# 2008
# Annual Report

Combined Annual and Extraordinary
Shareholders' Meeting, April 15, 2009

COLAS

*The road forward*

## Board of Directors on April 15, 2009 (1)

**Hervé Le Bouc,**
Chairman and Chief Executive Officer

**Christian Balmes,**
Director

**François Bertière,**
Director

**Olivier Bouygues,**
Director

**Thierry Genestar,**
Director

**Jean-François Guillemin,**
Director

**Patrick Le Lay,**
Director

**Philippe Marien,**
Permanent Representative of Bouygues

**Thierry Montouché,**
Director

## Auditors (1)

**KPMG SA,**
Statutory Auditor

**Mazars,**
Statutory Auditor

**Hubert Luneau,**
Substitute

**Thierry Colin,**
Substitute

(1) If approved by the Annual General Shareholders' Meeting on April 15, 2009.

# Report of the Board of Directors

## to the Combined Annual and Extraordinary Shareholders' Meeting, April 15, 2009

*Dear Shareholders,*

*We have called this combined Annual and Extraordinary Shareholders' Meeting to deal with the following business in compliance with French law and our Group's articles of incorporation:*

*• in the "Ordinary Business" section, we will report on the management of the Group during the past year, present our current situation and business trends, submit the 2008 financial statements and the appropriation of earnings for your approval, invite you to renew the terms of six Members of the Board, to appoint a new Member of the Board, renew the terms of a Statutory Auditor and a Substitute Auditor, and renew your authorization given to the Board to allow the Group to buy back its shares;*

*• in the "Extraordinary Business" section, we will invite you to:*

*– approve the modification of the Group's articles of incorporation to comply with French law no. 2005-842 dated July 26, 2005, decree no. 2006-1566 dated December 11, 2006 and French law no. 2008-776 dated August 4, 2008,*

*– renew your authorization granting powers to the Board of Directors allowing them to:*

*– reduce share capital through the retirement of Colas shares owned by the Company,*

*– increase share capital for the benefit of Company employees as provided for in articles L. 225-138 of the French Code of Commerce and L. 3332-18 and following of French labor law,*

*– increase share capital, by issuing shares and or securities, with or without preferential subscription rights, that give access to the Company's capital, give a general claim on its assets, or by incorporating bonuses, reserves, benefits or other,*

*– increase the number of shares to be issued in the event of an increase of share capital with or without preferential subscription rights for Shareholders.*

## Ordinary Business

### Business in 2008

In 2008, all of Colas' businesses in the field of infrastructure construction and maintenance again enjoyed buoyant markets, where needs remained high in terms of infrastructure upgrading and maintenance. Nonetheless, 2008 was marked by two very distinct periods. Up to the summer, business rose sharply, spurred by work-on-hand that was once more on the increase, even if this was also linked to rising raw material prices. As of August, growth in revenue and in work-on-hand began to slow with local French authorities advocating a post-electoral wait-and-see investment policy, the completion of a series of major international projects and the impact of the global economic and financial crisis.

In spite of a deteriorating global economic backdrop, Colas performed well in 2008, and its figures are in line with the previous years. Revenue is on the rise and growth is strong (new countries, major projects, reinforced materials and bitumen sectors). Results improved for the Group's 1,400 business units that operate in over 40 countries worldwide.

As of December 31, 2008 the Colas Group's consolidated revenue totaled 12.8 billion euros, a 9.6% increase compared to 2007. With unchanged structures and comparable exchange rates, revenue was up 7.6%.

Sales in France (including French overseas departments) rose to 7.3 billion euros, i.e., 57.3% of total revenue. Outside of France, revenue amounted to 5.5 billion euros, i.e., 42.7% of total revenue. When combined, Europe (including France) with 9.7 billion euros and North America with 2.1 billion euros account for 92.8% of total Group revenue.

After depreciation/amortization of 466 million euros, against 412 million euros in 2007, and additional provisions totaling 153 million euros, against 150 million euros in 2007, the Group share of consolidated net profit rose 3.4%, to 490 million euros, compared to 474 million euros in 2007. Earnings per share were posted at 15.06 euros at the end of 2008, compared to 14.56 euros at the end of 2007. Consolidated net profit amounted to 495 million euros, against 481 million euros in 2007.

Cash flow from operations at 1.18 billion euros increased by 85 million euros compared to 2007. After deduction of asset sales, the net total of investments rose to 658 million euros, compared to 965 million euros invested in 2007. Net investment in current and non-current assets (construction equipment, industrial plants) amounted to 519 million euros, against 612 million euros in 2007. Net investment for external growth (financial investments and assets) was posted at 139 million euros, compared to 353 million euros in 2007 that included the acquisition of Spie Rail. Free cash flow (cash flow from operations less net financial debt, taxes and net investment) totaled 426 million euros.

As of December 31, 2008, shareholders' equity prior to dividend distribution totaled 2,177 million euros, compared to 2,005 million euros at the end of 2007. The Group's net cash position amounted to –6 million euros, compared to +347 million euros at the end of December 2007. The drop can be attributed to:
– an ongoing high-level investment program, although the pace slowed to a minimum during the fourth quarter 2008;
– a rise in the 2007 dividend paid out in 2008;
– an increase in working capital requirements appraised at 254 million euros.

## Mainland France

Consolidated revenue in mainland France rose to 6.8 billion euros, a 4.9% increase compared to 2007. With an unchanged scope of activity, business was up 2.1%.

The Group's activities include:

● **Roads** (75% of total revenue in mainland France):

This highly-diverse sector covers some 57,000 projects involving the construction and maintenance of transport infrastructures – highways, national road networks, city streets, airports, seaports, platforms for railways and reserved-lane public transports, industrial and commercial platforms, roads and main networks for real estate projects including individual homes and apartment buildings, urban development (pedestrian zones, city squares), recreational amenities (sports facilities, automobile circuits, bike paths) and environmental protection (retention ponds, landscaping, windpower parks). This activity also includes small scale civil engineering and drainage works often linked to road construction and maintenance projects. The Group is also backed by an upstream industrial network that produces aggregates and materials, mainly designed for road works (asphalt mix, binders, emulsion, ready-mix concrete). These products are used in Group projects or are sold to third parties.

In France, Colas operates in the road sector via a network of sixteen regional subsidiaries located throughout the country.

● **Road-related activities** (25% of total revenue in mainland France):

• The **Building sector** comprises conventional construction business (mainly office space) for projects located exclusively in the Greater Paris area, along with demolition-deconstruction both in and around Paris, and throughout France, often coupled with material recycling activities.

• The **Road safety and signaling sector** includes the manufacture, installation and maintenance of safety equipment (guardrails, traffic directing systems), road marking (production and application of road paints), lights and traffic/access management systems (traffic light maintenance, equipment for toll booths, parking lots, access). Aximum (Somaro's new name as of January 1, 2009) and its subsidiaries operate in these lines of business.

• The **Pipes and mains sector** encompasses the installation and maintenance of large-diameter and small-diameter pipes for the transport of fluids (oil, gas, water), including the construction of compressor stations, along with dry networks (electricity, heating, telecommunications), small-scale civil engineering projects and industrial services. Spac and its subsidiaries operate in these lines of business.

• The **Waterproofing sector** includes:
– the production and sales of waterproofing membranes in France and abroad, skydomes and fume/smoke removal systems, the installation and maintenance of servo-controls;
– the waterproofing of roadways and sidewalks (mastic asphalt) and buildings, cladding and roofing of buildings (offices, industrial sites, auditoriums, museums) with complex work on highly-architectural projects, aluminum and steel cladding and roofing, metal frameworks, photovoltaic roofing.
Smac and its subsidiaries operate in these lines of business.

• The **Railway sector** comprises the design and engineering of complex large-scale projects, the construction, renewal and maintenance of railway tracks (conventional and high speed lines, tramways, subways) for both fixed installations and infrastructure with the laying and maintenance of track, electrification (substations, catenary systems), signaling, safety systems, special work (bridge cranes, siding, tunnels), the manufacturing of crossties, as well as a railway freight business (transporting aggregates for Group subsidiaries). Colas Rail and its subsidiaries operate in these lines of business.

The Group's competitors in the road construction industry and in other public works sectors remain Eurovia (Vinci group) and Eiffage TP (Eiffage group), the NGE group, major regional companies such as Ramery, Malet, Charrier and Pigeon, in addition to a very tight network of roughly 1,600 small and medium-sized local companies. On the aggregate and ready-mix concrete markets, competition comes from cement manufacturing groups such as Lafarge, Cemex and Ciments Français, along with a network of regional and local aggregate producers, some of whom operate in the public works sector as well. The Group's road-related businesses contend with specialized subsidiaries of the French construction groups mentioned above, along with major international companies as well. There are also numerous small, medium and large specialized business units that operate on regional, national and international markets such as:

– signing and signaling: Signature (Burelle and Eurovia groups), Girod, Lacroix;

– railways: Vossloh France and its subsidiary ETF (Eurovia), TSO, Alstom (TGS) and a number of independent medium-sized companies.

Colas is ranked first in the road construction and railway sectors, second for the production of aggregates and waterproofing. Ranking would have no significance in the other lines of business.

## Roads

In 2008, in a road market that was up an estimated 4% (a slight contraction in light of the increased cost of raw materials), the Group's sixteen road construction subsidiaries recorded 5.1 billion euros in revenue, a 2% increase over 2007. After a good half-year that rode the wake of 2007, business began to slow, due in particular to the local authorities' post-election "wait-and-see approach" (completion of a number of tramway projects for example). The level of business activity lost speed after the summer and the fourth quarter saw increased pressure on prices in a very tight market. To accompany the slowdown – a hurdle which comes after so many years of strong growth – the investment program has been fine-tuned and the drive aimed at upgrading the Group's industrial tool has been intensified. In France, since October 2008, business is supervised by two Managing Directors. To optimize their geographic range of action, the perimeter of the four French Colas regional subsidiaries has been slightly reconfigured, effective as of January 1, 2009.

Several companies were acquired in the materials production sector (aggregates and concrete) and road construction, in particular Cerf.

## Road-related activities

### Safety and signaling

**Aximum (Somaro and its subsidiaries)** posted a 14% increase in revenue, compared to 2007, thanks in particular to the acquisition of Ero Industrie and Vigifrance Sécurité, specialized respectively in access control systems for vehicles and pedestrians and perimeter detection systems, as well as to the full year integration of Profil R and Nordgalva (manufacturing and galvanization of metal guardrails) acquired in 2007 and the completion of a series of major projects in the road safety equipment sector. In order to better reflect the diversity of its road safety business, Somaro changed its name to Aximum. This new identity is part of a broad-reaching reorganization program that will allow Aximum to provide each customer with a tailor-made, comprehensive equipment and service offer.

### Pipes and mains

**Spac and its subsidiaries,** with an unchanged scope of business, recorded figures that were equivalent to 2007. Activity was strong in the energy sector with in particular the installation of pipelines and connected structures (compressor stations) thanks in particular to programs aiming to increase capacity on the French natural gas network. The subsidiary Cofor (vertical drilling) was bought out by its management, in the framework of a restructuring plan that will help Spac focus on its core business.

### Waterproofing

In 2008, **Smac and its subsidiaries** recorded a 13% rise in their revenue compared to the previous year, boosted by a strong market despite the 10-month stretch of rising bitumen prices, which pushed the cost of waterproofing membranes up as well. The photovoltaic sector got off to a good start via partnerships with Tenesol and EDF EN. Major siding, cladding and roofing projects were completed. Smac won bids on the EPR (European Pressurized Reactor) in Flamanville and nuclear power plants in Tricastin, Blayais and Dampierre.

### Railways

Revenue posted in 2008 by **Colas Rail** was up 5% on 2007, with an unchanged scope of business. 2008 was a year of transition, with major efforts to restructure the company formed in the wake of the Seco-Rail-Spie Rail merger, a series of rehabilitation contracts that are inauspicious in terms of productivity for heavy equipment such as the "Fast-track renewal train", a railway freight business that still posts figures under target, wide-sweeping studies to bid on complex major projects such as the Tram-train on Reunion Island or the high-speed South Europe Atlantic line, and several deficit-laden contracts abroad (please see international section). Results show a shortfall that should soon be turned around, boosted by upbeat market perspectives and the rapid implementation of corrective measures.

In all, 2008 was witness to nearly 85,000 projects in France. Here are some noteworthy examples to demonstrate **the broad diversity of the Group's businesses in mainland France:**

– *Construction and maintenance of highway networks:* A6: refurbishment of a 20-km section of porous asphalt between Chalon-sur-Saône and Beaune; A10: refurbishment of a 20-km section of pavement between Poitiers and Niort; A25: renovation of pavement on a 7-km stretch near Dunkerque; A40: refurbishment of a 15-km section at night between Etrembières and Archamps; A41 North: construction of pavement on a 19-km section between Annecy, France, and Geneva, Switzerland; A41 South: refurbishment of a 14-km section of roadway between Grenoble and Crolles;

– *Construction, maintenance, renovation of road networks:* widening to 4 lanes on a 9-km section and construction of an interchange and 2 roundabouts on Route RN145 in central France; refurbishment of pavement with 3E+R asphalt concrete on Route RN333 near Lunéville; construction of bypasses in Carcassonne, Tignes, Mazières-en-Gâtine; highway refurbishment programs in the Lorrraine, Alsace, Franche-Comté and Champagne-Ardenne regions; widening of Route RD810 in Bayonne with embankments with Compostyrene and noise-reducing asphalt concrete;

– *Airports – Ports:* refurbishment of Lyon-Bron airport; construction of a basin and piers for the port of Saint-Guénolé;

– *Logistics platforms and other:* construction of industrial and logistics platforms in Levet, Bergerac, La Chevrolière, Cheviré-Bouguenais, Dourges, Etainhus; design and build of technical training bases for fire fighters in Vitrolles with major environmental constraints;

– *Urban development:* embellishment of the Étoile Square and the surrounding neighborhood in Strasbourg; high-quality urban development project on the Island of Nantes; building of a garden on top of an underground parking facility in Lille;

– *Athletic and recreational facilities:* construction of an automobile and motorcycle racing circuit in La Ferté-Gaucher, with the application of Ecoflex recycled asphalt concrete; upgrading of the Deux-Caps tourist site on the north coast using Vegecol;

– *Public transport:* launching of work on Reims tramway in a Public Private Partnership project; construction of a 5-km long reserved-lane transport network in Maubeuge;

– *Safety and signaling:* installation of 100 kilometers of metal guardrails and completion of 50 kilometers of road marking on Highway A19 between Artenay and Courtenay; supply and installation of metal guardrails, concrete separators, noise barriers, signing and road marking on Highway A41;

– *Pipes and mains:* installation of a 70-km pipeline on the Guyenne Artery for TIGF; installation of a 60-km pipeline on the North-East Artery between Cerville and Petit-Tanquin for GRTgaz; construction of the Laneuvelotte compressor station for GRTgaz;

– *Waterproofing:* completion of the roofing and façades on the Zénith auditorium in Saint-Étienne; roofing, cladding and green roof at a waste treatment plant in Fos-sur-Mer; roofing, cladding of large pharmaceutical laboratory in Toulouse;

– *Railways:* installation of track and infrastructure for the extension of the high-speed train line from Perpignan to Figueras; refurbishment of the catenary system on the LGV South East high-speed train line between Avallon and Lyon; renewal of crossties on the A and B lines of RER subway lines in Paris between the "Gare de Lyon" and "Châtelet" stops;

– *Building:* foundations and civil engineering for an Ikea store in Tours; construction of a supermarket built with "HQE" French green-building standards in Arcs-sur-Argens; demolition of the former Chausson plant in Gennevilliers; deconstruction of a section of the Michelin plant in Poitiers including the recycling of materials.

## Concessions

### Cofiroute

**Cofiroute,** a highway concession company in which Colas holds a 16.67% stake, operates a 1,100-km interurban network in northwest France. In an economic backdrop that progressively deteriorated over the year (slower economic growth and sharp rise in fuel prices), traffic showed modest growth at +1.9% (2% for passenger vehicles and 1.7% for heavy goods vehicles) thanks to the opening of new sections. For the first time in many years, traffic, with an unchanged network perimeter, is down slightly at –1.4% (1.4% for passenger vehicles and 1.3% for heavy goods vehicles). The end of 2008 saw the completion of the conceded interurban network with the handing over of the last section of the northern bypass of Angers on Highway A11 opened to traffic on April 24, 2008, four months ahead of schedule. Statistics show that this section is very beneficial to the local community, with a sharp drop in traffic on the city's roads along the riverbank.

Work on the A86 beltway concession in the west of Paris continued at a quick pace on the A13-Pont Colbert section. The electromechanical and computer-based safety equipment was installed as the project progressed, to allow the first section between Rueil-Malmaison and Highway A13 to be opened up to traffic by the end of June 2009.

### Adelac

A company in which Colas holds a 46.1% share with Bouygues Construction, **Adelac** opened up a 19.7-km section of Highway A41 North on December 22, 2008. The venture has a 55-year concession on the highway, which links Annecy, France, to Geneva, Switzerland, in thirty minutes. The project was designed and built in less than 38 months, an exceptional performance given that work included a 3.1-km long double-tube tunnel, four bridges and 28 engineering structures. Completing the project with a record-breaking pace is a major success for the consortium, including four subsidiaries of Bouygues Construction, and Colas companies Colas Rhône-Alpes, Screg Sud-Est, Sacer Sud-Est and Somaro.

### Mars

The role played by the **Mars** concession company in which Colas holds an 8.5% stake is twofold: it is in charge of the design and construction of the Reims tramway as well as the management of the entire public transport system in greater Reims for a duration of thirty years. Since January 1, 2008, Mars has taken over the management of the city bus network (150 buses). Once the public interest decree was signed in March 2008, a work order was launched for the building venture including in particular Colas Est and Screg Est, and the railway subsidiary Colas Rail. The preventive archeological digs were completed at the end of December 2008; earthworks on the tramway projects began on three out of six sections and construction started on the maintenance center.

## French overseas departments

Revenue posted in the French overseas departments amounted to 523 million euros (+7.5% compared to 2007).

On **Reunion Island,** revenue rose slightly compared to 2007, in spite of the fact that less work was being done (earthworks and civil engineering) on the nearly-completed Tamarind Road. The construction material production sector is currently reaping the benefits of rising needs inherent to major infrastructure projects. Noteworthy contracts included the launching of a student housing complex with 300 apartments, continued work on the construction of a hospital, subgrade for the extension of piers at the East Port and the rehabilitation of a retention basin at a petroleum site.

In the **Caribbean,** in July 2008, the Group acquired the Martinique and Guadeloupe-based Gouyer company and its subsidiaries, specialized in the production and sales of construction materials (aggregates, ready-mix concrete, precast materials) with network of quarries and plants. In **Guadeloupe,** business was down compared to 2007, in the wake of a series of rescheduling or cancellations of projects and year-end strikes. The Design and Build joint-venture project for a 10,000 $m^2$ refrigerated warehouse at the Port of Guadeloupe is currently under way. In **Martinique,** business was buoyant at the beginning of the year but then slowed due to delays in investments from local authorities.

In **French Guiana,** the Group enjoyed very strong business, boosted by a number of Government-funded road projects and housing investments. A new quarry was opened up near Cayenne. The Route RN2 between French Guiana and Brazil is also worthy of mention.

## International and French overseas territories

Revenue from the international subsidiaries and French overseas territories amounted to 5.5 billion euros, up 16.3% compared to 2007 (15.7% with unchanged business structures and comparable exchange rates). A breakdown by region shows North America accounts for 38.9% of revenue (44.5% in 2007), Europe, excluding France, 44.2% (41.5% in 2007), Africa/Indian Ocean/Asia/Oceania/other countries, 16.9% (14% in 2007).

Activity in the international and overseas territories' road construction business is quite similar to the same sector in France. Contracts are on the average larger in North America, central Europe and the Indian Ocean. The road business in some countries also includes civil engineering projects (structures) required on comprehensive road and highway projects. Road work is also supplemented by upstream industrial activities (aggregates, asphalt mix, emulsions, ready-mix concrete). The amount of products sold to third parties can be higher, as is the case in North America for example. Additional activities in the international divisions mainly involve pipes/mains/drilling, civil engineering, railways in Europe, building and civil engineering in the Indian Ocean, along with road marking in Canada and signaling in Europe and Morocco. In Asia, Colas is currently developing a business focused on the storage, transformation and trade of oil products, essentially for use in road construction (bitumen).

In every country and every region (except for the United States and Canada, where there is no national market per se), Colas is ranked among the leaders in terms of growth and competition with both national competitors and subsidiaries of major international groups (construction, cement-makers, material producers).

### Europe

Revenue in Europe, excluding France, totaled 2.4 billion euros, a 23.9% increase over 2007. Northern Europe recorded business on the rise, consolidating a full year of revenue for Colas Rail in the railway sector. Revenue grew in central Europe, boosted by ongoing work on the M6-M60 motorway project in Hungary, an upbeat market in Romania and the consolidation of the Croatian companies over a full year.

In **Belgium,** revenue is once again on the rise, despite an overall drop in public investments. Colas Rail won a number of catenary upgrading contracts in the Brussels region and a section of the electrification contract for the Charleroi tramway.

In **Denmark,** the road sector has been restructured. In 2008, Colas Danmark's stake in Finland was transferred.

In **Iceland,** despite the brutal financial crisis that struck the country, work was not interrupted on the two major projects currently under way, but the sharp devaluation of the local currency meant that the year ended in a deficit. Measures have been taken to adapt to the current situation.

In **Great Britain,** revenue at the road specialist Colas Ltd was on the rise (with identical exchange rates), boosted by the start-up of a 5-year maintenance contract for 500 kilometers of roads and motorways in Area 10 – including 2,500 structures – in northwest England, ongoing work in the framework of the long-term maintenance and upgrading contract for the city of Portsmouth and airport projects. In addition, a new road network management and maintenance contract for Area 7 was won. Colas Rail Ltd was awarded a renewal contract on railways in western England. The Company was further reinforced by the acquisition of the Carillon Group's rail service activity at the end of 2007. This recurrent business, which has received positive feedback from customers, will be reinforced, whereas the Major projects unit will be restructured, as there were non-recurrent losses in 2008 on complex projects that were already part of the work-on-hand when Spie Rail was acquired.

In **Ireland,** the level of business was similar to the previous year, despite the economic slowdown and the impact of sharp increases in bitumen prices in 2008.

In **Switzerland,** business was up in a very tight road market.

In **the Netherlands,** Veluvine, a Group company specialized in the production and sales of road paint, posted yet another rise in its export business.

In **Hungary,** against the backdrop of a recession-laden market, revenue rose sharply thanks to a PPP construction project involving an 80-km section of M6 and M60 motorways. At the end of the year, a new contract was won for the construction of a section of the M31 motorway in Budapest.

In **the Czech Republic,** business is stable.

In **Slovakia,** revenue is up slightly with ongoing major road and highway contracts, including large-scale engineering structures.

In **Romania,** business enjoyed sharp growth in a dynamic market. Activity in the railway sector was launched with the acquisition by Colas Rail of ISAF and the winning of a contract to upgrade the Arad Tramway.

In **Croatia** and **Slovenia,** the first full year of business since the acquisition of the companies was boosted by a dynamic market fueled by government funding.

Among the year's most noteworthy projects, one can cite: the rehabilitation of an 11-km section of Highway E17 between Antwerp and Ghent (Belgium); the refurbishment of the Akureyri airport runway (Iceland); the extension and refurbishment of airport runways at the Isle of Man and Jersey Island (Great Britain); the application of Valorcol cold recycling technique on Highway A16 in the Jura Canton (Switzerland); the construction of a 30-km section of M6 motorway, with 6 million $m^3$ of earthworks, 400,000 tons of asphalt concrete, 4 viaducts and 31 bridges, and the construction of a water treatment plant in Csepel (Hungary); the construction of the Lovosice bypass on Highway D8 and an 18-km section on Highway D47 between Bělotin and Hladké Životice (Czech Republic); the construction of the Trstená bypass and 14 engineering structures on Route R3 and an 8-km section of Highway D1 between Mengusovce and Janovce, including 12 engineering structures (Slovakia); the construction of a 32-km section of Highway B between Osijek and Dakavo (Croatia); the construction of the Suceava bypass and the rehabilitation of 150 kilometers of roadway on Routes DN1 and DN17 (Romania); the construction of a 5-km section of roadway on Route S11 near Poznan (Poland).

### Concessions

**– Ensign: PFI in Portsmouth (Great Britain)**

The PFI has been under way for four years now, much to the satisfaction of customers and users alike. Phase one of this first ever public-private partnership involving the upgrading and maintenance of city networks, signed in 2004 for a duration of twenty-five years, will come to an end on July 31, 2009. In four and a half years' time, Colas Ltd will have upgraded 1,300,000 $m^2$ of roadway, 400,000 $m^2$ of sidewalks, and erected 12,000 street lights, some 30 times the volume of work that the city would have undertaken without the contract. The first years have underlined the benefits of the PFI system, further validating the idea of a partnership approach. Ensign and the city of Portsmouth were given the Effective Partnership Award by the Institute of Highways and Transportation (IHT) in 2008.

**– MAK: M6-M60 motorways (Hungary)**

MAK, a concession company in which Colas holds a 30% stake, has been awarded a 30-year PPP contract for the construction and operation of a new 80-km section of motorways M6 (50 kilometers) and M60 (30 kilometers) in southwest Hungary, near the city of Pécs, future European capital of culture in 2010 and the country's fourth largest city. The share of work that Colas companies have undertaken is advancing according to schedule (50% completion at the end of 2008). MAK will be opening the section for operation as of spring 2010.

## North America

Revenue totaled 2.1 billion euros, up 6.4% from the previous year using unchanged business structures and comparable exchange rates.

### United States

Against a backdrop of unfavorable economic and financial environments combined with a sharp surge in the price of oil products, and bitumen in particular, the Colas companies were able to adapt to their markets. Globally speaking, business remained good and profit margins resisted a drop in volume, thanks to buoyant markets in the southeast, Wyoming and Alaska and to the federal infrastructure program called SAFETEA-LU. Ongoing drives to control operating and raw material costs helped offset the impact of rising production costs. Companies were acquired in Nevada, which is a new state for the Group, Colorado and Ohio.

### Canada

Spurred by the dynamic Canadian economy and ongoing investments in infrastructure, business is on the rise throughout all the provinces in which the Group operates. This is particularly true in Alberta, even if the real estate and wood sectors have marked a slump and the oil business has stabilized. Companies were acquired in Quebec and British Columbia.

Highlights of 2008 in North America include:

– United States: refurbishment of Interstates 79 and 80, and renovation of two water treatment plants in Mechanicsburg in Pennsylvania; refurbishment of runways at the Syracuse Hancock International Airport in New York; widening and refurbishment of a 13-km section of Route SR17 in McDuffie county, Georgia; construction of the Hampton Roads rail corridor for the Virginia Port Authority; the refurbishment of a section of Interstate 85 in South Carolina; refurbishment and widening of an 18-km stretch of Highway 72 in Wyoming; redevelopment of a port terminal in Anchorage and widening and extension of a runway at the Ketchikan Airport in Alaska;

– Canada: in Quebec, surfacing of a 32-km section of roadway on the northern coast and refurbishment of the runway at the Bagotville airport; in Alberta, widening of a 9-km section on Highway 63 in Fort McMurray; in British Columbia, refurbishment of 36 kilometers of Highway 37 between British Columbia, the Yukon Territory and Alaska, extension and widening of a runway at the Prince George Airport and renewal of a 5-year road marking contract.

## Elsewhere around the world

### Morocco

Once again, all of the Moroccan subsidiaries enjoyed strong growth in their business activity (+19% from 2007), boosted by a large number of major infrastructure contracts that the country has launched (construction and reinforcement of roads and highways, tourism and urban development, industrial zones, airports). Worthy of note in 2008 were the project in collaboration with Colas Rail to build the 17-km long Rabat-Salé tramway and earthworks (10,000,000 m³) for a new Renault factory in Tangiers.

### Western Africa

In **Benin,** revenue rose sharply for the second year in a row, spurred by the construction of an engineering structure in Cotonou, the extension of the parking zone at the Cotonou airport and ongoing work on the 126-km Djougou-N'Dali road.

In **Gabon,** business has benefited from work on oil projects and road construction in Libreville. The Kinguélé quarry has posted good production figures.

### Indian Ocean and southern Africa

In **Mauritius,** revenue has soared thanks to road maintenance projects. A building business has been launched and a company that operates a bitumen depot has been acquired.

In **Mayotte,** revenue is again on the rise with dynamic business in the public works and building sector. In addition to the Longoni Port extension project, the Group also completed civil engineering and main services on the Longoni power plant and the construction of a modular high school in Chirongui.

In **Djibouti,** roads and building enjoyed good business, with in particular, the rehabilitation of a 40-km section of Route 1, drainage work in quartier 4 and a housing project.

In **Madagascar,** business was greatly enhanced by infrastructure contracts (earthworks for the Ambatovy mine, civil engineering at the Tamatave plant, the construction of a small dam, etc.) undertaken in the framework of the major Sherritt mining project (nickel and cobalt). Pavement on Route RN2 and RN7 was upgraded.

In **southern Africa,** the road market is dynamic, and revenue rose sharply in South Africa and in Namibia. In Zambia, emulsion production volumes increased. In Kenya, business was the same as last year.

### Asia and Oceania

In **New Caledonia,** the building business is still on the rise, and the public works market is upbeat. Work began on the extension and restructuring of the Noumea International Airport and on the widening of Freeway 2.

In 2008, Colas acquired its first foothold in **Australia** with Drawmac and its subsidiaries. These companies operate in bitumen storage and sales, along with the manufacturing and distribution of bituminous binders, backed by a network of depots and plants located in Sydney, Brisbane, Perth and Melbourne.

In **Asia,** Colas operates in nine countries with a central line of business focused on the production, distribution and sales of bitumen products.
The business underwent major upheavals in 2008, impacted by a series of negative factors:
– never-before-seen fluctuations in crude oil prices;
– poor correlation between bituminous products sales prices and crude oil prices;
– sharp drop in demand in the zone due to an economic slowdown (China, Vietnam);
– the long political crisis that paralyzed the economy in Thailand, which is an important market for Colas;
– supply difficulties for refining business in Malaysia, as the refinery began to produce its first tons of bitumen.
Two units however did enjoy a good level of business activity. In **India,** with six production units, Hincol continues to play a leading role on the emulsion market, and posted figures that are equivalent to 2007 despite problems in bitumen supply. In **Indonesia,** business was boosted by a buoyant market in what was a pre-electoral year, with work starting up on a series of road infrastructure construction and upgrading projects.
In all, roughly one million tons of bituminous binders were distributed via thirteen depots and transported on seven bitumen tankers. In spite of the good performances recorded in the Indian and Indonesian companies, difficulties encountered in the region led to an overall negative result for this zone, due in particular to significant losses in the Thai company Tasco in which Colas holds a 30% stake.

### Other countries

In **Venezuela,** the venture including Colas Rail and Alstom opened up the new Los Teques subway line. Work continued on the installation of equipment for the second section of line 3.
In **Algeria,** Colas Rail completed the renewal of a 42-km section of railway between Béjaïa and Beni Mansour.

In **Egypt,** Colas Rail initiated the study phase for the first section of the Cairo subway, line 3.
In **Saudi Arabia,** in the framework of a partnership, a local Smac company launched the production of bituminous membranes using a new plant located in Riyadh.

# Techniques, research and development

Research has been one of the driving forces of Colas' strategy for many years. Backed by a portfolio of 153 patents, with products used in France and around the world, the Group is a pioneer in the development of new road techniques able to adapt to a wide range of needs in the ever-changing global market. In 2008, the R&D budget totaled 70 million euros, with 60% in France (based on the definition provided by the OECD including research, experimental development, technical activities of laboratories, IT).

Colas' Research and Development policy focuses on anticipating and responding to the needs of transport infrastructure customers (public and private), users and neighboring residents, regarding quality, safety, environmental protection (in particular in the fields of energy savings, reduced greenhouse gas emissions, decreased consumption of materials, and greater awareness of esthetic issues) and costs. The Group aims to improve existing technologies, design new products and offer a broader range of services. Its expanding technical skills and know-how are also reflected in its new lines of business, e.g. its activity in the bitumen sector that was launched several years ago. Ongoing improvements to know-how focus in particular in the fields of mineral, organic and plant chemistry, design and, more recently, physics.

In 2008, the Group's research programs had to adapt, as was the case in previous years, to a rapidly changing market, in particular in France in the wake of the French Grenelle Environmental Roundtables, in addition to reinforced standards for products in Europe with the application of REACH covering chemical substances. The French Government continued to support innovation in the road industry, following a 5-year hiatus.

## Network organization for techniques

The Group boasts a tight-knit internal technical network that works internationally. Every new company that joins the Group helps reinforce this valuable system. One of Colas' keys to success lies in the fact that its network works hand in hand with operational teams in the field.

As the leading private research center in the road industry, the Campus for Science and Techniques (CST) and its 8 laboratories in Magny-les-Hameaux near Paris are at the heart of the Group's innovation program. Its teams put their research skills and know-how at the disposal of Group subsidiaries, both in France and abroad, on conventional projects, major projects or more complex contracts such as tramway platforms and PPP-PFI. Over 80 people work at the CST, from engineers, technicians, physicists and chemists to material experts and calibration specialists.

Nearly fifty decentralized laboratories and one hundred engineering offices – specialized in roads, civil engineering, building, deconstruction and more – work in liaison with the CST both inside and outside of France. They contribute to the Group's overall research effort and offer tailor-made technical support to local projects.

Each unit has its own state-of-the-art laboratory and computer tools, which are constantly renewed to remain at the cutting edge of technological innovation and customer needs and requirements: material analysis equipment, sophisticated simulation and risk measurement software, modern auscultation apparatuses. Research teams can thus help meet customers' needs and optimize bidding by using alternative technical solutions.

In all, the Colas technical network includes 2,000 engineers and technicians hard at work in the Group's laboratories (more than 1,000) and engineering offices (more than 900), roughly 45% of whom work in France.

## Using techniques and special products around the world

In 2008, a number of projects undertaken by international and French overseas units used the Group's special products and processes:
– in **Belgium,** recycled cement concrete was used to refurbish a concrete-paved highway;
– in **Switzerland,** projects included Vegecol asphalt mix, Valorcol (100% RAP), and noise-reducing Nanosoft;
– in **Great Britain,** Vegecol binder was used in surface dressings;
– in **Denmark,** the first project involving CWM from Chemoran was completed;
– in **Hungary,** the Group companies carried out the first low-temperature Bituclair projects and also used Rugocomp (compact, rough asphalt concrete);
– in **Poland,** Colgrip (highly skid-resistant) and Colrug (asphalt concrete for ultra thin layers) were employed;
– in **Romania,** a project was performed with warm asphalt concrete containing CWM from Chemoran;
– in **Germany,** Vegecol binder surface dressings were marketed;
– in **Austria,** bitumen fluxed with Vegeflux was used in surface dressings;
– in the **United States,** the laboratory at Nactech, the North American Colas Technical Center, tested warm asphalt concrete manufacturing techniques to define the best design method (nearly 50,000 tons of asphalt concrete were applied in 2008 in North America). The anti-crack Fibermat techniques continued to expand (nearly 3 million m² applied in 2008). The first project involving Force Excel Pont, an Axter membrane designed to protect engineering structures, was completed in Pennsylvania;
– in **Canada,** the first Fibermat and first Force Excel Pont contracts were performed in Alberta, warm mix was applied in British Columbia and Alberta and skid-resistant, noise-reducing Rugosoft was used for the first time;
– in **Morocco,** colored mastic asphalt was chosen and a number of Novacol projects were completed (a total of over 700,000 m² in 2008), along with a Multicol contract;
– in the **Indian Ocean,** Vegecol, Scintiflex and Saflex OA were applied for the first time in Reunion Island, special Betoflex mix was used on the Tamarind Road in Reunion Island and on Route RN2 in Madagascar and Colmat and Colflex for maintenance on Route RN7 in Madagascar;
– in **Asia,** projects in Thailand included asphalt mix with slag from power plants; the Emulfix system was set up for emulsion production in India; modified bitumen was supplied for the Cantho Airport project in Vietnam.

# Responsible development

A world leader in the construction and maintenance of transport infrastructure, urban development and recreational facilities, Colas improves the quality of life, facilitates the movement of people and goods, and contributes to economic development, thus helping to meet essential needs and aspirations. This contribution must be responsible, addressing the concerns and complexities of present-day societies: climate change, social cohesion, protection of the environment. Awareness of these changes, the implementation of measures to tackle these issues, and the Group's long-standing commitment to exemplary corporate citizenship are grouped under the concept of “responsible development”. Colas has created a specific Web site used to report on these issues, provide more detailed information, and inform the public about recent events: **www.colas-rse.com**.

In keeping with this commitment to responsible development, Colas has identified as priorities three strategic targets (renewal and enrichment of human resources, societal acceptance of production sites, ethics) and five other major targets (safety, North-South responsibility, energy, recycling, risks related to the use of chemicals). In addition to these main priorities, all Colas business units, subsidiaries and divisions engage in specific actions on a day-to-day basis, adapted to their local, regional or national context. The Group's decentralized organization facilitates and encourages the development of this wealth of initiatives. This diversity bears witness to the motivation and goals of all Colas teams with respect to these fundamental issues. Some of these specific actions are described in the supplement to this management report and on the Web site **www.colas-rse.com**.

## Three strategic targets

These three targets are of crucial importance for the development of Colas, which enjoys genuine scope for action and initiative in these areas.

### Renewal and enrichment of human resources

Colas devotes considerable efforts towards recruiting the best men and women to meet the requirements of its ambitious growth plans in professions characterized by the need for renewal. The Group places strong emphasis on promoting the attractiveness of its job positions and the diversity of its workforce. Hiring to meet the Group's forecasts of human resources requirements (retirement, market growth, acquisitions, new skills) is critical and represents a constant priority.

In France and in many other countries, Colas companies are among those recruiting the highest numbers of new employees (a total of 7,450 hires in 2008, after 8,150 in 2007).

Colas and its subsidiaries develop compensation and long-term career management policies aiming to enhance staff retention (orientation, integration, protection, working conditions, mobility, internal promotion). Indicators intended to reflect workforce stability, which are in the process of being standardized and rendered more reliable from a global perspective, confirm a high average career length within the Group.

The impact of the Group's hiring and staff retention policies is reinforced by significant investments in the professional development of employees over the course of their entire careers, particularly through expenditure on training programs (4% of payroll) largely in excess of legal obligations, when they exist. These investments are meticulously allocated across all staff categories and further dynamic career advancement as much for skilled operators, supervisors and executive-level staff as for young graduates, older employees, etc.

*(See the "Human resources" section for more details.)*

## Societal acceptance of production sites

For many years Colas has operated a vertical integration strategy, from downstream of the value chain up to operations and the transformation of raw materials into products intended for construction use: quarries (aggregates, ready-mix concrete, prefabrication); bitumen transformation (asphalt mix, emulsions, binders, waterproof membranes), production of road paints and resins, manufacturing of road marking equipment and steel building frames, etc.

It is becoming increasingly hard to win acceptance of these production facilities from local communities due to concerns raised by various possible forms of nuisance (odors, dust, noise, traffic, impact on the environment and health). Dialogue between business units and local communities must therefore be renewed and intensified. This dialogue may be summed up in three imperatives:

– **seek to set an example at all times** (particularly with respect to biodiversity, pollution emissions, environmental impacts or prevention efforts) by mobilizing teams and earmarking investments so that each site, given its specific context and constraints, enjoys the best possible operating conditions beyond mere administrative compliance. These efforts are reflected, for example, in the Group's systematic policy of obtaining environmental certification, often via ISO 14001 (today, operations generating 50% of the Group's total construction materials production revenue are certified in France and worldwide, a considerable increase compared to 2007, when 42% had obtained certification, an especially impressive performance in light of the fact that the proportion of these production activities rose by 15% in 2008);

– **ensure reliable documentation** of these advancements and measure them. Fresh impetus was given to monitoring and certification audits with the assistance of competent external organizations as well as in-house resources. Accordingly, a system of worldwide checklists was deployed beginning in 2007 and now covers more than 90% of production activities. At the end of 2008, these assessment procedures were used in more than 50% of production sites, resulting in the consolidation of action plans by subsidiaries. This deployment phase is expected to be completed by the end of 2009. The main priorities of these plans are prevention and protection in the event of accidental spills, contamination of rainwater, updating of regulatory compliance, official documentation of actions for protection against certain chemicals and the updating of emergency plans;

– **lastly, promote open channels of communication** to avert crisis situations. Take heed of public expectations, explain the reality of business activities, and contribute constructively to increased satisfaction and mutual understanding. An indicator used to monitor community relations allows the Group to assess its progress in this area: today, operations generating 23% of the Group's construction material production revenue (versus 17% in 2007) have established an official structure for promoting good community relations, involving at least one meeting each year with neighborhood residents, city officials and local authorities. Some of the Group's subsidiaries have already reached the 100% mark in relation to their activities, notably their quarry sites. The Group's North American subsidiaries have produced a film on this topic to encourage public forums about their aggregate production sites.

Perhaps paradoxically, the road works carried out by Colas have little environmental impact. First of all, new infrastructure accounts for only a small portion of the business (it is estimated that more than 80% consists of maintenance, renewal, or redevelopment of existing roads, without any increase in surface area) and their impact is assessed during the design phase by the contracting authorities, after which Colas applies and enriches its clients' environmental protection plans during the work phase. With respect to the Group's routine activities (the average project is still valued at less than 100,000 euros), environmental questions are mainly limited to the proper handling of liquids and waste materials (mostly inert and non-hazardous): in these cases, the area in which teams seek to make progress is in addressing the societal expectations of local residents and users.

Among examples of responses to these expectations are the Group's techniques for the trench-free laying or refurbishment of pipelines, used notably in France, Hungary and Switzerland, shaft sinking, micro-tunneling, bursting, lining, concrete reinforcement, etc., as well as many actions developed by subsidiaries in France and worldwide to benefit local residents and road users. Two prestigious distinctions received by Nanosoft (noise-reducing asphalt mixes) in 2008 also illustrate this approach: the Gold Medal awarded by the Poznan International Fair in Poland and the Innovation Award given out by the French Mayors' Convention in the Construction, Public Works and Roads category.

### Ethics

For many years, compliance with ethics and standards of integrity has been an inalienable management principle throughout the Group. The absolute requirement to apply these principles is regularly reasserted. Sincere and open competition gives Colas the best possible conditions in which to develop value for the Company's organization, techniques and expertise, and to foster long-term partnerships with its customers. In the area of transparency and ethics, Colas is committed to many practical initiatives, by frequently associating itself with independent partners. Highlights include:

– **the Association Qualité Pesage (AQP):** this French quality organization working in partnership with independent inspection agencies Socotec and Veritas, sees to it that asphalt plants are fitted with tamper-proof weighing equipment that enables tracking of deliveries. For nearly ten years, Colas has ceaselessly made the case with public contracting authorities that all their suppliers' plants be fitted with this type of equipment. Today, three-quarters of the volume of asphalt mixes produced in France are sold using a system of this type;

– **the sale of pre-owned construction equipment:** in France, Colas is behind the launch of an auction market for pre-owned construction equipment run by a major international company, inspected by the money laundering watchdog Tracfin, an arm of France's Finance Ministry. All the sales of the Group's construction equipment in France take place at these auctions (sales amounted to 9.5 million euros in 2008, for 517 items of equipment compared with 11.5 million euros in 2007, for 566 items of equipment);

– **competition law training programs:** programs of this type were conducted throughout 2008, involving the participation of nearly 700 employees. In France, 500 operational managers took part in refresher courses on the rules applicable within a corporate group. Another program of this type is the Bouygues values seminar, which has involved the participation of 72 employees since its creation. In overseas departments and other locations worldwide, similar training programs organized with the assistance of external providers have brought together a total of 180 employees (Guadeloupe, Reunion Island, Croatia, Hungary, United Kingdom). A training program is under development for the rail segment in the United Kingdom, Poland, Romania, Slovenia and the Czech Republic.

## Five other major targets

Colas does not always have the same liberty of action as is the case in relation to the three strategic targets described above. For example, in the area of energy, Colas has no control over the management of alternative energy sources and the same is true for alternative approaches to the mechanization of equipment. However, Colas remains very sensitive to these issues and commits significant levels of investment in these areas, within the limits of its scope of action.

### Safety

*(See the "Human resources" section for more details.)*

Safety in the workplace and during work-related travel or while commuting to work sites has been a major concern for Colas for more than twenty years and considerable human and financial efforts have been implemented to promote constant improvement in this area within the Group.

A priority focus of research on techniques and products is to improve safety on the road (Colgrip road surface treatments allowing for a reduction in braking distances or Colmat HA, which enhances skid-resistance, safety barrier systems, and road paint improving visibility during inclement weather conditions, among other examples).

### North-South responsibility

Virtually none of Colas' business activities are concerned by the relocation of production activities to countries with lower labor costs. Road construction materials do not export well as they are extremely sensitive to transportation distances (aggregates, asphalt mixes). Infrastructures are built on site using local human resources, applying local techniques and in observance of local specifications. The specific nature of this business justifies the decentralized organization used by Colas and its expansion into international markets is not motivated by the desire to optimize costs but seeks instead to develop skills and know-how beyond its national borders, thus seizing opportunities for growth. With operations in several so-called countries of the South, it is only proper that Colas show itself to be a good corporate citizen by adapting its approach to each of these countries, as they are all markedly different from one another. Present in Morocco and Madagascar for more than fifty years, Colas maintains large-scale activities in both countries, making use of local resources. This experience offers opportunities to contribute to growth, economic, social and cultural development, and the protection of the environment as detailed below:

- **in Morocco:**

– ongoing partnerships with a clothing bank and INSAF, an organization to assist abandoned women and their children;
– financing via the payment of full-time positions for a physiotherapist and a speech therapist for the Casa Lahnina association for disabled children;
– supply of equipment to the Moroccan association for the visually impaired (Amardev);
– participation in the refurbishment of a school for orphans in El Kelaa;
– payment of fees for underprivileged young people at a sports club;
– deployment of a waste stream for elimination of used oils;
– a training center for road construction industry technicians;

- **in Madagascar:**

– employee participation in local schools, training of skilled operators, workers, technicians and local managers;
– transformation of a workplace medical unit to serve the entire workforce, offering regular medical checkups and, for the last nine years, a medical team comprised of eight full-time doctors working under a local chief medical officer. Outreach has been extended to village populations through locally based clinics, targeted campaigns against malaria, diarrhoea and HIV/AIDS;
– aid with reforestation to offset the impact of intensive deforestation arising from cultural practices and the use of wood by Colas Madagascar, the replanting of endemic species (rosewood, for example) on certain sites, the recuperation of trees destined to be knocked down during construction work and their transplantation in a biodiversity conservation zone; in all, 5,000 acacias, 5,000 pine trees, 100 rosewood trees, and 34 coconut trees were recuperated and transplanted;
– support for the development of a dry deciduous forest in a park in Antananarivo in order to recreate a sanctuary for endemic species and a southern Madagascar ecosystem; contribution to the environmental education of more than 1,200 elementary school students from impoverished neighborhoods of Antananarivo so as to raise their awareness of the need to preserve Madagascar's biodiversity;
– awareness campaigns promoting the discontinuation of the use of wood charcoal, accompanied by the distribution of gas-fired hot plates and gas bottles. At the conclusion of the major project for the construction of the RN6, no increase in deforestation due to the production of wood charcoal was observed along the route, contrary to common practice;
– establishment of waste streams for eliminating industrial waste such as used oils.

Comparable programs have been rolled out more recently in other similar countries in which Colas operates, on a lesser scale, including actions to set up waste streams for used oil (Gabon, Benin, Djibouti), preservation of biodiversity (Gabon), medical check-ups and first-aid training (Gabon, Benin), health insurance and microcredit (Gabon), medical check-ups and AIDS prevention campaigns, training to prevent overindebtedness (South Africa), humanitarian aid and workplace integration programs (Djibouti, South Africa), well drilling for village populations and donations to orphanages (Benin).

## Energy

To preserve energy sources, contend with higher costs, and contribute to efforts to reduce greenhouse gas emissions, Colas invests in the optimization and reduction of its energy consumption as well as in the reduction of the energy content of manufactured products and of construction techniques offered to clients.

### Energy consumption

Efforts to reduce fossil fuel consumption are ongoing. The search for relevant indicators that may be used to monitor the impact of this consumption is complex, due to the diversity of business activities whose content varies significantly. Although two projects may generate identical revenue, their energy content may be very different, depending on the portion of work that is sub-contracted, the nature of the work itself, the distance from resources and materials, etc. This process is achieving greater refinement with the help of tools such as Carbon Footprint® and life cycle analysis and assessment, resulting in a number of concrete steps:

– for industrial sites: reinforcement of internal reference systems used in management systems (e.g., ISO 14001) to offer each site a tailor-made energy-saving program; for asphalt mixing plants, implementation of an indicator for monitoring the energy consumption of burners, which has resulted in an average improvement of 7% for Colas' total production of asphalt mixes worldwide in 2008, equivalent to a decrease of more than 40,000 metric tons in $CO_2$ emissions. Tests to ensure the reliability of this indicator are currently under way;

– for equipment and vehicle use: continuation of full-scale tests, equipping some 1,000 construction machinery units and vehicles with a system for monitoring consumption by type of equipment, brand and operator (comparisons and summaries used to determine choice of investment, improve maintenance strategies and pinpoint training requirements; these techniques are expected to generate energy savings of around 10% in the first year); internal training and awareness actions (eco-driving education, making use of the Scope tool developed in collaboration with an insurance company, reducing the amount of time vehicles idle their engines, etc.);

– five subsidiaries, Colas Sud-Ouest and Aximum in France, Sully-Miller in California, Colas Danmark A/S and Colas Suisse have launched wide-ranging assessment programs, often in partnership with the competent authorities. It should also be noted that the concept of a uniform and predictable carbon cost does not seem to provide a good fit with the Group's business activities, which involve numerous work sites.

### Energy content of products and techniques

– **EcologicieL:** A type of Carbon Footprint® for the development and proposal of alternative solutions to the clients of Colas, the first company in France to offer this type of service for road infrastructure; new versions of the tool allow for worldwide coverage and the extension of its scope of application to pipeline projects. For this first year of regular use in France, the results are encouraging: Colas clients tend to prefer the lowest responsible bid (out of a reduction of 40,000 metric tons equivalent in $CO_2$ emissions offered in 2008, 15,000 metric tons were selected by clients, thus more than one-third).

– **Neophalte BT:** A mastic asphalt developed by Smac and produced at temperatures almost 100°C lower than normal, contributing 30% energy savings, representing over 40% of Smac's mastic asphalt production.

– **Environmentally-friendly, energy-efficient (3E) asphalt mix:** Manufactured at temperatures of roughly 115°C, i.e., 40°C to 50°C less than conventional mixes, which means that the technique saves between 10% and 20% energy, this product is gradually gaining favor.

– **Vegeroute product range:** A plant-based substitute for oil-based or petrochemical components, these products cut application and manufacturing temperatures and even reduce the quantities required:

- **Vegeflux:** the discovery of this plant-based fluxing agent has the extra advantage of avoiding the evaporation of VOCs (volatile organic compounds) and improving bitumen properties;
- **Vegecol:** this substitute for bitumen, which has received a series of awards and distinctions from national and international organizations, is produced from renewable agricultural resources, meaning that it can serve as a true carbon sink, the emission credit being greater than or equal to the cost of equivalent structures made of bitumen or deactivated concrete. It is translucent and can be colored, and also allows for the production of asphalt mixes at temperatures that are 40°C lower. In 2008, almost 2,300 metric tons of Vegecol binder were applied on 340 projects. It also began to be used outside France during the year: 4 projects in Switzerland, refurbishment of heritage sites (United Kingdom, Hungary, France), in connection with the Fibredec technique in the United Kingdom, highway tests in France, first use in Reunion Island for the construction of an elementary school certified to the French HQE (high environmental quality) standard, etc.;
- **Vegemark :** this new road-marking product designed to improve road infrastructure safety is manufactured from oleaginous raw materials and allows traffic to be restored almost immediately after application (ten times faster than traditional products);
- **Ostrea :** this hot-application road marking product, developed with support from ADEME, the French environment and energy management agency, uses recycled oyster shells instead of a traditional component of limestone, and optimizes energy consumption with a new type of boiler.

– **Innovative roofing at Smac:** in 2008, 70,000 m² of Tecflor green roofing were applied and the photovoltaic roofing business grew substantially, with 21 projects covering a total of nearly 10,000 m² (1,015 KWc).

## Recycling

Recycling is a fundamental, natural strand of responsible development initiatives, as Colas is a major producer and user of construction materials. Colas invests heavily in recycling and recovery of waste from road building, heavy construction and public works activities as well as in the operations of recycling facilities: treatment of dirt debris with the Ecosol process, the reuse of mastic asphalt from sidewalks, concrete demolition rubble, in-place recycling of asphalt concrete and the incorporation of RAP (reclaimed asphalt pavement) into new asphalt mixes. The highly recyclable nature of road construction materials furthers these recovery processes.

In all, reuse and recycling represent more than 10 million metric tons of materials in France and elsewhere in the world, i.e., nearly 12% of the Group's total aggregate production, which is equal to the total production of 32 quarries (on the basis of the average production of a Group quarry). The recycling of industrial waste (clinker, slag, melting sand, coal mining waster, glass, etc.) represents a little under 10% of total recycling in France.

Looking solely at the picture for asphalt mix, Group production includes an average 8% of RAP, compared to 9% in 2007, which represents savings of almost 3.5 million metric tons of raw materials (rock and bitumen) or the equivalent production of 35 asphalt plants (based on average production of a Group plant), as well as savings of around 175,000 metric tons of bitumen. This situation remains contrasted, with rates reaching 21% in Belgium and 18% in the United States for example, whereas France made scant progress at 4%. This discrepancy reflects the resistance of a number of decision-makers to change their technical specifications, despite the fact that Colas has mastered asphalt recycling at average rates of over 10% with excellent customer feedback. At France's Environmental Roundtables, Colas set itself the goal of attaining a rate of 10% in France by 2010.

Nearly 5 million $m^2$ of roads were recycled in 2008, the equivalent of a 440-km road extending from Strasbourg, France to Brussels, Belgium. Most of these recycling projects were carried out in North America, the United Kingdom, Morocco, and in southwestern France. Colas offers a wide range of suitable techniques, notably its Nova product line and Valorcol.

### Risks arising from the use of chemical products

Colas has pioneered the elimination of undesirable chemical components from its product manufacturing processes. A new European regulation called REACH (Registration, Evaluation, Authorization and Restriction of Chemical substances) will progressively require control of all chemical-containing products before they are authorized for sale. For Colas, this ruling is even stronger justification for its research into alternative products.

Over and above mere regulatory compliance, Colas' aim is to reinforce risk management related to the use of chemicals in its business units by encouraging the rapid development of a systematic policy allowing for regular inventories of these substances. Internal methodological tools are used: documented inventories of substances used, prioritization of these inventories in relation to risks, reduction of risks through the discontinuation or substitution of certain products or by way of eco-design processes, residual risk training and awareness programs organized for employees. As an example of these efforts, more than 50% of road paint produced by the subsidiary Aximum meets eco-label criteria, with some fifty products having received the NF Environnement label.

Priority actions have already been defined for this policy:
– **solvents:** scrapping the use of solvents in laboratories, except for a highly limited number of applications, performed in enclosed conditions, and only when required by customer standards still in force (this target has now been practically attained); scrapping the use of solvent-based degreasing fountains in favor of those using detergents based on biological or plant derivatives (this target has now been practically reached in France and many other countries); almost total scrapping of the use of toluene in paints produced by Aximum, whose entire product line is available in non-solvent (water-based) versions, this type of paint accounting for 75% of this subsidiary's paint sales in 2008, compared with 50% in 2007, despite lingering customer attachment to solvent-based paints;
– **pigments:** scrapping the use of heavy metal-based pigments in paints (this target has now been reached at Aximum); research for a formulation in non-powder form;
– **non-stick products:** scrapping the use of fuel oil by asphalt mix application teams and substitution of vegetable oil methyl esters (target has practically been reached in France and North America and in many other countries);
– **bitumen fumes:** encouraging independent European organizations to undertake studies. All the elements currently available make it possible to classify this risk as being "low, and sufficiently reduced", according to the terms of French workplace legislation and in agreement with the industry medical authorities, who have ruled out the need for further medical screening (see the document issued by the Groupement National Multidisciplinaire de Santé au Travail dans le BTP on July 3, 2006);
– **bitumen emulsions:** decrease in the acidity of mixes to obtain pH values greater than 3;
– **resins:** launch of the Greencoat research project in association with several partners and with the support of the French National Research Agency.

## Dialogue with community institutions

Apart from these concrete steps, as a member of the United Nations Global Compact since 2003, Colas encourages dialogue and is open to the discussion of all issues having an impact on communities.

### Private enterprise and infrastructure

Colas embraces an approach encouraging the creation of partnerships that tend to be based on full-costing guidelines, which also favors more innovative types of public sector contracts (PPPs, PFIs, concessions, etc.): an infrastructure that is designed and built for the long term and regularly maintained will optimize present and future investments and curtail resource consumption. In 2008, the PPP for the lighting of the city of Libourne in France, the record completion time for the A41 Nord Highway between Geneva and Annecy and, in the United Kingdom, the Institution of Highways & Transportation's Effective Partnerships Award recognizing the work of Colas and the Portsmouth City Council in performing the UK's first PFI road maintenance contract are among the Group's projects that have been extremely well received by both the public and contracting authorities, whether in terms of cost savings, completion times or user and local resident satisfaction.

## Responsible procurement

The Group's suppliers and sub-contractors may be categorized as:

– **local sub-contractors:** as the average project size is less than 100,000 euros, the choice of sub-contractors is highly restricted. The selection process is confined to ensuring that both safety and quality criteria are met, that no illegal immigrants are employed, and that payment conditions are respected;

– **local suppliers of materials:** business units are limited in their selection by the availability and the proximity of heavy materials (mainly aggregates). The selection process is confined to ensuring that both safety and quality criteria are met by the proposed partnership and that payment conditions are respected;

– **worldwide suppliers of raw materials** (e.g., bitumen, energy, cement or hydrocarbon compounds): despite its size, Colas benefits from only minor leverage when these markets are dominated by oligopolies. Colas therefore cannot exert any tangible pressure to promote responsible development on these markets, apart from programs often initiated by suppliers;

– **national or international suppliers of industrial equipment** (for quarries and asphalt mixing plants) **or of work equipment** (machinery, vehicles), and their local distributors for maintenance and spare parts (tires, oil, etc.): Colas makes every effort to contribute to the design of this machinery through partnerships, incorporating energy-saving concerns;

– **national or international service providers** (temporary employment agencies, machinery rental, transportation): the Group's size allows it to target genuine respect for regulations and the safety of individuals;

– **miscellaneous suppliers** (intermediate raw materials, intellectual services, office supplies, etc.): these account for 10% of all purchases. It is occasionally possible to apply responsible development criteria for these purchases. Business units are encouraged to do so with the guidance of the Group's charter, but Colas prudently guards against imposing this type of approach, since the Group is held back by its limited scope of action in relation to 90% of the total volume of purchases.

The issue of the relocation of operations to countries with low labor costs or weaker environmental requirements is marginal for the Group, as mentioned above.

## Participation in community life and project support

This action is essentially carried out on the local level, managed by the subsidiaries and their business units; it reflects the ambition of Colas entities to establish firm roots in local communities and expresses the commitment and motivation of the Group and its teams.

In France, in addition to active participation in a number of reintegration schemes, forming part of Group Human Resources policy, Group subsidiaries and business units take part in local community life through cultural patronage (roughly 100 actions), sports sponsorships (400 teams) and other initiatives (humanitarian, educational, participation in local life), covering 150 projects. In all, Colas participated in more than 700 initiatives, corresponding to a total commitment on the order of over 2 million euros, an increase of approximately 20% (indicator not entirely validated).

Worldwide, 1,700 actions (1.5 million euros) reflect the wide range of countries where Colas maintains operations: more than 700 actions to support educational or humanitarian initiatives in association with local NGOs, about a hundred cultural patronage initiatives, 300 sports events or sponsorship actions, etc.

At the level of the parent company Colas, the partnership agreement signed in January 2006 with Assia El Hannouni, a visually impaired athlete, winner of two gold medals (200 and 400 meters) and two silver medals (800 and 1,500 meters) at the 2008 Paralympic Games in Beijing, continued to bear fruit. Through this action, Colas instills very strong values within the Group: the desire and will to excel and push oneself to the limit, perseverance, simplicity, and pride in a job well done. Colas is also an active participant in the Francis-Bouygues Foundation, which aims to provide financial and moral support, including individual mentoring, for strongly motivated French or foreign students who have an ambitious personal project but are faced with financial and/or social obstacles, for the entire duration of their studies: in 2008, 12 Colas employees each mentored one scholarship student. Cultural sponsorship of painters (13 finalists received commissions from the Colas Foundation in 2008), music and dance rounds out this category. In all, Colas will have devoted 0.5 million euros to these actions.

## Encouraging the exchange of ideas

Managed at the level of the Colas parent company, this policy covers three broad areas: fine arts, through the Colas Foundation, which aims to bring modern art to the workplaces of Group employees; social sciences, political science, the humanities and economics, through the Cercle

Colas, which regularly invites academics and prominent personalities to talk on aspects of modern life of their choice, and natural/applied sciences through the Rencontres Scientifiques Colas in partnership with the magazine *La Recherche*, which invites scientists to present their ideas.

In 2008, the Cercle Colas hosted the following speakers:
– Jean-Hervé Lorenzi, professor at Université Paris-Dauphine, Chairman of the Cercle des Économistes: "Crises and crisis exits";
– Pascal Picq, paleoanthropologist at the Collège de France: "Man, his environment and sustainable development";
– Joël de Rosnay, biologist and science writer, CEO of Biotics International, and adviser to the director of Cité des Sciences et de l'Industrie: "2020: Future scenarios. Understanding the world of the future";
– Richard Seurat, Chairman and CEO of Anovo, professor at the Collège des Ingénieurs (Paris-Stuttgart) and lecturer at Tulane University (New Orleans, United States): "Blue Ocean Strategy© or How to create new market spaces?".

The themes of Rencontres Scientifiques Colas 2008 were:
– "Tomorrow's nuclear power stations", with Bernard Bonin, scientific director of the Nuclear Research Department, Commissariat à l'Énergie Atomique (CEA) and Yves Kaluzny, former head of the Agence Nationale pour la Gestion des Déchets Radioactifs (ANDRA), currently International Affairs and Cooperations Director, CEA;
- "The future of biofuels", with Jean-Paul Cadoret, director, Laboratoire Physiologie et Biotechnologie des Algues, IFREMER (Insititut Français de Recherche pour l'Exploitation de la Mer) and Jean-François Gruson, head of the Economics department, Direction Économie et Veille, Institut Français du Pétrole;
- "Understanding and controlling foam", with Dominique Langevin, research director, Laboratoire de Physique des Solides (Orsay and CNRS), winner of the Prix L'Oréal-Unesco, and Vance Bergeron, former researcher at Rhône-Poulenc Spécialités Chimiques, research director at the CNRS (Centre National de la Recherche Scientifique) and École Normale Supérieure, Lyon.

# Human resources

The aim of the human resources policy applied by Colas is to accompany the Group's development, facilitating the renewal, training, motivation, satisfaction and personal fulfillment of all of its 73,600 employees. This policy is founded upon five strong commitments:
– recruit the best talents while favoring diversity;
– train employees at all levels, anticipating changes in professions;
– encourage mobility and internal promotion within the Group;
– protecting the health and lives of its employees by implementing the most exacting safety requirements at work and on the road;
– perpetuating and boosting management culture based on respect and trust.

In 2008, Colas invested major human and financial resources to help make these commitments come to life in the field.

## An ambitious recruitment policy with a focus on diversity

### Major recruitment drive

In 2008, the Group pursued and stepped up its ambitious recruitment program to meet needs dictated by sustained level of business and to support the development of new markets.
Around 7,450 new employees were hired, approximately 4,150 in France and 3,300 over all the other geographical zones worldwide.

**2008 recruitment by geographical zone**

| | Management/ supervisors | Workers | Total |
|---|---|---|---|
| France | 1,607 | 2,541 | 4,148 |
| International | 1,010 | 2,285 | 3,295 |
| Of which Europe | 402 | 582 | 984 |
| North America | 227 | 1,489 | 1,716 |
| Africa/Asia/Indian Ocean | 381 | 214 | 595 |
| TOTAL | 2,617 | 4,826 | 7,443 |

Of the 4,150 newly hired French employees, 2,380 were under the age of 30, demonstrating how the workforce is constantly being renewed to keep pace with the Group's development and ensure smooth transmission of know-how between generations of employees.

Market changes require new skills in the upstream areas of contract execution such as bitumen-based businesses, complex design, build and finance projects (concessionary operations, PPPs, PFIs) and activities relating to railway infrastructures.

The high level of hiring carried out by Colas in 2008 resulted from numerous recruitment drives among many different population profiles led by both French and international subsidiaries. These included:
– campaigns conducted in schools, internships, alternating work/study training schemes (see below);
– coordination with organizations running youth employment and retraining schemes (see below);
– partnerships with temporary employment agencies (e.g. hiring of 80 personnel on permanent contracts by Screg IDFN);
– involvement in initiatives run by professional federations to promote public works industry trades (e.g., the "Ambassadeurs TP" initiative in France);
– organization of open house days giving access to Colas projects (e.g. the TCSP site at Sucy-en-Brie with Screg IDFN, Sacer Atlantique's Michelin plant demolition site at Poitiers) and production sites (e.g. Sintra's quarries, laboratories and plants in Canada);
– procedures to encourage recommendations by employees (e.g. Screg Ouest's Amijob program);
– press advertising campaigns;
– poster campaigns (a general public recruitment campaign in mainland France, the fourth since 2002, was launched in May 2008 on the theme "Our roads, your future" displayed on 25,000 billboards in all French towns of over 800 inhabitants), etc.

## Special focus on recruitment campaigns in schools, internships and alternating work/study training schemes

To optimize communication on its employment opportunities and careers, the Group has continued to forge links with numerous educational establishments, both specialized and otherwise, including: university technology schools in Lyon, Bordeaux and Belfort, the ESITC engineering school in Cachan, the University of Saint-Quentin-en-Yvelines, the École des Mines in Alès, the ESTP engineering school, the Masuku Polytechnique engineering school in Gabon, Chiang Mai University in Thailand, Penn State University in the United States, the University of Portsmouth in the United Kingdom and the École de Technologie Supérieure in Montreal, Canada. A partnership agreement was concluded with the HEI engineering school in Lille with the aim of orienting graduates from this school of general engineering studies towards jobs available in the Group.

Colas takes part in the life of educational institutions by encouraging employees to play an instructional role as lecturers or members of academic juries and taking part in forums organized by schools (the Pannevelles technical high school, the Centrale engineering school in Lyon and the École des Mines in Saint-Étienne), sponsoring student events (Screg sailing challenge, Colas rugby cup in conjunction with the École Centrale and ESTP engineering schools) and the sponsorship of classes and schools (Colas IDFN sponsored a two-year technical degree class in Rouen, Spac a similar class specializing in public works at Saint-Brieuc, Colas Hungary sponsored classes at the Budapest Technical University and Colas Belgium classes at the IRAM engineering school in Mons), and even sponsorship of individual students studying public works (22 scholarships funded in Croatia).

Internships for engineering school students and job opportunities based on alternating work/study schemes offered to students and apprentices at every level are still the most common way to enter the Group. In 2008, Colas played host to 3,500 interns (2,600 in 2007), 660 of whom came from outside France (600 in 2007) and 870 on alternating work/study schemes (600 in 2007).

## Promoting diversity

Particular attention is paid to promoting diversity in the Group recruitment policy. This includes diversity of outlook, skills, personal profile and background. A major challenge in the years ahead, diversity is a form of enrichment. It is the hallmark of a socially responsible company, a requirement for economic success and a guarantee that the company is constantly evolving.

Reflecting the diversity of employees and the richness of humanity that they represent, a special edition of Company magazine *Routes* dedicated to men and women who work for the Group won the Prix Spécial du Jury in 2008 in the annual awards organized by UJJEF, the French corporate communications federation.

**– Equal opportunities for men and women**
Equal opportunities within the Group for both men and women continue to strengthen. Nonetheless, women remain underrepresented among operational site workers.
In France, women constituted 8.36% of the workforce in 2008, compared to 7.50% in 2007.
Outside France, statistical averages mask sharp disparity: North America comes out on top, with 13.33% of women in the total workforce in Canada and 11.22% in the United States. The North American companies have the Group's highest proportions of women in supervisory positions (25% at Canadian Road Builders in Alberta).

**Breakdown of male/female workforce in 2008**

| | | Supervisors/ managers | Workers | Total |
|---|---|---|---|---|
| France | Men | 80.30% | 99.48% | 91.64% |
| | Women | 19.70% | 0.52% | 8.36% |
| International | Men | 76.67% | 95.14% | 91.35% |
| | Women | 23.33% | 4.86% | 8.65% |

Colas seeks to strengthen opportunities for women at every level and for every type of function. In 2008, women were recruited to a wide variety of jobs, including truck driver, laboratory assistant, site machine operator, site supervisor, site foreman, road marking applicator, design technician and QSE manager.

**– Employment opportunities for disadvantaged people**

The partnership agreement with EPIDE, an agency of the French armed forces, was renewed for the third consecutive year. The scheme gives young people aged between 18 and 21 with no qualifications a chance to become acquainted with Group professions through presentations, internships and introductory training courses over a period of several months. In 2008 this partnership resulted in 36 young people being hired. A similar scheme is run in Mayotte by the GSMA agency.

In tandem with these specific programs, subsidiaries continue to operate recruitment campaigns targeting the long-term unemployed, leading various types of job opportunity contracts. Screg Sud-Est, for instance, is still running a program launched in 2004 in conjunction with AREF BTP Rhône-Alpes, Adecco and a training organization to train and hire workers drawn from the pool of local youth opportunity and employment agencies (of 46 people trained in advanced technical skills in roads and main services, 19 were hired and will benefit from further training courses). Following a partnership contract with government job agencies AREF Île-de-France and ANPE, Smac took on 11 young people from the town of Villiers-le-Bel on professional training contracts.

Most of the French subsidiaries have signed up to Employment Charters agreed with departments and city councils to encourage job creation in deprived areas.

A number of subsidiaries such as GTOI in Reunion Island and Smac have set up partnerships with the local ANPE job center to create access to public works professions for job applicants who do not have the usual background, making use of recruitment tools such as simulation tests.

In Sussex, in the United Kingdom, a recruitment program for former offenders has been carried out successfully.

**– Seniors**

Some subsidiaries have also undertaken recruitment campaigns targeting older workers.
Sacer Sud-Est, Somaro, Smac have hired several dozen workers aged over 45, some of whom had no prior experience in the public works sector.

**– Employing disabled people**

The commitment of Colas to equal opportunity for disabled people is symbolized by the Company's sponsorship contract with visually-impaired athlete Assia El Hannouni, originally concluded in 2006 and renewed in 2008. Assia returned from the Paralympic Games in Beijing in 2008 with two gold medals (200 and 400 meters) and two silver medals.

Colas stepped up its efforts to ensure that anyone may enter the Group and exercise their skills within it, no matter what the form of their disability.

A number of subsidiaries have taken a proactive stance for hiring disabled personnel. In 2008, Colas IDFN set up a disabled employment scheme, following an agreement with trade unions in which the Company made a commitment to recruit 25 disabled people over the next three years.

For Colas employees who lose the ability to perform their job as a result of illness or accident, Group policy is that whenever possible they should be redeployed inside the Company. This is a common occurrence in North America, but in 2008 a number of French subsidiaries undertook retraining of personnel and specific job creation to aid employees who had become partly or totally unable to continue in their previous jobs. Among other examples, Screg Ouest created a job as a surveyor for a site foreman who had sustained serious injuries in a car accident, Colas Rhône-Alpes found an administrative job for a mason who had become allergic to cement and Sacer Atlantique was able to set up a new position for an employee who had become unable to perform his old job by switching to in-house production of site signs.

Colas' commitment to the cause of employment for disabled people has been recognized by the industry. A short film entitled *Determinations* about the careers of disabled employees won a special award at a festival for construction industry multimedia productions.

## Group average workforce in 2008

| | Managers and engineers | | | Foremen, technicians, supervisors and office staff | | | Workers | | | Total | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Country | 2007 | 2008 | % | 2007 | 2008 | % | 2007 | 2008 | % | 2007 | 2008 | % |
| France: mainland + overseas departments and territories | 5,132 | 5,596 | + 9.04 | 9,263 | 9,752 | + 5.28 | 22,765 | 24,174 | + 6.19 | 37,160 | 39,522 | + 6,36 |
| Europe (excluding France) | 1,048 | 1,181 | + 2.39 | 2,525 | 2,901 | + 4.36 | 8,545 | 9,729 | + 6.07 | 12,118 | 13,811 | + 5.40 |
| **Total Europe** | **6,180** | **6,777** | **+ 9.66** | **11,788** | **12,653** | **+ 7.34** | **31,310** | **33,903** | **+ 8.28** | **49,278** | **53,333** | **+ 8.23** |
| North America | 512 | 549 | + 7.23 | 1,620 | 1,749 | + 7.96 | 5,385 | 5,272 | – 2.10 | 7,517 | 7,570 | + 0.71 |
| Africa/Asia | 213 | 277 | + 30.05 | 657 | 763 | + 16.13 | 2,916 | 3,629 | + 24.45 | 3,786 | 4,669 | + 23.32 |
| Indian Ocean | 103 | 138 | + 33.98 | 359 | 467 | + 30.08 | 5,681 | 7,417 | + 30.56 | 6,143 | 8,022 | + 30.59 |
| TOTAL | 7,008 | 7,741 | 10.46 | 14,424 | 15,632 | 8.37 | 45,292 | 50,221 | 10.88 | 66,724 | 73,594 | 10.30 |

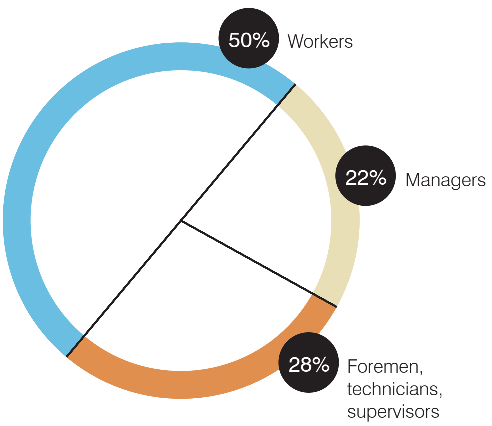
## Training to keep pace with changes in the sector

Colas devotes 4% of its payroll to training in France. All the Group's employees, from site workers to senior executives, are able to benefit from this investment. The broad range of training programs available reflects both the diversity of professions in the Group and its desire for excellence.

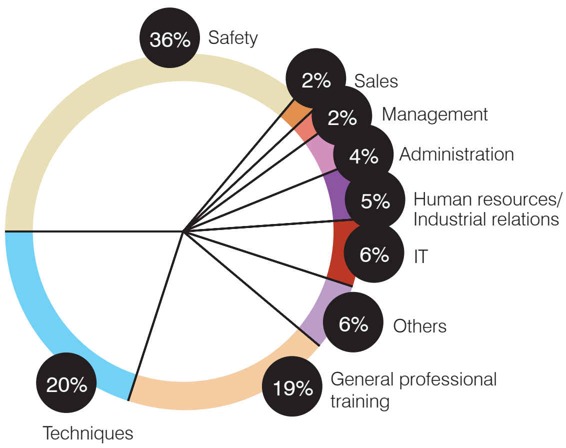
### Number of hours of training and number of courses in 2008

| | Hours | Training courses |
|---|---|---|
| France | 475,000 | 26,400 |
| International | 450,000 | 24,700 |
| TOTAL | 925,000 | 51,100 |

### Breakdown of training hours by status in 2008 (mainland France)




### Breakdown of training hours by topic in 2008 (mainland France)



## Colas Campus for all

With an offer of more than 150 training modules in 2008, the Colas Campus in France allowed more than 5,000 employees to hone their skills or discover new aspects of their professions. Training modules cover topics such as the administration of the Company as well as road techniques, management and general training for site supervisors. Particular attention is given to safety training, which represented roughly 35% of the training hours provided in 2008 (a figure rising to 50% in the United Kingdom and Ireland, the United States, Mauritius, Benin and Gabon).

The Group is also eager to encourage exchanges between subsidiaries in the context of training. In overseas and international subsidiaries (Reunion Island, Mayotte, Mauritius, Romania), the Human Resources department has programmed training modules that have proved successful in mainland France, tailoring them to the local context and needs. The second session of the "crossroads of knowledge" event organized by Colas Morocco was attended by Colas managers from Gabon and Benin, providing an opportunity for participants to engage in an exchange of experience in the field of training.

In North America, where many training programs are organized by each of the companies and phases 1 and 2 of Colas University have been functioning since 2001, an equivalent structure to the Colas Campus but on the scale of the region is progressively being put in place. In addition, North American managers were able to benefit from the launch of Colas University phase 3 in 2008, a high-level training program designed in partnership with McGill University in Montreal and the Darden School of Business, part of the University of Virginia. Consisting of three one-week modules, this program enabled six of the Group's American and Canadian managers to improve their managerial skills while gaining greater knowledge of the Group.

## Specific training operations run by subsidiaries

Specific training programs relating to markets that Colas has recently entered have been introduced. The Colas Rail school in Reims provides training in track-laying and train driving. The same type of training is available in Morocco in connection with the construction of the Rabat tramway.

In addition, occasional training projects are organized by the subsidiaries as and when specific needs arise. These programs can deal with topics as varied as road marking (South Africa) to preparations for the introduction of the euro for administrative staff (Slovakia) and IT skills for lab assistants (Gabon). In Madagascar, 35% of training hours dispensed are devoted to literacy.

## Mentoring

Helping ensure the transfer of know-how from one generation to the next, the training of mentors in a key element in the Group's policy. Several hundred mentors were given training in 2008, enabling them to provide newly hired personnel with a welcome and ongoing support, and to supervise young interns who are learning about the public works industry on work experience programs.

Colas IDFN took an original approach by setting up a dedicated "skills renewal unit". This not only provides site supervisors and foremen with a resource ensuring they can keep pace with changes occurring in the business, it also offers support for newcomers to the Group and for employees changing their jobs, guaranteeing that knowledge is transferred efficiently.

# Encouraging mobility and internal promotion at Group level

Colas must permanently plan ahead in terms of the organization of its structures while at the same time seeking to satisfy the aspirations of its employees. The Group's international dimension provides a vast array of potential jobs for all those employees who wish to enjoy varied experiences throughout their careers. Colas supports the ambitions of all its employees, from site worker to senior executive, as part of its quest for excellence, one of the Group's strongest values.

## Mobility

Mobility within the Group is strongly encouraged. Illustrating the Group's desire to reinforce this policy, a specialist unit dealing with mobility was formed in the Group's Human Resources department in 2008. Each year, more than 550 members of the Group's personnel, mostly managers and supervisors, change country or function, according to their own motivation and the needs of the Group.

In the United States, Group subsidiary Sloan transferred managers to another subsidiary, Reeves. In Romania, Colas provides housing and transport facilities for employees transferred from one company to another. The American subsidiary Delta has adopted the same policy for its personnel. Some French companies, such as Screg and Sacer Paris-Nord-Est subsidiaries, have instituted a "tour de France" for newly hired personnel, a period during which they travel around the country doing a variety of jobs in a number of profit centers, enabling them to appreciate the range of career possibilities available in the Group and to improve their adaptability.

Certain major projects on a particularly large scale, such as the M6 motorway in Hungary or the Tamarind Road in Reunion Island, call on many skills and create mobility within the Group and its subsidiaries.

Opportunities for employees who wish to gain international experience are abundant. The Group numbers more than 460 French expatriates, mostly in Europe and in the Indian Ocean region.

As a way of further encouraging mobility, Colas also hires foreign engineers in France, trains them according to Colas culture and then offers them positions in regions where their native background can constitute a particular advantage (Africa, Morocco, Europe).

## Internal promotion

For Colas, internal promotion is a natural way of operating. It is based on forecasting job openings on the basis of an accurate assessment of employees' potential, an effort to take account of their desire for change and the needs of the field. The Group's approach to promotion is often backed up by tailored training packages.

Colas encourages people who have joined with no qualifications to obtain professional qualification diplomas. These employees, who have acquired experience on project sites, receive additional training, and their diplomas are official recognition of their skills. Approximately sixty employees in mainland France acquired such qualifications in 2008.

Colas also provides specific training modules for the benefit of volunteer site workers who wish to rise to supervisory positions, if necessary incorporating remedial courses in mathematics or literacy skills (Screg IDFN). The Gérard Cassan Site Supervision training program is open to Screg Est, Colas Est and Sacer PNE employees, allowing participants to obtain a diploma in sixteen weeks that assures them of eligibility for promotion to foreman level. Since 1989, 172 site workers have received this training, some of whom have subsequently risen to the rank of site supervisor, following further training.

To improve employees' chances of professional and social integration, courses in literacy and remedial French are provided for any employees who express the need, in subsidiaries in the Greater Paris area and in French Guiana. Sacer Atlantique provides a course in "easy expression", allowing site teams to improve their communications skills by working on written and spoken expression.

In international subsidiaries, employees can take beginning courses in French (Romania) or improve their English (Madagascar, Hungary, Thailand). Colas Madagascar has set up a partnership with Antananarivo high school enabling any employees who so wish to enroll for a vocational qualification and obtain a diploma while continuing to work. In the United States, the subsidiary Branscome has set up the same type of program with the Thomas Nelson Community College.

The training and support that the Group offers allows many site workers to enjoy promotion to supervisory positions.

# Protecting employees' lives and health: setting the highest standards for safety

The safety of its employees, at the workplace and on the road, is at the core of Colas' priorities. The sheer number of training modules devoted to safety bears witness to this.

## Numerous initiatives to prevent accidents at work and on the road

Particular efforts are taken with newly hired personnel. Before they take up their first position, they are required to check and improve their knowledge of safety using dedicated software. Developed in-house, this entertaining software program enables users to comprehend risks that are incurred performing different tasks in each of the Group's businesses, and ways of preventing them. It is also used for training temporary employees, who present a specific risk of accident. Some subsidiaries, such as Screg IDFN, Colas New Caledonia, Colas Ireland and Colas Australia, also run safety awareness sessions for their subcontractors.

Documents targeting a variety of risks are circulated to all subsidiaries (workshop handbook, guide to maneuvering, chemical risks, etc.). They help site supervisors program their accident prevention strategies.

Each subsidiary devises and applies tools tailored to its businesses and its target populations. These include a guidebook and training on risks of falling from height at Smac, a CD-ROM on safety at Screg IDFN, a safety basics handbook at Screg Sud-Est, a specific handbook on demolition activities at Screg Ouest, sketches in Creole on the topic of safety in Reunion Island, comic strips at Colas Sud-Ouest and Colas Madagascar, and videos of work sites with comments on safety by site workers and foremen at Colas Midi-Méditerranée, etc. In countries where they are permitted, random drug tests (United States) and alcohol tests (South Africa) are carried out on construction sites.

Safety also entails innovation and the continuing improvement of equipment: cameras installed on site machines at Colas Rhône-Alpes, an award-winning innovation to improve signaling of the "men at work" zone at Sintra in Quebec, a laser detection system on compactors in partnership with the French National Research and Safety Institute at Screg Est, etc.

The challenge of safety goes beyond simply training employees or making improvements to equipment. It is necessary not just for each employee to know the rules, but to apply them in every circumstance. This means maintaining a spirit of safety by motivating all levels of management on the topic of safety. Special field coordinators have been put in place: safety managers at regional level, safety and road safety coordinators in the profit centers, etc. They are all a driving force in implementing, running and coordinating the safety policy, and are involved in everyday accident prevention actions: site audits, tool box safety talks, safety days organized regularly by the profit centers, inter-company safety competitions, etc.

Thanks to a sustained training program, the number of employees trained in workplace first aid rises each year; there are currently 17,000 of them, or 24% of the Group's workforce. Among the Group's French employees there are also 160 volunteer firefighters.

**Number of employees trained in workplace first aid**

| | 2005 | 2006 | 2007 | 2008 |
|---|---|---|---|---|
| France | 7,336 | 8,470 | 8,824 | 10,290 |
| International | 4,049 | 4,314 | 5,096 | 6,774 |
| TOTAL | 11,385 | 12,784 | 13,920 | 17,064 |

The Group has its own particular way of dealing with road safety. It is the subject of many exchanges of good practice between subsidiaries; the Scope software package is used throughout the Group to raise awareness of road safety; and in France it was decided in 2008 to limit the top speed of both vans and trucks.

Specific training programs are also organized for truck drivers both in France and in other countries, to improve their driving in terms of safety (and of eco-driving practices). Colas IDFN has appointed a road safety manager tasked with monitoring all the subsidiary's truck drivers by spending an entire working day with them.

## Safety results in 2008

### Trends in the Group's safety indicators

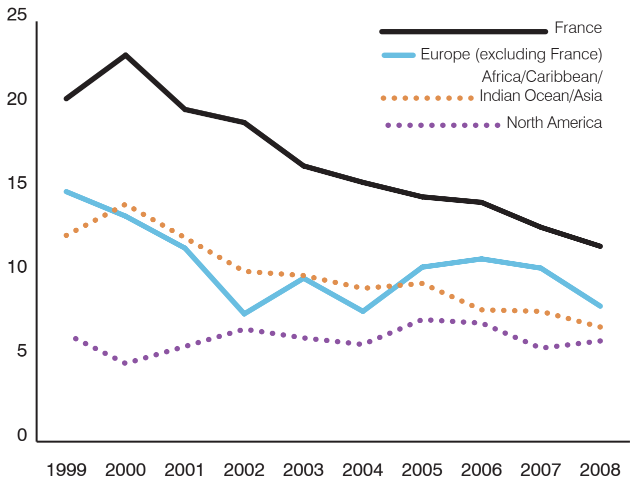
#### Mainland France

| | Frequency rate | Annual severity rate | Safety index | Fatal workplace accidents | Fatal work-related road accidents |
|---|---|---|---|---|---|
| 2005 | 14.56 | 0.66 | 9.61 | 3 | 0 |
| 2006 | 14.23 | 0.67 | 9.53 | 4 | 0 |
| 2007 | 12.75 | 0.57 | 7.27 | 3 | 4 |
| 2008 | 11.62 | 0.48 | 5.58 | 6 | 2 |

#### International

| | Frequency rate | Annual severity rate | Safety index | Fatal workplace accidents | Fatal work-related road accidents |
|---|---|---|---|---|---|
| 2005 | 9.20 | 0.25 | 2.30 | 6 | 5 |
| 2006 | 8.58 | 0.24 | 2.06 | 6 | 1 |
| 2007 | 8.02 | 0.23 | 1.84 | 5 | 1 |
| 2008 | 7.01 | 0.21 | 1.47 | 5 | 1 |

### Progress achieved in frequency rates around the world in ten years




### Road safety: comparative trends of number of accidents and size of fleet from 1997 to 2008 in France

| | 1997 | 2003 | 2007 | 2008 | Variation 2008/1997 |
|---|---|---|---|---|---|
| Number of vehicles | 13,746 | 20,588 | 25,380 | 26,974 | +96% |
| Number of accidents with third-party liability* | 3,024 | 2,334 | 2,407 | 2,380 | −21% |
| Frequency | 0.220 | 0.112 | 0.094 | 0.0882 | −60% |

* Accidents with third party liability and not according to the principle of avoidability.

### Prizes and honors won by Colas for exemplary safety results

Some of the Group's subsidiaries reported excellent safety results in 2008.

Colas Madagascar further improved on its already remarkable statistics achieved in 2007: the Fort Dauphin project won a prize awarded by Rio Tinto-QMM for 8 million hours worked without lost-time accidents and a film produced about the project was honored in the World Trophies for Road Safety Films. The Group's Thai subsidiary once again won several national awards this year acknowledging working conditions and accident prevention initiatives on various sites, as well as "Zero Accident" trophies. Colas New Caledonia won a prize for its safety initiatives. Several of Colas Ireland's profit centers won awards from the National Irish Safety Organisation. Colas Sud-Ouest secured the prestigious DuPont Safety Award 2008 in the Sustainable Business Impact category. Many profit centers in France and in other countries have obtained MASE or OHSAS 18001 certification, which guarantees high-level safety procedures. In the area of road safety, the subsidiary Screg IDFN won first prize in the Large Companies category in France's Corporate Road Safety Trophies.

### A comprehensive policy of health protection

Beyond the issues of safety in the workplace and on journeys, Colas is committed to a comprehensive policy of health protection for its employees, particularly in countries where the state health service does not meet all expectations.

In Madagascar, Benin and Gabon, Colas continues to pursue STD and HIV/AIDS prevention campaigns conducted by "peer educators" and provides dispensaries and medical staff for employees and their families. In Madagascar, Colas holds the vice-presidency of the Coalition of Citizen Enterprises of Madagascar, which organizes anonymous and free HIV screening not only for employees, but also for the population in general. Screening campaigns are also organized for diabetes.

The Group's American companies organize "health fairs" for employees and their families with free health checkups, to encourage them to take greater care of their health by adopting a healthier lifestyle.

In France, training sessions dealing with alcohol dependency and drug use enable employees to talk with a specialized consultant about these often taboo subjects, and to become more aware of the harmful impact of these substances both in their work environment and in their private lives. Sacer Atlantique, which is behind this initiative in the Group, was awarded the Axa Grand Prix for Health in 2008.

A project designed to improve workstations in site vehicles continued in 2008, involving an ergonomics consultant and training sessions for employees in movement and posture.

## A management culture based on respect and trust

### Managing industrial relations at local level

Industrial relations at Colas are handled primarily at the level of profit centers. These structures are largely autonomous, and they themselves manage issues of employment, forecasting and adapting skills and accident prevention according to the local context and the Group's HR strategy.

In practical terms, employee representation in France takes the form of 350 committees in addition to the health, safety and working conditions committees operating in the fields of healthcare and accident prevention.

In other countries, agreements are often negotiated with the specific trade unions to which the employees belong. Examples in 2008 include: eight collective bargaining agreements signed in Canada, two in the Romanian subsidiary and a wage agreement in Hungary on the construction site of a section of the M6 motorway and at the Eszakkö quarry site.

Local representatives of the European subsidiaries have been designated to sit on the Bouygues European Works Council.

## A policy of reward through remuneration

Through its salary incentive remuneration policy, the Group is able to attract, motivate, create loyalty and remunerate. Salaries consist of fixed and variable components, to which are added health insurance and retirement pension schemes and Group savings products, according to local legislation.

Applied by Colas in France as of October 1, 2007, French legislation covering work, employment and purchasing power took full effect in 2008. The exemption of overtime from income tax had a positive effect on net pay and on employees' purchasing power. Various measures to reinforce the new legislation have been introduced for employees in a number of subsidiaries, by way of negotiated agreements on the annualization of working hours, which have the effect of allowing overtime to be paid at a higher rate without having to wait until the end of the year.

In France, salaries are supplemented by profit-sharing schemes which enable employees to be associated with the long-term success of the Group. Employees can also subscribe to Bouygues Group company savings products: these include company savings plans (PEE) and retirement savings plan (PERCO). Both these products were made more attractive in 2008, with increases to the employer contributions. In the case of the PEE, the maximum annual employer contribution rose from 2,880 euros to 3,360 euros on April 1, 2008. The employer contribution for the Perco was raised to 1,290 euros per year with effect from July 1, 2008.

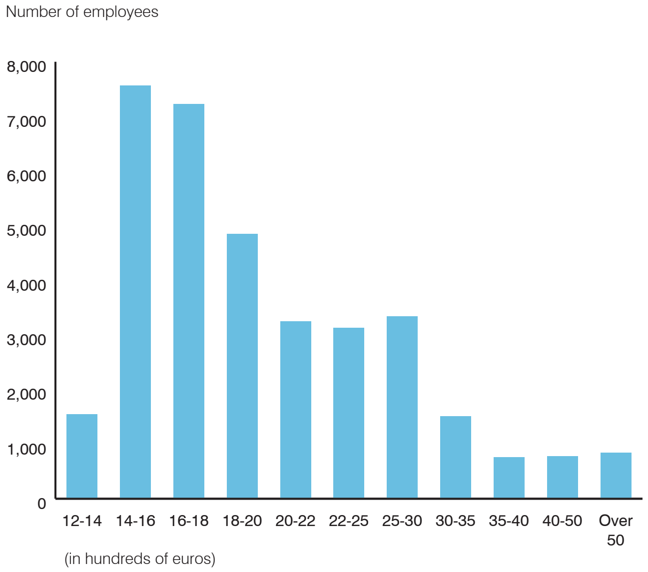
When the legislation on purchasing power took full effect in February 2008, allowing early pay-out of profit-sharing payments and enabling employees to cash in days off owed by the Company in the context of reduced working hour agreements as of December 31, 2007, there was a positive impact on employees' revenues.

**Payroll expenses – Social security charges – Profit sharing – Temporary personnel in 2008 (France)**

| in thousands of euros | 2007 | 2008 | % 2008/2007 |
|---|---|---|---|
| Salaries and wages | 1,955,248 | 2,110,268 | + 7.93 |
| Social security charges | 696,474 | 761,840 | + 9.39 |
| TOTAL PAYROLL EXPENSES | 2,651,722 | 2,872,108 | + 8.31 |
| Employer contribution to PEE, PERCO, Bouygues Confiance and Bouygues Partage | 26,142 | 21,282* | – 18.59 |
| Employee profit-sharing | 22,818 | 25,061 | + 9.83 |
| TOTAL EMPLOYER CONTRIBUTION PLUS PROFIT-SHARING | 48,960 | 46,343 | – 5.35 |
| TOTAL PAYROLL COSTS AND OTHER ADVANTAGES | 2,700,682 | 2,918,451 | + 8.06 |
| Outside personnel | 359,722 | 336,405 | – 6.48 |

* No new company savings plan in 2008.

### Average monthly wage in 2008 (France)




In other countries, salary increases take account of local legislation. The remuneration policy is based on the individualization of salaries, and bonuses are calculated on the basis of performance. To enable employees to plan ahead more easily, even though the activity is sometimes seasonal, flexible hours agreements have been instituted between periods of high and low activity (North America, Romania).

### Company Savings Plans and Perco in 2008 (France)

| Bouygues savings plan | Number of employees with savings accounts | % of category | Total payments* (in euros) | Average individual payments (in euros) |
|---|---|---|---|---|
| Managers | 3,691 | 65.96 | 10,636,709 | 2,882 |
| Foremen, technicians, supervisors | 4,145 | 42.50 | 7,265,483 | 1,753 |
| Workers | 4,531 | 18.74 | 5,729,549 | 1,265 |
| TOTAL | 12,367 | 31.29 | 23,631,741 | 1,911 |

| Colas Monétaire | Number of employees with savings accounts | % of category | Total payments* (in euros) | Average individual payments (in euros) |
|---|---|---|---|---|
| Managers | 110 | 1.97 | 111,255 | 1,011 |
| Foremen, technicians, supervisors | 157 | 1.61 | 121,198 | 772 |
| Workers | 182 | 0.75 | 132,801 | 730 |
| TOTAL | 449 | 1.14 | 365,254 | 813 |

| PERCO | Number of employees with savings accounts | % of category | Total payments* (in euros) | Average individual payments (in euros) |
|---|---|---|---|---|
| Managers | 352 | 6.29 | 722,517 | 2,053 |
| Foremen, technicians, supervisors | 146 | 1.50 | 116,648 | 799 |
| Workers | 91 | 0.38 | 60,465 | 664 |
| TOTAL | 589 | 1.49 | 899,630 | 1,527 |

* Employee contribution (not including employer contribution).

### Minimum legal wage and annual average wage rates at Colas (foreman and machine operator) in the main countries and geographical areas where Colas operates (2008)

| | | Mainland France | Hungary | United Kingdom | Switzerland | Morocco | Madagascar | United States | Canada |
|---|---|---|---|---|---|---|---|---|---|
| Annual average Colas wages (in euros) | Machine operator | 23,150 | 10,276 | 32,562 | 41,093 | 6,007 | 1,662 | 31,540 | 19,960 |
| | Foreman | 31,845 | 15,405 | 47,241 | 58,367 | 12,725 | 2,664 | 39,182 | 27,657 |
| Minimum annual legal wage per country (in euros) | | 15,546 | 3,247 | 14,849 | 9,814 | 2,112 | 361 | 9,252 | From 9,900 to 11,500 depending on province |

## Attractive social benefits

In recent years, Colas has worked on modernizing, improving and harmonizing all its social protection measures for employees in mainland France. Further pursuing these measures, a new complementary health insurance contract, in partnership with PROBTP and SMBTP (MME), was put in place in January 2008, with guarantees further improved. Compulsory for all employees and their families, and identical for all categories of employees, it provides a very good level of basic cover and is jointly financed by the employee (40%) and the employer (60%), with a further option available that is fully paid for by the employee. The contract has been subscribed by 33,200 employees in mainland France. A specially tailored version of the contract was made available during the course of the year to members of associations of retired Group employees.

A complementary health insurance contract with similar characteristics has also been negotiated with a local mutual insurance company.

In other countries, the welfare cover provided for employees depends on the local legislative framework and collective agreements in place, but Colas has the aim of progressively promoting a fair and attractive framework for all its employees.

## Managerial practices based on respect and trust

The Group encourages all approaches that seek to improve industrial relations and to empower its employees.

The procedure of annual appraisal interviews which has been in force for a number of years in France is in the process of being introduced in all countries where the Group operates. Training on conducting individual appraisal interviews has been organized in countries that have not yet adopted this management tool (Hungary, Slovakia, etc.).

Some subsidiaries have adopted original initiatives: a personnel satisfaction survey at Somaro that led to work carried out by task forces; work groups involving Sacer Atlantique employees on conveying the Company's brand image on construction sites; monthly working meetings involving management and union delegates on topics of current importance at Colas Belgium; a forum for site teams at Colas Ltd enabling representatives of site teams to meet and discuss concrete problems in an atmosphere of cooperation; an industrial relations committee at Sintra in Canada, with union delegates present at every meeting; and "all hands" meetings at the Californian subsidiary Sully-Miller in the United States, in which all supervisors and managers gather to discuss the work environment.

# Risks – Exceptional events – Disputes

Appraising, monitoring and preventing risks arising from the very nature of our businesses have for many years been at the core of Group management techniques, and are dealt with at a decentralized level, to ensure proper understanding. The Group's decentralized organization remains the key to risk management.

Risks are analyzed, defined and evaluated at a central level, along with the general overall risk policy, mainly through feedback via reporting and best practices. However, it is up to the subsidiaries and profit centers to deal with, control and monitor their own risks. Regular discussions and work sessions on the topic take place with the Group's parent company, Bouygues, which organizes joint committee meetings on risks, particularly on the analysis of major risks and how to prevent them. Work begun in September 2007 on standardizing the analysis, tracking and reporting of information was stepped up in 2008, with the aim of establishing an internal control system corresponding to the recommendations of the AMF (the French financial market regulator). Colas' businesses do not appear to be particularly exposed to major risks, given their nature, the distribution of Group profit centers and the number of contracts carried out. Colas is continually adapting and improving procedures for managing risks inherent to its subsidiaries' business sectors. The Group integrates this aspect into its training policy through specific training courses accessible to all Group employees.

Colas pays particular attention to risk analysis and prevention by monitoring claims and analyzing the causes. In 2008, a procedure of detailed reporting applicable to claims above 80,000 euros was brought into general use. Risk management is incorporated into the management system of subsidiary companies, at the level most suited to risk identification, control and management. Coordination and organization at a centralized level using high-performance reporting tools make it easier to identify different types of risk, centralize feedback so that it can be distributed within the subsidiaries, help build a risk prevention policy and implement preventive actions.

## Operational risks

Manufacturing activities in France (emulsion plants, bituminous membrane plants, quarries, mastic asphalt units, asphalt mixing plants, etc.) must comply with regulations governing industrial facilities and quarries. Commitments for the rehabilitation of quarries, defined by local planning authorities and government agencies, are an integral part of every operating license. The principle is exactly the same in other countries in which Colas operates these types of installation. Provisions for these commitments are shown in the financial statements, and the sums in question are reviewed regularly. These risks are also accounted for within a broader, continuous policy of ISO 14001 certification, as explained previously. A check-list system, applicable worldwide, which has been in use for a year now covers 50% of production sites. This approach has made it possible to consolidate action plans.

93% of Colas' construction activity is contracted in Europe and North America (United States and Canada). Exposure to country risk is low, as is the risk of non-payment, since 60% to 65% of sales are with public-sector customers (governments, local authorities), involving a very large number of small-scale projects with low contract value. Whenever possible, the monitoring of this risk is supplemented by the upstream use of credit insurance organizations. Such risks have increased – and will continue to increase – in the current financial crisis, and subsidiaries are regularly reminded of the rules and good practices to apply.

Colas is sensitive to variations in the supply and cost of petroleum-based raw materials in its road construction business (bitumen, fuel, heating fuel, oils), and other raw materials such as steel or aluminum which are used in the safety, signs and signals, waterproofing and rail businesses. A large number of construction contracts and the commitments that arise therefrom are of short duration. Contracts contain price review clauses which, whenever feasible, provide protection from, or limit the impact of, price hikes on Company profit margins. In some business areas and for some contracts, longer-term purchase contracts or purchase cover can be negotiated on a one-off basis. Variations in the price of oil and derived products took on a magnitude and suddenness in 2008 that had never been experienced before. These variations generated additional costs for some contracts that were not subject to protection measures. During the year, some projects, particularly in France, were disrupted by breakdowns in supplies of bitumen. On the whole, the subsidiaries' management systems enabled them to weather this difficult period without significant consequences for their profitability or that of the Group. The exception to this was the Thai subsidiary, Tasco, which posted a loss because of a supplier's failure to honor a contract to deliver bitumen. This contract was subject to forward cover provisions which had to be liquidated under unfavorable financial conditions. Procedures for these specialized purchases have been strengthened.

Significant steps have been taken with regard to the transportation of site machines and industrial equipment. Reminders of regulations covering abnormal loads were issued; software designed for calculating loads was distributed to all subsidiaries; each subsidiary drew up a transport action plan; instructions and procedures for the safe transport of site machines were reissued; and reminders of procedures for negotiating contracts for transportation and plant hire were issued.

As far as fire prevention is concerned, two guides were published, featuring fire prevention plans and the fire permit procedure. A set of model contracts for services performed by outside companies, particularly contractors carrying out maintenance on production sites, was circulated to all subsidiaries.

## Risks to people

These risks are twofold: risks of workplace accidents and risks arising out of work-related travel. For many years, the Group has practiced a strong, proactive policy of accident prevention and safety training, making it possible to obtain significant and sustainable improvements. The result is reflected in a steady drop in the frequency rates of both workplace and traffic accidents. (See the section of "Human resources" for more details.) A software package encouraging safe driving, Axa Scope 3, was put online in France in 2008, and can be accessed by all employees. A program to limit vehicle speeds launched in France at the end of 2008 will be extended progressively to all the Group's fleets of trucks and vans. Handbooks containing recommendations for driving cars, trucks and site vehicles were written and circulated.

## Technical risks

These risks appear to be limited because of the great number of contracts carried out each year. Patents and techniques do not appear to carry a risk of obsolescence. Colas' Research and Development policy allows for continual renewal and modernization of technical expertise.

## Financial risks

Colas has very little exposure to exchange-rate risks, since most of its business is conducted by local subsidiaries whose production costs are expressed in the same currency that is used for invoicing. As some major projects do, however, include a certain degree of exchange-rate risk, the financial department at Colas provides subsidiaries with expert advice. In addition, the Company is not at risk from variations in interest rates as the Group's net cash position as of year-end 2008 was close to zero. Only seasonal variations require recourse to short-term loans. All loans and investments are centralized in the same currency (euros, US dollars, Canadian dollars, etc.). As of December 31, 2008, the consolidated net cash position was close to zero (– 6 million euros), to which may be added an amount of 1,289 million euros in confirmed lines of credit (of which 239 million euros were used as of December 31, 2008). Colas carries no risk arising from cash shortages and has the necessary resources for growth. In 2008, Colas recorded no losses relating to risky investments of any kind.

## Insurance and risk cover

The Group takes care to protect its assets, property and people against foreseeable hazards for which insurance is available, while still maintaining its competitive edge. Its long-standing accident prevention policy, strengthened each year, makes it possible to work closely with insurance companies and has enabled the Group to renew its insurance policies under conditions practically identical to those of previous years. Therefore, Colas considers that confidentiality must be maintained concerning the amounts of premiums and the conditions of guarantee it is in a position to obtain, as these are significant components in the Group's market competitiveness.

## Exceptional events and disputes

Companies are involved in litigation or disputes that form part of the normal course of their business. Risks have been evaluated and financial provision made on a like-for-like basis with preceding years, based on feedback from experience and analysis by the Group's legal department and legal advisers. To date, to the Company's knowledge, there are no exceptional events or disputes that could significantly impact the activity, assets, earnings or financial position of the Group.

# Acquisitions of equity interests

During fiscal year 2008, significant equity stakes (1) were acquired in the following companies:

| Name of company | Head office | % of stake |
|---|---|---|
| Groupe Gouyer | Martinique and Guadeloupe (France) | 100.00 |
| CERF | Bransat (France) | 100.00 |
| ISAF | Bucarest (Romania) | 100.00 |
| Drawmac Group | Sydney (Australia) | 51.00 |
| South West Industries | Las Vegas (United States) | 100.00 |
| Awazil Al Khaleej | Riyadh (Saudi Arabia) | 49.00 |
| Signalinea | Rijeka (Croatia) | 100.00 |
| SECP (Sté d'Exploitation des Carrières de Plouray) | Plouray (France) | 100.00 |
| Béton Saint-Ephrem Inc. | Saint-Ephrem de Beauce (Canada) | 100.00 |
| Vigifrance Sécurité SAS | Taverny (France) | 99.97 |
| Société d'aménagement foncier d'amendement et de concassage | Saint-Loup-Géanges (France) | 22.00 |
| Lignes de stationnement Rivard 2004 Inc. | Granby (Canada) | 100.00 |
| 9067-6297 Québec Inc. | Tremblant (Canada) | 100.00 |
| Brule Weickert | Plouray (France) | 100.00 |
| Demeter | Portet-sur-Garonne (France) | 25.00 |
| Signasol | Argentre (France) | 100.00 |
| Grosjean Matériel Voie Ferrée (GMVF SARL) | Dunkerque (France) | 100.00 |

The following additions were made to existing equity stakes:

| Name of company | Head office | % acquired | Total % of stake |
|---|---|---|---|
| ADELAC | France | – | 6.90 |
| Highway Resources | Singapore | 20.00 | 100.00 |
| Rambaud béton Service SARL | France | 24.36 | 100.00 |
| Transformation Rambaud béton SARL | France | 24.36 | 100.00 |
| Debmut | Hungary | 5.81 | 100.00 |
| Enrobés de Cornouailles SARL | France | 45.00 | 100.00 |
| Egut | Hungary | 4.41 | 99.74 |
| Rhodanienne produits Asphalt SARL | France | 18.38 | 64.98 |
| Monteil | France | – | 100.00 |
| Grand Holding Caraïbes SARL | Martinique | 26.30 | 100.00 |

(1) Materiality threshold adopted for presentation purposes: investments of over 150,000 euros.

# Outlook

In 2008, Colas pursued its strategy of profitable growth: revenue totaled 12.8 billion euros (+9.6%), generating a Group share of net profit of 490 million euros, cash flow totaling 1.18 billion euros (+7.7%), a dynamic investment policy designed to strengthen the present and prepare for future developments (net investments of 658 million euros), and a healthy balance sheet with net financial debt standing at 6 million euros as of year-end 2008, compared with shareholders' equity totaling 2.18 billion euros.

Work-on-hand for the Group at the end of January 2009 stood at 6.3 billion euros, maintaining a high level even if 8% lower than that recorded at the end of January 2008. The current work-on-hand and data available at this stage do not enable us to forecast market trends, which will depend on contradictory factors: the ramifications of the economic and financial crisis, the price of oil, which has thus far had a positive effect on the cost of investments for our customers, and economic stimulus plans that are advantageous to the Group's businesses. In France, the level of investment budgets of local authorities will be decisive. The launch of new tramway construction programs is a positive factor; prospects for the renovation of the rail network are promising; and work-on-hand in the waterproofing business, traditionally better filled than that of road businesses, are at a good level. Activities relating to road safety could experience slight growth. Turning to international operations, the outlook in Canada remains positive and the American subsidiaries will be among the first beneficiaries of the massive stimulus packages that has been announced if it is implemented rapidly. Africa, along with Morocco and the Indian Ocean in particular, should retain a good level of business, even allowing for the end of exceptional projects in Reunion Island and Madagascar which could be replaced by other major projects in 2010. Business trends in the rest of Europe should differ little from those observed in France, with possible developments if a number of major projects that have been targeted are secured and benefit from financing in the framework of PPP operations.

In this context, a provisional hypothesis for revenue in 2009 has been set at 12.3 billion euros. The solidity of its established operations and its businesses should enable Colas to adapt to this level of activity, if the hypothesis is confirmed. Depending on trends in its various markets, Colas will, even more than in the past, conduct a strategy of profitability rather than volume. Essential short-term and medium-term investments will be maintained, and budgets adjusted progressively and pragmatically throughout the year. The Group will continue to aim to meet the goals it has set for responsible development, particularly with regard to energy savings and safety, and will be primed to satisfy needs for infrastructures around the world, relying on a regularly expanding international network of companies, a significant portion of industrial activities, financial solidity and a simple, flexible organization backed by 73,600 employees.

# Colas earnings and appropriation

The Statutory Auditors of the Company will present their assessments on the financial statements that you are invited to approve in the Auditors' Report. The financial statements have also been reviewed by the Works Committee, as required by law.

The parent company earned 327,745,470.97 euros compared to 278,477,453.76 euros in 2007. The total amount available for appropriation, which consists of the year's earnings plus last year's unappropriated retained earnings, is 562,035,663.72 euros. We propose appropriating this amount as follows:

| | |
|---|---|
| – legal reserve | 4,497.90 euros ; |
| – dividend distribution for a total of | 284,783,371.25 euros ; |
| as of April 28, 2009; | |
| – balance of unappropriated retained earnings | 277,247,794.57 euros. |

For shareholders who pay income tax in France, the dividend of 8.75 euros per share with a par value of 1.50 euros is eligible for a 40% tax rebate as stipulated in article 243 *bis* of the French tax code. The following dividends were paid over the last three fiscal years:
– for 2005: 4.80 euros;
– for 2006: 6.40 euros;
– for 2007: 8.50 euros.

We propose paying this dividend either in the form of cash or shares, as preferred by the Shareholder, subject to the following terms and conditions:
– the issue price of the new shares would be 95% of Colas' average opening share price during the twenty trading days prior to the date of this Shareholders' Meeting, minus the net dividend amount;
– requests may represent only a portion of the dividend attributable to a given shareholder but must relate to a whole number of shares, rather than a fraction of a share;
– when the dividend amount to be paid in shares does not correspond to a whole number of shares, the Shareholder shall receive the number of shares immediately below this number and the balance is paid in cash by the Company;
– Shareholders may inform the Company of their decision to receive their net dividend payment in cash or in shares between April 28, 2009 and May 19, 2009 inclusive. After this period, the dividend shall be paid exclusively in cash;
– Shareholders who exercise their option to receive their dividend payment in shares shall receive new shares, with rights accruing as of January 1, 2009.

## Compensation of Company Officers

**Chairman and Chief Executive Officer:**
Total gross compensation (including benefits in kind but excluding variable compensation) paid by the Bouygues Group and re-billed to Colas in respect of his duties as a Group senior executive in 2008 to Mr. Hervé Le Bouc, Chairman and Chief Executive Officer, amounted to 804,100 euros (231,183 euros for four months in 2007). Gross variable compensation for 2008 established in relation to qualitative and quantitative targets to be paid in 2009 will be 960,000 euros (300,000 euros for four months in 2007). Mr. Hervé Le Bouc also received 20,000 euros in directors' fees paid by Colas in 2008 and 18,293.88 euros in directors' fees as a member of the Board of Directors of Bouygues, the parent company of Colas as defined under article L. 233-16 of the French Code of Commerce. Mr. Hervé Le Bouc benefits from a supplementary pension plan as a member of the General Management Committee of Bouygues, which represents 0.92% of yearly compensation per year of seniority in the said plan. This supplementary pension plan has not been posted as a provision since this plan consists of an insurance contract subscribed with an external organization and is governed by the procedure for regulated agreements.

**Executive Directors (employee status):**
Total gross compensation (including benefits in kind but excluding variable compensation) paid by the Company in 2008 to Mr. Thierry Genestar in his salaried status as Managing Director of Colas France was 397,380 euros (378,169 euros in 2007). Gross variable compensation for 2008, based on growth in Group earnings and qualitative targets, to be paid by the Company in 2009 will be 270,000 euros (280,000 euros was paid in 2008 on the basis of 2007). Mr. Thierry Genestar also received 20,000 euros in directors' fees in 2008 from Colas. Total gross compensation (including benefits in kind but excluding variable compensation) paid by the Company in 2008 to Mr. Thierry Montouché,

in his salaried status as General Secretary was 369,840 euros (344,347 euros in 2007). Gross variable compensation for 2008, based on growth in Group earnings and qualitative targets, to be paid by the Company in 2009 will be 240,000 euros (220,000 euros was paid in 2008 on the basis of 2007). Mr. Thierry Montouché also received 20,000 euros in 2008 in directors' fees from Colas.

**Directors whose compensation is paid by Bouygues,** Colas parent company as defined in article L. 233-16 of the French Code of Commerce, namely Messrs. Olivier Bouygues, Jean-François Guillemin:
Please see Bouygues Reference Document for further information.
These two Directors received an amount of 20,000 euros each in 2008 in directors' fees from Colas.

**Other Directors:**
Directors' fees paid by the Company in 2008 to other members of the Board of Directors – Messrs Christian Balmes, Alain Dupont, Philippe Marien, permanent representative of Bouygues, Patrick Le Lay and Michel Roullet – amounted to 20,000 euros each.

# Share capital

## Share capital in 2008

On January 1, 2008, the Company had issued share capital of 48,775,027.50 euros, consisting of 32,516,685 shares with a par value of 1.50 euros each.

After adding 29,986 shares subscribed through the exercise of the option for payment in shares of the dividend for fiscal year 2007, the Company's share capital on December 31, 2008 was 48,820,006.50 euros, consisting of 32,546,671 shares with a par value of 1.50 euros.

## Share ownership

On the basis of recorded share capital as of January 2, 2009, Bouygues directly and indirectly held 96.8% of Colas' share capital as of December 31, 2008; Colas Group employees via "Colas en actions" and "Colas shares" held 1.0%.

As of December 31, 2008, Colas held no treasury stock.

## Share price and trading volume

In 2008, Colas' share price on the Paris Stock Exchange varied from a low of 121.15 euros (December 18, 2008) to a high of 309.50 euros (January 2, 2008) and ended the year at 142.00 euros, which is 45.88% below the share price on December 31, 2007. For the sake of comparison, during this period, the French CAC 40 stock market index fell 57.32%.

# Colas share price

| Year | Month | Share price Highest | Share price Lowest | Number of shares traded | Capital in millions of euros |
|---|---|---|---|---|---|
| 2005 | January | 131.50 | 115.90 | 15,228 | 1.9 |
| | February | 131.00 | 115.00 | 27,405 | 3.4 |
| | March | 129.30 | 120.20 | 19,831 | 2.5 |
| | April | 125.50 | 119.70 | 25,305 | 3.2 |
| | May | 137.10 | 118.70 | 478,062 | 59.6 |
| | June | 135.80 | 129.40 | 32,806 | 4.3 |
| | July | 134.90 | 130.00 | 25,761 | 3.4 |
| | August | 137.00 | 131.20 | 27,215 | 3.7 |
| | September | 156.50 | 133.20 | 39,606 | 5.7 |
| | October | 159.50 | 140.20 | 87,747 | 12.8 |
| | November | 147.90 | 140.00 | 12,923 | 1.9 |
| | December | 145.90 | 140.00 | 27,994 | 4.0 |
| 2006 | January | 143.90 | 137.50 | 16,883 | 2.4 |
| | February | 169.90 | 141.00 | 74,414 | 11.5 |
| | March | 170.00 | 165.00 | 66,649 | 11.0 |
| | April | 169.40 | 160.50 | 10,167 | 1.7 |
| | May | 166.90 | 160.10 | 20,419 | 3.3 |
| | June | 165.00 | 157.10 | 8,722 | 1.4 |
| | July | 180.10 | 159.50 | 15,013 | 2.6 |
| | August | 198.00 | 175.10 | 40,854 | 7.6 |
| | September | 220.00 | 193.70 | 20,958 | 4.3 |
| | October | 230.00 | 212.60 | 28,518 | 6.3 |
| | November | 228.00 | 202.00 | 20,509 | 4.4 |
| | December | 228.50 | 209.00 | 14,968 | 3.3 |
| 2007 | January | 244.50 | 225.60 | 21,445 | 5.1 |
| | February | 296.69 | 236.00 | 47,891 | 12.7 |
| | March | 300.00 | 255.00 | 18,414 | 5.3 |
| | April | 308.05 | 285.00 | 10,723 | 3.2 |
| | May | 363.99 | 305.00 | 17,504 | 6.0 |
| | June | 360.00 | 320.01 | 23,883 | 8.1 |
| | July | 353.76 | 330.00 | 13,867 | 4.7 |
| | August | 342.00 | 284.60 | 28,535 | 9.2 |
| | September | 352.49 | 281.00 | 15,614 | 4.9 |
| | October | 323.85 | 306.00 | 12,450 | 3.9 |
| | November | 319.73 | 291.00 | 8,621 | 2.6 |
| | December | 315.89 | 282.00 | 13,560 | 4.1 |
| 2008 | January | 309.50 | 205.01 | 119,370 | 25.7 |
| | February | 238.01 | 208.00 | 70,970 | 15.6 |
| | March | 238.90 | 218.00 | 10,779 | 2.4 |
| | April | 257.00 | 220.00 | 13,644 | 3.2 |
| | May | 244.90 | 226.42 | 17,439 | 4.0 |
| | June | 235.00 | 196.00 | 32,434 | 6.8 |
| | July | 213.18 | 181.00 | 10,661 | 2.1 |
| | August | 204.99 | 190.01 | 4,146 | 0.8 |
| | September | 204.00 | 145.00 | 10,947 | 1.9 |
| | October | 175.10 | 129.80 | 54,331 | 7.5 |
| | November | 154.35 | 125.00 | 12,342 | 1.7 |
| | December | 142.00 | 121.15 | 16,611 | 2.2 |

# Share subscription options

Pursuant to articles L. 225-184 and L. 225-180-II of the French Code of Commerce, this report informs the Shareholders' Meeting of the transactions made performed by virtue of these authorizations and pursuant to articles L. 225-177 to L. 225-186 of the French Code of Commerce.

## Options granted by the Company or by companies controlled by or affiliated with the Company

**By the Company:**
In 2008, the Company granted no options to subscribe for new Colas shares within the framework of the authorization granted to the Board of Directors to set up a share subscription option plan for the senior executives and other employees of the Company and of certain of its affiliates, which had been renewed by the Extraordinary Shareholders' Meeting of April 16, 2008 in its thirteenth resolution.

**By companies controlled by or affiliated with the Company:**
Bouygues granted 651 employees of Colas and its subsidiaries 1,348,000 options to subscribe to new Bouygues shares, pursuant to article L. 225-180 of the French Code of Commerce. The exercise price of these options is 43.23 euros and they may be exercised for a period of seven years as of their date of grant, which is March 31, 2008. Options may be exercised on the conclusion of the fourth year following the date of grant, i.e., with effect from March 31, 2012.

Options granted to corporate officers and Executive Directors (employees) in fiscal year 2008

| Beneficiaries | Granting company | Date of grant | Number of options | Exercise price in euros |
|---|---|---|---|---|
| Le Bouc Hervé | Bouygues (parent company) | March 31, 2008 | 100,000 | 43.23 |
| Genestar Thierry | Bouygues (parent company) | March 31, 2008 | 20,000 | 43.23 |
| Montouché Thierry | Bouygues (parent company) | March 31, 2008 | 20,000 | 43.23 |
| TOTAL | | | 140.000 | |

Options granted to the ten non-corporate officer employees who received the most stock options in fiscal year 2008

| Beneficiaries | Granting company | Date of grant | Number of options | Exercise price in euros |
|---|---|---|---|---|
| Benquet Alain | Bouygues (parent company) | March 31, 2008 | 20,000 | 43.23 |
| Gabanna Louis | Bouygues (parent company) | March 31, 2008 | 20,000 | 43.23 |
| Garnier Hervé | Bouygues (parent company) | March 31, 2008 | 20,000 | 43.23 |
| Lepercq Xavier | Bouygues (parent company) | March 31, 2008 | 20,000 | 43.23 |
| de Pins Christian | Bouygues (parent company) | March 31, 2008 | 20,000 | 43.23 |
| Tabarié Bruno | Bouygues (parent company) | March 31, 2008 | 20,000 | 43.23 |
| Ausseil Georges | Bouygues (parent company) | March 31, 2008 | 12,000 | 43.23 |
| François Yves | Bouygues (parent company) | March 31, 2008 | 15,000 | 43.23 |
| Guy Christophe | Bouygues (parent company) | March 31, 2008 | 10,000 | 43.23 |
| Pastor Jacques | Bouygues (parent company) | March 31, 2008 | 10,000 | 43.23 |
| TOTAL | | | 167,000 | |

Corporate officers and employees of the Company did not receive any other options in 2008 granted by the Company's affiliates, under the conditions specified in article L. 225-180 of the French Code of Commerce or by companies controlled by the Company, as understood in article L. 233-16 of the French Code of Commerce.

## Options exercised by the Company's corporate officers and employees

**Company share options exercised by the Company's corporate officers and other employees:**

Options exercised by the Company's corporate officers and employees: none.
There were no options to subscribe to shares issued by Colas in existence on December 31, 2008.

**Options exercised to purchase shares of affiliate companies by Company officers and employees:**

Options exercised by the Company's corporate officers and Executive Directors (employees) in fiscal year 2008

| Beneficiaries | Granting company | Date of grant | Number of options | Exercise price in euros |
|---|---|---|---|---|
| Le Bouc Hervé | Bouygues (parent company) | March 15, 2004 | 58,845 | 25.15 |
| Dupont Alain | Bouygues (parent company) | March 27, 2001 | 35,307 | 33.47 |
| | Bouygues (parent company) | September 18, 2001 | 150,000 | 28.67 |
| TOTAL | | | 244,152 | |

Options exercised by the ten non-corporate officer employees of the Company that exercised the most options during fiscal year 2008

| Beneficiaries | Granting company | Date of grant | Number of options | Exercise price in euros |
|---|---|---|---|---|
| Decarnin Philippe | Bouygues (parent company) | March 27, 2001 | 5,885 | 33.47 |
| | Bouygues (parent company) | June 25, 2002 | 5,885 | 23.41 |
| | Bouygues (parent company) | June 17, 2003 | 5,885 | 19.37 |
| Guénolé Patrick | Bouygues (parent company) | June 25, 2002 | 5,885 | 23.41 |
| | Bouygues (parent company) | June 17, 2003 | 5,885 | 19.37 |
| | Bouygues (parent company) | March 15, 2004 | 5,885 | 25.15 |
| de Bodman Benoît | Bouygues (parent company) | June 17, 2003 | 5,885 | 19.37 |
| | Bouygues (parent company) | March 15, 2004 | 5,885 | 25.15 |
| de Pins Christian | Bouygues (parent company) | March 27, 2001 | 2,885 | 33.47 |
| | Bouygues (parent company) | June 25, 2002 | 5,885 | 23.41 |
| | Bouygues (parent company) | June 17, 2003 | 5,885 | 19.37 |
| Torres Gérard | Bouygues (parent company) | March 25, 2002 | 3,531 | 23.41 |
| | Bouygues (parent company) | June 17, 2003 | 2,943 | 19.37 |
| | Bouygues (parent company) | March 15, 2004 | 2,943 | 25.15 |
| Beauverd Jean | Bouygues (parent company) | March 27, 2001 | 5,885 | 33.47 |
| Chambon Bruno | Bouygues (parent company) | March 15, 2004 | 5,885 | 25.15 |
| Clotte Alain | Bouygues (parent company) | March 15, 2004 | 5,885 | 25.15 |
| Dupuy Daniel | Bouygues (parent company) | March 15, 2004 | 5,885 | 25.15 |
| Gabanna Louis | Bouygues (parent company) | March 27, 2001 | 5,885 | 33.47 |
| Garnier Hervé | Bouygues (parent company) | March 27, 2001 | 5,885 | 33.47 |
| Haltebourg Patrice | Bouygues (parent company) | March 27, 2001 | 5,885 | 33.47 |

# Special report on the share repurchase program

## Programs to buy back and retire shares in 2008

The Annual General and Extraordinary Shareholders' Meeting on April 16, 2008, pursuant to article L. 225-209 of the French Code of Commerce, in its eighth resolution, renewed the authorization granted to the Board to buy back shares in the Company up to a maximum of 10% of share capital, for a period of eighteen months. This authorization was not used by your Company in the course of fiscal year 2008.

The Annual General and Extraordinary Shareholders' Meeting on April 16, 2008, in its eleventh resolution, authorized the Board of Directors to reduce share capital by retiring shares owned by the Company. This authorization was not used by your Company in the course of fiscal year 2008.

## Program to buy back shares in 2009 (from April 15, 2008 to October 15, 2009)

**Description of program and request for authorization from Annual General and Extraordinary Shareholders' Meeting on April 15, 2009**

Pursuant to the general regulations governing the AMF (Autorité des Marchés Financiers) in articles 241-1 and subsequent, we submit for your approval a resolution to renew this authorization, for a further period of eighteen months, to enable the Board to buy shares in the Company, pursuant to article L. 225-209 of the French Code of Commerce, up to a maximum of 10% of the total number of shares, while not exceeding the limit allowed under article L. 225-210 of the French Code of Commerce. If granted, this authorization would replace that previously granted by the Annual General and Extraordinary Shareholders' Meeting of April 16, 2008 in its eighth resolution.

The characteristics of the program are as follows:

– single target: cancellation of all shares bought back in compliance with applicable laws and regulations;

– methods used: buyback of shares sold by the Investment Fund *(fonds de placement)* owned by Group employees in the framework of a Company Savings Plan, to ensure the cash flow requirements of the said plan. As of December 31, 2008, these funds owned 316,368 Colas shares;

– maximum number of shares: 316,368 shares, i.e., 0.97% of the existing share capital;

– maximum share price: 250 euros;

– maximum amount paid by the Company: 79,092,000 euros based on maximum share price;

– financing: Colas reserves the right to use its available cash or short- to medium-term debt if additional needs exceed available cash from operations;

– schedule: eighteen months as of the date of authorization granted by the Annual General and Extraordinary Shareholders' Meeting on April 15, 2009, i.e., until October 15, 2010.

## Table of authorizations as of December 31, 2008

| | Maximum amount | AGM or EGM | Duration |
|---|---|---|---|
| Issue of shares reserved for employees with removal of preference rights (Resolution 12) | 10% of share capital | April 16, 2008 | 18 months |
| Issue of shares or securities of any type with or without maintenance of preference rights (Resolutions 20-21-22), use in the event of an "OPE" transaction (Resolution 23) | 15 million euros | April 17, 2007 | 26 months |
| Issue of bonds or equivalent securities (Resolution 7) | 750 million euros | April 15, 2004 | 5 years |
| Buyback by the Company of treasury shares (Resolution 8) | 10% of share capital | April 16, 2008 | 18 months |
| Cancellation of treasury shares by the Company (Resolution 11) | 10% of share capital per 24-month period | April 16, 2008 | 18 months |
| Free award of shares (Resolution 14) | 10% of share capital on day of use | April 16, 2008 | 38 months |
| Award of share subscription or purchase options (Resolution 13) | 10% of share capital | April 16, 2008 | 38 months |

# Resolutions

In the resolutions presented to you, we subject the following resolutions to your approval:

## Ordinary portion of the Combined Shareholders' Meeting

You are requested to approve the financial statements of Colas as of December 31, 2008, grant full discharge to the Directors for their management, the consolidated financial statements, the appropriation of earnings, which amount to 327,745,470.97 euros with the payment of a dividend of 8.75 euros per share to be paid in cash or in shares as preferred by the Shareholder as of April 28, 2009 and agreements and transactions specified in articles L. 225-38 and subsequent of the French Code of Commerce (first, second, third, fourth resolutions).

You are invited to:
– reappoint six Directors for a term of two years to expire at the Annual Shareholders' Meeting to be called to approve the financial statements for fiscal year 2010 (fifth, sixth, seventh, eighth, ninth, tenth resolutions);
– to appoint a new Director for a term of two years to expire at the Annual Shareholders' Meeting to be called to approve the financial statements for fiscal 2010 (eleventh resolution), with the Board of Directors now totaling nine members;
– reappoint a Statutory Auditor and a Substitute Auditor, each for a term of six years, to expire at the Annual Shareholders' Meeting to be called to approve the financial statements for fiscal year 2014 (twelfth and thirteenth resolutions);
– authorize the Board of Directors in accordance with articles L. 225-209 and subsequent of the French Code of Commerce to purchase the Company's shares, to a maximum of 10% of the total number of shares constituting the share capital on the date of purchase with the objective of canceling all of the shares bought back in compliance with European decree no. 2273/2003 applicable as of October 13, 2004. This authorization, which will replace that granted by the Annual Shareholders' Meeting of April 16, 2008, is sought for a period of eighteen months (fourteenth resolution);
– grant powers to carry out legal requirements (fifteenth resolution).

# Extraordinary portion of the Combined Shareholders' Meeting

## Extraordinary portion of the Combined Shareholders' Meeting

You are requested to submit for the approval of the Board of Directors the amendment of the by-laws to ensure compliance with the provisions of law 2005-842 of July 26, 2005, decree 2006-1566 of December 11, 2006, and law 2008-776 of August 4, 2008 (sixteenth resolution).

You are requested:
• to authorize the Board of Directors to reduce the Company's share capital by canceling treasury shares, on one or several occasions for a period of eighteen months, up to a maximum of 10% of share capital per 24-month period, only if the resolution presented in ordinary business authorizing the Board of Directors to purchase Company shares is approved, in accordance with article L. 225-209 paragraph 4 of the French Code of Commerce for a period of eighteen months (seventeenth resolution);
• to empower the Board of Directors:
– to increase the Company's share capital up to a maximum of 10% of share capital to the benefit of employees of the Colas Group and affiliated companies under the terms of current French legislation, who subscribe to a Colas employee savings plan for a period of eighteen months with effect from the date of the present Shareholders' Meeting (eighteenth resolution);
– to increase the Company's share capital, on one or more occasions, through the issue of shares and/or any other securities giving access, either immediately or at a later date, to the Company's share capital, with or without preferential subscription rights, or by incorporating reserves, unappropriated retained earnings, additional paid-in capital, or other items, for a period of twenty-six months, with effect from the date of the present Shareholders' Meeting (nineteenth and twentieth resolutions);
• to authorize the Board of Directors to decide whether to raise the number of new shares to be issued, in the event of a capital increase with or without preferential subscription rights for a period and within the limit of a fraction of the initial issue of shares (twenty-first resolution);

You are requested to grant powers to carry out all legal requirements (twenty-second resolution).

We ask you to approve the above resolutions.

The Board of Directors

# Special report by the Chairman of the Board of Directors

## on the conditions governing the preparation and organization of the work of the Board and on internal control procedures implemented by the Company (articles L. 225-37 and L. 225-68 of the French Code of Commerce)

Dear Shareholders,
Pursuant to the provisions of articles L. 225-37 and L. 225-68 of the French Code of Commerce, I hereby present my report on the conditions governing the preparation and organization of the work of the Board and on internal control procedures implemented by your Company. This report was prepared on the basis of information received from all corporate departments. It was written by the General Secretary and the Chairman and CEO of Colas, was submitted to the Audit Committee and subsequently approved by the Board of Directors in its meeting of February 24, 2009.

## The Board of Directors

### Overview of the organization of the Board of Directors

#### Membership

As of its meeting of February 24, 2009, your Board consisted of the following ten Directors:
Hervé Le Bouc
Christian Balmes
Olivier Bouygues
Alain Dupont
Thierry Genestar
Jean-François Guillemin
Patrick Le Lay
Philippe Marien, permanent representative of Bouygues
Thierry Montouché
Michel Roullet
These Directors are appointed by the Shareholders' Meeting for a term of two years.

#### Changes in the membership of the Board in 2008

The Shareholders' Meeting held on April 16, 2008 reappointed two Directors, Jean-François Guillemin and Patrick Le Lay.

#### Proposed changes in Board membership submitted to the Shareholders' Meeting

A proposal will be submitted to the Shareholders' Meeting of April 15, 2009 recommending that the Meeting reappoint six Directors for a further term of two years: Hervé Le Bouc, Christian Balmes, Olivier Bouygues, Thierry Genestar, Thierry Montouché, and Bouygues and to appoint François Bertière for a term of two years. The Board will hence be composed of nine Directors.

#### Meetings

The Board of Directors met three times in 2008 to transact ordinary business, a frequency that will be increased to four times beginning in 2009 (specifically, in the months of February, May, August and November). In February, the Board approves the financial statements for the previous fiscal year and reviews the Group's strategic priorities for each business segment. In August, it reviews the Company's performance during the first half of the year and analyzes business activity and profit forecasts for the current and following years. In November, and from 2009 in May, interim business activity and profitability indicators are reviewed. The agenda of meetings of the Board called to transact ordinary business is generally divided into three parts: current business activity and outlook; review of financial statements; legal issues. A set of documents dealing with legal matters in particular is presented to each Director.

#### Chairman and CEO

The Board of Directors has decided not to separate the roles of Chairman and CEO.

#### Audit and Compensation Committees

The Board is assisted in the performance of its duties by an Audit Committee and a Compensation Committee. The responsibilities of these committees and their operating guidelines are defined in the Board's internal rules and regulations.

Founded in February 2003, the Audit Committee meets four times each year to review the consolidated and parent company financial statements in advance of Board of Directors' meetings. The members of the Audit Committee are Philippe Marien (Chairman), Christian Balmes, and Thierry Montouché.

Its mission is to assist the Board in guaranteeing the accuracy, reliability and fair presentation of these statements and the quality of the information communicated, in particular to shareholders. It reviews the interim and annual financial statements as well as the internal financial results for the periods ending April 30 and September 30. It ensures the relevance of accounting policies and principles, evaluates the main financial risks, assesses internal control systems in place, and issues recommendations. Lastly, it determines criteria for the appointment of statutory auditors and is notified of their mission schedules as well as their recommendations.

Founded on April 17, 1991, the Compensation Committee is responsible for recommending to the Board the compensation and benefits to be received by the Chairman and Chief Executive Officer. The current members of this committee are Jean-François Guillemin and Olivier Bouygues.

## Activity report of the Board of Directors for the fiscal year ended December 31, 2008

The Board met four times over the course of the 2008 fiscal year. The average attendance rate at Board of Directors' meetings was 85%.

The main items of business discussed by the Board in 2008 are described below. The Board approved the annual and interim financial statements after having reviewed the reports submitted by the Audit Committee, examined the financial statements themselves, set the amount of the dividend as well as its payment terms and conditions, and validated the prospectus for the share buyback program. In particular, the Board introduced the option to receive the dividend in the form of shares.

On February 21, 2008, the Board approved the co-optation of Jean-François Guillemin as Director to replace Oliver Poupart-Lafarge, who had resigned and, since Philippe Marien had previously taken over the former's position as Bouygues' permanent representative on the Board, proposed that the Shareholders' Meeting ratify this co-optation and the renewal of this appointment. The Board also examined the Group's business activity and results for 2007, the performance of each of its business segments, the Group's strategies and outlook for 2008, its industrial potential and future strategies, the year's investments (including acquisitions made in 2007 and their impact in terms of production, aggregate reserves and revenue), the investment budget for fiscal year 2008 (two proposed acquisitions, one in the Caribbean, the other in Australia), and evaluated the success of safety improvement initiatives. The parent company and consolidated financial statements were approved with the proposed appropriation of earnings, as well as the compensation awarded to the Chairman and the amount and allocation of directors' fees under the authorization granted by the Shareholders' Meeting. The Combined Shareholders' Meeting was also convened.

On June 23, 2008, the Board met in emergency session to review and authorize a certain number of regulated agreements and bond issues relating to the contract between Communauté d'agglomération rémoise and Société Mobilité Agglomération Rémoise SAS (known as Mars), in which Colas has an 8.5% stake, for the design, financing, construction, operation and maintenance of the first tramway in Reims.

In its meeting of August 27, 2008, the Board examined the situation of the parent company and its subsidiaries for the six-month period ending June 30, 2008, reviewed the progress of investments, discussed a potential acquisition in Romania, and examined the interim parent company and consolidated financial statements.

In its meeting of November 27, 2008, the Board reviewed the Group's business activity during the third quarter of 2008 and its outlook, investments made, two proposed acquisitions, and the parent company and consolidated financial results for the period ending September 30, 2008. A proposed three-year business plan for the period 2008-2011 was also examined.

## Operations of the committees established by the Board

### Audit Committee

The Audit Committee met twice during the year, on February 19 and August 25, 2008. The average attendance rate at these meetings was 100%. During its meetings, the Audit Committee notably reviewed, on February 19, 2008, the Group's accounting policies and the changes introduced in accordance with the adoption of IAS 19 relating to employee benefits, which allows for the recognition in equity of actuarial gains or losses arising from these benefits. The Committee took due note of the production of a new statement of gains and losses recognized directly in equity. The new mandatory accounting standards scheduled to come into effect were examined, with the conclusion that their impact should not be material. Changes in the scope of consolidation were reviewed, in particular the most significant development, which was the acquisition of Spie Rail (rail segment). Information by segment and key financial figures for the period ending December 31, 2007 were also both reviewed. A summary report was prepared by the statutory auditors concerning audit coverage, acquisitions and disposals, provisions, key topics addressed in relation to internal control and the work performed by this function.

During its meeting of August 25, 2008, the Board examined changes in the scope of consolidation, including new acquisitions, as well as information by segment. The statutory auditors notably discussed the acquisitions and disposals of the period, the business activity of Colas Rail, several defined-benefit pension plans, the IFRIC 11 standard, and work in progress on the assessment of internal control.

At both of these meetings, the Audit Committee issued an unqualified opinion with regard to the parent company and consolidated financial statements and recommended that they be approved by the Board.

**Compensation Committee**

The Compensation Committee met in February 2008 to review the compensation awarded to Hervé Le Bouc, Chairman and Chief Executive Officer, and in November 2008 to submit a report to the Board of Directors on the twenty-eight recommendations of AFEP and MEDEF, also proposing that the Board distribute by electronic means, and thus post on the Colas Web site, a declaration with regard to the application of these recommendations by the Company.

## Internal control procedures

Colas as the head company of a group of more than 673 companies based in some forty countries, implements internal control procedures in line with its business strategies, so as to ensure that the accounting and financial information presents a fair view of the Group's business activities and to make sure that management decisions, transactions carried out, and courses of action pursued by employees comply with regulations as well as the guiding principles and best practices to which Colas adheres. The internal control system developed by Colas applies to all Group entities. As with any internal control system, the Company is not able to fully guarantee that the risks this system is designed to prevent are completely eliminated.

### Organization of the Group

The organization of the Group is based on the following principles:

– business activities pursued by subsidiaries: virtually all of the Group's business activities are conducted by subsidiaries that are, in general, wholly owned by Colas;

– high level of decentralization, in order to situate decision-making processes at the most relevant and effective level: this architecture involves a limited number of hierarchical tiers and usually only three main levels of responsibility. Each manager fulfills his or her role by virtue of delegations of authority;

– financial and economic responsibility assumed by independent legal entities (coextensive legal and financial scope of action);

– systematic and frequent verification of actions and results in relation to objectives defined and monitored in reports drafted at regular intervals on the basis of shared and identical management principles, guidelines and procedures followed by all Group companies and employees.

Both in France and worldwide, business activities are performed by work centers or industrial units operating in a geographically defined region (e.g. a specific region of France), each of which is under the supervision of an operational manager supported by his or her management teams, who aim to achieve specific financial and qualitative objectives.

These centers are united under either regional subsidiaries (within France) or national subsidiaries (outside France). Each of these subsidiaries has its own executive management team – in general, a chairman supported by functional managers responsible for orienting, developing and auditing all operations of the subsidiary.

Six managing directors steer, supervise and audit the work of these subsidiaries. International operations are under the responsibility of three managing directors and one deputy managing director: North America, Europe, Africa/Indian Ocean/French overseas departments and territories, Asia/Australia. For France, two managing directors each supervise a specific geographic region and non-road construction subsidiaries.

This organization is able to take into account a number of specific characteristics (country, business activity, size).

All subsidiaries and managing directors benefit from assistance provided by the functional divisions of Colas, which provide the benefit of their expertise (internal audit, accounting and consolidation, communication, environment, finance, legal, equipment, research and development, human resources and information systems). These divisions define and make changes to the Group's guidelines and procedures in their specific areas of expertise. They work closely with the functional managers of the subsidiaries. Meetings bring together at least once or several times each year all managers within the Group for a single business line so as to share experiences, organize and disseminate information, and keep abreast of the latest developments.

In the context of this organization, all executive management staff place special emphasis on ensuring that internal control remains a key priority for employees of companies within the Group (at both long-existing and newly integrated subsidiaries). The strategy pursued by the Group for many years is one focusing on growth and expansion achieved through the application of prudence, rigor and control. The transparency of internal control contributes to compliance with these principles. The sharing of these principles is backed by the skills and expertise of employees who, in large part, have been working within the Group for many years, encouraged by a system based on regular internal advancement, or who have joined the Group as a result of the many acquisitions carried out, and who share these values, already respected within the entities in question or acquired once they were integrated within the Group. Lastly, the members of executive management and the functional divisions (finance, accounting, legal) are members of the Boards of Directors of the larger companies.

## Organization of internal control procedures

In 2008, Colas continued its work on preparing an internal control framework in accordance with the recommendations issued by the AMF, on the basis of the reference framework of January 22, 2007.

**Progress in the development of internal control procedures**

The project for the definition of internal control procedures was launched in September 2007, in close collaboration with parent company Bouygues. Conceived as a three-year plan, this project aims to identify and review the existing internal control procedures and to implement any changes and improvements required to obtain an internal control system encompassing all Colas Group companies in compliance with the framework recommended by the AMF. This project benefits from exchanges with other functions within the Bouygues Group, addressing cross-functional issues in a harmonized manner, all the while taking into account the specific characteristics of Colas.

The following schedule was established:
– September 14, 2007: launch of the project;
– 2008: adaptation of the existing system and definition of a permanent and autonomous organization overseeing internal control procedures;
– 2009-2010: implementation of the new system and monitoring of progress in meeting objectives.

Achievements of 2008:
– an internal control framework applicable to Colas was established on the basis of the reference framework shared by all Bouygues Group companies. It includes 459 principles, supplemented by 33 principles specific to the business activities pursued by companies belonging to the Colas Group. This framework consists of two sections:
  • the first section comprises 244 principles of general application, covering in particular the areas of organization, operating methods, as well as internal and external communication;
  • the second section comprises 215 accounting and financial principles, grouped according to the structure of the accounting and financial application guidelines document and including all of the internal control issues raised within this document;
– an initial self-evaluation of these internal control principles was performed in October 2008 by a group consisting of the twenty road construction and non-road construction subsidiaries present in metropolitan France;
– an initial mapping of risks was undertaken by Colas subsidiaries in metropolitan France and a summary table of the twenty main risks was produced.

The extent of coverage of this first self-evaluation exercise pertaining to the framework's internal control principles and risk mapping represented approximately 55% of 2008 revenue.

**Deployment schedule**

Each Colas subsidiary in metropolitan France has appointed an internal control representative who will supervise and coordinate the annual self-evaluation of internal control principles by operational and functional staff, also delivering results and analysis according to a predetermined timetable to the central manager of internal control at the parent company.

The internal control framework was translated into English in early 2009 to allow for its deployment to international subsidiaries so that an initial self-evaluation exercise can be performed in October 2009, ensuring that a group-wide exercise may be performed in all Colas companies by the end of 2009. The latter will be carried out by a total of 62 entities, generally head companies of consolidation groups (by country or region), which should correspond to about 99% of Colas' consolidated revenue.

The process for the preparation of a mapping of risks on an international scale was launched in September 2008 with the aim of producing a first listing of risks by mid-2009. The deadline for the production of an initial mapping of risks encompassing all Group companies was set for January 2010, thus corresponding with the usual target date for the release of revenue and profit forecasts for 2010 as well as the three-year rolling plan. A risk summary may subsequently be developed for each of the twenty subsidiaries based in metropolitan France and the nine regional divisions which constitute the backbone of the Group's management structure.

**Progress report at end 2008**

The analysis of the first self-evaluation of framework internal control principles carried out in October 2008 prompted the following conclusions:
– principles relating to the accounting and financial domain are well understood and consistently applied, to a great extent;
– an action plan is due to be implemented in order to more clearly establish the procedures according to which other operating income and expenses should be booked, better anticipate the impact of changes in regulations, improve the training of a larger population of employees in the monitoring of asset value indicators so as to make better use of this information and especially to clarify the Group's recommended approach to this data;

– it seems that the most promising avenue to achieve these aims is the comprehensive establishment of official procedures in relation to several key principles that would be better grounded in standards, for example, in the area of enhanced security of information systems tools, access to better information concerning the application of new rules.

The gradual definition and deployment of an e-Colas intranet intended to promote the circulation and sharing of information, encourage best practices, disseminate instructions and rules (as a replacement for an existing, less efficient tool) should gradually further a clearer establishment and more systematic dissemination of rules and procedures.

**Monitoring of internal control procedures**

The analyses of the self-evaluation of internal control procedures performed in October 2008 were forwarded to the chief executive officers and division managers of Colas, the parent company, for the purpose of setting up action plans in collaboration with the subsidiaries concerned. A summary report was prepared and submitted by the national internal control supervisor to the Executive Management of Colas in January 2009, as were the initial results related to the mapping of risks for France.

The Statutory Auditors were informed of the general findings of the self-evaluation of accounting and financial principles carried out by the twenty subsidiaries based in mainland France.

Beginning in 2009, Colas' internal audit function will expand the scope of its missions to include the verification of the application of internal control principles on the basis of the adopted framework, the results of the self-evaluation performed in 2008, and the implementation of action plans intended to improve the entire internal control system.

The Board of Directors was informed of the results of all of this work in 2008.

## Risks

### Major general risks

Colas is a member of a Major Risk Management Committee established and supervised by its parent company Bouygues, whose mission is to reinforce the identification and management of major risks. This committee meets four times each year. Its work focuses on the analysis of risks, crisis management, and training.

### Business-specific risks

**– Work-on-hand, revenue and profit in a highly decentralized Group:** the nature of the road construction business, as well as the other varied activities pursued by Colas, leads the Group to receive orders for, carry out and recognize about 112,000 construction projects each year. In mainland France, the average contract value amounts to 73,000 euros. In addition to the thousands of small-scale projects of relatively short duration, Colas regularly handles a number of major projects in France and especially abroad, in central Europe, the United States, and the Indian Ocean region. Most orders are received as the result of a competitive bidding process. Construction site surveys and the bidding process are the responsibility of operational managers running some 1,400 profit centers located worldwide so as to meet the needs of clients as closely as possible and to ensure a local presence for the performance of contracts. The large number of low-value contracts allows the Group to spread and control risks arising from potential errors or unsuccessful projects thus limiting the impact of a major loss in relation to a single contract. All entities have access to sophisticated tools for site surveys and contract analysis. Very early in its existence and far in advance of requirements introduced by new accounting standards, Colas opted to recognize revenue in relation to the degree of completion of the various projects in progress, thus allowing for better control of project revenue and profit. Information systems tools, especially those used in France, allow for the day-to-day monitoring of project performance. Profit from work and service activities corresponds to precisely defined contractual responsibilities, accepted by the client and potentially supplemented by an internal assessment. The validity of these arrangements is verified by the executive management functions of the Group's various subsidiaries.

**– Contract committees:** bids or proposals for either large-scale projects or those considered as exceptional in relation to their characteristics or complexity, as well as projects in new markets for the Group (these elements are defined in detail in the internal procedures and/or the delegations of authority) as well as bids for long-lasting operations such as utility service contracts (concessions, public-private partnerships, private finance initiatives) are subject to prior approval by a contract committee at the level of the subsidiary or the Group. In 2008, executive contract committees met to review the conditions for submitting bids or proposals for 69 different projects, with the following worldwide distribution: 2 in the Indian Ocean region, 35 in Europe excluding France, 6 in Morocco and Africa, and 26 in mainland France and overseas departments.

**– Acquisitions and disposals:** throughout its existence, Colas has grown in large part through acquisitions. As any acquisition process exposes the Group to risk, all proposals for the creation, acquisition or disposal of an undertaking (securities or assets) or of real estate assets must first be presented in the form of a specific investment or disinvestment request, including a set of supporting documents defined in the guide to internal procedures. Acquisition proposals analyze the target, the existing structure, potential risks, a five-year business plan, as well as key elements of financial information and their impact at the level of both the acquiring company and the Group. These proposals are submitted to the Executive Management of the Group and are subject to its approval prior to being presented to the Board of Directors of the subsidiary carrying out the acquisition. Accordingly, in 2008 a total of five proposals for the acquisition of companies or assets were reviewed at the Group level.

– **Safety and Health:** safety in the workplace and on the road is a priority for every Group company. Significant human and financial resources are devoted to the improvement of safety conditions and the protection of employees. A control, monitoring and reporting system analyzing these indicators has been developed.

– **Environment:** compliance with environmental regulations is regularly verified. ISO certification in quality and environmental management is in the process of being obtained across the Group, with the aim of achieving certification for all industrial installations. Analysis systems (worldwide checklists) have been implemented and give rise to shared action plans. An Environment division within Colas works through a network of representatives in all subsidiaries. It enforces the guidelines laid down by Executive Management granting subsidiaries broad autonomy to best adapt these measures to address specific local issues.

– **Ethics:** for many years, rules have been established and disseminated to promote compliance with business ethics and standards of integrity, which have been included in a brochure and summarized on the first page of the management principles brochure. In 2005, a letter of the Chairman and CEO was sent to all of the Group's executive management to reaffirm that these principles are inalienable and that no-one is entitled to contravene them. These principles are regularly recalled at meetings, symposia, regional, national and international conventions. In 2006, a code of business ethics was published by Bouygues (the parent company), to which Colas unreservedly subscribes. Training, control and reporting mechanisms are in place and are continuing to be rolled out based on a program which aims to cover all subsidiaries. In 2008, almost 700 employees in France and internationally followed this type of training program.

## Financial and accounting risks

### Internal control guidelines and procedures

The main documents and procedures are the following:

– worksite and workshop reports and invoice reconciliations (financial and accounting preparation is carried out based on these elements, commitment-based accounting);
– recordings of expense commitments;
– analysis of worksite cost schedules with real time monitoring of total expenses committed per worksite;
– activity reports by subsidiary and/or country (monthly);
– periodic statements, presenting the results of the center or branch (monthly);
– monthly statements of post-tax profit (monthly for subsidiaries and the Group), which are consolidated and enable, on the 15th of each month following the month reported, the revenue, the main financial indicators and the results to be obtained, including the consolidated net profit of the Group. These figures are compared manually at the level of each subsidiary and each executive management team, with the budgets;
– quarterly balance sheets and income statements;
– cash flow positions closed out on a daily basis by the companies: these enable a daily consolidation to be performed for entities located in mainland France and a monthly consolidated statement for the Group. These figures are reconciled with the monthly forecasts over a three-month period;
– meetings with the main senior executives in charge of operating the subsidiaries, generally organized every four months, under the chairmanship of the Chairman and CEO of Colas to analyze changes in business, the economy, strategy and questions relating to the current business environment.

### Financial risks

In the company Colas, as is the case in its subsidiaries located in mainland France, the authority to commit to loans is not delegated. Internationally, powers are limited to a very restricted number of employees based on the legal framework for local companies. Issues of guarantees or off balance sheet commitments are generally not delegated, with the exception of Colas where the Board of Directors has delegated to the Chairman and CEO the power to issue guarantees for a maximum amount of 150 million euros. There is no subdelegation of powers, with the exception of market guarantees (subdelegated to agents, under the terms of rules governing the number and quality of signatories) and with the exception of the settlement of expenses (also subdelegated to a limited list of agents with secure operating rules). The level and composition of these commitments are specified in a report presented to the Board of Directors twice a year. In the subsidiaries, with the exception of quarry restoration work, the power to issue guarantees is not delegated. In France, internal rules are such that off-balance sheet commitments are issued in favor of subsidiaries by Colas. At the international level, every company has its own rules based on the applicable local legal framework.

In France, cash management is centralized and is based on agreements between Colas and its subsidiaries. Thus, credit or surplus cash investment transactions are managed by the Colas Finance Department within the scope of an operational charter to mitigate the risks related to these transactions. The same principles are disseminated to the subsidiaries internationally, which manage their cash balances in the local currency of the country concerned. The assessment and management of foreign currency risks and any related hedging are decentralized but in liaison with the Finance Department of Colas. Internationally, the credit contracts which are negotiated locally are systematically forwarded beforehand to the Group's Finance Department for advice on conditions, drafting contracts and legal clauses. Financial flows in mainland France and internationally are subject to procedures to ensure maximum security and reduce as far as possible the risks of fraud (banking delegations). In 2008, these procedures enabled three attempted frauds in mainland France to be foiled, representing a total cumulative amount of 80,000 euros.

**Risks and Insurance**

Risk management policy focuses on people, production and transport assets, worksites and manufactured products. These risks are identified, analyzed, giving precedence to a feedback method. Prevention represents the central pillar for achieving the obvious objective of decreasing the frequency and intensity of incidents and claims. The policy also integrates the notion, which is important in Colas' businesses, of treating worksites on a fractional basis, for both road and railroad building work. Lessons arising from incidents observed are systematically communicated as widely as possible, both vertically and cross-functionally.

Risks are monitored by functional departments, particularly the legal department, of each subsidiary, under the authority of its chairman. These risks are systematically identified on a basis of data updated in real time by subsidiaries. The Legal Department of Colas supervises and, as and when required, contributes its expertise to the management of these risks.

The assessed risks are managed at all levels by the prevention, legal transfer of risk, the conservation of risk or risk insurance. Insurance needs to be taken for major risks. Transfer to insurance is conditional upon the definition and assessment of risk (probability of occurrence of the damage). The insurability of risk remains subject to the constraints of the insurance market. Certain risks are insured by Group policies managed by Colas on the basis of the information of the subsidiaries; others may be covered on an optional basis under existing policies (subsidiaries are responsible for subscribing to such policies); finally, internationally, certain insurance policies are subscribed locally, either to meet local legislation, or to cover frequency risks necessitating local-level management.

The Group has coverage for all public and product liability. The guarantee amounts are adapted to the risks incurred and generally exceed 5 million euros.

Property damage insurance covers damage affecting assets included in the companies' asset base. The guarantee amounts are generally equivalent to the value of the assets.

For work under construction a specific insurance policy is subscribed when there is a contractual obligation.

## IT

The uniformization of information systems used for the accounting, finance and human resources is ongoing. A single software system has been operational in mainland France since January 1, 2005. Internationally, the number of software packages in these areas has been limited and takes into consideration local specificities (two software systems in Europe, one in the United States, one in Canada, one in Africa/Indian Ocean, Caribbean). In 2006 a new "business line" software system had been finalized in a regional mainland French subsidiary with the objective of enhancing performance and monitoring operations. By the end of 2008, it had been deployed to nine road construction subsidiaries. In 2009, this tool will be installed at seven additional road construction subsidiaries as well as the subsidiary Aximum. This software has been the focus of gradual improvements and new features have been added. It is also due to be deployed in some of the Group's European companies.

A subsidiary dedicated to the Group's IT function, Speig, is responsible for the security of sites and data exchange, the reliability of IT systems, their evolution, modernization and installation in the subsidiaries in France, Africa and Europe. It provides assistance to other companies internationally.

IT security aims to maintain the ongoing availability of IT systems and ensure that they cannot be diverted from their original purpose.

Faced with the risks of theft, internal or external malevolent acts, misuses or accidents (fire, flood), specific measures have been implemented and continuously improved, in order notably to be able to restore the situation before the incident: protection of sensitive data, development of anti-intrusion systems, use of authentication and traceability procedures, regular and reliable data backups.

## Audit

The Group's Audit department comprises eight auditors managed by a director. It reports directly to the Chairman.

The objectives of internal audit primarily involve:
– the evaluation of the organizational system implemented within the companies and entities audited to control their risks, ensure the protection of assets, the reliability of accounts and information, in addition to compliance with the Group's regulations and procedures and applicable laws and regulations;
– proposing operational improvements for the entity audited so that it can improve its level of efficiency and benefit from the dissemination of best practice.

The annual audit program is approved by the Chairman. It comprises an average of about ten audit missions at entities located in France and internationally. Entities that have recently joined the Group and those whose last audit dates back more than five years represent the audit program's target.

Thus, in 2008, the following entities were audited: internationally, Colas Hungaria, Colas Benin, Colas South Africa, Delta (United States) subsidiaries; in France, Aximum (formerly Somaro), Smac (West and South West branches), Colas Sud-Ouest, Screg Sud-Ouest, Échangeur. These missions cover about 15% of the revenue for fiscal year 2008.

More technical or targeted missions may be added to these audit missions (in 2008, integration of Pépin, the company acquired at the end of 2005 by the subsidiary Sacer Atlantique).

At the end of each mission an audit report is prepared which is sent to the Chairman, the functional directors of the Colas head office, the geographic executive management concerned, internationally and the overseas territories, or the executive management of the company concerned, in mainland France, together with the management bodies of the entity audited.

A copy of this report is systematically sent to the Statutory Auditors. In exchange, the Audit department receives the reports prepared by the Statutory Auditors of the Group companies. Each summary report is supplemented by a list of recommendations addressed to the management bodies of the entity audited so that it can prepare an action plan.

The Statutory Auditors are informed about the annual internal audit program. Periodic meetings between internal and external auditors are planned to assess the work of the various participants and verify that the steps performed are complementary.

The objective of current internal controls is to allow Colas to achieve profitable growth in a harmonious manner. It is therefore rooted in the prevention and control of risks arising from operations or any other type of risk. As its primary objective, it aims to ensure the reliability of accounting and financial reports, and provide a true and fair image of Colas to its shareholders, customers and employees. Efforts to improve and modernize this internal control framework have been and will continue to be carried out. However, internal controls may not represent an absolute guarantee and constant vigilance is required in this respect.

The Chairman

# Statutory Auditors' Report, prepared in accordance with article L. 225-235 of the French Code of Commerce, on the report prepared by the Chairman of the Board of Directors of Colas

## For the fiscal year ended December 31, 2008

To the Shareholders,

In our capacity as Statutory Auditors of Colas and in accordance with article L. 225-235 of the French Code of Commerce, we hereby report to you on the report prepared by the Chairman of your Company in accordance with Article L. 225-37 of the French Code of Commerce for the year ended December 31, 2008.

It is the Chairman's responsibility to prepare and to submit for the Board of Directors' approval a report on internal control and risk management procedures implemented by the Company and to provide the other information required by article L. 225-37 of the French Code of Commerce relating to matters such as corporate governance.

Our role is to:

– report on the information contained in the Chairman's report in respect of the internal control procedures relating to the preparation and processing of the accounting and financial information;

– confirm that the report also includes the other information required by article L. 225-37 of the French Code of Commerce. It should be noted that our role is not to verify the fairness of this other information.

We conducted our work in accordance with professional standards applicable in France.

### Information on the internal control procedures relating to the preparation and processing of accounting and financial information

Professional standards require that we perform the necessary procedures to assess the fairness of the information provided in the Chairman's report in respect of the internal control procedures relating to the preparation and processing of the accounting and financial information.

These procedures consist mainly in:

– obtaining an understanding of the internal control procedures relating to the preparation and processing of the accounting and financial information on which the information presented in the Chairman's report is based and of existing documentation;

– obtaining an understanding of the work involved in the preparation of this information and of existing documentation;

– determining if any material weaknesses in the internal control procedures relating to the preparation and processing of the accounting and financial information noted in the course of our work are properly disclosed in the Chairman's report.

On the basis of our work, we have nothing to report on the information in respect of the Company's internal control procedures relating to the preparation and processing of the accounting and financial information contained in the report prepared by the Chairman of the Board of Directors in accordance with article L. 225-37 of the French Code of Commerce.

### Other information

We confirm that the report prepared by the Chairman of the Board of Directors also contains the other information required by article L. 225-37 of the French Code of Commerce.

Paris-La Défense, February 25, 2009

The Statutory Auditors

| KPMG Audit | Mazars |
|---|---|
| *A division of KPMG SA* | |
| Xavier Fournet | Julien Marin-Pache |
| *Partner* | *Partner* |

## Notes to the report of the Board of Directors

**Other directorships and positions held by Company officers (article L. 225-102-1 of the French Code of Commerce)**

| Name of company | Type | Office in the company | Head Office |
|---|---|---|---|
| **Le Bouc Hervé** | | | |
| Colas | SA | Chairman | 7, place René-Clair – 92100 Boulogne-Billancourt – France |
| Bouygues | SA | Member of the Board of Directors | 32, avenue Hoche – 75008 Paris – France |
| Cofiroute | SA | Permanent Representative of Colas | 6-10, rue Troyon – 91310 Sèvres – France |
| Colas Midi-Méditerranée | SA | Permanent Representative of Colas | 345, rue Louis-de-Broglie – La Duranne – 13792 Aix-en-Provence – France |
| Screg Est | SA | Permanent Representative of IPF | 2, rue Virginie-Mauvais – BP 13388 – 54015 Nancy – France |
| Sacer Atlantique | SA | Permanent Representative of Spare | Échangeur Nantes – BP 90783 – 2, rue Gaspard-Coriolis – 44307 Nantes – France |
| Aximum | SA | Permanent Representative of Colas | 41, boulevard de la République – 78400 Chatou – France |
| Spac | SA | Permanent Representative of IPF | 13, rue Madame-de-Sanzillon – 92112 Clichy – France |
| Société Parisienne d'Études, d'Informatique et de Gestion | SA | Permanent Representative of Colas | 2-4, allée Latécoère – 78140 Vélizy-Villacoublay – France |
| Échangeur International | SNC | Legal Representative of Colas | 7, place René-Clair – 92100 Boulogne-Billancourt – France |
| Colas Inc. | Inc. | Member of the Board of Directors | 163 Madison Avenue – Morristown – New Jersey 07960 7324 – USA |
| ColasCanada Inc. | Inc. | Member of the Board of Directors | 4984 place de la Savane – H4P 2M9 Montreal – Quebec – Canada |
| Colasie | SA | Chairman and Chief Executive Officer | 7, place René-Clair – 92100 Boulogne-Billancourt – France |
| Hindustan Colas Limited | Ltd | Member of the Board of Directors | Richardson and Cruddas Building – Sir JJ Road – Byculla – Mumbai 400 008 – India |
| Isco Industry Co. | Ltd | Member of the Board of Directors | Je-il Bldg. – 94-96 – Youngdeungpo-dong 7 ga – Youngdeungpo-gu – Seoul, 140988 – South Korea |
| Tipco Asphalt Public Co. | SA | Member of the Board of Directors | Tipco Tower – 118/1 Rama 6 Road – Samsen Nai, Phayathai – 10400 Bangkok – Thailand |
| **Balmes Christian** | | | |
| Colas | SA | Member of the Board of Directors | 7, place René-Clair – 92100 Boulogne-Billancourt – France |
| Apsys | SA | Member of the Board of Directors | Zac de la Clef-Saint-Pierre – 1, boulevard Jean-Moulin – 78990 Élancourt –France |
| Société des Pétroles Shell | SAS | Chairman (up to October 2008) | Immeuble Portes de la Défense – 307, rue d'Estienne-d'Orves – 92700 Colombes – France |
| Shell Retraites | SAS | Chairman (up to October 2008) | Immeuble Portes de la Défense – 307, rue d'Estienne-d'Orves – 92700 Colombes – France |
| Compagnie de Distribution des Hydrocarbures | SAS | Chairman (up to October 2008) | Immeuble Portes de la Défense – 307, rue d'Estienne-d'Orves – 92700 Colombes – France |

| Name of company | Type | Office in the company | Head Office |
|---|---|---|---|
| Compagnie Pétrochimique de Berre | SAS | Chairman (up to October 2008) | Immeuble Portes de la Défense – 307, rue d'Estienne-d'Orves – 92700 Colombes – France |
| Butagaz | SAS | Chairman (up to October 2008) | 47-53, rue Raspail – 92594 Levallois-Perret Cedex – France |

## Bouygues Olivier

| Name of company | Type | Office in the company | Head Office |
|---|---|---|---|
| Bouygues | SA | Permanent Representative of SCDM<br>Deputy General Manager | 32, avenue Hoche – 75008 Paris – France |
| SCDM | SAS | Chief Executive Officer | 32, avenue Hoche – 75008 Paris – France |
| Bouygues Telecom | SA | Member of the Board of Directors | Arcs de Seine 1 – 20, quai du Point-du-Jour – 92100 Boulogne-Billancourt – France |
| Télévision Française 1 (TF1) | SA | Member of the Board of Directors | 1, quai du Point-du-Jour – 92100 Boulogne-Billancourt – France |
| Colas | SA | Member of the Board of Directors | 7, place René-Clair – 92100 Boulogne-Billancourt – France |
| Bouygues Construction | SA | Member of the Board of Directors | 1, avenue Eugène-Freyssinet – 78280 Guyancourt – France |
| Alstom | SA | Member of the Board of Directors | 3, avenue André-Malraux – 92300 Levallois-Perret – France |
| Eurosport | SA | Member of the Board of Directors | 3, rue Gaston-et-René-Caudron – 92798 Issy-les-Moulineaux Cedex – France |
| Finagestion | SA | Director<br>Chairman of the Board of Directors | 1, avenue Eugène-Freyssinet – 78280 Guyancourt – France |
| Cefina | SAS | Member of the Board of Directors | 132, boulevard Haussmann – 75008 Paris – France |
| SCDM Énergie | SAS | Permanent Representative of SCDM<br>Chairman | 32, avenue Hoche – 75008 Paris – France |
| SCDM Investur | SAS | Permanent Representative of SCDM<br>Chairman | 32, avenue Hoche – 75008 Paris – France |
| SCDM Investcan | SAS | Permanent Representative of SCDM<br>Chairman | 32, avenue Hoche – 75008 Paris – France |
| Sagrie-E | SAS | Chairman | 32, avenue Hoche – 75008 Paris – France |
| Sagrie-F | SAS | Chairman | 32, avenue Hoche – 75008 Paris – France |
| Sénégalaise des Eaux | SA | Member of the Board of Directors | Centre du Hann – route du Front-de-Terre – BP 224 – Dakar – Senegal |
| SIR | SNC | Non-associate Manager | 32, avenue Hoche – 75008 Paris – France |
| SIB | SNC | Non-associate Manager | 32, avenue Hoche – 75008 Paris – France |
| Société de Distribution d'Eau de la Côte d'Ivoire (SODECI) | SADI | Director | 1, avenue Christiani – Abidjan – Ivory Coast |
| Compagnie Ivoirienne d'Électricité (CIE) | SA | Director | 6923 – Abidjan – Ivory Coast |
| Seci | SA | Chairman and Chief Executive Officer<br>Member of the Board of Directors | 34, avenue Houdaille – Tour Sidam – BP 4039 – Abidjan – Ivory Coast |

## Genestar Thierry

| Name of company | Type | Office in the company | Head Office |
|---|---|---|---|
| Colas | SA | Director | 7, place René-Clair – 92100 Boulogne-Billancourt – France |
| Colas Centre-Ouest | SA | Permanent Representative of Colas | Échangeur Nantes – 2, rue Gaspard-Coriolis – 44300 Nantes – France |
| Colas Est | SA | Permanent Representative of Colas | 6, rue André-Kiener – 68014 Colmar Cedex – France |
| Colas Île-de-France – Normandie | SA | Permanent Representative of Colas | 2, rue Jean-Mermoz – BP 31 – 78771 Magny-les-Hameaux Cedex – France |
| Colas Midi-Méditerranée | SA | Permanent Representative of Spare | 345, rue Louis-de-Broglie – La Duranne – 13792 Aix-en-Provence – France |

| Name of company | Type | Office in the company | Head Office |
|---|---|---|---|
| Colas Nord-Picardie | SA | Permanent Representative of Colas | Échangeur Lille – 197, rue du 8-Mai-1945 – BP 10135 – 59653 Villeneuve-d'Ascq Cedex – France |
| Colas Rhône-Alpes | SA | Permanent Representative of Colas | Échangeur Lyon – 2, avenue Tony-Garnier – 69007 Lyon – France |
| Colas Sud-Ouest | SA | Permanent Representative of Colas | Échangeur Sud-Ouest – 6, avenue Charles-Lindbergh – 33700 Mérignac – France |
| Colas Rail | SA | Permanent Representative of IPF | 38-44, rue Jean-Mermoz – 78600 Maisons-Laffitte – France |
| Aximum | SA | Permanent Representative of IPF | 41, boulevard de la République – 78400 Chatou – France |
| Société Parisienne d'Études, d'Informatique et de Gestion | SA | Permanent Representative of IPF | 2-4, allée Latécoère – 78140 Vélizy-Villacoublay – France |
| Développement Infrastructures | SAS | President | Échangeur Lyon – 2, avenue Tony-Garnier – 69007 Lyon – France |
| Socatop | Sarl | Manager | 5, cours Ferdinand-de-Lesseps – 92500 Rueil-Malmaison – France |
| Beaujolaise de Porphyre | SA | Chairman<br>Director | Échangeur Lyon – 2, avenue Tony-Garnier – 69007 Lyon – France |
| Colas Environnement et Recyclage | SAS | Director | 7, place René-Clair – 92100 Boulogne-Billancourt – France |
| Carrières Roy | SA | Director | Le Noubleau – BP 1 – 79330 Saint-Varent – France |
| Perrier TP | SA | Director | 13, route de Lyon – 69800 Saint-Priest – France |
| Adelac | SAS | Director | Le Châble – 400, route de Viry – 74160 Beaumont – France |
| Revue Générale des Routes et Aéroports | SAS | Director | 132, rue de Rivoli – 75001 Paris – France |
| Mobilité Agglomération Rémoise (Mars) | SAS | Director<br>(up to March 2008) | 7, rue Noël – 51100 Reims – France |

## Guillemin Jean-François

| Name of company | Type | Office in the company | Head Office |
|---|---|---|---|
| Alstom Hydro Holding | SAS | Member of Executive Committee | 3, avenue André-Malraux – 92300 Levallois-Perret – France |
| Bouygues Telecom | SA | Director | Arcs de Seine 1 – 20, quai du Point-du-Jour – 92100 Boulogne-Billancourt – France |
| Bouygues Construction | SA | Director | 1, avenue Eugène-Freyssinet – 78280 Guyancourt – France |
| Bouygues Immobilier | SA | Director | 150, route de la Reine – 92100 Boulogne-Billancourt – France |
| Colas | SA | Director | 7, place René-Clair – 92100 Boulogne-Billancourt – France |

## Le Lay Patrick

| Name of company | Type | Office in the company | Head Office |
|---|---|---|---|
| Télévision Française 1 (TF1) | SA | Member of the Board of Directors | 1, quai du Point-du-Jour – 92100 Boulogne-Billancourt – France |
| Colas | SA | Member of the Board of Directors | 7, place René-Clair – 92100 Boulogne-Billancourt – France |
| SPS | SA | Chairman of the Board of Directors<br>Director | 3, rue Gaston-et-René-Caudron – 92130 Issy-les-Moulineaux – France |
| F4 | SA | Member of the Board of Directors | 10, rue Lincoln – 75008 Paris – France |
| Incunables et Cie | SAS | Chairman | 16-18, impasse d'Antin – 75008 Paris – France |
| Serendipity Investment | SAS | Chairman | 19, rue François-Ier – 75008 Paris – France |
| Bouygues | SA | Director<br>(up to April 2008) | 32, avenue Hoche – 75008 Paris – France |

| Name of company | Type | Office in the company | Head Office |
|---|---|---|---|
| Télévision Française 1 (TF1) | SA | Chairman of the Board (up to July 2008) | 1, quai du Point-du-Jour – 92100 Boulogne-Billancourt – France |
| Groupe AB | SAS | Permanent Representative of TF1 Director (up to September 2008) | 132, avenue du Président-Wilson – 93210 La-Plaine-Saint-Denis – France |
| WB Télévision | SA (Belgium) | Permanent Representative of TF1 Director (up to April 2008) | Rue de Bodeghem 91-93 – 1000 Brussels – Belgium |
| France 24 | SA | Member of the Board of Trustees (up to November 2008) | 7, esplanade Henri-de-France – 75015 Paris – France |

## Montouché Thierry

| | | | |
|---|---|---|---|
| Colas | SA | Member of the Board of Directors | 7, place René-Clair – 92100 Boulogne-Billancourt – France |
| Colas Centre-Ouest | SA | Permanent Representative of Spare | Échangeur Nantes – 2, rue Gaspard-Coriolis – 44300 Nantes – France |
| Colas Île-de-France – Normandie | SA | Permanent Representative of Spare | 2, rue Jean-Mermoz – BP 31 – 78771 Magny-les-Hameaux Cedex – France |
| Colas Midi-Méditerranée | SA | Permanent Representative of IPF | 345, rue Louis-de-Broglie – La Duranne – 13792 Aix-en-Provence – France |
| Colas Rhône-Alpes | SA | Permanent Representative of Spare | Échangeur Lyon – 2, avenue Tony-Garnier – 69007 Lyon – France |
| Colas Sud-Ouest | SA | Permanent Representative of IPF | Échangeur Sud-Ouest – 6, avenue Charles-Lindbergh – 33700 Mérignac – France |
| Screg Est | SA | Permanent Representative of Spare | 2, rue Virginie-Mauvais – 54015 Nancy – France |
| Screg Île-de-France – Normandie | SA | Permanent Representative of Spare | 6, rue Galilée – 78280 Guyancourt – France |
| Axter | SA | Permanent Representative of IPF | 8, rue Félix-d'Hérelle – 75016 Paris – France |
| Colas Rail | SA | Permanent Representative of Colas | 38-44, rue Jean-Mermoz – 78600 Maisons-Laffitte – France |
| Aximum | SA | Permanent Representative of Spare | 41, boulevard de la République – 78400 Chatou – France |
| Smac | SA | Permanent Representative of Spare | 40, rue Fanfan-la-Tulipe – 92100 Boulogne-Billancourt – France |
| Spac | SA | Permanent Representative of Colas | 13, rue Madame-de-Sanzillon – 92112 Clichy – France |
| Société Parisienne d'Études, d'Informatique et de Gestion | SA | Permanent Representative of Spare | 2-4, allée Latécoère – 78140 Vélizy-Villacoublay – France |
| Développement Infrastructures | SAS | Member of the Board of Directors | Échangeur Lyon – 2, avenue Tony-Garnier – 69007 Lyon – France |
| Colas Inc. | Inc. | Member of the Board of Directors | 163 Madison Avenue – Morristown – New Jersey 07960 7324 – USA |
| ColasCanada | Inc. | Member of the Board of Directors | 4984 place de la Savane – H4P 2M9 Montreal – Quebec – Canada |
| Colas Limited | Ltd | Member of the Board of Directors | Rowfant – RH104NF Crawley (West Sussex) – United Kingdom |
| Ensign Holdings Highways | Ltd | Member of the Board of Directors | Rowfant – RH104NF Crawley (West Sussex) – United Kingdom |
| ICB Emulsions Limited | Ltd | Member of the Board of Directors | 76 Ballyhannon Road – Portadown – Craigavon – BT 635 SE – County Armagh – Ireland |
| Colas Teoranta | Ltd | Member of the Board of Directors | Unit G1 – Maynooth Business Campus – Maynooth – Co. Kildare – Northern Ireland |
| AKA Rt | SA (Hungary) | Member of the Board of Directors (up to June 2008) | Lajos utca 26. 1023 – Budapest – Hungary |

| Name of company | Type | Office in the company | Permanent representative | Head Office |
|---|---|---|---|---|
| **BOUYGUES** | | | | |
| Colas | SA | Director | Philippe Marien | 7, place René-Clair – 92100 Boulogne-Billancourt – France |
| Bouygues Telecom | SA | Director | Philippe Marien | Arcs de Seine 1 – 20, quai du Point-du-Jour – 92100 Boulogne-Billancourt – France |
| C2S | SA | Director | Pierre Marfaing | 3, rue A.-Kastler – 78280 Guyancourt – France |
| 32 Hoche | GIE | Director | Philippe Metges | 32, avenue Hoche – 75008 Paris – France |
| Bouygues Immobilier | SA | Director | Philippe Marien | 150, route de la Reine – 92100 Boulogne-Billancourt – France |
| Bouygues Construction (ex-DTP) | SA | Director | Philippe Marien | 1, avenue Eugène-Freyssinet – 78280 Guyancourt – France |
| Alstom | SA | Director | Philippe Marien | 3, avenue André-Malraux – 92300 Levallois-Perret – France |
| Télévision Française 1 (TF1) | SA | Director | Philippe Marien | 1, quai du Point-du-Jour – 92100 Boulogne-Billancourt – France |
| Bouygues Travaux Publics | SA | Director (up to November 2008) | Lionel Verdouck | 1, avenue Eugène-Freyssinet – 78280 Guyancourt – France |
| Bouygues Batiment Île-de-France (ex-Financière des Flots) | SA | Director (up to November 2008) | Lionel Verdouck | 1, avenue Eugène-Freyssinet – 78280 Guyancourt – France |
| Bouygues Bâtiment International | SA | Director (up to November 2008) | Lionel Verdouck | 1, avenue Eugène-Freyssinet – 78280 Guyancourt – France |

| Name of company | Type | Office in the company | Head Office |
|---|---|---|---|
| **Marien Philippe** | | | |
| Alstom | SA | Permanent Representative of Bouygues | 3, avenue André-Malraux – 92300 Levallois-Perret – France |
| Bouygues Construction | SA | Permanent Representative of Bouygues | 1, avenue Eugène-Freyssinet – 78280 Guyancourt – France |
| Bouygues Immobilier | SA | Permanent Representative of Bouygues | 150, route de la Reine – 92100 Boulogne-Billancourt – France |
| Bouygues Telecom | SA | Permanent Representative of Bouygues | Arcs de Seine 1 – 20, quai du Point-du-Jour – 92100 Boulogne-Billancourt – France |
| Colas | SA | Permanent Representative of Bouygues | 7, place René-Clair – 92100 Boulogne-Billancourt – France |
| Télévision Française 1 (TF1) | SA | Permanent Representative of Bouygues | 1, quai du Point-du-Jour – 92100 Boulogne-Billancourt – France |
| Finamag | SC | Liquidator | 12, rue Neuve-Notre-Dame – 78000 Versailles – France |
| SCDM | SAS | Chief Executive Officer | 32, avenue Hoche – 75008 Paris – France |

**Directorships and positions held by Director who has been put forward for appointment by the Annual General Shareholders' Meeting on April 15, 2009**

| Name of company | Type | Office in the company | Head Office |
|---|---|---|---|
| **Bertière François** | | | |
| Bouygues | SA | Member of the Board of Directors | 32, avenue Hoche – 75008 Paris – France |
| Bouygues Immobilier | SA | Chairman and Chief Executive Officer<br>Member of the Board of Directors | 150, route de la Reine – 92100 Boulogne-Billancourt – France |
| Maisons Elika | SADCS | Chairman and Member of the Board of Trustees | 75, rue Guy-Moquet – 92240 Malakoff – France |

# Consolidated financial statements of the Colas Group

## at December 31, 2008

# Consolidated balance sheet at December 31

| in millions of euros | Notes | 2008 | 2007 |
|---|---|---|---|
| Property, plant and equipment | 3.1 | 2,327 | 2,161 |
| Intangible assets | 3.2 | 84 | 89 |
| Goodwill | 3.2 | 469 | 447 |
| Investments in associates | 3.3 | 357 | 339 |
| Other financial assets | 3.4 | 202 | 164 |
| Deferred tax assets | 3.5 | 90 | 85 |
| **Non-current assets** | | **3,529** | **3,285** |
| Inventories | 4.1 | 441 | 346 |
| Trade receivables | 4.1 | 3,024 | 3,076 |
| Current tax assets | 4.1 | 20 | 23 |
| Other receivables and prepayments | 4.1 | 545 | 572 |
| Cash and cash equivalents | 4.2 | 425 | 673 |
| Financial instruments | 17 | 11 | 3 |
| **Net current assets** | | **4,466** | **4,693** |
| **TOTAL ASSETS** | | **7,995** | **7,978** |
| | | | |
| Share capital and paid-in capital | 5 | 368 | 362 |
| Retained earnings | | 1,341 | 1,153 |
| Translation reserve | 5 | (59) | (25) |
| Net income for the year | | 490 | 474 |
| **Capital and reserves (Group share)** | | **2,140** | **1,964** |
| Minority interests | | 37 | 41 |
| **Equity** | | **2,177** | **2,005** |
| Long-term debt | 6 | 186 | 149 |
| Provisions | 7.1 | 648 | 590 |
| Deferred tax liabilities | 8 | 79 | 74 |
| **Non-current liabilities** | | **913** | **813** |
| Advance payments | | 218 | 237 |
| Current portion of long-term debt | 6 | 53 | 45 |
| Current tax liabilities | | 83 | 96 |
| Trade payables | | 2,431 | 2,626 |
| Provisions | 7.2 | 203 | 198 |
| Other payables | 9 | 1,714 | 1,823 |
| Bank overdrafts and short-term loans | | 183 | 129 |
| Financial instruments | 17 | 20 | 6 |
| **Current liabilities** | | **4,905** | **5,160** |
| **TOTAL EQUITY AND LIABILITIES** | | **7,995** | **7,978** |

# Consolidated income statement



| in millions of euros | Notes | 2008 | 2007 |
|---|---|---|---|
| Revenue | 10 | 12,789 | 11,673 |
| Raw materials and consumables used | | (6,321) | (5,506) |
| Staff costs | | (2,918) | (2,701) |
| External services | | (2,637) | (2,510) |
| Taxes, other than income tax | | (167) | (161) |
| Depreciation, amortization and depletion | | (466) | (412) |
| Reversal (allocations) of provisions | | (153) | (150) |
| Change in inventories | | 23 | 5 |
| Other operating incomes | 11 | 648 | 474 |
| Other operating expenses | 11 | (116) | (74) |
| Profit from operations (current) | | 682 | 638 |
| Extraordinary items | 11 | | (3) |
| Profit from operations | | 682 | 635 |
| Financial income | | 26 | 21 |
| Financial expenses | | (48) | (32) |
| **Interest income (expense)** | 12.1 | **(22)** | **(11)** |
| Other financial income (costs) | 12.2 | 6 | 4 |
| Provision for income taxes | 13 | (217) | (209) |
| Income from associates | | 46 | 62 |
| Profit for the year | | 495 | 481 |
| of which: minority interest | | 5 | 7 |
| OF WHICH: EQUITY HOLDERS OF THE PARENT | | 490 | 474 |
| Earning per share (in euros): basic | 14 | 15.06 | 14.56 |
| Earning per share (in euros): diluted | 14 | 15.06 | 14.56 |

# Statement of recognized income and expense

| in millions of euros | 2008 | 2007 |
|---|---|---|
| Profit for the year | 495 | 481 |
| Exchange differences | (35) | (33) |
| Fair value restatements for financial instruments | (11) | (2) |
| Actuarial gains (losses) regarding employee benefits(1) | (13) | 12 |
| Deferred taxes based on these items | 8 | (4) |
| Net income recognized directly in equity | (51) | (27) |
| TOTAL RECOGNIZED INCOME AND EXPENSE | 444 | 454 |
| of which minority interest | 4 | 7 |
| of which equity holders of the parent | 440 | 447 |

(1) Actuarial gains (losses) recognized directly in equity, according to option allowed by revised IAS 19.

# Consolidated statement of changes in equity



| in millions of euros | Share capital and paid-in capital | Retained earnings | Translation reserve | Net income for the year | Capital and reserves | Minority interests |
|---|---|---|---|---|---|---|
| **At January 1, 2007** | **323** | **960** | **8** | **396** | **1,687** | **27** |
| Exchange differences | | | (33) | | (33) | |
| Acquisitions of subsidiaries | | | | | 0 | 10 |
| Increase | 39 | | | | 39 | |
| Profit for the period | | | | 474 | 474 | 7 |
| Prior year profit allocation | | 396 | | (396) | 0 | |
| Dividends paid | | (207) | | | (207) | (3) |
| Other variations | | 4 | | | 4 | |
| **At December 31, 2007** | **362** | **1,153** | **(25)** | **474** | **1,964** | **41** |
| Exchange differences | | | (34) | | (34) | (1) |
| Acquisitions of subsidiaries | | | | | 0 | (5) |
| Increase | 6 | | | | 6 | 2 |
| Profit for the period | | | | 490 | 490 | 5 |
| Prior year profit allocation | | 474 | | (474) | 0 | |
| Dividends paid | | (276) | | | (276) | (4) |
| Income (expenses) recognized directly in equity(1) | | (15) | | | (15) | (1) |
| Other movements | | 5 | | | 5 | |
| **AT DECEMBER 31, 2008** | **368** | **1,341** | **(59)** | **490** | **2,140** | **37** |

(1) Detail:

| | Group | Minority interests |
|---|---|---|
| Incidence of acquisition of subsidiaries on financial instruments | | |
| Fair value restatement on financial instruments | (9) | (2) |
| Actuarial gains (losses) regarding employee benefits | (13) | |
| Deferred taxes based on these items | 7 | 1 |
| **Total income (expenses) recognized directly in equity** | **(15)** | **(1)** |

# Consolidated cash flow statement

| in millions of euros | | 2008 | 2007 |
|---|---|---|---|
| Profit for the year (including minority interests) | | 495 | 481 |
| Adjustments for: | | | |
| – Income from associates | | (46) | (62) |
| – Dividends received from associates | | 33 | 34 |
| – Dividends received from unconsolidated companies | | (4) | (4) |
| – Depreciation, amortization and depletion on non-current assets | | 523 | 454 |
| – Capital gains on disposal of assets | | (56) | (27) |
| | **Sub-total** | **945** | **876** |
| Interest income (expense) | | 22 | 11 |
| Income tax | | 217 | 212 |
| **Cash from operations** | | **1,184** | **1,099** |
| Income tax paid | | (217) | (197) |
| Changes in current assets and liabilities | | (254) | 96 |
| **Cash flows from operating activities (a)** | | **713** | **998** |
| Purchase of tangible and intangible assets | | (597) | (696) |
| Proceeds from sales of properties, plant and equipment | | 60 | 69 |
| Net debt on tangible and intangible assets | | (48) | 22 |
| | **Sub-total** | **(585)** | **(605)** |
| Acquisitions and disposals of subsidiaries: | | | |
| – Acquisitions of subsidiaries | | (157) | (383) |
| – Disposals of subsidiaries | | 36 | 45 |
| – Net debt on acquisitions of subsidiaries | | (29) | 29 |
| – Cash acquired | | 4 | 118 |
| | **Sub-total** | **(146)** | **(191)** |
| Other investing activities: | | | |
| – Dividends received from unconsolidated companies | | 4 | 4 |
| – Changes of other financial assets | | (19) | (41) |
| | **Sub-total** | **(15)** | **(37)** |
| **Cash flows from investing activities (b)** | | **(746)** | **(833)** |
| Change in equity (Group share) | | 6 | 39 |
| Change in minority interests | | 2 | |
| Dividends paid to parent company shareholders | | (276) | (207) |
| Dividends paid to minority interests | | (4) | (3) |
| Net variation from borrowings | | 27 | (8) |
| Interest income (expense) | | (22) | (11) |
| Other financing activities | | 1 | (1) |
| **Cash flows from financing activities (c)** | | **(266)** | **(191)** |
| Exchange differences and other non-cash variations (d) | | (3) | (6) |
| Other non-cash variations (e) | | | (2) |
| **NET CHANGE IN CASH AND CASH EQUIVALENTS (a+b+c+d+e)** | | **(302)** | **(34)** |
| Net cash at beginning of year | | 544 | 578 |
| **NET CASH AT END OF YEAR (see note 19)** | | **242** | **544** |

# Notes to the consolidated financial statements



## Contents

### Notes



In millions of euros (M€) unless otherwise stated.

## General information about the Company

The financial statements for the year ended December 31, 2008 were approved by the Board of Directors and authorized for issue on February 24, 2009.

Colas (the Company) is a French public *société anonyme* incorporated in France (RCS Nanterre B552 025 314).

These financial statements are presented in euros because that is the currency of the primary economic environment in which the Group operates.

### Nature of the Group's Operations

The Group's business activity includes:

- **Roads** (78% of total revenue)

This highly diversified sector consists of the construction and maintenance of transport infrastructure (highways, roads, airports, ports, platforms for railways and reserved-lane transport), industrial and commercial platforms, city streets and urban development projects (pedestrian zones, city squares), recreational facilities (athletic tracks, automobile circuits, bike paths, tennis courts) and environmental protection (retention ponds, landscaping), etc.

Colas can also rely on its upstream network of industrial activities involving the production of aggregates (quarries) and road materials (asphalt concrete, binders and emulsions).

In the Paris region, the Group operates also in the construction of new buildings and the demolition and deconstruction of old buildings.

- **Road-related activities** (22% of total revenue)

The **Safety and Signaling** sector includes the manufacture, installation and maintenance of safety equipment (guardrails, traffic directing equipment) and signals (road marking, traffic lights).

The **Pipes and Mains** sector comprises the installation and maintenance of both large diameter pipelines to transport fluids (oil, natural gas) and smaller diameter mains (water, dry networks, electricity, heating, telecommunications).

The **Waterproofing** sector includes waterproofing, cladding and roofing projects, roadways (mastic asphalt), waterproofing membranes, sky domes and fume/smoke removal systems.

The **Railway** sector comprises the design and build of major complex rail projects, the construction and maintenance of railways (conventional tracks, high-speed lines, trams, subways) including electrification and signaling, along with rail freight.

### Company risk factors

The main risks for the Group's activities are:

- weather conditions which have direct impact on the way in which projects unfold worldwide, and in particular, in countries with harsh climates;
- the cost of raw materials depending on oil prices (bitumen, fuel, heating fuel) and other raw materials such as steel or aluminum which are used in the safety and waterproofing activities. This risk is reduced by the fact that a large share of contracts benefit from price variation clauses and by the fact that many contracts cover small-scale projects that are completed in a short amount of time;
- the level of investment backed by the public sector and by the industrial and commercial private sectors;
- the impact of variations in exchange rates, especially the US dollar, even if the said risks are limited by the fact that 60% of revenue is accounted for in euros and by the fact that operations carried out on a local scale make it possible to post income and expenses in identical currency.

## Note 1 – Basis of preparation of the financial statements

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs).

The financial statements have been prepared on the historical cost basis, except for the revaluation of certain financial instruments, and assets and liabilities arising from business combinations.

The Group applied all standards IFRSs and IFRIC interpretations that were issued as of December 31, 2008 and adopted by the European Union.

New standards and interpretations implemented in 2008: amendments IAS 39 and IFRS 7: no significant effect on financial statements.

### BASIS OF CONSOLIDATION

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) as of December 31 of each year. Control on these subsidiaries is achieved where the Company has the power to govern the financial and operating policies of the controlled company so as to obtain benefits from its activities.

On acquisition, the assets and liabilities and contingent liabilities of a subsidiary are measured at their fair value at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognized as goodwill.

Any deficiency of the cost of acquisition below the fair values of the identifiable net assets acquired (i.e., discount on acquisition or badwill) is credited to profit and loss in the period of acquisition.
Subsidiaries are consolidated as of the date on which the Group takes control of the said, and up to the date on which the said control is no longer exercized.
Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group.
All intra-group transactions, balances, income and expenses are eliminated on consolidation.

### 1. Interest in joint ventures

A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity which is subject to joint control.
The assets, liabilities, income and expenses of joint ventures are incorporated in these financial statements using the proportionate consolidation method.

### 2. Investments in associates

An associate is a non-controlled entity over which the Group is in a position to exercise significant influence, but not control or joint control.
The results, assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting.

### 3. Transactions in foreign currencies

Transactions in currencies other than the euro are recorded at rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at rates prevailing on the balance sheet date.
Exchange differences arising are recorded in the income statement, except for borrowings in foreign currencies, which are hedging investments in a foreign entity.

### 4. Translation of financial statements of foreign entities

On consolidation, assets and liabilities of the Group's international entities are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at average exchange rates for the period. The list of main currency rates used is disclosed in note 23.
Exchange differences, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognized as income or expense in the period in which the operation is disposed of.

## Note 2 – Significant accounting principles and policies

### NON-CURRENT ASSETS

### 1. Property, plant and equipment

Property, plant and equipment acquired separately are stated at cost less accumulated depreciation and any recognized impairment loss.
Tangible assets acquired through business combinations are stated at fair value.
Depreciation is charged so as to write off the cost of assets over their estimated useful lives, using the straight-line method, on the following basis:

| | |
|---|---|
| Office buildings | 20 to 40 years |
| Industrial buildings | 10 to 20 years |
| Plant and equipment | 5 to 15 years |
| Cars, trucks, office equipment | 3 to 10 years |

Land is not depreciated, except for aggregate quarries for which depletion is provided using the units-of-production method up to a presumed maximum of forty years.

#### Borrowing costs

According to the IAS 23 benchmark treatment, borrowing costs are recognized as an expense in the period in which they are incurred.

#### Finance leases

Assets acquired under finance lease contracts are recognized as assets and depreciated as if they were purchased by the entity. Finance lease liability is accounted for in the balance sheet.

#### Investment property

The Group has not identified any investment property among its fixed assets.

### 2. Intangible assets

Intangible assets are identifiable non-monetary assets. They are separable and can be independently rented, sold, exchanged or transferred. They arise from contractual or legal rights, even if the rights are not separable. They are without physical substance.

Intangible assets acquired separately from a business are stated at cost. Intangible assets acquired as part of a business combination are capitalized separately from goodwill only if their fair value can be measured reliably on initial recognition.
Start up and research costs are expensed as incurred.
Development costs can be recognized as assets only if the costs incurred can be reasonably recovered. Every cost recognized as an asset is amortized on the basis of the expected life of the sales related to the project.
Intangible assets are mainly comprised of software, patents and quarry rights. They are amortized on the straight line basis over their useful life.

### 3. Goodwill

Goodwill represents the excess of cost of acquisition over the fair value of identifiable assets and liabilities of a subsidiary or joint venture at the date of acquisition.
Goodwill is stated at cost less:

– accumulated amortization recognized before the first time application of the IFRSs;
– impairment depreciation recognized since January 1, 2004.

Impairment depreciation is recognized when some events or changes in the economic circumstances show that the carrying value of the assets will not be recoverable.
For identification of such depreciation, an impairment test is performed at least once a year.
The test consists in the determination of the value in use of the Cash-Generating Unit (CGU) to which the goodwill belongs. The value in use is determined by the Discounted Cash Flow method (DCF), which consists of the discount of future cash flow applying the average weighted capital costs, including the economic risk premium.
Cash flows are determined based on forecasts prepared by management according to yearly budget procedures for the coming year, and the three-year plan for the two following years.

### 4. Other financial assets

**Non-consolidated investments and other investments**

These mainly comprise shares of unlisted companies, which are not available for sale. They are recognized at acquisition cost less an allowance for depreciation when considered necessary (there are no significant differences between cost and fair value for these shares).

**Loans**

Loans are stated at present value if their interest rates are far from the normal market conditions (example: non-interest bearing loans pursuant to legal obligations governing participation of employers to construction investments in France).

**Financial receivables**

The twenty-five year road rehabilitation and maintenance PFI (Private Finance Initiative) contract of the City of Portsmouth is stated according to the financial asset model, as recommended under IFRIC 12.
Works completed are recognized on the basis of the stage of completion, according to IAS 11.
Financial assets are initially recognized at the fair value of works completed, and then stated at cost, according to IAS 39.
Financial assets represent the amount of works completed, plus cumulative interest, determined according to the effective interest rate method, and after deduction of payments received from the client.

**Other financial assets**

Other financial assets are stated at nominal value less any possible allowance for depreciation.

## CURRENT ASSETS

### 1. Inventories

Inventories are measured at the lowest value between costs or net realizable value.
Inventory costs include all costs of purchase and costs of conversion.
Costs of purchase include purchase price, import duties and other not recoverable taxes, transport and handling costs.
Costs of conversion include costs that are directly or indirectly incurred in converting raw materials into finished goods.
For carried forward valuation, costs are assigned by using the “first-in, first-out” or “weighted average cost” formulas, according to the type of inventories.
Net realizable value is the estimated selling price less estimated costs of completion and estimated costs necessary to complete the sale.

### 2. Trade receivables

Trade receivables, which generally have 30-90 day terms, are recognized and carried at original invoice amount less allowance for any uncollectible amounts.
Trade receivables include "receivables to invoice" related to the works recognized by clients, and which have not yet been invoiced.

### 3. Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at bank and in hand and short-term deposits with original maturity of three months or less. Marketable securities are stated at cost less accumulated depreciation, if their net realizable value is lower than their carrying value.
For the purpose of the cash flow statement, cash consists of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

## EQUITY

The bought-back shares are deducted from the equity attributable to equity holders of the parent. If Group companies hold their own shares, a complementary interest percentage is determined at the Group level.

## PROVISIONS

### 1. Non-current provisions

These are provisions not linked to the normal operating cycle.
They essentially comprise:

**Employee benefits**

Pensions

The Group commitments with regard to pensions payable to employees on retirement are, generally, covered by the regular payment of contributions to retirement plans or pension funds (defined contribution plans). Some defined benefit plans exist in the UK, Ireland and Canada. Except for the Colas Rail UK plan, these defined benefits plans concern a limited number of employees because the Group decided, several years ago, to close these plans to new subscribers.

Retirement indemnities

The cost is determined using the Projected Unit Credit method. Actuarial gains and losses are from now recognized in equity (see *"Change in accounting policies"* in 2007).

Length-of-service awards

Provisions are booked in respect of length-of-service awards, which Colas Group companies grant on an ongoing and systematic basis. An individual projection method is used to calculate these amounts, taking into consideration the average rate of employee revenue and average life expectancy, according to appropriate tables.

**Provisions for litigation and legal matters**

Litigation and claims about works contracts

The amount of these provisions is determined based on the amount of customer's claim or on costs of repairs of damages as determined by official experts.

Provisions for tax, social welfare or administration audit

Amounts claimed by authorities are recognized in the income statement when accepted and are provisioned when contested.

**Provisions for warranties (long-term)**

These represent the valuation of the works to be performed when the term of the warranty exceeds the term of the operating cycle (one or two years), such as the 10-year warranty for specific building works.

**Provisions for quarry reclamation (long-term)**

Reclamation cost after exploiting a quarry is calculated based on a detailed valuation (cost of labor, equipment, materials, the corresponding share of overhead required, etc.). Only the part of the provision regarding costs due after twelve months following the balance sheet date is classified in non-current provisions.

### 2. Current provisions

These are provisions linked to the normal operating cycle. The related expenses are generally paid within twelve months of the balance sheet date.
They comprise mainly:

Provisions for warranties (one or two years maximum)

Provisions for additional works related to contractual warranties are made in respect of individual estimates for each contract.

Provisions for closing down sites
This covers costs of cleaning up a site and removing equipment. These costs are measured individually based on the size of the site and distance from our operating units.

Provisions for losses on completion
These relate to projects, which are not completed at balance sheet date. The measurement may include claims approved by clients, and is determined contract by contract, without compensation.

Provisions for quarry reclamation (short-term)
This covers reclamation costs after exploiting a quarry, for the portion within twelve months after balance sheet date.
In compliance with IAS 37 on provisions, information regarding the most significant provisions is disclosed only to the extent that this disclosure will not harm the Group.

## DEFERRED TAXES AND LONG-TERM LIABILITIES

Deferred tax liabilities are the amounts of income taxes payable in future periods in respect of taxable temporary differences. All deferred tax liabilities are stated as deferred taxes, including consolidation adjustments.
Deferred tax liabilities are recognized for all taxable temporary differences associated with investments in subsidiaries, branches and associates, and interests in joint ventures, except to the extent that the parent company is able to control the timing of the reversal of the temporary differences, and it is probable that the temporary differences will not reverse in the foreseeable future (no disposal in foreseeable future).
If disposal of investments or distribution of dividends is probable in the foreseeable future, or if the company is not controlled (associate), deferred tax liability is recognized.

## FINANCIAL INSTRUMENTS

Several Group companies use financial hedging instruments to reduce the impact of exchange and interest rate fluctuations on their profit and loss accounts. The use of these instruments is described hereafter.

### 1. Nature of the risks for the Group

#### Risk management for foreign exchange rates

The level of risk is low because subsidiaries generate only a small proportion of their revenue from export. Revenue from foreign countries is chiefly generated by subsidiaries that issue invoices and book their expenses in local currency.
Occasionally, some currency contracts are hedged for exchange risks.
Generally, Group investments in foreign companies (subsidiaries, branches, joint ventures) are not hedged because these companies are not held to be sold.

Currency swap is mainly used to optimize Group cash by converting – without any foreign exchange risks – excess cash in one currency, lent to subsidiaries in their own local currency to substitute bank lines.

#### Risk management for interest rates

The Group's profit and loss is not very sensitive to interest rate changes. On an average basis, the part of variable rate debts is equal to available cash under variable rates.
Some financial assets or liabilities can occasionally be hedged.

### 2. Group principles and rules for financial hedging instruments

Financial hedging instruments are only conventional instruments such as:
– forward currency trade, currency swap, currency options, according to a hedging policy against foreign exchange risks;
– interest rate swap, future rate agreements, purchase of caps and tunnels and rate options, according to a hedging policy against interest rate risks.
The above instruments are characterized by the fact that they are only used for hedging, only undertaken with first rank French banks and foreign banks, and present no cash risk in the event of turnaround.
The Group follows the use of these instruments, the choice of trade off and generally speaking, the exposure to exchange risks and interest rate risks with detailed, specific follow-up reporting to the management of the companies involved.

- **Cash flow hedge**

Cash flow hedge consists of hedging cash flow arising from hedged instruments or forecasted transactions.
When derivative instruments hedge cash flow arising from firm commitments or expected transactions, portions of profit and loss that are determined to be an effective hedge are recognized directly in equity.
The ineffective portion of the hedging instruments is reported immediately in profit and loss. Other residual profit or loss arising from the hedging instruments is also reported immediately in profit and loss.
When the hedging instrument comes to maturity, it is sold, cancelled or used. Cumulative profit or losses are kept in equity up to the maturity date. After the transaction conclusion, related cumulative profit and loss, which was recognized in equity, is reported in profit and loss.

● Fair value hedge

Fair value hedges have the purpose of limiting exposure to changes in the fair value of a recognized asset or liability.

When a derivative financial instrument covers exposure to changes in the fair value of receivables or debts occur, profit or loss arising from remeasuring the hedging instrument at fair value is recognized directly in net profit and loss.

The gain or loss on the hedged item attributable to the hedged risk adjusts the carrying amount of the hedged item and is recognized directly in net profit or loss.

Fair value of hedged items, according to the type of risk hedged, corresponds to the carrying amount, translated into euros at the exchange rate prevailing on the balance sheet date.

## 3. Accounting policies for financial instruments

The Group applies accounting methods as defined by IAS 39, i.e.:

### Criteria for recognition of financial assets or liabilities

Hedging accounting is applied when derivative financial instruments compensate, partially or totally, for fair value or cash flow hedge changes of a hedged item. Effectiveness of hedges is regularly measured, at least quarterly.

Nevertheless, in specific cases (non significant notional amounts, short hedging maturities, limited impact on profits or losses) financial instruments are voluntarily not recognized as hedging transactions, in order to simplify the Group administrative procedures. In these cases, variations of fair value of hedging instruments are recognized directly in net profit and loss.

### Basis of valuation of financial assets and liabilities

Financial assets and liabilities are stated at cost or amortized cost.

### Accounting of financial instruments stated at fair value

The Group uses very few financial instruments: derivative financial instruments are stated at fair value, which is market value for instruments listed on the Stock Exchange. For unlisted instruments (not yet described), fair value is determined with valuation methods, like options valuation models and the value in use method (discounted cash flows). These models are based on assumptions regarding market figures.

### Accounting of profit and loss generated by financial instruments

Financial assets and liabilities are initially stated at cost or amortized cost. They are then stated at fair value. Unrealized profit and losses are recognized according to the nature of hedged item.

At balance sheet date, interest swap fair value is the amount expected to be received or paid by the Group to close down transactions. Fair value is measured on the basis of present interest rates and credit risks. Fair value of forward currency trades is market value at balance sheet date, i.e., present value of quotations or forward market rates.

# INCOME STATEMENT

## 1. Ordinary activity income

Income from operations is recognized when it is probable that future economic benefits will flow to the company, and they can be measured reliably.

Ordinary activity income comprises:

### Sale of goods

Income is recognized when risks and rewards of ownership are transferred to the buyer.

### Construction contracts and rendering of services

Revenue from construction contracts is recognized based on the "percentage of completion" method.

The percentage of completion is determined on the basis of works completed; expected loss on completion is directly recognized as an expense in the current period.

### Other ordinary activity income

This consists of royalties received from the use of licenses and patents: income is recognized when the company's right to receive payment is established.

## 2. Government grants

These are recognized as income when there is a reasonable assurance that they will be received, and the Company will comply with the conditions stipulated therein.

When the Government grant is a compensation for expenses, it is recognized as income over the period which bears the related costs.

Government grants related to assets are presented on the balance sheet as a deduction of the related asset.

### 3. Share in net profit of unconsolidated joint ventures

This mainly comprises the share of the Group in the net results posted by the companies or partnerships producing asphalt mixes or binders operated in conjunction with other associates.

### 4. Results of operating activities

Results of operating activities come mainly from activities generating income, and all other activities which are not investing or financing activities.
Goodwill depreciation is included in results of operating activities.

### 5. Other non-current results

These concern a very small amount of income or expense, unusual, abnormal and uncommon – with very significant amounts – disclosed separately in the income statement to improve the understanding of the current operational performance.
The nature of these items is described in note 11.

### 6. Interest income (expense)

Net financial expenses include financial expense and income and borrowing costs.

### 7. Income tax

Deferred taxes are determined in accordance with the balance sheet liability method, for all the taxable or deductible temporary differences, at balance sheet date.
Taxable or deductible temporary differences include every difference between the tax base of an asset or liability and its carrying amounts on the balance sheet, except for goodwill.
When, for a company, the net tax balance is an asset, that asset is recognized only to the extent that it is probable that taxable profit will be available against these deductible temporary differences.
Deferred tax assets or liabilities are measured on the basis of tax rates expected to be applied during the year of the reversal, based on tax rates which have been enacted or substantially enacted by the balance sheet date.

## CASH FLOW STATEMENT

The cash flow statement is prepared based on the indirect method.
According to this method, net income is adjusted for the effect of non-cash transactions, or the gap between operating cash input or output, past or future, and investing and financing activity cash flows.
Net Group cash, which is analyzed in the cash flow statement, is defined as the net balance of:
– cash-at-bank, cash-on-hand and short-term deposit;
– outstanding bank overdrafts.
Cash generated from operations includes variations in provisions on current assets. It includes in particular net profit from consolidated companies and income from associates, net of dividends received from them.
The classification applied for interest and dividends discloses them in cash flow from financing activities. Interest paid during the year corresponds to interest disclosed in the income statement.

## OTHER INFORMATION

### 1. Comparability of consolidated financial statements

Changes in scope of consolidation did not have any significant impact on the consolidated financial statements for 2008; they are comparable to the previous years' financial statements.

### 2. Events after balance sheet date

None.

### 3. New standards and interpretations not yet applied

New standards, standards amendments or interpretations are not yet compulsory in 2008.
As a result, the following standards and interpretations have not been applied for the preparation of these consolidated financial statements:
– revised IAS 1 for "Presentation of Financial Statements" (implementation for January 1, 2009);
– revised IAS 23 "Borrowing Costs" which requires capitalization of borrowing costs (implementation for January 1, 2009);
– revised IAS 27 "Consolidated and separate financial statements" which will replace current IAS 27 (implementation for January 1, 2010);
– amendment to IAS 32 and IAS 1 on "Puttable financial instruments and obligations arising on liquidation";

- amendment of IFRS 2 for “Vesting Conditions and Cancellations” (implementation at January 1, 2009);
- revised IFRS 3 “Business Combinations” which will replace current IFRS 3 (implementation for January 1, 2010);
- IFRS 8 “Operating Segments” which will replace current IAS 14 “Segment Reporting” (implementation for January 1, 2009);
- IFRIC 11 regarding “Share-based Payment within a Group” (implementation at January 1, 2009);
- IFRIC 13 regarding “Customer Loyalty Programs”;
- IFRIC 14 as IAS 19 “Employee Benefits” Interpretation: limit on a defined benefit asset, minimum funding requirements and their interaction;
- IFRIC 15 “Agreements for the construction of real estate” (waiting for EFRAG position);
- IFRIC 16 “Hedges of a net investment in a foreign operation” (waiting for ARC position);
- IFRIC 17 “Distributions of non-cash assets to owners” (waiting for EFRAG position);
- IFRIC 18 “Transfers of assets from customers” (waiting for EFRAG position);
- amendments to present standards regarding “Improvement” project;
- amendment to IAS 39 for “Eligible hedged items” (waiting for EFRAG position);
- IFRS 1 and IAS 27 amended for “Initial Cost of Investments in subsidiaries, jointly-controlled entities, and associates in the separate financial statements” (implementation for January 1, 2009).

None of these new standards or interpretations would have significant impact on Group Financial Statements.

## Note 3 – Non-current assets

### 3.1 – Property, plant and equipment

| | Land and buildings | Plant and equipment | Assets in course of construction | Total |
|---|---|---|---|---|
| **Cost or valuation** | | | | |
| At January 1, 2007 | 984 | 3,356 | 74 | 4,414 |
| Exchange differences | (14) | (53) | (1) | (68) |
| Transfers and other | 30 | 47 | (75) | 2 |
| Acquisitions of subsidiaries | 48 | 182 | 5 | 235 |
| Additions | 75 | 507 | 97 | 679 |
| Disposals | (11) | (213) | | (224) |
| At December 31, 2007 | 1,112 | 3,826 | 100 | 5,038 |
| Exchange differences | (16) | (56) | | (72) |
| Transfers and other | 15 | 77 | (94) | (2) |
| Acquisitions of subsidiaries | 54 | 75 | 1 | 130 |
| Additions | 55 | 445 | 91 | 591 |
| Disposals | (11) | (214) | | (225) |
| **AT DECEMBER 31, 2008** | **1,209** | **4,153** | **98** | **5,460** |
| **Depreciation and impairment** | | | | |
| At January 1, 2007 | (346) | (2,259) | | (2,605) |
| Exchange differences | 3 | 34 | | 37 |
| Transfers and other | 4 | (4) | | |
| Acquisitions of subsidiaries | (12) | (91) | | (103) |
| Net charge for the year | (43) | (356) | | (399) |
| Disposals | 5 | 188 | | 193 |
| At December 31, 2007 | (389) | (2,488) | | (2,877) |
| Exchange differences | 3 | 26 | | 29 |
| Transfers and other | 2 | 3 | | 5 |
| Acquisitions of subsidiaries | (8) | (27) | | (35) |
| Net charge for the year | (46) | (407) | | (453) |
| Disposals | 5 | 193 | | 198 |
| **AT DECEMBER 31, 2008** | **(433)** | **(2,700)** | | **(3,133)** |
| **Carrying amount** | | | | |
| At January 1, 2007 | 638 | 1,097 | 74 | 1,809 |
| Including financial leases | 7 | 51 | | 58 |
| At December 31, 2007 | 723 | 1,338 | 100 | 2,161 |
| Including financial leases | 9 | 43 | | 52 |
| **AT DECEMBER 31, 2008** | **776** | **1,453** | **98** | **2,327** |
| Including financial leases | 7 | 65 | | 72 |

### 3.2 – Intangible assets and goodwill

| | Concessions, patents and other rights[1] | Other | Total intangible assets | Goodwill |
|---|---|---|---|---|
| **Cost or valuation** | | | | |
| At January 1, 2007 | 92 | 32 | 124 | 238 |
| Exchange differences | | (2) | (2) | (6) |
| Transfers | 1 | (1) | | (4) |
| Acquisitions of subsidiaries | 9 | 11 | 20 | 231 |
| Additions | 3 | 4 | 7 | 10 |
| Disposals | (3) | (2) | (5) | (5) |
| At December 31, 2007 | 102 | 42 | 144 | 464 |
| Exchange differences | (1) | | (1) | (8) |
| Transfers | 2 | (1) | 1 | (6) |
| Acquisitions of subsidiaries | 2 | | 2 | 41 |
| Additions | 3 | 3 | 6 | |
| Disposals | (2) | | (2) | |
| **AT DECEMBER 31, 2008** | **106** | **44** | **150** | **491** |
| **Depreciation and impairment** | | | | |
| At January 1, 2007 | (33) | (12) | (45) | (16) |
| Exchange differences | | 1 | 1 | |
| Transfers | | | | |
| Acquisitions of subsidiaries | (1) | (1) | (2) | |
| Disposals | 1 | 2 | 3 | |
| Net charge for the year | (6) | (6) | (12) | (1) |
| At December 31, 2007 | (39) | (16) | (55) | (17) |
| Exchange differences | | | | 1 |
| Transfers | | | | |
| Acquisitions of subsidiaries | | | | |
| Disposals | 2 | | 2 | |
| Net charge for the year | (7) | (6) | (13) | (6) |
| **AT DECEMBER 31, 2008** | **(44)** | **(22)** | **(66)** | **(22)** |
| **Carrying amount** | | | | |
| At January 1, 2007 | 59 | 20 | 79 | 222 |
| At December 31, 2007 | 63 | 26 | 89 | 447 |
| **AT DECEMBER 31, 2008** | **62** | **22** | **84** | **469** |

(1) Concessions, patents and other rights: mainly mining rights and to a lesser extent patents and software.

**Impairment of intangible assets with indefinite useful life and goodwill**

Impairment losses are recorded if the carrying amount of an asset or its Cash Generating Unit (CGU) is over its value in use. For one CGU, if an indication shows impairment loss, an impairment test is realized, based on the method described under note 2.

Detail of goodwill split by CGU and main assumptions are as follows:

| Cash Generating Units | Intangible assets with indefinite useful life | Goodwill | Discount rates |
|---|---|---|---|
| CGU France | 18 | 333 | 5.98% |
| CGU Europe (excluding France) | 7 | 63 | 5.98% |
| CGU North America | | 43 | 5.98% |
| CGU Rest of the World | 1 | 30 | 7.01% |
| **TOTAL** | **26** | **469** | |

## 3.3 – Investments in associates

| | Share in equity | Goodwill | Depreciation of Goodwill | Carrying amount |
|---|---|---|---|---|
| At January 1, 2007 | 285 | 5 | (2) | 288 |
| Exchange differences | 1 | | | 1 |
| Transfers | | | | |
| Acquisitions of subsidiaries | | 2 | | 2 |
| Issue of share capital | 20 | | | 20 |
| Net consolidated profit | 62 | | | 62 |
| Dividends paid | (34) | | | (34) |
| At December 31, 2007 | 334 | 7 | (2) | 339 |
| Exchange differences | (2) | | | (2) |
| Transfers | | | | |
| Acquisition of subsidiaries | 1 | | | 1 |
| Issue of share capital | | | | |
| Net consolidated profit | 49 | | (3) | 46 |
| Dividends paid | (33) | | | (33) |
| Other variations | 6 | | | 6 |
| **AT DECEMBER 31, 2008** | **355** | **7** | **(5)** | **357** |

### Main associated companies

| | Share in equity | Goodwill | Depreciation of Goodwill | Carrying amount |
|---|---|---|---|---|
| Cofiroute(1) | 317 | | | 317 |
| Tipco Asphalt(2) | 10 | 4 | (4) | 10 |
| Mak Mecsek | 19 | | | 19 |
| Other | 9 | 3 | (1) | 11 |
| **TOTAL** | **355** | **7** | **(5)** | **357** |

(1) Although Colas holds a stake of less than 20% (16.7%), Cofiroute is consolidated using the equity method, because Colas exercises a significant influence through the Board of Directors (Director: H. Le Bouc).

(2) Bangkok Stock Exchange (Thailand) listed company:
• fair value based on the stock price at December 31, 2008: 7 million euros;
• fair value based on the 2008 average stock price: 16 million euros.

### Share of the Group in the assets, liabilities and profit and loss of the main associates

| | Cofiroute 16.7% | Tipco Asphalt 30.7% | Mak Mecsek 30.0% | Other | Total |
|---|---|---|---|---|---|
| Non-current assets | 968 | 34 | 141 | 8 | 1,151 |
| Current assets | 99 | 23 | 13 | 9 | 144 |
| Total assets | 1,067 | 57 | 154 | 17 | 1,295 |
| Equity | 317 | 10 | 19 | 9 | 355 |
| Non-current liabilities | 616 | 15 | 131 | 2 | 764 |
| Current liabilities | 134 | 32 | 4 | 6 | 176 |
| Total liabilities | 1,067 | 57 | 154 | 17 | 1,295 |
| Revenue | 225 | 57 | | 14 | 296 |
| **NET CONSOLIDATED PROFIT** | **54** | **(8)** | | **3** | **49** |

## 3.4 – Other non-current financial assets

| | Non-consolidated investments | Other long-term investments | Total gross value | Allowance | Carrying amount |
|---|---|---|---|---|---|
| At January 1, 2007 | 59 | 123 | 182 | (36) | 146 |
| Exchange differences | | (6) | (6) | | (6) |
| Transfers | | | | | |
| Changes in scope of consolidation | (1) | 4 | 3 | (2) | 1 |
| Acquisitions and other additions | 39 | 33 | 72 | | 72 |
| Disposals | (48) | (11) | (59) | | (59) |
| Net charge for the year | | | | 10 | 10 |
| At December 31, 2007 | 49 | 143 | 192 | (28) | 164 |
| Exchange differences | | (20) | (20) | | (20) |
| Transfers | | | | | |
| Changes in scope of consolidation | (5) | 2 | (3) | | (3) |
| Acquisitions and other additions | 48 | 31 | 79 | | 79 |
| Disposals | (6) | (12) | (18) | | (18) |
| Net charge for the year | | | | | |
| **AT DECEMBER 31, 2008** | **86** | **144** | **230** | **(28)** | **202** |

### Detail of main non-consolidated investments

| | Gross | Allowance | Net 31/12/2008 | Net 31/12/2007 |
|---|---|---|---|---|
| Binder and asphalt concrete companies | 16 | (3) | 13 | 13 |
| Quarry companies | 4 | (1) | 3 | 4 |
| Dormant companies | 7 | (6) | 1 | 1 |
| Non-controlled companies | 15 | (1) | 14 | 4 |
| AKA Rt | | | | 4 |
| CERF(1) | 34 | | 34 | |
| Companies acquired at the end of the year | | | | 6 |
| Other investments(2) | 10 | (1) | 9 | 6 |
| **TOTAL** | **86** | **(12)** | **74** | **38** |

(1) These companies, acquired at the end of the year, will be consolidated in 2009.

(2) None of these investments are significant.

### Detail of other financial assets

| | Gross | Allowance | Net 31/12/2008 | Net 31/12/2007 |
|---|---|---|---|---|
| Loans(1) | 40 | (14) | 26 | 24 |
| Deposits | 32 | (2) | 30 | 32 |
| Financial receivables(2) | 72 | | 72 | 70 |
| **TOTAL** | **144** | **(16)** | **128** | **126** |

(1) Loans: mainly twenty-year non-interest bearing loans, pursuant to employers' legal obligations governing construction investments in France. These loans are stated at their net present value.

(2) Financial receivables: the asset represents the Group receivables from the City of Portsmouth, in compensation of the works completed in the framework of the road rehabilitation and maintenance contract.

### 3.5 – Tax assets

| | Deferred taxes | Other long-term tax assets | Total |
|---|---|---|---|
| At January 1, 2007 | 69 | | 69 |
| Exchange differences | (2) | | (2) |
| Transfers | (1) | | (1) |
| Acquisitions of subsidiaries | 12 | | 12 |
| Net variations | 7 | | 7 |
| At December 31, 2007 | 85 | | 85 |
| Exchange differences | (1) | | (1) |
| Transfers | | | |
| Acquisitions of subsidiaries | 1 | | 1 |
| Net variations | 5 | | 5 |
| AT DECEMBER 31, 2008 | 90 | | 90 |

The unrecognized tax assets (which are probably not reversible in the foreseeable future) amount to 28 million euros on December 31, 2008 (23 million euros on December 31, 2007).

**Main deferred tax bases**

| | 31/12/2008 | 31/12/2007 |
|---|---|---|
| **Assets** | | |
| Employee benefits | 62 | 55 |
| Tax losses | 10 | 8 |
| Financial instruments | 5 | 4 |
| **Liabilities** | | |
| Regulatory provisions | (30) | (26) |
| Fixed assets (finance leases) | (22) | (22) |
| Tax on dividends | (5) | (4) |
| Financial instruments | (4) | (5) |
| Other temporary differences | (5) | 2 |
| NET DEFERRED TAX ASSETS (LIABILITIES) | 11 | 12 |

Deferred tax assets are mainly reversible after five years.

## Note 4 – Current assets

### 4.1 – Inventories, trade and other receivables

| | 31/12/2008 | | | 31/12/2007 | | |
|---|---|---|---|---|---|---|
| | Gross | Allowance | Net | Gross | Allowance | Net |
| Inventories | 453 | (12) | 441 | 357 | (11) | 346 |
| Raw materials, supplies and finished goods | | | | | | |
| Trade receivables | 3,117 | (93) | 3,024 | 3,153 | (77) | 3,076 |
| Invoiced and to invoice(1) | | | | | | |
| Tax receivables | 20 | | 20 | 23 | | 23 |
| Staff, social welfare bodies, State | 284 | | 284 | 310 | | 310 |
| Group receivables and other receivables | 231 | (7) | 224 | 240 | (8) | 232 |
| Prepayments | 37 | | 37 | 30 | | 30 |
| Other receivables | 552 | (7) | 545 | 580 | (8) | 572 |

(1) Maturity of trade receivables is as follows:

| | Receivables not matured | Less than 6 months | 6 months to 1 year | 1 year and + | Total |
|---|---|---|---|---|---|
| Trade receivables (gross) | 2,058 | 787 | 134 | 138 | 3,117 |
| Allowance | (3) | (14) | (12) | (64) | (93) |
| Trade receivables (net) | 2,055 | 773 | 122 | 74 | 3,024 |

Credit risk: the Group considers that its exposition to credit risk regarding non-matured receivables is limited as regards the type of customers (States, public administrations, public and private companies, individuals).

### 4.2 – Cash and cash equivalents

| | 31/12/2008 | | | 31/12/2007 | | |
|---|---|---|---|---|---|---|
| | Gross | Allowance | Net | Gross | Allowance | Net |
| Cash-on-hand | 338 | | 338 | 333 | | 333 |
| Bouygues Relais cash management company | 53 | | 53 | 301 | | 301 |
| Marketable securities | 34 | | 34 | 39 | | 39 |
| **TOTAL** | **425** | | **425** | **673** | | **673** |

Net realizable value of marketable securities is greater than their carrying amounts.
Short-term investments are deposited in French and foreign banks.
They are split as follows:

| | Euro | USD | GBP | Other | Total |
|---|---|---|---|---|---|
| Cash-on-hand | 122 | 26 | 27 | 163 | 338 |
| Bouygues Relais cash management company | 53 | | | | 53 |
| Marketable securities | 32 | | | 2 | 34 |
| **TOTAL AT DECEMBER 31, 2008** | **207** | **26** | **27** | **165** | **425** |
| December 31, 2007 | 478 | 23 | 15 | 157 | 673 |

Cash and cash equivalents have an original maturity of twelve months or less or can easily be converted into cash.
Cash and cash equivalents disclosed in the cash flow statement consist of the following items:

| | 31/12/2008 | 31/12/2007 |
|---|---|---|
| Cash and cash equivalents | 425 | 673 |
| Bank overdraft and short-term loans | (183) | (129) |
| **TOTAL** | **242** | **544** |

## Note 5 – Equity

### Composition of share capital

Colas' share capital on December 31, 2008 amounts to 48,820,006.50 euros.
It is comprised of 32,546,671 shares at 1.50 euros each, ranking *pari passu* (although nominative shares owned for a period of more than two years by the same shareholder grant double voting rights).

### Year variations

| | Number of shares | Amounts in euros |
|---|---|---|
| At January 1, 2008 | 32,516,685 | 48,775,027.50 |
| Part of dividend paid in shares | 29,986 | 44,979.00 |
| **AT DECEMBER 31, 2008** | **32,546,671** | **48,820,006.50** |

### Main shareholders

| | | |
|---|---|---|
| Bouygues | 31,499,647 | 96.78% |
| Other shareholders | 1,047,024 | 3.22% |

### Capital management

Colas' General Management objective is to maintain a level of capital and reserves allowing:
– to keep a reasonable net debt over shareholders' equity ratio;
– to pay regular dividends to shareholders.

Among performance indicators used, some can be determined by reference to capital and reserves, but their use is neither preponderant nor systematic.
Otherwise, you are reminded that capital and reserves are not submitted to any statutory restriction.

### Stock options

None

### Translation reserve

The translation reserve was established at January 1, 2004 with the first time application of IFRS.
Main translation differences at December 31, 2008 relate to companies located in the following countries:

| | 31/12/2008 | 31/12/2007 |
|---|---|---|
| United States | (21) | (40) |
| Canada | (16) | 10 |
| Great Britain | (19) | (2) |
| Other countries | (3) | 7 |
| Total translation reserve | (59) | (25) |

## Note 6 – Current and non-current financial debts

### Bank loans and borrowing maturities

| | Current Less than 1 year | Non-current | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 2009 | 1 to 2 years 2010 | 2 to 3 years 2011 | 3 to 4 years 2012 | 4 to 5 years 2013 | 5 years and + 2014 and beyond | Total 2008 | Total 2007 |
| Bank loans (medium-long-term) | | 31 | 32 | 9 | 7 | 51 | 130 | 104 |
| Finance leases | | 18 | 11 | 6 | 3 | 4 | 42 | 34 |
| Other financial debts (long-term) | | 3 | 2 | 1 | 3 | 5 | 14 | 11 |
| Sub-total | 53 | 52 | 45 | 16 | 13 | 60 | 186 | 149 |
| Short-term borrowings and overdrafts | 183 | | | | | | | |
| AT DECEMBER 31, 2008 | 236 | 52 | 45 | 16 | 13 | 60 | 186 | 149 |
| At December 31, 2007 | 174 | 38 | 25 | 14 | 6 | 66 | 149 | |
| Short-term portion of long-term debt | | | | | | | 53 | 45 |

### Confirmed/drawn credit lines

| | Confirmed credit lines - Maturity | | | | Drawn credit lines - Maturity | | | |
|---|---|---|---|---|---|---|---|---|
| | Less than 1 year | 1 to 5 years | Beyond | Total | Less than 1 year | 1 to 5 years | Beyond | Total |
| Credit lines | 850 | 337 | 102 | 1,289 | 53 | 126 | 60 | 239 |
| Letters of credit | | | | | | | | |
| TOTAL | 850 | 337 | 102 | 1,289 | 53 | 126 | 60 | 239 |

### Cash risks at December 31, 2008

At December 31, 2008, cash totaled 242 million euros, in addition to 253 million euros of confirmed medium-term bank credit lines undrawn to date. 450 million euros of confirmed medium-term bank credit lines with pivot banks are subject to renegotiation. The Group is not exposed to any cash risks.

Colas Group companies' confirmed bank loan contracts contain no significant financial clauses likely to lead to early termination and/or early repayment, except for syndicated loans used by Colas Inc. for 10 million USD with a financial commitment that requires a net minimum level of equity.

On December 31, 2008, the ratio is complied with by 1.75 times.

### Breakdown of financial debt by type of interest rate

Breakdown of current and non-current financial debt after accounting for all interest rate hedging instruments that have not yet reached maturity as of the balance sheet date:

Fixed rate debt(1): 49% (2007: 55%)

Floating rate debt: 51% (2007: 45%)

(1) Loans with rate fixed for more than one year.

### Breakdown of financial debt by type of currency

| | Euro | USD | GBP | Other | Total |
|---|---|---|---|---|---|
| Long-term 12/2008 | 30 | 12 | 60 | 84 | 186 |
| Short-term 12/2008 | 51 | 20 | 9 | 156 | 236 |
| | | | | | |
| Long-term 12/2007 | 44 | 1 | 67 | 37 | 149 |
| Short-term 12/2007 | 35 | 5 | 7 | 127 | 174 |

## Note 7 – Provisions

### 7.1 – Non-current provisions

| | Employee benefits | Litigation and legal matters | Customer warranties (LT) | Quarry reclamation (LT) | Other | Total |
|---|---|---|---|---|---|---|
| At January 1, 2007 | 215 | 148 | 73 | 69 | 18 | 523 |
| Exchange differences | (2) | | | | | (2) |
| Transfers | 1 | | 1 | (3) | (1) | (2) |
| Acquisitions of subsidiaries | 16 | 6 | 2 | | 8 | 32 |
| Actuarial gains/losses in equity | (12) | | | | | (12) |
| Allocation for the year | 25 | 64 | 35 | 14 | 7 | 145 |
| Provisions used | (16) | (25) | (11) | (4) | (3) | (59) |
| Provisions reversed | (2) | (20) | (11) | | (2) | (35) |
| At December 31, 2007 | 225 | 173 | 89 | 76 | 27 | 590 |
| Exchange differences | (4) | | (2) | (1) | | (7) |
| Transfers | 2 | (2) | | (2) | 1 | (1) |
| Acquisitions of subsidiaries | 1 | 1 | (1) | 1 | | 2 |
| Actuarial gains/losses in equity | 13 | | | | | 13 |
| Allocation for the year | 22 | 59 | 31 | 19 | 17 | 148 |
| Provisions used | (8) | (21) | (16) | (4) | (7) | (56) |
| Provisions reversed | (2) | (22) | (14) | (1) | (2) | (41) |
| AT DECEMBER 31, 2008 | 249 | 188 | 87 | 88 | 36 | 648 |

Detail of main provisions

| | 31/12/2008 | 31/12/2007 |
|---|---|---|
| Length-of-service awards | 63 | 59 |
| Retirement indemnities | 158 | 135 |
| Pensions | 28 | 31 |
| **Employee benefits** | **249** | **225** |
| Litigation with clients | 96 | 83 |
| Litigation with employees | 14 | 11 |
| Litigation with welfare bodies | 39 | 38 |
| Litigation with tax authorities | 18 | 15 |
| Litigation with other bodies | 7 | 10 |
| Other litigations | 14 | 16 |
| **Litigation and legal matters** | **188** | **173** |
| Decennial warranties | 51 | 50 |
| Civil engineering warranties | 33 | 31 |
| Performance warranties | 3 | 8 |
| **Warranties** | **87** | **89** |

## 7.2 – Current provisions

| | Losses on completion | Works risks and costs of closing down sites | Customer warranties (ST) | Quarry reclamation (ST) | Other | Total |
|---|---|---|---|---|---|---|
| At January 1, 2007 | 35 | 37 | 36 | 11 | 25 | 144 |
| Exchange differences | | (1) | (1) | | | (2) |
| Transfers | | 2 | | 3 | (2) | 3 |
| Acquisitions of subsidiaries | 13 | 4 | 1 | 2 | 4 | 24 |
| Allocation for the year | 41 | 29 | 35 | 4 | 17 | 126 |
| Provisions used | (31) | (15) | (17) | (3) | (13) | (79) |
| Provisions reversed | (5) | (5) | (5) | (1) | (2) | (18) |
| At December 31, 2007 | 53 | 51 | 49 | 16 | 29 | 198 |
| Exchange differences | | (1) | (1) | | (1) | (3) |
| Transfers | | | 3 | 1 | (1) | 3 |
| Acquisitions of subsidiaries | | | 2 | | | 2 |
| Allocation for the year | 44 | 30 | 29 | 1 | 17 | 121 |
| Provisions used | (35) | (15) | (24) | (4) | (5) | (83) |
| Provisions reversed | (12) | (6) | (8) | | (9) | (35) |
| **AT DECEMBER 31, 2008** | **50** | **59** | **50** | **14** | **30** | **203** |

## Note 8 – Deferred tax liabilities

| | 31/12/2008 | 31/12/2007 |
|---|---|---|
| Deferred tax liabilities | 79 | 74 |
| Other long-term tax liabilities | | |
| **TOTAL NON-CURRENT TAXES** | **79** | **74** |

## Note 9 – Other current liabilities

| | 31/12/2008 | 31/12/2007 |
|---|---|---|
| Staff, social welfare, States | 937 | 951 |
| Deferred incomes | 45 | 45 |
| Other non-financial debts | 732 | 827 |
| **TOTAL OTHER DEBTS** | **1,714** | **1,823** |

## Note 10 – Income from ordinary activities

| | 2008 | 2007 |
|---|---|---|
| Revenue | 1,871 | 1,657 |
| Rendering of services | 386 | 335 |
| Construction contracts | 10,532 | 9,681 |
| Other income from ordinary activities | – | – |
| **TOTAL INCOME FROM ORDINARY ACTIVITIES** | **12,789** | **11,673** |

### Information regarding construction contracts

| | | |
|---|---|---|
| Works to be invoiced | 409 | 360 |
| Retentions for warranties | 51 | 51 |
| Works invoiced in advance | (357) | (307) |
| Payments received in advance | (94) | (85) |

## Note 11 – Other operating income and expense

| | 2008 | 2007 |
|---|---|---|
| Share in net profit of unconsolidated joint ventures | 29 | 31 |
| Non-current asset disposals | 56 | 41 |
| Other current income(1) | 563 | 402 |
| Other operating income | 648 | 474 |
| Other operating expense | (116) | (74) |
| Other non-current income and losses(2) | – | (3) |

(1) Mainly expenses invoiced back to associates in joint ventures.

(2) Fines arising from competition litigations.

## Note 12 – Finance income and expense

### 12.1 – Interest income and expense

| | 2008 | 2007 |
|---|---|---|
| Interest income from cash | 24 | 18 |
| Income from short-term deposits | 2 | 3 |
| Interest income | 26 | 21 |
| Interest expense on cash | (24) | (16) |
| Interest on finance leases | (2) | (2) |
| Interest on financial debt | (22) | (14) |
| Interest expenses | (48) | (32) |
| **INTEREST INCOME AND EXPENSES** | **(22)** | **(11)** |

### 12.2 – Other financial income and expense

| | 2008 | 2007 |
|---|---|---|
| Dividends received from unconsolidated investments | 4 | 5 |
| Net charge on financial provisions | 1 | 20 |
| Capital gains or losses on disposal of financial assets | | (9) |
| Other income and expenses | 1 | (12) |
| **OTHER NET FINANCIAL INCOME AND EXPENSES** | **6** | **4** |

## Note 13 – Income tax

### Breakdown of net tax expenses

| | 2008 | 2007 |
|---|---|---|
| Current income tax | (210) | (208) |
| Deferred income tax | (5) | 5 |
| Tax adjustments or exemptions | 2 | (2) |
| Withholding taxes on dividends | (5) | (7) |
| | (218) | (212) |
| Tax provisions allocations/reversals | 1 | 3 |
| **NET TAX EXPENSES** | **(217)** | **(209)** |

### Reconciliation between theoretical tax and actual tax expenses

Differences between theoretical tax expenses, determined at the French statutory tax rate and effective income tax are as follows:

| | 2008 | 2007 |
|---|---|---|
| Theoretical income tax determined at statutory tax rate | (229) | (216) |
| Impact of different tax rates of subsidiaries operating in other jurisdictions | 28 | 14 |
| Recognition of tax assets not previously recognized | – | – |
| Unrecognized tax losses(1) | (9) | (1) |
| Income taxes which are not linked to income | (2) | (6) |
| Impact of expenses that are not deductible and incomes that are not taxable in determining taxable profit | (5) | – |
| **INCOME TAX REPORTED IN INCOME** | **(217)** | **(209)** |

(1) Not reversible in a foreseeable future.

## Note 14 – Earnings and dividends per share

Basic earnings per share are determined by dividing net profit for the year (Group share) by the total number of shares outstanding at December 31, 2008, less the number of bought-back shares expected to be written off.

| | 2008 | 2007 |
|---|---|---|
| Net profit (Group share) in euros | 490,165,000 | 473,596,000 |
| Number of issued shares | 32,546,671 | 32,516,685 |
| **BASIC EARNINGS PER SHARE** (in euros) | **15.06** | **14.56** |

Diluted earnings per share are determined by dividing net profit for the year (Group share) by the total number of shares outstanding at December 31, 2008, plus the number of outstanding stock options. Because there are no outstanding stock options, diluted earnings per share are identical to basic earnings per share.

| | | |
|---|---|---|
| **DILUTED EARNINGS PER SHARE** (in euros) | **15.06** | **14.56** |

| | Per share | Total |
|---|---|---|
| Dividends decided and paid in 2008: | 8.50 € | 276,391,822.50 € |
| Dividends submitted to approval of General meeting on April 15, 2009 (Not recognized as liabilities at December 31, 2008) | 8.75 € | 284,783,371.25 € |

# Note 15 – Segment reporting

## 15.1 – Information about geographical segments

Group operating businesses are organized by main geographical areas. Primary segment reporting is disclosed under those criteria. Segmental figures are prepared after reallocation of parent Company results and according to the location of the companies.

### Year 2008

| | France | Europe (excl. France) | North America | Rest of the world | Consolidated |
|---|---|---|---|---|---|
| **Balance sheet** | | | | | |
| Non-current assets | 2,140 | 646 | 551 | 192 | 3,529 |
| Current assets | 2,358 | 1,127 | 418 | 563 | 4,466 |
| Total assets | 4,498 | 1,773 | 969 | 755 | 7,995 |
| Non-current liabilities | 579 | 195 | 84 | 55 | 913 |
| Current liabilities | 2,883 | 1,080 | 395 | 547 | 4,905 |
| Total liabilities | 3,462 | 1,275 | 479 | 602 | 5,818 |
| **NET ASSETS** | **1,036** | **498** | **490** | **153** | **2,177** |
| | | | | | |
| **Income statement** | | | | | |
| Income from ordinary activities | 7,328 | 2,417 | 2,124 | 920 | 12,789 |
| of which export | 60 | 3 | | | 63 |
| Operating profit | 294 | 126 | 181 | 81 | 682 |
| Financial income and expense | – | – | – | – | (16) |
| Income from associates | 56 | – | – | (10) | 46 |
| Income tax | – | – | – | – | (217) |
| **NET PROFIT FOR THE PERIOD** | | | | | **495** |
| | | | | | |
| Capital expenditures | 453 | 94 | 128 | 79 | 754 |
| Depreciation | (287) | (65) | (79) | (34) | (466) |

### Year 2007

| | France | Europe (excl. France) | North America | Rest of the world | Consolidated |
|---|---|---|---|---|---|
| **Balance sheet** | | | | | |
| Non-current assets | 1,962 | 675 | 507 | 141 | 3,285 |
| Current assets | 2,722 | 1,090 | 401 | 480 | 4,693 |
| **Total assets** | **4,684** | **1,765** | **908** | **621** | **7,978** |
| Non-current liabilities | 539 | 182 | 57 | 35 | 813 |
| Current liabilities | 3,231 | 1,094 | 391 | 444 | 5,160 |
| **Total liabilities** | **3,770** | **1,276** | **448** | **479** | **5,973** |
| **NET ASSETS** | **914** | **489** | **460** | **142** | **2,005** |
| | | | | | |
| **Income statement** | | | | | |
| Income from ordinary activities | 6,976 | 1,950 | 2,090 | 657 | 11,673 |
| of which export | 45 | | | | 45 |
| Operating profit | 283 | 77 | 202 | 73 | 635 |
| Financial income and expense | – | – | – | – | (7) |
| Income from associates | 60 | – | – | 2 | 62 |
| Income tax | – | – | – | – | (209) |
| **NET PROFIT FOR THE PERIOD** | | | | | **481** |
| | | | | | |
| Capital expenditures | 747 | 149 | 121 | 62 | 1,079 |
| Depreciation | (255) | (56) | (75) | (26) | (412) |

## 15.2 – Business segment information

### Revenue

**Year 2008**

| | France | Europe (excl. France) | North America | Rest of the world | Consolidated | |
|---|---|---|---|---|---|---|
| Road works and sales of construction materials | 5,424 | 1,833 | 1,975 | 737 | 9,969 | 78% |
| Civil engineering, pipes and mains | 410 | 297 | 117 | 78 | 902 | 7% |
| Waterproofing | 569 | 15 | | | 584 | 4% |
| Safety and signaling | 294 | 17 | 26 | 6 | 343 | 3% |
| Building | 345 | 44 | 6 | 66 | 461 | 4% |
| Railways | 286 | 211 | | 33 | 530 | 4% |
| **TOTAL** | **7,328** | **2,417** | **2,124** | **920** | **12,789** | **100%** |

**Year 2007**

| | France | Europe (excl. France) | North America | Rest of the world | Consolidated | |
|---|---|---|---|---|---|---|
| Road works and sales of construction materials | 5,284 | 1,434 | 1,924 | 542 | 9,184 | 79% |
| Civil engineering, pipes and mains | 427 | 308 | 142 | 24 | 901 | 8% |
| Waterproofing | 497 | 20 | | | 517 | 4% |
| Safety and signaling | 253 | 17 | 19 | 2 | 291 | 3% |
| Building | 300 | 45 | 5 | 54 | 404 | 3% |
| Railways | 215 | 126 | | 35 | 376 | 3% |
| **TOTAL** | **6,976** | **1,950** | **2,090** | **657** | **11,673** | **100%** |

## Note 16 – Income statement by function

In addition to the income statement presented by nature, we have disclosed hereafter the income statement by function:

| | 2008 | 2007 |
|---|---|---|
| Revenue | 12,789 | 11,673 |
| Cost of sales | (11,015) | (10,043) |
| **Gross profit** | **1,774** | **1,630** |
| Research and development costs | (70) | (67) |
| Administrative expenses | (1,022) | (925) |
| **Current operating profit** | **682** | **638** |
| Extraordinary items | | (3) |
| **Profit from operations** | **682** | **635** |
| Net financial debt costs | (22) | (11) |
| Other financial income and expense | 6 | 4 |
| Income tax | (217) | (209) |
| Income from associates | 46 | 62 |
| **PROFIT AFTER TAX** | **495** | **481** |
| Of which: minority interest | 5 | 7 |
| Of which: equity holders of the parent | 490 | 474 |

## Note 17 – Financial Instruments

We disclose, hereafter, the total of notional amounts outstanding at December 31, 2008, for each type of financial instrument, with breakdown by maturity for interest transactions, and by currency for currency trade.

### Hedging of interest rate risks

| Interest rate swap | Maturity | | | Total | Total |
|---|---|---|---|---|---|
| | 2009 | 2010 to 2013 | Beyond | 31/12/2008 | 31/12/2007 |
| On financial assets | – | – | – | – | – |
| On financial liabilities | – | 38 | 154 | 192 | 164 |

To ensure that the city of Portsmouth, England, is able to pay a fixed monthly fee for the duration of the twenty-five years of the road rehabilitation and maintenance contract, an interest rate swap has been set up. This swap is a floating rate receiver, fixed rate payer. Its par value is perfectly in line with the draw down and repayment schedule of the non-recourse loan, in order to back the debt fixed cost onto the monthly fee received. At December 31, 2008, that swap amounted to 59.6 million euros (56.7 million GBP).

STVR, a concession company in which Colas Rail holds a majority share, contracted a long-term interest rate swap in 2003 to finance the construction and operation of the city of Caen's tramway. This redeemable floating rate receiver, fixed rate payer whose term is November 2018, is accounted for in equity for its market value. At December 31, 2008, that swap amounted to 94.6 million euros.

### Hedging for exchange risks

Group companies generate only a small proportion of their revenue from exports.

Revenue from foreign countries is chiefly generated by subsidiaries that issue invoices and book their expenses in local currency. Occasionally, some currency contracts are hedged for exchange risks.

| | HUF | RON | Others | 31/12/2008 | 31/12/2007 |
|---|---|---|---|---|---|
| Forward purchases | 203 | 11 | 1 | 215 | 337 |
| Forward sales | 35 | 1 | 39 | 75 | 2 |
| Currency swap | – | – | – | – | – |
| Currency options | – | – | – | – | 27 |

Some works contracts, completed in Hungary and Romania and invoiced in euros, have been hedged for exchange risks.

### Fair value of hedging financial instruments

At December 31, 2008, the net present market value of hedging financial instruments amounted to (19.0) million euros. This amount mainly comprises the net present value of interest rate swap for Group debt hedging, and the present value of forward transactions for exchange risk hedging, regarding operating transactions.

Breakdown of the market value by nature of hedging is as follows:

| | |
|---|---|
| – transactions regarding fair value hedge | (12.2) M€ |
| – transactions regarding cash flow hedge | (9.1) M€ |
| – trading transactions | 2.3 M€ |

The impact of the market value of interest rate swap set up for the contract with the city of Portsmouth, England i.e., (11.4) million euros, is fully compensated by the market value of the embedded derivative instrument regarding the fixed fee paid by the client, i.e., 11.4 million euros.

In case of +1% transfer in interest rate yield curve (and respectively –1%), market value of hedging financial instruments would amount to (7.0) million euros (respectively (31.5) million euros).

An average unfavorable change of 1% against all other currencies would result in a decrease in the market value of hedging financial instruments to (21.1) million euros.

Measurement has been made by an independent service provider, according to market practices.

## Note 18 – Commitments and contingencies

### Mutual commitments

| Maturity | less than 1 year | from 1 to 5 years | more than 5 years | Total 31/12/2008 | Total 31/12/2007 |
|---|---|---|---|---|---|
| **Commitments given** | | | | | |
| Operating leases(1) | 24 | 54 | 54 | 132 | 109 |
| Firm asset purchase commitments(2) | 43 | 8 | | 51 | 62 |
| Total | 67 | 62 | 54 | 183 | 171 |
| **Commitments received** | | | | | |
| Operating leases(1) | 24 | 54 | 54 | 132 | 109 |
| Firm asset purchase commitments(2) | 43 | 8 | | 51 | 62 |
| TOTAL | 67 | 62 | 54 | 183 | 171 |

(1) Minimum lease payments up to contracts renewal date (or first cancel date) pertain to operating lease contracts for operating businesses (land, building, equipment, etc.).
(2) Mainly equipment orders.

## Other commitments

| Maturity | less than 1 year | from 1 to 5 years | more than 5 years | Total 31/12/2008 | Total 31/12/2007 |
|---|---|---|---|---|---|
| **Commitments given** | | | | | |
| Endorsements and warranties | 26 | 39 | 5 | 70 | 67 |
| **Commitments received** | | | | | |
| Contractual commitments | – | – | – | – | – |
| **Assets given as securities** | | | | | |
| Mortgages and securities | 4 | 16 | 6 | 26 | 7 |

The Group grants, in respect of its operating activities, decennial or performance warranties, which are not measured or disclosed. If the said could cause outflow of resources, provisions are recognized.

In 2008, the Company issued guarantees under section 17 of Ireland's Companies (Amendment) Act, 1986 on behalf of Colas Teoranta, Road Maintenance Services Ltd, Colas Building Products Ltd, Cold Chon (Galway) Ltd, Road Binders Ltd and Chemoran Ltd.

## Commitments under finance leases

| Maturity | less than 1 year | from 1 to 5 years | more than 5 years | Total |
|---|---|---|---|---|
| Minimum lease payments | 21 | 41 | 4 | 66 |
| Finance charge | (1) | (2) | | (3) |
| Present value of minimum lease payments | 20 | 39 | 4 | 63 |
| At December 31, 2007 | 17 | 32 | 2 | 51 |

# Note 19 – Changes in net financial position

| | 31/12/2007 | 2008 variations | 31/12/2008 |
|---|---|---|---|
| Cash and cash equivalents | 673 | (248) | 425 |
| Bank overdrafts and short-term loans | (129) | (54) | (183) |
| Net cash | 544 | 302 | 242 |
| Long-term financial debts | 149 | 37 | 186 |
| Long-term financial debts (current portion) | 45 | 8 | 53 |
| Financial instruments | 3 | 6 | 9 |
| Gross debt | 197 | 51 | 248 |
| NET FINANCIAL POSITION | (347) | 353 | 6 |

## Note 20 – Workforce and employee benefits

### Average Group workforce

| | 2008 | 2007 |
|---|---|---|
| Managers and engineers | 7,741 | 7,008 |
| Foremen, technicians, supervisors and office staff | 15,632 | 14,424 |
| Workers | 50,221 | 45,292 |
| **TOTAL AVERAGE GROUP WORKFORCE** | **73,594** | **66,724** |

### Employee benefits

**Defined contribution plans**

| | 2008 | 2007 |
|---|---|---|
| Amounts recognized as expense | 762 | 697 |

These expenses comprise contributions to:
– social security, welfare;
– retirement pension funds (State and supplementary);
– unemployment insurance schemes.

**Defined benefit plans**

| | Retirement indemnities | | Pensions | |
|---|---|---|---|---|
| | 2008 | 2007 | 2008 | 2007 |
| Current service costs | 2 | 1 | (2) | (4) |
| Interest costs | 5 | 6 | 5 | 5 |
| Expected return on plan assets | | | (5) | (5) |
| Past service costs | 4 | 2 | 1 | |
| **NET EXPENSES** | **11** | **9** | **(1)** | **(4)** |
| Present value of obligations | 187 | 167 | 213 | 276 |
| Fair value of plan assets | | | (188) | (249) |
| Unrecognized past service costs | (29) | (32) | 3 | 4 |
| **NET RECOGNIZED LIABILITIES** | **158** | **135** | **28** | **31** |

**Variations of balance sheet net liabilities**

| | Retirement indemnities | | Pensions | |
|---|---|---|---|---|
| | 2008 | 2007 | 2008 | 2007 |
| **At January 1** | **135** | **126** | **31** | **33** |
| Change in accounting policy | | | | |
| Exchange differences | | | (4) | (1) |
| Transfers | | | | |
| Acquisitions of subsidiaries | | 9 | 1 | 6 |
| Actuarial gains/losses in equity | 12 | (9) | 1 | (3) |
| Net expenses | 11 | 9 | (1) | (4) |
| **AT DECEMBER 31** | **158** | **135** | **28** | **31** |

### Main actuarial assumptions for determination of retirement indemnities

| | 2008 | 2007 |
|---|---|---|
| Discount rates (OAT TEC10) | 3.66% | 4.35% |
| Survival tables | Insee | Insee |
| Average retirement age for managers and executives | 62 years | 62 years |
| Average retirement age for other employees and workers | 60 years | 60 years |

### Equity compensation benefits

In 2008, options giving subscription rights for new Bouygues shares have been granted by Bouygues to certain Colas and Group subsidiary employees. The amount of these benefits is not significant.

## Note 21 – Related parties' disclosures

| | Expense | | Income | | Receivables | | Debts | |
|---|---|---|---|---|---|---|---|---|
| | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 |
| Bouygues Group companies | 56 | 49 | 109 | 73 | 87 | 320 | 14 | 33 |
| Joint ventures | 20 | 23 | 49 | 55 | 14 | 16 | 13 | 15 |
| Associates | 10 | 1 | 66 | 86 | 7 | 8 | 1 | 2 |
| Other related parties | 0.2 | 0.2 | | | | | | |
| Key managers | 6.6 | 10.0 | | | | | 8 | 8 |
| Non-executive Directors | 0.2 | 0.2 | | | | | | |
| **TOTAL** | **93** | **83** | **224** | **214** | **108** | **344** | **36** | **58** |
| Maturity < 1 year | | | | | 108 | 344 | 33 | 55 |
| Maturity > 1 year | | | | | – | – | 3 | 3 |

### Identity of related parties

Bouygues Group companies: Bouygues and its subsidiaries.
Joint ventures: Carrières Roy and some non-significant joint ventures.
Associates: Cofiroute, Tipco Asphalt and some non-significant associates.
Other related parties: Colas Foundation.

### Compensation of key management of the Group

Key managers are members of the executive committee at December 31, 2008. It comprises the Chairman and Chief Executive Officer and seven salaried members (including two salaried Directors).

| | 2008 | 2007 |
|---|---|---|
| Direct compensation | 5.5 | 6.8 |
| Post-employment benefits | 0.3 | 0.9 |
| Termination benefits | 0.8 | 2.3 |
| Equity compensation benefits | – | – |
| TOTAL | 6.6 | 10.0 |

Direct compensation: this amounts to 5.5 million euros, of which 1.9 million euros is for variable compensation established in relation to targets and 60,000 euros for Directors' fees.

Post-employment benefits:
Chairman and Chief Executive Officer: this provides a supplementary pension plan amounting to 0.92% of reference salary for each year of service in the scheme. The supplementary pension scheme has been externalized to an insurance company.
Other key managers: Company's contribution regarding pensions defined contribution plan (4% of employees' global wages).

Termination benefits: this regards retirement indemnities.

Equity compensation benefits: the number of Bouygues shares attributed in 2008 (stock-options) is 206,000 with a subscription price of 43.23 euros. The minimum subscription date is March 31, 2012. The amount of this benefit is not material.
Directors' fees paid to Directors amounted to 200,000 euros.

## Note 22 – Fees of independent auditors

We disclose hereunder the fees charged by the Auditors who carry out the legal audit of Colas SA's accounts.

| | Mazars | | KPMG | |
|---|---|---|---|---|
| | 2008 | 2007 | 2008 | 2007 |
| Colas legal auditors | | | | |
| Colas | 0.2 | 0.2 | 0.2 | 0.2 |
| Subsidiaries | 1.0 | 0.8 | 1.4 | 0.8 |
| Secondary assignments | | | 0.1 | 0.3 |
| Sub-total | 1.2 | 1.0 | 1.7 | 1.3 |
| Other assignments: law, tax, welfare | | | | |
| TOTAL COLAS LEGAL AUDITORS | 1.2 | 1.0 | 1.7 | 1.3 |

## Note 23 – Main exchange rates used for translation

1 local monetary unit = x euros.

| Country | Currency | Closing rate | Average rate |
|---|---|---|---|
| **Europe** | | | |
| Croatia | Croatian Kuna | 7.3555 | 7.2217 |
| Denmark | Danish Kroner | 7.4506 | 7.4558 |
| Great Britain | British Pound | 0.9525 | 0.8026 |
| Hungary | Forint | 266.70 | 251.05 |
| Poland | Zloty | 4.1535 | 3.5278 |
| Czech Republic | Czech Republic Koruny | 26.875 | 25.039 |
| Romania | New Leu | 4.0225 | 3.7005 |
| Switzerland | Swiss Franc | 1.4850 | 1.5786 |
| **America** | | | |
| United States | US Dollar | 1.3917 | 1.4726 |
| Canada | Canadian Dollar | 1.6998 | 1.5656 |
| **Others** | | | |
| Australia | Australian Dollar | 2.0274 | 1.7487 |
| Morocco | Dirham | 11.2585 | 11.3510 |
| Thailand | Baht | 48.2850 | 48.7373 |

## Note 24 – Scope of consolidation

### 24.1 – Changes in scope of consolidation

**Number of consolidated companies**

| | 2008 | 2007 |
|---|---|---|
| Full consolidation | 567 | 549 |
| Proportional consolidation | 94 | 87 |
| Equity method | 12 | 11 |
| **TOTAL** | **673** | **647** |

**Main new investments**

France: Groupe Gouyer, Vigifrance Sécurité, Signalinea, SECP, Brule Weickert.

International: ISAF (Romania), Drawmac Group (Australia), South West Industries (United States), Béton St Ephrem Inc. (Canada), Lignes de stationnement Rivard 2004 Inc. (Canada).

**Disposal of companies**

France: Cofor.

International: None.

**Complementary investments**

Highway Resources (Singapore).

### 24.2 – Impact and accounting of year's acquisitions

We have disclosed hereafter the changes in scope of consolidation before acquisition and after allocation of identifiable assets and liabilities to different balance sheet items.

| | Amounts before acquisition | Goodwill allocation | Fair value of items acquired |
|---|---|---|---|
| Plant and equipment | 45 | 50 | 95 |
| Intangible assets | | 2 | 2 |
| Goodwill | 9 | 32 | 41 |
| Associated companies | 1 | | 1 |
| Non-consolidated investments | (7) | 2 | (5) |
| Financial assets | 2 | | 2 |
| Deferred tax assets | 2 | (1) | 1 |
| Current assets | 131 | 5 | 136 |
| **TOTAL ASSETS** | **183** | **90** | **273** |
| Equity | 16 | 85 | 101 |
| Minority interests | (5) | | (5) |
| Deferred tax liabilities | | 3 | 3 |
| Other non-current liabilities | 37 | | 37 |
| Current liabilities | 135 | 2 | 137 |
| **TOTAL EQUITY AND LIABILITIES** | **183** | **90** | **273** |

Investment price in consolidated companies acquired during the year amounts to 109 million euros. After deduction of net book value of shares disclosed for an amount of 8 million euros, net investment amounts to 101 million euros.

In addition to 109 million euros for consolidated companies, non-consolidated investments have been acquired for 48 million euros, i.e., an overall amount of 157 million euros for investments.

### 24.3 – List of main consolidated companies

The following companies are fully consolidated except in case of specific disclosure (PC: proportional consolidation, EM: equity method).

| Companies | Head office | % of stake | |
|---|---|---|---|
| | | 2008 | 2007 |
| **France** | | | |
| Colas Centre-Ouest | Nantes | 99.9 | 99.9 |
| Colas Île-de-France – Normandie | Magny-les-Hameaux | 99.9 | 99.9 |
| Colas Nord-Picardie | Villeneuve-d'Ascq | 99.9 | 99.9 |
| Colas Est | Colmar | 99.9 | 99.9 |
| Colas Rhône-Alpes | Lyon | 99.9 | 99.9 |
| Colas Midi-Méditerranée | Aix-en-Provence | 99.9 | 99.9 |
| Colas Sud-Ouest | Mérignac | 99.9 | 99.9 |
| Aximun | Chatou | 99.9 | 99.9 |
| Spac | Clichy | 99.9 | 99.9 |
| Sacer Atlantique | Nantes | 99.9 | 99.9 |
| Sacer Paris-Nord-Est | Magny-les-Hameaux | 99.9 | 99.9 |
| Sacer Sud-Est | Lyon | 99.9 | 99.9 |
| Screg Ouest | Nantes | 99.9 | 99.9 |
| Screg Île-de-France – Normandie | Voisins-le-Bretonneux | 99.9 | 99.9 |
| Screg Nord-Picardie | Villeneuve-d'Ascq | 99.9 | 99.9 |
| Screg Est | Nancy | 99.9 | 99.9 |
| Screg Sud-Est | Lyon | 99.9 | 99.9 |
| Screg Sud-Ouest | Mérignac | 99.9 | 99.9 |
| Smac | Boulogne-Billancourt | 99.9 | 99.9 |
| Colas Rail | Maisons-Laffitte | 99.9 | 99.9 |
| GTOI | Le Port, Reunion Island | 99.9 | 99.9 |
| Colas Martinique | Le Lamentin, Martinique | 99.9 | 99.9 |
| Groupe Gouyer | Le Lamentin, Martinique | 99.9 | – |
| Colas Guadeloupe | Baie-Mahault, Guadeloupe | 99.9 | 99.9 |
| SBEG | Cayenne, French Guiana | 99.9 | 99.9 |
| Carrières Roy (PC) | Saint-Varent | 49.9 | 49.9 |
| Cofiroute (EM) | Sèvres | 16.7 | 16.7 |
| **French overseas territories** | | | |
| Colas Mayotte | Mamoudzou, Mayotte | 100.0 | 100.0 |
| Colas de Nouvelle-Calédonie | Noumea, New Caledonia | 99.9 | 99.9 |
| **Europe (excluding France)** | | | |
| Colas Bauchemie Gmbh | Bremen, Germany | 100.0 | 100.0 |
| Colas Gmbh | Gratkorn, Austria | 100.0 | 100.0 |
| Colas Belgium | Brussels, Belgium | 99.9 | 99.9 |
| Cesta Varazdin | Varazdin, Croatia | 70.3 | 70.3 |
| Colas Danmark A/S | Virum, Denmark | 100.0 | 100.0 |
| Colas Ltd | Rowfant, Great Britain | 100.0 | 100.0 |
| Colas Hungaria | Budapest, Hungary | 100.0 | 100.0 |
| Colas Polska | Sroda Wlkp, Poland | 100.0 | 100.0 |
| Colas CZ | Prague, Czech Republic | 100.0 | 100.0 |
| Colas Teoranta | Dublin, Ireland | 100.0 | 100.0 |

| Companies | Head office | % of stake | |
|---|---|---|---|
| | | 2008 | 2007 |
| Colas Romania | Bucarest, Romania | 100.0 | 100.0 |
| Colas SA | Lausanne, Switzerland | 99.2 | 99.2 |
| **North America** | | | |
| ColasCanada Inc. | Montreal, Quebec, Canada | 100.0 | 100.0 |
| Colas Inc. | Morristown, New Jersey, United States | 100.0 | 100.0 |
| **Africa – Indian Ocean** | | | |
| Colas Benin | Cotonou, Benin | 100.0 | 100.0 |
| Colas Djibouti | Djibouti, Republic of Djibouti | 100.0 | 100.0 |
| Routière Colas du Gabon | Libreville, Gabon | 89.9 | 89.9 |
| Colas Madagascar | Antananarivo, Madagascar | 100.0 | 100.0 |
| AJ Maurel Construction | Petite Rivière, Mauritius Island | 100.0 | 100.0 |
| Colas du Maroc | Casablanca, Morocco | 99.9 | 99.9 |
| Grands Travaux Routiers | Rabat, Morocco | 67.7 | 67.7 |
| **Asia** | | | |
| Wasco | Jakarta, Indonesia | 55.1 | 55.1 |
| Raycol Asphalt Co. Ltd (PC) | Rayong, Thailand | 50.0 | 50.0 |
| Thaï Slurry Seal Co. Ltd | Bangkok, Thailand | 50.0 | 50.0 |
| Tipco Asphalt (EM) | Bangkok, Thailand | 30.7 | 30.7 |
| Hincol (PC) | Mumbai, India | 30.0 | 30.0 |
| Drawmac Group | Sydney, Australia | 51.0 | -- |

# Auditors' report on consolidated financial statements

## (Fiscal year ended December 31, 2008)

To the Shareholders,

In compliance with the assignment entrusted to us by your Shareholders' Meeting, we hereby present our report for the fiscal year ended December 31, 2008 dealing with:

- the audit of the consolidated financial statements of Colas attached to this report;
- the justification of our assessments;
- the specific verification provided for by law.

The consolidated financial statements are the responsibility of the Board of Directors. Our responsibility is to express an opinion on those financial statements on the basis of our audit.

### 1 – Opinion on the consolidated financial statements

We conducted our audit in accordance with the auditing standards applicable in France; such standards require us to perform such audit procedures as may provide us with reasonable assurance that the consolidated financial statements are free from material misstatement. An audit includes examination, on a test basis by sampling or other means of selection, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the accounting policies applied, of the significant estimates made in the preparation of the financial statements, and of their overall presentation. We consider that the work we performed provides a sufficient and appropriate basis for the opinion.

We certify that the consolidated financial statements are properly and faithfully prepared with regard to the IFRS accounting framework as adopted by the European Union and give a true and fair view of consolidated entities' assets and liabilities, financial position and financial performance.

### 2 – Justification of our assessments

In accordance with the requirements of article L. 823-9 of the French Code of Commerce, relating to the justification of our audit assessments, we bring to your attention the following matters:

The Company systematically, at least once per year, tests its goodwill for impairment and determines whether there is any indication of impairment of its other non-current assets, as described more fully in note 2 to the section entitled "Non-current assets – 3. Goodwill". We have examined the assumptions made and methods employed in performing that impairment testing.

Colas recognizes the results of its construction projects on the basis described in note 2 to the section "Income statement – 1. Profit from operations (current)". Our work consisted, based on the information provided to us, in assessing the assumptions employed in forecasting the final results of projects.

The above assessments were made in the context of our audit of the consolidated financial statements taken as a whole and therefore contributed to the formation of the audit opinion expressed in the first part of this report.

### 3 – Specific verification

We also verified the information presented in the Group's management report.

We have no matters to report regarding its fair presentation and conformity with the consolidated financial statements.

Paris-La Défense, February 25, 2009

The Auditors

| | |
|---|---|
| KPMG Audit<br>*A division of KPMG SA* | Mazars |
| Xavier Fournet<br>*Partner* | Julien Marin-Pache<br>*Partner* |

# Colas financial statements

## for the fiscal year ended December 31, 2008

# Balance sheet at December 31

| in millions of euros | Notes | 2008 | 2007 |
|---|---|---|---|
| Intangible assets | | 17.9 | 17.9 |
| Property, plant and equipment | | 152.3 | 137.7 |
| Holdings in subsidiaries and affiliates | | 1,250.4 | 1,169.1 |
| Loans and advances to subsidiaries and affiliates | | 263.2 | 248.0 |
| Other non-current financial assets | | 2.4 | 2.6 |
| **Non-current assets** | 3 | **1,686.2** | **1,575.3** |
| Inventories | | 1.1 | 1.9 |
| Trade receivables | | 132.4 | 92.4 |
| Group and associates | | 49.8 | 76.9 |
| Other receivables and prepayments | | 17.0 | 26.0 |
| Cash and cash equivalents | | 33.5 | 300.9 |
| **Current assets** | 4 | **233.8** | **498.1** |
| **TOTAL ASSETS** | | **1,920.0** | **2,073.4** |
| | | | |
| Share capital | | 48.8 | 48.8 |
| Share premium and reserves | | 646.7 | 638.5 |
| Net profit for the year | | 327.7 | 278.5 |
| Tax-driven provisions | | 6.3 | 4.6 |
| **Equity** | 5 | **1,029.5** | **970.4** |
| **Provisions for contingencies and losses** | 6 | **40.5** | **39.2** |
| Financial debt | | 0.7 | 0.7 |
| Advance payments | | 1.8 | 10.8 |
| Trade payables | | 102.5 | 90.8 |
| Group and associates | | 620.0 | 825.5 |
| Other non-financial debt, accruals and deferred income | | 67.9 | 94.2 |
| Bank overdrafts and short-term loans | | 57.1 | 41.8 |
| **Liabilities** | | **850.0** | **1,063.8** |
| **TOTAL EQUITY AND LIABILITIES** | | **1,920.0** | **2,073.4** |

# Income statement



| in millions of euros | Notes | 2008 | 2007 |
|---|---|---|---|
| Revenue | 10 | 739.6 | 447.0 |
| Raw materials and consumables used | | (503.4) | (178.6) |
| External services | | (103.9) | (135.4) |
| Staff costs | | (60.7) | (68.0) |
| Taxes other than income tax | | (9.0) | (9.0) |
| Depreciation, amortization and depletion | | (8.8) | (8.5) |
| Net provision allocations | | (1.0) | (5.9) |
| Other operating income | | 75.0 | 67.4 |
| Other operating expenses | | (1.7) | (4.4) |
| Share of profits from joint ventures | | (2.1) | 5.7 |
| Operating profit | | 124.0 | 110.3 |
| Financial income (expense) | 11 | 218.4 | 195.8 |
| Current profit | | 342.4 | 306.1 |
| Exceptional income (expense) | 12 | 16.0 | 1.3 |
| Employee profit sharing scheme | | (1.8) | (1.5) |
| Income taxes | 13 | (28,9) | (27.4) |
| NET PROFIT FOR THE YEAR | | 327.7 | 278.5 |

# Notes to the Colas financial statements

## Contents



In millions of euros (M€) unless otherwise stated.

## Note 1 – General information about the Company

The financial statements of Colas for the year ended December 31, 2008 were approved by the Board of Directors and authorized for issue on February 24, 2009.
Colas is a French public *société anonyme* (joint-stock corporation) incorporated in France.
Its main activities are described in note 10.

## Note 2 – Significant accounting principles and policies

### Preparation of the financial statements

Colas' financial statements have been prepared in accordance with current French legal and regulatory provisions.

### Foreign currency translation

Transactions denominated in foreign currency are recognized at the exchange rate prevailing at the transaction date. Monetary assets and liabilities denominated in foreign currency are translated at the exchange rate prevailing at the balance sheet date.

### Intangible assets

Intangible assets are recognized at acquisition cost.
Start-up and research costs are expensed as incurred. Intangible assets consist chiefly of patents and brands. Business goodwill is not amortized but an impairment charge may be recognized if economic circumstances so require.

### Property, plant and equipment

Property, plant and equipment are recognized at cost less accumulated depreciation and any recognized impairment loss.
Depreciation is charged so as to write off the cost of assets (or components of assets with different estimated useful lives) over their estimated useful lives, using the straight-line method. Land is not depreciated.

| | |
|---|---|
| Office buildings | 20 to 40 years |
| Industrial buildings | 10 to 20 years |
| Plant and equipment | 5 to 10 years |
| Other property and equipment (cars, trucks and office equipment) | 3 to 10 years |

### Non-current financial assets

Equity interests are stated on the balance sheet at acquisition cost less any impairment deemed necessary, determined based on their value-in-use.
Acquisition costs have been carried as non-current assets since 2006.
Other non-current financial assets are carried at face value net of any impairment.

### Inventories

Inventories are measured at the lower of their cost and net realizable value.
Inventory costs include all purchase costs and costs of conversion.
Costs of purchase include the purchase price, import duties and other non-recoverable taxes, transport and handling costs incurred to bring the inventories to their current location.
Costs of conversion include all costs that are directly or indirectly incurred in converting raw materials into finished goods.
For future valuations, costs are assigned using the first-in first-out or weighted average cost formulas, according to the type of inventories.
Net realizable value is the estimated selling price less estimated costs of completion and estimated costs necessary to complete the sale.

### Trade receivables and other receivables

Trade receivables, which generally have 30-90 day terms, are recognized and carried at their original invoice amount less an allowance for any uncollectable amounts.
Trade receivables include unbilled revenue on work performed for which customers have not yet been invoiced.

### Prepaid expenses and accrued income

These include among other items prepaid expenses and deferred tax assets recoverable in future accounting periods.

### Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand and short-term deposits with a maturity on inception of three months or less.
Short-term deposits are stated at cost less accumulated impairment, if their net realizable value is lower than cost.

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## Provisions for contingencies and losses

Provisions are constituted when Colas has a current (legal or implicit) obligation arising from a past or current event and a cash disbursement is likely to be required to settle the obligation.

## Pensions and employee benefits

Commitments with regard to pensions payable to employees on retirement are covered by the regular payment of contributions to pension funds that are independent from the company.

### Retirement indemnities

The cost of this employee benefit is determined using the Projected Unit Credit actuarial method. Actuarial gains or losses are only recognized as income or expenses when their total exceeds 10% of the total commitment (the “corridor” method).
Actuarial gains or losses are apportioned over the employees' average residual working life.

### Length-of-service awards

Provisions are booked in respect of length-of-service awards, which the company grants on an ongoing and systematic basis.
An individual projection method is used to calculate these amounts, taking into consideration staff turnover and average life expectancy, according to mortality tables.
The main actuarial assumptions used to calculate vested pension benefits are:
- discount rate: 3.66% (10-year constant maturity rate (TEC 10) at November 28, 2008);
- average staff turnover rate: according to historical company data;
- executive retirement age: 62;
- retirement age of clerical, technical and supervisory staff and site workers: 60.

## Revenue

Revenue represents the aggregate amount of sales generated, and work and services provided.
Revenue from construction activities is recognized according to the percentage of completion method:
- on the basis of work completed for contracts of less than one year;
- on the basis of the latest estimate of the total contract price multiplied by the percentage completion for long-term contracts.

## Capital gains or losses on disposal of assets

In accordance with the recommendations made in the chart of accounts of the French Public Works sector, the capital gains on recurring disposals of equipment and installations have been recognized under operating profit.

## Income tax

Deferred taxes are determined in accordance with the balance sheet liability method, for all the taxable or deductible temporary differences, at the balance sheet date.
Taxable or deductible temporary differences include:
- all differences between the tax base of an asset or liability and its carrying amount in the balance sheet;
- carry-forwards of tax losses and unused tax credits.

When the net deferred tax balance is a tax asset, that asset is recognized only to the extent that it is highly probable that taxable profit will be available against these deductible temporary differences in future accounting periods.
Deferred tax assets or liabilities are measured on the basis of tax rates expected to be applied during the year in which the asset will be realized or the liability settled, based on tax rates that have been enacted or substantially enacted at the balance sheet date.

## Consolidation

As a member of the Bouygues Group, our company's results are included in the Bouygues Group's consolidated financial statements.

## Note 3 – Non-current assets

### Changes during the year

| | 01/01/2008 | Acquisitions | Disposals and reductions | Charges and reversals | 31/12/2008 |
|---|---|---|---|---|---|
| **Intangible assets** | | | | | |
| Gross | 23.3 | 0.4 | (0.3) | | 23.4 |
| Amortization and impairment | (5.4) | | | (0.1) | (5.5) |
| **Net** | **17.9** | **0.4** | **(0.3)** | **(0.1)** | **17.9** |
| **Property, plant and equipment** | | | | | |
| Gross | 209.6 | 23.5 | (1.7) | | 231.4 |
| Depreciation and impairment | (71.9) | | 1.1 | (8.3) | (79.1) |
| **Net** | **137.7** | **23.5** | **(0.6)** | **(8.3)** | **152.3** |
| **Holdings in subsidiaries and affiliates** | | | | | |
| Gross | 1,223.8 | 108.2 | (8.8) | | 1,323.2 |
| Impairment | (54.7) | | | (18.1) | (72.8) |
| **Net** | **1,169.1** | **108.2** | **(8.8)** | **(18.1)** | **1,250.4** |
| **Loans/advances to subsidiaries and affiliates** | | | | | |
| Gross | 248.0 | 389.4 | (374.2) | | 263.2 |
| Impairment | | | | | |
| **Net** | **248.0** | **389.4** | **(374.2)** | | **263.2** |
| **Other non-current financial assets** | | | | | |
| Gross | 2.6 | 0.3 | (0.5) | | 2.4 |
| Impairment | | | | | |
| **Net** | **2.6** | **0.3** | **(0.5)** | | **2.4** |
| **TOTAL NON-CURRENT ASSETS** | **1,575.3** | **521.8** | **(384.4)** | **(26.5)** | **1,686.2** |

## Note 4 – Current assets

| | Gross | Impairment | 2008 Net | 2007 Net |
|---|---|---|---|---|
| Inventories | 1.1 | | 1.1 | 1.9 |
| Trade receivables | 135.7 | (3.3) | 132.4 | 92.4 |
| Group and associates | 58.5 | (8.7) | 49.8 | 76.9 |
| Advances and downpayments | 0.7 | | 0.7 | 11.4 |
| Other receivables | 11.8 | (1.0) | 10.8 | 10.3 |
| Prepaid expenses | 0.2 | | 0.2 | 0.4 |
| Accrued income | | | | |
| Deferred tax assets | 5.3 | | 5.3 | 3.9 |
| Other receivables and regularization accounts | 18.0 | (1.0) | 17.0 | 26.0 |
| Marketable securities | | | | |
| Bouygues Relais cash management company | 30.0 | | 30.0 | 300.6 |
| Cash and cash equivalents | 3.5 | | 3.5 | 0.3 |
| Marketable securities, cash and cash equivalents | 33.5 | | 33.5 | 300.9 |
| TOTAL CURRENT ASSETS | 246.8 | (13.0) | 233.8 | 498.1 |

## Note 5 – Equity

### Composition of the share capital

Colas had share capital of 48,820,006.50 euros at December 31, 2008.

It is comprised of 32,546,671 shares of 1.50 euros at par value, with all shares having the same rights (however, double voting rights are allocated to shares registered in the name of the same shareholder for more than two years).

### Year variations

| | Number of shares | Amount in euros |
|---|---|---|
| At January 1, 2008 | 32,516,685 | 48,775,027.50 |
| Part of the dividend paid in shares | 29,986 | 44,979.00 |
| At December 31, 2008 | 32,546,671 | 48,820,006.50 |
| **Main shareholders** | | |
| Bouygues | 31,499,647 | 96.78% |
| Other shareholders | 1,047,024 | 3.22% |

### Change in equity

| | 01/01/2008 | Appropriation by AGM(1) | Capital increase | Other changes | 31/12/2008 |
|---|---|---|---|---|---|
| Share capital | 48.8 | | | | 48.8 |
| Share premium account | 384.5 | | 6.1 | | 390.6 |
| Revaluation reserve | 2.7 | | | | 2.7 |
| Legal reserve | 4.8 | | | | 4.8 |
| Blocked reserve | 0.7 | | | | 0.7 |
| Other reserves | 13.5 | | | | 13.5 |
| Retained earnings | 232.3 | 2.1 | | | 234.4 |
| **Share premium and reserves** | **638.5** | **2.1** | **6.1** | | **646.7** |
| Net profit for the year | 278.5 | (278.5) | | 327.7 | 327.7 |
| Tax-driven provisions | 4.6 | | | 1.7 | 6.3 |
| **TOTAL EQUITY** | **970.4** | **(276.4)** | **6.1** | **329.4** | **1,029.5** |

(1) Distribution of a dividend of 8.50 euros per share, amounting to a total of 276,391,822.50 euros.

## Note 6 – Provisions for contingencies and losses

### Type of provision

| | 01/01/2008 | Increases | Provisions used | Provisions cancelled | 31/12/2008 |
|---|---|---|---|---|---|
| Litigation and claims | 10.8 | 1.7 | | (2.1) | 10.4 |
| Guarantees provided to customers | 1.6 | | (1.5) | | 0.1 |
| Tax reassessments | 0.9 | 0.1 | | | 1.0 |
| Risks related to foreign operations | 4.5 | | (0.8) | | 3.7 |
| Other provisions for contingencies | 2.7 | | (0.3) | | 2.4 |
| Employee benefits | 16.7 | 2.9 | | | 19.6 |
| Provisions for losses | 2.0 | 3.3 | (2.0) | | 3.3 |
| **PROVISIONS FOR CONTINGENCIES AND LOSSES** | **39.2** | **8.0** | **(4.6)** | **(2.1)** | **40.5** |

## Note 7 – Breakdown of accounts involving related companies

| | Assets | Liabilities | Income statement |
|---|---|---|---|
| Non-current financial assets | 1,513.6 | – | – |
| Receivables | 109.3 | – | – |
| Cash and cash equivalents | 30.0 | | |
| Financial debt | – | – | – |
| Non-financial debt | – | 630.7 | – |
| Financial income | – | – | 256.3 |
| Financial expense | – | – | (26.7) |
| **TOTALS** | **1,652.9** | **630.7** | **229.6** |

## Note 8 – Receivables and payables by maturity at the balance sheet date

| | Net amount | less than 1 year | from 1 to 5 years | more than 5 years |
|---|---|---|---|---|
| Receivables related to non-current assets | 265.6 | 13.3 | 250.8 | 1.5 |
| Receivables related to current assets | 206.7 | 206.7 | | |
| Cash and cash equivalents | 33.5 | 33.5 | | |
| **RECEIVABLES** | **505.8** | **253.5** | **250.8** | **1.5** |
| Financial debt | 0.7 | 0.7 | | |
| Non-financial debt | 792.2 | 792.2 | | |
| Bank overdrafts and short-term loans | 57.1 | 57.1 | | |
| **PAYABLES** | **850.0** | **850.0** | | |

## Note 9 – Other non-financial debt, accruals and deferred income

| | 2008 | 2007 |
|---|---|---|
| Tax and social security liabilities | 33.9 | 38.6 |
| Liabilities in respect of fixed assets | 6.2 | 30.3 |
| Other liabilities | 15.2 | 25.3 |
| Deferred income and other regularization accounts | 12.6 | |
| **TOTAL** | **67.9** | **94.2** |

## Note 10 – Breakdown of revenue

| | France | International | 2008 | 2007 |
|---|---|---|---|---|
| Roads | | 254.2 | 254.2 | 47.2 |
| Construction | | | | |
| Civil engineering | | | | 0.2 |
| Sale of products | 216.3 | 55.0 | 271.3 | 201.5 |
| Provision of services | 119.9 | 94.2 | 214.1 | 198.1 |
| **REVENUE** | **336.2** | **403.4** | **739.6** | **447.0** |

## Note 11 – Financial income (expense)

| | 2008 | 2007 |
|---|---|---|
| Dividends received from subsidiaries and affiliates | 251.2 | 201.9 |
| Net interest income (expense) | (15.5) | (7.8) |
| Other financial provision (charges) reversals | (17.7) | 0.9 |
| Net gain on disposal of marketable securities | 1.0 | 2.0 |
| Translation adjustment | (0.6) | (1.2) |
| **NET FINANCIAL INCOME (EXPENSE)** | **218.4** | **195.8** |

## Note 12 – Exceptional income (expense)

| | 2008 | 2007 |
|---|---|---|
| Capital gain (loss) on the disposal of fixed assets (non-recurring disposals: land, buildings, non-current financial assets) | 17.5 | 2.3 |
| Other income (expense) on management transactions (net) | | |
| Exceptional provision (charges) reversals | (1.5) | (1.0) |
| **EXCEPTIONAL GAIN (LOSS)** | **16.0** | **1.3** |

## Note 13 – Income tax

### Breakdown of the tax expense

| | 2008 | 2007 |
|---|---|---|
| Current tax charge for the year | (31.3) | (26.4) |
| Tax supplements or reductions for prior years | 1.0 | (1.3) |
| Deferred tax | 1.4 | 0.3 |
| **INCOME TAXES** | **(28.9)** | **(27.4)** |

### Breakdown of the tax charge between current profit and exceptional profit

| | Profit before tax | Tax due | Net profit after tax |
|---|---|---|---|
| Current profit (after profit sharing) | 340.6 | (29.3) | 311.3 |
| Exceptional income (expense) | 16.0 | 0.4 | 16.4 |
| **TOTAL** | **356.6** | **(28.9)** | **327.7** |

### Breakdown of deferred tax

| | Temporary differences |
|---|---|
| Non-current assets | (9.2) |
| Current assets | 3.5 |
| Provisions for contingencies and losses, temporarily not deductible | 21.1 |
| Debt | |
| Tax losses available for carry-forward | |
| Total deferred tax bases | 15.4 |
| Tax rate | 34.43% |
| DEFERRED TAX AT FISCAL YEAR END | 5.3 |
| Deferred tax at the beginning of the year | 3.9 |
| Deferred tax (income) expense | 1.4 |

Colas is a member of the tax consolidation group of Bouygues.

## Note 14 – Impact of derogatory tax-driven provisions on profit

| | |
|---|---|
| Net profit for the year | 327.7 |
| Amounts charged for the year to tax-driven provisions | 2.2 |
| Reversals for year of tax-driven provisions | (0.6) |
| Net profit for the year | |
| NET PROFIT, EXCLUDING THE IMPACT OF TAX-DRIVEN PROVISIONS ON PROFIT | 329.3 |

## Note 15 – Off balance sheet commitments

### Finance lease

| | |
|---|---|
| Initial value | 35.8 |
| Lease amounts paid: | |
| – previous cumulative amount | 50.0 |
| – amount relating to the year | 0.3 |
| Theoretical depreciation charges(1): | |
| – previous cumulative amount | 20.1 |
| – amount relating to the year | 0.6 |
| Lease amounts payable: | |
| – less than 1 year | 0.2 |
| – from 1 to 5 years | |
| – more than 5 years | |

(1) Charges which would have been recognized if these assets had been acquired outright by the Company.

### Other commitments

| | Guarantees | Letters of intent | Total |
|---|---|---|---|
| Subsidiaries and affiliates | 0.2 | 7.7 | 7.9 |
| Other related companies | | 1.4 | 1.4 |
| Third parties | 41.0 | 0.1 | 41.1 |
| **Commitments given** | **41.2** | **9.2** | **50.4** |
| **Commitments received** | | | |

The Company issued a guarantee for 2008 pursuant to article 17 of the Companies (Amendment) Act 1986 of Ireland in favor of the following companies: Colas Teoranta, Road Maintenance Services Ltd, Colas Building Products Ltd, Cold Chon (Galway) Ltd, Colfix (Dublin) Ltd, Colas Construction Ltd, Road Binders Ltd, Chemoran Ltd and Atlantic Bitumen Company Ltd.

### Collateral granted in respect of debts

None.

## Note16 – Workforce and remuneration of executive bodies

| Average workforce | 2008 | 2007 |
|---|---|---|
| Managers and engineers | 233 | 218 |
| Clerical and technical | 78 | 77 |
| **TOTAL** | **311** | **295** |

### Advance payments and loans granted to employees

None.

### Compensation awarded to members of the executive bodies

**Hervé Le Bouc**

Total gross compensation (including benefits in kind but excluding variable compensation) paid by the Bouygues Group and rebilled to Colas in respect of his duties as a Group senior executive in 2008 to Mr. Hervé Le Bouc, Chairman and Chief Executive Officer, amounted to 804,100 euros. Gross variable compensation for 2008 established in relation to quantitative and qualitative targets to be paid in 2009 will be 960,000 euros.

Mr. Hervé Le Bouc benefits from a supplementary pension plan as a member of the General Management Committee of Bouygues, which represents 0.92% of yearly compensation per year of seniority in the said plan. This supplementary pension plan has not been posted as a provision since this plan consists of an insurance contract subscribed with an external organization and is governed by the procedure for regulated agreements.

The amount of directors' fees paid by Colas and its subsidiaries to the Directors of Colas in 2008 amounted to 200,000 euros (including the amount paid to the Chairman and Chief Executive Officer).

## Note 17 – Fees paid to the statutory auditors

| | Mazars | | KPMG | |
|---|---|---|---|---|
| | **2008** | **2007** | **2008** | **2007** |
| Statutory audit and certification of Colas annual financial statements | 0.2 | 0.2 | 0.2 | 0.2 |
| **TOTAL** | **0.2** | **0.2** | **0.2** | **0.2** |

## Note 18 – Subsidiaries and affiliates

| in millions of euros | Share capital | Other equity | % held | Value of securities Gross | Net | Loans and advances granted | Guarantees provided | 2008 revenue | 2008 profit | Dividends received in 2008 |
|---|---|---|---|---|---|---|---|---|---|---|
| **1. Subsidiaries France** | | | | | | | | | | |
| Colas Centre-Ouest | 3.3 | 25.9 | 99.9 | 3.4 | 3.4 | 25.0 | | 435.4 | 5.9 | 7.0 |
| Colas Île-de-France – Normandie | 19.7 | 19.5 | 99.9 | 19.7 | 19.7 | 15.0 | | 580.4 | 10.1 | 5.9 |
| Colas Nord-Picardie | 2.9 | 14.1 | 99.9 | 2.9 | 2.9 | 5.0 | | 251.7 | 4.1 | 3.5 |
| Colas Est | 9.9 | 10.2 | 99.9 | 10.1 | 10.1 | 12.0 | | 365.1 | 3.9 | – |
| Colas Rhône-Alpes | 11.3 | 55.3 | 99.9 | 35.2 | 35.2 | | | 326.5 | 13.6 | 9.5 |
| Colas Midi-Méditerranée | 6.9 | 46.8 | 99.9 | 7.0 | 7.0 | 2.0 | | 462.9 | 20.5 | 14.0 |
| Colas Sud-Ouest | 5.9 | 19.0 | 99.9 | 5.9 | 5.9 | 45.0 | | 415.9 | 9.1 | 5.3 |
| Aximum | 34.1 | 8.3 | 99.9 | 35.1 | 35.1 | 10.0 | | 341.2 | 6.2 | 0.3 |
| Screg Ouest | 11.7 | 9.5 | 99.9 | 21.0 | 21.0 | 26.0 | | 309.0 | 3.3 | – |
| Screg Île-de-France – Normandie | 8.8 | 19.3 | 99.9 | 24.7 | 24.7 | | | 325.3 | 7.3 | 6.0 |
| Screg Nord-Picardie | 12.1 | 16.0 | 99.9 | 19.7 | 19.7 | 5.0 | | 226.5 | 4.3 | 2.7 |
| Screg Est | 13.4 | 18.0 | 99.9 | 30.8 | 30.8 | 23.0 | | 381.7 | 7.8 | 5.6 |
| Screg Sud-Est | 8.3 | 21.8 | 99.9 | 23.6 | 23.6 | | | 341.5 | 7.9 | 4.5 |
| Screg Sud-Ouest | 9.0 | 16.9 | 99.9 | 20.3 | 20.3 | | | 305.5 | 9.8 | 5.3 |
| Sacer Atlantique | 4.4 | 12.8 | 99.9 | 4.4 | 4.4 | 15.0 | | 287.0 | 4.4 | 1.7 |
| Sacer Paris-Nord-Est | 4.8 | 9.9 | 99.9 | 4.9 | 4.9 | 3.0 | | 189.6 | 3.6 | 1.6 |
| Sacer Sud-Est | 5.1 | 12.1 | 99.9 | 5.2 | 5.2 | | | 277.2 | 6.7 | 5.0 |
| Spac | 5.1 | 10.3 | 99.9 | 14.3 | 14.3 | 7.0 | | 268.4 | 1.9 | 1.2 |
| Smac | 4.3 | 33.9 | 99.9 | 9.9 | 9.9 | | | 591.6 | 8.6 | 5.5 |
| Colas Rail | 40.3 | 66.1 | 100.0 | 266.4 | 266.4 | 55.0 | | 509.7 | (13.2) | 3.6 |
| Développement Infrastructures | 0.2 | 0.7 | 100.0 | 7.9 | 7.9 | | | – | 0.4 | 1.0 |
| GTOI | 0.8 | 21.2 | 99.9 | 1.4 | 1.4 | | | 237.2 | 9.9 | 8.5 |
| Colas Reunion Industries | 4.0 | 15.8 | 100.0 | 30.3 | 30.3 | | | – | 4.0 | 3.2 |
| SBEG | 7.5 | 9.2 | 100.0 | 7.6 | 7.6 | | | 16.3 | 4.2 | 4.0 |
| Gouyer | 2.0 | 1.5 | 96.9 | 48.0 | 48.0 | | | 1.9 | 0.6 | – |
| Other French subsidiaries | | | | 25.0 | 24.8 | 29.9 | | – | – | 4,1 |
| **Total subsidiaries France** | | | | **684.7** | **684.5** | **277.9** | | | | **109.0** |
| **2. Affiliates France** | | | | | | | | | | |
| Cofiroute | 158.3 | 1,735.5 | 16.6 | 10.9 | 10.9 | | | – | – | 30.5 |
| Other affiliates France | | | | 8.7 | 8.7 | 7.5 | | – | – | – |
| **Total affiliates France** | | | | **19.6** | **19.6** | **7.5** | | | | **30.5** |
| **3. Foreign subsidiaries and affiliates** | | | | | | | | | | |
| Foreign subsidiaries | | | | 548.7 | 512.8 | 27.5 | 0.2 | – | – | 111.7 |
| Foreign affiliates | | | | 70.2 | 33.5 | – | – | – | – | – |
| **TOTAL** | | | | **1,323.2** | **1,250.4** | **312.9** | **0.2** | | | **251.2** |

## Note 19 – List of subsidiaries, affiliates and marketable securities

| Name | Number of securities | Book value in thousands of euros |
|---|---|---|
| Colas Centre-Ouest | 3,299,994 | 3,354 |
| Colas Île-de-France – Normandie | 19,739,195 | 19,726 |
| Colas Nord-Picardie | 2,849,994 | 2,897 |
| Colas Est | 9,899,994 | 10,062 |
| Colas Rhône-Alpes | 11,326,846 | 35,206 |
| Colas Midi-Méditerranée | 6,899,997 | 7,013 |
| Colas Sud-Ouest | 5,849,994 | 5,945 |
| Aximum | 34,071,094 | 35,129 |
| Screg Ouest | 11,674,994 | 21,007 |
| Screg Île-de-France – Normandie | 8,799,994 | 24,697 |
| Screg Nord-Picardie | 12,108,494 | 19,739 |
| Screg Est | 13,439,994 | 30,795 |
| Screg Sud-Est | 8,325,954 | 23,630 |
| Screg Sud-Ouest | 8,999,994 | 20,276 |
| Sacer Atlantique | 4,349,994 | 4,421 |
| Sacer Paris-Nord-Est | 4,799,992 | 4,878 |
| Sacer Sud-Est | 5,099,994 | 5,183 |
| Spac | 5,099,994 | 14,330 |
| Smac | 4,299,994 | 9,930 |
| Sobib | 3,924,050 | 3,907 |
| Adelac | 859,050 | 8,590 |
| Colas Rail | 40,312,758 | 266,385 |
| Développement Infrastructures | 50,000 | 7,932 |
| Cerf | 11,687 | 16,870 |
| Grands Travaux de l'Océan Indien (GTOI) | 799,964 | 1,381 |
| Colas Réunion Industries | 5,000 | 30,300 |
| Société des Bitumes et Émulsions Guyanaises | 7,500,000 | 7,644 |
| Colas Martinique | 799,999 | 762 |
| Colas Guadeloupe | 759,999 | 616 |
| Gouyer | 124,436 | 48,033 |
| Cofiroute | 676,401 | 10,937 |
| Blanchard | 119,999 | 425 |
| Société Parisienne d'Études d'Informatique et de Gestion | 790,331 | 944 |
| Colasie | 624,225 | 634 |
| Colas Environnement et Recyclage | 160,000 | 312 |
| Other investments held in French companies | – | 178 |
| Investments held in foreign companies | – | 546,374 |
| **Total affiliates** | | **1,250,442** |
| Other securities held in French companies | | 26 |
| Other securities held in foreign companies | | 9 |
| **Total other non-current financial assets** | | **35** |
| Certificates of deposit | | |
| SICAV mutual funds | | |
| **Total marketable securities** | | **0** |
| **TOTAL SUBSIDIARIES, AFFILIATES AND MARKETABLE SECURITIES** | | **1,250,477** |

# Results of the company for the last five fiscal years

| in thousands of euros | 2004 | 2005 | 2006 | 2007 | 2008 |
|---|---|---|---|---|---|
| **Share capital at the end of the fiscal year** | | | | | |
| Share capital | 48,233 | 48,236 | 48,560 | 48,575 | 48,820 |
| Number of shares issued | 32,155,697 | 32,157,671 | 32,373,450 | 32,516,685 | 32,546,671 |
| Number of bonds convertible into shares | none | none | none | none | none |
| **Operations and results for the fiscal year** | | | | | |
| Revenue excluding tax | 327,805 | 474,192 | 395,147 | 447,005 | 739,587 |
| Profit before tax, depreciation, amortization and provisions | 194,430 | 236,960 | 268,684 | 314,692 | 385,752 |
| Income taxes | 19,467 | 29,731 | 26,729 | 27,417 | 28,903 |
| Profit sharing for the fiscal year | 779 | 1,097 | 1,197 | 1,490 | 1,766 |
| Profit after tax, depreciation, amortization and provisions | 155,889 | 209,120 | 232,462 | 278,477 | 327,745 |
| Distributed profit | 108,517 | 154,357 | 207,190 | 276,392 | 284,783 (1) |
| **Earnings per share** | | | | | |
| Profit after tax but before depreciation, amortization and provisions | 5.44 | 6.44 | 7.47 | 8.83 | 10.96 |
| Profit after tax, depreciation, amortization and provisions | 4.85 | 6.50 | 7.18 | 8.56 | 10.07 |
| Dividend per share | 3.40 | 4.80 | 6.40 | 8.50 | 8.75 (1) |
| **Workforce** | | | | | |
| Average workforce | 6,265 | 6,382 | 1,350 | 295 | 311 |
| Total payroll | 53,390 | 53,638 | 45,244 | 49,104 | 45,671 |
| Amounts paid in respect of social benefits (social security, etc.) | 23,728 | 26,767 | 20,590 | 18,872 | 15,002 |

(1) Subject to the approval of the Shareholders' Meeting of April 15, 2009.

# Auditors' report on Colas financial statements

## (Fiscal year ended December 31, 2008)

To the Shareholders,

In compliance with the assignment entrusted to us by your Shareholders' Meeting, we hereby present you our report for the fiscal year ended December 31, 2008 dealing with:

- the audit of the financial statements of Colas as attached to this report;
- the justification of our audit assessments;
- the specific verifications and other information provided for by law.

The financial statements are the responsibility of the Board of Directors. Our responsibility is to form an opinion on those financial statements on the basis of our audit.

### 1 – Opinion on the financial statements

We conducted our audit in accordance with the auditing standards applicable in France; such standards require us to perform such audit procedures as may provide us with reasonable assurance that the financial statements are free from material misstatement. An audit includes examination, on a test basis using sampling or other means of selection, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the accounting policies applied, of the significant estimates made in the preparation of the financial statements, and of their overall presentation. We consider that the work we performed provides a sufficient and appropriate basis for the opinion.

We certify that the financial statements are properly and faithfully prepared with regard to French accounting standards and give a true and fair view of the Company's assets and liabilities, financial position and financial performance.

### 2 – Justification of our audit assessments

In accordance with the requirements of article L. 823-9 of the French Code of Commerce, relating to the justification of our audit assessments, we bring to your attention the following matters:

Colas's equity investments are recognized at their acquisition cost less any impairment losses determined by comparison with the investments' value in use. As part of our procedures, we verified the coherence of the assumptions applied and methods of calculation retained for this purpose.

The above assessments were made in the context of our audit of the financial statements taken as a whole and therefore contributed to the formation of the audit opinion expressed in the first part of this report.

### 3 – Specific verifications and other information

We also performed the specific verifications required by law. We have no matters to report regarding:

- the fair presentation and conformity with the financial statements of the information relating to the Company's financial position and financial statements provided in the Board of Directors' management report and in the other documents communicated to shareholders;
- the fair presentation of the information provided in the management report in respect of directors' remuneration and other benefits as well as of any undertakings made for their benefit at or after the time of their entry into office, cessation or change of office.

In accordance with the law, we have verified that the requisite disclosures in respect of the ownership and control of the Company's share capital, and the identity of owners of share capital and of any reciprocal shareholdings that have been communicated to you in the management report.

Paris-La Défense, February 25, 2009

The Auditors

| KPMG Audit | Mazars |
|---|---|
| *A Division of KPMG SA* | |
| Xavier Fournet | Julien Marin-Pache |
| *Partner* | *Partner* |

# Auditors' special report dealing with regulated agreements and undertakings

## (Fiscal year ended December 31, 2008)

To the Shareholders,

In our capacity as the Auditors of your Company, we hereby submit to you our report dealing with regulated agreements and undertakings. In accordance with section L. 225-40 of the French Code of Commerce we have been informed of the agreements and undertakings that have been subject to prior approval by your Board of Directors.
We are not responsible for seeking to identify any other regulated agreements and undertakings, but for communicating to you, based on the information with which we have been provided, the essential terms and characteristics of those agreements and undertakings of which we have been informed, without expressing any opinion as to their justification or utility. As provided for by article R. 225-31 of the French Code of Commerce, you are responsible for assessing the usefulness of those agreements before deciding whether to approve them.
We have performed our examination in accordance with the professional standards applicable in France (published by the *Compagnie nationale des Commissaires aux comptes* – the French Statutory Auditors' board), which require that we implement procedures designed to verify the consistency of the information provided to us with the source documents on which it is based.

### Agreements and undertakings authorized during the fiscal year

**• Reims tramway**

a) At its meeting of June 23, 2008, the Board of Directors approved the terms and conditions of a draft creditors' agreement to be signed by the Company as a partner of Mars and obliging the Company in particular to:
- respect the debt subordination principles set out in the creditors' agreement;
- not pursue any action for payment of debt before Mars has paid all the sums it owes to its mezzanine and senior creditors;
- equally refrain, until Mars has paid all the sums it owes to its mezzanine and senior creditors, from requesting early repayment of any sums owing to it from Mars, from engaging any lawsuit for the purposes of repayment of monies owing from Mars and from initiating any form of collective procedure applicable to Mars.

*Directors concerned: Hervé Le Bouc, Philippe Marien (the permanent representative of Bouygues) and Olivier Bouygues.*

b) At its meeting of June 23, 2008, the Board of Directors approved the terms and conditions of the Accord Direct Construction and authorized it to be signed by the Company in its capacity as a member of the group of builders. Under this agreement, the Company undertakes to:
- accept the faculty provided to the lenders to substitute Mars for the Company in the event of the agreement of the Reims greater city council and as provided for under the concession agreement;
- fulfill the obligations provided for by the design and build agreement, subject to payment to the members of the group of builders of all the sums due to them at the date of substitution;
- subordinate its right to receive all or part of the sums due to it in the event of termination of the design and build contract to the complete payment of the amounts due under the associated financing contracts within the limit and subject to the terms and conditions provided for by the design and build agreement, and;
- pay the lenders the amounts due as a member of the group of builders to Mars under the terms of the design and build agreement.

*Directors concerned: Hervé Le Bouc, Philippe Marien (the permanent representative of Bouygues) and Olivier Bouygues, Thierry Montouché and Thierry Genestar.*

c) At its meeting of June 23, 2008, the Board of Directors approved the terms and conditions of a cross-guarantee for completion of a project and authorized its issuance subject to a maximum amount of 8.5% of 10 million euros, i.e. 0.85 million euros.
*Directors concerned: Hervé Le Bouc, Philippe Marien (the permanent representative of Bouygues) and Olivier Bouygues.*

**• Acquisition of an investment in Société des Bitumes de Blaye (Sobib)**

SARL Sobib, which was held by Colas (20%), Colas Sud-Ouest (35%), Screg Sud-Ouest (35%) and Sacer Atlantique (10%), has increased its share capital by 6 million euros. At its meeting of June 23, 2008, the Board of Directors authorized the Company to acquire the interests of Screg Sud-Ouest and Sacer Atlantique, which did not subscribe to the share capital increase, for a symbolic euro, given Sobib's negative equity.
*Director concerned: Hervé Le Bouc.*

**• Institutional communication campaign**

At its meeting of August 27, 2008, the Board of Directors authorized Colas to participate in the institutional communication campaign organized by Bouygues to take place at the end of 2008 and the beginning of 2009, given that the Group's businesses were associated with this campaign. Colas' financial contribution to this campaign amounted to about 2.7 million euros net of VAT in 2008 and should amount to about 2 million euros net of VAT in 2009.

*Directors concerned: Hervé Le Bouc, Olivier Bouygues, Jean-François Guillemin and Philippe Marien, the permanent representative of Bouygues.*

**• Shared services**

At its meeting of August 29, 2007, the Board of Directors authorized the renewal for one year, with effect from January 1, 2008, of the shared services agreement signed with Bouygues, the costs under which amounted for 2008 to 16,805,768 euros (net of VAT).

At its meeting of August 27, 2008, the Board of Directors authorized the renewal of this agreement for 2009.

*Directors concerned: Hervé Le Bouc, Olivier Bouygues, Jean-François Guillemin and Philippe Marien, the permanent representative of Bouygues.*

**• Use of airplanes**

At its meeting of August 29, 2007, the Board of Directors authorized the renewal for one year of the agreement with Bouygues for use of airplanes, the costs under which amounted for 2008 to 774,604 euros (net of VAT).

At its meeting of August 27, 2008, the Board of Directors authorized the renewal of this agreement for 2009.

*Directors concerned: Hervé Le Bouc, Olivier Bouygues, Jean-François Guillemin and Philippe Marien, the permanent representative of Bouygues.*

**• Cash management**

At its meeting of August 29, 2007, the Board of Directors authorized the renewal of the cash management agreement with Bouygues Relais under which this Company had borrowed 30 million euros from Colas at December 31, 2008. During the year, Colas paid a net total of 6,468,348 euros under this agreement.

At its meeting of August 27, 2008, the Board of Directors authorized the renewal of this agreement for 2009.

*Directors concerned: Hervé Le Bouc, Olivier Bouygues, Jean- François Guillemin and Philippe Marien, the permanent representative of Bouygues.*

**• Defined benefit pension plan**

The defined benefit pension plan for Hervé Le Bouc examined by the Board of Directors at its meeting of October 30, 2007 pursued its effects during 2008:

– it provides for an additional pension of 0.92% of the applicable salary per year of membership of the plan;

– the plan resources constituted by the insurer are added to by the Company as required given the entitlement obtained by the beneficiary and the anticipated investment return of the plan assets invested.

Colas' contribution to the plan for 2008 amounted to 223,367 euros (net of VAT).

At its meeting of August 27, 2008, the Board of Directors authorized the renewal of this agreement for 2009.

*Director concerned: Hervé Le Bouc.*

## Agreements and undertakings approved during prior years and which remained in force during the current year

As required by the French Code of Commerce, we were informed that the following agreements and undertakings, approved during prior years, remained in force during the current year.

**• Tax consolidation**

The tax consolidation agreement signed between Colas and Bouygues on December 19, 2000 remained in force during 2008.

Its renewal until the end of 2012 was authorized by the Board of Directors at its meeting on September 1, 2006.

The agreement provides for the apportionment of the consolidated tax payable by the parent Company, Bouygues, under section 223-A of the French Code of Tax law, and Colas has joint and several liability for its share. On this basis, Colas has authorized Bouygues to assume sole responsibility for the consolidation of Colas' results for tax purposes and for payment of the corresponding tax.

**• Defined contribution pension plan**

The defined contribution pension plan for two salaried directors examined by the Board of Directors at its meeting of February 21, 2007 pursued its effects during 2008.

The employer's contribution in respect of this plan amounts to 4% of the employees' fixed and variable remuneration.

*Directors concerned: Thierry Genestar and Thierry Montouché.*

**• Magnitude software sub-license**

The sub-license for use of Magnitude consolidation software entered into between Bouygues and Colas in 2005 pursued its effects in 2008. No amount was however billed during the year in this respect.

Paris-La Défense, February 25, 2009

The Auditors

| KPMG Audit | Mazars |
|---|---|
| *A Division of KPMG SA* | |
| Xavier Fournet | Julien Marin-Pache |
| *Partner* | *Partner* |

# Auditors' report on share capital transactions proposed in resolutions 17, 18, 19, 20 and 21 at the Extraordinary Shareholders' Meeting of April 15, 2009

## Extraordinary Shareholders' Meeting of April 15, 2009

To the Shareholders,

In our capacity as the Auditors of Colas and in keeping with our duties as specified in the French Code of Commerce, we hereby present you with our report on the proposed transactions.

### 1 – Reduction of share capital by canceling treasury shares (17th resolution)

In compliance with article L. 225-209, section 7 of the French Code of Commerce, which deals with the reduction of share capital by canceling treasury shares, we have prepared this report to present our opinion of the justification of the planned share reduction and the terms thereof.
For this purpose we have performed the work we felt was necessary in accordance with the relevant rules and recommendations of the *Compagnie nationale des Commissaires aux comptes* (French Statutory Auditors' board). This work involves examining the propriety of the justification and terms of the planned share reduction.
This transaction would allow your Company to purchase its own shares to a maximum amount of 10% of share capital, subject to the conditions specified in article L. 225-209 of the French Code of Commerce. This authorization to purchase shares is moreover subject to shareholder approval at the Shareholders' Meeting and would be granted for a period of eighteen months. Your Board asks you to grant it, for a period of eighteen months, pursuant to the implementation of the authorization for your Company to purchase its own shares, all powers necessary to cancel the shares thus purchased up to a maximum of 10% of share capital, per twenty-four month period.
We have no observations to make concerning the justification or terms of the planned share capital reduction, which, it should be recalled, can only be made if the Shareholders' Meeting first authorizes your Company to purchase its own shares.

### 2 – Capital increase reserved for employees, without preferential subscription rights, pursuant to articles L. 225-138 of the French Code of Commerce and L. 3332-18 *et seq.* of the French Labor Code (18th resolution)

In compliance with articles L. 225-135 *et seq.* of the French Code of Commerce, we hereby present you with our report on the resolution to grant the Board of Directors the authority to increase share capital, on one or more occasions, excluding preferential subscription rights, reserved for the employees of the Company, or of affiliated companies as defined in article L. 225-180 of the French Code of Commerce, and who are members of a Company savings plan or a "PPESV" voluntary partner employee savings plan, up to a maximum amount of 10% of share capital on the day of the exercise of this authorization.
These capital increases are subject to your approval pursuant to articles L. 225-129-6 of the French Code of Commerce and L. 3332-18 and subsequent of the French Labor Code.
Your Board of Directors proposes, on the basis of its report, that you grant it, for a period of twenty-six months, the authority to make one or more capital increases and that you waive your preferential subscription rights. If the capital increase is made, the Board shall determine the final terms for this transaction.
Your Board of Directors is responsible for preparing a report in compliance with articles R. 225-113 and R. 225-114 of the French Code of Commerce.
It is our role to give our opinion on the fair presentation of accounting figures taken from financial statements, on the proposal to exclude preferential subscription rights and on various other information concerning the issue data that are provided in this report.
For this purpose we have performed the work that we deemed necessary in accordance with the relevant rules and recommendations of the *Compagnie nationale des Commissaires aux comptes* (French Statutory Auditors' board). This work consisted in verifying the content of the Board of Directors' report relating to this transaction and the method used to determine the issue price.
Subject to the subsequent review of the terms of any capital increase that may be decided, we have no observations concerning the method used to determine the issue price as presented in the Board of Directors' report.
Since the issue price of the equity securities has not been set, we cannot give our opinion on the terms under which the capital increases would be made and consequently on the proposal to exclude preferential subscription rights.
Pursuant to article R. 225-116 of the French Code of Commerce we will provide a supplementary report in the event your Board of Directors decides to exercise this authorization.

### 3 – Capital increase through the issue, with or without preferential subscription rights, of shares and/or securities giving access to the Company's share capital or conferring entitlement to debt securities – Increase in the number of securities to be issued in the event of a capital increase (19th, 20th and 21st resolutions)

Pursuant to articles L. 225-135, L. 225-136 and L. 228-92 *et seq.* of the French Code of Commerce, we present our report on the proposals to grant the Board of Directors the authority to decide one or more capital increases by issuing ordinary shares and/or securities granting access to share capital or conferring entitlement to debt securities, which will be subject to your approval.

Your Board of Directors proposes, on the basis of its report, that you grant it, for a period of twenty-six months, the authority to enter into the transactions described below and to set the final terms thereof, and also proposes that you waive your preferential subscription rights as appropriate:

- issue securities granting access to your Company's share capital or entitlement to debt securities, with preferential subscription rights (19th resolution);
- issue ordinary shares and or securities granting access to your Company's share capital or entitlement to debt securities, excluding preferential subscription rights (20th resolution).

The total nominal amount of the capital increases that may be made immediately or at a later date pursuant to 19th, 20th and 21st resolutions shall not exceed 20 million euros.

The number of securities to be created if the authorizations granted under 19th and 20th resolutions are exercised may be increased by as much as 15% subject to the terms of 21st resolution.

Your Board of Directors must prepare a report in compliance with articles R. 225-113, R. 225-114 and R. 225-117 of the French Code of Commerce. It is our role to give our opinion on the fair presentation of accounting figures taken from financial statements, on the proposal to exclude preferential subscription rights and on various other information concerning these transactions that are provided in this report.

For this purpose we have performed the work that we deemed was necessary in accordance with the relevant rules and recommendations of the *Compagnie nationale des Commissaires aux comptes* (French Statutory Auditors' board). This work consisted in verifying the content of the Board of Directors' report relating to these transactions and the method used to determine the price of the equity securities to be issued.

Subject to the subsequent review of the terms of issuing any equity securities that may be decided, we have no observations concerning the method used to determine the issue price of the ordinary shares or securities granting access to share capital or entitlement to debt securities to be issued as presented in the Board of Directors' report.

Since the issue price of the equity securities to be issued has not been set, we cannot give our opinion on the final terms under which the capital increases would be made, and consequently on the proposal to exclude preferential subscription rights presented in 20th resolution.

Pursuant to article R. 225-116 of the French Code of Commerce we will provide a supplementary report in the event your Board of Directors decides to exercise these authorizations.

Paris-La Défense, February 25, 2009

The Auditors

| KPMG Audit | Mazars |
|---|---|
| *A division of KPMG SA* | |
| Xavier Fournet | Julien Marin-Pache |
| *Partner* | *Partner* |

# Resolutions

# Ordinary meeting resolutions

## First resolution

### Approval of Company financial statements

The Annual Shareholders' Meeting, after the reading of the Board's management report and the statutory auditors' general report, approves the Company's financial statements for fiscal year 2008 – which include the balance sheet, the income statement and the notes, and which show a profit of 327,745,470.97 euros – and the transactions reflected in these statements and which are summarized in these reports.

**The Shareholders' Meeting grants full discharge to the Directors for their management.**

The Shareholders' Meeting recognizes that the expenses specified in articles 39-4 and 223 quater of the General Tax Code and which are subject to corporate income tax, totaled 14,098 euros in fiscal year 2008.

## Second resolution

### Approval of the annual consolidated financial statements

The Annual Shareholders' Meeting, after the reading of the Board's management report and the statutory auditors' general report, approves the annual consolidated financial statements for fiscal year 2008 – which include the balance sheet, the income statement and the notes and which show a net profit attributable to the Group of 490,165,000 euros – and the transactions reflected in these financial statements and which are summarized in these reports.

## Third resolution

### Earnings appropriation and dividend payment

The Shareholders' Meeting approves the Board of Director's proposal to appropriate earnings as follows :

| | |
|---|---|
| Earnings for the year: | 327,745,470.97 € |
| plus prior unappropriated earnings: | 234,290,192.75 € |
| **Total unappropriated earnings:** | **562,035,663.72 €** |
| **Appropriation:** | |
| – to the legal reserve: | 4,497.90 € |
| – dividend payout: | 284,783,371.25 € |
| – balance of unappropriated earnings: | 277,247,794.57 € |

The dividend of 8.75 euros per share shall be paid by Colas, the issuing company, from April 28, 2009. For shareholders who pay income tax in France, this dividend per share is eligible for a 40% tax rebate pursuant to article 243 bis of the General Tax Code.

The Shareholders' Meeting decides that this dividend may be paid in cash or in shares, as preferred by the Shareholder, in accordance with the following terms:

– the issue price of the new shares will be 95% of Colas' average opening share price during the twenty trading days prior to the date of this Shareholders' Meeting, minus the net dividend amount;

– a Shareholder may request that dividend payment correspond to only a portion of the dividend due, but his or her request must relate to a whole number of shares;

– when the dividend amount to be paid in shares does not amount to a whole number of shares, the Shareholder shall receive the number of shares immediately below this whole number and the balance in cash;

– Shareholders may inform the Company of their decision to receive their net dividend payment in cash or in shares between April 28, 2009 and May 19, 2009, inclusive. After this period the dividend shall be paid exclusively in cash;

– Shareholders who exercise their option to receive their dividend payment in shares shall receive new shares with rights accruing as of January 1, 2009;

– the Shareholder's Meeting grants full powers to the Board of Directors to carry out the above decisions, to conduct all transactions associated with the exercise of the payment option and the resulting increase in capital and to modify article 6 of the by-laws accordingly.

As required by law, we remind you that the following dividends were paid during the past three fiscal years on shares with a par value of 1.50 euros:

| Year | Dividend |
|---|---|
| 2005 | 4.80 € |
| 2006 | 6.40 € |
| 2007 | 8.50 € |

## Fourth resolution

### Approval of the agreements and transactions specified in articles L. 225-38 and subsequent of the French Code of Commerce

The Shareholders' Meeting, on the basis of the statutory auditors' special report concerning the agreements and transactions specified in articles L. 225-38 and subsequent of the French Code of Commerce, approves all such agreements and transactions mentioned in this report.

## Fifth resolution

### Director reappointment

The Shareholders' Meeting renews Mr. Hervé Le Bouc's appointment to the Board for a term of two years that shall expire upon the Annual Shareholders' Meeting to be called to approve the financial statements for fiscal year 2010.

## Sixth resolution

### Director reappointment

The Shareholders' Meeting renews Mr. Christian Balmes's appointment to the Board for a term of two years that shall expire upon the Annual Shareholders' Meeting to be called to approve the financial statements for fiscal year 2010.

## Seventh resolution

### Director reappointment

The Shareholders' Meeting renews Mr. Olivier Bouygues's appointment to the Board for a term of two years that shall expire upon the Annual Shareholders' Meeting to be called to approve the financial statements for fiscal year 2010.

## Eighth resolution

### Director reappointment

The Shareholders' Meeting renews Mr. Thierry Genestar's appointment to the Board for a term of two years that shall expire upon the Annual Shareholders' Meeting to be called to approve the financial statements for fiscal year 2010.

## Ninth resolution

### Director reappointment

The Shareholders' Meeting renews Mr. Thierry Montouché's appointment to the Board for a term of two years that shall expire upon the Annual Shareholders' Meeting to be called to approve the financial statements for fiscal year 2010.

## Tenth resolution

### Director reappointment

The Shareholders' Meeting renews Bouygues' appointment to the Board for a term of two years that shall expire upon the Annual Shareholders' Meeting to be called to approve the financial statements for fiscal year 2010.

## Eleventh resolution

### Director appointment

The Shareholders' Meeting appoints Mr. François Bertière to the Board for a term of two years to expire at the Annual Shareholders' Meeting to be called to approve the financial statements for fiscal 2010.

## Twelfth resolution

### Reappointment of a principal statutory auditor

The Shareholders' Meeting renews the appointment of Mazars as principal statutory auditor, for a term of six years, to expire at the Annual Shareholders' Meeting to be convened to approve the financial statements for fiscal year 2014.

## Thirteenth resolution

### Reappointment of an alternate statutory auditor

The Shareholders' Meeting renews the appointment of Thierry Colin as alternate statutory auditor, for a term of six years, to expire at the Annual Shareholders' Meeting to be convened to approve the financial statements for fiscal year 2014.

## Fourteenth resolution

### Authorization to the Board of Directors to buy back Company's shares

Pursuant to articles L. 255-209 and subsequent of the French Code of Commerce, the Shareholders' Meeting, which meets the quorum and majority requirements for Annual Shareholders' Meetings, and pursuant to the provisions of the European regulation of December 22, 2003 nº. 2273/2003 and Title IV of Book II of the General Regulations of the *Autorité des Marchés Financiers* (AMF):

– authorizes the Board of Directors to purchase the Company's shares to a maximum of 10% of the total number of shares at the date of this Meeting, while not exceeding the maximum amount allowed under article L. 225-210 of the French Code of Commerce;

– decides that the main objective of this program shall be the eventual retirement of the shares bought back, provided this has been authorized by an Extraordinary Shareholders' Meeting, with the understanding that the achievement of this objective shall need to comply with applicable laws and regulations;

– decides that the acquisition, sale or transfer by the Company of its own shares may be carried out by any means and that the Board of Directors may buy back shares, on one or more occasions, through market or off-market transactions, over-the-counter trades or otherwise, notably by way of block purchases, including the use of derivatives, and at any time, in particular during a public offering period, within the limits prescribed by applicable regulations. However, the Board of Directors shall need to ensure that the volatility of the Company's share is not increased through its actions. The portion of the program that may be carried out through block trades is not limited and may correspond to the entire program;

– decides that the Board of Directors may retire all or a portion of the shares bought back under terms and conditions and to the extent permitted by law and the Shareholders' Meeting;

– decides that, given the current breakdown of share capital, the Board of Directors may acquire shares at a maximum price per share of 250 euros, excluding acquisition costs. For information, and pursuant to the provisions of article R. 225-151 of the French Code of Commerce, the maximum cumulative amount of funds dedicated to this share buyback program, assuming a maximum purchase price of 250 euros per share, would be 72,092,000 euros (on the basis of 316,368 shares, i.e., 0.97% of the total number of shares);

– decides that in the event of transactions in the Company's shares during the validity period of this authorization, the maximum price per share indicated shall be adjusted by a multiplying coefficient equal to the ratio between the number of shares making up the Company's share capital before and after the transaction;

– grants this authorization for a period of eighteen months as of the date of this Meeting;

– takes due note that this delegation of authority supersedes any earlier corresponding delegation;

– the Board of Directors shall be granted full powers to carry out this authorization, and in particular to evaluate the appropriateness of initiating a share buyback program and to determine the terms thereof. To this end, the Board of Directors may carry out any transactions, place any and all buy and sell orders, enter into any and all agreements, fulfill all formalities, and generally take any and all other actions required in the implementation of this authorization. The Board of Directors may delegate said powers in accordance with applicable legal and regulatory provisions.

## Fifteenth resolution

### Powers to carry out legal requirements

The Shareholders' Meeting shall grant the bearer of a copy or extract of the minutes of this meeting full powers to file any documents or comply with any legal requirements that may be necessary.

# Extraordinary meeting resolutions



## Sixteenth resolution

### Amendment of by-laws to ensure compliance with the provisions of Law 2005-842 of July 26, 2005, Decree 2006-1566 of December 11, 2006, and Law 2008-776 of August 4, 2008

Having reviewed the report submitted by the Board of Directors, the Shareholders' Meeting, which meets the quorum and majority requirements for Extraordinary Shareholders' Meetings, hereby decides:

• to delete article 14 *"Share ownership by directors,"* modifying in consequence the numbering of subsequent articles and, at the same time, to amend paragraph 1 of article 13 to read as follows: *"The Company is administered by a board composed of at least three and no more than eighteen members appointed by the Shareholders' Meeting,"*. The rest of the article remains unchanged;

• to amend article 18 as follows:

– at paragraph 2: *"Meetings may be convened by any means, including verbally. The meeting notice is issued by the Chairman or any other member of the Board who has been delegated to perform this task as the former's deputy, or in the event of the separation of management roles, by the Chief Executive Officer. The Board may also be convened by half of its members. However, a meeting of the Board of Directors may also be convened, this notice including an indication of the agenda for the meeting, by any group of Directors representing at least one-third of the members of the Board, if the Board has not met for more than two months."*,

– at paragraphs 5 and 6: *"An internal regulation may be laid down stipulating that directors who participate in meetings of the Board by means of video conferencing or other telecommunication methods allowing for their identification and guaranteeing their actual attendance as required by law or regulations and by the internal rules and regulations, shall be deemed to be present for determining quorum and majority. Resolutions of the Board are carried by a majority of the votes of the members present (or deemed present in the event of recourse to video conferencing or other telecommunication methods allowing for their identification and guaranteeing their actual attendance) or represented, each director being entitled to one vote, with any director also serving as proxy for another member entitled to two votes. When there is an equality of votes for and against a proposed resolution, the Chairman of the meeting at the time of taking the vote shall have a casting vote."*

The rest of the article remains unchanged;

• to amend the last paragraph of article 22 as follows: *"Directors who are not legal entities shall be prohibited from contracting loans of any kind from the Company, and may not have the latter agree to provide credit, in a current account or otherwise, or stand as surety for or guarantee their obligations to third parties. If concluded in violation of this provision, such a contract shall have no legal validity. The same prohibition shall apply to the Chief Executive Officer, to the Deputy Chief Executive Officers and to the permanent representatives of directors who are legal entities. It shall also apply to the spouses, ascendants, and descendants of the persons specified in this paragraph as well as to any intermediary."* The rest of the article remains unchanged;

• to remove paragraphs 1 and 2 of article 27, substituting them with the following text: *"All shareholders are entitled to attend Shareholders' Meetings or to be represented at such meetings, in accordance with applicable laws and regulations."* The rest of the article remains unchanged;

• to amend paragraph 4 of article 33 as follows: *"Annual Shareholders' Meetings called to transact ordinary business and convened upon first notice may only pass valid resolutions if attended by shareholders, present or represented, holding at least one-fifth of total voting shares."* The rest of the article remains unchanged;

• to amend item 3 of article 34 as follows: *"Unless otherwise provided by law, Extraordinary Shareholders' Meetings may only pass valid resolutions if attended by shareholders, present or represented, holding, if convened on first notice, at least one-fourth and, if convened on second notice, at least one-fifth of total voting shares. If this latter quorum is not reached, the Meeting convened on second notice may be postponed until a date which is not more than two months after the date on which it was originally convened. Shareholders' Meetings called to transact extraordinary business issue decisions by a majority of two-thirds of the votes of shareholders present or represented."* The rest of the article remains unchanged.

## Seventeenth resolution

### Authorization granted to the Board of Directors to reduce share capital by retiring shares

After the reading of the Board of Directors' report and the statutory auditors' special report, the Shareholders' Meeting, which meets the quorum and majority requirements for Extraordinary Shareholders' Meetings:

• authorizes the Board of Directors, pursuant to article L. 225-209 of the French Code of Commerce, to retire, at its sole discretion and in one or more transactions, all or part of the Company's shares the Company holds as the result of the share-buyback authorizations granted by the Shareholders' Meeting to the Board of Directors, to a maximum of 10% of the share capital over a twenty-four month period;

• grants this authorization for a period of eighteen months as of this Shareholders' Meeting;

• grants full powers to the Board of Directors, including the option to delegate such powers, to carry out any share capital decrease(s) resulting from the retirement of shares pursuant to this authorization and to amend the by-laws accordingly;
• takes due note that this delegation of authority supersedes any earlier corresponding delegation.

## Eighteenth resolution

**Authorization granted to the Board of Directors to increase the share capital through issues reserved for Company employees pursuant to the provisions of article L. 225-138 of the French Code of Commerce and article L. 3332-18 and subsequent of the Labor Code**

The Shareholders' Meeting, which meets the quorum and majority requirements for Extraordinary Shareholders' Meetings, having examined the report prepared by the Board of Directors and the special report of the statutory auditors, and pursuant to the provisions of the French Code of Commerce, in particular articles L. 225-129-2 and L. 225-138, as well as the provisions of article L. 3332-18 of the Labor Code hereby:
• delegates to the Board of Directors the authority to increase the share capital, on one or more occasions, at the time or at times that it shall determine, pursuant to the provisions of article L. 225-138 of the French Code of Commerce and of article L. 3322-18 of the Labor Code, through issues, excluding preferential subscription rights, of shares or of any other securities giving access to the Company's share capital, reserved for employees of the Company and of affiliated companies, as defined under article L. 225-180 of the French Code of Commerce, who are enrolled in a company savings plan or in a voluntary contributory savings plan, up to a limit of 10% of the Company's share capital as of the date of the use of this authorization;
• decides that the subscription price for shares or of any other securities giving access to the Company's share capital shall be determined by the Board of Directors, with the understanding that this subscription price may not be greater than the average share price over the twenty trading days preceding the date of the Board's decision setting the opening date for the subscription period, nor more than 20% lower than this average, nor more than 30% lower than this average when the duration of the lock-in period provided by the plan in application of articles L. 3332-25 and L. 3332-26 of the Labor Code is greater than or equal to ten years; however, the Shareholders' Meeting may expressly authorize the Board of Directors, as it may deem appropriate, to reduce or eliminate the abovementioned discount, subject to legal and regulatory limits, in order to comply, *inter alia*, with legal or accounting frameworks, or tax or employee-related schemes applicable at the local level;
• grants this authorization for a period of twenty-six months as of this Shareholders' Meeting;
• delegates to the Board of Directors full authority, including the option to sub-delegate this authority, in accordance with applicable laws, in particular to:
– decide the amount of each issue, determine the dates and terms and conditions of issue and the type of securities to be created, and generally, take all necessary or useful measures and conclude all agreements to ensure the successful accomplishment of the planned issues, at all times and in all actions in accordance with applicable laws and regulations,
– place on record any issues undertaken using this authorization and amend the by-laws accordingly,
– and, in a general sense, enter into all agreements, take all measures and complete all formalities that may be required by the operations;
• takes due note that this delegation of authority supersedes any earlier corresponding delegation.

## Nineteenth resolution

**Delegation of authority to be granted to the Board of Directors in order to increase the Company's share capital, either through the issue, with preferential subscription rights, of shares and/or securities giving access to the Company's share capital or conferring entitlement to debt securities, or through the incorporation of additional paid-in capital, reserves, unappropriated retained earnings, or other items**

The Shareholders' Meeting, which meets the quorum and majority requirements for Extraordinary Shareholders' Meetings, having examined the report prepared by the Board of Directors and the special report submitted by the statutory auditors, and pursuant to the provisions of the French Code of Commerce, in particular articles L. 225-129 to L. 225-129-6 as well as articles L. 225-129-2 and L. 228-91.
1. delegates to the Board of Directors the authority to decide to increase the Company's share capital, on one or several occasions, in amounts, at times and according to the terms and conditions it shall deem appropriate:
a) through the issue, in euros or in any other foreign currency or any monetary unit based on a basket of currencies, on the French and/or international markets, of shares in the Company as well as of any securities giving access to the Company's share capital or conferring entitlement to debt securities, with the understanding that the issue of preference shares is excluded from the scope of this authority;

b) and/or through the incorporation within the share capital of additional paid-in capital, reserves, unappropriated retained earnings or of any other items whose capitalization is permitted by law and the Company's by-laws either through the creation and allotment of bonus shares or through an increase in the par value of existing shares, or through the combined use of both of these procedures;

2. grants this delegation of authority for a period of twenty-six months as of the date of this Meeting;

3. decides to limit as follows the amount of capital increases that may be carried out by virtue of this delegation:

a) in the event of a capital increase by way of the type of issue described in paragraph 1.a) above, the maximum par value amount of capital increases that may be performed, immediately or in the future, may not exceed 10 million euros, or its equivalent in any monetary unit based on a basket of currencies, a ceiling which includes the par value of the additional capital increase that may be carried out under the terms and conditions described in the twenty-first resolution below. It should also be noted that this ceiling includes the total par value of all ordinary shares to be issued by the Company in future, in connection with adjustments that may be made to preserve the rights of holders of securities giving access to the Company's share capital, in accordance with legal and regulatory provisions as well as any applicable contractual clauses;

b) in the event of a capital increase by way of the type of issue described in paragraph 1.b) above, the maximum par value amount of capital increases that may be performed may not exceed the total amount of sums able to be incorporated, with the understanding that the amount of these capital increases shall be added to the amount of the ceiling identified in paragraph 3.a) above;

4. decides, should the Board of Directors make use of this delegation by way of the type of issues described in paragraph 1.a) above, that:

• shareholders shall enjoy a preferential right to subscribe to the securities issued by virtue of this delegation, in proportion to the amount of their existing holdings;

• if subscriptions in respect of pro rata entitlements and, if applicable, subscriptions in respect of excess applications by qualifying shareholders that may be reduced by decision of the Board of Directors do not absorb the entirety of an issue of securities, the Board of Directors may make use, at its discretion and in the order it shall determine, of any of the following options:

– limiting the amount of the capital increase to the amount of subscriptions, provided this represents at least three-quarters of the increase initially decided,

– allocating freely all or a portion of the issued securities not subscribed,

– offering to the general public all or a portion of the issued securities not subscribed, on the French and/or international markets;

5. decides, should the Board of Directors make use of the delegation described in paragraph 1.b) above, pursuant to the provisions of article L. 225-130 of the French Code of Commerce, that fractional rights shall be neither negotiable nor transferable and that the corresponding shares shall be sold, with the resulting proceeds to be allocated among the holders of these rights within the period stipulated by applicable laws and regulations;

6. decides that the total amount received by the Company, plus that which it is likely to receive subsequently, for each of the shares issued under the abovementioned authorization, shall be greater than or equal to the par value of said shares;

7. takes due note, if necessary, that this authorization entails the express waiver by shareholders, in favor of the beneficiaries of issued securities giving access to the Company's share capital, of their preferential right to subscribe to the capital securities to which these securities give access;

8. grants the most extensive powers to the Board of Directors, in accordance with applicable laws and/or regulations, in particular to:

• set the amount of the issue, determine the terms and conditions for the issue, the nature, form and characteristics of the securities to be created, the dates, periods and conditions relating to the issue;

• determine, in the event of an issue of debt securities, all of their characteristics, decide whether or not they should be subordinated, and if so indicate their level of subordination pursuant to the provisions of article L. 228-97 of the French Code of Commerce;

• place on record any issues undertaken using this authorization and amend the by-laws accordingly;

• and, in a general sense, enter into all agreements, take all measures and complete all formalities that may be required to ensure the successful accomplishment of the planned issues, at all times and in all actions in accordance with applicable laws and regulations;

9. decides that this delegation replaces that granted by the Extraordinary Shareholders' Meeting of April 19, 2005 in its sixteenth resolution, thus terminating the unused portion as of this date and takes due note, in a general sense, that this delegation supersedes any earlier corresponding delegation.

## Twentieth resolution

### Delegation of authority to be granted to the Board of Directors in order to increase share capital, through the issue, without preferential subscription rights, of shares and/or securities giving access to the Company's share capital or conferring entitlement to debt securities

The Shareholders' Meeting, which meets the quorum and majority requirements for Extraordinary Shareholders' Meetings, having examined the report prepared by the Board of Directors and the special report of the statutory auditors, and pursuant to the provisions of the French Code of

Commerce, in particular articles L. 225-129 and subsequent, L. 225-135 and L. 228-91 and subsequent hereby:

1. delegates to the Board of Directors the authority to decide to increase the Company's share capital, on one or more occasions, in amounts, at times and according to the terms and conditions it shall deem appropriate, on the French and/or international markets, by means of a public offering, in euros, in any other foreign currency, or in any monetary unit based on a basket of currencies, through the issue of shares in the Company as well as any securities giving access to the Company's share capital or conferring entitlement to debt securities, with the understanding that the issue of preference shares is excluded from the scope of this authority;
2. grants this delegation of authority for a period of twenty-six months as of the date of this Meeting;
3. decides that the par value amount of share capital increases that may be performed by virtue of this delegation may not exceed 10 million euros, or its equivalent in any other currency or in any monetary unit based on a basket of currencies, a ceiling which shall include, if applicable, the par value amount of the additional share capital increase that may be carried out under the terms and conditions described in the twenty-first resolution below;
4. decides to exclude the preferential right of shareholders to subscribe to securities to be issued and to delegate to the Board of Directors the power to determine whether it shall be appropriate to ascribe a priority subscription right to shareholders, for a specific period and under terms and conditions it shall establish, for either all or a portion of an issue conducted, pursuant to the provisions of article L. 225-135 of the French Code of Commerce;
5. decides that the ceiling mentioned in paragraph 3 includes the total par value of all ordinary shares to be issued by the Company in the future, in connection with adjustments that may be made to preserve the rights of holders of securities giving access to the Company's share capital, in accordance with legal and regulatory provisions as well as any applicable contractual clauses;
6. takes due note, if necessary, that this authorization entails the express waiver by shareholders, in favor of the beneficiaries of issued securities giving access to the Company's share capital, of their preferential right to subscribe to the capital securities to which these securities give access;
7. decides that if subscriptions by shareholders and the general public do not absorb the entirety of an issue of shares or securities giving access to the Company's share capital, as defined above, the Board of Directors shall be authorized to make use, in the order it shall deem fit, of either of the following options:
• limiting, if applicable, the amount of the capital increase to the amount of subscriptions, provided this represents at least three-quarters of the increase initially decided,
• allocating freely all or a portion of the securities not subscribed;
8. decides that the issue price for shares shall be greater than or equal to the minimum price authorized by law, with the issue price of shares resulting from the exercise of securities giving access to the Company's share capital issued by virtue of this delegation subject to the provisions of article L. 225-136 of the French Code of Commerce;
9. grants the most extensive powers to the Board of Directors, in accordance with applicable laws and/or regulations, in particular to:
• set the amount of the issue, determine the terms and conditions for the issue, the nature, form and characteristics of the securities to be created, the dates, periods and conditions relating to the issue,
• determine, in the event of an issue of debt securities, all of their characteristics, decide whether or not they should be subordinated, and if so indicate their level of subordination pursuant to the provisions of article L. 228-97 of the French Code of Commerce,
• place on record any issues undertaken using this authorization and amend the by-laws accordingly,
• and, in a general sense, enter into all agreements, take all measures and complete all formalities that may be required to ensure the successful accomplishment of the planned issues, at all times and in all actions in accordance with applicable laws and regulations;
10. decides that this delegation replaces the one granted by the Extraordinary Shareholders' Meeting of April 19, 2005 called to transact extraordinary business in its seventeenth resolution, thus terminating the unused portion as of this date and takes due note, in a general sense, that this delegation supersedes any earlier corresponding delegation.

## Twenty-first resolution

### Authorization to be granted to the Board of Directors to raise the number of new shares to be issued in the event of a capital increase maintaining or excluding the preferential right of shareholders to subscribe to shares

The Shareholders' Meeting, which meets the quorum and majority requirements for Extraordinary Shareholders' Meetings, having examined the report prepared by the Board of Directors and the special report of the statutory auditors, and pursuant to the provisions of the French Code of Commerce, in particular articles L. 225-135-1 and R. 225-118 hereby:
• authorizes the Board of Directors, when making use of the delegations granted under the nineteenth and twentieth resolutions presented above, to raise the number of new shares to be issued in connection with an increase in the Company's share capital, with or without preferential subscription rights, for a period of thirty days as of the closing date of the subscription period, in an amount not to exceed 15% of the amount originally issued, and at the same price as that applied for the original issue;

• decides that this authorization may not raise the maximum par value amount of capital increases able to be carried out, this amount being set forth by each of the nineteenth and twentieth resolutions. Consequently, the maximum par value amount of capital increases that may be carried out by virtue of this delegation shall be applied against the overall ceiling for capital increases of 10 million euros set for each delegation granted under the resolutions presented above by this Shareholders' Meeting;
• grants the Board of Directors full powers to implement this delegation in accordance with applicable legal and regulatory provisions;
• grants this delegation of authority for a period of twenty-six months as of the date of this Meeting.

## Twenty-second resolution

### Powers to carry out all necessary formalities

The Shareholders' Meeting grants full powers to the bearer of an original, copy or extract of the minutes of this Meeting to carry out all legal or administrative formalities and to make all filings and publish all notices required by applicable laws.

# CEO financial statements certification for annual financial report

I hereby declare that to the best of my knowledge, the accounts and statements presented herewith have been drawn up in full compliance with all applicable accounting standards and provide an accurate view of the assets, financial situation and profits of Company and the consolidated companies, and that the business report included in pages 1 to 54 of this document provides an accurate image of business trends, profits and the financial situation of the Company and all consolidated companies as well as a description of the main risks and uncertainties to which the latter are exposed.

Boulogne-Billancourt,
March 10, 2009

Hervé Le Bouc
Chairman and Chief Executive Officer

Design and production : EURO RSCG C&O

The road forward

7, place René-Clair – 92653 Boulogne-Billancourt Cedex – France
Tel. : + 33 1 47 61 75 00 – Fax : + 33 1 47 61 76 00 – www.colas.com

Colas, French Société Anonyme with share capital of €48,820,006.50 –
RCS Nanterre 552 025 314 02325