

INTRODUCTION TO BOUYGUES IMMOBILIER



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Agenda

- **PROFILE**
- **BASIC ACCOUNTING**
- **OPPORTUNITIES**
- **STRENGTHS**

Profile

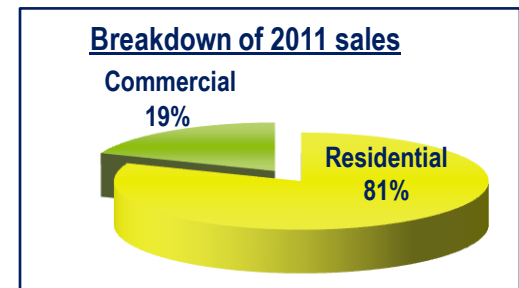
- A **pure player in property development** with more than 50 years of experience...

- ✓ A 3-step business



- ✓ 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



*EOS building,
Issy les Moulineaux, France
(Architect: Christian de Portzamparc) 4*

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

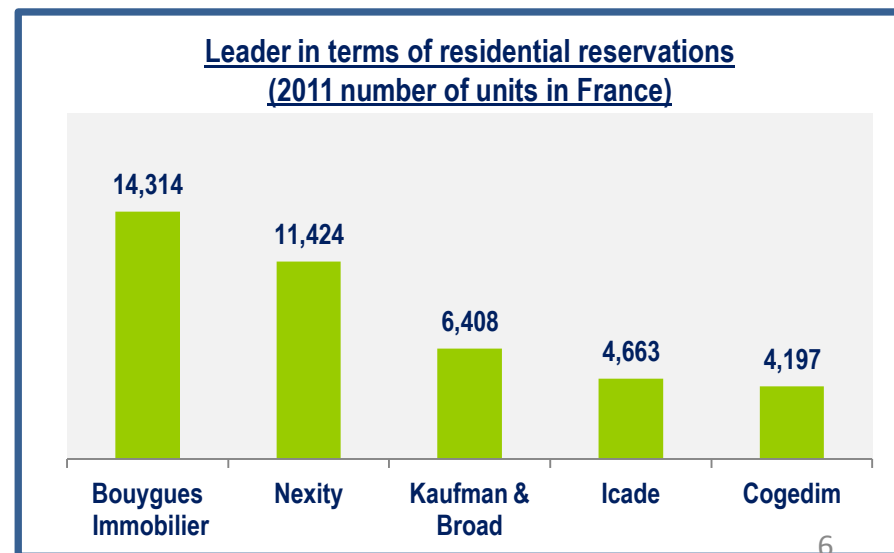
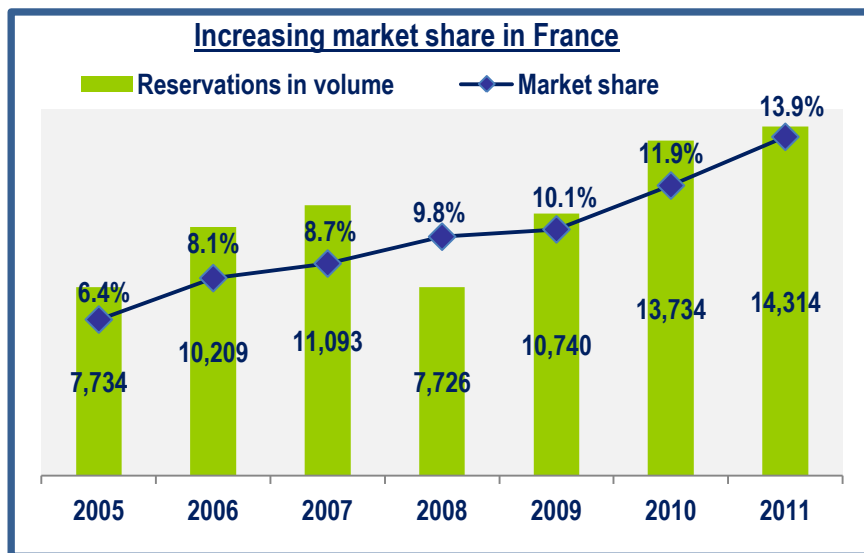
- ✓ Over 1,500 employees
- ✓ Reservations: €3.2bn
- ✓ Housing units sold: 14,723
- ✓ Backlog at end Dec. 2011: €3.1bn
 - Representing 16.5 months of activity for residential property business
- ✓ Unsold completed units: 22
- ✓ Take-up rate: 17%



*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



*Sequana Tower, Issy
(Architect:
Arquitectonica)*



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

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

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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



Ginko eco-neighbourhood, Bordeaux

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

Security of the reported backlog

Basic accounting (2/3)

- 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 requirement¹
 - ✓ Reduction of financial costs

¹Thanks to staged payments

Basic accounting (3/3)

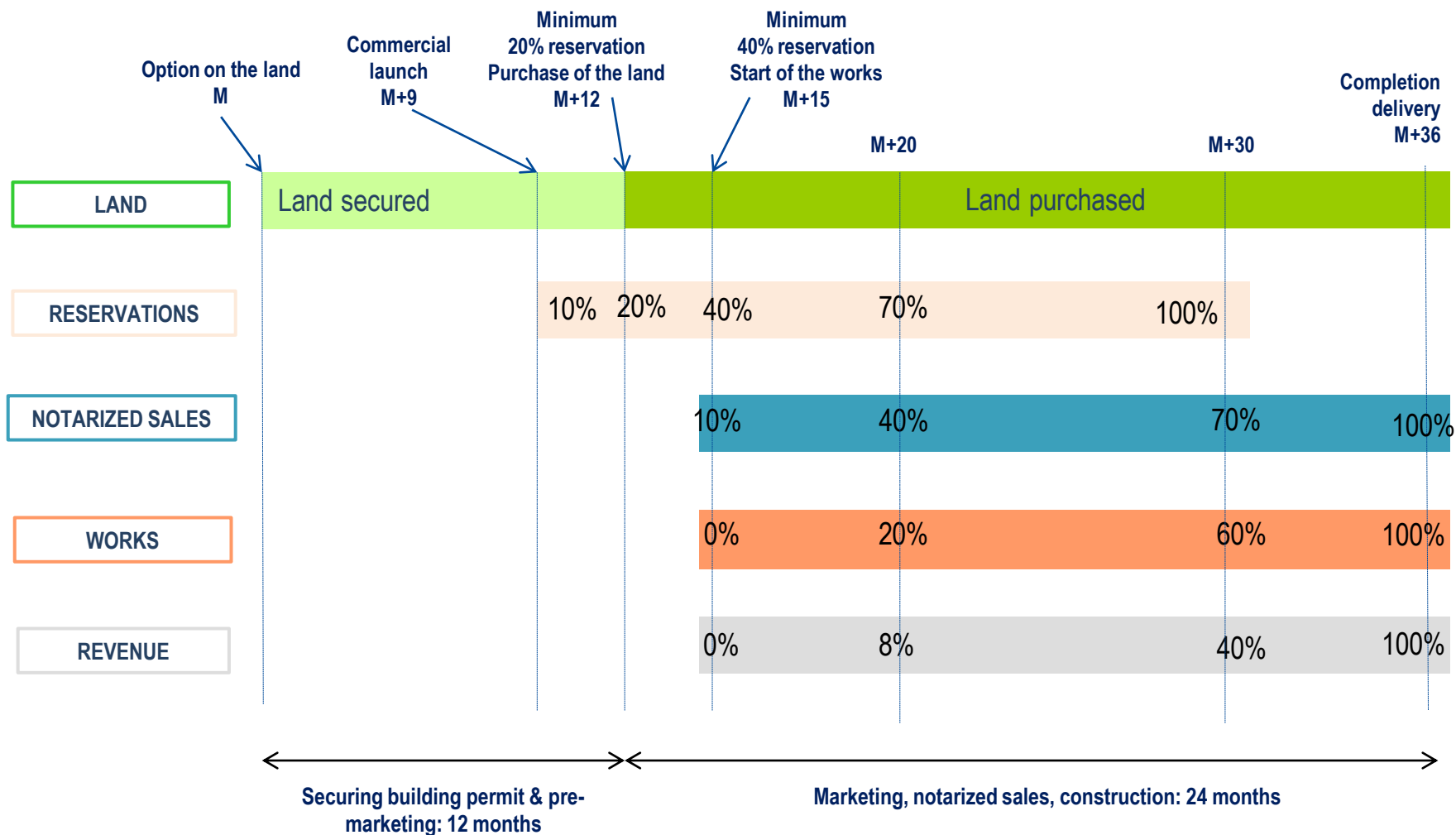
- For each project, revenue in France is recognized on a **percentage-of-completion basis** as construction progresses
 - ✓ Notarized sales trigger the beginning of revenue recognition
 - ✓ Revenue = notarized sales X percentage of completion of the works

- **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 sale¹, 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

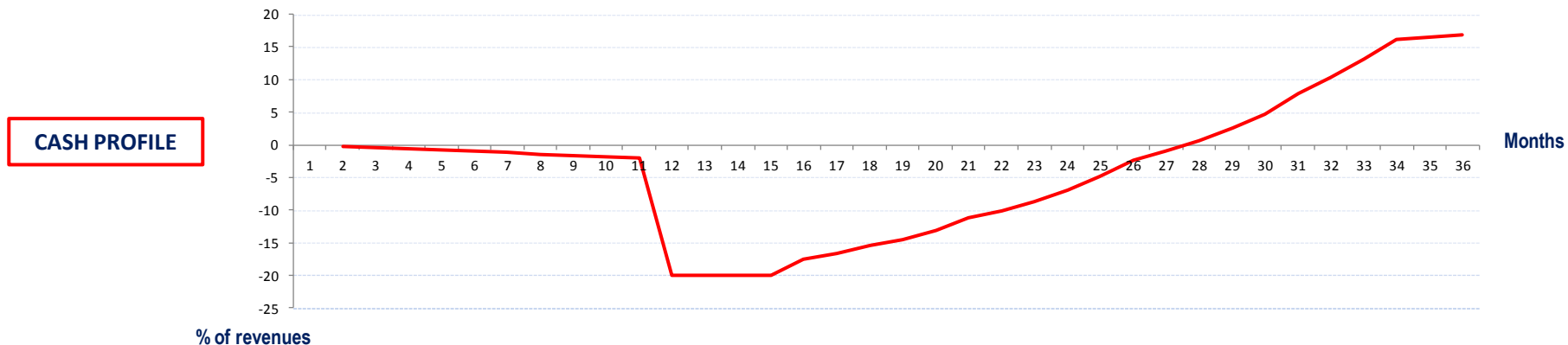
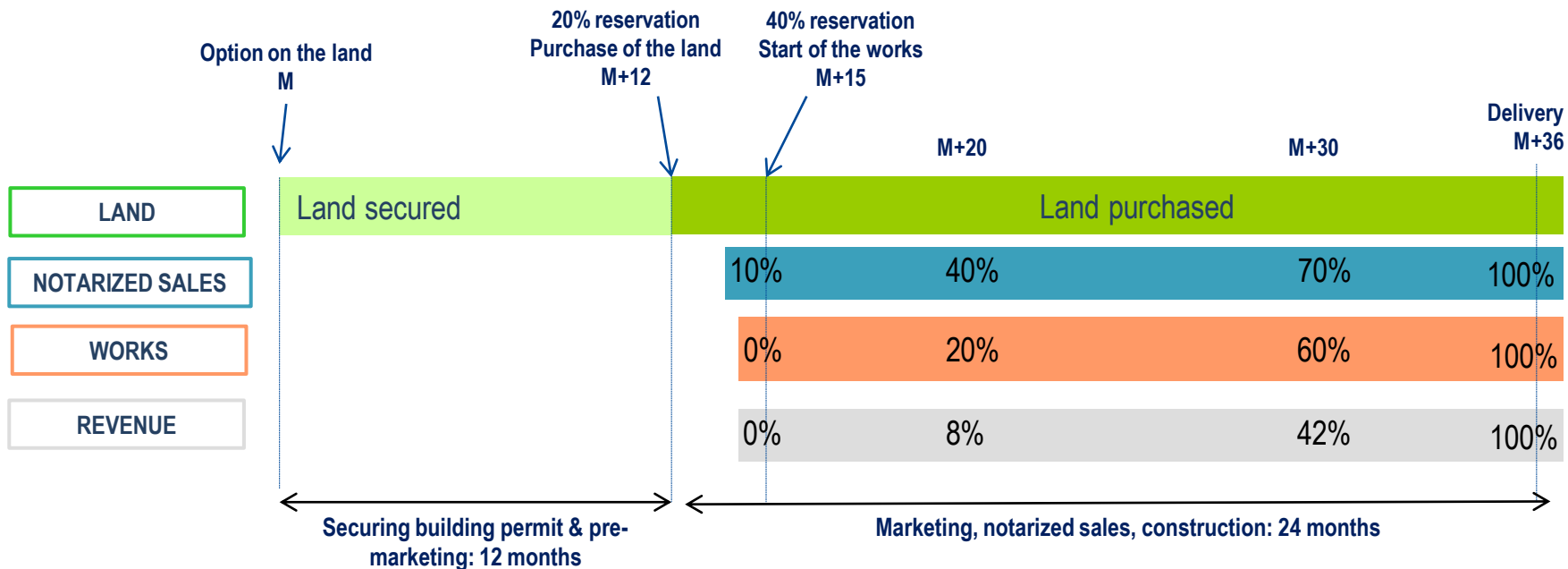
¹According to work progress

Example of a residential program's revenue recognition



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 2030¹
- ✓ Growing number of households: +25% between 2005 and 2030¹
- ✓ Increased mobility and internal migrations
- ✓ A relatively low proportion of home owners: 58%¹ in France vs. 65% in EU¹ in 2007

➔ **Structural housing shortage in France estimated at 800,000 units²**

■ 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 years³
- ✓ Low level of non-performing loans: 1.3%⁴
- ✓ A lower level of household indebtedness: 77% in France vs. 97% in the Eurozone¹

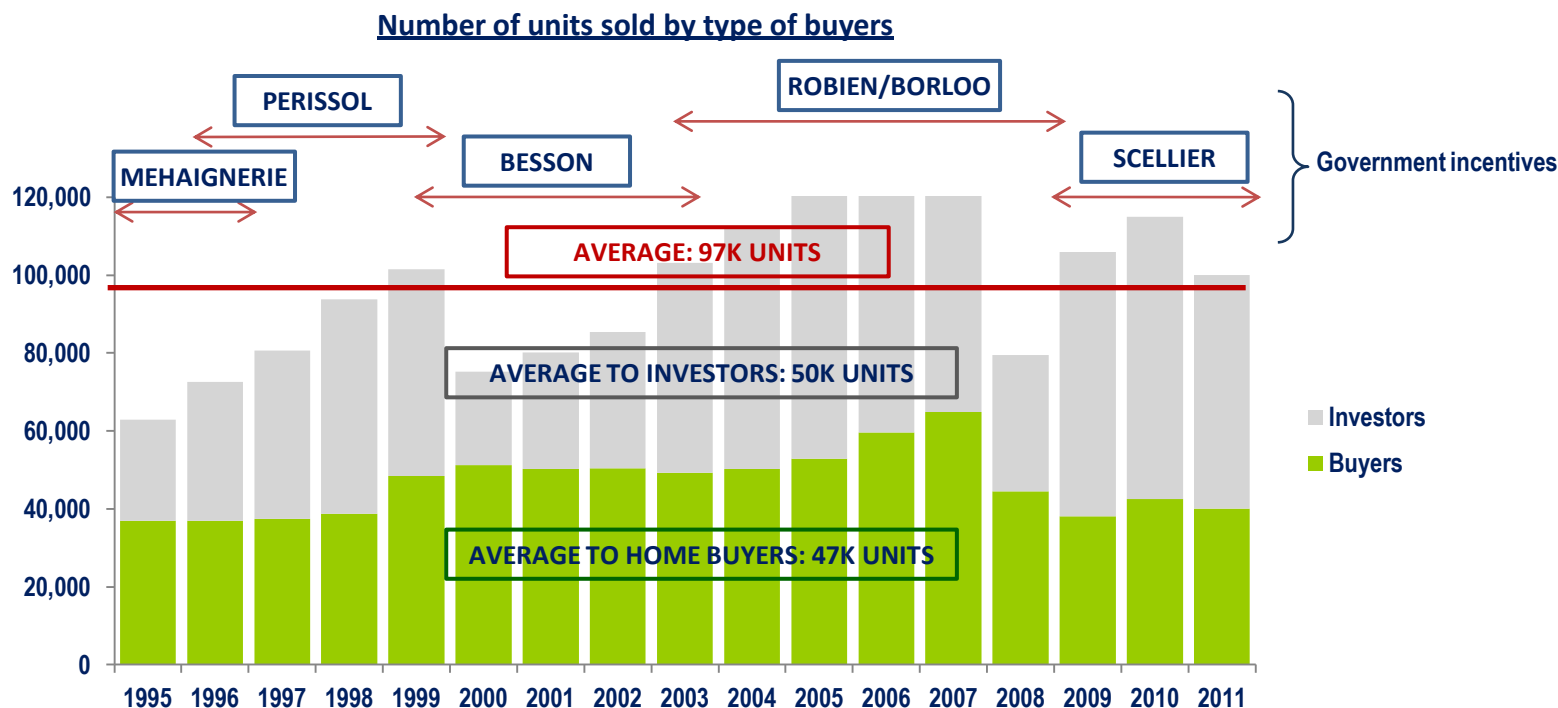
■ No speculative property bubble in France

- ✓ Prices have been up 135% in France since 1998 vs. 200% in Spain and 220% in the UK (from 1998 to 2007)⁴

A strong structural demand

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

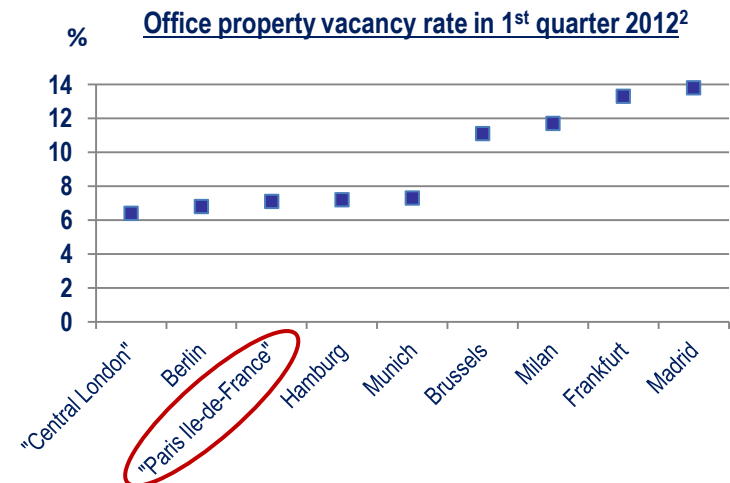
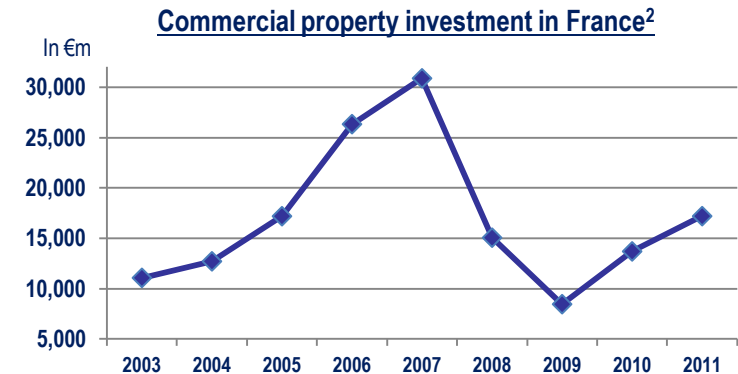


A robust French commercial property market

- 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 2011¹

- Total investment in the French commercial property market² in 2011: €17.2bn

- **Healthy fundamentals** of Paris market
 - ✓ No over-supply of new buildings
 - ✓ Office take-up³: 2.250m sqm in 2011
 - ✓ A low vacancy rate of around 7%²



A large and healthy market

Sustainable development

■ 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 Office, Meudon

Green property has an increasing competitive edge

¹50 kWhpe/m²/year

²Must produce at least the same amount of energy as it consumes for operational purposes

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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



Vert Eden, Aix-en-Provence



*Les Rives du Golf,
Roquebrune-sur-Argens*

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



*Green Office[®],
Rueil-Malmaison*



*Rehagreen[®]:
Campus Val de Bièvre,
Gentilly*



*UrbanEra[®]: Hikari,
Lyon Confluence*

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



D2 Tower, La Défense

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

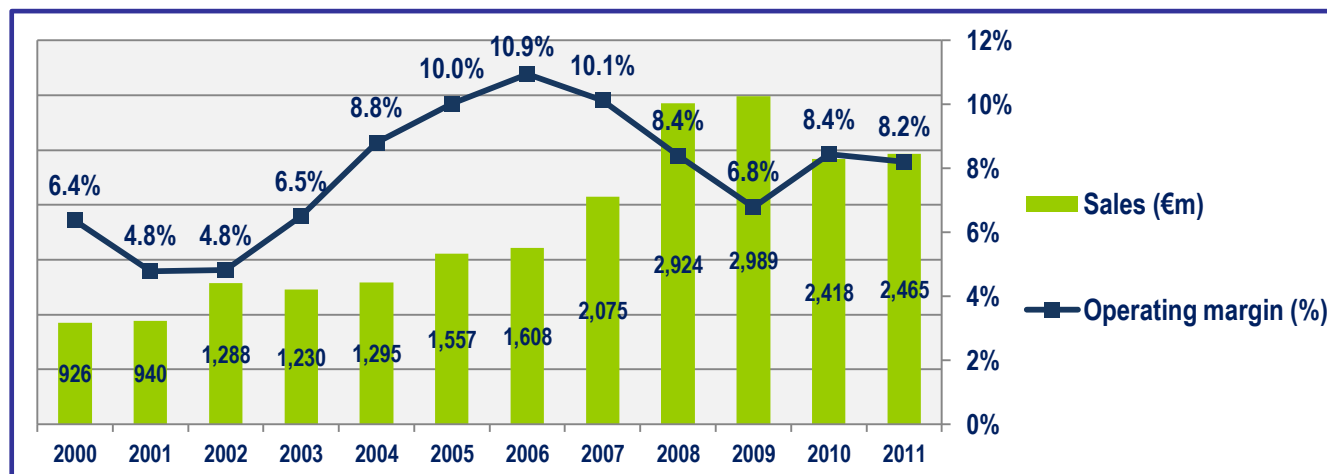


L'Avangard', Nanterre

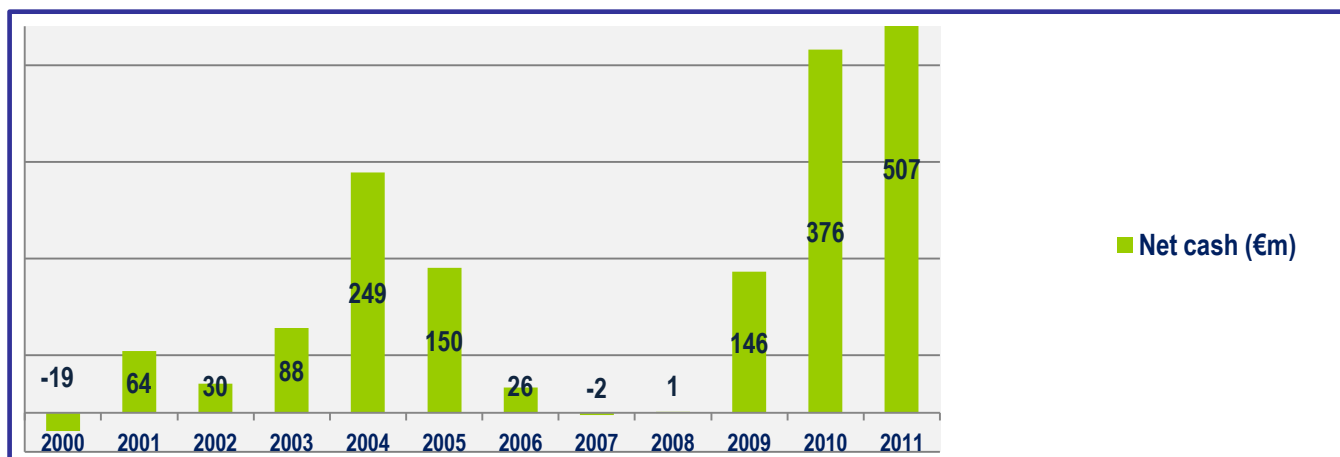
Management focuses on the organization's ability to anticipate and react quickly

A resilient financial profile

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



- Sound financial situation



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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