



30 August 2011

**Board of Directors' Report
on the resolutions submitted to
the Extraordinary General Meeting
of 10 October 2011**

Ladies and Gentlemen,

In accordance with law and the company by-laws, the Extraordinary General Meeting of Bouygues SA has been convened to submit for your approval a share repurchase tender offer that would reduce the share capital of your company if successful.

Following the recent massive fall in Bouygues' share price amid heavy trading volumes, the Board believes that the shares are currently undervalued relative to the value of your company's assets, since Bouygues' market capitalisation is now lower than the company's book value. In addition, your company boasts a sound financial structure and substantial liquidity, with available cash of €2.8 billion and undrawn credit lines of €5.2 billion. Moreover, the Group halved its net debt between 2008 and 2010, down by €2.4 billion during the period.

Accordingly, a good way to use the surplus cash would be for Bouygues to repurchase its own shares through a public tender offer with a view to cancelling them. The Board is therefore proposing, as provided for under Articles L. 225-204 and L. 225-207 of the French Commercial Code, that you authorise the share capital to be reduced following a public tender offer by the company to repurchase shares with a view to cancelling them.

A liquidity opportunity will thus be proposed to shareholders who wish to sell their shares, offering them a premium to the share price. If successful, the offer will have an accretive impact on earnings per share from 2011.

In contrast with our rolling share buyback programme, this offer is not limited to 10% of the company's capital, nor does it require all the shares to be acquired.

The arrangements are as follows:

The repurchase price will be set at €30 per share. The total maximum amount will be €1.25 billion, covering a maximum of 41,666,666 shares.

The repurchase price of €30 per share offers Bouygues shareholders a premium of

- 34% on the last spot price
- 24% on the one-month average price.

The offer would be financed using the company's available cash and undrawn credit lines.

In accordance with Articles 261-1-I and 262-1 of the AMF General Regulation, Ricol Lasteyrie has been appointed as the independent appraiser to determine whether the terms and conditions of the offer are equitable. The Board has also appointed Rothschild et Cie as the presenting bank.

In accordance with Article 231-19 of the AMF General Regulation, the Board, having taken note of the work and analysis of the presenting bank and the report of the independent appraiser, must issue a reasoned opinion concerning the benefits of the offer and its effects on the company, shareholders and employees. This opinion must be disclosed in a press release. The statutory auditors are also required to prepare a report in which they give their assessment of the proposed transaction.

Following the aforementioned Board meeting, the proposed offer will be submitted to the AMF by the presenting bank, which will act on the company's behalf and guarantee the irrevocable nature of the offer. The AMF will then issue a statement of compliance, thereby approving the offer document.

Before it can be carried out, the offer must be approved by the Extraordinary General Meeting of your company. If approval is granted, on the day following the meeting, the offer will run for 20 days beginning on the date of publication of the purchase notice in the *Balo* (legal gazette) – Articles R. 225-153 and R. 225-154 of the Commercial Code.

The company's creditors are entitled to challenge the capital reduction for a period of 20 days following the filing of the minutes of the Extraordinary General Meeting with the clerk's office of the commercial court – Articles L. 225-205 and R. 225-152 of the Commercial Code.

If the number of shares tendered exceeds the maximum number of shares the company is proposing to acquire, offers made by tendering shareholders will be reduced in proportion to the number of shares for which they prove ownership – Article R. 225-155 of the Commercial Code.

The company must cancel all shares bought under the share repurchase tender offer: once the offer ends, the shares will be cancelled and the capital reduced accordingly.

Note that the tender offer does not affect the buyback programme or share cancellations authorised under the ninth and tenth resolutions, respectively, of the Combined Annual General Meeting of 21 April 2011.

Detailed information on the offer will be given in the offer document filed with the AMF.

To enable this offer to be carried out, you are asked, in the first resolution:

- to authorise the Board of Directors to have the company buy back no more than 41,666,666 of its shares in order to cancel them, thereby reducing the share capital by a maximum nominal amount of €41,666,666;
- to authorise the Board of Directors, for that purpose, to make an offer to all shareholders to purchase a maximum of 41,666,666 of the company's shares as part of a share repurchase tender offer made in accordance with legal and regulatory requirements;
- to set a repurchase price of €30 for each share;
- to resolve that the repurchased shares will be cancelled on the day of repurchase, along with all the rights attached to them, including the right to profits for the current year.

You are further asked to grant the Board of Directors full powers, with the power to sub-delegate under and in accordance with applicable law and regulations, to carry out the capital reduction.

The purpose of the second resolution is to allow all legal or administrative formalities to be carried out and all filings and publications to be made under and in accordance with applicable law.

Please cast your vote on the proposed resolutions.

The next Board of Directors meeting will issue a reasoned opinion on the offer.

The Board of Directors