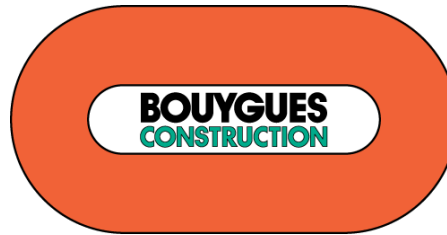


# INTRODUCTION TO BOUYGUES CONSTRUCTION



Pascal GRANGÉ - Deputy CEO & CFO

*4<sup>th</sup> April 2012*

This presentation contains projections and forecasts. They express objectives based on the current assessments and estimates of the Group's senior management which are subject to many factors and uncertainties. The following factors among others set out in the Registration Document (*Document de Référence*) filed with the French Financial Markets Authority could cause actual figures to differ significantly from projected figures: unfavourable developments affecting the French and international telecommunications, audiovisual, construction and property markets; the costs of complying with environmental, health and safety regulations and all other regulations with which Group companies are required to comply; the competitive situation on each of our markets; the impact of current or future public regulations; exchange rate risks and other risks related to international activities; risks arising from current or future litigation. Bouygues gives no commitment to updating or revising the projections and forecasts contained in this presentation.

The purpose of this presentation is to provide information of a general nature. This document does not constitute in any way whatsoever an invitation, solicitation or offer to invest in any particular business activity, or to subscribe for or purchase shares or any other securities.

4th April 2012

# Agenda

- **PROFILE**
- **BASIC REPORTING RULES**
- **STRATEGY**
- **STRENGTHS**
- **OPPORTUNITIES**

# Profile

- A **world leader**: n°4 “top international contractor” according to 2011 ENR ranking<sup>1</sup>
- A **recognized expertise** at every stage of a project from design to construction, operation, maintenance, and including financing arrangements
- A **full-service contractor** in building & civil works, electrical contracting and maintenance

## ✓ Building and civil works:

- Hospitals, offices, universities, museums, hotels, stadiums, residential buildings...
- Civil works: harbours, bridges, tunnels, motorways, earthworks, rail links, power plants...

## ✓ Energy and services: utility and telecom networks, electrical and HVAC engineering, facility management...



*Sports Hub, Singapore, 2010-2014*



*Masan Bay Bridge, South Korea, 2008*

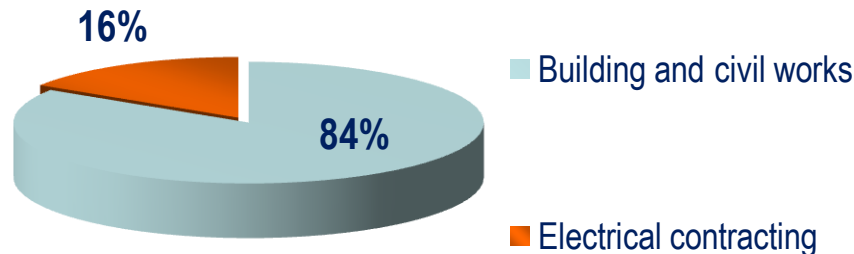


*Home Office, London, 2005*

<sup>1</sup>Companies are ranked according to construction revenue generated outside home country. Including Bouygues Construction, Bouygues Immobilier and Colas revenues.

# 2011 key figures

## ■ Breakdown of activity



## ■ Financials

- ✓ €9.8bn revenue
- ✓ €226m net profit
- ✓ €2.9bn net cash position

## ■ Key activity indicators

- ✓ A wide range of project sizes
- ✓ 2011 order intake breakdown: 1 project >€300m; 25 projects between €50m and €300m; 288 projects between €5m and €50m
- ✓ ~100 largest projects account for 1/3 of activity
- ✓ Clients : ~50% of sales from public customers, ~50% from private customers

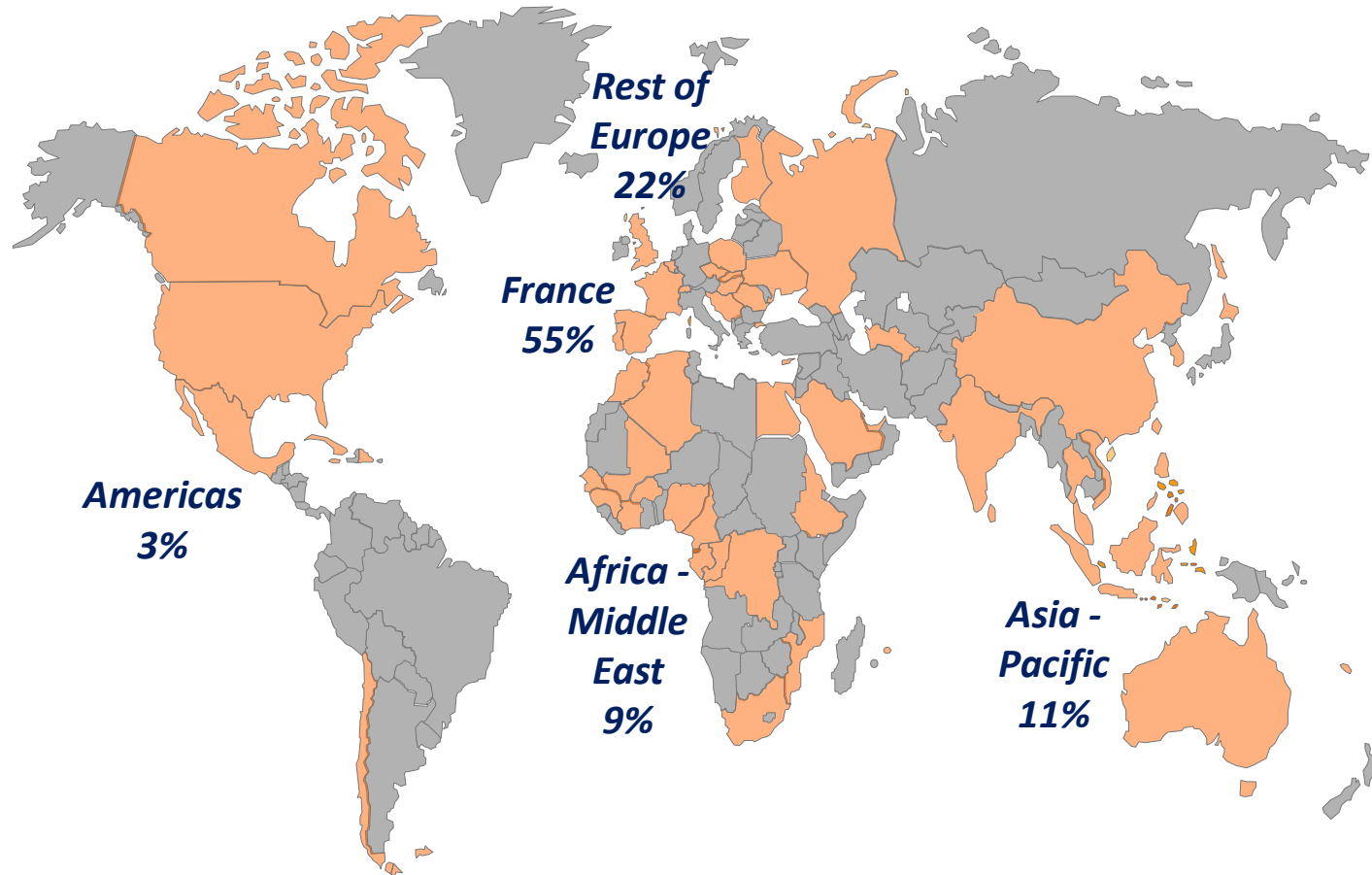
## ■ Over 52,000 employees



*Learning Centre, Ecole Polytechnique Fédérale de Lausanne, Switzerland, 2009*

# A global player

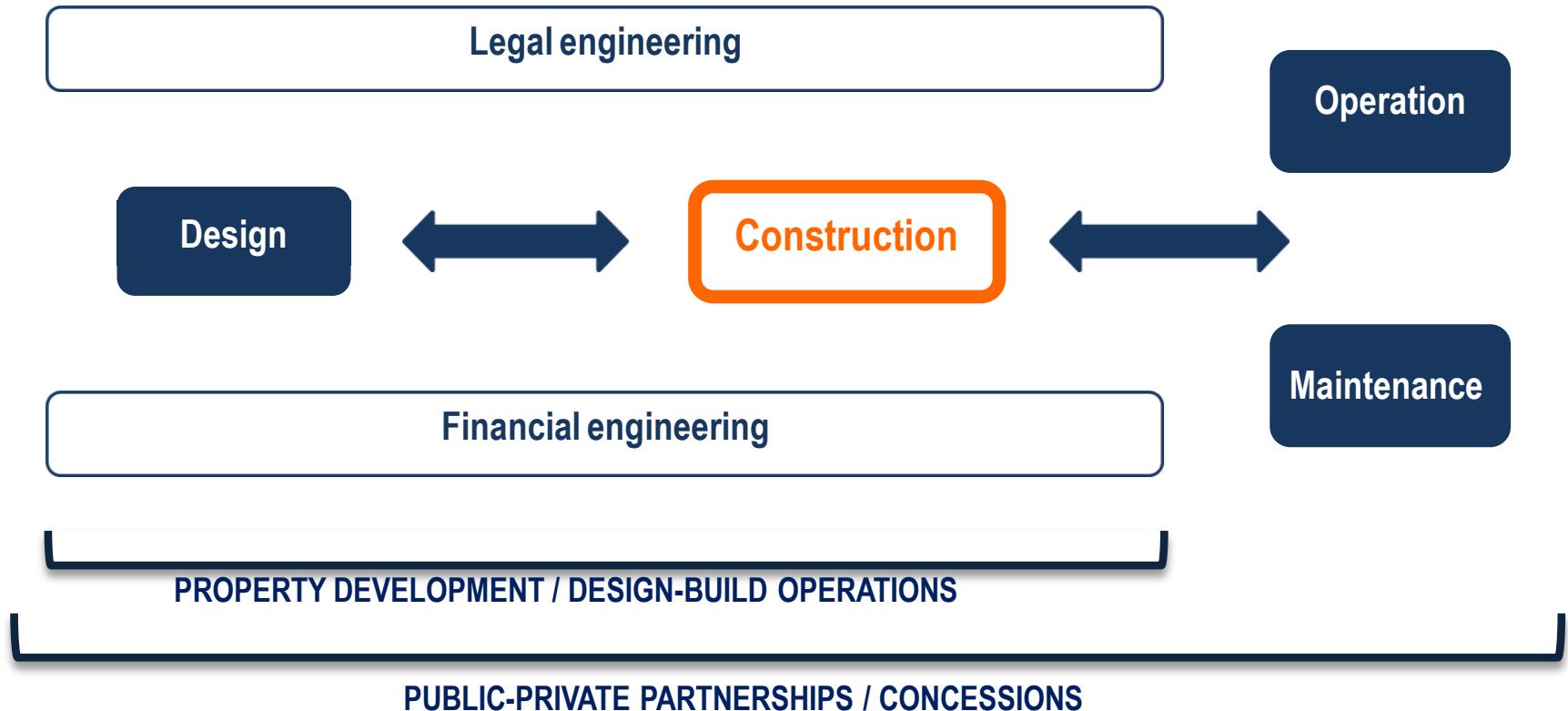
## Sales by region in 2011



**Ability to seize opportunities worldwide**

# Know-how

- With an extensive range of know-how, Bouygues Construction is involved throughout the entire value chain both **upstream** and **downstream** of construction activity



**Bouygues Construction is one of the few players involved all along the entire value chain**

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# Basic reporting rules

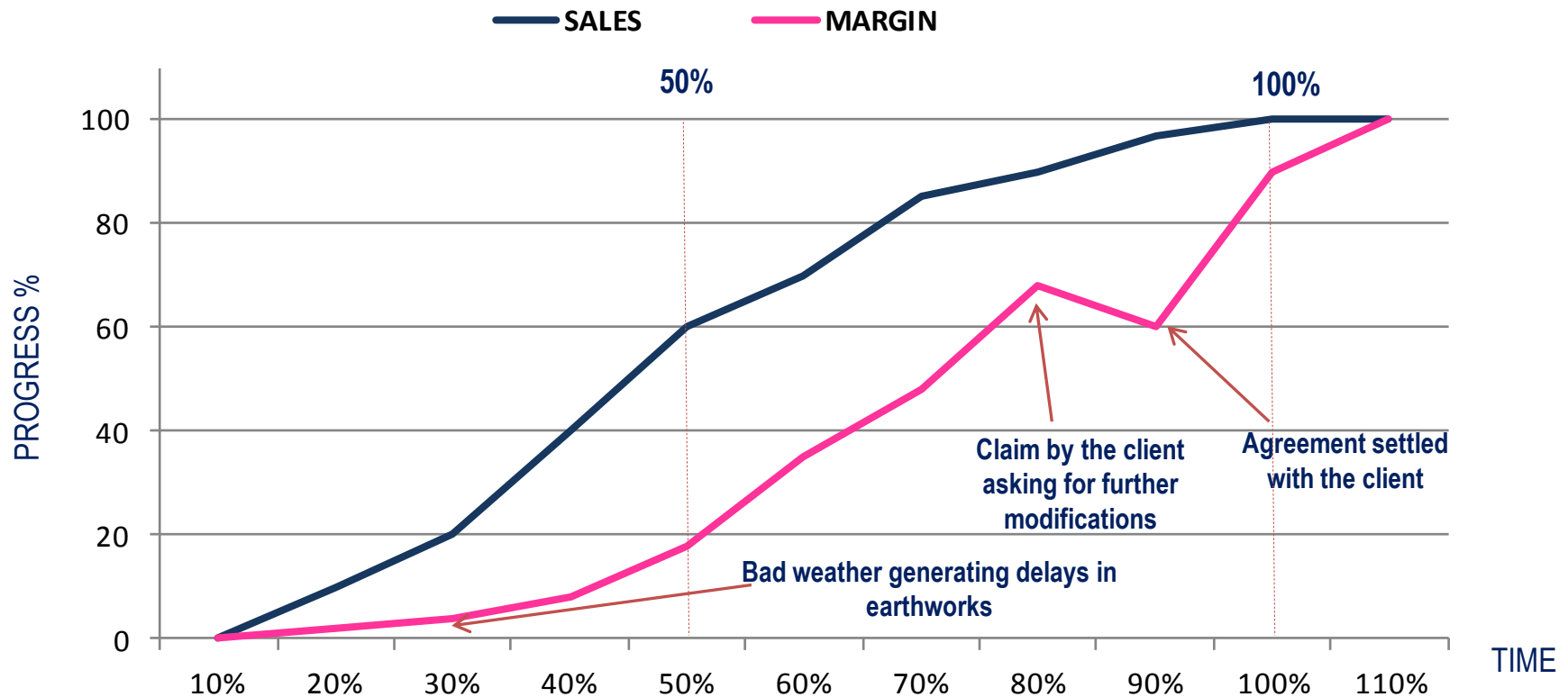
- **Cautious reporting** rules providing order book safety
  - ✓ A project is booked once the notice to proceed with the works and the first advanced payment are received
- **Order Book at end N+1** = Order Book at end N + Order intake N+1 – Revenue N+1
  - ✓ At 1<sup>st</sup> January, order book covers ~70-80 % of FY sales on average
- Construction contracts are **accounted** for using the **percentage of completion method**
  - ✓ The actual completion rate is determined by reference to the physical state of progress of the works
  - ✓ An order does not generate a linear activity throughout the life cycle of a project
- **Provisions** for expected losses are booked as soon as it is regarded as more likely than not that a contract will generate a loss on completion
  - ✓ EBIT is a more relevant metric than EBITDA

# Example of a project schedule

- Nature of the **project**: PPP for design, construction, operation/maintenance and financing of 2 schools in France
- **Customer**: Lorraine Regional Council
- Total **amount** of the project: ~€80m (o/w €20m for maintenance)
- **Duration** of the works: 44 months
- **Key figures**
  - ✓ 100 employees on average, of which 25% temporary workers
  - ✓ 50 subcontractors representing ~60% of the activity
- **Schedule**
  - ✓ July 2009: publication of the tender procedure
  - ✓ May 2011: submission of the final offer
  - ✓ September 2011: Bouygues Construction is designed as preferred bidder
  - ✓ September - November 2011: closing of the operation and of the financing
  - ✓ November 2011
    - The contract is signed
    - The notice to proceed with works and first advanced payment are received
    - The contract is booked
  - ✓ July 2012: beginning of works after a study phase

# A project life cycle

## ■ Progress in sales and margins of a fictitious project



**Sales and margin recognition is not linear due to the phasing of the execution**

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# Strategy

Expand the business through **four strategic priorities**

- Development of **international business**: position ourselves on promising markets thanks to two complementary approaches
  - ✓ with one-off major projects
  - ✓ on a long-term basis through local subsidiaries

This flexible growth model gives us the ability to quickly mobilize ourselves on high potential markets
- **Energy and services**: offer our customers comprehensive solutions through complementary skills from design to maintenance. These businesses generate recurring long-term revenue
- **High added-value operations**: capitalize on our 20-year experience and on our expertise in complex projects (PPP, concessions...)
- **Sustainable construction**
  - ✓ Improve the environmental performance of projects throughout their entire life cycle
  - ✓ Offer our customers innovative solutions for refurbishment and construction of their buildings and infrastructures

# Agenda

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## A solid track record

- A solid track record to manage complex projects all around the world based on
  - ✓ Human resources' commitment
  - ✓ Strong technical expertise throughout the entire value chain
  - ✓ Ability to develop innovative “tailor-made” cost-effective solutions answering customers' needs
  - ✓ Long term relationships with private and public customers, banks, governments, etc.



*Tangier Port, Morocco, 2007*



*Grande Arche de La Défense, France, 1989*



*Groene Hart tunnel, the Netherlands, 2005*

**Solid track record for all kinds of projects  
in France and abroad**

# Focus on long-term sustainability

## ■ Focus on **controlling operating and financial risks** in order to ensure **long term performance**

### ✓ **Cautious guidelines**

- Commercial selectivity (preference is given to margin)
- Keeping a positive cash situation throughout the duration of a project
- Escalation clauses included in contracts or proactive policy to protect against changes in raw material prices

### ✓ **Strict approval and control procedures**

- Projects are validated by both a commercial and a financial team
- Agreement by top management is required for significant projects
- Each project profitability is monitored monthly



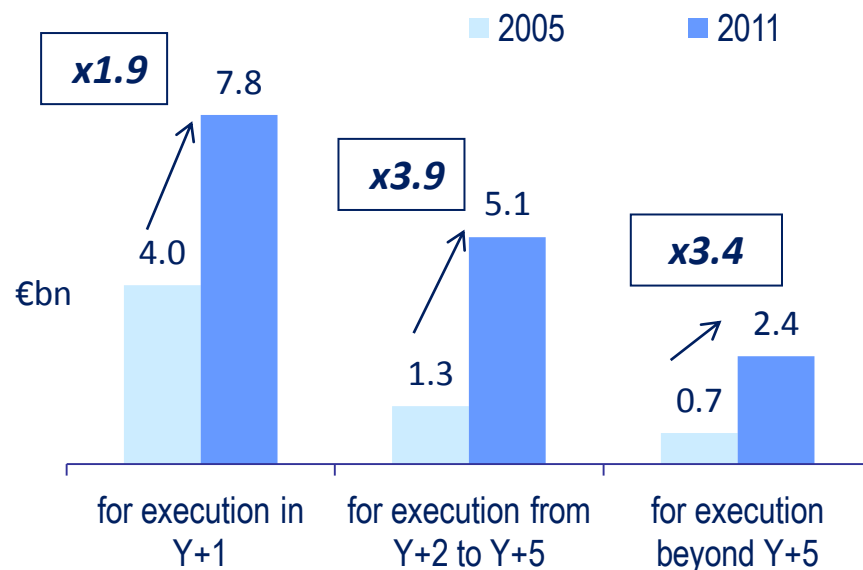
*French Ministry of Defense, Balard, 2012-2014*

## A strategy ensuring long-term sustainability



## Increasing visibility

- Thanks to its strategy, Bouygues Construction has won an increasing number of large turnkey projects as well as contracts generating **long-term revenue**
- As a result, **both maturity and value** of the order book have improved



**➡ Strong growth of mid- to long-term order book**

**A safe and extensive order book providing good visibility**

# Ability to adapt

## ■ Order book length giving **time to adapt**

- ✓ On average 70-80% of the forecasted yearly revenue is secured at 1<sup>st</sup> January

## ■ A **variable cost structure** providing flexibility

### ✓ **2011 cost breakdown** (% of sales)

- Purchases used in production: 55%
- Personnel costs: 24%
- External charges<sup>1</sup>: 17%

### ✓ **Flexibility in personnel costs** resulting from

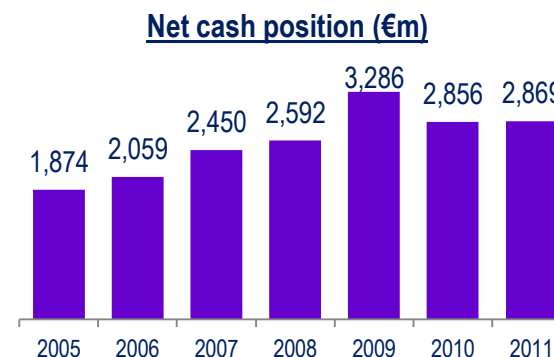
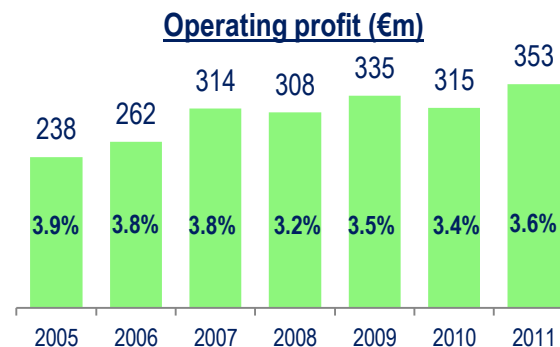
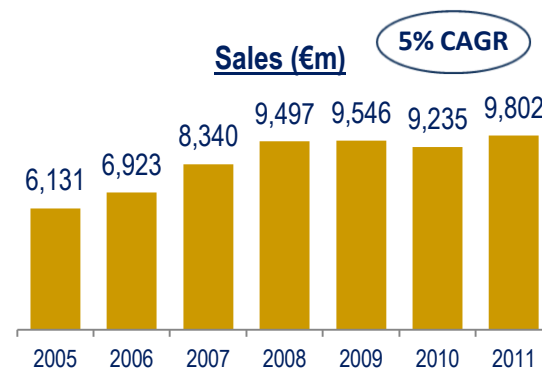
- Subcontracting
  - E.g.: around 60% of revenues subcontracted in Bouygues Bâtiment Ile de France in 2011
- Temporary workers rate: ~25% in France
- Ability to hire personnel for the duration of a contract in many countries
- Strong geographical mobility of teams

**High level of flexibility in cost structure**

<sup>1</sup> Including other charges, representing 1% of 2011 sales

# Robust financial profile

- Good **resilience of sales** thanks to an order book smoothing the business cycles
- A **solid profitability** for a business with low capital intensity
- **Recurring high cash** position coming from operations



**A strong resilience to the 2008-2009 downturn**

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# Growing infrastructure needs

- Growing **infrastructure needs** worldwide
  - ✓ Public and private non-residential buildings (schools, hospitals and hotels, etc.)
  - ✓ Transport: high-speed train lines, metro and tramways, canals, airports, etc.
  - ✓ Energy: nuclear and thermal power plants
  
- Strong **underlying trends**
  - ✓ Urbanization, demographic growth, ageing and saturation of existing infrastructures, environmental constraints



*QP District, Qatar*



*Kai Tak cruise terminal, Hong Kong*



*The Vélodrome stadium, Marseille*

## Long-term growth opportunities

# Example of Hong Kong

## ■ A promising market

- ✓ A geography demanding transport infrastructures (tunnels, bridges, highways)
- ✓ A dynamic economic environment
- ✓ A proactive public policy of investing in infrastructure
- ✓ ~20 projects to be awarded shortly representing more than of HK \$250bn
  - Bridges, express line, metro lines, business centre, sports and leisure facilities...

## ■ Bouygues Construction is **well positioned**

- ✓ A long-term presence for Dragages HK (since 1955) and a track record of successful projects
- ✓ Local settlement is key



Asia world expo PPP project, 2005



Marriott Hotel, 2008

## Example of Qatar

- The **Soccer World cup** will take place in Qatar in 2022
  - ✓ Building and civil work projects for a total amount of €70bn

Nature of Project	Amount	Example of Bouygues Construction references
Metro lines and metro stations	\$35bn	Sydney and Cairo underground railways
Doha airport enhancement	\$6.5bn	2 airports in Cyprus
Doha deepwater harbour	\$5.5bn	Tanger deepwater harbour
Highways	\$20bn	A41 Motorway between Annecy and Geneva
3 new stadiums and renovation of 9 existing ones	\$3bn	Renovation of Marseille Stadiums

- Bouygues Construction has some **strong references** in the area
  - ✓ QP district project, worth €950m (~€600m for Bouygues Construction), is currently under construction in Doha
- **Joint-venture** with a local partner to bid for forthcoming projects

## Full service offering

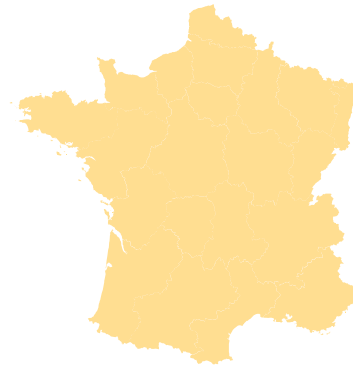
- Increasing market for **full service offering**
  - ✓ Comprehensive solutions including a large range of services
  - ✓ Legal framework favourable to PPPs in a growing number of countries
  - ✓ Extension to small/medium sized projects as well as infrastructure maintenance is an emerging trend
- For public authorities, **turnkey projects allow** to
  - ✓ Integrate the maintenance constraints in design and construction
  - ✓ Anticipate, optimize and spread costs throughout the project's life cycle
  - ✓ Benefit from the experience of the private sector
  - ✓ Share investments and risks
- Bouygues Construction has a **20-year experience**
  - ✓ With more than 100 PPP/PFI/concession projects completed
  - ✓ PPP/PFI/concessions allow recurring revenues generation

**Bouygues Construction is among the major contractors poised to seize these opportunities**



# Examples of PPP/PFI/concessions opportunities

- Road and motorway: L2 bypass in Marseille
- Railway: Nîmes-Montpellier bypass PPP\*
- Hydraulic infrastructures: Canal Seine-Nord PPP, Aisne-Meuse dams
- Engineering structure: Kerino tunnel project
- Street lighting: Chatenay-Malabry, Bièvres, Vaujours, Valenciennes, Cergy Pontoise
- Justice sector (prisons)
- Education sector (schools and universities): Toulouse, Dijon, Lille, Orleans, Bordeaux
- Sport and leisure sectors: Cergy rink, Orléans Arena
- Network sector: ADTIM high speed network, Vosges network



→ **Total potential estimated at €60bn by French Ministry of Finance (2010-2020)**

## United Kingdom

- Papworth hospital in Cambridge
- Vast potential in education (Essex Student Accommodation project\* student housing in Harfordshire)
- Leisure sector: Poplar Bath residential complex
- Engineering structure: Mersey Gateway bridge in Liverpool

## Alaska

- Knick Arms bridge

## Canada

- Ottawa metro
- Sport facilities (Pan-American games stadium and velodrome)

## Chili

- Antofagasta hospital

## Croatia

- Zagreb airport\*
- Highway (Bina-Istra extension)

## Ivory Coast

- Abidjan bridge\*

## Russia

- Moscow- St Petersburg bypass

## Kuwait

- Hospital

## Indonesia

- Jakarta motorway

## Mauritius

- Saint-Louis ring road

## South Africa

- N1-N2 motorways\*

## Cyprus

- Larnaca marina

## Australia

- Northern beaches hospital

\* Projects for which Bouygues Construction is named preferred bidder

# Sustainable construction

- Increasing **market demand** for sustainable construction
  - ✓ Becoming a pre-requisite for new buildings
  - ✓ Progressively expanding in the housing and commercial property renovation market
  - ✓ Supported by regulations
    - Target to reduce energy consumption of existing non residential buildings by 38% by 2020 in France
- Bouygues Construction is building a **competitive advantage** in this field
  - ✓ The renovation of Challenger will showcase the Group's know-how in this area
  - ✓ Sustainable construction skill centre (17 research programmes)
  - ✓ New products and services are emerging: first energy performance contracts in residential, energy-efficient office renovation comprehensive offers and development of eco-communities...
- **ESG<sup>1</sup> criteria** are becoming key in customers' decision making process

**Sustainable construction is a differentiation factor**

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