NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2006

(in millions of euros)

8 June 2006

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(*Figures in millions of euros)*

NOTES

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

- They have been prepared in millions of euros, and comprise:
  - ✓ the balance sheet and income statement;
  - ✓ the statement of changes in shareholders' equity;
  - ✓ the cash flow statement;
  - ✓ the notes to the financial statements.

The comparatives presented consist of the consolidated financial statements prepared at 31 December 2005 and/or 31 March 2005, as appropriate.

NOTE 1	SIGNIFICANT EVENTS OF THE PERIOD

1. 1. SCOPE OF CONSOLIDATION AS AT 31 MARCH 2006

- **Main changes in the scope of consolidation during the first quarter of 2006:**

  964 companies consolidated as at 31 March 2006. The net decrease of 19 in the number of companies consolidated since 31 December 2005 relates primarily to:

  a) Bouygues Construction: ETDE subsidiaries – Thermal Transfer (UK, etc), plus various partnerships connected with construction projects now completed.

  b) Various acquisitions by Colas.

- **Sale of Novasaur:**

At 31 December 2005, the Bouygues Group held a 9.88% interest in Novasaur, the holding company of the Saur Group. This entire interest (shares, and bonds redeemable for cash or shares) was sold for 41 million euros during the first quarter of 2006).

The sale generated a net gain of 28 million euros, recognised in the consolidated income statement for the three months to 31 March 2006.

1.2. SUPPLEMENTARY BOND ISSUE OF 250 MILLION EUROS

On 31 January 2006, Bouygues carried out a bond issue of 250 million euros, supplementary to the initial July 2005 issue of 750 million euros. The issue matures in 2020, was priced at 97.203%, and bears interest at 4.25%.

This issue extends the average maturity of the Group's debt.

1.3. SALE OF TPS

- **TPS**: On 6 January 2006, TF1 and M6, who jointly control the TPS satellite offering with interests of 66% and 34% respectively, signed an industrial agreement with Vivendi Universal, the parent company of the Canal+ pay TV group, intended to merge the French pay TV activities of Canal+ and TPS.

  The proposed agreement is subject to approval from the French competition authorities and to a ruling by the French audiovisual regulator, the CSA.

  Because TPS was held for sale as at 31 March 2006, income and expenses generated by TPS have been excluded from the operating activities shown in the income statement for both 2006 and 2005, in accordance with IFRS 5 (same treatment as that adopted as at 31 December 2005). The net profit for the period relating to TPS is shown on the line "Net profit of discontinued and held-for-sale operations". Assets and liabilities relating to TPS at the 2006 and 2005 balance sheet dates are shown separately in the balance sheet under "Held-for-sale assets" and "Liabilities on held-for-sale assets".

1.4. SIGNIFICANT EVENTS AND CHANGES IN SCOPE OF CONSOLIDATION SUBSEQUENT TO 31 MARCH 2006

- Sale of Bouygues Telecom Caraïbes (BTC):

  On 28 April 2007, following fulfilment of all the sale conditions, the entire 100% interest in BTC was sold to Digicel Limited (Jamaica) for 155.4 million euros. As in the case of TPS, BTC was treated as held for sale as at 31 March 2006, and consequently income and expenses generated by BTC have been excluded from the balance sheet as at that date and from the operating activities shown in the income statement for the period then ended. The net profit for the period relating to BTC is shown on the line "Net profit of discontinued and held-for-sale operations".

- Acquisition of 21% of Alstom:

  On 26 April 2006, Alstom and Bouygues signed a co-operation agreement approved by the Board of Directors of each of the two groups.

  The alliance between Alstom and Bouygues is a response to the rapid development of the transport infrastructure and power generation markets, and is aimed at enabling the two groups to combine their strengths and seize new opportunities.

  To support the alliance, Bouygues is acquiring the 21% interest in Alstom held by the French State, subject to approval from the European Commission in accordance with competition law and to the effective disposal of Alstom's Marine activity, due to take place in the next few weeks. Once these conditions have been fulfilled, Bouygues will become a shareholder of Alstom for the long term and intends to strengthen its development. It has consequently committed to retaining the shares acquired from the French State for at least three years.

  Bouygues does not intend to acquire more than one-third of the capital or voting rights of Alstom, and hence will not be making a public offer for the remaining shares.

  The shares will be acquired at a price of 68.21 euros each, representing a total investment of 2 billion euros for Bouygues.

  The interest in Alstom will be accounted for by the equity method in the consolidated financial statements as of 30 June 2006.

- Proposed establishment of a jointly-controlled company in the hydro-power market:

  Alstom and Bouygues intend to establish a jointly-controlled company serving the hydro-power market, and are currently engaged in feasibility studies on this project. Alstom would transfer its entire hydro-power business to this company, in which Bouygues would take a 50% stake.

  This new company would enable the two groups to join forces in order to take advantage of the strong growth in this market at world level, and would also enable Alstom to meet its commitments to the European Commission.

- In May 2006, Bouygues carried out a euro-denominated bond issue, in 2 tranches, in order to secure long-term refinancing for part of the investment in Alstom:

  a) 1,150 million euros maturing 2013, priced at 99.812%, interest rate 4.50%.

  b) 600 million euros maturing 2016, priced at 99.657%, interest rate 4.75%.

NOTE 2 IFRS ACCOUNTING POLICIES

2.1. As required by European Council Regulation 1606/2002, adopted 19 July 2002, the Bouygues Group has prepared its consolidated financial statements in accordance with the accounting standards issued by the International Accounting Standards Board (IASB) as adopted by the European Union.

These standards, collectively referred to as International Financial Reporting Standards (IFRS), also include International Accounting Standards (IAS) and interpretations issued by the Standing Interpretations Committee (SIC) and the International Financial Reporting Interpretations Committee (IFRIC).

Roadbuilding (Colas) is a seasonal business. The depreciation charge for this business recognised in the income statement for the three months ended 31 March 2006 is proportional to monthly sales, as computed on the basis of annual forecasts.

The accounting policies applied in the interim consolidated financial statements as at 31 March 2006 are the same as those applied in the consolidated financial statements as at 31 December 2005, with the exception of standards adopted by the European Union with effect from 1 January 2006 and applied by the Group in the interim financial statements (IAS 19); these have no material impact on the interim financial statements.

The accounting policies applied by the Bouygues Group are described below.

Basis of preparation

- In accordance with IAS 34, “Interim Financial Reporting”.

- Measurement at historical cost, except for certain items (in particular financial assets and financial liabilities) which are measured at fair value.

Preparing financial statements to comply with IFRS requires the use of estimates and assumptions which may have affected the amounts reported for assets, liabilities and contingent liabilities at the balance sheet date, and the amounts of income and expenses reported for the financial year.

These estimates and assumptions have been applied consistently on the basis of past experience and of various other factors regarded as reasonable forming the basis of assessments of the valuations of assets and liabilities for accounting purposes. Actual results may differ materially from these estimates if different assumptions or conditions apply.

Where no standard or interpretation applies to a specific transaction, Group management has exercised its judgement to define and apply accounting policies that will provide relevant and reliable financial information, such that the financial statements:

- give a true and fair view of the financial position, financial performance and cash flows of the Group;
- reflect the economic reality of the underlying transactions;
- are impartial, prudent, and complete in all material respects.

2. 2. CONSOLIDATION METHODS AND TREATMENT OF SUBSIDIARIES, ASSOCIATES AND OTHER INVESTMENTS

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

Exclusive control over TF1:

- Bouygues holds 42.89% of the capital and 42.94% of the voting rights of TF1, and according to a ruling by the *Conseil de la Bourse des Valeurs* of 11 February 1994 is regarded as acting in concert with Société Générale, a fellow-shareholder of TF1, under the terms of a shareholders' agreement[(1)].

- Exclusive control by Bouygues over TF1 is demonstrated by the fact that:

  - Bouygues has consistently and regularly held a substantial majority of the voting rights exercised at TF1 shareholders' meetings;

  - no other shareholder directly or indirectly controls a higher share of voting rights than Bouygues.

Bouygues has clearly had exclusive power to determine decisions at TF1 shareholders' meetings during at least two consecutive financial years (article L233-16 II of the Commercial Code).

Other factors indicating the existence of exclusive control include:

- the predominance of Bouygues among the group of shareholders acting in concert;
- the large number of seats on the TF1 Board of Directors allocated to Bouygues;
- the role of Bouygues in appointing key executives of TF1.

All these factors clearly establish that Bouygues exercises exclusive control over TF1.

The relationship between Bouygues and TF1 also meets the criteria stipulated in articles L233-3 I & II of the Commercial Code relating to de facto control by one company over another.

(1) In January 2006, Société Générale sold its interest in TF1, meaning that Bouygues and Société Générale were no longer acting in concert (AMF sale reference 206C0188, dated 30 January 2006). This change does not affect the exclusive control exercised by Bouygues over TF1.

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

- Companies over which Bouygues exercises significant influence (associates) are consolidated using the equity method.

  Cofiroute:

  - 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.

- In accordance with IAS 39 on financial instruments, investments in non-consolidated companies are recognised at fair value and are subject to impairment tests.

Changes in scope of consolidation:

	31 March 2006	31 December 2005
Fully consolidated	754	760
Proportionately consolidated	184	197
Equity method	26	26
	964	983

The main changes during the three months ended 31 March 2006 are described in "Significant Events".

2. 3. Business combinations

In business combinations occurring after 1 January 2004, the acquisition cost of the combination (including transaction costs) is allocated to the identifiable assets and liabilities of the acquiree, measured at fair value at the acquisition date. These identifiable assets and liabilities are presented in the balance sheet using the full fair value method in accordance with IFRS 3. This method involves remeasuring the assets and liabilities acquired at fair value in full (including minority interests), rather than remeasuring just the percentage interest acquired.

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 (representing the level at which management monitors return on investment, which within the Bouygues Group equates to the business segment) benefiting from the business combination.

The main initial allocations of acquisition cost to identifiable assets and liabilities may be adjusted within the twelve months following the acquisition date, after which they may no longer be adjusted.

Goodwill recognised prior to 1 January 2004 continues to be measured using the partial fair value method (IFRS 3). This 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.

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.

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

2. 4. Foreign currency translation

2. 4. 1. Transactions denominated in foreign currencies

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

2. 4. 2. Financial statements of foreign entities

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

2. 5. DEFERRED TAXATION

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

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

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

Deferred taxes are not discounted.

Deferred tax assets are included in non-current assets.

2. 6. NON-CURRENT ASSETS

2. 6. 1. Property, plant and equipment

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

Useful lives by main asset category and business segment:

	CONSTRUCTION	MEDIA	TELECOMS	
- Mineral deposits (quarries)	(1)			
- Non-operating buildings	10 to 30 years	25 to 50 years	-	
- Industrial buildings	depends on type	-	20 years	
- 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)	3 to 10 years	2 to 10 years		(2)

In accordance with IAS 16, when an item of property, plant and equipment consists of components with different useful lives, each component is accounted for and depreciated as a separate item, in terms of the estimated terminal 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 income and expenses from operations".

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

(2) Depending on the type of asset

Depreciation periods are reviewed annually, and are adjusted if expectations differ from previous estimates. The resulting changes in accounting estimate are accounted for prospectively.

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.

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.

2. 6. 2. Intangible assets

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

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

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

They include:

- **Development expenses:**

  - In accordance with IFRS, incorporation and research expenses are expensed as incurred.

  - Development expenses are capitalised if the relevant criteria are met, i.e. if they are expected to generate future economic benefits and their cost can be reliably measured.

- **Concessions, patents and similar rights:**

  These include the following assets held by Bouygues Telecom:

Type of asset	Amortisation method	Period
GSM frequency costs	straight line	12 years
UMTS licence	straight line	(1)
IT system software and developments	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.*

- **UMTS licence:**

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

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

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

2. 6. 3. Other intangible assets

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

TF1 broadcasting rights:

This item includes shares in films and programmes co-produced by TF1 Films Production, TF1-Video, 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.

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

Initial recognition	**Amortisation method**		
	Co-production shares	Broadcasting rights Distribution / Trading	Music rights
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.

In accordance with IAS 36, an impairment loss is recognised on a line by line basis where estimated future revenues do not cover the carrying amount of the asset.

2. 6. 4. Subsequent remeasurement of non-current assets

The carrying amount of non-current assets is reviewed in accordance with Group accounting policies on an annual basis, or more frequently if internal or external events or circumstances indicate that an asset may be impaired. In particular, the carrying amount of intangible assets (other than broadcasting rights, which are measured using the policies described 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 the cash-generating units (CGU) to which they belong, or within the appropriate group of CGUs representing the lowest level at which management monitors return on investment (business segment level in the case of the Bouygues Group). The value in use of CGUs is measured using the discounted cash flow (DCF) method, applying the following principles:

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

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

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

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

2. 6. 5. Non-current financial assets

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

Investments in non-consolidated companies are measured at fair value, with changes in fair value taken to shareholders' equity.

Fair value is the market price for listed investments, and value in use for unlisted investments. Value in use is determined using the most appropriate criteria for each individual investment.

If there is objective evidence that an investment is impaired, the accumulated losses taken to shareholders' equity are recognised in the income statement.

Advances to non-consolidated companies, and other loans and receivables, are accounted for at amortised cost, determined using the effective interest method.

In the case of variable-rate loans and receivables, cash flows are periodically re-estimated to reflect changes in market interest rates, resulting in an adjustment to the effective interest rate and hence to the valuation of the loan or receivable.

Loans and receivables are reviewed for objective evidence of impairment. An impairment loss is recognised if the carrying amount of a financial asset is greater than the estimated recoverable amount as determined by impairment testing. Impairment losses are recognised in the income statement.

2. 7. CURRENT ASSETS

2. 7. 1. Inventories

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

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

2. 7. 2. Programmes and broadcasting rights (TF1)

Programmes and broadcasting rights include in-house productions made by TF1 but not yet broadcast; external productions, comprising broadcasting 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.

Consumption of programmes depends on the type of programme 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 broadcast.

Sports transmission rights:

Acquisitions of sports transmission rights for which TF1 has placed an irrevocable order prior to the balance sheet date are priced at the contractual amount less any sums already paid at that date.

A programme is treated as ready for broadcast and recognised in inventory under "Programmes and broadcasting rights" when the following two conditions are met: technical acceptance (for in-house and external productions), and opening of rights (for external productions).

External productions that have not been broadcast, and the rights to which have expired, are expensed as a component of current operating profit.

The value of programmes and broadcasting rights is measured as follows:

- in-house production: at overall production cost (direct costs plus a portion of indirect production costs);

- broadcasting rights and co-productions: at purchase cost, less consumption for the year calculated at each balance sheet date.

2. 7. 3. Trade receivables

Trade receivables are carried at face value, net of impairment recorded to reflect the probability of recovery. These receivables are usually short-term and non interest-bearing. They are measured at the original invoice amount, unless application of an implied interest rate would have a material effect.

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

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

2. 7. 4. Other current receivables and prepaid expenses

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

2. 8. 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. 8. 1. Risks to which the Group is exposed

Currency risk

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

Interest rate risk

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

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

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

2. 8. 2. Principles applied to all hedging instruments

The only instruments used for hedging purposes are forward currency purchases and sales, currency swaps and purchases of currency options for currency risk hedging purposes; and interest rate swaps, future rate agreements, and purchases of caps and 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.

2. 8. 3. Hedging rules

Currency risk

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

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

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

Interest rate risk

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

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

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

2. 8. 4. Accounting methods

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

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

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

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

2. 9. 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 represents translation differences arising since 1 January 2004.

2. 10. NON-CURRENT LIABILITIES

2. 10. 1. Non-current debt

(portion due after more than one year)

With the exception of derivative instruments accounted for as financial liabilities measured at fair value, all other borrowings and financial liabilities are recognised initially at fair value and subsequently at amortised cost, measured using the effective interest method.

Transaction costs directly attributable to the acquisition or issuance of a financial liability are offset against that liability, and amortised over the life of the liability using the effective interest method.

The effective interest rate is the rate that exactly discounts estimated future cash payments to maturity (or to the next market rate repricing date) to the net carrying amount of the liability. The calculation takes account of all fees and points paid or received by the parties to the contract.

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

2. 10. 2. Non-current provisions

Under IAS 37, “Provisions, Contingent Liabilities and Contingent Assets”, a provision is recorded where the Group has an obligation to a third party at the balance sheet date resulting from a past event, the settlement of which is expected to result in a outflow from the Group of resources embodying economic benefits.

The amount recognised as a provision represents the Group’s estimate of the outflow of resources that will be needed to settle the obligation.

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

Non-current provisions mainly comprise:

- Provisions established to cover the uninsured portion of risks borne by Group companies 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 fines levied by the competition authorities.
- Provisions for litigation, claims and foreseeable risks relating to the Group’s operations, especially foreign operations, including permanent withdrawal from projects and sundry risks and liabilities.
- Provisions for site remediation costs.
- Employee benefits:
    - ➢ Provisions for 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:

  - ✓ status, age and length of service for each employee category;
  - ✓ employee turnover, calculated on the basis of the average number of leavers by business segment, age bracket and employee category;
  - ✓ average salary and wages including bonuses and benefits in kind, uplifted by a coefficient to reflect the applicable percentage of employer's social security charges;
  - ✓ a final salary inflation rate;
  - ✓ a discount rate applied to the obligation over the projected period to the retirement date;
  - ✓ estimated life expectancy, based on mortality tables.

  The Group does not recognise movements in this obligation arising from changes in actuarial assumptions unless they 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; this method has been applied since 1 January 2004.

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

  The actuarial assumptions used to measure the present value of the pension obligation and the pension 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 mutually consistent, and the discount rate was determined by reference to the expected market rate at the balance sheet date, taking into account the estimated timing of benefit payments.

2. 11. Current liabilities

2. 11. 1 Advances and down-payments on orders

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

2. 11. 2. Current provisions

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

- 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.

2. 11. 3. Trade payables and other current liabilities

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

2. 12. Income statement

The Bouygues Group presents an income statement classifying expenses by nature, in the format specified in recommendation 2004-R-02 issued by the French national accounting standard-setter, the *Conseil National de la Comptabilité* (CNC), on 27 October 2004.

2. 12. 1. Definition of operating revenues

Revenues from the Group's operations are recognised when:

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

Bouygues Telecom:

Bouygues Telecom generates revenue from services and handset sales.

Services

Fixed-price packages and commercial services are invoiced one month in advance, and the corresponding revenue is recognised on a straight-line basis over the service period.

Revenues from call charges other than fixed-price packages, roaming fees and interconnection fees are recognised as the service is used.

Service discounts offered to new customers on subscription to fixed-price packages that are contingent upon the customer committing to retain their subscription for a specified period are charged to income over the minimum commitment period.

Services carried out on behalf of content providers in relation to SMS+ services, special numbers and i-mode services are not included in income and expenses for the period. Only the margin on such services is recognised in sales.

Handset sales

Handset sales are recognised on the sale of the handset to the distributor or retailer, but the margin on the sale is eliminated until the line is activated by the consumer.

Distributor/retailer commission

All commission payable to distributors and retailers is recognised as an expense.

2. 12. 2. Accounting for long-term contracts

Construction activities

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

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

Property development

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

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

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

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

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

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

2. 12. 3. 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.

2. 12. 4. Share-based payment

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

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

2. 13. Cash flow statement

The cash flow statement is presented in accordance with IAS 7 and CNC recommendation 2004-R-02.

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

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

2. 14. Off balance sheet commitments

A summary of contractual obligations and commercial commitments is provided in the notes to the financial statements.

2. 15. Financial indicators

Definitions of key financial indicators:

2. 15. 1. EBITDA

Current operating profit plus net amortisation expense plus net charges to provisions and depreciation expense minus reversals of provisions no longer required.

2. 15. 2. Free cash flow

Cash flow minus cost of net debt minus income tax expense for the period minus net capital expenditure for the period.

2. 15. 3. Net debt

This represents the aggregate of:

- cash and equivalents;
- overdrafts and short-term bank borrowings;
- non-current and current debt;
- financial instruments (used to hedge financial liabilities measured at fair value).

2. 16. OTHER INFORMATION

Comparability of the financial statements for the three months ended 31 March 2006:

- As explained in note 2.1, the accounting policies applied at 31 March 2006 do not impair comparability of balance sheet, income statement and cash flow statement items between accounting periods.

- In accordance with IFRS 5, TPS and BTC, which are in process of divestment, are shown on the separate lines used to report held-for-sale assets and operations in the consolidated balance sheet as at 31 March 2006 and the income statement for the three months then ended.

- The impact of changes in the scope of consolidation during the three months ended 31 March 2006 does not affect the comparability of the financial statements as presented.

3.1. PROPERTY, PLANT AND EQUIPMENT

Carrying amount	Land & buildings	Industrial plant and equipment	Other property, plant and equipment	PP&E under construction and advance payments	Total
31 December 2005	**949**	**2,975**	**539**	**152**	**4,615**
of which finance leases	20	29	48		97
31 March 2006	**910**	**2,894**	**549**	**313**	**4,666**
of which finance leases	20	26	42		87

Analyses of the carrying amount of intangible assets, of property, plant and equipment, and of investment in operating assets by business segment are provided in Note 13, "Segment Information".

3.2. INTANGIBLE ASSETS

Carrying amount	Concessions, patents and similar rights	Other intangible assets	Total
31 December 2005	**807**	**249**	**1,056**
31 March 2006	**785**	**260**	**1,045**

UMTS licence (Bouygues Telecom)
The fee for the UMTS licence, awarded for a 20-year period, comprises:
. a fixed component of 619 million euros, 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.

3.3. NON-CURRENT FINANCIAL ASSETS

Carrying amount	Associates	Investments in non-consolidated companies	Other non-current assets	Total
31 December 2005	**497**	**114**	**169**	**780**
31 March 2006	**502** (1)	**89**	**188**	**779**

(1) includes goodwill relating to associates: 136 (primarily Cofiroute)

3.4. GOODWILL

3.4.1. Movement in carrying amount of goodwill in the 3 months to 31 March 2006

	Gross value	Impairment	Carrying amount
1 January 2006	**4,641**	**(23)**	**4,618**
Change in scope of consolidation	41		41
Impairment losses			
Translation & other movements	(7)		(7)
31 March 2006	**4,675**	**(23)**	**4,652**

3.4.2. Split of goodwill by cash generating unit (CGU)

Segment	**31 March 2006**		31 December 2005	
	Total	**% of parent**	**Total**	**% of parent**
Bouygues Construction	139	99.97%	106	99.97%
Colas	817	96.56%	805	96.42%
TF1	1,047	42.91%	1,047	42.93%
Bouygues Telecom	2,644	89.55%	2,655	89.55%
Other activities	5		5	
TOTAL	**4,652**		**4,618**	

3.5 CONSOLIDATED PURCHASE PRICE OF LISTED SHARES (TF1 AND COLAS)

	Consolidated purchase price per share *(1)*	**Average quoted share price 31 March 2006 *(2)***
TF1	10.70	25.76
Colas	62.06	166.26

(1) Carrying amount per share in the consolidated financial statements
(2) Average of quoted share prices between 1 March 2006 and 31 March 2006

3.6. NON-CURRENT TAX ASSETS

See Note 6 for details.

NOTE 4	CONSOLIDATED SHAREHOLDERS' EQUITY	5,740

4.1. SHARE CAPITAL OF BOUYGUES SA (in euros)

337,537,484 euros

As at 31 March 2006, the share capital of Bouygues SA consisted of 337,069,468 shares and 468,016 investment certificates. Movements in the 3 months ended 31 March 2006 were as follows:

	1 January 2006	Movements during the period Reductions	Movements during the period Increases	31 March 2006
Shares	336,289,029		780,439	337,069,468
Investment certificates	473,867	(5,851)		468,016
Number of shares and certificates	**336,762,896**	**(5,851)**	**780,439**	**337,537,484**
Par value	€ 1	-	-	€ 1
Share capital (in euros)	**336,762,896**	**(5,851)**	**780,439**	**337,537,484**

4.2. STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE 3 MONTHS ENDED 31 MARCH 2006 (GROUP AND MINORITY INTERESTS)

31 March 2006	Share capital and share premium	Reserves related to capital	Retained earnings	Consolidated reserves & profit for period	Treasury shares	Profits recognised directly in equity	Total 31 March 2006
Attributable to the Group	2,252	810	276	1,392	(48)	78	**4,760**
Minority interests				978		2	**980**
Total shareholders' equity	**2,252**	**810**	**276**	**2,370**	**(48)**	**80**	**5,740**

4.2.1. Attributable to the Group:

	Share capital and share premium	Reserves related to capital	Retained earnings	Consolidated reserves & profit for period	Treasury shares	Profits recognised directly in equity	Total Group
Position at 1 January 2005	**2,252**	**712**	**43**	**985**	**(1)**	**7**	**3,998**
Movements							
Capital and reserves transactions, net	5						**5**
Treasury shares					(32)		**(32)**
Share-based payment						2	**2**
Dividends							
Net profit for Q1 2005 attributable to the Group				96			**96**
Financial instruments						(7)	**(7)**
Translation adjustment						18	**18**
Other movements						(1)	**(1)**
Position at 31 March 2005	**2,257**	**712**	**43**	**1,081**	**(33)**	**19**	**4,079**
Position at 1 January 2006	**2,234**	**810**	**276**	**1,244**	**(5)**	**71**	**4,630**
Movements							
Capital and reserves transactions, net	18						**18**
Treasury shares					(40)		**(40)**
Share-based payment						3	**3**
Dividends							
Net profit for Q1 2006 attributable to the Group				148			**148**
Financial instruments						43	**43**
Translation adjustment						(14)	**(14)**
Other movements (1)					(3)	(25)	**(28)**
Position at 31 March 2006	**2,252**	**810**	**276**	**1,392**	**(48)**	**78**	**4,760**

(1) Includes various fair value remeasurements, and the effects of the sale of Novasaur

4.2.2. Minority interests:

	Share capital and 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 2005				**978**	**2**	**980**
Movements						
Capital and reserves transactions, net				(4)		**(4)**
Dividends				(1)		**(1)**
Net profit for Q1 2005 attributable to minorities				49		**49**
Financial instruments						
Translation adjustment					1	**1**
Change in scope of consolidation				(12)		**(12)**
Other movements					1	**1**
Position at 31 March 2005				**1,010**	**4**	**1,014**
Position at 1 January 2006				**926**	**5**	**931**
Movements						
Capital and reserves transactions, net				1		**1**
Dividends				(1)		**(1)**
Net profit for Q1 2006 attributable to minorities				51		**51**
Financial instruments					(3)	**(3)**
Translation adjustment						
Change in scope of consolidation				1		**1**
Other movements						
Position at 31 March 2006				**978**	**2**	**980**

4.3. ANALYSIS OF MOVEMENTS IN PROFITS TAKEN DIRECTLY TO EQUITY IN THE FIRST QUARTER OF 2006 (PORTION ATTRIBUTABLE TO THE GROUP)

	Note	2006 1st quarter
Translation reserve	*4.3.1.*	**(14)**
Financial instruments (changes in fair value)	*4.3.2.*	**43**
Share-based payment		**3**
Other movements		**(25)**
Total		**7**

4.3.1. Translation reserve

- Principal translation differences at 31 March 2006 on foreign companies reporting in:

	31/12/05	Movements in period	31/03/06
US Dollar	18	(7)	11
Canadian dollar	14	(2)	12
Other	12	(5)	7
Total	**44**	**(14)**	**30**

4.3.2. Fair value remeasurement reserve

Reserve arising on the remeasurement of financial instruments and available-for-sale financial assets at fair value

	31/12/05	Movements in period	31/03/06
Movement during the period	6	43	**49**

NOTE 5

NON-CURRENT AND CURRENT PROVISIONS

5.1. NON-CURRENT PROVISIONS = 1,273

	Long-term employee benefits (1)	Litigation and claims (2)	Guarantees given (3)	Other non-current provisions (4)	TOTAL
1 January 2006	**368**	**309**	**232**	**356**	**1,265**
Translation adjustment	(1)		(1)		**(2)**
Transfers between items & other	1			18	**19**
Changes in scope of consolidation	1			3	**4**
Charges to provisions	12	27	14	18	**71**
Provisions utilised	(2)	(5)	(8)	(21)	**(36)**
Provisions no longer required	(1)	(27)	(2)	(18)	**(48)**
31 March 2006	**378**	**304**	**235**	**356**	**1,273**

(1) **Long-term employee benefits:**		***378***
• Lump-sum retirement benefits	*260*	
• Long-service awards	*97*	
• Other long-term employee benefits	*21*	
(2) **Litigation and claims:**		***304***
• Provisions for customer disputes	*124*	
• Subcontractor claims	*37*	
• Employee-related litigation and claims	*20*	
• Other litigation and claims	*123*	
(3) **Guarantees given:**		***235***
• Provisions for guarantees	*165*	
• Additional building, civil engineering • works guarantees	*70*	
(4) **Other non-current provisions:**		***356***
• Risks related to tax and other official inspections	*114*	
• Provisions for miscellaneous foreign risks	*16*	
• Provisions for subsidiaries and associates	*25*	
• Provisions for contractual obligations	*9*	
• Provisions for site remediation costs	*65*	
• Other non-current provisions	*127*	

5.2. CURRENT PROVISIONS = 652

- Provisions related to the operating cycle

	Provisions for customer warranties	Provisions for project risks and project completion	Provisions for losses to completion	Provisions for customer loyalty programmes	Other current provisions	Total
1 January 2006	**31**	**153**	**132**	**174**	**186**	**676**
Translation adjustment		(1)				**(1)**
Transfers between items & other			2		(3)	**(1)**
Changes in scope of consolidation	(1)	(4)	1	(5)	(2)	**(11)**
Charges to provisions	3	14	10	40	21	**88**
Provisions utilised	(2)	(9)	(18)	(34)	(24)	**(87)**
Provisions no longer required		(6)	(5)		(1)	**(12)**
31 March 2006	**31**	**147** (1)	**122** (2)	**175**	**177** (3)	**652**

(1) including:
- provisions for risks on completed projects: 77
- provisions for final settlement on projects: 70

(2) Provisions relating to the Construction segment.

(3) including:
- provisions for accident risk insurance costs: 51
- other current provisions: 126

NOTE 6	NON-CURRENT TAX ASSETS AND LIABILITIES	380 / 74

6.1. NON-CURRENT TAX ASSETS = 380

	31/12/05	Change	31/03/06
Deferred tax assets	375	(37)	338
- Bouygues Telecom (1)	*203*	*(50)*	*153*
- Other segments	*172*	*13*	*185*
Other non-current tax assets	0	42	42
Total non-current tax assets	**375**	**5**	**380**

(1) - Bouygues Telecom: Deferred tax assets on tax losses available for carry-forward (mainly depreciation deferred for tax purposes), the recoverability of which is based upon profit forecasts for 2006 contained in the latest business plans presented to the Board of Directors.

6.2. NON-CURRENT TAX LIABILITIES = 74

	31/12/05	Change	31/03/06
Deferred tax liabilities	89	(15)	74
Other non-current tax liabilities	0	0	0
Total non-current tax liabilities	**89**	**(15)**	**74**

NOTE 7 | **NON-CURRENT DEBT AND CURRENT DEBT**

Non-current debt	**5,405**
Current debt	**816**

7.1. INTEREST-BEARING DEBT BY MATURITY

	Current debt < 1 year	Non-current debt 1-2 years	2-3 years	3-4 years	4-5 years	5-6 years	6 years or more	Other	Total non-current debt 31/03/06	*Total non-current debt 31/12/05*
- Bond issues	**607**			**1,011**	**502**	**758**	**1,976**		**4,247**	*4,008*
- Bank borrowings	**158**	**61**	**20**	**19**	**56**	**11**	**34**		**201**	*176*
- Finance lease obligations	**29**	**20**	**13**	**7**	**4**	**3**	**6**		**53**	*57*
- Other debt	**22**	**9**	**9**	**2**	**2**	**294**	**123**		**439**	*20*
Total interest-bearing debt	**816**	**90**	**42**	**1,039**	**564**	**1,066**	**2,139**		**4,940**	***4,261***
Promise to buy 6.5% of Bouygues Telecom		465							**465**	***460***
Total incl. Bouygues Telecom promise	**816**	**555**	**42**	**1,039**	**564**	**1,066**	**2,139**		**5,405**	***4,721***
Comparative at 31 December 2005	*694*	*549*	*35*	*1,036*	*526*	*782*	*1,793*			***4,721***

7.2. COVENANTS AND TRIGGER EVENTS

The bank loans contracted by Bouygues and its subsidiaries do not include any covenants or trigger events.

NOTE 8	MAIN COMPONENTS OF CHANGE IN NET DEBT	(2,676)

8.1 CHANGE IN NET DEBT

	31/12/05	Movement in the period	31/03/06
Cash and equivalents	3,215	555	3,770
Overdrafts and short-term bank borrowings	(178)	(64)	(242)
Net cash and equivalents	**3,037**	**491** (1)	**3,528**
Non-current debt	(4,721)	(684)	(5,405)
Current debt	(694)	(122)	(816)
Financial instruments, net	26	(9)	17
Gross debt	**(5,389)**	**(815)**	**(6,204)**
Net debt	**(2,352)**	**(324)**	**(2,676)**

(1) Cash and equivalents as analysed in the cash flow statement for the period (net cash flows + non-monetary movements)

8.2 PRINCIPAL TRANSACTIONS IN THE PERIOD ENDED 31 MARCH 2006

Net debt at 31 December 2005	**(2,352)**
Sale of residual interest in Novasaur	**41**
Purchase of treasury shares	**(40)**
Purchase of Colas shares by Bouygues	**(7)**
Bouygues Confiance 3 capital increase (2006 tranche)	**54**
Main acquisitions & disposals of investments involving third parties (ETDE, Colas, other)	**(51)**
Operating and other items	**(321)**
Net debt at 31 March 2006	**(2,676)**

Sign convention: cash and equivalents positive, debt negative

NOTE 9	ANALYSIS OF SALES AND OTHER REVENUES FROM OPERATIONS

9.1. ANALYSIS BY ACCOUNTING CLASSIFICATION

	2006 first quarter	2005 first quarter
Sales of goods	480	406
Sales of services	2,316	2,399
Construction contracts	2,430	1,932
Sales	**5,226**	**4,737**
Other revenues from operations	43	41
Total	**5,269**	**4,778**

9.2. ANALYSIS BY BUSINESS SEGMENT

	Period ended 31 March 2006				Period ended 31 March 2005			
SEGMENT	France	International	Total	%	France	International	Total	%
Construction	920	571	1,491	29%	729	558	1,287	27%
Property	285	45	330	6%	313	20	333	7%
Roads	1,140	482	1,622	31%	966	401	1,367	29%
Media	586	63	649	12%	571	49	620	13%
Telecoms	1,069		1,069	21%	1,048		1,048	22%
Bouygues SA & other activities	1	64	65	1%	6	76	82	2%
Consolidated sales	**4,001**	**1,225**	**5,226**	**100%**	**3,633**	**1,104**	**4,737**	**100%**
% change 2006 vs. 2005	**10%**	**11%**	**10%**					

9.3. ANALYSIS BY GEOGRAPHICAL AREA

	Period ended 31 March 2006		Period ended 31 March 2005	
	Total	%	Total	%
France	4,001	76	3,633	76
European Union	412	8	395	8
Rest of Europe	191	4	141	3
Africa	218	4	233	5
Middle East	9		3	
United States and Canada	167	3	125	3
Central and South America	42	1	24	1
Asia-Pacific	186	4	183	4
Total	**5,226**	**100**	**4,737**	**100**

		Period ended: 31/03/06		31/03/05
Current operating profit:				
Sales		5,226		4,737
Other revenues from operations		43		41
Purchases used in production and external charges		(3,495)		(3,059)
Taxes other than income tax		(138)		(130)
Personnel costs		(1,222)		(1,105)
Net depreciation, amortisation, provisions and impairment losses				
- Depreciation and amortisation		(270)		(262)
- Net charge to provisions and impairment losses		(45)		(36)
Changes in production and property development inventories		53		(1)
No impairment losses were taken in the period ended 31 March 2006 against assets with indefinite useful lives, as there was no evidence of impairment.				
Other income and expenses from operations		126		73
- Reversals of provisions and impairment losses	57		43	
- Net gains on disposals of non-current assets	44		9	
- Other income and expenses	*25*		*21*	
Current operating profit		**278**		**258**
Other operating income and expenses		14 (1)		
Operating profit		**292**		**258**

(See Note 13 for a split by segment.)

(1) Reversal of provision for fines for anti-competitive practices, originally booked at 31 December 2005.

NOTE 11	COST OF NET DEBT	(35)

Cost of net debt	Period ended:	31/03/06	31/03/05
Cost of gross debt		(58)	(53)
Interest income on cash and equivalents		23	7
Total		**(35)**	**(46)**

The cost of net debt breaks down as follows:

- Net interest charges on debt	(54)	(50)
- Interest charges on finance leases	(2)	(2)
- Net interest charges related to cash	0	(1)
- Positive and negative effects of financial instruments on net debt	(2)	(1)
- Income from available-for-sale securities and cash equivalents	23	8
	(35)	(46)

NOTE 12	INCOME TAX EXPENSE	(72)

ANALYSIS OF NET INCOME TAX EXPENSE

Period ended:	31 March 2006			31 March 2005		
	France	Other countries	Total	France	Other countries	Total
Tax payable to the tax authorities	(31)	(5)	(36)	(6)	(1)	(7)
Deferred tax liabilities	8		8	8	3	11
Deferred tax assets (1)	(44)		(44)	(79)	1	(78)
Total	**(67)**	**(5)**	**(72)**	**(77)**	**3**	**(74)**
(1) includes:						
Bouygues Telecom	(49)			(57)		

See Note 13 for an analysis by business segment

NOTE 13

SEGMENT INFORMATION

Segment information is presented by business segment:
- . Construction (Bouygues Construction)
- . Property (Bouygues Immobilier)
- . Roads (Colas)
- . Media (TF1)
- . Telecoms (Bouygues Telecom)
- . Bouygues SA and other activities

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

13.1. ANALYSIS BY BUSINESS SEGMENT: 3 MONTHS ENDED 31 MARCH 2006

	BTP	Property	Roads	Media	Telecoms	Bouygues SA & other activities	TOTAL 31/03/06
Income statement for the 3 months ended 31 March 2006							
Total sales	1,542	330	1,635	654	1,072	98	**5,331**
Inter-segment sales	(51)		(13)	(5)	(3)	(33)	**(105)**
Third-party sales	**1,491**	**330**	**1,622**	**649**	**1,069**	**65**	**5,226**
Net depreciation and amortisation expense	(25)		(66)	(14)	(157)	(8)	**(270)**
Net charges to provisions and impairment losses	(35)	6	6	(1)	(11)	(10)	**(45)**
Current operating profit	**67**	**39**	**(115)**	**105**	**142**	**40**	**278**
Other operating income and expenses	11		4			(1)	**14**
Operating profit	**78**	**39**	**(111)**	**105**	**142**	**39**	**292**
Cost of net debt	10	1		(2)	(3)	(41)	**(35)**
Income tax expense	(35)	(10)	38	(34)	(48)	17	**(72)**
Share of profits and losses of associates	3		11	(3)		(1)	**10**
Net profit before results of discontinued and held-for-sale operations	**57**	**28**	**(62)**	**64**	**91**	**10**	**188**
Net profit of discontinued and held-for-sale operations				10	1		**11**
Net profit	**57**	**28**	**(62)**	**74**	**92**	**10**	**199**
Net profit attributable to the Group	**57**	**28**	**(60)**	**32**	**82**	**9**	**148**
Balance sheet as at 31 March 2006							
Property, plant and equipment	295	8	1,663	152	2,171	377	**4,666**
Intangible assets	18	1	48	181	784	13	**1,045**
Goodwill (1)	139		817	1,047	2,644	5	**4,652**
Deferred tax assets and long-term tax credits	59	26	69	19	153	54	**380**
Investments in associates	59		407	36			**502**
Other non-current assets	72	9	108	23	36	29	**277**
Cash and equivalents	234	22	167	335	6	3,006	**3,770**
Unallocated assets							**10,051**
Total assets							**25,343**
Non-current debt	14	48	149	511	22	4,661	**5,405**
Non-current provisions	527	79	459	56	50	102	**1,273**
Deferred tax liabilities and non-current tax liabilities	1	4	58	10		1	**74**
Current debt	5	28	35	122	9	617	**816**
Overdrafts and short-term bank borrowings	98	1	119	2		22	**242**
Unallocated liabilities							**17,533**
Total liabilities							**25,343**
Net debt (2)	1,802	216	(144)	(291)	(321)	(3,938)	**(2,676)**
Cash flow statement for the 3 months ended 31 March 2006							
Cash flow	127	25	(61)	128	303	11	**533**
Net acquisitions of property, plant and equipment and intangible assets	57	(2)	92	20	83	13	**263**
Net acquisitions of investments in consolidated companies and other investments	44	(9)	12	2		(42)	**7**
Other indicators for the 3 months ended 31 March 2006							
EBITDA	102	29	(61)	120	305	41	**536**
Free cash flow	45	18	(114)	72	169	(27)	**163**

(1) See analysis in Note 3

(2) 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).

NOTE 14	OFF BALANCE SHEET COMMITMENTS

	TOTAL 31/03/06	Construction	Property	Roads	Media	Telecoms	Bouygues SA and other activities	Maturity under 1 year	Maturity 1 to 5 years	Maturity over 5 years	Maturity Total		TOTAL 12/2005
Total commitments given	**2,783**	**162**	**585**	**162**	**546**	**1,262**	**66**	**1,164**	**1,147**	**472**	**2,783**	(1)	**2,754**
Total commitments received	**2,150**	**20**	**567**	**107**	**545**	**896**	**15**	**885**	**898**	**367**	**2,150**	(1)	**2,132**

(1) comprising:	Commitments given 31/03/06	Commitments given 31/12/05	Commitments received 31/03/06	Commitments received 31/12/05
Image transmission	360	387	360	387
Operating leases	1,061	1,040	1,061	1,040
Irrevocable purchase obligations	641	645	601	605
Collateral	12	34		
Other	709	648	128	100
Total	**2,783**	**2,754**	**2,150**	**2,132**

NOTE 15	CHANGES IN SCOPE OF CONSOLIDATION: DISCONTINUED AND HELD-FOR-SALE OPERATIONS

Held-for-sale operations

Income and expenses generated by held-for-sale operations during the period are eliminated, and the net profit from these operations is shown separately in the income statement on the line "Net profit of discontinued and held-for-sale operations".

Impact on the balance sheet, income statement and cash flow statement:

1. Cash flows generated by discontinued and held-for-sale operations are as follows:

Cash flow statement	31/03/06 TPS	31/03/06 BTC	31/03/06 Total	31/12/05 TPS
Opening cash position	(57)	1	(56)	3
Operating activities	10	4	14	34
Investing activities	(2)		(2)	(24)
Financing activities	(7)	(4)	(11)	(70)
Effect of changes in exchange rates & other items				
Closing cash position	**(56)**	**1**	**(55)**	**(57)**

2. Assets and liabilities of discontinued and held-for-sale operations are as follows:

	31/03/06 TPS	31/03/06 BTC	31/03/06 Total	31/12/05 TPS
Non-current assets				
Property, plant and equipment and intangible assets	55	42	97	53
Goodwill	420	11	431	420
Other non-current assets	4	1	5	4
Current assets				
Cash and equivalents	(56)	1	(55)	(57)
Other current assets	158	29	187	144
Total assets of discontinued and held-for-sale operations	**581**	**84**	**665**	**564**
Non-current liabilities				
Non-current debt	10		10	10
Other non-current liabilities	1	3	4	1
Current liabilities				
Current debt	32	34	66	38
Overdrafts and short-term bank borrowings			0	
Other current liabilities	314	39	353	301
Total liabilities of discontinued and held-for-sale operations	**357**	**76**	**433**	**350**
Net assets of discontinued and held-for-sale operations	**224**	**8**	**232**	**214**

3. Income and expenses generated by discontinued and held-for-sale operations are as follows:

3 months ended:	31 March 2006 TPS	31 March 2006 BTC	31 March 2006 Total	31 March 2005 TPS	31 March 2005 BTC	31 March 2005 Total
SALES	**88**	**30**	**118**	**88**	**23**	**111**
OPERATING PROFIT	**11**	**1**	**12**	**(5)**	**2**	**(3)**
COST OF NET DEBT				**(1)**		**(1)**
Other financial income and expenses				**1**		**1**
Income tax expense	**(1)**		**(1)**	**2**	**(1)**	**1**
NET PROFIT OF DISCONTINUED & HELD-FOR-SALE OPERATIONS	**10**	**1**	**11**	**(3)**	**1**	**(2)**

NOTE 16 PRINCIPAL EXCHANGE RATES

Convention: 1 local currency unit = x euros

Country	Currency	Closing rate 31/03/06	Closing rate 31/12/05	Average rate for the period 31/03/06	Average rate for the period 31/12/05
EUROPE					
Denmark	Danish krone	0.134005	0.134039	0.134005	0.134183
United Kingdom	Pound sterling	1.435956	1.459215	1.456098	1.464040
Hungary	Hungarian forint	0.003763	0.003955	0.003888	0.004023
Poland	Polish zloty	0.253646	0.259067	0.259343	0.248636
Czech Republic	Czech koruna	0.034971	0.034483	0.035161	0.032826
Romania	Romanian leu	0.284107	0.271724	0.282592	0.275932
Switzerland	Swiss franc	0.632871	0.643045	0.638176	0.646064
NORTH AMERICA					
United States	US dollar	0.826173	0.847673	0.831094	0.807765
Canada	Canadian dollar	0.710026	0.728597	0.723135	0.666800
REST OF THE WORLD					
Morocco	Moroccan dirham	0.091195	0.091672	0.091323	0.090819
Thailand	Thai baht	0.021273	0.020645	0.021306	0.020027
Hong Kong	Hong Kong dollar	0.106470	0.109321	0.107123	0.103872
African Financial Community	CFA franc	0.001524	0.001524	0.001524	0.001524
South Africa	South African rand	0.133216	0.133973	0.134716	0.126888