

Annual General Meeting 21 April 2016



QUESTIONS - ANSWERS

**ANSWERS TO QUESTIONS ASKED AT THE
ANNUAL GENERAL MEETING ON 21 APRIL 2016**

WRITTEN QUESTIONS SUBMITTED BEFORE THE MEETING

Question from Mr Daniel de Pierrepont

I am a Bouygues shareholder because it is a family business and because it is truly the Bouygues family that has made it what it is today, a leading international company listed on the CAC 40.

Alstom has refocused and is becoming one of the leading manufacturers of rail transport infrastructure.

Bouygues' stake in Alstom appears to be strategic. Bouygues has a subsidiary, Colas Rail, whose activities seem complementary to those of Alstom and would enable the two companies to deliver turnkey projects (such as public service delegations) in the rail sector. Do you share my point of view?

Answer from Bouygues' Board of Directors

Alstom is a world leader in rail equipment, systems and services. It is true that Colas Rail, a Bouygues group company, is involved in activities which may be complementary to those of Alstom, as may other Bouygues group activities such as civil engineering.

Without being bound by an exclusive cooperation agreement, Bouygues and Alstom have the option, on a case by case basis, of combining their resources when a customer wishes to receive a comprehensive proposal. That is not standard practice, however, since customers generally prefer to treat the different components of their transport systems as separate lots. So the two groups take a pragmatic approach. They are open to opportunities for working together. They adopt whichever arrangement corresponds to their customers' wishes, which may lead them to work together or separately.

Question from Mr Sébastien Groyer

The current composition of your Board of Directors reflects the practical implementation of direct executive control according to agency theory, with independent directors and directors appointed by the major shareholders. You have also included employee representatives, a move which I find entirely positive. However, one voice is still missing on your Board, that of customers. Is the lack of customer representation on the Board deliberate? I do not believe that the Board can pursue the company's corporate interest, which is its purpose, without direct customer representation. Why should the representation granted to shareholders not also be allowed to customers?

As you will have gathered, the aim here is to place the customer at the centre of the company's strategy and decisions through direct representation on the Board. I hope the idea will arouse your interest and I am willing to discuss it with you or a member of your staff responsible for this kind of project.

Answer from Bouygues' Board of Directors

When the Board of Directors proposes appointments at the AGM, it always ensures that the composition of the Board is consistent with the characteristics of the company's share ownership structure and complies with both statutory requirements and the recommendations of the Afep-Medef Code.

Article 8 of the Afep-Medef Code states that "It is not desirable to have on the Board representatives of various specific groups or interests because the Board could become the battleground for vested interests instead of representing the shareholders as a whole".

Article 6.2 of the Afep-Medef Code recalls a fundamental principle of corporate law: "Regardless of personal qualities or abilities, each director should act in the corporate interest; failure to do so may give rise to personal liability".

The Code also contains several provisions designed to forestall conflicts of interest. In particular, a significant customer of the company or its group could not qualify as an independent director.

For these reasons, it does not seem desirable to appoint a representative of its customers to a seat on the Bouygues Board. The Board of Directors also points out that, if Mr Groyer's suggestion were to be put into practice, it would face the tricky subject of representativity, since the Group has customers in a hundred or so different countries, with very different profiles according to its different businesses.

In conclusion, the Board of Directors would like to recall that the Group's growth, long-term future and very existence are founded on the trust of its customers and their satisfaction with the products and services it provides. The determination to respond to our customers' needs in the best possible way is central to the strategies and decisions adopted by the companies that form the Group.

MAIN QUESTIONS ASKED DURING THE MEETING

Group

- **What are you going to do with your stake in Alstom?**

I should like to pay tribute to the wisdom of Alstom's Board and its Chairman, Patrick Kron, who understood that a strategic shift involving the Energy business was necessary. Alstom's future lies in being a leader in transport, spanning the whole range from high-speed trains to urban transport, including tramways, metros and trains. The acquisition of GE's signalling activities have strengthened the Alstom group. I have no other particular comment to make.

- **Are you considering an exceptional dividend?**

The question of paying an exceptional dividend is not on the agenda at present. We need to be able to use our resources to invest in the future. We will continue that strategy in 2016.

- **Was turning down a hook-up with Areva the best thing that could have happened to you?**

There is nothing new about the difficulties the company has run into in the last few months. I spoke to the government about them ten years ago. Things could have been different. The nuclear industry is one of France's great industrial successes and I am sure that EDF, with Areva, will enjoy more prosperous times than is currently the case.

- **The Pinel tax incentive is an attractive scheme which encourages family solidarity between generations, while low interest rates mean that projects can be carried out in good conditions. Doesn't the scheme merit a nationwide campaign?**

I share your view. Property developers, banks and the government are promoting the scheme. My first business was building single-family houses and I am very keen on home ownership. It is a good thing, but it is being held back by the current mood of anxiety. When a young couple are concerned about their professional future, they hesitate before buying a home. And this period of deep anxiety, despite favourable interest rates, does not encourage home ownership, which is regrettable.

- **Is there a discrepancy between the realisation of sales and net profit because of currency hedging?**

There is no discrepancy either in sales or in net profit connected with currency hedging. On our projects, currency risk is hedged in the currencies concerned as soon as we sign the contract. In addition, when we consolidate the accounts of companies which operate in other currencies in the Group's consolidated financial statements, we convert their results at an exchange rate which varies from year to year. In 2015, for example, we benefited from a generally favourable exchange rate in relation to Switzerland and the United States.

- **What impact is the impoverishment of oil-producing countries having on the order book?**

There is no risk to the order book, though there is a potential impact on future orders because their budgets could be squeezed. But the spread of our construction businesses on international markets is good. We are very active in mature countries that are not exporters of commodities and where there is little geopolitical risk, in Europe, Asia and the United States for example. We do little business in Russia. We have no operations in Brazil and very little presence in the Gulf. So we have little exposure.

- **You have an enterprise value of €13.5 billion, or €40 per share. The current market price is 20% below that level. How do you explain that?**

The enterprise value is the sum of the value of shareholders' equity and debt. If you subtract €2.6 billion of debt, the value is considerably lower than €40 per share. The analysts' target price is around €30-31.

- **Which executive or company inspires you most in your vision of the future?**

Francis Bouygues.

- **Is the future of Bouygues after your departure – as late as possible, I hope – a taboo subject? Are you looking at a family solution?**

It is not a taboo subject at all. I discussed it recently in *Le Figaro*. The decision will be taken by the Board. In a year or two I will significantly change my function, with young and dynamic people. I have children and a nephew. For the time being they are still learning, they have had a good education, but it will not be them in the immediate future. It is an important subject which I have a duty to think about.

- **Concerning stock options, eight out of ten senior executives have sold all their shares and two have kept them, including yourself. Does that mean that these executives are less confident in the Group's future than you are or that the share price is too high?**

Stock options are there to be exercised. The executives you mention have not exercised all of them. My brother and I are in a different situation given our position in the shareholder structure. In all events, it is not a question of not having confidence in the Group's future.

Bouygues Telecom

- **When will Bouygues Telecom be floated on the stock market?**

The question of floating Bouygues Telecom on the stock market is not on the agenda at present. We are starting to emerge from a difficult period. The regulator wanted to introduce a fourth operator under the conditions we are all aware of. I would remind you that 50,000 jobs have been destroyed, the market capitalisation of the telecom operators has been affected and the government has foregone substantial tax revenues.

- **You turned down an offer of €10 billion from Numericable-SFR. The discussions with Orange did not come to fruition. Why don't you make acquisitions in Spain and Germany?**

Telecoms businesses have significant valuations in Europe. You have to be cautious in regulated activities, especially when you are a foreign player.

- **Last year you told us that Bouygues Telecom was not for sale. Yet on 5 January you announced the start of discussions with Orange. Aren't you afraid you might have lost your credibility within the financial community?**

I said that Bouygues Telecom was not for sale and that was the case. We have come through a difficult period during which we suffered a lot. I am deeply attached to Bouygues Telecom. All solutions were examined in detail. Both the Board and I thought that Mr Drahi's proposal was inopportune. We studied a transition from four to three operators to create a more prosperous market and deal with the substantial amounts of investment to come. Being a core shareholder of Orange was an attractive prospect.

- **There are still four operators, each with your own network. You have raised prices in the fixed segment. What are you going to do?**

We have slightly increased the price of fixed services but they are still highly competitive. Our target is to add a million customers by the end of 2017 and we are very much on track to achieve that. Stéphane Richard recently said that he could see prices in France rising. Being in a market with four operators is more expensive than being in a market with three. A fourth operator has a beneficial effect in the short term but prices will inevitably rise again. Prices in France are the lowest in the world.

TF1

- **Where is TF1 placed in relation to showing the Olympic Games? From which stage of the Euro 2016 tournament does buying rights become profitable?**

The Olympic Games are being shown on public service TV, so TF1 is not involved. The profitability of buying rights to Euro 2016 will depend on how the French team does in the competition.

- **Is it possible, in the band at the bottom of the LCI screen, to reinstate regular information about stock market prices?**

Gilles Pélisson said at TF1's AGM that stock market information will be provided more regularly.

- **Do you think that the transition from two to three rolling news channels is a good thing? Is LCI viable in this context? Are the channels destined to merge?**

LCI was the first rolling news channel in France and has a major advantage, namely the credibility of France's leading TV newsroom with TF1 and a highly competent and professional news team. So there is a real place for LCI and we have a duty to do all we can to succeed. I am confident. LCI's audience and positioning are already different from those of its colleagues.

- **What are you doing about American series on TF1? Where are you with the question of showing Formula 1 on your channels?**

On the question of series, TF1 has embarked on an international coproduction with NBC Universal. That is one of its avenues for growth. With Newen, we aim to diversify our sales and develop a new line of business. Newen is highly innovative and creative; it is the company which produced the series *Versailles*. In sport, we have to weigh costs against revenues. For Formula 1, the cost was not proportionate to the revenues we could expect. I have no regrets whatsoever about making that kind of decision.

- **Concerning TF1, what would happen if one of GAFA (Google-Apple-Facebook-Amazon) were to purchase the rights to the World Cup in France?**

It is much more in the interest of sports rights owners to sell the rights to their competitions at a high price in each country rather than to a single buyer for all countries.

TF1 has an agreement with Netflix to show *Marseille* with a lag. Netflix will also show series from TF1. You have to look at things more serenely. TF1 offers a unique positioning with the capacity to buy high-quality products.