# 2017 REGISTRATION DOCUMENT

BUSINESS ACTIVITIES AND CSR
FULL-YEAR FINANCIAL REPORT

BOUYGUES

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Elements included in the Full-year Financial Report are clearly identified in the contents by the FY FR pictogram.

BOUYGUES

# 2017 REGISTRATION DOCUMENT

## BUSINESS ACTIVITIES AND CSR – FULL-YEAR FINANCIAL REPORT

The Registration Document can be consulted and downloaded from the www.bouygues.com website

AUTORITÉ DES MARCHÉS FINANCIERS
AMF

This document is a free translation of the Registration Document filed with the Autorité des Marchés Financiers (AMF) on 21 March 2018, pursuant to Article 212-13 of the AMF General Regulation. It may be used in support of a financial transaction if supplemented by a stock exchange prospectus bearing an AMF visa. This document has been prepared by the issuer and its signatories may be held liable for it.

# INTERVIEW

## MARTIN BOUYGUES,
CHAIRMAN AND CEO

"Bouygues is very well positioned in high-growth potential sectors"

### HOW WOULD YOU ASSESS THE GROUP'S PERFORMANCE IN 2017?

In 2017, the Group **saw a sharp increase in its results and profitability and strengthened its positions on its markets.** All the business segments contributed to this performance by meeting or exceeding their targets. Sales were 4% higher than in 2016 and current operating profit was up 27%. The current operating margin rose 0.8 points to 4.3%, driven by good operating performances in all three of the Group's sectors of activity (Construction, Media and Telecoms). Net profit attributable to the Group increased year-on-year by 48% and the Group's cash flow more than doubled versus 2016 to €828 million, the same level as in 2013. So 2017 confirmed a return to long-term growth. Furthermore, net debt at the end of December 2017 was stable year-on-year at €1.9 billion. **With a very robust financial structure, the Group has all the means to ensure its development.**

### IN THIS CONTEXT, WHAT ABOUT THE DIVIDEND?

Thanks to these excellent results, the Group is able to offer its shareholders a **dividend increase of €0.10 per share** for 2017. The Board of Directors will therefore ask the Annual General Meeting on 26 April 2018 to approve a **dividend payment of €1.70 per share.**

### YOU HAVE BEEN AWARDED TOP EMPLOYERS 2018 CERTIFICATION. WHAT DOES THAT MEAN TO YOU?

It is a great satisfaction for me to see that our Group is the first in France to have been awarded the Top Employers 2018 label for its five business segments. Our people are central to the Bouygues group's transformation. Each year, the Top Employers Institute carries out a far-reaching international survey to identify the best employers. Six hundred HR practices are subjected to audit and critical analysis. So, certification recognises Bouygues' human resources policy, especially in talent and career management, training and pay. It is great news for our people and sends a strong message about the Group's appeal.

## HOW HAVE THE CONSTRUCTION BUSINESSES DONE?

The construction businesses posted excellent commercial performances both in France and on international markets, taking the backlog to a record level while remaining highly selective. In particular, they strengthened their position as major players on the sustainable neighbourhood market in France and Switzerland. On the smart city market, the Dijon smart-and-connected-city contract – the first in France – was a notable highlight. They also continued their strategy of expanding in countries where they have long-term operations, such as in Australia and in Canada, with the acquisition of the Miller McAsphalt group.

## WHAT ABOUT BOUYGUES TELECOM?

Thanks to the strategy rolled out since 2014, Bouygues Telecom had an excellent year and met or exceeded all the targets set in 2015.
The company had 14.4 million mobile customers at end-December 2017 and added 500,000 plan customers excluding MtoM over the year. Bouygues Telecom has added 1.7 million mobile customers excluding MtoM over a three-year period, considerably exceeding the target of 1 million new mobile customers excluding MtoM at end-2017 versus end-2014. 4G penetration within Bouygues Telecom's customer base continued, with 7.9 million users at end-December 2017, 1 million more than at end-December 2016.
Bouygues Telecom posted a very good commercial performance in the fixed market, adding 340,000 new customers in 2017 to give a total of 3.4 million customers at end-December 2017. The company therefore achieved its target of 1 million additional fixed customers by end-2017 versus end-2014. Recruitment accelerated in FTTH (Fibre-To-The-Home), giving Bouygues Telecom 265,000 FTTH customers at end-December 2017, more than double the number a year earlier.
The company also stepped up its roll-out of FTTH, with 20 million premises secured at end-December 2017, 11 million more than at end-2016, and 4 million premises marketed, two million more than at end-2016. Bouygues Telecom has confirmed its target of 12 million premises marketed at end-2019 and of 20 million by 2022.
The EBITDA margin rose 4.6 points year-on-year to 27.2%, exceeding the target that we set for 2017.

## WHAT WERE THE MAIN INITIATIVES AT TF1?

TF1 continued to roll out its multi-channel, multi-activity, multi-media strategy. It expanded its production activity on a European scale and its production subsidiary Newen took a majority stake in Tuvalu, the leading independent producer in the Netherlands. The company stepped up its growth in digital media and in January 2018 signed an agreement for the acquisition of **aufeminin,** a digital media group which combines a wide audience, powerful and engaged communities, and expertise in marketing and creating value out of advertising space.

## ALSTOM AND SIEMENS ANNOUNCED A MERGER PLAN IN SEPTEMBER 2017. WHAT IS YOUR POSITION?

Bouygues fully supports the transaction, which gives Alstom and Siemens the opportunity to become a world leader in transport. The two companies are a good match in terms of both their product portfolios and geographical footprint.
The Group will vote for the merger at the extraordinary meeting of Alstom's shareholders called to approve the transaction.

## WHAT IS THE OUTLOOK FOR 2018?

The Group expects the **gradual improvement of its profitability** to continue in 2018. Benefiting from an upbeat environment in France and on international markets, the construction businesses will continue to apply a selective approach and focus on margins rather than volumes. For the construction businesses, current operating profit[a] and the current operating margin[a] are expected to improve versus 2017. TF1 has confirmed its profitability targets, which include an improvement in the **current operating margin** (excluding major sporting events). Bouygues Telecom is experiencing profitable growth momentum and has a free cash flow target of €300 million for 2019. Sales of services are expected to grow by more than 3% in 2018 versus 2017, with a higher EBITDA/sales of services margin than in 2017 and gross capex of around €1.2 billion.
In a nutshell, the Group is very well positioned in high-growth potential sectors, which ensures a promising outlook for all our businesses.

(a) Excluding Nextdoor

# THE GROUP 1

# 1.1 PROFILE

## 1.1.1 Making progress become reality

Bouygues draws on a committed workforce of more than 115,000 and on its wide variety of business activities (construction, media, telecommunications) to provide innovative solutions that meet essential needs such as infrastructure, communication and information.

The Bouygues group's activities face a threefold challenge:

- **ecological,** due to climate change, shrinking biodiversity and the depletion of natural resources, which demand a change in business model;
- **demographic,** due to rapid urbanisation and the massive needs for infrastructure, mobility solutions and communication required to make cities more sustainable and desirable;
- **technological,** due to the digital transformation that is affecting all business activities, considerably simplifying interaction and, more generally, making life better every day.

To address this rapid and sweeping change within society, the Group can draw on its experience and its innovation capacity. The aim is to support new uses based on the following guiding principles:

- **Renovation to improve existing housing.** In Europe, nearly 190 million homes require thermal renovation. In response to this need, the Group has expertise in energy efficiency and renovating buildings while they continue to be in operation;
- **Better buildings to reduce waste.** Bouygues is taking part in developments that aim to include eco-responsible materials that can be recycled more easily. The Group has also shown that it is possible to reuse secondary raw materials from demolished buildings to build new ones;
- **Improve the energy self-sufficiency of towns and cities.** Bouygues is able to provide infrastructures that produce their own power and thus help to provide **greater energy self-sufficiency** for urban developments or entire districts via the use of smart grids;

In this context of rapid urbanisation, Bouygues is involved in the design of sustainable neighbourhoods within consortiums that include a range of urban players (businesses, start-ups, academic institutions, non-profit organisations, etc.).

- **New services that are useful to everyone.** In order to optimise urban services, logistics flows, safety and infrastructure, the Bouygues group supports its customers by leveraging low-speed communications technologies. It also actively promotes electro-mobility (cars, etc.) by offering them turnkey, interoperable electric charge point solutions.

Bouygues aims to be at the hub of its customers' digital lives via Bouygues Telecom's 4G and fibre networks. Via TF1, it offers a wide range of entertainment and information content for the benefit of society as a whole.

Always keen to listen to its customers, the Group uses digital technology to reinvent its products, services and processes. It anticipates the ground-breaking innovations of tomorrow by working hand-in-hand with a diversified network of start-ups.

### THE GROUP'S STRENGTHS

**A strong culture**

- A management approach based on trust
- Over 115,000 employees motivated by an appetite for excellence and challenge, passion for their work, self-respect and respect for others, and creativity for the benefit of all

**Innovative solutions to essential needs**

- Housing, infrastructure (buildings, transport), energy management, digital media and communication
- Innovation to improve the quality of everyday life

**An international group present in nearly 90 countries**

- A dense nationwide network in France
- A strong international presence with the capacity to deploy teams on major projects

**Companies acknowledged for their skills and expertise**

- Bouygues Construction, Bouygues Immobilier, Colas, TF1, Bouygues Telecom

**A robust financial structure**

### KEY DATES IN THE GROUP'S HISTORY

In **1952,** Francis Bouygues established Entreprise Francis Bouygues (EFB), a building firm. The company diversified into property development in **1956** by creating Stim, which later became Bouygues Immobilier. In **1986,** Bouygues became the world's largest construction firm following the acquisition of Screg, the leading roadworks contractor. In **1987,** Bouygues diversified again by becoming the largest shareholder of TF1, France's leading mainstream TV channel. In **1994,** Bouygues was awarded a licence to operate France's third mobile phone network, resulting in the creation of Bouygues Telecom in **1996.** In **2006,** the Group acquired the French government's stake in Alstom and became its leading shareholder.

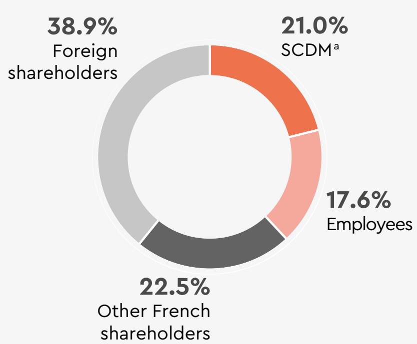
## OWNERSHIP STRUCTURE

at 31 December 2017

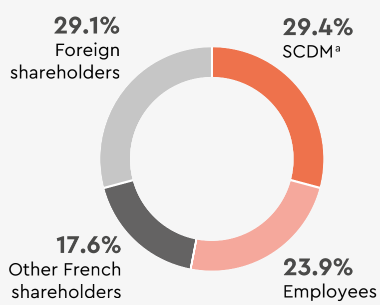
### Employee share ownership: a Group strength

Employees own 17.6% of Bouygues' capital, making it the CAC 40 company with the highest level of employee share ownership. The Group has launched a number of share ownership plans for employees, in France and in other countries, to which around 53,000 have subscribed. The most recent example, in late 2017, was a €150-million capital increase reserved for employees.

**Main shareholders**
366,125,285 shares




**Voting rights**
489,672,012 voting rights




(a) SCDM is a company controlled by Martin and Olivier Bouygues

## KEY FIGURES

at 31 December 2017

—

**Headcount**
**115,530**

—

**3** sectors of activity

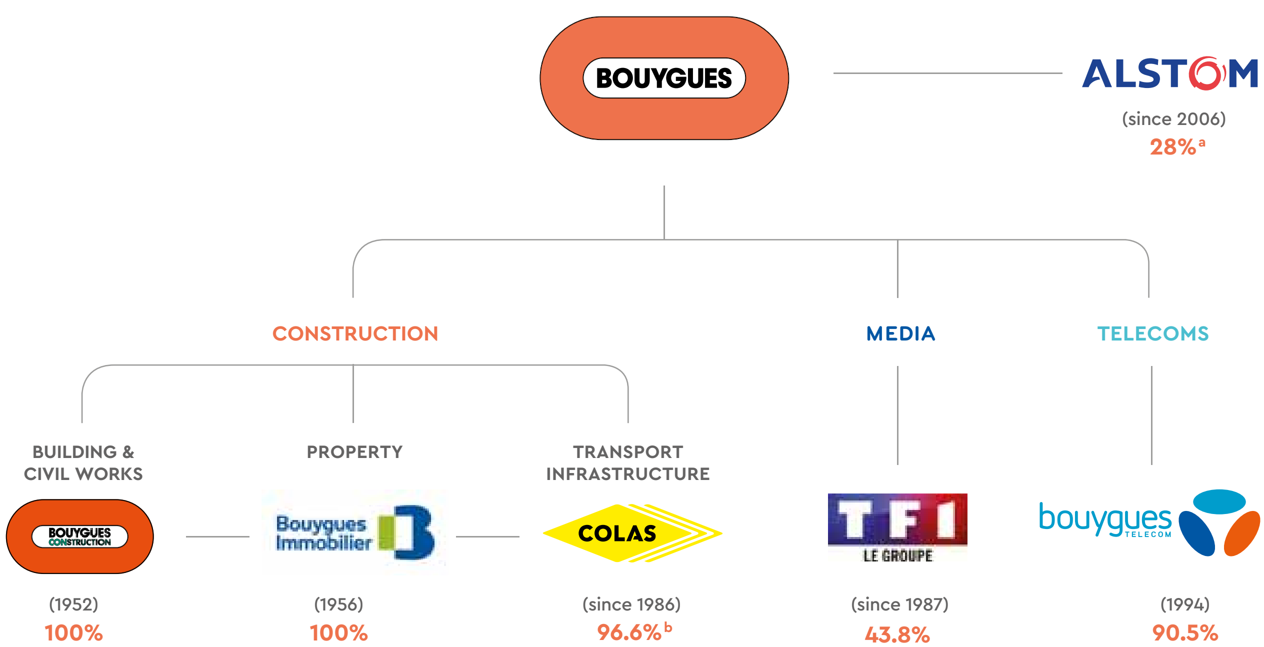
**Construction businesses**
**Media**
**Telecoms**

—

**Operations**
In nearly
**90** COUNTRIES

### Simplified organisation chart of the Bouygues group

at 31 December 2017




(a) 28.8% of the voting rights
(b) 97.9% of the voting rights

## 1.1.2 Organisation and governance

### 1.1.2.1 The Board of Directors at 31 December 2017

**Chairman and CEO**

**Martin Bouygues**

**Deputy CEO**

**Olivier Bouygues**

**Directors**





LEFT TO RIGHT: **Cyril Bouygues,** standing representative of SCDM Participations – **Edward Bouygues,** standing representative of SCDM – **Francis Castagné,** director representing employees – **Raphaëlle Deflesselle,** director representing employees – **Clara Gaymard [a],** Co-founder of Raise




LEFT TO RIGHT: **Anne-Marie Idrac [a],** Chair of the supervisory board of Toulouse-Blagnac Airport – **Patrick Kron,** Chairman of Truffle Capital – **Helman le Pas de Sécheval [a],** General Counsel of the Veolia group – **Colette Lewiner [a],** Advisor to the Chairman of Capgemini

The Board of Directors refers to the recommendations of the Afep-Medef Corporate Governance Code. It draws on the work of three committees.

## BOARD COMMITTEES

**Accounts Committee**
Helman le Pas de Sécheval[a] (Chairman)
Clara Gaymard[a]
Anne-Marie Idrac[a]
Michèle Vilain[b]

**Selection and Remuneration Committee**
Colette Lewiner[a] (Chairwoman)
Francis Castagné[c]
Helman le Pas de Sécheval[a]

**Ethics, CSR and Patronage Committee**
Anne-Marie Idrac[a] (Chairwoman)
Raphaëlle Deflesselle[c]
Sandra Nombret[b]
Rose-Marie Van Lerberghe[a]

## KEY FIGURES

At 31 December 2017

—
**Women directors[d]**
**46.2%**

—
**Women on committees**
**72.7%**

—
**Independent directors[e]**
**45.5%**

—
**Average age**
**54**

—
**Attendance rate at Board meetings**
**96%**


**Sandra Nombret,** director representing employee shareholders
**Alexandre de Rothschild,** Deputy CEO of Rothschild & Co


**Rose-Marie Van Lerberghe[a],** Vice-Chairwoman of Klépierre
**Michèle Vilain,** director representing employee shareholders

(a) Independent director
(b) Director representing employee shareholders
(c) Director representing employees
(d) Excluding directors representing employees
(e) Excluding directors representing employees or representing employee shareholders

## 1.1.2.2 Senior management team at 31 December 2017

### Parent company

**Martin Bouygues**
Chairman and CEO

**Olivier Bouygues**
Deputy CEO

**Philippe Marien**
Deputy CEO

**Olivier Roussat**
Deputy CEO

**Jean-François Guillemin**
General Counsel

### Heads of the five business segments

LEFT TO RIGHT: **Philippe Bonnave,** Chairman and CEO of Bouygues Construction – **François Bertière,** Chairman of Bouygues Immobilier – **Hervé Le Bouc,** Chairman and CEO of Colas – **Gilles Pélisson,** Chairman and CEO of TF1 – **Olivier Roussat,** Chairman and CEO of Bouygues Telecom

1

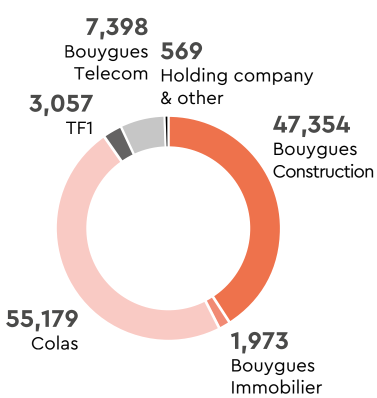
## 1.1.3 The Group's workforce

Bouygues is a diversified group that draws on a wide diversity of skills and expertise. It relies on men and women who share the values enshrined in the Group's Human Resources Charter: respect, trust and fairness.

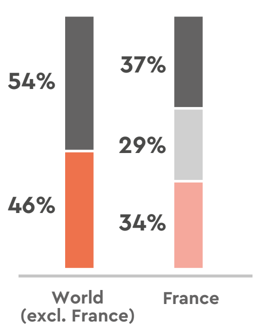
Bouygues' values are presented and elaborated on in the Group's Code of Ethics and in its Human Resources Charter. The Bouygues group's corporate social responsibility policy and initiatives are described in chapter 3 "Human resources, environmental and social information" of this document.

### Headcount at 31 December 2017

#### Headcount by business segment

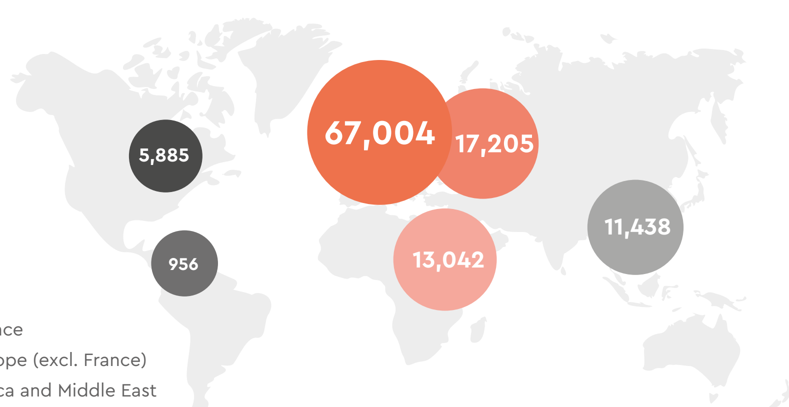



#### Job categories




- Site workers
- Staff
- Clerical, technical & supervisory
- Managerial

#### Group headcount by region




- France
- Europe (excl. France)
- Africa and Middle East
- North America
- Central and South America
- Asia – Pacific

## HEADCOUNT

—

**Employees worldwide**

**115,530**

—

**Employees in France**

**67,004**

**(58% of the headcount)**

—

**Average age (France)**

**41**

—

**Average seniority (France)**

**12.2 years**

—

**Permanent contracts (France)**

**95.4%**

**of employees**

### RECRUITMENT IN 2017

**Worldwide**

**30,641**

**In France**

**10,043**

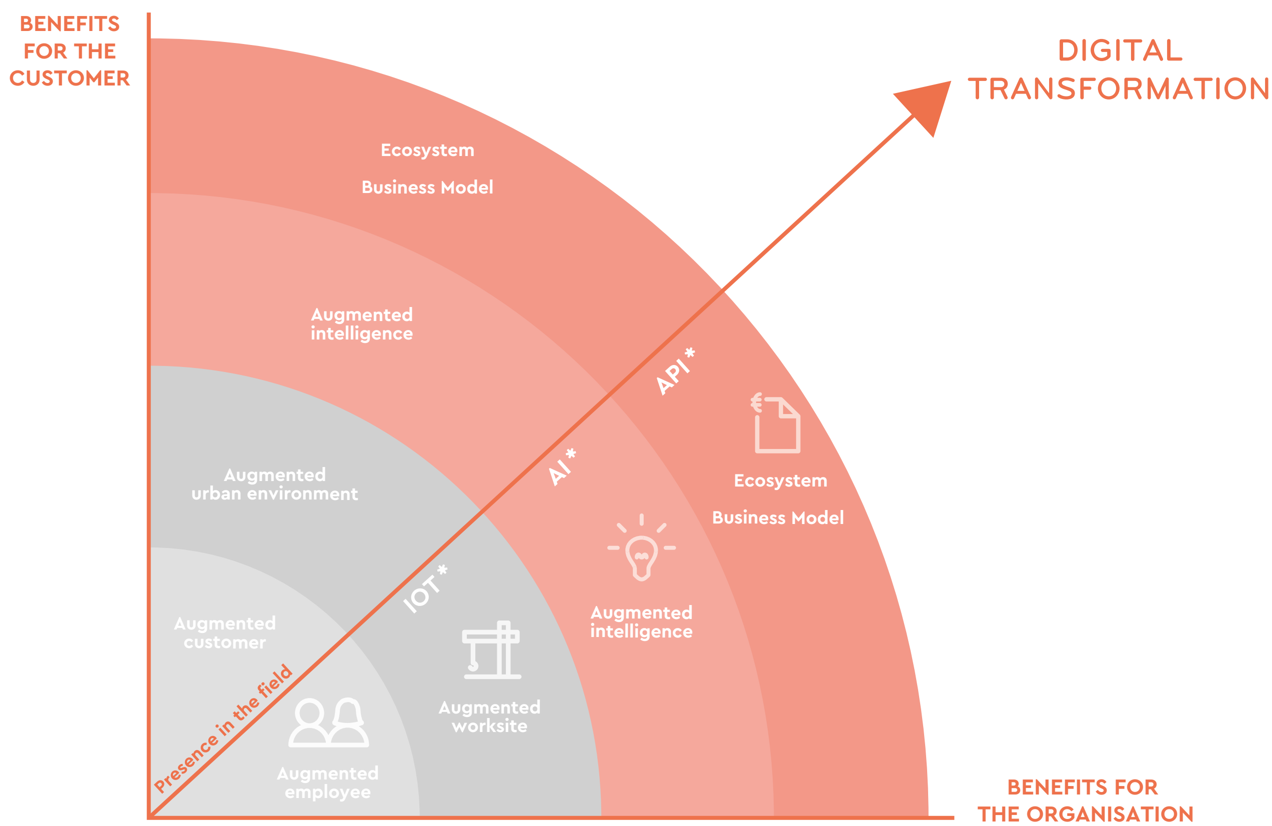
## 1.1.4 Bouygues and innovation

Innovation is central to Bouygues' strategy. It is essential in order to create more services for customers and more value added, and to improve competitiveness, whatever the project.

Before, during and after projects, Group companies innovate with their partners throughout the value chain in order to offer their stakeholders enduring solutions in both social and technological terms. They aim to imagine future uses, improve the performance of materials and equipment, guarantee safety and reduce the environmental impacts of their activities.

The Group operates in sectorally and geographically diverse markets which offer many opportunities for growth. Always keen to observe and anticipate the major issues facing our society, the Group has identified digital transformation as a major source of opportunities.

### 1.1.4.1 e-lab's spheres of action




(*) API (Application programming interface): a set of functions and procedures that allow the creation of applications which access the features or data of an operating system, application, or other service – AI: Artificial intelligence – IOT: Internet of Things

### 1.1.4.2 Serving the Group's employees and customers

The rapid spread of process-monitoring sensors in business and industry and the proliferation of connected objects in people's everyday lives – in the home, in sport and in healthcare, for example – show that the Internet of Things is permeating the whole of society.

Strongly motivated by this finding, Bouygues initiated thinking about the subject within the **Ideas Laboratory**®. An open lab unique in the French ecosystem, hosted by the CEA[a] in Grenoble, Bouygues has been a partner since its creation in 2001. Both a place and mindset, it is backed by a variety of players with the aim of renewing approaches to innovation and creation by implementing collaborative, iterative and open processes that generate physical or virtual outcomes.

In one of the lab's projects, digitisation is used to improve site workers' safety and the quality of work, and to increase efficiency. In doing so Bouygues is taking a first step towards an **Industry 4.0** ecosystem and smart worksites that are more adaptable and can allocate resources more efficiently.

(a) The French Alternative Energies and Atomic Energy Commission

**Virtual reality** can be used to simulate high-risk situations in almost-real conditions but without danger. As well as being made more risk-aware, Bouygues Construction site workers will be trained using realistic practical cases to help them better anticipate and react to dangerous or risky situations. Elsewhere in the Group, Bouygues Immobilier's customers can use virtual reality to help them visualise their future home, while TF1 viewers with a virtual reality headset can use the MyTF1 VR app to follow certain TV shows as an immersive experience.

### 1.1.4.3 From the augmented worksite to the augmented urban environment

The **Internet of Things (IoT)** is now an integral part of people's lives, especially on Bouygues worksites. Objenious, a Bouygues Telecom subsidiary specialising in IoT using the LoRa network, is accelerating the many innovative developments being rolled out on worksites. Most of these business apps have their origins in open innovation initiatives with start-ups.

For customers, whole urban environments are also becoming augmented.

- **BUILDINGS: Flexom,** a hi-tech, wireless and battery-less home automation solution developed by Bouygues Immobilier, aims to make homes safer, more comfortable and more energy-efficient. With **Wizom,** Bouygues Construction has become the first player to offer a comprehensive connected homes solution on the residential market;
- **ROADS:** with **Flowell,** developed by Colas in autumn 2017, roads have become one of the first elements of the augmented urban environment. Tried out for the first time in western France in December, Flowell is a smart road solution based on remote-controlled dynamic light-emitting road markings. For example, pedestrian crossings light up when people use them, road lanes open or close according to the amount of traffic, a delivery space turns into a parking space at night, or temporary drop-off spaces can be created around schools;
- **NEIGHBOURHOODS: Citybox** makes street lighting smart and turns lamp posts into innovative service delivery points. Municipalities and local authorities need to be able to control their spending on street lighting and other facilities while offering new digital services. In 2017, the Dijon metropolitan authority awarded a consortium led by Bouygues Energies & Services a contract to install and manage a centralised, connected control station for public facilities (and the related services) across the 24 municipalities that make up the metropolitan area. This smart city project covers a catchment area with 250,000 inhabitants.

### 1.1.4.4 Augmented intelligence

Various trials with **3D printing for construction** are being pursued, involving the manufacture of concrete parts and even, in the most advanced cases, whole sections of wall. The many advantages include saving time and materials and reducing environmental impacts. Two trials were carried out in 2017:

- at the second edition of the Viva Technology exhibition from 15 to 17 June in Paris, visitors could watch the construction of a small, complex-shaped dwelling by a giant printer laying down successive layers of concrete;
- the second, carried out jointly with Nantes University, involved the construction of a habitable 95-m² house.

These new technologies will not only help to optimise and better manage resources but also make everyday life easier for the residents of a neighbourhood while forging bonds between them. Through the circular economy, sharing, pooling and collaboration, the urban environment of the future will indeed be smart, for the benefit of both people and the planet. What solutions will make urban environments smarter and more resilient? To answer this question, Bouygues launched a challenge for **civic tech** start-ups, focusing on new ways of consulting communities and getting people involved.

With IBM Watson, Bouygues Telecom is developing customer support chatbots. They are the first steps in the implementation of **artificial intelligence** to make relations with customers even more tailored and effective. In terms of service quality, the aim is also to move from predictive to prescriptive analytics.

### 1.1.4.5 Ecosystem and new business models

The Bouygues group's business segments are uniquely well-placed to foster collective thinking about how to create new interfaces between infrastructure of all kinds, from public and private buildings and roads to shopping centres and utilities, for the benefit of all urban stakeholders.

Bouygues has launched an initiative entitled **"Innovate like a start-up",** which each year brings together a "tribe" of 50 Group employees from its five business segments to consider issues related to the city of the future. Working in **nimble mode,** the tribe devise new business models designed to be subsequently rolled out on a large scale.

For the **city of the future,** Bouygues is involved in new societal initiatives that go far beyond mere dialogue with local residents. For the "Les Fabriques eco-neighbourhood" project in Marseille, the Group is preparing for what the area will be like in ten years' time in terms of transport, services, renewable energies and connectivity. The main is to create an eco-neighbourhood that meets the standards of the future so that it is attractive to all the different types of resident. The key idea is to take what is there already and improve it.

Likewise, innovative urban services are being tried out at the Eureka Confluence project in Lyon's Confluence neighbourhood, based on three themes:

- the efficient and resilient city;
- the city as an experience, and
- the healthy city.

## 1.1.5 Bouygues group: main sites

| Bouygues group: main sites | Location | Surface area | Environmental certification | Group-owned |
|---|---|---|---|---|
| **Bouygues SA** | 32 avenue Hoche<br>75008 Paris<br>France | 7,600 m² | HQE™ | Yes |
| **Bouygues Construction** | Challenger<br>1 avenue Eugène Freyssinet<br>78280 Guyancourt<br>France | 67,000 m² | • HQE™ Exceptional<br>• LEED® Platinum<br>• BREEAM® Outstanding<br>• BBC-effinergie®<br>• BiodiverCity™ | Yes |
| **Bouygues Immobilier** | 3 boulevard Gallieni<br>92130 Issy-les-Moulineaux, France | 6,250 m² | HQE™ | No |
| **Colas** | Échangeur (South Wing)<br>7 place René Clair<br>92100 Boulogne-Billancourt, France | 4,735 m² | | No |
| | (North Wing)<br>40 rue Fanfan la Tulipe<br>92100 Boulogne-Billancourt, France | 3,400 m² | | No |
| **TF1** | Tour<br>1 quai du Point du jour<br>92100 Boulogne-Billancourt, France | 35,167 m² | | Yes |
| | Atrium<br>6 place Abel Gance<br>92100 Boulogne-Billancourt, France | 20,220 m² | | No |
| **Bouygues Telecom** | Head office<br>37-39 rue Boissière<br>75116 Paris<br>France | 325 m² | | No |
| | Technopôle<br>13-15 avenue du Maréchal Juin<br>92360 Meudon<br>France | 54,243 m² | • HQE™<br>• Iso 50001 | No |

BBC-effinergie®: A French low-energy certification label
BiodiverCity™: The first international label that indicates biodiversity has been factored into property development construction and renovation projects
BREEAM®: Building Research Establishment Environmental Assessment Method (UK certification)
HQE™: High Environmental Quality (French certification)
LEED®: Leadership in Energy and Environmental Design (US certification)

# 1.2 BOUYGUES AND ITS SHAREHOLDERS

Listed on the Paris stock exchange since 1970, Bouygues is one of the market's flagship stocks, as demonstrated by its almost uninterrupted inclusion in the CAC 40 index.



## 1.2.1 Shareholder contacts

### Shareholders and investors

**Karine Adam Gruson**

Investor Relations Director

- Tel.: + 33 (0)1 44 20 10 79
- E-mail: investors@bouygues.com

### Registered share service

**Gaëlle Pinçon – Romain Lartigue**

- Tel.: +33 (0)1 44 20 10 61/10 36
- Toll free: 0 805 120 007 (from fixed lines in France)
- E-mail: servicetitres.actionnaires@bouygues.com

## 1.2.2 Registered share service

Bouygues offers a free, unintermediated account-keeping service to holders of fully registered shares.

Fully registered shareholders are also guaranteed to receive regular information from Bouygues, and are automatically sent notices of shareholders' meetings.

All holders of registered shares enjoy double voting rights once their shares have been held in this form for more than two years. Shareholders wishing to hold their shares as registered shares should contact their financial intermediary.

In 2017, the Registered share service launched Olis-Actionnaires, a web site dedicated to shareholders allowing them to manage their accounts on-line and log on to VotAccess. Shareholders can use VotAccess to vote on-line for annual general meetings and to consult convening notice documentation.

Bearer shareholders can also vote using VotAccess if the financial intermediary managing their share account has joined the VotAccess platform.

## 1.2.3 Investor relations

### 2017 Key figures

- Four results releases: Bouygues senior management presents the Group's full-year and half-year results at face-to-face meetings, and first-quarter and third-quarter results via conference calls.
- Nearly 700 investors met with management or the Investor Relations team.
- 19 roadshows were held in seven countries.
- The Group attended 13 conferences on sector-specific and more broad-based themes.
- A presentation for bond investors in Paris.
- An investor lunch meeting with Martin Bouygues in Paris.
- A Governance roadshow in Paris.
- A meeting dedicated exclusively to individual shareholders was held in Grenoble.
- 21 brokers in France and around the world cover the Bouygues share.

## 1.2.4 The bouygues.com website

The bouygues.com website is an essential tool for communicating with shareholders, analysts and investors. The very comprehensive information available includes:

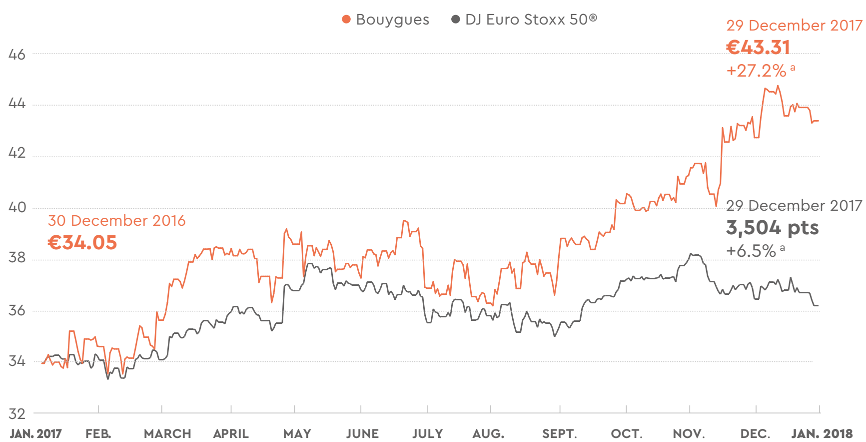
- published financial documents: press releases, full financial statements, results presentations, archive recordings of past presentations, etc.;
- regulated information, including all the registration documents since 2006;
- At a Glance (a brochure distributed to coincide with the presentation of annual results) since 2002;
- a historical data file showing key figures for the Bouygues group over the past 10 years;
- the analysts' consensus compiled by Bouygues;
- a special section for shareholders: documents relating to the Annual General Meeting, FAQ, etc.;
- detailed information about the Bouygues group's activities, key performance indicators, senior management, etc.;
- an interactive intraday Bouygues share price tracker.

In 2017, for the first time, Bouygues won the "Grand Prix de la Transparence" in the "oil, gas, materials and construction" sector, awarded by Labrador for the quality of its 2016 regulated information, of which the 2016 Registration Document.

## 1.2.5 The Bouygues share

### Share performance since the end of 2016

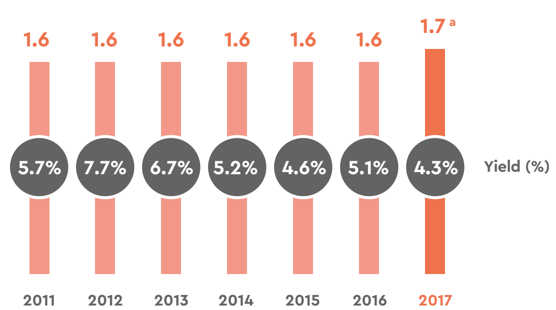
SHARE PRICE AFTER MARKET CLOSE
(€)




(a) versus 31 December 2016

### Dividend and dividend yield

DIVIDEND PER SHARE
(€)




(a) To be proposed at the AGM on 26 April 2018
Payment of dividend on 4 May 2018

**Yield:**

- **2007 to 2016:** dividend per share relative to average share price between two successive ex-dates;
- **From 2017:** Ratio of dividend per share to the average price, over a rolling 12-month period, at 7 February 2018.

## THE BOUYGUES SHARE

FACTSHEET

**LISTING**
Euronext Paris (compartment A)

**ISIN CODE**
FR0000120503

**IDENTIFICATION CODES**
Bloomberg: EN:FP
Reuters: BOUY.PA

**PAR VALUE**
€1

**AVERAGE SHARE PRICE IN 2017**
€38.43
(average closing price – Source: NYSE Euronext)

**AVERAGE DAILY TRADING VOLUME ON EURONEXT**
0.8 million shares
(source: NYSE Euronext)

**MARKET CAPITALISATION**
€15,856 million
(at 31 December 2017)

**STOCK MARKET INDICES**
CAC 40, FTSE Eurofirst 300, Dow Jones Stoxx 600, Euronext 100

**SRI INDICES**
incl. STOXX Global ESG Leaders, Euronext Vigeo Eurozone 120, FTSE4Good

**SECTOR CLASSIFICATION**
MSCI/S&P indices: Construction and Engineering
FTSE and Dow Jones indices: Construction & Materials

**OTHER**
Eligible for deferred settlement service (SRD) and French equity savings plans (PEAs)

## 2018 KEY DATES

| THURSDAY 26 APRIL | FRIDAY 4 MAY | THURSDAY 17 MAY | THURSDAY 30 AUGUST | THURSDAY 15 NOVEMBER |
|---|---|---|---|---|
| Bouygues Annual General Meeting at Challenger (Saint-Quentin-en-Yvelines, France) | Dividend payment | First-quarter 2018 results | First-half 2018 results | Nine-month 2018 results |

# 1.3 2017 FINANCIAL YEAR

## 1.3.1 Key figures



2017 was marked by a sharp increase in Group results and profitability.

### Financial highlights

| € million | 2017 | 2016 | 2017/2016 |
|---|---|---|---|
| Sales | 32,904 | 31,768 | +4% [a] |
| EBITDA | 2,968 | 2,757 | +8% |
| Current operating profit | 1,420 | 1,121 | +27% |
| Operating profit [b] | 1,533 | 947 | +62% |
| Net profit attributable to the Group | 1,085 | 732 [c] | +48% |
| Net profit attributable to the Group excluding exceptional items [d] | 936 | 632 | +48% |
| Earnings per share (€) | 3.03 | 2.11 | +44% |
| Cash flow | 2,884 | 2,504 | +€380m |
| Net capital expenditure | 1,527 | 1,638 | -€111m |
| Free cash flow | 828 | 395 | +€433m |
| Shareholders' equity (end of period) | 10,210 | 9,420 | +€790m |
| Net debt (-)/Net surplus cash (+) (end of period) | (1,914) | (1,866) | -€48m |
| Gearing ratio (net debt/shareholders' equity) | 19% | 20% | -1 pt |
| Net dividend per share (€) | 1.70 [e] | 1.60 | +0.10 |
| Headcount | 115,530 | 117,997 | -2,467 |

(a) Up 4% like-for-like and at constant exchange rates

(b) In 2016, including non-current charges of €84m at TF1, €62m at Colas, €23m at Bouygues Construction, €13m at Bouygues Immobilier and non-current income of €20m at Bouygues Telecom (of which non-current charges of €84m related to the roll-out of network sharing and non-current income of €104m related to the capital gain on the sale of towers). In 2017, including non-current charges of €23m at TF1, €5m at Colas and non-current income of €141m at Bouygues Telecom (of which mainly non-current charges of €79m essentially related to network sharing and non-current income of €223m related to the capital gain on the sale of sites)

(c) Including a net capital gain of €189m on the sale of stakes in the motorway concession companies Adelac (A41 motorway) and Atlandes (A63 motorway)

(d) See details on page 19 of this document

(e) To be proposed at the Annual General Meeting on 26 April 2018

## Sales

Sales generated by the **Bouygues group** were €32.9 billion in 2017, 4% higher than in 2016.

The **construction businesses** reported 2017 full-year sales (net of internal transactions) of €25.8 billion, up 3% on 2016. On a like-for-like basis and at constant exchange rates, sales rose by 4%.

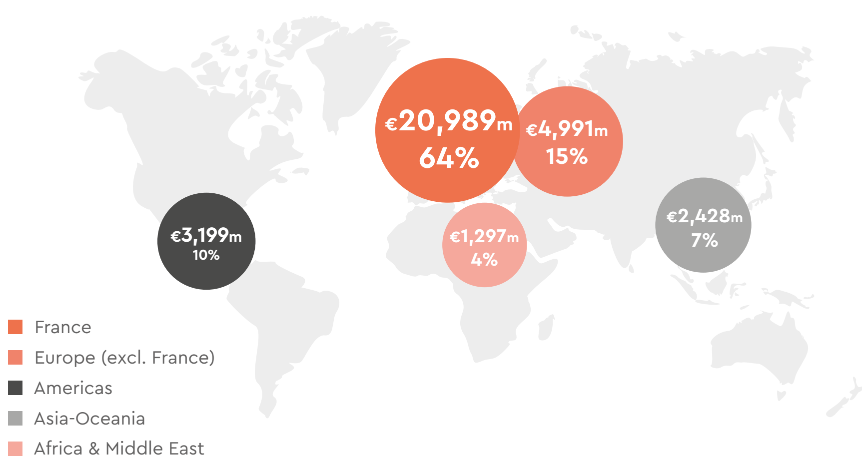
**Bouygues Construction** reported sales of €11,660 million, down 1% on 2016, but stable on a like-for-like basis and at constant exchange rates. Sales at **Bouygues Immobilier** were €2,712 million, up 6% year-on-year, due largely to an increase in residential property reservations since 2015. **Colas** generated sales of €11,705 million, up 6% on 2016 (and up 7% on a like-for-like basis and at constant exchange rates), mainly reflecting an upturn in the French roads market and the launch of road and motorway projects in central Europe.

Sales at **TF1** reached €2,125 million, 3% higher than in 2016, driven by growth in advertising sales (up 2% year-on-year) and sales from other activities (+6%).

**Bouygues Telecom** reported net sales of €5,086 million, up 7% year-on-year. Sales from network rose by 5% to €4,272 million (or by 6% excluding incoming traffic), boosted by an increase in the subscriber base and the full impact of the price increases introduced at the end of May 2017 on premium mobile and all fixed offers.

### Sales by region

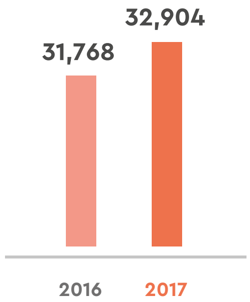
**€32,904m**



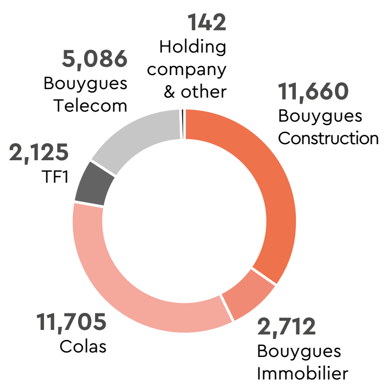

### SALES

€ million

**€32.9bn (+4%)**




#### By business segment[a]




(a) Impact of intragroup eliminations: -€526 million.

## Current operating profit

The Bouygues group posted current operating profit of €1,420 million in 2017, 27% more than in 2016.

Current operating profit for the **construction businesses** was €948 million, up €69 million year-on-year. Current operating margin increased by 0.2 of a point versus 2016 to 3.7% (3.6% excluding Nextdoor[a]. Both Bouygues Immobilier and Bouygues Construction substantially improved their current operating margin in 2017, to 7.2% excluding Nextdoor (up 70 basis points year-on-year) and 3.1% (up 30 basis points year-on-year) respectively.

At Colas, a 26% rise in current operating profit in the fourth quarter versus Q4 2016 partly offset a year-on-year slowdown in the first nine months of 2017, which was the result of the late start of operations in North America, caused by adverse weather conditions especially in Canada, and of the difficulties in the rail activity. However, current operating profit in 2017 remained below the 2016 level.

**TF1** posted current operating profit of €185 million, an increase of €56 million versus 2016. Current operating margin was 8.7%, a marked year-on-year improvement of 2.4 points. This performance reflects the effects of the strategy implemented from the autumn of 2016, recurring cost savings, and the absence of major sporting events during the period.

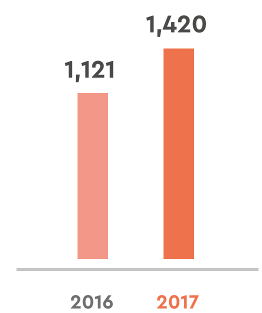
**Bouygues Telecom** reported EBITDA of €1,162 million in 2017, a year-on-year increase of €246 million. EBITDA margin was 4.6 points higher year-on-year at 27.2%, ahead of the 25% target that was raised to 26%-27% at the nine-month 2017 results release.

Overall, **Group operating profit** rose by 62% in 2017 to €1,533 million, and includes €113 million of non-current income (versus non-current charges of €174 million in 2016).

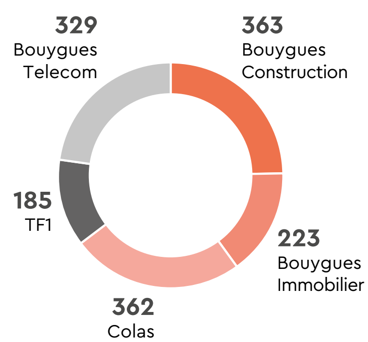
### CURRENT OPERATING PROFIT

€ million

**€1,420m (+27%)**




**By business segment[a]**




(a) "Holding company & other" reported a current operating loss of €42 million.

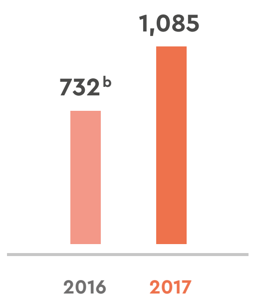
## Net profit attributable to the Group

€ million

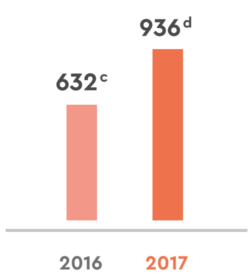
**€1,085m (+48%)**

**Net profit attributable to the Group** was €1,085 million in 2017, versus €732 million in 2016, an increase of 48%. After stripping out exceptional items, net profit attributable to the Group for 2017 was €936 million, also 48% higher than in 2016.

### Net profit attributable to the Group




### Net profit attributable to the Group excluding exceptional items



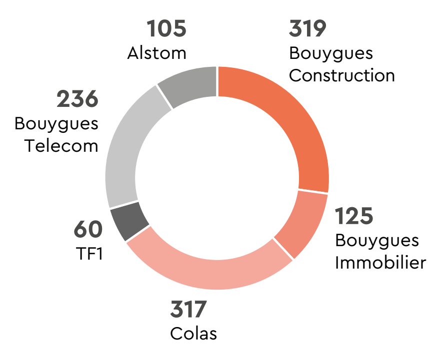

(a) Excluding the €28 million capital gain in 2017 on the sale of Nextdoor and the remeasurement of the residual interest

(b) Including a capital gain of €189m on the sale of stakes in the motorway concession companies Adelac (A41 motorway) and Atlandes (A63 motorway)

(c) After stripping out the non-current income and charges (net of taxes) recorded by each business segment, and the capital gains on the disposals of the stakes held by Bouygues Construction and Colas

(d) After stripping out the non-current income and charges (net of taxes) recorded by each business segment and the reimbursement of the 3% tax on dividends

### Contribution to net profit attributable to the Group by business segment[a]

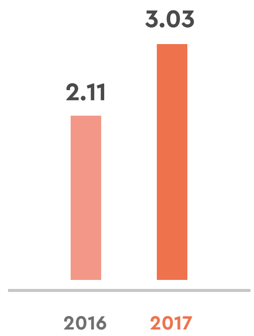



(a) "Holding company & other" reported a net loss of €77 million.

## Earnings per share[a]

€ per share

**€3.03** (+44%)




(a) Basic earnings per share from continuing operations

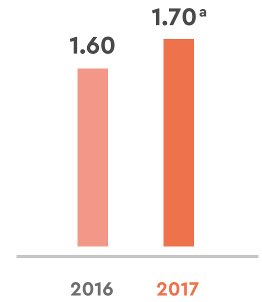
## Dividend per share

€

**€1.70**[a] (+€0.10)

As a result of these good results, the Group is able to offer its shareholders a dividend increase of €0.10 per share for the 2017 financial year. The Board of Directors will therefore ask the Annual General Meeting of 26 April 2018 to approve a dividend payment of €1.70 per share.

Based on the average share market price over a rolling 12-month period on 7 February 2018, the dividend yield is 4.3%.



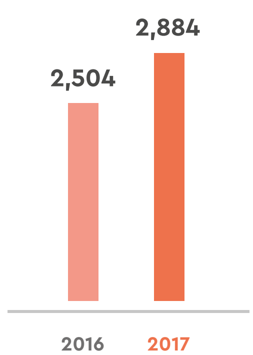

(a) To be proposed at the AGM on 26 April 2018

## Cash flow

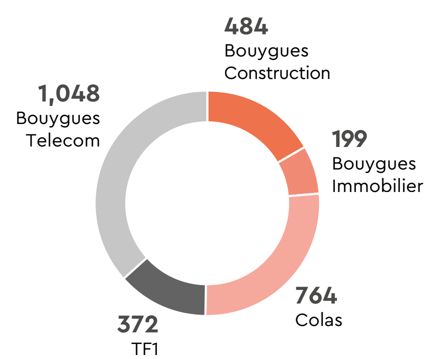
€ million

**€2,884m** (+15%)

Cash flow was €380 million higher year-on-year, reflecting the good operating performances across all three of the Group's activities.




### Contribution by business segment[a]

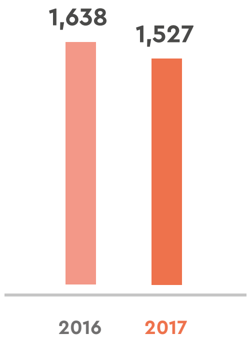



(a) "Holding company & other" reported cash flow of €17 million.

## Net capital expenditure

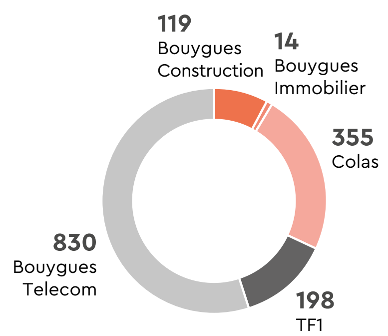
€ million

**€1,527m (-7%)**




Net capital expenditure fell by €111 million year-on-year. This is mainly due to the construction businesses, where net capital expenditure decreased in line with the pattern of project starts, which is not linear over time, and divestments of non-core assets by Colas.

### Contribution by business segment [a]

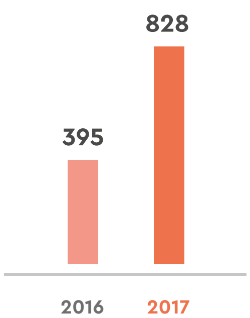



(a) Net capital expenditure for "Holding company & other" was €11 million

## Free cash flow

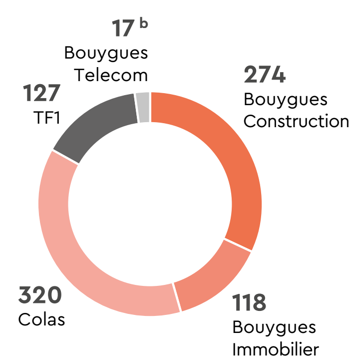
€ million

**€828m (+110%)**




At €828 million, the Group's free cash flow was more than double the 2016 figure, and was back at levels last seen in 2013.

### Contribution by business segment [a]




(a) "Holding company & other" reported a free cash outflow of €28 million
(b) Stripping out exceptional income tax of €33m, Bouygues Telecom's free cash flow is €50m

## Net debt (-)/Net surplus cash (+)

€ million

**(€1,914m)** (-€48m)


Net debt stood at €1,914 million at 31 December 2017, versus €1,866 million a year earlier. It does not include the acquisition of the Miller McAsphalt[a] group by Colas and the ongoing acquisition[a] of aufeminin by TF1.

Operating activities generated a net cash inflow of €333 million in 2017, thanks to improved Group profitability.

The dividend payout in 2017 was €606 million.

On 27 June 2017, Standard & Poor's raised its credit rating from BBB to BBB+, with positive outlook maintained. On 7 July 2017, Moody's upgraded its outlook from Baa1 stable to positive.

The Group has excellent liquidity (€10.7 billion at 31 December 2017, comprising €4.6 billion of cash and cash equivalents and €6.1 billion of undrawn credit facilities), and a very well-spread debt maturity schedule.

(a) See also section 1.4 "Main events since 1 January 2018" on pages 26–27 of this document

## Outlook

The Group expects to continue to **gradually improve its profitability** in 2018:

- Benefiting from an upbeat environment in France and on international markets, the **construction businesses** will continue to be selective and focus on profitability rather than volumes. The current operating profit[a] and current operating margin[a] of the construction businesses are expected to improve versus 2017.
- **TF1** confirmed its targets to improve profitability:
  - in 2018, a higher **current operating margin,** excluding major sporting events,
  - in 2019, a **double-digit current operating margin,** with activities other than advertising on the five unencrypted channels contributing at least one third of consolidated sales,
  - the **annual average cost of programmes reduced to €960 million**[b] over the 2018–2020 period for the five unencrypted channels.
- **Bouygues Telecom** is experiencing profitable growth momentum with a free cash flow target of €300 million for 2019. Sales from services are expected to grow by more than 3% in 2018 versus 2017, with a higher EBITDA/sales from services margin than in 2017 and gross capex of around €1.2 billion.

(a) Excluding a capital gain of €28 million in 2017 on the sale of 50% of Nextdoor and the remeasurement of the residual interest
(b) Excluding major sporting events

## 1.3.2 Highlights

**Innovation.** At the second edition of Viva Technology (15–17 June, 66,000 visitors, 6,000 start-ups) in Paris, Bouygues showcased its innovations and those of around 20 partner start-ups that were present on its stand. The first ever public demonstration of 3D Concrete printing technology took place at the event.

**Digital transformation.** In March, Bouygues launched "The Easy Digital challenge" on the theme of: "how can we improve the lives of Group employees?" This in-house competition sought to promote digital culture and a spirit of innovation across the Group.

**Innovate like a start-up.** Within the Group, Bouygues launched an intrapreneurship programme called "Innovate like a start-up". The aim is to develop ideas mainly for the benefit of more desirable and sustainable urban environments. The programme provides tailored resources (mentoring, training, access to finance, etc.) to employee-intrapreneurs for them to come up with business activities that are complementary to the Group's.

**HR.** Bouygues Construction, Bouygues Immobilier and Bouygues Telecom were all awarded Top Employers France 2017 [a] certification. Based on polls and an audit, it recognises the quality of a company's human resources management. Bouygues Construction is the only construction company in France to be awarded the label. Furthermore, Bouygues Immobilier obtained the "HappyAtWork for starters" label, awarded by meilleuresentreprises.com. Bouygues Immobilier went straight to third place in the ranking of companies with more than 1,000 employees.

**Alstom.** On 26 September 2017, Siemens and Alstom signed an MOU to combine Siemens' Mobility businesses with Alstom. The deal will bring together two innovative players on the rail market within one single entity that will provide value for customers and unique operational potential. Following this announcement, the French state declared it would not exercise its call options on the Alstom shares loaned to it by Bouygues. As a result, it returned the 43.8 million Alstom shares concerned to Bouygues on 17 October 2017, the date of the contractual expiry of the loan. Therefore, at 31 December 2017, Bouygues owned 28% of Alstom's capital. Bouygues has undertaken to retain its Alstom shares until the earlier of (i) Alstom's Extraordinary General Meeting called to approve the deal or (ii) 31 July 2018, as well as to vote in favour of it on Alstom's Board of Directors and at Alstom's Extraordinary General Meeting.

**Employee share ownership.** A capital increase called Bouygues Confiance n°9 of a maximum amount of €150 million (issue premium included) was offered to employees of the French companies belonging to the Group (during the subscription period of 13 November to 3 December 2017). As a result of this leveraged transaction, 4,725,897 Bouygues shares were acquired on 27 December by a dedicated mutual fund at the preferential price of €31.74 per share, which equated to a discount of 20% versus the reference share price.

**Ethics.** The Group updated its Code of Ethics of 2006 and its Compliance Programmes (relating to Competition, Anti-corruption, Financial Information and Securities Trading) of 2014. In order to address increasing risks related to international trade, in May the Group also published a new programme focusing on Embargoes and Export Restrictions.

**Patronage.** Bouygues made a commitment to support the initiatives of Fondation Ecole Centrale Paris by joining Cercle des Grands Mécènes in April. In recognition, one of the two new buildings of the CentraleSupélec campus in Gif-sur-Yvette, near Paris, was named the "Francis Bouygues" building after the Group's founder and former CentraleSupélec student.

(a) See also section 1.4 "Main events since 1 January 2018" of this document

### 1.3.2.1 Construction businesses

#### January

**Nuclear power.** The subsidiary of EDF Energy in the UK awarded the contract for construction of the buildings housing two EPR-technology nuclear reactors at the Hinkley Point C plant in the south-west of the UK to Bouygues Construction in a joint venture with British contractor Laing O'Rourke.

**Hong Kong.** On 19 January, the first phase of top heading enlargement in the Liantang tunnel in Hong Kong was completed, close to one month ahead of schedule. The project comprises the excavation of two motorway tunnels (4.8 km long) connecting Hong Kong to mainland China.

**Vietnam.** As part of a consortium with Alstom (lead firm) and Thales, Colas won a third contract for construction of Line No. 3 of the Hanoi metro. This contract is for maintenance depot equipment and power voltage systems.

**Ireland.** Bouygues Construction was chosen by Baylite Company Limited for the turnkey construction of a major data centre in Dublin that will host the data of a very large American IT services company. The air-conditioning technology used will significantly reduce the building's water and electricity consumption

#### February

**The "Grand Paris" major infrastructure programme.** Société du Grand Paris appointed the consortium led by Bouygues Construction to carry out works on Line 15 South, between the stations of Villejuif–Louis Aragon and Créteil. Work package T2A is the fourth of eight civil-works contracts Société du Grand Paris has awarded for Line 15 South.

**Eco-neighbourhood.** The Nanterre Cœur Université worksite started. This 76,000-m² mixed-use neighbourhood, which will be completed in 2020, was designed by Bouygues Immobilier according to low-carbon principles.

**Schools.** A consortium of which Bouygues Construction is lead firm won a public–private partnership (PPP) contract for renovating four middle schools in north-western France (in Arnage, Coulaines, Le Mans, and Noyen-sur-Sarthe). Handover is scheduled for July 2019.

#### March

**Rehabilitation.** On 2 March, the Intown (21,300 m²) office building was inaugurated in Paris. The restructured building, which showcases Bouygues Immobilier's Rehagreen® service, is leased out by Scor to Banque de France

**Croatia.** The new international terminal at Zagreb Airport was officially opened on 21 March. After helping set up the financing, Bouygues Construction designed and built the project.

**Residential property.** Bouygues Immobilier and Sogeprom started work on the "D'Une Rive à l'Autre" residential programme in Neuilly-sur-Seine, near Paris. This housing development combines an excellent location, architectural quality and tailored services.

## April

**Eco-neighbourhood.** On 6 April, Bouygues Immobilier inaugurated Font-Pré, the first eco-neighbourhood in Toulon. The development contains over 800 housing units and a public square. The inauguration was also an opportunity to see BI-Store, a new and innovative sales outlet that offers made-to-measure support to home buyers.

**Concert venue.** La Seine Musicale (36,500 m²) on the outskirts of Paris was inaugurated on 22 April. Carrying HQE™ certification, the venue has a 45-m high mobile photovoltaic "sail", a timber-framed concert hall and a garden roof accessible to the public. Built under a partnership contract by Bouygues Construction, it is operated by TF1 and Sodexo.

## May

**US.** In Miami, American property developer ASRR Capital awarded the contract for the Arte by Antonio Citterio residential project to a joint venture made up of Americaribe (Bouygues Construction) and US contractor Moriarty Florida. The very prestigious condominium will consist of just 16 apartments, each with a floor area of no less than 550 m².

**Canada.** Two subsidiaries of Colas won contracts for the construction and maintenance of a 31-km stretch of the South West Calgary Ring Road (SWCRR).

**Switzerland.** On the campus of the University of Lausanne, Losinger Marazzi started the construction of a 712-unit building providing accommodation for students and academic guests. The first use of this building, to be called Vortex, will be to accommodate athletes and support staff for the Youth Olympic Games of January 2020.

**Monaco.** Bouygues Construction chose Bassins Est in the port of Marseille for the construction of the 18 concrete caissons that will form a protective belt around the Monaco land reclamation scheme (to be the site of the new "Anse du Portier" eco-neighbourhood).

## June

**Museum.** Collection Pinault Paris chose Bouygues Construction to carry out its project to renovate the Paris Commodities Exchange building (Bourse de Commerce). By 2019, the listed building in Paris will have become a museum of contemporary art housing the Pinault Collection.

**Positive energy.** The foundation stone of Green Office® Quartz, future headquarters of Colas SA, was laid on 6 June in Paris. This positive-energy building, constructed by Bouygues Construction, will have 540 m² of rooftop photovoltaic solar panels and a rape seed oil cogeneration plant.

**Solar farm.** Bouygues Construction completed a 14-MW solar farm in Noheji, Japan. The Group's first energy infrastructure project in Japan, in operation since November 2017, will produce the equivalent of the energy consumption of more than 3,000 households.

**Health & safety.** Bouygues Construction organised a World Health & Safety day. Nearly all its worksites shut down for a half day to raise awareness among employees and partner companies – around 100,000 people – about the priority given to safety issues in order to achieve the zero accidents target.

## July

**The "Grand Paris" major infrastructure programme.** As part of a consortium with Soletanche Bachy, Bessac and Sade, Bouygues Construction won the contract for T3A, a new work package on Line 15 South of the "Grand Paris Express" rapid transport project.

**Hôtel de Crillon.** The luxury hotel on Place de la Concorde in Paris reopened its doors after four years of renovation carried out by Bouygues Construction and which involved 250 companies.

**Justice.** Bouygues Construction handed over the Paris law courts building, designed by Renzo Piano and located in the Clichy-Batignolles eco-neighbourhood. Bouygues Energies & Services will provide facility management services. The first hearings are scheduled for April 2018.

**Madagascar.** Ravinala Airports, the concession holder for Antananarivo and Nosy Be international airports in Madagascar, kicked off the works for the expansion and upgrading of the two airports. The work is being carried out by Bouygues Construction and Colas. Financing for the firm investment programme was agreed with a pool of five international development banks on 25 June 2017.

**Collaborative.** Bouygues Immobilier and AccorHotels joined forces to create an equally-owned joint venture intended to accelerate the development of Nextdoor collaborative workspaces (see also section 2.1.3) in France and Europe.

**Ecology.** Bouygues Construction and Suez signed a worldwide memorandum of understanding for an initial length of three years. It is for the design and development of new solutions facilitating the optimised management of resources, sustainable construction and the circular economy.

## August

**Acquisition.** Colas signed an MOU to acquire the Miller McAsphalt group, a major player in road construction in Ontario and in bitumen distribution in Canada. The closing of the operation was completed on 28 February 2018.

## September

**Connected homes.** Bouygues Construction launched its Wizom connected home product range. As the first comprehensive digital connected home offering on the market, Wizom uses the very latest IoT (Internet of Things) and predictive equipment-management technologies.

**Scotland.** On 4 September, Queen Elizabeth II officially opened the Queensferry Crossing, a road bridge built with the assistance of VSL (Bouygues Construction). The bridge crosses the Forth River near Edinburgh.

**Reunion Island.** Bouygues Construction completed the first of the seven 770-metre long viaduct sections that constitute the offshore viaduct of the New Coastal Road currently under construction on Reunion Island.

**Smart city.** Dijon metropolitan authority awarded its connected management of public amenities project to a consortium made up of Bouygues Energies & Services and Citelum (EDF group), in partnership with Suez and Capgemini. This 12-year contract, which covers 24 municipalities, is for the design, building, operation, and maintenance of a connected control station and of all the associated public amenities.

**Canada.** The new Iqaluit International Airport was inaugurated. Bouygues Construction designed and built a 10,000-m² terminal building, and Colas renovated and extended 400,000 m² of runways and aircraft parking spaces.

## October

**The "Grand Paris" major infrastructure programme.** Following the 'Invent the Grand Paris metropolitan area'[a] call for tenders, which aims to build an innovative, sustainable, socially responsible and smart metropolitan area, Linkcity (Bouygues Construction) and UrbanEra (Bouygues Immobilier) won contracts to develop a total of ten smart districts.

**Morocco.** The Yves Saint Laurent Marrakesh museum, built by Bouygues Construction, opened its doors to the public on 19 October.

**Offshore wind turbines.** Floatgen, France's first offshore wind turbine, was inaugurated on 13 October. Its buoyant platform, designed by Ideol, was built by Bouygues Construction in Saint Nazaire. It can carry a 2-MW wind turbine.

**Timber construction.** Bouygues Construction was designated the winner of the national competition for the design and construction of a timber-framed high-rise building in Paris. This student halls of residence will accommodate students on 15 storeys and will be the highest building of this type in the Paris region (50 metres high).

**Smart data.** The Bouygues Immobilier investment fund, Bird, has acquired a stake in Spallian Innovation in order to step up its strategy in smart data and boost its partnership, with the aim of improving the customer experience.

## November

**Singapore.** A consortium comprised of CapitaLand, CapitaLand Commercial Trust and Mitsubishi Estate Co. Ltd. awarded Bouygues Construction a design-and-build contract for a new mixed-use project on the site of the former Golden Shoe Car Park. Located in the central business district, the building (280 metres, 51 storeys) will accommodate top-end office space, a serviced residence, restaurants, retail premises and five levels of car parking.

**Myanmar.** In Yangon, the transformation of the former headquarters of the national railway company into a 5-star hotel and the construction of four towers was awarded to Bouygues Construction, operating within joint ventures with Yona Group and Tasei Group respectively. Handover is scheduled in 44 months.

**Green Office.** In the new Nanterre Cœur Université eco-neighbourhood, which is currently being built, insurer AG2R La Mondiale bought the Green Office® 'Upside' building off-plan from Bouygues Immobilier. The positive-energy building will be equipped with a photovoltaic power plant and micro-CHP (combined heat and power) plant on the roof.

**Innovation.** Colas unveiled Flowell, a new dynamic road-marking solution developed by Colas R&D in collaboration with CEA Tech (an industrially oriented technological research institute). It aims to optimise urban space, traffic flows and safety thanks to a system based on dynamic control of light-emitting road marking.

## December

**Digital transformation.** Bouygues Construction chose Dassault Systèmes and Accenture to help it with an innovative initiative for the construction sector. The three partners will develop a digital environment for the collaborative management of construction projects.

**Timber.** WWF France and Bouygues Construction renewed their partnership for the 2017-2020 period. The aims are to pursue sustainable urban development projects at the neighbourhood level in France and to commit to more responsible sourcing of timber.

# 1.3.2.2 Media and Telecoms

## January

**4G.** On 23 January, Bouygues Telecom launched the 4G Box for households in France's less densely populated areas whose internet connections are too slow to enable them to enjoy the latest digital technology in the best conditions. Bouygues Telecom's 4G network covered 85% of the French population at the time (and 95% at end-December 2017).

**Partnership.** TF1 group acquired a 6.1% equity stake in Studio71, the world's fourth largest Multi-Channel Network (MCN[b] with over six billion videos viewed per month and 1,100[c] channels. Studio71, which has an international footprint, is a subsidiary of ProSiebenSat.1, one of Germany's leading media groups.

## February

**Cellnex.** Bouygues Telecom and Spanish infrastructure operator Cellnex announced the signing of an agreement relating to the operation of 3,000 sites in France. Bouygues Telecom will gradually transfer an initial batch of 1,800 existing sites to Cellnex over the next two years. Furthermore, Bouygues Telecom and Cellnex will build 1,200 new sites together over the next five years.

## March

**Innovation.** Bouygues Telecom trialled 5G at its Technopôle site in Meudon-la-Forêt during its "Innovation Days" event.

## May

**Mobile.** Bouygues Telecom enhanced its entire mobile range with a new Sensation bonus service called "Bouquet press", a change to roaming charges in Europe, and unlimited voice calls for all, amongst other features. It was an opportunity for customers to get even more out of the internet and discover new mobile uses.

## June

**Advertising sales.** TF1 took part in the creation of the European Broadcaster Exchange, to be based in London, along with media groups ProSiebenSat.1 (Germany) and Mediaset (Italy and Spain). The aim is to offer high-quality digital pan-European video campaigns that are brand-safe, as part of a strategic collaboration to leverage new technology and develop innovative online advertising models.

## September

**Fibre.** The number of FTTH customers passed the 200,000 mark, a 2.5-fold increase year-on-year, thus showing the ever-increasing enthusiasm for receiving services via the fibre network.

**TV Box.** Bouygues Telecom launched the Bbox Miami+ offer. Available on Bouygues Telecom's ADSL, VDSL and FTTH networks, the new offer puts the accent on entertainment, with more channels, more services and more content for all the family.

(a) Europe's largest international calls for tenders in the field of urban planning
(b) A producer and aggregator of channels on social networks (e.g. on YouTube).
(c) Data as at January 2017

### October

**Fibre.** Bouygues Telecom and TDF signed a nationwide framework contract enabling Bouygues Telecom to market its products and services on all the fibre optic networks operated by TDF. This is the fourth contract signed with a public initiative network operator (following Axione, Altitude and Covage).

**Recycling.** Supported by WWF France, Bouygues Telecom enlisted the help of its partners Suez, Samsung and Recommerce Solutions to raise awareness amongst the general public about the recycling and reuse of pre-owned mobile phones by organising a major nationwide collection campaign in its stores between 9 and 21 October.

### November

**Distribution.** TF1 and Altice-SFR signed their first all-in distribution agreement and are also working together to devise advertising solutions that are specifically tailored to new viewing habits. In parallel, the two groups renewed their distribution agreements for the TF1 group's theme channels (Histoire, TV Breizh and Ushuaïa TV).

### December

**Digital media.** TF1 and Axel Springer announced that TF1 had made a binding offer[a] to acquire the majority stake owned by Axel Springer (78.4%) in aufeminin for the price of €38.74 per share, equating to a total amount of €364.8 million (dependent on the usual adjustments on the date of the operation). TF1 will file a mandatory simplified tender offer for the remaining shares at the same price once the acquisition completed.

# 1.4 MAIN EVENTS SINCE 1 JANUARY 2018

## 1.4.1 Construction businesses

On 4 January 2018, the state Government of Victoria in Australia awarded the Cross Yarra Partnership consortium comprising Lendlease Engineering, John Holland, **Bouygues Construction** and Capella Capital the design, build, finance, and maintain contract for a metro tunnel in Melbourne, the country's second-largest city. The maintenance aspect is for a period of 25 years. Financial closing of the €3.9-billion contract (AUD6 billion) for the tunnel and stations occurred on 18 December 2017.

On 4 January 2018, **Colas** announced it had won three contracts in Hungary worth a total of €330 million for construction of several stretches of road and motorway in the north-east of the country. All three projects are being funded by the European Union.

On 15 January 2018, in a consortium with TSO, **Colas Rail,** the rail subsidiary of the Colas group, announced it had secured two maintenance contracts for the French rail network awarded by SNCF Réseau, for a total of approximately €300 million. In addition, the British subsidiary of Colas Rail was awarded a seven-year rail track-maintenance contract by Network Rail worth €255 million.

On 16 January 2018, Foncière Inea announced the acquisition of the L'Éclat office building in Toulouse from **Bouygues Immobilier.** Completed at end-December 2017, the HQE®-certified (High Environmental Quality) structure has a leasable area of close to 3,000 m² on six levels and 80 parking spaces.

On 23 January 2018, **Colas** acquired the British company Allied Infrastructure Management Ltd, the leader in airport services and maintenance in the UK. The company offers complete solutions for protecting, maintaining, and reinstating infrastructures. The Manchester-based firm generates sales of GBP12 million (around €14 million) and employs around 100 people.

On 26 February 2018, **Colas** announced the acquisition of Topcoat Asphalt Contractors, based in Adelaide, Australia. Specialised in bitumen products manufacturing and road construction, Topcoat generated sales of AUD 25 million in 2017 and employs 45 people.

On 28 February 2018, under the terms of the agreement signed on 30 August 2017, and after receiving all the approvals required, **Colas Canada** closed the acquisition of the entire shareholding in the Miller McAsphalt group for a price of CAD 913 million.

(a) See also section 1.4 "Main events since 1 January 2018" of this document

## 1.4.2 Media

On 18 January 2018, **TF1** signed an agreement to acquire Axel Springer group's 78% stake in the aufeminin group (at a price of €38.74 per share, equating to a total amount of €364.8 million, dependent on the usual adjustments on the date of the operation). Completion of the deal remains dependent on obtaining the relevant regulatory approvals in France and Austria.

On 29 January 2018, following the successful editorial relaunch of TMC and LCI, **TF1** completed the revamp of its brand portfolio with the rebranding of NT1 and HD1, which were given new names, a new visual identity and a new programming schedule. As a result, NT1 and HD1 became TFX and TF1 Séries Films respectively.

On 30 January 2018, **TF1** announced the signing of an all-in distribution agreement with Bouygues Telecom that includes the TF1 Premium offer as well as complementary services. On 8 March 2018, TF1 also announced that it had signed an agreement with Orange allowing the latter to distribute all the TV channels of the TF1 group.

## 1.4.3 Telecoms

On 12 January 2018, the French government and the telecoms regulator signed an agreement with the four telecoms operators with a view to increasing mobile phone coverage across France up to 2031. In exchange for its investments, Bouygues Telecom will be awarded with an extension of 10 years to its current licenses and will be exonerated from the flat-rate tax on network companies.

On 27 February 2018, Huawei and **Bouygues Telecom** signed a joint innovation agreement relating to 5G, with an initial trial scheduled for Bordeaux in 2018.

Within the framework of this agreement, Bordeaux will be the first city to experience a life-size trial of a 5G network over several different sites.

## 1.4.4 Alstom

On 4 January 2018, **Alstom** won two contracts from Chengdu Railway Corp Ltd; for the supply of traction systems for 200 metro cars, and for CBTC communications-based train-control signalling for all of Line 9 phase 1 of Chengdu's metro system. It will be the city's first driver-less metro line. The two contracts amount to around €64 million in total. The line's entry into service is set for 2020.

On 8 February 2018, **Alstom** won a contract to supply 30 Prima electric locomotives to ONCF [a]. The contract is the result of an international call for tenders launched by ONCF in March 2017. It is worth around €130 million.

## 1.4.5 Bouygues

On 1 February, **Bouygues** was awarded Top Employer 2018 certification for its parent company Bouygues SA and for its business segments Bouygues Construction, Bouygues Immobilier, Colas, TF1 and Bouygues Telecom. It is the first French group to obtain this certification for all its businesses (parent company and subsidiaries).

(a) Morocco's rail operator.

# BUSINESS ACTIVITIES 2

# 2.1 CONSTRUCTION BUSINESSES

## 2.1.1 Profile

Bouygues is one of the world's leading construction firms.

Demographic growth, urbanisation and new environmental imperatives are generating significant needs worldwide in terms of complex buildings and infrastructure. Furthermore, digitisation is transforming the way customers use technology and what they expect from it.

In an environment that exhibits long-term growth potential, the Group's construction businesses are well positioned thanks to the expertise of their employees.

The Group's construction, property development, transport infrastructure and energy activities enjoy long-standing experience in complex, high value-added projects, expertise in sustainable construction and a strong ability to innovate.

They have offers that integrate more services that improve the daily lives of their customers, especially for large-scale urban projects, ranging from districts to connected cities.

These include innovative solutions that enable towns and cities to better deal with the growing demand for more efficient use of natural resources and for lower greenhouse gas emissions over the long term.

### STRENGTHS

**More than 104,000 employees** provide their motivation and excellence for the benefit of their customers

**A seamless service offering focused on the end-user**

- **A proactive research and innovation policy** in order to keep pace with the demands of customers and end-users
- **A full-service offer** spanning the entire value chain, from the design phase to demolition, via financing, construction and maintenance
- **The ability to engage partners of all sizes and from all areas** (companies, start-ups, academic institutions, etc.)

**Expertise recognised world-wide**

- **Extensive experience in the construction of complex buildings and infrastructure:** tower blocks, tunnels in urban settings, bridges, etc.
- **A key sustainable construction player:** eco-neighbourhoods, renovation, low-carbon buildings, soft mobility, etc.

**Operations all over the world**

via well-established local subsidiaries, with the ability to deploy teams for specific, one-off major international projects

**A strong ability to adapt**

in a context of structural change within markets, and **flexibility** in the management of resources

**A healthy financial structure**

with a high level of cash and **steady free cash flow generation**

# Three business segments

## Shared innovation

A global player in construction with operations in over 80 countries, Bouygues Construction designs, builds and operates building, infrastructure and industrial projects. (See following page)

## A leading property developer in France

An urban developer/operator, Bouygues Immobilier develops residential, office building, retail and sustainable neighbourhood projects to make urban living better for all its customers. (See page 39)

## A world leader in transport infrastructure construction and maintenance

Operating in over 50 countries worldwide, Colas completes 80,000 projects every year. It also has a significant construction materials production and recycling activity via a dense network of quarries and of emulsion, asphalt and ready-mix concrete plants, located in France and abroad. (See page 44)

## 2017 CONSOLIDATED KEY FIGURES

At December 31

—

**Employees**

**104,506**

—

**Sales**

**€25.8bn (+3%)**

—

**Current operating profit**

**€948m (+8%)**

—

**Current operating margin**

**3.7% (+0.2 points)**

**3.6% excluding Nextdoor[a] (+0.1 points)**

—

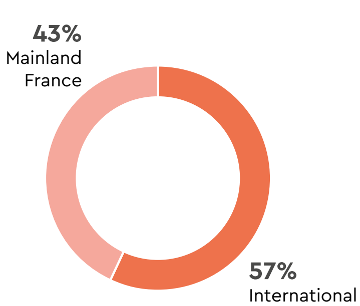
**Backlog**

**€31.9bn (+6%; +8% at constant exchange rates)**

(a) Excluding a capital gain of €28 million on the sale of 50% of Nextdoor and the remeasurement of the residual interest

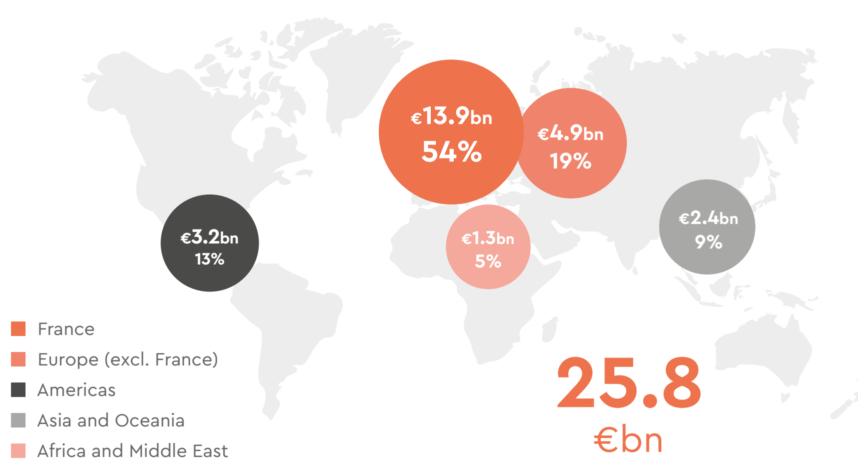
### Backlog of Bouygues Construction and Colas

At end-December 2017




### Construction businesses: sales by region

At end-December 2017

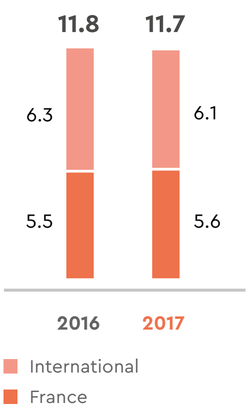


## 2.1.2 Bouygues Construction: shared innovation

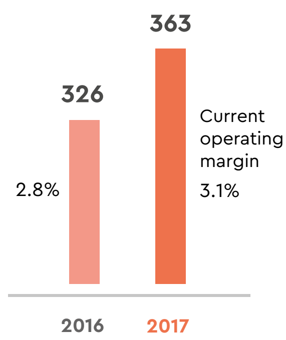
A global player in construction with operations in over 80 countries, Bouygues Construction designs, builds and operates building, infrastructure and industrial projects.

### Key figures

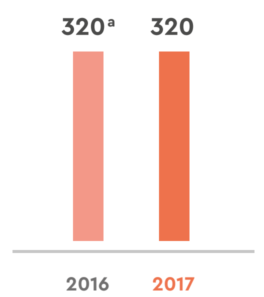
**Sales**
€ billion



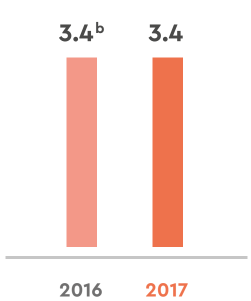

**Current operating profit**
€ million



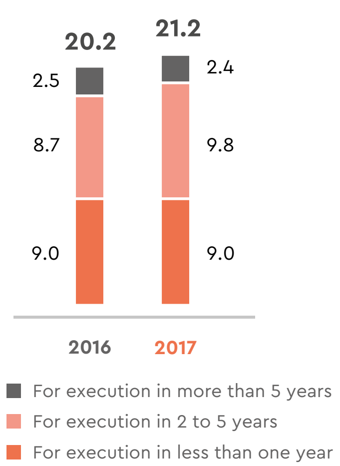

**Net profit attributable to the Group**
€ million



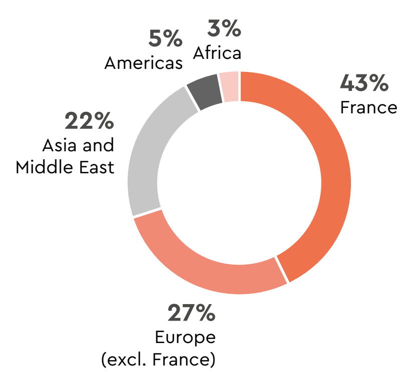

**Net debt (-)/Net surplus cash (+)**
€ billion




**Backlog**
€ billion at end-December




**Backlog by region**
at end-December 2017




(a) Includes €110 million of net capital gain on the sale of the stake in the motorway concession company Adelac (A41 motorway)
(b) After payment of a 2016 interim dividend of €250 million

## Condensed balance sheet

### Assets

| at 31 December, € million | 2017 | 2016 |
|---|---|---|
| Property, plant and equipment and intangible assets | 642 | 752 |
| Goodwill | 526 | 540 |
| Non-current financial assets and taxes | 389 | 377 |
| **NON-CURRENT ASSETS** | **1,557** | **1,669** |
| Current assets | 4,227 | 4,392 |
| Cash and cash equivalents | 4,310 | 4,427 |
| Financial instruments – Hedging of debt | | |
| **CURRENT ASSETS** | **8,537** | **8,819** |
| Held-for-sale assets and operations | | |
| **TOTAL ASSETS** | **10,094** | **10,488** |

### Liabilities and shareholders' equity

| at 31 December, € million | 2017 | 2016 |
|---|---|---|
| Shareholders' equity attributable to the Group | 954 | 743 |
| Non-controlling interests | 25 | 26 |
| **SHAREHOLDERS' EQUITY** | **979** | **769** |
| Non-current debt | 511 | 543 |
| Non-current provisions | 750 | 853 |
| Other non-current liabilities and taxes | 17 | 24 |
| **NON-CURRENT LIABILITIES** | **1,278** | **1,420** |
| Current debt | 5 | 22 |
| Current liabilities | 7,447 | 7,802 |
| Overdrafts and short-term bank borrowings | 385 | 475 |
| Financial instruments – Hedging of debt | | |
| **CURRENT LIABILITIES** | **7,837** | **8,299** |
| Liabilities related to held-for-sale operations | | |
| **TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY** | **10,094** | **10,488** |
| **NET DEBT (-)/NET SURPLUS CASH (+)** | **3,409** | **3,387** |

## Condensed income statement

| (€ million) | 2017 | 2016 |
|---|---|---|
| **SALES** | **11,660** | **11,815** |
| Net depreciation and amortisation expense | (214) | (227) |
| Net charges to provisions and impairment losses | (146) | (193) |
| Other income and expenses | (10,937) | (11,069) |
| **CURRENT OPERATING PROFIT** | **363** | **326** |
| Other operating income and expenses | | (23) |
| **OPERATING PROFIT** | **363** | **303** |
| Income from net surplus cash | 12 | 14 |
| Other financial income and expenses | 49 | 3 |
| Income tax expense | (103) | (119) |
| Share of net profits/losses of joint-ventures and associates | 2 | 121 |
| **NET PROFIT** | **323** | **322** |
| Net profit attributable to non-controlling interests | 3 | 2 |
| **NET PROFIT ATTRIBUTABLE TO THE GROUP** | **320** | **320** |

## KEY FIGURES

At 31 December 2017

—

**Employees**

**47,354**

—

**Sales**

**€11,660m (-1%)**

—

**Current operating margin**

**3.1% (+0.3 points)**

—

**Net profit attributable to the Group**

**€320m (stable)**

—

**Backlog**

**€21.2bn (+5%; +7% at constant exchange rates)**

2

## HIGHLIGHTS

### MAJOR CONTRACT GAINS

- Grand Paris Express rapid transport project- Line 15 South, Packages T2A and T3A
- First Smart City in France (Dijon)
- Construction of a tower in Singapore, on the site of the former Golden Shoe Car Park
- Melbourne metro and five solar farms in Australia

### PROJECTS UNDER CONSTRUCTION

- Two tunnels in Hong Kong (Tuen Mun-Chek Lap Kok Link and Liantang)
- Hong Kong-Zhuhai-Macao bridge
- The New Coastal Road on Reunion Island
- NorthConnex motorway link in Australia
- UCLH hospital proton beam therapy centre in London
- Monaco land reclamation scheme (Anse du Portier)
- Port of Calais extension project

### PROJECTS HANDED OVER

- Paris Law courts building
- La Seine Musicale in Boulogne-Billancourt
- Hotel Le Crillon
- Zagreb airport
- Hotel Morpheus (City of Dreams complex) in Macao

## 2.1.2.1 Profile

Bouygues Construction operates in the building, infrastructure and industrial sectors with the aim of being **a global player that spans the entire construction industry value chain.**

Bouygues Construction is acknowledged as **a benchmark player in sustainable construction** through the building of numerous eco-neighbourhoods, low-carbon (timber-frame) buildings and structures certified against the best world eco-standards, as well as through the rehabilitation of sites in order to reach positive-energy status.

The company is increasingly involved in ambitious, high value-added civil engineering works and in larger-scale projects ranging from neighbourhoods to connected urban environments.

As a pro-active and socially-responsible company, Bouygues Construction performs its **corporate social responsibility** duties to the full, adhering to strong ethical and managerial commitments and prioritising health and safety.

### Growth strategy and opportunities

Bouygues Construction's strategy in the building, infrastructure and industrial sectors is based on two priorities:

- using innovative products and services to expand its core activities in the places where it has a long-term presence, such as France, Switzerland, Hong Kong, Australia, the UK and Canada, and;
- targeting value-added projects while taking a highly selective approach in order to control risks.

More specifically, Bouygues Construction is aiming to:

- expand its options and skills in **property development** via its LinkCity[a] network;
- stake out a position as a **leading player in the design and operation of smart cities;**
- be a **top-notch player in the major infrastructure market** (bridges, tunnels, repairs) and in power networks in France and worldwide;
- offer turnkey **energy production** solutions (power stations, solar farms, etc.) by focusing on strategic partnerships and positioning Bouygues Construction on the EPC (engineering, procurement and construction) market;
- enhance its skills in **industrial processes and maintenance** and develop cutting-edge skills in areas such as robotics, automation, smart buildings and the Internet of Things;
- roll out **telecommunications infrastructure** offerings in France and on international markets.

In its various activities, Bouygues Construction:

- **proposes full-service offerings** which meet customers' needs, capitalising on its knowledge of markets in key sectors such as rehabilitation, healthcare and hotels;
- **pursues customer satisfaction** over the long term, in particular by ensuring control over execution, high-quality products and services and after-sales support.

The company is also investing to increase productivity and improve its performance in the construction process.

### Strengths and assets

An innovative, responsible and pro-active player, Bouygues Construction has many strengths to draw on in all of its businesses:

- **Know-how** based on the talent of its employees in over 80 countries who share the same customer-focused values;
- **Distinctive, high value-added products and services** driven by innovation in all its forms:
  - **digital,** in particular with BIM (Building Information Modeling), which industrialises processes and operating methods and enables information-sharing all the way down to worksite level,
  - **technological,** with R&D teams focused on those areas that offer the most promising prospects to its businesses, such as materials and structures, energy efficiency, building methods, ergonomy and productivity, eco-design, smart buildings, sustainable neighbourhoods and urban services, tunnel-boring machines and prestressing,
  - **operational,** by rolling out lean management[b] techniques at all levels in order to improve efficiency and by industrialising construction processes,
  - **commercial,** in order to offer products and services that take account of customers' uses,
  - **financial,** especially in project financing,
  - **managerial,** by continually improving organisational structures and rolling out collaborative working methods in order to increase agility and performance;
- **A strong international presence:** Bouygues Construction operates worldwide on a long-term basis through well-established local subsidiaries or on one-off, technically complex major projects. These two approaches are complementary and give the company the necessary flexibility to deploy its resources quickly on strong-potential markets. Bouygues Construction generates over half its sales on international markets;
- **Long experience of managing complex projects:** thanks to its motivated people with high level technical skills, Bouygues Construction is able to fully meet the needs of public and private customers;
- **The capacity to adapt to changing markets:** the level of the backlog provides good medium-term visibility, enabling costs to be adjusted while focusing investment on the most buoyant markets;
- **A policy of controlling operating and financial risks:** strict application of procedures at all levels of the company guarantees that the right projects are selected and carried out smoothly;
- **Robust financial performance:** over the last ten years, Bouygues Construction has demonstrated its capacity to preserve profitability and maintain a robust financial situation.

(a) As of 1 January 2016, the new brand name for Bouygues Construction's property development subsidiaries
(b) A long-term approach to work based on continuous improvement that systematically seeks to eliminate all wastage in order to improve a company's efficiency and quality

### Market position

Given the organisational structure of its direct competitors, it is difficult to make like-for-like comparisons between them and Bouygues Construction.

- **In Europe:** based on the 2016 ranking published by trade magazine *Le Moniteur* in December 2017, the Bouygues group's construction businesses arm (Bouygues Construction, Bouygues Immobilier, Colas) is the **third largest in Europe** after the Spanish firm ACS (Hochtief, Germany's leading construction firm, has been a subsidiary of ACS since 2011) and Vinci's Contracting and Property Development division, and ahead of the Swedish contractor Skanska and the French contractor Eiffage.
- **In the world:** the Bouygues group's construction businesses arm, represented by its three subsidiaries, is placed **sixth** in the 2016 ENR ranking of international contractors published in August 2017, based on the share of sales generated on international markets.
- **In France:** in a French building and civil works market worth about €200 billion according to a Euroconstruct estimate in December 2017, Bouygues Construction (excluding Bouygues Energies & Services) is **one of the top three contractors** ahead of Eiffage Construction and behind Vinci Construction (2016 ranking published by *Le Moniteur* in December 2017). In energy and services, Bouygues Energies & Services is in sixth place after Vinci Energies, Spie, Eiffage Énergie, Engie-Cofely and Engie Ineo (2016 ranking published by *Le Moniteur* in December 2017).

## 2.1.2.2 Business activity in 2017

### Record commercial performance and improved financial results

#### Exceptional order intake

Order intake in 2017 reached a record €13,130 million. It included 15 contracts worth more than €100 million, ten of them on international markets.

In **France,** order intake amounted to €6,175 million, 7% more than in 2016. The main orders included projects for the Grand Paris Express rapid transport network (packages T2A and T3A of Line 15) and the Eole project with French railway operator SNCF for the extension of the RER E rapid transit line in Paris. Others included the extension of Les 3 Fontaines shopping centre in Cergy-Pontoise, north-west of Paris, construction of Orange's headquarters at Issy-les-Moulineaux, rehabilitation of the Paris Commodities Exchange building (Bourse de Commerce) and the Dijon metropolitan area Smart City project.

Order intake on **international markets** came to €6,955 million, slightly more than in 2016. Orders included the Melbourne Metro project and five solar farms in Australia, additional works on the Tuen Mun-Chek Lap Kok Link tunnel in Hong Kong, the redevelopment of the former Golden Shoe Car Park site into a multi-use complex in Singapore (to include its second highest tower), extension of the Manila metro in the Philippines, the construction of four towers at Yangon in Myanmar (formerly Burma), a supplementary contract for the Hinkley point EPR backup plant (generators) in the UK, the Oassis office and residential complex at Crissier, near Lausanne in Switzerland, and Mackenzie Vaughan Hospital in Ontario, Canada.

Buildings with environmental certification accounted for 69% of the order intake in 2017, compared with 72% in 2016.

#### A record backlog giving long-term visibility

The backlog at end-2017 stood at a high €21.2 billion, up 5% on end-December 2016 (up 7% at constant exchange rates), with international markets accounting for 57%. Europe (excluding France) and Asia-Oceania are the two most important international regions. Orders booked at end-2017 to be executed in 2018 amounted to €9.0 billion and orders to be executed beyond 2018 amounted to €12.2 billion, giving good visibility on future activity.

#### Sales stable like-for-like and at constant exchange rates

Sales in 2017 amounted to €11,660 million, with building and civil works accounting for 78% and energies and services for 22%. They were down 1.3% year-on-year, but stable like-for-like and at constant exchange rates.

Sales in France rose 1% to €5,569 million, equating to 48% of total sales. Sales outside France fell back 3% to €6,091 million, due in particular to an unfavourable exchange-rate effect (stable like-for-like and at constant exchange rates).

2

#### Robust operating results

Current operating profit rose strongly to €363 million, versus €326 million in 2016, and the current operating margin stood at 3.1%, up 0.3 points versus 2016.

Financial income amounted to €61 million, compared with €17 million in 2016. It includes the sale of a concession company in South Africa.

Net profit attributable to the Group came to a high €320 million, which is stable versus 2016.

#### Very high net surplus cash

Bouygues Construction posted record net surplus cash of €3,409 million at end-2017, slightly more than at end-2016 (€3,387 million).

### Developments in Bouygues Construction's markets and activities

The challenges of the environment and growing urbanisation are becoming increasingly important all over the world. Technological advances offer significant prospects for progress and increasing opportunities. In this dual context, its business activities are boosted by strong demand, especially for urban rehabilitation, renovation and residential energy efficiency, transport, urban infrastructure, energy infrastructure and amenity projects.

Drawing on its expertise throughout the value chain, Bouygues Construction can offer its customers increasingly competitive solutions for complex major projects.

#### Building and civil works

In 2017, sales in the building and civil works segment came to €9,108 million, lower than the 2016 figure of €9,518 million. Sales in France accounted for 47% of the total, and on international markets for 53%.

### FRANCE

Contrasting conditions continued on the construction market in France. The renewal of measures to support housing construction, such as the Pinel tax incentive and zero-interest loans, combined with low interest rates directly favoured the building sector despite pressure on government budgets and hesitation on the part of private and industrial investors.

The long-term prospects for the construction market in the Paris region are sustained by the Grand Paris major infrastructure programme and substantial needs for housing. The Grand Paris Express rapid transit project, the largest since the 1960s, represents civil works contracts worth over €30 billion over the period to 2030.

A certain resurgence in the Paris region is reflected in a large number of calls for projects under programmes such as "Réinventer Paris", "Réinventer la Seine" and "Invent the Grand Paris metropolitan area"[a], in a spirit of renewal and respect for the environment.

In the rest of France, despite some major civil works projects, the revival has been slow and has highlighted considerable disparities between different parts of the country.

**2017 sales: €4,253 million (-3%)**

Bouygues Construction handed over two large-scale projects in the Paris region in 2017, the Paris law courts building and La Seine Musicale concert venue in Boulogne-Billancourt, and continued work on other major amenity projects such as renovation of the Longchamp racecourse and rehabilitation of the Louvre Post Office building in Paris. It also carried out substantial civil engineering projects which, through the Grand Paris projects (packages T2A and T3A of Line 15 South and Line 14 of the Paris metro), will improve the transport environment in the Paris region

In the commercial property segment, work continued on two major projects, the Quadrans Corne Ouest office building in Paris and the Tour Alto tower in the La Défense business district. The rehabilitation of several office buildings in Paris, such as the new headquarters of *Les Echos–Le Parisien*, was completed in 2017.

Construction work continued on several work packages for the Batignolles property development in Paris.

Elsewhere in France, Bouygues Construction's four regional building subsidiaries continued to be active on the public-sector education and culture markets, notably with the renovation of the Luminy university campus in Marseille.

In the healthcare sector, Bouygues Construction continued work on four hospitals, in Strasbourg, French Guiana, Villeurbanne and in the north of the Deux-Sèvres department of western France.

In the private sector, Bouygues Construction continued work on the Sky 56 office building in Lyon and on property complexes in the Wacken Europe business district in Strasbourg.

Work continued on major projects such as Lyon-Saint Exupéry airport and the Hexcel production site in the foothills of the French Alps. The Bordeaux Métropole Arena entertainment complex was also handed over.

In civil works, Bouygues Construction continued work on complex major projects, including civil engineering for the viaduct on the New Coastal Road on Reunion Island, the L2 Marseille bypass and the Port of Calais. The Nîmes-Montpellier railway bypass was handed over and is now in operation. In addition, regional branches all over France specialise in smaller-scale civil engineering projects and earthworks.

(a) Europe's largest international call for tenders in the field of urban planning and property development

### EUROPE

The construction market in Europe grew by more than 3% in 2017, its strongest rise since 2006.

The main drivers of construction at present are the economic recovery, low interest rates, migration flows, especially towards urban areas, and the need to compensate for the low levels of investment since the financial crisis.

In Western Europe, Bouygues Construction subsidiaries are particularly active in the UK and Switzerland. The construction market in the UK has stabilised after a period of overheating. The construction market in Switzerland, long driven by the building segment, is a little less dynamic.

**2017 sales: €2,109 million (-2%)**

In the **UK,** Bouygues Construction's activity was underpinned by urban regeneration projects such as the Canning Town project in London and Addlestone town centre in Surrey. Work continued on the new Civic Centre in Hounslow, west London and on the Manhattan Loft Gardens tower in Stratford. The company took an order in 2017 for the construction of a residential complex in Newham, east London, and has been selected for an initial design phase of the HS2 project, a high-speed rail link between London and Birmingham.

In the education sector, Bouygues Construction continued work on The Triangle, the new headquarters of Cambridge University's examination board, and a student residence complex for the University of Essex.

The company also carried out civil engineering work on the Hinkley point EPR nuclear power plant, which on completion will meet 7% of the UK's power consumption needs and supply over five million households.

In the healthcare sector, work continued on a proton-beam therapy cancer treatment centre in London.

In **Switzerland,** Bouygues Construction drew on its expertise in managing complex property development projects such as the L'Atelier complex in Geneva. That expertise is increasingly on show at neighbourhood level, as exemplified by the Les Jardins du Couchant property development in Nyon and the Erlenmatt and Greencity eco-neighbourhoods in Basel and Zurich respectively.

Losinger Marazzi, Bouygues Construction's Swiss subsidiary, was selected to build the Vortex complex at Chavannes-près-Renens, which will accommodate athletes competing in the Youth Olympic Games in January 2020.

The company has also drawn on its expertise to win commercial property contracts, including orders to build the "Byte" office building and rehabilitate the Post Office headquarters in Bern.

In **Central Europe,** Bouygues Construction has a number of local building subsidiaries in Poland and the Czech Republic.

Elsewhere in Europe, Bouygues Construction is also involved on a one-off basis in major infrastructure projects. Work continued on the confinement shelter for the damaged nuclear reactor at Chernobyl in **Ukraine.** In **Croatia,** the construction of a new terminal at Zagreb Airport and renovation of the existing terminal were completed and the project handed over. Work continued on a complex offshore extension project in **Monaco.**

#### ASIA AND OCEANIA

Growth rates on Asian markets remained very high, with the Chinese economy well on the way to becoming the world's largest.

Hong Kong, Singapore and Myanmar continue to be high-potential countries.

In Australia, housing and retail construction and public investment in health care are driving the building market. The infrastructure construction market is likely to remain strong sustained by government, especially spending on roads and telecommunications.

**2017 sales: €1,927 million (+3%)**

Bouygues Construction capitalises on its strong local presence in the **Asia – Oceania** region, especially in Hong Kong, where it has been a player for over 60 years, and in Singapore. Civil works activity continued unabated in **Hong Kong.** Several major projects are under construction, including a section of the giant Hong Kong-Zhuhai-Macao bridge, the sub-sea Tuen Mun-Chek Lap Kok Link road tunnel (for which a supplementary order was booked in 2017), two twin-tube tunnels for the extension of the Shatin to Central Link metro line, and two tunnels for the dual two-lane highway linking the north-east of Hong Kong to the Liantang boundary control point with mainland China.

Bouygues Construction is a recognised player on the Asian building market, especially for high-rise structures. In **Singapore,** the company continued work on the Buangkok condominium tower block and won the project to redevelop the former Golden Shoe Car Park site into a multi-use complex. In **Bangkok,** it handed over the new Australian Embassy complex and continued work on a number of residential tower blocks, such as the Park 24 condominium. Construction work started on The Esse, a new condominium at Singha Complex. In **Macao,** Bouygues Construction handed over the 6-star luxury Morpheus hotel in the heart of the City of Dreams entertainment complex.

In **Myanmar,** Bouygues Construction continued work on the second phase of the Star City residential complex in Yangon and took orders for two large-scale projects, the Peninsula Yangon and Yoma Central.

In **Australia,** work continued on the NorthConnex motorway link project in Sydney and the company was awarded the Melbourne Metro project as part of a consortium with Lendlease Engineering, John Holland and Capella Capital.

#### AFRICA – MIDDLE EAST

Major projects are expected in Africa, linked in particular to rapid urbanisation, though the geopolitical context remains fragile and heavily dependent on prices for raw materials. In the Middle East, the economic situation is uncertain because it is highly reliant on the price of oil. However, transport infrastructure needs and the exploitation of natural resources make this a high-potential region for construction firms.

**2017 sales: €589 million (-22%)**

In **Africa,** Bouygues Construction's building and civil engineering firms work on major infrastructure projects. In **Egypt,** after taking part in the construction of Lines 1 and 2 of the Cairo metro, the company is building the new phase of Line 3. Bouygues Construction is currently operating the Riviera Marcory bridge in Abidjan, **Ivory Coast,** and building the Ridge Hospital extension in Accra, **Ghana,** the first phase of which was handed over in 2017. In **Nigeria,** work continued on the corporate headquarters of Nigeria LNG, a company which produces liquefied natural gas.

The company's expertise in earthworks for opencast mining is illustrated in its operation of gold mines at Kibali in the **Democratic Republic of Congo,** Tongon in **Ivory Coast** and Gounkoto in **Mali.** Bouygues Construction is also involved on a one-off basis in roadbuilding projects in other African countries.

In the **Middle East,** the company is building sewage tunnels in Doha, **Qatar.**

#### AMERICAS – CARIBBEAN

There are opportunities in the Americas, especially the United States and Canada, as a result of the stated intention of rebuilding infrastructure, though they are tempered by a risk of greater protectionism. In Cuba, the expanding hotel industry and the need for infrastructure such as airports and port facilities make it a strong potential country for Bouygues Construction.

**2017 sales: €230 million (-34%)**

The **Americas – Caribbean** region is growing strongly. Bouygues Construction has a long-term presence in **Cuba,** where it is a recognised specialist in the construction of turnkey luxury hotel complexes, a growing market because of the steady rise in tourism. The company continued construction work on around a dozen up-market hotel complexes in Havana, on Cayo Santa Maria, Cayo Coco and Cayo Cruz and at Varadero. Hurricane Irma caused a temporary slowdown in this activity in 2017 as resources were redeployed to repair and refurbish 26 operational hotel complexes damaged by the hurricane.

In the **United States,** Bouygues Construction is building "Arte by Antonio Citterio", a luxury residential complex in Florida.

In **Canada,** the company handed over Iqaluit International Airport in the country's Arctic north (Nunavut).

## Energies and Services

Bouygues Energies & Services contributed €2,552 million to Bouygues Construction's consolidated sales compared with €2,297 million in 2016, a rise of 11%. Bouygues Energies & Services has three principal business lines: network infrastructure, facilities management and electrical and HVAC engineering. It also builds turnkey power generation facilities such as biomass power plants and solar farms. The company recently set up an Industry division in order to better meet its customers' needs.

There is growing demand in industry for cutting-edge expertise in areas such as robotisation and smart buildings, as well as for complex processes and industrial maintenance. In addition, environmental issues, demographic growth and increasingly scarce raw materials make energy efficiency in buildings a central concern. Telecommunications needs have also increased demand for network infrastructure. These key trends on the energy and services markets offer Bouygues Energies & Services sources of growth, both in the countries where it has most of its operations (France, the UK, Switzerland and Canada) and in emerging countries, especially in Asia and Africa.

### FRANCE

**2017 sales: €1,317 million (+16%)**

In addition to its traditional networks activity, Bouygues Energies & Services, through its Axione subsidiary, stepped up its support for local authorities seeking to implement their digital development policies. In particular, it continued to roll out FTTH (Fibre To The Home) with a portfolio of 1.5 million premises to secure in 16 French departments representing more than €1 billion, and extended its coverage of operational and marketed FTTH premises in 2017 with a target of 2.2 million premises by 2022.

In electrical and HVAC engineering, Bouygues Energies & Services provided mechanical and electrical equipment for the L2 Marseille bypass, electrical and HVAC engineering packages for the Saint-Laurent-du-Maroni hospital in French Guiana and power voltage/communications-voltage work packages for La Seine Musicale in Boulogne-Billancourt.

In the framework of public-private partnerships, Bouygues Energies & Services started to provide maintenance services for the Paris law courts building, which was handed over in 2017 and will open its doors in 2018. It continued its existing contracts with the Paris zoo, the French Defence Ministry in Paris and the University of Bordeaux. It also continued a number of street-lighting contracts, the most important one being with the City of Paris, as a member of a consortium.

Also, as part of a consortium including EDF subsidiary Citelum, Suez and Capgemini, Bouygues Energies & Services will oversee the design, construction and operation of France's first smart-city project in Dijon. The 12-year contract concerns the management of a connected control centre for public facilities serving the 250,000 people who live in the Dijon metropolitan area.

### INTERNATIONAL

**2017 sales: €1,235 million (+7%)**

Bouygues Energies & Services is continuing to expand in its three main lines of business (FM, energy and digital networks, and electrical, HVAC and mechanical engineering) in Europe (especially the UK and Switzerland) and North America (Canada).

On international markets, Bouygues Energies & Services is an expert in major turnkey power grid infrastructure projects. The company has taken orders for seven solar farms in **Australia** and **Japan.** It continued work on a thermal power station in **Gibraltar** and two biomass waste-to-energy gasification plants in the **UK,** at Hoddesdon, north of London, and in Belfast (Northern Ireland).

It has a facilities management (FM) business in Europe, with contracts for the offices of Crédit Suisse in **Switzerland** and for many public amenities in the **UK,** including hospitals, schools and the Home Office. It was also awarded the contract to design and build the backup plant for the Hinkley point EPR nuclear power plant.

In Africa, Bouygues Energies & Services is involved in power transport and distribution, mainly in **Ivory Coast.**

In **Canada,** Bouygues Energies & Services provides FM for Surrey Hospital and the RCMP headquarters. It is expanding on the electrical engineering market via its Plan Group subsidiary, which is building the country's first smart hospital, Mackenzie Vaughan Hospital, in the greater Toronto region.

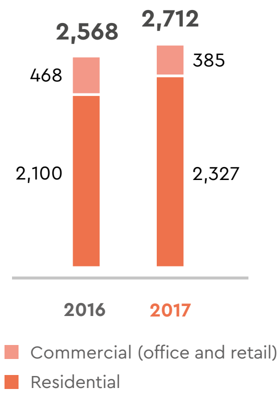
FM contracts, both in France and elsewhere, guarantee Bouygues Energies & Services recurring long-term revenue streams.

## 2.1.3 Bouygues Immobilier, a leading property developer in France

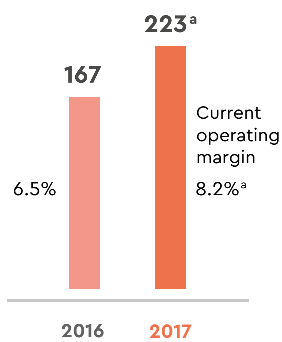
An urban developer/operator, Bouygues Immobilier develops residential, office building, retail and sustainable neighbourhood projects to make urban living better for all its customers.

### Key figures

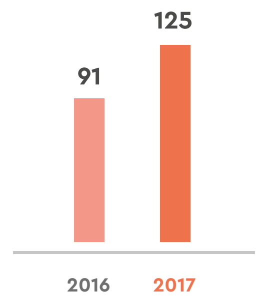
**Sales**
€ million



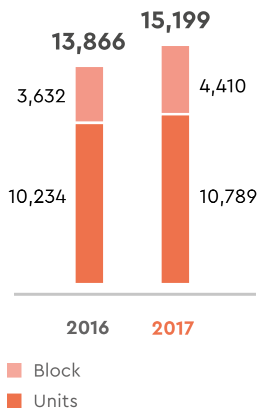

**Current operating profit**
€ million



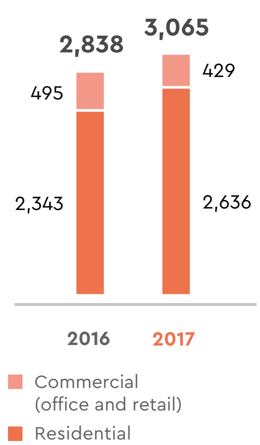

**Net profit attributable to the Group**
€ million



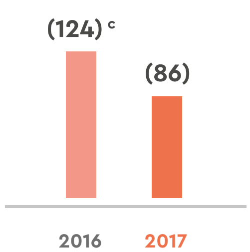

**Residential**
number of reservations




**Reservations**[b]
€ million




**Net debt (-)/ Net surplus cash (+)**
€ million, at end-December




(a) Including the capital gain of €28m on the sale of 50% of Nextdoor and remeasurement of the residual interest
(b) Residential property reservations are reported net of cancellations. Commercial property reservations are firm orders that cannot be cancelled
(c) After payment of a 2016 interim dividend of €90 million

## Condensed balance sheet

### Assets

| at 31 December, € million | 2017 | 2016 |
|---|---|---|
| Property, plant and equipment and intangible assets | 53 | 66 |
| Goodwill | | |
| Non-current financial assets and taxes | 53 | 43 |
| **NON-CURRENT ASSETS** | **106** | **109** |
| Current assets | 1,953 | 1,784 |
| Cash and cash equivalents | 88 | 90 |
| Financial instruments – Hedging of debt | | |
| **CURRENT ASSETS** | **2,041** | **1,874** |
| Held-for-sale assets and operations | | |
| **TOTAL ASSETS** | **2,147** | **1,983** |

### Liabilities and shareholders' equity

| at 31 December, € million | 2017 | 2016 |
|---|---|---|
| Shareholders' equity attributable to the Group | 528 | 399 |
| Non-controlling interests | 4 | 3 |
| **SHAREHOLDERS' EQUITY** | **532** | **402** |
| Non-current debt | 19 | 34 |
| Non-current provisions | 101 | 89 |
| Other non-current liabilities and taxes | 9 | 8 |
| **NON-CURRENT LIABILITIES** | **129** | **131** |
| Current debt | 18 | 4 |
| Current liabilities | 1,331 | 1,270 |
| Overdrafts and short-term bank borrowings | 137 | 176 |
| Financial instruments – Hedging of debt | | |
| **CURRENT LIABILITIES** | **1,486** | **1,450** |
| Liabilities related to held-for-sale operations | | |
| **TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY** | **2,147** | **1,983** |
| **NET DEBT(-)/NET SURPLUS CASH(+)** | **(86)** | **(124)** |

## Condensed income statement

| € million | 2017 | 2016 |
|---|---|---|
| **SALES** | **2,712** | **2,568** |
| Net depreciation and amortisation expense | (12) | (7) |
| Net charges to provisions and impairment losses | (19) | (35) |
| Other income and expenses | (2,458) | (2,359) |
| **CURRENT OPERATING PROFIT** | **223** [a] | **167** |
| Other operating income and expenses | | (13) |
| **OPERATING PROFIT** | **223** | **154** |
| Cost of net debt | (2) | (2) |
| Other financial income and expenses | (17) | (9) |
| Income tax expense | (65) | (51) |
| Share of net profits/losses of joint-ventures and associates | (12) | (1) |
| **NET PROFIT** | **127** | **91** |
| Net profit attributable to non-controlling interests | 2 | |
| **NET PROFIT ATTRIBUTABLE TO THE GROUP** | **125** | **91** |

(a) Including the capital gain of €28m on the sale of 50% of Nextdoor and remeasurement of the residual interest
(b) Europe's largest international call for tenders in the field of urban planning and property development

## KEY FIGURES

At 31 December 2017

—
**Employees**
**1,973**

—
**Sales**
**€2,712m (+6%)**

—
**Current operating margin**
**8.2% (+1.7 points)**

**7.2% excluding Nextdoor [a] (+0.7 points)**

—
**Net profit attributable to the Group**
**€125m (+37%)**

—
**Backlog**
**€3.2bn (+7%; +7% at constant exchange rates)**

(a) Excluding a capital gain of €28 million on the sale of 50% of Nextdoor and the remeasurement of the residual interest

## HIGHLIGHTS

### RESIDENTIAL

- Inauguration of the connected and innovative residential complex 5e Avenue in La Madeleine, northern France
- A flagship residential development in Lyon, Follement Gerland, with its 650 residential units focused on the well-being of residents
- Handover of the first apartments in the Les Faubourgs d'Anfa residence in Casablanca, Morocco

### COMMERCIAL

- Inauguration of the new head office of PSA group in Rueil-Malmaison (a joint development)
- Inauguration, with Macifimo, of Green Office® Link, a positive-energy commercial property of 8,500 m²

### URBAN PLANNING

- "Invent the Grand Paris metropolitan area [b]": Bouygues Immobilier is awarded four contracts

### STRATEGIC DEVELOPMENT

- Creation of a 50/50 joint venture with AccorHotels to speed up the development of Nextdoor in France and in Europe

## 2.1.3.1 Profile

### Growth strategy

Drawing on its expertise in green property development, Bouygues Immobilier is consolidating its position as an urban developer/operator, basing its future growth on three strategic priorities:

#### An enhanced and personalised customer experience

A successful customer experience is central to Bouygues Immobilier's strategy and is driven by three priorities:

- **a more pleasant purchasing process:** Bouygues Immobilier's entire workforce was given training in 2017 as part of an internal transformation plan called "100% Customers". The purchasing process for residential properties was also fully overhauled with the roll-out of a new "BI Store" sales space concept featuring a warm and friendly atmosphere designed to help customers better buy in to their home-buying project and forge strong links with them. In July 2017, 856 customers surveyed on the day after handover gave Bouygues Immobilier an average satisfaction rating of 4.2 out of 5[a];
- **personalised homes with built-in modularity:** Bouygues Immobilier is continuing to roll out personalised products and services to better meet customers' expectations. Bouygues Immobilier's flexible, customisable and connected homes are user-centred. Flexom, a service package for connected, smart homes launched in 2016, is now integrated into 13,000 properties, 600 of which were handed over in 2017. Interior decoration options have also been completely revised in partnership with a design consultancy in order to offer a wide choice of styles and materials that correspond to customers' aspirations. Customers can choose these options before meeting their customer relations manager with the help of 3D virtual visits on the bouygues-immobilier.com website and a configurator that shows the price and dimensions of the selected options;
- **workplaces adapted to new approaches:** in July 2017, Bouygues Immobilier teamed up with AccorHotels to create an equally-owned joint venture with the aim of accelerating the expansion of Nextdoor in France and across Europe. These new workspaces rolled out by Nextdoor offer an innovative and flexible approach to working, an extended choice of services and solutions designed to encourage networking within a dynamic community, and 24/7 availability. By the end of 2017, seven Nextdoor collaborative workspaces were already open for business, with a target of 80 sites by 2022, which would involve opening 10 to 15 new sites a year from 2018.

#### Sustainable development: from single buildings to neighbourhoods

Nearly ten years after the launch of the Green Office® positive-energy office building concept, some 20 Green Office® projects had been handed over or were under construction in 2017, such as the future Colas headquarters building in Issy-les-Moulineaux.

In 2011, Bouygues Immobilier created UrbanEra®, a service package for the design of sustainable, mixed-use neighbourhoods based on six pillars: energy and utilities, urban services and mobility, water and waste, biodiversity and nature in the city, buildings and comfort of use, consultation and involvement. A number of neighbourhoods had already been completed by the end of 2017, such as Ginko in Bordeaux, Fort d'Issy in Issy-les-Moulineaux and Font-Pré, inaugurated in Toulon in April. Several other eco-neighbourhoods are being developed, such as Cœur Université in Nanterre, Eureka Confluence in Lyon, Etoile in Annemasse and Les Fabriques in Marseille.

#### A company being transformed

Digitisation is transforming the property development business and is now central to new uses. Bouygues Immobilier was quick to understand the far-reaching implications of these changes and aims to constantly stay ahead of the curve.

As part of a policy to implement BIM (Building Information Modelling) throughout the company, Bouygues Immobilier acquired a BIM platform in June 2017 with the aim of rolling out BIM in all its operations by 2020.

Bouygues Immobilier is also continuing its strategy of open innovation with start-ups via its investment fund called Bird. In October 2017, Bouygues Immobilier acquired a stake in Spallian, a smart data specialist.

Digitisation is also changing the way people work. In 2017, Bouygues Immobilier transformed its offices all over France in order to create innovative working environments ideally suited to new uses.

### Strengths and assets

Bouygues Immobilier enjoys several competitive advantages in a much-improved market environment.

- Extensive geographical coverage: Bouygues Immobilier has 33 branches in France, which keep it close to customers and strengthen its ties with local stakeholders.
- A wide and diversified range of residential products and services, including affordable and intermediate housing for owner-occupiers, buy-to-let properties, student and senior citizen accommodation, single-family homes, etc.
- A perfect match between its commercial property products and the new expectations of business customers, such as turnkey buildings, Green Office® positive-energy buildings, Rehagreen®[b] office building rehabilitation, and Nextdoor innovative, flexible and collaborative workspaces.
- Acknowledged expertise in sustainable neighbourhoods: with UrbanEra®, Bouygues Immobilier supports local authorities over the long term with their development projects. The urban developer/operator offers a wide range of services to improve quality of life for residents.
- An Open Innovation policy: organised identification of start-ups, intrapreneurship, co-development of operational projects and equity interests in start-ups specialising in property development via Bird, an investment subsidiary.
- A robust business model that gives priority to risk management and guarantees a healthy financial structure for the company.

2

(a) Source: A study of 2,792 customers, including 856 responding on the day after handover of their property, carried out between 1 April 2016 and 27 July 2017. Customer opinions were processed by Review Go, a Guest Suite service, in compliance with French quality standards (NF)

(b) A service that consists in identifying and implementing a rehabilitation scenario that combines the owner's property enhancement objectives and the requirements of the commercial property market while respecting the architectural heritage of the property assets concerned

### Market position

With a market share of 10.8%[a], Bouygues Immobilier is one of France's leading residential property developers, on a par with Nexity and ahead of its other main rivals such as Alterea Cogedim, Kaufman & Broad, and Icade. A benchmark player in the commercial property segment, Bouygues Immobilier differentiates itself from its main competitors (BNP Paribas Immobilier, Sogeprom, Nexity and Alterea Cogedim) by offering innovative environmental products (Green Office® and Rehagreen®) and by positioning itself as a pioneer in terms of new approaches to working (Nextdoor). At neighbourhood level, Bouygues Immobilier has confirmed its leading position in sustainable urban development with its UrbanEra® service package.

## 2.1.3.2 Business activity in 2017

In 2017, the total amount of Bouygues Immobilier's reservations was worth €3,065 million, up 8% versus 2016. Bouygues Immobilier took 15,199 residential property reservations in 2017, 10% more than in 2016, worth €2,636 million, up 13% versus 2016. In the commercial property segment, reservations fell 13% year-on-year to €429 million.

The backlog stood at €3,162 million at end-December 2017, up 7% year-on-year (up 7% at constant exchange rates). France accounted for 96% of the backlog at end-December 2017.

In this generally favourable environment, Bouygues Immobilier reported an improvement in its profitability and cash position.

Consolidated sales in 2017 amounted to €2,712 million, up 6% on the previous year. This rise reflects the upturn in residential property reservations since 2015.

Residential property sales amounted to €2,327 million, up 11% on 2016, and commercial property sales to €385 million, down 18% on 2016, due to a tough comparison base.

Current operating profit amounted to €233 million. It included a capital gain of €28 million on the sale of 50% of Nextdoor and remeasurement of the residual interest. It represented 8.2% of sales (7.2% excluding the capital gain on Nextdoor) compared with 6.5% in 2016.

Net profit attributable to the Group amounted to €125 million, up 37% year-on-year.

Shareholders' equity stood at €532 million.

Bouygues Immobilier had net debt of €86 million at 31 December 2017.

### Developments in Bouygues Immobilier's markets and activities

#### Residential property

##### RESERVATIONS: BOUYGUES IMMOBILIER OUTPERFORMS THE MARKET

The French residential property market continued to recover in 2017, with 130,000 housing units sold compared with 126,950 in 2016. This growth was due to:

- the extension for another four years of Pinel buy-to-let incentives in areas around major cities where rental housing is scarce;
- the zero-interest loan programme, adjusted in 2016 and extended for four years, which has leveraged the purchasing power of first-time buyers;
- still highly attractive mortgage interest rates.

In a growing market, Bouygues Immobilier's residential property reservations came to 14,079 units in 2017, an increase of 12%, thus outstripping growth in the market.

Block reservations continued to grow strongly, rising from 3,462 in 2016 to 4,410 in 2017, an increase of 27%. Unit reservations rose from 9,091 in 2016 to 9,669, an increase of 6%. 11,295 housing units were handed over in France in 2017 compared with 10,312 in 2016, a rise of 10%.

##### PRODUCT DIVERSIFICATION AND CUSTOMISATION

Bouygues Immobilier constantly diversifies its property portfolio and offers several types of multi-unit housing (for first-time buyers or buy-to-let investors, at below market prices, intermediate and social housing), single-family houses and serviced residences for senior citizens and students. In 2017, Bouygues Immobilier enhanced its Residential property offering with the launch of Bouygues Immobilier Premium. For example, the D'Une Rive à l'Autre development on Ile-de-la-Jatte in Neuilly-sur-Seine, west of Paris, combines bold architecture with unapologetically up-market services such as high-end concierge services and the possibility of hiring a boat, reserved for the co-owners, for trips on the Seine. Follement Gerland, a 650-unit development in Lyon, is a benchmark for services and events, encouraging residents to meet and share through features such as a recycling facility and a bed-and-breakfast service.

Since the end of 2016, Bouygues Immobilier has also offered its customers connected and smart homes. Flexom, rolled out in most residential properties nationwide, enables residents to control a number of features in their home such as lighting, roller shutters and heating, either from inside or remotely, from a smartphone or tablet.

##### INNOVATION FOR THE BENEFIT OF CUSTOMERS

A number of other innovations have been introduced to improve the customer experience, such as immersive 3D visits of a show apartment. A fully personalised home configurator offers customers the possibility of virtually fitting out a chosen apartment, with styles and materials rendered in high definition, while calculating the corresponding cost in real time.

Bouygues Immobilier continued to roll out BIM (Building Information Modeling) [b] with the aim of integrating it into the design and production of all projects by 2020.

##### ENHANCED CUSTOMER SUPPORT

A Residential strategy was launched in 2017 with the aim of making Bouygues Immobilier the market leader in terms of the customer experience by focusing on new uses and making homes more pleasant places to live in. Steps have been taken to better address residents' expectations, anticipate changes in lifestyles and hence increase customer satisfaction.

(a) Source: ECLN (new housing survey) – Data from developers (February 2018)
(b) Building Information Modelling, and the management of the data therein, can be used to design, build and operate structures more quickly and efficiently. Thanks to features such as augmented reality and virtual reality, BIM is able to anticipate the requirements inherent to new builds. It facilitates the launch of worksites, with all their logistics, as well as their operation throughout the entire construction process, in accordance with sustainable construction techniques

## Commercial property

### GREEN PROPERTY AND NEW WORKSPACES: A WINNING STRATEGY

With the French economy picking up again and business confidence returning, in 2017 the commercial property market in the Paris region recorded its best performance since 2007. Over 2.6 million m² were taken up, 8% more then in 2016 and 15% above the average between 2007 and 2016.

In these conditions, Bouygues Immobilier sold 76,000 m² of office and retail space in France in 2017, worth a total of €354 million.

Bouygues Immobilier's commercial property strategy in 2017 focused on the following priorities:

#### Turnkey projects

The outcome of ongoing dialogue with users, the turnkey strategy aims to design projects tailored to specific major customers. Achievements in 2017 included Art&Fact 2.0, the new headquarters of PSA group at Rueil-Malmaison, the headquarters of SMABTP in the 15th arrondissement of Paris, a benchmark in environmental quality and energy efficiency, and Green Office® Enjoy in Paris, the largest positive-energy office building with BBCA low-carbon label.

#### Rehabilitation with Rehagreen®

Rehagreen® enhances the value of existing property assets. 48,245 m² of office space was rehabilitated in 2017, with a total of 98,839 m² either in progress or completed. Bouygues Immobilier's target over the period 2016–2020 is for Rehagreen® rehabilitation projects to account for 35% of its commercial property space in progress or completed.

A flagship example of the approach is Intown, a 21,300-m² restructured building in the 9th arrondissement of Paris. Inaugurated in March 2017, it has the HQE® Exceptional, BREEAM Very Good and BBC-effinergie® Rénovation certifications.

#### Nextdoor reaches a new milestone

Nextdoor has been in existence for only two years but has already staked out a place for itself, opening seven sites with nearly 4,000 occupants at the end of 2017. The main highlight of the year was the creation of an equally-owned joint venture with AccorHotels. In an ideal response to new working methods, the two partners aim to create 80 Nextdoor collaborative workspaces in Europe by 2022, opening 10 to 15 new sites per year from 2018.

## Sustainable urban development

In 2017, the UrbanEra® division, working in tandem with all the other business activities, oversaw the development of more than 600,000 m² of new urban projects.

### NANTERRE CŒUR UNIVERSITÉ DISTRICT

In 2017, UrbanEra® acquired the land for the last two phases of the Nanterre Cœur Université development. Nearly 500 housing units will be handed over in 2020, together with two Green Office® buildings. Nanterre Cœur Université will be the first neighbourhood in France to be awarded the BiodiverCity Aménagement label.

### CŒUR GINKO IN BORDEAUX

The fourth phase of the Ginko eco-neighbourhood has now begun. A mixed-use complex, comprising 600 apartments, a shopping centre and a car park, will be handed over in 2019.

### CORMEILLE-EN-PARISIS AND VERNEUIL-SUR-SEINE

Teams from UrbanEra®, working closely with their colleagues from Residential Property, Paris Region, won two pioneering river-port projects that will give rise to future neighbourhoods on the banks of the river Seine.

### "INVENT THE GRAND PARIS METROPOLITAN AREA"[a]

In October 2017, Bouygues Immobilier had four winning entries in a call for tenders as part of the "Invent the Grand Paris metropolitan area" initiative. They are the Tour H tower at Courcouronnes, the redevelopment of the EIF factory in Montreuil (east of Paris), the Mix'it neighbourhood at Noisy-le-Sec-Plaine Ouest and the "Parcs en scène" project at Thiais, near Orly-Pont de Rungis (co-developed by UrbanEra® with Linkcity).

## International

Bouygues Immobilier's international business remained strong in 2017 with the reservation of 1,120 residential properties. Bouygues Immobilier is now the fourth-largest property developer in Poland, with branches in Warsaw, Wrocław and Krakow. In Belgium, Bouygues Immobilier put in its best commercial performance of the last five years. In Morocco, the highlight of 2017 was the successful handover of Les Faubourg d'Anfa, the company's first development in the country. In Spain, Bouygues Immobilier inaugurated the Hotel Ibis City Style Bogatell in Barcelona.

## Open innovation: Bird

Having created Bird in 2015 as a specific subsidiary to invest in start-ups specialising in property development, Bouygues Immobilier has now acquired stakes in seven such businesses, the latest being Spallian Innovation in October 2017. In doing so, Bouygues Immobilier has stepped up its smart-data strategy and strengthened its knowledge of local conditions and customers' expectations in order to offer them urban projects increasingly well-suited to their uses.



(a) Europe's largest international call for tenders in the field of urban planning and property development

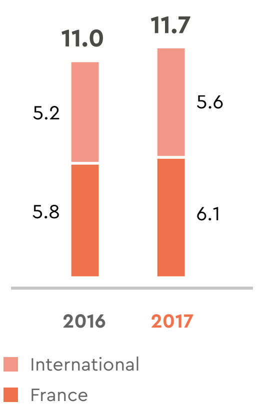
## 2.1.4 Colas, a world leader in transport infrastructure construction and maintenance

Colas is a world leader in transport infrastructure construction and maintenance that promotes infrastructure solutions for responsible mobility.

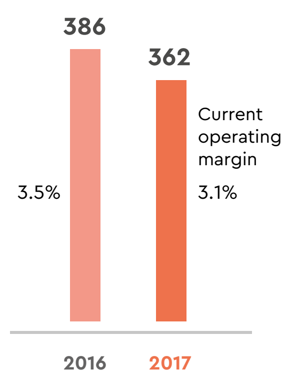
Operating in over 50 countries worldwide, Colas completes around 80,000 projects each year. Colas also has a major construction materials production and recycling activity via a dense network of quarries and of emulsion, asphalt and ready-mix concrete plants, including a bitumen production plant, located in France and abroad.

### Key figures

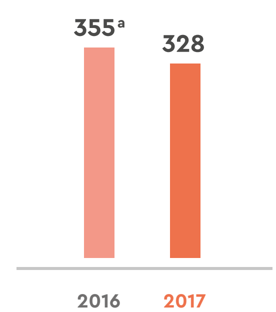
**Sales**
€ billion



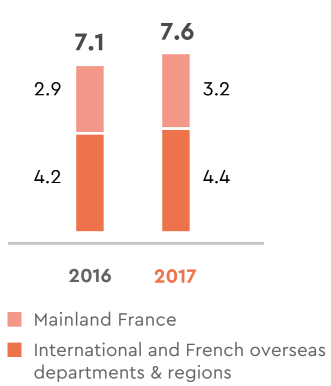

**Current operating profit**
€ million



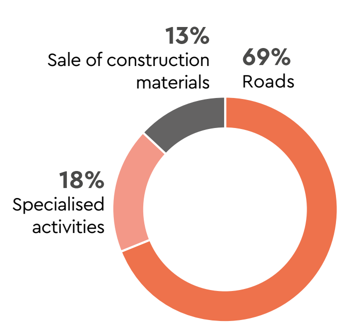

**Net profit attributable to the Group**
€ million



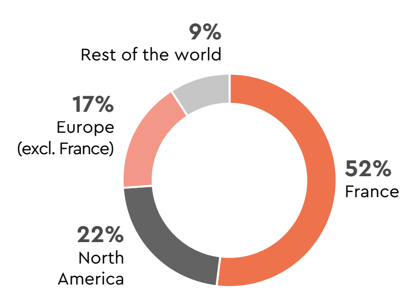

**Backlog**
€ billion, at end-December




**Sales by business line**




**Sales by region**




(a) Including a net capital gain of €72 million on the sale of stakes in the motorway concession companies Atlandes (A63 motorway) and Adelac (A41 motorway)

## Condensed balance sheet

### Assets

| at 31 December, € million | 2017 | 2016 |
|---|---|---|
| Property, plant and equipment and intangible assets | 2,491 | 2,486 |
| Goodwill | 512 | 500 |
| Non-current financial assets and taxes | 747 | 730 |
| **NON-CURRENT ASSETS** | **3,750** | **3,716** |
| Current assets | 4,190 | 3,930 |
| Cash and cash equivalents | 680 | 759 |
| Financial instruments – Hedging of debt | 14 | 17 |
| **CURRENT ASSETS** | **4,884** | **4,706** |
| Held-for-sale assets and operations | | |
| **TOTAL ASSETS** | **8,634** | **8,422** |

### Liabilities and shareholders' equity

| at 31 December, € million | 2017 | 2016 |
|---|---|---|
| Shareholders' equity attributable to the Group | 2,819 | 2,680 |
| Non-controlling interests | 30 | 33 |
| **SHAREHOLDERS' EQUITY** | **2,849** | **2,713** |
| Non-current debt | 126 | 125 |
| Non-current provisions | 884 | 917 |
| Other non-current liabilities and taxes | 60 | 71 |
| **NON-CURRENT LIABILITIES** | **1,070** | **1,113** |
| Current debt | 40 | 73 |
| Current liabilities | 4,580 | 4,462 |
| Overdrafts and short-term bank borrowings | 80 | 42 |
| Financial instruments – Hedging of debt | 15 | 19 |
| **CURRENT LIABILITIES** | **4,715** | **4,596** |
| Liabilities related to held-for-sale operations | | |
| **TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY** | **8,634** | **8,422** |
| **NET DEBT (-)/NET SURPLUS CASH(+)** | **433** | **517** |

## Condensed income statement

| € million | 2017 | 2016 |
|---|---|---|
| **SALES** | **11,705** | **11,006** |
| Net depreciation and amortisation expense | (407) | (399) |
| Net charges to provisions and impairment losses | (88) | (155) |
| Other income and expenses | (10,848) | (10,066) |
| **CURRENT OPERATING PROFIT** | **362** | **386** |
| Other operating income and expenses | (5) | (62) |
| **OPERATING PROFIT** | **357** | **324** |
| Cost of net debt | (14) | (13) |
| Other financial income and expense | 1 | 74 |
| Income tax expense | (75) | (108) |
| Share of net profits/losses of joint-ventures and associates | 61 | 82 |
| **NET PROFIT** | **330** | **359** |
| Net profit attributable to non-controlling interests | 2 | 4 |
| **NET PROFIT ATTRIBUTABLE TO THE GROUP** | **328** | **355** |

## KEY FIGURES

At 31 December 2017

—

**Employees**

**55,179**

—

**Sales**

**€11,705m (+6%)**

—

**Current operating margin**

**3.1% (-0.4 points)**

—

**Net profit attributable to the Group**

**€328m (-8%)**

—

**Backlog**

**at end-December**

**€7.6bn (+7%; +9% at constant exchange rates)**

2

## HIGHLIGHTS

### MAJOR CONTRACT GAINS

- Construction and maintenance of Southwest Calgary Ring Road in Alberta, Canada
- Construction of three sections of the M30 and M25 motorways in Hungary
- Resurfacing of the M7 motorway in Ireland
- Earthmoving and depollution work on Line 15 of the Grand Paris Express rapid transport project
- Three rail network renewal and maintenance contracts in France and in the UK
- Extension of tram lines in Bordeaux, Caen and Rabat-Salé (Morocco)
- Line 3 of the Cairo metro, light rail systems in Jakarta and Hanoi

### MAJOR PROJECTS UNDER CONSTRUCTION

- Elevated section and interchange for the New coastal road on Reunion Island
- Construction and renovation of Antananarivo and Nosy Be airports in Madagascar

### PROJECTS HANDED OVER

- Iqaluit airport in Nunavut, Canada
- Line 6 of Santiago metro in Chile

### INNOVATION

- Launch of the Flowell dynamic road-marking solution

### ACQUISITION

- Signature of the agreement to acquire the Miller McAsphalt group in Canada (see also section 1.4 of this document)

## 2.1.4.1 Profile

With 800 profit centres and 2,000 materials production units in over 50 countries around the world, Colas is a leader in transport infrastructure construction and maintenance that promotes infrastructure solutions for responsible mobility.

Colas has two main operating divisions: Roads, its core business, and complementary Specialised activities, especially Railways. The Colas group spans the full range of production and recycling activities related to most of its lines of business.

Colas completed around 80,000 projects in 2017. Much of its business is local and of a recurrent nature. With 55,000 employees, Colas reported sales of €11.7 billion in 2017, of which France accounted for 52%, Europe (excl. France) for 17%, North America for 22% and other countries for 9%.

### Activities

#### Roads (82% of sales)

##### INFRASTRUCTURE CONSTRUCTION AND MAINTENANCE (69% OF SALES)

Each year, Colas builds and/or maintains roads and motorways, as well as airport runways, ports, industrial, logistics and commercial hubs, external works and amenities, reserved-lane public transport (bus lanes and tram lines), recreational facilities and environmental projects. It also has a civil engineering activity spanning both small and large projects, and a marginal building activity.

##### PRODUCTION AND SALE OF ROAD CONSTRUCTION MATERIALS (13% OF SALES)

Upstream of roadbuilding, Colas produces and recycles construction materials (aggregates, emulsions, ready-mix concrete, bitumen) through an extensive international network of 741 quarries, 125 emulsion plants, 568 asphalt plants, 168 ready-mix concrete plants and one bitumen production plant[a].

#### Specialised activities (18% of sales)

Colas has four specialised activities.

##### RAILWAYS (8% OF SALES)

The Railways activity (Colas Rail) comprises the design and engineering of complex, large-scale projects and the construction, renewal and maintenance of rail networks (conventional and high-speed lines, trams and metro systems).

##### WATERPROOFING (5% OF SALES)

Waterproofing (Smac) comprises the production and sale of waterproofing membranes as well as the waterproofing and cladding of buildings.

##### ROAD SAFETY AND SIGNALLING (3% OF SALES)

The Road safety and signalling business (Aximum) consists in the manufacture, installation and maintenance of road safety equipment, road markings and traffic signs, as well as traffic management and access control equipment.

##### NETWORKS (2% OF SALES)

The networks business (Spac) encompasses the installation and maintenance of large- and small-diameter pipes and pipelines for conveying fluids (oil, gas and water) and for dry networks (electricity, heating and telecommunications).

### Growth strategies and opportunities

Colas' business development strategy is based on providing worldwide collective expertise in order to drive a strong brand and profitable growth.

This is divided into a number of strategic priorities:

- **enhancing the range of products and services:** complex, large-scale projects for major public- or private-sector customers, new and innovative business lines and services focusing on customer demand for responsible mobility;
- **sharing worldwide collective operational expertise** in key sectors such as quarrying, bitumen products and works in order to make local profit centres more competitive and improve their service quality;
- **controlling the two key resources for its core activities (aggregates and bitumen)** in order to control the availability and quality of sourced materials and improve competitiveness;
- **strengthening and extending a durable network of profit centres around the world,** mainly by external growth, in order to establish and consolidate leading positions on local markets and capitalise on geographical diversification to help spread risk.

### Strengths and assets

Colas' main strengths are:

- **markets with long-term growth prospects all over the world,** driven by population growth, urbanisation, growing infrastructure needs in emerging countries, recurring renewal of existing infrastructure in developed countries, environmental challenges, the spread of new forms of mobility and the digital revolution;
- **vertical integration** in most local profit centres, including materials production upstream of works activities in order to secure sources of supply and improve operating performance;
- **strong local roots** through a network of 800 profit centres and 2,000 materials production units in over 50 countries around the world;
- **leading positions** in transport infrastructure construction and maintenance, including the production of construction materials such as aggregates and bitumen products, with acknowledged expertise and a well-known brand;
- **the collective intelligence of 55,000 employees** who share a common history and values;
- **an aptitude for innovation,** apparent both in the development of products and associated services that provide customer-centred solutions and address the challenges of the energy transition, and in the use of digital resources to improve productivity;
- **the capacity to respond to complex calls for tender and carry out large-scale projects;**
- **a robust financial structure** and a capacity to generate cash flow, which enable the Colas group to pursue further growth by continuing to invest in targeted assets.

(a) The Kemaman plant in Malaysia

### Market position

Colas is a leading player on the roads market in mainland France on a par with Eurovia (Vinci) and Eiffage Travaux Publics. It is also in competition with large nationwide French firms (NGE, Malet), regional firms (Ramery, Charrier, Pigeon, Roger Martin) and an extensive network of small and medium-sized regional and local firms. Cement makers are competitors on the markets for aggregates and ready-mix concrete. In North America, Colas competes with local, regional and national firms as well as subsidiaries of multinationals. Colas has prime positions in the roadbuilding sector in most of the other countries where it operates, its main competitors being domestic players or subsidiaries of large international firms.

In its specialised activities, Colas' main competitors in France are, for example, ETF (Eurovia), TSO (NGE), TGS (Alstom) and Eiffage Rail in the railway sector, Soprema in the waterproofing sector, Signature (Eurovia), Agilis (NGE), AER (Eiffage), Girod and Lacroix in road safety and signalling, and Spiecapag, Sicim, Bonatti, Ponticelli, Endel and Eiffel (Eiffage) for networks. In the UK, Colas Rail's main competitors are Balfour Beatty, Carillion, Babcock, VolkerWessels, Vinci, Skanska, BAM and Ferrovial.

## 2.1.4.2 Business activity in 2017

Colas reported sales of €11,705 million in 2017, 6% up on 2016 (up 7% like-for-like and at constant exchange rates). This rise reflects an increase in activity, driven in particular by the recovery of the roads market in mainland France and major road and motorway projects in Central Europe. Activity rose 6% in France and by 7% on international markets (up 8% like-for-like and at constant exchange rates).

Sales in the roads activity were up 8% (up 8% like-for-like and at constant exchange rates), divided between mainland France, Europe (excluding France), driven by strong growth in Central Europe, Africa/Indian Ocean and Asia/Australia. They were up slightly in North America but fell slightly in French overseas departments. The sales of specialised activities were up slightly by 1% (up 3% like-for-like and at constant exchange rates), with Railways and Road Safety and Signalling remaining stable while Waterproofing and Networks posted an increase.

Current operating profit amounted to €362 million, compared with €386 million in 2016, down €24 million year-on-year. The improvement in current operating profit in the roads activity in mainland France and in Europe was not sufficient to offset a decline in the railways activity and the roads business in North America as a result of adverse weather conditions in Canada and a less favourable market context for bitumen derivative products in the United States. The current operating margin was 3.1% in 2017 versus 3.5% in 2016.

Non-current charges amounted to €5 million, which were related to preliminary works for the dismantling of the Dunkirk site, versus €62 million in 2016, which were mainly related to the discontinuation of the SRD subsidiary.

Operating profit therefore amounted to €357 million versus €324 million 2016, equating to an increase of €33 million.

The cost of net debt was €14 million, which was a similar level to 2016.

Other net financial income and charges came to €1 million, compared with €74 million in 2016, which included a capital gain on the sale of stakes in the motorway concession companies Atlandes (A63 motorway) and Adelac (A41 motorway).

Income tax in 2017 came to €75 million versus €108 million in 2016, down €33 million mainly as a result of the tax reforms approved at the end of 2017 in the United States.

The contribution of joint ventures and associates amounted to €61 million, compared with €82 million in 2016.

Net profit attributable to the Group amounted to €328 million, compared with €355 million in 2016.

Net cash flow came to €675 million, up €97 million versus 2016. Free cash flow improved sharply to €320 million versus €194 million in 2016.

Net capital expenditure amounted to €355 million in 2017, versus €384 million in 2016. This decline was mainly due to the divestment of non-core assets.

The financial structure remained robust, with shareholders' equity of €2.8 billion and net surplus cash of €433 million at end-December 2017, versus €517 million at end-December 2016.



### Roads (2017 sales: €9,656 million)

Sales were 8% higher than in 2016 (up 8% like-for-like and at constant exchange rates).

#### Roads mainland France (2017 sales: €4,312 million)

Sales in 2017 were up 8% versus 2016, when they bottomed out after falling for several years. Although central government grants to local authorities continued to diminish, municipalities in the second part of their term of office continued to launch new projects such as trams (Bordeaux, Caen, Lyon) and bus rapid transit (BRT) corridors (Lens, Poitiers, Rouen). Activity was also boosted by a motorway upgrade plan and work packages for the Grand Paris Express rapid transport project (preparatory work for diversions, earthworks, deconstruction and removal of spoil from Lines 14 North and 15 South). This was complemented by a slight upturn in private investment. Diversification of subsidiaries' activities into areas such as works for private individuals under the specific "Colas&Vous" brand name, depollution and trading in civil works products helped to boost sales. All the regional subsidiaries saw a rise in activity. Colas also acquired or took a stake in quarrying companies (Malet, Carayon Languedoc).

#### Roads Europe (2017 sales: €1,603 million)

Sales were 17% higher than in 2016 (up 19% like-for-like and at constant exchange rates).

Sales in **Northern Europe** were 7% higher than in 2016 (up 7% like-for-like and at constant exchange rates). Activity was stable in the **UK** in a fiercely competitive market; Allied Infrastructure Management Ltd, an airport maintenance and service provider, was acquired. Sales rose in **Belgium, Denmark, Ireland** and **Iceland** and were stable in **Switzerland.**

As expected, sales in **Central Europe** rose sharply (up 35% and up 45% like-for-like and at constant exchange rates) as activity recovered, driven mainly by the launch of major road and motorway projects financed by European funds. In **Hungary,** where a large number of calls for tender were issued in 2017, contracts were won for the M30 motorway and the M25 expressway, and work continued on the M35 motorway and a bypass on Highway 47. In **Slovakia,** private-sector projects supplemented the traditional roadbuilding activity. In the **Czech Republic,** the company won two contracts to widen and strengthen the D1 motorway. Sales in Poland were boosted by private investment. Markets in **Romania** and **Croatia** remained stable and recovered in **Slovenia.**

### Roads North America (2017 sales: €2,525 million)

Sales were up slightly by 2% versus 2016 (up 1% like-for-like and at constant exchange rates).

In the **United States,** sales remained virtually unchanged versus 2016, with a very good fourth quarter. The roads market has not yet felt the full benefit of the Fast Act, an 8-year federal plan to improve infrastructure, but was sustained by numerous State infrastructure funding initiatives. Some of the assets of Graymont Materials and a quarry in Missouri were acquired.

In **Canada,** against a background of strong economic recovery but sluggish growth on highly competitive markets, sales rose in comparison with 2016 but levels of activity differed from one part of the country to another. The effects of the 10-year federal plan to support investment in infrastructure have not yet materialised. Acquisitions were made in Quebec (assets of Compagnie Meloche) and in the Yukon. In line with the MOU that was signed on 30 August 2017 and after having received all the regulatory clearances, on 28 February 2018 Colas completed the acquisition of the entire shareholding in Miller McAsphalt, a road construction and bitumen distribution group. With a headcount of 3,300, it generates average annual sales of around CAD1.3 billion[a] and an average operating margin of 7%[a]. The acquisition of the Miller McAsphalt group will enable Colas Canada to expand its geographical coverage by increasing its presence in Ontario and considerably increasing its bitumen storage capacity across Canada. The purchase price was CAD913 million and the acquisition will be debt-financed and not alter Colas' strong balance sheet.

### Roads "Rest of the world" (2017 sales: €1,216 million)

Sales were up 7% versus 2016 (up 7% like-for-like and at constant exchange rates).

- Sales fell 3% in the **French overseas departments and regions.** Activity remained broadly flat in the **Caribbean-French Guiana** zone as Martinique and French Guiana were hit by the halt in local authority investment in new-build and maintenance projects. On **Reunion Island,** the level of activity in the traditional public works, civil engineering and building business was comparable to that in 2016 and the La Possession interchange on the New Coastal Road was completed. Activity on **Mayotte** remained stable.
- In **Africa** and the **Indian Ocean** region sales were up 10%. The subsidiary in **Morocco** maintained its market share in fiercely competitive market. In **West and Central Africa,** sales reflected the extent of countries' dependence on the price of oil and other raw materials. Some projects were completed (Bettié bridge in **Ivory Coast,** Tchetti-Savalou and Logozouhé-Glazoué roads in **Benin,** resurfacing of the RN4 road in **Togo**), and some were continued (RN 1 road in **Gabon**) or delayed (mining contract in **Guinea**). Sales in **Southern Africa** continued to be driven by the manufacture and sale of emulsions. In **Madagascar,** work on the Antananarivo and Nosy Be airports started after the conclusion of a 28-year concession agreement. Sales rose in **Mauritius.**
- In the **Middle East** (**United Arab Emirates, Oman** and **Qatar**), where the subsidiaries are consolidated by the equity method, activity held up well despite a problematical political and economic environment.
- Sales rose 18% in **Asia/Australia/New Caledonia.** In Asia, activity focuses on the production, distribution and sale of bitumen products via a network comprising a bitumen production plant in Malaysia, 26 emulsion plants, 21 bitumen depots and 19 bitumen carriers. Sales were stable in **India** and **Thailand.** Activity in **Australia** (roadworks and the sale of bitumen and emulsions) picked up. The subsidiary in **New Caledonia** maintained its level of activity.

## Specialised activities (2017 sales: €2,037 million)

Sales by specialised activities amounted to €2,037 million, up slightly by 1% versus 2016 (up 3% like-for-like and at constant exchange rates).

- Sales in the **Railways** business fell slightly 3% to €940 million but remained virtually unchanged like-for-like and at constant exchange rates. International markets accounted for 57% of the total. Activity in France was stable overall: an increase in metro and tram activity linked to the launch of projects in Paris, Bordeaux and Rennes among others offset the fall resulting from the completion of high-speed rail projects. Two major renewal and maintenance contracts for the national railway network were won. The level of activity in the UK was high, sustained by the contract to upgrade the Wessex railway network and the start of works on the Birmingham tram extension; a major track maintenance contract was also won. In the rest of the world, activity increased in North Africa as work continued on the Tangiers-Kenitra high-speed rail link and extension of the Rabat-Salé tram in Morocco and of the Algiers metro. In South America, it mainly concerned Lines 3 and 6 of the Santiago metro in Chile. Construction work started on Line 3 of the Hanoi metro.
- **Waterproofing:** sales rose slightly by 3% to €562 million as the building market in mainland France picked up again.
- **Road safety and signalling:** sales amounted to €304 million, comparable to 2016, on markets that seem to have stabilised but remain highly competitive due to overcapacity in the industry.
- **Networks:** sales rose strongly, by 22% to €231 million, mainly due to two major gas pipeline projects in France.

## Projects

In 2017, Colas carried out 80,000 projects in around 50 countries. The following examples illustrate the range and diversity of Colas' operations and projects.

### Mainland France

Completion of the Nîmes-Montpellier high-speed railway bypass, a PPP project; construction of the northern section of the L2 Marseille bypass, a PPP project; installation of concrete barriers on the central reservation of a 70-km section of the A10 motorway; resurfacing of sections of the A20, A40, A48, A64, A71 and A75 motorways; extension of Line 14 of the Paris metro, construction of Line 2 of the Rennes metro; construction or extension of tram lines in the Paris region (T1, T3, T4), in Bordeaux and in Avignon; construction of bus rapid transit (BRT) corridors in Aix-en-Provence, Bayonne, Lens, Pau and Poitiers; installation of 60 km of safety barriers for the A10 motorway; cladding of the Paris law courts building and of Aix-en-Provence Arena; laying of gas pipelines for the Midi-Gascogne network and for Artère du Val-de-Saône.

(a) Average of the last three financial years

### International and French overseas departments

- **Northern Europe:** upgrading and maintenance of the road network in central London under an eight-year contract, resurfacing of runways at East Midlands airport, refurbishment and extension of the Birmingham tram line as part of the Midland Metro Alliance and upgrading of the Wessex railway network in the UK; maintenance of a 250-kilometre road network under a five-year contract and widening of a section of the M7 motorway in Ireland; refurbishment of pavement on the E34 motorway in Belgium; resurfacing of runways and taxiways at Keflavik airport in Iceland.
- **Central Europe:** construction of the M35 motorway and a bypass on Highway 47 in Hungary; widening of two sections of the D1 motorway in the Czech Republic.
- **United States:** widening of sections of Interstate 64 in Virginia and of the Seward Highway in Alaska; refurbishment of pavement on Highway 285 in Arkansas and on Interstate 40 in California; resurfacing of bridge decks on Interstate 78 in Pennsylvania.
- **Canada:** resurfacing of runways, taxiways and access roads at Iqaluit International Airport in Nunavut (a PPP project); resurfacing of a section of Highway 20 West in Quebec; refurbishment of bridges in Ontario; multiyear road maintenance contracts in Edmonton and of bus rapid transit corridors in Calgary, Alberta; construction of a section of Highway 5 in the Northwest Territories.
- **South America:** construction of Lines 3 and 6 of the Santiago metro in Chile.
- **French overseas departments:** construction of an interchange and an elevated section for the New Coastal Road and of a bridge over Rivière des Galets and extension of Saint-Pierre Hospital on Reunion Island; earthworks, roads and utilities for a biomass power plant on Martinique and for an eco-neighbourhood in French Guiana.
- **Africa and the Indian Ocean region:** construction of the Tangiers-Kenitra high-speed rail line and extension of Line 2 of the Rabat-Salé tram in Morocco; extensions A and C of Line 1 of the Algiers metro; earthworks and civil engineering on a mining site in Guinea; construction of the Tchetti-Savalou and Logozouhé-Glazoué roads in Benin; resurfacing of sections of the RN4 road between Tabligbo and Aného in Togo; refurbishment and widening of the RN1 road out of Libreville in Gabon; construction of Hoima airport in Uganda; construction and resurfacing of runways at Antananarivo and Nosy Be airports in Madagascar.
- **Asia, Australia and New Caledonia:** resurfacing of a runway at Bangkok airport in Thailand; construction of Line 3 of the Hanoi metro in Vietnam; maintenance of road pavement in New South Wales in Australia; construction of the Nouville clinic at Nouméa in New Caledonia.

2

## 2.1.5 Outlook for the construction businesses

Benefiting from an upbeat environment in France and on international markets, the construction businesses will continue to be selective and focus on profitability rather than volumes. As a result, the current operating profit [a] and current operating margin [a] of the construction businesses are expected to improve versus 2017.

### Bouygues Construction

On a French market driven mainly by the Grand Paris major infrastructure programme and an international market offering many opportunities, Bouygues Construction enjoys good visibility, backed up by:

- orders at 31 December 2017 to be executed in 2018 worth €9.0 billion;
- sustained international activity in places with bright economic prospects, such as Hong Kong, Singapore, Canada, Switzerland, the UK and Australia, which are highly rated by the NGO Transparency International;
- a medium-term backlog (two to five years) worth €9.8 billion at 31 December 2017;
- a sound financial structure, with record net surplus cash of €3.4 billion;
- a lead in sustainable construction, to which the company devotes much of its R&D budget;
- a strong commitment to shared innovation for the benefit of customers.

Tight control over the execution of major projects, a selective approach to orders and innovation will continue to be central priorities for Bouygues Construction in 2018, together with protecting the health and safety of employees and project partners.

### Bouygues Immobilier

In 2018, in a residential property market likely to remain buoyant, Bouygues Immobilier, an urban operator and creator of better living, intends to pursue its growth in France and elsewhere, improve its profitability and reduce its debt, focusing on three priorities: an enhanced and personalised customer experience, the pursuit of sustainable urban development and transformation of the company.

- **Residential:** Bouygues Immobilier will make product quality and a personalised customer experience its first priority. The company will continue its digital transformation in order to offer its customers new services to enhance quality of life in their home and in their neighbourhood. Innovation will be used to create a more personalised, connected, scalable and sustainable living environment. The company will continue to strive to provide affordable, high-quality homes by diversifying its range of properties and products (intermediate housing, managed residences, etc.) and optimising design (Building Information Modeling).
- **Commercial:** The widespread use of digital technologies is generating new, flexible and mobile working methods. The challenge is to invent the commercial property of the future. Bouygues Immobilier is upgrading its products by integrating coworking and services into the design of corporate headquarters, in response to rapidly changing demand. This approach will include designing buildings to be reversible, in both their forms and uses, with greater embedded intelligence through BIM and data management.

(a) Excluding capital gain of €28 million on Nextdoor in 2017

- **Urban planning:** having been awarded numerous projects in 2016 and 2017, the primary aim in 2018 will be to implement the operational aspects, keeping to schedules and rolling out innovative urban services. Urban projects spanning a further 200,000 m² are expected in 2018.
- **International:** the company will continue to pursue growth in its existing subsidiaries in Poland, Belgium and Morocco.

## Colas

In a market where demand for transport infrastructure is expected to remain high in the medium term, Colas intends to pursue its growth in transport infrastructure solutions, roads and railways, to serve sustainable mobility. It has the assets, skills and financial resources necessary for this growth.

Sales in 2018 are expected to be significantly higher than in 2017, and the current operating profit margin is expected to improve.

- Sales for the **Roads business in Mainland France** are expected to increase slightly in 2018, in a market boosted by the Grand Paris major infrastructure programme, by the 2nd motorway plan and by a resumption in public-funded projects.
- In **Europe,** the construction market is fueled by the public works sector. Road activity should also increase.
- In **North America,** in addition to infrastructure programmes at the federal, state or provincial level, Colas is positioning itself on major PPP projects in Canada. The integration of the Miller McAsphalt group during the first half of 2018 will lead to a sharp increase in Colas Canada's sales.
- In the **Rest of the World,** opportunities for projects are numerous and national markets are generally buoyant except in a few specific areas, notably in the French overseas departments and regions, and Qatar.
- Sales from **Specialized Activities** is expected to remain stable for the most part. The measures taken in the Railways sector (renewal of management, reorganisation of activities in France, asset disposals) will begin to have a gradual effect as of 2018. Waterproofing will benefit from a healthy building market. Safety and Signaling could grow slightly and Networks could remain stable at a high level.

# 2.2 TF1, THE LEADING PRIVATE TELEVISION GROUP IN FRANCE

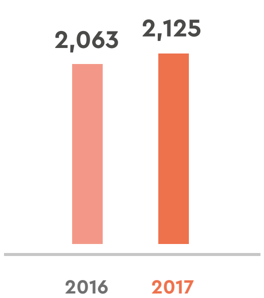
TF1, the leading private television group in France, produces and broadcasts five unencrypted TV channels[a] and four channels[b] on the other networks. TF1's content offering is available on all screens (television, smartphones, etc.), thus enabling audiences to enjoy a more immersive experience through digital media.

TF1 is developing production and digital activities for the French and European markets. It also works in the field of entertainment (home shopping, board games, music production and live shows, etc.).

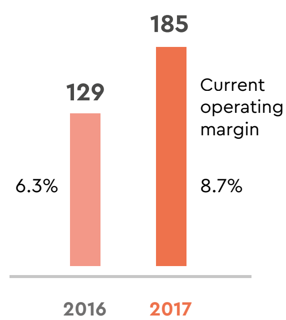


## Key figures

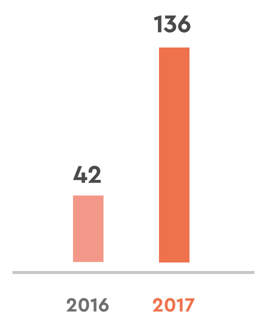
**Sales**
€ million



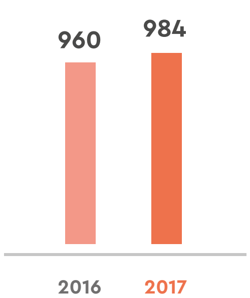

**Current operating profit**
€ million




**Net profit attributable to the Group**
€ million

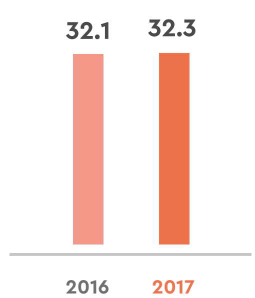



**Cost[c] of programmes for the unencrypted channels[a]**
€ million




**TF1 Group audience share[d]**
%

**Women under 50 who are purchasing decision makers**




(a) TF1, TMC, TF1 Séries Films (formerly HD1), TFX (formerly NT1) and LCI (since April 2016)
(b) TV Breizh, Ushuaïa, TV, Histoire and Serieclub
(c) Excluding non-current charges and sporting events
(d) Source: Médiamétrie, annual average

## Condensed balance sheet

### Assets

| at 31 December, € million | 2017 | 2016 |
| --- | --- | --- |
| Property, plant and equipment and intangible assets | 412 | 411 |
| Goodwill | 580 | 561 |
| Non-current financial assets and taxes | 69 | 121 |
| **NON-CURRENT ASSETS** | **1,061** | **1,093** |
| Current assets | 1,834 | 1,703 |
| Cash and cash equivalents | 495 | 420 |
| Financial instruments – Hedging of debt | | |
| **CURRENT ASSETS** | **2,329** | **2,123** |
| Held-for-sale assets and operations | | |
| **TOTAL ASSETS** | **3,390** | **3,216** |

### Liabilities and shareholders' equity

| at 31 December, € million | 2017 | 2016 |
| --- | --- | --- |
| Shareholders' equity attributable to the Group | 1,582 | 1,494 |
| Non-controlling interests | | (1) |
| **SHAREHOLDERS' EQUITY** | **1,582** | **1,493** |
| Non-current debt | 232 | 225 |
| Non-current provisions | 39 | 54 |
| Other non-current liabilities and taxes | 40 | 43 |
| **NON-CURRENT LIABILITIES** | **311** | **322** |
| Current debt | 6 | 7 |
| Current liabilities | 1,491 | 1,393 |
| Overdrafts and short-term bank borrowings | | 1 |
| Financial instruments – Hedging of debt | | |
| **CURRENT LIABILITIES** | **1,497** | **1,401** |
| Liabilities related to held-for-sale operations | | |
| **TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY** | **3,390** | **3,216** |
| **NET DEBT(-)/NET SURPLUS CASH (+)** | **257** | **187** |

## Condensed income statement

| € million | 2017 | 2016 |
| --- | --- | --- |
| **SALES** | **2,125** | **2,063** |
| Net depreciation and amortisation expense | (173) | (178) |
| Net charges to provisions and impairment losses | (54) | (81) |
| Other income and expenses | (1,713) | (1,675) |
| **CURRENT OPERATING PROFIT** | **185** | **129** |
| Other operating income and expenses | (23) | (84) |
| **OPERATING PROFIT** | **162** | **45** |
| (Cost of net debt)/Income from net surplus cash | (2) | (1) |
| Other financial income and expenses | 7 | (4) |
| Income tax expense | (45) | (6) |
| Share of net profits/losses of joint-ventures and associates | 14 | 10 |
| **NET PROFIT** | **136** | **44** |
| Net profit attributable to non-controlling interests | | 2 |
| **NET PROFIT ATTRIBUTABLE TO THE GROUP** | **136** | **42** |

## KEY FIGURES

At 31 December 2017

—

**Employees**

**3,057**

—

**Sales**

**€2,125m (+3%)**

—

**Current operating profit**

**€185m (+43%)**

—

**Current operating margin**

**8.7% (+2.4 points)**

—

**Net profit attributable to the Group**

**€136m (+224%)**

## HIGHLIGHTS

### RATINGS

- 19 of the 20 best television audience ratings of 2017[a] were scored by the TF1 channel

### DISTRIBUTION

- Agreement to market TF1 advertising slots in Belgium
- Innovative distribution agreement with Altice-SFR that includes the TF1 Premium offer and complementary services

### DIGITAL

- Binding offer for the acquisition of the aufeminin[b] group
- TF1, Mediaset, ProSiebenSat.1 and Channel 4 team up to create the EBX[c] pan-European digital media sales agency
- Acquisition of a stake in Studio71[d], alongside ProSiebenSat.1 and Mediaset, and launch of the activity in France

### AUDIOVISUAL PRODUCTION

- Newen acquires a majority stake in Tuvalu, the leading independent producer in the Netherlands

(a) Source: Médiamat 2017 by Médiamétrie
(b) The agreement relating to this acquisition was signed in January 2018. The transaction is subject to regulatory clearances in France and Austria
(c) European Broadcaster Exchange
(d) More than six billion videos viewed per month and 1,100 channels (data: January 2017)

## 2.2.1 Profile

TF1 broadcasts televisual content and is developing production and entertainment activities that are consistent with its core business. It is the leading private media group in unencrypted television in France with five complementary channels – TF1, TMC, TFX[a], TF1 Séries Films[a] and LCI – that together scored an average 32.3%[b] audience share in 2017.

The group is strengthening this position by continuously adapting to new content consumption behaviour. TF1 has developed a powerful digital version of its television offering, proposing exclusive digital content and VOD offers to reach all viewer segments across all platforms.

TF1 produces theme channels responding to the specific expectations of TV viewers: TV Breizh, Histoire, Ushuaïa TV and Serieclub.

Through this unique offering, TF1's advertising sales teams bring advertisers the possibility of combining the high ratings of its television channels with the advantages of personal digital media. These teams also sell advertising space for Les Indés Radios and websites.

TF1 produces and distributes content not just intended for its own broadcasting but for the rest of the French and European market. Newen Studios, a major player in TV production and distribution in France (see section 2.2.1.3), owned 70% by TF1, strengthened its position in 2017 through the acquisition of Tuvalu, the leading independent producer in the Netherlands, the key objective being to step up the roll-out of its production and distribution activities in Europe.

TF1 has also created a broad range of complementary activities in home shopping, licences, board games, music production and operates La Seine Musicale concert hall just outside of Paris.

Mindful of its social responsibilities, TF1 is committed to ongoing dialogue with all its stakeholders, the aim being to ensure transparency and continue improving the group's practices.

### 2.2.1.1 Development strategy and opportunities

Over the last few years, the competitive landscape has been marked by many often disruptive changes, such as the arrival of global-sized competitors, concentration in the production sector, an increase in the number of digital terrestrial television (DTT) unencrypted channels in France, and the intermediation of a limited number of advertising agencies. Furthermore, the television advertising market posted slight growth in 2017.

Against this backdrop, TF1 has accelerated the roll-out of its multi-channel, multi-media and multi-activity strategy and the transformation of the group in order to boost its profitability.

Harnessing its long-standing strengths, TF1 is creating value by:

- developing flagship shows so as to promote the value of the TF1 channel's advertising spots;
- optimising the portfolio of unencrypted channels by strengthening the identity of each one and the complementary fit between them, and by developing synergies and multi-media television-web offers;
- optimising the monetisation and distribution of its content and services, for example by enhancing the partnerships with the telecom operators that distribute them.

At the same time, TF1 is simplifying its organisational structures and operating procedures to become more nimble and thus reduce costs.

Lastly, TF1 strives continuously to engage its stakeholders and raise their awareness regarding its environment and the issues facing the French audiovisual sector as a whole.



### 2.2.1.2 Strengths and assets

The global offering of the TF1 group gives it robust assets:

- **a unique position in the French audiovisual sector** through its five complementary unencrypted TV channels, including TF1, a leading brand in France;
- **large audiences** spanning much of the population;
- **powerful brands,** with many combinations of TV and digital media, ensuring optimum reach;
- **unique exposure opportunities** for advertisers across all platforms;
- **high-potential partnerships** thanks to the European Media Alliance[c], of which it is a member, and with European broadcasters and producers via Newen Studios;
- **recognised expertise** in the production, distribution and editorial treatment of audiovisual content;
- **a robust financial structure** that gives TF1 the means to finance its organic and external growth and profitability targets.

### 2.2.1.3 Market position

#### Television

In a French DTT market comprising 27 unencrypted channels, the TF1 group airs, in addition to the leading channel TF1, a multi-channel offering with TMC, TFX, TF1 Séries Films and LCI. It competes with state-owned channels, and private groups such as Métropole Télévision (M6, W9, 6Ter) and Canal+ group (Canal+, C8, Cstar, CNews).

It remains the most powerful private player, with an audience share of 27.7%[d] in 2017 compared with 13.8% for its main private-sector rival.

In the advertising market, the TF1 group also competes against the press, radio, web, billboard and cinema media. TF1 Publicité, the TF1 group's

(a) Formerly NT1 and HD1 respectively
(b) Source: Médiamat by Médiamétrie – consolidated ratings at 31 December 2017. Audience: women under 50 who are purchasing decision makers
(c) An initiative of ProSiebenSat.1, the EMA is a media network comprising several leading European broadcasters whose aim is to boost geographic reach and investment opportunities in the digital sphere
(d) Médiamat by Médiamétrie (consolidated 2017 average). Target: Individuals aged 4 and over

advertising sales agency, has extended its business activities to include radio and web, and markets advertising inventories in Switzerland and Belgium.

Furthermore, the TF1 group is confronted with the arrival of global web players in the broadcasting sector. It is appealing to the authorities to introduce fair competition rules.

TF1 group markets the theme channels Ushuaïa TV, Histoire, TV Breizh and Serieclub to other operators.

### Digital

The TF1 group has rolled out its MYTF1 digital brand across all media (PC, tablets, etc.). Its catch-up TV service is used by an average of over 10 million unique visitors[a] a month. MYTF1 performed well in 2017 with 1.3 billion videos viewed[b], which was driven by a number of leading shows such as *Tomorrow is ours* (101 million videos viewed) and *Quotidien* (65 million videos viewed).

TF1 and its partners Mediaset (Spain and Italy), ProSiebenSat.1 and Channel 4 launched the European Broadcaster Exchange (EBX) to bring advertisers pan-European programmatic digital video campaigns as part of a fully brand-safe and premium environment.

In 2017, TF1 acquired a minority share in Studio71, the world's number-three MCN[c] by number of videos viewed per month, which it operates in France. The group also developed its content offering for millennials[d] by taking a majority stake in *MinuteBuzz*, the leading entertainment media with millennials in France on social networks.

In January 2018, TF1 signed an agreement to acquire the majority interest of the Axel Springer group (around 78%) in the aufeminin group at a price of €38.74 per share[e]. Aufeminin is a digital player that publishes content for various different communities mainly covering fashion, beauty and cuisine via media brands such as *Marmiton* or *My Little Paris*. TF1 will file a mandatory simplified tender offer for the remaining shares at the same price once this acquisition is completed. Completion of the transaction is subject to regulatory clearance in France and Austria. The closing of the deal is expected during the first half of 2018.

The TF1 group has a strong presence on social media, the aim being to develop a unique relationship with its TV viewers, and had more than 65 million subscriptions on social networks at the end of 2017.

### Production and entertainment

Boasting a long-standing presence in audiovisual content through the sales of rights catalogues, its video activity and the coproduction of films, TF1 strengthened its position in the audiovisual content production and distribution market in 2016 by acquiring a 70% stake in Newen, which produces over 1,300 hours of programmes per year.

TF1 is also strongly positioned in connected markets (including music, games, home shopping and licences), enabling it to diversify its revenue streams, and it opened La Seine Musicale concert hall in 2017 (see also section 2.1.2 on Bouygues Construction).

## 2.2.2 Business activity in 2017

In 2017, in an advertising market that saw no recovery, TF1 pursued its transformation by rolling out its multi-channel, multi-media and multi-activity strategy and strengthened its position in unencrypted television. It adjusted its business model and ramped up its development in digital media and in the production and distribution of audiovisual content.

### 2.2.2.1 Changing behaviour in a still fragmented market

Television continues to appeal to advertisers, even though the lack of momentum in the French economy prevented a substantial increase in the television advertising market

Daily television viewing time remained at a high level in 2017, at 3 hours and 42 minutes for individuals aged 4 and over, down 1 minute on last year. Pre-recorded viewing time (including Catch-up TV) increased 1 minute year on year, while live viewing decreased 2 minutes over the same period[f].

In other developments, technological advances and the resulting new uses are accelerating the growth of non-linear TV content consumption, which is increasingly multi-screen. That being so, the TF1 group continued to develop its digital presence in 2017 through the acquisition of a 6.1% stake in Studio71, the launch of Studio71 in France and the acquisition of a majority share in MinuteBuzz.

To bring advertisers pan-European video campaigns in a fully brand-secure and premium digital environment and also to compete more effectively with international players, TF1, Mediaset, ProSiebenSat.1 and Channel 4 created the European Broadcaster Exchange (EBX).

In January 2018, TF1 signed an agreement to acquire aufeminin, which boasts a highly-engaged audience on the internet, the ability to trigger purchases from various communities, and often direct relations with advertisers. It also possesses the technological assets enabling it to better monetise its advertising inventory.

TF1 also strengthened its position in content production. Newen took a majority stake in Tuvalu, the leading independent producer in the Netherlands, and has diversified its customer portfolio with Netflix and with TF1 since summer 2017. For TF1 it produces *Tomorrow is ours*, a series broadcast daily in prime-time access that has turned out to be a big success.

(a) Médiamétrie/NetRatings (2017 average over IPTV)
(b) Excluding news, XTRA content and live sessions
(c) Multi Channel Network, an organisation that works with video platforms such as YouTube to offer assistance in areas such as product, programming, funding, cross-promotion, partner management, digital rights management, monetisation/sales, and/or audience development
(d) People born between 1980 and 2000
(e) Dependent on the usual adjustments on the date of the operation
(f) Excluding non-linear consumption on other devices (computers, tablets, smartphones, etc.) live and via catch-up TV, and excluding consumption outside the home, all devices combined

## 2.2.2.2 Key figures in 2017

### Sales up 3%

TF1 posted consolidated sales of €2,125 million in 2017, up 3% versus 2016.

The overall figure comprises advertising sales of €1,562 million, up 2% versus 2016, and sales from other businesses of €563 million, up 6% year on year.

Advertising sales for the TF1 group's five unencrypted channels rose 2% to €1,481 million in a television advertising market that failed to make a substantial recovery in 2017, though the second half of the year was better than the first half, which included the French presidential election.

The increase in sales for other businesses owed both to organic growth (including the start-up of concert venue La Seine Musicale's operations) and external growth (such as the acquisition of Tuvalu), which positively offset the decrease in sales stemming from the non-recognition in 2017 of Newen's disposal of co-production shares granted to some broadcasters.

TF1 sales are made up of Broadcasting sales (€1,714 million, up €44 million) and Studios and Entertainment sales (€411 million, up €18 million). The increase in Broadcasting sales can be attributed to growth in the advertising sales of the unencrypted channels and an increase in digital advertising revenue.

The increase in Studios and Entertainment sales was driven by both organic and external growth.

In 2017, 96.1% of TF1 sales were generated in France, 3.5% in Europe (excluding France) and 0.4% in the rest of the world.

### Current operating profit of €185 million

The cost of programmes for the group's five unencrypted channels, excluding non-current items and sporting events, came to €984 million in 2017 versus €960 million a year earlier. In 2016, the screening costs for the Euro soccer matches on the group's channels came to €46 million (€37 million, net of replacement programmes).

In 2017, other current charges, depreciation and provisions rose by €29 million.

TF1's current operating profit totalled €185 million, compared with €129 million in 2016, including €27 million in recurring savings made consistent with the Recover plan. Operating margin rose 2.4 points to 8.7%, compared with 6.3% a year earlier.

Operating profit in 2017 came out at €162 million, comprising €23 million in non-current charges related to amortisation of audiovisual rights remeasured as part of the acquisition of Newen Studios.

Net profit therefore increased €94 million versus 2016 to €136 million, and included the proceeds from the divestment of the stakes in Groupe AB and Teads, as well as the proceeds from the reimbursement of the 3% tax on dividends and the exceptional income tax contribution.

### Positive net cash position

At 31 December 2017, total shareholders' equity came to €1,582 million, for total assets of €3,390 million. The group's net surplus cash stood at €257 million.

## 2.2.2.3 Business review in 2017

### The benchmark television offering in France

TF1 remained the leading[a] private-sector television group in France in 2017, with a combined audience share of 27.7% of individuals aged 4 and over (up 0.3 points year on year), 32.3% of women aged under 50 who are purchasing decision-makers (up 0.2 points) and 29.2% of individuals aged 25–49 (up 0.3 points).

#### TF1

The TF1 TV channel confirmed its leadership in 2017 through events-driven programming that continued to appeal to a wide range of viewers. The channel scored the 19 top ratings of 2017 and claimed 84 out of the top 100 ratings of the year across all programme categories. TF1 had 32 of the forty-two spots claimed by French drama (up five spots on 2016). This increase shows that TF1 has been able to rejuvenate this category with new shows (*Killer by the lake*, *Entre deux mères, The Mantis, Special Honors*) and with its leading brands (*Research unit*).

News programmes covering the French presidential election scored some of the highest ratings of the year, with *Le Grand Débat à 5* and *Le Grand Entretien - Emmanuel Macron* each drawing over 9 million viewers.

TF1 posted exceptional figures in cinema, with 8.8 million viewers for *Welcome to the Sticks* and eight million for *Untouchable*. Major entertainment brands also put in robust performances, including *The Voice*, which hit a high of 8.1 million viewers. The channel scored a 20.0% audience share with individuals aged 4 and over, a 22.1% audience share with women aged under 50 who are purchasing decision-makers and a 19.9% audience share of individuals aged 25–49.

#### DTT channels

The TF1 group's DTT channels – TMC, TFX, TF1 Séries Films, LCI – posted an excellent year, growing their audience share with women aged under 50 who are purchasing decision-makers by 0.5 points to 10.2%, compared with 9.7% in 2016.

TMC, a premium DTT channel, confirmed its successful repositioning in 2017, increasing its audience share with women aged under 50 who are purchasing decision-makers by 0.5 points to 4.3%.

The audience shares of TFX and TF1 Séries Films were stable at 3.5% for the former and down slightly, by 0.1 points, to 2.2%, for the latter.

Lastly, thanks to its new editorial approach, the rolling news channel LCI doubled its audience share in 2017 to 0.6% of individuals aged 4 and over.

(a) Excluding non-linear consumption on other devices (computers, tablets, smartphones, etc.) live and via catch-up TV, and excluding consumption outside the home, all devices combined

### Growth in the digital business

The digital business grew strongly in 2017 owing to an increase in interactivity and advertising sales on MYTF1. Some 1.3 billion TF1 videos were viewed in 2017 on the MYTF1[a] platform alone.

In addition, innovative programming approaches helped to express the complementary fit of broadcasting and digital, boosting ratings for exceptional events. In news programmes, the TF1-LCI-Digital co-broadcast of *Le grand débat* was followed by 11.2 million people. In French drama, the first episode of the *Killer by the lake* series drew 7.9 million individuals thanks to its exposure on MYTF1 as a preview and then in catch-up TV, and also through its broadcast on the TF1 TV channel and on TF1 Séries Films.

### A committed and responsible media group

The TF1 group's social responsibility policy and the quality of its CSR reporting are aimed at strengthening dialogue with stakeholders and the public's trust (see also chapter 3 of this Registration document).

All of TF1's social responsibility commitments, led since end-2017 under the TF1 Initiatives brand, have been reorganised into three main areas: solidarity, diversity and the sustainable society.

In 2017, TF1 campaigned on the topic of gender equality, notably by giving women experts a voice on news programmes and by developing gender equality at all levels of the company. TF1 also initiated an ambitious training programme on digital media that will concern the entire workforce over the next three years

TF1 confirmed its listing in the following indices in 2017: RobecoSam (DJSI World and DJSI Europe Index), Vigeo (Ethibel Sustainability Europe, Ethibel Excellence, Ethibel Pioneer), Ethifinance (Gaïa Index), Oekom (Prime status) and MSCI (AA rating).

## 2.2.3 Outlook

During 2018, TF1 will press ahead with its multi-channel, multi-media and multi-activity strategy, and will continue to grow its digital and production activities with, in particular, the integration of aufeminin with TF1, which will be one of the priorities for accelerating the group's digital transformation in 2018.

**TF1** confirmed its targets to improve profitability:

- in 2018, a higher current operating margin, excluding major sporting events;
- in 2019, double-digit current operating margin, with activities other than advertising on the five unencrypted channels contributing at least one third of consolidated sales;
- the annual average cost of programmes reduced to €960 million[b] over the 2018–2020 period for the five unencrypted channels.

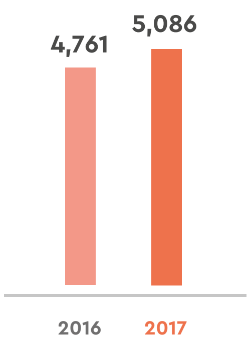
(a) Excluding news content, XTRA content and live sessions
(b) Excluding major sporting events

# 2.3 BOUYGUES TELECOM, AN OPERATOR AT THE HUB OF ITS CUSTOMERS' DIGITAL LIVES

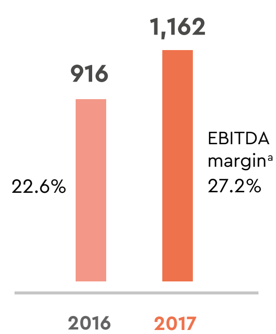
Bouygues Telecom offers innovative solutions that make mobile and fixed services simple and easy to use for all its customers. It rolls out very-high-speed digital technologies – 4G, fibre and soon 5G – throughout France.

## Key figures

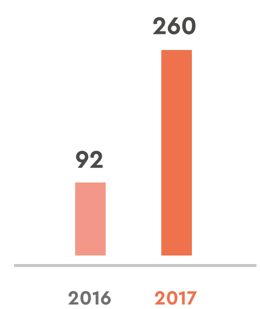
**Sales**
€ million



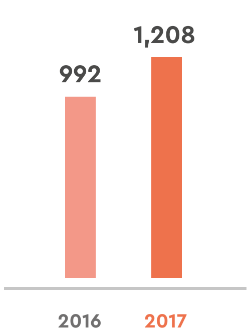

**EBITDA**
€ million



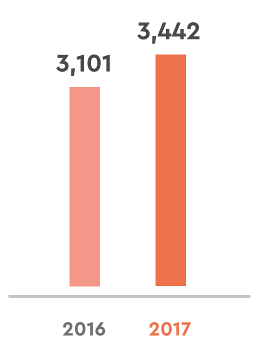

**Net profit attributable to the Group**
€ million



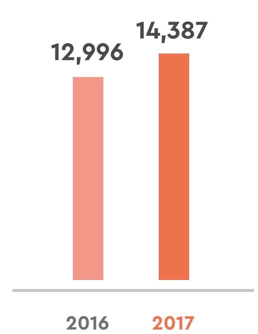

**Gross capital expenditure**
€ million




**Fixed broadband customers**
'000, at end-December




**Mobile customers**
'000, at end-December




(a) EBITDA/Sales from Network

## Condensed balance sheet

### Assets

| at 31 December, € million | 2017 | 2016 |
|---|---|---|
| Property, plant and equipment and intangible assets | 5,219 | 4,862 |
| Goodwill | 5 | 5 |
| Non-current financial assets and taxes | 10 | 10 |
| **NON-CURRENT ASSETS** | **5,234** | **4,877** |
| Current assets | 1,532 | 1,348 |
| Cash and cash equivalents | 58 | 23 |
| Financial instruments – Hedging of debt | | |
| **CURRENT ASSETS** | **1,590** | **1,371** |
| Held-for-sale assets and operations | 38 | 121 |
| **TOTAL ASSETS** | **6,862** | **6,369** |

### Liabilities and shareholders' equity

| at 31 December, € million | 2017 | 2016 |
|---|---|---|
| Shareholders' equity attributable to the Group | 3,110 | 2,851 |
| Non-controlling interests | | |
| **SHAREHOLDERS' EQUITY** | **3,110** | **2,851** |
| Non-current debt | 993 | 995 |
| Non-current provisions | 272 | 247 |
| Other non-current liabilities and taxes | 31 | 27 |
| **NON-CURRENT LIABILITIES** | **1,296** | **1,269** |
| Current debt | 40 | 40 |
| Current liabilities | 2,415 | 2,209 |
| Overdrafts and short-term bank borrowings | | |
| Financial instruments – Hedging of debt | 1 | |
| **CURRENT LIABILITIES** | **2,456** | **2,249** |
| Liabilities related to held-for-sale operations | | |
| **TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY** | **6,862** | **6,369** |
| **NET DEBT (-)/NET SURPLUS CASH (+)** | **(976)** | **(1,012)** |

## Condensed income statement

| € million | 2017 | 2016 |
|---|---|---|
| **SALES** | **5,086** | **4,761** |
| Net depreciation and amortisation expense | (841) | (781) |
| Net charges to provisions and impairment losses | (13) | (1) |
| Other income and expenses | (3,903) | (3,830) |
| **CURRENT OPERATING PROFIT** | **329** | **149** |
| Other operating income and expenses | 141 | 20 |
| **OPERATING PROFIT** | **470** | **169** |
| Cost of net debt | (8) | (8) |
| Other financial income and expenses | (9) | (9) |
| Income tax charge | (193) | (60) |
| Share of net profits/losses of joint-ventures and associates | | |
| **NET PROFIT** | **260** | **92** |
| Net profit attributable to non-controlling interests | | |
| **NET PROFIT ATTRIBUTABLE TO THE GROUP** | **260** | **92** |

## KEY FIGURES

At 31 December 2017

**Employees**
**7,398**

**Sales**
**€5,086m** (+7%)

**EBITDA**
**€1,162m** (+27%)

**EBITDA margin** [a]
**27.2%** (+4.6 points)

**Net profit attributable to the Group**
**€260m** (+183%)

(a) EBITDA/Sales from network

## HIGHLIGHTS

**JANUARY**

- Launch of the 4G Box, a product targeted at rural areas

**FEBRUARY**

- Bouygues Telecom is certified Top Employer 2017

**MARCH**

- 5G is trialled jointly with Ericsson. A download speed of 25.2 Gbps is obtained during a test

**APRIL**

- Agreement with Altitude, sealing Bouygues Telecom's arrival on its public initiative FTTH networks. Two other agreements were signed with Covage and TDF in the second half of the year

**OCTOBER**

- Launch of a nationwide operation to recycle used mobile handsets in partnership with WWF France

**NOVEMBER**

- Launch of a connected after-sales service for business customers

## 2.3.1 Profile

Bouygues Telecom has continually innovated since its founding to enhance the digital experience of its customers by offering solutions adapted to the many new ways people use mobile and fixed services:

- after inventing the mobile call plan in 1996, Bouygues Telecom launched the first unlimited call plans with Neo in 2006. In 2011, Bouygues Telecom then introduced B&YOU, the market's first SIM-only/Web-only service with no minimum term. Bouygues Telecom upgraded its infrastructure in 2011 and launched the first nationwide 4G network in France in 2013 to prepare for the explosion in mobile data demand and ensure a high-quality customer experience – a decisive factor in consumer choice;
- to make very-high-speed internet available to customers in areas with poor coverage, Bouygues Telecom launched the 4G Box in less dense areas in January 2017, offering access for some 10 million eligible households. This innovative service benefits from the quality and performance of the operator's 4G mobile network, which now covers 95% of the population;
- in order to become a convergent operator, Bouygues Telecom acquired its own fixed network in 2008. In 2009, Bouygues Telecom invented the market's first quadruple-play offer (fixed and mobile telephony, internet and television), branded "Tout-en-un ideo". In 2010 Bouygues Telecom launched Bbox Fibre, its first very-high-speed offering. To accelerate its growth in the fixed market, in 2014 Bouygues Telecom introduced ground-breaking pricing, launching a triple-play broadband offer for €19.99 per month. In 2015, Bouygues Telecom launched Bbox Miami, its first TV box in partnership with Google, available on both DSL broadband and very-high-speed FTTH networks;
- with the commercial launch of its Objenious subsidiary in 2016 Bouygues Telecom ramped up its Internet of Things (IoT) activities, based on its Long Range (LoRa) network. At the end of 2017 this network covered all of France, with 4,300 masts.

### 2.3.1.1 Market position

In a French mobile market[a] that totalled 87 million SIM cards at end-2017, Bouygues Telecom was in third position with 14.4 million customers, behind Orange and SFR group, but ahead of Free Mobile and the MVNOs[b]. Bouygues Telecom had a 16.6% share of the mobile market at end-2017, 0.7 points higher than at end-2016.

In a French fixed broadband market[a] with 28.4 million customers at end-2017, Bouygues Telecom ranked fourth with 3.4 million customers, behind Orange, Iliad and the SFR group. Bouygues Telecom had 12.1% of the French fixed broadband market at end-2017, 0.9 points more than at end-2016, and an 8.1% share of the very-high-speed market at end-2017, up 2.6 points year-on-year.

Bouygues Telecom only operates in mainland France.

### 2.3.1.2 Development strategy and opportunities

With the rapid growth in digital uses, Bouygues Telecom has positioned itself as a dependable operator thanks to the quality of its customer support and its mobile and fixed networks.

Bouygues Telecom is leveraging its key strengths – its 4G network, the excellent value for money of its mobile plans and the commitment of its teams – to roll out a four-pronged strategy:

#### A high-quality customer experience

Bouygues Telecom has always made a simple and seamless customer experience a differentiating competitive advantage. This high-quality customer experience is the result of digitized services and a straightforward, efficient purchasing process, backed by the commitment of its 3,500 customer and sales advisers.

#### Reliable, high-quality access to mobile and fixed networks

Bouygues Telecom's 4G network will cover 99% of the French population by the end of 2018 to support growing mobile internet use. The operator plans to increase the number of sites by 50% in very dense areas within four years to improve network capacity and prepare for the introduction of 5G. Bouygues Telecom also continues to roll out new sites in less dense areas thanks to a network sharing agreement with SFR group. By the end of December 2017, nearly 9,000 sites had been rolled out jointly, equating to 73% of the final target. Since the beginning of the agreement, the number of Bouygues Telecom's sites has increased by 45% in the commissioned zones.

Bouygues Telecom has also access to available frequencies in a number of different bands (700, 800, 900, 1800, 2100 and 2600 MHz) thanks to total investments of around €2 billion to keep pace with the explosion in its customers' mobile data consumption. Thanks to this wide range of frequency bands and the technology underpinning its network infrastructure, Bouygues Telecom has been able to aggregate its frequency bands to offer even faster speeds and improved quality of service.

To pursue growth in the fixed business and strengthen its position in households, Bouygues Telecom markets high-quality offers at very competitive prices. After rolling out its directly-owned DSL network, available to over 17 million eligible households, Bouygues Telecom has deployed its FTTH network, which had 4 million premises marketed and 20 million premises secured at end-2017. The target is 12 million premises marketed by the end of 2019. The target for 2022 is to have 20 million premises marketed.

(a) Most recent data published by Arcep (the French telecoms regulator). Scope: "Mainland France" for the mobile market. "Mainland France and French overseas departments" for fixed broadband (including very-high-speed). Very-high-speed subscriptions are those with a peak download speed of 30 Mbit/s or more, according to the definition by Arcep

(b) Mobile Virtual Network Operators

### Forging closer relations with customers

Thanks to increased 4G mobile coverage and a larger FTTH footprint, Bouygues Telecom is expanding local marketing of its offers to target French households, notably in less dense areas.

### Developing Business and Corporate as well as Internet of Things services

The business market is a key avenue of growth for Bouygues Telecom. In the mobile segment, the operator has strengthened its number three position thanks to the considerable rise in the Bouygues Telecom Entreprises customer base since 2014. In the fixed segment, Bouygues Telecom Entreprises aims to increase its market share by developing innovative offers and services and deploying fibre on its own infrastructure (FTTO – Fibre to the Office).

Bouygues Telecom subsidiary Objenious is also supporting the development of the Internet of Things (IoT) with its own network based on Long Range (LoRa) technology. This IoT network, which is the leading one in France, covers 93% of the French population to enable marketing of services to businesses.

### 2.3.1.3 Strengths and assets

### Committed employees

Following two voluntary redundancy plans and extensive restructuring of the company, Bouygues Telecom has regained growth momentum while sustaining motivation among all its teams. Strong employee commitment was confirmed by an annual satisfaction survey which showed that 95% of staff are committed to giving their best effort for the company. This strong employee commitment is a major asset that will help Bouygues Telecom drive continued growth and achieve its objectives.

### Excellent quality customer service

Bouygues Telecom provides its 17.8 million customers with daily support through an excellent customer relations service provided by its advisers that includes 500 Bouygues Telecom stores, a website, social media and on-line assistants.

### High-quality mobile and fixed offers at competitive prices

Leveraging the quality of its 4G network, Bouygues Telecom offers "B&You" SIM-only plans without a minimum term, as well as "Sensation" plans with a phone and minimum term.

In the fixed segment, Bouygues Telecom services offer the best value-for-money in the market on both ADSL and FTTH networks.

### An excellent 4G network to underpin the explosion in mobile internet use

The high-quality nationwide coverage of the Bouygues Telecom 4G network gives the company a long-term competitive advantage, enabling it to promote a distinctive difference in an extremely competitive market.

Thanks to more than 17,000 sites, Bouygues Telecom is able to offer its customers directly-owned coverage of 99% of the population in 2G, 99% of the population in 3G and 95% of the population in 4G.

In addition, thanks to its wide range of frequency bands Bouygues Telecom can accommodate customers' growing mobile data usage.

## 2.3.2 Business activity in 2017

Bouygues Telecom successfully continued its aggressive strategy in the mobile and fixed segments in 2017, resulting in very good commercial performance and financial results exceeding objectives set in 2015.

### 2.3.2.1 Business review

### The French mobile [a] and fixed broadband [b] market

The French telecommunications market has experienced sweeping change for a number of years, impacted by several underlying trends. These trends were confirmed by events in 2017, notably:

- increased competitive pressure in both the mobile and fixed segments, coupled with a surge in promotional offers;
- growing appeal of very-high-speed fixed and mobile services as customers increasingly consume video and content on demand at home and on the move;

The French mobile phone market totalled 72 million SIM cards, excluding machine-to-machine SIM cards, and continued to expand in the fourth quarter of 2017, increasing by 2.3% versus the fourth quarter of 2016, thanks to a 4.4% increase in the number of plan customers. The prepaid market contracted by a further 10.3% compared with Q4 2016.

Mobile Virtual Network Operators (MVNOs) accounted for 9% of the total mainland France subscriber base (including MtoM), which was steady year-on-year.

The number of fixed broadband and very-high-speed subscribers reached 28.4 million in the fourth quarter of 2017, representing net growth of 761,000 subscribers year-on-year (up 2.7%), driven by the sharp increase in very-high-speed subscribers, which rose by 28%.

(a) Most recent data published by Arcep (the French telecoms regulator) for mainland France
(b) Includes broadband and very-high-speed. Most recent data published by Arcep

## Bouygues Telecom's commercial results in the mobile market

### Mobile services

Bouygues Telecom renewed its mobile range in 2017 and enhanced its mobile products and services for both retail and business customers. Voice calls are now unlimited in all plans, including entry level ones. Numerous data allowances were increased and all plans with data now include roaming in Europe and French overseas departments. Bouygues Telecom customers can also enjoy LeKiosk, a digital newsstand that provides unlimited access to more than 1,000 publications.

### 4G network roll-out

Bouygues Telecom has positioned itself as the operator of choice for people who want to take full advantage of digital technologies, anytime, wherever they are. To this end, it is continuing to expand its 4G network throughout France. At end-December 2017, 95% of the French population was covered by Bouygues Telecom's 4G network and the operator aims to cover 99% of the population with 4G by the end of 2018.

### Commercial performance

#### MOBILE CUSTOMERS

Bouygues Telecom's mobile customer base grew by 1.4 million customers to 14.4 million[a] customers at end-December 2017, compared with an increase of 1.1 million customers in 2016. Bouygues Telecom gained 500,000 more mobile plan customers excluding MtoM in the full-year 2017, totalling 10.3 million customers at end-2017. Bouygues Telecom gained 1.7 million mobile plan customers excluding MtoM between end-2014 and end-2017, thus substantially exceeding the growth target of one million customers it set at the Capital Markets Day of October 2015.

#### 4G PROVES A SUCCESS

Since the launch of 4G, Bouygues Telecom's customers have developed new mobile internet consumption patterns. At end-2017, Bouygues Telecom had 7.9 million active 4G customers, representing 72 % of its mobile customer base, excluding MtoM, and therefore gained one million more 4G customers year-on-year.

## Bouygues Telecom's commercial results in the fixed broadband market

### Fixed broadband services

Bouygues Telecom expanded its range of fixed services in 2017 with Miami+, which includes unlimited calls from the box to mobile numbers in Europe, plus new content, such as a monthly bonus selection from a range of youth channels, unlimited access to Playzer music clips, Start by Canal and a 20GB 4G dongle. Bbox Miami and Miami+ customers all have access to the digital newsstand service "Le Kiosk" as well.

In January 2017 Bouygues Telecom launched the highly innovative 4G Box, which brings very-high-speed internet to homes where ADSL speeds are too slow. Thanks to its high-quality 4G mobile network, Bouygues Telecom has enabled large numbers of French households to enjoy very-high-speed internet for €29.99 per month (plus €3 per month rental).

Bouygues Telecom also offers competitive fibre services for both retail customers and businesses.

### Ramping up network roll-out

Bouygues Telecom stepped up the roll-out of its directly-owned fixed infrastructure – ADSL and FTTH – in order to provide services to as many households as possible at highly competitive prices and increase its share of the broadband and very-high-speed market.

- Bouygues Telecom's directly-owned ADSL network covered over 17 million households at end-December 2017 via more than 2,000 central offices.
- In the very-high-speed market, Bouygues Telecom continued to roll out its directly-owned FTTH network, and signed joint investment and partnership agreements, including PIN agreements, increasing the number of premises secured to 20 million. At end-December 2017, four million premises had been marketed.

In 2013, Bouygues Telecom began to include VDSL2 in its fixed broadband offers at no extra cost, delivering theoretical download speeds of up to 100 Mbit/s. VDSL2 enables Bouygues Telecom to further expand its very-high-speed coverage in France.

### Commercial performance

For the past three years, Bouygues Telecom has consistently performed well in the fixed broadband market, posting a market share of 12.1% at end-2017. Bouygues Telecom accounted for 46.3% of total net growth in the French fixed broadband market in 2017, attracting 340,000 new customers and thus meeting its target of recruiting one million customers between end-2014 and end-2017.

Bouygues Telecom had 3.4 million fixed broadband customers[a] at end-December 2017, including 661,000 very-high-speed customers, representing 19.2% of its base. This growth was driven by FTTH, which accounted for 144,000 new customers during the year. FTTH represented 58% of net growth in subscriptions in the fourth quarter. At end-2017 Bouygues Telecom had 265,000 FTTH customers.

(a) The number of Bouygues Telecom's customers is always disclosed at the end of the period and net of cancellations, in mobile and fixed

### Development of new growth opportunities

#### Internet of things

Bouygues Telecom is a founding member of the LoRa Alliance, which includes more than 140 members from around the world. Already being rolled out by market leaders in many countries, Long Range (LoRa) technology is globally recognised as the most advanced technology for Internet of Things (IoT) applications. As announced, Bouygues Telecom has rolled out a LoRa network that covered all of France by the end of 2017. Its subsidiary Objenious markets a catalogue of products and services aimed at businesses for a variety of uses such as the geolocation of objects, predictive maintenance and energy monitoring.

#### Business and corporate services

Bouygues Telecom's business and corporate activity has developed into a particularly dynamic growth driver.

Bouygues Telecom Entreprises ranks third in the corporate services market (SMEs and major accounts) with a portfolio of three million customers, including over 50,000 SMEs and a third of the companies listed on the CAC 40. Over the past four years Bouygues Telecom Entreprises has gained market share in both the mobile and fixed segments. In 2017 the mobile business customer base increased by 11% and the fixed customer base grew by 16%.

In this market Bouygues Telecom Entreprises has set the objective of increasing growth by pursuing a two-pronged strategy:

- **further enhance the customer experience for mobile and fixed customers.** Bouygues Telecom will continue to emphasize greater simplicity and responsiveness to better meet the expectations of customers thanks to an innovative customer website, innovations for fixed customer support, VoWifi service as an alternative in areas where 4G has not been deployed and a Cyber-Diagnostic service, among other innovations.
- **modernization, enhanced performance and quality of very-high-speed networks** with 4G coverage of 99% of the French population in 2018, roll-out of FTTH (Fibre To The Home), networks and accelerated expansion of directly-owned FFTO (Fibre To The Office) network coverage.

### 2.3.2.2 Financial results

Bouygues Telecom successfully continued its aggressive strategy in the mobile and fixed segments in 2017, resulting in a significant improvement in financial results, exceeding objectives.

Bouygues Telecom reported sales of €5,086 million in 2017, 7% higher than the previous year. Sales from network increased 5% to €4,272 million (up 6% excluding incoming traffic). This increase was driven by growth in the mobile and fixed customer base and the full effect of price increases on premium mobile offers and on all fixed offers introduced at the end of May 2017. Mobile sales from network increased 4% and fixed sales from network rose 9%.

In the fourth quarter of 2017, mobile ARPU came to €22.1 per month and per customer and fixed ARPU was €27.3 per month and per customer.

EBITDA stood at €1,162 million, a year-on-year increase of 27%. The EBITDA/Sales from network margin reached 27.2% and exceeded the target of 25% set in 2015. This target was revised upwards (to between 26% and 27%) at the nine-month 2017 results release.

Operating profit stood at €470 million, representing a year-on-year rise of €301 million. It mainly included €223 million of non-current income related to the capital gain from the sale of 1,085 mobile sites to Cellnex and €79 million of non-current charges essentially related to network sharing.

Net profit totalled €260 million, a significant increase of €168 million. This includes an exceptional income tax payment of €33 million. It does not include the reimbursement by the French state of the 3% tax on dividends paid since 2013. Bouygues Telecom did not pay dividends to its shareholders during this period.

Gross capital expenditure amounted to €1.2 billion in 2017.

Free cash flow was €17 million, an increase of €14 million versus 2016. Excluding the exceptional income tax payment, free cash flow was €50 million. This increase was due to year-on-year growth in EBITDA.

Total net debt stood at €976 million at end-2017, versus €1,012 million at end-2016.

## 2.3.3 Outlook

Bouygues Telecom is experiencing profitable growth momentum and has a free cash flow target of €300 million for 2019. Sales from Services are expected to grow by more than 3% in 2018 versus 2017, with a higher EBITDA/Sales from Services margin than in 2017 and gross capex of around €1.2 billion.

# 2.4 BOUYGUES SA

As the parent company of a diversified group, Bouygues SA focuses mainly on the coordination and development of the Group and its business segments. In particular, it is the place where decisions are taken that determine the allocation of the Group's financial resources.

## KEY FIGURES

At 31 December 2017

—

**Employees**

**167**

—

**Sales**

**€81m**

—

**Operating loss**

**€27m**

—

**Net profit**

**€102m**

## 2.4.1 Internal control – Risk management – Compliance



Bouygues has made risk management one of the cornerstones of its corporate culture.

Bouygues SA, the Group's parent company, regards internal control, risk management and compliance as being among its core missions. On its initiative, many actions have been taken in each of the five business segments over a number of years. These actions are organised around three strands: an Internal Control Reference Manual, self-assessment of the implementation of the core principles of this reference manual, and a mapping of the major risks.

Following on from the Group's Code of Ethics, compliance is one of the key factors the Group takes into account in the conduct of its business. In close cooperation with its business segments, in 2014 Bouygues SA produced four compliance programmes relating to Competition, Anti-corruption, Financial information and securities trading, and Conflicts of interest. In September 2017, these programmes were updated and a fifth compliance programme relating to Embargoes and Export Restrictions was produced.

These programmes, approved by the Board of Directors, have been widely disseminated within the Group, under the impetus of the Ethics, CSR and Patronage Committee and the Board of Directors.

## 2.4.2 Management

Bouygues SA pays particular attention to management of the Group, taking steps to encourage dialogue and exchanges of experience between support structures and business segments, motivate staff and uphold a shared commitment to the Group's values. This synergy is especially visible in the initiatives taken within the field of innovation (see section 1.1.4 of this Registration Document) or in relation to CSR (see Chapter 3).

## 2.4.3 Employee share ownership

Bouygues has long been convinced that it is important to give employees a stake in the Group because they play a key role in its success. As a result, in 2017 Bouygues' Board of Directors approved a new capital increase reserved for employees. The leveraged operation, called Bouygues Confiance n°9, was completed successfully on 27 December 2017 with 24,314 employees, representing 36% of those eligible, subscribing. Details of the operation are given in the Board of Directors' supplementary report and in the Auditors' supplementary report in chapter 6, section 6.2.2, of this document.

This once again demonstrates the Group's proactive approach to employee share ownership, which is a core component of its culture and values.

At 31 December 2017, Group employees owned 17.6% of the share capital of Bouygues and held 23.9% of its voting rights, through a number of dedicated mutual funds.

Since 1995, two representatives of employee shareholders have had seats on Bouygues' Board of Directors.

## 2.4.4 The shareholding in Alstom

On 26 September 2017, following the announcement of the merger deal between Alstom and Siemens, the French state confirmed that the loan of Alstom shares from Bouygues SA, in accordance with the agreement concluded on 22 June 2014, would be terminated no later than 17 October 2017 and that it would not exercise its call options on the Alstom shares.

On 17 October 2017, the date of the contractual expiration of the loan of Alstom shares and of the call options, l'Agence des participations de l'État (the French state investment agency) returned the 43,825,360 Alstom shares lent to it by Bouygues and the decision made by the French state not to exercise its call options on the Alstom shares was duly recorded. The French state and Bouygues SA then informed l'Autorité des Marchés Financiers (the French securities regulator) that they were terminating their agreement concluded on 22 June 2014 as well as their cooperation in relation to Alstom.

On 17 October 2017, following the termination of the Alstom shares loan agreement, Bouygues SA held 62,086,226 Alstom shares, equating to 28.15% of Alstom's share capital.

Following the announcement of the merger deal between Alstom and Siemens, Bouygues SA undertook to retain its Alstom shares until the earlier of (i) Alstom's Extraordinary General Meeting called to approve the deal or (ii) 31 July 2018, as well as to vote in favour of it on Alstom's Board of Directors and at Alstom's Extraordinary General Meeting.

At 31 December 2017, Bouygues SA held 62,086,226 Alstom shares, equating to 28% of Alstom's share capital.

Further information is given in sections 2.5 and 6.1.3.2 of this document.

## 2.4.5 Services rendered to the business segments

In addition to its role as parent company of the Group, Bouygues SA provides a range of general and expert services to the Group's business segments in areas such as finance, communication, sustainable development, patronage, new technologies, insurance, legal affairs and human resources. For that purpose, Bouygues SA and the main Group business segments renew annual agreements under which each of the latter can call on general and expert services as necessary.

The amounts invoiced for such services in 2017 are shown in section 2.4.6 "Financial flows" below and in the Auditors' report on regulated agreements in chapter 8, section 8.3.1, of this document.

## 2.4.6 Financial flows

### FY 2016 dividends

In 2017, Bouygues SA received dividends for FY 2016 totalling €675[a] million from its business segments as follows:

- Bouygues Construction €270m
- Bouygues Immobilier €91m
- Colas €259m
- TF1 €26m
- Other €29m

### Service agreement costs

In 2017, Bouygues SA invoiced its business segments the following amounts under service agreements:

- Bouygues Construction €17.5m
- Bouygues Immobilier €3.6m
- Colas €17.5m
- TF1 €3.6m
- Bouygues Telecom €8.8m

### Trademark licence agreements

In 2017, Bouygues SA received royalties under trademark licence agreements with the business segments that use the "Bouygues" trademark:

- Bouygues Construction €0.5m
- Bouygues Immobilier €0.25m
- Bouygues Telecom €0.7m

### Flows of funds between the business segments

There are no significant flows of funds between the Group's business segments. Cash management is centralised within financial subsidiaries wholly owned by Bouygues SA. This arrangement ensures optimum management of financial expenses, since the surplus cash generated by certain subsidiaries can be used in addition to or in place of confirmed lines of credit granted by credit institutions to others. When investing surplus cash, Bouygues has always avoided speculative instruments such as securitisation vehicles and high-yield mutual funds.

(a) Including interim dividends received at the end of 2016: €534 million, split as follows:

| | |
|---|---|
| Bouygues Construction: | €250m |
| Bouygues Immobilier: | €90m |
| Colas: | €172m |
| Other: | €22m |

## 2.4.7 R&D – Human resources

See chapters 1 and 3 of this document.

## 2.4.8 Other activities

### 2.4.8.1 Bouygues Europe

Since April 2012 Bouygues Europe, a wholly-owned Belgian subsidiary of Bouygues, has represented the Group's interests within European institutions. Bouygues Europe works for both Bouygues SA and its subsidiaries, advising them and representing them in the European institutions as well as monitoring legislation and regulation on issues of key importance to Group companies. In order to guide its action, Bouygues Europe has set up an advisory committee comprising a representative from Bouygues SA and from each of the Group's five main business segments.

### 2.4.8.2 Bouygues Asia

Bouygues Asia KK, a wholly-owned subsidiary of Bouygues SA set up in Tokyo in December 2014, is tasked with keeping abreast of technological advances, organising field trips and identifying partners that could collaborate with either Bouygues SA or its business segments. Bouygues Asia's activity is consistent with the Bouygues group's aims of:

- identifying new trends;
- promoting innovation within the Group;
- supporting Group companies by creating and growing partnerships in Asia.

The activities of Bouygues Asia cover a very wide geographical area that includes Japan, South Korea, China and Taiwan. Bouygues Asia also offers its assistance and services to customers outside the Group, in particular French SMEs wishing to set up or develop further in Asia.

### 2.4.8.3 Bouygues Développement

Bouygues fully owns the Open Innovation company Bouygues Développement. Serving all the Group's business segments, the company's main tasks are to:

- benchmark innovative start-ups working in fields identified by the business segments;
- set up investor pools;
- provide recommendations and advice on investment opportunities;
- coordinate networks of financial partners;
- support the management of equity interests (governance, entrepreneur coaching, etc.).

# 2.5 ALSTOM, A PARTNER FOR MOBILITY SOLUTIONS

As a promoter of sustainable mobility, Alstom aims to be its customers' preferred partner for transport solutions. Alstom develops and markets systems, equipment and services for the transport sector. It offers a complete range of solutions (from high-speed trains to metros, trams and e-buses), customised services (maintenance, modernisation, etc.) and passenger solutions as well as infrastructure, signalling and digital mobility solutions. Alstom is a world leader in integrated railway systems.

## FIGURES FOR FY 2016/17

(from 1 April 2016 to 31 March 2017)

—

**Employees** [a]

**32,800**

—

**Sales**

**€7,306m (+6%)**

—

**Adjusted operating margin** [b]

**5.8%**

—

**Net profit attributable to the Group**

**€289m**

—

**Order intake**

**€10,008m**

Based in France, Alstom operates in over 60 countries and has 32,800 employees. In accordance with the announcements made on 26 September 2017, the French state did not exercise its call option on Alstom's shares lent by Bouygues. The 43.8 million shares concerned were therefore returned to Bouygues on 17 October 2017, the date of the contractual expiry of the loan. At 31 December 2017, Bouygues owned 28% of Alstom and 28.8% of the voting rights (see also sections 2.4.4 and 6.1.3.2 of this document).

## 2.5.1 Profile

### 2.5.1.1 Context

The railway market is growing steadily, driven by increasing urbanisation. The accessible annual global railway market for the period 2016–2018 is worth an estimated €110 billion. This figure is expected to rise to an annual average of €122 billion over the 2019–2021 period, representing an annual average growth rate of 3.2% [c].

Operating in over 60 countries around the world, offering a comprehensive range of solutions and constantly innovating, Alstom enjoys a leading position in trains, systems, services and signalling.

### 2.5.1.2 Partner for mobility solutions

Alstom's business is based on four activities: trains, systems (including infrastructure), services and signalling.

#### Trains

Alstom's range of trains spans the entire market from very high-speed trains to urban transport.

When it comes to improving the capacity, operating frequency and safety of their fleets while protecting the environment, operators can rely on Alstom's innovative and economically efficient urban solutions. From Citadis trams, Citadis Dualis tram-trains and Metropolis metros to Aptis e-buses and X'Trapolis suburban trains, Alstom works daily to meet the mobility challenge.

(a) At 31 March 2017
(b) Operating profit adjusted for the following items: net restructuring and rationalisation costs; impairment of intangible assets and property, plant and equipment; gains, losses or remeasurements arising on divestment of securities or change of control; any non-recurring item such as costs incurred or writedowns of remeasured assets in connection with a business combination; and costs associated with legal proceedings outside the ordinary course of business
(c) Source: Union des Industries Ferroviaires Européennes/European Rail Industry Association – 2016

One of Alstom's priorities is to help make rail competitive in comparison with air or road transport. Alstom champions regional mobility with its Coradia range (including the latest addition, Coradia Stream), and its Prima passenger locomotives. It is redrawing the very high-speed train map with the Coradia Liner V200 and its Avelia range comprising Pendolino, Euroduplex, AGV and Avelia Liberty, the latest addition. Alstom also supports the freight market with its Prima locomotives.

Coradia iLint, its new regional train concept, offers operators a greener alternative to run on non-electrified railway lines. Powered by hydrogen fuel cells, Coradia iLint emits only steam and condensed water and is very quiet.

### Systems

Alstom brings together all its cross-cutting know-how as a rail manufacturer to manage urban rail systems in their entirety, including trains, signalling, infrastructure and services.

#### Infrastructure

Alstom offers a comprehensive range of sustainable solutions for tracklaying, electrification and the supply of electromechanical equipment for installation in stations and depots.

Alstom designs and installs innovative solutions for automated tracklaying with Appitrack, for improving energy efficiency with Hesop (a reversible power-supply substation), and for non-catenary power supply with solutions such as APS (ground-level power supply) and SRS (its latest ground-based static charging system).

#### Integrated systems

Operators often seek comprehensive solutions to their needs in order to tackle complex projects or better focus on their core business. That is what Alstom, the leading provider of integrated urban systems, offers its customers, whether on the urban transport or mainline market, ensuring optimised costs, faster delivery times and an optimal level of performance for all equipment.

### Signalling

Alstom supports infrastructure operators and managers with the means to carry passengers and goods safely and seamlessly, thus optimising the efficiency of urban or mainline networks. It provides them with information systems and with onboard and trackside equipment. As well as traveller information and comfort, they guarantee operating efficiency and safety. Alstom also develops passenger safety solutions and network management control centres.

### Services

Alstom works hand-in-hand with its customers, whether public or private rail operators, fleet administrators or maintenance specialists, by offering a range of customised services (maintenance, modernisation, parts and repairs, support services) for their trains, infrastructure and rail control systems. Alstom provides services for all types of fleet, whether built by Alstom or not.

The goal is to ensure safe, global and optimised management throughout service life.

## 2.5.1.3 Objectives and results

Alstom's 2020 strategy continued to produce results in 2017, enabling the company to confirm its objectives:

- **customer-focused organisation:** as a global provider of transport solutions, Alstom has a customer-focused organisation backed up by a local presence and long-term partnerships with the aim of taking first or second place wherever it operates. Alstom recently announced a 25% increase in its stake in EKZ, its Kazakh locomotive joint venture;
- **complete range of solutions:** from metro systems for Line 3 of the Hanoi metro and Line LRT-1 of the Manila metro to modernisation of the P2000 light rail fleet for Los Angeles, Alstom combines its skills to offer customers an array of expertise spanning all aspects of rail transport, from trains and signalling to systems and services;
- **value creation through innovation:** Alstom proved its ability to offer increasingly innovative solutions, a source of competitiveness and differentiation, by winning a contract in the United States to supply new Avelia Liberty high-speed trains and its first contract for Coradia iLint fuel-cell regional trains in Germany. In October 2017, Alstom and NTL were awarded an Innovation prize for the Aptis e-bus, a new mobility experience, at the Busworld exhibition at Kortrijk, Belgium. Alstom also launched Mastria, a multimodal solution which aims to streamline urban transport management by improving capacity and fluidity;
- **operational and environmental excellence:** in a market that makes ever-greater demands in terms of competitiveness and sustainable solutions, Alstom has made operational and environmental excellence a priority. For example, the new generation of Coradia Stream regional trains, launched in October 2017, offers enhanced options for variable configuration at optimised cost;
- **diverse and entrepreneurial people:** Alstom encourages all types of diversity within its teams in areas such as gender and multiculturalism, and promotes a strong entrepreneurial spirit that gives all its employees a stake in the company's future.

## 2.5.2 Business activity

### 2.5.2.1 Commercial activity

#### FY 2016/17 results

Alstom took orders worth €10.0 billion between 1 April 2016 and 31 March 2017, taking the backlog to a new record high of €34.8 billion. Sales over the same period amounted to €7.3 billion, an increase of 6% (5% like-for-like and at constant exchange rates). Adjusted operating profit [a] came to €421 million, 15% higher than in the previous period, giving a margin of 5.8%. Net profit attributable to the Group amounted to €289 million. Alstom's balance sheet is very strong. Free cash flow in FY 2016/17 was €182 million. Net debt remained stable at €208 million at 31 March 2017 and shareholders' equity at 31 March 2017 stood at €3.7 billion.

#### H1 2017/18 results

Alstom booked orders worth €3.2 billion between 1 April and 30 September 2017. Sales over the same period rose 5% organically to €3.8 billion. Adjusted operating profit amounted to €231 million, 16% higher than in the same period in 2016, giving a margin of 6.2%. Net profit attributable to the Group amounted to €213 million. Alstom's balance sheet is very strong. Free cash flow in the first half of FY 2017/18 was €227 million.

#### 9-month 2017/18 results

Order intake in the third quarter of 2017/18 (from 1 October to 31 December) amounted to €1.7 billion, compared with €1.0 billion in the same period of the previous year. Sales amounted to €1.8 million, an increase of 6% (8% like-for-like and at constant exchange rates), compared with €1.7 billion in the third quarter of 2016/17. Order intake over the first nine months of 2017/18 (from 1 April to 31 December 2017) amounted to €4.9 billion. Sales amounted to €5.5 billion, an increase of 6% (up 6% like-for-like and at constant exchange rates) in comparison with the first nine months of 2016/17. The backlog at 31 December 2017 stood at €32.8 billion, giving Alstom good visibility for future sales.

#### Acquisitions, partnerships and investments

On 26 September 2017, Siemens and Alstom signed a Memorandum of Understanding to combine Siemens' mobility business, including its rail traction drives activity, with Alstom. The transaction brings together two innovative players of the railway market within one entity that will offer value for customers and unique operational potential. The two businesses are largely complementary in terms of activities and geographical coverage.

As part of the combination, Alstom existing shareholders, at the close of the day preceding the closing date, will receive two special dividends: a control premium of €4 per share (equating to a total of €0.9 billion) to be paid shortly after closing of the transaction and an extraordinary dividend of up to €4 per share (equating to a total of €0.9 billion) to be paid out of the proceeds of Alstom's put options on the General Electric joint ventures worth approximately €2.5 billion, subject to the cash position of Alstom. Siemens will receive newly issued shares in the combined company representing 50% of Alstom's share capital on a fully diluted basis as well as warrants allowing it to acquire Alstom shares representing two percentage points of its share capital that can be exercised four years after closing at the earliest.

Closing of this transaction is expected at the end of the calendar year 2018, subject to the lifting of several suspensory clauses, such as approval of the operation by Alstom shareholders and by holders of double voting rights, as well clearance from the competition authorities concerned. The transaction is also subject to clearance from the relevant regulatory authorities, including foreign investment clearance in France, as well as confirmation by the French securities regulator (AMF) that no mandatory takeover offer has to be launched by Siemens following completion of the contribution.

The envisaged transaction is fully supported by Alstom's board of directors and Siemens' supervisory board. Likewise, Bouygues fully supports the transaction and will vote in favour of it at the extraordinary general meeting called to decide on it.

Alstom's share price was €34.605 at 29 December 2017.

### 2.5.2.2 Highlights of the first nine months of FY2017/18

- First X'Trapolis suburban train delivered to Prasa in South Africa.
- Inauguration of the first Made in India metro in Kochi.
- First Citadis X05 tram delivered in Sydney (Australia).
- Cooperation agreement on cybersecurity with Airbus.
- First contract for Coradia iLint fuel-cell trains.
- Inclusion in the Dow Jones Sustainability indices (DJSI) for the seventh year in succession.
- ISO 37001 certification for the anti-corruption management system.
- Memorandum of Understanding with Siemens to combine Alstom's mobility business with Siemens.

## 2.5.3 Outlook

The objectives defined in the 2020 strategy are confirmed.

Sales to 2020 are expected to post organic growth of 5% per year. The adjusted operating margin [a] should reach around 7% in 2020, driven by volume, the portfolio mix and the effects of operational excellence initiatives. From 2020, Alstom expects to convert more or less all its net income into free cash flow.

(a) Operating profit adjusted for the following items: net restructuring and rationalisation costs; impairment of intangible assets and property, plant and equipment; gains, losses or remeasurements arising on divestment of securities or change of control; any non-recurring item such as costs incurred or write-downs of remeasured assets in connection with a business combination; and costs associated with legal proceedings outside the ordinary course of business

# HUMAN RESOURCES, ENVIRONMENTAL AND SOCIAL INFORMATION

# 3

# 3.1 THE BOUYGUES GROUP'S CORPORATE SOCIAL RESPONSIBILITY POLICY

Chapter 3 of this Registration Document contains the Bouygues group's key CSR indicators and related information. Further information is available by visiting the Group's corporate website at bouygues.com. In addition, CSR reports by the Group's business segments can be downloaded from their respective websites[a].

## 3.1.1 Group CSR policy

Delivering **high-performance, innovative solutions** for meeting sustainable development challenges, and therefore to foster progress for society as a whole, is a major avenue of growth for Bouygues. Corporate social responsibility, or CSR, at the Bouygues group also means **limiting and, wherever possible, reducing the negative impacts from its activities on the environment and society** by cushioning effects on ecosystems, better explaining its operations and taking the expectations of stakeholders into account.

Correspondingly, CSR is central to strategy at the Group, which is adapting business models so that customers can be offered solutions that make life better for everyone every day.

The best practices applied by each of the Bouygues group's business segments in the human resources, environmental and social spheres are more tangible proof of this commitment. All initiatives are implemented with the help of reliable indicators that are audited on a regular basis for purposes of compliance and continuous improvement.

Bouygues, in its business activities, takes into account **United Nations Sustainable Development Goals (SDGs)** and pledges to attain as many of these goals as possible by:

- reducing the negative impacts from its business activities;
- increasing their positive effects, mainly through internally developed solutions as well as best practices.

Paying close attention to the impact of its activities on these issues, the Group focuses on SDGs linked to **urban environments, infrastructure, climate change and sustainable economic growth,** which dovetail with the objectives of its core businesses. The priority SDGs pinpointed by Bouygues are as follows:


This chapter outlines some of the emblematic initiatives conducted by the Group and its business segments in the fulfilment of SDGs.

In 2016, the Group conducted its second materiality assessment to update the ranking of its sustainable development challenges, the results of which can be consulted by visiting bouygues.com.

## 3.1.2 CSR oversight

Within the Bouygues group, human resources, environmental and social matters are handled separately by each business segment because they are closest to their own operations.

**Monitoring and overall coordination** of initiatives is provided at parent-company level (Bouygues SA) by the Ethics, CSR and Patronage Committee, and by the Group Sustainable Development-Quality Safety Environment (QSE) department.

- Set up in 2001, the Ethics, CSR and Patronage Committee meets several times annually to review these three themes on behalf of the Board of Directors. The committee is currently chaired by Anne-Marie Idrac. In 2017, it gave a favourable opinion on the launch or continuation of various patronage initiatives of an educational, medical or humanitarian nature. It oversaw the updating of the four compliance programmes adopted in 2014 to define and develop the prevention of non-compliant practices in the spheres of competition, anti-corruption, financial information and securities trading, and conflicts of interest. It also oversaw the drafting of a fifth compliance programme on embargoes and export restrictions and ensured that all compliance and business ethics programmes were transposed into Bouygues SA's internal regulations. The committee ascertained information and followed developments with regard to non-compliant practices within a foreign subsidiary of a Colas group entity. It also familiarised itself with the findings of the CSR reporting audit. Further information about this committee can be found under sections 5.3.4.1 and 5.3.7.4 of this Registration Document.
- The Sustainable Development Committee, chaired by Olivier Bouygues (Deputy CEO of the Bouygues group), has the Sustainable Development directors of the Group's five business segments as its members. It coordinates joint intra-Group policies and looks into ways in which underlying sustainable development trends can reshape business models and support innovation.

(a) www.bouygues-construction.com, www.bouygues-immobilier-corporate.com, www.colas.com, www.groupe-tf1.fr, www.corporate.bouyguestelecom.fr

- Comprising representatives from the five business segments, the Extra-Financial and CSR Reporting committee assists in the preparation of the Bouygues Registration Document by identifying major Group-wide issues relating to CSR, creating appropriate extra-financial indicators and collecting the relevant information. It also oversees and ensures the reliability of the data-collection process.
- At each Annual General Meeting, Martin Bouygues presents the most significant sustainable development actions and indicators of the previous year to Group shareholders.

The Group Sustainable Development-Quality Safety Environment (QSE) department oversees general policy, in conjunction with support departments, and disseminates information about best practices. The above-mentioned Group-wide committees, as well as the seminars and conferences organised by this department, provide opportunities for developing practices able to meet sustainable development challenges. Olivier Bouygues, Deputy CEO of Bouygues, is responsible for Group-wide sustainable development initiatives. The Group Sustainable Development-Quality Safety Environment (QSE) department works close in conjunction with the Innovation department. One of their key joint achievements – since 2016 – has been the innovation drive focusing on sustainable urban environments and the circular economy. The parent company's Innovation unit has made sustainable innovation a strategic priority.

More broadly, all Group-wide thematic committees systematically consider sustainable development issues in the context of their own business segments. This includes sharing industry best practices and taking into consideration the economic challenges linked to sustainable development. It can therefore be said that CSR is factored in at all governance levels within the Group.

Within the Bouygues group's business segments, coordination of CSR themes is handled jointly by the Human Resources and Sustainable Development/Environment departments of the business segments themselves. These departments report to:

- the Innovation and Sustainable Development department (Bouygues Construction);
- the Communication, Marketing and Sustainable Development department (Bouygues Immobilier);
- Senior management (Colas and TF1);
- and the Innovation department (Bouygues Telecom).

Each business segment furthermore coordinates a network of liaison officers that, for example, sit on company-wide committees, such as Bouygues Construction's Sustainable Development committee, which comprises representatives from operating units and support services. Every two years, Colas holds awareness-raising seminars for its network of Environment officers in France and abroad. The last such meeting took place in May 2016, in Lyon; the next is scheduled for 2018 in Montreal. Additionally, meetings in the field are used to share experiences and implement and monitor action plans.

The Sustainable Development department of Bouygues Immobilier holds a roadshow through which it aims to raise employee awareness about sustainable development goals and the occupational resources available for integrating themes such as the circular economy, nature in urban environments, low-carbon construction and resident's health into property development projects.

In the field, HR and QSE teams, as well as the whole network of operational liaison officers from the Sustainable Development teams of each business segment, spearhead the Group's CSR policies, with a focus on keeping risks under control.

In 2017, TF1 launched TF1 Initiatives, aimed at giving greater consistency and visibility to the societal initiatives embodied by its TV channels, the company itself and its corporate foundation. It organises its actions around three areas: community action, diversity and the sustainable society.



## 3.1.3 CSR reporting methodology

CSR reporting is one of the preferred ways through which the Bouygues group monitors and coordinates its CSR policies.

Just as roll-out of these policies and initiatives is itself delegated to the individual business segments, so that they can deal with the distinctive issues they face, the Group's reporting policy is built on **decentralisation and accountability** when being implemented by each business segment.

To ensure the CSR reporting procedure and the qualitative and quantitative information published by the Group is both uniform and reliable, a reporting protocol covering the human resources, environmental and social components was compiled in 2013. It is updated annually in consultation with each business segment, and it incorporates the findings of the work carried out by the committees. A summary of this reporting protocol can be consulted by visiting bouygues.com.

The protocol specifies the methodology to be used when collecting data for the indicators of the three components, namely definition, scope, units, computation formula and contributors. It is the handbook used by all participants in the Group reporting procedure. The specific procedures to be applied for each business segment are provided in the annexes of this handbook.

### Coverage rates of HR reporting indicators in 2017

To take into account the various challenges faced by the business segments as well as local constraints, human resources reporting currently has four different types of scope:

- **Global,** which covers 100% of the workforce. In 2017, 43% of indicators had this scope;
- **France,** which covers 58% of the workforce. In 2017, 39% of indicators had this scope, corresponding – besides France itself – to French overseas territories (French Polynesia, Saint Barthélemy, Saint Martin, Saint-Pierre-et-Miquelon, and Wallis and Futuna) and French overseas departments (Guadeloupe, French Guiana, Martinique, Mayotte and Reunion Island). Clipperton Island, the French Southern and Antarctic Lands and New Caledonia are therefore excluded;
- **Non-France companies with more than 300 employees,** comprising 51 firms representing 36% of the Group headcount and 85.6% of the international workforce. In 2017, 7% of indicators had this scope;

- **France companies and non-France companies with more than 300 employees,** comprising 94% of the workforce. In 2017, 11% of indicators had this scope.

This breakdown testifies to a continuous broadening in the degree of coverage of HR indicators and is the result of a proactive approach by an inter-business segment working group. Decided upon in 2013 by the Bouygues group, the extension of HR reporting worldwide continues mainly within Bouygues and Colas via the roll-out of their HR Information Systems (HRIS).

## Coverage rates of environmental and social reporting indicators in 2017

Two types of indicator comprise the Group's environmental and social reporting:

- **indicators for which information is consolidated at Group level,** namely indicators that can apply to all the Group's business segments, for which all, or the majority of, business segments provide their own quantitative data;
- **indicators specific to a business segment,** which are indicators that apply solely to a business segment or to a line of business therein.

### Indicator coverage rate for Bouygues Construction

In 2017, the coverage rate of Bouygues Construction's reporting is 95%. The remaining 5% is due to the following exemptions:

- Companies in which the equity interest is below 50% and companies accounted for by the equity method are not included;
- At Bouygues Bâtiment International, structures where the headcount is less than 10 and/or without a production activity are not included;
- At Bouygues Energies & Services, structures whose sales are less than €10 million are not included, unless the sum of the sales figures of the excluded structures exceeds 5% of the total sales figure for Bouygues Energies & Services;
- The Concessions division is not included (to be consistent with financial reporting).

### Indicator coverage rate for Colas

Concerning the social, environmental and hazardous chemical areas, Colas indicators use a comprehensive global scope that includes companies and joint ventures indiscriminately, even in cases where Colas only holds a minority stake (except for TPCO, listed on the Bangkok stock exchange). This scope also includes materials production firms with sales below €2 million even though they are not included in the financial consolidation. The only exceptions are companies acquired in the year under review, whose sales amount to less than 1% of Colas' total.

### Indicator coverage rate for Bouygues Immobilier

Environmental and social indicators cover the full scope of Bouygues Immobilier in France and abroad.

In 2017, at Bouygues Immobilier, the reporting coverage rate as a proportion of sales is 94.8% when overseas subsidiaries (Belgium, Morocco and Poland) are excluded. This rate drops to 89.1% when the French subsidiaries (Loticis, Ossabois, Nextdoor, Patrignani, SLC and Urbis) are also excluded.

### Changes to the Group's carbon reporting

To comply with the changes in carbon-reporting obligations arising from France's Energy Transition for Green Growth law, published in the Official gazette of the French Republic on 18 August 2015, the business segments of the Bouygues group are adapting their practices for measuring $CO_2$ emissions to take into account the concept of "significance" of the reported emissions sources and the widening of the data-collection scope to include the entire value chain.

The various initiatives in 2017 consisted in:

- broadening the measurement of $CO_2$ emissions generated by the use of goods and services produced for the Group as a whole, where such sources are both significant and relevant;
- rebasing carbon reporting within the Group, for which data are currently collected by scope, on the concept of significant emissions sources. This new format for presenting the carbon footprint can be consulted under section 3.3.4.1 "Measuring greenhouse gas emissions and material impacts of business activities and products on climate change".

# 3.2 HUMAN RESOURCES INFORMATION

## 3.2.1 People, the Group's most important resource

### 3.2.1.1 Dynamic organisation in France and abroad

*"At Bouygues, people are our most important resource. Since their motivation and competence are key to our success and progress, the quality of human interaction is fundamental…"* (Extract from the Group's Human Resources Charter).

The Bouygues group operates in nearly 90 countries. At 31 December 2017, it employed 115,530 people, spanning a wide range of business activities and expertise.

**Headcount by region at 31 December 2017**

| Scope[a]: Global | Holding company[b] and other | Bouygues Construction | Bouygues Immobilier | Colas | TF1 | Bouygues Telecom | 2017 Group total | 2016 Group total |
|---|---|---|---|---|---|---|---|---|
| **France** | 352 | 20,788 | 1,850 | 33,683 | 2,936 | 7,395 | 67,004 | 66,054 |
| Europe (excl. France) | 28 | 7,980 | 108 | 8,971 | 118 | 0 | 17,205 | 17,216 |
| Africa and Middle East | 107 | 6,357 | 14 | 6,563 | 1 | 0 | 13,042 | 14,893 |
| North America | 3 | 976 | 1 | 4,900 | 2 | 3 | 5,885 | 5,567 |
| Central and South America | 62 | 547 | | 347 | | | 956 | 1,154 |
| Asia-Pacific | 17 | 10,706 | | 715 | | | 11,438 | 13,113 |
| **International** | 217 | 26,566 | 123 | 21,496 | 121 | 3 | 48,526 | 51,943 |
| **France + International** | 569 | 47,354 | 1,973 | 55,179 | 3,057 | 7,398 | 115,530 | 117,997 |

(a) Coverage: 100% of the Group's headcount
(b) O/w Holding company: 167
Indicators available at bouygues.com: Number of temporary and occasional workers as full-time equivalents (France), Headcount by type of contract (permanent and temporary – France), Headcount by job category (France)

*Headcount fell at **Bouygues Construction** because of a decline in the building activity, chiefly affecting Africa and Asia, as many worksites were wound up (Morocco, Singapore, Qatar and Turkmenistan) while others were still awaiting to begin. In France, headcount increased sharply in tandem with the upturn in activity, most notably as worksites associated with the Grand Paris major infrastructure programme started up.*

*In 2017, property development headcount edged down in France following the sale of Ossabois, a **Bouygues Immobilier** subsidiary. However, the effect on its overall headcount was offset by market expansion in France and its diversification strategy to expand the range of products and services on offer.*

*Total headcount at **Colas** edged up by 0.6% relative to 31 December 2016. In France, the headcount rose in accordance with the gradual upturn in business activity, advancing by 1.4% relative to 31 December 2016 (up 5.9% in French overseas departments).*

*Outside France, the headcount decreased by 0.6%. However, the yearly trends varied by region, depending on the state of business activity. Headcounts dipped in Europe, Asia and South America but increased in North America.*

### Workforce by gender

| Scope[a]: Global | Holding company and other | Bouygues Construction | Bouygues Immobilier | Colas | TF1 | Bouygues Telecom | 2017 Group total | 2016 Group total |
|---|---|---|---|---|---|---|---|---|
| Women | 23.6% | 20.6% | 50.9% | 10.4% | 52.2% | 41.4% | 18.4% | 17.8% |
| Men | 76.4% | 79.4% | 49.1% | 89.6% | 47.8% | 58.6% | 81.6% | 82.2% |

(a) Coverage: 100% of the Group's headcount

*The proportion of women working for Bouygues increased by 0.6 of a percentage point, representing a step forward towards the diversity target whereby 21% of the Group's employees by 2020 will be women.*

### Workforce by age range

| Scope[a]: Global | Holding company and other | Bouygues Construction | Bouygues Immobilier | Colas | TF1 | Bouygues Telecom | 2017 Group total | 2016 Group total |
|---|---|---|---|---|---|---|---|---|
| Under 25 | 2.6% | 7.5% | 10.7% | 5.7% | 6.5% | 8.0% | 6.7% | 6.3% |
| 25 – 34 | 22.9% | 28.8% | 32.1% | 22.0% | 24.8% | 34.6% | 25.8% | 26.7% |
| 35 – 44 | 31.6% | 28.4% | 32.0% | 27.0% | 29.4% | 37.1% | 28.4% | 28.8% |
| 45 – 54 | 27.1% | 23.6% | 18.8% | 29.4% | 29.0% | 17.7% | 26.1% | 26.0% |
| 55 and over | 15.8% | 11.7% | 6.4% | 15.9% | 10.3% | 2.6% | 13.0% | 12.2% |

(a) Coverage: 100% of the Group's headcount
Indicators available at bouygues.com: Average age and seniority (France)

*The breakdown was generally steady. The proportions increased in the under-25 and the 55-and-over age brackets. One reason for this tendency was increased hiring. Another was measures taken to keep older workers in employment (amongst which the so-called "generation" contracts)*

## 3.2.1.2 Proactive recruitment policy to support the growth and transformation of the business activities

Hiring new employees is a key issue for the Group, enabling it to support business growth. That is why it is essential to integrate tomorrow's talents and foster innovation in partnership with the academic world. As a result, the Bouygues group's business segments are active young graduate recruiters. Most of the Group's business segments have set up special talent acquisition units.

The unit set up by **Bouygues Immobilier** aims to support HR managers and other managerial employees in achieving their ambitious recruitment goals. To do this, it uses new digital resources such as business-oriented social media and recruitment platforms to make contact with experienced property development professionals. **Bouygues Telecom** has implemented a partially centralised structure to optimise sourcing and recruitment, both of which have become increasingly wide-ranging and complex, and to help recruit key skills sets.

### Attracting and recruiting future talent

A premium higher-education partnership, signed with CentraleSupélec has forged a special bond with students at this institution, offering them career opportunities in the Group's various activities. For example, Bouygues Telecom sponsors the ISIA (IT and Advanced Systems) and Telecoms courses at CentraleSupélec. A strong relationship also exists with ESTP, specifically through the sponsorship of two graduating classes by Colas (2018) and Bouygues Construction (2019), respectively, and in the form of a partnership with Bouygues Immobilier.

The aim of this sponsorship is to forge ties with students right from their first year by promoting the Group's brand and the opportunities on offer at its companies. This, in turn, aims to prepare a strong pool of interns and graduates for the future. Sponsorship initiatives generally last three years. During this time, regular events are held and students can avail themselves of an individual coaching programme to support them with their career goals.

The policy for hosting students operated by Group companies in conjunction with universities and other higher-education institutions gives students and graduates access to considerable internship experience as well as to hiring opportunities.

In 2017, the five business segments of the Bouygues group were recognised by France's "Happy Trainees"[a] ranking, which highlights those companies most preferred by interns and work/study students: Bouygues Telecom came 3rd, Bouygues Construction 6th, Bouygues Immobilier 10th, Colas 16th and TF1 29th.

(a) https://happytrainees.org/

At business-segment level, targeted actions were implemented in 2017, first and foremost concerning the recruitment of interns.

**Bouygues Construction** met candidates by holding an "internship marathon", through which numerous opportunities could be offered to potential interns. Candidates were first short-listed, then interviews were held in seven cities in France. Sessions were specifically held on worksites, giving future interns a first contact with work at the grassroots level.

A Top Trainees Day was held on 22 June 2017, bringing together one hundred interns chosen for their commitment to the company. The focal points of this event were team building, personal development and learning about Bouygues Construction's activities. Its overriding purpose is to retain the best talent, so that every single one of the interns becomes an employee.

Hiring policy at **Colas** is predicated on initiatives such as continuous engagement with higher education establishments.

Its ability to attract new employees is clearly also bolstered by its top spot in the best construction employer rankings (Capital – Statista) and the positive opinions posted on business rating sites (Glassdoor, Indeed, Viadeo).

As well as strengthening ties with engineering schools, university technology institutes and public works and civil engineering students at the Centre d'Égletons (the French public works and civil engineering training school), Colas last year enhanced its employer brand with measures including:

- an ambassador programme covering higher education establishments, assisted by diversity ambassadors;
- Golden Roads, in which interns document their internships, with the possibility of winning a trip to London, Berlin or Venice;
- the Colas Clubs Spring Challenge, a ground-breaking contest between different schools' performing arts clubs that aims to reward creativity.

In addition, the subsidiaries hold worksite visits and get involved at schools in their local areas.

As part of the **Bouygues Immobilier** Campus in-house challenge, interns and work/study students discovered the various professions and entities within Bouygues Immobilier and held discussions with operational employees, while finalist teams were able to showcase their projects to the competition panel.

Bouygues Immobilier held a forum at its main locations on the same day to promote diversity in recruitment profiles and present its business activities. Additionally, a Graduate Programme is in operation. It is designed to produce home-grown talent and lasts 18 months. Admission is highly selective.

**TF1** group has more than 200 different professions on offer. It is also forging partnerships with leading higher-education institutions for each of its business activities, from broadcasting, journalism and management to digital and business development. Students from TF1 partner academic institutions are welcomed throughout the year for exclusive visits to television studios and valuable interaction with group employees. Every year, the TF1 group organises the Grand Prix Patrick Bourrat, awarded to students from industry-recognised journalism schools. Lastly, TF1 renewed its sponsorship of the Media & Digital chair at the Essec business school.

**Bouygues Telecom** held its first-ever "Partner Day" with selected 25 higher-education institutions at its head office with the aim of enhancing the company's visibility and renewing trust about its strength, prospects and business strategy.

Other schemes were also developed last year. For example, an in-house *alumni* network was launched for Bouygues Telecom employees who had graduated from 19 key engineering, business or general educational institutions. Networking events such as breakfast and after-work meetings were held. In 2017, My Job Glasses, digital hub, was launched to bring students and educational liaison officers into contact with each other.

### Innovating for the benefit of candidates

To support recruitment policy and attract future talent, the Group's business segments are developing action plans using digital communication channels (social media and job boards) and scouting operations at the grassroots level by attending higher-education fairs and forums and, as far as possible, endeavouring to develop joint representation on behalf of all business segments.

Providing access to all job offers through the bouygues.com website promotes equal opportunities and highlights the wealth of possibilities on offer at the Group in its various operations, both inside and outside France. More than 1,300 offers are available on the website, divided into 26 different professions.

**Bouygues Construction** pursuing its digitisation strategy on LinkedIn and Facebook (with the Campus Bouygues Construction page). For the second consecutive year, virtual forums were also held. In 2017, the main themes were work/study arrangements and careers for women in engineering. These forums provide a platform for the group to connect with its target population, leading potentially to job offers. During these forums, as well as continuing the practice of digitising CVs, the process of offering internships was trialled on a purely online basis, with success.

In addition to Hub Carrière **Colas** (hubcarrierecolas.com) and its careers platform, Colas last year continued its digital communications policy.

In 2017, Colas launched three major employee advocacy programmes (employee ambassadors) internationally to encourage its employees who are active online to raise the profile of its employer brand and share its job offers on business social media:

- Follow-Me, a programme providing tailored support on LinkedIn for managers in and outside France;
- Roadshows, which are mobile training workshops to encourage business-unit managers and executives to share their brand messages on professional social media;
- BuzzClub, a mobile-based social sharing platform open to support departments and recent graduates, through which it is possible to participate in an employee referral programme.

As well as taking part in campus-based meetings and other initiatives with partner higher-education institutions, **TF1** group has a strong presence on the web and in social media with its TF1 Carrières Positives employer brand. Last year, TF1 earned first place in the media category in the Potential Park [a] rankings assessing corporate digital-recruitment strategies.

In connection with the launch of its new employer brand, #Connectonsnosambitions, **Bouygues Telecom** last year ran its social networking campaign on Facebook and Twitter in addition to LinkedIn. It also launched its new careers site in mobile-first mode.

(a) www.potentialpark.com

### Strengthening higher-education partnerships outside France

At **Bouygues Construction,** most higher-education partnerships outside France are planned at the local levels, according to subsidiaries' needs. Dragages Hong-Kong initiated a partnership with four universities to design a graduate training programme, while Bouygues Thailand forged long-term ties with a partner university by sharing its expertise in building high-rise buildings. Bouygues Construction increased intake into its "INTERNational Programme" in its fourth year, taking on 25 standard and international business interns. This programme is designed to train international managers who can evolve in diverse cultural environments and projects.

As in France, **Colas** international subsidiaries continue to build ties with academic institutions, primarily through partnerships within the geographic areas that they cover.

In North America, interns and partnerships with higher education (e.g. between the Terus subsidiary and the Northern Alberta Institute of Technology (NAIT) in Canada) have a local dimension. In the US, the Branscome subsidiary has teamed up with local community colleges that offer qualifications in construction. The HRI and Reeves subsidiaries have several partnerships in place with universities.

In Europe, Colas Ireland has signed a new partnership agreement with the National University of Ireland. In most countries in Central Europe, subsidiaries take part in student fairs and have ties with technical colleges and universities.

In Africa, new partnerships were set up with schools in Ivory Coast, Cameroon and Morocco while subsidiaries continued hosting interns. In Morocco, Colas is active in forums and has established new partnerships with public training institutes.

### Recruitment and departures

#### External recruitment by job category

| Scope [a]: Global | Holding company and other | Bouygues Construction | Bouygues Immobilier | Colas | TF1 | Bouygues Telecom | 2017 Group total | 2016 Group total |
|---|---|---|---|---|---|---|---|---|
| **France** | 88 | 3,178 | 495 | 4,080 | 557 | 1,645 | 10,043 | 7,473 |
| Managerial | 59 | 1,516 | 249 | 611 | 298 | 415 | 3,148 | 2,439 |
| Clerical, technical & supervisory | 29 | 1,118 | 193 | 978 | 259 | 1,230 | 3,807 | 2,823 |
| Site workers | | 544 | 53 | 2,491 | | | 3,088 | 2,211 |
| **International** | | 7,011 | 19 | 13,517 | 51 | | 20,598 | 24,889 |
| Staff [b] | | 2,073 | 19 | 2,780 | 51 | | 4,923 | 5,415 |
| Workers [c] | | 4,938 | | 10,737 | | | 15,675 | 19,474 |
| **France + International** | 88 | 10,189 | 514 | 17,597 | 608 | 1,645 | 30,641 | 32,362 |

(a) Coverage: 100% of the Group's headcount
(b) Supervisory, managerial and technical employees
(c) Site workers
Indicator available at bouygues.com: Internships during the year (France)

*Recruitment at **Bouygues Construction** decreased over the entire scope of business activities in 2017. However, this masks a contrast since in France the number of new hires was 45% higher than in 2016, reflecting a nationwide upturn in business activity as well as tight labour-market conditions. International recruitment numbers were down 41%. Completion of work projects led to a decline in business activity, which in turn reduced hiring across all entities.*

*The number of new hires by **Colas** rose 11.2%. In France, the steep rise in new hires (up 39.9%) reflects a significant recovery in the roads market and a rise in the backlog.*

*In North America, Africa and Asia, hiring levels vary widely, mainly due to seasonal factors.*

*By geographic region:*

- *In North America, hiring levels rose in Canada but fell in the US.*
- *In Europe, hiring rose sharply in northern Europe, especially in Belgium in line with the pick-up in business activity, and in Central Europe, as a result of numerous EU-funded infrastructure projects.*
- *In Africa, recruitment was significantly higher in Guinea due to the massive GAAC mining project.*

*External recruitment by **Bouygues Telecom** in 2017 mainly served to bring in rare expertise and fill shortages in skillsets in connection with 4G, fixed-line, fibre, BtoB and data-related developments.*

### Number of departures

| Scope[a]: Global | Holding company and other | Bouygues Construction | Bouygues Immobilier | Colas | TF1 | Bouygues Telecom | 2017 Group total | 2016 Group total |
|---|---|---|---|---|---|---|---|---|
| Number of departures (all types of contracts) | 75 | 11,915 | 440 | 17,547 | 771 | 1,564 | 32,312 | 34,688 |

(a) Coverage: 100% of the Group's headcount
Indicators available at bouygues.com: Reason for departure (France), Staff turnover (France)

*In France, the number of departures at **Bouygues Construction** edged up by 3.5% as tight conditions in the labour market resulted in resignations.*

*In international activities, the number of departures should be viewed in light of the high number of recruitments. The project structure of business activities accounts for the intensive use of locally sourced, temporary labour, with employment contracts running for short times and expiring upon completion of construction cycles or projects. Although employee leaving numbers were high outside France, they were far lower than in 2017. This was due to a broad-based decline in business activity as several work projects were handed over – mainly in Africa (Morocco, Qatar, Nigeria and Ghana) and Asia (Singapore, Turkmenistan, Thailand and Hong Kong) – and the lack of new projects.*

*At **Colas,** the number of departures internationally is not meaningful because this chiefly results from the seasonal nature of its business, as worksite contracts expire.*

3

| Scope[a]: France | Holding company and other | Bouygues Construction | Bouygues Immobilier | Colas | TF1 | Bouygues Telecom | 2017 Group total | 2016 Group total |
|---|---|---|---|---|---|---|---|---|
| Number of dismissals (permanent employees) | 8 | 676 | 29 | 1,372 | 132 | 296 | 2,513 | 2,899 |

(a) Coverage: 58.0% of the Group's headcount

*At **Colas,** the number of dismissals in France decreased by 10.3% versus 2016 to 1,372, of which 482 terminations following the completion of work projects.*

## 3.2.1.3 Compliance with ILO conventions

The Bouygues group promotes the fundamental conventions of the ILO (International Labour Organisation) as well as human rights in the countries where it operates. Signed in 2006, the UN Global Compact recognises freedom of association and the right to collective bargaining while seeking to eliminate discrimination and forced and child labour. Each year, the Group reaffirms its commitment to these objectives. The Group's Code of Ethics and Human Resources Charter, widely circulated internally and available at bouygues.com, remind all employees of its expectations in this regard. In sometimes complex circumstances, operational managers have a duty to prevent any infringement of human rights in areas relating to their activity. That vigilance must be an integral part of their day-to-day work. It should be noted that, outside France, an employee consultation body exists in the 63% of subsidiaries that have more than 300 employees.

Because its operations span the globe, **Bouygues Construction** must constantly house work teams arriving from abroad or distant locations. Standards for worksite living quarters have been defined to guarantee a minimum level of facilities and living conditions, irrespective of country and place of work. Initially put in place by Bouygues Bâtiment International, these standards were deployed to all Bouygues Construction entities in 2017, and apply to all new worksite living quarters created for a duration upwards of six months. To help deployment, toolkits (containing a guide to living quarter standards, an assessment sheet, a scorecard and the list of standards applicable to subcontractors) were handed out to project managers. Subsequently, the Health and Safety department will be tasked with conducting internal audits.

### Freedom of association and the right to collective bargaining

In countries where ILO conventions governing trade union rights and freedoms have not been ratified, all subsidiaries aim to implement arrangements that give employees a voice as the Group strongly believes that high-grade dialogue between labour and management is the cornerstone of harmonious relations in the workplace.

**Bouygues Construction**'s presence outside France often drives progress in countries where social protection is poorly developed. To measure the level of progress in HR policies, by location and by their contribution to labour relations, Bouygues Construction has introduced a human resources development indicator (HRDI). Using 21 criteria categorised into five themes (HR management, careers, remuneration, labour standards and quality of life at work), the HRDI draws a comprehensive picture showing the extent to which Bouygues Construction's HR policy, its culture and its values have become ingrained, while also highlighting avenues for improvement.

### Existence of employee representative bodies in the international activities[a]

| Scope[b]: International, outside France (companies with more than 300 employees) | Holding company and other | Bouygues Construction | Bouygues Immobilier | Colas | TF1 | Bouygues Telecom | 2017 Group total | 2016 Group total |
|---|---|---|---|---|---|---|---|---|
| Existence of employee representative bodies in the international activities | | 50% | | 74% | | | 63% | 64% |

(a) Holding company and other, Bouygues Immobilier, TF1 and Bouygues Telecom are not covered by this indicator on account of its scope. Only companies employing more than 300 people operating outside France are concerned

(b) Coverage: 36.0% of the Group's headcount

### Elimination of forced or compulsory labour and the effective abolition of child labour

Respect for fundamental values and principles of human rights is enshrined in the Bouygues group's Code of Ethics and Human Resources Charter. The Supplier CSR Charter forbids all use of forced or compulsory labour.

Further to strict compliance with ILO recommendations on child labour, companies within the Bouygues group work to ensure that rules are also complied with by their business partners through the Supplier CSR Charter (see section 3.4.3 "Partners, suppliers and subcontractors").

## 3.2.2 Making life better for employees every day

### 3.2.2.1 Adaptable and scalable worktime organisation

Worktime organisation varies by local business context and by the type of legal arrangements in force, which may differ from country to country.

Decisions take into account the need to satisfy customers and maintain a healthy work/life balance for employees.

### Adapting and organising worktime

Practices for monitoring worktime within **Bouygues Construction** are being harmonised. In France, revisions to clocking-in procedures continued in 2017. After introduction of a common system for clerical/technical/supervisory and managerial employees, whose worktime is measured according to their absences, the worktime of site workers is monitored using a new standardised clocking-in procedure adapted to worksites.

Monitoring worktime helps safeguard a healthy work/life balance. For that purpose, Bouygues Construction has introduced strict rules whenever it requires its employees to work extraordinary hours (on weekends, public holidays and at night). Extraordinary hours systematically require management authorisation and prior consultation of employee representative bodies. Such work also qualifies for overtime pay or time off in lieu. Lastly, close attention is paid to regulating the use of digital technology. Under the "Harmonies" [a] programme, employees are made aware of the importance of "switching off", should they work outside of normal hours.

Because business activity fluctuates, several tools are available to the company and employees for adapting worktime to schedules, in observance of the legislation. For example, employees can add leave or rest days to their time savings accounts, which store up paid-leave entitlements, making it easier to manage fluctuations in business activity. The adjustable worktime arrangements governing site workers under the collective agreements can absorb variations in HR requirements.

In **Colas'** global scope, the organisation of worktime takes into account the seasonal nature of the transport infrastructure construction and maintenance business.

- In France, the preferred organisation of worktime is either annualisation or a fixed number of days worked. Annualisation and the worktime modulation plan – which apply to workers and office employees, technicians and supervisors in the Operations business line – mean that work can be organised according to seasonality, while rewarding overtime.

The tool used to manage worktime and time off for employees on fixed number of days worked contracts keeps track of days worked, rest days and leave days on a monthly basis. It is also designed to facilitate ongoing dialogue between managers and employees about their workloads and work/life balance.

- Outside France, the seasonal nature of business also has an impact on the organisation of worktime. In North America, for example, projects primarily take place between April and November, with seasonal employees making up a large proportion of the workforce.

  Both in the US and Canada, weather conditions prevent working year-round on worksites. Seasonality dictates employment patterns. Employees work at the entities for six to eight months of the year and are rehired from one year to the next.

  A Fatigue Management System Policy is in place at most Canadian companies for tracking hours worked and rest periods.

(a) Introduced as part of the "Quality of Life at Work" agreement in 2017, "Harmonies" comprises a range of innovative management practices that can be implemented at both individual and group level.

In Europe, worktime is calculated on an annualised basis in most countries, in line with the local legislation. Flexibility encourages work at the times of the year best suited to construction. At the end of the year or when new projects come in, the entities publish a schedule of activity for the upcoming year and submit it to employee representatives. In some other countries such as the Czech Republic, Austria, Denmark and Iceland, subsidiaries bring in seasonal employees at the busiest times of the year.

In Africa, worktime is geared to the legislation in force in each country. An overtime rate is paid for hours worked outside normal working times. On certain projects, employees are granted time-off at the end of the month.

**Bouygues Telecom,** intent on improving customer experience, overhauled worktime arrangements in 2017. As a consequence, teams have better availability at the times when customers need them most (front office and internal operations). Employees volunteering for this were awarded a pay increase.

## Adopting new forms of work organisation

In France, the Group encourages working from home, which can increase employee satisfaction while yielding gains for the company by improving productivity and optimising the use of office space. The Group's business segments:

- have put into place flexible work methods such as mobile working, working from home and have opened coworking spaces;
- have defined a strategy for preventing cognitive overload (e.g. stress, burn-out) as well as harassment by signing agreements on quality of life at work and conducting anonymous surveys amongst employees. The issues of workload and work/life balance are addressed twice per year, including during annual appraisals (Bouygues Telecom), and early-warnings systems (for filing complaints with management) have been put into place;
- have policies for maintaining a healthy work/life balance, while TF1 and Bouygues Telecom have signed the Parenting Charter. Bouygues Telecom also has a "well-being observatory".

At **Bouygues Construction,** the "Harmonies" programme – introduced as part of the "Quality of Life at Work" agreement in 2017 – comprises a range of innovative management practices that can be implemented at both individual and group level. The "Serenity" stress-prevention module is part of this programme, helping employees handle stress better through resources such as conferences and a network of "stress coaches". It also assists companies in limiting workplace-related stress though better management practices (as dispensed in the Manager 2.0 training course).

Operations wise, "Harmonies" meetings – held at the start of worksites – are now systematic and serve to define each person's limits in order to make resource management more fluid. For example, to compensate for the remoteness of some locations, siteworkers do not stop for lunch on Fridays so that they may leave earlier than usual. This initiative has also been introduced for clerical, technical and supervisory employees at Bouygues Bâtiment Nord-Est headquarters.

To encourage remote working, Bouygues Bâtiment Ile-de-France has set up mobile offices at its Paris worksites. Space can be reserved using the Place To Work application.

In France, **Colas** in December 2017 signed an agreement with employee representatives on quality of life at work so that employees could have a healthier work/life balance. This included making provision for working from home and occasional remote working.

A new agreement on time savings accounts is being negotiated. One of the ideas under discussion is to broaden its application so that employees can take time off to deal with exceptional situations (such as supporting a partner, child or parent with a serious illness) rather than simply building up an end-of-career leave entitlement.

**Bouygues Immobilier** is redesigning workspaces for its customers and for its own teams in accordance with the new digital paradigm and latest management practices. For example, its Galeo headquarters and several other locations have been transformed into shared workspaces, with a focus on functionality, collaborative working and well-being in the workplace. There is a broad range of working environments, from fixed and shared office space to creative rooms and quiet zones.

These new workspaces served as a demonstrator for the new shared-office service (also known as "third places") that Bouygues Immobilier now markets under the Nextdoor brand. Bouygues Immobilier opened five new Nextdoor spaces in 2017 (see section 3.3, "Environmental information") and aims to become market leader through the partnership it has forged with AccorHotels.

**TF1** has teamed up with Nextdoor to overhaul its workspaces under a scheme called "TF1 by Nextdoor". The delivery of these new workspaces began in November 2017 and will be spread over a three-year period. The project responds to changing collaborative working methods and the increasing digitisation of TF1's operations.

At **Bouygues Telecom,** the flex office (whereby employees have no assigned workstation) has become common practice and working from home has been adopted by 1,300 employees (20% of the headcount, out of the 40% eligible).

3

## Number of hours worked

| Scope[a]: Global | Holding company and other | Bouygues Construction | Bouygues Immobilier | Colas | TF1 | Bouygues Telecom | 2017[b] Group total | 2016 Group total |
|---|---|---|---|---|---|---|---|---|
| Number of hours worked | 597,116 | 94,208,956 | 2,748,772 | 106,669,569 | 7,107,157 | 11,516,205 | 222,847,775 | 229,926,024 |

(a) Coverage: 100% of the Group's headcount
(b) For 2017 data, the calculation method was made more realistic by no longer taking into account various types of absence – including time off work for illness or as a result of a workplace accident. This partially explains the decline in the number of hours worked in 2017

## Worktime schedule

| Scope[a]: Global | Holding company and other | Bouygues Construction | Bouygues Immobilier | Colas | TF1 | Bouygues Telecom | 2017 Group total | 2016 Group total |
|---|---|---|---|---|---|---|---|---|
| Hourly | 32.9% | 52.1% | 32.9% | 80.6% | 35.8% | 55.4% | 65.4% | 66.3% |
| Annual (incl. senior executives) | 67.1% | 47.9% | 67.1% | 19.4% | 64.2% | 44.6% | 34.6% | 33.7% |

(a) Coverage: 58.0% of the Group's headcount
The indicator is specific to France and thus excludes international data
Indicator available at bouygues.com: Average number of part-time workers (France)

## Absenteeism

### Number of days off work as a result of a workplace accident[a]

| Scope[a]: Global | Holding company and other | Bouygues Construction | Bouygues Immobilier | Colas | TF1 | Bouygues Telecom | 2017 Group total | 2016 Group total |
|---|---|---|---|---|---|---|---|---|
| Number of days off work as a result of a workplace accident | 39 | 22,030 | 1,446 | 51,585 | 1,281 | 2,229 | 78,610 | 82,642 |

(a) Coverage: 99.6% of the Group's headcount

## Absenteeism[a]

| Scope[b]: France | Holding company and other | Bouygues Construction | Bouygues Immobilier | Colas | TF1 | Bouygues Telecom | 2017 Group total | 2016 Group total |
|---|---|---|---|---|---|---|---|---|
| Absenteeism[a] | 2.4% | 3.5% | 2.6% | 5.1% | 3.1% | 5.1% | 4.5% | 4.6% |

(a) Permanent staff
(b) Coverage: 57.6% of the Group's headcount
Absenteeism is defined as the number of calendar days absent as a result of workplace accidents, commuting accidents, occupational illnesses and other illnesses versus [average number of permanent staff x 365]

*In France, absenteeism edged down, chiefly because of reduced absences resulting from occupational- or commuting-related accidents. This reflects continued efforts to improve working conditions.*

## 3.2.2.2 An ambitious health and safety policy

The Bouygues group aims to reduce the frequency and severity of occupational accidents to which it is highly exposed through its operations, and works towards better employee health. Furthermore, all business segments aim to enhance road safety and forestall psychosocial risks (through surveys, early warnings and management training in best practices).

It is on worksites where the need for accident prevention is crucial. The Group's construction businesses are therefore working extremely hard in the area of health and safety (safety equipment, training, detection and monitoring of near-accidents), and their results surpass industry standards[a]. In France, health, safety and working-conditions policies are implemented in consultation with Health & Safety committees. Implementation of a safety management system, part of which may have OHSAS 18001 certification, is the organisational bedrock at Bouygues' operating units in the construction sector.

Group entities take active steps to improve the safety of all persons who work on their sites. As personal physical integrity is at stake, Bouygues group

(a) http://travail-emploi.gouv.fr/IMG/pdf/ct_2014.pdf entities require their suppliers to have identical work safety requirements when operating on Bouygues sites. In that regard, it is each supplier's responsibility to bring any identified anomaly to the attention of the manager of the Bouygues group site where it is working (extract from the Group's CSR Charter for Suppliers and Subcontractors, which is appended to procurement contracts).

## Boosting safety in the workplace

To implement this policy in the field, senior managers at subsidiaries have for many years drawn on a global network of health & safety officers as well as a broad range of safety resources, including training on safety, eco-driving techniques, first aid training and 15-minute "starter" sessions on safety basics. Other resources include awareness-raising initiatives, accident analysis, best-practice sharing, cross-subsidiary challenges and half-yearly rankings.

A large part of **Bouygues Construction's** business takes place outside France, sometimes in high-risk areas with political instability, high levels of crime and health hazards, to name but a few. In this context, the Security department assesses safety risks and provides an adequate response to each identified risk factor. As assessed situations are by definition unstable, the Security department maintains a real-time early-warning network in the areas where projects are under way, so that changes can be made in the event of increased risks. Specific expertise is also provided to project managers to ensure the smooth running of operations in sensitive areas. To help employees, a training programme in assessing safety risks has been introduced.

Bouygues Construction continued broadening its safety policy as it aims for zero accidents. In 2017, 12 fundamental health and safety rules were set forth, applicable to all business activities around the world. These rules, founded on entities' best practices, are designed to maintain performance.

On 13 June 2017, over 900 worksites in around 40 countries stopped work for a day to mark the official launch of these fundamental rules. The Bouygues Construction World Health & Safety Day provided an opportunity for employees, business partners and customers to:

- share a single health and safety commitment based around the slogan "We Love Life, We Protect It";
- discuss best practices at all organisational levels;
- assess operating performances and requirements at each level.

Bouygues Construction believes that each person with a supervisory role within a team is responsible for fostering an accident-free working environment for the operations they oversee. This responsibility requires leadership qualities to be developed at all levels of the company. Three health and safety training modules, common to Bouygues Construction as a whole and disseminated across all divisions, were followed by over 650 employees in 2017, lasting between three and five days.

Bouygues Construction is a standard-setter for safety in the construction industry. Consequently, the procedures and technologies that it makes available to stakeholders are beneficial to the entire profession. This transfer of knowledge takes place via the following:

- Bouygues Construction experts sit on national technical committees introducing new industry health and safety standards.
- The company also works jointly with start-ups to develop and disseminate new technologies (such as automatic guided vehicles (AGV) to assist in handling as well as connected clothing that warns wearers of danger).
- The health and safety progress drive has been introduced among suppliers and temporary employment agencies, led by the purchasing and health-and-safety departments.

In 2017, this increasing expertise at Bouygues Construction was recognised by a special prize, awarded by OPPBTP (the industry-wide risk prevention body for the French construction sector), for its "exceptional commitment to health and safety".

Health and safety policy at **Colas** is built around four priorities: respect for rules, training and information, a safety-first approach to project and process design, and follow-up of action plans.

New measures were introduced in 2017, including the compulsory wearing of safety belts in all machinery, the roll-out of new training sessions in safety culture for all new employees in Metropolitan France (around 700 employees in 2017) and the prevention of dust risk.

Other significant actions included:

- safety coaching sessions (from the CEO to business unit managers) held by Colas Centre-Ouest;
- the Goal Zero process rolled out in Canada with Caterpillar Safety Services;
- the Safety Culture programme launched at Spac together with ICSI [a];
- the roll-out of innovative tools providing assistance with manual tasks to the French road construction subsidiaries (such as Exopush), presented at the Viva Technology event in June 2017. These exoskeletons were designed through cooperation between engineers, workers and Colas experts to help workers spread asphalt mixes and thus improve their working conditions;
- virtual reality safety training.

Bouygues Telecom and Bouygues Immobilier have developed e-learning modules for all employees on safety rules, major risks, and the procedures to follow.

(a) French industrial safety culture institute.

### Workplace accidents

| Scope[a]: Global | Holding company and other | Bouygues Construction | Bouygues Immobilier | Colas | TF1 | Bouygues Telecom | 2017 Group total | 2016 Group total |
|---|---|---|---|---|---|---|---|---|
| Frequency rate[b] of workplace accidents among staff | 8.4 | 3.3 | 8.4 | 6.4 | 4.5 | 4.7 | 5.0 | 5.4 |
| Severity rate[c] of workplace accidents among staff | 0.07 | 0.23 | 0.53 | 0.48 | 0.29 | 0.19 | 0.36 | 0.36 |
| Number of fatal accidents | | 1 | | 7[d] | | | 8 | 4 |

(a) Coverage: 99.6% of the Group's headcount
(b) Number of accidents involving time off work x 1,000,000/number of hours worked. In France, these are accidents leading to more than one day off work, reported to and recognised by healthcare authorities
(c) Number of days off work as a result of a workplace accident x 1,000/number of hours worked
(d) At Colas, although health & safety is improving, which can be seen in the accident frequency rate statistics, there were seven fatalities in 2017, mainly related to accidents involving heavy plant machinery. A specific plan of action related to this risk has been defined for the years to come

### Promoting health in the workplace

For several years, an ergonomics department within **Bouygues Construction,** reporting to senior management, has worked to reduce the burden of arduous work in production-related occupations. It does this by leveraging best practices and expert knowledge so that it can provide worksites with tangible solutions. Its scope is comprehensive, encompassing both behaviour (handling, posture and communication) and working environment (equipment and travel as well as exposure to noise and dust).

The department seeks to intervene as early as possible in processes so that ergonomic principles can be integrated into design, rather than being introduced remedially at a later stage. Ensuring that employees have adopted fundamental principles before starting work must become a prerequisite. Around 30 one-day workshops were held in France and Switzerland last year, during which site workers were made aware of the importance of maintaining their health by experiencing various scenarios, including simulations of deafness or even the ageing process and how everyday life is impacted. The ergonomics department also runs equipment and organisational challenges to demonstrate that ergonomic principles are beneficial for both the individual health of site workers and the overall operation of worksites. At supervisory level, ergonomics training for employees working on methods and prevention was introduced into Bouygues Construction's long-standing overseas subsidiaries (Morocco, Hong Kong, Singapore and the UK), putting into practice the principles contained in the Ergonomics Guide published in 2016, covering all of Bouygues Construction's activities.

Protecting from noise and dust first involves modifying equipment in order to reduce vibration and noise levels. Next, the provision of equipment adapted to individuals (e.g. made-to-measure ear plugs) and the raising of awareness among site workers about the importance of wearing it all the time ensures comprehensive protection. Streamlining by Bouygues Construction's Equipment division made it possible to select products with better quality and safety standards. Equipment standardisation furthermore helps obtain improvements, in cooperation with manufacturers and ergonomists. For example, standardising equipment – together with a practical training dimension – has reduced the rate of accidents associated with the use of power tools by 90%. Bouygues Construction now only uses chemicals whose INRS [a] risk ratings are either low or moderate. Lastly, procedures have been implemented to replace form oil or paint containing solvents with safer alternatives.

At **Colas,** with regard to health, specific initiatives have continued to limit:

- musculoskeletal disorders, through risk-prevention training or providing exoskeletons to make applying asphalt a less arduous task;
- noise exposure (mandatory hearing protectors);
- exposure to ultraviolet rays (wearing of clothing and testing of new materials with long-sleeved T-shirts manufacturers).

**Colas** has also implemented mechanisms and actions to reduce employee exposure to bitumen fumes, silica dust and chlorinated solvents.

In 2017, Colas' fifth Global "Safety Week" (26–30 June) was held on the theme of health and lifestyle to raise awareness among all Colas employees about the need to preserve their health and provide them with ideas for improving it. At all locations, employees were able to test their physical condition thanks to simple, enjoyable exercises based on balance, breathing and heart rate, strength, flexibility and sleep. Workplace accidents and physical condition are often closely related.

**Bouygues Telecom** offers a Health and Safety programme at its headquarters. This contains several initiatives promoting well-being and a sound work/life balance, such as "Cosy Rooms" (offering counselling from a psychologist). Additionally, the well-being and stress observatory, introduced in 1999 in partnership with Préventis, also offers workshops to raise awareness about sleep patterns, relaxation techniques and more besides.

(a) French National Research and Safety Institute for the Prevention of Occupational Accidents and Diseases

### Recognised occupational illnesses[a]

| Scope: France | Holding company and other | Bouygues Construction | Bouygues Immobilier | Colas | TF1 | Bouygues Telecom | 2017 Group total | 2016 Group total |
|---|---|---|---|---|---|---|---|---|
| Recognised occupational illnesses[a] | | 63 | 2 | 120 | | | 185 | 221 |

(a) Coverage: 57.6% of the Group's headcount
The indicator is specific to France and thus excludes international data

The Group endeavours to provide its employees with social protection, both in France and in other countries.

In France, all employees benefit from personal risk coverage (long-term incapacity and death) and healthcare insurance. Entitlements are far superior than minima under the law (especially state-approved complementary healthcare policies) and contractual arrangements. In addition to employee healthcare coverage, the Group also contributes towards covering family members' healthcare costs.

The Group Personal-Risks Scheme, which covers employees of Bouygues Construction, Bouygues Telecom, Bouygues Immobilier and Bouygues SA, improved the level of reimbursement of several items in 2017, from dental and optician costs to alternative medicine and contraception. In 2018, it will offer new services aimed at facilitating prevention (coaching to prevent backache, stop smoking, deal with stress, etc.) as well as offering a 24/7 medical helpline for employees and their families, offered free of charge and reachable from France or abroad.

3

### Social protection outside France[a]

| Scope[b]: Global | Holding company and other | Bouygues Construction | Bouygues Immobilier | Colas | TF1 | Bouygues Telecom | 2017 Group total | 2016 Group total |
|---|---|---|---|---|---|---|---|---|
| Social protection outside France[a] | N/A | 100% | N/A | 100% | N/A | N/A | 100% | 98% |

(a) Percentage of companies employing more than 300 people and operating outside France that provide social protection to employees
(b) Coverage: 36.0% of the Group's headcount
N/A: not applicable

*Social protection schemes remain a key priority in HR policies internationally. The goal is still that each employee will be covered for personal risks (death and incapacity at the very least).*

## 3.2.2.3 Labour relations based on permanent and constructive dialogue

The Bouygues group believes that trade unions and other employee representative bodies are essential for progressive labour relations, which in turn contribute to its companies' success. Having open communication channels with these bodies lays the groundwork for constructive relations.

Resources available to trade unions, in addition to those allocated by each business segment, were determined at Group level by a 2005 agreement. Employee representative bodies in the different business segments are supplemented by the Group Council in France (30 representatives from various works councils around the Group) and the European Works Council (24 representatives from 12 countries). As privileged forums for meetings between union representatives and Group executives, they provide an opportunity for forthright discussions about the Group's business and financial prospects and about developments relating to jobs, HR policy, health and safety.

The year 2017 marked another milestone in the development of labour-management dialogue at European level. A new agreement was approved by all members of the committee, comprised of representatives from Belgium, the Czech Republic, France, Hungary, Poland, Slovakia, Switzerland and the UK.

The new agreement modifies the membership rules governing the European Works Council. From now on, countries with at least 250 employees are represented (as opposed to 500 previously). Consequently, Croatia, Denmark, Spain and Romania were able to take part in the European Works Council meeting on 18 October 2017.

With such vast representation of its employees (3,474 elected representatives and 407 bodies), the Group sees high turnouts at workplace elections (81.4% in 2017) – far higher than in France on a nationwide level (42.76% in 2017 according to France's National Council on Labour Relations)[a].

The Group offers a unique resource allowing employee representatives to access data in the e-library of economic and HR-related information related to their scope.

(a) https://www.elections-professionnelles.travail.gouv.fr/documents/20181/122310/Communique-de-presse-nouvelle-mesure-de-l-audience-syndicale.pdf/903f6114-c0eb-4217-9ffc-25d97a47ac4b

### Ensuring high-quality dialogue between labour and management

Because each of its businesses is so different, collective bargaining within the Group has naturally evolved by business segment so that agreements stay as close as possible to each one's requirements and limitations.

In 2017, collective bargaining at Group level resulted in two amendments to the Group Personal-Risks Scheme being signed: one involved changes in contributions and benefits for site workers, clerical, technical and supervisory employees, and managerial employees; the other renewed the terms of the Supervisory Board.

In 2017, 185 agreements were signed or renewed, underlining the dynamic labour relations within the Group.

Internationally, labour relations are guided by the rules applicable in the specific countries.

Lastly, each of the Group's business segments has been required to sign other agreements based on their own circumstances.

In 2017, **Bouygues Construction** signed four collective agreements on disabilities, gender equality, management of jobs, careers and wages, and worktime.

In France, **Colas** concluded an agreement on quality of life in the workplace that aims to provide a better work/life balance through the possibility of working from home, using time savings accounts more flexibly and offering more parental leave. Colas also extended the labour-management dialogue agreement with the three registered unions that sets the level of funding enabling them to conduct their duties effectively.

Within the subsidiaries, the agreements relate mainly to collective bargaining arrangements, employee benefits and employee compensation.

During the compulsory annual negotiations, employee representatives at **Bouygues Immobilier** implemented a solution supplementing statutory arrangements whereby employees can take leave to look after a seriously ill child, spouse or parent. Paid leave donations are possible as a way of helping colleagues within the same company.

In 2017, **TF1** held compulsory annual negotiations for the entire group for the first time, resulting in three agreements in the areas of wage policy, employee benefits and flexible working hours, and labour relations.

It also continued negotiations relative to its job and skills planning agreement in a highly competitive context. Under this agreement, employees will soon have access to 170 factsheets – covering all professions – drawn up jointly between elected representatives, senior management and operational employees. After trialling the idea, TF1 also began negotiations on working from home.

### Turnout in elections for employee representatives (1st round, principals)

| Scope [a]: France | Holding company and other | Bouygues Construction | Bouygues Immobilier | Colas | TF1 | Bouygues Telecom | 2017 Group total | 2016 Group total |
|---|---|---|---|---|---|---|---|---|
| Turnout in the most recent works council elections | 86% | 86% | 73% | 82% | 76% | 70% | 81% | 82% |

(a) Coverage: 58.0% of the Group's headcount

The indicator is specific to France and thus excludes international data

Indicators available on bouygues.com: Percentage of employees covered by a satisfaction survey (France), Percentage of employees receiving a formal annual appraisal (France)

### Collective agreements negotiated

| Scope [a]: France | Holding company and other | Bouygues Construction | Bouygues Immobilier | Colas | TF1 | Bouygues Telecom | 2017 Group total | 2016 Group total |
|---|---|---|---|---|---|---|---|---|
| Number of collective agreements negotiated including mandatory annual negotiations | 3 | 97 | 3 | 62 | 11 | 9 | 185 | 237 |

(a) Coverage: 57.6% of the Group's headcount

The indicator is specific to France and thus excludes international data

*In 2017, 185 agreements were concluded: 40% concerned compensation and employee benefits, 30% labour relations, electoral and trade union rights, 14% quality of life at work and diversity, 10% worktime and work organisation, and 6% job and career planning.*

### Coordinating dialogue with employees

The collaborative ByLink Network, launched in 2015 and made available to all Bouygues group employees with an email address, gives access to an open and transparent discussion forum that can be used to stay up to date on Group news and share business-segment best practices through theme-based online communities.

The five business segments also have their own collaborative networks. Because these networks all use Microsoft's Yammer solution, adoption of this new work resource was easier for all concerned. Within the Group and around the globe, widely-distributed interactive communication channels are on offer to facilitate exchange (e.g. corporate social media and chat applications). Throughout the year, various events are held within each business segment, offering opportunities to meet and dialogue more often.

For example, **Bouygues Immobilier** periodically runs web conferences hosted by the CEO, who answers questions raised directly by any member of staff.

At the head office, **Colas** has set up pages dedicated to the life of each of its sites (Boulogne-Billancourt and Magny-les-Hameaux) to promote communication between employees (social and cultural activities organised by the works council, on-site events, HR news).

Several of the Group's business segments also conduct satisfaction or perception surveys, or both.

At **Bouygues Construction,** employee surveys provide ideas for improving work organisation and methods, as well as garnering information on the state of labour relations. These surveys, run at entity level, are based on a template common to Bouygues and are used to assess employee engagement and find out about any expectations that they may have. In some entities, this feedback channel is supplemented by a multi-annual employee opinion review.

In partnership with a start-up, **Bouygues Immobilier** last year developed a feedback resource accessible to employees via the intranet.

Because it is interested in how its employees view their work, **Bouygues Telecom** has since 1996 held biennial employee perception surveys on various topics, from the everyday work experience, relations with managers and professional development to strategy, culture and values, business procedures and overall commitment.

## 3.2.2.4 Compensation policy rewarding individual and combined efforts

The Bouygues group's compensation policy aims to reward professional conduct and the potential of each employee, as well as individual and team performance. Having a range of possibilities for variable and deferred compensation offers different ways of rewarding their commitment to the company.

### Comprehensive compensation

A comprehensive system of compensation applies to all employees worldwide, comprising a basic salary and variable bonus payments (determined by country and occupation). These arrangements may be supplemented by other employee benefits such as occupational pensions as well as health and personal-risk insurance.

In France, 97% of all employees are covered by compulsory or voluntary profit-sharing arrangements in various Group entities. Additionally, employee-savings incentives (e.g. company savings and collective retirement savings schemes) are regularly supplemented by capital increases reserved for employees, such as the Bouygues Confiance n°9 plan in 2017.

Internationally, company savings arrangements similar to the French system are available in some countries. In the UK, Bouygues Construction offers ShareBY and Colas UK offers the "Colas UK Share Incentive Plan". Similar arrangements exist in Switzerland and Hong Kong.

The Group also strives to reward professional conduct and mindset among its best site workers through the Minorange Guild. Bouygues Construction and Colas have 16 such site worker guilds, active in the Group's main locations. Bouygues Telecom recognises professional conduct and customer service acumen through the Customer Advisors Club. Similarly, the expertise of its engineers is recognised by co-option to the Bouygues Telecom "Experts Club".

3

### Tailoring compensation policies to profiles and geographical areas

**Bouygues Construction** assesses salaries at least twice annually to ensure that compensation is adapted to local conditions, both in France and internationally. Facing a tight labour market in a fast-growing industry, Bouygues Construction Australia raised wages by 5%. In other countries such as Switzerland and Singapore, pay rises were smaller (1.3% and 2.7% respectively) because of negative or zero inflation. In France, after two years of wage restraint, salaries were increased by 2.2% following the upturn in recruitment and the upward revision to the starting salary scale.

Besides business performance, the compensation policy helps manage other long-term strategic issues such as gender equality, attracting and retaining talent, and cross-disciplinarity within the group.

Bouygues Construction strictly adheres to wage equality. The "Committed to People" committee works to ensure the right application of agreements, using a scorecard to monitor gender equality. Less regularly, special attention is paid to this issue during pay reviews.

Since 2016, the Global HR platform has been operating worldwide. Henceforth, the three major HR processes (talent management, annual appraisal and compensation) are combined into the same system. Besides standardising managerial practices, this digital tool unlocks synergies between the processes. During appraisals, for example, information from the other processes provides important decision-making inputs for evaluating employee potential and performance.

At **Colas,** the budget available for compensation depends on three criteria: the results of the Colas group and of the relevant subsidiary, as well as individual performance.

For employees, it is based solely on individual performance, whereas for managers it also reflects the performance of the subsidiary or sector of activity.

Every manager is provided with a pay review tool, plus relevant performance indicators. Managers are thus given all the information they need to review their team's pay levels and can submit their proposals with a single click to the subsidiary's and then the Colas group's "validators" for approval. The information system is no longer geared solely to the needs of HR employees: it is now a managerial monitoring system that provides traceability, efficiency and a seamless approach to the approval of pay increases and promotions.

Outside France, Colas Inc. in the US uses local pay surveys given the regional differences between its units spread across the West Coast (California and Nevada), the Midwest (Wyoming, Colorado, South Dakota, Nebraska, Arkansas, Missouri and Illinois) and the East Coast (Florida, Alabama, Georgia, South Carolina, North Carolina, Tennessee, Kentucky, Ohio, Virginia, Pennsylvania and New York). As a result, its employees can be paid at a level in line with the local market. Likewise, Colas Canada uses local surveys to set its pay. For unionised employees, pay is set through the collective bargaining arrangements applicable to their businesses.

In northern Europe, local pay surveys in some countries brought to light the need for pay adjustments in the Operations and Engineering activities, thus leading to remedial increases and therefore better staff retention. In central Europe, the large number of infrastructure projects created tension in the jobs market, driving wages up sharply.

In 2017, based on market surveys and best practices, the Moroccan subsidiary improved its processes to retain and attract talent through fair rules that reward employee performance.

In 2017, **Bouygues Telecom** expanded its compensation policy to include arrangements rewarding not only individual but also collective performance. For example, additional profit-sharing corresponding to 0.5% of payroll for eligible employees at appraisal time, was paid in 2017 in addition to the profit-sharing offered under the usual scheme.

### Conducting regular pay research

To keep employees' compensation in line with the market, the business segments rely on surveys that highlight pay trends in the various professions and the levels of compensation for each specific function.

In France, reference is also made to a database containing the pay levels of managerial employees throughout the Group's business segments.

Keen to maintain pay practices in line with the market, **Bouygues Immobilier** took part in a survey conducted by Deloitte and AON Hewitt showing that it was in the market median. Importantly, the survey revealed that there was no gender pay gap at Bouygues Immobilier.

At **TF1,** salary scales specific to each business activity were implemented so that basic pay can remain competitive relative to the jobs market. The salary scales can also be used for forecasting a target wage increase over the course of a career, from novice to executive.

### Ensuring systematic feedback

The Group appraisal process contains a section dedicated to systematic detailed feedback sessions carried out by the manager during interviews with each employee that they are responsible for.

Personalised documents are provided to employees of TF1, Bouygues Immobilier and Bouygues Telecom summarising their annual compensation package and other benefits, including bonuses, variable remuneration, benefits in kind, employee savings and training hours.

## Salary trends in France

#### Average annual gross salary in France by job category and trend[a]

| **Scope[b]: France** € | **Holding company and other** | **Bouygues Construction** | **Bouygues Immobilier[c]** | **Colas** | **TF1[d]** | **Bouygues Telecom[e]** |
|---|---|---|---|---|---|---|
| Managerial | 81,540 | 59,228 | 69,783 | 61,502 | 70,771 | 62,067 |
| *Change vs. 2016[f]* | *3.1%* | *1.4%* | *7.2%* | *0.1%* | *-2.9%* | *2.3%* |
| Clerical, technical & supervisory | 39,912 | 32,533 | 32,566 | 36,723 | 39,610 | 27,342 |
| *Change vs 2016[f]* | *14.7%* | *0.9%* | *6.9%* | *1.3%* | *-3.9%* | *1.7%* |
| Site workers | | 27,824 | | 26,546 | | |
| *Change vs 2016[f]* | | *1.0%* | | *1.5%* | | |

(a) Permanent staff
(b) Coverage: 58.0% of the Group's headcount
(c) Excluding sales staff
(d) Including journalists
(e) Including customer relations advisers
(f) Change calculated on the basis of average wages in the previous year

Indicators available at bouygues.com: Total gross contribution by employer to the company savings scheme (France), Total gross contribution by employer to the collective retirement savings scheme (France), Total amount of profit-sharing (paid in 2017 in respect of 2016) and Percentage of employees promoted (France).

*At **Bouygues Construction,** after two years of wage restraint due to low inflation and mediocre economic conditions, the average wage in France rose more sharply in 2017, across all categories.*

***Bouygues Immobilier** is working to make an employee's variable remuneration more objective. Senior management and employee representatives also sought to assign increased importance to quality of management and involvement in cross-disciplinary and strategic projects. Nearly 25% of company employees in 2017 received variable remuneration in line with their individual performance.*

***Colas,** facing a testing market and with inflation at 1% in 2016, in 2017 budgeted for pay rises equivalent to 2.5% of the payroll on a like-for-like basis between 2016 and 2017.*

### Benefits granted to employees

| € million | 2017 | 2016 | 2015 |
|---|---|---|---|
| **Net profit** | **1,205** | **784** | **480** |
| Cost of employee benefits excluding dividends | 209 | 175 | 150 |
| **Profit before costs associated with employee benefits** | **1,414** | **959** | **630** |
| Cost of employee benefits including dividends | (281) | (248) | (237) |
| Dividends payable to non-employee shareholders for the year | (601) | (535) | (567) |
| **APPROPRIATION TO RESERVES** | **532** | **176** | **(174)** |



*Profit paid out as Group employee benefits and related costs takes into account profit-sharing, employer contributions to company savings and collective retirement savings schemes, expenses under IFRS on Bouygues Confiance employee share ownership schemes and stock options, as well as dividends paid on employee-owned shares.*

*The net residual balance of 2017 profits after employee benefits and distribution to non-employee shareholders represents an amount of €532 million, which was allocated to reserves*

## 3.2.3 Developing people's potential

The Bouygues group endeavours, for its employees, to create a setting in which they can develop their employability and enhance job skills through support and training programmes.

Systematic interviews with managers (mandatory in all business segments), the provision of training to all Group employees, and internal job mobility departments in each entity are some of the tangible initiatives being carried out in France and in the international operations, in keeping with the strategic targets of the business segments.

### 3.2.3.1 Inducting employees and supporting them throughout their careers

#### Inducting new employees with the help of digital tools

Work/study contracts, end-of-study internships, mentoring, and Group and segment-specific induction days are all ways used by the Bouygues group to induct new recruits successfully. Graduate programmes run by Bouygues Construction, Bouygues Immobilier and Colas, together with digital induction processes (including Serious games[a] and MOOC [b] also help in this respect. The training of young people via work/study contracts helps form a large recruitment pool for the Group's business segments, which host students of all levels, from vocational high-school to postgraduate level, in all lines of work.

In 2017, **Bouygues Construction** launched "In'Pulse", a fully digital induction process for all its entities. This is the first stage in the induction of clerical, technical and supervisory employees, and managerial employees. It provides a window on Bouygues Construction's business culture, history, major achievements and locations as well as a better understanding of its values, strategic priorities and organisation.

In'Pulse is accessible worldwide, in four languages and in self-service mode, on the distance learning platform. It is mandatory for all new employees.

The induction of young junior managers at **Colas** is carried out following an induction process in the field. For example, a works engineer can train with teams on construction sites before gradually being given responsibilities. Induction takes place in various locations in France, during which the new employee has three to four internships in different subsidiaries, and can even cover a whole region for the same subsidiary. New employees with less than

(a) An app that combines the serious aspects (Serious) of instruction, learning, communication or information, with the fun aspects of video games (Game) – based on the definition of researcher Julian Alvarez

(b) Massive Open Online Courses

eighteen months of seniority are enrolled in Colas University so that they can learn self-reliance, a sense of responsibility, about teamwork and more about Colas as a group. The budding engineers quickly take on management responsibilities (between three and ten years depending on business line).

**Bouygues Immobilier** has completely redesigned its BI Quest induction days. Now, new employees are invited to take part in a serious game through which they can find out more about the company, and are then invited to meet members of the Strategy Committee over a period of one and a half days. The purpose of these meetings, which are based around participation and interaction, is to make teamwork a habit and close the gap between employees and senior management.

**TF1** offers interns and work/study students a specific induction process to foster – from the time they enter the company – a sharing community and a network serving the needs of these young professionals.

In 2017, **TF1** started implementing a new digital induction system enabling future employees to process all their employment paperwork online.

For GenBYtel, its community of interns and apprentices, **Bouygues Telecom** holds special induction days, after-work meetings and supervised participation in key company events.

To improve and simplify the "customer experience" for newcomers, the Group's business segments last year continued digitising HR procedures, right from the moment employees join.

In 2017, **Bouygues Telecom** began end-to-end digital administrative induction. After paperless pay slips, it continued pursuing a zero-paper policy for personnel management. As a result, employment contracts have become digitised and all employee-related documentation is now scanned. A digital service platform was also created for exchanging information and files. It can be accessed at any time, from any location, even before the employee joins the company.

### Work/study training contracts

| Scope[a]: Global | Holding company and other | Bouygues Construction | Bouygues Immobilier | Colas | TF1 | Bouygues Telecom | 2017 Group total | 2016 Group total |
|---|---|---|---|---|---|---|---|---|
| Number of apprenticeship contracts during the year | | 273 | 33 | 431 | 37 | 61 | 835 | 724 |
| Number of professional training contracts during the year | 7 | 191 | 87 | 272 | 105 | 170 | 832 | 629 |
| **TOTAL** | **7** | **464** | **120** | **703** | **142** | **231** | **1,667** | **1,353** |

(a) Coverage: 58.0% of the Group's headcount
The indicator is specific to France and thus excludes international data

*The Group continued its pro-active work/study policy. The upturn in recruitment in France and increased opportunities for hosting students promoted the use of work-study contracts, the number of which rose relative to the previous year.*

### Promoting career advancement within the Group

Internal job mobility is positive for employees and their employability. Teams and mechanisms in each business segment assist in the dissemination of job offers, promote diversity in Group-based opportunities and support employees seeking internal mobility opportunities. Each business segment can call on the Group's Internal Job Mobility department, which is able to facilitate job mobility between the five business segments. The average number of vacancies listed on Mobyclic[a] rose by 17.8%, from 800 in 2016 to 943 in 2017.

In France, arrangements are supplemented by mobility committees in various regions and the Group Coordination and Reconversion committee.

During its mobility forum, **Bouygues Construction** promoted the job mobility existing between its five main domains of activity, which are business/property development, technical department, production, support functions and exploitation/services.

A communication campaign was launched in March 2017 to keep employees better informed about the purpose of and practical arrangements for mobility at **Colas.** A corporate film entitled "Colas and me – A fresh look at my career path" was also made to raise employees' awareness of the benefits of mobility, a key factor in career advancement, and to encourage them to speak up about their career goals.

In addition, mobility support measures are being extended and will soon include a common set of assistance packages (including payment for removal costs, contribution towards the cost of finding a new home, etc.) plus specific grants that may vary according to employee status.

Subsidiaries, especially outside France, in many cases have their own information resources detailing the opportunities on offer to employees.

As part of its existing jobs and skills plan, **Bouygues Immobilier** introduced "mobility packages" to finance training for employees changing profession. This has helped increase the number of people switching jobs, particularly

(a) Extranet devoted to internal job mobility within the Group, available to all employees with an email address between those working in support functions and those working in core business functions, and vice versa.

All internal job opportunities are accessible on the **TF1** intranet. Employees can contact their head of internal job mobility if they have any questions about the vacant positions or want to clarify their career goals. They can also join an "Impulse" workshop, which helps fine-tune the project. These workshops, run by an outside HR consultant, last a day and a half. Their purpose is to help employees think about their careers in depth.

**Bouygues Telecom** added an extra measure to support its teams, launching a portal dedicated to career development. It offers a wide range of individual and collective resources, such as advisory interviews and details on reversible voluntary mobility, to help employees perfect their career goals.

Bouygues Telecom permanently seeks to motivate and develop employees through a focus on in-house innovation, holding annual Innovation Days, encouraging participation in "Bouygues IoT Challenges", arranging meetings with start-ups for its leading talents and managers, and organising fact-finding trips.

### Managing talent

Identifying, retaining and developing talent is the key consideration at the heart of the mechanisms put in place by the Group's business segments. They promote performance and enhance commitment from individual employees and teams alike.

These mechanisms encourage innovation through diversified career paths and access to the Group's management-training courses.

Each business segment has specific solutions for meeting the challenge.

At **Bouygues Construction,** procedures for identifying and analysing home-grown talent provide a complete map of the resources in place worldwide while at the same time highlight individual needs and the skillsets that need to be strengthened. Areas for improvement are identified, both for individual employees and teams. This can be followed up by group or professional development training (World Club) or individual initiatives (coaching and mentoring).

**Colas** launched the Career Point initiative to understand employees' aspirations, offer vacancies and help plan careers ahead of time.

Another key resource for managing careers – a job and skills database – is being created and is scheduled to be accessible to employees by the end of 2018. Using job descriptions that associate jobs with key skills, it will be possible to determine career paths between sectors and increase visibility on employees' career paths as well.

**Bouygues Telecom** last year started overhauling its talent-management system. By doing so, the company is:

- improving performance management, with a redesigned performance interview and access to a library of qualitative targets representing the company's strategic challenges;
- guaranteeing a solid level of expertise – for now and the future – through a workforce planning process that identifies key requirements and distinctive skillsets;
- enhancing the employability of its employees by offering several certificate and diploma courses.

## 3.2.3.2 Developing skills by offering a varied range of training courses

Line managers, HR managers and training departments in all business segments are responsible for identifying training requirements.

Meetings such as annual appraisals and job-development interviews exist to help managers and employees assess and give feedback on training requirements.

The Training and Corporate university departments in the five business segments aim to develop – through grassroots initiatives – the technical and managerial skills of employees in the short and longer terms, at every level of the organisation. All the Group's business segments have introduced digital training platforms.

To allow for equal access to development resources, irrespective of location, **Bouygues Construction** henceforth launches all corporate programmes in at least two languages (French and English). Having a network of training centres in France, the UK, Switzerland, Morocco, North America and Asia ensures that the programmes are dispensed uniformly.

This year, the five Colas University courses had 266 participants, guiding them through the key stages of their professional development. Of these, 49 came from international subsidiaries.

In central and northern Europe, a programme was implemented to meet training needs, including in management, leadership and contract management. The programme aims to cater for English-speaking employees from all of Colas' units.

### Supporting career development

Group employees have access to an increasing number of certificate and diploma courses to boost their employability. Arrangements are also in place, both in France and elsewhere, to provide refresher training to employees who so wish (e.g. literacy and numeracy).

In addition to its involvement in the Gustave Eiffel apprentice training centre, Bouygues is thinking about how it can develop continuing education and expertise in inducting and training people joining the world of work, with the aim of meeting contractual and business commitments more fully. In 2016, the Gustave Eiffel apprentice training centre hosted nearly 280 young people. The exam pass rate was 88%.

In 2017, **Bouygues Construction** widely introduced a common core of training programmes on health and safety, business ethics, sales and marketing, and project management.

Alongside health and safety training, which accounts for 51.54% of total training hours, **Colas** also prioritises general training relating to its various professions (foreman, site supervisor, engineering consultants, etc.), with 16.20% of training hours, as well as reinforcement of technical skills (over 15% of training hours).

The Colas Campus training school, which offers more than 150 personalised training programmes designed for and by Colas, played host to 3,463 French-speaking employees from all backgrounds.

As part of its overhaul of professional training, **TF1** group has introduced qualification-based courses specially designed by the TF1 University, e.g. Digital Fabrik and Connect.

TF1 has also revised its factsheets. The 175 that were drafted, with the help of collaborative workshops, describe the overall goals, main tasks, required expertise and career prospects for each occupation. They will be made available to employees on the TF1 University website so they can see what is on offer, career wise.

**Bouygues Telecom** modified its work experience accreditation (VAE) system to include training days in order to make it easier for employees to qualify.

In 2017, more than 150 customer relations advisers followed training to obtain the "Customer Portfolio Manager" qualification. This included an additional module for more technical profiles. Bouygues Telecom currently offers 56 qualification-based courses, available through their personal training accounts (CPF).

Introduction of training areas in each customer relations centres has helped speed up training in the employee's specific job as well as teaching them new services, all with the help of a team coach.

## Transforming learning and training methods

The digitisation of learning provides broader access to content and training that is adapted to the operational constraints faced by employees. Innovative teaching techniques (Serious games[a], MOOC[b], SPOC[c], etc.) are encouraging take-up of new content. Four of the Bouygues group's business segments have digital training platforms: Bouygues Construction (Byle@rn), Bouygues Immobilier (BI Learn), TF1 and Bouygues Telecom (e-campus).

For example, **Bouygues Construction** has:

- developed a tunnel boring machine (TBM) simulator, at Bouygues Travaux Publics. It is included in the TBM driver training course at the Gustave Eiffel apprentice training centre, and reproduces real-life conditions without endangering people or equipment. In a short space of time, this programme provides efficient training for TBM drivers, of which there is currently a shortage in France as business recovers;
- offered a Digital Reverse Mentoring programme whereby experienced employees can be coached by the generations that grew up with digital technology. The self-service content on the online training platform run by Bouygues Construction (Byle@rn) is regularly updated to offer new procedures and learning opportunities for employees.

In June 2017, **Colas** introduced the Colas Campus online training system delivering digital training in innovative formats such as COOC[d], MOOC[b], serious games[a], video tutorials, etc.

A wide variety of topics are covered, including management and leadership, ethics and compliance, desktop productivity software (Excel, Word, PowerPoint, etc.) and techniques (such as laying asphalt).

Most of the modules offered on the training platform are accessible to everyone. Since it was launched for employees in France and central Europe in June 2017, the Colas Campus platform has logged over 27,000 connections and delivered close to 5,000 hours of training. The platform was launched for employees in northern Europe in late 2017 and is to be gradually rolled out at all the other geographical locations during 2018.

**Bouygues Immobilier** is digitising more and more training thanks to the LMS, or Learning Management System, platform that it has acquired. This portal houses several types of instructive content such as e-learning, videos, quizzes and articles. It is self-service and can be accessed remotely so that each employee can train at the pace they want, according to their needs.

Last year, **TF1** launched Connect training courses for all its employees. This is a tailor-made programme meeting the strategic challenges faced by its spheres of activity, namely content, news, innovation and business. Based on three days of total immersion away from the company, Connect is specifically designed to develop expertise in innovation, sales and marketing, and digital services through open-mindedness and teamwork. The programme was certified in April 2017 and equates to level II core expertise.

Since 2017, **Bouygues Telecom** has been enhancing its digital training courses. Its e-campus offering non-stop training is now mobile-compatible, so that employees can receive content directly to their mobile handsets.

## Existence of a formal training plan[a]

| Scope[b]: France – International (companies with more than 300 employees) | Holding company and other | Bouygues Construction | Bouygues Immobilier | Colas | TF1 | Bouygues Telecom | 2017 Group total | 2016 Group total |
|---|---|---|---|---|---|---|---|---|
| Existence of a formal training plan | 100% | 92% | 71% | 99% | 100% | 80% | 98% | 96% |

(a) Scope of indicator extended to French companies in 2016
(b) Coverage: 93.6% of the Group's headcount

*Structures still without a formal training plan nonetheless train their employees, most notably in safety and regulatory accreditations in addition to core expertise relating to their professions.*

(a) An app that combines the serious aspects (Serious) of instruction, learning, communication or information, with the fun aspects of video games (Game) – based on the definition of researcher Julian Alvarez
(b) Massive Open Online Courses
(c) Small Private Online Courses
(d) Corporate Online Open Courses

### Training

| Scope[a]: France – International (companies with more than 300 employees) | Holding company and other | Bouygues Construction | Bouygues Immobilier | Colas | TF1 | Bouygues Telecom | 2017 Group total | 2016 Group total |
|---|---|---|---|---|---|---|---|---|
| Number of employees trained | 154 | 25,503 | 1,493 | 36,050 | 1,327 | 5,269 | 69,796 | 68,902 |
| Number of training days: | 772 | 58,193 | 4,510 | 107,848 | 7,040 | 16,135 | 194,498 | 195,633 |

(a) Coverage: 93.6% of the Group's headcount
Indicator available at bouygues.com: Training by type

## 3.2.3.3 Promoting diversity and equal opportunity in every policy

### Fighting discrimination

The Bouygues group's Code of Ethics states that *"the Group seeks to apply a fair policy of human resources that complies with the law. The Group will refrain from, in particular, all discrimination on unlawful grounds."*. Fair treatment and equal opportunity are among the principles of the Human Resources Charter and apply to all aspects of the employee's career, from recruitment and training to promotion, information and communication.

*"We are an equal opportunity employer. No applicant or employee receives less favourable treatment because of gender, ethnic background, religion, beliefs, disability, age, sexual orientation or nationality. This is a moral obligation as well as a corporate priority."* (Taken from Bouygues group Human Resources Charter, drafted in 2008).

The Bouygues group aims to promote diversity in terms of professional experience and qualifications, at the hiring stage and thereafter. Equally important, occupational integration is managed through a variety of channels, such as direct hiring, outsourcing to occupational integration companies or to temporary employment agencies specialising in occupational integration. In addition, the Group ensures that its commitments in this domain are respected by subcontractors and Chantiers Ecoles, and integrated into its training programmes.

This diversity policy is promoted by the Diversity-Equal Opportunity committee, which meets several times annually with business-line specialists to share best practices.

At **Bouygues Construction,** all clerical/technical/supervisory and managerial employees have access – through the In'Pulse induction process – to the "Together Different" e-learning course, which contains three separate modules (equal opportunity, diversity and disability). This course is based around the analysis of stereotypes, then uses role-play to understand real-life cases. All employees are strongly encouraged to follow this course. It has become a prerequisite to taking certain management courses. Regarding classroom sessions, the new Committed to Equal Opportunity course for recruitment managers began in October 2017. At operational level, Bouygues Bâtiment Ile-de-France signed a partnership agreement with several employment agencies specialising in diversity promotion.

The equal opportunity perception indicator has been introduced into three subsidiaries of Bouygues Construction. More than 1,100 employees took part in the survey and the information provided helped guide the various action plans.

International subsidiaries are also active in this area, for example Bymaro, which is one of the founder companies behind the Morocco Diversity Charter and the Morocco Diversity Club, which documents best practices and publicises them among recently co-opted member companies.

Because of its many international locations, Bouygues Construction sees cross-cultural management to be of prime importance. Day One, aimed at first-time expatriates, is now available in every subsidiary. This one-day training module helps foster cohesion in these teams by teaching concepts relating to management and cross-cultural relations.

Over 300 HR managers and line managers have been trained in dealing with religious sensibilities, responding to a need to have better grasp of the subject. In addition, the Religion in the Workplace guide was updated and distributed to all HR managers. A factsheet was created and distributed to other managers.

Since 2014, Dragages Hong Kong has held events promoting cultural diversity. In 2017, the Nepalese Dashain festival was commemorated in the headquarters, resulting in a cultural exchange between Nepalese and Hong Kong employees.

Outside France, **Colas** subsidiaries located in English-speaking countries are focusing their efforts on measures to combat discrimination.

Countries such as the UK, Ireland, Switzerland and Denmark, in particular, have drawn up specific statements and management charters to fight discrimination, complementing the Colas group's charters. Ireland has included a special chapter in its new HR manual called "Dignity and respect for all".

In Belgium, the retention of employees over 45 years of age in employment is covered by specific action plans for each agency, covering recruitment policies, training, skills development and health.

The UK, which is very proactive on these issues, is in the process of obtaining a specific certification from the construction sector (CITB – Construction Industry Training Board) covering in particular the issues of diversity and the fight against discrimination, in addition to transparency and equality. Diversity is promoted through actions organised with associations of former prisoners, ex-military personnel, disabled people and outplacement agencies. Colas UK also participated in the National Action Week for Inclusion in September 2017, with a specific communication campaign on these topics.

In Switzerland, a system for collecting information on acts of discrimination was established, offering guaranteed anonymity.

US subsidiaries are bound by federal laws prohibiting job discrimination in hiring, employee treatment and compensation. They make their commitments clear and send vacancy announcements to placement agencies that specialise in the employment of minorities, or to specialist newspapers. The Colas North America Corporate University offers ethics courses. US-based employees who feel they are victims of harassment may call a toll-free number for help.

**Bouygues Immobilier** provides the Respect and Performance module on the theme of managing diversity to all the company's experienced managers. This helps them foster cooperation within their diverse teams, whether this diversity is based on culture, generation, gender or disability.

Bouygues Immobilier is also a founding partner of the Bagneux second-chance school near Paris. Mentoring sessions on job interviews as well as discovery workshops focusing on various professions are organised regularly.

At **TF1,** all employee categories concerned (managers, programme makers, viewer host teams and HR) have been trained in diversity issues and anti-discrimination measures. The Afnor audit in March 2017 to renew the Diversity label highlighted the effectiveness of diversity policy within TF1 resulting from the proactive measures taken to reinforce equal opportunities. The label was again awarded on 11 July 2017, a sign of TF1's unflagging commitment to diversity inside and outside the company.

### Promoting gender equality

The promotion of gender equality is a goal expressed clearly by Martin Bouygues and shared by all Bouygues group business segments. At a convention on 25 April 2017 bringing together women's networks and chief executives, managers and HR employees, the Bouygues group launched its 2020 Diversity Plan, containing targets on recruitment, promotion and development.

Concerning **recruitment,** the aim is to make the Group more attractive to women. Currently the worldwide gender breakdown is 18% women and 82% men; the Group is targeting **21%** women by 2020. The situation varies markedly depending on Group business segment. Men are more represented in the construction activities whereas at TF1, Bouygues Telecom and Bouygues Immobilier, the gender split is close to even. The Bouygues group has also set a target that, by 2020, **37%** of all managers hired will be women.

Recruitment is also being targeted so that it contributes to better diversity in the construction activities; design and financing as well as communications and human resources. The Group is also working to encourage young women to take up careers in engineering. Bouygues Construction, Colas and Bouygues Telecom have signed agreements with the non-profit organisation "Elles Bougent" to make the Group's activities more visible to women throughout France and promote engineering careers among female secondary school students studying science and technology.

When offering **promotions,** the Group is intent on facilitating equal access to career advancement. Each business segment has set targets to be reached by 2020 for increasing the number of women in management positions worldwide. For example, at Bouygues Construction and Colas, these targets are 18% and 15%. In France, the Bouygues group has set a target that 20% of women will occupy the grade of department head or higher. Also in France, the proportion of women in executive bodies – an indicator tracked for the past two years – rose from 16.2% in 2016 to 18.3%. The Group is targeting 23% by 2020. Already, wage equality is a reality in all the Group's business segments. Where there are gaps, specific amounts can be allocated.

To improve women's **career development** within the Group, support initiatives are offered in various forms.

For example, the business segments run mentoring programmes. On 8 December 2017, the first inter-segment cross-mentoring programmes, in which mentors can be male or female but mentees only women, were launched. Bouygues Telecom and TF1 launched the concept in 2011 and 2014 respectively, extended in conjunction with partners Cisco and Ciena last October. Colas is rolling out its programme (80 female employees concerned) in early 2018. Training courses in leadership for women are offered by TF1 and Colas. Bouygues Construction, Colas (since 2017), TF1 and Bouygues Telecom all run women's networks offering conferences, mentoring workshops on how to market oneself, and informal discussions, for example. In October 2017, following on from previous years, the Bouygues group invited 12 female employees working in various business segments to take part in the 13th "Women's Forum for Economy & Society", with a view to drawing inspiration from current trends and best practices enacted in companies around the globe.

### Status of women in the Group

| Scope[a]: Global | Holding company and other | Bouygues Construction | Bouygues Immobilier | Colas | TF1 | Bouygues Telecom | 2017 Group total | 2016 Group total |
|---|---|---|---|---|---|---|---|---|
| Women with Staff status[b] | 23.6% | 26.4% | 50.9% | 21.9% | 52.2% | 41.4% | 28.4% | 27.6% |
| *o/w women with Manager status[c]* | *17.9%* | *13.8%* | *28.0%* | *10.0%* | *40.9%* | *26.1%* | *16.8%* | *16.1%* |
| Woman with Worker status[d] | | 12.4% | | 1.7% | | | 5.8% | 6.1% |

(a) Coverage: 100% of the Group's headcount
(b) Supervisory, managerial and technical employees
(c) In France, managers are employees who are department heads or higher; internationally, they are employees who are part of a management body
(d) Site workers

*Figures for 2017 show progress towards achieving the targets of the Diversity Plan.*

*The proportion of women managers rose by 0.7 percentage points, reflecting the Group's determination to support women in taking on high-responsibility positions and reach the 20% target for women managers in France by 2020.*

*Gender equality has been progressing within **Bouygues Immobilier** for years, at all levels of the company, such that parity has been reached in its workforce. The company has exceeded all targets set in its gender equality agreement: the proportion of women with managerial status reached 41% in 2017. Similarly, the proportion of women managers rose to 28%.*



### Hiring people with disabilities

The Bouygues group is active in employing people with disabilities. Its policy in this area has four priority areas:

- recruitment through specialist forums as well as membership of specialist organisations or the use of specialist recruitment agencies;
- keeping the disabled in employment by improving access via the adaptation of workstations and equipment as well as promoting professional development through core expertise training;
- raising awareness and communicating clearly to encourage employees and managers to regard people with disabilities in a positive way, e.g. Bouygues Telecom's e-learning module on disabilities;
- subcontracting to sheltered workshops and disability-friendly companies.

A structured disability policy is firmly established in all the Bouygues group's business segments in France, including disability officers to coordinate actions and training for human resources managers and employees. Specific policies exist to help retain disabled employees and adapt working hours to their needs.

In 2017, the Group – in conjunction with Cap Emploi – ran a job-dating event to recruit employees with disabilities on work/study contracts, which led to fresh intake of disabled people in this category. Several positions as management controllers, accountants and personal assistants were filled at Bouygues Construction.

In 2017, **Bouygues Construction** held an event targeting its 3,000 head office employees, organised around the following themes: a discussion and sporting challenge with Alexis Hanquinquant, the world para-triathlon champion, who is sponsored by Bouygues Bâtiment Grand Ouest; a game focusing on different types of disability; a quiz to learn the right attitudes to adopt in the workplace; and information stands promoting the strengths of disabled workers and sheltered sector companies.

Bouygues Construction is expanding its initiatives in favour of hiring disabled people to outside France. In 2017, it joined the ILO[a] Global Business and Disability Network to forge ties between its subsidiaries and other companies for the purpose of sharing best practices and running joint initiatives. For example, Dragages Hong Kong and Dragages Singapore are even now active in recruiting and training disabled employees, winning the Barrier-Free Company Award and Enabling Employers Award, respectively, in 2017.

The disability agreements in force at Bouygues Construction provide for the financing of service vouchers for disabled employees or for those caring for a disabled parent or child. Extra leave is also available for employees who need to renew their disabled worker status. In Poland, the Karmar subsidiary provides financial support to employees with disabled children.

At **TF1,** a fourth triennial agreement (2017–2020) on hiring and retaining disabled workers was signed in 2017 by all trade unions and approved by Direccte[b]. In 2017, TF1 helped raise public awareness about mental disabilities by airing the TV film Special Honors.

To mark the 21st European Disability Employment Week, **Bouygues Telecom** inaugurated an e-learning module called Marc and Andy about hidden disabilities, involving a competition of good deeds. It continued raising awareness about disabilities by holding a "lunch in the dark", interacting with sheltered and disability-friendly companies, and holding a conference on the theme of Handicap and Performance with Trézor Makunda Gauthier, international para-athlete and a four-times paralympic medallist at the Athens (2004), Beijing (2008) and London (2012) games, and Émeric Chattey, his guide.

(a) International Labour Organisation
(b) The French regional government agency with responsibility for labour matters

## Using the sheltered sector

Making use of the sheltered sector is also a way of encouraging disabled employment (see also section 3.4.3.1). In 2017, at **Bouygues Construction,** Bouygues Bâtiment Ile-de-France contracted sheltered workshop l'Atelier Protégé des Yvelines to clean accommodation on several of its worksites. Additionally, Bouygues Energies & Services has joined the TIH Business platform, making it easier to hire self-employed disabled workers such as consultants, graphic designers and photographers.

At **Bouygues Immobilier,** the Disability Task Force (created in 2011) works hard to promote outsourcing to companies in the sheltered and disability-friendly sector. A team of 46 disability liaison officers, coordinated by the disability officer, is responsible for implementing subcontracting initiatives via Gesat[a], which markets the services of the sheltered and disability-friendly sector. A second company-wide agreement – dedicated to the employment of people with disabilities – was negotiated in 2014. This latest agreement set forth a target for increasing the amount of sales generated with the sheltered and disability-friendly sector by 5% annually.

**Colas** has begun a process in conjunction with purchasing departments. The suppliers deemed as having offered a satisfactory level of service are listed and their names disseminated internally. Part of this process is encouraging use of the sheltered and disability-friendly sector each time this is possible and beneficial to both sides.

Buyers at **Bouygues Telecom** ask suppliers about their ability to work on a co-contracting basis with the sheltered and disability-friendly sector, using this as a criterion to choose between them. The company is also a member of Handeco-Pas@Pas, created on the initiative of CDAF[b] and major companies, to promote and facilitate subcontracting to the sheltered workshops, disability-friendly companies and occupational integration programmes. In 2017, Bouygues Telecom won the Jury's Special Award in the Sustainable and Responsible Purchasing category of the annual purchasing awards. This accolade recognises the training course on purchasing aimed at managers of disability-friendly companies, designed and dispensed by the Bouygues Telecom purchasing department as part of its University of Excellence – a joint initiative with HEC Paris and BPI group (see section 3.4.1 of this document).

## Employees with disabilities

| Scope: France | Holding company and other | Bouygues Construction | Bouygues Immobilier | Colas | TF1 | Bouygues Telecom | 2017 Group total | 2016 Group total |
|---|---|---|---|---|---|---|---|---|
| Number of employees with disabilities[a] | 3 | 530 | 37 | 975 | 78 | 280 | 1,903 | 1,901 |
| Number of employees with disabilities hired during the year[a] | | 13 | 6 | 25 | 12 | 15 | 71 | 49 |
| Sales with sheltered workshops and disability-friendly companies during the year[b] | n.m. | €2,392k | €228k | €1,753k | €418k | €418k | €5,210k | €5,390k |

(a) Coverage: 58.0% of the Group's headcount
(b) Coverage: 57.6% of the Group's headcount
n.m. non-meaningful
The indicator is specific to France and thus excludes international data

(a) A national disabled employment network
(b) The French association of purchasing managers and buyers

# 3.3 ENVIRONMENTAL INFORMATION

Further information can be found by visiting bouygues.com or consulting the CSR documentation of the individual business segments available on their respective websites.

## 3.3.1 General environmental policy

### 3.3.1.1 Environmental policy

Environmental issues are considered strategic by Bouygues, as it aims to rank among the leading solution providers for the planet-wide challenges of climate change and resource scarcity. Sustainable construction and urban planning are two such solutions. Consistent with this policy, the Group is also enacting indicator-driven initiatives to limit and then reduce the environmental impact of its operations.

The environmental policies of the Group's business segments cover the various phases of their activities.

**In the design phase,** all business segments factor environmental issues into their products and services. This can be seen in the following:

- Bouygues Construction, Colas and Bouygues Immobilier's environmental certifications of their products (BREEAM®, LEED®, HQE™, BBC-effinergie®, Minergie[a], E+C-[b], BBCA and so forth);
- promotion of the circular economy by helping create the BBCA label (see section 3.3.4.4), which recognises circular economy criteria throughout a building's lifecycle, of new selective deconstruction methods, etc.;
- in the construction businesses, lifecycle assessments and the provision of eco-friendly alternatives.

Sustainable construction and research into environmental solutions are a key focus of innovation at Bouygues Construction, Bouygues Immobilier and Colas.

**Bouygues Construction**

| Indicator | Scope (activity or region) | Coverage | 2017 | 2016 | Remarks |
|---|---|---|---|---|---|
| **R&D budget spent on sustainable construction** | Global | 95% of Bouygues Construction's consolidated sales | 39% | 49% | Bouygues Construction devotes a large proportion of R&D expenditure to corporate social responsibility. The decline in this indicator chiefly reflects the fact that R&D solutions dedicated to CSR are more predominantly part of frontline employees' daily routines. Huge research efforts were made in recent years but have been reduced in tandem with incorporation into operations. |
| **Buildings in the order intake with environmental labelling or certification prescribed by Bouygues Construction** | Global Construction activities | 50% of Bouygues Construction's consolidated sales | 69% | 76% | Whenever Bouygues Construction acts as a designer/builder, over two-thirds of its building-related order intake includes environmental certification commitments that are superior to applicable regulations. The small decline in the consolidated figure for 2017 is due to a change in the design/build market for some activities operated by Bouygues Bâtiment Ile-de-France. |

- **Concerning Group operations** (primarily worksites and fixed locations such as workshops and production sites), management of environmental impacts chiefly relies on the use of energy management systems (ISO 14001) as well as certifications (HQE™, LEED®, BREEAM®).
- In addition to these tools, the Bouygues group's construction businesses have developed their own methods for assessing environmental performance that factor in the specific features of each profession: Bouygues Construction's Ecosite (see section 3.3.1.2), Bouygues Immobilier's Clean Worksite Charter[c] and Colas' self-assessment checklists.

(a) Minergie® and Minergie-eco® are pan-European performance labels originating from Switzerland. They are mainly prescribed by Losinger Marazzi, Bouygues Construction's Swiss subsidiary

(b) The E+C- (energy + carbon – / positive energy building and carbon reduction) label is a regulatory pilot label that is a forerunner of future energy rules. Methodology was developed by the French government following in-depth consultation with stakeholders. This resulted in the publication of guidelines and a technical reference base, criteria of which are incorporated into the BBCA and Effinergie 2017 labels

(c) The Clean Worksite Charter applies to all of Bouygues Immobilier's commercial property developments (18.1% of its sales) and to residential developments that are NF Habitat HQE™ certified. Since 2016, NF Habitat HQE™ certification has superseded the NF Logement and NF Logement HQE certification schemes. This new certification places more emphasis on in-depth guidelines to minimise disturbances via worksite design

- **As part of its internal processes,** the Group implements a certification policy governing the construction and operation of its own buildings. The headquarters of Bouygues SA, Bouygues Construction and Bouygues Immobilier as well as Bouygues Telecom's Technopôle, Printania (a customer relations centre) and data centre carry this certification [a] (see section 1.1.5. Bouygues group: main sites in chapter 1 of this document).
- **Given the type of product and service offered by the Group,** environmental-performance policies applied when structures are in operating phase are crucially important. Bouygues Construction and Bouygues Immobilier support customers in managing and limiting their final energy consumption. For example, their offers include performance commitments in the form of Energy Performance Contracts (EPC) for commercial and residential properties (see section 3.3.3.2).

Environmental certifications relating to the operation of buildings (HQE™, LEED®, BREEAM® in use) prescribed by the business segments, carry requirements in energy and resource management under operations-maintenance.

## 3.3.1.2 Environmental risk prevention

### Risk analysis

In general, environmental risk prevention requires early-stage analysis that maps or assesses the risks connected with production sites or fixed business-related locations.

The main environmental risks are identified in section 4.1 Business-specific risks.

Financial risks arising from climate change are identified and described in section 5.2.3 of this document.

### Environmental management systems

As an integral part of CSR policy at Bouygues, implementation of an environmental management system is one of the four principles that the business segments pledge to enact to improve the Group's environmental performance. Standards (ISO 14001 and ISO 9001) and the environmental certifications (HQE™, LEED®, BREEAM®) enacted in Group operations provide a framework for environmental management.

For example, Bouygues Immobilier has pledged to abide by all requirements of the NF Habitat – NF Habitat HQE™ certifications, using a management system that is audited annually by Cerqual Qualitel Certification (25% of property developments are checked in the design stage and at handover for compliance with NF Habitat HQE™).

To reduce environmental hazards on worksites and other locations operated by Colas and Bouygues Construction, both business segments rely on environmental management systems largely inspired by ISO 14001. ISO 14001 incorporates a risk assessment and procedures by which entities can address the environmental issues relating to their particular activity.

At Colas, ISO 14001 certification is rolled out at most fixed locations, especially materials production sites. Annual cross-audits of subsidiaries in Belgium, mainland France and Switzerland serve to evaluate facilities and reinforce environmental hazard prevention. These audits are carried out at approximately one hundred sites per year, representing around 14% of sites in that geographical area, by in-house teams. Analysis is under way to adapt these arrangements to other regional contexts.

### Bouygues Construction

| Indicator | Scope (activity or region) | Coverage | 2017 | 2016 | Remarks |
|---|---|---|---|---|---|
| Sales covered by an ISO 14001-certified EMS [a] | Global | 95% of Bouygues Construction's consolidated sales | 91% | 96% | Management of environmental impacts in Bouygues Construction's operations is enhanced by a risk prevention policy based on an ISO 14001-certified environmental management system that is used almost universally. |

(a) Environmental management system

### Internal procedures

So that the environmental risks pertaining specifically to their type of activities are better managed, the Group's business segments have implemented their own internal environmental management systems and labels.

- Bouygues Immobilier applies the Clean Worksite Charter to all its commercial property developments (corresponding to 18.1% of sales) [b]. The Charter involves the appointment of an environmental coordinator before work begins, at the contractor's expense. These coordinators are present throughout projects. Their role is to gather, store and classify all environmental data required to ensure a low-impact worksite, as well as to ensure compliance with measures in force. Each trade designates an environmental officer, who is then the coordinator's contact person.
- Checklists at Colas, which cover each type of fixed facility (laboratories, work centre depots, workshops, hot and cold mixing plants, emulsion and binder plants, bitumen depots, quarries, gravel pits, recycling platforms, ready-mix concrete plants, prefabrication plants, construction waste disposal sites, etc.), constitute a concrete benchmark for assessing environmental performance. Standardised checklists have been developed for each type of fixed installation, representing around 2,000 production units all over the world.
- The Ecosite label is used to manage the impact of environmental hazards and pollution on Bouygues Construction's worksites.

(a) The new Colas headquarters is pursuing this same policy
(b) Residential property developments are covered by NF Habitat and NF Habitat HQE™ certifications

## Ecosite label: enhancing the environmental performance of Bouygues Construction's worksites

Ecosite, developed by in-house teams and introduced in 2010, ensures compliance with Bouygues Construction's own environmental policies and with standards derived from the most stringent regulations, on issues ranging from managing waste and protecting biodiversity to minimising disturbances for local residents.

It is applicable to all Bouygues Construction entities and is based on three main strands:

- worksite environmental standards, which summarise recommendations for safeguarding the environment, with examples of best practices and suggested bio-based materials;
- an evaluation grid assessing implementation of recommendations;
- a worksite environmental label issued on the basis of assessments.

Ecosite stipulates early-stage analysis of environmental risks. The actions to be carried out are then organised in accordance with several themes: waste, hazardous materials, noise pollution, air, aquatic environment, biodiversity, energy consumption, cleanliness and storage. The label also has a section on managing environmental emergencies and on worksite-related information (especially maintaining dialogue with local residents). It is one component of Bouygues Construction's policy of achieving operational excellence on its worksites.

From 2018, Ecosite will be replaced by the new in-house label, Topsite, which, in addition to environmental criteria, will include new HR, social, health and safety and quality criteria, and will also assess the level of customer involvement in obtaining the label.



### Bouygues Construction

| Indicator | Scope (activity or region) | Coverage | 2017 | 2016 | Remarks |
|---|---|---|---|---|---|
| **Worksites carrying the Ecosite[a] label** | Global | 95% of Bouygues Construction's consolidated sales | 42% | 56% | The sharp decline reflects the creation of a new in-house label to replace Ecosite. |

(a) The percentage of worksites carrying the Ecosite label is calculated by dividing the number of eligible certified worksites by the number of those eligible (whether certified or otherwise). Eligibility criteria refer to duration, activity and worksite progress thresholds, which depend on each particular entity

### Colas

| Indicator | Scope | Coverage | 2017 | 2016 | Remarks |
|---|---|---|---|---|---|
| **Environmental certification of materials production sites**<br>% of sales before inter-company eliminations | Global | 100% of sales (before inter-company eliminations) generated by materials production activities | 62% | 62% | The proportion was stable and at a satisfactory level given the range of contexts around the world where Colas operates and the non-controlling interests held by Colas in many of these businesses. |
| **Rate of environmental self-assessment using Colas checklists[a]**<br>% of sales before inter-company eliminations | Global | 100% of sales (before inter-company eliminations) of materials production activities for which checklists are applicable | 85% | 85% | The indicator was stable because of a decline in international markets and in mainland France (down three points). The indicator rose by two points in North America. Checklist assessments remain the cornerstone of the policy put into practice by Colas to circumscribe its environmental risk. The number of completed checklists rose marginally in 2017. |
| **Materials production activities that use a tool to manage environmental impacts (environmental certification and/or Colas checklists)**<br>% of sales before inter-company eliminations | Global | 100% of sales (before inter-company eliminations) generated by materials production activities | 85% | 85% | The percentage of materials production sites that use a tool to manage environmental impacts remained steady at a high level in 2017. The target is to reach 100%. This is an ambitious target given that other shareholders in subsidiaries might be involved, some of which are majority owners, preventing Colas from ensuring complete oversight. |

(a) Activities to which the checklist applies: fixed quarries; fixed gravel pits; borrow pits; hot-mix plants; cold-mix plants; oil and bitumen refineries; asphalt plants; plants making binder, emulsions and/or fixed modified binders; ready-mix concrete plants; fixed prefabrication plants; fixed recycling plants; bituminous membrane facilities; various fixed installations; fixed bituminous binder storage facilities. This includes some highly specific, low-volume production activities (e.g. steel framing)

## 3.3.1.3 Training and raising awareness to help protect the environment

The Bouygues group runs a wide range of training and awareness-raising programmes for employees and externals on the importance of protecting the environment.

### Training and awareness-raising at Group level

The Group Sustainable Development-QSE department holds seminars to train Group managers to self-assess their own practices and situate themselves in relation to best practice as defined by the EFQM (European Foundation for Quality Management) model and ISO 26000. The seminar programme – called Abby – has organised over 75 sessions (with an average of 12 participants per session) since beginning in 2006. In 2017, all training content and the software used were modernised.

Additionally, the Bouygues Management Institute (IMB) training module, "Towards the contributive firm", aimed at senior executives from the five business segments, tackles the major challenges relating to the societal shifts that are driving changes in the Group's business models. The eight sessions held in 2017 brought together some 80 managers.

The Group communications department also runs responsible communication training. Following the training course on event eco-design in previous years, training in responsible digital practices was offered to communications personnel, including eco-designing digital media and ensuring that the messages given out are responsible. A first session in this programme was held in 2017. It will continue in 2018.

Lastly, since its launch in 2015, the collaborative intranet site, ByLink Network, has driven synergies across the Group. The major sustainable development challenges (energy-carbon, circular economy, sustainable urban environments, CSR reporting, etc.) are currently managed through this network. At the end of 2017, this Group network had nearly 6,000 users.

### Business segment initiatives

In conjunction with these Group-wide initiatives, the five business segments organise and run training and awareness-raising exercises so that the specific challenges relating to their respective activities can be taken into account. For example, at Bouygues Construction, Bouygues Immobilier and Colas, training programmes contain several modules that are partially or wholly devoted to such issues.

Teams on Bouygues Construction and Colas worksites take part in QSE "starter" sessions, which raise awareness among site workers about the quality, safety and environmental-related issues specific to the project in progress. One area of focus can be waste and pollution hazards.

Lastly, each business segment raises awareness among employees about eco-friendly behaviour. In 2017, collection campaigns for used mobile telephones led by Bouygues Telecom were extended to Group sites, encouraging employees to donate their old unused handsets for recycling or reconditioning. Elsewhere, Bouygues Immobilier involves its employees in its "One tree, one home" programme. For each housing unit sold, a tree is planted as part of the Alto Huyabamba reforestation project in Peru. Since this partnership began in 2016, more than 13,000 trees have been planted.

European Sustainable Development Week (ESDW) and/or Mobility Week are other highlights in the internal communications calendar. In connection with ESDW, Bouygues Telecom held a talk on the theme of "CSR and Ethics: a key issue for business". Questionnaires were also handed out to test employees' knowledge. Employees can also participate occasionally in environmental protection initiatives organised by non-profit organisations sponsored by the corporate foundation. These initiatives are systematically accompanied by awareness-raising sessions.

### Raising awareness among the general public

The Group works to raise awareness among external stakeholders about environmental protection and climate change. For example, the Energy Performance Contracts (EPC) prescribed by the business segments comprise information on how to reduce energy consumption within buildings.

Bouygues raises awareness all year round via several programmes viewable on the TV channels or websites of the TF1 group, from weather bulletins and news reports to shows on Ushuaïa TV (a nature channel) and children's awareness-raising campaigns. The Ushuaïa Nature TV show, which was first aired on TF1 before moving to Ushuaïa TV, celebrated its 30th birthday in September 2017.

The national collection campaign for used mobile handsets run by Bouygues Telecom alongside WWF France and campaign partners Samsung, Suez and Recommerce Solutions, was another way of emphasising the importance of recycling these devices. At Colas, local resident information campaigns are systematically included in biodiversity and local dialogue initiatives.

One of the charities supported by the Bouygues Immobilier corporate foundation is Unis-Cité, which has pioneered voluntary community service in France. As part of this initiative, the foundation provides financial support to the Médiaterre programme, which promotes eco-friendly behaviour among families living in underprivileged neighbourhoods, which in turn reduces their water and electricity bills. By encouraging the wider implementation of this programme, and through employee involvement, Bouygues Immobilier aims for such families to save 20% on these bills by 2020.

**Bouygues Immobilier**

| Indicator | Scope (activity or region) | Coverage | 2017 | 2016 | Remarks |
|---|---|---|---|---|---|
| **Number of volunteers in the Médiaterre programme supported by Bouygues Immobilier in areas of engagement** | France and subsidiaries | 95% of Bouygues Immobilier's consolidated sales | 164 | 186 | Unis-Cité continued implementing Médiaterre. A campaign to recruit new volunteers will be launched in 2018, in conjunction with an awareness-raising initiative within Bouygues Immobilier. |

The Bouygues group takes part in international trade fairs to promote its initiatives and innovations for making urban environments more sustainable. It was represented at the second annual Viva Technology fair (15-17 June 2017 in Paris) through an information stand and various events. It also took part in the first ever World Efficiency Summit (12-14 December in Paris), where several experts from its business lines gave talks. Lastly, designed for COP21, the 3D "Explore The City" app, which illustrates the environmental contribution of the Group's business segments by modelling 85 emblematic projects and solutions, was made available to Bouygues group employees and the general public.

### 3.3.1.4 Provisions and guarantees set aside for environmental risks

In the normal course of its business, Bouygues Construction is exposed to direct pollution risks, which are both limited in nature and strictly controlled. Potential hazards are carefully assessed based on a full analysis of operations. As a result, the company does not have to set aside a material amount of provisions.

Pollution risk is included in Bouygues Immobilier's major-risk map. Land-purchasing procedures include preliminary soil testing. Obtaining a report certifying the absence of any soil or subsoil pollution is a necessary precondition before signing a contract for the purchase of land. An exemption may only be granted upon prior authorisation of the vetting committee. In this specific case, cost overruns from decontamination, assessed on a case-by-case basis, are folded into the total cost of the transaction, prior to signature of the land-purchase contract. Because the related financial data is confidential, it is not possible to disclose an order of magnitude for the amount provisioned.

Colas makes provisions for clean-up expenses on contaminated land when the amounts have been determined based on an assessment by an independent firm and when a date for site rehabilitation has been set (by the competent authority, for example) or is otherwise known (upon lease termination, for example). With regard to financial guarantees and provisions for rehabilitation, a large number of quarries and other sites worldwide are subject to specific regulatory requirements when they are no longer operated and require provisions to cover environmental risks during operation. This entails a wide variety of guarantees and practices (such as performance bonds, insurance, escrow accounts and provisions) that depend on national laws. Colas' provisions for on-site rehabilitation commitments totalled €168 million at 31 December 2017. To date, there is nothing that indicates that these comprehensive measures are insufficient, neither during internal or external audits nor during the investigation of insurance claims.

There are no business-related environmental risks at TF1 and Bouygues Telecom that would warrant the booking of provisions.

## 3.3.2 Management of pollution and disturbances

### 3.3.2.1 Preventing and rectifying pollution

Pollution arising from the Group's business activities is diverse and varied, involving air, water and soil. This is mainly generated by the Group's construction worksites or operations at fixed locations – in the form of dust, water pollution and fumes from plants.

On the Group's worksites and fixed locations, external certifications (ISO 14001) and in-house standards (the Bouygues Construction Ecosite label and the Colas checklist) are the main resources available to operating units for preventing pollution.

Bouygues Construction handles these issues through the hazardous materials, air and bodies of water standards that are part of its Ecosite policy (see section 3.3.1.2). Emergency procedures exist in the event of pollution incidents that put in place the appropriate remedial action. In addition, a database keeps a list of hazardous materials and the associated preventive measures.

Initiatives by Colas to prevent, limit and where possible eradicate pollution mainly centre on fixed locations and large worksites:

- All environmentally certified sites have as their basic documentation an environmental analysis, dashboards and action plans, most notably for reducing pollution in cases where this is deemed significant. This information is used during management reviews to analyse and limit the impact of operations and improve environmental performance. In addition to these measures, the checklists also cover non-certified sites in aspects such as administrative management, site organisation, storage, operations management and monitoring, environmental impact and risk management (water and air pollution, waste, natural and technological risks, noise and vibration) and dialogue with local communities.
- Specific arrangements such as an environmental protection plan are drawn up for each of these projects, for example the New Coastal Road project on Reunion Island. In addition, the QSE team of the Colas Projects subsidiary is responsible for analysing this feedback and improving performance.

The environmental certifications used by Bouygues Construction and Bouygues Immobilier also contain points to watch during the construction phase. For example, an HQE™ project must ensure that all kinds of pollution (air, water and soil) are kept to a minimum. Bouygues Immobilier has developed the Clean Worksite Charter, which aims to prevent and reduce air, water and soil pollution. Lastly, the quality benchmarks (HQE™, BREEAM®, LEED®) promoted by Bouygues Construction and Bouygues Immobilier comprise obligations for the design and operational phases that reduce air, water and soil pollution.

In its infrastructure projects, Bouygues Construction's civil works entity does its utmost to limit impacts on biodiversity and the natural environment. For example, as part of the Monaco offshore extension project, measures were taken to limit the dispersion of fine particles, check water quality and monitor noise.

The Group's business segments also undertake other targeted initiatives to reduce the impact of disturbances arising from their activities. Bouygues Construction's rehabilitation of contaminated land, and closed-loop water recycling, and road watering (to limit the dust emissions) on Colas worksites, are examples of Group actions.

Air, water and soil pollution arising from the operations of Bouygues Telecom and TF1 are very low and, moreover, immaterial on the scale of the entire Bouygues group.

### 3.3.2.2 Measures taken to reduce other disturbances

The other forms of disturbances to which the Group's activities may give rise are mainly exposure to noise (either day or night time), odours, night-time lighting or vibrations. Its Media and Telecoms businesses are concerned by the issue of exposure to electromagnetic waves.

Acceptance of production sites and worksites by local residents is a sensitive question for the Group's business segments. In addition to the measures set out in the ISO 14001 environmental certification, disturbances suffered by local residents are among the points monitored in internal standards (Ecosite, Clean Worksite Charter, checklists).

One of the standards of Bouygues Construction's Ecosite initiative addresses the management of noise pollution in consultation with project stakeholders. Furthermore, Bouygues Construction markets a noise barrier for local residents living close to worksites. It was developed by its acoustics and vibrations skills centre, which is staffed by experts from its various operating units.

Bouygues Immobilier checks noise levels on sites covered by the Clean Worksite Charter. Where necessary, remedial measures can be taken to reduce disturbances resulting from excessive noise or vibrations.

Bouygues Telecom and TF1 are especially attentive to exposure to the waves emanating from their masts. For example, a safety perimeter is set up around all of Bouygues Telecom's radioelectric sites (antenna). This ensures compliance, beyond the perimeter, with the exposure limits defined by the decree of 3 May 2002 in regard to all freely accessible areas. Any access inside the perimeter is only granted once the signals have been turned off. Bouygues Telecom also implemented new regulations on electromagnetic fields set out in the first specific European directive, which obliges companies to evaluate their employees' exposure.

Research conducted to reduce disturbances arising from use of the Group's products is yielding innovations, leading to the marketing of more effective solutions. For example, Colas is developing products that reduce traffic noise, such as fractal-technology noise barriers, and most significantly noise-reducing asphalt mixes (Nanosoft®, Rugosoft® and similar), which can reduce traffic noise by as much as 9 dB. In 2017, 544,300 tonnes were produced, up 68% compared to 2016. This product range reflects the continuing investment by Colas on R&D over many years, and for which it has received a number of technical awards.

Furthermore, new construction methods that re-use materials deconstructed directly on-site reduce the need for transportation, as well as the related disturbances. In its rehabilitation of the Hôtel-Dieu in Clermont-Ferrand, Bouygues Immobilier reused 50% of materials recovered from the site, equating to some 12,000 tonnes. Truck traffic devoted to removing deconstruction materials and bringing in new building materials was halved. Likewise, recycling by Colas (see text box in section 3.3.3.1.) helps limit transportation by heavy good vehicles.

Lastly, as part of the projects won for the Grand Paris major infrastructure programme, Bouygues Travaux Publics has undertaken to apply continuous noise-reduction measures on its worksites to lessen the impact of such disturbances.

## 3.3.3 The circular economy

The construction industry generates 70% of the 324 million tonnes of waste produced in France[a]. Under France's energy transition legislation, coming into effect in 2020, 70% of the waste produced from building deconstruction activities will have to be recycled. The Group's business segments have identified several potential environmental and economic benefits in their response to this challenge and are continuing efforts to develop exemplary practices and operations in each of their activities. Various initiatives are already in place within the Group to take into account the guiding principles of the circular economy and eco-design. These include selecting sustainable materials in design phases, using less resources in the building of products, recovering and recycling materials (whereby waste is reintroduced into the production cycle as a secondary raw material), and using innovation to lengthen product lifecycles.

An example of this is the renovation of the former 3Suisses logistics platform, a ten-hectare site in Villeneuve-d'Ascq (north of France), where Bouygues Bâtiment Nord-Est has been making extensive preparations to recycle or reuse (preferably on-site) the materials from the planned demolitions and renovations. The project plans to reuse the site's 10,000 $m^2$ solid oak parquet flooring, thus saving the equivalent of 200 135-year oak trees.

(a) 2017 data, Ademe (French environment and energy management agency), taken from "Waste: key Figures"

Additionally, Bouygues Immobilier is carrying out a rehabilitation operation involving a former plant in a mixed-use neighbourhood in Bagneux (near Paris). This ranks as one of the most ambitious circular-economy operations by a private-sector developer in France. It consists of three stages: referencing all the materials present on the site (between 2014 and 2015); identifying potential partners for recycling the materials; and designing a methodology for gutting, asbestos removal, sorting and recycling. The deconstruction work, completed in August 2017 and carried out in conjunction with Colas subsidiaries, selectively demolished virtually all the buildings, leading to the recycling of 80% of materials including all the concrete, equating to 25,000 tonnes, which was reused on-site for backfilling after crushing.

Other Group solutions make use of contributions from:

- the sharing economy (and mixing the use of space), which leads to optimised use of the goods and services offered by the Group, e.g. shared spaces in the eco-neighbourhoods built by Bouygues (car parks, gardens, third places, etc.);
- and from scalable building design principles that facilitate reversibility as well as extensions and changes in use over the lifecycle of the building or infrastructure.

Additionally, to produce new solutions for the circular economy and sustainable urban environments, the Bouygues group in 2016 launched a Group-wide intrapreneurship programme called "Innovate like a start-up", which has led to the creation of several new activities, one of which is a digital platform listing materials obtained from demolition and renovation. In 2018, the project will lead to the creation of a company owned jointly between Bouygues Construction, Colas and Suez.

Colas is a leading actor in the circular economy. Its Colas Île-de-France Normandie entity is able to meet the requirements set by the Grand Paris major infrastructure programme's worksites. Its activities are able to handle excavation material and projects of all types, and it operates a network of around 40 sites across the Paris region, such as recycling platforms, business waste disposal centres, inert waste storage facilities, storage cells for asbestos-bearing waste and asphalt mixing plants that can recycle old road surfaces.

Colas has designed an innovative product (Ecosol®) that is manufactured from inert pre-treated materials. Ecosol® provides an alternative to concrete in road, rail and industrial projects, as well as for backfilling. It can be used to reuse spoil from excavations and earthworks, such as from Grand Paris projects, thereby helping to reduce consumption of natural resources. Thanks to all these activities, Colas Île-de-France Normandie was able to recycle close to 1.5 million metric tonnes of materials in 2017, including 200,000 metric tonnes of rail ballast.

## 3.3.3.1 Preventing and managing waste[a]

### Recycling and reusing construction-related waste

The business segments of the Bouygues group limit the production of waste arising from construction activities and promote recycling through several programmes. Environmental management systems (e.g. ISO 14001), as well as internal standards (Ecosite label, Clean Worksite Charter and checklists), also make provision for responsible waste management. One of Bouygues Construction's Ecosite standards includes metrics on the sorting, storage, collection, transportation and treatment of waste as well as the specific treatment of hazardous materials, namely pollutants or waste with properties endangering the environment or people. Bouygues Immobilier's Clean Worksite Charter[b] makes waste recycling mandatory, notably via a waste management plan.

At Bouygues Construction, programmes for reducing and recycling waste on construction sites, especially for civil works activities, continue to be implemented. Excavated materials are recovered for use as backfill or for the environmental rehabilitation of sites. Several of Bouygues Construction's operations reuse raw materials directly on-site. During the renovation of Longchamp racecourse by Bouygues Bâtiment Ile-de-France, concrete extracted from deconstruction operations was crushed, sorted and then reused in-place as part of a short supply chain. In this example, close to 30,000 m$^2$ of concrete was recycled for the requirements of the project, which is due to be handed over in 2018.

Additionally, as part of the Grand Paris major infrastructure programme, nearly 200 kilometres of tunnels will be dug, producing 43 million tonnes of spoil to be removed. To monitor environmental impact and ensure traceability, Société du Grand Paris has set up a special platform as well as a process for managing and recycling waste. For these worksites, Bouygues Construction's Bouygues Travaux Publics subsidiary has designed a supplementary tracing system called Ubysol, which through the geolocation of fleet vehicles can track waste itinerary, type, tonnage and place of discharge. This system not only provides productivity gains but also improves and increases the reliability of waste management processes. Ubysol uses the Lora network, used by Objenious (Bouygues Telecom) for smart objects.

Since 2016, Bouygues Immobilier has been part of the national multi-stakeholder Démoclès project, bringing together all the categories of companies involved in deconstruction. In this context, Bouygues Immobilier is co-signatory, alongside Ademe (the French environment and energy management agency), Récylum (a non-profit that recycles electrical equipment) and other public or private project owners, of a voluntary charter underlining their commitment to promoting use of the *Guidebook for Project Owners and Prime Contractors*, published in late 2017, which shows how to integrate materials recycling into construction contracts.

(a) Preventing food waste: given the type of businesses operated by the Bouygues group, this objective is not meaningful. Food waste is only an issue for institutional catering. However, it is mentioned specifically in some contracts with the catering providers servicing the Group's main head offices

(b) The Clean Worksite Charter applies to all of Bouygues Immobilier's commercial property developments and to residential developments that are HQE™ certified. (see section 3.3.1.2)

Lastly, waste management is a vital consideration for Colas, whose dedication to recycling is mainly seen in the recovery and reprocessing of asphalt pavement from roadway deconstruction. Three indicators track this process. Since most of the materials that Colas uses are relatively heavy, recycling must be optimised at a very local level to minimise transportation requirements [a]. This local dimension naturally favours an industrial ecology approach and there are many examples of how Colas has successfully brought quarries, recycling centres, mixing plants and other facilities on board with this approach. Amongst the products incorporating recycled materials is Ecomac®, developed by Colas itself, is an ultra-thin bitumen emulsion concrete. Made mostly from recovered asphalt mixes, its low-temperature production process reduces energy consumption for the same durability.

Cosson, a subsidiary of Colas Île-de-France Normandie, is extremely active in the circular economy. It uses professional-level sorting and recycling platforms to recover worksite materials and thus linking up deconstruction and public works companies in the same region.

Used hydraulic and motor lubrication oil, the main hazardous waste item generated by Colas in the course of its operations, is disposed of through a certified channel or processed responsibly. It is tracked using the following indicator.

## Colas

| Indicator | Scope (activity or region) | Coverage | 2017 | 2016 | Remarks |
|---|---|---|---|---|---|
| **Recycled materials in relation to the volume of aggregates produced** | Global | Asphalt mix and aggregate production activities, and railway worksites | 12% | 11% | This indicator improved significantly year-on-year, with the number of tonnes recycled increasing 6%, whereas aggregates production declined 3%. The growing use of recycled materials[a] by roadbuilding subsidiaries in mainland France and the US accounted for the increase in the number of tonnes of recycled materials. |
| **Asphalt pavement recycled in order to reclaim bitumen** | Global | Materials production activities | 15% | 15% | The rate was unchanged in 2017 as the volume of reclaimed asphalt pavement rose by 2% whereas asphalt production was down 2%. |
| **Surface area of road pavement recycled in-place** million $m^2$ | Global | Worksites activities | 3.6 | 3.4 | The surface area of road pavement recycled in place by Colas subsidiaries rose 4% in 2017 relative to 2016. The sharp improvement in this indicator is the result of efforts in western Africa (especially Benin) and by central European subsidiaries, mainland France roadbuilding subsidiaries and northern European entities. |

(a) The industry consensus holds that the target recycling rate for asphalt mix (in order for all the asphalt mix from milling or deconstruction to be considered recycled) is between 20% and 25% in OECD countries, with this rate varying in accordance with urban density and the technologies employed by project owners. Colas has therefore achieved three-fourths of its estimated recycling potential, with some subsidiaries in Belgium, Switzerland, France, the US and Canada achieving this maximum ratio in 2016. There has been slower progress, however, in countries where recycling is less of a priority

## Colas

| Indicator | Scope (activity or region) | Coverage | 2017 | 2016 | Remarks |
|---|---|---|---|---|---|
| **Waste oil recovery rate** | Global | All activities | 61% | 61% | The general consensus is that the optimum waste oil recovery rate is around 80%, taking into account the oil that is consumed and burned by vehicles and plant. In 2017, Colas obtained a steady ratio at 61%. |

(a) These considerations are determined from lifecycle analyses and carbon footprint calculations

## Recycling – central to the circular economy at Colas

Colas, which produces and uses large amounts of construction materials, recycles and reuses previously used materials from building, civil works and other projects, as well as its own asphalt mixes, for road construction.

Aggregates are the commodity that human beings consume the most of, after water. Public works account for the bulk of this consumption, with road construction alone making up more than half of it. Consequently, Colas implements measures to recycle locally, which reduces the need to extract aggregates (thereby reducing the need for new quarries and gravel pits) while also lowering the amount of material sent to landfill. In 2017, Colas recycled and recovered almost 9 million tonnes of materials, representing worldwide savings equivalent to the average production of 17 Colas quarries.

Reclaiming asphalt pavement from the milling or deconstruction of roadway makes it possible to recover the bitumen. Asphalt mix, which is used in most road networks throughout the world, consists of a mixture of about 5% bitumen with aggregates. In 2017, reclaimed asphalt pavement accounted for 15% of Colas' global production of asphalt mixes, saving the equivalent of the annual bitumen output from a mid-sized refinery.

Additionally, Colas' circular economy policy is based on the results of various methodological tools, particularly lifecycle analysis of asphalt mixes. Research in this area began in 2000 through various industry federations[a] and is regularly intensified and updated.

Colas is also researching how to reuse deconstruction materials recovered from buildings and public infrastructure.

### Bouygues Construction

| Indicator | Scope (activity or region) | Coverage | 2017 | 2016 | Remarks |
|---|---|---|---|---|---|
| Non-hazardous waste that is recycled (not disposed of in landfill) | Global excluding earthworks and Energies and Services activities | 74% of Bouygues Construction's consolidated sales | 63% | 54% | Aware of the negative impacts that construction waste can have on the environment, Bouygues Construction has a policy for recycling waste. Traceability systems are used to encourage employees to take responsibility for the conditions in which non-hazardous waste is collected, transported and recycled. Bouygues Construction's commitment to this issue resulted in a sharp improvement in 2017. |
| Rate of recycling of excavated raw materials | Global Civil works activity | 23% of Bouygues Construction's consolidated sales | 66% | 80% | Since 2015 Bouygues Travaux Publics has used an indicator tracking its waste recycling, specifically the recycling of spoil (which is the main category of waste generated by earthworks). The indicator shows a percentage decline in recycled spoil in 2017 relative to 2016. This was due to the beginning of several projects for the Grand Paris major infrastructure programme that generated polluted spoil unsuitable for recycling. |

Through its subsidiaries Colas Environnement and Brézillon, the Bouygues group offers soil decontamination solutions. With over 1,000 worksites to its name, Colas Environnement has experience in most decontamination techniques. It is chiefly renowned for the high performance and reliability of its on-site treatment systems. It is also known for its transparency. It is the first company to have gained ISO 9001, ISO 14001 and OHSAS 18001 certifications. In addition to this trio of accreditations, it has also been MASE-compliant since 2010.

Brézillon implemented a platform for transporting, sifting and recycling contaminated soil in February 2017. In April 2017, the platform had handled nearly 10,000 tonnes of contaminated soil. Once received and checked, the materials are analysed by an external inspection agency. Inert materials are then repurposed on construction sites and intrinsically polluted materials are redirected for final disposal.

### Measures for preventing or reusing other types of waste

Although construction-related waste is the chief challenge due to the volumes involved and the environmental impacts, other types of waste arising in the course of the Group's operations must also be tightly managed.

From their offices, all the Group's business segments produce waste electrical and electronic equipment (WEEE), e.g. CPUs, laptops, screens, printers and servers, which are collected and then re-used or recycled. Processing WEEE is therefore a challenge common to the whole Group. In France, this has been entrusted to ATF Gaia, a disability-friendly company, since 2010. Starting in late 2015, the Group entrusted part of this task to another company, Nodixia, to ensure better national coverage. Since the start of these contracts, this initiative has collected 98,920 items of equipment (of which 10,634 between October 2016 and September 2017). In total, 30% of the 848 tonnes of the collected waste equipment was destroyed and 70% reused.

(a) EAPA (European Asphalt Pavement Association); Usirf (French road construction industry association), which is now called "Routes de France"

At the same time, Bouygues Telecom has its own recycling channel as well as a right of first refusal on telecoms and data centre equipment that is no longer used at their original sites. Whenever it has to dismantle sites, its first action is to analyse the on-site hardware closely and, where possible, assign it for reuse. Hardware that is not reused is sold on after reconditioning. Items that cannot be sold on are recycled by specialists. This first-refusal policy has been important in the dismantling arising from the network sharing agreement with SFR (see section 3.3.3.2). Nearly 95% of the hardware from this dismantling has been reused or recycled.

To manage office-related waste responsibly, all the Group's business segments have implemented further measures in addition to those contained in head-office and site certifications. For example, Bouygues Immobilier partners with Terracycle, Elise and other local organisations around France for the collection and recycling of office-related waste at all its sites.

### First national campaign operation for collecting and recycling pre-owned mobile handsets by Bouygues Telecom

In October 2017, Bouygues Telecom partnered with WWF France, Suez, Samsung and Recommerce Solutions (a reconditioning company) to run a national campaign for collecting pre-owned mobile handsets for reuse or recycling.

According to a parliamentary report, some 100 million mobile telephones are lying inactive French homes. This operation also involved all the stores in the Bouygues Telecom nationwide network and a multi-media campaign was run to raise public awareness about the importance of recycling pre-owned handsets.

Bouygues Telecom enlisted the help of two professional organisations involved in reconditioning and recycling: Recommerce Solutions, a leading company that reconditions or resells second-hand mobile handsets with quality certifications; and Suez, a leading waste processing group. Another reason for running the campaign was to assess the feasibility of setting up a French channel for recycling pre-owned mobile telephones that would bring together all parties involved in the lifecycle of a mobile handset: from manufacturing by Samsung (the world's leading producer of handsets), to distribution and collection by Bouygues Telecom stores, and finally to reconditioning for reuse by Recommerce Solutions, which guarantees the quality of the second-hand products it sells (and certifies them with the RCube label), and then recycling by Suez.

As early as 2004, Bouygues Telecom was the first operator in France to offer a service for collecting and recycling mobile handsets. This began in its own stores and was subsequently extended to encompass all distribution channels, irrespective of operator and handset make. Since 2011, this service has been supplemented by a page on the Bouygues Telecom website devoted to the sale of pre-owned handsets, through its partnership with Recommerce Solutions.

#### Bouygues Telecom

| Indicator | Scope (activity or region) | Coverage | 2017 | 2016 | Remarks |
|---|---|---|---|---|---|
| **Handsets collected for recycling or re-use** number of handsets | France | 100% of Bouygues Telecom's consolidated sales | 252,023 | 195,515 | The increase is due to the success of collection operations in stores. |
| **From customers (Bouygues Telecom stores, general public and corporate websites, employees)** | | | 215,632 | 159,106 | The increase is explained by the success of collection operations in stores. Data on the national collection campaign run in conjunction with WWF will be reported in 2018 as it occurred in October 2017, after the reporting period for 2017 had ended. |
| **Through the after-sales service** | | | 36,391 | 36,409 | This indicator did not vary much between 2016 and 2017. |

### 3.3.3.2 Using resources sustainably

Energy, raw materials (such as timber and aggregates), water and excavated materials are the natural resources that are vital to the Bouygues group's construction businesses.

So that requirements can be calculated precisely and utilisation optimised, digital technology such as BIM (see box below) and specific lean management procedures are being steadily deployed in Group entities.

## Promoting the circular economy through BIM

BIM (Building Information Modelling) creates a smart virtual 3D model that is used to make the best possible decisions in regard to a structure's entire lifecycle, then disseminate these decisions to all project stakeholders.

BIM contains information on the identity and the thermal, environmental and mechanical performance of objects and their constituent materials, as well as on their installation, utilisation, maintenance, recyclability and lifecycle. The tool is used to optimise the building's environmental impact throughout its useful life. In design phase, for example, simulations made by taking into account the features of materials, their degree of recyclability and building methods are used to select the best scenario – one which combines reductions in materials used, optimisation of the building's eventual deconstruction and a lower construction-related environmental impact. Worksite management is also optimised because components come prefabricated, where possible. The frequency of remedial measures and the amount of reject materials are also reduced, which in turn leads to less waste materials from worksites. Lastly, in the deconstruction phase, BIM shows precisely the volumes of materials present that can be consigned for potential reuse. It also makes gutting and demolition operations more efficient.

The Group's construction businesses (Bouygues Construction, Bouygues Immobilier and Colas) use BIM for management of their operations.

Bouygues Construction has been working with BIM since 2007, using it on several small and large projects, in France or abroad. For the construction of the Paris Philharmonic Concert Hall, using a virtual 3D model avoided 90% of phasing-related problems upstream of the worksite, such as the schedule for fixing the girders. In the design of the Singapore Sports Hub, a virtual 3D model was used to coordinate technical networks with the structures provided by the architects and design offices. This highlighted incompatibilities that would not have been detected using 2D plans.

As part of Bouygues Construction's digitising of its activities, BIM is being rolled out to cover all projects and their phases by the sharing of best practices, access to dedicated software solutions, and the development of practical resources for BIM users. BIM booths are being installed on worksites so that up-to-date 3D plans can be readily used by site workers, even in the open air.

Bouygues Immobilier's policy is that all its operations will use BIM by 2020, in both design and production phases.

Finally, the Bouygues group is analysing new construction models that transform buildings into banks of materials referenced using digital modelling, making it easier to reuse such materials during subsequent deconstruction and renovation.



### Selecting and managing raw materials

To reduce the use of natural resources, those business segments concerned have pinpointed two major avenues. The first is giving priority to sustainably sourced resources (e.g. certified products); the second is optimising resource utilisation (through eco-design and recycling).

Additionally, the Group dialogues with customers to ensure that secondary raw materials, i.e. those derived from recycling, are used as much as possible in buildings and infrastructure.

### Colas

| Indicator | Scope (activity or region) | Coverage | 2017 | 2016 | Remarks |
|---|---|---|---|---|---|
| **Volume of recycled materials** millions of tonnes | Global | Asphalt mix and aggregate production activities, and railway worksites | 9 | 8.5 | The volume of recycled materials increased by 6% whereas aggregates production fell by 3%, resulting in an increased recycling rate (see indicators under section 3.3.1). |
| **Volume of aggregates from recycled pavement** millions of tonnes | Global | Materials production activities | 5.8 | 5.6 | The industry consensus holds that the maximum recycling ratio achievable for all asphalt mix excavated or planed off the road is between 20% and 25% in OECD countries, with this rate varying locally in accordance with urban density and the technologies employed by project owners. Colas has therefore achieved three-fourths of its estimated recycling potential, with some subsidiaries in Belgium, Switzerland, Morocco, the US and Canada achieving this maximum ratio in 2017. There has been slower progress, however, in countries where recycling is less of a priority. |

When new materials have to be obtained, the Group works to make sure its supply chains are reliable and responsible.

Bouygues Construction is looking at alternative construction methods and has developed its expertise in the use of timber – the material with the smallest carbon footprint – in its projects. Almost 220 timber construction projects (new or rehabilitated) have been completed in France, Switzerland and the UK since 2005.

Bouygues Construction is consequently buying more and more timber products for its construction sites. A partnership agreement with WWF France, which was renewed for a further three years in 2017, is intended to ensure that timber purchases do not threaten the world's forests, individuals who depend on these forests and the biodiversity that they shelter. It eradicates potentially illegal timber from the supply chain and makes purchasing more responsible, considering that more and more certified timber is procured, especially with the FSC certification. Given the volume of materials purchased and its position as a sustainable construction specialist, Bouygues Construction has an important role to play in the development of the sustainable timber sector.

Separately, Ossabois (a Bouygues Immobilier subsidiary) is encouraging use of low-carbon materials through its modular timber construction activities. In 2017, Bouygues Immobilier also signed a partnership agreement with Karibati, a design office specialising in bio-sourced materials. Karibati will train Bouygues Immobilier teams about diversity in bio-sourced materials and provide support for proposing new solutions.

## Promoting eco-friendly alternatives to optimise use of raw materials

Colas and Bouygues Construction offer eco-friendly alternatives to customers for lessening the impact on the environment. Eco-friendly alternatives save on materials and have better energy efficiency and lower greenhouse gas emissions than basic solutions.

Colas has long led the way in designing low-carbon alternatives and developing eco-comparison tools for assessing these alternatives.

In France, these efforts have culminated in the Seve® eco-comparison tool, which measures companies' results in increasing the environmental performance of their projects on the basis of greenhouse gas emissions, reuse of materials, water conservation, protection of biodiversity and reduction of disturbances for nearby residents. In 2016, the tool underwent a software upgrade and two distinct modules were created: Roads & External Works and Earthworks, allowing for better targeting of environmental impacts from these two types of operation. Benefiting from these changes, some earthworks operations of Bouygues Travaux Publics, through the French earthworks trade federation (SPTF), also committed to use Seve® and were also part of the development team for the third version.

Additionally, the road industry and the EU are working to see how Seve® can be applied internationally – something with which Colas is actively involved. In 2017, the "SustainEuroRoad" project, 50%-grant funded under the EU's "Life" project, was audited by the European Commission. It was stated that there are no other projects of this type in road construction and it stands out by being a project that helps to make contracting more objective. The European Commission's Directorate-General for the Environment has referred to the possibility of reducing greenhouse gas emissions by more than 50%, energy consumption by 70% and consumption of natural resources by similar proportions by using this software. It may be rolled out to operations outside France over the coming years.

In today's challenging economic climate, the decline in the number of low-carbon alternatives reflects the current state of the market, which is becoming less open to alternatives every year. The proportion of greenhouse gas emissions avoided declined by 50% in 2017 and the number of selected low-carbon alternatives fell 30%. Within the industry, Colas is playing an active part in efforts to give new impetus to eco-friendly alternatives.

Considered an important avenue for differentiation in international operations, eco-friendly alternatives are regularly used by Bouygues Bâtiment International in its projects.

To include carbon emissions levels as a decision-support indicator in its projects, Bouygues Immobilier has introduced a calculation tool that is compatible with the E+C- regulatory framework. This makes it possible to assess the carbon footprint starting from pre-project phase and evaluate project compatibility with carbon targets contained in E+C-. Using this tool also has the advantage of raising awareness among front-line employees about carbon compatibility, in turn promoting the selection of low-carbon materials and construction methods.

To reduce the need for raw materials, which draw on the ecosystem, the Bouygues group's business segments are conducting research or using a variety of techniques for the eco-design of products.

Bouygues Construction has been working on eco-design since 2007 and on lifecycle analysis (LCA) since 2009, in partnership with the CSTB[a]. Research by laboratories at Colas aims to develop eco-friendly binders by applying the principles of "green chemistry", for example by introducing components bio-sourced from marine and forestry assets, reducing temperatures and limiting greenhouse gas emissions. This work focuses on using waste and renewable raw materials that have no adverse impact on the production of human food resources.

Bouygues Telecom is lengthening the useful life of its Bbox router by adhering to eco-design principles (optimising materials and ensuring their reliability, minimising components and reducing power drain) and by operating a policy for repairing and reusing this hardware. Consequently, the average useful life of a Bbox router is between eight and ten years[b].

(a) French building technology research centre
(b) Based on after-sales data and the entire installed base

## Sensations: an exemplary development, due to its timber construction and bio-sourced materials, by Bouygues Immobilier

Sensations, part of the Ilôt Bois programme – situated in the Deux Rives neighbourhood in eastern Strasbourg – is exemplary on account of its low-carbon construction, most notably for the use of bio-sourced materials. The project consists of 146 apartments in three buildings.

A feature of Sensations is that it is the first high-rise residential development to have its floors, façades, and stair and lift cores made entirely of wood. In addition, consideration was given to means of improving the indoor air quality of the apartments by aiming to use materials with low pollutant emission levels: the false ceilings eliminate 80% of the principal volatile organic compounds (VOC), wall paints are 'class A+, low solvent emissions', and floor coverings are made from mostly natural and recyclable materials.

Affordable thermal comfort is offered to future occupants through the use of a reversible floor system that will cover heating requirements in winter and provide cooling in summer. In winter, a heat pump harnesses natural energy from the Rhine valley water-table, relaying it through the heating element below the floor screed. It also pre-heats domestic hot water. In summer, a system harnesses coolness from the ground to lower the ambient temperature.

All the innovative technologies used in this development will ensure a passive energy score, with heating needs not exceeding 15 kWh/m² of living area annually. Work started in late 2017 for handover in 2019.

## Energy efficiency

The Bouygues group takes part in the energy transition through its expertise in active and passive energy efficiency in buildings and the operation of buildings under performance guarantees.

### Promoting effective energy-saving solutions

The environmental certifications that the Group promotes for adoption include energy-saving targets. Energy Performance Contracts (EPC) give occupants guarantees on the energy consumption of their premises, for the duration of the contract. More and more residential properties and offices are being handed over with EPCs. Bouygues Immobilier also offers an EPC with each of its Green Office® developments.

3

### Bouygues Construction

| Indicator | Scope (activity or region) | Coverage | 2017 | 2016 | Remarks |
|---|---|---|---|---|---|
| **Projects in the order intake where energy performance commitments are included in the contract** | Energy and Services activities | 21% of Bouygues Construction's consolidated sales | 16% | 13% | Part of Bouygues Construction's business – more specifically its Bouygues Energies & Services subsidiary – helps customers to manage end-consumption once sites are in the operating phase. To accomplish this, it proposes offers that include performance commitments, particularly in the form of Energy Performance Contracts (EPC). |

The Bouygues group's business segments offer customers innovative but competitively priced services for optimising energy consumption. Most notably, they have built up expertise in the design of passive-energy buildings, positive-energy buildings, rehabilitation, urban services and energy performance management.

- **Passive-energy buildings:** Bouygues Immobilier has developed expertise in the design of passive-energy buildings (which consume less than 15 kWh/m² per year for their indoor heating). In 2017, Bouygues Immobilier carried out two passive-energy residential developments: Tempo and Parc de Flore in Carquefou (just outside Nantes), totalling 154 housing units. Tempo has been handed over.
- **Positive-energy buildings:** in anticipation of new regulations coming into force in 2020 (e.g. 2018 Environmental Regulations[a], which include a new Energy-Carbon label), buildings are henceforth designed with a positive net energy consumption. In the commercial property segment, the Green Office® brand – launched in 2007 – enshrines Bouygues Immobilier's strategy for positive-energy office complexes that use renewable energy and bioclimatic design. Since its inception, 11 developments have been handed over. In 2017, Bouygues Immobilier started work on phases two and three of Nanterre Cœur Université, and on Green Office® Batignolles, which became the fifth positive-energy commercial development in the process of being built: Green Office® Trigone Quart Opale in Issy-les-Moulineaux, Green Office® Meudon Gaupillat and Green Office® Spring in Nanterre (all in the Paris region) and a Green Office® in Bordeaux. In the residential segment, Bouygues Immobilier started work on Symbioz, an 84-unit positive-energy development. Green Office® Enjoy in Paris, the first-ever Green Office® with a composite timber-concrete structure, leading to exemplary carbon performance, is in the construction phase.

(a) Environmental Regulations (RE 2018) comprise a new energy criterion, positive-energy certification and a carbon indicator that assesses greenhouse gas emissions throughout a building's lifetime. The new rules will come into force in 2018 and 2020

- **Rehabilitation:** Bouygues Construction and Bouygues Immobilier have also perfected rehabilitation methods. In 2009, Bouygues Immobilier launched the Rehagreen® service package for commercial property. Based on a comprehensive multi-criteria assessment of the building, covering technical, energy, planning, regulatory, commercial and other aspects, the purpose of the service is to identify and implement the rehabilitation scenario which most precisely meets the owner's enhancement objectives and the demands of the commercial property market, while respecting the building's architectural heritage. If the owner so wishes, the operation can be designed to fulfil the most exacting certification requirements (HQE™, BREEAM® and LEED®). Three Rehagreen® developments were still under way in 2017: Rehagreen® Scor Londres Budapest, Rehagreen® Malakoff Pichat and Rehagreen® Montrouge. These three renovations have a total surface under development of 47,744 m². For the 2016–2020 period, Bouygues Immobilier has set a target that 70% of the total floor area for commercial property under development or handed over will be either Green Office® or Rehagreen® projects. At 30 September 2017, the figure was 64%.

  In 2012 Bouygues Entreprises France-Europe, part of Bouygues Construction, launched Réavenir, its initiative for rehabilitating residential property, based on three commitments: respecting the environment, guaranteeing energy performance and raising awareness among residents. Projects handed over in 2017 included the energy renovation of almost 600 housing units in Le Havre and Bolbec, and 900 housing units in Rouen and Elbeuf (Normandy). These developments reduce energy consumption by 40–45% depending on the residence, backed by a 15-year commitment.
- **Energy performance management:** this is crucial to curbing energy consumption. Bouygues Energies & Services (with Hypervision®) and Bouygues Immobilier (with Si@go®) have developed and marketed tools for measuring and managing energy performance for their customers.

The Group's business segments also offer energy-performance solutions for local authorities. For example, Bouygues Immobilier ran the pilot phase for IssyGrid®, France's first district smart grid, in Issy-les-Moulineaux near Paris. Fully operational since 2016, IssyGrid® supervises the energy consumption and production of some 2,000 residents and 5,000 employees in a 100,000 m² perimeter. It does this by providing real-time information at the neighbourhood level so that people can optimise their consumption of renewable power generation and battery-stored energy. This kind of smart network can also run street lighting systems, public amenities and buildings. In 2017, IssyGrid® was awarded the top prize in the Green Solutions Awards, in the sustainable infrastructure category.

Bouygues has also teamed up with Alstom to set up a firm specialising in energy, specifically smart grids. Embix was founded in 2011 and is notably involved in the first-ever large smart grid in Paris, in the western section of the Clichy-Batignolles development. In October 2016, the smart grid project CoRDEES (CoResponsibility in District Energy Efficiency & Sustainability) was a winner in the European call for projects entitled Urban Innovative Actions/ Energy Transition, organised by the ERDF[a].

Elsewhere, Objenious, a Bouygues Telecom subsidiary founded in 2015 that uses LoRa technology to connect devices, already offers a wide range of solutions. These include a visual interface for monitoring and controlling energy consumption in industrial facilities and in buildings run by local authorities, the possibility of setting alarms indicating overconsumption, and cost optimisation apps (see box in section 3.3.4.2).

- **Urban services:** Bouygues Energies & Services, a subsidiary of Bouygues Construction, has developed a platform enabling local authorities to manage the energy of all their buildings and network infrastructure in order to reduce consumption. Other innovative services, also aiming to make urban environments more sustainable, include the following:
  - Citybox®, directly connected to lamp posts, converts street lighting systems into a broadband network that, in addition to reducing energy consumption, offers digital services such as Wifi, CCTV and sound systems. At the latest count, this solution remotely managed close to 60,000 street lamps.
  - Citycharge®, which installs electric vehicle charge points on lamp posts, makes it easier to roll out electric mobility solutions.
  - Alizé® is a solution offering charge points for electric vehicles used by local authorities and businesses, using real-time smart management.

Bouygues Immobilier in late-2016 teamed up with Stratumn and Energisme to introduce a blockchain[b] into its smart grid projects so that photovoltaic energy produced in each building can be used within the neighbourhood in which the building is situated. The future Lyon Confluence eco-neighbourhood, a sustainable-city demonstrator, the contract for which was won by a Bouygues-led consortium in 2016, will be the first test site for trialling this technology.

(a) European Regional Development Fund
(b) A data transmission and storage technology

### Bouygues Immobilier

| Indicator | Scope (activity or region) | Coverage | 2017 | 2016 | Remarks |
|---|---|---|---|---|---|
| **Surface area of Green Office® commercial property developments in operation during the reporting period** m² | France and subsidiaries | 96% of Bouygues Immobilier's consolidated sales | 127,181 | 84,623 | In 2017, phases two and three of Nanterre Cœur Université and Green Office® Batignolles (Paris), with a total area of 14,916 m², joined the 24,665 m² of the Trigone Quart Opale development (Issy-les-Moulineaux), on which work started in October 2015, the 4,828 m² of Green Office® Meudon Gaupillat and the 8,804 m² of Green Office® Link, on which work began in summer 2016 in both cases, and the 33,009 m² of Green Office® Spring in Nanterre and the 11,126 m² of Green Office® CEAPC in Bordeaux, work on which started in 2016. |
| **Number of passive/ positive-energy homes being built or handed over in the full year** | Global | 100% of Bouygues Immobilier's consolidated sales | 238 | 363 | Work started on the Symbiose positive-energy building in June 2017. This was in addition to two passive-energy residential developments: Tempo and Parc de Flore in Carquefou (just outside Nantes), totalling 238 housing units, work on which started in 2016. |
| **Number of smart grids to be rolled out** | France excluding subsidiaries | 89% of Bouygues Immobilier's consolidated sales | 6 | 6 | Bouygues Immobilier has committed to rolling out smart grids for the following urban developments: the railway station district in Divonne-les-Bains, Amédée Saint-Germain in Bordeaux, Les Fabriques in Marseille, Nanterre Cœur Université, Annemasse and Eureka Confluence (formerly Lyon Living Lab). The progress made in planning varies according to each project. |

3

#### Reducing the energy consumption of business activities

At the same time, the Group's business segments are implementing programmes to help limit or reduce energy consumption arising from their operations (Ecosite at Bouygues Construction and cLEANergie at Colas).

### Measures taken by Colas to improve the energy efficiency of its operations

Energy consumption comes in a variety of forms, from fuel purchased for machinery to electricity consumption at quarries. The cLEANergie (Colas Lean in energy) programme was launched in 2012 to provide Colas with a measuring and monitoring tool aimed at reducing the energy used by operations, from construction and production sites to buildings and logistics.

Roll-out this programme mainly revealed that the energy consumed by asphalt plant burners, vehicles and construction machines together accounted for three-quarters of Colas' direct energy consumption in almost equal proportions.

In order to better control its energy consumption, Colas is focusing its efforts on:

- **measurement tools,** with software currently being deployed to monitor the energy consumption of asphalt mixing plants. It can track energy consumption and mix temperatures in real time, and send alerts over the internet and to smartphones. These tools are currently being used by about 32% of Colas' asphalt plants.
- **employee involvement,** with on-board and tracking systems being rolled out to monitor consumption of site machinery and vehicles, including training on eco-driving. Using these arrangements, Colas aims to reduce fuel consumption by 20%.
- **the use of renewable energy** to power installations in some regions: For example, on Reunion Island, Colas subsidiary GTOI has equipped the roofs of several depot buildings with 6,600 m² of solar panels. This solar farm has been connected to the local power grid since 2009.

Additionally, it has been observed that, in addition to low-carbon alternatives, the following help achieve indirect energy savings:

- **warm asphalt mixes,** which require about 15% less energy to produce than hot mixes; warm asphalt mixes made by Colas accounted for 23% of total output in 2017. All employees are ready to start expanding the use of these products across all areas.
- **recycled materials,** and especially reclaimed asphalt pavement (planed materials from old road pavement), which save bitumen and aggregates and reduces production and transport costs;
- **in-place recycling,** which also saves energy by reducing the need for materials and transport.

At Colas, the programme for controlling and reducing energy consumption meets several sustainable development challenges; economic (including financial savings), environmental and safety.

For its own transport requirements, Colas also uses rail and inland waterways as an alternative to road haulage. The quantity of materials transported by rail or waterway is equivalent to nearly 3,300 freight trains (with each train containing 44 freight wagons), which avoids using some 295,000 thirty-tonne trucks.

### Colas

| Indicator | Scope (activity or region) | Coverage | 2017 | 2016 | Remarks |
|---|---|---|---|---|---|
| **Energy used per tonne of asphalt mix produced**<br>KWh per tonne | Global | Asphalt mix production activities | 77 | 78 | This indicator improved by approximately one point in 2017. |
| **Warm- and low-temperature asphalt mixes** | Global | Asphalt mix production activities | 23% | 21% | In 2017, the US subsidiaries showed the greatest improvements and the best rates. All employees are working to expand the use of these products across all regions, adapt production tools and conduct ongoing research to develop new technical solutions that enable lower product temperatures, all the more so given the substantial health-related benefits. |
| **Total energy costs**<br>in millions of euros | Global | All activities | 375 | 370 | The Colas group's total energy costs are estimated at about €375 million. |
| **Total energy consumption**<br>millions of MWh | Global | All activities | 7.4 | 7.8 | Total energy consumption was 7.4 million MWh, with a relatively even territorial distribution in accordance with sales. |

Bouygues Telecom has implemented energy management systems and now has three ISO 50001-certified (energy management system) sites: Technopôle, the Printania customer relations centre and the Montigny-le-Bretonneux data centre (near Paris). This data centre reuses heat from servers and has a free cooling system harnessing outside air.

### Bouygues Telecom

| Indicator | Scope (activity or region) | Coverage | 2017 | 2016 | Remarks |
|---|---|---|---|---|---|
| **Total electricity consumption**<br>in GWh | France (excluding stores) | 100% of Bouygues Telecom's consolidated sales | 562 | 505 | The increase in total power consumption was due to increased energy use by mobile networks (up 13% like-for-like) and by fixed networks (approximately up 35% like-for-like). Together they represented nearly 90% of total electricity consumption.<br>This increase was due to the following: (1) growth in the customer base (up 10%), (2) network expansion to meet coverage and performance targets, (3) the surge in customer activity with mobile traffic doubling over the CSR reporting period.<br>Importantly, however, mobile-related energy consumption per terabyte carried fell by 45% year-on-year.<br>Additionally, on-site technical optimisation reduced power consumption by data centres by nearly 30%. |

#### Promoting renewable energy sources

As far as possible, the Bouygues group's business segments use renewable energy sources as a way of reducing the energy footprints of their activities and of the products they use.

The solar road developed by Colas, Wattway, is an example of the solutions that the Group can provide. Wattway is a patented innovation, the result of five years of R&D in partnership between Colas and Ines[a]. By combining road building and photovoltaic techniques, this road surface provides clean, renewable electricity, while allowing for all types of traffic. Wattway contributes to increasing the share of photovoltaic electricity in the energy mix, both in France and worldwide. Wattway[b] is able to power street lighting, illuminated signs and trams as well as homes and offices. By way of example, one kilometre of surfaced road can generate enough electricity to light a town of 5,000 inhabitants. Around 20 projects have been launched in and outside France since 2016. Various different applications have been trialled, such as vehicle recharging, information board power supplies, street lighting in mainland France and on Reunion Island, as well as in supplying power to buildings in Canada, the US, France and Japan. Lastly, the electricity generated is also being sold to the local power grid in Monaco and France.

(a) France's National Solar Energy Institute

(b) In 2017, a Wattway lifecycle assessment was conducted, showing that the main factor impacting the environment was the production of the modules, i.e. the making of the PV cells and, to a lesser extent, the polymer resin protective coating. The second factor is the installation phase (connecting the modules to the electrical enclosure). This study shows that the Wattway's impact could shrink to less than that of a standard photovoltaic farm in the years ahead

Bouygues Construction and Bouygues Immobilier have made positive-energy structures a major part of their business strategy, in order to prepare for the 2020 Bâtiment Responsable (responsible building) regulations. Positive-energy buildings produce more energy – much of which is solar, biomass or geothermal – than they consume. Challenger, the headquarters of Bouygues Construction[a], was transformed into a positive-energy building during its renovation. The site has more than 25,500 $m^2$ of photovoltaic panels installed in the grounds, in a solar farm and on the roofs of the cockpit and technical building, capable of generating over 2,500 MWh/year. Geothermal systems were also installed for heating and cooling all the buildings in the complex. The site, which prior to its renovation consumed 310 kWhpe/$m^2$/year, is now certified positive energy, producing 17 kWhpe/$m^2$/year.

Hikari, developed by Bouygues Immobilier in Lyon, is France's first positive-energy mixed-use development. All energy used in the development is renewably-sourced. Photovoltaic panels have been placed on the roof and façades. It is also equipped with a geothermal system and has a cogeneration power plant fuelled by locally produced rapeseed oil. Energy production and usage are pooled through an energy communication network. Electricity is also stored on batteries to deal with peak loads. In 2017, the development was recognised by the Green Solutions Awards, earning a special mention from the jury in the sustainable city major award category.

Bouygues Travaux Publics and Bouygues Energies & Services, part of Bouygues Construction, have since 2012 been developing bespoke projects around the globe in renewable power generation, from photovoltaic and biomass to thermal and wind power.

In 2017, Bouygues Energies & Services began construction of two solar farms in Japan (in Noheji and Yaita). The first is due to produce 14,800 MWh annually and came on line in November 2017. The second is due to produce 89,900 MWh annually and is scheduled to come on line in April 2018. These contracts include engineering, procurement and construction of the solar farm. In 2016, Bouygues Energies & Services had already handed over a photovoltaic farm in the Philippines. This contains over 425,000 photovoltaic solar panels, spread over 170 hectares, connected to the national grid. Forecast annual production is 190,000 MWh, giving it the potential to supply some 170,000 Philippine homes.

Bouygues Travaux Publics is also part of Floatgen[b], a new generation of offshore wind turbines in French waters. In 2017, the first turbine of this project was placed off the coast of Le Croisic, on France's Atlantic seaboard, at a specific demonstration site. It will remain in place for two years and will produce an annual output equivalent to the energy consumption of 5,000 households. Bouygues Travaux Publics was active in the design engineering, construction and launching of the floating foundation in the port of Saint-Nazaire.

## Land use

The Group's construction businesses may have an impact on land, through the extraction of materials, pollution, occupation and loss of greenfield sites, in a context of increasing urbanisation.

Bouygues Construction's earthworks and civil works activities are those most concerned by land use and pollution, together with Colas and Bouygues Immobilier. Among the responses to this challenge:

- Bouygues Construction is continuing to develop its expertise in soil decontamination in development and construction operations (see section 3.3.3.1).
- All quarry and gravel pit sites operated by Colas are restored when they are shut down and many are progressively restored while still being operated. In addition, Colas Environment, whose core business is decontamination, has developed a large number of techniques and solutions for treating soil, groundwater, and air.
- Bouygues Immobilier carries out field surveys to determine soil type and ensure that no waste has been dumped. It also ensures that there are no chemical or radioactive substances, nor pollution that could result from current or past operations or from a nearby sensitive site. Finally, it makes sure that no dumped or buried waste, or any substance, could be hazardous or detrimental to human health or to the environment. The presence of any form of soil or subsoil pollution can lead to the cancellation of land purchase contracts. An exemption may only be granted upon prior authorisation of the vetting committee.

The Group's operations also imply land occupancy, and therefore urbanisation.

Most of Colas' construction work involves the maintenance or redevelopment of areas that are no longer in their natural state. The construction of new infrastructure accounts for a very modest share of sales (estimated at less than 10%), and Colas often has no control over how land is used. Other than that, with its innovative Wattway solution, Colas is paving the way for the construction of solar energy-generating roads, covering a sizeable surface area, with the potential to meet some of a country's requirements in terms of solar power but without monopolising ground space solely for this purpose.

In 2017, Bouygues Telecom and SFR continued their programme to share close to 12,000 antennas located outside high population density areas in France, under the terms of an agreement signed in 2014. From an environmental standpoint, this will reduce the need for new equipment while lessening the impact of telecoms sites on land use.



(a) Challenger was the first building in the world to have achieved triple certification at the highest level in each case: HQE™ Passeport Bâtiment Durable – Exceptional level, LEED® Platinum and BREEAM® Outstanding

(b) This collaborative project, carried out in conjunction with Ideol and the École Centrale de Nantes engineering school, required considerable human effort to succeed. It won the Renewable Energy prize, part of the Energy Transition awards run by *L'Usine Nouvelle*, a trade magazine

### Water consumption in accordance with local conditions

The issue of water consumption varies in importance from one part of the world to another, depending on whether operations are situated in arid or temperate regions. In each business segment, water management is consequently tailored to local contexts.

Bouygues Construction and Colas are those most exposed to water-consumption issues in sensitive areas. In 2014, Bouygues Construction conducted its first-ever comprehensive water-stress analysis. The regional breakdown, updated in 2015, showed that the company generated 69% of sales in countries with low or medium water scarcity (levels 1 and 2), 27% in countries with medium to high water scarcity (level 3), 2% in countries with high water scarcity (level 4) and 3% in countries with extremely high water scarcity (level 5). Bouygues Construction is implementing specific measures to safeguard water resources through the use of special equipment, water re-use, consumption tracking and awareness-raising among employees and business partners. For example, Bouygues Travaux Publics has put in place systems for recycling wastewater in concrete batching plants and in liquid mud plants. It is also possible to introduce rainwater retention basins to provide water for operations.

In 2015, Colas introduced new indicators to measure and limit the pressure exerted on water resources by its operations in regions where water is extremely scarce. For these regions, water consumption by Colas' permanent facilities is estimated at approximately 734,000 m$^3$ in 2017. In order to limit the pressure exerted by Colas on water resources in dry regions, action plans aim to increase water self-sufficiency, encourage recycling and reduce waste. Additionally, the Colas Campus provides specially designed training courses for employees (site supervisors, foremen, engineering consultants, environment managers) on water legislation.

### Colas[a]

| Indicator | Scope (activity or region) | Coverage | 2017 | 2016 | Remarks |
|---|---|---|---|---|---|
| **Share of permanent activities located in highly water-stressed areas**<br>% of sales before inter-company eliminations | Global | 100% of total sales before intercompany eliminations of permanent activities | 5% | 6% | Colas group's permanent facilities located in highly water-stressed areas are in Canada (Saskatchewan), the US (California and Wyoming), South Africa, Zambia, Guadeloupe, Martinique, Ireland, India, Morocco, the Middle East, Chile and mainland France (Normandy). These facilities consist mainly of quarries and gravel pits but also include workshops, binder plants, depots, asphalt mixing plants, ready-mix concrete plants and recycling platforms. |
| **Water self-sufficiency rate in highly water-stressed areas**<br>% of m$^3$ | Global | 100% of total sales before inter-company eliminations of permanent activities in highly water-stressed areas | 61% | 84% | In addition to reducing water consumption in these localities, a key objective for Colas is to increase water self-sufficiency so as to minimise disruption of the water cycle and downstream water use. The water self-sufficiency indicator for 2017 is 61%, which means that most of the water consumed did not originate from the local water system. This preserves access to water resources for other local users. |
| **Share of sales in highly water-stressed areas where an action plan has been implemented**<br>% of sales before inter-company eliminations | Global | 100% of total sales before inter-company eliminations of permanent activities in highly water-stressed areas | 58% | 38% | By tracking its action plan progress indicators, as part of a continuous improvement process, Colas is able to monitor and reduce pressure on water resources in highly water-stressed areas. The realisation of action plans increased sharply between 2016 and 2017. |

(a) These recent indicators will be audited for reliability in 2018. The comparison between 2016 and 2017 is supplied only as a rough indication

Generally speaking, business segments within the Bouygues group are responsible for taking local water constraints into consideration. How water is managed is one of the criteria of the ISO 14001 standard and is contained in internal standards (Ecosite and checklists).

Additionally, Bouygues Construction and Bouygues Immobilier strive to promote building environmental certifications (HQE™ and NF Habitat HQE™), which have a section on responsible water management in a building's operational phase, covering drinking water management, rainwater recovery as well as wastewater and rainwater management.

## 3.3.4 Climate change

In March 2017, the Bouygues group – alongside 80 companies and around 40 eminent people – signed the manifesto promoted by The Shift Project, a think tank, containing nine propositions to decarbonise Europe. The manifesto, which calls on European countries right now to propose policies to achieve a level of greenhouse gas emissions as close to zero as possible by 2050, was issued in the wake of the Paris climate accord. It aims to encourage Europe to reinvent its economy, most notably by limiting dependency on transport, construction and fossil fuel-related industrial activities. In this context, the Bouygues group has pledged to implement coherent and tangible actions able to meet the challenges of climate change and the need to preserve natural resources.

### 3.3.4.1 Measuring greenhouse gas emissions and material impacts of business activities and products on climate change

The Bouygues group's business segments audit their carbon emissions pursuant to Article 75 of the Grenelle II law. They have already pre-empted regulations by extending the sphere of Scope 3 to include the measurement of greenhouse gas emissions arising from subcontractors' goods and services. Bouygues Telecom and Bouygues Immobilier have also conducted measurements of the emissions generated by the operation of completed property developments and by the use of their products (starting in 2007 and 2014, respectively). Various methods are used in carbon accounting. Bouygues Construction uses its own CarbonEco system, while Colas relies on $CO_2$/sales ratios.

In 2017, to keep in step with regulatory changes and identify the major sources of greenhouse gas emissions related to the Group's activities, particularly those generated by the use of the goods and services produced by its business segments, the Bouygues group started expanding its carbon reporting to include scope 3b where appropriate and significant. This also involves a change in presentation for the carbon audit whereby greenhouse gas emissions are shown by their source.

As part of this work, the criteria selected for qualifying an emissions source as significant (or not) are as follows: coverage[a], relevance[b] and feasibility[c]. Emission sources that do not meet one or more of these criteria are considered to be insignificant.

For example, the criteria of feasibility, relevance and coverage cannot be applied to Colas for the following emissions sources: "Use of products and services sold" and "end-of-life of products". Extending scope 3b to these two emissions sources in relation to transport infrastructure (either rail or road) is not relevant because of the complexity of calculating the $CO_2$ footprint from infrastructure usage, the lack of means to reduce and control this footprint, the low proportion of sales from the construction of new infrastructure and the complex rules for allocating emissions in relation to usage of and end-of-life of infrastructures. These two emissions sources are therefore left out of the carbon footprint calculation for Colas.

#### Bouygues group greenhouse gas emissions

| Kt $CO_2$ eq | Bouygues Construction | Bouygues Immobilier | Colas | TF1 | Bouygues Telecom | 2017 Group total | 2016 Group total |
|---|---|---|---|---|---|---|---|
| **Scope** (activity or region) | Global | France (excluding subsidiaries) | Global | France | France | | |
| **Coverage** % of sales | 95% | 89.1% | 100% | 82.6% | 100% | 96.2% | 94.5% |
| **Scope 1** | 245 | 2.8 | 1,644 | 1 | 10 | 1,903 | 2,225 |
| **Scope 2** | 197 | 0.6 | 334 | 2 | 52 | 586 | 780 |
| **Scope 3** | 3,072 | 553 | 10,068 | 89 | 680 | 14,462 | 12,274 |
| **TOTAL** | **3,514** | **556** | **12,046** | **92** | **742** | **16,950** | **15,280** |

(a) The reported information concerns the five sources with the highest emissions and/or that cover at least 80% of the emissions
(b) Sources exhibit existing potential for improvement and the company has some control over them
(c) The ability to collect reliable information

*The carbon footprint is useful in providing an idea of scale but cannot be considered a reliable performance indicator because of its inherent uncertainties.*

*In 2017, the carbon footprint of **Bouygues Construction** increased 18% versus 2016 because $CO_2$ emission measuring was broadened to include use of goods and services produced. For buildings, this now concerns the operational phase. Previously, the carbon audit only took the construction of the building into account.*

***Bouygues Immobilier**'s carbon footprint increased 20%, partly due to the trend in its sales, which is itself indicative of the higher volume of activity undertaken. The inclusion of greenhouse gases generated by the operational phase of property developments also explains part of this increase.*

*At **Colas**, the carbon footprint increased marginally by 10% but this resulted from a more accurate calculation method, not because of an increase in emissions.*

*Carbon footprints at **TF1** and **Bouygues Telecom** were stable year-on-year.*

*These results highlight an 11% increase in the Group's total carbon missions, which should not conceal the actions carried out in relation to these themes, such as the implementation of low-carbon solutions by Bouygues Construction (timber construction, low-carbon concrete, etc.) or the sharing of certain telecoms network infrastructure by Bouygues Telecom.*

*In relation to the Group's sales, the increase in the carbon footprint is 6% between 2016 and 2017.*

## Greenhouse gas emissions by source

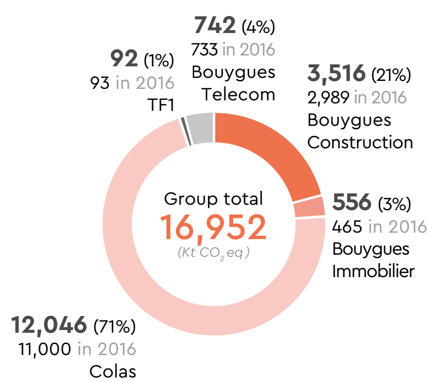
Kt $CO_2$ eq

| Simplified sources Bouygues group | Scope | Bouygues Construction | Bouygues Immobilier | Colas | TF1 | Bouygues Telecom | 2017 Group total |
|---|---|---|---|---|---|---|---|
| Energy consumption (on-site combustion) | Scope 1 | 245 | 1 | 1,644 | 0.1 | 5 | 1,895 |
| Direct emissions excluding energy | Scope 1 | | | | 0.5 | 5 | 6 |
| Consumption of electricity, steam, heat or refrigeration | Scope 2 | 197 | 1 | 334 | 2 | 52 | 586 |
| Purchases of goods (raw materials, construction materials, etc.) and of services | Scope 3 | 2,037 | 521 | 7,916 | 83 | 147 | 10,704 |
| Waste generated by operations | Scope 3 | 88 | 0.2 | 363 | 0.1 | 2 | 453 |
| Upstream and downstream freight transport | Scope 3 | 154 | | 1,008 | | 3 | 1,165 |
| Investments, fixed assets and leasing | Scope 3 | | 3 | 545 | 1 | 440 | 989 |
| Travel of employees (business trips and commuting), visitors and customers | Scope 3 | 136 | 4 | 237 | 5 | 47 | 429 |
| Use of products and services sold | Scope 3 | 658 | 25 | | | 37 | 720 |
| End-of-life of products sold | Scope 3 | | n.d. | | | 4 | 4 |
| **TOTAL** | | **3,515** | **555** | **12,407** | **92** | **742** | **16,950** |

n.d: not disclosed

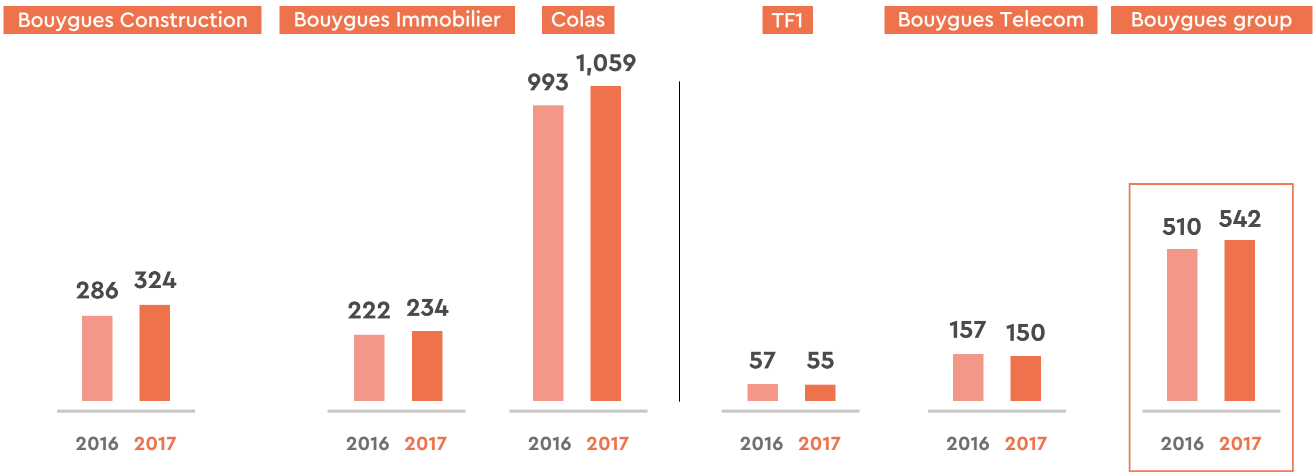
## Greenhouse gas emissions by business segment

Kt $CO_2$ eq



**Carbon intensity by business segment**

In tonnes of $CO_2$ equivalent per € million of sales






Bouygues Immobilier, by studying the emissions linked to its property developments over a 40-year period, identified the three largest sources of emissions over the various lifecycle phases of its property developments, and drafted a procedure for reducing greenhouse gas emissions that was implemented in 2015, with targets set for 2020. For example, the chief means for reducing transport emissions caused by occupants, once the buildings become operational (46% of Bouygues Immobilier's carbon output), are innovative mobility solutions and dialogue with local authorities.

For Bouygues Telecom, the three largest sources of emissions are, in descending order: investments, purchases of goods and services, and electricity consumption. Network equipment accounts for close to 90% of investments, i.e. half of Bouygues Telecom's total carbon footprint (emissions arising from the manufacturing and installation of this hardware). The solution enacted involves sharing equipment with other operators and encouraging its reuse.

The first of Colas' commitments is to reduce its carbon footprint and deliver solutions that reduce the footprint of its customers while accommodating their specific requirements. The second is to adapt to climate change by pursuing its research efforts into the formation of urban heat islands, developing techniques and materials protecting existing infrastructure and scaling new infrastructure projects to cope with a broader range of climate scenarios.

Bouygues Construction has pledged steadily to reduce its carbon footprint, targeting a 20% decrease by 2030 relative to 2015 regarding scopes 1, 2 and 3a (up to the handover of the projects). It is evaluating the $CO_2$ emissions avoided thanks to its policies and positive actions such as timber construction, the use of low-carbon concrete and energy savings.

## 3.3.4.2 Low-carbon solutions

The recognised expertise of its business segments (construction, property, transport infrastructure, media and telecommunications) has enabled the Bouygues group to design a full-service offer for urban environments as they face the ecological challenges of the 21st century. For several years, the Group has been innovating to make measurable progress in energy and carbon, offering effective solutions in the areas of renovation, low-carbon construction, soft mobility and urban services.

- **Renovation:** the millions of poorly insulated buildings is a key issue for the Group whose business segments have developed solutions and recognised expertise in energy renovation for housing, offices and amenities. These offers improve the business models of renovated properties and save on natural resources, while respecting the architectural heritage of buildings. In this domain, Bouygues Immobilier provides the Rehagreen® service package for commercial property (see section 3.3.3.2). The renovation of Bouygues Construction's headquarters, transforming it into a positive-energy building, is a showcase of its technological expertise.

## Bouygues Energies & Services to build France's first smart city in Dijon

The Dijon metropolitan authority has awarded a contract to install and manage urban infrastructure to a consortium made up of Bouygues Energies & Services, Suez, Capgemini and EDF, which will provide new services to the 253,000 inhabitants of Dijon and its surrounding area (24 municipalities).

Starting in 2018, the metropolitan area will have a single connected control centre for remotely managing services and public infrastructure so that all zones can be interconnected. Through these innovations, residents will gain in quality of life:

- a new, safer street lighting system: more than 34,000 street lamps will be modernised. Using the Citybox® technology, the street lamps will also provide digital services such as Wifi access, CCTV surveillance and electric charge points for devices;
- real-time traffic information, including smart car parking that guides drivers to free spaces. This will be a city-wide operation thanks to sensors connected to the LoRa network.
- a more fluid bus network, enabled by road-network regulation and priority to public transport (113 road junctions will give priority to buses);
- real-time information about shops and events on mobile apps and connected billboards.

Additionally, the city's operations will adapt to the new usage habits. For example, residents will be able to notify an accident using a special app. Close to 330 geolocated/radio-equipped vehicles and 270 cameras will improve the effectiveness and enhance coordination between services (technical services, fire brigade and police). Over time, these innovations will save on public expenditure for the Dijon metropolitan authority. For example, a 65% reduction in energy consumption is forecast through the use of LED lighting, while maintenance expenditure is expected to be halved.

- **Low-carbon buildings** are economic and environmental profit centres. Bouygues and its business partners market scalable offers, beginning at the design stage – all the way through to when buildings are up and running. These offers use traditional and bio-sourced materials that can be reused or recycled, as well as renewable energy associated with storage systems (e.g. Eco2charge from Bouygues Energies & Services). Smart systems have also been developed to ensure optimised building management (Bouygues Immobilier's Green Office® positive-energy buildings). Sustainable construction is a major avenue of innovation and growth for Bouygues Construction and Bouygues Immobilier. For instance, the Sensations development, located in the Îlot Bois residential area in Strasbourg, is the first high-rise building that has a timber frame (see box in section 3.3.3.2).
- **Eco-neighbourhoods:** Bouygues and its partners offer local authorities a range of integrated solutions combining sustainable construction, energy efficiency, functional diversity, soft mobility, biodiversity and new technologies adapted to residents' needs. The Bouygues group has several such projects to its name, both in France and further afield, such as Les Fabriques (Marseille), Greencity (Zurich, Switzerland) and Les Faubourgs d'Anfa (Casablanca, Morocco). Since 2016, the Bouygues group has taken part in the creation of two sustainable-city demonstrators in France, under the aegis of the government-backed Institute for Sustainable Towns (Eureka Confluence and Descartes 21 Marne-la-Vallée). They will serve to test, free from current regulatory constraints, ground-breaking innovations in all areas of urban life.

## Objenious: the Internet of Things for the sustainable urban environment

In 2017, there were 8.3 billion connected objects worldwide. That figure is expected to exceed 20.5 billion[a] by 2020. The Internet of Things (IoT) offers fresh possibilities for furthering sustainable development for urban areas and for businesses.

Through its subsidiary Objenious, created in 2015, Bouygues Telecom is one of the first French operators to roll out a network designed for connected objects based on LoRa (or Long Range) technology. This network, which is slated to become the global standard, covers the whole of France, offering a range of applications for reducing the environmental footprints of urban environments. Since January 2017, Objenious has opened the leading nationwide LoRa network, covering 95% of the population through 4,300 antenna.

Objenious already offers a range of solutions. For example, its connected car-parking solution, which uses LoRa-connected sensors, informs drivers of free spaces.

Another solution is the installation of sensors on voluntary drop-off points, which measure how full they are and in turn optimise collection vehicle management. It thus reduces fuel consumption, pollution and greenhouse gas emissions as well as relieving congestion.

Lastly, Objenious can reduce energy costs by up to 30% by limiting energy consumption in industrial facilities and buildings run by local authorities, using three levers: a visual interface for monitoring energy costs; over-consumption alerts; and cost-saving procedures. In 2017, Objenious equipped several of Covéa Immobilier's premises so that energy performance could be tracked and comfort measured, leading to comprehensive savings in terms of water, electricity, gas and heating/refrigeration, all of which was positive for the business. Objenious has signed contracts with General Cable, for water metering, and with Sanef, for its motorway operations.

Objenious continues to work on new carbon footprint-lowering applications for the benefit of local authorities and companies alike, which cover air quality, energy, the environment, geolocation, cold-chain monitoring and load factors.

(a) According to Gartner research

- **Soft mobility and urban services:** Bouygues supports local authorities in the implementation of solutions promoting sustainable urban environments. Bouygues develops transport infrastructure (tram lines and cycle paths) and provides soft mobility solutions, such as strong links to public transport networks, vehicle sharing, electric vehicle charge points, shared parking spaces and electric bikes for its eco-neighbourhoods. The Bouygues group is also able to change the way roads are made in order to produce clean energy (Wattway) and integrate dynamic road marking, as well as offer local authorities innovative urban services based on embedded sensors (via the Internet of Things).

### Flowell: a dynamic road-marking solution for smart and scalable roads

At the "Maires et Collectivités Locales" local government trade fair held in Paris from 21 to 23 November 2017, Colas unveiled its latest roads innovation, Flowell, a dynamic, adaptable, scalable road-marking solution that will optimise urban space, traffic fluidity, safety, and the coexistence of multiple forms of transport on the same road surfaces.

The Flowell solution, developed by Colas R&D in collaboration with CEA Tech[a], makes it possible to organise the shared space of roads and city streets thanks to a system based on the dynamic control of light-emitting signalling. Installed on existing roads, Flowell offers a great degree of flexibility and adapts the infrastructure to the needs of the local authority in real time.

Flowell can streamline traffic on existing roadways by giving priority to certain users over specific time periods. For example, local authorities can turn parking spaces reserved in the daytime for deliveries into car parking spaces at night. They can also create temporary drop-off spaces around schools, and secure pedestrian crossings by enhancing their visibility and that of pedestrians with light-emitting markings. In the longer term with this innovation, a continuous line can become discontinuous and instantaneously redistribute the number of allocated lanes according to real-time traffic conditions. Flowell's new traffic-regulation solution makes it a player in the smart, low-carbon towns and cities of the future.

3

## 3.3.4.3 Promoting solutions adapted to climate change

Climate change leads to rising sea levels, an increased frequency of freak weather events (e.g. windstorms and rapidly rising or decreasing temperatures) and affects ecosystems.

Bouygues Construction's ABC (Autonomous Building for Citizens) is an example of what the Group will be able to implement to deal with these changes. In the context of increasingly scarce resources, ABC's performance in terms of water recycling, insulation, and renewable energy generation, is likely to represent a huge step towards independence from various networks. In 2014, a partnership with the Municipality of Grenoble was signed to develop a demonstrator, involving the construction of an apartment building with some 60 housing units. The building permit was issued in October 2017 and work is due to begin in 2018.

As part of projects to extend the ports of Calais (in partnership with Colas) and Monaco, Bouygues Travaux Publics is building breakwaters – one of its specialisations – to counter rising sea levels.

VSL has been working alongside the Danish Technical University to optimise the performance of cable-stayed bridges in the face of severe weather, leading to improvements in the user safety and comfort of these structures. Research focuses on vibration control and managing risks relating to falling ice.

Bouygues Immobilier factors bioclimatic architecture into its developments: research into the best location, bioclimatic research, choice of efficient insulating materials and the use of renewable energy sources. UrbanEra®, a sustainable eco-neighbourhood service, introduces nature into urban environments, thus reducing the urban heat island effect and considerably improving water drainage.

Colas has acquired in-depth knowledge of the particular constraints of designing and building infrastructure in harsh climates[b], enabling it to advise customers in dealing with climate change. For example, in 2009 Colas offered one of its customers a low-carbon alternative to the Colclair® binder to better reflect heat while resurfacing a road in Dawson (Yukon, Canada), where the permafrost ground (i.e. which does not thaw for at least two consecutive years) was threatened by increasing temperatures due to climate change. This expertise was once again in demand for work carried out on Iqaluit Airport under a public-private partnership signed at the end of 2013 in Nunavut (Canada's northernmost territory). Building work was completed in August 2017. Colas' research efforts also included developing light-coloured asphalt mixes to help protect permafrost ground (instead of the traditional black mixes which reflect less of the sun's heat). Other areas of research include the effects of extreme thermal shock on the development of cracks.

Colas launched a programme of academic discussions concerning the formation of urban heat islands to factor in the complex interactions and retroactions characterising this phenomenon, which is a concern for all the world's major urban centres. Concurrently, Colas continues to pursue a rigorous experimental approach to distinguish the thermodynamic properties of building materials and is ready and willing to participate in the full-scale measurement and experimental programmes launched by several municipal authorities. This is an area in which collaborative solutions spanning water management, big data, urban planning, materials science, human and social sciences can be developed.

(a) The French Alternative Energies and Atomic Energy Commission's technology research unit

(b) This includes regions with very hot, dry climates (such as southern Morocco and western Australia), extremely high rainfall (French Guiana and the Caribbean, and the Indian Ocean region) and extremely low temperatures (at high altitudes and in Canada, Alaska and Greenland)

### 3.3.4.4 Reducing the Group's carbon footprint

Whether on worksites, at headquarters or in regional offices, the Group's business segments work hard to reduce the carbon footprints of their operations.

To reduce the carbon footprints of worksites, Bouygues Construction and Colas choose materials using eco-friendly alternatives (Seve®) and metrics to track energy savings.

Bouygues Construction is investing in innovation in the sphere of earthworks, by carrying out research into binders with low $CO_2$ emissions.

Soil improvement during landscaping projects is traditionally done by lime washing and/or by hydraulic binder, which, through their manufacturing process, generate large amounts of greenhouse gas emissions.

Colas implements initiatives to reduce fuel consumption, such as encouraging truck drivers and plant operators to adopt fuel-efficient driving behaviour and switch off engines when idling. Initiatives are also in place to reduce fuel consumed by asphalt plant burners. Fuel consumption per tonne of asphalt mix produced is monitored worldwide.

#### Colas

| Indicator | Scope (activity or region) | Coverage | 2017 | 2016 | Remarks |
|---|---|---|---|---|---|
| **Greenhouse gas emissions relative to the production of a tonne of asphalt mix** Kt $CO_2$ eq per tonne | Global | Asphalt mix production activities | 18 | 18 | Greenhouse gas emissions from mixing plants were stable in 2017. |
| **Greenhouse gas emissions avoided as a result of action taken by Colas** in tonnes of $CO_2$ eq | Global | All activities | 153,000 | 176,000 | In 2017, the quantity of greenhouse gas emissions avoided as a result of Colas' actions decreased due to the decline in $CO_2$ emissions avoided at mixing plant burners[a]. |

(a) Broadly speaking, action specifically involved limiting energy consumption by Colas at group level (plant and vehicle fuel consumption, asphalt plant burners) and reducing the energy and greenhouse gas component of the products and techniques offered to customers (warm asphalt and asphalt mixes, in-place road recycling, recovery of road pavement for use in production of asphalt mixes, Végéroute® products, promotion of EcologicieL® and Seve® eco-friendly alternatives software, Wattway, etc.)

### The BBCA label: a driver of ecological transition

To fight effectively against climate change and preserve resources, the construction sector is focusing increasingly on reducing greenhouse gas emissions, of which it accounts for 40% worldwide.

Bouygues Construction and Bouygues Immobilier are members of the BBCA (the Low-Carbon Building Association) and have helped launch a label of the same name by submitting projects for certification. The label is used to publicise actions aiming to reduce the carbon footprints of buildings across their entire lifecycle. It has four focuses: sustainable construction, optimised operation, on-site carbon storage and the circular economy. Operating along the same lines of environmental certifications from the US or the UK, the BBCA label is awarded by an independent entity, either Promotelec (housing) or Certivéa (offices).

Since its creation in 2016, Bouygues Construction and Bouygues Immobilier have submitted projects for assessment from the initial pilot phase: Passage Desgrais and Rue des Ardennes (Paris), Epicéa (Issy-les-Moulineaux (Bouygues Bâtiment Ile-de-France) and Green Office® Enjoy, a positive-energy office development (Bouygues Immobilier) situated in the heart of the Clichy-Batignolles mixed-development zone in Paris. Green Office® Enjoy represents the largest office development to receive BBCA certification.

In 2017, new developments by the Group received the BBCA label, such as in Aulnay-sous-Bois (Linkcity and Brézillon), as did several apartment buildings in the Rue des Ardennes (Brézillon) and Rue du Four (Bouygues Bâtiment Habitat Social) developments, in Paris and Choisy-le-Roi respectively, as well as the Paul Claudel mixed-development zone in Amiens (Brézillon).

After tackling new builds, the BBCA in 2017 developed a new label focusing on renovations, with the support of Bouygues Bâtiment Ile-de-France. BBCA is looking into how it could apply the label outside France as well as to eco-neighbourhood projects.

Operating fixed and mobile networks represents Bouygues Telecom's largest item of energy consumption and one of its three largest sources of greenhouse gas emissions. Even though this energy consumption has been rising on an absolute basis, owing to increased geographical coverage, government-required quality standards and customer usage, it has decreased per terabyte carried (down 45% year-on-year). To gain a more detailed view of its sites' energy profile, Bouygues Telecom in 2017 trialled a system that can inform it of their primary and secondary consumption at any time, which in turn highlights where progress can be made. The findings of this trial are due in early 2018.

All the Group's business segments have corporate travel plans to limit the impacts of work-related travel. This has entailed revising vehicle assignment and utilisation policies, promoting public transport, setting up car sharing websites, making provision for working from home and flex office[a] solutions,

(a) Flexible working areas that optimise workstations and collaborative workspaces and more besides. The main sites of Bouygues SA, Bouygues Construction, Bouygues Immobilier, Colas, Bouygues Telecom and TF1 offer their employees electric vehicle charge points, electric vehicles or electric bikes to make corporate travel easier and reduce its impact on the environment.

From 2018, pursuant to the energy transition law, initiatives promoting mobility (corporate travel plans and inter-company travel plans) will be extended to all locations with over 100 employees.

Additionally, TF1 has set targets for reducing carbon emissions relating to its operations. It is a signatory to the Paris Climate Plan, which sets quantitative objectives for reducing greenhouse gas emissions and energy consumption (such as 20% less electricity consumption in 2020 relative to 2012). These targets have already been achieved. New ones will be defined as part of the process to obtain ISO 50001 certification.

### Ecoprod: working towards eliminating carbon from TV and film production – an initiative supported by TF1

In France, the audiovisual sector annually emits approximately the equivalent of 1 million tonnes of $CO_2$ each year, approximately one-quarter of which is directly connected to filming, according to a report on the sector in 2011.

So that environmental considerations are better taken into account when producing audiovisual content, public and private stakeholders (including TF1) in 2009 launched Ecoprod, which offers a free resource centre aimed at reducing the environmental footprint of these operations. The ecoprod.com website offers best-practice sheets for each profession, a carbon-footprint calculator for TV productions (Carbon'Clap), an eco-production guide and feedback for producers and other industry professionals.

In addition to the financial contribution, paid by all members of the consortium, TF1 took charge of producing the new version of the Carbon'Clap calculator, released in late 2016, and is coordinating the production of practical guides.

In 2017, Ecoprod published a new guide to help harness the advantages of the digital world without widening the sector's carbon footprint. This includes updated advice on shooting, choosing technical resources and post-production. Ecoprod has also joined a pan-European initiative for helping film and television industries to cut their $CO_2$ emissions and enhance productions.



## 3.3.4.5 Partnering in research

To understand the future impacts of climate change on its business activities, the Bouygues group has become a partner and active member of The Shift Project (theshiftproject.org), a think-tank working towards a carbon-free economy. It comprises a multidisciplinary network of scientists and industry representatives acknowledged for their experience in energy and climate change issues. The purpose of this think-tank is to issue economically viable and scientifically sound proposals to policymakers. In 2017, over 80 companies (including the Bouygues group) together with around 40 eminent persons signed The Shift Project charter, which has nine proposals for a carbon-free Europe (see section 3.4.3 "Partners, suppliers and subcontractors").

The Bouygues group is also a partner in IDEAs Laboratory®, a think-tank bringing together experts, industry players and researchers to carry out intelligence monitoring on the theme of the city of the future. Hosted by the CEA[a] in Grenoble, Ideas Laboratory® works to develop innovative projects meeting the social challenges of tomorrow. One such project was Cité 2030, which designed new services based on various disruptive urban scenarios.

Bouygues Immobilier and Bouygues Bâtiment Ile-de-France, both members of the Low Carbon Building Association (BBCA), participated in the launch of an eponymous label promoting low-carbon buildings (see box in section 3.3.4.4).

Lastly, Bouygues Construction participated in a working group alongside other construction and property development players to develop new methods and resources for assessing the value in use or intangible value of office buildings.

(a) The French Alternative Energies and Atomic Energy Commission

## 3.3.5 Taking account of biodiversity

The Bouygues group has pinpointed the impacts of its construction businesses on biodiversity. These include noise and light pollution, destruction or fragmentation of habitats and species, and the possible emergence of invasive species during certain work procedures or soil sterilisation. *"Setting targets for improving biodiversity, when justified by business activity"* is one of the four principles that the Group's business segments commit to for the improvement of their environmental performance.

The Group has undertaken measures to limit such impacts and sustain biodiversity in its construction businesses. Colas supports biodiversity in two ways:

- **by actively participating in research on biodiversity:** Colas has been part of the FRB [a] steering committee since 2011. Between 2014 and 2016, it also supported the Lengguru scientific expedition, which explored a particularly rich, unexplored area of Indonesia's Papua province – leading to the discovery of a number of new species. Scientific papers relating to this expedition are now starting to appear in specialist journals.

  In 2016, Colas created a sanctuary for black bees in the Alpes de Haute-Provence department of south-east France, in partnership with Apilab [b]. The sanctuary, which comprises 20 hives, is located at the Cozzi quarry, near Norante. This project is conducted in partnership with local beekeepers and the mayors of the towns neighbouring the quarry.

  On the innovation front, GTOI (a Colas subsidiary) has developed an acoustic insulator protecting marine mammals from the impact of the submarine noise caused by work on the New Coastal Road on Reunion Island. The aim is to create a barrier absorbing the acoustic waves caused by various phenomena, in a similar way to double-glazing. The innovation won the special Business and Environment award for 2017 in the biodiversity category at the World Efficiency fair.
- **by implementing a policy with a direct connection to its operations,** i.e. in its quarries and gravel pits. This consists of implementing and monitoring actions to enable and facilitate the presence and survival of a notable animal or plant species, and in installing beehives in collaboration with local stakeholders (bee-keepers, naturalists, nature reserves, NGOs and others). Trials are also under way to help Colas work crews address the issue of invasive plants, with a growing number of subsidiaries around the world tackling this issue.

### Colas

| Indicator | Scope (activity or region) | Coverage | 2017 | 2016 | Remarks |
|---|---|---|---|---|---|
| **Share of aggregates production sites working to promote biodiversity** % of sales before inter-company eliminations | Global | 100% of sales before inter-company eliminations of the permanent aggregates production activities | 51% | 44% | In 2017, this indicator increased seven points thanks to non-French subsidiaries (up 15 points). |

Bouygues Construction has had an internal biodiversity advisory unit, Biositiv, since 2012. It is integrated into the Bouygues Travaux Publics subsidiary and helps each entity in Bouygues Construction to develop a biodiversity strategy. For example, the Nîmes-Montpellier railway bypass project has applied offsetting measures on neighbouring land to restore supportive conditions for almost 150 protected animal and plant species.

Additionally, to take proper account of biodiversity in urban development projects, Bouygues Construction has contributed to the creation of the first-ever worldwide label for recognising construction and renovation projects that factor in urban biodiversity. BiodiverCity® is currently managed by IBPC [c], an organisation bringing together builders, developers, users and trade federations.

Bouygues Construction and Bouygues Immobilier have already used this label with several certified structures. The Font-Pré eco-neighbourhood in Toulon received the BiodiverCity® label at the design stage. The project includes the landscaping of 10,000 m² of grounds and a partnership agreement with the regional Bird Protection League (LPO) to raise awareness among the neighbourhood's managers and residents. These actions led to the award of the best score ever – ABAA – for a property development project in France. The Néo-C eco-neighbourhood in Créteil and Green Office® Enjoy are also certified BiodiverCity® in the design phase. In 2017, Bouygues Immobilier was the only developer to obtain three of the 24 BiodiverCity® labels awarded during the year. This recognition encourages its ambitious efforts to include biodiversity in its property developments.

Drawing on the experiences from the certification of these three projects, Bouygues Immobilier wants to shift up a gear, so it is working on a pilot project to apply BiodiverCity® to an entire neighbourhood (Nanterre Cœur Université), in partnership with Elan, the Group's property-development consulting arm. Working on a bigger scale will make it possible to integrate biodiversity issues in the development of future neighbourhoods, involving as many local stakeholders as possible and optimising ecological continuities.

(a) French Foundation for Biodiversity Research
(b) A laboratory specialised in environmental biomonitoring using bees
(c) International Biodiversity and Property Council.

### Bouygues Immobilier

| Indicator | Scope (activity or region) | Coverage | 2017 | 2016 | Remarks |
|---|---|---|---|---|---|
| **Number of housing units carrying the BiodiverCity® label or covered by a commitment to obtain it** At 30 September 2017 | France excluding subsidiaries | 89% of Bouygues Immobilier's consolidated sales | 8,224 | 8,008 | Since 2014, Bouygues Immobilier has systematically incorporated biodiversity into all its property development projects. In most cases, this has resulted in commitments to obtain the BiodiverCity® label. |

### Bouygues Construction

| Indicator | Scope (activity or region) | Coverage | 2017 | 2016 | Remarks |
|---|---|---|---|---|---|
| **Number of construction projects in the backlog with the BiodiverCity® label** | Global construction activities | 50% of Bouygues Construction's consolidated sales | | 5 | The certification date taken into account by IBPC is the date on which the design audit ends, which explains why no project was certified during the reporting year. However, five projects have been certified since 2015 and the process is under way for several others (La Gloire and Les tours de Castilhon residences, Roubaix-Palissy, etc.). Additionally, the Nanterre Cœur Université eco-neighbourhood is one of the pilot projects of the new BiodiverCity® Ready label that is being created. |

## Bouygues Construction's policies to encourage biodiversity

Bouygues Construction has included the protection of biodiversity into its product offering in order to give it value added and make it stand out from the competition. During COP21 in 2015, its biodiversity policy was recognised by the French Ministry of Ecology, Sustainable Development and Energy under the National Biodiversity Strategy (SNB).

For several years, Bouygues Construction has been running R&D programmes investigating biodiversity in infrastructures (measures to stop invasive species, offsetting mechanisms, encouragement of marine biodiversity, etc.) and urban biodiversity (green roofs, biodiversity in property development, etc.). This commitment has been conveyed by a host of different actions, including:

- creating an internal advisory unit, Biositiv, and partnering in the creation of BiodiverCity®, the first worldwide applicable biodiversity label, which the company has also used in several projects;
- participation in the annual National Biodiversity Conference since 2012;
- support for charities working to preserve biodiversity such as the French Bird Protection League (through Club Urbanisme, Bati et Biodiversité), or by contributing to the urban biodiversity database alongside Natureparif in the Paris region.

Here is a sample of the projects in which measures to protect and reintroduce biodiversity have been taken:

- the work to extend the port of Calais, the design of which includes a resting place for birds and a bird-watching observatory;
- the offshore extension of Monaco's port area, where 500 m² of Posidonia beds were moved to a place nearby in order to preserve them. In this project, the sea-based infrastructure will also comprise a wide array of artificial habitats and ecological corridors. One of the initiatives at Bouygues Bâtiment Ile-de-France is distributing a handbook for works supervisors giving tips on raising employee awareness about measures that promote biodiversity. Among the various options presented are bat houses, beehives and green roofs.

For the Paris Rive Gauche mixed-development zone project, Bouygues Bâtiment Ile-de-France is developing M6B2, known as the Biodiversity Tower. This tower, with its unique fully vegetated façade, is due to include a vertical garden where 285 shrubs of wild varieties will be planted.

Lastly, the Group's business segments have teamed up with expert partners in their efforts to protect biodiversity. For example, several entities at Bouygues Construction, chief among which Bouygues Energies & Services, have signed a commitment with Noé, a charity, for the incorporation of biodiversity considerations into their products and services. This covers street lighting, infrastructure biodiversity, knowledge-sharing, employee awareness-raising and outreach to users. From its base on the island of Sal in Cape Verde, Bouygues Energies & Services has teamed up with NGO Projeto Biodiversidade to assist in a turtle conservation programme. Most species on the island are endangered. Projeto Biodiversidade is protecting the turtles by setting up special colonies.

Furthermore, Bouygues Construction and Bouygues Immobilier are encouraging urban agriculture. In 2017, teams from UrbanEra® (part of Bouygues Immobilier) worked alongside AgroParisTech[a] to design a methodology for providing spaces for urban agriculture in its neighbourhood projects.

(a) Paris Institute of Technology for Life, Food and Environmental Sciences

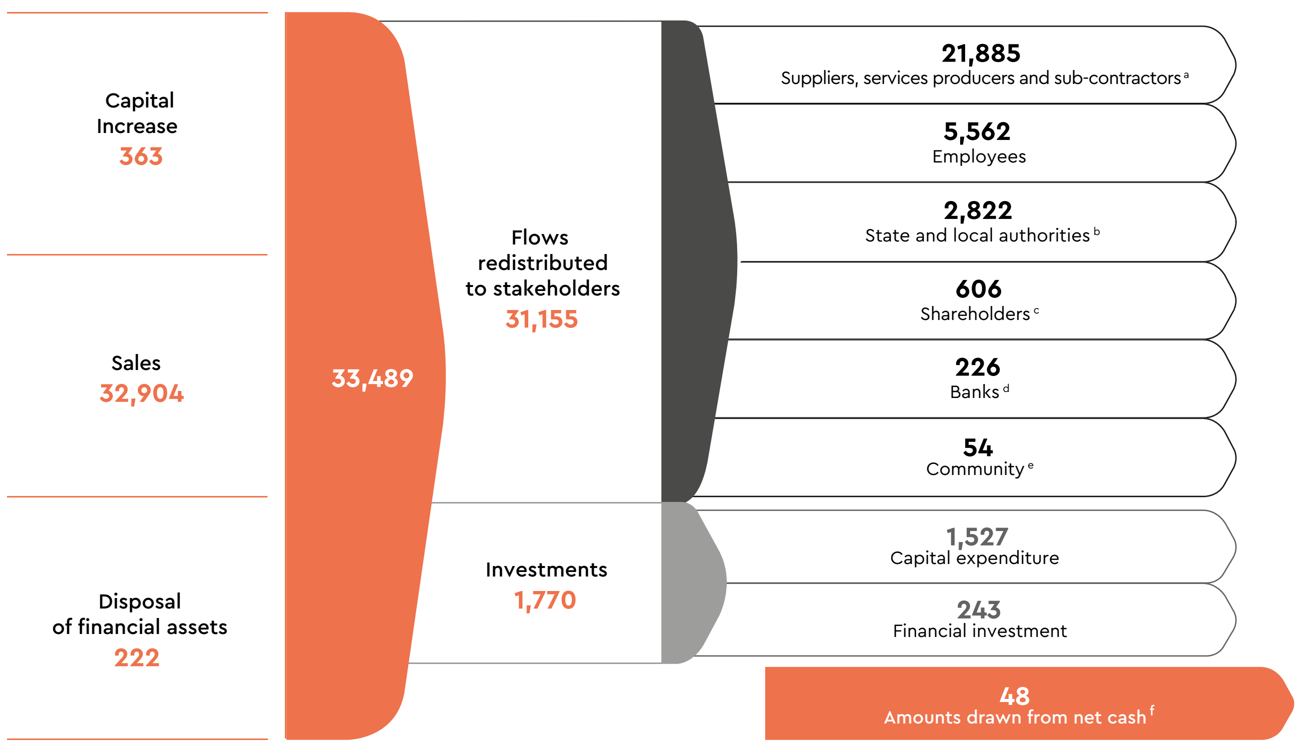
# 3.4 SOCIAL INFORMATION

Further information can be found by visiting bouygues.com or consulting the CSR documentation of the individual business segments available on their respective websites.

## Financial flows generated by the Bouygues group in 2017

€ millions

The redistribution of the financial flows generated by the Bouygues group has a positive impact on regional economic development and appeal. Investing in the Group's future growth contributes to sustaining this positive impact.




(a) purchases and other external expenditure
(b) income tax, social security contributions, and other taxes
(c) 2016 dividends paid in 2017, of which €73 million paid to employees
(d) cost of debt and other charges
(e) donations, patronage and sponsorship
(f) after changes in the working capital requirement (BFR) and currency effects

## 3.4.1 Socio-economic impacts worldwide

The purpose of the Bouygues group's activities is to provide solutions that drive progress and that support the major changes within society. Its business activities have an impact on regional and local development through the construction and maintenance of road and rail transport infrastructure and buildings as well as through the expansion and operation of a telecommunications network. In this respect, they aim to:

- **facilitate personal travel.** The urban cable car that became operational in Brest last year (and the one due to open in Toulouse in 2020) offers an alternative mode of transport that is environmentally friendly and more economical for passengers;
- **protect populations against major risks.** The Chernobyl confinement shelter, work on which took place between 2010 and 2016, will limit the environmental risks connected with this defunct nuclear power station;
- **help provide access to housing and urban services.** With its diverse offers, Bouygues endeavours to meet the needs of first-time buyers and users of social housing. Bouygues Immobilier markets a significant portion of its developments (74% of block reservations in 2017) to social landlords. It also develops housing adapted to senior citizens (e.g. Les Jardins d'Arcadie). Additionally, the eco-neighbourhoods developed by Bouygues seek to factor in social diversity and access to public amenities;
- **combat fuel poverty.** Bouygues Construction's solution that provides energy renovation for social housing, without the need to decant the occupants, helps social landlords reduce fuel poverty among low-income households;
- **develop the means of communication.** The roll-out of very-high-speed technology (4G and fibre) to cities and more sparsely populated areas is helping local and regional economic development as well as expanding digital services to as many people as possible, including in rural areas.



### Grand Paris: a major infrastructure programme promoting economic development and environmental protection

Grand Paris is defined by the specific French law of 3 June 2010 as *"an urban, social and economic project of national interest that unites the major strategic areas of the Paris region"*. Grand Paris aims to create a vast 200-km public transport network, made up of 68 stations for a total investment of €24.5 billion.

The selected routes will link the centre of Paris with the main urban, scientific, technological, business, sporting and cultural centres in the region. It is an extremely important project for the city, the region and also for France as a whole, ahead of the 2024 Summer Olympics, which will be hosted in Paris. The four new lines of the Grand Paris Express rapid transport project (15, 16, 17 and 18) will be connected to the existing public transport network, while existing metro lines 11 and 14 will be extended. It will therefore become easier to travel around the Paris region without having to transit via the centre of the city, while travelling from outlying areas to the capital will also be quicker. As another alternative to car travel, the Grand Paris Express will cut pollution, traffic jams and create a more environmentally friendly urban area.

In responding to calls for tenders, Bouygues Travaux Publics paid consideration attention to the customers' concerns about protecting the environment and promoting economic development in the various areas. Colas Normandie Île-de-France is developing transit and screening platforms for the materials extracted from tunnelling work on the Grand Paris projects. One transit platform is operational in Saint-Witz (north-east of Paris). Other projects are in progress to extend the administrative permits of existing platforms to cover this type of activity.

The Société du Grand Paris, a public corporation overseeing the work on and the funding of the Grand Paris Express, is also tasked with urban development. Specifically, it is leading operations to develop the areas around stations, including the construction of residential property. For example, Linkcity Île-de-France and Bouygues Immobilier have won contracts to develop seven and four sites, respectively, as part of the "Invent the Grand Paris metropolitan area[a]" call for tenders.

Among the initiatives in place to combat energy poverty, Bouygues Construction has signed the EnergieSprong charter, the purpose of which is to support the mass roll-out of energy renovations in social housing. This is sponsored by a network of European actors looking to develop an efficient system of energy that people want and which is economically viable. This is based on a high-grade level of specifications: zero-energy renovation[b] guaranteed over 30 years; one-week renovations with residents present; cost overruns funded by the resale of renewable energy and energy cost reductions; and a focus on occupant satisfaction.

Fibre-optic networks add to the appeal of many towns, cities and regions, and this is helping to fuel innovation. The high speeds available and the signal stability are encouraging the boom in e-learnings, working from home and e-health. Bouygues Telecom has announced ambitious plans to invest in fibre to meet the rising demand from households for very-high-speed broadband. By 2022, it plans to have 20 million premises marketed nationwide in France. As well as laying fibre in urban areas, Bouygues Telecom will participate in Public Initiative Networks[c] (PINs). agreements sealing the arrival of Bouygues Telecom on the PINs of Axione, Covage, Altitude and TDF have already been signed.

(a) Europe's largest international calls for tenders in the field of urban planning
(b) Thermal renovation aiming for a passive energy score
(c) Fibre-optic networks rolled out by infrastructure operators in partnership with local authorities

The presence of the Group's activities in a given place helps to develop and sustain employment. Its business segments, whether in France or elsewhere, use local labour as a priority and encourage the development of local subcontractors. Colas has a positive impact on employment and regional development where it operates, through its workforce of 55,000 employees and network of long-standing local units. As customer proximity is a priority, jobs cannot be relocated abroad.

## France

The Group's companies span the entire country.

Bouygues Construction generates 48% of sales in France, where it has over 20,000 employees. Its operations span the entire country and range from building and civil works to energy and services (e.g. maintenance), concessions and more besides. Bouygues Immobilier operates 34 sites[a] in France. Bouygues Telecom is also represented throughout France by its six directly-owned customer relations centres and the 500 Club Bouygues Telecom stores. This places the Group at the heart of the regional economy and promotes local recruitment.

## The Group's business segments are drivers of occupational integration

In France, public procurement contracts include occupational integration clauses. To apply these criteria as effectively as possible, so that people remain in employment for the long term, Bouygues Construction and Colas forge partnerships with local and national specialised organisations.

In 2017, Bouygues Construction set out an ambitious policy for employment and occupational integration in which it made three commitments: a job and occupational integration initiative for each worksite; a job and occupational integration initiative per year on each of its long-standing sites; and a training initiative on each major worksite subject to an occupational integration clause. The first two commitments in this policy must be met by all worksites[b]. Having this policy gives actions a more qualitative dimension, especially as regards initiatives to help job-seekers and secondary school students in priority education networks.

On the La Gloire worksite (Toulouse), Bouygues Entreprises France-Europe has pledged to devote 10,000 hours to occupational integration. For example, the company has introduced a pre-qualification course, followed by a contract, for about a dozen people. The training focuses on technical knowledge and general knowledge of the construction industry, site safety (with certified training courses) and work rules. The course also contained a training module on appropriate behaviour on worksites.

Colas partners with CNCE-GEIQ[c] to combat discrimination in access to employment via actions applied locally.

Finally, the TF1 corporate foundation focuses on diversity and helping young people find employment by recruiting, each year, young people between the ages of 18 and 30 from underprivileged areas through a competitive process. Candidates are selected by a panel of industry experts and offered a two-year work/study contract with the TF1 group of companies, leading to a recognised professional qualification. Once in place, they are supported by a mentor and a sponsor, who introduce the students to colleagues and teach the students about the unwritten rules of the workplace. The programme covers over 25 different occupations connected with journalism, audiovisual production and support services. The tenth annual intake for this programme took place in September 2017.

After two voluntary redundancy plans, Bouygues Telecom has made a pledge to the French government that it will work to support employment in vulnerable areas. This has involved the signing of two national regeneration agreements. Bouygues Telecom, together with HEC Paris and BPI group, has created the University of Excellence, the first training opportunity in France dedicated to managers of sheltered workshops and disability-friendly companies. The programme aims to train these managers in purchasing best practices as a means of boosting results. It consists of three modules, one of which is dispensed by Bouygues Telecom employees. As a result of the programme, sales have increased by 34% over the past three years and more than 430 employees have been hired. The initiative was recognised by the annual purchasing awards, in the Sustainable and Responsible Purchasing category.

(a) Excluding permanent and temporary sales offices
(b) Including those not subject to an occupational integration clause
(c) French national committee for coordinating and evaluating groups of employers that promote occupational integration and vocational training

**Bouygues Construction**

| Indicator | Scope (activity or region) | Coverage | 2017 | 2016 | Remarks |
|---|---|---|---|---|---|
| **Number of hours devoted to occupational integration and the corresponding FTE[a] equivalent (France)** | France | 48% of Bouygues Construction's consolidated sales | 1,144,437 | 1,129,090 | Bouygues Construction remains firmly committed to occupational integration and formally spelt out this undertaking in 2017 to enable tangible actions in all locations, above and beyond its contractual obligations. |
| **Sales generated by subcontracting to local companies[b]** % | Global | 95% of Bouygues Construction's consolidated sales | 92% | 75% | Bouygues Construction works with customers to maximise the value created by its operations in the regions where they are located. This indicator underlines the strong grassroots presence of Bouygues Construction's activities. |

(a) Full-time equivalent
(b) "Local" denotes sourcing from the same region in France, but national sourcing in international operations

## International

The Group endeavours to source site workers and supervisory employees locally. This provides positive results in terms of direct and indirect employment, fosters the transfer of expertise and supports local communities.

For example, as part of the project for redeveloping Iqaluit international airport (handed over in August 2017) in the territory of Nunavut, the Arctic Infrastructure Partners consortium (of which Bouygues Building Canada and Colas Canada are a part) implemented a specific scheme for local Inuit populations. Contractual obligations in regard to hiring, subcontracting and training were defined for the benefit of the local Inuit community. Two major ventures were defined. First, the company works with the government, local Inuit organisations, and training and recruitment bodies to ensure that contractual obligations are met. Second, emphasis is placed on integration, through campaigns that raise awareness of Inuit culture, cross-cultural training, and the organisation of and presence at cultural events. Team support is considered pivotal for the project to succeed both now and in the long term.

Colas Canada has taken steps since 2012 to integrate members of the First Nations[a] within its works teams. A nationwide approach is currently being drawn up. For example, this may include setting up partnerships on common themes, establishing training programmes (literacy, efforts to combat addiction, etc.) and prioritising the hiring of indigenous populations.

In the Philippines, VSL, a Bouygues Construction subsidiary, joined the Youth Inclusion Network, a network of companies committed to fostering the occupational integration of underprivileged young people as a means of fighting social exclusion. VSL is active both in the field and in the governance of this NGO, whose members offer special internships and help find work for these young people.

# 3.4.2 Relations with people and organisations affected by the company's business activity

## 3.4.2.1 Dialogue with stakeholders

At Bouygues, dialogue with stakeholders is conducted at three levels: group, business segment and at the local level.

The Group dialogues with stakeholders, including extra-financial ratings agencies, the investor community, trade unions, government departments and NGOs in an effort to take their expectations even more into account.

Each business segment maps out its respective stakeholders and liaises with them regularly on their own specific issues to identify areas for improvement and the associated relevant actions. For example, in 2017, TF1 posted an online questionnaire for external stakeholders to help it prioritise CSR issues.

### Being attentive to customers and satisfying them are at the forefront of concerns

The business segments place satisfying and listening to customers at the forefront of their concerns. Measuring customer satisfaction is a basic requirement of ISO 9001 (quality management system). Bouygues Construction and Bouygues Immobilier encourage customer surveys to be carried out at the end of each commercial phase.

In order for customer needs to be better identified and taken into account in product design, Bouygues Construction, for example, has carried out collaborative analysis on the subject of seniors living safely and independently in their own homes. Its aim is to obtain input from older people in order to design and build housing that will meet their needs, through a multi-disciplinary working group made up of landlords, sociologists, occupational therapists, home help providers and company employees. Bouygues Construction posted a summary of the proposals on its website. The findings of this analysis will serve as a foundation for designing scalable accommodation and tailored services for the Eureka Confluence eco-neighbourhood in Lyon, a prize-winning sustainable-city demonstrator.

(a) Canadian indigenous peoples, excluding Inuit and Metis peoples

## Customer Committee: when Bouygues Telecom involves customers in designing new offers

Since 2014, Bouygues Telecom has given customers the opportunity to help enhance its offers and services by giving them a say through the Customer Committee.

This 20-strong team – the only one of its kind in the telecoms sector – is tasked with helping Bouygues Telecom's employees improve the customer experience by devising new products and services and putting forward new ideas. This dovetails with the company's determination to place customer satisfaction at the forefront of its concerns. Bouygues Telecom asks them for their opinion on many different issues, such as the overhaul of the customer area on the website, parental controls on the Bbox home gateway, and the layout and clarity of bills. Each year, the Customer Committee is asked to choose – from among the 30 NGO projects selected by the Bouygues Telecom Corporate Foundation – its 10 favourites, which then receive technical and financial support from the company.

Several events were again held this year, such as the Customer Committee's meeting at the Bordeaux site, one of Bouygues Telecom's six directly owned customer relations locations, which provided an opportunity to find out more about the customer management process and meet customer relations advisers.

After two years in existence, the Customer Committee has quantified the results of its dialogue: 842 posts were published on the private forum together with 9,640 comments, and three meetings took place with the executive committee and its chairman.

At TF1, the news mediator receives opinions, queries and complaints from the public on news issues via the Viewer Relations section on the TF1 and LCI websites (www.lci.fr/la-mediatrice-vous-repond). The news mediator provides explanations about how television news is produced and the rules by which it must abide. This person also notifies the newsrooms whenever several similar opinions are voiced by viewers.

### Permanently in touch through social media

External social media are an excellent channel for exchanging ideas with stakeholders. Besides TF1, several of the Group's entities run blogs discussing current and future trends on which users can comment: www.bouyguesdd.com, blog.bouygues-construction.com, www.demainlaville.com, www.blog-groupecolas.com.

Each of Bouygues Immobilier's flagship projects is accompanied by comprehensive online content, posted on a dedicated website or on social media, for the purposes of informing and exchanging information with project stakeholders.

Through its "Les Experts' community composed of 250 in-house volunteers, who are on hand to deal with highly technical questions, Bouygues Telecom supports customers in their digital lives through social media (such as Facebook and Twitter) as well as through its help forum, which has close to one million monthly visitors.

Close, high-quality relations with its audience is a priority for TF1, which keeps permanently in touch with viewers through social media and the TF1&vous page. Audiences can interact about shows and presenters at any time. In 2017, TF1 community managers' exchanged with internet users representing over 64 million accounts (followers of specific shows or of hosts, as well as of corporate accounts).

Lastly, the mobile apps developed for residents of Bouygues-designed eco-neighbourhoods aim to improve communication with managers, local authorities and developers, as well as with retailers present in the neighbourhood.

### Consultation exercises with local authorities and local dialogue

At the local level, procedures have been introduced to promote grassroots dialogue between site and worksite managers and local residents, as well as to foster public acceptance of the Group's construction businesses (Bouygues Construction, Bouygues Immobilier and Colas).

Acceptance of production sites by local residents is becoming an increasingly sensitive issue for Colas worldwide. Issues include concerns of nuisances (odours, dust, traffic, noise) and risks of environmental or health impacts. Colas has identified community acceptance as one of its CSR priorities and has initiated action plans focused on two areas:

- exemplary production sites – each site must implement progress measures that go beyond mere compliance with administrative or regulatory requirements;
- regular dialogue with local residents, elected representatives and the relevant authorities – maintaining an open dialogue with local communities makes it possible to better understand their expectations, explain the reality and constraints of production sites, and promote mutual understanding to prevent crisis situations.

### Colas

| Indicator | Scope (activity or region) | Coverage | 2017 | 2016 | Remarks |
|---|---|---|---|---|---|
| **Materials production sites working to promote dialogue with local communities**[a]<br>% of sales before inter-company eliminations | Global | 100% of sales (before inter-company eliminations) generated by materials production activities | 47% | 40% | In 2017, the seven-point rise in this indicator was due partly to the action plan initiated early in the year. The sharpest increases were observed in Northern Europe, Central Europe, Oceania and the US. |

(a) Activities that can justify (through a specific report) during the reporting period that they have genuinely interacted with local residents, elected representatives and government through meetings and proper responses to complaints. Supporting documentation must be kept on file.

Within the scope of their operations, Bouygues Construction and Bouygues Immobilier also implement initiatives promoting dialogue with local residents. For example, in the Eole Evangile project (in Paris), involving the reconversion of a former brownfield site into a 30,000 m² eco-neighbourhood, Linkcity Île-de-France teamed up with local non-profit organisations to inform residents about the site's transformation and obtain their opinions about the development. In addition, the Group's companies work directly with local authorities for urban development projects (e.g. through Bouygues Immobilier's UrbanEra® initiative).

In 2017, Bouygues Construction also launched LinkCity.Play, a Serious game[a], in order to involve stakeholders in its sustainable neighbourhood projects. LinkCity.Play can also be used to conduct workshops with users and local residents to enhance participatory initiatives.

As a signatory to the Operator-Municipality Guidelines (GROC), Bouygues Telecom has since 2006 committed itself to strengthening dialogue with local elected representatives and dealing transparently with local residents whenever installing antenna in a given area. Besides complying with urban regulatory requirements, Bouygues Telecom also provided an information pack for local municipalities (which outlines the project and its purpose), which can be consulted by local residents. It did this even though not all the provisions of the law of 9 February 2015 on information and consultation obligations regarding exposure to electromagnetic waves (known as the Abeille law) had come into effect. Electromagnetic-field forecasts for the planned equipment are conducted at the behest of local municipalities. The Waves and health page on Bouygues Telecom's corporate website (in French) is devoted to this topic.

In 2017, after publication of the decrees enacting the Abeille law, Bouygues Telecom revised and expanded its municipality information pack as well as its exposure simulation (to bring it into line with indications issued by the ANFR, the French Agency for Frequencies Management). Bouygues Telecom also revised its methodology for calculating exposure to incorporate the national ANFR guidelines under the Abeille law.

## 3.4.2.2 Patronage and partnerships

Patronage policy is implemented at Bouygues group level, within business segments and through community initiatives. The Group is active worldwide and contributes to local life wherever it operates.

The three main areas of sponsorship policy at parent company level (Bouygues SA) are community and social projects, education, and culture. The company helps and supports all kinds of initiatives, small-scale or otherwise, giving priority to long-term actions. It pays particular attention to projects sponsored by Group employees.

Each of the Group's five business segments also carries out its own patronage initiatives through their own corporate foundations.

### The Francis Bouygues Corporate Foundation supports deserving students

In the educational arena, the Francis Bouygues Foundation helps motivated and deserving school-leavers from low-income families so that they can pursue long-term studies and fulfil their ambitious career goals. In the past 13 years, it has awarded grants to 729 young students (of 36 different nationalities), 334 of which have now graduated. In addition to this financial assistance (ranging from €1,500 to €10,000 annually), each grant-holder is supported by a mentor working on a voluntary basis, chosen from among Bouygues group employees (active or retired) or former Foundation grant-holders who have graduated and found employment. The Foundation has pledged to continue supporting equal opportunities through this channel until 2025, with the possibility of extending its commitment.

### Total spending on patronage and sponsorship by the Bouygues group

| € thousands | The Francis Bouygues Foundation | Bouygues SA | Bouygues Construction | Bouygues Immobilier | Colas | TF1[a] | Bouygues Telecom | 2017 Group total | 2016 Group total |
|---|---|---|---|---|---|---|---|---|---|
| Total cash spending on patronage and sponsorship | 1,190 | 2,512 | 3,376 | 1,838 | 5,500 | 3,648 | 555 | 18,619 | 20,184 |
| Total spending in kind on patronage and sponsorship | | | | | 200 | 34,794 | 136 | 35,130 | 31,689 |
| **TOTAL** | **1,190** | **2,512** | **3,376** | **1,838** | **5,700** | **38,442** | **691** | **53,749[b]** | **51,873** |

(a) Spending by TF1 is calculated on a calendar-year basis; for the others, it is calculated on the 12-month rolling period from 1 October 2016 to 30 September 2017

(b) The total amount of patronage spending (cash or in kind) rose by 3% between 2016 and 2017, reflecting increased spending in kind by TF1 in the form of free airtime (+ 9%), and higher cash spending (+ 11%) that included the donation to Fondation Ecole Centrale Paris by Bouygues SA in 2017

(a) An app that combines the serious aspects (Serious) of instruction, learning, communication or information, with the fun aspects of video games (Game) – based on the definition of researcher Julian Alvarez

### Focusing on skills-patronage programmes and donations in kind

Whenever possible, the Group's business segments give tangible expression to their societal commitment by volunteering their knowledge and expertise.

TF1 donates airtime to a broad variety of causes and charitable organisations. Les Pièces Jaunes, Les Restos du Cœur, Sidaction, ELA (leukodystrophy research) and the Laurette Fugain charity (leukaemia research) are some of the beneficiaries receiving regular large-scale support. The TF1 TV channel provides charitable organisations with direct assistance while helping them gain in profile. This includes special prime-time operations, the production and free airing of TV spots as well as donations of game-show winnings and cash donations.

As part of its action to promote occupational integration and the training of young people from disadvantaged backgrounds, the TF1 corporate foundation welcomed its tenth intake from its annual recruitment competition, with 12 successful candidates joining TF1 on a two-year contract. Furthermore, in conjunction with the French Education Ministry, the foundation each year organises an inter-company internship scheme aimed at 14/15-year olds. Its purpose is to help pupils from disadvantaged areas see how companies work and to give them a glimpse of the careers that are on offer. Nearly 350 pupils were hosted by TF1 in 2017. Lastly, the foundation has for several years encouraged employees to take part in the anti-illiteracy programme, whereby help in reading and writing can be given to the employees of service providers.

Since the "For a Digital Republic" bill became law in 2016, Bouygues Telecom has offered mobile customers the opportunity to make charitable donations simply by sending a text message to the special short number allotted to the charity. The donation is then deducted from the customer's bill. Giving by text represents a new channel for charities to raise money and expand their donor bases.

### Bouygues Construction

| Indicator | Scope (activity or region) | Coverage | 2017 | 2016 | Remarks |
|---|---|---|---|---|---|
| Partnerships[a] during the year supporting integration, education and health | Global | 95% of Bouygues Construction's consolidated sales | 342 | 386 | Bouygues Construction affirmed its commitment to civil society by maintaining the high amount allotted to patronage, in spite of a small drop in the number of partnerships in 2017. |

(a) A partnership contract, a long-term commitment to a charity, a one-time operation committing to minimum funding of €1,000

### Focusing on employee involvement

Several subsidiaries have made arrangements so that employees can take part in community action initiatives during their worktime.

For example, Bouygues Construction's corporate foundation, Terre Plurielle, supports employee-sponsored community action projects promoting access to education, employment and healthcare, through financing, skills patronage or both. In 2017, 203 projects from 25 countries were selected. Outside France, all long-term sites must carry out patronage initiatives in their local communities. In 2016, the foundation forged ties with the non-profit Entraide Scolaire Amicale, encouraging employees to give up their time to provide academic support to children from underprivileged backgrounds. In 2017, approximately 20 employees committed to providing regular support throughout the school year.

As part of its patronage policy, Bouygues Construction also helps rehabilitate schools and build housing in disaster-stricken areas. To help populations affected by Hurricane Irma, Bouygues Bâtiment International organised a collection amongst employees of Bouygues Construction.

Bouygues Travaux Publics is part of the "Job dans la Ville" programme, helping young people gain access to qualifications and employment. To help them enter the world of work, "Job dans la Ville" offers these young people the chance to visit companies and attend CV and cover-letter workshops as well as careers advice sessions. It also has a sponsorship programme and organises careers-related fact-finding trips in France and abroad. The company invests in this programme by holding site visits, recruiting from it and connecting young people with employees wanting to share their experience with these young people.

Under the Colas Life programme, employees of the company have the possibility of supporting selected NGOs. Many employees have, through volunteering, donations and skills patronage, joined efforts to promote access to education, through the "On the Road to School" scheme.

The Bouygues Telecom Corporate Foundation has more than 1,050 volunteers from within the workforce. When they become charity volunteers, Bouygues Telecom employees can spend 14 hours of their worktime each year on patronage initiatives. The foundation, in addition, offers employees an opportunity to propose favourite charities of their own choice for patronage, in the context of a special call for projects. Since 2011, customers have also had the opportunity to put forward a charity or charities for patronage by means of an exclusive annual call for projects.

Bouygues Immobilier's Médiaterre and Solid'R schemes are also ways of involving employees (see section 3.3.1.3).

### Committed to urban planning and urban environments

The priorities of the Bouygues Immobilier Corporate Foundation are based around raising public awareness of architecture and urban planning, encouraging thinking among experts about the city of the future from a sustainable development standpoint, and promoting community action. Since 2007, it has partnered with La Cité de l'Architecture et du Patrimoine[a] in Paris. This partnership has been extended for a further three years until 2019. Its aim is to share thinking on matters such as the place of architecture in daily lives, urban construction and future land use.

(a) Bouygues Immobilier has retained its status as the exclusive founding partner of La Cité de l'Architecture et du Patrimoine in Paris, the largest architectural centre in the world (22,000 $m^2$)

Bouygues Bâtiment International is also a sponsor of the Global Awards for Sustainable Architecture, organised by La Cité de l'Architecture et du Patrimoine, a commitment which it renewed in 2017. These prizes are awarded annually to five architects for innovation in sustainable development.

The Bouygues Immobilier Corporate Foundation supported the Réver(cités) exhibition for resilient and recyclable cities, which began at La Cité de l'Architecture et du Patrimoine in late 2016 before travelling around the country in 2017. This exhibition shines a spotlight on 30 innovative projects in sustainable urban planning, located in Europe, Canada, South America, Asia and South Africa. After three urban-themed exhibitions, the next will focus on social innovation.

The Bouygues Immobilier Corporate Foundation also supports l'Observatoire de la Ville, an urban think-tank through which it can exchange with all those who shape today's towns and cities.

### 3.4.2.3 Academic partnerships

The Bouygues group has set up partnerships with the academic world in an effort to meet major environmental and social challenges more effectively. For example, Bouygues SA alongside Alstom participates in the Advanced Master in Smart Cities Engineering and Management offered by École des Ponts ParisTech and EIVP[a]. To develop training programmes in sustainable construction techniques, the Bouygues group co-designed the specialist masters-level course in sustainable housing and construction alongside ENSAM[b] and ESTP[c]. Bouygues Telecom and TF1 have run Open Innovation initiatives (such as hackathons and student project support) in the context of "Le Spot Bouygues" at Epitech (École de l'Innovation et de l'Expertise Informatique), where 120 m² of space is dedicated to students working on some of the Group's innovative projects.

Bouygues Construction is working on high-potential areas of innovation in conjunction with the universities of Cergy-Pontoise (mobility) and Aachen (asbestos-removing robots), Zurich ETH, NTU in Singapore (robotics), École Centrale de Lille (3D concrete printing) and Stanford University (BIM). In 2018, Bouygues Construction will forge new academic partnerships with several universities, in France and abroad (École Centrale de Lille, Munich Technische Universität, University of Texas at Austin and Université de Sherbrooke, Canada) to establish a Chair in Construction 4.0 and the Worksite of the Future.

Colas has forged academic partnerships with universities and other higher education establishments (e.g. University of Birmingham and of Alberta in Canada, the École Centrale engineering school in France) and scientific and R&D bodies and companies (Ineris[d], the CEA[e] and ChemSud).

Bouygues Immobilier, through its support of L'Observatoire de la Ville, has forged partnership ties with the urban-planning department of l'Institut d'Études Politiques in Paris, l'École des Ponts ParisTech, l'École du Design de Nantes Atlantique and Nantes University. Bouygues Telecom also supports Webschool Factory, a digital innovation cluster located in Paris.

For additional information, see section 1.1.4 Bouygues and Innovation.

3

## 3.4.3 Partners, suppliers and subcontractors

Bouygues' overall performance is intrinsically linked to that of its suppliers and subcontractors. The selection of innovative products and services in technological, environmental and societal terms is essential to be able to offer the most high-performance and responsible solutions. The implementation of a CSR policy to Group purchasing is one of the conditions required for promoting this partnership mindset and developing joint value creation for its customers. Lastly, Open Innovation policy at Bouygues can also be seen through its programme supporting start-ups.

### 3.4.3.1 Integrating CSR criteria into the purchasing policy

For a number of years, Bouygues has undertaken to comply with the Corporate Social Responsibility (CSR) principles defined in the UN Global Compact, and to integrate them into the purchasing processes of its subsidiaries both in France and abroad.

In 2017, under the terms of the new due diligence law in France, the Group established its first monitoring plan for suppliers and subcontractors setting out the measures taken by its subsidiaries to prevent and mitigate the main risks identified in the areas of human rights, personal and environmental health and safety and detailing how these measures are monitored (see chapter 4, "Risk factors", section 4.5). This policy embodies the Group's requirements as defined in the CSR Charter for suppliers and subcontractors, which is systematically appended to purchasing contracts.

Over 2017, the Group's business segments made further progress in implementing their responsible purchasing policies. The purchasing departments of the Group's business segments are key to implementing these policies, which have two main components: assessment of subcontractors and suppliers, and careful selection of products and materials for their operations.

#### Assessment of subcontractors and suppliers

Bouygues Telecom, Bouygues Construction, Bouygues Immobilier and TF1 use external assessments to evaluate and monitor the social and environmental performance of their suppliers and subcontractors. All business segments conduct supplier CSR audits. In late 2016, for example, Bouygues Construction signed a framework contract with SGS for the latter to carry out supplier CSR audits for countries and sourcing categories classified as high risk. Some audits were conducted in 2017 but most are planned for 2018.

Colas' responsible purchasing approach is designed to be cautious, gradual and targeted, considering its large number of suppliers, service providers and subcontractors as well as the decentralisation of purchasing decisions to subsidiaries. In 2017, several initiatives were launched, such as the implementation of an ethical charter and specific training to raise awareness among buyers about legal risks and corporate social responsibility.

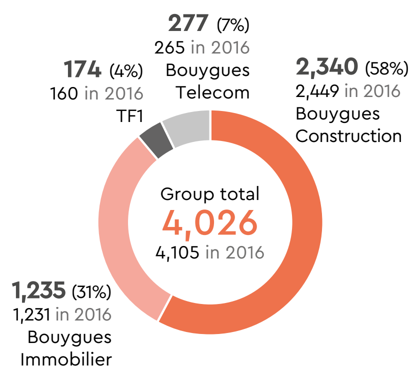
Bouygues Immobilier assesses all suppliers and subcontractors using a framework contract based on the EcoVadis platform. Since 2017, small, medium-sized and micro businesses have been assessed using a digital

(a) École d'ingénieurs de la Ville de Paris
(b) Arts et Métiers ParisTech
(c) École Spéciale des Travaux Publics, du Bâtiment et de l'Industrie
(d) French environmental safety institute
(e) The French Alternative Energies and Atomic Energy Commission

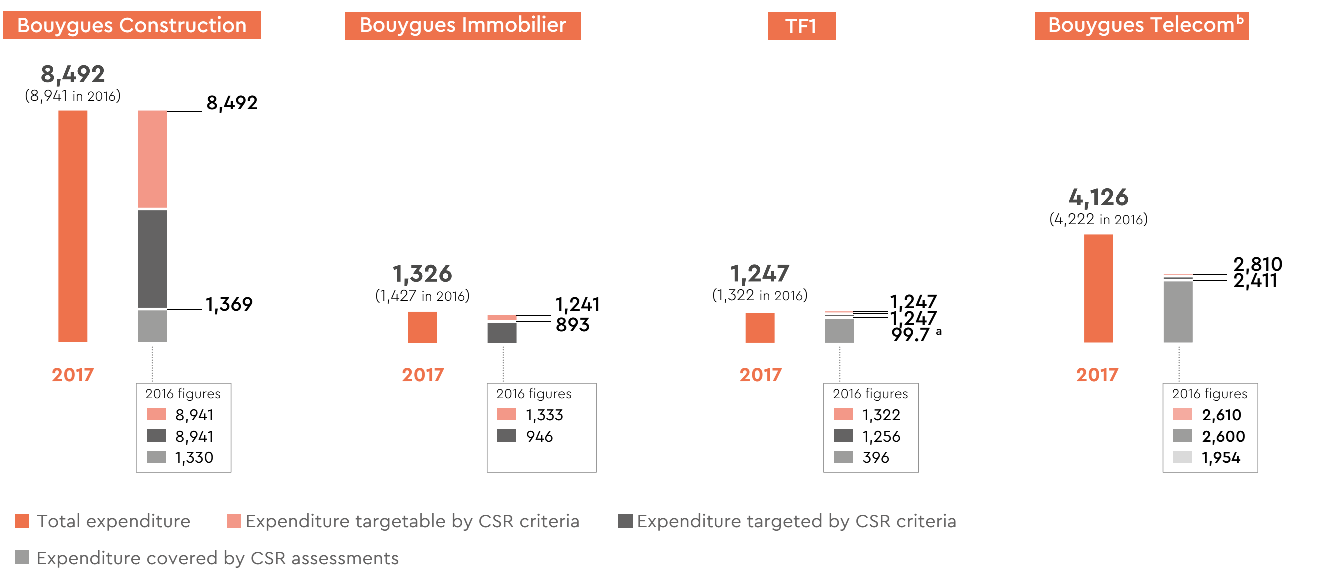
platform to improve monitoring of CSR performance. The company wants all of its suppliers assessed using this platform by 2020.

At Bouygues Telecom, CSR risk mapping by purchasing category (updated in 2017) is the starting point of the supplier assessment policy. The company conducts audits for major suppliers and on-site audits for suppliers[a] of high-risk purchasing categories. This includes verifying the manufacturing conditions for Bouygues Telecom-branded home gateways. In 2017, under the terms of the new due diligence law in France, Bouygues Telecom defined a vigilance plan for suppliers in the highest-risk purchasing categories based on its CSR risk mapping. Information is consolidated within the Bouygues SA vigilance plan, detailed in chapter 4, Risk factors, in this Registration Document. An auxiliary action plan was drawn up to assess supplier risk management CSR performance.

### Number of suppliers and/or subcontractors that underwent a CSR assessment
over the past three years




### Share of business segment expenditure targeted by CSR criteria or covered by CSR assessments
€ millions




(a) The sharp decline in the amount covered by assessments was due to the cessation of EcoVadis assessment tests on suppliers of audiovisual rights, which turned out to be of little relevance to the activity

(b) Concerning Bouygues Telecom, "Total expenditure" is calculated on the basis of invoiced expenditure. The indicators measuring "targetable expenditure" and "targeted expenditure" are calculated on the basis of expenses incurred

(a) There were ten such suppliers in 2017

*The Group indicators provide a snapshot, based on the overall scope of expenditure, of the proportion that is potentially targetable by CSR criteria and that which is actually covered.*

*Some types of expenditure (e.g. expenditure relating to rental guarantees, notary fees and financial expense) are labelled as "non-targetable" because CSR requirements cannot be realistically attributed to them.*

*Furthermore, a distinction is drawn between expenditure that is covered by CSR criteria and expenditure that is covered by CSR assessments, the latter being more ambitious. On the one hand, CSR criteria include all types of possible action, such as expenditure that is covered by a responsible purchasing policy, contracts with a CSR charter or clause, and suppliers selected with help from CSR criteria and/or having undergone a CSR assessment or audit over the past three years. On the other, the "Expenditure covered by CSR assessments" indicator can be used to assess the initiatives that involve suppliers the most (solely using questionnaires and internal/external CSR audits), thereby potentially giving rise to improvement plans.*

#### Selecting responsibly sourced products and materials

The Bouygues group's business segments are also developing policies for sourcing more responsibly sourced products and materials, based on a risk analysis of various purchasing categories.

For example, Bouygues Construction's commitment to responsible purchasing of all-important timber is reflected in its measures to combat the illegal timber trade, identify and eliminate all sourcing of threatened wood-based products, and increase the proportion of eco-certified timber purchases. This policy is enacted as part of its partnership agreement with the WWF, which was renewed for three years in 2017. Since 2014, Colas has won several awards for its new work clothes made in accordance with fair trade principles. In 2017, several types of action were taken such as improving existing models through feedback from users, creating a workwear line especially for women and continuing to apply procedures outside France.

Bouygues Immobilier, as part of its drive to improve air quality in its buildings and reduce pollutants responsible for VOCs (volatile organic compounds), only selects those products whose health labelling is A+. Labelling has been mandatory since 2012. This concerns materials and products, listed in nationwide catalogues, in direct contact with indoor air.

#### Use of the sheltered-workshop and disability-friendly sector

The use of companies in the sheltered sector, coupled with an effort to broaden the range of activities outsourced to these workshops, is a key part of the Group's responsible purchasing policy (see section 3.2.3.3).

#### Responsible purchasing

Lastly, the Group's business segments uphold responsible purchasing principles in accordance with the pledges set forth in the Bouygues "Conflicts of interest" compliance programme. This commitment is also enshrined and promoted in codes of ethical conduct followed by buyers at Bouygues Construction, Bouygues Telecom, TF1 and Colas [a], and by Bouygues Construction's conclusion of a charter for major accounts and SMEs as well as the SME Charter.

Bouygues group's worker health & safety requirements at its locations apply equally to employees, subcontractors and suppliers (see section 3.2.4).

In late December 2017, TF1 reapplied for the Responsible Supplier Relations label which it had been awarded in January 2014.

### 3.4.3.2 Supporting start-ups and SMEs

In the belief that open innovation between start-ups, SMEs and large firms can yield benefits, Bouygues began a group-wide initiative in this area in 2015 [b].

- Each business segment is required to coordinate the initiative within its own scope and therefore set up an organisation capable of conducting co-development projects with start-ups. A cross-disciplinary structure with an allotted fixed annual budget overseeing and managing investments in start-ups has also been created. This unit is called Bouygues Développement and, as part of the Group's parent company, is responsible for selecting start-ups in search of seed money and providing innovation related to the operational topics identified by the business segments. A Group Open Innovation committee oversees the whole process and ensures that best practices are shared between the business segments.
- As part of its innovation drive, which draws on over 100 partnerships (with companies, universities, start-ups and NGOs), Bouygues Construction in 2015 founded Construction Venture, a fund investing in and supporting start-ups over a five-year period. So far, Construction Venture has invested in five start-ups.
- The Innovation Unit at Colas has partnered with RB3D, a cobotics (collaborative robotics) specialist, to develop exo push, a cobot designed to help site workers with the manual application of asphalt mixes. Other deals have been sealed with start-ups in energy and in the development of innovative solutions for local authorities.
- In 2015, Bouygues Immobilier founded Bird (Bouygues Immobilier R&D), a subsidiary investing in start-ups focused on the property development sector. Bird has set itself the target of supporting 50 start-ups out to 2020. This can include investment, and so far it has invested in six start-ups. Additionally, Bouygues Immobilier, through its Lyon regional branch, partners with Tuba, a project run by the Lyon Urban Data public-private consortium.
- TF1, which sees digital technologies as key to its business development, has initiated a partnership policy with the start-up ecosystem through the creation of One Innovation, a private equity fund with an initial budget of €2 million. Its aim is to provide financial support to between five and ten start-ups before their first or second rounds of fund-raising.
- This arrangement is a useful addition to the existing incubator scheme initiated in tandem with Paris&Co. The Municipality of Paris' innovation agency and TF1 have also joined forces to create an incubator. In addition,



(a) The Colas code is being drafted
(b) For additional information, see section 1.1.4 of this document

TF1 has developed a Media for Equity strategy, whereby advertising slots are exchanged for equity stakes, thus enabling more mature start-ups with a mainstream slant to gain TV exposure.

- Bouygues Telecom has supported open innovation since 2009. Since its launch, the Bouygues Telecom Initiatives (BTI) start-up accelerator has examined 1,650 projects, conducted 60 co-development projects between a sponsoring operational division within Bouygues Telecom and a fledgling tech start-up, and acquired ten equity stakes (with four of these companies conducting two or more successive funding rounds). In 2017, Bouygues Telecom Initiatives launched trials with MyJobGlasses (an app offering students the possibility of meeting business people for free), Bloomr (a careers advisory scheme) and Wheeliz (a C-to-C rental solution for disabled person's vehicles). Bouygues Telecom has also invested in EkWateur, an independent alternative energy provider marketing renewable energy to households.

In 2017, the Bouygues and TF1 groups sponsored Viva Technology, the global event for high-tech innovation and start-ups, held in Paris on 15–17 June. The Group's business segments hosted at their stands and promoted over 20 partner start-ups, with many taking part in the challenge competition based on the theme of civic techs (community consultation apps). MadeInVote, the start-up that won the challenge, was given the opportunity to collaborate in the sustainable-city demonstrator, Eureka Confluence, with the Group. TF1, the official media partner of the event, set up a lab alongside around 30 innovative start-ups operating in e-sport, virtual reality and news.

## 3.4.4 Responsible practices

### 3.4.4.1 Ethics and initiatives in place to guard against corruption

The Sapin 2 law of 9 December 2016 requires that senior executives of large companies take measures to prevent and detect acts of corruption and influence peddling, in both France and abroad.

The Group's Code of Ethics, disseminated since 2006, was updated in 2017 to take account of the provisions of the Sapin 2 law. It states that the Group's activity, especially the negotiation and performance of contracts, whether in the private or public sector, must not give rise to corruption, influence peddling or similar offences. It sets out the resulting obligations and responsibilities.

#### Code of conduct

The Group Anti-Corruption compliance programme, adopted in 2014, was updated in 2017 to factor in the provisions of the Sapin 2 law relating to the prevention of corruption. It corresponds to the code of conduct covered by article 17, paragraph II, point 1, of the law. The programme has been integrated into the internal regulations of the company and its subsidiaries. Any failure to uphold its provisions may lead to disciplinary action.

It is prefaced by the Bouygues Chairman and CEO. The document clearly states the Group's zero-tolerance stance on corruption and its position as to the duty of understanding and care that everyone must exercise, along with the resulting responsibilities – especially for senior executives.

It also lays down the measures relating to information, training and prevention, together with the monitoring and sanctions that must carried out within each business segment. Furthermore, it summarises the appropriate legislation in force and devotes specific sections to Group rules and recommendations applicable to various practices that are prone to a risk of corruption, namely gifts and services, the financing of political parties, patronage, sponsorship, use of business intermediaries and lobbying.

The Group Ethics Officer within each business segment appoints an officer responsible for implementing the Group Anti-Corruption compliance programme.

At **Colas,** the Head of Compliance, who reports to the Chairman and CEO, is responsible for overseeing the operational deployment of compliance programmes at its various entities. This person is backed up by a network of compliance officers appointed in each significant entity around the world where Colas is present.

The compliance programme, which is communicated within business lines and to business partners, is intended to be accessible to any employee in electronic format.

At **Colas,** mirroring efforts at other Group business segments, several instructions were introduced in 2017. In particular:

- an instruction concerning the benchmark thresholds and values for third-party gifts and invitations applicable to all Colas entities;
- an instruction on sponsorship and patronage initiatives and a procedure for authorising significant operations in excess of €20,000;
- an instruction on business intermediaries outlining, in addition to the Anti-Corruption compliance programme and the internal control repository, the mandatory authorisation process prior to use of an intermediary.

A model position statement by senior executives at Colas, pledging to abide by and promote the code of ethics and compliance programmes, was agreed by Executive general management. By the end of December 2017, 98% of the Colas group's senior executives and business unit managers had signed up to this undertaking.

**Bouygues Telecom**'s approach to business ethics aims to help employees in their everyday activity and to prevent the risk of non-ethical practices, such as corruption, via a business ethics guide (accessible to all employees).

#### Prevention

The Group's Anti-Corruption compliance programme specifies that all senior executives who have operational responsibility for a Group entity (subsidiary, branch, division, etc.) must implement appropriate corruption prevention and detection measures and ensure that these measures have been effectively applied. They are supported in this by the compliance officer and the ethics committee of the business segment.

Briefly, the following prevention measures are provided for by this compliance programme:

- Legal departments will implement training and preventive actions in the area of best business practices; they must have solid expertise in anti-corruption regulations; they can call on the services of criminal lawyers who have been selected by the compliance officer.

- The Group has strict financial and accounting procedures in place, designed and implemented by the Group's entities and aimed at mitigating the Group's exposure to risk, particularly by preventing the use of payment systems for fraudulent or corrupt purposes.
- Delegations of authority to persons with responsibility for an entity, department or project, or to an individual who exercises a role within a sales or purchasing department, must clearly set out to those granted authorities their obligations to comply with anti-corruption laws.
- Group subsidiaries are recommended to include a clause in the employment contracts of employees responsible for a subsidiary, entity, project, sales function or purchasing department setting out their obligation to refrain from engaging in corrupt practices. Furthermore, each business segment must ensure that all entities within its scope of responsibility integrate the compliance programme into their internal regulations.
- Pursuant to the Sapin 2 law, each business segment draws up a risk map to identify, analyse and rank the risks of its entities' exposure to external solicitations of corruption. This risk map, which is updated annually, should factor in the business sectors and geographical areas in which the entities operate.
- In accordance with the Sapin 2 law, each business segment implements procedures to assess the situation of its customers, direct suppliers, consultants, intermediaries and, more generally, its partners based on the corruption risk map. As partners do not all have the same risks, the assessment should be adapted to a specific risk analysis. The business segment ethics officer, in liaison with the relevant line managers, must therefore ensure that all of the business segment's entities can run an assessment process before entering into a business relationship with a partner, as well as during the business relationship.
- In accordance with the terms and conditions determined by each business segment, with the support of the compliance officer, an audit of the business segment's compliance with applicable legislation and the compliance programme must be carried out at the inception of all major projects, when launching a new business activity or when opening an operation in a new country, particularly if that country does not have a good reputation in terms of corruption.
- During the due diligence process prior to acquiring a company, special attention should be paid to the target company's compliance with anti-corruption regulations. General or specific warranties must be obtained from the vendor, unless otherwise specifically agreed, justified and supervised by the business segment's senior management, with the support of its ethics officer.

## Training

The Sapin 2 law highlights the need to implement training for senior executives and other employees with the highest exposure to risks of corruption and influence peddling.

The Group Anti-Corruption compliance programme states that senior executives and employees involved in obtaining and negotiating contracts or purchases for their company must be aware of and understand the broad outlines of the anti-corruption laws and the risks involved if breached. Each business segment must therefore design and implement training adapted to the corruption risks specific to their operations and the regions in which they are active, comprising the following:

- general training in compliance with anti-corruption rules, to be introduced by each Group entity in the training modules aimed at different categories of employees;
- a simple and condensed training module available as an e-learning resource over the intranet, in line with the business segment's training policy;
- specific, more in-depth training for senior executives, managers and employees most exposed to the risk of corruption and influence peddling, especially for those liable to be posted to sensitive countries. Thus, within one year of their appointment, employees who are given responsibility for a subsidiary or equivalent entity, or a sales function, or an assignment within a purchasing department, are required to attend an anti-corruption training course run by or validated by the compliance officer of the relevant business segment.

Each business segment also organises training courses tailored to the different levels of management. These transmit the Group's ethical principles and values in practical ways, addressing the specific issues and risks associated with the business segment's activity.



### Bouygues Construction

All existing training programmes for sales employees and future managers incorporate an ethics and compliance module. Following on from initiatives undertaken since 2011, the special ethics and compliance training plan has been implemented within each Bouygues Construction entity through training modules targeting specific categories of employees. In addition, an ethics component has been added to training programmes for young and experienced managers viewed as high potential, as well as to the legal training taken by buyers that have been in their posts for less than a year. Altogether, there are more than 50 training modules relating to business ethics and compliance.

In order to expand and improve training performance, a specific e-learning module called "Fair Deal" was launched in December 2015 for 30,000 employees in France and abroad. The "Fair Deal" training programme is available in four different languages. Employees are shown real-life situations whose themes are corruption, anti-competitive practices, gifts and invitations, as well as patronage and corporate sponsorship actions. In 2016, 12,107 employees had been asked to take part in the Fair Deal training programme. In 2017, it was made available freely to all Bouygues Construction employees so that each person would be responsible for completing the programme at the time suiting them best. "Fair Deal" has also been merged into "In'Pulse", the Bouygues Construction's digital induction process, to make sure new employees are aware of ethics within three months of joining.

### Bouygues Immobilier

Bouygues Immobilier's training courses on ethics continued in 2017:

- The e-learning module on business ethics, taught since 2016, is accessible on the "BI Learn" training platform in the Induction and Collective Actions sections. This practical module comprises a number of actual situations that present an ethical risk. It is made available to all new recruits, across all French subsidiaries (mainly for middle managers and senior managers), as part of their induction process. In 2017, close to 50% of Bouygues Immobilier's headcount was trained, equating to 971 employees.

- The "Property development and Competition Law" training module, taught by the Legal department for the benefit of regional managers, branch managers, administration/control/finance managers and property developers, goes through the various stages of a property development and, for each one, describes the resources available for preventing and mitigating risks relating to anti-competitive practices, passive corruption, influence peddling, unlawful acquisitions of interests, favouritism, and corruption between private parties, etc. In 2017, 133 employees followed this module.
- A procedure for combating fraud was distributed to all Bouygues Immobilier employees in 2017, showing how to prevent and manage cases of fraud and how to report suspicions. The obligation to report suspicious fraudulent activity is also included in delegations of authority, and enshrined in the public commitment signed by executive committee members in which they undertake to comply with anti-corruption and competition-related programmes.
- Three quizzes are used during the BI Quest induction seminar to raise awareness about business ethics principles. In 2017, 186 employees followed this induction seminar.
- Bouygues Immobilier's intranet has an ethics section containing the latest ethical requirements.
- Bouygues Immobilier is also developing a second e-learning module. Relative to the first module, this new one will examine anti-fraud procedures and, more generally, look at the new requirements under the Sapin 2 and due diligence for parent companies laws.

### Colas

In 2017, training campaigns continued and were stepped up:

The "Business ethics and responsibility" training module, including compliance programmes, continued in 2017 both in France and abroad. It was offered at all subsidiaries for senior and middle managers. This training systematically includes business ethics and the implementation of compliance programmes. Since the training was introduced in 2016, 2,989 employees have been trained, with special attention paid in 2017 to the international subsidiaries. The topic of ethics is regularly discussed at subsidiaries' executive management committee meetings, regional meetings and business unit managers' meetings.

The "Ethical and accountable leadership" training programme, delivered for the first time in 2016 to promote discussions about business ethics and the individual and collective accountability of leaders of the Colas group and its subsidiaries, also continued throughout 2017 in and outside France. This programme, designed for branch managers and directors – regardless of business line – of subsidiaries, was followed by 547 employees.

Colas subsidiaries in North America continued their roll-out of a specific communication and training programme on ethics.

- In the US, training sessions for managers and worksite supervisors were held on the topic of anti-competitive practices as well as on gifts and invitations given to third parties. In parallel, each subsidiary regularly holds local training sessions on ethics-related topics. The online ethics training programme also continued in 2017. As part of this programme, all employees of subsidiaries in the US who have an email address received a quarterly questionnaire on fraud, conflicts of interest, discrimination and behaviour at work. A total of 4,820 US employees were trained through these various courses.
- In Canada, ethics and compliance programme training was delivered to 400 employees in 2017 (685 in 2016). In addition, the overhaul of the Colas Canada intranet provided an opportunity to reiterate the obligations with regard to business intermediaries, corporate patronage and sponsorship, gifts and invitations.

The "Fair Play" e-learning ethics training, which takes the form of a Serious game [a], was rolled out during the second half of 2017 across all the French subsidiaries. Of the 3,475 employees targeted through this campaign, 3,195 completed "Fair Play". Other "Fair Play" training sessions are scheduled for the international subsidiaries in early 2018.

### TF1

The "Guide to day-to-day ethical practices", which supplements the code of ethics with practical examples and recommendations, was posted to the group intranet site in 2017. The Anti-corruption compliance programme and the whistleblowing facility have been the subject of training and awareness-raising exercises since the time of their implementation. Details are also available on the TF1 intranet. TF1 is revising these rules to meet the recommendations of the French government's anti-corruption agency (AFA). Training will be adapted to take account of these adaptations.

### Bouygues Telecom

Training aimed at fighting corruption and influence peddling is given by a criminal lawyer to all employees designated by management as exposed to such risks through their jobs, e.g. purchasing and contract negotiations. The first session, which took place in October 2017, was attended by a total of 188 employees. Additionally, e-learning modules on these subjects will be introduced in 2018 to raise awareness among employees.

### Group seminars

Since the early 2000s, the Group has promoted key values such as business ethics, respect and responsibility through a range of seminars aimed at managers. The purpose of each seminar is to create space for dialogue and discussion in which each participant not only learns more about the Group's positions but also must take a personal stance and clarify their own convictions as a way of guiding their behaviour and management style. Since 2002, over 70 seminars have been held, organised by the Bouygues Management Institute (IMB), bringing together more than 1,000 employees from the business segments. The closing address each time has been given by a senior executive of the Bouygues group. In 2018, a new seminar on business ethics will be given to Group managers, starting with members of the subsidiaries' executive or management committees.

(a) An app that combines the serious aspects (Serious) of instruction, learning, communication or information, with the fun aspects of video games (Game) – based on the definition of researcher Julian Alvarez

### The corporate whistleblowing facility

The compliance programme states that senior executives or employees who are aware of a practice that might be considered as corrupt should inform their hierarchy and Legal department immediately.

Senior executives or employees may also use the corporate whistleblowing facility provided by the Group's Code of Ethics. This facility covers corrupt practices. It has been updated to include the provisions of the Sapin 2 law. In principle, the Ethics Officer of the relevant business segment is the designated recipient of the whistleblowing alert. This person is the *"référent désigné"* stipulated by the Sapin 2 law. Exceptionally, if the whistleblower believes the situation goes beyond the scope of the business segment, the whistleblowing alert may be sent directly to the Group Ethics Officer. The procedure to be used for raising, receiving and processing whistleblowing alerts is described in the Code of Ethics and in its appendix (entitled "Procedure and rules pertaining to the receipt and processing of whistleblowing alerts").

### Internal assessment

The Sapin 2 law requires companies to run internal assessments to evaluate the measures in place.

Combating corruption is a theme of the Group's Internal Control Reference Manual. A business segment may add specific provisions to this manual where necessary to make the compliance programme more effective.

Its effectiveness is monitored annually by means of a self-assessment of the internal control principles implemented in the business segments and their subsidiaries.

Should the self-assessment reveal deficiencies in the implementation of the compliance programme, an action plan will be drawn up and implemented promptly.

During their regular or ad hoc internal audit assignments, the audit departments, assisted by the compliance officers, may be periodically asked to check that operations comply with the principles of the compliance programme and the Group's and business segment's Internal Control Reference Manual. Where required, the conclusions of the internal audit report are disclosed to the business segment ethics committee.

External audit offices may be appointed by the Group or a business segment to detect any instances of corruption, especially when the Group or the business segment has reliable indications suggesting that there has been wrongdoing.

### Disciplinary sanctions

The Sapin 2 law requires that companies implement disciplinary sanctions that will apply to its employees in the event of a breach of the company's code of conduct.

The compliance programme stipulates that when a company discovers an incidence of corruption, it should verify the facts and consult the necessary internal and external advisers before taking any legal action such as filing a complaint with the legal authorities. Senior executives or employees who breach the provisions of the compliance programme or engage in bribery or corruption will be liable to punishment, which may include termination of their executive office, disciplinary action and dismissal, even if no legal action is taken. Senior executives and employees will be responsible for paying any fines and other financial sanctions imposed on them by a court.

## 3.4.4.2 Accessibility of offers and services

The Bouygues group's objective is to make its products and services accessible to the greatest number of people possible. Its media and telecoms businesses therefore focus on making their programmes and digital technology available to all.

One of the fundamental values underpinning Bouygues Telecom's market positioning is to make the benefits of digital technology accessible to as many people as possible. This commitment is particularly reflected in the provision of more generous mobile internet products and services. For example, the operator has significantly boosted the data allowances included in its mobile plans. In January 2017, Bouygues Telecom also launched the 4G Box, which offers very-high-speed broadband in the home via the 4G mobile network for areas of the country where ADSL speeds are insufficient. This innovative solution has been taken up by several tens of thousands of customers since its launch.

In order to combat the digital divide in some parts of France, Bouygues Telecom, like the other operators, is taking part in programmes to cover "blind spots". It is also stepping up the roll-out of its mobile network in less dense areas (57% of the French population) thanks to the network sharing agreement concluded in 2014 with SFR. Furthermore, Bouygues Telecom is speeding up 4G roll-out nationwide, backed with a commitment to provide 4G coverage to 99% of the population by the end of 2018. At the end of 2017, the operator covered 95% of the French population with 4G, equating to nearly 63 million people. In the less dense areas, 4G coverage increased from 26% in July 2016 to 67% one year later, thus exceeding the statutory requirement of 40% coverage of the population by January 2017.

Since 2005, Bouygues Telecom has been working to help disabled people access electronic communications services. One way has been making customer services accessible to people with total or partial hearing loss. Another is the offer of free installation of speech recognition and magnification software for customers who have impaired vision. In 2015, the company observed that 97% of its stores were accessible to disabled people. In 2016, installation and user guides for the Bbox Miami TV box were made available in Braille.

The TF1 main channel ensures that its programmes are accessible, especially to people with impaired hearing (subtitling or sign language) or vision (audio description). The theme channels operated by TF1 have gone beyond statutory requirements in their subtitling. TF1 has also signed the CSA's (French broadcasting authority) Charter on Subtitling Quality.

## 3.4.4.3 Security of personal data

The protection of personal data[a] has become an ever-pressing CSR issue for the Group's media and telecoms businesses since 2013. This issue has become even more important with the appearance of the European regulation (EU2016-679) entitled "General Data Protection Regulation" (GDPR), which will, from May 2018, apply to all companies collecting, processing and storing personal data whose use may directly or indirectly identify an individual. The purpose of this regulation is to increase the rights of individuals over their personal data.



(a) *"Personal data means any information relating to a natural person who is or can be identified, directly or indirectly, by reference to an identification number or to one or more factors specific to them."* Article 2 of French Data Protection law 78-17 of 6 January 1978

The sites and apps produced by e-TF1 comply with all the legal provisions laid out on the site of Cnil[a] (see following link cnil.fr/). e-TF1 cooperates closely with Cnil when declaring new processing of personal data or updating existing personal data. The privacy policy governing users' personal data can be consulted on all digital assets and must be agreed to when registering for services. Concerning recommendations relative to cookies and other tracking files covered by Article 32-II of the law of 6 January 1978 *("la Déliberation")*, e-TF1 regularly checks – chiefly through cookie audits – those files placed during visits to the electronic communication services published by e-TF1 (standard and mobile websites, applications) to ensure that they are lawful.

Likewise, e-TF1 makes it clear in contracts signed with technological, publishing and advertising partners that regulations on the protection of user data must be respected. The web sites produced by e-TF1 now have a cookies policy. Furthermore, e-TF1 has introduced technical mechanisms that allow users to directly deactivate third party cookies. For more information, read TF1's 2017 registration document available at the following address: groupe-tf1.fr.

As a telecommunications operator Bouygues Telecom attaches great importance to the protection of the personal data of its customers. In 2002, the company set up a dedicated unit responsible for applying the provisions of the French Data Protection Act, and particularly for the processing of the requests (from individuals or Cnil) that may be made within this framework. Furthermore, data governance has been introduced, comprising documentation of the processing of data, a classification of the data, the procedures to be applied, project validation committees and regular sessions to raise awareness amongst employees and subcontractors.

In 2017, Bouygues Telecom rounded out these arrangements with an in-house charter called the "The ten principles of responsible Big Data" with covers in more detail the fundamental issue of mega data processing. This charter must be signed by all people concerned by this data processing.

Furthermore, since 2016, a special working group has been specifically dedicated to the new European regulation and aims to ensure the company's compliance with the provisions of the regulation. This working group is currently focusing on the new information that the European regulation will require Bouygues Telecom to make available to its customers.

Finally, since 2016 Bouygues Telecom's website has provided factsheets that advise customers on how to protect their data and their private lives (protection of passwords, management of confidential personal information on the internet or protection from web-borne viruses, etc.)

In 2017, Bouygues SA set up a working group of people from the IT and legal departments of all the Group's business segments to provide help to all subsidiaries in their preparations for the coming into force of the GDPR.

## 3.4.5 Product quality, safety and comfort

At the Bouygues group, respect for customers and users is a core value common to all its activities. This mindset is especially prominent in the commitments that it upholds for protecting the health and safety of users, as well as the requirement that it imposes on the quality and user comfort of its products.

### 3.4.5.1 Protecting consumer and user health and safety

#### Air quality within buildings

Bouygues Construction and Bouygues Immobilier have been working for several years to improve the air quality of their buildings. They have begun measuring this and are striving to improve it through the use of suitable materials and more efficient ventilation systems that can be regulated in real time using sensors.

Bouygues Construction has conducted several campaigns and is designing solutions to lower the levels of primary pollutants.

Between 2014 and 2017, Bouygues Immobilier together with seven business partners ran the Inspir[b], project, for managing and improving indoor air quality. The project applied the experimental methodology developed by Ademe (the French environment and energy management agency) to four pilot projects at various stages, from design to handover. The three years of trials not only tested the system but also helped enhance the methodology. Following this trial phase, the improvements in air quality will be applied to Bouygues Immobilier developments for the comfort of future occupants.

#### Electromagnetic fields

Bouygues Telecom contributes through the Ifer[c] to the financing of electromagnetic-field measurement by companies certified by the French Accreditation Committee (Cofrac). This is carried out in accordance with new government rules on electromagnetic-field measurement, in force since January 2014. Findings can be consulted by visiting cartoradio.fr.

Additionally, Bouygues Telecom in 2017 contributed to the updated version of the French Telecoms Federation's brochure on mobile phones and health, which takes into account the Anses[d] recommendations on children's exposure to radiofrequencies. The new version is distributed to all new customers and to existing ones when they change their SIM card. Bouygues Telecom has also changed its trade practices for marketing handsets so that each mobile phone that is distributed meets the new European Radio Equipment Directive (RED).

Finally, Bouygues Telecom signed a new mobile telephone charter with the Municipality of Paris to define a single ceiling for radiofrequency exposure in Paris[e].

(a) French Data Protection Authority
(b) This is part of the call for research proposals launched by Ademe under the heading "Responsible Buildings in 2020"
(c) Flat-rate tax on network businesses (Ifer)
(d) French Agency for Food, Environmental and Occupational Health and Safety
(e) This is set at five volts per metre at a 900 MHz frequency in indoor living spaces

### Road safety

Colas carries out R&D in several areas to meet road safety challenges, focusing on:

- producing a range of high-performance road surfaces that provide better tyre grip (textured and/or draining products to limit skidding in rainy weather);
- improving visibility (work on road markings in cold or wet weather and at night);
- manufacturing road safety equipment (by Aximum, its road safety and signalling subsidiary).

Additionally, Bouygues Construction has installed a full CCTV surveillance system for the Abidjan motorway and bridge (Ivory Coast). This covers a total stretch of eight kilometres. Incidents are detected automatically through real-time image analysis. For example, it can detect stoppages on the motorway and unusual behaviour by pedestrians.

Elsewhere, as part of the Dijon smart city project, Bouygues Energies & Services has developed a road-traffic regulation system that uses an immediate warning system so that the relevant municipal services can take immediate action.

Lastly, Objenious, Bouygues Telecom's dedicated Internet of Things subsidiary, in 2017 signed a contract with Sanef (Société des Autoroutes du Nord et de l'Est de la France) to monitor safety equipment on its motorway network (see box under section 3.3.4.2).

## 3.4.5.2 Product and service usage quality

Quality and user comfort are distinguishing features in the products and services marketed by the Bouygues group.

For example, the eco-neighbourhoods built by Bouygues Construction and developed by Bouygues Immobilier represent a huge stride forward in improving residents' quality of life, via the provision of convenience services, soft mobility, digital services, urban biodiversity, etc. To promote social cohesion, the Bouygues group has joined forces with start-up Smiile to put in place neighbourhood networks that encourage interaction between residents through sharing, lending a helping hand or organising joint events.

For the structures that it builds, Bouygues Construction thinks ahead about every possible issue, employing user surveys to gauge the effectiveness of existing products and services.

For several years, Bouygues Construction has been studying the use value of the office buildings that it builds, with the aim of creating a system for estimating the impact of technical and functional solutions on occupant performance. A reference base developed in tandem with Goodwill Management studies the connection between a building and its occupants' motivation, mood, physical well-being, absenteeism and time lost in the building. A working group formed in 2016 by Gecina, Foncière des Régions, EDF, Sanofi, Bouygues Construction and Goodwill Management – joined by Sercib BNP Paribas, Bolloré Transports & Logistics, Engie, Ivanhoé Cambridge and Saint-Gobain in 2017 – has trialled the process by conducting field surveys in order to measure fluctuations in the individual performance of building occupants. The findings of this research highlighted the advantages of taking usage-quality criteria into account right from the design phase.

Bouygues Construction and Bouygues Immobilier both offer connected services to their residential customers. Bouygues Immobilier's Flexom, released in 2016, can be used to manage household features such as lighting, shutters or heating, either from inside the apartment or remotely, with a smartphone or tablet. Since the solution was launched, over 16,000 homes equipped with Flexom have been marketed. Bouygues Immobilier has pledged that all homes handed over in France will be equipped with Flexom by 2020. Bouygues Construction's Wizom offer can be used to manage housing units on the scale of an entire building. It has already been fitted to several residential properties in the Paris region, including a social housing development.



### Nextdoor, a Bouygues Immobilier subsidiary, is revolutionising workspaces

In 2014, Bouygues Immobilier launched a network of high-quality third places under the Nextdoor brand, offering businesses a range of top-notch workspaces comprising both private and shared offices. This innovative offering reflects the shift towards more nimble working methods while ensuring a pleasant working environment, thanks to coworking spaces, a concierge service, gardens, and business and festive events that promote interaction. Nextdoor aims to become a major driver for reducing emissions resulting from commuting and business travel in the areas in which it is located.

By late 2017, Nextdoor (which has over 4,000 customers) had eight locations up and running or in the design phase in France, such as Gare Saint-Lazare and Gare de Lyon in Paris, Issy-les-Moulineaux, Neuilly-sur-Seine and La Défense (in the Paris inner suburbs) and Lyon Part-Dieu. In July 2017, Bouygues Immobilier teamed up with AccorHotels, a global leader in hospitality, to form an equally-owned joint venture into which the two groups will pool their complementary expertise to accelerate growth in Nextdoor across France and Europe. Specifically, AccorHotels will contribute expertise in concierge services as well as its distribution channels (See also chapter 2 of this document – section 2.1.3 Bouygues Immobilier).

In addition, Bouygues Immobilier in 2016 launched Nextdoor Business Solutions, a range of services that large companies can use to rethink their office arrangements with a view to maximising employee well-being, promoting dialogue and collaborative working, as well as optimising floorspace and saving costs.

Bouygues Telecom endeavours to ensure that its customers have a reliable mobile network at their disposal. Arcep's survey of the quality of mobile services noted that, in June 2017, three of the four mobile network operators – including Bouygues Telecom – had improved their mobile data service in the previous year.

## Diversity within TF1's programming

Combating stereotypes and broadly representing diversity in society in its broadcasts represent a firm commitment of TF1's diversity policy. As a recognition of this commitment, and to publicise it, the TF1 group was re-awarded the Diversity Equal-Treatment label in 2017.

The TF1 group wants all its channels and websites to reflect the full range of diversity seen in society while avoiding stereotypes and ambiguity. Quantified pledges are disclosed to the industry regulator annually. A memo is sent out every year to producers of news-related programmes, game shows, entertainment and reality TV shows at the TF1 main TV channel to increase awareness about diversity in the shows they produce for the channel. All those responsible for making shows are given specific training on how to take account of diversity in all its forms.

Since 2016, efforts have been focused on quantitative studies and the use of results. The Diversity committee carried out two studies into news bulletins. One was in house and focused on the place of women in news; the other, conducted by Credoc[a], examined the representation of ethnic minorities. Findings from these studies, which used strong, transparent and scalable methodology, will form the basis of action and communication plans for the production of the group's media content.

In 2017, an initiative action called "Women in the News", focusing on a fairer representation of women in news programmes was recognised at the fifth "Nuit de la RSE" awards in the category "best CSR project linked to a company's business operations".

Lastly, the Group's Media and Telecoms activities endeavour to shield younger viewers from the risks arising from television and the web. For the past ten years, a psychologist systematically views TV series for teenagers bought or co-produced by TF1, working closely with the creative team. This person can suggest edits and may even certify episodes as not apt for broadcasting, if images are deemed inappropriate for younger viewers. These recommendations are always followed. TF1 also pays special attention to safe browsing by users on its TFou.fr website for children, by moderating content, protecting children's personal data and taking other measures.

Bouygues Telecom has adopted a proactive stance to guarantee the protection of children and teenagers from inappropriate online content. A parental-control solution for mobile handsets, PCs and TVs is available free of charge. In 2016, the operator expended its parental control solutions by adding a premium service. Lastly, the FFT[b], of which Bouygues Telecom is a member, has posted on its website (fftelecoms.org) a guide for parents to help them protect their children. It gives advice about parental controls, protection of privacy and cyber-bullying.

(a) Research Centre for the Study and Monitoring of Living Standards
(b) French Telecoms Federation.

# 3.5 INDEPENDENT VERIFIER'S REPORT ON THE CONSOLIDATED HUMAN RESOURCES, ENVIRONMENTAL AND SOCIAL INFORMATION PRESENTED IN THIS REGISTRATION DOCUMENT (year ended 31 December 2017)

To the shareholders,

In our quality as an independent verifier accredited by Cofrac[a] under the number n° 3-1050, and as a member of the network of one of the statutory auditors of Bouygues, we present our report on the consolidated human resources, environmental and social information established for the year ended on the 31st December 2017, presented in chapter 3 "Human resources, environmental and social information" of the Registration document, hereafter referred to as the "CSR Information", pursuant to the provisions of the article L.225-102-1 of the French Commercial code *(Code de commerce)*.

## Responsibility of the company

It is the responsibility of the Board of Directors to establish a Registration document including CSR Information referred to in the article R. 225-105-1 of the French Commercial code *(Code de commerce)*, prepared in accordance with the protocols used by the company, composed of Bouygues group's human resources, environmental and social reporting protocol in its version dated September 2017, supplemented by the reporting protocols of its five business segments (hereafter referred to as the "Criteria"), and of which a summary is included in introduction to chapter "3.1.3 CSR reporting methodology" of the Registration document and available on request at the company's headquarters.

## Independence and quality control

Our independence is defined by regulatory requirements, the code of ethics of our profession as well as the provisions in the article L. 822-11-3 of the French Commercial code *(Code de commerce)*. In addition, we have implemented a quality control system, including documented policies and procedures to ensure compliance with ethical standards, professional standards and applicable laws and regulations.

## Responsibility of the independent verifier

It is our role, based on our work:

- to attest whether the required CSR Information is present in the Registration document or, in the case of its omission, that an appropriate explanation has been provided, in accordance with the third paragraph of R. 225-105 of the French Commercial code *(Code de commerce)* (Attestation of presence of CSR Information);
- to express a limited assurance conclusion, that the CSR Information, overall, is fairly presented, in all material aspects, in according with the Criteria;

Nonetheless, it is not our role to give an opinion on the compliance with other legal dispositions where applicable, in particular those provided for in the Article L. 225-102-4 of the French Commercial Code (vigilance plan) and in the Sapin 2 law n°2016-1691 of 9 December 2016 (anti-corruption).

Our verification work requiring the expertise of a team of ten people took place between July 2017 and February 2018 for a total duration of eighteen weeks.

We conducted the work described below in accordance with the professional standards applicable in France and the Order of 13 May 2013 determining the conditions under which an independent third-party verifier conducts its mission, and in relation to the opinion of fairness and the reasonable assurance report, in accordance with the international standard ISAE 3000[b].

(a) Scope available at www.cofrac.fr
(b) ISAE 3000 – Assurance engagements other than audits or reviews of historical information

## 1. Attestation of presence of CSR Information

### Nature and scope of the work

We obtained an understanding of the company's CSR issues, based on interviews with the management of relevant departments, a presentation of the company's strategy on sustainable development based on the social and environmental consequences linked to the activities of the company and its societal commitments, as well as, where appropriate, resulting actions or programmes.

We have compared the information presented in the Registration document with the list as provided for in the Article R. 225-105-1 of the French Commercial code *(Code de commerce).*

In the absence of certain consolidated information, we have verified that the explanations were provided in accordance with the provisions in Article R. 225-105-1, paragraph 3, of the French Commercial code *(Code de commerce).*

We verified that the information covers the consolidated scope, namely the entity and its subsidiaries, as aligned with the meaning of the Article L.233-1 and the entities which it controls, as aligned with the meaning of the Article L.233-3 of the French Commercial code *(Code de commerce),* with the limitations specified in the methodology described in section "3.1.3 CSR reporting methodology" of the Registration document.

### Conclusion

Based on this work, and given the limitations mentioned above, we confirm the presence in the Registration document of the required CSR information.

## 2. Limited assurance on CSR Information

### Nature and scope of the work

We undertook interviews with about sixty people responsible for the preparation of the CSR Information in the different departments of the consolidated company and its five business segments, in charge of the data collection process and, if applicable, the people responsible for internal control processes and risk management, in order to:

- assess the suitability of the Criteria for reporting, in relation to their relevance, completeness, reliability, neutrality, and understandability, taking into consideration, if relevant, industry standards;
- verify the implementation of the process for the collection, compilation, processing and control for completeness and consistency of the CSR Information and identify the procedures for internal control and risk management related to the preparation of the CSR Information.

We determined the nature and extent of our tests and inspections based on the nature and importance of the CSR Information, in relation to the characteristics of the Company, its social and environmental issues, its strategy in relation to sustainable development and industry best practices.

For the CSR Information that we considered the most important[a]:

- At the level of the consolidated entity and its five business segments (Bouygues Construction, Bouygues Immobilier, Colas, TF1, Bouygues Telecom), we consulted documentary sources and conducted interviews to corroborate the qualitative information (organisation, policies, actions, etc.), we implemented analytical procedures on the quantitative information and verified, on a test basis, the calculations and the compilation of the information, and also verified their coherence and consistency with the other information presented in the Registration document ;
- at the level of the two most contributing business segments to the environmental and human resources impacts (Colas and Bouygues Construction, representing about 90% of the workforce and consolidated greenhouse gas emissions – scope 1, 2 and 3), we selected a sample of representative entities[b], based on their activity, their contribution to the consolidated indicators, their location and a risk analysis. We undertook interviews to verify the correct application of the procedures and undertook detailed tests on the basis of samples, consisting in verifying the calculations made and linking them with supporting documentation. The sample selected therefore represents on average 12% of the sales and 13% of the total workforce of the two business segments.

(a) Human resources information:
- Quantitative information (indicators): workforce (total headcount and trend), share of women managers (France) and share of women directors (International), frequency and severity rates of workplace accidents (Global), absenteeism and occupational illnesses (France), share of companies providing social protection (International), share of companies with a training plan and number of training days (International).
- Qualitative information: employment, health and safety in the workplace, training policies, measures undertaken in favour of gender equality and anti-discrimination policies (TF1)

Environmental and social information:
- indicators (quantitative information): percentage of Bouygues Construction's activity covered by an ISO 14001-certified environmental management system, percentage of buildings with environmental labelling or certification in the yearly order intake when Bouygues Construction is the prescriber, percentage of order intake with an energy performance commitment, percentage of sites eligible for the Ecosite label, low carbon operations, percentage of projects handed over for which operators, users or local residents were involved from the design or construction stage, the share of Colas material production activities with a system for managing environmental impacts (environmental certification, Colas check-lists) or implementing initiatives in favour of local dialogue, the percentage of aggregate production sites activity working to promote biodiversity for Colas, the roll-out of the BiodiverCity label, the measures and commitments to support biodiversity in the building and civil works activities of Bouygues Construction, the surface area of Green Office® and Rehagreen® commercial property developments, the number of positive-energy/passive-energy housing units being built or handed over during the year, the number of Nextdoor sites and number of sites including a commitment for smart grid roll-out for Bouygues Immobilier, the recycling percentage for Bouygues Construction's non-hazardous waste and excavated spoil, the number of Bouygues Telecom handsets collected for recycling or re-use, the recycling rate of aggregates and asphalt mix for Colas, the share of permanent activities located in highly water-stressed areas, greenhouse gas emissions, the energy bill and total energy consumption for Colas, power consumption at Bouygues Telecom, employees trained in business ethics procedures at Bouygues Construction, the number of CSA (French broadcasting authority) interventions and expenditure targeted by CSR criteria at TF1
- Qualitative information: general environmental policy, certification initiatives, measures to improve energy efficiency and raw material consumption, greenhouse gas emissions, relations with subcontractors and suppliers (responsible purchasing policy and percentage of sales outsourced to local companies for Bouygues Construction), customer satisfaction rate, business ethics and initiatives in place to guard against corruption (code of ethics and compliance programme), measures to protect consumer health and safety (protection of personal data), diversity in TV shows and partnership or sponsorship initiatives for TF1

(b) For Colas, the entities Colas Nord-Est (France), Smac (France), Colas UK (United Kingdom); for Bouygues Construction, the entities Bouygues Travaux Publics – Mines RTA (Ivory Coast), Bouygues Bâtiment Ile-de-France Construction Privée (France), Bouygues Bâtiment Entreprises France-Europe – Grand Ouest (France), and Bouygues Energie & Services – Switzerland

- At the level of the three other business segments (Bouygues Immobilier, TF1 and Bouygues Telecom), supporting documents available at headquarters cover almost all activities.

For the other consolidated CSR information, we assessed their consistency in relation to our knowledge of the company.

Finally, we assessed the relevance of the explanations provided, if appropriate, in the partial or total absence of certain information taking into account, if relevant, professional best practices.

We consider that the sample methods and sizes of the samples that we considered by exercising our professional judgment allow us to express a limited assurance conclusion; an assurance of a higher level would have required more extensive verification work. Due to the necessary use of sampling techniques and other limitations inherent in the functioning of any information and internal control system, the risk of non-detection of a significant anomaly in the CSR Information cannot be entirely eliminated.

## Conclusion

Based on this work, we have not identified any significant misstatement that causes us to believe that the CSR Information, taken together, has not been fairly presented, in compliance with the Criteria.

Paris-La Défense, 21 February 2018

Independent Verifier

Ernst & Young et Associés

| | |
|---|---|
| **Éric Mugnier** | **Bruno Perrin** |
| Partner, Sustainable Development | Partner |

# 4 RISK FACTORS

The company has carried out a review of its risks and has concluded that it is not exposed to any other significant risks besides those outlined in this registration document.

# 4.1 BUSINESS-SPECIFIC RISKS

## 4.1.1 Bouygues Construction

### 4.1.1.1 Risk management policy

The risks facing Bouygues Construction in 2017 were of a similar nature to those identified in previous years: operational risks relating to major projects, risks relating to employee security, risks relating to economic and political instability, and compliance risk.

### 4.1.1.2 Risks associated with major projects in the design or execution phase

The types of risk inherent in major projects include:

- **in the design phase:** design flaws, miscalculation and under-budgeting, poor assessment of the local environment, inadequate contractual analysis, etc.;
- **in the execution phase:** technical or financial default by a customer, partner or subcontractor, difficulty in recruiting sufficient staff or adequately qualified staff, and execution defects leading to cost overruns, quality problems or failure to meet deadlines, etc.

To achieve tighter control over these two risks, Bouygues Construction has an organisational structure that reflects the specific requirements of each business, backed up by rigorous selection, approval and control procedures.

Each entity has access to substantial, highly-qualified resources in technical fields such as design, costing, feasibility studies and methods. Clusters of staff with extensive expertise in highly specialised areas (tall buildings, materials engineering, facades and sustainable construction, for example) share knowledge and capitalise on experience across all Bouygues Construction entities.

The support function structure, which operates on similar lines, has recently been strengthened. Separate departments covering legal affairs, human resources, accounting, management control, information systems and procurement are headed up by members of the Bouygues Construction management team. Specialist clusters dedicated to treasury management, financial engineering, tax and insurance provide expertise to all group entities.

Approval and control procedures apply at each key stage in design and execution. For major projects, project selection and key risks and opportunities are subject to systematic monitoring.

Key operational risks are further mitigated by the fact that project execution teams are highly professional and adequately staffed, and are actively supervised by experienced managers.

Particular attention is paid to the pre-execution phase of major projects, especially in design, contract drafting and site preparation.

In the design phase, external consultants are used to back up in-house expertise on technical issues for the highest-risk projects. Regular costing audits are performed on the reliability of procedures for expenses, subcontractor budgets, and site supervision costs.

Support functions are systematically involved upfront, especially in contract management and procurement.

Particular care is taken in the selection and monitoring of customers and partners. The subcontracting process is closely supervised, with major subcontractors and partners thoroughly assessed before awarding highly-sensitive work packages (such as architectural and technical trades).

In 2017, Bouygues Construction implemented a series of measures to tighten control over major project risks:

- two new principles were added to the Internal Control reference manual. The first defines what constitutes a "major project" for each operational entity. The second covers compliance with internal procedures, and requires that a score sheet and risk executive summary be included in all approval notes for major projects. Those principles were assessed during 2017;
- internal audits were conducted on major projects during 2017 to obtain assurance of adequate control over emerging risks;
- as part of the same internal control campaign, around thirty projects were assessed in order to identify new action points, and additional points to incorporate into existing action plans. The assessment focused mainly on project organisation and selection, the accuracy of estimates, and the management of contracts (especially on subcontracted work packages);
- human resources management and specific training programmes for major project managers were put in place;
- a process specific to major projects was added to the management system;
- a new organisational structure was introduced in the Legal Affairs department, intended largely to enhance contract management performance.

### 4.1.1.3 Risks relating to employee security

Events may occur that threaten the safety and/or health of Bouygues Construction employees in any of our locations, but particularly in high-risk countries or regions.

Bouygues Construction generates 30% of its sales outside Europe. Out of the fifty or so countries where the company operates, around thirty have been identified as carrying a degree of country risk ranging from "Average" to Very High", based on the in-house Security Department's assessment of various risks: political, terrorist, criminal, employee-related, and international conflict.

Sales generated in countries regarded as "at risk" amounted to nearly €1 billion in 2017, or around 8% of Bouygues Construction's total sales.

### Security Committee organisation and remit

The security of all employees is an absolute priority for Bouygues Construction, alongside their health and safety. The overall guidelines set by the Executive Committee and General Management Committee of Bouygues Construction are implemented by the Security Committee, which meets every month.

The Security Committee is responsible for implementing security procedures; it constantly monitors the situation in countries where Bouygues Construction has ongoing or prospective operations, and implements appropriate preventive measures and solutions in response to risks as they arise. The Committee relies on the work of the Security Director, whose remit includes:

- monitoring and preventing security risks in countries where Bouygues Construction has operations;
- co-ordinating and directing resources in security risk situations;
- providing leadership for security specialists working at entity level;
- overseeing the Security action plan.

### Key elements of the Security Action Plan

- A uniform risk assessment methodology has been developed, applying at both country level and project level. Alongside this, a standardised security plan model has been developed and implemented.
- Specific audits are conducted by independent specialists (such as safety assessments of local airlines).
- In countries regarded as most at risk, a specific Country Security network has been set up.
- SSF Locator, a corporate travel tracking and crisis management tool, has been introduced and is due to be rolled out globally in the first half of 2018.
- Employees are prohibited from extending their stay for personal reasons in countries regarded as sensitive.
- Security principles have been incorporated into the Internal Control reference manual. All these principles were evaluated as part of the 2017 self-assessment campaign.

## 4.1.1.4 Risks related to economic and political instability, country risk

Bouygues Construction's positioning in OECD countries (around 70%-80% of its total activity) limits its exposure to economic and political turbulence, but carries exposure to economic stagnation in those countries and to tough market conditions.

The first line of defence against this risk is a diversified business and geographical mix, combined with the fact that the vast majority of business is conducted in Europe, North America and Australia.

Vigilance remains the watchword, as country risk could translate into non-recovery of trade receivables or the need to withdraw from a country at very short notice. Bouygues Construction has stringent contract management procedures, and preventive measures (legal, financial, insurance) are in place where possible:

- priority is given to contracts with multilateral international funding;
- contractual clauses stipulating site shutdowns or contract termination in the event of non-payment are negotiated, and more stringent receivables management has been put in place;
- particular attention is paid to the terms of warranty retention clauses;
- maintaining a positive net cash position and rapid transfer of non-convertible currencies are written into best practice for contract management;
- specific insurance policies are contracted.

In addition, Bouygues Construction has many strengths to help it resist and adapt to the economic climate. A diverse business mix and broad geographical footprint mean that the company is less exposed than a mono-line or mono-region business.

In addition, Bouygues Construction enjoys a favourable business environment in some countries or sectors. Bouygues Construction is also engaged in a geographical diversification strategy, focusing on expansion in buoyant markets such as the United States, Canada and Australia. The healthy order backlog gives good visibility in the short term. Bouygues Construction analyses forecasts to anticipate adverse trends, so that it can react appropriately and reallocate production resources to less affected markets or activities.

## 4.1.1.5 Commodities risk

Bouygues Construction is not exposed to a significant commodities risk.

## 4.1.1.6 Industrial and environmental risks

Because of the nature of its business, Bouygues Construction is not exposed to significant industrial or environmental risk, and is not subject to regulations on classified sites or to REACH[a].

## 4.1.1.7 Compliance risk

With compliance obligations becoming ever more demanding, Bouygues Construction has tightened its ethics policy to ensure that the principles contained in the Bouygues group's Code of Ethics and Compliance programmes are strictly applied, and also to update those programmes in response to recent legislative changes (e.g. the Sapin 2 law in France).

(a) "Registration, Evaluation, Authorisation and restriction of Chemicals" – a regulation of the European Union: Registration of all substances manufactured or imported into the EU in quantities above one tonne per year; Evaluation of proposals for testing, registration dossiers, and substances; Authorisation, for substances of very high concern; and restrictions to manage risks associated with other Chemical substances

Ethical compliance falls within the remit of Legal Affairs, working in conjunction with Audit and Internal Control; all three departments are under common management. The Ethics and Compliance team has been reinforced to provide adequate oversight, conduct research and surveys as needed, and manage the tools used in this area.

Throughout 2017, Bouygues Construction played a major role in implementing the Sapin 2 law across the Group as a whole. This included updating the internal regulations of the French entities, which now allow for disciplinary proceedings against employees who do not adhere to the Group's compliance programmes.

Compliance reviews, covering the full range of ethics and compliance issues across the various entities, were carried out on a full scope basis in 2017.

## 4.1.2 Bouygues Immobilier

### 4.1.2.1 Property market risks

The activities of Bouygues Immobilier are exposed to economic factors beyond the company's control, and to systemic risks associated with the cyclical nature of property markets. Fluctuations in the property market and in the broader economic situation can have a significant impact on the activities and profitability of Bouygues Immobilier, the consequences of which – whether negative or positive – do not flow through immediately into the company's financial results, due to the time required to complete projects.

Factors that can affect the property market include:

- international and domestic economic conditions, and trends in purchasing power and the level of consumer confidence, the last two of which exert a strong influence on the residential market;
- the level of long-term interest rates (home loans) and the terms of access to credit (deposits required, and the duration of loans offered) have a very strong effect on the solvency of potential buyers and hence on demand for new residential property, with a potentially strong impact on selling prices;
- similarly, demand for new office premises is experiencing high volatility due to the general economic climate, which has a direct effect not only on rents but also on the rate of return expected by investors (who are highly sensitive to potential rises in long-term interest rates). Marked fluctuations can significantly affect the return on office property developments, at a time when the final investor is very demanding in terms of the quality and term of leases;
- sales may also be significantly impacted by administrative or tax measures that affect segments of the property market (incentives for home-buyers and tax breaks for buy-to-let investors), or more generally by public policies that raise taxes imposed on households (tax rates, reduction or capping of tax breaks, increases in value added tax);
- finally, competition in property markets remains strong, especially in the acquisition of land and in new residential property sales, exposing Bouygues Immobilier to a risk of market share erosion and to a reduction in sales and profitability.

Bouygues Immobilier's organisational structure is designed to optimise responsiveness to market fluctuations, while the risk management policy is based on strict but adaptable prudential rules. The land bank is regularly reassessed to ensure that it gives a good fit with projected commercial operations, and shows a strong bias towards unilateral promises that enable the company to withdraw if necessary. The acquisition of land and start of works are largely contingent on a substantial proportion of the project being pre-sold. Finally, Bouygues Immobilier maintains a balanced spread of products and customer profiles; a diversified product mix and broad geographical footprint help the company respond better to the specific demands of its various markets.

Bouygues Immobilier is also involved, through its subsidiaries, in property development projects outside France. However, the overall level of business outside France is low, representing approximately 6% of sales in 2017. Currently, its activities outside France are primarily located in Poland and Belgium. Since 2014 Bouygues Immobilier has also had operations in Morocco, but on a very limited scale. Consequently, Bouygues Immobilier does not believe that it has significant exposure to country risk.

However, Bouygues Immobilier ensures that its subsidiaries systematically obtain independent legal advice to address the risk of non-compliance with local laws and regulations. Potential exposure to foreign exchange risk is limited overall, since the majority of both sales and expenses are denominated in local currency. Such exposure is hedged.

### 4.1.2.2 Operational risks

#### Contractor default risk

Bouygues Immobilier is exposed to risk as a result of its reliance on service-providers, suppliers and subcontractors in carrying out its activities, especially on its worksites. Issues such as financial difficulties, poor quality workmanship, and general failings (or breaches of regulations) can lead to late deliveries and cost overruns that may harm the company's reputation and profitability, or its customers.

To protect against this risk, the company requires strict compliance with tendering procedures and close monitoring of contract execution, in both residential and commercial property.

Since July 2014, Bouygues Immobilier has had a dedicated residential property purchasing department, with the aim of providing operational staff with the tools and methods needed to meet cost and quality criteria. Purchasing managers, who were previously residential property tendering managers, now monitor the financial health of successful bidders, ensure diversity among suppliers of strategic goods and services, and avoid suppliers becoming economically dependent on the company. All these high-risk areas are covered on a full-scope basis by the internal control assessment.

### Treasury risk

Bouygues Immobilier operates a policy of centralised management of its cash and financing needs, which facilitates the identification of liquidity risks and the implementation of optimal solutions.

To cover any potential financing needs, the company has contracted medium-term credit facilities with its principal banking partners; these arrangements are renewed on a regular basis, usually for three-year periods. Bouygues Immobilier carefully checks legal documents and instructions relating to the bank guarantees it obtains (including guarantees that property sold off plan will be funded to completion, and deposit guarantees), and the terms on which such guarantees are obtained.

More generally, Bouygues Immobilier applies Bouygues group management rules relating to financial risks, with a particular emphasis on payment systems security, liquidity, counterparty quality, credit agreement terms, and the measurement and hedging of interest rate risk and foreign exchange risk.

### Disintermediation risk

Like most property developers, Bouygues Immobilier has moved into the digital era, and has a site dedicated to new-build projects on which prospective buyers can go on a virtual tour of their future home. However, the market is seeing rapid change in selling techniques and a trend towards disintermediation. Bouygues Immobilier may have to deal with the emergence of powerful new operators using innovative direct selling methods on digital platforms, which would affect the company's ability to retain control over sales channels.

### Data risk

To keep pace with the changes brought about by the growing importance of digital technology, Bouygues Immobilier is investing in developments to its internal, supply chain and customer-facing processes. As with many companies, there is a risk that data held in digital form (and any information shared or disseminated) may be used fraudulently, altered or lost. Bouygues Immobilier is working with the other Bouygues group companies to strengthen its data protection and governance, and to achieve compliance with the European General Data Protection Regulation.

At the same time, Bouygues Immobilier is supporting the transformation of methods and processes to address the changes brought about by new digital tools. Nonetheless, the company remains exposed to risks of impaired productivity or data quality erosion due to technical or human factors.

## 4.1.2.3 Risks specific to property development

### Acquisition of land and commitment committees

Bouygues Immobilier's business hinges on its ability to secure building land in locations that its customers want and at prices they can afford.

There is however a risk that land may be acquired without it being possible to complete the proposed development.

Consequently, there are strict procedures governing decisions to purchase land. Any legal document that is intended to secure land (or a building) and that binds the company (even with a get-out clause) requires prior approval from a commitment committee. The terms of the transaction, and the decisions taken by the committee, are recorded in minutes that are distributed to all the stakeholders. Until such time as the land purchase is completed by notarised deed, all approvals granted at committee level and all commitments are reviewed on a monthly basis; any substantive change requires a further committee meeting in order to approve the amendment.

### Administrative and regulatory risks

#### Administrative permits

Bouygues Immobilier's business also depends on its ability to obtain all the necessary administrative permits for construction of its property developments. Failure to address these issues adequately could have a range of consequences including the loss of building permits, legal disputes and appeals, and the abandonment of projects.

Strict procedures are therefore applied at every stage in a property development project, and processes are regularly strengthened so that these risks remain adequately controlled.

To address the risk that the administrative permits needed to carry out the company's property development projects (primarily building permits, office development permits, and decisions by local or national commissions for retail developments) may be refused, withdrawn or appealed, Bouygues Immobilier ensures that any commitments to purchase land do not become binding until all possibility of appeal has been extinguished, and meticulously reviews the quality of all applications made for permits.

#### Compliance

Bouygues Immobilier may face claims from buyers of properties after delivery or completion in the event of non-compliance with the contractual description or with regulatory requirements and standards (such as those dealing with disability, environmental or public health issues).

The company may also face claims from customers for defects in properties sold to them. Under the terms of the completion warranty, Bouygues Immobilier arranges for contractors to remedy defects on the snagging list as soon as possible.

Most construction defects are covered by compulsory insurance policies. Bouygues Immobilier ensures that it abides scrupulously by its obligations in terms of public liability and damage to property, and that all parties (lead contractors, subcontractors, consultants, etc.) meet their obligations in respect of the standard ten-year latent defect insurance policy.

Quality and customer relationships are of paramount importance to Bouygues Immobilier, and this is reflected in effective processes for handling customer complaints.

In terms of site safety, the project owner has obligations over and above those incumbent on the health and safety co-ordinator, lead contractor and subcontractors:

- during the design phase;
- before works commence and the worksite is started;
- during execution of the works.

The project owner is responsible for appointing a health and safety co-ordinator, and must be able to prove to any relevant authority that the co-ordinator appointed is competent. In contracting with the co-ordinator, the project owner must specify the extent of the co-ordinator's authority, and the resources that are required for successful execution of the co-ordinator's role.

The project owner is also under an obligation to ensure that regulations prohibiting illegal employment practices are observed, not just by itself but also by its contractors and subcontractors. Specifically:

- the project owner must perform a half-yearly check to ensure that contractors and subcontractors are complying with their employment law obligations;
- if a competent authority notifies a specific breach attributable to a contractor, the project owner is under an obligation to prevent and notify that breach;
- the project owner is under an obligation to check that every employee working on the site has the requisite building trade identity card.

Recent French legislation (the Savary law of 10 July 2014 and its enabling decree of 30 March 2015, and the Macron law of 6 August 2015) has placed greater obligations on all those involved in the construction industry as regards undeclared work and the hiring of foreign workers without the necessary permits.

#### Environmental regulations

Bouygues Immobilier pays particularly close attention to all regulatory developments arising from the Grenelle Environment Summit process in France and any other relevant decisions made by the authorities, including those relating to biodiversity, which may result in additional costs not originally budgeted.

The company also attaches great importance to circular economy issues (recycling and re-use of construction materials).

#### Involvement of the Legal and Insurance Departments

In all the areas described above, Bouygues Immobilier's Legal Department assists operational units in structuring property development programmes, from land purchase through to final delivery. In specific areas, the department has established procedures and uses standard form contracts. Subsidiaries operating outside France invariably consult local law firms when structuring projects and handling claims, in conjunction with the Legal Department.

The Legal Department logs all claims filed against Bouygues Immobilier. These claims are handled by operational units, with assistance from a barrister. A centralised policy for retaining barristers has been implemented in the interests of greater effectiveness. Major or strategic claims are handled directly by the Legal Department.

The Insurance Department, which reports to the Risk Management Department, is responsible for contracting all insurance policies in France. The department also provides support to international subsidiaries when they renew existing policies or contract new ones. By handling these matters centrally, Bouygues Immobilier is able to retain control over the insured risks and ensure that adequate cover is obtained.

## 4.1.2.4 Technical and environmental risks

### Risks relating to pollution, soil quality and existing structures

Bouygues Immobilier operates a risk prevention policy as regards soil quality: as soon as a plot of land (or building) is identified as being of interest, the company carries out a survey of soil and subsoil quality and contamination (or of the existing structure).

Once the broad outlines of a project have been established, the company retains specialist firms as necessary to analyse risks relating to matters such as soil quality, pollution, flooding, safety, the environment, foundations and load-bearing capacity, so as to obtain a detailed estimate of the cost implications.

Bouygues Immobilier also pays close attention to archaeological plans, given that the unforeseen discovery of archaeological remains during site works can have repercussions on the time and costs to project completion.

Where demolition or rehabilitation is required, Bouygues Immobilier oversees compliance with regulations on asbestos removal and decontamination in the buildings concerned.

### Safety risks

Bouygues Immobilier pays close attention in ensuring compliance with regulations relating not only to public health (prohibition of the use of toxic materials such as asbestos and lead during construction, and regulations on ventilation systems), but also to workplace safety and the prevention of burn-out. In the latter case, agreements were reached in 2016 on the quality of life at work and on exceptional Sunday working, for the rollout of the "Opéra" software solution. In addition, building works give rise to a risk of site accidents. Other than that, Bouygues Immobilier generally uses the services of external inspection firms to ensure compliance with safety and building regulations.

In the event of an accident or compliance breach, even though the company does not assume responsibility for design (contracted out to an architect) or execution (handled by construction companies working under an external lead contractor), it may incur civil or even criminal liability in its capacity as project owner. This is why the project owner has an obligation to give the health and safety co-ordinator the authority and resources necessary for successful execution of the co-ordinator's role.

Bouygues Immobilier has since 2014 been running an extensive awareness and training campaign on the responsibility of project owners in terms of safety, prevention of illegal labour, and worksite safety.

Finally, to help protect its own employees, Bouygues Immobilier has for each of its sites designated and trained a safety officer, who regularly updates the risk assessment report for the site as required under French employment law. The company's Quality, Service and Environment (QSE) department also conducts periodic checks of safety procedures.

## 4.1.2.5 Risk of unethical practices

In carrying on its property development activities, and particularly in responses to consultations, land searches and co-promotion projects, Bouygues Immobilier pays scrupulous attention to compliance with competition law, and is especially vigilant as regards active or passive corruption. To this end, Bouygues Immobilier distributes the Bouygues group Code of Ethics and Compliance programmes internally. Bouygues Immobilier has also been involved in the Group's approach to implementing the anti-corruption measures contained in the Sapin 2 law. The company has developed business-specific procedures, and regularly reminds employees of those procedures via annual internal control campaigns, training programmes for line managers, an e-learning module on ethics, and the corporate intranet.

## 4.1.3 Colas

The Colas group has for many years placed the analysis, monitoring and prevention of business-specific risks at the heart of management concerns, with responsibility located at the level best placed to assess risk. This decentralised structure is key to the management of those risks.

Risk evaluation and overall risk policy is managed at head office level and relies on feedback from reporting systems or dissemination of best practice. However, individual subsidiaries and profit centres are responsible for handling, controlling and monitoring their own risks. Major risks are identified, documented and assessed annually by executive operational management teams. This risk mapping exercise takes the form of a key risk scorecard, focusing on risks liable to impair the attainment of operational, financial or strategic objectives. This scorecard is then used to develop action plans to mitigate identified risks. It is supplemented by a risk prevention policy based on monitoring of loss experience, analysis of causal effects and feedback. Central coordination and leadership, based on reporting tools, serve to improve the risk identification and analysis process, collate feedback that can be passed back to the subsidiaries, and develop risk prevention policies and initiatives.

### 4.1.3.1 Sector and market risks

The sales and profits of Colas are particularly sensitive to:

- macroeconomic trends in the principal markets where Colas operates (France, Europe, North America), which can have an impact in terms of sales volumes, competitive pressure and price levels;
- trends in public-sector orders, given that some 58% of Colas sales are generated with public-sector customers (especially local and regional authorities in France), and in the ability of public-sector customers to obtain funding. This risk factor is being exacerbated by mounting public debt, the state of the public finances in many countries and the resulting austerity programmes, and (in France) cuts in government grants to local authorities. Administrative and political issues – difficulties achieving consensus on budgets, upcoming elections, proposals to merge local authorities, or the election of a new government (which could put at risk or delay infrastructure projects that have already been approved or are being planned) – may also affect the level of public-sector orders.

However, those risks are mitigated by various factors, including the economically essential role of transport infrastructure maintenance in ensuring the mobility of people and goods, the broad geographical dispersion of the Colas group's operations and its diverse business mix, the large number of projects handled, and the ability to deliver complex contractual solutions.

### 4.1.3.2 Credit or counterparty risk and country risk

Colas is present in over fifty countries, and is exposed to specific risks in those countries. Since 94% of Colas sales are generated in Europe (including France), North America (United States and Canada) and Australia, exposure to country risk is low. So is the risk of payment default, as the majority of sales are generated from the public sector (national, regional and local governments) with a large number of low value contracts. Operations in high-risk countries with poor ratings from international agencies or credit insurance bodies usually involve contracts funded by multilateral development agencies such as the U.S. Federal Reserve or the World Bank.

In general, country risk is reduced wherever possible by the use of export credit agencies, and in some cases by taking out insurance for high-value assets.

The roadbuilding, waterproofing, road safety/signalling and construction materials businesses have an extremely widely dispersed customer base, so counterparty risk is low. In the railway sector, a very high proportion of business is with infrastructure companies or bodies under state control. Private-sector customers are subject to upfront credit analysis, backed up wherever possible with credit insurance, in order to mitigate counterparty risk.

### 4.1.3.3 Commodities risks

Colas is sensitive to the regularity of supplies of commodities and to fluctuations in their cost. The main commodities involved are petroleum-based products in the roadbuilding business (bitumen, vehicle fuel, heating fuel and gas, oil), and commodities such as steel, copper and aluminium in the road safety/signalling, waterproofing and railway businesses. The biggest risk relates to bitumen and other petroleum-based products.

#### Supply risk

Delays or stockouts in the supply chain may lead to direct and indirect cost overruns in the roadbuilding and waterproofing businesses. This is not a systemic risk (except in the event of conflict and total breakdown in petroleum supplies), and may affect a country, or more likely a region, over a variable period of time. Over the years, Colas has built up resources to secure bitumen supplies in the main regions where it has operations (such as teams of skilled traders and extra storage capacity).

#### Price fluctuation risk

Bitumen prices have been subject to significant fluctuations for a number of years. Various factors limit the risk arising from these fluctuations: the number and average value of contracts (which means that prices can often be reflected in the tender bid), and the fact that many contracts (in France and elsewhere) include revision or indexation clauses. Employees involved in contract negotiations are made aware of this issue so that it can be factored into the process. In some regions, it is possible to enter into supply contracts that fix prices at a guaranteed level for a specific period. For large-scale contracts, hedges may be contracted on a case by case basis when the order is accepted. However in some of the Colas group's activities, such as third-party sales of manufactured goods, rises in prices of bitumen and other petroleum-based products are only passed on to customers to the extent that the state of the competition allows.

Given these factors, it is difficult to quantify the sensitivity of operating profits to commodity price fluctuations: Colas is involved in thousands of contracts subject to varying degrees of legal protection, and the extent of price rises varies from region to region.

There is also an indirect risk that rises in the prices of these products might lead to a reduction in order volumes as customers react to the prospect of higher prices for works or services.

## 4.1.3.4 Legal risks

### Compliance risk

The business activities of Colas involve a very large number of contracts (some 80,000 a year), awarded and executed on a decentralised basis. Apart from the usual laws and regulations that always apply (such as competition law and criminal law), most public sector contracts are also subject to specific regulations at both national and international level. The multiplicity of contracts and decentralised structure can expose Colas to legal compliance risk, particularly in terms of anti-competitive practices and corruption despite substantial preventive measures (information, training, code of practice, etc.), the rollout of compliance programmes to supplement the Code of Ethics, and stringent disciplinary procedures. Colas has also been involved in the Bouygues group's approach to implementing the anti-corruption measures contained in the Sapin 2 law. For the company, these risks may lead to financial penalties (imposed by competition authorities, for example), criminal or civil liability, loss of contracts (a ban on tendering for certain projects), or reputational damage. It is very difficult to assess the likelihood of such risks or to quantify their effect.

## 4.1.3.5 Industrial and environmental risks

### Risk of fire, explosion and accidental pollution

The risk of fire and explosion varies according to the size and nature of the activities at each site, and is regarded as immaterial at most industrial sites due to their limited size. However, these sites are under regular surveillance to reduce the incidence of such events; for example, fire permit procedures and infrared thermal imaging audits of thermal and electrical installations are used to reinforce preventive maintenance measures. Sites that are particularly important or sensitive because of their size or the nature of their activities are subject to special treatment. Those sites are the Aximum hot dip galvanising facility in Nogent-sur-Oise (France); the paint and speciality binder production facility in Rouen (France); the Axter (Smac) waterproof membrane production facility in Courchelettes (France); the Colas Australia bitumen rectification facility in Brisbane; the Colas Ireland emulsifier production plant in Galway; and the Tipco bitumen production facility in Kemaman (Malaysia). The Société de la Raffinerie de Dunkerque (SRD) site at Dunkirk (France), which produced bitumen and other refined products, has been decommissioned, and a final safety compliance report has been filed with the authorities.

All sites are covered by appropriate insurance policies.

In addition, some Colas production sites may accidentally generate pollution incidents due to leaks in pipes or storage facilities, even though installations such as storage tanks and sluice gates are designed and maintained to minimise the risk of such incidents. Given the large number of relatively small sites and the risk management policies applied, any such incident is likely to be limited in scope and immaterial at group level.

### Environmental risks

#### $CO_2$ emissions

The production processes at the Colas group's industrial facilities generate $CO_2$ emissions. In 2017, most installations were not subject to the emissions quota scheme, except for a few asphalt mixing plants in Denmark and Belgium, and around fifteen units in France that have been subject to the scheme since the start of 2013 and hence are required to buy emission quotas on the market. Emission declarations for those sites are checked annually by accredited audit firms. It cannot be ruled out that more installations will be subject to the emissions quota scheme in future.

Other atmospheric emissions are subject to regular inspections by external authorities and accredited bodies.

Refer to Colas' Responsible Development Report prepared in accordance with Article 225 of the French Environment Code.

#### Waste

Colas recycles significant volumes of materials. Around two-thirds of the asphalt mixing plants now recycle their planed materials, while the volumes accepted by the recycling platforms are comparable with the output from 17 quarries (for more information, refer to Colas' Responsible Development Report prepared in accordance with Article 225 of the French Environment Code). Recycling on this scale calls for appropriate controls over incoming materials, and for increased awareness on the part of those generating the waste (which does not always come from Colas sites). The materials accepted for recycling by Colas are either asphalt-based or inert materials and as such are risk-free; analytical tests are therefore not performed on a systematic basis as this would not be economically viable. Consequently, it cannot be ruled out that around one hundred thousand tonnes of deconstruction waste held at Colas recycling platforms in France or abroad may prove to be non-compliant, without it being possible to enforce ultimate liability on the project owners (who under the regulations applicable in most countries are normally liable for the chemical content of their waste).

#### Rehabilitation of operating sites

The Colas group's industrial sites are subject to classified installation regulations in France, and to similar regulations in other countries where Colas has operations. In France, quarry operating licences incorporate site rehabilitation obligations that are agreed upfront with the competent administrative authority. Provisions are recorded in the financial statements to cover rehabilitation obligations for all quarry sites in France, and are periodically reviewed and adjusted. As at 31 December 2017, these provisions amounted to €167 million. If legislation in this area were to be tightened, contingent rehabilitation costs could increase.

Colas has a policy of systematically obtaining environmental certification (e.g. ISO 14001). Documentation and progress measurement are handled via follow-up audits and certification procedures, supported by external bodies and internal resources. The process relies on a globalised checklist system, introduced in 2007, which now covers the majority of materials production activities and forms the basis for consolidated action plans. In 2017, 85% of the Colas group's worldwide materials production sales were covered either by certification or by the internal checklist system. All these arrangements have been incorporated into the internal control system, both in France and in other countries.

### Geological risks

The survey of rock quarries initiated by the French Geological Survey (BRGM) in 2015 will continue in 2018 with an analysis of alluvial quarries. In both cases, the BRGM is analysing the presence of actinolite (a naturally-occurring rock which in one of its forms contains asbestiform fibres). Following the publication of two reports by Anses[a] that highlighted the potentially hazardous nature of elongate mineral particles (crystalline formations resulting from mechanical processing of rock), this risk has been addressed in the regulatory risk assessment reports for the sites operated by Colas and its subsidiaries. In addition, the OPPBTP[b] has been commissioned by the DGT (the French government body that deals with employment and workplace policies) to carry out a study aimed at developing a protocol to measure the emissivity of materials liable to generate cleavage fragments and elongate mineral particles. Colas will continue to comply with any requests issued by industry bodies and public agencies tasked with investigating these matters.

#### Regulatory compliance

One Colas site is classified as Seveso Upper Tier: the Galway emulsifier production plant in Ireland. Other facilities outside Europe subject to hazardous substance risks are the KBC refinery in Malaysia (operated by the Thai subsidiary, Tipco) and a few explosives depots in Africa and the Indian Ocean region. These facilities are managed using the same health & safety rules as in Europe, but are subject to differing administrative frameworks according to the country where they are based. All these sites require the implementation of specific safety management tools and are subject to very strict national and European legislation. These requirements have generally become more stringent over time. If this trend were to continue, the capital and operating expenditure needed to ensure compliance could increase in the future.

## 4.1.3.6 Operational risks

### Workplace accident risks

The Colas group may be exposed to workplace accident risks, arising in particular from the use of heavy plant and industrial equipment, as well as a risk of road accidents either when staff are travelling or when exceptional loads are being transported. For many years, Colas has had an extremely proactive health and safety and training policy, including safety induction programmes for new hires and research into areas resulting in the use of exo-skeletons and safety "bubbles" around mobile plant. Colas has detailed procedures in place for the haulage of heavy plant and industrial machinery (reminders of the regulations applicable to transporting exceptional loads by road, use of standard load calculation software by all subsidiaries, preparation of a transport action plan by each subsidiary, instructions and procedures for securing heavy plant in transit, procedures for the contractualisation of transport and plant hire). Stringent fire prevention procedures are in place (especially in the waterproofing business) and preventive measures are also applied to worksites located close to sensitive networks (gas, electricity, etc.).

### Occupational health risks related to chemicals

#### Bitumen and ultraviolet radiation

In 2013, the IARC[c] published an official monograph on bitumen fumes[d]. The IARC was unable to conclude as to whether or not there is a link between cancer and exposure to bitumen fumes in a roadbuilding setting, despite the numerous studies carried out to date. No action has been taken in response to the IARC findings by the national authorities in the various countries where Colas operates, apart from in France where the health authorities carried out a complete update on the subject.

In France, the Anses findings were consistent with the risk analyses carried out by the industry. There were no further publications on this subject in 2017.

The only adverse health effect known to be associated with bitumen fume exposure on roadworks contracts is irritation of the upper respiratory tract and eyes. The INRS[e] has conducted a large-scale project to monitor the exposure of workers to such irritation, with a view to developing a standard method for measuring the bitumen fumes they inhale. Colas, along with the rest of the industry (Routes de France[f]), played a major role in this project, which was completed in 2015. A scorecard developed for measuring the effectiveness of preventive measures is now being used as a benchmark by officials from the state health insurance scheme. Workers' exposure will be monitored using the new methods, with the measurements feeding into a database that will be assessed at least every five years.



(a) French Agency for Food, Environmental and Occupational Health and Safety
(b) The professional body for the prevention of occupational hazards in the construction and civil works sectors
(c) International Agency for Research on Cancer, an agency of the World Health Organisation
(d) The carcinogenic nature of exposure to bitumen and to its fumes is classified in the IARC monograph in group 2B, amongst a list of four different carcinogenic classifications. According to this list of classifications, an agent classified in group 4 is probably not carcinogenic, but is carcinogenic when classified in group 1. Group 3 is for agents for which it is not possible to classify as carcinogenic due to insufficient evidence. Group 2 is divided into two categories; group 2A contains agents that are probably carcinogenic and group 2B contains agents that are possibly carcinogenic, for which there is a sufficient number of studies but which are not able to conclude on their carcinogenic or non-carcinogenic nature
(e) French National Research and Safety Institute for the Prevention of Occupational Accidents and Diseases
(f) The French road construction industry association (formerly USIRF)

The risk from exposure to bitumen fumes is classified as low and sufficiently reduced, except in confined spaces where specific risk analysis is necessary due to the combined effect of vehicle exhaust fumes and ventilation issues.

The image of the Colas group, as a leading player in the roadbuilding industry, could be adversely affected by any new media campaigns, court rulings or scientific studies in this area. However, there is every indication that Colas is regarded by governmental and scientific bodies in countries where it operates as a company that has made a major contribution to advancing knowledge on this issue while scrupulously respecting the independence of those bodies.

Colas continues to take regular measurements of the on-site exposure of its employees to bitumen fumes. The monitoring process is coordinated by the Human Resources department, with support from the Environment department; the company also does its best to facilitate the work done by researchers and occupational doctors. Colas encourages public authorities and project owners to adopt warm asphalt mixes as standard, since by significantly reducing the temperature at which bitumen based products are applied, the emission of bitumen fumes can be virtually eliminated.

The company is rolling out work planning solutions that might limit the exposure of site workers to bitumen, and maintaining its proactive policy of innovating to ensure the health and safety of its people. For example, it is company policy, wherever possible, to buy road pavers[a] with on-site fume extraction systems. In 2016, the INRS[b] concluded that exposure is statistically reduced by 55% when such measures are used.

Colas is also seeking to reduce the temperature at which mixes are applied (subject to quality constraints), and to increase its use of warm asphalt mixes. In 2016, the INRS[b] concluded that exposure is statistically reduced by 27% when warm mixes are used. For all of its activities involving the use of bitumen worldwide, Colas can use techniques that enable mixes to be applied at temperatures below 200°C. Some of these techniques were invented by Colas, in particular the techniques used for asphalt (which Colas has made available to all industry operators in France, where it produces those materials).

In addition, the nature of the Colas group's activities means that many employees work in the open air and may have repeated exposure to ultraviolet radiation from sunlight, the principal environmental factor in skin cancers. Employees are issued with preventive guidelines and regular reminders to help protect them from ultraviolet radiation; these formed part of Priority Area 1 in the new safety policy rolled out in 2016, and include instructions to wear protective clothing, hard hats and gloves.

### Dust and solvents

Exposure to silica dust is being actively addressed by occupational health and industry professionals, both on roadbuilding sites and in quarry and gravel extraction facilities. In France, Routes de France[c] – the professional organisation in which Colas plays an active role – has issued two guides prepared jointly with the OPPBTP[d] and in conjunction with the DGT: *"Preventing dust exposure in planing, cutting, chiselling, drilling and milling"* and *"Preventing dust exposure on recycling platforms"*. A guide for asphalt plants is currently being finalised. Colas is taking steps both in France and internationally to reduce exposure to dust, whether in its industrial facilities or on work sites. These steps involve specially adapted equipment and processes that use sprinklers or sprays to create a humid work environment, personal protective gear, and the replacement of existing drilling/planing machines with new machines fitted with extractor systems.

The risk associated with the use of solvents is on the decline in workshops, sites and laboratories in France and throughout the world, thanks to a policy of restricting solvent use and installing safety equipment. Colas has ceased using chlorinated and petroleum solvents in over three-quarters of the parts washers used to clean workshop or laboratory equipment. Instead, these workstations now use organic or plant-based solvents, or aqueous cleaning solutions.

### Asbestos

Alleging asbestos exposure, some former SRD employees (and/or their heirs and assigns), some of whom were employees of BP prior to the asset-for-share exchange of 31 December 1991, instigated proceedings against BP and/or SRD, and against the public health insurance scheme (CPAM) of their place of residence. At this stage, proceedings to determine whether this is a case of occupational disease linked to asbestos exposure, and the enforceability of the claim against the employer, are still ongoing in 14 cases. When a claim of occupational disease is held to be valid and enforceable against the employer (and hence potentially against SRD), the employer will be faced with an increase in future contributions, and could also incur the financial consequences of a successful claim for occupational disease due to gross negligence (two gross negligence cases have been brought, one of which has succeeded at first instance).

In France, pending results from the OPPBTP, Colas has introduced individual and collective health and safety guidelines (especially for protection from dust), in line with the procedures described in the regulatory risk assessment reports for the sites operated by Colas. This involved implementing the recommendations in the "Dust" health and safety guide prepared jointly with the OPPBTP and in conjunction with the DGT. Colas is also involved in working parties looking at solutions to these issues.

### Conclusion on occupational health risks

The chemical risk issues relating to the operating activities of Colas are highly complex. Such issues have for a long time been one of the key priorities of the company's responsible development policy. The complexity of the issues is not confined to the operations carried on by Colas but rather reflects greater awareness in society generally, as illustrated for example by the European REACH[e] regulations. Colas assesses these risks carefully, although the implications appear to be limited. The company is also committed to ongoing dialogue, especially with the scientific community.

(a) Machines that apply bitumen mixes to roads
(b) French National Research and Safety Institute for the Prevention of Occupational Accidents and Diseases
(c) The French road construction industry association (formerly USIRF)
(d) The professional body for the prevention of occupational hazards in the construction and civil works sectors
(e) "Registration, Evaluation, Authorisation and restriction of Chemicals" – a regulation of the European Union: Registration of all substances manufactured or imported into the EU in quantities above one tonne per year; Evaluation of proposals for testing, registration dossiers, and substances; Authorisation, for substances of very high concern; and restrictions to manage risks associated with other Chemical substances

### 4.1.3.7 Contract execution risks

General contract execution risk is relatively limited due to the large number of contracts and their low average value. However, some subsidiaries do work on large-scale projects, for example concession or public private partnership (PPP) type contracts. The complexity of these major projects means that these subsidiaries are exposed to increased risks in terms of design, contingencies (geological, archaeological, acquisition of land for construction), costing, execution, deadlines (e.g. delay in land being made available by the customer), etc.

### 4.1.3.8 Risks related to weather conditions and natural phenomena

The activities of Colas may be sensitive to weather conditions. Adverse weather such as rain, snow or frost may lead to site shutdowns or business interruption, with the result that fixed costs may not be covered; it may also generate additional costs to complete a contract (increased use of temporary staff, plant hire) within a shortened timescale.

In addition, other natural phenomena such as earthquakes, floods, cyclones, storms and lightning may disrupt operations or lead to the accidental destruction of infrastructure under construction.

Such events may result in reduced sales or additional costs, some of which may be borne by insurers.

Generally speaking, this risk is tending to be exacerbated by the effects of climate change. However, Colas operates mainly in temperate latitudes (which are less exposed to climate change) and in developed countries (where good insurance cover is available and construction standards are high. The risk is also mitigated by the large number, small size and wide geographical dispersion of Colas facilities. While this is a major and growing risk for most companies, the company's business model is such that the exposure is growing less fast for Colas.

### 4.1.3.9 Risks related to acquisitions

The Colas group has built much of its development on acquisitions. Such a strategy may be limited by excessive valuations or a lack of suitable targets, by competition for proposed acquisitions, or more specifically by the application of competition law. It cannot be ruled out that, for various reasons, Colas may experience difficulties integrating acquisitions into its organisational structure, which could result in profits and cash flows falling below expectations, and possibly even the recognition of impairment losses against goodwill.

No corporate acquisition may be made without a specific prior investment request, supported by an appraisal prepared in a format defined in the internal procedures guide. An environmental audit is commissioned from a trusted independent source whenever the nature of the acquisition requires. Acquisition proposals are submitted to Colas group senior management for review before being presented to the Board of Directors of the subsidiary making the acquisition.

### 4.1.3.10 Employee-related risks

The activities of Colas rely on its human capital. This means that in ensuring a smooth transition between generations of employees, Colas is faced with risks relating to the recruitment, training and retention of staff, control over salary levels, and potential industrial action. In addition, the unavailability (for whatever reason) or death of key executives could delay certain development projects and affect the operational management of the Colas group. Consequently, anticipating future personnel needs and nurturing talent are major priorities of human resources policy for the Colas group.



## 4.1.4 TF1

### 4.1.4.1 Operational risks

#### Risk of loss of key programmes

**Description of the risk**

The performance of TF1 depends partly on its ability to offer premium programmes in order to maintain its leadership in audience ratings. Consequently, the loss of key programmes represents a risk in terms of reduced audiences, and of reduced capacity to monetise those audiences.

**How the risk is managed**

Thanks to the talent of its artistic staff and its long-standing special relationships with French and foreign partner producers, TF1 currently offers the best programmes. Future programming streams are locked in via multi-year contracts with the biggest producers, reducing the risk of loss of key programmes in the medium and/or long term.

#### Risk that programmes will become unsuitable for broadcast

**Description of the risk**

To secure future supplies of key programmes, TF1 commits to certain programmes (especially series and feature films) at a very early stage relative to the date of transmission. The time-lag can be substantial, and visibility on new products is often low.

Because TF1 channels are constantly adapting their editorial line in response to changes in public taste, an artistic mismatch may sometimes arise between current editorial needs (aimed at maximising audiences) and past programme acquisitions. If such mismatches occur, they may lead to spikes in impairment losses taken against broadcasting rights inventory.

#### How the risk is managed

TF1's exposure to this risk is limited to multi-year contracts with the biggest producers. If such a risk were to materialise, there are two ways of mitigating the impact:

- the pooling of rights across the TF1 group's channels offers alternative solutions for using rights to a programme that becomes unsuitable for broadcast on TF1;
- as a last resort, some or all of the risk may be mitigated by selling the rights on to another market player.

### Risks associated with the economic environment

#### Description of the risk

In light of actual economic conditions during 2017 and the prospects for 2018, there is a risk of stagnation in the advertising market, which could have an adverse effect on projected trends in TF1 group revenues.

#### How the risk is managed

To protect against the effects of this stagnation, the TF1 group keeps all of its expenditure under constant review, and continually adapts its business model by identifying and tapping new sources of growth (see section 2.2.2 on TF1 in this Registration Document and Annual Financial Report).

## 4.1.4.2 Industrial and environmental risks

### Broadcasting of TF1 programmes – Risk of signal transmission interruption and execution risk

#### Description of the risk

TF1's programmes are currently broadcast to French homes by:

- radio waves in unencrypted high definition DTT (on the R6 multiplex) via the 124 main transmission sites and 1,502 secondary transmission sites operated by TDF, TowerCast, OneCast and Itas Tim;
- satellite in unencrypted high definition digital on the Astra 1 position from SES in the SAT DTT bundle and on Eutelsat's EW5A in the Fransat bundle;
- cable in standard and high definition digital, via Numericable and local cable operators;
- ADSL and fibre optics in standard and high definition digital via all the internet service providers (Orange, Free, SFR and Bouygues Telecom).

TDF is by far the leading national TV signal transmission operator in DTT, with a network and technical resources currently unmatched by any other company, in particular as regards hosting on existing masts.

TF1 is therefore dependent on TDF for signal transmission. Despite the emergence of alternative transmission operators, TF1 cannot at present do without TDF's hosting facilities. As a consequence, in the event of an outage of the TDF network, TF1 cannot switch to other terrestrial transmission systems to provide quick and affordable coverage of its entire broadcast area. Also, the antenna system (antennae, wave guides and frequency multiplexers) is not immune from incidents, and power supply may not be under TDF's control (for example, it may be the responsibility of EDF).

The loss that TF1 could incur in the event of transmitter failure is proportional to the number of television viewers served by the transmitter. A failure in the Paris region (ten million viewers) could have serious economic repercussions. For this reason, TF1 has negotiated a digital transmission agreement requiring a very rapid response from TDF in the event of a failure, and has requested reinforced backup measures.

As regards operator bundles, TF1 is dependent on the technical resources and supervision/maintenance processes put in place by the operators.

#### How the risk is managed

The variety of alternative networks to DTT (satellite, cable, ADSL and fibre) and of alternative operators will gradually minimise the impact of any failures of the DTT network, since those networks are not connected to each other and rely on their own separate resources. DTT transmission is secure not only at the level of the primary signal (satellite network and back-up terrestrial network), but also at the level of higher-coverage transmission sites thanks to transmitter and power security measures.

To protect against risks arising from operator networks, the contractual terms of the distribution agreements stipulate a guaranteed high level of service.

### Cyber-attacks

#### Description of the risk

The cyber-attacks that affected Sony Pictures and TV5 Monde in recent years led TF1 to reassess external threats that might disrupt transmission, and its operations in general. TF1 is aware that attempts to hack into corporate information systems are now a recurring problem; it has responded by further raising its vigilance threshold and is constantly working to ensure the security of its sites, operations and infrastructures.

#### How the risk is managed

To guard against the risk of cyber-attack, security audits are conducted by external consultants to identify any weaknesses in access controls. However, no system can be 100% secure, and the techniques used to attack information systems are continually changing. Action plans have been implemented to enhance protection of the TF1 group's transmission infrastructures, alongside incident management procedures such as a rapid response plan for hacking attacks. The objective is to constantly upgrade the TF1 group's sites and information systems, taking care to ensure that all external systems are included in any corrective measures that may be required.

TF1 was unaffected by the recent global virus attacks (WannaCry and Petya). However, those attacks underlined the imperative need for companies to have a high-powered data back-up policy, combined with rapid-response patching capacity to apply security fixes quickly and effective firewall protection of datacentres. An analysis showed that while TF1 is fully confident in the effectiveness of its backup policy, there is a need to ensure firstly that security fixes are applied faster and more effectively across all IT assets, and secondly that firewalls are used systematically to protect IT and broadcasting datacentres. Two projects have been launched in response: one to investigate the potential installation of a new reliable and fully-automated distributed software solution, and the other to protect all its datacentres with firewalls.

### Risk of intrusion during live or public broadcasts

#### Description of the risk

In the current period of heightened security risks and tense industrial relations, TF1 has reassessed its exposure to the risk of intrusion affecting major entertainment shows broadcast live and in public.

#### How the risk is managed

Reinforced security measures have been introduced to protect members of the public. Those measures are the responsibility of TF1 for in-house productions, and of the third-party production company for outsourced programmes. In order to retain absolute control over the output on its channels, TF1 has also introduced a slight delay of a few minutes when broadcasting major entertainment shows live or in public.

### Risks related to the growth of digital terrestrial television and to the development of the internet and new media (Source: Médiamétrie)

#### Description of the risks

The TF1 group operates in a constantly changing competitive environment, but the pace of change has accelerated since 2005:

- the development of DTT, including the launch of six new channels at the end of 2012, has played a significant role in fragmenting the audiences of the incumbent channels;
- there have been gradual changes in how entertainment is consumed, due to the emergence of factors such as: the expansion of the unencrypted channel offering in the basic packages of internet service providers; the spread of the internet more generally; and the increased consumption of non-linear content, partly as a result of the expansion of web-TV and the legal or illegal uploading of content to the internet. These new developments could divert part of existing media and off-media advertising budgets, and also capture some of the viewing time currently spent on pay-TV activities such as movies and series;
- the development of connected TV and of video content on mobiles and tablets offers yet more new access points fuelling the distribution of non-linear content, which is also being driven by the offerings of powerful players such as Amazon, Apple, Google and Netflix.

In addition to audience fragmentation, the proliferation of channels could generate inflationary pressure in the rights market, particularly for high-profile, attractive content such as drama series.

The effect of those developments could be accentuated, especially at a time of economic crisis, if the major incumbent channels were to be faced with more aggressive commercial policies. TF1 is responding to this situation with a programming policy focused on maintaining the gap over its rivals, in terms of both audiences and commercial performance.

With this growth in unencrypted television offerings, TF1's audience share has inevitably been affected, but has nonetheless proved resilient: while unencrypted offerings have increased fourfold since 2004, TF1's audience share among individuals aged 4 and over has declined from 31.8% in 2004 to 20% in 2017. TF1 scored 19 of the top 20 audiences in 2017. The TF1 group as a whole, including the DTT channels, had an audience share of 27.7% among individuals aged 4 and over.

#### How the risks are managed

TF1's ongoing exposure to fragmentation risk is being mitigated by taking the DTT channels up-market and increasing their complementarity, and also by the freeview migration of LCI in 2016, both of which are enabling TF1 to tap into the new audience share for DTT while limiting the impact on its premium channel.

In this context, the TF1 group has consolidated the market leadership of the TF1 core channel by:

- building a coherent global offer through its unencrypted channels, thanks to high-powered programming;
- positioning itself as a major force in DTT through its portfolio of four complementary channels (TMC, TFX, TF1 Séries Films and LCI);
- optimising the acquisition of content for its premium channel and DTT channels by adopting a group-wide organisational structure, providing the best fit between each channel's needs and programme purchases on the one hand, and exploiting and circulating acquired rights (subject to the TF1 group's undertakings) on the other;
- tightening its control over the value chain by using the in-house production subsidiary TF1 Production for part of its programme output;
- adapting its commercial policy to the new competitive landscape, especially through heavy marketing of slots in programmes with big audience-pulling potential;
- establishing MYTF1 as one of the leading French media websites.

TF1 is building a position in the connected TV market at reasonable cost, and signing partnership agreements with manufacturers. The TF1 group is also following its audiences onto social media (including Twitter and Facebook) by offering viewer interactivity on flagship shows aired on the premium channel *(Danse avec les Stars, Secret Story, The Voice, Miss France)*.

Finally, the process of adapting audience ratings measures to the new media landscape is ongoing. The process began in 2011 when home recordings were added for the first time, and continued in 2014 with the inclusion of catch-up viewers on IPTV. The next phase, in 2017, saw viewers watching live and catch-up content on computers, tablets and smartphones added to the statistics. These new audience metrics will help mitigate fragmentation risk by capturing a segment of media consumption that is on an uptrend.

### Risks associated with changes to spectrum allocation and the DTT switchover to MPEG-4

#### Description of the risk

Following completion of the switchover to 100% digital in November 2011, the frequency spectrum is still subject to changes that may generate various types of risk for TF1's operations.

The arrival of first and second dividend 4G (the "700 band" and "800 band") risks generating interference for television viewers in some parts of France, since the spectrum relinquished to the mobile phone operators is adjacent to the DTT spectrum. The mobile phone operators are responsible for taking all the necessary measures to prevent interference to TV reception, in particular by installing filters. These issues are monitored by ANFR[a].

Under law no. 2015–1267 of 14 October 2015 on the second digital dividend and the ongoing modernisation of digital terrestrial television, part of the frequency spectrum (694 MHz-790 MHz, known as the "700 band"), currently allocated to television broadcasting, will be reallocated to

(a) French Agency for Frequencies management

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telecommunications. The reallocation will be phased in gradually across 14 geographical regions. It began in April 2016 with the Ile-de-France region; the roll-out has been successful, and will continue until the final region is completed in June 2019. The frequency changes will require viewers in each region to retune their devices to find and fix a signal. Although this change is starting to come to public attention following a nationwide information campaign on 5 April 2016 targeted at all DTT viewers, it may adversely affect reception of the TF1 channel. The ANFR is conducting local information campaigns in each region, which should minimise the risk.

#### How the risk is managed

Uninterrupted reception for viewers is a priority for TF1, which is working closely with the CSA (the French broadcasting regulator) as these developments progress. More generally, TF1 is maintaining close contact with regulators and legislators to try to limit the impact of these changes.

### General policy on managing industrial and environmental risks

The "Réagir" Committee, created in 2003, continues to work on monitoring and preventing major risks, especially those associated with TF1's key processes. It also updates TF1's risk mapping, and regularly tests business continuity plans that may be triggered when an exceptional event results in interrupted signal transmission or denial of access to the TF1 building.

Those plans rely on a secure external backup site (in place since 2007), which is operational for three processes: programme transmission, the production of news and weather bulletins (TF1 and LCI), and the preparation of advertising spots for the TF1 channel. The company's vital functions are included in the security plan through an alert and activity resumption process. Besides real-time security, numerous key areas such as accounting, treasury, payroll, e-TF1 and IT are protected to varying degrees by security systems. Procedures are tested periodically so that the system can be adjusted if necessary. Broadcasting and transmission continuity is ensured 24/7, and an operations simulation is performed regularly.

There were no broadcasting incidents in 2017 that required fall-back on an external backup site.

Operational since 2011, "Réagir 1 Vigilance" is a preventive plan activated on an as-needed basis, and in particular at any time of heightened risk (building works, equipment maintenance, mass events, live broadcasts, service launches, software upgrades, IT continuity plan tests, etc). This plan not only ensures that staff remain vigilant, it also offers improved responsiveness to incidents before they escalate.

As in the case of operational risks, TF1 has insurance policies (including public liability and property) that could be called upon to cover some of the risks mentioned above.

## 4.1.4.3 Legal risks

### Risks related to broadcasting licences and CSA enforcement powers

#### Description of the risk

TF1 is an audiovisual communications service that requires a licence. Initially, TF1 was awarded a 10-year licence from 4 April 1987 (under the law of 30 September 1986); that licence expired in 1997. The licence was renewed for a further five-year period (via decision no. 96-614 of 17 September 1996) from 16 April 1997, with no requirement to submit to a competitive tendering process.

The TF1 channel's broadcasting licence was renewed automatically for the 2002–2007 period by a CSA decision of 20 November 2001. Under Article of the law of 30 September 1986 as amended, that licence was automatically extended to 2012, in return for a commitment to provide a DTT simulcast. A further CSA decision of 10 June 2003 amended TF1's licence and contract terms to build in the DTT simulcast stipulation.

The "Future Audiovisual and Television Broadcasting Modernisation Act" of 5 March 2007 introduced two automatic five-year extensions of TF1's licence. The first compensated for the early switch-off of the channel's analogue signal on 30 November 2011 and was subject to TF1 joining the consortium set up to implement the analogue switch-off. The second was in return for the channel's commitment to provide DTT coverage to 95% of the French population.

The CSA awarded TF1 a ten-year HD broadcasting licence on 6 May 2008, and withdrew TF1's standard definition (SD) licence as part of the 5 April 2016 switch-off.

On 19 October 2016, the CSA agreed to a streamlined renewal of TF1's DTT licence for a five-year period starting on 6 May 2018 (i.e. until 5 May 2023).

In a decision dated 27 July 2017, the CSA extended TF1's licence for a further five years.

If TF1 fails to meet its contractual obligations, the CSA can, after giving formal notice and depending on the severity of the offence, impose one of the penalties set forth in Article 42-1 of the law of 30 September 1986. These include a fine; a temporary ban (of no more than one month) on producing, broadcasting or distributing the service, or a category of programme, or part of a programme, or one or more advertising slots; and reducing the term of the licence to use frequencies by up to one year.

### How the risk is managed

TF1's compliance with its obligations is strictly monitored, and the company has a dedicated Programme Compliance department tasked with ensuring that the channel's programmes comply with regulatory requirements.

## Risks related to societal pressure on advertising and programmes

### Description of the risk

Political attitudes to societal issues such as violence or public health might induce the legislator to attempt to tighten legislation relating to advertising or programmes. TF1 takes this situation into account in discussions with its key partners, so that such issues can be addressed over time in the interests of all stakeholders.

In addition, TF1 has a policy of acquiring the best programmes from its production partners in France and internationally, and broadcasts programmes intended for a mass audience.

### How the risk is managed

TF1's Programming and "Viewing & Compliance" teams exercise the utmost vigilance in protecting young viewers in order to keep this risk to a minimum. As regards advertising, a team from TF1 Publicité views each advert once it has been cleared by the ARPP (the French advertising regulator), and TF1 Publicité ensures that adverts comply with the regulations and with editorial policy.

## Risks related to legislative changes or additional taxes

### Description of the risk

Like other broadcasters, TF1 is exposed to financial risk from potential legislative changes that might adversely affect advertising revenues. For example, given the funding problems at France Télévisions, a resumption of advertising on public-service channels after 8 p.m. cannot be ruled out.

There is also a risk that if the volume of advertising on public-service channels remains the same, the tax on advertising spend may be increased. This tax, which currently stands at 0.5% of the advertising revenue of private-sector broadcasters, was introduced in order to fund the France Télévisions public-service network.

### How the risk is managed

Generally speaking, TF1 maintains close contact with regulators and legislators to try to limit the probability and impact of this risk.

## Risks related to private copying via network personal video recorder (NPVR) on the cloud

### Description of the risk

French law no. 2016-9257 of 7 July 2016 on creative freedom, architecture and national heritage extended the regime covering the private copying of television programmes to remote recording services, in particular recordings stored on the cloud using network personal video recorders (NPVRs). Many distributors of television services such as telecoms operators and aggregators of over-the-top (OTT [a] services will offer users this new service. Such services will be in competition with the catch-up and video-on-demand (VoD) services offered by incumbent channels, as well as with linear television broadcasting.

Unlike with conventional personal video recording onto a home gateway supplied by the operator, it will be possible to activate and view these services using any device (including smartphones, PCs, TV sets and tablets), both in and outside the home, with potentially unlimited storage capacity.

Finally, such services could incorporate very extensive features such as recurring recordings, and could become a new way to pirate audiovisual content given the inherent risks of the digital space and cloud computing.

In a judgment issued on 29 November 2017 in the VCAST case, the European Court of Justice ruled on whether a remote TV recording service constituted private copying. The judgment appears to indicate that such a service would not be governed by the private copying exception and hence would require permission from all the rights-holders. However, the judgment is very open to interpretation.

### How the risk is managed

The new law requires an upfront bilateral agreement to be signed between the broadcaster and the distributor that supplies the remote private copying service.

The general terms and conditions applied by TF1 Distribution include very strict terms to protect the content of rights holders, which distributors are required to sign up to. Those terms:

1. limit the storage capacity for programmes broadcast on TF1 group channels;
2. impose very strict IT security conditions; and
3. preserve the right to manage advertising of the content.

The first such agreement with an over-the-top (OTT) operator was signed in November 2016.

Following the VCAST judgment, TF1 Distribution will issue a notice to operators who have introduced remote private copying services for recording content from TF1 channels disclaiming all liability to rights-holders in respect of its programmes.

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(a) OTT (over-the-top): a service that provides content directly to the consumer over the internet via streaming media, bypassing operators and their TV boxes

### Risks related to the proposed fee for the signal and services associated with TF1 programming (TF1 Premium)

#### Description of the risk

Ahead of the renewal of distribution contracts for the TF1, TMC, TFX (ex-NT1), TF1 Séries Films (ex-HD1) and LCI channels and the MYTF1 service with the main ISPs and Canal Plus, TF1 is seeking an overall fee for the services provided. Several distributors are opposed in principle to paying a fee for signals from the unencrypted channels TF1, TMC, TFX, TF1 Séries Films and LCI.

#### How the risk is managed

TF1 reached an agreement with SFR on 6 November 2017 on the TF1 Premium offer and add-on services. In light of this agreement, TF1 and SFR withdrew their respective legal actions relating to the new TF1 Premium offer, and SFR subscribers were once again able to access MYTF1 after an interruption of several months.

On 30 January 2018, the TF1 group announced that it had concluded a comprehensive distribution agreement with Bouygues Telecom that includes the TF1 Premium offer and add-on services. The terms of the TF1 Premium offer include:

- the five unencrypted channels: TF1, TMC, TFX, TF1 Séries Films and LCI;
- new tie-in services (start over [a], cast [b], second screen); and
- TF1 bearing transmission costs for the unencrypted channels.

The add-on services include all matches from the 2018 Soccer World Cup in Russia screened on TF1 group channels in 4K quality, and the creation of a new "TF1+1" channel showing TF1 programmes with a one-hour time-lag (for which SFR will have exclusive distribution rights for a six-month period).

On 8 March 2018, the TF1 group and Orange announced the conclusion of a new comprehensive distribution agreement. This new agreement renews the distribution of all the TV channels of the TF1 group by Orange, as well as of the non-linear services associated with these channels.

Discussions with the other distributors are ongoing.

### Risks related to intellectual property rights (copyright and related rights)

#### Description of the risk

In recent years TF1 has been the victim on a massive scale of piracy of content to which it owns the copyright and/or related rights. In 2008, TF1 took legal action to put a stop to the piracy and to claim damages from a number of video-sharing sites such as Dailymotion and YouTube.

#### How the risk is managed

To prevent the risk of piracy of its programmes, TF1 has renewed its commitment to rolling out a wide-ranging strategy, involving:

- creating digital fingerprints for its programmes (using Content ID with YouTube, Rights Manager with Facebook and INA Signature with Dailymotion), which will – within the limits of the technology – prevent pirated content from being uploaded to those three platforms;
- a dedicated unit tasked with identifying (as far as possible) pirated TF1 group content on streaming [c] platforms and social networking sites, and ensuring that it is dereferenced;
- retaining an external service-provider to dereference pirated TF1 content on cyberlockers (direct download and streaming sites).

### General policy on managing legal risks

In terms of legal risks, TF1 has a public liability insurance policy that covers the consequences of TF1 and its current and future subsidiaries being held liable for loss incurred by third parties; the amount of cover is commensurate with the risks incurred.

That insurance policy is arranged by the TF1 group Legal Affairs Division with leading insurance companies.

The deductibles under the policy were determined in light of the nature of the risks incurred and the potential reductions in premium, so as to optimise the overall cost of covering the risks to which TF1 is exposed.

## 4.1.5 Bouygues Telecom

### 4.1.5.1 Competitive environment and market risks

Bouygues Telecom sells its offers and services exclusively in the French market. France is a mature market, where in recent years competition has been particularly fierce in the consumer segment, a situation confirmed during 2017. The French market has seen a raft of promotional offers, which have now become a permanent feature. At the same time, growth in the number of customers with SIM-only plans is still rising, albeit more slowly. In conjunction with the proliferation of promotions, this generates a lack of consumer engagement, thereby increasing customer churn.

If price erosion in the mobile and fixed markets persists over time in all the segments where Bouygues Telecom operates, this could slow return on investment (especially the investment in expanding the mobile and fixed networks), adversely affecting the company's results.

(a) Enables viewers to start watching a programme from the beginning during a broadcast without recording the programme; effectively, a programme can be accessed on demand while it is being broadcast. Different from time shifting, which requires a hard drive for recording
(b) Displaying on a TV screen content accessed via a mobile phone, tablet or PC
(c) Transmission or reception of data, especially video and audio material, over the Internet as a steady, continuous flow, without the need for downloading

### 4.1.5.2 Risks related to developments in the fixed internet market

Bouygues Telecom has been operating in the fixed internet market since 2008, offering its services via ADSL, VDSL, very-high-speed cable and FTTH (Fibre-To-The-Home).

The company continues to invest heavily in very-high-speed broadband networks so as to offer customers the latest technology. Since the end of 2016, Bouygues Telecom has been implementing its own FTTH rollout programme.

The FTTH programme is supported by a dedicated organisational structure, with qualified staff and specific procedures and management reporting. Nonetheless, given the ambitious goals set for the programme, unforeseen issues – such as potential delays or difficulties in implementation – cannot be ruled out.

Consequently, projections for the customer base and sales could be revised downward.

### 4.1.5.3 Risks related to convergence of networks and content

In January 2015, Bouygues launched "Miami", the first Android TV box on the market, combining an enhanced digital experience with access to a wide range of content.

Competition in the TV content market is intensifying, with incumbent broadcasters increasingly challenged by technology firms moving into the market as they pursue a strategy of convergence between content and distribution. If premium content were to become available primarily through exclusive access, this could limit the appeal of the fixed-line packages offered by Bouygues Telecom, with an adverse effect on the company's results.

### 4.1.5.4 Risks related to the emergence of new players

New players are emerging in the mobile and fixed markets, driven by the expansion in broadband usage; these include Google, Apple, Facebook, Amazon and other "Over- the-top" (OTT[a] operators. Competition is also hotting up in terms of control over customer relationships, which to date has been a source of value creation for established operators. If this trend towards disintermediation gathers pace, it could adversely affect Bouygues Telecom's sales and results.

### 4.1.5.5 Risks related to the rollout and operation of networks

Implementing Bouygues Telecom's mobile and fixed broadband development strategy requires the company to invest massively in network rollouts every year. In parallel, the company has struck deals with various partners in order to reinforce its access to fixed-line infrastructure and increase its 4G mobile coverage.

Unforeseen issues with those contracts could impair the success of Bouygues Telecom's strategy, which aims to develop locally-based marketing methods in order to reach all French households.

The company would then be exposed to potential negative impacts on its financial results, its operations and its image.

### 4.1.5.6 Risks relating to market positioning

Bouygues Telecom positions itself as a trusted operator, thanks to high-quality customer support and the strength of its very-high-speed mobile and fixed broadband networks.

Building on the 4G network, strong value for money and highly-motivated employees, the Bouygues Telecom strategy is focused on:

- **the customer experience:** a simple, seamless customer experience has been a key differentiating feature of Bouygues Telecom from the outset;
- **access to very-high-speed mobile broadband:** Bouygues Telecom is continuing to expand its mobile infrastructure, targeting 99% coverage of the French population by the end of 2018.

The success of this strategy will depend on Bouygues Telecom's ability to implement these initiatives effectively. If the company fails to do so, it will be exposed to potential negative impacts on its financial results, its operations and its image.

### 4.1.5.7 Continuity of service and security

Cyber-attacks on networks and information systems are having an ever-growing impact, either by direct attacks on an operator's proprietary systems or indirectly through attacks on service-providers or suppliers.

If such an incident were to affect Bouygues Telecom it could have a variety of impacts, including:

- disclosure of sensitive data, including private data relating to customers; and/or
- service denial; and/or
- interruption of services to customers: network connectivity, in-store sales, or customer relations.

Protective steps taken by Bouygues Telecom include a security policy based on information system access controls, anti-intrusion systems, and a monitoring system to detect security incidents. In addition, annual checks are carried out on the security of data hosted by Bouygues Telecom's service-providers and partners. Analyses are systematically performed of major security incidents, leading to the implementation of new security measures and/or reviews of the company's processes.

In addition, Bouygues Telecom provides all its employees, suppliers and partners with regular reminders about security issues.

Since 2016, the company has had a specific cyber risks insurance policy in place.

Service interruption can also be caused by technical equipment breakdown or by an onsite incident affecting the network or information systems. Bouygues Telecom addresses these risks by:

- security measures at key sites including restricted access, fire prevention, air conditioning, power supplies, etc.;
- a business continuity plan for critical mobile and fixed-line technical systems, maintained in a state of operational readiness at all times;
- a crisis management plan, based on keeping certain employees on call in order to ensure a fast, co-ordinated response to major incidents.



(a) OTT (over-the-top): a service that provides content directly to the consumer over the internet via streaming media, bypassing operators and their TV boxes

The company also carries out regular crisis simulation exercises, and commissions regular audits of these procedures in conjunction with Anssi[a].

Such incidents could have a negative impact on the company's image and financial results.

### 4.1.5.8 Regulatory changes

New domestic and European regulations relating to data protection and compliance apply to Bouygues Telecom. Dedicated project teams are working to identify the impacts of these regulations and determine the necessary courses of action. These issues are discussed regularly in steering committees.

However, Bouygues Telecom cannot rule out the risks associated with any project, including delays or difficulties in implementation.

### 4.1.5.9 Supplier risks

In various areas of its operations (handset supplies, customer relations, telesales, IT management, etc.) Bouygues Telecom relies on suppliers in a number of regions outside the European Union including Asia, the United States and North Africa.

Changes in the geopolitical environment in some of those regions could impact adversely on Bouygues Telecom's operations, image and financial results.

The control remit of the company's purchasing department includes economic and operational dependency on suppliers. Double sourcing is used for strategic suppliers, and specific measures are built into the business continuity plan.

However, shortages in components used in the manufacture of home gateways and TV boxes, a significant increase in the price of those components, or any other major incident (such as a natural disaster) triggering a production outage at a supplier, could have impacts on Bouygues Telecom's procurement process and lead to temporary stock-outs of products. This could have an adverse effect on Bouygues Telecom's financial results and image.

Suppliers are also subject to an annual CSR risk assessment, documented using a specific risk mapping matrix. Action plans are implemented in response to the criticality of the assessments (see the information provided in the Vigilance Plan).

### 4.1.5.10 Effects of electro-magnetic waves

Exposure to electro-magnetic waves is an issue of ongoing concern in France, due to lobbying by various organisations. From the outset, Bouygues Telecom has had a team dedicated to mobile telephony and health, whose remit has now been extended to fixed operations and Wi-Fi waves. This team is responsible for ensuring that the regulations are rigorously applied, and for carrying out a conscientious risk assessment based on collective experience. Bouygues Telecom funds independent research, and releases all of its scientific publications on this subject. This approach is helping to reassure the French public, since no research has to date established a clear health risk.

An increased perception of health risk on the part of consumers could have various adverse impacts such as reduced usage per customer, shrinkage of the customer base, and higher administrative and site installation costs.

## 4.1.6 Bouygues SA

The principal risk facing Bouygues SA as the parent company of a diversified group is a significant impairment in the value of one or more of its equity investees. As required by accounting standards, the main equity holdings are tested for impairment at least once a year (refer to Note 3.2.3. to the "Consolidated financial statements", in Chapter 7 of this Registration Document). In addition, because Bouygues is a diversified group consisting of five business segments that operate with genuine autonomy, the selection and reappointment of key executives may expose the company to the risks inherent in such decisions.

(a) French Agency for IT Systems Security

# 4.2 FINANCIAL RISKS RELATING TO THE EFFECTS OF CLIMATE CHANGE

The Bouygues group has identified financial risks relating to the challenges of climate change, but also opportunities from delivering solutions to those challenges.

Extreme meteorological phenomena directly associated with climate change are increasingly perceptible everywhere on the planet, and bring with them physical, economic and political consequences. Two risks associated with climate change are of particular relevance:

- **climatic disturbances** (higher temperatures, drought and floods, coastal erosion, rising sea levels, etc.) may gradually impair the resilience of more and more buildings and infrastructure. In order to mitigate this risk, Bouygues needs to integrate these constraints into the solutions it offers. Just as seismic risks are taken into account in earthquake zones, adapting solutions to the effects of climate change will become a source of commercial differentiation. For example, designing and constructing passive or even energy-positive buildings, building and raising dykes, designing green or reflective roofs and developing wetlands to counter the urban heat island effect, all represent business opportunities on every continent. Higher average temperatures are also extending the periods during which it is possible to work in countries with continental or polar climates, such as Canada. Conversely, a greater incidence of heatwaves and extreme weather events (hurricanes, floods, etc.) is disrupting execution on some projects, with impacts on productivity, operating costs and insurance premiums. Similarly, unpredictable weather patterns may reduce demand for advertising of seasonal products on TF1 channels;
- **the geopolitical consequences of climate change.** Climatic disturbances put economic, social and political systems under pressure and heighten the risk of instability and regional conflict, for example over access to water; this may lead to fewer commercial opportunities in some geographical areas.

The production and construction processes associated with the activities of Group companies, and the use of the assets and infrastructure constructed generate greenhouse gases. Against a background of profound change in the world economy, particularly regarding the objective of keeping the rise in temperature below 2° between now and 2100, Bouygues is also exposed to transition risks, in other words risks relating to the consequences of changing to a lower-carbon business model. Dealing with these risks will drive innovation and differentiation for the Group. The three key drivers are:

- **carbon taxation:** The adoption of the principle of a carbon tax in France and Europe, or the extension of the system of quotas in certain countries where the Group operates, could have financial impacts. These include increases in the amount of taxes and in the cost of high grey energy materials, the obligation to acquire emissions rights, higher project operating costs, etc. On the plus side, energy transition legislation could place a sufficiently high price on carbon that the Group's customers may pay closer attention to the full carbon cost of the structures they commission. The prospect of increased demand for low-carbon products and services (certified "BBCA" in France) represents a competitive advantage for Bouygues, which positioned itself in this segment several years ago;
- **supply risk:** The highly carbon-intensive nature of the extractive industries means they are having to adapt, and is affecting the cost of access to some primary raw materials such as petroleum products, sand and metals. Delays or interruptions in supply, and fluctuations in the cost of such raw materials, potentially have direct and indirect financial impacts for the construction industry. To counter this risk, the Group is developing circular economy solutions, such as recycling of road planings or selling demolition waste and surplus worksite materials. Such initiatives are being rolled out on a number of projects and help reduce dependence on primary raw materials, in particular by encouraging recycling (secondary raw materials) and re-use (second-hand materials);
- **regulatory requirements intended to replace some existing techniques with solutions that generate fewer greenhouse gas emissions.** These are driving a gradual increase in costs associated with researching and adopting lower-emission technologies (such as the use of bio-sourced materials). Given the competitive market for low-carbon solutions, failing to anticipate developments in this area could lead to a drop in demand for certain products and services offered by Bouygues. At the same time, Bouygues is responding to the accelerating pace of climate change by developing and implementing adaptive solutions, along with more resilient technologies and construction models (especially bioclimatic), throughout the world and especially in regions with the greatest exposure.

The Group's business segments are working to factor in and counter those risks by adopting sustainable construction strategies: low-carbon buildings, active and passive energy efficiency in both renovated and new buildings, eco-neighbourhoods, creating partnerships and commercial solutions to promote soft mobility, etc. In addition, the emergence of incentivising financial tools (green bonds[a] and "green" investment schemes represent new opportunities that will encourage Bouygues customers to migrate to sustainable development solutions. To address these risks better and maximise the associated opportunities, the Group is implementing tangible policies in all the component parts of its business and throughout its value chain. Our priorities, and the main initiatives taken as part of our low-carbon strategy, are described in chapter 3 of this Registration Document.

In order to identify the impacts of climate change on its business environment and to promote the implementation of structural policies at national and international levels, the Group is also a partner and active member of The Shift Project (theshiftproject.org), a think tank backed by a multi-disciplinary network of experts and business people with recognised expertise in energy and climate issues.

(a) A bond issued by a company or a public entity to raise funds from investors with a view to financing projects making a contribution to ecological transition (renewable energies, energy efficiency, sustainable management of waste and water, etc.), and especially infrastructure investment. It stands out from a conventional bond due to the detailed reporting on the investments that it finances and the "green" character of the projects financed (French government definition)

# 4.3 MARKET RISKS

In addition to the information provided below, readers should refer to the tables provided in the following notes to the consolidated financial statements in chapter 7 "Financial statements" in this document:

| | |
|---|---|
| Note 4.4 | Cash and cash equivalents |
| Note 8.1 | Interest-bearing debt by maturity |
| Note 8.2 | Confirmed credit facilities and drawdowns |
| Note 8.3 | Liquidity at 31 December 2017 |
| Note 8.4 | Split of current and non-current debt by interest rate type |
| Note 8.5 | Interest rate risk |
| Note 8.6 | Split of current and non-current debt by currency |
| Note 17 | Financial instruments |

## 4.3.1 Management of interest rate risk and currency risk

Some Bouygues group entities use hedging instruments to limit the impact on the income statement of fluctuations in exchange rates and interest rates. The Group's policy on the use of financial instruments is described below.

## 4.3.2 Risks to which the Group is exposed

### 4.3.2.1 Currency risk

In general, the Bouygues group has little exposure to currency risk in routine commercial transactions, given that its international operations (primarily Bouygues Construction and Colas) do not involve exports. Where possible, expenses relating to a contract are incurred in the same currency as that in which the contract is billed. This applies to most projects executed outside France, on which local-currency expenses (sub-contracting and supplies) represent a much higher proportion than euro-denominated expenses. Exposure to currency risk is therefore limited to contract margins, and to design work carried out in France. The Bouygues group also pays particular attention to risks relating to assets denominated in non-convertible currencies, and to country risk generally.

### 4.3.2.2 Interest rate risk

The Bouygues group's financial expenses have low sensitivity to interest rate risk. The bulk of debt is at fixed-rate either in the form of fixed-rate bond issues (see Note 8 in chapter 7 "Financial statements"), or via a portfolio of hedging instruments that convert variable-rate debt into fixed-rate debt.

Consolidated financial expenses would be only marginally affected by fluctuations in euro interest rates, or by a divergence in interest rate trends between the euro and other major currencies.

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

### 4.3.2.3 Exposure to the commodities risk

Overall, the Bouygues group has very low exposure to the commodities risk. Its main exposure is through its roadbuilding activity (sensitivity to fluctuations in petroleum product prices). However, this exposure is relatively low given that contracts are generally short-term or index-linked. Furthermore, hedging instruments may also be implemented on a temporary basis for certain specific contracts.

## 4.3.3 Principles applied to all hedging instruments

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

These instruments:

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

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

## 4.3.4 Hedging rules

### 4.3.4.1 Currency risk

(see Note 17 to the consolidated financial statements, in chapter 7 "Financial statements")

Bouygues group policy is to hedge systematically all residual currency exposure relating to commercial transactions. If the future cash flow is certain, the currency risk is hedged by buying or selling currency forward, or by means of currency swaps. For some large contracts, options may be taken out for hedging purposes before the contract award has been confirmed; if the hedged item ceases to exist (for example, if the service is not provided or the contract is cancelled), the hedge is closed out immediately.

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

Currency derivatives are used solely for hedging purposes.

### 4.3.4.2 Interest rate risk

(see Note 17 to the consolidated financial statements, in chapter 7 "Financial statements")

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

The aim is to control future interest expense by fixing the cost of debt using swaps and future rate agreements, or by limiting it through the use of caps, over a period equivalent to that of the financial liabilities to be hedged.

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

### 4.3.4.3 Commodity risk

(see Note 17 to the consolidated financial statements, in chapter 7 "Financial statements")

Group policy is for each sub-group to hedge some or all of the exposure of specific contracts to fluctuations in commodity prices, particularly in the roadbuilding activity.

## 4.3.5 Accounting methods

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

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

### 4.3.5.1 Market value of hedging instruments

As of 31 December 2017, the market value (net present value) of the hedging instruments portfolio was -€23 million. This amount mainly comprises the net present value of interest rate swaps contracted to hedge the Group's debt (fair value hedges and cash flow hedges), and the net present value of forwards and futures contracted to hedge currency risk arising on commercial transactions.

The split of this market value by type of hedge is as follows:

- fair value hedges of components of net debt: 0 million;
- cash flow hedges: -€24 million;
- net foreign investment hedges: €1 million.

In the event of a 1% movement in the yield curve, the hedging instruments portfolio would have a market value of -€5 million; in the event of a -1% movement in the yield curve, the hedging instruments portfolio would have a market value of -€41 million.

In the event of a 1% appreciation (or -1% depreciation) in the euro against each of the other currencies, the hedging instruments portfolio would have a market value of -€26 million (or of -€19 million respectively).

These calculations were prepared by the Bouygues group, or obtained from the banks with whom the instruments were contracted.

### 4.3.5.2 Exposure to equity risk

In the event of adverse trends in the business of an investee or in the economic environment in which it operates, the Bouygues group could be exposed to the risk of a fall in the price of the shares it holds in that investee.

### 4.3.5.3 Liquidity risk

At 31 December 2017, available cash stood at €4,610 million (including -€1 million of financial instruments contracted to hedge net debt). The Bouygues group also had €6,120 million of undrawn confirmed credit facilities at the same date. Consequently, the Group is not exposed to a liquidity risk.

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

The bond issues maturing in 2018, 2019, 2022, 2023, 2026 and 2027 all contain a change of control clause relating to Bouygues SA. Bouygues bond issues are rated long term BBB+ (positive outlook) by Standard & Poor's. The Bouygues bond issues maturing in 2022, 2023 and 2027 are rated long term Baa1 (positive outlook) by Moody's.

For a more detailed discussion of the effects of a change of control, refer to Note 8 to the consolidated financial statements ("Non-current and current debt") and to the disclosures in paragraph 6.1.4 "Information on the company" of chapter 6 about factors likely to have an impact on any public tender offer price.

# 4.4 CLAIMS AND LITIGATION

Bouygues group companies are involved in a variety of litigation and claims in the normal course of their business. Risks are assessed on the basis of past experience and analysis by the Group's in-house legal departments and external counsel. To the company's knowledge, there is at present no exceptional event, dispute or claim likely to have a substantial negative impact on the business, assets and liabilities, results or financial position of the Group as a whole. Disputes and claims are subject to regular review, especially when new facts arise. The provisions recorded in the financial statements appear to be adequate in light of these assessments (see Note 6 to the consolidated financial statements in chapter 7 "Financial statements" of this document). The Group uses all legal means to defend its legitimate interests. Details about which claims are or are not covered by provisions have not been disclosed, since such disclosure might affect the outcome of some ongoing claims.

## 4.4.1 Bouygues Construction

### 4.4.1.1 France: Flamanville EPR

Cherbourg District Court found Bouygues Travaux Publics and Bouygues Bâtiment Grand Ouest (formerly Quille Construction) liable for various breaches of employment legislation on 7 July 2015. The Court ordered them to pay fines of €25,000 and €5,000 respectively. They then appealed this judgement. In a judgement dated 20 March 2017, the Caen Court of Appeal discharged Bouygues Bâtiment Grand Ouest and ordered Bouygues Travaux Publics to pay a fine of €29,950. A further appeal has been lodged and a hearing has been set for the first half of 2018.

### 4.4.1.2 France: Île-de-France Regional Authority Contracts

Following a Competition Council (now the Competition Authority) ruling of 9 May 2007, the Île-de-France Regional Authority filed a compensation claim in 2008 for losses it claims to have incurred as a result of the anti-competitive practices by construction companies in connection with the awarding of public works contracts for the renovation of secondary school buildings in the region.

The Regional Authority's summary application to the Paris District Court was rejected in a ruling issued on 15 January 2009 on the ground that, prima facie, there were serious reasons for objecting in principle to the compensation claim. After being invited to appeal on the merits, the Regional Authority filed a further claim in the Paris District Court in February 2010, this time claiming damages for a loss estimated at €358 million based on the joint and several liability of the parties collectively liable for the loss, i.e. the companies and individuals found to have engaged in anti-competitive practices. In a ruling of 17 December 2013, the Paris District Court ruled the Regional Authority's claim inadmissible. The Regional Authority appealed to the Paris Court of Appeal on 22 January 2014. Nevertheless, after an application by the Prefect of the Île-de-France region, the Conflicts Court decided on 16 November 2015 that this dispute came within the jurisdiction of the Administrative Courts. Therefore the Île-de-France region seized the Paris Administrative Court on 28 March 2017 in order to obtain indemnification for its loss.

### 4.4.1.3 France: Eole

Following a Competition Council (now Competition Authority) ruling of 21 March 2006, imposing fines on a number of companies for general collusion relating to work packages 34B and 37B of the East-West Express Rail Link (Eole) project, on 21 March 2011 SNCF brought an action in damages before the Paris Administrative Court seeking relief for losses that it claims to have suffered as a result of anti-competitive practices by construction companies in relation to the abovementioned work packages.

The Paris Administrative Court rejected all of the SNCF's claims on 31 May 2016. The SNCF has appealed this judgement. On 29 December 2017, the Paris Administrative Court of Appeal handed down a judgement dismissing the SNCF's application on the grounds that the claim to cancel the contract, and the SNCF's claim for damages were both statute barred.

## 4.4.2 Bouygues Immobilier

### 4.4.2.1 France: the “Grand Sillon” operation in Saint-Malo

There is a dispute involving environmental remediation works for the "Grand Sillon" operation in Saint-Malo, western France. The discovery of cyanide during the excavations when the construction works started caused a very long delay (twenty-eight months) and the extra costs were borne by a subsidiary of Bouygues Immobilier. Its clients suffered long delays in delivery, notably the purchaser of the hotel built on the site. Two claims as claimant and defendant were initiated to evaluate the extent of the loss caused by the remediation works on the site and the resulting delays. The subsidiary of Bouygues Immobilier began third party proceeding before the Nanterre District Court against the companies which it considers are responsible for the delay, as well as the insurers. It is claiming the costs it had to advance for the extra works which it evaluates at €11.9 million. The Court granted its claim in the sum of €8.4 million in an immediately enforceable judgement on 13 December 2016. The judgement was satisfied by the various parties. An appeal was then lodged by all of the parties. The hotel proprietor is also claiming damages of €10 million before the same court for the prejudice due to late delivery. The defence case will be pleaded on 2 April 2018.

### 4.4.2.2 France: the “Rue Verte” operation in Rouen

Disturbances were caused to local residents in Rouen (Normandy) by pile driving works at 21 rue Verte, which blocked the flow of underground water (causing cracking to the façade of a hotel, in particular). Two investigations were carried out, one by Bouygues Immobilier to determine the cause of the damage and the costs of the repair works, and another by the hotel to assess the commercial and financial consequences resulting from the interruption to business. As part of the investigation by the hotel, the appointed accountant experts estimate the hotel's financial losses at €440,630 in their report, which is the only one to have been filed at present. Several legal actions (on the merits of the case, and summary actions) have been brought against Bouygues Immobilier by local residents, of which the hotel owner (who is claiming the sum of €4 million for repairs to the hotel and for the losses suffered). In July 2017, Bouygues Immobilier brought an action on the merits of the case and is seeking a judgement that all the parties and their insurers repay the sums advanced and to compensate the company for damage to its corporate image, equating to a sum of €2.1 million, subject to adjustments. The outcome of the proceedings on the merits of the case is connected to the findings in the court appointed expert's report, the filing date for which is unknown at the present time.

## 4.4.3 Colas

### 4.4.3.1 Hungarian competition law cases and associated competition claims in Hungary

Between 2004 and 2012, the Hungarian competition council imposed fines on around ten Hungarian companies, including Colas subsidiaries, for anti-competitive practices in tendering for public contracts. The appeals were rejected and the fines been paid. Following these decisions, claims for damages against some Hungarian sub-affiliates of Colas were filed in the Hungarian courts by several companies, in respect of losses allegedly incurred as a result of the anti-competitive practices. There are still two ongoing cases (i) one involving the City of Budapest and (ii) the other now concerning the Hungarian State alone (M3 motorway) before the Budapest Court of Appeal.

### 4.4.3.2 Urssaf reassessment

At the end of 2009, Urssaf issued Colas with a reassessment notice relating to relief from social security charges for the years 2006 to 2008 under the "Tepa" Law and the Fillon plan. Urssaf is demanding repayment in full (in the form of a lump-sum payment) of all the relief from social security charges granted under these schemes, principally on the grounds that the Colas group companies involved did not file the required information electronically. Urssaf claims that electronic filing is required under the French Social Security Code. Colas and its subsidiaries believe there are no grounds for levying the lump-sum tax payment stipulated in Article R. 242-5 of the French Social Security Code, arguing that they supplied the documents and other evidence necessary for the audit in paper form and therefore in a usable format. The amount of this reassessment notice, including late payment interest, was estimated at €58.7 million as of 31 December 2017. This dispute has been referred to the Social Security courts.

### 4.4.3.3 Tax dispute in Canada relating to technical assistance invoiced by Colas to its subsidiary Colas Canada Inc.

The Canadian Revenue Authorities are disputing the deductibility of the technical assistance costs invoiced by the Colas parent company to its subsidiary Colas Canada Inc. They claim that the amount of these costs is excessive and the supporting documentation is insufficient. The assessment notices for 2004 to 2007, which disputed the whole of the deductibility of the costs, have been referred to the mutual agreement procedure provided for in the Franco-Canadian Tax Convention. The French and Canadian authorities have agreed on a technical assistance rate that is very close to the rate invoiced. For the years 2008 to 2012, the rate accepted by the Canadian Revenue Authorities was contested by Colas Canada within the scope of the above mutual agreement procedure. The tax audit of Colas Canada for the years 2013 to 2015 is still ongoing. The amounts involved at end-2017 now total around €10 million, which is considerably lower than in 2016.

#### 4.4.3.4 Claims in Quebec concerning allegations of fraud and fraudulent misrepresentation in public works contracts

The province of Quebec set up a voluntary reimbursement programme in 2015 following allegations of non-compliant practices involving public works contracts. Sintra, Colas' Canadian subsidiary, said that it intends to participate in the programme and offered to pay CAD10,740,260 in return for a global release. The procedure for the Public Bodies to approve this offer is supervised by the Voluntary Repayment Program Administrator and controlled by the Justice Minister. These proceedings have finished. Sintra agreed to pay CAD18.5 million, a sum to which costs of 10% have been added.

#### 4.4.3.5 Colas Rail files a complaint in relation to an international project

An internal audit followed by an external investigation by Colas Rail, a subsidiary of Colas, revealed that suspicious payments in euros and in local currency had been made to local consultants by a foreign subsidiary of Colas Rail. As a result of this unacceptable situation, Colas Rail filed a complaint in France. The contracts with these consultants were terminated and all payments prohibited. In agreement with the customer, Colas Rail begun negotiations with a locally recognised company, with a view to transferring to it the construction contract whose execution had already started. At the end of 2017, these discussions came to a successful conclusion and the contract was transferred with no major economic impact on the Colas group. The investigation that followed the complaint filed by Colas Rail is ongoing. Colas Rail and Colas will cooperate fully with the legal authorities. The group immediately carried out disciplinary sanctions and bolstered its internal control mechanisms and compliance policy.

#### 4.4.3.6 Colas Djibouti

On 1 July 2014, Colas SA voluntarily informed the US government that it had discovered that employees of Colas Djibouti, a subsidiary of Colas, had engaged in non-compliant and inappropriate practices during the execution of contracts and sub-contracts with the US government between 2012 and mid-2014. Since then, Colas SA has been cooperating with the government and the Justice department of the United States in the investigation into this affair.

### 4.4.4 TF1

#### 4.4.4.1 Competition law

**Alleged abuse of dominant position in the advertising market**

Canal Plus, M6 and NextRadioTV groups have each filed a complaint with the French Competition Authority against the TF1 group alleging an abuse of a dominant position in the French television advertising market. TF1 Publicité was heard at a witness hearing. Canal Plus' complaint is still being investigated. Conversely, the Competition Authority has rejected the complaints by NextRadio TV and Canal+.

**Alleged restraint of trade**

On 6 December 2013, the Competition Authority was seized with complaints by the Canal Plus, D8 and D17 groups alleging uncompetitive practices by TF1, M6 and France Télévisions. This complaint contract concerns contracts to acquire EOF [a] catalogue films. The complainants consider that the co-production contracts concluded by TF1, M6 and the France Télévisions group with the producers of EOF films constitute vertical agreements, and that the combined effect of certain provisions (e.g. preference or pre-emption clauses) is to exclude other unencrypted channels. They allege that this "vertical collusion" between each of the unencrypted television groups and the producers excludes or limits the capacity of the other channels to acquire these rights. The Competition Authority has not sent a Statement of Objections to TF1 at the present time.

#### 4.4.4.2 Breach of patent

Orange has brought an action against Free in the Paris District Court alleging breach of European patents. The action alleges that Free fraudulently used two patents held by Orange, one of which – filed on 25 May 2004 – prevents videos preselected by an internet user from being downloaded until the user is committed to watching the content, thereby saving bandwidth. This process is allegedly used by Free for the catch-up television services offered to its subscribers. Orange is claiming €138 million damages from Free for the loss it has suffered.

Free has made the companies that broadcast the catch-up TV services of the principal French television channels parties to the action, as it considers that "the conditions in which the catch-up television platforms are operated, are defined and implemented by the television channels" and not by it, as an access provider. As a result, e-TF1, which provides TF1's catch-up services, and TF1 Distribution France, which contracted with Free to supply this service, have been made parties to this action concerning the catch-up service. France Télévisions, M6, Canal+, D8/D17, Equidia, GameOne have also been made parties.

For the moment, Free is simply asking for the judgement to be "made binding" on these companies, although it is reserving the right to demand a guarantee from them. In defence, Free and the broadcasting companies have disputed the value of the patent claimed by Orange. Free has not made any claim against the broadcasting companies. Orange has maintained its claims against Free without making any claims against the broadcasting companies either. In any event, if e-TF1 and TF1 Distribution were ultimately held to be liable, they would be able to rely on the limitation of liability clause in the contract with Free.

(a) French language films

### 4.4.4.3 Launch of the TF1 Premium offer

Orange served legal proceedings on TF1 and TF1 Distribution in the Paris District Court on 13 July 2017 to contest the financial nature of the "TF1 Premium" offer (the payment by distributors for the signal of the unencrypted channels and services). This dispute was settled by the signature, on 8 March 2018, of an agreement with Orange allowing the latter to distribute all of the TV channels of the TF1 group.

## 4.4.5 Bouygues Telecom

### 4.4.5.1 Competition

- After Bouygues Telecom and SFR signed an agreement on 31 January 2014 to share a part of their mobile access networks, Orange filed a complaint with the Competition Authority on 29 April 2014 denouncing the allegedly anti-competitive nature of this agreement. Orange asked the Competition Authority for a certain number of interim measures, against Bouygues Telecom and SFR, notably the suspension of the agreement. The Competition Authority rejected Orange's claim for interim measures in a decision dated 25 September 2014, referring the case for investigation on the substantive issues. The Paris Court of Appeal rejected Orange's claim for annulment and reversal in a judgement dated 5 February 2015. After Orange lodged an appeal, the Paris Court of Appeal's decision was upheld by the *Cour de cassation* (French Supreme Court) in a judgement dated 4 October 2016. On the merits, the Competition Authority appears to be continuing to investigate the complaint by Orange and Free Mobile.
- The Numericable group made commitments concerning the co-investment contract to deploy a FTTH (Fibre-to-the-home) network in very dense areas concluded with Bouygues Telecom on 9 November 2010, in relation to the Competition Authority's decision of 30 October 2014 authorising the Numericable group's takeover of SFR. Bouygues Telecom complained about the failure to comply with these commitments that resulted in a self-referral by the Competition Authority on 5 October 2015. The Competition Authority underlined the seriousness of the breaches in performing the said commitments in a decision dated 8 March 2017 and imposed a fine of €40 million on the Altice/SFR group, and several orders which are subject to daily fines for delayed performance. The Authority's decision and fine was upheld by a decision of the *Conseil d'État* (Supreme Administrative Court) on 28 September 2017. Bouygues Telecom started arbitration proceedings against SFR in October 2017 concerning the co-investment contract to deploy the above-mentioned FTTH[a] network. Bouygues Telecom is claiming damages to indemnify the prejudice caused by SFR's actions during the roll-out of the co-invested FTTH network. These proceedings are continuing.
- In November 2014, Bouygues Telecom brought proceedings against Free Mobile in the Paris Commercial Court for unfair competition for the bandwidth throttling on some of the mobile internet services that Free Mobile provides via its roaming agreement with Orange. Bouygues Telecom is claiming damages for its prejudice which is assessed at €719 million. The use of the Internet with this level of bandwidth is so degraded that access to the Internet is compromised. Bouygues Telecom is accusing Free Mobile of breaching the European regulations on net neutrality[b].
- Bouygues Telecom served proceedings on NC Numericable and Completel before the Paris Commercial Court in July 2015. Bouygues Telecom is challenging a certain number of practices by these companies regarding access to Numericable's cable network. Bouygues Telecom is claiming the cancellation of contractual terms and invoicing which it considers have been improperly applied against it, as well as the damages for its loss. The proceedings are still ongoing. Bouygues Telecom assesses its prejudice at €130 million. Numericable denies these claims. It argues that Bouygues Telecom did not perform the contract properly and that it made a strategic choice in 2014 to favour its ADSL offer at €19.99 and its FTTH offer to the detriment of cable. Numericable is counter-claiming the sum of €66 million against Bouygues Telecom.
- In November 2015, Free brought proceedings against Bouygues Telecom in the Paris Commercial Court for unfair competition concerning the communication by Bouygues Telecom in relation to its ADSL offer and is claiming damages for its prejudice estimated at €275 million. The proceedings are still ongoing.
- Bouygues Telecom seized the Competition Authority in June 2016 with a complaint concerning the anti-competitive effects of the roaming agreement concluded between Orange and Free Mobile as well as the prolongation of this agreement in a rider dated 15 June 2016. Bouygues Telecom withdrew in July 2017, after being requested by the Authority, and the proceedings which are already before the *Conseil d'État* are continuing (see below).

### 4.4.5.2 Regulatory matters

- Bouygues Telecom lodged a claim on 23 May 2013 with the *Conseil d'État* for ultra vires in respect of Decree 2013–238 of 22 March 2013 (amending decree n° 2007–1532 of 24 October 2007) setting the fee payable for the 1800 MHz frequencies. Bouygues Telecom sought the annulment of this decree, which sharply increased the fixed portion of the usage fee for 1800 MHz frequencies. The *Conseil d'État* annulled this decree in a decision dated 29 December 2014. The fee for 1800 MHz frequencies has still not been the subject of a new decree since this annulment.

(a) Fibre To The Home
(b) Regulation (EU) 2015/2120 of the European Parliament and Council, article 3, §3, and guidelines of the Berec (Body of European Regulators for Electronic Communications) for implementation by national regulators of European rules on net neutrality, p. 21, §77

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- Following the *Conseil d'Etat's* decision of 9 October 2015 that Arcep should have declared itself competent to re-examine the roaming that Free Mobile benefits from on the Orange network, Arcep[a] published guidelines on mobile network sharing in May 2016. Free Mobile and Orange therefore signed a rider in June 2016 providing for the gradual extinction of roaming via a reduction in data speeds. A press release dated 30 June 2016 stated that Arcep had approved this rider. In July 2016, Bouygues Telecom lodged two appeals for ultra vires in the *Conseil d'État*, one dated 25 July 2016 against the Arcep's guidelines and one dated 27 July 2016 against the Arcep's press release dated 30 June 2016. Free also disputed the guidelines. In a decision dated 13 December 2017, the *Conseil d'État* rejected the appeals by Bouygues Telecom and Free.
- Bouygues Telecom made a preliminary claim to the Prime Minister, following a letter dated 4 December 2015, to obtain an indemnity for its loss due to the failure to supervise Free Mobile's roaming. Bouygues Telecom's prejudice is assessed at €2.285 billion. As it did not receive a reply, Bouygues Telecom filed a claim for damages in April 2016 before the Paris Administrative Court. These proceedings are ongoing.
- On 24 September 2014, Arcep began a sanction procedure against Bouygues Telecom concerning the timetable for rolling out shared 2G-3G mobile networks in blind spots. On 22 July 2015, Arcep gave Bouygues Telecom formal notice to roll out 2G services in the centres of municipalities where there was no coverage within a given deadline, or be fined. On 19 October 2016, Arcep closed these proceedings and began a new sanction procedure against Bouygues Telecom regarding non-compliance with the timetable for rolling out shared 2G-3G mobile networks in blind spots. In a decision dated 13 December 2016, Arcep gave Bouygues Telecom formal notice to satisfy, earlier than initially planned, its roll-out obligations by 30 June 2017.

### 4.4.5.3 Contracts

- Tel and Com, a specialised distributor whose contract was not renewed when it expired on 31 December 2013, had filed a claim against Bouygues Telecom in the Paris Commercial Court on 10 November 2015 alleging the sudden break off of an established business relationship. Tel and Com was disputing the starting point for the notice period, alleging that Bouygues Telecom failed to give a sufficient period of notice. Tel and Com was claiming the sum of €125.7 million to indemnify its prejudice, as well as €8.7 million which it considers it is owed under the contract. The Commercial Court handed down its judgement on 16 October 2017 concluding that the 9-month notice period was insufficient. The Court therefore ordered Bouygues Telecom to pay €7.7 million as damages. However, the Court also found that Tel and Com owed around €9.1 million to Bouygues Telecom for contractual breaches, and ordered Tel and Com to pay Bouygues Telecom a sum of around €.1.4 million. The Court also ordered the immediate execution of the judgement. Tel and Com lodged an appeal against this judgement and the proceedings are now before the Paris Court of Appeal.
- Bouygues Telecom is a party in proceedings brought by the French Economy Minister against Apple in the Paris Commercial Court based on article L.442-6 paragraph 2 of the French Commercial Code, against some clauses in the contract to supply handsets between Apple and Bouygues Telecom. The case is continuing.
- A US company that manages a portfolio of patents brought a legal action against Bouygues Telecom in October 2017 in the Paris District Court alleging breach of a patent for which it claims ownership. The patent relates to a multi-carrier communication system and procedure used in its hardware and networks as well as in its DSL routers. The plaintiff company is at the moment asking for further information on the DSL activities and is claiming financial compensation from Bouygues Telecom.

# 4.5 VIGILANCE PLAN

## 4.5.1 Introduction

France's new corporate duty of vigilance law no. 2017-399 passed on 27 March 2017 requires certain companies (including Bouygues SA) to draw up and implement an effective vigilance plan setting out the reasonable vigilance measures taken to identify risks and prevent serious violations of human rights and fundamental freedoms, of health and safety of people and of the environment, resulting from the operations of the company and its subsidiaries or the operations of subcontractors or suppliers with which they have an established business relationship.

These issues are a matter of great concern within the Bouygues group. Respect for people and the environment has long been a fundamental value for the Group and is embodied in specific provisions of its Code of Ethics. The Code of Ethics was updated in 2017, among other things to include this duty of vigilance. It is available on both the Bouygues group website and its intranet site.

Furthermore, Bouygues' Human Resources Charter also seeks to protect the health and safety of its employees.

A Group-wide CSR Charter for Suppliers and Subcontractors, which was updated in 2015, sets out the key commitments required of suppliers and subcontractors wishing to work with the Group. It is a key driver of the Group's CSR policy. More broadly speaking, CSR issues are fully integrated into the strategy of both the Group and the business segments (see section 3 "Human Resources, Environmental and Social Information" of this registration document) under the dual supervision of Bouygues SA's Ethics, CSR and Patronage Committee and the Sustainable Development Committee chaired by one of the three Deputy Chief Executive Officers.

In addition to these arrangements, each business segment has a CSR policy adapted to its own risks, mainly in the form of CSR roadmaps and "business segment" Quality, Safety and Environment policies to take into account the specific features of its activities and processes.

This Bouygues SA vigilance plan covers Group companies and therefore includes Bouygues SA subsidiaries operating in its five business segments (Bouygues Construction, Colas, Bouygues Immobilier, TF1 and

(a) The French telecoms regulator

Bouygues Telecom). The plan also covers the operations of suppliers and subcontractors with which the Bouygues group has an established business relationship, where those operations arise from that relationship.

The plan was drawn up by an *ad hoc* committee created at Bouygues SA level, which defined the methodology to be used for its preparation. The committee worked with the Legal, Purchasing, Risk Management, Human Resources and Sustainable Development departments in the Group's five business segments. Each business segment set up a working group responsible for mapping the risks and identifying risk prevention and mitigation measures already implemented or those required to complete the existing system.

## 4.5.2 Risk mapping/Prevention and mitigation actions/Assessment of suppliers and subcontractors

Each business segment has mapped its own risks to identify, analyse and rank the key risks that could arise in the three main areas addressed by the new law. The business segments focused on the risk of serious violations that could arise from their operations or the operations of suppliers and subcontractors with which they have an established business relationship. They therefore addressed the significant risks identified in these areas.

The risk mapping for each business segment is summarised below. It describes the main risk factors, the key prevention or mitigation measures existing at the time of the risk mapping and any additional measures to be taken, which together constitute the appropriate actions required by the law to mitigate the risks or prevent serious violations.

Many factors that may form part of Bouygues SA's vigilance plan are already discussed in some detail in chapter 3 of this registration document. Readers should therefore refer to that chapter for further details on certain issues. Furthermore, this text is merely a summary and some existing measures may not be described below.

## 4.5.3 Bouygues Construction

### Human rights and fundamental freedoms

Bouygues Construction is exposed to the risk of human rights violations, mainly by its suppliers and subcontractors, particularly outside France (use of illegal labour, child labour, forced labour, etc.).

To address this risk, Bouygues Construction systematically appends the Group's CSR Charter for Suppliers and Subcontractors to its contracts. The charter imposes requirements on its partners and failure to comply can lead to sanctions that may go as far as contract termination.

External audits are performed under a framework agreement with SGS to ensure that its partners comply with these CSR obligations.

Bouygues Construction's internal regulations do not allow identity papers to be kept on file and require site workers to be provided with a safe place where they can store and access these documents.

Bouygues Construction also uses "*Attestation Légale*", a platform for collecting administrative documents (some of which concern the prevention of illegal labour), to make sure that its subcontractors comply with their French legal obligations.

Lastly, to combat illegal labour, Bouygues Construction carries out identity checks at its construction sites (including the identity of its subcontractors).

Personal data protection practices and procedures are currently being revised to bring them into line with the new European Regulation (GDPR) due to come into effect in May 2018.

Lastly, Bouygues Construction uses Afnor's Acesia platform to assess the CSR performance of its suppliers and subcontractors.

### Health and safety

The key risks involve workplace accidents and occupational illnesses, both in Bouygues Construction's own operations and those of its subcontractors. These risks are managed at Bouygues Construction level through an occupational health & safety policy, which is rolled out to all operating entities through an OHSAS 1801 certified health & safety management system. In 2017, Bouygues Construction drew up twelve health and safety fundamentals, which are adapted to and applied by all entities. The system is completed by an accident and incident reporting and investigation procedure.

Minimum standards apply to housing or accommodation provided to Bouygues Construction site workers and subcontractors, which comply with the recommendations of the International Labour Organisation (ILO). Regular inspections are carried out and compliance with these standards are a mandatory criterion for obtaining the Top Site label (see section below on Environment).

Specific practices and procedures are in place to ensure the safety of employees working on Bouygues Construction sites.

Health and safety standards are imposed on subcontractors and suppliers through the CSR Charter and, where necessary, specific contractual provisions. Supplier assessments are performed using Afnor's Acesia approach.

### Environment

The main risk involves environmental pollution of sites (waste, water, etc.) and surrounding areas (sound, air quality, water discharge, etc.).

This risk is addressed through two internal processes:

- ISO 14001 certification: in 2016, more than 90% of operations were certified, proof that an effective environmental management system exists;
- the Top Site label, an internal label to be deployed in 2018 at Bouygues Construction's major sites (that generate more than €3 million or last more than six months), requires these sites to have a documented environmental analysis and an associated prevention plan. It is an important driver and means of preventing environmental risk.

Supplier and subcontractor assessments are performed using Afnor's Acesia approach.

## 4.5.4 Bouygues Immobilier

### Human rights

- Bouygues Immobilier may be exposed to the risk of human rights violations (child or forced labour, etc.) by listed suppliers with which it enters into framework agreements. To address these risks, Bouygues Immobilier performs CSR assessments of its suppliers using the EcoVadis platform. It also includes specific clauses in its contracts requiring suppliers to respect fundamental rights and to comply with the terms of the Group's CSR Charter for Suppliers and Subcontractors.
- Bouygues Immobilier's contractors may also be exposed to the risk of undeclared work. To address these risks, Bouygues Immobilier has set up a system encompassing various types of measures, including:
  - training Bouygues Immobilier employees present on construction sites;
  - information campaigns aimed at the relevant employees (via the Intranet);
  - standard contracts;
  - requirement to carry an official construction worker ID card on worksites;
  - accreditation system for subcontractors;
  - subscription to the "*Attestation Légale*" platform.

Likewise, these contractors may be exposed to the risk of violations of fundamental workers' rights, mainly due to their use of posted workers. Other than the measures described above, Bouygues Immobilier obtains lists of all posted workers employed on each site and displays information about workers' rights in their living quarters in the language spoken on site.

- Bouygues Immobilier has specific procedures to ensure compliance with personal data protection regulations. A working group has been set up to bring these procedures into line with the new European regulation (GDPR) due to come into effect in May 2018.
- For service providers (non-contractors), the risk of undeclared work is addressed through the standard clauses contained in service provision agreements.

### Health and safety

- The risks related to health and safety of people are those inherent in any building site. These risks may be aggravated by the use of posted workers. To address these risks, Bouygues Immobilier has implemented a set of measures similar to those described above in the section on human rights. The focus is on safety training actions. In France, the legal requirement to have an on-site Safety and Health Protection Officer is a crucial element in preventing such risks. This is also the case in Morocco. In Poland, a health & safety plan is drawn up and signed by the main contractor before the worksite begins. In Belgium, the employer also appoints a safety officer in accordance with regulations.
- Suppliers considered to be at risk are also assessed on these issues through EcoVadis CSR assessments.

### Environment

- Environmental risks (mainly related to ground pollution) are among the issues taken into account by Bouygues Immobilier when it purchases land. Bouygues Immobilier has implemented environmental risk procedures, including geotechnical and environmental studies prior to purchasing land, and training to raise employee awareness about these risks. Specific contractual clauses are included in land purchase contracts. In the event of land pollution, management and remediation plans are implemented.

## 4.5.5 Colas

Colas operates in several segments: roads (construction and maintenance of road infrastructure, production and sale of construction materials) and specialised activities, of which railways.

### Human rights

Colas has very extensive international operations in over fifty countries and is therefore exposed to the risk of human rights violations (rights of foreign employees, local populations, etc.) in some countries considered to be at risk in this area.

Based on the Human Rights Risk Index 2016, Colas mapped its risks by country in 2017 to identify which of those countries where it has a major operation (based on sales and headcount) should be considered as "at risk". Risks may arise from Colas' own operations or those of its subcontractors or suppliers.

Colas' objective in 2018 is to use this initial risk mapping to implement various measures in the most exposed countries, under the supervision of the Environment and CSR department. These measures include external audits to identify risks and implement appropriate action plans, creation of a dedicated internal social network, *ad hoc* vigilance measures proposed by the site manager (for sites of over €100 million), *ad hoc* vigilance measures for all contract bids over €50 million. Compliance with these vigilance measures will be audited internally by the Internal Audit department or externally by a specialist firm. Specific arrangements will be implemented for those suppliers and subcontractors identified in the risk mapping as most at risk.

## Health and safety

Colas' business activities involve occupational health and safety issues. The most significant risks involve workplace accidents, as regards safety, and occupational illnesses, as regards health. These risks may affect Colas employees or those of its subcontractors.

Colas has identified these risks and ranked them in order of importance through its risk mapping process. Several prevention actions have already been taken in these areas, including health & safety training, a safety checklist, information and prevention campaigns (e.g. Safety Week), a group health & safety policy (internal procedures adapted at operating entity level), and CSR clauses in standard terms and conditions of purchase.

The effectiveness of these measures is assessed through monthly reports, internal audits (e.g. inter-subsidiary cross-audits) and external audits (e.g. CSR audits performed by EY). Other measures contribute to the Safety policy, such as the "Goal Zero" campaign in North America and ISCI at Spac, a Colas subsidiary.

As regards subcontractors and suppliers, some measures are taken at local level. They include health and safety commitments required of the subcontractor during the tendering process, and regular reference to the Group's CSR Charter in framework agreements negotiated with suppliers.

Colas intends to step up the roll-out of this system and strengthen it further based on the risk mapping, in order to assess the key suppliers with which it has an established business relationship.

## Environment

Colas is exposed to environmental risks related mainly to potentially polluting or hazardous emissions. These risks mainly involve Seveso classified sites (or international equivalents), various production facilities, premises and work sites, particularly those storing hazardous chemicals, and the transportation of hazardous goods or waste.

These risks were addressed in 2017 through traditional management tools (feedback from indicators and action plans), ISO 14001 audits and internal procedures (Environment checklist), the inclusion of CSR clauses to standard terms and conditions of purchase, and reference to the Group's CSR charter in framework contracts negotiated with suppliers.

In 2018, Colas will focus on implementing even more robust vigilance measures at its main, potentially most dangerous sites, using a methodology based on a multi-criteria matrix (source of danger, vulnerability of environments and populations, etc.). The additional measures to be implemented in 2018 will be organised at several levels (site, head entity, head office). They will include measures proposed by the site managers and approved by the Environment department, systematic ISO 14001 certification (or equivalent), internal and external audits, improvements to the Environment checklist, and a more structured CSR approach in the Purchasing process and towards subcontractors.



# 4.5.6 TF1

## Foreword

TF1 operates in a highly regulated sector and is supervised by the French broadcasting authority (CSA) as well as by ARPP[a]. In addition, journalists are subject to strict ethical obligations.

## Human rights

- Through its operations (production of news or other programmes, purchase of programmes, advertising, etc.), TF1 may be exposed to the risk of human rights violations (protection of children, image rights and respect for privacy, presumption of innocence). These issues, which are related to the ethics and compliance of content, are strictly controlled in various ways:
  - control by the General Counsel's department, or the News or Broadcasting department, of compliance with the commitments made by TF1 (specifications and agreements signed with the CSA, journalists' code of conduct, etc.);
  - control of broadcasting ethics and protection of young viewers by the Compliance department;
  - programme rating symbols;
  - control of content by the viewing committee and certification of certain programmes as not apt for broadcasting by a child psychologist;
  - compliance with prior opinions (advertising) issued by ARPP and CSA;
  - control of TF1 websites and community sites (moderation system, safe web browsing).
- The risk of human rights violations (child labour, compensation, etc.) in purchasing or the production of products sold by TF1 Entertainment (games, collections, DVDs, etc.), or in relations with service providers, is addressed through contractual commitments (standard "Ethics and Compliance" clauses, etc.), CSR questionnaires and EcoVadis assessments (Téléshopping call centre).

(a) The French advertising regulator

- The Téléshopping (home shopping) activity may be exposed to the risk of human rights violations through the suppliers and manufacturers of the products sold. The main measures taken by TF1 to prevent such risks are:
  - Direct imports from Asia: specific standard Teleshopping contract with "Quality and Conformity", "Quality Testing", "Inspection and Audit" (including international labour law) and "Ethics and Compliance" clauses. All products are purchased through a buying agent (AKA), which is responsible for factory inspections, quality control (coordination of testing with TUV SUD and SGS) and compliance with Teleshopping specifications.
  - Imports from American and European suppliers: specific standard Euroshopping contract with "Compliance with Labour Regulations" and "Ethics and Compliance" clauses.

  In addition, the risks related to working conditions in Teleshopping call centres are addressed by TF1 through EcoVadis assessments of the call centres plus on-site inspections.

  The risks related to non-compliance by TF1 service providers with certain rights are addressed by including general and special requirements in the standard terms and conditions of purchase.
- The issue of personal data protection (own operations, operations of subcontractors and suppliers) is subject to specific procedures and practices, which are being revised to bring the TF1 group into line with the new regulations (GDPR) due to come into effect in May 2018. Specific procedures limiting the exchange of personal data are in place to protect children.

### Health and safety

Health and safety are important issues for TF1 in areas such as the safety of journalists and employees, and the safety of candidates in various news or other programme productions. Safety issues may arise in TF1's own operations or in the operations of its suppliers or subcontractors. Many measures have been taken to assess these issues and to prevent or mitigate the related risks:

- safety, Security and Reception department procedure ("safety and security of sensitive productions");
- safety and Security Training memo for news reporters;
- inclusion of "Safety Measures" clauses in contracts;
- inclusion of "Insurance" clauses into contracts;
- on-site inspections of the effectiveness of measures by TF1's Safety department;
- reinforcement of building protection and access rights.

The risk of harm to consumer health is also an area of concern in TF1's retail activities (home shopping, games, publishing, etc.). These risks are addressed through conformity tests (French and European standards) performed by external service providers (inspection firms, consultancy firms).

### Environment

Environmental risks (mainly waste management) may arise from the operations of suppliers or subcontractors involved in the production of various programmes or in the transportation of products used. These risks are addressed through the responsible purchasing policy, (responsible supplier relations charter/responsible purchasing policy), supplier assessment questionnaires, the inclusion of appropriate clauses in standard terms and conditions of purchase and EcoVadis assessments with remedial action plans. Buyers are also given appropriate training (all buyers in the purchasing department, other than TV rights, have received training in responsible purchasing and CSR since June 2015).

## 4.5.7 Bouygues Telecom

### Human rights

- Human rights risks (minimum employment age, working time, rest time, etc.) may arise from the operations of foreign suppliers or subcontractors of Bouygues Telecom branded products (box, SIM card, goodies), and from the operations of foreign handset suppliers and call centre providers in some countries.

These risks are addressed through the responsible purchasing policy and, more specifically, through the Bouygues group's CSR Charter for Suppliers and Subcontractors.

In practical terms, the protection measures taken consist of:

- desk audits performed by EcoVadis for suppliers (contracts over €100,000);
- inclusion of CSR contractual clauses imposing certain obligations on suppliers;
- on site audits of HR performance by a specialist firm (SGS) for all suppliers of Bouygues Telecom branded products and for a sample of handset suppliers and call centre providers.
- given its business activities, Bouygues Telecom is exposed to personal data protection risks (own and foreign suppliers' operations). These risks may involve data collection methods, respect for personal rights or data storage terms. Bouygues Telecom has always paid due care and attention to these issues and monitors them through a "dedicated entity" responsible for compliance with legal requirements and relations with Cnil[a]. There is a genuine governance framework in this respect covering documentation of data processing, data classification, approval committees, regular awareness sessions for employees or subcontractors, audits of subcontractors, and procedures to be applied in times of crisis. Bouygues Telecom has set up a working group to bring its procedures and practices into line with the new European regulation (GDPR) due to come into effect in May 2018.

(a) The French data protection authority

### Health and safety

As is the case for human rights, health and safety risks may arise from the operations of some of Bouygues Telecom's suppliers and partners. These risks may involve working conditions at the premises of suppliers or subcontractors: factories manufacturing Bouygues Telecom branded products or handsets, call centre providers, companies working on fitting out or dismantling Bouygues Telecom telecoms sites or stores.

These risks are addressed through the same measures described above for human rights.

Specific safety arrangements are in place for workers called out to network sites. They are also given safety training.

Risks related to exposure to radio frequencies (electromagnetic waves) are monitored and taken into account at the outset. The benchmark exposure level is that applicable to the general public. The control system includes various types of measures (scientific intelligence, internal procedures to be applied on site, training for relevant employees, health & safety rules imposed on subcontractors, etc.).

### Environment

Environmental risks may arise during the transportation of waste (site dismantling and equipment resale). The measures in place include assessing suppliers and subcontractors (EcoVadis assessment procedure with monitoring and analysis of assessment outcomes). Random on-site audits will also be performed.

## 4.5.8 Whistleblowing mechanism

A whistleblowing system was introduced in 2006 for Bouygues SA and the Group's five business segments and is included in the Code of Ethics.

The system was supplemented and updated to take into account legislative changes introduced in the law of 9 December 2016 (the Sapin 2 law) and the law of 27 March 2017 requiring the preparation and implementation of a vigilance plan. It now forms part of the Bouygues group's Code of Ethics and an appendix to the Code of Ethics, which is available on the intranet sites of Bouygues SA and the business segments, and on the corporate website bouygues.com. The appendix describes the procedure for raising and processing whistleblower alerts.

This procedure applies to all Group entities. It is a single mechanism encompassing all situations that might give rise to an alert as provided for by French law. The procedure was drawn up after consultation with Bouygues SA's trade unions. The employee representative bodies in the Bouygues group's legal entities were also consulted.

Although the whistleblowing system is a single system at Bouygues group level, alerts are dealt with at business segment level as the business segment Ethics Officer is the designated officer for dealing with alerts (unless the whistleblower considers that the situation goes beyond the scope of the business segment, in which case the alert may be reported to the Group Ethics Officer instead). In early 2018 the Group set up an internal platform to make it easier for whistleblowers to use the system and to centralise alerts.



## 4.5.9 Monitoring the vigilance plan

Bouygues SA's vigilance plan forms part of a continuous improvement approach.

The Bouygues group has set up an internal control and risk management system, the main components of which are described in section 4.6.2 of this registration document. These principles apply to all the Group's business segments and may be supplemented at business segment level to take into account any specific requirements of each business activity.

This system will therefore include self-assessments at business segment level enabling the operating entities to assess how well the measures in the vigilance plan have been applied. Action plans will then be implemented where necessary. As indicated in chapter 3, the monitoring system also includes annual reporting on key information in the three areas addressed by the law.

As regards suppliers and subcontractors, the monitoring system covers both the results of self-assessment questionnaires and the assessments carried out by EcoVadis or any other external service provider. They are supplemented as required by the results of audits and controls performed by the business segment in accordance with the provisions of the Bouygues Group's CSR Charter for Suppliers and Subcontractors.

Based on the conclusions of the monitoring measures taken, each business segment will assess the effectiveness of its risk prevention or mitigation measures and will complete or adapt the system as required.

The working group set up by Bouygues SA in conjunction with the business segments will meet regularly to monitor implementation of the vigilance plan and revise the plan where appropriate to take account of feedback.

## 4.5.10 Conclusion

This vigilance plan will be presented to a panel of stakeholders in 2018. An action plan and adjustment measures will then be prepared and implemented by the business segments to take into account the recommendations made by the stakeholders. The working group will monitor the plan and develop it as required in order to ensure continuous improvement in the prevention and management of risks in the areas of human rights, health and safety of people and the environment.

# 4.6 INTERNAL CONTROL AND RISK MANAGEMENT PROCEDURES RELATING TO THE PREPARATION AND PROCESSING OF ACCOUNTING AND FINANCIAL INFORMATION

## 4.6.1 Introduction

Bouygues and its subsidiaries are acutely aware of the importance of internal control and risk management. These processes help give reasonable assurance as to the achievement of the Group's principal objectives.

Risk management has always been an essential part of the Group's corporate culture. It is a key concern of the Group's managers and is based on internal control systems inspired by principles that have been applied across the Group's business segments for many years.

This is especially the case as regards the preparation and processing of accounting and financial information, given that the quality and reliability of the Group's accounting documents and the financial information communicated to investors may be of great importance.

The scope of this report covers the Bouygues group (parent company, Bouygues Construction, Bouygues Immobilier, Colas, TF1, and Bouygues Telecom).

## 4.6.2 Bouygues group's internal control and risk management

The Internal Control and Risk Management Reference Manual of the Bouygues group is based on the reference framework published by the AMF in 2007.

The Manual was first updated in 2010 after the AMF reference framework was revised to accommodate changes in laws and regulations on risk management as well as the AMF Recommendation on audit committees.

It is regularly amended and improved to take account of changes and to reflect feedback from the business segments.

The Reference Manual covers the general principles of internal control and risk management, and internal control principles relating to accounting and finance. The main objectives are to:

- define the Group's key internal control principles;
- better identify common best practices across its business segments;
- develop a consistent approach to major issues affecting the entire Group.

Each business segment has further developed this Group-wide approach by analysing the specific aspects of its own internal control system and supplementing the Manual with principles specifically related to its own activities, especially on accounting and financial matters.

The Reference Manual includes a section on "Risk management principles and methods" that encompasses the key stages of risk management: identification, classification, assessment, prioritisation, processing, reporting and communication.

The business segments use this approach to check, on a regular basis, the degree to which they are applying internal control principles relating to accounting and financial matters.

The accounting and financial internal control self-assessment campaigns conducted within each business segment focus on the key risks and issues identified at Group and (especially) business segment level.

For example, the 2017 self-assessment on accounting and financial principles at Bouygues Telecom covered all group entities and addressed the following issues: purchasing, inventory, organisation and information systems, and sales. At Bouygues Construction, the 2017 accounting self-assessment covered property, plant and equipment and non-current financial assets at over a hundred legal entities.

## 4.6.3 Preparation and processing of financial information

One of the key objectives of internal control is the reliability of accounting and financial information. Within the Bouygues group, this is addressed through comprehensive systems and a set of stringent procedures.

### Quarter-end close

Each business segment has its own accounting close procedures, which must dovetail with the Group's consolidation process. Interim financial statements are produced quarterly, and consolidated at Group level.

### Accounting consolidation process

At parent company level, a major role of the Group Consolidation and Accounting department is to establish and implement consistent rules and methods for consolidation across the Group as a whole. It also provides support to the business segments in managing their activities on a consolidated basis, and prepares the parent company financial statements.

Consolidation is carried out quarterly, using intermediate consolidations. Each business segment prepares a consolidation at its own level using identical methods defined by the Group Consolidation and Accounting department, which then carries out the overall consolidation of the Group's financial statements.

The consolidation is processed at each level using a specific software programme widely used by listed companies, with each of the business segments using it to prepare their intermediate consolidation. Using consolidation software makes it possible to exercise rigorous control and apply standardised procedures during the preparation of the financial statements.

In addition to the computerised accounting system, the Group Consolidation and Accounting department has produced a Group consolidation handbook containing the rules and procedures applicable to consolidation throughout the Group. The handbook is an important reference tool for preparing consolidated financial statements, and is accessible to all accounting staff Group-wide on a dedicated intranet site that also describes the accounting policies and optional treatments applied within the Group.

The Group Consolidation and Accounting department also has an educative and co-ordinating role, organising seminars and distributing circulars to make sure the business segments are kept up to date on accounting rules and methods. Special emphasis is placed on the interpretation of, and developments in, international financial reporting standards. This in turn helps to lock in consistency in the way financial statements are prepared.



## 4.6.4 Management control/Reporting

The management control system is organised such that no Group company falls outside the management control process. Any company not subject to control at business segment level is controlled by the parent company.

The principles governing operational relations between the parent company and the business segments are summarised in a regularly-updated document, issued by the Group Strategy, Development and Financial control department, to which all the business segments refer.

The parent company exercises systematic control over the financial management of its subsidiaries via the annual plan (including updates to the plan), combined with monthly performance indicators sent directly to Group senior management and centralised by the Group Strategy, Development and Financial control department.

The management cycle and control/reporting procedures provide a regular flow of information and dialogue between the parent company and the business segments. Plans can be adjusted and the parent company is always in a position to exercise control over how the subsidiaries are being managed and intervene at an early stage in strategic decision-making.

## 4.6.5 Financial communication

At Bouygues SA level, the Group Investor Relations department handles relations with investors and financial analysts (in conjunction with senior management), providing the markets with the information they need and offering feedback to shareholders and analysts.

Great care is taken in preparing press releases, the half-year report and the Registration Document, which (along with presentations for financial analysts and investors) the Group regards as major vectors of its corporate image. The Group intends to publish its first Integrated Report in 2018.

Various departments are involved in the process of preparing these documents, including Finance, Consolidation, Corporate Communications and Legal Affairs. They are approved by senior management, and audited by the statutory auditors. The quarterly press releases are approved by the Accounts Committee and the Board of Directors.

Procedures are in place to ensure that employees are aware of insider dealing regulations.

The other listed companies in the Group (Colas, TF1) handle their own investor relations.

## 4.6.6 Key players in control

In addition to the essential role played by the departments mentioned in sections 4.6.3, 4.6.4 and 4.6.5 above, many other players are involved in the internal control and risk management process as regards accounting and financial matters.

### Senior management

Senior management teams are responsible for overseeing the internal control system as a whole, defining strategic priorities, and ensuring that internal control and risk management procedures are designed and implemented in a manner appropriate to each company's development. Bouygues SA senior management in particular plays an important role in financial communication.

### Accounts Committees

The Bouygues Accounts Committee and its remit are described in the "Corporate governance" section of this report (see section 5.3.4.1). Each business segment's Board of Directors has an Accounts Committee with similar responsibilities to those of the Bouygues Accounts Committee.

In addition to their role relating to optional accounting treatments and examining the financial statements, their remit also includes monitoring the effectiveness of internal control and risk management systems. Accounts Committees at business segment level review internal audit programmes and findings as well as risk mapping exercises, making them a key component in the internal control and risk management system.

### Internal Control and Audit departments

The parent company has a Group Internal Control and Audit department, which plays a major role in developing the Group's internal control policy and has specific responsibility for:

- directing the Group's internal control and audit functions;
- coordinating the business segments' internal control, risk management and audit activities.

The Group Internal Audit Charter states that the main role of internal audit is to provide senior management with reasonable assurance that organisational principles and internal control and risk management systems are reliable and effective. In fulfilling that role, Internal Audit evaluates the integrity, reliability, completeness, traceability and protection of accounting, financial and management information.

The business segments also have dedicated internal control functions. Accounting self-assessment campaigns are conducted under the direct responsibility of each accounting department.

Each business segment (with the exception of Bouygues Telecom, where internal audit is handled by the Bouygues SA Audit department) has its own Audit department.

### Statutory auditors

In connection with their statutory audit engagement, the auditors perform four reviews a year (two of which, for the first-quarter and third-quarter financial statements, are limited reviews).

They present a summary of their work to the Audit Committees (of the parent company, and of the lead company of each of the business segments).

## 4.6.7 Oversight

Internal control systems must themselves be subject to control by means of periodic assessments, and should also be subject to a constant process of improvement.

Audit departments at parent company and business segment level have always assessed the effectiveness of internal control as part of their core mission, and are actively involved in this improvement process.

The key concern is always to develop and implement action plans whose primary objective is to help the Group exercise better control over its operations, and to provide ever more reliable accounting and financial information.

# 4.7 INSURANCE – RISK COVERAGE

## 4.7.1 Organisation and policy

The insurance policy is handled by separate insurance departments in each of the five business segments with a significant degree of autonomy. A central Risks and Insurance department provides leadership and coordination on a Group-wide basis.

Policies are usually contracted by the insurance departments at business segment level, reflecting the great diversity of risks to which each business is exposed. Some insurance programmes that are less sensitive to the specific needs of individual businesses are centralised in the interest of cost-effectiveness.

The Group and its subsidiaries operate a loss prevent policy, developing new measures to further reduce the probability and impact of accidents and claims. This policy also reduces the overall cost of risk, improving the Group's position when negotiating premiums and cover with its insurers.

A high proportion of the Group's policies are compulsory, for example third-party motor insurance and (for buildings in France) cover such as ten-year latent defect insurance, reflecting the importance of construction activities in the business mix. These policies can account for up to 70% of the insurance budget of the business segment most exposed to those risks.

Looking beyond compulsory insurance, Group policy is to transfer significant risks to the insurance market by establishing stable relationships with leading insurers, and to negotiate policies on the best possible terms as regards cover and cost.

Insurers are selected using key criteria such as financial security, technical expertise and administrative efficiency. The main programmes are placed via specialist insurance brokers with leading insurers such as Allianz, Axa, Chubb, Covéa, Generali, SMABTP, Zurich, etc.

Worst-case scenarios are used in determining the level of cover required, subject to restrictions imposed by insurance market capacity and the cost of cover.

Deductibles on these policies are set at entity level to ensure an optimum trade-off between the likelihood of claims and the premium reductions that can be obtained from insurers by increasing the deductible. On this basis, some risks are insured with no deductible, while others are subject to a higher deductible, of up to €2 million for some property insurance claims.

Total premiums paid to property and casualty insurance companies vary depending on the insurance contracts bought for specific large-scale projects. However, this amount represents less than 1% of the Group's total sales.

The Bouygues group owns a captive reinsurance company, Challenger Réassurance, which may be involved in some of the risks to which the Group is exposed. This company is governed by Luxembourg law and is supervised by the Luxembourg insurance regulator.



## 4.7.2 Core insurance programmes

To prevent certain information being used to the detriment of the Group and its shareholders, especially in legal disputes, the amount of premiums and terms of cover are kept strictly confidential, especially in the case of liability insurance.

- **Property insurance:** Cover is generally set on the basis of property value; where this is impossible, cover is set at a level corresponding to the worst-case scenario subject to market constraints.

  Generally, when damage to insured assets could lead to a business interruption, insurance is taken out to cover the financial consequences, such as operating losses and/or additional costs. The amount of cover reflects the expected downtime at the damaged site based on the worst-case scenario and on the recovery plans in place.
- **Contractor's insurance:** Cover is generally equal to market value. Exceptionally, cover for some geographically dispersed projects may be limited to the cost of repairing damage incurred in a worst-case scenario.

  The scenario used depends on the type of project (e.g. motorway, viaduct or tunnel) and its geographical location, so as to build in the risk of damage from natural disasters such as seismic activity and hurricanes. In some cases, the amount of cover may be limited by the total capacity available in the world insurance market, for example in the case of damage caused by tunnelling activity or by natural events abroad.
- **Liability insurance:** These policies provide cover against loss or injury to third parties for which Group companies may be liable. Because Group companies vary greatly in size and in the nature of their activities, cover is tailored to the risks incurred.

The Group considers that its current policies are suitably matched to its risk exposure profile, taking account of what is available on insurance markets in terms of capacity, cover and terms. The insurance policies described are subject to market constraints, and hence may contain exclusions and/or limitations; they may be subject to change in response to market conditions or to changes in the risks to which the Group is exposed.

# CORPORATE GOVERNANCE

# 5

This chapter constitutes the report on corporate governance pursuant to the last paragraph of Article L. 225-37 of the Commercial Code. It includes information specified in Articles L. 225-37-2 and L. 225-37-5 of the Commercial Code.

This report has been drawn up by the General Counsel of Bouygues in close cooperation with the Group's senior management. The contributors have used various internal documents (articles of association, rules of procedure and minutes of the Board of Directors and its committees, compliance programmes, etc.).

The contributors have taken into consideration the regulations in force, the recommendations issued by the AMF, the Afep-Medef Corporate Governance Code, the report of the High Committee for Corporate Governance, and best practices adopted by other listed companies.

This report has been reviewed by the Selection and Remuneration Committee. It was approved by the Board of Directors on 21 February 2018.

## Corporate governance code

Bouygues complies with the Corporate Governance Code for listed companies (hereafter the Afep-Medef Code). The Code was updated in November 2016. The Afep-Medef Code is available on the Medef website at www.medef.com and on the Afep website at www.afep.com. It is also included as an appendix to the Rules of Procedure of the Board of Directors available on the www.bouygues.com website.

| Derogation from Afep-Medef Code | Explanation |
|---|---|
| Paragraph 8.3<br>Proportion of independent directors | See section 5.3.2 |

# 5.1 INFORMATION ON CORPORATE OFFICERS AT 31 DECEMBER 2017

## Chairman and CEO

### Martin Bouygues

32 avenue Hoche, 75008 Paris, France
Date of birth: 3 May 1952 – French
Date of first appointment: 21 January 1982
Expiry date of current term of office: 2018
Number of shares in the company: 369,269
(76,278,329 via SCDM and SCDM Participations)

#### Expertise/experience

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.

#### Principal positions outside Bouygues SA

Chairman of SCDM.

#### Other positions and functions in the Group

**In France:** Director of TF1 [a]; member of the Board of Directors of the Francis Bouygues Foundation.

#### Other positions and functions outside the Group

**In France:** Standing representative of SCDM; Chairman of Actiby and SCDM Participations.

**Outside France:** Member of the Board of Directors of the Skolkovo Foundation (Russia).

#### Former positions and functions during the last five years (outside the Group)

**2016** – Member of the supervisory board and the strategy committee of Rothschild & Co [a] (former-Paris-Orléans).

**2015** – Standing representative of SCDM; Chairman of La Cave de Baton Rouge.

## Deputy CEO, director

### Olivier Bouygues

32 avenue Hoche, 75008 Paris, France
Date of birth: 14 September 1950 – French
Date of first appointment: 5 June 1984
Expiry date of current term of office: 2019
Number of shares in the company: 192,993
(76,278,329 via SCDM and SCDM Participations)

#### Expertise/experience

Olivier Bouygues is a graduate of École Nationale Supérieure du Pétrole (ENSPM) and joined the Bouygues group in 1974. He began his career in the Group civil works branch. From 1983 to 1988 at Bouygues Offshore [b], he held the posts of director of Boscam, a Cameroon subsidiary, then director of the France Works and Special Projects division. From 1988 to 1992, he was Chairman and CEO of Maison Bouygues. In 1992, he became Group Executive Vice President of Utilities Management, which grouped the international and French activities of Saur [c]. He has held a seat on the Bouygues Board of Directors since 1984. In 2002, Olivier Bouygues was appointed Deputy CEO of Bouygues.

#### Principal positions outside Bouygues SA

CEO of SCDM.

#### Other positions and functions in the Group

**In France:** Director of TF1 [a]; Colas [a]; Bouygues Telecom and Bouygues Construction; member of the Board of Bouygues Immobilier.

**Outside France:** Chairman of the Board of Directors of Bouygues Europe (Belgium).

#### Other positions and functions outside the Group

**In France:** Director of Alstom [a]; Chairman of SCDM Domaines.

**Outside France:** Director of SCDM Energy Limited (United Kingdom); Chairman and CEO of Seci (Ivory Coast).

#### Former positions and functions during the last five years (outside the Group)

**2017** – Chairman of Sagri.

**2016** – Standing representative of SCDM on the Board of Bouygues.

**2015** – Chairman of SCDM Énergie; director of Eranove (former-Finagestion), Sodeci [a] (Ivory Coast), CIE [a] (Ivory Coast) and Sénégalaise des Eaux (Senegal); liquidator of SIR.

**2014** – Director of Eurosport.

(a) Listed company.
(b) Bouygues' oil and gas services activity, sold to Saipem in 2002.
(c) Bouygues' utilities subsidiary, sold to PAI Partners in 2004.

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## Deputy CEOs

### Philippe Marien

32 avenue Hoche, 75008 Paris, France
Date of birth: 18 June 1956 – French
Date of first appointment: 30 August 2016

#### Expertise/experience

Philippe Marien is a graduate of École des Hautes Études Commerciales (HEC). He joined the Bouygues group in 1980 as international finance manager. In 1984, he was special advisor for the takeover of the AMREP oil services group before being appointed finance director of Technigaz, a liquefied gas engineering contractor, in 1985. In 1986, he joined the Group's finance department to take responsibility for the financial aspects of the takeover of Screg. He was successively Director of Finance and Cash Management at Screg in 1987 and Director of Finance at Bouygues Offshore [b] in 1991. He was appointed Senior Vice-President, Finance and Administration of Bouygues Offshore in 1998, then moved to Bouygues Bâtiment in 2000 as Chief Financial Officer. In March 2003, Philippe Marien became Chief Financial Officer of the Saur [c] group, Bouygues' utilities subsidiary, of which he managed the sale by Bouygues to PAI partners, then by PAI partners to a new group of shareholders led by Caisse des Dépôts et Consignations. He was appointed Chief Financial Officer of the Bouygues group in September 2007. In February 2009, Philippe Marien was appointed Chairman of Bouygues Telecom's Board of Directors, a position that he held until April 2013. He took on the position of Senior Vice-President and Chief Financial Officer, Information Systems and Innovation in 2015 and Human Resources in 2016. On 30 August 2016, he was appointed Deputy CEO of Bouygues.

#### Other positions and functions in the Group

**In France:** Standing representative of Bouygues on the Boards of Bouygues Construction, Bouygues Telecom, Colas [a] and TF1 [a]; standing representative of Bouygues, member of the Board of Bouygues Immobilier.

**Outside France:** Director of Bouygues Europe (Belgium) and Uniservice (Switzerland).

#### Other positions and functions outside the Group

**In France:** CEO of SCDM; standing representative of Bouygues on the Board of Alstom [a].

#### Former positions and functions during the last five years (outside the Group)

**2015** – Liquidator of Finamag.

### Olivier Roussat

32 avenue Hoche, 75008 Paris, France
Date of birth: 13 October 1964 – French
Date of first appointment: 30 August 2016

#### Expertise/experience

Olivier Roussat is a graduate of INSA – Lyon. He began his career in 1988 at IBM, where he occupied a number of positions in data network services, service delivery and pre-sales. He joined Bouygues Telecom in 1995 to set up the network management centre and network processes. He then became head of network operations and telecoms and IT service delivery. In May 2003, he was appointed network manager and became a member of the Executive Committee of Bouygues Telecom. In January 2007, Olivier Roussat took charge of the performance and technology unit which groups Bouygues Telecom's cross-disciplinary technical and IT departments, including networks, information systems, process engineering, purchasing, corporate services and property development. He was also given responsibility for Bouygues Telecom's headquarters and Technopôle buildings. Olivier Roussat became Deputy Chief Executive Officer of Bouygues Telecom in February 2007 and Chief Executive Officer in November 2007. He was then appointed Chairman and CEO of Bouygues Telecom in May 2013. Olivier Roussat was appointed Deputy CEO of Bouygues on 30 August 2016.

#### Principal positions outside Bouygues SA

Chairman and CEO of Bouygues Telecom.

#### Other positions and functions in the Group

**In France:** Director of TF1 [a] and Bouygues Construction; member of the Board of Bouygues Immobilier.

## Directors

### Francis Castagné

**Director representing employees**
**Member of the Selection and Remuneration Committee**

1 avenue Eugène Freyssinet, 78280 Guyancourt, France
Date of birth: 29 December 1963 – French
Date of first appointment: 27 April 2016
Expiry of current term of office: 2018

#### Expertise/experience

Francis Castagné has spent all his career with the Bouygues group, in the construction businesses. Between 1987 and 1990, he was works supervisor at Screg EPI, before taking responsibility for main contractor operations at Screg Bâtiment until 1997. In 1997, he was appointed head of main contractor

(a) Listed company.
(b) Bouygues' oil and gas services activity, sold to Saipem in 2002.
(c) Bouygues' utilities subsidiary, sold to PAI Partners in 2004.

production at SB Ballestrero until 2000. From 2000 to 2007, he was head of projects at Bouygues Bâtiment Ile-de-France. Since 2008, he has been Works Director at Bouygues Bâtiment Ile-de-France – Construction Privée.

### Principal positions outside Bouygues SA

Works Director at Bouygues Bâtiment Ile-de-France – Construction Privée.

## Raphaëlle Deflesselle

**Director representing employees**
**Member of the Ethics, CSR and Patronage Committee**

13-15 avenue du Maréchal Juin, 92360 Meudon, France
Date of birth: 27 April 1972 – French
Date of first appointment: 20 May 2014
Expiry date of current term of office: 2018

### Expertise/experience

Raphaëlle Deflesselle is an engineering graduate of École Polytechnique Féminine (EFP). She joined Bouygues Telecom in 1996. She took part in implementing network oversight tools in the network operations department. She then held various managerial positions in the Technical departments from 1999 to 2009. In 2010, she was appointed head of the Performance department within the Information Systems Division, before becoming head of IT infrastructures in 2013. She is currently Director, IT Governance, Research and Transformation within the Information Systems Division at Bouygues Telecom.

### Principal positions outside Bouygues SA

Director, IT Governance, Research and Transformation within the Information Systems Division at Bouygues Telecom.

## Clara Gaymard

**Independent director**
**Member of the Accounts Committee**

138 bis rue de Grenelle, 75007 Paris, France
Date of birth: 27 January 1960 – French
Date of first appointment: 21 April 2016
Expiry of current term of office: 2019
Number of shares in the company: 500

### Expertise/experience

Clara Gaymard is a graduate of Institut d'Études Politiques de Paris (IEP). She was an administrative officer at the office of the mayor of Paris from 1982 to 1984, before joining École Nationale d'Administration (ENA). Graduating from ENA in 1986, she joined the Cour des Comptes state audit office as an auditor and in 1990 was promoted to public auditor. She was then appointed head of the European Union office at the External Economic Relations department (DREE) of the French Ministry of Finance. In 1995, she was named chief of staff at the Ministry of Intergenerational Solidarity. From 1996 to 1999, she served as deputy head in charge of support for small- and medium-sized businesses and regional initiatives at DREE. In February 2003, she became Ambassador for International Investment and Chair of the French Agency for International Investments (AFII). She joined the General Electric group in 2006, where she was appointed Chair and CEO of GE France, then GE Northwest Europe in 2008. In 2009, she was appointed Vice-Chair of GE International responsible for key public accounts and in 2010 as Vice-Chair responsible for governments and cities. As Chair and CEO of GE France, she participated, from 2012 to 2016, in the acquisition of Alstom's Energy business. She left the General Electric group in January 2016.

### Principal positions outside Bouygues SA

Co-founder of Raise.

### Other positions and functions outside the Group

**In France:** Chair of the Women's Forum; director of Veolia Environnement [a], LVMH [a], Danone [a] and Sages.

### Former positions and functions during the last five years (outside the Group)

**2017** – CEO of Raise Conseil.

**2016** – Chair of GE France.

## Anne-Marie Idrac

**Independent director**
**Chairwoman of the Ethics, CSR and Patronage Committee**
**Member of the Accounts Committee**

9 Place Vauban, 75007 Paris, France
Date of birth: 27 July 1951 – French
Date of first appointment: 26 April 2012
Expiry date of current term of office: 2018
Number of shares in the company: 500

### Expertise/experience

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.

(a) Listed company.

### Principal positions outside Bouygues SA

Chair of the supervisory board of Toulouse-Blagnac Airport.

### Other positions and functions outside the Group

**In France:** Director of Total [a], Saint-Gobain [a] and Air France-KLM [a]; Senior Advisor to Suez [a] and to Sia Partners.

### Former positions and functions during the last five years (outside the Group)

**2015** – Member of the supervisory board of Vallourec [a].

**2014** – Director of Mediobanca [a] (Italy).

## Patrick Kron

5 rue de la Baume, 75008 Paris, France
Date of birth: 26 September 1953 – French
Date of first appointment: 6 December 2006
Expiry date of current term of office: 2019
Number of shares in the company: 500

### Expertise/experience

Patrick Kron is a graduate of École Polytechnique and an engineer of the Corps des Mines de Paris. He began his career at the French Industry Ministry in 1979 before joining the Pechiney group in 1984, where he held senior operational responsibilities in one of the group's largest factories in Greece before becoming manager of Pechiney's Greek subsidiary. Between 1988 and 1993, Patrick Kron held various operational and financial positions, first managing a group of activities in aluminium processing, before being appointed Chairman and CEO of Pechiney Électrométallurgie. In 1993, he became member of the executive committee of the Pechiney group and was Chairman and CEO of Carbone Lorraine from 1993 to 1997. From 1995 to 1997, he ran Pechiney's Food and Health Care Packaging Sector and held the position of COO of the American National Can Company in Chicago. From 1998 to 2002, Patrick Kron was Chairman of the executive board of Imerys. He was appointed CEO of Alstom, then Chairman and CEO in 2003, a position he held until January 2016, when he created PKC&I (Patrick Kron – Conseils & Investissements). He was appointed director of LafargeHolcim [a] in May 2017 and of Elval-Halcor SA [a] in November 2017. He has been Chairman of Truffle Capital since November 2016.

### Principal positions outside Bouygues SA

Chairman of PKC&I and Truffle Capital.

### Other positions and functions outside the Group

**In France:** Director Sanofi [a]; member of the supervisory board of Segula Technologies.

**Outside France:** Director of LafargeHolcim [a] (Switzerland) and Elval-Halcor SA (Greece).

### Former positions and functions during the last five years (outside the Group)

**2016** – Chairman and CEO, and director of Alstom [a].

**2015** – Chairman of Alstom Resources Management; director of Afep (French Association of Private Companies).

**2014** – Director and Managing Director of Alstom Asia Pte Ltd (Singapore); Chairman and CEO, and director of Alstom Transport.

## Helman le Pas de Sécheval

**Independent director**
**Chairman of the Accounts Committee**
**Member of the Selection and Remuneration Committee**

30 rue Madeleine Vionnet, 93300 Aubervilliers, France
Date of birth: 21 January 1966 – French
Date of first appointment: 24 April 2008
Expiry date of current term of office: 2020
Number of shares in the company: 638

### Expertise/experience

Helman le Pas de Sécheval is a graduate of École Normale Supérieure with a PhD in Physical Sciences and an engineering degree from École des Mines. He began his career in 1991 as a project manager in the financial engineering department of Banexi. From 1993 to 1997, he was deputy inspector-general of the underground quarries of Paris. In July 1997, he was appointed deputy to the head of the Department of Financial Operations and Information of the COB (now the AMF), becoming head of this department in 1998. From November 2001 to December 2009, Helman le Pas de Sécheval was group Chief Financial Officer of Groupama, with responsibility for the group's financing, investing, reinsurance and accounting divisions and oversight of the group's financial subsidiaries as well as GIE Groupama Systèmes d'Information. From January 2010 to December 2011, he was Managing Director of Groupama Centre-Atlantique. In September 2012, he was appointed General Counsel of the Veolia group. He was appointed member of the Board of the AMF in February 2015.

### Principal positions outside Bouygues SA

General Counsel of the Veolia [a] group.

### Other positions and functions outside the Group

**In France:** Member of the Board of the AMF.

## Colette Lewiner

**Independent director**
**Chairwoman of the Selection and Remuneration Committee**

7 avenue de Suresnes, 92210 Saint-Cloud, France
Date of birth: 19 September 1945 – French
Date of first appointment: 29 April 2010
Expiry date of current term of office: 2019
Number of shares in the company: 12,685

(a) Listed company.

### Expertise/experience

Colette Lewiner is a graduate of École Normale Supérieure and holds the prestigious rank of "agrégée" teacher in physics, as well as a PhD in science. She began her career in research and teaching at Université de Paris VII. She joined EDF in 1979, where she worked in the Research and Development department, before taking charge of fuel oil and uranium purchases. In 1987, she was appointed head of the fuel procurement department. In 1989, she created the development and commercial strategy division and was the first woman to be appointed Senior Vice President at EDF. In 1992, she was appointed Chairwoman and CEO of SGN-Réseau Eurisys, Cogema's engineering subsidiary. In 1998, she joined Capgemini, where she headed the Global Energy, Utilities and Chemicals sector, before becoming Advisor to the Chairman on matters regarding energy and utilities. Between 2010 and 2015, she was non-executive Chairwoman of TDF. From 2008 to 2012, she was a member of the European Union Advisory Group on Energy. Since 2013, she has been a member of the Conseil de la Recherche (CSR), a high-level committee charged with advising the French government on research and innovation strategy.

### Principal positions outside Bouygues SA

Advisor to the Chairman of Capgemini [a] on matters regarding energy and utilities.

### Other positions and functions in the Group

**In France:** Director of Colas [a].

### Other positions and functions outside the Group

**In France:** Director of Nexans [a], Eurotunnel [a], EDF [a] and Ingenico [a].

### Former positions and functions during the last five years (outside the Group)

**2016** – Director of Crompton Greaves Limited [a] (India).

**2015** – Director of TGS Nopec Geophysical Company [a] (Norway); Chairwoman of the Board of Directors of TDF.

**2014** – Director of Lafarge [a].

## Sandra Nombret

**Director representing employee shareholders**
**Member of the Ethics, CSR and Patronage Committee**

1 avenue Eugène Freyssinet, 78280 Guyancourt, France
Date of birth: 24 May 1973 – French
Date of first appointment: 29 April 2010
Expiry date of current term of office: 2019

### Expertise/experience

Sandra Nombret has a DESS postgraduate diploma in foreign trade law. She joined the Bouygues group in 1997. She is currently Director, Legal Officer for the Middle East, Africa and Europe at Bouygues Bâtiment International.

### Principal positions outside Bouygues SA

Director, Legal Affairs at Bouygues Bâtiment International.

### Other positions and functions in the Group

**Outside France:** Director of Bouygues Building Canada Inc. (Canada).

## Alexandre de Rothschild

23 bis avenue de Messine, 75008 Paris, France
Date of birth: 3 December 1980 – French
Date of first appointment: 27 April 2017
Expiry date of current term of office: 2020
Number of shares in the company: 500

### Expertise/experience

Alexandre de Rothschild is a graduate of École Supérieure du Commerce Extérieur (ESCE). He is currently Deputy CEO of Rothschild & Co, managing partner of Rothschild & Cie Banque, and member of the Rothschild & Co Group Executive Committee. He began his career in 2004 as a financial analyst at the Financial Affairs division of Bear, Stearns & Co. Inc. in New York. From 2005 to 2008, he was a manager for the Private Equity department of Argan Capital in London, then Deputy Head of Strategy at the Jardine Matheson conglomerate based in Hong Kong.

### Principal positions outside Bouygues SA

Deputy CEO of Rothschild & Co.

### Other positions and functions outside the Group

**In France:** Deputy Chairman of the management board of Rothschild & Co Gestion SAS; Chairman of K Développement SAS; director of Rothschild Concordia SAS; managing partner of RCB Partenaires SNC, Rothschild & Cie SCS and Rothschild Martin Maurel SCS; member of the supervisory board of Banque Martin Maurel SA.

**Outside France:** Vice-Chairman and director of the Board of Directors of Rothschild Bank AG (Switzerland); member of the Board of Directors of Rothschilds Continuation Holding AG (Switzerland), Rothschild Concordia AG (Switzerland), Rothschild Holding AG (Switzerland), director of Five Arrows (Scotland), General Partner Ltd (Scotland), and Rothschild Japan Co (Japan).

### Former positions and functions during the last five years (outside the Group)

**2017** – Member of the Board of Directors of Treilhard Investissements SA; general partner of Rothschild & Compagnie Gestion SCS.

**2016** – Chairman of Messine Managers Investissements.

**2014** – Member of the Strategy Committee of Rothschild & Co.



(a) Listed company.

## Rose-Marie Van Lerberghe

**Independent director**
**Member of the Ethics, CSR and Patronage Committee**

33 rue Frémicourt, 75015 Paris, France
Date of birth: 7 February 1947 – French
Date of first appointment: 25 April 2013
Expiry date of current term of office: 2019
Number of shares in the company: 531

### Expertise/experience

Rose-Marie Van Lerberghe is a graduate of École Normale Supérieure and École Nationale d'Administration, and holds the prestigious rank of "agrégée" teacher in philosophy. She is also a graduate of Institut d'Études Politiques de Paris (IEP) and INSEAD, and has a degree in history. After holding various positions at the French Ministry of Labour in 1986 Rose-Marie Van Lerberghe joined the Danone group, where she successively headed two subsidiaries before becoming Director of Human Resources of the Danone group from 1993 to 1996. In 1996, she became Delegate General for Employment and Vocational Training at the French Ministry of Labour and Social Affairs. She was then Chief Executive Officer of Altédia from 2000 to 2002, before becoming Director General of Assistance Publique – Hôpitaux de Paris from 2002 to 2006. From 2006 to 2011, she chaired the Korian management board. From 2007 to 2008, she sat on the French Commission charged with drawing up proposals for the French Alzheimer's Plan. In 2009, she joined the KPMG strategy committee. From 2011 to 2015, she was a member of the Conseil Supérieur de la Magistrature (High Council for the Judiciary), appointed as a prominent figure from outside the Judiciary. She was Chairwoman of the Board of Directors of Institut Pasteur from 2013 to 2016 and has been Vice-Chairwoman of the supervisory board of Klépierre [a] since June 2017.

### Principal positions outside Bouygues SA

Vice-Chairwoman and member of the supervisory board of Klépierre [a].

### Other positions and functions outside the Group

**In France:** Director of CNP Assurances [a] and Fondation Hôpital Saint-Joseph; Senior Advisor to BPI group; Chairwoman of the Board of Directors of Orchestre des Champs-Élysées.

### Former positions and functions during the last five years (outside the Group)

**2016** – Chairwoman of the Board of Directors of Institut Pasteur.

**2015** – Director of Casino [a], member of the Conseil Supérieur de la Magistrature.

**2014** – Director of Air France.

## Michèle Vilain

**Director representing employee shareholders**
**Member of the Accounts Committee**

3 boulevard Gallieni, 92130 Issy-les-Moulineaux, France
Date of birth: 14 September 1961 – French
Date of first appointment: 29 April 2010
Expiry date of current term of office: 2019

### Expertise/experience

Michèle Vilain joined Bouygues Immobilier in 1989, holding various positions in the IT and Office Automation department, including responsibility for customer services. She then took charge of customer relations within the Support Functions division before becoming Deputy Director supporting change management within the Residential Property France division for two years. She was then Deputy Director supporting Human Resources digital projects and is currently Deputy Director, Opéra IT project management.

### Principal positions outside Bouygues SA

Deputy Director, Opéra IT project management at Bouygues Immobilier.

## SCDM, represented by Edward Bouygues

32 avenue Hoche, 75008 Paris, France
Date of first appointment: 22 October 1991
Expiry date of current term of office: 2019
Number of shares in the company: 73,233,357

### Other positions and functions in the Group

**In France:** Director of GIE 32 Hoche.

### Other positions and functions outside the Group

**In France:** Chair of Actiby and SCDM Participations.

### Former positions and functions during the last five years (outside the Group)

**2015** – Chair of SCDM Invest-3, now La Cave de Baton Rouge.

## Edward Bouygues, standing representative of SCDM

13-15 avenue du Maréchal Juin, 92360 Meudon, France
Date of birth: 14 April 1984 – French
Date of first appointment: 21 April 2016
Expiry date of current term of office: 2019

(a) Listed company.

### Expertise/experience

Edward Bouygues is a graduate of ESSCA, Angers (specialising in banking and finance) and holds an MBA from the London Business School. After having spent five years as a works supervisor, and in marketing at Bouygues Construction, he joined Bouygues Telecom in February 2014 as Head of Marketing. He was then Director of Marketing, with responsibility for services, content and product design, before being appointed CEO of RCBT (Club Bouygues Telecom store network) on 9 February 2017.

### Principal positions outside Bouygues SA

CEO of RCBT (Club Bouygues Telecom store network).

### Other positions and functions in the Group

**In France:** Director of Bouygues Telecom; member of the Board of RCBT (Club Bouygues Telecom store network); member of the investment committee of Bouygues Telecom Initiatives.

### Former positions and functions during the last five years (outside the Group)

**2016** – Non-voting director of Melty.

## SCDM Participations, represented by Cyril Bouygues

32 avenue Hoche, 75008 Paris, France
Date of first appointment: 21 April 2016
Expiry date of current term of office: 2019
Number of shares in the company: 3,044,972

## Cyril Bouygues, standing representative of SCDM Participations

50 Cannon Street, EC4N 6JJ, London, United Kingdom
Date of birth: 31 January 1986 – French
Date of first appointment: 21 April 2016
Expiry date of current term of office: 2019

### Expertise/experience

Cyril Bouygues is a graduate of Institut Supérieur de Gestion (ISG) and holds a Harvard Master in Public Administration. He held the post of works supervisor at Bouygues Construction, then Head of Projects at Bouygues Immobilier, before becoming Head of Strategy and Business Development Manager at SCDM Energy Limited in 2017.

### Principal positions outside Bouygues SA

Head of Strategy and Business Development Manager at SCDM Energy Limited (United Kingdom).

Director of Amis de la Fondation Jardin Majorelle.

# 5.2 CHAIRMAN AND CHIEF EXECUTIVE OFFICER

## Chairman

The Board of Directors is required law to elect one of its members (who must be a natural person) as Chairman, to organise and direct the work of the Board and ensure that the company's management bodies function properly.

## Chief Executive Officer

In accordance with law, the Board entrusts executive power over the company either to the Chairman of the Board of Directors or to another natural person, not necessarily a director, who has the title of Chief Executive Officer.

## Combination of the offices of Chairman and Chief Executive Officer

In April 2002, the Board of Directors opted not to separate the functions of Chairman and Chief Executive Officer. The Board has consistently renewed that option, most recently in May 2017. Martin Bouygues fulfils a dual role as Chairman of the Board of Directors and Chief Executive Officer.

The Board takes the view that combining the positions of Chairman and Chief Executive Officer promotes effective governance, particularly in view of the Bouygues group's organisational structure. Martin Bouygues is Chairman and Chief Executive Officer of Bouygues, the Group's parent company. However, he does not have executive power over any of the Group's five business segments, which is vested in the executive directors of the major subsidiaries: Bouygues Construction, Bouygues Immobilier, Colas, TF1 and Bouygues Telecom. Consequently, Martin Bouygues does not combine operational responsibility for these subsidiaries with his other roles. While Bouygues and its Chairman pay close attention to matters that have a major impact on the Group, this does not mean they are substituting themselves for the governance bodies of the Group's business segments.

There is no senior independent director or Vice-Chairman.

## Limitations on the powers of the Chief Executive Officer

The articles of association do not place specific limitations on the powers of the Chief Executive Officer. In accordance with law and the articles of association, he has the broadest possible powers to act on the company's behalf under all circumstances. He exercises those powers within the confines of the corporate purpose and subject to powers expressly granted by law to general meetings of shareholders and the Board of Directors.

## Deputy Chief Executive Officers

The articles of association state that on a proposal from the Chief Executive Officer the Board of Directors may appoint up to five natural persons, who may or may not be directors, to assist the Chief Executive Officer, with the title of Deputy Chief Executive Officers.

Olivier Bouygues was appointed as a Deputy Chief Executive Officer in 2002, and Philippe Marien and Olivier Roussat in August 2016. All three have the same powers as the Chief Executive Officer in dealings with third parties. They assist Martin Bouygues in the exercise of his executive power.

## Age limit

The articles of association set an age limit of 70 for the offices of Chairman, Chief Executive Officer and Deputy Chief Executive Officer. When a person holding any of these offices reaches the age of 65, his or her term is submitted to the Board of Directors at its next subsequent meeting for confirmation for a period of one year. The Board of Directors may then renew the term annually for one-year periods up to the age of 70, at which time the person is considered to have automatically resigned.

# 5.3 BOARD OF DIRECTORS

## 5.3.1 Composition of the Board of Directors

### 5.3.1.1 Principles governing the composition of the Board

The importance of the role played by the Board of Directors means that the quality of its membership is key to the proper functioning of the company. The Afep-Medef Corporate Governance Code (the "Afep-Medef Code") stresses that the composition of a company's Board should appropriately reflect the company's share ownership structure, the extent and nature of its operations, and the specific circumstances facing the company. It also reiterates that since the Board acts in the corporate interest of the company it is not desirable, except in cases provided for by law, for large numbers of special interests to be represented within the Board.

The composition of the Board of Directors of Bouygues takes account of the significant proportion of the share capital held by the Group's founding family and by employee shareholders.

It also takes account of:

- legal requirements on:
  - gender balance: under Article L. 225-18-1 of the Commercial Code, neither gender may account for less than 40% of the composition of the Board (excluding directors representing employees);
  - directors representing employees: under Article L. 225-27-1 of the Commercial Code, a Board with more than 12 members must include at least two directors representing employees;
  - directors representing employee shareholders: under Article L. 223-23 of the Commercial Code, the Board must include directors representing employee shareholders;
- the provisions of the Afep-Medef Code on independent directors (see section 5.3.2).

According to the articles of association, the Board of Directors is made up as follows:

| Type of director | Method of appointment | Term of office | Number of directors | Reference text |
|---|---|---|---|---|
| 3 to 18 directors appointed by the Annual General Meeting | Appointed by an Ordinary General Meeting | 3 years, renewable | 3 to 18 | Article L. 225-18 of the Commercial Code |
| Up to 2 directors representing employee shareholders | Elected by an Ordinary General Meeting on the recommendation of the Supervisory Boards of the employee share ownership funds | 3 years, renewable | Up to 2 | Article L. 225-23 of the Commercial Code |
| 1 to 2 directors representing employees | Nominated by the Group Council governed by Articles L. 2331-1 *et seq.* of the Labour Code | 2 years, renewable once | 2 | Article L. 225-27-1 of the Commercial Code |

The Rules of Procedure of the Board of Directors lay down other imperatives. For example, no more than two directors or standing representatives of legal entities may come from outside companies in which a corporate officer of Bouygues holds office.

## 5.3.1.2 Composition of the Board of Directors at 31 December 2017

For a full career résumé of each director see section 5.1.

| Name | | Gender | Nationality | Age | Number of shares held | Number of offices held in listed companies outside the Bouygues group |
|---|---|---|---|---|---|---|
| **Executive Officers (members of the SCDM group)** | | | | | | |
| **Martin Bouygues**<br>Chairman and CEO |  | M | FR | 65 | 369,269<br>(76,278,329 via SCDM) | |
| **Olivier Bouygues**<br>Deputy CEO |  | M | FR | 67 | 192,993<br>(76,278,329 via SCDM) | 1 |
| **Directors representing the SCDM group** | | | | | | |
| **Cyril Bouygues**<br>Standing representative of SCDM Participations |  | M | FR | 31 | SCDM Participations: 3,044,972 | |
| **Edward Bouygues**<br>Standing representative of SCDM |  | M | FR | 33 | SCDM: 73,233,357 | |
| **Directors representing employee shareholders** | | | | | | |
| **Sandra Nombret** |  | F | FR | 44 | | |
| **Michèle Vilain** |  | F | FR | 56 | | |
| **Directors representing employees** | | | | | | |
| **Francis Castagné** |  | M | FR | 54 | | |
| **Raphaëlle Deflesselle** |  | F | FR | 45 | | |
| **Independent directors** | | | | | | |
| **Clara Gaymard** |  | F | FR | 57 | 500 | 3 |
| **Anne-Marie Idrac** |  | F | FR | 66 | 500 | 3 |
| **Helman le Pas de Sécheval** |  | M | FR | 51 | 638 | |
| **Colette Lewiner** |  | F | FR | 72 | 12,685 | 4 |
| **Rose-Marie Van Lerberghe** |  | F | FR | 70 | 531 | 2 |
| **Other directors** | | | | | | |
| **Patrick Kron** |  | M | FR | 64 | 500 | 3 |
| **Alexandre de Rothschild** |  | M | FR | 37 | 500 | |

(a) Either in a personal capacity or as a standing representative.

Chair Member

| Expertise | Board of Directors – Start of first term [a] | End of current term | Years on Board | Accounts Committee | Selection and Remuneration Committee | Ethics, CSR and Patronage Committee |
|---|---|---|---|---|---|---|
| Construction, Media, Telecoms, International, Industry, Senior executive in large groups | 1982 | 2018 | 35 | | | |
| Construction, International, CSR, Water, Industry, Energy, Senior executive in large groups | 1984 | 2019 | 33 | | | |
| Construction, International, Energy | 2016 | 2019 | 1 | | | |
| Construction, Telecoms, IT | 2016 | 2019 | 1 | | | |
| Construction, International, Law | 2010 | 2019 | 7 | | | |
| Construction, IT, HR | 2010 | 2019 | 7 | | | |
| Construction | 2016 | 2018 | 1 | | | |
| Telecoms, IT | 2014 | 2018 | 3 | | | |
| Transport, Banking & Finance, International, Energy, Senior executive in large groups | 2016 | 2019 | 1 | | | |
| Construction, Transport, International, CSR, Senior executive in large groups, Political office | 2012 | 2018 | 5 | | | |
| Banking & Finance, CSR, Industry, Senior executive in large groups | 2008 | 2020 | 9 | | | |
| Media, International, Energy, Senior executive in large groups | 2010 | 2019 | 7 | | | |
| Industry, CSR, HR, Health, Senior executive in large groups | 2013 | 2019 | 4 | | | |
| Transport, International, Energy, Senior executive in large groups | 2006 | 2019 | 11 | | | |
| Banking & Finance, International, Industry, Senior executive in large groups | 2017 | 2020 | | | | |

Expertise: Construction, Banking & Finance, Law, Water, Energy, Senior executive in large groups, Political office, Industry, IT, International, Media, Corporate Social Responsibility (CSR), HR, Health, Telecoms, Transport

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### 5.3.1.3 Changes in the composition of the Board of Directors in 2017

During 2017, the number of directors decreased from 16 to 15. The Board still includes two directors representing employees and two directors representing employee shareholders.

| Date | Departure | Appointment | Reappointment |
|---|---|---|---|
| 27 April 2018 | François Bertière<br>Hervé Le Bouc | Alexandre de Rothschild | Helman le Pas de Sécheval |

### 5.3.1.4 Diversity policy applied to Board members

In accordance with the Afep-Medef Code, the Board periodically reassesses the preferred balance of its membership and of its committees, especially as regards diversity (gender balance, nationality, international experience, expertise, etc.). The Board discloses the aims, procedures and outcomes of this diversity policy in the Annual Report.

The Board takes the view that a good balance is achieved by having directors with diverse profiles especially in terms of age, length of service, qualifications and professional experience. This is particularly important given the broad range of activities carried on by Bouygues in construction, telecoms and media. The table in section 5.3.1.2 above uses pictograms to illustrate the diversity of skills among Board members. A career résumé of each director is provided in section 5.1 above.

The balance of composition of the Board and its committees is one of the issues assessed each year as part of the evaluation of the Board (see section 5.3.6). The Selection and Remuneration Committee also takes account of diversity objectives when assessing any candidate for appointment as a director or Executive Officer, or as a member of a committee.

The inclusion of a director representing employees or employee shareholders on each committee is an important element of the diversity policy, in that it involves those directors more closely in the work of the Board.

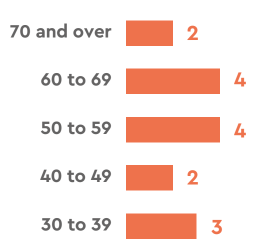
#### Gender balance

At 21 February 2018, without taking account of directors representing employees (as stipulated in Article L. 225-27 of the Commercial Code), but taking account of directors representing employee shareholders, six of the 13 directors on the Board were women, a proportion of **46.2%,** versus 42.9% a year earlier.

At the same date, eight of the 11 committee members were women, a proportion of **72.7%.**

#### Age pyramid

As of 31 December 2017, the average age of the directors was **54,** and the age pyramid looked like this:

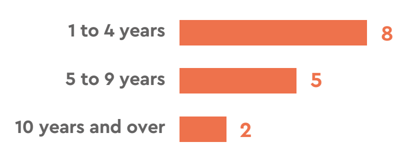



Number of directors by age range

The articles of association set no age limit for directors.

#### Length of service on Board

As of 31 December 2017, the average length of service of members of the Bouygues board was **8.3 years.**




Number of directors by length of service

#### Staggered terms of office

Reappointments of directors are *de facto* staggered across **three** consecutive years.

## 5.3.2 Independent directors

### Assessing director independence

In accordance with the recommendations of the Afep-Medef Code, after seeking the opinion of the Selection and Remuneration Committee, the Board of Directors at its meeting of 21 February 2018 reviewed each director's situation in light of each of the six independence criteria as defined by the Afep-Medef Code and listed below:

| | |
|---|---|
| Criterion 1 | Not being, or not having been during the past five years:<br>(i) an employee or Executive Officer of the company;<br>(ii) an employee, Executive Officer or director of an entity consolidated by the company;<br>(iii) an employee, Executive Officer or director of the company's parent or of an entity consolidated by that parent. |
| Criterion 2 | Not being an Executive Officer of an entity in which (i) the company directly or indirectly holds a directorship or (ii) an employee of the company is designated as a director or (iii) an Executive Officer of the company (current, or who has held such office within the past five years) holds a directorship. |
| Criterion 3 | Not being (or not being directly or indirectly related to) a customer, supplier, investment banker or commercial banker<br>(i) that is material to the company or its group;<br>(ii) or for which the company or its group represents a significant proportion of its business. |
| Criterion 4 | Not being related by close family ties to a corporate officer. |
| Criterion 5 | Not having been a statutory auditor of the company within the previous five years. |
| Criterion 6 | Not having been a director of the company for more than 12 years. |

### Situation of directors in light of the independence criteria

The table below assesses director independence by reference to the criteria listed above. Directors representing employees or employee shareholders are not included, because they cannot in any circumstances be regarded as independent.

| | Criterion 1 (Not being an employee or Executive Officer) | Criterion 2 (No cross-directorships) | Criterion 3 (No business relationships) | Criterion 4 (No family ties) | Criterion 5 (Not a statutory auditor) | Criterion 6 (Less than 12 years' service) | Independence rating |
|---|---|---|---|---|---|---|---|
| **Martin Bouygues**<br>Chairman and CEO | x | x | x | x | ✓ | x | Not independent |
| **Olivier Bouygues**<br>Deputy CEO | x | x | x | x | ✓ | x | Not independent |
| **Cyril Bouygues**<br>Standing representative of SCDM Participations | x | ✓ | x | x | ✓ | ✓ | Not independent |
| **Edward Bouygues**<br>Standing representative of SCDM | x | ✓ | x | x | ✓ | ✓ | Not independent |
| **Clara Gaymard** | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | **Independent** |
| **Anne-Marie Idrac** | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | **Independent** |
| **Patrick Kron** | x | ✓ | ✓ | ✓ | ✓ | ✓ | Not independent |
| **Helman le Pas de Sécheval** | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | **Independent** |
| **Colette Lewiner** | x [a] | ✓ | ✓ | ✓ | ✓ | ✓ | **Independent** |
| **Alexandre de Rothschild** | ✓ | ✓ | x | ✓ | ✓ | ✓ | Not independent |
| **Rose-Marie Van Lerberghe** | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | **Independent** |

**Criterion met:** ✓ – **Criterion not met:** x

(a) Colette Lewiner is also a director of Colas, a company 96.6% owned by Bouygues, which may create a conflict of interest during some deliberations of the Bouygues Board of Directors. In accordance with the Afep-Medef Code application guidance issued in December 2016, the Board ensures that in such circumstances she refrains from taking part in deliberations and voting at Bouygues Board meetings. More generally, Colette Lewiner, like other directors, is required to comply with the principles and rules in the Conflicts of Interest Compliance Programme adopted by the Board in 2014, the main provisions of which are set out in section 5.3.5.2 below.

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**As regards criterion 3 (business relationships)**, the Board obtained assurance that none of the directors likely to qualify as independent was (or was directly or indirectly related to) a customer, supplier or banker that is material to Bouygues or a Bouygues group company. To this end, drawing on the work of the Selection and Remuneration Committee, the Board made a case-by-case assessment of any business relationships that may exist between Bouygues group companies and companies in which a director has a post or directorship.

Taking account of the recommendations of the AMF and the High Committee for Corporate Governance, the Board adopted a multi-criteria approach when considering material business relationships, while favouring a qualitative analysis. To this end, the Board took account of all the following criteria:

| | |
|---|---|
| Qualitative criteria | • The extent of the business relationship for each of the entities concerned (potential economic dependence between the parties, size of transactions, specific characteristics of certain markets, direct interest of the legal entity in the business relationship).<br>• The organisation of the relationship, including the position of the director concerned in the co-contracting company (length of directorship, whether the director has an operational role within the entity concerned, direct decision-making power over contracts, whether the director has a personal interest in the contracts or is entitled to remuneration linked to the contracts, etc.). In this respect, the Board referred to the definition contained in the Conflicts of Interest Compliance Programme approved by the Board in January 2014: *"There is a conflict of interest when the personal interests of an employee, senior executive or executive officer of the Group are in conflict with or compete with the interests of the Group company they work for. The concept of personal interests should be understood in the broadest sense of the term. It may involve the person's direct interests (material or simply moral) as well as the interests of a closely associated person (someone in their immediate entourage or entity with whom/which they have direct or indirect relationships)."* Additional information about how the Bouygues group manages conflicts of interest is given in section 5.3.5.2 below. |
| Quantitative criteria | • Sales generated by Bouygues group entities with entities of the group with which the director has a relationship, measured by comparing that sales figure with the total sales of the Bouygues group.<br>• The volume of purchases made by Bouygues group entities from entities of the group with which the director has a relationship, measured by comparing that volume with the total volume of purchases of the Bouygues group. |

Based on the above criteria, the Selection and Remuneration Committee reported to the Board as follows.

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|---|---|
| **Clara Gaymard** | Clara Gaymard is Co-founder of Raise. She is a director of Veolia Environnement, LVMH, Danone and Sages (since 2016).<br>The Selection and Remuneration Committee took account of the following factors:<br>• Business relationships exist between Bouygues group entities and entities of the **Veolia Environnement**, **LVMH** and **Danone** groups, but the sales and volume of purchases generated by those business relationships represent only a very small proportion of the business of the groups in question.<br>• There is no relationship of economic dependence, exclusivity or dominance in the sectors in which the Veolia Environnement, LVMH and Danone groups have business relationships with the Bouygues group.<br>• The business relationships arise in the normal course of business and in an ordinary competitive environment.<br>• Those business relationships do not involve Bouygues SA directly, but only certain subsidiaries or sub-subsidiaries.<br>• The Bouygues Board of Directors in no way interferes in those business relationships.<br>• Clara Gaymard has no operational role within the Veolia Environnement, LVMH and Danone groups. She has no decision-making power over the selection of service providers or the awarding, implementation or management of the contracts involved in the business relationships.<br>• She receives no remuneration from and has no personal interest in the contracts in question.<br>• The directorships or positions that she holds within the Veolia Environnement, LVMH and Danone groups are recent.<br>• In 2014, Bouygues SA took a decision to invest €10 million in the **Raise** investment fund. This decision was taken in light of the specific aims of the fund (support for innovative French businesses, and the existence of a philanthropic endowment fund dedicated to start-ups). |
| **Anne-Marie Idrac** | Anne-Marie Idrac chairs the supervisory board of the Toulouse-Blagnac Airport concession company (since 2015). She is a director of Saint-Gobain (since 2011), Total (since 2012) and Air France-KLM (since 2017). She is a Senior Advisor to Suez Environnement and to Sia Partners. In October 2017, she was appointed High Representative for the development of driverless vehicles.<br>The Selection and Remuneration Committee took account of the following factors:<br>• Business relationships exist between Bouygues group entities and entities of the **Saint-Gobain, Sia Partners, Suez Environnement, Total** and **Air France-KLM** groups, but the sales and volume of purchases generated by those business relationships represent only a very small proportion of the business of the groups in question.<br>• There is no relationship of economic dependence, exclusivity or dominance in the sectors in which the groups in question have business relationships with the Bouygues group.<br>• The business relationships arise in the normal course of business and in an ordinary competitive environment.<br>• Those business relationships do not involve Bouygues SA directly, but only certain subsidiaries or sub-subsidiaries.<br>• The Bouygues Board of Directors in no way interferes in those business relationships.<br>• Anne-Marie Idrac has no operational role within the entities in question. She has no decision-making power over the selection of service providers or the awarding, implementation or management of the contracts involved in the business relationships.<br>• She receives no remuneration from and has no personal interest in the contracts in question. |

| | |
|---|---|
| **Colette Lewiner** | In addition to her directorships at Bouygues and Colas, Colette Lewiner is a director of Nexans (since 2004), Eurotunnel (since 2011), EDF (since 2014) and Ingenico (since 2015). She is also Advisor to the Chairman of Capgemini, a company where she has spent most of her career.<br>The Selection and Remuneration Committee took account of the following factors:<br>• Business relationships exist between Bouygues group entities and entities of the **Capgemini** and **Nexans** groups, but the sales and volume of purchases generated by those business relationships represent only a very small proportion of the business of the groups in question.<br>• However, there are more material business relationships between Bouygues group entities and entities of the **EDF** group, due to a number of ongoing projects. In 2017, Bouygues Construction generated 3% of its sales with the EDF group (versus 2.2% in 2016 and 2.6% in 2015). In January 2017, EDF awarded the contract for construction of the buildings housing two EPR-technology nuclear reactors at the Hinkley Point C plant in the UK to Bouygues Construction subsidiary Bouygues Travaux Publics, in a joint venture with British contractor Laing O'Rourke. The Bouygues Construction share in the deal amounts to over €1.7 billion. However, the Board takes the view that those business relationships do not impair the independence of Colette Lewiner, in light of the factors described below.<br>• There is no relationship of economic dependence, exclusivity or dominance in the sectors in which the groups in question have business relationships with the Bouygues group.<br>• The business relationships arise in the normal course of business and in an ordinary competitive environment.<br>• For the most part, those business relationships do not involve Bouygues SA directly, but only certain subsidiaries or sub-subsidiaries.<br>• The Bouygues Board of Directors in no way interferes in those business relationships.<br>• Colette Lewiner has no operational role within the entities in question. She has no decision-making power over the selection of service providers or the awarding, implementation or management of the contracts involved in the business relationships.<br>• She receives no remuneration from and has no personal interest in the contracts in question. |
| **Helman le Pas de Sécheval** | Helman le Pas de Sécheval is General Counsel of the **Veolia** group (since 2012). He is a member of the Board of the AMF (since 2015).<br>The Selection and Remuneration Committee took account of the following factors:<br>• Business relationships exist between Bouygues group entities and entities of the **Veolia** group, but the sales and volume of purchases generated by those business relationships represent only a very small proportion of the business of the groups in question.<br>• There is no relationship of economic dependence, exclusivity or dominance in the sectors in which the Veolia group has business relationships with the Bouygues group.<br>• The business relationships arise in the normal course of business and in an ordinary competitive environment.<br>• Those business relationships do not involve Bouygues SA directly, but only certain subsidiaries or sub-subsidiaries.<br>• The Bouygues Board of Directors in no way interferes in those business relationships.<br>• Helman le Pas de Sécheval has no operational role within the entities in question. He has no decision-making power over the selection of service providers or the awarding, implementation or management of the contracts involved in the business relationships.<br>• He receives no remuneration from and has no personal interest in the contracts in question. |
| **Rose-Marie Van Lerberghe** | Rose-Marie Van Lerberghe chairs the Board of Directors of Orchestre des Champs-Elysées (since 2015). She is also a director of Fondation Hôpital Saint-Joseph (since 2011), a member of the supervisory board of Klépierre (since 2012), a director of CNP Assurances (since 2013), and Senior Advisor to BPI group. She was appointed Vice-Chairwoman of Klépierre in June 2017.<br>The Selection and Remuneration Committee took account of the following factors:<br>• Business relationships exist between Bouygues group entities and entities of the **CNP Assurances, BPI group,** and **Klépierre** groups, but the sales and volume of purchases generated by those business relationships represent only a very small proportion of the business of the groups in question.<br>• There is no relationship of economic dependence, exclusivity or dominance in the sectors in which the groups in question have business relationships with the Bouygues group.<br>• The business relationships arise in the normal course of business and in an ordinary competitive environment.<br>• Those business relationships do not involve Bouygues SA directly, but only certain subsidiaries or sub-subsidiaries.<br>• The Bouygues Board of Directors in no way interferes in those business relationships.<br>• Rose-Marie Van Lerberghe has no operational role within the entities in question. She has no decision-making power over the selection of service providers or the awarding, implementation or management of the contracts involved in the business relationships.<br>• She receives no remuneration from and has no personal interest in the contracts in question. |

In light of the above, the Board takes the view that the business relationships described above are not, by reference to the aforementioned quantitative and qualitative criteria, of a material nature such as to create conflicts of interest or impair the independence of the five directors in question. In any event, if the Board were to examine a transaction involving any of the entities concerned, the director in question would refrain from taking part in the deliberations and voting on that matter, in accordance with the Rules of Procedure of the Board of Directors and with the Conflicts of Interest Compliance Programme, the provisions of which are summarised in section 5.3.5.2 below.

## 45.5% of independent directors

The Rules of Procedure of the Bouygues Board of Directors specify that at least one third of directors must be independent within the meaning of the Afep-Medef Code.

At 21 February 2018, the Board of Directors had 11 members (excluding directors representing employees or employee shareholders, as required by paragraph 8.3 of the Afep-Medef Code). Of those 11 directors, five were independent, a proportion of 45.5%. This is a higher proportion than a year ago (41.6%).

According to paragraph 8.3 of the Afep-Medef Code, in widely held companies with no controlling shareholder one half of Board members must be independent directors. In companies with a controlling shareholder (within the meaning of Article L. 233-3 of the Commercial Code), at least one third of Board members must be independent directors. Directors representing employee shareholders and directors representing employees are not included when calculating the proportion of independent directors.

In response to a comment from the High Committee for Corporate Governance on this point, Martin Bouygues pointed out that the company is not "controlled" within the meaning of Article L. 233-3 of the Commercial Code, but nor is its capital "widely held". At 31 December 2017, SCDM held 21% of the share capital and 29.4% of the voting rights of Bouygues; at the same date, the employee share ownership funds (long-term investors) held 17.6% of the share capital and 23.9% of the voting rights. The Board also pays close attention to the quality of independent directors whose appointment is submitted for approval by the Annual General Meeting. Consequently, the Board of Directors takes the view that a 45.5% proportion of independent directors is appropriate to the capital structure of Bouygues and sufficient to prevent any conflicts of interest and ensure the proper governance of the company.

The Board is nonetheless committed to ensuring that the balance recommended by the Afep-Medef Code is maintained. As current terms of office expire, the Board will ensure that it changes its composition so as to respect the proportion of 50% of independent directors.

## 5.3.3 Conditions for preparing and organising the Board's work

### 5.3.3.1 Rules of Procedure of the Board of Directors

In 2002, the Board adopted Rules of Procedure to clarify the conditions under which its work is prepared and organised. The Rules of Procedure are reviewed regularly and have been amended on several occasions to comply with changes in laws and regulations, and to reflect recommendations issued by the AMF and changes to the Afep-Medef Code and to Bouygues' own internal control principles. The main rules contained in the Rules of Procedure are summarised in the present report. The full text can be downloaded from the company's website www.bouygues.com under Group, Corporate governance, Board of Directors.

### 5.3.3.2 Powers of the Board of Directors

The powers and duties of the Board of Directors are laid down by law. In addition, the Rules of Procedure of the Board of Directors specify the following:

- the Board of Directors, with the assistance of an ad hoc committee if needed, determines the company's strategic priorities, and examines and makes decisions on transactions of real strategic importance;
- the strategic priorities, business plans and financing policy for the business segments and the Group are presented to the Board for approval;
- the Board must give its prior approval for any transaction regarded as being of major significance for the Group including investments in organic growth, external acquisitions, disposals, or internal restructuring, particularly where the transaction is outside the scope of the company's stated strategy;
- Board authorisation is required for major financing transactions through public offerings or private placements as well as for the principal guarantees and major commitments;
- the Board oversees the quality of the information supplied to shareholders and to the markets, in particular through the financial statements and in connection with major transactions.

In addition, Bouygues has over the last few years implemented a number of practices to promote good corporate governance and limit the powers of the Chairman and Chief Executive Officer. In this respect, the following best practices can be cited:

- the existence of Rules of Procedure setting forth the rules governing the operation of the Board of Directors and the rules of conduct applying to directors;
- the existence of three specialised committees tasked with preparing the work of the Board in the following areas: selection and remuneration of senior executives; accounting and audit; and ethics, CSR and patronage;
- the presence of a significant proportion of independent directors on the Board and on each of the committees (see section 5.3.2);
- the presence on the Board and on each committee of directors representing employee shareholders or employees;
- annual meetings of directors without executive directors or internal directors being present;
- the existence of a Code of Ethics and a Code of Conduct for directors;
- the existence, at the initiative of the Ethics, CSR and Patronage Committee, of Compliance Programmes, including one on conflicts of interest and another on financial information and securities trading.

### 5.3.3.3 Calling of meetings, quorum and majority rules

Under the articles of association, the Board of Directors meets as often as necessary in the interests of the company. Meetings are called by the Chairman and may take place at the registered office or any other venue and may be convened in any way, including orally; they are only quorate when at least half of the Board members are in attendance. Decisions are taken by a majority of the directors present or represented. In the event of a tie, the Chairman of the meeting has the casting vote.

The Rules of Procedure stipulate that any director who participates in a Board meeting by video-conferencing, or any other telecommunications means with technical characteristics that allow directors to be identified and participate fully in the meeting, is deemed to be in attendance for the purposes of quorum and majority. As required by law, this provision does not apply to decisions on the preparation of the full-year parent company and consolidated financial statements or the management report.

### 5.3.3.4 Board meetings

The Board of Directors meets in ordinary session at least five times a year:

- In January, the Board reviews the Group's estimated sales and earnings for the previous financial year, and the strategic priorities, business plans and the financing policy for the business segments and the Group that are presented to it for approval.
- In February, it closes off the financial statements for the previous financial year.
- In May, it closes off the first-quarter financial statements.
- In August, it closes off the first-half financial statements.
- In November, it closes off the nine-month financial statements.

Other Board meetings are held as the Group's business requires.

Immediately after the January Board meeting a separate session is held at which no Executive Officers are present.

The agenda for meetings held to close the financial statements is in three parts: business review, accounting issues, and legal issues. A detailed file on each part is provided to each director.

The statutory auditors are invited to attend all meetings at which the Board reviews interim or full-year financial statements.

People who are not Board members, whether Bouygues group employees or not, may be invited to attend all or part of Board meetings.

### 5.3.3.5 Information and training

The Chairman must ensure that each director is provided with all the documents and information needed to perform their duties, including:

- information about market trends, the competitive environment and the main challenges facing the company, including corporate social responsibility issues;
- the information needed to monitor the progress of business activities and in particular sales figures and order books;
- the financial position, and in particular the company's cash position and commitments;
- any event that materially affects the Group's consolidated financial results or that may do so;
- material events in the human resources area and in particular trends in headcount;
- major risks to the company, any change therein, and the steps taken to control them.

Once each quarter, senior management reports to the Board of Directors on the previous quarter's operations and consolidated results.

Directors may obtain additional information on request. The Chairman and Chief Executive Officer and the Deputy Chief Executive Officers, along with the Chief Financial Officer and General Counsel, are always at the Board's disposal to provide explanations and relevant information.

Directors may also meet with the company's senior executives, and may do so without the Executive Officers present provided that the latter have been informed beforehand.

Committees tasked by the Board of Directors with addressing specific issues shall help to keep the Board well informed through their work and reports (see section 5.3.4).

Directors must always receive any document that the company and its subsidiaries have issued publicly, particularly information for shareholders.

Since May 2017, directors have had the use of a secure digital platform to make it easier for them to access relevant documents and information. This platform can also be accessed by the Works Council representative on the Board.

Directors may request additional training relating to the company, its business segments and the sectors in which it operates. As required by law, the directors representing employees receive at least 20 hours a year of specific training.

## 5.3.4 Board committees

The committees of the Board of Directors examine issues submitted to them for an opinion by the Board or its Chairman as well as matters assigned to them by the Rules of Procedure or by law. The Bouygues group has three Board committees:

- Accounts Committee;
- Selection and Remuneration Committee;
- Ethics, CSR and Patronage Committee.

Annexes to the Rules of Procedure, the content of which is indicated below, define the composition, remit and rules for the operation of the three committees. Executive Officers and salaried directors of Bouygues (other than directors representing employees or directors representing employee shareholders) cannot sit on the committees. The committees are chaired by independent directors.

The Board determines the composition and remit of each of the committees, which carry out their activities under the Board's responsibility. The Board appoints the committee members from among the directors.

### 5.3.4.1 Accounts Committee

The Accounts Committee was formed in 1996.

The Committee comprises the following directors:

| | | |
|---|---|---|
| CHAIRMAN | Helman le Pas de Sécheval | Independent director |
| MEMBERS | Clara Gaymard | Independent director |
| | Anne-Marie Idrac | Independent director |
| | Michèle Vilain | Director representing employee shareholders |

Three members of the Committee have particularly extensive skills and experience in financial matters. Helman le Pas de Sécheval has been head of the Financial Operations and Information department of the Commission des Opérations de Bourse (COB, now the AMF), and Chief Financial Officer of the Groupama group; he is currently on the Board of the AMF. Clara Gaymard has been an auditor at the Cour des Comptes state audit office and has held executive functions in the General Electric group. Anne-Marie Idrac has been director general at the Public Development Agency (EPA) of Cergy-Pontoise, Chair and CEO of the RATP (Paris public transport authority), and Chair of the SNCF (French state railways).

### Remit

The Accounts Committee, acting under the responsibility of the Board of Directors, is responsible for overseeing (i) matters related to the preparation and control of accounting and financial information, (ii) internal control and risk management systems, and (iii) matters related to the statutory auditors. In particular, the Committee is responsible for:

| Remit | Detailed description |
|---|---|
| **Oversight of the process for preparing financial information** | • Reviewing the parent company and consolidated financial statements before they are presented to the Board.<br>• Obtaining assurance that the accounting policies used in drawing up those financial statements are relevant and consistent.<br>• Reviewing any changes that have a material impact on the financial statements.<br>• Reviewing the principal optional treatments applied at the accounting close, key estimates and judgments, and the main changes in the scope of consolidation. |
| **Oversight of the effectiveness of internal control and risk management systems, and of internal audit, as regards procedures for preparing and processing accounting and financial information** | • Reviewing internal control procedures relating to the preparation of the financial statements, in conjunction with internal departments and qualified advisors.<br>• Reviewing the key accounting and financial risks faced by the company, any changes in those risks, and the arrangements put in place to manage them.<br>• Performing an annual review of the key risks faced by the company, any changes in those risks, and the arrangements put in place to manage them.<br>• Reviewing key information systems risks.<br>• Performing an annual review of the company's internal control assessment. |
| **Oversight of matters related to the statutory auditors** | • Organising the selection procedure as specified in the relevant laws and regulations with a view to the appointment of the statutory auditors by the Annual General Meeting.<br>• Making recommendations on the statutory auditors proposed for appointment at Annual General Meetings.<br>• Overseeing execution by the statutory auditors of their engagement.<br>• Obtaining assurance that the statutory auditors are in compliance with the independence criteria specified in the applicable laws and regulations, in particular examining the allocation of fees paid by the company itself and by Group companies between each statutory auditor (including members of their networks), including fees paid for services other than the statutory audit of the financial statements.<br>• Approving the provision of any services other than statutory audit that may be provided by the statutory auditors or by members of their networks, having first analysed the risks posed to the independence of the statutory auditors and the protective measures applied by them.<br>• Reporting to the Board of Directors on the outcomes of the statutory audit engagement, the way in which that engagement contributed to the integrity of financial information, and the role played by the Accounts Committee in that process. |
| **Specific tasks** | • In addition to these general and regular reviews, the Committee may also select specific topics for in-depth review, such as the consequences of disposals or acquisitions. It reviews the accounting treatment of key risks to which Group companies are exposed, in particular country risk, or (for example) risks involved in the execution of certain projects at Bouygues Construction. The Committee pays particular attention to changes in accounting policy and to optional treatments applied at the accounting close. |
| **Reporting to the Board of Directors** | • The Committee reports to the Board of Directors and issues recommendations on the matters described above, both periodically at accounting closes and whenever warranted by a specific event. It informs the Board promptly of any difficulty encountered. |



The Accounts Committee reviews the section on internal control and risk management included in the draft Report on corporate governance, and communicates any observations it may have on that draft.

### Operation

At the time of their appointment, Accounts Committee members are provided with information concerning the company's specific accounting, financial and operational characteristics.

Accounts Committee meetings are valid only if two or more of its members, including its Chairman, are in attendance. Meetings are called by the Chairman of the Committee, or at the request of the Chairman of the Board of Directors. The Committee meets at least four times each year to examine the quarterly, first-half and full-year financial statements before they are submitted to the Board. The Committee Chairman draws up the agenda. The opinions issued by the Committee are approved by a simple majority of its members. In the event of a tie, the Committee Chairman has the casting vote.

In carrying out its duties, the Committee has access to all accounting and financial documents that it deems useful. It must also meet with the statutory auditors and with senior executives of the company responsible for finance, accounting, cash management and internal audit. If the Committee so requests, such meetings must be held without the company's senior management being present.

The Committee may also have recourse to external experts, as provided for in the Afep-Medef Code.

The statutory auditors present to the Accounts Committee a summary of their work and of optional accounting treatments used at the accounting close.

The Committee meets with the statutory auditors at least once a year with no company representative present to ensure that they were given full access to information and that they have all the resources they need to fulfil their duties.

During the examination of the financial statements, the statutory auditors submit to the Accounts Committee a memorandum pointing out the essential aspects of the scope of consolidation, the findings of the statutory audit (in particular, any audit adjustments and significant internal control weaknesses identified during their work), and the optional accounting treatments applied. The Chief Financial Officer provides the Committee with a memorandum describing the company's risk exposure and material off-balance sheet commitments.

The statutory auditors' main recommendations are incorporated in an action plan and a follow-up procedure that are presented to the Accounts Committee and to senior management at least once a year.

The Accounts Committee's discussions and the information provided to it are highly confidential and must not be disclosed outside the Board of Directors, subject to the financial reporting obligations incumbent upon listed companies.

The Accounts Committee reports on its work at the next subsequent Board meeting, indicating the specific actions it has taken, its conclusions, and any recommendations it may have. It informs the Board promptly of any difficulty encountered in performing its duties.

### 5.3.4.2 Selection and Remuneration Committee

The Selection and Remuneration Committee was formed in April 2016 by merging the Selection Committee (set up in 1997) and the Remuneration Committee (set up in 1995).

The Committee comprises the following directors:

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| CHAIRWOMAN | Colette Lewiner | Independent director |
| MEMBERS | Francis Castagné | Director representing employees |
| | Helman le Pas de Sécheval | Independent director |

#### Remit

In accordance with the recommendations of the Afep-Medef Code, the remit of the Selection and Remuneration Committee is as described below:

| Remit | Detailed description |
|---|---|
| **Composition of the Board of Directors** | • Drawing up a succession plan for Executive Officers.<br>• Periodically reviewing issues related to the composition, organisation and operation of the Board of Directors in order to make proposals to the Board.<br>• Reviewing candidates for directorships and non-voting directorships, taking care to ensure that at least one third of Board members are independent directors. The Committee pays particular attention to the mix of skills, experience and knowledge of the Group's businesses that each candidate will need in order to make an effective contribution to the Board's work.<br>• Reviewing proposals to set up Board committees, and proposed lists of their remits and members.<br>• Giving an opinion on proposals presented to the Board to appoint, reappoint or remove from office a director or an Executive Officer. |
| **Remuneration** | • Submitting proposals annually to the Board of Directors regarding the principles and criteria for determining, allocating and awarding the fixed, variable and exceptional components of the total remuneration and benefits of all kinds to be awarded to Executive Officers, and to this end:<br>▪ proposing rules used to set the variable portion of the remuneration of Executive Officers, and ensuring that such rules are consistent with the assessment of their performance and with the company's medium-term strategy;<br>▪ proposing performance conditions for the vesting of Executive Officers' annual defined-benefit pension rights;<br>▪ issuing a recommendation annually on the remuneration and benefits of all kinds paid or awarded to each Executive Officer for the most recently ended financial year;<br>▪ proposing a general policy for awarding stock options, it being stipulated that (i) no discount may be offered on options awarded to Group senior executives and in particular to Executive Officers of the company and (ii) awards must be proportionate to the merits of each executive and fairly allocated between the beneficiaries;<br>▪ examining stock option plans awarded to Executive Officers and employees, and making recommendations to the Board on whether the option plans should involve new or existing shares;<br>▪ proposing remuneration and incentive arrangements for the Group's senior executives;<br>▪ where stock options or performance shares are awarded to an Executive Officer, making proposals on the number of shares resulting from the exercise of stock options or performance share grants that the beneficiary will be required to retain until the end of his or her term of office and proposing performance conditions for the granting and exercise of options or for the granting of performance shares;<br>▪ submitting each year to the Board of Directors drafts of the reports on remuneration of corporate officers, and on stock options and performance shares.<br>• Issuing a recommendation on the overall amount of directors' fees and the arrangements for allocating those fees between the directors. |

#### Operation

Selection and Remuneration Committee meetings are called by the Chairman of the Committee, or at the request of the Chairman of the Board of Directors. Committee meetings are valid only if two or more of its members, including its Chairman, are in attendance. The Committee Chairman draws up the agenda.

The opinions issued by the Committee are approved by a simple majority of its members. In the event of a tie, the Chairman has the casting vote.

In the course of its work, the Committee may meet with the Chairman of the Board of Directors or any other person designated by the Chairman.

The Committee reports on its work at the next subsequent meeting of the Board of Directors. No Executive Officer may be present when the report on the work of the Committee is presented to the Board of Directors.

### 5.3.4.3 Ethics, CSR and Patronage Committee

The Ethics, CSR and Patronage Committee was set up in 2001, and currently comprises the following directors:

| | | |
|---|---|---|
| CHAIRWOMAN | Anne-Marie Idrac | Independent director |
| MEMBERS | Raphaëlle Deflesselle | Director representing employees |
| | Sandra Nombret | Director representing employee shareholders |
| | Rose-Marie Van Lerberghe | Independent director |

#### Remit

The remit of the Ethics, CSR and Patronage Committee is as follows:

| Remit | Detailed description |
|---|---|
| Ethics | • Helping define rules of conduct and guiding principles to be followed by senior executives and other employees.<br>• Issuing recommendations or opinions on initiatives aimed at promoting best practice in this area.<br>• Monitoring compliance with these values and rules of conduct. |
| CSR | • Examining at least once a year issues encountered by the Group in terms of environmental, corporate and social responsibility.<br>• Giving its opinion to the Board on the CSR report required pursuant to Article L. 225-102-1 of the Commercial Code. |
| Patronage | • Setting rules or making recommendations for Bouygues.<br>• Giving its opinion to the Chairman of the Board on patronage initiatives proposed by Bouygues when they represent a significant financial investment.<br>• Ensuring that its recommendations are implemented and that these initiatives are properly carried out. |

#### Operation

Ethics, CSR and Patronage Committee meetings are called by the Chairman of the Committee, or at the request of the Chairman of the Board of Directors. In the course of its work, the Committee may meet with the Chairman of the Board of Directors or any other person designated by him. The Committee reports on its work at the next subsequent meeting of the Board of Directors.

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## 5.3.5 Ethical conduct

The directors of Bouygues are required to comply with all the rules of conduct listed in paragraph 19 of the Afep-Medef Code, and with the Code of Conduct appended to the Rules of Procedure of the Board of Directors. These documents are available on the Bouygues website.

The Code of Conduct includes detailed requirements regarding directors' duty to be informed, regular attendance, limitations on multiple directorships, preventing and managing conflicts of interest, holding shares in the company, confidentiality, and detailed measures for the prevention of insider dealing.

The Compliance Programmes approved in 2014 by the Board of Directors, then updated and supplemented in 2017, include rules relating to ethical conduct in securities trading and the prevention of conflicts of interest.

### 5.3.5.1 Rules related to regular attendance and multiple directorships

The Code of Conduct states that directors must devote the necessary time and attention to their functions. They must attend and participate regularly in the meetings of the Board and of any committees of which they are a member. Directors' fees include a variable component of 70% related to regular attendance (see section 5.4.1.3).

All directors are required to comply with the instructions set out in the Commercial Code governing multiple directorships in *Sociétés Anonymes* (public limited companies), as well as the recommendations of the Afep-Medef Code according to which:

- Executive Officers must not hold more than two other directorships in listed companies outside their group, including foreign companies, and must seek the opinion of the Board before accepting a new directorship in a listed company;
- directors must not hold more than four other directorships in listed companies outside their group, including foreign companies. This recommendation applies at the time of their appointment or of the next renewal of their term of office;
- directors must inform the Board of directorships held in other companies, including their involvement in the board committees of those companies, whether French or foreign.

As far as the Board of Directors is aware, all of the directors are in compliance with all these rules.

In 2017, the attendance rate at Board and Committee meetings was:

| | Board of Directors | Accounts Committee | Selection and Remuneration Committee | Ethics, CSR and Patronage Committee |
|---|---|---|---|---|
| Martin Bouygues | 6/6 (100%) | | | |
| Olivier Bouygues | 6/6 (100%) | | | |
| Cyril Bouygues | 6/6 (100%) | | | |
| Edward Bouygues | 6/6 (100%) | | | |
| François Bertière | 2/2 (100%) | | | |
| Francis Castagné | 6/6 (100%) | | 2/2 (100%) | |
| Raphaëlle Deflesselle | 6/6 (100%) | | | 5/5 (100%) |
| Clara Gaymard | 6/6 (100%) | 6/6 (100%) | | |
| Anne-Marie Idrac | 5/6 (83%) | 6/6 (100%) | | 5/5 (100%) |
| Patrick Kron | 6/6 (100%) | | | |
| Hervé Le Bouc | 2/2 (100%) | | | |
| Helman le Pas de Sécheval | 5/6 (83%) | 6/6 (100%) | 2/2 (100%) | |
| Colette Lewiner | 6/6 (100%) | | 2/2 (100%) | |
| Sandra Nombret | 6/6 (100%) | | | 5/5 (100%) |
| Alexandre de Rothschild | 4/4 (100%) | | | |
| Rose-Marie Van Lerberghe | 4/6 (67%) | | | 3/5 (60%) |
| Michèle Vilain | 6/6 (100%) | 6/6 (100%) | | |
| **AVERAGE** | **96%** | **100%** | **100%** | **83%** |

## 5.3.5.2 Rules on preventing and managing conflicts of interest

The Code of Conduct for directors sets forth specific measures on conflicts of interest. These measures are supplemented by a compliance programme on conflicts of interest adopted by the Board of Directors in January 2014. The aim of this programme is to cover situations in which a Bouygues group employee or senior executive faces a conflict of interest in connection with his or her professional activity or office.

The provisions of the Conflicts of Interest Compliance Programme relating to directors and Executive Officers are as follows:

*"Directors and executive officers of all Group companies are required to pay special care and attention to conflicts of interest."*

*"7.1. Specific regulations on so-called "regulated agreements" deal with conflicts of interest that may arise between the company and its senior executives — Chief Executive Officer, Deputy CEOs, directors, chairman of a simplified limited company (Société par Actions Simplifiée – SAS), etc. — or between the company and a shareholder with more than 10% of the company's voting rights (or an entity controlling such a shareholder) as a result of (i) agreements between them and the company; (ii) agreements in which the senior executive or shareholder may indirectly have an interest; or (iii) agreements between two companies with common senior executives."*

*"Those regulations must be strictly applied within the Group. Legal departments should make sure that the regulations on regulated agreements and the Bouygues group Internal Charter on Regulated Agreements are strictly observed."*

*"7.2. Directors and Executive Officers should inform their board of directors of any conflict of interest, even potential, between their duties to the company and their private interests. The chairman of a board may at any time ask directors and non-voting directors to provide a written statement confirming that they are not subject to a conflict of interest."*

*"7.3. Directors must refrain from voting on any issue that concerns them directly or indirectly. In some cases, this obligation to refrain from voting may even require the relevant person not to attend meetings and not to have sight of the documents about the issue in question."*

*"7.4. Directors and Executive Officers must not engage in any activity that would place them in a conflict of interest situation and must not hold an interest in a client, supplier or rival company if such an investment might influence their behaviour in the performance of their duties."*

The same provisions are set out in the Rules of Procedure of the Board of Directors, which also stipulate that *"The Chairman of the Board may ask* *directors at any time to confirm in writing that they are not subject to any conflict of interest."*

As of the date of this report, the company is aware of the following potential conflicts of interest:

- major shareholders of the Group (SCDM, SCDM Participations and Group employee shareholders) are directly or indirectly represented on the Board of Directors by Martin Bouygues, Olivier Bouygues, Edward Bouygues, Cyril Bouygues, Sandra Nombret and Michèle Vilain;
- potential conflicts of interest exist because some of the directors hold functions or directorships in other companies. The list of those functions or directorships is set out above (see section 5.1);
- Martin Bouygues, Olivier Bouygues, Edward Bouygues and Cyril Bouygues have family ties with one another. The company is not aware of other family ties between Board members;
- Sandra Nombret, Michèle Vilain, Raphaëlle Deflesselle and Francis Castagné are bound by employment contracts to Bouygues subsidiaries;
- Martin Bouygues, Olivier Bouygues, Edward Bouygues and Colette Lewiner hold directorships in Bouygues subsidiaries.

As far as the company is aware, as of the date of this report there are no other potential conflicts of interest between the duties of any member of the Board of Directors to the company and their private interests or other duties.

As far as the company is aware, and subject to the agreement between SCDM and Bouygues, none of the members of the Bouygues Board of Directors is linked to the company or any of its subsidiaries by a service agreement providing for benefits.

The Auditors' special report on regulated agreements and commitments (see chapter 8, section 8.3 of this Registration Document) details the agreements and commitments submitted to the Board of Directors for authorisation and on which directors abstained from voting because of actual or potential conflicts of interest.

## 5.3.5.3 Regulated agreements

The Bouygues group Internal Charter on Regulated Agreements, approved by the Board of Directors, is available on www.bouygues.com. The aim of this Charter is to make it easier for Bouygues group companies to identify agreements which, because they directly or indirectly concern a senior executive or a shareholder, must follow the regulated agreements procedure stipulated by the Commercial Code (prior authorisation from the Board of Directors, auditors' special report, approval by the Annual General Meeting).

Regulated agreements authorised by the Bouygues Board of Directors but not yet approved by the Annual General Meeting are described in the Board of Directors' report on the resolutions (see chapter 8, section 8.2 of this Registration Document) as well as in the Auditors' special report on regulated agreements (see chapter 8, section 8.3.1 of this Registration Document). This report also mentions regulated agreements for which the effects continue over time, which the Board of Directors reviews each year. Only new agreements are submitted to the Annual General Meeting for approval.

## 5.3.5.4 Convictions and court orders

As far as the company is aware, during the last five years no member of the Board of Directors has been:

- found guilty of fraud, incriminated or subject to official public sanction by any statutory or regulatory body;
- associated, in the capacity of senior executive, with any insolvency, compulsory administration or liquidation proceedings;
- prevented by a court from acting as a member of an issuer's administrative, management or supervisory body or from being involved in an issuer's management or the conduct of its business.

## 5.3.5.5 Restrictions agreed to by the members of the Board of Directors in relation to the sale of their shares in the company

The articles of association stipulate that each director, with the exception of the directors representing employees, must hold at least ten shares in the company. The Rules of Procedure recommend that each director own 500 shares in the company.

In addition, when awarding stock options or performance shares, the Board of Directors must determine the number of performance shares or shares arising from exercise of options that Executive Officers are required to retain until they cease to hold office (see section 6.4.1).

Subject to the above, the members of the Board of Directors have not agreed to any restriction in relation to the sale of their investment in the capital of the company, with the exception of the rules relating to the prevention of insider dealing, summarised in section 5.3.5.6 below.

## 5.3.5.6 Prevention of insider dealing

All Bouygues directors are required to comply with the Code of Conduct rules on the prevention of insider dealing. The Code of Conduct is set out in Annex 1 of the Rules of Procedure of the Board of Directors, accessible on the Bouygues website. The Financial Information and Securities Trading Compliance Programme, adopted by the Board in January 2014, sets out and supplements those rules, and was updated in September 2017 to reflect new measures arising from the entry into force in July 2016 of EU Regulation No. 596/2014 of 16 April 2014 on market abuse. In August 2016, the directors were informed in advance of the new measures and the Board of Directors updated the Rules of Procedure accordingly.

## 5.3.6 Evaluation of the Board of Directors

The Rules of Procedure of the Board of Directors stipulate that the Board should periodically evaluate its ability to meet shareholders' expectations by reviewing its composition, organisation and operation, and by undertaking a similar review of Board committees.

Consequently, every year the Board includes on the agenda of its November meeting a discussion on the way in which the Board operates.

In accordance with the recommendations of the Afep-Medef Code, this formal evaluation has three objectives:

- assess the way in which the Board and its committees operate;
- check that important issues are suitably prepared and debated;
- measure the actual contribution of each director to the Board's work through his or her competence and involvement in discussions.

Shareholders are informed each year in the Registration Document that an evaluation has been performed and what action is being taken as a result.

On 15 November 2017, the Board of Directors carried out a formal evaluation of its organisation and operation, based on detailed questionnaires sent to directors and committee members. The questionnaires were prepared in collaboration with members of the Selection and Remuneration Committee, and included questions relating to the self-assessment of the other directors. Directors were also invited to have discussions with the General Counsel to ensure they were as well prepared as possible for the meeting.

The response rate was 100% (versus 87% in 2016). These responses were reviewed by the General Counsel, in liaison with the Selection and Remuneration Committee, and compared with those from previous years in order to assess what progress had been achieved and what still needed to be done.

The main conclusions of the evaluation were as follows:

| | |
|---|---|
| **General evaluation** | • Board and its committees operating well.<br>• Good quality of discussion.<br>• Good level of contribution by each director to the work of the Board. |
| **Progress achieved** | • The observations or wishes expressed by directors in recent years have been taken into account: the number of directors has been reduced, and the proportion of women on the Board and of independent directors has been increased; the annual evaluation of the Board and its committees has since 2017 been carried out under the management of the Selection and Remuneration Committee; and starting in 2017, the Board is given an annual presentation on the Human Resources function and its actions. |
| **Areas for improvement** | • Further increase the proportion of independent directors. |

## 5.3.7 Work of the Board and committees in 2017

### 5.3.7.1 Work of the Board

The Board of Directors met six times in 2017. The attendance rate was 96%.

The table below shows the main issues that featured on the agenda of each meeting.

| | |
|---|---|
| **17 January** | • Three-year strategic priorities and business plans for the Group and its business segments.<br>• Mapping of the Group's major risks.<br>• Consultation of the Works Council on strategic orientations.<br>• Report of the Ethics, CSR and Patronage Committee.<br>• Review of the principal claims and litigation involving the Group.<br>• Review of ongoing regulated agreements.<br>• Update of the Rules of Procedure of the Board of Directors.<br>• Meeting of non-executive directors without the executive directors or internal directors present, in particular to carry out an assessment of the Executive Officers and consider future management arrangements. |
| **22 February** | • 2016 business activity, outlook and objectives of the Group and business segments for 2017.<br>• Position of the Group's business segments compared with their main competitors.<br>• Report of the Accounts Committee.<br>• Opinion of the statutory auditors.<br>• Closing off the consolidated and parent company financial statements for the 2016 financial year, accounting documents and forecasts, consolidated financial statements, proposed appropriation of profits, and management report.<br>• Reports of the Selection and Remuneration Committee.<br>• Report on the remuneration of corporate officers, special report on stock options.<br>• Description of the share buyback programme.<br>• Approval of the Report by the Chairman on corporate governance and internal control.<br>• Proposal to appoint Alexandre de Rothschild as a director.<br>• Proposal to renew the term of office of Helman le Pas de Sécheval as a director.<br>• Composition of the Board committees after the Annual General Meeting of 27 April 2017.<br>• Setting the variable remuneration of senior executives for the 2016 financial year and establishment of rules for determining the remuneration of senior executives for the 2017 financial year.<br>• Convening of the Combined Annual General Meeting; finalisation of the agenda, the draft resolutions and the reports submitted to the general meeting.<br>• Delegation of financial authority to Martin Bouygues and Olivier Bouygues in relation to corporate bonds.<br>• List of companies that fall within the scope of the group tax election.<br>• Approval of regulated agreements.<br>• Press release. |
| **16 May** | • Business activity and financial statements for the first quarter of 2017.<br>• Alstom group: results for the 2016/17 financial year, and outlook.<br>• Comparisons between the Bouygues group and its competitors.<br>• Action plans, outlook and objectives for the Group and its business segments.<br>• Report of the Accounts Committee and opinion of the statutory auditors.<br>• Closing off the first-quarter financial statements.<br>• Human Resources policy.<br>• Renewal of the term of office of Martin Bouygues as Chairman and Chief Executive Officer.<br>• Stock option plan.<br>• Embargoes and Export Restrictions Compliance Programme.<br>• Status report on training for directors representing employee shareholders and directors representing employees.<br>• Digitisation of the Board of Directors.<br>• Regulated agreements.<br>• Press release. |
| **30 August** | • Key figures and business activity for the first half of 2017.<br>• Comparison between the Group and its competitors, outlook and objectives for 2017.<br>• Report of the Accounts Committee and opinion of the statutory auditors.<br>• Closing off the first-half financial statements and approval of the Half-year Financial Report.<br>• Report of the Selection and Remuneration Committee.<br>• Renewal of the term of office of Olivier Bouygues as Deputy Chief Executive Officer.<br>• Renewal of the authority granted to the Chairman and Chief Executive Officer to give guarantees, endorsements and sureties.<br>• Press release. |
| **26 September** | • Review of the proposed merger of the rail businesses of Alstom and Siemens. |
| **15 November** | • Business activity and financial statements for the first nine months of 2017, sales objectives for the 2017 financial year.<br>• Terms and conditions of capital increase reserved for employees (Bouygues Confiance n°9) and adoption of supplementary report.<br>• Evaluation of the Board.<br>• Gender parity in terms of career development and pay.<br>• Approval of regulated agreements.<br>• Press release. |

### 5.3.7.2 Work of the Accounts Committee

The Accounts Committee met six times in 2017. The attendance rate was 100%.

The Accounts Committee reviewed the full-year parent company financial statements, the quarterly, first-half and full-year consolidated financial statements and the corresponding draft press releases, as well as the "Internal control and risk management procedures" section of the draft Report by the Chairman. The Committee also reviewed other issues, including:

| | |
|---|---|
| **13 January 2017** | • Implementation of regulatory changes on audit and the Accounts Committee's role.<br>• Mapping of the Group's major risks.<br>• Principal claims and litigation to which the Group is a party. |
| **20 February 2017** | • Valuations of the principal equity interests held by the Group.<br>• Internal audit and internal control issues.<br>• Statutory auditors' assignments.<br>• Impact of the Bouygues Confiance n°8 employee share ownership plan and the sale of the equity interest in Adelac on the Group's financial statements and financial position.<br>• Activity review of key projects and of certain subsidiaries of Bouygues Construction, Bouygues Immobilier and Colas.<br>• Impact on the Colas financial statements of the closure of the Dunkirk refinery (Société de Raffinerie de Dunkerque), the sale of equity interests, and a dispute in Canada.<br>• Impact on the TF1 financial statements of transformation costs, the acquisition of Newen Studios, and LCI's migration to freeview.<br>• Impact on the Bouygues Telecom financial statements of the agreements with Cellnex.<br>• Auditors' fees.<br>• Overview of internal audit assignments and internal control outcomes for 2016. |
| **12 May 2017** | • Valuations of the principal equity interests held by Bouygues SA.<br>• Terms and conditions of the Alstom share options held by Bouygues SA.<br>• Results of key projects at Bouygues Construction.<br>• Activity review on key projects at Bouygues Construction and Colas.<br>• Dispute involving Colas in Canada.<br>• Acquisitions and divestment by TF1 and Bouygues Telecom.<br>• Auditors' fees.<br>• Overview of internal control activities.<br>• Insurance policies contracted by the Group. |
| **28 and 30 August 2017** | • Valuations of the principal equity interests held by Bouygues SA.<br>• Activity review on major projects.<br>• Ongoing litigation.<br>• Impact of the divestment by TF1 of its equity interest in Groupe AB.<br>• Bouygues Telecom-Cellnex agreement.<br>• Services provided by the statutory auditors and regulatory changes.<br>• Overview of internal audit activities.<br>• Fraud reporting and implementation of the Sapin 2 law.<br>• Presentation by the statutory auditors.<br>• Presentation about a fraud case in the international operations of Colas. |
| **13 November 2017** | • Valuations of the principal equity interests held by Bouygues SA.<br>• Merger deal between Alstom and Siemens.<br>• Activity review of major projects and of certain subsidiaries of Bouygues Construction, Bouygues Immobilier and Colas.<br>• Bouygues Telecom-Cellnex agreement.<br>• Impact of new international financial reporting standards on the consolidated financial statements.<br>• Audit reform, and the consequences for the statutory auditors' report to the Accounts Committee.<br>• Services provided by the statutory auditors and forecasts for 2017.<br>• Internal audit plan for 2018. |

In furtherance of its remit the Accounts Committee interviewed Philippe Marien, Deputy CEO of the Group (in particular on material risks and off-balance sheet commitments of the company), the Accounts and Audit Director, the head of consolidation and the statutory auditors, without the Executive Officers being present.

In accordance with paragraph 15.3 of the Afep-Medef Code, the company ensures that Committee members are supplied with the relevant files sufficiently far in advance (between one-and-a-half and four days ahead of each Committee meeting) for them to have time to examine those files properly before the Committee meeting. A digital platform was put in place in February 2017 to make it easier to access documents on a timely basis.

### 5.3.7.3 Selection and Remuneration Committee

The Selection and Remuneration Committee met twice in 2017. The attendance rate was 100%.

| | |
|---|---|
| **14 and 17 February 2017** | • Review of the composition of the Board and its committees.<br>• Positive opinion on the independent director status of Clara Gaymard, Anne-Marie Idrac, Helman le Pas de Sécheval, Colette Lewiner and Rose-Marie Van Lerberghe.<br>• Proposal to renew the term of office of Helman le Pas de Sécheval as a director and to appoint Alexandre de Rothschild as a director.<br>• Review of the corporate governance section of the draft Report by the Chairman.<br>• Proposed calculation of 2016 remuneration of Executive Officers.<br>• Proposed calculation method for 2017 remuneration of Executive Officers.<br>• Proposal to create medium-term multi-year remuneration arrangements for Executive Officers.<br>• Review of the terms of the defined-benefit pension scheme, and proposal to introduce performance conditions.<br>• Review of the remuneration of business segment heads.<br>• Proposed award of an employee stock option plan in May 2017.<br>• Review of the drafts of the reports on remuneration of corporate officers, and on stock options and performance shares.<br>• Proposal to raise the level of directors' fees. |
| **16 May 2017** | • Proposal that the Board renew the option to combine the offices of Chairman and Chief Executive Officer, renew the terms of office of Martin Bouygues as Chairman and as Chief Executive Officer for a further one-year period; and reiteration of the Board decisions of 22 February 2017 on his remuneration for the 2017 financial year.<br>• Review of the 2017 stock option plan (principal beneficiaries).<br>• Update on the Annual General Meeting of 27 April 2017. |

### 5.3.7.4 Work of the Ethics, CSR and Patronage Committee

The Ethics, CSR and Patronage Committee met four times in 2017. The attendance rate was 90%.

| | |
|---|---|
| **17 January 2017** | • Non-compliant practices at a foreign subsidiary. |
| **13 March 2017** | • Review of the 2016 CSR report – Overview of the Annual Report and the conclusions of Ernst & Young on the Group's CSR actions.<br>• CSR strategies and outcomes at Bouygues Telecom.<br>• Positive opinion on requests for new or continuing support for health, education and humanitarian initiatives. |
| **12 May 2017** | • Opinion on patronage initiatives.<br>• Ethical issues.<br>• Embargoes and Export Restrictions Compliance Programme; updates of other Compliance Programmes; incorporation of the Compliance Programmes into the Rules of Procedure. |
| **30 August 2017** | • Non-compliant practices at a foreign subsidiary. |
| **15 November 2017** | • Update on the issue discussed on 30 August.<br>• Findings of the audit on CSR reporting.<br>• Patronage. |

## 5.3.8 Delegations of authority to increase the share capital conferred on the Board of Directors

As required by paragraph 3 of Article L. 225-37-4 of the Commercial Code, the table below summarises 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.

Only the authorisations to award stock options and increase share capital for the benefit of employees were used during the 2017 financial year.

| Purpose | Maximum nominal amount | Expiry/ Duration | Use in 2017 |
|---|---|---|---|
| 1. Increase share capital with pre-emptive rights for existing shareholders (AGM of 27 April 2017, Resolution 18) | • Capital increase: €150 million<br>• Issue of debt securities: €7 billion | 27 June 2019 (26 months) | None |
| 2. Increase share capital by incorporating share premiums, reserves or earnings into capital (AGM of 27 April 2017, Resolution 19) | €4 billion | 27 June 2019 (26 months) | None |
| 3. Increase share capital by way of public offering without pre-emptive rights for existing shareholders (AGM of 27 April 2017, Resolution 20) | • Capital increase: €85 million [a]<br>• Issue of debt securities: €4 billion [a] | 27 June 2019 (26 months) | None |
| 4. Increase share capital by way of private placement (AGM of 27 April 2017, Resolution 21) | • Capital increase: 20% of the share capital over 12 months and €70 million [a]<br>• Issue of debt securities: €3 billion [a] | 27 June 2019 (26 months) | None |
| 5. Set the price for immediate or future issues of equity securities by way of public offering or private placement, without pre-emptive rights for existing shareholders (AGM of 27 April 2017, Resolution 22) | 10% of the share capital in any 12-month period | 27 June 2019 (26 months) | None |
| 6. Increase the number of securities to be issued in the event of a capital increase with or without pre-emptive rights for existing shareholders (AGM of 27 April 2017, Resolution 23) | 15% of the initial issue | 27 June 2019 (26 months) | None |
| 7. Increase share capital as consideration for contributions in kind consisting of another company's equity securities or securities giving access to capital, outside of a public exchange offer (AGM of 27 April 2017, Resolution 24) | 10% of the share capital [a]<br>• Issue of debt securities: €1.5 billion [a] | 27 June 2019 (26 months) | None |
| 8. Increase share capital as consideration for securities tendered to a public exchange offer initiated by Bouygues (AGM of 27 April 2017, Resolution 25) | • Capital increase: €85 million [a]<br>• Issue of debt securities: €4 billion [a] | 27 June 2019 (26 months) | None |
| 9. Issue shares following the issue by a Bouygues subsidiary of securities giving access to shares in Bouygues (AGM of 27 April 2017, Resolution 26) | Capital increase: €85 million [a] | 27 June 2019 (26 months) | None |
| 10. Increase share capital for the benefit of employees or corporate officers who are members of a company savings scheme (AGM of 27 April 2017, Resolution 27) | 5% of the share capital | 27 June 2019 (26 months) | 4,725,897 new shares were issued on 27 December 2017 as part of the Bouygues Confiance n°9 share ownership plan |
| 11. Grant options to acquire new or existing shares (AGM of 27 April 2017, Resolution 28) | 2% of the share capital (Executive Officers: 0.25% of the share capital) | 27 June 2019 (26 months) | 2,570,800 stock options granted to 841 beneficiaries on 1 June 2017 |
| 12. Allot existing or new bonus shares (i.e. free shares) (AGM of 21 April 2016, Resolution 21) | 5% of the share capital (Executive Officers: 0.1% of the share capital) | 21 June 2019 (38 months) | None |
| 13. Issue equity warrants during the period of a public offer (AGM of 27 April 2017, Resolution 29) | • Capital increase: €85 million and 25% of the share capital<br>• The number of warrants is capped at one quarter of the number of existing shares | 27 October 2018 (18 months) | None |

(a) To be deducted from the overall ceiling referred to in point 1.

# 5.4 REMUNERATION OF CORPORATE OFFICERS

This section contains the reports required by the Commercial Code, and the tables recommended in the Afep-Medef Corporate Governance Code and in AMF pronouncements on information to be included in the registration documents of listed companies about the remuneration of corporate officers.

## 5.4.1 Remuneration for 2017

Information required under Articles L. 225-37-3 and L. 225-100 paragraph II of the Commercial Code, and reiterating the principles and criteria covered by the twelfth resolution of the Annual General Meeting of 27 April 2017.

### 5.4.1.1 Principles and rules for determining remuneration awarded to Executive Officers in 2017

The Board of Directors has consistently applied the successive changes to the Afep-Medef Corporate Governance Code, including those in the application guidance issued by the High Committee for Corporate Governance in October 2016 and the revised version of the Code issued in November 2016.

The principles and rules currently applied by the Board, and used to determine remuneration for the 2017 financial year, are described below. As required by Article L. 225-37-2 of the Commercial Code, the Board submitted the principles and criteria for determining, allocating and awarding the remuneration components of Executive Officers for 2017 to a shareholder vote at the Annual General Meeting of 27 April 2017. The remuneration policy was approved when the twelfth resolution of the Annual General Meeting was passed with 90.13% in favour.

#### A. General preliminary remarks

- None of the four Executive Officers holds an employment contract. Prior to their appointment as Deputy Chief Executive Officers, Philippe Marien and Olivier Roussat were employees of Bouygues SA, but their employment contracts were suspended effective from the date of their appointment, i.e. 30 August 2016.
- The Board of Directors has not granted them any entitlement to severance compensation or non-competition indemnity in the event that they leave the company.
- They were not awarded any deferred annual variable remuneration or exceptional remuneration in 2017.
- A new medium-term remuneration component was introduced in 2017, in the form of multi-year variable remuneration subject to performance conditions.
- The overall remuneration package awarded to Executive Officers takes account of the existence of a capped supplementary pension benefit, and of the fact that they are not entitled to any severance compensation or non-competition indemnity.
- Apart from directors' fees (see Table 4 below), no Group subsidiary pays any remuneration to Martin Bouygues, Olivier Bouygues or Philippe Marien.

In parallel with his role as Deputy Chief Executive Officer of Bouygues, Olivier Roussat also holds office as Chairman and Chief Executive Officer of Bouygues Telecom. Consequently, his remuneration is charged 60% to Bouygues and 40% to Bouygues Telecom.

#### B. General structure of 2017 remuneration of Executive Officers

| |
|---|
| Fixed Remuneration (FR) |
| Performance-related annual variable remuneration |
| Performance-related multi-year variable remuneration [a] |
| Directors' fees |
| Benefits in kind |
| Performance-related supplementary pension |

(a) Awarded only to Martin Bouygues and Olivier Bouygues in 2017.

#### C. 2017 fixed remuneration

The rules used to determine Fixed Remuneration (FR) were established in 1999 and have been applied consistently ever since. Fixed remuneration is determined according to the level and complexity of the person's responsibilities, experience in the post and length of service with the Group, and practices followed by groups or companies carrying on comparable businesses.

#### D. 2017 benefits in kind

Benefits in kind consist of the use of a company car, and in the case of Martin Bouygues and Olivier Bouygues the part-time assignment of a personal assistant and a chauffeur/security guard for their personal needs.

## E. 2017 annual variable remuneration

### General description of method used to determine the 2017 annual variable remuneration of Martin Bouygues, Olivier Bouygues, Olivier Roussat and Philippe Marien

The Board has defined five variable remuneration criteria for Martin Bouygues, Olivier Bouygues, Olivier Roussat and Philippe Marien.

An objective is set for each criterion. When the objective is attained, a variable portion corresponding to a percentage of fixed remuneration is awarded.

In the case of those portions of variable remuneration linked to a quantitative criterion, if an objective is exceeded or not attained the variable portion is adjusted on a straight line basis within a specified range. The variable portion is subject to an upper limit, and is reduced to zero if the objective falls below a lower limit.

The sum total of the five variable portions calculated on this basis cannot under any circumstances exceed the overall cap, set in 2017, of 160% of each Executive Officer's fixed remuneration (see below).

### The five criteria used to determine the 2017 annual variable remuneration of Martin Bouygues, Olivier Bouygues, Olivier Roussat and Philippe Marien

For 2017, the variable remuneration of Martin Bouygues, Olivier Bouygues, Olivier Roussat and Philippe Marien is based on the performance of the Group, determined by reference to four key quantitative criteria and to qualitative criteria (P1, P2, P3, P4 and P5):

- P1 = Current operating profit (COP) for the year / Objective = COP per the 2017 plan
- P2 = Consolidated net profit attributable to the Group (CNP) for the year (excluding exceptional items) / Objective = CNP per the 2017 plan
- P3 = Consolidated net profit attributable to the Group (CNP) for the year / Objective = CNP for the previous year
- P4 = Change in net debt (CND) during the year (excluding external growth not built into the plan) / Objective = CND per the 2017 plan
- P5 = Qualitative criteria set by the Board (performance in CSR and compliance)

The quantitative objectives (P1, P2, P3 and P4) and the qualitative criterion (P5) were established with precision but are not disclosed for confidentiality reasons.

The method used to determine the annual variable remuneration of the Executive Officers for 2017 is as follows:

(FR = Fixed Remuneration)

The effective weight of each criterion used to determine each variable portion awarded (P1, P2, P3, P4 and P5) reflects the actual performance achieved during the year.

Each of the P1, P2, P3 and P4 components is calculated as follows:

1) If actual performance is more than 10% below the Objective: the component concerned (P1, P2, P3 or P4) = 0

2) If actual performance is in the range between (Objective – 10%) and the Objective:

   P1 = 0% to 40% of FR

   P2 = 0% to 40% of FR

   P3 = 0% to 30% of FR

   P4 = 0% to 20% of FR

3) If actual performance is higher than the Objective:

   P1 = 40% to 70% of FR

   P2 = 40% to 70% of FR

   P3 = 30% to 50% of FR

   P4 = 20% to 30% of FR

Between these limits the effective weight of each component is determined by linear interpolation.

The P5 component is determined on the basis of CSR and compliance performance as assessed by the Board, and is capped at 30% of FR.

The sum of the five components P1, P2, P3, P4 and P5 calculated according to the above method may never exceed a **cap of 160% of FR (i.e. €1,472,000).**

The table below summarises the method used to determine annual variable remuneration.

| | | Variable remuneration calculation method | | |
|---|---|---|---|---|
| | **Objective** | **Theoretical annual variable remuneration if objective is attained** Cap (% of FR) | **Maximum theoretical annual variable remuneration if objective is exceeded** (% of FR) | **Annual variable remuneration awarded based on 2017 performance** (% of FR) |
| P1 | Current operating profit for the year per the 2017 plan | 40% | 70% | 47.5% |
| P2 | Consolidated net profit for the year per the 2017 plan | 40% | 70% | 70% |
| P3 | Actual consolidated net profit for the previous year (2016 CNP) | 30% | 50% | 50% |
| P4 | Change in net debt per the 2017 plan | 20% | 30% | 30% |
| P5 | Qualitative criteria (CSR and compliance) | 30% | 30% | 30% |
| | | Total = 160% of FR | Total = 250% of FR<br>Reduced to 160% | Total = 227.5% of FR<br>Reduced to 160% |
| Cap | | 160% | 160% | 160% |

FR: Fixed Remuneration.

## F. 2017 multi-year variable remuneration

Martin Bouygues and Olivier Bouygues were awarded multi-year variable remuneration in 2017. Olivier Roussat and Philippe Marien having been appointed in 2016, they were not awarded multi-year variable remuneration in 2017.

The 2017 multi-year variable remuneration of Martin Bouygues and Olivier Bouygues is based on medium-term performance, determined by reference to two quantitative criteria potentially giving entitlement to two components (P6 and P7):

- P6 = Average of actual consolidated current operating profit (COP) of the Group for 2017, 2016 and 2015 / Average COP figures for 2017, 2016 and 2015 set as objectives in the business plan.
- P7 = Average of actual consolidated net profit (CNP) of the Group for 2017, 2016 and 2015 / Average CNP figures for 2017, 2016 and 2015 set as objectives in the business plan.

These quantitative objectives were established with precision but are not disclosed for confidentiality reasons.

The method used to determine the 2017 multi-year variable remuneration of Martin Bouygues and Olivier Bouygues is as follows:

(FR = Fixed Remuneration)

- P6: If the Objective is attained P6 = 0

If the Average of the three actual COP figures is 20% or more above the Objective => P6 = 15% of FR

- P7: If the Objective is attained P7 = 0

If the Average of the three actual CNP figures is 20% or more above the Objective => P7 = 15% of FR

Between these limits the effective weight of each component is determined by linear interpolation, in the range from 0% to 15%.

Consequently, 2017 multi-year variable remuneration is capped at 30% of FR (i.e. at €276,000).

The table below summarises the method used to determine multi-year variable remuneration:

| | Multi-year variable remuneration (MYVR) calculation method | | | |
|---|---|---|---|---|
| | Theoretical MYVR | | | |
| **Objective** | **If the Objective is attained** | | **If actual performance is ≥ 20% above the Objective** | **MYVR awarded based on 2017 performance** |
| P6: Average of 2017, 2016 and 2015 COP per the plan | 0% of FR | Linear interpolation ←→ between 0% and 15% | 15% of FR | 4.5% of FR |
| P7: Average of 2017, 2016 and 2015 CNP per the plan | 0% of FR | Linear interpolation ←→ between 0% and 15% | 15% of FR | 15% of FR |
| Cap | | | 30% | 30% |
| 2017 MYVR | | | | 19.5% |

FR: Fixed Remuneration.

5

## G. Exceptional remuneration

In exceptional circumstances, the Board of Directors may, on the advice of the Selection and Remuneration Committee, grant an exceptional bonus.

## H. 2017 directors' fees

Martin Bouygues and Olivier Bouygues receive and retain the directors' fees paid by Bouygues and by certain Group subsidiaries. Philippe Marien and Olivier Roussat retain the directors' fees paid by certain subsidiaries (see sections 5.4.1.2 and 5.4.1.3 below).

## I. 2017 supplementary pension

The four Executive Officers are entitled, subject to certain conditions, to a supplementary pension when they retire.

### Performance conditions for the supplementary pension in 2017

Under Article 229 of the law of 6 August 2015, vesting of the pension rights of Executive Officers of listed companies in respect of a given financial year must now be subject to performance conditions.

Martin Bouygues and Olivier Bouygues cannot acquire any supplementary pension rights in 2017 since the rights vested in them to date have reached the cap set by the Board of Directors (eight times the annual social security ceiling).

Philippe Marien and Olivier Roussat having been appointed Deputy Chief Executive Officers, the Board of Directors has set performance conditions that must be met if they are to acquire pension rights for 2017.

The table below summarises the method used to determine pension rights for 2017:

**Supplementary pension scheme**

| | | |
|---|---|---|
| Annual cap on vesting of pension rights = 0.92% of the 2017 reference salary (Fixed + Annual Variable) | | |
| Performance conditions | | |
| Objective<br>= plan average – 10%<br>(average of CNP figures per the 2017 and 2016 plans) | If the Average of actual CNP figures for 2017 and 2016 is more than 10% below the Objective<br>Pension rights = 0 | If the Average of actual CNP figures for 2017 and 2016 is ≥ the Objective<br>Pension rights = 0.92% |
| | ← Linear interpolation between 0% and 0.92% → | |

Overall cap on pension rights = 8 times social security ceiling (giving a cap of €313,824 in 2017).

**Note:** Annual pension rights for 2017 are contingent on CNP performances for 2017 and 2016. In 2018, annual pension rights would be contingent on CNP performances for 2018, 2017 and 2016.

Those performances were achieved by Philippe Marien and Olivier Roussat in 2017. Consequently, their pension rights would be 0.92% of their reference salary.

### Information provided by the company on pension commitments or other lifetime benefits pursuant to Articles L. 225-37-3 (paragraph 3) and D. 225-104-1 of the Commercial Code

The characteristics of the supplementary pension scheme awarded to the Group's senior executives are as follows:

1. Title of the commitment: defined-benefit collective pension scheme.
2. Reference to legal provisions identifying the scheme: Article L. 137-11 of the Social Security Code.
3. Conditions for joining the scheme and other eligibility conditions. The beneficiary must:
   - be a member of the Group Management Committee on the date of voluntary or compulsory retirement;
   - have at least ten years' service with the Bouygues group at the date of voluntary or compulsory retirement;
   - have definitively ended his or her professional career at one of the Group companies (this condition is fulfilled when the employee is part of the workforce at the date of voluntary or compulsory retirement);
   - be at least 65 years old at the date of voluntary or compulsory retirement;
   - fulfil the eligibility criteria for pension benefits under the basic social security pension scheme and the mandatory supplementary schemes (ARRCO and AGIRC);
   - meet the performance conditions set by the Board of Directors.
4. Method of determining the reference salary specified by the scheme and used to calculate the rights of beneficiaries:

   The reference salary must be equal to the average gross salary of the three best calendar years of the Executive Officer or employee at the Bouygues group during his or her period on the Group Management Committee, adjusted to reflect changes in the value of pension entitlement points under the AGIRC scheme, on the date the term of office ends or the employment contract is terminated. The reference gross salary is that used to calculate social security contributions in accordance with Article L. 242-1 of the Social Security Code.
5. Pattern of vesting of rights: annual.
6. Annual cap on vesting of pension rights: 0.92% of reference salary.
7. Overall cap (amount and calculation method): eight times the annual social security ceiling, giving a cap of €313,824 in 2017.

8. Terms and conditions for funding the benefit: outsourced to an insurance company, to which a contribution is paid each year.
9. Estimated amount of annual annuity at the end of the reporting period:

| Name | Annual annuity € |
|---|---|
| Martin Bouygues | 310,074 |
| Olivier Bouygues | 222,174 |
| Philippe Marien | 174,263 |
| Olivier Roussat | 237,922 |

Note: The annual annuities of Martin Bouygues and Olivier Bouygues would each amount to eight times the annual social security ceiling once the contributions paid into the scheme by SCDM, calculated on a pro rata basis for the time spent on SCDM business each year by the person concerned, are taken into account.

Note: Before being appointed as Deputy Chief Executive Officers, Philippe Marien and Olivier Roussat were already members of the Group Management Committee and as such were entitled to benefit from the defined-benefit pension scheme described above.

10. Tax and social security charges borne by the company: the contributions paid into the scheme by the company are not subject to employers' social security charges or to the CSG or CRDS levies. However, the company is required to pay a levy set at 24% of those contributions.

## J. Other information on remuneration

The remuneration of Martin Bouygues and Olivier Bouygues, as determined by the Bouygues Board of Directors, is paid by SCDM. SCDM then invoices Bouygues this remuneration and the related social security charges, pursuant to the agreement governing relations between Bouygues and SCDM as approved under the regulated agreements procedure. Those invoices strictly reflect the amounts of remuneration as determined by the Bouygues Board of Directors. The agreement between Bouygues and SCDM was approved by the Annual General Meeting of 27 April 2017 (fourth resolution) under the regulated agreements procedure.

Olivier Bouygues spends part of his time on SCDM business. The Board of Directors has ensured that his remuneration reflects how he splits his time. His operational responsibilities within SCDM do not significantly reduce his availability and do not give rise to a conflict of interest.

As mentioned above, because Olivier Roussat holds office as Chairman and Chief Executive Officer of Bouygues Telecom in parallel with his office as Deputy Chief Executive Officer of Bouygues, 60% of his remuneration is charged to Bouygues and 40% to Bouygues Telecom.

## K. Combined Annual General Meeting of 27 April 2017 – Say on Pay

The Annual General Meeting of 27 April 2017 expressed a favourable opinion on the remuneration components awarded in respect of the 2016 financial year to Martin Bouygues (eighth resolution, passed with 98.29% in favour), Olivier Bouygues (ninth resolution, 98.27% in favour), Philippe Marien (tenth resolution, 97.48% in favour) and Olivier Roussat (eleventh resolution, 97.48% in favour).

### 5.4.1.2 Remuneration of Executive Officers in respect of the 2017 financial year

**Description of the remuneration of Martin Bouygues, Chairman and Chief Executive Officer, in respect of the 2017 financial year**

| I. Remuneration components due or awarded in respect of the 2017 financial year and submitted to the Annual General Meeting of 26 April 2018 for approval (Resolution 7) | Quantity/ accounting value € | Comments |
|---|---|---|
| Fixed remuneration | 920,000 | Martin Bouygues' fixed remuneration has not changed since 2003. |
| Change versus 2016 | 0% | |
| Annual variable remuneration | 1,472,000 | Variable remuneration criteria (2017 financial year): see 5.4.1.1 (E) above. |
| Change versus 2016 | +6.67% | |
| Variable/fixed [a] | 160% | |
| Cap [b] | 160% | |
| Multi-year variable remuneration | 179,400 | Medium-term remuneration introduced by the Board for the first time in 2017. |
| Deferred variable remuneration | | No deferred variable remuneration. |
| Exceptional remuneration | | No exceptional remuneration. |
| Value of stock options, performance shares or any other long-term remuneration awarded in respect of the year | | No stock options, performance shares or other long-term remuneration awarded in respect of the year. |
| Directors' fees | 90,200<br>• of which Bouygues: 70,000<br>• of which subsidiaries: 20,200 | |
| Value of benefits in kind | 31,892 | Company car.<br>Part-time assignment of personal assistant and chauffeur/security guard for personal needs. |

| II. For information: remuneration components due or awarded in respect of the 2017 financial year and approved by the Annual General Meeting under the regulated agreements procedure (AGM of 27 April 2017, Resolution 4) | Quantity/ accounting value € | Comments |
|---|---|---|
| Severance compensation | | No severance compensation. |
| Non-competition indemnity | | No non-competition indemnity. |
| Supplementary pension scheme | | Martin Bouygues, on the same basis and subject to the same conditions as the other members of the Group Management Committee, belongs to a supplementary pension scheme giving entitlement to an annual pension equal to 0.92% of the reference salary (average of the three best years) per year in the scheme, capped at eight times the social security ceiling (giving a cap of €313,824 for 2017). Because he has reached this cap, Martin Bouygues cannot acquire any further rights.<br>Entitlement to this supplementary pension is acquired only after ten years' service with the Bouygues group and is contingent on the beneficiary being a member of the Group Management Committee at the date of retirement. If he had retired in 2017, taking into account his length of service, Martin Bouygues would have been entitled to an annual pension of €310,074 (although the €313,824 cap would have been reached because Martin Bouygues has also acquired pension rights through the office he holds at SCDM).<br>In accordance with the Afep-Medef Code, this does not exceed 45% of his reference income. |
| **TOTAL** | **2,693,492** | |
| Change versus 2016 | +12.16% | |

(a) Variable remuneration expressed as a percentage of fixed remuneration.
(b) Cap on variable remuneration, set at a percentage of fixed remuneration.

### Description of the remuneration of Olivier Bouygues, Deputy Chief Executive Officer, in respect of the 2017 financial year

| **I. Remuneration components due or awarded in respect of the 2017 financial year and submitted to the Annual General Meeting of 26 April 2018 for approval (Resolution 8)** | **Quantity/ accounting value** € | **Comments** |
|---|---|---|
| Fixed remuneration | 500,000 | Olivier Bouygues' fixed remuneration has not changed since 2009. |
| Change versus 2016 | 0% | |
| Annual variable remuneration | 800,000 | Variable remuneration criteria (2017 financial year): see 5.4.1.1 (E) above. |
| Change versus 2016 | +6.67% | |
| Variable/fixed [a] | 160% | |
| Cap [b] | 160% | |
| Multi-year variable remuneration | 97,500 | Medium-term remuneration introduced by the Board for the first time in 2017. |
| Deferred variable remuneration | | No deferred variable remuneration. |
| Exceptional remuneration | | No exceptional remuneration. |
| Value of stock options, performance shares or any other long-term remuneration awarded in respect of the year | | No stock options, performance shares or other long-term remuneration awarded in respect of the year. |
| Directors' fees | 90,417<br>• of which Bouygues: 40,000<br>• of which subsidiaries: 50,417 | |
| Value of benefits in kind | 11,631 | Company car.<br>Part-time assignment of personal assistant and chauffeur/security guard for personal needs. |
| **II. For information: remuneration components due or awarded in respect of the 2017 financial year and approved by the Annual General Meeting under the regulated agreements procedure (AGM of 27 April 2017, Resolution 4)** | **Quantity/ accounting value** € | **Comments** |
| Severance compensation | | No severance compensation. |
| Non-competition indemnity | | No non-competition indemnity. |
| Supplementary pension scheme | | Olivier Bouygues, on the same basis and subject to the same conditions as the other members of the Group Management Committee, belongs to a supplementary pension scheme giving entitlement to an annual pension equal to 0.92% of the reference salary (average of the three best years) per year in the scheme, capped at eight times the social security ceiling (giving a cap of €313,824 for 2017). Because he has reached this cap, Olivier Bouygues cannot acquire any further rights.<br>Entitlement to this supplementary pension is acquired only after ten years' service with the Bouygues group and is contingent on the beneficiary being a member of the Group Management Committee at the date of retirement. If he had retired in 2017, taking into account his length of service, Olivier Bouygues would have been entitled to an annual pension of €222,174 (although the €313,824 cap would have been reached because Olivier Bouygues has also acquired pension rights through the office he holds at SCDM).<br>In accordance with the Afep-Medef Code, this does not exceed 45% of his reference income. |
| **TOTAL** | **1,499,548** | |
| Change versus 2016 | +12.19% | |

(a) Variable remuneration expressed as a percentage of fixed remuneration.
(b) Cap on variable remuneration, set at a percentage of fixed remuneration.

## Description of the remuneration of Olivier Roussat, Deputy Chief Executive Officer, in respect of the 2017 financial year

| **I. Remuneration components due or awarded in respect of the 2017 financial year and submitted to the Annual General Meeting of 26 April 2018 for approval (Resolution 10)** | **Quantity/ accounting value** € | **Comments** |
|---|---|---|
| Fixed remuneration | 552,000 | Corresponds to 60% of Olivier Roussat's fixed remuneration, the remainder being charged to Bouygues Telecom. |
| Change versus 2016 | not applicable | Olivier Roussat was appointed as a Deputy CEO of Bouygues on 30 August 2016 (see comments at "TOTAL" below). |
| Variable remuneration | 883,200 | Corresponds to 60% of Olivier Roussat's variable remuneration, the remainder being charged to Bouygues Telecom. Variable remuneration criteria (2017 financial year): see 5.4.1.1 (E) above. |
| Change versus 2016 | not applicable | |
| Variable/fixed [a] | 160% | |
| Cap [b] | 160% | |
| Multi-year variable remuneration | | No multi-year variable remuneration. |
| Deferred variable remuneration | | No deferred variable remuneration. |
| Exceptional remuneration | | No exceptional remuneration. |
| Value of stock options, performance shares or any other long-term remuneration awarded during the period in respect of the year | | No stock options, performance shares or other long-term remuneration awarded in respect of the year. |
| Directors' fees | Directors' fees – subsidiaries: 34,550 | |
| Value of benefits in kind | 16,504 | Company car and unemployment insurance. |

| **II. For information: remuneration components due or awarded in respect of the 2017 financial year and approved by the Annual General Meeting under the regulated agreements procedure (AGM of 27 April 2017, Resolution 4)** | **Quantity/ accounting value** € | **Comments** |
|---|---|---|
| Severance compensation | | No severance compensation. |
| Non-competition indemnity | | No non-competition indemnity. |
| Supplementary pension scheme | | Olivier Roussat, on the same basis and subject to the same conditions as the other members of the Group Management Committee, belongs to a supplementary pension scheme giving entitlement to an annual pension equal to 0.92% of the reference salary (average of the three best years) per year in the scheme, capped at eight times the social security ceiling (giving a cap of €313,824 for 2017). Entitlement to this supplementary pension is acquired only after ten years' service with the Bouygues group and is contingent on the beneficiary being a member of the Group Management Committee at the date of retirement. If he had retired in 2017, Olivier Roussat would have been entitled, taking into account his length of service, to an annual pension of €237,922. In accordance with the Afep-Medef Code, this does not exceed 45% of his reference income. |
| **TOTAL** | **1,486,254** | Olivier Roussat was appointed as a Deputy CEO of Bouygues on 30 August 2016. The total amount of his remuneration components for the last four months of 2016 was €476,037 (60% being charged to Bouygues, the remaining 40% being charged to Bouygues Telecom). |

(a) Variable remuneration expressed as a percentage of fixed remuneration.
(b) Cap on variable remuneration, set at a percentage of fixed remuneration.

## Description of the remuneration of Philippe Marien, Deputy Chief Executive Officer, in respect of the 2017 financial year

| **I. Remuneration components due or awarded in respect of the 2017 financial year and submitted to the Annual General Meeting of 26 April 2018 for approval (Resolution 9)** | **Quantity/ accounting value** € | **Comments** |
|---|---|---|
| Fixed remuneration | 920,000 | Philippe Marien was appointed as a Deputy CEO of Bouygues on 30 August 2016 (see comments at "TOTAL" below). |
| Change versus 2016 | not applicable | |
| Variable remuneration | 1,472,000 | Variable remuneration criteria (2017 financial year): see 5.4.1.1 (E) above. |
| Change versus 2016 | not applicable | |
| Variable/fixed [a] | 160% | |
| Cap [b] | 160% | |
| Multi-year variable remuneration | | No multi-year variable remuneration. |
| Deferred variable remuneration | | No deferred variable remuneration. |
| Exceptional remuneration | | No exceptional remuneration. |
| Value of stock options, performance shares or any other long-term remuneration awarded in respect of the year | | No stock options, performance shares or other long-term remuneration awarded in respect of the year. |
| Directors' fees | Directors' fees – subsidiaries: 78,400 | |
| Value of benefits in kind | 8,533 | Company car. |

| **II. For information: remuneration components due or awarded in respect of the 2017 financial year and approved by the Annual General Meeting under the regulated agreements procedure (AGM of 27 April 2017, Resolution 4)** | **Quantity/ accounting value** € | **Comments** |
|---|---|---|
| Severance compensation | | No severance compensation. |
| Non-competition indemnity | | No non-competition indemnity. |
| Supplementary pension scheme | | Philippe Marien, on the same basis and subject to the same conditions as the other members of the Group Management Committee, belongs to a supplementary pension scheme giving entitlement to an annual pension equal to 0.92% of the reference salary (average of the three best years) per year in the scheme, capped at eight times the social security ceiling (giving a cap of €313,824 for 2017).<br>Entitlement to this supplementary pension is acquired only after ten years' service with the Bouygues group and is contingent on the beneficiary being a member of the Group Management Committee at the date of retirement. If he had retired in 2017, Philippe Marien would have been entitled, taking into account his length of service, to an annual pension of €174,263.<br>In accordance with the Afep-Medef Code, this does not exceed 45% of his reference income. |
| **TOTAL** | **2,478,933** | Philippe Marien was appointed as a Deputy CEO of Bouygues on 30 August 2016. The total amount of his remuneration components for the last four months of 2016 was €640,016. |

(a) Variable remuneration expressed as a percentage of fixed remuneration.
(b) Cap on variable remuneration, set at a percentage of fixed remuneration.

### Table 1 – General summary of legal status of Executive Officers: Restrictions on combining corporate office with employment contract – Supplementary pension – Severance compensation – Non-competition indemnity

| Executive Officer | Employment contract | | Supplementary pension scheme | | Compensation or other benefits due or liable to become due on cessation or change of office | | Non-competition indemnities | |
|---|---|---|---|---|---|---|---|---|
| | yes | no | yes | no | yes | no | yes | no |
| **Martin Bouygues**<br>Office: Chairman and CEO | | X | X | | | X | | X |
| **Olivier Bouygues**<br>Office: Deputy CEO | | X | X | | | X | | X |
| **Olivier Roussat**<br>Office: Deputy CEO | | X [a] | X | | | X | | X |
| **Philippe Marien**<br>Office: Deputy CEO | | X [a] | X | | | X | | X |

(a) Employment contracts suspended with effect from 1 September 2016.

### Table 2 – General summary of remuneration, benefits in kind and options awarded to the four Executive Officers in 2017

| | Martin Bouygues (Chairman and CEO) | | Olivier Bouygues (Deputy CEO) | | Olivier Roussat (Deputy CEO) | | Philippe Marien (Deputy CEO) | |
|---|---|---|---|---|---|---|---|---|
| € | in 2017 | in 2016 | in 2017 | in 2016 | in 2017 | in 2016 | in 2017 | in 2016 |
| Remuneration due in respect of the year or period (see details in Table 3 and Table 4) | 2,693,492 | 2,401,522 | 1,499,548 | 1,336,631 | 1,486,254 | 476,034 | 2,478,933 | 640,116 |
| Value of options awarded during the year or period [a] | | | | | | | | |
| Value of performance shares awarded during the year or period [b] | | | | | | | | |
| **TOTAL** | **2,693,492** | **2,401,522** | **1,499,548** | **1,336,631** | **1,486,254** | **476,034** | **2,478,933** | **640,116** |
| **CHANGE 2017 VS 2016** | +12.16% | | +12.19% | | not applicable | | not applicable | |

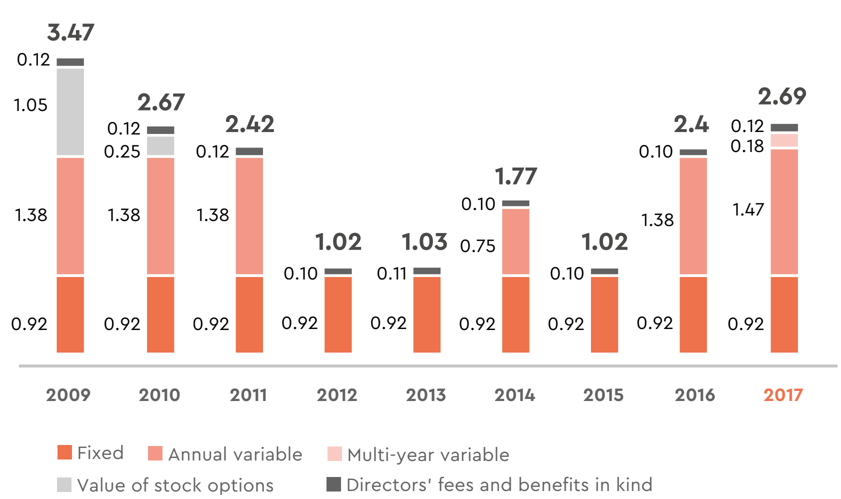
(a) No options were awarded to either Martin Bouygues or Olivier Bouygues in 2016 or 2017. Olivier Roussat and Philippe Marien were each awarded 80,000 options in May 2016 prior to their appointment as Deputy Chief Executive Officers. They were not awarded any options in 2017.

(b) Bouygues has not awarded any performance shares.

### Martin Bouygues – Chairman and Chief Executive Officer

Number of options awarded in 2017: 0

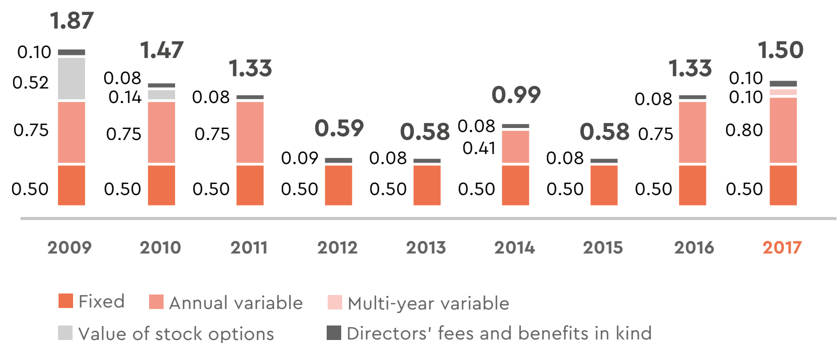
€ million



### Olivier Bouygues – Deputy Chief Executive Officer

Number of options awarded in 2017: 0

€ million




Note: Because Olivier Roussat and Philippe Marien were appointed as Deputy Chief Executive Officers on 30 August 2016, 2016/2017 comparisons are not meaningful. The year-on-year change in their remuneration will be reported in the 2018 Registration Document.

## Table 3 – Detailed breakdown of remuneration awarded to the four Executive Officers in respect of the 2017 financial year

The Selection and Remuneration Committee has carried out an assessment of the attainment level of the variable remuneration criteria for the four Executive Officers.

| Office held and length of service with the Group | Remuneration [a] | Amounts [b] in respect of 2017 € | | Amounts [b] in respect of 2016 € | | Variable remuneration criteria [f] (2017) |
|---|---|---|---|---|---|---|
| | | due [c] | paid | due [c] | paid | |
| **Martin Bouygues**<br>Chairman and CEO<br>(44 years) | Fixed<br>• Change | 920,000<br>0% | 920,000<br>0% | 920,000<br>0% | 920,000<br>0% | • P1 = Current operating profit versus plan (40%)<br>• P2 = Consolidated net profit [g] versus plan (40%)<br>• P3 = Change in consolidated net profit [g] versus 2016 (30%)<br>• P4 = Change in net debt versus plan (20%)<br>• P5 = Qualitative criteria: CSR and compliance (30%) |
| | Variable<br>• Change<br>• Variable/fixed [d]<br>• Cap [e] | 1,472,000<br>+6.67%<br>160%<br>160% | 1,380,000 | 1,380,000<br><br>150%<br>150% | | |
| | Multi-year variable | 179,400 | | | | |
| | Exceptional | | | | | |
| | Directors' fees | 90,200 | 90,200 | 70,200 | 70,200 | |
| | Benefits in kind | 31,892 | 31,892 | 31,322 | 31,322 | |
| | **Total** | **2,693,492** | **2,422,092 [h]** | **2,401,522** | **1,021,522** | |
| **Olivier Bouygues**<br>Deputy CEO<br>(44 years) | Fixed<br>• Change | 500,000<br>0% | 500,000<br>0% | 500,000<br>0% | 500,000<br>0% | • P1 = Current operating profit versus plan (40%)<br>• P2 = Consolidated net profit [g] versus plan (40%)<br>• P3 = Change in consolidated net profit [g] versus 2016 (30%)<br>• P4 = Change in net debt versus plan (20%)<br>• P5 = Qualitative criteria: CSR and compliance (30%) |
| | Variable<br>• Change<br>• Variable/fixed [d]<br>• Cap [e] | 800,000<br>+6.67%<br>160%<br>160% | 750,000 | 750,000<br><br>150%<br>150% | | |
| | Multi-year variable | 97,500 | | | | |
| | Exceptional | | | | | |
| | Directors' fees | 90,417 | 90,417 | 75,875 | 75,875 | |
| | Benefits in kind | 11,631 | 11,631 | 10,756 | 10,756 | |
| | **Total** | **1,499,548** | **1,352,048 [h]** | **1,336,631** | **586,631** | |

*See footnotes to table on following page.*

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| Office held and length of service with the Group | Remuneration[a] | Amounts[b] in respect of 2017 € due[c] | Amounts[b] in respect of 2017 € paid | Amounts[b] in respect of the last four months of 2016 € due[c] | Amounts[b] in respect of the last four months of 2016 € paid | Variable remuneration criteria[f] (2017) |
|---|---|---|---|---|---|---|
| **Olivier Roussat**<br>Deputy CEO<br>(23 years) | Fixed<br>• Change | 552,000<br>not applicable | 552,000 | 184,000<br>not applicable | 184,000 | • P1 = Current operating profit versus plan (40%)<br>• P2 = Consolidated net profit[g] versus plan (40%)<br>• P3 = Change in consolidated net profit[g] versus 2016 (30%)<br>• P4 = Change in net debt versus plan (20%)<br>• P5 = Qualitative criteria: CSR and compliance (30%) |
| | Variable<br>• Change<br>• Variable/fixed[d]<br>• Cap[e] | 883,200<br>not applicable<br>160%<br>160% | 276,000 | 276,000 | | |
| | Exceptional | | | | | |
| | Directors' fees | 34,550 | 34,550 | 11,517 | 11,517 | |
| | Benefits in kind | 16,504 | 16,504 | 4,517 | 4,517 | |
| | **Total** | **1,486,254** | **879,054** | **476,034** | **200,034** | |
| **Philippe Marien**<br>Deputy CEO<br>(37 years) | Fixed<br>• Change | 920,000<br>not applicable | 920,000 | 306,667<br>not applicable | 306,667 | • P1 = Current operating profit versus plan (40%)<br>• P2 = Consolidated net profit[g] versus plan (40%)<br>• P3 = Change in consolidated net profit[g] versus 2016 (30%)<br>• P4 = Change in net debt versus plan (20%)<br>• P5 = Qualitative criteria: CSR and compliance (30%) |
| | Variable<br>• Change<br>• Variable/fixed[d]<br>• Cap[e] | 1,472,000<br>not applicable<br>160%<br>160% | 306,667 | 306,667<br><br>100%<br>150% | | |
| | Exceptional | | | | | |
| | Directors' fees | 78,400 | 78,400 | 25,567 | 25,567 | |
| | Benefits in kind | 8,533 | 8,533 | 1,215 | 1,215 | |
| | **Total** | **2,478,933** | **1,313,600** | **640,116** | **333,449** | |
| **TOTAL FOR THE FOUR EXECUTIVE OFFICERS** | | **8,158,227** | **5,966,794** | **4,854,303** | **2,141,636** | |

(a) Subject to remuneration awarded to Olivier Roussat in his capacity as Chairman and CEO of Bouygues Telecom (see page 216), no remuneration other than that mentioned in the table was paid to the Executive Officers by Bouygues group companies.
(b) Amounts due = all amounts awarded in respect of the financial year. Amounts paid = all amounts paid during the financial year (bearing in mind that up until 2017 the variable portion awarded for any one financial year was actually paid in the first quarter of the following financial year), and that as from 2018, the variable portion will be paid after and subject to the approval of the Annual General Meeting.
(c) Amounts due – Change: the percentages shown under the amount of fixed and variable remuneration indicate the change relative to the previous financial year.
(d) Variable remuneration expressed as a percentage of fixed remuneration.
(e) Cap on variable remuneration, set at a percentage of fixed remuneration.
(f) Variable remuneration criteria: the percentages shown indicate the weight attached to each criterion in determining total variable remuneration.
(g) Consolidated net profit = consolidated net profit (attributable to the Group) for Bouygues (excluding exceptional items).
(h) The difference versus 2016 is due to the decision by the Annual General Meeting of 27 April 2017 to increase directors' fees for 2017 and subsequent years. There was also a small increase in benefits in kind during the financial year.

### 5.4.1.3 Directors' fees

The thirteenth resolution of the Annual General Meeting of 27 April 2017 set the total amount of directors' fees payable to Bouygues directors at €1,000,000 for each financial year, leaving it to the Board of Directors to determine how this amount should be allocated.

The thirteenth resolution was passed with 98.96% of votes in favour.

Directors' fees comprise (i) a fixed portion of 30% and (ii) a variable portion of 70% calculated in proportion to the actual presence of each director at the five periodic Board meetings held each year and (for committee members) at committee meetings.

The Board of Directors changed the amount of directors' fees in 2017 to bring it into line with the amounts paid by comparable companies.

| | |
|---|---|
| • Chairman and CEO | €70,000<br>(€50,000 before 2017) |
| • Directors | €40,000<br>(€25,000 before 2017) |
| • Accounts Committee members | €16,000<br>(€14,000 before 2017) |
| • Members of other committees (Selection and Remuneration; Ethics, CSR and Patronage) | €12,000<br>(€7,000 before 2017) |

### Table 4 – Directors' fees paid in respect of the 2017 financial year

| € | | Source (Notes 1 & 2) | 2017 | 2016 |
|---|---|---|---|---|
| M. Bouygues | Chairman and CEO | Bouygues<br>Subsidiaries | 70,000<br>20,200 | 50,000<br>20,200 |
| O. Bouygues | Deputy CEO | Bouygues<br>Subsidiaries | 40,000<br>50,417 | 25,000<br>50,875 |
| **SUB-TOTAL – EXECUTIVE OFFICERS** | | **BOUYGUES<br>SUBSIDIARIES<br>SUB-TOTAL** | **110,000<br>70,617<br>180,617** | **75,000<br>71,075<br>146,075** |
| C. Bouygues | Director | Bouygues | 40,000 | 16,125 |
| E. Bouygues | Director | Bouygues<br>Subsidiaries | 40,000<br>12,500 | 16,125 |
| R. Deflesselle | Director | Bouygues | 40,000<br>12,000 | 25,000<br>7,000 |
| F. Castagné | Director | Bouygues | 40,000<br>12,000 | 16,125<br>4,025 |
| C. Gaymard | Director | Bouygues | 40,000<br>16,000 | 16,125<br>9,030 |
| A.-M. Idrac | Director | Bouygues | 34,400<br>28,000 | 21,500<br>17,080 |
| P. Kron | Director | Bouygues | 40,000 | 25,000 |
| C. Lewiner | Director | Bouygues<br><br>Subsidiaries | 40,000<br>12,000<br>32,000 | 21,500<br>7,000<br>26,400 |
| H. le Pas de Sécheval | Director | Bouygues | 34,400<br>28,000 | 25,000<br>21,000 |
| S. Nombret | Director | Bouygues | 40,000<br>12,000 | 25,000<br>7,000 |
| Alexandre de Rothschild [a] | Director | Bouygues | 25,800 | |
| R.-M. Van Lerberghe | Director | Bouygues | 28,800<br>8,640 | 25,000<br>7,000 |
| M. Vilain | Director | Bouygues | 40,000<br>16,000 | 25,000<br>14,000 |
| **SUB-TOTAL – OTHER DIRECTORS *(NOTE 3)*** | | **BOUYGUES<br>SUBSIDIARIES<br>SUB-TOTAL** | **628,040<br>44,500<br>672,540** | **350,635<br>26,400<br>377,035** |
| **GRAND TOTAL OF DIRECTORS' FEES EXECUTIVE OFFICERS AND DIRECTORS (NOTE 4)** | | **BOUYGUES<br>SUBSIDIARIES<br>TOTAL** | **772,440<br>159,117<br>931,557** | **536,610<br>164,875<br>762,460** |

(a) Appointed as a director on 27 April 2017.

**Note 1:** Bouygues = directors' fees paid for attendance as a member of the Bouygues Board of Directors. The first line shows fees paid for attendance at Board meetings. The second line shows fees paid for attendance at one or more committee meetings.

**Note 2:** Subsidiaries = Directors' fees paid by Group companies, within the meaning of Article L. 233-16 of the Commercial Code (mainly Colas, Bouygues Telecom and TF1).

**Note 3:** The "Other directors" sub-total for 2016 is not a valid comparison since five directors left the Board during 2016.

**Note 4:** For 2017, each grand total includes directors' fees (Bouygues or subsidiaries) paid to François Bertière (Bouygues €17,200, subsidiaries €24,000) and Hervé Le Bouc (Bouygues €17,200, subsidiaries €20,000), both of whom left the Board in 2017. For 2016, each grand total includes directors' fees paid to the five directors who left the Board in 2016.

### Directors representing employee shareholders and directors representing employees

Salaries paid to the two directors representing employee shareholders who have an employment contract with Bouygues or one of its subsidiaries, and salaries paid to the two directors representing employees, are not disclosed.

## 5.4.2 Report on the principles and criteria for determining, allocating and awarding the fixed, variable and exceptional components of the total remuneration and benefits of all kinds payable to the Chairman and CEO and Deputy CEOs

Information required under Articles L. 225-37-2 of the Commercial Code, and covered by the eleventh resolution of the Annual General Meeting of 26 April 2018.

Payment of the variable and exceptional components described below is subject to approval by an Ordinary General Meeting of the remuneration components of the person concerned under the conditions set forth in Article L. 225-100 of the Commercial Code.

### 5.4.2.1 General principles

The Board of Directors laid down the following 12 general principles on the basis of which the 2018 remuneration and benefits of the Executive Officers of Bouygues will be determined.

1. Compliance with Afep-Medef Code recommendations.
2. No employment contract with Executive Officers during their term of office; existing employment contracts suspended on appointment as Executive Officer.
3. No severance benefit or non-competition indemnity on leaving office.
4. Level of remuneration taking into account the existence of a capped supplementary pension and the fact that no severance benefit or non-competition indemnity has been granted.
5. Remuneration commensurate with the level and difficulty of each Executive Officer's responsibility. Remuneration commensurate with each Executive Officer's experience in the position held and length of service with the Group.
6. Remuneration takes account of the practices applied in groups or enterprises carrying on comparable activities.
7. An incentivising remuneration structure comprising the following:
   - fixed remuneration;
   - annual variable remuneration;
   - multi-year variable remuneration;
   - directors' fees;
   - limited benefits in kind;
   - supplementary pension;
8. No deferred annual variable remuneration.
9. Discretion left to the Board of Directors to decide to pay exceptional remuneration but reserved for truly exceptional circumstances.
10. No other remuneration paid to any Executive Officer by a Group subsidiary apart from directors' fees (with the caveat that Olivier Roussat's remuneration will be charged 60% to Bouygues and 40% to Bouygues Telecom, reflecting how he splits his time between the two companies).
11. No stock options or performance shares awarded to Executive Officers in 2018.
12. For the first time, inclusion of multi-year remuneration arrangements determined on the basis of medium-term performance in the remuneration packages of Olivier Roussat and Philippe Marien (Martin Bouygues and Olivier Bouygues became eligible for this multi-year remuneration for the first time in 2017).

The aim is to incentivise the four Executive Officers to exceed the objectives set for them.

Given that Bouygues is run by an Executive Officer drawn from the founding family and reference shareholder, the appointment of two Deputy Chief Executive Officers who are not major or reference shareholders was regarded as the right time to introduce this type of multi-year remuneration determined by reference to actual performances over the medium term rather than the performance of the most recent financial year.

### 5.4.2.2 Criteria and methods used in 2018 by the Board of Directors to determine, allocate and award the fixed, variable and exceptional components of the total remuneration and benefits of all kinds of each Executive Officer (Martin Bouygues, Olivier Bouygues, Philippe Marien and Olivier Roussat)

The criteria and methods agreed by the Board of Directors to determine, allocate and award the fixed, variable and exceptional components of the total remuneration and benefits of all kinds of each Executive Officer for 2018 are described below. Changes were made to those criteria and methods in 2017 with the introduction of multi-year variable remuneration (medium-term remuneration). In general, however, the Board of Directors considered it advisable to retain the majority of the existing criteria and methods, which have been applied for many years.

#### 1. Fixed remuneration

- €920,000 (Martin Bouygues – Philippe Marien)
- €552,000 (Olivier Roussat)
- €500,000 (Olivier Bouygues)

The rules used to determine fixed remuneration were established in 1999 and have been applied consistently ever since. Fixed remuneration is determined according to the level and complexity of the person's responsibilities, experience in the post and length of service with the Group, and practices followed by groups or companies carrying on comparable businesses.

## 2. Annual variable remuneration

Capped at 160% of fixed remuneration, i.e. a cap of €1,472,000 for Martin Bouygues and Philippe Marien, €883,200 for Olivier Roussat and €800,000 for Olivier Bouygues.

The annual variable remuneration would be determined by applying five criteria (three of them referring to the three-year business plan), opening up the possibility of receiving five variable components: P1, P2, P3, P4 and P5.

**P1** Actual consolidated current operating profit (COP) of the Group for the year / Objective = COP per 2018 plan

**P2** Actual consolidated net profit (CNP) of the Group for the year / Objective = CNP per 2018 plan

**P3** Actual CNP for the year (excluding exceptional items) / Objective = CNP for the previous year (excluding exceptional items)

**P4** Change in net debt (excluding external growth not built into the plan) / Objective = Change in net debt per 2018 plan

**P5** Qualitative criteria: performance in CSR [a] and compliance and overall qualitative assessment – Overall downward adjustment in the event of a serious adverse event during the year

### Method for determining annual variable remuneration for 2018

The method for determining the annual variable remuneration of the Executive Officers would be based on five separate variable components: P1, P2, P3, P4 and P5.

(FR = Fixed Remuneration)

#### P1, P2, P3 AND P4

The effective weight of each criterion determining the payment of each of the three components P1, P2 and P4 is dependent on the performance achieved during the financial year relative to the business plan.

P3 is determined by reference to the performance for the previous financial year.

The four variable components P1, P2, P3 and P4 are calculated as follows:

1) If actual performance is more than 10% below the Objective, the component concerned (P1, P2, P3 or P4) = 0

2) If actual performance is between (Objective – 10%) and the Objective:

   P1 = 0% to 40% of FR

   P2 = 0% to 40% of FR

   P3 = 0% to 30% of FR

   P4 = 0% to 20% of FR

3) If actual performance is higher than the Objective:

   P1 = 40% to 70% of FR

   P2 = 40% to 70% of FR

   P3 = 30% to 50% of FR

   P4 = 20% to 30% of FR

Between these limits the effective weight of each component is determined by linear interpolation.

#### P5

The Board of Directors determines the effective weight of P5, subject to a strict cap of 30% of FR. Each of the CSR, compliance and overall qualitative assessment criteria is subject to a cap of 15%. The Board of Directors reserves the right to make an overall downward adjustment that would reduce or eliminate P5 in the event of a serious adverse event during the year.

#### CAP

The sum of the five components P1, P2, P3, P4 and P5 calculated according to the above method may never exceed a **cap of 160% of FR.**

## 3. Multi-year variable remuneration (medium-term remuneration)

Each Executive Officer would be entitled to multi-year variable remuneration, i.e. a medium-term remuneration arrangement determined by reference to two criteria derived from the three-year business plan:

**P6** Actual consolidated current operating profit (COP) of the Group for the last three financial years (2018, 2017 and 2016) for Martin Bouygues and Olivier Bouygues, and for the last two financial years (2018 and 2017) for Olivier Roussat and Philippe Marien / the COP figures set as objectives in the business plan.

**P7** Actual consolidated net profit (CNP) of the Group for the last three financial years (2018, 2017 and 2016) for Martin Bouygues and Olivier Bouygues, and for the last two financial years (2018 and 2017) for Olivier Roussat and Philippe Marien / the CNP figures set as objectives in the business plan.

Multi-year variable remuneration would be determined as follows:

(FR = Fixed Remuneration)

**P6:** Objective = average of the current operating profit figures for the financial years set as objectives in the business plan.

- If the objective is attained, P6 = 0
- If the COP figures are 20% or more above the objective, P6 = 15% of FR

Between these lower and upper limits, P6 is determined by linear interpolation on the basis of the actual profit figure achieved.

**P7:** Objective = average of the consolidated net profit figures for the financial years set as objectives in the business plan.

- If the objective is attained, P7 = 0
- If the CNP figures are 20% above the objective, P7 = 15% of FR

Between these lower and upper limits, P7 is determined by linear interpolation on the basis of the actual profit figure achieved.

Multi-year variable remuneration is therefore capped at 30% of fixed remuneration.

Martin Bouygues and Olivier Bouygues were already entitled to benefit from this new remuneration component on completion of the 2017 financial year. Philippe Marien and Olivier Roussat could benefit from it for the first time on completion of the 2018 financial year, with the 2017 and 2018 financial years used as reference points.

On completion of the 2019 financial year and each subsequent financial year, the reference points for all four Executive Officers would be the three previous financial years.

## 4. Directors' fees

Directors' fees paid by Bouygues or a subsidiary of the Group would be retained by the Executive Officer.

## 5. Benefits in kind

Each Executive Officer would be allocated a company car.

(a) Corporate Social Responsibility.

Martin Bouygues and Olivier Bouygues would receive an additional benefit in the form of the part-time assignment of a personal assistant and chauffeur/ security guard for their personal needs.

(A chauffeur is made available to Philippe Marien and Olivier Roussat for business purposes).

### 6. Supplementary pension scheme

Each Executive Officer would be eligible for a defined benefit collective pension scheme governed by Article L. 137-11 of the Social Security Code. This pension scheme would have the following characteristics:

1. Conditions for joining the scheme and other eligibility conditions. The beneficiary must:
   - be a member of the Group Management Committee on the date of voluntary or compulsory retirement;
   - have at least ten years' service with the Bouygues group at the date of voluntary or compulsory retirement;
   - have definitively ended his or her professional career at one of the Group companies (this condition is fulfilled when the employee is part of the workforce at the date of voluntary or compulsory retirement);
   - be at least 65 years old at the date of voluntary or compulsory retirement;
   - fulfil the eligibility criteria for pension benefits under the basic social security pension scheme and the mandatory supplementary schemes (ARRCO and AGIRC).
2. Reference salary equal to the average gross salary of the Executive Officer's three best calendar years at the Bouygues group during his or her period on the Group Management Committee, adjusted to reflect changes in the value of pension entitlement points under the AGIRC scheme, on the date of cessation of office or termination of employment contract.

   The reference gross salary is that used to calculate social security contributions in accordance with Article L. 242-1 of the Social Security Code.
3. Pattern of vesting of rights: annual.
4. Annual cap on vesting of pension rights: 0.92% of reference salary.
5. Overall cap: eight times the annual social security ceiling (giving a cap of €317,856 in 2018).
6. Financing outsourced to an insurance company outside the Group to which a contribution is made annually.
7. Performance conditions:

   a) Executive officers concerned

   Martin Bouygues and Olivier Bouygues cannot acquire any further supplementary pension rights since the rights vested in them to date exceed the cap set by the Board of Directors (eight times the annual social security ceiling).

   However, Philippe Marien and Olivier Roussat may acquire pension rights subject to attainment of the performance conditions described below.

   b) Definition of the performance objective (the "Objective")

   For 2018: Objective = that the average of the consolidated net profit figures for 2018, 2017 and 2016 ("Average CNP") is no more than 10% below the average of the consolidated net profit figures specified in the plans for 2018, 2017 and 2016.

   c) Terms for determining the vesting of performance-based pension rights:

   - if average CNP is equal to or above the Objective:

   **Annual pension rights = 0.92% of the reference salary**

   - if average CNP is more than 10% below the Objective:

   **Annual pension rights = 0**

Between those lower and upper limits pension rights will vary on a straight-line basis between 0% and 0.92% of the reference salary.

# 5.5 OTHER INFORMATION

## 5.5.1 Factors likely to have an impact on any public tender offer price

Pursuant to Article L. 225-37-5 of the Commercial Code, the factors likely to have an impact on the offer price in any potential tender offer or public exchange offer relating to Bouygues' shares are set out below:

- **capital structure:** information relating to Bouygues' capital structure and voting rights is set out below (sections 6.2 and 6.3 of this Registration Document). The main shareholders of Bouygues are SCDM and company employees. In view of their respective weight, the votes of these shareholders could have an impact on the outcome of any public tender offer for the capital of Bouygues;
- **restrictions in the articles of association on the exercise of voting rights and the transfer of shares:** Article 8.3 of the articles of association, summarised below in section 6.1.2.5, makes provision to suspend the voting rights of shareholders who fail to declare that they have crossed a threshold of at least 1% (or a multiple of 1%) of the capital or voting rights. This restriction could have an impact in the event of a public tender offer;
- **direct or indirect holdings in the share capital** of which Bouygues is aware, pursuant to Articles L. 233-7 and L. 233-12 of the Commercial Code: the relevant information is set out below in section 6.3.1;

- **a list of owners of any security with special control right, with a description of those rights:** in accordance with law, double voting rights are granted subject to the conditions stipulated by law to shares that can be shown to have been registered for at least two years in the name of the same shareholder;
- **control mechanisms stipulated within employee share ownership plans:** the regulations of the various employee share ownership funds created by Bouygues stipulate that voting rights are exercised by the Supervisory Boards of those funds and not directly by employees. Those employee share ownership funds held 23.9% of the voting rights at 31 December 2017;
- **agreements between shareholders** of which Bouygues is aware and which could result in restrictions on the transfer of shares and in the exercise of voting rights: not applicable;
- **rules applicable to the appointment and replacement of members of the Board of Directors:** see above in section 5.3.1;
- **rules applicable to changes in the company's articles of association:** Article L. 225-96 of the Commercial Code specifies that only an extraordinary general meeting has the power to change the articles of association. Any clause to the contrary is deemed null and void;
- **powers of the Board of Directors with respect to issuance of shares:** refer to the table summarising financial authorisations in section 5.3.8. It is specified that the Combined Annual General Meeting of 27 April 2017 (Resolution 29) delegated powers to the Board of Directors to issue equity warrants during a public tender offer for the company's shares. The nominal amount of any capital increase that may result from the exercise of such equity warrants may not exceed €85 million and 25% of the share capital. The Combined Annual General Meeting convened for 26 April 2018 will be asked to replace this delegation by a further delegation with the same purpose.

  In addition, the Board of Directors is authorised by law, during the period of a public tender offer, to take any measures that are within its prerogative and in the interest of the company to frustrate such an offer;
- **powers of the Board of Directors with respect to share buybacks:** the Combined Annual General Meeting of 27 April 2017 (Resolution 16) authorised the Board of Directors to trade in the company's shares, including during a public tender offer for the company's shares, representing up to 5% of the company's share capital at the date on which the authorisation is used. The Combined Annual General Meeting convened for 26 April 2018 will be asked to replace this authorisation by a further authorisation with the same purpose (see section 6.2.4.2);
- **agreements entered into by Bouygues, which will be modified or expire in the event of a change of control of Bouygues:** the 20-year sterling bonds maturing in 2026, the 8-year bonds maturing in 2018, the 9-year bonds maturing in 2019, the 10-year bonds maturing in 2022, the 10-year bonds maturing in 2023, and the ten-and-a-half year bonds maturing in 2027 all include a change of control clause providing for the early redemption of the bonds in the event of a change of control of Bouygues, accompanied by a rating downgrade,

  In addition:

  - a change in the capital structure of Bouygues could potentially jeopardise TF1's licence to operate a national terrestrial television broadcasting service. Article 41-3-2 of the Act of 30 September 1986 governing audiovisual media specifies that any natural or legal person who controls, within the meaning of Article L. 233-3 of the Commercial Code, any company that holds such a licence, or that has placed a company holding such a licence under its authority or dependency, is deemed to be the holder of that licence. Article 42-3 adds that the licence may be withdrawn without notice if there is any substantive change in the circumstances on the basis of which the licence was granted, including changes in capital structure,
  - all the decisions and orders licensing Bouygues Telecom to establish and operate its wireless network and provide services to the public (the decision of 5 November 2009 relating to the 900 and 1800 MHz bands, the order of 3 December 2002 relating to the 2.1 GHz band, and the decisions of 11 October 2011 relating to the 2.6 GHz band, of 17 January 2012 relating to the 800 MHz band and of 8 December 2015 relating to the 700 MHz band) stipulate that Arcep (the French telecommunications regulator) must be informed immediately of any change to any of the information contained in the licence application, so that the regulator can check whether that change is compatible with the terms of the licence. The information contained in the licence application includes the share ownership structure of the company (or companies) that directly or indirectly controls (or control) the licence-holder. In addition, any change in the capital or voting rights of Bouygues that results in a single individual or entity controlling the combined bandwidth of two operators could lead Arcep to re-examine the validity of the licences awarded to Bouygues Telecom;
- **agreements entitling members of the Board of Directors or employees to compensation if they resign or leave the company without real and serious cause, or if their employment comes to an end as a result of a public tender offer:** not applicable.

## 5.5.2 Rules on shareholder participation in general meetings of shareholders

As required by Article L. 225-37-4 of the Commercial Code, the rules on shareholder participation in general meetings as contained in Article 19 of the Bouygues articles of association are reproduced below.

***"Article 19: Holding general meetings of shareholders***

***19.1.*** *Ordinary and extraordinary general meetings, and any special meetings, shall be convened and held and shall deliberate on the conditions stipulated by law.*

*Meetings shall be held in Paris or at Challenger, 1 Avenue Eugène Freyssinet, 78280 Guyancourt (France).*

*Meetings shall be chaired by the Chairman of the Board of Directors or, in his absence, by a director specially empowered for the purpose by the Board of Directors. Failing that, the meeting shall elect its own Chairman.*

***19.2.*** *Any shareholder may attend meetings on the conditions stipulated by law.*

***19.3.*** *Any shareholder satisfying the conditions required for attendance at meetings may alternatively choose to be represented on the conditions stipulated by law.*

***19.4.*** *Any shareholder may alternatively vote by correspondence on the conditions stipulated by law. Postal vote forms shall be accepted only if actually received by the company at its registered office or at an address determined in the Notice of Meeting and the Convening Notice published in the Balo (Bulletin des Annonces Légales Obligatoires) no later than the third day preceding the meeting.*

*If the Board of Directors so decides, shareholders may take part in the meeting by videoconference or any other means of telecommunication that enables them to be identified on the conditions stipulated by the applicable regulations. In such cases the company will accept electronic remote vote forms that must be received no later than 3.00pm (CET) on the day preceding the general meeting.*

***19.5.*** *Owners of company shares who are not resident on French territory may be shareholders of record and may be represented at general meetings by any intermediary registered on their behalf and holding a general authorisation to manage securities, provided that such intermediary declared that it was acting as an intermediary holding securities for third parties when it opened its account either with the company or with the account-holding financial intermediary, in accordance with the applicable law and regulations.*

*The company shall be entitled to ask intermediaries that are registered on behalf of shareholders not resident on French territory and that hold a general authorisation to manage securities to provide a list of the shareholders they represent and whose voting rights may be exercised at the meeting.*

*Votes or proxies shall not be counted if they are cast by an intermediary that has failed to declare itself as such in accordance with the applicable law and regulations or with the present articles of association or that has not disclosed the identity of the owners of the securities."*

## 5.5.3 Agreements entered into by senior executives or shareholders of Bouygues with subsidiaries or sub-subsidiaries

Under Article L. 225-37-4 of the Commercial Code, the Report on corporate governance must disclose any agreements (other than those covering day-to-day operations carried out under normal business conditions) entered into directly or through a third party between:

- a corporate officer of Bouygues or a shareholder with more than 10% of the voting rights of Bouygues;
- a company of which Bouygues directly or indirectly holds more than 50% of the share capital.

The company is not aware of any such agreements.

However, in the interests of full disclosure, shareholders are hereby informed that in April 2012, Actifly (in which SCDM holds an indirect interest of 85%) entered into an agreement with Airby (a subsidiary in which Bouygues holds an indirect interest of 85%) setting out the conditions under which Actifly can use an aircraft owned or operated by Airby on the same financial terms as Bouygues and its subsidiaries. This agreement is renewable automatically from year to year.

Amounts (before taxes) invoiced by Airby to Actifly under this agreement during the last three financial years:

- 2017: €508,200
- 2016: €698,250
- 2015: €108,983

# 6 INFORMATION ON THE COMPANY

# 6.1 LEGAL INFORMATION

## 6.1.1 General information

| | |
|---|---|
| Company name | Bouygues |
| Registered office | 32 avenue Hoche, 75008 Paris, France |
| Telephone | +33 (0)1 44 20 10 00 |
| Registration No. | 572 015 246 Paris |
| APE code | 7010Z |
| Form | *Société Anonyme* (public limited company) |
| Date of incorporation | 15 October 1956 |
| Expiration date | 14 October 2089 |
| Financial year | 1 January to 31 December |
| Governing law | Bouygues is incorporated under French law. Activities carried out by Group entities outside France are generally subject to the legislation of the country concerned, or to other legislation applicable contractually or under international law. The Group has operations in dozens of countries. Any one project may require a large number of contracts, often governed by different legal systems. |

## 6.1.2 Articles of association

### 6.1.2.1 Purpose (Article 2 of the articles of association)

The purpose of the company is, in all countries:

- to acquire, directly or indirectly, interests or holdings in French or foreign companies or groupings, whatever their purpose or business, and to manage and dispose of such interests or holdings;
- to form, acquire, operate and dispose of French or foreign undertakings, in any field of business, whether industrial, commercial or financial, including in particular in the fields of construction (building, civil works, roads, property) and services (public utilities management, media, telecommunications); and
- more generally, to carry out industrial, commercial, financial, mining and agricultural operations or transactions and operations or transactions involving movable or real property relating directly or indirectly to the above purpose or to all similar or related purposes that may enable or facilitate the attainment or development thereof.

### 6.1.2.2 Appropriation of earnings (Article 24 of the articles of association)

At least 5% of the net profit for the financial year, minus any prior-year losses, is appropriated to constitute the legal reserve. Such appropriation ceases to be mandatory once the legal reserve reaches an amount equal to one-tenth of the share capital.

After appropriations to other reserves and retained earnings as decided by the general meeting of shareholders, the balance of distributable earnings is divided between the shareholders.

### 6.1.2.3 Financial and voting rights attached to shares (Articles 10 and 12 of the articles of association)

Each share is entitled to the pecuniary and non-pecuniary rights stipulated by law and specified in the articles of association. In particular, Article 10 of the articles of association states that each share entitles the holder to a share in the corporate assets and in the distribution of profits proportionate to the interest in the capital that it represents. Article 12 of the articles of association states that unless otherwise stipulated by law, and except in the case of double voting rights as stipulated below, each shareholder has as many voting rights and may cast as many votes in general meetings as the number of shares he or she holds.

### 6.1.2.4 Double voting rights (Article 12 of the articles of association)

Double voting rights have existed at Bouygues since 1 January 1972, based on a measure introduced into the articles of association by a general meeting on 31 December 1969. Such rights are now provided for by Article L. 225-123 of the Commercial Code.

Double voting rights are granted to all fully paid-up shares proved to have been registered in the name of the same holder for at least two years.

If the share capital is increased by incorporation of reserves, earnings or share premium, double voting rights are granted upon issue to registered shares allotted free of charge in respect of existing shares that already carry double voting rights.

Double voting rights attached to registered shares will be lost if those shares are converted into bearer shares or if title to them is transferred, unless they are transferred from one registered shareholder to another through inheritance or a gift between family members.

Double voting rights may only be abolished by a decision taken at an extraordinary general meeting and ratified by a special meeting of holders of those rights (Article L. 225-99 of the Commercial Code).

### 6.1.2.5 Disclosure of thresholds (Article 8.3 of the articles of association)

Persons or entities that obtain, directly or indirectly, at least 1% of the share capital or voting rights are required to inform the company of the total number of shares they own. Disclosure must be made by registered letter with acknowledgement of receipt sent to the registered office within fifteen days following completion of the transaction (whether on or off exchange) regardless of when or whether the securities have been delivered.

Such disclosure must be repeated on the terms stipulated above whenever a shareholder passes above or below the 1% threshold or any threshold that is a multiple of 1%.

If disclosure is not made on the terms set forth above, the shares exceeding the disclosure threshold are stripped of voting rights on the conditions stipulated by law if a request to that effect is made at a general meeting by one or more shareholders holding at least 5% of the company's share capital or voting rights.

Under the terms of Article 8.2 of the articles of association, the company is authorised to use all legal means to identify the holders of securities conferring an immediate or future right to vote at general meetings.

## 6.1.3 Shareholder agreements entered into by Bouygues

### 6.1.3.1 Bouygues Telecom

The Bouygues Telecom shareholder agreement binds Bouygues SA, SFPG (a subsidiary of Bouygues SA) and JCDecaux Holding.

The material provisions of this shareholder agreement are the following: a reciprocal pre-emptive right; prohibition, without the prior agreement of the other shareholders, on disposals of securities to a telecoms operator providing services to the public; and an undertaking by each party not to acquire a stake in the capital of any rival telecoms operator.

### 6.1.3.2 Alstom

On 22 June 2014, Bouygues signed a memorandum of understanding with the French state under which the French state, or any other French state-controlled entity chosen by the French state, could buy part of the equity interest in Alstom held by Bouygues. A detailed description of the memorandum of understanding is set forth in Notice 214C1292 published by the Autorité des Marchés Financiers (AMF) on 3 July 2014. In light of the terms of the memorandum of understanding, the AMF concluded that the French state and Bouygues were acting in concert as regards Alstom.

As a result of the decision by the French state not to exercise the call options over Alstom shares it was granted under the terms of the memorandum of understanding, and the ending of the stock lending agreement between Bouygues and the French state, the concert party formed by Bouygues and the French state declared on 17 October 2017 that it had passed below the thresholds of 25%, 20%, 15%, 10% and 5% of Alstom's share capital and voting rights and that it no longer held any Alstom shares in concert. This brought to an end the aforementioned agreements between Bouygues and the French state, and the concert party between the French state and Bouygues.

On the announcement of the proposed merger between Alstom and Siemens, Bouygues SA undertook to 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, and to vote in favour of that merger on the Alstom Board of Directors and at the Extraordinary General Meeting of Alstom shareholders.

For further information, refer to section 2.4.4 of this Registration Document.

## 6.1.4 Payment terms

Pursuant to the Order of 20 March 2017 issued in application of Article D. 441-4 of the Commercial Code, Bouygues is disclosing below information about customer and supplier payment terms.

### 6.1.4.1 Analysis of trade payables (€)

| | Article D. 441 I.-1: Invoices received and due for payment that remain unpaid at the end of the reporting period | | | | | | |
|---|---|---|---|---|---|---|---|
| | Not past due | 0 days | 1 to 30 days | 31 to 60 days | 61 to 90 days | 91 days or more | Total (1 day or more) |
| **A. Ageing profile of payment arrears** | | | | | | | |
| Cumulative number of invoices involved | 139 | 1 | Not applicable | | | | 1 |
| Cumulative amount of invoices involved (incl. VAT) | €1,270,268 | €227 | €550 | | | | €550 |
| Percentage of total amount of invoices (incl. VAT) received in the year | 1.97% | 0.00% | 0.00% | | | | 0.00% |
| **B. Invoices excluded from (A) because they are disputed or not recognised in the accounts** | | | | | | | |
| Number of invoices excluded | 8 | | | | | | |
| Total amount of invoices excluded | €32,765 | | | | | | |
| **C. Benchmark payment terms used (contractual or statutory – Article L. 441-6 or Article L. 443-1 of the Commercial Code)** | | | | | | | |
| Payment terms used to determine arrears | ☒ Contractual term<br>☒ Statutory terms: 30 days from invoice date | | | | | | |

### 6.1.4.2 Analysis of trade receivables (€)

| | Article D. 441 I.-1: Invoices issued and due for payment that remain unpaid at the end of the reporting period | | | | | | |
|---|---|---|---|---|---|---|---|
| | Not past due | 0 days | 1 to 30 days | 31 to 60 days | 61 to 90 days | 91 days or more | Total (1 day or more) |
| **A. Ageing profile of payment arrears** | | | | | | | |
| Cumulative number of invoices involved | 25 | 5 | Not applicable | | | | 14 |
| Cumulative amount of invoices involved (incl. VAT) | €21,982,259 | €18,983 | €125,982 | €660 | | | €126,642 |
| Percentage of total amount of invoices (incl. VAT) issued in the year | 24.42% | 0.02% | 0.14% | 0.00% | | | 0.14% |
| **B. Invoices excluded from (A) because they are disputed or not recognised in the accounts** | | | | | | | |
| Number of invoices excluded | 2 | | | | | | |
| Total amount of invoices excluded | €3,903 | | | | | | |
| **C. Benchmark payment terms used (contractual or statutory – Article L. 441-6 or Article L. 443-1 of the Commercial Code)** | | | | | | | |
| Payment terms used to determine arrears | ☒ Contractual term<br>☒ Statutory terms: 30 days from invoice date | | | | | | |

## 6.1.5 Publicly available documents

During the period of validity of this Registration Document, originals or copies of the following documents may be accessed at the registered office of Bouygues and/or online at the website bouygues.com, under Finance:

- the company's articles of association;
- reports drawn up by the auditors, some of which are included or referred to in the Registration Document; and
- historical financial information relating to the company and its subsidiaries for each of the two financial years preceding the publication of the Registration Document.

# 6.2 SHARE CAPITAL

## 6.2.1 General information

### 6.2.1.1 Amount of share capital

| | |
|---|---|
| Share capital at 31 December 2016 | €354,908,547, composed of 354,908,547 shares with a par value of €1 each. |
| Number of voting rights at 31 December 2016 [a] | 488,430,028 voting rights. |
| Issue of new shares from 1 January to 31 December 2017 | 6,490,841 new shares issued on exercise of stock options.<br>4,725,897 new shares reserved for employees (Bouygues Confiance n°9). |
| Share capital at 31 December 2017 | €366,125,285 composed of 366,125,285 shares with a par value of €1 each. |
| Number of voting rights at 31 December 2017 [a] | 489,672,012 voting rights. |

(a) Including shares stripped of voting rights, in accordance with the calculation methods set out in Article 223-11 of the AMF General Regulation.

### 6.2.1.2 Changes in the share capital over the last five years

All amounts in the following table are in euros.

| | | Amount of changes in share capital | | |
|---|---|---|---|---|
| **Date** | **Capital increases/reductions over the last 5 years** | **Nominal** | **Share premium and capitalisation of reserves** | **Amount of share capital** |
| 26 February 2013 | Cancellation of 5,074,906 shares bought back by the company | (5,074,906) | (94,312,510) | 319,157,468 |
| 1 August to 31 December 2013 | Exercise of stock options for 107,528 shares | 107,528 | 2,602,405 | 319,264,996 |
| 1 January to 31 May 2014 | Exercise of stock options for 439,978 shares | 439,978 | 10,816,497 | 319,704,974 |
| 4 June 2014 | Payment of the dividend in shares | 15,908,913 | 385,154,784 | 335,613,887 |
| 1 June to 31 December 2014 | Exercise of stock options for 472,571 shares | 472,571 | 11,523,723 | 336,086,458 |
| 1 January to 6 October 2015 | Exercise of stock options for 2,000,320 shares | 2,000,320 | 52,648,417 | 338,086,778 |
| 29 December 2015 | Subscription of 6,472,603 shares by the Bouygues Confiance 7 employee share ownership fund | 6,472,603 | 143,527,382 | 344,559,381 |
| 7 October to 31 December 2015 | Exercise of stock options for 575,935 shares | 575,935 | 17,130,046 | 345,135,316 |
| 1 January to 5 October 2016 | Exercise of stock options for 1,983,474 shares | 1,983,474 | 46,329,568 | 347,118,790 |
| 28 December 2016 | Subscription of 7,400,463 shares by the Bouygues Confiance n°8 employee share ownership fund | 7,400,463 | 142,599,522 | 354,519,253 |
| 6 October to 31 December 2016 | Exercise of stock options for 389,294 shares | 389,294 | 8,357,196 | 354,908,547 |
| 1 January to 13 October 2017 | Exercise of stock options for 3,874,839 shares | 3,874,839 | 110,203,389 | 358,783,386 |
| 27 December 2017 | Subscription of 4,725,897 shares by the Bouygues Confiance n°9 employee share ownership fund | 4,725,897 | 145,274,074 | 363,509,283 |
| 14 October to 31 December 2017 | Exercise of stock options for 2,616,002 shares | 2,616,002 | 78,491,195 | 366,125,285 |

## 6.2.2 Employee share ownership

### 6.2.2.1 Board of Directors' supplementary report on the capital increase reserved for employees and corporate officers of French companies who are members of the Bouygues group savings scheme (Article R. 225-116 of the Commercial Code)

To the shareholders,

Under the twenty-seventh resolution approved by the Combined Annual General Meeting of 27 April 2017, you delegated to the Board of Directors, with the option of sub-delegation within the limits provided by law, the power to carry out one or more capital increases within a period of twenty-six months of up to 5% of the company's share capital as of the date of the decision, with subscriptions for the shares thereby issued being reserved for employees and corporate officers of Bouygues and of related French or foreign companies who are members of a company, Group or inter-company savings scheme.

To this end you delegated to the Board of Directors, with the option of sub-delegation to the Chairman and Chief Executive Officer or, with his consent, to one or more Deputy Chief Executive Officers, full powers to carry out said capital increases and determine the final terms and conditions thereof.

Using the powers thus granted by the Annual General Meeting, the Board of Directors at its meeting of 30 August 2017 approved in principle a capital increase of a maximum amount of €150 million (inclusive of share premium) via a new leveraged share ownership plan, Bouygues Confiance n°9, and granted full powers to the Chairman and Chief Executive Officer to implement the transaction.

Under the powers thus granted by the Board of Directors, the Chairman and Chief Executive Officer decided on 16 October 2017 to carry out a capital increase of a maximum amount of €150 million (inclusive of share premium) on the terms determined by the Board of Directors at its meeting of 30 August 2017. In accordance with Article L. 3332–19 of the Labour Code, he set the opening date of the subscription period and fixed the subscription price at the average of the quoted share prices for the twenty trading days preceding 16 October 2017 less a discount of 20%.

#### Description of the plan

The new plan will be implemented via a leveraged employee share ownership fund specifically created for the purpose, the rules of which were approved by the AMF on 20 September 2017. This fund, called FCPE Bouygues Confiance n°9 (hereinafter the FCPE), is reserved for employees and corporate officers of Bouygues and of French companies who are members of the Bouygues group savings scheme, provided they have at least three months' length of service as of 30 December 2017. The funds collected must be invested in Bouygues shares.

The plan involves a capital increase of up a maximum amount of €150 million (inclusive of share premium). It is a leveraged plan whereby each beneficiary's personal contribution will be topped up thanks to an exchange transaction between the FCPE and the bank, with the bank's top-up contribution representing nine times the amount of the beneficiary's personal contribution.

When the beneficiaries withdraw from the FCPE they will receive a percentage of the capital gain on the full amount of the shares acquired with their personal contribution and the bank's top-up contribution, corresponding to the difference between an average share value calculated over a five-year period and the reference price (i.e. the average of the quoted share prices for the twenty trading days preceding 16 October 2017).

The plan involves limited risk because the beneficiaries are guaranteed to recover their personal contribution regardless of any change in the Bouygues share price.

In his decision of 16 October 2017 the Chairman and Chief Executive Officer, having noted that that the average of the initial quoted share prices for the twenty trading days preceding that date was €39.67, set the subscription price at €31.74, i.e. 80% of the aforementioned average, in accordance with Article L. 3332–19 of the Labour Code.

He set 13 November 2017 as the opening date for the subscription period and 3 December 2017 as the closing date.

He decided that the beneficiaries should pay their subscriptions in two instalments, the first no later than 27 December 2017 and the second in January 2018 but no later than 4 January 2018.

He set 27 December 2017 as the date on which the FCPE is to subscribe to the capital increase.

He decided that the FCPE would pay its subscription in two instalments, the first on 27 December 2017 to be equivalent to the payments made by the beneficiaries during December, with the balance to be paid on 4 January 2018.

He noted that the maximum number of new shares that may be created based on the authorised capital increase and the subscription price would be 4,725,897, or 1.32% of the share capital as of 16 October 2017. If the maximum amount of the capital increase is reached, it would have a dilutive effect of 1.30%. This complies with the resolution passed at the Combined Annual General Meeting of 27 April 2017, which stipulated that the maximum number of shares offered must be less than 5% of the share capital.

He also specified that the shares subscribed through the FCPE will rank for dividend from 1 January 2017, and that the new shares will be fungible with the existing shares.

### Impact of the issue on the position of existing shareholders

The impact of the issue of up to 4,725,897 new shares on a shareholder who held a 1% interest in the capital of Bouygues as of 31 October 2017 and does not subscribe to the capital increase would be as follows:

| Percentage interest | |
|---|---|
| Before the issue | 1% |
| After the issue of the maximum of 4,725,897 new shares | 0.987% |

The impact of this issue on the interest in the shareholders' equity of Bouygues SA (based on interim accounts as of 30 June 2017) of a shareholder who holds one Bouygues share and does not subscribe to the capital increase would be as follows:

| Interest in shareholders' equity of Bouygues SA as of 30 June 2017 | |
|---|---|
| Before the issue | €14.42 |
| After the issue of the maximum of 4,725,897 new shares | €14.23 |

Finally, the impact of this issue on the interest in consolidated shareholders' equity attributable to the Group (as of 30 June 2017) of a shareholder who holds one Bouygues share and does not subscribe to the capital increase would be as follows:

| Interest in consolidated shareholders' equity attributable to the Group as of 30 June 2017 | |
|---|---|
| Before the issue | €21.97 |
| After the issue of the maximum of 4,725,897 new shares | €21.69 |

### Theoretical impact of the issue on the stock market value of Bouygues shares

Given the issue price and number of shares issued, the issue will not have a material impact on the market value of Bouygues shares.

At its meeting of 15 November 2017, the Board of Directors duly noted the Chairman and Chief Executive Officer's decision and approved the wording of this supplementary report, drafted in accordance with Article R. 225-116 of the Commercial Code and describing the final terms and conditions of the issue in accordance with the authorisation granted by the Annual General Meeting.

In accordance with Article R. 225-116 of the Commercial Code, the present report will be made available to shareholders at the company's registered office no later than fifteen days after this Board meeting, and will be brought to the attention of shareholders at the next Annual General Meeting.

15 November 2017

The Board of Directors

### 6.2.2.2 Auditors' supplementary report on the capital increase reserved for employees and corporate officers of French companies who are members of the Group savings scheme

To the shareholders,

In our capacity as statutory auditors of your company and as required under Article R. 225-116 of the Commercial Code, we hereby present a supplementary report to our report of 22 February 2017 on the capital increase with cancellation of pre-emptive rights for existing shareholders reserved for employees and corporate officers of Bouygues or any related companies within the meaning of applicable legislation, who are members of the Bouygues group savings scheme, as approved by the Combined Annual General Meeting of 27 April 2017.

This capital increase was submitted for the approval of shareholders in accordance with the requirements of Article L. 225-129-6 of the Commercial Code and Articles L. 3332-18 *et seq.* of the Labour Code.

That meeting delegated to the Board of Directors, with the option of sub-delegation, powers to carry out such a capital increase within a period of twenty-six months and for up to 5% of the share capital as at the date of the Board's decision. At its meeting of 30 August 2017, the Board of Directors decided use that delegation to carry out a capital increase reserved for employees and corporate officers of French companies who are members of the Bouygues group savings scheme of a maximum amount of €150 million (inclusive of share premium), and granted full powers to the Chairman and Chief Executive Officer to implement the capital increase. On 16 October 2017, the Chairman and Chief Executive Officer used that sub-delegation to carry out a capital increase of a maximum amount of €150 million (inclusive of share premium) on the terms determined by the Board of Directors at its meeting of 30 August 2017, by issuing a maximum of 4,725,897 shares at a subscription price of €31.74.

The Board of Directors is responsible for drawing up a supplementary report in accordance with Articles R. 225-115 and R. 225-116 of the Commercial Code. Our responsibility is to express an opinion on the fairness of the financial information extracted from the interim accounts, on the proposal to cancel pre-emptive rights for existing shareholders, and on other specific information regarding the issue as contained in that report.

We performed the procedures we considered necessary in accordance with the professional standards issued by the French statutory auditors' board, the CNCC. Those procedures mainly involved verifying:

- the fairness of the financial information extracted from the parent company interim accounts and the consolidated interim accounts prepared under the responsibility of the Board of Directors as of 30 June 2017, using the same methods and presentation as in the last full-year parent company and consolidated financial statements. Our work on those interim accounts involved meeting with members of the management who are responsible for accounting and financial matters, verifying that the interim accounts were prepared using the same accounting policies and measurement and presentation methods as were used in the preparation of the last full-year parent company and consolidated financial statements, and implementing analytical procedures;
- the compliance of the terms and conditions of the transaction with the delegation given by the Combined Annual General Meeting; and
- the information provided in the Board's supplementary report on the inputs used to calculate the issue price and final issue amount.

We have no matters to report regarding:

- the fairness of the financial information extracted from the interim accounts and provided in the Board's supplementary report;
- the compliance of the terms and conditions of the transaction with the delegation made by the Combined Annual General Meeting of 27 April 2017, and with the indications provided to the shareholders;
- the inputs used to calculate the issue price and final issue amount;
- the presentation of the impact of the issue on the position of holders of shares and securities that give access to capital in relation to shareholders' equity and the market value of the share; and
- the cancellation of pre-emptive rights for existing shareholders, on which you previously voted.

Paris-La Défense, 15 November 2017

The Statutory Auditors

| **MAZARS** | **ERNST & YOUNG Audit** |
|---|---|
| Gilles Rainaut | Laurent Vitse |

### 6.2.2.3 Employee share ownership at 31 December 2017

At 31 December 2017, Group employees held 17.57% of the share capital of Bouygues and 23.91% of the voting rights through a number of employee share ownership funds:

- the fund (created in 1968, and invested in Bouygues shares purchased on the market) associated with the Bouygues group French statutory profit-sharing scheme held 1.38% of the share capital and 2.06% of the voting rights at 31 December 2017;
- the fund (funded by voluntary contributions from employees and additional contributions paid by the company, and invested in Bouygues shares purchased on the market) dedicated to the Bouygues group company savings scheme held 10.27% of the share capital and 15.29% of the voting rights at 31 December 2017;
- the leveraged funds set up in association with the employee share ownership plans awarded in 2009, 2015, 2016 and 2017 (Bouygues Partage 2 – ten years, Bouygues Confiance 7, Bouygues Confiance n°8 and Bouygues Confiance n°9) held 5.92% of the share capital and 6.55% of the voting rights at 31 December 2017.

## 6.2.3 Potential creation of new shares

At 31 December 2017, 5,907,627 share subscription options[a] were out of the lock-up period and had an exercise price lower than the last quoted market price of the year (i.e. €43.31 at 29 December 2017).

## 6.2.4 Share buybacks

### 6.2.4.1 Use in 2017 of authorisations granted by the Annual General Meeting

The Combined Annual General Meetings of 21 April 2016 and 27 April 2017 approved share buyback programmes authorising the Board of Directors, on the basis of Articles L. 225-209 *et seq.* of the Commercial Code, to buy, on- or off-market, a number of shares representing up to 5% of the company's share capital as at the purchase date, for the purposes set out in Commission Regulation (EC) No. 2273/2003 of 22 December 2003 (Annual General Meeting of 21 April 2016) or Commission Regulation (EC) No. 596/2014 (Annual General Meeting of 27 April 2017) and within the confines of market practices authorised by the AMF.

The Combined Annual General Meetings of 21 April 2016 and 27 April 2017 authorised the Board of Directors to reduce the share capital by cancelling shares bought back, within the limit of 10% of the share capital in any 24-month period.



(a) Includes plans exercisable before the end of the standard lock-up period using funds locked up on behalf of employees in the company savings scheme.

The table below, prepared in accordance with Article L. 225-211 of the Commercial Code, summarises the transactions carried out pursuant to these authorisations in 2017.

| Transactions carried out by Bouygues in its own shares in 2017 | |
|---|---|
| Number of treasury shares held by the company at 31 December 2016 | 17,422 |
| Shares purchased in 2017 | 727,765 |
| Shares cancelled in 2017 | |
| Shares sold in 2017 | 695,687 |
| Number of treasury shares held by the company at 31 December 2017 | 49,500 |
| Value (purchase price) of treasury shares held by the company at 31 December 2017 | €2,129,490 |
| **Breakdown of transactions by purpose** | |
| **Cancellation of shares** | |
| Shares cancelled in 2017 | |
| Shares reallocated for other purposes | |
| Number of treasury shares held by the company at 31 December 2017 outside the liquidity contract | |
| **Liquidity contract** | |
| Shares purchased in 2017 | 727,765 |
| Shares sold in 2017 | 695,687 |
| Shares reallocated for other purposes | |
| Number of treasury shares held by the company at 31 December 2017 under the liquidity contract | 49,500 |

## 6.2.4.2 Description of the new share buyback programme submitted for approval by the Combined Annual General Meeting of 26 April 2018

Pursuant to Articles 241-2 and 241-3 of the AMF General Regulation, a description is provided below of the share buyback programme to be submitted for approval by the Combined Annual General Meeting of 26 April 2018. This programme is intended to replace the one authorised by the sixteenth resolution of the Combined Annual General Meeting of 27 April 2017.

### Number of shares and proportion of share capital held by Bouygues – Open derivatives positions

At 31 December 2017, the company's capital was made up of 366,125,285 shares, including 49,500 held by Bouygues via a liquidity contract, representing 0.01% of the share capital.

The carrying amount of the 49,500 shares held under the liquidity contract was €2.13 million. Their nominal value was €49,500.

At that date, the company's open derivatives positions were as follows:

| Transaction date | Intermediary | Purchase/ sale | Number of shares | Type of contract | Expiry | Exercise price | Premium | Organised market/ OTC |
|---|---|---|---|---|---|---|---|---|
| 22 January 2015 | Natixis | | 29,693 | Forward [a] | No later than 17 December 2018 | | | OTC |
| 29 December 2017 | Crédit Agricole CIB | Purchase | 42,823 | Call option [b] | 29 November 2019 | 26.9624 | 6.60 | OTC |

(a) As part of the acquisition of the Canadian company Plan Group Inc. by Bouygues Energies & Services in 2014, Bouygues Energies & Services undertook to incentivise key managers of Plan Group Inc. by awarding them a Bouygues phantom shares plan. On the effective date of that undertaking (22 January 2015), Plan Group Inc. took out two cash-settled forward contracts in Bouygues shares with Natixis in order to hedge its payment obligations under the plan, one of which matured on 15 December 2017.

(b) Purchase of call option pursuant to a contractual obligation arising out of a Bouygues group employee savings scheme.

### Authorisation submitted for approval at the Annual General Meeting of 26 April 2018

The company is asking the Annual General Meeting convened for 26 April 2018 to authorise it to buy back its own shares up to a maximum of 5% of the share capital. This authorisation would cover a number of objectives, including those contained in Article 5 of Commission Regulation (EU) No. 596/2014 on market abuse ("MAR") and market practice as currently accepted by the AMF. Those objectives are as follows:

- reduce share capital by cancelling shares under the conditions laid down by law, subject to authorisation by the Extraordinary General Meeting;
- 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;
- grant or sell shares to employees or corporate officers of the Company or related companies under the terms and conditions laid down by law, in particular as part of profit-sharing schemes, stock option plans, company savings schemes and Group savings schemes or through allotment of free shares;
- 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;
- retain shares and, where applicable, deliver them subsequently as a medium of payment or exchange in an acquisition, merger, spin-off or asset-for-share exchange, in accordance with applicable regulations;
- implement any market practice accepted by the AMF and generally carry out any other transaction in compliance with prevailing regulations.

### Objectives of the new share buyback programme

Subject to approval by the Annual General Meeting of the resolution relating to the company buying back its own shares, the Board of Directors decided at its meeting of 21 February 2018 to define the objectives of the new share buyback programme as follows:

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

The Board reserved the right to extend the programme to include other objectives submitted for approval by the Annual General Meeting of 26 April 2018, in which case the company would issue a press release to inform the market.

### Maximum proportion of share capital, maximum quantity and characteristics of shares that may be bought back under the new share buyback programme

Under this new share buyback programme, Bouygues may acquire shares representing no more than 5% of its share capital, with the caveat that where shares are bought back to stimulate liquidity the number of shares included for the purposes of calculating 5% of the share capital is the number of shares purchased less the number of shares resold during the authorisation period.

The company may purchase its own shares under the programme either on- or off-market. The purchase price may not exceed €65 per share, subject to any adjustments in connection with share capital transactions.

Consequently, the Board of Directors has set the maximum amount of funds that may be set aside for the new share buyback programme at €1,200,000,000 (one billion two hundred million euros), representing a maximum quantity of 18,500,000 shares purchased at the price of €65 per share submitted to the Annual General Meeting for approval.

By law, the total number of shares held at a given date may not exceed 10% of the share capital at that date.

Shares acquired may be reallocated or sold on the conditions laid down by the AMF in Position-Recommendation DOC-2017-04 entitled "Guide to trading by listed issuers in their own securities and to stabilisation measures".

Shares repurchased and retained by Bouygues will be stripped of voting and dividend rights. The shares may be acquired, sold, transferred or exchanged by any means whether on- or off-market subject to compliance with AMF rules, including via a multilateral trading facility (MTF) or systematic internaliser or over-the-counter, including via block trades and via the use of derivative financial instruments, and at any time, including during the period of a public tender offer or public exchange offer for the company's shares. All or part of the programme may be carried out through block trades.

### Term of the share buyback programme

Eighteen months with effect from the Combined Annual General Meeting of 26 April 2018, i.e. until 26 October 2019.

# 6.3 SHARE OWNERSHIP

## 6.3.1 Changes in share ownership over the last three years

| | Situation at 31 December 2017 [a] | | | Situation at 31 December 2016 | | | Situation at 31 December 2015 | | |
|---|---|---|---|---|---|---|---|---|---|
| | Number of shares | % of capital | % of voting rights [b] | Number of shares | % of capital | % of voting rights [b] | Number of shares | % of capital | % of voting rights [b] |
| SCDM [c] | 76,840,591 | 21.0 | 29.4 | 70,506,801 | 19.9 | 28.8 | 70,405,505 | 20.4 | 27.9 |
| Bouygues employees [d] | 64,342,304 | 17.6 | 23.9 | 71,773,228 | 20.2 | 26.0 | 73,994,983 | 21.4 | 28.6 |
| Other French shareholders | 82,539,720 | 22.5 | 17.6 | 77,288,644 | 21.8 | 17.5 | 71,964,071 | 20.9 | 16.6 |
| Other foreign shareholders | 142,353,170 | 38.9 | 29.1 | 135,322,452 | 38.1 | 27.7 | 128,730,757 | 37.3 | 26.9 |
| Bouygues | 49,500 [e] | | | 17,422 [e] | | | 40,000 [e] | | |
| **TOTAL** | **366,125,285** | **100** | **100** | **354,908,547** | **100%** | **100%** | **345,135,316** | **100%** | **100%** |

(a) Based on a survey of identifiable bearer shares as at 31 December 2017: 333 million shares identified.
(b) In accordance with Article 223-11 of the AMF General Regulation, the total number of voting rights is calculated on the basis of all shares with voting rights attached, including those stripped of voting rights.
(c) SCDM is a simplified limited company controlled by Martin Bouygues and Olivier Bouygues. This figure includes shares owned directly by Martin Bouygues and Olivier Bouygues.
(d) Shares owned by employees under company savings schemes. As of 31 December 2017, 31% of those shares have become available.
(e) Treasury shares held under share buyback programmes and the liquidity contract. Shares held by Bouygues are stripped of voting rights.

| | Number of shares | Total number of voting rights |
|---|---|---|
| **31 DECEMBER 2017** | **366,125,285** | **489,672,012** |
| 31 December 2016 | 354,908,547 | 488,430,028 |
| 31 December 2015 | 345,135,316 | 489,224,737 |

The company is not aware of any shareholder, other than those shown in the table above, holding more than 5% of the capital or voting rights.

### 6.3.1.1 Significant changes in share ownership during 2017

The main movements in share ownership since 31 December 2016 are described below:

- The interest in the capital held by employees fell from 20.2% at end-December 2016 to 17.6% at end-December 2017 due to the expiry of the Bouygues Confiance 6 employee share ownership plan, notwithstanding the launch of the new leveraged employee share ownership plan Bouygues Confiance n°9. At the same time, the percentage of voting rights held by employees declined from 26.0% in 2016 to 23.9% in 2017.
- SCDM increased its stake, holding 21.0% at end-December 2017 versus 19.9% at end-December 2016. The percentage of voting rights held by SCDM rose from 28.8% to 29.4%.
- Blackrock and Natixis both increased their stakes, holding 4.5% and 3.8% of the capital respectively at end-December 2017. On the other hand, First Eagle Investment Management LLC continued to reduce its stake, and held a 3.3% interest in the capital at end-December 2017 (versus 6.1% at end-December 2016).

## 6.3.2 Voting rights

The terms on which the principal shareholders of Bouygues hold voting rights are no different from those enjoyed by the other shareholders. They are entitled, on the same terms as the other shareholders, to double voting rights subject to the conditions specified in Article 12 of the articles of association, the terms of which are summarised above (see section 6.1.2.5).

## 6.3.3 Control

No shareholder controls the company within the meaning of Article L. 233-3 of the Commercial Code.

As of 31 December 2017, Martin Bouygues and Olivier Bouygues held 29.4% of the voting rights, either directly or via the simplified limited company SCDM, which gives them substantial power at general meetings (37.4% of the voting rights exercised at the 2017 Annual General Meeting), given the number of voting rights actually exercised.

The employees held 17.6% of the voting rights as of 31 December 2017 (33.2% of the voting rights exercised at the 2017 Annual General Meeting).

As indicated in the Report on corporate governance, the Board of Directors and Board committees include a significant proportion of independent directors (see chapter 5, section 5.2 of this Registration Document).

## 6.3.4 Shareholder agreements relating to the capital of Bouygues

As far as the company is aware, no shareholder agreement relating to the company's capital exists and no agreement exists which could, if activated, result in a future change in control of Bouygues.

# 6.4 STOCK OPTIONS AND PERFORMANCE SHARES

Special report required under Articles L. 225-184 and L. 225-197-4 of the Commercial Code.

## 6.4.1 Principles and rules applied in awarding stock options and performance shares

### Authorisations conferred by the Annual General Meeting

The twenty-eighth resolution of the Combined Annual General Meeting of 27 April 2017 authorised the Board of Directors to grant, on one or more occasions, stock options giving the beneficiaries the right to subscribe for new shares or buy existing shares. That authorisation was granted for a period of thirty-eight months, with the stipulation that the beneficiaries of such options must be salaried employees and/or corporate officers of Bouygues or of companies or economic interest groupings that are directly or indirectly related to Bouygues on the conditions stipulated in Article L. 225-180 of the Commercial Code.

The twenty-first resolution of the Combined Annual General Meeting of 21 April 2016 authorised the Board of Directors to allot, on one or more occasions, existing or new "bonus shares" (i.e. performance shares). That authorisation was granted for a period of thirty-eight months, with the stipulation that the beneficiaries of such shares must be salaried employees and/or corporate officers of Bouygues or of companies or economic interest groupings that are related to Bouygues within the meaning of Article L. 225-197-2 of the Commercial Code.

To date, the Board of Directors has not used the authorisations to award performance shares or to grant options to buy existing shares. All the stock options granted have been options to subscribe for shares.

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### General rules applicable to awards of stock options or performance shares

The Board of Directors takes account of the recommendations contained in the Afep-Medef Code and those issued by the AMF.

Consequently:

- Stock options or performance shares are awarded to help attract senior executives and employees, secure their loyalty, reward them and give them a medium- and long-term interest in the company's development, in light of their contribution to value creation.

- Each plan includes around 800 to 1,000 senior executives and employees. Beneficiaries are selected and individual awards determined on the basis of responsibility and performances, with particular attention paid to high-potential executives.
- No discount is applied to grants of stock options.
- A cap is set to prevent a significant increase in the volume of stock option plans when the market is falling. This cap is set at 15% of the volume of the previous plan.
- Any senior executive or employee included on the list of senior executives or equivalent persons (see explanation below) is prohibited from exercising options or selling shares arising from the exercise of options:
  - during the 30 calendar days preceding publication of the first-half and full-year financial statements, and on the day of such publication;
  - during the 15 calendar days preceding publication of the first-quarter and third-quarter financial statements, and on the day of such publication;
  - during the 15 calendar days preceding publication of Bouygues' quarterly sales release, and on the day of such publication.

  The Board of Directors has reiterated that this prohibition also applies during any period during which a senior executive or employee holds inside information, and on the day such information is made public.
- Barring a decision to the contrary, options are awarded each May after publication of the first-quarter financial statements.
- In addition to these measures, Bouygues has disseminated various internal rules to prevent insider dealing policy breaches or offences: issuing a list of senior executives and equivalent persons with regular or occasional access to inside information or with regular access to sensitive information; reminders of the rules on trading restrictions; information about stock market law; and a recommendation that individuals set up a share trading plan. A specific compliance programme (Financial Information and Securities Trading) was distributed within the Group in 2014. The provisions of the European Market Abuse Directive were implemented in 2016, adding another layer to the preventive measures in this area. New inside information procedures were introduced at the start of 2017.

## Specific rules applicable to Executive Officers

Since 2010, the Executive Officers have at their own request not been awarded any stock options or performance shares. However, the Board of Directors does not rule out awarding stock options or performance shares to Executive Officers in the future, and has set the following rules that would apply in such a case:

- No stock options or performance shares may be granted by reason of an Executive Officer leaving office.
- There is a prohibition on speculative transactions or hedging the risk relating to the exercise of stock options or the sale of performance shares. To the best of the company's knowledge, no Executive Officer has contracted a hedging instrument.
- Executive Officers who wish to sell shares arising from the exercise of options or performance shares are required to confirm with the Group Ethics Officer that they do not hold inside information.
- The value of options awarded to a corporate officer is capped at 100% of his remuneration.
- Caps are imposed on awards made to the Chairman and Chief Executive Officer (no more than 5% of any plan) or to a Deputy Chief Executive Officer (no more than 2.5% of any plan). In light of the appointment of two new Deputy Chief Executive Officers, the Board of Directors reserves the right to reconsider those caps, with the caveat that the total volume of stock options awarded to Executive Officers during a two-year period is capped at 0.25% of the share capital under the terms of the twenty-eighth resolution submitted for approval by the Combined Annual General Meeting on 27 April 2017.
- Performance conditions must be met by Executive Officers when options are granted (by reference to actual consolidated net profit attributable to the Group for the financial year preceding the award) and exercised (by reference to consolidated net profit attributable to the Group for each of the financial years preceding exercise).
- When awarding stock options or performance shares, the Board of Directors must determine the number of performance shares or shares arising from exercise of options that Executive Officers are required to retain until they cease to hold office. For the most recently awarded stock option plans, Executive Officers were required to retain 25% of the shares they obtained from exercising stock options, after selling a sufficient number of shares to fund the exercise and pay the related taxes and social charges.
- Any transactions must be declared to the Board of Directors.

## Rationale for awarding stock options

Ever since 1988, when Bouygues awarded its first stock option plan, the Board of Directors has always opted to use stock options as the mechanism for securing the loyalty of its senior executives and employees and giving them a stake in the Group's future development.

The objective is and always has been to incentivise them through movements in the Bouygues share price, rather than simply to pay them extra remuneration. The well-foundedness of the decision to grant stock options has been borne out by the positive correlation observed between the trend in the Bouygues share price and that in the net profit attributable to the Group.

To date, no performance share plans have been awarded.

The Board of Directors has asked the Selection and Remuneration Committee to reconsider regularly which is the most appropriate mechanism for securing loyalty and linking incentives to the value of the company's shares.

## General information: characteristics of stock subscription options

All the stock subscription options granted by the Board of Directors in 2017 have the following characteristics:

- Exercise price: average of the opening quoted market prices on the 20 trading days preceding the grant date, with no discount.
- Validity: ten years from the grant date.
- Lock-up period: two years from the grant date.

- Exercise period: eight years from the end of the lock-up period (subject to three exceptions whereby options may be exercised at any time within the ten-year period: (i) exercise by heirs within six months following the death of a beneficiary; (ii) change of control of Bouygues, or public tender offer or public exchange offer for Bouygues; and (iii) exercise in accordance with Article L. 3332-25 of the Labour Code using assets acquired under a Group savings scheme.
- Options automatically cancelled in the event of termination of employment contract or loss of office, unless given special authorisation or in the case of permanent incapacity for work or retirement.

## 6.4.2 Stock subscription options awarded to or exercised by Executive Officers in 2017

Options giving entitlement to subscribe for new Bouygues shares were granted in 2017. On 16 May 2017, the Board of Directors decided to grant, on 1 June 2017, a total of 2,570,800 options to 841 beneficiaries drawn from among the corporate officers and employees of Bouygues or companies belonging to the Bouygues group.

The exercise price was set at €37.99 per share subscribed.

The value of each stock option was €3.2967 at the grant date, estimated in accordance with the method used for the consolidated financial statements.

This stock option plan represented 0.72% of the company's share capital as of 30 April 2017.

### Stock subscription options exercised by Executive Officers of Bouygues in 2017

The Board did not award any options to Martin Bouygues, Olivier Bouygues, Olivier Roussat and Philippe Marien.

Note: The Bouygues Board of Directors no longer includes salaried directors, since Hervé Le Bouc and François Bertière are no longer directors.

### Stock subscription options exercised by Executive Officers of Bouygues in 2017

| Person involved | Plan | Number of options exercised | Exercise price € |
|---|---|---|---|
| Olivier Roussat | June 2010 | 131,684 | 34.08 |
| | March 2013 | 80,000 | 22.28 |
| Martin Bouygues | June 2010 | 162,073 | 34.08 |
| Philippe Marien | June 2010 | 131,684 | 34.08 |
| Olivier Bouygues | June 2010 | 91,166 | 34.08 |
| **TOTAL** | | **596,007** | |

## 6.4.3 Performance shares

### Performance shares awarded to each Executive Officer

Bouygues did not award any performance shares in 2017.

### Performance shares that became available to each Executive Officer during the year

No performance shares became available because the company did not award any.

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## 6.4.4. Summary of outstanding stock option plans

### Breakdown of stock subscription option plans by plan and category of beneficiary

| | **2017** | **2016** | **2015** | **2014** | **2013** | **2012** | **2011** |
|---|---|---|---|---|---|---|---|
| Date of AGM | 27/04/2017 | 21/04/2016 | 23/04/2015 | 21/04/2011 | 21/04/2011 | 21/04/2011 | 21/04/2011 |
| Grant date | 01/06/2017 | 30/05/2016 | 28/05/2015 | 27/03/2014 | 28/03/2013 | 13/06/2012 | 14/06/2011 |
| Number of options awarded by the Board of Directors[b] | 2,570,800 | 2,790,000 | 2,739,600 | 2,790,000 | 2,790,000 | 2,956,025 | 2,936,125 |
| | | | | | | | (2,974,497)[c] |
| • of which Executive Officers and salaried directors[a & b] | | Total: | Total: | Total: | Total: | Total: | Total: |
| | | | | | | | 388,000 |
| | | 160,000 | 295,000 | 375,000 | 320,000 | 388,000 | (393,028)[c] |
| | | F. Bertière: 80,000 | F. Bertière: 80,000 | F. Bertière: 80,000 | F. Bertière: 80,000 | F. Bertière: 97,000 | F. Bertière: 97,000 |
| | | H. Le Bouc: 80,000 | H. Le Bouc: 80,000 | H. Le Bouc: 80,000 | H. Le Bouc: 80,000 | H. Le Bouc: 97,000 | H. Le Bouc: 97,000 |
| • of which the 10 employees awarded the most options | 453,500 | 414,500 | 360,800 | 289,100 | 335,800 | 402,800 | 404,200 |
| | | | | | | | (409,441)[c] |
| Pre-adjustment exercise price | €37.993 | €28.997 | €37.106 | €30.32 | €22.28 | €20.11 | €31.84 |
| Post-adjustment exercise price[b] | €37.993 | €28.997 | €37.106 | €30.32 | €22.28 | €20.11 | €31.43 |
| Start date of exercise period | 02/06/2019 | 31/05/2018 | 29/05/2017 | 28/03/2018 | 29/03/2017 | 14/06/2016 | 14/06/2015 |
| Expiry date | 01/06/2027 | 30/05/2026 | 28/05/2025 | 27/09/2021 | 28/09/2020 | 13/12/2019 | 14/12/2018 |
| Number of options cancelled or lapsed | 14,250 | 70,800 | 111,600 | 177,788 | 214,148 | 249,198 | 307,715[c] |
| Number of options outstanding at 31/12/2017 | 2,556,550 | 2,622,139 | 2,272,144 | 2,605,239 | 1,432,514 | 1,102,594 | 1,100,375[c] |
| Number of options exercised between 01/01/2018 and 31/01/2018 | | 435 | 28,053 | 400 | 44,710 | 5,950 | 36,537 |
| **TOTAL OPTIONS OUTSTANDING AT 31/12/2017** | **13,691,555** | | | | | | |

(a) This list only includes Executive Officers and salaried directors currently in office.
(b) As required by law, the exercise price and number of options awarded were adjusted on 15 November 2011 following a share repurchase tender offer.
(c) After adjustment of the number of options on 15 November 2011 following the share repurchase tender offer.

## 6.4.5 Stock subscription options awarded to/exercised by the ten employees awarded/exercising the most options during 2017

### Stock subscription options awarded to the employees (excluding corporate officers) of Bouygues awarded the most options during the year

| Employees | Company awarding the options | Grant date | Number of options | Exercise price € |
|---|---|---|---|---|
| Pierre Auberger | Bouygues | 1 June 2017 | 11,000 | 37.99 |
| François Bertière | Bouygues | 1 June 2017 | 80,000 | 37.99 |
| Philippe Bonnave | Bouygues | 1 June 2017 | 80,000 | 37.99 |
| Yann Boucraut | Bouygues | 1 June 2017 | 11,000 | 37.99 |
| Robert Brard | Bouygues | 1 June 2017 | 11,000 | 37.99 |
| Gérard Bucourt | Bouygues | 1 June 2017 | 11,000 | 37.99 |
| Georges Colombani | Bouygues | 1 June 2017 | 15,000 | 37.99 |
| Philippe Cuenot | Bouygues | 1 June 2017 | 11,000 | 37.99 |
| Emmanuel Forest | Bouygues | 1 June 2017 | 13,500 | 37.99 |
| Jean-François Guillemin | Bouygues | 1 June 2017 | 35,000 | 37.99 |
| Hervé Le Bouc | Bouygues | 1 June 2017 | 80,000 | 37.99 |
| Gilles Pélisson | Bouygues | 1 June 2017 | 80,000 | 37.99 |
| Gilles Zancanaro | Bouygues | 1 June 2017 | 15,000 | 37.99 |
| **TOTAL** | | | **453,500** | |

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### Stock subscription options exercised during 2017 by the ten employees (excluding corporate officers) of Bouygues exercising the most options

| Employees | Company awarding the options | Plan | Number of options exercised | Exercise price € |
|---|---|---|---|---|
| Hervé Le Bouc | Bouygues | June 2010 | 131,684 | 34.08 |
| | | June 2011 | 98,257 | 31.43 |
| | | March 2013 | 80,000 | 22.28 |
| | | May 2015 | 80,000 | 37.106 |
| François Bertière | Bouygues | June 2010 | 131,684 | 34.08 |
| | | March 2013 | 80,000 | 22.28 |
| | | May 2015 | 80,000 | 37.106 |
| Jean-François Guillemin | Bouygues | June 2010 | 44,570 | 34.08 |
| Philippe Bonnave | Bouygues | June 2010 | 29,376 | 34.08 |
| Robert Brard | Bouygues | June 2010 | 10,130 | 34.08 |
| | | June 2012 | 7,500 | 20.11 |
| | | March 2013 | 8,300 | 22.28 |
| Georges Colombani | Bouygues | June 2010 | 20,260 | 34.08 |
| | | June 2012 | 613 | 20.11 |
| Pierre Auberger | Bouygues | June 2010 | 10,130 | 34.08 |
| | | March 2013 | 8,300 | 22.28 |
| Emmanuel Forest | Bouygues | June 2010 | 18,234 | 34.08 |
| Philippe Cuenot | Bouygues | June 2010 | 9,117 | 34.08 |
| | | June 2012 | 7,800 | 20.11 |
| Pierre Berehouc | Bouygues | June 2010 | 5,572 | 34.08 |
| | | June 2011 | 4,154 | 31.43 |
| | | June 2012 | 4,500 | 20.11 |
| | | March 2013 | 2,000 | 22.28 |
| **TOTAL** | | | **872,181** | |

In 2017, 5,894,234 Bouygues stock subscription options were exercised by employees of Bouygues or its subsidiaries, including the ten Bouygues employees listed above.

# 6.5 STOCK MARKET INFORMATION

## 6.5.1 Stock market performance of Bouygues shares in 2017

Bouygues shares are listed on the Euronext Paris market (compartment A) and belong to the CAC 40, Euronext 100, FTSE Eurofirst 300 and Dow Jones Stoxx 600 indices. They are eligible for the Deferred Settlement Service (SRD) and for French equity savings plans (PEAs).

There were a total of 366,125,285 **shares in issue** on 31 December 2017.

The **average number of shares in issue** during 2017 was 357,914,334.

The average daily volume traded in 2017 as reported by Euronext was 834,040 shares.

During 2017, Bouygues shares rose by 27.2%, compared with 9.3% for the CAC 40.

This performance was achieved in two phases:

- The first rise followed publication of the 2016 full-year results, when Bouygues confirmed that it had reached or exceeded all its targets and demonstrated its capacity to improve its fundamentals. The share price responded by moving out of the €34.5 range, rising to €39.5 before consolidating at €37.

- The second rise followed publication of the 2017 first-half results, with Bouygues showing continued very good commercial momentum across all of its businesses, raising EBITDA guidance for Bouygues Telecom, and announcing it was on track to meet its targets for improving profitability over 2017 as a whole. The market also reacted positively to the acquisition by Colas of the Miller McAsphalt group, a major player in roads and bitumen in Canada, and to the announcement of the merger between Alstom and the rail activities of Siemens. This triggered a further rise in the Bouygues share price, which ended the year at €43.31.

| | | Dividend paid for the year € | Quoted market price € | | | Yield based on closing price % |
|---|---|---|---|---|---|---|
| | Number of shares | Net | High | Low | Closing | |
| 2012 | 324,232,374 | 1.60 | 25.74 | 17.54 | 22.40 | 7.1 |
| 2013 | 319,264,996 | 1.60 | 30.03 | 18.61 | 27.42 | 5.8 |
| 2014 | 336,086,458 | 1.60 | 34.68 | 23.70 | 29.98 | 5.3 |
| 2015 | 345,135,316 | 1.60 | 39.05 | 28.70 | 36.55 | 4.4 |
| 2016 | 354,908,547 | 1.60 | 37.30 | 24.99 | 34.05 | 4.7 |
| 2017 | 366,125,285 | 1.70 | 44.65 | 33.65 | 43.31 | 3.9 |

## 6.5.2 Trends in share price and trading volumes

| | High € | Low € | Number of shares traded | Capital traded €m |
|---|---|---|---|---|
| **2016** | | | | |
| January | 37.30 | 34.20 | 20,866,300 | 747 |
| February | 36.07 | 31.30 | 23,145,678 | 787 |
| March | 37.21 | 35.50 | 18,676,476 | 679 |
| April | 35.14 | 29.12 | 33,111,536 | 1,003 |
| May | 29.64 | 28.45 | 16,909,432 | 491 |
| June | 29.01 | 25.57 | 23,100,037 | 624 |
| July | 27.14 | 24.99 | 15,704,604 | 415 |
| August | 28.43 | 25.54 | 16,809,375 | 460 |
| September | 29.62 | 27.92 | 20,647,337 | 595 |
| October | 30.22 | 29.26 | 16,674,267 | 496 |
| November | 32.40 | 28.26 | 21,325,041 | 656 |
| December | 34.53 | 31.57 | 16,602,322 | 553 |
| **2017** | | | | |
| January | 35.28 | 33.65 | 14,950,552 | 516 |
| February | 36.37 | 33.65 | 15,525,108 | 545 |
| March | 38.50 | 36.92 | 19,599,019 | 744 |
| April | 39.18 | 36.37 | 18,366,010 | 700 |
| May | 39.06 | 37.31 | 21,272,145 | 811 |
| June | 39.50 | 36.92 | 19,550,109 | 751 |
| July | 38.01 | 36.24 | 16,701,581 | 618 |
| August | 38.29 | 36.66 | 13,820,736 | 518 |
| September | 40.29 | 38.40 | 18,750,993 | 734 |
| October | 41.22 | 39.85 | 13,879,833 | 561 |
| November | 43.46 | 40.05 | 23,795,011 | 1,004 |
| December | 44.65 | 42.67 | 16,469,226 | 723 |

Source: NYSE – Euronext. Volumes traded are those reported by Euronext.

## 6.5.3 Share trading by senior executives

As required by Article 223-26 of the AMF General Regulation, the table below discloses details of the transactions mentioned in Article L. 621-18-2 of the French Monetary and Financial Code carried out during 2017.

| Person involved | Nature of transaction | Number of transactions | Number of shares | Amount € |
|---|---|---|---|---|
| Martin Bouygues | Exercise of options | 1 | 162,073 | 5,523,447.84 |
| | Internal transfer within the SCDM group – Sale of Bouygues shares by Martin Bouygues to SCDM | 1 | 140,000 | 5,623,100.00 |
| Olivier Bouygues | Exercise of options | 1 | 91,166 | 3,106,937.28 |
| SCDM | Acquisition | 17 | 6,080,551 | 248,256,320.39 |
| | Internal transfer within the SCDM group – Purchase by SCDM of Bouygues shares held by Martin Bouygues | 1 | 140,000 | 5,623,100.00 |
| | Internal transfer within the SCDM group – Purchase by SCDM of Bouygues shares held by SCDM Participations | 1 | 3,000,000 | 120,900,000.00 |
| SCDM Participations | Internal transfer within the SCDM group – Sale of Bouygues shares by SCDM Participations to SCDM | 1 | 3,000,000 | 120,900,000.00 |
| François Bertière | Exercise of options | 4 | 291,684 | 9,238,670.72 |
| | Sale | 3 | 147,250 | 6,320,765.35 |
| Philippe Bonnave | Exercise of options | 1 | 29,376 | 1,001,134.08 |
| | Sale | 1 | 29,376 | 1,184,889.77 |
| Pascal Grangé | Exercise of options | 10 | 31,168 | 941,530.79 |
| | Sale | 10 | 31,168 | 1,218,508.28 |
| Jean-François Guillemin | Exercise of options | 1 | 44,570 | 1,518,945.60 |
| | Sale | 1 | 44,570 | 1,795,716.39 |
| Éric Guillemin | Gift | 1 | 17,655 | |
| | Exercise of options | 1 | 17,828 | 536,266.24 |
| | Sale | 1 | 17,828 | 722,212.28 |
| Hervé Le Bouc | Exercise of options | 6 | 389,941 | 12,326,888.23 |
| | Sale | 5 | 291,684 | 11,987,448.32 |
| Éric Mazoyer | Exercise of options | 3 | 30,997 | 1,021,479.91 |
| | Sale | 3 | 30,997 | 1,206,218.95 |
| Philippe Marien | Exercise of options | 1 | 131,684 | 4,487,790.72 |
| | Sale | 1 | 131,684 | 5,311,513.65 |
| Olivier-Marie Racine | Exercise of options | 2 | 25,324 | 863,041.92 |
| | Sale | 2 | 25,324 | 987,713.30 |
| Olivier Roussat | Exercise of options | 5 | 211,684 | 6,270,190.72 |
| | Sale | 5 | 211,684 | 8,450,134.87 |
| Jean-Philippe Trin | Exercise of options | 2 | 26,000 | 977,407.60 |
| | Sale | 2 | 26,000 | 551,070.00 |
| Richard Viel-Gouarin | Exercise of options | 4 | 39,696 | 917,621.68 |
| | Sale | 2 | 12,436 | 479,698.00 |

# 6.6 INFORMATION ON AUDITORS

Under Article 22 of the articles of association, the financial statements are audited by at least two principal statutory auditors, appointed for a term of six financial years by an ordinary general meeting of shareholders.

The general meeting of shareholders also appoints for a term of six financial years two alternate auditors who replace the principal auditors in the event of a principal auditor's refusal or inability to act, resignation, or death. Law No. 2016-1691 of 9 December 2016 (Sapin 2 law) amended Article L. 823-1 of the Commercial Code so that alternate auditors now need to be appointed only if the principal auditor is an individual or a single-person company. Consequently, the Annual General Meeting of 26 April 2018 will be asked to amend the articles of association by removing the requirement to appoint an alternate auditor where the principal auditor is a legal entity. The terms of office of the current alternate auditors will continue to run until the date specified by the general meeting of shareholders that appointed them.

## 6.6.1 Principal auditors

| | First appointment | Latest reappointment | Term expires |
|---|---|---|---|
| Mazars<br>61 rue Henri Regnault, 92075 Paris-La Défense, France | 10 June 1998 | 21 April 2016 | 2022 |
| Ernst & Young Audit<br>Tour First, 1/2 Place des Saisons, 92400 Courbevoie, France | 24 April 2003 | 23 April 2015 | 2021 |

Mazars and Ernst & Young Audit are members of the Versailles regional association of auditors.

## 6.6.2 Alternate auditors

| | First appointment | Latest reappointment | Term expires |
|---|---|---|---|
| Philippe Castagnac (Mazars group) | 29 April 2010 | 21 April 2016 | 2022 |
| Auditex (EY group) | 23 April 2009 | 23 April 2015 | 2021 |

## 6.6.3 Fees paid by the Group to the auditors and members of their networks

The fees paid to each of the auditors and to the members of their networks by Bouygues and all fully consolidated Group companies are set forth in Note 22 to the consolidated financial statements (chapter 7, section 7.1, of this Registration Document).

# 6.7 BOUYGUES (PARENT COMPANY) RESULTS FOR THE LAST FIVE FINANCIAL YEARS

| Item | 2017 | 2016 | 2015 | 2014 | 2013 |
|---|---|---|---|---|---|
| **1. FINANCIAL POSITION AT YEAR-END** | | | | | |
| a) Share capital (€m) | 366 | 355 | 345 | 336 | 319 |
| b) Number of shares in issue | 366,125,285 | 354,908,547 | 345,135,316 | 336,086,458 | 319,264,996 |
| c) Number of bonds convertible into shares | | | | | |
| **2. RESULTS OF OPERATIONS** (€m) | | | | | |
| a) Sales excluding taxes | 81 | 73 | 73 | 68 | 63 |
| b) Earnings before tax, amortisation, depreciation and provisions | (63) | 696 | 761 | 351 | 431 |
| c) Income tax | 178 | 86 | 103 | 93 | 86 |
| d) Earnings after tax, amortisation, depreciation and provisions | 102 | 973 | 845 | 414 | (118) |
| e) Amount of profits distributed as dividend | 622 | 568 | 552 | 538 | 511 |
| **3. RESULTS OF OPERATIONS ON A PER SHARE BASIS** (€) | | | | | |
| a) Earnings after tax, but before amortisation, depreciation and provisions | 0.32 | 2.20 | 2.50 | 1.32 | 1.62 |
| b) Earnings after tax, amortisation, depreciation and provisions | 0.28 | 2.74 | 2.45 | 1.23 | (0.37) |
| c) Dividend per share | 1.70 | 1.60 | 1.60 | 1.60 | 1.60 |
| **4. PERSONNEL** | | | | | |
| a) Number of employees (average) | 167 | 169 | 170 | 168 | 169 |
| b) Payroll (€m) | 30 | 37 | 36 | 30 | 30 |
| c) Amount paid in respect of benefits (social security, company benefits, etc.) (€m) | 14 | 17 | 18 | 13 | 14 |

# 7 FINANCIAL STATEMENTS

# 7.1 CONSOLIDATED FINANCIAL STATEMENTS

## 7.1.1 Consolidated balance sheet

| **Assets** (€ million) | Note | 31/12/2017 Net | 31/12/2016 Net |
|---|---|---|---|
| Property, plant and equipment | 3.2.1 | 6,858 | 6,566 |
| Intangible assets | 3.2.2 | 2,132 | 2,180 |
| Goodwill | 3.2.3 | 5,385 | 5,367 |
| Investments in joint ventures and associates | 3.3.4/3.2.5 | 2,502 | 2,429 |
| Other non-current financial assets | 3.2.4 | 563 | 523 |
| Deferred tax assets and non-current tax receivable | 7.1 | 337 | 367 |
| **NON-CURRENT ASSETS** | | **17,777** | **17,432** |
| Inventories, programmes and broadcasting rights | 4.1 | 3,037 | 2,955 |
| Advances and down-payments made on orders | 4.2 | 432 | 395 |
| Trade receivables | 4.3 | 6,732 | 6,367 |
| Tax asset (receivable) | 4.3 | 331 | 285 |
| Other current receivables and prepaid expenses | 4.3 | 2,581 | 2,509 |
| Cash and cash equivalents | 4.4 | 4,820 | 4,749 |
| Financial instruments – Hedging of debt | 17.2 | 15 | 17 |
| Other current financial assets | 17.2 | 15 | 24 |
| **CURRENT ASSETS** | | **17,963** | **17,301** |
| Held-for-sale assets and operations | | 38 | 121 |
| **TOTAL ASSETS** | **16** | **35,778** | **34,854** |

| **Liabilities and shareholders' equity** (€ million) | Note | 31/12/2017 | 31/12/2016 |
|---|---|---|---|
| Share capital | 5.1 | 366 | 355 |
| Share premium and reserves | | 7,488 | 6,925 |
| Translation reserve | 5.3.1 | (88) | 128 |
| Treasury shares | | | |
| Consolidated net profit/(loss) | | 1,085 | 732 |
| **SHAREHOLDERS' EQUITY ATTRIBUTABLE TO THE GROUP** | **5.2** | **8,851** | **8,140** |
| Non-controlling interests | 5.2 | 1,359 | 1,280 |
| **SHAREHOLDERS' EQUITY** | **5.2** | **10,210** | **9,420** |
| Non-current debt | 8.1 | 5,788 | 6,180 |
| Non-current provisions | 6.1 | 2,085 | 2,199 |
| Deferred tax liabilities and non-current tax liabilities | 7.2 | 147 | 159 |
| **NON-CURRENT LIABILITIES** | | **8,020** | **8,538** |
| Advances and down-payments received on orders | 10 | 1,101 | 1,010 |
| Current debt | 8.1 | 736 | 265 |
| Current taxes payable | | 115 | 109 |
| Trade payables | | 7,349 | 7,140 |
| Current provisions | 6.2 | 889 | 1,002 |
| Other current liabilities | 10 | 7,109 | 7,159 |
| Overdrafts and short-term bank borrowings | | 209 | 168 |
| Financial instruments – Hedging of debt | 17.2 | 16 | 19 |
| Other current financial liabilities | 17.2 | 24 | 24 |
| **CURRENT LIABILITIES** | **10** | **17,548** | **16,896** |
| Liabilities related to held-for-sale operations | | | |
| **TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY** | **16** | **35,778** | **34,854** |

| | | | |
|---|---|---|---|
| **NET SURPLUS CASH/(NET DEBT)** | **9/16** | **(1,914)** | **(1,866)** |

## 7.1.2 Consolidated income statement

| | | Full year | |
|---|---|---|---|
| (€ million) | Note | 2017 | 2016 |
| **SALES** [a] | **11/16** | **32,904** | **31,768** |
| Other revenues from operations | | 150 | 132 |
| Purchases used in production | | (15,287) | (14,751) |
| Personnel costs | | (7,336) | (7,169) |
| External charges | | (7,280) | (6,862) |
| Taxes other than income tax | | (668) | (646) |
| Net depreciation and amortisation expense | 16/4.5 | (1,655) | (1,599) |
| Charges to provisions and impairment losses, net of reversals due to utilisation | 16/4.5 | (330) | (461) |
| Changes in production and property development inventories | | 85 | (16) |
| Other income from operations [b] | | 1,672 | 1,678 |
| Other expenses on operations | | (835) | (953) |
| **CURRENT OPERATING PROFIT/(LOSS)** | **12/16** | **1,420** | **1,121** |
| Other operating income | 12/16 | 233 | 113 |
| Other operating expenses | 12/16 | (120) | (287) |
| **OPERATING PROFIT/(LOSS)** | **12/16** | **1,533** | **947** |
| Financial income | 13.1 | **25** | 26 |
| Financial expenses | 13.1 | (251) | (248) |
| **INCOME FROM NET SURPLUS CASH/(COST OF NET DEBT)** | **13/16** | **(226)** | **(222)** |
| Other financial income | 13.2 | 113 | 125 |
| Other financial expenses | 13.2 | (75) | (84) |
| Income tax | 14/16 | (303) | (249) |
| Share of net profits/losses of joint ventures and associates | 16 | 163 | 267 |
| **NET PROFIT/(LOSS) FROM CONTINUING OPERATIONS** | **16** | **1,205** | **784** |
| Net profit/(loss) from discontinued and held-for-sale operations | | | |
| **NET PROFIT/(LOSS)** | **16** | **1,205** | **784** |
| **NET PROFIT/(LOSS) ATTRIBUTABLE TO THE GROUP** | **15/16** | **1,085** | **732** |
| Net profit/(loss) attributable to non-controlling interests | | 120 | 52 |
| **BASIC EARNINGS PER SHARE FROM CONTINUING OPERATIONS** (€) | **15** | **3.03** | **2.11** |
| **DILUTED EARNINGS PER SHARE FROM CONTINUING OPERATIONS** (€) | **15** | **3.01** | **2.10** |
| (a) Of which sales generated abroad | | 11,915 | 11,697 |
| (b) Of which reversals of unutilised provisions/impairment losses & other items (Note 4.5) | | 437 | 424 |

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## 7.1.3 Consolidated statement of recognised income and expense

| | | Full year | |
|---|---|---|---|
| (€ million) | Note | 2017 | 2016 |
| **NET PROFIT/(LOSS)** | | **1,205** | **784** |
| **Items not reclassifiable to profit or loss** | | | |
| Actuarial gains/losses on post-employment benefits | | (4) | (80) |
| Change in remeasurement reserve | | | |
| Net tax effect of items not reclassifiable to profit or loss | | (3) | 16 |
| Share of non-reclassifiable income and expense of joint ventures and associates [a] | | 22 | (42) |
| **Items reclassifiable to profit or loss** | | | |
| Change in cumulative translation adjustment | | (180) [b] | 13 |
| Net change in fair value of financial instruments used for hedging purposes and of other financial assets (including available-for-sale financial assets) | | 9 | (1) |
| Net tax effect of items reclassifiable to profit or loss | | (1) | 6 |
| Share of reclassifiable income and expense of joint ventures and associates [a] | | (39) | 48 |
| **INCOME AND EXPENSE RECOGNISED DIRECTLY IN EQUITY** | **5.3** | **(196)** | **(40)** |
| **TOTAL RECOGNISED INCOME AND EXPENSE** | | **1,009** | **744** |
| **Recognised income and expense attributable to the Group** | | **900** | **692** |
| **Recognised income and expense attributable to non-controlling interests** | | **109** | **52** |

(a) Relates mainly to Alstom (accounted for by the equity method).
(b) Of which (79) reclassified to profit or loss in 2017 following disposals carried out by Bouygues Construction.

## 7.1.4 Consolidated statement of changes in shareholders' equity

| (€ million) | Note | Share capital & share premium | Reserves related to capital/ retained earnings | Consolidated reserves and profit/(loss) | Treasury shares | Items recognised directly in equity | Total attributable to the Group | Non-controlling interests | Total |
|---|---|---|---|---|---|---|---|---|---|
| **POSITION AT 31 DECEMBER 2015** | | **1,853** | **2,302** | **4,142** | | **(432)** | **7,865** | **1,428** | **9,293** |
| **Movements during 2016** | | | | | | | | | |
| Net profit/(loss) | | | | 732 | | | 732 | 52 | 784 |
| Translation adjustment | | | | | | 44 | 44 | 2 | 46 |
| Other recognised income and expense | | | | | | (84) | (84) | (2) | (86) |
| **TOTAL RECOGNISED INCOME AND EXPENSE** [b] | | | | **732** | | **(40)** | **692** | **52** | **744** |
| Capital and reserves transactions, net | | 207 | 293 | (293) | | | 207 | | 207 |
| Acquisitions/disposals of treasury shares | | | | 1 | | | 1 | | 1 |
| Acquisitions/disposals without loss of control | | | | (59) | | | (59) | (68) | (127) |
| Dividend paid | | | | (552) | | | (552) | (110) | (662) |
| Other transactions with shareholders | | | | 13 | | | 13 | 1 | 14 |
| Other transactions (changes in scope of consolidation and other items) | | | | (556) | | 529 | (27) | (23) | (50) |
| **POSITION AT 31 DECEMBER 2016** | | **2,060** | **2,595** | **3,428** | | **57** | **8,140** | **1,280** | **9,420** |
| **Movements during 2017** | | | | | | | | | |
| Net profit/(loss) | | | | 1,085 | | | 1,085 | 120 | 1,205 |
| Translation adjustment | 5.3 | | | | | (216) | (216) | (7) | (223) [a] |
| Other recognised income and expense | 5.3 | | | | | 31 | 31 | (4) | 27 |
| **TOTAL RECOGNISED INCOME AND EXPENSE** [b] | | | | **1,085** | | **(185)** | **900** | **109** | **1,009** |
| Capital and reserves transactions, net | | 345 | 405 | (405) | | | 345 | | 345 |
| Acquisitions/disposals of treasury shares | | | | (2) | | | (2) | | (2) |
| Acquisitions/disposals without loss of control | 5.5 | | | 7 | | | 7 | 6 | 13 |
| Dividend paid | | | | (568) | | | (568) | (38) | (606) |
| Other transactions with shareholders | 5.4 | | | 16 | | | 16 | 3 | 19 |
| Other transactions (changes in scope of consolidation and other items) | 5.5 | | | 13 | | | 13 | (1) | 12 |
| **POSITION AT 31 DECEMBER 2017** | | **2,405** | **3,000** | **3,574** | | **(128)** | **8,851** | **1,359** [c] | **10,210** |

(a) Change in translation reserve:

| Attributable to: | Group | Non-controlling interests | Total |
|---|---|---|---|
| Controlled entities | (173) | (7) | (180) |
| Joint ventures and associates | (43) | | (43) |
| | **(216)** | **(7)** | **(223)** |

(b) See statement of recognised income and expense.
(c) Includes TF1: 894.

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## 7.1.5 Consolidated cash flow statement

| (€ million) | Note | Full year 2017 | 2016 |
|---|---|---|---|
| **I – CASH FLOW FROM CONTINUING OPERATIONS** | | | |
| **A – NET CASH GENERATED BY/(USED IN) OPERATING ACTIVITIES** | | | |
| Net profit/(loss) from continuing operations | | 1,205 | 784 |
| Eliminations: | | | |
| Share of profits/losses reverting to joint ventures and associates, net of dividends received | | (87) | (102) |
| Dividends from non-consolidated companies | | (19) | (17) |
| Net charges to/(reversals of) depreciation, amortisation, and non-current impairment & provisions | | 1,638 | 1,760 |
| Gains and losses on asset disposals | | (367) | (382) |
| Miscellaneous non-cash charges | | (15) | (10) |
| **Cash flow after cost of net debt and income tax** | | **2,355** | **2,033** |
| Reclassification of (income from net surplus cash)/cost of net debt | | 226 | 222 |
| Elimination of income tax | | 303 | 249 |
| **Cash flow** | **16** | **2,884** | **2,504** |
| Income taxes paid | | (325) | (280) |
| Changes in working capital related to operating activities (including current impairment and provisions) [a] | | (395) | 194 |
| **NET CASH GENERATED BY/(USED IN) OPERATING ACTIVITIES** | | **2,164** | **2,418** |
| **B – NET CASH GENERATED BY/(USED IN) INVESTING ACTIVITIES** | | | |
| Purchase price of property, plant and equipment and intangible assets | 16 | (2,036) | (1,962) |
| Proceeds from disposals of property, plant and equipment and intangible assets | 16 | 509 | 324 |
| Net liabilities related to property, plant and equipment and intangible assets | | 6 | (202) |
| Purchase price of non-consolidated companies and other investments | 16 | (43) | (13) |
| Proceeds from disposals of non-consolidated companies and other investments | 16 | 33 | 75 |
| Net liabilities related to non-consolidated companies and other investments | | 65 | (65) |
| Purchase price of investments in consolidated activities | 16/21.1 | (191) | (220) |
| Proceeds from disposals of investments in consolidated activities | 16/21.1 | 121 | 1,229 |
| Net liabilities related to consolidated activities | 21.1 | (2) | (2) |
| Other effects of changes in scope of consolidation: cash of acquired and divested companies | 21.1 | (9) | 91 |
| Other cash flows related to investing activities: changes in loans, dividends received from non-consolidated companies | | (39) | 40 |
| **NET CASH GENERATED BY/(USED IN) INVESTING ACTIVITIES** | | **(1,586)** | **(705)** |
| **C – NET CASH GENERATED BY/(USED IN) FINANCING ACTIVITIES** | | | |
| Capital increases/(reductions) paid by shareholders & non-controlling interests and other transactions between shareholders | | 326 | 189 |
| Dividends paid to shareholders of the parent company | | (568) | (552) |
| Dividends paid by consolidated companies to non-controlling interests | | (38) | (110) |
| Change in current and non-current debt | | 123 | 87 |
| Income from net surplus cash/(cost of net debt) | | (226) | (222) |
| Other cash flows related to financing activities | | 21 | (85) |
| **NET CASH GENERATED BY/(USED IN) FINANCING ACTIVITIES** | | **(362)** | **(693)** |
| **D – EFFECT OF FOREIGN EXCHANGE FLUCTUATIONS** | | **(187)** | **(29)** |
| **CHANGE IN NET CASH POSITION (A + B + C + D)** | | **29** | **991** |
| **NET CASH POSITION AT START OF PERIOD** | **9** | **4,581** | **3,589** |
| Net cash flows | 9 | 29 | 991 |
| Other non-monetary flows | | 1 | 1 |
| **NET CASH POSITION AT END OF PERIOD** | **9** | **4,611** | **4,581** |
| **II – CASH FLOWS FROM DISCONTINUED AND HELD-FOR-SALE OPERATIONS** | | | |
| **NET CASH POSITION AT START OF PERIOD** | | | |
| Net cash flows | | | |
| **NET CASH POSITION AT END OF PERIOD** | | | |

(a) Definition of changes in working capital related to operating activities: Current assets minus current liabilities, excluding (i) income taxes paid, which are presented separately and (ii) current debt and financial instruments used to hedge debt, which are classified in financing activities.

## 7.1.6 Notes to the consolidated financial statements

### Contents (figures in millions of euros unless otherwise indicated)





**Declaration of compliance:**

The consolidated financial statements of Bouygues and its subsidiaries (the "Group") for the year ended 31 December 2017 were prepared in accordance with International Financial Reporting Standards (IFRS) as 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 2016.

# Note 1 Significant events of the year

## 1.1 Scope of consolidation as of 31 December 2017

1,110 entities were consolidated as of 31 December 2017, compared with 1,065 as of 31 December 2016. Entities acquired or divested during the year had no material impact on the 2017 consolidated financial statements.

| (31 December) | 2017 | 2016 |
|---|---|---|
| Companies controlled by the Group | 776 | 777 |
| Joint operations | 163 | 162 |
| Joint ventures and associates | 171 | 126 |
| | **1,110** | **1,065** |

## 1.2 Significant events

### 1.2.1 Significant events of 2017

The principal corporate actions and acquisitions of 2017 are described below:

- On 30 January 2017, TF1 accepted a conditional offer from Mediawan SA to buy the TF1's 33.5% equity interest in Groupe AB. As of 31 March 2017, the conditions had been met and the divestment of the equity interest took effect, generating a provisional gain pending validation of the net cash position of Groupe AB as of 31 March 2017. The final purchase price was determined in September 2017, and the resulting gain of €14 million was recognised in "Share of net profits/losses of joint ventures and associates" in the consolidated income statement (see Note 3.2 to the consolidated financial statements).
- On 31 January 2017, Bouygues Telecom signed an agreement with Cellnex (Spain) covering 3,000 sites in France, for a total amount of €854 million. The transaction involves the transfer by Bouygues Telecom of an initial batch of 1,800 existing sites to Cellnex over a two-year period for €500 million, followed by the joint construction of 1,200 new sites over a five-year period for €354 million. In addition, Bouygues Telecom and Cellnex signed a renewable 15-year hosting and services agreement. As of 31 December 2016, the 1,800 sites were presented in the balance sheet as "Held-for-sale assets", at a carrying amount of €121 million. As of 31 December 2017, 1,085 sites had been transferred for a total of €307 million. "Held-for-sale assets" was reduced to €38 million to reflect the reduction in the number of sites still held by Bouygues; the resulting gain of €223 million is presented in "Other operating income" (see Note 12 to the consolidated financial statements).
- On 25 July 2017, Bouygues Telecom and Cellnex signed an extension to their agreement of 31 January 2017 concerning the addition of up to 600 more sites at a selling price of up to €170 million. The additional sites did not meet the definition of "Held-for-sale assets" as of 31 December 2017, since it was as yet uncertain how many sites would actually be sold.
- On 25 July 2017, Bouygues Immobilier and AccorHotels announced the formation of a 50/50 joint venture to accelerate the development of Nextdoor in France and Europe. This transaction generated a gain of €28 million (arising from the divestment of 50% of Nextdoor and the remeasurement of the residual equity interest), recognised in "Other operating income".
- On 30 August 2017, Colas Canada signed a Memorandum of Understanding in Toronto under which it is to acquire the entire share capital of the Miller McAsphalt group. Closing of the transaction is expected during the first quarter of 2018. The transaction is subject to various suspensive conditions, including regulatory clearances required under Canadian legislation on competition, investment and transport.
- On 26 September 2017, Siemens and Alstom signed a Memorandum of Understanding that included a reciprocal exclusivity agreement to combine their rail activities. In return for transferring its Mobility and Rail Traction Drives businesses to Alstom, Siemens is to receive newly issued shares representing 50% of the share capital of Alstom on a fully diluted basis. Alstom shareholders are to receive a €4 per share dividend by way of control premium, plus a further dividend of up to €4 per share paid out of the proceeds from the exercise of Alstom's put options over its share of its joint ventures with General Electric.

  In connection with this transaction, the French state terminated its loan of Alstom shares from the Bouygues group on 17 October 2017 without exercising the call option it had been granted by Bouygues in 2014.

  Bouygues fully supports the proposed transaction and will vote in favour of it on the Alstom Board of Directors and at the Extraordinary General Meeting of Alstom shareholders called to approve the transaction. Bouygues has undertaken to retain its Alstom shares until the earlier of (i) the Extraordinary General Meeting or (ii) 31 July 2018.

  Closing of the transaction will be subject to clearance from various regulatory authorities, including the European Commission, and to confirmation by the Autorité des Marchés Financiers (AMF) that Siemens will not be required to file a compulsory public tender offer for Alstom following completion of the transfer. Closing is expected at the end of calendar year 2018.

  On completion of the transaction, Bouygues would have an equity interest of approximately 14% in the new entity.
- On 6 October 2017, the *Conseil Constitutionnel* (French Constitutional Council) declared the 3% tax on dividends paid by French companies to be unconstitutional. As a result, a tax gain of €90 million (plus late payment interest of €9 million) was recognised in the fourth quarter of 2017.

### 1.2.2 Reminder of the significant events of 2016

The main acquisitions and corporate actions of 2016 are described 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 has been consolidated since 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 was 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 as of 31 December 2016 was €293 million. On 24 February 2016, Newen Studios acquired 100% of the equity capital of Rendez Vous Production Séries (RVPS), which has also been consolidated

since 1 January 2016. Both acquisitions were accounted for using the partial goodwill method. The purchase price allocation resulted in the recognition of provisional goodwill of €114 million, after remeasuring acquired production and distribution rights at a provisional fair value of €68 million to be amortised over an average period of three years (depending on the nature of the programme) through "Other operating expenses" (see Note 12 to the consolidated financial statements) starting on 1 January 2016.

- 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 held an equity interest of 28.3% in Alstom, of which 20% was loaned to the French state under a stock lending transaction until 17 October 2017.
- 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, including €29 million in the form of a reimbursement of current account advances. The gain on the sale, amounting to €65 million, was recognised in "Other financial income" in the fourth quarter of 2016.
- On 8 February 2016, the French state announced that the memorandum of understanding with Bouygues relating to Alstom had come into effect, along with a stock lending transaction by Bouygues, valid until 17 October 2017, that would have enabled the French state to exercise 20% of Alstom's voting rights. Under the terms of the memorandum of understanding, Bouygues:
  - retained a seat on Alstom's Board of Directors;
  - was entitled to the dividends on its entire shareholding in Alstom;
  - would recover the voting rights attached to the loaned shares in the event they were not purchased by the French state; and
  - retained at least 8.3% of the voting rights.

  In addition, Olivier Bouygues retained his seat on the Alstom Board of Directors.

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

  On 11 July 2016, Bouygues Telecom entered into a definitive agreement for the sale of sites to Cellnex. The agreement covered 500 towers for a total amount of €147 million. This sale generated a gain on disposal of €104 million, recognised in "Other operating income" in the year ended 31 December 2016 (see Note 12 to the consolidated financial statements). The sale was accompanied by a 20-year hosting and service framework agreement between the parties.
- On 9 November 2016, Bouygues sold a 46.1% equity interest in Adelac, the company that holds the concession for the A41 North motorway between Annecy and Geneva. This equity interest, which was owned by subsidiaries of Bouygues Construction (39.2%) and by Colas (6.9%), was sold for €130 million and generated a net gain on disposal of €129 million, recognised in "Share of net profits/losses of joint ventures and associates".

### 1.3 Significant events and changes in scope of consolidation subsequent to 31 December 2017

- On 12 January 2018, the French government and Arcep (French telecoms regulator) reached an agreement with the four mobile operators to increase mobile coverage in France between now and 2031 (especially on the road and rail networks), and in dead zones and fringe zones between now and 2025. Once finalised, this agreement is expected to result in Bouygues Telecom installing a further 5,000 sites (sharing with the other operators) in dead and fringe zones, and several thousand additional sites on the strategic road and rail networks. In return for this investment, Bouygues Telecom will have its current licences extended for a further ten years, and will be granted a five-year exemption from the flat-rate tax on network operators (IFER) for some of the new sites. In addition, Bouygues Telecom will benefit from measures to streamline network roll-out administrative procedures. Before the agreement can be implemented, Arcep must carry out a public consultation during 2018 on the reallocation of the 900, 1800 and 2100 MHz frequencies that are due to expire between 2022 and 2024. The agreement to increase mobile coverage by 2031 cannot be implemented until the consultation has been completed.
- On 17 January 2018, an agreement was signed for the acquisition by TF1 of the Axel Springer group's majority stake of approximately 78% in the aufeminin group for a total of €365 million (subject to customary adjustments at the completion date). Completion of this deal is subject to clearance from the regulatory authorities in France and Austria. Once the acquisition has been completed, TF1 will file a mandatory simplified tender offer for the remaining shares at the same price.

## Note 2 Group accounting policies

### 2.1 Sectors of activity

Bouygues is a diversified group organised into three sectors of activity:

- Construction businesses:
  - Construction and services (Bouygues Construction);
  - Property development (Bouygues Immobilier);
  - Transport infrastructure (Colas).
- Media:
  - The TF1 group ("TF1").
- Telecoms:
  - Mobile, fixed, TV and internet services (Bouygues Telecom).

The Bouygues group also holds an equity interest in Alstom (Transport), which stood at 27.98% as of 31 December 2017.

## 2.2 Basis of preparation of the financial statements

The consolidated financial statements of the Bouygues group include the financial statements of Bouygues SA and its five business segments, along with 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.

The consolidated financial statements were closed off by the Board of Directors on 21 February 2018, and will be submitted for approval by the forthcoming Annual General Meeting on 26 April 2018.

The consolidated financial statements for the year ended 31 December 2017 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 at and for the year ended 31 December 2016.

The Bouygues group applied the same standards, interpretations and accounting policies for the year ended 31 December 2017 as were applied in its consolidated financial statements for the year ended 31 December 2016, except for changes required to meet new IFRS requirements applicable from 1 January 2017 (see below).

- Principal new standards, amendments and interpretations effective within the European Union and mandatorily applicable or permitted for early adoption with effect from 1 January 2017:
  - **Amendments to IAS 7: Statement of Cash Flows**

    These amendments lay down the principle that an entity should provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

    These amendments are applicable to annual reporting periods beginning on or after 1 January 2017, and were early adopted in the Bouygues consolidated financial statements for the year ended 31 December 2016.

    Consequently, the Bouygues group provides a reconciliation between the opening and closing financial positions as regards liabilities included in financing activities, in Note 9 to the consolidated financial statements.
  - **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 was endorsed by the European Union on 22 November 2016 and is applicable from 1 January 2018. The Bouygues group has decided not to early adopt this standard.

    The Group will apply the classification, measurement and impairment principles of IFRS 9 retrospectively with effect from 1 January 2018, with no restatement of prior period comparatives on first time application. The hedge accounting principles of IFRS 9 will also be applied by the Group with effect from 1 January 2018, using a prospective approach in accordance with the standard.

    The impact of applying IFRS 9 as of 1 January 2018 is not material, and is presented in Note 23 to the consolidated financial statements.
  - **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. The new standard was endorsed by the European Union on 29 October 2016 and is applicable from 1 January 2018. Bouygues has not early adopted IFRS 15. Bouygues will apply IFRS 15 retrospectively with effect from 1 January 2018, and the 2017 comparatives will be restated to reflect the impacts of the new standard.

    The impacts of applying IFRS 15 on the balance sheet as of 31 December 2016, the interim periods of 2017 and the year ended 31 December 2017 are presented in Note 23 to the consolidated financial statements.
- Standard effective within the European Union and mandatorily applicable from 1 January 2019:
  - **IFRS 16**

    On 13 January 2016, the IASB issued IFRS 16, "Leases". IFRS 16 will replace IAS 17, along with the associated IFRIC and SIC interpretations, and for lessees will end the distinction previously 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. The new standard was endorsed by the European Union on 31 October 2017 and is applicable from 1 January 2019.

    The Bouygues group has elected to use the retrospective approach for the first time application of the standard.

    The impact of IFRS 16 is currently under review. Given the expected changes in lease accounting and uncertainties (including determination of the term of some leases), the detailed information on leases as provided in the notes to the consolidated financial statements for the year ended 31 December 2017 is not indicative of the actual impact that IFRS 16 might have on those financial statements.
- Essential interpretation issued by the IASB but not yet endorsed by the European Union:
  - **IFRIC 23: Uncertainty Over Income Tax Treatments**

    On 7 June 2017, the IFRS Interpretations Committee issued IFRIC 23, which is mandatorily applicable from 1 January 2019 and has not yet been endorsed by the European Union. IFRIC 23 clarifies the accounting treatments used to recognise the fiscal consequences of uncertainties relating to income taxes. The Bouygues group has not elected early adoption of IFRIC 23, and is reviewing the potential consequences of applying it.
- Exercise of judgement and use of estimates:

  In preparing consolidated financial statements to comply with IFRS standards and interpretations, the Group uses estimates and assumptions which may have affected the amounts reported for assets, liabilities and contingent liabilities at the end of the reporting period, and the amounts of income and expenses reported for the period.

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

  The main items involved are the impairment testing of goodwill and equity investments, share-based payment (stock options), employee benefits (lump-sum retirement benefits, pensions, etc.), the fair value of unlisted financial instruments, deferred tax assets, and provisions.

Where no standard or interpretation applies to specific transactions, events or conditions, Group management exercises its judgement to define and apply accounting policies that will provide relevant information that gives a fair presentation and is comparable between periods, such that the consolidated financial statements:

- represent faithfully the financial position, financial performance and cash flows of the Group;
- reflect the economic substance of the underlying transactions;
- are neutral, prudent, and complete in all material respects.

Disclosures about judgements made by management are provided in the notes to the consolidated financial statements.

- Held-for-sale assets and discontinued or held-for-sale operations:

A non-current asset, or a group of directly-associated assets and liabilities, is regarded as being held for sale if its carrying amount will be recovered primarily through a sale rather than through continuing use. For this to be the case, the asset must be available for sale in its immediate condition, and its sale must be highly probable. Such held-for-sale assets or asset groups are measured at the lower of the carrying amount or the estimated selling price less costs to sell.

An operation that is discontinued or classified as held-for-sale is one that is material to the Group (having been treated as a cash generating unit) and that has either been disposed of or has been classified as a held-for-sale asset. Income statement and cash flow information about such discontinued or held-for-sale operations is reported in separate line items in the consolidated financial statements for all periods presented.

## 2.3 Consolidation methods

### 2.3.1 Companies controlled by the Group

Companies over which Bouygues exercises control are consolidated.

- Assessment of exclusive control over TF1:

As of 31 December 2017 Bouygues held, directly or indirectly, 43.81% of the capital and voting rights of TF1. All the factors mentioned below, taken collectively, establish that the Bouygues group has control over TF1:

- Bouygues has the power to direct the relevant activities of TF1. The Bouygues group:
  - has consistently and regularly held a large majority of the voting rights exercised at TF1 general meetings, and no other shareholder directly or indirectly controls a higher share of voting rights than Bouygues;
  - has had exclusive power to determine decisions at TF1 general meetings during at least two consecutive financial years.
- Bouygues has exposure and rights to variable returns. Due to its 43.81% equity interest, the Bouygues group has high exposure to variable returns from TF1 in the form of dividends.
- Bouygues has the ability to affect the returns it obtains through the power it exercises. The Bouygues group:
  - holds five of the 11 seats on the TF1 Board of Directors;
  - has a dominant role in appointing key executives of TF1, given that both members of the Director Selection Committee are representatives of the Bouygues group.

### 2.3.2 Jointly-controlled companies

A joint venture or joint operation is a contractual arrangement whereby two or more parties undertake an economic activity which is subject to joint control. In the case of joint operations (which give each party direct rights over the assets and obligations for the liabilities), the assets, liabilities, income and expenses of the joint operation are accounted for in accordance with the interests held in the joint operation. Joint ventures, which give the parties rights over the net assets, are accounted for using the equity method.

### 2.3.3 Companies over which Bouygues exercises significant influence

An associate is a company over which Bouygues exercises significant influence without exercising control. Significant influence is presumed to exist where Bouygues directly or indirectly holds at least 20% of the entity's voting rights.

The net profit or loss and the assets and liabilities of such entities are accounted for by the equity method.

## 2.4 Business combinations

Since 1 January 2010, business combinations have been accounted for in accordance with the revised IFRS 3.

In a business combination, goodwill at the acquisition date represents (i) the sum total of the consideration transferred and non-controlling interests minus (ii) the net amount recognised (usually at fair value) for the identifiable assets acquired and liabilities assumed, adjusted to reflect the fair value remeasurement of any previously-acquired equity interest. IFRS 3 allows entities to elect one of two methods of accounting for non-controlling interests in each business combination:

- at fair value (full goodwill method), i.e. the non-controlling interests are allocated their share of goodwill;
- at the non-controlling interests' proportionate share of the acquired entity's identifiable assets and liabilities (partial goodwill method), i.e. no share of goodwill is allocated to the non-controlling interests.

Fair value is the price that would be received for selling an asset or paid for transferring a liability in an arm's length transaction between market participants as of the date of measurement.

Goodwill is allocated to the Cash Generating Unit (CGU) benefiting from the business combination or to the group of CGUs at the level of which return on investment is measured (business segment for the Bouygues group).

The purchase price allocation period is limited to the time required to identify and measure the acquired entity's assets and liabilities, the non-controlling interests, the consideration transferred and the fair value of any previously-held equity interest, subject to a maximum period of 12 months.

Negative goodwill (i.e. gain from a bargain purchase) is taken to the income statement in the period in which the acquisition is made.

Subsequently, goodwill is carried at cost net of any impairment losses identified annually using the methods described in the sections on impairment testing in

Note 2.7.4 below, in accordance with IAS 36. Impairment losses are charged to the income statement as an operating item.

In accordance with IFRS 3, the previously-held equity interest in a step acquisition is remeasured at fair value at the date on which control is obtained; the resulting gain or loss is recognised in profit or loss for the period. In the event of loss of control with a retained equity interest, that retained interest is remeasured at fair value; the gain or loss on remeasurement is recognised in profit or loss for the period, along with the gain or loss arising on the disposal.

In the event of a change in percentage interest with no effect on control, the difference between the consideration transferred and the carrying amount of the non-controlling interest is recognised directly in equity attributable to the Group. Consequently, no additional goodwill is recognised.

All acquisition-related costs are recognised as an expense in profit or loss for the period.

In the event of a partial divestment of the component operations of a CGU, the Bouygues group usually allocates the goodwill in proportion to the value of the divested operation relative to the value of the CGU as measured at the date of divestment, unless it can be demonstrated that another method better reflects the goodwill of the divested operation; this policy complies with paragraph 86 of IAS 36.

Goodwill recognised prior to 1 January 2004 continues to be measured using the partial fair value method. Non-controlling interests are measured on the basis of the carrying amount of the relevant items as shown in the balance sheet of the acquired entity.

## 2.5 Foreign currency translation

### 2.5.1 Transactions denominated in foreign currencies

Transactions denominated in foreign currencies are translated into euros at the average exchange rate on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are translated at the closing exchange rate. Translation differences are recognised in profit or loss for the period. Non-monetary assets and liabilities denominated in foreign currencies and accounted for at historical cost are translated using the exchange rate on the date of the transaction.

### 2.5.2 Financial statements of entities with a functional currency other than the euro

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

## 2.6 Assessment of income taxes

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

- temporary differences between the carrying amount and tax base of assets or liabilities, which may be:
  - items generating a tax liability in the future (deferred tax liabilities), arising mainly from income that is liable to tax in future periods, or
  - items deductible from taxable profits in the future (deferred tax assets), mainly provisions that are temporarily non-deductible for tax purposes. Such assets are recognised to the extent that it is probable that sufficient taxable profits will be available against which to offset the temporary differences, and are reviewed at the end of each reporting period;
- tax losses available for carry-forward (deferred tax assets), where it is probable that these losses will be recovered in future periods.

Deferred taxes are measured using national tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted in the relevant country by the end of the reporting period. As of 31 December 2017, the temporary differences and tax losses available for carry-forward of French entities were measured at the following rates as approved by the French National Assembly, according to the period in which they are expected to reverse:

- 34.43% for 2018;
- 32.02% for 2019;
- 28.92% for 2020;
- 27.37% for 2021;
- 25.83% for 2022 and later.

Deferred taxes are not discounted, and are reported in non-current assets and liabilities.

## 2.7 Non-current assets

### 2.7.1 Property, plant and equipment

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

#### 2.7.1.1 Principal useful lives by main asset category and sector of activity

| | Construction | Media | Telecoms |
|---|---|---|---|
| • Mineral deposits (quarries) | [a] | | |
| • Non-operating buildings | 10 to 40 years | 25 to 50 years | |
| • Industrial buildings | 10 to 20 years | | 30 years |
| • Plant, equipment and tooling [b] | 3 to 15 years | 3 to 7 years | 10 to 30 years |
| • Other property, plant and equipment (vehicles and office equipment) [b] | 3 to 10 years | 2 to 10 years | 3 to 10 years |

(a) Depreciated on the basis of the rate of depletion, up to a maximum of 40 years (Colas).
(b) Depending on the type of equipment.

In accordance with IAS 16, when an item of property, plant and equipment consists of components with different useful lives, each component is accounted for and depreciated as a separate item of property, plant and equipment.

Gains and losses on disposal represent the difference between the sale proceeds and the carrying amount, and are recognised in the income statement under "Other operating income and expenses" (see Note 2.13.3 to the consolidated financial statements) unless they meet the criteria for classification as non-current income or expenses.

Depreciation periods are reviewed annually, and may be adjusted if expectations differ from previous estimates.

#### 2.7.1.2 Leases

Items of property, plant and equipment held under leases whereby the Bouygues group retains substantially all the risks and rewards of ownership (i.e. finance leases) are recognised as assets in the balance sheet, along with a corresponding liability.

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

The amount of the Bouygues group's irrevocable commitments under operating leases is disclosed in off balance sheet commitments.

#### 2.7.1.3 Grants received

Investment grants received from national, regional or local governments are netted off the value of the assets concerned in the balance sheet, and depreciated at the same rate as those assets once receipt of the grant becomes unconditional.

### 2.7.2 Intangible assets

IAS 38 defines an intangible asset as an identifiable non-monetary asset without physical substance which is controlled by the entity. An asset is identifiable:

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

An asset is controlled if the entity has the power to obtain the future economic benefits from that asset and to restrict the access of others to those benefits.

Intangible assets with finite useful lives are depreciable. Intangible assets with indefinite useful lives are not depreciable, but are subject to annual impairment testing and are reviewed at the end of each reporting period to ensure that their useful lives are still indefinite.

Intangible assets include:

- Development expenses
  - Development expenses are capitalised if the IAS 38 criteria are met, i.e. if they are expected to generate future economic benefits and their cost can be reliably measured.
  - In accordance with IFRS, incorporation and research expenses are expensed as incurred.
- Concessions, patents and similar rights

These include the following assets held by Bouygues Telecom:

| Type of asset | Amortisation method | Period |
|---|---|---|
| UMTS licence | Straight line | 17.5 years [a] |
| IAP-IRU and front fees (Indefeasible Right of Use) | Straight line | 25 years |
| Software, IT developments, office applications, service access costs | Straight line | 3 to 8 years |
| Licence to use the 2.6 GHz, 800 MHz and 700 MHz frequencies | Straight line | 20 years [b] |

(a) UMTS licence awarded in 2002: amortised from the date on which the broadband network opened (26 May 2005).

(b) The licences acquired in 2011 (2.6 GHz, for €228m) and 2012 (800 MHz, for €683m) were awarded for a 20-year period, and are being amortised from the date on which they came into service (1 October 2013), over 18 and 18.3 years respectively. The dates on which the 700 MHz frequencies are being brought into service depend on the dates of (i) transfer of digital terrestrial television transmission to the telecoms sector, (ii) opening to commercial use and (iii) rate of coverage of the population.

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

- a fixed component of €619 million, recognised as an intangible asset on the date the licence was awarded (12 December 2002);
- a variable component, calculated at 1% of sales generated by the operation of the third generation mobile network, recognised as incurred from the date on which the UMTS network opened (November 2007).

### 2.7.3 Other intangible assets

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

#### TF1 AUDIOVISUAL RIGHTS

This item includes shares in films and audiovisual programmes produced or co-produced by TF1 SA, TF1 Films Production, TF1 Vidéo and TF1 Production; audiovisual distribution and trading rights owned by TF1 Droits Audiovisuels and TF1 Entertainment; audiovisual rights produced by Newen Studios; and music rights owned by Une Musique.

Audiovisual rights are recognised as assets, at historical cost.

Amortisation methods for the various categories of audiovisual rights are as follows:

- producer shares in French drama acquired by broadcasters: amortised at least on a straight line basis over the projected period over which the rights will be exploited;
- producer shares in French drama produced by TF1: amortised on a reducing balance basis, taking account of the decline in the expected value of the economic benefits from those shares;
- shares in film co-productions and audiovisual distribution rights: amortised on a reducing balance basis, taking account of the decline in the expected value of the economic benefit;

- audiovisual trading rights: amortised on a straight-line basis over the contract term or expected period of exploitation;
- music rights: amortised over two years, 75% of gross value in the first year and the remaining 25% in the second year.

A provision for impairment of audiovisual rights is recorded individually as required. Impairment testing of audiovisual rights is based on an analysis of the future economic benefits derived from the rights relative to their carrying amount.

### 2.7.4 Impairment testing of non-current assets and investments in associates

Impairment tests are carried out on the carrying amount of non-current assets and investments in associates if there is objective evidence that they may have become impaired.

The carrying amounts of indefinite-lived intangible assets and goodwill are compared to their recoverable amounts at least at the end of each financial year.

#### 2.7.4.1 Impairment testing of TF1, Bouygues Telecom, Bouygues Construction and Colas

**METHOD APPLIED**

In determining the recoverable amount, intangible assets to which independent cash flows cannot be directly allocated are grouped within the Cash Generating Unit (CGU) to which they belong, or within the appropriate group of CGUs representing the lowest level at which management monitors return on investment (business segment level in the case of the Bouygues group). The recoverable amount of CGUs is measured as follows:

- For TF1 and Colas, which are listed on the stock market: on the basis of the quoted share price if this exceeds the carrying amount of the assets (after allowing for a control premium where applicable); or by using the Discounted Cash Flow (DCF) method as described below, taking account of the specific characteristics of the investment.
- For Bouygues Telecom and Bouygues Construction: using the DCF method, taking account of the specific characteristics of each investment.
  - The cash flows used are derived from three-year business plans prepared by the management of the business segment and presented to the subsidiary's Board of Directors and to the Bouygues Board of Directors.
  - The discount rate is determined on the basis of a weighted average cost of capital, in the case of equity by reference to a panel of comparable companies, and in the case of debt by applying two alternative capital structure scenarios: 1/3 debt – 2/3 equity (scenario 1); 2/3 debt – 1/3 equity (scenario 2).
  - The terminal value is calculated by aggregating the discounted cash flows to infinity, based on normative cash flows and a perpetual growth rate.

The recoverable amount of the assets of the CGU as determined above is then compared with their carrying amount in the consolidated balance sheet.

- If the recoverable amount exceeds the carrying amount in both scenarios, we analyse sensitivity to each of the parameters on the basis of both scenarios.
- If the recoverable amount is less than the carrying amount in either or both of the scenarios we carry out a more detailed analysis to determine the recoverable amount, for example by using an independent valuer.

If the carrying amount in the consolidated balance sheet is greater than the recoverable amount, an impairment loss is recognised. Any such losses are allocated in the first instance to any goodwill carried in the balance sheet, and may not be subsequently reversed.

#### 2.7.4.2 Impairment testing of the investment in Alstom

**METHOD APPLIED**

Because goodwill included in the carrying amount of a joint venture or associate is not reported separately, it is not tested separately for impairment, in line with IAS 36. An impairment loss is recognised if the carrying amount of the investment exceeds its recoverable amount; this loss is charged against the carrying amount of the investment, and may be reversed.

In principle, the investment in Alstom is tested for impairment using the higher of (i) the quoted market price or (ii) value in use determined using the Discounted Cash Flow (DCF) method based on projections established by Bouygues management, which in turn are derived from forecasts prepared by a panel of financial analysts.

### 2.7.5 Other non-current financial assets

Other non-current financial assets include loans and receivables (including advances to non-consolidated companies), deposits and caution money, and investments in non-consolidated companies (i.e. those over which the Bouygues group exercises neither control nor significant influence).

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

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

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

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

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

Loans and receivables are reviewed for objective evidence of impairment. An impairment loss is recognised if the carrying amount of a financial asset is greater than the estimated recoverable amount as determined by impairment testing. Impairment losses are recognised in the income statement (see Note 3.2.4 to the consolidated financial statements).

**CONCESSION ARRANGEMENTS AND PUBLIC-PRIVATE PARTNERSHIP (PPP) CONTRACTS:**

The Group (Bouygues Construction and Colas) holds equity interests in entities that have entered into concession arrangements or PPP contracts. These contracts, which are accounted for in accordance with IFRIC 12, are assessed on a case by case basis.

Under the financial receivable method, the initial receivable represents the fair value of the activity undertaken; this receivable is subsequently measured at amortised cost using the effective interest method as defined in IAS 39.

Consequently, the receivable represents the fair value of the activity undertaken, plus cumulative interest calculated using the effective interest method, minus payments received from the grantor.

## 2.8 Current assets

### 2.8.1 Inventories

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

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

### 2.8.2 Property development programmes

Property development programme inventories are measured at cost; this includes land acquisition costs and taxes, construction and fitting-out costs, utilities connection costs, professional fees and ancillary costs.

All advertising costs are recognised in profit or loss as incurred.

Preliminary studies relating to property development programmes are recognised in inventory. If the probability of the programme being completed is low, especially if there is a risk of withdrawal or refusal of planning permission, the amount recognised is written down via a provision for impairment.

### 2.8.3 Programmes and broadcasting rights

In order to secure broadcasting schedules for future years, TF1 enters into binding contracts, sometimes for a period of several years, under which it acquires (and the other party agrees to deliver) programmes and sports transmission rights.

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

In the case of rights and programmes for which those two criteria have not been met (programmes not yet delivered, sports rights for which the right to broadcast is not activated until the date of the event, etc.), TF1 takes the view that it does not control the asset, since it has neither the right nor the ability to broadcast the programme. Consequently, these rights are not recognised in the balance sheet.

However, any advance payments made to acquire such rights are treated as supplier prepayments.

The "Programmes and broadcasting rights" line in the balance sheet includes:

- in-house productions, made by TF1 companies for TF1 channels;
- external productions, comprising broadcasting rights acquired for TF1 channels.

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

- in-house production: overall production cost (direct costs plus a portion of indirect production costs);
- broadcasting rights and co-productions: purchase cost, less consumption for the year calculated at the end of each reporting period.

TF1 SA programmes are deemed to have been consumed on transmission. If they are acquired for a single transmission, they are regarded as having been consumed in full at the time of this transmission. If they are acquired for two or more transmissions, consumption is calculated according to the type of programme using the rules described below (unless otherwise specified in the acquisition contract):

| | Type of programme | | |
|---|---|---|---|
| | **Dramas with a running time of at least 52 minutes** | **Films, TV movies, series and cartoons** | **Other programmes and broadcasting rights** |
| 1st transmission | 80% | 50% | 100% |
| 2nd transmission | 20% | 50% | |

"Other programmes and broadcasting rights" in the table above refers to children's programmes (other than cartoons), entertainment shows, plays, factual and documentary programmes, news, sport, and dramas with a running time of less than 52 minutes.

A provision for impairment is recorded once it becomes probable that a programme will not be transmitted, or if the contractual value at which it was recognised in inventory exceeds the value attributable to it using the rules described above. Probability of transmission is assessed on the basis of the most recent programming schedules approved by TF1 management. If rights are resold, a provision is recorded once the sale is probable to cover any excess of the value at which the rights were initially recognised in inventory (or the amount of advance payments) over the actual or estimated selling price.

Programmes that have not been transmitted and the rights to which have expired are written off as a component of current operating profit, at which point any previously-recognised provisions are reversed.

Rights ordered under irrevocable contracts but not yet available for transmission are disclosed in Note 4.1 to the financial statements, and are priced at the contractual amount or the estimated future cash outflow (in the case of output deals), less any advance payments made.

### 2.8.4 Trade receivables

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

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

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

### 2.8.5 Other current receivables

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

## 2.9 Financial instruments

Some Group entities use hedging instruments to limit the impact on the income statement of fluctuations in exchange rates and interest rates. The Group's policy on the use of financial instruments is described below.

### 2.9.1 Risks to which the Group is exposed

#### 2.9.1.1 Currency risk

In general, the Bouygues group has little exposure to currency risk in routine commercial transactions, given that its international operations (primarily Bouygues Construction and Colas) do not involve exports. Where possible, expenses relating to a contract are incurred in the same currency as that in which the contract is billed. This applies to most projects executed outside France, on which local-currency expenses (sub-contracting and supplies) represent a much higher proportion than euro-denominated expenses. Exposure to currency risk is therefore limited to contract margins, and to any design work carried out in France. The Bouygues group also pays particular attention to risks relating to assets denominated in non-convertible currencies, and to country risk generally.

#### 2.9.1.2 Interest rate risk

The Group's financial expenses have low sensitivity to interest rate risk, since the bulk of debt is at fixed-rate either in the form of fixed-rate bond issues, or via a portfolio of hedging instruments that convert floating-rate debt into fixed-rate debt.

Consolidated financial expenses would be only marginally affected by fluctuations in euro interest rates, or by a divergence in interest rate trends between the euro and other major currencies.

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

#### 2.9.1.3 Commodities risk

In general, the Bouygues group has little exposure to commodities risk. The main exposure is in the roads activity, which is sensitive to movements in the price of petroleum-based products. However, that exposure is relatively limited in that contracts are generally of a short duration or are index-linked. However, hedges may be contracted on an as-needed basis in connection with specific contracts.

### 2.9.2 Principles applied to all hedging instruments

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

These instruments:

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

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

### 2.9.3 Hedging rules

#### 2.9.3.1 Currency risk

Group policy is to hedge systematically all residual currency exposure relating to commercial transactions. If the future cash flow is certain, the currency risk is hedged by buying or selling currency forward, or by means of currency swaps. For some large contracts, options may be taken out for hedging purposes before the contract award has been confirmed; if the hedged item ceases to exist (for example, if the service is not provided or the contract is cancelled), the hedge is closed out immediately.

In the interests of efficiency, the currency positions of some Group entities may be managed centrally, which in some cases may result in the offset of matching positions (currency derivatives are used solely for hedging purposes).

#### 2.9.3.2 Interest rate risk

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

The aim is to control future interest expense by fixing the cost of debt using swaps and future rate agreements, or by limiting it through the use of caps, over a period equivalent to that of the financial liabilities to be hedged.

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

#### 2.9.3.3 Commodities risk

Group policy is for each sub-group to hedge some or all of the exposure to movements in commodity prices on specific contracts, primarily in the roads activity.

### 2.9.4 Accounting methods

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

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

As required by IFRS 13, the fair value measurement of derivative financial instruments takes account of credit risk (for derivative assets) and of own credit risk (for derivative liabilities). Those components have no material impact on the Bouygues group consolidated financial statements.

## 2.10 Consolidated shareholders' equity

Treasury shares are deducted from consolidated shareholders' equity. No expense or income arising on the cancellation of treasury shares is recognised in the income statement.

If a Group subsidiary holds its own shares, an additional percentage interest in that subsidiary is recognised at Group level.

### 2.10.1 Translation reserve

The translation reserve represents translation differences arising since 1 January 2004, when the reserve was deemed to be zero and the balance transferred to "Retained earnings".

### 2.10.2 Information about the management of capital

The objective of Bouygues management in managing capital is to maintain consolidated shareholders' equity at a level consistent with:

- maintaining a reasonable gearing ratio (the ratio of net debt, as defined in Note 2.15.4 to the consolidated financial statements, to shareholders' equity);
- distributing regular dividends to shareholders.

However, the level of equity may vary over short periods, especially if a strategically important investment opportunity arises.

The business plan is a key management tool, used by the parent company to assess the financial position of each business segment and of the Group as a whole, and the effects on consolidated shareholders' equity.

Within these overall principles, Group management allows subsidiaries within each segment and their parent company a degree of autonomy to manage their equity in line with their specific objectives and needs, given that equity capital requirements vary from business to business and segment to segment.

## 2.11 Non-current liabilities

### 2.11.1 Non-current debt

With the exception of derivative instruments accounted for as financial liabilities measured at fair value (including a counterparty risk component, which is immaterial), all other borrowings and financial liabilities are accounted for at amortised cost using the effective interest method.

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

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

### 2.11.2 Non-current provisions

In accordance with IAS 37, "Provisions, Contingent Liabilities and Contingent Assets", a provision is recorded at the end of the reporting period if the Group has an obligation to a third party resulting from a past event and it is probable that settlement of the obligation will result in a net outflow from the Group of resources embodying economic benefits.

The amount recognised as a provision represents the Group's best estimate of the net outflow of resources.

Non-current provisions are not usually associated with the normal operating cycle of each segment (see Note 2.12.2 to the consolidated financial statements, "Current provisions").

Non-current provisions mainly comprise:

- Provisions established to cover the uninsured portion of risks under two-year and ten-year construction contract guarantees. These provisions are recognised in line with recognition of contract revenues, based on statistical data reflecting actual experience over the long term.
- Provisions related to tax exposures and to fines levied by the competition authorities.
- Provisions for litigation, claims and foreseeable risks relating to the Group's operations, especially foreign operations, including permanent withdrawal from projects and sundry risks and liabilities.
- Provisions for site rehabilitation and decommissioning costs (e.g. quarries).

Costs incurred as a result of a contractual obligation to remedy immediate environmental damage are covered by a provision.

- Provisions for employee benefits, which comprise:
  - Provisions for long-service awards.
  - Provisions for obligations to employees in respect of lump-sum benefits payable on retirement.

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

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

    To cover their pension obligations, Group companies make regular payments to external bodies including public-sector and private-sector pension schemes and independent pension fund managers (defined-contribution plans). There are however some remaining defined-benefit plans still in existence, mainly in the Colas group (United Kingdom, Ireland and Canada). These plans are managed by independent pension fund managers; only a limited number of employees are involved, as it was decided some years ago to close these plans to new entrants. The fair value of the assets held to cover these plans as of the end of the reporting period did not require any material impairment to be recognised in the consolidated financial statements.

The actuarial assumptions used to measure the present value of the pension obligation and the service cost for the period in respect of defined-benefit plans represent the best estimate of the variables that will determine the final cost of the benefits. These assumptions are internally consistent. The discount rate and the rate of return on plan assets are determined by reference to the expected market rate, taking into account the estimated timing of benefit payments; the discount rate applied to the obligation is determined by reference to the market rate for high-quality corporate bonds at the end of the reporting period.

The Bouygues group recognises in consolidated shareholders' equity the effect of changes in actuarial assumptions on the pension obligation.

## 2.12 Current liabilities

### 2.12.1 Advances and down-payments received on orders

This item comprises advances and down-payments received from customers on construction contract starts.

### 2.12.2 Current provisions

- Provisions related to the normal operating cycle of each segment. These mainly comprise:
  - provisions for construction contract risks, including risks relating to construction project companies in the form of *Sociétés en Participation* (SEPs);
  - provisions for losses to completion on construction contracts: these relate to construction contracts in progress, and take account of claims accepted by the customer. They are measured on a contract by contract basis, with no netting between them.

### 2.12.3 Trade payables and other current liabilities

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

## 2.13 Income statement

As allowed under IAS 1, "Presentation of Financial Statements", the Bouygues group presents an income statement that classifies expenses by nature. In presenting its income statement, the Group has applied ANC Recommendation 2013-03 of 7 November 2013.

### 2.13.1 Revenue recognition

The Group recognises revenue when:

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

#### Bouygues Telecom

Bouygues Telecom generates revenue from services, and from sales of handsets and accessories.

**SERVICES**

Plans and commercial services (mobile and fixed) are invoiced one month in advance, and the corresponding revenue is recognised on a straight-line basis over the service period.

Revenues from call charges other than plans, and from roaming and interconnection fees, are recognised as the service is used, based on a best estimate of the pattern of consumption. Revenue earned but not billed at the end of the reporting period is estimated on the basis of actual consumption of services after applying the contractual discount terms.

Revenue generated by prepaid cards is recognised on sale of the card to the distributor or retailer but deferred until the card is activated, and then adjusted for unused minutes.

Services carried out on behalf of content providers in relation to SMS+ services and special numbers are not included in income and expenses for the period. Only the margin charged as consideration for the service is recognised in sales.

**SALES OF HANDSETS AND ACCESSORIES**

Sales of handsets and SIM cards are recognised on sale to the distributor or retailer, but the margin on the sale is eliminated until the line is activated by the customer. Since August 2013, retail and business customers have been able to pay for their handsets in instalments; the entire revenue from the sale of the handset is recognised when the customer signs up to the plan.

**DISTRIBUTOR/RETAILER COMMISSION**

All commission payable to distributors and retailers is recognised as an expense, and measured on the basis of a best estimate of the number of transactions attracting commission.

**CONSUMER LOYALTY PROGRAMME**

Since November 2014, all retail plan customers earn benefits which they can use to obtain a handset upgrade, calculated on the basis of the age of their existing handset. Customers can then use the benefits to obtain a handset upgrade at a special price after 12 months, provided that they renew their plan for a minimum of 12 months.

In accordance with IFRIC 13 (paragraphs AG1 to AG3), Bouygues Telecom has measured the fair value of the benefits awarded under its loyalty programmes, and has not deferred any revenues as a result.

### 2.13.2 Accounting for construction contracts

#### 2.13.2.1 Construction businesses

All activities related to construction contracts are accounted for using the percentage of completion method.

Under this method, the revenue recognised equals the latest estimate of the total selling price of the contract multiplied by the actual completion rate determined by reference to the physical state of progress of the works or to completed works. The latest estimate of the total selling price takes account of claims that have been accepted by the client or are highly probable.

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

#### 2.13.2.2 Property development activities

Revenues and profits are recognised using the percentage of completion method once the following conditions have been met:

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

The percentage of completion represents costs recognised to date as a proportion of the total estimated costs to completion of the project, taking account of the progress towards legal completion of the sale in the case of property sales.

Accrued expenses are recognised for finishing costs on this type of project, based on the percentage of completion; residual expenses on delivered projects are also recognised in "Trade payables".

Overheads, including sales force costs and all advertising costs, are expensed as incurred.

### 2.13.3 Other non-current income and expenses

These line items contain a very limited number of income and expense items, which are unusual and occur infrequently but are of particularly large amounts. The Bouygues group reports these items separately in its income statement to give users of the financial statements a better understanding of ongoing operational performance.

For a description of these items, see Note 12 to the consolidated financial statements.

### 2.13.4 Share-based payment

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

The amount of the employee benefit is measured at the grant date of the option using the Black & Scholes model, and is charged to the income statement over the vesting period of the rights.

## 2.14 Cash flow statement

The consolidated cash flow statement is presented in accordance with the amended IAS 7 and with ANC Recommendation 2013-03 of 7 November 2013, using the indirect method.

Consolidated net profit is adjusted to eliminate the impact of transactions with no cash effect, and of income and expenses related to investing or financing activities.

Cash flow is defined as consolidated net profit before: net depreciation and amortisation expense, net charges to non-current provisions and impairment losses, gains and losses on asset disposals, cost of net debt (included in financing activities in the cash flow statement), and net income tax expense for the period.

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

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

## 2.15 Other financial indicators

### 2.15.1 EBITDA

EBITDA is defined as current operating profit before net depreciation and amortisation expense, net provisions and impairment losses, reversals of unutilised provisions and impairment losses and before effects of acquisition or loss of control.

The competitiveness and employment tax credit *(CICE)* to which French companies are entitled is recognised in current operating profit, as a reduction in personnel costs.

The main components of current operating profit included in the line items "Other income from operations" and "Other expenses on operations" are net foreign exchange differences on commercial transactions, gains and losses on disposals of non-current assets, profits and losses from joint operations, royalties on the licensing of patents, and (in the case of Colas) revenue from sales of raw material (bitumen) to coating and emulsion entities in the form of *Sociétés en Participation* (SEPs) or economic interest groupings that subsequently sell such coatings and emulsions on to Colas.

Profits and losses from joint operations represent the Group's share of profits or losses from non-consolidated companies (SEPs, etc.), for example those that operate asphalt and binder production facilities.

### 2.15.2 Free cash flow

Free cash flow is defined as cash flow (determined after cost of net debt and net income tax expense, but before changes in working capital related to operating activities), minus capital expenditure (net of disposals) for the period.

### 2.15.3 Changes in working capital related to operating activities

"Changes in working capital related to operating activities" as presented in the cash flow statement is obtained by aggregating the following items:

- net change in inventories and work in progress;
- net change in advances and down-payments made on orders;
- net change in trade receivables;
- net change in trade payables;
- net change in current provisions;

- net change in other current asset and liability items (excluding taxes, cash and cash equivalents and current debt, hedging instruments, and receivables/liabilities related to property, plant & equipment and intangible assets).

### 2.15.4 Net debt/Net surplus cash

Net debt (or net surplus cash) is obtained by aggregating the following items:

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

If the aggregate of these items is positive, it represents net surplus cash; if negative, it represents net debt.

# Note 3 Non-current assets

For a breakdown of non-current assets by business segment see Note 16 to the consolidated financial statements, "Segment Information".

## 3.1 Acquisitions of non-current assets during the year, net of disposals

| (€ million) | 2017 | 2016 |
|---|---|---|
| Property, plant and equipment | 1,735 | 1,660 |
| Intangible assets | 301 | 302 |
| **Capital expenditure** | **2,036** | **1,962** |
| Acquisitions of non-current financial assets (investments in consolidated and non-consolidated companies and other long-term investments) | 234 [a] | 233 |
| **Acquisitions of non-current assets** | **2,270** | **2,195** |
| Disposals of non-current assets | (663) [b] | (1,628) [c] |
| **Acquisitions of non-current assets, net of disposals** | **1,607** | **567** |

(a) Includes €157m of acquisitions made by Colas (mainly operations in North America) and €67m made by TF1 (mainly Studio71 and the Tuvalu group).
(b) Disposals include the sale of 1,085 sites by Bouygues Telecom (€307m) and the sale of Groupe AB (€90m).
(c) Disposals include the divestment of Alstom shares in the public share buy-back offer (€996m), the sale of 500 towers by Bouygues Telecom (€147m), and the sale of Adelac (€130m) and Atlandes (€67m), net of current account advances reimbursed). See Note 1.2.2 to the consolidated financial statements, "Reminder of the significant events of 2016".

## 3.2 Non-current assets: movements during the period

### 3.2.1 Property, plant and equipment

| (€ million) | Land and buildings | Plant, equipment and tooling | Other property, plant and equipment | PP&E under construction and advance payments | Total |
|---|---|---|---|---|---|
| Gross value | | | | | |
| **31/12/2015** | **2,359** | **12,545** | **2,996** | **421** | **18,321** |
| **Movements during 2016** | | | | | |
| Translation adjustments | 5 | 39 | 14 | (2) | 56 |
| Changes in scope of consolidation | (6) | (14) | (25) | (1) | (46) |
| Acquisitions during the period | 47 | 1,014 | 344 | 254 | 1,659 |
| Disposals, transfers & other movements | (25) | (511) | (170) | (334) | (1,040) |
| **31/12/2016** | **2,380** | **13,073** | **3,159** | **338** | **18,950** |
| of which finance leases | 12 | 95 | 16 | | 123 |
| **Movements during 2017** | | | | | |
| Translation adjustments | (55) | (203) | (35) | (3) | (296) |
| Changes in scope of consolidation | 45 | 37 | (5) | (1) | 76 |
| Acquisitions during the period | 49 | 1,089 | 292 | 305 | 1,735 |
| Disposals, transfers & other movements | (17) | (682) | (188) | (214) | (1,101) |
| **31/12/2017** | **2,402** | **13,314** | **3,223** | **425** | **19,364** |
| of which finance leases | 11 | 94 | 17 | | 122 |
| Depreciation and impairment | | | | | |
| **31/12/2015** | **(887)** | **(8,683)** | **(2,228)** | | **(11,798)** |
| **Movements during 2016** | | | | | |
| Translation adjustments | (1) | (32) | (11) | | (44) |
| Changes in scope of consolidation | 3 | 9 | 4 | | 16 |
| Net expense for the period | (76) | (1,003) | (278) | | (1,357) |
| Disposals, transfers & other movements | 16 | 626 | 157 | | 799 |
| **31/12/2016** | **(945)** | **(9,083)** | **(2,356)** | | **(12,384)** |
| of which finance leases | (7) | (62) | (11) | | (80) |
| **Movements during 2017** | | | | | |
| Translation adjustments | 20 | 144 | 31 | | 195 |
| Changes in scope of consolidation | 3 | 1 | (2) | | 2 |
| Net expense for the period | (76) | (988) | (300) | | (1,364) |
| Disposals, transfers & other movements | 26 | 822 | 197 | | 1,045 |
| **31/12/2017** | **(972)** | **(9,104)** | **(2,430)** | | **(12,506)** |
| of which finance leases | (7) | (65) | (11) | | (83) |
| Carrying amount | | | | | |
| **31/12/2016** | **1,435** | **3,990** | **803** | **338** | **6,566** |
| of which finance leases | 5 | 33 | 5 | | 43 |
| **31/12/2017** | **1,430** | **4,210** | **793** | **425** | **6,858** |
| of which finance leases | 4 | 29 | 6 | | 39 |

**Operating commitments not yet recognised involving future outflows of resources**

| Property, plant and equipment (€ million) | Falling due: Less than 1 year | 1 to 5 years | More than 5 years | Total 2017 | Total 2016 |
|---|---|---|---|---|---|
| Colas: orders in progress for plant and equipment | 24 | | | 24 | 20 |
| Bouygues Telecom: orders in progress for network equipment assets | 490 | | | 490 | 395 |
| **TOTAL** | **514** | | | **514** | **415** |

### 3.2.2 Intangible assets

| (€ million) | Development expenses [a] | Concessions, patents and similar rights | Other intangible assets | Total |
|---|---|---|---|---|
| **Gross value** | | | | |
| **31/12/2015** | **198** | **2,612** | **1,989** | **4,799** |
| **Movements during 2016** | | | | |
| Translation adjustments | | 1 | | 1 |
| Changes in scope of consolidation | | (5) | 1,006 | 1,001 |
| Acquisitions during the period | 41 | 36 | 225 | 302 |
| Disposals, transfers & other movements | | (8) | (44) | (52) |
| **31/12/2016** | **239** | **2,636** | **3,176** | **6,051** |
| **Movements during 2017** | | | | |
| Translation adjustments | | (3) | (4) | (7) |
| Changes in scope of consolidation | | (14) | 13 | (1) |
| Acquisitions during the period | 58 | 34 | 210 | 302 |
| Disposals, transfers & other movements | | 174 | (139) | 35 |
| **31/12/2017** | **297** | **2,827** | **3,256** | **6,380** |
| **Amortisation and impairment** | | | | |
| **31/12/2015** | **(153)** | **(1,201)** | **(1,314)** | **(2,668)** |
| **Movements during 2016** | | | | |
| Translation adjustments | | (1) | | (1) |
| Changes in scope of consolidation | | 4 | (825) | (821) |
| Net expense for the period | (12) | (157) | (233) | (402) |
| Disposals, transfers & other movements | | 14 | 7 | 21 |
| **31/12/2016** | **(165)** | **(1,341)** | **(2,365)** | **(3,871)** |
| **Movements during 2017** | | | | |
| Translation adjustments | | 3 | 3 | 6 |
| Changes in scope of consolidation | | 14 | (7) | 7 |
| Net expense for the period | (16) | (161) | (249) | (426) |
| Disposals, transfers & other movements | | 5 | 31 | 36 |
| **31/12/2017** | **(181)** | **(1,480)** | **(2,587)** | **(4,248)** |
| **Carrying amount** | | | | |
| **31/12/2016** | **74** | **1,295** | **811** | **2,180** |
| **31/12/2017** | **116** | **1,347** [b] | **669** [c] | **2,132** |

(a) Development expenses:
- Software development expenses are usually capitalised (mainly relates to Bouygues Telecom).
- Development expenses of a permanent and recurring nature that do not meet the IAS 38 capitalisation criteria are expensed (mainly relates to Colas).
- In accordance with IFRS, research costs are expensed as incurred.
- Research and development costs expensed were €72m in 2017 and €59m in 2016.

(b) Includes for Bouygues Telecom €177m for the UMTS licence, €790m for the 2.6 GHz and 800 MHz frequency user licence, and €128m for the 700 MHz spectrum frequency user licence.

(c) Includes €349m for the portion of 700 MHz frequencies acquired in 2015 that have not yet been brought into use and hence are classified as intangible assets in progress, and €171m for acquisitions of audiovisual rights (TF1).

### Operating commitments not yet recognised involving future outflows of resources

The table below shows the maturities of audiovisual rights acquisition contracts entered into for the purpose of securing future programming schedules.

| Intangible assets (€ million) | Falling due: Less than 1 year | Falling due: 1 to 5 years | Falling due: More than 5 years | Total 2017 | Total 2016 |
|---|---|---|---|---|---|
| TF1 audiovisual rights | 29 | 1 | | 30 | 29 |
| **TOTAL** | **29** | **1** | | **30** | **29** |

## 3.2.3 Goodwill

| (€ million) | Gross value | Impairment | Carrying amount |
|---|---|---|---|
| **31/12/2015** | **5,339** | **(78)** | **5,261** |
| **Movements during 2016** | | | |
| Changes in scope of consolidation | 129 | 1 | 130 |
| Impairment losses charged during the period | | (1) | (1) |
| Other movements (including translation adjustments) | (25) | 2 | (23) |
| **31/12/2016** | **5,443** | **(76)** | **5,367** |
| **Movements during 2017** | | | |
| Changes in scope of consolidation | 47 | 3 | 50 |
| Impairment losses charged during the period | | | |
| Other movements (including translation adjustments) | (33) | 1 | (32) |
| **31/12/2017** | **5,457** | **(72)** | **5,385** |

Changes in the scope of consolidation during 2017 mainly relate to the acquisition of the Tuvalu group by TF1 as well as acquisitions by Colas in North America (Graymont) and the United Kingdom (Allied Infrastructure).

For goodwill on joint ventures and associates, see Note 3.2.5 to the consolidated financial statements.

### 3.2.3.1 Consolidated carrying amount of listed shares as of 31 December 2017

| (€) | Consolidated carrying amount per share | Closing market price per share on 29/12/2017 |
|---|---|---|
| TF1 | 13.63 | 12.29 |
| Colas | 105.39 | 181.50 |

### 3.2.3.2 Split of goodwill by Cash Generating Unit (CGU)

| CGU (€ million) | 31/12/2017 Total | 31/12/2017 % Bouygues or subsidiaries | 31/12/2016 Total | 31/12/2016 % Bouygues or subsidiaries |
|---|---|---|---|---|
| Bouygues Construction [a] | 457 | 99.97 | 471 | 99.97 |
| Colas [b] | 1,131 | 96.60 | 1,118 | 96.60 |
| TF1 [b] | 1,149 | 43.81 | 1,130 | 43.91 |
| Bouygues Telecom [b] | 2,648 | 90.53 | 2,648 | 90.53 |
| **TOTAL** | **5,385** | | **5,367** | |

(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.

#### INFORMATION ABOUT IMPAIRMENT TESTING OF GOODWILL AS OF 31 DECEMBER 2017

- The recoverable amounts of Bouygues Construction, Bouygues Telecom, TF1 and Colas were determined using the method described in Note 2.7.4.1 to the consolidated financial statements, based on three-year cash flow projections corresponding to the business plans of each of the four subsidiaries as presented to the subsidiary's Board of Directors and the Board of Directors of Bouygues SA.
  - Cash flows beyond the projection period were extrapolated using a perpetual growth rate.

- The discount rates (weighted average cost of capital) and growth rates used as of 31 December 2017 were as follows:

| | Discount rate | | Perpetual growth rate |
|---|---|---|---|
| | Scenario 1 [a] | Scenario 2 [a] | |
| Bouygues Construction | 4.63% | 4.46% | 2% |
| Bouygues Telecom | 4.94% | 4.74% | 2% |
| TF1 | 6.09% | 5.79% | 2% |
| Colas | 5.36% | 5.12% | 2% |

(a) Depending on the capital structure: ⅓ debt – ⅔ equity (scenario 1); ⅔ debt – ⅓ equity (scenario 2).

For both Bouygues Construction and Colas, there is no reasonably possible scenario that would cause the recoverable amount of the assets to fall below their carrying amount. Consequently, the assumptions used for business plans and sensitivity analyses are presented for Bouygues Telecom and TF1 only.

- Assumptions used in the Bouygues Telecom business plan:
  - The normative cash flows used for Bouygues Telecom rely on the following assumptions:
    - ongoing investment in very-high-speed mobile and fixed, translating into:
      - €1.2 billion of capital expenditure in 2018 to secure long-term leadership in 4G and prepare for the arrival of 5G, and to accelerate roll-out of the FTTH network to meet the growing demand for very-high-speed fixed services in the home,
      - pragmatic infrastructure management, with self-funded investment in key infrastructure backed by sharing, rental or divestment of less strategic infrastructure;
    - an optimised cost structure, the transformation plan having generated more than €400 million of cost savings in 2016 relative to end-2013;
    - the expected benefits, from the end of 2018, of the agreement between Bouygues Telecom and SFR to share their mobile networks in low-density areas , which will give customers the best 4G coverage (target: 99% in 2018) and very high service quality while optimising capital expenditure and operating costs;
    - higher EBITDA/sales from services margin in 2018 than 2017, with sales from services growth of over 3%;
    - profitable growth momentum, generating free cash flow of €300 million in 2019.
- The business plans used for TF1 were prepared on the basis of sales growth rates and operating margins consistent with actual performances over the previous five years.

  Those business plans take account of factors including:
  - the impacts of the economic situation and competitive environment, and of trends in how content is consumed, on advertising spend;
  - the acceleration of the transformation of TF1, and the organic growth of its activities;
  - average annual cost of programmes reduced to €960 million (excluding major sporting events) for the five unencrypted channels for the 2018-2020 period;
  - the impact of future major sporting events;
  - for 2019, double-digit current operating margin, and non-advertising sales on the five unencrypted channels accounting for at least one-third of consolidated sales;
  - the ongoing implementation of a resolutely multi-channel, multi-media and multi-business strategy that allies mass audience power with targeting across all platforms, plus the expansion of production activities and the development of new monetisation techniques, which is reflected by:
    - securing the stream of core business TV content (including news) and advertising;
    - delivering a high-performance digital offering;
    - ongoing build-up of Newen to reinforce the production side;
    - opening up new distribution channels (platformization, OTT) and exploiting data.

  These plans do not build in future cash flows from the aufeminin group, given that the acquisition had not been completed as of 31 December 2017 (see Note 1.3 to the consolidated financial statements).

#### SENSITIVITY ANALYSIS

For the Bouygues Telecom and TF1 CGUs, sensitivity analyses were performed to determine the sensitivity of the calculation to key parameters (discount rates, growth rates, normative cash flows), either individually or using combined assumptions for discount rates and normative cash flows (including reasonably possible changes in normative cash flows).

For these CGUs, the recoverable amount would equal the carrying amount of the assets tested if the assumptions shown below (taken individually) were to be applied:

| | Change in discount rate | | Change in normative cash flows | |
|---|---|---|---|---|
| | Scenario 1 [a] | Scenario 2 [a] | Scenario 1 [a] | Scenario 2 [a] |
| Bouygues Telecom | +153 bp | +173 bp | (37)% | (41)% |
| TF1 | +428 bp | +458 bp | (56)% | (60)% |

(a) Depending on the capital structure: ⅓ debt – ⅔ equity (scenario 1); ⅔ debt – ⅓ equity (scenario 2).

For Bouygues Telecom, in the event of a 20% reduction in normative cash flows combined with an increase of 100 basis points in the discount rate, the recoverable amount would be €458 million lower than the carrying amount under scenario 1, and €115 million lower than the carrying amount under scenario 2. If the perpetual growth rate applied to the normative cash flows were to be halved and all other assumptions described above were unchanged, the recoverable amount would be greater than the carrying amount by €1,174 million under scenario 1 and by €1,612 million under scenario 2.

For TF1, in the event of a 20% reduction in normative cash flows combined with an increase of 100 basis points in the discount rate, the recoverable amount would be greater than the carrying amount by €901 million under scenario 1, and by €1,115 million under scenario 2. If the perpetual growth rate applied to the normative cash flows were to be halved and all other assumptions described above were unchanged, the recoverable amount would be greater than the carrying amount by €1,706 million under scenario 1 and by €1,976 million under scenario 2.

**CONCLUSION ON IMPAIRMENT TESTING**

For all the CGUs tested, the recoverable amounts determined under both capital structure scenarios remain greater than the carrying amount of the assets. Consequently, we have not performed a more in-depth estimate of the recoverable amounts of the CGUs.

### 3.2.4 Non-current financial assets

As of 31 December 2017, these comprised:

- investments in joint ventures and associates (accounted for by the equity method): €2,502 million;
- other non-current financial assets (loans, receivables, investments in non-consolidated companies, etc.): €563 million;
- deferred tax assets: €337 million.

| (€ million) | Investments in joint ventures and associates | Investments in non-consolidated companies | Other non-current assets | Total gross value | Amortisation and impairment | Carrying amount | Deferred tax assets |
|---|---|---|---|---|---|---|---|
| **31/12/2015** | **4,525** | **334** | **456** | **5,315** | **(1,372)** | **3,943** | **352** |
| **Movements during 2016** | | | | | | | |
| Changes in scope of consolidation | 2 | 3 | 14 | 19 | (6) | 13 | (1) |
| Acquisitions and other increases | 51 | 11 | 34 | 96 | | 96 | |
| Amortisation and impairment, net | | | | | 1,094 [a] | 1,094 | |
| Disposals and other reductions | (2,398) [a] | (39) | (71) | (2,508) | | (2,508) | |
| Transfers and other allocations | 287 | 20 | | 307 | 7 | 314 | 16 |
| **31/12/2016** | **2,467** | **329** | **433** | **3,229** | **(277)** | **2,952** | **367** |
| **AMORTISATION & IMPAIRMENT** | **(38)** | **(179)** | **(60)** | **(277)** | | | |
| **CARRYING AMOUNT** | **2,429** | **150** | **373** | **2,952** | | | **367** |

(a) Mainly as a result of the Alstom public share buy-back offer (see Note 3.2.5.2 to the consolidated financial statements).

| (€ million) | Investments in joint ventures and associates [a] | Investments in non-consolidated companies | Other non-current assets | Total gross value | Amortisation and impairment | Carrying amount | Deferred tax assets [b] |
|---|---|---|---|---|---|---|---|
| **31/12/2016** | **2,467** | **329** | **433** | **3,229** | **(277)** | **2,952** | **367** |
| **Movements during 2017** | | | | | | | |
| Changes in scope of consolidation | (41) | (5) | (1) | (47) | (1) | (48) | (2) |
| Acquisitions and other increases | | 38 | 5 | 43 | | 43 | 2 |
| Amortisation and impairment, net | | | | | 9 | 9 | |
| Disposals and other reductions | | (34) | (2) | (36) | | (36) | (1) |
| Transfers and other allocations | 116 | (6) | 29 | 139 | 6 | 145 | (26) |
| **31/12/2017** | **2,542** | **322** | **464** | **3,328** | **(263)** | **3,065 [c]** | **337** |
| **AMORTISATION & IMPAIRMENT** | **(40)** | **(171)** | **(52)** | **(263)** | | | |
| **CARRYING AMOUNT** | **2,502** | **151** | **412** | **3,065** | | | **337** |

(a) Includes goodwill on associates of €956m as of 31 December 2017.
(b) See Note 7 to the consolidated financial statements.
(c) Includes €2,028m for Alstom.

### 3.2.5 Investments in joint ventures and associates

| (€ million) | Share of net assets held | Share of profit/ (loss) for period [a] | Goodwill on associates | Carrying amount |
|---|---|---|---|---|
| **31/12/2015** | **1,961** | **(108)** | **1,548** | **3,401** |
| **Movements during 2016** | | | | |
| Translation adjustments | 33 | | | 33 |
| Acquisitions and share issues | 51 | | | 51 |
| Net profit/(loss) for the period | | 274 | | 274 |
| Impairment losses charged during the period | | | (7) | (7) |
| Appropriation of prior-year profit, disposals, transfers and other movements | (880) | 108 | (551) [b] | (1,323) |
| **31/12/2016** | **1,165** | **274** | **990** | **2,429** |
| **Movements during 2017** | | | | |
| Translation adjustments | (41) | | (2) | (43) |
| Acquisitions and share issues | | | | |
| Net profit/(loss) for the period | | 165 | | 165 |
| Impairment losses charged during the period | | | (2) | (2) |
| Appropriation of prior-year profit, disposals, transfers and other movements | 257 | (274) | (30) | (47) |
| **31/12/2017** | **1,381** | **165** | **956** | **2,502** |

(a) Excluding impairment losses.
(b) Includes reduction of €553m relating to share buy-backs carried out by Alstom.

A list of the joint ventures and associates in which the Bouygues group holds an interest is provided in Note 24 to the consolidated financial statements, "List of principal consolidated companies at 31 December 2017".

As of 31 December 2017, the total carrying amount of €2,502 million included €287 million for joint ventures (see Note 3.2.5.1 to the consolidated financial statements, "Joint ventures") and €2,215 million for investments in associates (see Note 3.2.5.2 to the consolidated financial statements, "Investments in associates").

#### 3.2.5.1 Joint ventures

| (€ million) | 31/12/2016 | Net movement in 2017 | 31/12/2017 | of which: share of profit/loss and impairment |
|---|---|---|---|---|
| Miscellaneous joint ventures | 240 | 47 | 287 | 23 |
| **TOTAL** | **240** | **47** | **287** | **23** |

Most of these joint ventures are industrial entities (quarries, emulsion plants) operated jointly by Colas and partners from outside the Bouygues group.

### 3.2.5.2 Investments in associates

Principal associates:

| (€ million) | 31/12/2016 | Net movement in 2017 | 31/12/2017 | of which: share of profit/loss and impairment |
|---|---|---|---|---|
| Alstom | 1,938 | 90 | 2,028 | 98 |
| Bouygues Construction | | | | |
| Concession companies | 16 | 5 | 21 | 1 |
| Miscellaneous associates | 3 | (1) | 2 | |
| Colas | | | | |
| Tipco Asphalt (Thailand) | 105 | 6 | 111 | 21 |
| Miscellaneous associates | 43 | 3 | 46 | 5 |
| TF1 | | | | |
| Miscellaneous associates | 78 | (76) [a] | 2 | 14 [a] |
| Other associates | 6 | (1) | 5 | 1 |
| **TOTAL** | **2,189** | **26** | **2,215** | **140** |

(a) The reduction of €76m is mainly due to the divestment by TF1 of its stake in Groupe AB for €77m, on which a gain of €14m was recognised.

**ALSTOM**

Given the time-lag between the annual accounting period-ends of Alstom (31 March) and of Bouygues (31 December), no contribution from Alstom to the net profit of Bouygues was recognised in the fourth quarter of 2017.

Alstom's contribution to the net profit of Bouygues for the 2017 financial year includes €105 million in respect of the results published by Alstom for the second half of its 2016/2017 financial year and the first half of its 2017/2018 financial year.

The carrying amount of the interest in Alstom as of 31 December 2017 was €2,028 million, including €865 million of goodwill and €120 million of non-depreciable fair value adjustments relating mainly to the Alstom brand name. This is €90 million more than the carrying amount as of 31 December 2016.

The carrying amount per share as of 31 December 2017 was €32.66, below the quoted market price of €34.61 as of 29 December 2017.

Summary information about the assets, liabilities, income and expenses of Alstom:

| **Amounts shown are for 100% of Alstom** (€ million) | Alstom 30/09/2017 [a] | Alstom 31/03/2017 [a] |
|---|---|---|
| Non-current assets | 5,908 | 5,972 |
| Current assets | 8,294 | 8,379 |
| Held-for-sale assets | 9 | 10 |
| **TOTAL ASSETS** | **14,211** | **14,361** |
| Shareholders' equity | 3,787 | 3,713 |
| Non-current liabilities | 2,571 | 2,758 |
| Current liabilities | 7,846 | 7,883 |
| Liabilities related to held-for-sale assets | 7 | 7 |
| **TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY** | **14,211** | **14,361** |
| **SALES** | **3,756** | **7,306** |
| **CURRENT OPERATING PROFIT/(LOSS)** | **231** | **421** |
| **NET PROFIT/(LOSS)** | **221** | **303** |
| **NET PROFIT/(LOSS) ATTRIBUTABLE TO THE GROUP** | **213** | **289** |

(a) Financial statements published by Alstom for the year ended 31 March 2017 and the six months ended 30 September 2017.

Reconciliation to the carrying amount of the interest held by the Bouygues group:

| (€ million) | 31/12/2017 | 31/12/2016 |
|---|---|---|
| **ALSTOM: SHAREHOLDERS' EQUITY ATTRIBUTABLE TO THE GROUP AS PUBLISHED** | **3,726** | **3,367** |
| Share attributable to Bouygues (27.98% as of 31/12/2017) | 1,043 | 953 |
| Fair value remeasurements and goodwill recognised at Bouygues group level | 985 | 985 |
| **NET ASSETS RECOGNISED IN THE BOUYGUES CONSOLIDATED FINANCIAL STATEMENTS** | **2,028** | **1,938** |

Given the time-lag in publication, the amounts reported as of 31 December 2017 are based on the figures published by Alstom as of 30 September 2017.

#### INFORMATION ABOUT IMPAIRMENT TESTING OF THE INVESTMENT IN ALSTOM AS OF 31 DECEMBER 2017

In principle, the investment in Alstom is tested for impairment using the higher of (i) the quoted share price or (ii) value in use determined using the Discounted Cash Flow (DCF) method. At the end of 2017, given that the quoted market price at 29 December 2017 (€34.61) was 6% higher than the consolidated carrying amount (€32.66), the DCF calculation was not performed. This approach is confirmed by the 3-month consensus forecast for the Alstom share price of €38.50.

#### CONCLUSION ON IMPAIRMENT TESTING

The recoverable amount determined on the basis of the quoted market price as of 29 December 2017 is greater than the carrying amount of the Bouygues group's investment in Alstom.

### 3.2.6 Investments in non-consolidated companies and other non-current financial assets

Principal investments in non-consolidated companies as of 31 December:

| Investment (€ million) | 31/12/2017 Gross value | Impairment | Carrying amount | % interest | Total assets | Total current & non-current liabilities | Total sales | Net profit/ (loss) | 31/12/2016 Carrying amount |
|---|---|---|---|---|---|---|---|---|---|
| French companies | | | | | | | | | |
| **Colas** | | | | | | | | | |
| Asphalt, binder and quarry companies [a] | 22 | (7) | 15 | | | | | | 17 |
| **TF1** | | | | | | | | | |
| Sofica Valor 7 | | | | | | | | | 17 |
| Studio71 | 28 | | 28 | 6% | | | | | |
| **SUB-TOTAL** | **50** | **(7)** | **43** | | | | | | **34** |
| Foreign companies | | | | | | | | | |
| **Bouygues Construction** | | | | | | | | | |
| Hong Kong IEC Limited (Hong Kong) | 58 | | 58 | 15% | 111 | 28 | 61 | (6) | 67 |
| VSL Corporation (United States) | 22 | (22) | | 100% | | | | | |
| **TF1** | | | | | | | | | |
| A1-international (Netherlands) | 13 | (13) | | 50% | | | | | |
| Teads | | | | | | | | | 4 |
| Wibbitz (Israel) | 4 | | 4 | | | | | | |
| **Colas** | | | | | | | | | |
| Asphalt, binder and quarry companies [a] | 2 | (1) | 1 | | | | | | 1 |
| **SUB-TOTAL** | **99** | **(36)** | **63** | | | | | | **72** |
| Other investments [a] | 173 | (128) | 45 | | | | | | 44 |
| **TOTAL** | **322** | **(171)** | **151** | | | | | | **150** |

(a) The information provided for "Asphalt, binder and quarry companies" and "Other investments" relates to a large number of companies, for which individual information is not disclosed on grounds of immateriality.

The net change in investments in non-consolidated companies during 2017 was €1 million. The main movements during the period involved TF1: acquisition of an interest in Studio71, divestment of an interest in Teads, and merger of Sofica Valor 7 into TF1 DA.

| | | |
|---|---|---|
| **Other non-current financial assets** | **412** | |
| • Advances to non-consolidated companies | 114 | |
| • Loans receivable | 159 | |
| • Other long-term investments | 139 | |
| ▪ Deposits and caution money paid (net) | | 105 |
| ▪ Mutual funds | | 17 |
| ▪ Other investments with carrying amounts of less than €2 million individually | | 17 |

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### Analysis of investments in non-consolidated companies and other non-current financial assets (excluding joint ventures and associates) by category

| (€ million) | Available-for-sale financial assets [a] | Financial assets at fair value through profit or loss | Held-to-maturity assets | Loans and receivables [b] | Total |
|---|---|---|---|---|---|
| **31/12/2016** | **187** | | **78** | **258** | **523** |
| **Movements during 2017** | | | 13 | 27 | 40 |
| **31/12/2017** | **187** | | **91** | **285** [c] | **563** |
| Due within less than 1 year | 1 | | | 14 | 15 |
| Due within 1 to 5 years | | | | 80 | 80 |
| Due after more than 5 years | 186 | | 91 | 191 | 468 |

(a) Impact of fair value remeasurements recognised in equity (except in the event of a significant or prolonged decline in value, in which case an impairment loss is recognised in profit or loss). Mainly relates to investments in non-consolidated companies (€151m at 31 December 2017), the vast majority of which are measured at value in use (level 3 in the fair value hierarchy).

(b) Measured at amortised cost.

(c) Includes financial receivables relating to Public-Private Partnership (PPP) activities.

### Fair value of financial assets and financial liabilities

Under IFRS 13, the fair value hierarchy that reflects the significance of the inputs used in making fair value measurements has three levels:

- level 1 (unadjusted quoted prices): price accessible to the entity on the date of measurement in active markets, for identical assets or liabilities;
- level 2 (observable inputs): inputs relating to the asset or liability, other than quoted market prices classified as level 1 inputs, that are observable either directly (such as a price) or indirectly (i.e. derived from observable prices);
- level 3 (unobservable inputs): inputs that are not observable on markets, including observable inputs that require significant adjustment (for example, extrapolation of yield curves over long, unobservable periods). Within the Bouygues group, this applies mainly to investments in non-consolidated companies.

| | LEVEL 1 Quoted prices | LEVEL 2 Observable inputs | LEVEL 3 Unobservable inputs | 31/12/2017 |
|---|---|---|---|---|
| Available-for-sale financial assets | | 1 | 186 | 187 |
| Held-to-maturity assets | | 91 | | 91 |
| Net cash | 4,611 | | | 4,611 |
| Financial instruments, net | (10) | | | (10) |

| | LEVEL 1 Quoted prices | LEVEL 2 Observable inputs | LEVEL 3 Unobservable inputs [a] | 31/12/2017 |
|---|---|---|---|---|
| Non-current debt | | | 124 | 124 |
| Current debt | | | 4 | 4 |

(a) Relates to undertakings to buy out minority interests in TF1.

# Note 4 Current assets

## 4.1 Inventories

| (€ million) | 31/12/2017 Gross value | 31/12/2017 Impairment [a] | 31/12/2017 Carrying amount | 31/12/2016 Gross value | 31/12/2016 Impairment [a] | 31/12/2016 Carrying amount |
|---|---|---|---|---|---|---|
| Property development inventories | 1,729 | (121) | 1,608 [b] | 1,605 | (118) | 1,487 |
| Raw materials and finished goods | 896 | (65) | 831 | 870 | (64) | 806 |
| Programmes and broadcasting rights | 748 | (150) | 598 | 803 | (141) | 662 |
| **TOTAL** | **3,373** | **(336)** | **3,037** | **3,278** | **(323)** | **2,955** |

(a) Includes:

| | 2017 | 2016 |
|---|---|---|
| – impairment losses charged in the period | (102) | (132) |
| – impairment losses reversed in the period | 88 | 106 |

(b) Includes Bouygues Immobilier: properties under construction €1,418m; completed properties €113m.

### Operating commitments not yet recognised involving future outflows of resources

| TF1 (€ million) | Falling due Less than 1 year | Falling due 1 to 5 years | Falling due More than 5 years | Total 2017 | Total 2016 |
|---|---|---|---|---|---|
| Programmes and broadcasting rights | 459 | 804 | 31 | 1,294 | 1,371 |
| Sports transmission rights | 91 | 131 | | 222 | 169 |
| **FUTURE PROGRAMMING SCHEDULES [a]** | **550** | **935** | **31** | **1,516** | **1,540** |
| Comparative at 31 December 2016 | 647 | 817 | 76 | 1,540 | |

(a) 2017: Contracts expressed in foreign currencies: €48m in US dollars.

| Bouygues Immobilier | Falling due Less than 1 year | Falling due 1 to 5 years | Falling due More than 5 years | Total 2017 | Total 2016 |
|---|---|---|---|---|---|
| **ACQUISITIONS OF LAND BANKS [b]** | **400** | | | **400** | **374** |
| Comparative at 31 December 2016 | 374 | | | 374 | |

(b) Binding commitments signed by Bouygues Immobilier, which is committed to buy the land if the conditions precedent (usually obtaining a building permit) are met.

| Bouygues Telecom | Falling due Less than 1 year | Falling due 1 to 5 years | Falling due More than 5 years | Total 2017 | Total 2016 |
|---|---|---|---|---|---|
| **AGREEMENTS TO SECURE HANDSET SUPPLIES [c]** | **262** | | | **262** | **409** |
| Comparative at 31 December 2016 | 409 | | | 409 | |

(c) Handset supplies are generally secured under triennial contracts with the handset vendor that specify a minimum order quantity. The vendor commits to supplying the handsets, and Bouygues Telecom commits to buying the specified quantity.

## 4.2 Advances and down-payments made on orders

| (€ million) | 31/12/2017 Gross value | 31/12/2017 Impairment | 31/12/2017 Carrying amount | 31/12/2016 Gross value | 31/12/2016 Impairment | 31/12/2016 Carrying amount |
|---|---|---|---|---|---|---|
| Advances and down-payments made on orders | 433 | (1) | 432 | 396 | (1) | 395 |

## 4.3 Trade receivables, tax assets and other current receivables

| (€ million) | 31/12/2017 Gross value | Impairment | Carrying amount | 31/12/2016 Gross value | Impairment | Carrying amount |
|---|---|---|---|---|---|---|
| Trade receivables (including unbilled receivables) | 7,313 | (581) | 6,732 | 6,953 | (586) | 6,367 |
| Current tax assets (tax receivable) | 333 | (2) | 331 | 287 | (2) | 285 |
| Other current receivables: | | | | | | |
| • Employees, social security, government and other | 1,440 | (10) | 1,430 | 1,338 | (9) | 1,329 |
| • Sundry receivables | 1,051 | (198) | 853 | 1,140 | (198) | 942 |
| • Prepaid expenses | 298 | | 298 | 238 | | 238 |
| **TOTAL OTHER CURRENT RECEIVABLES** | **2,789** | **(208)** | **2,581** | **2,716** | **(207)** | **2,509** |
| **TOTAL** | **10,435** | **(791)** | **9,644** | **9,956** | **(795)** | **9,161** |

### Split of carrying amount of trade receivables between non past due and past due balances

| (€ million) | Non past due | Past due by: 0-6 months | 6-12 months | > 12 months | Total |
|---|---|---|---|---|---|
| Trade receivables | 5,080 | 1,231 | 324 | 678 | 7,313 |
| Impairment of trade receivables | (34) | (49) | (83) | (415) | (581) |
| **CARRYING AMOUNT OF TRADE RECEIVABLES: 31/12/2017** | **5,046** | **1,182** | **241** | **263** [a] | **6,732** |
| **CARRYING AMOUNT OF TRADE RECEIVABLES: 31/12/2016** | **4,905** | **1,049** | **218** | **195** | **6,367** |

(a) Includes €106m for Bouygues Construction, €131m for Colas and €23m for Bouygues Telecom.

An analysis of trade receivables more than 12 months past due and not covered by impairment allowances revealed no additional credit risk (recoverable VAT, offset with trade creditors, etc.).

## 4.4 Cash and cash equivalents

| **Cash and cash equivalents** (€ million) | 31/12/2017 Gross value | Impairment | Carrying amount | 31/12/2016 Gross value | Impairment | Carrying amount |
|---|---|---|---|---|---|---|
| Cash | 4,137 | | 4,137 [a] | 3,482 | | 3,482 |
| Cash equivalents | 683 | | 683 [b] | 1,267 | | 1,267 |
| **TOTAL** | **4,820** | | **4,820** | **4,749** | | **4,749** |

(a) Includes €1,357m of term deposits with maturities of less than three months recorded in the books of Bouygues SA.
(b) €616m of these cash equivalents are held by Bouygues SA.

Surplus cash is invested with high-quality French and foreign banks.

Cash equivalents are readily convertible into cash.

Cash equivalents are measured at fair value.

All investments of cash and equivalents were accessible as of 31 December 2017.

The net cash position shown in the cash flow statement breaks down by currency as follows:

| (€ million) | Euro | Pound sterling | Swiss franc | Other European currencies | US dollar | Other currencies | Total 31/12/2017 | Total 31/12/2016 |
|---|---|---|---|---|---|---|---|---|
| Cash | 2,952 | 134 | 333 | 77 | 99 | 542 | 4,137 | 3,482 |
| Cash equivalents | 670 | | 10 | 3 | | | 683 | 1,267 |
| Overdrafts and short-term bank borrowings | (105) | (21) | (2) | (7) | | (74) | (209) | (168) |
| **TOTAL 31/12/2017** | **3,517** | **113** | **341** | **73** | **99** | **468** | **4,611** | **4,581** |
| **TOTAL 31/12/2016** | **3,502** | **97** | **307** | **70** | **136** | **469** | **4,581** | |

## 4.5 Analysis of depreciation, amortisation, impairment and provisions in the balance sheet and income statement

| (€ million) | 31/12/2016 | Translation adjustments | Charges and reversals through current operating profit: Depreciation, amortisation | Charges and reversals through current operating profit: Impairment losses & provisions, net | Charges and reversals through current operating profit: Reversals (unutilised) | Other impairment losses & provisions [b] | Other movements [a] | 31/12/2017 |
|---|---|---|---|---|---|---|---|---|
| Depreciation, amortisation & impairment of property, plant and equipment and intangible assets | (16,254) | 200 | (1,655) | (84) | | (23) | 1,062 [d] | (16,754) |
| Impairment of goodwill | (76) | | | | | | 4 | (72) |
| Impairment of investments in non-consolidated companies | (179) | 1 | | | 1 | 4 | 2 | (171) |
| Impairment of other non-current financial assets | (97) | 1 | | | 2 | 5 | (3) | (92) |
| **SUB-TOTAL: NON-CURRENT ASSETS** | **(16,606)** | **202** | **(1,655)** [c] | **(84)** [c] | **3** [c] | **(14)** [c] | **1,065** | **(17,089)** |
| Impairment of inventories | (323) | 1 | | (36) | 21 | | 1 | (336) |
| Impairment of trade receivables | (586) | 9 | | (24) | 56 | | (36) | (581) |
| Impairment of cash equivalents | | | | | | | | |
| Impairment of other current assets | (208) | 1 | | (1) | 2 | | (2) | (208) |
| **SUB-TOTAL: CURRENT ASSETS** | **(1,117)** | **11** | | **(61)** | **79** | | **(37)** | **(1,125)** |
| **TOTAL DEDUCTED FROM ASSETS** | **(17,723)** | **213** | **(1,655)** | **(145)** | **82** [e] | **(14)** | **1,028** | **(18,214)** |
| Non-current provisions | (2,199) | 19 | | (77) [c] | 167 [c] | 22 [c] | (17) | (2,085) |
| Current provisions | (1,002) | 32 | | (108) | 178 | (3) | 14 | (889) |
| **TOTAL LIABILITIES** | **(3,201)** | **51** | | **(185)** | **345** [e] | **19** | **(3)** | **(2,974)** |

(a) Reversals on disposals, and changes in scope of consolidation.
(b) Recognised in "Other operating income and expenses" or "Other financial income and expenses".
(c) The net amount of depreciation, amortisation, non-current provisions and impairment charged against non-current assets is €1,638m (see the cash flow statement).
(d) Mainly a reduction in depreciation following disposals of plant and equipment, including €774m for Bouygues Telecom (Cellnex, Crozon).
(e) Unutilised reversals (total €427m) are shown in a footnote to the income statement, aggregated with the effects of acquisition/loss of control to make a total of €437m.

# Note 5 Consolidated shareholders' equity

## 5.1 Share capital of Bouygues SA (€)

As of 31 December 2017, the share capital of Bouygues SA consisted of 366,125,285 shares with a €1 par value. Movements during 2017 were as follows:

| | | Movements during 2017 | | |
|---|---|---|---|---|
| | 31/12/2016 | Reductions | Increases | 31/12/2017 |
| Shares | 354,908,547 | | 11,216,738 | 366,125,285 |
| **NUMBER OF SHARES** | **354,908,547** | | **11,216,738** | **366,125,285** |
| Par value | €1 | | | €1 |
| **SHARE CAPITAL (€)** | **354,908,547** | | **11,216,738** | **366,125,285** |

The capital increase during the year of €345 million (see the consolidated statement of changes in shareholders' equity) comprised:

- 6,490,841 shares issued on exercise of stock options (€195 million);
- 4,725,897 shares issued under the Bouygues Confiance n°9 employee share ownership plan (€150 million, including €18 million due to be collected in January 2018). Bouygues repurchased 1,157,844 of its own shares for €47 million in connection with this plan on 4 January 2018, and decided on 21 February 2018 to cancel those shares.

## 5.2 Shareholders' equity at 31 December 2017 attributable to the Group and to non-controlling interests

| (€ million) | Share capital | Share premium | Reserves related to capital | Retained earnings | Consolidated reserves and profit/(loss) for period | Items recognised directly in equity | Total 2017 |
|---|---|---|---|---|---|---|---|
| Attributable to the Group | 366 | 2,039 | 807 | 2,192 | 3,575 | (128) | 8,851 |
| Attributable to non-controlling interests | | | | | 1,368 | (9) | 1,359 |
| **TOTAL SHAREHOLDERS' EQUITY** | **366** | **2,039** | **807** | **2,192** | **4,943** | **(137)** | **10,210** |

## 5.3 Analysis of income and expense recognised directly in equity

| (€ million) | Ref. | 2017 | 2016 |
|---|---|---|---|
| Translation reserve of fully consolidated entities | 5.3.1 | (173) [a] | 11 |
| Fair value remeasurement reserve (financial instruments) | 5.3.2 | 13 | (2) |
| Actuarial gains/(losses) | 5.3.3 | (3) | (76) |
| Tax on items recognised directly in equity | | (5) | 21 |
| Share of remeasurements of joint ventures and associates | | (17) [b] | 6 |
| **ATTRIBUTABLE TO THE GROUP** | | **(185)** | **(40)** |
| | | Non-controlling interests | Non-controlling interests |
| Other expenses and income attributable to non-controlling interests | | (11) | |
| **TOTAL** | | **(196)** | **(40)** |

(a) Includes €(79)m reclassified to profit or loss in 2017 following disposals carried out by Bouygues Construction.
(b) Mainly comprises:
– Alstom: actuarial gains €22m, translation reserve €(25)m.
– Colas: translation reserve €(17)m.

### 5.3.1 Translation reserve (attributable to the Group)

Principal translation adjustments in the year ended 31 December 2017 arising on the consolidated financial statements of foreign subsidiaries, joint ventures and associates reporting in the following currencies:

| | 31/12/2016 | Movements during 2017 | 31/12/2017 |
|---|---|---|---|
| US dollar | 69 | (57) | 12 |
| Canadian dollar | 8 | (20) | (12) |
| Pound sterling | 10 | (1) | 9 |
| Thai baht | 11 | (6) | 5 |
| South African rand | 70 | (75) [a] | (5) |
| Swiss franc | 39 | (9) | 30 |
| Czech koruna | 5 | 2 | 7 |
| Alstom translation reserve | (98) | (25) | (123) |
| Other currencies | 14 | (25) | (11) |
| **TOTAL** | **128** | **(216)** [b] | **(88)** |

(a) Includes €(79)m reclassified to profit or loss in 2017 following disposals carried out by Bouygues Construction.
(b) Split: subsidiaries €(173)m, joint ventures and associates €(43)m.

### 5.3.2 Fair value remeasurement reserve (attributable to the Group)

This reserve contains amounts recognised directly in equity on the remeasurement at fair value of financial instruments used for hedging purposes and of available-for-sale financial assets.

| (€ million) | 31/12/2016 | Movements during 2017 | 31/12/2017 |
|---|---|---|---|
| Gross movement (fully consolidated entities) [a] | (58) | 13 | (45) |

(a) Mainly relates to cash flow hedges, currency hedges, and fair value remeasurement of available-for-sale financial assets.

### 5.3.3 Actuarial gains and losses on employee benefits (IAS 19) (attributable to the Group)

| (€ million) | 31/12/2016 | Movements during 2017 | 31/12/2017 |
|---|---|---|---|
| Gross movement (fully consolidated entities) | (181) | (3) [a] | (184) |

(a) Mainly the impact in France of the fall in the iBoxx A10+ rate (1.50% at 31 December 2017, versus 1.71% at 31 December 2016), offset by changes in actuarial assumptions for Colas subsidiaries in Anglophone countries.

## 5.4 Analysis of "Other transactions with shareholders" attributable to the Group

The impact on consolidated shareholders' equity of share-based payment (IFRS 2) is as follows:

| (€ million) | 31/12/2017 | 31/12/2016 |
|---|---|---|
| Transfer to reserves: | | |
| Expense calculated for plans awarded by TF1 in the last 5 years | 2 | 1 |
| Expense calculated for plans awarded by Bouygues SA in the last 5 years | 9 | 9 |
| Cost of employee benefit for the Bouygues Confiance n°8 employee share ownership plan | | 3 |
| Cost of employee benefit for the Bouygues Confiance n°9 employee share ownership plan | 5 | |
| **TOTAL** | **16** | **13** |

## 5.5 Analysis of "Acquisitions/disposals without loss of control" and "Other transactions"

The net change of €25 million mainly reflects:

- the remeasurement of liabilities for commitments to buy out non-controlling shareholders of TF1 subsidiaries, in particular Newen Studios; and
- the portion of the tax savings on the Bouygues Confiance n°9 employee share ownership plan recognised in equity, amounting to €13 million.

# Note 6 Non-current and current provisions

## 6.1 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** |
| **Movements during 2016** | | | | | |
| Translation adjustments | (9) | 1 | (2) | 2 | (8) |
| Changes in scope of consolidation | | (1) | 2 | (19) | (18) |
| Charges to provisions | 43 | 111 | 102 | 121 | 377 |
| Reversals of provisions (utilised or unutilised) | (44) | (94) | (98) | (184) | (420) [e] |
| Actuarial gains and losses | 80 | | | | 80 |
| Transfers and other movements | 2 | (1) | (2) | 29 | 28 |
| **31/12/2016** | **764** | **379** | **394** | **662** | **2,199** |
| **Movements during 2017** | | | | | |
| Translation adjustments | (4) | (1) | (4) | (11) | (20) |
| Changes in scope of consolidation | | (2) | (1) | 4 | 1 |
| Charges to provisions | 50 | 73 | 101 | 60 | 284 |
| Reversals of provisions (utilised or unutilised) | (43) | (124) | (106) | (131) | (404) [f] |
| Actuarial gains and losses | 4 | | | | 4 |
| Transfers and other movements | 1 | (2) | (1) | 23 | 21 |
| **31/12/2017** | **772** | **323** | **383** | **607** | **2,085** |

Provisions are measured on the basis of management's best estimate of the risk.

| | | | |
|---|---|---|---|
| (a) Long-term employee benefits (see Note 19.2 to the consolidated financial statements) | 772 | Principal segments involved: | |
| Lump-sum retirement benefits | 517 | Bouygues Construction | 210 |
| Long service awards and other benefits | 153 | Colas | 426 |
| Other long-term employee benefits | 102 | TF1 | 37 |
| | | Bouygues Telecom | 62 |
| (b) Litigation and claims | 323 | Bouygues Construction | 134 |
| Provisions for customer disputes | 115 | Bouygues Immobilier | 37 |
| Subcontractor claims | 52 | Colas | 92 |
| Employee-related and other litigation and claims | 156 | Bouygues Telecom | 53 |
| (c) Guarantees given | 383 | Bouygues Construction | 295 |
| Provisions for guarantees given | 292 | Bouygues Immobilier | 23 |
| Provisions for additional building/civil engineering/civil works guarantees | 91 | Colas | 65 |
| (d) Other non-current provisions | 607 | Bouygues Construction | 111 |
| Provisions for miscellaneous foreign risks | 29 | Colas | 301 |
| Provisions for subsidiaries and affiliates | 37 | Bouygues Telecom | 157 |
| Dismantling and site rehabilitation | 301 | | |
| Provisions for social security inspections | 85 | | |
| Other non-current provisions | 155 | | |
| (e) Including reversals of unutilised provisions in 2016 | (161) | | |
| (f) Including reversals of unutilised provisions in 2017 | (201) | | |

## 6.2 Current provisions

Provisions relating to the operating cycle amounted to €889 million as of 31 December 2017:

| (€ million) | Provisions for customer warranties | Provisions for project risks and project completion [a] | Provisions for expected losses to completion [a] | Other current provisions [b] | Total |
|---|---|---|---|---|---|
| **31/12/2015** | **54** | **411** | **334** | **293** | **1,092** |
| **Movements during 2016** | | | | | |
| Translation adjustments | (1) | 2 | | 4 | 5 |
| Changes in scope of consolidation | (2) | | | 2 | |
| Charges to provisions | 16 | 148 | 178 | 134 | 476 |
| Reversals of provisions (utilised or unutilised) | (20) | (187) | (227) | (118) | (552) [c] |
| Transfers and other movements | 2 | | | (21) | (19) |
| **31/12/2016** | **49** | **374** | **285** | **294** | **1,002** |
| **Movements during 2017** | | | | | |
| Translation adjustments | (1) | (12) | (9) | (10) | (32) |
| Changes in scope of consolidation | | (3) | (1) | (2) | (6) |
| Charges to provisions | 12 | 139 | 205 | 105 | 461 |
| Reversals of provisions (utilised or unutilised) | (20) | (161) | (206) | (146) | (533) [d] |
| Transfers and other movements | 2 | (2) | | (3) | (3) |
| **31/12/2017** | **42** | **335** | **274** | **238** | **889** |

(a) Mainly Bouygues Construction and Colas.
(Individual project provisions are not disclosed for confidentiality reasons).

| | |
|---|---|
| **(b) Other current provisions:** | **238** |
| Reinsurance costs | 3 |
| Restructuring provisions | 5 |
| Customer loyalty programmes (Bouygues Telecom) | 5 |
| Site rehabilitation (current portion) | 11 |
| Miscellaneous current provisions | 214 |

| | |
|---|---|
| **Principal segments involved:** | |
| Bouygues Construction | 87 |
| Bouygues Immobilier | 41 |
| Colas | 72 |
| TF1 | 17 |

**(c) Including reversals of unutilised provisions in 2016** (222)

**(d) Including reversals of unutilised provisions in 2017** (178)

# Note 7 Deferred tax assets and liabilities

## 7.1 Deferred tax assets

| (€ million) | 31/12/2016 | Movements during 2017 | 31/12/2017 |
|---|---|---|---|
| **Deferred tax assets** | | | |
| Bouygues Construction | 101 | (29) | 72 |
| Bouygues Immobilier | 26 | (9) | 17 |
| Colas | 153 | (7) | 146 |
| TF1 | | | |
| Bouygues Telecom | | | |
| Bouygues SA & other | 87 | 15 | 102 |
| **TOTAL** | **367** | **(30)** | **337** |

Deferred tax assets mainly arise from temporary differences (such as provisions temporarily non-deductible for tax purposes), and from tax losses with a genuine probability of recovery.

## 7.2 Deferred tax liabilities

| (€ million) | 31/12/2016 | Movements during 2017 | 31/12/2017 |
|---|---|---|---|
| **Deferred tax liabilities** | | | |
| Bouygues Construction | 7 | (3) | 4 |
| Bouygues Immobilier | 8 | 1 | 9 |
| Colas | 71 | (11) | 60 |
| TF1 | 43 | (3) | 40 |
| Bouygues Telecom | 27 | 4 | 31 |
| Bouygues SA & other | 3 | | 3 |
| **TOTAL** | **159** | **(12)** | **147** |

The deferred tax position as of 31 December 2017 represented a net asset of €190 million; see Note 7.3 to the consolidated financial statements for a detailed analysis.

## 7.3 Net deferred tax asset/liability by business segment

| Net deferred tax asset/ liability by segment/type (€ million) | Net deferred tax asset/ (liability) at 31/12/2016 | Changes in scope of consolidation | Translation adjustments | Movements during 2017 Gain | Movements during 2017 Expense | Other [a] | Net deferred tax asset/ (liability) at 31/12/2017 |
|---|---|---|---|---|---|---|---|
| **A – Tax losses** | | | | | | | |
| Bouygues Construction | 5 | | | 2 | (1) | | 6 |
| Bouygues Immobilier | 4 | | | | (1) | | 3 |
| Colas | 12 | | | | (1) | | 11 |
| TF1 | 1 | | | | (1) | | |
| Bouygues Telecom | 40 | | | | (40) [c] | | |
| Bouygues SA | 67 | | | 33 | | 13 [d] | 113 [b] |
| **SUB-TOTAL** | **129** | | | **35** | **(44)** | **13** | **133** |
| **B – Temporary differences** | | | | | | | |
| Bouygues Construction | 89 | | | | (26) | (1) | 62 |
| Bouygues Immobilier | 14 | (1) | | | (7) | (1) | 5 |
| Colas | 70 | | 4 | 15 | (12) | (2) | 75 |
| TF1 | (44) | | | 15 | (10) | (1) | (40) |
| Bouygues Telecom | (67) | | | 49 [e] | (14) | 1 | (31) |
| Bouygues SA & other | 17 | | | | (23) | (8) | (14) |
| **SUB-TOTAL** | **79** | **(1)** | **4** | **79** | **(92)** | **(12)** | **57** |
| **TOTAL** | **208** | **(1)** | **4** | **114** | **(136)** | **1** | **190** |

(a) Mainly deferred taxes recognised in equity (fair value remeasurements of financial instruments, actuarial gains/losses on employee benefits, Bouygues Confiance n°9 employee share ownership plan, impact of enacted future tax rates, etc.).
(b) Overall tax loss arising on group tax election.
(c) Offset during 2017 of the entire tax loss generated by Bouygues Telecom.
(d) Portion of the tax saving on the Bouygues Confiance n°9 employee share ownership plan recognised in equity (see Note 5.5 to the consolidated financial statements).
(e) Mainly relates to the neutralisation of a timing difference recognised in the Bouygues Telecom individual company financial statements and consequently included in the current tax liability.

| Principal sources of deferred taxation (€ million): | 31/12/2017 | 31/12/2016 |
|---|---|---|
| • deferred tax assets on employee benefits (mainly lump-sum retirement benefits) | 152 | 172 |
| • deferred tax assets on provisions temporarily non-deductible for tax purposes | 35 | 92 |
| • restricted provisions booked solely for tax purposes | (102) | (150) |
| • tax losses | 133 | 129 |
| • other items | (28) | (35) |
| | 190 | 208 |

## 7.4 Period to recovery of deferred tax assets

| 31/12/2017 (€ million) | Less than 2 years | 2 to 5 years | More than 5 years | Total |
|---|---|---|---|---|
| Estimated period to recovery of deferred tax assets | 186 | 69 | 82 [a] | 337 |

(a) Mainly Colas (primarily deferred tax assets on employee benefits and tax losses).

## 7.5 Unrecognised deferred tax assets

Some deferred tax assets were not recognised as of 31 December 2017 due to the low probability of recovery (mainly tax losses, which in the case of France are relevant only to companies not included in the Bouygues SA group tax election).

| (€ million) | 31/12/2016 | Movements during 2017 | 31/12/2017 |
|---|---|---|---|
| Bouygues Construction | 144 | 10 | 154 |
| Bouygues Immobilier | 40 | (9) | 31 |
| Colas | 80 | (2) | 78 |
| TF1 | 15 | (6) | 9 |
| **TOTAL UNRECOGNISED DEFERRED TAX ASSETS** | **279** | **(7)** | **272** |

# Note 8 Non-current and current debt

## 8.1 Interest-bearing debt by maturity

| | Current debt | | | | Non-current debt | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| (€ million) | Accrued interest | 1 to 3 months | 4 to 12 months | Total maturing in less than 1 year | 1 to 2 years | 2 to 3 years | 3 to 4 years | 4 to 5 years | 5 to 6 years | 6 or more years | Total 31/12/2017 | Total 31/12/2016 |
| Bond issues | 121 | 499 | | 620 | 987 | 997 | | 796 | 695 | 1,328 | 4,803 | 5,296 |
| Bank borrowings | | 28 | 59 | 87 | 62 | 481 | 159 | 45 | 19 | 45 | 811 | 703 |
| Finance lease obligations | | 2 | 4 | 6 | 2 | 2 | 2 | 2 | 1 | | 9 | 9 |
| Other borrowings | | 12 | 11 | 23 | 130 | 10 | 12 | 4 | 9 | | 165 | 172 |
| **TOTAL DEBT** | **121** | **541** | **74** | **736** | **1,181** | **1,490** | **173** | **847** | **724** | **1,373** | **5,788** | **6,180** |
| Comparative at 31/12/2016 | 113 | 51 | 101 | 265 | 601 | 1,161 | 1,344 | 143 | 840 | 2,091 | | 6,180 |

The €500-million bond issue maturing 12 February 2010 was redeemed in full on maturity on 12 February 2018.

The table below lists all outstanding Bouygues bond issues. The quoted price in each case is presented as a percentage of the nominal, on a full price basis (i.e. including accrued interest):

| ISIN | Issue date | Maturity | Nominal value on maturity | Interest rate | Quoted price at 31/12/2017, as % of nominal on full price basis [a] |
|---|---|---|---|---|---|
| FR0010853226 | 12/02/2010 | 12/02/2018 | 500 | 4.000% | 100.4640 |
| FR0010957662 | 29/10/2010 | 29/10/2019 | 1,000 | 3.641% | 106.7740 |
| FR0010212852 | 22/07/2005 | 22/07/2020 | 1,000 | 4.250% | 110.7990 |
| FR0011193515 | 09/02/2012 | 09/02/2022 | 800 | 4.500% | 117.3550 |
| FR0011332196 | 02/10/2012 | 16/01/2023 | 700 | 3.625% | 116.2580 |
| FR0010379255 | 06/10/2006 | 06/10/2026 | 595 | 5.500% | 125.9840 |
| FR0013222494 | 07/12/2016 | 07/06/2027 | 750 | 1.375% | 102.6320 |
| **TOTAL** | | | **5,345** | | |

(a) Source: Bloomberg.

| **Finance lease obligations (included in debt) by business segment** (€ million) | Bouygues Construction | Bouygues Immobilier | Colas | TF1 | Bouygues Telecom | Bouygues SA & other | Total |
|---|---|---|---|---|---|---|---|
| **Non-current: 31/12/2017** | | | **9** | | | | **9** |
| **Current: 31/12/2017** | | | **5** | | **1** | | **6** |
| Non-current: 31/12/2016 | 1 | | 8 | | | | 9 |
| Current: 31/12/2016 | | | 7 | | 1 | | 8 |

## 8.2 Confirmed credit facilities and drawdowns

| **Description** (€ million) | Confirmed facilities – Maturity: Less than 1 year | 1 to 5 years | More than 5 years | Total | Drawdowns – Maturity: Less than 1 year | 1 to 5 years | More than 5 years | Total |
|---|---|---|---|---|---|---|---|---|
| Bond issues (mainly Bouygues SA) | 620 | 2,780 | 2,023 | 5,423 | 620 | 2,780 | 2,023 | 5,423 |
| Bank borrowings [a] | 669 | 6,129 | 220 | 7,018 | 87 | 747 | 64 | 898 |
| Finance lease obligations | 6 | 8 | 1 | 15 | 6 | 8 | 1 | 15 |
| Other borrowings | 23 | 156 | 9 | 188 | 23 | 156 | 9 | 188 |
| **TOTAL CREDIT FACILITIES** | **1,318** | **9,073** | **2,253** | **12,644** | **736** | **3,691** | **2,097** | **6,524** |

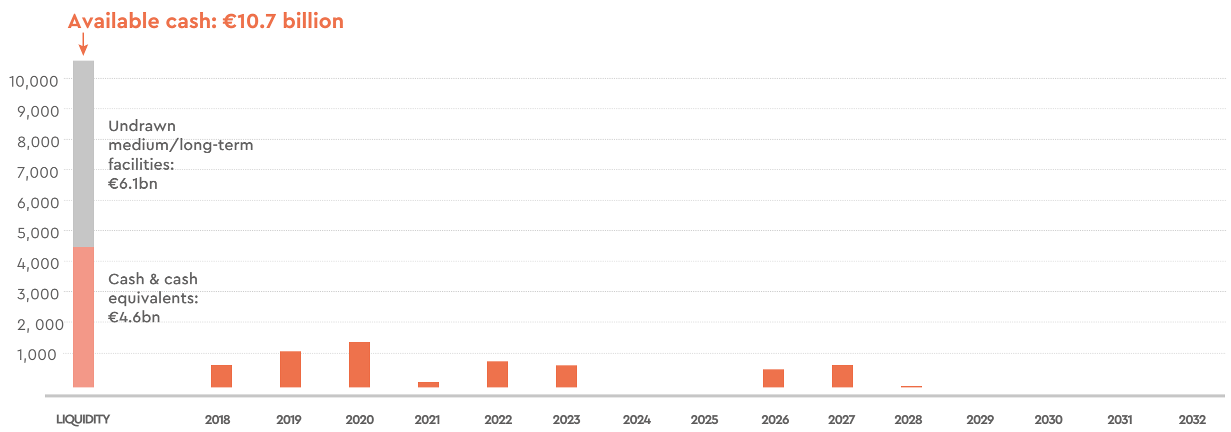
(a) Confirmed undrawn credit facilities: €6,120m.

## 8.3 Liquidity at 31 December 2017

As at 31 December 2017, available cash stood at €4,610 million, net of a €1 million liability in respect of financial instruments contracted to hedge net debt. The Group also had €6,120 million of undrawn confirmed bank credit facilities as at the same date.

### Debt maturity schedule at 31 December 2017

(€ million)




All bond issues other than that maturing in 2020 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.

## 8.4 Split of current and non-current debt by interest rate type

Split of current and non-current debt, including the effect of all open interest rate hedges at the end of the reporting period:

| (%) | 31/12/2017 | 31/12/2016 |
|---|---|---|
| Fixed rate debt [a] | 97 | 95 |
| Floating rate debt | 3 | 5 |

(a) Rates fixed for more than one year.

7

## 8.5 Interest rate risk

The split of financial assets and financial liabilities by type of interest as of 31 December 2017 is shown below:

| (€ million) | Floating rate | Fixed rate | Total |
|---|---|---|---|
| Financial liabilities (debt)[a] | (1,094) | (5,430) | (6,524) |
| Financial assets (net cash)[b] | 4,610 | | 4,610 |
| **Net pre-hedging position** | **3,516** | **(5,430)** | **(1,914)** |
| Interest rate hedges | 877 | (877) | |
| **Net post-hedging position** | **4,393** | **(6,307)** | **(1,914)** |
| Adjustment for seasonal nature of some activities[c] | (653) | | |
| **Net post-hedging position after adjustment** | **3,740** | | |

(a) Call options and contingent consideration recognised as financial liabilities under IAS 39 are treated as fixed rate.
(b) Net of a €1m liability in respect of the fair value of financial instruments contracted to hedge net debt.
(c) Colas: operations, and cash flows from operations, are subject to marked seasonal fluctuations. This adjustment gives an approximation of the average cash position over the full year, which is used as the basis for analysing the sensitivity of interest expense to changes in interest rates. It corresponds to the difference between the average cash position over the full year, and the net cash position in the balance sheet at 31 December.

The effect of an immediate 1% rise in short-term interest rates on the net post-hedging position after adjustment (as presented above) would be to reduce the cost of net debt by €37 million over a full year.

## 8.6 Split of current and non-current debt by currency

| | Europe | | | | | | |
|---|---|---|---|---|---|---|---|
| (€ million) | Euro | Pound sterling | Other currencies | US dollar | Hong Kong dollar | Other currencies | Total |
| **Non-current: 31/12/2017** | **5,098** | **640** | **14** | **19** | **3** | **14** | **5,788** |
| **Current: 31/12/2017** | **698** | **6** | | | **2** | **30** | **736** |
| Non-current: 31/12/2016 | 5,463 | 645 | 10 | 30 | 4 | 28 | 6,180 |
| Current: 31/12/2016 | 221 | 7 | 2 | | 3 | 32 | 265 |

An analysis of debt by business segment is provided in Note 16 to the consolidated financial statements.

Details by segment of collateral and pledges given by the Bouygues group are provided in Note 18.1. to the consolidated financial statements.

# Note 9 Main components of change in net debt

## 9.1 Change in net debt

| (€ million) | 31/12/2016 | Cash flows | Changes in scope of consolidation | Translation adjustments | Fair value adjustments | Other movements | 31/12/2017 |
|---|---|---|---|---|---|---|---|
| Cash and cash equivalents | 4,749 | 168 | 5 | (107) | | 5 | 4,820 |
| Overdrafts and short-term bank borrowings | (168) | 57 | (14) | (80) | | (4) | (209) |
| **NET CASH POSITION (A)** | **4,581** | **225** [a] | **(9)** [a] | **(187)** [a] | | **1** [a] | **4,611** |
| Non-current debt | 6,180 | 182 [b] | (7) | (7) | (6) | (554) | 5,788 |
| Current debt | 265 | (59) [b] | | (2) | | 532 | 736 |
| Financial instruments, net | 2 | 1 | | | (2) | | 1 |
| **TOTAL DEBT (B)** | **6,447** | **124** | **(7)** | **(9)** | **(8)** | **(22)** [c] | **6,525** |
| **NET DEBT (A)-(B)** | **(1,866)** | **101** | **(2)** | **(178)** | **8** | **23** | **(1,914)** |

(a) Net cash position as analysed in the 2017 cash flow statement (net cash flows + non-monetary movements).
(b) Net cash flow from financing activities as analysed in the cash flow statement: €123m.
(c) Mainly relating to call options over non-controlling interests at TF1 for €9m, and the buyout of non-controlling interests by Bouygues Construction for €16m (matching entry in "Cash flows" column).

## 9.2 Principal changes in net debt during 2017

| | |
|---|---|
| **NET DEBT AT 31 DECEMBER 2016** | **(1,866)** |
| Acquisitions/disposals of consolidated activities, non-consolidated companies and other investments including changes in scope of consolidation and commitments to buy out non-controlling interests | (21) |
| Transactions involving the share capital of Bouygues SA | 343 [a] |
| Bouygues Confiance n°8 2016 employee share ownership plan – amounts collected in 2017 | 38 |
| Bouygues Confiance n°9 2017 employee share ownership plan – amounts to be collected in 2018 | (18) |
| Dividends paid | (606) |
| Payment for frequencies in 700 MHz band | (117) |
| Operating items | 333 |
| **NET DEBT AT 31 DECEMBER 2017** | **(1,914)** |

(a) Mainly comprises increase in the share capital of Bouygues SA (exercise of stock options and Bouygues Confiance n°9 employee share ownership plan).

# Note 10 Current liabilities

| (€ million) | 31/12/2017 | 31/12/2016 |
|---|---|---|
| Advances and down-payments received on orders [a] | 1,101 | 1,010 |
| Current debt [b] | 736 | 265 |
| Current taxes payable | 115 | 109 |
| Trade payables | 7,349 | 7,140 |
| Current provisions [c] | 889 | 1,002 |
| Other current liabilities: | | |
| • Other operating liabilities (employees, social security, government) | 2,869 | 2,625 |
| • Deferred income | 1,772 | 2,073 |
| • Other non-financial liabilities | 2,468 | 2,461 |
| Overdrafts and short-term bank borrowings | 209 | 168 |
| Financial instruments – liabilities | 16 | 19 |
| Other current financial liabilities | 24 | 24 |
| **TOTAL** | **17,548** | **16,896** |

(a) As of 31 December 2017, "Advances and down-payments received on orders" included €166m (€215m as of 31 December 2016) received from customers on signature of deeds of sale in respect of off-plan sales under property development programmes. These sums are not refundable and are used to finance work on the programmes; virtually all of these sums had been disbursed as of 31 December 2017.

(b) See analysis in Note 8 to the consolidated financial statements, "Non-current and current debt".

(c) See analysis in Note 6.2 to the consolidated financial statements, "Current provisions".

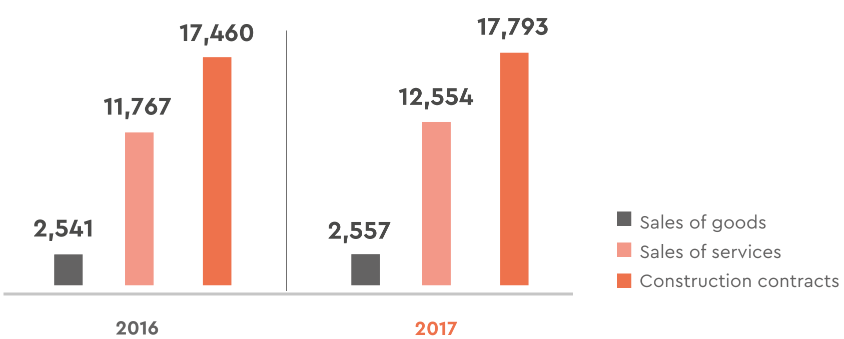
# Note 11 Analysis of sales and other revenues from operations

## 11.1 Analysis by accounting classification

| (€ million) | 2017 | 2016 |
|---|---|---|
| Sales of goods | 2,557 | 2,541 |
| Sales of services | 12,554 | 11,767 |
| Construction contracts | 17,793 | 17,460 |
| **TOTAL SALES** | **32,904** | **31,768** |
| **OTHER REVENUES FROM OPERATIONS** | **150** | **132** |
| **TOTAL REVENUES** | **33,054** | **31,900** |

### Consolidated sales

(€ million)



There were no material exchanges of goods or services in the years ended 31 December 2017 and 2016.

### Consolidated balance sheet: information about construction contracts

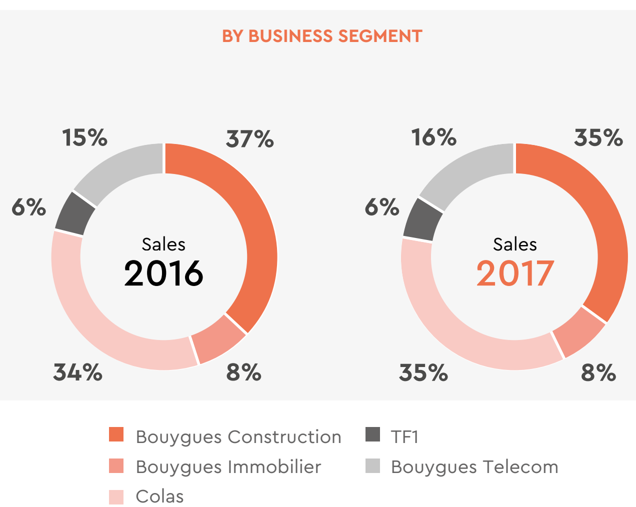
| (€ million) | Bouygues Construction | Colas | Total |
|---|---|---|---|
| Works not yet billed | 623 | 539 | 1,162 |
| Warranty retentions | 198 | 99 | 297 |
| Works billed in advance | (1,276) | (300) | (1,576) |
| Advance payments received | (382) | (78) | (460) |

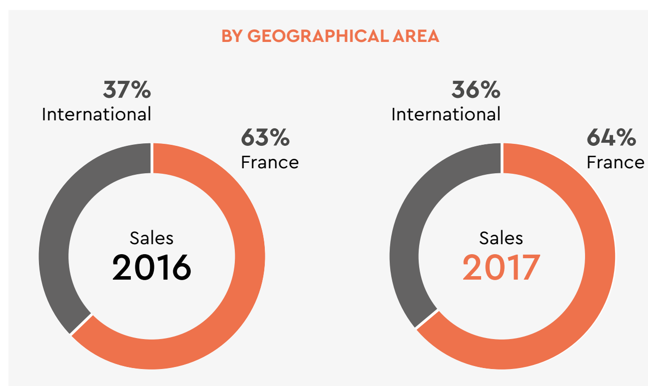
## 11.2 Analysis by business segment

Sales by geographical area are allocated to the territory in which the sale is generated.

| | 2017 sales | | | 2016 sales | | |
|---|---|---|---|---|---|---|
| (€ million) | France | International | Total | France | International | Total |
| Bouygues Construction | 5,408 | 6,065 | 11,473 | 5,297 | 6,273 | 11,570 |
| Bouygues Immobilier | 2,539 | 161 | 2,700 | 2,414 | 129 | 2,543 |
| Colas | 5,980 | 5,600 | 11,580 | 5,662 | 5,226 | 10,888 |
| TF1 | 1,995 | 82 | 2,077 | 1,957 | 63 | 2,020 |
| Bouygues Telecom | 5,061 | | 5,061 | 4,736 | | 4,736 |
| Bouygues SA & other | 6 | 7 | 13 | 5 | 6 | 11 |
| **CONSOLIDATED SALES** | **20,989** | **11,915** | **32,904** | **20,071** | **11,697** | **31,768** |

### Split of total sales



## 11.3 Analysis by geographical area

| (€ million) | 2017 sales Total | 2017 sales % | 2016 sales Total | 2016 sales % |
|---|---|---|---|---|
| France | 20,989 | 64 | 20,071 | 63 |
| European Union (28 members) | 3,522 | 11 | 3,400 | 11 |
| Rest of Europe | 1,469 | 5 | 1,313 | 4 |
| Africa | 1,136 | 3 | 1,203 | 4 |
| Middle East | 161 | 0 | 184 | 1 |
| North America | 2,982 | 9 | 3,016 | 9 |
| Central and South America | 217 | 1 | 331 | 1 |
| Asia-Pacific | 1,620 | 5 | 1,864 | 6 |
| Oceania | 808 | 2 | 386 | 1 |
| **TOTAL** | **32,904** | **100** | **31,768** | **100** |

The Bouygues group has operations in the United Kingdom, mainly in construction. These operations are carried out locally within the United Kingdom, and have no material exposure to uncertainties relating to imports and exports. Sales generated in 2017 amounted to £1,640 million (€1,870 million), compared with £1,631 million (€1,991 million) in 2016. This year-on-year fall of €121 million reflects the 7% fall in the average euro/sterling exchange rate (from €1.22 in 2016, to €1.14 in 2017) following the vote by the United Kingdom to leave the European Union, which had a negative impact of €132 million.

## 11.4 Split by type of contract, France/International

| (%) | 2017 France | 2017 International | 2017 Total | 2016 France | 2016 International | 2016 Total |
|---|---|---|---|---|---|---|
| Public-sector contracts [a] | 27 | 49 | 35 | 28 | 51 | 37 |
| Private-sector contracts | 73 | 51 | 65 | 72 | 49 | 63 |

(a) Sales billed directly to government departments, local authorities and public enterprises (mainly works and maintenance contracts) in France and internationally.

## Note 12 Operating profit and EBITDA

| (€ million) | 2017 | 2016 |
|---|---|---|
| **CURRENT OPERATING PROFIT/(LOSS)** | **1,420** | **1,121** |
| Other operating income | 233 | 113 |
| Other operating expenses | (120) | (287) |
| **OPERATING PROFIT/(LOSS)** | **1,533** | **947** |

See Note 16 to the consolidated financial statements for an analysis by business segment.

The main components of "Other operating income" and "Other operating expenses" are:

### 2017

**Bouygues Telecom:** Net income of €141 million, mainly comprising a €223 million gain on the transfer of 1,085 sites to Cellnex plus €10 million of net reversals of provisions, partly offset by a €79 million expense on the roll-out of network sharing.

**TF1:** Amortisation of €23 million charged against the fair value of rights remeasured as part of the Newen Studios purchase price allocation.

**Colas:** Expense of €5 million on the discontinuation of the Société de la Raffinerie de Dunkerque (SRD) refinery at Dunkirk.

### 2016

**Bouygues Telecom:** Net income of €20 million, mainly comprising a €104 million gain on the sale of 500 towers to Cellnex, partly offset by €84 million of accelerated depreciation arising from the roll-out of network sharing.

**TF1:** Net expense of €84 million comprising:

- one-off additional expense of €25 million related to a change in the accounting treatment of French drama;
- amortisation of €25 million charged against the fair value of rights remeasured as part of the Newen Studios purchase price allocation;
- other costs of €34 million incurred on the reorganisation of TF1 and the freeview migration of LCI.

**Colas:** Expense of €62 million, comprising €51 million on the discontinuation of the SRD refinery and €11 million of miscellaneous adaptation costs.

**Bouygues Construction:** Adaptation costs of €23 million arising from the ongoing implementation of the new organisational structure that began in 2015.

**Bouygues Immobilier:** Adaptation costs of €13 million.

**Bouygues SA:** Expense of €12 million relating to costs incurred on the proposed transaction with Orange.

Current operating profit includes rental expenses of €1,618 million, including expenses relating to leases with a service component, short-term leases and leases for low-value assets.

The Group generated EBITDA of €2,968 million in 2017, up €211 million year-on-year. EBITDA is calculated on the basis of current operating profit, to which the following adjustments are made:

| (€ million) | 2017 | 2016 |
|---|---|---|
| **CURRENT OPERATING PROFIT/(LOSS)** | **1,420** | **1,121** |
| Elimination of net depreciation and amortisation expense and net charges to provisions and impairment losses: | | |
| • Net depreciation & amortisation expense | 1,655 | 1,599 |
| • Net charges to provisions & impairment losses | 330 | 461 |
| Elimination of items included in "Other income from operations": | | |
| • Reversals of unutilised provisions and impairment and other items | (437) | (424) |
| **EBITDA** | **2,968** | **2,757** |

See Note 16 to the consolidated financial statements for an analysis by business segment.

# Note 13 Cost of net debt and other financial income and expenses

## 13.1 Analysis of cost of net debt

| (€ million) | 2017 | 2016 |
|---|---|---|
| **Financial expenses, comprising:** | **(251)** | **(248)** |
| Interest expense on debt | (230) | (232) |
| Interest expense related to treasury management | (20) | (16) |
| Negative impact of financial instruments | (1) | |
| **Financial income, comprising:** | **25** | **26** |
| Interest income from cash and cash equivalents | 22 | 23 |
| Income and gains on disposal from cash and cash equivalents | 3 | 3 |
| **COST OF NET DEBT** | **(226)** | **(222)** |

## 13.2 Other financial income and expenses

| (€ million) | 2017 | 2016 |
|---|---|---|
| Other financial income | 113 | 125 |
| Other financial expenses | (75) | (84) |
| **OTHER FINANCIAL INCOME/(EXPENSES), NET** | **38** | **41** |

"Other financial income and expenses" include gains or losses on disposals of investments in non-consolidated companies, interest paid to investors on calls for funds (commercial property), commitment fees, changes in the fair value of "Other current financial assets", dividends received from non-consolidated companies, and other items.

The amount is virtually unchanged year-on-year, with the non-recurrence of the €65 million gain on the Colas disposal of Atlandes in 2016 compensated for in 2017 by items of net financial income (late payment interest on the 3% dividend tax reimbursement, gains on disposals, reversals of provisions, etc.) none of which was individually material.

# Note 14 Income taxes

## 14.1 Analysis of income tax expense

| | 2017 | | | 2016 | | |
|---|---|---|---|---|---|---|
| (€ million) | France | Other countries | Total | France | Other countries | Total |
| Tax payable to the tax authorities | (188) | (93) | (281) | (58) | (143) | (201) |
| Change in deferred tax liabilities | 13 | | 13 | (46) | 9 | (37) |
| Change in deferred tax assets | (33) | (2) | (35) | (14) | 3 | (11) |
| **TOTAL** | **(208)** | **(95)** | **(303)** | **(118)** | **(131)** | **(249)** |

See Note 16 to the consolidated financial statements for an analysis by business segment.

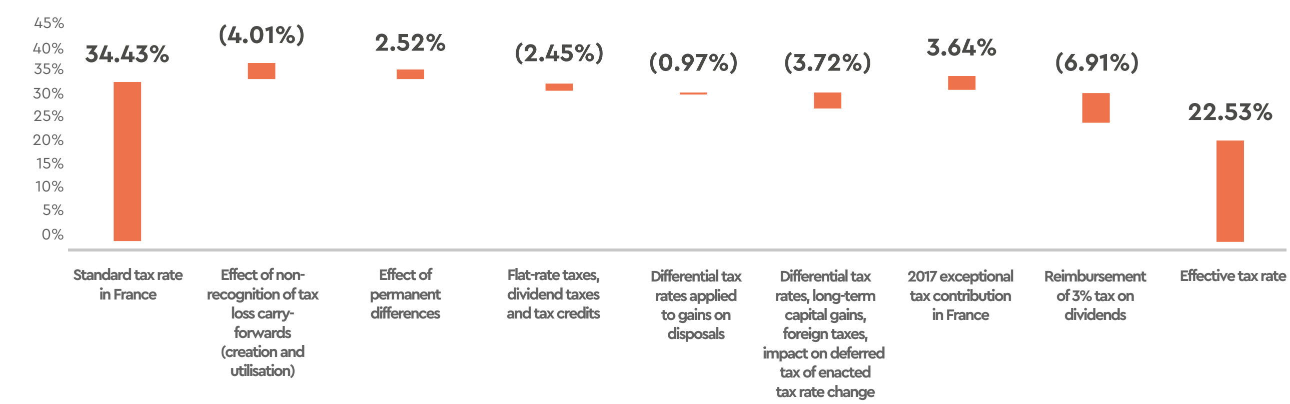
## 14.2 Tax proof (reconciliation between standard tax rate and effective tax rate)

Differences between the standard corporate income tax rate applicable in France and the effective tax rate based on the consolidated financial statements are explained as follows:

| (€ million) | 2017 | 2016 |
|---|---|---|
| **NET PROFIT/(LOSS) FOR THE PERIOD (100%)** | **1,205** | **784** |
| **Eliminations:** | | |
| Income tax | 303 | 249 |
| Net (profit)/loss of discontinued and held-for-sale operations | None | None |
| Share of net (profits)/losses of joint ventures and associates | (163) | (267) |
| **NET PRE-TAX PROFIT FROM CONTINUING OPERATIONS EXCLUDING JOINT VENTURES AND ASSOCIATES** | **1,345** | **766** |
| Standard tax rate in France | 34.43% | 34.43% |
| Effect of non-recognition of tax loss carry-forwards (creation and utilisation) | (4.01%) | 1.04% |
| Effect of permanent differences | 2.52% | 2.67% |
| Flat-rate taxes, dividend taxes and tax credits | (2.45%) | (2.37%) |
| Differential tax rates applied to gains on disposals [a] | (0.97%) | (2.61%) |
| Differential tax rates, long-term capital gains, foreign taxes, impact on deferred tax of enacted tax rate change [d] | (3.72%) | (0.65%) |
| 2017 exceptional tax contribution in France | 3.64% | |
| Reimbursement of 3% tax on dividends | (6.91%) | |
| **EFFECTIVE TAX RATE** | **22.53%** [b] | **32.51%** [c] |

(a) Includes disposals of Nextdoor and Ossabois in 2017, and of Atlandes in 2016.
(b) Effective tax rate after stripping out the tax gain arising from reimbursement of the 3% dividend tax and non-taxable late payment interest: 29%.
(c) Effective tax rate after stripping out the sale of Atlandes: 35%.
(d) The enactment of tax rate cuts in France and the United States has reduced net deferred tax assets by €4m.

### Effective tax rate



## Note 15 Net profit from continuing operations and basic/diluted earnings per share

Basic earnings per share from continuing operations is calculated by dividing net profit from continuing operations attributable to the Group by the weighted average number of shares outstanding during the year, excluding the average number of ordinary shares bought and held as treasury shares.

| | 2017 | 2016 |
|---|---|---|
| Net profit from continuing operations attributable to the Group (€ million) | 1,085 | 732 |
| Weighted average number of shares outstanding | 357,914,334 | 346,559,092 |
| **BASIC EARNINGS PER SHARE FROM CONTINUING OPERATIONS (€)** | **3.03** | **2.11** |

Diluted earnings per share from continuing operations is calculated by reference to the weighted average number of shares outstanding, adjusted for the conversion of all potentially dilutive shares (i.e. stock subscription options legally exercisable and in the money at the end of the reporting period).

| | 2017 | 2016 |
|---|---|---|
| Net profit from continuing operations attributable to the Group (€ million) | 1,085 | 732 |
| Weighted average number of shares outstanding | 357,914,334 | 346,559,092 |
| Adjustment for potentially dilutive effect of stock options | 2,571,741 | 1,361,620 |
| **DILUTED EARNINGS PER SHARE FROM CONTINUING OPERATIONS (€)** | **3.01** | **2.10** |

## Note 16 Segment information

Segment information is provided in two forms:

1. **Analysis by business segment (CGU):** Bouygues Construction (Construction), Bouygues Immobilier (Property), Colas (Roads), TF1 (Media), Bouygues Telecom (Telecoms), and Bouygues SA & other.
2. **Analysis by geographical area:** France (including overseas departments), European Union, Rest of Europe, Africa, Asia-Pacific-Oceania, Americas and Middle East.

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

An analysis of sales by geographical area is provided in Note 11.3.

The operating segments used in reporting by business segment are those reviewed by the chief operational decision-maker of the Group, and are not aggregated for segment reporting purposes. This information is used to allocate resources to operating segments, and to monitor their performance.

Operating segment information is compiled using the same accounting policies as used in the preparation of the consolidated financial statements, as described in the notes to the financial statements.

The "Bouygues SA & other" segment includes contributions from corporate holding companies, and from entities dedicated to the centralised financing of the Group.

## 16.1 Analysis by business segment – year ended 31 December2017

| (€ million) | Bouygues Construction | Bouygues Immobilier | Colas | TF1 | Bouygues Telecom | Bouygues SA & other | Total 2017 |
|---|---|---|---|---|---|---|---|
| Income statement | | | | | | | |
| Total sales | 11,660 | 2,712 | 11,705 | 2,125 | 5,086 | 142 | 33,430 |
| Inter-segment sales | (187) | (12) | (125) | (48) | (25) | (129) | (526) |
| **THIRD-PARTY SALES** | **11,473** | **2,700** | **11,580** | **2,077** | **5,061** | **13** | **32,904** |
| Net depreciation & amortisation expense | (214) | (12) | (407) | (173) | (841) | (8) | (1,655) |
| Net charges to provisions & impairment losses | (146) | (19) | (88) | (54) | (13) | (10) | (330) |
| **CURRENT OPERATING PROFIT/(LOSS)** | **363** | **223** | **362** | **185** | **329** | **(42)** | **1,420** |
| Other operating income | | | | | 233 | | 233 |
| Other operating expenses | | | (5) | (23) | (92) | | (120) |
| **OPERATING PROFIT/(LOSS)** | **363** | **223** | **357** | **162** | **470** | **(42)** | **1,533** |
| Cost of net debt I | 12 | (2) | (14) | (2) | (8) | (212) | (226) |
| Income tax II | (103) | (65) | (75) | (45) | (193) | 178 | (303) |
| Share of profits/(losses) of joint ventures and associates | 2 | (12) | 61 | 14 | | 98 | 163 |
| **NET PROFIT/(LOSS) FROM CONTINUING OPERATIONS** | **323** | **127** | **330** | **136** | **260** | **29** | **1,205** |
| Net profit of discontinued and held-for-sale operations | | | | | | | |
| NET PROFIT/(LOSS) | 323 | 127 | 330 | 136 | 260 | 29 | 1,205 |
| **NET PROFIT/(LOSS) ATTRIBUTABLE TO THE GROUP** | **319** | **125** | **317** | **60** | **236** | **28** | **1,085** [a] |
| Balance sheet | | | | | | | |
| Property, plant and equipment | 573 | 20 | 2,383 | 178 | 3,537 | 167 | 6,858 |
| Intangible assets | 40 | 37 | 90 | 231 | 1,682 | 52 | 2,132 |
| Goodwill | 457 | | 1,131 | 1,149 | 2,648 | | 5,385 |
| Investments in joint ventures and associates | 30 | 26 | 396 | 22 | | 2,028 [b] | 2,502 |
| Other non-current financial assets | 268 | 10 | 197 | 47 | 10 | 31 | 563 |
| Deferred tax assets and non-current tax receivable | 59 | 17 | 154 | | | 107 | 337 |
| Cash and cash equivalents | 956 | 88 | 450 | 64 | 58 | 3,204 | 4,820 |
| Other assets | | | | | | | 13,181 |
| **TOTAL ASSETS** | | | | | | | **35,778** |
| Non-current debt | 511 | 19 | 126 | 232 | 993 | 3,907 | 5,788 |
| Non-current provisions | 750 | 101 | 884 | 39 | 272 | 39 | 2,085 |
| Deferred tax liabilities and non-current tax liabilities | 4 | 9 | 60 | 40 | 31 | 3 | 147 |
| Current debt | 2 | 18 | 40 | 6 | 41 | 629 | 736 |
| Other liabilities | | | | | | | 27,022 |
| **TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY** | | | | | | | **35,778** |
| **NET SURPLUS CASH/(NET DEBT)** [c] | **3,409** | **(86)** | **433** | **257** | **(976)** | **(4,951)** | **(1,914)** |
| Cash flow statement | | | | | | | |
| **CASH FLOW III** | **484** | **199** | **764** | **372** | **1,048** | **17** | **2,884** |
| **ACQUISITIONS OF PROPERTY, PLANT & EQUIPMENT AND INTANGIBLE ASSETS, NET OF DISPOSALS IV** | **(119)** | **(14)** | **(355)** | **(198)** | **(830)** | **(11)** | **(1,527)** |
| **ACQUISITIONS OF INVESTMENTS IN CONSOLIDATED COMPANIES AND OTHER INVESTMENTS, NET OF DISPOSALS** | **20** | **2** | **(134)** | **32** | | | **(80)** |
| Other indicators | | | | | | | |
| **EBITDA** | **472** | **231** | **736** | **392** | **1,162** | **(25)** | **2,968** |
| **FREE CASH FLOW (I+II+III+IV)** | **274** | **118** | **320** | **127** | **17** | **(28)** | **828** |

(a) Net profit attributable to the Group excluding exceptional items amounts to €936m, and corresponds to net profit attributable to the Group excluding €(87)m for the reimbursement of the 3% dividend surtax and €(62)m for non-current items net of taxes.

(b) Comprises €2,028m for Alstom.

(c) Contribution at business segment level, including Bouygues Relais and Uniservice intra-Group current accounts (these intra-Group accounts are eliminated in the "Bouygues SA & other" column).

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## 16.2 Analysis by business segment – year ended 31 December 2016

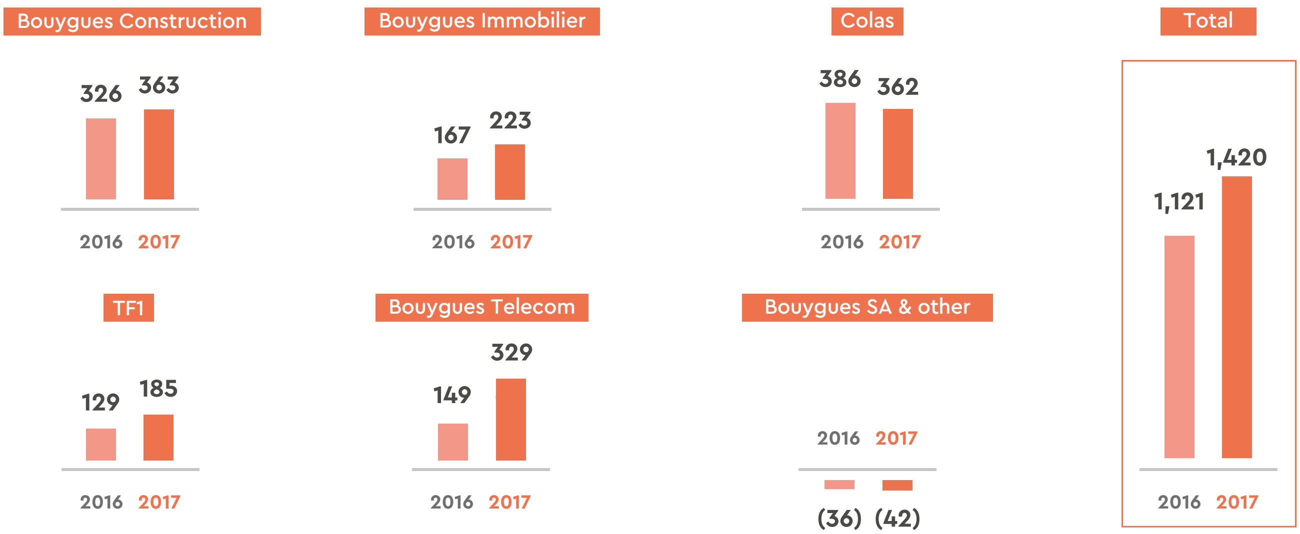
| (€ million) | Bouygues Construction | Bouygues Immobilier | Colas | TF1 | Bouygues Telecom | Bouygues SA & other | Total 2016 |
|---|---|---|---|---|---|---|---|
| **Income statement** | | | | | | | |
| Total sales | 11,815 | 2,568 | 11,006 | 2,063 | 4,761 | 133 | 32,346 |
| Inter-segment sales | (245) | (25) | (118) | (43) | (25) | (122) | (578) |
| **THIRD-PARTY SALES** | **11,570** | **2,543** | **10,888** | **2,020** | **4,736** | **11** | **31,768** |
| Net depreciation & amortisation expense | (225) | (7) | (402) | (177) | (782) | (6) | (1,599) |
| Net charges to provisions & impairment losses | (193) | (35) | (155) | (80) | (1) | 3 | (461) |
| **CURRENT OPERATING PROFIT/(LOSS)** | **326** | **167** | **386** | **129** | **149** | **(36)** | **1,121** |
| Other operating income | | | | | 113 | | 113 |
| Other operating expenses | (23) | (13) | (62) | (84) | (93) | (12) | (287) |
| **OPERATING PROFIT/(LOSS)** | **303** | **154** | **324** | **45** | **169** | **(48)** | **947** |
| Cost of net debt I | 14 | (2) | (13) | (1) | (8) | (212) | (222) |
| Income tax II | (119) | (51) | (108) | (6) | (60) | 95 | (249) |
| Share of profits/(losses) of joint ventures and associates | 121 | (1) | 82 | 10 | | 55 | 267 |
| **NET PROFIT/(LOSS) FROM CONTINUING OPERATIONS** | **322** | **91** | **359** | **44** | **92** | **(124)** | **784** |
| Net profit of discontinued and held-for-sale operations | | | | | | | |
| **NET PROFIT/(LOSS)** | **322** | **91** | **359** | **44** | **92** | **(124)** | **784** |
| **NET PROFIT/(LOSS) ATTRIBUTABLE TO THE GROUP** | **320** | **91** | **343** | **18** | **83** | **(123)** | **732** [a] |
| **Balance sheet** | | | | | | | |
| Property, plant and equipment | 680 | 32 | 2,396 | 174 | 3,117 | 167 | 6,566 |
| Intangible assets | 43 | 37 | 74 | 236 | 1,743 | 47 | 2,180 |
| Goodwill | 471 | | 1,118 | 1,130 | 2,648 | | 5,367 |
| Investments in joint ventures and associates | 22 | 5 | 375 | 89 | | 1,938 [b] | 2,429 |
| Other non-current financial assets | 252 | 12 | 185 | 32 | 10 | 32 | 523 |
| Deferred tax assets and non-current tax receivable | 73 | 26 | 172 | | | 96 | 367 |
| Cash and cash equivalents | 890 | 90 | 417 | 53 | 23 | 3,276 | 4,749 |
| Other assets | | | | | | | 12,673 |
| **TOTAL ASSETS** | | | | | | | **34,854** |
| Non-current debt | 546 | 34 | 125 | 224 | 995 | 4,256 | 6,180 |
| Non-current provisions | 853 | 89 | 917 | 57 | 247 | 36 | 2,199 |
| Deferred tax liabilities and non-current tax liabilities | 7 | 8 | 71 | 43 | 27 | 3 | 159 |
| Current debt | 19 | 4 | 73 | 8 | 40 | 121 | 265 |
| Other liabilities | | | | | | | 26,051 |
| **TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY** | | | | | | | **34,854** |
| **NET SURPLUS CASH/(NET DEBT)** [c] | **3,387** | **(124)** | **517** | **187** | **(1,012)** | **(4,821)** | **(1,866)** |
| **Cash flow statement** | | | | | | | |
| **CASH FLOW III** | **534** | **161** | **699** | **267** | **873** | **(30)** | **2,504** |
| **ACQUISITIONS OF PROPERTY, PLANT & EQUIPMENT AND INTANGIBLE ASSETS, NET OF DISPOSALS** | **(173)** | **(28)** | **(384)** | **(209)** | **(802)** | **(42)** | **(1,638)** |
| **ACQUISITIONS OF INVESTMENTS IN CONSOLIDATED COMPANIES AND OTHER INVESTMENTS, NET OF DISPOSALS** | **139** | **(18)** | **135** | **(182)** | | **997** | **1,071** |
| **Other indicators** | | | | | | | |
| **EBITDA** | **537** | **178** | **801** | **364** | **916** | **(39)** | **2,757** |
| **FREE CASH FLOW (I+II+III+IV)** | **256** | **80** | **194** | **51** | **3** | **(189)** | **395** |

(a) Net profit attributable to the Group excluding exceptional items amounts to €632m, and corresponds to net profit attributable to the Group excluding (i) the gains of €(129)m and €(60)m arising on the sale of Adelac and Atlandes respectively and (ii) non-current expenses of €89m net of taxes.

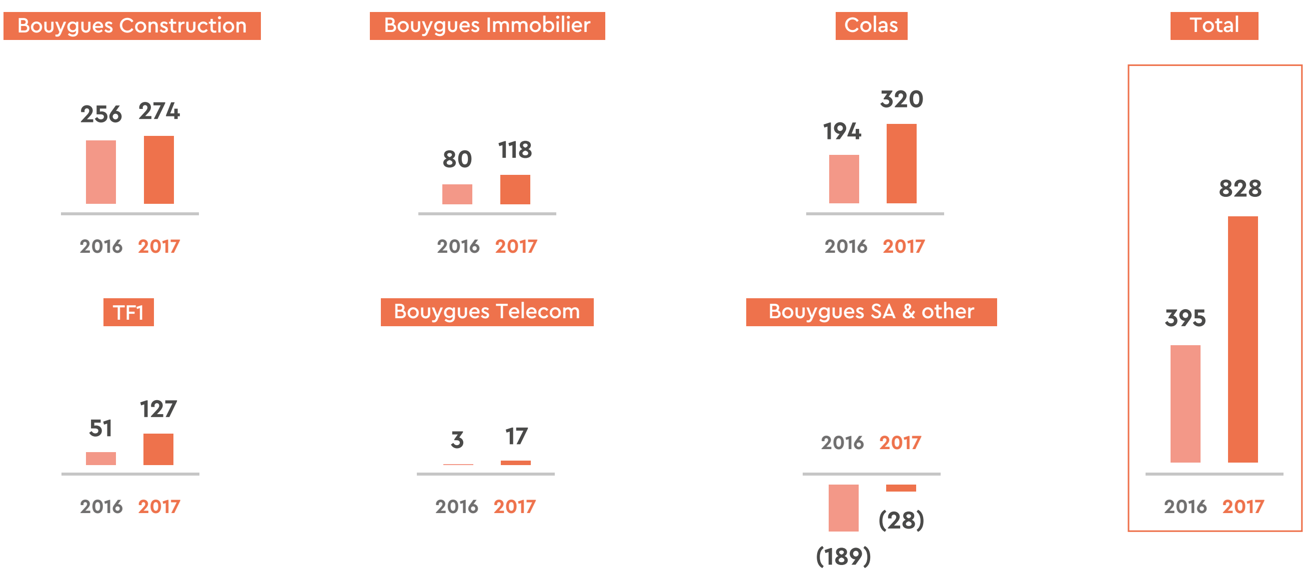
(b) Comprises €1,938m for Alstom.

(c) Contribution at business segment level, including Bouygues Relais and Uniservice intra-Group current accounts (these intra-Group accounts are eliminated in the "Bouygues SA & other" column).

**Current operating profit/(loss)**
(€ million)




**Free cash flow**
(€ million)




## 16.3 Analysis by geographical area

Non-currents assets are allocated by the location of assets as of 31 December.

| (€ million) | France [a] | European Union | Rest of Europe | Africa | Asia-Pacific-Oceania | Americas | Middle East | Total 31/12/2017 |
|---|---|---|---|---|---|---|---|---|
| **Balance sheet** | | | | | | | | |
| Property, plant and equipment [b] | 5,443 | 371 | 59 | 107 | 176 | 693 | 9 | 6,858 |
| Intangible assets | 2,089 | 23 | | 1 | 2 | 16 | | 2,132 |
| **Cash flow statement** | | | | | | | | |
| Purchase price of property, plant & equipment and intangible assets | (1,724) | (88) | (28) | (34) | (43) | (116) | (3) | (2,036) |

(a) Including French overseas departments.
(b) Includes assets held under finance leases.

| (€ million) | France [a] | European Union | Rest of Europe | Africa | Asia-Pacific-Oceania | Americas | Middle East | Total 31/12/2016 |
|---|---|---|---|---|---|---|---|---|
| **Balance sheet** | | | | | | | | |
| Property, plant and equipment [b] | 5,046 | 299 | 97 | 149 | 256 | 702 | 17 | 6,566 |
| Intangible assets | 2,134 | 24 | | 2 | 3 | 17 | | 2,180 |
| **Cash flow statement** | | | | | | | | |
| Purchase price of property, plant & equipment and intangible assets | (1,572) | (70) | (23) | (54) | (98) | (130) | (15) | (1,962) |

(a) Including French overseas departments.
(b) Includes assets held under finance leases.

# Note 17 Financial instruments

The tables below show aggregate notional amounts for each type of financial instrument used, split by residual maturity and by currency.

## 17.1 Hedging of interest rate risk, foreign exchange risk and commodities risk

### 17.1.1 Analysis by business segment

| (€ million) | Bouygues Construction | Bouygues Immobilier | Colas | TF1 | Bouygues Telecom | Bouygues SA & other | Total 31/12/2017 | Total 31/12/2016 |
|---|---|---|---|---|---|---|---|---|
| Forward purchases | 258 | | 478 | 78 | 33 | | 847 | 685 |
| Forward sales | 335 | | 102 | | | | 437 | 501 |
| Currency swaps | 31 | | | 14 | | 736 | 781 | 603 |
| Interest rate swaps [a] | 12 | | 61 | | 1,050 | 45 | 1,168 | 908 |
| Commodities derivatives | | | 4 | | | | 4 | 4 |

(a) Of which pay fixed rate €1,128m, and pay floating rate €40m.

### 17.1.2 Analysis by maturity and original currency

| | Maturity | | | | Original currency | | | | |
|---|---|---|---|---|---|---|---|---|---|
| (€ million) | < 1 year | 1 to 5 years | > 5 years | Total | EUR | USD | CAD | HKD | Other |
| Forward purchases | 804 | 43 | | 847 | 96 | 251 | 222 | 7 | 272 |
| Forward sales | 336 | 101 | | 437 | 23 | 123 | 12 | 55 | 224 |
| Currency swaps | 781 | | | 781 | | 102 | 158 | 230 | 290 |
| Interest rate swaps | 290 | 819 | 59 | 1,168 | 1,105 | | | 5 | 58 |
| Commodities derivatives | 4 | | | 4 | 3 | 1 | | | |

## 17.2 Market value of hedging instruments

| Derivatives recognised as assets (€ million) | Original currency | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | EUR | USD | CAD | HKD | Other currencies | Total | Fair value hedge | Cash flow hedge | Hedge of net investment in a foreign operation |
| Forward purchases | 1 | | | | 1 | 2 | | 2 | |
| Forward sales | 2 | 6 | | 1 | 1 | 10 | | 10 | |
| Currency swaps | | 1 | | | | 1 | | | 1 |
| Interest rate swaps | 1 | | | | | 1 | | 1 | |
| Commodities derivatives | | | | | | | | | |
| **TOTAL ASSETS** | **4** | **7** | | **1** | **2** | **14** | | **13** | **1** |

| Derivatives recognised as liabilities (€ million) | Original currency | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | EUR | USD | CAD | HKD | Other currencies | Total | Fair value hedge | Cash flow hedge | Hedge of net investment in a foreign operation |
| Forward purchases | (2) | (9) | (4) | | (1) | (16) | | (16) | |
| Forward sales | | | | | (1) | (1) | | (1) | |
| Currency swaps | | (1) | (2) | (2) | | (5) | | (5) | |
| Interest rate swaps | (1) | | | | (14) [a] | (15) | | (15) | |
| Commodities derivatives | | | | | | | | | |
| **TOTAL LIABILITIES** | **(3)** | **(10)** | **(6)** | **(2)** | **(16)** | **(37)** | | **(37)** | |
| **TOTAL** | **1** | **(3)** | **(6)** | **(1)** | **(14)** | **(23)** [b] | | **(24)** | **1** |

(a) Primarily GBP.
(b) The difference from the value shown in the balance sheet is mainly due at Colas to the €14m negative market value of the interest rate swap contracted for the City of Portsmouth contract, which is entirely offset by the €14m positive market value of the derivative embedded in the fixed contractual fee paid by the customer.

In the event of a +1.00% movement in the yield curve, the hedging instruments portfolio would have a negative market value of €5 million; in the event of a -1.00% movement, it would have a negative market value of €41 million.

In the event of a +1.00% movement in the exchange rate of the euro against the other currencies, the hedging instruments portfolio would have a negative market value of €26 million; in the event of a -1.00% movement, it would have a negative market value of €19 million.

These calculations were prepared by the Bouygues group, or obtained from the banks with which the instruments were contracted.

# Note 18 Off balance sheet commitments

This note supplements the disclosures provided in Notes 3, 4 and 8 to the consolidated financial statements.

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

## 18.1 Guarantee commitments

| | | | | | | | | Falling due | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| (€ million) | 31/12/2017 | Bouygues Construction | Bouygues Immobilier | Colas | TF1 | Bouygues Telecom | Bouygues SA & other | Less than 1 year | 1 to 5 years | More than 5 years | 31/12/2016 |
| Pledges, mortgages and collateral | 67 | 4 | | 63 | | | | 17 | 24 | 26 | 74 |
| Guarantees and endorsements given | 114 | 43 | | 57 | 14 | | | 33 | 55 | 26 | 137 |
| **TOTAL GUARANTEE COMMITMENTS GIVEN** | **181** | **47** | | **120** | **14** | | | **50** | **79** | **52** | **211** |
| Guarantees and endorsements received | 1 | | 1 | | | | | | 1 | | 12 |
| **TOTAL GUARANTEE COMMITMENTS RECEIVED** | **1** | | **1** | | | | | | **1** | | **12** |
| **NET BALANCE** | **180** | **47** | **(1)** | **120** | **14** | | | **50** | **78** | **52** | **199** |

In connection with its ordinary activities, the Bouygues group grants multi-year guarantees (such as ten-year building guarantees), which are usually covered by statistically-based provisions on the liabilities side of the balance sheet. Contract guarantees provided by banks to Group customers represent off balance sheet commitments for those banks; where such guarantees are liable to result in payments being made, a provision is recognised by Bouygues in the consolidated balance sheet.

## 18.2 Miscellaneous contractual commitments

| (€ million) | 31/12/2017 | Bouygues Construction | Bouygues Immobilier | Colas | TF1 | Bouygues Telecom | Bouygues SA & other | Falling due: Less than 1 year | Falling due: 1 to 5 years | Falling due: More than 5 years | 31/12/2016 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Image transmission | 82 | | | | 82 | | | 25 | 57 | | 91 |
| Network | 1,687 | | | | | 1,687 | | 191 | 706 | 790 | 987 |
| Other items | 655 | | | | 477 | 178 | | 609 | 46 | | 353 |
| **TOTAL SUNDRY CONTRACTUAL COMMITMENTS GIVEN** | **2,424** | | | | **559** | **1,865** | | **825** | **809** | **790** | **1,431** |
| Image transmission | 82 | | | | 82 | | | 25 | 57 | | 91 |
| Network | 1,687 | | | | | 1,687 | | 191 | 706 | 790 | 987 |
| Other items | 655 | | | | 477 | 178 | | 609 | 46 | | 351 |
| **TOTAL SUNDRY CONTRACTUAL COMMITMENTS RECEIVED** | **2,424** | | | | **559** | **1,865** | | **825** | **809** | **790** | **1,429** |
| **NET BALANCE** | | | | | | | | | | | **2** |

"Sundry contractual commitments given" relates mainly to service agreements entered into by Bouygues Telecom with owners of towers (TDF, FPS, Infracos and Cellnex), and commitments in respect of equity interests.

In 2017, commitments relating to equity interests at TF1 amounted to €365 million, and include commitments relating to the acquisition of the aufeminin group (see "Significant events of the year", in Note 1.3 to the consolidated financial statements).

Contractual commitments given by Bouygues Telecom amounted to €1,865 million, a net increase of €584 million, mostly relating to service agreements following the divestments to Cellnex during 2017.

## 18.3 Operating leases

Operating lease commitments represent the minimum future lease payments due until the normal renewal date of the lease under operating leases relating to current operations (land, buildings, plant & equipment, etc.). After revaluation (projected increase in rentals), these amounts mainly take account of a discounting calculation (incremental borrowing rate).

| (€ million) | 31/12/2017 | Bouygues Construction | Bouygues Immobilier | Colas | TF1 | Bouygues Telecom | Bouygues SA & other | Falling due: Less than 1 year | Falling due: 1 to 5 years | Falling due: More than 5 years | 31/12/2016 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Operating lease commitments** | | | | | | | | | | | |
| Commitments given | 1,223 | 49 | 43 | 224 | 78 | 829 | | 171 | 543 | 509 | 1,332 |
| Commitments received | 1,223 | 49 | 43 | 224 | 78 | 829 | | 171 | 543 | 509 | 1,332 |
| **Operating lease commitments, net** | | | | | | | | | | | |

Operating lease commitments fell by a net €109 million during the year, reflecting the following factors:

- a decrease of €101 million at Bouygues Telecom due to the sale of sites to Cellnex (the new service agreements are included in "Sundry contractual commitments");
- a decrease of €37 million at Bouygues Immobilier following the partial divestment of Nextdoor (controlled by Bouygues Immobilier in 2016, this entity became a joint venture in 2017).

Bouygues Telecom's operating lease commitments of €829 million mainly relate to commercial leases of property and land intended to house technical installations for the network (includes network site rentals of €287 million, property and other rentals of €47 million, rentals for the Technopôle site of €97 million, and fibre optic and other miscellaneous commitments of €398 million).

## 18.4 Finance leases (already recognised as liabilities in the balance sheet)

| (€ million) | 31/12/2017 | Bouygues Construction | Bouygues Immobilier | Colas | TF1 | Bouygues Telecom | Bouygues SA & other | Falling due: Less than 1 year | Falling due: 1 to 5 years | Falling due: More than 5 years | 31/12/2016 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Finance leases | 15 | | | 14 | | 1 | | 6 | 8 | 1 | 19 |

## 18.5 Other commitments

### 18.5.1 Bouygues Telecom

**Licences to use frequencies in the 800 MHz and 700 MHz bands**

The 20-year licences to use frequencies in the 800 MHz and 700 MHz bands awarded to Bouygues Telecom in 2012 (800 MHz) and 2015 (700 MHz) are subject to an obligation to open the frequencies to Mobile Virtual Network Operators (MVNOs), and to roll out coverage of the French population (excluding overseas territories) progressively (98% within 12 years, 99.6% within 15 years).

These coverage obligations include a priority roll-out zone defined by Arcep (the French telecoms regulator) to be covered simultaneously by the 700 MHz and 800 MHz frequencies (97.7% within 15 years), and an obligation to provide coverage in each French administrative department (90% within 12 years, 95% within 15 years).

The 700 MHz licence includes a new obligation to provide coverage of 90% of daily trains within 15 years.

**Licence to use frequencies in the 2600 MHz band**

The 20-year licence to use frequencies in the 2600 MHz band awarded to Bouygues Telecom in 2011 is subject to an obligation to open the frequencies to MVNOs, and to roll out coverage of the French population (excluding overseas territories) progressively (25% within four years, 60% within eight years, 75% within 12 years).

This coverage obligation may be fulfilled by any other frequencies held by Bouygues Telecom. At present, it is primarily fulfilled via Bouygues Telecom's 1800 MHz frequencies that have been refarmed to 4G.

**Authorisation to refarm frequencies in the 1800 MHz and 2100 MHz bands for technologies other than GSM and UMTS**

Arcep decision 2013-0514, issued on 4 April 2013, amended Bouygues Telecom's licence to allow for the possibility of refarming frequencies in the 1800 MHz band for technologies other than GSM, and in particular to meet its 4G coverage obligations.

Arcep decision 2017-0734, issued on 13 April 2017, amended Bouygues Telecom's licence to allow for the possibility of refarming frequencies in the 2100 MHz band for technologies other than UMTS, and in particular to meet its 4G coverage obligations.

On 1 October 2013, Bouygues Telecom opened its national 4G network: by the end of 2017, 95% of the population had 4G coverage in the 2600, 1800 or 800 MHz bands.

**Licence to transmit on frequencies in the 900 MHz and 1800 MHz bands**

The licence to transmit in the 900 MHz and 1800 MHz bands, renewed on 9 December 2009 for a period of 15 years, imposed on Bouygues Telecom an obligation to cover 99% of the population by 31 December 2010. Bouygues Telecom complied with this obligation.

The obligation includes coverage of blind spots and the main roads in each administrative department.

**Blind spots**

The law of 6 August 2015 on growth, business and equality of economic opportunity required the blind spots programme (initially launched in 2004) to be extended to additional municipalities that currently have no coverage in the town or village centre, as well as reducing the residual blind spots identified in previous laws passed in 2004 and 2008. The law also introduced a new programme aimed at providing coverage in areas with concentrations of businesses, tourist sites and public facilities that currently have no network access. For both these programmes, local authorities will make high ground available to the operators for mast sites.

The four mobile operators signed an agreement in February 2016 under which each will contribute its fair share in reducing residual blind spots and extending the original programme. At the third Inter-Ministerial Rural Affairs Committee session of 2016, the mobile operators undertook to expand the existing priority zones programme to 1,300 sites. A new agreement was signed in February 2017.

As of 31 December 2017, the progress made by Bouygues Telecom on its commitments was in compliance with the deadlines stipulated in the law and with the timetable issued by Arcep.

### 18.5.2 Alstom

Further to the Memorandum of Understanding signed by Siemens and Alstom on 26 September 2017 that included a reciprocal exclusivity agreement to combine their rail activities (see Note 1.2 to the consolidated financial statements), Bouygues fully supports the proposed transaction and will vote in favour of it on the Alstom Board of Directors and at the Extraordinary General Meeting of Alstom shareholders called to approve the transaction. Bouygues has undertaken to retain its Alstom shares until the earlier of (i) the Extraordinary General Meeting or (ii) 31 July 2018.

### 18.5.3 Colas

On 30 August 2017, a Memorandum of Understanding was signed with a view to acquiring 100% of the share capital of the Miller McAsphalt group, a roadbuilding and bitumen distribution group with average annual sales of approximately CAD 1.3 billion over the last three years and an average operating margin of

7% over the same period. The Miller McAsphalt group employs 3,300 people. Acquiring the Miller McAsphalt group will extend Colas Canada's geographical footprint, giving it a stronger presence in Ontario and significantly reinforcing its bitumen storage and distribution capacity across the whole of Canada. Closing of the transaction is expected during the first quarter of 2018. The purchase price, payable on closing and subject to certain adjustments, is expected to give a multiple of approximately 12x the average operating profit over the last three years. The acquisition will be financed by debt (see Note 1.2 to the consolidated financial statements).

## 18.6 Contingent assets and liabilities

### Bouygues Telecom

#### Guarantees received

On the sale of Darty Telecom on 2 May 2012, Établissements Darty et Fils provided a vendor's asset and liability guarantee to Bouygues Telecom.

This guarantee is capped, and may be called in at any time within 18 months from the date of the sale, subject to exceptions arising from statutes of limitation.

# Note 19 Employee benefit obligations and employee share ownership

## 19.1 Average headcount

| | 2017 | 2016 |
|---|---|---|
| Managerial staff | 22,335 | 21,442 |
| Technical, supervisory & clerical staff | 19,417 | 19,483 |
| Site workers | 24,987 | 25,490 |
| **SUB-TOTAL - HEADCOUNT FRANCE** | **66,739** | **66,415** |
| Expatriate staff and local employment contracts | 53,097 | 56,200 |
| **TOTAL AVERAGE HEADCOUNT** | **119,836** | **122,615** |

## 19.2 Employee benefit obligations

| (€ million) | 31/12/2016 | Movements during 2017 | 31/12/2017 |
|---|---|---|---|
| Lump-sum retirement benefits | 502 | 15 | 517 |
| Long service awards and other benefits | 149 | 4 | 153 |
| Other post-employment benefits (pensions) | 113 | (11) | 102 |
| **TOTAL** | **764** | **8** | **772** |

These obligations are covered by non-current provisions.

## 19.3 Employee benefit obligations and pension obligations (post-employment benefits) excluding long-service awards

The tables below give details about the Group's post-employment benefit obligations.

### 19.3.1 Defined-contribution plans

| (€ million) | 2017 | 2016 |
|---|---|---|
| Amount recognised as an expense | (1,774) | (1,727) |

This defined-contribution expense consists of contributions to:

- the public health insurance scheme and the supplementary health insurance scheme;
- pension funds (compulsory and supplementary schemes);
- unemployment insurance funds.

### 19.3.2 Defined-benefit plans

#### 19.3.2.1 Amounts recognised in the balance sheet

| | Lump-sum retirement benefits | | Pensions | | Total | |
|---|---|---|---|---|---|---|
| (€ million) | 31/12/2017 | 31/12/2016 | 31/12/2017 | 31/12/2016 | 31/12/2017 | 31/12/2016 |
| Present value of obligation | 524 | 507 | 498 | 508 | 1,022 | 1,015 |
| Fair value of plan assets (dedicated funds) | (7) | (5) | (396) | (395) | (403) | (400) |
| **NET OBLIGATION RECOGNISED AS A PROVISION** | **517** | **502** | **102** | **113** | **619** | **615** |
| Ratio of plan assets to present value of obligation | | | 80% | 78% | | |

| | Lump-sum retirement benefits | | Pensions | |
|---|---|---|---|---|
| (€ million) | 2017 | 2016 | 2017 | 2016 |
| **START OF PERIOD** | **501** | **477** | **113** | **69** |
| Service cost | 23 | 24 | 3 | (7) |
| Interest cost on the obligation | 8 | 8 | 1 | 6 |
| **Net expense/(gain) recognised in profit or loss** | **31** | **32** | **4** | **(1)** |
| Reversals of provisions (utilised) | (27) | (27) | (2) | (4) |
| Changes in scope of consolidation and effect of exchange rates | (1) | | (4) | (9) |
| Actuarial gains and losses recognised in equity | 14 | 21 | (10) | 59 |
| Transfers and other movements | (1) | (1) | 1 | (1) |
| **END OF PERIOD** | **517** | **502** | **102** | **113** |

#### 19.3.2.2 Analysis by business segment: 31 December 2017

| (€ million) | Bouygues Construction | Bouygues Immobilier | Colas | TF1 | Bouygues Telecom | Bouygues SA & other | Total |
|---|---|---|---|---|---|---|---|
| Income statement impact of change in provision for lump-sum retirement benefits, net of reversals | (2) | 1 | 6 | (6) | 4 | 1 | 4 |
| Income statement impact of change in provision for pensions, net of reversals | | | 2 | | | | 2 |
| **Non-current provisions (balance sheet):** | | | | | | | |
| • lump-sum retirement benefits | 171 | 16 | 227 | 37 | 48 | 18 | 517 |
| • pensions | 9 | | 93 | | | | 102 |

#### 19.3.2.3 Analysis by geographical area: 31 December 2017

| (€ million) | France [a] | European Union | Rest of Europe | Africa | Americas | Asia-Pacific | Middle East | Total |
|---|---|---|---|---|---|---|---|---|
| Income statement impact of change in provision for lump-sum retirement benefits, net of reversals | 4 | | | | | | | 4 |
| Income statement impact of change in provision for pensions, net of reversals | 1 | 2 | | | (1) | | | 2 |
| **Non-current provisions (balance sheet):** | | | | | | | | |
| • lump-sum retirement benefits | 509 | | 1 | 4 | (1) | 3 | 1 | 517 |
| • pensions | 3 | 86 | | | 13 | | | 102 |

(a) Including French overseas departments.

### 19.3.2.4 Main actuarial assumptions used to measure lump-sum retirement benefit obligations

| | 2017 | 2016 |
|---|---|---|
| Discount rate [a] | 1.50% (iBoxx A10+) | 1.71% (iBoxx A10+) |
| Mortality table | INSEE | INSEE |
| **Retirement age (depending on business segment):** | | |
| • Managerial staff | 62/65 years | 62/65 years |
| • Technical, supervisory & clerical staff, and site workers | 62/65 years | 62/65 years |
| Salary inflation rate (depending on business segment) [b] | 1% to 2.8% | 1% to 2.5% |

(a) A reduction of 70 basis points in the discount rate would increase the obligation by €50m as of 31 December 2017. Under Group accounting policies, any such actuarial losses would have been recognised directly in equity.
(b) Includes general inflation.

## 19.4 Employee share ownership

### Stock options

Total number of effectively exercisable options: 9,172,625.

### Quoted share price at 29 December 2017: €43.31

| Plan grant date | Outstanding options at 31/12/2017 | Earliest normal exercise date | Earliest company savings scheme exercise date | Exercise price (€) | Number of effectively exercisable options |
|---|---|---|---|---|---|
| 14/06/2011 | 1,100,375 | 14/06/2015 | 14/06/2012 | 31.43 | 1,100,375 |
| 13/06/2012 | 1,102,594 | 14/06/2016 | 14/06/2013 | 20.11 | 1,102,594 |
| 28/03/2013 | 1,432,514 | 29/03/2017 | 27/03/2014 | 22.28 | 1,432,514 |
| 27/03/2014 | 2,605,239 | 28/03/2018 | 27/03/2015 | 30.32 | 1,953,929 |
| 28/05/2015 | 2,272,144 | 29/05/2017 | 29/05/2016 | 37.11 | 2,272,144 |
| 30/05/2016 | 2,622,139 | 31/05/2018 | 30/05/2017 | 29.00 | 1,311,069 |
| 01/06/2017 | 2,570,800 | 02/06/2019 | 01/06/2018 | 37.99 | |
| **TOTAL** | **13,705,805** | | | | **9,172,625** |

Stock options are effectively exercisable if they meet both of the following conditions:

- they must be legally exercisable as of 31 December 2017, either by normal exercise (two or four years after the plan grant date) or by partial exercise ahead of the normal exercise date under the terms of the company savings scheme;
- they must be in the money as of 31 December 2017, in other words the exercise price must be less than the closing share price on 29 December 2017 (the last quoted price of the year), i.e. €43.31.

# Note 20 Disclosures on related parties and remuneration of directors and senior executives

## 20.1 Related party disclosures

| Transaction (€ million) | Expenses | | Income | | Receivables | | Payables | |
|---|---|---|---|---|---|---|---|---|
| | 2017 | 2016 | 2017 | 2016 | 31/12/2017 | 31/12/2016 | 31/12/2017 | 31/12/2016 |
| Parties with an ownership interest | 5 | 3 | | | | | | |
| Joint operations | 117 | 65 | 334 | 346 | 260 | 441 | 268 | 279 |
| Joint ventures and associates | 31 | 36 | 130 | 68 | 145 | 42 | 29 | 26 |
| Other related parties | 48 | 53 | 88 | 147 | 91 | 86 | 51 | 65 |
| **TOTAL** | **201** | **157** | **552** | **561** | **496** | **569** | **348** | **370** |
| Maturity | | | | | | | | |
| • Less than 1 year | | | | | 457 | 534 | 345 | 370 |
| • 1 to 5 years | | | | | 22 | 19 | 3 | |
| • More than 5 years | | | | | 17 | 16 | | |
| of which impairment of doubtful receivables (mainly non-consolidated companies) | | | | | 71 | 72 | | |

Identity of related parties:

- parties with an ownership interest: SCDM (a company controlled by Martin and Olivier Bouygues);
- joint operations: primarily construction project companies;
- joint ventures and associates: includes transactions with concession companies, quarry companies and Alstom;
- other related parties: mainly transactions with non-consolidated companies in which the Group has an interest.

## 20.2 Disclosures about remuneration and benefits paid to directors and senior executives (Bouygues)

**Direct remuneration:** Direct remuneration in respect of the 2017 financial year for key executives (members of the Group Management Committee in post on 31 December 2017) amounted to €18,042,781, comprising basic remuneration of €7,029,881, and variable remuneration of €11,012,900 paid in 2018 on the basis of 2017 performance. Directors' fees paid to key executives in respect of directorships held at Bouygues SA and various subsidiaries amounted to €390,467.

Directors' fees paid to non-executive directors in respect of directorships held at Bouygues SA and various subsidiaries amounted to €660,040.

**Short-term benefits:** none.

**Post-employment benefits:** Members of the Group Management Committee belong to a top-up retirement plan based on 0.92% of their reference salary for each year's membership of the plan. This annual supplementary pension is capped at eight times the annual French social security ceiling, and management of the scheme is contracted out to an insurance company. Contributions paid into the fund managed by the insurance company amounted to €4,000,000 in 2017.

**Long-term benefits:** none.

**Termination benefits:** The provision for lump-sum retirement benefits payable to members of the Group Management Committee in post as of 31 December 2017 was increased by €171,143.

**Share-based payment:** 320,000 stock options were awarded to members of the Group Management Committee on 31 May 2017, at an exercise price of €37.993 each. The earliest exercise date is 31 May 2019, and the expense recognised in the year ended 31 December 2017 was €307,693.

# Note 21 Additional cash flow statement information, calculation of free cash flow, and changes in working capital related to operating activities

## 21.1 Cash flows of acquired and divested subsidiaries

Breakdown by business segment of net cash flows resulting from acquisitions and divestments of subsidiaries.

| (€ million) | Bouygues Construction | Bouygues Immobilier | Colas | TF1 | Bouygues Telecom | Bouygues SA & other | Total 31/12/2017 |
|---|---|---|---|---|---|---|---|
| Cash | 5 | 3 | 10 | (9) | | | 9 |
| Inventories | | (19) | (8) | | | | (27) |
| Trade and other receivables | 22 | (1) | (46) | (25) | | | (50) |
| Non-current assets (other than goodwill) | | 4 | (112) | 61 | | | (47) |
| Goodwill | | | (25) | (25) | | | (50) |
| Trade payables & other current liabilities | (25) | 16 | 47 | 61 | | 1 | 100 |
| Non-current liabilities | (1) | (1) | | (5) | | | (7) |
| Non-current provisions | | (1) | 2 | | | | 1 |
| Non-current taxes | | 1 | | | | | 1 |
| **NET ACQUISITION/DIVESTMENT COST – CONSOLIDATED ACTIVITIES** | **1** | **2** | **(132)** | **58** | | **1** | **(70)** |
| Cash of acquired or divested companies | (5) | (3) | (10) | 9 | | | (9) |
| Net liabilities related to consolidated activities | (4) | 3 | (1) | | | | (2) |
| **NET CASH INFLOW/(OUTFLOW) FROM ACQUISITIONS AND DIVESTMENTS OF SUBSIDIARIES** | **(8)** | **2** | **(143)** | **67** | | **1** | **(81)** |

The principal acquisitions and divestments in the period were as follows:

- Colas: acquisitions of Graymont (USA), Meloche (Canada), Carrières Malet (France); divestments of Cermark and Prakan (Czech Republic), etc.
- TF1: divestment of Groupe AB; acquisitions of the Tuvalu group (Netherlands), Mayane Communication (France), etc.

## 21.2 Calculation of free cash flow

| (€ million) | 2017 | 2016 |
|---|---|---|
| **Cash flow** | **2,884** | **2,504** |
| Cost of net debt | (226) | (222) |
| Income tax | (303) | (249) |
| **Cash flow after cost of net debt and income tax** | **2,355** | **2,033** |
| Purchase price of property, plant & equipment and intangible assets | (2,036) | (1,962) |
| Proceeds from disposals of property, plant & equipment and intangible assets | 509 | 324 |
| **Net capital expenditure** | **(1,527)** | **(1,638)** |
| **FREE CASH FLOW** | **828** | **395** |

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## 21.3 Changes in working capital related to operating activities

Changes in working capital include current provisions recognised in the balance sheet.

| (€ million) | 2017 | 2016 |
|---|---|---|
| **Assets** | | |
| Inventories/Programmes/Broadcasting rights | (65) | 73 |
| Advances and down-payments made on orders | (46) | 46 |
| Trade receivables | (570) | (514) |
| Other current receivables and current financial assets | (77) | 124 |
| | **(758)** | **(271)** |
| **Liabilities** | | |
| Advances and down-payments received on orders | 127 | (159) |
| Trade payables | 370 | 592 |
| Current provisions | (67) | (77) |
| Other current liabilities and current financial liabilities | (67) | 109 |
| | **363** | **465** |
| **CHANGES IN WORKING CAPITAL RELATED TO OPERATING ACTIVITIES [a]** | **(395)** | **194** |

(a) Assets: decrease/(increase)
Liabilities: (decrease)/increase

# Note 22 Auditors' fees

The table below shows fees paid to the auditors (and member firms of their networks) responsible for the audit of the consolidated financial statements of Bouygues and fully consolidated companies, as expensed through the income statement in 2017.

| | Mazars network | | | | EY network | | | | Other firms [a] | | | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Amount (*) | | % | % | Amount (*) | | % | % | Amount (*) | | % | % | | |
| (€ '000) | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| **A – Audit** | | | | | | | | | | | | | | |
| Audit of consolidated and parent company financial statements | (6,962) | (6,714) | 95% | 95% | (5,110) | (4,751) | 89% | 88% | (5,418) | (5,549) | 80% | 80% | (17,490) | (17,014) |
| • Bouygues SA | (262) | (233) | | | (263) | (234) | | | | | | | (525) | (467) |
| • Fully consolidated subsidiaries | (6,700) | (6,481) | | | (4,847) | (4,517) | | | (5,418) | (5,549) | | | (16,965) | (16,547) |
| Related engagements | (390) | (299) | 5% | 4% | (524) | (589) | 9% | 11% | (323) | (1,041) | 5% | 15% | (1,237) | (1,929) |
| • Bouygues SA | (22) | (20) | | | (91) | (62) | | | | | | | (113) | (82) |
| • Fully consolidated subsidiaries | (368) | (279) | | | (433) | (527) | | | (323) | (1,041) | | | (1,124) | (1,847) |
| **SUB-TOTAL** | **(7,352)** | **(7,013)** | **100%** | **99%** | **(5,634)** | **(5,340)** | **98%** | **99%** | **(5,741)** | **(6,590)** | **85%** | **95%** | **(18,727)** | **(18,943)** |
| **B – Other services** | | | | | | | | | | | | | | |
| Legal, tax, employment law | (1) | (38) | 0% | 1% | (95) | (72) | 2% | 1% | (929) | (243) | 13% | 3% | (1,025) | (353) |
| Other items | | | | | | | | | (88) | (102) | 2% | 2% | (88) | (102) |
| **SUB-TOTAL** | **(1)** | **(38)** | **0%** | **1%** | **(95)** | **(72)** | **2%** | **1%** | **(1,017)** | **(345)** | **15%** | **5%** | **(1,113)** | **(455)** |
| **TOTAL FEE EXPENSE** | **(7,353)** | **(7,051)** | **100%** | **100%** | **(5,729)** | **(5,412)** | **100%** | **100%** | **(6,758)** | **(6,935)** | **100%** | **100%** | **(19,840)** | **(19,398)** |

(*) Excluding VAT.
(a) In the interests of comprehensiveness, this table includes fees paid to other firms (mainly KPMG for Colas).

"Related engagements" and "Other services" as shown in the table above for the Mazars and EY networks include all services other than statutory audit and mainly comprise assurance or agreed-upon procedure engagements relating to financial data; CSR and acquisition due diligence; and reviews of the first-time application of new accounting standards.

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# Note 23 Impacts of first-time application of IFRS 15, “Revenue from Contracts with Customers” and IFRS 9, “Financial Instruments”

This note presents the effect of first-time application of IFRS 15 and IFRS 9 on the consolidated financial statements and key performance indicators of the Bouygues group.

The Bouygues group will apply IFRS 15 with effect from 1 January 2018, with retrospective application and presentation of a comparative period. The impacts on the balance sheets as of 31 December 2016 and 2017, and on the interim periods of 2017, are presented below.

The principal restatements arising from the first-time application of IFRS 15 relate to:

- Construction businesses (Bouygues Construction, Bouygues Immobilier and Colas), and especially at Bouygues Immobilier, in particular on off-plan sales under "VEFA" *(Ventes en l'État Futur d'Achèvement)* contracts in France. The principle of recognising revenue and margin over time is not called into question by IFRS 15. However, the calculation of the percentage of completion on residential and commercial property development projects will now incorporate land-related costs. This means that more revenue and margin will be recognised at the start of the project as compared with current practice. The resulting restatement will increase shareholders' equity as of 31 December 2016 by €64 million, net of deferred taxes.

  For Bouygues Construction and Colas, the method used to recognise revenue over time is consistent with IFRS 15.
- Bouygues Telecom, as a result of the identification of two performance obligations on business and consumer contracts that combine a subscription with a subsidised handset; such contracts have to be split into separate components. Under IFRS 15, there will be changes to (i) the split between the sale of the handset and the supply of the service and (ii) the revenue recognition pattern. This will lead to accelerated revenue recognition, resulting in a contract asset being reported in the balance sheet for the difference between (i) the price paid by the customer on initial subscription and (ii) the transaction price. This asset will be charged to profit or loss over the average life of the contract. Further impacts relate to certain contract origination and execution costs currently recognised as an expense in the period or capitalised, which under IFRS 15 will be recognised as an asset in the balance sheet on signature of the contract and then charged as an operating expense over the average life of the contract. The resulting restatement will increase shareholders' equity as of 31 December 2016 by €165 million, net of deferred taxes.

  The Bouygues Telecom CGU has been subject to impairment testing as of 31 December 2016 to take account of the IFRS 15 restatements. The results do not call into question the conclusions described in Note 2.7.4.1 ("Impairment testing of TF1, Bouygues Telecom and Colas") to the Bouygues consolidated financial statements for the year ended 31 December 2016.
- TF1, where IFRS 15 changes the accounting treatment of distribution contracts, and the date of recognition of revenue generated by rights sales (especially TV and SVoD [a]), but with no material impact.

The Bouygues group will apply the classification, measurement and impairment principles of IFRS 9 retrospectively with effect from 1 January 2018, with no restatement of prior period comparatives on first-time application. The hedge accounting principles of IFRS 9 will also be applied by the Group with effect from 1 January 2018, using a prospective approach in accordance with the standard.

An initial estimate of the effect of IFRS 9 on the balance sheet as of 31 December 2017 is also presented below.

The Bouygues group's interim periods are unaudited, but are subject to a review by the statutory auditors.

(a) Subscription Video on Demand, where users have unlimited access to a video catalogue in return for a monthly subscription.

## Balance sheet line items as of 31 December 2016 impacted by IFRS 15

| Assets | 31/12/2016 Published | Construction businesses[a] | Bouygues Telecom | TF1 & other | Total IFRS 15 impacts | 31/12/2016 Restated |
|---|---|---|---|---|---|---|
| Property, plant and equipment | 6,566 | | (154) | | (154) | 6,412 |
| Deferred tax assets and non-current tax receivable | 367 | (19) | | | (19) | 348 |
| **NON-CURRENT ASSETS** | **17,432** | **(19)** | **(154)** | | **(173)** | **17,259** |
| Inventories | 2,955 | 9 | | | 9 | 2,964 |
| IFRS 15: Contracts with customers | | | 311 | | 311 | 311 |
| Trade receivables | 6,367 | 89 | 229 | | 318 | 6,685 |
| **CURRENT ASSETS** | **17,301** | **98** | **540** | | **638** | **17,939** |
| **TOTAL ASSETS** | **34,854** | **79** | **386** | | **465** | **35,319** |

| Liabilities and shareholders' equity | 31/12/2016 Published | Construction businesses[a] | Bouygues Telecom | TF1 & other | Total IFRS 15 impacts | 31/12/2016 Restated |
|---|---|---|---|---|---|---|
| Share premium and reserves | 6,925 | 64 | 149 | | 213 | 7,138 |
| **SHAREHOLDERS' EQUITY ATTRIBUTABLE TO THE GROUP** | **8,140** | **64** | **149** | | **213** | **8,353** |
| Non-controlling interests | 1,280 | | 16 | (1) | 15 | 1,295 |
| **SHAREHOLDERS' EQUITY** | **9,420** | **64** | **165** | **(1)** | **228** | **9,648** |
| Non-current provisions | 2,199 | (21) | | | (21) | 2,178 |
| Deferred tax liabilities and non-current tax liabilities | 159 | 15 | 118 | | 133 | 292 |
| **NON-CURRENT LIABILITIES** | **8,538** | **(6)** | **118** | | **112** | **8,650** |
| IFRS 15: Liabilities on customer contracts | | | 70 | 1 | 71 | 71 |
| Current provisions | 1,002 | | (8) | | (8) | 994 |
| Other current liabilities | 7,159 | 21 | 41 | | 62 | 7,221 |
| **CURRENT LIABILITIES** | **16,896** | **21** | **103** | **1** | **125** | **17,021** |
| **TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY** | **34,854** | **79** | **386** | | **465** | **35,319** |

(a) Comprises Bouygues Construction, Bouygues Immobilier and Colas.

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## Financial statement line items as of 31 March 2017 impacted by IFRS 15

### Balance sheet

| Assets | 31/03/2017 Published | Construction businesses [a] | Bouygues Telecom | TF1 & other | Total IFRS 15 impacts | 31/03/2017 Restated |
|---|---|---|---|---|---|---|
| Property, plant and equipment | 6,602 | | (159) | | (159) | 6,443 |
| Deferred tax assets and non-current tax receivable | 413 | (16) | | | (16) | 397 |
| **NON-CURRENT ASSETS** | **17,593** | **(16)** | **(159)** | | **(175)** | **17,418** |
| Inventories | 3,231 | 8 | | | 8 | 3,239 |
| IFRS 15: Contracts with customers | | | 318 | | 318 | 318 |
| Trade receivables | 6,433 | 90 | 228 | 1 | 319 | 6,752 |
| **CURRENT ASSETS** | **16,593** | **98** | **546** | **1** | **645** | **17,238** |
| **TOTAL ASSETS** | **34,307** | **82** | **387** | **1** | **470** | **34,777** |

| Liabilities and shareholders' equity | 31/03/2017 Published | Construction businesses [a] | Bouygues Telecom | TF1 & other | Total IFRS 15 impacts | 31/03/2017 Restated |
|---|---|---|---|---|---|---|
| Share premium and reserves | 7,690 | 64 | 149 | | 213 | 7,903 |
| Consolidated net profit/(loss) | (38) | | (4) | 1 | (3) | (41) |
| **SHAREHOLDERS' EQUITY ATTRIBUTABLE TO THE GROUP** | **8,139** | **64** | **145** | **1** | **210** | **8,349** |
| Non-controlling interests | 1,289 | | 15 | | 15 | 1,304 |
| **SHAREHOLDERS' EQUITY** | **9,428** | **64** | **160** | **1** | **225** | **9,653** |
| Non-current provisions | 2,174 | (21) | | | (21) | 2,153 |
| Deferred tax liabilities and non-current tax liabilities | 159 | 18 | 113 | | 131 | 290 |
| **NON-CURRENT LIABILITIES** | **8,174** | **(3)** | **113** | | **110** | **8,284** |
| IFRS 15: Liabilities on customer contracts | | | 79 | | 79 | 79 |
| Current provisions | 902 | | (8) | | (8) | 894 |
| Other current liabilities | 7,179 | 21 | 43 | | 64 | 7,243 |
| **CURRENT LIABILITIES** | **16,705** | **21** | **114** | | **135** | **16,840** |
| **TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY** | **34,307** | **82** | **387** | **1** | **470** | **34,777** |

(a) Comprises Bouygues Construction, Bouygues Immobilier and Colas.

### Income statement

| | 1st quarter 2017 Published | Construction businesses[a] | Bouygues Telecom | TF1 & other | Total IFRS 15 impacts | 1st quarter 2017 Restated |
|---|---|---|---|---|---|---|
| **SALES** | **6,847** | **(3)** | **(12)** | **5** | **(10)** | **6,837** |
| Purchases used in production | (3,137) | 3 | | | 3 | (3,134) |
| External charges | (1,729) | 1 | (12) | (4) | (15) | (1,744) |
| Net depreciation & amortisation expense | (375) | | 15 | | 15 | (360) |
| Change in production and property development inventories | 121 | (1) | | | (1) | 120 |
| **CURRENT OPERATING PROFIT/(LOSS)** | **(67)** | | **(9)** | **1** | **(8)** | **(75)** |
| **OPERATING PROFIT/(LOSS)** | **(84)** | | **(9)** | **1** | **(8)** | **(92)** |
| **COST OF NET DEBT** | **(57)** | | | | | **(57)** |
| Income tax | 42 | | 4 | | 4 | 46 |
| **NET PROFIT/(LOSS) FROM CONTINUING OPERATIONS** | **(26)** | | **(5)** | **1** | **(4)** | **(30)** |
| NET PROFIT/(LOSS) | (26) | | (5) | 1 | (4) | (30) |
| **NET PROFIT/(LOSS) ATTRIBUTABLE TO THE GROUP** | **(38)** | | **(4)** | **1** | **(3)** | **(41)** |
| Net profit/(loss) attributable to non-controlling interests | 12 | | (1) | | (1) | 11 |
| BASIC EARNINGS PER SHARE FROM CONTINUING OPERATIONS (€) | **(0.11)** | | | | | **(0.11)** |
| DILUTED EARNINGS PER SHARE FROM CONTINUING OPERATIONS (€) | **(0.10)** | | | | | **(0.11)** |
| | | | | | | |
| **EBITDA** | **204** | | **(24)** | **1** | **(23)** | **181** |

(a) Comprises Bouygues Construction, Bouygues Immobilier and Colas.

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## Cash flow statement

| | 1st quarter 2017 Published | Construction businesses [a] | Bouygues Telecom | TF1 & other | Total IFRS 15 impacts | 1st quarter 2017 Restated |
|---|---|---|---|---|---|---|
| **I – CASH FLOW FROM CONTINUING OPERATIONS** | | | | | | |
| **A – NET CASH GENERATED BY/(USED IN) OPERATING ACTIVITIES** | | | | | | |
| Net profit/(loss) from continuing operations | (26) | | (5) | 1 | (4) | (30) |
| Depreciation, amortisation, non-current impairment & provisions: net charges/(reversals) | 375 | | (15) | | (15) | 360 |
| **Cash flow after cost of net debt and income tax** | **251** | | **(20)** | **1** | **(19)** | **232** |
| Income tax | (42) | | (4) | | (4) | (46) |
| **Cash flow** | **266** | | **(24)** | **1** | **(23)** | **243** |
| Changes in working capital related to operating activities including current impairment and provisions | (1,227) | | 5 | (1) | 4 | (1,223) |
| **NET CASH GENERATED BY/(USED IN) OPERATING ACTIVITIES** | **(1,029)** | | **(19)** | | **(19)** | **(1,048)** |
| **B – NET CASH GENERATED BY/(USED IN) INVESTING ACTIVITIES** | | | | | | |
| Purchase price of property, plant & equipment and intangible assets | (453) | | 19 | | 19 | (434) |
| **NET CASH GENERATED BY/(USED IN) INVESTING ACTIVITIES** | **(394)** | | **19** | | **19** | **(375)** |
| **C – NET CASH GENERATED BY/(USED IN) FINANCING ACTIVITIES** | | | | | | |
| **NET CASH GENERATED BY/(USED IN) FINANCING ACTIVITIES** | **136** | | | | | **136** |
| **D – EFFECT OF FOREIGN EXCHANGE FLUCTUATIONS** | (9) | | | | | (9) |
| **CHANGE IN NET CASH POSITION (A + B + C + D)** | (1,296) | | | | | (1,296) |
| **NET CASH POSITION AT START OF PERIOD** | **4,581** | | | | | **4,581** |
| **NET CASH POSITION AT END OF PERIOD** | **3,285** | | | | | **3,285** |
| | | | | | | |
| **FREE CASH FLOW** | **(157)** | | **(1)** | **1** | | **(157)** |

(a) Comprises Bouygues Construction, Bouygues Immobilier and Colas.

## Financial statement line items as of 30 June 2017 impacted by IFRS 15

### Balance sheet

| Assets | 30/06/2017 Published | Construction businesses[a] | Bouygues Telecom | TF1 & other | Total IFRS 15 impacts | 30/06/2017 Restated |
|---|---|---|---|---|---|---|
| Property, plant and equipment | 6,689 | | (163) | | (163) | 6,526 |
| Deferred tax assets and non-current tax receivable | 403 | (15) | | | (15) | 388 |
| **NON-CURRENT ASSETS** | **17,669** | **(15)** | **(163)** | | **(178)** | **17,491** |
| Inventories | 3,363 | 7 | | | 7 | 3,370 |
| IFRS 15: Contracts with customers | | | 320 | | 320 | 320 |
| Trade receivables | 7,372 | 80 | 219 | | 299 | 7,671 |
| **CURRENT ASSETS** | **17,302** | **87** | **539** | | **626** | **17,928** |
| **TOTAL ASSETS** | **35,061** | **72** | **376** | | **448** | **35,509** |
| **Liabilities and shareholders' equity** | **30/06/2017 Published** | **Construction businesses[a]** | **Bouygues Telecom** | **TF1 & other** | **Total IFRS 15 impacts** | **30/06/2017 Restated** |
| Share premium and reserves | 7,186 | 64 | 149 | | 213 | 7,399 |
| Consolidated net profit/(loss) | 240 | (7) | (13) | | (20) | 220 |
| **SHAREHOLDERS' EQUITY ATTRIBUTABLE TO THE GROUP** | **7,884** | **57** | **136** | | **193** | **8,077** |
| Non-controlling interests | 1,289 | | 14 | | 14 | 1,303 |
| **SHAREHOLDERS' EQUITY** | **9,173** | **57** | **150** | | **207** | **9,380** |
| Non-current provisions | 2,110 | (21) | | | (21) | 2,089 |
| Deferred tax liabilities and non-current tax liabilities | 193 | 15 | 106 | (1) | 120 | 313 |
| **NON-CURRENT LIABILITIES** | **8,485** | **(6)** | **106** | **(1)** | **99** | **8,584** |
| IFRS 15: Liabilities on customer contracts | | | 85 | 1 | 86 | 86 |
| Current provisions | 842 | | (8) | | (8) | 834 |
| Other current liabilities | 7,192 | 21 | 43 | | 64 | 7,256 |
| **CURRENT LIABILITIES** | **17,403** | **21** | **120** | **1** | **142** | **17,545** |
| **TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY** | **35,061** | **72** | **376** | | **448** | **35,509** |

(a) Comprises Bouygues Construction, Bouygues Immobilier and Colas.

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### Income statement

| | 1st half 2017 Published | Construction businesses[a] | Bouygues Telecom | TF1 & other | Total IFRS 15 impacts | 1st half 2017 Restated |
|---|---|---|---|---|---|---|
| **SALES** | **15,162** | **(32)** | **(28)** | **6** | **(54)** | **15,108** |
| Purchases used in production | (6,993) | 17 | | | 17 | (6,976) |
| Personnel costs | (3,673) | 2 | | | 2 | (3,671) |
| External charges | (3,488) | 4 | (29) | (5) | (30) | (3,518) |
| Net depreciation & amortisation expense | (750) | | 30 | (1) | 29 | (721) |
| Change in production and property development inventories | 107 | (2) | | | (2) | 105 |
| **CURRENT OPERATING PROFIT/(LOSS)** | **385** | **(11)** | **(27)** | | **(38)** | **347** |
| **OPERATING PROFIT/(LOSS)** | **417** | **(11)** | **(27)** | | **(38)** | **379** |
| **COST OF NET DEBT** | **(115)** | | | | | **(115)** |
| Income tax | (100) | 4 | 12 | | 16 | (84) |
| **NET PROFIT/(LOSS) FROM CONTINUING OPERATIONS** | **294** | **(7)** | **(15)** | | **(22)** | **272** |
| NET PROFIT/(LOSS) | 294 | (7) | (15) | | (22) | 272 |
| **NET PROFIT/(LOSS) ATTRIBUTABLE TO THE GROUP** | **240** | **(7)** | **(13)** | | **(20)** | **220** |
| Net profit/(loss) attributable to non-controlling interests | 54 | | (2) | | (2) | 52 |
| BASIC EARNINGS PER SHARE FROM CONTINUING OPERATIONS (€) | **0.67** | | | | | **0.62** |
| DILUTED EARNINGS PER SHARE FROM CONTINUING OPERATIONS (€) | **0.67** | | | | | **0.61** |
| **EBITDA** | **981** | **(11)** | **(57)** | **1** | **(67)** | **914** |

(a) Comprises Bouygues Construction, Bouygues Immobilier and Colas.

## Cash flow statement

| | 1st half 2017 Published | Construction businesses[a] | Bouygues Telecom | TF1 & other | Total IFRS 15 impacts | 1st half 2017 Restated |
|---|---|---|---|---|---|---|
| I – CASH FLOW FROM CONTINUING OPERATIONS | | | | | | |
| A – NET CASH GENERATED BY/(USED IN) OPERATING ACTIVITIES | | | | | | |
| Net profit/(loss) from continuing operations | 294 | (7) | (15) | | (22) | 272 |
| Depreciation, amortisation, non-current impairment & provisions: net charges/(reversals) | 746 | | (30) | 1 | (29) | 717 |
| **Cash flow after cost of net debt and income tax** | **838** | **(7)** | **(45)** | **1** | **(51)** | **787** |
| Income tax | 100 | (4) | (12) | | (16) | 84 |
| **Cash flow** | **1,053** | **(11)** | **(57)** | **1** | **(67)** | **986** |
| Changes in working capital related to operating activities including current impairment and provisions | (1,853) | 11 | 18 | | 29 | (1,824) |
| **NET CASH GENERATED BY/(USED IN) OPERATING ACTIVITIES** | **(926)** | | **(39)** | **1** | **(38)** | **(964)** |
| B – NET CASH GENERATED BY/(USED IN) INVESTING ACTIVITIES | | | | | | |
| Purchase price of property, plant & equipment and intangible assets | (911) | | 39 | (1) | 38 | (873) |
| **NET CASH GENERATED BY/(USED IN) INVESTING ACTIVITIES** | **(816)** | | **39** | **(1)** | **38** | **(778)** |
| C – NET CASH GENERATED BY/(USED IN) FINANCING ACTIVITIES | | | | | | |
| **NET CASH GENERATED BY/(USED IN) FINANCING ACTIVITIES** | **(108)** | | | | | **(108)** |
| D – EFFECT OF FOREIGN EXCHANGE FLUCTUATIONS | (56) | | | | | (56) |
| CHANGE IN NET CASH POSITION (A + B + C + D) | (1,906) | | | | | (1,906) |
| **NET CASH POSITION AT START OF PERIOD** | **4,581** | | | | | **4,581** |
| **NET CASH POSITION AT END OF PERIOD** | **2,676** | | | | | **2,676** |
| | | | | | | |
| **FREE CASH FLOW** | **116** | **(7)** | **(6)** | | **(13)** | **103** |

(a) Comprises Bouygues Construction, Bouygues Immobilier and Colas.

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## Financial statement line items as of 30 September 2017 impacted by IFRS 15

### Balance sheet

| Assets | 30/09/2017 Published | Construction businesses [a] | Bouygues Telecom | TF1 & other | Total IFRS 15 impacts | 30/09/2017 Restated |
|---|---|---|---|---|---|---|
| Property, plant and equipment | 6,607 | | (179) | | (179) | 6,428 |
| Deferred tax assets and non-current tax receivable | 372 | (8) | | | (8) | 364 |
| **NON-CURRENT ASSETS** | **17,576** | **(8)** | **(179)** | | **(187)** | **17,389** |
| Inventories | 3,172 | 6 | | | 6 | 3,178 |
| IFRS 15: Contracts with customers | | | 341 | | 341 | 341 |
| Trade receivables | 7,630 | 76 | 218 | 1 | 295 | 7,925 |
| **CURRENT ASSETS** | **17,702** | **82** | **559** | **1** | **642** | **18,344** |
| **TOTAL ASSETS** | **35,345** | **74** | **380** | **1** | **455** | **35,800** |

| Liabilities and shareholders' equity | 30/09/2017 Published | Construction businesses [a] | Bouygues Telecom | TF1 & other | Total IFRS 15 impacts | 30/09/2017 Restated |
|---|---|---|---|---|---|---|
| Share premium and reserves | 7,256 | 64 | 149 | | 213 | 7,469 |
| Consolidated net profit/(loss) | 713 | (11) | (13) | | (24) | 689 |
| **SHAREHOLDERS' EQUITY ATTRIBUTABLE TO THE GROUP** | **8,340** | **53** | **136** | | **189** | **8,529** |
| Non-controlling interests | 1,314 | | 14 | 1 | 15 | 1,329 |
| **SHAREHOLDERS' EQUITY** | **9,654** | **53** | **150** | **1** | **204** | **9,858** |
| Non-current provisions | 2,059 | (21) | | | (21) | 2,038 |
| Deferred tax liabilities and non-current tax liabilities | 192 | 21 | 105 | 1 | 127 | 319 |
| **NON-CURRENT LIABILITIES** | **8,171** | | **105** | **1** | **106** | **8,277** |
| IFRS 15: Liabilities on customer contracts | | | 92 | | 92 | 92 |
| Current provisions | 825 | | (8) | (1) | (9) | 816 |
| Other current liabilities | 7,046 | 21 | 41 | | 62 | 7,108 |
| **CURRENT LIABILITIES** | **17,520** | **21** | **125** | **(1)** | **145** | **17,665** |
| **TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY** | **35,345** | **74** | **380** | **1** | **455** | **35,800** |

(a) Comprises Bouygues Construction, Bouygues Immobilier and Colas.

## Income statement

| | 9 months 2017 Published | Construction businesses[a] | Bouygues Telecom | TF1 & other | Total IFRS 15 impacts | 9 months 2017 Restated |
|---|---|---|---|---|---|---|
| **TOTAL SALES** | **23,828** | **(51)** | **(32)** | **7** | **(76)** | **23,752** |
| Purchases used in production | (10,963) | 28 | | | 28 | (10,935) |
| Personnel costs | (5,520) | 3 | | 1 | 4 | (5,516) |
| External charges | (5,390) | 7 | (42) | (7) | (42) | (5,432) |
| Net depreciation & amortisation expense | (1,182) | | 47 | | 47 | (1,135) |
| Change in production and property development inventories | 140 | (3) | | (1) | (4) | 136 |
| **CURRENT OPERATING PROFIT/(LOSS)** | **976** | **(16)** | **(27)** | | **(43)** | **933** |
| **OPERATING PROFIT/(LOSS)** | **1,058** | **(16)** | **(27)** | | **(43)** | **1,015** |
| **COST OF NET DEBT** | **(170)** | | | | | **(170)** |
| Income tax | (257) | 5 | 12 | 1 | 18 | (239) |
| **NET PROFIT/(LOSS) FROM CONTINUING OPERATIONS** | **794** | **(11)** | **(15)** | **1** | **(25)** | **769** |
| **NET PROFIT/(LOSS)** | **794** | **(11)** | **(15)** | **1** | **(25)** | **769** |
| **NET PROFIT/(LOSS) ATTRIBUTABLE TO THE GROUP** | **713** | **(11)** | **(13)** | | **(24)** | **689** |
| Net profit/(loss) attributable to non-controlling interests | 81 | | (2) | 1 | (1) | 80 |
| **BASIC EARNINGS PER SHARE FROM CONTINUING OPERATIONS (€)** | **2.00** | | | | | **1.93** |
| **DILUTED EARNINGS PER SHARE FROM CONTINUING OPERATIONS (€)** | **1.98** | | | | | **1.92** |
| | | | | | | |
| **EBITDA** | **1,987** | **(16)** | **(74)** | | **(90)** | **1,897** |

(a) Comprises Bouygues Construction, Bouygues Immobilier and Colas.

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## Cash flow statement

| | 9 months 2017 Published | Construction businesses [a] | Bouygues Telecom | TF1 & other | Total IFRS 15 impacts | 9 months 2017 Restated |
|---|---|---|---|---|---|---|
| I – CASH FLOW FROM CONTINUING OPERATIONS | | | | | | |
| A – NET CASH GENERATED BY/(USED IN) OPERATING ACTIVITIES | | | | | | |
| Net profit/(loss) from continuing operations | 794 | (11) | (15) | 1 | (25) | 769 |
| Depreciation, amortisation, non-current impairment & provisions: net charges/(reversals) | 1,156 | | (47) | | (47) | 1,109 |
| **Cash flow after cost of net debt and income tax** | **1,597** | **(11)** | **(62)** | **1** | **(72)** | **1,525** |
| Income tax | 257 | (5) | (12) | (1) | (18) | 239 |
| **Cash flow** | **2,024** | **(16)** | **(74)** | | **(90)** | **1,934** |
| Changes in working capital related to operating activities including current impairment and provisions | (1,798) | 16 | 3 | (1) | 18 | (1,780) |
| **NET CASH GENERATED BY/(USED IN) OPERATING ACTIVITIES** | **62** | | **(71)** | **(1)** | **(72)** | **(10)** |
| B – NET CASH GENERATED BY/(USED IN) INVESTING ACTIVITIES | | | | | | |
| Purchase price of property, plant & equipment and intangible assets | (1,372) | | 71 | 1 | 72 | (1,300) |
| **NET CASH GENERATED BY/(USED IN) INVESTING ACTIVITIES** | **(1,152)** | | **71** | **1** | **72** | **(1,080)** |
| C – NET CASH GENERATED BY/(USED IN) FINANCING ACTIVITIES | | | | | | |
| **NET CASH GENERATED BY/(USED IN) FINANCING ACTIVITIES** | **(395)** | | | | | **(395)** |
| D – EFFECT OF FOREIGN EXCHANGE FLUCTUATIONS | (143) | | | | | (143) |
| **CHANGE IN NET CASH POSITION (A + B + C + D)** | **(1,628)** | | | | | **(1,628)** |
| NET CASH POSITION AT START OF PERIOD | 4,581 | | | | | 4,581 |
| NET CASH POSITION AT END OF PERIOD | 2,954 | | | | | 2,954 |
| | | | | | | |
| **FREE CASH FLOW** | **562** | **(11)** | **9** | **2** | | **562** |

(a) Comprises Bouygues Construction, Bouygues Immobilier and Colas.

## Financial statement line items as of 31 December 2017 impacted by IFRS 15 and IFRS 9

### Balance sheet

| Assets | 31/12/2017 Published | Construction businesses[a] | Bouygues Telecom | TF1 & other | Total IFRS 15 impacts | IFRS 9 impacts | 31/12/2017 Restated |
|---|---|---|---|---|---|---|---|
| Property, plant and equipment | 6,858 | | (199) | (1) | (200) | | 6,658 |
| Other non-current financial assets | 563 | | | (1) | (1) | (1) | 561 |
| Deferred tax assets and non-current tax receivable | 337 | (14) | | | (14) | | 323 |
| **NON-CURRENT ASSETS** | **17,777** | **(14)** | **(199)** | **(2)** | **(215)** | **(1)** | **17,561** |
| Inventories | 3,037 | (215) | | | (215) | | 2,822 |
| IFRS 15: Contracts with customers | | | 376 | | 376 | | 376 |
| Trade receivables | 6,732 | 382 | 233 | | 615 | (23) | 7,324 |
| Other current receivables & prepaid expenses | 2,581 | (21) | | 2 | (19) | | 2,562 |
| **CURRENT ASSETS** | **17,963** | **146** | **609** | **2** | **757** | **(23)** | **18,697** |
| **TOTAL ASSETS** | **35,778** | **132** | **410** | | **542** | **(24)** | **36,296** |

| Liabilities and shareholders' equity | 31/12/2017 Published | Construction businesses[a] | Bouygues Telecom | TF1 & other | Total IFRS 15 impacts | IFRS 9 impacts | 31/12/2017 Restated |
|---|---|---|---|---|---|---|---|
| Share premium and reserves | 7,488 | 64 | 149 | | 213 | (26) | 7,675 |
| Consolidated net profit/(loss) | 1,085 | 1 | (4) | | (3) | | 1,082 |
| **SHAREHOLDERS' EQUITY ATTRIBUTABLE TO THE GROUP** | **8,851** | **65** | **145** | | **210** | **(26)** | **9,035** |
| Non-controlling interests | 1,359 | | 15 | | 15 | | 1,374 |
| **SHAREHOLDERS' EQUITY** | **10,210** | **65** | **160** | | **225** | **(26)** | **10,409** |
| Non-current debt | 5,788 | | | | | 3 | 5,791 |
| Non-current provisions | 2,085 | (27) | | | (27) | | 2,058 |
| Deferred tax liabilities and non-current tax liabilities | 147 | 20 | 113 | | 133 | (1) | 279 |
| **NON-CURRENT LIABILITIES** | **8,020** | **(7)** | **113** | | **106** | **2** | **8,128** |
| Advances and down-payments received on orders | 1,101 | (141) | | (1) | (142) | | 959 |
| IFRS 15: Liabilities on customer contracts | | 140 | 99 | 1 | 240 | | 240 |
| Current provisions | 889 | 1 | (5) | | (4) | | 885 |
| Other current liabilities | 7,109 | 74 | 43 | | 117 | | 7,226 |
| **CURRENT LIABILITIES** | **17,548** | **74** | **137** | | **211** | | **17,759** |
| **TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY** | **35,778** | **132** | **410** | | **542** | **(24)** | **36,296** |

(a) Comprises Bouygues Construction, Bouygues Immobilier and Colas.

IFRS 9 impacts relate mainly to Colas, and to the recognition of impairment losses on trade receivables using the expected loss model.

The financial asset categories affected, and related impairment losses under IFRS 9, are shown below:

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### Non-current financial assets

| (€ million) | | Available-for-sale financial assets[a] | | Financial assets at fair value through profit or loss | Held-to-maturity assets | Loans and receivables | Total |
|---|---|---|---|---|---|---|---|
| **31/12/2016 PUBLISHED (IAS 39)** | | **187** | | | **78** | **258** | **523** |
| Movements during 2017 | | | | | 13 | 27 | 40 |
| **31/12/2017 PUBLISHED (IAS 39)** | | **187** | | **0** | **91** | **285** | **563** |
| Due within less than 1 year | | 1 | | | | 14 | 15 |
| Due within 1 to 5 years | | | | | | 80 | 80 |
| Due after more than 5 years | | 186 | | | 91 | 191 | 468 |
| **31/12/2017 (IFRS 9)** | **Fair value through OCI[a]** | **Fair value through profit or loss** | **Amortised cost** | **Fair value through profit or loss** | **Amortised cost** | **Amortised cost** | **Total** |
| **CARRYING AMOUNT (IFRS 9)** | **130** | **50** | **7** | **0** | **91** | **285** | **563** |
| **31/12/2017 (IFRS 9)** | **Total fair value through OCI[a]** | **Total fair value through profit or loss** | **Total amortised cost** | **Total** | | | |
| **CARRYING AMOUNT (IFRS 9)** | **130** | **50** | **383** | **563** | | | |

(a) Other comprehensive income.

### Current financial assets

| | 31/12/2017 Published | | |
|---|---|---|---|
| (€ million) | Gross value | Impairment | Carrying amount |
| Trade receivables (including unbilled receivables) | 7,313 | (581) | 6,732 |
| Current tax assets (tax receivable) | 333 | (2) | 331 |
| Other current receivables: | | | |
| • Employees, social security, government and other | 1,440 | (10) | 1,430 |
| • Other receivables | 1,051 | (198) | 853 |
| • Prepaid expenses | 298 | | 298 |
| **TOTAL OTHER CURRENT RECEIVABLES & PREPAID EXPENSES** | **2,789** | **(208)** | **2,581** |
| **TOTAL (IAS 39)** | **10,435** | **(791)** | **9,644** |

| | 31/12/2017 Restated | | |
|---|---|---|---|
| (€ million) | Gross value | Impairment | Carrying amount |
| Trade receivables (including unbilled receivables) | 7,928 | (604) | 7,324 |
| IFRS 15: contracts with customers | 376 | | 376 |
| Current tax assets (tax receivable) | 333 | (2) | 331 |
| Other current receivables: | | | |
| • Employees, social security, government and other | 1,421 | (10) | 1,411 |
| • Other receivables | 1,051 | (198) | 853 |
| • Prepaid expenses | 298 | | 298 |
| **TOTAL OTHER CURRENT RECEIVABLES & PREPAID EXPENSES** | **2,770** | **(208)** | **2,562** |
| **TOTAL (IFRS 9)** | **11,407** | **(814)** | **10,593** |

## Income statement

| | FY 2017 Published | Construction businesses[a] | Bouygues Telecom | TF1 & other | Total IFRS 15 impacts | FY 2017 Restated |
|---|---|---|---|---|---|---|
| **TOTAL SALES** | **32,904** | **37** | **(26)** | **8** | **19** | **32,923** |
| Purchases used in production | (15,287) | (16) | | | (16) | (15,303) |
| External charges | (7,280) | | (39) | (8) | (47) | (7,327) |
| Taxes other than income taxes | (668) | (1) | | 1 | | (668) |
| Net depreciation & amortisation expense | (1,655) | | 59 | | 59 | (1,596) |
| Change in production and property development inventories | 85 | (25) | | | (25) | 60 |
| Other current operating income | 1,672 | | (3) | (1) | (4) | 1,668 |
| **CURRENT OPERATING PROFIT/(LOSS)** | **1,420** | **(5)** | **(9)** | | **(14)** | **1,406** |
| OPERATING PROFIT/(LOSS) | **1,533** | **(5)** | **(9)** | | **(14)** | **1,519** |
| **COST OF NET DEBT** | **(226)** | | | | | **(226)** |
| Income tax | (303) | | 4 | | 4 | (299) |
| Share of net profits/(losses) of joint ventures and associates | 163 | 6 | | | 6 | 169 |
| **NET PROFIT/(LOSS) FROM CONTINUING OPERATIONS** | **1,205** | **1** | **(5)** | | **(4)** | **1,201** |
| NET PROFIT/(LOSS) | 1,205 | 1 | (5) | | (4) | 1,201 |
| **NET PROFIT/(LOSS) ATTRIBUTABLE TO THE GROUP** | **1,085** | **1** | **(4)** | | **(3)** | **1,082** |
| Net profit/(loss) attributable to non-controlling interests | 120 | | (1) | | (1) | 119 |
| BASIC EARNINGS PER SHARE FROM CONTINUING OPERATIONS (€) | **3.03** | | | | | **3.02** |
| DILUTED EARNINGS PER SHARE FROM CONTINUING OPERATIONS (€) | **3.01** | | | | | **3.00** |
| **EBITDA** | **2,968** | **(5)** | **(65)** | | **(70)** | **2,898** |

(a) Comprises Bouygues Construction, Bouygues Immobilier and Colas.

## Order book (IFRS 15)

The Group's order book stood at €32,761 million as of 31 December 2017.

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## Cash flow statement

| | FY 2017 Published | Construction businesses[a] | Bouygues Telecom | TF1 & other | Total IFRS 15 impacts | FY 2017 Restated |
|---|---|---|---|---|---|---|
| **I – CASH FLOW FROM CONTINUING OPERATIONS** | | | | | | |
| **A – NET CASH GENERATED BY/(USED IN) OPERATING ACTIVITIES** | | | | | | |
| Net profit/(loss) from continuing operations | 1,205 | 1 | (5) | | (4) | 1,201 |
| Share of profits/losses reverting to joint ventures and associates, net of dividends received | (87) | (6) | | | (6) | (93) |
| Depreciation, amortisation, non-current impairment & provisions: net charges/(reversals) | 1,638 | | (59) | | (59) | 1,579 |
| **Cash flow after cost of net debt and income tax** | **2,355** | **(5)** | **(64)** | | **(69)** | **2,286** |
| Income tax | 303 | | (4) | | (4) | 299 |
| **Cash flow** | **2,884** | **(5)** | **(68)** | | **(73)** | **2,811** |
| Changes in working capital related to operating activities including current impairment and provisions | (395) | 5 | (36) | (1) | (32) | (427) |
| **NET CASH GENERATED BY/(USED IN) OPERATING ACTIVITIES** | **2,164** | | **(104)** | **(1)** | **(105)** | **2,059** |
| **B – NET CASH GENERATED BY/(USED IN) INVESTING ACTIVITIES** | | | | | | |
| Purchase price of property, plant & equipment and intangible assets | (2,036) | | 104 | 1 | 105 | (1,931) |
| **NET CASH GENERATED BY/(USED IN) INVESTING ACTIVITIES** | **(1,586)** | | **104** | **1** | **105** | **(1,481)** |
| **C – NET CASH GENERATED BY/(USED IN) FINANCING ACTIVITIES** | | | | | | |
| **NET CASH GENERATED BY/(USED IN) FINANCING ACTIVITIES** | **(362)** | | | | | **(362)** |
| **D – EFFECT OF FOREIGN EXCHANGE FLUCTUATIONS** | **(187)** | | | | | **(187)** |
| **CHANGE IN NET CASH POSITION (A + B + C + D)** | **29** | | | | | **29** |
| **NET CASH POSITION AT START OF PERIOD** | **4,581** | | | | | **4,581** |
| **NET CASH POSITION AT END OF PERIOD** | **4,611** | | | | | **4,611** |
| | | | | | | |
| **FREE CASH FLOW** | **828** | **(5)** | **40** | **1** | **36** | **864** |

(a) Comprises Bouygues Construction, Bouygues Immobilier and Colas.

## Note 24 List of principal consolidated companies at 31 December 2017

| Company | City/Country | % interest | | % direct and indirect control[a] | |
|---|---|---|---|---|---|
| | | 2017 | 2016 | 2017 | 2016 |
| **FRANCE** | | | | | |
| **Companies controlled by Bouygues** | | | | | |
| **Construction** | | | | | |
| **Bouygues Construction SA** | Saint-Quentin-en-Yvelines | 99.97 | 99.97 | | |
| Bouygues Bâtiment Ile-de-France SA | Saint-Quentin-en-Yvelines | 99.97 | 99.97 | | |
| Bouygues Bâtiment International SA | Saint-Quentin-en-Yvelines | 99.97 | 99.97 | | |
| Bouygues TP SA | Saint-Quentin-en-Yvelines | 99.97 | 99.97 | | |
| BYTP Régions France SA | Labège | 99.97 | 99.97 | | |
| Axione | Malakoff | 99.97 | 99.97 | | |
| Brézillon SA | Margny-lès-Compiègne | 99.97 | 99.32 | | |
| Challenger SNC | Saint-Quentin-en-Yvelines | 99.97 | 99.97 | | |
| DTP SAS | Saint-Quentin-en-Yvelines | 99.97 | 99.97 | | |
| Bouygues Bâtiment Centre Sud-Ouest (formerly DV Construction SA) | Mérignac | 99.97 | 99.97 | | |
| Bouygues Energies & Services SAS | Saint-Quentin-en-Yvelines | 99.97 | 99.97 | | |
| Bouygues E&S FM France | Saint-Quentin-en-Yvelines | 99.97 | 99.97 | | |
| Bouygues Bâtiment Sud-Est (formerly GFC Construction SA) | Colombier-Saugnieu | 99.97 | 99.97 | | |
| Bouygues Bâtiment Grand Ouest (formerly Quille Construction SA) | Nantes | 99.97 | 99.97 | | |
| Kohler Investment | Saint-Quentin-en-Yvelines | 99.97 | 99.97 | | |
| Bouygues Bâtiment Nord Est (formerly Pertuy Construction) | Nancy | 99.97 | 99.97 | | |
| Quille SA | Rouen | Merged | 99.97 | | |
| Linkcity IDF (formerly Sodéarif SA) | Saint-Quentin-en-Yvelines | 99.97 | 99.96 | | |
| Bouygues Bâtiment IDF PPP SA | Saint-Quentin-en-Yvelines | 99.97 | 99.97 | | |
| Linkcity Sud-Est (formerly Cirmad Grand Sud) | Colombier-Saugnieu | 99.97 | 99.97 | | |
| **Property** | | | | | |
| **Bouygues Immobilier SAS** | Issy-les-Moulineaux | 100.00 | 100.00 | | |
| SCCV Lavoisier | Issy-les-Moulineaux | 100.00 | 100.00 | | |
| SLC SA | Lyon | 100.00 | 100.00 | | |
| Urbis Réalisations SA | Toulouse | 100.00 | 100.00 | | |
| **Roads** | | | | | |
| **Colas SA and its regional subsidiaries** | Boulogne-Billancourt | 96.60 | 96.60 | | |
| Aximum | Chatou | 96.60 | 96.59 | 100.00 | 100.00 |
| Colas Rail and its subsidiaries | Maisons-Laffitte | 96.60 | 96.59 | 100.00 | 100.00 |
| Grands Travaux Océan Indien (GTOI) SA | Le Port (Reunion Island) | 96.60 | 96.59 | 100.00 | 99.99 |
| Smac and its subsidiaries | Boulogne-Billancourt | 96.60 | 96.59 | 100.00 | 100.00 |
| Spac and its subsidiaries | Clichy | 96.60 | 96.59 | 100.00 | 100.00 |
| **Media** | | | | | |
| **Télévision Française 1 SA** | Boulogne-Billancourt | 43.81 | 43.91 | | |
| Dujardin and its subsidiaries | Cestas | 43.81 | 43.91 | | 100.00 |
| E-TF1 | Boulogne-Billancourt | 43.81 | 43.91 | | 100.00 |
| HD1 | Boulogne-Billancourt | 43.81 | 43.91 | | 100.00 |
| La Chaîne Info | Boulogne-Billancourt | 43.81 | 43.91 | | 100.00 |
| Newen Studios and its subsidiaries | Paris | 43.81 | 43.91 | | 100.00 |
| NT1 | Boulogne-Billancourt | 43.81 | 43.91 | | 100.00 |

| Company | City/Country | % interest 2017 | % interest 2016 | % direct and indirect control[a] 2017 | % direct and indirect control[a] 2016 |
|---|---|---|---|---|---|
| Télé Monte Carlo | Monaco | 43.81 | 43.91 | | 100.00 |
| Téléshopping | Boulogne-Billancourt | 43.81 | 43.91 | | 100.00 |
| TF1 Droits Audiovisuels | Boulogne-Billancourt | 43.81 | 43.91 | | 100.00 |
| TF1 Entertainment (formerly TF1 Entreprises) | Boulogne-Billancourt | 43.81 | 43.91 | | 100.00 |
| TF1 Publicité | Boulogne-Billancourt | 43.81 | 43.91 | | 100.00 |
| TF1 Vidéo | Boulogne-Billancourt | 43.81 | 43.91 | | 100.00 |
| **Telecoms** | | | | | |
| **Bouygues Telecom SA and its subsidiaries** | Paris | 90.53 | 90.53 | | |
| **Other subsidiaries** | | | | | |
| Bouygues Relais SNC | Paris | 100.00 | 100.00 | | |
| GIE 32 Hoche | Paris | 90.00 | 90.00 | | |
| Société Française de Participation & Gestion (SFPG) SA and its subsidiaries | Paris | 99.80 | 99.80 | | |
| **Joint operations** | | | | | |
| **Construction** | | | | | |
| Evesa | Paris | 47.48[b] | 47.48 | 47.99 | 47.99 |
| Oc'via Construction | Saint-Quentin-en-Yvelines | 73.15[c] | 73.15 | 74.00 | 74.00 |
| **Joint ventures and associates** | | | | | |
| **Construction** | | | | | |
| Consortium Stade de France SA | Saint-Denis | 33.32 | 33.32 | | |
| **Property** | | | | | |
| SAS NDH | Issy-les-Moulineaux | 50.00 | N/A | | |
| **Media** | | | | | |
| Groupe AB | La Plaine Saint-Denis | Disposal | 14.71 | | |
| **Other subsidiaries** | | | | | |
| Alstom | Levallois-Perret | 27.98 | 28.28 | | |
| **INTERNATIONAL** | | | | | |
| **Companies controlled by Bouygues** | | | | | |
| **Construction** | | | | | |
| Americaribe Inc. | Miami/United States | 99.97 | 99.97 | | |
| Bouygues Development Ltd | London/United Kingdom | 99.97 | 99.97 | | |
| Bouygues Thai Ltd | Nonthaburi/Thailand | 84.97 | 48.99 | | |
| Bouygues UK Ltd | London/United Kingdom | 99.97 | 99.97 | | |
| Bymaro | Casablanca/Morocco | 99.97 | 99.96 | | |
| Dragages et TP (Hong Kong) Ltd | Hong Kong/China | 99.97 | 99.97 | | |
| BYME Engineering (Hong Kong) | Hong Kong/China | 99.97 | 89.97 | | |
| DTP Singapore Pte Ltd | Singapore | 99.97 | 99.97 | | |
| Bouygues E&S Contracting UK | East Kilbride/Scotland | 99.97 | 99.97 | | |
| Bouygues E&S FM UK | London/United Kingdom | 99.97 | 99.97 | | |
| Karmar SA | Warsaw/Poland | 99.97 | 99.97 | | |
| Bouygues E&S Schweiz AG (formerly Mibag) | Zurich/Switzerland | 99.97 | 99.97 | | |
| Losinger Marazzi AG | Köniz/Switzerland | 99.97 | 99.97 | | |
| Losinger Holding AG | Lucerne/Switzerland | 99.97 | 99.97 | | |
| Plan Group Inc. and its subsidiaries | Toronto/Canada | 99.97 | 84.97 | | |
| Thomas Vale Group and its subsidiaries | Worcestershire/United Kingdom | Merged | 99.97 | | |
| VCES Holding SRO and its subsidiaries | Prague/Czech Republic | 99.97 | 99.97 | | |
| VSL International Ltd | Köniz/Switzerland | 99.97 | 99.97 | | |

| Company | City/Country | % interest 2017 | % interest 2016 | % direct and indirect control [a] 2017 | % direct and indirect control [a] 2016 |
|---|---|---|---|---|---|
| **Property** | | | | | |
| Bouygues Immobilier Polska Sarl | Warsaw/Poland | 100.00 | 100.00 | | |
| **Roads** | | | | | |
| Colas Australia | Sydney/Australia | 96.60 | 96.60 | 100.00 | 100.00 |
| Colas Belgium and its subsidiaries | Brussels/Belgium | 96.60 | 96.59 | 100.00 | 100.00 |
| Colas Canada Inc. and its subsidiaries | Montreal, Quebec/Canada | 96.60 | 96.60 | 100.00 | 100.00 |
| Colas Cz | Prague/Czech Republic | 95.73 | 95.73 | 99.10 | 99.10 |
| Colas Danmark A/S | Glostrup/Denmark | 96.60 | 96.60 | 100.00 | 100.00 |
| Colas Hungaria and its subsidiaries | Budapest/Hungary | 96.60 | 96.60 | 100.00 | 100.00 |
| Colas Inc. and its subsidiaries | Morristown, New Jersey/ United States | 96.60 | 96.60 | 100.00 | 100.00 |
| Colas Ltd and its subsidiaries | Rowfant, Crawley/ United Kingdom | 96.60 | 96.60 | 100.00 | 100.00 |
| Colas du Maroc and its subsidiaries | Casablanca/Morocco | 96.60 | 96.60 | 100.00 | 100.00 |
| Colas Suisse Holding SA and its subsidiaries | Lausanne/Switzerland | 95.85 | 95.85 | 99.22 | 99.22 |
| ISK | Kosice/Slovakia | 96.60 | 96.60 | 100.00 | 100.00 |
| **Other subsidiaries** | | | | | |
| Challenger Réassurance | Luxembourg | 99.99 | 99.99 | | |
| Uniservice | Geneva/Switzerland | 99.99 | 99.99 | | |
| **Joint operations** | | | | | |
| **Construction** | | | | | |
| Bombela Civils Jv Ltd | Johannesburg/South Africa | Disposal | 44.99 | | |
| Joint ventures and associates | | | | | |
| Bina Fincom | Zagreb/Croatia | 44.99 | 44.99 | | |
| Hermes Airports Ltd | Nicosia/Cyprus | 21.99 | 21.99 | | |
| **Roads** | | | | | |
| Gamma Materials | Beau Bassin/Mauritius | 48.30 | 48.24 | 50.00 | 49.94 |
| Tipco Asphalt | Bangkok/Thailand | 30.33 | 30.52 | 31.40 | 31.60 |

(a) Where percentage control differs from percentage interest.
(b) 32.99% Bouygues Construction, 14.49% Colas.
(c) 49.00% Bouygues Construction, 24.15% Colas Rail.
N/A: not applicable.

A full list of consolidated entities is available from Karine Adam Gruson, Investor Relations Director.

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# 7.2 AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

To the Annual General Meeting of the shareholders of Bouygues,

## Opinion

In accordance with the assignment entrusted to us by your Annual General Meetings, we have conducted our audit of the accompanying consolidated financial statements of Bouygues for the year ended 31 December 2017.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group as at 31 December 2017, and of the results of its operations for the year then ended in accordance with International Financial Reporting Standards (IFRS) as endorsed by the European Union.

The opinion expressed above is consistent with the contents of our report to the Accounts Committee.

## Basis for our opinion

### Auditing standards

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Our responsibilities under those standards are described in the section "Auditors' responsibilities for the audit of the consolidated financial statements" below.

### Independence

We conducted our audit engagement in compliance with the rules on independence that applied to us during the period from 1 January 2017 to the date of issuance of this report. Specifically, we provided no services prohibited by Article 5, Paragraph 1 of Regulation (EU) No. 537/2014 or by the code of ethics of the auditing profession.

### Justification of our assessments – Key audit matters

Pursuant to Articles L. 823-9 and R. 823-7 of the Commercial Code regarding the justification of our assessments, we draw your attention to key audit matters that relate to those risks of material misstatement that in our professional judgment were of the most significance in the audit of the consolidated financial statements for the year, and our response to those risks.

Our assessment should be seen in the context of the audit of the consolidated financial statements taken as a whole, and of the formation of our opinion as expressed above. We do not express an opinion on elements of the consolidated financial statements taken in isolation.

## Measurement of goodwill and investments in associates

| Assessed risk | Our response |
|---|---|
| As shown in the consolidated balance sheet, the Group's assets include non-current assets, and in particular €5.4 billion of goodwill and €2.5 billion of investments in joint ventures and associates.<br>Note 2.7.4 to the consolidated financial statements explains how the Group accounts for impairment of non-current assets and investments in associates:<br>• Impairment tests are carried out on the carrying amount of goodwill and investments in associates if there is objective evidence that they may have become impaired.<br>• The carrying amounts of indefinite-lived intangible assets and goodwill are compared to their recoverable amounts at least once a year.<br>• Those recoverable amounts are determined using the methods described in Notes 2.7.4.1 and 2.7.4.2 to the consolidated financial statements, and may incorporate the estimates and assumptions described in Notes 3.2.3 and 3.2.5.2, including for example cash flow projections derived from three-year business plans, discount rates and a perpetual growth rate.<br>We identified the measurement of goodwill and investments in associates as a key audit matter, insofar as it is sensitive to the estimates and assumptions used by management and hence can have a material effect on the financial statements. | Our principal procedures are summarised below:<br>• We examined the accounting policies and methods used, to ensure that they are compliant and consistently applied.<br>• We familiarised ourselves with documentation supplied by management in relation to impairment testing, and assessed its compliance with current accounting standards.<br>• We analysed the assumptions used by the Group in calculating recoverable amounts (including an examination of the business plans, and of the consistency of the assumptions and calculation parameters used).<br>• We performed our own analyses of sensitivity to changes in the calculation parameters.<br>• We checked the disclosures provided in the notes to the consolidated financial statements, and in particular that Note 3.2.3.2 provides appropriate disclosures about analyses of the sensitivity of the recoverable amount of goodwill to changes in the key parameters used. |

## Accounting for construction contracts

| Assessed risk | Our response |
|---|---|
| As indicated in Note 11 to the consolidated financial statements, the Group recognised sales of €17.8 billion from construction contracts in 2017, representing 54% of consolidated sales.<br>Note 2.13.2 explains how construction contracts are accounted for:<br>• For construction activities, the revenue recognised using the percentage of completion method equals the latest estimate of the total selling price of the contract multiplied by the actual completion rate determined by reference to the physical state of progress of the works or to completed works. The latest estimate of the total selling price takes account of claims that have been accepted by the client or are regarded by management as highly probable.<br>• For property development activities, revenues and profits are recognised using the percentage of completion method once certain conditions have been met (building permit with no appeal, signature of notarised deed of sale or development contract with the client, construction contract signed with the contractor). The percentage of completion represents construction costs recognised to date as a proportion of the total estimated costs to completion of the project, taking account of the progress towards legal completion of the sale in the case of property sales.<br>The same note explains how the Bouygues group determines provisions for losses to completion on construction contracts. The loss is provided for in full as soon as it can be reliably measured, irrespective of the completion rate on the contract.<br>Revenues and margins on construction contracts are particularly sensitive to:<br>• measurement of the total selling price of the contract, which takes account of factors such as the contractual terms, price adjustment estimates, and any claims or penalties;<br>• methods used to measure the percentage of completion on contracts in construction activities, and on progress towards legal completion of the sale in the case of property sales;<br>• methods used to estimate costs incurred and projected future costs (expenditure budgets, assessment of risks and contingencies, scheduling).<br>Consequently, we identified accounting for construction contracts as a key audit matter, insofar as the recognition of revenues and profits on such contracts is sensitive to management judgment and estimates and hence can have a material impact on the financial statements. | Our principal procedures are summarised below:<br>• We obtained an understanding of procedures and any dedicated IT systems used by the most material subsidiaries to support the formation of construction contract revenue and monitor the corresponding expenditure.<br>• We carried out general IT control tests on tools used to monitor contract execution.<br>• We evaluated and tested the design and implementation of key manual and IT controls used in the Group's most material subsidiaries.<br>• For activities involving low-value, low-risk contracts, we analysed the portfolio of contracts via an examination of material variances and atypical contributions from certain contracts.<br>• For a sample of contracts (selected on the basis of our assessment of the risks incurred, the materiality of the contract and the level of complexity), we assessed the assumptions and estimates used to support the financial statements by reference to the available documentation (such as contracts and contract amendments, and budget tracking reports).<br>• We physically inspected the highest-risk and highest-contributing worksites in order to measure the state of completion and assess the issues through discussions with on-site staff.<br>• Based on our experience, we made an overall assessment of the estimates and assumptions supporting the recognition of revenue and profits, and of any provisions for losses to completion. |

### Provisions for litigation and claims

| Assessed risk | Our response |
|---|---|
| Provisions for litigation and claims are included within non-current provisions in the consolidated balance sheet, and presented in Note 6.1 to the consolidated financial statements.<br>• As indicated in Notes 2.11.2 and 6.1, the amount recognised within non-current provisions must be the Group's best estimate of the net outflow of resources.<br>• Those notes describe the nature of the provisions intended to cover litigation and claims.<br>We identified this as a key audit matter, insofar as the amount of non-current provisions is sensitive to the estimates and assumptions used by the Group and hence can have a material impact on the financial statements. | Our principal procedures are summarised below:<br>• We examined the accounting policies and methods used, to ensure that they are compliant and consistently applied.<br>• We obtained an understanding of the procedures applied at business segment level to identify, document, validate and monitor non-current provisions.<br>• For a selection of risks we regarded as complex and material, we examined the soundness and underlying assumptions of the measurement of the risk and the amount of the year-end provision, including *inter alia:*<br>▪ an examination of documentation and correspondence with third parties, against which we tested management estimates;<br>▪ an examination of any relevant legal letters and written opinions from the Group's external counsel;<br>▪ interviews with appropriate managerial staff.<br>• We spoke directly with the Group's legal advisers to obtain detailed information on ongoing material litigation, and in particular any associated claims, in order for us to assess the adequacy of the provisions recognised.<br>• We checked the disclosures in the notes to the consolidated financial statements about the amount of non-current provisions, and about the principal claims and litigation involving the Group. |

## Verification of information about the Group provided in the management report

As required by law, we also verified, in accordance with professional standards applicable in France, the information about the Group presented in the Board of Directors' management report.

We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

## Information required under other legal or regulatory obligations

### Appointment as auditors

We were appointed as auditors of Bouygues by your Annual General Meeting on 10 June 1998 (Mazars) and on 24 April 2003 (Ernst & Young Audit).

As of 31 December 2017, Mazars was in its twentieth uninterrupted year as auditor, and Ernst & Young Audit in its fifteenth.

## Responsibilities of management, and of those charged with governance, for the consolidated financial statements

It is the responsibility of management to prepare consolidated financial statements that give a true and fair view in accordance with IFRS as endorsed by the European Union, and to implement such internal control as it determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, it is the responsibility of management to assess the company's ability to continue as a going concern; to disclose in those financial statements any matters relating to going concern; and to apply the going concern basis of accounting unless it is intended to liquidate the company or cease trading.

It is the responsibility of the Accounts Committee to oversee the process for the preparation of financial information and the effectiveness of internal control and risk management systems, and of internal audit, as regards procedures for preparing and processing accounting and financial information.

The consolidated financial statements have been closed off by the Board of Directors.

# Auditors' responsibilities for the audit of the consolidated financial statements

## Objectives and audit approach

It is our responsibility to prepare a report on the consolidated financial statements. Our objective is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error, and are considered material if, individually or in the aggregate, they could be reasonably expected to influence the economic decisions of users taken on the basis of these financial statements.

As specified in Article L. 823-10-1 of the Commercial Code, our audit does not involve guaranteeing the viability of the company or the quality of how it is managed.

As part of an audit in accordance with professional standards applicable in France, the auditor exercises professional judgment throughout the audit. In addition, the auditor:

- identifies and assesses the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, to obtain audit evidence that is sufficient and appropriate to provide a basis for the auditor's opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control;
- evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management in the consolidated financial statements;
- concludes on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. Those conclusions are based on the audit evidence obtained up to the date of the auditor's report, with the caveat that future events or conditions may cause a company to cease to continue as a going concern. If the auditor concludes that a material uncertainty exists, the auditor is required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are not provided or are inadequate, to issue a qualified opinion or disclaimer;
- evaluates the overall presentation of the consolidated financial statements, and whether the consolidated financial statements represent the underlying transactions and events in a manner that gives a true and fair view of them;
- obtains what the auditor considers sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements;
- is responsible for the direction, supervision and performance of the audit of the consolidated financial statements, and for the opinion expressed on those financial statements.

## Report to the Accounts Committee

We are submitting a report to the Accounts Committee that describes *inter alia* the scope of our audit, the work programme followed, and our findings. We are also informing the Accounts Committee of any significant deficiencies in internal control we identified as regards the procedures used for the preparation and processing of accounting and financial information.

The information contained in our report to the Accounts Committee includes those risks of material misstatement that we determined were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters that we are required to describe in the present report.

We are also providing the Accounts Committee with the written confirmation (as required under Article 6 of Regulation (EU) No. 537-2014) of our independence, within the meaning of the rules applicable in France and contained *inter alia* in Articles L. 822-10 to L. 822-14 of the Commercial Code and in the code of ethics of the French auditing profession. Where applicable, we also communicate with the Accounts Committee about risks to our independence, and related safeguards.

Paris-La Défense, 21 February 2018

The Statutory Auditors

| MAZARS | ERNST & YOUNG Audit |
|---|---|
| Gilles Rainaut | Laurent Vitse |

# 7.3 PARENT COMPANY FINANCIAL STATEMENTS (FRENCH GAAP)

## 7.3.1 Parent company balance sheet

| **Assets** (€ million) | **31/12/2017 Gross** | **31/12/2017 Depreciation, amortisation & impairment** | **31/12/2017 Net** | **31/12/2016 Net** |
|---|---|---|---|---|
| Intangible assets | 6 | 4 | 2 | 2 |
| Property, plant and equipment | | | | |
| Long-term investments | | | | |
| • Holdings in subsidiaries and affiliates | 10,831 | 456 | 10,375 | 8,874 |
| • Loans and advances to subsidiaries and affiliates | | | | |
| • Other | 17 | | 17 | 1,506 |
| **NON-CURRENT ASSETS** | **10,854** | **460** | **10,394** | **10,382** |
| Inventories and work in progress | | | | |
| Advances and down-payments made on orders | | | | |
| Trade receivables | 32 | | 32 | 29 |
| Other receivables | 267 | 2 | 265 | 201 |
| Short-term investments | 618 | | 618 | 1,186 |
| Cash | 2,336 | | 2,336 | 1,865 |
| **CURRENT ASSETS** | **3,253** | **2** | **3,251** | **3,281** |
| Other assets | 89 | | 89 | 105 |
| **TOTAL ASSETS** | **14,196** | **462** | **13,734** | **13,768** |

| **Liabilities** (€ million) | **31/12/2017** | **31/12/2016** |
|---|---|---|
| Share capital | 366 | 355 |
| Share premium and reserves | 2,846 | 2,513 |
| Retained earnings | 2,192 | 1,787 |
| Net profit/(loss) | 102 | 973 |
| Restricted provisions | 5 | 4 |
| **SHAREHOLDERS' EQUITY** | **5,511** | **5,632** |
| Provisions | 46 | 33 |
| Debt | 5,458 | 5,453 |
| Advances and down-payments received on orders | | |
| Trade payables | 24 | 25 |
| Other payables | 209 | 178 |
| **LIABILITIES** | **5,737** | **5,689** |
| Overdrafts and short-term bank borrowings | 2,484 | 2,445 |
| Other liabilities | 2 | 2 |
| **TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY** | **13,734** | **13,768** |

## 7.3.2 Income statement

| (€ million) | Full year 2017 | 2016 |
|---|---|---|
| **SALES** | **81** | **73** |
| Other operating revenues | 2 | 5 |
| Purchases and changes in inventory | | |
| Taxes other than income tax | (3) | (4) |
| Personnel costs | (44) | (54) |
| Other operating expenses | (50) | (56) |
| Depreciation, amortisation, impairment and provisions, net | (13) | (3) |
| **OPERATING PROFIT/(LOSS)** | **(27)** | **(39)** |
| Financial income and expenses | (49) | 885 |
| **PROFIT/(LOSS) BEFORE TAX AND EXCEPTIONAL ITEMS** | **(76)** | **846** |
| Exceptional items | | 41 |
| Income tax and profit-sharing | 178 | 86 |
| **NET PROFIT/(LOSS)** | **102** | **973** |

## 7.3.3 Cash flow statement

| (€ million) | Full year 2017 | 2016 |
|---|---|---|
| **A – Operating activities** | | |
| Net profit/(loss) | 102 | 973 |
| Amortisation, depreciation and impairment of non-current assets, net | 2 | (174) |
| Charges to/(reversals of) provisions, net | 13 | (67) |
| Deferred expenses, deferred income and accrued income | (1) | (54) |
| Gains and losses on disposals of non-current assets | (1) | 167 |
| **Cash flow from operations before changes in working capital** | **115** | **845** |
| Current assets | (68) | (44) |
| Current liabilities | 32 | 35 |
| **Change in working capital** | **(36)** | **(9)** |
| **NET CASH GENERATED BY/(USED IN) OPERATING ACTIVITIES** | **79** | **836** |
| **B – Investing activities** | | |
| Acquisitions of intangible assets and property, plant and equipment | (1) | |
| Acquisitions and long-term investments | (2) | (5) |
| **Increases in non-current assets** | **(3)** | **(5)** |
| Disposals of non-current assets | 7 | 997 |
| **Investments, net** | **4** | **992** |
| Other long-term investments, net | | |
| Amounts receivable/payable in respect of non-current assets, net | (2) | 2 |
| **NET CASH GENERATED BY/(USED IN) INVESTING ACTIVITIES** | **2** | **994** |
| **C – Financing activities** | | |
| Change in shareholders' equity | 345 | 207 |
| Dividends paid | (568) | (552) |
| Change in debt | 6 | 126 |
| **NET CASH GENERATED BY/(USED IN) FINANCING ACTIVITIES** | **(217)** | **(219)** |
| **CHANGE IN NET CASH POSITION (A + B + C)** | **(136)** | **1,611** |
| **NET CASH POSITION AT START OF PERIOD** | **606** | **(1,005)** |
| Other non-monetary flows | | |
| Net cash flows | (136) | 1,611 |
| **CASH POSITION AT END OF PERIOD** | **470** | **606** |

## 7.3.4 Notes to the parent company financial statements

### Contents (figures expressed in millions of euros)

# Note 1 Significant events of the year

## 1.1 Holdings in subsidiaries and affiliates

### 1.1.1 GIE 32 Hoche

Following the Combined Annual General Meeting of 23 March 2017, a capital reduction of €4.5 million was carried out by reducing the par value of the shares from €147,000 to €141,252.

### 1.1.2 Bouygues Relais

On 19 December 2017, Bouygues subscribed €1.8 million to a Bouygues Relais cash share issue via an increase in the par value of the shares from €21.50 to €26.

### 1.1.3 SPEIG

On 7 December 2017, Bouygues SA transferred its 49.82% equity interest in SPEIG to Colas.

### 1.1.4 Mainby

On 14 December 2017, Bouygues SA transferred 56% of Mainby to Colas (28%) and to Bouygues Construction (28%). Following this transaction, Bouygues SA owns 44% of Mainby.

## 1.2 Bouygues Confiance n°9

On 27 December 2017, Bouygues carried out a €150-million capital increase (nominal and share premium).

This leveraged employee share ownership plan, known as Bouygues Confiance n°9, involved the issuance of 4,725,897 new shares (see Note 8).

## 1.3 Alstom

On 26 September 2017, Siemens and Alstom signed a Memorandum of Understanding that included a reciprocal exclusivity agreement to combine their rail activities.

In return for transferring its Mobility and Rail Traction Drives businesses to Alstom, Siemens is to receive newly issued shares representing 50% of the share capital of Alstom on a fully diluted basis.

Alstom shareholders are to receive a €4 per share dividend by way of control premium, plus a further dividend of up to €4 per share paid out of the proceeds from the exercise of Alstom's put options over its share of its joint ventures with General Electric.

In connection with this transaction, the French state terminated its loan of Alstom shares from the Bouygues group on 17 October 2017 without exercising the call option it had been granted by Bouygues in 2014. Consequently, the loan of shares was reclassified to "Investments in subsidiaries and affiliates" at a gross value of €1,789 million.

Bouygues fully supports the proposed transaction and will vote in favour of it on the Alstom Board of Directors and at the Extraordinary General Meeting of Alstom shareholders called to approve the transaction. Bouygues has undertaken to retain its Alstom shares until the earlier of (i) the Extraordinary General Meeting or (ii) 31 July 2018.

As of 31 December 2017, the impairment loss against the investment in Alstom was partially reversed (by €22 million) on the basis of the average quoted market price of the shares on the last 20 trading days of December 2017.

## 1.4 3% tax on dividends

On 6 October 2017, the *Conseil Constitutionnel* (French Constitutional Council) declared the 3% tax on dividends paid by French companies to be unconstitutional. The resulting tax gain of €74.7 million was recognised in the fourth quarter of 2017.

## 1.5 Significant events after the reporting period

### Redemption of February 2010 bond issue

The February 2010 bond issue of €500 million, which bore interest at 4.00%, was redeemed in full on 12 February 2018.

# Note 2 Accounting policies

The financial statements have been prepared in accordance with the current provisions of French law.

## 2.1 Intangible assets

Expenditure on intangible assets is recognised in accordance with the historical cost convention.

As a general principle, software acquired from third parties is recognised as an intangible asset and amortised on a straight-line basis over periods of up to five years. Some specific large-scale information systems projects are amortised over a period of up to ten years.

## 2.2 Property, plant and equipment

Property, plant and equipment is recognised at acquisition cost net of reclaimable taxes. Transaction costs that do not form part of the market value of the acquired asset are expensed as incurred.

Depreciation is calculated on a straight-line basis, according to the nature and estimated useful life of each asset component.

## 2.3 Long-term investments

### 2.3.1 Holdings in subsidiaries and affiliates and other long-term investment securities

Holdings in subsidiaries and affiliates and other long-term investment securities are recognised at cost, including directly attributable acquisition costs.

Holdings in subsidiaries and affiliates and other long-term investment securities are also measured at value in use, determined using objective criteria (stock market price for quoted companies, shareholders' equity, profitability), forecast data (economic outlook, earnings prospects), or any other information indicative of the actual value of the asset.

If value in use is less than cost, a provision for impairment is recorded to cover the difference.

### 2.3.2 Long-term receivables

Long-term receivables are shown in the balance sheet at face value. If the realisable value (taking into account the probability of recovery) is less than the carrying amount, a provision for impairment is recorded to cover the difference.

## 2.4 Receivables and payables expressed in foreign currencies

Receivables and payables expressed in foreign currencies are translated at the exchange rate prevailing at the end of the reporting period.

Unrealised foreign exchange gains and losses are taken to suspense accounts in the balance sheet; unrealised losses are covered by a provision.

## 2.5 Short-term investments

The short-term investment portfolio is measured in accordance with French accounting standards.

The realisable value of unlisted securities (equities, negotiable debt instruments, and money-market mutual funds) was determined by reference to the latest estimate as at 31 December 2017. In the case of quoted securities, the average quoted stock market price over the last month of the financial year is used.

## 2.6 Other assets

Deferred charges mainly comprise the portion of bond issue costs not covered by the issue premium. In the case of convertible bonds, any unamortised issue costs relating to bonds converted into shares are offset against the share premium on the newly-issued shares.

Bond redemption premium relates to bond issues priced at the following percentages of nominal value: 99.804% (July 2005 issue), 98.662% (October 2006 issue), 99.651% (February 2010 issue), 99.66% (February 2012 issue), 99.681% (October 2012 issue) and 99.046% (December 2016 issue).

## 2.7 Provisions

These mainly comprise:

- provisions for miscellaneous risks (including tax inspections) and provisions for additional risks relating to loss-making subsidiaries, established where the negative net assets of a subsidiary are not wholly covered by provisions for impairment of Bouygues SA's investment in and loans and/or advances to that subsidiary;
- provisions for charges, including employee benefits: bonuses, lump-sum retirement benefits, long-service awards, etc.

## 2.8 Hedging instruments

Bouygues SA uses hedging instruments to limit the impact on the income statement of fluctuations in exchange rates and interest rates.

These instruments share the following characteristics:

- they are limited to the following products: forward currency purchases and sales, currency swaps, cross currency swaps and purchases of currency options for currency risk hedging purposes, and interest rate swaps, future rate agreements, and purchases of caps and collars for interest rate risk hedging purposes;
- they are used solely for hedging and pre-hedging purposes;
- they are contracted solely with high-quality French and foreign banks;
- they carry no liquidity risk in the event of reversal.

Gains and losses on financial instruments used for hedging purposes are recognised in the income statement symmetrically with gains and losses arising on the hedged item.

## 2.9 Retirement benefit obligations

Methods and assumptions used in calculating the obligation:

- projected unit credit method based on final salary;
- benefits as defined in agreements or established by custom within the company, taking into account applicable collective agreements for managerial, administrative, clerical, technical and supervisory grade staff;
- obligation measured in accordance with opinions and recommendations issued by the ANC (French national accounting standard-setter);
- vested rights as of 31 December 2017;
- employees classified in groups with similar characteristics in terms of grade, age and length of service;
- average monthly salary for each employee group, uplifted by a percentage to reflect the applicable rate of employer's social security charges;
- salary increase rate and discount rate: rates revised annually to reflect actual trends;
- average employee turnover rate calculated on the basis of the average number of leavers over the last five years;
- mortality by reference to INSEE 2006–2008 life expectancy tables;
- application of the revised IAS 19, further to the ANC Recommendation of November 2013: actuarial gains and losses are recognised in profit or loss.

## 2.10 Consolidation

Bouygues SA is the ultimate parent company in the consolidation.

## Note 3 Non-current assets

| | Balance at 31/12/2016 | Increases | Decreases | Balance at 31/12/2017 |
|---|---|---|---|---|
| **Intangible assets** | | | | |
| Software | 6 | | | 6 |
| Other | | | | |
| **Gross value** | **6** | | | **6** |
| Accumulated amortisation | (4) | | | (4) |
| **CARRYING AMOUNT** | **2** | | | **2** |
| **Property, plant and equipment** | | | | |
| Land and buildings | | | | |
| Other | | | | |
| **Gross value** | | | | |
| Accumulated depreciation | | | | |
| **CARRYING AMOUNT** | | | | |
| **Long-term investments** | | | | |
| Holdings in subsidiaries and affiliates | 9,045 | 1,791 [a] | 5 | 10,831 |
| Loans and advances to subsidiaries and affiliates | | | | |
| Other | 1,806 | | 1,789 [a] | 17 |
| **Gross value** | **10,851** | **1,791** | **1,794** | **10,848** |
| Impairment | (471) | (7) | (22) | (456) |
| **CARRYING AMOUNT** | **10,380** | **1,784** | **1,772** | **10,392** |
| **TOTAL CARRYING AMOUNT** | **10,382** | **1,784** | **1,772** | **10,394** |

(a) Includes termination of the loan of Alstom shares to the French state with a gross value of €1,789 million.

## Note 4 Current assets by maturity

| | Gross value | < 1 year | > 1 year |
|---|---|---|---|
| Advances and down-payments made on orders | | | |
| Trade receivables | 32 | 32 | |
| Other receivables | 267 | 265 | 2 |
| **TOTAL** | **299** | **297** | **2** |

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## Note 5 Cash

| | 31/12/2017 | 31/12/2016 |
|---|---|---|
| Term deposits with maturities of less than 3 months | 1,357 | 807 |
| Other items | 979 | 1,058 |
| **TOTAL** | **2,336** | **1,865** |

## Note 6 Other assets and liabilities

| | Balance at 31/12/2016 | Increases | Decreases | Balance at 31/12/2017 | Amount due in < 1 year |
|---|---|---|---|---|---|
| **Other assets** | | | | | |
| Bond issue costs | 8 | | 1 | 7 | 1 |
| Upfront payments on interest rate swaps: deferred charges | 64 | | 7 | 57 | 8 |
| Bond redemption premium | 16 | | 2 | 14 | 2 |
| Bond repurchase premium | 16 | | 6 | 10 | 6 |
| Other | 1 | 1 | 1 | 1 | 1 |
| **TOTAL** | **105** | **1** | **17** | **89** | **18** |
| **Other liabilities** | | | | | |
| Upfront payments on interest rate swaps: deferred income | 2 | | | 2 | 1 |
| Other | | | | | |
| **TOTAL** | **2** | | | **2** | **1** |

## Note 7 Changes in shareholders' equity

| | |
|---|---|
| **SHAREHOLDERS' EQUITY AT 31 DECEMBER 2016 (BEFORE APPROPRIATION OF PROFITS)** | **5,632** |
| Dividends paid | (568) |
| **SHAREHOLDERS' EQUITY AFTER APPROPRIATION OF PROFITS** | **5,064** |
| Changes in share capital | 11 [a] |
| Changes in share premium and reserves | 334 [a] |
| Retained earnings | |
| Net profit/(loss) for the period | 102 |
| Investment grants | |
| Restricted provisions | |
| Other movements | |
| **SHAREHOLDERS' EQUITY AT 31 DECEMBER 2017 (BEFORE APPROPRIATION OF PROFITS)** | **5,511** |

(a) See Note 8.

## Note 8 Composition of share capital

| | Number of voting rights | Number of shares |
|---|---|---|
| **START OF PERIOD** | **488,430,028** | **354,908,547** |
| Movements during the period | 1,241,984 | 11,216,738 [a] |
| **END OF PERIOD** | **489,672,012** | **366,125,285** |
| **PAR VALUE** | | **€1** |

Maximum number of potentially dilutive shares: 9,172,625

(a) Movements during the period:

Exercise of stock options: 6,490,841 shares issued for €195 million
- €6.5 million in share capital
- €188.7 million in share premium

Bouygues Confiance n°9 employee share ownership plan: 4,725,897 shares issued for €150 million
- €4.7 million in share capital
- €145.3 million in share premium

Out of the total amount of this plan, €18.7 million was not due to be collected until January 2018.

NB: Bouygues Confiance n°8 employee share ownership plan: the €38.4 million balance of the €150-million capital increase of December 2016 was collected in January 2017.

## Note 9 Provisions

| | Balance at 31/12/2016 | Charge for the year | Reversals during the year | | Balance at 31/12/2017 |
|---|---|---|---|---|---|
| | | | Used | Unused | |
| Provisions for subsidiaries | | 1 | | | 1 |
| Provisions for income taxes (tax risks) | 3 | 1 | | | 4 |
| Other provisions | 7 | | | | 7 |
| **Provisions for risks** | **10** | **2** | | | **12** |
| **Provisions for charges** | **23** | **19** | **8** | | **34** |
| **TOTAL** | **33** | **21** | **8** | | **46** |
| | | | **8** | | |
| Operating items | | 19 | 8 | | |
| Financial items | | 1 | | | |
| Exceptional items (including taxes) | | 1 | | | |
| | | **21** | **8** | | |

## Note 10 Liabilities by maturity at the end of the reporting period

| Liabilities | Gross value | < 1 year | 1 to 5 years | > 5 years |
|---|---|---|---|---|
| **Debt** | | | | |
| Bond issues (including accrued interest) | | | | |
| July 2005 bond issue [a] | 764 | 14 | 750 | |
| February 2006 bond issue [b] | 255 | 5 | 250 | |
| October 2006 bond issue [c] | 602 | 7 | | 595 |
| February 2010 bond issue [d] | 518 | 518 | | |
| October 2010 bond issue [e] | 1,007 | 7 | 1,000 | |
| February 2012 bond issue [f] | 832 | 32 | 800 | |
| October 2012 bond issue [g] | 724 | 24 | | 700 |
| December 2016 bond issue [h] | 756 | 6 | | 750 |
| Bank borrowings | | | | |
| **Total debt** | **5,458** | **613** | **2,800** | **2,045** |
| **Trade payables** | **24** | **24** | | |
| **Other payables** | **209** | **209** | | |
| **Overdrafts and short-term bank borrowings** | **2,484** | **2,484** | | |
| **Deferred income** | **2** | **1** | **1** | |
| **TOTAL** | **8,177** | **3,331** | **2,801** | **2,045** |

Original amounts, excluding accrued interest:
(a) July 2005 bond issue:
- Amount: €750 million – Rate: 4.25%
- Redemption terms: redeemable in full at par on 22 July 2020.

(b) Supplementary issue to July 2005 bond issue:
- Amount: €250 million – Rate: 4.25%
- Redemption terms: redeemable in full at par on 22 July 2020.

(c) October 2006 bond issue:
- Amount: £400 million (€595.33 million) – Rate: 5.5%
- Redemption terms: redeemable in full at par on 6 October 2026.

(d) February 2010 bond issue:
- Amount: €500 million – Rate: 4%
- Redemption terms: redeemable in full at par on 12 February 2018.

(e) October 2010 bond issue:
- Amount: €1 billion – Rate: 3.641%
- Redemption terms: redeemable in full at par on 29 October 2019.

(f) February 2012 bond issue:
- Amount: €800 million – Rate: 4.50%
- Redemption terms: redeemable in full at par on 9 February 2022.

(g) October 2012 bond issue:
- Amount: €700 million – Rate: 3.625%
- Redemption terms: redeemable in full at par on 16 January 2023.

(h) December 2016 bond issue:
- Amount: €750 million – Rate: 1.375%
- Redemption terms: redeemable in full at par on 7 June 2027.

# Note 11 Details of amounts involving related companies

| | Gross amount | | Gross amount |
|---|---|---|---|
| **Assets** | | **Liabilities** | |
| Long-term investments | 10,831 | Debt | |
| Operating receivables | 33 | Trade payables | 2 |
| Other receivables | 14 | Other payables | 199 |
| Cash and current accounts | | Bank overdrafts and current accounts | 2,484 |
| **TOTAL** | **10,878** | **TOTAL** | **2,685** |
| **Expenses** | | **Income** | |
| Operating expenses | 15 | Operating income | 82 |
| Financial expenses | 9 | Financial income | 142 |
| Income tax expense | | Income tax credits | 42 |
| **TOTAL** | **24** | **TOTAL** | **266** |

# Note 12 Financial instruments

## 12.1 Interest rate and currency hedges by maturity

| | < 1 year | 1 to 5 years | > 5 years | Total |
|---|---|---|---|---|
| Forward purchases | | | | |
| Forward sales | | | | |
| Currency swaps | | | | |
| Interest rate swaps | 40 | | | 40 |
| Interest rate options (caps, floors) | | | | |

## 12.2 Interest rate and currency hedges by original currency

| | EUR | CHF | GBP | USD | Other currencies | Total |
|---|---|---|---|---|---|---|
| Forward purchases | | | | | | |
| Forward sales | | | | | | |
| Currency swaps | | | | | | |
| Interest rate swaps | 40 | | | | | 40 |
| Interest rate options (caps, floors) | | | | | | |

## 12.3 Options

Calls: none.

## Note 13 Off balance sheet commitments given and received

| | Amount of guarantee | Of which related companies |
|---|---|---|
| **Commitments given (contingent liabilities)** | | |
| Commitment to Works Council | 1 | |
| Other commitments given [a & b] | 143 | 103 |
| **TOTAL** | **144** | **103** |
| **Commitments received (contingent assets)** | | |
| Other commitments received [b] | 43 | |
| **TOTAL** | **43** | |

(a) Joint and several underwriting of credit facilities: €100.6 million.
(b) Includes interest rate swaps.
NB: Alstom, see Note 1.

## Note 14 Sales

Sales recorded by Bouygues SA mainly comprise costs of shared support functions recharged to subsidiaries.

## Note 15 Financial income and expenses

| | 2017 | 2016 |
|---|---|---|
| Dividend income and shares of partnership profits | 158 | 1,109 |
| Interest income | 2 | 3 |
| Interest expense | (209) | (259) |
| Other financial income/(expense), net: proceeds from disposals, impairment losses and provisions | | 32 |
| **TOTAL** | **(49)** | **885** |

The reduction of €951 million in dividends is mainly due to interim dividends received at the end of 2016 rather than in 2017.

## Note 16 Group tax election and income tax gain/expense

Bouygues made a group tax election in 1997 under Article 223 A-U of the French General Tax Code; this election still applies.

In addition to Bouygues SA, the group tax election included 88 subsidiaries in 2017.

Each company in the tax group recognises its own income tax expense as though the group election is not in place; the parent company recognises any tax savings.

At the end of the period, Bouygues SA recognised an income tax gain, comprising:

| | Short-term | Long-term | Total |
|---|---|---|---|
| Net income tax gain/(expense) | 55 | | 55 |
| Income tax received from profitable subsidiaries in the tax group | 54 | 10 | 64 |
| **TOTAL** | **109** | **10** | **119** |

The difference relative to the €178 million tax gain shown in the income statement reflects the effect of the 3% tax on dividends (€59.3 million).
That amount comprises the tax paid in January 2017 (€15.4 million) and the gain of €74.7 million for the reimbursement received following the French Constitutional Council ruling.

## Note 17 Contingent tax position

| | 31/12/2016 | | Movements in the year | | 31/12/2017 | |
|---|---|---|---|---|---|---|
| | Assets | Liabilities | Assets | Liabilities | Assets | Liabilities |
| **Non-deductible expenses** | | | | | | |
| Provisions for income taxes | 2 | | 2 | | 4 | |
| Other non-deductible expenses | 23 | | 1 | 1 | 23 | |
| **TOTAL** | **25** | | **3** | **1** | **27** | |
| **Expenses deductible for tax purposes/income liable to tax but not recognised for accounting purposes** | | | | | | |
| Unrealised foreign exchange losses | | | | | | |
| Unrealised foreign exchange gains | | | | | | |
| **Unrealised foreign exchange gains/losses, net** | | | | | | |
| Deferred income | 2 | | | | 2 | |
| Deferred charges | | | | | | |
| Capitalisation bonds | | | | | | |
| Liquidity account | | | | | | |
| Bond repurchase premium | | 16 | 6 | | | 10 |
| **Other income and expenses** | **2** | **16** | **6** | | **2** | **10** |
| **TOTAL** | **2** | **16** | **6** | | **2** | **10** |

As of 31 December 2017, the stock of tax losses available for carry-forward under the group tax election represents a tax base of €329.2 million.

## Note 18 Average number of employees during the year

| | 2017 | 2016 |
|---|---|---|
| Managerial staff | 151 | 149 |
| Administrative, clerical, technical and supervisory staff | 16 | 20 |
| **TOTAL** | **167** | **169** |

## Note 19 Utilisation of the competitiveness and employment tax credit *(CICE)*

Bouygues recognised a competitiveness and employment tax credit *(Crédit d'Impôt Compétitivité Emploi – CICE)* of €0.12 million in respect of the year ended 31 December 2017, of which €0.11 million was offset against personnel costs and €0.01 million against income taxes (as a result of tax credits derived from partnerships not liable to corporate income tax).

The *CICE* enabled the following amounts to be spent during the year (by Bouygues SA, and by entities consolidated by Bouygues SA but not liable to corporate income tax):

- acquisitions of property, plant and equipment and intangible assets amounting to €0.35 million;
- diploma courses and safety training amounting to €0.87 million;
- recruitment (gross annualised salaries of new employees including employer's social security charges, and costs incurred on relationships with schools amounting to €2.03 million.

## Note 20 Advances, loans and remuneration paid to directors and senior executives

Remuneration of directors and senior executives:

- the total amount of direct and indirect remuneration of all kinds received from French and foreign companies by senior executives (Chairman and Chief Executive Officer and Deputy Chief Executive Officers) was as follows: €3.3 million of basic remuneration, €5.5 million of variable remuneration based on 2017 performance, and €0.3 million of directors' fees;
- directors' fees paid to the other members of the Board of Directors: €0.66 million.

## Note 21 List of investments

| | Number of shares | % | Estimated realisable value |
|---|---|---|---|
| Alstom | 62,086,226 | 27.975 | 2,148 [b] |
| Bouygues Construction | 1,705,180 | 99.938 | 953 [c] |
| Bouygues Immobilier | 90,930 | 100.000 | 528 [c] |
| Bouygues Telecom | 42,158,643 | 90.164 | 5,275 [a] |
| Colas | 31,543,222 | 96.597 | 2,722 [c] |
| TF1 | 91,946,297 | 43.812 | 1,129 [b] |
| Other holdings | | | 215 |
| **TOTAL HOLDINGS IN SUBSIDIARIES AND AFFILIATES** | | | **12,970** |
| Negotiable debt instruments and money-market mutual funds | | | 604 [a] |
| Capitalisation bonds | | | 1 [b] |
| Other investments | | | 13 [b] |
| **TOTAL SHORT-TERM INVESTMENTS** | | | **618** |
| **TOTAL INVESTMENTS** | | | **13,588** |

The estimated realisable value shown is:
(a) Carrying amount in the balance sheet (net book value).
(b) Stock market value (quoted closing price).
(c) Share of consolidated net assets.

# Note 22 List of subsidiaries and affiliates

| | Share capital[a] | Other shareholders' equity[a & b] | % | Carrying amount[c] | | Loans & advances | Guarantees[c] | Sales[c] | Net profit/ (loss)[c] | Dividends received[c] |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | Gross | Net | | | | | |
| **A – Detailed information** | | | | | | | | | | |
| **1. Subsidiaries (interest >50%)** | | | | | | | | | | |
| **France** | | | | | | | | | | |
| Bouygues Construction[d] | 128 | 826 | 99.94 | 59 | 59 | | | 11,660 | 320 | 20 |
| Bouygues Immobilier[d] | 139 | 389 | 100.00 | 315 | 315 | | | 2,712 | 125 | 1 |
| Bouygues Telecom[d] | 713 | 2,397 | 90.16 | 5,275 | 5,275 | | | 5,086 | 260 | |
| Colas[d] | 49 | 2,769 | 96.60 | 1,712 | 1,712 | | | 11,705 | 328 | 87 |
| **TOTAL** | | | | **7,361** | **7,361** | | | | | **108** |
| **Other countries** | | | | | | | | | | |
| Uniservice | 51 | 15 | 99.99 | 32 | 32 | | | | 4 | 3 |
| **TOTAL** | | | | **32** | **32** | | | | | **3** |
| **2. Affiliates (interest >10%, ≤ 50%)** | | | | | | | | | | |
| **France** | | | | | | | | | | |
| Alstom[e] | 1,554 | 2,159 | 27.98 | 2,535 | 2,133 | | | 7,306 | 375 | 5 |
| TF1[d] | 42 | 1,540 | 43.81 | 732 | 732 | | | 2,125 | 136 | 25 |
| **TOTAL** | | | | **3,267** | **2,865** | | | | | **30** |
| **Other countries** | | | | | | | | | | |
| **TOTAL** | | | | | | | | | | |
| **B – Aggregate information** | | | | | | | | | | |
| **3. Other subsidiaries** | | | | | | | | | | |
| **France** | | | | **170** | **117** | | | **30** | **(7)** | |
| **Other countries** | | | | **1** | | | | **1** | | |
| **4. Other affiliates** | | | | | | | | | | |
| **France** | | | | | | | | **107** | **5** | |
| **Other countries** | | | | | | | | **26** | | |
| **OVERALL TOTAL** | | | | **10,831** | **10,375** | | | | | **141** |

(a) In the local functional currency.
(b) Including net profit/loss for the year.
(c) In euros.
(d) Parent company of a business segment: share capital, other shareholders' equity, sales and net profit/loss on a consolidated basis for the segment as of 31 December 2017.
(e) Figures published by Alstom for the year ended 31 March 2017, Alstom's most recent financial year.

7

# 7.4 AUDITORS' REPORT ON THE PARENT COMPANY FINANCIAL STATEMENTS

To the Annual General Meeting of the shareholders of Bouygues,

## Opinion

In accordance with the assignment entrusted to us by your Annual General Meetings, we have conducted our audit of the accompanying parent company financial statements of Bouygues for the year ended 31 December 2017.

In our opinion, the parent company financial statements give a true and fair view of the assets and liabilities and of the financial position of the company as at 31 December 2017 and of the results of its operations for the year then ended in accordance with French Generally Accepted Accounting Principles (GAAP).

The opinion expressed above is consistent with the contents of our report to the Accounts Committee.

## Basis for our opinion

### Auditing standards

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Our responsibilities under those standards are described in the section "Auditors' responsibilities for the audit of the parent company financial statements" below.

### Independence

We conducted our audit engagement in compliance with the rules on independence that applied to us during the period from 1 January 2017 to the date of issuance of this report. Specifically, we provided no services prohibited by Article 5, Paragraph 1 of Regulation (EU) No. 537/2014 or by the code of ethics of the auditing profession.

## Justification of our assessments – Key audit matters

Pursuant to Articles L. 823-9 and R. 823-7 of the Commercial Code regarding the justification of our assessments, we draw your attention to key audit matters that relate to those risks of material misstatement that in our professional judgment were of the most significance in the audit of the parent company financial statements for the year, and our response to those risks.

Our assessment should be seen in the context of the audit of the parent company financial statements taken as a whole, and of the formation of our opinion as expressed above. We do not express an opinion on elements of the parent company financial statements taken in isolation.

### Measurement of long-term investments

| Assessed risk | Our response |
|---|---|
| Long-term investments, as shown in the balance sheet at an amount of €10.4 billion, mainly comprise the holdings in subsidiaries and affiliates listed in Note 22 to the parent company financial statements.<br>• As explained in Note 2.3.1 to the parent company financial statements, holdings in subsidiaries and affiliates and other long-term investment securities are recognised at cost, including directly attributable acquisition costs. Their value in use (realisable value) is determined using objective criteria (stock market price for quoted companies, shareholders' equity, profitability), forecast data (economic outlook, earnings prospects), or any other information indicative of the actual value of the asset. If value in use is less than the carrying amount, a provision for impairment is recorded to cover the difference.<br>• As explained in Note 2.3.2 to the parent company financial statements, long-term receivables are shown in the balance sheet at face value. If the realisable value (taking into account the probability of recovery) is less than the carrying amount, a provision for impairment is recorded to cover the difference.<br>We identified the measurement of long-term investments as a key audit matter, insofar as it is sensitive to the estimates and assumptions used by management and hence can have a material effect on the financial statements. | Our principal procedures are summarised below:<br>• We obtained an understanding of the budgetary process and key controls associated with that process in order to determine the value in use of holdings in subsidiaries and affiliates and other long-term investments.<br>• We assessed the methods used to calculate value in use, in particular the cash flow projections for the companies in which the holdings are owned.<br>• With assistance from our valuation experts, we assessed the discount rates used in calculating value in use.<br>• We tested the arithmetical accuracy of value in use calculations carried out by Bouygues.<br>• Where appropriate, we performed sensitivity analyses, particularly for holdings in subsidiaries and affiliates whose value in use was close to their carrying amount.<br>• We checked the information provided in the notes to the parent company financial statements, in particular the description used to determine the realisable value of significant holdings. |

## Verification of the management report and other documents addressed to the shareholders

We also performed, in accordance with professional standards applicable in France, the specific verifications required by law.

### Information given in the Board of Directors' management report and in other documents addressed to the shareholders about the financial position and the parent company financial statements

We have no matters to report as to the fair presentation and consistency with the parent company financial statements of the information given in the Board of Directors' management report and in other documents addressed to the shareholders about the financial position and the parent company financial statements.

### Report on corporate governance

We hereby attest that the information required under Articles L. 225-37-3 and L. 225-37-4 of the Commercial Code is contained in the Board of Directors' report on corporate governance.

As regards the information required under Article L. 225-37-3 of the Commercial Code on the remuneration and benefits paid to corporate officers and commitments made in their favour, we have verified its consistency with the financial statements or with the underlying data used to prepare these financial statements and, where applicable, with items obtained by your company from companies that control or are controlled by it. Based on those procedures, we attest that this information is accurate and fairly presented.

As regards the information required under Article L. 225-37-5 of the Commercial Code on factors your company regards as likely to have an impact in the event of a public tender offer or public exchange offer, we have verified its consistency with the source documents as communicated to us. Based on those procedures, we have no matters to report on this information.

### Other information

In accordance with law, we have verified that the required information about the identity of shareholders and holders of voting rights has been disclosed to you in the management report.



## Information required under other legal or regulatory obligations

### Appointment as auditors

We were appointed as auditors of Bouygues by your Annual General Meeting on 10 June 1998 (Mazars) and on 24 April 2003 (Ernst & Young Audit).

As of 31 December 2017, Mazars was in its twentieth uninterrupted year as auditor, and Ernst & Young Audit in its fifteenth.

## Responsibilities of management, and of those charged with governance, for the parent company financial statements

It is the responsibility of management to prepare parent company financial statements that give a true and fair view in accordance with French Generally Accepted Accounting Principles (GAAP), and to implement such internal control as it determines is necessary to enable the preparation of parent company financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the parent company financial statements, it is the responsibility of management to assess the company's ability to continue as a going concern; to disclose in those financial statements any matters relating to going concern; and to apply the going concern basis of accounting unless it is intended to liquidate the company or cease trading.

It is the responsibility of the Accounts Committee to oversee the process for the preparation of financial information and the effectiveness of internal control and risk management systems, and of internal audit, as regards procedures for preparing and processing accounting and financial information.

The parent company financial statements have been closed off by the Board of Directors.

## Auditors' responsibilities for the audit of the parent company financial statements

### Objectives and audit approach

It is our responsibility to prepare a report on the parent company financial statements. Our objective is to obtain reasonable assurance about whether the parent company financial statements as a whole are free from material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error, and are considered material if, individually or in the aggregate, they could be reasonably expected to influence the economic decisions of users taken on the basis of these financial statements.

As specified in Article L. 823-10-1 of the Commercial Code, our audit does not involve guaranteeing the viability of the company or the quality of how it is managed.

As part of an audit in accordance with professional standards applicable in France, the auditor exercises professional judgment throughout the audit. In addition, the auditor:

- identifies and assesses the risks of material misstatement of the parent company financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, to obtain audit evidence that is sufficient and appropriate to provide a basis for the auditor's opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control;
- evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management in the parent company financial statements;
- concludes on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. Those conclusions are based on the audit evidence obtained up to the date of the auditor's report, with the caveat that future events or conditions may cause a company to cease to continue as a going concern. If the auditor concludes that a material uncertainty exists, the auditor is required to draw attention in the auditor's report to the related disclosures in the parent company financial statements or, if such disclosures are not provided or are inadequate, to issue a qualified opinion or disclaimer;
- evaluates the overall presentation of the parent company financial statements, and whether the parent company financial statements represent the underlying transactions and events in a manner that gives a true and fair view of them.

## Report to the Accounts Committee

We are submitting a report to the Accounts Committee that describes *inter alia* the scope of our audit, the work programme followed, and our findings. We are also informing the Accounts Committee of any significant deficiencies in internal control we identified as regards the procedures used for the preparation and processing of accounting and financial information.

The information contained in our report to the Accounts Committee includes those risks of material misstatement that we determined were of most significance in the audit of the parent company financial statements of the current period and are therefore the key audit matters that we are required to describe in the present report.

We are also providing the Accounts Committee with the written confirmation (as required under Article 6 of Regulation (EU) No. 537–2014) of our independence, within the meaning of the rules applicable in France and contained *inter alia* in Articles L. 822–10 to L. 822–14 of the Commercial Code and in the code of ethics of the French auditing profession. Where applicable, we also communicate with the Accounts Committee about risks to our independence, and related safeguards.

Paris-La Défense, 21 February 2018

The Statutory Auditors

| MAZARS | ERNST & YOUNG Audit |
|---|---|
| Gilles Rainaut | Laurent Vitse |

# COMBINED ANNUAL GENERAL MEETING OF 26 APRIL 2018

# 8

# 8.1 AGENDA

## 8.1.1 Ordinary General Meeting

1. Approval of the parent company financial statements and transactions for the year ended 31 December 2017;
2. Approval of the consolidated financial statements and transactions for the year ended 31 December 2017;
3. Appropriation of 2017 earnings, setting of dividend;
4. Approval of regulated agreements and commitments specified in Articles L. 225-38 of the Commercial Code;
5. Approval of the commitment relative to the defined-benefit pension scheme to which Martin Bouygues, Chairman and Chief Executive Officer, is entitled;
6. Approval of the commitment relative to the defined-benefit pension scheme to which Olivier Bouygues, Deputy Chief Executive Officer, is entitled;
7. Approval of the remuneration components and benefits paid or awarded to Martin Bouygues, in his capacity as Chairman and Chief Executive Officer, in respect of the year ended 31 December 2017;
8. Approval of the remuneration components and benefits paid or awarded to Olivier Bouygues, in his capacity as Deputy Chief Executive Officer, in respect of the year ended 31 December 2017;
9. Approval of the remuneration components and benefits paid or awarded to Philippe Marien, in his capacity as Deputy Chief Executive Officer, in respect of the year ended 31 December 2017;
10. Approval of the remuneration components and benefit paid or awarded to Olivier Roussat, in his capacity as Deputy Chief Executive Officer, in respect of the year ended 31 December 2017;
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;
12. Renewal of the term of office of Martin Bouygues as a director for three years;
13. Renewal of the term of office of Anne-Marie Idrac as a director for three years;
14. Authorisation to the Board of Directors to trade in the company's shares, for a period of eighteen months, up to a limit of 5% of the share capital.

## 8.1.2 Extraordinary General Meeting

15. Authorisation to the Board of Directors, for a period of eighteen months, to reduce share capital by cancelling treasury shares held by the company, up to a limit of 10% of the share capital in any twenty-four month period;
16. Delegation of powers to the Board of Directors, for a period of eighteen months, to issue equity warrants during a period of a public offer for the company's shares, up to a limit of 25% of the share capital;
17. Amendment to Article 22 of the articles of association in order to remove the requirement to appoint alternate auditors;
18. Powers to carry out formalities.

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

## 8.2.1 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 this 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. Taking account of the cancellation of 1,157,844 treasury shares on 21 February 2018, the overall dividend is €620,444,649.70. 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 terms and the amounts invoiced in 2017, in the auditors' special report on regulated agreements and commitments (chapter 8, section 8.3 of this 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 rules for allocating and invoicing the cost of shared services, including specific services and a share of residual costs, up to a limit expressed as a percentage of sales of the subsidiary concerned. The share of residual costs is 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 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 this 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: €0.28 million

  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 CHF 0.89 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 this 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 this 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.

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.

- 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).

#### 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.

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.

- 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.

### 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 fifteen 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.

## 8.2.2 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.

## 8.2.3 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 this 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 in nominal value and 25% of the share capital<br>• The number of warrants is capped at one quarter of the number of existing shares | 26 October 2019 (18 months) |

# 8.3 AUDITORS' REPORTS

## 8.3.1 Auditors' special report on regulated agreements and commitments (Annual General Meeting called to approve the financial statements for the year ended 31 December 2017)

To the shareholders,

In our capacity as auditors of your company, we present below our report on regulated agreements and commitments.

We are required to report to you, based on the information provided, on the main terms and conditions of the agreements and commitments that have been disclosed to us or which were brought to light as a result of our assignment, as well as the reasons justifying the benefit of those agreements and commitments for the company. We are not required to comment on their usefulness or substance, or to determine whether other such agreements or commitments exist. It is your responsibility to determine whether these agreements and commitments are appropriate and should be approved, in accordance with the terms of Article R. 225-31 of the Commercial Code.

We are also required to report to you the information required under Article R. 225-31 of the Commercial Code regarding transactions carried out during the last financial year under agreements and commitments approved by Annual General Meetings in previous years.

We performed the procedures we considered necessary in accordance with the professional standards issued by the French statutory auditors' board, the CNCC. Those procedures involved ensuring that the information disclosed to us was consistent with the source documents from which it was taken.

### Agreements and commitments submitted to the Annual General Meeting for approval

#### Agreements and commitments authorised during the last financial year

Pursuant to Article L. 225-40 of the Commercial Code, we have been informed of the following agreements and commitments, which were granted prior approval by the Board of Directors.

##### 1) Shared service agreements

At its 15 November 2017 meeting, the Board of Directors authorised the renewal of the shared service agreements with the main subsidiaries, for a period of one year starting 1 January 2018.

**REASONS JUSTIFYING THE BENEFIT OF THESE AGREEMENTS FOR BOUYGUES**

Shared service agreements are standard in groups of companies. They enable subsidiaries (in return for a fee) to benefit from services and assistance provided by the parent company (principally management, human resources, information technology, and financial and legal services), and to allocate the corresponding expenses between the various user companies.

**FINANCIAL TERMS ASSOCIATED WITH THESE AGREEMENTS**

The principle behind these agreements is based on rules for allocating and invoicing the cost of shared services, including specific services and a share of residual costs, up to a limit expressed as a percentage of sales of the subsidiary concerned. The share of residual costs is invoiced at cost plus a margin of 10% for high value-added services and 5% for low value-added services.

The renewal of these agreements had no financial impact on the 2017 financial year. It will impact the 2018 financial year.

**Persons concerned**

- **Bouygues Construction:** Olivier Bouygues and Olivier Roussat (directors), Philippe Marien (standing representative of Bouygues on the Board of Directors of Bouygues Construction);
- **Colas:** Olivier Bouygues and Colette Lewiner (directors), Philippe Marien (standing representative of Bouygues on the Board of Directors of Colas);
- **TF1:** Martin Bouygues, Olivier Bouygues and Olivier Roussat (directors), Philippe Marien (standing representative of Bouygues on the Board of Directors of TF1);
- **Bouygues Telecom:** Olivier Bouygues, Edward Bouygues and Philippe Marien (directors), Olivier Roussat (Chairman and CEO).

##### 2) Service agreement with SCDM

At its 15 November 2017 meeting, the Board of Directors authorised the renewal of the service agreement, which covers the services described below, for a period of one year starting 1 January 2018.

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 specific services other than those provided as part of its ongoing role.

For its part, Bouygues provides SCDM with specific services, principally management, human resources, information technology, and legal and financial services.

**REASONS JUSTIFYING THE BENEFIT OF THIS AGREEMENT FOR BOUYGUES**

This agreement enables Bouygues to benefit from the services of Martin Bouygues and Olivier Bouygues, who are paid exclusively 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.

This agreement also enables Bouygues to be remunerated by SCDM for the various specific services that Bouygues carries out on behalf of SCDM.

#### FINANCIAL TERMS ASSOCIATED WITH THIS AGREEMENT

Under the terms of this agreement, SCDM invoices Bouygues for costs actually incurred, the amount of which is capped at €7 million a year for 2018. Those costs comprise:

- salaries, to an amount corresponding to:
  - the remuneration granted to Martin Bouygues and Olivier Bouygues by the Bouygues Board of Directors, at the proposal of the Selection and Remuneration Committee, for their duties as corporate officers. This amount includes a fixed and a variable component, as well as the corresponding social security and tax charges;
  - remuneration paid to their teams as consideration for the assignments carried out for Bouygues, as well as the corresponding tax and social security charges;
- specific services, invoiced at arm's length rates.

Similarly, the specific services Bouygues provides to SCDM are invoiced at arm's length rates.

The renewal of this agreement had no financial impact on the 2017 financial year. It will impact the 2018 financial year.

**Persons concerned**

**SCDM:** Martin Bouygues (Chairman), Olivier Bouygues (CEO), Edward Bouygues (standing representative of SCDM on the Board of Directors of Bouygues), Cyril Bouygues (standing representative of SCDM Participations on the Board of Directors of Bouygues).

### 3) Supplementary pension benefits granted to senior executives

Members of the Group Management Committee, which includes the Executive Officers of Bouygues and its main subsidiaries, are entitled to a supplementary pension of 0.92% of the reference salary per year in the scheme. Entitlement is acquired only after ten years' service with the Group. The annual supplementary pension is capped at eight times the annual ceiling under the social security regime (i.e. a cap of €313,824 for 2017, which is lower than the cap of 45% of the reference income as recommended by the Afep-Medef Code). This supplementary scheme has been outsourced to an insurance company.

#### (I) COMMITMENTS RELATING TO DEFINED-BENEFIT SCHEMES TO WHICH EXECUTIVE OFFICERS OF BOUYGUES ARE ENTITLED

Under Article L. 225-42-1 of the Commercial Code, retirement benefit arrangements in favour of the Chairman, Chief Executive Officer or Deputy Chief Executive Officers of listed companies are subject to the regulated agreements procedure. A specific resolution is required for each beneficiary of such an arrangement. In addition, since Law No. 2015-990 of 6 August 2015 (the Macron law) came into effect, the entitlement of such senior executives to rights under defined-benefit pension schemes must, in the case of listed companies, be contingent on conditions related to the beneficiary's performance, assessed relative to that of the company in question.

At its 15 November 2017 meeting, the Board of Directors:

- reiterated 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 in their capacity as Deputy Chief Executive Officers of Bouygues, as determined by the Board of Directors at its meeting of 22 February 2017. Those performance conditions are as follows:
  - **Definition of the performance objective (the "Objective")**

    2017 financial year: Objective = that the average of the consolidated net profit figures for the 2016 and 2017 financial years ("Average CNP") is no more than 10% below the average of the consolidated net profit figures specified in the plan for 2016 and the plan for 2017 ("Plan Average").

    Each subsequent financial year: Objective = that the average of the consolidated net profit figures for the financial year then ended and the two financial years that preceded it ("Average CNP") is no more than 10% below the average of the consolidated net profit figures specified in the plan for the financial year then ended and the plans for the two financial years that preceded it.
  - **Terms for determining the vesting of pension rights based on performance**

    If the Average CNP meets the Objective: annual pension rights = 0.92% of the reference salary

    If the Average CNP is more than 10% below the Objective: annual pension rights = 0

    Between those lower and upper limits pension rights vary on a straight line basis between 0% and 0.92% of the reference salary;
- reiterated that given their length of service and past level of remuneration, Martin Bouygues and Olivier Bouygues had as of the date the Macron law came into force long since fulfilled the conditions that would entitle them to a supplementary pension at the maximum rate, and as a result are not subject to the requirement for performance conditions;
- authorised the renewal for a period of one year starting on 1 January 2018 of the defined-benefit pension commitments in favour of Martin Bouygues, Olivier Bouygues, Philippe Marien and Olivier Roussat.

#### REASONS JUSTIFYING THE BENEFIT OF THIS AGREEMENT FOR BOUYGUES

The purpose of this agreement is to enable Bouygues to reward and secure the loyalty of the members of the Group Management Committee.

#### FINANCIAL TERMS ASSOCIATED WITH THIS AGREEMENT

The renewal of this agreement had no financial impact on the 2017 financial year. It will impact the 2018 financial year.

**Persons concerned**

- **Martin Bouygues** (Chairman and CEO);
- **Olivier Bouygues** (Deputy CEO);
- **Philippe Marien** (Deputy CEO);
- **Olivier Roussat** (Deputy CEO).

#### (II) CROSS-CHARGING TO BUSINESS SEGMENTS OF PENSION CONTRIBUTIONS FOR THEIR SENIOR EXECUTIVES

At its 15 November 2017 meeting, the Board of Directors authorised the cross-charging agreements entered into with Bouygues Construction, Colas, TF1 and Bouygues Telecom in respect of their portion of the premiums paid to the insurance company in respect of the contributions relating to their senior executives, for a period of one year starting 1 January 2018.

#### REASONS JUSTIFYING THE BENEFIT OF THESE AGREEMENTS FOR BOUYGUES

These agreements are intended to enable the Group's main subsidiaries to offer defined-benefit pension arrangements to their senior executives, and to enable Bouygues to recover from those subsidiaries the amount of premiums paid in respect of contributions relating to their senior executives.

#### FINANCIAL TERMS ASSOCIATED WITH THESE AGREEMENTS

Bouygues cross-charges its subsidiaries the amount of contributions paid in respect of their senior executives.

The renewal of this agreement had no financial impact on the 2017 financial year. It will impact the 2018 financial year.

**Persons concerned**

- **Bouygues Construction:** Olivier Bouygues and Olivier Roussat (directors), Philippe Marien (standing representative of Bouygues on the Board of Directors of Bouygues Construction);
- **Colas:** Olivier Bouygues and Colette Lewiner (directors); Philippe Marien (standing representative of Bouygues on the Board of Directors of Colas);
- **TF1:** Martin Bouygues, Olivier Bouygues and Olivier Roussat (directors), Philippe Marien (standing representative of Bouygues on the Board of Directors of TF1);
- **Bouygues Telecom:** Olivier Bouygues, Edward Bouygues and Philippe Marien (directors), Olivier Roussat (Chairman and CEO).

### 4) Letter of support to Alstom

At its 26 September 2017 meeting, the Board of Directors authorised Bouygues to sign a 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:

- 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;
- vote in favour of the resolutions relating to the merger at the Extraordinary General Meeting of Alstom shareholders;
- vote in favour of the resolution to cancel double voting rights at a Special General Meeting of Alstom shareholders;
- have the Bouygues representatives on the Alstom Board of Directors approve any decision necessary to implement the merger.

#### REASONS JUSTIFYING THE BENEFIT OF THIS AGREEMENT FOR BOUYGUES

This letter of support is a pre-condition for the proposal to merge the rail activities of Alstom and Siemens. The Board of Directors believes that this merger will create value for Bouygues as a shareholder in Alstom.

**Persons concerned**

**Alstom:** Olivier Bouygues (director), Philippe Marien (standing representative of Bouygues on the Board of Directors of Alstom).

### 5) Service agreements (open innovation)

At its 15 November 2017 meeting, the Board of Directors authorised the renewal of the service agreements between Bouygues Construction, Colas, TF1 and Bouygues Telecom, for a period of one year starting 1 January 2018.

The purpose of these agreements is to define the terms and conditions whereby Bouygues, either directly or through the intermediary of its wholly-owned subsidiary Bouygues Développement, provides the aforementioned companies with consultancy services and services related to the management of their holdings in innovative companies.

#### REASONS JUSTIFYING THE BENEFIT OF THESE AGREEMENTS FOR BOUYGUES

These agreements enable Bouygues to receive a fee in return for providing services to its subsidiaries in the field of open innovation.

#### FINANCIAL TERMS ASSOCIATED WITH THESE AGREEMENTS

The consultancy services provided to the business segments are an integral part of the shared services provided by Bouygues to the different business segments. As such, the consultancy services are invoiced directly through the shared service agreements set forth in point 1. above. The amount invoiced represents each business segment's share of the residual cost of the shared services.

In return for the management services, each dedicated sub-subsidiary pays Bouygues, on a pro rata temporis basis, a flat monthly fee of €750 excluding VAT per holding in an innovative company managed under the agreement.

The renewal of these agreements had no financial impact on the 2017 financial year. It will impact the 2018 financial year.

**Persons concerned**

- **Bouygues Construction:** Olivier Bouygues and Olivier Roussat (directors), Philippe Marien (standing representative of Bouygues on the Board of Directors of Bouygues Construction);
- **Colas:** Olivier Bouygues and Colette Lewiner (directors); Philippe Marien (standing representative of Bouygues on the Board of Directors of Colas);
- **TF1:** Martin Bouygues, Olivier Bouygues and Olivier Roussat (directors), Philippe Marien (standing representative of Bouygues on the Board of Directors of TF1);
- **Bouygues Telecom:** Olivier Bouygues, Edward Bouygues and Philippe Marien (directors), Olivier Roussat (Chairman and CEO).

### 6) Sale of shares in Mainby to Bouygues Construction and Colas

Bouygues owned 100% of Mainby, a company governed by Swiss law that provides management services and international human resources consultancy services to Bouygues group companies.

As part of the new human resources policy encouraging international mobility within the Bouygues group, the decision was taken to allow Bouygues Construction and Colas to take equity stakes in Mainby, of 28% in each case.

At its 15 November 2017 meeting, the Board of Directors authorised the signature of agreements with Bouygues Construction and Colas for the sale of Mainby shares.

#### REASONS JUSTIFYING THE BENEFIT OF THESE AGREEMENTS FOR BOUYGUES

These agreements are intended to allow Bouygues Construction and Colas to be involved with Bouygues in determining the Group's international mobility policy, and to help those companies better address their needs in terms of international human resources management.

#### FINANCIAL TERMS ASSOCIATED WITH THESE AGREEMENTS

Based on the book value of the equity of Mainby as of 30 September 2017 (CHF 1,585,000) and a 100% interest, the equity interest in Mainby held by Bouygues amounted to CHF 1,585,000.

The sales were contracted on the following terms:

- sale by Bouygues to Bouygues Construction of 560 Mainby shares representing 28% of the capital, for a price of CHF 443,800;
- sale by Bouygues to Colas of 560 Mainby shares representing 28% of the capital, for a price of CHF 443,800.

**Persons concerned**

- **Bouygues Construction:** Olivier Bouygues and Olivier Roussat (directors), Philippe Marien (standing representative of Bouygues on the Board of Directors of Bouygues Construction);

- **Colas:** Olivier Bouygues and Colette Lewiner (directors), Philippe Marien (standing representative of Bouygues on the Board of Directors of Colas).

### 7) Sale of SPEIG shares to Colas

Bouygues owned a 49.82% equity interest in Société Parisienne d'Etudes d'Informatique et de Gestion (SPEIG), in which the majority interest was held by Colas.

At its 15 November 2017 meeting, the Board of Directors authorised the signature of an agreement to sell its SPEIG shares to Colas.

#### REASONS JUSTIFYING THE BENEFIT OF THIS AGREEMENT FOR BOUYGUES

Bouygues had an equity interest in SPEIG for historical reasons, but as there was no longer any real point to holding this interest Bouygues decided to withdraw from the capital by selling its interest to Colas.

#### FINANCIAL TERMS ASSOCIATED WITH THIS AGREEMENT

Based on the book value of the equity of SPEIG as of 31 December 2016 (€3,241,694) and a percentage interest of 49.82%, the equity interest in SPEIG held by Bouygues amounted to €1,615,012.

Bouygues sold its 784,650 shares in SPEIG for a price of €1,615,012.

**Persons concerned**

**Colas:** Olivier Bouygues and Colette Lewiner (directors), Philippe Marien (standing representative of Bouygues on the Board of Directors of Colas).

### 8) Amendment to the internal audit service agreement with Bouygues Telecom

At its 15 November 2017 meeting, the Board of Directors authorised the signature of an amendment to the internal audit service agreement with Bouygues Telecom, extending it to 31 December 2018; the other terms of the agreement remained unchanged.

#### REASONS JUSTIFYING THE BENEFIT OF THIS AGREEMENT FOR BOUYGUES

This agreement enables Bouygues to set terms for the execution and remuneration of internal audit services that are provided to its subsidiary Bouygues Telecom and contribute to the smooth operation of that subsidiary.

#### FINANCIAL TERMS ASSOCIATED WITH THIS AGREEMENT

This amendment had no financial impact on the 2017 financial year. It will impact the 2018 financial year, based on a flat fee of €350,000 excluding VAT payable to Bouygues.

**Persons concerned**

**Bouygues Telecom:** Olivier Bouygues, Edward Bouygues and Philippe Marien (directors), Olivier Roussat (Chairman and CEO).

### 9) Viva Technology event

At its 16 May 2017 meeting, the Board of Directors authorised the signature of agreements between Bouygues and Bouygues Construction, Bouygues Telecom and Colas, relating to their participation in the Viva Technology event held in Paris in June 2017.

#### REASONS JUSTIFYING THE BENEFIT OF THESE AGREEMENTS FOR BOUYGUES

These agreements enabled Bouygues to raise the profile of the Group's sustainable development initiatives while sharing the costs of participating in the event.

#### FINANCIAL TERMS ASSOCIATED WITH THESE AGREEMENTS

The total cost of participating in this event was €340,000, split as follows:

| € | Amount excl. VAT |
|---|---|
| Bouygues Construction | 75,000 |
| Bouygues Immobilier | 50,000 |
| Colas | 75,000 |
| Bouygues Telecom | 45,000 |
| Bouygues SA | 95,000 |

**Persons concerned**

- **Bouygues Construction:** Olivier Bouygues and Olivier Roussat (directors), Philippe Marien (standing representative of Bouygues on the Board of Directors of Bouygues Construction);
- **Colas:** Olivier Bouygues and Colette Lewiner (directors), Philippe Marien (standing representative of Bouygues on the Board of Directors of Colas);
- **Bouygues Telecom:** Edward Bouygues, Olivier Bouygues and Philippe Marien (directors), Olivier Roussat (Chairman and CEO).

### 10) Trademark licence agreement with GIE 32 Hoche

At its 15 November 2017 meeting, the Board of Directors authorised the signature of a trademark licence agreement granting GIE 32 Hoche, owned 90% by Bouygues and 10% by SCDM, non-exclusive rights to use the Bouygues trademark in France for fifteen years from the date of signature of the agreement, i.e. 16 November 2017.

#### REASONS JUSTIFYING THE BENEFIT OF THIS AGREEMENT FOR BOUYGUES

This agreement enables Bouygues to set the technical and financial terms for the use by GIE 32 Hoche of the Bouygues name and trademark.

#### FINANCIAL TERMS ASSOCIATED WITH THIS AGREEMENT

Bouygues will receive an annual fee of €1,000 excluding VAT.

**Persons concerned**

**SCDM:** Martin Bouygues (Chairman), Olivier Bouygues (CEO), Edward Bouygues (standing representative of SCDM on the Board of Directors of Bouygues), Cyril Bouygues (standing representative of SCDM Participations on the Board of Directors of Bouygues).

## Agreements and commitments already approved by an Annual General Meeting

### Agreements and commitments approved in previous years and under which transactions continued during the last financial year

Pursuant to Article R. 225-30 of the Commercial Code, we were informed that transactions under the following agreements and commitments, which had already been approved by previous Annual General Meetings, continued during the last financial year.

### 1) Shared service agreements

The Combined Annual General Meeting of 27 April 2017 approved the renewal of shared service agreements between Bouygues and Bouygues Construction, Colas, TF1 and Bouygues Telecom, under which Bouygues provides services (principally management, human resources, information technology and financial services) to its various sub-groups, for a period of one year starting 1 January 2017.

#### FINANCIAL TERMS ASSOCIATED WITH THESE AGREEMENTS

The principle behind these agreements is based on rules for allocating and invoicing the cost of shared services, including specific services and a share of residual costs, up to a limit expressed as a percentage of sales of the subsidiary concerned.

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

| € | Amount excl. VAT |
|---|---|
| Bouygues Construction | 17,503,338 |
| Colas | 17,543,667 |
| TF1 | 3,557,414 |
| Bouygues Telecom | 8,844,508 |

**Persons concerned**

- **Bouygues Construction:** Olivier Bouygues (director), Philippe Marien (standing representative of Bouygues on the Board of Directors of Bouygues Construction);
- **Colas:** Olivier Bouygues and Colette Lewiner (directors), Philippe Marien (standing representative of Bouygues on the Board of Directors of Colas);
- **TF1:** Martin Bouygues, Olivier Bouygues and Olivier Roussat (directors), Philippe Marien (standing representative of Bouygues on the Board of Directors of TF1);
- **Bouygues Telecom:** Olivier Bouygues, Edward Bouygues and Philippe Marien (directors), Olivier Roussat (Chairman and CEO).

*In accordance with the authorisation of the Board of Directors of 15 November 2016.*

### 2) Service agreement with SCDM

The Combined Annual General Meeting of 27 April 2017 approved the renewal of the service agreement between Bouygues and SCDM for a period of one year starting 1 January 2017.

#### FINANCIAL TERMS ASSOCIATED WITH THIS AGREEMENT

Under this agreement, during 2017:

- SCDM invoiced Bouygues €5,352,832 excluding VAT. This amount mainly corresponds (86.80% of the total) to the salaries of Martin Bouygues and Olivier Bouygues and the corresponding social security and tax charges. The remainder (13.20% of the total) is for the salaries of the members of their teams and the corresponding social security and tax charges.
- Bouygues invoiced SCDM €280,460.

**Persons concerned**

**SCDM:** Martin Bouygues (Chairman), Olivier Bouygues (CEO), Edward Bouygues (standing representative of SCDM on the Board of Directors of Bouygues), Cyril Bouygues (standing representative of SCDM Participations on the Board of Directors of Bouygues).

*In accordance with the authorisation of the Board of Directors of 15 November 2016.*

### 3) Supplementary retirement benefits granted to senior executives

The Combined Annual General Meeting of 27 April 2017 approved, for the 2017 financial year, the renewal of the defined-benefit collective pension agreement for members of the Group Management Committee, which includes the Executive Officers and salaried directors of Bouygues, as well as the cross-charging agreements whereby Bouygues invoices its subsidiaries Bouygues Construction, Colas, TF1 and Bouygues Telecom for their share of premiums paid to the insurance company in respect of the contributions relating to their senior executives.

#### FINANCIAL TERMS ASSOCIATED WITH THIS AGREEMENT

The contribution paid by Bouygues for 2017 in respect of the four Executive Officers (in their capacity as Executive Officers of Bouygues SA) into the asset fund operated by the insurance company amounted to €1.7 million excluding VAT, or €2.1 million after applying the social security levy (URSSAF) of 24%.

Bouygues invoiced the following amounts to the subsidiaries (including the 24% levy):

| € | Amount excl. VAT |
|---|---|
| Bouygues Construction | 712,545 |
| Colas | 712,545 |
| TF1 | 443,088 |
| Bouygues Telecom | 258,018 |

**Persons concerned**

- **Bouygues Construction:** Olivier Bouygues (director), Philippe Marien (standing representative of Bouygues on the Board of Directors of Bouygues Construction);
- **Colas:** Olivier Bouygues and Colette Lewiner (directors), Philippe Marien (standing representative of Bouygues on the Board of Directors of Colas);
- **TF1:** Martin Bouygues, Olivier Bouygues and Olivier Roussat (directors), Philippe Marien (standing representative of Bouygues on the Board of Directors of TF1);
- **Bouygues Telecom:** Olivier Bouygues, Edward Bouygues and Philippe Marien (directors), Olivier Roussat (Chairman and CEO).

### 4) Service agreements (Open Innovation)

The Combined Annual General Meeting of 27 April 2017 approved, for the 2017 financial year, the renewal of service agreements with Bouygues Construction, Colas, TF1 and Bouygues Telecom.

The purpose of these agreements is to define the terms and conditions whereby Bouygues, either directly or through the intermediary of its wholly-owned subsidiary Bouygues Développement, provides the aforementioned companies with consultancy services and services related to the management of their holdings in innovative companies.

#### FINANCIAL TERMS ASSOCIATED WITH THESE AGREEMENTS

The consultancy services provided to the business segments are an integral part of the shared services provided by Bouygues to the different business segments. As such, the consultancy services are invoiced directly through the shared service agreements set forth in point 1. above. The amount invoiced represents each business segment's share of the residual cost of the shared services.

In return for the management services, each dedicated sub-subsidiary pays Bouygues, on a pro rata temporis basis, a flat monthly fee of €750 excluding VAT per holding in an innovative company managed under the agreement.

In 2017, Bouygues invoiced the following amounts (excluding VAT):

- €32,250 to Construction Venture (Bouygues Construction subsidiary);
- €18,000 to CIB Développement (Colas subsidiary);
- €61,500 to Bouygues Telecom Initiatives (Bouygues Telecom subsidiary).

**Persons concerned**

- **Bouygues Construction:** Olivier Bouygues (director), Philippe Marien (standing representative of Bouygues on the Board of Directors of Bouygues Construction);
- **Colas:** Olivier Bouygues and Colette Lewiner (directors), Philippe Marien (standing representative of Bouygues on the Board of Directors of Colas);
- **TF1:** Martin Bouygues, Olivier Bouygues and Olivier Roussat (directors), Philippe Marien (standing representative of Bouygues on the Board of Directors of TF1);
- **Bouygues Telecom:** Olivier Bouygues, Edward Bouygues and Philippe Marien (directors), Olivier Roussat (Chairman and CEO).

*In accordance with the authorisation of the Board of Directors of 15 November 2016.*

### 5) Tax election agreements

The Combined Annual General Meeting of 27 April 2017 approved the renewal of the tax election agreements entered into with Bouygues Construction and Colas for a tacitly renewable five-year period from 1 January 2017 to 31 December 2021.

**Persons concerned**

- **Bouygues Construction:** Olivier Bouygues (director), Philippe Marien (standing representative of Bouygues on the Board of Directors of Bouygues Construction);
- **Colas:** Olivier Bouygues and Colette Lewiner (directors), Philippe Marien (standing representative of Bouygues on the Board of Directors of Colas).

*In accordance with the authorisation of the Board of Directors of 15 November 2016.*

### 6) Amendment to the internal audit service agreement with Bouygues Telecom

The Combined Annual General Meeting of 27 April 2017 approved the signature of a second amendment to the 1 September 2014 internal audit service agreement between Bouygues and Bouygues Telecom, extending it to 31 December 2017; the other terms of the agreement remained unchanged.

#### FINANCIAL TERMS ASSOCIATED WITH THIS AGREEMENT

The remuneration payable to Bouygues in consideration for the services was a flat fee of €330,000 excluding VAT for the period from 1 January 2017 to 31 December 2017.

**Persons concerned**

**Bouygues Telecom:** Olivier Bouygues, Edward Bouygues and Philippe Marien (directors), Olivier Roussat (Chairman and CEO).

*In accordance with the authorisation of the Board of Directors of 15 November 2016.*

### 7) Trademark licence agreements

Bouygues has entered into trademark licence agreements with certain subsidiaries, including Bouygues Construction and Bouygues Telecom, entitling them to use various trademarks, company names and trade names under specific conditions.

**7.1)** The Combined Annual General Meeting of 26 April 2012 approved the signature of a single trademark licence agreement between Bouygues and Bouygues Construction in respect of the following trademarks: "Bouygues Construction", "Bouygues Bâtiment", "Bouygues Travaux Publics", "Bouygues TP" and the "Ellipse" logo. The Combined Annual General Meeting of 25 April 2013 approved the signature of an amendment to the agreement authorising Bouygues Construction, with no alteration to the fee, to sub-license to its subsidiary Bouygues Energies & Services the right to use the "Bouygues Energies & Services" and "Bouygues E & S" trademarks in France and a number of foreign countries.

This agreement came into force on 1 January 2012 for fifteen years, i.e. until 31 December 2026.

#### FINANCIAL TERMS ASSOCIATED WITH THIS AGREEMENT

Bouygues invoiced Bouygues Construction €500,000 excluding VAT in respect of this agreement in 2017.

**Person concerned**

**Bouygues Construction:** Olivier Bouygues (director).

*In accordance with the authorisations of the Board of Directors of 6 December 2011 and 29 January 2013.*

**7.2)** The Combined Annual General Meeting of 29 April 2010 approved the signature of a trademark licence agreement in respect of the "Bouygues Telecom", "Bouygtel" and "Bouygnet" trademarks. This agreement came into force on 9 December 2009 for fifteen years, i.e. until 9 December 2024. An amendment to this agreement was authorised by the Board of Directors on 24 February 2015 and was approved by the Combined Annual General Meeting of 21 April 2016.

#### FINANCIAL TERMS ASSOCIATED WITH THIS AGREEMENT

Bouygues invoiced Bouygues Telecom €700,000 excluding VAT in respect of this agreement in 2017.

**Person concerned**

**Bouygues Telecom:** Olivier Bouygues (director).

*In accordance with the authorisations of the Board of Directors of 1 December 2009 and 24 February 2015.*

### 8) Sub-lease agreement concerning the Challenger building

The Combined Annual General Meeting of 22 April 2000 approved the signature of a sub-lease agreement with Bouygues Construction for part of the Challenger building in Saint-Quentin-en-Yvelines (France). This agreement will expire on 31 December 2021.

#### FINANCIAL TERMS ASSOCIATED WITH THIS AGREEMENT

Bouygues Construction invoiced Bouygues €140,488 excluding VAT in respect of this agreement in 2017.

**Person concerned**

**Bouygues Construction:** Olivier Bouygues (director).

*In accordance with the authorisation of the Board of Directors of 4 November 1999.*

### 9) Aircraft availability agreement between Airby and Bouygues

Bouygues has signed an aircraft charter agreement, including pilots and flight service fees, with Airby (a company owned indirectly by Bouygues and SCDM).

The agreement is for an indefinite period. It was approved by the Combined Annual General Meeting of 26 April 2012. An amendment to the agreement was approved by the Combined Annual General Meeting of 24 April 2014.

The price per flight hour is revised annually to reflect market prices.

The overall price per flight hour remained unchanged in 2017. The overall price for the "Global" aircraft is €7,000 excluding VAT per flight hour. When

Airby provides an aircraft that has been rented on the market, the rental is invoiced at cost plus €1,000 excluding VAT, which remunerates the charter service provided.

Airby invoiced Bouygues €428,367 excluding VAT in respect of this agreement in 2017.

**Persons concerned**

**SCDM:** Martin Bouygues (Chairman), Olivier Bouygues (CEO).

*In accordance with the authorisations of the Board of Directors of 15 November 2011 and 13 November 2013.*

### Agreements and commitments under which no transactions took place during the last financial year

We were also informed of the following agreements and commitments approved by Annual General Meetings in previous years but under which no transactions took place during the last financial year.

#### Liability for defence costs

The Combined Annual General Meeting of 28 April 2005 approved the principle of Bouygues assuming any defence or other legal costs incurred by Bouygues senior executives or employees in connection with criminal proceedings resulting in discharge or acquittal, where such proceedings are brought against them for acts committed in performance of their duties or for merely holding office as director, Chairman, Chief Executive Officer, Deputy Chief Executive Officer or any equivalent office in a Group company.

No amounts were paid in respect of this agreement in 2017.

Paris-La Défense, 21 February 2018

The Statutory Auditors

| | |
|---|---|
| **ERNST & YOUNG Audit** | **MAZARS** |
| Laurent Vitse | Gilles Rainaut |

## 8.3.2 Other auditors' reports to the Ordinary General Meeting

The other auditors' reports to the Ordinary General Meeting are provided in sections 7.2 (Auditors' report on the consolidated financial statements) and 7.4 (Auditors' report on the parent company financial statements) of this Registration Document.

## 8.3.3 Auditors' reports to the Extraordinary General Meeting

To the shareholders,

### Auditors' report on the reduction of share capital

#### Fifteenth resolution

In our capacity as auditors of Bouygues, and as required under Article L. 225-209 of the Commercial Code in the event of a capital reduction by cancellation of repurchased shares, we present below our report on our assessment of the reasons for the proposed capital reduction and the terms and conditions thereof.

The Board of Directors is asking shareholders to grant it full powers, for a period of eighteen months as from the date of this meeting, to cancel, up to a limit of 10% of the share capital over any twenty-four month period, shares purchased pursuant to an authorisation given to the company to buy back its own shares within the scope of the Article mentioned above.

We performed the procedures we considered necessary in accordance with the professional standards issued by the French statutory auditors' board, the CNCC. Those procedures involved assessing whether or not the reasons for and terms and conditions of the proposed capital reduction, which respects the equal rights of all shareholders, are proper.

We have no matters to report concerning the reasons for and terms and conditions of the proposed capital reduction.

### Auditors' report on the proposed issue of equity warrants free of charge in the event of a public offer for the company's shares

#### Sixteenth resolution

In our capacity as auditors of Bouygues and as required under Article L. 228-92 of the Commercial Code, we present below our report on the proposed issue of equity warrants free of charge in the event of a public offer for the company's shares, which shareholders are asked to approve.

Based on its report, the Board of Directors is asking shareholders to grant it the power, for a period of eighteen months as from the date of this meeting, and pursuant to Article L. 233-32 II of the Commercial Code, to:

- decide to issue equity warrants giving the holders preferential subscription rights to one or more shares in the company pursuant to Article L. 233-32 II of the Commercial Code, and to allot such warrants free of charge to all eligible shareholders prior to the expiry of the offer period;
- set the terms and conditions of exercise and any other characteristics of the equity warrants.

The maximum number of shares that may be issued upon exercise of the warrants may not exceed one quarter of the number of shares that make up the share capital at the time the warrants are issued or the nominal amount of €91,500,000, and the maximum number of warrants issued may not exceed one quarter of the number of shares that make up the share capital at the time the warrants are issued.

The Board of Directors is responsible for preparing a report in accordance with Articles R. 225-113 *et seq.* of the Commercial Code. Our responsibility is to express an opinion on the fairness of the financial information taken from the financial statements and on other specific information regarding the issue contained in this report.

We performed the procedures we considered necessary in accordance with the professional standards issued by the French statutory auditors' board, the CNCC. Those procedures involved verifying the information provided in the Board of Directors' report on this transaction.

We have no matters to report concerning the information provided in the Board of Directors' report on the proposed issue of equity warrants in the event of a public offer for the company's shares.

In accordance with Article R. 225-116 of the Commercial Code, we will draw up a supplementary report if and when this authorisation is used by the Board of Directors.

Paris-La Défense, 9 March 2018

The Statutory Auditors

| **MAZARS** | **ERNST & YOUNG Audit** |
|---|---|
| Gilles Rainaut | Laurent Vitse |

# 8.4 DRAFT RESOLUTIONS

## 8.4.1 Ordinary General Meeting

### First resolution

**(Approval of the parent company financial statements and transactions for the year ended 31 December 2017)**

The Annual General Meeting, having satisfied the quorum and majority requirements for ordinary general meetings, having acquainted itself with the parent company financial statements for the year ended 31 December 2017, the management report of the Board of Directors and the auditors' report on the parent company financial statements, hereby approves the parent company financial statements for the year ended 31 December 2017, showing a net profit of €102,398,551.57 million, as well as the transactions recorded in those financial statements and disclosed in those reports.

### Second resolution

**(Approval of the consolidated financial statements and transactions for the year ended 31 December 2017)**

The Annual General Meeting, having satisfied the quorum and majority requirements for ordinary general meetings, having acquainted itself with the consolidated financial statements for the year ended 31 December 2017, the Board of Directors' report on the management of the Group included in the management report in accordance with Article L. 233-26 of the Commercial Code, and the auditors' report on the consolidated financial statements, hereby approves the consolidated financial statements for the year ended 31 December 2017, showing a net profit of €1,085 million, as well as the transactions recorded in those financial statements and disclosed in those reports.

### Third resolution

**(Appropriation of 2017 earnings, setting of dividend)**

The Annual General Meeting, having satisfied the quorum and majority requirements for ordinary general meetings, having acquainted itself with the Board of Directors' management report and the statutory auditors' report on the parent company financial statements, notes that net profit for the year ended 31 December 2017 amounts to €102,398,551.57, which minus the transfer to the legal reserve of €26,276.20 and plus retained earnings of €2,191,898,164.27 gives distributable earnings of €2,294,270,439.64.

The meeting resolves, on the proposal of the Board of Directors, to appropriate earnings as follows:

| € | |
|---|---|
| **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** |
| **Appropriation** | |
| • Dividend [a] | 622,412,984.50 |
| • Retained earnings carried forward | 1,671,857,455.14 |

(a) €1.70 × 366,125,285 shares.

Accordingly, the dividend for the year ended 31 December 2017 is hereby set at €1.70 per share carrying dividend rights.

The ex-date for the Euronext Paris market will be 2 May 2018, and the dividend will be payable in cash on 4 May 2018 based on positions qualifying for payment on the evening of 3 May 2018.

The entire dividend payout will be eligible for the optional 40% tax relief mentioned in paragraph 2 of Article 158-3 of the General Tax Code.

If the company holds some of its own shares at the dividend payment date, the dividends not paid on those shares shall be allocated to retained earnings.

In accordance with law, the Annual General Meeting notes that the following dividends were paid for financial years 2014, 2015 and 2016:

| | **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.

## Fourth resolution

**(Approval of regulated agreements and commitments specified in Article L. 225-38 of the Commercial Code)**

The Annual General Meeting, having satisfied the quorum and majority requirements for ordinary general meetings, having acquainted itself with the auditors' special report, and pursuant to Article L. 225-40 of the Commercial Code, hereby approves the regulated agreements and commitments set out in this report that have not yet been approved by the Annual General Meeting.

## Fifth resolution

**(Approval of the commitment relative to the defined-benefit pension scheme to which Martin Bouygues, Chairman and Chief Executive Officer, is entitled)**

The Annual General Meeting, having satisfied the quorum and majority requirements for ordinary general meetings, having acquainted itself with the auditors' special report, and pursuant to Article L. 225-42-1 of the Commercial Code, hereby approves the commitment relative to the defined-benefit pension scheme to which Martin Bouygues is entitled, with effect from 16 May 2017, the date of the renewal of his appointment as Chairman and Chief Executive Officer.

## Sixth resolution

**(Approval of the commitment relative to the defined-benefit pension scheme to which Olivier Bouygues, Deputy Chief Executive Officer, is entitled)**

The Annual General Meeting, having satisfied the quorum and majority requirements for ordinary general meetings, having acquainted itself with the auditors' special report, and pursuant to Article L. 225-42-1 of the Commercial Code, hereby approves the commitment relative to the defined-benefit pension scheme to which Olivier Bouygues is entitled, with effect from 30 August 2017, the date of the renewal of his appointment as Deputy Chief Executive Officer.

## Seventh resolution

**(Approval of the remuneration components and benefits paid or awarded to Martin Bouygues, in his capacity as Chairman and Chief Executive Officer, in respect of the year ended 31 December 2017)**

The Annual General Meeting, having satisfied the quorum and majority requirements for ordinary general meetings, pursuant to Article L. 225-100 of the Commercial Code, having acquainted itself with the Report on corporate governance, hereby approves the fixed and variable components of the total remuneration and benefits of all kinds paid or awarded in respect of the year ended 31 December 2017 to Martin Bouygues, Chairman and Chief Executive Officer. Those components are set out in chapter 5, section 5.4.1 of this Registration Document.

## Eighth resolution

**(Approval of the remuneration components and benefits paid or awarded to Olivier Bouygues, in his capacity as Deputy Chief Executive Officer, in respect of the year ended 31 December 2017)**

The Annual General Meeting, having satisfied the quorum and majority requirements for ordinary general meetings, pursuant to Article L. 225-100 of the Commercial Code, having acquainted itself with the Report on corporate governance, hereby approves the fixed and variable components of the total remuneration and benefits of all kinds paid or awarded in respect of the year ended 31 December 2017 to Olivier Bouygues, in his capacity as Deputy Chief Executive Officer. Those components are set out in chapter 5, section 5.4.1 of this Registration Document.

## Ninth resolution

**(Approval of the remuneration components and benefits paid or awarded to Philippe Marien, in his capacity as Deputy Chief Executive Officer, in respect of the year ended 31 December 2017)**

The Annual General Meeting, having satisfied the quorum and majority requirements for ordinary general meetings, pursuant to Article L. 225-100 of the Commercial Code, having acquainted itself with the Report on corporate governance, hereby approves the fixed and variable components of the total remuneration and benefits of all kinds paid or awarded in respect of the year ended 31 December 2017 to Philippe Marien, in his capacity as Deputy Chief Executive Officer. Those components are set out in chapter 5, section 5.4.1 of this Registration Document.

## Tenth resolution

**(Approval of the remuneration components and benefits paid or awarded to Olivier Roussat, in his capacity as Deputy Chief Executive Officer, in respect of the year ended 31 December 2017)**

The Annual General Meeting, having satisfied the quorum and majority requirements for ordinary general meetings, pursuant to Article L. 225-100 of the Commercial Code, having acquainted itself with the Report on corporate governance, hereby approves the fixed and variable components of the total remuneration and benefits of all kinds paid or awarded in respect of the year ended 31 December 2017 to Olivier Roussat, in his capacity as Deputy Chief Executive Officer. Those components are set out in chapter 5, section 5.4.1 of this Registration Document.

## Eleventh resolution

**(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)**

The Annual General Meeting, having satisfied the quorum and majority requirements for ordinary general meetings, pursuant to Article L. 225-37-2 of the Commercial Code, having acquainted itself with the Report on corporate governance, hereby approves the principles and criteria for determining, allocating and awarding the fixed, variable and exceptional components of the total remuneration and benefits of all kinds awarded to Executive Officers, in their capacity as either Chairman and Chief Executive Officer or Deputy Chief Executive Officer. Those principles and criteria are set out in chapter 5, section 5.4.2 of this Registration Document.

## Twelfth resolution

### (Renewal of the term of office of Martin Bouygues as a director for three years)

The Annual General Meeting, having satisfied the quorum and majority requirements for ordinary general meetings, renews the term of office of Martin Bouygues as a director for three years. This term shall expire after the Annual General Meeting called to approve the financial statements for 2020.

## Thirteenth resolution

### (Renewal of the term of office of Anne-Marie Idrac as a director for three years)

The Annual General Meeting, having satisfied the quorum and majority requirements for ordinary general meetings, renews the term of office of Anne-Marie Idrac as a director for three years. This term shall expire after the Annual General Meeting called to approve the financial statements for 2020.

## Fourteenth resolution

### (Authorisation to the Board of Directors to trade in the company's shares, for a period of eighteen months, up to a limit of 5% of the share capital)

The Annual General Meeting, having satisfied the quorum and majority requirements for ordinary general meetings, pursuant to Article L. 225-209 of the Commercial Code, having acquainted itself with the Board of Directors' report including its description of the share buy-back programme:

1. authorises the Board of Directors to buy back, under the conditions set out below, shares representing up to 5% of the company's share capital at the date on which the authorisation is used, in compliance with the prevailing legal and regulatory conditions at that date;
2. resolves that the purpose of this authorisation is to enable the company, in relation to market practice accepted by the AMF, an objective specified in Article 5 of Commission Regulation (EU) No. 596/2014 on market abuse, or an objective mentioned in Articles L. 225-209 *et seq.* of the Commercial Code, to:
   - reduce share capital by cancelling shares under the conditions laid down by law, subject to authorisation by the Extraordinary General Meeting,
   - 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,
   - grant or sell shares to employees or corporate officers of the company or related companies under the terms and conditions laid down by law, in particular as part of profit-sharing schemes, stock option plans, company savings schemes and Group savings schemes or through allotment of free shares,
   - 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,
   - retain shares and, where applicable, deliver them subsequently as a medium of payment or exchange in an acquisition, merger, spin-off or asset-for-share exchange, in accordance with applicable regulations,
   - implement any market practice accepted by the AMF and generally to carry out any other transaction in compliance with prevailing regulations;
3. resolves that the acquisition, sale, transfer or exchange of these shares may be carried out, on one or more occasions, in compliance with rules issued by the AMF in its Position-Recommendation DOC-2017-04, on all markets or off-market, including on Multilateral Trading Facilities (MTFs) or via a systematic "internaliser", or over-the-counter, in any manner, notably through the acquisition or sale of blocks of shares, using derivative financial instruments and at any time, including during a period of a public offer for the company's shares. All or part of the programme may be carried out through block trades;
4. resolves that the maximum purchase price be set at €65 (sixty-five euros) per share, subject to any adjustments in connection with share capital transactions. If share capital is increased by incorporating premiums, earnings or reserves into capital and allotment of free shares, or in the event of a stock split or reverse stock split, the price indicated above shall be adjusted by a multiplication factor equal to the ratio of the number of shares making up the share capital before the transaction to the number of shares after the transaction;
5. sets at €1,200,000,000 (one billion two hundred million euros) the maximum amount of funds that can be used for the share buy-back programme thus authorised, corresponding to a maximum of 18,500,000 shares purchased at a price of €65 (sixty-five euros) per share as authorised above;
6. notes that, in accordance with law, the total shares held at any given date may not exceed 10% of the share capital in issue at that date;
7. gives full powers to the Board of Directors, with the power to sub-delegate under and in accordance with applicable law, to implement this authorisation, place all stock market orders, conclude all agreements, in particular with a view to the registration of purchases and sales of shares, completing all steps, declarations and formalities with the AMF and any other body, and in general, taking all necessary measures to execute the decisions taken within the scope of this authorisation;
8. resolves that the Board of Directors shall inform the Annual General Meeting of the transactions carried out, in accordance with applicable regulations;
9. grants this authorisation for eighteen months from the date of this meeting, and notes that it cancels and supersedes the unused portion of any previous authorisation given for the same purpose.

## 8.4.2 Extraordinary General Meeting

### Fifteenth resolution

**(Authorisation to the Board of Directors, for a period of eighteen months, to reduce share capital by cancelling treasury shares held by the company, up to a limit of 10% of the share capital in any twenty-four month period)**

The Annual General Meeting, having satisfied the quorum and majority requirements for extraordinary general meetings, pursuant to Article L. 225-209 of the Commercial Code, having acquainted itself with the Board of Directors' report and the auditors' report:

1. authorises the Board of Directors to cancel, at its own initiative, on one or more occasions, some or all of the shares that the company holds or may hold as a result of utilising the various share buy-back authorisations given by the Annual General Meeting to the Board of Directors, up to a limit of 10% in any twenty-four month period of the total number of shares making up the company's share capital at the date of the transaction;
2. authorises the Board of Directors to charge the difference between the purchase value of the cancelled shares and their par value to all available premium and reserve funds;
3. delegates to the Board of Directors, with the power to sub-delegate under and in accordance with applicable law, full powers to carry out the capital reduction(s) resulting from cancellations of shares authorised by this resolution, to have the relevant entries made in the financial statements, to amend the articles of association accordingly, and generally to attend to all necessary formalities;
4. grants this authorisation for eighteen months from the date of this meeting, and notes that it cancels and supersedes the unused portion of any previous authorisation given for the same purpose.

### Sixteenth resolution

**(Delegation of powers to the Board of Directors, for a period of eighteen months, to issue equity warrants during a period of a public offer for the company's shares, up to a limit of 25% of the share capital)**

The Annual General Meeting, in extraordinary session but having satisfied the quorum and majority requirements for ordinary general meetings, having acquainted itself with the Board of Directors' report and the auditors' report, and in accordance with Article L. 233-32 II of the Commercial Code:

1. delegates to the Board of Directors the power to issue warrants on one or more occasions, during the period of a public offer for the company's shares, giving rights to subscribe on preferential terms for one or more shares in the company, and to allot such warrants free of charge to all shareholders who hold shares in the company prior to expiry of the offer period. These warrants will lapse automatically as soon as the offer and any other competing offer has failed, lapsed or been withdrawn;
2. resolves that the capital increase that may result from the exercise of such equity warrants may not exceed one quarter of the number of shares that make up the capital at the time the warrants are issued, or the nominal amount of €91,500,000 (ninety-one million five hundred thousand euros), and that the maximum number of equity warrants that may be issued shall not exceed one quarter of the number of shares that make up the capital at the time the warrants are issued;
3. resolves that the Board of Directors shall have full powers, with the power to sub-delegate under and in accordance with applicable law, to determine the conditions of exercise of the equity warrants, which must relate to the terms of the offer or any other competing offer, and the other characteristics of the warrants, such as the exercise price or the terms for determining the exercise price, and more generally the characteristics and terms of any issue decided under this delegation;
4. notes that this delegation entails the waiver by shareholders of their pre-emptive rights to ordinary shares in the company to which any warrants issued pursuant to this delegation may give entitlement;
5. grants this delegation for a period of eighteen months as from the date of this meeting, and notes that it cancels and supersedes the unused portion of any previous delegation given for the same purpose.

### Seventeenth resolution

**(Amendment to Article 22 of the articles of association in order to remove the requirement to appoint alternate auditors)**

The Annual General Meeting, having satisfied the quorum and majority requirements for extraordinary general meetings, given the new text of Article L. 823-1 of the Commercial Code, hereby resolves to delete the second paragraph of Article 22 of the company's articles of association, which reads as follows: *"The general meeting of shareholders shall also appoint 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."*

### Eighteenth resolution

**(Powers to carry out formalities)**

The Annual General Meeting, having satisfied the quorum and majority requirements for extraordinary general meetings, gives full powers to the holder of an original, a copy of or an excerpt from the minutes of this Annual General Meeting to carry out all necessary filings, publications and formalities.

# GLOSSARY

**4G consumption:** data consumed on 4G cellular networks, excluding Wi-Fi.

**4G users:** customers who have used the 4G network during the last three months (Arcep definition).

**ARPU (Average Revenue Per User) – quarterly mobile:** the monthly sales figure per customer. It is calculated by dividing:

- the quarterly sales generated from incoming and outgoing calls (voice, texts and data), commissioning expenses, value-added services;
- by the weighted average number of customers (excluding machine to machine customers) in the quarter.

The weighted average number of customers is the average of monthly averages during the period under consideration. The monthly average is the daily average number of customers over the month.

**ARPU (Average Revenue Per User) – quarterly fixed:** the monthly sales figure per customer. It is calculated by dividing:

- the sales generated by incoming and outgoing calls, broadband services, television services (mainly VOD and Catch-up TV) and sales from commissioning expenses and equipment rental;
- by the weighted average number of connections in the quarter.

The weighted average number of connections is the average of the monthly averages over the period under consideration. The monthly average is the arithmetical average of the number of connections at the beginning and end of the month.

**BtoB (business to business):** involves a situation where one business makes a commercial transaction with another.

**Backlog (Bouygues Construction, Colas):** the amount of work still to be done on projects for which a firm order has been taken, i.e. the contract has been signed and has taken effect (after notice to proceed has been issued and suspensory clauses have been lifted).

The backlogs of Bouygues Construction and Colas at 31 December 2017 have not been audited, but will be from January 2018 to take into account the application of IFRS 15.

**Backlog (Bouygues Immobilier):** sales outstanding from notarized sales plus total sales from signed reservations that have still to be notarized.

Under IFRS 11, Bouygues Immobilier's backlog does not include sales from reservations taken via companies accounted for by the equity method (co-promotion companies where there is joint control).

The backlog of Bouygues Immobilier at 31 December 2017 has not been audited, but will be from January 2018 to take into account the application of IFRS 15.

**Construction businesses:** Bouygues Construction, Bouygues Immobilier and Colas.

**EBITDA:** current operating profit before net depreciation and amortization expense, net provisions and impairment losses, reversals of unutilized provisions and impairment losses and before effects of acquisition/loss of control.

**EBITDA margin (Bouygues Telecom):** EBITDA/sales from network.

**Free cash flow:** cash flow minus cost of net debt minus income tax expense minus net capital expenditures. It is calculated before changes in WCR.

The calculation of free cash flow by business segment is set out in Note 16 "Segment information" to the consolidated financial statements, in chapter 7 of this document.

**FTTH (Fibre to the Home):** optical fibre from the central office (where the operator's transmission equipment is installed) all the way to homes or business premises (Arcep definition).

**FTTH premises**

- **secured:** the horizontal deployed, being deployed or ordered up to the concentration point;
- **marketed:** the connectable sockets, i.e. the horizontal and vertical deployed and connected via the concentration point.

**Growth in sales like-for-like and at constant exchange rates:**

- **at constant exchange rates:** change after translating foreign-currency sales for the current period at the exchange rates for the comparative period;
- **on a like-for-like basis:** change in sales for the periods compared, adjusted as follows:
  - for acquisitions, by deducting from the current period those sales of the acquired entity that have no equivalent during the comparative period;
  - for divestments, by deducting from the comparative period those sales of the divested entity that have no equivalent during the current period.

**MtoM:** machine to machine communication. This refers to direct communication between machines or smart devices or between smart devices and people via an information system using mobile communications networks, generally without human intervention.

**Net surplus cash/(net debt):** the aggregate of; cash and cash equivalents, overdrafts and short-term bank borrowings, non-current and current debt, and financial instruments. A positive figure represents net surplus cash and a negative one represents net debt. The main components of change in net debt are presented in Note 9 to the consolidated financial statements in chapter 7 of this document.

**Order intake (Bouygues Construction, Colas):** Order intake (Bouygues Construction, Colas): a project is included under order intake when the contract has been signed and has taken effect (the notice to proceed has been issued and all suspensory clauses have been lifted) and the financing has been arranged. The amount recorded corresponds to the sales the project will generate.

**Sales from network (Bouygues Telecom)** comprise:

- **in the mobile segment:** sales from incoming (voice and texts) and outgoing calls (voice, texts and data), commissioning expenses, value-added services, machine to machine (MtoM) sales, roaming sales and sales generated from mobile virtual network operators (MVNOs);
- **in the fixed segment:** sales from incoming and outgoing calls, fixed broadband services, television services (especially VOD and Catch-up TV) and sales from commissioning expenses and equipment rental.

**Other sales (Bouygues Telecom):** difference between Bouygues Telecom's book sales and sales from network. It includes sales of handsets, accessories, blind spot roaming, non-telecom services and the co-financing of advertising.

**Following the first-time application of the revenue recognition principles of IFRS 15, "Sales from services" will replace "Sales from network" from 1 January 2018.**

**Sales from services (Bouygues Telecom)** comprises:

- Sales billed to customers, which includes:

**IN MOBILE:**

  - **For B2C customers:** sales from outgoing call charges (voice, texts and data), connection fees, and value-added services.
  - **For B2B customers:** sales from outgoing call charges (voice, texts and data), connection fees, and value-added services, plus sales from business services.
  - Machine-To-Machine (M2M) sales.
  - Visitor roaming sales.
  - Sales generated with Mobile Virtual Network Operators (MVNOs).

**IN FIXED:**

  - **For B2C customers:** sales from outgoing call charges, fixed broadband services, TV services (including Video on Demand and catch-up TV), and connection fees and equipment hire.
  - **For B2B customers:** sales from outgoing call charges, fixed broadband services, TV services (including Video on Demand and catch-up TV), and connection fees and equipment hire, plus sales from business services.
  - Sales from bulk sales to other fixed line operators.

- Sales from incoming Voice and Texts.
- Spreading of handset subsidies over the projected life of the customer account, required to comply with IFRS 15.
- Capitalisation of connection fee sales, which are then spread over the projected life of the customer account.

**PIN:** Public-Initiative Network.

**Reservations by value (Bouygues Immobilier):** the € amount of the value of properties reserved over a given period.

- **Residential properties:** the sum of the value of unit and block reservation contracts signed by customers and approved by Bouygues Immobilier, minus registered cancellations.
- **Commercial properties:** these are registered as reservations on notarized sale.
- For co-promotion companies:
  - if Bouygues Immobilier has exclusive control over the co-promotion company (full consolidation), 100% of amounts are included in reservations;
  - if joint control is exercised (the company is accounted for by the equity method), commercial activity is recorded according to the amount of the equity interest in the co-promotion company.

**Very-high-speed:** subscriptions with peak downstream speeds higher or equal to 30 Mbit/s. Includes FTTH, FTTLA, 4G box and VDSL2 subscriptions (Arcep definition).

# CONCORDANCE

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## Historical financial information for 2015 and 2016

Pursuant to Article 28 of Commission Regulation EC No. 809–2004 of 29 April 2004, the following information is included by reference in this Registration Document:

- key financial information and the consolidated financial statements for the year ended 31 December 2015 and the auditors' reports relating thereto, presented respectively on pages 17 to 22 and 230 to 289 of the 2015 Registration Document filed with the Autorité des Marchés Financiers on 16 March 2016 under No. D. 16–0143, and an erratum filed with the Autorité des Marchés Financiers on 15 April 2016;
- key financial information and the consolidated financial statements for the year ended 31 December 2016 and the auditors' reports relating thereto, presented respectively on pages 17 to 22 and 244 to 310 of the 2016 Registration Document filed with the Autorité des Marchés Financiers on 22 March 2017 under No. D. 17–0201.

These documents are available in the Finance/Regulated information section of the Bouygues website at www.bouygues.com.

## Full-year Financial Report

The 2017 Full-year Financial Report, prepared pursuant to Article L. 451-1-2-I of the Monetary and Financial Code and Article 222-3 of the AMF General Regulation, comprises the following sections of the Registration Document:

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## Management report

The management report and the consolidated Group management report are presented as a single report as permitted under Article L. 225-100-1-II of the Commercial Code. The report is included in this Registration Document. It was approved by the Board of Directors at its meeting on 21 February 2018. It contains the following information (unless otherwise stated, the numbers in brackets refer to the relevant articles of the Commercial Code):

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| Information about the purpose of and policy for hedging each main category of planned transactions for which hedge accounting is used; exposure to credit, liquidity and treasury risk; use of financial instruments (L. 225-100-1, I, 6.) | 162-164 |
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| Share buyback programme (L. 225-211) | 235-237 |
| Loans with a maximum term of two years granted by Bouygues to micro-, small- and medium-sized companies (Article L. 511-6 of the Monetary and Financial Code) | not applicable |
| Injunctions or fines imposed by the French Competition Authority for anti-competitive practices which the Authority has required to be disclosed in the Annual Report (L. 464-2) | not applicable |

## Human resources, environmental and social information

The human resources, environmental and social information contained in the management report pursuant to Articles L. 225-102-1, R. 225-105 and R. 225 105-1 of the Commercial Code is included in chapter 3 of this Registration Document on the following pages:

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| **Information which, having regard to Bouygues' business activities or structure, cannot be disclosed or does not seem relevant** | not applicable |

## Report on corporate governance

The report on corporate governance prepared pursuant to Article L. 225-37 of the Commercial Code can be found on pages 179 to 226 of this Registration Document. It was approved by the Board of Directors at its meeting on 21 February 2018.

Information to be provided in this report as set forth at Articles L. 225-37-2 to L. 225-37-5 of the Commercial Code can be found on the following pages:

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| 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 CEO or Deputy CEO | 209-213, 222-224 |
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# STATEMENT BY THE PERSON RESPONSIBLE FOR THE REGISTRATION DOCUMENT

I hereby declare that, to the best of my knowledge, the information in this Registration Document is correct and that all reasonable measures have been taken to that end. There are no omissions likely to alter the scope of this information.

I hereby declare that, to the best of my knowledge, the financial statements have been prepared in accordance with the applicable set of accounting standards and give a true and fair view of the assets, liabilities, financial positions and results of the company and all the undertakings included in the consolidation taken as a whole; and that the management report on pages 5 to 248 and 359 to 364 includes a fair review of the development and performance of the business, the results and the financial position of the company and all the undertakings in the consolidation taken as a whole, and that it describes the principal risks and uncertainties that they face.

I have received a completion letter from the statutory auditors stating that they have verified the information concerning the financial situation and the financial statements set forth in this Registration Document, which they have read in full.

Paris, 20 March 2018

Martin Bouygues
Chairman and CEO

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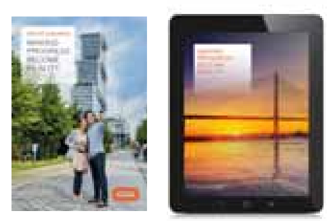
## On the web

- You can access and download the 2017 Registration Document and *2017 At a Glance* on the www.bouygues.com website. You can access the website directly by scanning the QR code[a] with your smartphone or tablet.
- The interactive Registration Document has a powerful search engine and useful internet links. It can also be accessed on tablets and smartphones. It will be available in April 2018.

## On tablets



*2017 At a Glance*[b] is also available on tablets (key videos and photos, and a guide of the Group's main sites around the world). Updated yearly.

Available on the iPhone App Store · Android app on Google play

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- YouTube: Groupe Bouygues

(a) Specific app. and internet connection required.
(b) Chinese (Mandarin), English, French, German, Japanese, Korean, Russian and Spanish (publications available from March).

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