INTRODUCTION TO
BOUYGUES IMMOBILIER

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June 2012
Agenda

- PROFILE
- BASIC ACCOUNTING
- OPPORTUNITIES
- STRENGTHS
A pure player in property development with more than 50 years of experience...
- A 3-step business
  - Finding land and designing a program
  - Selling the program
  - Subcontracting and monitoring the construction

- Focusing on its core business: no diversification in property-related businesses
  (rental property management, agency networks...)

- ... acting both in residential and commercial property

- ... predominantly in France (> 90% of sales)

The leader of the French property development market

Breakdown of 2011 sales
- Commercial 19%
- Residential 81%

EOS building,
Issy les Moulineaux, France
(Architect: Christian de Portzamparc)
2011 key figures

- **Key financial indicators**
  - Sales: €2.5bn
  - Operating profit: €201m, i.e. 8.2% operating margin
  - Net profit: €120m
  - Net cash: €507m

- **Key activity indicators**
  - Over 1,500 employees
  - Reservations: €3.2bn
  - Housing units sold: 14,723
  - Backlog at end Dec. 2011: €3.1bn
    - Representing 16.5 months of activity for residential property business
  - Unsold completed units: 22
  - Take-up rate: 17%

Galeo building, Issy-les-Moulineaux (Architect: Christian de Portzamparc)
The French residential property market leader

- French residential property market: 103,300 units in 2011

- Bouygues Immobilier is the leader of a fragmented market with a 13.9% market share in 2011

- Bouygues Immobilier relies on
  - A presence in all major French regions
  - 35 branch offices in France covering 230 towns and cities
  - A strong market share in the Paris region (18% in 2011)
A leader on the commercial property market

- Bouygues Immobilier has a strong **expertise** in
  - ✔ Developing new office buildings or “turnkey” projects of high architectural quality
  - ✔ Renovating and rebuilding older office spaces

- **Clients** are either
  - ✔ Investors: insurance companies, real estate funds, pension funds, sovereign funds
  - ✔ Users: French or international companies

-Sequana Tower, Issy (Architect: Arquitectonica)

-“Le Monde” Head Office, Paris (Architect: Christian de Portzamparc)
Agenda

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Basic accounting (1/3)

- Reservations are booked
  - In residential property
    - Once a contract has been signed by the customer
    - Net of withdrawals
  - In commercial property: when the sale is notarized and firm

- Backlog at end-Y+1 = Backlog at end-Y + Reservations Y+1 – Sales Y+1

Security of the reported backlog
The **VEFA agreement** is specific to the French market

- Property is sold “off-plan” for future completion
- Ownership of the land is transferred to the buyer as soon as the notarized sale has been signed
- Ownership of the building is transferred to the buyer as the construction progresses
- Staged payments are made according to work progress

It has several **benefits** for the developer

- Irrevocable commitment of the customer
- Payment is secured
- Reduction of working capital requirement\(^1\)
- Reduction of financial costs

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\(^1\)Thanks to staged payments
Basic accounting (3/3)

- For each project, revenue in France is recognized on a **percentage-of-completion basis** as construction progresses
  - Notarized sales trigger the beginning of revenue recognition
  - Revenue = notarized sales \times \text{percentage of completion of the works}

- **Margin recognition** follows the same pattern
  - The estimated margin of the project is applied to the revenue recognized
  - Marketing and advertising costs, overheads and financial charges are expensed as incurred

- **Cash profile**
  - Residential property activity
    - Working capital requirement during the early stages of a project
    - 5% paid at the reservation, 25% at the notarized sale\(^1\), balance according to work progress
    - The take-up rate and the ability to notarize quickly are driving the cash situation of the activity
  - Commercial property activity generally generates a positive cash situation

\(^1\)According to work progress
Example of a residential program’s revenue recognition

Option on the land

LAND

Commercial launch
Minimum 20% reservation
Purchase of the land
Minimum 40% reservation
Start of the works
Land purchased

10% 20% 40% 70% 100%

10% 40% 70% 100%

0% 20% 60% 100%

0% 8% 40% 100%

Securing building permit & pre-marketing: 12 months
Marketing, notarized sales, construction: 24 months

Around 18-month gap between reservations and revenue recognition
Example of a residential program’s cash profile

Cash profile depends on the take up rate
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A sound French residential property market (1/2)

- **A French market** underpinned by **strong drivers**
  - Dynamic demographic trends: +6.5 million inhabitants between 2005 and 2030\(^1\)
  - Growing number of households: +25% between 2005 and 2030\(^1\)
  - Increased mobility and internal migrations
  - A relatively low proportion of home owners: 58%\(^1\) in France vs. 65% in EU\(^1\) in 2007
  - **Structural housing shortage in France estimated at 800,000 units\(^2\)**

- **Household debt is under control**
  - Cautious mortgage policies: based on household revenues rather than asset value
  - More than 90%\(^3\) of mortgages are fixed-rate. Average maturity of mortgages: ~20 years\(^3\)
  - Low level of non-performing loans: 1.3%\(^4\)
  - A lower level of household indebtedness: 77% in France vs. 97% in the Eurozone\(^1\)

- **No speculative property bubble** in France
  - Prices have been up 135% in France since 1998 vs. 200% in Spain and 220% in the UK (from 1998 to 2007)\(^4\)

\(^{1}\)Source: INSEE – Eurostat; \(^{2}\)Source: FANIE MODEL and Paris Dauphine university; \(^{3}\)Source: Observatoire Crédit Logement/CSA; \(^{4}\)Crédit Agricole
A sound French residential property market (2/2)

- Property is more and more considered as a **safe investment** in times of uncertainty
  - Even when incentives were less favorable the market showed resilience
- A **well-balanced market** between investors and buyers
- Continued **government incentives** supporting the market
  - Residential construction is both a social and political issue and is key for employment

![Graph showing number of units sold by type of buyers with years from 1995 to 2011.](image)

- AVERAGE: 97K UNITS
- AVERAGE TO INVESTORS: 50K UNITS
- AVERAGE TO HOME BUYERS: 47K UNITS

**Number of units sold by type of buyers**

Government incentives

Source: French federation of property developers
The Paris region is the largest commercial property market in Europe

- 55m sqm stock vs. 20m for London, 18m for Berlin and 12m for Madrid at end 2011

Total investment in the French commercial property market in 2011: €17.2bn

Healthy fundamentals of Paris market

- No over-supply of new buildings
- Office take-up: 2.250m sqm in 2011
- A low vacancy rate of around 7%

A large and healthy market

Sources: CBRE; BNP Paribas Real Estate; IEIF Panorama des régions
The Grenelle environmental law has been strengthening standards for buildings in France

- Demanding thermal regulation for new buildings

- Energy consumption of post-1948 office buildings needs to be cut by 40% before 2020

Green Value is becoming a key element in customers’ decisions

- Government incentives are focused on “green” buildings
- Firms and investors are particularly attentive to controlling building operating costs
- Individuals are more and more aware of the importance of energy performance

Green property has an increasing competitive edge
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A clear strategy (1/2)

- Bouygues Immobilier operates in 2 segments of property development: residential and commercial property
  - This positioning can help cushion cyclical effects within each segment

- In residential property, Bouygues Immobilier is positioned on the entry- and mid-level segment of the market
  - Offering affordable products
  - Targeting credit-worthy customers eligible to government incentives
  - This segment represents around 80% of the market

- It is also developing residential property sales in complementary areas
  - Block apartments for social housing
  - New additional businesses
    - Serviced residences addressing targeted people (students, young professionals, seniors and tourists)
    - Grouped detached houses
      - Potential market of 30,000 units in France
      - Mainly targeting first-time buyers
A clear strategy (2/2)

In Commercial property, Bouygues Immobilier delivers projects with **high architectural quality** and **good environmental performance** for users or investors

- Tailor-made projects answering customer’s needs and expectations
- Green Office®, positive-energy office buildings
- Rehagreen®, a service package to enhance the value of existing property asset
- UrbanEra®, comprehensive solution for a new generation of sustainable neighbourhoods oriented towards positive energy

A resilient positioning on 2 complementary segments
A cautious risks management policy

- **No administrative risk** is taken
  - ✓ All land promises are subject to administrative agreement

- **Management of commercial risk**
  - ✓ A **cautious policy** before launching the programs
    - ➢ In Residential property:
      - **Criteria to buy the land:** Minimum 20% of the program reserved
      - **Criteria to start the works:** Minimum 40% of the program reserved
    - ➢ In Commercial property: the program is sold or let before construction begins
  - ✓ A pragmatic **landbank management**: options accounted for 75% of the residential landbank at end-December 2011

- **Costs control**
  - ✓ Construction costs are monitored before buying the land
  - ✓ Minimal profitability targets are required
Ability to react quickly

- **Dynamic management of the landbank**
  - Ex: rapid downsizing of the landbank in autumn 2008 and acquisition of land at attractive prices at first signs of an upturn during the spring 2009

- **Quickly adapting the offers** to the changes in future anticipated market demand

- **Adaptation of cost structures**
  - Ex: reduction of the cost base when the crisis hit in 2008

Management focuses on the organization's ability to anticipate and react quickly.
A resilient financial profile

- **Strong sales growth**: +9% CAGR between 2000 and 2011
- **Solidity of margin** even during downturns

![Graph showing strong sales growth and margin solidity](image)

- **Sound financial situation**

![Graph showing net cash flow](image)
Competitive edge

- **Recognized expertise in sustainable construction**
  - Anticipating regulations: 100% of residential programs meet low-energy criteria since July 2010
  - Development of partnerships to provide future energy performance services

- **Ability to innovate:** new products are emerging both for new buildings and for renovation
  - Green Office® concept: first large-scale positive-energy office buildings
  - Rehagreen®: comprehensive approach to enhance the value of existing property assets
  - Urbanera®: a new approach to urban renewal

- **Focus on customer satisfaction and quality**
  - Comprehensive system for supporting customers from reservation to delivery
  - Low level of snags (<2 per apartment delivered on average)

- **Strong corporate culture** (team commitment, involvement in training, etc.)
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