BOUYGUES

CONSOLIDATED FINANCIAL STATEMENTS AT 30 JUNE 2005

APPENDIX

(millions of euros)

7 September 2005

CONTENTS

(Figures are in millions of euros)

NOTES

- Bouygues Group’s consolidated financial statements are prepared in accordance with the principles and methods laid down by International Financial Reporting Standards (IFRS, European Council regulation 1606/2002, 19 July 2002).
- These statements are presented in millions of euros:
  - ✓ Consolidated balance sheet and income statement
  - ✓ Change in consolidated shareholders’ equity statement
  - ✓ Cash flow statement
  - ✓ Simplified appendix at 30 June

They are presented by comparison with the periods ended 30 June 2004 and 31 December 2004.

NOTE 1	HIGHLIGHTS TO 30 JUNE 2005

1.0 - 1 January 2005: Transition to IFRS:

- From 1 January 2005 companies listed on a regulated market in a member state have to prepare their consolidated financial statements in accordance with IASB international standards (International Financial Reporting Standards) for the first year ending after 1 January 2005, under European Council regulation 1606/2002 of 19 July 2002.

  The financial statements as at 30 June 2005 and comparative figures for 2004 have been presented under the provisions of the AMF's general regulations, which offer an alternative to the presentation of interim financial statements under IAS 34. These regulations state that the notes to the financial statements to 30 June may be prepared in accordance with CNC (French accounting standard-setter) recommendation 99R-01, and may contain only a selection of the most significant notes.

- A detailed analysis of balance sheet changes, including general principles for migration to IFRS, as of 1 January 2004 was published in the Legal and financial information chapter of the 2004 financial review (page 89).

- A detailed analysis of the transition to IFRS: balance sheet / change in shareholders' equity / income statement / cash flow statement, as of 31 December 2004 was published on the Group's 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 at 31 December 2005.

Where IFRS makes no recommendations regarding specific operations, French standards have been retained, pending definition of treatment by the IASB or IFRIC:

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

In the light of uncertainties about standards and interpretations to be applied to financial statements from that date, the Group reserves the right to subsequently modify certain accounting options and methods used in preparing financial statements for 2004 and 2005.

1.1 - Scope of consolidation at 30 June 2005:

There were no significant acquisitions or asset sales during the first half of 2005.

Main changes in 2005 consolidation scope:

922 companies consolidated: the slight net reduction of 4 compared with 31 December 2004 mainly relates to the deconsolidation of 10 affiliated construction companies at Bouygues Construction and the consolidation of 13 new companies at Colas.

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

The Annual General Meeting of shareholders on 7 October 2004 approved an exceptional 5 euro per share payout for a total of 1.7billion euros. The corresponding coupon was paid on 7 January 2005. The payable amount was entered on the balance sheet under 'Other non-financial liabilities' at end-December 2004, and was removed from the financial statements for the period ended 30 June 2005 after it had been paid.

1.3 - Sale of Saur to PAI partners:

The sale of Saur shares was accounted for at 31 December 2004. The amount receivable from PAI Partners of 1,031 million euros, which appeared under 'Sundry receivables' at that date, was received in February 2005.

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

In April 2005, Bouygues' interest in NOVASAUR was reduced from 15% to 10%. Bouygues no longer has significant influence over this company, since its number of directors is lower than the threshold set by shareholder agreements.

1.4 - Bouygues' stake in Bouygues Telecom

Bouygues has granted BNP Paribas an option to sell its 6.5% stake in Bouygues Telecom, exercisable at any time from 1 September 2005 to 31 July 2007, for between 477 million euros and 495 million euros according to the date on which the option is exercised.

In return, BNP Paribas has granted Bouygues an option to buy, exercisable between 1 and 30 September 2007, at the price of 497 million euros.

This transaction was accounted for as follows at 30 June 2005:

- Increase in long-term debt (present value of the option strike price)	=	450
- Corresponding reduction in minority interests	=	(130)
- Increase in goodwill	=	320

1.5 - COMPANY SAVINGS PLAN: RECOGNITION OF THE SHARE DISCOUNT

In its 21 June 2005 meeting, Bouygues' Board of Directors decided to carry out a 'leveraged' employee savings transaction. The reference price for this transaction is equal to the opening Bouygues share price in the 20 trading sessions preceding the Board meeting. The capital increase required for this transaction will be carried out at an issue price 20% lower than the reference price.

IFRS 2 requires Bouygues to recognise the discount, but does not give any precise guidelines for valuing the benefit granted. As a result, Bouygues has taken account of CNC's recommendation of 21/12/2004, which suggests recognising this benefit at the value that employees effectively enjoy, taking into account:

- the lock-up period for money invested
- the product's lack of liquidity during the 5-year lock-up period

The benefit granted to employees as part of this transaction was recognised at (€30m) in personnel costs at 30/06/2005.

1.6 - SIGNIFICANT EVENTS AND CHANGES IN SCOPE OF CONSOLIDATION AFTER 30 JUNE 2005:

750 MILLION EURO BOND ISSUE:

In July 2005, Bouygues completed a 750 million euro issue of bonds maturing in 2020.The issue price was 99.804% and the bonds pay a coupon of 4.25%.

This bond issue increases the average maturity of Bouygues' debt.

NOTE 2	ACCOUNTING PRINCIPLES AND IFRS VALUATION METHODS

2.0 - IFRS STANDARDS AND OPTIONS APPLIED:

The financial information as at 30 June 2005 has been prepared in accordance with the standards and options applied by the Bouygues Group, as described below:

The Group has:

- ✓ applied all IFRS standards and IFRIC interpretations in effect at 1 January 2005, as adopted by the European Union
- ✓ applied IAS 32 and IAS 39 early (not adopted by the European Union)

a) Note on accounting options relating to first use of IFRS standards at 1 January 2004 (IFRS 1)

Terms of migration from the old French standard to IFRS are laid down in IFRS 1 ('First-time adoption of International Financial Reporting Standards'). This calls for retrospective application of accounting principles to 1 January 2004.

In some cases, the IFRS standards have left open a choice between applying the reference treatment or another approved treatment. We note below the main options used by the Group.

The impact of various appropriate adjustments was charged to consolidated shareholders' equity at 1 January 2004.

<u>Tangible and intangible assets (IAS 16 and 38)</u>

Bouygues Group has used the depreciated historic cost valuation method for valuations following initial recognition of its tangible and intangible assets.

Tangible assets have been reported at 1 January 2004 based on an estimate of their terminal residual value, with a specific depreciation period for each identified component of the relevant asset (plant, equipment, buildings). Any variance between the initial residual value and the re-assessed residual has been charged to consolidated shareholders' equity.

In accordance with definitions laid down by IFRS, certain items have been reclassified.

Business combinations

Business combinations estimated prior to 1 January 2004 (when IFRS first applied) have not been restated retrospectively, in keeping with the provisions of IFRS 3. Goodwill and valuation variances posted to assets or liabilities at 1 January 2004 are recognised at their original value (minus accumulated depreciation and any losses of value, reported at end 2003).

Note that goodwill is no longer amortised in a straight line.

Market share arising from valuation variances at entities acquired were re-allocated at 1 January 2004 to the ‘Goodwill’ account. Under French standards, market share was subject to impairment tests on the same terms as under IFRS (use of defined cash-generating units). Application of the new rules had no impact on these valuations at end 2004 compared with valuations under French standards.

Translation reserve

The existing translation reserve under French standards as at 1 January 2004 was reset to zero, under the option offered by IFRS 1, by allocating it to ‘Consolidation reserve’. This had no impact on the total value of consolidated shareholders' equity.

Actuarial variances

At 1 January 2004, actuarial variances relating to Group pension liabilities were posted to ‘Non-current provisions’ and to consolidated shareholders' equity (reset to zero using the so-called ‘corridor’ method). Later actuarial gains and losses will be valued using the method above.

Share-based payments (IFRS 2)

The Group has applied IFRS 2 from 1 January 2004 for all plans awarded after 7 November 2002 and for which the acquisition date is after 1 January 2005.

Sale of off-plan properties

Application of IFRS has changed the accounting presentation of this kind of sale. Under French standards, the whole of the notarised sale was posted to ‘Accounts receivable’, with the balancing entry being to accrued liabilities. Sales were recognised as the work progressed.

Under IFRS, only this latter transaction is presented (receivables/sales), according to the state of progress of the property development.

b) Other principles and options used

Financial instruments (IAS 32 and 39)

The Group has recognised the impact of applying IAS 39 to financial instruments from 1 January 2004, earlier than required. For the most part these are hedging instruments (interest rate or exchange rate risk). They did not have significant value at that date.

Concessions and PPP contracts (public/private partnerships)

The Group owns stakes in affiliated companies which hold PPP concessions.

Pending definitive interpretations from IFRIC of the accounting treatment for these contracts, the Group has opted to preserve the accounting practices applied under French standards.

2.1 - CONSOLIDATION METHODS AND ACCOUNTING FOR SUBSIDIARIES AND AFFILIATES:

Companies in which Bouygues exercises control are fully consolidated.

Companies which are jointly controlled by a number of shareholders are proportionally consolidated, in line with the percentage of control.

Companies in which Bouygues has significant influence are consolidated using the equity method.

Non-consolidated investments are recorded at fair value and are subject to impairment tests for loss of value.

Changes in the scope of consolidation:

	30 June 2005	**Full year 2004**
Fully consolidated	732	726
Proportionally consolidated	163	169
Equity method	27	31
	922	926

The main changes in the 2005 financial year are analysed in 'Significant events'.

Cofiroute:

Although less than 20%-owned (16.7%), Cofiroute is consolidated using the equity method since the Group exercises significant influence through its seats on the board of directors.

2.2 - PURCHASE PRICE DISCREPANCY:

Purchase price discrepancies include all identifiable assets and liabilities acquired in business combinations. The variances are valued at fair value on the acquisition date and presented on the balance sheet using the full fair value method in accordance with IFRS 3 (since 1 January 2004).

Fair value is the amount which can be obtained through selling an asset or a cash-generating unit in a transaction under normal competitive conditions between well-informed and consenting parties. Goodwill represents the residual surplus in the acquisition cost over the proportion of the acquirer's stake in the fair value of identifiable assets and liabilities, and possible liabilities that can reliably be valued at the acquisition date. It is allocated to the relevant cash-generating unit benefiting from the business combination (business for Bouygues Group).

The main allocations of purchase price discrepancy only become definitive after one year.

Goodwill identified prior to 1 January 2004, and not modified according to the option chosen, continues to be valued using the partial valuation method (IFRS 3).

The partial valuation method consists of limiting revaluation of identifiable items to only the proportion of shares acquired. Minorities' rights are recognised on the basis of the book value of those items, as shown in the balance sheet of the acquired company.

Negative goodwill is charged to the income statement during the year of acquisition.

Goodwill is then valued annually and reduced by any impairment deemed to represent loss of value as indicated in the chapter on 'monitoring the value of assets', in accordance with IAS 36. Where the value depreciates, that depreciation is charged to operating profit in the income statement.

2.3 - TRANSLATION OF VALUES IN FOREIGN CURRENCIES:

a) Transactions in foreign currencies

Transactions in foreign currencies are translated into euros using the average exchange rate on the day of the transaction. Monetary assets and liabilities denominated in foreign currencies at the period end are translated at the period end rate. Translation variances are recognised as revenue or charges. Nonmonetary assets and liabilities denominated in a foreign currency and reported at historic cost are translated at the exchange rate on the transaction date.

b) Financial statements of foreign entities

All assets and liabilities of consolidated entities whose operating currency is not the euro are converted at the period end exchange rate. Income and expenses are translated at the average exchange rate for the year ended. Translation variance arising from this treatment and variance arising from the translation of subsidiaries' shareholders' equity at the start of the period, depending on period end exchange rates, are posted to 'translation variance' under 'Premiums and reserves' in consolidated shareholders' equity. Exchange rate differences recognised on translation of net investment in subsidiaries and foreign affiliates are posted to shareholders' equity.

2.4 - DEFERRED TAX:

Deferred tax is recognised for differences between book and tax values for assets and liabilities. These arise from:

- Temporary timing differences which may arise when the book value of an asset or liability differs from its tax value. These may constitute either:
  - ✓ sources of future tax (deferred tax liability): they mainly consist of revenue for which tax is deferred.
  - ✓ sources of future deductions (deferred tax asset): this mainly includes provisions which are temporarily not tax-deductible.

- Tax losses carried forward (deferred tax asset) with a real probability of being recovered in future years.

Deferred tax is assessed at the tax rate known to be applicable at the accounting date. Tax 'France' has been adjusted to reflect the impact of changes in tax law and new tax rates.

Deferred tax assets are presented under non-current assets.

2.5 - NON-CURRENT ASSETS:

a) Tangible assets

These are valued at purchase cost minus total depreciation. Depreciation is charged using the straight-line method over the anticipated useful life of the asset.

Main useful lives by business sector:

	TELECOMS	MEDIA	CONSTRUCTION	
- Deposits (quarries)			[1]	
- Non-operating buildings	-	25 to 50 years	10 to 30 years	
- Industrial buildings	20 years	-	By type	
- Plant, equipment and tools	3 to 10 years	3 to 7 years	3 to 10 years	[2]
- Other tangible assets (Transport and office equipment)	2 to 10 years		3 to 10 years	[2]

[1] Depreciated according to the rate at which the deposit is used up, though the total depreciation period may not exceed 40 years.

In accordance with IAS 16, when an asset consists of components with different useful lives, these are recognised and depreciated as separate items in tangible fixed assets (assessment of terminal residual value, in depreciation calculation).

Profits and losses on disposal are calculated using the difference between revenue from the sale and net book value. These are posted to 'Other operating income and expenses'.

[2] By type of equipment

Leasing contracts:

Leasing contracts for tangible assets for which Bouygues Group bears substantially all of the benefits and risks inherent in ownership of the goods are considered finance leasing contracts and are subject to restatement. A contract is identified using criteria laid down by IAS 17. Prior to the transition to IFRS, only lease contracts were restated on consolidation.

Assets owned under finance leases are recognised on the balance sheet under tangible assets at the lower of fair value and the discounted value of minimum lease payments, minus accumulated depreciation and loss of value. These assets are depreciated over their anticipated useful life (the balancing entry to adjusted contracts under liabilities is financial liabilities).

Operating leases are presented under off-balance sheet commitments.

b) Intangible assets

IFRS 38 defines an intangible asset as an identifiable nonmonetary asset without physical substance. It is:

- ✓ separable (can be rented, sold, exchanged independently or transferred)
- ✓ derives from a contractual or legal right, whether this right is separable or not.

When an intangible asset has a defined useful life, it can be amortised. Assets with an undefined useful life cannot be amortised but are subject to an impairment test at the end of each period.

Intangible assets include:

- <u>Development costs:</u>

  - ✓ In accordance with IFRS principles, formation expenses and research costs are recognised as expenses in the period in which they are borne.

  - ✓ Development costs are activated when they meet the activation criteria (generate future economic benefits, and cost can be reliably assessed).

- <u>Concessions, patents and similar rights:</u>

  For Bouygues Telecom, these include mainly:

Nature of asset	Type of amortisation	Period
GSM frequency costs	straight-line	12 years
UMTS licence	straight-line	(1)
Software and IT development	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 network opened on 26 May 2005, Bouygues Telecom has amortised its UMTS licence over a 17.5-year period.*

- <u>UMTS licence:</u>

Fees for the UMTS licence, awarded for a period of 20 years, consist of:

A fixed portion amounting to 619.2 million euros, which was posted to intangible assets when the licence was awarded on 12 December 2002.

A variable proportion of 1% of sales generated by operation of the third-generation mobile network, charged as an expense for the period from the opening of the UMTS network.

c) Other intangible assets

The Group’s other intangible assets mainly include lease rights and broadcast rights (TF1).

Business assets without legal protection will henceforth be reported under goodwill.

TF1 broadcast rights:
This heading includes: shares in films and broadcast programmes jointly produced by TF1 Films Production, TF1-Video, Glem and Téléma, TF1 International TCM DA, TF1 Entreprises and CIBY DA broadcast distribution and trading rights, and music rights owned by Une Musique and Baxter.

Broadcast rights are recorded at historic cost. These rights are posted to assets and amortised as shown below:

Date posted to assets	**Amortisation**		
	Co-production share	Broadcast distribution/trading rights	Music rights
Last recording	On revenue		
Approval for show	3 years straight-line		
Signing of contract		3 years straight-line or on revenue/trading: 5 years	2 years 75% first year 25% second year

For films co-produced by TF1 Films Production and Téléma the amortisation method allowing the films to be amortised fastest is the one which is used. The method may therefore differ from film to film.

An impairment provision is charged individually as appropriate when forecast future revenue does not cover book value after amortisation.

d) Monitoring the value of assets

In accordance with Group accounting principles, the value at which assets are recognised in the accounts is assessed each year, or more frequently if internal or external events or circumstances indicate that the value is likely to have been reduced. In particular, the value of intangible assets (excluding broadcast rights which are valued using the principles described above) and goodwill on the balance sheet are compared to their recoverable value.

In order to establish their useful value, intangible assets to which independent flows of cash cannot be attributed directly are combined in the cash-generating unit (CGU) to which they belong (Group business). The CGU's useful value is established using the discounted cash flow (DCF) method based on the following principles:

Cash flow (before tax) is taken from the medium-term business plan prepared by the management team at the relevant business, as part of the Group's management cycle.

The discount rate is based on the weighted average cost of capital for the relevant company, adjusted to create a 'pre-tax rate'.

The terminal value is calculated by summing the discounted cash flow to infinity, based on normalised cash flow and a perpetual growth rate. This growth rate is in line with the growth potential of the markets in which the relevant business operates, and with its competitive position in those markets.

The recoverable value established in this way for the CGU is then compared to the value contributed by its assets (including goodwill) to the consolidated balance sheet. A provision for impairment is charged, as appropriate, if the balance sheet value is higher than the CGU's recoverable value, and is charged as a priority to impairment of existing goodwill.

There is no impairment to report at 30 June 2005 under IFRS.

e) Non-current financial assets

Apart from deferred tax assets posted to non-current assets, other non-current financial assets include in particular: loans and receivables related or not related to sundry affiliates and financial assets: deposits and guarantees, sundry affiliates in which the Group exercises neither control nor significant influence.

2.6 - CURRENT ASSETS:

a) Inventory

Inventory is valued at purchase cost (FIFO or PMP, depending on the business) or at market prices if lower.

Impairment provisions are charged when the value of producing inventory is below its purchase price.

b) Programmes and broadcast rights (TF1)

Programmes and broadcast rights include TF1's own production not yet broadcast, external production consisting of broadcast rights acquired by the channel and co-produced broadcasts. These are valued at total production cost (including a share of indirect production costs) or acquisition cost for co-productions.

These programmes are amortised according to their nature and number of possible broadcasts. Most are fully written off once they are first broadcast, or when it turns out that a programme will not be broadcast.

c) Accounts receivable

Accounts receivable are valued at nominal value, minus provisions reflecting effective possibility of recovery.

In accounting for long-term contracts using the state of progress method, this heading includes in particular:

- ✓ Statements issued as the work is executed or services delivered (accepted by the project owner).
- ✓ 'Invoices to be issued' equating to work due which has not been billed or accepted by the project owner for temporary timing reasons.

d) Other current receivables/asset accrual accounts

Other receivables are valued at nominal value, minus provisions with a real probability of being recovered.

2.7 - Financial instruments:

Certain Group entities use financial instruments for hedging purposes with a view to limiting the impact on their income statement of changes in exchange rates and interest rates. These instruments are used within the framework set out below.

a) Nature of risks to which the Group is exposed

Exposure to exchange rate risk

Generally, the Group has low exposure to exchange rate risk in ordinary commercial transactions. As far as possible, contracts billed in foreign currencies give rise to expenses in the same currency. In particular, this is the case for most projects executed abroad, where the proportion of subcontracting expenses and supplies in local currencies is dominant compared with the proportion of expenses in euros. Particular attention is also paid to risks relating to Group assets in non-convertible currencies and, more generally, to country risk.

Exposure to interest rate risk

The Group's net financial expenses are not sensitive to changes in interest rates. The bulk of the Group's debt is at fixed rates by virtue of bond issues at fixed rates and a portfolio of interest rate hedging instruments which help to transform variable rate debt into fixed rate debt.

On average over the year, the value of variable rate financial liabilities on the balance sheet is less than free cash also invested at variable rates.

The Group's income statement would not be much affected by fluctuations in European interest rates, or by these rates diverging from those of other interest rates in the main non-euro zone currencies.

b) Common principles relating to financial instruments for hedging

Instruments used are limited to the following products: purchase and sale of currency futures and currency swaps, purchase of exchange rate options for exchange rate risk hedging; interest rate swaps, future rate agreements, and purchase of caps and tunnels for interest rate risk hedging.

Features of these instruments are:

- ✓ they are only used for hedging purposes
- ✓ the Group only deals with leading French and foreign banks
- ✓ the instruments present no risk of illiquidity in the event of any downturn

Use of these instruments, the choice of counterparty and, more generally, management of exposure to exchange rate and interest rate risk are reported specifically to management and control teams at the relevant companies.

c) Hedging rules

Exchange rate risk

The principle applied within the Group is to hedge systematically residual exchange rate risk deriving from commercial operations. When cash flow is certain, the exchange rate risk is hedged by purchases or sales of futures, or by currency swaps. For certain large contracts, optional hedging may be implemented before the business is finally won.

Investments in foreign companies are generally hedged by debt of a similar value in the same currency at the company owning the shares.

With a view to rationalisation, exchange rate positions at certain Group entities may be managed in a centralised way and, as appropriate, symmetrical positions can be offset.

Interest rate risk

The principle is to hedge all or part of the financial assets or liabilities at the sub-group level, where they are predictable and recurring.

In practice, these are entities whose business is capital intensive (telecom-media). These entities secure their future net financial costs by fixing the cost of debt through swaps or future rate agreements, or by limiting it using caps, over a period linked to that of the financial liabilities to be hedged.

As for exchange rate risk, again with the aim of rationalisation, interest rate positions at certain Group entities may be managed in a centralised way and partly offset.

d) Accounting methods

As a general rule, the financial instruments used by the Group are subject to hedging accounting. As a result, they give rise to the creation of hedging account documentation in accordance with the provisions of IAS 39. Depending on the case, the Group then applies two forms of accounting:

- ✓ Accounting using fair value hedging: changes in the fair value of a hedging instrument and of the items hedged are accounted for symmetrically in the income statement.
- ✓ Accounting using cash flow hedging: changes in the fair value of the hedging instrument are accounted for through the income statement in respect of the ineffective part and shareholders' equity (until the end of the transaction) in respect of the effective part.

In some cases (modest notional amount, short hedging maturity), financial instruments are deliberately not reported under hedging accounting so as not to complicate Group administrative procedures. In such cases, changes in the fair value of the hedging instrument are charged to the income statement.

2.8 - Consolidated shareholders' equity:

Treasury stock is charged to consolidated shareholders' equity in accordance with IFRS.

When Group subsidiaries hold their own shares, an additional percentage stake is recognised at the Group level.

Translation reserve:
Reset to zero at 1 January 2004 by transfer to 'Premiums and reserves'. The reserve represents exchange rate variance since then.

2.9 - Non current liabilities:

a) Non-current financial liabilities
(more than one year)

The proportion of financial liabilities due in less than one year is presented under current liabilities.

b) Non-current provisions

A provision is created when an obligation to a third party will cause an outflow of resources that is certain or likely without any counterpart that is at least equivalent, and when this outflow is not covered by a liability. The provision is maintained as long as the maturity and amount of the outflow of resources cannot be determined with precision.

In general, these provisions are not linked to companies' normal operating cycles (see current provisions).

Non-current provisions mainly include:

- Provisions established under two-year and ten-year guarantees relating to construction works in respect of share of risks, not covered by insurance, which remains the responsibility of the companies

- These provisions are created as revenue is recognised, based on figures established by reference to experience acquired in this area over a long time.

- Provisions relating to notified tax reassessments

- Provisions to cover lawsuits, disputes and predictable risks in Group businesses, particularly abroad, such as final withdrawal of projects, major repairs, sundry risks and expenses

- Provisions for site restoration costs

- Employee benefits:

  - Provisions for long-service awards

  - Provisions for retirement compensation, received by employees when they retire

  - The provision is calculated using the 'retrospective projected rights on anticipated retirement date method, with end of career salary'. Valuation on the basis agreed in each business reflects:

    - ✓ the rank, age and seniority of the various categories of employees
    - ✓ the turnover rate using the average number of leavers by business, age group and category
    - ✓ average wages and emoluments including bonuses, gratuities and benefits in kind, plus a multiple for payroll charges
    - ✓ a rate for upgrading pensions (from 2.0% to 4.3% depending on the business, including an inflation rate)
    - ✓ a discount rate for pension liabilities, projected at the retirement date (about 3.6%)
    - ✓ a life expectancy calculation set by reference to mortality rates

    The Group does not take into account changes in rights in this respect resulting from changes in actuarial assumptions (as long as the variance does not exceed plus or minus 10% of the total pension liability: the so-called corridor method). This variance is amortised over the average expected remaining lifetime of the relevant employees. In accordance with the option chosen by the Group at 1 January 2004, the corridor method was reset to zero at that date.

  - Provisions for pensions payable (depending on the country and details of application).

    In accordance with the provisions of IAS 37, information is provided relating to the most significant provisions, as long as this information does not cause damage to the Group (see note 6).

2.10 - CURRENT LIABILITIES:

a) Advances and downpayments received

These include advances and downpayments received from customers on the start of work.

b) Current provisions

- Provisions relating to businesses' normal operating cycle. These mainly include:

  - ✓ Provisions for project risks, joint ventures
  - ✓ Provisions for exchange rate losses
  - ✓ Provisions for restructuring
  - ✓ Provision for customer loyalty scheme (Bouygues Telecom)

- Provisions for losses on termination of contracts. This relates to projects in process and takes into account in particular claims accepted by the customer. These are assessed project by project, without offset.

c) Trade payables and other current payables

By virtue of their short-term nature, the accounting values used in consolidated accounts are reasonable estimates of market value.

d) Accrued income

See above (chapter on IFRS options) for specific treatment of off-plan property sales (VEFA).

2.11 - INCOME STATEMENT:

a) Definition of revenue from activity

Revenue from the Group's activity is recognised when:

- The economic benefits arising from the transaction will probably benefit the Group.

- The amount of revenue can reliably be measured.

- At the transaction date, it is likely that the amount of the sale will be recovered.

b) Accounting for long-term contracts

Construction activities

For all these activities, long-term contracts are accounted for using the percentage of completion method. Revenue recognised equates to the progressed selling price, calculated on the basis of the latest estimate of the total contract selling price, multiplied by the rate of real progress, determined by the physical state of progress.

For contracts which are expected to generate a final loss, a provision for loss on termination is charged to liabilities as current provisions. The loss is provisioned in its entirety when it is known and can be reliably estimated, whatever the state of progress.

Property business

The rules for assessing sales are as follows:

Sales by property operations are assessed using the percentage of completion method, when the following conditions are fulfilled:

- ✓ Building permit with no recourse
- ✓ Signed notarised sale or development contract
- ✓ Signed works contract (work order given)

The percentage of completion is based on the costs of work undertaken relative to the planned cost of the operations.

Expenses for finishing property programmes are recognised for this kind of transaction according to the percentage of completion.

All interest charges relating to property transactions in process or finished are recognised in the period in which they are borne.

c) Earnings from joint operations

These equate to the share of earnings from unconsolidated companies, relating to the operation of production sites for road or asphalt products. These earnings form an integral part of operating profit.

d) Payment in shares

In accordance with the provisions of IFRS 2, stock option plans awarded to officers or employees of Bouygues or Group companies are accounted for in the financial statements as follows: the fair value of the options awarded (equating to the fair value of services rendered by the employees in return for options received) are recognised as a personnel cost offset by an increase in shareholders' equity.

This personnel cost is valued at the date on which the options are awarded, on the basis of the Black & Scholes model. It is spread over the period over which the rights are acquired. Only plans awarded after 7 November 2002 are adjusted in this way, in accordance with the provisions of IFRS 2.

2.12 - Cash flow statement:

This is presented in line with CNC's recommendation dated 27 October 2004.

Group cash, changes in which are analysed in the cash flow table, is defined as the balance of the following balance sheet items:

- ✓ Cash and cash equivalents
- ✓ Bank overdrafts and bank credit balances

2.13 - Off-balance sheet commitments:

A summary of contractual obligations and commercial commitments may be found in note 12.

2.14 - Financial indicators:

Definition of the two main financial indicators:

a) EBITDA

Operating profit plus net depreciation and amortisation and net provisions.

b) Free cash flow

Internally generated funds (after tax and cost of net financial debt) minus net operating investment for the period.

c) Net financial debt

This is derived from the following accounts:

- ✓ Cash and cash equivalents
- ✓ Credit balances at banks
- ✓ Long-term financial liabilities and less than one year
- ✓ Financial instruments (for hedging financial liabilities, valued at fair value).

2.15 - OTHER INFORMATION:

Comparability of financial statements:

- The body of accounting principles and valuation rules applied at 31 December 2004 under IFRS is the same as applied at 30 June 2005. It does not prevent comparison of balance sheet items, the income statement or the cash flow statement from year to year.

- At 30 June 2004, to take into account the ongoing disposal of Saur (excluding subsidiaries in Africa and Italy), the corresponding amounts are stated on separate lines of the balance sheet, income statement and cash flow statement. The same is true of the income statement and cash flow statement at 31 December 2004, after the disposal was completed.

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

NOTE 3	IFRS INFORMATION ON COMPARATIVE PERIODS IN 2004

Transition analyses of the IFRS financial statements to 31 December 2004 and 1 January 2004 (first-time application) have been drawn up and published for both the periods ended 31 December 2004 (2004 annual report) and 31 March 2005 on the Bouygues website.

CONSOLIDATED FINANCIAL STATEMENTS TO 30 JUNE 2004:

The consolidated financial statements to 30 June 2004 have been prepared using the same accounting policies and methods (IFRS) as those used to prepare the financial statements to 30 June 2005 (see Notes 1 and 2).

Three tables showing reconciliations between French GAAP and IAS/IFRS are presented below:
- Balance sheet
- Shareholders' equity
- Income statement

3.1/ Comparative balance sheet under French GAAP and IFRS at 30 June 2004

In millions of euros

BALANCE SHEET	30 JUNE 2004 IFRS (1)		30 JUNE 2004 FRENCH GAAP (2)		1 JANUARY 2005 IFRS
ASSETS					
- Tangible fixed assets	4 620	A	4 453		5 020
- Intangible fixed assets	1 025	B	6 425		1 088
- Goodwill	4 517	C	242		5 272
- Other non-current assets	1 363	D	762		1 558
- Current assets	9 080	E	11 877		8 683
- Cash and equivalents	711	F	811		2 549
- Other current financial assets	29	G			49
- Assets relating to held-for-sale operations	2 402	H			
TOTAL ASSETS	***23 747***		***24 570***		***24 219***
LIABILITIES & SHAREHOLDERS' EQUITY					
- Shareholders' equity - Group share	5 044		5 065		5 014
- Minority interests	920		925		890
- Other equity			139		
Total shareholders' equity	**5 964**		**6 129**	see section 3.2	**5 904**
- Non-current debt	3 510	I	3 756		4 233
- Non-current provisions/Deferred tax liabilities and LT tax liabilities	1 179	J	1 895		1 516
- Current liabilities	11 016	K	12 277		12 138
- Cash and equivalents	486	F	377		300
- Other current financial liabilities	29	L			128
- Liabilities relating to held-for-sale operations	1 563	M			
TOTAL LIABILITIES	***23 747***		***24 434***		***24 219***

(1) *IFRS: The Saur group is treated as being divested at 30 June 2004. As a result, its assets and liabilities are excluded and transferred to the 'Assets/Liabilities being divested' captions. Saur is still accounted for using French GAAP.*

(2) *French GAAP after restatement for change in method for customer retention provision (Bouygues Telecom), created at the end of 2004 under French GAAP.*

Comments on main changes between French GAAP and IFRS:

A: **Tangible fixed assets: + 167**

The increase is due mainly to the reclassification of intangible fixed assets (Bouygues Telecom software) under the component approach: +251; capitalisation of leased equipment: +114; and restatement of amortisation periods: +111. Saur: (320)

B: **Intangible fixed assets: (5,400)**

Mainly reclassification of fair value adjustments for intangibles as goodwill (market shares): (5,040); reallocations (mainly of Bouygues Telecom software) to tangible assets: (251); Saur: (57)

C: **Goodwill: +4,275**

Mainly reclassifications from intangibles (market shares): +5,040; Saur (801)

D: **Other non-current assets: +601**

Mainly reclassification of deferred tax assets from current assets: +671; Saur (109)

E: **Current assets: (2,797)**

Of which:
- Reclassification of deferred tax assets as non-current assets: (671)
- Restatement of off-plan sales (VEFA) (symmetrically with other current liabilities: (1,020) ➔ see Note 2
- Saur: (1,060)

F: **Cash and equivalents: (209)**

The change is due mainly to cancellation of the impact of Bouygues Telecom securitisation in the amount of (135); Saur: (44)

G: **Other current financial assets: +29**

Mainly relates to the fair value adjustment of hedging instruments (on debt and WCR)

H: **Assets relating to held-for-sale operations : +2,402**

Represents the exclusion of Saur

I: **Non-current debt: (246)**

Of which:
- Reclassification from other equity: +168 of which +138 ➔Minority interests on Bouygues Telecom participating loans
- Reclassification of amounts due within one year as other current liabilities: (299) / Reconsolidation of securitisation (120)
- Restatement of finance leases (amount due in more than one year): +69
- Saur: (56)

J: **Non-current provisions/Deferred tax liabilities: (852)**

Mainly includes: Reclassification of current provisions as 'current liabilities': (518); Restatement of employee benefits: +24; Saur: (363)

K: **Current liabilities: (1,261)**

Includes:
- Amount of debt due within one year: +299
- Restatement in connection with off-plan sales (VEFA): (1,020)
- Reclassification of current provisions: +518
- Saur: (1,114)

L: **Other current financial liabilities: +29**

Mainly relates to the fair value adjustment of hedging instruments (on debt and WCR)

M: **Liabilities being divested: +1,563**

Represents the exclusion of Saur

3.2/ Transition of shareholders' equity at 30 June 2004 from French GAAP to IFRS

In millions of euros

	01/01/2004	CAPITAL INCREASE	CAPITAL DECREASE	TREASURY STOCK	CONVERSION RESERVE	OTHER MOVEMENTS	DIVIDENDS	INCOME	30/06/04	
❐ **Shareholders' equity - Group share under French GAAP**	**5 058** (1)	**352**	**(394)**		**(16)**	**(20)**	**(164)**	**249**	**5 065**	
• Treasury stock under Bouygues SA liquidity agreement				(9)					**(9)**	
• Net tangible and intangible fixed assets depreciation period/basis and deferred charges (IAS 2 / 16 / 38)	(1)							(22)	**(23)**	
• Provisions for employee benefits (IAS19)	**(52)**								**(52)** (4)	
• Net deferred tax on IFRS restatements (IAS 12)	20							23	**43**	
• Share-based payments						3		(4)	**(1)**	
• Goodwill (straight-line amortisation)								16 (3)	**16**	
• Other restatements and reclassifications	(11)				20	(18) (2)		14	**5**	
❐ **Shareholders' equity under IFRS**	**5 014**	**352**	**(394)**	**(9)**	**4**	**(35)**	**(164)**	**276**	**5 044**	
❐ **Minority interests under French GAAP** (and other equity)	**1 046**	**6**			**1**	**(20)**	**(93)**	**124**	**1 064**	
• Reclassification as non-current debt of minority interests on participating loans and other equity	(167)					28			**(139)**	
• Other	11					**(18)**		2	**(5)**	
❐ **Minority interests under IFRS**	**890**	**6**			**1**	**(10)**	**(93)**	**126**	**920**	
TOTAL SHAREHOLDERS' EQUITY UNDER FRENCH GAAP	**6 104**	**358**	**(394)**		**(15)**	**(40)**	**(257)**	**373**	**6 129**	
										(165)
TOTAL SHAREHOLDERS' EQUITY UNDER IFRS	**5 904**	**358**	**(394)**	**(9)**	**5**	**(45)**	**(257)**	**402**	**5 964**	

(1) French GAAP at 1 January 2004 after restatement for change in method for customer retention provision (Bouygues Telecom) created at end-2004 (maintained under IFRS)
(2) Including change in fair value of financial instruments and other
(3) Cancellation of straight-line goodwill amortisation: 100% = 18 of which Group share 16
(4) Zeroing of actuarial gains and losses (corridor) and various adjustments to comply with IAS 19 (long-term employee benefits)

3.3/ Transition of income statement to 30 June 2004 ➔ from French GAAP ➔ to IFRS

In millions of euros

INCOME STATEMENT	2004/06 FRENCH GAAP	IFRS RESTATEMENTS/ INCOME		SAUR DISPOSAL (a)	OTHER IFRS RECLASSIFICATIONS	2004/06 IFRS
- Sales	10 904	(1)		(616)	(400)	**9 887**
- Other revenues	531			(4)	(453)	**74**
- Taxes other than income tax	(248)		(b)	20		**(228)**
- Personnel costs	(2 399)	(6)	Share-based payments: (5)	219	(14)	**(2 200)**
- Purchases and changes in inventories / external charges / other operating expenses	(7 503)				7 503	
- Purchases used in production		2		229	(4 300)	**(4 069)**
- External charges		20	Finance leases: 19	128	(2 412)	**(2 264)**
- Change in inventories used for production and property development					25	**25**
- Other operating income and expenses		(37)	Deferred charges on equipment: (28) (c)	(21)	148	**90**
- Depreciation, amortisation and provisions	(585)	2	Of which amortisation on finance leases (17)	23	(59)	**(619)**
- Share in earnings of unincorporated joint ventures	21				(21)	
OPERATING INCOME	**721**	**(721)**				
IFRS restatements and reclassifications		**701**		(22)	**17**	**696**
OPERATING PROFIT	**721**	**(20)**		**(22)**	**17**	**696**
- Financial income and expenses	(98)				98	
- Cost of net financial debt		7			(95)	**(88)**
- Other financial income and expenses		1		(1)	(12)	**(12)**
- Exceptional income and expenses	20				(20)	
- Income tax expense	(258)	19	Deferred tax	6	1	**(232)**
- Share of profits/losses of associates	18	2		(2)	(1)	**17**
- Goodwill amortisation	(30)	13 (d)	Asset impairment	5 (d)	12 (e)	
- Net profit of discontinued and held-for-sale operations		7 (f)		14 (f)		21
NET PROFIT	**373**	**29**				**402**
Group share	249	27				276
Minority interests	124	2				126

(a) Reallocation of the Saur business excluding the impact of IFRS restatements
(b) On stock option plans issued after 7 November 2002
(c) Equipment cost (28) less the write-back of first-half 2004 depreciation +10
(d) Straight-line goodwill amortisation taken to income: + 18
(e) Reclassification under operating profit of goodwill impairment following impairment testing (TF1)
(f) Removal of the Saur business, treated as a held-for-sale operation (sold on 31 December 2004)

NOTE 4	GOODWILL / CONSOLIDATED PURCHASE PRICE OF LISTED SHARES	5,004

4.1/ GOODWILL

- Net value at 30 June 2005:

	Gross value	Impairment	Net value
1 January 2004	**5 272**		**5 272**
Scope, exchange rates & other	(716)	1	(715)
Loss of value (impairment)		(17)	(17)
31 December 2004	**4 556**	**(16)**	**4 540**
Scope, exchange rates & other	464		464 *(1)*
Loss of value (impairment)		0	0
30 June 2005	**5 020**	**(16)**	**5 004**

(1) The change in 2005 mainly includes goodwill resulting from the recognition of BNP Paribas' option to sell Bouygues Telecom shares in an amount of 320 (see significant events)

Breakdown of goodwill by cash-generating unit (CGU)

	06/05			12/04		
	BOUYGUES GROUP	**BUSINESS**	**TOTAL**	**BOUYGUES GROUP**	**BUSINESS**	**TOTAL**
BOUYGUES CONSTRUCTION		84	**84**		73	**73**
COLAS	624	189	**813**	587	139	**726**
TF1	566	876	**1442**	504	889	**1393**
BOUYGUES TELECOM	2565	12	**2655**	2323	12	**2335**
FINAGESTION (subsidiaries) & OTHER	10		**10**	13		**13**
TOTAL BYSA	**3 765**	**1 161**	**5004**	**3 427**	**1113**	**4540**

4.2/ Consolidated purchase price of listed TF1 / COLAS shares

	Consolidated purchase price per share*(1)*	**Average share price 30/06/2005 *(2)***
TF1	10,40	21,98
Colas	59,34	132,24

(1) Consolidated book value per share
(2) Average share price between 1 June and 30 June 2005

NOTE 5	CONSOLIDATED SHAREHOLDERS' EQUITY	5,053

A/ Bouygues SA share capital (euros) **€332,735,372**

At 30 June 2005, Bouygues SA's share capital was made up of 332,245,129 shares and 490,243 investment certificates. Changes in these figures in the first half of 2005 were as follows:

	1 January 2005	Change in 2005		30 June 2005
		Decrease	Increase	
Shares	332 254 414	(1 048 873)	1 039 588	332 245 129
Investment certificates	504 210	(13 967)		490 243
Total number of securities	**332 758 624**	**(1 062 840)**	**1 039 588**	**332 735 372**
Par value	€ 1	-	-	€ 1
Share capital (euros)	**332 758 624**	**(1 062 840)**	**1 039 588**	**332 735 372**

b/ Movements in shareholders' equity during the period to 30 June 2005: Group share and minority interests

30 June 2005		Share capital	Premiums	Capital-related reserves	Retained profit	Consolidated reserves and profit	Profit posted directly to capital	Total 06/05
Group share	**1**	333	1 906	810	282	785	64	**4 180**
Minority interests	**2**	0	0	0	0	865	8	**873**
Group shareholders' equity		**333**	**1 906**	**810**	**282**	**1 650**	**72**	**5 053**

1. Group share:

	Share capital	Premiums	Capital-related reserves	Retained profit	Consolidated reserves and profit	Profit posted directly to capital	Total Group
1 JANUARY 2004	**333**	**1 977**	**712**	**43**	**1 940**	**9**	**5 014**
MOVEMENTS							
Net transactions on capital and reserves		(58)					**(58)**
Share-based payments						7	**7**
Treasury shares				(1)			**(1)**
Dividends paid					(1 828)		**(1 828)**
Net profit for the period (Group share)					909		**909**
Financial instruments						6	**6**
Translation variance						(15)	**(15)**
Other changes					(36)		**(36)**
31 DECEMBER 2004 (IFRS)	**333**	**1 919**	**712**	**42**	**985**	**7**	**3 998**
Change in accounting methods							
TOTAL SHAREHOLDERS' EQUITY AT END-2004	**333**	**1 919**	**712**	**42**	**985**	**7**	**3 998**
MOVEMENTS							
Net transactions on capital and reserves		(13)	98	240	(331)	(7)	**(13)** *(1)*
Share-based payments						34	**34**
Dividends paid					(249)		**(249)**
Net profit for the period (Group share)					384		**384**
Financial instruments						(10)	**(10)**
Translation variance						40	**40**
Other movements					(4)		**(4)**
30 JUNE 2005 (IFRS)	**333**	**1 906**	**810**	**282**	**785**	**64**	**4 180**

(1) Acquisition of Bouygues treasury shares cancelled via a capital reduction + premium: (33) + capital increase + Bouygues SA issue premium: +20

2. Minority interests:

	Share capital	Premiums	Capital-related reserves	Retained profit	Consolidated reserves and profit	Profit posted directly to capital	Total minority interests
POSITION AT 1 JANUARY 2004					890		890
MOVEMENTS							
Net transactions on capital and reserves					5		**5**
Dividends paid					(94)		**(94)**
Net profit for the period (minorities)					206		**206**
Financial instruments							
Translation variance						2	**2**
Other changes					(29)		**(29)**
31 DECEMBER 2004 (IFRS)	**0**	**0**	**0**	**0**	**978**	**2**	**980**
Change in accounting methods							
TOTAL SHAREHOLDERS' EQUITY AT END-2004	**0**	**0**	**0**	**0**	**978**	**2**	**980**
MOVEMENTS							
Net transactions on capital and reserves					4		**4**
Dividends paid					(90)		**(90)**
Net profit for the period (minorities)					141		**141**
Financial instruments						1	**1**
Translation variance						3	**3**
Change in scope of consolidation					(168)		**(168)**
Other changes						2	**2**
POSITION AT 30 JUNE 2005 (IFRS)	**0**	**0**	**0**	**0**	**865**	**8**	**873**

C/ Breakdown of profit posted directly to shareholders' equity: changes in the first half of 2005

		06/05
Translation reserve	1	**40**
Financial instruments (change in fair value)	2	**(10)**
Share-based payments	3	**34**
Total		**64**

1. Translation reserve at end-June 2005: +3

- The translation reserve was set to zero at 1/1/2004 under IFRS. The reserve at end-June 2005 arose from changes since that date
- The main translation variances at 30/06/05 were for foreign companies whose financial statements are expressed in:

	31/12/2004	First half 2005	30/06/2005
US dollar	(16)	26	10
Canadian dollar	(1)	7	6
Other	2	7	9
Total	**(15)**	**40**	**25**

2. Changes in fair value reserve

- This reserve reflects valuations of financial instruments

	31/12/2004	First half 2005	30/06/2005
Change in first half 2005	15	(10)	**5**

3. Share-based payments

- **Stock options:**

- TF1	1	*(2.4 of TF1 level)*
- BYSA	3	*Plans awarded since November 2002*
Group expense	**4**	➔ *Offset in personnel costs*

- **Company mutual fund**: Cost of discount on shares granted to employees = Group expense of 30 ➔ Offset in personnel costs.

NOTE 6	NON-CURRENT AND CURRENT PROVISIONS

A/ Non-current provisions = 1,198

	Long-term employee benefits (1)	Litigation and disputes (2)	Warranties (3)	Other non-current provisions (4)	TOTAL
1 January 2004	**320**	**264**	**188**	**620**	**1 392**
Movements in 2004					
Translation variance					
Transfers between line items	10	(5)	3	17	**25**
Changes in methods and scope	(34)	(18)	(2)	(278)	**(332)**
Charges	45	91	83	171	**390**
Write-backs utilised	(7)	(43)	(47)	(89)	**(186)**
Write-backs not utilised	(3)	(46)	(10)	(54)	**(113)**
31 December 2004	**331**	**243**	**215**	**387**	**1 176**
Movements in 2005					
Translation variance	1		1	1	**3**
Transfers between line items	(1)	1	(2)	(8)	**(10)**
Changes in methods and scope	4			3	**7**
Charges	23	34	27	40	**124**
Write-backs utilised	(1)	(13)	(14)	(32)	**(60)**
Write-backs not utilised	(1)	(15)	(6)	(20)	**(42)**
30 June 2005	**356**	**250**	**221**	**371**	**1 198**

*(1) **Long-term employee benefits:***		***356***
• Retirement benefits	*245*	
• Long-service awards	*88*	
• Other post-employment benefits	*23*	
*(2) **Litigation and disputes:***		***250***
• Provisions for customer disputes	*106*	
• Subcontractor claims	*25*	
• Other personnel disputes	*14*	
• Other disputes	*105*	
*(3) **Warranties***		***221***
• Provisions for warranties	*156*	
• Provisions for additional building warranties *• Provisions for civil engineering/civil works warranties*	*65*	
*(4) **Other non-current provisions:***		***371***
• Sundry administrative investigation risks	*86*	
• Provisions for sundry foreign risks	*32*	
• Provisions for subsidiaries and affiliates	*21*	
• Provisions for contractual obligations	*22*	
• Provisions for site restoration costs	*57*	
• Other non-current provisions for risks	*153*	

B/ Current provisions = 567

- Provisions related to operating cycle (see note 2)

	Provisions for warranties	Provisions for exchange rate losses	Provisions for construction project and end-of-project risks	Provisions for losses on completion	Provisions for customer retention programmes	Other current provisions	Total
1 January 2004	**23**	**5**	**148**	**73**	**136**	**156**	**541**
Movements in 2004							
Translation variance				(1)			**(1)**
Transfers between line items			(11)	1		(15)	**(25)**
Changes in methods and scope	1		(6)				**(5)**
Charges	15		74	49	11	81	**230**
Write-backs utilised	(12)	(1)	(45)	(41)		(71)	**(170)**
Write-backs not utilised			(14)	(7)		(9)	**(30)**
31 December 2004	**27**	**4**	**146**	**74**	**147**	**142**	**540**
Movements in 2005							
Translation variance			1	2		1	**4**
Transfers between line items	2		(12)			23	**13**
Changes in methods and scope			(2)				**(2)**
Charges	6		31	27	14	40	**118**
Write-backs utilised	(5)	(4)	(19)	(21)		(38)	**(87)**
Write-backs not utilised	(1)		(7)	(9)		(2)	**(19)**
30 June 2005	**29**		**138** *(1)*	**73** *(3)*	**161**	**166** *(2)*	**567**

(1) of which: - Provisions for completed construction projects: 70
- Provisions for final project payments: 68
(2) of which: - Provisions for accident costs: 56
- Other provisions for current risks: 110
(3) Relates to construction business: Bouygues Construction: 53; Colas: 20
Details of individual provisions by project are not given because of the confidential and prejudicial nature of this information

NOTE 7	CURRENT AND NON-CURRENT FINANCIAL LIABILITIES

A/ Non-current financial liabilities 4,599 and current financial liabilities 260

1) Interest-bearing loans by maturity

	- 1 year	Non-current financial liabilities 1-2 years	2-3 years	3-4 years	4-5 years	5-6 years	6 years +	Other	Total June 2005	Total 2004
- Bond issues	73	499		1 014		1 277	982		3 772	3 759
- Bank loans	128	33	48	11	92	8	57		249	677
- Finance lease liabilities	38	30	15	11	4	4	8		72	83
- Other loans and liabilities	21	15	4	2	2	1	3	479 *(1)*	506	18
- Participating loans										111
Total interest-bearing loans	**260**	**577**	**67**	**1 038**	**98**	**1 290**	**1 050**	**479**	**4 599**	**4 648**
FOR REFERENCE: 31/12/04	242	1 050	37	32	1 040	536	1 813	140		4 648

(1) Of which: 450 with respect to the option granted to BNP Paribas to sell its 6.5% stake in Bouygues Telecom, exercisable at the latest in the second half of 2007 (see significant events).

2) Finance lease liabilities by business

Finance lease liabilities by business		Construction	Media	Telecom	Bouygues SA and other	TOTAL
Long term	2005	30	14	28		**72**
Short term		28	3	7		**38**
Long term	2004	39	15	29		**83**
Short term		38	9	6		**53**

B/ Covenants and trigger events

Bank loans taken out by Bouygues do not include any financial covenant or trigger event. The same is true of loans taken out by Bouygues' subsidiaries.

NOTE 8	OPERATING PROFIT	853

		06/05		06/04
Current operating profit:				
Sales		11 268		9 887
Other revenues from operations		74		74
External charges		(7 333)		(6 333)
Tax		(275)		(228)
Personnel costs		(2 372)		(2 200)
Net depreciation and provisions				
- Depreciation charges		(574)		(544)
- Net provisions		(134)		(75)
Changes in production and property development inventories		4		25
In the first half of 2005, there was no impairment of long-term assets (no indication of loss of value)				
Other operating income and expenses		195		90
- Write-back of provisions not utilised	*103* (1)		*39*	
- Income from asset sales	*39* (2)		*19*	
- Other income and expenses	*53*		*32*	
OPERATING PROFIT		**853**		**696**

See note 11 for sector breakdown.

(1) including 10 on WOLA project (Bouygues Construction). Other write-backs are not material individually.
(2) including impact of the sale of Visiowave shares: 14 (TF1).

NOTE 9	COST OF NET FINANCIAL DEBT AND OTHER FINANCIAL INCOME AND EXPENSES	(94)

COST OF NET FINANCIAL DEBT	06/05	06/04
Cost of gross financial debt	(109)	(107)
Income from cash and equivalents	15	19
Total	**(94)**	**(88)**

<u>**Breakdown of cost of net financial debt**</u>:

Net interest charges on financial debt	(109)	(96)
- Interest charges on finance leases	(2)	(3)
- Net cash-related interest charges	(2)	(11)
- Positive and negative impact of financial instruments on net financial debt	6	1
- Income from securities available for sale and cash equivalents	13	21
	(94)	(88)

Under IFRS, foreign exchange gains and losses are not included in net financial expenses but under operating profit.

OTHER FINANCIAL INCOME AND EXPENSES	06/05	06/04
Dividends from non-consolidated investments	2	3
Net financial charges	(4)	(12) *(a)*
Net discounting charges	(1)	(3)
Change in fair value of other financial assets and liabilities	4	3
Write-off of current accounts, gains and losses on disposal of non-consolidated investments and other financial assets, net non-debt interest, commitment or arrangement fees, advance rent and other	1	(3)
Total	**2**	**(12)**

(a) Of which (8) Bouygues Telecom: arrangement fees for the syndicated loan repaid in April 2004.

Cost of net financial debt and other financial income and expenses is broken down by business in note 11.

NOTE 10	INCOME TAX EXPENSE	(260)

A/ Breakdown of net income tax expense

	06/05			06/04		
	France	Foreign	Total	France	Foreign	Total
. Tax payable to tax authorities	(98)	(34)	(132)	(149)	(9)	(158)
. Deferred tax liabilities	12	1	13	2	3	5
. Deferred tax assets *(1)*	(139)		(139)	(76)	(1)	(77)
. Tax on dividend payments	(1)	(1)	(2)	(1)	(1)	(2)
T O T A L	**(226)**	**(34)**	**(260)**	**(224)**	**(8)**	**(232)**
(1) Of which: Bouygues Telecom deferred tax asset (reversal)	(121)			(86)		

See note 11 for breakdown by business

B/ Movements in deferred taxes on consolidated balance sheet:

	12/04	Change 2005		06/05
		Net charges	Other	
- Deferred tax assets	566	(139) *(3)*	7	434
- Deferred tax liabilities	(158)	13	48 *(2)*	(97)
NET =	**408**	**(126)**	**55**	**337**

(2) including reversal of provision for tax on asset disposal, created in 2004: 49 (deducted from payable tax charge)
(3) write-back relating mostly to Bouygues Telecom.

NOTE 11	INFORMATION BY BUSINESS SEGMENT

The figures by business segment below are presented in two ways:
1- Breakdown by business:
. Construction (Bouygues Construction, Colas and Bouygues Immobilier)
. Media (TF1)
. Telecom (Bouygues Telecom)
. Bouygues SA and other subsidiaries
2- Breakdown by geographical area: France / Europe (excl. France) / Africa / Asia-Pacific / Americas and Middle East.

Internal disposals generally take place at market prices.

A/ Breakdown by business at 30 June 2005

	Construction	Media	Telecoms	BYSA and other	TOTAL 2005
INCOME STATEMENT FIRST HALF 2005					
Total sales	7 693	1 470	2 193	224	**11 580**
Inter-business sales	(217)	(11)	(6)	(78)	**(312)**
Sales to external customers	**7 476**	**1 459**	**2 187**	**146**	**11 268**
Net depreciation charges	(212)	(50)	(291)	(21)	**(574)**
Net provisions	(87)	(15)	(32)		**(134)**
Operating profit	**247**	**269**	**355**	**(18)**	**853**
Cost of net financial debt	7	(8)	(17)	(76)	**(94)**
Other financial income and expenses	(5)	4		3	**2**
Income tax expense	(90)	(87)	(119)	36	**(260)**
Share of profits/losses of associates	26	(2)			**24**
Net profit before results of discontinued and held-for-sale operations	**185**	**176**	**219**	**(55)**	**525**
Net profit of discontinued and held-for-sale operations					
Total net profit	**185** (1)	**176**	**219**	**(55)**	**525**
Net profit attributable to the Group	**182**	**76**	**181**	**(55)**	**384**
BALANCE SHEET 30/06/05					
Tangible assets	1 845	202	2 326	380	**4 753**
Intangible assets	49	140	824	14	**1 027**
Goodwill	897	1 442	2 655	10	**5 004**
Deferred tax assets/LT tax credits	115	14	305		**434**
Other non-current assets	616	54	2	50	**722**
Tax assets	42	75		6	**123**
Cash and equivalents	413	33	8	688	**1 142**
Financial instruments (hedging of financial liabilities at fair value)	9	29		18	**56**
Unallocated assets					**9 805**
Total assets					**23 066**
Non-current financial liabilities	240	532	28	3 799	**4 599**
Non-current provisions	939	82	32	145	**1 198**
Deferred tax liabilities/LT tax liabilities	57	27		13	**97**
Current debt	99	66	10	85	**260**
Current tax	79	85		48	**212**
Central bank and bank credit balances	269		1	36	**306**
Financial instruments (hedging of financial liabilities at fair value)	10	2	1		**13**
Unallocated liabilities					**16 381**
Total liabilities					**23 066**
Net debt (2)	(1 338)	537	1 001	3 780	**3 950**
CASH FLOW STATEMENT FIRST HALF 2005					
Cash flow before cost of net financial debt and tax	470	299	660	24	**1 453**
Net acquisitions of tangible and intangible assets	(203)	(65)	(322)	(19)	**(609)**
Net acquisitions of consolidated investments and other	(140)	6		(39)	**(173)**
Cash used for financial liabilities	65	51	(124)	(478)	**(486)**
OTHER INDICATORS FIRST HALF 2005					
EBITDA	546	334	678	3	**1 561**
Free cash flow	184	139	202	(35)	**490**

(1) Of which Bouygues Construction: 95
(2) Contribution of business level

B/ 2004 breakdown by business

	Construction	Media	Telecoms	Bouygues SA and other	TOTAL 2004
INCOME STATEMENT FIRST HALF 2004 (a)					
Total sales	6 648	1 495	1 761	213	**10 117**
Inter-business sales	(148)	(9)	(6)	(67)	**(230)**
Sales to external customers	**6 500**	**1 486**	**1 755**	**146**	**9 887**
Net depreciation charges	(187)	(53)	(283)	(21)	**(544)**
Net provisions	(14)	(19)	(15)	(27)	**(75)**
Operating profit	**164**	**278**	**284**	**(30)**	**696**
Cost of net financial debt	6	(11)	(34)	(49)	**(88)**
Other financial income and expenses	(1)		(8)	(3)	**(12)**
Income tax expense	(62)	(100)	(86)	16	**(232)**
Share of profits/losses of associates	19	(3)		1	**17**
Net profit before results of discontinued and held-for-sale operations	**126**	**164**	**156**	**(65)**	**381**
Net profit of discontinued and held-for-sale operations				21	**21**
Total net profit	**126** [1]	**164**	**156**	**(44)**	**402**
Net profit attributable to the Group	**124**	**69**	**130**	**(47)**	**276**
BALANCE SHEET 31/12/04 (a)					
Tangible assets	1 744	208	2 293	384	**4 629**
Intangible assets	43	124	837	16	**1 020**
Goodwill	802	1 393	2 335	10	**4 540**
Deferred tax assets/LT tax credits	89	21	426	33	**569**
Other non-current assets	595	55	2	71	**723**
Tax assets	19	2		24	**45**
Cash and equivalents	509	159	16	2 576	**3 260**
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/LT tax liabilities	57	31		70	**158**
Current debt	89	33	9	111	**242**
Current tax	60	24		93	**177**
Central bank and bank credit balances	135	17		100	**252**
Unallocated liabilities					**17 295**
Total liabilities					**23 948**
Net debt [2]	(2 193)	409	1 197	2 462	**1 875**
CASH FLOW STATEMENT FIRST HALF 2004					
Cash flow before cost of net financial debt and tax	335	335	564	23	**1 257**
Net acquisitions of tangible and intangible assets	(140)	(32)	(211)	(12)	**(395)**
Net acquisitions of consolidated investments and other	(9)	(50)		(10)	**(69)**
Cash used for financial liabilities	58	2	(1 173)	(257)	**(1 370)**
OTHER INDICATORS FIRST HALF 2004 (a)					
EBITDA	368	350	582	15	**1 315**
Free cash flow	140	192	233	(23)	**542**

(a) Income statement, cash flow statement and other indicators at 30 June; balance sheet at 31 December

(1) Of which: Bouygues Construction: 64

(2) Contribution of business level

C/ Breakdown by geographical area

Sales to external customers	France and overseas	Western Europe	Eastern Europe	Africa	Asia	Americas	Middle East	Total
First half 2005	8 324	1 014	492	507	299	622	10	11 268
First half 2004	7 372	903	347	459	230	566	10	9 887

NOTE 12	OFF-BALANCE SHEET COMMITMENTS

I - RECIPROCAL COMMITMENTS

	TOTAL 06/05	Construction	Media	Telecom	Bouygues SA and other	Maturity - 1 year	Maturity 1-5 years	Maturity + 5 years	Maturity Total	TOTAL 12/04
Commitments given and received	**3 422**	**495**	**1 982**	**916**	**29**	**1 051**	**1 713**	**658**	**3 422**	**3 373**

II - SUNDRY COMMITMENTS

	TOTAL 06/05	Construction	Media	Telecom	Bouygues SA and other	Maturity - 1 year	Maturity 1-5 years	Maturity + 5 years	Maturity Total	TOTAL 12/04
Commitments given	**583**	**217**	**138**	**165**	**63**	**188**	**254**	**141**	**583**	**655**
Other contractual obligations or commercial commitments given (guarantees, endorsements etc.) *(1)*	**583**	217	138	165	63	188	254	141	**583**	655
Commitments received	**107**	**4**	**78**	**17**	**8**	**59**	**37**	**11**	**107**	**70**
Other contractual obligations or commercial commitments received (guarantees, endorsements etc.)	**107**	4	78	17	8	59	37	11	**107**	70
BALANCE	**476**	**213**	**60**	**148**	**55**	**129**	**217**	**130**	**476**	**585**

(1) In the course of its current operations, the Group grants ten-year warranties or performance bonds for which no quantified estimate or specific comment is made unless it turns out that such warranties might give rise to the payment of any sums by the Group. These would give rise to provisions.

III - OTHER COMMITMENTS

UMTS licences:

The granting of a UMTS licence to Bouygues Telecom depends on Bouygues complying with certain requirements, particularly concerning the pace of the roll-out, geographical coverage and the start of commercial operations. Through a decision on 23 May 2005, French telecoms regulator ARCEP (formerly ART) postponed until 30 April 2007 the date on which Bouygues Telecom is obliged to offer the UMTS services set out in its licence.

Blind spots:

In 2002, Bouygues Telecom and France's two other mobile operators made a commitment to covering a certain number of blind spots. This commitment resulted in the signature of an agreement in 2003 and an amendment to this agreement in 2004. The three operators are obliged to cover 3,100 towns, i.e. 2,200 sites.

	TOTAL 06/05	Construction	Media	Telecom	Bouygues SA and other	Maturity - 1 year	Maturity 1-5 years	Maturity + 5 years	Maturity Total	TOTAL 12/04
TOTAL COMMITMENTS GIVEN	**4 005**	**712**	**2 120**	**1 081**	**92**	**1 239**	**1 967**	**799**	**4 005**	**4 028**
TOTAL COMMITMENTS RECEIVED	**3 529**	**499**	**2 060**	**933**	**37**	**1 110**	**1 750**	**669**	**3 529**	**3 443**

The above presentation of commitments omits no significant off-balance sheet commitments, in line with current accounting standards.

IV - REAL SECURITY INTERESTS

	TOTAL	Construction	Media	Telecom	Bouygues SA and other	Maturity - 1 year	Maturity 1-5 years	Maturity + 5 years	Maturity Total	TOTAL
- Mortgages on land and buildings or equipment pledges	**8**	8					8		**8**	5
- Pledges of subordinated securities and loans	**22**	22					22		**22**	18
GROUP TOTAL	**30**	**30**					**30**		**30**	**23**

V - CONTINGENT ASSETS AND LIABILITIES

Litigation:

Bouygues Telecom:

Legal action against France's mobile phone operators relating to the state of competition in France is pending before the French competition authority.
After the operators were notified of the complaints, an enquiry into the period from 2000 to 2002 was completed at the end of the first half of 2005.
The competition authority's decision is likely to be announced before the end of 2005.

BOUYGUES SA
HALF YEAR CONSOLIDATED ACCOUNTS - JANUARY 1ST TO JUNE 30TH, 2005

ERNST & YOUNG AUDIT

Faubourg de l'Arche – 11, allée de l'Arche - 92400 Courbevoie

MAZARS & GUERARD
MAZARS

Le Vinci - 4, allée de l'Arche - 92075 La Défense Cedex

BOUYGUES SA

Siège Social : 90, avenue des Chams Elysées - 75008 Paris
Société Anonyme au capital de 332 735 372 Euros
N° Siret : 572 015 246 00 166

STATUTORY AUDITORS' REPORT ON THE 2005 HALF YEAR FINANCIAL INFORMATION
(ART. L. 232-7 OF THE CODE DE COMMERCE AND 297-1 OF THE DECREE OF MARCH 29, 1967)

FREE TRANSLATION OF FRENCH LANGUAGE ORIGINAL DOCUMENT

To the shareholders,

In our capacity as statutory auditors of BOUYGUES SA, and pursuant to the Article L. 232-7 of the Code de commerce, we have carried out:

- a limited review of the accompanying report on activity and results, presented in the form of consolidated half-year financial statements of BOUYGUES SA for the period from January 1st, 2005 to June 30th, 2005
- the verification of information given in the half-year report.

These consolidated financial statements are the responsibility of the Board of Directors. Our responsibility is to express a conclusion on these consolidated financial statements based on our limited review.

As part of the transition to IFRS as adopted in the European Union in respect of the preparation of consolidated financial statements for the financial year ended 31 December 2005, these consolidated half-year financial statements have been prepared for the first time using first, the IFRS accounting and assessment rules endorsed by the European Union as described in Note 1 to the financial statements and secondly, in the form of intermediate accounts as defined in presentation and information rules of the General Regulations of the Autorité des marchés financiers (French market authority). For the purposes of comparison, these intermediate accounts include comparative information relating to the financial year 2004 and the first half-year 2004, restated according to the same rules.
We conducted this limited review in accordance with the professional standards applicable in France; those standards require that we plan and perform the review to obtain moderate assurance, to a lesser extent than pursuant to an audit, that the consolidated half-year financial statements are free from material misstatement. Such a limited review does not include all of the verifications performed in an audit, but rather, is limited to implementing analytical procedures and to obtaining the information deemed necessary from the Group's management executives and any other relevant persons.

Based on our limited review, nothing has come to our attention giving cause to believe that the accompanying consolidated half-year financial statements are not in conformity, in all material respects, with the IFRS accounting and assessment rules which should be adopted in the European Union and applied by the company to prepare the consolidated financial statements for the financial year ended 31 December 2005, as described in Note 1 to the financial statements, and in the form of intermediate accounts as defined in presentation and information rules applicable in France.

Without qualifying our conclusion expressed above, we draw attention to note 1 to the financial statements, which sets out:

- the option retained for presentation of the accompanying consolidated half-year financial statements which, in accordance with article 221-5 of the General Regulations of the Autorité des marchés financiers (French market authority) in the case of the option of IFRS accounting and assessment rules, do not include all the information required by with IFRS as adopted in the European Union

- the reasons why the comparative information to be presented in the first complete set of consolidated financial statements for the financial year ended 31 December 2005 and in the consolidated half-year financial statements at 30 June 2006 may differ from the information in the accompanying consolidated half-year financial statements. This note deals particularly with the accounting method, currently applied in the French generally accepted accounting principles, which is consistently applied in the IFRS standards, that deals with the recognition of the assets and liabilities and the revenue and expenses of outsourced public services contracts.

In addition, and in accordance with French professional standards, we have examined the fairness of the information contained in the consolidated half-year activity report accompanying the consolidated half-year financial statements submitted to our review.
Based on our review, we have nothing to report on the fairness of this information and its consistency with the consolidated half-year financial statements.

Paris La Défense, September 13th, 2005

The Statutory Auditors

ERNST & YOUNG AUDIT	**MAZARS & GUERARD** **MAZARS**
Jean-Claude LOMBERGET	Michel ROSSE