1.1 PROFILE

1.1.1 Making progress become reality

What the Bouygues group does

Makes life better every day

It is the Bouygues group's firmly-held belief that meeting essential day-to-day needs with an ethical and responsible attitude helps drive improvement for society as a whole. The goal of its five business segments – Bouygues Construction, Bouygues Immobilier, Colas, TF1 and Bouygues Telecom – is to bring innovative solutions designed with passion and respect to as many people as possible.

Strategy

The Bouygues group aims to create value over the long term and share it with its stakeholders [a]. In order to do this, the Group draws on its stable ownership structure and has defined a strategic framework through which its business segments roll out their operational strategies.

The Group has made several distinctive and specific choices in order to create and share value over the long term. Its five business segments are able to provide growth over the long term since they all satisfy constantly evolving and essential needs such as housing, transportation, entertainment and communication. Furthermore, their diversity helps to cushion the impact of the difficulties that some may experience from time to time. By combining these two features, Bouygues is able to generate recurrent free cash flow. The value created can then be reinvested to grow the Group and shared with its stakeholders.

Bouygues also strives to maintain a robust financial situation in order to ensure its independence and preserve its business model over time. For example, the Group's construction businesses tie up a small amount of capital and generate a high level of cash.

Bouygues' strategy can be rolled out over the long term thanks to the stability of its ownership structure (see opposite).

BOUYGUES' STRENGTHS

- **Its people's commitment**
- **Tight control over the value chain**
  Skilled in incorporating the best internal and external expertise in order to offer full-service solutions and remain a key partner for its customers; partners of all shapes and sizes, from large companies to start-ups
- **High value-added products and services**
  High value-added solutions and user experience
- **A selective long-term presence worldwide**
  Targeted growth in international markets that meets its risk-management standards

The Group's solutions

Build better, renovate, recycle, reuse

Bouygues supports its customers with their building and neighbourhood development projects, encouraging them to adopt ambitious sustainable construction (low carbon, passive or positive energy) standards, whilst factoring in biodiversity at the same time. It contributes to the energy renovation of the housing stock, which is key to reducing greenhouse gas emissions and improving user comfort.

The Group participates in developments that use eco-responsible and recycled materials, as part of a responsible sourcing policy. It also shows that it is possible to reuse secondary raw materials from the construction sector in new buildings and takes part in the construction of large-scale renewable energy production sites.

Combine quality of life with a lower environmental footprint

Bouygues is involved in the design of **sustainable neighbourhoods** within consortiums of urban players, such as businesses, start-ups, academic institutions, non-profit organisations and local authorities. It is also a major player in **responsible mobility.**

Technology to make life better every day

Bouygues invests in open and shared innovation in order to provide nimble solutions to the changing needs of society. Digital communication tools are used to improve urban living (smart city, etc.). With a view to providing digital coverage across the whole of France, Bouygues Telecom has signed a partnership with a non-profit body representing rural municipalities. It is also preparing for the arrival of 5G.

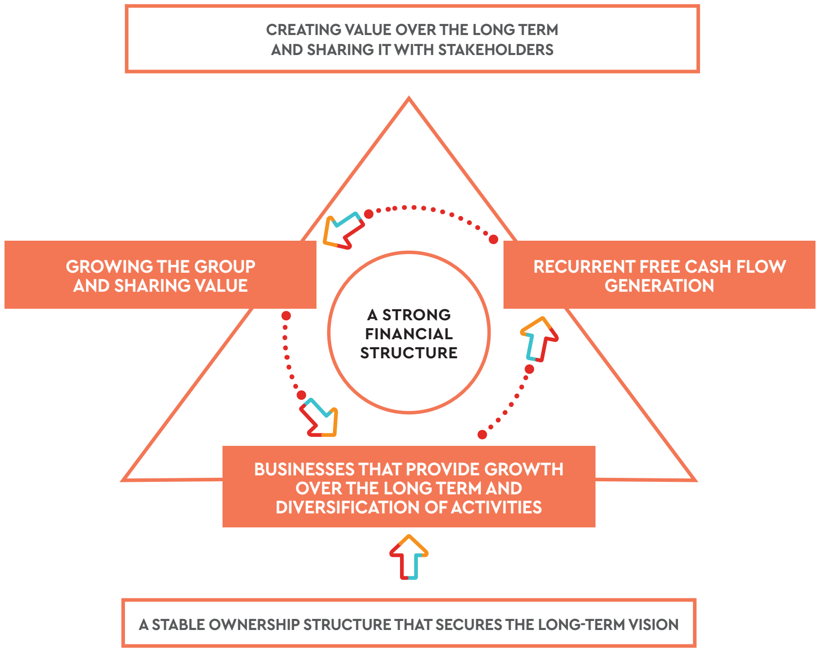
Innovate with its eco-system to provide customised, reliable and scalable products and services

Bouygues draws on outside expertise – such as from research centres and suppliers – to create innovative products and services. In the field, the Group focuses on consultation and co-design in order to strengthen buy-in by end-users. Each of the Group's subsidiaries has set up a seed fund for start-ups.

(a) Customers, users, employees, the financial community, suppliers, subcontractors and civil society, etc.

The virtuous circle of the Group's strategy

Group business model SEFP



A stable ownership structure that secures the long-term vision

Bouygues has long-standing core shareholders:

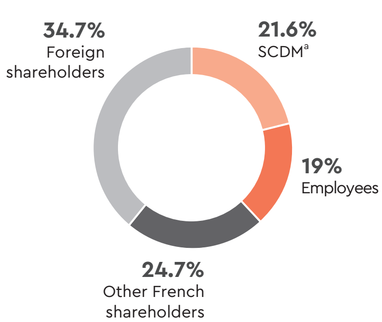
- SCDM, a company controlled by Martin and Olivier Bouygues;
- its employees, through a number of dedicated mutual funds.

At 31 December 2018, 54,500 employees owned shares in the Group, making Bouygues the CAC 40 company with the highest level of employee share ownership. At the end of 2018, a capital increase (entitled Bouygues Confiance n°10) of €150 million (nominal and premium) reserved for employees was carried out.

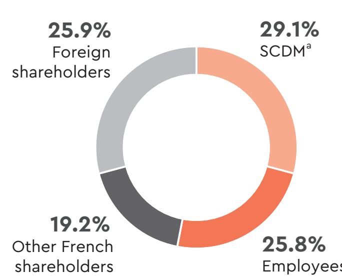
Ownership structure

at 31 December 2018

MAIN SHAREHOLDERS
372,377,939 shares



VOTING RIGHTS
498,684,217 voting rights



(a) SCDM is a company controlled by Martin and Olivier Bouygues.

FIND OUT MORE
Chapter 2 Business activities
Chapter 3 Statement on Extra-Financial Performance (SEFP)
Chapter 6 Information on the company

1.1.2 Organisation and governance

1.1.2.1 The Board of Directors at 31 December 2018

DIRECTORS FROM THE SCDM GROUP[a]

MARTIN BOUYGUES
Chairman and CEO

OLIVIER BOUYGUES
Deputy CEO

CHARLOTTE BOUYGUES
Standing representative of SCDM

WILLIAM BOUYGUES
Standing representative of SCDM Participations

INDEPENDENT DIRECTORS[b]

CLARA GAYMARD
Co-founder of Raise

ANNE-MARIE IDRAC
Company director

HELMAN LE PAS DE SÉCHEVAL
General council of the Veolia group

COLETTE LEWINER
Advisor to the Chairman of Capgemini

BOARD COMMITTEES

The Board of Directors refers to the recommendations of the Afep-Medef Corporate Governance Code. It draws on the work of three special committees comprised solely of independent directors and directors representing employees or employee shareholders.

Accounts Committee

Helman le Pas de Sécheval (Chairman) ■
Clara Gaymard ■
Anne-Marie Idrac ■
Michèle Vilain ■

Selection and Remuneration Committee

Colette Lewiner (Chairwoman) ■
Francis Castagné ■
Helman le Pas de Sécheval ■

Ethics, CSR and Patronage Committee

Anne-Marie Idrac (Chairwoman) ■
Sandra Nombret ■
Rose-Marie Van Lerberghe ■

■ Independent director[b] ■ Director representing employee shareholders ■ Director representing employees

(a) SCDM is a company controlled by Martin and Olivier Bouygues.
(b) Director qualified as independent by the Board of Directors.

DIRECTORS REPRESENTING EMPLOYEES/EMPLOYEE SHAREHOLDERS

FRANCIS CASTAGNÉ
Director representing employees

SANDRA NOMBRET
Director representing employee shareholders

MICHÈLE VILAIN
Director representing employee shareholders

OTHER DIRECTORS

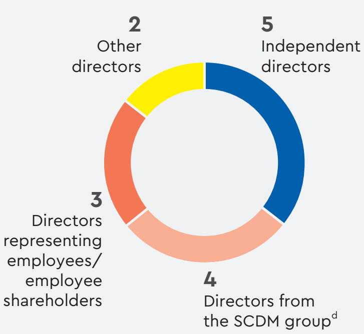
ROSE-MARIE VAN LERBERGHE
Vice-Chairwoman of Klépierre

ALEXANDRE DE ROTHSCHILD
Executive Chairman of Rothschild & Co Gestion[a]

PATRICK KRON
Chairman of Truffle Capital

KEY FIGURES

at 31 December 2018



WOMEN DIRECTORS[b]
54%

WOMEN ON COMMITTEES
70%

INDEPENDENT DIRECTORS[c]
45.5%

AVERAGE AGE
55

NUMBER OF BOARD MEETINGS
7

ATTENDANCE RATE AT BOARD MEETINGS
91.3%

(a) Managing partner of Rothschild & Co.
(b) Excluding directors representing employees.
(c) Excluding directors representing employees or employee shareholders.
(d) SCDM is a company controlled by Martin and Olivier Bouygues.

1.1.2.2 Senior management team

Parent company (Bouygues SA)

MARTIN BOUYGUES
Chairman and CEO

OLIVIER BOUYGUES
Deputy CEO

OLIVIER ROUSSAT
Deputy CEO

PHILIPPE MARIEN
Deputy CEO

BOUYGUES SA

The parent company has a significant presence on the boards of each of the Group's five business segments, enabling it to help define their strategy and play an active part in making their important decisions.

SENIOR MANAGEMENT OF THE BUSINESS SEGMENTS

Each business-segment head attends all Bouygues group Board meetings.

Senior management of the Group's five business segments

PHILIPPE BONNAVE
Chairman and CEO
of Bouygues Construction

PASCAL MINAULT[a]
Chairman
of Bouygues Immobilier

HERVÉ LE BOUC
Chairman and CEO
of Colas

GILLES PÉLISSON
Chairman and CEO
of TF1

RICHARD VIEL
CEO
of Bouygues Telecom

FIND OUT MORE
Chapter 5
Corporate governance

(a) Appointed on 13 February 2019.

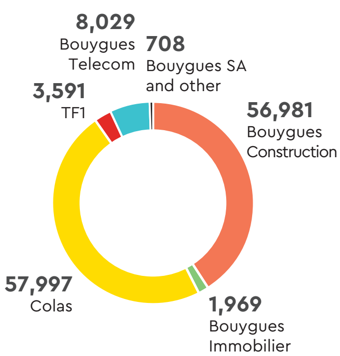
1.1.3 The Group's workforce

Bouygues is a diversified group that draws on a wide diversity of professions and skills. It relies on men and women who share the four fundamentals of its culture: respect, trust, imparting expertise and creativity.

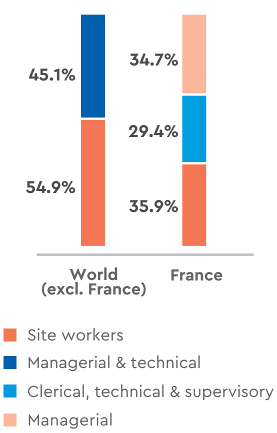
These fundamentals of our culture, outlined in the Integrated Report, are elaborated on in the Group's Code of Ethics and Human Resources Charter. Chapter 3 (Statement on Extra-financial Performance) of this Registration document outlines the Group's Corporate Social Responsibility policy and initiatives.

Headcount at 31 December 2018

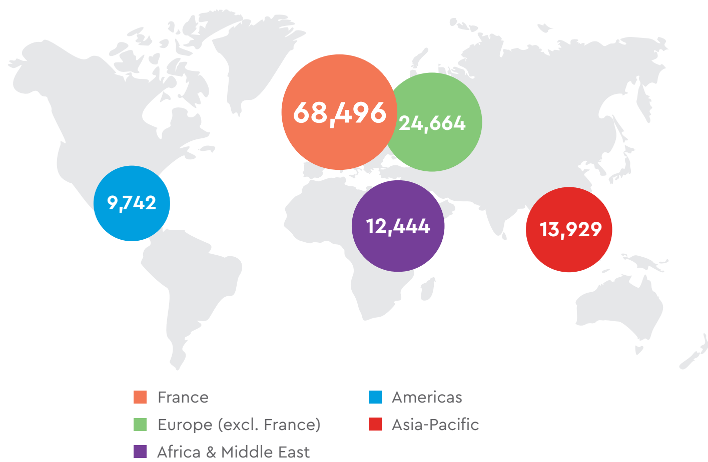
Group headcount by business segment



Job categories



Group headcount by region



HEADCOUNT

at 31 December 2018

—

Employees worldwide

129,000

—

Employees in France

68,496

(53% of the headcount)

—

Average age (France)

41

—

Average seniority (France)

12 years

—

Permanent contracts (France)

94.7%

employees

RECRUITMENT IN 2018

Worldwide

40,000

(+30%) [a]

In France

10,944

(a) versus 2017

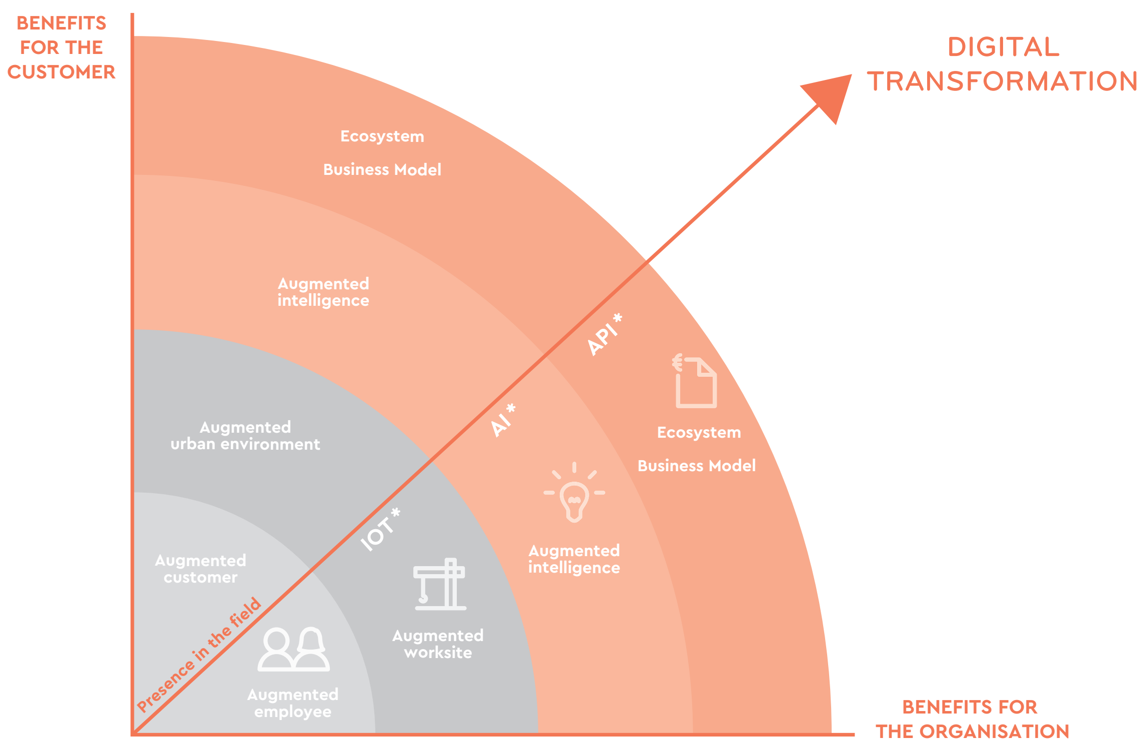
1.1.4 Bouygues and innovation

Innovation is central to Bouygues' strategy. It is essential in order to create more services for customers and more value added, and also to improve competitiveness, whatever the project.

Before, during and after projects, Group companies innovate with their stakeholders throughout the value chain in order to offer enduring solutions in both societal and technological terms. They aim to imagine future uses, improve the performance of materials and equipment, guarantee safety and reduce the environmental impacts of their activities.

The Group operates in sectorally and geographically diverse markets which offer many possibilities for growth. Always keen to observe and anticipate the major issues facing our society, the Group has identified digital transformation as a major trend that is a source of opportunities.

1.1.4.1 e-lab's[a] spheres of action



(*) API (Application programming interface): a set of functions and procedures that allow the creation of applications which access the features or data of an operating system, application, or other service – AI: Artificial intelligence – IOT: Internet of Things

1.1.4.2 Serving the Group's employees and customers

The **Internet of Things (IoT)** is permeating the whole of society via:

- the rapid spread of process-monitoring sensors in business and industry and
- the proliferation of connected objects in people's everyday lives – in the home, sport and healthcare.

Strongly motivated by this finding, Bouygues has placed the Internet of Things at the forefront of thinking within the **Ideas Laboratory**®. An open lab unique in the French ecosystem, hosted by CEA[b] in Grenoble, Bouygues has been a partner since its creation in 2001. Both a place and mindset, it is backed by a variety of players with the aim of renewing approaches to innovation and creation by implementing collaborative, iterative and open processes that generate physical or virtual outcomes.

In one of the lab's projects, digitisation is used to improve site worker safety and quality of work, and to increase efficiency. In doing so Bouygues is taking

(a) The Bouygues group's R&D and innovation unit.
(b) The French Alternative Energies and Atomic Energy Commission.

a first step towards an **Industry 4.0** ecosystem and smart worksites that are more adaptable and can allocate resources more efficiently.

For example, **virtual reality** can be used to boost and speed up the training of site workers as well as to simulate high-risk situations in almost-real conditions but without danger. Bouygues Construction and Colas site workers will be trained to help them better anticipate and react to dangerous or risky situations. Elsewhere in the Group, Bouygues Immobilier's customers can use virtual reality to help them visualise their future home, while TF1 viewers with a virtual reality headset can use the MyTF1 VR app to follow certain TV shows as an immersive experience.

The **Internet of Things** is now an integral part of people's lives, especially on Bouygues worksites. Objenious, a Bouygues Telecom subsidiary dedicated to IoT using the LoRa network, is accelerating the many innovative developments being rolled out on worksites. Most of these business apps have their origins in open innovation initiatives with start-ups.

1.1.4.3 From the augmented worksite to the augmented urban environment

For customers, whole urban environments are also becoming augmented:

- **BUILDINGS:** the hi-tech **ABC** (Autonomous Building for Citizens) concept was rolled out for the first time in October 2018 in an initial building being built in Grenoble. It aims to achieve self-sufficiency in water and energy and to optimise waste management. The target is 70% in terms of water and energy self-sufficiency and to generate 40% less household waste. Likewise, with the **Elsa** (Energy Local Storage Advanced) project, Bouygues Energies & Services is taking part in a European project whose aim is to give a new lease of life to electric vehicle batteries by re-using them to manage energy in buildings.
- **ROADS:** Colas, in collaboration with CEA Tech, has designed **Flowell,** a smart road solution based on remote-controlled dynamic light-emitting road markings. The solution comprises panels composed of LEDs encapsulated in a multilayer substrate and connected to an electrical grid. Flowell, currently in its development phase, is designed to change road markings dynamically according to use so that roads may become shared spaces. It has many potential uses: pedestrian crossings can light up when people use them, road lanes can open or close according to the amount of traffic, a delivery space can turn into a parking space at night, or temporary drop-off/pick-up spaces can be created around schools.
- **NEIGHBOURHOODS:** with its Confluence project, Bouygues Immobilier has developed the first demonstrator of the use of blockchain [a] to manage energy at the neighbourhood level. The technology can be used to distribute energy self-generated by buildings to occupants in real time. Energy distribution is tracked using blockchain, informing occupants of the amount of local energy they have actually consumed. **Citybox** makes street lighting networks smart by turning them into platforms for innovative services. Municipalities and local authorities need to control their spending on street lighting and other facilities while offering new digital services. **OnDijon,** a consortium led by Bouygues Energies & Services, has developed a centralised, connected control station to manage public facilities (and the related services) across the 24 municipalities that make up Dijon's metropolitan area. This smart city project covers a catchment area of 250,000 inhabitants. Among other benefits, the authorities are targeting a 65% saving in the energy consumed by street lighting.

1.1.4.4 Augmented intelligence

Bouygues is also providing new uses and services in buildings with the Cyber Valet app. Bouygues Energies & Services has teamed up with Cisco and Valeo to develop a self-parking system for cars. Trials have been carried out using around 40 cameras placed around a distance of 500 metres travelled by a vehicle within a car park of 1,000 m^2. The cameras analyse the vehicle's environment in real time and instruct it how to move. The vehicle is fitted with front and back ultra-sound sensors able to detect empty car parking spaces.

These new technologies will not only help to optimise and better manage resources but will also make everyday life easier for the residents of a neighbourhood or town. Bouygues believes that the imminent arrival of 5G technology is an opportunity to capitalise on the diversity and good match between its various business activities. Its in-house accelerator, SmartX 5G, will knit together all the Group's initiatives in this domain. Partners, customers and research labs will be called upon to test and develop the uses of tomorrow's smart city.

With IBM Watson, Bouygues Telecom is developing customer support chatbots. These are the first steps in the implementation of **artificial intelligence** to make relations with Bouygues Telecom's customers even more tailored and effective. In terms of service quality, the aim is also to move from predictive to prescriptive analytics.

1.1.4.5 Ecosystem and new business models

The Bouygues group's business segments are uniquely well-placed to foster collective thinking about how to create new interfaces between infrastructure of all kinds, from public and private buildings and roads to shopping centres and utilities, for the benefit of all urban stakeholders.

Bouygues has launched an initiative entitled **"Innovate like a start-up",** which brings together each year a "tribe" of 50 Group employees from its five business segments to consider issues related to the city of the future. Working in **nimble mode,** this tribe devises new business models designed to be rolled out on a large scale. The "productive city" was the theme of 2018.

- With **Moov'Hub,** developed within a partnership, Colas is developing a range of smart mobility products and services. Mobility is no longer focused on roads alone, but it is enhanced with services for managers and users alike. Via this platform, vehicle users will be able to access all the information and services required to move around and park in the city.
- Via **Objenious,** Bouygues Telecom provides local authorities with discovery kits of solutions connected to its own network of connected objects, which is designed to keep tight control of public spending, improve services for citizens and reduce the carbon footprint.

For the city of the future, Bouygues is involved in new societal initiatives that go far beyond mere dialogue with local residents. For the Les Fabriques eco-neighbourhood project in Marseille, the Group is preparing for what the area will be like in ten years' time in terms of transport, services, renewable energies and connectivity. The aim is to create an eco-neighbourhood that meets the standards of the future so that it is attractive to all the different types of resident. The key idea is to take what is there already and improve it.

(a) Blockchain is a technology used for storing and securely transmitting information without the need for a central counterparty.

1.1.5 Bouygues group: main sites

Bouygues group: main sites	Location	Surface area	Environmental certification	Group-owned
Bouygues SA	32 avenue Hoche 75008 Paris France	7,600 m^2	HQE™	Yes
Bouygues Construction	Challenger 1 avenue Eugène Freyssinet 78280 Guyancourt France	67,000 m^2	• HQE™ Exceptionnel • LEED® Platinum • BREEAM® Outstanding • BBC-effinergie® • BiodiverCity	Yes
Bouygues Immobilier	3 boulevard Gallieni 92130 Issy-les-Moulineaux France	6,250 m^2	HQE™	No
Colas	1 rue du Colonel Pierre Avia 75015 Paris France	7,510 m^2	• NF HQE™ Bâtiments tertiaires [a] – bureaux 2015 – Exceptionnel • BREEAM® – New builds [a] 2013 – Excellent • Bepos-effinergie 2013	No
TF1	Tour 1 quai du Point du Jour 92100 Boulogne-Billancourt France	35,167 m^2		Yes
	Atrium 6 place Abel Gance 92100 Boulogne-Billancourt France	20,220 m^2		No
Bouygues Telecom	Head office 37–39 rue Boissière 75116 Paris France	325 m^2		No
	Technopôle site 13–15 Av. du Maréchal Juin 92360 Meudon France	54,243 m^2	• HQE™ • Iso 50001	No

(a) Certification process ongoing.
BBC-effinergie®: A French low-energy certification label
Bepos: A French positive-energy building label awarded by the effinergie association
BiodiverCity: The first international label that indicates biodiversity has been factored into property development construction and renovation projects
BREEAM®: Building Research Establishment Environmental Assessment Method (UK certification)
HQE™: High Environmental Quality (French certification)
LEED®: Leadership in Energy and Environmental Design (US certification)
NF HQE™ *Bâtiments tertiaires:* A French certification awarded by Certivéa

1.2 BOUYGUES AND ITS SHAREHOLDERS

Listed on the Paris stock exchange since 1970, Bouygues is one of the market's flagship stocks, as demonstrated by its almost uninterrupted inclusion in the CAC 40 index.

1.2.1 Shareholder contacts

Shareholders and investors

Karine Adam Gruson

Investor Relations Director

- Tel.: + 33 (0)1 44 20 10 79
- E-mail: investors@bouygues.com

Registered share service

Gaëlle Pinçon – Marie-Caroline Thabuy

- Tel.: +33 (0)1 44 20 10 61/11 07
- Toll free: 0 805 120 007 (from fixed lines in France)
- E-mail: servicetitres.actionnaires@bouygues.com

1.2.2 Registered share service

Bouygues offers a free, unintermediated account-keeping service to pure registered shareholders.

Registered shareholders are also guaranteed to receive regular information from Bouygues and are automatically sent notices of shareholders' meetings.

All holders of registered shares enjoy double voting rights once their shares have been held in this form for more than two years. Shareholders wishing to hold their shares as registered shares should contact their financial intermediary.

In 2017, Olis-Actionnaires, a web site dedicated to shareholders that allows them to manage their accounts on-line and log on to **VotAccess,** was launched. Shareholders can use this service to vote on-line for annual general meetings and to consult convening notice documentation.

Bearer shareholders can also vote using **VotAccess** if the financial intermediary managing their share account has joined the VotAccess platform.

1.2.3 Investor relations

2018 Key figures

- Four results releases: Bouygues senior management presented the Group's full-year and half-year results at face-to-face meetings, and first-quarter and third-quarter results via conference calls.
- 550 investors met with management or the Investor Relations team.
- 19 roadshows were held in eight countries.
- The Group attended ten conferences on sector-specific and more broad-based themes.
- A Capital Markets Day devoted to the construction businesses.
- A presentation for bond investors in Paris.
- 22 brokers in France and around the world cover the Bouygues share.

1.2.4 bouygues.com

bouygues.com is an important tool for communicating with shareholders, analysts and investors. The very comprehensive information available includes:

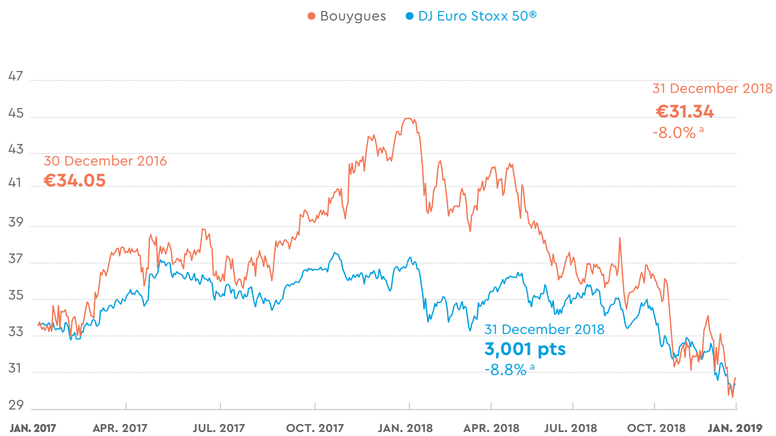
- published financial documents: press releases, full financial statements, results presentations, archive recordings of past presentations, etc.;
- regulated information, including all the registration documents since 2006;
- Bouygues "At a Glance" documents since 2002;
- the Group's first ever Integrated Report published in 2018;
- a downloadable historical data file showing key figures for the Bouygues group over the past ten years;
- the analysts' consensus compiled by Bouygues;
- a special section for shareholders: documents relating to the Annual General Meeting, FAQ, etc.;
- detailed information about the Bouygues group's activities, key performance indicators, senior management, etc.;
- an interactive intraday Bouygues share price tracker.

In October 2018, Bouygues won Labrador's "Grand Prix de la Transparence" award for the clarity of its remuneration policy.

1.2.5 The Bouygues share

Share performance since the end of 2016

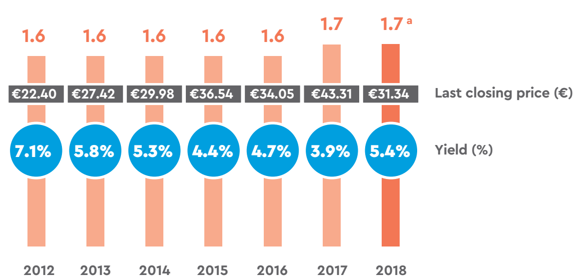
SHARE PRICE AFTER MARKET CLOSE
€



(a) Versus 30 December 2016

Dividend and dividend yield

DIVIDEND PER SHARE
€



(a) Proposed at the Annual General Meeting on 25 April 2019. Payment of dividend on 3 May 2019

Yield:

- Divided per share relative to the closing price of the previous year.

THE BOUYGUES SHARE

FACTSHEET

LISTING
Euronext Paris (Compartment A)

ISIN CODE
FR0000120503

IDENTIFICATION CODES
Bloomberg: EN:FP
Reuters: BOUY.PA

PAR VALUE
€1

AVERAGE PRICE IN 2018
€38.37
(averaging closing price – Source: NYSE Euronext)

AVERAGE DAILY TRADING VOLUME ON EURONEXT
0.9 million shares
(source: NYSE Euronext)

MARKET CAPITALISATION
€11,670 million
(at 31 December 2018)

STOCK MARKET INDICES
CAC 40, FTSE Eurofirst 300, Dow Jones Stoxx 600, Euronext 100

SRI INDICES
STOXX Global ESG Leaders, Euronext Vigeo Eurozone 120 and Europe 120, FTSE4Good, rated A- by CDP

SECTOR CLASSIFICATION
MSCI/S&P indices:
Construction and Engineering
FTSE and Dow Jones indices:
Construction & Materials

OTHER
Eligible for deferred settlement service (SRD) and French equity savings plans (PEAs)

2019 KEY DATES

THURSDAY 25 APRIL
Bouygues Annual General Meeting at Challenger (Saint-Quentin-en-Yvelines, France)

FRIDAY 3 MAY
Dividend payment

THURSDAY 16 MAY
First-quarter 2019 results

THURSDAY 29 AUGUST
First-half 2019 results

THURSDAY 14 NOVEMBER
Nine-month 2019 results

1.3 2018 FINANCIAL YEAR

1.3.1 Key figures

The 2017 financial statements have been restated for the application of IFRS 9 and IFRS 15.

Financial highlights

€m	2017 restated	2018	Change
Sales	32,923	35,555	+8% [a]
EBITDA	2,898	3,144	+€246m
Current operating profit	1,406	1,511	+€105m
Operating profit [b]	1,519	1,776	+€257m
Net profit attributable to the Group	1,082	1,311	+€229m
Net profit attributable to the Group excluding exceptional items [c]	908	1,047	+€139m
Diluted earnings per share (€)	3.00	3.55	+18%
Cash flow	2,811	3,131	+€320m
Net capital expenditure	1,422	1,573	+€151m
Free cash flow	864	915	+€51m
Shareholders' equity (end of period)	10,416	11,117	+€701m
Net debt (-)/Net surplus cash (+) (end of period)	(1,917)	(3,657)	-€1,740m
Gearing ratio (net debt/shareholders' equity)	18%	33%	+15 pts
Net dividend per share (€)	1.70	1.70 [d]	=
Headcount	115,530	129,275	+13,745

(a) Up 3% like-for-like and at constant exchange rates.

(b) In 2017, includes non-current charges of €23m at TF1 corresponding to amortisation of audiovisual rights remeasured as part of the acquisition of Newen Studios and of €5m at Colas related to preliminary works for the dismantling the Société de la Raffinerie de Dunkerque (SRD) refinery site at Dunkirk, and non-current income of €141m at Bouygues Telecom (of which €223m of non-current income related to the capital gain on the sale of sites and non-current charges of €79m relating to network sharing). In 2018, includes non-current charges of €31m at Colas mainly related to the dismantling of the SRD site and the one-off year-end employee bonus, of €22m at TF1 corresponding to amortisation of audiovisual rights remeasured as part of the acquisition of Newen Studios, and of €4m at Bouygues Construction related to the one-off year-end employee bonus, and non-current income of €322m at Bouygues Telecom (of which non-current income of €110m related to the cancellation of fees paid for the use of 1800 MHz frequencies and of €250m related to the capital gain on sale of mobile sites and FTTH infrastructure, and non-current charges of €47m relating to network sharing).

(c) See details on page 19 of this document.

(d) Proposed to the AGM on 25 April 2019.

Sales

Sales generated by the **Bouygues group** reached €35.6 billion in 2018, 8% higher than in 2017.

The **construction businesses** reported 2018 full-year sales (net of internal transactions) of €28.0 billion, up 8% on 2017 as a result of recent acquisitions. On a like-for-like basis and at constant exchange rates, sales rose by 3%.

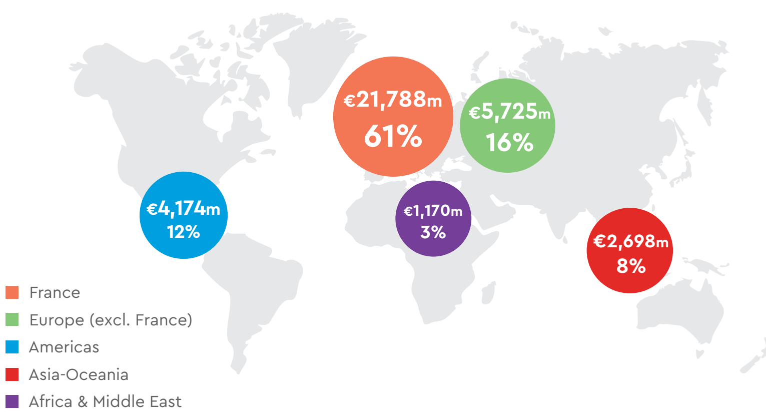
Bouygues Construction reported sales of €12,358 million, up 6% on 2017, and up 1% on a like-for-like basis and at constant exchange rates. Sales at **Bouygues Immobilier** were €2,628 million, down 4% year-on-year, due mainly to a commercial property project being postponed to the first half of 2019. **Colas** generated sales of €13,190 million, up 13% on 2017 (and up 5% on a like-for-like basis and at constant exchange rates), mainly reflecting growth in the French roads market and major road and motorway projects in central Europe.

Sales at **TF1** were €2,288 million, up 7% on 2017 (up 2% on a like-for-like basis and at constant exchange rates), driven by strong advertising sales for the five unencrypted channels, the impact of the premium agreements signed with French telecom operators and Canal+, and the strengthening of the production and digital activities.

Bouygues Telecom reported sales of €5,344 million, up 6% year-on-year. Sales from services rose by 5% to €4,256 million, boosted mainly by an increase in the customer base.

Sales by region

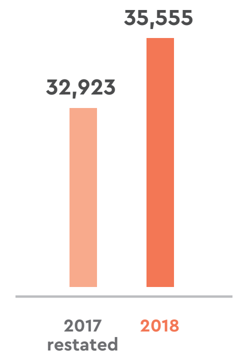
€35,555m



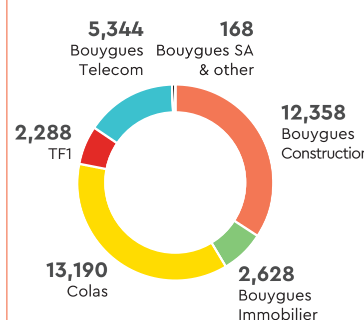
SALES

€m

€35.6bn (+8%)



By business segment[a]



(a) Impact of intragroup eliminations: -€421m.

Current operating profit

The Bouygues group generated current operating profit of €1,511 million in 2018, 7% more than in 2017.

Current operating profit for the construction businesses was €915 million, down €28 million year-on-year. Stripping out the impact of Nextdoor[a] in 2017 and of Axione[a] in 2018, current operating profit would have decreased by €106 million, due mainly to difficulties encountered on three projects at Bouygues Energies & Services, and in Colas' specialized activities in the third quarter of 2018. In line with expectations, current operating margin for 2018 was 2.9%, 60 basis points lower year-on-year.

In the fourth quarter of 2018, current operating profit rose by €39 million year-on-year after stripping out the impact of Axione[b]. This improvement reflected (i) at Bouygues Construction, another good performance for building & civil works and a return to a positive contribution from Bouygues Energies & Services and (ii) at Colas, improved margins for the roads activity in mainland France.

TF1 posted a current operating profit of €196 million, an increase of €11 million, despite the Soccer World Cup in 2018. Current operating margin, including the costs of screening the Soccer World Cup, was virtually unchanged (down 0.1 of a point year-on-year to 8.6%). Excluding the costs of screening the World Cup, current operating margin is 11.7%.

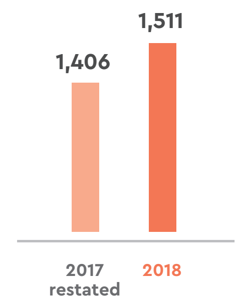
Bouygues Telecom reported EBITDA of €1,268 million in 2018, a year-on-year increase of €171 million. EBITDA margin was 29.8%, a year-on-year improvement of 2.8 points.

Overall, **Group operating profit** rose by €257 million in 2018 to €1,776 million. It includes €265 million of non-current income (mainly a capital gain on the sale of mobile sites and FTTH infrastructure at Bouygues Telecom).

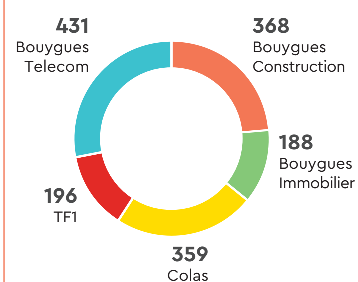
CURRENT OPERATING PROFIT

€m

€1,511m (+7%)



By business segment[a]



(a) "Bouygues SA & other" reported a current operating loss of €31m.

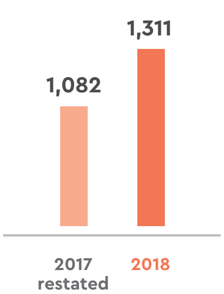
Net profit attributable to the Group

€m

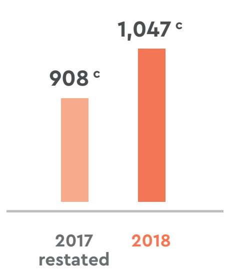
€1,311m (+21%)

Net profit attributable to the Group amounted to €1,311 million in 2018, versus €1,082 million in 2017, an increase of 21%. After stripping out exceptional items, net profit attributable to the Group for 2018 was €1,047 million, 15% higher than in 2017.

Net profit attributable to the Group



Net profit attributable to the Group excluding exceptional items



(a) Capital gain related to the partial divestment of shares and remeasurement of the residual interest in Nextdoor in 2017 and in Axione in 2018.

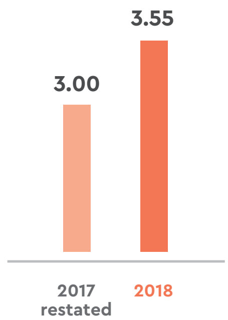
(b) Capital gain related to the partial divestment of shares and remeasurement of the residual interest.

(c) After stripping out the non-current income and charges (net of taxes) recorded by each business segment in 2017 and in 2018, the reimbursement of the 3% tax on dividends in 2017, and the capital gain on the divestment and remeasurement of Nextdoor (2017) and of Axione (2018).

Earnings per share

€ per share

€3.55 (+18%)



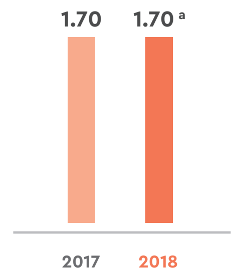
Dividend per share

€

€1.70 [a]

In line with a dividend policy consistent with its long-term strategy, Bouygues is proposing to maintain its dividend at the same level as for 2017. The Board of Directors will therefore ask the Annual General Meeting of 25 April 2019 to approve a dividend of €1.70 per share.

That represents a yield of 5.4% (dividend per share for the 2018 financial year as a percentage of the last quoted price in that year). See also page 16 of this document.



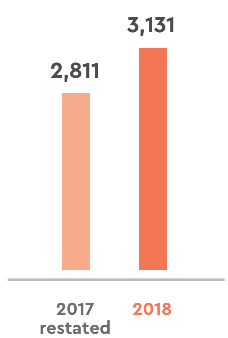
(a) Proposed to the AGM on 25 April 2019.

Cash flow

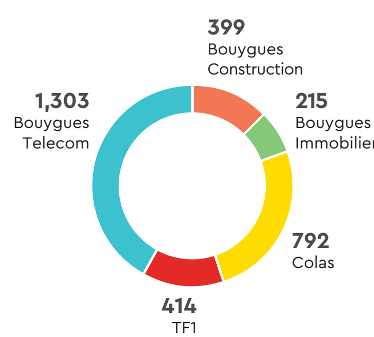
€m

€3,131m (+11%)

Cash flow was €320 million higher year-on-year, largely as a result of a good operating performance at Bouygues Telecom.



Contribution by business segment [a]



(a) "Bouygues SA & other" generated a net cash inflow of €8m.

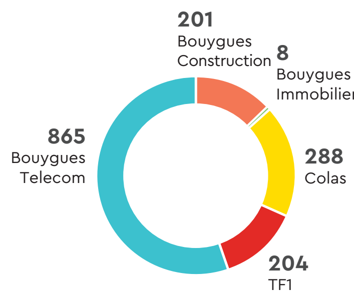
Net capital expenditure

€m

€1,573m (+11%)

Net capital expenditure rose by €151 million year-on-year. The main reason was higher net capex at Bouygues Telecom (roll-out of mobile and fixed networks), and also at Bouygues Construction due to the fact that contract starts are not spread evenly over time.

Contribution by business segment [a]



(a) Net capital expenditure for "Bouygues SA & other" was €7m.

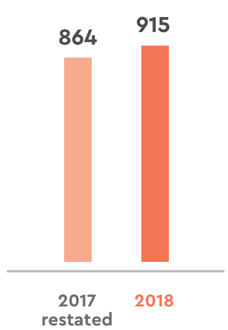
1

Free cash flow

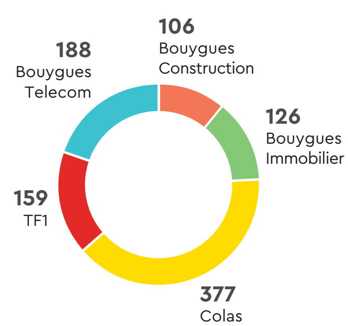
€m

€915m (+6%)

Free cash flow was up €51 million to €915 million, driven mainly by Bouygues Telecom.



Contribution by business segment [a]

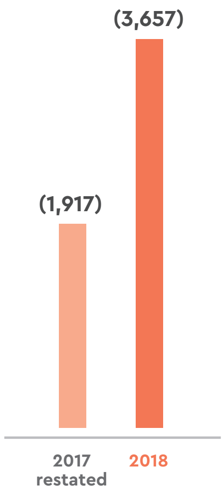


(a) Free cash flow for "Bouygues SA & other" was a net outflow of €41m.

Net debt(-)/Net surplus cash(+)

€m

€(3,657)m (-€1,740m)



Net debt stood at €3,657 million as of 31 December 2018, versus €1,917 million a year earlier. This mainly reflects recent acquisitions (Miller McAsphalt group, aufeminin and Alpiq Engineering Services).

Operating activities generated a net cash inflow of €440 million in 2018, thanks to improved profitability.

The dividend payout in 2018 was €712 million.

On 5 July 2018, Moody's upgraded its credit rating from Baa1 positive to A3 stable. On 12 July 2018, Standard & Poor's reiterated its BBB+ credit rating, with positive outlook.

The Group has excellent liquidity (€10.0 billion at 31 December 2018, comprising €2.7 billion of cash and cash equivalents and €7.3 billion of undrawn credit facilities), and a very well-spread maturity profile.

Outlook[a]

The Group's activities are positioned on **markets that offer opportunities for growth:**

- strong worldwide demand for complex projects, more sophisticated and integrated offers, and maintenance;
- significant appetite for premium and exclusive video content that can be monetized via data analysis (consumption, usage, profiles, etc);
- an explosion in B2C and B2B fixed and mobile usage.

In this favourable environment, the Group can use its robust competitive advantages to:

- in 2019, **improve Group profitability** and **generate €300 million of free cash flow**[b] at Bouygues Telecom;
- within two years, **increase Group free cash flow generation after WCR**[c] **to €1 billion** thanks to the contribution of the three sectors of activity.

(a) Before application of IFRS 16.

(b) Free cash flow = cash flow minus cost of net debt minus income tax expense minus net capital expenditure. It is calculated before changes in working capital requirements (WCR).

(c) Free cash flow after WCR = cash flow minus cost of net debt minus income tax expense minus net capital expenditure. It is calculated after changes in WCR related to operating activities and excluding 5G frequencies.

1.4 MAIN EVENTS SINCE 1 JANUARY 2019

1.4.1 Construction businesses

On January 10, motorway concessionaire Bina Istra awarded **Bouygues Construction** a €167-million contract for dualling (to dual two-lane) a total length of 28.1 km of the Istrian Y Motorway in north-western Croatia.

On 19 January, Axione, a **Bouygues Construction** subsidiary, and Mirova, a Natixis Investment Managers (BPCE group) subsidiary, announced that Mirova, via its general infrastructure funds [a], had acquired a 49% stake in Axione. This strategic alliance will lead to the creation of a leader in the investment, roll-out, maintenance and operation of very high-speed fixed and mobile infrastructure both in France and internationally.

On 31 January, Belgian transport operator OTW awarded the Tram'Ardent consortium the public–private-partnership (PPP) deal for Liège's first tram line. **Colas** is in charge of the design and construction of the stops, tracks, overhead line, buildings, and specially engineered structures, together with urban landscaping, all for a contract sum of €266 million.

On 14 February, **Colas** signed an agreement to divest Smac, a worldwide provider of roofing and cladding solutions, to a subsidiary of OpenGate Capital. The terms of the agreement are confidential. The operation is expected to be completed within 60 to 90 days from the date of the signing. For more details about Smac, see the section on Colas in Chapter 2 of this document.

On 21 February, **Bouygues Construction** announced it had been chosen by the London Borough of Tower Hamlets, in the east of the city, to transform the former Royal London Hospital into its new town hall building. Following a period of preparatory work carried out since August 2018, Bouygues Construction will now lead this £109.5-million (€121 million) reconversion project with special attention being paid to its environmental impact.

1.4.2 Media

On 30 January, **TF1** entered exclusive talks with Jérôme Dillard, former CEO of Téléshopping, with a view to selling the operational side of this home shopping business.

On 5 February, **TF1** announced the creation of a new digital division, Unify, that will bring together all of the group's digital activities (excluding OTT [b] and Catch-up TV): namely aufeminin group (aufeminin, Marmiton, MyLittleParis, etc.), Doctissimo, Neweb (Les Numériques, ZDNet, Paroles de Maman, etc.), Gamned!, Studio 71, Vertical Station and TF1 Digital Factory.

On 28 February, Newen, a subsidiary of **TF1,** announced the acquisition of a majority 60% stake in De Mensen, a major player in TV production in Belgium. De Mensen produces for both private and public TV channels in Belgium, for platforms such as Netflix and for a number of major international players attracted by its formats.

1.4.3 Telecoms

On 7 January, **Bouygues Telecom** announced that it made the first 5G phone call under real conditions using a handset compatible with the new technology in the streets of Lyon on 4 January. This major breakthrough was made possible by collaboration between with teams of Bouygues Telecom, Ericsson and Qualcomm Technology Inc.

On 18 January, **Bouygues Telecom** announced that it had acquired a block of shares in Keyyo (a telecoms operator specialising in small and mid-size businesses), equating to all their directly and indirectly-held 854,316 shares, equivalent to 43.6% of the capital and 42.1% of the company's voting rights, at a price of €34 per share.

On 21 February, **Bouygues Telecom** and Dzeta Partners announced the signing of an agreement for Bouygues Telecom to acquire 100% of the capital and voting rights of Nerim. The acquisition was completed on 13 March 2019. Following on the heels of Bouygues Telecom's recent acquisition of Keyyo shares, the deal is fully in line with its strategy of accelerating its expansion into the market of micro-businesses, SMEs and intermediate-sized businesses.

1.4.4 Alstom

On 15 January, Alstom was awarded three contracts by Spanish national operator Renfe to provide maintenance services for 15 Avelia Pendolino high-speed trains and 106 suburban trains. The contracts, worth a total of €125 million, include preventive, predictive and corrective maintenance for the suburban trains and full maintenance services for the Pendolinos (S-104). All the works will be carried out by Irvia, an Alstom-Renfe joint venture.

On 6 February 2019, the European Commission announced its decision to veto the merger between Siemens Mobility and Alstom, despite the remedies proposed by the two firms. On the back of a healthy balance sheet and a record backlog (€40 billion [c]), representing five years of sales, Alstom will now focus on pursuing growth in an upbeat market. Bouygues, which owned 27.8% of the capital at 31 December 2018, is confident in the future of Alstom and its ability to pursue its development.

(a) FIDEPPP2, BTP Impact Local, Mirova Core Infrastructure Fund and Core Infrastructure Fund II.
(b) OTT – Over The Top: a service consisting of the direct distribution of content via the internet without the participation of operators or their home gateways.
(c) At 31 December 2018.

1.4.5 Bouygues group

On 24 January, CDP (Carbon Disclosure Project) announced it had returned the **Bouygues** group for 2019 to its "Climate Change A List", which recognises the worldwide companies most active in the fight against climate change. For this year over 6,900 companies around the world answered CDP's questionnaire, whose results are looked at closely by investors. Only 2% of respondents, namely 139 companies, made it to the list.

On 6 February, **Bouygues** announced it had obtained "Top Employer France" certification for the second year running for all its activities (parent company and subsidiaries). It is the only French group to obtain this certification for all its businesses. This is recognition of the Group's human resources policies covering gender equality, in-house job mobility and well-being.

BUSINESS ACTIVITIES 2

The consolidated financial statements at 31 December 2018 are presented in comparison with the financial statements at 31 December 2017, which have been restated to take account of the application of IFRS 15 and IFRS 9 on 1 January 2018. The impacts on 2017 financial statements are shown in Note 23 to the consolidated 2018 financial statements.

2.1 CONSTRUCTION BUSINESSES

2.1.1 Profile

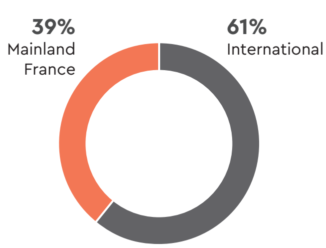
Bouygues is the sixth[a] biggest construction group in the world. As a property developer, builder and operator, it is present in over 90 countries and draws on the expertise and commitment of its almost 117,000 employees. The Group is therefore active in building and civil works, energy and services, property development, and transport infrastructure.

Demographic growth, urbanisation and new environmental imperatives are generating significant needs worldwide in terms of complex buildings and infrastructure. Furthermore, digitisation is transforming the way customers use technology and what they expect from it. As a result, Bouygues is in a good position to provide full-service solutions as well as innovative and high value-added services. Its positioning and many strengths mean that it continues to be a key partner for its customers.

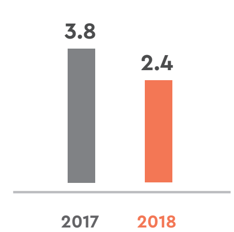
Growth strategy and opportunities

- **Controlling key resources:** this enables the three construction businesses to manage supply availability and quality, and it also leads to improved competitiveness and margins. Aware of how important it is to safeguard natural resources and the increasing difficulty of accessing primary deposits, the Group is implementing a circular-economy strategy as a way of securing supply and protecting the environment.
- **Leading the markets for the construction and renovation of buildings and infrastructure:** Bouygues builds and maintains a wide range of infrastructure designed to meet the needs arising from urbanisation and demographic growth. This includes buildings of all sizes and uses, from transport infrastructure to power and telecommunications networks. Furthermore, in order to cope with ageing infrastructure, the Group has developed expertise in renovating assets, even whilst they remain in operation.
- **Helping customers control energy consumption and designing less carbon-intensive construction methods:** the Group works to optimise the energy efficiency of structures throughout their entire lifecycle.
  - During construction, customers are offered the option of bioclimatic design, bio-sourced materials and embedded technologies generating renewable energy from solar, wind or other sources.
  - Once the asset is operational, having the ability to generate renewable energy on-site can reduce customers' charges and even provide income for them.
- **Leading the market for urban design and development – from the individual housing unit, to the neighbourhood and smart city:** Bouygues is a market leader in the design and development of sustainable neighbourhoods. The Group consults customers and local people, and works hand in hand with local stakeholders to develop projects that promote:
  - well-being,
  - harmonious living (soft mobility, services, etc.),
  - the safeguarding of the environment, via measures such as protecting biodiversity, recycling waste and preserving water.
- **Offering customers an enhanced, personalised experience as well as scalable products that can adapt to changing needs:** the Group's strategy is to develop a range of personalised products that better meet customers' expectations, such as connected buildings, modular and reversible housing units that evolve in line with occupants' needs, as well as collaborative and shared workspaces (Nextdoor[b]).

Backlog of Bouygues Construction and Colas
at end-December 2018



The cash of the construction businesses
€ billion, at end-December



(a) ENR 2018 Top International Contractors, on the basis of sales outside their home country, excluding the oil sector.
(b) Wojo since March 2019.

STRENGTHS

Almost 117,000 talented and committed employees

High value-added products and services
- Globally acknowledged expertise based on strong brands
- Extensive experience in the construction of complex buildings and infrastructure such as tower blocks, tunnels in urban settings and bridges
- A key sustainable construction player: eco-neighbourhoods, renovation, low-carbon buildings, soft mobility, etc.

Coverage of the entire value chain
- Skilled in incorporating the best internal and external expertise, making it possible to offer full-service solutions to customers
- Ability to manage an eco-system of partners of all shapes and sizes (companies, start-ups, etc.)

A selective long-term presence worldwide

A resilient business model
- A strong ability to adapt given that most of the cost structure is variable
- A high level of cash and ability to generate resilient free cash flow

2018 CONSOLIDATED KEY FIGURES

at 31 December

–
Employees
116,947

–
Sales
€28bn (+8%)

–
Current operating profit
€915m (-3%)
€809m (-12%)
excluding Nextdoor[a] and Axione[a]

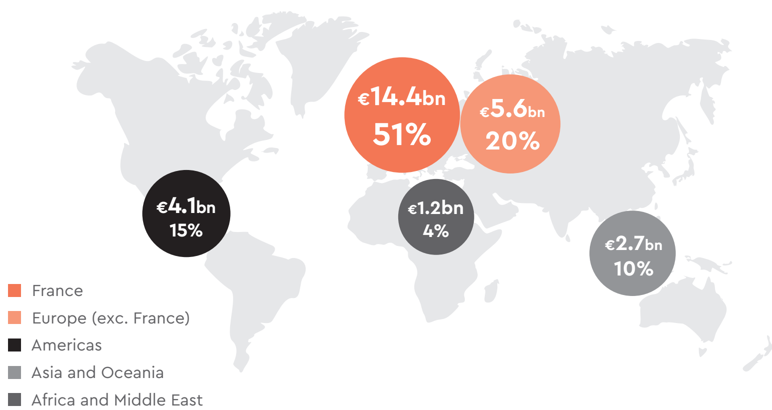
–
Current operating margin
3.3% (-0.4 points)
2.9% excluding Nextdoor[a] and Axione[a] (-0.6 points)

–
Backlog
€33.1bn (+5%[b];
+7% at constant exchange rates)

(a) Excluding capital gain of €28 million in 2017 on the sale of 50% of Nextdoor and remeasurement of the residual interest and excluding capital gain of €106m on the divestment, in 2018, of 49% of Axione and remeasurement of the residual interest.
(b) Up 3% at constant exchange rates and excluding integration of Miller McAsphalt group, Alpiq Engineering Services, AW Edwards (for €1.8 billion) and after restatement in 2017 of Axione's backlog (for €0.5 billion), following the deconsolidation of Axione (divestment of 49% to Mirova on 31 December 2018).

Construction businesses:
Geographical sales split
at end-December 2018

€28bn



2

2.1.2 Bouygues Construction: shared innovation

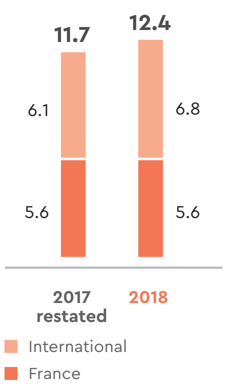
Bouygues Construction designs, builds, renovates, operates and deconstructs building, infrastructure and industrial projects for private- and public-sector customers. A global player with operations in over 60 countries, it spans the entire construction industry value chain.

Bouygues Construction is acknowledged as a benchmark player in sustainable construction through the construction of many eco-neighbourhoods, low-carbon (timber-frame) buildings and structures certified against the best world eco-standards, as well as through the rehabilitation of sites in order to reach positive-energy status [a]. The company also develops circular economy business models, from the design phase of projects to the recycling of their waste.

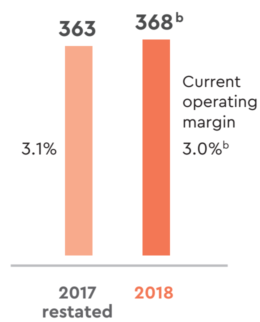
Bouygues Construction is increasingly involved in high value-added large-scale structures and in more encompassing projects ranging from neighbourhoods to connected communities.

Key figures

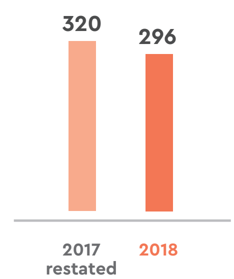
Sales
€ billion



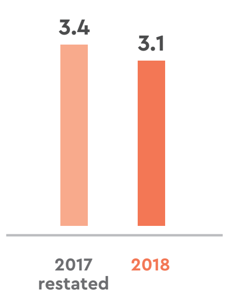
Current operating profit
€ million



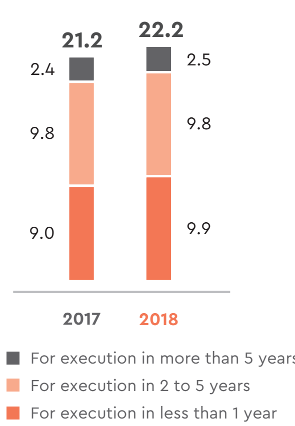
Net profit attributable to the Group
€ million



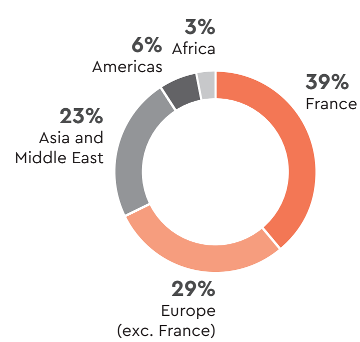
Net debt (-)/net surplus cash (+)
€ billion



Backlog
€ billion, at end-December



Backlog by region
at end-December 2018



(a) A building which, in operation, produces more energy than it consumes.
(b) Including €106 million of capital gain related to the partial divestment of Axione shares and remeasurement of the residual interest.

Condensed balance sheet

Assets

at 31 December, € million	2018	2017 restated
Property, plant and equipment and intangible assets	742	642
Goodwill	1,044	526
Non-current financial assets and taxes	430	388
NON-CURRENT ASSETS	**2,216**	**1,556**
Current assets	4,711	4,227
Cash and cash equivalents	4,652	4,310
Financial instruments – Hedging of debt		
CURRENT ASSETS	**9,363**	**8,537**
Held-for-sale assets and operations		
TOTAL ASSETS	**11,579**	**10,093**

Liabilities and shareholders' equity

at 31 December, € million	2018	2017 restated
Shareholders' equity attributable to the Group	907	953
Non-controlling interests	4	25
SHAREHOLDERS' EQUITY	**911**	**978**
Non-current debt	1,028	511
Non-current provisions	826	729
Other non-current liabilities and taxes	21	17
NON-CURRENT LIABILITIES	**1,875**	**1,257**
Current debt	11	5
Current liabilities	8,288	7,468
Overdrafts and short-term bank borrowings	493	385
Financial instruments – Hedging of debt	1	
CURRENT LIABILITIES	**8,793**	**7,858**
Liabilities related to held-for-sale operations		
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**11,579**	**10,093**
NET DEBT (-)/NET SURPLUS CASH (+)	**3,119**	**3,409**

Condensed income statement

€ million	2018	2017 restated
SALES	**12,358**	**11,660**
Net depreciation and amortisation expense	(189)	(214)
Net charges to provisions and impairment losses	(214)	(146)
Other income and expenses	(11,587)	(10,937)
CURRENT OPERATING PROFIT	**368** [a]	**363**
Other operating income and expenses	(4)	
OPERATING PROFIT	**364**	**363**
Income from net surplus cash	17	12
Other financial income and expenses	38	49
Income tax expense	(109)	(103)
Share of net profits/losses of joint-ventures and associates	(2)	2
NET PROFIT	**308**	**323**
Net profit attributable to non-controlling interests	12	3
NET PROFIT ATTRIBUTABLE TO THE GROUP	**296**	**320**

(a) Including €106 million of capital gain related to the partial divestment of Axione shares and remeasurement of the residual interest.

KEY FIGURES

at 31 December 2018

–

Employees

56,981

–

Sales

€12,358m (+6%)

–

Current operating margin

3.0% (-0.1 points)

2.1% exc. Axione [a] (-1 point)

–

Net profit attributable to the Group

€296m (-8%)

–

Backlog

€22.2bn (+5%; +5% at constant exchange rates and excluding Alpiq Engineering Services, AW Edwards and Axione)

(a) Excluding €106 million of capital gain related to the partial divestment of Axione shares and remeasurement of the residual interest.

2

HIGHLIGHTS

MAJOR CONTRACT GAINS

- West Connex tunnel in Australia
- Physics laboratory for the University of Cambridge (UK)
- Headquarters of Lille metropolitan authority (Biotope)
- CO'Met sports and entertainment complex in Orleans

PROJECTS UNDER CONSTRUCTION

- Tour Alto in La Défense
- Packages T2A and T3A of Grand Paris Express Line 15
- Cardiff University Innovation Campus
- Renovation of the 17 boulevard Morland site in Paris
- Melbourne metro in Australia

PROJECTS HANDED OVER

- Hong Kong – Zhuhai – Macau bridge
- ParisLongchamp racecourse
- The Triangle, headquarters of Cambridge Assessment
- Phase 1 of the Greencity eco-neighbourhood in Zurich

ACQUISITIONS/DIVESTMENTS

- Acquisitions: Alpiq InTec (Switzerland), Kraftanlagen München (Germany) and AW Edwards (Australia)
- Mirova acquires a 49% stake in Axione

2.1.2.1 Profile

Growth strategy and opportunities

Bouygues Construction's strategy is based around three priorities:

- Using innovative products and services **to establish Bouygues Construction as a global player in places where it has a long-term presence,** such as Australia, Canada, France, the UK, Hong Kong and Switzerland. The acquisition of Alpiq Engineering Services in Switzerland and AW Edwards in Australia is entirely consistent with this strategy, while the acquisition of Kraftanlagen München in Germany is an opportunity to establish the group for the long term in a new country;
- **Developing exceptional projects with local partners;**
- **Refocusing its activities towards industry and energy and services.**

More specifically, Bouygues Construction is aiming to:

- expand its property development activities by drawing on its Linkcity network;
- stake out a position as a leading player in the design and operation of smart cities;
- continue to be a top-notch player in the major infrastructure market (bridges, tunnels, concessions and PPP (public-private partnership) projects in France and worldwide) and expand its activities in the growing market for infrastructure repair work;
- enhance its skills in industrial processes and maintenance and develop cutting-edge skills in areas such as robotics, automation, smart buildings and the Internet of Things;
- roll out telecommunications infrastructure products and services in France and worldwide;
- continue its expansion in the solar farms segment, especially on international markets.

In these various market segments, Bouygues Construction:

- proposes full-service offerings which meet customers' needs, capitalising on its knowledge of markets in key sectors such as rehabilitation, healthcare and hotels;
- pursues customer satisfaction over the long term, in particular by ensuring tight control over execution, high-quality products and services and after-sales support.

The company is also investing to increase productivity and improve its performance in the construction process.

Strengths and assets

An innovative, responsible and proactive player, Bouygues Construction has many strengths to draw on in all its businesses:

- **know-how** through the talent of employees in over 60 countries who share the same customer-focused values;
- **end-to-end coverage of the value chain;**
- **a strong international presence:** Bouygues Construction operates worldwide on a long-term basis through well-established local subsidiaries or on one-off, technically complex major projects. These two approaches are complementary and give the company the necessary flexibility to deploy its resources quickly on strong-potential markets. Bouygues Construction generates over half its sales on international markets;
- **distinctive, high value-added products and services** based on long experience of managing complex projects, specific knowledge of sustainable construction and constant innovation in all its forms;
- **the ability to adapt to changing markets:** the level of the backlog provides good medium-term visibility, enabling costs to be adjusted while focusing commercial investment on the most dynamic markets;
- **a high level of cash.**

Market position

Given the organisational structure of its direct competitors, it is difficult to make like-for-like comparisons between them and Bouygues Construction.

- **In the world:** the Bouygues group's construction businesses arm, represented by its three business segments, is placed **sixth in the 2017 ENR ranking of international contractors** published in August 2018, based on the share of sales generated on international markets.
- **In Europe:** based on the 2017 ranking published by trade magazine *Le Moniteur* in December 2018, the Bouygues group's construction businesses arm (Bouygues Construction, Bouygues Immobilier, Colas) is the **third largest in Europe** after the Spanish firm ACS and Vinci's Contracting and Property Development division, and ahead of the Swedish contractor Skanska and the French contractor Eiffage.
- **In France:** in a market worth €216 billion according to a Euroconstruct estimate in December 2018, Bouygues Construction (its building and civil works activities alone) is **one of the top three contractors** ahead of Eiffage Construction and behind Vinci Construction (2017 ranking published by *Le Moniteur* in December 2018).

2.1.2.2 Business activity in 2018

Record commercial performance

Exceptional order intake

Order intake in 2018 reached €14.5 billion. It included 19 contracts worth more than €100 million, 13 of them on international markets.

In **France,** order intake amounted to €5.8 billion, 6% less than in 2017. The main orders included the conversion of the 17 boulevard Morland site in Paris into a 44,000-m^2 complex, the construction of Biotope, a 7-storey building that will host the headquarters of the Lille metropolitan authority (MEL), and a public-private partnership project for a university building on the Paris-Saclay site.

Order intake on **international markets** came to €8.7 billion, 25% more than in 2017, following the acquisition of AW Edwards and Alpiq Engineering Services (Alpiq InTec and Kraftanlagen München). Orders included the WestConnex tunnel in Australia, a physics laboratory for Cambridge University, three new hotels in Cuba, a project to build an artificial island for the tourism industry in the Bahamas, and the construction of a solar farm in Australia.

A larger backlog giving long-term visibility

The backlog at end-2018 stood at a high €22.2 billion, up 5% on end-December 2017 (up 7% at constant exchange rates and up 5% at constant exchange rates excluding Alpiq Engineering Services, AW Edwards and Axione), with international markets accounting for 61%. Europe and Asia-Oceania are the two most important international regions. Orders booked at end-2018 to be executed in 2019 amounted to €9.9 billion (€12.3 billion to be executed after 2019), giving good visibility for future activity.

Sales driven by international markets

Sales in 2018 amounted to €12.4 billion, with building and civil works accounting for 74% and energies and services for 26%. They were up 6% year-on-year (up 1% like-for-like and at constant exchange rates).

Sales in France were broadly stable versus 2017 at €5.6 billion, equating to 45% of total sales. Sales on international markets reached a record €6.8 billion, up 11% versus 2017, due in particular to the acquisition by Bouygues Construction of Alpiq InTec in Switzerland, Kraftanlagen München in Germany and AW Edwards in Australia.

Stable operating performance

Current operating profit rose slightly to €368 million versus €363 million in 2017, and the current operating margin stood at 3.0%, down 0.1 points versus 2017. This includes the €106-million capital gain on the partial disposal of Axione (49% of the shares) to the Mirova investment fund (a BPCE subsidiary) and the remeasurement of the residual interest in the company. Restated for this transaction, current operating profit was €262 million and the current operating margin 2.1%, down by 1 point year-on-year. The building and civil works activities delivered a very good performance in 2018, recording a 0.3-point year-on-year increase in the margin to 4.2%. Current operating profit was hit by difficulties completing three energies and services projects in Ireland and the United Kingdom. Two biomass power plants in the UK experienced difficulties during the commissioning and testing phases, related mainly to malfunctions on certain equipment, leading to delays, additional costs and compensation paid to customers. The data centre in Ireland, which was terminated by the client, has entered a new phase of litigation following the client's demand for payment of the maximum amount of compensation.

In the fourth quarter of 2018, current operating profit excluding Axione increased as a result of the continued good performances at the building and civil works activities and the return to a positive contribution from Bouygues Energies & Services.

Net profit attributable to the Group came to €296 million.

High net surplus cash

Bouygues Construction had net surplus cash of €3.1 billion at end-2018 versus €3.4 billion at end-2017.

Developments in Bouygues Construction's markets and activities

Building and civil works

In 2018, sales in the building and civil works segment came to €9.2 billion, 1% more than in 2017. Sales in France accounted for 45% of the total, and on international markets for 55%.

FRANCE

The recovery of the French construction market continued in 2018, and it is expected to stabilise in 2019. The recovery was further boosted by public-sector orders and business investment. The long-term prospects for the construction market in the Paris region are sustained by the Grand Paris major infrastructure programme and substantial needs for housing. The Grand Paris Express rapid transit project represents civil works contracts worth more than €30 billion over the period to 2030.

2018 sales: €4.1 billion (-2%)

Bouygues Construction handed over large-scale projects in the Paris region in 2018, such as the Batignolles development in Paris, and continued work on other major amenity projects such as 3 Fontaines shopping centre at Cergy and the rehabilitation of the Louvre Post Office and Commodities Exchange buildings in Paris. It also carried out substantial civil engineering projects which, through Grand Paris initiatives (packages T2A and T3A of Line 15 South and Line 14 of the Paris metro), will improve the transport environment in the Paris region. In the commercial property segment, work continued on the Tour Alto tower in the La Défense business district and on the Bridge building, Orange's future headquarters in Issy-les-Moulineaux.

The company continued its activity in the public sector, starting work on the Biotope project in Lille, which will host the headquarters of Lille Metropolitan authority (MEL), and building the CO'Met sports and entertainment complex in Orleans.

Major projects handed over in 2018 included Terminal 1 of Lyon Saint-Exupéry airport and a carbon-fibre production site for Hexcel in south-east France.

In civil works, Bouygues Construction continued work on complex major projects, including civil engineering for the viaduct of the New Coastal Road on Reunion Island and for the Port of Calais. Work also continued on Line T2 of the Nice tramway. In addition, regional branches all over France specialise in smaller-scale civil engineering projects and earthworks.

EUROPE

The construction market in Europe grew by more than 3% in 2018, slightly less than in 2017 (4%).

The main drivers of construction at present are the economic recovery, growing urbanisation and catch-up investment after several years of under-spending following the 2008 financial crisis.

In Western Europe, Bouygues Construction subsidiaries are particularly active in the UK and Switzerland. The construction market in the UK has stabilised despite the uncertainties over Brexit. The construction market in Switzerland, long driven by the building segment, is a little less dynamic.

2018 sales: €2.0 billion (-4%)

In the **UK,** Bouygues Construction's activity was underpinned by major housing projects such as the Canning Town urban regeneration project in London. It completed construction of the Manhattan Loft Gardens tower in Stratford.

In the education sector, Bouygues Construction took orders for two major new projects, Cardiff University's Innovation Campus, which is planned to include two research centres, and Cavendish Lab III for Cambridge University.

The company also carried out civil engineering work on the Hinkley Point EPR nuclear power plant, which on completion will meet 7% of the UK's power consumption needs and supply over five million households.

In **Switzerland,** Bouygues Construction drew on its expertise in managing complex property development projects, increasingly at the entire neighbourhood level, as exemplified by Les Jardins du Couchant in Nyon and the Erlenmatt and Greencity eco-neighbourhoods in Basel and Zurich respectively.

In **Central Europe,** Bouygues Construction has a number of local building subsidiaries in Poland and the Czech Republic.

Elsewhere in Europe, Bouygues Construction is also involved on a one-off basis in major infrastructure projects. The confinement shelter for the damaged nuclear reactor at Chernobyl in **Ukraine** was completed in late 2018 and work continued on a complex offshore extension project in **Monaco.**

ASIA AND OCEANIA

Growth rates on Asian markets remained high, partly driven by China, which is on the way to becoming the world's largest economy. Hong Kong, Singapore and Myanmar continue to exhibit strong potential.

In Australia, housing and retail construction and public investment in healthcare are driving the building market. The infrastructure construction market is likely to remain strong, sustained by government spending, especially on roads and telecommunications.

2018 sales: €2.1 billion (+12%)

Bouygues Construction capitalises on its strong local presence in the **Asia – Oceania** region, especially in Hong Kong, where it has been a player for over 60 years. Several major projects are under construction there, including the sub-sea Tuen Mun-Chek Lap Kok road tunnel and two twin-tube tunnels for the extension of the Shatin to Central Link metro line. The Hong Kong-Zhuhai-Macao bridge was handed over in October 2018.

Bouygues Construction is a recognised player on the Asian building market, especially for high-rise structures. In **Singapore,** the company continued work on the Project Glory mixed-use complex and took an order for a complex of six 15-storey buildings. In **Bangkok,** work continued on one of the two buildings of The Esse at Singha Complex, a new condominium in the city centre.

In **Myanmar,** Bouygues Construction continued work on the second phase of the Yoma Central multi-use residential complex.

In **Australia,** Bouygues Construction continued work on the Melbourne metro as part of a consortium with Lendlease, John Holland and Capella Capital. Its acquisition of AW Edwards will strengthen the company's activity in the country through the construction of public amenities like Blacktown Hospital in Sydney.

AFRICA – MIDDLE EAST

High levels of economic growth are expected in Africa, linked in particular to rapid urbanisation, though the geopolitical context remains fragile. In the Middle East, the economic situation is highly dependent on the price of oil. However, transport infrastructure needs and the exploitation of natural resources make these high-potential regions for construction firms.

2018 sales: €536 million (-9%)

In **Africa,** Bouygues Construction's local subsidiaries work on infrastructure projects. In **Egypt,** after taking part in the construction of Lines 1 and 2 of the Cairo metro, the company is building the new phase of Line 3.

The company's expertise in earthworks for opencast mining is illustrated in its operation of gold mines at Kibali in the **Democratic Republic of Congo,** Tongon in **Ivory Coast** and Gounkoto in **Mali.** Bouygues Construction is also involved on a one-off basis in roadbuilding projects in other African countries.

In the **Middle East,** the company is building sewage tunnels in Doha, **Qatar.**

AMERICAS – CARIBBEAN

There are opportunities in the Americas, especially the United States and Canada, as a result of the public authorities' stated intention of rebuilding infrastructure. The growth of tourism in the region also potentially opens up attractive opportunities for Bouygues Construction.

2018 sales: €335 million (+46%)

The **Americas – Caribbean** region is growing strongly. Bouygues Construction has a long-term presence in **Cuba,** where it is a recognised specialist in the construction of turnkey luxury hotel complexes, a growing market because of the steady growth of tourism. In the **Bahamas,** Bouygues Construction started work on Ocean Cay, a 100-acre artificial island. In the **United States,** work continued on "Arte by Antonio Citterio", a luxury residential complex in Florida.

Energies and Services

An Energies and Services division incorporating Bouygues Energies & Services was created in 2018 following the acquisition of Alpiq InTec and Kraftanlagen München. It will benefit from the energy-sector expertise of the two newly acquired businesses, in electrical and HVAC engineering and power-plant development respectively.

The Energies & Service division has three main business lines:

- network infrastructure;
- facilities management;
- and electrical and HVAC engineering.

There is growing demand in industry for cutting-edge expertise in areas such as robotisation and smart buildings, as well as for complex processes and industrial maintenance. In addition, environmental issues, demographic growth and increasingly scarce raw materials make energy efficiency in buildings a central concern. Telecommunications needs are also driving rising demand for network infrastructure. These key trends on the energy and services markets offer the Energies & Services division sources of growth, both in the countries where it has most of its operations (Canada, France, the UK and Switzerland) and in emerging countries, especially in Asia and Africa.

The Energies & Services activity generated sales of €3.2 billion in 2018.

FRANCE

2018 sales: €1.4 billion (+9%)

In late 2018, the Mirova [a] investment fund acquired a 49% stake in Axione. With its 51% interest, Bouygues Energies & Services remains Axione's core shareholder and will continue to provide it with operational support. This strategic alliance will help create a leader in mobile and very-high-speed fixed infrastructure (investment, roll-out, maintenance and operation) in France and abroad.

In electrical and HVAC engineering, Bouygues Energies & Services provided mechanical and electrical equipment for the L2 Marseille bypass and carried out electrical engineering work for the rehabilitation of la Samaritaine in Paris. The company is also responsible for installing electrical and HVAC systems at the new Sanofi production facility at Val-de-Reuil in north-western France.

Within public-private partnerships, Bouygues Energies & Services continued to provide maintenance services for the Paris law courts building, the Paris zoo and the French Defence Ministry in Paris. It also continued the street-lighting contract with the Municipality of Paris, as part of a consortium.

As part of a consortium including EDF subsidiary Citelum, Suez and Capgemini, Bouygues Energies & Services is overseeing the design, construction and operation of France's first smart-city project in Dijon. The 12-year contract covers the management of a connected control station for public facilities serving the 250,000 people who live in the Dijon metropolitan area.

INTERNATIONAL

2018 sales: €1.7 billion (+39%)

Following the acquisition in 2018 of the Swiss company Alpiq InTec and the German company Kraftanlagen München, Bouygues Construction extended its presence in **Switzerland** and Northern **Italy** and established a foothold in **Germany.**

Bouygues Energies & Services is an expert in major turnkey power grid infrastructure projects, for example in **Australia,** where it recently completed the construction of two solar farms.

In Africa, Bouygues Energies & Services is involved in power transport and distribution, mainly in **Ivory Coast.**

It has a facilities management (FM) business in Europe, with contracts for the offices of Crédit Suisse in **Switzerland** and for many public amenities in the **UK,** including hospitals, schools and the Home Office. It was awarded two significant street-lighting contracts there, in the Oxford region and in the borough of Lambeth, London.

In **Canada,** Bouygues Energies & Services provides FM for Surrey Hospital and the RCMP headquarters and is expanding on the electrical engineering market via its Plan Group subsidiary, which has built the country's first smart hospital, Mackenzie Vaughan Hospital, in the greater Toronto region.

FM contracts, both in France and elsewhere, guarantee Bouygues Energies & Services recurring long-term revenue streams.

(a) A subsidiary of Natixis Asset Management (BPCE group).

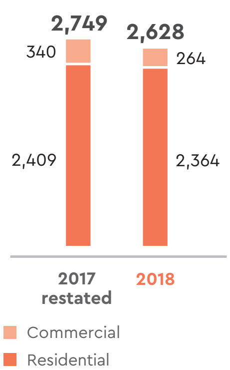
2.1.3 Bouygues Immobilier, creator of better living

A leading property developer in France, Bouygues Immobilier also has operations in Spain, Poland, Belgium and Morocco. As an urban developer/operator, it develops residential, office building, retail and sustainable neighbourhood projects. It operates throughout the property development value chain, from urban planning to services for users.

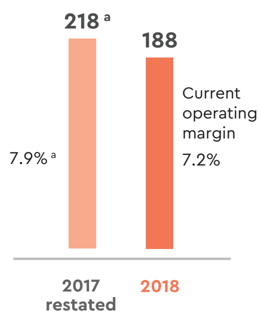
Committed to innovation and sustainable development, Bouygues Immobilier seeks to make life better for all its customers and to contribute to a mixed, adaptable, smart and efficient urban environment. New uses and lifestyles are the starting point for its urban developments, designed to meet user expectations as closely as possible.

Key figures

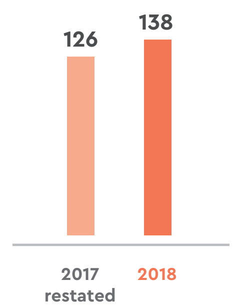
Sales
€ million



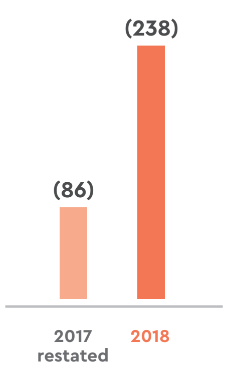
Current operating profit
€ million



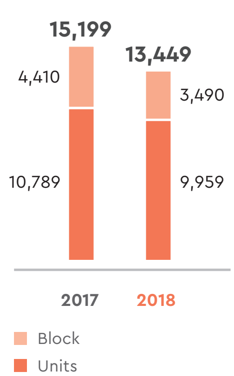
Net profit attributable to the Group
€ million



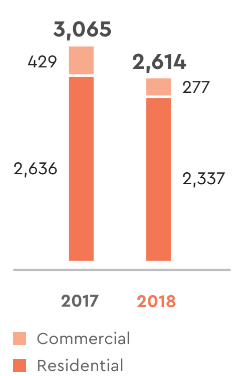
Net debt (-)/net surplus cash (+)
€ million, at end-December



Residential
number of reservations



Reservations
€ million



(a) Including capital gain of €28 million on the sale of 50% of Nextdoor and remeasurement of the residual interest.

Condensed balance sheet

Assets

at 31 December, € million	2018	2017 restated
Property, plant and equipment and intangible assets	49	53
Goodwill		
Non-current financial assets and taxes	50	39
NON-CURRENT ASSETS	**99**	**92**
Current assets	2,354	2,099
Cash and cash equivalents	70	88
Financial instruments – Hedging of debt		
CURRENT ASSETS	**2,424**	**2,187**
Held-for-sale assets and operations		
TOTAL ASSETS	**2,523**	**2,279**

Liabilities and shareholders' equity

at 31 December, € million	2018	2017 restated
Shareholders' equity attributable to the Group	603	593
Non-controlling interests	5	4
SHAREHOLDERS' EQUITY	**608**	**597**
Non-current debt	17	19
Non-current provisions	86	95
Other non-current liabilities and taxes	9	29
NON-CURRENT LIABILITIES	**112**	**143**
Current debt	6	18
Current liabilities	1,512	1,384
Overdrafts and short-term bank borrowings	285	137
Financial instruments – Hedging of debt		
CURRENT LIABILITIES	**1,803**	**1,539**
Liabilities related to held-for-sale operations		
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**2,523**	**2,279**
NET DEBT(-)/NET SURPLUS CASH(+)	**(238)**	**(86)**

Condensed income statement

€ million	2018	2017 restated
SALES	**2,628**	**2,749**
Net depreciation and amortisation expense	(10)	(12)
Net charges to provisions and impairment losses	2	(19)
Other income and expenses	(2,432)	(2,500)
CURRENT OPERATING PROFIT	**188**	**218** [a]
Other operating income and expenses		
OPERATING PROFIT	**188**	**218**
Cost of net debt	(2)	(2)
Other financial income and expenses	(13)	(17)
Income tax expense	(79)	(65)
Share of net profits/losses of joint-ventures and associates	47	(6)
NET PROFIT	**141**	**128**
Net profit attributable to non-controlling interests	3	2
NET PROFIT ATTRIBUTABLE TO THE GROUP	**138**	**126**

(a) Including capital gain of €28 million on the sale of 50% of Nextdoor and remeasurement of the residual interest.

KEY FIGURES

at 31 December 2018

–
Employees
1,969

–
Sales
€2,628m (-4%)

–
Current operating margin
7.2% (-0.7 points; +0.3 points excluding Nextdoor [a])

–
Net profit attributable to the Group
€138m (+10%)

–
Backlog
€2.5bn (-9%; -9% at constant exchange rates)

(a) Excluding capital gain of €28 million in 2017 on the sale of 50% of Nextdoor and remeasurement of the residual interest.

2

HIGHLIGHTS

RESIDENTIAL PROPERTY

- Foundation stone laid at "D'une Rive à l'Autre", a residential complex in Neuilly-sur-Seine
- Roll-out of the Flexom and "Entre Voisins" connected homes offers

URBAN DEVELOPMENT

- "Invent the Grand Paris metropolitan area" [a]: UrbanEra wins the contract to develop the Charenton-Bercy site
- Inauguration of Prism', the new head office of Colas, in Paris
- Inauguration of ICI Marseille, a collaborative & socially responsible makerspace

COMMERCIAL PROPERTY

- Foundation stone laid at the Ikea Saint-Isidore mixed development project in Nice

(a) Europe's largest call for tenders in the field of property development, urban planning and architecture.

2.1.3.1 Profile

Growth strategy

Bouygues Immobilier is consolidating its position as an urban developer/operator, basing its future growth on three strategic priorities.

A premium, use-centred customer experience

A successful customer experience is central to Bouygues Immobilier's strategy, driven by three concerns:

- **a reinvigorated purchasing process:** the purchasing process for residential properties was fully overhauled with the roll-out of a new "BI Store" sales space concept featuring a warm and friendly atmosphere designed to help customers better buy into their home acquisition project and forge strong links with them. In 2018, Bouygues Immobilier introduced a customer relationship management (CRM) system – a digital platform that allows customers to choose customised services, fixtures and fittings, and measures their satisfaction once they have settled into their new home;
- **personalised homes with built-in modularity and innovation:** launched in 2016, the Flexom service package for connected and smart homes is integrated into 13,000 properties, 4,000 of which were handed over in 2018. In 2018, Bouygues Immobilier also launched "Entre Voisins", a social media app that helps to create a friendly atmosphere in apartment buildings by encouraging residents to exchange services. Bouygues Immobilier has also speeded up the digitisation of its customer experience, introducing a number of innovations including a 3D immersive visit of a show apartment that enables customers to choose their options early in the process and a configurator that shows the price and dimensions of their chosen options;
- **workplaces adapted to new approaches:** Bouygues Immobilier is responding to the new challenges of the changing workplace (reversibility, well-being in the workplace, control over energy use and coworking) with its three commercial property packages; Green Office, Rehagreen and Nextdoor. Its strategy is to:
  - maintain its leading position in the positive-energy segment with Green Office. Nearly ten years after the launch of the Green Office positive-energy office building [a] concept, some 20 Green Office projects had been handed over or were under construction in 2018, including the new Colas headquarters building in Paris, handed over in July;
  - expand its Rehagreen® office rehabilitation activity in a sector with increasingly obsolescent buildings;
  - become a European leader in the coworking segment with Nextdoor, by opening over 50 sites by 2022 (11 Nextdoor sites were already in use in 2018).

Sustainable development: from single buildings to neighbourhoods

In 2011, Bouygues Immobilier created UrbanEra, a division dedicated to the design of sustainable and mixed-use neighbourhoods. The aim is to design mixed-use neighbourhoods with a cohesive identity and to create value for all those involved, whether residents, not-for-profit organisations, employees, entrepreneurs, investors, local authorities, local politicians or development agencies. Several neighbourhoods had already been completed by the end of 2018, such as Ginko, Fort d'Issy and Font-Pré, inaugurated in Toulon in April 2017. Several more are being developed, such as Cœur Université in Nanterre, Eureka Confluence in Lyon, Etoile in Annemasse and Les Fabriques in Marseille.

In early 2018, UrbanEra was selected to develop the Charenton-Bercy project, on the eastern edge of Paris, through the call for bids called "Invent the Grand Paris metropolitan area" [b]. The ambitious 360,000-m^2 development designed by the urban planning and architecture firms Ateliers 2/3/4/ and SOM will breathe new life into the urban brownfield site and boost its economic, urban, residential and cultural appeal. Features will include a 180-metre tall 'green' high-rise building and a business hub dedicated to virtual technologies such as video games and medical imaging.

A company being transformed

Digitisation is transforming the property development business and is now central to new uses. Bouygues Immobilier was quick to understand the far-reaching implications of these changes and aims to constantly stay ahead of the curve.

Bouygues Immobilier is continuing to implement the collaborative BIM (Building Information Modelling) [c] process with the aim of integrating BIM into the design and production of all its developments by 2021.

Having created Bird, a subsidiary that invests in start-ups specialising in property development, in 2015, Bouygues Immobilier has since acquired stakes in eight innovative new businesses.

In 2018, Bouygues Immobilier also set up a Partnerships and Services division to expand the company's urban, B2B and B2C services such as residences for senior citizens (Les Jardins d'Arcadie), coworking spaces (Nextdoor), guaranteed building charges (Aveltys) and smart grids (Embix).

In 2018, Bouygues Immobilier also opened Valorissimo, a digital platform that enables financial advisors to reserve residential properties directly with other developers, with the aim of becoming one of the leading platforms on the market.

Strengths and assets

Bouygues Immobilier enjoys several competitive advantages in a slightly shrinking market:

- **extensive geographical coverage:** the company has 39 branches in France, which keep it close to customers and strengthen its ties with local stakeholders;

(a) A building which, in operation, produces more energy than it consumes.
(b) Europe's largest international call for tenders in the field of property development, urban planning and architecture.
(c) Digital modelling and management of the data involved in order to design, build and operate buildings more quickly and efficiently. Using augmented and virtual reality functions, BIM helps to anticipate the requirements inherent in new buildings. Its logistics features make it easier to start up a worksite and operate it throughout the construction process, in compliance with a sustainable construction approach. It has been proven in several depollution and deconstruction projects (see Chapter 3 of this document).

- **a wide and diversified range of residential products and services,** including affordable and intermediate housing for owner-occupiers, buy-to-let properties, student and senior citizen accommodation, single-family homes, etc.;
- **a perfect match between the new expectations of business customers and its commercial property products,** such as turnkey buildings, Green Office positive-energy buildings, Rehagreen [a] office building rehabilitation, and Nextdoor innovative, flexible and collaborative workspaces;
- **acknowledged expertise in sustainable neighbourhoods:** with UrbanEra, Bouygues Immobilier supports local authorities with their development projects over the long term, offering a wide range of services to improve quality of life for residents;
- **a proactive open innovation policy,** including organised identification of start-ups, intrapreneurship, co-development of operational projects and equity interests in start-ups specialising in property development via Bird, an investment subsidiary;
- **a robust business model** that gives priority to risk management and guarantees a healthy financial structure for the company.

Market position

With a market share of 9.7% [b], Bouygues Immobilier is one of France's leading residential property developers, behind Nexity but ahead of its other main rivals such as Alterea Cogedim, Kaufman & Broad, and Icade. A benchmark player in the commercial property segment, Bouygues Immobilier differentiates itself from its main competitors (BNP Paribas Immobilier, Sogeprom, Nexity and Alterea Cogedim) by offering innovative environmental products (Green Office and Rehagreen) and by positioning itself as a pioneer in new ways of working (Nextdoor). At neighbourhood level, Bouygues Immobilier has confirmed its leading position in sustainable urban development with its UrbanEra service package.

2.1.3.2 Business activity in 2018

In 2018, the amount of Bouygues Immobilier's reservations stood at €2,614 million, down 15% versus 2017. The backlog at end-December 2018 stood at €2,478 million, down 9% year-on-year. Reservations in France represented 96% of the order book at end-December 2018.

In this context, Bouygues Immobilier generated sales of €2,628 million, 4% less than in the previous year.

Residential property sales amounted to €2,364 million, down 2% on 2017, and commercial property sales to €264 million, down 22% on 2017 due to the postponement of some developments to 2019.

Current operating profit amounted to €188 million. It represented 7.2% of sales, versus 7.9% in 2017 (6.9% excluding the capital gain on Nextdoor in 2017).

Net profit attributable to the Group amounted to €138 million, up 10% year-on-year.

Shareholders' equity stood at €608 million.

Bouygues Immobilier had net debt of €238 million at 31 December 2018.

Developments in Bouygues Immobilier's markets and activities

Residential property

A DECLINE IN RESERVATIONS

The French residential property market contracted by around 2% in 2018, with 127,964 housing units sold compared with 130,074 in 2017. The decline, which mostly concerned private investors acquiring buy-to-let properties, was confirmed over the year despite:

- the extension for another four years of Pinel buy-to-let incentives in areas around major cities where rental housing is scarce;
- the zero-interest loan programme, adjusted in 2016 and extended for four years in areas where the pressure on housing is high and for two years in areas where it is not. However, the maximum share of the transaction cost covered by the zero-interest loan was reduced from 40% to 20% where the loan is intended to finance the purchase or construction of new housing in low-pressure areas;
- still highly attractive mortgage interest rates.

In this slightly declining market, Bouygues Immobilier took reservations for 13,449 residential property units in 2018, a decrease of 12% versus 2017, equating to €2,337 million (down 11% year-on-year).

In France, this figure was 12,467 units in 2018, down 11% mainly due to a lack of supply, especially in the first half of the year. Block reservations declined significantly, from 4,410 in 2017 to 3,490 in 2018, a fall of 21%. Unit reservations fell 7%, from 9,669 in 2017 to 8,977 in 2018.

DIVERSIFICATION AND PRODUCT CUSTOMISATION

Bouygues Immobilier constantly diversifies its property portfolio and offers several types of multi-unit housing (for owner-occupiers or buy-to-let investors, at below market prices, intermediate and social housing), as well as single-family houses and serviced residences for senior citizens and students. Among the highlights of 2018, Bouygues Immobilier inaugurated the Kley student halls of residence in Marseille (340 rooms from the conversion of an office property), which is helping in the regeneration of an entire district. Font-Pré, with its 10,000 m^2 of green spaces, modular housing units, a Les Jardins d'Arcadie senior citizens residence, shops and local services, is the first neighbourhood in Toulon to factor in environmental, social and societal concerns by ensuring that innovation serves the interests of residents. Follement Gerland, a 650-unit development in Lyon handed over in 2018, is a benchmark for services and events, encouraging residents to meet and share through features such as a recycling facility and a bed-and breakfast service.

Commercial property

GREEN PROPERTY AND NEW WORKSPACES: A WINNING STRATEGY

Despite the French economy picking up again and business confidence returning, in 2018 the commercial property market in the Paris region fell by 5% in comparison with 2017, with 2.5 million m^2 taken up. After growing in the first and second quarters (up 7% vs Q1 2017 and up 32% vs Q2 2017), it contracted in the third and fourth quarters (down 18% vs Q3 2017 and down 27% vs Q4 2017) (source: Immostat).

(a) Based on a comprehensive multi-criteria assessment of the building, covering technical, energy, planning, regulatory, commercial and other aspects, the purpose of the Rehagreen service is to identify and implement the rehabilitation scenario which most precisely meets the owner's enhancement objectives and the demands of the commercial property market, while respecting the building's architectural heritage.
(b) Source: ECLN (new housing survey) – Data from developers (February 2019).

The investment market in the Paris region ended 2018 on a high note, with over €10 billion invested in the fourth quarter. As a result of this record final quarter, the amount invested in the Paris region in 2018 reached a new record level of €23.1 billion, 19% more than in 2017 (source: JLL).

The value of commercial property (office and retail space) reservations fell 35% year-on-year to €277 million, due to the postponement of some developments to 2019.

Bouygues Immobilier's commercial property strategy in 2018 focused on the following priorities:

Green Office positive-energy office buildings

Green Office buildings produce more energy than they consume while ensuring maximum comfort for users. Projects completed in 2018 included the En Seine and Vogue Green Office complex in Meudon, a virtuous combination of housing, shops and offices with two Green Office buildings. En Seine will be fitted with 560 m² of solar panels. In 2018, the Enjoy Green Office building in Paris, the largest positive-energy office building (17,400 m²) to be awarded the BBCA low-carbon label, was handed over to AXA. XPole, Schneider Electric's future headquarters in Grenoble, the structural works for which were completed in 2018, will be a 4.0 building, innovative, open and flexible.

Rehabilitation with Rehagreen

Rehagreen enhances the value of existing property assets. Bouygues Immobilier's target over the 2016–2020 period is for Rehagreen rehabilitation projects to account for 35% of its commercial property space in progress or completed.

A flagship example of this approach is SWAYS (Smart ways to work), a convivial and connected smart building in Issy-Les-Moulineaux which aims to make everyday life easier for both the building's users and the Issy-Val de Seine business district as a whole. Offering 42,000 m² of office space, the project will be handed over in late 2020.

Nextdoor coworking spaces

Nextdoor has been in existence for only three years but has already staked out a place for itself, opening ten sites with over 5,000 occupants at the end of 2018.

Sustainable urban development

Since its creation the UrbanEra division, working in tandem with all the other business segments, has overseen the development of more than 1,000,000 m² of new urban projects representing 950,000 m² of living space or 17,000 housing units.

NANTERRE CŒUR UNIVERSITÉ DISTRICT

In 2017, UrbanEra acquired the land for the last two phases of the Nanterre Cœur Université development. Nearly 500 housing units will be handed over between 2019 and 2020, together with two Green Office buildings, shops, a cinema and a public car park with around 700 spaces. Nanterre Cœur Université will be one of the first neighbourhoods in France to be awarded the BiodiverCity[a] Aménagement label.

CŒUR GINKO IN BORDEAUX

The fourth phase of Ginko is now under way. A mixed-use complex is due to be handed over in early 2020, comprising a 1,500-space underground car park and a 25,000-m² retail centre over which 699 residential units will be built, including short-stay business apartments. The fourth phase will comprise 25 buildings in all.

CHARENTON-BERCY

In 2018, through the call for bids called "Invent the Grand Paris metropolitan Area", UrbanEra was selected to develop the 360,000-m² Charenton-Bercy project in the east of Paris. Ambitious in terms not only of economic and residential development but also of architectural and environmental design, its identity will be strongly marked by a 180-metre "green" high-rise building and a cluster dedicated to virtual worlds. Work is due to start in 2021, with the first buildings being handed over in 2024.

ANNEMASSE

The Etoile Annemasse-Genève mixed-use development zone is a 19-hectare eco-neighbourhood project initiated by the Annemasse metropolitan authority. Located in the heart of the Genevois conurbation spanning the border between France and Switzerland, it is being developed by UrbanEra in the municipalities of Ambilly, Annemasse and Ville-la-Grand. The arrival of the Léman Express (a Franco-Swiss rapid transit system) in December 2019 will offer exceptional conditions of access to the centre of Annemasse, Geneva airport and the new mixed-use neighbourhood, which covers around 165,000 m².

LES FABRIQUES IN MARSEILLE

2018 saw the inauguration of Europe's largest collaborative & socially responsible makerspace in Europe, in the heart of the future Les Fabriques eco-neighbourhood in Marseille. The 3,500-m² space is made available to ICI Marseille by UrbanEra and Linkcity, the project's operators, to house a community of artisans, artists, designers and entrepreneurs. Aiming to promote sharing and foster skills in a friendly atmosphere, the space offers makers shared workshops that combine cutting-edge equipment (3D printers, laser cutters, etc.) with traditional tools.

International

Bouygues Immobilier's international business remained strong in 2018 with the reservation of nearly 1,000 residential properties. In Poland, in a thriving market sustained by full employment and increased purchasing power, Bouygues Immobilier consolidated its position as a nationwide benchmark property developer. After Warsaw, Wrocław and Krakow, a fourth branch was opened in Poznan in 2018.

(a) The first international label that indicates biodiversity has been factored into property development construction and renovation projects.

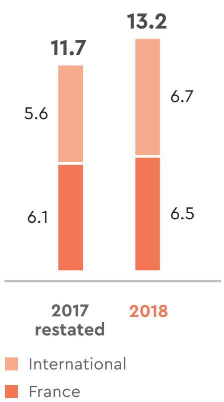
2.1.4 Colas, a world leader in transport infrastructure construction and maintenance

Colas is a world leader in transport infrastructure construction and maintenance, promoting infrastructure solutions for responsible mobility. It has three main activities: roads, its core business, construction materials and railways, and is also present in road safety/signalling and networks. Much of its business is local and of a recurrent nature.

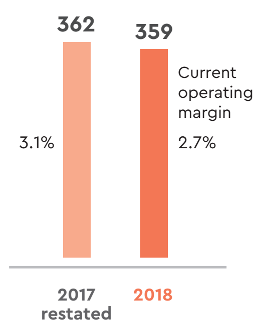
Key figures

2

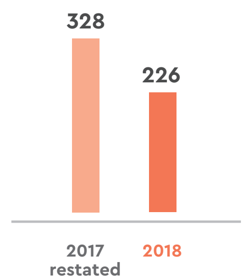
Sales
€ billion



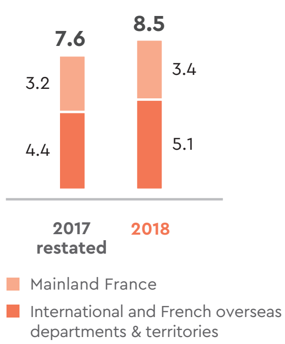
Current operating profit
€ million



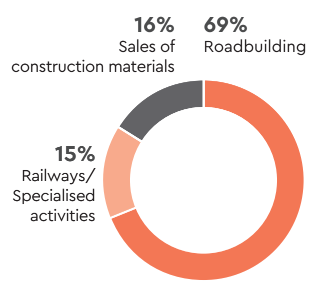
Net profit attributable to the Group
€ millions



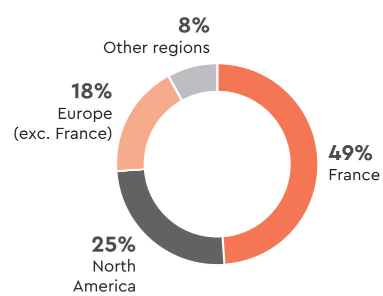
Backlog
€ billion, at end-December



Sales by business line



Sales by region



Condensed balance sheet

Assets

at 31 December, € million	2018	2017 restated
Property, plant and equipment and intangible assets	2,832	2,491
Goodwill	674	512
Non-current financial assets and taxes	731	747
NON-CURRENT ASSETS	**4,237**	**3,750**
Current assets	4,598	4,168
Cash and cash equivalents	563	680
Financial instruments – Hedging of debt	11	14
CURRENT ASSETS	**5,172**	**4,862**
Held-for-sale assets and operations	331	
TOTAL ASSETS	**9,740**	**8,612**

Liabilities and shareholders' equity

at 31 December, € million	2018	2017 restated
Shareholders' equity attributable to the Group	2,790	2,797
Non-controlling interests	29	30
SHAREHOLDERS' EQUITY	**2,819**	**2,827**
Non-current debt	533	126
Non-current provisions	804	884
Other non-current liabilities and taxes	124	60
NON-CURRENT LIABILITIES	**1,461**	**1,070**
Current debt	58	40
Current liabilities	4,577	4,580
Overdrafts and short-term bank borrowings	488	80
Financial instruments – Hedging of debt	12	15
CURRENT LIABILITIES	**5,135**	**4,715**
Liabilities related to held-for-sale operations	325	
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**9,740**	**8,612**
NET DEBT (-)/NET SURPLUS CASH(+)	**(517)**	**433**

Condensed income statement

€ million	2018	2017 restated
SALES	**13,190**	**11,705**
Net depreciation and amortisation expense	(461)	(407)
Net charges to provisions and impairment losses	(100)	(88)
Other income and expenses	(12,270)	(10,848)
CURRENT OPERATING PROFIT	**359**	**362**
Other operating income and expenses	(31)	(5)
OPERATING PROFIT	**328**	**357**
Cost of net debt	(31)	(14)
Other financial income and expense	(2)	1
Income tax expense	(96)	(75)
Share of net profits/losses of joint-ventures and associates	28	61
NET PROFIT	**227**	**330**
Net profit attributable to non-controlling interests	1	2
NET PROFIT ATTRIBUTABLE TO THE GROUP	**226**	**328**

KEY FIGURES

at 31 December 2018

–

Employees

57,997

–

Sales

€13,190m (+13%)

–

Current operating margin

2.7% (-0.4 points)

–

Net attributable profit to the Group

€226m (-31%)

–

Backlog

€8.5bn €(+12%; +2% at constant exchange rates and excluding Miller McAsphalt group and Alpiq catenary activity)

HIGHLIGHTS

MAJOR CONTRACT GAINS

- Liège tramway PPP (Belgium)
- Track and catenary for Line 15 South (East sector) of the Grand Paris Express rapid transport link
- Resurfacing of Highways 401 and 404 in Canada
- Resurfacing of roads in Alaska, US
- Tramway extensions in Angers (France) and in Birmingham (UK)
- Rehabilitation of runway 3 at Orly airport (France)

MAJOR PROJECTS UNDER CONSTRUCTION

- Construction and maintenance of the Southwest Calgary Ring Road in Alberta, Canada
- Three sections of the M25 and M30 motorways in Hungary
- Antananarivo and Nosy Be airports in Madagascar
- Light rail systems in Hanoi and Jakarta

PROJECTS HANDED OVER

- Highway 47 in Hungary
- Tangiers-Kenitra high-speed rail link in Morocco

ACQUISITIONS

- Miller McAsphalt group in Canada
- Alpiq Engineering Services' railway business in Switzerland, Czech Republic, Italy and the UK

2.1.4.1 Profile

With 800 profit centres and 2,000 materials production units (quarries, emulsion factories, asphalt mix and ready-mix concrete plants, bitumen production units) in over 50 countries around the world, Colas completes more than 85,000 projects every year. In addition, it recovers and recycles waste and deconstruction materials from the construction industry and other sectors for use in its worksites. Colas is one of the world's top five recyclers across all sectors, recycling 15 million tonnes of materials a year.

Activities

Roads

Each year, Colas builds and/or maintains roads and motorways, as well as airport runways, ports, industrial, logistics and commercial hubs, external works and amenities, reserved-lane public transport (bus lanes and tram lines), recreational facilities and environmental projects. It also has a civil engineering activity spanning both small and large projects, and a marginal building activity.

Construction materials

Upstream of roadbuilding, Colas has a significant presence in the production, sale and recycling of construction materials (aggregates, emulsions, asphalt mixes, ready-mix concrete, bitumen) through an extensive international network of 475 quarries and gravel pits (of which 86 partly-owned by Colas), 150 emulsion plants, 589 asphalt plants, 206 ready-mix concrete plants and one bitumen production plant [a]. Colas also has a significant bitumen distribution activity supplied by 79 bitumen terminals.

Railways

The Railways activity (Colas Rail) comprises the design and engineering of complex, large-scale projects and the construction, renewal and maintenance of rail networks (conventional and high-speed lines, trams and metro systems).

Other activities

Colas is also present in the following activities:

- **Road safety and signalling** (Aximum), which consists in the manufacture, installation and maintenance of road safety equipment, road markings and traffic signs, as well as traffic management and access control equipment;
- **Networks** (Spac), which encompasses the installation and maintenance of large- and small-diameter pipes and pipelines for conveying fluids (oil, gas and water) and for dry networks (electricity, heating and telecommunications).

In February 2019 Colas signed an agreement to sell its waterproofing subsidiary Smac to investment fund OpenGate Capital. The transaction is subject to the authorisation of the competition authorities, particularly in France.

Growth strategies and opportunities

Colas' business development strategy is based on providing worldwide collective expertise in order to drive strong brand and profit growth.

This overall strategy is built on four strategic priorities:

- **promoting industrial activities, especially aggregates and bitumen,** in a socially and environmentally responsible way in order to control the availability and quality of sourced materials and improve competitiveness;
- **enhancing the range of products and services** in two areas: complex, large-scale projects for major public- or private-sector customers, and new and innovative business lines and services focusing on customer demand for responsible mobility;
- **continuing targeted international expansion,** mainly through external growth in low-risk countries, in order to establish and consolidate leading positions on local markets and capitalise on geographical diversification to help spread risk;
- **accelerating digital transformation** in processes, industries and new businesses in order to improve competitiveness and the quality of service provision and offer new services.

Strengths and assets

Colas operates on **markets with long-term growth prospects all over the world,** driven by population growth, urbanisation, substantial infrastructure needs in emerging countries, recurring renewal of existing infrastructure in developed countries, environmental challenges, the spread of new forms of mobility and the digital revolution.

Colas' main strengths are:

- **worldwide collective expertise** drawing on almost 58,000 employees who share a common history and values, especially safety, ethics and respect for the environment, and a strong brand;
- **a capacity for innovation,** backed up by a Campus for Science and Techniques, which designs and develops products and technologies that meet the challenges of the energy transition and new uses; in digital transformation, "Mobility by Colas" is a mobility services activator which is developing a digital offering for new uses and services;
- **vertical integration,** with an international network of 2,000 sites producing and recycling construction materials (aggregates, bitumen emulsions, asphalt mixes, etc.), as well as bitumen plants, which give the company control over the value chain upstream, especially its environmental impacts;

(a) The Kemaman plant in Malaysia.

- **a decentralised organisation** through a network of 800 profit centres around the world staffed by long-standing local teams accustomed to local particularities and used to working on the small upkeep and development projects which account for most of the over 85,000 projects completed each year; a special division, Colas Projects, also supports subsidiaries in the design and construction of major projects;
- **a robust financial structure** and ability to generate cash flow, which enable the Colas group to pursue further growth by continuing to invest in targeted assets.

Market position

- **Roads, mainland France:** Colas is a leading player on a par with Eurovia (Vinci) and Eiffage Travaux Publics (Eiffage group). It is also in competition with large nationwide French firms (NGE, Malet), regional firms (Ramery, Charrier, Pigeon) and an extensive network of small and medium-sized regional and local firms. Cement makers are competitors on the markets for aggregates and ready-mix concrete. In North America, Colas competes with local, regional and national firms as well as subsidiaries of multinationals. Colas has prime positions in the roadbuilding sector in most of the other countries where it operates, its main competitors being domestic players or subsidiaries of large international firms.
- **Railways:** Colas' main competitors in France are ETF (Eurovia), TSO (NGE), TGS (Alstom) and Eiffage Rail. In the UK, Colas Rail's main competitors are Balfour Beatty, Babcock, VolkerWessels, Vinci, Skanska, BAM and Ferrovial.
- **Other activities:** its main competitors are Soprema in the waterproofing sector, Signature (Eurovia), Agilis (NGE), AER (Eiffage), Girod and Lacroix in road safety and signalling, and Spiecapag, Sicim, Bonatti, Ponticelli, Endel and Eiffel (Eiffage) for networks.

2.1.4.2 Business activity in 2018

Colas reported sales of €13,190 million in 2018, up 13% on 2017 (up 5% like-for-like and at constant exchange rates). This rise reflects an increase in activity, driven by the acquisition of the Miller McAsphalt group in Canada and good growth in the roads business in mainland France and Europe. Sales rose 6% in France and 20% on international markets (up 5% like-for-like and at constant exchange rates). International sales amounted to €6,730 million, 51% of the total, exceeding sales in France (€6,460 million, 49% of the total) for the first time.

Sales in the roads activity were up 16% (up 7% like-for-like and at constant exchange rates). Sales rose in mainland France, Europe (excluding France), driven by strong growth in both the British Isles and continental Europe, North America due to the integration of the Miller McAsphalt group in Canada, Oceania, French overseas departments and regions, and the Indian Ocean. They fell in Africa. The sales of specialised activities were down slightly by 2% (down 5% like-for-like and at constant exchange rates). Sales fell in Railways (lower sales in France) and Networks, remained stable in Waterproofing and increased in Road Safety and Signalling.

Current operating profit amounted to €359 million, compared with €362 million in 2017, a reduction of €3 million. The improvement in current operating profit in the roads activity in mainland France and the contribution of the Miller McAsphalt group was offset by a weaker performance by existing subsidiaries in North America, mainly due to poor weather on the east coast of the United States and markets under pressure in certain States and provinces. The decline in current operating profit in Railways and other specialised activities was primarily caused by Colas Rail's difficulties in its activities in France. The current operating margin was 2.7% in 2018 versus 3.1% in 2017.

Non-current operating charges amounted to €31 million in 2018, mainly related to the dismantling of the Dunkirk refinery and the one-off year-end bonus, versus €5 million in 2017 related to preliminary works for the dismantling of the Dunkirk site.

Operating profit therefore amounted to €328 million versus €357 million in 2017, down €29 million.

The cost of net debt rose by €17 million to €31 million mainly due to the acquisition of the Miller McAsphalt group.

Income tax in 2018 came to €96 million versus €75 million in 2017, an increase of €21 million. The tax charge in 2017 benefited from tax reforms in the United States and the partial resolution of a dispute with the tax authorities in Canada.

The contribution of joint ventures and associates amounted to €28 million, compared with €61 million in 2017. The €33-million decline was mainly due to a fall in the contribution of Tipco Asphalt caused by difficulties sourcing crude oil in the early part of the year and lower output from the Kemaman refinery in Malaysia.

Net profit attributable to the Group amounted to €226 million in 2018, down €102 million versus 2017.

Net cash flow came to €665 million, down €10 million versus 2017. Free cash flow improved by €57 million to €377 million.

Net cash used in fixed assets fell by €43 million year-on-year to €300 million in 2018. While gross capital expenditure increased by €19 million to €462 million, disposals increased by €86 million to €174 million in 2018. Disposals in 2018 included the sale and leaseback at Colas Rail of 67 locomotives in France and the UK.

2018 was a record year for net cash used in financial assets, with a total of €720 million versus €79 million in 2017. The two main transactions of the year were Colas Canada's acquisition of the Miller McAsphalt group for €555 million and Colas Rail's acquisition of Alpiq Engineering Services' rail activities for €118 million.

Shareholders' equity remained stable at €2.8 billion at year-end; net debt at end-December 2018 was €517 million compared to net surplus cash of €433 million at end-December 2017.

Roads (2018 sales: €11,177 million)

Sales were 16% higher than in 2017 (up 7% like-for-like and at constant exchange rates).

Roads mainland France (2018 sales: €4,731 million)

Sales in 2018 were up 10% versus 2017, in line with growth in the market. Subsidiaries put in a satisfactory performance in terms of activity despite many disrupting factors such as bad weather, high bitumen prices and sourcing difficulties, strikes and demonstrations. Municipalities continued to launch new projects such as trams (Angers, Saint-Etienne, technopole Sofia Antipolis, etc.) and bus rapid transit (BRT) corridors (Cannes, Saint-Brieuc, etc.). Activity was also boosted by a motorway upgrade plan and the Grand Paris Express rapid transport project (metro Line 16, T4 tram line). This was complemented by a slight upturn in private investment. Diversification by subsidiaries into areas such as works for private individuals under the specific "Colas & Vous" brand name, depollution, trading in civil works products, recycling and elimination of construction waste also helped to boost sales.

Roads Europe (2018 sales: €1,840 million)

Sales were 15% higher than in 2017 (up 14% like-for-like and at constant exchange rates).

In the **British Isles,** sales were up 16% versus 2017 (up 17% like-for-like and at constant exchange rates). Higher activity in the **UK** was driven by the many capital spending plans launched by the UK government, despite a fiercely competitive environment. The integration of Allied Infrastructure Management Ltd, an airport maintenance and service provider, continued satisfactorily. Activity in **Ireland** rose in a favourable economic environment.

Sales also rose in **Continental Europe** (up 14%, and up 13% like-for-like and at constant exchange rates). Activity was sustained by major road and motorway projects in **Central Europe** financed by EU funds under the 2017-2020 plan. In **Hungary,** major road and motorway projects awarded in 2017 (M25, M30 and M70) are under construction. In the **Czech Republic,** the contracts to widen and strengthen the D1 motorway are being carried out. Activity held up well in **Poland,** was strong in **Iceland,** increased in **Belgium,** stabilised in **Switzerland** and declined in **Denmark.**

Roads North America (2018 sales: €3,341 million)

Sales were up 32% versus 2017 (down 1% like-for-like and at constant exchange rates).

In the **United States,** where federal investment is supplemented by initiatives financed by individual States, sales were up slightly by 1% versus 2017 like-for-like and at constant exchange rates, factoring in higher prices for oil products, especially bitumen. Activity was hard hit by poor weather, especially on the east coast, and by tight market conditions in certain States. The roadworks and materials production companies SERB, in Alaska, and ASA Asphalt, in Missouri, were acquired.

In **Canada,** where the economy slowed slightly after a year of recovery, the market was broadly stable and fiercely competitive. The level of roadbuilding activity differed across the country, rising in Quebec and British Columbia, stable in Ontario and falling in Alberta and Saskatchewan. The bitumen distribution business benefited from a favourable market in the east of the country (Ontario and Quebec), but conditions were tougher in the west. The sharp rise in Colas Canada's sales versus 2017 (up 89%) was due to the major contribution made by the road construction company Miller and the bitumen distribution company McAsphalt. The acquisition, completed on 28 February 2018, expands Colas Canada's geographical coverage by strengthening its presence in Ontario and considerably increasing its bitumen storage capacity across Canada. The integration of Miller and McAsphalt is making good progress.

Roads "Rest of the world" (2018 sales: € 1,265 million)

Sales were up 4% versus 2017 (up 8% like-for-like and at constant exchange rates):

- sales increased 14% like-for-like and at constant exchange rates in the **French overseas departments** and **regions** and in the **Indian Ocean.** Activity remained at a generally low level in the **Caribbean-French Guiana** zone, where Martinique in particular was hit by the suspension of investment in new-build and maintenance projects. On **Reunion Island,** against a background of economic difficulty and social unrest at the end of the year and in a market under pressure, activity remained stable in the traditional public works, civil engineering and building business, while construction work continued on the elevated sections of the New Coastal Road. Activity rose sharply in **Madagascar,** driven by construction work and resurfacing of runways at Antananarivo and Nosy Be airports and by private building projects.
- in **Africa** and the **Middle East,** sales were down 13% like-for-like and at constant exchange rates. The subsidiary in **Morocco** maintained its market share in a fiercely competitive market. In **West and Central Africa,** the level of activity differed from one country to another: work started on projects in **Ivory Coast,** other projects were completed in **Gabon** and in **Guinea,** while activity was dormant in **Benin** and **Togo.** Activity in **Southern and Eastern Africa,** centred on the manufacture and sale of emulsions, fell sharply against a background of political and economic uncertainty in **South Africa.** In the **Middle East (United Arab Emirates, Oman** and **Qatar**), where subsidiaries are consolidated by the equity method, activity likewise fell sharply in a particularly difficult political and economic environment.
- sales rose 20% in **Asia, Australia** and **New Caledonia.** In Asia, the activity of the subsidiary Tipco, which is focused on the production, distribution and sale of bitumen products, is consolidated using the equity method. Activity in **Australia** (roadworks and the sale of bitumen and emulsions) held up well in a favourable economic environment.

Railways and other Specialised activities (2018 sales: €1,989 million)

Sales by Railways and other Specialised activities were 2% lower than in 2017 (down 5% like-for-like and at constant exchange rates).

- **Railways:** sales were €911 million, down slightly by 3% (down 9% like-for-like and at constant exchange rates), with international markets accounting for nearly two-thirds of the total. Sales fell in France, mainly because of strikes at French railway operator SNCF on the tracklaying and freight activities. The metro and tram activity was boosted by ongoing work on a number of projects in Paris and the Paris region, Bordeaux and Rennes among others, offsetting the fall in activity due to the completion of high-speed rail projects. A number of metro and tram contracts were won. The level of activity in the UK was high on a still-strong railway market. Lundy Projects, a specialist in catenary systems, joined Colas Rail UK as part of the acquisition of Alpiq Engineering Services' railway activities in July 2018.

In the rest of the world, sales fell back slightly (excluding the integration of recently acquired subsidiaries). Activity fell in the Middle East/Africa zone following completion of the Tangiers-Kenitra high-speed rail link, and in South America due to the halting of the Caracas metro project and completion of Line 3 of the Santiago metro in Chile. It rose in Asia as work continued on Line 3 of the Hanoi metro and started on the Jakarta MRT project. In Continental Europe, activity remained stable in Belgium, where the Liège tram PPP project was awarded, and rose in Poland and Serbia.

Lastly, three rail businesses joined Colas Rail (Kummler Matter in Switzerland, Elektroline in the Czech Republic and Alpiq EnerTrans S.p.A. in Italy) as part of the acquisition of Alpiq Engineering Services' railway activities.

- **Waterproofing:** sales were stable at €561 million as the building market in mainland France picked up again;
- **Road safety and signalling:** sales amounted to €318 million, an increase of 5% versus 2017, on markets that seem to have stabilised but remain highly competitive due to overcapacity in the industry;
- **Networks:** sales amounted to €199 million, 14% lower than in 2017, when activity was boosted by two major gas pipeline projects in France.

2.1.5 Outlook for the construction businesses

Bouygues Construction

In a market offering many opportunities, Bouygues Construction enjoys good visibility, backed up by:

- **orders at 31 December 2018 to be executed in 2019** worth €9.9 billion;
- **sustained international activity** in places with bright economic prospects such as Australia, Singapore, Canada and Switzerland, which are highly rated by the NGO Transparency International, strengthened by the integration of Alpiq InTec in Switzerland, Kraftanlagen München in Germany and AW Edwards in Australia;
- **a medium/long-term backlog** (two years and more) worth €12.3 billion at 31 December 2018;
- **a sound financial structure,** backed up by a net surplus cash of €3.1 billion;
- **a lead in sustainable construction,** to which the company devotes much of its R&D budget;
- **a strong commitment to shared innovation** for the benefit of customers.

Tight control over the execution of major projects, a selective approach to orders and innovation will continue to be central priorities for Bouygues Construction in 2019, together with protecting the health and safety of employees and project partners.

Bouygues Immobilier

In a residential property market expected to contract to around 122,000 units, Bouygues Immobilier intends to take advantage of a land bank strengthened in 2018 to consolidate its market share and step up the diversification of its product offering.

The commercial property market is likely to remain buoyant in 2019 and Bouygues Immobilier expects to significantly increase its order intake.

Colas

Long-term growth prospects on the markets where Colas operates are good. There are substantial infrastructure construction and maintenance needs in both developed and emerging countries.

In **mainland France,** growth in civil works is likely to continue, albeit at a slower pace than in 2018. Activity will be boosted by investment plans for transport and a favourable environment in the run-up to municipal elections.

In **Europe,** the roads and rail businesses will continue to benefit from European infrastructure plans, with continued strong growth in Central Europe and major infrastructure projects in the United Kingdom.

In **North America,** the situation is likely to be mixed. In the United States, uncertainties over funding remain despite an upbeat economy and substantial needs. In Canada, the situation is likely to vary from one province to another. Some have major investment plans while others are dependent on oil prices.

In the **Rest of the World,** many opportunities exist, with fast-growing zones such as Australia, ongoing developments in Latin America and many major projects, especially in the railway sector.

In the Rail business, where the market environment is broadly favourable, Colas Rail should return to growth, especially on international markets. Measures to restore profitability will continue to be taken in 2019.

In Waterproofing, an agreement to sell Smac has been concluded with the investment fund OpenGate Capital. Completion of the sale is subject to the approval of merger control authorities, especially in France. The disposal will reduce Colas' revenues by around €600 million, without any significant impact on operating profit.

Current operating profit is expected to improve due to upbeat markets and a return to profitability at Colas Rail.

Following the acquisition of Miller McAsphalt group and Alpiq catenary activity in 2018, Colas continues to grow its core businesses: roads, materials and railways.

The group is continuing its transformation, through digital technologies in particular, and continues to innovate to assert its leadership in the service of sustainable mobility.

2.2 TF1, THE LEADING PRIVATE TELEVISION GROUP IN FRANCE

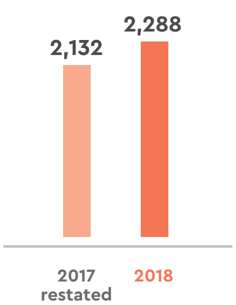
2.2.1 Profile

TF1 is a leading integrated group, from production through to distribution, that creates media, entertainment and news content both for the general public and each consumer.

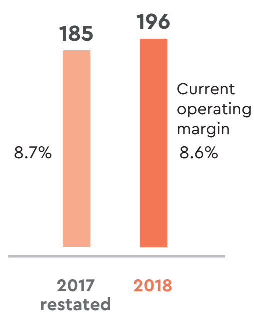
TF1 has strengthened its position across the entire value chain by investing in new growth areas: in TV production with the acquisition of Newen Studios in 2016 and in digital media with the recent acquisition of the aufeminin group.

Key figures

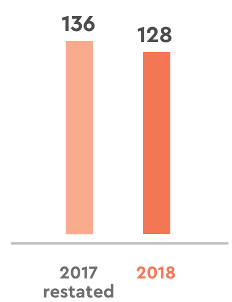
Sales
€ million



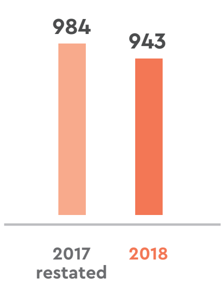
Current operating profit
€ million



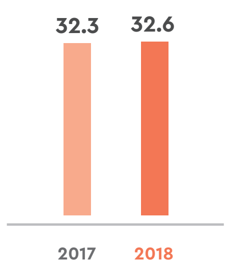
Net profit attributable to the Group
€ million



Cost [a] of programmes at the five unencrypted channels [b]
€ million



TF1 group audience share [c]
%
Women under 50 who are purchasing decision makers



(a) Excluding major sporting events.
(b) TF1, TMC, TF1 Séries Films, TFX, LCI.
(c) Source: Médiamétrie, annual average.

Condensed balance sheet

Assets

at 31 December, € million	2018	2017 restated
Property, plant and equipment and intangible assets	479	412
Goodwill	817	580
Non-current financial assets and taxes	61	76
NON-CURRENT ASSETS	**1,357**	**1,068**
Current assets	1,683	1,833
Cash and cash equivalents	117	495
Financial instruments – Hedging of debt		
CURRENT ASSETS	**1,800**	**2,328**
Held-for-sale assets and operations		
TOTAL ASSETS	**3,157**	**3,396**

Liabilities and shareholders' equity

at 31 December, € million	2018	2017 restated
Shareholders' equity attributable to the Group	1,576	1,587
Non-controlling interests	3	
SHAREHOLDERS' EQUITY	**1,579**	**1,587**
Non-current debt	127	232
Non-current provisions	41	39
Other non-current liabilities and taxes	45	40
NON-CURRENT LIABILITIES	**213**	**311**
Current debt	12	6
Current liabilities	1,347	1,492
Overdrafts and short-term bank borrowings	6	
Financial instruments – Hedging of debt		
CURRENT LIABILITIES	**1,365**	**1,498**
Liabilities related to held-for-sale operations		
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**3,157**	**3,396**
NET DEBT(-)/NET SURPLUS CASH (+)	**(28)**	**257**

Condensed income statement

€ million	2018	2017 restated
SALES	**2,288**	**2,132**
Net depreciation and amortisation expense	(213)	(173)
Net charges to provisions and impairment losses	(70)	(54)
Other income and expenses	(1,809)	(1,720)
CURRENT OPERATING PROFIT	**196**	**185**
Other operating income and expenses	(22)	(23)
OPERATING PROFIT	**174**	**162**
(Cost of net debt)/Income from net surplus cash	(2)	(2)
Other financial income and expenses	5	7
Income tax expense	(49)	(45)
Share of net profits/losses of joint-ventures and associates		14
NET PROFIT	**128**	**136**
Net profit attributable to non-controlling interests		
NET PROFIT ATTRIBUTABLE TO THE GROUP	**128**	**136**

KEY FIGURES

at 31 December 2018

–
Employees
3,591

–
Sales
€2,288m (+7%)

–
Current operating margin
8.6% (-0.1 points)

–
Net profit attributable to the Group
€128m (-6%)

HIGHLIGHTS

RATINGS

- 91 of the 100 best TV audience ratings of 2018 [a] were scored by the TF1 channel
- Success of the Soccer World Cup

DISTRIBUTION

- Agreement signed with telecoms operators and Canal+ for the distribution of TF1 group channels content and services
- Alliance between TF1, France Télévisions and M6 to create Salto [b], a French OTT platform with a unique content offering

TV PRODUCTION

- Newen Studios now wholly-owned by TF1. Continued expansion in production (acquisition of stakes in Pupkin in the Netherlands and in Nimbus in Denmark)

DIGITAL

- Acquisition of aufeminin group (aufeminin, Marmiton, My Little Paris, Livingly Media, etc.)
- Acquisition of Doctissimo
- Acquisition of a majority stake in Gamned! [c]

(a) Source: Médiamat by Médiamétrie.
(b) Subject to the authorisation of the competent authorities. Over the top (OTT) – a service consisting of the direct distribution of content via the internet without the participation of operators or their home gateways.
(c) An independent programmatic media-purchasing platform playing a pioneering role in real-time digital campaigns.

2.2.1.1 Growth strategy and opportunities

Pursuing the transformation of the unencrypted TV model

The TF1 group provides a unique range of unencrypted and pay-TV content and services responding to new viewer behaviour.

Television remains the most consumed media in France with a viewing time of 3 hours and 36 minutes per day[a]. It is the leading platform for the consumption of video content[b], with 86% of video viewing time spent watching TV shows, regardless of the screen. For 15–24-year-olds, this share is nearly 60% of viewing time, underlining their strong appetite for TV content. While linear content continues to account for most consumption, non-linear content is growing significantly.

In an increasingly competitive environment, the TF1 group's five unencrypted channels[c] remain as popular as ever, with 46 million French people watching them every week (equating to 80% of households with a television)[d]. This large audience share results from the group's expertise in understanding viewer expectations and its ability to offer high-quality content at the right time and for a broad viewership by adapting to changes in behaviour and new trends.

TF1 monetises this powerful content distribution with advertisers and offers them immediate brand value creation, backed up by the use of new advertising and data technologies. For example, TF1 is preparing for addressable television in which different advertising messages adapted to each television viewer are delivered during the same show.

The TF1 group has also successfully transformed its core business model through:

- the MYTF1 platform;
- the monetisation of its additional content and services with telecom operators and Canal+;
- and, in the future, the OTT platform called Salto[e].

Developing new growth sources from production and digital media

TF1 is also transforming through strong development in the new growth areas of production and digital media, both of which are major value creators. These new sources of growth will enable the group to increase the share of its sales generated by activities other than advertising on the five unencrypted channels.

Production

TF1 is further bolstered by Newen, acquired in 2016, which boasts recognised expertise in all types of content:

- across all genres, from drama to animation, and
- across all ranges, from big-budget productions to controlled-budget productions;

thanks to its pool of independent producers and talents. Newen has also become a major player in production in Europe with the successful launch of new shows on all the incumbent channels. It has also developed original series for new customers including Amazon, Netflix and OCS. The company aims not just to develop in Europe but to become a European leader in drama, as shown by its acquisition of stakes in Tuvalu and, more recently, in Pupkin in the Netherlands and in Nimbus in Denmark.

Newen is a profitable and growing group that aims:

- to produce over 300 hours of drama content in 2019 and
- expand its business volume in the coming three years following two years of strong growth[f].

Digital

The TF1 group has created a new digital division, called Unify, with a view to:

- providing an additional offer based on web-origin content targeting an internet audience
- strengthening its offering for advertisers to regain value in a growing digital advertising market

The purchase of the aufeminin group has led to the creation of a digital division comprising well-known brands (aufeminin, Marmiton, My Little Paris, Livingly Media, Doctissimo, Gamned!, Vertical Station[g], Studio71, Beauté Test, etc.) focused on strong themes (well-being, lifestyle, cooking, beauty, parenting, etc.) for a targeted audience. With these acquisitions, TF1 now has a business-to-consumer (B2C) offering based on powerful brand communities as well as expertise for advertisers with which TF1 can form a direct and "disintermediated" relationship.

Through the unique proprietary technology developed by Livingly Media in the US, the TF1 group has gained a tool for marketing digital inventories that optimises the advertising campaign performances of its customers.

To support the organic growth of the Digital and Production divisions, TF1 has announced an annual external growth investment budget of some €50 million over three years. The new developments in digital media and production enable TF1 to become less dependent on the French television advertising market by developing business activities that provide

- better visibility thanks to longer business cycles,
- greater flexibility thanks to a more variable cost structure.

(a) Source: Médiamétrie – 2018 data. Individuals aged 4 and over.
(b) Source: Médiamétrie 2018 – Estimation based on Médiamat 2018 panels, Global TV, vagues 2018, Médiamétrie Netratings.
(c) TF1, TMC, TFX, TF1 Séries Films, LCI.
(d) Source: Médiamétrie – Médiamat – 2018.
(e) Subject to approval by the competent authorities. Over the top (OTT) – a service consisting of the direct distribution of content via the internet without the participation of operators or their home gateways.
(f) Growth in business activity including that produced for the TF1 group.
(g) Formerly MinuteBuzz.

2.2.1.2 Strengths and assets

The overall offering of the TF1 group gives it robust assets:

- a **unique position in the French broadcasting sector** through its five complementary unencrypted TV channels, including TF1, a leading brand in France;
- **large audiences** spanning much of the population;
- **powerful brands** with heightened visibility through many combinations of TV and digital media;
- **unique exposure opportunities** for advertisers across all platforms;
- **recognised expertise** in the production of TV content with Newen and distribution, both in France and Europe;
- an **international digital footprint** through high-potential technologies and expertise in the creation and management of powerful brand communities;
- a **robust financial structure.**

2.2.1.3 Market position

Television

In 2018, daily TV viewing time [a] remained at a high level of 3h 36m for "individuals aged four and over", down six minutes year-on-year. Overall daily TV viewing time, which includes consumption on other screens [b] and outside the home [c], stood at 3h 46m.

In a French DTT market comprising 27 unencrypted channels, the TF1 group airs, in addition to the leading TV channel TF1, a multi-channel offering comprising TMC, TFX, TF1 Séries Films and LCI. It competes with state-owned channels, and private groups such as Métropole Télévision (M6, W9, 6Ter), the Canal+ group (Canal+, C8, CStar, CNews) and Altice (BFM TV, RMC Découverte, RMC Story).

It remains the most powerful private player, with an audience share of 27.6% [d] in 2018 versus 13.3% for its main private-sector rival.

In the advertising market, the TF1 group also competes against the press, radio, web, billboard and cinema media. TF1 Publicité, the TF1 group's advertising sales agency, is also present in the radio and web advertising market and markets advertising inventories in Switzerland and Belgium.

Furthermore, the TF1 group is confronted with the arrival of global web players in the broadcasting sector. It is appealing to the authorities to introduce fairer competition rules.

To keep pace with the gradual shift in television viewing behaviour (more individual, more screens, non-linear consumption), TF1 has successfully rolled out its MYTF1 platform across all media, including IPTV, PCs, mobile phones and tablets. Its catch-up TV service is used by an average of over 19 million unique visitors [e] a month.

Production

TF1 boasts long-standing presence in TV content through the sales of rights catalogues, its video activity and the coproduction of films.

In response to increasing demand in recent years in the television content market, as well as the concentration of business in the hands of players such as Endemol Shine, Banijay and ITV Studios, the TF1 group has repositioned upstream in the value chain by acquiring the Newen Studios group, wholly-owned since July 2018.

Digital

With the acquisition in first-half 2018 of the aufeminin group, an international player, TF1 has strengthened its position in digital media. It can now draw on powerful web audiences based on highly committed brand communities and unique content for women (aufeminin, Marmiton, My Little Paris, etc.). In addition, in October 2018 TF1 completed the acquisition of Doctissimo, a recognised brand with a substantial community, reinforcing the group's positions with women and in health and well-being. Furthermore, in 2018, TF1 acquired Gamned!, a company specialising in digital advertising space purchasing.

2.2.2 Business activity in 2018

In 2018, TF1 continued its transformation by reshaping the business model of its core business as well as that of its digital media and TV content production and distribution activities.

2.2.2.1 2018 results

Increase in sales and current operating profit

TF1 group posted consolidated sales of €2,288 million in 2018, up 7% on 2017 thanks to:

- growth in advertising sales at the five unencrypted channels due to increased ratings and the premium agreements signed with all the telecoms operators and Canal+;
- the strengthening of TF1's content production and digital activities, with notably the consolidation of the Unify digital division's activities around aufeminin, acquired in May 2018.

The TF1 group posted a current operating profit for 2018 of €196 million, an improvement of €11 million, even though this was a year that saw the broadcasting of the Fifa Russia 2018™ Soccer World Cup (at a cost of €72 million). This performance reflects the success in integrating new revenue streams, but also the ability to optimise profitability by adapting the cost structure.

(a) Live + Timeshifted + Catch-up. Source: Médiamétrie.
(b) PCs, tablets, smartphones.
(c) At parents' or friends' homes, on vacation, in holiday homes, in public places, etc.
(d) Médiamat by Médiamétrie (consolidated 2018 average). Individuals aged 4 and over.
(e) Source: Médiamétrie/NetRatings (2018 average on IPTV).

Including the costs of broadcasting the Fifa World Cup, the current operating margin held steady year-on-year at 8.6%. Excluding World Cup costs, the current operating margin was 11.7% (up 3 points year-on-year).

Group operating profit in 2018 came to €174 million, after factoring in, for the final year, €22 million in non-current charges related to the amortisation of audiovisual rights remeasured as part of the acquisition of Newen Studios.

Net profit attributable to the Group for 2018 was €128 million. After excluding the gain booked in 2017 on the divestment of the equity interest in Groupe AB, net profit rose year-on-year in 2018.

Results by business activity

Following the acquisition of the aufeminin group on 27 April 2018, a new sector breakdown was introduced starting in second-quarter 2018. This mainly concerns the creation of the new digital division Unify grouping the business activities of the aufeminin group, Neweb, Studio71, TF1 Digital Factory, Vertical Station[a], as well as Doctissimo and Gamned!, which were acquired more recently.

Broadcasting

Sales for the Broadcasting sector reached €1,764 million, up €46 million. This increase reflects changes to the sector's business model with the contribution of sales generated by the agreements signed with the telecoms operators and Canal+, alongside growth in advertising sales at the five unencrypted channels (up €17 million, up 1% year-on-year) in line with strong audience ratings for the group's channels.

The cost of programmes of the five unencrypted channels for 2018 increased to €1,014 million, up €30 million year-on-year, and included €72 million of costs for the Soccer World Cup[b]. This confirms the group's ability to optimise its programming cost structure while keeping audiences high.

Current operating profit for the Broadcasting sector was €150 million, up €6.5 million on year-on-year.

Studios and Entertainment

Sales of the Studios and Entertainment sector came to €409 million in 2018, down €6 million year-on-year. Newen Studios business continues to grow. In addition to producing and delivering its leading regular shows, Newen expanded its geographical footprint in Denmark with Nimbus and in the Netherlands with Pupkin and grew its customer base through productions for Netflix and Amazon, among others.

The growth in the production business combined with the good results of TF1 Entertainment, and in particular the PlayTwo music label, failed to offset the downturn in TF1 Studios. The latter was impacted by less positive box-office performances in 2018 and by the fall in physical video and home shopping sales amid declining markets. The TF1 group also announced that it had entered into exclusive negotiations with a view to selling the operational side of Téléshopping (its home shopping activity), in order to refocus on its core businesses.

This sector has also been impacted since second-quarter 2018 by the inclusion of Newen's activities (Neweb) in the new Unify digital division.

The sector posted a current operating profit of €34 million, down €9 million year-on-year. The main impacts were non-recurring charges associated with the buyout of the residual 30% equity interest in Newen at the start of July, and weaker performances from cinema and video.

Digital

The sales of the new Unify digital division totalled €116 million, having notably included the sales of the aufeminin group, which have been consolidated since May 2018.

The sector made a current operating profit of €12 million over the same period, giving a current operating margin of 10.4%, which was impacted by transaction costs related to the aufeminin acquisition.

Financial structure

Shareholders' equity attributable to the Group was €1,576 million at 31 December 2018 out of total assets of €3,157 million. Net debt was €27.5 million at 31 December 2018 (versus net cash of €257 million at end December 2017), after taking account of the acquisitions of aufeminin group and of the residual 30% interest in Newen Studios.

In June 2018, Standard & Poor's lifted the outlook on TF1 group's BBB+ credit rating from negative to stable.

2.2.2.2 Business review in 2018

The benchmark television offering in France

TF1 remained the leading[c] private-sector television group in France in 2018, with a combined audience share of 32.6% of women aged under 50 who are purchasing decision-makers (up 0.3 points) and 29.3% of individuals aged 25–49 (up 0.1 points).

TF1

The core TF1 TV channel posted a substantial 22.5% share on this same target audience, the channel's best performance since 2015. It scored 91 of the top 100 audience ratings of 2018 (or 88 excluding the Fifa World Cup). Ratings successes came in all genres: sport with the Soccer World Cup, which pulled in over 19 million viewers for the final; French drama with *Jacqueline Sauvage, It Was Him or Me* (8.8 million viewers); light entertainment with *The Voice* (7.1 million); news with the 16 July 2018 evening bulletin (8.4 million); and US series with *The Good Doctor* (7.9 million).

(a) Company consolidated using the equity method. Formerly MinuteBuzz.
(b) The cost of replacement programmes was €13 million.
(c) Source: Médiamétrie.

DTT channels

The Group's DTT channels (TMC, TFX, TF1 Séries Films, LCI) attracted a combined share of 10.1% of the target women under 50 who are purchasing decision-makers audience, virtually unchanged year-on-year (down 0.1 of a point). TMC remains the most-watched DTT channel, with 24 of the 50 top DTT audience ratings in 2018, including *Burger Quiz* and *Quotidien*. TFX has risen to third place in the DTT rankings for the same target audience, and continues to perform strongly with younger viewers (15 to 24-year-olds) thanks to reality TV shows. TF1 Séries Films recorded the second-highest growth in audience share among women under 50 who are purchasing decision-makers and posted good audiences for the series *The Handmaid's Tale*. Finally, LCI cemented its place as France's No.2 rolling news channel.

Growth in the digital business

The digital business grew strongly owing to an increase in interactivity and advertising sales on MYTF1. Some 1.4 billion TF1 videos were viewed in 2018 on the MYTF1 [a] platform alone, up 9% year on year. This growth was driven by success across all content categories and notably by *Tomorrow is ours*, *The Voice, Good Doctor, Paw Patrol, Quotidien, Fifa™ World Cup Russia 2018,* and *La Villa des Cœurs Brisés*.

2.2.3 Outlook

The group will continue its transformation and is reiterating the following guidance:

In 2019

- Target of double-digit current operating margin.

In 2021

- Sales of at least €250 million from the Unify digital division.
- EBITDA margin of at least 15% from the Unify digital division.
- An improvement in TF1 group's return on capital employed [b] relative to 2018.

Finally, the group is adjusting its objective for the cost of programmes to an average of €990 million, including major sporting events, for the 2019–2020 period, compared with €1,014 million in 2018.

(a) Excluding news content, excluding XTRA content and live sessions. Source: eStat Médiamétrie – AT Internet – Orange.

(b) ROCE = the ratio of [current operating profit – theoretical income tax expense + net profit from associates] for a given year to average capital employed that year and the previous year. Capital employed = shareholders' equity including minority interests + net debt at period-end. The TF1 group's ROCE was 8.8% in 2018.

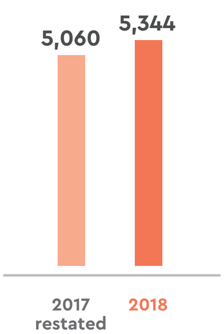
2.3 BOUYGUES TELECOM, AN OPERATOR AT THE HUB OF ITS CUSTOMERS' DIGITAL LIVES

Bouygues Telecom is a major player in the French telecommunications market committed to delivering the best digital experience to as many people as possible.

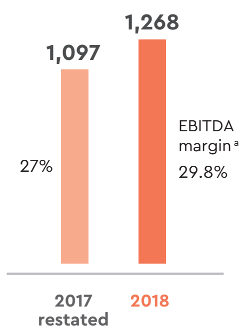
As internet usage expands at exponential rates and customers place ever-greater importance on the quality of the customer experience in choosing their provider, Bouygues Telecom offers solutions for both consumers and businesses that are simple, seamless and competitively priced. It rolls out very-high-speed digital technologies – 4G, fibre and soon 5G – throughout France.

Key figures

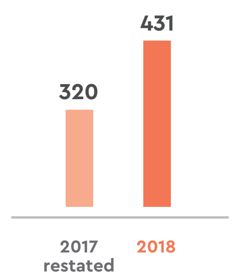
Sales
€ million



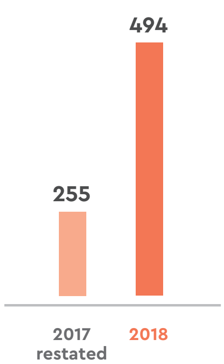
EBITDA
€ million



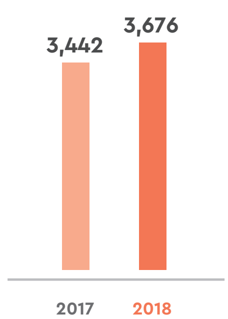
Current operating profit
€ million



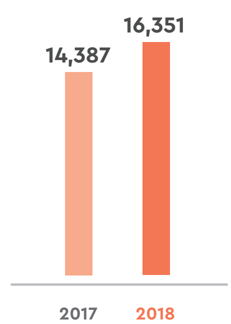
Net profit attributable to the Group
€ million



Fixed customers
'000, at end-December



Mobile customers
'000, at end-December



(a) EBITDA/sales from services.

Condensed balance sheet

Assets

at 31 December, € million	2018	2017 restated
Property, plant and equipment and intangible assets	5,355	5,020
Goodwill	5	5
Non-current financial assets and taxes	9	10
NON-CURRENT ASSETS	**5,369**	**5,035**
Current assets	2,236	2,141
Cash and cash equivalents	44	58
Financial instruments – Hedging of debt		
CURRENT ASSETS	**2,280**	**2,199**
Held-for-sale assets and operations		38
TOTAL ASSETS	**7,649**	**7,272**

Liabilities and shareholders' equity

at 31 December, € million	2018	2017 restated
Shareholders' equity attributable to the Group	3,704	3,270
Non-controlling interests		
SHAREHOLDERS' EQUITY	**3,704**	**3,270**
Non-current debt	1,255	993
Non-current provisions	278	272
Other non-current liabilities and taxes	156	144
NON-CURRENT LIABILITIES	**1,689**	**1,409**
Current debt	62	40
Current liabilities	2,189	2,552
Overdrafts and short-term bank borrowings	4	
Financial instruments – Hedging of debt	1	1
CURRENT LIABILITIES	**2,256**	**2,593**
Liabilities related to held-for-sale operations		
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**7,649**	**7,272**
NET DEBT (-)/NET SURPLUS CASH (+)	**(1,278)**	**(976)**

Condensed income statement

€ million	2018	2017 restated
SALES	**5,344**	**5,060**
Net depreciation and amortisation expense	(821)	(782)
Net charges to provisions and impairment losses	(34)	(13)
Other income and expenses	(4,058)	(3,945)
CURRENT OPERATING PROFIT	**431**	**320**
Other operating income and expenses	322	141
OPERATING PROFIT	**753**	**461**
Cost of net debt	(7)	(8)
Other financial income and expenses	(9)	(9)
Income tax charge	(243)	(189)
Share of net profits/losses of joint-ventures and associates		
NET PROFIT	**494**	**255**
Net profit attributable to non-controlling interests		
NET PROFIT ATTRIBUTABLE TO THE GROUP	**494**	**255**

KEY FIGURES
at 31 December 2018

–
Employees
8,029

–
Sales
€5,344m (+6%)

–
EBITDA
€1,268m (+16%)

–
EBITDA margin [a]
29.8% (+2.8 points)

–
Net profit attributable to the Group
€494m (+94%)

(a) EBITDA/sales from services.

HIGHLIGHTS

- Bouygues Telecom ranked No. 1 [a] for mobile voice, text and data service quality in rural zones and No. 2 [a] on average across France
- Announcement of a new Bbox range focused on superior customer service quality and the launch of the "Keep Connected" promise for fixed internet customers
- Strategic retail agreement between Bouygues Telecom and Fnac Darty
- Presentation in Bordeaux of the first 5G pilot site operating in real conditions
- Partnership between Bouygues Telecom, Axione and Mirova
- Bouygues Telecom Entreprises acquires 43.6% of the capital of Keyyo [b] and 100% of Nerim

(a) Source: 2018 survey by Arcep (the French telecoms regulator).
(b) Acquisition of a 43.6% stake in Keyyo on 18 January 2019 and a public tender offer by Bouygues Telecom with a view to holding 100% of Keyyo shares.

2.3.1 Profile

2.3.1.1 Growth strategy and opportunities

With the rapid growth in digital uses, Bouygues Telecom has positioned itself as a dependable operator thanks to the quality of its customer support and its mobile and fixed networks.

Bouygues Telecom is leveraging its key strengths – its 4G network, the excellent value for money of its mobile plans and the commitment of its teams – to roll out a four-pronged strategy.

Deliver the simplest possible customer experience across all channels

Bouygues Telecom has made a sharp customer focus and a simple, seamless experience the pillars of its strategy. This high-quality customer experience is the result of digitized services and a straightforward, efficient purchasing process, backed by the commitment of its 3,800 customer and sales advisers.

A company-wide plan was initiated in 2018 aimed at significantly boosting customer satisfaction by the end of 2020. More than 200 projects have been launched in order to make the user experience more seamless and more intuitive, and to satisfy customer expectations more quickly. In 2018, the loan of 4G mini-hubs or handsets were able to keep customers constantly connected and the customer service hotline expanded its opening hours.

Ensure reliable mobile and fixed services for customers via quality networks

Bouygues Telecom covers 99% of the French population with 4G thanks to around 21,000 mobile sites in order to keep pace with growing mobile internet use (over 28,000 sites planned by the end of 2023).

- In less dense areas, 93% of the shared network had been rolled out at the end of December 2018.
- In very dense areas, network capacity improvements continue with the addition of 2,000 new sites planned by 2022.

Bouygues Telecom also has a diverse range of available frequencies thanks to total investments of around €2 billion. Coupled with the technology underpinning its network infrastructure, this has enabled the operator to aggregate its frequency bands to offer even faster speeds and improved quality of service. In 2018, Bouygues Telecom optimized its network to refarm the 2100 MHz frequency band to 4G, as was previously done for the 700, 800, 1800 and 2600 MHz bands.

In the fixed business, Bouygues Telecom aims to bring the benefits of very-high-speed internet to as many people as possible by accelerating rollout of its fibre network, with 7.2 million premises marketed at the end of December 2018. The target is 12 million premises marketed by the end of 2019 and 20 million in 2022. In late 2018, Bouygues Telecom signed a partnership with the Axione/Mirova consortium to roll out 3.4 million premise in very dense areas. This will give Bouygues Telecom access to the entire very dense area by the end of 2021.

Boost regional development by helping reduce the digital divide

By sharing mobile infrastructure and rolling out fibre networks, Bouygues Telecom offers services to new customers across France, especially in less densely populated areas. It has forged closer relations with customers by developing local sales of its solutions, including a strategic agreement with Fnac Darty to market Bouygues Telecom fixed and mobile offers in the approximately 50 *Fnac Connect* stores to be opened, beginning in 2018. The operator also plans to open around ten new stores in 2019.

A complete range of fixed and mobile solutions for businesses

The business market is a key avenue of growth for Bouygues Telecom in both the mobile and fixed segments thanks to the high quality of its 4G network and ongoing roll-out of its fibre infrastructure. With a market share of over 20% in the mobile segment, the operator bolstered its position in the French B2B market in 2018. It aims to increase its market share by targeting:

- large and mid-size companies in the fixed segment;
- SMEs in both the fixed and mobile segments.

In line with this strategy, Bouygues Telecom has acquired 43.6% of Keyyo [a] and 100% of Nerim [b] in order to accelerate its expansion in the market serving micro-businesses, SMEs and intermediate-size businesses. Keyyo will contribute its complementary expertise in advanced digitization solutions as well as in innovative products and services, particularly in the fixed segment. Nerim will provide Bouygues Telecom with its technical expertise in the selling of data networks and website hosting for SMEs.

Bouygues Telecom subsidiary Objenious is also supporting the development of the Internet of Things (IoT) with its own network based on Long Range (LoRa) technology. This LoRa® [c] network covers 93% of the French population. The Objenious offer spans a secure network, a choice of sensors, as well as a processing platform and business-specific applications, enabling its customers to leverage the value of their data.

2.3.1.2 Strengths and assets

Committed employees

Bouygues Telecom sustains long-term growth momentum thanks to the performance and commitment of its employees. Strong employee commitment was confirmed by the latest satisfaction survey which showed that 95% of staff are prepared to give their best effort for the company. This strong employee engagement is a major asset that will help Bouygues Telecom drive continued growth and achieve its objectives.

(a) Acquisition of a 43.6% stake in Keyyo on 18 January 2019 and a public tender offer by Bouygues Telecom with a view to holding 100% of Keyyo shares.
(b) On 20 February 2019, Bouygues Telecom and Dzeta Partners signed an agreement for Bouygues Telecom to acquire 100% of the capital and voting rights of Nerim. The acquisition was completed on 13 March 2019.
(c) Associated with the LoraWAN™ protocol, the market standard, Lora® provides long-range connectivity and reduced energy consumption.

Excellent quality customer service

Bouygues Telecom provides its 20 million customers with daily support through an excellent customer relations service provided by its advisers that includes nearly 500 Bouygues Telecom stores, call centres, a website, social media and on-line assistants.

High-quality mobile and fixed offers at competitive prices

Leveraging the quality of its 4G network, Bouygues Telecom offers "B&You" SIM-only plans without a minimum term, available via the web, as well as "Sensation" premium plans, available in stores.

In the fixed segment, Bouygues Telecom offers the best value-for-money in the market on both ADSL and FTTH networks, and has recently innovated with its Keep Connected promise.

In the business segment, in addition to mobile and fixed offers, Bouygues Telecom markets an extensive range of security, digital and cloud products and services.

An excellent 4G network to underpin the explosion in mobile internet use

The high-quality nationwide coverage of the Bouygues Telecom 4G network gives the company a long-term competitive advantage, enabling it to stand out in an extremely competitive market. In October 2018, French telecoms regulator Arcep ranked Bouygues Telecom the leading mobile telecommunications operator for voice, text and data services in rural zones in France and number two on average for the entire country.

Thanks to more than 21,000 sites, Bouygues Telecom can offer its customers directly-owned coverage of 99% of the population in 2G, 3G and 4G.

In addition, thanks to its extensive range of available frequencies, Bouygues Telecom is positioned to accommodate the rise in mobile internet use by its customers.

2.3.1.3 Market position

In a French mobile market [a] that totalled 91 million SIM cards at end-2018, Bouygues Telecom was in third position with 16.4 million customers, behind Orange and SFR group, but ahead of Free Mobile and the MVNOs [b]. Bouygues Telecom had a 17.9% share of the mobile market at end-2018, 1.3 points higher than at end-2017.

In a French fixed broadband market [a] with 29.1 million customers at end-2018, Bouygues Telecom ranked fourth with 3.7 million customers, behind Orange, Iliad and the SFR group. Bouygues Telecom had 12.6% of the French fixed broadband market at end-2018, 0.5 points more than at end-2017, and an 11.3% share of the very-high-speed market at end-2017, up 1.8 points year-on-year.

Bouygues Telecom only operates in mainland France.

2.3.2 Business activity in 2018

Bouygues Telecom successfully continued its strategy in the mobile and fixed segments in 2018, resulting in very good commercial performance and enabling it to achieve objectives set.

2.3.2.1 Business review

The French mobile [a] and fixed broadband market [a]

The French telecommunications market has experienced sweeping change for a number of years, impacted by several underlying trends:

- strong competitive pressure in both the mobile and fixed segments, in particular in the mobile segment with a surge in promotional offers during the first three quarters of the year, especially SIM only/Web only offers;
- growing appeal of very-high-speed fixed and mobile services as customers increasingly consume video and content on demand at home and on the move.

In the fourth quarter of 2018 the French mobile phone market totalled 73 million SIM cards, excluding machine-to-machine SIM cards. The market continued to expand, increasing by 1.4% versus the fourth quarter of 2017, thanks to a 3.4% increase in the number of plan customers. The prepaid market contracted by a further 12.1% versus Q4 2017.

Mobile Virtual Network Operators (MVNOs) accounted for 8.7% of the total mainland France subscriber base (including MtoM [b], which was down 0.3 points versus end-2017.

The number of fixed broadband and very-high-speed subscribers reached 29.1 million in the fourth quarter of 2018 in the French fixed market, representing net growth of 672,000 subscribers year-on-year (up 2.4% [c]), driven by the sharp increase in very-high-speed subscribers, which rose by 28.3% [c].

Bouygues Telecom's commercial results in the mobile market

Mobile services

Bouygues Telecom renewed its mobile range in 2018 to better meet the needs of its customers. Customers with "Sensation" plans are called back by a customer relations adviser within 15 minutes or at a time of their choice, and

(a) Most recent data published by Arcep (the French telecoms regulator). Scope: "Mainland France" for the mobile market. "Mainland France and French overseas departments" for fixed broadband (including very-high-speed). Very-high-speed subscriptions are those with a peak download speed of 30 Mbit/s or more, according to the definition by Arcep.

(b) Machine-to-Machine.

(c) Publication of data by Arcep for Q4 2018, released on 28 February 2019 with update of 2017 historical data.

can make appointments in a store. "Sensation" plans are now available with or without the "Avantage Smartphone" option, which enables subscribers to purchase or upgrade their phone at special discounts and also take advantage of extras such as unlimited Internet use on weekends, access to newspapers and magazines via the LeKiosk digital newsstand, L'Equipe sports services and Studio +.

B&You SIM-only/no minimum term plans are now available exclusively via the Web.

4G network roll-out

Bouygues Telecom has positioned itself as the operator of choice for people who want to take full advantage of digital technologies, anytime, wherever they are. To this end, it is continuing to expand its 4G network throughout France. Bouygues Telecom's 4G network covered 99% of the French population at the end of 2018.

Bouygues Telecom is already actively preparing for the arrival of 5G with numerous trials in progress in French cities, including Lyon and Bordeaux.

Commercial performance

MOBILE CUSTOMERS

Bouygues Telecom's mobile customer base grew by 1.963 million customers year-on-year to 16.4 million customers [a] at end-December 2018. Bouygues Telecom gained 573,000 more mobile plan customers excluding MtoM in the full-year 2018, totalling 10.9 million customers at end-2018.

4G PROVES A SUCCESS

Since the launch of 4G, Bouygues Telecom's customers have developed new mobile internet consumption patterns. At end-2018, Bouygues Telecom had 8.8 million active 4G customers, representing 81% of its mobile customer base, excluding MtoM, and therefore 900,000 more 4G customers year-on-year.

Bouygues Telecom's commercial results in the fixed broadband market

Fixed broadband offers

Three new fixed offers have been introduced by Bouygues Telecom, each of which is targeted at specific consumer needs:

- 2P with the Bbox Fit;
- a full internet + TV + telephone offer at an attractive price with the Bbox Must and;
- optimum internet access coupled with the power of fibre and 4K TV with the Bbox Ultym.

In addition, the operator has introduced a "Keep Connected" promise to all its fixed internet offers thanks to top-up credit added to their mobile plan or the loan of a 4G dongle until their Bbox is activated or in the event of a connection outage.

Bouygues Telecom continued to offer internet access using its 4G Box for people across France in areas as an alternative to slow ADSL speeds.

Bouygues Telecom also offers competitive fibre services for both retail customers and businesses.

Ramping up network roll-out

Bouygues Telecom stepped up the roll-out of its directly-owned fixed infrastructure – ADSL and FTTH – in order to provide services to as many households as possible at highly competitive prices and increase its share of the broadband and very-high-speed market.

Bouygues Telecom's directly-owned ADSL network covered over 17 million households at end-December 2018 via more than 2,000 central offices.

In the very-high-speed market, Bouygues Telecom continued to roll out its directly-owned FTTH network, and signed joint investment and partnership agreements, including Public Initiative Network (PIN) agreements, increasing the number of premises secured to over 30 million at end-December 2018. At year-end 2018, 7.2 million premises had been marketed, representing growth of 3.2 million premises for the year.

In late 2018 Bouygues Telecom signed a partnership with Cityfast (an Axione/Mirova consortium) to roll out and operate 3.4 million premises in very dense areas. This will give Bouygues Telecom access to all very dense areas in France by the end of 2021, half through joint investments with SFR and Orange, and half through the agreement with Cityfast (an annual fixed operating expenditure cost, regardless of the number of customers).

In 2013, Bouygues Telecom began to include VDSL2 in its fixed broadband offers at no extra cost, delivering theoretical download speeds of up to 100 Mbit/s. VDSL2 enables Bouygues Telecom to further expand its very-high-speed coverage in France.

Commercial performance

For the past three years, Bouygues Telecom has consistently performed well in the fixed broadband market, posting a market share of 12.6% at end-2018. Bouygues Telecom accounted for 34.9% of total net growth in the French fixed broadband market in 2018, attracting 235,000 new customers.

Bouygues Telecom had 3.7 million fixed broadband customers at end-December 2018, including over one million very-high-speed customers, representing 27% of its base. This growth was driven by FTTH, which accounted for 303,000 new customers during the year. FTTH thus represented 129% of net growth in fixed subscriptions in the fourth quarter. At end-2018 Bouygues Telecom had 569,000 FTTH customers.

Development of new growth opportunities

Business and corporate services

Bouygues Telecom Entreprises ranks third in the corporate services market (SMEs and major accounts) with a portfolio of three million customers, including over 50,000 SMEs and a third of the companies listed on the CAC 40. Over the past five years Bouygues Telecom Entreprises has gained market share in both the mobile and fixed segments. In 2018 the mobile business customer base increased by 9% and the fixed customer base grew by 13%.

To accelerate growth in its fixed and mobile market shares with SMEs, Bouygues Telecom acquired 43.6% of Keyyo on 18 January 2019 and then launched a public tender offer for all remaining shares. It also announced on 21 February 2019 an agreement relating to the acquisition of 100% of Nerim [b]. It will also be able to leverage the FTTO (Fibre To The Office) infrastructure rolled out in very dense areas.

(a) The number of Bouygues Telecom's customers is always disclosed at the end of the period and net of cancellations, in mobile and fixed.
(b) The acquisition was completed on 13 March 2019.

Furthermore, Bouygues Telecom also aims to increase its fixed market share with large companies by:

- leveraging its mobile market share with large companies and intermediate-size businesses [a],
- and by developing a large range of innovative solutions in mobile, fixed, internet and the related services (security/digital/cloud) via partnerships.

Internet of things

As announced, Bouygues Telecom rolled out a LoRa low-power wide-area technology network that covered almost all of France at end-2018. Its subsidiary Objenious markets a catalogue of products and services aimed at businesses for a variety of uses such as the geolocation of objects, predictive maintenance and energy monitoring.

2.3.2.2 Financial results

Bouygues Telecom posted strong growth in results in 2018.

Bouygues Telecom reported sales of €5,344 million in 2018, 6% higher than the previous year. Sales from services increased 5% to €4,256 million and sales billed to customers increased 4% to €4,057 million. This increase was driven by growth in the mobile and fixed customer base and the positive impact of the launch of new ranges of mobile and fixed offers during the second quarter of 2018. Mobile sales from network increased 3% and fixed sales from network rose 9%.

In the fourth quarter of 2018, mobile ABPU [b] came to €19.2 per month and per customer and fixed ABPU was €25.9 per month and per customer.

EBITDA stood at €1,268 million, a year-on-year increase of €171 million, resulting from better-than-expected growth in sales from services and a continued efficient cost structure. The EBITDA/sales from services margin reached 29.8% in 2018, up 2.8 points year-on-year.

Operating profit stood at €753 million, representing a year-on-year rise of €292 million. This mainly includes €250 million of non-current income related to the capital gain from the sale of mobile sites and FTTH infrastructure and €110 million of non-current income related to cancellation of fees paid for the use of 1800 MHz frequencies prior to 2018, as well as €47 million in non-current charges related to network sharing.

Net profit totalled €494 million, a significant increase of €239 million.

Gross capital expenditure amounted to €1.2 billion in 2018, as expected.

Free cash flow [c] was €188 million, an increase of €131 million versus 2017.

Total net debt stood at €1,278 million at end-2018, versus €976 million at end-2017.

2.3.3 Outlook

Bouygues Telecom confirms its free cash flow [c] target of €300 million for 2019.

(a) Nearly a third of CAC 40 companies and intermediate-size businesses are clients of Bouygues Telecom Entreprises.
(b) Average Billing Per User (See the Glossary section of this document).
(c) Free cash flow = cash flow minus cost of net debt minus income tax expense minus net capital expenditure. It is calculated before the change in WCR.

2.4 BOUYGUES SA

As the parent company of a diversified group, Bouygues SA focuses mainly on the coordination and development of the Group and its business segments. In particular, it is the place where decisions are taken that determine the allocation of the Group's financial resources.

KEY FIGURES
at 31 December 2018

–
Employees
175

–
Sales
€73m

–
Operating loss
€30m

–
Net profit
€886m

2.4.1 Internal control – Risk management – Compliance

Bouygues has made risk management one of the cornerstones of its corporate culture.

Bouygues SA, the Group's parent company, regards internal control, risk management and compliance as being among its core missions. On its initiative, many actions have been taken in each of the five business segments over a number of years. These actions are organised around three strands:

- an Internal Control Reference Manual,
- self-assessment of the implementation of the core principles of this reference manual, and
- a mapping of the major risks.

Following on from the Group's Code of Ethics, compliance is one of the key factors the Group takes into account in the conduct of its business. In close cooperation with its business segments, in 2014 Bouygues SA produced four compliance programmes relating to Competition, Anti-corruption, Financial Information and Securities Trading, and Conflicts of Interest. In September 2017, these programmes were updated and a fifth compliance programme relating to Embargoes and Export Restrictions was produced.

These programmes, approved by the Board of Directors, have been widely disseminated within the Group, under the impetus of the Ethics, CSR and Patronage Committee and the Board of Directors.

2.4.2 Management

Bouygues SA pays particular attention to management of the Group, taking steps to encourage dialogue and exchanges of experience between support structures and business segments, motivate staff and uphold a shared commitment to the Group's values. This synergy is especially visible in the initiatives taken within the field of innovation (see section 1.1.4 of this Registration Document) or in relation to CSR (see Chapter 3).

2.4.3 Employee share ownership

Bouygues has long been convinced that it is important to give employees a stake in the Group because they play a key role in its success. As a result, in 2018 Bouygues' Board of Directors approved a new capital increase reserved for employees. The leveraged operation, called Bouygues Confiance n°10, was completed successfully on 27 December 2018 with 21,143 employees, representing 30.69% of those eligible, subscribing. Details of the operation are given in the Board of Directors' supplementary report and in the Auditors' supplementary report in Chapter 6, section 6.2.2, of this document.

This once again demonstrates the Group's proactive approach to employee share ownership, which is a core component of its culture and values.

At 31 December 2018, Group employees owned 18.96% of the share capital of Bouygues and held 25.83% of its voting rights, through a number of dedicated mutual funds.

Since 1995, two representatives of employee shareholders have had seats on Bouygues' Board of Directors.

2.4.4 The shareholding in Alstom

Following the announcement of the merger deal between Alstom and Siemens Mobility, Bouygues SA undertook to retain its Alstom shares until the earlier of (i) Alstom's Extraordinary General Meeting called to approve the deal or (ii) 31 July 2018, as well as to vote in favour of it on Alstom's Board of Directors and at Alstom's Extraordinary General Meeting. Bouygues fully complied with these undertakings.

At 31 December 2018, Bouygues SA held 62,086,226 Alstom shares, equating to 27.8% of Alstom's share capital. On 6 February 2019, the European Commission vetoed the merger plans of Alstom and Siemens Mobility.

Further information is given in sections 2.5 and 6.1.3.2 of this document.

2.4.5 Services rendered to the business segments

In addition to its role as parent company of the Group, Bouygues SA provides a range of general and expert services to the Group's business segments in areas such as finance, communication, sustainable development, patronage, new technologies, insurance, legal affairs and human resources. For that purpose, Bouygues SA and the main Group business segments renew annual agreements under which each of the latter can call on general and expert services as necessary.

The amounts invoiced for such services in 2018 are shown in section 2.4.6 "Financial flows" below and in the Auditors' report on regulated agreements in Chapter 8, section 8.3.1, of this document.

2.4.6 Financial flows

FY 2017 dividends

In 2018, Bouygues SA received dividends for FY 2017 totalling €806 million from its business segments as follows:

• Bouygues Construction	€319m
• Bouygues Immobilier	€125m
• Colas	€259m
• TF1	€32m
• Bouygues Telecom	€45m
• Other	€26m

Service agreement costs

In 2018, Bouygues SA invoiced its business segments the following amounts under service agreements:

• Bouygues Construction	€16.5m
• Bouygues Immobilier	€3.4m
• Colas	€18.8m
• TF1	€3.5m
• Bouygues Telecom	€8.6m

Trademark licence agreements

• Bouygues Construction	€500,000
• Bouygues Immobilier	€250,000
• Bouygues Telecom	€700,000

Flows of funds between the business segments

There are no significant flows of funds between the Group's business segments. Cash management is centralised within financial subsidiaries wholly owned by Bouygues SA. This arrangement ensures optimum management of financial expenses, since the surplus cash generated by certain subsidiaries can be used in addition to or in place of confirmed lines of credit granted by credit institutions to others. When investing surplus cash, Bouygues has always avoided speculative instruments such as securitisation vehicles and high-yield mutual funds.

2.4.7 R&D – Human resources

See Chapters 1 The Group and 3 Statement on Extra-Financial Performance (SEFP) of this document.

2.4.8 Other activities

2.4.8.1 Bouygues Europe

Since April 2012 Bouygues Europe, a wholly-owned Belgian subsidiary of Bouygues SA, has represented the Group's interests within European institutions. Bouygues Europe works for both Bouygues SA and its subsidiaries, advising them and representing them in the European institutions as well as monitoring legislation and regulation on issues of key importance to Group companies. In order to guide its action, Bouygues Europe has set up an advisory committee comprising a representative from Bouygues SA and from each of the Group's five main business segments.

2.4.8.2 Bouygues Asia

Bouygues Asia KK, a wholly-owned subsidiary of Bouygues SA set up in Tokyo in December 2014, is tasked with keeping abreast of technological advances, organising field trips and identifying partners that could collaborate with either Bouygues SA or its business segments. Bouygues Asia's activity is consistent with the Bouygues group's aims of:

- identifying new trends;
- promoting innovation within the Group;
- supporting Group companies by creating and growing partnerships in Asia.

The activities of Bouygues Asia cover a very wide geographical area that includes Japan, South Korea, China and Taiwan. Bouygues Asia also offers its assistance and services to customers outside the Group, in particular French SMEs wishing to set up or develop further in Asia.

2.4.8.3 Bouygues Développement

Bouygues fully owns the Open Innovation company Bouygues Développement. Serving all the Group's business segments, the company's main tasks are to:

- benchmark innovative start-ups working in fields identified by the business segments;
- set up investor pools;
- provide recommendations and advice on investment opportunities;
- coordinate networks of financial partners;
- support the management of equity interests (governance, entrepreneur coaching, etc.).

2.5 ALSTOM, THE PARTNER FOR MOBILITY SOLUTIONS

As a promoter of sustainable mobility, Alstom develops and markets systems, equipment and services for the transport sector. It offers a complete range of solutions from high-speed trains to metros, trams and e-buses, customised services (maintenance, modernisation, etc.) and passenger solutions as well as infrastructure, signalling and digital mobility solutions. Alstom is a world leader in integrated railway systems.

FIGURES FOR FY 2017/18 [a]

(from 1 April 2017 to 31 March 2018)

–
Employees [b]

34,500

–
Sales

€7,346m

–
Adjusted operating margin [c]

5.4%

–
Net profit attributable to the Group

€365m

–
Order intake

€7,183m

Based in France, Alstom operates in over 60 countries and has 34,500 employees. At 31 December 2018, Bouygues held 27.8% of the capital and 29.5% of the voting rights in Alstom (see also sections 2.4.4 and 6.1.3.2 of this document).

2.5.1 Profile

2.5.1.1 Context

The railway market is growing steadily, driven by increasing urbanisation. The accessible annual global railway market for the period 2018–2020 is worth an estimated €110 billion. This figure is expected to rise to an annual average of €120 billion over the 2021–2023 period, representing an annual average growth rate of 2.6% [d].

Operating in over 60 countries around the world, offering a comprehensive range of solutions and constantly innovating, Alstom enjoys a leading position in trains, systems, services and signalling.

2.5.1.2 The partner for mobility solutions

Alstom's business is based on four activities: rolling stock, systems, signalling and services.

Rolling stock

Alstom's range of mobility solutions spans the entire market, from very high-speed trains to urban transport.

From Citadis™ trams, Citadis Dualis™ tram-trains and Metropolis™ metros to Aptis™ e-buses and X'Trapolis™ suburban trains, Alstom works daily to meet the mobility challenge.

Alstom champions regional mobility with its Coradia™ range, including the latest addition, Coradia Stream™, specially designed to adapt to the needs of intercity and regional transport, and its Prima™ passenger locomotives. It is redrawing the very high-speed train map with its Avelia™ range comprising Avelia™ Pendolino™, Avelia™ Euroduplex™, Avelia™ AGV™, Avelia Liberty™ and Avelia Horizon™, the latest addition. Alstom also supports the freight market with its Prima™ locomotives.

The Coradia iLint™ regional train, the first hydrogen-powered passenger train, offers operators a real alternative to diesel on non-electrified railway lines.

(a) Restated for IFRS 9 and IFRS 15.
(b) At 31 March 2018.
(c) Operating profit adjusted for the following items: net restructuring and rationalisation costs; impairment of intangible assets and property, plant and equipment; gains, losses or remeasurements arising on divestment of securities or change of control; any non-recurring item such as costs incurred or writedowns of remeasured assets in connection with a business combination; and costs associated with legal proceedings outside the ordinary course of business.
(d) Source: Union des Industries Ferroviaires Européennes/European Rail Industry Association – 2018.

Systems

Alstom brings together all its cross-cutting know-how as a rail manufacturer to manage urban rail systems in their entirety (trains, signalling, infrastructure and services).

Infrastructure

Alstom offers a comprehensive range of sustainable solutions for tracklaying, electrification and the supply of electromechanical equipment.

Alstom designs and installs innovative solutions for automated tracklaying with Appitrack™, for improving energy efficiency with Hesop™ (a reversible power-supply substation), and for non-catenary power supply with solutions such as APS™ (ground-level power supply) and SRS (its latest ground-based static charging system).

Integrated systems

Alstom, the leading provider of integrated urban systems, offers its customers full-service solutions, whether on the urban transport or mainline market.

Signalling

Alstom provides infrastructure operators and managers with the means to carry passengers and goods safely and seamlessly, thus optimising the efficiency of urban or mainline networks. Alstom also develops passenger safety solutions and network management control centres.

Alstom works hand-in-hand with its customers, whether public or private rail operators, fleet administrators or maintenance specialists, by offering a range of customised services (maintenance, modernisation, parts and repairs, support services) for their trains, infrastructure and rail control systems. Alstom provides services for all types of fleet, whether built by Alstom or not.

2.5.1.3 Strategy

Alstom's 2020 strategy is based on the following pillars:

- **customer-focused organisation:** present in 60 countries, Alstom has adapted its organisation to strengthen its international coverage and better respond to the needs of customers on a local level. The company is organised into empowered regions, each with its own supply chain to answer local needs using local resources and strengths. They form a worldwide network of local industrial facilities and strategic partnerships.
- **complete range of solutions.** Drawing on its expertise in all areas of rail transport, Alstom offers the widest range of solutions in the industry, combining its skills to offer customers more than just products. Its solutions range from parts and rolling stock, signalling and services to fully integrated systems, ensuring optimised costs, faster delivery times and an optimal level of performance for all equipment. Alstom is the world leader in integrated systems. By 2020, signalling, systems and services are expected to contribute 60% of its sales.
- **value creation through innovation.** Alstom sees innovation as a source of competitiveness and differentiation as well as a catalyst for winning new contracts. Its main programmes include a complete renewal of mainline and urban train ranges as well as the latest innovations in systems, signalling and services. Alstom intends to take full advantage of digital technology in areas such as predictive maintenance.
- **operational and environmental excellence.** When carrying out contracts, Alstom seeks to achieve the highest standards in terms of quality, cost and lead times. This operational excellence goes hand in hand with a commitment to environmental performance in response to high market expectations with regard to products (energy efficiency), manufacturing processes (eco-design, green materials) and lifecycle management (recycling). By making its products and services more competitive and ensuring excellence in project management, Alstom seeks to reduce costs in order to offset lower prices worldwide and help to improve margins. The company expects to save an estimated €250 million a year on sourcing costs through a focus on volume, design-to-cost and worldwide sourcing. Alstom will continue to increase its manufacturing and engineering footprint around the world while adapting it to the workload in Europe. A specific "Cash Focus" programme has also been introduced, with a strong emphasis on managing the working capital requirement. As far as environmental excellence is concerned, the aim is to reduce energy consumption in terms of kWh per hours worked by 20% for solutions and by 10% for operations by 2020 versus 2014.
- **diverse and entrepreneurial people.** In the belief that differentiation is a source of performance, and in order to reflect its passenger base, Alstom encourages all types of diversity within its teams in areas such as gender and multiculturalism. This internal cohesion is rooted in very strong values – team spirit, trust and initiative – and ethical rules. Alstom's development is also underpinned by an entrepreneurial mindset that promotes customer satisfaction, responsibility and responsiveness. The company intends to significantly increase diversity, for example by setting a target of having 25% of managerial positions filled by women by 2020.

2.5.2 Business activity

2.5.2.1 Commercial activity

FY 2017/18 results [a]

Alstom took orders worth €7.2 billion between 1 April 2017 and 31 March 2018. Sales over the same period amounted to €7.3 billion. Adjusted operating profit came to €397 million, giving a margin of 5.4%. Net profit attributable to the Group amounted to €365 million. Alstom's balance sheet is very strong. Free cash flow in FY 2017/18 was €128 million. Net debt remained broadly stable at €255 million at 31 March 2018 and shareholders' equity at 31 March 2018 stood at €3.5 billion.

H1 2018/19 results

Alstom booked orders worth €7.1 billion between 1 April 2018 and 30 September 2018, taking the backlog to a new record level of €38.1 billion. Sales were €4.0 billion. The book-to-bill was high, at 1.8. Adjusted operating profit amounted to €285 million, giving a margin of 7.1%. Net profit attributable to the Group was exceptionally high at €563 million. Free cash flow in the first half of FY 2018/19 was €172 million.

9-month 2018/19 results

Order intake in the first nine months of 2018/19 (from 1 April to 31 December 2018) amounted to €10.5 billion. Group sales amounted to €6 billion, an increase of 16% (up 18% like-for-like and at constant exchange rates), versus the first nine months of 2017/18.

The backlog of €39.7 billion at 31 December 2018 provides good visibility on future sales generation.

Acquisitions – Partnerships – Investments

Since end-2017, Alstom and Siemens Mobility had been working on a plan to merge their activities in order to create a European champion in transportation. The European Commission vetoed the plan on 6 February 2019 despite the remedies proposed by the two firms.

With a robust financial structure and a record backlog of €40 billion [b], representing five years of sales, Alstom will now focus on pursuing growth in an upbeat market.

Bouygues is confident in the future of Alstom and its capacity to pursue its development.

2.5.2.2 Highlights of the first nine months of FY 2018/19

- Inauguration in Nice of the first new-generation Citadis tram with innovative charging technology.
- Order for 100 Avelia Horizon™ new-generation very high-speed trains to operate in France.
- Alstom included in the Dow Jones Sustainability Indices (DJSI) for the eighth consecutive year.
- Alstom iLint hydrogen-powered trains enter passenger service in Lower Saxony.
- Launch of StationOne, the first online marketplace dedicated to the railway sector.
- Alstom, IGE+XAO and Safran create a Centre of Excellence dedicated to rail electrical systems in Toulouse.
- Alstom starts shipping Coradia Polyvalent regional trains to Senegal.
- Alstom's Gibela joint-venture opens Africa's largest train manufacturing facility in Dunnottar, South Africa.
- Alstom delivers the first Dubai metro trainset on time.

2.5.3 Outlook

The outlook for Alstom is given like-for-like and at constant exchange rates. Projections are made in compliance with IFRS 15, now the standard for recognising sales.

Sales in FY 2018/19 are expected to attain around €8 billion, with an adjusted operating margin of around 7%.

In the medium term, Alstom expects to continue to outpace market growth and gradually improve its profitability and free cash flow, though some short-term volatility is possible.

(a) Restated for IFRS 9 and IFRS 15.
(b) At 31 December 2018.