



2 March 2012

**BOARD OF DIRECTORS' REPORT
on the RESOLUTIONS submitted
to the COMBINED ANNUAL GENERAL MEETING of
26 April 2012**

This report is the part of the Board of Directors' management report concerning the resolutions to be presented to the Combined Annual General Meeting of 26 April 2012.

Ordinary General Meeting

Approval of the parent company and consolidated financial statements for the year ended 31 December 2011

The purpose of the **first resolution** is to approve the parent company financial statements and transactions for the year ended 31 December 2011; the purpose of the **second resolution** is to approve the consolidated financial statements and transactions for the year ended 31 December 2011.

Appropriation of earnings and setting of dividend (€1.60 per share)

The purpose of the **third resolution** is to appropriate the earnings for the year ended 31 December 2011 and set the dividend.

Distributable earnings for the 2011 financial year amounted to €2,597,687,828.42, comprising net profit of €808,081,882.48 and retained earnings of €1,789,605,945.94.

We propose to allocate distributable earnings as follows:

- €503,790,526.40 to dividends,
- €2,093,897,302.02 to retained earnings.

The dividend, which is the same as in 2010, amounts to a payout of €1.60 for each of the 314,869,079 shares existing at 31 December 2011. In accordance with the law, shares held by the company when the dividends are paid out are not eligible for dividends.

The dividend will be paid in cash and will be payable as from 4 May 2012. The ex-rights date on the Euronext Paris market (i.e. the first trading day when the shares trade ex-dividends) will be 30 April 2012. The record date (i.e. the cut-off date for the positions which, after settlement, will qualify for payment) will be the evening of 3 May 2012.

This dividend entitles natural persons resident in France for income tax purposes to 40% tax relief as provided for by Article 158.3-2 of the General Tax Code. However, unless otherwise provided, such persons may opt for the 21% flat-rate withholding (excluding social charges) in full discharge of personal income tax.

Approval of regulated agreements and commitments

The purpose of the **fourth resolution** is to approve agreements and commitments entered into by Bouygues in 2011 and governed by Articles L. 225-38 *et seq.* of the Commercial Code.

These agreements and commitments, which have been previously approved by the Board of Directors, and the amounts billed under these agreements, are detailed in the auditors' special report on regulated agreements and commitments. They chiefly concern:

- services provided by Bouygues to its main subsidiaries: in addition to its senior management role within the Group, Bouygues SA provides a range of general and expert services to Group businesses in areas such as finance, communications, sustainable development, corporate sponsorship, new technologies, insurance, legal affairs, human resources, etc. As part of this, Bouygues SA and its main subsidiaries sign annual agreements relating to these services, so that each business can request relevant services and expertise if need be. The subsidiaries are billed for the real costs of these shared services according to different scales depending on the nature of the service: the ratio of the subsidiary's headcount to the Group's headcount for human resources; the permanent capital ratio for financial services; and the ratio of the subsidiary's sales to Group sales for all other services;
- reciprocal provision of services between Bouygues and SCDM, a company owned by Martin and Olivier Bouygues. The amount billed by SCDM to Bouygues under this agreement (€5.4 million) consists mainly of the salaries of Martin and Olivier Bouygues (85.8% of the total). The remaining 14.2% is for the services provided by the small group that supports Martin and Olivier Bouygues in their deliberations and activities on behalf of the Group, mainly by conducting research and analysis into strategic developments and the growth of the Bouygues group;
- the terms and conditions for use by Group companies of aircraft owned by companies controlled by Bouygues or SCDM;
- the supplementary pension plan for members of the Group management committee, which includes Bouygues executive directors and a number of salaried directors of Bouygues SA. The supplementary provision is equivalent to 0.92% of the reference salary per year of service under the plan, and the supplementary benefits may not exceed eight times the annual maximum amount under the social security regime, i.e. approximately €291,000 in 2012. The plan has been outsourced to an insurance company;
- brand licences granted by Bouygues to certain subsidiaries, with a view to allowing these subsidiaries, including Bouygues Construction, Bouygues Immobilier and Bouygues Telecom, to use the Bouygues brand and associated names.

It should be noted that the agreements and commitments approved by general meetings in previous years do not have to be voted on again by this Annual General Meeting.

Renewal of the term of office of directors

The directorships of Mrs Francis Bouygues, Martin Bouygues, François Bertière and Georges Chodron de Courcel expire after this Annual General Meeting. In the **fifth to eighth resolutions**, we ask you to renew these terms of office for a period of three years, expiring after the Annual General Meeting called to approve the financial statements for the year ended 31 December 2014.

Martin Bouygues was born on 3 May 1952. He is the Chairman and CEO of Bouygues. He was appointed a director of Bouygues on 21 January 1982.

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 Bouygues' Board of Directors, on which he has served since 1982. On 5 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 and thus expanded into new high-growth business lines in transport and power.

Mrs Francis Bouygues was born on 21 June 1924. She was appointed a director of Bouygues on 19 October 1993.

François Bertière was born on 17 September 1950. He is the Chairman and CEO of Bouygues Immobilier. He was appointed a director of Bouygues on 27 April 2006.

François Bertière graduated from École Polytechnique and École Nationale des Ponts et Chaussées, and is a qualified architect (DPLG). He began his career in 1974 in the Infrastructure Ministry. In 1977, he was appointed technical advisor to the office of the French Education Ministry, then deputy director in charge of planning at the Regional Infrastructure Department of Upper Corsica in 1978. In 1981, he became director of urban development at the Public Development Agency (EPA) of Cergy-Pontoise. He joined the Bouygues group in 1985 as Deputy CEO of Française de Constructions. In 1988, he was appointed Chairman and CEO of France Construction, Vice-Chairman and CEO of Bouygues Immobilier in 1997, then Chairman and CEO of Bouygues Immobilier in 2001. François Bertière has been a director of Bouygues Immobilier since 1991.

Georges Chodron de Courcel was born on 20 May 1950. He is Deputy CEO of BNP Paribas. He was appointed a director of Bouygues on 30 January 1996 and he is a member of the Accounts Committee.

Georges Chodron de Courcel is a graduate of École Centrale de Paris and holds a degree in economics. He joined Banque Nationale de Paris (BNP) in 1972, where he became head of financial research in the finance department in 1978, then executive secretary of Banexi in 1982. He then became director of securities management and director of financial and industrial investment. In 1989, he was appointed Chairman of Banexi, then central director of BNP in 1990. In 1995, he became executive vice-president then COO of BNP from 1996 to 1999. After the merger with Paribas in August 1999, Georges Chodron de Courcel was head of the corporate and investment banking arm of BNP Paribas from 1999 to 2003. He has been Chief Operating Officer of BNP Paribas since June 2003.

Appointment of a new director

In the **ninth resolution**, we ask you to appoint Anne-Marie Idrac as director for three years. She will replace Pierre Barberis, whose term of office expires at the end of this Annual General Meeting. This appointment will expire after the Annual General Meeting in 2015 called to approve the financial statements for the year ended 31 December 2014.

Anne-Marie Idrac was born on 27 July 1951.

A graduate of École Nationale d'Administration, Anne-Marie Idrac served in a number of posts at the French Infrastructure Ministry and on ministerial staffs from 1974 to 1990. From 1990 to 1993 she was director general of the public body responsible for developing the city of Cergy-Pontoise. From 1995 to 1997 she was director of land transportation. She served as Member of Parliament for a constituency in the Yvelines from 1997 to 2002. From 2002 to 2006 she was Chair and Chief Executive of the Paris mass transit authority, RATP, and Chair and Chief Executive of SNCF French railways from 2006 to 2008. From 2008 to 2010 she was junior minister for foreign trade.

Anne-Marie Idrac is a director of Vallourec and Saint-Gobain.

Authorisation to deal in the company's shares

The purpose of the **tenth resolution** is to give the Board of Directors the authorisations required to deal in Bouygues shares on the company's behalf, in accordance with legal requirements.

This authorisation will be granted for a period of eighteen months beginning on the day of the Annual General Meeting. It will replace and cancel with immediate effect the unused portion of the authorisation granted by the Combined Annual General Meeting of 21 April 2011 under the ninth resolution.

In 2011, under authorisations granted by the Annual General Meeting, your company acquired 5,153,093 shares with a view to cancelling them. A further 2,139,592 treasury shares were bought and 2,031,592 shares were sold through a service provider acting within the scope of a liquidity agreement that complies with a code of conduct approved by the Autorité des Marchés Financiers (AMF). Note that under the authorisation given by the Extraordinary General Meeting on 10 October 2011 concerning the share tender repurchase offer, the Board of Directors acquired 41,666,666 shares with a view to cancelling them.

The objectives of the new buyback programme are the same as those of the previous one. They are set out in the tenth resolution and in the description of the buyback programme. Buybacks, which may not exceed 5% of the share capital, can be used, *inter alia*, to cancel shares, pursuant to the authorisation granted in the eleventh resolution, notably to offset the dilutive impact on existing shareholders of the exercise of stock options granted to employees and corporate officers. In compliance with the market practice approved by the AMF, buybacks may also be used to

ensure the liquidity of and organise trading in the company's shares through an independent investment service provider. Shares acquired under buybacks may also be delivered as a medium of payment or exchange in an acquisition, merger, spin-off or contribution.

The shares purchased may be sold under the conditions set by the AMF in its instruction published on 19 November 2009 regarding new rules on share buyback programmes.

The maximum purchase price is €60.

The transactions may be carried out at any time, including during the period of a public offer for the company's shares, in accordance with applicable regulations. It is important that the company should be able, where necessary, and even during a public offer, to buy back its own shares in order to honour its obligations towards holders of securities giving access to capital or to cover stock option plans.

By law, share buyback authorisations must respect the following limits:

- the company may not own, either directly or indirectly via a person or entity acting in its own name but on behalf of the company, more than 10% of its own shares;
- the buybacks must not reduce shareholders' equity to a level below that of capital plus those reserves not available for distribution;
- throughout the holding period, the company's reserves (excluding the legal reserve) must be at least equal to the value of the securities owned.

We remind you that treasury stock does not carry voting rights and that the corresponding dividends are allocated to retained earnings.

Extraordinary General Meeting

Option to reduce share capital by cancelling shares

In the **eleventh resolution**, pursuant to Article 225-209 of the Commercial Code, we ask you to authorise the Board of Directors 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 tenth resolution submitted to this Annual General Meeting for approval. Cancelling shares makes it possible, if the Board of Directors deems it appropriate, to offset the dilution for shareholders resulting from the creation of new shares in connection, for example, with employee savings schemes and the exercise of stock options.

This authorisation will be granted for a period of eighteen months beginning on the day of the Annual General Meeting. It will terminate with immediate effect the authorisation given under the tenth resolution of the Combined Annual General Meeting of 21 April 2011 and used by the Board of Directors at its meeting on 30 August 2011 to cancel 9,973,287 shares purchased by the company.

It should be remembered that, in connection with the authorisation given by the Extraordinary General Meeting of 10 October 2011 concerning the share tender repurchase offer, the Board of Directors cancelled on 15 November 2011 the 41,666,666 shares repurchased through this offer.

Protecting the company in the event of a public tender or exchange offer for the company's shares

The following two resolutions are designed to enable the Board of Directors to take defensive measures, as allowed by law, to frustrate a tender offer that it believes goes against the interests of the company and its shareholders.

In the **twelfth resolution**, pursuant to Articles 233-32 II and L. 233-33 of the Commercial Code, we ask you to delegate to the Board of Directors the power to issue equity warrants to shareholders on preferential terms during the period of a public offer for the company's shares, and to allot such warrants free of charge to all shareholders holding shares in the company prior to expiry of the offer period. These warrants will lapse automatically as soon as the offer or any other competing offer has failed, lapsed or been withdrawn. The number of warrants to be issued would be limited to the number of shares making up the capital at the warrant issue date. The nominal value of the capital increase that may result from exercise of the warrants would be capped at three hundred and fifty million euros (€350,000,000).

The purpose of this delegation is to allow the Board of Directors to increase the value of the company if it considers the offer price to be too low, and thereby encourage the offeror to raise its offer price or abandon its offer.

The Board of Directors considers that it should be able to issue such warrants under the terms and conditions provided for by law, when faced with a tender offer that it believes goes against the interests of the company and its shareholders.

This power is subject to the reciprocity principle provided for in Article L. 233-33 of the Commercial Code, which allows your company to implement measures to frustrate the bid without being required to obtain authorisation from the Annual General Meeting during the offer period, if the offeror (or the entity controlling the offeror or an entity acting in concert with the controlling entity) is not itself subject to identical provisions or equivalent measures.

This delegation will be granted for a period of eighteen months beginning on the day of the Annual General Meeting. It will replace and immediately cancel the previous delegation given by the Combined Annual General Meeting of 21 April 2011 under the twenty-third resolution, which was not used.

In the **thirteenth resolution**, we ask you to authorise the Board of Directors to utilise, during the period of a public offer for the company's shares, the various delegations of power and authorisations granted by the general meetings of 29 April 2010 and 21 April 2011 to increase the share capital, provided that such utilisation is permitted during the period of a public offer by applicable laws and regulations. As in the twelfth resolution, this entails the application of the reciprocity principle provided for in Article L. 233-33 of the Commercial Code.

This delegation will be granted for a period of eighteen months beginning on the day of the Annual General Meeting. It will replace and cancel with immediate effect the previous delegation given by the Combined Annual General Meeting of 21 April 2011 under the twenty-fourth resolution, which was not used.

Amendments to by-laws

The purpose of the **fourteenth resolution** is to amend the company's by-laws in order to allow the Board of Directors, if it deems appropriate, to allow shareholders to vote by electronic means at future general meetings.

The purpose of the **fifteenth resolution** is to carry out all legal or administrative formalities and to make all filings and publications under and in accordance with applicable law.

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The statutory information concerning employee affairs is contained in the management report.

We kindly ask you to vote on the resolutions submitted for your approval.

The Board of Directors