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 2018.

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 2018, 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 2018 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.

Emphasis of matter

Without modifying the opinion expressed above, we draw to your attention the matter described in Note 2 to the consolidated financial statements regarding the first-time application of IFRS 9 and IFRS 15, which are mandatorily applicable from 1 January 2018.

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 for the year ended 31 December 2018, the Group's assets include non-current assets, in particular €6.3 billion of goodwill and €2.6 billion of investments in joint ventures and associates. Note 2.7.4 to the consolidated financial statements explains how the Group accounts for impairment of non-current assets and investments in associates: ▪ 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. ▪ The carrying amounts of indefinite-lived intangible assets and goodwill are compared to their recoverable amounts at least once a year. ▪ 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. 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: ▪ We examined the accounting policies and methods used, to ensure that they are compliant and consistently applied. ▪ We familiarised ourselves with documentation supplied by management in relation to impairment testing, and assessed its compliance with current accounting standards. ▪ 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). ▪ We performed our own analyses of sensitivity to changes in the calculation parameters. ▪ 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
A significant portion of the Group's revenue is derived from construction contracts. Note 2.13.2 explains how construction contracts are accounted for. ▪ 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. ▪ 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. 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. Revenues and margins on construction contracts are particularly sensitive to: ▪ 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; ▪ 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; ▪ methods used to estimate costs incurred and projected future costs (expenditure budgets, assessment of risks and contingencies, scheduling). 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: ▪ 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. ▪ We carried out general IT control tests on tools used to monitor contract execution. ▪ We evaluated and tested the design and implementation of key manual and IT controls used in the Group's most material subsidiaries. ▪ 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. ▪ 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). ▪ 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. ▪ 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**

<table>
<tr><th>Assessed risk</th><th>Our response</th></tr>
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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.

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.
Those notes describe the nature of the provisions intended to cover litigation and claims.

We identified this as a key audit matter, insofar as the amount of provisions for litigation and claims is sensitive to the estimates and assumptions used by the Group and hence can have a material impact on the financial statements.
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Our principal procedures are summarised below:

We examined the accounting policies and methods used, to ensure that they are compliant and consistently applied.
We obtained an understanding of the procedures applied at business segment level to identify, document, validate and monitor non-current provisions.
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:

an examination of documentation and correspondence with third parties, against which we tested management estimates;
an examination of any relevant legal letters and written opinions from the Group's external counsel;
interviews with appropriate managerial staff.

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.
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.

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- **Accounting for significant acquisitions made during the year**

Assessed risk	Our response
As disclosed in Note 1.2.1 to the consolidated financial statements, the Group made the following significant acquisitions in 2018: ▪ the Miller McAsphalt group; ▪ the Alpiq Engineering Services group; ▪ the aufeminin group. Note 2.4 explains how business combinations are accounted for: ▪ At the acquisition date, goodwill 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. ▪ Subsequently, goodwill is carried at cost net of any impairment losses determined in accordance with IAS 36. We identified the accounting treatment and presentation of these acquisitions as a key audit matter given the significant amounts of assets acquired and liabilities assumed, and the need to exercise judgement in identifying and measuring those assets and liabilities in accordance with the revised IFRS 3 (in particular as regards estimates of the fair value of property, plant and equipment and intangible assets).	Our principal procedures are summarised below: ▪ We obtained documentation relating to the transaction, including the acquisition agreement and (where relevant) the public tender offer and squeeze-out procedure. ▪ We spoke to management to obtain an understanding of the characteristics of the acquisitions, and to assess whether their accounting treatment was consistent with IFRS 10 and the revised IFRS 3. ▪ Where relevant, we performed audit procedures on the consolidated balance sheet of the acquired sub-group as at the acquisition date. ▪ We evaluated the methods used for first-time consolidation, familiarised ourselves with the Group's own assessments of whether its accounting policies had been correctly applied, and examined the determination of provisional goodwill. ▪ Based on the independent expert's reports on the provisional goodwill allocation and with assistance from our own valuation experts, we assessed the independent expert's procedures and conclusions and the assumptions used to remeasure the acquired assets and assumed liabilities by reference to the criteria specified in the applicable accounting standards. ▪ We assessed the appropriateness of the disclosures about the acquisitions provided in the notes to the financial statements.

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.

We hereby attest that the consolidated statement of extra-financial performance required pursuant to Article L. 225-102-1 of the Commercial Code is included in the management report, with the caveat that in accordance with Article L. 823-10 of that Code, we have not verified the fair presentation or consistency with the consolidated financial statements of the information contained in the statement of extra-financial performance.

Information required under other legal or regulatory obligations

Appointment as auditors

We were appointed as auditors of Bouygues by your Annual General Meetings of 10 June 1998 (Mazars) and of 24 April 2003 (Ernst & Young Audit).

As of 31 December 2018, Mazars was in its twenty-first uninterrupted year as auditor, and Ernst & Young Audit in its sixteenth.

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 submit a report to the Accounts Committee that describes *inter alia* the scope of our audit, the work programme followed, and our findings. We also inform 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 also provide the Accounts Committee with 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, 20 February 2019

The Statutory Auditors

MAZARS	**ERNST & YOUNG Audit**
Gilles Rainaut	Laurent Vitse