pavement and asphalt production increased by 12% and 11%, respectively.
Surface area of road pavement recycled in-place million m²	Global	Worskites activities	3.4	2.4	The surface area of road pavement recycled in place by Colas subsidiaries rose 42% in 2016 relative to 2015. The sharp improvement in this indicator is attributable to a Canadian subsidiary, which completed several large construction projects using this technology, and to Colas UK, Colas Ireland and other subsidiaries in northern Europe.

(a) The industry consensus holds that the target recycling rate for asphalt mix (in order for all the asphalt mix from milling or deconstruction to be considered recycled) is between 20% and 25% in OECD countries, with this rate varying in accordance with urban density and the technologies employed by project owners. Colas has therefore achieved three-fourths of its estimated recycling potential, with some subsidiaries in Belgium, Switzerland, France, the US and Canada achieving this maximum ratio in 2016. There has been slower progress, however, in countries where recycling is less of a priority.

Recycling – central to the circular economy at Colas

Colas, which produces and uses large amounts of construction materials, recycles and reuses previously used materials from building, civil works and other projects, as well as its own asphalt mixes, for road construction.

Aggregates are the commodity that society consumes the most of, after water, and civil works account for most of the demand, with road construction and roadworks on their own representing more than half of this demand. Consequently, Colas implements measures to recycle locally, which reduces the need to extract aggregates (thereby reducing the need for new quarries and gravel pits) while also lowering the amount of material sent to landfill. In 2016, Colas recycled and recovered almost 8.5 million tonnes of materials, representing worldwide savings equivalent to the average production of 17 Colas quarries.

Reclaiming asphalt pavement from the milling or deconstruction of roadway makes it possible to recover the bitumen. Asphalt mix, which is used in most road networks throughout the world, consists of a mixture of about 5% bitumen with aggregates. In 2016, 15% of recovered asphalt aggregates were recycled to reclaim the bitumen.

Additionally, Colas' circular economy policy is based on the results of various methodological tools, particularly lifecycle analysis of asphalt mixes. Research in this area began in 2000 through various industry federations^a and are regularly intensified and updated.

Colas is also researching how to reuse deconstruction materials recovered from buildings and public infrastructure.

(a) EAPA (European Asphalt Pavement Association), Usirf (French road construction industry association)

Bouygues Construction

Indicator	Scope (activity or region)	Coverage	2016	2015	Remarks
Non-hazardous waste that is recycled (not disposed of in landfill)	Global excluding earthworks and Energies and Services activities	73% of Bouygues Construction's consolidated sales	54%	50%	The calculation method for this indicator was revised in 2015 (inert waste no longer counted). The fact that it has been stable for the past two years is a sign of its relevance and the usefulness of tracking it from the standpoint of circular economy initiatives aiming to increase the reuse of waste.
Rate of recycling of excavated raw materials	Global earthworks activities (DTP subsidiary)	3% of Bouygues Construction's consolidated sales	80%	95%	Since 2015, Bouygues Travaux Publics has used an indicator tracking its waste recycling, specifically the recycling of excavated inert waste (which is the main category of waste generated). The result of 80% achieved in 2016 illustrates the company's ability to reduce considerably the amount of inert waste sent to technical landfill centres, and to reuse it on-site instead.

Measures for preventing or reusing other types of waste

Construction-related waste may be the chief challenge in view of the volumes involved and the environmental impacts. However, other types of waste arising in the course of the Group's operations are also tightly managed.

All the Group's business segments produce waste electrical and electronic equipment, or WEEE (CPUs, laptops, screens, printers and servers), which are collected and then re-used or recycled. Processing WEEE is therefore a challenge common to the whole Group. In France, this has been entrusted to ATF Gaia, a disability-friendly company, since 2010. Starting in late 2015, the Group entrusted part of this task to another company, Nodixia, to ensure better national coverage.

Since the start of these contracts, this initiative has collected 88,286 items of equipment (of which 8,619 between October 2015 and September 2016). In total, 30% of the 767 tonnes of collected waste equipment was destroyed and 70% reused.

Additionally, Bouygues Telecom has implemented recycling and reuse channels for obsolete hardware from telecommunications networks and data centres. A right of first refusal policy is applied to equipment made redundant by dismantling as a result of the network sharing agreement with SFR (see p. 115). It is then reconditioned for use. Dismantled equipment that is not reused or resold is recycled. Around 87% of the materials from this equipment is recycled.

Furthermore, used hydraulic and motor lubrication oil, the main hazardous waste item generated by Colas in the course of its operations, is disposed of through a certified channel or processed responsibly.

Colas

Indicator	Scope (activity or region)	Coverage	2016	2015	Remarks
Waste oil recovery rate	Global	All activities	61%	64%	The general consensus is that the optimum waste oil recovery rate is around 80%, taking into account the oil that is consumed and burned by vehicles and plant. Colas achieved a recycling ratio of 61%, down by 3 percentage points. This is explained by a change in the indicator's components and the inclusion in its denominator of oil inventory in addition to oil purchased during the reporting period.

All the Group's business segments are enacting further measures, relative to those already contained in head-office and site certifications, for promoting the responsible management of office-related waste. TF1 has been following a waste-management procedure since 2013. Waste is sorted, then recycled (65% of total waste) or put to use through incineration, to recover its energy, or through methanation as far as organic waste is concerned. Bouygues Immobilier partners with

Terracycle, Elise and other local organisations around France for the collection and recycling of office-related waste at all its sites.

Lastly, TF1, through Ecoprod (see p. 120), has been working with the Île-de-France local authority to assess the feasibility of a sorting and recycling programme for used TV studio-decoration materials. This is connected with the live show industry. Specifications for this programme were disseminated in the fourth quarter of 2016, and the assessment will take place in 2017.

Bouygues Telecom: giving mobile handsets a new lease of life

As early as 2005, Bouygues Telecom was the first operator in France to offer a service for collecting and recycling mobile handsets. This began in its own stores and was subsequently extended to encompass all distribution channels, irrespective of operator and handset make. Since 2011, this service has been supplemented by a page on the Bouygues Telecom website devoted to the sale of pre-owned handsets, through its partnership with Recommerce Solutions.

From time to time, Bouygues Telecom doubles the buy-back price to encourage recycling among customers and raise awareness of the environmental and economic value of used handsets. Handsets not in working order are recycled by approved specialists. The rest are reconditioned and resold.

In 2016, handset collection was boosted by increases to buy-back prices. In addition, coordination in Club Bouygues Telecom stores was improved after sales staff were set a specific challenge, resulting in higher quality of devices handed in. In 2016, Bouygues Telecom through this channel collected 195,515 mobile handsets, including 159,106 directly from its customers.

The RCube label – launched in 2015 by la Fédération des Acteurs de la Réduction, du Réemploi et de la Réutilisation (the French recycling and reuse trade federation) – offers an additional warranty to buyers of reconditioned handsets, on Bouygues Telecom's specific website, or those handing in a used handset. Labelling is conducted by independent experts commissioned by RCube, using 70 different criteria, and is audited by a third-party body.

Bouygues Telecom

Indicator	Scope (activity or region)	Coverage	2016	2015	Remarks
Handsets collected for recycling or re-use <i>number of handsets</i>	France	100% of Bouygues Telecom's consolidated sales	195,515	135,671	The better result was chiefly due to structural improvements in coordination, both on a company-wide basis and in retail outlets (more increases in buy-back prices and competitions between stores to see who could achieve the highest collection rates). To a lesser extent, the number of handsets sent to the service partner for recycling or reuse, associated with operations for running down handset collection surpluses, increased in the year.
■ From customers (Bouygues Telecom stores, general public and business customers on the internet, employees)			159,106	111,634	
■ Through the after-sales service			36,409	24,037	

3.3.3.2 Using resources sustainably

Energy, raw materials (such as timber and aggregates), water and excavated materials are the natural resources that are vital to the Bouygues group's construction businesses.

So that requirements can be calculated precisely and utilisation optimised, digital technology such as BIM (see box on p. 105) and specific lean management procedures are being steadily deployed in Group entities.

Selecting and managing raw materials

To reduce the use of natural resources, those business segments concerned have pinpointed two major avenues. The first is giving priority to sustainably sourced resources (e.g. certified products); the second is optimising resource utilisation (through eco-design and recycling).

Additionally, the Group dialogues with customers to ensure that secondary raw materials, i.e. those derived from recycling, are used as much as possible in buildings and infrastructure.

Colas

Indicator	Scope (activity or region)	Coverage	2016	2015	Remarks
Volume of recycled materials <i>millions of tonnes</i>	Global	Asphalt mix and aggregate production activities, and railway worksites	8.5	7.2	The 18% increase in recycled materials exceeded the growth of aggregates production and consequently increased the recycling rate.
Volume of aggregates from recycled pavement <i>millions of tonnes</i>	Global	Materials production activities	5.6	5	The volume of aggregates from recycled pavement increased by 12% in 2016 relative to 2015.

When new materials have to be obtained, the Group works to make sure its supply chains are reliable and responsible.

Bouygues Construction is looking at alternative construction methods and has developed its expertise in the use of timber – the material with the smallest carbon footprint – in its projects. Almost 170 timber construction projects (new or rehabilitated) have been completed in France, Switzerland and the UK. Separately, Ossabois

(a Bouygues Immobilier subsidiary) is encouraging use of low-carbon materials through its modular timber construction activities.

Bouygues Construction can also harness the Polygreen® database of eco-products, using which employees can select construction products according to technical, economic, health and environmental criteria; it also specifies production sites and labels. Polygreen® contains close to 5,500 items (see p. 130).

3

Promoting eco-friendly alternatives to optimise use of raw materials

Colas and Bouygues Construction offer eco-friendly alternatives to customers for lessening the impact on the environment. Eco-friendly alternatives save on materials and have better energy efficiency and lower greenhouse gas emissions than basic solutions.

Colas has led the way in designing low-carbon alternatives and developing eco-comparison tools for assessing these alternatives.

In France, these efforts have culminated in the Seve® eco-comparison tool, which measures companies' results in increasing the environmental performance of their projects on the basis of greenhouse gas emissions, reuse of materials, water conservation, protection of biodiversity and reduction of disturbances for nearby residents. Highlights in 2016 included a new version of the software and the creation of two distinct modules: Roads & External works and Earthworks, allowing for better targeting of environmental impacts from these two types of operation. Benefiting from these changes, the earthworks operations of Bouygues Travaux Publics, through the French earthworks trade federation (SPTF), also committed to use Seve® and was also part of the development team for the third version. Additionally, the industry and the EU are working to see how Seve® can be applied internationally.

In today's challenging economic climate, the market is becoming less open to alternatives every year. At Colas, despite a drop in the number eco-friendly alternative offered in 2016 (-10%), greenhouse gas emissions avoided declined by only 7% thanks to better-targeted proposals. Within the industry, Colas is playing an active part in efforts to give new impetus to eco-friendly alternative.

Considered an important avenue for differentiation in international operations, eco-friendly alternatives are regularly used by Bouygues Bâtiment International in its projects.

To reduce the need for raw materials, which draw on the ecosystem, the Group's business segments are conducting research or using a variety of techniques for the eco-design of products.

Bouygues Construction has been working on eco-design since 2007 and on lifecycle analysis (LCA) since 2009, in partnership with the CSTB, the French building technology research centre. Research by laboratories at Colas aims to develop eco-friendly binders by applying the principles of "green chemistry", for example by introducing

bio-sourced components, reducing temperatures and limiting greenhouse gas emissions.

Bouygues Telecom reduced the environmental footprint of the Bbox Miami home gateway, which it has marketed since 2015. It is 80% smaller than the previous version, thus leading to a reduction in its packaging as well. In addition to its optimised size, the packaging for the Bbox Miami is FSC^a certified, and the user guide is directly printed in monochrome to save on paper and ink.

(a) The Forest Stewardship Council (FSC) is a global environmental label that ensures the production of wood or a wood-based product complies with procedures designed to ensure sustainably-managed forests.

Tempo: a Bouygues Immobilier benchmark in eco-design and energy efficiency

The Tempo residence, close to Nantes, was handed over by Bouygues Immobilier in December 2016. This state-of-the-art, passive-energy residence won the 13th "Pyramides d'Argent" industrial innovation prize which recognises innovation in eco-design and energy efficiency. It stands to comply with future regulations early, namely Environmental Regulations (RE 2018) and Responsible Building Regulations (RBR 2020).

Innovative and environmentally friendly concrete-timber composite blocks (called "thermiblocs") were used to build the residence's façades. In addition, most of the materials selected for the development are natural and bio-sourced.

The actual heating requirement of the development is less than 15 kWh/m² annually, the result of a highly effective building envelope, excellent sealing and heat recovery ventilation. As a reminder, the energy efficiency obligation under RT 2012 thermal regulations is 50 kWh/m² annually.

The residence has obtained the Passiv Haus passive-energy consumption label and NF Logement HQE™ certifications.

Energy efficiency

The Bouygues group takes part in the energy transition through its expertise in active and passive energy efficiency in buildings and the operation of buildings with performance guarantees.

PROMOTING EFFECTIVE ENERGY-SAVING SOLUTIONS

The environmental certifications that the Group promotes for adoption systematically include energy-saving targets. Energy Performance Contracts (EPC) give occupants guarantees on the energy consumption of their premises, for the duration of the contract. More and more residential properties and offices are being handed over with EPCs. Bouygues Immobilier also offers an EPC with each of its Green Office® developments.

Bouygues Construction

Indicator	Scope (activity or region)	Coverage	2016	2015	Remarks
Projects in the order intake where energy performance commitments are included in the contract	Energy and Services activities	14% of Bouygues Construction's consolidated sales	13%	19%	Factoring in energy-related issues is not limited to the design and build phases. Bouygues Construction has boosted its support for customers seeking to manage and limit their final energy consumption. To accomplish this, it proposes offers that include performance commitments, particularly in the form of Energy Performance Contracts (EPC), recently introduced for both residential and office developments. The lower percentage relates to the category of transactions concluded in 2016, which featured lower environmental criteria.

The Bouygues group's business segments offer customers innovative but competitively priced services for optimising energy consumption. Most notably, they have built up expertise in the design of passive-energy buildings, positive-energy buildings, rehabilitation and energy performance management.

■ **Passive-energy buildings:** Bouygues Immobilier has developed expertise in the design of passive-energy buildings (which consume less than 15 kWh/m² per year for their indoor heating). In 2016, Bouygues Immobilier carried out four passive-energy residential developments: Tempo and Parc de Flore (near Nantes), Les Lodges in Chanteloup-en-Brie (east of Paris) and Green Home in Nanterre, near Paris suburbs, totalling 336 housing units.

■ **Positive-energy buildings:** in anticipation of new regulations coming into force in 2020 (e.g. 2018 Environmental Regulations^a, which include a new Energy-Carbon label), buildings are henceforth designed with a positive net energy consumption. In the commercial property segment, the Green Office® brand – launched in 2007 – enshrines Bouygues Immobilier's strategy for positive-energy office complexes that use renewable energy and bioclimatic design. In 2016, Bouygues Immobilier started three new positive-energy commercial projects: Green Office® Trigone Quart Opale (Issy-les-Moulineaux), Green Office® Meudon Gaupillat and Green Office® Link. In residential property, Bouygues Immobilier handed over L'Odyssée, a positive-energy residence comprising 27 housing units located in Anglet,

(a) Environmental Regulations (RE 2018) comprise a new energy criterion, positive-energy certification and a carbon indicator that assesses greenhouse gas emissions throughout a building's lifetime. The new rules will be coming into force between 2018 and 2020.

in south-west France. Green Office® Enjoy in Paris, the first-ever Green Office® with a composite timber-concrete structure, leading to exemplary carbon performance, is in the design phase. Bouygues Immobilier has pledged that 35% of the surface area of its ongoing or handed-over commercial property projects in the 2016–2020 period will be Green Office®. At the end of September 2016, 36% of such projects were Green Office® (84,623 m² out of a total of 234,432 m² of ongoing or handed-over commercial property projects).

Bouygues Bâtiment Sud-Est (formerly GFC Construction), part of Bouygues Construction, handed over the first-ever positive-energy school complex in the Marianne district of Montpellier, ChengDu. This structure was awarded the 2015 "Clés d'Or" prize by EGF-BTP^a for the Languedoc-Roussillon region.

■ **Rehabilitation:** in 2009, Bouygues Immobilier launched the Rehagreen® scheme for commercial property. Based on a comprehensive multicriteria assessment of the building, covering technical, energy, planning, regulatory, commercial and other aspects, the purpose of the service is to identify and implement the rehabilitation scenario which most precisely meets the owner's enhancement objectives and the demands of the commercial property market, while respecting the building's architectural heritage. If the owner so wishes, the operation can be designed to fulfil the most exacting certification requirements (HQE™, BREEAM® and LEED®). Three Rehagreen® developments were still under way in 2016: Rehagreen® Scor Londres Budapest, Rehagreen® Malakoff Pichat and Rehagreen® Montrouge. These three renovations have a total surface area of 47,744 m², in addition to the 42,285 m² of the Lemnys operation, delivered in February 2016. Bouygues Immobilier has pledged that 35% of the surface area of its ongoing or handed-over rehabilitation projects in the 2016–2020 period will be Rehagreen®. At the end of September 2016, 38% were Rehagreen® (90,029 m² out of a total of 234,432 m² ongoing or handed-over rehabilitations).

Bouygues Entreprises France-Europe, a Bouygues Construction entity, launched Réavenir, an initiative for rehabilitating residential property, in 2012, based on three commitments: respecting the environment, guaranteeing energy performance and awareness-raising among residents. Projects to be handed over in 2017 include the energy renovation of almost 600 housing units in Le Havre and Bolbec, and 900 housing units in Rouen and Elbeuf (Normandy). These developments aim to reduce energy consumption by 40–45% depending on the residence, with a 15-year commitment.

■ **Urban services:** Bouygues Energies & Services, a subsidiary of Bouygues Construction, has developed a platform enabling local authorities to manage the energy of all their buildings and network infrastructure in order to reduce consumption. Other innovative services, also aiming to make urban environments more sustainable, include:

- Citybox®, which is directly connected to lamp posts, converts street lighting systems into a broadband network that, in addition to reducing energy consumption, offers digital services such as Wifi, CCTV and sound systems. At the latest count, this solution remotely managed close to 60,000 street lamps;
- Citycharge®, which installs electric vehicle charge points on the lamp posts, making it easier to deploy electric mobility solutions. A pilot project recently began in La Roche-sur-Yon in western France;
- Alizé®, which provides electric vehicle charge points for local authorities and businesses that use a real-time smart management solution.

■ **Managing energy efficiency:** Bouygues Energies & Services (with Hypervision®) and Bouygues Immobilier (with Si@go®) have developed and marketed tools for measuring and managing energy performance for their customers.

The Group's business segments also offer energy-performance solutions for local authorities. For example, Bouygues Immobilier ran the pilot phase for IssyGrid®, France's first district smart grid, in Issy-les-Moulineaux near Paris. Today up and running, this project supplements Bouygues Immobilier's expertise in eco-neighbourhoods.

(a) EFG-BTP: Federation of French construction and civil works companies

Bouygues Immobilier

Indicator	Scope (activity or region)	Coverage	2016	2015	Remarks
Surface area of Green Office® commercial property developments in operation during the reporting period m²	France and subsidiaries	96% of Bouygues Immobilier's consolidated sales	84,623	93,915	In 2016, the 24,665 m ² surface area of the Trigone Quart Opale development (Issy-les-Moulineaux), on which work started in October 2015, the 4,828 m ² of Green Office® Meudon Gaillat and the 8,804 m ² of Green Office® Link, on which work started in the summer of 2016, supplement the 35,200 m ² of Green Office® Spring (Nanterre) and the 11,126 m ² of Green Office® CEAPC (Bordeaux), which in 2016 was still under construction. The total in-progress surface area for Green Office® was 84,623 m ² . Ongoing or handed-over Green Office® developments represented 36% of total commercial property developments.
Number of passive/positive-energy homes being built or handed over in the full year	Global	100% of Bouygues Immobilier's consolidated sales	363	377 ^a	Four passive residential developments, Tempo and Parc de Flore (Carquefou), Les Lodges (Chanteloup-en-Brie) and Green Home (Nanterre), were under construction in 2016, corresponding to 336 residential units. That is in addition to the 27 positive-energy housing units in L'Odyssée (Anglet, southwest France), bringing the number of passive/positive-energy homes to 363, which was 4% lower than in 2015.
Number of smart grids to be rolled out	France excluding subsidiaries	89% of Bouygues Immobilier's consolidated sales	6		Bouygues Immobilier has committed to rolling out smart grids for the following urban development operations: the railway station district in Divonne-les-Bains, Amédée Saint-Germain in Bordeaux, XXL in Marseille, Nanterre Cœur Université, Annemasse and Lyon Living Lab. The progress made in planning varies according to each project.

(a) Data for 2015 has been adjusted.

Bouygues Telecom is one of the first French operators to roll out a network designed for connected devices based on LoRa (or Long Range) technology. This network, which is slated to become the global standard, covers the whole of France, offering a range of applications for reducing the environmental footprints of urban environments. Objenious, a Bouygues Telecom subsidiary founded in 2015, already offers a wide range of solutions. These include a visual interface for monitoring and controlling energy consumption in industrial facilities and in buildings run by local authorities, the possibility of setting

alarms indicating overconsumption, and cost optimisation apps (see box on p. 118).

REDUCING THE ENERGY CONSUMPTION OF BUSINESS ACTIVITIES

At the same time, the Group's business segments are implementing programmes to help limit or reduce energy consumption arising from their operations (Ecosite at Bouygues Construction and cLEANergie at Colas).

Reducing energy consumption at Colas

The cLEANergie (Colas Lean in energy) programme was launched in 2012 to provide Colas with a measuring and monitoring tool aimed at reducing the energy used by operations, from construction and production sites to buildings and logistics.

Deployment of this programme revealed most notably that the energy consumed by asphalt plant burners, vehicles and construction machines together accounted for three-quarters of Colas' direct energy consumption in almost equal proportions.

In order to better control its energy consumption, Colas is focusing its efforts on:

- **measurement tools**, introducing software to monitor the energy consumption of asphalt mixing plants and installing similar systems on site machines and vehicles;
- **enlisting the support of employees** by fitting on-board consumption tracking systems and making this part of driver training;
- **the use of renewable energy** to power installations in some regions:
 - on Reunion Island, Colas subsidiary GTOI has equipped the roofs of several depot buildings with 6,600 m² of solar panels. This solar farm has been connected to the local power grid since 2009;
 - in 2014, Colas Suisse (Switzerland) set up a high-temperature thermal solar power plant at its Pittet-Chatelan facility, in the canton of Vaud. The plant is used to heat bitumen and emulsion tanks and to produce some of the power used by the site's administrative building;
 - also in 2014, Colas Belgium equipped its Heusden-Zolder plant, in the province of Limbourg, with two wind turbines and over 1,000 solar panels installed on its administrative buildings. In 2016, the wind turbines were generating 7.6 GWh, of which almost 900 MWh were used at the site.

Additionally, it has been observed that, in addition to low-carbon alternatives, the following help achieve indirect energy savings:

- **warm asphalt mixes**, which require about 15% less energy to produce than hot mixes;

(continued on page 113)

- **recycled materials**, and especially reclaimed asphalt pavement (planed materials from old road pavement), which saves bitumen and aggregates and reduces production and transport costs;
- **in-place recycling**, which also saves energy by reducing the need for materials and transport.

At Colas, the programme for controlling and reducing energy consumption is geared to sustainable development, namely economic (including financial savings), environmental and safety issues.

For its own transport requirements, Colas also uses rail and inland waterways as an alternative to road haulage. The quantity of materials transported by rail or waterway is equivalent to nearly 2,700 freight trains (with each train containing 40 freight wagons), which avoids deploying some 247,000 30-tonne trucks.

Colas

Indicator	Scope (activity or region)	Coverage	2016	2015	Remarks
Energy used per tonne of asphalt mix produced <i>(kWh per tonne)</i>	Global	Asphalt mix production activities	78	80	Colas systematically and carefully measures and monitors the fuel consumption of asphalt plant burners at more than 550 plants. The indicator improved by 2% in 2016 following the increase in average tonnage per asphalt mixing plant in most countries, automatically optimising their energy efficiency.
Warm- and low-temperature asphalt mixes	Global	Asphalt mix production activities	21%	21%	Warm asphalt mixes made by Colas accounted for 21% of total output in 2016, almost unchanged relative to 2015. The most substantial advances were made by US subsidiaries. All employees are working to expand the use of these products across all regions, adapt production tools and conduct ongoing research to develop new technical solutions that enable lower product temperatures, all the more so given the substantial health-related benefits.
Total energy costs <i>(in millions of euros)</i>	Global	All activities	370	430	The Colas group's total energy costs are estimated at about €370 million.
Total energy consumption <i>millions of MWh</i>	Global	All activities	7.8		Total energy consumption was 7.8 million MWh, with a relatively even territorial distribution in accordance with sales.

Lastly, Bouygues Telecom has implemented energy management systems, with three sites certified against ISO 50001 (energy management system): the Technopôle site, the Printania customer relations centre and the Montigny-le-Bretonneux data centre.

Bouygues Telecom

Indicator	Scope (activity or region)	Coverage	2016	2015	Remarks
Total electricity consumption <i>in GWh</i>	France (excluding branches)	100% of Bouygues Telecom's consolidated sales	499	519	A more accurate calculation method in regard to the estimated consumption of the mobile network has reduced the total. Adjusting past data is not possible here, which precludes analysing the indicator using a comparable scope this year. However, consumption was reduced at other sites, namely the Club Bouygues Telecom store network, data centres and offices.

PROMOTING RENEWABLE ENERGY SOURCES

As far as possible, the Bouygues group's business segments use renewable energy sources as a way of reducing the energy footprints of their activities and the products they use. The solar road developed by Colas is a case in point.

Wattway: Colas invents the first-ever operational photovoltaic road surfacing



Unveiled in Paris in October 2015, Wattway is a patented French innovation, the result of five years of R&D in partnership with INES (France's National Solar Technology Institute).

By combining road construction and photovoltaic techniques, the Wattway road surface provides clean, renewable electricity, while allowing for all types of traffic. Wattway contributes to increasing the share of photovoltaic electricity in the energy mix, both in France and worldwide. Designed to meet local energy needs, Wattway is a decentralised solution integrated with street furniture such as electric vehicle charge points, signing and street lighting.

Roads are only occupied by vehicles 10% of the time^a. Wattway harnesses the solar potential of this upward-facing surface area. The principle behind Wattway involves laying specially-designed solar panels directly on road surfaces, without requiring any civil engineering work. One kilometre of Wattway road surface can power the street lighting for a town of 5,000 inhabitants.

Nine small-scale projects covering a surface area of approximately 100 m² each were launched in 2016, in mainland France, North America and on Reunion Island, to test Wattway under real-life conditions. A major pilot project in France covering a 1-km stretch of the RD5 highway near Tourouvre, to the west of Paris, was also undertaken. This first large-scale project is one of several supported by the French Ministry of the Environment, Energy and the Sea under its energy transition policy, and is also partly funded by the Orne department, in which it is located. Another pilot project, in the US, involved the installation by Reeves Construction of Wattway panels on a rest area along a section of highway in Georgia known as "The Ray", dedicated to the development of new transportation technologies.

Bouygues Construction and Bouygues Immobilier have made positive-energy structures a major part of their business strategy, in order to prepare for the 2020 "Bâtiment Responsable" (responsible building) regulations. Positive-energy buildings produce more energy – much of which is solar, biomass or geothermal – than they consume. Challenger, the headquarters of Bouygues Construction, was transformed into a positive-energy building during its renovation (see box on p. 118).

Hikari, developed by Bouygues Immobilier in Lyon, is France's first positive-energy mixed-use development. All energy used in the development is renewably-sourced. Photovoltaic panels have been placed on the roof and façades. It is also equipped with a geothermal system and has a cogeneration power plant fuelled by locally produced rapeseed oil. Energy production and usage are pooled through an energy communication network. Electricity is also stored on batteries to deal with peak loads.

Bouygues Travaux Publics and Bouygues Energies & Services, part of Bouygues Construction, have since 2012 been developing bespoke projects around the globe in renewable power generation, from photovoltaic and biomass to thermal and wind power. In 2016, Bouygues Energies & Services handed over the largest photovoltaic solar farm in South-East Asia (on Negros Island in the Philippines). More than 425,000 photovoltaic panels were installed over an area of 170 hectares, connected to the national power grid. Their annual production capacity of 190,000 MWh is capable of supplying power to around 170,000 Filipino households. Bouygues Travaux Publics is also part of Floatgen, a project building France's first offshore wind farm.

Land use

The Group's construction businesses may have an impact on land, through the extraction of materials, pollution, occupation and loss of greenfield sites, in a context of increasing urbanisation.

Bouygues Construction's earthworks and civil works activities are those most concerned by land use and pollution, together with Colas and Bouygues Immobilier. In response

- Bouygues Construction is working on the widespread application of soil decontamination procedures to construction projects, which would not only reduce waste but also avoid the use of new replacement materials. Additionally, the recycling of polluted land through in-place soil decontamination is being researched by Brézillon, a Bouygues Bâtiment Ile-de-France entity;
- all quarry and gravel pit sites operated by Colas are restored when they are shut down and many are progressively restored while still being operated;
- Bouygues Immobilier carries out field surveys to determine soil type and ensure that no waste has been dumped. It also ensures that there are no chemical or radioactive substances, nor pollution that could result from current or past operations or from a nearby sensitive site. Finally, it makes sure that no dumped or buried waste, or any substance, could be hazardous or detrimental to human health or to the environment. The presence of any form of soil or subsoil pollution can lead to the cancellation of land purchase contracts. An exemption may only be granted upon prior authorisation of the vetting committee.

The Group's operations also imply land occupancy, and therefore urbanisation.

Most of Colas' construction work involves the maintenance or redevelopment of areas that are no longer in their natural state. The construction of new infrastructure accounts for a very modest share of sales (estimated at less than 10%), and Colas often has no control over how land is used. Other than that, with its innovative Wattway solution, Colas is paving the way for the creation of solar energy-generating

(a) source: Ademe (French environment and energy management agency)

roads, offering access to a sizeable surface area while reconciling the goals of renewable power generation and land conservation.

In 2016, Bouygues Telecom and SFR continued their programme to share close to 12,000 antennas located outside high population density areas in France, under the terms of an agreement signed in 2014. From an environmental standpoint, this is reducing the need for new equipment while lessening the impact of telecoms sites on land use.

Water consumption in accordance with local conditions

The issue of water consumption varies in importance from one part of the world to another, depending on whether operations are situated in arid or temperate regions. In each business segment, water management is consequently tailored to local contexts.

Bouygues Construction and Colas are those most exposed to water-consumption issues in sensitive areas. In 2014, Bouygues Construction conducted its first-ever comprehensive water-stress analysis. The regional breakdown, updated in 2015, showed that the company

generated 69% of sales in countries with low or medium water scarcity (levels 1 and 2), 27% in countries with medium to high water scarcity (level 3), 2% in countries with high water scarcity (level 4) and 3% in countries with extremely high water scarcity (level 5). Bouygues Construction is implementing specific measures to safeguard water resources through the use of special equipment, water re-use, consumption tracking and awareness-raising among staff and business partners. For example, to mark World Water Day, Bouygues Bâtiment International voiced its commitment to more controlled and rational water usage. The company regularly conducts campaigns to raise awareness among employees of water usage in many different places worldwide, including Ghana, Turkmenistan, Qatar, Hong Kong, Morocco and Cuba.

In 2015, Colas introduced and conducted reliability assessments concerning new indicators to measure and limit the pressure exerted on water resources by its operations in regions where water is extremely scarce. For these regions, water consumption by Colas' permanent facilities is estimated at over 770,000 m³ in 2016.

Colas

Indicator	Scope (activity or region)	Coverage	2016	2015	Remarks
Share of permanent activities located in highly water-stressed areas <small>% of sales before inter-company eliminations</small>	Global	100% of total sales before inter-company eliminations of permanent activities	6%		Colas group's permanent facilities located in highly water-stressed areas are in Canada (Saskatchewan), the US (California and Wyoming), South Africa, Namibia, Guadeloupe, Martinique, Ireland, India, Morocco, the Middle East, Chile and mainland France (Normandy). These facilities represent some 6% of Colas installations in terms of sales before inter-company eliminations.
Water self-sufficiency rate in highly water-stressed areas <small>% of m³</small>	Global	100% of total sales before inter-company eliminations of permanent activities in highly water-stressed areas	84%		In addition to reducing water consumption in these localities, a key objective for Colas is to increase water self-sufficiency so as to minimise disruption of the water cycle and downstream water use. The water self-sufficiency indicator for 2016 is 84%, which means that most of the water consumed was obtained internally and not from the local water system. This preserves access to water resources for other local users.
Share of sales in highly water-stressed areas where an action plan has been implemented <small>% of sales before inter-company eliminations</small>	Global	100% of total sales before inter-company eliminations of permanent activities in highly water-stressed areas	38%		By tracking its action plan progress indicators, as part of a continuous improvement process, Colas is able to monitor and reduce pressure on water resources in highly water-stressed areas.

Generally speaking, business segments within the Bouygues group are responsible for taking local water constraints into consideration. How water is managed is one of the criteria of the ISO 14001 standard and is contained in internal standards (Ecosite and checklists).

 Additionally, Bouygues Construction and Bouygues Immobilier strive to promote building environmental certifications (HQE™ and NF Habitat HQE™), which have a section on responsible water management in a building's operational phase, covering drinking water management, rainwater recovery as well as wastewater and rainwater management.

3.3.4 Climate change

The Bouygues group played an active role during COP21 (21st Conference of the Parties to the United Nations Framework Convention on Climate Change), held in France in late 2015, by presenting – to international policymakers – the solutions it has developed in the areas of renovation, low-carbon construction, eco-neighbourhoods, soft mobility and urban services. This commitment was also shown by its involvement in World Efficiency (Porte de Versailles, Paris) and La Galerie des Solutions (Le Bourget).

In 2016, the group continued in the same vein, for the first time participating in Pollutec, a global trade fair dedicated to environmental and sustainable urban solutions. Bouygues was also part of the first-ever Climate Chance event, a global summit held under the aegis of the Municipality of Nantes. It was also active through subsidiaries in Morocco (Colas, Bymaro and Bouygues Immobilier Maroc), which took part in COP22, held in Marrakesh in November 2016.

3.3.4.1 Measuring greenhouse gas emissions and material impacts of business activities and products on climate change

The Bouygues group's business segments audit their carbon emissions pursuant to Article 75 of the Grenelle II law. They have already pre-empted regulations by extending the sphere of Scope 3 to include the measurement of greenhouse gas emissions arising from subcontractors' goods and services. Bouygues Immobilier and Bouygues Telecom have also conducted measurements of the emissions generated by the operation of completed property developments and by the use of their products (starting in 2014 and 2007, respectively). Various methods are used in carbon accounting. Bouygues Construction uses its own CarbonEco system, while Colas relies on ratios relating CO₂ emissions to sales.

Bouygues group greenhouse gas emissions

Kt CO ₂ eq	Bouygues Construction	Bouygues Immobilier	Colas	TF1	Bouygues Telecom	2016 Group Total	2015 Group Total
Scope (activity or region)	Global	France ^a	Global	France	France		
Coverage % of sales	90%	89.4%	100%	82.7%	100%	94.5%	94%
Scope 1	214	3	2,000	1	7	2,225	1,900
Scope 2	234		500	2	44	780	350
Scope 3	2,540	461	8,500	90	682	12,274	13,519
TOTAL	2,989	465	11,000	93	733	15,280	15,770

(a) Excluding subsidiaries.

In the context of the Bouygues CSR policy, setting quantifiable targets for reducing energy consumption, energy intensity and CO₂ emissions in relation to business activity, is one of the four principles to which the business segments commit for the improvement of the Bouygues group's environmental performance.



Bouygues Immobilier, by encompassing the emissions linked to its property developments over a 40-year period, identified the three largest sources of emissions over the various lifecycle phases of programmes, and drafted a scheme for reducing greenhouse gas emissions that was implemented in 2015, with targets set for 2020. For example, the chief means of reducing transport emissions caused by occupants, once the buildings become operational (46% of Bouygues Immobilier's carbon output) are innovative mobility solutions and dialogue with local authorities. The specific target is that, by 2020, all residential properties handed over will offer sustainable mobility solutions, such as shared electric vehicles and electric bikes, a car sharing scheme, a car pooling platform, electric vehicle charge points as well as strong links to the public transport network.

At Bouygues Telecom, the three largest emissions sources relate to network equipment spending, handset purchases and purchases of home gateways, i.e. emissions arising from the manufacturing and installation of this equipment or these devices. The initiative enacted to reduce carbon emissions from the first of these three sources (52% of Bouygues Telecom's total) involves sharing equipment with other operators and encouraging its reuse.

Colas has a two-fold commitment: reducing the amount of energy required for its operations (see box on p. 112), and lowering the energy and carbon footprints of the products and techniques offered to customers.

Bouygues Construction's strategy is also twofold: providing low-carbon strategies to customers and end-users, and reducing its own carbon footprint.

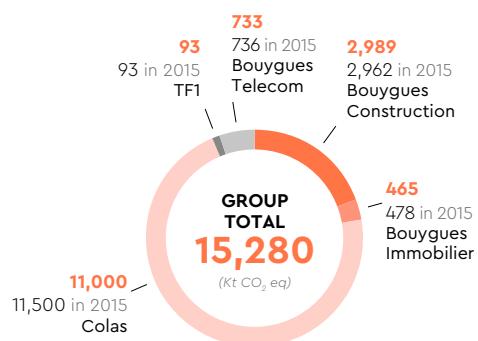
The carbon footprint is useful in providing an idea of scale but cannot be considered a reliable performance indicator because of its inherent uncertainties.

To all intents and purposes, the reduction in the Group's carbon footprint (-3% between 2015 and 2016) can be explained by lower carbon emissions at **Colas** (70% of the Group's CO₂ emissions in 2016). Most notably, this reflects the deconsolidation of Société de la Raffinerie de Dunkerque (which produced over 230,000 tonnes of CO₂ equivalent in 2015) and changes in sales trends by region and business.

Other initiatives within the Group – especially at **Bouygues Telecom** and **Bouygues Immobilier** – have helped shrink its carbon footprint to a lesser extent. At Bouygues Telecom for example, electricity consumption has dropped at several locations (Club Bouygues Telecom store network, administrative sites and data centres), while steam for air conditioning is no longer required since the regrouping of all Paris region employees at the Technopôle site. Both these considerations helped reduce Scope 2 emissions.

GREEN HOUSE GAS EMISSIONS BY BUSINESS SEGMENT

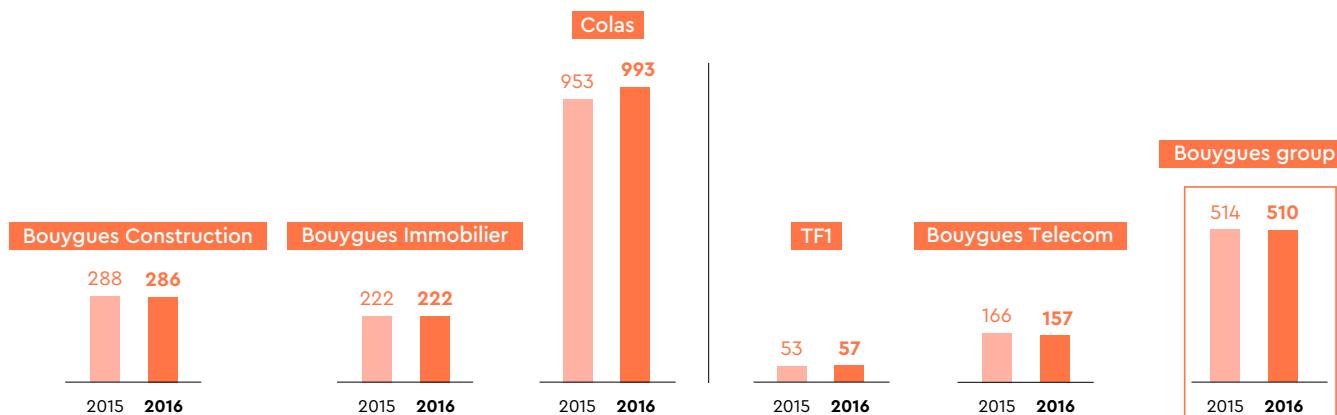
Kt. CO₂ eq



3

CARBON INTENSITY BY BUSINESS SEGMENT

In tonnes of CO₂ equivalent per € million of sales



3.3.4.2 Low-carbon solutions



COP21 in 2015 and COP22 in 2016 provided the Bouygues group a platform to showcase solutions that deliver measurable progress in energy savings and carbon performance in a number of areas:

- Renovation: the Group has solutions to deal with the millions of existing poorly-insulated buildings. Its business segments have

developed expertise in energy renovation for residential property, offices and public amenities. These offers improve the business models of renovated properties and save on natural resources, while respecting the architectural heritage of buildings. In this domain, Bouygues Immobilier operates the Rehagreen® service for commercial property (see p. 111). The renovation of Bouygues Construction's headquarters, transforming it into a positive-energy building, is a showcase of its technological expertise.

Challenger: showcasing Bouygues' renovation expertise

Challenger, Bouygues Construction's emblematic head-office complex in Guyancourt outside Paris, was opened in January 1988. Some 3,000 employees currently work there every day. Between 2010 and 2014, Challenger underwent a substantial renovation concerning 67,000 m² of building floorspace.

The environment and rational use of natural resources were factored into the building's operation. Ventilated façades, better isolation and repairs to waterproofing resulted in improved thermal performance from the building's envelope. To make the best possible use of solar energy, more than 25,500 m² of photovoltaic panels were installed in the grounds, in a solar farm and on the roofs of the cockpit and technical building, capable of generating over 2,500 MWh/year. Geothermal systems were also installed for heating and cooling all the buildings in the complex. The site, which prior to its renovation consumed 310 kWhpe/m²/year, is now certified positive energy, producing 17 kWhpe/m²/year.

Challenger is also equipped with a system for recycling and reusing wastewater and rainwater. Challenger, which has received the BiodiverCity label, hosts biodiversity enhanced by the use of phyto-purification through the "jardins filtrants" filter gardens.

Challenger was the first building in the world to receive triple certification – HQE™ Passeport Bâtiment Durable Exceptional level, LEED® Platinum, and BREEAM® Outstanding – at the highest levels.

- **Low-carbon buildings:** are economic and environmental profit centres. Bouygues and its business partners market scalable offers, beginning at the design stage – all the way through to when buildings are up and running. These offers use traditional and bio-sourced materials that can be reused or recycled, as well as renewable energy associated with storage systems (e.g. Eco2charge from Bouygues Energies & Services). Smart systems have also been developed to ensure optimised building management (Bouygues Immobilier's Green Office® positive-energy buildings). Sustainable construction is a major avenue of innovation and growth for Bouygues Construction and Bouygues Immobilier.
- **Eco-neighbourhoods:** Bouygues and its partners offer local authorities a range of integrated solutions combining sustainable construction, energy efficiency, functional diversity, soft mobility, biodiversity and new technologies adapted to residents' needs. The Bouygues group has several such projects to its name, both in France and further afield, for example Nanterre Cœur Université, near Paris,

Greencycle (Zurich, Switzerland) and Faubourgs d'Anfa (Casablanca, Morocco). Since 2016, the Bouygues group has taken part in the creation of two sustainable-city demonstrators in France, under the aegis of the government-backed Institute for Sustainable Towns (Lyon Living Lab and Descartes 21 Marne-la-Vallée). They will serve to test, free from current regulatory constraints, ground-breaking innovations in all areas of urban life.

- **Soft mobility and urban services:** Bouygues supports local authorities in the implementation of solutions promoting sustainable urban environments. Bouygues is developing transport infrastructure (e.g. tramways and cycle paths). For its eco-neighbourhoods, it also provides soft mobility solutions, such as strong links to public transport, networks, vehicle sharing, electric vehicle charge points, shared parking spaces and electric bikes. The Bouygues group is also able to change the way roads are made so they actually produce clean energy (Wattway) and offers local authorities innovative urban services based on embedded sensors (via the Internet of Things).

Objenious: the Internet of Things for the sustainable urban environment

By 2020, France is expected to have between one and two billion connected devices. The Internet of Things (IoT) offers fresh possibilities for furthering sustainable development in urban areas and within companies.

Bouygues Telecom is one of the first French operators to roll out a network designed for connected devices based on LoRa (or Long Range) technology. This network, which is slated to become the global standard, covers the entire country, offering a range of applications for reducing the environmental footprints of urban environments.

Objenious, a Bouygues Telecom subsidiary founded in 2015, already offers a range of solutions. For example, its connected car-parking solution, which uses LoRa-connected sensors, informs drivers about free spaces. Given that, in Paris, 25% of vehicle traffic flows are caused by drivers looking for a parking space, this solution reduces both fuel consumption and car pollution as well as decongesting traffic.

Another solution is the installation of sensors on voluntary drop-off points, which measure how full they are and in turn optimise collection vehicle management. It also reduces fuel consumption, pollution and greenhouse gas emissions as well as relieving congestion.

Lastly, Objenious offers energy savings of up to 30% by controlling energy consumption in industrial facilities and buildings run by local authorities, using a visual interface for monitoring energy expenses, notifications of over-consumption and cost saving procedures.

Objenious is working on new carbon-lowering applications for the benefit of local authorities and companies alike.

3.3.4.3 Promoting solutions adapted to climate change

Climate change leads to rising sea levels, an increased frequency of freak weather events (e.g. windstorms and rapidly rising or decreasing temperatures) and affects ecosystems.

Bouygues Construction's ABC (Autonomous Building for Citizens) is an example of what the Group will be able to implement to deal with these changes. In a context of increasingly scarce resources, ABC's performance in terms of insulation, renewable energy generation and water recycling are likely to represent a huge step towards independence from heating, power and water networks. In 2014, a partnership with the Municipality of Grenoble was signed to develop a demonstrator, involving the construction of an apartment building with some 60 housing units. In 2016, the preliminary design continued, aiming for a building that will reduce its impact on urban networks by a factor of four when up and running.

VSL has been working alongside the Danish Technical University to optimise the performance of cable-stayed bridges in the face of severe weather, leading to improvements in the user safety and comfort of these structures. Research focuses on vibration control and managing risks relating to falling ice.

Bouygues Immobilier factors bioclimatic architecture into its large-scale developments: research into the best location, bioclimatic research, choice of efficient insulating materials and the use of renewable energy sources. UrbanEra®, a sustainable eco-neighbourhood service, introduces nature into urban environments, thus reducing the urban heat island effect and considerably improving water drainage.

Colas has acquired in-depth knowledge of the particular constraints of designing and building infrastructure in harsh climates, enabling it to advise customers in dealing with climate change. For example, in 2009 Colas offered one of its customers a low-carbon alternative to the Colclair® binder to better reflect heat while resurfacing a road in Dawson (Yukon, Canada), where the permafrost ground (i.e. which does not thaw for at least two consecutive years) was threatened by increasing temperatures due to climate change. This expertise was once again in demand for work carried out on Iqaluit Airport under

a public-private partnership signed at the end of 2013 in Nunavut (Canada). This project is due to be completed in 2017. Colas' research efforts also include developing light-coloured asphalt mixes to help protect permafrost ground (instead of the traditional black mixes which reflect less of the sun's heat). Other research areas include the effects of extreme thermal shock on crack development.

Colas has developed solutions for combating urban heat island effects, including "cool roofs", which make roofing more durable (by limiting temperature variations) and reduce air-conditioning power consumption by up to 20%.

3.3.4.4 Reducing the Group's carbon footprint

Whether on worksites, at headquarters or in regional offices, the Group's business segments work hard to reduce the carbon footprints relating to their operations.

To reduce the carbon footprints of worksites, Bouygues Construction and Colas choose materials carefully (using the Seve® and Polygreen® systems), using eco-friendly alternatives and metrics to track energy savings.

Bouygues Construction is investing in innovation in the sphere of earthworks, researching binders with low CO₂ emissions. Soil improvement during landscaping projects is traditionally done by lime washing and/or by hydraulic binder, which, through their manufacturing process, generate large amounts of greenhouse gas emissions. In partnership with Carmeuse, Bouygues Travaux Publics is carrying out research into adapting or creating new hydraulic binders with low CO₂ emissions (reduced treatment costs, reduced energy consumption and greenhouse gas emissions linked to its manufacturing process), whilst respecting the "zero footprint/zéro waste" objective.

Colas implements initiatives to reduce fuel consumption, such as encouraging truck drivers and plant operators to adopt fuel-efficient driving behaviour and switch off engines when idling. Initiatives are also in place to reduce fuel consumed by asphalt plant burners. Fuel consumption per tonne of asphalt mix produced is monitored worldwide.

Colas

Indicator	Scope (activity or region)	Coverage	2016	2015		Remarks
				2015	Remarks	
Greenhouse gas emissions relative to the production of a tonne of asphalt mix Kt CO₂ eq per tonne	Global	Asphalt mix production activities	18	19	This indicator should be read in conjunction with the indicator showing energy used per tonne of asphalt mix produced (see p. 113).	
Greenhouse gas emissions avoided as a result of action taken by Colas in tonnes of CO₂ eq	Global	All activities	176,000	105,000	In 2016, the quantity of greenhouse gas emissions avoided by Colas improved, rising from 105,005 to 176,000 tonnes of CO ₂ equivalent, thanks to improved energy efficiency at asphalt mixing plants, an increase in the production of warm asphalt mixes and a rise in the surface area of recycled road pavement ^a .	

(a) Broadly speaking, action specifically involved limiting energy consumption by Colas at group level (plant and vehicle fuel consumption, asphalt plant burners) and reducing the energy and greenhouse gas component of the products and techniques offered to customers (warm asphalt and asphalt mixes, in-place road recycling, recovery of road pavement for use in production of asphalt mixes, Végéroute® products, promotion of Ecologiciel® and Seve® eco-friendly alternatives software, Wattway, etc.).

The BBCA label: a driver of ecological transition

To fight effectively against climate change and preserve resources, the construction sector continues to focus on reducing greenhouse gas emissions, of which it accounts for 40% on a global basis.

Bouygues Construction and Bouygues Immobilier participated in launching BBCA (the Low-Carbon Building Association), which promotes a label of the same name that highlights ways in which carbon footprints can be reduced over the entire lifecycles of buildings.

It has four focuses: sustainable construction, optimised operation, on-site carbon storage and the circular economy. Operating along the same lines of environmental certifications from the US or the UK, the BBCA label is awarded by an independent party, either Promotelec (housing) or Certivéa (offices).

Both Bouygues Construction and Bouygues Immobilier submitted projects for assessment from the very first pilot phase. The label gained its first recipients in June 2016. The Bouygues group's projects that now have the BBCA label are: Passage Desgrais and Rue des Ardennes (Paris), Epicéa (Issy-les-Moulineaux (Bouygues Bâtiment Ile-de-France) and Green Office® Enjoy, a positive-energy office development (Bouygues Immobilier) situated in the heart of the Clichy-Batignolles mixed-development zone, in the Paris region.

After tackling new builds, BBCA is looking into how it could apply the label outside France as well as to renovation and eco-neighbourhood projects.

All the Group's business segments have action plans to limit the impacts of work-related travel. This has entailed revising vehicle assignment and utilisation policies, promoting public transport, setting up car sharing websites, making provision for working from home and flex office^a solutions, and more besides. For example, Bouygues Immobilier in France operates an enhanced policy for vehicle fleet renewals, under

which vehicles with the best environmental performances are added each time the list is updated.

Additionally, TF1 has set targets for reducing carbon emissions relating to its operations. It is a signatory to the Paris Climate Plan, which sets quantitative objectives for reducing greenhouse gas emissions and energy consumption.

Ecoprod: working towards eliminating carbon from audiovisual and film production – an initiative supported by TF1

In France, the audiovisual sector annually emits approximately the equivalent of 1 million tonnes of CO₂ each year, approximately one-quarter of which is directly connected to filming, according to a report on the sector in 2011.

So that environmental considerations are better taken into account when producing radio and television programmes, public and private stakeholders (including TF1) in 2009 launched Ecoprod. Ecoprod offers a resource centre aimed at reducing the environmental footprint of these operations. These resources, available free of charge, include help-sheets, feedback and production monitoring templates.

In 2010, Ecoprod developed and implemented Carbon'Clap, an online carbon audit calculator designed specifically for the audiovisual sector. It has also forged partnerships with the audiovisual sector to replicate the programme at European level. In 2016, the new partnership with the European Training Centre in Film Production (CEFPF) led to the addition of an eco-production module to the latter's production-manager training programme.

Elsewhere, by leveraging Ecoprod's momentum, the Île-de-France regional authority initiated a call for projects to assess the feasibility of a sorting and recycling scheme for used studio-decoration and live-show materials.

In addition to the financial contribution, paid by all members of the consortium, TF1 took charge of producing the new version of the Carbon'Clap calculator, released in late 2016, and is coordinating the production of practical guides.

3.3.4.5 Partnering in research



To understand the future impacts of climate change on its business activities, the Bouygues group has become a partner and active member of The Shift Project (www.theshiftproject.org), a think-tank working towards a carbon-free economy. It comprises a multidisciplinary network of scientists and industry representatives acknowledged for their experience in energy and climate change issues. The purpose of this think-tank is to issue economically viable and scientifically sound

proposals to policymakers. In 2014, for example, it issued proposals for stepping up the energy renovation of buildings in France, e.g. through legal arrangements prompting owners to renovate their properties and training of renovation industry professionals. These ideas inspired the new bill on energy transition. In 2016, The Shift Project published its manifesto outlining nine proposals for a carbon-free Europe.

In 2016, Bouygues Immobilier and Bouygues Bâtiment Ile-de-France, both members of the Low Carbon Building Association (BCCA), participated in the inception of an eponymous label promoting low-carbon buildings (see box above).

(a) Flexible working areas that optimise workstations and collaborative workspaces.

Additionally, Bouygues Construction is a partner on the national Recybeton project, which promotes the reuse or recycling (as an input for cement-making) of all products recovered from concrete rubble^a.

Lastly, the Group and its subsidiaries are advised on strategic carbon-related issues by the Carbone 4 consultancy.

3.3.5 Taking account of biodiversity

The Bouygues group has pinpointed the impacts of its construction businesses on biodiversity. These include noise and light pollution, destruction or fragmentation of habitats and species, and the possible introduction of invasive species. Other effects include soil sterilisation around buildings, worksites, quarries and gravel pits. "Setting targets for improving biodiversity, when justified by business activity" is one of the four principles that the Group's business segments commit to for the improvement of their environmental performance.

The Group has undertaken measures to limit such impacts and sustain biodiversity in its construction businesses. Colas supports biodiversity in two ways:

- **by actively participating in research on biodiversity:** Colas is one of the companies to be part of the FRB (French foundation for biodiversity research) strategic steering committee. It supported the Lengguru 2014 scientific expedition, an initiative carried out by

IRD (the French Institute of Research for Development) in Indonesia's Papua province. In 2016, several films were made and aired on Arte and Ushuaïa TV. Additionally, a one-year travelling exhibition was taken to southern France, Paris and Jakarta (www.lengguru.org). Colas also created a sanctuary for black bees in the Alpes de Haute-Provence department in south-east France, in partnership with Apilab;

- **by implementing a policy with a direct connection to its operations,** i.e. In its quarries and gravel pits. This consists of implementing and monitoring actions to enable and facilitate the presence and survival of a notable animal or plant species, and in installing beehives in collaboration with local stakeholders (bee-keepers, naturalists, nature reserves, NGOs and others). Trials are also under way to help Colas work crews address the issue of invasive plants, with a growing number of subsidiaries around the world tackling this issue.

Colas

Indicator	Scope (activity or region)	Coverage	2016	2015	Remarks
Share of aggregates production sites working to promote biodiversity % of sales before inter-company eliminations	Global	100% of sales before inter-company eliminations of the permanent aggregates production activities	44%	41%	More than 70 protected species currently live at Colas' extraction sites; in addition some 50 sites are home to beehives. Real progress has been made since this policy was deployed in 2012, on the occasion of Colas' Environmental Convention. This effort remains varied according to cultural contexts, enjoying strong support in France but less in the United States, for example. The three-point improvement in this indicator in 2016 can be attributed to road construction subsidiaries in mainland France and countries such as Madagascar, which achieved a 100% rate.

In 2012, Bouygues Construction set up an internal advisory unit, Biositiv. It is integrated into the Bouygues Travaux Publics subsidiary and helps each business segment develop a biodiversity strategy. For example, the Nîmes-Montpellier railway bypass project has applied offsetting measures on neighbouring land to restore supportive conditions for almost 150 protected animal and plant species.

To take proper account of biodiversity in urban development projects, Bouygues Construction has contributed to the creation of a the first-ever global label for recognising construction and renovation projects that factor in urban biodiversity. BiodiverCity is currently managed by the IBPC^b, an organisation bringing together builders, developers, users and trade federations.

Bouygues Construction and Bouygues Immobilier have already used this label with several certified structures. The Font-Pré eco-neighbourhood, in Toulon, received the BiodiverCity label at the design stage. The project includes the landscaping of 10,000 m² of grounds and a partnership agreement with the regional Bird Protection League (LPO) to provide training and coordination for the neighbourhood's managers and residents. These actions led to the award of the best score ever – ABAA – for a property development project in France. The label was also awarded to the renovation of Challenger (see box on p. 118).

(a) To find out more, go to: <http://www.pnrecybeton.fr/en/>.

(b) International Biodiversity and Property Council.

Alongside the IBPC^a, Bouygues Immobilier is helping in the launch of the BiodiverCity label for urban planning ("BiodiverCity Aménagement"), to be trialled on the Nanterre Cœur Université development. Bouygues Immobilier had pledged to have 8,000 housing units carrying the BiodiverCity label by 2020. But since this commitment has been applied systematically to its eco-neighbourhoods, the target was achieved in late 2016.

Bouygues Immobilier

Indicator	Scope (activity or region)	Coverage	2016	2015	Remarks
Number of housing units carrying or covered by a commitment to implement the BiodiverCity label <small>(At 30 September 2016)</small>	France excluding subsidiaries	89% of Bouygues Immobilier's consolidated sales	8,008		Since the launch of the BiodiverCity label in 2014, Bouygues Immobilier has systematically factored biodiversity into its urban development projects, most of which have a commitment to obtain this label. Bouygues Immobilier is also trialling the BiodiverCity label for urban planning in the Nanterre Cœur Université development. So far, 8,008 housing units are covered by a commitment, of which 1,635 have already received the label.

Bouygues Construction

Indicator	Scope (activity or region)	Coverage	2016	2015	Remarks
Number of construction projects in the order book with the BiodiverCity label	Global construction activities	55% of Bouygues Construction's consolidated sales	5	2	Bouygues Construction, a founding member of the IBPC, achieved labels on five operations this year: two carried out by Bouygues Bâtiment Ile-de-France (Porte Pouchet and Créteil) and three by Bouygues Entreprises France-Europe in western and north-eastern France.

Bouygues Construction's biodiversity policy



Bouygues Construction included protection of biodiversity into its product offering in order to give it value added and make it stand out from the competition. During COP21 in 2015, its biodiversity policy was recognised by the French Ministry of Ecology, Sustainable Development and Energy under the National Biodiversity Strategy (SNB).

For several years, Bouygues Construction has been running R&D programmes investigating biodiversity in infrastructures (measures to stop invasive species, offsetting mechanisms, etc.) and urban biodiversity (biodiversity in property development, etc.). This commitment has been conveyed by a host of different actions, including:

- forming an internal advisory unit, Biositiv, and partnering in the inception of BiodiverCity, the first globally applicable biodiversity label, which the company has also used in several projects;
- participation in the annual National Biodiversity Conference since 2012;
- support for charities working to preserve biodiversity such as the French Bird Protection League (through Club Urbanisme, Bati et Biodiversité), contributing to the urban biodiversity database alongside Natureparif in the Paris region, and partnering with Les Jardins de Noé, a conservation body.

Measures either to protect biodiversity or to reintroduce species were undertaken at the following projects: the Challenger renovation, Eikenøtt eco-neighbourhood, La Seine Musicale (Boulogne-Billancourt), the Nîmes-Montpellier railway bypass, the Citybox® street lighting system and the Playa San Agustin hotel (Cuba). The latter venture marks the first application of the BiodiverCity label to a non-French project. Bouygues Bâtiment International is furthermore developing learning trails for future tourists. Other projects are currently in the labelling phase.

Lastly, Bouygues Construction will take part in the "Thousand Trees" project, winner of the Réinventer.Paris competition. The project involves reproducing the concept of a "floating village in a forest" above the Paris inner ring road in the 17th arrondissement. The 6,500 m² area will feature apartment buildings, offices, a hotel, restaurants, a bus station and a biodiversity centre managed by the French Bird Protection League (LPO).

Lastly, the Group's business segments have teamed up with expert partners in their efforts to protect biodiversity. For example, several entities at Bouygues Construction, chief among which Bouygues Energies & Services, have signed a commitment with Noé, a charity,

for the incorporation of biodiversity considerations in their offers. This covers street lighting, infrastructure biodiversity, knowledge-sharing, staff awareness-raising and outreach to users.

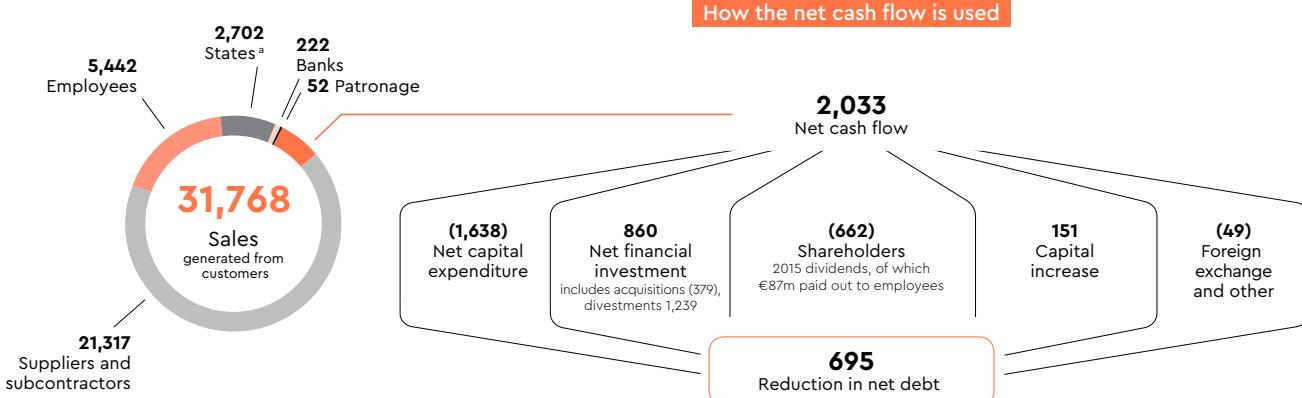
^a(a) International Biodiversity and Property Council

3.4 Social information

Further information can be found by visiting www.bouygues.com or consulting the CSR documentation of the individual business segments available on their respective websites.

HOW THE VALUE CREATED BY THE BOUYGUES GROUP IS SHARED OUT

€ millions



(a) Social security payments and taxes.

In 2016, the Bouygues group generated sales of €31,768 million. The graph above summarises how this value was shared out between its main stakeholders.

The residual amount of cash totalling €2,033 million, boosted by the proceeds from divestments and the contributions from shareholders, enabled the Group to carry out investment and pay out dividends to shareholders. The unused remainder of €695 million was used to reduce the debt load.

3.4.1 Socio-economic impacts worldwide

The Bouygues group's business activities have an impact on regional and local development through the construction and maintenance of road and rail transport infrastructure and buildings, and the expansion and operation of a telecommunications network. In this respect, it aims to:

- **facilitate personal travel.** The Henri Konan-Bédié Bridge in Abidjan (Ivory Coast), which began operating in December 2014, has significantly improved inhabitants' quality of life;
- **protect populations against major risks.** The Chernobyl confinement shelter, work on which took place between 2010 and 2016, will limit the environmental risks connected with this defunct nuclear power station;
- **help to access to housing and urban services.** With its diverse offers, Bouygues endeavours to meet the needs of first-time buyers and social landlords. Bouygues Immobilier markets a significant portion of its developments (65% of block reservations in 2016) to social landlords. It also develops housing adapted to senior citizens (e.g. Les Jardins d'Arcadie). Additionally, the eco-neighbourhoods developed by Bouygues seek to factor in social diversity and public amenities;

■ **fighting fuel poverty.** Bouygues Construction's solution that provides energy renovation for social housing without the need to decant the occupants helps social landlords reduce fuel poverty among low-income households;

■ **developing the means of communication.** The roll-out of 4G technology, Bouygues Telecom's investment as a result of the network sharing agreement with SFR, and the laying of fibre are helping local and regional economic development as well as to expand digital services to as many as possible, especially in rural areas.

The presence of the Group's activities in a given place also helps to develop and sustain employment. Its business segments, whether in France or elsewhere, use local labour as a priority and encourage the development of local subcontractors. Colas has a positive impact on employment and regional development where it operates, through its workforce of 60,000 employees and network of long-standing local units. As customer proximity is a key factor, local jobs cannot be relocated elsewhere.

In France, the Group's companies span the entire country.

Bouygues Construction generates 47% of sales in France, where it has over 20,153 employees. Its operations span the entire country and range from building and civil works to energy and services (e.g. maintenance), concessions and more besides. Bouygues Immobilier operates 51 sites^a encompassing 1,639 employees in France (excluding subsidiaries),

based in branches, major regional offices and head offices. It also has a number of subsidiaries. Bouygues Telecom also covers the whole of France through its six directly owned customer relations centres and 523 Club Bouygues Telecom stores. This places the Group at the heart of the local economy and promotes local recruitment.

The Group's business segments are drivers of occupational integration



In France, public procurement contracts include occupational integration clauses. To apply these criteria as effectively as possible, so that people remain in employment for the long term, Bouygues Construction and Colas forge partnerships with local and national specialised organisations.

For example, occupational integration is a key part of the work on the Nîmes-Montpellier high-speed railway bypass. Connected to Réseau Ferré de France (RFF) through a public-private partnership, the Oc'Via consortium (of which Bouygues Construction and Colas are part) has undertaken to help with issues of local employment and development. Approximately 7% of total hours worked are earmarked for occupational integration. Most of these recruitments were conducted through the local job centre, which has set up a special office at the works depot. More than 400 apprenticeship contracts and permanent job contracts have been created on the worksite. Another goal of this project has been entrusting 20% of the construction work to local SMEs and artisans, who were notably called upon to work on archaeological digs, roadworks, networks and delineation of the railway line.

With just over 1 million hours annually, occupational integration features as one of Bouygues Construction's priorities, through partnerships with leading occupational integration bodies. It has signed EGF-BTP's societal and social pact, and partners nationally with L'Agence du Service Civique and Le Service Militaire Adapté. Through Terre Plurielle, its corporate foundation, Bouygues Construction has also launched schemes for promoting occupational integration for site workers at two locations: the Paris district court complex and the Nîmes-Montpellier high-speed railway bypass. Each site worker, recognised for their exemplary attitude, is coached by an employee until they find a job.

Colas partners with CNCE-GEIQ (French national committee for coordinating and evaluating groups of employers that promote occupational integration and vocational training) to fight discrimination in access to employment, with actions applied locally. In 2015 and 2016, this agreement was adapted into regional agreements between Colas subsidiaries and GEIQ committees responsible for each region.

Finally, the initiatives of the TF1 corporate foundation focus on diversity and helping young people find employment. In November 2015, the foundation was awarded the Diversity prize by the consultancy Diversity Conseil RH, acknowledging its innovative recruiting policy aimed at young talent from deprived areas. In 2016, TF1 signed the "Entreprises et Quartiers" charter, covering several departments of the Paris region. Similar to the charter of the same name signed in 2013, this new arrangement aims to encourage employment and economic development in underprivileged neighbourhoods. Companies who sign up to this charter pledge their support for making job opportunities available to people from troubled neighbourhoods and other priority zones within the Paris region, during the period from 2015 to 2020.

Furthermore, in addition to its mentoring programme, first within the company and then between companies, via the Bouygues'Elles women's network, Bouygues Telecom in 2016 started a social mentoring programme that supports ten young women from underprivileged neighbourhoods in finding their first job.

Bouygues Construction

Indicator	Scope (activity or region)	Coverage	2016	2015	Remarks
Number of hours devoted to occupational integration and the corresponding FTE equivalent (France)	France	47% of Bouygues Construction's consolidated sales	1,129,090	885,434	The number of hours has risen sharply, reflecting the company's fuller commitment to this issue. Several large-scale projects that reached their peak in 2016, especially in public works, chief among which was the extension of metro line No. 14 and the Nîmes-Montpellier railway bypass, made significant use of occupational integration contracts.
Sales generated by subcontracting to local companies^a %	Global	90% of Bouygues Construction's consolidated sales	75%	95%	Bouygues Construction contributes to local and regional economic development worldwide by buying locally. The lower percentage in 2016 resulted from the strict application of the term "local" in France.

(a) "Local" denotes sourcing from the same region in France, but national sourcing in international operations.

(a) in 32 physical locations (excluding boutiques and temporary sales offices).

Outside France, the Group endeavours to source site workers and supervisory staff locally. This provides positive results in terms of direct and indirect employment as well as fostering the transfer of expertise and supporting local communities.

For example, Bouygues Building Canada implemented a specific scheme for local Inuit populations as part of its project for redeveloping Iqaluit international airport in the province of Nunavut. Contractual obligations in regard to hiring, subcontracting and training have been defined, for the benefit of the local Inuit community, covering both the construction and the 34-year operational phase. Two major ventures have been defined. First, the company works with the government, local Inuit organisations, and training and recruitment bodies to ensure that contractual obligations are met. Second, emphasis is placed on

integration, through campaigns that raise awareness of Inuit culture, cross-cultural training, and the organisation of and presence at cultural events. Team support is considered pivotal for the project to succeed both now and in the long term.

Bouygues UK, in conjunction with Women in Construction and JobCentre Plus, introduced a scheme for helping unemployed women in the West Midlands find work in the construction industry through apprenticeships, internships and employability workshops. The two aforementioned bodies handle the recruitment side, then Bouygues UK defines an occupational integration plan in consultation with the candidates. In 2016, six women gained employment and many others joined new recruitment processes.

3.4.2 Relations with people and organisations affected by the company's business activity

3.4.2.1 Dialogue with stakeholders

At Bouygues, dialogue with stakeholders is conducted at three levels: group, business segment and at local level.

The Group dialogues with stakeholders, including extra-financial ratings agencies, the financial community, trade unions, government departments and NGOs, all in an effort to take their expectations even better into account.

Each business segment maps out its respective stakeholders and liaises with them regularly on their own specific issues to identify areas for improvement and the associated relevant actions. In 2016, for example, TF1 conducted an internal survey to involve employees in the prioritisation of CSR issues. In 2017, external stakeholders will be invited to complete an online questionnaire.

Customer satisfaction at the forefront of concerns

The business segments place satisfying and listening to customers at the forefront of their concerns. Measuring customer satisfaction

is a basic requirement of ISO 9001 (quality management system). Bouygues Construction and Bouygues Immobilier encourage customer surveys to be carried out at the end of each commercial phase.

In order for customer needs to be better identified and taken into account in product design, Bouygues Construction, for example, has carried out collaborative analysis on the subject of seniors living safely and independently in their own homes. Its aim is to obtain input from older people in order to design and build housing that will meet their needs, through a multi-disciplinary working group made up of landlords, sociologists, occupational therapists, home help providers and company employees. In 2016, Bouygues Construction posted a summary of the proposals on its website.

In recognition of the high-quality customer experience that it offers, Bouygues Immobilier was given the award for the year's best customer relations director by the AFRC (French Customer Relations Association)^a. This accolade honoured the transformation implemented by the Customer relations department, specifically its contribution to the digitisation and enhancement of the customer experience at every point of contact.

Customer Committee: when Bouygues Telecom involves customers in designing new offers

Since 2014, Bouygues Telecom has given customers the opportunity to help enhance its offers and services by giving them a say through the Customer Committee.

This 20-strong team – the only one of its kind in the telecoms sector – is tasked with helping Bouygues Telecom's employees improve the customer experience by devising new products and services and putting forward new ideas. This dovetails with the company's determination to place customer satisfaction at the forefront of its concerns. Bouygues Telecom asks them for their opinion on many different issues, such as the overhaul of the customer area on the website, parental controls on the Bbox home gateway, and the layout and clarity of bills.

In September 2016, the Customer Committee met in Bordeaux at one of Bouygues Telecom's in-house customer relations centres to dialogue directly with senior management. This provided an opportunity for Committee members to see how customer relations are managed and to meet customer advisors at the site, especially the digital teams providing assistance on Twitter, Facebook as well as on the help forum.

During the day, the Committee was able to discuss several topical issues with senior managers, including future plans and the development of fixed broadband and mobile networks. They also discussed more business-oriented questions such as pricing strategy, after-sales service, home gateway activation times and so forth.

(a) Award given to the Director of Customer Relations for Bouygues Immobilier, Céline Sarrazin.

At TF1, the news mediator receives opinions, queries and complaints from the public on news issues via the Viewer Relations from the TF1 and LCI websites (www.lci.fr/la-mediatrice-vous-repond). The news mediator provides explanations about how television news is produced and the rules by which it must abide. This person also notifies the newsrooms whenever several similar opinions are voiced by viewers.

Permanently in touch through social networks

External social networks are an excellent channel for exchanging with stakeholders. Besides TF1, several of the Group's entities run blogs discussing current and future trends on which users can comment: www.bouyguesdd.com, blog.bouygues-construction.com, www.demainlaville.com, www.blog.groupecolas.com.

Each of Bouygues Immobilier's flagship projects is accompanied by rich online content, posted on a dedicated website or on social media, for the purposes of informing and exchanging with project stakeholders.

Bouygues Telecom – in conjunction with the release of the Bbox Miami TV box – set up a blog containing news about the product along with tutorials, tests and a page devoted to bugs ("Miami Vices"). Through its

community of 250 in-house volunteers ("The Experts") who are on hand to deal with highly technical questions, Bouygues Telecom supports customers in their digital lives via social networks (such as Facebook and Twitter) as well as its help forum, which has close to one million monthly visitors.

TF1 keeps permanently in touch with its audiences through social networks and the TF1&vous page. Audiences can interact about shows and presenters at any time.

Lastly, the mobile apps developed for residents of Bouygues-designed eco-neighbourhoods aim to improve communication with managers, local authorities, developers and retailers based in the neighbourhood.

Consultation exercises with local authorities and local dialogue

At the local level, procedures have been introduced to promote grassroots dialogue between site and worksite managers and local residents, as well as to foster public acceptance of the Group's construction businesses (Bouygues Construction, Bouygues Immobilier and Colas).

Colas

Indicator	Scope (activity or region)	Coverage	2016	2015	Remarks
Materials production sites working to promote dialogue with local communities^a % of sales before inter-company eliminations	Global	100% of sales (before inter-company eliminations) generated by materials production activities	40%	30%	A special dialogue indicator was introduced in 2006 to assess the extent of dialogue with local residents, local elected representatives and other competent authorities. In 2016, the ten-point rise in this indicator was due partly to the action plan initiated early in the year. The sharpest increases were observed in Oceania, Central Europe and the US.

(a) Activities that can justify (through a specific report) during the reporting period that they have genuinely interacted with local residents, elected officials and government through meetings and proper responses to complaints. Supporting documentation must be kept on file.

In addition, the Group's companies work directly with local authorities for urban development projects (e.g. through the UrbanEra® initiative). Bouygues Construction also launched the Linkcity.Play e-learning game in order to involve stakeholders in its sustainable neighbourhood projects. Linkcity.Play can also be used to conduct workshops with users and local residents to enhance participatory initiatives.

As a signatory to the Operator-Municipality Guidelines (GROC) since 2006, Bouygues Telecom has committed itself to strengthening dialogue with local elected representatives and dealing transparently with local residents whenever installing relay masts in a given area. Besides complying with urban regulatory requirements, Bouygues Telecom also provides an information pack for local municipalities (which outlines the project and its purpose), which can be consulted by local residents. It does this even though not all the provisions of the Law of 9 February 2015 on information and consultation obligations regarding exposure to electromagnetic waves (known as the "Abeille" law) have come into effect. Electromagnetic-field forecasts for the planned equipment are conducted at the behest of local municipalities.

The "Waves and health" page on Bouygues Telecom's corporate website (in French) is devoted to this topic.

3.4.2.2 Patronage and partnerships

Patronage policy is implemented at Bouygues group level, within business segments and through community initiatives. The Group is active worldwide and contributes to local life wherever it operates.

The three main areas of sponsorship policy at the parent company level (Bouygues SA) are community and social projects, education and culture. The company helps and supports all kinds of initiatives, small-scale or otherwise, giving priority to long-term actions. It pays particular attention to projects sponsored by Group employees.

Each of the Group's five business segments also carries out its own patronage initiatives through their own corporate foundations.

The Francis Bouygues Foundation supports deserving students



In the educational arena, the Francis Bouygues Foundation supports motivated and deserving school-leavers from low-income families so that they can pursue long-term studies and fulfil their ambitious career goals. In the past 12 years, it has awarded grants to 666 young students (of 33 different nationalities), 271 of which have now graduated. In addition to this financial assistance (ranging from €1,500 to €10,000 annually), each grant-holder is supported by a mentor working on a voluntary basis, chosen from among Bouygues group employees (active or retired) or former grant-holders who have since found employment.

The Foundation has pledged to continue supporting equal opportunities through this channel until 2025, with the possibility of extending its commitment.

Total spending on patronage and sponsorship by the Bouygues group

€ thousands	The Francis Bouygues Foundation	Bouygues SA	Bouygues Construction	Bouygues Immobilier	Colas	TF1	Bouygues Telecom	2016 Group total	2015 Group total
Total cash spending on patronage and sponsorship	1,216	1,610	3,313	1,297	6,700	5,493	555	20,184	17,488
Total spending in kind on patronage and sponsorship					150 ^a	31,539		31,689	31,488
TOTAL	1,216	1,610	3,313	1,297	6,850	37,032	555	51,873	48,976

(a) The significant decline in donations in kind, which began in 2015 and intensified in 2016, was due to completion of the skills-patronage operation with Château de Chambord.

Focusing on skills-patronage programmes and donations in kind

Whenever possible, the Group's business segments give concrete expression to their societal commitment by volunteering their knowledge and expertise.

TF1 donates airtime to a broad variety of causes and charitable organisations. "Les Pièces Jaunes", "Les Restos du Cœur", "Sidaction", "ELA" (leukodystrophy research) and the "Laurette Fugain" charity (leukaemia research) are some of the beneficiaries receiving regular large-scale support. The TF1 TV channel provides charitable organisations with direct assistance while helping them gain in profile. This includes special prime-time operations, the production and free airing of TV spots as well as donations of game-show winnings and cash donations.

As part of its action to promote occupational integration and the training of young people from disadvantaged backgrounds, the TF1 Foundation welcomed its ninth intake from its annual recruitment competition, with 12 successful candidates joining TF1 on a two-year contract. In conjunction with the French Education Ministry, the foundation organised a new inter-company internship scheme aimed

at 14/15-year olds. Its purpose is to help pupils from disadvantaged areas see how companies work and to give them a glimpse of the careers that are on offer.

Finally, in partnership with Shine France, the CSA (French broadcasting authority) and the French Education Ministry, TF1 launched the "MyFrance" video competition for secondary school students on the theme of "living together". The prize-giving ceremony took place at the Ministry building and the first prize, awarded to Collège Simone Veil in Aulnay-sous-Bois, was aired in July 2016 on the TF1 main channel and its other stations.

Since 2014, Bouygues Immobilier has taken part in the "Rejoué" toy collection campaign. Each year this initiative results in the collection of a large amount of used games and toys, which were then reconditioned and handed out in the run-up to Christmas.

Since 2013, the Bouygues Telecom Foundation has held a biannual Pro Bono day in conjunction with the charity Pro Bono Lab. At this event, charity workers seek advice on some of the issues faced in the context of their work from volunteer employees. Subjects include marketing, strategy, finance, the web, communication and HR.

Bouygues Construction

Indicator	Scope (activity or region)	Coverage	2016	2015	Remarks
Partnerships^a during the year supporting integration, education and health	Global	90% of Bouygues Construction's consolidated sales	386	467	Bouygues Construction has affirmed its commitment to civil society by maintaining a high number of community-related partnerships while keeping the funds allocated to these projects at a substantial level.

(a) A partnership contract, a long-term commitment to a charity, a one-time operation committing to minimum funding of €1,000.

Focusing on staff involvement

Several subsidiaries have made arrangements so that employees can take part in community action initiatives during their worktime.

For example, Bouygues Construction's corporate foundation, Terre Plurielle, supports employee-sponsored community action projects promoting access to education, employment and healthcare, through financing, skills patronage or both. In 2016, 203 projects from 25 countries were selected. Outside France, all long-term sites must carry out patronage initiatives in their local communities. In 2016, the foundation forged ties with the non-profit Entraide Scolaire Amicale, encouraging employees to give up their time to provide academic support for children from underprivileged backgrounds. Volunteers pledge to visit the student once weekly during a school year.

As part of its patronage policy, Bouygues Construction also helps rehabilitate schools and build housing in disaster-stricken areas, specifically Thailand and Haiti.

Under the Colas Life programme, employees of the company have the possibility of supporting selected NGOs. Many employees have, through volunteering, donations and skills patronage, joined efforts to promote access to education, through the "On the road to school" scheme.

The Bouygues Telecom Foundation comprises more than 600 volunteers from within the workforce. By officially becoming a charity volunteer, each staff member of Bouygues Telecom can spend 14 hours of their worktime each year on patronage initiatives. The foundation, in addition, offers employees an opportunity to propose favourite charities of their own choice for patronage, in the context of a special call for projects. Since 2011, customers have also had the opportunity to put forward charities for patronage by means of an exclusive annual call for projects. Between October 2015 and September 2016, the foundation supported 30 projects sponsored by customers and 25 by employees.

Bouygues Immobilier's Médiateerre and Solid'R schemes are also ways of involving employees (see p. 102).

Committed to urban planning and urban environments

The priorities of the Bouygues Immobilier corporate foundation are based around raising public awareness of architecture and urban planning, encouraging thinking among experts about the city of the future from a sustainable development standpoint, and promoting community action.

Since 2007, it has partnered with La Cité de l'Architecture et du Patrimoine in Paris^a. In 2016, this partnership was extended for a further three years. Its aim is to share analysis on matters such as the place of architecture in daily lives, urban construction and future land use. All of this corresponds to Bouygues Immobilier's own strategic vision, which encompasses urban environments, architectural innovation, energy efficiency, biodiversity and mobility.

Furthermore, Bouygues Immobilier's corporate foundation supports l'Observatoire de la Ville, an urban think-tank through which it can converse with all those who shape today's towns and cities. In the autumn of 2016, La Cité de l'Architecture et du Patrimoine hosted l'Observatoire de la Ville's exhibition entitled "Réver(cités), villes recyclables & résilientes," on the strategies available to towns and cities to adapt to the massive economic, social and environmental shifts that are under way.

3.4.2.3 Academic partnerships

The Bouygues group has set up partnerships with the academic world in an effort to meet major environmental and social challenges more effectively. For example, Bouygues SA took part in the creation of a specialist masters-level course called "Integrated Urban Systems", in partnership with École des Ponts ParisTech and the EIVP engineering school. To develop training programmes in sustainable construction techniques, the Bouygues group has co-designed the specialist masters-level course in sustainable housing and construction alongside ENSAM and ESTP. Bouygues Telecom and TF1 have run Open Innovation initiatives (such as Hackathons and student project support) in the context of "Le Spot Bouygues" at Epitech (École de l'Innovation et de l'Expertise Informatique), where 120 m² of space is dedicated to students working on some of the Group's innovative projects.

Bouygues Immobilier, through its support of l'Observatoire de La Ville, has forged partnership ties with the urban-planning department of l'Institut d'Études Politiques in Paris, l'École des Ponts ParisTech, l'École du Design de Nantes Atlantique and Nantes University. In 2016, Bouygues Immobilier also supported students following the MBA in Environment and Sustainable Development at Pôle Universitaire Léonard de Vinci at Paris-La Défense, assigning a project on the circular economy.

For additional information, see section 1.1.4 "Bouygues and Innovation".

3.4.3 Partners, suppliers and subcontractors

Bouygues' overall performance is intrinsically linked to that of its suppliers and subcontractors. The selection of innovative products and services in technological, environmental and societal terms is essential to be able to offer the most high-performance and responsible solutions. Application of CSR to Group purchasing is one of the conditions required for promoting this partnership mindset and developing joint value creation for its customers. Lastly, Open Innovation policy at Bouygues can also be seen through its programme supporting start-ups.

3.4.3.1 Integrating CSR criteria into the purchasing policy

For a number of years, the Bouygues group has undertaken to comply with the Corporate Social Responsibility (CSR) principles defined in the UN Global Compact, and to integrate them into the purchasing processes of its subsidiaries both in France and abroad.

In 2015, the Group updated its CSR Charter for suppliers and subcontractors, which affirmed its duty of vigilance with regard to the

(a) Bouygues Immobilier has retained its status as the exclusive founding partner of La Cité de l'Architecture et du Patrimoine in Paris, the largest architectural centre in the world (22,000 m²).

social and environmental risks facing suppliers and subcontractors, as well as its determination to maintain and strengthen trusting relations and the dialogue established with them. This CSR Charter defines the Group's expectations of its suppliers and subcontractors and is systematically appended to purchasing contracts.

The Group's business segments completed the definition of their responsible purchasing policies in 2016. The purchasing departments of the Group's business segments are key to implementing these policies, which have two main components: assessment of subcontractors and suppliers, and careful selection of products and materials for their operations.

Assessment of subcontractors and suppliers

Bouygues Telecom, Bouygues Construction, Bouygues Immobilier and TF1 use external assessments to evaluate and monitor the social and environmental performance of their suppliers and subcontractors. All business segments conduct supplier CSR audits. In late 2016, for example, Bouygues Construction signed a framework contract with SGS for the latter to carry out supplier CSR audits in countries and sourcing categories classified as high risk, starting in 2017.

At Bouygues Telecom, CSR risk mapping by purchasing category is the starting point of the supplier assessment policy. The company conducts on-site audits for high-risk purchasing categories. This includes verifying the manufacturing conditions for Bouygues Telecom-branded home gateways. In 2016, the suppliers identified as high risk (of which there were ten) were subjected to at least one on-site audit.

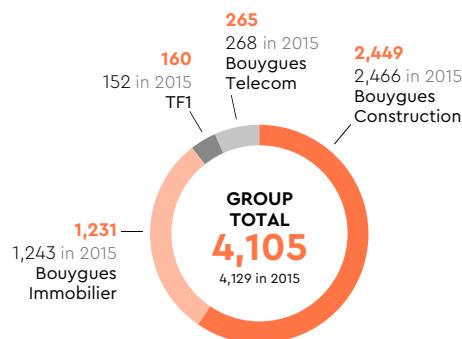
Bouygues Immobilier assesses all suppliers and subcontractors using a framework contract based on the EcoVadis platform. Small, medium-sized and micro businesses, which until now had been evaluated using a self-assessment form, will from 2017 be assessed using a digital platform to enable better tracking of their CSR performance. The company wants all of its suppliers assessed using this platform by 2020.

At TF1, a gross risk map that focuses on the critical issues of 57 families in the ex-rights purchasing nomenclature was created in 2015, based on two standards, ISO 26000 and 31000. Potential risks – covering the environment, employment law and health & safety as well as failure to respect TF1's commitments in the ethics and compliance of the content it produces and broadcasts, plus defects and hacking – have been summarised and current and planned measures indexed. The latter has been complemented with an improvement plan.

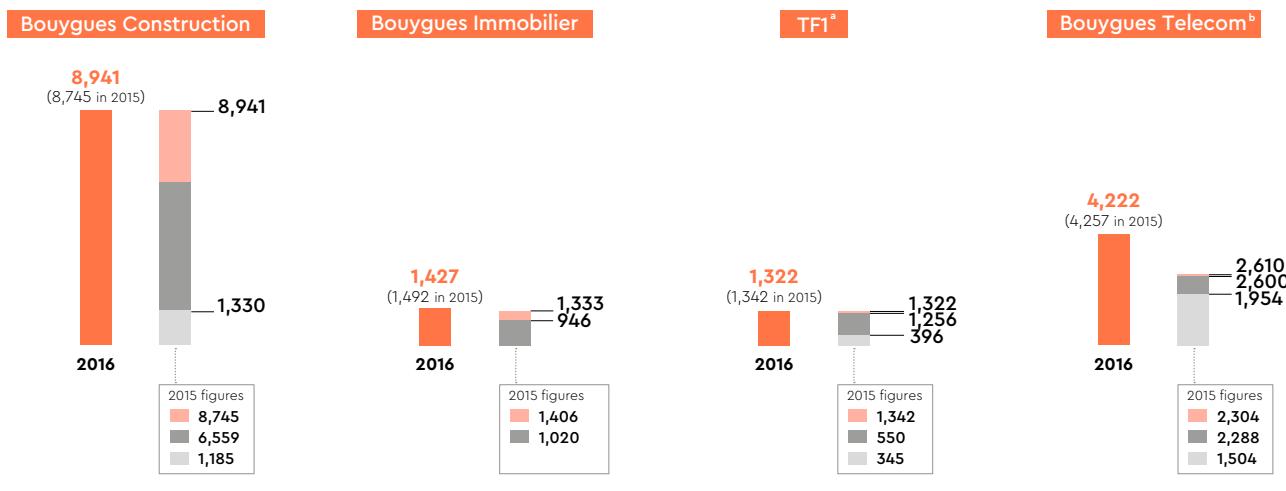
3

NUMBER OF SUPPLIERS AND/OR SUBCONTRACTORS THAT UNDERWENT A CSR ASSESSMENT

over the past three years



SHARE OF BUSINESS SEGMENT EXPENDITURE TARGETED BY CSR CRITERIA OR COVERED BY CSR ASSESSMENTS



(a) Purchasing of audiovisual rights excluded from TF1 data.

(b) Concerning Bouygues Telecom, "Total expenditure" is calculated on the basis of invoiced expenditure. The indicators measuring "targetable expenditure" and "targeted expenditure" are calculated on the basis of expenses incurred. The discrepancy between the total of invoiced expenditure and the total of incurred expenditure amounted to €4 million in 2016. This will be adjusted for in the calculation for 2017.

The Group indicators provide a snapshot, based on the overall scope of expenditure, of the proportion that is potentially targetable by CSR criteria and that which is actually covered.

Some types of expenditure (e.g. expenditure relating to rental guarantees, notary fees and financial expense) are labelled as "non-targetable" because CSR requirements cannot be realistically attributed to them.

Furthermore, a distinction is drawn between expenditure that is covered by CSR criteria and expenditure that is covered by CSR assessments, the latter being more ambitious. On the one hand, CSR criteria include all types of possible action, such as expenditure that is covered by a responsible purchasing policy, contracts with a CSR charter or clause, and suppliers selected with help from CSR criteria and/or having undergone a CSR assessment or audit over the past three years. On the other, the "Expenditure covered by CSR assessments" indicator can be used to assess the initiatives that involve suppliers the most (solely using questionnaires and internal/external CSR audits), thereby potentially giving rise to improvement plans.

Colas' responsible purchasing approach is designed to be cautious, gradual and targeted, considering the large number of suppliers, service providers and subcontractors as well as the decentralisation of purchasing decisions to subsidiaries. In 2016, Colas defined its purchasing policy with the inclusion of environmental, social and ethical commitments.

Selecting responsibly sourced products and materials

The Bouygues group's business segments are also developing policies for sourcing more responsibly sourced products and materials, based on a risk analysis of various purchasing categories.

For example, Bouygues Construction's commitment to responsible purchasing of all-important timber is reflected in its measures to fight the illegal timber trade, identify and eliminate all sourcing of threatened wood-based products, and increase the proportion of eco-certified timber purchases. This policy is enacted as part of its partnership agreement with the WWF, which was renewed for three years in 2014. Bouygues Construction has also developed a database of eco-products called Polygreen® (see p. 109). Accessible to all employees, this database contains more than 5,500 products listed according to technical, economic, health and environmental criteria, with production sites and the associated labels also specified. By consulting Polygreen®, buyers are steered towards those products most respectful of end-users' health and the environment.

In 2014, Colas won several awards for its new work clothes made in accordance with fair trade principles. A sign of the high sustainability credentials of these uniforms, to be worn by 30,000 employees, is that the organic cotton fibre from which they are made is Fairtrade-certified by Max Havelaar. The cloth was produced in European ISO 14001-certified factories, and the dyes used are Oeko Tex® Standard 100-certified. In 2016, several initiatives were pursued, such as the introduction of these uniforms outside France and the integration of initial feedback. Colas is also developing business models that enable comparison and the selection of the most appropriate solution (from the standpoint of total cost of ownership, or TCO) – one which saves on resources, reduces energy consumption and which is kinder on the environment.

Bouygues Immobilier, as part of its drive to improve air quality in its buildings and reduce pollutants responsible for VOCs (volatile organic compounds), only selects those products whose health labelling is A+. Labelling has been mandatory since 2012. This concerns materials and products, listed in nationwide catalogues, in direct contact with indoor air.

Use of the sheltered-workshop and disability-friendly sector

The use of companies in the sheltered sector, coupled with an effort to broaden the range of activities outsourced to these workshops, is a key part of the Group's responsible purchasing policy.

TF1's purchasing department lists sheltered workshops and disability-friendly companies by type of service provided (printing, catering, packaging and mail preparation, creation and communications, garden maintenance, cassette recycling, etc.).

Buyers at Bouygues Telecom question suppliers about their capacity to work on a co-contracting basis with the sheltered and disability-friendly sector, using this as a criterion to choose between them. The company is also a member of Handeco-Pas@Pas, created on the initiative of CDAF^a and major companies, to promote and facilitate subcontracting to sheltered workshops, disability-friendly companies and occupational integration programmes.

At Bouygues Immobilier, the Disability Task Force (formed in 2011) works hard to promote outsourcing to companies in the sheltered and disability-friendly sector. Disability liaison officers, coordinated by the disability officer, are responsible for implementing subcontracting initiatives with Gesat^b which markets the services of the sheltered and disability-friendly sector. A second company-wide agreement – dedicated to the employment of people with disabilities – was negotiated in 2014. This latest agreement set forth a target for increasing the amount of sales generated with the sheltered and disability-friendly sector by 5% annually.

Responsible purchasing

Lastly, the Group's business segments uphold responsible purchasing principles in accordance with the pledges set forth in the Bouygues "Conflicts of interest" compliance programme. This commitment is also enshrined and promoted in codes of ethical conduct followed by buyers at Bouygues Construction, Bouygues Telecom and TF1, and by Bouygues Construction's conclusion of a charter for major accounts and SMEs as well as the SME Charter. In 2017, Colas will officially launch its ethics charter and provide special training to increase awareness among purchasing staff of legal and CSR-related issues.

Bouygues group's requirements in favour of worker health & safety at its locations apply equally to employees, subcontractors and suppliers (see section 3.2.4. on p. 88).

(a) French Association of Purchasing Managers and Buyers.

(b) A national disabled employment network.

3.4.3.2 Supporting start-ups and SMEs

Convinced that open innovation between start-ups, SMEs and large firms can yield benefits, Bouygues began a group-wide initiative in this area in 2015^a

This implies, within each business segment, the creation of an organisational structure for co-developing projects with innovative start-ups, and a Group-wide structure to make investment decisions and back the selected start-ups within the annual budget allocation. Bouygues Développement, which is part of the Group's parent company, is responsible for selecting start-ups in search of seed money and providing innovation in connection with the operational topics identified by the business segments. It also coordinates the network of innovation structures within the business segments.

- As part of its innovation drive, which draws on 126 partnerships (with companies, universities, start-ups and NGOs), Bouygues Construction in 2015 founded Construction Venture, which is a fund that will invest in at least three or four start-ups per year, supporting them for a period of five years. To expand the scope of this venture, Bouygues Construction is participating in an open innovation scheme in Asia bringing together several French multinationals, including Veolia, PSA and Thales. The company has also forged a policy for promoting relations with start-ups and SMEs. In 2016, meetings were held with more than 500 start-ups and SMEs, 70 trials were launched, ten start-ups and SMEs started serving the entire company and four investments were made, for example in Saagie, which uses big data for the purposes of predictive maintenance, and in Intent Technologies, which runs an "app store" offering building-related services to residents, property investment companies/landlords and service providers.

A special sourcing operation was launched through the MatchingUp scheme, focusing on the offices of the future.

- In 2015, Bouygues Immobilier founded Bird (Bouygues Immobilier R&D), a subsidiary investing in start-ups focused on the property development sector. Bird has set itself the target for supporting 50 start-ups out to 2020. Since its creation, it has invested in five start-ups. One is Bepark (smart parking), which enables car drivers to use the parking spaces not occupied by businesses outside of office hours plus during weekends and public holidays. Another is Yad Space, a creative agency specialising in the design and lay-out of unique and innovative spaces that aims to design the next generation of office and business premises. It has already worked together with Nextdoor, a subsidiary of Bouygues Immobilier.

Additionally, Bouygues Immobilier, through its Lyon regional office, partners with Tuba, a project run by the Lyon Urban Data public-private consortium. Its aim is to support start-ups specialising in urban services, which specifically generate and reuse data for improving quality of life in the city of the future. Bouygues Immobilier, in conjunction with the French post office (La Poste), Sopra Steria and Veolia, has also created Bordeaux Metro Pulse, an innovation provider aimed at creating new services and applications for improving quality of life in the Bordeaux metropolitan area and increasing its economic appeal.

- TF1, which sees digital technologies as key to business development, has initiated a partnership policy with the start-up ecosystem through the creation of One Innovation, a private equity fund with an initial budget of €2 million. The latter's aim is to provide financial support to between five and ten start-ups before their first or second rounds of fund-raising.

This arrangement is a useful addition to the existing incubator scheme initiated in tandem with Paris&Co. TF1 and the Municipality of Paris' innovation agency have forged a partnership to create an incubation programme on the theme of "New products and services". Through this, TF1 hopes to form new partnerships in connection with its business activity. In addition, TF1 has developed a Media for Equity strategy, whereby advertising slots are exchanged for equity stakes, thus enabling more mature start-ups with a mainstream slant to gain TV exposure.

- Bouygues Telecom has supported open innovation since 2010. Since its inception, Bouygues Telecom Initiatives (BTI), a start-up incubator, has:

- reviewed 1,300 projects, conducted 36 co-development projects between a sponsoring operational department within Bouygues Telecom and a fledgling tech start-up;
- acquired nine equity stakes (with four of these companies conducting two or more successive funding rounds);
- created and coordinated a network of several dozen partner incubators and private equity funds. One of the start-ups that it recently invested in is Ifeelsmart, which develops and deploys advanced user interfaces for smart TVs. One of its creations is the interface used on the Bbox Miami TV box, sold by Bouygues Telecom.

In 2016, Bouygues Telecom also worked alongside two innovative start-ups: Leankr, which offers additional content for the B.tv app (for watching TV on mobile devices), and ByPath, which offers sales staff in the Entreprises business customer division a system for optimising customer prospecting and follow-up (by processing the plethora of information available on the web using algorithms).

(a) For additional information, see section 1.1.4. (Open Innovation)

3.4.4 Responsible practices

3.4.4.1 Initiatives in place to guard against corruption

The Group's Code of Ethics, disseminated since 2006, states that the Group's activity and, in particular, the negotiation and performance of contracts, whether in the private or public sector, must not give rise to bribery, influence peddling or similar offences. It describes the Group's position and the resulting obligations and responsibilities.

Approved in 2014, an anti-corruption compliance programme document clearly states the Group's zero-tolerance stance on corruption and its position as to the duty of understanding and care that everyone must exercise, along with the resulting responsibilities – especially for executives.

It summarises the appropriate legislation in force and devotes specific sections to Group rules and recommendations applicable to various practices that are prone to a risk of corruption, namely gifts and services, financing of political parties, patronage, sponsorship, use of business intermediaries and lobbying. Lastly, it lays down the measures with regard to information, training and prevention, together with monitoring and the sanctions that must be taken within each business segment, on the initiative of the respective CEO. The compliance programme will be updated in 2017 to take account of the provisions of the Sapin 2 Act relating to the prevention of corruption.

Prevention

The Group's Anti-Corruption Compliance Programme specifies that all senior executives who have operational responsibility for a Group entity (subsidiary, branch, division, etc.) must implement appropriate corruption prevention measures. They will be supported in this by the compliance officer and the ethics committee of the business segment.

Summarily, the following preventive measures are provided for by the Compliance Programme:

- implementation by legal departments of training and preventive actions in the area of best business practices, expertise in anti-corruption law, selection of specialist lawyers;
- implementation by finance and accounting departments of financial principles mitigating the Group's exposure to risk, particularly in order to prevent the use of payment systems for fraudulent or corrupt purposes;
- a clear statement – when delegating authority to employees in charge of an entity, a department or a project, or who are authorised to make financial commitments or who work in a sales or purchasing department – of rules forbidding corrupt behaviour of all kinds; insertion of same clauses by subsidiaries into the employment contracts of persons concerned and/or into the company's rules of procedure;
- review by each business segment of compliance of operations with applicable legislation and the Compliance Programme when launching and completing all major projects or when launching a new business activity;
- the requirement, when a company is being acquired, to pay special attention to the target company's compliance with anti-corruption

regulation and, unless otherwise specifically justified, obtain specific warranties from the vendor;

- as part of the annual risk mapping process within each Group subsidiary, analysis of the corruption risks inherent in the business segment's activities.

The Compliance Programme states that senior executives or employees who are aware of a practice that might be considered as corrupt should inform their hierarchy and legal department immediately. It further states that senior executives and employees may also use the whistleblowing facility within each business segment to report corrupt practices.

Training

The Group Anti-Corruption Compliance Programme states that senior executives and employees involved in obtaining and negotiating contracts or purchases for their company must be aware of and understand the broad outlines of the anti-corruption laws and the risks involved in their breach. It specifies that, within one year of their appointment, employees who are given responsibility for a subsidiary or equivalent entity, a sales function, or an assignment within a purchasing department are required to attend an anti-corruption training course run by or validated by the compliance officer of the relevant business segment. The compliance officer will determine the most appropriate training method and make sure that these employees are given regular refresher courses to keep their knowledge and assessment of the risks up to date.

More generally, the Anti-Corruption Compliance Programme requires that each Group entity includes an anti-corruption compliance component in their training modules tailored to the various employee categories concerned. It requires that all business segments must, in line with their training policy, introduce a simple, brief, general training module, accessible at all times through e-learning. Employees should be urged to consult this e-learning programme regularly.

Each subsidiary also organises training courses tailored to the different levels of management. They transmit the Group's ethical principles and values in practical ways, addressing the specific issues and risks associated with the subsidiary's business.

At Bouygues Construction, for example, all existing training programmes for sales staff and future managers incorporate an ethics and compliance module. Following on from initiatives undertaken since 2011, the special ethics and compliance training plan has been implemented within each Bouygues Construction entity through training modules targeting specific categories of employees. In addition, an ethics component has been added to training programmes for young and experienced managers viewed as high potential, as well as to the legal training taken by buyers that have been in their posts for less than a year. Altogether, there are more than 50 training modules relating to business ethics and compliance.

In order to improve performance in this area, a single and common set of communications materials were disseminated to all entities in 2016, although with the option of adapting them to different audiences (France, international activities, high potential employees, etc.).



In order to expand and improve training performance, a specific e-learning module called Fair Deal was launched in December 2015 for 30,000 employees in France and abroad. The Fair Deal programme is available in four different languages. Employees are shown real-life situations whose themes are corruption, anti-competitive practices, gifts and invitations, as well as patronage and corporate sponsoring actions. In 2016, 12,107 employees were asked to take part in the Fair Deal training programme. In 2017, the roll-out of this programme will continue, with the e-learning module being made available to all Group employees so that they may take it at any moment, particularly new hires.

Business at Colas is highly decentralised and a large number of staff members are in a position to enter into contracts, particularly with public-sector customers. Training modules, refresher courses and controls are implemented on a regular basis, according to programmes that aim to cover all of the subsidiaries. The main actions carried out in 2016 related to:

- the appointment of a Compliance officer in every region where Colas does business: North America, Central Europe, Oceania, the Middle East, the Indian Ocean, Belgium, Switzerland, the UK, Northern Europe, Africa, Morocco, the French West Indies/French Guiana, and mainland France;
- ongoing training of subsidiaries in "Business Ethics and Accountability", which includes the Bouygues group's compliance programmes;
- in the US, the development of the ethics programme "The Right Turn" continued in 2016, with the dissemination of its new code of conduct (defined in 2014) to all subsidiaries, complementing local training programmes.

A whistle-blowing procedure for Colas employees was launched at the beginning of 2017. "Fair Play", an ethics e-learning training session in the form of a serious game^a, is in the process of operational testing; it will be made available to employees (initially at French subsidiaries) from the second quarter of 2017.

At Bouygues Immobilier, an e-learning training module on business ethics has been dispensed since July 2016 to all employees. This practical module comprises a number of actual situations that present an ethical risk. It explains how to anticipate and react using suitable behaviour. It also comprises a presentation of how the whistleblowing procedure works at Bouygues Immobilier. By the end of 2016, out of 1,677 employees present, 972 had taken the ethics module, equating to 58% of the headcount; 894 had completed it fully and 78 were still doing it. Only 705 employees had still not taken the training programme.

At TF1, arrangements are in place – in the form of special training and awareness-building exercises – to support managers in fully understanding and applying these programmes, as well as with raising awareness within their teams. As a follow-up measure to the Code of Ethics, a practical guide containing contextual details and examples from the business segments, was made available to employees. Furthermore, TF1 has made all the members of its general management committee give a clear and personal commitment to comply with, ensure compliance with, and implement the group's compliance programmes within their organisation. This initiative was backed up with a number of specific awareness-raising actions amongst senior executives, particularly concerning the provisions of the Sapin 2 Act, as well as a mapping of the risks within all the group's business activities.

Bouygues Telecom's approach to business ethics aims to help employees in their everyday activity and to prevent the risk of non-ethical practices, such as corruption, via a business ethics guide (accessible to all employees) and training. At the same time, Bouygues Telecom has inserted commitments relating to compliance with the ethics guide in delegations or assignments of duties, contracts, and its general purchasing policy.

For many years, senior managers have been given training in ethics and the Bouygues group's values, dispensed by the Bouygues Management Institute (IMB). Resources and training courses include an international cycle and seminars on "Respect and Performance", "Corporate, Social and Environmental Responsibility", the "Development of Bouygues Values" and, more recently, seminars on "Responsibility within Organisations" and "Respect and Management". More than 700 senior executives have attended training courses since the Bouygues Management Institute was set up in 2002.

Control

The fight against corruption is a theme of the Group's Internal Control Reference Manual. A business segment may add specific provisions to this manual where necessary to make the Compliance Programme more effective. Its effectiveness is monitored regularly by means of a self-assessment of the internal control principles implemented in the business segments and their subsidiaries.

During their regular or specific internal audit assignments, the audit departments, assisted by the anti-corruption compliance officers, periodically make sure that the Group's operations comply with the principles of the Compliance Programme and the Group's and business segment's Internal Control Reference Manual. If necessary, the conclusions of the internal audit report are sent to the business segment's ethics committee and ethics manager. They are then taken into account, where necessary, to strengthen the Compliance Programme and any other mechanisms implemented to ensure that it is duly and properly implemented.

3.4.4.2 Accessibility of offers and services

The Bouygues group's objective is to make its products and services accessible to the greatest number of people possible. Its media and telecoms activities also focus on the accessibility of their services and digital technology.

One of the founding values underpinning Bouygues Telecom's market positioning is to make the benefits of digital technology accessible to as many people as possible. This commitment is conveyed by the practising of entry-level prices, though not at the expense of service quality. An example is the Bbox, which is the best value-for-money home gateway on the market. Bouygues Telecom also offers solutions enabling people to keep pace with technological progress and own a smartphone, e.g. through flexible payment options and the purchasing of pre-owned handsets.

To help expand telecommunications network accessibility and reduce the digital divide, Bouygues Telecom participates in shared network coverage programmes with other operators. For example, it is improving coverage of blind spot areas, and is ramping up the roll-out of its mobile network thanks to the network sharing agreement signed with SFR in 2014. This, in turn, is leading to faster 4G roll-out nationwide, backed with a commitment to provide 4G coverage to 99% of the population by the end of 2018.

(a) An app that combines the serious aspects (Serious) of instruction, learning, communication or information, with the fun aspects of video games (Game) – based on the definition of researcher Julian Alvarez.

Furthermore, since 2005, Bouygues Telecom has been working hard to help disabled people access electronic communications services. One way has been making customer services accessible to people with total or partial hearing loss. Another is the offer of free installation of speech recognition and magnification software for customers who have impaired vision. In 2015, the company observed that 97% of its stores were accessible to disabled people. In 2016, installation and user guides for the Bbox Miami were made available in Braille.

The TF1 main channel ensures that its programmes are accessible, especially to people with impaired hearing (subtitling or sign language) or vision (audio description). The theme channels operated by TF1 have gone beyond statutory requirements in their subtitling. TF1 has also signed the CSA's (French broadcasting authority) Charter on Subtitling Quality.

3.4.4.3 Security of personal data

The protection of personal data^a has become an ever-pressing CSR issue for the Group's media and telecoms operations since 2013.

The websites and applications of e-TF1 comply with the entire range of legal provisions, consultable by visiting the website of the Cnil (French Data Protection Authority) – www.cnil.fr. The privacy policy governing consumers' personal data can be consulted on the TF1 website and must be agreed to when registering for services. Concerning recommendations relative to cookies and other tracking files covered by Article 32-II of the law of 6 January 1978 (according to the specific resolution on cookies, 2013-378 of 5 December 2013), TF1 regularly checks – chiefly through cookie audits – those files placed during visits to electronic communication services published by e-TF1 (standard and mobile websites, applications) to ensure that they are lawful.

TF1 has made all business partners aware of the liability regime established by the Cnil under Article 3 of the specific resolution as agents placing and reading cookies. Likewise, the group makes it clear in contracts signed with technological, publishing and advertising partners that regulations on the protection of web-user data must be respected.

To guarantee data security on websites and in applications, the TF1 furthermore operates an official policy governing the processing and securing of collected personal data, in compliance with legislation. It is regularly checked and audited. Ahead of the application, in 2018, of Regulation (EU) 2016/679 of 27 April 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data, TF1 has set up a working group comprising employees from the legal department, the Innovation and Development department and business lines to prepare for the required technical and organisation changes.

Bouygues Telecom has devoted part of its code of conduct to privacy and informational issues, according to which Bouygues Telecom undertakes to:

- abide by the principles and rules on data protection, including the use of enabling and personalised access control systems;
- implement the necessary means to ensure that data protection, data storage, and the treatment and exchange of data complies with its security policy, in particular the General Policy on Data Security.

Consequently, accessibility of customer data must be limited in terms of nature and usage to those persons expressly empowered for the purpose of their jobs. All customer data exchanged externally is encrypted. Furthermore, Bouygues Telecom secures personal customer data by ensuring that data is only processed for its intended purpose, within the meaning of the 1978 law on the protection of personal data. It uses contract terms to ensure that this commitment is also respected by service providers and business partners to which personal customer data may be transmitted.

Bouygues Telecom's website offers factsheets that advise customers on how to protect their personal data and safeguard their privacy. For example, in 2016, new factsheets were posted online, covering subjects from password protection to the online management of confidential information and virus protection.

This year, Bouygues SA plans to set up a working group of people from the IT and legal departments of all the business segments to discuss how to prepare for Regulation (EU) 2016-679 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data.

3.4.5 Product quality, safety and comfort

At the Bouygues group, respect for customers and users is a core value common to all its activities. This mindset is especially prominent in the commitments that it upholds for protecting the health and safety of users, as well as the requirement that it imposes on the quality and user comfort of its products.

3.4.5.1 Protecting consumer and user health and safety

Air quality within buildings

Bouygues Construction and Bouygues Immobilier have been working for several years to improve the air quality of their buildings. They have begun measuring this and are striving to improve it through the use of suitable materials and more efficient ventilation systems that can be regulated in real time using sensors.

(a) "Personal data means any information relating to a natural person who is or can be identified, directly or indirectly, by reference to an identification number or to one or more factors specific to them." Article 2 of French Data Protection law 78-17 of 6 January 1978.

Bouygues Construction has conducted several campaigns and is designing solutions to lower the levels of primary pollutants. Additionally, the Polygreen® database encourages buyers to procure goods that have no negative impact on end-users' health (see p. 109).

Bouygues Immobilier continues to operate "Inspir"^a, a partnership with seven other companies promoting improved indoor air quality. During the first phase, the impact of building use and operation on indoor air quality was analysed. A second phase began in 2016, aiming to apply the experimental methodology on managing air quality developed by Ademe (the French environment and energy management agency) to four pilot projects at various stages of progress. The ultimate goal is to incorporate air quality at every stage of the process, from design to handover. Feedback from these pilot projects will also serve to substantiate the above methodology by supplying concrete examples and outlining any areas that could be optimised. This trial-and-error approach will in the next 12 months result in better management of air quality in various living spaces.

Electromagnetic fields

Bouygues Telecom contributes through the Ifer^b to the financing of electromagnetic-field measurement by companies certified by the French Accreditation Committee (Cofrac). This is carried out in accordance with new government rules on electromagnetic-field measurement, in force since January 2014. Findings can be consulted by visiting www.cartoradio.fr.

Furthermore, in order to inform its existing and potential customers, Bouygues Telecom continued to distribute the French Telecoms Federation's information leaflet, entitled Mon mobile et ma santé (My mobile phone and my health). It has expanded the range of advice given in stores, on websites and in brochures, particularly regarding the specific absorption rates (SAR) of handsets and regarding recommendations promoting the use of the hands-free kits that come with the phones. Lastly, a series of tutorials on issues relating to radio waves and the impacts on health of mobile handsets and masts have been posted on social media. The "Waves and health" page on Bouygues Telecom's corporate website (in French) is devoted to this topic.

Road safety

Colas carries out R&D in several areas to meet road safety challenges, focusing on:

- producing a range of high-performance surfacing that provides better tyre grip (textured and/or draining products to limit skidding in rainy weather);

- improving visibility (work on road markings in cold or wet weather and at night);
- manufacturing road safety equipment (by Aximum, its Road safety and signalling subsidiary).

Additionally, Bouygues Construction has installed a full video-surveillance system for the Abidjan motorway and bridge (Ivory Coast). This covers a total stretch of eight kilometres. Incidents are detected automatically through real-time image analysis. For example, it can detect stoppages on the motorway and unusual behaviour by pedestrians. Extra services, using a surveillance drone, are currently under consideration.

3.4.5.2 Product and service usage quality

Quality and user comfort are distinguishing features in the products and services marketed by the Bouygues group.

For example, the eco-neighbourhoods built by Bouygues Construction and developed by Bouygues Immobilier represent a huge stride forward in improving residents' quality of life, via the provision of convenience services, soft mobility, digital services, urban biodiversity, etc.

For the structures that it builds, Bouygues Construction thinks ahead about every possible issue, employing user surveys to gauge the effectiveness of existing products and services.

For several years, Bouygues Construction has been studying the use value of the office buildings that it builds, with the aim of creating a system for estimating the impact of technical and functional solutions on occupant performance. A reference base developed in tandem with Goodwill Management studies the connection between a building and its occupants' motivation, mood, physical well-being, absenteeism and time wasted in the building. In 2016, a working group comprising Gecina, Foncière des Régions, EDF, Sanofi, Bouygues Construction and Goodwill Management supplemented the process with field surveys, measuring performance variation by addressing occupants directly. The findings of this research highlighted the advantages of taking usage-quality criteria into account right from the design phase.

Since 2016, Bouygues Immobilier has offered connected smart homes to its customers. Thanks to wireless, battery-less 'full-radio', the Flexom app can be used to manage household features such as lighting, shutters or heating, either from inside the apartment or remotely, with a smartphone or tablet. Bouygues Immobilier has pledged that all homes handed over in France will be equipped with Flexom by 2020.

Nextdoor, a Bouygues Immobilier subsidiary, is revolutionising workspaces

Since 2014, Bouygues Immobilier has been developing a network of high-quality third places under the Nextdoor brand, offering businesses a range of top-notch workspaces comprising both private and shared offices. This innovative offering reflects the shift towards more nimble working methods while ensuring a pleasant working environment, thanks to coworking spaces, a concierge service, gardens, and business and festive events that promote interaction.

The first Nextdoor opened in Issy-les-Moulineaux, near Paris, in 2015. The network grew in 2016, with two new locations added in the Paris region: Nextdoor Cœur Défense (in Europe's largest business district) and Le Village Nextdoor, in Issy-les-Moulineaux. Nextdoor is part of Bouygues Immobilier's sustainable development policy, and it aims to have 20 such locations in service by 2020. By fleshing out its network rapidly, Nextdoor office spaces will become a useful way of reducing emissions from commuting and business-related travel in the areas where they are located.

In addition, Bouygues Immobilier in 2016 launched Nextdoor Business Solutions, a range of services that large companies can use to rethink their office arrangements with a view to maximising employee well-being, promoting dialogue and collaborative working, as well as optimising floorspace and saving on costs.

(a) This is part of the call for research proposals launched by Ademe under the heading "Responsible Buildings in 2020".

(b) Flat-rate tax on network businesses (Ifér).

Bouygues Telecom endeavours to ensure that its customers have a reliable mobile network at their disposal. In 2016, it once again received accolades from Arcep's^a observatory (the nPerf survey) for the high

quality of its 4G network, and was ranked in second place (after Orange) for 4G speeds and coverage.

Diversity within TF1's programming

Fighting stereotypes and broadly representing diversity in society in its broadcasts represent a firm commitment of TF1's diversity policy. The awarding of the "Diversité" equal-treatment label in 2010 provided an opportunity for motivating and training employees on diversity. As a result, all those responsible for programme production, including heads of programme units, followed a dedicated training module for the recognition of diversity in all its forms. TF1 will apply in 2017 for this label to be extended.

To increase overall representation of every kind of diversity in its content, awareness of the issue is raised with outside producers with whom TF1 works. For example, for the TV show *The Voice Kids*, Shine Production ran casting sessions nationwide, which included France's overseas territories and departments. It even ran a session in Mauritius.

In 2016, the channel conducted two studies to gauge the prevalence of diversity in its TV news bulletins, factoring in qualitative criteria and based on a stringent, transparent and replicable methodology. The first study looked at the place of women in news programmes; the second, managed by Credoc, examined representation of ethnic minorities in this same context. The findings will be used to frame action and communication plans to be implemented by the TF1 newsroom.

Lastly, the Group's Media and Telecoms activities endeavour to shield younger viewers from the risks arising from television and the web. At TF1, for the past ten years, a psychologist systematically views series for teenagers bought or co-produced by the channel, working closely with the creative team. This person can suggest edits and may even qualify episodes as not apt for broadcasting, if these images are deemed inappropriate for younger viewers. These recommendations are always

followed. TF1 also pays particular attention to safe browsing by users on its TFou.fr website for children, by moderating content, protecting children's personal data and taking other measures besides.

Bouygues Telecom has adopted a proactive stance to guarantee the protection of children and teenagers from inappropriate online content. A parental-control solution for mobile, PCs and TVs is available free of charge.

(a) French telecommunications regulator

3.5 Independent verifier's report on the consolidated human resources, environmental and social information presented in this Registration Document (year ended 31 December 2016)

To the shareholders,

In our quality as an independent verifier accredited by Cofrac^a under the number n° 3-1050, and as a member of the network of one of the statutory auditors of Bouygues, we present our report on the consolidated human resources, environmental and social information established for the year ended on the 31st December 2016, presented in chapter 3 "Human resources, environmental and social information" of the Registration document, hereafter referred to as the "CSR Information", pursuant to the provisions of the article L.225-102-1 of the French Commercial code (Code de commerce).

Responsibility of the company

It is the responsibility of the Board of Directors to establish a Registration document including CSR Information referred to in the article R. 225-105-1 of the French Commercial code (Code de commerce), prepared in accordance with the protocols used by the company, composed of Bouygues group's human resources, environmental and social reporting protocol in its version dated September 2016, supplemented by the reporting protocols of its five business segments (hereafter referred to as the "Criteria"), and of which a summary is included in introduction to chapter "3.1.3 CSR reporting methodology" of the Registration document and available on request at the company's headquarters.

Independence and quality control

Our independence is defined by regulatory requirements, the Code of Ethics of our profession as well as the provisions in the article L. 822-11 of the French Commercial code (Code de commerce). In addition, we have implemented a quality control system, including documented policies and procedures to ensure compliance with ethical standards, professional standards and applicable laws and regulations.

Responsibility of the independent verifier

It is our role, based on our work:

- to attest whether the required CSR Information is present in the Registration document or, in the case of its omission, that an appropriate explanation has been provided, in accordance with the third paragraph of R. 225-105 of the French Commercial code (Code de commerce) (Attestation of presence of CSR Information);
- to express a limited assurance conclusion, that the CSR Information, overall, is fairly presented, in all material aspects, in according with the Criteria;

Our verification work requiring the expertise of a team of ten people took place between July 2016 and February 2017 for a total duration of eighteen weeks.

We conducted the work described below in accordance with the professional standards applicable in France and the Order of 13 May 2013 determining the conditions under which an independent third-party verifier conducts its mission, and in relation to the opinion of fairness and the reasonable assurance report, in accordance with the international standard ISAE 3000^b.

(a) Scope available at www.cofrac.fr.

(b) ISAE 3000 – Assurance engagements other than audits or reviews of historical information.

1. Attestation of presence of CSR Information

NATURE AND SCOPE OF THE WORK

We obtained an understanding of the company's CSR issues, based on interviews with the management of relevant departments, a presentation of the company's strategy on sustainable development based on the social and environmental consequences linked to the activities of the company and its societal commitments, as well as, where appropriate, resulting actions or programmes.

We have compared the information presented in the Registration document with the list as provided for in the Article R. 225-105-1 of the French Commercial code (*Code de commerce*).

In the absence of certain consolidated information, we have verified that the explanations were provided in accordance with the provisions in Article R. 225-105-1, paragraph 3, of the French Commercial code (*Code de commerce*).

We verified that the information covers the consolidated perimeter, namely the entity and its subsidiaries, as aligned with the meaning of the Article L.233-1 and the entities which it controls, as aligned with the meaning of the Article L.233-3 of the French Commercial code (*Code de commerce*), with the limitations specified in the methodology described in section "3.1.3 CSR reporting methodology" of the Registration document.

CONCLUSION

Based on this work, and given the limitations mentioned above, we confirm the presence in the Registration document of the required CSR information.

2. Limited assurance on CSR Information

NATURE AND SCOPE OF THE WORK

We undertook interviews with about sixty people responsible for the preparation of the CSR Information in the different departments of the consolidated company and its five business segments, in charge of the data collection process and, if applicable, the people responsible for internal control processes and risk management, in order to:

- assess the suitability of the Criteria for reporting, in relation to their relevance, completeness, reliability, neutrality, and understandability, taking into consideration, if relevant, industry standards;

- verify the implementation of the process for the collection, compilation, processing and control for completeness and consistency of the CSR Information and identify the procedures for internal control and risk management related to the preparation of the CSR Information.

We determined the nature and extent of our tests and inspections based on the nature and importance of the CSR Information, in relation to the characteristics of the Company, its social and environmental issues, its strategy in relation to sustainable development and industry best practices.

For the CSR Information that we considered the most important^a:

- At the level of the consolidated entity and its five business segments (Bouygues Construction, Bouygues Immobilier, Colas, TF1, Bouygues Telecom), we consulted documentary sources and conducted interviews to corroborate the qualitative information (organisation, policies, actions, etc.), we implemented analytical procedures on the quantitative information and verified, on a test basis, the calculations and the compilation of the information, and also verified their coherence and consistency with the other information presented in the Registration document ;
- at the level of the two most contributing business segments to the environmental and human resources impacts (Colas and Bouygues Construction, representing about 90% of the workforce and consolidated greenhouse gas emissions – scope 1, 2 and 3), we selected a sample of representative entities^b, based on their activity, their contribution to the consolidated indicators, their location and a risk analysis. We undertook interviews to verify the correct application of the procedures and undertook detailed tests on the basis of samples, consisting in verifying the calculations made and linking them with supporting documentation. The sample selected therefore represents on average 10% of the sales and the total workforce of the two business segments.
- At the level of the three other business segments (Bouygues Immobilier, TF1 and Bouygues Telecom), supporting documents available at headquarters cover almost all activities.

For the other consolidated CSR information, we assessed their consistency in relation to our knowledge of the company.

(a) Human resources information:

- Quantitative information (indicators): workforce (total headcount and trend), share of women managers (International), frequency and severity rates of workplace accidents (World), absenteeism and occupational illnesses (France), share of companies providing social protection (International), share of companies with a training plan and the number of training days (International).
- Qualitative information: employment, health and safety at the work place, training policies, development of digital skills (TF1) and labour relations (TF1 and Bouygues Telecom).

Environmental and social information:

- Quantitative information (indicators): percentage of Bouygues Construction's activity covered by an ISO 14001-certified environmental management system, percentage of buildings with environmental labelling or certification in the yearly order intake when Bouygues Construction is the prescriber, percentage of Bouygues Construction's worksites with an Ecosite label, the share of Colas material production activities with a system for managing environmental impacts (environmental certification, Colas check-lists) or implementing initiatives in favour of local dialogue, percentage of aggregate production sites activity working to promote biodiversity for Colas, roll-out of the BiodiverCity label, surface area of Green Office® commercial property developments, number of positive-energy/passive-energy housing units in construction or handed over during the year and number of sites including a commitment for smart grid roll-out for Bouygues Immobilier, recycling percentage of Bouygues Construction's non-hazardous waste, number of Bouygues Telecom handsets collected for recycling or re-use, volumes of recycled materials and asphalt mix for Colas, share of permanent activities located in highly water-stressed areas, energy bill and energy consumed per tonne of asphalt mix produced, and share of warm and cold asphalt mixes for Colas, power consumption at Bouygues Telecom, and expenditure targeted by CSR criteria at TF1.
- Qualitative information: general environmental policy, certification initiatives, measures to improve energy efficiency and raw material consumption (water consumption in water-stressed areas for Bouygues Construction, eco-design of Bouygues Telecom home gateways, Colas' cLEANergie programme), greenhouse gas emissions, relations with subcontractors and suppliers (responsible purchasing policy and percentage of sales outsourced to local companies for Bouygues Construction), business ethics and initiatives in place to guard against corruption (code of ethics and compliance programme), measures to protect consumer health and safety (protection of personal data), diversity in programmes and in news regulated by the CSA for TF1.

- (b) For Colas, the entities Colas Sud-Ouest (France), Grands Travaux et Voies (GTV - France), Colas Rail Belgique and Colas Belgium, Terrus (Canada); for Bouygues Construction, the entities Bouygues Travaux Publics-Grands Travaux France, Bouygues Bâtiment Ile-de-France Habitat Social, VCES (Czech Republic), Bouygues Thailand limited and VSL Thailand Company Limited.

Finally, we assessed the relevance of the explanations provided, if appropriate, in the partial or total absence of certain information taking into account, if relevant, professional best practices.

We consider that the sample methods and sizes of the samples that we considered by exercising our professional judgment allow us to express a limited assurance conclusion; an assurance of a higher level would have required more extensive verification work. Due to the necessary use of sampling techniques and other limitations inherent

in the functioning of any information and internal control system, the risk of non-detection of a significant anomaly in the CSR Information cannot be entirely eliminated.

CONCLUSION

Based on this work, we have not identified any significant misstatement that causes us to believe that the CSR Information, taken together, has not been fairly presented, in compliance with the Criteria.

Paris-La Défense, 22 February 2017

Independent Verifier

Ernst & Young et Associés

Éric Mugnier

Partner, Sustainable Development

Bruno Perrin

Partner

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4.1 Business-specific risks

4.1.1 Bouygues Construction

4.1.1.1 Risk management policy

The risks facing Bouygues Construction in 2016 were of a similar nature to those identified in previous years: operational risks relating to major projects, risks relating to employee security, risks relating to economic and political instability, and compliance risk.

4.1.1.2 Risks associated with major projects in the design or execution phase

Major projects are a potential source of risk for Bouygues Construction because of their size and number. They frequently involve complex packages (public-private partnerships, concessions, long-term contracts), which call for risks to be allocated commensurately with the capacities of the company. The 2016 order intake includes a number of large-scale building and civil works contracts, with contracts in international markets particularly prominent.

The types of risk inherent in major projects include:

- **in the design phase:** design flaws, miscalculation and under-budgeting, poor assessment of the local environment, inadequate contractual analysis, etc.;
- **in the execution phase:** technical or financial default by a customer, partner or subcontractor, difficulty in recruiting sufficient staff or adequately qualified staff, and execution defects leading to cost overruns, quality problems or failure to meet deadlines, etc.

To achieve tighter control over these two major risk areas, Bouygues Construction has an organisational structure that reflects the specific requirements of each business, backed up by rigorous selection, approval and control procedures.

Each entity has access to substantial, highly-qualified resources in technical fields such as design, costing, feasibility studies and methods. Clusters of staff with extensive expertise in highly specialised areas (tall buildings, materials engineering, facades and sustainable construction, for example) share knowledge and capitalise on experience across all Bouygues Construction entities.

The support function structure, which operates on similar lines, has been strengthened. Separate departments covering legal affairs, human resources, accounting, management control, information systems and procurement are headed up by members of the Bouygues Construction management team. Specialist clusters dedicated to treasury management, financial engineering, tax and insurance provide expertise to all group entities.

Approval and control procedures apply at each key stage in design and execution. For major projects, project selection and key risks and opportunities are subject to systematic monitoring.

Key operational risks are further mitigated by the fact that project execution teams are highly professional and adequately staffed, and are actively supervised by experienced managers.

Design and execution processes are documented in management systems at operational unit level, and are subject to measures designed to enhance performance and control:

- particular attention is paid to the pre-execution phase of major projects, especially in design, contract drafting and site preparation;
- in the design phase, external consultants are used to back up in-house expertise on technical issues for the highest-risk projects;
- regular costing audits are performed on the reliability of procedures for expenses, subcontractor budgets, and site supervision costs;
- support functions are systematically involved upfront, especially in contract management and procurement;
- particular care is taken in the selection and monitoring of customers and partners;
- the subcontracting process is closely supervised, with major subcontractors and partners thoroughly assessed before awarding highly-sensitive work packages (such as architectural and technical trades);
- risk monitoring is assisted by the use of specifically-developed procedures and tools.

In 2016, the main areas of focus were management of the Works phase and oversight of project managers, plus managing stakeholder engagement and the drafting of tender documentation for major projects.

4.1.1.3 Risks relating to employee security

Bouygues Construction generates 47% of its sales in France and 73% in OECD countries.

Operations outside those regions potentially expose employees to security risk in respect of terrorism, criminal acts, organised crime, etc.

Bouygues Construction has responded to the level of terrorist risk worldwide, and to threats directed at French interests and French nationals, by reinforcing existing security measures designed to protect people at all of its sites.

The Security Committee constantly monitors the situation in countries where Bouygues Construction has ongoing or prospective operations, and implements appropriate preventive measures and solutions in response to risks as they arise.

In 2016, the increased focus on security was reflected in the appointment of a Security director at Bouygues Construction, with the following key responsibilities:

- monitoring and preventing security risks in countries where Bouygues Construction is present;
- co-ordinating and directing resources in security risk situations;
- oversight of the Security specialists employed by each entity;
- overseeing the Security action plan.

The Security Committee regularly reviews the security situation in countries where Bouygues Construction has operations. Particularly close attention is paid to countries for which the French Foreign Ministry has recommended vigilance in relation to the risk of terrorist attacks, especially in the Sahel region of Africa. Restrictions are placed on movements in response to any warnings that may be issued, and the company regularly reminds the relevant employees of the rules regarding vigilance.

Regularly-updated business continuity plans are also in place in the various countries in which Bouygues Construction has operations. A key aim of such plans is to safeguard people, in particular by ensuring that guidelines issued by French embassies in at-risk countries are strictly followed, and by liaising with the embassies to develop evacuation plans for various alert levels. In addition, flexible and responsive organisational structures mean that in exceptional circumstances, Bouygues Construction can withdraw from countries where such risks materialise while keeping its losses to a minimum.

4.1.1.4 Risks related to economic and political instability

There are a number of factors generating instability and uncertainty that may disrupt the conduct of Bouygues Construction's operations:

- persistently weak world economic growth, and sluggish international trade;
- difficulties in commodity producing countries due to a slowdown in demand from China and worsening public finances in oil and gas exporting countries;
- volatility in stock markets;
- the economic consequences of Brexit, and the risk of a backlash against globalisation.

The euro zone is likely to see a downturn in growth during 2017, with France below the average.

However, the European construction market has returned to growth, and this applies to France too.

High borrowing levels and public spending constraints are holding back investment, while low interest rates are boosting household spending power.

In France, the upturn in the new residential property market is expected to continue, along with a gradual upturn in new commercial property. The business climate in civil works is improving.

Bouygues Construction's positioning in developed countries limits its exposure to uncertainties, but may lead to a risk of exposure to economic stagnation in those countries and to tough market conditions. In the rest of the world, Bouygues Construction needs to monitor the

situation carefully and take preventive measures in legal, financial and insurance matters.

Nevertheless, Bouygues Construction has many strengths to help it resist and adapt to the economic climate. A diverse business mix and broad geographical footprint mean that the company is less exposed than a mono-line or mono-region business.

In addition, Bouygues Construction enjoys a favourable business environment in some countries or sectors. This applies to those parts of Asia where the company has a long-standing presence, in particular Hong Kong where Bouygues Construction is executing many large infrastructure projects. Bouygues Construction is also engaged in a geographical diversification strategy, focusing on expansion in buoyant markets such as the United States, Canada and Australia. The healthy order backlog, which represented 18 months of sales as of the end of December 2016, gives good visibility in the short term. Bouygues Construction analyses forecasts to anticipate adverse trends, so that it can react appropriately and reallocate production resources to less affected markets or activities.

Finally, Bouygues Construction encourages job mobility between its businesses and geographical areas and the development of synergies between group entities, so that it is always well placed to anticipate, react and adapt to changes in the economic environment.

4.1.1.5 Commodities risk

Bouygues Construction is not exposed to a significant commodities risk.

4.1.1.6 Industrial and environmental risks

Because of the nature of its business, Bouygues Construction is not exposed to significant industrial or environmental risk, and is not subject to regulations on classified sites or to REACH^a.

4.1.1.7 Compliance risk

With compliance obligations becoming ever more demanding, Bouygues Construction has tightened its ethics policies to ensure that the principles contained in the group's compliance programmes are strictly applied.

Ethical compliance falls within the remit of Legal Affairs, working in conjunction with Audit and Internal Control; all three departments are under common management. Resources have been made available for ethics and compliance administration to provide oversight, conduct research and surveys as needed, and manage the tools used in this area.

In 2016, new hires were once again required to sign up to Ethics and Compliance commitments. A large-scale ethics awareness campaign in the form of a "serious game" is ongoing. Rules relating to patronage, sponsorship and hospitality have been widely disseminated, and are monitored by appropriate tools. An Ethics and Compliance investigation is conducted ahead of any decision to do business in a new country.

Compliance reviews, covering the full range of ethics and compliance issues across the various entities, were introduced in 2016.

(a) "Registration, Evaluation, Authorisation and Restriction of Chemicals" – a regulation of the European Union.

4.1.2 Bouygues Immobilier

4.1.2.1 Property market risks

The activities of Bouygues Immobilier are exposed to economic factors beyond the company's control, and to systemic risks associated with the cyclical nature of property markets. Fluctuations in the property market and in the broader economic situation can have a significant impact on the activities and profitability of Bouygues Immobilier, the consequences of which – whether negative or positive – do not flow through immediately into the company's financial results, due to the time required to complete projects.

Factors that can affect the property market include:

- international and domestic economic conditions, trends in purchasing power and the level of consumer confidence, the last two of which exert a strong influence on the residential market;
- the level of long-term interest rates (home loans) and the terms of access to credit (deposits required, and the duration of loans offered) have a very strong effect on the solvency of potential buyers and hence on demand for new residential property, with a potentially strong impact on selling prices;
- similarly, demand for new office premises is experiencing high volatility due to the general economic climate, which has a direct effect not only on rents but also on the rate of return expected by investors (who are highly sensitive to potential rises in long-term interest rates). Marked fluctuations can significantly affect the return on office property developments, at a time when the final investor is very demanding in terms of the quality and term of leases;
- sales may also be significantly impacted by administrative or tax measures that affect segments of the property market (incentives for home-buyers and tax breaks for buy-to-let investors), or more generally by public policies that raise taxes imposed on households (tax rates, reduction or capping of tax breaks, increases in value added tax);
- finally, competition in property markets remains strong, especially in the acquisition of land and in new residential property sales, exposing Bouygues Immobilier to a risk of market share erosion and to a reduction in sales and profitability.

Bouygues Immobilier's organisational structure is designed to optimise responsiveness to market fluctuations, while the risk management policy is based on strict but adaptable prudential rules. The land bank is regularly reassessed to ensure that it gives a good fit with projected commercial operations, and shows a strong bias towards unilateral promises that enable the company to withdraw if necessary. The acquisition of land and start of works are largely contingent on a substantial proportion of the project being pre-sold. Finally, Bouygues Immobilier maintains a balanced spread of products and customer profiles; a diversified product mix and broad geographical footprint help the company respond better to the specific demands of its various markets.

Bouygues Immobilier is also involved, through its subsidiaries, in property development projects outside France. However, the overall level of business outside France is low, representing approximately 5% of sales in 2016. The company has adapted its strategy in response to

the economic crisis. Currently, it has operations outside France in Poland and Belgium, and (since 2014) in Morocco. These operations expose Bouygues Immobilier to the risks inherent in those local markets such as political and economic risks, corporate governance risks, risks arising from poor understanding of the local regulatory and tax environment, risks relating to the security of staff, and foreign exchange risk.

However, a selective approach is always adopted to international operations, so as to limit the level of risk. Bouygues Immobilier requires its subsidiaries to obtain external legal advice to address the risk of non-compliance with local laws and regulations. Any exposure to currency risk is hedged.

4.1.2.2 Operational risks

Contractor default risk

Bouygues Immobilier is exposed to risk as a result of its reliance on service-providers, suppliers and subcontractors in carrying out its activities, especially on its worksites. Issues such as financial difficulties, poor quality workmanship, and general failings (or breaches of regulations) can lead to late deliveries and cost overruns that may harm the company's reputation and profitability, or its customers.

To protect against this risk, the company requires strict compliance with tendering procedures and close monitoring of contract execution, in both residential and commercial property.

Since July 2014, Bouygues Immobilier has had a dedicated residential property purchasing department, with the aim of providing operational staff with the tools and methods needed to meet cost and quality criteria. Purchasing managers, who were previously residential property tendering managers, now monitor the financial health of successful bidders, ensure diversity among suppliers of strategic goods and services, and avoid suppliers becoming economically dependent on the company. All these high-risk areas are covered on a full-scope basis by the internal control assessment.

Treasury risk

Bouygues Immobilier operates a policy of centralised management of its cash and financing needs, which facilitates the identification of liquidity risks and the implementation of optimal solutions.

To cover any potential financing needs, the company has contracted medium-term credit facilities with its principal banking partners; these arrangements are renewed on a regular basis, usually for three-year periods. Bouygues Immobilier carefully checks legal documents and instructions relating to the bank guarantees it obtains (including guarantees that property sold off plan will be funded to completion, and deposit guarantees), and the terms on which such guarantees are obtained.

More generally, Bouygues Immobilier applies Bouygues group management rules relating to financial risks, with a particular emphasis on payment systems security, liquidity, counterparty quality, credit agreement terms, and the measurement and hedging of interest rate and foreign exchange risk.

Risk of reduced control over sales channels

Like most property developers, Bouygues Immobilier has moved into the digital era, and has a site dedicated to new-build projects on which prospective buyers can go on a virtual tour of their future home. However, the market is seeing rapid change in selling techniques and a trend towards disintermediation. Bouygues Immobilier may have to deal with the emergence of powerful new operators using innovative direct selling methods on digital platforms, which would affect the company's ability to retain control over sales channels.

To keep pace with the technological change brought about by the growing importance of digital technologies, Bouygues Immobilier is investing to enhance its internal and customer-facing processes. If the IT developments relating to Bouygues Immobilier's new business software solution ("Opéra"), upgrades to the direct sales and purchasing advisor websites, and any other new solutions do not provide a perfect fit with market trends or customer expectations, this could lead to sales erosion.

4.1.2.3 Risks specific to property development

Acquisition of land and commitment committees

Bouygues Immobilier's business hinges on its ability to secure building land in locations that its customers want and at prices they can afford.

There is however a risk that land may be acquired without it being possible to complete the proposed development.

Consequently, there are strict procedures governing decisions to purchase land. Any legal document that is intended to secure land (or a building) and that binds the company (even with a get-out clause) requires prior approval from a commitment committee. The terms of the transaction, and the decisions taken by the committee, are recorded in minutes that are distributed to all the stakeholders. Until such time as the land purchase is completed by notarised deed, all approvals granted at committee level and all commitments are reviewed on a monthly basis; any substantive change requires a further committee meeting in order to approve the amendment.

Administrative and regulatory risks

ADMINISTRATIVE PERMITS

Bouygues Immobilier's business also depends on its ability to obtain all the necessary administrative permits for construction of its property developments. Failure to address these issues adequately could have a range of consequences including the loss of building permits, legal disputes and appeals, and the abandonment of projects.

Strict procedures are therefore applied at every stage in a property development project, and processes are regularly strengthened so that these risks remain adequately controlled.

To address the risk that the administrative permits needed to carry out the company's property development projects (primarily building permits, office development permits, and decisions by local or national commissions for retail developments) may be refused, withdrawn or appealed, Bouygues Immobilier ensures that any commitments to

purchase land do not become binding until all possibility of appeal has been extinguished, and meticulously reviews the quality of all applications made for permits.

COMPLIANCE

Bouygues Immobilier may face claims from buyers of properties after delivery or completion in the event of non-compliance with the contractual description or with regulatory requirements and standards (such as those dealing with disability, environmental or public health issues).

The company may also face claims from customers for defects in properties sold to them. Under the terms of the completion warranty, Bouygues Immobilier arranges for contractors to remedy defects on the snagging list as soon as possible.

Most construction defects are covered by compulsory insurance policies. Bouygues Immobilier ensures that it abides scrupulously by its obligations in terms of public liability and damage to property, and that all parties (lead contractors, subcontractors, consultants, etc.) meet their obligations in respect of the standard ten-year latent defect insurance policy.

Quality and customer relationships are of paramount importance to Bouygues Immobilier, and this is reflected in effective processes for handling customer complaints.

In terms of site safety, the project owner has obligations over and above those incumbent on the health and safety co-ordinator, lead contractor and subcontractors:

- during the design phase;
- before works commence and the worksite is started; and
- during execution of the works.

The project owner is responsible for appointing a health and safety co-ordinator, and must be able to prove to any relevant authority that the co-ordinator appointed is competent. In contracting with the co-ordinator, the project owner must specify the extent of the co-ordinator's authority, and the resources that are required for successful execution of the co-ordinator's role.

The project owner is also under an obligation to ensure that regulations prohibiting illegal employment practices are observed, not just by itself but also by its contractors and subcontractors. Specifically:

- the project owner must perform a half-yearly check to ensure that contractors and subcontractors are complying with their employment law obligations;
- if a competent authority notifies a specific breach attributable to a contractor, the project owner is under an obligation to prevent and notify that breach;
- the project owner is under an obligation to check that every employee working on the site has the requisite building trade identity card.

Recent French legislation (the "Savary" law of 10 July 2014 and its enabling decree of 30 March 2015, and the "Macron" law of 6 August 2015) has placed greater obligations on all those involved in the construction industry as regards undeclared work and the hiring of foreign workers without the necessary permits.

ENVIRONMENTAL REGULATIONS

Bouygues Immobilier pays particularly close attention to all regulatory developments arising from the Grenelle Environment Summit process in France and any other relevant decisions made by the authorities, including those relating to biodiversity, which may result in additional costs not originally budgeted.

The company also attaches great importance to circular economy issues, such as recycling and re-use of construction materials.

INVOLVEMENT OF THE LEGAL AND INSURANCE DEPARTMENTS

In all the areas described above, Bouygues Immobilier's Legal Department assists operational units in structuring property development programmes, from land purchase through to final delivery. In specific areas, the department has established procedures and uses standard form contracts. Subsidiaries operating outside France invariably consult local law firms when structuring projects and handling claims, in conjunction with the Legal Department.

The Legal Department logs all claims filed against Bouygues Immobilier. These claims are handled by operational units, with assistance from a barrister. A centralised policy for retaining barristers has been implemented in the interests of greater effectiveness. Major or strategic claims are handled directly by the Legal Department.

The Insurance Department, which reports to the Risk Management Department, is responsible for contracting all insurance policies in France. The department also provides support to international subsidiaries when they renew existing policies or contract new ones. By handling these matters centrally, Bouygues Immobilier is able to retain control over the insured risks and ensure that adequate cover is obtained.

4.1.2.4 Technical and environmental risks

Risks relating to pollution, soil quality and existing structures

Bouygues Immobilier operates a risk prevention policy as regards soil quality: as soon as a plot of land (or building) is identified as being of interest, the company carries out a survey of soil and subsoil quality and contamination (or of the existing structure).

Once the broad outlines of a project have been established, the company retains specialist firms as necessary to analyse risks relating to matters such as soil quality, pollution, flooding, safety, the environment, foundations and load-bearing capacity, so as to obtain a detailed estimate of the cost implications.

Bouygues Immobilier also pays close attention to archaeological plans, given that the unforeseen discovery of archaeological remains during site works can have repercussions on the time and costs to project completion.

Where demolition or rehabilitation is required, Bouygues Immobilier oversees compliance with regulations on asbestos removal and decontamination in the buildings concerned.

Safety risks

Bouygues Immobilier pays close attention to ensuring compliance with regulations relating not only to public health (prohibition of the use of toxic materials such as asbestos and lead during construction, and regulations on ventilation systems), but also to workplace safety and the prevention of burn-outs. In the latter case, agreements were reached in 2016 on the quality of life at work and on exceptional Sunday working for the roll-out of the "Opéra" software solution. Other than that, building construction projects are subject to a risk of on-site accidents. Bouygues Immobilier generally uses the services of external inspection firms to ensure compliance with safety and building regulations.

In the event of an accident or compliance breach, even though the company does not assume responsibility for design (contracted out to an architect) or execution (handled by construction companies working under an external lead contractor), it may incur civil or even criminal liability in its capacity as project owner. This is why the project owner has an obligation to give the health and safety co-ordinator the authority and resources necessary for successful execution of the co-ordinator's role.

Bouygues Immobilier has since 2014 been running an extensive awareness and training campaign on the responsibility of project owners in terms of safety, prevention of illegal labour, and worksite safety.

Finally, to help protect its own employees, Bouygues Immobilier has for each of its sites designated and trained a safety officer, who regularly updates the risk assessment report for the site as required under French employment law. The company's Quality, Service and Environment (QSE) department also conducts periodic checks of safety procedures.

4.1.2.5 Risk of unethical practices

In carrying on its property development activities, and particularly in responses to consultations, land searches and co-promotion projects, Bouygues Immobilier pays scrupulous attention to compliance with competition law, and is especially vigilant as regards active or passive corruption. To this end, Bouygues Immobilier not only distributes the Bouygues group Code of Ethics and compliance programmes internally, but also applies procedures specific to its own activities. Staff are regularly reminded of those procedures via annual internal control campaigns, training programmes for line managers, an e-learning module on ethics, and the corporate intranet.

4.1.3 Colas

The Colas group has for many years placed the analysis, monitoring and prevention of business-specific risks at the heart of management concerns, with responsibility located at the level best placed to assess risk. The decentralised structure is key to the management of these risks.

Risk evaluation and overall risk policy is managed at head office level and relies on feedback from reporting systems or dissemination of best practice. However, individual subsidiaries and profit centres are responsible for handling, controlling and monitoring their own risks. Major risks are identified, documented and assessed annually by executive operational management teams. This risk mapping exercise takes the form of a key risk scorecard, focusing on risks liable to impair the attainment of operational, financial or strategic objectives. This scorecard is then used to develop action plans to mitigate identified risks. It is supplemented by a risk prevention policy based on monitoring of loss experience, analysis of causal effects and feedback. Central coordination and leadership, based on reporting tools, serve to improve the risk identification and analysis process, collate feedback that can be passed back to the subsidiaries, and develop risk prevention policies and initiatives.

4.1.3.1 Sector and market risks

The sales and profits of Colas are particularly sensitive to:

- macroeconomic trends in the principal markets where Colas operates (France, Europe, North America), which can have an impact in terms of sales volumes, competitive pressure and price levels;
- trends in public-sector orders, given that some 59% of Colas sales are generated with public-sector customers (especially local and regional authorities in France), and in the ability of public-sector customers to obtain funding. This risk factor is being exacerbated by mounting public debt, the state of the public finances in many countries and the resulting austerity programmes, and (in France) cuts in government grants to local authorities. Administrative and political issues may also affect the level of public-sector orders, whether in terms of difficulties achieving consensus on budgets, upcoming elections, proposals to merge local authorities or changes in political majority. All these factors could put at risk or delay infrastructure projects that have already been approved or are being planned.

However, these risks are mitigated by various factors, including the economically essential role of transport infrastructure maintenance in ensuring the mobility of people and goods, the broad geographical dispersion of the Colas group's operations and its diverse business mix, the large number of projects handled, and the ability to deliver complex contractual solutions.

4.1.3.2 Credit or counterparty risk and country risk

Colas is present in more than fifty countries, and is exposed to specific risks in those countries. Since 93% of Colas sales are generated in Europe, North America (United States and Canada) and Australia, exposure to country risk is low. So is the risk of payment default, as the majority of sales are generated from the public sector (national, regional and local governments) with a large number of low value contracts. Operations in high-risk countries with poor ratings from international agencies or credit insurance bodies usually involve contracts funded by multilateral development agencies such as the U.S. Federal Reserve (Fed) or the World Bank.

The roadbuilding, waterproofing, road safety/signalling and construction materials businesses have an extremely widely dispersed customer base (including large numbers of private sector customers and local authorities), so counterparty risk is low. In the railway sector, a very high proportion of business is with infrastructure companies or bodies under state control. Private-sector customers are subject to upfront credit analysis, backed up wherever possible with credit insurance, in order to mitigate counterparty risk. Based on statistical analysis, the most significant risks can be quantified at a few hundred thousand euros. Colas has responded to the increased risk level arising from the financial crisis by tightening the procedures applied prior to the signature and start of construction contracts.

4.1.3.3 Commodities risks

Colas is sensitive to the regularity of supplies of commodities and to fluctuations in their cost. The main commodities involved are petroleum-based products in the roadbuilding business (bitumen, vehicle fuel, heating fuel and gas, oil), and commodities such as steel, copper and aluminium in the road safety/signalling, waterproofing and railway businesses. The biggest risk relates to bitumen and other petroleum-based products.

Supply risk

Delays or stockouts in the supply chain may lead to direct and indirect cost overruns in the roadbuilding and waterproofing businesses. This is not a systemic risk (except in the event of conflict and total breakdown in petroleum supplies), and may affect a country, or more likely a region, over a variable period of time. Some years ago, Colas took steps to address this risk by setting up a group-level bitumen unit, supported by similar units in some of the major regions where the company operates (e.g. North America), to improve supply chain capacity through bulk purchase agreements and imports. Over the years, Colas has developed a bulk storage policy in France, Europe, the French overseas departments, the Indian Ocean region and, on a larger scale, North America. The risk related to temporary or potential closures of new refining plants in France has reduced substantially since 2013 due to the overall decline in bitumen consumption both in France and neighbouring European countries, but may persist in some regions of North America and Africa.

Price fluctuation risk

Bitumen prices have been subject to significant fluctuations for a number of years. Various factors limit the risk arising from these fluctuations: the number and average value of contracts (which means that prices can often be reflected in the tender bid), and the fact that many contracts (in France and elsewhere) include revision or indexation clauses. Employees involved in contract negotiations are made aware of this issue so that it can be factored into the process. In some regions, it is possible to enter into supply contracts that fix prices at a guaranteed level for a specific period. For large-scale contracts, hedges may be contracted on a case by case basis when the order is accepted. However in some of the Colas group's activities, such as third-party sales of manufactured goods, rises in prices of bitumen and other petroleum-based products are only passed on to customers to the extent that the state of the competition allows.

Given these factors, it is not possible to quantify the sensitivity of operating profits to commodity price fluctuations: Colas is involved in thousands of contracts subject to varying degrees of legal protection, and the extent of price rises varies from region to region.

There is also an indirect risk that rises in the prices of these products might lead to a reduction in order volumes as customers react to the prospect of higher prices for works or services.

4.1.3.4 Legal risks

Compliance risk

The business activities of Colas involve a very large number of contracts (over 100,000 a year), awarded and executed on a decentralised basis (800 profit centres and 2,000 materials production units around the world). Apart from the usual laws and regulations that always apply (such as competition and criminal law), most public sector contracts are also subject to specific regulations at both national and international level. The multiplicity of contracts and decentralised structure expose Colas to legal compliance risk, particularly in terms of anti-competitive practices and corruption, despite substantial preventive measures (information, training, code of practice, etc.) and stringent disciplinary procedures. The Code of Ethics is supplemented by compliance programmes. For the company, these risks may lead to financial penalties (imposed by competition authorities, for example), criminal or civil liability, loss of contracts (a ban on tendering for certain projects), or reputational damage. It is very difficult to assess the likelihood of such risks or to quantify their effect.

4.1.3.5 Industrial and environmental risks

Risk of fire, explosion and accidental pollution

This risk varies according to the size and nature of the activities at each site, and is regarded as immaterial at most industrial sites due to their limited size. However, these sites are under regular surveillance to reduce the incidence of such events; for example, fire permit procedures and infrared thermal imaging audits of thermal and electrical installations are used to reinforce preventive maintenance measures. The Axter site at Courchelettes (France), which manufactures waterproofing membranes, is the biggest and most sensitive site in terms of the nature of its industrial activities, and consequently is treated

as a special case. The SRD site at Dunkirk (France), which produced bitumen and other refined products, has been decommissioned. A final safety compliance report has been filed with the authorities; in addition to meeting regulatory requirements, the report is being followed up in collaboration with the technical department at SRD's insurers, who are issuing risk prevention recommendations.

All sites are covered by appropriate insurance policies. In addition, some Colas production sites may accidentally generate pollution incidents due to leaks in pipes or storage facilities, even though installations such as storage tanks and sluice gates are designed and maintained to minimise the risk of such incidents. Given the large number of relatively small sites and the risk management policies applied, any such incident is likely to be limited in scope and immaterial at group level.

Environmental risks

CO₂ EMISSIONS

The production processes at the Colas group's industrial facilities generate CO₂ emissions. In 2016, most installations were not subject to the emissions quota scheme, the exceptions being SRD, a few asphalt mixing plants in Denmark and Belgium, and around fifteen units in France that have been subject to the scheme since the start of 2013. Some of these units are obliged to acquire emission quotas on the market. Emission declarations for these sites are checked annually by accredited audit firms. It cannot be ruled out that more installations will be subject to the emissions quota scheme in future.

Other atmospheric emissions are subject to regular inspections by external authorities and accredited bodies.

WASTE

Colas recycles significant volumes of materials. Around two-thirds of the asphalt mixing plants now recycle their planned materials, while the volumes accepted by the recycling platforms are comparable with the output from 17 quarries (for more information, refer to the Colas Sustainable Development Report prepared in accordance with Article 225 of the French Environment Code). Recycling on this scale calls for appropriate controls over incoming materials, and for increased awareness on the part of those generating the waste (which does not always come from Colas sites). The materials accepted for recycling by Colas are either asphalt-based or inert materials and as such are risk-free; analytical tests are therefore not performed on a systematic basis as this would not be economically viable. Consequently, it cannot be ruled out that around one hundred thousand tonnes of deconstruction waste held at Colas recycling platforms in France or abroad may prove to be non-compliant, without it being possible to enforce ultimate liability on the project owners (who under the regulations applicable in most countries are normally liable for the chemical content of their waste).

REHABILITATION OF OPERATING SITES

The Colas group's industrial sites are subject to classified installation regulations in France, and to similar regulations in other countries where Colas has operations. In France, quarry operating licences incorporate site rehabilitation obligations that are agreed upfront with the competent administrative authority. Provisions are recorded in the financial statements to cover these obligations, and are periodically reviewed and adjusted. As at 31 December 2016, these provisions amounted to €169 million. If legislation in this area were to be tightened, contingent rehabilitation costs could increase.

Colas has a policy of systematically obtaining environmental certification (e.g. ISO 14001). Documentation and progress measurement are handled via follow-up audits and certification procedures, supported by external bodies and internal resources. The process relies on a globalised checklist system, introduced five years ago, which now covers the majority of materials production activities and forms the basis for consolidated action plans. In 2016, 85% of the Colas group's worldwide materials production sales were covered either by certification or by the internal checklist system. All these arrangements have been incorporated into the internal control system, both in France and in other countries.

A provision has been recognised in the Colas financial statements to cover the obligation to rehabilitate the SRD site, which has now been decommissioned. A team has been set up that will work with the authorities in 2017 to devise a decontamination programme, and a deconstruction programme is currently being launched.

Geological risks

A survey by the BRGM^a of various quarries in France revealed that actinolite (a naturally-occurring rock which in one of its forms contains asbestos-like fibres, i.e. fibres with high tensile strength and flexibility) was present at some quarry sites. Further studies are being carried out by a working group drawn from the INRS^b, the BRGM and organisations representing the roadbuilding industry to develop an agreed risk analysis method. Colas is actively involved in this process. Depending on the results of these studies, and the ensuing decisions, some sites (though in principle, only a limited number) could have their production capacity reduced or might even be closed.

Since the BRGM survey was published, there have been extensive discussions between the industry and the relevant ministers and additional research has been commissioned. However, no public policy has yet been adopted.

REGULATORY COMPLIANCE

One site is classified Seveso "high threshold": an emulsifier production site in Galway, Ireland. Other facilities outside Europe subject to hazardous substance risks are the KBC refinery in Malaysia (operated by the Thai subsidiary, Tipco) and a few explosives depots in Africa and the Indian Ocean region. These facilities are managed using the same prevention rules as in Europe, but are subject to differing administrative frameworks according to the country where they are based. All these sites require the implementation of specific safety management tools and are subject to very strict national and European legislation. These requirements have generally become more stringent over time. If this trend were to continue, the capital and operating expenditure needed to ensure compliance could increase in the future.

4.1.3.6 Operational risks

Workplace accident risks

The Colas group may be exposed to workplace accident risks, arising in particular from the use of heavy plant and industrial equipment, as well as a risk of road accidents either when staff are travelling or when exceptional loads are being transported. For many years, Colas has carried out an extremely proactive health and safety and training policy, including safety induction programmes for new hires, as well as research, resulting in the exoskeleton and safety "bubbles" around mobile plant. Colas has detailed procedures in place for the haulage of heavy plant and industrial machinery (reminders of the regulations applicable to transporting exceptional loads by road, use of standard local calculation software by all subsidiaries, preparation of a transport action plan by each subsidiary, instructions and procedures for securing heavy plant in transit, procedures for the contractualisation of transport and plant hire). Stringent fire prevention procedures are in place (especially in the waterproofing business) and preventive measures are also applied to worksites located close to sensitive networks (gas, electricity, etc.).

Occupational health risks related to chemicals

BITUMEN AND ULTRAVIOLET RADIATION

In 2013, the ICCR^c published an official monograph on bitumen fumes. The ICCR is the world authority on the subject and was unable to conclude as to whether or not there is a link between cancer and exposure to bitumen fumes in a roadbuilding setting, despite the numerous studies carried out to date. No action has been taken in response to the ICCR findings by the national authorities in the various countries where Colas operates, apart from France. In France, the findings published by Anses^d replicated the risk analyses carried out by the industry. No further publications were issued during 2016.

The only adverse health effect known to be associated with working conditions on roadworks contracts is irritation of the respiratory tract and eyes. The INRS (the French National Research and Safety Institute for the Prevention of Occupational Accidents and Diseases) conducted a large-scale project to monitor the exposure of workers to such irritation, with a view to developing a standard method for measuring the bitumen fumes they inhale. Colas, along with the rest of the industry, played a major role in this project, which was completed in 2015. A scorecard has been developed for measuring the effectiveness of preventive measures, and will be used as a benchmark by officials from the state health insurance scheme. Workers' exposure will be monitored using the new methods, with the measurements feeding into a database that will be assessed at least every five years.

(a) The French geological survey.

(b) The French National Research and Safety Institute for the Prevention of Occupational Accidents and Diseases.

(c) International Centre for Cancer Research.

(d) The French Agency for Food, Environmental and Occupational Health and Safety.

Colas continues to class the risk from exposure to bitumen fumes as low and sufficiently reduced, except in confined spaces where specific risk analysis is necessary due to the combined effect of vehicle exhaust fumes and ventilation issues. It cannot be ruled out that if further studies establish a link, however uncertain, between the use of bitumen in roadworks and cancer, new regulations could be introduced, although nothing at this stage points to such a development. The image of the Colas group, as a leading player in the roadbuilding industry, could be adversely affected by any new media campaigns, court rulings or scientific studies in this area.

Colas continues to take regular measurements of the on-site exposure of its employees to bitumen fumes. The monitoring process is coordinated by the Human Resources department, with support from the Environment department; the company also does its best to facilitate the work done by researchers and occupational doctors. Colas encourages public authorities and project owners to adopt warm asphalt mixes as standard, since by significantly reducing the temperature at which bitumen based products are applied, the emission of bitumen fumes can be virtually eliminated. The company is rolling out work planning solutions that might limit the exposure of site workers to bitumen, and maintaining its proactive policy of innovating to ensure the health and safety of its people. For example, it is company policy, wherever possible, to buy pavers (the machine that applies bitumen mixes to roads) with on-site fume extraction systems.

In 2016, the INRS concluded that exposure is statistically reduced by 55% when such measures are used. Colas is also seeking to reduce the temperature at which mixes are applied (subject to quality constraints), and increase its use of warm asphalt mixes; in 2016, the INRS concluded that exposure is statistically reduced by 27% when warm mixes are used. For all of its activities involving the use of bitumen worldwide, Colas can access techniques that enable mixes to be applied at temperatures below 200°C. Some of these techniques were invented by Colas, in particular the techniques used for asphalt (which Colas has made available to all industry operators in France, where it produces these materials).

In addition, the nature of the Colas group's activities means that many employees work in the open air and may have repeated exposure to ultraviolet radiation from sunlight, the principal environmental factor in skin cancers. Employees are issued with preventive guidelines and regular reminders to help protect them from ultraviolet radiation.

DUST AND SOLVENTS

Exposure to silica dust is being actively addressed by occupational health professionals, both on roadbuilding sites and in quarry and gravel extraction facilities. This risk is significantly reduced by initiatives being taken in France and internationally (sealed cabs equipped with air conditioning and filters, basic anti-dust masks, various dust abatement techniques, and replacement of drilling and planing machinery with machines fitted with dust extraction systems).

The risk associated with the use of solvents is on the decline in workshops, sites and laboratories in France and throughout the world, thanks to a policy of restricting solvent use and installing safety equipment. Colas has ceased using chlorinated and petroleum solvents

in over three-quarters of the parts washers used to clean workshop or laboratory equipment. Instead, these stations now use organic or plant-based solvents, or aqueous cleaning solutions.

ASBESTOS

Alleging asbestos exposure, some former SRD employees (and/or their heirs and assigns), some of whom were employees of BP prior to the asset-for-share exchange of 31 December 1991, have instigated proceedings against BP and/or SRD, and against the public health insurance scheme (CPAM) of their place of residence. At this stage, proceedings to determine whether this is a case of occupational disease linked to asbestos exposure, and the enforceability of the claim against the employer, are still ongoing in 21 cases. If the claim of occupational disease is held to be valid and enforceable against the employer (and hence potentially against SRD), then the employer could be faced with an increase in future contributions, and could also incur the financial consequences of a successful claim for occupational disease due to gross negligence (two gross negligence cases have been brought).

In France, Colas is addressing the issue of the presence of fibrous actinolite (a naturally-occurring rock which in one of its forms contains asbestos-like fibres) in existing road surfaces, recycled materials and newly-extracted aggregates. Colas is involved in a project to develop an agreed risk analysis method for asphalt mixes and aggregates, as part of a working group involving the INRS^a, the DGT^b, the OPPBTP^c, Unicem^d, and organisations representing the roadbuilding industry.

In the first quarter of 2017, Anses^e is due to finalise specifications for the development of an analytical method to be used in a measurement campaign. During the transitional period, USIRF^f, in which Colas plays an active role, has issued a health and safety guide on dust, prepared in association with the OPPBTP and the DGT.

CONCLUSION ON OCCUPATIONAL HEALTH RISKS

The chemical risk issues relating to the operating activities of Colas are highly complex. Such issues have for a long time been one of the key priorities of the company's responsible development policy. The complexity of the issues is not confined to the operations carried on by Colas but rather reflects greater awareness in society generally, as illustrated for example by the European REACH^g regulations. Colas assesses these risks carefully, although the implications appear to be limited. The company is also committed to ongoing dialogue, especially with the scientific community.

4.1.3.7 Contract execution risks

General contract execution risk is relatively limited due to the large number of contracts and their low average value. However, some subsidiaries do work on large-scale projects, for example concession or public private partnership (PPP) type contracts. The complexity of these major projects means that these subsidiaries are exposed to increased risks in terms of contingencies (geological, archaeological, acquisition of land for construction), costing, execution, deadlines (e.g. delay in land being made available by the customer), etc.

(a) The French National Research and Safety Institute for the Prevention of Occupational Accidents and Diseases.

(b) The French government body that deals with employment and workplace policies.

(c) The industry-wide risk prevention body for the French construction sector.

(d) The national association for the quarrying and building materials industry.

(e) The French Agency for Food, Environmental and Occupational Health and Safety.

(f) The French road construction industry association.

(g) "Registration, Evaluation, Authorisation and Restriction of Chemicals" – a regulation of the European Union.

4.1.3.8 Risks related to acquisitions

The Colas group has built much of its development on acquisitions. Such a strategy may be limited by excessive valuations or a lack of suitable targets, by competition between potential purchasers, or less frequently by the application of competition law. It cannot be ruled out that, for various reasons, Colas may experience difficulties integrating acquisitions into its organisational structure, which could

result in profits and cash flows falling below expectations, and possibly even the recognition of impairment losses against goodwill.

No corporate acquisition may be made without a specific prior investment request, supported by an appraisal prepared in a format defined in the internal procedures guide. Such proposals are submitted to Colas group senior management for review before being presented to the Board of Directors of the subsidiary making the acquisition.

4.1.4 TF1

4.1.4.1 Operational risks

Risk of loss of key programmes

DESCRIPTION OF THE RISK

The performance of TF1 depends partly on its ability to offer the best programmes in order to maintain its leadership in audience ratings. Consequently, the loss of key programmes represents a risk in terms of reduced audiences, and of reduced capacity to generate revenue from those audiences.

HOW THE RISK IS MANAGED

Thanks to the talent of its creative staff and its long-standing special relationships with French and foreign producers, TF1 currently offers the best programming. Future programming schedules are locked in via multi-annual contracts with the biggest producers, reducing the risk of loss of key programmes in the medium and/or long term.

Risk that programmes will become unsuitable for broadcast

DESCRIPTION OF THE RISK

To secure future supplies of key programmes, TF1 commits to certain programmes (especially series and feature films) at a very early stage relative to the date of transmission. The time-lag can be substantial, and visibility on new products is often low.

Because TF1's channels are constantly adapting their editorial line in response to changes in public taste, an artistic mismatch may arise between current editorial needs (aimed at maximising audiences) and past programme acquisitions. If such mismatches occur, they may lead to spikes in impairment losses taken against broadcasting rights inventory.

HOW THE RISK IS MANAGED

TF1's exposure to this risk is limited to multi-year contracts entered into with the biggest producers. If such a risk were to materialise, there are two ways of mitigating the impact:

- the pooling of rights across the TF1 group's various channels offers alternative solutions for using rights to a programme that becomes unsuitable for airing on the TF1 core channel;
- as a last resort, some or all of the risk may be mitigated by selling the rights on to another market player.

Risks associated with the economic environment

DESCRIPTION OF THE RISK

In light of actual economic conditions during 2016 and the prospects for 2017, there is a risk of stagnation in the advertising market, which could have an adverse effect on the projected trends in the TF1 group's sales.

HOW THE RISK IS MANAGED

To protect against the effects of this stagnation, TF1 is keeping all of its expenditure under constant review, and is continuing to adapt its business model by identifying and activating new sources of growth (see chapter 2, section 2.2 on TF1 of this Registration Document).

4.1.4.2 Industrial and environmental risks

Broadcasting of TF1 programmes – Risk of signal transmission interruption and execution risk

DESCRIPTION OF THE RISK

TF1's programmes are currently broadcast to French homes by:

- radio waves in freeview SD DTT (on the R6 multiplex) via the 124 main transmission sites and 1,502 secondary transmission sites operated by TDF, TowerCast, OneCast and Itas Tim;
- satellite in freeview SD and HD digital on the Astra 1 position from SES in the SAT DTT bundle and on Eutelsat's EW5A in the Fransat bundle;
- cable in HD digital, via Numericable and local cable operators;
- ADSL and fibre optics in SD/HD digital via all the internet service providers (Bouygues Telecom, Free, Orange and SFR).

TDF is by far the leading national TV signal transmission operator in DTT, with a network and technical resources currently unmatched by any other company, in particular as regards hosting on existing masts.

TF1 is therefore dependent on TDF for signal transmission. Despite the emergence of alternative transmission operators, TF1 cannot at present do without TDF's hosting facilities. As a consequence, in the event of an outage in the TDF network, TF1 cannot switch to other terrestrial transmission systems to provide quick and affordable coverage of its entire broadcast area.

Also, the antenna system (antennae, wave guides and frequency multiplexers) is not immune from incidents, and power supply may not be under TDF's control (for example, it may be the responsibility of EDF).

The loss that TF1 could incur in the event of transmitter failure is proportional to the number of television viewers served by the transmitter. A failure in the Paris region (10 million viewers) could have serious economic repercussions. For this reason, TF1 has negotiated a digital transmission agreement requiring a very rapid response from TDF in the event of a failure, and has requested reinforced backup measures.

Furthermore, TF1 is dependent on the technical resources and supervision/maintenance processes put in place by the providers of television offers.

HOW THE RISK IS MANAGED

The variety of alternative networks to DTT (satellite, cable, ADSL and fibre) and of operators will gradually minimise the impact of any failures of the DTT network, since those networks are not connected to each other and rely on their own separate resources. DTT transmission is secure not only at the level of the primary signal (satellite network and back-up terrestrial network), but also at the level of higher-coverage transmission sites thanks to transmitter and power security measures.

To protect against risks arising from operator networks, the contractual terms of the distribution agreements stipulate a guaranteed high level of service.

Cyber-attacks on transmission infrastructure

DESCRIPTION OF THE RISK

The cyber-attacks that affected Sony Pictures and TV5 Monde in recent years have led TF1 to reassess external threats that might disrupt transmission. TF1 is aware that attempts to hack into corporate information systems are now a recurring problem; it has responded by further raising its vigilance threshold and is constantly working to ensure the security of its sites and infrastructure.

HOW THE RISK IS MANAGED

To guard against the risk of cyberattack, security audits are conducted by external consultants to identify potential weaknesses in access controls. However, no system can be 100% secure, and the techniques used to attack information systems are continually changing. Action plans have been implemented to enhance protection of the TF1 group's transmission infrastructures, alongside incident management procedures such as a rapid response plan for hacking attacks. The objective is to constantly upgrade TF1's sites and information systems, taking care to ensure that all external systems are included in any corrective measures that may be required.

Risk of intrusion during outdoors and live broadcasts

DESCRIPTION OF THE RISK

In the current period of heightened security risks and tense industrial relations, TF1 has reassessed its exposure to the risk of intrusion affecting major entertainment shows broadcast live and outdoors.

HOW THE RISK IS MANAGED

Reinforced security measures have been introduced to protect members of the public. Those measures are the responsibility of TF1 for in-house productions, and of the external production company for outsourced programmes. In order to retain absolute control over the output on its channels, TF1 has also introduced a slight delay of a few minutes when broadcasting major entertainment shows live or outdoors.

Risks related to the growth of digital terrestrial television and to the development of the internet and new media (source: Médiamétrie)

DESCRIPTION OF THE RISKS

TF1 operates in a constantly changing competitive environment, but the pace of change has accelerated since 2005:

- the development of DTT, including the launch of six new channels at the end of 2012, has played a significant role in fragmenting the audiences of the incumbent channels;
- there have been gradual changes in how entertainment is consumed, due to the emergence of factors such as: the expansion of the freeview channel offering in the basic packages of internet service providers; the spread of the internet more generally; and the increased consumption of non-linear content, partly as a result of the expansion of web-TV and the legal or illegal uploading of content to the internet. These new developments could divert part of existing media and off-media advertising budgets, and also capture some of the viewing time currently spent on pay-TV activities such as movies and series;
- the development of connected TV and of video content on mobiles and tablets offers yet more new access points fuelling the distribution of non-linear content, which is also being driven by the offerings of powerful players such as Amazon, Apple, Google and Netflix.

In addition to audience fragmentation, the proliferation of channels could generate inflationary pressure in the rights market, particularly for high-profile, attractive content such as drama series.

The effect of these developments could be accentuated, especially at a time of economic crisis, if the major incumbent channels were to be faced with more aggressive commercial policies. TF1 is responding to this situation with a programming policy focused on maintaining the ratings gap over its rivals, both in terms of audience ratings and commercial performance.

TF1's audience share has inevitably been affected by the proliferation of freeview offerings, but has nonetheless proved resilient: while the number of freeview channels has increased fourfold since 2004, the TF1 core TV channel's audience share among individuals aged 4 and over has declined from 31.8% in 2004 to 20.4% in 2016. TF1 achieved 90 of the top 100 audience ratings in 2016. The aggregate market share of DTT channels reached 29.5% in 2016.

HOW THE RISK IS MANAGED

TF1's ongoing exposure to fragmentation risk is being mitigated by taking the DTT channels up-market and increasing their complementarity, and by the freeview migration of LCI in 2016, all of which are enabling TF1 to tap into the new audience share for DTT while limiting the impact on its premium channel.

In this context, the TF1 group has consolidated the market leadership of the core channel by:

- building a coherent global offer through its freeview channels, thanks to high-powered programming;
- positioning itself as a major force in DTT through its bouquet of four complementary channels (TMC, NT1, HD1 and LCI);
- optimising the acquisition of content for its premium channel and DTT channels by adopting a group-wide organisational structure, providing the best fit between each channel's needs and programme purchases on the one hand, and exploiting and circulating acquired rights (subject to TF1's undertakings) on the other;
- tightening its control over the value chain by using in-house production, via its subsidiary TF1 Production, for part of its programme output;
- adapting its commercial policy to the new competitive landscape, especially when marketing slots in programmes with big audience-pulling potential;
- and finally by establishing MYTF1 as one of the leading French media websites.

TF1 is also building a position in the connected TV market at reasonable cost, for example by signing partnership agreements with TV set manufacturers. Furthermore, it keeps pace with its audiences onto social networks such as Twitter and Facebook by offering interactivity on flagship shows aired on the main TF1 TV channel (*Danse avec les Stars*, *Secret Story*, *The Voice*, *Miss France*).

Finally, the process of adapting audience ratings measurements to the new media landscape continued in 2016 with the inclusion of viewers watching live and catch-up content on computers, tablets and smartphones in the statistics. This process began in 2011 when home recordings were added for the first time, and continued in 2014 with the inclusion of catch-up viewers on IPTV. These new audience measurements will help mitigate fragmentation risk by capturing a segment of media consumption that is growing.

Risks associated with changes to spectrum allocation and the DTT switchover to MPEG-4

DESCRIPTION OF THE RISK

Following completion of the switchover to 100% digital in November 2011, the frequency spectrum is still subject to changes that may generate various types of risk for TF1's operations.

The arrival of first and second dividend 4G (the "700 band" and "800 band") risks generating interference for television viewers in some parts of France, since the spectrum relinquished to the mobile phone operators is adjacent to the DTT spectrum. The mobile phone operators are responsible for taking the necessary measures to prevent interference to TV reception, in particular by installing filters. Those measures are monitored by ANFR (the French national frequencies agency).

Under law no. 2015-1267 of 14 October 2015 on the second digital dividend and the ongoing modernisation of digital terrestrial television,

part of the frequency spectrum (694 MHz-790 MHz, known as the "700 band"), currently allocated to television broadcasting, will be reallocated to telecommunications.

The reallocation will be phased in gradually across 14 geographical regions. It began in April 2016 with the Paris region and will continue until the final region is completed in June 2019. The frequency changes will require viewers in each region to retune their devices to find and fix a signal. Although this change is starting to come to public attention following a nationwide information campaign on 5 April 2016 targeted at all DTT viewers, it may adversely affect reception of the TF1 channel. The ANFR is to conduct local information campaigns in each region, which should minimise the risk.

HOW THE RISK IS MANAGED

Uninterrupted reception for viewers is a priority for TF1, which is working closely with the CSA (the French broadcasting regulator) as these developments progress. More generally, TF1 is maintaining close contact with regulators and legislators to try to limit the impact of these changes.

General policy on managing industrial and environmental risks

The "Réagir" Committee, created in 2003, continues to work on monitoring and preventing major risks, in particular those associated with TF1's key processes. It also updates its risk mapping, and regularly tests business continuity plans that may be triggered when an exceptional event results in an interruption in signal transmission or denial of access to the TF1 building.

Those plans rely on a secure external backup site (in place since 2007), which is operational for three processes: programme transmission, the production of news and weather bulletins (TF1 and LCI), and the preparation of advertising spots for the TF1 core channel. The company's vital functions are included in the security plan through an alert and activity resumption process. Besides real-time security, numerous key areas such as accounting, treasury, payroll, e-TF1 and IT are protected to varying degrees by security systems. Procedures are tested periodically so that the system can be adjusted if necessary. Broadcasting continuity is ensured 24/7, and an operations simulation is performed regularly.

There were no broadcasting incidents in 2016 that required fall-back on an external backup site.

Operational since 2011, "Réagir 1 Vigilance" is a preventive plan activated on an as-needed basis, and in particular at any time of heightened risk for the company (major building works, equipment maintenance, major events, live broadcasts, service launches, software upgrades, IT continuity plan testing, etc.). This plan not only ensures that staff remain vigilant, it also offers improved responsiveness to incidents before they escalate. In 2016, 66 "Réagir 1 Vigilance" e-mails were sent to the relevant departments.

As in the case of operational risks, TF1 has insurance policies (including public liability and property) that could be called upon to cover some of the risks mentioned above.

4.1.4.3 Legal risks

Risks related to broadcasting licences and CSA enforcement powers

DESCRIPTION OF THE RISK

TF1 is an audiovisual communications service that requires a licence. Initially, TF1 was awarded a ten-year licence from 4 April 1987 (under the law of 30 September 1986); that licence expired in 1997. The licence was renewed for a further five-year period (via decision No. 96-614 of 17 September 1996) from 16 April 1997, with no requirement to submit to a competitive tendering process.

The TF1 channel's broadcasting licence was renewed automatically for the 2002–2007 period by a CSA decision of 20 November 2001. Under Article 82 of the law of 30 September 1986 as amended, that licence was automatically extended to 2012, in return for a commitment to provide a DTT simulcast. A further CSA decision of 10 June 2003 amended TF1's licence and terms of reference to build in the DTT simulcast stipulations.

The "Future Audiovisual and Television Broadcasting Modernisation Act" of 5 March 2007 introduced two automatic five-year extensions of TF1's licence. The first compensated for the early switch-off of the channel's analogue signal on 30 November 2011 and was subject to TF1 joining the consortium set up to implement the analogue switch-off. The second was in return for the channel's commitment to provide DTT coverage to 95% of the French population.

The CSA awarded TF1 a ten-year HD broadcasting licence on 6 May 2008, and withdrew TF1's standard definition (SD) licence as part of the 5 April 2016 switch-off.

On 19 October 2016, the CSA agreed to a streamlined renewal of TF1's DTT licence for a five-year period starting on 6 May 2018 (i.e. until 5 May 2023).

Under Article 28-1 of the law of 30 September 1986, which relates to the streamlined licence renewal procedure, the CSA and TF1 submitted requests to amend the terms of reference that they are required to agree upon before 5 August 2017. TF1 is bound by a variety of commitments covering general obligations to broadcast and invest in production whether through its terms of reference, industry-wide agreements or broadcasting regulations. A change to the regulations could increase the constraints currently imposed on TF1, with a possible negative impact on the company's profitability.

If TF1 fails to meet its obligations under the terms of reference the CSA can, after giving formal notice and depending on the severity of the offence, impose one of the penalties set forth in Article 42-1 of the Law of 30 September 1986. These include a fine; a temporary ban (of no more than one month) on producing, broadcasting or distributing the service, or a category of programme, or part of a programme, or one or more advertising slots; and reducing the term of the licence to use frequencies by up to one year.

HOW THE RISK IS MANAGED

TF1's compliance with its obligations is strictly monitored, and the company has a dedicated Programme Compliance department tasked with ensuring that the channel's programmes comply fully with regulatory requirements.

Risks related to societal pressure on advertising and programmes

DESCRIPTION OF THE RISK

Political attitudes to societal issues such as violence or public health might induce the legislator to attempt to tighten legislation relating to advertising or programmes. TF1 takes this situation into account in discussions with its key partners, so that such issues can be addressed over time in the interests of all stakeholders.

In addition, TF1 has a policy of acquiring the best programmes from its production partners in France and internationally, and broadcasts programmes intended for a mass audience.

HOW THE RISK IS MANAGED

TF1's Programming and "Viewing & Compliance" teams exercise the utmost vigilance in protecting young viewers in order to keep this risk to a minimum. As regards advertising, a team from TF1 Publicité views each advert once it has been cleared by the ARPP (the French advertising regulator), and TF1 Publicité ensures that adverts comply with the regulations and with editorial policy.

Risks related to additional taxes or legislative changes

DESCRIPTION OF THE RISK

The law on the independence of public broadcasting, enacted on 15 November 2013, confirmed that advertising would continue to be carried on the state-controlled France Télévisions channels between 6 a.m. and 8 p.m., even though the legislator had in 2011 adopted the principle that all advertising would be discontinued on France Télévisions on 1 January 2016. In return, the levy paid by other French television channels to fund the loss of revenue for France Télévisions was reduced to 0.5% of those channels' advertising revenue.

This illustrates the economic risk to which television channels are exposed as a result of new taxes and levies, such as the levy on advertising spending.

In addition, given the funding problems at France Télévisions, a resumption of advertising on the state-controlled channels after 8 p.m. cannot be ruled out.

HOW THE RISK IS MANAGED

Generally speaking, TF1 maintains close contact with regulators and legislators to try to limit the probability and impact of this risk.

Risks related to private copying via network personal video recorder (NPVR) on the cloud

DESCRIPTION OF THE RISK

French law no. 2016-9257 of 7 July 2016 on creative freedom, architecture and national heritage extended the regime covering the private copying of television programmes to remote recording services, in particular recordings stored on the cloud using network personal video recorders (NPVR). Many distributors of television content such as telecoms operators and aggregators of over-the-top (OTT) television services will offer users this new service. Such services will be in competition with the catch-up and video on demand (VoD) services offered by incumbent channels, as well as with linear television broadcasting.

Unlike with conventional personal video recording onto a home gateway with a hard disk, it will be possible to activate and view these services using any device (including smartphones, PCs, TV sets and tablets), whether in or outside the home, with potentially unlimited storage capacity.

Finally, such services could incorporate very extensive features such as recurring recordings, and could become a new means of pirating audiovisual content given the inherent risks in digital technology and cloud computing.

HOW THE RISK IS MANAGED

The new law requires an upfront bilateral agreement to be signed between the broadcaster and the distributor that supplies the remote private copying service.

The general terms and conditions applied by TF1 Distribution include very strict terms to protect the content of rights holders, which distributors are required to sign up to. Those terms:

1. limit the storage capacity for programmes broadcast on TF1 channels,
2. impose very strict IT security conditions, and
3. protect the right to manage advertising of the content.

The first such agreement with an OTT operator was signed in November 2016.

Risks related to TF1's proposed fee for the signal and services associated with TF1 programming (TF1 premium)

DESCRIPTION OF THE RISK

Ahead of the renewal of distribution contracts for the TF1 core TV channel with the main ISPs and Canal Plus, TF1 is seeking an overall fee for the services provided. To date, the distributors are opposed in principle to paying a fee for the TF1, TMC, NT1 and HD1 signals.

HOW THE RISK IS MANAGED

Discussions are ongoing.

Risks related to intellectual property rights (copyright and related rights)

DESCRIPTION OF THE RISK

In recent years TF1 has been the victim on a massive scale of piracy of content to which it owns the copyrights and/or related rights. In 2008, TF1 took legal action to put a stop to the piracy and to claim damages from a number of video-sharing sites such as Dailymotion and YouTube.

HOW THE RISK IS MANAGED

To prevent the risk of piracy of its programmes, TF1 has renewed its commitment to rolling out a wide-ranging strategy, involving:

- creating digital fingerprints for its programmes (using Content ID with YouTube and INA Signature with Dailymotion), which will – within the limits of the technology – prevent pirated content from being uploaded to those two platforms;
- a dedicated unit tasked with identifying (as far as possible) pirated TF1 content on streaming platforms and social networking sites, and ensuring that it is removed;
- use of an external service-provider to remove pirated TF1 content on cyberlockers (direct download and streaming sites).

General policy on managing legal risks

In terms of legal risks, TF1 has a public liability insurance policy that covers the consequences of TF1 and its current and future subsidiaries being held liable for loss incurred by third parties; the amount of cover is commensurate with the risks incurred.

That insurance policy is arranged by the TF1 Legal Affairs Department with leading insurance companies.

The deductibles under the policy were determined in light of the nature of the risks incurred and the potential reductions in premium, so as to optimise the overall cost of covering the risks to which TF1 is exposed.

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4.1.5 Bouygues Telecom

4.1.5.1 Competitive environment

Bouygues Telecom sells its offers and services exclusively in the French market. France is a mature market, where competition has been particularly fierce since the launch of Free Mobile in 2012, especially in the consumer segment. This market situation was confirmed in 2016, as promotional offers intensified competition.

If price erosion in the mobile and fixed markets persists over time in all the segments where Bouygues Telecom operates, this could slow return on investment (especially the investment in expanding the mobile and fixed networks), adversely affecting the company's results.

4.1.5.2 Risks related to developments in the fixed internet market

Bouygues Telecom has been operating in the fixed internet market since 2008, offering its services via ADSL, VDSL, very-high-speed cable and FTTH (fibre-to-the-home).

The company continues to invest heavily in broadband networks so as to offer customers the latest technology.

However, the accelerated rollout of FTTH by Bouygues Telecom's main rivals, and a growing consumer appetite for FTTH fuelled by aggressive pricing policies, could require Bouygues Telecom to step up its investment in this technology.

4.1.5.3 Risks related to convergence of networks and content

In January 2015, Bouygues launched "Miami", the first Android TV box on the market, combining an enhanced digital experience with access to a wide range of content.

Competition in the TV content market is intensifying, with incumbent broadcasters increasingly challenged by technology firms moving into the market as they pursue a strategy of convergence between content and broadcasting. If premium content were to become available primarily through exclusive access, this could limit the appeal of the fixed-line packages offered by Bouygues Telecom, with an adverse effect on the company's results.

In addition, Bouygues Telecom's TV offering relies on distribution contracts with content producers from the public and private sector. At a time when the business model of pay-to-view TV channels is evolving, there is a possibility that when these contracts are renegotiated there may be an increase in the royalty payments and a decline in the revenues associated with such services.

4.1.5.4 Risks related to the emergence of new players

New players are emerging in the mobile and fixed markets, driven by the expansion in broadband usage; these include Google, Apple, Facebook, Amazon and other "Over the Top" (OTT) operators. Competition is also hotting up in terms of control over customer relations, which to date has been a source of value creation for established operators. If this trend towards disintermediation gathers pace, it could adversely affect Bouygues Telecom's sales and results.

4.1.5.5 Risks related to the rollout and operation of networks

Implementing Bouygues Telecom's mobile and fixed broadband development strategy requires the company to invest massively in network rollouts every year. In parallel, the company has contracted with various partners in order to reinforce its access to fixed-line infrastructure and increase its 4G mobile coverage.

Unforeseen issues with those contracts could impair the success of Bouygues Telecom's strategy, in which case the company would be exposed to potential negative impacts on its financial results, its operations and its image.

4.1.5.6 Risks relating to brand development

Over the last two years, Bouygues Telecom has been streamlining its offerings, processes and organisational structure. The company is maintaining its stand-alone strategy built on:

- continuing expansion of the mobile and fixed broadband networks, to provide customers with one of the most high-performance networks available;
- an attractive brand, reflecting Bouygues Telecom's emphasis on the quality of the customer experience;
- launches of ground-breaking new projects and offers in the mobile and fixed markets.

The success of this strategy will depend on Bouygues Telecom's ability to implement these initiatives effectively. If the company fails to do so, it will be exposed to potential negative impacts on its financial results, its operations and its image.

4.1.5.7 Continuity of service and security

Cyber-attacks on networks and information systems are on the increase, either by direct attacks on an operator's proprietary systems or indirectly through attacks on service-providers or suppliers.

Incidents of this kind may have a variety of impacts, including:

- disclosure of sensitive data, including private data relating to customers;
- service denial; and/or
- interruption of services to customers.

Protective steps taken by Bouygues Telecom include a security policy based on information system access controls, and anti-intrusion systems. In addition, annual checks are carried out on the security of data hosted by Bouygues Telecom's service-providers and partners.

Service interruption can also be caused by technical equipment breakdown or by an onsite incident affecting the network or information systems. Bouygues Telecom addresses these risks by:

- security measures at key sites including restricted access, fire prevention, air conditioning, power supplies, etc.;
- a business continuity plan for critical mobile and fixed-line technical systems, maintained in a state of operational readiness at all times;
- a crisis management plan, based on keeping certain employees on call in order to ensure a fast, co-ordinated response to major incidents.

The company also carries out regular crisis simulation and disaster recovery exercises, and commissions regular audits of these procedures in conjunction with Anssi (the French National Agency for IT Systems Security).

Such incidents could have a negative impact on the company's image and financial results.

4.1.5.8 Adverse regulatory and tax changes

New taxes and regulatory requirements are being applied to fixed and mobile services at European and national level that could have an impact on the profitability of Bouygues Telecom.

In particular, the company is exposed to the risk of a further rise in value added tax on its services. If that were to happen, Bouygues Telecom might not be able to pass on the impact, in full or in part, through increases to the price of its subscriptions. If the impacts were to be passed on to customers, the company would be exposed to a risk of an increase in the subscriber attrition rate and to a decrease in the volume of new subscriber adds. If the impacts were to be absorbed by the company, there would be an adverse effect on financial results.

In addition, the French state could extend the obligation to provide mobile and fixed coverage to less dense areas.

Bouygues Telecom is always on the lookout for such developments in order to anticipate and mitigate their impact. The company maintains constant dialogue with its partners and with national and European authorities, either directly or through the French Telecoms Federation (FFT). However, regulatory changes could have a significant impact on the company's reputation, operations or financial results.

4.1.5.9 Supplier risks

In various areas of its operations (handsets, customer relations, telesales, IT management, etc.) Bouygues Telecom relies on suppliers in a number of regions outside the European Union including Asia, the United States and North Africa.

Changes in the geopolitical environment in some of these regions could impact adversely on Bouygues Telecom's operations, image and financial results.

The company's purchasing department includes economic and operational dependency on suppliers, and CSR issues, in its control remit. Double sourcing is used for strategic suppliers, and specific measures are built into the business continuity plan.

However, shortages in components used in the manufacture of home gateways and TV boxes, a significant increase in the price of those components, or any other incident (such as a natural disaster) triggering a production outage at a supplier, could have impacts on Bouygues Telecom's procurement process and lead to temporary stock-outs of products. This could have an adverse effect on Bouygues Telecom's financial results and image.

4.1.5.10 Effects of electro-magnetic waves

Exposure to electro-magnetic waves is an issue of ongoing concern in France, due to lobbying by various organisations. From the outset, Bouygues Telecom has had a team dedicated to mobile telephony and health, whose remit has now been extended to fixed operations and Wi-Fi waves. This team is responsible for ensuring that the regulations are rigorously applied, and for carrying out a conscientious risk assessment based on collective experience. Bouygues Telecom funds independent research, and releases all of its scientific publications on this subject. This approach is helping to reassure the French public, since no research has to date established a clear health risk.

An increased perception of health risk on the part of consumers could have various adverse impacts such as reduced usage, shrinkage of the customer base, and higher administrative and site installation costs.

4.2 Market risks

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In addition to the information provided below, readers should refer to the tables provided in the following notes to the consolidated financial statements in chapter 7 "Financial statements" in this document:

Note 4.4 Cash and cash equivalents

Note 8.1 Interest-bearing debt by maturity

Note 8.2 Confirmed credit facilities and drawdowns

Note 8.3 Liquidity at 31 December 2016

Note 8.4 Split of current and non-current debt by interest rate type

Note 8.5 Interest rate risk

Note 8.6 Split of current and non-current debt by currency

Note 17 Financial instruments

4.2.1 Management of interest rate risk and currency risk

Some Bouygues 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.

4.2.2 Risks to which the Group is exposed

4.2.2.1 Currency risk

In general, the Bouygues group has little exposure to currency risk in routine commercial transactions, given that its international operations (primarily Bouygues Construction and Colas) do not involve exports. Where 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. Exposure to currency risk is therefore limited to contract margins, and to design work carried out in France. The Bouygues group also pays particular attention to risks relating to assets denominated in non-convertible currencies, and to country risk generally.

4.2.2.2 Interest rate risk

The Bouygues group's financial expenses have low sensitivity to interest rate risk. The bulk of debt is at fixed-rate either in the form of fixed-rate

bond issues (see Note 8 in chapter 7 "Financial statements"), or via a portfolio of hedging instruments that convert variable-rate debt into fixed-rate debt.

Consolidated financial expenses 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.

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.

4.2.2.3 Exposure to the commodities risk

Overall, the Bouygues group has very low exposure to the commodities risk. Its main exposure is through its roadbuilding activity (sensitivity to fluctuations in petroleum product prices). However, this exposure is relatively low given that contracts are generally short-term or index-linked. Furthermore, hedging instruments may also be implemented on a temporary basis for certain specific contracts.

4.2.3 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: forward contract purchases and sales, and commodity swaps and options for commodity 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 reversal.

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, interest rate risk and commodity risk.

4.2.4 Hedging rules

4.2.4.1 Currency risk

(see Note 17 to the consolidated financial statements, in chapter 7 "Financial statements")

Bouygues 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 contract

award has been confirmed; if the hedged item ceases to exist (for example, if the service is not provided or the contract is cancelled), the hedge is closed out immediately.

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.

Currency derivatives are used solely for hedging purposes.

4.2.4.2 Interest rate risk

(see Note 17 to the consolidated financial statements, in chapter 7 "Financial statements")

Group policy is for each sub-group to hedge some or all of its financial assets and liabilities, where these are foreseeable and recurring.

The aim is to control future interest expense by fixing the 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.

4.2.5 Accounting methods

In general, the financial instruments used by the Group qualify for hedge accounting. This 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.

4.2.5.1 Market value of hedging instruments

As of 31 December 2016, the market value (net present value) of the hedging instruments portfolio was -€22 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: -€3 million;
- cash flow hedges: -€19 million.

In the event of a 1% movement in the yield curve, the hedging instruments portfolio would have a market value of -€8 million; in the event of a -1% movement in the yield curve, the hedging instruments portfolio would have a market value of -€38 million.

In the event of a 1% appreciation (or -1% depreciation) in the euro against each of the other currencies, the hedging instruments portfolio would have a market value of -€21 million (or of -€24 million respectively).

4.2.4.3 Commodity risk

(see Note 17 to the consolidated financial statements, in chapter 7 "Financial statements")

Group policy is for each sub-group to hedge some or all of the exposure of specific contracts to fluctuations in commodity prices, particularly in the roadbuilding activity.

These calculations were prepared by the Bouygues group, or obtained from the banks with whom the instruments were contracted.

4.2.5.2 Exposure to equity risk

In the event of adverse trends in the business of an investee or in the economic environment in which it operates, the Bouygues group could be exposed to the risk of a fall in the price of the shares it holds in that investee.

4.2.5.3 Liquidity risk

At 31 December 2016, available cash stood at €4,579 million (including -€2 million of financial instruments contracted to hedge net debt). The Bouygues group also had €5,463 million of undrawn confirmed medium term credit facilities as at the same date. Consequently, the Group is not exposed to liquidity risk.

The credit facilities contracted by Bouygues and its subsidiaries contain no financial covenants or trigger event clauses.

The bond issues maturing in 2018, 2019, 2022, 2023, 2026 and 2027 all contain a change of control clause relating to Bouygues SA. Bouygues bond issues are rated long term BBB (positive outlook) by Standard & Poor's. The Bouygues bond issues maturing in 2022, 2023 and 2027 are rated long term Baa1 by Moody's.

For a more detailed discussion of the effects of a change of control, refer to Note 8 to the consolidated financial statements ("Non-current and current debt") and to the disclosures in paragraph 6.1.4 "Information on the company" of chapter 6 about factors likely to have an impact on any public tender offer price.

4.3 Claims and litigation

Bouygues group companies are involved in a variety of litigation and claims in the normal course of their business. Risks are assessed on the basis of past experience and analysis by the Group's in-house legal departments and external counsel. To the company's knowledge, there is at present no exceptional event, dispute or claim likely to have a substantial negative impact on the business, assets and liabilities, results or financial position of the Group as a whole. Disputes and claims are subject to regular review, especially when new facts arise. The

provisions recorded in the financial statements appear to be adequate in light of these assessments (see Note 6 to the consolidated financial statements in chapter 7 "Financial statements" of this document). The Group uses all legal means to defend its legitimate interests. Details about which claims are or are not covered by provisions have not been disclosed, since such disclosure might affect the outcome of some ongoing claims.

4.3.1 Bouygues Construction

4.3.1.1 South Africa: Gautrain Project

This rail infrastructure project linking South Africa's principal airport to Johannesburg and Pretoria came fully into service on 8 June 2012.

Although this rail link has been a striking commercial success with higher than expected travel demand, a number of difficulties remained between Gauteng Province and Bombela Ltd, the concession company holding the contract, in which Bouygues Travaux Publics owns a 17% equity stake. These difficulties have given rise to several disputes.

These disputes led to arbitral proceedings before the Arbitration Foundation of Southern Africa which resulted in favourable awards either for the Province or for Bombela Ltd.

The Province and Bombela Ltd therefore decided to end these disputes permanently by concluding a settlement agreement on 21 November 2016. In this agreement, each party agreed to waive its rights against the other party in relation to the disputes.

The Settlement Agreement has therefore permanently ended the disputes which arose regarding the project.

4.3.1.2 France: Flamanville EPR

Cherbourg District Court found Bouygues Travaux Publics and Bouygues Bâtiment Grand Ouest (ex-Quille Construction) liable for various breaches of the employment legislation, on 7 July 2015. The Court ordered them to pay fines of €25,000 and €5,000 respectively. They have appealed this judgement. The hearing took place before the Caen Court of Appeal in November 2016. The judgement is expected in March 2017.

4.3.1.3 France: Île-de-France Regional Authority Contracts

Following a Competition Council (now the Competition Authority) ruling of 9 May 2007, the Île-de-France Regional Authority filed a compensation claim in 2008 for losses it claims to have incurred as a result of the anti-competitive practices by construction companies in connection with the awarding of public works contracts for the renovation of secondary school buildings in the region.

The Regional Authority's summary application to the Paris District Court was rejected in a ruling issued on 15 January 2009 on the ground that, *prima facie*, there were serious reasons for objecting in principle to the compensation claim. After being invited to appeal on the merits, the Regional Authority filed a further claim in the Paris District Court in February 2010, this time claiming damages for a loss estimated at €358 million based on the joint and several liability of the parties collectively liable for the loss, i.e. the companies and individuals found to have engaged in anti-competitive practices. In a ruling of 17 December 2013, the Paris District Court ruled the Regional Authority's claim inadmissible. The Regional Authority appealed to the Paris Court of Appeal on 22 January 2014. Nevertheless, after an application by the Prefect of the Île-de-France region, the Conflicts Court decided on 16 November 2015 that this dispute came within the jurisdiction of the Administrative Courts. To date, the Île-de-France Regional Authority has not brought any new action to the Administrative Courts.

4.3.1.4 France: Eole

Following a Competition Council (now Competition Authority) ruling of 21 March 2006, imposing fines on a number of companies for general collusion in sharing contracts and specific collusion on tranches 34B and 37B of the East-West Express Rail Link (Eole) project, on 21 March 2011 SNCF brought an action in damages before the Paris Administrative Court seeking relief for losses that it claims to have suffered as a result of anti-competitive practices by construction companies when the project tranches were awarded.

The Paris Administrative Court rejected all of the SNCF's claims on 31 May 2016. The SNCF has appealed this judgement. No hearing date has been fixed at the present time.

4.3.2 Bouygues Immobilier

Bouygues Immobilier is a party to the following significant litigation in France:

- A dispute involving environmental remediation works for the "Grand Sillon" operation in Saint-Malo, western France. There are two ongoing claims as claimant and defendant to evaluate the extent of the loss caused by the remediation works on the site and the resulting delays. The case as claimant was heard at first instance on 13 December 2016 and the judgement combined with provisional performance partly granted the claims. The necessary actions

will taken. No unfavourable impact is expected on the financial statements. The defence case will be pleaded in 2018.

- Disturbances were caused to local residents in Rouen (Normandy) by pile driving works at 21 rue Verte (in particular, cracking to the façade of a hotel). A court-appointed expert's investigation is in the process of determining the cause of the damage, and assessing the commercial and financial loss to neighbouring businesses and the costs of the repair works.

4.3.3 Colas

4.3.3.1 Hungarian competition law cases and associated competition claims in Hungary

Between 2004 and 2012, the Hungarian competition council imposed fines on around ten Hungarian companies, including the Colas subsidiaries, for anti-competitive practices in tendering for public contracts. The appeals were rejected and the fines been paid. Following these decisions, claims for damages against some Hungarian sub-affiliates of Colas were filed in the Hungarian courts by several companies, in respect of losses allegedly incurred as a result of the anti-competitive practices. There are still two ongoing cases (i) one involving the City of Budapest and (ii) the other now concerning the Hungarian State alone (M3 motorway) before the Budapest Court of Appeal, after the claims by the Hungarian National Development Authority (motorway company) were definitely struck out for lack of *locus standi*.

4.3.3.2 Urssaf controls

At the end of 2009, Urssaf issued Colas with a reassessment notice relating to relief from social security charges for the years 2006 to 2008 under the "Tepa" Law and the Fillon plan. Urssaf is demanding repayment in full (in the form of a lump-sum payment) of all the relief from social security charges granted under these schemes, principally on the grounds that the Colas group companies involved did not file the required information electronically. Urssaf claims that electronic filing is required under the French Social Security Code. Colas and its subsidiaries believe there are no grounds for levying the lump-sum tax payment stipulated in Article R. 242-5 of the French Social Security Code, arguing that they supplied the documents and other evidence necessary for the audit in paper form and therefore in a usable format. The amount of this reassessment notice, including late payment interest, was estimated at €56.8 million as of 31 December 2016. This dispute has been referred to the Social Security courts.

4.3.3.3 Tax dispute in Canada relating to technical assistance invoiced by Colas to its subsidiaries Colas Canada Inc. and Sintra Inc.

The Canadian Revenue Authorities are disputing the deductibility of the technical assistance costs invoiced by the Colas parent company to its subsidiaries Colas Canada Inc. and Sintra Inc. for the financial years from 2004 to 2012 (for Sintra only for 2004). They claim that the amount of these costs is excessive and the supporting documentation is insufficient. The assessment notices for 2004 to 2007, which disputed the whole of the deductibility of the costs, have been referred to the mutual agreement procedure provided for in the Franco-Canadian Tax Convention. Although the assessment notices for the years 2008 to 2012 partly allow for the deduction of these costs, they will also be contested within the scope of the above mutual agreement procedure. The amounts involved after taking the last tax demands into account now total around €55 million. These amounts include a sum connected to the presumed refusal to deduct technical assistance costs for the years 2013 to 2016, and interest and penalties to 31 December 2016.

4.3.3.4 Claims in Quebec concerning allegations of fraud and fraudulent misrepresentation in public works contracts

The province of Quebec set up a voluntary reimbursement programme in 2015 following allegations of non-compliant practices involving public works contracts. Sintra, Colas' Canadian subsidiary, said that it intends to participate in the programme and offered to pay CAD10,740,260 in return for a global release. The procedure for the Public Bodies to approve this offer is supervised by the Voluntary Repayment Program Administrator and controlled by the Justice Minister. This procedure will be completed on 1 November 2017. If the Public Bodies withhold their approval, they will retain the right to sue for the alleged loss.

4.3.4 TF1

4.3.4.1 Distribution of the LCI channel

On 17 June 2015, the *Conseil d'État* (Supreme Administrative Court) overturned the CSA decision rejecting the application for LCI to migrate to freeview. In the autumn of 2015, the CSA re-examined the freeview migration request in light of the prevailing economic conditions. In a decision of 17 December 2015, the CSA approved the request for LCI to migrate to freeview. NextRadioTV group lodged two claims to the *Conseil d'État* against this approval decision, one an emergency injunction application, and the other on the merits of the case. The President of the *Conseil d'État* rejected the emergency injunction application in a judgement dated 9 February 2016. The *Conseil d'État* also rejected the application on the merits of the case in a judgement dated 13 July 2016.

In the meantime, the CSA and LCI concluded a rider to the agreement, on 17 February 2016, which incorporated a number of commitments made by LCI when its application to migrate to freeview was being examined. Similarly, the TF1 agreement was amended to include TF1's commitments, in particular, the lack of cross promotion for LCI on the TF1 TV channel. In a decision dated 21 September 2016, the CSA gave TF1 formal notice to respect the cross promotion provisions. TF1 filed an administrative appeal against this formal notice with the CSA in a letter dated 21 November 2016.

4.3.4.2 Competition law

Alleged abuse of dominant position in the advertising market

Canal Plus, M6 and NextRadioTV groups have each filed a complaint with the French Competition Authority against the TF1 group alleging abuse of dominant position in the French television advertising market. TF1 Publicité was heard at a witness hearing. TF1 submitted an economic survey by the consultancy RBB to the Competition Authority and to the CSA underling the changes in the pro-competitiveness of TF1's position on the advertising market. Canal Plus' and M6's complaints are still being investigated. Conversely, the Competition Authority has definitively closed the NextRadioTV case and the complaint has therefore been rejected.

Alleged restraint of trade

The Canal Plus group has filed a complaint with the French Competition Authority against the TF1 group alleging restraint of trade as regards the rights of first and last refusal and pre-emptive rights enjoyed by TF1 Films Production in respect of the films that it finances. TF1 was heard at a witness hearing. The Competition Authority has not sent a Statement of Objections to TF1 at the present time.

4.3.4.3 Breach of patent

Orange has brought an action against Free in the Paris District Court alleging breach of European patents. The action alleges that Free fraudulently used two patents held by Orange, one of which – filed on 25 May 2004 – prevents videos preselected by an internet user from being downloaded until the user is committed to watching the content, thereby saving bandwidth. This process is allegedly used by Free for the catch-up television services offered to its subscribers. Orange is claiming €138 million damages from Free for the loss it has suffered.

Free has made the companies that broadcast the catch-up TV services of the principal French television channels parties to the action, as it considers that "the conditions in which the catch-up television platforms are operated, are defined and implemented by the television channels" and not by it, as an access provider. As a result, e-TF1, which provides TF1's catch-up services, and TF1 Distribution France, which contracted with Free to supply this service, have been made parties to this action concerning the catch-up service. France Télévisions, M6, Canal+, D8/D17, Equidia, GameOne have also been made parties.

For the moment, Free is simply asking for the judgement to be "made binding" on these companies, although it is reserving the right to demand a guarantee from them. In defence, Free and the broadcasting companies have disputed the value of the patent claimed by Orange. Free has not made any claim against the broadcasting companies. Orange has maintained its claims against Free without making any claims against the broadcasting companies either. In any event, if e-TF1 and TF1 Distribution were ultimately held to be liable, they would be able to rely on the limitation of liability clause in the contract with Free.

4.3.5 Bouygues Telecom

4.3.5.1 Competition

- After Bouygues Telecom and SFR signed an agreement on 31 January 2014 to share a part of their mobile access networks, Orange filed a complaint with the Competition Authority on 29 April 2014 denouncing the allegedly anti-competitive nature of this agreement. Orange asked the Competition Authority for a certain number of interim measures, against Bouygues Telecom and SFR notably the suspension of the agreement. The Competition Authority

rejected Orange's claim for interim measures in a decision dated 25 September 2014. It refused to suspend the sharing agreement between Bouygues Telecom and SFR as well as the roaming service, referring the case for investigation on the substantive issues. The Paris Court of Appeal rejected Orange's claim for annulment and reversal in a judgement dated 5 February 2015. After Orange lodged an appeal, the Paris Court of Appeal's decision was upheld by the Cour de cassation (French Supreme Court) in a judgement dated 4 October 2016.

- The Numericable group made commitments concerning the co-investment contract to deploy a FTTH (Fibre-to-the-home) network in a very dense areas concluded with Bouygues Telecom on 9 November 2010, in relation to the Competition Authority's decision of 30 October 2014 authorising the Numericable Group's takeover of SFR. Bouygues Telecom complained about the failure to comply with these commitments that resulted in a self-referral by the Competition Authority on 5 October 2015. A decision by the Authority is expected within the coming weeks.
- In November 2014, Bouygues Telecom brought proceedings against Free Mobile in the Paris Commercial Court for unfair competition on account of the bandwidth throttling on some of the mobile internet services that Free Mobile provides via its roaming agreement with Orange. Bouygues Telecom is claiming damages for its prejudice which are evaluated at €570 million on 31 August 2016. The case is continuing.
- Bouygues Telecom served proceedings on NC Numericable and Completel before the Paris Commercial Court in July 2015. Bouygues Telecom is challenging a certain number of practices by these companies regarding access to Numericable's cable network. Bouygues Telecom is claiming the cancellation of contractual terms and invoicing which it considers have been improperly applied against it, as well as the damages for its loss. The proceedings are still ongoing.
- In November 2015 Free filed a claim against Bouygues Telecom before the Paris Commercial Court alleging that the advertising for its ADSL Bbox triple-play offer for €19.99 was unfair competition. The proceedings are still ongoing.
- Bouygues Telecom seized the Competition Authority in June 2016 with a complaint concerning the anti-competitive effects of the roaming agreement concluded between Orange and Free Mobile as well as the prolongation of this agreement in a rider dated 15 June 2016. The Competition Authority is carrying out an investigation.

4.3.5.2 Regulatory matters

- As an internet service provider (ISP), Bouygues Telecom is the target of numerous legal actions to block access to contentious websites. In 2016, Arjel^a brought further proceedings to block access to unlicensed websites. Actions to block sites are ongoing, for example a case brought before the summary judge of the Paris District Court by the SCPP^b to require ISPs to block access to various movie streaming and music download sites that are in breach of copyright.
- Bouygues Telecom lodged a claim on 23 May 2013 with the Conseil d'Etat for *ultra vires* in respect of Decree 2013-238 of 22 March 2013 (amending decree n° 2007-1532 of 24 October 2007) setting the fee payable for the 1800 MHz frequencies. Bouygues Telecom sought the annulment of this decree, which sharply increased the fixed portion of the usage fee for 1800 MHz frequencies for which the company had previously held a licence. The Conseil d'Etat annulled this decree in a decision dated 29 December 2014. The fee for 1800 MHz frequencies has still not been the subject of a new decree since this annulment.

(a) Autorité de Régulation des Jeux en Ligne (the French on-line gaming regulator).

(b) Société Civile des Producteurs Phonographiques (an organisation that collects fees due to its members from sound recording and music video users and distributes these fees on its members' behalf).

(c) The French telecoms regulator.

4.3.5.3 Contracts

- Tel and Com, a specialised distributor whose contract was not renewed when it expired on 31 December 2013, filed a claim against Bouygues Telecom in the Paris Commercial Court on 10 November 2015 for the sudden breakoff of an established business relationship. Tel and Com is disputing the starting point for the notice periods, alleging that Bouygues Telecom failed to respect a sufficient period of notice that it puts at 30 months for a 15-year commercial relationship. Tel and Com is claiming the sum of €125,685,069 to indemnify its prejudice, as well as the sum of €8,708,976.73 that it considers is owed to it under the contract. The investigation timetable for the case provides for a hearing during 2017.
- Bouygues Telecom is a party in proceedings brought by the French Economy Minister against Apple in the Paris Commercial Court based on article L.442-6 paragraph 2 of the Commercial Code, against some clauses in the contract to supply handsets between Apple and Bouygues Telecom. The case is continuing.

4.3.5.4 Mobile phone antennas

A number of important decisions have brought a halt to the proceedings brought by various groups of local residents seeking the dismantling of mobile phone antennas in line with the "better safe than sorry" principle. In a series of rulings issued on 26 October 2011, the *Conseil d'État*

held that mayors cannot use their general policing powers to prevent the installation of these antennas. In rulings issued on 14 May 2012, the Court of Conflicts ruled that the ordinary courts lack jurisdiction to rule on an application to dismantle mobile phone antennas. This decision was confirmed by another judgement of the Court of Conflicts of 9 March 2015

4.3.6 Bouygues SA

Bouygues SA had been in dispute with the French tax authorities following the capital increase reserved for employees under the Bouygues Partage employee share ownership plan. The dispute related to the tax deductibility of the difference between the value of the shares at the date of the capital increase and the subscription price of the shares. This dispute resulted in a tax adjustment and the payment of around €55 million. In a ruling of 18 July 2013, the Montreuil Administrative Court rejected Bouygues' action. Bouygues appealed

the ruling and the Versailles Administrative Court of Appeal rejected Bouygues' claim in a ruling on 18 November 2014. Bouygues lodged an appeal to the *Conseil d'État* that was rejected by a judgement dated 16 November 2016.

In the spring of 2016, Adam^a withdrew its appeal in the litigation it had brought to cancel the loan of Alstom shares agreement concluded between Bouygues and the French State on 22 June 2014.

4.4 Insurance – Risk coverage

4.4.1 Organisation and policy

Bouygues' policy on insurance is handled by separate insurance departments in each of the five business segments with a significant degree of autonomy, and a central Risks and Insurance department that provides leadership and coordination on a Group-wide basis.

Policies are usually contracted by the insurance departments at business segment level, reflecting the great diversity of risks to which each business is exposed. Some insurance programmes that are less sensitive to the specific needs of individual businesses are centralised in the interest of cost-effectiveness.

The Group and its subsidiaries operate a loss prevent policy, developing new measures to further reduce the probability and impact of accidents and claims. This policy also reduces the overall cost of risk, improving the Group's position when negotiating premiums and cover with its insurers.

A high proportion of the Group's policies are compulsory, for example third-party motor insurance and (for buildings in France) cover such as ten-year latent defect insurance, reflecting the importance of construction activities in the business mix. These policies can account for up to 70% of the insurance budget of the business segment most exposed to those risks.

Looking beyond compulsory insurance, Group policy is to transfer significant risks to the insurance market by establishing stable relationships with leading insurers, and to negotiate policies on the best possible terms as regards cover and cost.

Insurers are selected using key criteria such as financial security, technical expertise and administrative efficiency. The main programmes are placed via specialist insurance brokers with leading insurers such as Allianz, Axa, Chubb, Covéa, Generali, SMABTP, Zurich, etc..

Worst-case scenarios are used in determining the level of cover required, subject to restrictions imposed by insurance market capacity and the cost of cover.

Deductibles on these policies are set at entity level to ensure an optimum trade-off between the likelihood of claims and the premium reductions that can be obtained from insurers by increasing the deductible. On this basis, some risks are insured with no deductible, while others are subject to a higher deductible, of up to €2 million for some property insurance claims.

Total premiums paid to property and casualty insurance companies vary depending on the insurance contracts bought for specific large-scale projects. However, this amount represents less than 1% of the Group's total sales.

The Bouygues group owns a captive reinsurance company, Challenger Réassurance, which may be involved in some of the risks to which the Group is exposed. This company is governed by Luxembourg law and is supervised by the Luxembourg insurance regulator.

(a) "Association des actionnaires minoritaires" – the Association of Minority Shareholders

4.4.2 Core insurance programmes

To prevent certain information being used to the detriment of the Group and its shareholders, especially in legal disputes, the amount of premiums and terms of cover are kept strictly confidential, especially in the case of liability insurance.

■ **Property insurance:** Cover is generally set on the basis of property value; where this is impossible, cover is set at a level corresponding to the worst-case scenario subject to market constraints.

Generally, when damage to insured assets could lead to a business interruption, insurance is taken out to cover the financial consequences, such as operating losses and/or additional costs. The amount of cover reflects the expected downtime at the damaged site based on the worst-case scenario and on the recovery plans in place.

■ **Contractor's insurance:** Cover is generally equal to market value. Exceptionally, cover for some geographically dispersed projects may be limited to the cost of repairing damage incurred in a worst-case scenario. The scenario used depends on the type of project

(e.g. motorway, viaduct or tunnel) and its geographical location, so as to build in the risk of damage from natural disasters such as seismic activity and hurricanes. In some cases, the amount of cover may be limited by the total capacity available in the world insurance market, for example in the case of damage caused by tunnelling activity or by natural events abroad.

■ **Liability insurance:** These policies provide cover against loss or injury to third parties for which Group companies may be liable. Because Group companies vary greatly in size and in the nature of their activities, cover is tailored to the risks incurred.

The Group considers that its current policies are suitably matched to its risk exposure profile, taking account of what is available on insurance markets in terms of capacity, cover and terms. The insurance policies described are subject to market constraints, and hence may contain exclusions and/or limitations; they may be subject to change in response to market conditions or to changes in the risks to which the Group is exposed.

CORPORATE GOVERNANCE, INTERNAL CONTROL AND RISK MANAGEMENT

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5.1 Information on corporate officers at 31 December 2016

Chairman and CEO

Martin Bouygues

32 avenue Hoche, 75008 Paris, France
 Date of birth: 3 May 1952 – French
 Date of first appointment: 21 January 1982
 Expiry date of current term of office: 2018
 Number of shares in the company: 347,196 (77,057,778 via SCDM and SCDM Participations)

Expertise/experience

Martin Bouygues joined the Bouygues group in 1974 as a works supervisor. In 1978, he established Maison Bouygues, specialising in the sale of catalogue homes. In 1987, Martin Bouygues was appointed Vice-Chairman of the Bouygues Board of Directors, on which he has served since 1982. In September 1989, Martin Bouygues took over from Francis Bouygues as Chairman and CEO of Bouygues. At Martin Bouygues' instigation, the Group pursued its development in construction as well as in media (TF1) and launched Bouygues Telecom in 1996. In 2006, Bouygues acquired a stake in Alstom.

Principal positions outside Bouygues SA

Chairman of SCDM.

Other positions and functions in the Group

In France: Director of TF1^a; member of the Board of Directors of the Francis Bouygues Foundation.

Other positions and functions outside the Group

In France: Standing representative of SCDM; Chairman of Actiby and SCDM Participations.

Outside France: Member of the Board of Directors of the Skolkovo Foundation (Russia).

Former positions and functions during the last five years (outside the Group)

2016 – Member of the supervisory board and the strategy committee of Rothschild & Co^a (former-Paris-Orléans).

2015 – Standing representative of SCDM; Chairman of La Cave de Baton Rouge (former-SCDM Invest-3).

Deputy CEO, director

Olivier Bouygues

32 avenue Hoche, 75008 Paris, France
 Date of birth: 14 September 1950 – French
 Date of first appointment: 5 June 1984
 Expiry date of current term of office: 2019
 Number of shares in the company: 101,827 (70,057,778 via SCDM and SCDM Participations)

Expertise/experience

Olivier Bouygues is a graduate of École Nationale Supérieure du Pétrole (ENSPM) and joined the Bouygues group in 1974. He began his career 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. He has held a seat on the Bouygues Board of Directors since 1984. In 2002, Olivier Bouygues was appointed Deputy CEO of Bouygues.

Principal positions outside Bouygues SA

CEO of SCDM.

Other positions and functions in the Group

In France: Director of TF1^a; Colas^a; Bouygues Telecom and Bouygues Construction; member of the Board of Bouygues Immobilier.

Outside France: Chairman of the Board of Directors of Bouygues Europe (Belgium).

Other positions and functions outside the Group

In France: Director of Alstom^a; Chairman of Sagri-E and Sagri-F.

Outside France: Director of SCDM Energy Limited (United Kingdom); Chairman and CEO of Seci (Ivory Coast).

Former positions and functions during the last five years (outside the Group)

2016 – Standing representative of SCDM on the Board of Bouygues.

2015 – Chairman of SCDM Énergie; director of Eranove (former-Finagestion), Sodeci^a (Ivory Coast), CIE^a (Ivory Coast) and Sénégalaise des Eaux (Senegal); liquidator of SIR.

2014 – Director of Eurosport.

Deputy CEOs

Philippe Marien

32 avenue Hoche, 75008 Paris, France
 Date of birth: 18 June 1956 – French
 Date of first appointment: 30 August 2016

Expertise/experience

Philippe Marien is a graduate of École des Hautes Études Commerciales (HEC). He joined the Bouygues group in 1980 as international finance manager. In 1984, he was special advisor for the takeover of the AMREP oil services group before being appointed finance director of Technigaz, a liquefied gas engineering contractor, in 1985. In 1986, he joined the Group's finance department to take responsibility for the financial aspects of the takeover of Screg. He was successively Director of Finance and Cash Management at Screg in 1987 and Director of Finance at Bouygues Offshore^b in 1991. He was appointed Senior Vice-President, Finance and Administration of Bouygues Offshore in 1998, then moved to Bouygues Bâtiment in 2000 as Chief Financial Officer. In March 2003, Philippe Marien became Chief Financial Officer of the Saur group, Bouygues' utilities subsidiary, of which he managed the sale by Bouygues to PAI partners, then by PAI partners to a new group of shareholders led by Caisse des Dépôts et Consignations. He was appointed Chief Financial Officer of the Bouygues group in September 2007. In February 2009, Philippe Marien was appointed Chairman of Bouygues Telecom's Board of Directors, a position that he held until April 2013. His remit within the Bouygues group was extended to include Information Systems and Innovation in 2015 and Human Resources in 2016. On 30 August 2016, he was appointed Deputy CEO of Bouygues.

Other positions and functions in the Group

In France: Director of Bouygues Telecom; standing representative of Bouygues on the Boards of Bouygues Construction, Colas^a, TF1^a and C2S; standing representative of Bouygues on the Board of Bouygues Immobilier.

Outside France: Director of Bouygues Europe (Belgium) and Uniservice (Switzerland).

Other positions and functions outside the Group

In France: CEO of SCDM; standing representative of Bouygues on the Board of Alstom^a.

Former positions and functions during the last five years (outside the Group)

2015 – Liquidator of Finamag.

Olivier Roussat

32 avenue Hoche, 75008 Paris, France
 Date of birth: 13 October 1964 – French
 Date of first appointment: 30 August 2016

Expertise/experience

Olivier Roussat is a graduate of INSA – Lyon. He began his career in 1988 at IBM, where he occupied a number of positions in data network services, service delivery and pre-sales. He joined Bouygues Telecom in 1995 to set up the network management centre and network processes. He then became head of network operations and telecoms and IT service delivery. In May 2003, he was appointed network manager and became a member of the Executive Committee of Bouygues Telecom. In January 2007, Olivier Roussat took charge of the performance and technology unit which groups Bouygues Telecom's cross-disciplinary technical and IT departments, including networks, information systems, process engineering, purchasing, corporate services and property development. He was also given responsibility for Bouygues Telecom's headquarters and Technopôle buildings. Olivier Roussat became Deputy Chief Executive Officer in February 2007. He was appointed Chief Executive Officer in November 2007. He was then appointed Chairman and CEO of Bouygues Telecom in May 2013. Olivier Roussat was appointed Deputy CEO of Bouygues on 30 August 2016.

Principal positions outside Bouygues SA

Chairman and CEO of Bouygues Telecom.

Other positions and functions in the Group

In France: Director of TF1^a; Bouygues Construction and the Bouygues Telecom Corporate Foundation; member of the Board of Bouygues Immobilier.

Directors

François Bertière

3 boulevard Gallieni, 92130 Issy-les-Moulineaux, France
 Date of birth: 17 September 1950 – French
 Date of first appointment: 27 April 2006
 Expiry date of current term of office: 2018
 Number of shares in the company: 72,374

Expertise/experience

François Bertière graduated from École Polytechnique and École Nationale des Ponts et Chaussées, and is a qualified architect (DPLG).

(a) Listed company.

(b) Bouygues' oil and gas services activity, sold to Saipem in May 2002.

He began his career in 1974 in the Infrastructure Ministry. In 1977, he was appointed technical advisor to the office of the French Ministry of Education, then deputy director in charge of planning at the Regional Infrastructure 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 1999, then Chairman and CEO of Bouygues Immobilier in 2001.

Principal positions outside Bouygues SA

Chairman of Bouygues Immobilier.

Other positions and functions in the Group

In France: Director of Colas^a; Chairman and director of the Bouygues Immobilier Corporate Foundation; director of the Francis Bouygues Foundation; member of the supervisory board of Nextdoor SAS.

Other positions and functions outside the Group

In France: Chairman of Fondation des Ponts; director of CSTB (French building technology research centre), École Nationale des Ponts et Chaussées (ENPC), Cité de l'Architecture et du Patrimoine and Fonds de dotation "Les Technologies de l'Homme".

Francis Castagné

1 avenue Eugène Freyssinet, 78280 Guyancourt, France
Date of birth: 29 December 1963 – French
Date of first appointment: 27 April 2016
Expiry of current term of office: 2018

Director representing employees

Member of the Selection and Remuneration Committee

Expertise/experience

Francis Castagné has spent all his career with the Bouygues group, in the construction businesses. Between 1987 and 1990, he was works supervisor at Screg EPI, before taking responsibility for main contractor operations at Screg Bâtiment until 1997. In 1997, he was appointed head of main contractor production at SB Ballestrero until 2000. From 2000 to 2007, he was head of projects at Bouygues Bâtiment Ile-de-France. Since 2008, he has been Works Director at Bouygues Bâtiment Ile-de-France – Construction Privée.

Principal positions outside Bouygues SA

Works Director at Bouygues Bâtiment Ile-de-France – Construction Privée.

Raphaëlle Deflesselle

13-15 avenue du Maréchal Juin, 92360 Meudon, France
Date of birth: 27 April 1972 – French
Date of first appointment: 20 May 2014
Expiry date of current term of office: 2018

Director representing employees

Member of the Ethics, CSR and Patronage Committee

Expertise/experience

Raphaëlle Deflesselle is an engineering graduate of École Polytechnique Féminine (EFP). She joined Bouygues Telecom in 1996. She took part in implementing network oversight tools in the network operations department. She then held various managerial positions in the Technical departments from 1999 to 2009. In 2010, she was appointed head of the Performance department within the Information Systems Division, before becoming head of IT infrastructures in 2013. She is currently Deputy Director, IT Governance, Research and Transformation within the Information Systems Division at Bouygues Telecom.

Principal positions outside Bouygues SA

Deputy Director, IT Governance, Research and Transformation within the Information Systems Division at Bouygues Telecom.

Clara Gaymard

138 bis rue de Grenelle, 75007 Paris, France
Date of birth: 27 January 1960 – French
Date of first appointment: 21 April 2016
Expiry of current term of office: 2019
Number of shares in the company: 500

Member of the Accounts Committee

Expertise/experience

Clara Gaymard is a graduate of Institut d'Études Politiques de Paris (IEP). She was an administrative officer at the office of the mayor of Paris from 1982 to 1984, before joining École Nationale d'Administration (ENA). Graduating from ENA in 1986, she joined the Cour des Comptes state audit office as an auditor and in 1990 was promoted to public auditor. She was then appointed head of the European Union office at the External Economic Relations department (DREE) of the French Ministry of Finance. In 1995, she was named chief of staff at the Ministry of Intergenerational Solidarity. From 1996 to 1999, she served as deputy head in charge of support for small- and medium-sized businesses and regional initiatives at DREE. In February 2003, she became Ambassador for International Investment and Chair of the French Agency for International Investments (AFII). She joined the General Electric group in 2006, where she was appointed Chair and CEO of GE France, then GE Northwest Europe in 2008. In 2009, she was appointed Vice-Chair of GE International responsible for key public accounts and in 2010 as Vice-Chair responsible for governments and cities. She left the General Electric group in January 2016.

Principal positions outside Bouygues SA

Co-founder of Raise; CEO of Raise Conseil.

Other positions and functions outside the Group

In France: Chair of the Women's Forum; director of Veolia Environnement^a, LVMH^a, Danone^a and Sages.

Former positions and functions during the last five years (outside the Group)

2016 – Chair of GE France.

(a) Listed company.

Anne-Marie Idrac

9 Place Vauban, 75007 Paris, France
 Date of birth: 27 July 1951 – French
 Date of first appointment: 26 April 2012
 Expiry date of current term of office: 2018
 Number of shares in the company: 500

Chairwoman of the Ethics, CSR and Patronage Committee and member of the Accounts Committee

Expertise/experience

Anne-Marie Idrac graduated from Institut d'Études Politiques de Paris (IEP) and École Nationale d'Administration (the Simone Weil intake). She has spent most of her career working in the fields of the environment, housing, urban development and transport. She was successively director general at the Public Development Agency (EPA) of Cergy-Pontoise, director of land transportation, Secretary of State for Transport, Chair and CEO of the RATP (Paris public transport authority), Chair of the SNCF (French state railways), and Secretary of State for Foreign Trade. She was also a Member of Parliament from 1997 to 2002 and Councillor for the Paris region.

Principal positions outside Bouygues SA

Chair of the supervisory board of Toulouse-Blagnac Airport.

Other positions and functions outside the Group

In France: Director of Total^a and Saint-Gobain^a; Senior Advisor to Suez^a and to Sia Partners.

Former positions and functions during the last five years (outside the Group)

2015 – Member of the supervisory board of Vallourec^a.
 2014 – Director of Mediobanca^a (Italy).

Patrick Kron

5 rue de la Baume, 75008 Paris, France
 Date of birth: 26 September 1953 – French
 Date of first appointment: 6 December 2006
 Expiry date of current term of office: 2019
 Number of shares in the company: 500

Expertise/experience

Patrick Kron is a graduate of École Polytechnique and an engineer of the Corps des Mines de Paris. He began his career at the French Industry Ministry in 1979 before joining the Pechiney group in 1984, where he held senior operational responsibilities in one of the group's largest factories in Greece before becoming manager of Pechiney's Greek subsidiary in 1988. Between 1988 and 1993, Patrick Kron held various operational and financial positions, first managing a group of activities in aluminium processing, before being appointed Chairman and CEO of Pechiney Électrométallurgie. In 1993, he became member of the executive committee of the Pechiney group and was Chairman and CEO of Carbone Lorraine from 1993 to 1997. From 1995 to 1997, he ran Pechiney'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. A director of Alstom since July 2001, he was appointed CEO of Alstom in January 2003, and then Chairman and CEO in March 2003, a position he held until January 2016, when he created PKC&I (Patrick Kron – Conseils & Investissements). In November 2016, he was appointed Chairman of Truffle Capital.

Principal positions outside Bouygues SA

Chairman of PKC&I and Truffle Capital.

Other positions and functions outside the Group

In France: Director Sanofi^a and "Les Arts Florissants" vocal group; member of the supervisory board of Segula Technologies.

Former positions and functions during the last five years (outside the Group)

2016 – Chairman and CEO, and director of Alstom^a.
 2015 – Chairman of Alstom Resources Management; director of Afep (French Association of Private Companies).
 2014 – Director and Managing Director of Alstom Asia Pte Ltd (Singapore); Chairman and CEO, and director of Alstom Transport.
 2012 – Director of Alstom UK Holdings Ltd (United Kingdom).

Hervé Le Bouc

7 Place René Clair, 92653 Boulogne-Billancourt cedex, France
 Date of birth: 7 January 1952 – French
 Date of first appointment: 24 April 2008
 Expiry date of current term of office: 2017
 Number of shares in the company: 99,055

Expertise/experience

Hervé Le Bouc holds a degree in engineering from École Spéciale des Travaux Publics (ESTP). He joined the Bouygues group in 1977 and began his career at Screg Île-de-France (now a Colas subsidiary) as a site engineer, subsequently working as an area supervisor and then a regional manager until 1989. In 1985, he was appointed Director reporting to the Chairman and Chief Executive Officer. In 1989, he was named director in charge of commercial development of Bouygues Offshore for Europe, French overseas departments and territories (Dom-Tom) and Australia, and subsequently South East Asia and Mexico. He became COO of Bouygues Offshore in 1994, then CEO in 1996 and Chairman and CEO in 1999. From November 2001 to September 2002, he served concurrently as COO of Bouygues Construction, Chairman of the Board of Bouygues Offshore and Chairman of the Board of ETDE (now Bouygues Energies & Services). From September 2002 to February 2005, Hervé Le Bouc was CEO of Saur, then Chairman and CEO from February 2005 to April 2007. In February 2007, Hervé Le Bouc became a director of Colas and was named Deputy CEO in August of the same year. On 30 October 2007, he was appointed Chairman and CEO of Colas.

Principal positions outside Bouygues SA

Chairman and CEO of Colas^a.

(a) Listed company.

Other positions and functions in the Group

In France: Chairman and CEO, and director of Colasie; member of the Board of Bouygues Immobilier; standing representative of Colas^a on the board of Colas Rail; Chairman of the Colas Foundation.

Outside France: Director of Hincol (former-Hindustan Colas Limited) (India), Colas Canada (Canada), Tipco Asphalt (Tasco) (Thailand), Isco Industry (Korean Republic) and Colas Inc (United States); standing representative of Colas^a on the supervisory boards of Colas Émulsions (Morocco) and Grands Travaux Routiers (Morocco).

Former positions and functions during the last five years (outside the Group)

2014 – Standing representative of Colas^a on the board of Cofiroute.

Helman le Pas de Sécheval

30 rue Madeleine Vionnet, 93300 Aubervilliers, France

Date of birth: 21 January 1966 – French

Date of first appointment: 24 April 2008

Expiry date of current term of office: 2017

Number of shares in the company: 600

Chairman of the Accounts Committee and member of the Selection and Remuneration Committee

Expertise/experience

Helman le Pas de Sécheval is a graduate of École Normale Supérieure with a PhD in Physical Sciences and an engineering degree from École des Mines. He began his career in 1991 as a project manager in the financial engineering department of Banexi. From 1993 to 1997, he was deputy inspector-general of the underground quarries of Paris. In July 1997, he was appointed deputy to the head of the Department of Financial Operations and Information of the COB (now the AMF), becoming head of this department in 1998. From November 2001 to December 2009, Helman le Pas de Sécheval was group Chief Financial Officer of Groupama, with responsibility for the group's financing, investing, reinsurance and accounting divisions and oversight of the group's financial subsidiaries as well as GIE Groupama Systèmes d'Information. From January 2010 to December 2011, he was Managing Director of Groupama Centre-Atlantique. In September 2012, he was appointed General Counsel of the Veolia group. He was appointed member of the Board of the AMF in February 2015.

Principal positions outside Bouygues SA

General Counsel of the Veolia^a group.

Other positions and functions outside the Group

In France: Member of the Board of the AMF.

Colette Lewiner

7 avenue de Suresnes, 92210 Saint-Cloud, France

Date of birth: 19 September 1945 – French

Date of first appointment: 29 April 2010

Expiry date of current term of office: 2019

Number of shares in the company: 12,685

Chairwoman of the Selection and Remuneration Committee

Expertise/experience

Colette Lewiner is a graduate of École Normale Supérieure and holds the prestigious rank of "agrégée" teacher in physics, as well as a PhD in science. She spent a large part of her career with EDF, where she was the first woman to be appointed Senior Vice President within the group, with responsibility for development and marketing strategy. She went on to lead Cogema's engineering subsidiary SGN. In 1998, she joined Capgemini, where she headed the Global Energy, Utilities and Chemicals sector, before becoming Advisor to the Chairman on matters regarding energy and utilities. Between 2010 and 2015, she was non-executive Chairwoman of TDF.

Principal positions outside Bouygues SA

Advisor to the Chairman of Capgemini^a on matters regarding energy and utilities.

Other positions and functions in the Group

In France: Director of Colas^a.

Other positions and functions outside the Group

In France: Director of Nexans^a, Eurotunnel^a, EDF^a and Ingenico^a.

Former positions and functions during the last five years (outside the Group)

2016 – Director of Crompton Greaves Limited^a (India).

2015 – Director of TGS Nopec Geophysical Company^a (Norway); Chairwoman of the Board of Directors of TDF.

2014 – Director of Lafarge^a.

2012 – Vice-Chairwoman, Global Leader Energy, Utilities and Chemicals sector of Capgemini.

(a) Listed company.

Sandra Nombret

1 avenue Eugène Freyssinet, 78280 Guyancourt, France

Date of birth: 24 May 1973 – French

Date of first appointment: 29 April 2010

Expiry date of current term of office: 2019

Director representing employee shareholders and member of the Ethics, CSR and Patronage Committee

Expertise/experience

Sandra Nombret has a DESS postgraduate diploma in foreign trade law. She joined the Bouygues group in 1997. She is currently Deputy Director, Legal Officer for the Near and Middle East, Africa, Central Asia, Canada and Cyprus at Bouygues Bâtiment International.

Principal positions outside Bouygues SA

Deputy Director, Legal Affairs at Bouygues Bâtiment International.

Other positions and functions in the Group

In France: Director of Bouygues Building Canada Inc (Canada).

Rose-Marie Van Lerberghe

33 rue Frémicourt, 75015 Paris, France

Date of birth: 7 February 1947 – French

Date of first appointment: 25 April 2013

Expiry date of current term of office: 2019

Number of shares in the company: 531

Member of the Ethics, CSR and Patronage Committee

Expertise/experience

Rose-Marie Van Lerberghe is a graduate of École Normale Supérieure and École Nationale d'Administration, and holds the prestigious rank of "agrégée" teacher in philosophy. She is also a graduate of Institut d'Études Politiques de Paris (IEP). After holding various positions at the Labour Ministry, in 1986 Rose-Marie Van Lerberghe joined the Danone group, where she was Group Director of Human Resources. In 1996, she became Delegate General for Employment and Vocational Training, then Chief Executive Officer of Altéedia in 2000. From 2002 to 2006, she was the Director General of Assistance Publique des Hôpitaux de Paris. From 2006 to 2011, she chaired the Korian management board. She was Chairwoman of the Board of Directors of Institut Pasteur from April 2013 to September 2016.

Principal positions outside Bouygues SA

Senior Advisor to BPI group.

Other positions and functions outside the Group

In France: Director of Klépierre^a, CNP Assurances^a and Fondation Hôpital Saint-Joseph; Chairwoman of the Board of Directors of Orchestre des Champs-Élysées.

Former positions and functions during the last five years (outside the Group)

2016 – Chairwoman of the Board of Directors of Institut Pasteur.

2015 – Director of Casino^a, member of the Conseil Supérieur de la Magistrature.

2014 – Director of Air France.

Michèle Vilain

3 boulevard Gallieni, 92130 Issy-les-Moulineaux, France

Date of birth: 14 September 1961 – French

Date of first appointment: 29 April 2010

Expiry date of current term of office: 2019

Director representing employee shareholders and member of the Accounts Committee

Expertise/experience

Michèle Vilain joined Bouygues Immobilier in 1989, holding various positions in the IT and Office Automation department, including responsibility for customer services. She then took charge of customer relations within the Support Functions division before becoming Deputy Director supporting change management within the Residential Property France division for two years. She is currently Deputy Director supporting Human Resources digital projects.

Principal positions outside Bouygues SA

Deputy Director for the Residential Property France division at Bouygues Immobilier.

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SCDM, represented by Edward Bouygues

32 avenue Hoche, 75008 Paris, France

Date of first appointment: 22 October 1991

Expiry date of current term of office: 2019

Number of shares in the company: 64,012,806

Other positions and functions in the Group

In France: Director of GIE 32 Hoche.

Other positions and functions outside the Group

In France: Chair of Actiby and SCDM Participations.

Former positions and functions during the last five years (outside the Group)

2015 – Chair of SCDM Invest-3, now La Cave de Baton Rouge.

(a) Listed company.

Edward Bouygues, standing representative of SCDM

13-15 avenue du Maréchal Juin, 92360 Meudon, France

Date of birth: 14 April 1984 – French

Date of first appointment: 21 April 2016

Expiry date of current term of office: 2019

Expertise/experience

Edward Bouygues is a graduate of ESSCA, Angers (specialising in banking and finance) and holds an MBA from the London Business School. After having spent five years as a works supervisor, and in marketing at Bouygues Construction, he joined Bouygues Telecom in February 2014 as Head of Marketing. He is currently Director of Marketing, with responsibility for services, content and product design.

Principal positions outside Bouygues SA

Director of Marketing, with responsibility for services, content and product design at Bouygues Telecom.

Other positions and functions in the Group

Director of Bouygues Telecom.

Former positions and functions during the last five years (outside the Group)

2016 – Non-voting director of Melty.

SCDM Participations, represented by Cyril Bouygues

32 avenue Hoche, 75008 Paris, France

Date of first appointment: 21 April 2016

Expiry date of current term of office: 2019

Number of shares in the company: 6,044,972

Cyril Bouygues, standing representative of SCDM Participations

50 Cannon Street, EC4N 6JJ, London, United Kingdom

Date of birth: 31 January 1986 – French

Date of first appointment: 21 April 2016

Expiry date of current term of office: 2019

Expertise/experience

Cyril Bouygues is a graduate of Institut Supérieur de Gestion (ISG) and holds a Harvard Master in Public Administration. He held the post of works supervisor at Bouygues Construction, then Head of Projects at Bouygues Immobilier, before becoming Strategy and Development Manager at SCDM Energy Limited in October 2014.

Principal positions outside Bouygues SA

Strategy and Development Manager at SCDM Energy Limited (United Kingdom).

5.2 Report by the Chairman of the Board of Directors

This report has been drawn up by the General Counsel in close cooperation with the Group's senior management taking into consideration various internal documents (articles of association, rules of procedure and minutes of the Board of Directors and its committees, compliance programmes, internal control principles and procedures, etc.). The section on corporate governance has been presented to the Selection and Remuneration Committee. The section on internal control and risk management procedures has been prepared with input from Bouygues' Internal Control department, in collaboration with stakeholders in the internal control process at the business segments. A draft of this report was submitted to the Accounts Committee. The section on Financial risks relating to the effects of climate change was contributed by the Sustainable Development department.

The contributors have taken into consideration the regulations in force, the recommendations issued by the AMF concerning corporate governance, internal control and the audit committee, the AMF guidelines for internal control and risk management mechanisms, the recommendations of the Afep-Medef Corporate Governance Code, the guide for applying the Afep-Medef Code, the report of the High Committee for Corporate Governance, and best practices adopted by other listed companies.

This report was discussed and approved by the Board of Directors at its meeting of 22 February 2017.

5.2.1 Corporate governance

5.2.1.1 Corporate governance code

Bouygues refers to the Afep-Medef "Corporate Governance Code of Listed Corporations" (the "Afep-Medef Code"), most recently updated in November 2016. The Afep-Medef Code is available on the Medef website at www.medef.com and on the Afep website at www.afep.com. It is also included as an annex to the Rules of Procedure of the Board of Directors, available on the www.bouygues.com website.

Derogation from Afep-Medef Code	Explanation
Paragraph 8.3	See section 5.2.1.3
Proportion of independent directors	

5.2.1.2 Composition of the Board of Directors

Applicable rules

According to the articles of association, the Board of Directors is made up as follows:

Type of director	Method of appointment	Term of office	Number of directors	Reference text
Directors appointed by the Annual General Meeting	Appointed by an Ordinary General Meeting	3 years	3 to 18	Article L. 225-18 of the Commercial Code
Directors representing employee shareholders	Elected by an Ordinary General Meeting on the recommendation of the Supervisory Boards of the employee share ownership funds	3 years	Up to 2	Article L. 225-23 of the Commercial Code
Directors representing employees	Nominated by the Group Council	2 years	2	Article L. 225-27-1 of the Commercial Code

The Board of Directors elects one of its members as Chairman. It also appoints the Chief Executive Officer. At the proposal of the Chief Executive Officer, the Board of Directors can appoint one or more Deputy Chief Executive Officers.

The articles of association set no age limit for directors, but set an age limit of 70 for the offices of Chairman, Chief Executive Officer and Deputy Chief Executive Officer. When a person holding any of these offices reaches the age of 65, his or her term is submitted to the Board of Directors at its next subsequent meeting for confirmation for a period

of one year. The Board of Directors may then renew the term annually for one-year periods up to the age of 70, at which time the person is considered to have automatically resigned.

The Rules of Procedure of the Board of Directors lay down certain imperatives regarding the composition of the Board. They specify that no more than two directors or standing representatives of legal entities may come from outside companies in which a corporate officer or salaried director of Bouygues holds office.

Reappointments of directors are *de facto* staggered across three consecutive years.

Composition of the Board of Directors at 31 December 2016

12 directors appointed by the Annual General Meeting	François Bertiére, Martin Bouygues, Olivier Bouygues, Clara Gaymard, Anne-Marie Idrac, Patrick Kron, Hervé Le Bouc, Helman le Pas de Sécheval, Colette Lewiner, Rose-Marie Van Lerberghe, SCDM (represented by Edward Bouygues), SCDM Participations (represented by Cyril Bouygues)
2 directors representing employee shareholders	Sandra Nombret, Michèle Vilain
2 directors representing employees	Francis Castagné, Raphaëlle Deflesselle

Summary information about directors in office at 31 December 2016

For a full career résumé of each director, see section 5.1 above.

	Board of Directors								
	Age	Start of first term	End of current term	Years on Board	Expertise	Accounts Committee	Selection and Remuneration Committee	Ethics, CSR and Patronage Committee	
Executive Officers									
Martin Bouygues Chairman and CEO	64	1982	2018	34					
Olivier Bouygues Deputy CEO	66	1997 ^a	2019	32					
Directors representing the SCDM group									
Cyril Bouygues (Standing representative of SCDM Participations)	30	2016	2019						
Edward Bouygues (Standing representative of SCDM)	32	2016	2019						
Directors representing employee shareholders									
Sandra Nombret	43	2010	2019	6					
Michèle Vilain	55	2010	2019	6					
Directors representing employees									
Francis Castagné	53	2016	2018						
Raphaëlle Deflesselle	44	2014	2018	2					
Independent directors									
Clara Gaymard	56	2016	2019						
Anne-Marie Idrac	65	2012	2018	4					
Helman le Pas de Sécheval	50	2008	2017	8					

	Board of Directors					Accounts Committee	Selection and Remuneration Committee	Ethics, CSR and Patronage Committee
	Age	Start of first term	End of current term	Years on Board	Expertise			
Colette Lewiner		71	2010	2019	6			
Rose-Marie Van Lerberghe		69	2013	2019	3			
Salaried directors from Bouygues business segments								
François Bertière		66	2006	2018	10			
Hervé Le Bouc		64	2008	2017	8			
Other directors								
Patrick Kron		63	2006	2019	10			
(a) From 1984 to 1997, either in a personal capacity or as a standing representative.								
 Chair  Member								
Expertise:	 Construction	 Media	 Telecoms	 Transport	 Human Resources	 Banking & Finance	 Law	 Water
	 Industry	 IT	 Corporate Social Responsibility (CSR)	 Health	 International	 Energy		

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Changes in the composition of the Board of Directors in 2016

During 2016, the number of directors decreased from 17 to 16. The Board still includes two directors representing employees and two directors representing employee shareholders.

Date	Departure	Appointment	Reappointment
23/02/2016	Nonce Paolini		
21/04/2016	Jean-Paul Chifflet, Jean Peyrelevade, François-Henri Pinault, Olivier Bouygues (as standing representative of SCDM)	Olivier Bouygues (in a personal capacity), Clara Gaymard, SCDM Participations (represented by Cyril Bouygues)	Patrick Kron, Colette Lewiner, Rose-Marie Van Lerberghe, Sandra Nombret, Michèle Vilain, SCDM (represented by Edward Bouygues from 21/04/2016)
27/04/2016	Michel Bardou	Francis Castagné	

Changes in the composition of the committees in 2016

Accounts Committee

Date	Departure	Appointment
21/04/2016		Clara Gaymard

The Selection Committee and the Remuneration Committee were merged on 21 April 2016 into a single committee, the Selection and Remuneration Committee. This new committee is chaired by Colette Lewiner, who previously chaired the Remuneration Committee.

Selection and Remuneration Committee

Date	Departure	Appointment
21/04/2016		Colette Lewiner (Chairwoman), Helman le Pas de Sécheval, Michel Bardou
12/05/2016	Michel Bardou	Francis Castagné

5.2.1.3 Independent directors

Assessing director independence

In accordance with the recommendations of the Afep-Medef Code, after seeking the opinion of the Selection and Remuneration Committee,

the Board of Directors at its meeting of 22 February 2017 reviewed each director's situation, and in particular those of Clara Gaymard, Anne-Marie Idrac, Helman le Pas de Sécheval, Colette Lewiner, and Rose-Marie Van Lerberghe, in light of each of the seven independence criteria defined by the Afep-Medef Code as listed below:

Criterion 1	Not being, or not having been during the past five years: (i) an employee or Executive Officer of the company; (ii) an employee, Executive Officer or director of an entity consolidated by the company; (iii) an employee, Executive Officer or director of the company's parent or of an entity consolidated by that parent.
Criterion 2	Not being an Executive Officer of an entity in which (i) the company directly or indirectly holds a directorship or (ii) an employee of the company is designated as a director or (iii) an Executive Officer of the company (current, or who has held such office within the past five years) holds a directorship.
Criterion 3	Not being (or not being directly or indirectly related to) a customer, supplier, investment banker or commercial banker that is material to the company or its group, or for which the company or its group represents a significant proportion of its business.
Criterion 4	Not being related by close family ties to a corporate officer.
Criterion 5	Not having been a statutory auditor of the company within the previous five years.
Criterion 6	Not having been a director of the company for more than 12 years.
Criterion 7	Not holding a significant percentage (more than 10%) of the company's share capital or voting rights.

Situation of directors who qualify as independent in light of the above criteria

	Criterion 1	Criterion 2	Criterion 3	Criterion 4	Criterion 5	Criterion 6	Criterion 7	Independence rating
Clara Gaymard	x	x	x	x	x	x	x	Independent
Anne-Marie Idrac	x	x	x	x	x	x	x	Independent
Helman le Pas de Sécheval	x	x	x	x	x	x	x	Independent
Colette Lewiner	^a	x	x	x	x	x	x	Independent
Rose-Marie Van Lerberghe	x	x	x	x	x	x	x	Independent

(a) Colette Lewiner is also a director of Colas, a company 96.6% owned by Bouygues, which may create a conflict of interest during deliberations of the Bouygues Board of Directors. In accordance with the Afep-Medef Code application guidance issued in December 2016, the Board ensures that in such circumstances she refrains from taking part in deliberations and voting at Bouygues Board meetings. More generally, Colette Lewiner, like other directors, is required to comply with the principles and rules in the Conflicts of Interest Compliance Programme adopted by the Board in 2014, the main provisions of which are set out in section 5.2.1.10 below.

As regards criterion 3, the Board obtained assurance that none of the directors likely to qualify as independent was (or was directly or indirectly related to) a customer, supplier or banker that is material to Bouygues or a Bouygues group company. To this end, drawing on

the work of the Selection and Remuneration Committee, the Board made a case-by-case assessment of any business relationships that may exist between Bouygues group companies and companies in which a director has a post or directorship.

Taking account of the recommendations of the AMF and the High Committee for Corporate Governance, the Board adopted a multi-criteria approach when considering material business relationships, while favouring a qualitative analysis. To this end, the Board took account of all the following criteria:

Qualitative criteria	<ul style="list-style-type: none"> ■ The extent of the business relationship for each of the entities concerned (potential economic dependence between the parties, size of transactions, specific characteristics of certain markets, direct interest of the legal entity in the business relationship). ■ The organisation of the relationship, including the position of the director concerned in the co-contracting company (length of directorship, whether the director has an operational role within the entity concerned, direct decision-making power over contracts, whether the director has a personal interest in the contracts or is entitled to remuneration linked to the contracts, etc.). In this respect, the Board referred to the definition contained in the Conflicts of Interest Compliance Programme approved by the Board in January 2014: "There is a conflict of interest when the personal interests of an employee, senior executive or executive officer of the Group are in conflict with or compete with the interests of the Group company they work for. The concept of personal interests should be understood in the broadest sense of the term. It may involve the person's direct interests (material or simply moral) as well as the interests of a closely associated person (someone in their immediate entourage or entity with whom/ which they have direct or indirect relationships)." Additional information about how the Bouygues group manages conflicts of interest is given in section 5.2.1.10 below.
Quantitative criteria	<ul style="list-style-type: none"> ■ Sales generated by Bouygues group entities with entities of the group with which the director has a relationship, measured by comparing that sales figure with the total sales of the Bouygues group. ■ The volume of purchases made by Bouygues group entities from entities of the group with which the director has a relationship, measured by comparing that volume with the total volume of purchases of the Bouygues group.

Based on the above criteria, the Selection and Remuneration Committee reported to the Board as follows.

Clara Gaynard	<p>Clara Gaynard, co-founder of Raise, left the General Electric group in January 2016. She is a director of Veolia Environnement, LVMH, Danone and Sages (since 2016). The Selection and Remuneration Committee took account of the following factors:</p> <ul style="list-style-type: none"> ■ Business relationships exist between Bouygues group entities and entities of the Veolia Environnement, LVMH and Danone groups, but the sales and volume of purchases generated by those business relationships represent only a very small proportion of the business of the groups in question. ■ There is no relationship of economic dependence, exclusivity or dominance in the sectors in which the groups in question have business relationships with the Bouygues group. ■ Those business relationships arise in the normal course of business and in an ordinary competitive environment. ■ Those business relationships do not involve Bouygues SA directly, but only certain subsidiaries or sub-subsidiaries. ■ The Bouygues Board of Directors in no way interferes in those business relationships. ■ Clara Gaynard has no operational role within the entities in question. She has no decision-making power over the selection of service providers or the awarding, implementation or management of the contracts involved in the business relationships. ■ She receives no remuneration from and has no personal interest in the contracts in question. ■ The directorships or positions that she holds at the entities in question are recent.
Anne-Marie Idrac	<p>Anne-Marie Idrac chairs the supervisory board of the Toulouse-Blagnac Airport concession company (since 2015). She is a director of Saint-Gobain (since 2011) and of Total (since 2012). She is a Senior Advisor to Suez Environnement and to Sia Partners. The Selection and Remuneration Committee took account of the following factors:</p> <ul style="list-style-type: none"> ■ Business relationships exist between Bouygues group entities and entities of the Saint-Gobain, Sia Partners, Suez Environnement and Total groups, but the sales and volume of purchases generated by those business relationships represent only a very small proportion of the business of the groups in question. ■ There is no relationship of economic dependence, exclusivity or dominance in the sectors in which the groups in question have business relationships with the Bouygues group. ■ Those business relationships arise in the normal course of business and in an ordinary competitive environment. ■ Those business relationships do not involve Bouygues SA directly, but only certain subsidiaries or sub-subsidiaries. ■ The Bouygues Board of Directors in no way interferes in those business relationships. ■ Anne-Marie Idrac has no operational role within the entities in question. She has no decision-making power over the selection of service providers or the awarding, implementation or management of the contracts involved in the business relationships. ■ She receives no remuneration from and has no personal interest in the contracts in question. ■ The directorships or positions that she holds at the entities in question are relatively recent.

Colette Lewiner	In addition to her directorships at Bouygues and Colas, Colette Lewiner is a director of Nexans (since 2004), Eurotunnel (since 2011), EDF (since 2014) and Ingenico (since 2015). She is also Advisor to the Chairman of Capgemini, a company where she has spent most of her career. The Selection and Remuneration Committee took account of the following factors: <ul style="list-style-type: none">■ Business relationships exist between Bouygues group entities and entities of the Capgemini and Nexans groups, but the sales and volume of purchases generated by those business relationships represent only a very small proportion of the business of the groups in question.■ However, there are more material business relationships between Bouygues group entities and entities of the EDF group, due to a number of ongoing projects. In 2016, Bouygues Construction generated 2.2% of its sales with the EDF group (versus 2.6% in 2015). In January 2017, EDF awarded the contract for construction of the buildings housing two EPR-technology nuclear reactors at the Hinkley Point C plant in the UK to Bouygues Construction subsidiary Bouygues Travaux Publics, in a joint venture with British contractor Laing O'Rourke. The Bouygues Construction share in the deal amounts to over €1.7 billion. However, the Board takes the view that those business relationships do not impair the independence of Colette Lewiner, in light of the factors described below.■ There is no relationship of economic dependence, exclusivity or dominance in the sectors in which the groups in question have business relationships with the Bouygues group.■ The business relationships arise in the normal course of business and in an ordinary competitive environment.■ For the most part, those business relationships do not involve Bouygues SA directly, but only certain subsidiaries or sub-subsidiaries.■ The Bouygues Board of Directors in no way interferes in those business relationships.■ Colette Lewiner has no operational role within the entities in question. She has no decision-making power over the selection of service providers or the awarding, implementation or management of the contracts involved in the business relationships.■ She receives no remuneration from and has no personal interest in the contracts in question.
Helman le Pas de Sécheval	Helman le Pas de Sécheval is General Counsel of the Veolia group (since 2012). He is a member of the Board of the AMF (since 2015). The Selection and Remuneration Committee took account of the following factors: <ul style="list-style-type: none">■ Business relationships exist between Bouygues group entities and entities of the Veolia group, but the sales and volume of purchases generated by those business relationships represent only a very small proportion of the business of the groups in question.■ There is no relationship of economic dependence, exclusivity or dominance in the sectors in which the Veolia group has business relationships with the Bouygues group.■ Those business relationships arise in the normal course of business and in an ordinary competitive environment.■ Those business relationships do not involve Bouygues SA directly, but only certain subsidiaries or sub-subsidiaries.■ The Bouygues Board of Directors in no way interferes in those business relationships.■ Helman le Pas de Sécheval has no operational role within the entities in question. He has no decision-making power over the selection of service providers or the awarding, implementation or management of the contracts involved in the business relationships.■ He receives no remuneration from and has no personal interest in the contracts in question.
Rose-Marie Van Lerberghe	Rose-Marie Van Lerberghe chairs the Board of Directors of Orchestre des Champs-Elysées (since 2015). She is also a director of Fondation Hôpital Saint-Joseph (since 2011), Klépierre (since 2012), CNP Assurances (since 2013) and Senior Advisor to BPI group. The Selection and Remuneration Committee took account of the following factors: <ul style="list-style-type: none">■ Business relationships exist between Bouygues group entities and entities of the CNP Assurances, BPI group, and Klépierre groups, but the sales and volume of purchases generated by those business relationships represent only a very small proportion of the business of the groups in question.■ There is no relationship of economic dependence, exclusivity or dominance in the sectors in which the groups in question have business relationships with the Bouygues group.■ Those business relationships arise in the normal course of business and in an ordinary competitive environment.■ Those business relationships do not involve Bouygues SA directly, but only certain subsidiaries or sub-subsidiaries.■ The Bouygues Board of Directors in no way interferes in those business relationships.■ Rose-Marie Van Lerberghe has no operational role within the entities in question. She has no decision-making power over the selection of service providers or the awarding, implementation or management of the contracts involved in the business relationships.■ She receives no remuneration from and has no personal interest in the contracts in question.■ The directorships or positions that she holds at the entities in question are relatively recent.

In light of the above, the Board takes the view that the business relationships described above are not, by reference to the aforementioned quantitative and qualitative criteria, of a material nature such as to create conflicts of interest or impair the independence of the five directors in question. In any event, if the Board were to examine a transaction involving any of the entities concerned, the director in question would refrain from taking part in the deliberations and voting on that matter, in accordance with the Rules of Procedure of the Board

of Directors and with the Conflicts of Interest Compliance Programme, the provisions of which are summarised in section 5.2.1.10 below.

Proportion of independent directors

The Rules of Procedure of the Bouygues Board of Directors specify that at least one third of directors must be independent within the meaning of the Afep-Medef Code.

At 22 February 2017, the Board of Directors had 12 members (excluding directors representing employees or employee shareholders, as required by paragraph 8.3 of the Afep-Medef Code). Of those 12 directors, five were independent, a proportion of 41.7%.

According to paragraph 8.3 of the Afep-Medef Code, in widely held companies with no controlling shareholder one half of Board members must be independent directors. In companies with a controlling shareholder (within the meaning of Article L. 233-3 of the Commercial Code), at least one third of Board members must be independent directors. Directors representing employee shareholders and directors representing employees are not included when calculating the proportion of independent directors.

In response to a comment from the High Committee for Corporate Governance on this point, Martin Bouygues pointed out that the company is not "controlled" within the meaning of Article L. 233-3 of the Commercial Code, but nor is its capital "widely held". At 31 December 2016, long-term investors (SCDM and the employee share ownership funds) held 40.1% of the share capital and 54.8% of the voting rights. The Board also pays close attention to the quality of independent directors whose appointment is submitted for approval by the Annual General Meeting. Consequently, the Board of Directors takes the view that a 41.7% proportion of independent directors is appropriate to the capital structure of Bouygues and sufficient to prevent any conflicts of interest and ensure the proper governance of the company.

The Board is nonetheless committed to ensuring that the balance recommended by the Afep-Medef Code is maintained. The proportion of independent directors should therefore be higher following the Annual General Meeting of 27 April 2017. Thereafter, as current terms of office expire, the Board will continue to change its composition so as to respect the proportion of 50% of independent directors.

5.2.1.4 Gender balance on the Board and committees

At 31 December 2016, without taking account of directors representing employees (as stipulated in Article L. 225-27 of the Commercial Code), but taking account of directors representing employee shareholders, six of the 14 directors on the Board were women, a proportion of 42.9%.

At 31 December 2016, eight of the 11 committee members were women, a proportion of 72.7%.

5.2.1.5 Management bodies

The Board is required by law to elect one of its members (who must be a natural person) as Chairman, to organise and direct the work of the Board and ensure that the company's management bodies function properly. The Board entrusts executive power over the company either to the Chairman of the Board of Directors or to another natural person, not necessarily a director, who has the title of Chief Executive Officer.

In April 2002, the Board of Directors opted not to separate the functions of Chairman and Chief Executive Officer. The Board has consistently renewed that option, most recently in April 2015. Martin Bouygues fulfils a dual role as Chairman of the Board of Directors and Chief Executive Officer.

Given the limitations on the powers of the Chief Executive Officer (see section 5.2.1.6 below), the Board takes the view that combining the positions of Chairman and Chief Executive Officer promotes effective governance, particularly in view of the Bouygues group's organisational structure. Martin Bouygues is Chairman and Chief Executive Officer of

Bouygues, the Group's parent company. However, he does not have executive power over any of the Group's five business segments, which is vested in the executive directors of the major subsidiaries: Bouygues Construction, Bouygues Immobilier, Colas, TF1 and Bouygues Telecom. Consequently, Martin Bouygues does not combine operational responsibility for these subsidiaries with his other roles. While Bouygues and its Chairman sometimes play an important role in projects that are crucial for the Group, they do not take over the roles of the executive management of the Group's business segments.

Finally, Olivier Bouygues (who has been a Deputy Chief Executive Officer since 2002), and Philippe Marien and Olivier Roussel (appointed as Deputy Chief Executive Officers in August 2016) have the same powers as the Chief Executive Officer. Consequently, they can assist Martin Bouygues in the exercise of his executive power.

There is no senior independent director or Vice-Chairman.

5.2.1.6 Restrictions on the powers of the Chief Executive Officer – Powers of the Board of Directors

The law and the company's articles of association give the Chief Executive Officer the broadest powers to act in the name of the company under all circumstances, within the limits of the corporate purpose and without prejudice to the powers expressly vested by law in general meetings of shareholders and the Board of Directors.

The powers and duties of the Board of Directors are laid down by law. In addition, the Rules of Procedure of the Board of Directors specify the following:

- the Board of Directors, with the assistance of an ad hoc committee if needed, determines the company's strategic priorities, and examines and makes decisions on transactions of real strategic importance;
- the strategic priorities, business plans and financing policy for the business segments and the Group are presented to the Board for approval;
- the Board must give its prior approval for any transaction regarded as being of major significance for the Group including investments in organic growth, external acquisitions, disposals, or internal restructuring, particularly where the transaction is outside the scope of the company's stated strategy;
- Board authorisation is required for major financing transactions through public offerings or private placements as well as for the principal guarantees and major commitments;
- the Board oversees the quality of the information supplied to shareholders and to the markets, in particular through the financial statements and in connection with major transactions.

In addition, Bouygues has over the last few years implemented a number of practices to promote good corporate governance and limit the powers of the Chairman and Chief Executive Officer, including:

- the existence (since 2002) of Rules of Procedure setting forth the rules governing the operation of the Board of Directors and the rules of conduct applying to directors;
- the existence of specialised committees tasked with preparing the work of the Board in the following areas: determining the remuneration of senior executives (since 1995); accounting and audit (since 1996); the selection of directors (since 1997); ethics and patronage (since 2001) and corporate social responsibility (since 2014);

- the presence of a significant proportion of independent directors on the Board and on all the committees (see section 5.2.1.3);
- the presence of directors representing employee shareholders on the Board (since 1995) and on two committees (Accounts; Ethics, CSR and Patronage) (since 2013);
- the presence (since 2014) of directors representing employees on the Board and (since 2015) on both the Remuneration Committee (which in 2016 became the Selection and Remuneration Committee) and the Ethics, CSR and Patronage Committee;
- annual meetings (since 2014) of directors without executive directors or internal directors being present;
- the existence of a Code of Ethics (since 2006) and a Code of Conduct (since 2010) for directors;
- the existence (since 2014), at the initiative of the Ethics, CSR and Patronage Committee, of four Compliance Programmes, including one on conflicts of interest and another on financial information and securities trading.

5.2.1.7 Rules of Procedure

At its meeting in September 2002, the Board adopted Rules of Procedure to clarify the conditions under which its work is prepared and organised. The Rules of Procedure are reviewed regularly and have been amended on numerous occasions to comply with changes in laws and regulations, and to reflect recommendations issued by the AMF and changes to the Afep-Medef Code and to Bouygues' own internal control principles. The main rules contained in the Rules of Procedure are summarised in the present report. The full text can be downloaded from the company's website www.bouygues.com under Group, Corporate governance, Board of Directors.

5.2.1.8 Operation of the Board of Directors

Calling of meetings, quorum and majority rules

Under the articles of association, the Board of Directors meets as often as necessary in the interests of the company. Meetings are called by the Chairman and may take place at the registered office or any other venue and may be convened in any way, including orally; they are only quorate when at least half of the Board members are in attendance. Decisions are taken by a majority of the directors present or represented. In the event of a tie, the Chairman of the meeting has the casting vote.

The Rules of Procedure stipulate that directors who take part in Board meetings by videoconference or other telecommunications systems are deemed present for the calculation of quorum and majority, provided that those systems have the technical capability to allow the directors to be identified and to participate effectively in the meeting. As required by law, this provision does not apply to decisions on the preparation of the full-year parent company and consolidated financial statements or the management report.

Board meetings

The Board of Directors meets in ordinary session at least five times a year:

- In January, the Board reviews the Group's estimated sales and earnings for the previous financial year, and the strategic priorities, business plans and the financing policy for the business segments and the Group that are presented to it for approval.

- In February, it closes off the financial statements for the previous financial year.

- In May, it closes off the first-quarter financial statements.

- In August, it closes off the first-half financial statements.

- In November, it closes off the nine-month financial statements.

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

As indicated in section 5.2.1.6, immediately after the January Board meeting a separate session is held at which no Executive Officers are present.

The agenda for meetings held to close the financial statements is in three parts: business review, accounting issues, and legal issues. A detailed file on each part is provided to each director.

The statutory auditors are invited to attend all meetings at which the Board reviews interim or full-year financial statements.

People who are not Board members, whether Bouygues group employees or not, may be invited to attend all or part of Board meetings.

Information provided to the Board of Directors

The Chairman or Chief Executive Officer must provide each director with all the documents and information needed to perform their duties, including:

- information about market trends, the competitive environment and the main challenges facing the company, including corporate social responsibility issues;
- the information needed to monitor the progress of business activities and in particular sales figures and order books;
- the financial position, and in particular the company's cash position and commitments;
- any event that materially affects the Group's consolidated financial results or that may do so;
- material events in the human resources area and in particular trends in headcount;
- major risks to the company, any change therein, and the steps taken to control them.

Once each quarter, senior management reports to the Board of Directors on the previous quarter's operations and consolidated results.

Directors may obtain additional information on request; the Chairman and Chief Executive Officer and the Deputy Chief Executive Officers, along with the Chief Financial Officer and General Counsel, must always be at the Board's disposal to provide explanations and relevant information.

Directors may also meet with the company's senior executives, and may do so without the Executive Officers present provided that the latter have been informed beforehand.

Committees tasked by the Board of Directors with addressing specific issues shall help to keep the Board well informed through their work and reports (see section 5.2.1.9).

Directors must always receive any document that the company and its subsidiaries have issued publicly, particularly information for shareholders.

Directors may request additional training relating to the company, its business segments and the sectors in which it operates. As required by

law, the two directors representing employees receive at least 20 hours a year of specific training appropriate to the exercise of their duties.

A secure digital platform, intended to make it easier for directors to access relevant documents and information, will be made available in 2017.

Work of the Board of Directors in 2016

The Board of Directors met nine times in 2016. The attendance rate was 95%.

The table below shows the main issues that featured on the agenda of each meeting.

19 January	<ul style="list-style-type: none"> ■ Three-year strategic priorities and business plans for the Group and its business segments. ■ Mapping of the Group's major risks. ■ Conditions of the Alstom share buyback offer. ■ Consultation of the Works Council on strategic orientations. ■ Report of the Ethics, CSR and Patronage Committee. ■ Review of the principal claims and litigation involving the Group. ■ Review of ongoing regulated agreements. ■ Meeting of non-executive directors without the executive directors or internal directors present, in particular to carry out an assessment of the Executive Officers and consider future management arrangements.
23 February	<ul style="list-style-type: none"> ■ Examination of the proposed deal between Bouygues Telecom and Orange. ■ 2015 business activity, outlook and objectives of the Group and business segments for 2016. ■ Alstom's operations and results for the third quarter of its 2015/16 financial year. ■ Position of the Group's business segments compared with their main competitors. ■ Report of the Accounts Committee. ■ Opinion of the statutory auditors. ■ Closing off the consolidated and parent company financial statements for the 2015 financial year, accounting documents and forecasts, proposed appropriation of profits, and management report. ■ Remuneration Committee report on the variable remuneration of the two Executive Officers and the four business segment heads, remuneration and stock options awarded for the 2015 financial year. ■ Report on the remuneration of corporate officers, special report on stock options. ■ Description of the share buyback programme. ■ Approval of the Report by the Chairman on corporate governance and internal control. ■ Report of the Selection Committee. ■ Proposal to appoint Clara Gaymard, Olivier Bouygues and SCDM Participations (represented by Cyril Bouygues) as directors. ■ Proposal to renew the terms of office of Patrick Kron, SCDM (represented by Edward Bouygues), Colette Lewiner, Rose-Marie Van Lerberghe, Sandra Nombret and Michèle Vilain as directors. ■ Proposal to merge the Selection Committee and Remuneration Committee into a single committee after the end of the Annual General Meeting on 21 April 2016; determination of the composition of the new committee. ■ Proposal to renew the term of office of Mazars as statutory auditor and Philippe Castagnac as alternate auditor. ■ Remuneration Committee report, finalisation of variable remuneration of senior executives for the 2015 financial year and establishment of rules for determining the remuneration of senior executives for the 2016 financial year. ■ Convening of the Annual General Meeting; finalisation of the agenda, the draft resolutions and the report on those resolutions. ■ Delegation of financial authority to Martin Bouygues and Olivier Bouygues in relation to corporate bonds. ■ List of companies that fall within the scope of the group tax election. ■ Approval of regulated agreements. ■ Press release.
30 March	<ul style="list-style-type: none"> ■ Examination of the proposed deal between Bouygues Telecom and Orange.
31 March	<ul style="list-style-type: none"> ■ Examination of the proposed deal between Bouygues Telecom and Orange.
1 April	<ul style="list-style-type: none"> ■ Decision to end discussions with Orange.
21 April	<ul style="list-style-type: none"> ■ Responses to written questions submitted by shareholders in advance of the Annual General Meeting.
12 May	<ul style="list-style-type: none"> ■ Business activity and financial statements for the first quarter of 2016. ■ Alstom group: results for the 2015/16 financial year, and outlook. ■ Comparisons between the Bouygues group and its competitors. ■ Action plans, outlook and objectives for the Group and its business segments. ■ Report of the Accounts Committee and opinion of the statutory auditors. ■ Closing off the first-quarter financial statements. ■ Stock option plan. ■ Update of the Accounts Committee Rules of Procedure. ■ Impact on defined-benefit pension schemes of the Macron law. ■ Status report on training for directors representing employee shareholders and directors representing employees. ■ Press release.

(Continued on p. 184).

30 August	<ul style="list-style-type: none"> ■ Appointment of Olivier Roussat and Philippe Marien as Deputy Chief Executive Officers, determination of the terms of their remuneration for the 2016 financial year. ■ Key figures and business activity for the first half of 2016. ■ Comparison between the Group and its competitors, outlook and objectives for 2016. ■ Report of the Accounts Committee and opinion of the statutory auditors. ■ Closing off the first-half financial statements and approval of the Half-year Financial Report. ■ Report of the Selection and Remuneration Committee. ■ Renewal of the authority granted to the Chairman and Chief Executive Officer to give guarantees, endorsements and sureties. ■ Press release.
15 November	<ul style="list-style-type: none"> ■ Business activity and financial statements for the first nine months of 2016, sales objectives for the 2016 financial year. ■ Renewal of the term of office of Olivier Bouygues as Deputy Chief Executive Officer. ■ Decision on the remuneration of Olivier Roussat and on the terms of the defined-benefit pension entitlement of Olivier Roussat and Philippe Marien, Deputy Chief Executive Officers. ■ Terms and conditions of capital increase reserved for employees and adoption of supplementary report. ■ Evaluation of the Board. ■ Gender parity in terms of career development and pay. ■ Approval of regulated agreements. ■ Press release.

5.2.1.9 Board committees

The committees of the Board of Directors examine issues submitted to them for an opinion by the Board or its Chairman as well as matters assigned to them by the Rules of Procedure or by law. The Bouygues group has three Board committees: the Accounts Committee, the Selection and Remuneration Committee, and the Ethics, CSR and Patronage Committee.

Annexes to the Rules of Procedure, the content of which is indicated below, define the composition, remit and rules for the operation of the three committees. Executive Officers and salaried directors of Bouygues (other than directors representing employees or directors representing employee shareholders) cannot sit on the committees. The committees are chaired by independent directors.

The Board determines the composition and remit of each of the committees, which carry out their activities under the Board's responsibility. The Board appoints the committee members from among the directors.

Accounts Committee

The Accounts Committee was formed in 1996.

COMPOSITION: 100% INDEPENDENT DIRECTORS

The members of the Accounts Committee are Helman le Pas de Sécheval (Chairman), Clara Gaymard, Anne-Marie Idrac and Michèle Vilain. Helman le Pas de Sécheval, Clara Gaymard and Anne-Marie Idrac are independent directors; Michèle Vilain is a director representing employee shareholders. Consequently, the proportion of independent directors is 100%. Three members of the Accounts Committee have extensive financial skills and experience.

 CHAIRMAN	Helman le Pas de Sécheval	Helman le Pas de Sécheval has been head of the Financial Operations and Information department of the Commission des Opérations de Bourse (COB, now the AMF), and Chief Financial Officer of the Groupama group; he is currently on the Board of the AMF.
 MEMBERS	Clara Gaymard	Clara Gaymard has been an auditor at the Cour des Comptes state audit office and has held executive functions in the General Electric group.
	Anne-Marie Idrac	Anne-Marie Idrac has been director general at the Public Development Agency (EPA) of Cergy-Pontoise, Chair and CEO of the RATP (Paris public transport authority), and Chair of the SNCF (French state railways).
	Michèle Vilain	Michèle Vilain represents employee shareholders.

(a) In calculating the percentage of independent directors on Board committees, directors representing employees or employee shareholders are not taken into account (Article 8.3 of the Afep-Medef Code).

REMIT

The Accounts Committee, acting under the responsibility of the Board of Directors, is responsible for overseeing (i) matters related to the preparation and control of accounting and financial information, (ii) internal control and risk management systems, and (iii) matters related to the statutory auditors. In particular, the Committee is responsible for:

Remit	Detailed description
Oversight of the process for preparing financial information	<ul style="list-style-type: none"> ■ Reviewing the parent company and consolidated financial statements before they are presented to the Board. ■ Obtaining assurance that the accounting policies used in drawing up those financial statements are relevant and consistent. ■ Reviewing any changes that have a material impact on the financial statements. ■ Reviewing the principal optional treatments applied at the accounting close, key estimates and judgments, and the main changes in the scope of consolidation.
Oversight of the effectiveness of internal control and risk management systems, and of internal audit, as regards procedures for preparing and processing accounting and financial information	<ul style="list-style-type: none"> ■ Reviewing internal control procedures relating to the preparation of the financial statements, in conjunction with internal departments and qualified advisors. ■ Reviewing the key accounting and financial risks faced by the company, any changes in those risks, and the arrangements put in place to manage them. ■ Performing an annual review of the key risks faced by the company, any changes in those risks, and the arrangements put in place to manage them. ■ Reviewing key information systems risks. ■ Performing an annual review of the company's internal control assessment. ■ Reviewing summaries of internal audit reports and action taken in light of recommendations.
Oversight of matters related to the statutory auditors	<ul style="list-style-type: none"> ■ Organising the selection procedure as specified in the relevant laws and regulations with a view to the appointment of the statutory auditors by the Annual General Meeting. ■ Making recommendations on the statutory auditors proposed for appointment at Annual General Meetings. ■ Overseeing execution by the statutory auditors of their engagement. ■ Obtaining assurance that the statutory auditors are in compliance with the independence criteria specified in the applicable laws and regulations, in particular examining the allocation of fees paid by the company itself and by Group companies between each statutory auditor (including members of their networks), including fees paid for services other than the statutory audit of the financial statements. ■ Approving the provision of any services other than statutory audit that may be provided by the statutory auditors or by members of their networks, having first analysed the risks posed to the independence of the statutory auditors and the protective measures applied by them. ■ Reporting to the Board of Directors on the outcomes of the statutory audit engagement, the way in which that engagement contributed to the integrity of financial information, and the role played by the Accounts Committee in that process.
Specific tasks	<ul style="list-style-type: none"> ■ In addition to these general and regular reviews, the Committee may also select specific topics for in-depth review, such as the consequences of disposals or acquisitions. It reviews the accounting treatment of key risks to which Group companies are exposed, in particular country risk, or (for example) risks involved in the execution of certain projects at Bouygues Construction. The Committee pays particular attention to changes in accounting policy and to optional treatments applied at the accounting close.
Reporting to the Board of Directors	<ul style="list-style-type: none"> ■ The Committee issues reports and recommendations on the matters described above, both periodically at accounting closes and whenever warranted by a specific event.

The Accounts Committee reviews the section on internal control and risk management included in the draft Report by the Chairman, and communicates any observations it may have on that draft.

OPERATION

At the time of their appointment, Accounts Committee members are provided with information concerning the company's specific accounting, financial and operational characteristics.

Committee meetings are valid only if two or more of its members, including its Chairman, are in attendance. Meetings are called by the Chairman of the Committee, or at the request of the Chairman of the Board of Directors. The Committee meets at least four times each year to examine the quarterly, first-half and full-year financial statements before they are submitted to the Board. The Committee Chairman draws up the agenda. The opinions issued by the Committee are approved by a simple majority of its members. In the event of a tie, the Committee Chairman has the casting vote.

In carrying out its duties, the Committee has access to all accounting and financial documents that it deems useful. It must also meet with the statutory auditors and with senior executives of the company responsible for finance, accounting, cash management and internal

audit. If the Committee so requests, such meetings must be held without the company's senior management being present.

The Committee may also have recourse to external experts, as provided for in the Afep-Medef Code.

The statutory auditors present to the Accounts Committee a summary of their work and of optional accounting treatments used at the accounting close.

The Committee meets with the statutory auditors at least once a year with no company representative present to ensure that they were given full access to information and that they have all the resources they need to fulfil their duties.

During the examination of the financial statements, the statutory auditors submit to the Accounts Committee a memorandum pointing out the essential aspects of the scope of consolidation, the findings of the statutory audit (in particular, any audit adjustments and significant internal control weaknesses identified during their work), and the optional accounting treatments applied. The Chief Financial Officer provides the Committee with a memorandum describing the company's risk exposure and material off-balance sheet commitments.

The statutory auditors' main recommendations are incorporated in an action plan and a follow-up procedure that are presented to the Accounts Committee and to senior management at least once a year.

The Accounts Committee's discussions and the information provided to it are highly confidential and must not be disclosed outside the Board of Directors, subject to the financial reporting obligations incumbent upon listed companies.

The Accounts Committee reports on its work at the next subsequent Board meeting, indicating the specific actions it has taken, its conclusions, and any recommendations it may have. It informs the Board promptly of any difficulty encountered in performing its duties.

WORK OF THE ACCOUNTS COMMITTEE IN 2016

The Accounts Committee met five times in 2016. The attendance rate was 89%.

The Accounts Committee reviewed the quarterly, first-half and full-year parent company and consolidated financial statements and the corresponding draft press releases, as well as the "Internal control and risk management procedures" section of the draft Report by the Chairman. Other issues reviewed by the Committee included:

- accounting standards and polices applied by the Group;
- oversight of the statutory audit of the financial statements by the statutory auditors;
- oversight of the statutory auditors' fees;
- proposal to update the Accounts Committee Rules of Procedure to provide additional clarification and detail about the Committee's role in the selection of statutory auditors and the approval of services provided by the statutory auditors other than statutory audit;
- the internal control system of each business segment;
- mapping of the Group's major risks;
- results of the internal control self-assessment, amendments to the Internal Control Reference Manual and key internal control action plans;
- internal audit plan, summary of internal audit work;
- fraud reporting;
- status report on cyber-security within the Group;
- presentation of major claims and litigation involving the Group;

- changes in the amount of accounting provisions;
- impairment testing of Bouygues' equity interests in Alstom, TF1, Bouygues Telecom and Colas;
- impacts of the Alstom share buyback offer, and of the divestment by Alstom of its Energy business;
- Bouygues Construction: monitoring of major projects and the situation at Bouygues UK;
- Colas: closure of the Dunkirk refinery (SRD), monitoring of major projects, claims and litigation in Canada, divestment of subsidiaries in Asia, impacts of acquisitions of companies in the Middle East, divestment of equity interest in the company holding the concession for the A63 motorway in France;
- TF1: consequences of the freeview switchover of the LCI news channel, accounting treatment of the acquisition of Newen, and accounting treatment of French drama productions;
- Bouygues Telecom: impact of claims and litigation and of the ongoing network sharing agreement with SFR, tax audit.

In the course of its duties, the Accounts Committee interviewed the Group's Chief Financial Officer (in particular on material risks and off-balance sheet commitments of the company), the Accounts and Audit Director, the chief internal auditor and the statutory auditors, without the Executive Officers being present.

In accordance with paragraph 15.3 of the Afep-Medef Code, the company ensures that Committee members are supplied with the relevant files sufficiently far in advance (between one-and-a-half and four days ahead of each Committee meeting) for them to have time to examine those files properly before the Committee meeting.

Selection and Remuneration Committee

The Selection and Remuneration Committee was formed on 21 April 2016 by merging the Selection Committee (set up in 1997) and the Remuneration Committee (set up in 1995).

COMPOSITION: 100% INDEPENDENT DIRECTORS

At 31 December 2016, the members of the Selection and Remuneration Committee were Colette Lewiner (Chairwoman), Francis Castagné and Helman le Pas de Sécheval. Francis Castagné is a director representing employees. Consequently, the proportion of independent directors is 100%^a.

(a) In calculating the percentage of independent directors on Board committees, directors representing employees or employee shareholders are not taken into account (Article 8.3 of the Afep-Medef Code).

REMIT

In accordance with the recommendations of the Afep-Medef Code, the remit of the Selection and Remuneration Committee is as described below:

Remit	Detailed description
Composition of the Board of Directors	<ul style="list-style-type: none"> ■ Drawing up a succession plan for Executive Officers. ■ Periodically reviewing issues related to the composition, organisation and operation of the Board of Directors in order to make proposals to the Board. ■ Reviewing candidates for directorships and non-voting directorships, taking care to ensure that at least one third of Board members are independent directors. The Committee pays particular attention to the mix of skills, experience and knowledge of the Group's businesses that each candidate will need in order to make an effective contribution to the Board's work. ■ Reviewing proposals to set up Board committees, and proposed lists of their remits and members. ■ Giving an opinion on proposals presented to the Board to appoint, reappoint or remove from office a director or an Executive Officer.
Remuneration	<ul style="list-style-type: none"> ■ Submitting proposals annually to the Board of Directors regarding the principles and criteria for determining, allocating and awarding the fixed, variable and exceptional components of the total remuneration and benefits of all kinds to be awarded to Executive Officers, and to this end: <ul style="list-style-type: none"> ■ proposing rules used to set the variable portion of the remuneration of Executive Officers, and ensuring that such rules are consistent with the assessment of their performance and with the company's medium-term strategy; ■ proposing performance conditions for the vesting of Executive Officers' annual defined-benefit pension rights; ■ issuing a recommendation annually on the remuneration and benefits of all kinds paid or awarded to each Executive Officer for the most recently ended financial year; ■ proposing a general policy for awarding stock options, it being stipulated that (i) no discount may be offered on options awarded to Group senior executives and in particular to Executive Officers of the company and (ii) awards must be proportionate to the merits of each executive and fairly allocated between the beneficiaries; ■ examining stock option plans awarded to Executive Officers and employees, and making recommendations to the Board on whether the option plans should involve new or existing shares; ■ proposing remuneration and incentive arrangements for the Group's senior executives; ■ where stock options or performance shares are awarded to an Executive Officer, making proposals on the number of shares resulting from the exercise of stock options or performance share grants that the beneficiary will be required to retain until the end of his or her term of office and proposing performance conditions for the granting and exercise of options or for the granting of performance shares; ■ submitting each year to the Board of Directors drafts of the reports on remuneration of corporate officers, and on stock options and performance shares; ■ Issuing a recommendation on the overall amount of directors' fees and the arrangements for allocating those fees between the directors.

OPERATION

Committee meetings are called by the Chairman of the Committee, or at the request of the Chairman of the Board of Directors. Committee meetings are valid only if two or more of its members, including its Chairman, are in attendance. The Committee Chairman draws up the agenda.

The opinions issued by the Committee are approved by a simple majority of its members. In the event of a tie, the Chairman has the casting vote.

In the course of its work, the Committee may meet with the Chairman of the Board of Directors or any other person designated by the Chairman.

The Committee reports on its work at the next subsequent meeting of the Board of Directors. No Executive Officer may be present when the report on the work of the Committee is presented to the Board of Directors.

WORK OF THE SELECTION AND REMUNERATION COMMITTEE IN 2016

The Selection Committee met once in February 2016, before it was merged with the Remuneration Committee. The attendance rate was 67%. The meeting reviewed the composition of the Board, and its gender balance. It proposed that the Annual General Meeting be

asked to approve the renewal of the terms of office of SCDM, Patrick Kron, Colette Lewiner and Rose-Marie Van Lerberghe as directors, and the appointment of Olivier Bouygues, Clara Gaymard and SCDM Participations as directors. The Committee issued a favourable opinion on the proposals by SCDM and SCDM Participations to designate Edward Bouygues and Cyril Bouygues, respectively, as their future standing representatives. It proposed merging the Selection Committee and the Remuneration Committee into a single committee, and formulated a proposal regarding the composition of the Board committees subsequent to the Annual General Meeting of 21 April 2016. The Committee issued a positive opinion on the independent director status of Clara Gaymard, Anne-Marie Idrac, Helman le Pas de Sécheval, Colette Lewiner and Rose-Marie Van Lerberghe. It reviewed the "Corporate governance" section of the draft Report by the Chairman to be presented at the Combined Annual General Meeting of 21 April 2016.

The Remuneration Committee met twice (in February and March 2016) before it was merged with the Selection Committee. The attendance rate was 88%. The Committee examined the calculation of the variable remuneration of the two Executive Officers of Bouygues and of the business segment heads. It was also informed of the Group's salary policy. The Committee examined the impact that the Macron law would have on the defined-benefit pension schemes of senior executives, and on performance share plans; in the latter case, it concluded that the

potential benefits of performance share plans were not sufficient for Bouygues to abandon its policy of using stock option plans. It proposed deferring the start date of the 2016 stock option plan because of the discussions with Orange and their potential impact on the Bouygues share price. The Committee also examined and submitted to the Board reports on the remuneration of corporate officers and on the granting and exercise of stock options during the 2015 financial year. It also submitted proposals with a view to establishing the remuneration payable to corporate officers in respect of the 2016 financial year.

The merged Selection and Remuneration Committee met twice in 2016, with a 100% attendance rate. In May 2016, the Committee formulated a proposal about the performance conditions applicable to the defined-benefit pension scheme to which members of the Group

Management Committee are entitled. In August 2016, as part of its remit to maintain ongoing discussions on the succession plans for the Group's Executive Officers, the Committee was asked by the Chairman and Chief Executive Officer to give an opinion on his proposal to appoint two Deputy Chief Executive Officers, Olivier Roussat and Philippe Marien, and on the terms on which they would fulfil their duties. At its meeting of 29 August, the Committee unanimously delivered a favourable opinion, and also formulated proposals about the calculation of their remuneration in respect of the 2016 financial year. In November 2016, it proposed to renew the term of office of Olivier Bouygues as Deputy Chief Executive Officer. It formulated proposals about the remuneration and the performance conditions relating to the defined-benefit pension schemes to which the new Deputy Chief Executive Officers are entitled.

Ethics, CSR and Patronage Committee

COMPOSITION: 100% INDEPENDENT DIRECTORS

At 31 December 2016, the members of the Ethics, CSR and Patronage Committee were Anne-Marie Idrac (Chairwoman), Raphaëlle Deflesselle,

Sandra Nombret and Rose-Marie Van Lerberghe. Anne-Marie Idrac and Rose-Marie Van Lerberghe are independent directors; Raphaëlle Deflesselle is a director representing employees; and Sandra Nombret is a director representing employee shareholders. Consequently, the proportion of independent directors is 100%^a.

REMIT

The remit of the Ethics, CSR and Patronage Committee, formed in March 2001, is as follows:

Remit	Detailed description
Ethics	<ul style="list-style-type: none"> ■ Helping define rules of conduct and guiding principles to be followed by senior executives and other employees. ■ Issuing recommendations or opinions on initiatives aimed at promoting best practice in this area. ■ Monitoring compliance with these values and rules of conduct.
CSR	<ul style="list-style-type: none"> ■ Examining at least once a year issues encountered by the Group in terms of environmental, corporate and social responsibility. ■ Giving its opinion to the Board on the CSR report required pursuant to Article L. 225-102-1 of the Commercial Code.
Patronage	<ul style="list-style-type: none"> ■ Setting rules or making recommendations for Bouygues. ■ Giving its opinion to the Chairman of the Board on patronage projects proposed by Bouygues when they represent a significant financial investment. ■ Ensuring that its recommendations are implemented and that these projects are properly carried out.

OPERATION

Committee meetings are called by the Chairman of the Committee, or at the request of the Board of Directors. In the course of its work, the Committee may meet with the Chairman of the Board of Directors or any other person designated by him. The Committee reports on its work at the next subsequent meeting of the Board of Directors.

WORK OF THE ETHICS, CSR AND PATRONAGE COMMITTEE IN 2016

The Committee met three times in 2016. The attendance rate was 100%.

Patronage: after reviewing numerous projects submitted to Bouygues, the Committee gave a favourable opinion on the commencement or continuation of 24 patronage initiatives. The main patronage initiatives are described in chapter 3 of this Registration Document. The patronage policy of Bouygues SA is mainly oriented towards education, health and humanitarian issues. In all, Group entities donate over €50 million a year in patronage and sponsorship, including €30 million to €35 million in free advertising space donated by TF1 to charitable organisations.

Ethics: the Committee familiarised itself with ongoing legal proceedings, and with the arrangements in place to prevent and detect anti-competitive or unethical business practices. The Committee also monitored initiatives taken within the business segments to implement the four compliance programmes introduced in 2014 in order to formalise and promote the prevention of non-compliant practices in the areas of competition, corruption (see chapter 3, section 3.4.4.1), financial information and securities trading, and conflicts of interest (see section 5.3 below). It obtained assurance as to the progress that had been made.

CSR: the Committee was informed of the strategies and initiatives implemented by the Group.

5.2.1.10 Ethical conduct

The directors of Bouygues are required to comply with all the rules of conduct listed in paragraph 19 of the Afep-Medef Code, and with the Code of Conduct appended to the Rules of Procedure of the Board of Directors. These documents are available on the Bouygues website.

(a) In calculating the percentage of independent directors on Board committees, directors representing employees or employee shareholders are not taken into account (Article 8.3 of the Afep-Medef Code).

The Code of Conduct includes detailed requirements regarding directors' duty to be informed, regular attendance, limitations on multiple directorships, preventing and managing conflicts of interest, holding shares in the company, confidentiality, and detailed measures for the prevention of insider dealing.

The Compliance Programmes approved in January 2014 by the Board of Directors include rules relating to ethical conduct in securities trading and the prevention of conflicts of interest.

Rules related to regular attendance and multiple directorships

The Code of Conduct states that directors must devote the necessary time and attention to their functions. They must attend and participate regularly in the meetings of the Board and of any committees of which they are a member. Directors' fees include a variable component of 70% related to regular attendance (see section 5.4.1.3).

In 2016, the attendance rate at Board and Committee meetings was:

	Board of Directors	Accounts Committee	Selection and Remuneration Committee	Ethics, CSR and Patronage Committee
Martin Bouygues	9/9 (100%)			
Olivier Bouygues	9/9 (100%)			
Cyril Bouygues	3/3 (100%)			
Edward Bouygues	3/3 (100%)			
François Bertiére	9/9 (100%)			
Francis Castagné	3/3 (100%)		2/2 (100%)	
Raphaëlle Deflesselle	9/9 (100%)			3/3 (100%)
Clara Gaymard	3/3 (100%)	3/3 (100%)		
Anne-Marie Idrac	8/9 (89%)	3/5 (60%)		3/3 (100%)
Patrick Kron	9/9 (100%)			
Hervé Le Bouc	8/9 (89%)			
Helman le Pas de Sécheval	8/9 (89%)	5/5 (100%)	4/4 (100%) ^a	
Colette Lewiner	8/9 (89%)		4/4 (100%) ^a	
Sandra Nombret	9/9 (100%)			3/3 (100%)
Rose-Marie Van Lerberghe	9/9 (100%)			3/3 (100%)
Michèle Vilain	9/9 (100%)	5/5 (100%)		

(a) Includes meetings of the old Remuneration Committee.

Rules on preventing and managing conflicts of interest

The Code of Conduct for directors sets forth specific measures on conflicts of interest. These measures are supplemented by a compliance programme on conflicts of interest, adopted by the Board of Directors on 21 January 2014. The aim of this programme is to cover situations in which a Bouygues group employee or senior executive faces a conflict of interest in connection with his or her professional activity or office.

The provisions of the Conflicts of Interest Compliance Programme relating to directors and Executive Officers are as follows:

"Directors and executive officers of all Group companies are required to pay special care and attention to conflicts of interest."

"7.1. Specific regulations (called "regulated agreements") deal with conflict of interest issues that may arise between the company and

All directors are required to comply with the instructions set out in the Commercial Code governing multiple directorships in Sociétés Anonymes (public limited companies), as well as the recommendations of the Afep-Medef Code according to which:

- Executive Officers must not hold more than two other directorships in listed companies outside their group, including foreign companies, and must seek the opinion of the Board before accepting a new directorship in a listed company;
- directors must not hold more than four other directorships in listed companies outside their group, including foreign companies. This recommendation applies at the time of their appointment or of the next renewal of their term of office;
- directors must inform the Board of directorships held in other companies, including their involvement in the board committees of those companies, whether French or foreign.

As far as the Board of Directors is aware, all of the directors are in compliance with all these rules.

its senior executives — Chief Executive Officer, Deputy CEOs, directors, chairman of a simplified limited company (Société par Actions Simplifiée – SAS), etc. — as a result of (i) agreements between them and the company; (ii) agreements in which the senior executives may indirectly have an interest, or (iii) agreements between two companies with common senior executives."

"These rules must be strictly applied within the Group. Legal departments should make sure that the regulations on regulated agreements and the Bouygues group Internal Charter on Regulated Agreements are strictly observed."

"7.2. Directors and executive officers should inform their board of directors of any conflict of interest situation, even potential, between their duties to the company and their private interests. The chairman of a board may, at any time, ask the directors and non-voting directors to provide a written statement confirming that they are not in a conflict of interest situation."

"7.3. Directors must not take part in the vote on any issue that concerns them directly or indirectly. In some cases, this obligation to refrain from taking part in the vote may even require the relevant person not to attend the meetings and not to have sight of the documents about the issue in question."

"7.4. Directors and executive officers must not engage in an activity that would place them in a conflict of interest situation nor must they hold interests in a client, supplier or rival company if such an investment could influence their behaviour in the performance of their duties."

The same provisions are set out in the Rules of Procedure of the Board of Directors, which also stipulate that "*The Chairman of the Board may at any time ask directors to confirm in writing that they are not in a conflict of interest situation.*"

As of the date of this report, the company is aware of the following potential conflicts of interest:

- major shareholders of the Group (SCDM, SCDM Participations and Group employee shareholders) are directly or indirectly represented on the Board of Directors by Martin Bouygues, Olivier Bouygues, Edward Bouygues, Cyril Bouygues, Sandra Nombret and Michèle Vilain;
- potential conflicts of interest exist because some of the directors hold directorships in other companies. The list of directorships is set out above (see section 5.1);
- Martin Bouygues, Olivier Bouygues, Edward Bouygues and Cyril Bouygues have family ties with one another. The company is not aware of other family ties between Board members;
- François Bertiére and Hervé Le Bouc are bound to the company by employment contracts. Sandra Nombret, Michèle Vilain, Raphaëlle Deflesselle and Francis Castagné are bound by employment contracts to Bouygues subsidiaries;
- François Bertiére, Martin Bouygues, Olivier Bouygues, Edward Bouygues, Colette Lewiner and Hervé Le Bouc hold directorships in Bouygues subsidiaries.

As far as the company is aware, as of the date of this report there are no other potential conflicts of interest between the duties of any member of the Board of Directors to the company and their private interests or other duties.

As far as the company is aware, and subject to the agreement between SCDM and Bouygues, none of the members of the Bouygues Board of Directors is linked to the company or any of its subsidiaries by a service agreement providing for benefits.

The Auditors' special report on regulated agreements and commitments (see chapter 8, section 8.3 of this Registration Document) details the agreements and commitments submitted to the Board of Directors for authorisation and on which directors abstained from voting because of actual or potential conflicts of interest.

Regulated agreements

The Bouygues group Internal Charter on Regulated Agreements, approved by the Board of Directors, is available on www.bouygues.com. The aim of this Charter is to make it easier for Bouygues group companies to identify agreements which, because they directly or indirectly

concern a senior executive or a shareholder, must follow the regulated agreements procedure stipulated by the Commercial Code (prior authorisation from the Board of Directors, auditors' special report, approval by the Annual General Meeting).

This Charter uses the definition of a "person who is indirectly concerned" suggested by the Paris Chamber of Commerce and Industry: "*A person is considered to be indirectly concerned by an agreement to which he is not a party where, due to his connections with the parties and the powers he has to influence their behaviour, he derives benefit from the agreement.*"

Regulated agreements authorised by the Bouygues Board of Directors but not yet approved by the Annual General Meeting are described in the Board of Directors' report on the resolutions (see chapter 8, section 8.2 of this Registration Document) as well as in the Auditors' special report on regulated agreements (see chapter 8, section 8.3.1 of this Registration Document). This report also mentions regulated agreements whose effects continue over time, which the Board of Directors reviews each year. Only new agreements are submitted to the Annual General Meeting for approval.

Convictions and court orders

As far as the company is aware, during the last five years no member of the Board of Directors has been:

- found guilty of fraud, incriminated or subject to official public sanction by any statutory or regulatory body;
- associated, in the capacity of senior executive, with any insolvency, compulsory administration or liquidation proceedings;
- 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.

Restrictions agreed to by the members of the Board of Directors in relation to the sale of their shares in the company

The articles of association stipulate that each director, with the exception of the directors representing employees, must hold at least ten shares in the company. The Rules of Procedure recommend that each director own 500 shares in the company.

Subject to the above, 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.

Prevention of insider dealing

All Bouygues directors are required to comply with the Code of Conduct rules on the prevention of insider dealing. The Code of Conduct is set out in Annex 1 of the Rules of Procedure of the Board of Directors, accessible on the Bouygues website. The Financial Information and Securities Trading Compliance Programme, adopted by the Board in January 2014, sets out and supplements those rules, and has been updated to reflect new measures arising from the entry into force in July 2016 of EU Regulation No. 596/2014 of 16 April 2014 on market abuse. The directors have been informed of these new measures, and the Board of Directors has updated the Rules of Procedure accordingly.

5.2.1.11 Evaluation of the Board of Directors

The Board's Rules of Procedure stipulate that the Board should periodically evaluate its ability to meet shareholders' expectations by reviewing its composition, organisation and operation, and by undertaking a similar review of Board committees.

Consequently, every year the Board includes on the agenda of its November meeting a discussion on the way in which the Board operates.

In accordance with the Afep-Medef Code, this formal evaluation has three objectives:

- assess the way in which the Board and its committees operates;
- check that important issues are suitably prepared and debated;
- measure the actual contribution of each director to the Board's work through his or her competence and involvement in discussions.

The main conclusions of the evaluation were as follows:

General evaluation	<ul style="list-style-type: none"> ■ Board and its committees operating well. ■ Good quality of discussion. ■ Good level of contribution by each director to the work of the Board.
Progress achieved since the 2015 evaluation	<ul style="list-style-type: none"> ■ Any observations or wishes expressed by directors in recent years have been taken into account over the past few years. For example, each year the agenda of the Board now includes: comparisons of the performances of the Group's business segments with those of their competitors, the report of the Ethics, CSR and Patronage Committee drawn up by the Chairwoman, a presentation of R&D actions taken by the Group, a presentation of the principal claims and litigation involving the Group. Reduction in the number of directors. Increase in the proportion of women on the Board and committees. Higher proportion of independent directors.
Areas for improvement	<ul style="list-style-type: none"> ■ From 2017, annual presentation to the Board of the HR function and its actions. ■ Annual evaluation of the Board and committees to be implemented under the management of the Selection and Remuneration Committee. ■ Increase the proportion of independent directors.

5

5.2.2 Internal control and risk management procedures

5.2.2.1 Introduction

Bouygues and its subsidiaries are acutely aware of the importance of internal control and risk management. These processes help give reasonable assurance as to the achievement of the Group's principal objectives.

Risk management has always been an essential part of the Group's corporate culture. It is a key concern of the Group's managers and is based on internal control systems inspired by principles that have been applied across the Group's business segments for many years.

Internal control and risk management bodies and procedures play a part in identifying, preventing and managing the main risk factors that could hinder the Group in achieving its objectives.

Like any control and risk management system, however, the system set up by Bouygues cannot provide a cast-iron guarantee of the Group's ability to achieve its objectives.

While the aim of internal control is to ensure that the instructions and guidelines set by senior management are applied, the process is also intended to ensure that the way in which the Group is managed and conducts its business, and the behaviour of employees, comply with regulations and with the rules and principles that Bouygues wishes to apply within the Group.

Internal control applies primarily to operations; risk management is deeply embedded in key processes of the Group's business segments, where internal control helps to ensure they function effectively.

Given the importance of the quality and reliability of the Group's accounting and financial information, internal control is also widely applied in accounting and financial matters.

The risk management system safeguards the value, assets and reputation of the company while buttressing its processes and decision-making arrangements. It helps people act in a way that is consistent with the company's values and rallies employees around a shared view of the main risks.

The scope of this report covers the Bouygues group (parent company, Bouygues Construction, Bouygues Immobilier, Colas, TF1 and Bouygues Telecom).

5.2.2.2 Bouygues group internal control and risk management

The Internal Control and Risk Management Reference Manual of the Bouygues group is based on the reference framework published by the AMF in 2007.

The Manual was first updated in 2010 after the AMF reference framework was revised to accommodate changes in laws and regulations on risk management as well as the AMF Recommendation on audit committees.

It is regularly amended and improved to take account of changes and to reflect feedback from the business segments.

The Manual covers the general principles of internal control and risk management, and internal control principles relating to accounting and finance. The main objectives are to:

- formalise the Group's key internal control principles;
- better identify common best practices across its business segments;
- develop a consistent approach to major issues affecting the entire Group.

Each business segment has further developed this Group-wide approach by analysing the specific aspects of its own internal control system, supplementing the Internal Control and Risk Management Reference Manual of the Bouygues group with principles specifically related to its own activities.

The Manual includes a "Risk management: principles and method" section, which describes the approach to be used in the Group to:

- identify and monitor major risks;
- pass knowledge and experience from one generation to another.

This approach encompasses the key stages of risk management: identification, classification, assessment, prioritisation, processing, reporting and communication.

For each of these stages, the Manual defines the underlying concept and lays down key principles which, taken as a whole, make up the Group's risk management procedure.

Every year, each business segment uses this approach to prepare a risk map, which is presented to the segment's Accounts Committee and Board of Directors. A Group-wide risk map derived from the business segment maps is then presented to the Bouygues Accounts Committee, and subsequently to the Bouygues Board of Directors.

The Manual also includes a section on "Ongoing supervision of internal control", setting out the method for self-assessment of internal control principles.

During 2016, each business segment used this method to assess the extent to which internal control principles were being applied.

The internal control assessment campaigns conducted within each business segment focus on the key risks and issues identified at Group and business segment level.

In 2016, all the business segments self-assessed on the following core topics: information systems, investments in external growth, anti-corruption measures, compliance with competition law, and ethical standards.

At Bouygues Telecom and its subsidiaries, the 2016 general principles assessment campaign also addressed warranties and reporting processes, and issues specific to the telecoms sector such as networks, retail operations and continuity of service obligations.

Bouygues Construction extended the self-assessment campaign deep into its organisational structure, covering over a hundred units representing around 80% of sales and including a number of production departments and branches. In addition to the core topics, the campaign also addressed subcontracting, insurance, warranties and customers.

At TF1, the 2016 assessment campaign covered all internal control principles relating to accounting and finance, and those that play a role in combatting fraud. The campaign covered all revenue-generating entities of the TF1 group except Newen.

At Colas, self-assessment covers all activities and follows a three-year cycle: for two years out of three the campaign focuses on key risk factors, and in the third year it covers all the principles. Each subsidiary was required to continue rolling out assessments to operating units. The 2016 self-assessment campaign covered the full scope of the Internal Control and Risk Management Reference Manual.

The Bouygues Immobilier self-assessment campaign for 2016 was adapted to reflect the new decentralised organisational structure. In addition to the topics common to all business segments, the self-assessment looked at a number of specific issues: organisation charts and delegations of authority, human resources, procurement, internal and external communications, and control over operations.

Each business segment prepared a summary of its 2016 assessments, which was presented to the Accounts Committee of the lead company of each business segment.

The self-assessment campaigns also included a more general objective of checking that action plans developed as a result of previous campaigns were being implemented.

5.2.2.3 General internal control environment

The parent company and Group senior executives are committed to creating an environment that promotes awareness among Group employees of the need for internal control. The same applies to the lead companies of the business segments.

This commitment is expressed in various key areas, especially employee conduct and ethical compliance. The Chairman and Chief Executive Officer regularly issues strong messages to senior executives about the need for impeccable conduct at every level, whether in terms of legal and regulatory compliance or adhering to the Group's own ethics and values.

A key forum for these messages is the quarterly Group Management Meeting, attended by around 450 of the Group's key senior executives. In addition, the Bouygues Management Institute (IMB), regularly organises "Development of Bouygues Values" seminars to raise awareness among key senior executives of the need to comply in all circumstances with laws and regulations and with the ethical rules that underpin the Group's culture. The Chairman and Chief Executive Officer of Bouygues and other members of the company's senior management always speak at these seminars.

From time to time, the Group General Counsel organises executive seminars designed more specifically to remind participants of regulations that apply in various areas and how they tie in with legal issues encountered by the business segments.

The Bouygues Board of Directors has an Ethics, CSR and Patronage Committee. Detailed information on the Committee and its work can be found in the section of the report devoted to corporate governance (see section 5.2.1.9).

The Bouygues group has a Code of Ethics that sets out the essential values with which the Group and its employees are expected to comply in the workplace. The Code contributes to achieving the objective of improved conduct, and helps employees make decisions in real-life situations by reference to clear and precise principles.

These efforts are taken up and amplified in the business segments. For example, in 2016 TF1 issued a "Practical Guide to Ethics", giving staff concrete examples and recommendations on how to conduct themselves in an ethical manner.

Each business segment has an Ethics Officer, and the Board of Directors of each business segment (Bouygues Immobilier, Bouygues Telecom, Bouygues Construction, Colas and now TF1) has a committee specifically devoted to ethics. TF1 has also introduced its own Code of Ethics, supplementing that of the Bouygues group.

The Bouygues group operates a whistleblowing procedure for employees to report ethical irregularities.

The procedure complies with the recommendations of the French data protection authority (Cnil); in line with European Commission Recommendation of 15 February 2005 on the role of directors, it operates under the control of the Ethics, CSR and Patronage Committee of the Board of Directors.

In 2014, the Bouygues group gave fresh impetus to meeting its ethical objectives by issuing four Compliance Programmes on:

- Anti-corruption;
- Conflicts of Interest;
- Financial Information and Securities Trading;
- Competition.

These Compliance Programmes reiterate the main regulations and rules of conduct and specify measures to be implemented at business segment level in terms of information, prevention, control and sanctions. The Bouygues Board of Directors approved these Compliance Programmes on 21 January 2014.

The Compliance Programmes have been gradually implemented across the Group since 2014. As such, specific training for the relevant employees at business segment level has continued through 2016.

A new Compliance Programme on "Embargoes and Export Restrictions" was drafted at Group level during 2016, and will be adopted in 2017.

Maintaining a high level of competence among Bouygues group employees is also one of the parent company's aims, since it helps create an environment favourable to internal control. Bouygues therefore takes a proactive approach to staff training while securing the loyalty of key employees, with a view to preserving a level of experience and knowledge in the company conducive to the transmission of the Group's culture and values.

More generally, the philosophy that the parent company wishes its business segments to share is that of a Group whose senior executives are close to their key employees and whose management practices are transparent, prudent and rigorous.

These principles are formulated at Group Management Committee level and passed on within business segments at all levels (Board of Directors, senior management and management committees). Strategic decisions taken by the Group at the highest level are consistently inspired by this philosophy and serve as a benchmark for each business segment.

The parent company also plays a leading role in human resources management policy at Group level.

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

The Group Human Resources Charter helps to spread the Bouygues culture by reminding everyone that the Group's future development hinges mainly on its employees.

5.2.2.4 Objectives/management cycle

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The purpose of internal control procedures is to help the Group achieve its objectives by taking account of the risks to which it is exposed.

The Group's general objectives are defined via the management cycle, a process which enables Group senior management to intervene at an early stage in determining the strategies of each business segment, to approve business plans prepared by each business segment to support that strategy, and then to monitor the attainment of objectives over the course of the year.

The principles of the management cycle are directly applicable in all Group entities, ensuring there is a solid and coherent structure across the Group as a whole.

This iterative process enables Group senior management to check that objectives are consistent with strategies, monitor any discrepancies between results and objectives, and anticipate remedial action to be taken at Group or business segment level (financing requirements, redefinition of priorities, etc.).

It also aims to provide Group senior management and the Bouygues Board of Directors with all the information necessary for them to make decisions.

Key members of the parent company's senior management team also sit on the Board of Directors of the lead companies within each of the Group's business segments, where strategic priorities and business plans are determined.

Strategic plan and business plans

Each business segment establishes its own strategic plan for the medium term (three years), taking into account the Group's overall strategy and its own particular characteristics. The strategic plan is presented to the Group's senior management by the senior management of each business segment in May.

The resulting action plans form the basis of three-year business plans, which are presented to the Bouygues Board of Directors in the following January.

Annual plan

In the January business plan, the first year is covered in greater detail; this is known as the annual plan, and represents a commitment by each business segment to Group senior management.

An initial status review and update of the annual plan for the year in progress takes place in May, 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.

5.2.2.5 Organisation – Key players and functions

Senior management

Senior management teams are responsible for overseeing the internal control system as a whole, defining strategic priorities, and ensuring that internal control and risk management procedures are designed and implemented in a manner appropriate to each company's development.

Accounts Committees

The Bouygues Accounts Committee and its remit are described in the "Corporate governance" section of this report (see section 5.2.1.9). Each business segment's Board of Directors has an Accounts Committee with similar responsibilities to those of the Bouygues Accounts Committee. In addition to their role relating to optional accounting treatments and examining the financial statements, their remit also includes monitoring the effectiveness of internal control and risk management systems. Accounts Committees at business segment level review internal audit programmes and findings as well as risk mapping exercises, making them a key component in the internal control and risk management system.

Internal Control departments

The parent company has a Group Internal Control and Audit department, which plays a major role in developing the Group's internal control policy and has specific responsibility for:

- directing the Group's internal control and audit functions;
- coordinating the business segments' internal control, risk management and audit activities.

The business segments also have dedicated internal control functions. In general, these functions' main responsibilities are for assessment campaigns and risk mapping, though they may take on more overarching responsibilities for internal control procedures.

At Bouygues Construction the Legal Affairs, Insurance, Audit, Internal Control and Legal Compliance functions manage and coordinate internal control.

Bouygues Telecom operates a business-wide risk management process, embedded in the company's normal business cycle. A risk manager is responsible for the process, assisted by risk correspondents from the main departments whose principal task is to collate and assess risks. They are also responsible for the system's overall consistency, and for changes to the system. A report is submitted on a regular basis to senior management, and the 13 internal control correspondents meet with the risk manager every quarter at internal control committee meetings.

At TF1, the internal control approach is directed by the Audit and Internal Control department. The operating subsidiaries have their own committees, and each has a designated risk correspondent. There is also a support function committee, which deals with internal control issues falling within the scope of the support functions.

At Bouygues Immobilier, the Internal Control department is in charge of risk mapping, with assistance from the relevant bodies and managers. It organises, directs and summarises the self-assessment procedure, and monitors the resulting action plans, and works in conjunction with the Internal Audit department and the Insurance department. Bouygues Immobilier also has a Processes and Procedures department tasked with maintaining, developing and updating all the processes and procedures. To optimise overall effectiveness, all four of these departments are grouped together within the Risk Management department.

At Colas, the Internal Control and Audit department organises and directs internal control in conjunction with correspondents at the subsidiaries, as part of a highly decentralised organisational structure.

General Counsel – Legal Affairs departments

The Group General Counsel monitors matters with significant legal implications for the Group.

From time to time, he works with the business segments in handling major disputes or matters with an impact at Group level.

The Group General Counsel also has a role directing and overseeing legal functions across the Group as a whole through his chairmanship of the Group Legal Committee, made up of the Legal Affairs directors from each of the business segments.

The General Counsel is also the Group Ethics Officer. As such, he drafts and updates, under the authority of the Ethics, CSR and Patronage Committee, the Compliance Programmes.

Within the business segments, the Legal Affairs departments – and support functions more generally – play a major role in risk prevention and control.

Risk and Insurance departments

The Group Risk and Insurance department provides assistance, advice and support to the Group's subsidiaries. It also has a role in risk management.

Because it has an overview of the policies on insurance adopted by each of the business segments, the Group Risk and Insurance department can contract Group-wide insurance policies to supplement cover taken out at business segment level.

The department checks that subsidiaries are insured with leading insurance companies and that the terms of their policies (coverage, deductibles and premiums) are consistent with their risk exposure.

The business segments' own Risk and Insurance departments also make a vital contribution to risk management.

Management control

The management control system is organised such that no Group company falls outside the management control process. Any company not subject to control at business segment level is controlled by the parent company.

The principles governing operational relations between the parent company and the business segments are summarised in a regularly-updated document, issued by the Group Strategy and Development department, to which all the business segments refer.

GROUP REPORTING

The parent company exercises systematic control over the financial management of its subsidiaries via the annual plan (including updates to the plan), combined with monthly performance indicators sent directly to Group senior management and centralised by the Group Strategy and Development department.

Interim financial statements are produced quarterly, and consolidated at Group level.

The management cycle and control/reporting procedures provide a regular flow of information and dialogue between the parent company and the business segments. Plans can be adjusted and the parent company is always in a position to exercise control over how the subsidiaries are being managed and intervene at an early stage in strategic decision-making.

BUSINESS SEGMENT REPORTING

Management control operates on similar lines at business segment level, with dedicated departments and information systems.

Cash management and finance

The Group Cash Management and Finance department at parent company level directs and coordinates policy in this area, establishes Group-level financial management principles, and checks that those principles are being applied.

At an operational level, those principles apply mainly to the Bouygues Relais and Uniservice cash management centres run by the parent company, and to the cash management centres of each business segment. They also apply to the financing needs of subsidiaries.

The key rules applied to cash management relate to internal security (such as double signatures for payments), external security (such as cheque security and payment by electronic promissory note), liquidity (such as confirmed credit facilities, investment of cash surpluses, etc.), counterparty quality, legal documentation for loan agreements, and the assessment of exchange rate risk (including any need for hedging).

Internal audit

The analysis and monitoring provided by internal audit plays a key role in risk management.

At parent company level, the Group Internal Control and Audit department combines both functions, coordinating the internal audit

function at Group level and performing internal audit assignments at the request of Bouygues' senior management, as well as for Bouygues Telecom. The Group has around 45 auditors.

Each business segment (with the exception of Bouygues Telecom) has its own Audit department.

The Group Internal Audit Charter states that the main role of internal audit is to provide senior management with reasonable assurance that organisational principles and internal control and risk management systems are reliable and effective. Internal audit assesses:

- the identification and control of risks based on an analysis of key issues;
- the effectiveness of risk management systems and the implementation of action plans;
- control over and efficiency of operational and support processes;
- the integrity, reliability, completeness, traceability and protection of accounting, financial and management information.

5.2.2.6 Internal control and risk management procedures

Specific risks may differ considerably from one business segment to another, for example in terms of regulation, technology, competition, the environment or major projects. Consequently, each business segment has developed appropriate formal procedures designed to achieve better control over specific risks (see chapter 4 "Risk factors" of this Registration Document).

Bouygues Construction

At Bouygues Construction, risk management is fully integrated into the company's processes: strict procedures apply to the selection and submission of tenders, which are considered by formal Commitment Committees in light of the risks arising on each contract. Depending on the level of financial commitment, the cost of work or the technical challenges involved, Bouygues Construction's entities may be required to submit a dossier for prior approval by Bouygues Construction senior management. Financial and legal affairs teams get involved before projects are launched. From a technical standpoint, each entity has substantial resources for costing, and can also call on experts who are organised into centres of excellence at group level. For major projects, specific attention is paid to costings, which are double-checked internally and by external consultants. The financial risk curve is constantly monitored for major contracts. The management control function has the resources and authority to track the results of each construction project every month and to flag any discrepancies with budgeted figures.

Bouygues Immobilier

Bouygues Immobilier has a regularly-updated internal procedures manual.

Particular attention is paid to the land acquisition commitment process (from promise to sell to final acquisition) and to the start of works.

A meeting of the Commitments Committee must be held before any deed is signed with a view to acquiring land (or buildings). All decisions to acquire land are strictly controlled.

The company has strengthened its environmental risk prevention policy in connection with land purchases.

Bouygues Construction could also face liability claims from customers if the properties it sells are found to be poorly constructed. Under the terms of its performance guarantee, Bouygues Immobilier calls on its contractors to address any snags as quickly as possible. It is also careful to ensure that all parties (such as contractors, engineering consultants and technical design firms) comply scrupulously with ten-year insurance requirements.

Colas

Colas has always applied clearly defined principles and procedures to manage financial and accounting risks. The general risk management policy is based mainly on preventive measures and insurance cover.

Despite a very strong decentralised culture, procedures are in place to ensure proper control is exercised over commitments, whether of a commercial nature (projects are submitted to Contract Committees) or relating to acquisitions of companies or property assets. The same applies to very long-term projects such as concession contracts, public-private partnerships and private finance initiative deals, which depending on the size of the project must be submitted for prior approval by Colas senior management and by the Board of Directors of Colas or of the subsidiary.

TF1

There is a particular focus on buying, which can involve the commitment of substantial sums (for example, on rights acquisition contracts). Such contracts are subject to a specific approval procedure involving various departments and sometimes senior management, depending on the amount of the commitment and the nature of the contract.

TF1 has developed a major risks identification procedure, which formed the basis of a crisis management decision-making system. This in turn led to the creation of the "Réagir" Committee, tasked with devising and updating mission-critical disaster recovery processes to guarantee business continuity. The committee aims to monitor and prevent the major risks to which the mission-critical processes are exposed, and regularly updates and supplements the relevant various procedures.

A key role is played by the Technical and Information Systems department, which not only makes some of the channel's shows but also has responsibility for programme broadcasting, transmission networks and information systems. The Technical and Information Systems department identifies (via the Group Information Systems department) which information systems are critical for the production of information and the secure and effective management of operations. The department also safeguards the security of the TF1 group's channels, and is developing an information security policy and security standards that will apply across the entire TF1 group. Senior management of the group's broadcasting arm are responsible for monitoring compliance with programme standards and the obligations in the terms of reference.

In 2016, TF1 set up a Security Operation Cockpit (SOC), which has been operational since October 2016. The objective of the SOC is to provide real-time monitoring of information systems so that software and hardware malfunctions can be identified rapidly, and counter-measures taken against cyber-attacks.

Bouygues Telecom

The products and services offered by Bouygues Telecom are of critical importance, and are therefore examined by a special committee that meets monthly and is attended by Bouygues Telecom senior management. The same committee performs a quarterly review of products and services, and assesses actual performances against the initial forecasts.

Control over purchasing is particularly tight at Bouygues Telecom, reflecting the high level of purchases made by the company. The Purchasing department applies very strict procedures, and is itself subject to regular checks.

5.2.2.7 Information and communication

The production and dissemination of information, both inside and outside the Group, makes a significant contribution to the development of internal control.

The Group uses information systems to manage and control these activities. The Corporate Communications department is a key player. Through internal communication, it helps raise staff awareness of the importance of control. Externally, it exercises control to provide external stakeholders with reliable and relevant information that complies with legal requirements.

Internal communications

The Group Corporate Communications department plays an active part in disseminating information to the Group's employees. This strengthens the Bouygues group's identity and plays a unifying role.

Reporting directly to the Chairman and Chief Executive Officer of Bouygues, it is responsible for *Challenger Express*, a twice-monthly newsletter for managers, and *Le Minorange*, an internal magazine published twice yearly, which forges genuine links between all Group employees.

The department also administers the Group intranet portal, ByLink, a tool for employees to work collaboratively and share information across the Group. The Group Corporate Communications department also publishes *At a Glance*, a publication summarising financial information which is disseminated externally as well as to the Group's managerial, supervisory, technical and clerical staff.

The Group Management Meeting is also an important channel for transmitting key information and messages to the Group's key senior executives.

External communications

The Group Corporate Communications department works closely and collaboratively with the business segments.

Its main roles are:

- promoting the Group's image (press relations, public relations, etc.);
- providing the Group's senior management and managers with useful information from external sources;
- handling financial disclosures to the press and the public, in collaboration with the Investor Relations department.

5.2.2.8 Internal control procedures relating to accounting and financial information

One of the key objectives of internal control is the reliability of accounting and financial information. Within the Bouygues group, this is addressed through comprehensive systems and a set of stringent procedures.

Quarter-end close

Each business segment has its own accounting close procedures, which must dovetail with the Group's consolidation process.

Consolidation process

At parent company level, a major role of the Group Consolidation and Accounting department is to establish and implement consistent rules and methods for consolidation across the Group as a whole. It also provides support to the business segments in managing their activities on a consolidated basis, and prepares the parent company financial statements.

Consolidation is carried out quarterly, using intermediate consolidations. Each business segment prepares a consolidation 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.

The consolidation is processed at each level using a specific software programme widely used by listed companies, with each of the business segments using it to prepare their intermediate consolidation. Using consolidation software makes it possible to exercise rigorous control and apply standardised procedures during the preparation of the financial statements.

In addition to the computerised accounting system, the Group Consolidation and Accounting department has produced a Group consolidation handbook containing the rules and procedures applicable to consolidation throughout the Group. The handbook is an important reference tool for preparing consolidated financial statements, and is accessible to all accounting staff Group-wide on a dedicated intranet site that also describes the accounting policies and optional treatments applied within the Group.

The Group Consolidation and Accounting department also has an educative and co-ordinating role, organising seminars and distributing circulars to make sure the business segments are kept up to date on accounting rules and methods. Special emphasis is placed on the interpretation of, and developments in, international financial reporting standards. This in turn helps to lock in consistency in the way financial statements are prepared.

Finance and accounting internal control procedures

In addition to the core financial and accounting procedures set out in the Bouygues group Internal Control Reference Manual, each business segment operates its own specific internal control systems.

Accounts Committees

The Accounts Committees are a key component of the internal control system at the accounting and financial level.

Detailed information about the Bouygues Accounts Committee is set out in section 5.2.1.9 above. The lead company of each business segment also has an accounts or audit committee with a remit similar to that of the Bouygues Accounts Committee.

Investor relations

At Bouygues SA level, the Group Investor Relations department handles relations with investors and financial analysts, providing the markets with the information they need and providing feedback to shareholders and analysts.

Great care is taken in preparing press releases and the Registration Document, which the Group regards as playing a key role in its corporate image.

Various departments are involved in the process of preparing these documents, including Finance, Consolidation, Communications and General Secretariat. They are approved by senior management, and audited by the statutory auditors. The quarterly press releases are approved by the Accounts Committee and the Board of Directors.

Procedures are in place to ensure that employees are aware of insider dealing regulations.

The other listed companies in the Group (TF1, Colas) handle their own investor relations.

5.2.2.9 Oversight

Internal control systems must themselves be subject to control by means of periodic assessments, and should also be subject to a constant process of improvement.

Audit departments at parent company and business segment level have always assessed the effectiveness of internal control as part of their core mission, and are actively involved in this improvement process.

Their key concern is always to develop and implement action plans whose primary objective is to help the Group exercise better control over its operations.

5.2.3 Financial risks relating to the effects of climate change

The Bouygues group has identified risks and opportunities relating to the challenge of climate change.

Extreme meteorological phenomena directly associated with climate change are now perceptible everywhere on the planet, and bring with them physical, economic and political consequences. Two risks directly related to climate change are of particular relevance:

- Climatic disturbances (higher temperatures, drought and floods, coastal erosion, rising sea levels, etc.), which will increasingly impair the resilience of certain buildings and infrastructure: in order to avert this risk, Bouygues needs to integrate these constraints into the solutions it offers. Just as seismic risks are taken into account in earthquake zones, adapting solutions to the effects of climate change will become a source of commercial differentiation. For example, designing and constructing passive buildings that are energy-positive or even autonomous, building and raising dykes and developing wetlands to counter heat islands, all represent business opportunities on every continent. Higher average temperatures are also extending the periods during which it is possible to work in countries with continental or polar climates, such as Canada. Conversely, a greater incidence of heatwaves and extreme meteorological events (hurricanes, floods, etc.) is disrupting execution on some projects, with impacts on productivity, operating costs and insurance premiums.
- The geopolitical consequences of climate change: climatic disturbances put economic, social and political systems under pressure and heighten the risk of instability and regional conflict, for example over access to water; this may lead to fewer commercial opportunities in some geographical areas.

The Group's production and construction processes, and the use of the assets and infrastructure it constructs, involve the emission of greenhouse gases. Against a background of profound change in the world economy, in particular as regards the objective of keeping temperature rises below 2°C between now and 2100, Bouygues is exposed to transition risks, in other words risks relating to the consequences of transitioning to a lower-carbon economic model. How we deal with these risks will be a source of innovation and differentiation for the Group. Three major transition risks have been identified:

- Carbon taxation: the adoption of the principle of a carbon tax in France and Europe, or the extension of a system of quotas in certain countries where the Group operates, could have financial impacts. These include increases in the amount of taxes and in the cost of high grey energy materials, the obligation to acquire emission rights, higher project operating costs, etc. Moreover, in the absence of a world governing body for carbon taxation, the associated regulations

and policies are multifarious, complex and lack clarity. Those countries that are most favourable to carbon taxation represent major market opportunities for the Group's low-carbon offerings, but there is currently little visibility on their positioning.

- Supply risks: the highly carbon-intensive nature of the extractive industries means they are having to adapt, and is affecting the cost of access to primary raw materials such as petroleum products, sand and metals. Delays or interruptions in supply, and fluctuations in the cost of such raw materials, potentially have direct and indirect financial impacts for the construction industry. To counter this risk, the Group is committing to and investing in a number of projects involving circular economy processes and techniques. These processes and techniques are being deployed as part of several projects and enable the Group to reduce its dependence on primary raw materials, in particular by encouraging recycling and re-use of secondary raw materials.
- Regulatory requirements intended to replace some existing techniques with solutions that produce fewer emissions: these are driving a gradual increase in costs associated with researching and adopting lower-emission technologies. Given the competitive market for low-carbon solutions, failing to anticipate developments in this area could lead to a drop in demand for certain products and services offered by Bouygues. The Group's businesses are working to understand and counter this risk by adopting sustainable construction strategies: low-carbon buildings, energy efficiency in both renovated and new buildings, eco-neighbourhoods, creating partnerships to promote soft mobility, etc. In addition, the emergence of incentivising financial tools (green bonds) and "green" investment schemes represent new sources of financing for the Group's sustainable development solutions.

To address these risks and maximise the associated opportunities, the Group is implementing concrete policies in all the component parts of its business and throughout its value chain. Bouygues' priorities and the main initiatives taken as part of its low-carbon strategy are described in chapter 3 of this Registration Document.

In order to identify the impacts of climate change on its business environment and to promote the implementation of structural policies at national and international levels, the Group is also a partner and active member of The Shift Project (www.theshiftproject.org), a think-tank backed by a multi-disciplinary network of experts and business people with recognised expertise in energy and climate issues.

5.2.4 Other information

5.2.4.1 Specific formalities for shareholder participation in Annual General Meetings

Specific formalities for shareholder participation in Annual General Meetings and, in particular, the conditions under which double voting rights are granted to shareholders who have held shares in registered form for over two years, are set out in chapter 6, section 6.1.2 of this Registration Document.

5.2.4.2 Information covered by Article L. 225-100-3 of the Commercial Code

The information covered by Article L. 225-100-3 of the Commercial Code (factors likely to have an impact on any public tender offer price) is set out in chapter 6, section 6.1.4 of this Registration Document.

5.2.4.3 Principles and rules for determining the remuneration and other benefits granted to the Executive Officers

The corresponding information is set out in section 5.4 of this Registration Document.

5.3 Auditors' report, prepared in accordance with Article L. 225-235 of the Commercial Code, on the Report by the Chairman of Bouygues (for the year ended 31 December 2016)

To the shareholders,

In our capacity as auditors of Bouygues and in accordance with the requirements of Article L. 225-235 of the Commercial Code, we present below our report on the report compiled by the Chairman of the Board of Directors of Bouygues in accordance with Article L. 225-37 of the Commercial Code for the year ended 31 December 2016.

The Chairman is responsible for compiling and submitting a report to the Board of Directors for approval regarding the internal control and risk management procedures put in place within the company, and for providing the other information required by Article L. 225-37 of the Commercial Code, particularly in the area of corporate governance.

Our responsibility is to:

- report our comments on the information contained in the Report by the Chairman regarding risk management and internal control procedures relating to the preparation and treatment of accounting and financial information, and
- certify that the Report by the Chairman contains the other information required by Article L. 225-37 of the Commercial Code, it being specified that that we are not responsible for verifying the fairness of that information.

We conducted our work in accordance with the professional practices applicable in France.

Information regarding risk management and internal control procedures relating to the preparation and treatment of accounting and financial information

Professional practices require that we perform procedures to assess the fairness of the information provided in the Report by the Chairman

on risk management and internal control procedures relating to the preparation and treatment of accounting and financial information.

These procedures included:

- obtaining an understanding of the risk management and internal control procedures relating to the preparation and treatment of accounting and financial information described in the Report by the Chairman, and of other existing documentation;
- obtaining an understanding of the work underlying the information contained in the Report by the Chairman, and of other existing documentation;
- determining whether the Report by the Chairman contains the appropriate disclosures regarding any material weaknesses we might have identified in internal control procedures relating to the preparation and treatment of accounting and financial information.

Based on our work, we have no matters to report on the information contained in the Report by the Chairman prepared in accordance with Article L. 225-37 of the Commercial Code on risk management and internal control procedures relating to the preparation and treatment of accounting and financial information.

Other information

We certify that the Report by the Chairman contains all of the other information required by Article L. 225-37 of the Commercial Code.

Paris-La Défense, 22 February 2017

The Statutory Auditors

ERNST & YOUNG Audit

Laurent Vitse

MAZARS

Guillaume Potel

5.4 Remuneration of corporate officers for 2016 and 2017 – Awards of stock options to corporate officers and Group employees

This section contains the reports required by the Commercial Code and the tables recommended in the Afep-Medef Corporate Governance Code and in AMF pronouncements on information to be included in the registration document of listed companies about the remuneration of corporate officers.

5.4.1 Remuneration for 2016

Information required under Articles L. 225-102-1 and L. 225-37, paragraph 9 of the Commercial Code, and describing the remuneration components referred to in resolutions eight to eleven of the Combined Annual General Meeting of 27 April 2017.

5.4.1.1 Principles and rules for determining remuneration awarded to Executive Officers in 2016

The Bouygues Board of Directors first applied the Afep-Medef Corporate Governance Code recommendations in 2007. Those initial recommendations, published in January 2007, dealt with the remuneration of Executive Officers of listed companies. Since then, the Board of Directors has consistently applied subsequent changes to the Afep-Medef Code relating to executive remuneration. Most recently, the Board has applied the guide to applying the Code issued by the High Committee for Corporate Governance in October 2016, and the revised version of the Afep-Medef Code issued in November 2016.

The principles and rules currently applied by the Board, and used to determine remuneration for the 2016 financial year, are described below.

A. General preliminary remarks

- None of the four Executive Officers holds an employment contract. Prior to their appointment as Deputy Chief Executive Officer on 30 August 2016, Philippe Marien and Olivier Roussat were employees of Bouygues SA. Their employment contracts were suspended effective from the date of their appointment, i.e. 30 August 2016.
- The Board of Directors has not granted them any entitlement to severance compensation or non-competition indemnity in the event that they leave the company.
- They were not awarded any deferred annual variable remuneration or multi-year variable remuneration in 2016.
- The overall remuneration package awarded to Executive Officers takes account of the existence of a capped supplementary pension benefit, and of the fact that they are not entitled to any severance compensation or non-competition indemnity.
- Apart from directors' fees (see Table 4 below), no Group subsidiary pays any remuneration to Martin Bouygues, Olivier Bouygues or Philippe Marien.

In parallel with his new role as Deputy Chief Executive Officer of Bouygues, Olivier Roussat also holds office as Chairman and Chief Executive Officer of Bouygues Telecom. Since the date of his appointment by Bouygues as Deputy Chief Executive Officer, his remuneration has been charged 60% to Bouygues and 40% to Bouygues Telecom.

B. 2016 fixed remuneration

The rules for determining fixed remuneration were established in 1999 and have been applied consistently since then. Fixed remuneration is determined by reference to the level and complexity of responsibilities, experience in the post and length of service with the Group, and practices followed by groups or companies carrying on comparable businesses.

C. 2016 benefits in kind

Benefits in kind consist of the use of a company car, and in the case of Martin Bouygues and Olivier Bouygues the part-time assignment of a personal assistant and a chauffeur/security guard for their personal needs.

D. 2016 variable remuneration

GENERAL DESCRIPTION OF METHOD USED TO DETERMINE THE 2016 VARIABLE REMUNERATION OF MARTIN BOUYGUES AND OLIVIER BOUYGUES

Variable remuneration is awarded on an individual basis. For Martin Bouygues and Olivier Bouygues, the Board has defined four variable remuneration criteria.

An objective is set for each criterion. When the objective is attained, a variable portion corresponding to a percentage of fixed remuneration is awarded.

If an objective is exceeded or not attained, the variable portion is adjusted on a straight line basis within a specified range: the variable portion is subject to an upper limit, while if the variable portion falls below a lower limit it is reduced to zero.

The sum total of the four variable portions calculated on this basis cannot under any circumstances exceed the overall ceiling, as set in 2016, of 150% of each Executive Officer's fixed remuneration (see below).

METHOD USED TO DETERMINE THE 2016 VARIABLE REMUNERATION OF OLIVIER ROUSSAT

Olivier Roussat is the Chairman and Chief Executive Officer of Bouygues Telecom.

Because most of 2016 had elapsed at the time Olivier Roussat was appointed as Deputy Chief Executive Officer, the Board of Directors decided not to alter the method used to determine his remuneration for 2016. For a description of the method used, refer to section 5.4.1.4 "Remuneration of salaried directors" below. As mentioned above, Bouygues has been charged 60% of the cost of Olivier Roussat's remuneration since 1 September 2016.

METHOD USED TO DETERMINE THE 2016 VARIABLE REMUNERATION OF PHILIPPE MARIEN

Regarding the 2016 remuneration of Philippe Marien, appointed as Deputy Chief Executive Officer on 30 August 2016, the Board of Directors decided that the annual basis of his fixed remuneration would be increased to €920,000 with effect from 1 September 2016; the five criteria for determining his variable remuneration (management of the Group's liquidity, the Group's debt rating, effectiveness of internal control, leadership of functions reporting to him, and management of major corporate actions) would remain in place for the last four months of 2016; and the cap on his variable remuneration, set at 100% of his fixed remuneration, would also remain in place.

THE FOUR CRITERIA USED TO DETERMINE THE 2016 VARIABLE REMUNERATION OF MARTIN BOUYGUES AND OLIVIER BOUYGUES

For 2016, the variable remuneration of Martin Bouygues and Olivier Bouygues is based on the performance of the Group, determined by reference to four key economic criteria (P1, P2, P3 and P4):

- P1 = increase in current operating profit (COP) for the financial year / Objective = COP per the 2016 plan;
- P2 = change in consolidated net profit attributable to the Group (CNP) for the financial year / Objective = CNP per the 2016 plan;
- P3 = change in consolidated net profit attributable to the Group (CNP) for the financial year / Objective = CNP for the previous year;
- P4 = change in free cash flow before changes in working capital requirement (WCR) for the financial year / free cash flow before changes in WCR per the 2016 plan.

These quantitative objectives were established with precision but are not disclosed for confidentiality reasons.

The method used to determine the variable remuneration of the Executive Officers is as follows:

(FR = Fixed Remuneration)

The effective weight of each criterion used to determine each variable portion awarded (P1, P2, P3 and P4) reflects the actual performance achieved during the year.

Each variable portion (P) is calculated as follows:

1) If actual performance is more than 10% below the objective: the variable portion (P1, P2, P3 or P4) = 0

2) If actual performance is in the range between (objective - 10%) and the objective:

P1 = 0% to 50% of FR

P2 = 0% to 25% of FR

P3 = 0% to 25% of FR

P4 = 0% to 50% of FR

3) If actual performance exceeds the objective:

P1 = 50% to 100% of FR

P2 = 25% to 50% of FR

P3 = 25% to 50% of FR

P4 = 50% to 100% of FR

Between those limits, the effective weight of each variable portion is determined by linear interpolation.

The sum total of P1, P2, P3 and P4, calculated as described above, is **capped at 150% of FR**.

Three adjustments have been added by the Board, as described in the table below. Two relate to P2 and P3, the other is of more general application.

The table below summarises the method used to determine variable remuneration.

Objective	Variable remuneration calculation method	
	Variable portion if objective attained (% of FR)	Variable portion awarded based on 2016 performance (% of FR)
P1 Current operating profit for the year per the 2016 plan	50%	54.77%
P2 Consolidated net profit for the year per the 2016 plan	25% + if consolidated net profit per the 2016 plan is 20% or more below actual consolidated net profit for 2015, P2 is capped at 25%	50% Not applicable for 2016
P3 Actual consolidated net profit for the previous financial year (2015 CNP)	25% + if actual consolidated net profit for the financial year is 20% or more below actual consolidated net profit for the previous financial year, no variable remuneration is awarded	50% Not applicable for 2016
P4 Free cash flow (before changes in WCR) per the 2016 plan	50%	0%
	Total = 150% of FR	Total = 154.77% of FR
Cap	150%	150%
Adjustment at the Board's discretion	If an exceptional item affects consolidated net profit for the financial year, the Board of Directors may at its discretion reduce or not award variable remuneration if the variable portions (P1, P2, P3 and P4) would have been fully or partially payable in the absence of that exceptional item.	Not applicable for 2016

E. Overall cap

The overall cap on variable remuneration is set at 150% of fixed remuneration.

F. Exceptional remuneration

In exceptional circumstances, the Board of Directors may, on the advice of the Selection and Remuneration Committee, grant an exceptional bonus.

G. 2016 directors' fees

Martin Bouygues and Olivier Bouygues receive and retain the directors' fees paid by Bouygues and by certain Group subsidiaries (see sections 5.4.1.2 and 5.4.1.3 below). Philippe Marien and Olivier Roussat retain the directors' fees paid by certain subsidiaries.

H. 2016 supplementary pension

The four Executive Officers are entitled, subject to certain conditions, to a supplementary pension when they retire.

PERFORMANCE CONDITIONS FOR THE SUPPLEMENTARY PENSION IN 2016

Under Article 229 of the law of 6 August 2015, vesting of the pension rights of Executive Officers of listed companies in respect of a given financial year must now be subject to performance conditions.

Martin Bouygues and Olivier Bouygues can no longer acquire any further supplementary pension rights since the rights vested in them to date exceed the cap set by the Board of Directors (eight times the French social security ceiling).

Philippe Marien and Olivier Roussat having been appointed Deputy Chief Executive Officers, the Board of Directors has set performance conditions that must be met if they are to acquire pension rights for the period from 1 September 2016 to 31 December 2016. For that short period, the Board decided that their rights would vest if, based on the five performance criteria used to determine their variable remuneration, the variable portion of their remuneration reached at least 100% (Olivier Roussat) or 70% (Philippe Marien) of their fixed remuneration. Those performance levels were met.

INFORMATION PROVIDED BY THE COMPANY ON PENSION COMMITMENTS OR OTHER LIFETIME BENEFITS PURSUANT TO THE THIRD PARAGRAPH OF ARTICLE L. 225-102-1

The characteristics of the supplementary pension scheme awarded to the Group's senior executives are as follows:

1. Title of the commitment: defined-benefit collective pension scheme.
2. Reference to legal provisions identifying the scheme: Article L. 137-11 of the Social Security Code.
3. Conditions for joining the scheme and other eligibility conditions: the beneficiary must:
 - be a member of the Group Management Committee on the date of departure or retirement;
 - have at least ten years' service with the Bouygues group at the date of departure or retirement;
 - have definitively ended his or her professional career at one of the Group companies (this condition is fulfilled when the employee is part of the workforce at the date of departure or retirement);

- be at least 65 years old at the date of departure or retirement;
 - fulfil the eligibility criteria for pension benefits under the basic social security pension scheme and the mandatory supplementary schemes (ARRCO and AGIRC).
- 4.** Method of determining the reference salary specified by the scheme and used to calculate the rights of beneficiaries:
- The reference salary must be equal to the average gross salary of the three best calendar years of the senior executive or employee at the Bouygues group during his or her period on the Group Management Committee, adjusted to reflect changes in the value of pension entitlement points under the AGIRC scheme, on the date of cessation of office or termination of employment contract. The reference gross salary is that used to calculate social security contributions in accordance with Article L. 242-1 of the Social Security Code.
- 5.** Pattern of vesting of rights: annual rate; beneficiaries of the supplementary pension scheme receive an additional annual pension entitlement of 0.92% of the reference salary per year in the scheme, determined as explained above.
- 6.** Existence of a cap, and the amount and terms and conditions for determining that cap: rights may not exceed a cap set at eight times the annual social security ceiling (giving a cap of €308,928 for 2016).
- 7.** Terms and conditions for funding the benefit: outsourced to an insurance company, to which a contribution is paid each year.
- 8.** Estimated amount of the annual annuity at the end of the reporting period:

Name	Annual annuity €
Martin Bouygues	305,506
Olivier Bouygues	248,682
Philippe Marien	184,117
Oliver Roussat	145,510

Note: The annual annuities of Martin Bouygues and Olivier Bouygues would each amount to eight times the annual social security ceiling once the contributions paid into the scheme by SCDM, calculated on a pro rata basis for the time spent on SCDM business each year by the person concerned, are taken into account.

Note: Before being appointed as Deputy Chief Executive Officers, Philippe Marien and Olivier Roussat were already members of the Group Management Committee and as such were entitled to benefit from the defined-benefit pension scheme described above.

- 9.** Tax and social security charges borne by the company: the contributions paid into the scheme by the company are not subject to employers' social security charges or to the CSG or CRDS levies. However, the company is required to pay a levy set at 24% of those contributions.

I. Other information on remuneration

The remuneration of Martin Bouygues and Olivier Bouygues, as determined by the Board of Directors, is paid by SCDM. SCDM then invoices Bouygues this remuneration and the related social security charges, pursuant to the agreement governing relations between Bouygues and SCDM as approved under the regulated agreements procedure. Those invoices strictly reflect the amounts of remuneration as determined by the Bouygues Board of Directors. The agreement between Bouygues and SCDM was approved by the Annual General Meeting of 21 April 2016 (fourth resolution) under the regulated agreements procedure.

Olivier Bouygues spends part of his time on SCDM business. The Board of Directors has ensured that his remuneration reflects how he splits his time. His operational responsibilities within SCDM do not significantly reduce his availability and do not give rise to a conflict of interest.

As mentioned above, because Olivier Roussat holds office as Chairman and Chief Executive Officer of Bouygues Telecom in parallel with his office as Deputy Chief Executive Officer of Bouygues, 60% of his remuneration is charged to Bouygues and 40% to Bouygues Telecom.

J. Combined Annual General Meeting of 21 April 2016 – Say on Pay

The Annual General Meeting of 21 April 2016 expressed a favourable option on the components of the remuneration awarded in respect of the 2015 financial year to Martin Bouygues (sixth resolution, passed with 99.36% of the votes in favour) and Olivier Bouygues (seventh resolution, passed with 99.34% of the votes in favour).

5.4.1.2 Remuneration of Executive Officers in respect of the 2016 financial year

Description of the remuneration of Martin Bouygues, Chairman and Chief Executive Officer, in respect of the 2016 financial year

I. Remuneration components due or awarded in respect of the 2016 financial year and submitted to the Annual General Meeting of 27 April 2017 for an opinion (Resolution 8)

	Quantity/accounting value €	Comments
Fixed remuneration	920,000	Martin Bouygues' fixed remuneration has not changed since 2003.
Change versus 2015	0%	
Annual variable remuneration	1,380,000	Variable remuneration criteria (2016 financial year): see 5.4.1.1 (D) above.
Change versus 2015		
Variable/fixed ^a	150%	
Cap ^b	150%	
Deferred variable remuneration		No entitlement to deferred variable remuneration.
Multi-year variable remuneration		No entitlement to multi-year variable remuneration.
Exceptional remuneration		No entitlement to exceptional remuneration.
Value of stock options, performance shares or any other long-term remuneration awarded during the year		No stock options, performance shares or other long-term remuneration awarded for this year.
Directors' fees	70,200 ■ o/w Bouygues: 50,000 ■ o/w subsidiaries: 20,200	
Value of benefits in kind	31,322	Company car. Part-time assignment of personal assistant and chauffeur/security guard for personal needs.

II. For information: remuneration components due or awarded in respect of the 2016 financial year and approved by the Annual General Meeting under the regulated agreements procedure (AGM of 21 April 2016, Resolution 4)

	Quantity/accounting value €	Comments
Severance compensation		No entitlement to severance compensation.
Non-competition indemnity		No entitlement to a non-competition indemnity.
Supplementary pension scheme		Martin Bouygues, on the same basis and subject to the same conditions as the other members of the Group Management Committee, belongs to a supplementary pension scheme giving entitlement to an annual pension equal to 0.92% of the reference salary (average of the three best years) per year in the scheme, capped at eight times the social security ceiling (giving a cap of €308,928 for 2016). Because he has reached this cap, Martin Bouygues cannot acquire any further rights. Entitlement to this supplementary pension is acquired only after ten years' service with the Bouygues group and is contingent on the beneficiary being a member of the Group Management Committee at the date of retirement. If he had retired in 2016, taking into account his length of service, Martin Bouygues would have been entitled to an annual pension of €305,506 (although the €308,928 cap would have been reached because Martin Bouygues has also acquired pension rights through the office he holds at SCDM). In accordance with the Afep-Medef Code, this does not exceed 45% of his reference income.
TOTAL	2,401,522	
Change versus 2015	+134.6%	

(a) Variable remuneration expressed as a percentage of fixed remuneration.

(b) Cap on variable remuneration, set at a percentage of fixed remuneration.

Description of the remuneration of Olivier Bouygues, Deputy Chief Executive Officer, in respect of the 2016 financial year

I. Remuneration components due or awarded in respect of the 2016 financial year and submitted to the Annual General Meeting of 27 April 2017 for an opinion (Resolution 9)

	Quantity/accounting value €	Comments
Fixed remuneration	500,000	Olivier Bouygues' fixed remuneration has not changed since 2009.
Change versus 2015	0%	
Annual variable remuneration	750,000	Variable remuneration criteria (2016 financial year): see 5.4.1.1 (D) above.
Change versus 2015		
Variable/fixed ^a	150%	
Cap ^b	150%	
Deferred variable remuneration		No entitlement to deferred variable remuneration.
Multi-year variable remuneration		No entitlement to multi-year variable remuneration.
Exceptional remuneration		No entitlement to exceptional remuneration.
Value of stock options, performance shares or any other long-term remuneration awarded during the year		No stock options, performance shares or other long-term remuneration awarded for this year.
Directors' fees	75,875 ■ o/w Bouygues: 25,000 ■ o/w subsidiaries: 50,875	
Value of benefits in kind	10,756	Company car. Part-time assignment of personal assistant and chauffeur/security guard for personal needs.

II. For information: remuneration components due or awarded in respect of the 2016 financial year and approved by the Annual General Meeting under the regulated agreements procedure (AGM of 21 April 2016, Resolutions 4 and 5)

	Quantity/accounting value €	Comments
Severance compensation		No entitlement to severance compensation.
Non-competition indemnity		No entitlement to a non-competition indemnity.
Supplementary pension scheme		Olivier Bouygues, on the same basis and subject to the same conditions as the other members of the Group Management Committee, belongs to a supplementary pension scheme giving entitlement to an annual pension equal to 0.92% of the reference salary (average of the three best years) per year in the scheme, capped at eight times the social security ceiling (giving a cap of €308,928 for 2016). Because he has reached this cap, Olivier Bouygues cannot acquire any further rights. Entitlement to this supplementary pension is acquired only after ten years' service with the Bouygues group and is contingent on the beneficiary being a member of the Group Management Committee at the date of retirement. If he had retired in 2016, taking into account his length of service, Olivier Bouygues would have been entitled to an annual pension of €248,682 (although the €308,928 cap would have been reached because Olivier Bouygues has also acquired pension rights through the office he holds at SCDM). In accordance with the Afep-Medef Code, this does not exceed 45% of his reference income.
TOTAL	1,336,631	
Change versus 2015	+130.58%	

(a) Variable remuneration expressed as a percentage of fixed remuneration.

(b) Cap on variable remuneration, set at a percentage of fixed remuneration.

Description of the remuneration of Olivier Roussat, Deputy Chief Executive Officer, for the period from 1 September 2016 to 31 December 2016

I. Remuneration components due or awarded in respect of the period from 1 September 2016 to 31 December 2016 and submitted to the Annual General Meeting of 27 April 2017 for an opinion (Resolution 11)

	Quantity/accounting value €	Comments
Fixed remuneration	184,000	Corresponds to 60% of Olivier Roussat's fixed remuneration for the four-month period, the remainder being charged to Bouygues Telecom.
Change versus 2015		
Variable remuneration	276,000	Corresponds to 60% of Olivier Roussat's variable remuneration for the four-month period, the remainder being charged to Bouygues Telecom.
Change versus 2015		Variable remuneration criteria: see 5.4.1.4 below.
Variable/fixed ^a	150%	
Cap ^b	150%	
Deferred variable remuneration		No entitlement to deferred variable remuneration.
Multi-year variable remuneration		No entitlement to multi-year variable remuneration.
Exceptional remuneration		No entitlement to exceptional remuneration.
Value of stock options, performance shares or any other long-term remuneration awarded during the period		No stock options, performance shares or other long-term remuneration awarded during the period from 1 September 2016 to 31 December 2016. Prior to his appointment on 30 August 2016, Olivier Roussat was awarded 80,000 stock options on 30 May 2016. Those options were valued at €197,888 on the grant date.
Directors' fees	Directors' fees – subsidiaries: 11,517	(4/12ths of the directors' fees paid to Olivier Roussat in 2016).
Value of benefits in kind	4,517	Company car and unemployment insurance. (60% of 4/12ths of the benefits in kind awarded to Olivier Roussat in 2016).

II. For information: remuneration components due or awarded in respect of the period from 1 September 2016 to 31 December 2016, approved by the Board of Directors under the regulated agreements procedure and submitted for approval by the Annual General Meeting of 27 April 2017 (Resolution 7)

	Quantity/accounting value €	Comments
Severance compensation		No entitlement to severance compensation.
Non-competition indemnity		No entitlement to a non-competition indemnity.
Supplementary pension scheme		Olivier Roussat, on the same basis and subject to the same conditions as the other members of the Group Management Committee, belongs to a supplementary pension scheme giving entitlement to an annual pension equal to 0.92% of the reference salary (average of the three best years) per year in the scheme, capped at eight times the social security ceiling (giving a cap of €308,928 for 2016). Entitlement to this supplementary pension is acquired only after ten years' service with the Bouygues group and is contingent on the beneficiary being a member of the Group Management Committee at the date of retirement. If he had retired in 2016, Olivier Roussat would have been entitled, taking into account his length of service, to an annual pension of €145,410. In accordance with the Afep-Medef Code, this does not exceed 45% of his reference income.
TOTAL	476,034	

(a) Variable remuneration expressed as a percentage of fixed remuneration.

(b) Cap on variable remuneration, set at a percentage of fixed remuneration.

Description of the remuneration of Philippe Marien, Deputy Chief Executive Officer, for the period from 1 September 2016 to 31 December 2016

I. Remuneration components due or awarded in respect of the period from 1 September 2016 to 31 December 2016 and submitted to the Annual General Meeting of 27 April 2017 for an opinion (Resolution 10)

	Quantity/accounting value €	Comments
Fixed remuneration	306,667	
Change versus 2015		
Variable remuneration	306,667	Variable remuneration criteria: see 5.4.1.1 (D) above.
Change versus 2015		
Variable/fixed ^a	100%	
Cap ^b	100%	
Deferred variable remuneration		No entitlement to deferred variable remuneration.
Multi-year variable remuneration		No entitlement to multi-year variable remuneration.
Exceptional remuneration		No entitlement to exceptional remuneration.
Value of stock options, performance shares or any other long-term remuneration awarded during the year		No stock options, performance shares or other long-term remuneration awarded during the period from 1 September 2016 to 31 December 2016. Prior to his appointment on 30 August 2016, Philippe Marien was awarded 80,000 stock options on 30 May 2016. Those options were valued at €197,888 on the grant date.
Directors' fees	Directors' fees – subsidiaries: 25,467	(4/12ths of the directors' fees paid to Philippe Marien in 2016).
Value of benefits in kind	1,215	Company car. (4/12ths of the benefits in kind awarded to Philippe Marien in 2016).

II. For information: remuneration components due or awarded in respect of the period from 1 September 2016 to 31 December 2016, approved by the Board of Directors under the regulated agreements procedure and submitted for approval by the Annual General Meeting of 27 April 2017 (Resolution 6)

	Quantity/accounting value €	Comments
Severance compensation		No entitlement to severance compensation.
Non-competition indemnity		No entitlement to a non-competition indemnity.
Supplementary pension scheme		Philippe Marien, on the same basis and subject to the same conditions as the other members of the Group Management Committee, belongs to a supplementary pension scheme giving entitlement to an annual pension equal to 0.92% of the reference salary (average of the three best years) per year in the scheme, capped at eight times the social security ceiling (giving a cap of €308,928 for 2016). Entitlement to this supplementary pension is acquired only after ten years' service with the Bouygues group and is contingent on the beneficiary being a member of the Group Management Committee at the date of retirement. If he had retired in 2016, Philippe Marien would have been entitled to an annual pension, taking into account his length of service, of €184,117. In accordance with the Afep-Medef Code, this does not exceed 45% of his reference income.
TOTAL	640,016	

(a) Variable remuneration expressed as a percentage of fixed remuneration.

(b) Cap on variable remuneration, set at a percentage of fixed remuneration.

Table 1 – General summary of legal status of Executive Officers: restrictions on combining corporate office with employment contract – Supplementary pension – Severance compensation – Non-competition indemnity

Executive Officer	Employment contract		Supplementary pension scheme		Compensation or other benefits due or liable to become due on cessation or change of office		Non-competition indemnities	
	yes	no	yes	no	yes	no	yes	no
Martin Bouygues Office: Chairman and CEO		X	X			X		X
Olivier Bouygues Office: Deputy CEO		X	X			X		X
Olivier Roussat Office: Deputy CEO	X ^a		X			X		X
Philippe Marien Office: CEO	X ^a		X			X		X

(a) Employment contract suspended with effect from 1 September 2016.

Table 2 – General summary of remuneration, benefits in kind and options awarded to the four Executive Officers in 2016

€	in 2016	in 2015	in 2016	in 2015	From 01/09/16 to 31/12/16	From 01/09/16 to 31/12/16
					Olivier Bouygues (Chairman and CEO)	Olivier Bouygues (Deputy CEO)
Remuneration due in respect of the year/period (see Tables 3 and 4 for breakdown)	2,401,522	1,023,779	1,336,631	579,670	476,034	640,116
Value of options awarded during the year/period ^a						
Value of performance shares awarded during the year/period ^b						
TOTAL	2,401,522	1,023,779	1,336,631	579,670	476,034	640,116
CHANGE 2016 VS 2015	+134.6%		+130.58%			

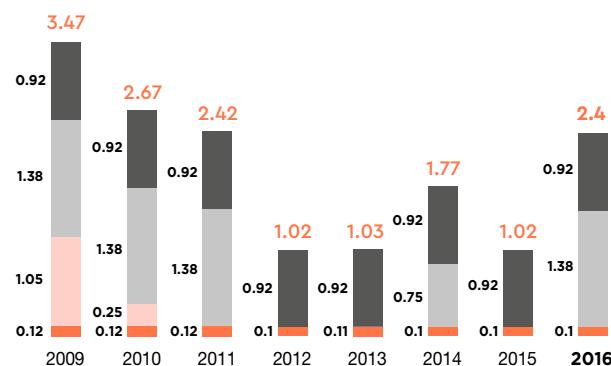
(a) No options were awarded to either Martin Bouygues or Olivier Bouygues in 2015 or 2016. Olivier Roussat and Philippe Marien were each awarded 80,000 options in May 2016 prior to their appointment as Deputy Chief Executive Officers.

(b) Bouygues has not awarded any performance shares.

Martin Bouygues Chairman and Chief Executive Officer

Number of options awarded in 2016: 0

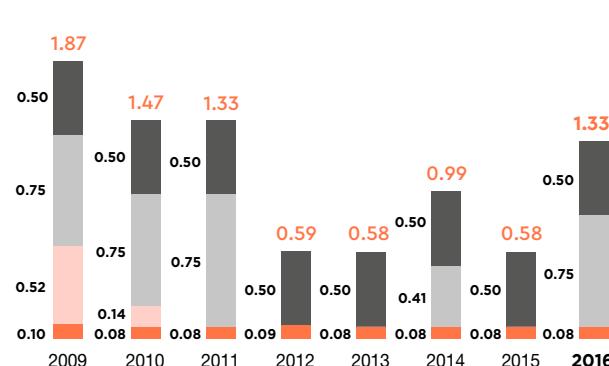
€ million



Olivier Bouygues Deputy Chief Executive Officer

Number of options awarded in 2016: 0

€ million



■ Fixed remuneration ■ Value of stock options
 □ Variable remuneration ■ Directors' fees and benefits in kind

■ Fixed remuneration ■ Value of stock options
 □ Variable remuneration ■ Directors' fees and benefits in kind

Table 3 – Detailed breakdown of remuneration awarded to the four Executive Officers in respect of the 2016 financial year

The Selection and Remuneration Committee has carried out an assessment of the attainment level of the variable remuneration criteria for the four Executive Officers.

Office and length of service with the Group	Remuneration ^a	Amounts ^b in respect of FY2016		Amounts ^b in respect of FY2015		Variable remuneration criteria ^f (FY2016)
		due ^c	paid	due ^c	paid	
Martin Bouygues Chairman and CEO (43 years)	Fixed	920,000	920,000	920,000	920,000	P1 = Increase in current operating profit (50%)
	■ Change	0%	0%	0%	0%	■ P2 = Change in consolidated net profit ^g versus Plan (25%)
	Variable	1,380,000	0	0	753,204	■ P3 = Change in consolidated net profit ^g versus 2015 (25%)
	■ Change	150%		-100%		■ P4 = Free cash flow before changes in WCR (50%)
	■ Variable/fixed ^d	150%		0%		
	■ Cap ^e	150%		150%		
	Exceptional					
Directors' fees		70,200	70,200	73,900	73,900	
Olivier Bouygues Deputy CEO (43 years)	Benefits in kind	31,322	31,322	29,879	29,879	
	Total	2,401,522	1,021,522	1,023,779	1,776,983	
TOTAL MARTIN BOUYGUES AND OLIVIER BOUYGUES						
CHANGE		+133%			-42%	

See footnotes on the next page.

Office and length of service with the Group	Remuneration ^a	Amounts ^b in respect of 01/09/2016 to 31/12/2016 €		Variable remuneration criteria ^f
		due ^c	paid	
Olivier Roussat Deputy CEO (22 years) Period from 1 September 2016 to 31 December 2016	Fixed ■ Change	184,000	184,000	See section 5.4.1.4 below.
	Variable ■ Change ■ Variable/fixed ^d ■ Cap ^e	276,000 150% 150%		
	Exceptional			
	Directors' fees	11,517	11,517	
	Benefits in kind	4,517	4,517	
	Total	476,034	200,034	
Philippe Marien Deputy CEO (36 years) Period from 1 September 2016 to 31 December 2016	Fixed ■ Change	306,667	306,667	See section 5.4.1.1 (D) above.
	Variable ■ Change ■ Variable/fixed ^d ■ Cap ^e	306,667 100% 100%		
	Exceptional			
	Directors' fees	25,567	25,567	
	Benefits in kind	1,215	1,215	
	Total	640,116	333,449	

(a) No remuneration other than that mentioned in the table was paid to the Executive Officers by Bouygues group companies.

(b) Amounts due = all amounts awarded in respect of the financial year. Amounts paid = all amounts paid during the financial year (bearing in mind that the variable portion awarded for any one financial year is actually paid in the first quarter of the following financial year).

(c) Amounts due – Change: the percentages shown under the amount of fixed and variable remuneration indicate the change relative to the previous year.

(d) Variable remuneration expressed as a percentage of fixed remuneration.

(e) Cap on variable remuneration, set at a percentage of fixed remuneration.

(f) Variable remuneration criteria: the percentages shown indicate the weight attached to each criterion in determining total variable remuneration.

(g) Consolidated net profit = consolidated net profit (attributable to the Group) for Bouygues.

TOTAL FOR THE FOUR EXECUTIVE OFFICERS	Amounts due in respect of FY2016 €		
	due	paid	
	4,854,303	2,141,636	

5.4.1.3 Directors' fees

The Annual General Meeting of 24 April 2003 set the total amount of directors' fees payable to Bouygues directors at €700,000 for each financial year, leaving it to the Board of Directors to determine how this amount should be allocated.

Directors' fees comprise (i) a fixed portion of 30% and (ii) a variable portion of 70% calculated in proportion to the actual presence of each director at the five periodic Board meetings held each year and, for committee members, at committee meetings.

■ Chairman and CEO	€50,000
■ Directors	€25,000
■ Accounts Committee members	€14,000
■ Members of other committees (Selection and Remuneration, and Ethics, CSR and Patronage)	€7,000

Table 4 – Directors' fees paid in respect of the 2016 financial year

€		Source (Notes 1 and 2)	2016	2015
M. Bouygues	Chairman and CEO	Bouygues Subsidiaries	50,000 20,200	50,000 23,900
O. Bouygues	Deputy CEO	Bouygues Subsidiaries	25,000 50,875	25,000 43,914
		BOUYGUES SUBSIDIARIES TOTAL	75,000 71,075 146,075	75,000 67,814 142,814
SUB-TOTAL – EXECUTIVE OFFICERS				
F. Bertière	Director	Bouygues Subsidiaries	25,000 22,400	25,000 20,000
C. Bouygues ^a	Director	Bouygues	16,125	0
E. Bouygues ^a	Director	Bouygues	16,125	0
R. Deflesselle	Director	Bouygues	25,000 7,000	25,000 5,040
F. Castagné ^b	Director	Bouygues	16,125 4,025	0 0
C. Gaymard ^a	Director	Bouygues	16,125 9,030 ^c	0 0
A.-M. Idrac	Director	Bouygues	21,500 17,080	21,500 19,040
P. Kron	Director	Bouygues	25,000	25,000
H. Le Bouc	Director	Bouygues Subsidiaries	25,000 20,000	25,000 20,000
C. Lewiner	Director	Bouygues	21,500 7,000	25,000 7,000
		Subsidiaries	26,400	24,000
H. le Pas de Sécheval	Director	Bouygues	25,000 21,000	25,000 21,000
S. Nombret	Director	Bouygues	25,000 7,000	25,000 7,000
R.-M. Van Lerberghe	Director	Bouygues	25,000 7,000	25,000 7,000
M. Vilain	Director	Bouygues	25,000 14,000	25,000 14,000
		BOUYGUES SUBSIDIARIES TOTAL	400,635 68,800 469,435	473,280 94,107 567,387
SUB-TOTAL – OTHER DIRECTORS				
GRAND TOTAL OF DIRECTORS' FEES – EXECUTIVE OFFICERS AND OTHER DIRECTORS (NOTE 3)		BOUYGUES SUBSIDIARIES TOTAL	536,610 164,875 762,460	581,805 161,921 743,726

(a) Appointed as a director on 21 April 2016.

(b) Employee representative since 27 April 2016. Member of the Selection and Remuneration Committee since 29 August 2016.

(c) Member of the Accounts Committee since 11 May 2016.

Note 1: Bouygues = directors' fees paid for attendance as a member of the Bouygues Board of Directors. The first line shows fees paid for attendance at Board meetings. The second line shows fees paid for attendance at committee meetings.

Note 2: Subsidiaries = Directors' fees paid by Group companies, within the meaning of Article L. 233-16 of the Commercial Code (mainly Colas, Bouygues Telecom and TFI).

Note 3: The grand total includes directors' fees paid to Michel Bardou, Jean-Paul Chifflet, Nonce Paolini, Jean Peyrelevade and François-Henri Pinault, all of whom left the Board during 2016.

Michel Bardou received directors' fees from Bouygues of €10,750 in 2016 and €25,000 in 2015. He received €3,500 in 2016 and €4,450 in 2015 as a member of the Remuneration Committee. He left the Board of Directors in April 2016.

Jean-Paul Chifflet received directors' fees from Bouygues of €10,750 in 2016 and €21,500 in 2015. He received €3,500 in 2016 and €7,000 in 2015 as a member of the Selection Committee. He left the Board of Directors in April 2016.

Nonce Paolini received directors' fees from Bouygues of €5,375 in 2016 and €25,000 in 2015. He received directors' fees from subsidiaries of €25,000 in 2016. Nonce Paolini took retirement from his positions within the Group and stood down as a director on 23 February 2016.

Jean Peyrelevade received directors' fees from Bouygues of €10,750 in 2016 and €25,000 in 2015. He received €3,500 in 2016 and €7,000 in 2015 as a member of the Selection Committee. He left the Board of Directors in April 2016.

François-Henri Pinault received directors' fees from Bouygues of €10,750 in 2016 and €25,000 in 2015. He received €2,100 in 2016 and €6,650 in 2015 as a member of the Remuneration Committee and the Selection Committee. He left the Board of Directors in April 2016.

5.4.1.4 Principles and rules for determining remuneration awarded to salaried directors

Remuneration of salaried directors

Two directors (François Bertiére and Hervé Le Bouc) are salaried employees of Bouygues. Each of them manages a business segment of the Group.

The principles and methods used to determine remuneration awarded to salaried directors are similar to those used for the Executive Officers (see "General description of the method used to determine variable remuneration" in section 5.4.1.1. above).

However, three of the criteria for determining their variable remuneration are specific to the performance of the business segment (subsidiary) they manage.

Five criteria (P1, P2, P3, P4 and P5) are used to determine variable remuneration.

An adjustment may be applied to P3 (see table below).

The variable remuneration criteria are:

- P1 = change in consolidated net profit (attributable to the Group) of Bouygues versus plan (30% if the objective is attained);
- P2 = change in current operating margin of the subsidiary managed versus plan (10% if the objective is attained);
- P3 = change in consolidated net profit (attributable to the Group) of the subsidiary managed versus plan (25% if the objective is attained);
- P4 = change in consolidated net profit (attributable to the Group) of the subsidiary managed relative to the previous year (35% if the objective is attained);
- P5 = qualitative criteria, including one related to CSR (50% if the objectives are attained).

These qualitative and quantitative objectives (and in particular, the level of attainment of the quantitative criteria) were established with precision but are not disclosed for confidentiality reasons.

The remuneration of Olivier Roussat, appointed as Deputy Chief Executive Officer on 30 August 2016, was subject to the same rules in 2016.

Objective	Variable remuneration calculation method	
	Variable portion if objective attained (% of FR)	
P1 Consolidated net profit (attributable to the Group) for the year per the 2016 plan	30%	
P2 Current operating margin ratio per the subsidiary's 2016 plan	10%	
P3 Consolidated net profit for the year per the subsidiary's 2016 plan	25% + if consolidated net profit per the 2016 plan is 20% or more below actual consolidated net profit for 2015, P2 is capped at 25%.	
P4 Actual consolidated net profit of the subsidiary for the previous year (2015 CNP)	35%	
P5 Qualitative objectives (including Ethics and CSR for 20%)	50%	
Cap	150%	
Actual variable portion awarded based on 2016 performance (% of FR)		
	F. Berti��re	H. Le Bouc
P1	60%	60%
P2	12.42%	11.47%
P3	26.30%	25.35%
P4	66.82%	70%
P5	50%	50%
	215.63%	216.82%
Capped at	150%	150%

The remuneration paid by Bouygues, and the related social security charges, is invoiced to the subsidiary managed by the director (Fran  ois Berti  re: Bouygues Immobilier; Herv   Le Bouc: Colas).

Table 5 – Detailed breakdown of remuneration of salaried employees

Office held and length of service with the Group	Remuneration ^a	Amounts ^b in respect of FY2016 €		Amounts ^b in respect of FY2015 €		Variable remuneration criteria (FY2016)
		due ^c	paid	due ^c	paid	
F.Berti��re Director (32 years)	Fixed	920,000	920,000	920,000	920,000	P1 = Change in consolidated net profit of Bouygues (30%)
	■ Change	0%		0%		P2 = Change in current operating margin of Bouygues Immobilier versus plan (10%)
	Variable	1,380,000	1,334,000	1,334,000	1,380,000	P3 = Change in consolidated net profit of Bouygues Immobilier versus plan (25%)
	■ Change	+3.45%		150%		P4 = Change in consolidated net profit of Bouygues Immobilier versus 2015 (35%)
	■ Variable/fixed ^d	150%		150%		P5 = Qualitative criteria (50%)
	■ Cap ^e	150%				
H. Le Bouc Director (38 years)	Exceptional					
	Directors' fees	47,400	47,400	45,000	45,000	
	Benefits in kind	4,994	4,994	4,944	4,944	
	TOTAL	2,352,394	2,306,394	2,303,944	2,349,944	

(a) No remuneration other than that mentioned in this table was paid to these directors by Bouygues group companies.

(b) Amounts due = all amounts awarded in respect of the financial year. Amounts paid = all amounts paid during the financial year (bearing in mind that the variable portion awarded for any one financial year is actually paid in the first quarter of the following financial year).

(c) Amounts due – Change: the percentages shown under the amount of fixed and variable remuneration indicate the change relative to the previous year.

(d) Variable remuneration expressed as a percentage of fixed remuneration.

(e) Cap on variable remuneration, set at a percentage of fixed remuneration.

5

Employment contracts of the two salaried directors

The employment contracts of Fran  ois Berti  re and Herv   Le Bouc have been maintained because they have spent almost their entire careers at the Group. They both had considerable lengths of service when they took charge of one of the Group's five business segments and were appointed as directors.

Supplementary pension scheme

Subject to certain conditions, Fran  ois Berti  re and Herv   Le Bouc will be entitled to benefit from a supplementary pension scheme when they retire. The terms of the scheme are the same as those for the Executive Officers, as described in section 5.4.1.1 (H) above.

The estimated amounts of their annual annuities as of 31 December 2016 are as follows:

Name	Annual annuity €
Fran��ois Berti��re	282,622
Herv�� Le Bouc	216,389

Severance compensation and non-competition indemnities

As in the case of the Executive Officers, these directors are not entitled to any severance compensation or non-competition indemnity.

Although not severance compensation as such, a salaried director of the company is covered by the relevant collective agreement (in the case of Bouygues SA, the collective agreement for managers in the building industry in the Paris region), which in the event of termination of employment contract the director would be entitled to compensation equivalent to approximately one year's salary.

Directors representing employee shareholders and directors representing employees

Salaries paid to the two directors representing employee shareholders who have an employment contract with Bouygues or one of its subsidiaries, and salaries paid to the two directors representing employees, are not disclosed.

5.4.2 Report on the principles and criteria for determining, allocating and awarding the fixed, variable and exceptional components of the total remuneration and benefits of all kinds payable to the Chairman and CEO and Deputy CEOs in 2017

Report required under Article L. 225-37-2 of the Commercial Code, and referred to in the twelfth resolution of the Combined Annual General Meeting of 27 April 2017.

The payment of the variable and exceptional components referred to in this report is subject to approval by the Ordinary General Meeting of the remuneration components of the person concerned under the conditions set forth in Article L. 225-100 of the Commercial Code.

5.4.2.1 General principles

The Board of Directors laid down the following twelve general principles on the basis of which the 2017 remuneration and benefits of the Executive Officers of Bouygues will be determined.

1. Compliance with Afep-Medef Code recommendations.
2. No employment contract with Executive Officers during their term of office; existing employment contracts suspended on appointment as Executive Officer.
3. No severance benefit or non-competition indemnity on leaving office.
4. Level of remuneration taking into account the existence of a capped supplementary pension and the fact that no severance benefit or non-competition indemnity has been granted.
5. Remuneration commensurate with the level and difficulty of each Executive Officer's responsibility. Remuneration commensurate with each Executive Officer's experience in the position held and length of service with the Group.
6. Remuneration takes account of the practices applied in groups or enterprises carrying on comparable activities.
7. An incentivising remuneration structure comprising the following:
 - fixed remuneration;
 - annual variable remuneration;
 - multi-year variable remuneration;
 - directors' fees;
 - limited benefits in kind;
 - supplementary pension.
8. No deferred annual variable remuneration.
9. Discretion left to the Board of Directors to decide to pay exceptional remuneration but reserved for truly exceptional circumstances.
10. No additional remuneration paid to any Executive Officer by a Group subsidiary apart from directors' fees (with the caveat that Olivier Roussat's remuneration will be charged 60% to Bouygues and 40% to Bouygues Telecom, reflecting how he splits his time between the two companies).

11. No stock options or performance shares awarded to Executive Officers in 2017.
12. For the first time, inclusion in the remuneration package of multi-year remuneration arrangements, determined on the basis of medium-term performance.

The aim is to incentivise the four Executive Officers to exceed the objectives set for them.

Given that Bouygues has always been run by an Executive Officer drawn from the founding family and reference shareholder, the appointment of two Deputy Chief Executive Officers who are not major or reference shareholders was regarded as the right time to introduce this type of multi-year remuneration determined by reference to actual performances over the medium term rather than the performance of the most recent financial year.

5.4.2.2 Criteria and methods used in 2017 by the Board of Directors to determine, allocate and award the fixed, variable and exceptional components of the total remuneration and benefits of all kinds of each Executive Officer (Martin Bouygues, Olivier Bouygues, Philippe Marien and Olivier Roussat)

For 2017, the criteria and methods agreed by the Board of Directors to determine, allocate and award the fixed, variable and exceptional components of the total remuneration and benefits of all kinds of each Executive Officer are described below. A few changes have been made relative to 2016, primarily the introduction of multi-year variable remuneration (medium-term remuneration). In general, however, the Board of Directors considered it advisable to retain the majority of the existing criteria and methods, which have been applied for several years.

1. Fixed remuneration

- €920,000 (Martin Bouygues – Philippe Marien)
- €552,000 (Olivier Roussat)
- €500,000 (Olivier Bouygues)

The rules used to determine fixed remuneration were established in 1999 and have been applied consistently ever since. Fixed remuneration is determined according to the level and complexity of the person's responsibilities, experience in the post and length of service with the Group, and practices followed by groups or companies carrying on comparable businesses.

2. Annual variable remuneration

Capped at 160% of fixed remuneration, i.e. a cap of €1,472,000 for Martin Bouygues and Philippe Marien, €883,200 for Olivier Roussat and €800,000 for Olivier Bouygues.

The annual variable remuneration would be determined by applying five criteria (three of them referring to the three-year business plan), opening up the possibility of receiving five variable components: P1, P2, P3, P4 and P5.

- P1 Actual consolidated current operating profit (COP) of the Group for the year / Objective = COP per 2017 plan
- P2 Actual consolidated net profit (CNP) of the Group for the year / Objective = CNP per 2017 plan
- P3 Actual CNP for the year (excluding exceptional items) / Objective = CNP for the previous year (excluding exceptional items)
- P4 Change in net debt (excluding external growth not built into the plan) / Objective = Change in net debt per 2017 plan
- P5 Qualitative criteria: performance in CSR^a and compliance

METHOD FOR DETERMINING ANNUAL VARIABLE REMUNERATION FOR 2017

The method for determining the annual variable remuneration of the Executive Officers for 2017 would be based on five separate variable components: P1, P2, P3, P4 and P5.

(FR = Fixed Remuneration)

P1, P2, P3 and P4

The effective weight of each criterion determining the payment of each of the three components P1, P2 and P4 is dependent on the performance achieved during the financial year relative to the business plan.

P3 is determined by reference to the performance for the previous financial year.

The four variable components P1, P2, P3 and P4 are calculated as follows:

- 1) If actual performance is more than 10% below the Objective: the component concerned (P1, P2, P3 or P4) = 0
- 2) If actual performance is between (Objective - 10%) and the Objective:

P1 = 0% to 40% of FR

P2 = 0% to 40% of FR

P3 = 0% to 30% of FR

P4 = 0% to 20% of FR

- 3) If actual performance is higher than the Objective:

P1 = 40% to 70% of FR

P2 = 40% to 70% of FR

P3 = 30% to 50% of FR

P4 = 20% to 30% of FR

Between these limits the effective weight of each component is determined by linear interpolation.

P5

The Board of Directors determines the effective weight of P5, subject to a strict cap of 30% of FR.

Cap

The sum of the five components P1, P2, P3, P4 and P5 calculated according to the above method may never exceed a **cap of 160% of FR**.

(a) Corporate Social Responsibility.

3. Multi-year variable remuneration (medium-term remuneration)

Each Executive Officer could be entitled to multi-year variable remuneration, i.e. a medium-term remuneration arrangement determined by reference to two criteria derived from the three-year business plan:

P6: Actual consolidated current operating profit (COP) of the Group for the three most recent financial years covered by the Group business plan / the three COP figures set as objectives in the business plan.

P7: Actual consolidated current operating profit (COP) of the Group for the three most recent financial years covered by the Group business plan / the three COP figures set as objectives in the business plan.

Multi-year variable remuneration is determined as follows:

(FR = Fixed Remuneration)

P6: Objective = current operating profit figures for the financial years set as objectives in the business plan.

- If the objective is attained P6 = 0

- If all three COP figures are 20% above the objective, P6 = 15% of FR

Between these lower and upper limits, P6 is determined by linear interpolation on the basis of the actual profit figure achieved.

P7: Objective = consolidated net profit figures of the Group for the financial years set as objectives in the business plan.

- If the objective is attained P7 = 0

- If all three CNP figures are 20% above the objective, P7 = 15% of FR

Between these lower and upper limits, P7 is determined by linear interpolation on the basis of the actual profit figure achieved.

CAP

Multi-annual variable remuneration is therefore **capped at 30% of fixed remuneration**.

Martin Bouygues and Olivier Bouygues could benefit from this new remuneration component on completion of the 2017 financial year. Philippe Marien and Olivier Roussat could benefit from it for the first time on completion of the 2018 financial year, with the 2017 and 2018 financial years used as reference points. On completion of the 2019 financial year and each subsequent financial year, the reference points would be the three previous financial years as per the rule proposed above.

4. Directors' fees

Directors' fees paid by Bouygues or a subsidiary of the Group would be retained by the Executive Officer.

5. Benefits in kind

Each Executive Officer would be allocated a company car.

Martin Bouygues and Olivier Bouygues would receive an additional benefit in the form of the part-time assignment of a personal assistant and chauffeur/security guard for their personal needs.

(A chauffeur is made available to Philippe Marien and Olivier Roussat for business purposes).

6. Supplementary pension scheme

Each Executive Officer would be eligible for a defined benefit collective pension scheme governed by Article L. 137-11 of the Social Security Code. This pension scheme would have the following characteristics:

1. Pension rights that vest each year and are capped at 0.92% of the reference salary.
 2. Conditions for joining the scheme and other eligibility conditions. The beneficiary must:
 - be a member of the Group Management Committee on the date of departure or retirement;
 - have at least ten years' service with the Bouygues group at the date of departure or retirement;
 - have definitively ended his or her professional career at one of the Group companies (this condition is fulfilled when the employee is part of the workforce at the date of departure or retirement);
 - be at least 65 years old at the date of departure or retirement;
 - fulfil the eligibility criteria for pension benefits under the basic social security pension scheme and the mandatory supplementary schemes (ARRCO and AGIRC).
 3. Reference salary equal to the average gross salary of the Executive Officer's three best calendar years at the Bouygues group during his or her period on the Group Management Committee, adjusted to reflect changes in the value of pension entitlement points under the AGIRC scheme, on the date of cessation of office or termination of employment contract.
- The reference gross salary is that used to calculate social security contributions in accordance with Article L. 242-1 of the Social Security Code.
4. Frequency of vesting of rights: annual.
 5. Cap: eight times the annual social security ceiling, i.e. a cap of €313,824 in 2017.
 6. Financing outsourced to an insurance company outside the Group to which a contribution is made annually.

7. Performance conditions:

a) Executive Officers to whom performance conditions apply:

Martin Bouygues and Olivier Bouygues can no longer acquire any further supplementary pension rights since the rights vested in them to date exceed the cap set by the Board of Directors (eight times the French social security ceiling). However, the performance conditions do apply to Philippe Marien and Olivier Roussat.

b) Definition of the performance objective ("the Objective")

2017 financial year: Objective = that the average of the consolidated net profit figures for the 2016 and 2017 financial years ("Average CNP") is no more than 10% below the average of the consolidated net profit figures specified in the two plans for 2016 and 2017 ("Plan Average").

Each subsequent financial year: Objective = that the average of the consolidated net profit figures for the financial year then ended and the two financial years that preceded it ("Average CNP") is no more than 10% below the average of the consolidated net profit figures specified in the plan for the financial year then ended and the plans for the two financial years that preceded it.

c) Terms for determining the vesting of pension rights based on performance

■ If the Average CNP meets the Objective

Annual pension rights = 0.92% of the reference salary

■ If the Average CNP is more than 10% below the Objective

Annual pension rights = 0

Between those lower and upper limits pension rights will vary on a straight line basis between 0% and 0.92% of the reference salary.

5.4.3 2016 Report on stock options and performance shares

Report required under Articles L. 225-184 and L. 225-197-4 of the Commercial Code.

5.4.3.1 Principles and rules applied in awarding stock options and performance shares

The twenty-first resolution of the Combined Annual General Meeting of 21 April 2016 authorised the Board of Directors to allot, on one or more occasions, existing or new "bonus shares" (i.e. performance shares). That authorisation was granted for a period of thirty-eight months, with the stipulation that the beneficiaries of such shares must be salaried employees and/or corporate officers of Bouygues or of companies or economic interest groupings that are directly or indirectly related to Bouygues on the conditions stipulated in Article L. 225-180 of the Commercial Code.

The twenty-fourth resolution of the Combined Annual General Meeting of 23 April 2015 authorised the Board of Directors to grant, on one or more occasions, stock options giving the beneficiaries the right to subscribe for new shares or buy existing shares. That authorisation was

granted for a period of thirty-eight months, with the stipulation that the beneficiaries of such options must be salaried employees and/or corporate officers of Bouygues or of companies or economic interest groupings that are related to Bouygues within the meaning of Article L. 225-197-2 of the Commercial Code.

To date, the Board of Directors has not used the authorisations to award performance shares or to grant options to buy existing shares. All the stock options granted have been options to subscribe for shares.

General rules applicable to awards of stock options or performance shares

The Board of Directors takes account of the recommendations contained in the Afep-Medef Code and those issued by the AMF.

Consequently:

- Stock options or performance shares are awarded to help attract senior executives and employees, secure their loyalty, reward them, and give them a medium- and long-term interest in the company's development, reflecting their contribution to value creation.

- Each plan includes around 900 to 1,000 senior executives and employees. Beneficiaries are selected and individual awards determined on the basis of responsibility and performances, with particular attention paid to high-potential executives.
- No discount is applied to grants of stock options.
- A cap is set to prevent a significant increase in the volume of stock option plans when the market is falling. This cap is set at 15% of the volume of the previous plan.
- Any senior executive or employee included on the list of senior executives or equivalent persons (see explanation below) is prohibited from exercising options or selling shares arising from the exercise of options:
 - during the 30 calendar days preceding publication of the first-half and full-year financial statements, and on the day of such publication;
 - during the 15 calendar days preceding publication of the first-quarter and third-quarter financial statements, and on the day of such publication;
 - during the 15 calendar days preceding publication of Bouygues' quarterly sales release, and on the day of such publication.
- The Board of Directors has reiterated that this prohibition also applies during any period during which a senior executive or employee holds inside information, and on the day such information is made public.
- Barring a decision to the contrary, options are awarded each May after publication of the financial statements for the previous year.
- In addition to these measures, Bouygues has disseminated various internal rules to prevent insider dealing policy breaches or offences: issuing a list of senior executives and equivalent persons with regular or occasional access to inside information or with regular access to sensitive information; reminders of the rules on trading restrictions; information about stock market law; and a recommendation that individuals set up a share trading plan. A specific compliance programme (financial information and securities trading) was distributed within the Group in 2014. The provisions of the European Market Abuse Directive were implemented in 2016, adding another layer to the preventive measures in this area. New inside information procedures were introduced at the start of 2017.

Specific rules applicable to Executive Officers

Since 2010, the Executive Officers have at their own request not been awarded any stock options or performance shares. However, the Board of Directors does not rule out awarding stock options or performance shares to Executive Officers in the future, and has set the following rules that would apply in such a case:

- No stock options or performance shares may be granted by reason of an Executive Officer leaving office.
- There is a prohibition on speculative transactions or hedging the risk relating to the exercise of stock options or the sale of performance shares. To the best of the company's knowledge, no Executive Officer has contracted a hedging instrument.
- Executive Officers and salaried directors who wish to sell shares arising from the exercise of options or performance shares are required to confirm with the Group Ethics Officer that they do not hold inside information.

- The value of options awarded to a corporate officer is capped at 100% of his remuneration.
- Caps are imposed on awards made to the Chairman and Chief Executive Officer (no more than 5% of any plan) or to a Deputy Chief Executive Officer (no more than 2.5% of any plan). In light of the appointment of two new Deputy Chief Executive Officers, the Board of Directors reserves the right to reconsider those caps, with the caveat that the total volume of stock options awarded to Executive Officers during a two-year period is capped at 0.25% of the share capital under the terms of the draft resolution submitted for approval by the Combined Annual General Meeting on 27 April 2017.
- Performance conditions must be met by Executive Officers when options are granted (by reference to actual consolidated net profit attributable to the Group for the financial year preceding the award) and exercised (by reference to consolidated net profit attributable to the Group for each of the financial years preceding exercise).
- When awarding stock options or performance shares, the Board of Directors must determine the number of performance shares or shares arising from exercise of options that Executive Officers are required to retain until they cease to hold office. For the most recently awarded stock option plans, Executive Officers were required to retain 25% of the shares they obtained from exercising stock options, after selling a sufficient number of shares to fund the exercise and pay the related taxes and social charges.
- Any transactions must be declared to the Board of Directors.

Rationale for awarding stock options

Ever since 1988, when Bouygues awarded its first stock option plan, the Board of Directors has always opted to use stock options as the mechanism for securing the loyalty of its senior executives and employees and giving them a stake in the Group's future development.

The objective is and always has been to incentivise them through movements in the Bouygues share price, rather than simply to pay them extra remuneration. The rationale for using stock options is borne out by the close correlation observed between trends in the Bouygues share price and trends in net profit attributable to the Group.

To date, no performance share plans have been awarded.

The Board of Directors has asked the Selection and Remuneration Committee to reconsider regularly which is the most appropriate mechanism for securing loyalty and linking incentives to the value of the company's shares.

General information: characteristics of stock subscription options

All the stock subscription options granted by the Board of Directors in 2016 have the following characteristics:

- Exercise price: average of the opening quoted market prices on the 20 trading days preceding the grant date, with no discount.
- Validity: ten years from the grant date.
- Lock-up period: two years from the grant date.
- Exercise period: eight years from the end of the lock-up period (subject to three exceptions whereby options may be exercised at any time within the ten-year period: (i) exercise by heirs within six

months following the death of a beneficiary; (ii) change of control of Bouygues, or public tender offer or public exchange offer for Bouygues; and (iii) exercise in accordance with Article L. 3332-25 of the Labour Code using assets acquired under a Group savings scheme.

- Options automatically cancelled in the event of termination of employment contract or loss of office, unless given special authorisation or in the case of permanent incapacity for work or retirement.

5.4.3.2 Stock subscription options awarded to or exercised by Executive Officers and salaried directors in 2016

Options giving entitlement to subscribe for new Bouygues shares were granted in 2016. On 12 May 2016, the Board of Directors decided to grant, on 30 May 2016, a total of 2,697,700 options to 888 beneficiaries^a drawn from among the corporate officers and employees of Bouygues or companies belonging to the Bouygues group.

The exercise price was set at €29 per share subscribed.

As of the grant date, the value per option – measured using the method applied for the purposes of the consolidated financial statements – was €2.4736.

This stock option plan represented 0.78% of the company's share capital as of 30 April 2016.

Table 6 – Stock subscription options granted to Executive Officers and salaried directors of Bouygues

At their request, the Board did not award any options to Martin Bouygues or Olivier Bouygues.

Stock subscription options were however awarded to salaried directors.

Salaried director	Company awarding the options	Grant date	Number of options	Exercise price €
François Bertiére	Bouygues	30 May 2016	80,000	29.00
Hervé Le Bouc	Bouygues	30 May 2016	80,000	29.00
TOTAL			160,000	

No other options were awarded to any salaried director.

Table 7 – Stock subscription options exercised by Executive Officers and salaried directors of Bouygues in 2016

STOCK SUBSCRIPTION OPTIONS EXERCISED BY EXECUTIVE OFFICERS OF BOUYGUES IN 2016

Name	Plan	Number of options exercised	Exercise price €
Olivier Bouygues	April 2009	101,296	25.62

STOCK SUBSCRIPTION OPTIONS EXERCISED BY SALARIED DIRECTORS OF BOUYGUES IN 2016

Name	Plan	Number of options exercised	Exercise price €
Hervé Le Bouc	April 2009	151,943	25.62
	June 2012	97,000	20.11
François Bertiére	April 2009	151,943	25.62

(a) The Board of Directors authorised the award of 2,790,000 options, of which 92,300 were not ultimately awarded.

5.4.3.3 Performance shares

Table 8 – Performance shares awarded to each Executive Officer

Bouygues did not award any performance shares in 2016.

Table 9 – Performance shares that became available to each Executive Officer during the year

No performance shares became available because the company has not awarded any.

5.4.3.4 Summary of outstanding stock option plans

Table 10 – Breakdown of stock subscription option plans by plan and category of beneficiary

	2016	2015	2014	2013	2012	2011	2010
Date of AGM	21/04/2016	23/04/2015	21/04/2011	21/04/2011	21/04/2011	21/04/2011	24/04/2008
Grant date	30/05/2016	28/05/2015	27/03/2014	28/03/2013	13/06/2012	14/06/2011	30/06/2010
Number of options awarded by the Board of Directors ^b	2,790,000	2,739,600	2,790,000	2,790,000	2,956,025	2,936,125 (2,974,497) ^c	4,145,650 (4,199,015) ^c
■ o/w Executive Officers and salaried directors ^{a&b}	Total: 160,000	Total: 295,000	Total: 375,000	Total: 320,000	Total: 388,000	Total: 388,000 (393,028) ^c	Total: 770,000 (779,975) ^c
						M. Bouygues: 160,000	
						O. Bouygues: 90,000	
	F. Berti��re: 80,000	F. Berti��re: 80,000	F. Berti��re: 80,000	F. Berti��re: 80,000	F. Berti��re: 97,000	F. Berti��re: 97,000	F. Berti��re: 130,000
	H. Le Bouc: 80,000	H. Le Bouc: 80,000	H. Le Bouc: 80,000	H. Le Bouc: 80,000	H. Le Bouc: 97,000	H. Le Bouc: 97,000	H. Le Bouc: 130,000
■ of which the 10 employees awarded the most options	414,500	360,800	289,100	335,800	402,800	404,200 (409,441) ^c	534,000 (540,920) ^c
Pre-adjustment exercise price	€28.997	€37.106	€30.32	€22.28	€20.11	€31.84	€34.52
Post-adjustment exercise price ^b	€28.997	€37.106	€30.32	€22.28	€20.11	€31.43	€34.08
Start date of exercise period	31/05/2018	29/05/2017	28/03/2018	29/03/2017	14/06/2016	14/06/2015	30/06/2014
Date of expiration	30/05/2026	28/05/2025	27/09/2021	28/09/2020	13/12/2019	14/12/2018	30/12/2017
Number of options cancelled or lapsed	8,900	58,400	114,088	173,460	230,273	285,983 ^c	440,288 ^c
Number of options outstanding at 31/12/2016	2,690,300	2,681,200	2,674,363	2,583,725	1,905,305	2,251,690 ^c	3,222,703 ^c
Number of options exercised between 01/01/2017 and 31/01/2017			187	300	31,302	1,013	
TOTAL OPTIONS OUTSTANDING AT 31/12/2016	18,009,286						

(a) This list only includes Executive Officers and salaried directors currently in office.

(b) As required by law, the exercise price and number of options awarded were adjusted on 15 November 2011 following a share repurchase tender offer.

(c) After adjustment of the number of options on 15 November 2011 following the share repurchase tender offer.

5.4.3.5 Stock subscription options awarded to/exercised by the ten employees awarded/exercising the most options during the year

Table 11 – Stock subscription options awarded to the employees (excluding corporate officers) of Bouygues awarded the most options during the year

Employee	Company awarding the options	Grant date	Number of options	Exercise price €
Pierre Auberger	Bouygues	30 May 2016	9,000	29.00
Jacques Bernard	Bouygues	30 May 2016	15,000	29.00
Philippe Bonnave	Bouygues	30 May 2016	80,000	29.00
Yann Boucraut	Bouygues	30 May 2016	9,000	29.00
Robert Brard	Bouygues	30 May 2016	9,000	29.00
Gérard Bucourt	Bouygues	30 May 2016	9,000	29.00
Yvon Coleu	Bouygues	30 May 2016	9,000	29.00
Georges Colombani	Bouygues	30 May 2016	15,000	29.00
Philippe Cuenot	Bouygues	30 May 2016	9,000	29.00
Emmanuel Forest	Bouygues	30 May 2016	13,500	29.00
Jean-François Guillemin	Bouygues	30 May 2016	27,000	29.00
Philippe Marien ^a	Bouygues	30 May 2016	80,000	29.00
Gilles Pélisson	Bouygues	30 May 2016	80,000	29.00
Emmanuel Roger	Bouygues	30 May 2016	9,000	29.00
Olivier Roussat ^a	Bouygues	30 May 2016	80,000	29.00
Gilles Zancanaro	Bouygues	30 May 2016	15,000	29.00
TOTAL			468,500	

(a) Philippe Marien and Olivier Roussat were appointed as Deputy Chief Executive Officers on 30 August 2016.

Tableau 11 a – Stock subscription options exercised during 2016 by the ten employees (excluding corporate officers) of Bouygues exercising the most options

Employee	Company awarding the options	Plan	Number of options exercised	Exercise price €
Olivier Roussat ^a	Bouygues	June 2011	8,257	31.43
		June 2012	97,000	20.11
Emmanuel Forest	Bouygues	April 2009	20,260	25.62
Gérard Bucourt	Bouygues	June 2012	8,300	20.11
Robert Brard	Bouygues	June 2011	7,598	31.43
Pierre Auberger	Bouygues	June 2012	7,500	20.11
Pierre Berehouc	Bouygues	April 2009	6,078	25.62
Christine Bonin	Bouygues	June 2011	3,039	31.43
		June 2012	3,000	20.11
Philippe Choyer	Bouygues	June 2011	2,634	31.43
		June 2012	2,600	20.11
Fabrice Bonnifet	Bouygues	April 2009	4,052	25.62
Jean-Gabriel Pichon	Bouygues	April 2009	4,052	25.62
TOTAL			174,370	

(a) Olivier Roussat was appointed as a Deputy Chief Executive Officer on 30 August 2016.

During 2016, 1,696,216 Bouygues stock subscription options were exercised by employees of Bouygues or its subsidiaries, including the ten Bouygues employees listed above.

5.5 Information on auditors

5.5.1 Statutory auditors

- Mazars, 61 rue Henri Regnault, 92075 Paris-La Défense, France, appointed as statutory auditors at the Annual General Meeting on 10 June 1998, reappointed successively for a further six-year term at the Annual General Meetings of 22 April 2004, 29 April 2010 and 21 April 2016.

Mazars are represented by Guillaume Potel.

- Ernst & Young Audit, Tour First, 1/2 Place des Saisons, 92400 Courbevoie, France, appointed as statutory auditors at the Annual General Meeting on 24 April 2003, reappointed for a further six-year term at the Annual General Meeting on 23 April 2009 and then at the Annual General Meeting on 23 April 2015.

Ernst & Young Audit are represented by Laurent Vitse.

Mazars and Ernst & Young Audit are members of the Versailles regional association of auditors.

5.5.2 Alternate auditors

- Philippe Castagnac (Mazars group), appointed as alternate auditor at the Annual General Meeting on 29 April 2010, reappointed for a further six-year term at the Annual General Meeting on 21 April 2016.

- Auditex (EY group), appointed as alternate auditor at the Annual General Meeting of 23 April 2009, reappointed for a further six-year term at the Annual General Meeting on 23 April 2015.

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

The fees paid to each of the auditors and to the members of their networks by Bouygues and all fully consolidated Group companies are set forth in Note 22 to the consolidated financial statements (chapter 7, section 7.1 of this Registration Document).

6

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6.1 Legal information

6.1.1 General information

Company name	Bouygues
Registered office	32 avenue Hoche, 75008 Paris, France
Telephone	+33 (0)1 44 20 10 00
Registration No.	572 015 246 Paris
APE code	7010Z
Form	Société Anonyme (public limited company)
Date of incorporation	15 October 1956
Expiration date	14 October 2089
Financial year	1 January to 31 December
Governing law	Bouygues is incorporated under French law. Activities carried out by Group entities outside France are generally subject to the legislation of the country concerned, or to other legislation applicable contractually or under international law. The Group has operations in dozens of countries. Any one project may require a large number of contracts, often governed by different legal systems.

6.1.2 Articles of association

6.1.2.1 Purpose (Article 2 of the articles of association)

The purpose of the company is, in all countries:

- to acquire, directly or indirectly, interests or holdings in French or foreign companies or groupings, whatever their purpose or business, and to manage and dispose of such interests or holdings;
- to form, acquire, operate and dispose of French or foreign undertakings, in any field of business, whether industrial, commercial or financial, including in particular in the fields of construction (building, civil works, roads, property) and services (public utilities management, media, telecommunications); and
- more generally, to carry out industrial, commercial, financial, mining and agricultural operations or transactions and operations or transactions involving movable or real property relating directly or indirectly to the above purpose or to all similar or related purposes that may enable or facilitate the attainment or development thereof.

After appropriations to other reserves and retained earnings as decided by the general meeting of shareholders, the balance of distributable earnings is divided between the shareholders.

6.1.2.3 General meetings (Articles 19 to 21 of the articles of association)

General meetings are convened in accordance with the formalities required by law. All shareholders are entitled to participate, regardless of the number of shares they hold.

6.1.2.4 Financial and voting rights attached to shares (Articles 10 and 12 of the articles of association)

Each share is entitled to the pecuniary and non-pecuniary rights stipulated by law and specified in the articles of association. In particular, Article 10 of the articles of association states that each share entitles the holder to a share in the corporate assets and in the distribution of profits proportionate to the interest in the capital that it represents. Article 12 of the articles of association states that unless otherwise stipulated by law, and except in the case of double voting rights as stipulated below, each shareholder has as many voting rights and may cast as many votes in general meetings as the number of shares he or she holds.

6.1.2.2 Appropriation of earnings (Article 24 of the articles of association)

At least 5% of the net profit for the financial year, minus any prior-year losses, is appropriated to constitute the legal reserve. Such appropriation ceases to be mandatory once the legal reserve reaches an amount equal to one-tenth of the share capital.

6.1.2.5 Double voting rights (Article 12 of the articles of association)

Double voting rights have existed at Bouygues since 1 January 1972, based on a measure introduced into the articles of association by a general meeting on 31 December 1969.

Double voting rights are granted to all fully paid-up shares proved to have been registered in the name of the same holder for at least two years.

If the share capital is increased by incorporation of reserves, earnings or share premium, double voting rights are granted upon issue to registered shares allotted free of charge in respect of existing shares that already carry double voting rights.

Double voting rights attached to registered shares will be lost if those shares are converted into bearer shares or if title to them is transferred, unless they are transferred from one registered shareholder to another through inheritance or a gift between family members.

Double voting rights may only be abolished by a decision taken at an extraordinary general meeting and ratified by a special meeting of holders of those rights (Article L. 225-99 of the Commercial Code).

6.1.2.6 Disclosure of thresholds (Article 8.3 of the articles of association)

Persons or entities that obtain, directly or indirectly, at least 1% of the share capital or voting rights are required to inform the company of the total number of shares they own. Disclosure must be made by registered letter with acknowledgement of receipt sent to the registered office within fifteen days following completion of the transaction (whether on or off exchange) regardless of when or whether the securities have been delivered.

Such disclosure must be repeated on the terms stipulated above whenever a shareholder passes above or below the 1% threshold or any threshold that is a multiple of 1%.

If disclosure is not made on the terms set forth above, the shares exceeding the disclosure threshold are stripped of voting rights on the conditions stipulated by law if a request to that effect is made at a general meeting by one or more shareholders holding at least 5% of the company's share capital or voting rights.

Under the terms of Article 8.2 of the articles of association, the company is authorised to use all legal means to identify the holders of securities conferring an immediate or future right to vote at general meetings.

6.1.3 Shareholder agreements entered into by Bouygues

6.1.3.1 Bouygues Telecom

The Bouygues Telecom shareholder agreement binds Bouygues SA, SFPG (a subsidiary of Bouygues SA) and JCDecaux Holding.

The material provisions of this shareholder agreement are the following: a reciprocal pre-emptive right; prohibition, without the prior agreement of the other shareholders, on disposals of securities to a telecoms operator providing services to the public; and an undertaking by each party not to acquire a stake in the capital of any rival telecoms operator.

6.1.3.2 Alstom

On 22 June 2014, Bouygues signed a memorandum of understanding with the French state under which the French state, or any other French state-controlled entity chosen by the French state, could buy part of the equity interest in Alstom held by Bouygues.

Under the terms of the memorandum of understanding, Bouygues granted the French state a call option (the "first call option") exercisable during a period of eight trading days following the 60th trading day after full and final completion of the transactions announced by Alstom on 21 June 2014 (the Reference Date). This call option is for a number of shares representing 20% of Alstom's share capital as of the Reference Date and is exercisable at a price of €35 per share (adjusted to take account of any exceptional dividend and any transaction affecting Alstom's share capital).

The Reference Date is 28 January 2016, the settlement date of Alstom's share buyback offer.

Because the first call option was not exercised, Bouygues granted the French state another call option (the "second call option") exercisable during a period of 17 months from the end of the exercise period of the first call option. This call option would be for a number of shares representing 20% of Alstom's share capital as of 28 January 2016 and would be exercisable at a price equal to 95% of the VWAP of Alstom shares during a reference period of 60 trading days preceding the date of exercise, subject to a minimum price of €35 per share (adjusted to take account of any exceptional dividend and any transaction affecting Alstom's share capital).

If the second call option is not exercised, Bouygues will grant the French state another call option (the "third call option") exercisable during a period of eight trading days from the end of the exercise period of the second call option. This call option would be for a number of shares representing 15% of Alstom's share capital as of 28 January 2016 and would be exercisable at a price equal to 98% of the VWAP of Alstom shares during a reference period of 60 trading days preceding the end of the 17-month period referred to above.

In the event of very large negative movements in the market (such as a stock market crash) during the 60 trading days preceding the start of the exercise period of the third call option, the parties agree to discuss the terms of the sale in good faith during a period of no more than 30 days commencing on the first day of the exercise period of the third call option. Exercise of the third call option would in that case be suspended during the discussion period and would resume at the end of that period, regardless of whether or not the parties reach agreement.

Bouygues will be free to sell some or all of the callable shares provided that the Agence des Participations de l'État (APE), the agency managing holdings owned by the French state, is offered first refusal.

Pursuant to the memorandum of understanding of 22 June 2014, Bouygues granted a simple loan to the French state on 4 February 2016 of 43,825,360 Alstom shares representing 20% of Alstom's voting rights^{a&b}.

In addition, the memorandum of understanding requires the parties to endeavour to do their best, during a ten-year period from the signature of said memorandum of understanding, to have one director representing Bouygues and two directors representing the French state on the Alstom Board of Directors. Pursuant to that undertaking, Bouygues submitted to the general meeting of Alstom shareholders of 18 December 2015 a resolution proposing that Olivier Bourges (who had been put forward as a candidate by APE) be appointed as a director; this resolution was adopted.

Following the simple loan of shares, as set forth above, the respective interests in the share capital and voting rights of Alstom of the two members of the concert party are as follows:

	Number of shares and voting rights	% of share capital and voting rights
APE	43,825,361	20.00
Bouygues SA ^a	18,260,866	8.33
Total: concert party	62,086,227	28.33

(a) Under Article L. 223-9 I paragraph 6 of the Commercial Code, Bouygues SA is deemed to be the holder of the Alstom shares loaned to APE, and consequently is deemed to be the holder of 62,086,227 Alstom shares representing 28.33% of the share capital and voting rights of that company.

As part of the memorandum of understanding of 22 June 2014, Bouygues also undertook that at general meetings of Alstom shareholders, it would vote in favour of adopting the new French law principle introducing double voting rights (which had prompted Bouygues to vote against the twentieth resolution submitted to the general meeting of Alstom shareholders on 1 July 2014, proposing that single voting rights be retained).

A detailed description of the memorandum of understanding of 22 June 2014 is set forth in Notice 214C1292 published by the Autorité des Marchés Financiers (AMF) on 3 July 2014. In light of the terms of the memorandum of understanding, the AMF concluded that the French state and Bouygues were acting in concert as regards Alstom.

6.1.4 Factors likely to have an impact on any public tender offer price (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' capital structure is set out below (section 6.3). The main shareholders of Bouygues are SCDM and company employees. In view of their respective weight, the votes of these shareholders could have an impact on the outcome of any public tender offer for the capital of Bouygues;
- **restrictions in the articles of association on the exercise of voting rights:** Article 8.3 of the articles of association, summarised above in section 6.1.2.6, makes provision to suspend the voting rights of shareholders who fail to declare that they have crossed a threshold of at least 1% (or a multiple of 1%) of the capital or voting rights. This restriction could have an impact in the event of a public tender offer;
- **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 below (section 6.3);
- **a list of owners of any security with special control rights, with a description of those rights:** not applicable;
- **control mechanisms stipulated within employee share ownership plans:** the regulations of the various employee share ownership funds created by Bouygues stipulate that voting rights are exercised by the Supervisory Boards of those funds and not directly by employees. Those employee share ownership funds, which held 26.02% of voting rights at 31 December 2016, could therefore have an impact on the price of any public tender offer;
- **agreements between shareholders of which Bouygues is aware and which could result in restrictions on the transfer of shares and in the exercise of voting rights:** not applicable;
- **rules applicable to the appointment and replacement of members of the Board of Directors:** the following is specified in Article 13 of the articles of association:
 - in addition to the directors specified in Article 13.3 of the articles of association, the Board of Directors has between three and eighteen members (subject to the exception stipulated by law in the event of a merger), appointed by a general meeting of shareholders. It also has no more than two members representing employee shareholders, elected by a general meeting on the recommendation of the Supervisory Boards of the employee share ownership funds set up as part of Bouygues group employee savings schemes and primarily invested in Bouygues shares,

(a) In a ruling issued on 12 May 2016, the Paris Court of Appeal formally noted that the French association of minority shareholders (ADAM) had withdrawn its appeal against a judgment by the Paris Commercial Court of 19 May 2015 which held inadmissible ADAM's claim that the 22 June 2014 agreement by Bouygues to lend Alstom shares to the French state should be declared void.

(b) Refer to AMF Notice 216C0480 issued on 12 February 2016 (available in French only).

- Article 13.3 of the articles of association states that in accordance with Article L. 225-27-1 of the Commercial Code, the Board of Directors must also include either one or two directors representing employees.

Those directors are nominated by the Group Council governed by Articles L. 2331-1 et seq. of the Labour Code, in accordance with the following rule:

- where the number of members of the Board of Directors appointed by the general meeting excluding directors representing employee shareholders is twelve or less, the Group Council nominates one director representing employees,
- where the number of members of the Board of Directors appointed by the general meeting excluding directors representing employee shareholders is more than twelve, the Group Council nominates two directors representing employees,
- the term of office of directors, other than those specified in Article 13.3 of the articles of association, is three years. The terms of office of directors representing employees expires two years after their nomination,
- the term of office of a director elected from among the employee members of the Supervisory Board of one of the employee share ownership funds automatically ends early in the event of the termination of the director's employment contract (except in the case of an intra-Group transfer) or if the company that employs the director leaves the Bouygues group. The Board of Directors will then take all necessary steps to arrange for the replacement of the director whose term of office has ended,
- if the number of members of the Board of Directors appointed by the general meeting falls to twelve or less, the terms of office of the two directors representing employees continue until such terms expire,
- directors may be re-elected, and the terms of office of directors representing employees may be renewed once,
- directors chosen by the shareholders may be removed from office at any time by an ordinary general meeting,
- employees representing directors elected from among the employee members of the Supervisory Boards of employee share ownership funds may be removed from office only on the grounds of misconduct in office, following a court decision,
- as an exception to the above and pursuant to Article L. 225-32 of the Commercial Code, directors representing employees may be removed from office only on the grounds of misconduct in office, following an interim decision by the president of the District Court in response to an urgent application filed at the request of the majority of the members of the Board of Directors,
- legal persons serving as directors are required to appoint a standing representative on the conditions stipulated by law.

See also the details in the Report by the Chairman (chapter 5, section 5.2 of this Registration Document);

- **rules applicable to changes in the company's articles of association:** Article L. 225-96 of the Commercial Code specifies that only an extraordinary general meeting has the power to change the articles of association. Any clause to the contrary is deemed null and void;

■ powers of the Board of Directors with respect to issuance and buyback of shares (see the tables summarising financial authorisations in the report on the resolutions, chapter 8, section 8.2 of this Registration Document). In particular:

- the Combined Annual General Meeting of 21 April 2016 (Resolution 23) delegated powers to the Board of Directors to issue equity warrants during a public tender offer for the company's shares. The nominal amount of any capital increase that may result from the exercise of such equity warrants may not exceed €88 million and 25% of the share capital. The Combined Annual General Meeting convened for 27 April 2017 will be asked to replace this delegation by a further delegation with the same purpose, subject to a ceiling of €85 million and 25% of the share capital,
- the Combined Annual General Meeting of 21 April 2016 (Resolution 19) also authorised the Board of Directors to trade in the company's shares, including during a public tender offer for the company's shares. The Combined Annual General Meeting convened for 27 April 2017 will be asked to replace this authorisation by a further authorisation with the same purpose,
- the Board of Directors is authorised by law, during the period of a public tender offer, to take any measures that are within its prerogative and in the interest of the company to frustrate such an offer;

■ agreements entered into by Bouygues, which will be modified or expire in the event of a change of control of Bouygues:

- the 20-year sterling bonds maturing in 2026, the 8-year bonds maturing in 2018, the 9-year bonds maturing in 2019, the 10-year bonds maturing in 2022, the 10-year bonds maturing in 2023, and the ten-and-a-half year bonds maturing in 2027 all include a change of control clause providing for the early redemption of the bonds in the event of a change of control of Bouygues, accompanied by a rating downgrade,
- a change in the capital structure of Bouygues could potentially jeopardise TF1's licence to operate a national terrestrial television broadcasting service. Article 41-3-2 of the Act of 30 September 1986 governing audiovisual media specifies that any natural or legal person who controls, within the meaning of Article L. 233-3 of the Commercial Code, any company that holds such a licence, or that has placed a company holding such a licence under its authority or dependency, is deemed to be the holder of that licence. Article 42-3 adds that the licence may be withdrawn without notice if there is any substantive change in the circumstances on the basis of which the licence was granted, including changes in capital structure,
- all the decisions and orders licensing Bouygues Telecom to establish and operate its wireless network and provide services to the public (the decision of 5 November 2009 relating to the 900 and 1800 MHz bands, the order of 3 December 2002 relating to the 2.1 GHz band, and the decisions of 11 October 2011 relating to the 2.6 GHz band, of 17 January 2012 relating to the 800 MHz band and of 8 December 2015 relating to the 700 MHz band) stipulate that Arcep (the French telecommunications regulator) must be informed immediately of any change to any of the information contained in the licence application, so that the regulator can check whether that change is compatible with the terms of the licence.

The information contained in the licence application includes the share ownership structure of the company (or companies) that directly or indirectly controls (or control) the licence-holder. In addition, any change in the capital or voting rights of Bouygues that results in a single individual or entity controlling the combined bandwidth of two operators could lead Arcep to re-examine the validity of the licences awarded to Bouygues Telecom;

■ agreements entitling members of the Board of Directors or employees to compensation if they resign or leave the company

without real and serious cause, or if their employment comes to an end as a result of a public tender offer: not applicable. Nevertheless, although this is not severance pay, a director who is also an employee of the company is covered by the applicable collective agreement (for Bouygues SA, the collective agreement for construction executives in the Paris region) and is therefore eligible for the compensation set out in that agreement if his or her contract of employment is terminated. Hervé Le Bouc and François Bertière would be eligible for compensation of this type.

6.1.5 Breakdown of amounts owed to suppliers

Pursuant to Articles L. 441-6-1 and D. 441-4 of the Commercial Code (building and public works sector), the company has published the following breakdown by due date of amounts owed to suppliers at 31 December 2016, accompanied by the comparative figures at 31 December 2015:

	Invoices past due	≤ 30 days	> 30 days
2016	€1,740,208^a	€3,791,386	€28,076

(a) Of which disputed invoices: €224,196.

In addition, a total amount of €3,979,858 was recorded as accrued expenses as at 31 December 2016.

	Invoices past due	≤ 30 days	> 30 days
2015	€637,591^a	€1,477,750	€90,695

(a) Of which disputed invoices: €26,044.

In addition, a total amount of €4,962,334 was recorded as accrued expenses as at 31 December 2015.

6.1.6 Agreements entered into by senior executives or shareholders with Bouygues subsidiaries or sub-subsidiaries

Pursuant to Article L. 225-102-1 of the Commercial Code, the management report must disclose agreements entered into directly or through a third party between, on the one hand, the chief executive officer, a deputy chief executive officer, a director, or a shareholder with over 10% of the voting rights in Bouygues and, on the other hand, another company in which Bouygues directly or indirectly holds more than 50% of the capital, with the exception of agreements covering day-to-day operations carried out under normal business conditions.

The company is not aware of any such agreements.

However, in the interests of full disclosure and for information purposes only, shareholders are hereby informed that Actifly (in which SCDM holds an indirect interest of 85%) has an agreement with Airby (a subsidiary in which Bouygues owns an indirect interest of 85%) setting out the conditions under which Actifly can use an aircraft owned or operated by Airby on the same financial terms as Bouygues or its subsidiaries. Under this agreement, Airby invoiced Actifly €698,249.99 excluding VAT in 2016.

6.1.7 Publicly available documents

During the period of validity of this Registration Document, originals or copies of the following documents may be accessed at the registered office of Bouygues and/or online at the website www.bouygues.com, under Finance:

- the company's articles of association;

- reports drawn up by the auditors, some of which are included or referred to in the Registration Document; and
- historical financial information relating to the company and its subsidiaries for each of the two financial years preceding the publication of the Registration Document.

6.2 Share capital

6.2.1 General information

6.2.1.1 Amount of share capital

The share capital of Bouygues at 31 December 2015 was €345,135,316, composed of 345,135,316 shares with a par value of €1 each.

From 1 January to 31 December 2016, the company issued 2,372,768 new shares resulting from the exercise of stock options.

On 28 December 2016, the company issued 7,400,463 new shares reserved for employees in connection with the Bouygues Confiance n°8 employee share ownership plan (see section 6.2.2).

6.2.1.2 Changes in the share capital over the last five years

All amounts in the following table are in euros.

Date	Capital increases/reductions over the last 5 years	Amount of changes in share capital		
		Nominal	Share premium and capitalisation of reserves	Amount of share capital
28 December 2012	Subscription of 9,363,295 shares by the Bouygues Confiance 6 employee share ownership fund	9,363,295	140,636,691	324,232,374
26 February 2013	Cancellation of 5,074,906 shares bought back by the company	(5,074,906)	(94,312,510)	319,157,468
1 August to 31 December 2013	Exercise of stock options for 107,528 shares	107,528	2,602,405	319,264,996
1 January to 31 May 2014	Exercise of stock options for 439,978 shares	439,978	10,816,497	319,704,974
4 June 2014	Payment of the dividend in shares	15,908,913	385,154,784	335,613,887
1 June to 31 December 2014	Exercise of stock options for 472,571 shares	472,571	11,523,723	336,086,458
1 January to 6 October 2015	Exercise of stock options for 2,000,320 shares	2,000,320	52,648,417	338,086,778
29 December 2015	Subscription of 6,472,603 shares by the Bouygues Confiance 7 employee share ownership fund	6,472,603	143,527,382	344,559,381
7 October to 31 December 2015	Exercise of stock options for 575,935 shares	575,935	17,130,046	345,135,316
1 January to 5 October 2016	Exercise of stock options for 1,983,474 shares	1,983,474	46,329,568	347,118,790
28 December 2016	Subscription of 7,400,463 shares by the Bouygues Confiance n°8 employee share ownership fund	7,400,463	142,599,522	354,519,253
6 October to 31 December 2016	Exercise of stock options for 389,294 shares	389,294	8,357,196	354,908,547

(a) Including non-voting shares, in accordance with the calculation methods set out in the AMF General Regulation.

6.2.1.3 Authorisations to increase or reduce the share capital or to buy back shares

The tables summarising authorisations in force and the financial authorisations submitted to the Combined Annual General Meeting of 27 April 2017 are set out in the Board of Directors' report on the resolutions (chapter 8, section 8.2 of this Registration Document).

6.2.2 Employee share ownership

6.2.2.1 Board of Directors' supplementary report on the capital increase reserved for employees and corporate officers of French companies who are members of the Bouygues group savings scheme (Article R. 225-116 of the Commercial Code)

To the shareholders,

Under the twenty-second resolution approved by the Annual General Meeting of 21 April 2016, you delegated to the Board of Directors, with the option of sub-delegation within the limits provided by law, the power to carry out one or more capital increases within a period of twenty-six months of up to 5% of the company's share capital as of the date of the decision, with subscriptions for the shares thereby issued being reserved for employees and corporate officers of Bouygues and of related French or foreign companies who are members of a company, Group or inter-company savings scheme.

To this end you delegated to the Board of Directors, with the option of sub-delegation to the Chairman and Chief Executive Officer or, with his consent, to one or more Deputy Chief Executive Officers, full powers to carry out said capital increases and determine the final terms and conditions thereof.

Using the powers thus granted by the Annual General Meeting, the Board of Directors at its meeting of 30 August 2016 approved in principle a capital increase of up to €150 million (inclusive of share premium) via a new leveraged share ownership plan, Bouygues Confiance n°8, and granted full powers to the Chairman and Chief Executive Officer to implement the transaction.

Under the powers thus granted by the Board of Directors, the Chairman and Chief Executive Officer decided on 6 October 2016 to carry out a capital increase of up to €150 million (inclusive of share premium) on the terms determined by the Board of Directors at its meeting of 30 August 2016. In accordance with Article L. 3332-19 of the Labour Code, he set the opening date of the subscription period and fixed the subscription price at the average of the quoted share prices for the twenty trading days preceding 6 October 2016 less a discount of 30%.

Description of the plan

The new plan will be implemented via a leveraged employee share ownership fund specifically created for the purpose, the rules of which were approved by the AMF on 16 August 2016. This fund, called FCPE Bouygues Confiance n°8 (hereinafter the FCPE), is reserved for employees and corporate officers of Bouygues and of French companies who are members of the Bouygues group savings scheme, provided they have at least three months' length of service as of 30 December 2016. The funds collected must be invested in Bouygues shares.

The plan involves a capital increase of up to €150 million (inclusive of share premium). It is a leveraged plan whereby each beneficiary's personal contribution will be topped up thanks to an exchange transaction between the FCPE and the bank, with the bank's top-up contribution representing nine times the amount of the beneficiary's personal contribution.

When the beneficiaries withdraw from the FCPE they will receive a percentage of the capital gain on the full amount of the shares acquired with their personal contribution and the bank's top-up contribution, corresponding to the difference between an average share value calculated over a ten-year period and the reference price (i.e. the average of the quoted share prices for the twenty trading days preceding 6 October 2016) before the 30% discount, multiplied by the total number of shares acquired.

The plan involves limited risk because the beneficiaries are guaranteed to recover their personal contribution regardless of any change in the Bouygues share price.

In his decision of 6 October 2016 the Chairman and Chief Executive Officer, having noted that the average of the initial quoted share prices for the twenty trading days preceding that date was €28.9548, set the subscription price at €20.269, i.e. 70% of the aforementioned average, in accordance with Article L. 3332-19 of the Labour Code.

He set 14 November 2016 as the opening date for the subscription period and 2 December 2016 as the closing date.

He decided that the beneficiaries should pay their subscriptions in two instalments, the first no later than 28 December 2016 and the second in January 2017 but no later than 4 January 2017.

He set 28 December 2016 as the date on which the FCPE is to subscribe to the capital increase.

He decided that the FCPE would pay its subscription in two instalments, the first on 28 December 2016 to be equivalent to the payments made by the beneficiaries during December, with the balance to be paid on 4 January 2017.

He noted that the maximum number of new shares that may be created based on the authorised capital increase and the subscription price would be 7,400,463, or 2.13% of the share capital as of 6 October 2016. If the maximum amount of the capital increase is reached, it would have a dilutive effect of 2.09%. This complies with the resolution passed at the Annual General Meeting of 21 April 2016, which stipulated that the maximum number of shares offered must be less than 5% of the share capital.

He also specified that the shares subscribed through the FCPE will rank for dividend from 1 January 2016, and that the new shares will be fungible with the existing shares.

Impact of the issue on the position of existing shareholders

The impact of the issue of up to 7,400,463 new shares on a shareholder who held a 1% interest in the capital of Bouygues as of 31 October 2016 and does not subscribe to the capital increase would be as follows:

	Percentage interest
Before the issue	1%
After the issue of the maximum of 7,400,463 new shares	0.98%

The impact of this issue on the interest in the shareholders' equity of Bouygues SA (based on interim accounts as of 30 June 2016) of a shareholder who holds one Bouygues share and does not subscribe to the capital increase would be as follows:

	Interest in shareholders' equity of Bouygues SA as of 30 June 2016
Before the issue	€14.25
After the issue of the maximum of 7,400,463 new shares	€13.95

Finally, the impact of this issue on the interest in consolidated shareholders' equity attributable to the Group (as of 30 June 2016) of a shareholder who holds one Bouygues share and does not subscribe to the capital increase would be as follows:

	Interest in consolidated shareholders' equity attributable to the Group as of 30 June 2016
Before the issue	€20.64
After the issue of the maximum of 7,400,463 new shares	€20.20

Theoretical impact of the issue on the stock market value of Bouygues shares

Given the issue price and number of shares issued, the issue will not have a material impact on the market value of Bouygues shares.

At its meeting of 15 November 2016, the Board of Directors duly noted the Chairman and Chief Executive Officer's decision and approved the wording of this supplementary report, drafted in accordance with Article R. 225-116 of the Commercial Code and describing the final terms and conditions of the issue in accordance with the authorisation granted by the Annual General Meeting.

In accordance with Article R. 225-116 of the Commercial Code, the present report will be made available to shareholders at the company's registered office no later than 15 days after this Board meeting, and will be brought to the attention of shareholders at the next Annual General Meeting.

15 November 2016
The Board of Directors

6.2.2.2 Auditors' supplementary report on the capital increase reserved for employees and corporate officers of French companies who are members of the Group savings scheme

Board meeting of 15 November 2016.

To the shareholders,

In our capacity as statutory auditors of your company and as required under Article R. 225-116 of the Commercial Code, we hereby present a supplementary report to our report of 25 February 2016 on the capital increase with cancellation of pre-emptive rights for existing shareholders reserved for employees and corporate officers of Bouygues or any related companies within the meaning of applicable legislation, who are members of a company, Group or inter-company savings scheme, as approved by the Extraordinary General Meeting of 21 April 2016.

This capital increase was submitted for the approval of shareholders in accordance with the requirements of Article L. 225-129-6 of the Commercial Code and Articles L. 3332-18 et seq. of the Labour Code.

That meeting delegated to the Board of Directors, with the option of sub-delegation, powers to carry out such a capital increase within a period of twenty-six months and for up to 5% of the share capital as at the date of the Board's decision.

At its meeting of 30 August 2016, the Board of Directors used that delegation to approve in principle a capital increase reserved for employees and corporate officers of French companies who are members of the Bouygues group savings scheme of a maximum amount of €150 million (including share premium), and granted full powers to the Chairman and Chief Executive Officer to implement the capital increase.

Under the powers thus granted by the Board of Directors, the Chairman and Chief Executive Officer decided on 6 October 2016 to carry out a capital increase of up to €150 million (inclusive of share premium) on the terms determined by the Board of Directors at its meeting of 30 August 2016, by issuing a maximum of 7,400,463 shares at a subscription price of €20.269.

The Board of Directors is responsible for drawing up a supplementary report in accordance with Articles R. 225-115 and R. 225-116 of the Commercial Code. Our responsibility is to express an opinion on the fairness of the financial information extracted from the interim accounts, on the proposal to cancel pre-emptive rights for existing shareholders, and on other specific information regarding the issue as contained in that report.

We performed the procedures we considered necessary in accordance with the professional standards issued by the French statutory auditors' board, the CNCC. Those procedures mainly involved verifying:

- the fairness of the financial information extracted from the parent company interim accounts and the consolidated interim accounts prepared under the responsibility of the Board of Directors as of 30 June 2016, using the same methods and presentation as in the last full-year parent company and consolidated financial statements. Our work on those interim accounts involved meeting with members of the management who are responsible for accounting and financial matters, verifying that the interim accounts were prepared using the same accounting policies and measurement and presentation methods as were used in the preparation of the last full-year parent company and consolidated financial statements, and implementing analytical procedures;
- the compliance of the terms and conditions of the transaction with the delegation given by the General Meeting; and
- the information provided in the Board's supplementary report on the inputs used to calculate the issue price and final issue amount.

We have no matters to report regarding:

- the fairness of the financial information extracted from the interim accounts and provided in the Board's supplementary report;
- the compliance of the terms and conditions of the transaction with the delegation made by the Extraordinary General Meeting of 21 April 2016, and with the indications provided to the shareholders;
- the inputs used to calculate the issue price and final issue amount;
- the presentation of the impact of the issue on the position of holders of equity securities in relation to shareholders' equity and the market value of the share; and
- the cancellation of pre-emptive rights for existing shareholders, on which you previously voted.

Paris-La Défense and Courbevoie, 15 November 2016

The Statutory Auditors

MAZARS

Guillaume Potel

ERNST & YOUNG Audit

Laurent Vitse

6.2.2.3 Employee share ownership at 31 December 2016

At 31 December 2016, Group employees held 20.22% of the share capital of Bouygues and 26.02% of the voting rights through a number of employee share ownership funds:

- the fund (created in 1968, and invested in Bouygues shares purchased on the market) associated with the Bouygues group French statutory profit-sharing scheme held 1.59% of the share capital and 2.32% of the voting rights at 31 December 2016;

- the fund (funded by voluntary contributions from employees and additional contributions paid by the company, and invested in Bouygues shares purchased on the market) dedicated to the Bouygues group company savings scheme held 11.30% of the share capital and 15.84% of the voting rights at 31 December 2016;
- the leveraged funds set up in association with the employee share ownership plans awarded in 2009, 2012, 2015 and 2016 (Bouygues Partage 2 – ten years, Bouygues Confiance 6, Bouygues Confiance 7 and Bouygues Confiance n°8) held 7.33% of the share capital and 7.86% of the voting rights at 31 December 2016.

6.2.3 Potential creation of new shares

At 31 December 2016, 4,156,995 share subscription options^a were out of the lock-up period and had an exercise price lower than the last quoted market price of the year (i.e. €34.045 at 30 December 2016).

6.2.4 Share buybacks

6.2.4.1 Use in 2016 of authorisations granted by the Annual General Meeting

The Combined Annual General Meetings of 23 April 2015 and 21 April 2016 approved share buyback programmes authorising the Board of Directors, on the basis of Articles L. 225-209 et seq. of the Commercial Code, to buy, on- or off-market, a number of shares representing up to 5% of the company's share capital as at the purchase date, for the purposes set out in Commission Regulation (EC) No. 2273/2003 of 22 December 2003 and within the confines of market practices authorised by the AMF.

The Combined Annual General Meetings of 23 April 2015 and 21 April 2016 authorised the Board of Directors to reduce the share capital by cancelling shares bought back, within the limit of 10% of the share capital in any 24-month period.

The table below, prepared in accordance with Article L. 225-211 of the Commercial Code, summarises the transactions carried out pursuant to these authorisations in 2016.

(a) Includes plans exercisable before the end of the standard lock-up period using funds locked up on behalf of employees in the company savings scheme.

TRANSACTIONS CARRIED OUT BY BOUYGUES IN ITS OWN SHARES IN 2016

Number of treasury shares held by the company at 31 December 2015	40,000
Shares purchased in 2016	1,465,715
Shares cancelled in 2016	
Shares sold in 2016	1,488,293
Number of treasury shares held by the company at 31 December 2016	17,422
Value (purchase price) of treasury shares held by the company at 31 December 2016	€567,532

BREAKDOWN OF TRANSACTIONS BY PURPOSE**Cancellation of shares**

Shares cancelled in 2016	
Shares reallocated for other purposes	
Number of treasury shares held by the company at 31 December 2016 outside the liquidity contract	
Liquidity contract	
Shares purchased in 2016	1,465,715
Shares sold in 2016	1,488,293
Shares reallocated for other purposes	
Number of treasury shares held by the company at 31 December 2016 under the liquidity contract	17,422

6.2.4.2 Description of the new share buyback programme submitted for approval by the Combined Annual General Meeting of 27 April 2017

Pursuant to Articles 241-2 and 241-3 of the AMF General Regulation, a description is provided below of the share buyback programme to be submitted for approval by the Combined Annual General Meeting of 27 April 2017. This programme is intended to replace the one authorised by the Combined Annual General Meeting of 21 April 2016.

Number of shares and proportion of share capital held by Bouygues – Open derivatives positions

At 31 December 2016, the company's capital was made up of 345,908,547 shares, including 17,422 held by Bouygues under the liquidity contract, representing 0.005% of the share capital.

At that date, the company's open derivatives positions were as follows:

Intermediary	Purchase/ sale	Number of shares	Type of contract	Expiry	Exercise price	Premium	Organised market/OTC
22 January 2015	Natixis	14,846	Forward ^a	No later than 15 December 2017			OTC
22 January 2015	Natixis	29,693	Forward ^a	No later than 17 December 2018			OTC
30 December 2016	Crédit Agricole CIB	Purchase	Call option ^b	29 November 2019	29.9624	4.40	OTC

(a) As part of the acquisition of the Canadian company Plan Group Inc. by Bouygues Energies & Services in 2014, Bouygues Energies & Services undertook to incentivise key managers of Plan Group Inc. by awarding them a Bouygues phantom shares plan. On the effective date of that undertaking (22 January 2015), Bouygues took out two cash-settled forward contracts in Bouygues shares with Natixis in order to hedge its payment obligations under the plan.

(b) Purchase of call option pursuant to a contractual obligation arising out of a Bouygues group employee savings scheme.

Authorisation submitted for approval at the Annual General Meeting of 27 April 2017

The company is asking the Annual General Meeting convened for 27 April 2017 to authorise it to buy back its own shares up to a maximum of 5% of the share capital. This authorisation would cover a number of objectives, including those contained in Article 5 of Commission Regulation (EU) No. 596/2014 on market abuse ("MAR") and market practice as currently accepted by the AMF. Those objectives are as follows:

- reduce the share capital by cancelling shares on the terms laid down by law, subject to authorisation by the Extraordinary General Meeting;
- fulfil the obligations arising from debt securities, in particular securities that grant the right to the allotment of company shares via redemption, conversion, exchange, presentation of a warrant or otherwise;
- grant or sell shares to employees or corporate officers of the company or related companies on the terms and conditions laid down by law, in particular as part of profit-sharing schemes, stock option plans, company savings schemes or Group savings schemes, or through allotment of free shares;
- ensure the liquidity of and organise trading in the company's shares, through an investment services provider acting under the terms of a liquidity agreement that complies with a code of conduct recognised by the AMF;
- retain shares and, where applicable, deliver them subsequently by way of payment or exchange in an acquisition, merger, spin-off or asset-for-share exchange, in accordance with applicable regulations;
- implement any market practice accepted by the AMF and generally carry out any other transaction in compliance with prevailing regulations.

Objectives of the new share buyback programme

Subject to approval by the Annual General Meeting of the resolution relating to the company buying back its own shares, the Board of Directors decided at its meeting of 22 February 2017 to define the objectives of the new share buyback programme as follows:

- reduce the share capital by cancelling shares on the terms laid down by law, subject to authorisation by the Extraordinary General Meeting;
- ensure the liquidity of and organise trading in the company's shares, through an investment services provider acting under the terms of a liquidity agreement that complies with a code of conduct recognised by the AMF.

The Board reserved the right to extend the programme to include other objectives submitted for approval by the Annual General Meeting of 27 April 2017, in which case the company would issue a press release to inform the market.

Maximum proportion of share capital, maximum quantity and characteristics of shares that may be bought back under the new share buyback programme

Under this new share buyback programme, Bouygues may acquire shares representing no more than 5% of its share capital, with the caveat that where shares are bought back to stimulate liquidity the number of shares included for the purposes of calculating 5% of the share capital is the number of shares purchased less the number of shares resold during the authorisation period.

The company may purchase its own shares under the programme either on- or off-market. The purchase price may not exceed €50 per share, subject to any adjustments in connection with share capital transactions.

Consequently, the Board of Directors has set the maximum amount of funds that may be set aside for the new share buyback programme at €875 million (eight hundred and seventy-five million euros), representing a maximum quantity of 17,500,000 shares purchased at the price of €50 per share submitted to the Annual General Meeting for approval.

By law, the total number of shares held at a given date may not exceed 10% of the share capital at that date.

Shares acquired may be reallocated or sold on the conditions laid down by the AMF in Position-Recommendation DOC-2017-04 entitled "Guide to trading by listed issuers in their own securities and to stabilisation measures".

Shares repurchased and retained by Bouygues will be stripped of voting and dividend rights. The shares may be acquired, sold, transferred or exchanged by any means whether on- or off-market subject to compliance with AMF rules, including via a multilateral trading facility (MTF) or systematic internaliser or over-the-counter, including via block trades and via the use of derivative financial instruments, and at any time, including during the period of a public tender offer or public exchange offer for the company's shares. All or part of the programme may be carried out through block trades.

Term of the share buyback programme

Eighteen months with effect from the Combined Annual General Meeting of 27 April 2017, i.e. until 27 October 2018.

6.3 Share ownership

6.3.1 Changes in share ownership over the last three years

	Situation at 31 December 2016 ^a			Situation at 31 December 2015			Situation at 31 December 2014		
	Number of shares	% of capital	% of voting rights ^b	Number of shares	% of capital	% of voting rights ^b	Number of shares	% of capital	% of voting rights ^b
SCDM ^c	70,506,801	19.9%	28.8%	70,405,505	20.4%	27.9%	70,202,914	20.9%	27.3%
Bouygues employees ^d	71,773,228	20.2%	26.0%	73,994,983	21.4%	28.6%	78,346,653	23.3%	30.6%
Other French shareholders	77,288,644	21.8%	17.5%	71,964,071	20.9%	16.6%	64,466,958	19.2%	13.9%
Other foreign shareholders	135,322,452	38.1%	27.7%	128,730,757	37.3%	26.9%	123,034,933	36.6%	28.2%
of which First Eagle	21,745,878	6.1%	4.5%	22,797,016	6.6%	5.2%	20,690,659	6.2%	7.5%
Bouygues	17,422 ^e			40,000 ^e			35,000 ^e		
TOTAL	354,908,547	100%	100%	345,135,316	100%	100%	336,086,458	100%	100.0%

(a) Based on a survey of identifiable bearer shares as at 31 December 2016: 331 million shares identified.

(b) In accordance with Article 223-11 of the AMF General Regulation, the total number of voting rights is calculated on the basis of all shares with voting rights attached, including those with suspended voting rights.

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

(d) Shares owned by employees under company savings schemes. As of 31 December 2016, 31% of those shares have become available.

(e) Treasury shares held under share buyback programmes and the liquidity contract. Voting rights attached to shares held by Bouygues are suspended.

	Number of shares	Total number of voting rights
31 DECEMBER 2016	354,908,547	488,430,028
31 December 2015	345,135,316	489,224,737
31 December 2014	336,086,458	492,710,591

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.

6.3.1.1 Significant changes in share ownership during 2016

The main movements in share ownership since 31 December 2015 are described below:

- At end-December 2016, the interest in the capital held by employees was down from 21.4% to 20.2%, due to the application of the Eckert law on dormant savings accounts and despite the launch of a new leveraged employee share ownership plan, Bouygues Confiance n°8. At the same time, the percentage of voting rights held by employees fell from 28.6% in 2015 to 26.0% in 2016.

- The number of shares held by SCDM was slightly higher than at the end of 2015. However, the percentage of shares held by SCDM fell slightly to 19.9% (versus 20.4% at the end of 2015) due to the dilution caused by the capital increase under the Bouygues Confiance n°8 employee share ownership plan reserved for employees. The percentage of voting rights held by SCDM rose from 27.9% to 28.8%.
- First Eagle Investment Management LLC held a 6.1% interest in the capital at the end of 2016 (versus 6.6% at the end of 2015). Its share of the total voting rights decreased, due to the loss of the last of the double voting rights still held by the company at the end of 2015. First Eagle now holds 4.5% of the voting rights of Bouygues, compared with 5.2% as at 31 December 2015.

6.3.2 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 articles of association, the terms of which are summarised above (see section 6.1.2.5).

6.3.3 Control

No shareholder controls the company within the meaning of Article L. 233-3 of the Commercial Code.

As of 31 December 2016, Martin Bouygues and Olivier Bouygues held 28.8% of the voting rights, either directly or via the simplified limited company SCDM, which gives them substantial power at general meetings (34.1% of the voting rights exercised at the 2016 Annual General Meeting), given the number of voting rights actually exercised.

The employees held 26.0% of the voting rights as of 31 December 2016 (34.8% of the voting rights exercised at the 2016 Annual General Meeting).

As indicated in the Report by the Chairman on corporate governance, the Board of Directors and committees include a significant proportion of independent directors (see chapter 5, section 5.2, of this Registration Document).

6.3.4 Shareholder agreements relating to the capital of Bouygues

As far as the company is aware, no shareholder agreement relating to the company's capital exists and no agreement exists which could, if activated, result in a future change in control of Bouygues.

6.4 Stock market information

6.4.1 Stock market performance of Bouygues shares in 2016

Bouygues shares are listed on the Euronext Paris market (compartment A) and belong to the CAC 40, Euronext 100, FTSE Eurofirst 300 and Dow Jones Stoxx 600 indices. They are eligible for the Deferred Settlement Service (SRD) and for French equity savings plans (PEAs).

There were a total of 354,908,547 **shares in issue** on 31 December 2016.

The **average number of shares in issue** during 2016 was 337,985,966.

The **average daily volume traded as reported by Euronext** for 2016 was 965,392 shares.

During 2016, Bouygues shares fell by 6.8%, compared with a 4.9% rise for the CAC 40.

This stock market performance can be split into two phases:

- From 1 January to 1 April 2016, news flow was dominated by discussions about the proposed consolidation with Orange in the telecommunications sector. On 4 April 2016, the first trading day following the announcement that the discussions had ended, Bouygues shares lost 13.4%, closing at €30.42. The share price continued to fall, hitting a low of €24.99 on 6 July 2016.
- From August 2016, especially following publication of the 2016 first-half results, the Bouygues share price began to rally. The share price ended the year at €34.05 on 30 December 2016, driven by good results from construction businesses and Bouygues Telecom, as confirmed when the results for the first nine months of 2016 were published. In December alone, Bouygues shares rose by 6.4%, compared with 6.2% for the CAC 40.

	Number of shares	Dividend paid for the year €	Quoted market price €			Dividend yield based on closing price %
			High	Low	Closing	
2011	314,869,079	1.60	35.05	20.88	24.35	6.6
2012	324,232,374	1.60	25.74	17.54	22.40	7.1
2013	319,264,996	1.60	30.03	18.61	27.42	5.8
2014	336,086,458	1.60	34.68	23.70	29.98	5.3
2015	345,135,316	1.60	39.05	28.70	36.55	4.4
2016	354,908,547	1.60	37.30	24.99	34.05	4.7

On 22 February 2017, Bouygues shares were trading at €34.60.

6.4.2 Trends in share price and trading volumes

	High €	Low €	Volume of shares traded	Capital traded €m
2015				
January	33.02	28.70	23,960,212	739
February	35.74	31.97	23,477,369	800
March	37.38	35.10	25,693,215	937
April	39.05	36.54	23,193,621	871
May	38.20	35.85	25,818,188	955
June	38.07	33.42	39,068,942	1,377
July	34.24	30.99	34,052,173	1,112
August	34.55	30.73	19,603,902	648
September	35.02	31.47	22,425,269	746
October	35.19	31.85	20,323,407	688
November	35.64	34.74	15,471,299	544
December	36.70	34.15	20,437,867	724
2016				
January	37.30	34.20	20,866,300	747
February	36.07	31.30	23,145,678	787
March	37.21	35.50	18,676,476	679
April	35.14	29.12	33,111,536	1,003
May	29.64	28.45	16,909,432	491
June	29.01	25.57	23,100,037	624
July	27.14	24.99	15,704,604	415
August	28.43	25.54	16,809,375	460
September	29.62	27.92	20,647,337	595
October	30.22	29.26	16,674,267	496
November	32.40	28.26	21,325,041	656
December	34.53	31.57	16,602,322	553

Source: NYSE – Euronext. Volumes traded are those reported by Euronext.

6.4.3 Share trading by senior executives

As required by Article 223–26 of the AMF General Regulation, the table below discloses details of transactions in Bouygues shares during 2016 by senior executives and individuals of similar status.

Person or entity involved	Transaction carried out	Nature of transaction	Number of transactions	Number of shares	Amount €
Olivier Bouygues	In a personal capacity	Exercise of options	1	101,296	2,595,203.52
Olivier Roussat	In a personal capacity	Exercise of options	10	105,257	2,210,187.51
	In a personal capacity	Sale	10	105,257	2,949,819.93
Hervé Le Bouc	In a personal capacity	Exercise of options	2	248,943	5,843,449.66
	In a personal capacity	Sale	2	151,978	4,312,379.88
François Bertière	In a personal capacity	Exercise of options	3	151,943	3,892,779.66
	In a personal capacity	Sale	2	135,862	3,914,963.67
Richard Viel-Gouarin	In a personal capacity	Exercise of options	2	41,337	1,129,421.91
	In a personal capacity	Sale	2	41,337	1,305,804.15
Éric Guillemin	In a personal capacity	Exercise of options	1	20,260	519,061.20
	In a personal capacity	Sale	1	20,260	594,631.00
Éric Mazoyer	In a personal capacity	Exercise of options	1	13,000	261,430.00
	In a personal capacity	Sale	1	13,000	409,500.00
Olivier-Marie Racine	In a personal capacity	Sale	1	10,000	286,584.00
	In a personal capacity	Exercise of options	1	10,000	256,200.00
Pascal Grangé	In a personal capacity	Exercise of options	2	3,500	93,025.00
	In a personal capacity	Sale	2	3,500	117,163.75

6.5 Bouygues (parent company) results for the last five financial years

Item	2016	2015	2014	2013	2012
1. FINANCIAL POSITION AT YEAR-END					
a) Share capital (<i>€m</i>)	355	345	336	319	324
b) Number of shares in issue	354,908,547	345,135,316	336,086,458	319,264,996	324,232,374
c) Number of bonds convertible into shares					
2. RESULTS OF OPERATIONS (<i>€m</i>)					
a) Sales excluding taxes	73	73	68	63	68
b) Earnings before tax, amortisation, depreciation and provisions	696	761	351	431	515
c) Income tax	86	103	93	86	139
d) Earnings after tax, amortisation, depreciation and provisions	973	845	414	(118)	664
e) Amount of profits distributed as dividend	568	552	538	511	511
3. RESULTS OF OPERATIONS ON A PER SHARE BASIS (<i>€</i>)					
a) Earnings after tax, but before amortisation, depreciation and provisions	2.20	2.50	1.32	1.62	2.02
b) Earnings after tax, amortisation, depreciation and provisions	2.74	2.45	1.23	(0.37)	2.05
c) Dividend per share	1.60	1.60	1.60	1.60	1.60
4. PERSONNEL					
a) Number of employees (<i>average</i>)	169	170	168	169	171
b) Payroll (<i>€m</i>)	37	36	30	30	33
c) Amount paid in respect of benefits (social security, company benefits, etc.) (<i>€m</i>)	17	18	13	14	12

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FINANCIAL STATEMENTS

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7.1 Consolidated financial statements

7.1.1 Consolidated balance sheet

Assets (€ million)	Note	31/12/2016 Net	31/12/2015 Net
Property, plant and equipment	3.2.1	6,566	6,523
Intangible assets	3.2.2	2,180	2,131
Goodwill	3.2.3	5,367	5,261
Investments in joint ventures and associates	3.2.4/3.2.5	2,429	3,401
Other non-current financial assets	3.2.4	523	542
Deferred tax assets and non-current tax receivable	7.1	367	352
NON-CURRENT ASSETS		17,432	18,210
Inventories, programmes and broadcasting rights	4.1	2,955	3,059
Advances and down-payments made on orders	4.2	395	446
Trade receivables	4.3	6,367	5,814
Tax asset (receivable)	4.3	285	233
Other current receivables and prepaid expenses	4.3	2,509	2,217
Cash and cash equivalents	4.4	4,749	3,785
Financial instruments – Hedging of debt	17.2	17	21
Other current financial assets	17.2	24	15
CURRENT ASSETS		17,301	15,590
Held-for-sale assets and operations		121	35
TOTAL ASSETS	16	34,854	33,835

Liabilities and shareholders' equity (€ million)	Note	31/12/2016	31/12/2015
Share capital	5.1	355	345
Share premium and reserves		6,925	6,971
Translation reserve	5.3.1	128	146
Treasury shares			
Consolidated net profit/(loss)		732	403
SHAREHOLDERS' EQUITY ATTRIBUTABLE TO THE GROUP	5.2	8,140	7,865
Non-controlling interests	5.2	1,280	1,428
SHAREHOLDERS' EQUITY	5.2	9,420	9,293
Non-current debt	8.1	6,180	5,305
Non-current provisions	6.1	2,199	2,160
Deferred tax liabilities and non-current tax liabilities	7.2	159	97
NON-CURRENT LIABILITIES		8,538	7,562
Advances and down-payments received on orders	10	1,010	1,178
Current debt	8.1	265	831
Current taxes payable		109	118
Trade payables		7,140	6,513
Current provisions	6.2	1,002	1,092
Other current liabilities	10	7,159	6,965
Overdrafts and short-term bank borrowings		168	196
Financial instruments – Hedging of debt	17.2	19	35
Other current financial liabilities	17.2	24	52
CURRENT LIABILITIES	10	16,896	16,980
Liabilities related to held-for-sale operations			
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	16	34,854	33,835
NET SURPLUS CASH/(NET DEBT)	9/16	(1,866)	(2,561)

7.1.2 Consolidated income statement

(€ million)	Note	Full year	
		2016	2015
SALES^a	11/16	31,768	32,428
Other revenues from operations		132	92
Purchases used in production		(14,751)	(15,936)
Personnel costs		(7,169)	(7,128)
External charges		(6,862)	(6,659)
Taxes other than income tax		(646)	(650)
Net depreciation and amortisation expense	16/4.5	(1,599)	(1,454)
Net charges to provisions and impairment losses	16/4.5	(461)	(417)
Changes in production and property development inventories		(16)	128
Other income from operations ^b		1,678	1,441
Other expenses on operations		(953)	(904)
CURRENT OPERATING PROFIT/(LOSS)	12/16	1,121	941
Other operating income	12/16	113	32
Other operating expenses	12/16	(287)	(305)
OPERATING PROFIT/(LOSS)	12/16	947	668
Financial income	13.1	26	33
Financial expenses	13.1	(248)	(308)
INCOME FROM NET SURPLUS CASH/(COST OF NET DEBT)	13/16	(222)	(275)
Other financial income	13.2	125	91
Other financial expenses	13.2	(84)	(85)
Income tax	14/16	(249)	(118)
Share of net profits/losses of joint ventures and associates	16	267	199
NET PROFIT/(LOSS) FROM CONTINUING OPERATIONS	16	784	480
Net profit/(loss) from discontinued and held-for-sale operations			
NET PROFIT/(LOSS)	16	784	480
NET PROFIT/(LOSS) ATTRIBUTABLE TO THE GROUP	15/16	732	403
Net profit/(loss) attributable to non-controlling interests		52	77
BASIC EARNINGS PER SHARE FROM CONTINUING OPERATIONS (€)	15	2.11	1.19
DILUTED EARNINGS PER SHARE FROM CONTINUING OPERATIONS (€)	15	2.10	1.18
(a) Of which sales generated abroad		11,697	12,370
(b) Of which reversals of unutilised provisions/impairment losses (Note 4.5)		424	401

7.1.3 Consolidated statement of recognised income and expense

(€ million)	Full year	
	2016	2015
NET PROFIT/(LOSS)	784	480
Items not reclassifiable to profit or loss		
Actuarial gains/losses on post-employment benefits	(80)	7
Change in remeasurement reserve		
Net tax effect of items not reclassifiable to profit or loss	16	(2)
Share of non-reclassifiable income and expense of joint ventures and associates ^a	(42)	(150)
Items reclassifiable to profit or loss		
Change in cumulative translation adjustment	13	87
Net change in fair value of financial instruments used for hedging purposes and of other financial assets (including available-for-sale financial assets)	(1)	(30)
Net tax effect of items reclassifiable to profit or loss	6	7
Share of reclassifiable income and expense of joint ventures and associates ^a	48	(52)
INCOME AND EXPENSE RECOGNISED DIRECTLY IN EQUITY	(40)	(133)
TOTAL RECOGNISED INCOME AND EXPENSE	744	347
Recognised income and expense attributable to the Group	692	269
Recognised income and expense attributable to non-controlling interests	52	78

(a) Relates mainly to Alstom (accounted for by the equity method).

7.1.4 Consolidated statement of changes in shareholders' equity

(€ million)	Note	Reserves	Share related to capital & share premium	Capital/retained earnings	Consolidated reserves and profit/(loss)	Treasury shares	Items recognised directly in equity	Total attributable to the Group	Non-controlling interests	Total
POSITION AT 31 DECEMBER 2014		1,631	2,425	4,096		(298)	7,854	1,601	9,455	
Movements during 2015										
Capital and reserves transactions, net	222	(124)		124			222			222
Acquisitions/disposals of treasury shares										
Acquisitions/disposals without loss of control				(1)			(1)	(33)	(34)	
Dividend paid				(538)			(538)	(199)	(737)	
Other transactions with shareholders				10			10	1	11	
Net profit/(loss)				403			403	77	480	
Translation adjustment					36		36	3	39	
Other recognised income and expense					(170)		(170)	(2)	(172)	
TOTAL RECOGNISED INCOME AND EXPENSE^b				403		(134)	269	78	347	
Other transactions (changes in scope of consolidation and other items)		1		48			49	(20)	29	
POSITION AT 31 DECEMBER 2015		1,853	2,302	4,142		(432)	7,865	1,428	9,293	
Movements during 2016										
Capital and reserves transactions, net	207	293		(293)			207			207
Acquisitions/disposals of treasury shares				1			1			1
Acquisitions/disposals without loss of control	5.5			(59)			(59)	(68)	(127)	
Dividend paid				(552)			(552)	(110)	(662)	
Other transactions with shareholders	5.4			13			13	1	14	
Net profit/(loss)				732			732	52	784	
Translation adjustment	5.3					44 ^a	44	2 ^a	46	
Other recognised income and expense	5.3				(84)		(84)	(2)	(86)	
TOTAL RECOGNISED INCOME AND EXPENSE^b				732		(40)	692	52	744	
Other transactions (changes in scope of consolidation and other items)	5.5			(556)		529 ^d	(27)	(23)	(50)	
POSITION AT 31 DECEMBER 2016		2,060	2,595	3,428		57	8,140	1,280^c	9,420	

(a) Change in translation reserve:

Attributable to:	Group	Non-controlling interests	Total
Controlled entities	11	2	13
Joint ventures and associates	33		33
Total	44	2	46

(b) See statement of recognised income and expense.

(c) Includes TFI: 844

(d) Reclassification to consolidated reserves of items recognised directly in equity relating to Alstom's Energy business, following the divestment of that business.

7.1.5 Consolidated cash flow statement

(€ million)	Note	Full year	
		2016	2015
I - Cash flow from continuing operations			
A - NET CASH GENERATED BY/(USED IN) OPERATING ACTIVITIES			
Net profit/(loss) from continuing operations		784	480
Share of profits/losses reverting to joint ventures and associates, net of dividends received		(102)	(74)
Elimination of dividends (non-consolidated companies)		(17)	(17)
Charges to/(reversals of) depreciation, amortisation, impairment & non-current provisions		1,760	1,539
Gains and losses on asset disposals		(382)	(251)
Miscellaneous non-cash charges		(10)	(3)
Sub-total		2,033	1,674
(Income from net surplus cash)/(cost of net debt)		222	275
Income tax		249	118
Cash flow	16	2,504	2,067
Income taxes paid		(280)	(194)
Changes in working capital related to operating activities ^a		194	203
NET CASH GENERATED BY/(USED IN) OPERATING ACTIVITIES		2,418	2,076
B - NET CASH GENERATED BY/(USED IN) INVESTING ACTIVITIES			
Purchase price of property, plant and equipment and intangible assets	16	(1,962)	(2,028)
Proceeds from disposals of property, plant and equipment and intangible assets	16	324	138
Net liabilities related to property, plant and equipment and intangible assets		(202)	517
Purchase price of non-consolidated companies and other investments	16	(13)	(25)
Proceeds from disposals of non-consolidated companies and other investments	16	75	6
Net liabilities related to non-consolidated companies and other investments		(65)	6
Effects of changes in scope of consolidation			
Purchase price of investments in consolidated activities	16/21.1	(220)	(28)
Proceeds from disposals of investments in consolidated activities	16/21.1	1,229	703
Net liabilities related to consolidated activities	21.1	(2)	6
Other effects of changes in scope of consolidation (cash of acquired and divested companies)	9/21.1	91	(30)
Other cash flows related to investing activities (changes in loans, dividends received from non-consolidated companies)		40	39
NET CASH GENERATED BY/(USED IN) INVESTING ACTIVITIES		(705)	(696)
C - NET CASH GENERATED BY/(USED IN) FINANCING ACTIVITIES			
Capital increases/(reductions) paid by shareholders & non-controlling interests and other transactions between shareholders		189	173
Dividends paid			
Dividends paid to shareholders of the parent company		(552)	(538)
Dividends paid by consolidated companies to non-controlling interests		(110)	(199)
Change in current and non-current debt		87	(994)
Income from net surplus cash/(cost of net debt)		(222)	(275)
Other cash flows related to financing activities		(85)	(10)
NET CASH GENERATED BY/(USED IN) FINANCING ACTIVITIES		(693)	(1,843)
D - EFFECT OF FOREIGN EXCHANGE FLUCTUATIONS	9	(29)	143
CHANGE IN NET CASH POSITION (A + B + C + D)		991	(320)
NET CASH POSITION AT START OF PERIOD	9	3,589	3,910
Net cash flows	9	991	(320)
Other non-monetary flows	9	1	(1)
NET CASH POSITION AT END OF PERIOD	9	4,581	3,589
II - Cash flows from discontinued and held-for-sale operations			
Net cash position at start of period			
Net cash flows			
Net cash position at end of period			
(a) Definition of change in working capital related to operating activities: Current assets minus current liabilities (excluding income taxes paid, which are reported separately).			

7.1.6 Notes to the consolidated financial statements

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Declaration of compliance:

The consolidated financial statements of Bouygues and its subsidiaries (the "Group") for the year ended 31 December 2016 were prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed by the European Union.

The financial statements are presented in millions of euros (unless otherwise indicated) and comprise the balance sheet, the income statement, the statement of recognised income and expense, the statement of changes in shareholders' equity, the cash flow statement, and the notes to the financial statements.

The comparatives presented are from the consolidated financial statements for the year ended 31 December 2015.

Note 1 Significant events of the year

1.1 Scope of consolidation as of 31 December 2016

1,065 entities were consolidated as of 31 December 2016, compared with 1,041 as of 31 December 2015. The net increase of 24 entities mainly includes changes relating to entities set up for property co-promotion programmes (*Sociétés Civiles Immobilières – SCIs*) and construction project companies (*Sociétés en Participation – SEPs*) on project completion (mainly in the construction businesses), as well as the acquisition by TF1 of the entities in the Newen Studios group.

(31 December)	2016	2015
Companies controlled by the Group	777	741
Joint operations	162	186
Joint ventures and associates	126	114
JOINT VENTURES AND ASSOCIATES	1,065	1,041

1.2 Significant events

1.2.1 Significant events of 2016

The principal corporate actions and acquisitions of 2016 are described below:

- On 5 January 2016, Bouygues announced that it had started preliminary discussions with Orange to explore all possible options, and that Bouygues and Orange had signed a confidentiality agreement. After three months of discussions, it was not possible to reach an agreement. As a result, at its meeting of 1 April 2016, Bouygues' Board of Directors decided unanimously to bring the negotiations to an end.
- On 26 January 2016, TF1 acquired a 70% equity interest in FLCP, renamed Newen Studios, the holding company of the Newen production company. The parties signed a shareholders' agreement setting out rules governing the operational management of Newen, and providing for call and put options relating to the residual equity interest. The vendors have a put option, and TF1 has a call option, over the residual equity interest, exercisable during a five-year period starting in 2018. Newen Studios is consolidated with effect from 1 January 2016. The commitment entered into by TF1 to buy out the 30% non-controlling interest was measured at fair value on the basis of discounted cash flow projections and the resulting amount has been recognised as a non-current financial liability, with the corresponding entry recorded as a deduction from consolidated shareholders' equity. The impact of this acquisition on the net debt of the Bouygues group is €293 million. On 24 February 2016, Newen Studios acquired 100% of the equity capital of Rendez Vous Production Serie (RDVPS), which is also consolidated with effect from 1 January 2016. Both acquisitions were accounted for using the partial goodwill method. The purchase price allocation resulted in the recognition of provisional goodwill of €114 million, after remeasuring acquired production and distribution rights at a provisional fair value of €68 million to be amortised over an average period of three years (depending on the nature of the programme) through "Other operating expenses" (see Note 12 to the financial statements) starting on 1 January 2016.

■ On 28 January 2016, Alstom repurchased 91.5 million of its own shares, including 28,457,641 from Bouygues. The disposal of the shares held by Bouygues generated cash proceeds of €996 million. Following this transaction, Bouygues held an equity interest of 28.3% in Alstom, of which 20% is loaned to the French state under a stock lending transaction.

■ On 2 February 2016, Colas announced the sale of its 15.56% equity interest in Atlandes (the company that holds the concession for the A63 motorway in France) to various investment funds for €96 million, including €29 million in the form of a reimbursement of current account advances. The gain on the sale, amounting to €65 million, was recognised in "Other financial income" in the fourth quarter of 2016.

■ On 8 February 2016, the French state announced that the memorandum of understanding with Bouygues relating to Alstom had come into effect, along with a stock lending transaction by Bouygues, valid until 17 October 2017, that will enable the French state to exercise 20% of Alstom's voting rights. Bouygues:

- retains a seat on Alstom's Board of Directors;
- is entitled to the dividends on its entire shareholding in Alstom;
- will recover the voting rights attached to the loaned shares in the event they are not purchased by the French state; and
- will retain at least 8.3% of the voting rights.

In accordance with paragraphs 6 and 13 of IAS 28, Bouygues retains significant influence over Alstom, and the entire 28.3% equity interest in Alstom continues to be accounted for by the equity method as an investment in an associate.

■ On 11 July 2016, Bouygues Telecom entered into a definitive agreement for the sale of towers to Cellnex. The agreement covers 500 towers for a total amount of €147 million. This sale generated a gain on disposal of €104 million, recognised in "Other operating income" in the year ended 31 December 2016 (see Note 12 to the financial statements).

The sale was accompanied by a 20-year hosting and service framework agreement between the parties.

■ On 9 November 2016, Bouygues sold a 46.1% equity interest in Adelac, the company that holds the concession for the A41 North motorway between Annecy and Geneva. This equity interest, which was owned by subsidiaries of Bouygues Construction (39.2%) and by Colas (6.9%), was sold for €130 million and generated a net gain on disposal of €129 million, recognised in "Share of net profits/losses of joint ventures and associates".

1.2.2 Reminder of the significant events of 2015

The main acquisitions and corporate actions of 2015 are described below:

- On 31 March 2015, Eurosport SAS, 49% owned by TF1, acquired 100% of the capital of Eurosport France, which was previously 80% owned by TF1. As a result of this transaction, which generated a non-taxable capital gain of €34 million, the Eurosport group (including Eurosport France) came to be owned 51% by Discovery Communications and 49% by TF1.
- On 22 July 2015, pursuant to the initial agreements, the TF1 and Discovery Communications groups mutually agreed that TF1 would (i) exercise its put option over its 49% interest in Eurosport for €490 million and (ii) buy back Discovery's 20% interest in the pay-TV channels (TV Breizh, Histoire and Ushuaïa TV) for €15 million.

These transactions were completed on 1 October 2015. This new agreement extinguished the reciprocal commitments between the two groups.

- On 31 July 2015, Bouygues SA sold its 18.63% equity interest in Eranove for €47 million.
- Bouygues Construction sold its equity interest in Autoroute de Liaison Seine-Sarthe. This disposal took place in two stages: (i) 23.17% of the capital and shareholder loans on 30 September 2015 for €76 million, resulting in the loss of significant influence; and (ii) 10% of the capital and shareholder loans in June 2016 for €35 million. The residual 10% interest was shown as a held-for-sale asset at that amount in the balance sheet as of 30 September 2015 and 31 December 2015.
- On 15 October 2015, Bouygues Telecom sold its residual 15% equity interest in FPS Towers, a telecoms tower operator, for €50 million.
- The transaction between Alstom and General Electric was finalised on 2 November 2015. At its general meeting of 18 December 2015, Alstom asked its shareholders to approve a €3.2 billion public share buy-back offer covering a maximum of 91.5 million shares (representing 29.5% of the total number of shares) at a price of €35 per share. The shares repurchased via the public share buy-back offer were cancelled in January 2016.
- On 17 November 2015, Bouygues Telecom paid €467 million to acquire a 5 MHz block as part of the French state's auction of frequencies in the 700 MHz band.
- With the cost of refined products persistently remaining very much higher than the selling price of bitumen, Colas decided to discontinue operations at the Société de la Raffinerie de Dunkerque

production facility and seek a buyer. This decision led to the recognition of a charge of €80 million in the year ended 31 December 2015, reported in "Other operating expenses" (see Note 12 to the financial statements).

1.3 Significant events and changes in scope of consolidation subsequent to 31 December 2016

- On 30 January 2017, TF1 confirmed that it had accepted a conditional offer from Mediawan SA to buy the TF1 group's 33.5% equity interest in Groupe AB. That equity interest had a carrying amount of €77 million as of 31 December 2016, based on financial statements as of 30 September 2016 (the most recent available).
- On 31 January 2017, Bouygues Telecom signed an agreement with Cellnex (Spain) covering 3,000 towers in France, for a total amount of €854 million.

The transaction involves the transfer by Bouygues Telecom of an initial batch of 1,800 existing towers to Cellnex over a two-year period for €500 million, followed by the joint construction of 1,200 new towers over a five-year period for €354 million.

In addition, Bouygues Telecom and Cellnex signed a renewable 15-year hosting and services agreement (see Note 18.2 to the financial statements).

As of 31 December 2016, the 1,800 towers were presented in the balance sheet as "Held-for-sale assets", at a carrying amount of €121 million.

Note 2 Group accounting policies

2.1 Sectors of activity

The Bouygues group is a diversified industrial group, with operations in nearly 90 countries.

The Group's businesses are organised into three sectors of activity:

- Construction businesses:
 - Construction and services (Bouygues Construction);
 - Property development (Bouygues Immobilier);
 - Transport infrastructure (Colas).
- Media:
 - TF1.
- Telecoms:
 - Mobile, fixed, TV and internet services (Bouygues Telecom).

The Bouygues group also holds an equity interest in Alstom (Transport), which stood at 28.3% as of 31 December 2016, 20% of which is loaned to the French state under a stock lending transaction.

2.2 Basis of preparation of the financial statements

The consolidated financial statements of the Bouygues group include the financial statements of Bouygues SA and its five business segments, along with its investments in joint ventures and associates and its joint operations. The financial statements are presented in millions of euros, the currency in which the majority of the Group's transactions are denominated, and take account of the recommendations on the presentation of financial statements (Recommendation 2013-03) issued on 7 November 2013 by the Autorité des Normes Comptables (ANC), the French national accounting standard-setter.

The consolidated financial statements were closed off by the Board of Directors on 22 February 2017, and will be submitted for approval by the forthcoming Annual General Meeting on 27 April 2017.

The consolidated financial statements for the year ended 31 December 2016 were prepared in accordance with IFRS using the historical cost convention, except for certain financial assets and liabilities measured at fair value where this is a requirement under IFRS. They include comparatives as at and for the year ended 31 December 2015.

The Bouygues group applied the same standards, interpretations and accounting policies for the year ended 31 December 2016 as were applied in its consolidated financial statements for the year ended 31 December 2015, except for changes required to meet new IFRS requirements applicable from 1 January 2016 (see below).

- Principal new standards, amendments and interpretations effective within the European Union and mandatorily applicable or permitted for early adoption with effect from 1 January 2016:

■ Amendments to IAS 7: Statement of Cash Flows

These amendments lay down the principle that an entity should provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

These amendments are applicable to annual reporting periods beginning on or after 1 January 2017, and have been early adopted in the Bouygues consolidated financial statements for the year ended 31 December 2016.

Consequently, the Bouygues group provides a reconciliation between the opening and closing financial positions as regards liabilities included in financing activities, in Note 9 to the financial statements.

■ IFRS 9:

On 24 July 2014, the IASB issued a new standard on financial instruments intended to replace most of the current IFRS pronouncements on this subject, in particular IAS 39. The new standard, which was endorsed by the European Union on 22 November 2016, is applicable from 1 January 2018. The Bouygues group does not intend to early adopt IFRS 9.

■ IFRS 15: Revenue from Contracts with Customers

On 28 May 2014, the IASB issued a new standard on revenue recognition intended to replace most of the current IFRS pronouncements on this subject, in particular IAS 11 and IAS 18. The new standard, which was endorsed by the European Union on 29 October 2016, is applicable from 1 January 2018. The Bouygues group does not intend to early adopt IFRS 15.

The sector of activity likely to be most affected by IFRS 15 is telecoms, due in particular to contracts that combine a subscription with money off a handset; such contracts will have to be split into separate components.

- Key standards, amendments and interpretations issued by the IASB but not yet endorsed by the European Union:

■ IFRS 16:

On 13 January 2016, the IASB issued IFRS 16, "Leases". IFRS 16 will replace IAS 17, along with the associated IFRIC and SIC interpretations, and for lessees will end the distinction previously made between operating leases and finance leases. Lessees will be required to account for all leases with a term of more than one year in a manner similar to that currently specified for finance leases under IAS 17, involving the recognition of an asset for the rights, and a liability for the obligations, arising under the lease. IFRS 16, which has not yet been endorsed by the European Union, is applicable from 1 January 2019.

The impact of IFRS 16 is currently under review. Given the expected changes in lease accounting, the detailed information on leases as provided in the notes to the consolidated financial statements for the year ended 31 December 2016 is not indicative of the actual impact that IFRS 16 might have on those financial statements.

- Exercise of judgement and use of estimates:

In preparing consolidated financial statements to comply with IFRS standards and interpretations, the Group uses estimates and

assumptions which may have affected the amounts reported for assets, liabilities and contingent liabilities at the end of the reporting period, and the amounts of income and expenses reported for the period.

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 the impairment testing of goodwill and equity investments, share-based payment (stock options), employee benefits (lump-sum retirement benefits, pensions, etc.), the fair value of unlisted financial instruments, deferred tax assets, and provisions.

Where no standard or interpretation applies to specific transactions, events or conditions, Group management exercises its judgement to define and apply accounting policies that will provide relevant information that gives a fair presentation and is comparable between periods, such that the consolidated 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.

Disclosures about judgements made by management are provided in the notes to the consolidated financial statements.

■ Held-for-sale assets and discontinued or held-for-sale operations:

A non-current asset, or a group of directly-associated assets and liabilities, is regarded as being held for sale if its carrying amount will be recovered primarily through a sale rather than through continuing use. For this to be the case, the asset must be available for sale in its immediate condition, and its sale must be highly probable. Such held-for-sale assets or asset groups are measured at the lower of the carrying amount or the estimated selling price less costs to sell.

An operation that is discontinued or classified as held-for-sale is one that is material to the Group (having been treated as a cash generating unit) and that has either been disposed of or has been classified as a held-for-sale asset. Income statement and cash flow information about such discontinued or held-for-sale operations is reported in separate line items in the consolidated financial statements for all periods presented.

2.3 Consolidation methods

2.3.1 Companies controlled by the Group

Companies over which Bouygues exercises control are consolidated.

- Assessment of exclusive control over TF1:

As of 31 December 2016 Bouygues held, directly or indirectly, 43.91% of the capital and voting rights of TF1. Exclusive control by Bouygues over TF1 is demonstrated by the following:

- Bouygues has consistently and regularly held a large majority of the voting rights exercised at TF1 general meetings, and no other shareholder directly or indirectly controls a higher share of voting rights than Bouygues,

- Bouygues has had exclusive power to determine decisions at TF1 general 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.

2.3.2 Jointly-controlled companies

A joint venture or joint operation is a contractual arrangement whereby two or more parties undertake an economic activity which is subject to joint control. In the case of joint operations (which give each party direct rights over the assets and obligations for the liabilities), the assets, liabilities, income and expenses of the joint operation are accounted for in accordance with the interests held in the joint operation. Joint ventures, which give the parties rights over the net assets, are accounted for using the equity method.

2.3.3 Companies over which Bouygues exercises significant influence

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 the assets and liabilities of such entities are accounted for by the equity method.

2.4 Business combinations

Since 1 January 2010, business combinations have been accounted for in accordance with the revised IFRS 3.

In a business combination, goodwill at the acquisition date represents (i) the sum total of the consideration transferred and non-controlling interests minus (ii) the net amount recognised (usually at fair value) for the identifiable assets acquired and liabilities assumed, adjusted to reflect the fair value remeasurement of any previously-acquired equity interest. IFRS 3 allows entities to elect one of two methods of accounting for non-controlling interests in each business combination:

- at fair value (full goodwill method), i.e. the non-controlling interests are allocated their share of goodwill;
- at the non-controlling interests' proportionate share of the acquired entity's identifiable assets and liabilities (partial goodwill method), i.e. no share of goodwill is allocated to the non-controlling interests.

Fair value is the price that would be received for selling an asset or paid for transferring a liability in an arm's length transaction between market participants as of the date of measurement.

Goodwill is allocated to the Cash Generating Unit (CGU) benefiting from the business combination or to the group of CGUs at the level of which return on investment is measured (business segment for the Bouygues group).

The purchase price allocation period is limited to the time required to identify and measure the acquired entity's assets and liabilities, the non-controlling interests, the consideration transferred and the fair value of any previously-held equity interest, subject to a maximum period of 12 months.

Negative goodwill (i.e. gain from a bargain purchase) 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 annually using the methods described in the sections on impairment testing in Note 2.7.4 below, in accordance with IAS 36. Impairment losses are charged to the income statement as an operating item.

In accordance with IFRS 3, the previously-held equity interest in a step acquisition is remeasured at fair value at the date on which control is obtained; the resulting gain or loss is recognised in profit or loss for the period. In the event of loss of control with a retained equity interest, that retained interest is remeasured at fair value; the gain or loss on remeasurement is recognised in profit or loss for the period, along with the gain or loss arising on the disposal.

In the event of a change in percentage interest with no effect on control, the difference between the consideration transferred and the carrying amount of the non-controlling interest is recognised directly in equity attributable to the Group. Consequently, no additional goodwill is recognised.

All acquisition-related costs are recognised as an expense in profit or loss for the period.

In the event of a partial divestment of the component operations of a CGU, the Bouygues group usually allocates the goodwill in proportion to the value of the divested operation relative to the value of the CGU as measured at the date of divestment, unless it can be demonstrated that another method better reflects the goodwill of the divested operation; this policy complies with paragraph 86 of IAS 36.

Goodwill recognised prior to 1 January 2004 continues to be measured using the partial fair value method. Non-controlling interests are measured on the basis of the carrying amount of the relevant items as shown in the balance sheet of the acquired entity.

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 end of the reporting period are translated at the closing exchange rate. Translation differences are recognised in profit or loss for the period. 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 entities with a functional currency other than the euro

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 consolidated shareholders' equity). Translation differences arising on the net investment in foreign subsidiaries and associates are recognised in shareholders' equity.

2.6 Assessment of income taxes

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. Such assets are recognised to the extent that it is probable that sufficient taxable profits will be available against which to offset the temporary differences, and are reviewed at the end of each reporting period.
- tax losses available for carry-forward (deferred tax assets), where it is probable that these losses will be recovered in future periods.

Deferred taxes are measured using national tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted in the relevant country by the end of the reporting period. As of 31 December 2016, temporary differences of French entities that are expected to reverse after 31 December 2019 were measured at a rate of 28.92%, which is the rate enacted by the French National Assembly for 2020. For 2017, 2018 and 2019, a tax rate of 34.43% was applied, the same rate as used for 2016.

Deferred taxes are not discounted, and are reported in non-current assets and liabilities.

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.

2.7.1.1 PRINCIPAL USEFUL LIVES BY MAIN ASSET CATEGORY AND SECTOR OF ACTIVITY

	Construction	Media	Telecoms
■ Mineral deposits (quarries)		a	
■ Non-operating buildings	10 to 40 years	25 to 50 years	
■ Industrial buildings	10 to 20 years		30 years
■ Plant, equipment and tooling ^b	3 to 15 years	3 to 7 years	10 to 30 years
■ Other property, plant and equipment (vehicles and office equipment) ^b	3 to 10 years	2 to 10 years	3 to 10 years

(a) Depreciated on the basis of the rate of depletion, up to a maximum of 40 years (Colas).

(b) Depending on the type of equipment.

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" (see Note 2.15.1 to the financial statements) unless they meet the criteria for classification as non-current income or expenses.

Depreciation periods are reviewed annually, and may be adjusted if expectations differ from previous estimates.

2.7.1.2 LEASES

Items of property, plant and equipment held under leases whereby the Bouygues group retains substantially all the risks and rewards of ownership (i.e. finance leases) are recognised as assets in the balance sheet, along with a corresponding liability.

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.

The amount of the Bouygues group's irrevocable commitments under operating leases is disclosed in off balance sheet commitments.

2.7.1.3 GRANTS RECEIVED

Investment grants received from national, regional or local governments are netted off the value of the assets concerned in the balance sheet, and depreciated at the same rate as those assets once receipt of the grant becomes unconditional.

2.7.2 Intangible assets

IAS 38 defines an intangible asset as an identifiable non-monetary asset without physical substance which is controlled by the entity. An asset is identifiable:

- if it is separable, i.e. capable of being independently sold, transferred, licensed, rented or exchanged;
- or if it is derived from contractual or other legal rights, whether separable or not.

An asset is controlled if the entity has the power to obtain the future economic benefits from that asset and to restrict the access of others to those benefits.

Intangible assets with finite useful lives are depreciable. Intangible assets with indefinite useful lives are not depreciable, but are subject to annual impairment testing and are reviewed at the end of each reporting period to ensure that their useful lives are still indefinite.

Intangible assets include:

- Development expenses
 - Development expenses are capitalised if the IAS 38 criteria are met, i.e. if they are expected to generate future economic benefits and their cost can be reliably measured.
 - In accordance with IFRS, incorporation and research expenses are expensed as incurred.

■ Concessions, patents and similar rights.

These include the following assets held by Bouygues Telecom:

Type of asset	Amortisation method	Period
UMTS licence	Straight line	17.5 years ^a
IAP-IRU and front fees (Indefeasible Right of Use)	Straight line	25 years
Software, IT developments, office applications, service access costs	Straight line	3 to 8 years
Licence to use 4G and 700 MHz frequencies	Straight line	20 years ^b

- (a) UMTS licence awarded in 2002: amortised from the date on which the broadband network opened (26 May 2005).
(b) The licences acquired in 2011 (for €228m) and 2012 (for €683m) were awarded for a 20-year period, and are being amortised from the date on which they came into service (1 October 2013), over 18 and 18.3 years respectively. The 5 MHz block acquired in November 2015 for €467m has not yet begun to be amortised.

The fee for the UMTS licence, awarded for a 20-year period, comprises:

- a fixed component of €619 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, recognised as incurred from the date on which the UMTS network opened (November 2007).

2.7.3 Other intangible assets

Other intangible assets recognised by the Group include leasehold rights, and audiovisual rights (TF1).

TF1 audiovisual rights

This item includes shares in films and programmes produced or co-produced by TF1 SA, TF1 Films Production, TF1 Vidéo and TF1 Production; audiovisual distribution and trading rights owned by TF1 DA and TF1 Entreprises; Newen Studios audiovisual rights; and music rights owned by Une Musique.

Audiovisual rights are recognised as assets, at historical cost.

Amortisation methods for the various categories of audiovisual rights are as follows:

- producer shares in French drama acquired to meet broadcasters' regulatory obligations: amortised at least on a straight line basis over the projected period over which the rights will be exploited, reflecting the decline in future economic benefits from those shares;
- producer shares in French drama produced by the TF1 group: amortised on a reducing balance basis, taking account of the decline in the expected value of the economic benefits from those shares;
- shares in film co-productions and audiovisual distribution rights: amortised on a reducing balance basis, taking account of the decline in the expected value of the economic benefit;
- audiovisual trading rights: amortised on a straight-line basis over the contract term or expected period of exploitation;
- music rights: amortised over 2 years, 75% of gross value in the first year and the remaining 25% in the second year.

A provision for impairment of audiovisual rights is recorded individually as required. Impairment testing of audiovisual rights is based on an analysis of the future economic benefits derived from the rights relative to their carrying amount.

2.7.4 Impairment testing of non-current assets and investments in associates

Impairment tests are carried out on the carrying amount of non-current assets and investments in associates if there is objective evidence that they may have become impaired.

The carrying amounts of indefinite-lived intangible assets and goodwill are compared to their recoverable amounts at least at the end of each financial year.

2.7.4.1 IMPAIRMENT TESTING OF TF1, BOUYGUES TELECOM AND COLAS

Method applied

In determining the recoverable amount, intangible assets to which independent cash flows cannot be directly allocated are grouped within the Cash Generating Unit (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 recoverable amount of CGUs is measured as follows:

- For TF1 and Colas, which are listed on the stock market: on the basis of the quoted share price if this exceeds the carrying amount of the assets (after allowing for a control premium where applicable); or by using the Discounted Cash Flow (DCF) method as described below, taking account of the specific characteristics of the investment.
- For Bouygues Telecom: using the DCF method, taking account of the specific characteristics of the investment.
 - The cash flows used are derived from 3-year business plans prepared by the management of the business segment and presented to the subsidiary's Board of Directors and to the Bouygues Board of Directors.
 - The discount rate is determined on the basis of a weighted average cost of capital, in the case of equity by reference to a panel of comparable companies, and in the case of debt by applying two alternative capital structure scenarios: 1/3 debt – 2/3 equity (scenario 1); 2/3 debt – 1/3 equity (scenario 2).
 - The terminal value is calculated by aggregating the discounted cash flows to infinity, based on normative cash flows and a perpetual growth rate.

The recoverable amount of the assets of the CGU as determined above is then compared with their carrying amount in the consolidated balance sheet. If this carrying amount is greater than the recoverable amount, an impairment loss is recognised. Any such losses are allocated in the first instance to any goodwill carried in the balance sheet, and may not be subsequently reversed.

2.7.4.2 IMPAIRMENT TESTING OF THE INVESTMENT IN ALSTOM

Method applied

Because goodwill included in the carrying amount of a joint venture or associate is not reported separately, it is not tested separately for impairment, in line with IAS 36. An impairment loss is recognised if the

carrying amount of the investment exceeds its recoverable amount; this loss is charged against the carrying amount of the investment, and may be reversed.

The investment in Alstom is tested for impairment by comparing its carrying amount with its recoverable amount, determined by reference to value in use as derived from cash flow projections established by Bouygues management, which in turn are based on forecasts prepared by a panel of financial analysts.

2.7.5 Other non-current financial assets

Other non-current financial assets include loans and receivables (including advances to non-consolidated companies), deposits and caution money, and investments in non-consolidated companies (i.e. those 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 estimated value in use for unlisted investments. Value in use is determined using the most appropriate financial 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 floating-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 (see Note 3.2.4, "Non-current financial assets").

Concession arrangements and Public-Private Partnership (PPP) contracts:

The Group (Bouygues Construction and Colas) holds equity interests in entities that have entered into concession arrangements or PPP contracts. These contracts, which are accounted for in accordance with IFRIC 12, are assessed on a case by case basis.

Under the financial receivable method, the initial receivable represents the fair value of the activity undertaken; this receivable is subsequently measured at amortised cost using the effective interest method as defined in IAS 39.

Consequently, the receivable represents the fair value of the activity undertaken, plus cumulative interest calculated using the effective interest method, minus payments received from the grantor.

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, the necessary provision for impairment is recognised.

2.8.2 Property development programmes

Property development programme inventories are measured at cost; this includes land acquisition costs and taxes, construction and fitting-out costs, utilities connection costs, professional fees and ancillary costs.

All advertising costs are recognised in profit or loss as incurred.

Preliminary studies relating to property development programmes are recognised in inventory. If the probability of the programme being completed is low, especially if there is a risk of withdrawal or refusal of planning permission, the amount recognised is written down via a provision for impairment.

2.8.3 Programmes and broadcasting rights

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 it acquires (and the other party agrees to deliver) programmes and sports transmission rights.

A programme is treated as ready for transmission and recognised in inventory when the following two conditions are met: technical acceptance (for in-house and external productions), and opening of rights (for external productions).

In the case of rights and programmes for which those two criteria have not been met (programmes not yet delivered, sports rights for which the right to broadcast is not activated until the date of the event, etc.), the TF1 group takes the view that it does not control the asset, since it has neither the right nor the ability to broadcast the programme. Consequently, these rights are not recognised in the balance sheet.

Any advance payments made to acquire such rights are treated as supplier prepayments.

The "Programmes and broadcasting rights" line in the balance sheet includes:

- in-house productions, made by TF1 group companies for TF1 channels;
- external productions, comprising broadcasting rights acquired by the TF1 group's channels.

The value of programmes and broadcasting rights is measured as follows:

- in-house production: overall production cost (direct costs plus a portion of indirect production costs);
- broadcasting rights and co-productions: purchase cost, less consumption for the year calculated at the end of each reporting period.

TF1 SA programmes are deemed to have been consumed on transmission. If they are acquired for a single transmission, they are regarded as having been consumed in full at the time of this transmission. If they are acquired for two or more transmissions, consumption is calculated according to the type of programme using the rules described below (unless otherwise specified in the acquisition contract):

	Type of programme		
	Dramas with a running time of at least 52 minutes	Films, TV movies, series and cartoons	Other programmes and broadcasting rights
1 st transmission	80%	50%	100%
2 nd transmission	20%	50%	

"Other programmes and broadcasting rights" in the table above refers to children's programmes (other than cartoons), light entertainment, 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, or if the contractual value at which it was recognised in inventory exceeds the value attributable to it using the rules described above. Probability of transmission is assessed on the basis of the most recent programming schedules approved by management. If rights are resold, a provision is recorded once the sale is probable to cover any excess of the value at which the rights were initially recognised in inventory (or the amount of advance payments) over the actual or estimated selling price.

Programmes that have not been transmitted and the rights to which have expired are written off as a component of current operating profit, at which point any previously-recognised provisions are reversed.

Rights ordered under irrevocable contracts but not yet available for transmission are disclosed in Note 4.1 to the financial statements, and are priced at the contractual amount or the estimated future cash outflow, less any advance payments made.

2.8.4 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 temporarily delayed.

2.8.5 Other current receivables

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

2.9.1.1 CURRENCY RISK

In general, the Bouygues group has little exposure to currency risk in routine commercial transactions, given that its international operations

(primarily Bouygues Construction and Colas) do not involve exports. Where 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. Exposure to currency risk is therefore limited to contract margins, and to any design work carried out in France. The Bouygues group also pays particular attention to risks relating to assets denominated in non-convertible currencies, and to country risk generally.

2.9.1.2 INTEREST RATE RISK

The Group's financial expenses have low sensitivity to interest rate risk, since the bulk of debt is at fixed-rate either in the form of fixed-rate bond issues, or via a portfolio of hedging instruments that convert floating-rate debt into fixed-rate debt.

Consolidated financial expenses 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.

On average over the year, the amount of floating-rate debt in the balance sheet is less than the amount of surplus cash invested at floating rates.

2.9.1.3 EXPOSURE TO COMMODITIES RISK

In general, the Bouygues group has little exposure to commodities risk. The main exposure is in the roads activity, which is sensitive to movements in the price of petroleum-based products. However, that exposure is relatively limited in that contracts are generally of a short duration or are index-linked. However, hedges may be contracted on an as-needed basis in connection with specific contracts.

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; interest rate swaps, future rate agreements, and purchases of caps and collars for interest rate risk hedging purposes; and forward commodity purchases and sales, commodity swaps and commodity options for commodities 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 reversal.

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, and more generally the management of exposure to currency risk, interest rate risk and commodities risk.

2.9.3 Hedging rules

2.9.3.1 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 contract award has been confirmed; if the hedged item ceases to exist (for example, if the service is not provided or the contract is cancelled), the hedge is closed out immediately.

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 (currency derivatives are used solely for hedging purposes).

2.9.3.2 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.

The aim is to control future interest expense by fixing the 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.

2.9.3.3 COMMODITIES RISK

Group policy is for each sub-group to hedge some or all of the exposure to movements in commodity prices on specific contracts, primarily in the roads activity.

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.

As required by IFRS 13, the fair value measurement of derivative financial instruments takes account of credit risk (for derivative assets) and of own credit risk (for derivative liabilities). Those components have no material impact on the Bouygues group consolidated financial statements.

2.10 Consolidated shareholders' equity

Treasury shares are deducted from consolidated shareholders' equity. No expense or income arising on the cancellation of treasury shares is 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.

2.10.1 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".

2.10.2 Information about the management of capital

The objective of Bouygues management in managing capital is to maintain consolidated shareholders' equity at a level consistent with:

- maintaining a reasonable gearing ratio (the ratio of net debt, as defined in Note 2.15.3, to shareholders' equity);
- distributing regular dividends to shareholders.

However, the level of equity may vary over short periods, especially if a strategically important investment opportunity arises.

The business plan is a key management tool, used by the parent company to assess the financial position of each business segment and of the Group as a whole, and the effects on consolidated shareholders' equity.

Within these overall principles, Group management allows subsidiaries within each segment and their parent company a degree of autonomy to manage their equity in line with their specific objectives and needs, given that equity capital requirements vary from business to business and segment to segment.

2.11 Non-current liabilities

2.11.1 Non-current debt

With the exception of derivative instruments accounted for as financial liabilities measured at fair value (including a counterparty risk component, which is immaterial), all other borrowings and financial liabilities are accounted for at amortised cost 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 portion of long-term debt due within less than one year is included in current liabilities.

2.11.2 Non-current provisions

In accordance with IAS 37, "Provisions, Contingent Liabilities and Contingent Assets", a provision is recorded at the end of the reporting period if the Group has an obligation to a third party resulting from a past event and it is probable that settlement of the obligation will result in a net outflow from the Group of resources embodying economic benefits.

The amount recognised as a provision represents the Group's best estimate of the net outflow of resources.

Non-current provisions are not usually associated with the normal operating cycle of each segment (see Note 2.12.2, "Current provisions").

Non-current provisions mainly comprise:

- Provisions established to cover the uninsured portion of risks under two-year and ten-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 tax exposures and to 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 rehabilitation and decommissioning costs (e.g. quarries).

Costs incurred as a result of a contractual obligation to remedy immediate environmental damage are covered by a provision.

- Provisions for employee benefits, which comprise:

- Provisions for long-service awards.
- Provisions for obligations to employees in respect of lump-sum benefits payable on retirement.

These provisions are 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 mortality, based on mortality tables.
- 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-sector and private-sector pension schemes and independent pension fund managers (defined-contribution plans). There are however some remaining defined-benefit plans still in existence, mainly in the Colas group (United Kingdom, Ireland and Canada). These plans are managed by independent pension fund managers; only a limited number of employees are involved, as it was decided some years ago to close these plans to new entrants. The fair value of the assets held to cover these plans as of the end of the reporting period did not require any material impairment to be recognised in the consolidated financial statements.

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 and the rate of return on plan assets are determined by reference to the expected market rate, taking into account the estimated timing of benefit payments; the discount rate applied to the obligation is determined by reference to the market rate for high-quality corporate bonds at the end of the reporting period.

The Bouygues group recognises in consolidated shareholders' equity the effect of changes in actuarial assumptions on the pension obligation.

2.12 Current liabilities

2.12.1 Advances and down-payments received on orders

This item comprises advances and down-payments received from customers on construction contract starts.

2.12.2 Current provisions

■ Provisions related to the normal operating cycle of each segment. These mainly comprise:

- provisions for construction contract risks, including risks relating to construction project companies in the form of Sociétés en Participation (SEPs);
- provisions for losses to completion on construction contracts: these relate to construction contracts in progress, and take account of claims accepted by the customer. They are measured on a contract by contract basis, with no netting between them.

2.12.3 Trade payables and other current liabilities

Because of the short-term nature of these liabilities, the carrying amounts shown in the consolidated financial statements are 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 presenting its income statement, the Group has applied ANC Recommendation 2013-03 of 7 November 2013.

2.13.1 Revenue recognition

The Group recognises revenue 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 from sales of handsets and accessories.

Services:

Plans and commercial services (mobile and fixed) 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 plans, and from roaming and interconnection fees, are recognised as the service is used.

Revenue generated by prepaid cards is recognised on sale of the card to the distributor or retailer but deferred until the card is activated, and then adjusted for unused minutes.

Services carried out on behalf of content providers in relation to SMS+ services and special numbers are not included in income and expenses for the period. Only the margin charged as consideration for the service is recognised in sales.

Sales of handsets and accessories:

Sales of handsets and SIM cards are recognised on sale to the distributor or retailer, but the margin on the sale is eliminated until the line is activated by the customer. Since August 2013, retail and business customers have been able to pay for their handsets in instalments; the entire revenue from the sale of the handset is recognised when the customer signs up to the plan.

Distributor/retailer commission:

All commission payable to distributors and retailers is recognised as an expense.

Consumer loyalty programme:

Since November 2014, all retail plan customers earn benefits which they can use to obtain a handset upgrade, calculated on the basis of the age of their existing handset. Customers can then use the benefits to obtain a handset upgrade at a special price after 12 months, provided that they renew their plan for a minimum of 12 months.

In accordance with IFRIC 13 (paragraphs AG1 to AG3), Bouygues Telecom has measured the fair value of the benefits awarded under its loyalty programmes, and has not deferred any revenues as a result.

2.13.2 Accounting for construction contracts

2.13.2.1 CONSTRUCTION ACTIVITIES

All activities related to construction contracts are accounted for using the percentage of completion method.

Under this method, the revenue recognised equals the latest estimate of the total selling price of the contract multiplied by the actual completion rate determined by reference to the physical state of progress of the works. The latest estimate of the total selling price takes account of claims that have been accepted by the client or are highly probable.

If it is regarded as probable that a contract will generate a loss on completion, a provision for expected losses to completion is recognised as a current provision in the balance sheet. The loss is provided for in full as soon as it is can be reliably measured, irrespective of the completion rate.

2.13.2.2 PROPERTY DEVELOPMENT ACTIVITIES

Revenues and profits 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 recognised to date as a proportion of the total estimated costs to completion of the project.

Accrued expenses are recognised for finishing costs on this type of project, based on the percentage of completion; residual expenses on delivered projects are also recognised in "Trade payables".

Overheads, including sales force costs and all advertising costs, are expensed as incurred.

2.13.3 Other non-current income and expenses

These line items contain a very limited number of income and expense items, which are unusual and occur infrequently but are of particularly large amounts. The Bouygues group reports these items separately in its income statement to give users of the financial statements a better understanding of ongoing operational performance.

For a description of these items, see Note 12 to the financial statements.

2.13.4 Share-based payment

In accordance with IFRS 2, stock subscription options granted to corporate officers or employees of the Group 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.

2.14 Cash flow statement

The consolidated cash flow statement is presented in accordance with IAS 7 and with ANC Recommendation 2013-03 of 7 November 2013, using the indirect method.

Consolidated net profit is adjusted to eliminate the impact of transactions with no cash effect, and of income and expenses related to investing or financing activities.

Cash flow is defined as consolidated net profit before: net depreciation and amortisation expense, net changes in provisions and impairment losses, gains and losses on asset disposals, cost of net debt (included in financing activities in the cash flow statement), and net income tax expense for the period.

The cash flow 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 cash equivalents;
- overdrafts and short-term bank borrowings.

2.15 Other financial indicators

2.15.1 EBITDA

EBITDA is defined as current operating profit excluding net depreciation and amortisation expense, changes in provisions, and impairment losses. These items can be read directly off the face of the income statement, except for reversals of unutilised provisions and impairment losses which are presented as a footnote to the income statement.

The competitiveness and employment tax credit (CICE) to which French companies are entitled is recognised in current operating profit, as a reduction in personnel costs.

The main components of current operating profit included in the line items "Other income from operations" and "Other expenses on operations" are net foreign exchange differences on commercial transactions, gains and losses on disposals of non-current assets, profits and losses from joint operations, royalties on the licensing of patents, and (in the case of Colas) revenue from sales of raw material (bitumen) to coating and emulsion entities in the form of Sociétés en Participation (SEPs) or economic interest groupings that subsequently sell such coatings and emulsions on to Colas.

Profits and losses from joint operations represent the Group's share of profits or losses from non-consolidated companies, including entities in the form of Sociétés en Participation (SEPs), such as those that operate asphalt and binder production facilities.

2.15.2 Free cash flow

Free cash flow is defined as cash flow (determined after cost of net debt and net income tax expense, but before changes in working capital), minus capital expenditure (net of disposals) for the period.

2.15.3 Net debt

Net debt represents the aggregate of:

- cash and cash equivalents;
- overdrafts and short-term bank borrowings;
- non-current and current debt;
- financial instruments (used to hedge financial liabilities measured at fair value).

2.16 Statement of recognised income and expense

The Bouygues group presents a statement of recognised income and expense, disclosing a comparative net profit figure on the line "Total recognised income and expense" which includes income and expenses recognised directly in equity.

2.17 Comparability of the consolidated financial statements

Changes in the scope of consolidation during the year ended 31 December 2016 did not have a material effect on the consolidated financial statements presented for that period, and do not impair comparisons with the consolidated financial statements for the year ended 31 December 2015.

Note 3 Non-current assets

For a breakdown of non-current assets by business segment see Note 16, "Segment Information".

3.1 Acquisitions of non-current assets during the year, net of disposals

(€ million)	2016	2015
Property, plant and equipment	1,660	1,436
Intangible assets	302	592 ^c
Capital expenditure	1,962	2,028
Acquisitions of non-current financial assets (investments in consolidated and non-consolidated companies and other long-term investments)	233 ^a	53
Acquisitions of non-current assets	2,195	2,081
Disposals of non-current assets	(1,628) ^b	(847) ^d
Acquisitions of non-current assets, net of disposals	567	1,234

(a) Includes €194m of acquisitions made by TF1 (primarily Newen Studios and RDVPS).

(b) Disposals include the divestment of Alstom shares in the public share buy-back offer (€996m), the sale of 500 towers by Bouygues Telecom (€147m), the sale of Adelac (€130m) and the sale of Atlantes (€67m), net of current account advances reimbursed. See Note 1.2.1, "Significant events of 2016".

(c) Includes Bouygues Telecom: acquisition for €467m of a 5 MHz block as part of the French state's auction of frequencies in the 700 MHz band.

(d) Includes the disposal of Eurosport International (€490m); see Note 1.2.2, "Significant events of 2015".

3.2 Non-current assets: movements during the period

3.2.1 Property, plant and equipment

(€ million)	Land and buildings	Industrial plant and equipment	Other property, plant and equipment	PP&E under construction and advance payments	Total
Gross value					
31/12/2014	2,270	11,844	2,903	453	17,470
Movements during 2015					
Translation adjustments	27	83	13	7	130
Changes in scope of consolidation	(9)	(36)	(5)		(50)
Acquisitions during the period	56	938	234	208	1,436
Disposals, transfers & other movements	15	(284)	(149)	(247)	(665)
31/12/2015	2,359	12,545	2,996	421	18,321
of which finance leases	12	96	15		123
Movements during 2016					
Translation adjustments	5	39	14	(2)	56
Changes in scope of consolidation	(6)	(14)	(25)	(1)	(46)
Acquisitions during the period	47	1,016	344	253	1,660
Disposals, transfers & other movements	(25)	(513)	(170)	(333)	(1,041)
31/12/2016	2,380	13,073	3,159	338	18,950
of which finance leases	12	95	16		123
Depreciation and impairment					
31/12/2014	(806)	(8,041)	(2,104)		(10,951)
Movements during 2015					
Translation adjustments	(12)	(65)	(10)		(87)
Changes in scope of consolidation	4	28	5		37
Net expense for the period	(94)	(1,026)	(300)		(1,420)
Disposals, transfers & other movements	21	421	181		623
31/12/2015	(887)	(8,683)	(2,228)		(11,798)
of which finance leases	(7)	(60)	(11)		(78)
Movements during 2016					
Translation adjustments	(1)	(32)	(11)		(44)
Changes in scope of consolidation	3	9	4		16
Net expense for the period	(76)	(1,003)	(278)		(1,357)
Disposals, transfers & other movements	16	626	157		799
31/12/2016	(945)	(9,083)	(2,356)		(12,384)
of which finance leases	(7)	(62)	(11)		(80)
Carrying amount					
31/12/2015	1,472	3,862	768	421	6,523
of which finance leases	5	36	4		45
31/12/2016	1,435	3,990	803	338	6,566
of which finance leases	5	33	5		43

OPERATING COMMITMENTS NOT YET RECOGNISED INVOLVING FUTURE OUTFLOWS OF RESOURCES

Property, plant and equipment (€ million)	Falling due			Total 2016	Total 2015
	Less than 1 year	1 to 5 years	More than 5 years		
Colas: orders in progress for plant and equipment	20			20	8
Bouygues Telecom: orders in progress for network equipment assets	395			395	274
TOTAL	415			415	282

3.2.2 Intangible assets

(€ million)	Development expenses ^a	Concessions, patents and similar rights	Other intangible assets	Total
Gross value				
31/12/2014	181	2,567	1,460	4,208
Movements during 2015				
Translation adjustments		1	2	3
Changes in scope of consolidation			1	1
Acquisitions during the period	17	46	529	592
Disposals, transfers & other movements		(2)	(3)	(5)
31/12/2015	198	2,612	1,989	4,799
Movements during 2016				
Translation adjustments		1		1
Changes in scope of consolidation		(5)	1,006	1,001
Acquisitions during the period	41	36	225	302
Disposals, transfers & other movements		(8)	(44)	(52)
31/12/2016	239	2,636	3,176	6,051
Amortisation and impairment				
31/12/2014	(142)	(1,050)	(1,268)	(2,460)
Movements during 2015				
Translation adjustments		(1)	(2)	(3)
Changes in scope of consolidation				
Net expense for the period	(11)	(158)	(45)	(214)
Disposals, transfers & other movements		8	1	9
31/12/2015	(153)	(1,201)	(1,314)	(2,668)
Movements during 2016				
Translation adjustments		(1)		(1)
Changes in scope of consolidation		4	(825)	(821)
Net expense for the period	(12)	(157)	(233)	(402)
Disposals, transfers & other movements		14	7	21
31/12/2016	(165)	(1,341)	(2,365)	(3,871)
Carrying amount				
31/12/2015	45	1,411	675	2,131
31/12/2016	74	1,295^b	811^c	2,180

(a) Development expenses:

- Software development expenses are usually capitalised (mainly relates to Bouygues Telecom).
- Development expenses of a permanent and recurring nature that do not meet the IAS 38 capitalisation criteria are expensed (mainly relates to Colas).
- In accordance with IFRS, research costs are expensed as incurred.
- Research and development costs expensed were €59m in 2016 and €60m in 2015.

(b) Includes Bouygues Telecom's UMTS licence (carrying amount €213m) and 4G frequency user licence (€844m).

(c) Includes €467m for the acquisition during 2015 of 700 MHz frequencies classified as intangible assets in progress and €174m for acquisitions of audiovisual rights (TFI).

OPERATING COMMITMENTS NOT YET RECOGNISED INVOLVING FUTURE OUTFLOWS OF RESOURCES

The table below shows the maturities of audiovisual rights acquisition contracts entered into for the purpose of securing future programming schedules.

Intangible assets (€ million)	Falling due			Total 2016	Total 2015
	Less than 1 year	1 to 5 years	More than 5 years		
TF1 audiovisual rights	16	13		29	26
TOTAL	16	13		29	26

3.2.3 Goodwill

(€ million)	Gross value	Impairment	Carrying amount
31/12/2014	5,367	(81)	5,286
Movements during 2015			
Changes in scope of consolidation	(42)	7	(35)
Impairment losses charged during the period		(9)	(9)
Other movements (including translation adjustments)	14	5	19
31/12/2015	5,339	(78)	5,261
Movements during 2016			
Changes in scope of consolidation	129	1	130
Impairment losses charged during the period		(1)	(1)
Other movements (including translation adjustments)	(25)	2	(23)
31/12/2016	5,443	(76)	5,367

Changes in scope of consolidation during 2016 mainly related to TF1, and included €114 million for Newen Studios and RDVPS (see Note 1.2.1, "Significant Events of 2016").

For goodwill on joint ventures and associates, see Note 3.2.5.

3.2.3.1 SPLIT OF GOODWILL BY CASH GENERATING UNIT (CGU)

CGU (€ million)	31/12/2016		31/12/2015	
	Total	% Bouygues or subsidiaries	Total	% Bouygues or subsidiaries
Bouygues Construction ^a	471	99.97	488	99.97
Colas ^b	1,118	96.60	1,125	96.60
TF1 ^b	1,130	43.91	1,000	43.98
Bouygues Telecom ^b	2,648	90.53	2,648	90.53
TOTAL	5,367		5,261	

(a) Only includes goodwill on subsidiaries acquired by the CGU.

(b) Includes goodwill on subsidiaries acquired by the CGU and on acquisitions made at parent company (Bouygues SA) level for the CGU.

Information about impairment testing of goodwill as of 31 December 2016:

■ The recoverable amounts of Bouygues Telecom, TF1 and Colas were determined using the method described in Note 2.7.4.1, based on three-year cash flow projections corresponding to the business plans of each of the three subsidiaries as presented to the subsidiary's Board of Directors and the Board of Directors of Bouygues SA.

■ Cash flows beyond the projection period were extrapolated using a perpetual growth rate.

■ The discount rates (weighted average cost of capital) and growth rates used as of 31 December 2016 were as follows:

	Discount rate		
	Scenario 1 ^a	Scenario 2 ^a	Perpetual growth rate
Bouygues Telecom	4.97%	4.70%	2%
TF1	6.18%	5.78%	2%
Colas	5.32%	5.01%	2%

(a) Depending on the capital structure: $\frac{1}{3}$ debt - $\frac{2}{3}$ equity (scenario 1); $\frac{2}{3}$ debt - $\frac{1}{3}$ equity (scenario 2).

- Assumptions used in the Bouygues Telecom business plan:
 - The normative cash flows used for Bouygues Telecom rely on the following assumptions:
 - an intensification of investment in very-high-speed mobile and fixed broadband, translating into:
 - €1.2 billion of capital expenditure in 2017 to maintain leadership in 4G over the long term and prepare for the arrival of 5G, and to ramp-up roll-out of the FTTH network to meet the growing demand from households for very-high-speed broadband;
 - pragmatic infrastructure management, with self-financed investment in key infrastructure backed by sharing, leasing or divestment of infrastructure with the least differentiation;
 - an optimised cost structure, the transformation plan having exceeded the target of €400 million cost savings in 2016 relative to end 2013;
 - the expected benefits, from the end of 2018, of the agreement between Bouygues Telecom and SFR to share their mobile networks in less dense areas, which will give customers the best 4G coverage (target: 92% in 2017, 99% in 2018) and very high service quality while optimising capital expenditure and operating costs.

Sensitivity analysis

An analysis was performed for the Bouygues Telecom, TF1 and Colas CGUs in order to determine the sensitivity of the calculation to the key parameters (discount rates, growth rates, normative cash flows), either individually or using combined scenarios for discount rates and normative cash flows (including reasonably possible changes in normative cash flows).

For these CGUs, the recoverable amount would equal the carrying amount of the assets tested if the assumptions shown below (taken individually) were to be applied:

	Change in discount rate		Change in normative cash flows	
	Scenario 1 ^a	Scenario 2 ^a	Scenario 1 ^a	Scenario 2 ^a
Bouygues Telecom	+229 bp	+256 bp	-47%	-52%
TF1	+220 bp	+260 bp	-38%	-45%
Colas	+965 bp	+996 bp	-80%	-82%

(a) Depending on the capital structure: $\frac{1}{3}$ debt - $\frac{2}{3}$ equity (scenario 1); $\frac{2}{3}$ debt - $\frac{1}{3}$ equity (scenario 2).

For Bouygues Telecom, in the event of a 20% reduction in normative cash flows combined with an increase of 100 basis points in the discount rate, the recoverable amount would be greater than the carrying amount by €615 million under scenario 1 and by €1,170 million under scenario 2. If the perpetual growth rate applied to the normative cash flows were to be halved and all other assumptions described above were unchanged, the recoverable amount would be greater than the carrying amount by €2,485 million under scenario 1 and by €3,185 million under scenario 2.

For TF1, in the event of a 20% reduction in normative cash flows combined with an increase of 100 basis points in the discount rate,

- The business plans used for TF1 were prepared on the basis of sales growth rates and operating margins consistent with actual performances over the previous five years. Those business plans take account of factors including:
 - the ongoing implementation of a resolutely multi-channel, multi-media and multi-activity strategy, combining pulling power with targeted reach on each channel and developing growth areas in DTT, digital and production, with a particular focus on:
 - developing attractive and distinctive content with a competitive cost base, in particular by expanding production activities;
 - broadening the distribution of content by multiplying the number of distribution channels and strengthening the bond with the viewer/consumer;
 - generating increased revenue from both linear and non-linear content;
 - the impacts of the economic situation and competitive environment on advertising spend;
 - the impact of future major sporting events;
 - the acceleration of the transformation of the TF1 group, and the organic growth of its activities.

the recoverable amount would be greater than the carrying amount by €30 million under scenario 1, and by €240 million under scenario 2. If the perpetual growth rate applied to the normative cash flows were to be halved and all other assumptions described above were unchanged, the recoverable amount would be greater than the carrying amount by €620 million under scenario 1 and by €880 million under scenario 2.

CONCLUSION ON IMPAIRMENT TESTING

For all the CGUs tested, the recoverable amounts determined under both capital structure scenarios remain greater than the carrying amount of the assets.

3.2.4 Non-current financial assets

As of 31 December 2016, these comprised:

- investments in joint ventures and associates (accounted for by the equity method): €2,429 million;
- other non-current financial assets (loans, receivables, investments in non-consolidated companies, etc.): €523 million;
- deferred tax assets: €367 million.

(€ million)	Investments in joint ventures and associates	Investments in non-consolidated companies	Other non-current assets	Total gross value	Amortisation and impairment	Carrying amount	Deferred tax assets
31/12/2014	5,568	322	471	6,361	(1,698)	4,663	288
Movements during 2015							
Changes in scope of consolidation	(49)	27		(22)	22		(3)
Acquisitions and other increases	16	14	66	96		96	61
Amortisation and impairment, net					305	305	
Disposals and other reductions	(809)	(38)	(81)	(928)			(928)
Transfers and other allocations	(201)	9		(192)	(1)	(193)	6
31/12/2015	4,525	334	456	5,315	(1,372)	3,943	352
AMORTISATION AND IMPAIRMENT							
CARRYING AMOUNT	3,401	153	389	3,943			352

(€ million)	Investments in joint ventures and associates ^a	Investments in non-consolidated companies	Other non-current assets	Total gross value	Amortisation and impairment	Carrying amount	Deferred tax assets ^b
31/12/2015	4,525	334	456	5,315	(1,372)	3,943	352
Movements during 2016							
Changes in scope of consolidation	2	3	14	19	(6)	13	(1)
Acquisitions and other increases	51	11	34	96		96	
Amortisation and impairment, net					1,094 ^d	1,094	
Disposals and other reductions	(2,398) ^d	(39)	(71)	(2,508)		(2,508)	
Transfers and other allocations	287	20		307	7	314	16
31/12/2016	2,467	329	433	3,229	(277)	2,952^c	367
AMORTISATION AND IMPAIRMENT							
CARRYING AMOUNT	2,429	150	373	2,952			367

(a) Includes goodwill on associates of €990m as of 31 December 2016.

(b) See Note 7.

(c) Includes €1,938m for Alstom.

(d) Mainly as a result of the Alstom public share buy-back offer (see Note 3.2.5.2.).

3.2.5 Joint ventures and associates

(€ million)	Share of net assets held	Share of profit/(loss) for the period ^a	Goodwill on associates	Carrying amount
31/12/2014	2,490	169	1,478	4,137
Movements during 2015				
Translation adjustments	(48)			(48)
Acquisitions and share issues	16			16
Net profit/(loss) for the period		(108)		(108)
Impairment losses charged during the period			307	307
Appropriation of prior-year profit, disposals, transfers and other movements	(497)	(169)	(237)	(903)
31/12/2015	1,961	(108)	1,548	3,401
Movements during 2016				
Translation adjustments	33			33
Acquisitions and share issues	51			51
Net profit/(loss) for the period		274		274
Impairment losses charged during the period			(7)	(7)
Appropriation of prior-year profit, disposals, transfers and other movements	(880)	108	(551) ^b	(1,323)
31/12/2016	1,165	274	990	2,429

(a) Excluding impairment losses.

(b) Includes reduction of €553m relating to share buy-backs carried out by Alstom.

A list of the joint ventures and associates in which the Bouygues group holds an interest is provided in Note 23, "List of principal consolidated companies at 31 December 2016".

As of 31 December 2016, the total carrying amount of €2,429 million included €240 million for joint ventures (see Note 3.2.5.1, "Joint ventures") and €2,189 million for investments in associates (see Note 3.2.5.2, "Investments in associates").

3.2.5.1 JOINT VENTURES

(€ million)	31/12/2015	Net movement in 2016	31/12/2016	of which: share of profit/loss and impairment
Miscellaneous joint ventures	197	43	240	56
TOTAL	197	43	240	56

Most of these joint ventures are industrial entities (quarries, emulsion plants) operated jointly by Colas and partners from outside the Bouygues group.

3.2.5.2 INVESTMENTS IN ASSOCIATES

Principal associates:

(€ million)	31/12/2015	Net movement in 2016	31/12/2016	of which: share of profit/loss and impairment
Alstom	2,977	(1,039)	1,938	36
Bouygues Construction				
Concession companies	14	2	16	119
Miscellaneous associates	9	(6)	3	2
Colas				
Tipco Asphalt (Thailand)	89	16	105	25
Miscellaneous associates	35	8	43	23
TF1				
Miscellaneous associates	74	4	78	8
Other associates	6		6	(2)
TOTAL	3,204	(1,015)	2,189	211

The share of profit/loss of associates includes a €129 million gain on the sale of the equity interest in Adelac (A41 motorway concession company; see Note 1.2.1, "Significant Events of 2016").

Alstom:

Given the time-lag between the annual accounting period-ends of Alstom (31 March) and of Bouygues (31 December), no contribution from Alstom to the net profit of Bouygues was recognised in the fourth quarter of 2016.

Alstom's contribution to the net profit of Bouygues for 2016 was €36 million, after taking account of:

- the results published by Alstom for the second half of its 2015/2016 financial year and the first half of its 2016/2017 financial year;
- the derecognition (based on relative values) of the fair value adjustments and goodwill allocated to Alstom's Energy activities, which have been sold;
- the effects of the public share buy-back offer carried out by Alstom in January 2016; and
- the reversal of the residual balance of the impairment loss recognised as of 31 December 2015.

The carrying amount of the interest in Alstom as of 31 December 2016 was €1,938 million, including €865 million of goodwill and €120 million of non-depreciable fair value adjustments relating mainly to the Alstom brand name. This is €1,039 million less than the carrying amount as of 31 December 2015, reflecting (i) the €996 million payment made to Bouygues in connection with the public share buy-back offer and (ii) a decrease of €43 million in equity at Group level.

The impairment loss recognised against Alstom as of 31 December 2015 was reduced to zero as of 31 March 2016, essentially as a result of the derecognition of goodwill following the sale of Alstom's Energy activities and the calculation of the effects of the public share buy-back offer. The residual balance was released to profit or loss. After taking account of the figures released by Alstom for the first half of its 2016/17 financial year, the carrying amount per share in the balance sheet as of 31 December 2016 was €31.21, below the range of recoverable amounts estimated by Bouygues.

Alstom's profit contribution to the Bouygues group in 2015 was nil, following the partial reversal of the impairment loss recognised by Bouygues in 2013.

Summary information about the assets, liabilities, income and expenses of Alstom:

Amounts shown are for 100% of Alstom (€ million)	Alstom	
	30/09/2016 ^a	31/03/2016 ^a
Non-current assets	5,714	5,677
Current assets	8,784	7,904
Held-for-sale assets	25	41
TOTAL ASSETS	14,523	13,622
Shareholders' equity	3,415	3,328
Non-current liabilities	3,046	3,012
Current liabilities	8,035	7,167
Liabilities related to held-for-sale assets	27	115
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	14,523	13,622
Sales	3,570	6,881
Current operating profit/(loss)	200	366
Net profit/(loss)	136	3,011
Net profit/(loss) attributable to the Group	128	3,001

(a) Financial statements published by Alstom (financial year-end 31 March 2016).

Reconciliation to the carrying amount of the interest held by the Bouygues group:

(€ million)	31/12/2016	31/12/2015
ALSTOM: SHAREHOLDERS' EQUITY ATTRIBUTABLE TO THE GROUP AS PUBLISHED	3,367	3,658
Share attributable to Bouygues (28.3% as of 31/12/2016)	953	1,066
Fair value remeasurements and goodwill recognised at Bouygues group level	985	1,911
NET ASSETS RECOGNISED IN THE BOUYGUES CONSOLIDATED FINANCIAL STATEMENTS	1,938	2,977

Given the time-lag in publication, the amounts reported as of 31 December 2016 are based on the figures published by Alstom as of 30 September 2016.

Information about impairment testing of the investment in Alstom as of 31 December 2016

The investment in Alstom was tested for impairment as of 31 December 2016 by comparing its carrying amount with its recoverable amount, determined by reference to value in use as derived from cash flow projections established by Bouygues management, which in turn were based on forecasts prepared by a panel of financial analysts.

The discount rate (weighted average cost of capital) and growth rate used for Alstom as of 31 December 2016 were as follows:

	Discount rate		Perpetual growth rate
	Scenario 1 ^a	Scenario 2 ^a	
Alstom	7.47%	6.93%	2%

(a) Depending on the capital structure: $\frac{1}{3}$ debt - $\frac{2}{3}$ equity (scenario 1); $\frac{2}{3}$ debt - $\frac{1}{3}$ equity (scenario 2).

Sensitivity analysis

An analysis was performed for the investment in Alstom in order to determine the sensitivity of the calculation to the key parameters

(discount rates, growth rates, normative cash flows), either individually or using combined scenarios for discount rates and normative cash flows (including reasonably possible changes in normative cash flows).

The recoverable amount would equal the carrying amount of the assets tested if the assumptions shown below (taken individually) were to be applied:

	Change in discount rate		Change in normative cash flows	
	Scenario 1 ^a	Scenario 2 ^a	Scenario 1 ^a	Scenario 2 ^a
Alstom	+391 bp	+445 bp	-46%	-51%

(a) Depending on the capital structure: $\frac{1}{3}$ debt - $\frac{2}{3}$ equity (scenario 1); $\frac{2}{3}$ debt - $\frac{1}{3}$ equity (scenario 2).

In the event of a 20% reduction in normative cash flows combined with an increase of 100 basis points in the discount rate, the recoverable amount would be greater than the carrying amount by €200 million under scenario 1, and by €320 million under scenario 2.

Conclusion on impairment testing

The recoverable amounts determined under both capital structure scenarios remain greater than the carrying amount of the Bouygues group's investment in Alstom as of 31 December 2016.

3.2.6 Investments in non-consolidated companies and other non-current financial assets

PRINCIPAL INVESTMENTS IN NON-CONSOLIDATED COMPANIES AS OF 31 DECEMBER 2016:

Investment (€ million)	Gross value	Impairment	Carrying amount	31/12/2016			31/12/2015				
				% interest	Total assets	Total current & non-current liabilities	Total sales	Net profit/ (loss)			
French companies											
Colas											
Asphalt, binder and quarry companies ^a	24	(7)	17					17			
TF1											
Sylver								1			
Sofica Valor 7	17		17	99.9%				14			
SUB-TOTAL	41	(7)	34					32			
Foreign companies											
Bouygues Construction											
IEC Investments (Hong Kong)	67		67	15%	134	31	53	(9)			
VSL Corporation (United States)	22	(22)		100%							
TF1											
Teads	4		4	7%				4			
A1-international (Netherlands)	13	(13)		50%							
Colas											
Asphalt, binder and quarry companies ^a	2	(1)	1					1			
SUB-TOTAL	108	(36)	72					70			
Other investments ^a	180	(136)	44					51			
TOTAL	329	(179)	150					153			

(a) The information provided for «Asphalt, binder and quarry companies» and «Other investments» relates to a large number of companies, for which individual information is not disclosed on grounds of immateriality.

Other non-current financial assets	373
Advances to non-consolidated companies	85
Loans receivable	145
Other long-term investments	143
■ Deposits and caution money paid (net)	112
■ Mutual funds	16
■ Other investments with carrying amounts of less than €2 million individually	15

**ANALYSIS OF INVESTMENTS IN NON-CONSOLIDATED COMPANIES AND OTHER NON-CURRENT FINANCIAL ASSETS
(EXCLUDING JOINT VENTURES AND ASSOCIATES) BY CATEGORY**

(€ million)	Available-for-sale financial assets ^a	Financial assets at fair value through profit or loss	Held-to-maturity assets	Loans and receivables ^b	Total
31/12/2015	189	6	78	269	542
Movements during 2016	(2)	(6)		(11)	(19)
31/12/2016	187		78	258^c	523
Due within less than 1 year	6			18	24
Due within 1 to 5 years				77	77
Due after more than 5 years	181		78	163	422

(a) Impact of fair value remeasurements recognised in equity (except in the event of a significant or prolonged decline in value, in which case an impairment loss is recognised in profit or loss). Mainly relates to investments in non-consolidated companies (€150m at 31 December 2016), the vast majority of which are measured at value in use (level 3 in the fair value hierarchy).

(b) Measured at amortised cost.

(c) Includes financial receivables relating to Public-Private Partnership (PPP) activities.

FAIR VALUE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Under IFRS 13, the fair value hierarchy that reflects the significance of the inputs used in making fair value measurements has three levels:

■ level 1 (unadjusted quoted prices): price accessible to the entity on the date of measurement in active markets, for identical assets or liabilities;

- level 2 (observable inputs): inputs relating to the asset or liability, other than quoted market prices classified as level 1 inputs, that are observable either directly (such as a price) or indirectly (i.e. derived from observable prices);
- level 3 (unobservable inputs): inputs that are not observable on markets, including observable inputs that require significant adjustment (for example, extrapolation of yield curves over long, unobservable periods). Within the Bouygues group, this applies mainly to investments in non-consolidated companies.

	Level 1	Level 2	Level 3	31/12/2016
	Quoted prices	Observable inputs	Unobservable inputs	
Available-for-sale financial assets		6	181	187
Held-to-maturity assets		78		78
Cash and cash equivalents	4,581			4,581
Financial instruments, net	(2)			(2)

JOINT OPERATIONS

Joint operations are recognised in proportion to the interest held by the Group in the assets, liabilities, income and expenses of the joint operation. A list of the main joint operations in which the Bouygues group holds an interest is provided in Note 23, "List of principal consolidated companies at 31 December 2016".

Aggregate amounts of assets/liabilities and key income statement indicators are shown below:

Bouygues share (€ million)	31/12/2016	31/12/2015
Non-current assets	164	123
Current assets	1,293	1,335
TOTAL ASSETS	1,457	1,458
Shareholders' equity	(174)	(218)
Non-current liabilities	62	132
Current liabilities	1,569	1,544
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	1,457	1,458
SALES	1,937	1,907
OPERATING PROFIT/(LOSS)	138	(59)
NET PROFIT/(LOSS)	132	(65)

Note 4 Current assets

4.1 Inventories

€ million)	31/12/2016			31/12/2015		
	Gross value	Impairment ^a	Carrying amount	Gross value	Impairment ^a	Carrying amount
Property development inventories	1,605	(118)	1,487 ^b	1,635	(123)	1,512
Raw materials and finished goods	870	(64)	806	894	(60)	834
Programmes and broadcasting rights	803	(141)	662	828	(115)	713
TOTAL	3,278	(323)	2,955	3,357	(298)	3,059

(a) Includes:

- impairment losses charged in the period (132)
- impairment losses reversed in the period 106

(b) Includes Bouygues Immobilier: properties under construction €1,257m; completed properties €110m.

OPERATING COMMITMENTS NOT YET RECOGNISED INVOLVING FUTURE OUTFLOWS OF RESOURCES

€ million)	Falling due			Total 2016	Total 2015
	Less than 1 year	1 to 5 years	More than 5 years		
TF1					
Programmes and broadcasting rights	583	712	76	1,371	1,376
Sports transmission rights	64	105		169	86
FUTURE PROGRAMMING SCHEDULES^a	647	817	76	1,540	1,462
Comparative at 31 December 2015	523	796	143	1,462	

(a) 2016: Contracts expressed in foreign currencies: €112m in US dollars.

The increase in sports transmission rights commitments reflects the signature in 2016 of contracts relating to the 2018 and 2022 Football World Cups.

	Falling due			Total 2016	Total 2015
	Less than 1 year	1 to 5 years	More than 5 years		
Bouygues Immobilier					
ACQUISITIONS OF LAND BANKS	374			374	372
Comparative at 31 December 2015	372			372	
Bouygues Telecom					
AGREEMENTS TO SECURE HANDSET SUPPLIES	409			409	372
Comparative at 31 December 2015	372			372	

4.2 Advances and down-payments made on orders

€ million)	31/12/2016			31/12/2015		
	Gross value	Impairment	Carrying amount	Gross value	Impairment	Carrying amount
Advances and down-payments made on orders	396	(1)	395	447	(1)	446

4.3 Trade receivables, tax assets and other current receivables

(\$ million)	31/12/2016			31/12/2015		
	Gross value	Impairment	Carrying amount	Gross value	Impairment	Carrying amount
Trade receivables (including unbilled receivables)	6,953	(586)	6,367	6,434	(620)	5,814
Current tax assets (tax receivable)	287	(2)	285	235	(2)	233
Other current receivables:						
■ Employees, social security, government and other	1,338	(9)	1,329	1,275	(8)	1,267
■ Sundry receivables	1,140	(198)	942	932	(188)	744
■ Prepaid expenses	238		238	206		206
TOTAL OTHER CURRENT RECEIVABLES	2,716	(207)	2,509	2,413	(196)	2,217
TOTAL	9,956	(795)	9,161	9,082	(818)	8,264

SPLIT OF CARRYING AMOUNT OF TRADE RECEIVABLES BETWEEN NON PAST DUE AND PAST DUE BALANCES

(\$ million)	Non past due	Past due by:			Total
		0–6 months	6–12 months	> 12 months	
Trade receivables	4,913	1,094	268	678	6,953
Impairment of trade receivables	(8)	(45)	(50)	(483)	(586)
CARRYING AMOUNT OF TRADE RECEIVABLES: 31/12/2016	4,905	1,049	218	195^a	6,367
CARRYING AMOUNT OF TRADE RECEIVABLES: 31/12/2015	4,327	1,117	183	187	5,814

(a) Includes €106m for Bouygues Construction, €56m for Colas and €28m for Bouygues Telecom.

An analysis of trade receivables more than 12 months past due and not covered by impairment allowances revealed no additional credit risk (recoverable VAT, offset with trade creditors, etc.).

4.4 Cash and cash equivalents

Cash and cash equivalents (\$ million)	31/12/2016			31/12/2015		
	Gross value	Impairment	Carrying amount	Gross value	Impairment	Carrying amount
Cash	3,482		3,482 ^a	3,092		3,092
Cash equivalents	1,267		1,267 ^b	693		693
TOTAL	4,749		4,749	3,785		3,785

(a) Includes €807m of term deposits with maturities of less than 3 months recorded in the books of Bouygues SA.

(b) €1,185m of these cash equivalents are held by Bouygues SA.

Surplus cash is invested with high-quality French and foreign banks.

Cash equivalents are readily convertible into cash.

Cash equivalents are measured at fair value.

All investments of cash and equivalents were accessible as of 31 December 2016.

The net cash position shown in the cash flow statement breaks down by currency as follows:

Split of net cash by currency position (€ million)	Euro	Pound sterling	Swiss franc	Other European currencies	US dollar	Other currencies	Total	Total 31/12/2015
							31/12/2016	
Cash	2,366	97	303	70	136	510	3,482	3,092
Cash equivalents	1,245		8	1		13	1,267	693
Overdrafts and short-term bank borrowings	(109)		(4)	(1)		(54)	(168)	(196)
TOTAL 31/12/2016	3,502	97	307	70	136	469	4,581	3,589
TOTAL 31/12/2015	2,660	110	237	63	114	405	3,589	

4.5 Analysis of depreciation, amortisation, impairment and provisions in the balance sheet and income statement

	31/12/2015	Charges and reversals through current operating profit				Other impairment losses & provisions ^c	Other movements ^a	31/12/2016
		Translation adjustments	Depreciation, amortisation	Impairment losses, provisions	Reversals (unutilised)			
Depreciation, amortisation & impairment of property, plant and equipment and intangible assets	(14,465)	(45)	(1,599)	(49)		(111)	15	(16,254)
Impairment of goodwill	(78)	1		(1)			2	(76)
Impairment of investments in non-consolidated companies	(181)	3				6	(7)	(179)
Impairment of other non-current financial assets	(1,192)			(2)	2	3	1,092 ^b	(97)
SUB-TOTAL: NON-CURRENT ASSETS	(15,916)	(41)	(1,599)^d	(52)^d	2^d	(102)^d	1,102	(16,606)
Impairment of inventories	(298)			(57)	31		1	(323)
Impairment of trade receivables	(620)	2		(16)	34		14	(586)
Impairment of cash equivalents								
Impairment of other current assets	(197)			(8)	1	(4)		(208)
SUB-TOTAL: CURRENT ASSETS	(1,115)	2	(81)	66	(4)	15	(1,117)	
TOTAL DEDUCTED FROM ASSETS	(17,031)	(39)	(1,599)	(133)	68	(106)	1,117	(17,723)
Non-current provisions	(2,160)	8		(180) ^d	136 ^d	35 ^d	(38)	(2,199)
Current provisions	(1,092)	(5)		(148)	220	5	18	(1,002)
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	(3,252)	3	(328)	356	40	(20)	(3,201)	

(a) Reversals on disposals, and changes in scope of consolidation.

(b) The figure of €1,092m relates to the reversal of impairment losses against Alstom goodwill (see Note 3.2.5.2).

(c) Recognised in "Other operating income and expenses" or "Other financial income and expenses".

(d) The net amount of depreciation, amortisation, non-current provisions and impairment charged against assets is €1,760m (see the cash flow statement).

Note 5 Consolidated shareholders' equity

5.1 Share capital of Bouygues SA (€)

As of 31 December 2016, the share capital of Bouygues SA consisted of 354,908,547 shares with a €1 par value. Movements during 2016 were as follows:

		Movements during 2016		
	31/12/2015	Reductions	Increases	31/12/2016
Shares	345,135,316		9,773,231	354,908,547
NUMBER OF SHARES	345,135,316		9,773,231	354,908,547
Par value		€1		€1
SHARE CAPITAL (€)	345,135,316		9,773,231	354,908,547

The capital increase during the year of €207 million (see the consolidated statement of changes in shareholders' equity) comprised:

- 2,372,768 shares issued on exercise of stock options (€57 million);
- 7,400,463 shares issued under the Bouygues Confiance n°8 employee share ownership plan (€150 million, including €38 million due to be collected in January 2017).

5.2 Shareholders' equity at 31 December 2016 attributable to the group and to non-controlling interests

(€ million)	Share capital	Share premium	Reserves related to capital	Retained earnings	Consolidated reserves and profit/(loss) for period	Items recognised directly in equity	Total 2016
Attributable to the Group	355	1,705	808	1,787	3,428	57	8,140
Attributable to non-controlling interests					1,278	2	1,280
TOTAL SHAREHOLDERS' EQUITY	355	1,705	808	1,787	4,706	59	9,420

5.3 Analysis of income and expense recognised directly in equity

(€ million)	Ref.	2016 Attributable to the Group	2015 Attributable to the Group
Translation adjustment	5.3.1	11	84
Fair value remeasurement reserve (financial instruments)	5.3.2	(2)	(29)
Actuarial gains/(losses)	5.3.3	(76)	8
Tax on items recognised directly in equity		21	5
Share of restatements of joint ventures and associates		6 ^a	(202)
ATTRIBUTABLE TO THE GROUP		(40)	(134)
		Non-controlling interests	Non-controlling interests
Other expenses and income attributable to non-controlling interests			1
TOTAL		(40)	(133)

(a) Mainly comprises:

- Alstom: actuarial gains/losses €(42)m, translation adjustment €23m.
- Bouygues Construction: €13m in fair value remeasurements of hedging instruments and other financial assets.
- Colas: translation adjustment €9m.

5.3.1 Translation reserve (attributable to the Group)

Principal translation adjustments in the year ended 31 December 2016 arising on the consolidated financial statements of foreign subsidiaries, joint ventures and associates reporting in the following currencies:

	31/12/2015	Movements during 2016	31/12/2016
US dollar	55	14	69
Canadian dollar	(13)	21	8
Pound sterling	9	1	10
Thai baht	8	3	11
South African rand	97	(27)	70
Swiss franc	34	5	39
Czech koruna	5		5
Croatian kuna	3	1	4
Polish zloty	4	(1)	3
Other currencies	(56)	(35) ^b	(91) ^a
TOTAL	146	(18)^c	128

(a) Includes cumulative translation adjustments on joint ventures and associates: €(76)m, of which €(98)m relates to Alstom.

(b) Includes Alstom: €23m, and €(62)m related to the sale of the Energy business. (c) Split: subsidiaries €11m, joint ventures and associates €33m, sale of the Energy business €(62)m.

5.3.2 Fair value remeasurement reserve (attributable to the Group)

This reserve contains amounts recognised directly in equity on the remeasurement at fair value of financial instruments used for hedging purposes and of available-for-sale financial assets.

(€ million)	31/12/2015	Movements during 2016	31/12/2016
Gross movement (fully consolidated entities) ^a	(56)	(2)	(58)

(a) Mainly relates to cash flow hedges, currency hedges, and fair value remeasurement of available-for-sale financial assets.

5.3.3 Actuarial gains and losses on employee benefits (IAS19) (attributable to the Group)

(€ million)	31/12/2015	Movements during 2016	31/12/2016
Gross movement (fully consolidated entities) ^a	(105)	(76) ^a	(181)

(a) Mainly the impact of the fall in the Iboxx A10+ rate (1.71% at 31 December 2016, versus 2.09% at 31 December 2015), and changes in actuarial assumptions in the UK.

5.4 Analysis of “Other transactions with shareholders” attributable to the Group

The impact on consolidated shareholders' equity of share-based payment (IFRS 2) is as follows:

(€ million)	31/12/2016	31/12/2015	(charged to profit or loss)
Transfer to reserves:			
TF1	1	1	
Bouygues SA	9	5	2016 expense calculated on basis of plans awarded since June 2012
Bouygues Confiance 7 plan		4	Cost of employee benefits
Bouygues Confiance n°8 plan	3		Cost of employee benefits
TOTAL	13	10	

5.5 Analysis of “Acquisitions/disposals without loss of control” and “Other transactions”

The net reduction of €177 million reflects:

- a reduction of €60 million in the shareholders' equity of Alstom, essentially as a result of the sale of the Energy business;

- a reduction of €117 million in shareholders' equity due to other factors, mainly (i) the tax saving recognised in equity as a result of the Bouygues Confiance n°8 employee share ownership plan and (ii) commitments by TF1 to buy out non-controlling interests (see Note 9.2).

Note 6 Non-current and current provisions

6.1 Non-current provisions

(€ million)	Long-term employee benefits ^a	Litigation and claims ^b	Guarantees given ^c	Other non-current provisions ^d	Total
31/12/2014	719	325	379	882	2,305
Movements during 2015					
Translation adjustments	4		4	1	9
Changes in scope of consolidation	(1)	(2)		(3)	(6)
Charges to provisions	32	91	116	109	348
Reversals of provisions (utilised or unutilised)	(55)	(82)	(109)	(254)	(500) ^e
Actuarial gains and losses	(7)				(7)
Transfers and other movements		31	2	(22)	11
31/12/2015	692	363	392	713	2,160
Movements during 2016					
Translation adjustments	(9)	1	(2)	2	(8)
Changes in scope of consolidation		(1)	2	(19)	(18)
Charges to provisions	43	111	102	121	377
Reversals of provisions (utilised or unutilised)	(44)	(94)	(98)	(184)	(420) ^f
Actuarial gains and losses	80				80
Transfers and other movements	2	(1)	(2)	29	28
31/12/2016	764	379	394	662	2,199

Provisions are measured on the basis of management's best estimate of the risk.

(a) Long-term employee benefits (see Note 19.2)

- Lump-sum retirement benefits
- Long service awards and other benefits
- Other long-term employee benefits

(b) Litigation and claims

- Provisions for customer disputes
- Subcontractor claims
- Employee-related and other litigation and claims

(c) Guarantees given

- Provisions for guarantees given
- Provisions for additional building/civil engineering/civil works guarantees

(d) Other non-current provisions

- Provisions for miscellaneous foreign risks
- Provisions for subsidiaries and affiliates
- Dismantling and site rehabilitation
- Other non-current provisions

(e) Including reversals of unutilised provisions in 2015

(f) Including reversals of unutilised provisions in 2016

764 Principal segments involved:

- | | | |
|-----|-----------------------|-----|
| 502 | Bouygues Construction | 203 |
| 149 | Colas | 423 |
| 113 | TF1 | 42 |
| | Bouygues Telecom | 57 |

379 Bouygues Construction

- | | | |
|-----|---------------------|-----|
| 137 | Bouygues Immobilier | 34 |
| 75 | Colas | 111 |
| 167 | Bouygues Telecom | 57 |

394 Bouygues Construction

- | | | |
|-----|---------------------|----|
| 300 | Bouygues Immobilier | 24 |
| 94 | Colas | 69 |

662 Bouygues Construction

- | | | |
|----|------------------|-----|
| 39 | Colas | 314 |
| 29 | Bouygues Telecom | 133 |

266

150

(221)

(161)

6.2 Current provisions

Provisions relating to the operating cycle amounted to €1,002 million as of 31 December 2016:

(€ million)	Provisions for customer warranties	Provisions for project risks and project completion ^a	Provisions for expected losses to completion ^a	Other current provisions ^b	Total
31/12/2014	57	398	271	347	1,073
Movements during 2015					
Translation adjustments		18	(5)	13	
Changes in scope of consolidation	(2)	(3)	3	(3)	(5)
Charges to provisions	26	186	201	146	559
Reversals of provisions (utilised or unutilised)	(25)	(190)	(135)	(187)	(537) ^c
Transfers and other movements	(2)	2	(1)	(10)	(11)
31/12/2015	54	411	334	293	1,092
Movements during 2016					
Translation adjustments	(1)	2		4	5
Changes in scope of consolidation	(2)			2	
Charges to provisions	16	148	178	134	476
Reversals of provisions (utilised or unutilised)	(20)	(187)	(227)	(118)	(552) ^d
Transfers and other movements	2			(21)	(19)
31/12/2016	49	374	285	294	1,002

(a) Mainly Bouygues Construction and Colas.

(Individual project provisions are not disclosed for confidentiality reasons).

(b) Other current provisions:

Reinsurance costs	294	Principal segments involved:	
Restructuring provisions	3	Bouygues Construction	104
Customer loyalty programmes (Bouygues Telecom)	40	Bouygues Immobilier	45
Site rehabilitation (current portion)	8	Colas	101
Miscellaneous current provisions	14	TF1	25
	229		

(c) Including reversals of unutilised provisions in 2015

(d) Including reversals of unutilised provisions in 2016

Note 7 Deferred tax assets and liabilities

7.1 Deferred tax assets

(€ million)	31/12/2015	Movements during 2016	31/12/2016
Deferred tax assets			
Bouygues Construction	111	(10)	101
Bouygues Immobilier	27	(1)	26
Colas	139	14	153
TF1			
Bouygues Telecom	27	(27)	
Bouygues SA & other	48	39	87
TOTAL	352	15	367

Deferred tax assets mainly arise from temporary differences (such as provisions temporarily non-deductible for tax purposes), and from tax losses with a genuine probability of recovery.

7.2 Deferred tax liabilities

(€ million)	31/12/2015	Movements during 2016	31/12/2016
Deferred tax liabilities			
Bouygues Construction	9	(2)	7
Bouygues Immobilier		8	8
Colas	73	(2)	71
TF1	12	31	43
Bouygues Telecom		27	27
Bouygues SA & other	3		3
TOTAL	97	62	159

The deferred tax position as of 31 December 2016 represented a net asset of €208 million; see Note 7.3 for a detailed analysis.

7.3 Net deferred tax asset/liability by business segment

Net deferred tax asset/liability by segment/type (€ million)	Net deferred tax asset/ (liability) at 31/12/2015	Changes in scope of consolidation	Translation adjustments	Movements during 2016			Net deferred tax asset/ (liability) at 31/12/2016
				Gain	Expense	Other items ^a	
A – Tax losses							
Bouygues Construction	5			1	(1)		5
Bouygues Immobilier	3			1			4
Colas	9			3			12
TF1	1						1
Bouygues Telecom	53				(13)		40
Bouygues SA	41			26	(31)	31	67 ^b
SUB-TOTAL	112			31	(45)	31	129
B – Temporary differences							
Bouygues Construction	97	(1)		9	(12)	(4)	89
Bouygues Immobilier	24	(8)			(2)		14
Colas	57	(1)	(1)	8	(3)	10	70
TF1	(13)	(38)		6		1	(44)
Bouygues Telecom	(26)			9	(50)		(67)
Bouygues SA & other	4			12	(11)	12	17
SUB-TOTAL	143	(48)	(1)	44	(78)	19	79
TOTAL	255	(48)	(1)	75	(123)	50	208

(a) Mainly deferred taxes recognised in equity (on fair value remeasurements of financial instruments, actuarial gains/losses on employee benefits, the Bouygues Confiance n°8 employee share ownership plan, etc.).

(b) Overall tax loss arising on group tax election.

The movement shown for TF1 reflects the first-time consolidation of the Newen Studios group and deferred tax liabilities arising on intangible assets identified as part of the purchase price allocation.

Principal sources of deferred taxation (€m):	31/12/2016	31/12/2015
■ Deferred tax assets on employee benefits (mainly lump-sum retirement benefits)	172	175
■ Deferred tax assets on provisions temporarily non-deductible for tax purposes	92	138
■ Restricted provisions booked solely for tax purposes	(150)	(126)
■ Tax losses	129	112
■ Other items	(35)	(44)
	208	255

7.4 Period to recovery of deferred tax assets

31/12/2016 (€ million)	Less than 2 years	2 to 5 years	More than 5 years	Total
Estimated period to recovery of deferred tax assets	227	62	78 ^a	367

(a) Mainly Colas (primarily deferred tax assets on employee benefits and tax losses).

7.5 Unrecognised deferred tax assets

Some deferred tax assets were not recognised as of 31 December 2016 due to the low probability of recovery (mainly tax losses, which in the case of France are relevant only to companies not included in the Bouygues SA group tax election).

(€ million)	31/12/2015	Movements during 2016	31/12/2016
Bouygues Construction	144		144
Bouygues Immobilier	39	1	40
Colas	87	(7)	80
TF1	16	(1)	15
TOTAL UNRECOGNISED DEFERRED TAX ASSETS	286	(7)	279

Note 8 Non-current and current debt

8.1 Interest-bearing debt by maturity

(€ million)	Current debt				Non-current debt						Total 31/12/2016	Total 31/12/2015
	Accrued interest	1 to 3 months	4 to 12 months	Total maturing in less than 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	5 to 6 years	6 or more years		
Bond issues	113			113	500	980	996		795	2,025	5,296	4,548
Bank borrowings		34	68	102	79	55	333	136	41	59	703	691
Finance lease obligations		2	6	8	4	2	1	1	1		9	12
Other borrowings		15	27	42	18	124	14	6	3	7	172	54
TOTAL DEBT	113	51	101	265	601	1,161	1,344	143	840	2,091	6,180	5,305
Comparative at 31/12/2015	128	26	677	831	128	573	1,037	1,350	48	2,169		5,305

The table below lists all outstanding Bouygues bond issues. The quoted price in each case is presented as a percentage of the nominal, on a full price basis (i.e. including accrued interest):

ISIN	Issue date	Maturity	Nominal value on maturity	Interest rate	Quoted price at 31/12/2016, as % of nominal on full price basis ^a
FR0010853226	12/02/2010	12/02/2018	500	4.000%	104.5010
FR0010957662	29/10/2010	29/10/2019	1,000	3.641%	110.1880
FR0010212852	22/07/2005	22/07/2020	1,000	4.250%	114.4560
FR0011193515	09/02/2012	09/02/2022	800	4.500%	120.3290
FR0011332196	02/10/2012	16/01/2023	700	3.625%	117.4110
FR0010379255	06/10/2006	06/10/2026	595	5.500%	125.7800
FR0013222494	07/12/2016	07/06/2027	750	1.375%	99.3710
TOTAL			5,345		

(a) Source: Bloomberg.

**Finance lease obligations (included in debt)
by business segment
(€ million)**

	Bouygues Construction	Bouygues Immobilier	Colas	TF1	Bouygues Telecom	Bouygues SA & other	Total
Non-current: 31/12/2016	1		8				9
Current: 31/12/2016			7		1		8
Non-current: 31/12/2015	2		9		1		12
Current: 31/12/2015			7				7

8.2 Confirmed credit facilities and drawdowns

Description (€ million)	Confirmed facilities – Maturity				Drawdowns – Maturity			
	Less than 1 year	1 to 5 years	More than 5 years	Total	Less than 1 year	1 to 5 years	More than 5 years	Total
Bond issues (mainly Bouygues SA)	113	2,476	2,820	5,409	113	2,476	2,820	5,409
Bank borrowings ^a	1,697	4,329	242	6,268	102	603	100	805
Finance lease obligations	8	8	1	17	8	8	1	17
Other borrowings	42	162	10	214	42	162	10	214
TOTAL CREDIT FACILITIES	1,860	6,975	3,073	11,908	265	3,249	2,931	6,445

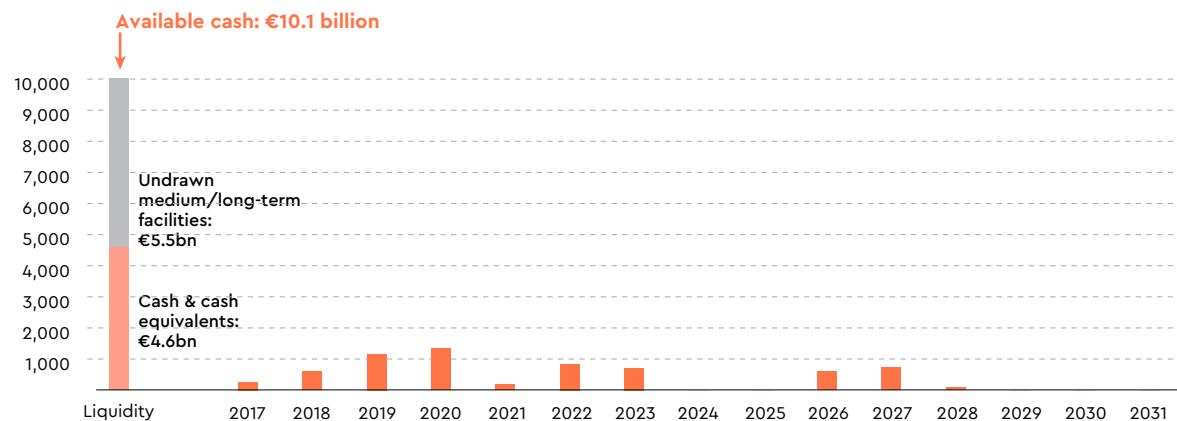
(a) Confirmed undrawn credit facilities: €5,463m.

8.3 Liquidity at 31 December 2016

As at 31 December 2016, available cash stood at €4,579 million, net of a €2 million liability in respect of financial instruments contracted to hedge net debt. The Group also had €5,463 million of undrawn confirmed credit facilities as at the same date.

DEBT MATURITY SCHEDULE AT 31 DECEMBER 2016

(€ million)



The bond issues maturing 2018, 2019, 2022, 2023, 2026 and 2027 contain a change of control clause relating to Bouygues SA.

The bank credit facilities contracted by Bouygues SA and its subsidiaries contain no financial covenants or trigger event clauses.

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 hedges at the end of the reporting period:

(%)	31/12/2016	31/12/2015
Fixed rate debt ^a	95	98
Floating rate debt	5	2

(a) Rates fixed for more than one year.

8.5 Interest rate risk

The split of financial assets and financial liabilities by type of interest as of 31 December 2016 is shown below:

(€ million)	Floating rate	Fixed rate	Total
Financial liabilities (debt) ^a	(1,015)	(5,430)	(6,445)
Financial assets (net cash) ^b	4,579		4,579
Net pre-hedging position	3,564	(5,430)	(1,866)
Interest rate hedges	704	(704)	
Net post-hedging position	4,268	(6,134)	(1,866)
Adjustment for seasonal nature of some activities ^c	(499)		
Net post-hedging position after adjustment	3,769		

(a) Call options and contingent consideration recognised as financial liabilities under IAS 39 are treated as fixed rate.

(b) Net of a €2m liability in respect of the fair value of financial instruments contracted to hedge net debt.

(c) Colas' operations, and cash flows from operations, are subject to marked seasonal fluctuations. This adjustment gives an approximation of the average cash position over the full year, which is used as the basis for analysing the sensitivity of interest expense to changes in interest rates. It corresponds to the difference between the average cash position over the full year, and the net cash position in the balance sheet at 31 December.

The effect of an immediate 1% rise in short-term interest rates on the net post-hedging position after adjustment (as presented above) would be to reduce the cost of net debt by €38 million over a full year.

8.6 Split of current and non-current debt by currency

(€ million)	Europe						Total
	Euro	Pound sterling	Other currencies	US dollar	Hong Kong dollar	Other currencies	
Non-current: 31/12/2016	5,463	645	10	30	4	28	6,180
Current: 31/12/2016	221	7	2		3	32	265
Non-current: 31/12/2015	4,551	660	7	18	13	56	5,305
Current: 31/12/2015	805	8	5	7	3	3	831

An analysis of debt by business segment is provided in Note 16.

Details by segment of collateral and pledges given by the Bouygues group are provided in Note 18.1.

Note 9 Main components of change in net debt

9.1 Change in net debt

(€ million)	31/12/2015	Cash flows	Changes in scope of consolidation	Translation adjustments	Fair value adjustments	Other movements	31/12/2016
Cash and cash equivalents	3,785	908	66	(6)		(4)	4,749
Overdrafts and short-term bank borrowings	(196)	21	25	(23)		5	(168)
NET CASH POSITION (A)	3,589	929^a	91^a	(29)^a		1^a	4,581
Non-current debt	5,305	743 ^b	191 ^c	15		(74)	6,180
Current debt	831	(656) ^b	18	(1)		73	265
Financial instruments, net	14	(46)			33	1	2
TOTAL DEBT (B)	6,150	41	209	14	33		6,447
NET DEBT (A)-(B)	(2,561)	888	(118)	(43)	(33)	1	(1,866)

(a) Net cash position as analysed in the 2016 cash flow statement (net cash flows + non-monetary movements).

(b) Net cash inflow from financing activities as analysed in the 2016 cash flow statement: €87m.

(c) Mainly relating to call options over non-controlling interests at TFI.

9.2 Principal changes in net debt in the year ended 31 December 2016

NET DEBT AT 31 DECEMBER 2015	(2,561)
Acquisitions/disposals of consolidated activities, non-consolidated companies and other investments including changes in scope of consolidation and commitments to buy out non-controlling interests	860 ^a
Transactions involving the share capital of Bouygues SA	189 ^b
Bouygues Confiance n°8 plan – amounts to be collected in 2017	(38)
Dividends paid	(662)
Payment for frequencies in 700 MHz band	(234)
Operating items and other	580
NET DEBT AT 31 DECEMBER 2016	(1,866)

(a) Includes Alstom share buy-back, acquisition of Newen Studios (including options to buy out non-controlling interests) and effects of changes in the scope of consolidation.

(b) Mainly comprises increases in the share capital of Bouygues SA (Bouygues Confiance n°8 employee share ownership plan and exercise of stock options).

Note 10 Current liabilities

(€ million)	31/12/2016	31/12/2015
Advances and down-payments received on orders ^a	1,010	1,178
Current debt ^b	265	831
Current taxes payable	109	118
Trade payables	7,140	6,513
Current provisions ^c	1,002	1,092
Other current liabilities:		
■ Other operating liabilities (employees, social security, government)	2,625	2,488
■ Deferred income	2,073	1,807
■ Other non-financial liabilities ^d	2,461	2,670
Overdrafts and short-term bank borrowings	168	196
Financial instruments – liabilities	19	35
Other current financial liabilities	24	52
TOTAL	16,896	16,980

(a) As of 31 December 2016, "Advances and down-payments received on orders" included €215m (€244m as of 31 December 2015) received from customers on signature of deeds of sale in respect of off-plan sales under property development programmes.

These sums are not refundable and are used to finance work on the programmes; virtually all of these sums had been disbursed as of 31 December 2016.

(b) See analysis in Note 8, "Non-current and current debt".

(c) See analysis in Note 6.2, "Current provisions".

(d) In 2015, includes the €467m payable by Bouygues Telecom for the acquisition of 700 MHz frequencies; two instalments totalling €234m were paid during 2016, and of the remaining balance half will be paid in December 2017 and half in December 2018.

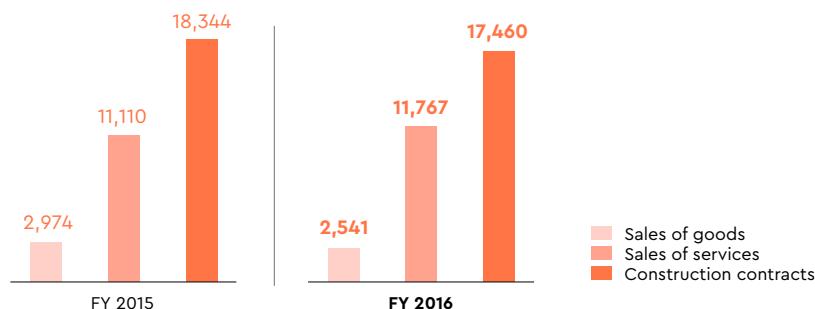
Note 11 Analysis of sales and other revenues from operations

11.1 Analysis by accounting classification

(€ million)	2016	2015
Sales of goods	2,541	2,974
Sales of services	11,767	11,110
Construction contracts	17,460	18,344
SALES	31,768	32,428
OTHER REVENUES FROM OPERATIONS	132	92
TOTAL REVENUES	31,900	32,520

CONSOLIDATED SALES

(€ million)



There were no material exchanges of goods or services in the years ended 31 December 2016 and 2015.

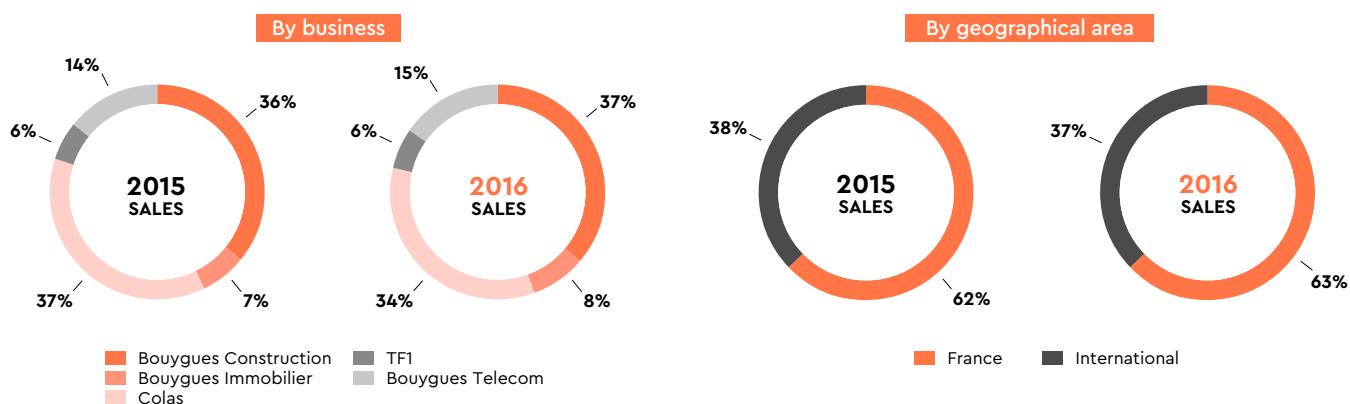
Consolidated balance sheet: information about construction contracts

(€ million)	Bouygues Construction	Colas	Total
Works not yet billed	641	447	1,088
Warranty retentions	220	92	312
Works billed in advance	(1,530)	(346)	(1,876)
Advance payments received	(356)	(89)	(445)

11.2 Analysis by business segment

(€ million)	2016 sales			2015 sales		
	France	International	Total	France	International	Total
Bouygues Construction	5,297	6,273	11,570	5,493	6,283	11,776
Bouygues Immobilier	2,414	129	2,543	2,191	100	2,291
Colas	5,662	5,226	10,888	5,981	5,915	11,896
TF1	1,957	63	2,020	1,904	60	1,964
Bouygues Telecom	4,736		4,736	4,484		4,484
Bouygues SA & other	5	6	11	5	12	17
CONSOLIDATED SALES	20,071	11,697	31,768	20,058	12,370	32,428

SPLIT OF TOTAL SALES



11.3 Analysis by geographical area

Sales are allocated to the territory in which the sale is generated.

(€ million)	2016 sales		2015 sales	
	Total	%	Total	%
France	20,071	63	20,058	62
European Union (28 members)	3,400	11	3,835	12
Rest of Europe	1,313	4	1,207	4
Africa	1,203	4	1,279	4
Middle East	184	1	122	
North America	3,016	9	3,335	10
Central and South America	331	1	271	1
Asia-Pacific	1,864	6	1,939	6
Oceania	386	1	382	1
TOTAL	31,768	100	32,428	100

The Bouygues group has operations in the United Kingdom, mainly in construction. These operations are carried out locally within the United Kingdom, and have no material exposure to uncertainties relating to imports and exports. Sales generated in 2016 amounted to £1,631 million (€1,991 million), compared with £1,594 million (€2,196 million) in 2015.

This year-on-year fall of €205 million reflects mainly the 11% fall in the average euro/sterling exchange rate (from €1.38 in 2015, to €1.22 in 2016) following the vote by the United Kingdom to leave the European Union, which had a negative impact of €255 million.

11.4 Split by type of contract, France/International

(%)	2016			2015		
	France	International	Total	France	International	Total
Public-sector contracts ^a	28	51	37	29	52	38
Private-sector contracts	72	49	63	71	48	62

(a) Sales billed directly to government departments, local authorities or public enterprises (mainly works and maintenance contracts) in France and abroad.

Note 12 Operating profit and EBITDA

(€ million)	2016	2015
CURRENT OPERATING PROFIT/(LOSS)	1,121	941
Other operating income ^a	113	32
Other operating expenses ^a	(287)	(305)
OPERATING PROFIT/(LOSS)^b	947	668

See Note 16 for an analysis by business segment.

(a) Mainly comprises:

2016

Bouygues Telecom: Net income of €20m, including the €104m gain on the sale of 500 towers to Cellnex, partly offset by €84m of accelerated depreciation arising from the roll-out of network sharing with SFR.

TF1: Net expense of €84m comprising:

- one-off additional expense of €25m related to a change in the accounting treatment of French drama;
- amortisation of €25m charged against the fair value of rights remeasured as part of the Newen Studios purchase price allocation;
- other costs of €34m incurred on the reorganisation of the TF1 group and the freeview migration of LCI.

Colas: Expense of €62m, including €51m on the discontinuation of the Société de la Raffinerie de Dunkerque (SRD) refinery at Dunkirk and €11m of miscellaneous adaptation costs.

Bouygues Construction: Adaptation costs of €23m arising from the ongoing implementation of the new organisational structure that began in 2015.

Bouygues Immobilier: Adaptation costs of €13m.

Bouygues SA: Expense of €12m relating to costs incurred on the proposed transaction with Orange.

2015

Bouygues Telecom: Net expense of €123m, mainly on the rollout of network sharing with SFR.

Bouygues Immobilier: Adaptation costs of €4m.

TF1: Adaptation costs of €17m relating to news operations, primarily discontinuation of the print media activities of Publications Metro France.

Bouygues Construction: Mainly comprises costs of €35m incurred on implementation of the new organisational structure in 2015.

Colas: Restructuring costs of €95m relating to the restructuring of French subsidiaries and SRD.

(b) Of which rental expenses of €1,588m, including expenses relating to leases with a service component, short-term leases and leases for low-value assets.

The Bouygues group reported EBITDA of €2,757 million in 2016, up €346 million year-on-year. EBITDA is calculated on the basis of current operating profit, to which the following adjustments are made:

(€ million)	2016	2015
CURRENT OPERATING PROFIT/(LOSS)	1,121	941
Elimination of net depreciation and amortisation expense and net charges to provisions and impairment losses		
■ Net depreciation & amortisation expense	1,599	1,454
■ Net charges to provisions & impairment losses	461	417
Elimination of items included in other operating income:		
■ Reversals of unutilised provisions and impairment	(424)	(401)
EBITDA	2,757	2,411

Note 13 Cost of net debt and other financial income and expenses

13.1 Analysis of cost of net debt

(€ million)	2016	2015
Financial expenses, comprising:	(248)	(308)
Interest expense on debt ^a	(232)	(285)
Interest expense related to treasury management	(16)	(23)
Financial income, comprising:	26	33
Interest income from cash and cash equivalents	23	27
Income and gains on disposal from cash and cash equivalents	3	6
COST OF NET DEBT	(222)	(275)

(a) Interest expense on debt is lower mainly as a result of (i) the reduction in net debt, (ii) less onerous financing terms (commercial paper, plus new bond issue in December 2016) and (iii) the redemption of bond issues in July 2015 and May 2016.

13.2 Other financial income and expenses

(€ million)	2016	2015
Other financial income	125	91
Other financial expenses	(84)	(85)
OTHER FINANCIAL INCOME/(EXPENSES), NET	41	6

"Other financial income and expenses" include gains or losses on disposals of investments in non-consolidated companies (including the €65 million gain on the sale of the equity interest in Atlandes), interest paid to investors on calls for funds (commercial property), commitment fees, changes in the fair value of "Other current financial assets", dividends received from non-consolidated companies, and other items.

Note 14 Income taxes

7

14.1 Analysis of income tax expense

(€ million)	2016			2015		
	France	Other countries	Total	France	Other countries	Total
Tax payable to the tax authorities	(58)	(143)	(201)	(93)	(130)	(223)
Deferred tax liabilities	(46)	9	(37)	70		70
Deferred tax assets	(14)	3	(11)	27	8	35
TOTAL	(118)	(131)	(249)	4	(122)	(118)

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 explained as follows:

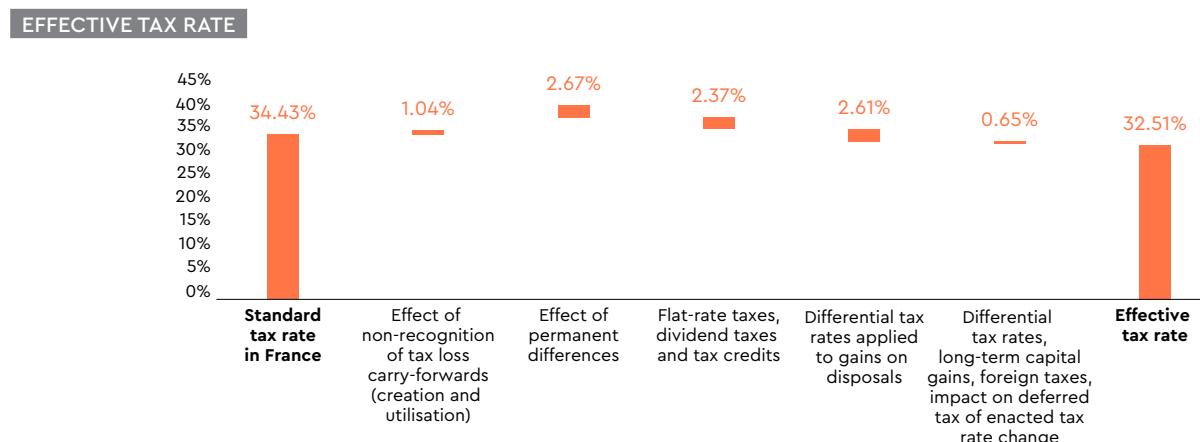
(€ million)	2016	2015
NET PROFIT/(LOSS) FOR THE PERIOD (100%)	784	480
Eliminations:		
Income tax expense	249	118
Net (profit)/loss of discontinued and held-for-sale operations	N/A	N/A
Share of net (profits)/losses of joint ventures and associates	(267)	(199)
NET PRE-TAX PROFIT FROM CONTINUING OPERATIONS EXCLUDING JOINT VENTURES AND ASSOCIATES	766	399
Standard tax rate in France	34.43%	38.00%
Effect of non-recognition of tax loss carry-forwards (creation and utilisation)	1.04%	11.12% ^d
Effect of permanent differences	2.67%	0.61% ^d
Flat-rate taxes, dividend taxes and tax credits	(2.37%)	(3.58%)
Differential tax rates applied to gains on disposals ^a	(2.61%)	(3.21%)
Differential tax rates, long-term capital gains, foreign taxes, impact on deferred tax of enacted tax rate change	(0.65%)	(13.36%)
EFFECTIVE TAX RATE	32.51%^b	29.58%^c

(a) Sale of Atlandes in 2016 and effect of deconsolidation of Eurosport International in 2015.

(b) Effective tax rate after stripping out the sale of Atlandes: 35%.

(c) Effective tax rate after stripping out the sale of Eurosport International: 32%.

(d) The 2015 tax proof has been restated in order to reflect the effect of the group tax election on the non-recognition of tax loss carry-forwards.



Note 15 Net profit from continuing operations and basic/diluted earnings per share

Basic earnings per share from continuing operations is calculated by dividing net profit from continuing operations 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.

	2016	2015
Net profit from continuing operations attributable to the Group (€m)	732	403
Weighted average number of shares outstanding	346,559,092	337,985,966
NET BASIC EARNINGS PER SHARE FROM CONTINUING OPERATIONS (€)	2.11	1.19

Diluted earnings per share from continuing operations 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 exercisable and in the money at the end of the reporting period).

	2016	2015
Net profit from continuing operations attributable to the Group (€m)	732	403
Weighted average number of shares outstanding	346,559,092	337,985,966
Adjustment for potentially dilutive effect of stock options	1,361,620	2,999,082
NET DILUTED EARNINGS PER SHARE FROM CONTINUING OPERATIONS (€)	2.10	1.18

Note 16 Segment information

Segment information is provided in two forms:

- Analysis by business segment (CGU):** Bouygues Construction (Construction), Bouygues Immobilier (Property), Colas (Roads), TF1 (Media), Bouygues Telecom (Telecoms), and Bouygues SA & other.
- Analysis by geographical area:** France (including overseas departments), European Union, Rest of Europe, Africa, Asia-Pacific-Oceania, Americas and Middle East (property, plant and equipment is allocated by location of assets as of 31 December).

Inter-segment sales are generally conducted on an arm's length basis.

An analysis of sales by geographical area is provided in Note 11.3.

The operating segments used in reporting by business segment are those reviewed by the chief operational decision-maker of the Group, and are not aggregated for segment reporting purposes. This information is used to allocate resources to operating segments, and to monitor their performance.

Operating segment information is compiled using the same accounting policies as used in the preparation of the consolidated financial statements, as described in the notes to the financial statements.

The "Bouygues SA & other" segment includes contributions from corporate holding companies, and from entities dedicated to the centralised financing of the Group.

16.1 Analysis by business segment – year ended 31 December 2016

(€ million)	Bouygues Construction	Bouygues Immobilier	Colas	TF1	Bouygues Telecom	Bouygues SA & other	Total 2016
Income statement							
Total sales	11,815	2,568	11,006	2,063	4,761	133	32,346
Inter-segment sales	(245)	(25)	(118)	(43)	(25)	(122)	(578)
THIRD-PARTY SALES	11,570	2,543	10,888	2,020	4,736	11	31,768
Net depreciation & amortisation expense	(225)	(7)	(402)	(177)	(782)	(6)	(1,599)
Net charges to provisions & impairment losses	(193)	(35)	(155)	(80)	(1)	3	(461)
CURRENT OPERATING PROFIT/(LOSS)	326	167	386	129	149	(36)	1,121
Other operating income					113		113
Other operating expenses	(23)	(13)	(62)	(84)	(93)	(12)	(287)
OPERATING PROFIT/(LOSS)	303	154	324	45	169	(48)	947
Cost of net debt	14	(2)	(13)	(1)	(8)	(212)	(222)
Income taxes	(119)	(51)	(108)	(6)	(60)	95	(249)
Share of profits/(losses) of joint ventures and associates	121	(1)	82	10		55	267
NET PROFIT/(LOSS) FROM CONTINUING OPERATIONS	322	91	359	44	92	(124)	784
Net profit of discontinued and held-for-sale operations							
NET PROFIT/(LOSS)	322	91	359	44	92	(124)	784
NET PROFIT/(LOSS) ATTRIBUTABLE TO THE GROUP	320	91	343	18	83	(123)	732^a
Balance sheet							
Property, plant and equipment	680	32	2,396	174	3,117	167	6,566
Intangible assets	43	37	74	236	1,743	47	2,180
Goodwill	471		1,118	1,130	2,648		5,367
Investments in joint ventures and associates	22	5	375	89		1,938 ^b	2,429
Other non-current financial assets	252	12	185	32	10	32	523
Deferred tax assets and non-current tax receivable	73	26	172			96	367
Cash and cash equivalents	890	90	417	53	23	3,276	4,749
Other assets							12,673
TOTAL ASSETS							34,854
Non-current debt	546	34	125	224	995	4,256	6,180
Non-current provisions	853	89	917	57	247	36	2,199
Deferred tax liabilities & non-current tax liabilities	7	8	71	43	27	3	159
Current debt	19	4	73	8	40	121	265
Other liabilities							26,051
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY							34,854
Net surplus cash/(net debt) ^c	3,387	(124)	517	187	(1,012)	(4,821)	(1,866)
Cash flow statement							
Cash flow	534	161	699	267	873	(30)	2,504
Acquisitions of property, plant & equipment and intangible assets, net of disposals	173	28	384	209	802	42	1,638
Acquisitions of investments in consolidated companies and other investments, net of disposals	(139)	18	(135)	182		(997)	(1,071)
Other indicators							
EBITDA	537	178	801	364	916	(39)	2,757
FREE CASH FLOW	256	80	194	51	3	(189)	395

(a) The net profit attributable to the Group excluding exceptional items amounts to €632 million, and corresponds to the net profit attributable to the Group excluding (i) the gains arising on the sale of Adelac €(129)m and of Atlandes €(60)m and (ii) non-current expenses of €89 million net of taxes.

(b) Comprises €1,938m for Alstom.

(c) Contribution at business segment level, including Bouygues Relais and Uniservice intra-Group current accounts (these intra-Group accounts are eliminated in the "Bouygues SA & other" column).

16.2 Analysis by business segment – year ended 31 December 2015

(€ million)	Bouygues Construction	Bouygues Immobilier	Colas	TF1	Bouygues Telecom	Bouygues SA & other	Total 2015
Income statement							
Total sales	11,975	2,304	11,960	2,004	4,505	135	32,883
Inter-segment sales	(199)	(13)	(64)	(40)	(21)	(118)	(455)
THIRD-PARTY SALES	11,776	2,291	11,896	1,964	4,484	17	32,428
Net depreciation & amortisation expense	(189)	(7)	(420)	(57)	(773)	(8)	(1,454)
Net charges to provisions & impairment losses	(238)	(9)	(186)	11	(1)	6	(417)
CURRENT OPERATING PROFIT/(LOSS)	349	138	344	158	(11)	(37)	941
Other operating income					32		32
Other operating expenses	(35)	(4)	(95)	(17)	(155)	1	(305)
OPERATING PROFIT/(LOSS)	314	134	249	141	(134)	(36)	668
Cost of net debt	9	(1)	(19)	1	(8)	(257)	(275)
Income tax expense	(108)	(45)	(68)	(42)	51	94	(118)
Share of profits/(losses) of joint ventures and associates	56	(1)	78	6	34	26	199
NET PROFIT/(LOSS) FROM CONTINUING OPERATIONS	288	77	238	103	(65)	(161)	480
Net profit of discontinued and held-for-sale operations							
NET PROFIT/(LOSS)	288	77	238	103	(65)	(161)	480
NET PROFIT/(LOSS) ATTRIBUTABLE TO THE GROUP	276	77	226	44	(59)	(161)	403^a
Balance sheet							
Property, plant and equipment	717	22	2,396	170	3,081	137	6,523
Intangible assets	40	30	70	124	1,820	47	2,131
Goodwill	488		1,125	1,000	2,648		5,261
Investments in joint ventures and associates	27	5	307	85		2,977 ^b	3,401
Other non-current financial assets	250	11	205	30	11	35	542
Deferred tax assets and non-current tax receivable	86	27	165		27	47	352
Cash and cash equivalents	860	69	428	12	19	2,397	3,785
Other assets							11,840
TOTAL ASSETS							33,835
Non-current debt	575	41	176		875	3,638	5,305
Non-current provisions	828	84	841	53	258	96	2,160
Deferred tax liabilities and non-current tax liabilities	9		73	12		3	97
Current debt	7	10	44		34	736	831
Other liabilities							25,442
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY							33,835
Net surplus cash/(net debt) ^c	3,272	5	560	701	(890)	(6,209)	(2,561)
Cash flow statement							
Cash flow	467	120	670	164	654	(8)	2,067
Acquisitions of property, plant & equipment and intangible assets, net of disposals	214	13	311	58	1,289	5	1,890
Acquisitions of investments in consolidated companies and other investments, net of disposals	(45)	1	(10)	(521)	(45)	(36)	(656)
Other indicators							
EBITDA	533	124	844	195	752	(37)	2,411
FREE CASH FLOW^d	154	61	272	65	(592)	(176)	(216)

(a) Net profit attributable to the Group excluding exceptional items amounts to €489m, and corresponds to net profit attributable to the Group excluding (i) non-current expenses of €156m net of taxes and (ii) the €(70)m contribution from associates of Bouygues Construction during the third quarter of 2015.

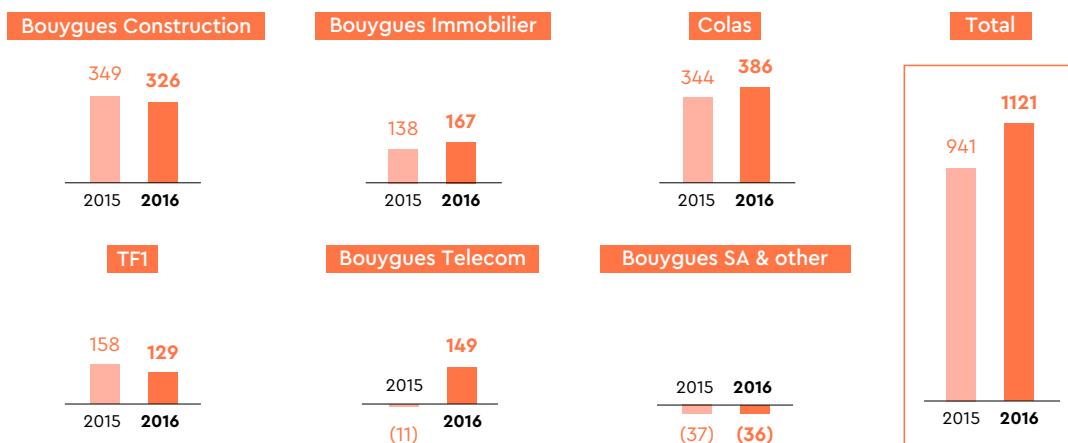
(b) Comprises €2,977m for Alstom.

(c) Contribution at business segment level, including Bouygues Relais and Uniservice intra-Group current accounts (these intra-Group accounts are eliminated in the "Bouygues SA & other" column).

(d) After eliminating the acquisition of 700 MHz frequencies for €467m, adjusted free cash flow for the year ended 31 December 2015 was €251m.

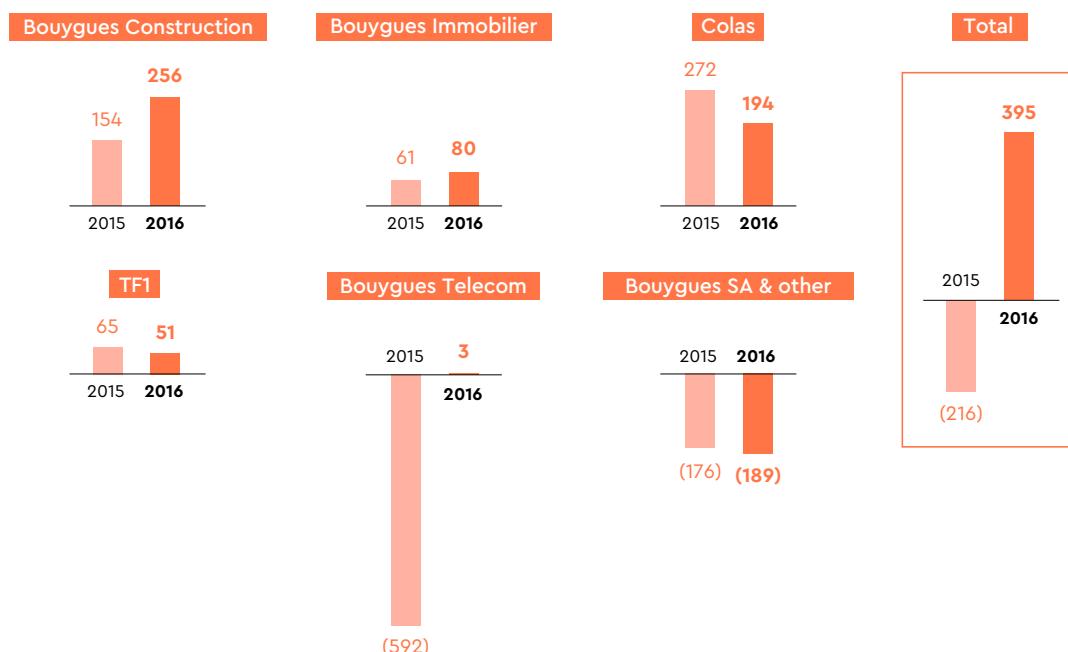
CURRENT OPERATING PROFIT

(€ million)



FREE CASH FLOW

(€ million)



16.3 Analysis by geographical area

(€ million)	France ^a	European Union	Rest of Europe	Africa	Asia-Pacific-Oceania	Americas	Middle East	Total 31/12/2016
Balance sheet								
Property, plant and equipment ^b	5,046	299	97	149	256	702	17	6,566
Intangible assets	2,134	24		2	3	17		2,180
Cash flow statement								
Purchase price of property, plant & equipment and intangible assets	1,572	70	23	54	98	130	15	1,962

(a) Including French overseas territories.

(b) Includes assets held under finance leases.

(€ million)	France ^a	European Union	Rest of Europe	Africa	Asia-Pacific-Oceania	Americas	Middle East	Total 31/12/2015
Balance sheet								
Property, plant and equipment ^b	4,969	319	97	159	304	668	6	6,523
Intangible assets	2,089	21			6	15		2,131
Cash flow statement								
Purchase price of property, plant & equipment and intangible assets	1,850	5	12	22	129	5	5	2,028

(a) Including French overseas territories.

(b) Includes assets held under finance leases.

Note 17 Financial instruments

The tables below show aggregate notional amounts for each type of financial instrument used, split by residual maturity and by currency.

17.1 Hedging of interest rate risk, foreign exchange risk and commodities risk

17.1.1 Analysis by business segment

(€ million)	Bouygues Construction	Bouygues Immobilier	Colas	TF1	Bouygues Telecom	Bouygues SA & other	Total 31/12/2016	Total 31/12/2015
Forward purchases	364		176	121	24		685	886
Forward sales	367		123	11			501	370
Currency swaps	7					596	603	397
Interest rate swaps ^a	13		107		650	138	908	1,717
Commodities derivatives			4				4	1

(a) Of which pay fixed rate €778m, and pay floating rate €130m.

17.1.2 Analysis by maturity and original currency

(€ million)	Maturity			Total	Original currency				Other currencies
	< 1 year	1 to 5 years	> 5 years		EUR	GBP	USD	HKD	
Forward purchases	651	34		685	224	13	343	4	101
Forward sales	412	89		501	32	34	263	96	76
Currency swaps	603			603		165	96	121	221
Interest rate swaps	123	714	71	908	833	67		8	
Commodities derivatives	4			4	4				

17.2 Market value of hedging instruments

Derivatives recognised as assets (€ million)	Original currency					Total	Fair value hedge	Cash flow hedge	Hedge of net investment in a foreign operation
	EUR	USD	GBP	HKD	Other currencies				
Forward purchases	2	11		1	1	15		15	
Forward sales	7		2			9		9	
Currency swaps									
Interest rate swaps									
Commodities derivatives									
TOTAL ASSETS	9	11	2	1	1	24			

Derivatives recognised as liabilities (€ million)	Original currency					Total	Fair value hedge	Cash flow hedge	Hedge of net investment in a foreign operation
	EUR	USD	GBP	HKD	Other currencies				
Forward purchases	(9)		(1)			(10)	(2)	(8)	
Forward sales		(12)		(2)	(1)	(15)	(1)	(14)	
Currency swaps		(1)	(1)	(1)		(3)		(3)	
Interest rate swaps	(2)		(16)			(18)		(18)	
Commodities derivatives									
TOTAL LIABILITIES	(11)	(13)	(18)	(3)	(1)	(46)	(3)	(43)	
TOTAL	(2)	(2)	(16)	(2)		(22)	(3)	(19)	

In the event of a +1.00% movement in the yield curve, the hedging instruments portfolio would have a negative market value of €8 million; in the event of a -1.00% movement, it would have a negative market value of €38 million.

In the event of a +1.00% movement in the exchange rate of the euro against the other currencies, the hedging instruments portfolio would

have a negative market value of €21 million; in the event of a -1.00% movement, it would have a negative market value of €24 million.

These calculations were prepared by the Bouygues group, or obtained from the banks with which the instruments were contracted.

Note 18 Off balance sheet commitments

This note supplements the disclosures provided in Notes 3, 4 and 8.

No material off balance sheet commitments have been omitted from this disclosure, in accordance with applicable accounting standards.

18.1 Guarantee commitments

€ million)	31/12/2016						Falling due			31/12/2015	
		Bouygues Construction	Bouygues Immobilier	Colas	TF1	Bouygues Telecom	Bouygues SA & other	Less than 1 year	1 to 5 years		
Pledges, mortgages and collateral	74	5		69				39	21	14	79
Guarantees and endorsements given	137	69	7	46	15			39	60	38	128
TOTAL GUARANTEE COMMITMENTS GIVEN	211	74	7	115	15			78	81	52	207
Guarantees and endorsements received	12		10		2			9	3		2
TOTAL GUARANTEE COMMITMENTS RECEIVED	12		10		2			9	3		2
NET BALANCE	199	74	(3)	115	13			69	78	52	205

In connection with its ordinary activities, the Bouygues group grants multi-year guarantees (such as ten-year building guarantees), which are usually covered by statistically-based provisions on the liabilities side of the balance sheet. Contract guarantees provided by banks to Group

customers represent off balance sheet commitments for those banks; where such guarantees are liable to result in payments being made, a provision is recognised by Bouygues in the consolidated balance sheet.

18.2 Sundry contractual commitments

(€ million)	31/12/2016							Falling due			31/12/2015
		Bouygues Construction	Bouygues Immobilier	Colas	TF1	Bouygues Telecom	Bouygues SA & other	Less than 1 year	1 to 5 years	More than 5 years	
Image transmission	91					91		25	65	1	150
Network	987					987		123	242	622	776
Other	353					59	294	343	10		588
TOTAL SUNDY CONTRACTUAL COMMITMENTS GIVEN	1,431					150	1,281	491	317	623	1,514
Image transmission	91					91		25	65	1	150
Network	987					987		123	242	622	776
Other	351					57	294	341	10		588
TOTAL SUNDY CONTRACTUAL COMMITMENTS RECEIVED	1,429					148	1,281	489	317	623	1,514
NET BALANCE	2					2		2			

"Sundry contractual commitments given" relates mainly to service agreements entered into by Bouygues Telecom with owners of towers (TDF, FPS, Infracos and Cellnex), and commitments in respect of equity interests.

Contractual commitments given by TF1 amounted to €150 million as of 31 December 2016, €186 million lower than at end 2015; €170 million of this was mainly due to the fact that TF1's commitment to buy shares in Newen Studios was activated in January 2016.

Contractual commitments given by Bouygues Telecom amounted to €1,281 million, an increase of €103 million, mostly relating to service agreements following the divestments to Cellnex during 2016. They do not include the commitments arising from the deal agreed with Cellnex

in January 2017 (see Note 1.3 to the financial statements) in respect of the renewable 15-year hosting and service agreements, the amount of which is expected to be similar to the amount of the transaction.

18.3 Operating lease commitments

Operating lease commitments represent the minimum future lease payments due until the normal renewal date of the lease under operating leases relating to current operations (land, buildings, plant & equipment, etc.). After revaluation (projected increase in rentals), these amounts mainly take account of a discounting calculation (incremental borrowing rate).

(€ million)	31/12/2016							Falling due			31/12/2015
		Bouygues Construction	Bouygues Immobilier	Colas	TF1	Bouygues Telecom	Bouygues SA & other	Less than 1 year	1 to 5 years	More than 5 years	
Operating lease commitments											
Commitments given	1,332	44	80	209	69	930		177	597	558	1,395
Commitments received	1,332	44	80	209	69	930		177	597	558	1,395
Operating lease commitments, net											

Operating lease commitments fell by a net €63 million during the year, reflecting the following factors:

- an increase of €126 million in construction activities and at TF1, of which €44 million was due to commercial property leases contracted by Bouygues Immobilier for "Nextdoor" workspace premises;

- a decrease of €189 million at Bouygues Telecom due to the sale of towers to Cellnex and the termination of leases as part of the mobile network-sharing project with SFR (the new service agreements with Infracos, the joint Bouygues/SFR entity that carries the leases for the shared networks, are included in "Sundry contractual commitments").

Bouygues Telecom's operating lease commitments of €930 million mainly relate to commercial leases of property and land intended to house technical installations for the network (includes network site

rentals of €355 million, property and other rentals of €46 million, rentals for the Technopôle site of €116 million, and fibre optic and other miscellaneous commitments of €413 million).

18.4 Finance leases (already recognised as liabilities in the balance sheet)

€ million)	31/12/2016	Bouygues	Bouygues	Colas	TF1	Bouygues	Bouygues SA	Falling due			31/12/2015
		Construction	Immobilier			Telecom	& other	Less than 1 year	1 to 5 years	More than 5 years	
Finance leases	19	4		14		1		8	9	2	19

18.5 Other commitments

18.5.1 Bouygues Telecom

LICENCES TO USE FREQUENCIES IN THE 800 MHZ AND 700 MHZ BANDS

The 20-year licences to use frequencies in the 800 MHz and 700 MHz bands awarded to Bouygues Telecom are subject to an obligation to open the frequencies to Mobile Virtual Network Operators (MVNOs), and to roll out coverage of the French population progressively (98% within 12 years, 99.6% within 15 years).

These coverage obligations include a priority roll-out zone defined by Arcep (the French telecommunications regulator) to be covered simultaneously by the 700 MHz and 800 MHz frequencies, and an obligation to provide coverage in each French administrative department (90% within 12 years, 95% within 15 years).

The 700 MHz licence includes a new obligation to provide day-to-day coverage of 90% of trains on the French railway network within 15 years.

LICENCE TO USE FREQUENCIES IN THE 2600 MHZ BAND

The 20-year licence to use frequencies in the 2600 MHz band awarded to Bouygues Telecom is subject to an obligation to open the frequencies to MVNOs, and to roll out coverage of the French population progressively (25% within 4 years, 60% within 8 years, 75% within 12 years).

This coverage obligation may be fulfilled by any other frequencies owned by Bouygues Telecom. At present, it is primarily fulfilled via Bouygues Telecom's 1800 MHz frequencies that have been refarmed to 4G.

AUTHORISATION TO REARM FREQUENCIES IN THE 1800 MHZ BAND FOR TECHNOLOGIES OTHER THAN GSM

Arcep decision 2013-0514, issued on 4 April 2013, amended Bouygues Telecom's licence to allow for the possibility of refarming frequencies in the 1800 MHz band for technologies other than GSM, and in particular to meet its 4G coverage obligations.

On 1 October 2013, Bouygues Telecom opened its national 4G network: by the end of 2016, 85% of the population had 4G coverage in the 2600, 1800 or 800 MHz bands.

LICENCE TO TRANSMIT ON FREQUENCIES IN THE 900 MHZ AND 1800 MHZ BANDS

The licence to transmit in the 900 MHz and 1800 MHz bands, renewed on 9 December 2009 for a period of 15 years, imposed on Bouygues Telecom an obligation to cover 99% of the population by 31 December 2010. Bouygues Telecom is in compliance with this obligation.

The obligation includes coverage of blind spots and the main roads in each administrative department.

BLIND SPOTS

The law of 6 August 2015 on growth, business and equality of economic opportunity required the blind spots programme (initially launched in 2004) to be extended to additional municipalities that currently have no coverage in the town or village centre, and a reduction in the residual blind spots identified in previous laws passed in 2004 and 2008.

The law also introduced a new programme aimed at providing coverage in areas with concentrations of businesses, tourist sites and public facilities that currently have no network access.

For both these programmes, municipalities will make high ground available to the operators for mast sites.

The four mobile operators signed an agreement in February 2016 under which each will contribute its fair share in reducing residual blind spots and extending the original programme.

As of 31 December 2016, the progress made by Bouygues Telecom on its commitments was in compliance with the deadlines stipulated in the law and with the timetable issued by Arcep. In particular, Bouygues Telecom had by 31 December 2016 installed 3G at over 80% of the sites for which it had been allocated responsibility, and will have completed 3G installation at all of its blind spot sites by 30 June 2017 subject to municipalities making the necessary infrastructure available.

18.5.2 Alstom

As mentioned in Note 1.1, "Significant events of 2016", the French state announced on 8 February 2016 that the memorandum of understanding entered into with Bouygues on 22 June 2014 relating to Alstom had come into effect.

The principal terms that came into effect, as set forth in Notice 214C1292 published by the AMF on 3 July 2014, are as follows:

- On 4 February 2016, Bouygues entered into a simple loan agreement with the French state under which Bouygues loaned to the French state on that date 45,825,360 Alstom shares, enabling the French state to hold 20% of the share capital and voting rights of Alstom as of that date. Under the same agreement, the loan attracts variable remuneration equal to the dividends paid in respect of the loaned shares, after neutralising the tax effects. The loan expires when the call options described below are exercised, or on 17 October 2017 if they are not exercised.
- Bouygues has granted the French state a call option exercisable at any time up to and including 5 October 2017 for a number of shares representing 20% of the share capital of Alstom as of 28 January 2016 (i.e. 43,825,360 shares) at an exercise price equal to 95% of the Volume Weighted Average Price (VWAP) of Alstom shares during the 60 trading days preceding the date of exercise, subject to a minimum price of €35 per share (adjusted to take account of any dividend and any transaction affecting Alstom's share capital).

- Bouygues has also granted the French state a second call option, exercisable in the event that the call option described above is not exercised. This second option is exercisable between 6 October 2017 and 17 October 2017 and is for a number of shares representing 15% of the share capital of Alstom as of 28 January 2016 (i.e. 32,869,020 shares) at an exercise price equal to 98% of the Volume Weighted Average Price (VWAP) of Alstom shares during the 60 trading days preceding 5 October 2017.
- Bouygues is free to sell some or all of the callable shares to a third party at any time, provided that (i) it has previously sold all of the other Alstom shares in its possession and (ii) the French state is offered first refusal on the callable shares (and on those shares alone).
- Under the corporate governance terms of the memorandum of understanding of 22 June 2014, Bouygues (represented by Philippe Marien) and Olivier Bouygues sit on the Alstom Board of Directors.

As of 31 December 2016, the shares in Alstom held by Bouygues that are callable by the French state are not classified as available for sale because it is not highly probable that the option will be exercised.

If the French state were to exercise its call option at any time up to and including 5 October 2017, Bouygues would receive a cash inflow for the proceeds from the disposal of 43,825,360 Alstom shares, and a gain or loss on disposal per share equivalent to the difference between the exercise price (minimum €35) and the carrying amount per share in the consolidated financial statements.

If the French state were to exercise its call option between 6 October 2017 and 17 October 2017, Bouygues would receive a cash inflow for the proceeds from the disposal of 32,869,020 Alstom shares, and a gain

or loss on disposal per share equivalent to the difference between the discounted share price (which was €26.36 on 21 February 2017) and the carrying amount per share in the consolidated financial statements. For information, the carrying amount per share as of 31 December 2016 was €31.21.

18.6 Contingent assets and liabilities

Bouygues Telecom

GUARANTEES RECEIVED

- On the sale of Darty Telecom on 2 May 2012, Établissements Darty et fils provided a vendor's asset and liability guarantee to Bouygues Telecom.

This guarantee is capped, and may be called in at any time within 18 months from the date of the sale, subject to exceptions arising from statutes of limitation.

GUARANTEES GIVEN

- On the sale of 85% of the share capital of FPS Towers on 21 November 2012, Bouygues Telecom provided a vendor's asset and liability guarantee to the purchaser, Antin Infrastructure Luxembourg X.

This guarantee is capped, and may be called in at any time during an 18-month period from 21 November 2012 (or from the date of sale of the site, in the case of sites sold after 21 November 2012), except in tax matters where it will expire 20 days after the end of the prescription period under the relevant statute of limitation.

Note 19 Employee benefit obligations and employee share ownership

19.1 Average headcount

	2016	2015
Managerial staff	21,442	21,527
Technical, supervisory & clerical staff	19,483	20,909
Site workers	25,490	26,634
SUB-TOTAL - HEADCOUNT FRANCE	66,415	69,070
Expatriate staff and local employment contracts	56,200	56,999
TOTAL AVERAGE HEADCOUNT	122,615	126,069

19.2 Employee benefit obligations

(€ million)	31/12/2015	Movements during 2016	31/12/2016
Lump-sum retirement benefits	477	25	502
Long service awards and other benefits	146	3	149
Other post-employment benefits (pensions)	69	44	113
TOTAL	692	72	764

These obligations are covered by non-current provisions.

19.3 Employee benefit obligations and pension obligations (post-employment benefits) excluding long-service awards

The tables below give details about the Group's post-employment benefit obligations.

19.3.1 Defined-contribution plans

(€ million)	2016	2015
Amount recognised as an expense	(1,727)	(1,724)

This defined-contribution expense consists of contributions to:

- the public health insurance scheme and the supplementary health insurance scheme;
- pension funds (compulsory and supplementary schemes);
- unemployment insurance funds.

19.3.2 Defined-benefit plans

19.3.2.1 AMOUNTS RECOGNISED IN THE BALANCE SHEET

(€ million)	Lump-sum retirement benefits		Pensions		Total	
	31/12/2016	31/12/2015	31/12/2016	31/12/2015	31/12/2016	31/12/2015
Present value of obligation	507	483	508	438	1,015	921
Fair value of plan assets (dedicated funds)	(5)	(6)	(395)	(369)	(400)	(375)
NET OBLIGATION RECOGNISED AS A PROVISION	502	477	113	69	615	546
Ratio of plan assets to present value of obligation			78%	84%		

(€ million)	Lump-sum retirement benefits		Pensions		2015
	2016	2015	2016	2015	
START OF PERIOD	477	483	69	89	
Service cost	24	6	(7)		
Interest cost on the obligation	8	8	6	6	
Net expense/(gain) recognised in profit or loss	32	14	(1)	6	
Reversals of provisions (utilised)	(27)	(22)	(4)	(18)	
Changes in scope of consolidation and effect of exchange rates		(1)	(9)	2	
Actuarial gains and losses recognised in equity	21	3	59	(10)	
Transfers and other movements	(1)		(1)		
END OF PERIOD	502	477	113	69	

19.3.2.2 ANALYSIS BY BUSINESS SEGMENT: YEAR ENDED 31 DECEMBER 2016

(€ million)	Bouygues Construction	Bouygues Immobilier	Colas	TF1	Bouygues Telecom	Bouygues SA & other	Total
Income statement impact of change in provision for lump-sum retirement benefits, net of reversals	(2)	1	2	2	4	(2)	5
Income statement impact of change in provision for pensions, net of reversals			(5)				(5)
Non-current provisions (balance sheet):							
■ lump-sum retirement benefits	165	19	217	42	43	16	502
■ pensions	8		105				113

19.3.2.3 ANALYSIS BY GEOGRAPHICAL AREA: 31 DECEMBER 2016

(€ million)	France ^a	European Union	Rest of Europe	Africa	Americas	Asia-Pacific	Middle East	Total
Income statement impact of change in provision for lump-sum retirement benefits, net of reversals	5							5
Income statement impact of change in provision for pensions, net of reversals		(4)			(1)			(5)
Non-current provisions (balance sheet):								
■ lump-sum retirement benefits	490	1	1	3	3	3	1	502
■ pensions	3	97			13			113

(a) Including French overseas territories.

19.3.2.4 MAIN ACTUARIAL ASSUMPTIONS USED TO MEASURE LUMP-SUM RETIREMENT BENEFIT OBLIGATIONS

	2016	2015
Discount rate ^a	1.71% (iBoxx A10+)	2.09% (iBoxx A10+)
Mortality table	INSEE	INSEE
Retirement age (depending on business segment):		
■ Managerial staff	62/65 years	62/65 years
■ Technical, supervisory & clerical staff, and site workers	62/65 years	62/65 years
Salary inflation rate (depending on business segment) ^b	1% to 2.5%	1.3% to 2.5%

(a) A reduction of 70 basis points in the discount rate would increase the obligation by €47m as of 31 December 2016. Under Group accounting policies, any such actuarial losses would have been recognised directly in equity.

(b) Includes general inflation.

19.4 Employee share ownership

Stock options

Total number of effectively exercisable options: 10,654,672.

Quoted share price at 30 December 2016: €34.04

Plan grant date	Outstanding options at 31/12/2016	Earliest normal exercise date	Earliest company savings scheme exercise date	Exercise price (€)	Number of effectively exercisable options
30/06/2010	3,222,703	30/06/2014	30/06/2011	34.08	3,222,703
14/06/2011	2,251,690	14/06/2015	14/06/2012	31.43	2,251,690
13/06/2012	1,905,305	14/06/2016	14/06/2013	20.11	1,905,305
28/03/2013	2,583,725	29/03/2017	27/03/2014	22.28	1,937,793
27/03/2014	2,674,363	28/03/2018	27/03/2015	30.32	1,337,181
28/05/2015	2,681,200	29/05/2017	29/05/2016	37.11	
30/05/2016	2,690,300	31/05/2018	30/05/2017	29.00	
TOTAL	18,009,286				10,654,672

Stock options are effectively exercisable if they meet both of the following conditions:

- they must be legally exercisable as of 31 December 2016, either by normal exercise (2 or 4 years after the plan grant date) or by partial exercise ahead of the normal exercise date under the terms of the company savings scheme;

- they must be in the money as of 30 December 2016, in other words the exercise price must be less than the closing share price on that date (€34.04).

Note 20 Disclosures on related parties and remuneration of directors and senior executives

20.1 Related party disclosures

Transaction (€ million)	Expenses		Income		Receivables		Payables	
	2016	2015	2016	2015	31/12/2016	31/12/2015	31/12/2016	31/12/2015
Parties with an ownership interest	3	4						
Joint operations	65	84	346	364	441	338	279	292
Joint ventures and associates	36	60	68	69	42	50	26	31
Other related parties	53	47	147	192	86	91	65	79
TOTAL	157	195	561	625	569	479	370	402
Maturity								
■ less than 1 year					534	445	370	400
■ 1 to 5 years					19	20		2
■ more than 5 years					16	14		
of which impairment of doubtful receivables (mainly non-consolidated companies)					72	74		

Identity of related parties:

- parties with an ownership interest: SCDM (a company controlled by Martin and Olivier Bouygues);
- joint operations: primarily construction project companies;
- joint ventures and associates: includes transactions with concession companies, quarry companies and Alstom;
- other related parties: mainly transactions with non-consolidated companies in which the Group has an interest.

20.2 Disclosures about remuneration and benefits paid to directors and senior executives (Bouygues)

These disclosures cover members of the Group Management Committee in post on 31 December 2016.

Direct remuneration: €16,096,126, comprising basic remuneration of €7,020,894, variable remuneration of €9,075,232 paid in 2017 on the basis of 2016 performance, and €367,925 of directors' fees.

Directors' fees paid to non-executive directors amounted to €432,635.

Short-term benefits: none.

Post-employment benefits: Members of the Group Management Committee belong to a supplementary retirement scheme based on 0.92% of their reference salary for each year's membership of the scheme. This supplementary pension is capped at eight times the annual French social security ceiling, and management of the scheme is contracted out to an insurance company. Contributions paid into the fund managed by the insurance company amounted to €6,000,000 in 2016.

Long-term benefits: none.

Termination benefits: The provision for lump-sum retirement benefits payable to members of the Group Management Committee in post as of 31 December 2016 increased by €1,759,045.

Share-based payment: 480,000 stock options were awarded to members of the Group Management Committee on 30 May 2016, at an exercise price of €28.997 each. The earliest exercise date is 1 June 2018, and the expense recognised in the year ended 31 December 2016 was €357,959.

Note 21 Additional cash flow statement information

21.1 Cash flows of acquired and divested subsidiaries

Breakdown by business segment of cash flows resulting from acquisitions and divestments of subsidiaries.

(€ million)	Bouygues Construction	Bouygues Immobilier	Colas	TF1	Bouygues Telecom	Bouygues SA & other	Total 2016
Cash and cash equivalents	(17)	(1)		(72)		(1)	(91)
Inventories	2	23	9				34
Trade and other receivables	(13)	(51)	(15)	(89)			(168)
Non-current assets (other than goodwill)	135		31	(215)		1,016	967
Goodwill			7	(129)			(122)
Trade payables & other current liabilities	52	19	15	80		1	167
Non-current liabilities		(16)		207			191
Non-current provisions	(20)		1	1			(18)
Non-current taxes	1	8		40			49
NET ACQUISITION/DIVESTMENT COST - CONSOLIDATED ACTIVITIES	140	(18)	48	(177)		1,016	1,009
Cash of acquired and divested companies	17	1		72		1	91
Net liabilities related to consolidated activities	(1)	1	(2)				(2)
NET CASH INFLOW/(OUTFLOW) FROM ACQUISITIONS AND DIVESTMENTS OF SUBSIDIARIES	156	(16)	46	(105)		1,017	1,098

The principal acquisitions and divestments in the period were as follows:

- TF1: acquisition of Newen Studios and RDVPS;
- Bouygues SA: primarily, divestment of Alstom shares under the public share buy-back offer.

21.2 Calculation of free cash flow

(€ million)	2016	2015
Cash flow	2,504	2,067
Cost of net debt	(222)	(275)
Income taxes	(249)	(118)
Cash flow after cost of debt and income taxes	2,033	1,674
Purchase price of property, plant & equipment and intangible assets	(1,962)	(2,028)
Proceeds from disposals of property, plant & equipment and intangible assets	324	138
Net capital expenditure	(1,638)	(1,890)
FREE CASH FLOW	395	(216)^a

(a) After eliminating the acquisition of 700 MHz frequencies, adjusted free cash flow for the year ended 31 December 2015 was €251m.

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 fully consolidated companies, as expensed through the income statement in 2016.

(\$ million)	Mazars network				EY network				Other firms ^a				Total	
	Amount (*)		%	%	Amount (*)		%	%	Amount (*)		%	%	2016	2015
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
A – Audit														
Audit of consolidated and individual company financial statements ^b	(6,714)	(6,912)	95%	97%	(4,751)	(4,680)	88%	94%	(5,549)	(5,673)	80%	87%	(17,014)	(17,265)
■ Bouygues SA	(233)	(234)			(234)	(236)							(467)	(470)
■ Fully consolidated subsidiaries	(6,481)	(6,678)			(4,517)	(4,444)			(5,549)	(5,673)			(16,547)	(16,795)
Related engagements	(299)	(91)	4%	1%	(589)	(255)	11%	5%	(1,041)	(415)	15%	6%	(1,929)	(761)
■ Bouygues SA	(20)	(20)			(62)	(65)							(82)	(112)
■ Fully consolidated subsidiaries	(279)	(71)			(527)	(190)			(1,041)	(388)			(1,847)	(649)
SUB-TOTAL	(7,013)	(7,003)	99%	98%	(5,340)	(4,935)	99%	99%	(6,590)	(6,088)	95%	93%	(18,943)	(18,026)
B – Other services														
Company law, tax and employment law	(38)	(108)	1%	2%	(72)	(65)	1%	1%	(243)	(293)	3%	4%	(353)	(466)
Other		(11)							(102)	(161)	2%	3%	(102)	(172)
SUB-TOTAL	(38)	(119)	1%	2%	(72)	(65)	1%	1%	(345)	(454)	5%	7%	(455)	(638)
TOTAL FEE EXPENSE	(7,051)	(7,122)	100%	100%	(5,412)	(5,000)	100%	100%	(6,935)	(6,542)	100%	100%	(19,398)	(18,664)

(*) Excluding VAT.

(a) In the interests of comprehensiveness, this table includes fees paid to other firms.

(b) Includes services provided by independent experts and member firms to the auditors in connection with their audit engagement.

Note 23 List of principal consolidated companies at 31 December 2016

Company	City/Country	% interest		% direct and indirect control ^a		
		2016	2015	2016	2015	
FRANCE						
Companies controlled by Bouygues						
Construction						
Bouygues Construction SA	Saint-Quentin-en-Yvelines	99.97	99.97			
Bouygues Bâtiment Ile-de-France SA	Saint-Quentin-en-Yvelines	99.97	99.97			
Bouygues Bâtiment International SA	Saint-Quentin-en-Yvelines	99.97	99.97			
Bouygues TP SA	Saint-Quentin-en-Yvelines	99.97	99.97			
BYTP Régions France SA	Labège	99.97	99.97			
Axione	Malakoff	99.97	99.97			
Brézillon SA	Margny-lès-Compiègne	99.32	99.32			
Challenger SNC	Saint-Quentin-en-Yvelines	99.97	99.97			
DTP SAS	Saint-Quentin-en-Yvelines	99.97	99.97			
Bouygues Bâtiment Centre Sud-Ouest (formerly DV Construction SA)	Mérignac	99.97	99.97			
Bouygues Energies & Services SAS	Saint-Quentin-en-Yvelines	99.97	99.97			
Bouygues E&S FM France	Saint-Quentin-en-Yvelines	99.97	99.97			
Bouygues Bâtiment Sud-Est (formerly GFC Construction SA)	Colombier Saugnieu	99.97	99.97			
Bouygues Bâtiment Grand Ouest (formerly Quille Construction SA)	Nantes	99.97	99.97			
Kohler Investment	Saint-Quentin-en-Yvelines	99.97	99.97			
Bouygues Bâtiment Nord-Est (formerly Pertuy Construction)	Nancy	99.97	99.97			
Quille SA	Rouen	99.97	99.97			
Linkcity IDF (formerly Sodéarif SA)	Saint-Quentin-en-Yvelines	99.96	99.96			
Bouygues Bâtiment IDF PPP SA	Saint-Quentin-en-Yvelines	99.97	99.97			
Linkcity Sud-Est (formerly Cirmad Grand Sud)	Colombier Saugnieu	99.97	99.97			
Property						
Bouygues Immobilier	Issy-les-Moulineaux	100.00	100.00			
SCCV Lavoisier	Issy-les-Moulineaux	100.00	100.00			
SLC SA	Lyon	100.00	100.00			
Urbis Réalisations SA	Toulouse	100.00	100.00			
Roads						
Colas SA and its regional subsidiaries	Boulogne-Billancourt	96.60	96.60			
Aximum	Chatou	96.59	96.59	100.00	100.00	
Colas Rail and its subsidiaries	Maisons-Laffitte	96.59	96.59	100.00	100.00	
Grands Travaux Océan Indien (GTOI) SA	Le Port (Reunion Island)	96.59	96.59	99.99	99.99	
Smac and its subsidiaries	Boulogne-Billancourt	96.59	96.59	100.00	100.00	
Spac and its subsidiaries	Clichy	96.59	96.59	100.00	100.00	
Media						
Télévision Française 1 SA	Boulogne-Billancourt	43.91	43.98			
Dujardin and its subsidiaries	Cestas	43.91	43.98	100.00	100.00	
E-TF1	Boulogne-Billancourt	43.91	43.98	100.00	100.00	
HD1	Boulogne-Billancourt	43.91	43.98	100.00	100.00	
La Chaîne Info	Boulogne-Billancourt	43.91	43.98	100.00	100.00	

Company	City/Country	% interest		% direct and indirect control ^a	
		2016	2015	2016	2015
Newen Studios and its subsidiaries	Paris	43.91	-	100.00	-
NT1	Boulogne-Billancourt	43.91	43.98	100.00	100.00
Télé Monte Carlo	Monaco	43.91	35.18	100.00	80.00
Téléshopping	Boulogne-Billancourt	43.91	43.98	100.00	100.00
TF1 Droits Audiovisuels	Boulogne-Billancourt	43.91	43.98	100.00	100.00
TF1 Entertainment (formerly Entreprises)	Boulogne-Billancourt	43.91	43.98	100.00	100.00
TF1 Publicité	Boulogne-Billancourt	43.91	43.98	100.00	100.00
TF1 Vidéo	Boulogne-Billancourt	43.91	43.98	100.00	100.00
Telecoms					
Bouygues Telecom SA and its subsidiaries	Paris	90.53	90.53		
Other subsidiaries					
Bouygues Relais SNC	Paris	100.00	100.00		
GIE 32 Hoche	Paris	90.00	90.00		
Société Française de Participation & Gestion (SFPG) SA and its subsidiaries	Paris	99.80	99.76		
Joint operations					
Construction					
Evesa	Paris	47.48 ^b	47.48	47.99	47.99
Oc'via Construction	Saint-Quentin-en-Yvelines	73.15 ^c	73.15	74.00	74.00
Joint ventures and associates					
CONSTRUCTION					
Adelac SAS	Archamps	Disposal	45.85	Disposal	46.09
Consortium Stade de France SA	Saint-Denis	33.32	33.32		
Media					
Groupe AB	La Plaine Saint-Denis	14.71	14.73		33.50
Other joint ventures and associates					
Alstom	Levallois-Perret	28.28	29.15		
INTERNATIONAL					
Companies controlled by Bouygues					
Construction					
Americaribe Inc.	Miami/United States	99.97	99.97		
Bouygues Development Ltd	London/United Kingdom	99.97	99.97		
Bouygues Thai Ltd	Nonthaburi/Thailand	48.99	48.99		
Bouygues UK Ltd	London/United Kingdom	99.97	99.97		
Bymaro	Casablanca/Morocco	99.96	99.96		
Dragages et TP (Hong Kong) Ltd	Hong Kong/China	99.97	99.97		
BYME Engineering (Hong Kong)	Hong Kong/China	89.97	89.97		
DTP Singapore Pte Ltd	Singapore	99.97	99.97		
Bouygues E&S Contracting UK	East Kilbride/Scotland	99.97	99.97		
Bouygues E&S FM UK	London/United Kingdom	99.97	99.97		
Karmar SA	Warsaw/Poland	99.97	99.97		
Bouygues E&S Schweiz AG (formerly Mibag)	Zurich/Switzerland	99.97	99.97		
Leadbitter Bouygues Holding Ltd and its subsidiaries	Abingdon/United Kingdom	Merged	99.97		
Losinger Marazzi AG	Köniz/Switzerland	99.97	99.97		
Losinger Holding AG	Lucerne/Switzerland	99.97	99.97		
Plan Group Inc. and its subsidiaries	Toronto/Canada	84.97	84.97		
Thomas Vale Group and its subsidiaries	Worcestershire/United Kingdom	99.97	99.97		
VCES Holding SRO and its subsidiaries	Prague/Czech Republic	99.97	99.97		
VSL International Ltd	Köniz/Switzerland	99.97	99.97		

Company	City/Country	% interest		% direct and indirect control ^a	
		2016	2015	2016	2015
Property					
Bouygues Immobilier Polska Sarl	Warsaw/Poland	100.00	100.00		
Roads					
Colas Australia	Sydney/Australia	96.60	96.60	100.00	100.00
Colas Belgium and its subsidiaries	Brussels/Belgium	96.59	96.59	100.00	100.00
Colas Canada Inc.	Montreal (Quebec)/Canada	96.60	96.60	100.00	100.00
Colas Cz	Prague/Czech Republic	95.73	95.73	99.10	99.10
Colas Danmark A/S	Glostrup/Denmark	96.60	96.60	100.00	100.00
Colas Hungaria and its subsidiaries	Budapest/Hungary	96.60	96.60	100.00	100.00
Colas Inc. and its subsidiaries	Morristown New Jersey/United States	96.60	96.60	100.00	100.00
Colas Ltd and its subsidiaries	Rowfant, Crawley/ United Kingdom	96.60	96.60	100.00	100.00
Colas du Maroc and its subsidiaries	Casablanca/Morocco	96.60	96.60	100.00	100.00
Colas Suisse Holding SA and its subsidiaries	Lausanne/Switzerland	95.85	95.85	99.22	99.22
ISK	Kosice/Slovakia	96.60	96.60	100.00	100.00
Other subsidiaries					
Challenger Réassurance	Luxembourg	99.99	99.99		
Uniservice	Geneva/Switzerland	99.99	99.99		
Joint operations					
Construction					
Bombela Civils Jv Ltd	Johannesburg/South Africa	44.99	44.99		
Joint ventures and associates					
Construction					
Bina Fincom	Zagreb/Croatia	44.99	44.99		
Hermes Airports Ltd	Nicosia/Cyprus	21.99	21.99		
Roads					
Gamma Materials	Beau Bassin/Mauritius	48.24	48.24	49.94	49.94
Tipco Asphalt	Bangkok/Thailand	30.52	30.72	31.60	31.80

(a) Where percentage control differs from percentage interest.

(b) 32.99% Bouygues Construction, 14.49% Colas.

(c) 49.00% Bouygues Construction, 24.15% Colas Rail.

A complete list of companies included in the consolidation is available from Karine Adam Gruson, Investor Relations Director.

7.2 Auditors' report on the consolidated financial statements (for the year ended 31 December 2016)

To the shareholders,

In accordance with the assignment entrusted to us by your Annual General Meeting, we present below our report for the year ended 31 December 2016 on:

- the audit of the accompanying consolidated financial statements of Bouygues;
- the justification of our assessments;
- the specific verification required by law.

These consolidated financial statements have been approved by the Board of Directors. Our role is to express an opinion on these consolidated financial statements based on our audit.

Opinion on the consolidated financial statements

We conducted our audit in accordance with professional standards applicable in France; those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit involves performing procedures, using sampling techniques or other methods of selection, to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as

well as the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group as at 31 December 2016, and of the results of its operations for the year then ended in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

Justification of our assessments

In accordance with the requirements of Article L. 823-9 of the Commercial Code relating to the justification of our assessments, we bring to your attention the following matters:

- The company performs annual impairment tests on goodwill and indefinite-lived intangible assets, and also assesses whether there is any evidence that non-current assets may be impaired, in accordance with the methods 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 carried on the balance sheet were measured as described in Notes 2.12.2 and 2.11.2 to the consolidated financial statements. In light of available information, our assessment of these provisions was based primarily on an analysis of the processes implemented by management to identify and evaluate risks.

These assessments were made as part of our audit of the consolidated financial statements taken as a whole, and therefore contributed to the opinion we formed which is expressed in the first part of this report.

Specific verification

As required by law, we have also verified, in accordance with professional standards applicable in France, the information presented in the Group's management report.

We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

Paris-La Défense, 22 February 2017

The Statutory Auditors

ERNST & YOUNG Audit

Laurent Vitse

MAZARS

Guillaume Potel

7.3 Parent company financial statements (French GAAP)

7.3.1 Parent company balance sheet

Assets (€ million)	31/12/2016 Gross	31/12/2016 Depreciation, amortisation & impairment		
			31/12/2016 Net	31/12/2015 Net
Intangible assets	6	4	2	3
Property, plant and equipment				
Long-term investments				
■ Holdings in subsidiaries and affiliates	9,045	171	8,874	11,339
■ Loans and advances to subsidiaries and affiliates				
■ Other	1,806	300	1,506	18
NON-CURRENT ASSETS	10,857	475	10,382	11,360
Inventories and work in progress				
Advances and down-payments made on orders				
Trade receivables	29		29	7
Other receivables	203	2	201	175
Short-term investments	1,186		1,186	603
Cash	1,865		1,865	1,574
CURRENT ASSETS	3,283	2	3,281	2,359
Other assets	105		105	61
TOTAL ASSETS	14,245	477	13,768	13,780

Liabilities and shareholders' equity (€ million)	31/12/2016	31/12/2015	
Share capital		355	345
Share premium and reserves		2,513	2,316
Retained earnings		1,787	1,494
Net profit/(loss)		973	845
Restricted provisions		4	7
SHAREHOLDERS' EQUITY	5,632	5,007	
Provisions		33	100
Debt		5,453	5,319
Advances and down-payments received on orders			
Trade payables		25	21
Other payables		178	148
LIABILITIES	5,689	5,588	
OVERDRAFTS AND SHORT-TERM BANK BORROWINGS	2,445	3,182	
Other liabilities		2	3
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	13,768	13,780	

7.3.2 Income statement

(€ million)	Full year	
	2016	2015
SALES	73	73
Other operating revenues	5	2
Purchases and changes in inventory		
Taxes other than income tax	(4)	(4)
Personnel costs	(54)	(54)
Other operating expenses	(56)	(44)
Depreciation, amortisation, impairment and provisions, net	(3)	
OPERATING PROFIT/(LOSS)	(39)	(27)
Financial income and expenses	885	714
PROFIT/(LOSS) BEFORE TAX AND EXCEPTIONAL ITEMS	846	687
Exceptional items	41	56
Income tax and profit-sharing	86	102
NET PROFIT/(LOSS)	973	845

7.3.3 Cash flow statement

(€ million)	Full year	
	2016	2015
A – Operating activities		
Net profit/(loss)	973	845
Amortisation, depreciation and impairment of non-current assets, net	(174)	20
Charges to/(reversals of) provisions, net	(67)	(6)
Deferred expenses, deferred income and accrued income	(54)	(4)
Gains and losses on disposals of non-current assets	167	(44)
Cash flow from operations before changes in working capital	845	811
Current assets	(44)	3
Current liabilities	35	5
Change in working capital	(9)	8
NET CASH GENERATED BY/(USED IN) OPERATING ACTIVITIES	836	819
B – Investing activities		
Acquisitions of intangible assets and property, plant and equipment	(1)	
Acquisitions and long-term investments	(5)	(5)
Increases in non-current assets	(5)	(6)
Disposals of non-current assets	997	46
Investments, net	992	40
Other long-term investments, net	(8)	
Amounts receivable/payable in respect of non-current assets, net	2	6
NET CASH GENERATED BY/(USED IN) INVESTING ACTIVITIES	994	38
C – Financing activities		
Change in shareholders' equity	207	222
Dividends paid	(552)	(538)
Change in debt	126	(1,035)
NET CASH GENERATED BY/(USED IN) FINANCING ACTIVITIES	(219)	(1,351)
CHANGE IN NET CASH POSITION (A + B + C)	1,611	(494)
Net cash position at start of period	(1,005)	(511)
Other non-monetary flows		
Net cash flows	1,611	(494)
CASH POSITION AT END OF PERIOD	606	(1,005)

7.3.4 Notes to the parent company financial statements

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Note 1 Significant events of the year

1.1 Holdings in subsidiaries and affiliates

1.1.1 Alstom

On 28 January 2016, Alstom repurchased 91.5 million of its own shares, including 28,457,641 from Bouygues. The disposal of the shares held by Bouygues generated cash proceeds of €996 million and a gain on disposal of €28 million. Following this transaction, Bouygues held an equity interest of 28.3% in Alstom, of which 20% was loaned to the French state.

On 8 February 2016, the French state announced that the memorandum of understanding with Bouygues (see Note 13 to the parent company financial statements for the year ended 31 December 2016) had come into effect along with a stock lending transaction by Bouygues, valid until 17 October 2017, that will enable the French state to exercise 20% of Alstom's voting rights.

As regards its equity interest in Alstom, Bouygues:

- retains a seat on Alstom's Board of Directors;
- is entitled to the dividends on its entire shareholding in Alstom;
- will recover the voting rights attached to the loaned shares in the event they are not purchased by the French state; and
- will retain at least 8.3% of the voting rights.

Consequently, Bouygues continues to exercise significant influence over Alstom.

1.1.2 Bouygues Relais

On 15 December 2016, Bouygues subscribed €2.2 million to a Bouygues Relais cash share issue by subscribing for 101,252 new shares with a par value of €21.50 each.

1.2 Bond issues

1.2.1 Redemption of May 2006 bond issue

The May 2006 bond issue of €600 million, which bore interest at 4.75%, was redeemed in full on 24 May 2016.

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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 periods of up to five years. Some specific large-scale information systems projects are amortised over a period of up to ten years.

1.2.2 Bond issue of 7 December 2016

A €750-million bond issue was carried out on 7 December 2016. The bonds, issued at a premium of 99.046%, bear interest at 1.375% and are redeemable in full at par on 7 June 2027.

1.3 Bouygues Confiance n°8

On 28 December 2016, Bouygues carried out a €150-million share issue (nominal and share premium).

This leveraged employee share ownership plan, known as Bouygues Confiance n°8, involved the issuance of 7,400,463 new shares (see Note 8).

1.4 Bouygues Partage

Following an adverse ruling by the *Conseil d'État* (Supreme Administrative Court) on 16 November 2016 relating to the Bouygues Partage employee share ownership plan, a receivable of €55 million was expensed; the impact was largely offset by the release of an existing provision of €50 million. Consequently, the net expense arising in 2016 was €5 million.

1.5 Dividend income

During the fourth quarter of 2016, Bouygues received interim dividends of €534 million from its subsidiaries.

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.

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.

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.

2.3.2 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 at the end of the reporting period, 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 covered by a provision.

2.5 Short-term investments

The short-term investment portfolio is measured in accordance with French accounting standards.

The realisable value of unlisted securities (equities, negotiable debt instruments, and money-market mutual funds) was determined by reference to the latest estimate as at 31 December 2016. In the case of quoted securities, the average quoted stock market price over the last month of the financial year is 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: 99.804% (July 2005 issue), 97.203% (February 2006 issue), 98.662% (October 2006 issue), 99.651% (February 2010 issue), 99.66% (February 2012 issue), 99.681% (October 2012 issue) and 99.046% (December 2016 issue).

2.7 Provisions

These mainly comprise:

- provisions for miscellaneous risks (including tax inspections) and provisions for additional risks relating to loss-making subsidiaries, established where the negative net assets of a subsidiary are not wholly covered by provisions for impairment of Bouygues SA's investment in and loans and/or advances to that subsidiary;
- provisions for charges, including employee benefits: bonuses, lump-sum retirement benefits, long-service awards, etc.

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 reversal.

Gains and losses on financial instruments used for hedging purposes are recognised in the income statement symmetrically with gains and losses arising on the hedged item.

2.9 Retirement benefit obligations

Methods and assumptions used in calculating the obligation:

- projected unit credit method based on final salary;
- benefits as defined in agreements or established by custom within the company, taking into account applicable collective agreements for managerial, administrative, clerical, technical and supervisory grade staff;
- obligation measured in accordance with opinions and recommendations issued by the ANC (the French national accounting standard-setter);
- vested rights as of 31 December 2016;
- 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 increase rate and discount rate: rates revised annually to reflect actual trends;
- average employee turnover rate calculated on the basis of the average number of leavers over the last five years;
- mortality by reference to INSEE 2006–2008 life expectancy tables;

- application of the revised IAS 19, further to the ANC recommendation of November 2013: actuarial gains and losses are recognised in profit or loss.

2.10 Consolidation

Bouygues SA is the ultimate parent company in the consolidation.

Note 3 Non-current assets

	Balance at 01/01/2016	Increases	Decreases	Balance at 31/12/2016
Intangible assets				
Software	6			6
Other				
Gross value	6			6
Accumulated amortisation	(3)	(1)		(4)
CARRYING AMOUNT	3	(1)		2
Property, plant and equipment				
Land and buildings				
Other				
Gross value	6			6
Accumulated depreciation	(3)	(1)		(4)
CARRYING AMOUNT	3	(1)		2
Long-term investments				
Holdings in subsidiaries and affiliates	11,991	5	2,951 ^a	9,045
Loans and advances to subsidiaries and affiliates				0
Other	22	1,789 ^a	5	1,806
Gross value	12,013	1,794	2,956	10,851
Impairment	(656)	(13)	(198)	(471)
CARRYING AMOUNT	11,357	1,781	2,758	10,380
TOTAL CARRYING AMOUNT	11,360	1,780	2,758	10,382

(a) Includes loan of Alstom shares to the French state with a gross value of €1,789 million.

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Note 4 Current assets by maturity

	Gross value	< 1 year	> 1 year
Advances and down-payments made on orders			
Trade receivables	29	29	
Other receivables	203	201	2
TOTAL	232	230	2

Note 5 Cash

	31/12/2016	31/12/2015
Term deposits with maturities of less than 3 months	807	507
Other items	1,058	1,067
TOTAL	1,865	1,574

Note 6 Other assets and liabilities

	Balance at 01/01/2016	Increases	Decreases	Balance at 31/12/2016	Amount due in < 1 year
Other assets					
Bond issue costs	6	3	1	8	1
Upfront payments on interest rate swaps: deferred charges	18	49 ^a	3	64	8
Bond redemption premium	11	7	2	16	2
Bond repurchase premium	21		5	16	5
Other	5	1	5	1	1
TOTAL	61	60	16	105	17
Other liabilities					
Upfront payments on interest rate swaps: deferred income	3		1	2	1
Other					
TOTAL	3		1	2	1

(a) Upfront payments on swaps, paid in connection with the 7 December 2016 bond issue.

Note 7 Changes in shareholders' equity

SHAREHOLDERS' EQUITY AT 31 DECEMBER 2015 (BEFORE APPROPRIATION OF PROFITS)	5,007
Dividends paid	(552)
SHAREHOLDERS' EQUITY AFTER APPROPRIATION OF PROFITS	
Changes in share capital	10 ^a
Changes in share premium and reserves	197 ^a
Retained earnings	
Net profit/(loss) for the period	973
Investment grants	
Restricted provisions	(3)
Other movements	
SHAREHOLDERS' EQUITY AT 31 DECEMBER 2016 (BEFORE APPROPRIATION OF PROFITS)	5,632

(a) See Note 8.

Note 8 Composition of share capital

	Number of voting rights	Number of shares
Start of period	489,224,737	345,135,316
Movements during the period	(794,709)	9,773,231 ^a
End of period	488,430,028	354,908,547
PAR VALUE		€1

Maximum number of potentially dilutive shares: 7,431,969

(a) Movements during the period:

Exercise of stock options: 2,372,768 shares issued for €57 million:

- €2.4 million in share capital
- €54.7 million in share premium

Bouygues Confiance n°8 employee share ownership plan: 7,400,463 shares issued for €150 million:

- €7.4 million in share capital
- €142.6 million in share premium

Out of the total amount of this plan, €38 million was not due to be collected until January 2017.

Note 9 Provisions

	Balance at 01/01/2016	Charge for the year	Reversals during the year		Balance at 31/12/2016
			Used	Unused	
Provisions for subsidiaries	2			2	2
Provisions for income taxes (tax risks)	64	2	60 ^a	3	3
Other provisions	11		4		7
Provisions for risks	77	2	64	5	10
Provisions for charges	23	7	7		23
TOTAL	100	9	71	5	33
			76		
Operating items		7		7	
Financial items				6	
Exceptional items (including taxes)		2		63	
		9		76	

(a) Includes Bouygues Partage: €50 million.

Note 10 Liabilities by maturity at the end of the reporting period

Liabilities	Gross value	< 1 year	1 to 5 years	> 5 years
Debt				
Bond issues (including accrued interest)				
July 2005 bond issue ^a	764	14	750	
February 2006 bond issue ^b	255	5	250	
October 2006 bond issue ^c	602	7		595
February 2010 bond issue ^d	518	18	500	
October 2010 bond issue ^e	1,007	7	1,000	
February 2012 bond issue ^f	832	32		800
October 2012 bond issue ^g	724	24		700
December 2016 bond issue ^h	751	1		750
Bank borrowings				
Total debt	5,453	108	2,500	2,845
Trade payables	25	25		
Other payables	178	178		
Overdrafts and short-term bank borrowings	2,445	2,445		
Deferred income	2	1	1	
TOTAL	8,103	2,757	2,501	2,845

Original amounts, excluding accrued interest:

(a) July 2005 bond issue:

- Amount: €750 million – Rate: 4.25%
- Redemption terms: redeemable in full at par on 22 July 2020.

(b) Supplementary issue to July 2005 bond issue:

- Amount: €250 million – Rate: 4.25%
- Redemption terms: redeemable in full at par on 22 July 2020.

(c) October 2006 bond issue:

- Amount: £400 million (€595.33 million) – Rate: 5.5%
- Redemption terms: redeemable in full at par on 6 October 2026.

(d) February 2010 bond issue:

- Amount: €500 million – Rate: 4%
- Redemption terms: redeemable in full at par on 12 February 2018.

(e) October 2010 bond issue:

- Amount: €1 billion – Rate: 3.641%
- Redemption terms: redeemable in full at par on 29 October 2019.

(f) February 2012 bond issue:

- Amount: €800 million – Rate: 4.50%
- Redemption terms: redeemable in full at par on 9 February 2022.

(g) October 2012 bond issue:

- Amount: €700 million – Rate: 3.625%
- Redemption terms: redeemable in full at par on 16 January 2023.

(h) December 2016 bond issue:

- Amount: €750 million – Rate: 1.375%
- Redemption terms: redeemable in full at par on 7 June 2027.

Note 11 Details of amounts involving related companies

	Gross amount		Gross amount
Assets	Liabilities		
Long-term investments	10,834	Debt	
Operating receivables	29	Trade payables	2
Other receivables	18	Other payables	166
Cash and current accounts		Bank overdrafts and current accounts	2,445
TOTAL	10,881	TOTAL	2,613
Expenses	Income		
Operating expenses	12	Operating income	74
Financial expenses	13	Financial income	1,109
Income tax expense		Income tax credits	38
TOTAL	25	TOTAL	1,221

Note 12 Financial instruments

12.1 Interest rate and currency hedges by maturity

	< 1 year	1 to 5 years	> 5 years	Total
Forward purchases				
Forward sales				
Currency swaps				
Interest rate swaps	90	40		130
Interest rate options (caps, floors)				

12.2 Interest rate and currency hedges by original currency

	EUR	CHF	GBP	USD	Other currencies	Total
Forward purchases						
Forward sales						
Currency swaps						
Interest rate swaps	130					130
Interest rate options (caps, floors)						

12.3 Options

Calls: immaterial.

Note 13 Off balance sheet commitments given and received

	Amount of guarantee	of which related companies
Commitments given (contingent liabilities)		
Commitment to Works Council	1	
Other commitments given ^{a & b}	235	105
TOTAL	236	105
Commitments received (contingent assets)		
Other commitments received ^b	134	
TOTAL	134	

(a) Joint and several underwriting of credit facilities: €101 million.
 (b) Includes interest rate swaps.

Alstom

As mentioned in Note 1, "Significant events of the year", the French state announced on 8 February 2016 that the memorandum of understanding entered into with Bouygues on 22 June 2014 relating to Alstom had come into effect.

The principal terms that came into effect, as set forth in Notice 214C1292 published by the AMF on 3 July 2014, are as follows:

- On 4 February 2016, Bouygues entered into a simple loan agreement with the French state under which Bouygues loaned to the French state on that date 43,825,360 Alstom shares, enabling the French state to hold 20% of the share capital and voting rights of Alstom as of that date. Under the same agreement, the loan attracts variable remuneration equal to the dividends paid in respect of the loaned shares, after neutralising the tax effects. The loan expires when the call options described below are exercised, or on 17 October 2017 if they are not exercised.
- Bouygues has granted the French state a call option exercisable at any time up to and including 5 October 2017 for a number of shares representing 20% of the share capital of Alstom as of 28 January 2016 (i.e. 43,825,360 shares) at an exercise price equal to 95% of the Volume Weighted Average Price (VWAP) of Alstom shares during the 60 trading days preceding the date of exercise, subject to a minimum price of €35 per share (adjusted to take account of any dividend and any transaction affecting Alstom's share capital).

■ Bouygues has also granted the French state a second call option, exercisable in the event that the call option described above is not exercised. This second option is exercisable between 6 October 2017 and 17 October 2017 and is for a number of shares representing 15% of the share capital of Alstom as of 28 January 2016 (i.e. 32,869,020 shares) at an exercise price equal to 98% of the Volume Weighted Average Price (VWAP) of Alstom shares during the 60 trading days preceding 5 October 2017.

- Bouygues is free to sell some or all of the callable shares to a third party at any time, provided that (i) it has previously sold all of the other Alstom shares in its possession and (ii) the French state is offered first refusal on the callable shares (and on those shares alone).
- Under the corporate governance terms of the memorandum of understanding of 22 June 2014, Bouygues (represented by Philippe Marien) and Olivier Bouygues sit on the Alstom Board of Directors.

If the French state were to exercise its call option at any time up to and including 5 October 2017, Bouygues would receive a cash inflow for the proceeds from the disposal of 43,825,360 Alstom shares, and a gain or loss on disposal per share equivalent to the difference between the exercise price (minimum €35) and the carrying amount per share in the parent company financial statements. If the French state were to exercise its call option between 6 October 2017 and 17 October 2017, Bouygues would receive a cash inflow for the proceeds from the disposal of 32,869,020 Alstom shares, and a gain or loss on disposal per share equivalent to the difference between the discounted share price (which was €26.36 on 21 February 2017) and the carrying amount per share in the parent company financial statements.

For information, the carrying amount per share in the parent company financial statements as of 31 December 2016 was €34.

Note 14 Sales

Sales recorded by Bouygues SA mainly comprise costs of shared support functions recharged to subsidiaries.

Note 15 Financial income and expenses

	2016	2015
Dividend income and shares of partnership profits	1,109 ^a	981
Interest income	3	11
Interest expense	(259)	(260)
Other financial income/(expenses), net: proceeds from disposals, impairment losses and provisions	32	(18)
TOTAL	885	714

(a) Includes: - exceptional dividends: €48 million from TF1.
 - interim dividends: €250 million from Bouygues Construction;
 €172 million from Colas;
 €90 million from Bouygues Immobilier;
 €22 million from other entities.

Note 16 Group tax election and income tax gain/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 95 subsidiaries in 2016.

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 an income tax gain, comprising:

	Short-term	Long-term	Total
Net income tax gain/(expense) ^a	63	(6)	57
Income tax received from profitable subsidiaries in the tax group	49	6	55
TOTAL	112		112

(a) Excludes additional 3% contribution on sums distributed as dividend: -€16 million.

Note 17 Contingent tax position

	01/01/2016		Movements in the year		31/12/2016	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
Non-deductible expenses						
Provisions for income taxes	64		1	63	2	
Other non-deductible expenses	29		1	7	23	
TOTAL	93		2	70	25	
Expenses deductible for tax purposes and income liable to tax but not recognised for accounting purposes						
Unrealised foreign exchange losses		4		4		
Unrealised foreign exchange gains						
Unrealised foreign exchange gains/losses, net		4		4		
Deferred income	4				2	2
Deferred charges						
Capitalisation bonds						
Liquidity account						
Bond repurchase premium		22		6		16
Other income and expenses	4	22	6	2	2	16
TOTAL	4	26	10	2	2	16

Note 18 Average number of employees during the year

	2016	2015
Managerial staff	149	149
Administrative, clerical, technical and supervisory staff	20	21
TOTAL	169	170

Note 19 Utilisation of the competitiveness and employment tax credit (CICE)

Bouygues recognised a competitiveness and employment tax credit (*Crédit d'Impôt pour la Compétitivité et l'Emploi – CICE*) of €0.10 million in respect of the year ended 31 December 2016, of which €0.09 million was offset against personnel costs and €0.01 million against income taxes (as a result of tax credits derived from partnerships not liable to corporate income tax).

The CICE enabled the following amounts to be spent during the year (by Bouygues SA, and by entities consolidated by Bouygues SA but not liable to corporate income tax):

- acquisitions of property, plant and equipment and intangible assets amounting to €0.33 million;
- diploma courses and safety training amounting to €0.92 million;
- recruitment (gross annualised salaries of new employees including employer's social security charges, and costs incurred on relationships with schools) amounting to €1.1 million.

Note 20 Advances, loans and remuneration paid to 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 (Chairman and Chief Executive Officer, and Deputy Chief Executive Officers) was as follows: €3.33 million of basic remuneration,

€4.43 million of variable remuneration based on 2016 performance, and €0.26 million of directors' fees;

- directors' fees paid to members of the Board of Directors: €0.46 million.

Note 21 List of investments

	Number of shares	%	Estimated realisable value
Alstom	62,086,226	28.275	2,111 ^a
Bouygues Construction	1,705,180	99.938	743 ^c
Bouygues Immobilier	90,930	100.000	399 ^c
Bouygues Telecom	42,158,644	90.164	5,275 ^a
Colas	31,543,222	96.597	2,588 ^c
TF1	91,946,297	43.906	869 ^b
Other holdings			229
TOTAL HOLDINGS IN SUBSIDIARIES AND AFFILIATES			12,214
Negotiable debt instruments and money-market mutual funds			1,172 ^a
Capitalisation bonds			1 ^b
Other investments			13 ^b
TOTAL SHORT-TERM INVESTMENTS			1,186
TOTAL INVESTMENTS			13,400

The estimated realisable value shown is:

- (a) Carrying amount in the balance sheet (net book value).
- (b) Stock market value.
- (c) Share of consolidated net assets.

Note 22 List of subsidiaries and affiliates

	Share capital ^a	Other shareholders' equity ^{a & b}	%	Gross	Net	Carrying amount ^c	Loans & advances	Guarantees ^c	Sales ^c	Net profit/(loss) ^c	Dividends received ^{c & g}
A - Detailed information											
1. SUBSIDIARIES (INTEREST >50%)											
France											
Bouygues Construction ^d	128	615	99.94	59	59				11,815	319	500
Bouygues Immobilier ^d	139	260	100.00	315	315				2,568	91	167
Bouygues Telecom ^d	713	2,138	90.16	5,275	5,275				4,761	92	
Colas ^d	49	2,630	96.60	1,712	1,712				11,006	355	344
TOTAL				7,361	7,361						1,011
Other countries											
Uniservice	51	14	99.99	32	32				4		2
TOTAL				32	32						2
2. AFFILIATES (INTEREST >10%, ≤ 50%)											
France											
Alstom ^e	1,537	1,791	28.28	2,535	2,111				6,881	2,553	
TF1 ^d	42	1,451	43.91	732	732				2,063	42	74
TOTAL				3,267	2,843						74
Other countries											
TOTAL											
B - Aggregate information											
3. OTHER SUBSIDIARIES											
France				172	127				27	(4)	22
Other countries				1					30		
4. OTHER AFFILIATES											
France				1	1				50		4
Other countries											
OVERALL TOTAL				10,834^f	10,364^f						1,109

(a) In the local functional currency.

(b) Including net profit/loss for the year.

(c) In euros.

(d) Parent company of a business segment: share capital, other shareholders' equity, sales and net profit/loss on a consolidated basis for the segment as of 31 December 2016.

(e) Figures published by Alstom for the year ended 31 March 2016, Alstom's most recent financial year.

(f) Includes the carrying amount of the Alstom shares loaned to the French state.

(g) Includes interim dividends received in 2016; see Note 15 for an analysis.

7.4 Auditors' report on the parent company financial statements (for the year ended 31 December 2016)

To the Shareholders,

In accordance with the assignment entrusted to us by your Annual General Meeting, we present below our report for the year ended 31 December 2016 on:

- the audit of the accompanying financial statements of Bouygues;
- the justification of our assessments;
- the specific verifications and information required by law.

These financial statements have been approved by the Board of Directors. Our role is to express an opinion on these parent company financial statements based on our audit.

Opinion on the financial statements

We conducted our audit in accordance with professional standards applicable in France; those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit involves performing procedures, using sampling techniques or other methods of selection, to obtain audit evidence about the amounts and disclosures in the financial statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as the overall

presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the financial statements give a true and fair view of the assets and liabilities and of the financial position of the company as at 31 December 2016 and of the results of its operations for the year then ended in accordance with French Generally Accepted Accounting Principles (GAAP).

Justification of our assessments

In accordance with the requirements of Article L. 823-9 of the Commercial Code relating to the justification of our assessments, we bring to your attention the following matters:

- Holdings in subsidiaries and affiliates recognised as assets on the company's balance sheet are valued in accordance with the methods described in Note 2.3.1 to the financial statements. We reviewed the data used to estimate the carrying amounts of these investments

and checked the calculations of impairment provisions where appropriate. We have no matters to report regarding the methods used, the reasonableness of the estimates made or the relevance of the information disclosed in the notes to the financial statements.

These assessments were made as part of our audit of the financial statements taken as a whole, and therefore contributed to the opinion we formed which is expressed in the first part of this report.

Specific verifications and information

We have also performed, in accordance with professional standards applicable in France, the specific verifications required by French law.

We have no matters to report as to the fair presentation and the consistency with the financial statements of the information given in the management report of the Board of Directors and in the documents addressed to the shareholders with respect to the financial position and the financial statements.

Concerning the information given in accordance with the requirements of Article L. 225-102-1 of the Commercial Code relating to remunerations and benefits received by the corporate officers and any other

commitments made in their favour, we have verified its consistency with the financial statements, or with the underlying information used to prepare these financial statements and, where applicable, with the information obtained by your company from companies controlling your company or controlled by it. Based on this work, we attest the accuracy and fair presentation of this information.

In accordance with French law, we have verified that the required information concerning the identity of the shareholders and holders of the voting rights has been properly disclosed in the management report.

Paris-La Défense, 22 February 2017

The Statutory Auditors

ERNST & YOUNG Audit

Laurent Vitse

MAZARS

Guillaume Potel

8

COMBINED ANNUAL GENERAL MEETING OF 27 APRIL 2017

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8.1 Agenda

8.1.1 Ordinary General Meeting

1. Approval of the parent company financial statements and transactions for the year ended 31 December 2016;
2. Approval of the consolidated financial statements and transactions for the year ended 31 December 2016;
3. Appropriation of 2016 earnings, setting of dividend;
4. Approval of regulated agreements and commitments specified in Articles L. 225-38 et seq. of the Commercial Code;
5. Approval of the commitment relative to the defined-benefit pension scheme to which Olivier Bouygues, Deputy Chief Executive Officer, is entitled;
6. Approval of the commitment relative to the defined-benefit pension scheme to which Philippe Marien, Deputy Chief Executive Officer, is entitled;
7. Approval of the commitment relative to the defined-benefit pension scheme to which Olivier Roussat, Deputy Chief Executive Officer, is entitled;
8. Favourable opinion on the remuneration components due or awarded to Martin Bouygues, Chairman and Chief Executive Officer, in respect of the year ended 31 December 2016;
9. Favourable opinion on the remuneration components due or awarded to Olivier Bouygues, Deputy Chief Executive Officer, in respect of the year ended 31 December 2016;
10. Favourable opinion on the remuneration components due or awarded to Philippe Marien, Deputy Chief Executive Officer, in respect of the year ended 31 December 2016;
11. Favourable opinion on the remuneration components due or awarded to Olivier Roussat, Deputy Chief Executive Officer, in respect of the year ended 31 December 2016;
12. Remuneration policy applicable to the Chairman and Chief Executive Officer and Deputy Chief Executive Officers: approval of the principles and criteria for determining, allocating and awarding the fixed, variable and exceptional components of the total remuneration and benefits of all kinds awarded to those Executive Officers;
13. Setting of the annual amount of directors' fees;
14. Renewal of the term of office of Helman le Pas de Sécheval as a director;
15. Appointment of Alexandre de Rothschild as a director;
16. Authorisation to the Board of Directors with a view to permitting the company to trade in its own shares.

8.1.2 Extraordinary General Meeting

17. Authorisation to the Board of Directors to reduce share capital by cancelling treasury shares held by the company;
18. Delegation of powers to the Board of Directors to increase share capital by way of public offering, with pre-emptive rights for existing shareholders, by issuing shares and all securities giving immediate and/or future access to shares in the company or one of its subsidiaries;
19. Delegation of powers to the Board of Directors to increase share capital by incorporating share premiums, reserves or earnings, or other amounts into capital;
20. Delegation of powers to the Board of Directors to increase share capital, by way of public offering, without pre-emptive rights for existing shareholders, by issuing shares and all securities giving immediate and/or future access to shares in the company or one of its subsidiaries;
21. Delegation of powers to the Board of Directors to increase share capital by way of private placement, without pre-emptive rights for existing shareholders, by issuing shares and all securities giving immediate and/or future access to shares in the company or one of its subsidiaries;
22. Authorisation to the Board of Directors to set the price, in accordance with the terms decided by the Annual General Meeting, for immediate or future issues of equity securities, by way of public offering or private placement, without pre-emptive rights for existing shareholders;
23. 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 for existing shareholders;
24. Delegation of powers to the Board of Directors to increase share capital, without pre-emptive rights for existing shareholders, as consideration for contributions in kind to the company consisting of equity securities or securities giving access to the capital of another company outside of a public exchange offer;
25. Delegation of powers to the Board of Directors to increase share capital, without pre-emptive rights for existing shareholders, as consideration for securities tendered to a public exchange offer initiated by the company;
26. Delegation of powers to the Board of Directors to issue shares, without pre-emptive rights for existing shareholders, following the issue, by a Bouygues subsidiary, of securities giving access to shares in the company;

- 27. Delegation of powers to the Board of Directors to increase share capital, without pre-emptive rights for existing shareholders, for the benefit of employees or corporate officers of the company or related companies who are members of a company savings scheme;
- 28. Authorisation to the Board of Directors to grant options to acquire new or existing shares to employees or corporate officers of the company or related companies;
- 29. Delegation of powers to the Board of Directors to issue equity warrants during the period of a public tender offer for the company;
- 30. Powers to carry out formalities.

8.2 Board of Directors' report on the resolutions submitted to the Combined Annual General Meeting

8.2.1 Ordinary General Meeting

Resolutions 1, 2 and 3 – Approval of the parent company and consolidated financial statements, appropriation of 2016 earnings and setting of the dividend (€1.60 per share)

Object and purpose

To approve:

- the individual (parent company) financial statements for the year ended 31 December 2016, showing net profit of €972,535,842.66;
- the consolidated financial statements for the year ended 31 December 2016, showing net profit attributable to the Group of €732 million.

The full financial statements are included in this 2016 Registration Document; they are also available on www.bouygues.com.

The Convening Notice to the Annual General Meeting contains the condensed consolidated financial statements.

We propose to distribute a dividend of a total amount of €567,853,675.20 and to appropriate the balance of €2,191,882,164.27 to retained earnings. The dividend, which is the same as the dividend paid in respect of 2015, amounts to a payout of €1.60 for each of the 354,908,547 existing shares. This dividend is eligible for 40% tax relief in accordance with paragraph 2 of Article 158-3 of the General Tax Code.

The dividend payment date is 5 May 2017. The ex-date and record date have been set at 3 May 2017 and in the evening of 4 May 2017 respectively.

In accordance with Article 243 bis of the General Tax Code, listed below are the dividend amounts paid out in respect of the last three financial years.

	2013	2014	2015
Number of shares	319,264,996	336,086,458	345,135,316
Dividend per share	€1.60	€1.60	€1.60
Total dividend ^{a & b}	€510,823,993.60	€537,731,932.80	€552,128,505.60

(a) The amounts shown represent dividends actually paid, taking account of the fact that shares held by the company itself do not qualify for dividends.

(b) Amounts eligible for 40% tax relief in accordance with paragraph 2 of Article 158-3 of the General Tax Code.

Resolution 4 – Approval of regulated agreements

Object and purpose

To approve the regulated agreements entered into directly or indirectly, in 2016, between Bouygues and:

- one of its corporate officers (Executive Officers, directors);
- a company in which a corporate officer of Bouygues also holds a directorship;
- a shareholder holding more than 10% of voting rights of Bouygues.

This approval is part of what is known as the regulated, or related-party, agreements procedure, which aims to prevent potential conflicts of interest.

The commitments relative to the defined-benefit pension scheme to which Executive Officers are entitled (Chairman and Chief Executive Officer and Deputy Chief Executive Officers) must also be approved.

In accordance with law, these agreements and commitments were granted prior approval by the Board of Directors; the directors concerned abstained from voting. The detailed list of these agreements and commitments, the benefit for Bouygues, their financial conditions and the amounts invoiced in 2016, are provided in the auditors' special report on regulated agreements and commitments (chapter 8,

section 8.3 of this Registration Document). The agreements and commitments mentioned in the auditors' special report that were approved by general meetings in previous years do not have to be voted on again by this Annual General Meeting. The agreements and commitments we ask you to approve, having acquainted yourselves with this report and the auditors' report, concern the following subjects:

■ **Shared service agreements.** Bouygues provides a range of general and expert services to its subsidiaries in areas such as finance, communications, sustainable development, patronage, new technologies, insurance, legal affairs, human resources and innovation consultancy. As part of the agreement, Bouygues and its main subsidiaries sign annual agreements relating to these services, so that each business segment can request relevant services and expertise if need be. The principle behind these agreements is based on the rules for sharing and invoicing the expense of shared services, including special services, and the defrayment of a remaining share, within the limit of a percentage of sales of the subsidiary concerned.

In February 2016, the Board of Directors authorised the conclusion of new shared service agreements with its main subsidiaries. The amendments authorised by the Board of Directors were aimed at adapting the agreements to the changes in the relations between Bouygues and its main subsidiaries and at better integrating the latest recommendations of the OECD and the European Union on transfer pricing. The amendments mainly concerned:

- a more complete and exhaustive listing of shared services;
- updating certain definitions;
- a more precise definition of the principles for invoicing shared services;
- updating allocation formulae;
- introducing a margin on the residual amount of shared service fees invoiced to the subsidiaries.

These new agreements, signed in March 2016, replaced on a retroactive basis, starting 1 January 2016, the previous shared services agreements authorised for renewal by the Board of Directors at its November 2015 meeting.

In November 2016, the Board of Directors authorised, for a period of one year starting 1 January 2017, the renewal of the new shared service agreements mentioned above.

■ Renewal for a period of one year starting 1 January 2017 of the **reciprocal services agreement between Bouygues and SCDM**. SCDM, a company owned by Martin Bouygues and Olivier Bouygues, contributes to initiatives in favour of the Bouygues group on an ongoing basis (research and analysis into strategic developments and the growth of the Bouygues group, multi-year plans, research and analysis into major investments and divestments). SCDM may also supply Bouygues with services other than those provided as part of its permanent duties. This agreement enables Bouygues to benefit from the services of Martin Bouygues and Olivier Bouygues, who are paid exclusively by SCDM, and of the members of the small group that supports them by conducting the research and analysis mentioned above, as well as various specific services for the benefit of the Group. At its meeting of 22 February 2017, the Board of Directors decided to reduce from €8 million to €6 million the maximum amount that can potentially be invoiced by SCDM to Bouygues under this agreement.

The amount invoiced by SCDM to Bouygues under this agreement in 2016 was €2.64 million, consisting mainly of the remuneration (salaries and charges) of Martin and Olivier Bouygues, 72% of the total, within the limit of the amount set by the Bouygues Board of Directors. The remainder (28% of the total) is for the services provided by the small group that supports Martin and Olivier Bouygues in their deliberations and activities on behalf of the Group, mainly by conducting research and analysis into strategic developments and the growth of the Bouygues group.

This agreement also enables Bouygues to be remunerated by SCDM in respect of the various specific services that it carries out on its behalf, principally management, HR, IT, legal and financial services. The amount invoiced by Bouygues to SCDM under this agreement in 2016 was €0.36 million.

- Renewal for a period of one year starting 1 January 2017 of the **commitment relative to the defined-benefit pension scheme** for members of the Group Management Committee, as well as the cross-charging agreements whereby Bouygues invoices its subsidiaries Bouygues Construction, Colas, TF1 and Bouygues Telecom, for the contributions to this additional retirement provision, from which their senior executives benefit. The additional retirement provision is equivalent to 0.92% of the reference salary per year of service in the Group, and may not exceed eight times the annual ceiling under the social security regime, i.e. €313,824 in 2017. Individual potential entitlements may not exceed the ceiling of 45% of the reference income for Executive Officers as recommended by the Afep-Medef Code. The scheme has been outsourced to an insurance company.
- Renewal for a period of one year starting 1 January 2017 of the **open innovation services agreements** concluded with Bouygues Construction, Colas, TF1 and Bouygues Telecom. The consultancy services provided to the business segments under this agreement are an integral part of the shared services offered by Bouygues to the Group's business segments. As such, they are invoiced directly through the shared service agreements mentioned above in respect of the share of the residual amount of shared service fees. In consideration for the management services, each subsidiary pays Bouygues, on a pro rata temporis basis, a monthly flat fee of €750 excl. VAT per shareholding in a managed innovative company.
- Services agreements between Bouygues and Bouygues Construction and Colas relating to the participation of those companies in the **Pollutec trade fair** at the end of 2016.
- Renewal for a tacitly renewable five-year period of the **group tax election agreements** entered into inter alia with Bouygues Construction, Colas and Aximum. These agreements enable Bouygues to assume sole liability for the corporate income tax (and additional corporate income tax contributions) payable by the tax group constituting Bouygues itself and the companies included in the group tax election.
- Amendment to the agreement on **internal audit services** provided by Bouygues for the benefit of Bouygues Telecom; the amount of services entrusted to Bouygues is set at €330,000 excl. VAT for 2017.

In accordance with law, the persons concerned will not vote on this resolution.

Resolutions 5, 6 and 7 – Approval of the commitments relative to the defined-benefit pension scheme to which Olivier Bouygues, Philippe Marien and Olivier Roussat, Deputy Chief Executive Officers, are entitled

Object and purpose

The members of Group Management Committee, which includes Martin Bouygues, Olivier Bouygues, Philippe Marien and Olivier Roussat, benefit from a supplementary pension scheme whereby they receive an additional retirement provision set at 0.92% of the reference salary (average of the best three years) per year in the scheme. Benefits are capped at eight times the social security ceiling, i.e. approximately €313,824 in 2017.

Under the law of 6 August 2015 on growth, activity and equality of economic opportunity (the "Macron Law"), the Annual General Meeting must approve, through specific resolutions, the defined-benefit pension scheme entitlement of Olivier Bouygues, whose term of office as Deputy Chief Executive Officer was renewed on 15 November 2016, and that of Philippe Marien and Olivier Roussat, with effect from 30 August 2016, the date of their appointment as Deputy Chief Executive Officers. There is no need to submit a specific resolution to the Annual General Meeting of 27 April 2017 regarding the defined-benefit entitlement of Martin Bouygues, since his term as Chairman and Chief Executive Officer has not been renewed since the entry into force of the Macron law.

The characteristics of this defined-benefit pension scheme are outlined above (see resolution 4).

In accordance with law, performance conditions apply to the defined-benefit pensions awarded since 7 August 2015 to Executive Officers (Chairman and Chief Executive Officer, Deputy Chief Executive Officers) and to those awarded to the aforementioned individuals who were appointed or reappointed after that date, with effect from the date of their appointment or reappointment. Therefore, Martin Bouygues is not concerned.

As regards Olivier Bouygues, the Board of Directors noted that he could no longer acquire supplementary pension rights because the rights acquired as at 7 August 2015 reach the ceiling set by the Board of Directors, i.e. eight times the annual social security ceiling. This therefore obviates the need to stipulate performance conditions for him. As regards Olivier Roussat and Philippe Marien, the defined-benefit pension scheme to which they are entitled in respect of the 2017 financial year is subject to the attainment of performance conditions as detailed in the report on remuneration principles and criteria in chapter 5, section 5.4.2 of this Registration Document.

In accordance with law, the persons mentioned above will not vote on this resolution.

Resolutions 8 to 11 – Favourable opinion on the individual remuneration components due or awarded to the Chairman and Chief Executive Officer and the Deputy Chief Executive Officers in respect of the 2016 financial year

Object and purpose

Pursuant to paragraph 26 of the Afep-Medef Code, the corporate governance code to which Bouygues refers pursuant to Article L. 225-37 of the Commercial Code, shareholders are asked to give a favourable opinion on the remuneration components due or awarded in respect of the 2016 financial year to each of the four Executive Officers (i.e. the Chairman and Chief Executive Officer and the three Deputy Chief Executive Officers).

In accordance with Article L. 225-102-1 of the Commercial Code, these components are presented in the Board of Directors' report. They are included in the report on remuneration in chapter 5, section 5.4.1 of this Registration Document.

Resolution 12 – Remuneration policy applicable to the Chairman and Chief Executive Officer and Deputy Chief Executive Officers

Object and purpose

Pursuant to Article L. 225-37-2 of the Commercial Code, the Board of Directors is asking the Annual General Meeting to approve the principles and criteria applicable for determining, allocating and awarding the fixed, variable and exceptional components of the total remuneration and benefits of all kinds awarded to the Chairman and Chief Executive Officer and Deputy Chief Executive Officers for the 2017 financial year and constituting the remuneration policy concerning them.

These principles and criteria approved by the Board of Directors, acting on a recommendation of the Selection and Remuneration Committee are presented in the report required by Article L. 225-37-2 as mentioned above and included in chapter 5, section 5.4.2 of this Registration Document. Pursuant to Article L. 225-100 of the Commercial Code, the amounts arising from the implementation of these principles and criteria will be submitted for approval to the Annual General Meeting called to approve the 2017 financial statements.

Resolution 13 – Directors' fees

Object and purpose

To set the annual maximum amount of directors' fees to be awarded to members of the Board of Directors.

The amount of directors' fees must be commensurate with the duties and responsibilities involved, which have increased considerably over the years. It must also serve to attract and retain highly-qualified directors. The annual amount set by the Annual General Meeting of 24 April 2003 (€700,000) now appears insufficient, in particular when considering the directors' fees now awarded by the majority of other CAC 40 companies. The Selection and Remuneration Committee proposed to increase the amount so as to bring it into line with the practices of similar companies and better remunerate the directors and members of the committees for their work load and the responsibilities involved.

The split of directors' fees, the annual amount of which is set by the Annual General Meeting, is left to the discretion of the Board of Directors. According to the methods defined by the Board of Directors, the split takes account of the effective contribution of directors to the Board and the committees, and therefore comprises a substantial variable portion.

Annual maximum amount of directors' fees

It is proposed to set the annual maximum amount of directors' fees at €1,000,000.

Resolution 14 – Renewal of the term of office of a director

Object and purpose

To renew the term of office of Helman le Pas de Sécheval due to expire at the end of the Ordinary General Meeting of 27 April 2017.

At the proposal of the Selection and Remuneration Committee, the Board of Directors asks you to renew the term of office of Helman le Pas de Sécheval.

Helman le Pas de Sécheval has been a director of Bouygues since April 2008, Chairman of the Accounts Committee since June 2008 and is a member of the Selection and Remuneration Committee. He brings to the Board of Directors extensive financial and accounting skills. The Board of Directors considers that he meets all the criteria allowing him to be qualified as an independent director.

Aged 51, Helman le Pas de Sécheval is a graduate of École Normale Supérieure with a PhD in Physical Sciences and an engineering degree from École des Mines. He began his career in 1991 as a project manager in the financial engineering department of Banexi. From 1993 to 1997, he was deputy inspector-general of the underground quarries of Paris. In July 1997, he was appointed deputy to the head of the Department of Financial Operations and Information of the COB (now the AMF), becoming head of this department in 1998. From November 2001 to December 2009, Helman le Pas de Sécheval was group Chief Financial Officer of Groupama. From January 2010 to December 2011, he was Managing Director of Groupama Centre-Atlantique. In September 2012, he was appointed General Counsel of the Veolia group, and member of the Board of the AMF in February 2015.

Term of office

In accordance with the articles of association, the term of office will be for a period of three years, expiring after the Ordinary General Meeting called in 2020 to approve the financial statements for the year ended 31 December 2019.

Resolution 15 – Appointment of a new director

Object and purpose

To appoint Alexandre de Rothschild as a director to replace Hervé Le Bouc, whose term of office expires after the Ordinary General Meeting of 27 April 2017.

At the proposal of the Selection and Remuneration Committee, the Board of Directors asks you to appoint Alexandre de Rothschild as a director.

Aged 37, Alexandre de Rothschild is a graduate of École Supérieure du Commerce Extérieur (ESCE). He is Deputy CEO of Rothschild & Co, managing partner of Rothschild & Cie Banque, and member of the Rothschild & Co Group Management Committee. He began his career in 2004 as a financial analyst at the Financial Affairs division of Bear, Stearns & Co. Inc. in New York. From 2005 to 2008, he was a manager for the Private Equity department of Argan Capital in London, then Deputy Head of Strategy at the Jardine Matheson conglomerate based in Hong Kong.

He will bring to the Board of Directors his international experience in the fields of financial analysis, mergers and acquisitions, and industrial strategy.

Term of office

In accordance with the articles of association, the term of office will be for a period of three years, expiring after the Ordinary General Meeting called in 2020 to approve the financial statements for the year ended 31 December 2019.

Composition of the Board of Directors after the Annual General Meeting

Note that the term of office of François Bertière, a director of Bouygues since 2006, is due to expire after the Ordinary General Meeting called to approve the 2017 financial statements. However, in order to increase as from now the proportion of independent directors on the Board of Directors, François Bertière has accepted to relinquish his directorship to the Board after the Ordinary General Meeting of 27 April 2017.

Consequently, if you adopt resolutions fourteen and fifteen, after the Annual General Meeting, the Board of Directors will have fifteen members, namely:

- Four directors from the SCDM group:
 - Martin Bouygues (Chairman and CEO)
 - Olivier Bouygues (Deputy CEO)
 - SCDM, represented by Edward Bouygues
 - SCDM Participations, represented by Cyril Bouygues
- Two directors representing employees:
 - Francis Castagné
 - Raphaëlle Deflesselle
- Two directors representing employee shareholders:
 - Sandra Nombret
 - Michèle Vilain
- Five independent directors:
 - Clara Gaymard
 - Anne-Marie Idrac
 - Helman le Pas de Sécheval
 - Colette Lewiner
 - Rose-Marie Van Lerberghe
- Two external, non-independent directors:
 - Patrick Kron
 - Alexandre de Rothschild

The proportion of independent directors (calculated excluding directors representing employees and employee shareholders) will therefore be five out of eleven, representing 45.4%.

The proportion of women with seats on the Board (calculated excluding directors representing employees) will be six out of thirteen, representing 46.1%.

The average age (calculated at the date of the Annual General Meeting) will be 53.6.

Resolution 16 – Authorisation for the company to buy back its own shares

Object and purpose

To renew the authorisation given to the Board of Directors each year with a view to permitting the company to buy back its own shares as part of a share buyback programme.

The company is asking the Annual General Meeting to authorise it to buy back its own shares up to a maximum of 5% of the share capital. This authorisation would cover the following objectives:

1. reduce share capital by cancelling shares on the terms laid down by law, subject to authorisation by the Extraordinary General Meeting;
2. fulfil the obligations arising from debt securities, in particular securities that grant the right to the allotment of company shares via redemption, conversion, exchange, presentation of a warrant or otherwise;
3. grant or sell shares to employees or corporate officers of the company or related companies on the terms and conditions laid down by law, in particular as part of profit-sharing schemes, stock option plans, company savings schemes or Group savings schemes, or through allotment of free shares;
4. ensure the liquidity of and organise trading in the company's shares, through an investment services provider acting under the terms of a liquidity agreement that complies with a code of conduct recognised by the AMF;

5. retain shares and, where applicable, deliver them subsequently by way of payment or exchange in an acquisition, merger, spin-off or asset-for-share exchange, in accordance with applicable regulations;
6. implement any market practice accepted by the AMF and generally carry out any other transaction in compliance with prevailing regulations.

The Board of Directors decided at its meeting of 22 February 2017 to restrict the objectives of the share buyback programme to points 1 and 4 above. The Board reserved the right to extend the programme to include other objectives, in which case the company would inform the market.

In 2016, the buybacks of Bouygues shares involved the purchase of around 1.466 million shares and the sale of around 1.488 million shares, through a service provider acting within the scope of a liquidity contract that complies with a code of conduct approved by the AMF.

Ceilings

The authorisation is granted within the following limits:

- 5% of the share capital;
- maximum repurchase price: €50 per share;
- maximum budget: €875 million.

In accordance with law, the transactions may be carried out at any time, including during the period of a public offer for the company's shares. It is important that the company should be able, where applicable, and even during a public offer, to buy back its own shares with a view to achieving the objectives of the buyback programme.

Duration of authorisation

Eighteen months.

8.2.2 Extraordinary General Meeting

In the seventeenth to thirtieth resolutions we ask you to renew certain financial authorisations given to the Board of Directors that may have an impact on the amount of the share capital. The purpose of these resolutions is to enable the Board of Directors, under the conditions and within the limits set by the Annual General Meeting, to continue to benefit from the authorisations that allow it to finance the development of the company and to carry out the financial transactions that are appropriate for its strategy, without being obliged to convene specific extraordinary general meetings.

We have summarised below the aims and the content of these authorisations and delegations of authority (see tables in section 8.2.3).

Resolution 17 – Option to reduce share capital by cancelling shares

Object and purpose

To authorise the Board of Directors, if it deems fit, to reduce the share capital, on one or more occasions, up to a limit of 10% of the share capital in any twenty-four month period, by cancelling some or all of the shares that the company holds or may hold as a result of using the various share buyback authorisations given by the Annual General Meeting to the Board of Directors, particularly under the nineteenth resolution submitted to this Annual General Meeting for approval.

Cancelling shares makes it possible, if the Board of Directors deems fit, to offset the dilution for shareholders resulting from the creation of new shares in connection, for example, with employee savings transactions and the exercise of stock options.

Ceiling

Option to cancel up to 10% of the share capital in any 24-month period.

Duration of authorisation

Eighteen months.

Resolution 18 – Option to increase share capital by way of public offering with pre-emptive rights**Object and purpose**

To delegate to the Board of Directors the power to increase the capital by issuing, with pre-emptive rights for existing shareholders, ordinary shares in the company and all securities of any kind whatsoever giving access in any manner, now and/or in the future, to ordinary shares in Bouygues or in any company in which Bouygues owns directly or indirectly more than half the capital.

Shareholders will have pre-emptive rights, in proportion to the number of shares that they hold, to subscribe as of right and, if the Board so decides, on an excess right basis, for ordinary shares and securities issued on the basis of this resolution.

Ceilings

Capital increase: €150,000,000 in nominal value, or approximately 42% of the current share capital.

Debt securities giving access now or in the future to capital: €7,000,000,000.

These two ceilings apply to all capital increases carried out under the twentieth, twenty-first, twenty-fourth, twenty-fifth and twenty-sixth resolutions submitted to this meeting.

Duration of delegation

Twenty-six months.

Resolution 19 – Option to increase share capital by incorporating premiums, reserves or earnings**Object and purpose**

To delegate to the Board of Directors the power to increase share capital by incorporating premiums, reserves, earnings or other amounts which may be incorporated into capital in accordance with applicable law and the articles of association, by allotment of free shares or by increasing the nominal value of the existing shares, or through a combination of the two procedures.

This resolution is decided on the straightforward majority of the votes cast.

Ceiling

Capital increase: €4,000,000,000 in nominal value.

Duration of delegation

Twenty-six months.

Resolution 20 – Option to increase share capital by way of public offering without pre-emptive rights**Object and purpose**

To delegate to the Board of Directors the power to increase share capital by way of public offering by issuing, without pre-emptive rights for existing shareholders, ordinary shares in the company and all securities of any kind whatsoever, giving access in any manner, now and/or in the future, to new shares in Bouygues or in any company in which it directly or indirectly owns more than half the capital.

Ceilings

Capital increase: €85,000,000 in nominal value, or approximately 25% of the current share capital.

Debt securities giving access now or in the future to capital: €4,000,000,000.

The transactions shall count towards the overall ceilings set in the eighteenth resolution.

Duration of delegation

Twenty-six months.

Resolution 21 – Option to increase share capital by way of private placement without pre-emptive rights**Object and purpose**

To permit the Board of Directors to carry out capital increases by way of private placement. The aim is to allow the company to optimise its access to capital markets and to carry out transactions while benefiting from a certain amount of flexibility. Unlike public offerings, capital increases by way of private placement are intended for persons and entities providing asset management investment services to third parties, or for qualified investors or for a small group of investors, provided that these investors are acting on their own account.

The securities that may be issued are the same as those under the twentieth resolution.

Ceilings

Capital increase: €70,000,000 in nominal value, or approximately 20% of the current share capital.

20% of the share capital in any 12-month period.

Debt securities giving access now or in the future to capital: €3,000,000,000.

The transactions shall count towards the overall ceiling set in the eighteenth resolution.

Duration of delegation

Twenty-six months.

Resolution 22 – Option to set the issue price in the event of a capital increase without pre-emptive rights

Object and purpose

To authorise the Board of Directors, for issues carried out by way of public offering or private placement, without pre-emptive rights for existing shareholders, to derogate from the pricing terms provided for under applicable regulations (Article R. 225-119 of the Commercial Code) and to set the price for immediate or future issues of equity securities, in accordance with the following provisions.

Setting the issue price

- a) for equity securities to be issued immediately, the Board may opt for one of two alternatives:
 - either the average price observed over a maximum period of six months prior to the issue date, or
 - the volume-weighted average price on the market on the day preceding the issue (1-day VWAP) with a maximum discount of 20%;
- b) for equity securities to be issued at a later date, 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 or greater than the amount referred to in sub-paragraph (a) above in respect of each ordinary share.

Ceiling

10% of the share capital in any 12-month period.

Duration of authorisation

Twenty-six months.

Resolution 23 – Option to increase the number of securities to be issued in the event of a capital increase

Object and purpose

To authorise the Board of Directors to decide, in the case of a capital increase with or without pre-emptive rights for existing shareholders, 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 ceilings set in the resolution pursuant to which the capital increase is decided. Such an authorisation makes it possible to seize opportunities while benefiting from a certain amount of flexibility.

Ceiling

15% of the initial issue.

Duration of authorisation

Twenty-six months.

Resolution 24 – Option to carry out a capital increase as consideration for contributions in kind consisting of equity securities or securities giving access to the capital of another company outside of a public exchange offering

Object and purpose

To delegate to the Board of Directors the necessary powers to carry out, based on the report of the expert appraisers, one or more capital increases, as consideration for contributions in kind consisting of equity securities or securities giving access to the capital of another company, outside of a public offering. The aim of this resolution is to facilitate Bouygues carrying out acquisitions of or mergers with other companies, without having to pay a price in cash.

Ceiling

Capital increase: 10% of the share capital.

Debt securities giving access now or in the future to capital: €1,500,000.

The transactions shall count towards the overall ceiling set in the eighteenth resolution.

Duration of delegation of powers

Twenty-six months.

Resolution 25 – Option to increase share capital as consideration for securities tendered to a public exchange offer made by Bouygues

Object and purpose

To delegate to the Board of Directors the power to decide, taking into account the opinion of the statutory auditors on the conditions and consequences of the issue, one or more capital increases as consideration for securities tendered to a public exchange offer made by Bouygues with respect to securities of a listed company. The aim of this resolution is to enable Bouygues to make an offer to the shareholders of a listed company to exchange their shares for Bouygues shares issued for this purpose, and thereby to enable Bouygues to acquire securities of the company concerned, without having to resort to bank loans, for example.

Ceilings

Capital increase: €85,000,000 in nominal value, or approximately 25% of the current share capital.

Debt securities giving access now or in the future to capital: €4,000,000,000.

The transactions shall count towards the overall ceiling set in the eighteenth resolution.

Duration of delegation

Twenty-six months.

Resolution 26 – Option to authorise the issue by a Bouygues subsidiary of securities giving access to the capital of Bouygues

Object and purpose

To delegate to the Board of Directors the power to authorise the issue, by any company in which Bouygues directly or indirectly holds more than half the capital, of securities giving access to shares in Bouygues. The aim of this delegation is to facilitate a possible merger between a Bouygues subsidiary and another company, with the shareholders of the company being remunerated with Bouygues shares.

This entails for the benefit of holders of securities that may be issued, the waiver by shareholders of their pre-emptive rights to ordinary shares.

The Extraordinary General Meeting of the subsidiary in question shall thus authorise the issue of securities; at the same time, your Board of Directors will decide, based on this financial authorisation, on the issue of the shares in Bouygues to which these securities give access.

Ceiling

Capital increase: €85,000,000 in nominal value, or approximately 25% of the current share capital.

The transactions shall count towards the overall ceiling set in the eighteenth resolution.

Duration of delegation

Twenty-six months.

Resolution 27 – Option to increase share capital for the benefit of employees

Object and purpose

To delegate to the Board of Directors the power to increase share capital for the benefit of employees or corporate officers of Bouygues or related French or foreign companies who are members of a company and/or Group savings scheme, with the cancellation of shareholders' pre-emptive rights for the benefit of those for whom the capital increase is reserved.

Bouygues is convinced that it is important to enable employees who so wish to become company shareholders. Employee savings schemes and reserved capital increases give employees an opportunity to build up their savings and give them a direct stake and role in the orderly running of the Group, which helps to increase their commitment and motivation. For this reason, the company has implemented a dynamic employee share ownership policy.

Following the capital increases carried out in 2009, 2012, 2015 and 2016, the leveraged funds set up in association with the employee share ownership plans held 7.33% of the share capital and 7.86% of the voting rights at 31 December 2016.

Setting the subscription price

In accordance with the Labour Code, the subscription price for the new shares will equal the average of the quoted prices for the share on the Euronext Paris Eurolist market during the twenty trading days preceding the date of the decision setting the opening date for subscriptions,

with a maximum discount of 20% (30% if the lock-in period provided for under the plan is ten years or more).

Ceiling

Capital increase: 5% of the share capital

Duration of delegation

Twenty-six months.

Resolution 28 – Option to grant options to acquire new or existing shares to employees or corporate officers

Object and purpose

To authorise the Board of Directors to grant to persons it shall designate among the salaried employees and the corporate officers of the company and companies or groupings related to it, stock options giving the beneficiaries the right either to subscribe for or to buy shares in the company. Share subscription or purchase options (or stock options) that companies award to certain employees and/or senior executives (the beneficiaries) are long-term remuneration instruments that align the interest of the beneficiaries with that of the company and its shareholders since their yield depends on the rise in the share price.

Since 1988, the Board of Directors has always chosen the incentive mechanism of stock options to secure the loyalty of senior executives and employees and to give them an interest in the Group's development. The objective is and has always been not to grant additional remuneration but to involve these individuals in the trend of the Bouygues share price. The well-foundedness of the decision to grant stock options has been borne out by the positive correlation observed between the trend in the Bouygues share price and that in the net profit attributable to the Group. Close to 900 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. No discount is applied when options are granted.

The mechanism is as follows: with the Annual General Meeting's authorisation, the Board of Directors offers all or part of employees and/or senior executives of the company the right to subscribe for or purchase shares at a set price, which corresponds to the average value of the share during the twenty trading days preceding the grant date. After a waiting period, beneficiaries have a certain timeframe in which to exercise their options. As such, if the share price rises, they may subscribe for or purchase shares at a lower price than their value. If the listed price does not rise, there is no point in the beneficiaries exercising their options.

The issue price, the number of shares or options granted and the list of the beneficiaries are decided by the Board of Directors, within the limits laid down by the Annual General Meeting. Information on stock option grants and the general policy for granting stock options implemented by the company are contained in the report on stock options and performance shares (see chapter 5, section 5.4.3 of this Registration Document).

In accordance with the provisions of the Afep-Medef Code, the general policy for granting stock options is debated within the Remuneration Committee and, on the basis of a proposal by that Committee,

approved by the Board of Directors. The grant of options to the company's Executive Officers (Chairman and Chief Executive Officer, Deputy Chief Executive Officers) and the exercise of options by those Executive Officers are subject to performance criteria determined by the Board of Directors. Martin Bouygues and Olivier Bouygues have not benefited from stock option plans since 2010.

Share subscription and purchase price

The price paid to subscribe for or purchase shares may not be less than the average share price quoted on the market for the twenty trading days preceding the day when the options are granted. In other words, no discount will be authorised. Furthermore, the purchase price of existing shares may not be less than the average purchase price of shares held by the company.

Exercise period

The exercise period shall be set by the Board of Directors, without exceeding ten years from the date on which the stock options are granted.

Ceilings

2% of the share capital.

Stock options granted to the Executive Officers of Bouygues (Chairman and Chief Executive Officer and the three Deputy Chief Executive Officers) shall not represent more than 0.25% of the share capital.

Duration of authorisation

Twenty-six months.

Resolution 29 – Delegation to issue equity warrants (“Breton” warrants) during the period of a public offer for the company’s shares

Object and purpose

To delegate to the Board of Directors the power to issue, if it deems fit, equity warrants during a public offer for the company's shares, with the waiver of pre-emptive rights to ordinary shares in the company to which any warrants issued may give entitlement.

Equity warrants enabling shareholders to subscribe on preferential terms to the shares of the company shares may, where applicable, be allotted free of charge to all shareholders who hold shares in the company prior to the expiry of an unsolicited public offer period.

This mechanism is designed to encourage a potential bidder to either withdraw its offer or make an improved offer for the company. Because warrants dilute the capital, a bidder will respond either by seeking to withdraw its offer, or by negotiating with the Board of Directors with a view to reaching a consensus on a fair valuation of the company such that the warrants would lapse. Issuing share warrants during the period of a public offer is a measure designed to prevent, or at the very least hinder, an attempted public offer. In particular, the Board of Directors can use warrants as a bargaining counter to encourage a bidder to improve the terms of its offer, in the interests of the company's shareholders.

The powers thus granted to the Board of Directors are not unlimited, however. During the public offer period, the initiator and target company must ensure that their acts, decisions and statements do not compromise the best interest of the company or the fair treatment and access to information of the shareholders of the companies concerned. In addition, if the board of directors of the target company takes a decision whose implementation frustrates the offer, it must inform the AMF (Article 231-7 of the AMF General Regulation).

This resolution must be decided on the straightforward majority of the votes cast.

Ceilings

Capital increase: €85,000,000 in nominal value and 25% of the share capital.

The number of equity warrants shall not exceed one quarter of the existing number of shares.

Duration of delegation

Eighteen months.

Resolution 30 – Powers to carry out formalities

To permit carrying out all legal or administrative formalities and make all filings and publications.

8.2.3 Tables setting out financial authorisations

8.2.3.1 Financial authorisations in force on the date of the Combined Annual General Meeting of 27 April 2017

The table below summarises financial authorisations in force conferred on the Board of Directors by the Combined Annual General Meeting,

in order to buy back shares, increase or reduce the capital, and award stock options or bonus (free) shares.

Only the authorisations to trade in the company's shares, award stock options and increase share capital for the benefit of employees were used during the 2016 financial year.

Purpose	Maximum nominal amount	Expiry/Duration	Use in 2016
SHARE BUYBACKS AND REDUCTION IN SHARE CAPITAL			
1. Purchase by the company of its own shares (AGM of 21 April 2016, Resolution 19)	5% of the share capital Total outlay capped at €900 million	21 October 2017 (18 months)	1,465,715 shares purchased and 1,488,293 shares sold under the liquidity contract
2. Reduce share capital by cancelling shares (AGM of 21 April 2016, Resolution 20)	10% of the share capital in any 24-month period	21 October 2017 (18 months)	None
SECURITIES ISSUES			
3. Increase share capital with pre-emptive rights for existing shareholders (AGM of 23 April 2015, Resolution 14)	■ Capital increase: €150 million ■ Issue of debt securities: €6 billion	23 June 2017 (26 months)	None
4. Increase share capital by incorporating share premiums, reserves or earnings into capital (AGM of 23 April 2015, Resolution 15)	€4 billion	23 June 2017 (26 months)	None
5. Increase share capital by way of public offering without pre-emptive rights for existing shareholders (AGM of 23 April 2015, Resolution 16)	■ Capital increase: €84 million ^a ■ Issue of debt securities: €4 billion ^a	23 June 2017 (26 months)	None
6. Increase share capital by way of private placement (AGM of 23 April 2015, Resolution 17)	■ Capital increase: 20% of the share capital over 12 months and €84 million ^a ■ Issue of debt securities: €4 billion ^a	23 June 2017 (26 months)	None
7. Set the price for immediate or future issues of equity securities by way of public offering or private placement, without pre-emptive rights for existing shareholders (AGM of 23 April 2015, Resolution 18)	10% of the share capital in any 12-month period	23 June 2017 (26 months)	None
8. Increase the number of securities to be issued in the event of a capital increase with or without pre-emptive rights for existing shareholders (AGM of 23 April 2015, Resolution 19)	15% of the initial issue	23 June 2017 (26 months)	None
9. Increase share capital as consideration for contributions in kind consisting of a company's equity securities or securities giving access to capital (AGM of 23 April 2015, Resolution 20)	10% of the share capital ^a ■ Issue of debt securities: €1.5 billion ^a	23 June 2017 (26 months)	None
10. Increase share capital as consideration for securities tendered to a public exchange offer (AGM of 23 April 2015, Resolution 21)	■ Capital increase: €84 million ^a ■ Issue of debt securities: €4 billion ^a	23 June 2017 (26 months)	None
11. Issue shares following the issue by a Bouygues subsidiary of securities giving access to shares in Bouygues (AGM of 23 April 2015, Resolution 22)	■ Capital increase: €84 million ^a	23 June 2017 (26 months)	None
12. Issue equity warrants during the period of a public offer (AGM of 21 April 2016, Resolution 23)	■ Capital increase: €88 million and 25% of the share capital ■ The number of warrants is capped at one quarter of the number of existing shares	21 October 2017 (18 months)	None

(a) To be deducted from the overall ceiling referred to in point 3.

ISSUES CARRIED OUT FOR THE BENEFIT OF EMPLOYEES AND CORPORATE OFFICERS OF THE COMPANY OR RELATED COMPANIES

13. Increase share capital for the benefit of employees or corporate officers who are members of a company savings scheme (AGM of 21 April 2016, Resolution 22)	10% of the share capital	23 June 2017 (26 months)	7,400,463 new shares were issued on 28 December 2016 as part of the Bouygues Confiance n°8 share ownership plan
14. Allot existing or new bonus shares (i.e. free shares) (AGM of 21 April 2016, Resolution 21)	10% of the share capital ^a (Executive Officers: 0.1% of the share capital)	21 June 2019 (38 months)	None
15. Grant options to acquire new or existing shares (AGM of 23 April 2015, Resolution 24)	5% of the share capital ^b (Executive Officers: 0.1% of the share capital)	23 June 2018 (38 months)	2,697,700 stock options granted to 888 beneficiaries on 30 May 2016

(a) To be deducted from the ceiling for options granted to acquire new or existing shares.

(b) To be deducted from the overall ceiling for bonus (free) share issues.

8.2.3.2 Financial authorisations submitted to the Combined Annual General Meeting of 27 April 2017

The table below summarises the financial authorisations that we ask you to confer on the Board of Directors during the Combined Annual General Meeting of 27 April 2017. These authorisations, which supersede the financial authorisations listed in table 8.2.3.1 – with the exception of Resolution 21 of the Annual General Meeting of 21 April 2016 on the allotment of bonus shares (i.e. free shares), which will remain in force – are detailed above (see sections 8.2.1 and 8.2.2).

Purpose	Maximum nominal amount	Expiry/Duration
SHARE BUYBACKS AND REDUCTION IN SHARE CAPITAL		
1. Purchase by the company of its own shares (Resolution 16)	5% of the share capital Total outlay capped at €875 million	27 October 2018 (18 months)
2. Reduce share capital by cancelling shares (Resolution 17)	10% of the share capital in any 24-month period	27 October 2018 (18 months)
SECURITIES ISSUES		
3. Increase share capital with pre-emptive rights for existing shareholders (Resolution 18)	■ Capital increase: €150 million ■ Issue of debt securities: €7 billion	27 June 2019 (26 months)
4. Increase share capital by incorporating share premiums, reserves or earnings into capital (Resolution 19)	€4 billion	27 June 2019 (26 months)
5. Increase share capital by way of public offering without pre-emptive rights for existing shareholders (Resolution 20)	■ Capital increase: €85 million ^a ■ Issue of debt securities: €4 billion ^a	27 June 2019 (26 months)
6. Increase share capital through a private placement (Resolution 21)	■ Capital increase: 20% of the share capital over 12 months and €70 million ^a ■ Issue of debt securities: €3 billion ^a	27 June 2019 (26 months)
7. Set the price for immediate or future issues of equity securities by way of public offering or private placement, without pre-emptive rights for existing shareholders (Resolution 22)	10% of the share capital in any 12-month period	27 June 2019 (26 months)
8. Increase the number of securities to be issued in the event of a capital increase with or without pre-emptive rights for existing shareholders (Resolution 23)	■ 15% of the initial issue	27 June 2019 (26 months)
9. Increase share capital as consideration for contributions in kind consisting of a company's shares or securities giving access to capital (Resolution 24)	■ 10% of the share capital ^a ■ Issue of debt securities: €1.5 billion ^a	27 June 2019 (26 months)
10. Increase share capital as consideration for securities tendered to a public exchange offer (Resolution 25)	■ Capital increase: €85 million ^a ■ Issue of debt securities: €4 billion ^a	27 June 2019 (26 months)
11. Issue shares following the issue by a Bouygues subsidiary of securities giving access to shares in Bouygues (Resolution 26)	■ Capital increase: €85 million ^a	27 June 2019 (26 months)
12. Issue equity warrants during the period of a public offer (Resolution 29)	■ Capital increase: €85 million and 25% of the share capital ■ The number of warrants is capped at one quarter of the number of existing shares	27 October 2018 (18 months)
ISSUES CARRIED OUT FOR THE BENEFIT OF EMPLOYEES AND CORPORATE OFFICERS OF THE COMPANY OR RELATED COMPANIES		
13. Increase share capital for the benefit of employees or corporate officers who are members of a company savings scheme (Resolution 27)	5% of the share capital	27 June 2019 (26 months)
14. Grant options to acquire new or existing shares (Resolution 28)	■ 2% of the share capital ■ (Executive Officers: 0.25% of the share capital)	27 June 2019 (26 months)

(a) To be deducted from the overall ceiling referred to in point 3 (Resolution 18).

8.3 Auditors' reports

8.3.1 Auditors' special report on regulated agreements and commitments

(Annual General Meeting called to approve the financial statements for the year ended 31 December 2016)

To the shareholders,

In our capacity as auditors of your company, we present below our report on regulated agreements and commitments.

We are required to report to shareholders, based on the information provided, about the main terms and conditions, as well as the reasons justifying the benefit for the company of the agreements and commitments that have been disclosed to us or which were brought to light as a result of our assignment, without commenting on their usefulness or substance and without determining whether other such agreements or commitments exist. It is the responsibility of the shareholders to determine whether these agreements and commitments are appropriate and should be approved, in accordance with the terms of Article R. 225-31 of the Commercial Code.

We are also required to report to you the information required under Article R. 225-31 of the Commercial Code regarding transactions carried out during the last financial year under agreements and commitments approved by Annual General Meetings in previous years.

We performed the procedures we considered necessary in accordance with the professional standards issued by the French statutory auditors' board, the CNCC. Those procedures involved ensuring that the information disclosed to us was consistent with the source documents from which it was taken.

Agreements and commitments submitted for approval by the Annual General Meeting that will approve the 2016 financial statements

Agreements and commitments authorised during the last financial year

Pursuant to Article L. 225-40 of the Commercial Code, we have been informed of the following agreements and commitments, which were granted prior approval by the Board of Directors.

A. SHARED SERVICE AGREEMENTS

At its 23 February 2016 meeting, the Board of Directors authorised the signature of new shared service agreements with the main subsidiaries. These new agreements, signed in February and March 2016, replaced on a retroactive basis starting 1 January 2016 the previous shared service agreements authorised for renewal by the Board of Directors at its 12 November 2015 meeting and approved by the Annual General Meeting of 21 April 2016.

At its 15 November 2016 meeting, the Board of Directors then authorised, for a period of one year starting 1 January 2017, the renewal of the new shared service agreements mentioned above.

Reasons justifying the benefit of these agreements for Bouygues

Shared service agreements are standard in groups of companies. Their purpose is to enable subsidiaries to benefit from services and assistance provided by the parent company (principally management, human resources, information technology and financial services), and to allocate the corresponding expenses between the various user companies.

The amendments authorised by the Board of Directors at its 23 February 2016 meeting were aimed at adapting the agreements to changes in the relations between Bouygues and its main subsidiaries and at better integrating the latest recommendations of the OECD and the European Union on transfer pricing. The amendments mainly concerned:

- a more complete and exhaustive listing of shared services;
- updating certain definitions;
- a more precise definition of the principles for invoicing shared services;
- updating the allocation formulae;
- introducing a margin on the residual amount of shared service fees invoiced to the subsidiaries.

Financial conditions associated with these agreements

The principle behind these agreements is based on rules for allocating and invoicing the expense of shared services, including specific services provided and apportionment of a share of the residual shared service fees up to a percentage of the sales of the subsidiary concerned.

Bouygues invoiced the following amounts in respect of these agreements in 2016:

	Amount excl. VAT
Bouygues Construction	€16,409,855
Colas	€15,756,926
TF1	€3,021,364
Bouygues Telecom	€7,091,569

Directors concerned:

- **Bouygues Construction**, Olivier Bouygues (director), Philippe Marien (standing representative of Bouygues on the Board of Directors of Bouygues Construction);
- **Colas**, François Bertiére, Olivier Bouygues and Colette Lewiner (directors), Hervé Le Bouc (Chairman and CEO, director), Philippe Marien (standing representative of Bouygues on the Board of Directors of Colas);
- **TF1**, Martin Bouygues, Olivier Bouygues and Olivier Roussat (directors), Philippe Marien (standing representative of Bouygues on the Board of Directors of TF1);
- **Bouygues Telecom**, Olivier Bouygues, Edward Bouygues and Philippe Marien (directors), Olivier Roussat (Chairman and CEO).

B. SERVICE AGREEMENT BETWEEN BOUYGUES AND SCDM

At its 15 November 2016 meeting, the Board of Directors authorised, for a period of one year starting 1 January 2017, the renewal of the service agreement, which covers the services described below.

SCDM, a company owned by Martin Bouygues and Olivier Bouygues, contributes to initiatives in favour of the Bouygues group on an ongoing basis (research and analysis into strategic developments and the growth of the Bouygues group, multi-year plans, research and analysis into major investments and divestments).

SCDM may also supply Bouygues with specific services other than those provided as part of its permanent duties.

For its part, Bouygues provides SCDM with specific services, principally management, human resources, information technology, and legal and financial services.

Reasons justifying the benefit of the agreement for Bouygues

This agreement enables Bouygues to benefit from the services of Martin Bouygues and Olivier Bouygues, who are paid exclusively by SCDM, and of the members of the small team that supports them by conducting the research and analysis mentioned above, as well as various specific services for the benefit of the Group.

This agreement also enables Bouygues to be remunerated by SCDM for the various specific services that Bouygues carries out on behalf of SCDM.

Financial conditions attached to the agreement

Under the terms of this agreement, SCDM invoices Bouygues for costs actually incurred, up to a maximum of €8 million a year:

■ salaries, to an amount corresponding to:

- the remuneration granted to Martin Bouygues and Olivier Bouygues by the Bouygues Board of Directors, at the proposal of the Selection and Remuneration Committee, for their duties as corporate officers. This amount includes a fixed and a variable component, as well as the corresponding social security and tax charges;
- the remuneration of their team, paid for the assignments carried out for Bouygues, as well as the corresponding social security and tax charges;
- specific services, invoiced at arm's length rates.

Similarly, the specific services Bouygues provides to SCDM are invoiced at arm's length rates.

The renewal of this agreement had no impact on the 2016 financial year. It will impact the 2017 financial year.

Directors concerned:

- **SCDM**, Martin Bouygues (Chairman), Olivier Bouygues (CEO), Philippe Marien (CEO), Edward Bouygues (standing representative of SCDM on the Board of Directors of Bouygues), Cyril Bouygues (standing representative of SCDM Participations on the Board of Directors of Bouygues).

C. SUPPLEMENTARY RETIREMENT BENEFITS GRANTED TO SENIOR EXECUTIVES

Members of the Group Management Committee, which includes the Executive Officers and salaried directors of Bouygues, are entitled to a supplementary pension of 0.92% of the reference salary per year in the scheme. Entitlement is acquired only after ten years' service with the Group. The annual supplementary pension is capped at eight times the annual ceiling under the social security regime (i.e. a cap of €313,824 for 2017, which is lower than the ceiling of 45% of the reference income as recommended by the Afep-Medef Code). This supplementary scheme has been outsourced to an insurance company.

(i) Commitments relating to defined-benefit schemes to which Executive Officers of Bouygues are entitled

Under Article L. 225-42-1 of the Commercial Code, retirement benefit arrangements in favour of the Chairman, Chief Executive Officer or Deputy Chief Executive Officers of listed companies are subject to the regulated agreements procedure. A specific resolution is required for each beneficiary of such an arrangement. In addition, since Law No. 2015-990 of 6 August 2015 (the "Macron law") came into effect, the entitlement of such senior executives to rights under defined-benefit pension schemes must, in the case of listed companies, be contingent on conditions related to the beneficiary's performance, assessed relative to those of the company in question.

At its 15 November 2016 meeting, the Board of Directors:

- determined the performance conditions to be met in order for Philippe Marien and Olivier Roussat to obtain, for the period from 1 September 2016 to 31 December 2016, entitlement to their rights under the defined-benefit pension scheme as Deputy Chief Executive Officers of Bouygues with effect from 30 August 2016. The pension rights for that period will vest in Olivier Roussat and Philippe Marien if by applying the various criteria used for determining their variable remuneration, that variable remuneration amounts to at least 100% of their fixed remuneration. If those performance levels are not met, the pension entitlement of 0.92% of reference salary will be reduced proportionately;
- reiterated that given their length of service and past level of remuneration, Martin Bouygues and Olivier Bouygues had as of the date the Macron law came into force long since fulfilled the conditions that would entitle them to a supplementary pension at the maximum rate, and as a result are not subject to the requirement for performance conditions;
- authorised the renewal for a period of one year starting on 1 January 2017 of the defined-benefit supplementary pension arrangements granted, subject to performance conditions, to Martin Bouygues, Olivier Bouygues, Philippe Marien and Olivier Roussat.

At its meeting of 22 February 2017, the Board of Directors determined the performance conditions to be met in order for Philippe Marien and Olivier Roussat to obtain, for the period from 1 January 2017 to 31 December 2017, entitlement to their rights under the defined-benefit pension scheme as Deputy Chief Executive Officers of Bouygues with effect from 30 August 2016. The pension rights for that period will vest in Olivier Roussat and Philippe Marien if by applying the various criteria used for determining their variable remuneration, that variable remuneration amounts to at least 100% of their fixed remuneration. If those performance levels are not met, the pension entitlement of 0.92% of reference salary will be reduced proportionately.

Reasons justifying the benefit of the agreement for Bouygues

The purpose of this agreement is to enable Bouygues to reward and secure the loyalty of the members of the Group Management Committee.

Financial conditions attached to the agreement

The contribution paid by Bouygues for 2016 in respect of the four aforementioned Executive Officers (in their capacity as Executive Officers of Bouygues SA) into the asset fund operated by the insurance company (calculated for the whole of 2016 in the case of Martin Bouygues and Olivier Bouygues, and for the period from 1 September 2016 to 31 December 2016 in the case of Philippe Marien and Olivier Roussat) amounted to €1,520,652, or €1,885,608 after applying the social security levy (URSSAF) of 24%.

Directors concerned:

- **Martin Bouygues** (Chairman and CEO)
- **Olivier Bouygues** (Deputy CEO)
- **Philippe Marien** (Deputy CEO)
- **Olivier Roussat** (Deputy CEO)

(ii) Cross-charging to business segments of pension contributions for their senior executives

At its 15 November 2016 meeting, the Board of Directors authorised, for a period of one year starting 1 January 2017, the cross-charging agreements entered into with Bouygues Construction, Colas, TF1 and Bouygues Telecom, corresponding to their portion of the premiums paid to the insurance company in respect of the contributions relating to their senior executives.

Reasons justifying the benefit of these agreements for Bouygues

These agreements are intended to enable the Group's principal subsidiaries to offer defined-benefit pension arrangements to their senior executives, and to enable Bouygues to recover from those subsidiaries the amount of premiums paid in respect of contributions relating to their senior executives.

Financial conditions associated with these agreements

Bouygues invoices inter alia its subsidiaries Bouygues Construction, Colas, TF1 and Bouygues Telecom, as well as Bouygues Immobilier, for their portion of premiums paid to the insurance company in respect of the contributions relating to their senior executives.

The renewal of this agreement had no impact on the 2016 financial year. It will impact the 2017 financial year.

Directors concerned:

- **Bouygues Construction**, Olivier Bouygues (director), Philippe Marien (standing representative of Bouygues on the Board of Directors of Bouygues Construction);

- **Colas**, François Bertiére, Olivier Bouygues and Colette Lewiner (directors), Hervé Le Bouc (Chairman and CEO, director), Philippe Marien (standing representative of Bouygues on the Board of Directors of Colas);
- **TF1**, Martin Bouygues, Olivier Bouygues and Olivier Roussat (directors), Philippe Marien (standing representative of Bouygues on the Board of Directors of TF1);
- **Bouygues Telecom**, Olivier Bouygues, Edward Bouygues and Philippe Marien (directors), Olivier Roussat (Chairman and CEO).

D. SERVICE AGREEMENTS (OPEN INNOVATION)

At its 15 November 2016 meeting, the Board of Directors authorised the renewal, for a period of one year, of the service agreements with Bouygues Construction, Colas, TF1 and Bouygues Telecom, and their dedicated subsidiaries.

The purpose of these agreements is to define the terms and conditions whereby Bouygues, either directly or through the intermediary of its wholly-owned subsidiary Bouygues Développement, provides to the aforementioned companies consultancy services and services related to the management of the subsidiaries' shareholdings in innovative companies.

Reasons justifying the benefit of these agreements for Bouygues

These agreements enable Bouygues to set terms for the execution and remuneration of services provided to its subsidiaries in the field of open innovation.

Financial conditions associated with these agreements

The consultancy services provided to the business segments are an integral part of the shared services provided by Bouygues to the different business segments. As such, the consultancy services are invoiced directly through the shared service agreements set forth in point A. above. The amount invoiced represents each business segment's share of the residual amount of the shared services expense.

In return for the management services, each dedicated subsidiary pays Bouygues, on a pro rata temporis basis, a flat monthly fee of €750 excl. VAT per shareholding in an innovative company under management.

The renewal of this agreement had no impact on the 2016 financial year. It will impact the 2017 financial year.

Directors concerned:

- **Bouygues Construction**, Olivier Bouygues (director), Philippe Marien (standing representative of Bouygues on the Board of Directors of Bouygues Construction);
- **Colas**, François Bertiére, Olivier Bouygues and Colette Lewiner (directors), Hervé Le Bouc (Chairman and CEO, director), Philippe Marien (standing representative of Bouygues on the Board of Directors of Colas);
- **TF1**, Martin Bouygues, Olivier Bouygues and Olivier Roussat (directors), Philippe Marien (standing representative of Bouygues on the Board of Directors of TF1);
- **Bouygues Telecom**, Olivier Bouygues, Edward Bouygues and Philippe Marien (directors), Olivier Roussat (Chairman and CEO).

E. TAX ELECTION AGREEMENTS

At its 15 November 2016 meeting, the Board of Directors authorised the renewal, for a tacitly renewable five-year period from 1 January 2017 to 31 December 2021, of the tax election agreements entered into inter alia with Bouygues Construction, Colas and Aximum.

Reasons justifying the benefit of these agreements for Bouygues

These agreements enable Bouygues to determine a consolidated taxable profit figure for the Group and to assume sole liability for the resulting corporate income tax.

Directors concerned:

- **Bouygues Construction**, Olivier Bouygues (director), Philippe Marien (standing representative of Bouygues on the Board of Directors of Bouygues Construction);
- **Colas**, Hervé Le Bouc (Chairman and CEO, director), François Bertiére, Olivier Bouygues and Colette Lewiner (directors), Philippe Marien (standing representative of Bouygues on the Board of Directors of Colas);
- **Aximum**, Hervé Le Bouc (director).

F. POLLUTEC – PARTICIPATION BY THE BUSINESS SEGMENTS ON STANDS RESERVED BY BOUYGUES

At its 30 August 2016 meeting, the Board of Directors authorised the conclusion of service agreements between Bouygues and its subsidiaries Bouygues Construction and Colas relating to the reservation of an area at the Pollutec trade fair held from 29 November to 2 December 2016.

Reasons justifying the benefit of these agreements for Bouygues

The purpose of these agreements is to enable Bouygues and its subsidiaries to showcase and promote the solutions offered by its business segments in the field of decontamination and to strengthen the Group's image among decision-makers and stakeholders.

Financial conditions associated with these agreements

In respect of their participation in trade fairs and conferences organised as part of Pollutec, the business segments listed below made the following payments to Bouygues:

- **Bouygues Construction**: €60,000
- **Colas**: €85,000

Directors concerned:

- **Bouygues Construction**, Olivier Bouygues (director), Philippe Marien (standing representative of Bouygues on the Board of Directors of Bouygues Construction);
- **Colas**, François Bertiére, Olivier Bouygues and Colette Lewiner (directors), Hervé Le Bouc (Chairman and CEO, director), Philippe Marien (standing representative of Bouygues on the Board of Directors of Colas).

G. AMENDMENT TO THE INTERNAL AUDIT SERVICE AGREEMENT BETWEEN BOUYGUES AND BOUYGUES TELECOM

At its 15 November 2016 meeting, the Board of Directors authorised the conclusion of a second amendment to the internal audit service agreement between Bouygues and Bouygues Telecom, to extend it to 31 December 2017. The services in question are carried out according to an internal audit plan drawn up annually by the parties involved.

Reasons justifying the benefit of the agreement for Bouygues

This agreement enables Bouygues to set terms for the execution and remuneration of internal audit services that are provided to its subsidiary Bouygues Telecom and contribute to the smooth operation of that subsidiary.

Financial conditions attached to the agreement

The remuneration payable to Bouygues is a flat fee of €330,000 excl. VAT for the 2017 financial year.

This amendment had no impact on the 2016 financial year. It will impact the 2017 financial year.

Directors concerned:

- **Bouygues Telecom**, Olivier Bouygues, Philippe Marien and Edward Bouygues (directors), Olivier Roussat (Chairman and CEO).

Agreements and commitments approved by Annual General Meetings in previous years

Agreements and commitments approved in previous years and under which transactions continued during the last financial year

Pursuant to Article R. 225-30 of the Commercial Code, we were informed that transactions under the following agreements and commitments, which had already been approved by previous Annual General Meetings, continued during the last financial year.

A. TAX ELECTION AGREEMENTS

The Combined Annual General Meeting of 26 April 2012 approved the renewal for a tacitly renewable five-year period from 1 January 2012 to 31 December 2016 of group tax election agreements, including inter alia those entered into with Bouygues Construction, Colas, Aximum, Colas Midi Méditerranée, Sacer Atlantique, Spac and Screg Est.

Reasons justifying the benefit of the agreement for Bouygues

These agreements enable Bouygues to determine a consolidated taxable profit figure for the Group and to assume sole liability for the resulting corporate income tax.

Directors concerned:

- **Bouygues Construction**, Olivier Bouygues (director);
- **Colas**, Hervé Le Bouc (Chairman and CEO, director), François Bertiére, Olivier Bouygues and Colette Lewiner (directors);
- **Aximum**, Hervé Le Bouc (director);
- **Colas Midi Méditerranée**, Hervé Le Bouc (director);
- **Sacer Atlantique**, Hervé Le Bouc (standing representative of Spac on the board of Sacer Atlantique);
- **Spac**, Hervé Le Bouc (standing representative of IPF on the board of Spac);
- **Screg Est**, Hervé Le Bouc (standing representative of IPF on the board of Screg Est).

In accordance with the authorisation of the Board of Directors of 6 December 2011.

B. TRADEMARK LICENCE AGREEMENTS

Bouygues has entered into trademark licence agreements with certain subsidiaries, including Bouygues Construction and Bouygues Telecom, entitling them to use various trademarks, company names and trade names under specific conditions.

Reasons justifying the benefit of the agreement for Bouygues

These agreements enable Bouygues to set the technical and financial conditions under which the Bouygues name and trademark are used by the subsidiaries concerned.

- (i) The Combined Annual General Meeting of 26 April 2012 approved the conclusion of a single trademark licence agreement between Bouygues and Bouygues Construction in respect of the following trademarks: "Bouygues Construction", "Bouygues Bâtiment", "Bouygues Travaux Publics", "Bouygues TP" and the "Ellipse" logo. The Combined Annual General Meeting of 25 April 2013 authorised the conclusion of an amendment to the agreement authorising Bouygues Construction to sub-license to its subsidiary Bouygues Energies & Services the right to use the "Bouygues Energies & Services" and "Bouygues E & S" trademarks in France and a certain number of foreign countries.

This agreement came into force on 1 January 2012 for 15 years, i.e. until 31 December 2026.

Bouygues invoiced Bouygues Construction €500,000 excl. VAT in respect of this agreement in 2016.

Director concerned:

- **Bouygues Construction**, Olivier Bouygues (director).

In accordance with the authorisations of the Board of Directors of 6 December 2011 and 29 January 2013.

- (ii) The Combined Annual General Meeting of 29 April 2010 approved the conclusion of a trademark licence agreement in respect of the following trademarks: "Bouygues Telecom", "Bouytel" and "Bouygenet". This agreement came into force on 9 December 2009 for 15 years, i.e. until 9 December 2024. An amendment to this agreement was authorised by the Board of Directors on 24 February 2015 and was approved by the Combined Annual General Meeting of 21 April 2016.

Bouygues invoiced Bouygues Telecom €700,000 excl. VAT in respect of this agreement in 2016.

Directors concerned:

- **Bouygues Telecom**, Olivier Bouygues and Nonce Paolini (directors).

In accordance with the authorisation of the Board of Directors of 1 December 2009 and 24 February 2015.

C. SUB-LEASE AGREEMENT CONCERNING THE CHALLENGER BUILDING

The Combined Annual General Meeting of 22 April 2000 approved the conclusion of a sub-lease agreement with Bouygues Construction for part of the Challenger building in Saint-Quentin-en-Yvelines (France). This agreement will expire on 31 December 2021.

Reasons justifying the benefit of the agreement for Bouygues

This agreement enables Bouygues to use offices at Challenger owned by Bouygues Construction.

Bouygues Construction invoiced Bouygues €153,364 excl. VAT in respect of this agreement in 2016.

Director concerned:

- **Bouygues Construction**, Olivier Bouygues (director).

In accordance with the authorisation of the Board of Directors of 4 November 1999.

D. AIRCRAFT CHARTER AGREEMENT BETWEEN AIRBY AND BOUYGUES

The Combined Annual General Meeting of 26 April 2012 approved the conclusion of an aircraft charter agreement – including pilots and flight service fees – between Bouygues and Airby (owned 85% by Bouygues and 15% by SCDM). The agreement is for an indefinite period.

The Combined Annual General Meeting of 24 April 2014 approved the signature of an amendment to the aircraft charter agreement.

The price per flight hour is revised annually to reflect market prices.

The overall price per flight hour remained unchanged in 2016. The price for the Global 5000 aircraft is €7,000 excl. VAT per flight hour. When SNC Airby provides an aircraft that has been rented on the market, the rental is invoiced at cost plus €1,000 excl. VAT, which remunerates the charter service provided.

Reasons justifying the benefit of the agreement for Bouygues

This agreement enables Bouygues to use aircraft operated by Airby. Airby invoiced Bouygues €284,250 excl. VAT in respect of this agreement in 2016.

Directors concerned:

- **SCDM**, Martin Bouygues (Chairman) and Olivier Bouygues (CEO).

In accordance with the authorisations of the Board of Directors of 15 November 2011 and 13 November 2013.

E. SERVICE AGREEMENT BETWEEN BOUYGUES AND SCDM

The Combined Annual General Meeting of 21 April 2016 approved, for a period of one year starting 1 January 2016, the renewal of the service agreement between Bouygues and SCDM.

Reasons justifying the benefit of the agreement for Bouygues

This agreement enables Bouygues to benefit from the services of Martin and Olivier Bouygues, who are paid exclusively by SCDM, and of members of the small team that supports Martin and Olivier Bouygues by conducting research and analysis into strategic developments and the growth of the Bouygues group, as well as providing various specific services for the benefit of the Group.

This agreement also enables Bouygues to be remunerated by SCDM for the various specific services that Bouygues carries out on behalf of SCDM.

Financial conditions attached to the agreement

SCDM invoiced Bouygues €2,640,394 excl. VAT in respect of this agreement in 2016. This amount mainly corresponds (72% of the total) to the salaries of Martin Bouygues and Olivier Bouygues and the corresponding social security and tax charges. The remainder (28% of the total) is for the salaries of the members of their team and the corresponding social security and tax charges. Bouygues invoiced SCDM €360,405 excl. VAT in respect of this agreement.

Directors concerned:

- **SCDM**, Martin Bouygues (Chairman), Olivier Bouygues (CEO).

In accordance with the authorisation of the Board of Directors of 12 November 2015.

F. SUPPLEMENTARY RETIREMENT BENEFITS GRANTED TO SENIOR EXECUTIVES

The Combined Annual General Meeting of 21 April 2016 approved, for the 2016 financial year, the renewal of the defined-benefit collective pension agreement in favour of members of the Group Management Committee, which includes the Executive Officers and salaried directors of Bouygues.

Reasons justifying the benefit of the agreement for Bouygues

The purpose of this agreement is to enable Bouygues to reward and secure the loyalty of the members of the Group Management Committee.

Financial conditions attached to the agreement

Contributions paid by Bouygues into the plan set up by the insurance company totalled €6,000,000 excl. VAT in 2016 (including €1,520,652 excl. VAT for the four Executive Officers).

The 24% social security levy (URSSAF) amounted to €1,440,000.

Bouygues invoiced the following amounts to the subsidiaries below (including the 24% levy):

	Amount excl. VAT
Bouygues Construction	€408,144
Colas	€1,281,240
TF1	€1,046,345
Bouygues Telecom	€845,598

Directors concerned:

- **Martin Bouygues** (Chairman and CEO) and **Olivier Bouygues** (Deputy CEO);
- **Bouygues Construction**, Olivier Bouygues (director);
- **Colas**, Hervé Le Bouc (Chairman and CEO, director), François Bertiére, Olivier Bouygues and Colette Lewiner (directors);
- **TF1**, Nnonce Paolini until 19 February 2016 (Chairman and CEO, director), Martin Bouygues and Olivier Bouygues (directors);
- **Bouygues Telecom**, Olivier Bouygues and Nnonce Paolini (directors).

In accordance with the authorisation of the Board of Directors of 12 November 2015.

G. SERVICE AGREEMENTS (OPEN INNOVATION)

The Combined Annual General Meeting of 21 April 2016 approved the renewal, for the 2016 financial year, of service agreements with Bouygues Construction, Colas, TF1 and Bouygues Telecom.

The purpose of these agreements is to define the terms and conditions whereby Bouygues, either directly or through the intermediary of its wholly-owned subsidiary Bouygues Développement, provides to the aforementioned companies consultancy services and services related to the management of the subsidiaries' shareholdings in innovative companies.

Reasons justifying the benefit of these agreements for Bouygues

These agreements enable Bouygues to set terms for the execution and remuneration of services provided to its subsidiaries in the field of open innovation.

Financial conditions associated with these agreements

The consultancy services provided to the business segments are an integral part of the shared services provided by Bouygues to the different business segments. As such, the consultancy services are invoiced directly through the shared service agreements set forth in point A. of paragraph "Agreements and commitments approved by Annual General Meetings in previous years" (page 346). The amount invoiced represents each business segment's share of the residual amount of the shared services expense.

In return for the management services, each business segment pays Bouygues, on a pro rata temporis basis, a flat monthly fee of €750 excl. VAT per shareholding in an innovative company under management.

Directors concerned:

- **Bouygues Construction**, Olivier Bouygues (director);
 - **Colas**, François Bertiére, Olivier Bouygues and Colette Lewiner (directors), Hervé Le Bouc (Chairman and CEO, director);
 - **TF1**, Martin Bouygues and Olivier Bouygues (directors) and Nnonce Paolini until 19 February 2016 (Chairman and CEO, director);
 - **Bouygues Telecom**, Olivier Bouygues and Nnonce Paolini (directors).
- In accordance with the authorisations of the Board of Directors of 24 February 2015 and 12 November 2015.*

H. AMENDMENT TO THE INTERNAL AUDIT SERVICE AGREEMENT BETWEEN BOUYGUES AND BOUYGUES TELECOM

The Combined Annual General Meeting of 21 April 2016 approved the conclusion of an initial amendment to the 1 September 2014 internal audit service agreement between Bouygues and Bouygues Telecom to extend it to 31 December 2016, the other conditions of the contract remaining unchanged.

Reasons justifying the benefit of the agreement for Bouygues

This agreement enables Bouygues to set terms for the execution and remuneration of internal audit services specific to the telecoms business that contribute to the smooth operation of Bouygues Telecom.

Financial conditions attached to the agreement

The remuneration payable to Bouygues in consideration for the services was a flat fee of €330,000 excl. VAT for the period from 1 January 2016 to 31 December 2016.

Directors concerned:

- **Bouygues Telecom**, Olivier Bouygues and Nnonce Paolini until 19 February 2016 (directors).

In accordance with the authorisation of the Board of Directors of 12 November 2015.

Agreements and commitments approved in previous years and under which no transactions took place during the last financial year

We were also informed of the following agreements and commitments approved by Annual General Meetings in previous years but under which no transactions took place during the last financial year.

A. LIABILITY FOR DEFENCE COSTS

The Combined Annual General Meeting of 28 April 2005 approved the principle of Bouygues assuming any defence costs incurred by Bouygues senior executives or employees 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 for merely holding office as director, Chairman, Chief Executive Officer, Deputy Chief Executive Officer or any equivalent office in a Group company.

No amounts were paid in respect of this agreement in 2016.

Paris-La Défense, 22 February 2017

The Statutory Auditors

ERNST & YOUNG Audit

Laurent Vitse

MAZARS

Guillaume Potel

8.3.2 Auditors' reports to the Extraordinary General Meeting

To the shareholders,

Auditors' report on the reduction of share capital (seventeenth resolution)

In our capacity as auditors of Bouygues, and as required under Article L. 225-209 of the Commercial Code in the event of a capital reduction by cancelling shares repurchased by the issuer, we present below our report on our assessment of the reasons for the proposed capital reduction and the terms and conditions thereof.

The Board of Directors is asking shareholders to grant it full powers, for a period of eighteen months as from the date of this meeting, to cancel, up to a limit of 10% of the share capital over any twenty-four month period, the shares purchased pursuant to an authorisation given to the company to buy back its own shares within the scope of the Article mentioned above.

We performed the procedures we considered necessary in accordance with the professional standards issued by the French statutory auditors' board, the CNCC. Those procedures involved assessing whether or not the reasons for and terms and conditions of the proposed capital reduction, which respects the equal rights of all shareholders, are appropriate.

We have no matters to report concerning the reasons for and terms and conditions of the proposed capital reduction.

Auditors' report on the issue of shares and/or securities giving access to shares in the company with or without pre-emptive rights for existing shareholders (eighteenth, twentieth, twenty-first, twenty-second, twenty-third, twenty-fourth, twenty-fifth and twenty-sixth resolutions)

In our capacity as auditors of Bouygues, and as required under Articles L. 228-92 and L. 225-135 et seq. of the Commercial Code, we present below our report on the proposal to grant the Board of Directors powers to issue shares and/or securities, which shareholders are asked to approve.

The Board of Directors is asking shareholders, on the basis of its report, to:

- grant it the authority, with the option of sub-delegation, for a period of twenty-six months as from the date of this meeting, to decide on the following transactions and set the final terms and conditions thereof, and proposes, where applicable, that shareholders waive their pre-emptive subscription rights:
- to issue, with pre-emptive rights for existing shareholders, by way of public offering (eighteenth resolution), ordinary shares and securities giving immediate and/or future access to ordinary shares in the company or, pursuant to Article L. 228-93 of the Commercial Code, any company in which it owns directly or indirectly more than half of the capital,

- to issue, without pre-emptive rights for existing shareholders, by way of public offering (twentieth resolution), ordinary shares and securities giving immediate and/or future access to ordinary shares in the company or, pursuant to Article L. 228-93 of the Commercial Code, any company in which it owns directly or indirectly more than half of the capital,

- to issue, without pre-emptive rights for existing shareholders, by way of an offer falling within the scope of paragraph 2, Article L. 411-2 of the Monetary and Financial Code, for up to 20% of the share capital over a twelve-month period (twenty-first resolution), ordinary shares and securities giving immediate and/or future access to ordinary shares in the company or, pursuant to Article L. 228-93 of the Commercial Code, any company in which it owns directly or indirectly more than half of the capital,

- to issue, as consideration for securities tendered to a public exchange offer initiated by the company (twenty-fifth resolution), ordinary shares and securities,

- to issue, without pre-emptive rights for existing shareholders, ordinary shares as a result of the issuance, by any company in which Bouygues directly or indirectly holds more than half of the capital, of securities giving access to ordinary shares in Bouygues (twenty-sixth resolution);

- grant it the authority, in the twenty-second resolution, and for each of the issues decided under the twentieth and twenty-first resolutions, to set the issue price, in accordance with the terms decided by the meeting, up to the annual statutory limit of 10% of the share capital;

- grant it the power, with the option of sub-delegation, for a period of twenty-six months as from the date of this meeting, to issue ordinary shares or securities giving immediate or future access to new ordinary shares in the company, as consideration for contributions in kind consisting of equity securities or securities giving access to the capital (twenty-fourth resolution), up to a limit of 10% of the share capital.

The total nominal amount of capital increases that may be implemented now or in the future under the eighteenth, twentieth, twenty-first, twenty-fourth, twenty-fifth and twenty-sixth resolutions, may not exceed €150,000,000 (and within this overall ceiling up to the limit of €85,000,000 for each of the twentieth, twenty-fifth and twenty-sixth resolutions and up to the limit of €70,000,000 for the twenty-first resolution).

The total nominal amount of debt securities that may be issued under the eighteenth, twentieth, twenty-first, twenty-fourth and twenty-fifth resolutions may not exceed €7,000,000,000 (and within this overall ceiling up to the limit of €4,000,000,000 for the twentieth and twenty-fifth resolutions, €3,000,000,000 for the twenty-first resolution and €1,500,000,000 for the twenty-fourth resolution), and €4,000,000,000 under the nineteenth resolution.

These ceilings take into account the additional number of securities that may be created pursuant to the delegations above, under the conditions set forth in Article L. 225-135-1 of the Commercial Code, if the shareholders adopt the twenty-third resolution.

The Board of Directors is responsible for preparing a report in accordance with Articles R. 225-113 et seq. of the Commercial Code. Our responsibility is to express an opinion on the fairness of the financial information taken from the financial statements on the proposal to

cancel pre-emptive rights for existing shareholders and on other specific information regarding these transactions, which is contained in this report.

We performed the procedures we considered necessary in accordance with the professional standards issued by the French statutory auditors' board, the CNCC. Those procedures involved verifying the information provided in the Board of Director's report on these transactions and on the terms and conditions for calculating the price of the equity securities to be issued.

Pending a subsequent review of the terms and conditions applicable to any issues that may be decided, we have no matters to report concerning the terms and conditions for calculating the price of the equity securities to be issued as set out in the Board of Director's report under the twentieth, twenty-first and twenty-second resolutions.

As this report does not specify the terms and conditions for calculating the price for the equity securities to be issued pursuant to the delegations granted under the eighteenth, twenty-fourth, twenty-fifth and twenty-sixth resolutions, we are unable to express an opinion on the basis for calculating this price.

As the price of the equity securities to be issued has not yet been set, we do not express an opinion on the final conditions under which the issues will be carried out and consequently, on the proposed waiver of pre-emptive rights for existing shareholders set out in the twentieth, twenty-first and twenty-sixth resolutions.

In accordance with Article R. 225-116 of the Commercial Code, we will draw up a supplementary report if the Board of Directors decides to use the delegations granted to issue securities giving access to new ordinary shares or giving the right to the allotment of debt securities, and issues without pre-emptive rights for existing shareholders.

Auditors' report on the capital increase reserved for members of a company savings scheme or an inter-company savings scheme (twenty-seventh resolution)

In our capacity as auditors of Bouygues and as required under Articles L. 225-135 et seq. of the Commercial Code, we present below our report on the proposal to grant the Board of Directors the power to increase the share capital by issuing ordinary shares without pre-emptive rights for existing shareholders, for up to 5% of the company's share capital on the day of the Board of Directors' decision, which is reserved for the employees and corporate officers of Bouygues or any related French and foreign companies within the meaning of applicable legislation, who are members of a company or Group savings scheme or any inter-company savings scheme, which shareholders are asked to approve.

This capital increase is submitted for the approval of shareholders in accordance with the requirements of Article L. 225-129-6 of the Commercial Code and Articles L. 3332-18 et seq. of the Labour Code.

Based on its report, the Board of Directors is asking shareholders to grant it the power, for a period of twenty-six months as from the date

of this meeting, to resolve to carry out a capital increase and to cancel shareholders' pre-emptive rights to the ordinary shares to be issued. Where applicable, the Board will be responsible for setting the final terms and conditions of the issue.

The Board of Directors is responsible for drawing up a supplementary report in accordance with Articles R. 225-113 and R. 225-114 of the Commercial Code. Our responsibility is to express an opinion on the fairness of the financial information taken from the financial statements on the proposal to cancel pre-emptive rights for existing shareholders and on other specific information regarding the issue contained in this report.

We performed the procedures we considered necessary in accordance with the professional standards issued by the French statutory auditors' board, the CNCC. Those procedures involved verifying the information provided in the Board of Director's report on this transaction and on the terms and conditions for calculating the issue price of the shares.

Pending a subsequent analysis of the conditions of any such share capital increase, we have no matters to report concerning the terms and conditions for calculating the issue price of the shares to be issued set out in the Board of Director's report.

As the final terms and conditions under which the share capital increase may be carried out have not yet been set, we do not express an opinion on these terms and conditions and consequently, on the proposal made to shareholders to waive their pre-emptive rights.

In accordance with Article R. 225-116 of the Commercial Code, we will draw up a supplementary report, where applicable, if this authorisation is used by the Board of Directors.

Auditors' report on the authorisation to grant options to acquire new or existing shares (twenty-eighth resolution)

In our capacity as auditors of Bouygues and as required under Articles L. 225-177 and R. 225-144 of the Commercial Code, we present below our report on the planned authorisation to grant options to acquire new or existing shares to persons designated by the Board of Directors among the salaried employees and corporate officers of the company and/or of companies or economic interest groupings that are related to it within the meaning of Article L. 225-180 of the Commercial Code, which shareholders are asked to approve.

The total number of stock options granted shall not give right to a total number of shares representing at the allotment date more than 2% of the share capital of the company.

Moreover, the total number of stock options that may be granted to Executive Officers of the company under this authorisation, shall not give right to a total number of shares representing at the allotment date more than 0.25% of the share capital of the company, with the stipulation that, throughout the period of this authorisation, the bonus (i.e. free) shares allotted to Executive Officers of the company under the twenty-first resolution of the Combined Annual General Meeting of 21 April 2016 or any subsequent authorisation for the same purpose shall not count towards this total number of shares.

Based on its report, the Board of Directors is asking shareholders to grant it the authority, for a period of twenty-six months as from the date of this meeting, to grant options to acquire existing or new shares.

The Board of Directors is responsible for drawing up a report on the reasons for these option grants, and on the proposed terms and conditions for setting the price for said options. Our responsibility is to express an opinion on the proposed terms and conditions for setting the subscription or purchase price.

We performed the procedures we considered necessary in accordance with the professional standards issued by the French statutory auditors' board, the CNCC. Those procedures involved assessing whether the proposed terms and conditions for setting the price of the share subscription or purchase as set out in the Board of Directors' report comply with applicable law and regulations.

We have no matters to report regarding the proposed terms and conditions for setting the subscription or purchase price.

Auditors' report on the issue of equity warrants free of charge during the period of a public offer for the company's shares (twenty-ninth resolution)

In our capacity as auditors of Bouygues and as required under Article L. 228-92 of the Commercial Code, we present below our report on the proposed issue of equity warrants free of charge in the event of a public offer for the company's shares, which shareholders are asked to approve.

Based on its report, the Board of Directors is asking shareholders to grant it the power, for a period of eighteen months as from the date

of this meeting, and pursuant to Article L. 233-32 II of the Commercial Code, to:

- resolve to issue equity warrants giving the holders preferential subscription rights to one or more shares in the company pursuant to Article L. 233-32 II of the Commercial Code, and to allot such warrants free of charge to all eligible shareholders prior to the expiry of the offer period;
- set the terms and conditions of exercise and any other characteristics of the equity warrants.

The maximum nominal amount of shares that may be issued upon exercise of the warrants may not exceed €85,000,000, and the maximum number of warrants issued may not exceed one quarter of the number of shares that make up the share capital on the warrant issue date.

The Board of Directors is responsible for preparing a report in accordance with Articles R. 225-113 et seq. of the Commercial Code. Our responsibility is to express an opinion on the fairness of the financial information taken from the financial statements and other specific information concerning the issue provided in this report.

We performed the procedures we considered necessary in accordance with the professional standards issued by the French statutory auditors' board, the CNCC. Those procedures involved assessing the information provided in the Board of Directors' report on this transaction.

We have no matters to report concerning the information provided in the Board of Directors' report on the proposed issue of equity warrants in the event of a public offer for the company's shares.

In accordance with Article R. 225-116 of the Commercial Code, we will draw up a supplementary report, where applicable, if this authorisation is used by the Board of Directors.

Paris-La Défense, 22 February 2017

The Statutory Auditors

ERNST & YOUNG Audit

Laurent Vitse

MAZARS

Guillaume Potel

8.4 Draft resolutions

8.4.1 Ordinary General Meeting

First resolution

(Approval of the parent company financial statements and transactions for the year ended 31 December 2016)

The Annual General Meeting, having satisfied the quorum and majority requirements for ordinary general meetings, having acquainted itself with the parent company financial statements for the year ended 31 December 2016, as well as the management report of the Board of Directors and the auditors' report on the parent company financial statements, hereby approves the parent company financial statements for the year ended 31 December 2016, showing a net profit of €972,535,842.66, as well as the transactions recorded in those financial statements and disclosed in those reports.

Second resolution

(Approval of the consolidated financial statements and transactions for the year ended 31 December 2016)

The Annual General Meeting, having satisfied the quorum and majority requirements for ordinary general meetings, having acquainted itself with the consolidated financial statements for the year ended 31 December 2016, as well as the Board of Directors' report on the management of the Group included in the management report in accordance with Article L. 233-26 of the Commercial Code, and the auditors' report on the consolidated financial statements, hereby approves the consolidated financial statements for the year ended 31 December 2016, showing a net profit of €732 million, as well as the transactions recorded in those financial statements and disclosed in those reports.

Third resolution

(Appropriation of 2016 earnings, setting of dividend)

The Annual General Meeting, having satisfied the quorum and majority requirements for ordinary general meetings, notes that as net profit amounts to €972,535,842.66 and retained earnings to €1,787,199,996.81, distributable earnings total €2,759,735,839.47.

On the Board of Directors' recommendation, the Annual General Meeting hereby resolves to:

- distribute a dividend of €1.60 per share, making a total of €567,853,675.20;
- carry over the remainder in the amount of €2,191,882,164.27 to retained earnings.

Accordingly, the dividend for the year ended 31 December 2016 is hereby set at €1.60 per share carrying dividend rights.

The ex-date for the Euronext Paris market will be 3 May 2017. The dividend will be paid in cash on 5 May 2017 and the record date (i.e. the cut-off date for positions qualifying for payment) will be the evening of 4 May 2017.

The entire dividend payout will be eligible for the 40% tax relief mentioned in paragraph 2 of Article 158-3 of the General Tax Code.

If the company holds some of its own shares at the dividend payment date, the dividends not paid on those shares shall be allocated to retained earnings.

In accordance with law, the Annual General Meeting notes that the following dividends were paid for financial years 2013, 2014 and 2015:

	2013	2014	2015
Number of shares	319,264,996	336,086,458	345,135,316
Dividend per share	€1.60	€1.60	€1.60
Total dividend ^{a & b}	€510,823,993.60	€537,731,932.80	€552,128,505.60

(a) The amounts shown represent dividends actually paid, taking account of the fact that shares held by the company itself do not qualify for dividends.

(b) Amounts eligible for 40% tax relief in accordance with paragraph 2 of Article 158-3 of the General Tax Code.

Fourth resolution

(Approval of regulated agreements and commitments specified in Articles L. 225-38 et seq. of the Commercial Code)

The Annual General Meeting, having satisfied the quorum and majority requirements for ordinary general meetings, having acquainted

itself with the auditors' special report on regulated agreements and commitments, and in accordance with the provisions of Articles L. 225-38 et seq. of the Commercial Code, hereby approves the regulated agreements and commitments set out in this report that have not yet been approved by the Annual General Meeting.

Fifth resolution

(Approval of the commitment relative to the defined-benefit pension scheme to which Olivier Bouygues, Deputy Chief Executive Officer, is entitled)

The Annual General Meeting, having satisfied the quorum and majority requirements for ordinary general meetings, having acquainted itself with the auditors' special report on regulated agreements and commitments, and in accordance with the provisions of Article L. 225-42-1 of the Commercial Code, hereby approves the commitment relative to the defined-benefit pension scheme to which Olivier Bouygues is entitled, with effect from 15 November 2016, the date of the renewal of his appointment as Deputy Chief Executive Officer, and which constitutes the continuation of the commitments previously approved by the Annual General Meeting.

Sixth resolution

(Approval of the commitment relative to the defined-benefit pension scheme to which Philippe Marien, Deputy Chief Executive Officer, is entitled)

The Annual General Meeting, having satisfied the quorum and majority requirements for ordinary general meetings, having acquainted itself with the auditors' special report on regulated agreements and commitments, and in accordance with the provisions of Article L. 225-42-1 of the Commercial Code, hereby approves the commitment relative to the defined-benefit pension scheme to which Philippe Marien is entitled, with effect from 30 August 2016, the date of his appointment as Deputy Chief Executive Officer.

Seventh resolution

(Approval of the commitment relative to the defined-benefit pension scheme to which Olivier Roussat, Deputy Chief Executive Officer, is entitled)

The Annual General Meeting, having satisfied the quorum and majority requirements for ordinary general meetings, having acquainted itself with the auditors' special report on regulated agreements and commitments, and in accordance with the provisions of Article L. 225-42-1 of the Commercial Code, hereby approves the commitment relative to the defined-benefit pension scheme to which Olivier Roussat is entitled, with effect from 30 August 2016, the date of his appointment as Deputy Chief Executive Officer.

Eighth resolution

(Favourable opinion on the remuneration components due or awarded to Martin Bouygues, Chairman and Chief Executive Officer, in respect of the year ended 31 December 2016)

The Annual General Meeting, having satisfied the quorum and majority requirements for ordinary general meetings, consulted pursuant to paragraph 26 of the Afep-Medef Corporate Governance Code, which constitutes the Company's reference code pursuant to Article L. 225-37 of the Commercial Code, having acquainted itself with the remuneration components due or awarded to Martin Bouygues in his capacity as Chairman and Chief Executive Officer in respect of the year ended 31 December 2016, as presented in the Board of Directors' report in accordance with Article L. 225-102-1 of the Commercial Code, hereby gives a favourable opinion on those remuneration components.

constitutes the Company's reference code pursuant to Article L. 225-37 of the Commercial Code, having acquainted itself with the remuneration components due or awarded to Martin Bouygues in his capacity as Chairman and Chief Executive Officer in respect of the year ended 31 December 2016, as presented in the Board of Directors' report in accordance with Article L. 225-102-1 of the Commercial Code, hereby gives a favourable opinion on those remuneration components.

Ninth resolution

(Favourable opinion on the remuneration components due or awarded to Olivier Bouygues, Deputy Chief Executive Officer, in respect of the year ended 31 December 2016)

The Annual General Meeting, having satisfied the quorum and majority requirements for ordinary general meetings, consulted pursuant to paragraph 26 of the Afep-Medef Corporate Governance Code, which constitutes the Company's reference code pursuant to Article L. 225-37 of the Commercial Code, having acquainted itself with the remuneration components due or awarded to Olivier Bouygues in his capacity as Deputy Chief Executive Officer in respect of the year ended 31 December 2016, as presented in the Board of Directors' report in accordance with Article L. 225-102-1 of the Commercial Code, hereby gives a favourable opinion on those remuneration components.

Tenth resolution

(Favourable opinion on the remuneration components due or awarded to Philippe Marien, Deputy Chief Executive Officer, in respect of the year ended 31 December 2016)

The Annual General Meeting, having satisfied the quorum and majority requirements for ordinary general meetings, consulted pursuant to paragraph 26 of the Afep-Medef Corporate Governance Code, which constitutes the Company's reference code pursuant to Article L. 225-37 of the Commercial Code, having acquainted itself with the remuneration components due or awarded to Philippe Marien in his capacity as Deputy Chief Executive Officer in respect of the year ended 31 December 2016, as presented in the Board of Directors' report in accordance with Article L. 225-102-1 of the Commercial Code, hereby gives a favourable opinion on those remuneration components.

Eleventh resolution

(Favourable opinion on the remuneration components due or awarded to Olivier Roussat, Deputy Chief Executive Officer, in respect of the year ended 31 December 2016)

The Annual General Meeting, having satisfied the quorum and majority requirements for ordinary general meetings, consulted pursuant to paragraph 26 of the Afep-Medef Corporate Governance Code, which constitutes the Company's reference code pursuant to Article L. 225-37 of the Commercial Code, having acquainted itself with the remuneration components due or awarded to Olivier Roussat in his capacity as Deputy Chief Executive Officer in respect of the year ended 31 December 2016, as presented in the Board of Directors' report in accordance with Article L. 225-102-1 of the Commercial Code, hereby gives a favourable opinion on those remuneration components.

Twelfth resolution

(Remuneration policy applicable to the Chairman and Chief Executive Officer and the Deputy Chief Executive Officers: approval of the principles and criteria for determining, allocating and awarding the fixed, variable and exceptional components of the total remuneration and benefits of all kinds awarded to those Executive Officers)

The Annual General Meeting, having satisfied the quorum and majority requirements for ordinary general meetings, having acquainted itself with the report required by Article L. 225-37-2 of the Commercial Code, hereby approves the principles and criteria for determining, allocating and awarding the fixed, variable and exceptional components of the total remuneration and benefits of all kinds awarded to Executive Officers, in their capacity as either Chairman and Chief Executive Officer or Deputy Chief Executive Officer, as presented in the aforementioned report.

Thirteenth resolution

(Setting of the annual amount of directors' fees)

The Annual General Meeting, having satisfied the quorum and majority requirements for ordinary general meetings, having acquainted itself with the Board of Directors' report, resolves to set at €1,000,000 the maximum amount of directors' fees to be awarded to the Board of Directors for the 2016 financial year and for each subsequent financial year, with the stipulation that this amount will remain applicable until superseded by a new resolution by the Annual General Meeting.

The Annual General Meeting leaves it to the discretion of the Board of Directors as to how to split the amount and when to pay the directors' fees.

Fourteenth resolution

(Renewal of the term of office of Helman le Pas de Sécheval as a director)

The Annual General Meeting, having satisfied the quorum and majority requirements for ordinary general meetings, renews the term of office of Helman le Pas de Sécheval as a director for three years. This term shall expire after the Annual General Meeting called to approve the financial statements for 2019.

Fifteenth resolution

(Appointment of Alexandre de Rothschild as a director)

The Annual General Meeting, having satisfied the quorum and majority requirements for ordinary general meetings, appoints Alexandre de Rothschild as a director for three years. He will replace Hervé Le Bouc, whose term expires at the end of this Annual General Meeting. This term will expire after the Annual General Meeting called to approve the financial statements for 2019.

Sixteenth resolution

(Authorisation to the Board of Directors with a view to permitting the company to trade in its own shares)

The Annual General Meeting, having satisfied the quorum and majority requirements for ordinary general meetings, having acquainted itself with the Board of Directors' report including its description of the share buy-back programme, and in accordance with the provisions of Articles L. 225-209 and L. 225-209-2 of the Commercial Code:

1. authorises the Board of Directors to buy back, under the conditions set out below, shares representing up to 5% of the company's share capital at the date on which the authorisation is used, in compliance with the prevailing legal and regulatory conditions at that date;
2. resolves that the purpose of this authorisation is to enable the company, in relation to market practice accepted by the AMF, an objective specified in Article 5 of Commission Regulation (EU) No. 596/2014 on market abuse, or an objective mentioned in Articles L. 225-209 et seq. of the Commercial Code, to:
 - reduce share capital by cancelling shares under the conditions laid down by law, subject to authorisation by the Extraordinary General Meeting,
 - fulfil the obligations arising from debt securities, in particular securities that grant the right to the allotment of company shares via redemption, conversion, exchange, presentation of a warrant or otherwise,
 - grant or sell shares to employees or corporate officers of the company or related companies under the terms and conditions laid down by law, in particular as part of profit-sharing schemes, stock option plans, company savings schemes and Group savings schemes or through allotment of free shares,
 - ensure the liquidity of and organise trading in the company's shares, through an investment services provider acting under the terms of a liquidity agreement that complies with a code of conduct recognised by the AMF,
 - retain shares and, where applicable, deliver them subsequently as a medium of payment or exchange in an acquisition, merger, spin-off or asset-for-share exchange, in accordance with applicable regulations,
 - implement any market practice accepted by the AMF and generally to carry out any other transaction in compliance with prevailing regulations;
3. resolves that the acquisition, sale, transfer or exchange of these shares may be carried out, on one or more occasions, in compliance with rules issued by the AMF in its Position-Recommendation DOC-2017-04, on all markets or off-market, including on Multilateral Trading Facilities (MTFs) or via a systematic "internaliser", or over-the-counter, in any manner, notably through the acquisition or sale of blocks of shares, using derivative financial instruments and at any time, including during a period of a public offer for the company's shares. All or part of the programme may be carried out through block trades;
4. resolves that the maximum purchase price be set at €50 (fifty euros) per share, subject to any adjustments in connection with share capital transactions. If share capital is increased by incorporating premiums, earnings or reserves into capital and allotment of free shares, or in the event of a stock split or reverse stock split, the price indicated above shall be adjusted by a multiplication factor equal to the ratio of the number of shares making up the share

- capital before the transaction to the number of shares after the transaction;
5. sets at €875,000,000 (eight hundred and seventy-five million euros) the maximum amount of funds that can be used for the share buy-back programme thus authorised, corresponding to a maximum of 17,500,000 shares purchased at a price of €50 (fifty euros) per share as authorised above;
 6. notes that, in accordance with law, the total shares held at any given date may not exceed 10% of the share capital in issue at that date;
 7. gives full powers to the Board of Directors, with the power to sub-delegate under and in accordance with applicable law,

to implement this authorisation, place all stock market orders, conclude all agreements, in particular with a view to the registration of purchases and sales of shares, completing all steps, declarations and formalities with the AMF and any other body, and in general taking all necessary measures to execute the decisions taken within the scope of this authorisation;

8. resolves that the Board of Directors shall inform the Annual General Meeting of the transactions carried out, in accordance with applicable regulations;
9. grants this authorisation for eighteen months from the date of this meeting, and notes that it cancels and supersedes the unused portion of any previous authorisation given for the same purpose.

8.4.2 Extraordinary General Meeting

Seventeenth resolution

(Authorisation to the Board of Directors to reduce share capital by cancelling treasury shares held by the company)

The Annual General Meeting, having satisfied the quorum and majority requirements 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 Article L. 225-209 of the Commercial Code:

1. authorises the Board of Directors 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 share buy-back authorisations given by the Annual General Meeting to the Board of Directors, up to a limit of 10% in any twenty-four month period of the total number of shares making up the company's share capital at the date of the transaction;
2. authorises the Board of Directors to charge the difference between the purchase value of the cancelled shares and their par value to 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 articles of association accordingly, and generally to attend to all necessary formalities;
4. grants this authorisation for eighteen months from the date of this meeting, and notes that it cancels and supersedes the unused portion of any previous authorisation given for the same purpose.

Eighteenth resolution

(Delegation of powers to the Board of Directors to increase share capital by way of public offering, with pre-emptive rights for existing shareholders, by issuing shares and all securities giving immediate and/or future access to shares in the company or one of its subsidiaries)

The Annual General Meeting, having satisfied the quorum and majority requirements 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 Articles L. 225-129, L. 225-129-2, L. 228-91, L. 228-92 and L. 228-93 of the Commercial Code:

1. delegates to the Board of Directors, with the power to sub-delegate under and in accordance with applicable law, the power to carry out one or more capital increases, by such amounts, at such times and under such terms as it deems fit, by issuing, with pre-emptive rights for existing shareholders, 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 the future, at any time or on a set date, to ordinary shares, to be issued in the 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 the future pursuant to this delegation 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; the nominal amount of ordinary shares that may be issued by virtue of the twentieth, twenty-first, twenty-fourth, twenty-fifth and twenty-sixth resolutions of the Annual General Meeting shall count towards this overall ceiling;

3. resolves that the securities giving access to ordinary shares in the company or a Subsidiary so issued may consist of debt securities, be linked to the issue of such securities, or allow them to be issued as intermediary securities. In particular, they may be subordinated or unsubordinated, dated or undated, and issued in euros or a foreign currency or any other monetary unit established with reference to a basket of currencies;
4. resolves that the nominal amount of all the debt securities that may be issued hereunder shall not exceed €7,000,000,000 (seven billion euros) or the equivalent in any other currency or any other unit of account on the date the issue is decided, on condition that such amount does not include above-par redemption premium(s), if provided for. The nominal amount of the debt securities issued under the twentieth, twenty-first, twenty-fourth and twenty-fifth resolutions shall count towards this overall ceiling. Debt securities giving access to ordinary shares in the company or a Subsidiary may be issued at a fixed and/or floating rate of interest, with or without capitalisation, and may be subject to redemption, with or without premium, or repayment; they may also be repurchased on the market or be the subject of an offer by the company to purchase or exchange them;
5. resolves, in the event that this delegation is used by the Board of Directors, that:
 - a) shareholders shall have pre-emptive rights in proportion to the number of shares they hold, to subscribe as of right to ordinary shares and securities issued under this resolution,
 - b) the Board of Directors shall also have the option to grant shareholders the right to subscribe for excess shares, which will be exercised in proportion to their rights and up to the limit of the amounts they request,
 - c) if subscriptions as of right and, where applicable, subscriptions for excess shares, 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 or more of the following options:
 - limit the issue to the amount of subscriptions received, on condition that this amount reaches at least three quarters of the amount of the issue decided,
 - distribute as it deems 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,
 - d) resolves that the Board of Directors shall determine the characteristics, amount and terms of any issue and the securities to be issued. In particular, it shall 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,
 - e) the Board of Directors shall have full powers to implement this delegation, with the power to sub-delegate under and
 - in accordance with applicable law, 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 deems fit, in France and/or, where applicable, abroad and/or on the international market (or, where applicable, to postpone any such issue); to confirm such issue has taken place and amend the articles of association 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;
6. notes that this delegation entails the waiver by shareholders of their pre-emptive rights to subscribe for ordinary shares in the company to which any securities issued under this delegation may give entitlement;
7. grants this delegation for a period of twenty-six months as from the date of this meeting, and notes that it cancels and supersedes the unused portion of any previous delegation given for the same purpose.

Nineteenth resolution

(Delegation of powers to the Board of Directors to increase share capital by incorporating share premiums, reserves or earnings, or other amounts into capital)

The Annual General Meeting, having satisfied the quorum and majority requirements by Article L. 225-98 of the Commercial Code, having acquainted itself with the Board of Directors' report, and in accordance with the provisions of Articles L. 225-129, 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 under and in accordance with applicable law, the power to carry out, in such amounts and at such times as it deems fit, one or more capital increases by incorporating into the capital premiums, reserves, earnings or other amounts which may be incorporated into capital successively or simultaneously in accordance with applicable law and the articles of association, in the form of an allotment of free shares or by increasing the nominal value of the existing shares, or through a combination of the two procedures;
2. 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, where applicable, the 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 ceiling set in this delegation is independent of and separate from the overall ceiling set in the eighteenth resolution;
3. resolves, in the event that this delegation is used by the Board of Directors, and in accordance with the provisions of Article L. 225-130 of the Commercial Code, that in the case of a capital increase by allotment of free 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 regulatory time limit;

4. resolves that the Board of Directors shall have full powers to implement this delegation, with the power to sub-delegate to any authorised person, 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 articles of association accordingly;
5. grants this delegation for a period of twenty-six months as from the date of this meeting, and notes that it cancels and supersedes the unused portion of any previous delegation given for the same purpose.

Twentieth resolution

(Delegation of powers to the Board of Directors to increase share capital by way of public offering, without pre-emptive rights for existing shareholders, by issuing shares and all securities giving immediate and/or future access to shares in the company or one of its subsidiaries)

The Annual General Meeting, having satisfied the quorum and majority requirements 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 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 under and in accordance with applicable law, the power to carry out one or more capital increases, by way of public offering, in such amounts and at such times as it deems fit, by issuing, without pre-emptive rights for existing shareholders, 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 the future, to new ordinary shares in the company or in any company in which it directly or indirectly owns more than half of the 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 that may be implemented now and/or in the future pursuant to this resolution may not exceed €85,000,000 (eighty-five million euros) in nominal value, plus, where 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. This amount shall count towards the overall ceiling set in the eighteenth resolution;
3. resolves that the securities giving access to ordinary shares in the company or a Subsidiary so issued may consist of debt securities, be linked to the issue of such securities, or allow them to be issued as intermediary securities. In particular, they may be subordinated or unsubordinated, dated or undated, and issued in euros or a foreign currency or any other monetary unit established with reference to a basket of currencies;
4. resolves that the nominal amount of all the debt securities that may be issued hereunder shall not exceed €4,000,000,000 (four billion euros) or the equivalent in any other currency or any other unit of

account on the date the issue is decided. This amount shall count towards the overall ceiling set in the eighteenth resolution and does not include above-par redemption premium(s), if provided for. Debt securities giving access to ordinary shares in the company or a Subsidiary may be issued at a fixed and/or floating rate of interest, with or without capitalisation, and may be subject to redemption, with or without premium, or repayment; they may also be repurchased on the market or be the subject of an offer by the company to purchase or exchange them;

5. resolves to cancel the pre-emptive rights of shareholders to the securities that may be issued in accordance with law and give the Board of Directors power to grant shareholders a priority right to subscribe to the securities as of right and/or for any excess, pursuant to Article L. 225-135 of the Commercial Code. If subscriptions, including those of shareholders where applicable, do not account for the entire issue, the Board may limit the amount of the issue in accordance with applicable law;
6. notes that this delegation entails the waiver by shareholders of their pre-emptive rights to subscribe for ordinary shares in the company to which any securities issued under this delegation may give entitlement;
7. resolves that the Board of Directors shall determine the characteristics, amount and terms of any issue and of the securities to be issued. In particular, it shall 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, where 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 legal provisions, the allotment rights of holders of securities giving access to ordinary shares may be temporarily suspended. Apart from the provisions of the twenty-second resolution, the issue price of the ordinary shares and the securities shall be 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 regulations for each ordinary share at the time this delegation is used, i.e. on this day, in accordance with the provisions of Article R. 225-119 of the Commercial Code, at the weighted average for the last three trading sessions before the price is set, with a possible maximum discount of 5%;
8. resolves that the Board of Directors shall have full powers to implement this delegation, with the power to sub-delegate under and in accordance with applicable law, 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 deems fit, in France and/or, where applicable, abroad and/or on the international market (or, where applicable, to postpone any such issue); to confirm such issue has taken place and amend the articles of association 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;

9. grants this delegation for a period of twenty-six months as from the date of this meeting, and notes that it cancels and supersedes the unused portion of any previous delegation given for the same purpose.

Twenty-first resolution

(Delegation of powers to the Board of Directors to increase share capital by way of private placement without pre-emptive rights for existing shareholders, by issuing shares and all securities giving immediate and/or future access to shares in the company or one of its subsidiaries)

The Annual General Meeting, having satisfied the quorum and majority requirements 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 paragraph 2, Article L. 411-2 of the Monetary and Financial Code, and Articles L. 225-129, 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 under and in accordance with applicable law, the power to carry out one or more capital increases, through one or more offers falling within the scope of paragraph 2, Article L. 411-2 of the Monetary and Financial Code, in such amounts and at such times as it deems fit, by issuing, without pre-emptive rights for existing shareholders, 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 the future, to new ordinary shares in the company or in any company in which it directly or indirectly owns more than half of the 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 that may be implemented now or in the future pursuant to this resolution may not exceed 20% of the share capital over a twelve-month period or €70,000,000 (seventy million euros) in nominal value. The nominal amount shall count towards the overall ceiling set in the eighteenth resolution, plus, where 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;
3. resolves that the securities giving access to ordinary shares in the company or a Subsidiary issued under this resolution may consist of debt securities, be linked to the issue of such securities, or allow them to be issued as intermediate securities. In particular, they may be subordinated or unsubordinated, dated or undated, and issued in euros or a foreign currency or any other monetary unit established with reference to a basket of currencies;
4. resolves that the nominal amount of all the debt securities that may be issued hereunder shall not exceed €3,000,000,000 (three billion euros) or the equivalent in any other currency or any other unit of account on the date the issue is decided. This amount shall count towards the overall ceiling set in the eighteenth resolution and does not include above-par redemption premium(s), if provided for. Debt securities giving access to ordinary shares in the company may be issued at fixed and/or floating rates of interest, with or without capitalisation, and may be subject to redemption, with or without premium, or repayment; they may also be repurchased on the market or be the subject of an offer by the company to purchase or exchange them;
5. resolves to cancel the pre-emptive rights of shareholders to ordinary shares and/or securities issued under this delegation;
6. notes that this delegation entails the waiver by shareholders of their pre-emptive rights to subscribe for ordinary shares in the company to which any securities issued under this delegation may give entitlement;
7. resolves that the Board of Directors shall determine the characteristics, amount and terms of any issue and of the securities to be issued. In particular, it shall 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, where 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, in accordance with applicable law, and the conditions under which, in accordance with applicable legal provisions, the allotment rights of holders of securities giving access to ordinary shares may be temporarily suspended. Apart from the provisions of the twenty-second resolution, the issue price of the ordinary shares and the securities shall be 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 Subsidiary, as the case may be, is equal to or greater than the minimum amount required by regulations for each ordinary share at the time this delegation is used, i.e. on this day, in accordance with the provisions of Article R. 225-119 of the Commercial Code, at the weighted average for the last three trading sessions before the price is set, with a possible maximum discount of 5%;
8. resolves that the Board of Directors shall have full powers to implement this delegation, with the power to sub-delegate under and in accordance with applicable law, 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 deems fit, in France and/or, where applicable, abroad and/or on the international market (or, where applicable, to postpone any such issue); to confirm such issue has taken place and amend the articles of association 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;
9. grants this delegation for a period of twenty-six months as from the date of this meeting, and notes that it cancels the unused portion of any previous delegation given for the same purpose.

Twenty-second resolution

(Authorisation to the Board of Directors to set the price, in accordance with the terms decided by the Annual General Meeting, for immediate or future issues of equity securities, by way of public offering or private placement, without pre-emptive rights for existing shareholders)

The Annual General Meeting, having satisfied the quorum and majority requirements for extraordinary general meetings, having acquainted itself with the Board of Directors' report and the auditors' special report, in accordance with the provisions of Article L. 225-136-1, paragraph 2 of the Commercial Code, and to the extent that the equity 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 under and in accordance with applicable law, to derogate, for each of the issues decided under the twentieth and twenty-first resolutions and up to the limit of 10% of the share capital (based on share capital as at the date of this meeting) for a period of twelve months, from the pricing terms provided for under applicable regulations at the time this authorisation is used, i.e. on this day by Article R. 225-119 of the Commercial Code, and to set the price of the equity securities to be issued immediately or at a later date in a public issue or other issue falling within the scope of paragraph 2 of Article L. 411-2 of the Monetary and Financial Code, in accordance with the following provisions:
 - a) for equity securities to be issued immediately, the Board may opt for one of two alternatives:
 - either the average price observed over a maximum period of six months prior to the issue date, or
 - the volume-weighted average price on the market on the day preceding the issue (1-day VWAP) with a maximum discount of 20%,
 - b) for equity securities to be issued at a later date, 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 or greater than the amount referred to in subparagraph (a) above in respect of each ordinary share;
2. resolves that the Board of Directors shall have full powers to implement this resolution in accordance with the resolution by which the issue is decided;
3. grants this authorisation for a period of twenty-six months as from the date of this meeting, and notes that it cancels the unused portion of any previous authorisation given for the same purpose.

Twenty-third 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 for existing shareholders)

The Annual General Meeting, having satisfied the quorum and majority requirements 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 Article L. 225-135-1 of the Commercial Code:

1. authorises the Board of Directors, with the power to sub-delegate under and in accordance with applicable law, to resolve, in the case of a capital increase with or without pre-emptive rights for existing shareholders, 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 ceilings set in the resolution pursuant to which such issue is decided;
2. grants this authorisation for a period of twenty-six months as from the date of this meeting, and notes that it cancels the unused portion of any previous authorisation given for the same purpose.

Twenty-fourth resolution

(Delegation of powers to the Board of Directors to increase share capital, without pre-emptive rights for existing shareholders, as consideration for contributions in kind to the company consisting of equity securities or securities giving access to the capital of another company outside of a public exchange offer)

The Annual General Meeting, having satisfied the quorum and majority requirements 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 Article L. 225-147 of the Commercial Code:

1. delegates to the Board of Directors, with the power to sub-delegate under and in accordance with applicable law, the power to issue, based on the report of the expert appraisers referred to in paragraphs 1 and 2 of Article L. 225-147 of the Commercial Code, ordinary shares of the company or securities giving access in whatever manner, now or in the future, to new ordinary shares in the company, as consideration for contributions in kind consisting of equity securities or securities giving access to the capital of another company, in cases where the provisions of Article L. 225-148 of the Commercial Code are not applicable;
2. resolves to set the total nominal amount of capital increases, now or in the future, as a result of issues made pursuant to this delegation, at 10% of the share capital (based on the share capital at the date of this meeting). This nominal amount shall count towards the overall ceiling set in the eighteenth resolution;
3. resolves that the nominal amount of all the debt securities that may be issued hereunder shall not exceed €1,500,000,000 (one billion five hundred million euros) or the equivalent in any other currency or any other unit of account on the date the issue is decided, on condition that such amount does not include above-par redemption premium(s), if provided for. This nominal amount shall count towards the overall ceiling set in the eighteenth resolution;
4. resolves to cancel insofar as is needed, for the benefit of the holders of equity securities or securities that are the subject of the contributions in kind, the pre-emptive rights of shareholders to the shares and/or securities issued under this delegation;
5. notes that this delegation entails the waiver by shareholders of their pre-emptive rights to ordinary shares in the company to which the securities issued under this delegation, if any, could entitle them;

6. resolves that the Board of Directors shall have full powers to implement this resolution, with the power to sub-delegate under and in accordance with applicable law, in particular to take its decision, based on the report of the expert appraisers, and to approve the granting of particular benefits, to record the completion of the capital increases made pursuant to this delegation, amend the articles of association accordingly, carry out all formalities and filings, 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;
7. grants this delegation for a period of twenty-six months as from the date of this meeting, and notes that it cancels the unused portion of any previous delegation given for the same purpose.

Twenty-fifth resolution

(Delegation of powers to the Board of Directors to increase share capital, without pre-emptive rights for existing shareholders, as consideration for securities tendered to a public exchange offer initiated by the company)

The Annual General Meeting, having satisfied the quorum and majority requirements 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 Articles L. 225-129, 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 under and in accordance with applicable law, the power to issue ordinary shares of the company and/or securities, 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;
2. resolves that the nominal amount of all capital increases that may be implemented now and/or in the future pursuant to this resolution may not exceed €85,000,000 (eighty-five million euros) 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. This amount shall count towards the overall ceiling set in the eighteenth resolution;
3. resolves that the nominal amount of all the debt securities that may be issued hereunder shall not exceed €4,000,000,000 (four billion euros) or the equivalent in any other currency or any other unit of account on the date the issue is decided, on condition that such amount does not include above-par redemption premium(s), if provided for. This nominal amount shall count towards the overall ceiling set in the eighteenth resolution;
4. resolves to cancel the pre-emptive rights of shareholders to ordinary shares and/or securities issued under this delegation;
5. notes that this delegation entails the waiver by shareholders of their pre-emptive rights to ordinary shares in the company to which the securities issued under this delegation, if any, could entitle them;

6. resolves that the Board of Directors shall have full powers, with the power to sub-delegate under and in accordance with applicable law, to implement this resolution, in particular:
 - to set the exchange ratio and, where applicable, the cash balance of the consideration to be paid,
 - 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, where applicable, of the securities giving immediate and/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 par value,
 - if necessary, to charge all expenses, taxes and duties incurred in relation to the transaction authorised hereunder to the share premium account,
 - 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 articles of association accordingly;
7. grants this delegation for a period of twenty-six months as from the date of this meeting, and notes that it cancels the unused portion of any previous delegation given for the same purpose.

Twenty-sixth resolution

(Delegation of powers to the Board of Directors to issue shares, without pre-emptive rights for existing shareholders, following the issue, by a Bouygues subsidiary, of securities giving access to shares in the company)

The Annual General Meeting, having satisfied the quorum and majority requirements 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 Articles L. 225-129, 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 under and in accordance with applicable law, the power to issue ordinary shares in Bouygues as a result of the issuance of securities by any company in which Bouygues directly or indirectly holds more than half of the capital (the "Subsidiaries") and expressly authorises the resulting capital increase(s);

These securities shall be issued by the Subsidiaries with the agreement of the Board of Directors of Bouygues and may, in accordance with the provisions of Article L. 228-93 of the Commercial Code, give immediate and/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 on the international market;

2. notes that the company's shareholders have no pre-emptive rights over the aforementioned securities issued by the Subsidiaries;
3. notes that this resolution entails, for the benefit of the holders of securities that may be issued by the Subsidiaries, the waiver by shareholders of their pre-emptive rights to ordinary shares to which the aforementioned securities issued by the Subsidiaries could entitle them;
4. resolves that the nominal amount of the increase in the company's capital resulting from all issues that may be carried out under this delegation may not exceed €85,000,000 (eighty-five million euros). This nominal amount shall count towards the overall ceiling set in the eighteenth resolution;
5. resolves that the amount payable to the company at the time of the issue or thereafter shall, in any event, with respect for each ordinary share issued as a result of the issue of such securities, be equal to or greater than the minimum amount provided for by applicable law and regulations in force at the time this delegation is used, after such amount has been adjusted, if necessary, to take account of the different dates of first entitlement;
6. resolves that the Board of Directors shall have full powers, with the power to sub-delegate under and in accordance with applicable law, 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, where applicable, foreign laws and regulations. The Board of Directors shall have full powers to amend the articles of association to reflect the utilisation of this delegation, in accordance with the terms of its report to this meeting;
7. grants this delegation for a period of twenty-six months as from the date of this meeting, and notes that it cancels the unused portion of any previous delegation given for the same purpose.

Twenty-seventh resolution

(Delegation of powers to the Board of Directors to increase share capital, without pre-emptive rights for existing shareholders, for the benefit of employees or corporate officers of the company or related companies who are members of a company savings scheme)

The Annual General Meeting, having satisfied the quorum and majority requirements for extraordinary general meetings, having acquainted itself with the Board of Directors' report and the auditors' special report, and in accordance with the provisions, first, of the Commercial Code and in particular Articles L. 225-129-6 (paragraph 1) and L. 225-138-1, and second, Articles L. 3332-1 et seq. of the Labour Code:

1. delegates to the Board of Directors the power to carry out one or more capital increases, at its own initiative, in such amounts and at such times as it deems fit, on condition that they do not exceed 5% of the company's share capital on the day of the Board of Directors' decision. The capital increases may be carried out by issuing new shares for payment in cash and, where applicable, by incorporating reserves, earnings or premiums into the capital and by allotting free shares or other securities giving access to capital, subject to applicable law. The meeting also resolves that the ceiling 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 other ceilings set by this meeting;
2. reserves subscriptions for all the shares to be issued for employees and corporate officers of Bouygues and employees and corporate officers of all related French and foreign companies within the meaning of applicable legislation, who are members of a company or Group savings scheme or any inter-company savings scheme;
3. resolves that the subscription price for the new shares, set by the Board of Directors or its delegate in accordance with the provisions of Article L. 3332-19 of the Labour Code at the time of each issue, may not be more than 20% below, or 30% below in the cases provided by law, the average of the initial quoted prices for the share on the Euronext Paris market during the twenty trading days preceding the date of the decision setting the opening date for subscriptions;
4. notes that this resolution entails the 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 under this resolution;
5. delegates full powers to the Board of Directors to:
 - set 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; to decide and fix the terms for allotting free shares or other securities giving access to capital, pursuant to the authorisation given in point 1 above. The Board is also empowered to set 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, to set the payment period, subject to a maximum period of three years, and to set, where appropriate, the maximum number of shares that can be subscribed per employee and per issue,
 - record the capital increases 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 articles of association 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 take all necessary measures.

The Board of Directors may, within the limits provided by law and any that it shall set beforehand, delegate to the Chief Executive Officer or, with his agreement, to one or more Deputy Chief Executive Officers, the powers granted to it under this resolution;

6. grants this delegation for a period of twenty-six months as from the date of this meeting, and notes that it cancels the unused portion of any previous delegation given for the same purpose.

Twenty-eighth resolution

(Authorisation to the Board of Directors to grant options to acquire new or existing shares to employees or corporate officers of the company or related companies)

The Annual General Meeting, having satisfied the quorum and majority requirements 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 Articles L. 225-177 to L. 225-186-1 of the Commercial Code:

1. authorises the Board of Directors to grant on one or more occasions to persons it shall designate among the salaried employees and the corporate officers of the company and/or companies and/or groupings that are directly or indirectly related to it within the meaning of Article L. 225-180 of the Commercial Code, stock options giving the beneficiaries the right, at their discretion, either to subscribe for new shares in the company to be issued through a capital increase or to buy existing shares in the company coming from buy-backs carried out by the company;
2. resolves that the total number of stock options that may be granted under this authorisation shall not give the right to subscribe for or acquire a total number of shares representing, at the allotment date and taking into account stock options already granted under this authorisation, more than 2% of the share capital of the company on the day of the Board of Directors' decision;
3. resolves in particular that the total number of stock options granted to Executive Officers of the company under this authorisation shall not give the right to subscribe for or acquire a total number of shares representing, at the allotment date and taking into account stock options already granted under this authorisation, more than 0.25% of the share capital of the company on the day of the Board of Directors' decision, with the stipulation that the number of options that may be granted to Executive Officers under this authorisation shall not count towards the minimum ceiling set, for bonus (i.e. free) shares allotted to Executive Officers, under the twenty-first resolution of the Combined Annual General Meeting of 21 April 2016;
4. resolves that if share subscription options are granted, the price that the beneficiaries shall pay to subscribe for shares shall be determined on the day the options are granted by the Board of Directors and that the price shall not be less than the average share price quoted on the Eurolist of Euronext Paris – or on any other market that would replace it – for the twenty trading days preceding the day when the share subscription options are granted;
5. resolves that if share purchase options are granted, the price that the beneficiaries shall pay to purchase shares shall be determined by the Board of Directors on the day the options are granted and

that the price shall not be less than the average share price quoted on the Eurolist of Euronext Paris – or on any other market that would replace it – for the twenty trading days preceding the day when the share subscription options are granted or the average purchase price of shares that shall be held by the company in accordance with Articles L. 225-208 and L. 225-209 of the Commercial Code;

6. resolves that the exercise period for the stock options granted under this authorisation, as determined by the Board of Directors, shall not exceed ten years, as from their allotment date, unless a subsequent Annual General Meeting should decide to set a longer exercise period;
7. notes that pursuant to Article L. 225-178 of the Commercial Code, this authorisation expressly entails, for the benefit of the beneficiaries of stock options, the waiver by shareholders of their pre-emptive rights to the shares in the company that are issued as the stock options are exercised;
8. delegates to the Board of Directors, with the power to sub-delegate under and in accordance with applicable law, full powers to determine the other terms and conditions for allotting and exercising stock options, and in particular to:
 - determine the terms and conditions for granting and exercising the stock options and for drawing up the list of the beneficiaries of the options,
 - determine, where applicable, the length of service, performance and other criteria that beneficiaries must fulfil to receive stock options,
 - in particular, in the case of stock options granted to Executive Officers of the company, determine, where applicable, the performance criteria that the beneficiaries must fulfil, and provide that the stock options may not be exercised before the Executive Officers cease their functions or determine the quantity of registered shares that must be kept until they so cease,
 - determine the exercise period(s) and, where applicable, extensions of the period(s), and, where applicable, draw up the clauses prohibiting the immediate resale of all or part of the shares,
 - set the date of first entitlement, which may be retroactive, of new shares arising from the exercise of stock options,
 - decide the conditions under which the price and the number of shares to be subscribed for or purchased must be adjusted, notably in the cases provided for by applicable laws and regulations,
 - provide for the right to temporarily suspend the exercise of stock options in the event of corporate finance transactions or transactions on shares,
 - limit, restrict or prohibit the exercise of stock options during certain periods or as from certain events, with such action being applied to all or part of the stock options and concerning all or part of the beneficiaries,
 - conclude all agreements, take all steps, and carry out or have carried out all acts and formalities to finalise the capital increase(s) carried out under this authorisation; amend the articles of association accordingly, and generally take all necessary measures,
 - if deemed appropriate, 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;

9. grants this authorisation for a maximum period of twenty-six months as from the date of this meeting, and notes that it cancels the unused portion of any previous authorisation given for the same purpose.

Twenty-ninth resolution

(Delegation of powers to the Board of Directors to issue equity warrants during the period of a public offer for the company)

The Annual General Meeting, in extraordinary session but having satisfied the quorum and majority requirements for ordinary general meetings, having acquainted itself with the Board of Directors' report and the auditors' special report, and in accordance with Article L. 233-32 II of the Commercial Code:

1. delegates to the Board of Directors the power to issue warrants on one or more occasions, during the period of a public offer for the company, 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 will lapse automatically as soon as the offer and any other competing offer has failed, lapsed or been withdrawn;
2. resolves that the capital increase that may result from the exercise of such equity warrants may not exceed one quarter of the number of shares that make up the capital at the time the warrants are issued, or the nominal amount of €85,000,000 (eighty-five million euros),

and that the maximum number of equity warrants that may be issued shall not exceed one quarter of the number of shares that make up the capital at the time the warrants are issued;

3. resolves that the Board of Directors shall have full powers, with the power to sub-delegate under and in accordance with applicable law, 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 under this delegation;
4. notes that this delegation entails the waiver by shareholders of their pre-emptive rights to ordinary shares in the company to which any warrants issued pursuant to this delegation may give entitlement;
5. grants this delegation for a period of eighteen months as from the date of this meeting, and notes that it cancels and supersedes the unused portion of any previous delegation given for the same purpose.

Thirtieth resolution

(Powers to carry out formalities)

The Annual General Meeting, having satisfied the quorum and majority requirements for extraordinary general meetings, gives full powers to the holder of an original, a copy of or an excerpt from the minutes of this Annual General Meeting to carry out all necessary filings, publications and formalities.

Concordance

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Historical financial information for 2014 and 2015

Pursuant to Article 28 of Commission Regulation EC No. 809-2004 of 29 April 2004, the following information is included by reference in this Registration Document:

- key financial information and the consolidated financial statements for the year ended 31 December 2014 and the auditors' reports relating thereto, presented respectively on pages 17 to 22, 220 to 283 and 284 to 285 of the 2014 Registration Document filed with the Autorité des Marchés Financiers on 18 March 2015 under No. D. 15-0164;

■ key financial information and the consolidated financial statements for the year ended 31 December 2015 and the auditors' reports relating thereto, presented respectively on pages 17 to 22 and 230 to 289 of the 2015 Registration Document filed with the Autorité des Marchés Financiers on 16 March 2016 under No. D. 16-043, and an erratum filed with the Autorité des Marchés Financiers on 15 April 2016.

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

Full-year Financial Report

The 2016 Full-year Financial Report, prepared pursuant to Article L. 451-1-2-I of the Monetary and Financial Code and Article 222-3 of the AMF General Regulation, comprises the following sections of the Registration Document:

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Board of Directors' management report

The management report for 2016 prepared pursuant to Article L. 225-100 of the Commercial Code is included in this Registration Document. It was approved by the Board of 6 Directors at its meeting on 22 February 2017. It contains the following information (unless otherwise stated, the numbers in brackets refer to the relevant articles of the Commercial Code):

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Human resources, environmental and social information

The human resources, environmental and social information contained in the management report pursuant to Articles L. 225-102-1 and R. 225-105-1 of the Commercial Code are included in chapter 3 of this Registration Document on the following pages:

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Report by the Chairman on corporate governance, internal control and risk management

The Report by the Chairman on corporate governance, internal control and risk management, prepared pursuant to Article L. 225-37 of the Commercial Code, can be found on pages 175 to 199 of this Registration Document.

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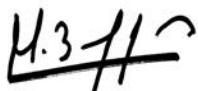
Statement by the person responsible for the Registration Document

I hereby declare that, to the best of my knowledge, the information in this Registration Document is correct and that all reasonable measures have been taken to that end. There are no omissions likely to alter the scope of this information.

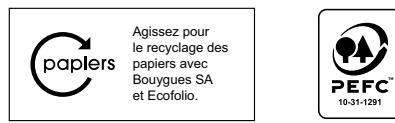
I hereby declare that, to the best of my knowledge, the financial statements have been prepared in accordance with the applicable set of accounting standards and give a true and fair view of the assets, liabilities, financial positions and results of the company and all the undertakings included in the consolidation taken as a whole; and that the management report on pages 5 to 242 and 331 to 342 includes a fair review of the development and performance of the business, the results and the financial position of the company and all the undertakings in the consolidation taken as a whole, and that it describes the principal risks and uncertainties that they face.

I have received a completion letter from the statutory auditors stating that they have verified the information concerning the financial situation and the financial statements set forth in this Registration Document, which they have read in full.

Paris, 20 March 2017



Martin Bouygues
Chairman and CEO



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- You can access and download the 2016 Registration Document and *2016 At a Glance* on the www.bouygues.com website. You can access the website directly by scanning the QR code (specific app. and internet connection required) with your smartphone or tablet.
- The interactive Registration Document has a powerful search engine and useful internet links. It can be accessed on tablets and smartphones. It will be available in April 2017.

On tablets



- *2016 At a Glance*^a is available on tablets (key videos and photos, and a guide of the Group's main sites around the world). Updated yearly.



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