

# **Annual General Meeting**

## **24 April 2014**



**QUESTIONS - ANSWERS**

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

**ON 24 APRIL 2014**

**WRITTEN QUESTION SUBMITTED BEFORE THE MEETING**

At the Chairman's request, Jean-François Guillemin, on behalf of the Board of Directors, read out the answer to a question submitted in writing before the meeting by IPAC, an activist shareholder group.

In its letter dated 3 April 2014, IPAC asked the following question:

"With regard to the activities of Bouygues Construction and Colas, has the Group drawn up a detailed map of the risks of corruption and human rights violations by geographical region in order to guide its decisions on taking orders?"

Following its meeting on 24 April 2014, the Board of Directors issued the following answer:

"Each year, international organisations like Amnesty International and Transparency International publish detailed maps and rankings of the risks of corruption and human rights violations. Bouygues group entities which conduct a substantial proportion of their business on international markets, such as Bouygues Construction and Colas, naturally study such reports closely. The Bouygues group as a whole is very attentive to these issues.

Concerning anti-corruption measures, the Group endeavours to comply with strict principles, defined in 2006 in the Group Code of Ethics, which is circulated to employees in all the Group's business segments. On a proposal from the Ethics Committee, Bouygues' Board of Directors strengthened these arrangements in January 2014 by approving an anti-corruption compliance programme. This explains and specifies the anti-corruption measures contained in the Code of Ethics, applicable equally to the private and the public sector. It lays down strict rules which must be applied in each business segment, on the initiative of each CEO. The 2013 Registration Document contains detailed information about these anti-corruption measures.

Respect for human rights was asserted publicly in 2006 as a core requirement within the Bouygues group when the Group signed the UN Global Compact, which includes respect for freedom of association and the right to collective bargaining as well as the elimination of discrimination, forced labour and child labour. The Bouygues group renews its commitment to these principles each year. The Group Code of Ethics and the Human Resources Charter remind all employees of the common requirements in this sphere. The 2013 Registration Document contains detailed information about the measures taken by the Group in this area, especially by Bouygues Construction and Colas."

### QUESTIONS ASKED DURING THE MEETING

The Chairman took the questions asked during the meeting:

- On the possible acquisition of Alstom by General Electric: the Chairman said that he had no comment to make to add to the statements issued by Alstom, of which Bouygues is a shareholder.
- On the reason why Bouygues has only around 29% of Alstom's capital: the Chairman said that a 30% stake would have required Bouygues to make a tender offer for the rest of the shares.
- On the Alstom share price as of which the past write-down would be cancelled: Philippe Marien said Bouygues conducted an impairment test based on the intrinsic value of Alstom in the light of the outlook given by analysts. He said that Alstom is valued in Bouygues' books at €34 per share.
- On whether Bouygues would consider selling Bouygues Telecom and Alstom in order to retain only its construction activities, which were its only profitable businesses: the Chairman said that construction activities are not the Group's only profitable businesses. TF1's margin is higher than that of the construction businesses. He recalled that Bouygues Telecom is facing a distortion of competition linked to the arrival of the fourth operator, which has led to the destruction of tens of thousands of jobs and a major loss in tax revenue for the French government. He considers that such a situation cannot last, because telecommunications are a fundamental need and operators will have to invest heavily in telecommunications networks over the next few years. On the subject of Alstom: the Chairman said that heavy industry was a cyclical business. He pointed out that although Alstom is currently facing the consequences of the economic crisis, it has a range of highly effective products, especially turbines and railway equipment.
- On the failure to acquire SFR and its consequences for Bouygues Telecom: after paying tribute to the very high level of commitment shown by many Bouygues SA and Bouygues Telecom staff in connection with the SFR bid, the Chairman pointed out that from January 2015, the new entrant would be faced with the reality of the undertakings given in its licence agreement with the regulator. There are two crucial elements in the mobile phone business: the network and frequencies. On the subject of network rollout, the French competition authority issued a landmark opinion in March 2013 and the telecoms regulator's reaction to the opinion is eagerly awaited. On the subject of frequencies, each operator has taken the decision whether or not to acquire some. Thanks to the quality and rapid rollout of its 4G network and its portfolio of frequencies, Bouygues Telecom is in a position to confront its rivals, provided that it continues to cut costs and prove particularly creative and innovative. In the fixed broadband business, Bouygues Telecom's offer priced at €19.90 is a success.
- On whether the risk of redundancies in the event of a merger with SFR could have played a part in the failure of negotiations with Vivendi: the Chairman recalled that if the acquisition of SFR had gone ahead, he had given a personal undertaking that there would be no redundancies.
- On Bouygues' relations with Xavier Niel: the Chairman said that they had improved.
- On the impact of recent developments in the telecoms sector on Bouygues' partnerships with Numericable in very-high-speed and with SFR on sharing their mobile access networks: the Chairman said that a network sharing agreement with SFR had been signed but that it had not yet come into effect because of the technical, legal and administrative complexity of implementing it.

- On why an agreement between Numericable, SFR and Bouygues to sell off SFR's network to Iliad had not been considered: the Chairman said this was all now in the past.
- On the possible existence at Bouygues Telecom, after the success of the transformation plan introduced in 2012, of a new savings plan or even, as some analysts were suggesting, a redundancy plan: the Chairman said that the generation of savings was under consideration since Bouygues Telecom had to find ways of cutting its costs.
- On the adverse effects of Bouygues' conglomerate nature on the Group's overall strategy and share price: the Chairman said that Bouygues is not in any way a conglomerate but a diversified industrial group whose employees share a cultural identity and strong values, due in particular to a policy of internal mobility which enables them to move from one business segment to another. He said that if it became difficult to see a future for one or another of its businesses, Bouygues would sell it, as has already been the case in the past. Concerning the share price, the Chairman pointed out that it has risen significantly since the previous AGM.
- On the consequences for Bouygues Construction of the planned merger between Lafarge and Holcim in connection with concrete prices: the Chairman said that the consequences could not yet be foreseen and that the merger would need to be approved by the competition authorities. However, he sees the merger as an opportunity for a large group to develop new products. He recalled that Bouygues Construction had been working with Lafarge for many years on very high-performance cements and concretes. The Lafarge-Holcim merger could offer Bouygues an opportunity to step up that cooperation in order to improve the strength and durability of the products concerned and make them more environment-friendly.
- On the existence of research within the Bouygues group into replacing marine or river sand with desert sand, among other possibilities, and on alternative concrete construction techniques for very tall buildings: the Chairman said that construction techniques for very tall buildings varied from one country to another. Steel is very widely used in the United States whereas reinforced concrete is more often used in France. Bouygues Construction is well-versed in both techniques, though it uses reinforced concrete more frequently. The difficulty with desert sand lies in transport costs. Marine sands are now beginning to come into use.
- The impact on the Bouygues group of the competitiveness and employment tax credit as well as of actual or future increases and reductions in taxes and charges.
- Philippe Marien said that the outcome of tax-related changes of all kinds for the Group is broadly negative (representing an additional charge of some tens of millions of euros), although the impact of the competitiveness and employment tax credit is positive.
- On the proposal for shareholders to opt for payment of the dividend in shares, announced at a time when the Group had a growth plan, would the same option be considered in subsequent years? What choice would SCDM make?: The Chairman said that Bouygues has already made similar proposals in the past. The Board of Directors will discuss the possibility for other years. He said that SCDM has not yet decided whether or not to exercise the option.
- On the risk to TF1 of the rise of Netflix: the Chairman said that very important decisions have been taken without an impact analysis. For example, he found it astonishing that the government had taken the decision to grant a fourth licence or launch new channels without carrying one out beforehand. The regulators should be ready to take responsibility for their decisions and the consequences of those decisions. TF1's problem is that its competitors have no obligations whereas TF1 is subject to all kinds. If the same requirements were imposed on Netflix as on TF1, there would be no problem. The Chairman emphasised that it is crucial to take the future of the sector into consideration and that purely political decisions can have far-reaching consequences.

This free English translation is provided for convenience purposes only and has no legal value.

- On the projects in 2013 which had made the Chairman most proud and left him most disappointed: the Chairman said that he was proud of all the Group's projects even if some were more complicated than others. As Chairman, it was his role to stand alongside the Group's employees, especially in difficult situations.
- On the possibility of webcasting the AGM live: the Chairman said that the AGM was a meeting between shareholders. He pointed out that the financial statements were presented at meetings with analysts and journalists which were already available as webcasts in French and English.
- On the prospects for the Group's development in Africa: the Chairman said that Africa is a continent with considerable potential, in terms of both population and natural resources, and that its main difficulties are political. He said that Bouygues wants to work in countries with stable governments where businesses do not face problems of corruption. The Group is already well-established in Ivory Coast and its businesses intend to expand their activities in Africa, but the conditions are not met everywhere as yet for the Group to fully spread its wings there.
- On the €1.8 billion price-tag for the sale of the 4G network to Free if Bouygues' offer for SFR had been successful: the Chairman said that the price had been dictated by the circumstances, but that only a part of the network and frequencies was concerned. He added that Bouygues Telecom had invested some €10 billion in the network in the 15 years since the company's inception and that its package of frequencies was worth around €2-3 billion.
- On the possibility of the Group's corporate foundations taking part in the Telethon: the Chairman said that the Telethon is a very effective vehicle for raising funds for an important cause but that the Group's patronage policy is directed primarily towards other areas.
- On the possibility of offering internet voting for the next AGM, as was the case with other CAC 40 companies, the Chairman said that the matter would be considered.