BOARD OF DIRECTORS' REPORT ON THE RESOLUTIONS SUBMITTED TO THE COMBINED ANNUAL GENERAL MEETING

AGM OF
26 APRIL 2018

09/03/2018

ORDINARY GENERAL MEETING

Resolutions 1, 2 and 3 – Approval of the parent company and consolidated financial statements, and transactions for the year ended 31 December 2017, appropriation of 2017 earnings and setting of the dividend (€1.70 per share)

Object and purpose

We ask you to approve:

- the parent company financial statements for the year ended 31 December 2017, showing net profit of €102,398,551.57;
- the consolidated financial statements for the year ended 31 December 2017, showing net profit attributable to the Group of €1,085 million;
- the transactions recorded in those financial statements, or disclosed in the Board of Directors' management report or in the statutory auditors' report.

Those financial statements and reports are included in the 2017 Registration Document; they are also available on www.bouygues.com. The Convening Notice to the Annual General Meeting contains the condensed consolidated financial statements.

The financial year ended 31 December 2017 gave distributable earnings of €2,294,270,439.64, consisting of the following:

- net profit for the year: €102,398,551.57;
- transfer to the legal reserve -€26,276.20;
- retained earnings brought forward €2,191,898,164.27;
- distributable earnings €2,294,270,439.64.

We propose to appropriate earnings as follows:

- the distribution of an overall dividend of €622,412,984.50;
- appropriate the remainder, of €1,671,857,455.14, to retained earnings.

The dividend represents a payout of €1.70 (€0.10 more than the dividend paid out in respect of 2016) for each of the 366,125,285 existing shares as at 31 December 2017. This dividend is eligible for the optional 40% tax relief in accordance with paragraph 2 of Article 158-3 of the General Tax Code.

The dividend payment date is 4 May 2018. The ex-date and record date have been set at 2 May 2018 and the evening of 3 May 2018 respectively.

In accordance with Article 243 bis of the General Tax Code, listed below are the dividend amounts paid out in respect of the last three financial years.

	2014	2015	2016
Number of shares	336,086,458	345,135,316	354,908,547
Dividend per share	€1.60	€1.60	€1.60
Total dividend [a & b]	€537,731,932.80	€552,128,505.60	€567,837,675.20

(a) The amounts shown represent dividends actually paid, taking account of the fact that shares held by the company itself do not qualify for dividends.

(b) Amounts eligible for 40% tax relief in accordance with paragraph 2 of Article 158-3 of the General Tax Code.

Resolution 4 – Approval of regulated agreements and commitments

Object and purpose

We ask you to approve the regulated agreements entered into directly or indirectly, in 2017, between Bouygues and:

- one of its corporate officers (Executive Officer, director);
- a company in which a corporate officer of Bouygues also holds a directorship;
- a shareholder holding more than 10% of voting rights of Bouygues.

This approval is part of what is known as the regulated, or related-party, agreements procedure, which aims to prevent potential conflicts of interest.

We also ask you to approve the commitments relative to the defined-benefit pension scheme to which Executive Officers are entitled (Chairman and Chief Executive Officer and Deputy Chief Executive Officers).

In accordance with law, these agreements and commitments were granted prior approval by the Board of Directors; the directors concerned abstained from voting. You will find the detailed list of these agreements and commitments, the benefit for Bouygues, their financial conditions and the amounts invoiced in 2017, in the auditors' special report on regulated agreements and commitments (chapter 8, section 8.3 of the Registration Document).

The agreements and commitments mentioned in the auditors' special report that were approved by general meetings in previous years do not have to be voted on again by this Annual General Meeting.

The agreements and commitments we ask you to approve, having acquainted yourselves with this report and the auditors' report, concern the following subjects:

• **Shared service agreements.** Bouygues provides a range of general and expert services to its subsidiaries in areas such as finance, communications, sustainable development, patronage, new technologies, insurance, legal affairs, human resources and innovation consultancy. As part of the agreement, Bouygues and its main subsidiaries sign annual agreements relating to these services, so that each business segment can request relevant services and expertise if need be. The principle behind these agreements is based on the rules for sharing and invoicing the expense of shared services, including special services, and the defrayal of a remaining share, within the limit of a percentage of sales of the subsidiary concerned. The shared services are invoiced at cost plus a margin of 10% for high value-added services and 5% for low value-added services.

In 2017, Bouygues invoiced the following amounts under these shared service agreements:

Bouygues Construction	€17.50 million
Colas	€17.54 million
TF1	€3.56 million
Bouygues Telecom	€8.85 million

The Board of Directors authorised, for a period of one year, the renewal of these shared service agreements for 2018.

• **Reciprocal service agreement between Bouygues and SCDM.** SCDM, a company owned by Martin Bouygues and Olivier Bouygues, contributes to initiatives in favour of the Bouygues group on an ongoing basis (research and analysis into strategic developments and the growth of the Bouygues group, multi-year plans, research and analysis into major investments and divestments). SCDM may also supply Bouygues with services other than those provided as part of its permanent duties. This agreement enables Bouygues to benefit from the services of Martin Bouygues and Olivier Bouygues, who are paid by SCDM, and of the members of the small group that supports them by conducting the research and analysis mentioned above, as well as various specific services for the benefit of the Group. For its part, Bouygues provides SCDM with specific services, principally management, human resources, information technology, and legal and financial services.

The Board of Directors authorised the renewal of this agreement for 2018.

The maximum amount that SCDM can potentially invoice Bouygues in respect of this agreement is €7 million. The amount invoiced by SCDM to Bouygues under this agreement in 2017 was €5.35 million, consisting mainly of the remuneration (salaries and charges) of Martin Bouygues and Olivier Bouygues, 86.8% of the total, within the limit of the amount set by the Bouygues Board of Directors. The remainder (13.2% of the total) is for the services provided by the small group that supports Martin Bouygues and Olivier Bouygues, by conducting on an ongoing research and analysis into strategic developments and the growth of the Bouygues group.

This agreement also enables Bouygues to be remunerated by SCDM in respect of the various specific services that it carries out on its behalf, principally management, human resources, information technology, legal and financial services. The amount invoiced by Bouygues to SCDM under this agreement in 2017 was €0.28 million.

• Renewal for a period of one year starting 1 January 2018 of the **commitment relative to the defined-benefit pension scheme** for Executive Officers of Bouygues and members of the Group Management Committee, as well as the cross-charging agreements whereby Bouygues invoices its subsidiaries Bouygues Construction, Colas, TF1 and Bouygues Telecom, for the contributions to this additional retirement provision, from which their senior executives benefit. The additional retirement provision is equivalent to 0.92% of the reference salary per year of service in the Group, and capped at eight times the annual ceiling under the social security regime, giving a cap of €317,856 in 2018. Individual potential entitlements may not exceed the ceiling of 45% of the reference income for Executive Officers as recommended by the Afep-Medef Code (annual fixed and variable remuneration owed in respect of the reference period). The scheme has been outsourced to an insurance company;

The performance conditions to be met in order for Olivier Roussat and Philippe Marien to obtain entitlement to their rights under the defined-benefit pension scheme are set out in section 5.4.2.2 of the Registration Document. The entitlement of Martin Bouygues and Olivier Bouygues to their rights under the defined-benefit pension scheme is not subject to performance conditions, as the pension rights acquired by these two individuals at 7 August 2015, the date the Macron law entered into force, had already reached the aforementioned ceiling.

For information purposes, the contribution paid by Bouygues in 2017 in respect of the four aforementioned Executive Officers amounted to €1.7 million excluding taxes, or €2.1 million after applying the social security levy (URSSAF) of 24%. Bouygues invoiced the following amounts to the subsidiaries below:

Bouygues Construction	€0.71 million
Bouygues Immobilier	€0.71 million
Colas	€0.71 million
TF1	€0.44 million
Bouygues Telecom	€0.28million

The Board of Directors authorised the renewal of these agreements and commitments for 2018.

• **Letter of support to Alstom** in connection with the proposal to merge the rail activities of Alstom and Siemens. In this document, co-signed by Alstom, Bouygues has undertaken to: a) retain its Alstom shares until the earlier of (i) the Extraordinary General Meeting of Alstom shareholders called to approve the merger or (ii) 31 July 2018; b) vote in favour of the resolutions relating to the merger at the Extraordinary General Meeting of Alstom shareholders; c) vote in favour of the resolution to cancel double voting rights at a Special General Meeting of Alstom shareholders; and d) have the Bouygues representatives on the Alstom Board of Directors approve any decision necessary to implement the merger.

• **Open innovation services agreements** entered into *inter alia* with Bouygues Construction, Colas, TF1 and Bouygues Telecom. The consultancy services provided to the business segments under this agreement are an integral part of the shared services offered by Bouygues to the Group's business segments. As such, they are invoiced directly through the shared service agreements mentioned above in respect of the share of the residual amount of shared service fees. In consideration for the management services, each subsidiary pays Bouygues, on a pro rata temporis basis, a monthly flat fee of €750 excl. VAT per shareholding in a managed innovative company; the Board of Directors authorised, for a period of one year starting 1 January 2018, the renewal of these agreements.

• **Sale by Bouygues of Mainby shares to Bouygues Construction and Colas** for a total amount of CHF0.89 million.

• **Sale by Bouygues of SPEIG shares to Colas** for a total amount of €1.61 million.

• **Amendment to the internal audit service agreement** between Bouygues and Bouygues Telecom; the amount of services entrusted to Bouygues is €0.35 million excl. VAT for 2018.

• Agreements entered into with Bouygues Construction, Colas and Bouygues Telecom in connection to their participation in the **Viva Technology** event held in June 2017.

• **Trademark licence agreement** between Bouygues and GIE 32 Hoche for a fee of €1,000 excl. VAT a year.

In accordance with law, the persons concerned will not vote on this resolution.

Resolutions 5 and 6 – Approval of the commitments relative to the defined-benefit pension scheme to which Martin Bouygues, Chairman and Chief Executive Officer, and Olivier Bouygues, Deputy Chief Executive Officer, are entitled

Object and purpose

The members of Group Management Committee, which includes Martin Bouygues, Olivier Bouygues, Philippe Marien and Olivier Roussat, benefit from a supplementary pension scheme whereby they receive an additional retirement provision set at 0.92% of the reference salary (average of the best three years) per year in the scheme. Benefits are capped at eight times the social security ceiling, i.e. approximately €317,856 in 2018.

Under the law of 6 August 2015 (the Macron law), you are required to approve, through specific resolutions, the defined-benefit pension entitlement of Martin Bouygues, whose term of office as Chairman and CEO was renewed on 16 May 2017, and of Olivier Bouygues, whose term of office as Deputy CEO was renewed on 30 August 2017, at the above-mentioned dates.

The rights acquired by these two Executive Officers on the date the Macron law entered into force had already reached the ceiling set by the Board of Directors, i.e. eight times the annual social security ceiling. This therefore obviates the need to stipulate performance conditions for them.

In accordance with law, the persons mentioned above will not vote on this resolution.

Resolutions 7 to 10 – Approval of the remuneration components and benefits paid or awarded to Executive officers in respect of the year ended 31 December 2017 in their capacity as either Chairman and Chief Executive Officer or Deputy Chief Executive Officer

Object and purpose

In accordance with Article L. 225-100 of the Commercial Code, you are now required to approve the remuneration and benefits paid or awarded to each Executive Officer in respect of the financial year ended. The variable remuneration components awarded in respect of the 2017 financial year cannot be paid without your approval.

The Report on corporate governance (chapter 5, section 5.4.1 of the Registration Document) contains a detailed description of the remuneration and benefits paid or awarded in respect of the 2017 financial year to Martin Bouygues, in his capacity as Chairman and Chief Executive Officer, and to Olivier Bouygues, Philippe Marien and Olivier Roussat, in their capacity as Deputy Chief Executive Officers. Their remuneration and benefits were determined in accordance with the principles and criteria approved under the twelfth resolution at the Annual General Meeting of 27 April 2017.

Resolution 11 – Approval of the principles and criteria for determining, allocating and awarding the components of remuneration and benefits to be awarded to Executive officers, in their capacity as either Chairman and Chief Executive Officer or Deputy Chief Executive Officer

Object and purpose

Pursuant to Article L. 225-37-2 of the Commercial Code, you are asked to approve the principles and criteria applicable for determining, allocating and awarding the fixed, variable and exceptional components of the total remuneration and benefits of all kinds awarded to the four Executive Officers in their capacity as either Chairman and Chief Executive Officer or Deputy Chief Executive Officer for the 2018 financial year.

These principles and criteria were approved by the Board of Directors, acting on a recommendation of the Selection and Remuneration Committee. They are presented in the Report on corporate governance (chapter 5, section 5.4.2 of the Registration Document). Pursuant to Article L. 225-100 of the Commercial Code, the amounts arising from the implementation of these principles and criteria will be submitted for approval to the Annual General Meeting called to approve the 2018 financial statements.

Resolutions 12 and 13 – Renewal of the terms of office of Martin Bouygues and Anne-Marie Idrac as directors for three years

Object and purpose

At the proposal of the Selection and Remuneration Committee, we ask you to renew the terms of office of Martin Bouygues and Anne-Marie Idrac due to expire at the end of the Ordinary General Meeting of 26 April 2018.

Information on the directors the renewal of whose term of office is submitted for approval

Martin Bouygues

Chairman and CEO

Date of birth: 03/05/1952

Education and career

Born in 1952, Martin Bouygues is the youngest son of Francis Bouygues, who founded Bouygues the same year. Martin Bouygues joined the Bouygues group in 1974 as a works supervisor. In 1978, he established Maison Bouygues, specialising in the sale of catalogue homes. In 1987, Martin Bouygues was appointed Vice-Chairman of the Bouygues Board of Directors, on which he has served since 1982. In September 1989, Martin Bouygues took over from Francis Bouygues as Chairman and CEO of Bouygues. At Martin Bouygues' instigation, the Group pursued its development in construction as well as in media (TF1) and launched Bouygues Telecom in 1996. In 2006, Bouygues acquired a stake in Alstom.

- Date of first appointment to the Bouygues Board of Directors: 21 January 1982.
- Number of shares in the company (at 31/12/2017): 369,269 (76,278 329 via SCDM and SCDM Participations).

Principal positions outside Bouygues SA

- Chairman of SCDM.

Other positions and functions in the Group

- Director of TF1.
- Member of the Board of Directors of the Francis Bouygues Foundation.

Other positions and functions outside the Group

- Standing representative of SCDM; Chairman of Actiby and SCDM Participations.
- Member of the Board of Directors of the Skolkovo Foundation (Russia).

Martin Bouygues, who has chaired that Group since 1989, brings to the Board his knowledge of the Group's activities, as well as the men and women who form the Group.

Anne-Marie Idrac

Independent director

Chairwoman of the Ethics, CSR and Patronage Committee and member of the Accounts Committee

Chair of the supervisory board of Toulouse-Blagnac Airport

Date of birth: 27/07/1951

Education and career

Anne-Marie Idrac graduated from Institut d'Études Politiques de Paris (IEP) and École Nationale d'Administration (Simone Weil intake, 1974). She began her career as a senior civil servant serving in a number of posts at the French Ministry of Infrastructure in the fields of the environment, housing, urban development and transport. She was director general at the Public Development Agency (EPA) of Cergy-Pontoise from 1990 to 1993, and director of land transportation from 1993 to 1995. She has also held political offices: Secretary of State for Transport from 1995 to 1997, then Member of Parliament for a constituency in the Yvelines from 1997 to 2002, Councillor for the Paris region from 1998 to 2002, and junior minister for foreign trade from 2008 to 2010. In addition, she has held significant responsibilities in major transport companies: she was Chair and CEO of the RATP (Paris public transport authority) from 2002 to 2006, before becoming the first woman to head the SNCF (French state railways) where she was Chair and CEO from 2006 to 2008. She was also the first woman to become Vice-Chair of Union Internationale des Chemins de Fer (UIC – International Railway Union). In 2017, she was appointed High Representative for the development of driverless vehicles.

- Date of first appointment to the Bouygues Board of Directors: 26 April 2012
- Number of shares in the company (at 31/12/2017): 500

Principal positions outside Bouygues SA

- Chair of the supervisory board of Toulouse-Blagnac Airport.

Other positions and functions outside the Group

- Director of Total, Saint-Gobain and Air France-KLM.
- Senior Advisor to Suez and Sia Partners.

Anne-Marie Idrac brings to the Board and to the Ethics, CSR and Patronage Committee her valuable contribution, notably given her experience in leading large groups and her extensive expertise in the fields of the environment, housing, urban development and transport, which are also important for the Group's activities.

Terms of office

In accordance with the articles of association, these terms of office will be for a period of three years, expiring after the Ordinary General Meeting called in 2021 to approve the financial statements for the year ended 31 December 2020.

Composition of the Board of Directors after the Annual General Meeting

If you adopt the twelfth and thirteenth resolutions, the composition of the Board of Directors will remain unchanged after the Annual General Meeting.

The Board of Directors will still have 15 members, namely:

- Four directors from the SCDM group:
  - Martin Bouygues (Chairman and CEO)
  - Olivier Bouygues (Deputy CEO)
  - SCDM, represented by Edward Bouygues
  - SCDM Participations, represented by Cyril Bouygues
- Two directors representing employees:
  - Francis Castagné
  - Raphaëlle Deflesselle
- Two directors representing employee shareholders:
  - Sandra Nombret
  - Michèle Vilain
- Five independent directors:
  - Clara Gaymard
  - Anne-Marie Idrac
  - Helman le Pas de Sécheval
  - Colette Lewiner
  - Rose-Marie Van Lerberghe

- Two external, non-independent directors:
  - Patrick Kron
  - Alexandre de Rothschild

The proportion of independent directors (calculated excluding directors representing employees and employee shareholders) will be five out of eleven, representing 45.5%.

The proportion of women with seats on the Board (calculated excluding directors representing employees) will be six out of thirteen, representing 46.2%.

The average age (calculated at the date of the Annual General Meeting) will be 54.3.

Resolution 14 – Authorisation for the company to buy back its own shares

Object and purpose

Like each year, we propose to renew the authorisation given to the Board of Directors with a view to permitting the company to buy back its own shares as part of a share buyback programme.

This authorisation would cover the following objectives:

1. reduce share capital by cancelling shares under the conditions laid down by law, subject to authorisation by the Extraordinary General Meeting;

2. fulfil the obligations arising from debt securities, in particular securities that grant the right to the allotment of company shares via redemption, conversion, exchange, presentation of a warrant or otherwise;

3. grant or sell shares to employees or corporate officers of the company or related companies on the terms and conditions laid down by law, in particular as part of profit-sharing schemes, stock option plans, company savings schemes or Group savings schemes, or through allotment of free shares;

4. ensure the liquidity of and organise trading in the company's shares, through an investment services provider acting under the terms of a liquidity contract that complies with a code of conduct recognised by the AMF;

5. retain shares and, where applicable, deliver them subsequently by way of payment or exchange in an acquisition, merger, spin-off or asset-for-share exchange, in accordance with applicable regulations;

6. implement any market practice accepted by the AMF and generally carry out any other transaction in compliance with prevailing regulations.

The Board of Directors decided at its meeting of 21 February 2018 to restrict the objectives of the share buyback programme to points 1 and 4 above. The Board reserved the right to extend the programme to include other objectives. In which case the company would inform the market.

In 2017, the buybacks of Bouygues shares involved the purchase of around 0.73 million shares and the sale of around 0.70 million shares, through a service provider acting within the scope of a liquidity contract that complies with a code of conduct approved by the AMF.

Ceilings

The authorisation is granted within the following limits:

- 5% of the share capital;
- maximum repurchase price: €65 per share;
- maximum budget: €1,200 million.

In accordance with law, the transactions may be carried out at any time, including during the period of a public offer for the company's shares. It is important that the company should be able, where applicable, and even during a public offer, to buy back its own shares with a view to achieving the objectives of the buyback programme.

Duration of authorisation

Eighteen months.

EXTRAORDINARY GENERAL MEETING

In the fifteenth to sixteenth resolutions, we ask you to renew certain financial authorisations given to the Board of Directors that may have an impact on the amount of the share capital. The purpose of these resolutions is to enable the Board of Directors, under the conditions and within the limits set by the Annual General Meeting, to continue to benefit from the authorisations that allow it to finance the development of the company and to carry out the financial transactions that are appropriate for its strategy, without being obliged to convene specific extraordinary general meetings.

Resolution 15 – Option to reduce share capital by cancelling shares

Object and purpose

To authorise the Board of Directors, if it deems fit, to reduce the share capital, on one or more occasions, up to a limit of 10% of the share capital in any twenty-four month period, by cancelling some or all of the shares that the company holds or may hold as a result of using the various share buyback authorisations given by the Annual General Meeting to the Board of Directors, particularly under the fourteenth resolution submitted to this Annual General Meeting for approval.

Cancelling shares makes it possible, if the Board of Directors deems fit, to offset the dilution for shareholders resulting from the creation of new shares in connection, for example, with employee savings transactions and the exercise of stock options.

Ceiling

Option to cancel up to 10% of the share capital in any 24-month period.

Duration of authorisation

Eighteen months.

Resolution 16 – Delegation to issue equity warrants ("Breton" warrants) during the period of a public offer for the company's shares

Object and purpose

To delegate to the Board of Directors the power to issue, if it deems fit, equity warrants during a public offer for the company's shares, with the waiver of pre-emptive rights to ordinary shares in the company to which any warrants issued may give entitlement.

Equity warrants enabling shareholders to subscribe on preferential terms to the shares of the company shares may, where applicable, be allotted free of charge to all shareholders who hold shares in the company prior to the expiry of an unsolicited public offer period.

This mechanism is designed to encourage a potential bidder to either withdraw its offer or make an improved offer for the company. Because warrants dilute the capital, a bidder will respond either by seeking to withdraw its offer, or by negotiating with the Board of Directors with a view to reaching a consensus on a fair valuation of the company such that the warrants would lapse. Issuing share warrants during the period of a public offer is a measure designed to prevent, or at the very least hinder, an attempted public offer. In particular, the Board of Directors can use warrants as a bargaining counter to encourage a bidder to improve the terms of its offer, in the interests of the company's shareholders.

The powers thus granted to the Board of Directors are not unlimited, however. During the public offer period, the initiator and target company must ensure that their acts, decisions and statements do not compromise the best interest of the company or the fair treatment and access to information of the shareholders of the companies concerned. In addition, if the board of directors of the target company takes a decision whose implementation frustrates the offer, it must inform the AMF (Article 231-7 of the AMF General Regulation).

This resolution must be decided on the straightforward majority of the votes cast.

Ceilings

Capital increase: €91,500,000 in nominal value or 25% of the share capital.

The number of equity warrants shall not exceed one quarter of the existing number of shares.

Duration of delegation

Eighteen months.

Resolution 17 – Amendment to Article 22 of the articles of association in order to remove the requirement to appoint alternate auditors

Object and purpose

The wording of the second paragraph of Article 22 of the company's articles of association currently stipulates that the ordinary general meeting of shareholders shall appoint, for six financial years, two alternate auditors who shall replace the principal auditors in the event of a principal auditor's refusal or inability to act, resignation, or death.

This wording no longer complies with Article L. 823-1 of the Commercial Code, which was amended by Law No. 2016-1691 of 9 December 2016 to remove the obligation to appoint one or more alternate auditors if the principal auditor is a natural person or a company under sole ownership.

In practice, as Bouygues' principal auditors are always legal entities rather than companies under sole ownership, the appointment of an alternate auditors is no longer required. We propose to simplify Article 22 of the articles of association by deleting the second paragraph, which is now pointless.

Resolution 18 – Powers to carry out formalities

Object and purpose

To permit carrying out all legal or administrative formalities and make all filings and publications.

FINANCIAL AUTHORISATIONS SUBMITTED TO THE COMBINED ANNUAL GENERAL MEETING

The table below summarises the financial authorisations that we ask you to confer on the Board of Directors during the Combined Annual General Meeting of 26 April 2018.

In accordance with paragraph 3 of Article L. 225-37-4 of the Commercial Code, the table summarising the financial authorisations to increase the share capital conferred on the Board of Directors by the Annual General Meeting and currently in force, and the use made of such authorisations during 2017, are set out in the Report on corporate governance in chapter 5, section 5.3.8 of the Registration Document.

The authorisations mentioned in the table below replace any previous resolutions with the same purpose.

Purpose	Maximum nominal amount	Expiry/Duration
1. Purchase by the company of its own shares (Resolution 14)	5% of the share capital, maximum price of €65 per share, total outlay capped at €1.2 billion	26 October 2019 (18 months)
2. Reduce share capital by cancelling shares (Resolution 15)	10% of the share capital in any 24-month period	26 October 2019 (18 months)
3. Issue equity warrants during the period of a public offer (Resolution 16)	• Capital increase: €91.5 million and 25% of the share capital • The number of warrants is capped at one quarter of the number of existing shares	26 October 2019 (18 months)