

# **Annual General Meeting 26 April 2012**

QUESTIONS – ANSWERS



**QUESTIONS ASKED AT THE COMBINED ANNUAL GENERAL MEETING**

This is a summary of the questions asked orally and in writing during the AGM and the answers to them.

SHAREHOLDER STRUCTURE

- *What proportion of share capital is held by individual shareholders, French institutional investors, foreign institutional investors and by employees?*

Individual shareholders own between 3%and 5% of capital. The rest of the information is given in the following table:

	% of share capital	% of voting rights vote
SCDM	21.1%	29.6%
Employees	23.3%	28.1%
Other French shareholders	19.5%*	16.5%
Foreign shareholders	36.1%**	25.8%

*\*o/w identified French institutional shareholders: 31.9% of total number of shares*

*\*\*o/w identified foreign institutional shareholders: 11.9% of total number of shares*

- *In 2011, what was the rate of free float turnover?*

Share turnover, as calculated against the total number of shares, was 8.81%.

- *Can you comment on the return of Mr Bolloré?*

As an industrialist, Mr Bolloré has a wide variety of holdings, for example in media, electric cars and batteries. He bought a stake in us then sold it. Perhaps he'll be back. Who knows?

AREVA

- *Are you still interested in Areva?*

The tragic events that took place in Fukushima have shaken up the nuclear industry. Nuclear power is a highly advanced technology in which France is a front runner, most notably through the EPR. It also requires substantial investment. The government has clearly stated that it does not wish to change the way in which the industry is currently run in France. Areva’s new management team are spearheading initiatives to bring clarity to their accounts, especially concerning mining and, at the same time, soothe relations with its two major clients, EDF and Finland. We will see how matters pan out. In any event, we are a key partner for Areva. We are building the only two EPRs under construction outside China: one in Finland, for which the civil engineering part is almost complete, and in Flamanville. For now, there is nothing on the agenda concerning Areva.

## BOUYGUES TELECOM

- *Would you ever consider spinning off Bouygues Telecom?*

Even if we wanted to, conditions are by no means right at the moment. We are still waiting for the dust to settle in the telecoms market. Telecoms has a huge impact on our share price. The situation is complex — some might say absurd: the market valuations of the three incumbents, France Télécom, Vivendi and Bouygues (three CAC 40 heavyweights), have been dragged down by the arrival of the fourth licence holder. This is a political choice. The fourth operator has taken the mobile market by storm. Lastly, the outcome has been quite different from what one might have expected. I hope matters will become clearer in the months ahead. It is our job to prove that we are a modern, effective company that delivers good products about which customers are satisfied, and one which is spearheading innovation. We are making every effort to do this. At the same time, we are reducing our costs, and I hope the results of this will become tangible in the months ahead.

- *Are you worried that Free might one day try to break into the prepaid market?*

It is normal for us to worry about what our competitors might do. We have made huge efforts: over the past two years we have reviewed our sales and marketing strategies from top to bottom, introducing a large dose of innovation, most notably with the B&You portal, which was launched six months before Free came on the scene.

- *Wouldn't it be wiser to go head to head with the Free Box, Free's cash cow which enables it to fund its predatory customer deals?*

Of course. This is the technology that we have shown you. It is more advanced and performs better than the Free Box. This will be our chosen battleground. Watch out for announcements and news in the coming weeks and months.

- *Why didn't you launch B&YOU earlier to increase customer loyalty through lower bills, thereby pulling the rug from under Free's feet?*

This is what we did, a full six months prior! Anyway, it was clear that however good a deal B&You was, Free would always price their offer lower. We suspected this would happen and it did. We have no regrets about the route we have taken.

- *You said that you were taken aback by Free when it started mobile operations. But the news was out there. Shouldn't you have waited for the operator to join the market before cutting prices? How has Free Mobile affected your R&D division? Have you had to increase capital expenditure? Have you had to join forces on intellectual property?*

Regarding Free, we were taken aback by the method and the message as opposed to the call plan itself, which was perfectly foreseeable. Price wise, it had been said that the French public would gain purchasing power. That is the case for now, but how long can this last? In a low-growth market, the addition of a new operator — with all the investment, financial expense, operating expenses and overheads that this entails — cannot lead to a lasting decline in prices. In fact, this has sent the costs to be shouldered by the industry as a whole soaring. I cannot see how this will have a lastingly beneficial effect on prices. Long before the fourth licence was granted, I had stated that this would

have a negative effect on prices, jobs and national income. Unfortunately, this has proven right on all three counts. This operation will cost France's budget more than one billion euros annually for several years due to the corporate tax shortfall from the four mobile telephone companies.

### SHARE REPURCHASE TENDER OFFER

- *While the share repurchase tender offer sent a strong signal to the market, it did little to remedy the weakness in the share price. Might you repeat this initiative in the near term?*
- *You offered to repurchase shares at €30. That should have benefited shareholders once the repurchased shares were cancelled. Earnings per share may have increased, but the dividend has stayed the same and the share price has fluctuated between €20 and €22 compared with the repurchase tender offer at €30. Who has gained from this large-scale buyback?*
- *You bought back Bouygues shares at €30 this summer. The share is now worth around €22. What was the point of buying back 20% of the capital? Might you not buy back the stock more cheaply next time?*
- *Given that the repurchase tender offer was launched with stockmarkets in turmoil, why did you not instead choose to buy stock gradually and discreetly over time, moving down with the stock price, which fluctuated between €20 in August and €23 in November — which would have cost much less and been more in keeping with your image as a cautious businessman, rather than enforce a price of €30?*

The purpose of the share repurchase tender offer was to buy back shares on reasonable terms. The valuation of €30 was established in accordance with existing regulations. The share repurchase tender offer was not decided upon overnight. It was by far the best option from the standpoint of business ethics and equal treatment between different shareholders. Broadly speaking, it is a fair transaction because longer-term shareholders, both large and small, see their interest in the company rise. In that respect, the share repurchase tender offer was a successful operation.

Buybacks must be carried out when share prices are low, which was the case at the time. Stock prices are often low in times of market turbulence and turmoil. Buying gradually treats shareholders unequally because only the ones from whom you buy stock gain; the others don't. The outcome is completely different with the repurchase tender offer. It is public, which has a positive impact on the price, although this could have been stronger. Next, in our treatment of shareholders, regardless of the size of their holding, this type of transaction is the most impartial.

### SHARE PRICE

- *How come all your hard work has not been reflected in the share price, which has been languishing for the past 10 years? Technip, whose business activity is no more complex than your own, has seen its share price break one record after another. What is your opinion on this?*

Regarding the comparison between Technip and Bouygues stock prices, I would remind you that during the bubble in the early 2000s, Bouygues reached €97. This shows that stock prices are subject to fads — either driven up by speculation or given the cold shoulder. At the moment, telecoms is hurting us.

In every business area, our teams are first class. I am extremely proud of all employees working at your Group. In every business, we have clear-cut strategies, values shared by all our staff, strong ethical principles, common positions in which we believe and, I think, the right approach to business. Like everyone else, however, we are affected by the crisis. However, our order intake is strong across all our construction businesses.

- *The 2011 In Brief showed dividend growth over ten years but stock performance dates back only to 2010. Why not show stock performance over 10 years?*

So as not to drive you to tears!

#### DIVIDEND

- *What do you think about the idea of a one-off dividend?*

In my opinion, now is not the right time. We have amply fulfilled our obligations. Now we must look after business development — which is what we are doing.

- *Would you consider a scrip dividend?*

We did this a long time ago. Scrip dividends are hard to manage. It's not completely out of the question but for now this is not the choice we have made.

#### FINANCES

- *In your opinion, what is the Group's uppermost level of gearing and/or banking covenant ratios?*

We are not subject to banking covenants. The Group's gearing is perfectly acceptable to me. I don't plan to let it deteriorate particularly.

#### BOUYGUES CONSTRUCTION

- *Are you still shortlisted for the construction of the future French "Pentagon" in Paris (15<sup>th</sup> arrondissement – Balard)?*

We are no longer in the running: we're performing the contract. There is some political wrangling but that should be left to the politicians. We are part of the real economy. This is a genuine contract; the project is being executed. Things are moving ahead. I cannot see how we can shift into reverse.

Both myself and all Group employees were deeply offended by press accusations made in December over suspected collusion between Bouygues employees and civil servants at the French Ministry of Defence. We initiated legal proceedings and won the case, but the ruling took me by surprise. The judge upheld a verdict of libel but also stated that the journalists' work had been sound, and we were ordered to pay costs. This astonished me, so I've launched an appeal against this inexplicable decision, namely that even though the journalists make affirmations without the slightest amount of proof, they are considered to be honestly doing their job.

- *In 2011, Bouygues Construction had to shoulder huge cost overruns on the Flamanville project and on the Gautrain project in South Africa, eating into this business area's operating margin. How much do these cost overruns amount to in 2011? Will this also have an effect on 2012?*

We never give details about cost overruns on construction sites. Gautrain is a huge project. There have been execution issues, which are inherent to this type of construction. The building phase is over and handovers are now taking place. The structure will enter into service this year, most probably. The Flamanville project is continuing and did not experience any particular cost overruns in 2011.

### ALSTOM

- *The French state has established the locations of wind-turbine projects offshore of France. Two or three are likely to be granted to Alstom. What will be Bouygues' involvement in the execution of these projects?*

Civil engineering is not central to wind-turbine projects. However, foundations are a major problem, as these massive turbines are mounted atop masts more than 100 metres high, far from the coast. Agreements have been negotiated. Bouygues will be able to take part, providing expertise for the foundations.

### CORPORATE GOVERNANCE

- *What is the procedure for your replacement as Group head, even though this is not a topical question at the moment?*

I have been asking myself this question ever since I was appointed. It is my responsibility to think about this important issue in conjunction with the Board of Directors. Your Group has a special profile, a solid corporate culture — common to all our employees — and a strong consensus surrounding its culture and values. First of all, I am sure that my successor already works at the Group and, second, that person should be someone who incarnates the Group's values and who is capable of taking it to the next level, modernising it, and moving it forward, all the while remaining true to the values underpinning its success to date. Those are the criteria.

### TAXATION

- *I would like to see the sunny side of Bouygues' share price performance. You informed us just now that, in 2000, Bouygues was trading at €97. Taxing the shareholder is still the name of the game, even though the level of capital gains tax has risen from 19.9% to 34.5%. The disposal threshold has been cancelled. This, by the way, was not a tax break but the only way to take into account inflation amongst widespread indifference to the matter. If you were unfortunate enough to buy Bouygues at €97 in 2000, on a regular account, I advise you in the coming days to go and see your banker and ask him or her to conduct a sale-and-buyback transaction, i.e. you sell your Bouygues shares at market price and buy back the same volume of shares on the same day. If you had bought them at €97, you sell them at €27 and buy them back at €27, you should be able to claim an exemption on the costs of one of the two trades. For every 100 shares, your immediate capital loss will be 100x €70. At the moment, it seems to me that the country only thinks about taxing us. We need to fight our corner.*

Thank you for your encouraging and instructive remarks.

I would add that any investor buying Bouygues shares before the dividend (8%) is not taking a huge risk.

Like yourself, I have been shocked by the debate over tax rates applied to large corporations. It is as if large corporations enjoy special tax treatment in France that helps them avoid paying tax! A year does not go by without taxation increasing. In telecoms, we've had about almost all we can take. I don't understand this debate. People forget that companies pay tax in the countries where they generate their profits. In return, these companies create added value in France along with jobs. But we must still pay attention to what we say.

### CONSTRUCTION BUSINESS

- *Why is margin at the successful Construction and Colas divisions only 4%? What costs so much?*

We are not Hermès. Margins in the construction industry are unfortunately not on a par with luxury goods. At Bouygues Construction, our margins are probably almost as high as at any time in the past 40 years. These are fiercely competitive activities that have always offered low margins.

- *Can you tell us about the construction work you have planned with Vinci at Chernobyl?*

Chernobyl is a tragedy and an industrial disaster. The reactor's core has melted down. There is no way people can get close to the reactor core until fission products have deteriorated, which according to experts will take several thousands of years. The current power plant was encased using helicopters. We remember the pictures of these brave workers, some of whom sacrificed their lives to place makeshift materials above the power plant to try to create a shield. Subsequently, the protective shell above the power station was strengthened, but this shell has been weakening over time. This is why a sarcophagus is needed. This is a large metal structure that will be built away from the plant, slid into place on rails above the plant and then sealed off. My fear is that this structure will not last several thousands of years. Subsequent generations will have to begin again, consolidating and renovating the structure over time. It is a complex, sophisticated piece of engineering through which we are gaining useful expertise in the nuclear field.

### BOUYGUES GROUP

- *How is Bouygues designated by investors? Is it a building and civil works firm? A media company? Or a concession builder and operator? Which description fits best in your opinion?*

Bouygues group is a diversified industrial company as opposed to a conglomerate. This means that all Group employees, regardless of the job they perform, share the same values and professional ethics. Many employees change from one business area to another within the Group. Some think that a company is chiefly about making money and turning over. I firmly believe that a company is first and foremost a human venture in which men and women are the vital building block. This is where our strength lies.

- *Has not Bouygues, along with many of its CAC 40 peers at the moment, thumbed its nose at the AMF? Being part of the CAC 40 means abiding by certain rules. But virtually all companies operate in more than one business.*

We have good dealings with the AMF, which views us, I believe, as a serious, high-quality company. There are diversified companies within the CAC 40. We are one of them, even though investing in diversified companies is not always the fashion. Our shareholders come to us for diversification. We are grateful to them and share the same convictions in this respect.

#### REMUNERATION

- *Has it not become common practice for corporations to get rid of directors' fees and golden parachutes but announce bonuses some years later?*

It is hard to disclose any more information about remuneration than is already given in the Registration Document. Everything is clearly set out and detailed therein. Bonuses are awarded in response to a certain number of criteria, set out in this document.

#### MEDIA

- *Are you not concerned that a foreign company, e.g. a Qatari firm (these firms are discreetly moving into several business sectors at the moment), might soon try to buy into media activities? This especially concerns Bouygues Bâtiment and TF1 as such investors have seriously shaken TF1?*

Qatar is a state for which I have the utmost respect. I went to Doha for the first time 35 years ago. Doha today has changed radically. Qatar has huge natural resources and has implemented wise strategies to make the most of them — to its credit. As for Bouygues, a foreign shareholder would struggle to get a foothold in your Group through TF1, or through Bouygues Telecom. French legislation has rules governing capital holdings.