NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE 9 MONTHS ENDED 30 SEPTEMBER 2005

(in millions of euros)

14 December 2005

CONTENTS

(*Figures in millions of euros)*

NOTE

- The consolidated financial statements of the Bouygues group are prepared using the principles and methods defined in International Financial Reporting Standards (IFRS), in accordance with European Council Regulation 1606/2002 of 19 July 2002.

- They are prepared in millions of euros, and comprise:
  - ✓ the consolidated balance sheet and income statement
  - ✓ the consolidated statement of changes in shareholders' equity
  - ✓ the consolidated cash flow statement
  - ✓ simplified notes to the financial statements as at 30 September

Comparatives are presented for the periods ended 30 September 2004 and 31 December 2004.

NOTE 1	SIGNIFICANT EVENTS IN THE PERIOD

1.0 – 1 JANUARY 2005: TRANSITION TO IFRS

- Under European Council Regulation 1606/2002, adopted 19 July 2002, companies listed on a regulated market in a member state must prepare their consolidated financial statements for the first financial year ending on or after 1 January 2005 in accordance with the accounting standards issued by the International Accounting Standards Board (IASB), known as International Financial Reporting Standards (IFRS).

  The financial statements as at 30 September 2005, and the comparatives for 2004, are presented in accordance with the General Regulations of the French stock market regulator, the *Autorité des Marchés Financiers* (AMF), which offer an alternative to the presentation of interim financial statements under IAS 34. These regulations state that the notes to the financial statements as at 30 September may be prepared in accordance with Recommendation 99R-01 of the French national accounting standard-setter, the *Conseil National de la Comptabilité* (CNC), and may be limited to a selection of the most significant notes.

- A detailed analysis of the impact of IFRS transition on the balance sheet as at 1 January 2004, including the general principles applied in the first-time adoption of IFRS, was published in the "Legal and Financial Information" chapter of the 2004 Annual Report (page 89).

- A detailed analysis of the impact of IFRS transition (balance sheet, statement of changes in shareholders' equity, income statement and cash flow statement) as at 31 December 2004, has been published on the Bouygues website (Finance/Shareholders ➔ IFRS standards).

- Decisions on which standards to apply in the 2005 financial statements reflect the Group's assumptions about which standards will be applicable as at 31 December 2005.

In some specific areas, clarifications or interpretations are pending from the IASB or from the International Financial Reporting Interpretations Committee (IFRIC):

- ✓ Public service contracting (concessions)
- ✓ Customer loyalty programmes (Bouygues Telecom)

Because of the uncertainty as to the standards and interpretations that will be applicable to the financial statements as at 31 December 2005, the Group reserves the right to modify, as of that date, certain optional treatments and accounting methods used in preparing the financial statements for 2004 and 2005.

1.1 – Scope of consolidation as at 30 September 2005

Main changes in the scope of consolidation during 2005

949 companies consolidated; the increase of 23 since 31 December 2004 relates mainly to Colas. An additional 6.5% interest in Bouygues Telecom has also been consolidated, in accordance with the promise to sell granted by BNP Paribas (see note 1.4 below).

1.2 – Exceptional payout of 1.7 billion euros (7 January 2005)

The Shareholders' General Meeting of 7 October 2004 approved an exceptional payout of 5 euros per share (1.7 billion euros in total). The coupon was paid on 7 January 2005, and recognised in "Other non-financial liabilities" in the balance sheet as at 31 December 2004. The liability was removed from the balance sheet in 2005 on payment of the dividend.

1.3 – Sale of Saur to PAI Partners

The effects of the sale of Saur were included in the financial statements as at 31 December 2004. The amount of 1,031 million euros receivable from PAI Partners, included in "Sundry receivables" as at that date, was received in February 2005.

Following the sale, the Bouygues Group held 15% of Saur's holding company, Novasaur (formerly Financière Gaillon).

In April 2005, the interest of Bouygues in Novasaur was reduced from 15% to 10%. Bouygues no longer exercises significant influence over Novasaur, since the number of directors appointed by Bouygues is below the threshold set by the shareholder agreements.

1.4 – Bouygues' interest in Bouygues Telecom

Bouygues has granted BNP Paribas a promise to buy the latter's 6.5% interest in the capital of Bouygues Telecom, exercisable at any time between 1 September 2005 to 31 July 2007 at a price of between 477 million euros and 495 million euros depending on the date of exercise.

At the same time, BNP Paribas granted Bouygues a promise to sell this interest to Bouygues, exercisable between 1 September 2007 and 30 September 2007 at a price of 497 million euros.

These agreements were recognised as follows in the financial statements as at 30 September 2005:

- Increase in long-term debt (present value as at 30 September 2005)	=	455
- Reduction in minority interests held by BNP Paribas	=	(130)
- Increase in goodwill in the balance sheet	=	320
- Unwinding of the discounting of the debt (impact since June 2005)	=	(5)

1.5 – Employee savings plan: recognition of share price discount

The Board of Directors of Bouygues, meeting on 21 June 2005, decided to establish a new leveraged investment fund for Group employees, who are entitled to a 20% discount on the share price based on the quoted market price on the 20 trading days preceding this decision.

The resulting employee benefit (30 million euros) was recognised as an expense in “Personnel costs” in the financial statements for the six months ended 30 June 2005.

1.6 – 750 million euros bond issue

In July 2005, Bouygues carried out a 750 million euros bond issue maturing July 2020. The issue was priced at 99.804% and pays interest at 4.25%.

This bond issue has extended the average maturity of the Group’s debt.

1.7 – Significant events and changes in scope of consolidation since 30 September 2005

On 1 December 2005, the French competition commission (*Conseil de la Concurrence*) ordered Bouygues Telecom to pay a fine of 58 million euros for alleged collusion. Bouygues has lodged an appeal. The total fine levied on France’s three mobile operators is 534 million euros.

A provision of 58 million euros was recorded in the consolidated financial statements of Bouygues Telecom and the Bouygues Group as at 30 September 2005, with the expense recognised under “Other non-current operating income and expenses” in the income statement and the liability included in “Non-current provisions” in the balance sheet. The negative impact on net profit attributable to the Bouygues Group is 52 million euros.

NOTE 2	IFRS ACCOUNTING POLICIES

2.0 – IFRS STANDARDS AND OPTIONAL TREATMENTS APPLIED

The financial information for the nine months to 30 September 2005 has been prepared in accordance with the standards and optional treatments applied by the Bouygues Group, as described below:

The Group has:

- ✓ applied all international financial reporting standards and IFRIC interpretations in effect at 1 January 2005 as adopted by the European Union;
- ✓ applied IAS 32 and IAS 39 (not adopted by the European Union) early.

a) Optional accounting treatments on first-time adoption of IFRS at 1 January 2004 (IFRS 1)

The transition from French generally accepted accounting principles (French GAAP) to IFRS was effected in accordance with IFRS 1, "First-Time Adoption of International Financial Reporting Standards", which requires IFRS to be applied retrospectively from 1 January 2004.

In some cases, IFRS allow companies to choose between the benchmark treatment and an allowed alternative treatment. The main optional treatments applied by the Group are described below.

The effect of the restatements required to comply with IFRS were recognised in consolidated shareholders' equity as at 1 January 2004.

<u>Property, plant and equipment and intangible assets (IAS 16 and IAS 38)</u>

The Group elected to use the depreciated historical cost model for the subsequent measurement of property, plant and equipment and intangible assets after initial recognition.

The value of property, plant and equipment recognised in the IFRS balance sheet at 1 January 2004 took account of estimated residual values, and of depreciation periods specific to each component of the asset (plant, equipment, buildings, etc). The difference between the original residual value and the residual value as calculated under IFRS was taken to consolidated shareholders' equity.

Some items were reclassified in order to comply with IFRS definitions.

Business combinations

Business combinations recognised prior to 1 January 2004 (date of first-time adoption of IFRS) were not restated retrospectively in accordance with IFRS 3. Goodwill and fair value adjustments to assets and liabilities existing at 1 January 2004 were included in the IFRS opening balance sheet at their original amount, net of accumulated depreciation, amortisation and impairment losses to 31 December 2003.

Goodwill, previously amortised on a straight-line basis, is no longer amortised.

Market shares previously recognised as separate intangible assets as a result of fair value adjustments in connection with business combinations were reclassified as goodwill as at 1 January 2004. Under French GAAP, market shares were subject to impairment tests using methods consistent with IFRS, involving the use of cash generating units (CGUs). First-time adoption of IFRS had no impact on the value of these assets as at 31 December 2004 relative to the French GAAP valuation.

Translation reserve

The existing French GAAP translation reserve was deemed to be zero as at 1 January 2004. The reserve as at that date was transferred to consolidated reserves as allowed under IFRS 1, with no impact on total consolidated shareholders' equity.

Actuarial gains and losses

As at 1 January 2004, the actuarial gains and losses arising on the Group’s obligations in respect of lump-sum retirement benefits were recognised as a liability in non-current provisions and charged to consolidated shareholders' equity (cumulative gains and losses under the corridor method deemed to be zero). Actuarial gains and losses arising subsequent to 1 January 2004 continue to be recognised using the corridor method.

Share-based payment (IFRS 2)

The Group applied IFRS 2 from 1 January 2004 for all plans awarded after 7 November 2002 and vesting on or after 1 January 2005.

Off-plan property sales

Adoption of IFRS has changed the presentation of off-plan property sales. Under French GAAP, the entire amount of the sale was recognised in trade receivables on signature by the customer of the notarised deed of sale, with a matching liability recognised in deferred income. The sale was then recognised in the income statement based on the percentage of completion of the property development project.

Under IFRS, no deferred income is recognised. Instead, trade receivables and sales are recognised based on the percentage of completion of the property development project.

b) Other accounting policies and elective treatments

Financial instruments (IAS 32 and IAS 39)

The Group has elected to recognise the effects of IAS 39 on financial instruments as at 1 January 2004, ahead of the mandatory application date. These effects relate mainly to hedging instruments (interest rate risk and currency risk). The amount involved to date is not material.

Concession contracts and public/private partnerships (PPPs)

The Group has interests in associates which hold PPP concession contracts.

Depending on definitive IFRIC interpretations on the accounting treatment of these contracts, the Group may revise its accounting policies on this specific issue as at 31 December 2005.

2.1 – Consolidation methods and treatment of subsidiaries, associates and other investments

Companies over which Bouygues exercises control are consolidated using the full consolidation method.

Companies under the joint control of more than one shareholder are consolidated using the proportionate consolidation method, based on the percentage of control held.

Companies over which Bouygues exercises significant influence are consolidated using the equity method.

Investments in non-consolidated companies are recognised at fair value and are subject to impairment tests.

<u>Changes in scope of consolidation</u>

	30 September 2005	**2004 full year**
Fully consolidated	756	726
Proportionately consolidated	168	169
Equity method	25	31
	949	926

The main changes during the 9 months to 30 September 2005 are described in “Significant Events”.

<u>Cofiroute</u>

Although less than 20% owned % (16.7%), Cofiroute is consolidated using the equity method, as Bouygues exercises significant influence through its seats on the Board of Directors.

2.2 – EXCESS OF ACQUISITION COST OF BUSINESS COMBINATIONS OVER NET ASSETS ACQUIRED

In a business combination, any excess of acquisition cost over the share of net assets acquired is initially allocated to the identifiable assets and liabilities of the acquired entity, measured at their value as at the date of acquisition. With effect from 1 January 2004, these identifiable assets and liabilities have been presented in the balance sheet using the full fair value method in accordance with IFRS 3 (phase 1).

Fair value is the amount for which an asset or cash generating unit could be sold between knowledgeable, willing parties in an arm's length transaction. Goodwill represents the excess of acquisition cost over the acquirer's interest in the fair value of the acquiree's identifiable assets, liabilities and contingent liabilities that can be reliably measured at the acquisition date; it is allocated to the cash generating unit (which within the Bouygues Group equates to the business segment) benefiting from the business combination.

The main initial allocations of the excess of acquisition cost over the share of net assets acquired may be adjusted within the twelve months following the acquisition date, after which they may no longer be adjusted.

Goodwill recognised prior to 1 January 2004, which Bouygues elected not to restate on first-time adoption of IFRS, continues to be measured using the partial fair value method (IFRS 3).

The partial fair value method involves restricting the fair value remeasurement of identifiable items to the percentage interest acquired. Minority interests are measured at the carrying amount of such items as shown in the balance sheet of the acquired entity.

Negative goodwill is taken to the income statement in the period in which the acquisition is made.

Subsequently, goodwill is carried at cost net of any impairment losses identified using the methods described under "Subsequent remeasurement of non-current assets" below, in accordance with IAS 36. Impairment losses are charged to the income statement as an operating item.

2.3 – FOREIGN CURRENCY TRANSLATION

a) Transactions denominated in foreign currencies

Transactions denominated in foreign currencies are translated into euros at the average exchange rate on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the closing exchange rate. Translation differences are recognised as income or expenses in the income statement. Non-monetary assets and liabilities denominated in foreign currencies and accounted for at historical cost are translated using the exchange rate on the date of the transaction.

b) Financial statements of foreign entities

All assets and liabilities of consolidated entities with a functional currency other than the euro are translated at the closing exchange rate. Income and expenses are translated at the average exchange rate for the period. Translation differences arising from this treatment, and arising from the retranslation of a subsidiary's opening shareholders' equity at the closing exchange rate, are taken to the translation reserve, which is a component of “Share premium and reserves” in shareholders' equity. Translation differences arising on the net investment in foreign subsidiaries and associates are recognised in shareholders' equity.

2.4 – DEFERRED TAXATION

Deferred taxation is recognised on differences between the carrying amount and tax base of assets or liabilities, and arises as a result of:

- Temporary differences between the carrying amount and tax base of assets or liabilities, which may be:
  - ✓ items generating a tax liability in the future (deferred tax liabilities), arising mainly from income that is liable to tax in future periods; or
  - ✓ items deductible from taxable profits in the future (deferred tax assets), mainly provisions that are temporarily non-deductible for tax purposes.
- Tax losses available for carry-forward (deferred tax assets), provided that there is a genuine probability of recovery in future periods.

Deferred taxes are measured using known applicable tax rates at the balance sheet date. In the case of French entities, deferred tax assets have been adjusted to reflect the effect of changes in tax legislation and of new tax rates.

Deferred tax assets are included in non-current assets.

2.5 – NON-CURRENT ASSETS

a) Property, plant and equipment

Property, plant and equipment is measured at acquisition cost net of accumulated depreciation and impairment. Depreciation is recognised on a straight line basis over the estimated useful life of the asset.

Useful lives by main asset category and business segment

	TELECOMS	MEDIA	CONSTRUCTION	
- Mineral deposits (quarries)			(1)	
- Non-operating buildings	-	25 to 50 years	10 to 30 years	
- Industrial buildings	20 years	-	depends on type	
- Plant, equipment and tooling	3 to 10 years	3 to 7 years	3 to 10 years	(2)
- Other property, plant and equipment (vehicles and office equipment)	2 to 10 years		3 to 10 years	(2)

(1) Depreciated on the basis of the rate of depletion, up to a maximum of 40 years.

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, in terms of the estimated residual values and depreciation calculations.

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 non-current operating income and expense”.

(2) Depending on the type of asset

Leases

Items of property, plant and equipment held under leases whereby the Bouygues Group retains substantially all the risks and rewards of ownership are recognised as assets in the balance sheet. Leases are classified as finance leases or operating leases in accordance with the criteria specified in IAS 17. Prior to the first-time adoption of IFRS, leased assets were only recognised in the balance sheet if the lease qualified as a *crédit-bail* transaction under French GAAP.

Assets held under finance leases are recognised in the balance sheet in “Property, plant and equipment” at the lower of fair value or the present value of the minimum lease payments, less accumulated depreciation and impairment losses. They are depreciated over their estimated useful lives. The lease obligation is recognised as a liability under “Debt” in the balance sheet.

Obligations under operating leases are disclosed in off balance sheet commitments.

b) Intangible assets

IAS 38 defines an intangible asset as an identifiable non-monetary asset without physical substance, which may be:

- ✓ separable, i.e. capable of being independently sold, transferred, licensed, rented or exchanged; or
- ✓ derived from contractual or other legal rights, whether separable or not.

Intangible assets with finite useful lives are depreciable. Intangible assets with indefinite useful lives are not depreciable, but are subject to an impairment test at each balance sheet date.

They include:

- <u>Development expenses:</u>
  - ✓ In accordance with IFRS, incorporation and research expenses are expensed as incurred.
  - ✓ Development expenses are capitalised if the relevant criteria are met, i.e. if they are expected to generate future economic benefits and their cost can be reliably measured.
- <u>Concessions, patents and similar rights:</u>

  These include the following assets held by Bouygues Telecom:

Type of asset	Amortisation method	Period
GSM frequency costs	straight line	12 years
UMTS licence	straight line	(1)
IT system software and developments	straight line	4 years
GPRS network software	straight line	4 years
Office software	straight line	4 years

(1) The amortisation period for the UMTS licence will match its useful life. Since the high-speed network opened on 26 May 2005, Bouygues Telecom has been amortising its UMTS licence over a period of 17.5 years.

- <u>UMTS licence:</u>

The fee for the UMTS licence, awarded for a 20-year period, comprises:

- ✓ a fixed component of €619.2 million, recognised as an intangible asset on the date the licence was awarded (12 December 2002);

- ✓ a variable component, calculated at 1% of sales generated by the operation of the third-generation mobile network, which is recognised in the income statement for the period with effect from the opening of the UMTS network.

c) Other intangible assets

Other intangible assets recognised by the Group include leasehold rights and broadcast rights (TF1).

Intangible assets with no legal protection have been reclassified as goodwill under IFRS.

<u>TF1 broadcast rights</u>
This item includes shares in films and programmes co-produced by TF1 Films Production, TF1 Vidéo, Glem and Téléma; distribution and trading rights owned by TF1 International TCM DA, TF1 Entreprises and CIBY DA; and music rights owned by Une Musique and Baxter.

Broadcast rights are accounted for at historical cost. Dates of initial recognition and amortisation methods are as follows:

Initial recognition	**Amortisation method**		
	Co-production shares	Broadcast rights Distribution / Trading	Music rights
End of shooting	in line with revenues		
Censors' certificate	3 years straight line		
Signature of contract		3 years straight line, or in line with revenues (5 years for trading)	2 years 75% in year 1 25% in year 2

For films co-produced by TF1 Films Production and Téléma, the Group uses whichever method enables the film to be amortised as quickly as possible. Consequently, the method used may differ from film to film.

A provision for impairment is recorded on a line by line basis where estimated future revenues do not cover the carrying amount.

d) Subsequent remeasurement of non-current assets

The carrying amount of non-current assets is reviewed in accordance with Group accounting policies on an annual basis, or more frequently if internal or external events or circumstances indicate that an asset may be impaired. In particular, the carrying amount of intangible assets (other than broadcast rights, which are measured using the policies described in 3.2.3.1) and goodwill is compared with their recoverable amount.

In determining value in use, intangible assets to which independent cash flows cannot be directly allocated are grouped within cash-generating units (CGUs), which within the Group are equivalent to business segments. The value in use of CGUs is measured using the discounted cash flow (DCF) method, applying the following principles:

- the pre-tax cash flows used are those derived from the medium-term business plan prepared by the management of the business segment as part of the Group's management cycle;

- the discount rate is determined by adjusting the segment's weighted average cost of capital to arrive at a pre-tax rate;

- the terminal value is calculated by aggregating the discounted cash flows to infinity, based on normative cash flows and a perpetual growth rate that is consistent with the growth potential of the markets in which the business segment operates and with its competitive position in those markets.

The recoverable amount of the CGU as determined above is then compared with the carrying amount in the consolidated balance sheet of the non-current assets (including goodwill) attributed to the CGU. If this carrying amount is greater than the recoverable amount of the CGU, a provision for impairment is recorded, the provisions being allocated in the first instance to any goodwill recognised in the balance sheet.

No impairment losses were required to be recognised under IFRS as at 30 September 2005.

e) Non-current financial assets

In addition to deferred tax assets (which are treated as non-current), other non-current financial assets include loans and receivables (including amounts due from non-consolidated companies), deposits and caution money, and investments in non-consolidated companies over which the Group exercises neither control nor significant influence.

2.6 – CURRENT ASSETS:

a) Inventories

Inventories are stated at the lower of cost (first in first out or weighted average cost, depending on the nature of the business) or market price.

Where the realisable value of inventory is lower than cost, a provision for impairment is recognised.

b) Programmes and broadcast rights (TF1)

Programmes and broadcast rights include in-house productions made by TF1 but not yet broadcast; external productions, comprising broadcast rights acquired by TF1; and co-productions. They are measured at total production cost (including a portion of indirect production costs), or at acquisition cost in the case of co-productions.

The amortisation method depends on the type of programmes and the number of possible transmissions. Most programmes are 100% amortised on first transmission, or when it becomes evident that the programme will not be transmitted.

c) Trade receivables

Trade receivables are carried at face value, net of provisions recorded to reflect the probability of recovery.

In line with the percentage of completion method of accounting for long-term contracts, trade receivables include:

- ✓ statements issued as works are executed or services provided, and accepted by the project owner;
- ✓ unbilled receivables, arising where works are entitled to acceptance but billing or acceptance by the project owner has been delayed.

d) Other current receivables and prepaid expenses

Other receivables are carried at face value, net of provisions recorded to reflect the probability of recovery.

2.7 – 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.

a) Risks to which the Group is exposed

Currency risk

In general, the Bouygues Group has little exposure to currency risk in routine commercial transactions. Wherever possible, expenses relating to a contract are incurred in the same currency as that in which the contract is billed. This applies to most projects executed outside France, on which local-currency expenses (sub-contracting and supplies) represent a much higher proportion than euro-denominated expenses. In addition, the Group pays particular attention to risks relating to assets denominated in non-convertible currencies, and to country risk generally.

Interest rate risk

The Group's financial income and expenses have low sensitivity to interest rate risk. The bulk of debt is in the form of fixed-rate bond issues, and a range of hedging instruments is used to convert variable-rate debt into fixed-rate debt.

On average over the period, the amount of variable-rate debt in the balance sheet is less than the amount of surplus cash invested at variable rates.

The consolidated income statement would be only marginally affected by fluctuations in euro interest rates, or by a divergence in interest rate trends between the euro and other major currencies.

b) 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 tunnels for interest rate risk hedging purposes.

These instruments:

- ✓ are used solely for hedging purposes;
- ✓ are contracted solely with high-quality French and foreign banks;
- ✓ carry no liquidity risk in the event of a downturn.

Specific reports are prepared for those responsible for the management and supervision of the relevant Group companies, describing the use of hedging instruments, the selection of counterparties with whom they are contracted, and more generally the management of exposure to currency risk and interest rate risk.

c) Hedging rules

Currency risk

Group policy is to hedge systematically all residual currency exposure relating to commercial transactions. If the future cash flow is certain, the currency risk is hedged by buying or selling currency forward, or by means of currency swaps. For some large contracts, options may be taken out for hedging purposes before the awarding of the contract has been confirmed.

In general, equity investments in foreign companies are hedged by a debt of a similar amount in the same currency, recorded in the books of the company that owns the investment.

In the interests of efficiency, the currency positions of some Group entities may be managed centrally, which in some cases may result in the offset of matching positions.

Interest rate risk

Group policy is for each sub-group to hedge some or all of its financial assets and liabilities, where these are foreseeable and recurring.

In practice, this applies to capital-intensive businesses (telecoms and media). These entities control their future interest charges by fixing their cost of debt using swaps and future rate agreements, or by limiting it through the use of caps, over a period equivalent to that of the financial liabilities to be hedged.

As with currency risk, the interest rate positions of some Group entities may, in the interests of efficiency, be managed centrally and partially offset.

d) Accounting methods

In general, the financial instruments used by the Group qualify for hedge accounting, which means that the hedging relationship is documented in accordance with the requirements of IAS 39. Two types of accounting treatment are used:

- ✓ Fair value hedges: changes in the fair value of the hedging instrument and changes in the fair value of the hedged item are recognised symmetrically in the income statement.

- ✓ Cash flow hedges: changes in the fair value of the hedging instrument are recognised in the income statement for the ineffective portion of the hedging relationship, and in shareholders' equity (until the hedge is closed out) for the effective portion.

In a few cases (involving small notional amounts and a short hedging period), financial instruments are deliberately excluded from hedge accounting in order to avoid excessive administrative processing. In these cases, changes in the fair value of the financial instrument are taken directly to the income statement.

2.8 – CONSOLIDATED SHAREHOLDERS' EQUITY

Treasury shares are deducted from consolidated shareholders' equity, in accordance with IFRS (including the acquisition cost of call options used to cover the 2005 stock option plan).

If Group subsidiaries hold their own shares, an additional percentage interest is recognised at Group level.

Translation reserve:
This reserve was deemed to be zero as at 1 January 2004, and the balance transferred to "Share premium and reserves". The translation reserve shown in the balance sheet represents translation differences arising since that date.

2.9 – NON-CURRENT LIABILITIES

a) Non-current debt

(portion due after more than one year)

The portion of long-term debt due within less than one year is included in current liabilities.

b) Non-current provisions

A provision is recognised where (i) the Group has an obligation to a third party; (ii) it is certain or probable that an outflow of resources will be required to settle the obligation with no matching inflow of resources of at least an equivalent amount; and (iii) this outflow is not covered by an existing liability. The provision is maintained in the balance sheet until the timing and amount of the outflow of resources can be determined with certainty.

Non-current provisions are not usually associated with the normal business cycle of each segment (compare the definition of current provisions below).

Non-current provisions mainly comprise:

- Provisions established to cover the uninsured portion of risks under 2-year and 10-year construction contract guarantees
- These provisions are recognised in line with recognition of contract revenues, based on statistical data reflecting actual experience over the long term
- Provisions related to notified tax reassessments and the *Conseil de la Concurrence* fine (Bouygues Telecom)
- Provisions for litigation, claims and foreseeable risks relating to the Group's operations, especially foreign operations, including permanent withdrawal from projects, major repairs, and sundry risks and liabilities
- Provisions for site remediation costs

- Employee benefits

  - Provisions for long-service awards

  - Provisions for obligations to employees in respect of lump-sum benefits payable on retirement

    This provision is calculated using the projected unit credit method based on final salary, and on the basis of the collective agreement for each business segment. The calculation takes account of:

    - ✓ the 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 of between 2.0% and 4.3% depending on the business segment, and including the general inflation rate;
    - ✓ a discount rate applied to the obligation over the projected period to the retirement date (approximately 3.6%);
    - ✓ estimated life expectancy, based on mortality tables.

    The Group does not recognise movements in this obligation arising from changes in actuarial assumptions unless they represent more than plus or minus 10% of the retirement benefit obligation (the corridor method). Any actuarial gains and losses recognised are amortised through the income statement over the average remaining working lives of the employees concerned, in line with the treatment elected by the Group as at 1 January 2004 under which all actuarial gains and losses previously recognised under the corridor method were deemed to be zero as at that date.

  - Provisions for pension obligations (depending on the country and terms of the pension plan)

  - In accordance with IAS 37, information is disclosed about the most significant provisions as long as disclosure is not prejudicial to the Group's interests (see note 6)

2.10 – Current liabilities

a) Advances and down-payments on orders

This item comprises advances and down-payments received from customers on start of works contracts.

b) Current provisions

- These are provisions relating to the normal business cycle of each segment, and mainly comprise:
  - ✓ Provisions for project and contract risks, joint ventures, etc
  - ✓ Provisions for foreign exchange losses
  - ✓ Provisions for restructuring
  - ✓ Provision for customer loyalty programmes (Bouygues Telecom)

- Provisions for losses to completion on contracts. These relate to 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 contracts.

c) Trade payables and other current liabilities

Because of the short-term nature of these liabilities, they are shown in the consolidated financial statements at a reasonable estimate of market value.

d) Deferred income and similar

See the section "IFRS standards and optional treatments applied" for the specific treatment applied to off-plan property sales.

2.11 – Income statement

a) Definition of operating revenues

Revenues from the Group's operations are recognised when:

- it is probable that the future economic benefits of the transaction will flow to the Group;
- the amount of revenue can be reliably measured;
- at the transaction date, it is probable that the amount of the sale will be recovered.

b) Accounting for long-term contracts

Construction activities

In all the Group's construction activities, long-term contracts are accounted for using the percentage of completion method. The revenue recognised equals the latest estimate of the total selling price of the contract multiplied by the actual stage of completion determined by reference to the physical state of progress of the construction work.

If a contract is expected to generate a loss on completion, a provision for losses to completion is recognised as a current provision in the balance sheet. The loss is provided for in full as soon as it can be reliably measured, irrespective of the stage of completion.

Property development

The accounting treatment applied to property development activities is as follows:

Property development revenues are recognised using the percentage of completion method once the following conditions have been met.

- ✓ building permit with no appeal;
- ✓ signature of notarised deed of sale or development contract;
- ✓ construction contract signed (order given to start works).

The percentage of completion represents costs incurred to date as a proportion of the total estimated costs to completion.

Property development project finishing costs are recognised on a percentage of completion basis.

All interest charges associated with ongoing or completed property development projects are expensed as incurred.

c) Profits/losses from joint operations

These represent the Group's share of profits or losses from non-consolidated companies involved in the operation of production sites for road-building and asphalt products, and are included in operating profit.

d) Share-based payment

In accordance with IFRS 2, stock subscription options granted to corporate officers or employees of Bouygues or other Group companies (TF1) are accounted for in the financial statements as follows: the fair value of the options granted (corresponding to the fair value of the services rendered by the employees as consideration for the options) is recognised as an employee benefit under “Personnel costs” in the income statement, with the matching entry credited to shareholders' equity.

The amount of the employee benefit is measured at the grant date of the option using the Black & Scholes model, and is charged to the income statement over the vesting period of the rights. In accordance with IFRS 2, this treatment applies only to plans awarded after 7 November 2002.

2.12 – Cash flow statement

The cash flow statement is presented in accordance with the CNC recommendation of 27 October 2004.

This statement explains changes in the Group’s net cash position, which is defined as the net total of the following balance sheet items:

- ✓ cash and equivalents;
- ✓ overdrafts and short-term bank borrowings.

2.13 – Off balance sheet commitments

A summary of contractual obligations and commercial commitments is provided in note 12.

2.14 – Financial Indicators

Definitions of key financial indicators:

a) EBITDA

Current operating profit plus net depreciation and amortisation expense plus net charges to provisions.

b) Free cash flow

Operating cash flow before changes in working capital (after income tax expense and cost of net debt) less net capital expenditure for the period.

c) Net debt

This represents the aggregate of:

- ✓ cash and equivalents;
- ✓ overdrafts and short-term bank borrowings;
- ✓ long-term debt and debt due within one year;
- ✓ financial instruments (used to hedge financial liabilities measured at fair value).

2.15 - OTHER INFORMATION:

Comparability of the financial statements:

- The accounting policies applied under IFRS as at 31 December 2004 are the same as those applied as at 30 September 2005, and consequently there is no impairment of the comparability of balance sheet, income statement and cash flow statement items between accounting periods.

- As at 30 September 2004, Saur (except the African and Italian subsidiaries, retained by the Bouygues Group) was in process of divestment. Consequently, the amounts related to the divested business are presented on separate lines in the balance sheet, income statement and cash flow statement. The same applies to the income statement and cash flow statement for the year ended 31 December 2004, after the divestment had been completed.

- The impact of changes in the scope of consolidation during 2005 does not affect the comparability of the financial statements as presented.

NOTE 3	IFRS INFORMATION FOR COMPARATIVE PERIODS OF 2004

The IFRs financial statements as at 1 January 2004 (first-time adoption) and 31 December 2004 were presented in an IFRS transition note available either in the 2004 Annual Report or with the quarterly financial statements to 31 March 2005 published on the Bouygues website.

CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 2004

The consolidated financial statements as at 30 September 2004 were prepared using the same accounting policies (IFRS) as those applied in the preparation of the financial statements as at 30 September 2005 (see notes 1 and 2).

The three tables below show the effects of the transition from French GAAP to IFRS on:
- the balance sheet
- shareholders' equity
- the income statement

3.1 - COMPARATIVE FRENCH GAAP/IFRS BALANCE SHEET AS AT 30 SEPTEMBER 2004

in millions of euros

BALANCE SHEET	30 SEPTEMBER 2004 IFRS (1)		FRENCH GAAP (2)		01/01/2004 IFRS
ASSETS					
- Property, plant and equipment	4 595	A	4 441		5 020
- Intangible assets	1 040	B	6 446		1 088
- Goodwill	4 520	C	232		5 272
- Other non-current assets	1 308	D	764		1 558
- Current assets	9 232	E	11 780		8 683
- Cash and equivalents	1 899	F	1 938		2 549
- Other current financial assets	46	G			49
- Held-for-sale assets	2 183	H			
TOTAL ASSETS	***24 823***		***25 601***		***24 219***
LIABILITIES & SHAREHOLDERS' EQUITY					
- Shareholders' equity attributable to the Group	5 295		5 293		5 014
- Minority interests	947		954		890
- Other equity			140		
Total shareholders' equity	**6 242**		**6 387**	see note 3.2	**5 904**
- Non-current financial liabilities	4 093	I	4 152		4 233
- Non-current provisions/deferred tax liabilities and long-term tax liabilities	1 219	J	2 173		1 516
- Current liabilities	11 484	K	12 638		12 138
- Cash and equivalents	388	F	251		300
- Other current financial liabilities	31	L			128
- Liabilities relating to held-for-sale operations	1 366	M			
TOTAL LIABILITIES & SHAREHOLDERS' EQUITY	***24 823***		***25 601***		***24 219***

(1) *IFRS: the Saur Group was treated as in process of divestment as at 30 September 2004, and consequently is eliminated from individual asset and liability line items and shown separately under "Held-for-sale assets" and "Liabilities relating to held-for-sale operations". Under French GAAP, Saur's assets and liabilities were retained in the relevant balance sheet line items.*

(2) *French GAAP: after the change in accounting method relating to the provision for customer loyalty programmes (Bouygues Telecom), recognised at end 2004 in the French GAAP financial statements.*

Comments on French GAAP/IFRS transition as at 30 September 2004

A: Property, plant and equipment: +154

Increase mainly due to reclassification of intangible assets (Bouygues Telecom software) under the component-based approach: +251; capitalisation of plant and equipment held under finance leases: +109; and restatement of depreciation periods: +116; less the impact of the deconsolidation of Saur: (311)

B: Intangible assets: (5,406)

Mainly, reclassification of fair value adjustments (market shares) as goodwill: (5,064); reclassifications of intangible assets (primarily Bouygues Telecom software) as property, plant and equipment: (251), and deconsolidation of Saur: (54)

C: Goodwill: +4,288

Mainly, reclassification of intangible assets (market shares): +5,064, less deconsolidation of Saur: (797)

D: Other non-current assets: +544

Mainly, reclassification of deferred tax assets from current assets: +593, less deconsolidation of Saur: (97)

E: Current assets: (2,548)

Includes:

- Reclassification of deferred tax assets as non-current assets: (593)
- Restatement of off-plan property sales, with matching restatement of current liabilities: (1,014), see note 2
- Deconsolidation of Saur: (882)

F: Cash and equivalents: (176)

Mainly due to the deconsolidation of Saur: (149)

G: Other current financial assets: +46

Mainly due to change in fair value of hedging instruments (on debt and working capital)

H: Held-for-sale assets: +2,183

Represents the assets of Saur

I: Non-current liabilities: (59)

Includes:

- Reclassification from other equity: +140, incl. +111 for minority interests in Bouygues Telecom participating loans
- Reclassification of amounts due in less than 1 year to other current liabilities: (217)
- Recognition of finance lease obligations (portion due after more than 1 year): +61
- Deconsolidation of Saur: (63)

J: Non-current provisions/deferred tax liabilities: (954)

Mainly due to reclassification of current provisions to current liabilities: (551), plus restatement of employee benefits (25), and deconsolidation of Saur: (408)

K: Current liabilities: (1,154)

Includes:

- Portion of debt due in less than 1 year: +217
- Restatement of off-plan property sales: (1,014)
- Reclassification of current provisions: +551
- Deconsolidation of Saur: (976)

L: Other current financial liabilities: +31

Mainly due to change in fair value of hedging instruments (on debt and working capital)

M: Liabilities relating to held-for-sale assets: +1,366

Represents the liabilities of Saur

3.2 - FRENCH GAAP/IFRS TRANSITION OF SHAREHOLDERS' EQUITY AS AT 30 SEPTEMBER 2004

in millions of euros

	1 January 2004	Capital increases	Capital reductions	Treasury shares	Translation reserve	Other movements	Dividends	Net profit for period	30 Sep. 2004	
❒ **Shareholders' equity attributable to the Group under French GAAP**	**5 058** (1)	**354**	**(394)**		**(22)**	**(21)**	**(164)**	**482**	**5 293**	
• Treasury shares under Bouygues SA liquidity agreement										
• Property, plant and equipment and intangible assets (net) - basis & period of depreciation/amortisation and deferred charges (IAS 2, IAS 16 and IAS 38)	(1)							2	**1**	
• Provisions for employee benefits (IAS 19)	**(52)**								**(52)** (4)	
• Net deferred tax on IFRS restatements (IAS 12)	20							7	**27**	
• Share-based payment						5		(5)		
• Goodwill (straight-line basis)								25 (3)	**25**	
• Other restatements and reclassifications	(11)				20	(13) (2)		5	**1**	
❒ **Shareholders' equity under IFRS**	**5 014**	**354**	**(394)**		**(2)**	**(29)**	**(164)**	**516**	**5 295**	
❒ **Minority interests under French GAAP** (and other equity)	**1 046**	**5**			**1**	**(19)**	**(92)**	**153**	**1 094**	
• Reclassification of minority interests in participating loans and in other equity as non-current financial liabilities	(167)					27			**(140)**	
• Other items	11					**(22)**		4	**(7)**	
❒ **Minority interests under IFRS**	**890**	**5**			**1**	**(14)**	**(92)**	**157**	**947**	
TOTAL SHAREHOLDERS' EQUITY UNDER FRENCH GAAP	**6 104**	**359**	**(394)**		**(21)**	**(40)**	**(256)**	**635**	**6 387**	
										(145)
TOTAL SHAREHOLDERS' EQUITY UNDER IFRS	**5 904**	**359**	**(394)**		**(1)**	**(43)**	**(256)**	**673**	**6 242**	

(1) French GAAP as at 1 January 2004, after restatement for the change of method relating to the customer loyalty programme provision (Bouygues Telecom) recognised at end 2004 and retained under IFRS
(2) Includes changes in fair value of financial instruments
(3) 100% elimination of straight-line goodwill amortisation charge: 28, including 25 attributable to the Group
(4) Actuarial gains and losses deemed to be zero, and compliance with IAS19 (long-term employee benefits)

3.3 - FRENCH GAAP/IFRS TRANSITION OF INCOME STATEMENT FOR 9 MONTHS ENDED 30 SEPTEMBER 2004

in millions of euros

INCOME STATEMENT	9 MONTHS TO 30 SEP. 2004 GAAP	IFRS RESTATEMENTS TO PROFIT		DIVESTMENT OF Saur (a)	OTHER IFRS RECLASSIFI-CATIONS	9 MONTHS TO 30 SEP. 2004
- Sales	17 197	(2)		(964)	(623)	**15 608**
- Other revenues from operations	794	(1)		(6)	(677)	**110**
- Taxes other than income tax	(374)			28		**(346)**
- Personnel costs	(3 583)	(6)	Share-based payment: (6) (b)	333	(39)	**(3 295)**
- Purchases & changes in inventories / external charges / other operating expenses	(11 915)				11 915	
- Purchases used in production		3		352	(6 915)	**(6 560)**
- External charges		26	Finance leases: +35	208	(3 739)	**(3 505)**
- Changes in production & property development inventories				(1)	27	**26**
- Other operating income and expenses		(17)	Divestment of pylons (c)	(46)	215	**152**
- Depreciation, amortisation and provisions	(950)	(12)	Incl. (32) depreciation of assets held under finance leases	77	(137)	**(1 022)**
- Share of profits/losses from joint operations	40				(40)	
OPERATING PROFIT - FRENCH GAAP	**1 209**	**(1 209)**				
IFRS restatements and reclassifications		**1 200**		(19)	**(13)**	**1 168**
OPERATING PROFIT - IFRS	**1 209**	**(9)**		**(19)**	**(13)**	**1 168**
- Financial income and expenses	(125)				125	
- Cost of net debt		7		2	(136)	**(127)**
- Other financial income and expenses				(2)	(11)	**(13)**
- Exceptional income and expenses	(18)				18	
- Income tax expense	(419)	9	Deferred taxes	20		**(390)**
- Share of profits/losses of associates	33			(2)		**31**
- Goodwill amortisation	(45)	21 (d)	Asset impairment	7 (d)	17 (e)	
- Net profit of discontinued and held-for-sale operations		10 (f)		(6) (f)		4
NET PROFIT	**635**	**38**				**673**
Attributable to the Group	482	34				516
Minority interests	153	4				157

(a) Reallocation of operations of Saur, before effect of IFRS restatements
(b) On stock option plans awarded after 7 November 2002
(c) Divestment of Bouygues Telecom pylons
(d) Write-back to profit of straight-line goodwill amortisation charge: +28
(e) Reclassification as operating item of impairment losses on goodwill identified as a result of impairment tests (TF1)
(f) Deconsolidation of Saur, treated as a held-for-sale operation (divested on 31 December 2004)

NOTE 4	GOODWILL / CONSOLIDATED PURCHASE PRICE OF LISTED SHARES	5,029

4.1 - GOODWILL

- Movements in goodwill during the period to 30 September 2005:

	Gross	Impairment	Net
1 January 2004	**5 272**		**5 272**
Changes in scope of consolidation, effect of exchange rates & other	(716)	1	(715)
Impairment losses		(17)	(17)
31 December 2004	**4 556**	**(16)**	**4 540**
Changes in scope of consolidation, effect of exchange rates & other	489		489 *(1)*
Impairment losses		0	0
30 September 2005	**5 045**	**(16)**	**5 029**

(1) The main change in 2005 is the recognition of the goodwill (320) arising on the promise by BNP Paribas to sell its 6.5% interest in Bouygues Telecom to the Bouygues group (see "Significant Events").

Allocation of goodwill to cash generating units (CGUs)

	30 September 2005			31 December 2004		
	BOUYGUES LEVEL	**SEGMENT LEVEL**	**TOTAL**	**BOUYGUES LEVEL**	**SEGMENT LEVEL**	**TOTAL**
BOUYGUES CONSTRUCTION		104	**104**		73	**73**
COLAS	623	180	**803**	587	139	**726**
TF1	566	891	**1 457**	504	889	**1 393**
BOUYGUES TELECOM	2 643	12	**2 655**	2 323	12	**2 335**
FINAGESTION (subsidiaries) & OTHER	10		**10**	13		**13**
TOTAL	**3 842**	**1 187**	**5 029**	**3 427**	**1113**	**4540**

4.2 - CONSOLIDATED PURCHASE PRICE OF LISTED SHARES (TF1 AND COLAS)

	Consolidated purchase price per share *(1)*	**Average quoted share price on 30 September 2005 *(2)***
TF1	10,27	21,76
Colas	63,81	145,67

(1) Carrying amount per share in the consolidated financial statements
(2) Average of quoted share prices between 1 September 2005 and 30 September 2005

NOTE 5	CONSOLIDATED SHAREHOLDERS' EQUITY	5,296

5.1 - SHARE CAPITAL OF BOUYGUES SA (IN EUROS) € 333,330,750

As at 30 September 2005, the share capital of Bouygues SA consisted of 332,853,726 shares and 477,024 investment certificates.
Movements in the 9 months to 30 September 2005 were as follows:

	1 January 2005	Movements during the period		30 September 2005
		Reductions	Increases	
Shares	332 254 414	(1 048 873)	1 648 185	332 853 726
Investment certificates	504 210	(27 186)		477 024
Number of shares/certificates	**332 758 624**	**(1 076 059)**	**1 648 185**	**333 330 750**
Par value	€ 1	-	-	€ 1
Share capital (in euros)	**332 758 624**	**(1 076 059)**	**1 648 185**	**333 330 750**

5.2 - STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR PERIOD ENDED 30 SEPTEMBER 2005 (GROUP AND MINORITY INTERESTS)

9 months ended 30 September 2005		Share capital	Share premium	Reserves related to capital	Retained earnings	Consolidated reserves & profit for period	Profits recognised directly in equity	Total 30/09/05
Attributable to the Group	**1**	333	1 920	810	282	1 053	3	**4 401**
Minority interests	**2**					888	7	**895**
Total shareholders' equity		**333**	**1 920**	**810**	**282**	**1 941**	**10**	**5 296**

a) Attributable to the Group:

	Share capital	Share premium	Reserves related to capital	Retained earnings	Consolidated reserves & profit for period	Profits recognised directly in equity	Total: Group
POSITION AT 1 JANUARY 2004	**333**	**1 977**	**712**	**43**	**1 940**	**9**	**5 014**
MOVEMENTS							
Capital and reserves transactions, net		(58)					**(58)**
Share-based payment						7	**7**
Treasury shares				(1)			**(1)**
Dividends					(1 828)		**(1 828)**
Net profit for the period attributable to the Group					909		**909**
Financial instruments						6	**6**
Translation adjustments						(15)	**(15)**
Other movements					(36)		**(36)**
POSITION AT 31 DECEMBER 2004 (IFRS)	**333**	**1 919**	**712**	**42**	**985**	**7**	**3 998**
Change of accounting method							
ADJUSTED POSITION AT 31 DECEMBER 2004	**333**	**1 919**	**712**	**42**	**985**	**7**	**3 998**
MOVEMENTS							
Capital and reserves transactions, net			98	240	(331)	(7)	
Share-based payment						37	**37** *(1)*
Treasury shares						(95)	**(95)**
Dividends					(249)		**(249)**
Net profit for the period attributable to the Group					648		**648**
Financial instruments						8	**8**
Translation adjustments						47	**47**
Other movements		1				6	**7**
POSITION AT 30 SEPTEMBER 2005 (IFRS)	**333**	**1 920**	**810**	**282**	**1 053**	**3**	**4 401**

(1) Net impact zero: acquisition of Bouygues treasury shares cancelled via capital reduction (including share premium): (33)
Bouygues SA capital increase (incl. share premium: +33)

b) Minority interests

	Share capital	Share premium	Reserves related to capital	Retained earnings	Consolidated reserves & profit for period	Profits recognised directly in equity	Total: minority interests
POSITION AT 1 JANUARY 2004					**890**		**890**
MOVEMENTS							
Capital and reserves transactions, net					5		**5**
Dividends					(94)		**(94)**
Net profit for the period attributable to minority interests					206		**206**
Financial instruments							
Translation adjustments						2	**2**
Other movements					(29)		**(29)**
POSITION AT 31 DECEMBER 2004 (IFRS)					**978**	**2**	**980**
Change of accounting method							
ADJUSTED POSITION AT 31 DECEMBER 2004					**978**	**2**	**980**
MOVEMENTS							
Capital and reserves transactions, net					4		**4**
Dividends					(91)		**(91)**
Net profit for the period attributable to minority interests					162		**162**
Financial instruments							
Translation adjustments						3	**3**
Change in scope of consolidation					(165)		**(165)** *(1)*
Other movements						2	**2**
POSITION AT 30 SEPTEMBER 2005 (IFRS)					**888**	**7**	**895**

(1) Primarily the effect of the BNP Paribas promise to sell its 6.5% interest in Bouygues Telecom. (130)

5.3 - ANALYSIS OF MOVEMENTS IN PROFITS TAKEN DIRECTLY TO EQUITY IN THE 9 MONTHS ENDED 30 SEPTEMBER 2005

	Note	9 months to 30/09/05
Translation reserve	1	**47**
Financial instruments (changes in fair value)	2	**8**
Share-based payment	3	**37**
Bouygues SA shares	4	**(95)**
Other movements (incl. deferred tax)		**6**
Total		**3**

1. Translation reserve as at 30/09/05 : **+32**

- The translation reserve was deemed to be zero as at 1 January 2004 under IFRS, and hence includes only movements since that date
- Principal translation differences as at 30 September 2005 on foreign companies reporting in :

	31/12/04	Movement in 2005	30/09/2005
US Dollar	(16)	29	13
Canadian dollar	(1)	13	12
Other	2	5	7
Total	**(15)**	**47**	**32**

2. Fair value remeasurement reserve:

- Reserve arising on the remeasurement of financial instruments

	31/12/04	Movement in 2005	30/09/2005
Movement in period to 30/09/05	15	8	**23**

3. Share-based payment (personnel costs):

- **Stock options** :

- TF1	2	*(3.7 at TF1 level)*
- Bouygues SA	5	*For plans awarded since November 2002*
Consolidated expense =	**7**	→ *charged to "Personnel costs" in income statement*
• **Employee savings plan**:	30	→ *(discount to share price) - cost of benefit awarded to employees on 21 June 2005*
Total	**37**	

4. Bouygues SA shares:

• **Treasury shares**	(61)	→ *acquisition of Bouygues SA shares, deducted from equity*
• **Options**	(30)	→ *cost of options purchased to hedge stock option plans*
• **Other**	(4)	
Total	**(95)**	

NOTE 6 — NON-CURRENT AND CURRENT PROVISIONS

6.1 - NON-CURRENT PROVISIONS = 1,299

	Long-term employee benefits (1)	Litigation and claims (2)	Guarantees given (3)	Other non-current provisions (4)	TOTAL
1 January 2004	**320**	**264**	**188**	**620**	**1 392**
Movements during 2004					
Translation differences					
Transfers between items	10	(5)	3	17	**25**
Change of accounting method and changes in scope of consolidation	(34)	(18)	(2)	(278)	**(332)**
Charges to provisions	45	91	83	171	**390**
Provisions utilised	(7)	(43)	(47)	(89)	**(186)**
Provisions no longer required	(3)	(46)	(10)	(54)	**(113)**
31 December 2004	**331**	**243**	**215**	**387**	**1 176**
Movements during 2005					
Translation differences	1		1	1	**3**
Transfers between items	(3)	3	(1)	(6)	**(7)**
Change of accounting method and changes in scope of consolidation	5	1		2	**8**
Charges to provisions	31	53	38	129	**251**
Provisions utilised	(4)	(18)	(21)	(39)	**(82)**
Provisions no longer required	(1)	(19)	(7)	(23)	**(50)**
30 September 2005	**360**	**263**	**225**	**451**	**1 299**

(1) __Long-term employee benefits__		***360***
• *Lump-sum retirement benefits*	*248*	
• *Long-service awards*	*90*	
• *Other post-employment benefits*	*22*	
(2) __Litigation and claims__		***263***
• *Provisions for customer disputes*	*110*	
• *Sub-contractor claims*	*26*	
• *Employee-related litigation & claims*	*16*	
• *Other litigation & claims*	*111*	
(3) __Guarantees given__		***225***
• *Provisions for warranties*	*157*	
• *Additional construction guarantees* • *Civil engineering/civil works guarantees*	*68*	
(4) __Other non-current provisions__		***451***
• *Risks related to tax & other official inspections*	*155*	
• *Provisions for miscellaneous foreign risks*	*25*	
• *Provisions for subsidiaries & associates*	*20*	
• *Provisions for contractual obligations*	*24*	
• *Provisions for site remediation costs*	*62*	
• *Provision for fine for anti-competitive practices by telecom operators (Bouygues Telecom)*	*58*	
• *Other provisions for non-current risks*	*107*	

6.2 - CURRENT PROVISIONS = 575

- Provisions related to the operating cycle (see note 2)

	Provisions for customer warranties	Provisions for foreign exchange losses	Provisions for project risks & project completion	Provisions for losses to completion	Provisions for customer loyalty programmes	Other current provisions	Total
1 January 2004	**23**	**5**	**148**	**73**	**136**	**156**	**541**
Movements during 2004							
Translation differences				(1)			**(1)**
Transfers between items			(11)	1		(15)	**(25)**
Change of accounting method and changes in scope of consolidation	1		(6)				**(5)**
Charges to provisions	15		74	49	11	81	**230**
Provisions utilised	(12)	(1)	(45)	(41)		(71)	**(170)**
Provisions no longer required			(14)	(7)		(9)	**(30)**
31 December 2004	**27**	**4**	**146**	**74**	**147**	**142**	**540**
Movements during 2005							
Translation differences			2	1		1	**4**
Transfers between items	2		(17)	1		22	**8**
Change of accounting method and changes in scope of consolidation			(2)				**(2)**
Charges to provisions	11		42	34	21	53	**161**
Provisions utilised	(9)	(2)	(28)	(21)		(47)	**(107)**
Provisions no longer required	(1)		(9)	(15)		(4)	**(29)**
30 September 2005	**30**	**2**	**134** *(1)*	**74** *(3)*	**168**	**167** *(2)*	**575**

(1) incl. - Provisions for risks on completed projects: 70
- Provisions for final settlement on projects: 68
(2) incl.: - Provisions for accident costs: 54
- Other provisions for current risks: 113
(3) Relates to the Construction segment: Bouygues Construction: 53; Colas: 21
Individual project provisions are not disclosed on grounds of immateriality.

NOTE 7 — NON-CURRENT AND CURRENT DEBT

7.1 - NON-CURRENT FINANCIAL DEBT: 4,832, CURRENT FINANCIAL DEBT: 793

a) Interest-bearing debt by maturity

	- 1 year	Non-current debt								
		1-2 years	2-3 years	3-4 years	4-5 years	5-6 years	> 6 years	Other	Total 30/09/05	Total 2004
- Bond issues	**593**			**1 013**		**1 273**	**1 727**		**4 013**	**3 759**
- Bank loans	**123**	**46**	**55**	**10**	**52**	**8**	**61**		**232**	**677**
- Finance lease obligations	**35**	**27**	**16**	**10**	**4**	**4**	**7**		**68**	**83**
- Other debt	**42**	**20**	**6**	**3**	**2**		**4**	**484** (1)	**519**	**18**
- Participating loans										**111**
Total interest-bearing debt	**793**	**93**	**77**	**1 036**	**58**	**1 285**	**1 799**	**484**	**4 832**	**4 648**
COMPARATIVE AT 31/12/04	**242**	**1 050**	**37**	**32**	**1 040**	**536**	**1 813**	**140**		**4 648**

(1) Includes 455 in respect of the Bouygues Group's promise to buy the 6.5% interest in Bouygues Telecom held by BNP Paribas, exercisable by the second half of 2007 at the latest (see Significant Events)

b) Finance lease obligations by business segment

Finance lease obligations by business segment		Construction	Media	Telecoms	Bouygues SA & other activities	TOTAL
Long-term	**2005**	29	13	26		**68**
Short-term		25	3	7		**35**
Long-term	**2004**	39	15	29		**83**
Short-term		38	9	6		**53**

7.2 - COVENANTS AND TRIGGER EVENTS

The bank loans contracted by Bouygues and its subsidiaries do not contain any financial covenant or trigger event.

NOTE 8	OPERATING PROFIT	1,415

		09/05		09/04
• **Current operating profit**:				
Sales		17 840		15 608
Other revenues from operations		107		110
Purchases used in production & external charges		(11 734)		(10 065)
Taxes other than income tax		(397)		(346)
Personnel costs		(3 578)		(3 295)
Net depreciation and amortisation and changes in provisions				
- Depreciation and amortisation		(882)		(829)
- Net change in provisions (4)		(235)		(193)
Changes in production & property development inventories		26		26
Other operating income and expenses		268		152
- Reversals of provisions no longer required	128 *(1)*		58	
- Gains/loss on disposals of non-current assets	41 *(2)*		66	
- Other income and expenses	*99*		*28*	
CURRENT OPERATING PROFIT		**1 415**		**1 168**
Other non-current operating income and expenses *(3)*		(58)		
OPERATING PROFIT		**1 357**		**1 168**

- See note 11 for segmental analysis

(1) Includes 12 on the WOLA project (Bouygues Construction), other reversals not individually material
(2) Includes impact of sale of investment in Visiowave 14 (TF1)
(3) Charge to provision for fine for anti-competitive practices among telecoms operators (Bouygues Telecom)
(4) As at 30 September 2005, there was no evidence of impairment of assets.

NOTE 9 — COST OF NET DEBT AND OTHER FINANCIAL INCOME AND EXPENSES (146)

COST OF NET DEBT	09/05	09/04
Cost of gross debt	(169)	(160)
Interest income on cash and equivalents	23	33
Total	**(146)**	**(127)**

<u>The cost of net debt breaks down as follows</u>:

- Net interest charges on debt	(168)	(145)
- Interest charges on finance leases	(5)	(4)
- Net interest charges on cash and equivalents	(3)	(10)
- Positive and negative effects of financial instruments on net debt	4	(5)
- Income from available-for sale securities and cash equivalents	26	37
	(146)	(127)

Under IFRS, foreign exchange gains and losses are treated as operating items.

OTHER FINANCIAL INCOME AND EXPENSES	09/05	09/04
Dividends from non-consolidated companies	2	3
Net charge to provisions for financial items	(9)	(9)
Change in fair value of other financial assets and financial liabilities	6	3
Current account waivers, gains/losses on disposals of investments in non-consolidated companies and other financial assets, net interest other than on debt, commitment and arrangement fees, advance rent & other	2	(10)
Total	**1**	**(13)**

See note 11 for a segmental analysis of "Cost of net debt" and "Other financial income and expenses".

NOTE 10	INCOME TAX EXPENSE	(443)

10.1 - ANALYSIS OF NET INCOME TAX EXPENSE

	09/05			09/04		
	France	Other countries	Total	France	Other countries	Total
. Tax payable to the tax authorities	(174)	(86)	(260)	(203)	(42)	(245)
. Deferred tax liabilities	17	(1)	16	3	(3)	
. Deferred tax assets *(1)*	(201)	4	(197)	(147)	4	(143)
. Other income tax expense	(1)	(1)	(2)		(2)	(2)
T O T A L	**(359)**	**(84)**	**(443)**	**(347)**	**(43)**	**(390)**
(1) Incl. reversal of Bouygues Telecom deferred tax asset	(198)			(165)		

See note 11 for a segmental analysis

10.2 - MOVEMENT IN DEFERRED TAXES IN THE CONSOLIDATED BALANCE SHEET

	31/12/04	Movements in 2005	30/09/05
- Deferred tax assets	566	(179)	387
- Deferred tax liabilities	(158)	58 *(2)*	(100)
NET	**408**	**(121)**	**287**

(2) Includes reversal of provision for income taxes on divestment of Saur (2004)

NOTE 11	SEGMENTAL INFORMATION

Segmental information is presented in two forms:
1- By business segment :
. Construction (Bouygues Construction, Colas and Bouygues Immobilier)
. Media (TF1)
. Telecoms (Bouygues Telecom)
. Bouygues SA & other subsidiaries
2- By geographical area: France / Europe (excluding France) / Africa / Asia-Pacific / Americas / Middle East

Internal sales are usually conducted on an arm's-length basis.

11.1 - ANALYSIS BY BUSINESS SEGMENT: 30 SEPTEMBER 2005

	Construction	Media	Telecoms	Bouygues SA & other activities	TOTAL 30/09/05
INCOME STATEMENT					
Total sales	12 548	2 056	3 365	335	**18 304**
Inter-segment sales	(328)	(14)	(9)	(113)	**(464)**
Third-party sales	**12 220**	**2 042**	**3 356**	**222**	**17 840**
Net depreciation and amortisation expense	(332)	(72)	(447)	(31)	**(882)**
Net charges to provisions	(158)	(34)	(39)	(4)	**(235)**
Current operating profit	**582**	**280**	**574**	**(21)**	**1 415**
Other non-current operating income and expenses			(58)		**(58)**
Operating profit	**582**	**280**	**516**	**(21)**	**1 357**
Cost of net debt	13	(13)	(23)	(123)	**(146)**
Income tax expense	(205)	(89)	(194)	45	**(443)**
Share of profits and losses of associates	46	(4)		(1)	**41**
Net profit before results of discontinued and held-for-sale operations	**430**	**180**	**299**	**(99)**	**810**
Net profit of discontinued or held-for-sale operations					
Net profit	**430** (1)	**180**	**299**	**(99)**	**810**
Net profit attributable to the Group	**416**	**78**	**253**	**(99)**	**648**
BALANCE SHEET					
Property, plant and equipment	1 829	196	2 275	379	**4 679**
Intangible assets	50	157	815	13	**1 035**
Goodwill *(2)*	907	1 457	2 655	10	**5 029**
Deferred tax assets & long-term tax receivables	130	14	231	12	**387**
Other non-current assets	643	79	8	47	**777**
Tax asset (receivable)	23	111		44	**178**
Cash and equivalents	501	38	15	1 914	**2 468**
Financial instruments (hedging of fair-value financial liabilities)	7	26		16	**49**
Other unallocated assets					**10 096**
Total Assets					**24 698**
Non-current financial liabilities	217	528	25	4 062	**4 832**
Non-current provisions	976	84	92	147	**1 299**
Deferred tax liabilities & long-term tax liabilities	66	22		13	**101**
Current financial liabilities	76	104	10	603	**793**
Current taxes payable	114	93		45	**252**
Overdrafts and short-term bank borrowings	265	1	2	27	**295**
Financial instruments (hedging of fair-value financial liabilities)	9	1	1		**11**
Other unallocated liabilities					**17 115**
Total Liabilities					**24 698**
Net debt *(3)*	(1 774)	568	674	3 946	**3 414**
CASH FLOW STATEMENT					
Cash flow before cost of net debt and income tax expense	951	329	1 044	35	**2 359**
Acquisitions of property, plant and equipment and intangible assets, net	(260)	(98)	(424)	(28)	**(810)**
Acquisitions of investments in consolidated companies and other investments	(153)	(22)	(5)	(37)	**(217)**
OTHER INDICATORS					
EBITDA	1 073	385	1 059	15	**2 532**
Free cash flow	500	129	403	(72)	**960**

(1) Includes Bouygues Construction 132, Colas 238, Property 60
(2) See breakdown in note 4
(3) Contribution at business segment level, including Bouygues Relais and Uniservice current accounts (these inter-segment accounts are eliminated in the "Bouygues SA and other activities" column).

11.2 - ANALYSIS BY BUSINESS SEGMENT: 2004

	Construction	Media	Telecoms	Bouygues SA & other activities	TOTAL 2004
INCOME STATEMENT TO 30 SEPTEMBER 2004 (a)					
Total sales	10 880	2 069	2 717	298	**15 964**
Inter-segment sales	(257)	(14)	(13)	(72)	**(356)**
Third-party sales	**10 623**	**2 055**	**2 704**	**226**	**15 608**
Net depreciation and amortisation expense	(305)	(73)	(421)	(30)	**(829)**
Net charges to provisions	(100)	(32)	(12)	(49)	**(193)**
Operating profit	**428**	**285**	**496**	**(41)**	**1 168**
Cost of net debt	11	(17)	(49)	(72)	**(127)**
Income tax expense	(143)	(104)	(165)	22	**(390)**
Share of profits and losses of associates	35	(4)			**31**
Net profit before results of discontinued and held-for-sale operations	**327**	**165**	**274**	**(97)**	**669**
Net profit of discontinued or held-for-sale operations				4	**4**
Net profit	**327** (1)	**165**	**274**	**(93)**	**673**
Net profit attributable to the Group	**317**	**69**	**227**	**(97)**	**516**
BALANCE SHEET AS AT 31 DECEMBER 2004 (a)					
Property, plant and equipment	1 744	208	2 293	384	**4 629**
Intangible assets	43	124	837	16	**1 020**
Goodwill *(2)*	802	1 393	2 335	10	**4 540**
Deferred tax assets & long-term tax receivables	89	21	426	33	**569**
Other non-current assets	595	55	2	71	**723**
Tax asset (receivable)	19	2		24	**45**
Cash and equivalents	509	159	16	2 576	**3 260**
Other unallocated assets					**9 162**
Total Assets					**23 948**
Non-current financial liabilities	144	524	619	3 361	**4 648**
Non-current provisions	929	80	29	138	**1 176**
Deferred tax liabilities & long-term tax liabilities	57	31		70	**158**
Current financial liabilities	89	33	9	111	**242**
Current taxes payable	60	24		93	**177**
Overdrafts and short-term bank borrowings	135	17		100	**252**
Other unallocated liabilities					**17 295**
Total Liabilities					**23 948**
Net debt (3)	(2 193)	409	1 197	2 462	**1 875**
CASH FLOW STATEMENT TO 30 SEPTEMBER 2004 (a)					
Cash flow before cost of net debt and income tax expense	720	368	921	4	**2 013**
Acquisitions of property, plant and equipment and intangible assets, net	(242)	(49)	(348)	(25)	**(664)**
Acquisitions of investments in consolidated companies and other investments	9	(49)		(8)	**(48)**
OTHER INDICATORS TO 30 SEPTEMBER 2004 (a)					
EBITDA	842	401	930	17	**2 190**
Free cash flow	346	199	359	(72)	**832**

(a) Income statement, cash flow statement and other indicators: 9 months to 30 September 2004; balance sheet as at 31 December 2004
(1) Includes Bouygues Construction 102, Colas 180, Property 45
(2) See breakdown in note 4
(3) Contribution at business segment level, including Bouygues Relais and Uniservice current accounts (these inter-segment accounts are eliminated in the "Bouygues SA and other activities" column).

11.3 - ANALYSIS BY GEOGRAPHICAL AREA

Third-party sales	France *(1)*	Europe	Africa	Asia	Americas	Middle East	Total
9 months ended:							
30 September 2005	12 615	2 578	786	443	1 401	17	17 840
30 September 2004	11 198	2 120	722	350	1 200	18	15 608

(1) Includes French overseas departments and territories

NOTE 12	OFF-BALANCE SHEET COMMITMENTS

12.1 - RECIPROCAL COMMITMENTS

	TOTAL 30/09/05	Construction	Media	Telecoms	Bouygues SA and other activities	Maturity less than 1 year	Maturity 1 to 5 years	Maturity over 5 years	Maturity Total	TOTAL 31/12/04
Commitments given and received	**3 680**	**637**	**2 093**	**933**	**17**	**925**	**2 097**	**658**	**3 680**	**3 373**

12.2 - SUNDRY COMMITMENTS

	TOTAL 30/09/05	Construction	Media	Telecoms	Bouygues SA and other activities	Maturity less than 1 year	Maturity 1 to 5 years	Maturity over 5 years	Maturity Total	TOTAL 31/12/04
Commitments given	**501**	**177**	**116**	**147**	**61**	**156**	**209**	**136**	**501**	**655**
Other contractual obligations and commercial commitments given (guarantees, endorsements, etc) *(1)*	**501**	177	116	147	61	156	209	136	**501**	655
Commitments received	**101**	**4**	**84**	**5**	**8**	**46**	**46**	**9**	**101**	**70**
Other contractual obligations and commercial commitments received (guarantees, endorsements, etc) *(1)*	**101**	4	84	5	8	46	46	9	**101**	70
BALANCE	**400**	**173**	**32**	**142**	**53**	**110**	**163**	**127**	**400**	**585**

(1) In the course of its ordinary activities, the Group provides ten-year guarantees or performance bonds for which no quantified estimate or disclosure is made unless it becomes apparent that the guarantee or bond will require the Group to make payments, in which case a provision would be recognised.

12.3 - OTHER COMMITMENTS

UMTS licences:

The UMTS licence awarded to Bouygues Telecom requires compliance with various obligations, relating in particular to the pace of the roll-out, geographical coverage and the commercial opening of the network.
In a ruling issued on 23 May 2005, the French telecommunications regulator (ARCEP) put back to 30 April 2007 the date by which Bouygues Telecom is required to make the UMTS services covered by the licence commercially available.

Blind spots :

In 2002, Bouygues Telecom and the two other mobile operators committed to providing coverage in a number of blind spots.
This commitment was set out in an agreement signed in 2003 and amended in 2004.
The three operators are obliged to provide coverage to 3,100 communities, representing 2,200 sites.

	TOTAL 30/09/05	Construction	Media	Telecoms	Bouygues SA and other activities	Maturity less than 1 year	Maturity 1 to 5 years	Maturity over 5 years	Maturity Total	TOTAL 31/12/04
TOTAL COMMITMENTS GIVEN	**4 181**	**814**	**2 209**	**1 080**	**78**	**1 081**	**2 306**	**794**	**4 181**	**4 028**
TOTAL COMMITMENTS RECEIVED	**3 781**	**641**	**2 177**	**938**	**25**	**971**	**2 143**	**667**	**3 781**	**3 443**

No material off-balance sheet commitments have been omitted from this disclosure, in accordance with applicable accounting standards.

12.4 - COLLATERAL GIVEN

	TOTAL 30/09/05	Construction	Media	Telecoms	Bouygues SA and other activities	Maturity				TOTAL 31/12/04
						less than 1 year	1 to 5 years	over 5 years	Total	
- Mortgages secured on land/buildings, pledges of plant and equipment	**9**	9				1	8		**9**	5
- Pledges of securities, subordinated loans	**22**	22					4	18	**22**	18
TOTAL GROUP	**31**	**31**				**1**	**12**	**18**	**31**	**23**