BOUYGUES

CONSOLIDATED FINANCIAL STATEMENTS

THREE MONTHS ENDED 31 MARCH 2016

NOTES

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(figures in millions of euros unless otherwise indicated)

Declaration of compliance:

The interim condensed consolidated financial statements of Bouygues and its subsidiaries (the "Group") for the three months ended 31 March 2016 were prepared in accordance with IAS 34, "Interim Financial Reporting", a standard issued by the International Accounting Standards Board (IASB) and endorsed by the European Union. Because they are condensed, these financial statements do not include all the information required under the standards issued by the IASB, and should be read in conjunction with the full-year financial statements of the Bouygues group for the year ended 31 December 2015.

They were prepared in accordance with the standards issued by the IASB as endorsed by the European Union and applicable as of 31 March 2016. Those standards comprise International Financial Reporting Standards (IFRSs), International Accounting Standards (IASs), and interpretations issued by the IFRS Interpretations Committee – previously the International Financial Reporting Interpretations Committee (IFRIC), itself the successor body to the Standing Interpretations Committee (SIC). The Group has not early adopted as of 31 March 2016 any standard or interpretation not endorsed by the European Union.

The financial statements are presented in millions of euros (unless otherwise indicated) and comprise the balance sheet, the income statement, the statement of recognised income and expense, the statement of changes in shareholders' equity, the cash flow statement, and the notes to the financial statements.

The comparatives presented are from the consolidated financial statements for the year ended 31 December 2015, and from the interim condensed consolidated financial statements for the three months ended 31 March 2015.

NOTE 1 SIGNIFICANT EVENTS

1.1 Significant events of the first quarter of 2016

The principal corporate actions and acquisitions of the first quarter of 2016 are presented below:

- On 5 January 2016, Bouygues announced that it had started preliminary discussions with Orange to explore all possible options, and that Bouygues and Orange had signed a confidentiality agreement. After three months of discussions, it was not possible to reach an agreement. As a result, at its meeting of 1 April 2016, Bouygues' Board of Directors decided unanimously to bring the negotiations to an end.

- On 26 January 2016, TF1 acquired a 70% equity interest in FLCP, renamed Newen Studios, the holding company of the Newen production company. The parties signed a shareholders' agreement setting out rules governing the operational management of Newen, and providing for call and put options relating to the residual equity interest. The vendors have a put option, and TF1 has a call option, over the residual equity interest exercisable during a five-year period starting in 2018. Newen Studios is consolidated with effect from 1 January 2016. The commitment entered into by TF1 to buy out the 30% non-controlling interest was measured at fair value on the basis of discounted cash flow projections and the resulting amount has been recognised as a non-current financial liability, with the corresponding entry recorded as a deduction from consolidated shareholders' equity. The impact of this acquisition on the net debt of the Bouygues group is €291 million. The acquisition was accounted for using the partial goodwill method, and provisional goodwill of €149 million has been recognised.

- On 28 January 2016, Alstom repurchased 91.5 million of its own shares, including 28,457,641 from Bouygues. The disposal of the shares held by Bouygues generated cash proceeds of €996 million. Following this transaction, Bouygues holds an equity interest of 28.33% in Alstom.

- On 2 February 2016, Colas announced the sale of its 15.56% equity interest in Atlandes (the company that holds the concession for the A63 motorway in France) to various investment funds for €96 million. Colas hopes to be able to complete the sale in early 2017, once all the conditions precedent have been met.

- On 8 February 2016, the French state announced that the agreements with Bouygues relating to Alstom had come into effect, along with a stock lending transaction by Bouygues, valid for a period of approximately 20 months, that will enable the French state to exercise 20% of Alstom's voting rights. Bouygues:

  - retains a seat on Alstom's Board of Directors;
  - is entitled to the dividends on its entire shareholding in Alstom;
  - will recover the voting rights attached to the loaned shares in the event they are not purchased by the French state; and
  - will retain at least 8.33% of the voting rights.

  In accordance with paragraphs 6 and 13 of IAS 28, Bouygues retains significant influence over Alstom, and the entire 28.33% equity interest in Alstom continues to be accounted for as an associate by the equity method.

1.2 Significant events of the first quarter of 2015

The principal corporate action of the first quarter of 2015 is presented below:

- On 31 March 2015, Eurosport SAS, 49% owned by TF1, acquired 100% of the capital of Eurosport France, which was previously 80% owned by TF1. As a result of this transaction, which generated a non-taxable capital gain of €34 million, the Eurosport group (including Eurosport France) came to be owned 51% by Discovery Communications and 49% by TF1.

1.3 Significant events and changes in scope of consolidation subsequent to 31 March 2016

- On 21 April 2016, the Annual General Meeting of Bouygues shareholders approved the distribution of a dividend of €1.60 for each of the 345,135,316 shares outstanding as of 31 December 2015, equivalent to a total payout of €552 million. The dividend was paid on 28 April 2016.

NOTE 2 GROUP ACCOUNTING POLICIES

2.1 Basis of preparation of the financial statements

The interim condensed consolidated financial statements of the Bouygues group include the financial statements of Bouygues SA and its subsidiaries, its investments in joint ventures and associates, and its joint operations. The financial statements are presented in millions of euros, the currency in which the majority of the Group's transactions are denominated, and take account of the recommendations on the presentation of financial statements (Recommendation 2013-03) issued on 7 November 2013 by the Autorité des Normes Comptables (ANC), the French national accounting standard-setter.

They were adopted by the Board of Directors on 12 May 2016.

The interim condensed consolidated financial statements for the three months ended 31 March 2016 were prepared in accordance with IFRS using the historical cost convention, except for certain financial assets and liabilities measured at fair value where this is a requirement under IFRS. They include comparatives as of and for the year ended 31 December 2015 and the three months ended 31 March 2015.

Accounting policies specific to the interim condensed financial statements are as follows:

- Income taxes of consolidated entities for interim periods are assessed in accordance with IAS 34: the income taxes of each entity are recognised on the basis of the best estimate of the average annual effective income tax rate for the financial year (except in the case of holding companies, which recognise income taxes on the basis of the actual tax position at the end of the period).

- Employee benefit expenses for interim periods are recognised pro rata based on the estimated expense for the full year, calculated using the actuarial assumptions and projections applied as of 31 December 2015. A reduction of 50 basis points in the discount rate (2.09% as of 31 December 2015) would increase the provision for retirement benefit obligations by €31 million. That impact would be recognised in the statement of recognised income and expense.

2.2 New accounting standards and interpretations

The Bouygues group applied the same standards, interpretations and accounting policies for the three months ended 31 March 2016 as applied in its financial statements for the year ended 31 December 2015, except for changes required to meet new IFRS requirements applicable from 1 January 2016 as described below.

- Other key standards, amendments and interpretations issued by the IASB but not yet endorsed by the European Union.

  - **IFRS 15: Revenue from Contracts with Customers**

    On 28 May 2014, the IASB issued a new standard on revenue recognition intended to replace most of the current IFRS pronouncements on this subject, in particular IAS 11 and IAS 18. IFRS 15, which has not yet been endorsed by the European Union, is applicable from 1 January 2018.

  - **IFRS 9**

    On 24 July 2014, the IASB issued a new standard on financial instruments intended to replace most of the current IFRS pronouncements on this subject, in particular IAS 39. The new standard, which has not yet been endorsed by the European Union, is applicable from 1 January 2018.

- **IFRS 16**

  On 16 January 2016, the IASB issued IFRS 16, “Leases”. IFRS 16 will replace IAS 17, along with the associated IFRIC and SIC interpretations, and will end the distinction currently made between operating leases and finance leases. Lessees will be required to account for all leases with a term of more than one year in a manner similar to that currently specified for finance leases under IAS 17, involving the recognition of an asset for the rights, and a liability for the obligations, arising under the lease. IFRS 16, which has not yet been endorsed by the European Union, is applicable from 1 January 2019.

2.3 Seasonal fluctuations

Sales and operating profit are subject to significant seasonal fluctuations due to low activity levels during the first quarter, primarily at Colas due to weather conditions. The extent of those fluctuations varies from year to year. In accordance with IFRS, sales for interim accounting periods are recognised on the same basis as full-year sales.

NOTE 3 NON-CURRENT ASSETS

For an analysis of the carrying amount of property, plant and equipment and intangible assets by business segment see Note 11, “Segment information”.

3.1 Goodwill

3.1.1 Movement in the carrying amount of goodwill in the period

(€ million)	Gross	Impairment	Carrying amount
31/12/2015	**5,339**	**(78)**	**5,261**
Changes in scope of consolidation	160 [a]		160
Other movements (including translation adjustments)	(9)		(9)
Impairment losses			
31/03/2016	**5,490**	**(78)**	**5,412**

(a) Mainly an increase of €149m following the acquisition of 70% of Newen Studios by TF1 on 26 January 2016.

3.1.2 Split of goodwill by Cash Generating Unit (CGU)

CGU	**31/03/2016**		**31/12/2015**	
(€ million)	**Total**	**% Bouygues**	**Total**	**% Bouygues**
Bouygues Construction (subsidiaries) [a]	481	99.97%	488	99.97%
Colas [b]	1,116	96.60%	1,125	96.60%
TF1 [b]	1,167	43.96%	1,000	43.98%
Bouygues Telecom [b]	2,648	90.53%	2,648	90.53%
Other				
Total	**5,412**		**5,261**	

(a) Only includes goodwill on subsidiaries acquired by the CGU.
(b) Includes goodwill on subsidiaries acquired by the CGU and on acquisitions made at parent company (Bouygues SA) level for the CGU.

Given the absence of any evidence of impairment, the goodwill recognised as of 31 March 2016 has not been subject to further impairment testing.

3.2 Joint ventures and associates

(€ million)	Carrying amount
31/12/2015	**3,401** [a]
Share of net profit/(loss) for the period	9
Translation adjustments	9
Other income and expense recognised directly in equity	(16)
Net profit/(loss) and other recognised income and expense	**2**
Changes in scope of consolidation	7
Other movements	(1,060) [c]
31/03/2016	**2,350** [b]

(a) Includes Alstom: €2,977m, net of impairment losses of €1,091m.
(b) Includes Alstom: €1,914m.
(c) Essentially a €996m reduction related to the impact of the Alstom public share buyback offer on net assets at 31 March 2016.

A segmental analysis of the share of net profit for the first quarter of 2016 is provided in Note 11, "Segment information".

The profit contribution from Alstom recognised in the Bouygues group's financial statements for the first quarter of 2016 was based on the results published by Alstom on 11 May 2016 for its 2015/16 financial year, which ended on 31 March 2016. Given the time-lag between the accounting year-ends of Alstom (31 March) and Bouygues (31 December), Alstom's contribution to the Bouygues group's profits for the first half of Alstom's 2015/16 financial year was recognised in the Bouygues financial statements for the nine months ended 30 September 2015.

The profit contribution for the first quarter of 2016 was zero, after taking account of:

- the income statement published by Alstom;
- the derecognition (based on relative values) of the fair value adjustments and goodwill allocated to Alstom's Energy activities, which has been sold;
- the effects of the public share buyback offer carried out by Alstom in January 2016; and
- the reversal of the residual balance of the impairment loss recognised as of 31 December 2015.

The carrying amount of the interest in Alstom as of 31 March 2016 is €1,914 million, which includes €865 million of goodwill and €120 million of non-depreciable fair value adjustments relating mainly to the Alstom brand name. This is €1,063 million lower than the carrying amount as of 31 December 2015, reflecting (i) the €996 million payment made to Bouygues in connection with the public share buyback offer and (ii) a net change of €67 million in expenses recognised directly in equity at Group level.

The impairment loss recognised against Alstom as of 31 December 2015 was reduced to zero as of 31 March 2016. Most of this was effected by the derecognition of goodwill following the sale of Alstom's Energy activities business and by the calculation of the effects of the public share buyback offer. The residual balance was released to profit or loss, resulting in a carrying amount of €30.83 per share in the balance sheet as of 31 March 2016. This is below the range of recoverable amounts estimated by Bouygues.

NOTE 4 CONSOLIDATED SHAREHOLDERS' EQUITY

Share capital of Bouygues SA

As of 31 March 2016, the share capital of Bouygues SA consisted of 345,193,308 shares with a par value of €1.

		Movements		
	31/12/2015	**Reductions**	**Increases**	**31/03/2016**
Shares	345,135,316		57,992	345,193,308
NUMBER OF SHARES	**345,135,316**		**57,992**	**345,193,308**
Par value	€1			€1
SHARE CAPITAL (€)	**345,135,316**		**57,992**	**345,193,308**

NOTE 5 NON-CURRENT AND CURRENT PROVISIONS

5.1 Non-current provisions

(€ million)	**Long-term employee benefits [a]**	**Litigation and claims [b]**	**Guarantees given [c]**	**Other non-current provisions [d]**	**Total**
31/12/2015	**692**	**363**	**392**	**713**	**2,160**
Translation adjustments	(2)		(1)		(3)
Changes in scope of consolidation	(1)	(1)			(2)
Charges to provisions	9	8	14	15	46
Reversals of provisions (utilised or unutilised)	(11)	(22)	(12)	(27)	(72) [e]
Actuarial gains and losses					
Transfers and other movements	(1)	1		12	12
31/03/2016	**686**	**349**	**393**	**713**	**2,141**

(a) Long-term employee benefits	***686***	***Principal segments involved:***	
Lump-sum retirement benefits	*476*	*Bouygues Construction*	*196*
Long-service awards	*145*	*Colas*	*366*
Other long-term employee benefits	*65*	*TF1*	*39*
		Bouygues Telecom	*49*
(b) Litigation and claims	***349***	*Bouygues Construction*	*164*
Provisions for customer disputes	*130*	*Bouygues Immobilier*	*32*
Subcontractor claims	*70*	*Colas*	*92*
Employee-related and other litigation and claims	*149*	*Bouygues Telecom*	*54*
(c) Guarantees given	***393***	*Bouygues Construction*	*301*
Provisions for 10-year construction guarantees	*296*	*Bouygues Immobilier*	*23*
Provisions for additional building/civil engineering/civil works guarantees	*97*	*Colas*	*69*
(d) Other non-current provisions	***713***	*Bouygues Construction*	*174*
Provisions for risks related to official inspections	*231*	*Colas*	*304*
Provisions for miscellaneous foreign risks	*8*	*Bouygues Telecom*	*154*
Provisions for subsidiaries and affiliates	*47*		
Dismantling and site rehabilitation	*265*		
Other non-current provisions	*162*		
(e) Of which: reversals of unutilised provisions during the first quarter of 2016	***(34)***		

5.2 Current provisions

Provisions related to the operating cycle *(€ million)*	Provisions for customer warranties	Provisions for project risks and project completion	Provisions for expected losses to completion	Other current provisions	Total
31/12/2015	**54**	**411**	**334**	**293**	**1,092**
Translation adjustments	(1)	(2)	(2)	(2)	(7)
Changes in scope of consolidation				4	4
Charges to provisions	1	19	33	22	75
Reversals of provisions (utilised or unutilised)	(2)	(74)	(60)	(44)	(180) [a]
Transfers and other movements		1	(2)	(13)	(14)
31/03/2016	**52**	**355**	**303**	**260**	**970**

(a) Of which: reversals of unutilised provisions during the first quarter of 2016 ***(53)***

NOTE 6 NON-CURRENT AND CURRENT DEBT

6.1 Breakdown of debt

(€ million)	Current debt		Non-current debt	
	Total 31/03/2016	**Total 31/12/2015**	**Total 31/03/2016**	**Total 31/12/2015**
Bond issues	701	729	4,568	4,548
Bank borrowings	121	76	688	691
Finance lease obligations	6	7	11	12
Other borrowings	19	19	196	54
TOTAL DEBT	**847**	**831**	**5,463**	**5,305**

The increase in “Other borrowings” is mainly due to the recognition of the commitment to buy out the 30% non-controlling interest in Newen Studios.

6.2 Covenants and trigger events

The bond issues maturing 2016, 2018, 2019, 2022, 2023, and 2026 contain a change of control clause relating to Bouygues SA.

The bank credit facilities contracted by Bouygues SA and its subsidiaries contain no financial covenants or trigger event clauses.

NOTE 7 CHANGE IN NET DEBT

(€ million)	31/12/2015	Cash flows		Changes in scope of consolidation		Translation adjustments		Other items		31/03/2016
Cash and cash equivalents	3,785	(682)		64		(26)		12		3,153
Overdrafts and short-term bank borrowings	(196)	(99)		8		(22)		(11)		(320)
NET CASH POSITION	**3,589**	**(781)**	a	**72**	a	**(48)**	a	**1**	a	**2,833**
Non-current debt	5,305	(2)		81		(6)		85		5,463
Current debt	831	(44)		21		(1)		40		847
Financial instruments, net	14							33		47
TOTAL DEBT	**6,150**	**(46)**	b	**102**		**(7)**		**158**		**6,357**
NET DEBT	**(2,561)**	**(735)**		**(30)**		**(41)**		**(157)**		**(3,524)**

(a) Net cash flows as reported in the cash flow statement for the period.
(b) Net cash outflow of €46m as reported in the cash flow statement for the period, corresponding to cash flows for the period excluding the effect of exchange rate fluctuations and other movements.

NOTE 8 ANALYSIS OF SALES AND OTHER REVENUES FROM OPERATIONS

8.1 Analysis by accounting classification

(€ million)	1st quarter	
	2016	2015
Sales of goods	488	532
Sales of services	2,661	2,599
Construction contracts	3,385	3,600
CONSOLIDATED SALES	**6,534**	**6,731**
OTHER REVENUES FROM OPERATIONS	**29**	**11**
TOTAL REVENUES	**6,563**	**6,742**

(€ million)	1st quarter of 2016				1st quarter of 2015			
	France	International	Total	%	France	International	Total	%
Bouygues Construction	1,252	1,473	2,725	42	1,346	1,389	2,735	41
Bouygues Immobilier	454	19	473	7	478	29	507	7
Colas	1,069	670	1,739	27	1,171	790	1,961	29
TF1	460	7	467	7	449	17	466	7
Bouygues Telecom	1,124		1,124	17	1,057		1,057	16
Bouygues SA & other	2	4	6		2	3	5	
CONSOLIDATED SALES	**4,361**	**2,173**	**6,534**	**100**	**4,503**	**2,228**	**6,731**	**100**

8.2 Analysis by business segment

(€ million)	Bouygues Construction	Bouygues Immobilier	Colas	TF1	Bouygues Telecom	Bouygues SA & other	Total 1st quarter 2016
Total sales	2,771	475	1,754	482	1,131	40	6,653
Inter-segment sales	(46)	(2)	(15)	(15)	(7)	(34)	(119)
THIRD-PARTY SALES	**2,725**	**473**	**1,739**	**467**	**1,124**	**6**	**6,534**

(€ million)	Bouygues Construction	Bouygues Immobilier	Colas	TF1	Bouygues Telecom	Bouygues SA & other	Total 1st quarter 2015
Total sales	2,779	513	1,979	475	1,063	37	6,846
Inter-segment sales	(44)	(6)	(18)	(9)	(6)	(32)	(115)
THIRD-PARTY SALES	**2,735**	**507**	**1,961**	**466**	**1,057**	**5**	**6,731**

NOTE 9 OPERATING PROFIT/(LOSS)

(€ million)	1st quarter	
	2016	**2015**
CURRENT OPERATING PROFIT/(LOSS)	**(140)**	**(194)**
Other operating income	3 [a]	48 [b]
Other operating expenses	(90) [a]	(70) [b]
OPERATING PROFIT/(LOSS)	**(227)**	**(216)**

(a) Mainly comprises:
Bouygues Telecom: essentially costs of €21m incurred on the roll-out of network sharing with Numericable-SFR.
Colas: costs of €15m incurred on discontinuation of operations at Société de la Raffinerie de Dunkerque.
TF1: expense of €34m, comprising costs incurred on reorganisation and on the freeview switchover of LCI plus a one-off additional charge related to a change in the accounting treatment of French drama.
Bouygues SA: expense of €11m relating to costs incurred on the proposed transaction with Orange.
(b) Relates to:
Bouygues Telecom: essentially costs incurred on the roll-out of network sharing with Numericable-SFR.

NOTE 10 INCOME TAXES

(€ million)	1st quarter	
	2016	**2015**
Tax payable to the tax authorities	19	8
Deferred taxes, net	70	110
INCOME TAX GAIN/(EXPENSE)	**89**	**118**

The effective tax rate for the first quarter of 2016 was 30%, compared with 43% for the first quarter of 2015. The difference is due to (i) a €34 million gain on the sale of Eurosport France by TF1 in 2015 that was tax-exempt, (ii) a reduction in the standard French tax rate from 38% in 2015 to 34.43% in 2016, and (iii) the non-recognition of deferred tax assets for tax losses in certain countries.

NOTE 11 SEGMENT INFORMATION

- The table below shows the contribution made by each business segment to key items in the income statement, balance sheet and cash flow statement:

(€ million)	Bouygues Construction	Bouygues Immobilier	Colas	TF1	Bouygues Telecom	Bouygues SA & other	Total
Income statement: 1st quarter of 2016							
Current operating profit/(loss)	82	25	(223)	15	(33)	(6)	(140)
Operating profit/(loss)	78	24	(238)	(19)	(55)	(17)	(227)
Share of profits/(losses) of joint ventures and associates	(2)		13	(2)			9
Net profit/(loss) attributable to the Group	47	16	(166)	(6)	(40)	(31)	(180) [a]
Income statement: 1st quarter of 2015							
Current operating profit/(loss)	71	27	(244)	28	(62)	(14)	(194)
Operating profit/(loss)	71	27	(244)	28	(84)	(14)	(216)
Share of profits/(losses) of joint ventures and associates	(4)		12	1			9
Net profit/(loss) attributable to the Group	51	15	(164)	14	(49)	(24)	(157) [b]
Balance sheet: 31 March 2016							
Property, plant and equipment	705	22	2,317	175	3,135	136	6,490
Intangible assets	39	33	76	183	1,800	47	2,178
Net debt	2,828	(143)	64	341	(1,295)	(5,319)	(3,524)
Balance sheet: 31 December 2015							
Property, plant and equipment	717	22	2,396	170	3,081	137	6,523
Intangible assets	40	30	70	124	1,820	47	2,131
Net debt	3,272	5	560	701	(890)	(6,209)	(2,561)
Other financial indicators: 1st quarter of 2016							
Acquisitions of property, plant & equipment and intangible assets, net of disposals	35	4	41	49	238	(1)	366
EBITDA	63	8	(187)	54	146	(14)	70
Cash flow	116	20	(177)	30	148	(20)	117
Free cash flow	50	9	(164)	(10)	(78)	(29)	(222)
Other financial indicators: 1st quarter of 2015							
Acquisitions of property, plant & equipment and intangible assets, net of disposals	32	2	38	5	207	3	287
EBITDA	72	15	(173)	26	118	(14)	44
Cash flow	123	26	(193)		85		41
Free cash flow	72	15	(170)		(91)	(26)	(200)

(a) The net loss attributable to the Group excluding exceptional items amounts to €137m, and corresponds to the net loss attributable to the Group excluding non-current expenses of €43m net of taxes.

(b) The net loss attributable to the Group excluding exceptional items amounts to €145m, and corresponds to the net loss attributable to the Group excluding non-current expenses of €12m net of taxes.

NOTE 12 OFF BALANCE SHEET COMMITMENTS

There have been no material changes in off balance sheet commitments since 31 December 2015 other than the commitment by TF1 to buy out the non-controlling interests in Newen Studios (see Note 1.1, "Significant events of the first quarter of 2016").