Annual report
2009

Combined Annual and Extraordinary Shareholders' Meeting, April 14, 2010




The road forward

BOARD OF DIRECTORS
as of April 14, 2010 (1)

Hervé Le Bouc
Chairman and Chief Executive Officer

Christian Balmes
Director

François Bertière
Director

Olivier Bouygues
Director

Louis Gabanna
Director

Thierry Genestar
Director

Jean-François Guillemin
Director

Philippe Marien
Permanent Representative
of Bouygues SA

Thierry Montouché
Director

Christian de Pins
Director

Jean-Claude Tostivin
Director

Gilles Zancanaro
Director

AUDITORS

KPMG SA
Statutory Auditor

Mazars
Statutory Auditor

François Caubrière
Substitute

Thierry Colin
Substitute

(1) If approved by the Annual General Shareholders' Meeting on April 14, 2010.

Report of the Board of Directors

to the Combined Annual and Extraordinary Shareholders' Meeting, April 14, 2010

Dear Shareholders,

We have convened this Combined Annual and Extraordinary Shareholders' Meeting to deal with the following matters of business in compliance with French law and our Company by-laws:

– in the "Ordinary Business" section, we present a report on our management of the Group during the past year, together with its current position and trends, we submit the 2009 financial statements and proposed appropriation of earnings for your approval, invite you to reappoint one Director, appoint four new Directors and renew the authorization granted to the Board to allow the Company to buy back its own shares;

– in the "Extraordinary Business" section, we invite you to renew your authorization granting powers to the Board of Directors for the purposes of:

- *reducing share capital through the retirement of Colas shares owned by the Company,*
- *issuing securities conferring entitlement to debt instruments (other than the bonds provided for in article L. 228-40 of the French Code of Commerce).*

Ordinary Business

BUSINESS IN 2009

In 2009, the global financial crisis impacted all of Colas' sectors of activity. In practically every zone, the Group's lines of business operated in shrinking infrastructure construction and maintenance markets. Consolidated revenue for 2009 is down compared to the record figures posted in 2008, due to shriveling private and public investment, stimulus package delays and substitution effects, the completion of a number of exceptional major projects in 2008, unfavorable winter weather during the first half-year, lower contract prices and the impact of lower bitumen prices on revenue. With the exception of Asia and Morocco, all of Colas' 1,400 profit centers in over 40 countries saw their business volumes drop, often more than forecast. Lastly, revenue generated by external growth was limited given the small number of acquisitions in 2009.

As of December 31, 2009, the Colas Group's consolidated revenue totaled 11.6 billion euros, a 9.4% decrease compared to 2008 (9.5% with unchanged structures and comparable exchange rates).

Sales in France (including French overseas departments) rose to 6.75 billion euros, i.e., 58.3% of total revenue. Outside of France, revenue amounted to 4.83 billion euros, i.e., 41.7% of total revenue. When combined, Europe, including France, with 8.8 billion euros, and North America, with 1.9 billion euros, account for 10.7 billion euros, i.e., 92.4% of total revenue.

After depreciation/amortization of 481 million euros (466 million euros in 2008), and additional provisions totaling 183 million euros (153 million euros in 2008), the Group share of consolidated net profit is down at 387 million euros, a 21% decrease, but remains high at 3.3% of total revenue. These figures, despite the drop, still reflect a good performance when seen against the backdrop of the 2009 global crisis and in light of the fact that the 490-million-euro profit posted by the Group in 2008 was a historical record in a market at its highest. Consolidated net profit amounted to 391 million euros, against 495 million euros in 2008.

Cash flow from operations was posted at 1,066 million euros (1,184 million in 2008). After deduction of asset sales, the net total of investments amounted to 368 million euros, compared to 658 million euros in 2008, including 362 million euros in current and non-current assets (construction equipment, industrial plants), against 519 million euros in 2008, a major slash that bears witness to the Group's rapid anticipation and adaptability when faced with slumping markets in 2009. Net investment for external growth (financial and assets) totaled 6 million euros, compared to 139 million euros in 2008, also a reflection of cautious strategy. Free cash flow (cash flow from operations less net financial debt, taxes and net investment) totaled 484 million euros, up 58 million euros compared to 2008.

As of December 31, 2009, shareholders' equity prior to dividend distribution totaled 2,310 million euros, against 2,177 million euros at the end of 2008. The Group's net cash position amounted to 117 million euros, compared to –6 million euros at the end of December 2008. The sharp improvement of 123 million euros in net cash is one of the year's highlights, and is due in part to the policy aiming to reduce investment as well as to major efforts undertaken by people throughout the Group to reduce working capital requirements despite a sharp rise in the latter generated by French laws stipulating shorter supplier payment deadlines in force as of January 1, 2009. Thanks to this, the increase in working capital requirements was capped at 51 million euros, compared to a 254-million-euro increase in 2008.

MAINLAND FRANCE

Revenue in mainland France amounted to 6.3 billion euros, a 7.1% drop compared to 2008 (7.4% with unchanged structures).

The Group's activities include:

▪ **Roads** (74% of total revenue in mainland France):
This highly-diverse sector covers some 57,000 projects each year involving the construction and maintenance of transport infrastructure – highways, national roads, city streets, airports, seaports, platforms for railways and reserved-lane public transport, industrial and commercial platforms, roads and main networks for real estate projects including individual homes and apartment buildings, urban development projects (pedestrian zones, city squares), recreational amenities (sports facilities, automobile circuits, bike paths) and environmental protection (retention ponds, landscaping, windpower parks). This activity includes small-scale civil engineering and drainage work often linked to road construction and maintenance projects. The business is also backed by an upstream industrial network that produces aggregates and materials mainly designed for road works (asphalt mixes, binders, emulsions, ready-mix concrete), products that are used by the Group or sold to third parties.
In mainland France, Colas operates in the Roads sector via a network of sixteen regional subsidiaries located throughout the country.

▪ **Road-related activities** (26% of total revenue in mainland France):

▪ The **Building sector** comprises conventional construction business located exclusively in the Greater Paris area, along with demolition and deconstruction of old buildings 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 of road paints and application of road markings), lights and traffic/access management systems (traffic light maintenance, equipment for toll booths, parking lots, access). Aximum and its subsidiaries operate in these markets.

▪ The **Pipes and mains sector** encompasses the installation and maintenance of large and small diameter pipes for the transport of fluids (oil, natural 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 markets.

- The **Waterproofing sector** includes:

– the production and sales of waterproofing membranes including photovoltaic membranes in France and elsewhere around the world, skydomes and fume/smoke removal systems, installation and maintenance of servo-controls;

– the waterproofing of roadways and sidewalks (mastic asphalt) and buildings, cladding, and roofing (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 markets.

- The **Railway sector** comprises the design and engineering of complex, large-scale projects, the construction, renewal and maintenance of railway track (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 and safety systems, special work (bridge cranes, sidings, tunnels), the manufacture of cross ties, as well as a railway freight business (transport of aggregates for Group companies). Colas Rail and its subsidiaries operate in these markets.

The Group's competitors in the road construction industry and in other public works sectors remain Eurovia (Vinci group), Eiffage TP (Eiffage group), NGE group, major regional companies such as Ramery, 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 a number of 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: ETF (Eurovia), TSO, Alstom (TGS), Eiffage Rail and a number of independent medium-sized companies.

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

ROADS

In 2009, in a road market that was down an estimated 9%, the Group's sixteen regional road construction subsidiaries recorded sales of 4.7 billion euros in roads and road products, an 8.6% decrease from 2008. In the wake of a first half-year market slump, due mainly to shrinking public and private investment and harsh winter weather, the second half-year rebound that was to be boosted by the full impact of stimulus plans was more sluggish than expected, even if a positive impact was felt during the last quarter. The substitution of scheduled investments by stimulus plan investments, delays in project start-ups, and uncertainties as to financing by local authorities most likely led to drops in local investments. Stimulus plans and efforts made by a majority of local authorities made it possible to ease the decrease in business volumes, with geographic disparities. Volumes can in no case explain the sharp, brutal drop in overall prices and the number of abnormally low prices. Lower bitumen prices also contributed to the decrease in revenue. The Group is adapting and investment budgets have been kept to the strict minimum. The geographic perimeter of four regional subsidiaries was slightly modified as of January 1, 2009.

ROAD-RELATED ACTIVITIES

ROAD SAFETY AND SIGNALING

Aximum and its subsidiaries recorded levels of business similar to 2008, with revenue slightly down and few major projects except for highway A19. A reorganization program based on the Cap 2010 business project and the creation of Aximum, formerly Somaro, was nearing completion at the end of 2009.

PIPES AND MAINS

Spac and its subsidiaries, with an unchanged scope of business, posted figures that were all but equivalent to 2008. Despite a lack of major pipeline projects in 2009, business was strong in the energy sector, notably thanks to the construction of compressor stations designed to increase distribution capacity for the French natural gas network.

WATERPROOFING

Smac and its subsidiaries recorded stable revenue figures compared to the previous year, after five consecutive years of growth. In the middle of a plunging construction market, revenue was sustained thanks to ordinary business and the photovoltaic sector, in particular via partnerships with Tenesol and EDF EN.

RAILWAYS

In 2009, with revenue up 13%, **Colas Rail** enjoyed more buoyant activity throughout its lines of business: renewal and maintenance of track with the "High-Output renewal train", first project as main contractor with the RFF, which owns and maintains the French national railway network to manage rail traffic, electromechanical work on the Marseille metro, signaling, along with tramway construction in Angers, Reims and near Paris.

In all, 2009 was witness to nearly 82,000 projects in mainland France. Here are some noteworthy examples to demonstrate the **broadly diverse nature of the Group's businesses in mainland France:**

– **Construction and maintenance of highway networks:** A75: construction of a 10-km section of pavement between Béziers and Pézenas, with warm mix containing 20% reclaimed asphalt pavement (RAP); A36: rehabilitation of a section of pavement between Gendrey and Dole-Authume; A65: refurbishment of a 40-km section between Aire-sur-l'Adour and Roquefort; A714: maintenance on an 11-km section of highway in the Auvergne region; A2/A23: demolition and replacement of an access ramp near Valenciennes, with recycled materials; A75/A9: construction of roadways on a new interchange at La Devèze-Montpellier, with warm mix and RAP;

– **Construction, maintenance and renovation of road networks:** construction of the East Angoulême bypass; widening of route RN88 to four lanes between A68 and the Albi ring road; reinforcement of roadway on route RN2 in Laon, using warm mix containing 40% RAP as part of a MEEDDM 3E+R® innovation charter; refection of roads in the north of the Gard department, with low temperature mixes and RAP;

– **Airports – Seaports:** refection of the runway at Beauvais-Tillé airport; refection of the runway at the Glisy airport; rehabilitation and reinforcement of Maritime Boulevard at the port of Grand-Quevilly, using a mix with a high RAP content;

– **Logistics platforms and other:** construction of logistics platforms with HQE French green building standards and industrial platforms in Vineuil, Le Coudray-Montceau, Limoges, Audenge, Orange; refection of pavement at the Paluel EDF nuclear power plant; refurbishment of roadways and upgrading of networks at an industrial site in Belleville-sur-Meuse;

– **Urban development:** redesigning the 16-Août-1944 Square at the port of Rives in Thonon-les-Bains and the Charles-de-Gaulle Square in Rennes; renovation of Libération Boulevard in Chantilly using Scintiflex® sparkling asphalt; renovation program for city streets in Nice using Nanosoft® noise-reducing mix;

– **Athletic and recreational facilities:** construction of the Haute-Saintonge pilot automobile racing circuit; construction of bike paths using environmentally-friendly products along the coastline in Carnon, on a 9-km section in Benfeld, on a 14-km section along the banks of the Garonne River; extension of the roadways at a resort in Chaumont-sur-Tharonne;

– **Public transport:** construction of infrastructures on the first line of the Reims tramways in a public-private partnership contract; launching of work on the Angers tramway;

– **Environment:** construction and reinforcement of access lanes and platforms at windpower parks in eastern France; extension of a landfill in Roussas; construction of roads and main services for the La Feyssine water treatment plant;

– **Safety and signaling:** supply and installation of 100 kilometers of guardrails on A19 between Montargis and Artenay; supply and installation of automatic control/sanction devices for drivers who run red lights in the southwest region of France;

– **Pipes and mains:** installation using directed drilling of a new pipeline for an oil company in the port of Le Havre; construction in an EPC contract of a connection station in Bazainville for GRT Gaz; moving of underground networks as part of the Paris tramway extension project;

– **Waterproofing:** cladding and roofing at the Fos-sur-Mer incineration plant; cladding, roofing and installation of photovoltaic panels on a supermarket in Albi, at the Solère site in Lyon and at a logistics base in Fos-sur-Mer;

– **Railways:** renovation work on 63 kilometers of track on the Bourg-en-Bresse – Bellegarde line; laying of track on a 12.8-km section of the Angers tramway; electrification of a 37-km section of track between Boulogne-sur-Mer and Rang-du-Fliers;

– **Deconstruction, demolition:** demolition of a variety of buildings and crushing of 140,000 tons of materials at a former paper plant in Corbeil; deconstruction and asbestos removal in an 8-floor housing project in Clermont-Ferrand.

CONCESSIONS

COFIROUTE

Cofiroute, a highway concession company in which Colas holds a 16.67% stake, operates a 1,100-km interurban network in northwestern France. Against an unfavorable economic backdrop in 2009, the network recorded passenger vehicle traffic figures on the rise with +4.2% (3.4% with unchanged scope of network) whereas HGV traffic dropped significantly with –10.9% (–11.5% with unchanged scope of network). In 2009, the Cofiroute network was refurbished with projects to expand the A71 between Orleans and Olivet, including the doubling of a bridge over the Loire River and the widening to six lanes of a 3-km section of the North Angers bypass.

Work on the A86 beltway concession in the west of Paris continued at a good pace on the A13 – Pont Colbert section with the completion of the underground civil engineering part of the project. The first section of the A86 Duplex between Rueil-Malmaison and A13 was progressively opened to traffic with weekly peaks amounting to over 11,000 vehicles/day.

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 so-called "Two Lake highway" links Annecy, France to Geneva, Switzerland in thirty minutes and Adelac has a 55-year concession contract. Despite getting off to a slightly disappointing start due to the economic crunch and harsh winter weather, traffic on the section during the first year was satisfactory, with average figures of a little less than 15,000 vehicles/day during the off season.

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 and the management of the entire public transport system in greater Reims for a duration of thirty years. Since January 1, 2008, Mars has been operating the city's bus network (roughly 170 buses). Once the archeological digs were completed at the end of December 2008, the construction consortium – including road specialists Colas Est and Screg Est, and the Group rail company, Colas Rail – launched the work phase of the project. At the end of 2009, earthworks on the entire 11.2-km long tramway platform were finished, track had been laid on three-quarters of the section, new roads and sidewalks were being rebuilt around the city at the end of 2009 and the maintenance center is currently reaching the final phases of construction. Tests on the tramway will start at beginning of April 2010, with inauguration slated for April 2011.

FRENCH OVERSEAS DEPARTMENTS

Revenue posted in the French overseas departments amounted to 426 million euros, a 19% drop from 2008.

On **Reunion Island,** revenue was down sharply compared to 2008, against a backdrop of recession, the end of the major Tamarind project and the plunge of private investment linked to reforms in real estate tax laws. The Building and Roads businesses took a strong dive, partially offset by the construction of water treatment plants and photovoltaic farms. The construction material sector was also impacted by the building and public works crisis.
In August, the Tram'Tiss consortium, in which Colas holds a stake via GTOI and Colas Rail, was selected as the preferred bidder for the construction of the Tram-train between Saint-Paul and Sainte-Marie in a PPP contract that was signed in December. The project could be launched during the second half-year of 2010 but additional government financing remains to be secured by the Region.

In the **Caribbean (Martinique and Guadeloupe),** business grinded to a halt at the beginning of the year as a major social crisis erupted, deeply affecting the economy and investments. The impact of this social unrest was aggravated by the already precarious financial situation of local authorities. Decision-makers – both public and private – were at a stand-still, which explains the particularly low levels of business recorded in the public works and building companies. Projects are currently underway to extend the airport at Dominica Island and to build a 10,000 m^2 refrigerated warehouse for the port of Guadeloupe.

French Guiana enjoyed good levels of business, thanks in particular to a government-funded project to build the access road leading to the future Oyapock bridge at the border with Brazil (1.4 million m^3 of earthworks) and to investments in the housing sector.

INTERNATIONAL AND FRENCH OVERSEAS TERRITORIES

Revenue from international subsidiaries and French overseas territories amounted to 4.8 billion euros, down 11.6% from 2008 (10.9% with unchanged structures and comparable exchange rates). A breakdown by region shows that North America accounts for 39.9% (38.9% in 2008), Europe (excluding France): 42.0% (44.2% in 2008), Africa/Indian Ocean/Asia/Oceania/other countries: 18.1% (16.9% in 2008).

Business in the international and overseas territories' road construction activity is quite similar to the same sector in mainland France. Contracts are on the average larger in North America, central Europe and the Indian Ocean. The Road business in some countries may encompass civil engineering projects (engineering structures) required on comprehensive road and highway projects. Road work is also supplemented by upstream industrial activities (aggregates, asphalt mix, emulsion, ready-mix concrete). The amount of products sold to third parties can be higher than in France, as is the case in North America for example. Additional activities in the international divisions include pipes and 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, Morocco, etc. In Asia and in Australia, Colas is currently developing 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. Group companies compete with both national companies and subsidiaries of major international groups (construction, cement-makers, material producers).

EUROPE

Revenue in Europe, excluding France, totaled 2.0 billion euros, down 16.1% from 2008, but only 11.6% with an unchanged scope of business and comparable exchange rates. Despite good levels of business in Great Britain, Northern Europe recorded a drop in its revenue figures, slighter, however than in Central Europe which was harshly affected by the current crisis, notably in Romania and Croatia.

In **Great Britain,** Colas Ltd's road business recorded good revenue despite the crisis. Their figures were essentially boosted by four long-term MAC contracts for the management and maintenance of road and motorway networks in Great Britain for Areas 14, 10, 7 and 12, i.e., 3,500 kilometers (including engineering structures), which, in addition, benefited from stimulus package investments. The network upgrading and maintenance contract in Portsmouth is still ongoing. Colas Rail Ltd also enjoyed buoyant business, with in particular a new long-term MAC contract for track renewal.
In **Switzerland,** business was up thanks to a number of infrastructure projects and the acquisition of a small road marking company.
Revenue in the Road sector in **Belgium** is down, due to an absence of major projects, harsh winter weather and postponed projects. On the other hand, business at Colas Rail in this country is on the rise.
In **Denmark,** the stimulus plan did not offset the drop in public and private investment. In **Ireland,** activity decreased against a backdrop of economic crisis exacerbated by very bad weather. The same was true in **Iceland,** which took a brutal punch in the financial crisis.
Conventional business has declined sharply in the **central European** countries where Colas operates, such as **Hungary, Slovakia** and **Poland,** due to the crisis. In Hungary, several major construction projects, including the 80-km section of highway that is part of the M6-M60 PPP contract continued on schedule, which helped lessen the drop. In **Romania** and **Croatia,** Group companies adapted to face the sharp plunge in business, due in particular to the grave financial difficulties that the countries are encountering.
In **Germany,** Colas Bauchemie (an emulsion plant), with revenue of 17 million euros, was transferred mid-2009.

Among the year's most noteworthy projects, one can cite: infrastructure work in the Kristalpark industrial zone (Belgium); maintenance of road and motorway networks in Area 14, 10, 7 and 12 (Great Britain); the construction via a consortium of the Geneva tramway (Switzerland); the construction of two highway sections (48 kilometers and 30 kilometers) on M6-M60 motorway project including some one hundred engineering structures (of which 18 major viaducts), and the construction of a 12-km section of the M13 motorway that bypasses Budapest to the east (Hungary); the construction of the Pribor bypass on route I58 and the Lovosice bypass on highway D8 (Czech Republic); the completion of an 8-km section of highway D1 between Mengusovce and Janovce, including 12 engineering structures, and the construction of an 18-km section of highway D047 between Bělotin and Hladké Životice, and the Trstena bypass (Slovakia); the construction of the Suceava bypass and the upgrading of a 45-km section of route DN6 (Romania).

CONCESSIONS

Ensign: PFI in Portsmouth (Great Britain)

Five years into the contract, the Portsmouth PFI is still a source of satisfaction for both 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 has come to an end (upgrading). In four and a half years' time, Colas Ltd upgraded more than 1,300,000 m^2 of roads, 400,000 m^2 of sidewalks and replaced 12,000 streetlights. On July 31, 2009, the PFI entered into the second phase (maintenance and network management, covering 480 kilometers of roads, 19,000 streetlights and 84 bridges and structures).

MAK: M6-M60 motorways (Hungary)

MAK, a concession company in which Colas holds a 30% stake, has been awarded a 30-year PPP contract to build and operate a new 80-km section of the M6 motorway (50 kilometers) and the M60 motorway (30 kilometers) in southern Hungary, near the city of Pecs, European capital of culture in 2010. Two years after the contract was signed, the work performed in record time by the construction consortium is nearing completion, right on schedule. The sections will be opened to traffic at the end of March 2010, date at which the 28-year operating and maintenance phase will begin.

NORTH AMERICA

Revenue totaled 1.9 billion euros, down 9.4% compared to the previous year (12.7% with an unchanged scope of business and comparable exchange rates).

UNITED STATES

Despite the downward trend in a market that remained nonetheless fueled by federal stimulus funding, Colas companies, which operate out of 24 States, performed well, even though once again a substitution effect was felt in States which were experiencing a serious financial crunch and many projects were postponed to 2010. The price of oil products – bitumen in particular – dropped, which significantly contributed to the overall decrease in revenue. The long-term federal infrastructure program called SAFETEA-LU came to an end in September but should be extended for an additional eighteen months. Even though volumes were down, profit margins remained good, thanks in particular to efficient streamlining and a rigorous operating cost control policy. Emulsion plants and a bitumen depot were acquired in Georgia.

CANADA

In a more sluggish market, business was down slightly in the western provinces, especially in Alberta where the oil sector slowed its investments following the plunge in oil prices. On the other hand, in Quebec, business remained buoyant, supported by public infrastructure investments. Acquisitions were made in Saskatchewan, a new province for the Group, as well as in Quebec and in British Columbia.

Highlights of 2009 in North America include:

– United States: the refurbishment of a 24-km section of highway in New York State; the extension of a wastewater treatment plant in Mechanicsburg, Pennsylvania; the refection of a 108-km section of interstate 55 in Missouri; the building of an engineering structure for the Harrisburg bypass in Illinois; the widening and upgrading of a 13-km section on SR 17 in McDuffie county, Georgia; the completion of the Hampton Roads rail corridor for the Virginia Port Authority; the refurbishment of a section of interstate 26 in Spartanburg county, South Carolina; the widening of a 6-km stretch of route 274 in Monroe county, North Carolina; the refurbishment of the airport runway in Cheyenne, Wyoming; the refurbishment of a freeway in Los Angeles, California; the completion of the extension project at the Port of Anchorage and the upgrading of the Fairbanks airport in Alaska;

– In Canada: in Quebec, the upgrading of a new 20-km section on route 185 to an eight-lane highway 85 on the Trans-Canada highway in Temiscouata county (8.7 million m^3 of earthworks); in the Yukon Territory, the upgrading of Main Street in Dawson City.

ELSEWHERE AROUND THE WORLD

MOROCCO

Once again, all of the Moroccan subsidiaries enjoyed strong growth in their business (+22% from 2008 with a comparable scope of business), boosted by the large number of major infrastructure projects that the country has launched (construction and reinforcement of roads, tourism and urban development, industrial zones, airports). In addition to ongoing work with Colas Rail on the two Rabat-Salé tramway lines and the completion of earthworks at the new Renault plant in Tangiers, projects worthy of note in 2009 included the construction of a 59-km long road between the Atlantic coast and Birgandouz in the south of the country and the construction of a second runway and a taxiway at the Oujda airport.

WEST AFRICA

In **Benin,** work on two major projects was temporarily suspended due to payment delays. The 126-km Djougou–N'Dali road was completed and construction work at the Torou-Parakou airport began, with over 1.5 million m^3 of earthworks.

In **Togo,** a 9-km long section of a six-lane road that crosses through Lomé is currently being upgraded. The Group won a contract to perform work at the port of Lomé.

In **Gabon,** where business is down, a work contract for oil sites has been extended for an additional five years. The Group was also awarded a large contract to renovate roads in Libreville as part of the Africa Cup of Nations 2012 soccer event. Production figures remain good at the Kinguélé quarry.

INDIAN OCEAN AND SOUTHERN AFRICA

In **Mauritius,** revenue has soared thanks to road maintenance markets and the simultaneous launching of four major road projects. The Building business is booming. The French Cultural Center is currently under construction.

In **Mayotte,** where the major project at the port of Longoni has been completed, business remained buoyant thanks to support from the French Government's stimulus package. Two projects involving the construction of the K2 junior high school and the extension of the Petite-Terre high school in Pamandzi were completed.

In **Djibouti,** the road business reaped full benefit from the upgrading of a 40-km section of national route 1 along with road renovation work in a neighborhood of Djibouti. The Building sector was affected by budget cuts at the French Ministry of Defense and shrinking investments from the Gulf countries.

In **Madagascar,** after an exceptional year in 2008, business began to feel the impact of the grave political crisis that has hit the country. The Group's activity was limited to work at the ongoing Sherritt private mining project (nickel and cobalt), with in particular civil engineering at the Toamasina plant site. Streamlining measures were made to anticipate a drop in volume once the main phases of the mining projects have been completed.

In **southern Africa,** business was brisk in South Africa and Namibia with infrastructure projects as part of the World Soccer Cup event in 2010. In Kenya and Zambia, emulsion production volumes were good.

ASIA AND OCEANIA

In **New Caledonia,** the Road business is down due to bad weather and social unrest, despite the fact that the Koniambo mining project was launched. The Building business has reached a plateau. The first deconstruction project was undertaken in Noumea.

In **Australia,** faced with sluggish market volumes and tougher competition, Drawmac and its subsidiaries, which operate in bitumen storage and sales along with the manufacturing and distribution of bituminous binders via a network of depots and plants located in Sydney, Brisbane, Perth and Melbourne, saw their figures drop slightly.

In **Asia,** Colas operates in nine countries with a central line of business focused on the production, distribution and sales of bitumen products. All of the Group's units enjoyed a sharp increase in business, boosted by the economic recovery. In **Thailand,** the end of the political crisis and the implementation of a stimulus plan helped get business back on track, including the export trading sector. In **Malaysia,** after a beginning of the year that was witness to supply difficulties, business at the Kemaman refinery finally got off to a very strong start, with production figures totaling some 300,000 tons in 2009. In **India,** a seventh emulsion plant was commissioned, helping Hincol reinforce its position as market leader. In **Indonesia,** the construction sector is up sharply, as is bitumen trading, backed by the opening of a new bitumen depot in Aceh, in the north of Sumatra. The same is true in **Vietnam,** which now boasts a new emulsion plant in Haiphong. In **South Korea,** demand is strong and a second asphalt plant was acquired.

TECHNIQUES, RESEARCH AND DEVELOPMENT

Research has been one of the driving forces of Colas' strategy for many years. Backed by a portfolio of 142 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 2009, the R&D budget was stable at 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 visual appeal) 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 for the last several years and new contracts like PPPs in which maintenance and improved service levels require accurate technical analysis of existing roads. Ongoing improvements to know-how focus in particular in the fields of mineral, organic and plant chemistry, design and, more recently, physics.

In 2009, 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 legislation covering chemical substances. The French Government continued to support innovation in the road industry, a program that was relaunched in 2007 following a 5-year hiatus.

NETWORK ORGANIZATION FOR TECHNIQUES

The Group boasts a tight-knit internal technical network that operates 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 eight 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 elsewhere around the world, on conventional projects, major projects or more complex contracts such as tramway platforms and PPP-PFIs. Over 80 people work at the CST, from engineers, technicians, physicists and chemists to material experts and calibration specialists.

Nearly 50 decentralized laboratories and one hundred engineering design 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 people) and engineering design offices (more than 900 people), roughly 45% of whom work in France.

RESPONSIBLE DEVELOPMENT: A KEY FOCUS FOR R&D

To save energy, reduce the consumption of materials, and diminish carbon impact, teams at Colas R&D and technical divisions focus on:
– lowering the manufacturing temperature of asphalt mix and mastic asphalt for warm and cold mixes, called "energy efficient" mixes and low temperature mastic asphalt;
– comparing the carbon emissions and energy consumption of different techniques when bidding thanks to EcologicieL® eco-comparing software designed by Colas;
– progressively replacing synthetic and petro-chemical products with plant-based products, such as Vegeflux® fluxing agent and Vegecol® binder, which has undergone continuing improvements and which should soon be available in a new series of applications;
– decreasing the acidity of bitumen emulsion without altering performance;
– recycling used materials, with in particular the use of reclaimed asphalt pavement (RAP) from old demolished roadways to manufacture new mixes.

In the field of road safety and user information, teams spotlight the creation of energy-autonomous automatic tools to collect, process and display data, as well as the design of new marking processes with plant-based ingredients that do not let off any volatile organic compounds.

These targets and research programs are in line with the commitments made in France by the French national public works federation (FNTP) as part of a voluntary agreement signed on March 25, 2009.

USING SPECIAL PRODUCTS AND TECHNIQUES AROUND THE WORLD

In 2009, a number of projects undertaken by international and French overseas units used the Group's special products and processes:
– in **Belgium,** the first projects using warm mixes and Nanosoft® noise-reducing mix, another project involving mix with Vegecol® plant-based binder;
– in **Switzerland,** Vegecol® and Valorcol® reclaimed asphalt pavement (RAP) products were used;
– on the **Isle of Man,** special airfield asphalt pavement (BBA) was employed to reinforce airport runways;
– in **Iceland,** a warm mix project with CWM® from Chemoran;
– in **Denmark,** projects with CWM® warm mixes, application of warm noise-reducing Rugosoft® mix, high modulus mix, surface dressing with Vegecol® binder;
– in **Hungary,** the first projects using Valorcol® and CWM® warm mixes;
– in **Poland,** Nanosoft®, Colgrip® (highly skid-resistant surface dressing), CWM® warm mixes, and Ruflex® mix for thin layers;
– in **Romania,** first project using reclaimed asphalt pavement and additional projects with modified bitumen;
– in **North America (United States and Canada),** development of warm mixes (Ecomat® in the USA and in English-speaking provinces and territories in Canada, Pavecol® in Quebec) with a total tonnage multiplied by 8 and a 80,000 ton project on I55 in Missouri, further use of the Fibermat anti-crack process (nearly 3.5 million m^2 applied in 2009 and the first projects in Quebec and in Alaska), first Bituclair® project in the Yukon to reduce warming in the permafrost layer, Vegecol® projects in Quebec, launching of EcologicieL®;
– in the **Caribbean/French Guiana,** reclaimed asphalt pavement (RAP) was used in Martinique, first Vegecol® project at the Kourou space center in French Guiana;
– in **Gabon,** use of special Colao PE® mixes;
– in **Morocco,** a number of Novacol® projects (more than 220,000 m^2 in 2009), further use of colored mastic asphalt (165,000 m^2 in 2009);
– in the **Indian Ocean,** special Betoflex® mix was used on the Grand-Bois bypass, in Reunion Island, Colgrill® on the Dzaoudzi airport parking lot in Mayotte, the first Colmat® cold micro surfacing;
– in **Asia** and **Australia,** in place recycling with Stabicol® in Thailand, modified bitumens in Vietnam and on a number of airport projects in India, special binders for highways and airports in Australia.

RESPONSIBLE DEVELOPMENT

THE COLAS APPROACH

A 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 contradictions of present-day societies: in particular, social cohesion, environmental protection and climate change. Awareness of these changes, the implementation of measures to tackle the issues, and the Group's long-standing commitment to exemplary corporate citizenship are grouped under the concept of "responsible development", deemed to be a more appropriate term for the corporate world than "sustainable development".

As a cornerstone of its responsible development approach, Colas has mapped the interactions of its stakeholders using stakeholder analysis as shown in the chart opposite:

This approach highlights three main issues:
– teams in the field (local management) play a major role in Colas' societal image;
– environmental issues are at the heart of societal reputation, in particular for the material production sector;
– customers are a key relay of local opinion in Colas' dialogue with civil society.

The principal targets that spring from this analysis are the acceptance of production sites, the role played by roads in society, biodiversity, the attractiveness of the industry's jobs, innovation, sharing know-how, partnerships with suppliers.

By comparing the stakeholder map and its risk analysis, Colas has selected three strategic targets (renewal and enrichment of human resources, societal acceptance of production sites, ethics) and five other targets (safety, corporate citizenships actions in underdeveloped countries, energy and greenhouse gases, recycling, chemical risks). In addition, all Colas business units, companies and management divisions engage in specific actions on a day-to-day basis, adapted to their local, regional and national context. The Group's decentralized organization facilitates the development of this wealth of initiatives, all of which bear witness to the motivation and goals of Colas teams with respect to these fundamental issues. Some of these actions are described in updated detail on the Web site www.colas.com.

THREE STRATEGIC TARGETS

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

RENEWAL AND ENRICHMENT OF HUMAN RESOURCES

Colas devotes considerable means to anticipating and accompanying growth.

This policy is founded on five strong commitments:
– hiring talent and respecting diversity to meet future needs;
– developing skills to promote and adapt to change;
– organizing mobility;
– favoring a productive atmosphere at work, based on enjoying one's job and valuing employees;
– protecting and improving life at work.

RECRUITMENT AND DIVERSITY

Continued effort in recruitment

Recruitment in 2009 per geographic zone

Zone	Managers	Workers	Total
France	983	1,437	2,420
International	1,142	2,208	3,350
incl. Europe	651	1,159	1,810
North America	207	719	926
Africa/Asia/Indian Ocean	284	330	614
TOTAL	**2,125**	**3,645**	**5,770**

In 2009, against a difficult backdrop marked by a drop in business activity in every zone, Colas nonetheless continued to hire newcomers in a drive to preserve the future. In all, nearly 5,800 people were hired (7,450 in 2008), including more than 2,400 in France (4,150 in 2008).

The employment market made it possible for some Group companies to hire qualified staff, in North America in particular. Other companies had to slow down the recruitment of beginners to recruit more experienced people. Needs remain high in specialized sectors such as railways, which is today a growth market.

Special focus on links with schools, internships and work/study programs

To optimize communication on employment opportunities within the Group and to boost its image – along with that of the public works sector as a whole – with all types of people, Colas has continued to take action to attract the best talents: new Web site www.colas.com in 2009, open house days in companies and profit centers, nomination of public works "ambassadors", etc. Close ties with schools, internships and work/study programs are still a privileged source of recruitment.

Colas has continued to forge strong links with a number of specialized educational establishments (e.g., in France, trade schools, university technology schools, the ESITC engineering school in Cachan, the École des mines in Alès, the ESTP engineering school; Penn State University and Clemson University in the United States; the École de technologie supérieure in Montreal, Canada; the Technical University of Prague in the Czech Republic). Colas takes part in the life of these educational institutions in a number of ways: teaching, juries, forums, sponsoring events, classes and schools, even individual students studying public works, organizing open house days on jobsites and production facilities.

Internships and alternating work/study programs are yet another way to enter the Group. In 2009, Colas played host to 2,500 interns (3,500 in 2008), including 430 outside of France (660 in 2008).

Alternating work/study programs at every level of qualification helped train and evaluate more than 600 young people (870 in 2008) before hiring them. A few companies in North America (Works Alberta, Terus, Sully-Miller, Sloan) set up special student partnering programs for selected students who were then hired by the Group.

Diversity – a source of strength for the Group

By creating the position of Corporate Diversity Manager in June 2009, Colas clearly demonstrated its determination to make progress in this area and strengthen its collective intelligence. One way that Colas promotes diversity is through its recruitment policy, particularly in mainland France, where laws encourage the hiring and retention of cultural groups that are generally underrepresented in the workplace, such as people over 50, the disabled and low-skilled young people. Increasing gender diversity is also a key objective. Several studies were undertaken in 2009 to determine the Group's strengths and weaknesses in the area of workplace diversity and to prepare concrete action plans for the next three years.

One example of the efforts undertaken to increase the Group's awareness of diversity-related issues is the film "Diversity", which was shown at the Group convention in March 2009 and won that year's UJJEF's Grand Prize.

<u>Older employees</u>

In mainland France, the Social-Security Finance Act of 2008 requires firms above a certain size to negotiate a plan to recruit people over age 50. At Colas, this agreement, which was signed in October 2009 for all French subsidiaries, specifies five different types of actions for promoting the employment of older people, using such tools as mid-career employee interviews and skills assessments and indicators for measuring the effectiveness of these actions. Some subsidiaries are already showing good success in recruiting older people, such as Screg Nord-Picardie, Smac and Colas Centre-Ouest in France, who hired 120 people over 50 in 2009.

<u>Disabled</u>

To promote the employment of the disabled, in October 2009 an agreement was signed with Agefiph in France to launch a jointly financed assessment and advisory program conducted by specialist consultant firms in the Group's French companies. The results of this assessment, which are expected in the first half of 2010, will enable each subsidiary to prepare actions to employ the disabled.

Many subsidiaries in France, Djibouti, the United States, New Caledonia and the Czech Republic have already undertaken initiatives to promote the recruitment of disabled individuals and to retain their disabled employees. Colas strives to ensure that its employees can, insofar as possible, continue their careers with Colas by either helping them retrain for a new position or by adapting their current job to accommodate their disability. Efforts to make premises accessible to people with limited mobility are being pursued and subcontracting agreements are also being signed with organizations that employ the disabled.

Since 2006, Colas has also been sponsoring the partially sighted runner Assia El'Hannouni, a four-time medal winner at the Paralympic Games. Her recruitment in the Corporate Communications Department in late 2009 under a CIP youth-employment contract, enables her to use some of her work time to train and carry the Colas banner even further.

Lastly over 37,000 elected officials in France and elsewhere around the world have had an opportunity to see the film "Determinations", which shows Colas' commitment to employing the disabled.

"The very fact that Colas has been supporting me since the beginning of 2006 is the perfect illustration of the Group's commitment to diversity in general and to the disabled in particular. It also illustrates the values that Colas and I share 100%: open-mindedness and trust in others, regardless of any differences, the pleasure of a job well done, the value of hard work, always trying to do better than one's best, setting the example for others. We are completely on the same wave length. In addition to their support in my athletic career, Colas also opened another door for me when I became part of the Colas team in the Corporate Communications department at the head office in Boulogne. They did everything they could to help me make a place for myself in the working world, despite my disability, just like any other employee. Colas and I share the idea that integrating the disabled, and more generally speaking, encouraging greater diversity in a company, are a source of human wealth for everyone involved. My experience with Colas is proof enough."

Assia El'Hannouni, visually-impaired paralympic athlete, four-time gold and silver medalist at the Beijing Games.

<u>The hard-to-employ</u>

Colas is pursuing its ambitious policy to recruit and train people who are having a particularly difficult time finding employment and especially young people with few or no qualifications.

In France, partnership arrangements have been set up with temporary employment agencies specialized in placing the hard-to-employ. Many subsidiaries have trained youth from disadvantaged areas to work on government contracts that have specific employment criteria. For the fourth consecutive year, Colas pursued its partnership with Établissement Public d'Insertion de la Défense (EPIDE) to enable low-skilled youth from age 18 to 21 to learn about the Group's job opportunities through apprenticeships and preliminary training over a period of several months. In addition, most subsidiaries have set up youth-employment contracts in partnership with local organizations, such as GEIQ and CARED.

International subsidiaries that work on projects in disadvantaged areas generally try to hire locally whenever possible. Special programs have been set up to train and hire unemployed people in regions that have been particularly hard hit by the economic crisis (as at Colas Slovakia) or which suffer from chronic unemployment (Colas Belgium).

<u>Gender diversity</u>

Breakdown of male and female employees in 2009

		Management	Workers	Total
France	Men	81.1%	99.4%	91.7%
	Women	18.9%	0.6%	8.3%
International	Men	75.3%	95.6%	90.8%
	Women	24.7%	4.4%	9.2%

Women accounted for 8.3% of Colas' French workforce in 2009 (vs. 8.4% in 2008) and for 9.2% outside of France, vs. 8.7% in 2008.

A working group is currently conducting an assessment of gender diversity in each of the main employee categories to propose measures to improve career development for women.

The number of women in jobs that have been traditionally held by men – such as heavy-equipment operators and site supervisors in France and foremen in Morocco – is increasing very slowly. Women are more commonly found in engineering departments and in management-related occupations. The North American subsidiaries tend to have higher ratios of female employees (25% at Canadian Road Builders). In France, IT subsidiary Speig employs 37% women.

In order to attract more women to construction-related professions and recruit them, the Group is working actively to improve the industry's image.

New employee induction

Given the diversity of people that Colas recruits and its high standards for safety and performance, all new recruits must benefit from extensive induction training.

This training may take various forms in each subsidiary, including individual mentoring in France and the United States, induction-training days or weekends, regional employee-induction programs over several months or years and Leadership Rotation Programs in some North American subsidiaries which enable young managers to work in different entities for several months to gain familiarity with different business activities and work environments. New recruits are given special induction training materials that include charters, videos and logbooks.

Workforce averages in 2009

	Management-level			Office staff & supervisors			Workers			Total		
Countries	2008	2009	%	2008	2009	%	2008	2009	%	2008	2009	%
Mainland France + overseas depts. and territories	5,596	5,757	2.88%	9,752	9,735	−0.17%	24,174	23,404	−3.19%	39,522	38,896	−1.58%
Europe (excl. France)	1,181	1,188	0.59%	2,901	3,018	7.14%	9,729	9,169	−5.76%	13,811	13,465	−2.51%
Total Europe	6,777	6,945	2.48%	12,653	12,843	1.50%	33,903	32,573	−3.92%	53,333	52,361	−1.82%
North America	549	539	−1.82%	1,749	1,767	1.03%	5,272	4,853	−7.95%	7,570	7,159	−5.43%
Africa/Asia	277	325	17.33%	763	922	20.84%	3,629	3,734	2.89%	4,669	4,981	6.68%
Indian Ocean	138	151	9.42%	467	513	9.85%	7,417	6,153	−17.04%	8,022	6,817	−15.02%
TOTAL	**7,741**	**7,960**	**2.83%**	**15,632**	**16,045**	**2.64%**	**50,221**	**47,313**	**−5.79%**	**73,594**	**71,318**	**−3.09%**

The Group's global workforce decreased 3% in 2009, from 73,600 in 2008 to 71,320. This may be explained by the completion of major projects on Reunion Island and in Madagascar and a cutback on recruitment in response to an almost 10% decline in global activity.

Restructuring and downsizing

Outside of France, the brutal slump in some markets has made downsizing necessary. In Romania, for example, the 50% plunge in the construction market led to the loss of 490 jobs at subsidiaries Colas Drumuri and SCCF Iasi.

In French overseas departments, and most notably on Reunion Island, after the sharp drop-off in construction and the completion of major projects, an employment-protection plan involving 50 people at GTOI and 42 at SCPR and Prefaco was implemented.

MOBILITY

In 2009, Colas considerably strengthened employment synergies between its subsidiaries in France and elsewhere around the world, mainly by promoting permanent and temporary transfers of employees and reorganizing subsidiary territories in response to the drop-off in activity in some regions. This geographic mobility has been successful and has demonstrated the solidarity, complementarity and unity of the Group's subsidiaries. This cooperation made it possible to maintain employment in mainland France.

For example: Colas Est and Screg Est regularly made employees available for the Reims tramway project; Screg Sud-Est set up a job exchange at the head office that involved 525 employees; Spac temporarily transferred personnel to Colas Centre-Ouest to work on a water-supply system for the city of Orléans; while Colas Centre-Ouest sent employees to Colas companies in the Caribbean to expand quarry installations and monitor their operations. Subsidiaries in North America also showed that they were able to transfer employees where they were needed, with Terus lending personnel to Canadian Road Builders and permanently transferring some managers to Works Alberta after pension plans were converged in western Canada. In Asia, Thai employees helped expand the Group's operations in China, Malaysia and Cambodia.

The Human Resources department's Mobility unit handled 90 employee transfers in 2009. In all, over 400 people were redeployed in France, including almost 300 between subsidiaries.

TRAINING AND INTERNAL PROMOTION

Colas' training budget for 2009 totaled 4% of combined payroll. This is because training is essential for career development and multi-skilling facilitates employee mobility and reclassification when the economy begins to slow.

Training actions and hours in 2009

	Hours	Actions
France	530,000	29,500
International	454,100	64,300
TOTAL	**984,100**	**93,800**

There are significant differences between French and international subsidiaries when it comes to training, mainly due to different regulatory frameworks. In France, training is generally provided over a longer period than elsewhere around the world, where it is usually given on an ad hoc basis in the field.

All Colas employees, regardless of their job position, can receive training. In 2009, workers received 51% of training (by time), while office staff and supervisors received 27% and management 22%. Outside of France, the distribution of training hours for each employee category is 13% for workers, 39% for office and supervisors and 48% for management.

The broad spectrum of training provided reflects the diversity of the Group's workforce, activities and career opportunities. These range from basic reading and writing skills for workers, mix application, equipment operation and government contract dematerialization, to cross-disciplinary training in such areas as management and social cohesion and finally to broader Colas University training programs. Among the various subjects covered, safety continues to be a priority, accounting for 32% of training hours in mainland France in 2009 and 35% elsewhere around the world. Work methods and equipment account for 25% of training hours in mainland France and 26% elsewhere around the world, general training for 22% in mainland France and 7% elsewhere around the world, and management and HR training for 10% and 13% respectively.

Colas Campus and Colas Universities

Some training programs may be selected from among the 150 modules of the Colas Campus catalogue, while others are set up by subsidiaries to meet their specific requirements, such as English language training for Asian subsidiaries and French or Dutch courses in Colas Belgium.

In 2009, Colas Campus in France enabled 5,500 employees (vs. 5,000 in 2008) to improve their professional skills and acquire new ones.

Colas University 1, which is intended for recently recruited young managers, graduated its hundredth group in 2009, while Colas University 2 gives experienced managers advanced training in management skills and Colas University 3 provides specialized management training for profit center managers. Colas University 3 is now in its second phase and is being expanded to cover other support functions, such as human resources, legal, finance and equipment management, in a high-level program designed in collaboration with leading business school HEC. In North America, 324 employees received training at a Colas University in 2009.

Training to foster synergy, multiskilling and internal promotion

Increasingly, training programs are run jointly by two or more subsidiaries, to enable their employees to share their experience, work methods and tools.

Against a background of recession, some subsidiaries have made multiskilling a priority or have helped their employees make the transition to a new job where Colas lacks resources, such as deconstruction and civil engineering.

Internal promotion is encouraged and is part of a forward-looking approach to human resources management that is based on an accurate appraisal of employee potential, an awareness of career goals and a careful assessment of actual requirements in the field. But this policy cannot succeed without sufficient training. To enable this internal promotion, 1,250 foremen, 400 site supervisors and over 1,100 foremen and team leaders were trained from 2000 to 2009, representing almost 120,000 hours of training. This figure shows that the "social ladder" is still working at Colas and that Colas is doing everything necessary to support career development. In 2009, the Group pursued its efforts to enable its French employees to earn professional qualification certificates (PQC) by receiving credit for work experience and to provide special training for workers aiming for a managerial position. Some 70 PQCs have already been granted in many subsidiaries.

Mentoring

Colas encourages the transfer of knowledge between generations by training mentors who impart their know-how and experience to new employees. In 2009, 290 mentors were trained in France and elsewhere around the world.

In France, the Compagnons de la route guilds, a group of expert skilled workers, play a key role in ensuring that young employees benefit from the finest Colas know-how. In 2009, two new branches of the Compagnons de la route were formed in Canada and on Reunion Island.

HEALTH

A safe and healthy work environment is vital at Colas.

Safety concerns are dealt with specifically below.

Colas has undertaken an overall approach to protecting employee health that goes beyond worksite and road safety to include actions to make employees aware of lifestyle-related health risks. For example, Colas Belgium's "back education" initiative teaches employees to avoid back injury by adopting safe practices both on and off the job, while Sloan in the United States has partnered with a healthcare organization.

Chemical-related health hazards are dealt with in another section.

EMPLOYEE COMPENSATION AND RECOGNITION

Colas' management culture is founded on values that include respect for employees, fair treatment, recognition, dialogue with employee representatives and attractive compensation.

Pay and benefits

Colas has always made it a point to ensure that pay packages are attractive and motivating. Salaries consist of a fixed part and a variable part that depends on the achievement of objectives, individual responsibilities and company performance. After particularly strong growth over the previous five years, compensation remained at a high level going into 2009. However, in response to the economic downturn in the second half of the year, uncertainties about activity in 2010 and low inflation, Colas decided to restrict payroll growth in order to preserve jobs.

In addition to their salaries, Group employees are entitled to various benefits that include pension and life insurance plans, healthcare coverage and various employee savings plans that may vary in accordance with local laws.

In France, profit-sharing agreements enable employees to reap the fruit of Colas' long-term success. French employees can also subscribe to the Bouygues group's employee share-ownership plan (PEE), retirement savings plan (PERCO) or Bouygues Partage 2 plan, launched in 2009. By offering an attractive matching employer contribution, the Bouygues Partage 2 plan has enabled 71% of French employees and 62% of workers to take advantage of this attractive medium-term savings opportunity.

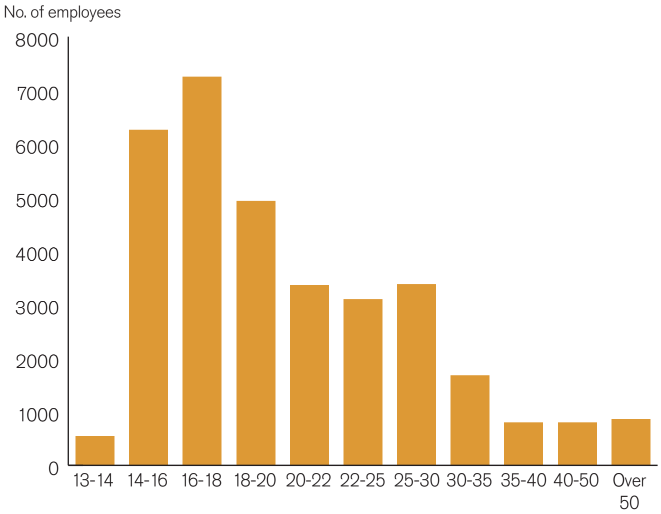
Outside of France, pay packages depend largely on local laws and performance is taken into account to determine individual salaries and benefits.

Payroll costs and social-security contributions in 2009 (France)

in millions of euros	2008	2009	% 2009/2008
Salaries and wages	2,110,268	2,126,141	+0.75
Social security charges	761,840	757,370	–0.59
TOTAL PAYROLL EXPENSES	**2,872,108**	**2,883,511**	**+0.40**
Employer contribution to PEE	21,282	28,924*	+35.91
Employees profit-sharing	25,061	13,055	–47.91
TOTAL EMPLOYER CONTRIBUTION PLUS PROFIT-SHARING	**46,343**	**41,979**	**–9.42**
TOTAL PAYROLL COSTS AND OTHER ADVANTAGES	**2,918,451**	**2,925,490**	**+0.24**
Outside personnel	336,405	267,903	–20.36

* The PEE matching employer contribution was amplified by the "Bouygues Partage 2" operation.

Gross salaries per month in 2009
(in hundreds of euros)



Company savings plan (PEE) and retirement savings plan (PERCO) in 2009 (in France)

Bouygues PEE	Number of subscribers	% of workforce	Total aggregate employee deposits* (in euros)	Average individual deposits (in euros)
Managers	3,592	62.39%	10,188,621	2,836
Office staff and supervisors	3,973	40.81%	6,767,348	1,703
Workers	4,381	18.72%	5,161,308	1,178
TOTAL	**11,946**	**30.71%**	**22,117,278**	**1,851**

Colas Monétaire	Number of subscribers	% of workforce	Total aggregate employee deposits* (in euros)	Average individual deposits (in euros)
Managers	113	1.96%	114,776	1,016
Office staff and supervisors	138	1.42%	111,032	805
Workers	173	0.74%	120,283	695
TOTAL	**424**	**1.09%**	**346,091**	**816**

PERCO	Number of subscribers	% of workforce	Total aggregate employee deposits* (in euros)	Average individual deposits (in euros)
Managers	373	6.48%	750,179	2,011
Office staff and supervisors	166	1.71%	133,207	802
Workers	99	0.42%	64,470	651
TOTAL	**638**	**1.64%**	**947,856**	**1,486**

* Employee deposits excluding matching contribution from employer.

Table of comparison showing minimum annual legal salary and average annual Colas salary in 2009 per country or geographical region

in euros		Mainland France	Hungary	Great Britain	Switzerland	Morocco	Madagascar	United States	Canada
Average annual salary paid by Colas	Machine driver	23,654	9,590	30,352	47,118	5,317	1,629	37,556	20,230
	Foreman	32,528	14,377	42,140	64,694	13,905	3,215	43,097	28,318
Minimum annual legal salary per country		15,952	3,048	13,562	38,379	2,213	330	10,800	10,510

In France and elsewhere around the world, salaries and benefits are kept well above legally required minimums to enhance the appeal of working in the construction industry and for the Group.

The gradual strengthening and convergence of global employee benefits

Several foreign subsidiaries have started to converge their pension and health-insurance plans and employee benefits within a given geographic region to ensure more consistent treatment among their employees and facilitate their mobility between subsidiaries and other entities. This is the case, for example, of Works Alberta, Terus and Canadian Road Builders in western Canada and of Colas entities in Romania. In Morocco, private-sector health care and disability coverage was extended to all employees and the entities have also converged their compensation practices.

Other examples of social responsibility initiatives undertaken by subsidiaries – in addition to those in developing countries (see "Corporate citizenship in developing countries") – include that of Canadian Road Builders and Works Alberta, which decided to follow Branscome's example in the United States and set up an Employment Assistance Program that enables their employees to obtain confidential legal, financial, psychological or medical advice and assistance from specialists. Subsidiaries can also assist employees suffering from illness, for example by providing a replacement income, lending them equipment or paying medication expenses. In France, similar initiatives have been undertaken by Colas Midi-Méditerranée, which has set up a permanent social assistance office, and by Colas Nord-Picardie, where employees can seek assistance from a team of social workers.

Local management of labor relations

Employee interests in France are represented through 342 works councils (of which 30 are "central works councils") and through health and safety committees.

International subsidiaries elect their local representatives to the Bouygues European Works Council.

In France and elsewhere around the world, labor agreements are generally negotiated with employee trade unions.

Some of the new agreements negotiated and signed with the social partners in 2009 include an agreement on health-care expenses and the employment of people over 50 in France, two collective bargaining agreements signed at Terus in Canada, the raising of minimum salaries for workers in Madagascar, four collective bargaining agreements in Romania and a pay agreement in Slovakia.

A management culture based on respect and recognition

The principles that underpin human resources management at Colas are respect for employees, exemplary behavior, fairness, the promotion of initiative and team spirit, recognition of accomplishments and gradual empowerment as employees gain confidence through action.

Special efforts have been made to improve the annual appraisal interview process in France and significant progress has been made. These efforts are now being extended to the international subsidiaries. In those that are not used to conducting annual appraisal interviews, such the Hungarian and Slovakian subsidiaries, training in interview procedures is being implemented progressively.

Some subsidiaries have also undertaken special initiatives, such as: an employee satisfaction index at Screg IDFN; a "site teams forum" at Colas Ltd in Great Britain that brings representatives of worksite teams together to discuss work-related problems in an atmosphere of dialogue and cooperation; and the creation of an industrial relations committee at Sintra in Canada composed of union representatives from each region.

SOCIAL ACCEPTANCE OF PRODUCTION SITES

For quite some time Colas has been observing a strategy of vertical integration whereby it increasingly manufactures much of its construction materials, including: aggregates, ready-mix concrete, prefabricated products, road mixes, asphalts, emulsions, waterproof membranes, road paints and resins, metal framework, and signaling and road safety equipment. Since society in general and local communities in particular are increasingly reluctant to accept these production sites, Colas is making major efforts to make its facilities as environmentally-friendly as possible and to develop an ongoing dialogue with local residents.

EXEMPLARY PRODUCTION SITES

Each site must, within the specific constraints of its context, go beyond mere compliance with environmental, industrial safety and regulatory requirements. This effort, for example, includes systematically seeking ISO 14001 environmental standard certification. As a result, 57% (by revenue) of Colas' production in France and around the world currently complies with this standard, vs. 50% in 2008, despite an unfavorable increase in the number of entities where Colas has only a minority stake. Some of the measures implemented to ensure that this progress is properly documented and assessed include: certification and performance audits prepared and conducted with external auditing firms and internal resources; a global checklist system deployed in 2007 that now covers 60% of production sites and enables subsidiaries to combine their action plans; and for the first time in 2009, the integration of the environmental compliance system into the Group's French and foreign operations control system.

ONGOING DIALOGUE WITH NEIGHBORING COMMUNITIES

Dialogue is essential to understanding the needs of local communities, explaining exactly what Colas does, constructively working toward mutual understanding and satisfaction and preventing crisis situations. Sites that produce 32% of the Group's materials by revenue (vs. 23% in 2008) have established a formal procedure for communicating with local communities that includes at least one annual meeting with local residents, town halls and government officials. Some subsidiaries have already reached the 100% mark with respect to their quarry sites. The Group's objective is to achieve above 50% overall performance in 2010.

"Works Alberta, a Colas subsidiary in Alberta, needed to take steps to minimize wildlife disturbance, respect the environment, liaise with various First Nation groups, develop new business opportunities, create jobs and ensure the safety of our people.

It required extensive consultation with aboriginal groups, trappers, federal, provincial and municipal governments and other industries. It is complicated but necessary to ensure the solutions are acceptable to all.

Works Alberta's new joint ventures and partnerships with aboriginal people have developed not only new aggregates resources but people resources, with employment opportunities and training to aboriginal people: many new employees have joined the company.

This has lead Works Alberta to increase its understanding of the aboriginal way of life and to change its way of doing business. By meeting these challenges, Works Alberta has raised the bar for the entire industry and has proved that industry can successfully co-exist with the aboriginal people."

Mike Cardinal, member of the Big Stone Cree nation in northern Alberta, Canada, former member of the Legislative Assembly of Alberta and former minister.

As for Colas' construction work, it has little direct impact on the environment:

– new projects account for only 20% of total revenue and project owners assess their compliance during the design phase. Colas also observes and enhances its customers' environmental-compliance plans during construction;

– the bulk of the Group's projects average less than 100,000 euros and involve the maintenance, replacement or modification of existing road or rail systems. They require no additional land area and the land used has already been surfaced or otherwise prepared. Environmental requirements therefore mainly have to do with effluent and solid waste, most of which is inert.

As a result, environmental requirements depend largely on the expectations of local residents and users. In addition to its day-to-day efforts to be a good neighbor (especially in urban environments), Colas also deploys a variety of environmentally-friendly technologies, such as trenchless pipe replacement or rehabilitation involving such techniques as pipe-ramming, micro-tunneling, pipe-splitting, lining or concrete reinforcement, used in Belgium, France, Hungary and Switzerland. Another such technology is Nanosoft® noise-reducing pavement, which is increasingly popular with customers, local communities and users since noise is considered to be the greatest nuisance. Over 200,000 m² of Nanosoft® were laid in 2009, including 58,000 m² on the S11 expressway from Kornik to Poznan in Poland and 21,000 m² on a section of highway A41 into Grenoble, France.

ETHICS

Colas makes no compromises when it comes to ethical principles and integrity. Ethics are a cornerstone of the Group's internal control system and violations are sanctioned. The necessity of ensuring that moral principles are observed is regularly reaffirmed, for example through ethics training that is systematically provided to top managers and the distribution and observance of parent company Bouygues' Ethics Code, produced in 2006. An environment of transparent and fair competition best enables Colas to use its organization, technology and know-how most effectively and foster a long-term relationship with its customers and partners. Ethical behavior also enables the transparent dissemination of information that is so essential to effective collaboration. Furthermore, corporate ethics are the cornerstone of career satisfaction and managerial efficiency, since personal and corporate values must be in harmony to sustain individual commitment and motivation.

In 2009, an Ethics Committee reporting to the Colas' Board of Directors was formed to review any situation that could present an ethical risk along with all corporate sponsoring and patronage contracts above 20,000 euros.

Colas has implemented many concrete actions to ensure ethical behavior and transparency, often in collaboration with independent partners. Some examples include:
– **Association Qualité Pesage (AQP),** which was created with independent inspection agencies Socotec and Veritas to ensure the traceabilty of asphalt plant deliveries by equipping them with a tamper-proof weighing system. For nearly ten years, Colas has been asking public contracting authorities to require that their supplier plants be equipped with such a system. They are now used to weigh three-fourths of all asphalt mixes made in France;
– **setting up an exchange for selling pre-owned construction equipment:** Colas was behind the creation of an auction exchange for pre-owned construction equipment that is operated by a large international company and subject to the control of Tracfin, an anti-money-laundering organization. Colas sells much of its construction equipment through this exchange, including 268 items totaling 3.3 million euros in 2009 and 517 items totaling 9.5 million euros in 2008.

FIVE OTHER MAJOR TARGETS

Colas has less flexibility to address these five additional targets than it does for the previous three, even though some are just as important. Regarding energy conservation for example, Colas has little to say about the use of alternative energy sources or the motors installed on its equipment. Nonetheless, Colas is well aware of the importance of these issues and makes substantial investments to improve performance.

SAFETY

Ensuring the safety of its employees has been a major concern at Colas for many years. Respect for human resources begins with safety. Safety performance indicators improved once again in 2009. Colas vigilantly enforces its safety policy.

WORK ACCIDENTS

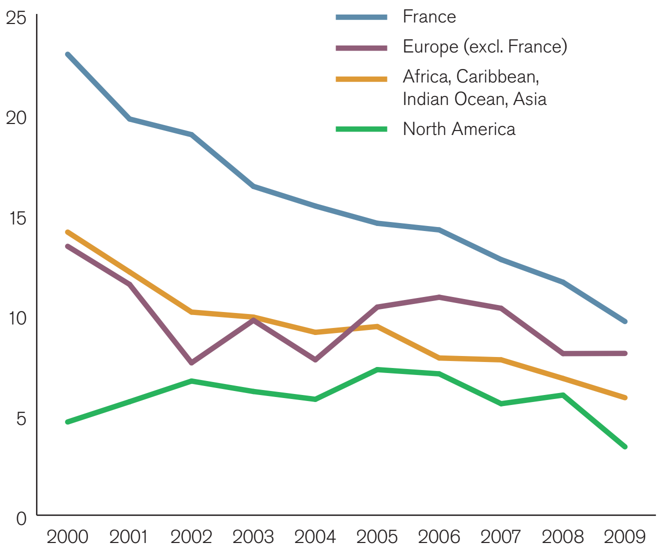
Accident frequency rates declined by about 15% in 2009 in France and around the world.

Colas Group safety indicators

French subsidiaries	Frequency rate	Annual severity rate	Security index	Fatal work accidents	Fatal accidents on work-related journeys
2007	12.75	0.57	7.27	3	4
2008	11.62	0.48	5.58	6	2
2009	9.66	0.42	4.06	2	0

International subsidiaries	Frequency rate	Annual severity rate	Security index	Fatal work accidents	Fatal accidents on work-related journeys
2007	8.02	0.23	1.84	5	1
2008	6.99	0.21	1.47	5	1
2009	5.98	0.19	1.14	6	1

Change in global frequency rate over the last ten years



Employee awareness-raising and risk assessment
Colas provides its subsidiaries with various tools and materials for making sure that employees are fully aware of construction industry hazards. Some examples include: the Safety Induction software application, which reviews all hazards and safety instructions for specific jobs and is systematically used in mainland France to train

new recruits and temporary employees; the Hazards application, which helps subsidiaries complete the master risk assessment form and prepare safety action plans; and the Lara application, which is used to assess chemical hazards.

Each subsidiary also makes sure to provide training actions and materials that are tailored for its specific requirements and trainees. Examples include: height work and fall-prevention training and the organization of a safety contest at Smac entities; the creation of a safety DVD at Sacer Sud-Est and a safety guidebook at Sacer Paris-Nord-Est; safety theater plays at Colas Midi-Méditerranée; in the United States a safety film at Reeves and a hazard detection method at Barrett Industries; and in Australia training in road work signaling at Drawmac. In countries where they are permitted, random drug tests (United States) and alcohol tests (South Africa) are carried out at construction sites. In France, many subsidiaries provide alcohol and drug addiction training to increase employee awareness of the harm that substance abuse can do to their personal and professional lives.

Safer equipment

Safety can also be improved through innovation to make construction equipment safer and improve personal protection equipment. Efforts in this area include campaigns to make molded ear plugs for more effective noise protection and systematically installing back-up cameras on some vehicles, guardrails on some vehicle bodies and ultrasonic radar and cameras.

Getting everyone committed to safety

All Colas managers are committed to safety. Those responsible for ensuring safety in the field (such as QSE managers, regional safety inspectors, entity safety managers and driving safety coordinators) play a key role in the implementation, operation and coordination of the Group's safety policy and help prevent accidents through their site audits, toolbox safety talks, safety days, inter-company safety challenges and other day-to-day actions. Entities also audit each other to benefit from an outside perspective and share best practice.

Employees trained in first aid

Change in the number of employees trained in first aid

	2007	2008	2009
France	8,824	10,290	11,225
International	5,096	6,774	8,128
TOTAL	**13,920**	**17,064**	**19,353**

In 2009, there were 19,353 employees trained in first aid, equivalent to 27% of the Group's employees (24% in 2008). In some subsidiaries – Sacer Sud-Est, Screg IDFN, Tasco in Thailand, and Canadian Road Builders in Canada – 30% or more employees are trained in first aid. In mainland France, Colas has more than 150 volunteer firefighters among its workforce.

ROAD SAFETY

In 2009, Colas reaffirmed its commitment to road safety by renewing its Road Safety charters for France and Europe, which it initially signed in 1997 and 2005 respectively. This ambitious initiative, central to the Group's activities in road construction and maintenance, security and signaling, is put into action through a policy to prevent road accidents.

The subsidiaries have hundreds of Road Safety Relay Officers who promote good practice of safe and fuel-efficient driving, give advice on avoiding accidents, rationalize organization in the workplace and on worksites, improve travel management, ensure that regular checks are carried out on the condition of vehicles with passive and active safety equipment (such as reversing radars), and implement sustainable and effective programs for specific topics such as light commercial vehicles (including safe transport, vehicle loading and limiting the speed of vehicles). In 2009, eco-driving codes were written specifically for the Group's drivers of worksite equipment, trucks and light commercial vehicles. These codes will be distributed at the beginning of 2010.

The program is built on powerful internal communication and strengthened through sharing experiences and fully exploiting best practices. It is supplemented by an emulation program which motivates subsidiaries and institutions to continually strive to perform better.

The accident frequency rate involving the Group's vehicles in France once again improved in 2009, with 0.084 accidents compared to 0.088 in 2008. Since the first Road Safety charter was signed twelve years ago, the accident frequency rate has dropped by 62%, even though the Company's fleet of vehicles and site machines has grown by 93%, requiring new drivers to be trained.

Comparison of the change in number of accidents and the vehicle fleet in France between 1997 and 2009

	1997	2003	2007	2009	Change 2009/1997
Number of vehicles	13,746	20,588	25,380	26,564	+93%
Number of accidents involving third parties*	3,024	2,334	2,407	2,241	−26%
Frequency	0.220	0.113	0.095	0.084	−62%

* Accidents involving third parties deemed liable or not liable based on the principles of avoidability.

This approach is gradually becoming more widespread, adapting to the individual cultures and local rules in all countries and territories in which Colas operates.

Prizes and honors
Remaining true to the Group's annual tradition, Colas' subsidiaries were awarded scores of prizes and honors for safety.

In France, the USIRF safety competition presented awards to Colas Rhône-Alpes-Auvergne (the "Grand Prix" for prevention and safety management), Perrier TP (Colas Rhône-Alpes-Auvergne) and Sacer Sud-Est's Rhône-Loire agency; Gaz de France awarded its national prize to Sacer Paris Nord-Est's Pierrelaye-Beauvais agency; the GRT Gaz and OPPBTP trophy was awarded to Spac Bordeaux, Canalisateurs de France awarded their safety trophy to Spac Toulouse; the CRAM Alsace-Moselle Grand Prix 2009 for the prevention of road-related risks was awarded to Screg Est's Fritz-Golly agency; and the FNTP awarded its road safety trophy to Colas Rhône-Alpes' Albertville center. Elsewhere around the world, Colas Ltd in Great Britain received the Silver Award for Occupational Safety from the Royal Society for the Prevention of Accidents; Cold Chon Galway Ltd in Ireland received honors from the National Irish Safety Organization; Sintra in Canada received a prize in the competition run by CSST, the occupational health and safety commission in Quebec; in the United States, Delta Companies Inc. and Branscome Inc. received the Diamond Achievement Awards from the National Asphalt Pavement Association; Thailand's Ministry of Labor awarded Tasco (Thailand) a number of prizes for excellence in accident management, workplace environment and safety.

Finally, while certification isn't one of Colas' top business development priorities, a number of its agencies worldwide are certified OHSAS 18001, GHESE, MASE, ILO, etc. In 2009, the Group's overall safety certification rate is 34% of its total revenue (worldwide).

CORPORATE CITIZENSHIP ACTIONS IN DEVELOPING COUNTRIES

Colas' activities are virtually unaffected by the trend of outsourcing production activities to countries where labor costs are low. Infrastructure cannot be exported; it is built on site by local human resources, using local techniques and specifications. Moreover the work has two limiting factors: heavy materials such as bitumen, asphalt mixes and concrete cannot be transported over long distances, and timeframes are often very short for work involving concrete and hot mixes – it is often a question of hours. These factors explain Colas' decentralized organization. Its motives for having an international network are not driven by an interest in outsourcing operations or geographically optimizing costs; rather they reflect Colas' determination to seek new opportunities for growth and to balance country risk.

Colas is also present in a number of developing countries, and considers it a duty to set an example in these countries. With significant business activities in Morocco and Madagascar, Colas contributes more than just the work carried out on worksites. It also adds to the countries' growth and economic, social and cultural development, as well as improving human rights and fostering the protection of the environment. Colas has undertaken similar initiatives on a smaller scale in countries in which it hasn't been present for as long, or where it has less business activity, such as in South Africa, Benin, Djibouti, Gabon, etc.

On a social level, Colas has a progressive employee policy in terms of pay, training and promotions, employee benefits (including co-operative loans, microcredit, income protection schemes and training citizens on avoiding excess debt), along with work clothes, safety equipment, etc.

As for health and hygiene, programs designed for employees and their families as well as local villagers include medical visits, free health clinics, AIDS prevention campaigns, an initiative to tackle malaria and diarrhea, first aid training, etc.

Regarding the environment, priority is given to protecting biodiversity (by increasing awareness among the local population), combating deforestation (by replanting and substituting wood charcoal) and managing waste (by helping to set up waste streams for used oil). We will note on this subject the "Grand Prix" awarded to Colas Madagascar in 2009 by the International Road Federation.

In its commitment to society, Colas designs its worksite installations to ensure that they can be taken over by the local authorities. It participates in water distribution and serviceability while on site, and makes resources available when disasters such as fires, floods and earthquakes strike populations near its worksites.

Colas can justify offering solutions where structured services are not available. However, Colas ensures that it is not creating competition or weakening the business model of administrative structures and local services. Colas considers these initiatives to be humanitarian assistance and educational philanthropy (this is particularly true in Morocco and west Africa).

At Colas, the human rights policy is based on dignity and a full appreciation of the local workers with a view to promoting ethical behavior among the population, in particular subcontractors, local villagers and suppliers. The principle is that employees who feel respected will naturally advocate human rights in their professional conduct with the rest of society.

ENERGY AND GREENHOUSE GASES

The whole economic landscape could be modified or transformed by the carbon factor. Colas is aware that its businesses will have to adapt and already offers a range of products and techniques with a lower carbon cost, the priority of its R&D teams. Colas is also mobilizing its workforce to improve its own energy efficiency.

ENERGY CONTENT OF BIDS

EcologicieL® (Colas) was the first carbon variation software tool to be used for road works, as were Eco-Cana (Spac) for the installation of pipes and CarbonEco® (Bouygues Group) for building sites and civil engineering works. In order to satisfy customer demand for a tool available to all companies allowing fair competition between environmentally-friendly alternatives, Colas began to pool this type of tool with other French road builders with a view to developing an eco-comparator shared on the extranet and available in 2010. The initiative was backed by the French Ministry for Ecology and Sustainable Development and a charter was signed with the industry's professional body in March. At the end of 2009, the French authorities modified their general terms and conditions applicable to contracts in order to authorize the use of eco-friendly solutions in maintenance and construction works. Elsewhere around the world, Colas supports industry professional bodies in the European Union to promote the use of this tool and a version for use in other countries will be offered by Colas where possible. In 2009, over 1,000 bids were submitted using EcologicieL® software (vs. under 500 in 2008) representing potential CO_2 savings of 174,000 metric tons (vs. under 40,000 tons in 2008). Since 2009 was a transition year prior to the launch of a new tool, the success rate was disappointing with 13,000 metric tons effectively saved by clients compared to over 14,000 tons in 2008.

Neophalte BT®, 3 E® mixes, Ecomat®, Ecomac, etc.: as regards warm asphalt mixes and mastic asphalts, 2009 saw the start of industrial production in Belgium, Canada, the USA, France and Switzerland. This product range saves between 10% and 30% of production energy and accounts for 2% of Colas' worldwide production of mastic asphalt and asphalt mixes, i.e., savings of more than 2,000 metric tons of CO_2. The initial objective of 10% of production should be reached in the short term, although much remains to be done in terms of communication in order to overcome the conservatism of teams and clients.

The Vegeroute product range: developed as a plant-based substitute for oil-based or petrochemical components, these products cut manufacturing and application temperatures and even reduce the quantities required: Vegeflux® fluxing agent, Vegecol® bitumen substitute, Ostrea® hot-application road marking product, Neogreen emulsion, Compomac V® asphalt mixes, etc. As a carbon sink, this range consistently presents a positive carbon balance. Compared with conventional products, the savings in CO_2 emissions came to 7,000 metric tons in 2009.

Innovative roofing: in 2009, the photovoltaic roofing activity grew very rapidly and now accounts for 10% of Smac's new business with a total of 100,000 m² (13 million kWp), a tenfold increase compared to 2008. Smac's offering comprises two products: Surfa® 5 Solar, in which polycristalline panels are incorporated into the roof structure (in partnership with Tenesol), and Excelflex® Solar, an amorphous bituminous photovoltaic membrane with EDF EN, also a partner in turnkey projects. In 2009, the roofs at Colas' warehouse on Reunion Island were converted into a photovoltaic farm of 6,800 m² (880 kWp). In Switzerland, Colas has just begun the world's first application of ultra-high vacuum solar thermal panels (developed and produced by SRB Energy from a patent owned by the European Organization for Nuclear Research) for maintaining the temperature of bitumen, an initiative that attracted subsidies from several Swiss government agencies. Lastly, 100,000 m² of Tecflor® green roofing were applied, compared to 70,000 m² in 2008.

ENERGY CONSUMPTION AND EFFICIENCY

Measuring instruments: in order to compute its energy efficiency, Colas has developed appropriate instruments to measure fossil fuel consumption, since electrical consumption only accounts for a small proportion of its energy footprint. While it is fairly straightforward to track the consumption of burners at its 700 mixing plants and asphalt plants, it is much more complicated to accurately monitor the consumption of over 70,000 vehicles, consisting of tens of thousands of different makes and models, in more than 3,000 construction and materials production units. Colas has therefore fitted 1,200 of its machines and vehicles with energy consumption meters, while at the same time talking to equipment suppliers who are willing to develop new common standards and transmit and receive data in real time. Energy savings in the order of 20% are expected.

Mobilization of the workforce: without waiting for its measuring instruments to be fully rolled out, a process likely to take several years, at the end of 2009 Colas launched a high-profile campaign in France and elsewhere around the world aimed at drivers. The goal is to reduce fuel consumption by 20% by following simple rules, e.g., eco-driving and not allowing engines to idle while vehicles are stationary. The campaign's theme is based on three pluses: more savings, improved safety, a healthier environment.

Mixing plants: the consumption of fossil fuels by burners fell further in 2009, i.e., 4.2% less per metric ton of mix compared with 2008 and a gain of over 10% in two years. This improvement represents carbon savings of 100,000 metric tons (vs. 40,000 tons in 2008) by combining falls in consumption with the choice of fuel (essentially recycled fuel in North America and changeover to natural gas in Europe).

Global assessment: in order to put into perspective the steps taken to reduce its carbon balance, Colas has begun to compute its global carbon footprint (internally and upstream). The result, due out in 2010, will allow Colas to compare its global footprint with the volumes of CO_2 saved (230,000 metric tons of CO_2 equivalent in 2009), and identify the segmentation of its footprint more precisely in order to pinpoint new paths for targeted actions.

RECYCLING

Recycling is a key factor since Colas is a large producer and user of materials. Although public works is one of the sectors which uses the most heavy materials, the fact that a large proportion of these materials can be recycled means that road-building is a major contributor to recycling.

Recycling platforms: in 2009, production fell by 15% and that of Colas' quarries and gravel pits by 3.5%, owing to the extension this year of the scope of recycling statistics to include minority-owned investments (the decrease would amount to 10% with an unchanged scope of business); it is the first time since this indicator was put in place that the production of recycled materials has fallen below that of new materials. Colas remains heavily committed to the recycling of materials (dirt debris, mastic asphalts and asphalt mixes, concrete demolition rubble, slag and sand from the steel industry, bottom ash, etc.), which totaled 8.7 million metric tons (10.2 in 2008), i.e., the equivalent of 10.5% of Colas' total aggregate production or the output of 26 quarries (based on the average output of a Group quarry).

Asphalt mixes: Colas' production already incorporates an average 9% of RAP (reclaimed asphalt pavement), versus 8% in 2008, i.e., the recycling of around 3.6 million metric tons of aggregates and some 180,000 metric tons of bitumen, the equivalent of an average-sized refinery. This equates to preventing the emission of 70,000 metric tons of CO_2. The situation continues to vary with rates of 21% and 20% in Belgium and the United States, while France has progressed well to 5.2% and is within reach of its target of 10% in 2010.

In-place recycling leapt to over 7.5 million m² of road surfaces in 2009 (5 million m² in 2008) or the equivalent of an 825-km long road. Most of the in-place recycling took place in North America, France, the UK, Hungary and West Africa. Colas offers a wide range of suitable techniques, notably the "Nova" product line, Valorcol® and Recycold®.

CHEMICAL HAZARDS

Beyond regulatory compliance, Colas aims to achieve full control of the risks arising from the use of chemical products. Over 50% of Aximum's paint production thus has a pro-environment label with some fifty products bearing the French environment label NF Environnement. Colas has defined priority actions:

– **solvents:** scrapping the use of solvents in laboratories; scrapping the use of solvent-based degreasing fountains; scrapping the use of toluene in road paints (the entire range is available in a solvent-free option);

– **pigments:** scrapping the use of heavy metal-based pigments in paints; research for a formulation in non-powder form;

– **non-stick products:** scrapping the use of fuel oil in the application of asphalt mixes and substitution of plant-based alternatives;

– **bitumen vapors:** international studies published in 2009, notably the second part of the epidemiological study conducted by the International Agency for Research on Cancer (IARC), part of the World Health Organization, all pointed to the fact that there is no link between lung cancer and exposure to bitumen vapors. Colas has been an industry pioneer in France and Europe for involving independent bodies such as the IARC and persuading the industry and its suppliers to give these bodies the necessary access and resources;

– **resins:** Greencoat research project with several partners and the National Research Agency (ANR);

– **hazardous waste:** systematic policy of eliminating and recycling used oils in all the countries in which Colas operates; used oils account for most of Colas' hazardous waste.

DIALOGUE WITH COMMUNITY INSTITUTIONS

The recognition of well-identified strategic issues needs to be enhanced by listening more closely to the parties involved and engaging in the debates taking place in society in order to develop a policy of responsible development.

THE RAIL VS. ROAD DEBATE

Colas holds significant market shares in both highway and railroad projects in a number of countries such as France and the UK, while in others its activities are limited to railroads (Venezuela, Egypt). This position enables the Group to put the rail vs. road debate into perspective.

The road network, the only system of terrestrial communication that allows any two places to be connected, is irreplaceable. Although road traffic contributes to CO_2 emissions, the increasing pace of technical advances in road vehicles is bound to rapidly reduce the carbon footprint. Roads do not therefore deserve to be condemned on account of vehicle pollution any more than the railroads were in the past due to steam engines.

As a mass transportation mode, rail complements the basic road network in terms of both passengers and freight (Colas has become a railroad transporter in France and Canada in this way). Since it would be impossible to imagine major urban areas without trains, subways and tramways, the carbon footprint of this mode of transportation should be optimized with regard to its very high initial carbon costs and according to the type of electricity powering it, which varies greatly between countries.

Given that transferability between these two modes of transportation is in fact very limited, the solution is to improve their respective performances. This is Colas' development strategy, with a policy of technical and methodological innovation in favor of balanced multimodality serving a regional planning policy that aims to reduce unnecessary transportation.

GLOBAL COST OF PUBLIC INFRASTRUCTURE

Colas advocates a more partner-oriented approach, one that emphasizes the notion of total cost and favors innovative public contracts, e.g., public-private partnerships (PPPs), private finance initiatives (PFIs), managing agent contractors (MACs), concessionary operations, etc. An infrastructure designed and built for the long term, regularly maintained, optimizes public investment and reduces the consumption of resources. The following signed contracts at various stages of completion or operation are a good illustration of this approach:

– **two concessionary operations:** the Reims tramway and highway A41 in France;

– **five PPPs:** M6 highway in Hungary, maintenance of the city of Portsmouth in the UK, street lighting in Libourne, France, Tram-train project on Reunion Island and the D1 motorway project in Slovakia;

– **six MAC-type maintenance contracts in the UK:** four of them cover one-third of the English road network, two of them are for railroad maintenance.

RESPONSIBLE PURCHASING

Colas works with over 100,000 suppliers and subcontractors worldwide. Their decentralized organization is evolving with the setting up of professional purchasing networks in the world's major regions. To encourage this change, Colas has classified its suppliers and subcontractors into six main groups: local subcontractors, local materials suppliers, global raw materials suppliers (bitumen, energy, cement, hydrocarbons, etc.), national and international materials suppliers (quarries, plants, public works machines and vehicles, other vehicles), national and international service providers (temporary employment agencies, vehicle rental, transportation, etc.) and miscellaneous suppliers.

Identification work for each group defines the degrees of freedom available and the key features of responsible purchasing: safety, quality, control of illegal work, compliance with payment terms and conditions, design and correct usage of materials, etc.

Colas is currently trialing various tools for the non-financial rating and auditing of its suppliers. However, it is impossible to carefully evaluate all its suppliers and subcontractors in this way, even as part of purchasing rationalization policy. At the same time, it was therefore decided to conduct risk assessment and target priority purchasing categories.

As regards purchasing from developing countries, the issues relating to relocation to countries with low labor costs or low environmental standards is very marginal for Colas due to the nature of the industries involved, but the Group's business in these countries responds to challenges adressed above.

PARTICIPATION IN COMMUNITY LIFE AND PROJECT SUPPORT

This action is essentially local and managed by Group companies and their profit centers. It reflects Colas' integration into local communities and expresses the values of commitment and action shared by the Group and its teams.

In mainland France, in addition to active participation in a number of job-creation schemes (part of Human Resources policy), participation mainly takes the form of cultural patronage (roughly 100 actions) and sports sponsorship (400 teams), while around 100 other actions (humanitarian, educational, participation in local community life, etc.) have accounted for a sum in the order of 2 million euros, which is stable compared to 2008.

On the international scene, 1,200 actions (1.1 million euros) reflect the diversity of countries where Colas is established: 470 actions to support educational or humanitarian initiatives working with local NGOs, around 100 cultural patronage initiatives, 350 sports events and team sponsorships, etc. were concluded.

At parent company level, in January 2006 Colas signed and has since maintained a sponsorship deal with visually-impaired athlete Assia El'Hannouni, two-time gold medalist (200 and 400 meters) and two-time silver medalist (800 and 1,500 meters) at the Beijing Paralympic Games. Through this material support, Colas promotes strong values within the Group: the challenge to better oneself, the will to make an effort, tenacity, straightforwardness and pride in a job well done. Colas is also an active participant in the Francis-Bouygues Foundation, which aims to provide strongly motivated French or foreign students who have an ambitious personal project but are faced with financial and/or social obstacles with financial and moral support, including individual mentoring, for the entire duration of their studies. In 2009, a further eight Colas employees each mentored a scholarship student. Cultural patronage of painting (16 prize-winning artists sponsored by the Colas Foundation in 2009), music and dance (every year, Colas on Stage supports talent to illustrate a particular management theme: talent in 2008, cross-disciplinary skills in 2009) completes the Group's contribution. In total, Colas devoted 0.7 million euros to these initiatives. Colas is also a founding member of the ChemSud Foundation set up in 2009 in Montpellier to support research and development in "green" chemistry.

ENCOURAGING THE EXCHANGE OF IDEAS

This policy covers two areas: 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 choosing and science, through the Rencontres Scientifiques Colas, in partnership with the magazine, *La Recherche*, which invites scientists to present their ideas.

In 2009, the Cercle Colas hosted the following speakers:

– Michel Maffesoli, member of the Institut Universitaire de France and professor at Sorbonne University: "Words and Worse";

– Hubert Reeves, astrophysicist, President of the Ligue ROC: "Of Stars and Men".

The topics of the Rencontres Scientifiques Colas 2009 were:

– "The Future of Electric Vehicles" by Yves Chabre, PhD, consultant in batteries for electric vehicles, and Pierre Midrouillet, CEO of PVI (manufacturer of electrically powered industrial vehicles);

– "IT Security" by Cédric Blancher, Director of the InnovationWorks IT Security Research Laboratory, EADS, and Antoine Joux, visiting professor at the university of Versailles-Saint-Quentin-en-Yvelines, Chief Armaments Engineer at the state organization responsible for armament programs (DGA).

Lastly, it is worth noting that Colas participated in various competitiveness clusters in France and took part in the work of the scientific committees of various academic and research institutions in France and elsewhere around the world.

RISKS – EXCEPTIONAL EVENTS – DISPUTES

Measures to appraise, monitor and mitigate risks related to the specific nature of Colas' businesses have for many years been among the Group's key management principles, applied at the most appropriate level to ensure apprehension. The Group's decentralized organization remains the key to risk management.

Corporate-level risk assessment as well as the overall policy with respect to risk are managed mainly on the basis of the feedback received via the Group's reporting system or, conversely, through the dissemination of best practices. However, the subsidiaries and profit centers are responsible for dealing with, controlling and monitoring their own risks. The formal listing and analysis of major, identifiable risks were carried out for the first time by the executive management teams of entities based in France as well as those of the Group's international operations at the end of the 2009 fiscal year. The risk mapping is presented in the form of a categorization of the main risks affecting the achievement of operational, financial and strategic objectives. This analysis is used to develop action plans designed to mitigate the risks thus identified, supplemented by a risk prevention policy founded upon monitoring claims and losses, an analysis of the phenomena of causal relations along with feedback. Corporate-level coordination and organization using reporting tools ensure that the different types of risk can be identified and analyzed effectively, help to centralize feedback so that best practices may be communicated to all subsidiaries, while also contributing to the development of a risk prevention policy and appropriate preventive actions.

Colas' businesses do not appear to be particularly exposed to major or systemic risks, given their nature, the dispersion of Group profit centers and the number of contracts performed.

LEGAL RISK

Risks relating to the nature of business activities

Colas' business activities tend to involve a large number of contracts as well as the decentralized negotiation and execution of these contracts. Apart from the regulations generally applicable to all of these contracts (antitrust and competition law, criminal law, etc.), most of the contracts awarded by public or private contracting authorities are subject to specific regulations, whether on a national or international level. Due to this proliferation of contracts and the decentralized management approach, Colas inevitably runs the risk of non-compliance with legal requirements, despite a vast array of upstream preventive measures (information, training programs, charter, etc.) and strict downstream penalties intended to deter violations. These risks, which may lead to financial penalties (e.g., those imposed by antitrust authorities), may also expose the Group to other consequences, including the risk of criminal or civil prosecution, the loss of certain contracts (prohibition against bidding on certain contracts), or the depreciation of its brand image. It is very difficult to adequately assess or to precisely determine the possible frequency of occurrence of these risk events.

Significant legal claims as of December 31, 2009

– Notification of a complaint by the Conseil de la concurrence (the French antitrust authority, now known as the Autorité de la concurrence) relating to the practices of a vertical signaling subsidiary SES that had previously been sold, on the grounds of the alleged absence of independence of this subsidiary in relation to Aximum, its parent company.

– Civil damages claimed by Hungarian public contracting authorities against a Hungarian subsidiary, on the basis of various rulings by the Hungarian antitrust authority.

– Rectification sought by URSSAF with respect to reductions in social charges permitted by the TEPA and Fillon laws and from the very first euro for the 2006-2008 fiscal years, on the grounds that the required information was not supplied in electronic form, a type of submission deemed mandatory by URSSAF in its interpretation of the French Social Security Code. The parent company and its subsidiaries consider that they are in no way subject to lump-sum taxation as provided for under article R. 242-5 of the French Social Security Code, as they submitted the supporting documents necessary for verification in a timely fashion and since the format in which these were supplied enabled them to be used.

INDUSTRIAL AND ENVIRONMENTAL RISK

Industrial and environmental risk (involving emulsion plants, bituminous membrane plants, quarries, mastic asphalt units, asphalt mixing plants, etc.) relate to compliance with regulations governing industrial facilities and quarries in France. Commitments for the rehabilitation of quarries, defined by government agencies, are an integral part of every operating license. The same principle applies in other countries where Colas has similar installations. Provisions covering these commitments are recognized in the financial statements. The amounts in question are periodically reviewed and adjusted when necessary. As of December 31, 2009, total provisions covering these commitments amounted to 113 million euros. The Group applies a systematic policy of obtaining environmental certification, ISO 14001 for example (operations generating 57% of construction material production revenue are now certified in France and abroad, representing an 8% increase compared to 2008). Progress made is documented and tracked thanks to monitoring and certification audits carried out with the assistance of external organizations as well as in-house resources. A checklist system, applicable worldwide, which has been in use for a year now covers over 60% of production sites. The entire set of procedures has been incorporated within the internal control systems deployed at companies based in mainland France as well as those of the Group's international operations.

Some of these production sites might be responsible for accidental pollution (pipe breakage or defective storage installations). All installations are designed and maintained so as to limit the occurrence of such events to the strict minimum (for example, by using containment bins). Given the large number of sites and their relatively small size, combined with the effective management of these risks, it is expected that any incident of this type would be limited in scope and not material at the Group level.

Although the production processes of these industrial installations result in CO_2 emissions, the installations are not subject to emissions quotas. However, their emissions are regularly monitored by external authorities and in the context of internal control procedures.

The risk of the occurrence of an industrial loss event and its potential consequences are estimated as non-material, given the size of the units involved. Action plans and guidelines with respect to fire risks are developed for each site and appropriate insurance coverage is taken out.

CREDIT OR COUNTERPARTY RISK

Given the large number of clients across a wide network of businesses in road construction, waterproofing and cladding, safety, signaling, traffic management, construction materials, etc. (many private clients as well as local authorities), the risk of significant counterparty risk is low. With respect to the rail subsidiaries, a substantial portion of business is conducted with state-owned companies or state agencies with responsibility for rail infrastructures. In the private sector, the preliminary analysis of the client, supplemented through the use, wherever possible, of credit insurance, limits this risk. The largest risks can be quantified using statistical analysis in the range of several hundred thousand euros. The financial crisis, by increasing these risks, has resulted in reinforced procedures prior to the signing of contracts and the launch of construction work.

Colas carries out 92% of its business in Europe and North America (United States and Canada). Exposure to country risk is therefore low, as is the risk of non-payment, since 60% to 80% of revenue is generated by public-sector customers such as national governments and local authorities, involving a very large number of small-scale projects with a low individual contract value.

Business conducted in high-risk countries carrying low ratings assigned by international organizations or credit insurance firms such as Coface is limited to contracts whose financing is provided most often by multilateral lending institutions (the European Development Fund, World Bank, etc.). As of December 31, 2009, the most material overdue receivables payments relate to certain subsidiaries in central Europe, but these involve government receivables, where the contracts in question qualify to receive European funding. They thus expose the Group to the risk of additional, unplanned financial expenses to be claimed from the clients, but their final settlement does not currently appear to involve high risk.

OPERATIONAL RISK

Significant steps have been taken with regard to the transportation of site machines and industrial equipment (reminders of regulations covering oversized loads have been issued, software designed for calculating loads has been rolled out at all subsidiaries, each subsidiary has developed its own transport action plan, instructions and procedures for the safe transport of site machines have been reissued and reminders of procedures for negotiating contracts for transportation and plant rental have been issued). Fire prevention has also been the focus of considerable efforts (especially in the area of waterproofing and cladding) as has explosion prevention in underground work on fluid networks carrying dangerous substances such as natural gas.

With regard to workplace accidents and traffic accidents arising during work-related travel, for many years, the Group has implemented a strong, proactive policy of accident prevention and safety training which has yielded significant, sustainable improvements. This has led to a steady drop in the frequency rates of both workplace and traffic accidents (See "Human resources" section for more details).

Technical risks appear to be limited considering the number of contracts carried out each year. There does not appear to be a risk of obsolescence associated with patents and technical processes. Colas' research and development policy fosters the continual renewal and modernization of technical expertise.

LIQUIDITY RISK

At December 31, 2009, cash and cash-equivalents minus bank overdrafts and short-term loans totaled 383 million euros, in addition to 1,168 million euros of confirmed medium-term bank credit lines undrawn at that date. A total of 208 million euros (300 million USD) of confirmed medium-term bank credit lines with pivot banks will be subject to renegotiation this year. Therefore, the Group does not have any exposure to liquidity risk.

Colas Group companies' confirmed bank loan contracts do not contain any significant financial clauses likely to lead to their early termination and/or early mandatory repayment, with the exception of a syndicated credit facility that was not drawn down by Colas Inc. as of December 31, 2009 with a financial covenant stipulating a minimum level of equity. On December 31, 2009, the conditions of this covenant are fulfilled, with the actual level of equity being 1.9 times the required minimum.

Bank loans and borrowing maturities

	Current	Non-current						
	Less than one year 2010	1 to 2 years 2011	2 to 3 years 2012	3 to 4 years 2013	4 to 5 years 2014	5 years and + 2015 and beyond	TOTAL 2009	Total 2008
Bank loans (medium-long-term)		22	18	11	9	119	179	130
Finance leases		12	7	6	2	2	29	42
Other financial debts (long-term)		1				3	4	14
Sub-total	45	35	25	17	11	124	212	186
Short-term borrowings and overdrafts	153							
AT DECEMBER 31, 2009	**198**	**35**	**25**	**17**	**11**	**124**	**212**	**186**
At December 31, 2008	236	52	45	16	13	60	186	
Current portion of non-current debt							45	53

Breakdown of financial debt by currency

	Euro	USD	GBP	Others	Total
Non-current 12/2009	102		75	35	**212**
Current 12/2009	54	7	6	131	**198**
Non-current 12/2008	30	12	60	84	**186**
Current 12/2008	51	20	9	156	**236**

Confirmed/drawn credit lines

	Confirmed credit lines – Maturity				Drawn credit lines – Maturity			
	Less than one year	1 to 5 years	Beyond	Total	Less than one year	1 to 5 years	Beyond	Total
Credit lines	250	996	179	**1,425**	45	88	124	**257**
Letters of credit								
TOTAL	**250**	**996**	**179**	**1,425**	**45**	**88**	**124**	**257**

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, net of outstanding bank overdrafts:

Fixed rate debt(1): 44% (2008: 49%)

Floating rate debt: 56% (2008: 51%)

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

MARKET RISKS

Several Group companies use financial hedging instruments to reduce the impact of foreign exchange and interest rate fluctuations on their results. These instruments are used as described below.

TYPE OF RISKS TO WHICH THE GROUP IS EXPOSED

Foreign exchange risk

The level of foreign exchange risk is limited given that subsidiaries only generate a small proportion of their revenue from exports. International revenue is chiefly generated by local subsidiaries which issue invoices and book their expenses in the local currency of the country in which the work is performed. Occasionally, certain contracts denominated in foreign currency may be hedged for foreign exchange risk.

Loans and investments are centralized in the same currency (euros, US dollars, Canadian dollars, etc.).

Generally, Group foreign exchange risk relating to investments in foreign entities (subsidiaries, affiliates, branches, joint ventures) is not hedged because such entities are not held for sale.

Foreign currency hedges are used to optimize the Group's cash position by converting – without assuming any foreign exchange risk – surplus cash in one currency into loans to subsidiaries in their own local currency as a substitute for banking credit lines denominated in local currency.

Interest rate risk

The Group's income statement exhibits a relatively low level of sensitivity to changes in interest rates. In general and on an average basis over the fiscal year, the portion of variable rate debt is equivalent to free cash flow, which is itself invested in variable rate instruments; short-term borrowings are only used to meet requirements due to seasonal fluctuations.

Some financial assets or liabilities may occasionally be hedged.

GROUP PRINCIPLES AND POLICIES FOR FINANCIAL HEDGING INSTRUMENTS

The only financial hedging instruments used are conventional instruments, such as:

– forward currency purchases and sales, currency swaps, currency options for foreign exchange risk hedging purposes;

– interest rate swaps, future rate agreements, purchase of caps and tunnels and options for interest rate risk hedging purposes.

These instruments are characterized by the fact that they are only used for hedging, only undertaken with first rank French and foreign banks, and present no cash risk in the event of a trend reversal.

The Group tracks the use of these instruments, the selection of counterparties and, in general, manages its exposure to exchange risks and interest rate risks using a detailed, specific reporting package that is sent to the management and control bodies of the companies concerned.

Cash flow hedging

The purpose of cash flow hedging is to hedge changes in future cash flow arising from the hedged instruments or future transactions.

When derivative instruments hedge changes in cash flow arising from firm commitments or expected transactions, the profit or loss generated on the portion of the hedging instrument deemed to be an effective hedge is taken directly to equity.

The ineffective portion of the hedging instruments is taken directly to profit and loss. Other residual profit or loss items arising from the hedging instruments are also taken directly to profit and loss.

When the hedging instrument reaches maturity, it is sold, cancelled or exercised. Cumulative profit or losses are retained in equity as long as the transaction has not been realized. After the transaction has been concluded, related cumulative profit and loss, which had been taken directly to equity, is reported in profit and loss.

Fair value hedging

The purpose of fair value hedging is to limit 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 a receivable or liability, the gain or loss arising from remeasuring the hedging instrument at fair value is taken directly to net profit or loss. The gain or loss on the hedged item attributable to the hedged risk adjusts the carrying amount of the hedged item and is taken directly to net profit or loss.

The fair value of hedged items corresponds to their carrying amount, translated into euros at the exchange rate prevailing on the balance sheet date.

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

Hedge accounting is applied when derivative financial instruments offset, partially or totally, the changes in the fair value or cash flow of a hedged item. Effectiveness of hedges is assessed on a regular basis, at least quarterly. Nevertheless, in specific cases (low notional amounts, short hedging maturities, limited impact on profits or losses) financial instruments are, as a matter of policy, not recognized as hedging transactions, in order to simplify the Group's administrative procedures. In such cases, changes in the fair value of hedging instruments are taken directly to net profit and loss.

Measurement basis of financial assets and liabilities

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

Recognition of financial instruments measured at fair value

The Group has recourse to very few financial instruments. Derivatives are measured at fair value, i.e., market value for listed instruments. For any unlisted instruments, fair value is determined using valuation methods, such as option valuation models and the value in use (discounted cash flow) method. These models apply assumptions based on market data.

Recognition of profit and loss generated by financial assets and liabilities

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

At balance sheet date, the fair value of interest swaps is the amount expected to be received or paid by the Group to close its positions. Fair value is measured on the basis of prevailing interest rates and counterparty credit risks. Fair value of forward foreign exchange contracts is equal to market value at the balance sheet date, i.e., the present value of forward market rates.

FINANCIAL INSTRUMENTS AS OF DECEMBER 31, 2009

We present below the total of notional amounts outstanding at December 31, 2009, for each type of financial instrument, with breakdown by maturity for interest transactions, and by currency for foreign exchange transactions.

Interest rate risk hedging

Interest rate swap	2010	Maturity 2011 to 2014	Beyond	TOTAL 31/12/2009	Total 31/12/2008
Relating to financial assets	–	–	–	–	–
Relating to financial liabilities	25	–	159	**184**	192

To ensure that the city of Portsmouth, England, has a fixed monthly fee for the duration of the twenty-five years of the road renewal 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 drawdown and repayment schedule of the non-recourse loan, in order to match the fixed cost of the debt with the monthly fee received. At December 31, 2009, the amount attributable to this swap was 71.4 million euros (63.4 million GBP).

STVR, a concession company in which Colas Rail holds a majority stake, contracted a long-term interest rate swap in 2003 to finance the construction and operation of the city of Caen's tram system. This redeemable floating rate receiver, fixed rate payer which matures in November 2018, is recognized in equity for its market value. At December 31, 2009, the amount attributable to this swap was 87.3 million euros.

Foreign exchange risk hedging

Group companies only generate 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 foreign exchange risks.

	HUF	RON	USD	MAD	GBP	Other	31/12/2009	31/12/2008
Forward purchases	25	15	–	11	–	–	51	215
Forward sales	4	13	14	–	22	8	61	75
Currency swaps	–	–	–	–	–	–	–	–
Currency options	–	–	–	–	–	–	–	–

Some project contracts signed in Hungary, Romania and Morocco, and invoiced in euros, are systematically hedged for foreign exchange risks. Forward sales of RON, GBP and USD correspond to hedges in connection with bridging loans granted to subsidiaries.

Fair value of hedging instruments

At December 31, 2009, the net present value of hedging instruments amounted to –16.6 million euros. This amount mainly comprises the net present value of interest rate swaps used to hedge the Group's debt, and the present value of forward transactions used to hedge foreign exchange risk arising in the course of commercial transactions.

The breakdown of the market value by type of hedging instrument is as follows:
– transactions undertaken subject to fair value hedging instruments: –9.1 million euros;
– transactions undertaken subject to cash flow hedging instruments: –7.5 million euros;
– transactions undertaken for trading purposes: none.

The impact of the market value of interest rate swaps set up in connection with the contract for the city of Portsmouth, England, i.e., –8.7 million euros, is fully offset by the market value of the embedded derivative relating to the contractual fixed fee paid by the customer of 8.7 million euros. The negative impact of the market value of the interest rate swap set up for the contract with the city of Caen, France, amounting to –9.5 million euros, was taken to equity.

The total value of the portfolio of financial instruments, net of the value of the embedded derivative used to hedge the contractual fixed fee paid by the city of Portsmouth, is –7.9 million euros.

In the event of a +0.50% change in the interest rate yield curve (or –0.50%), the market value of hedging instruments would amount to –11.5 million euros (or –22 million euros, respectively).

An average unfavorable change of 1% with respect to all other currencies would result in a decrease in the market value of hedging instruments to –17.7 million euros.

These calculations have been performed by an independent service provider, in accordance with market practices.

RISKS RELATING TO RAW MATERIALS

Colas is affected by the regularity of its supply of petroleum-based raw materials and fluctuations in the cost of these materials (bitumen, fuel, heating fuel, oils) in relation to its road construction business and by supply and price factors affecting other raw materials such as steel or aluminum, which are used in the safety, signs and signaling, waterproofing and cladding and rail businesses.

The greatest risk is related to bitumen and other petroleum-based products.

Supply risk

Delays or disruptions in the supply of these materials may result in additional direct or indirect costs for the road construction or waterproofing businesses. At the outset, we may consider that this is not a systemic risk, except in the case of prolonged armed conflict and the complete breakdown in the supply of petroleum. This risk may affect a particular country, or more likely a specific region, for a period of indeterminate length. For this reason, Colas established a Group-level bitumen supply division several years ago, as well as bitumen supply divisions in certain large geographic regions (North America) in order to reinforce its supply capacities (volume purchasing agreements, imports). Over the years, Colas has developed a policy favoring greater storage capacity in France, in Europe, in France's overseas departments and territories, in the Indian Ocean region and, on a larger scale, in North America. Storage capacities are now ample, in line with bitumen consumption in each region. The policy for the increase of storage capacity is pursued each time that solid opportunities present themselves (acquisition or creation of entities).

Risk related to price changes

The price of bitumen has varied widely in the last two years. The risk associated with this volatility is limited by several factors: the number of contracts and the average contract amount, which often allows the price to be anticipated in the bid to the client; revision and indexing clauses included in many contracts in France and abroad. This risk is considered in the context of contractual negotiations by staff members made aware of this issue. In some regions, supply contracts at guaranteed prices for a given period may be arranged. For major contracts, coverage is taken out when the order is received on a case-by-case basis (little used at present). In a portion of the Group's business affected by rising bitumen or petroleum prices, such as the sale of manufactured goods to third parties, the price increases are passed on to the client, where the competitive context permits.

Given these factors, it is impossible to measure the sensitivity of operating results due to the thousands of contracts executed in varying legal and protective contexts, especially since price increases also differ across geographic regions. Lastly, there is also an indirect risk in the event of a rise in the price of these products for clients who, due to the rising price of work or services, may lower the volume of orders placed.

INSURANCE AND RISK COVER

The Group takes care to protect its assets, property and people against foreseeable losses for which insurance is available, while still maintaining its competitive edge. Its long-standing accident prevention policy, which is further reinforced every year, means that it can work closely in partnership with insurance companies and renew its insurance policies under practically identical conditions to those of previous years. Colas therefore considers that confidentiality should be maintained concerning the amounts of premiums and the conditions of insurance cover it is able to obtain, as these are significant competitive factors.

EXCEPTIONAL EVENTS AND DISPUTES

Group companies are involved in litigation or disputes that form part of the normal course of their business. Risks have been assessed and financial provisions made using a method comparable with previous years, based on experience and analysis by the Group's legal department and legal advisors. To date, to the best of the Company's knowledge, there are no exceptional events or disputes that could significantly impact the activity, assets, earnings or equity of the Group.

ACQUISITION OF EQUITY INTERESTS

During fiscal year 2009, significant equity stakes(1) were acquired in the following companies:

Name of company	Head office	% held
Pittet-Chatelan	Yverdon-les-Bains (Switzerland)	100.00
Entreprise Travaux Construction	Billère (France)	100.00
Les Entreprises Litel	Quebec (Canada)	100.00
Bulk Bitumen Company	Petite-Rivière (Mauritius)	100.00
Entreprise Garenq	Lacaune (France)	100.00
Castres Béton	Castres (France)	100.00
Jason Industries	Saint-Loup-Géanges (France)	30.04
Enfalt Emulsiyon	Istanbul (Turkey)	10.00

(1) Threshold: investments of over 150,000 euros.

OUTLOOK

For the first time in many years, Colas recorded a drop in its revenue and profit figures. Backed by solid businesses, a strong decentralized network and a very quick capacity to react, Colas was able to weather the brutal global crisis that hit hard in 2009. With the Group share of net profit at 387 million euros (3.3% of revenue), cash flow totaling 1.1 billion euros and a positive net cash position over 100 million euros at the end of December 2009, Colas performed well, given the economic downturn.

Work-on-hand at the end of December 2009 totaled 6.3 billion euros, up 7.6% from the end of December 2008. Colas will start off 2010 with a similar if not better situation than the previous year, although market trends do remain uncertain.

In France, the Road business could remain stable or continue to record a slight drop. Local public investment programs will be a determining factor, because private investment will most likely not recover, even though the renewal of accelerated VAT reimbursement should provide further stimulus. On the other hand, growth is forecast for the Railway and Pipes sectors. North America should enjoy buoyant business, thanks in particular to postponements in the US infrastructure program. Europe could see further downturns due to financial difficulties in central European countries where Colas operates. Business in Africa, the Indian Ocean and Asia could be comparable to 2009, even if a decrease is anticipated in Madagascar. Business should be impacted in a positive manner by a series of major projects that have been awarded to the Group but which are still waiting for financing to be secured (Reunion Island Tram-train, D1 motorway in Slovakia) along with contracts on which Colas is currently bidding.

In this context, a cautious provisional hypothesis for revenue in 2010 has been set at 11.5 billion euros, based on an ongoing strategy that focuses on profitability rather than volume. The Group will remain prudent in terms of investments and will pursue its targets in the field of responsible development (in particular energy savings, reduction of CO_2 emissions, safety, diversity). 2009 brought an improvement in the net cash position at more than 100 million euros, thus reinforcing the Group's solid financial foundations. In 2010, a year of transition, Colas will stay on path with a pragmatic policy to adapt to the new economic context, while it waits for recovery as of 2011 to impact the world's infrastructure markets, where needs have remained high.

COLAS' EARNINGS AND APPROPRIATION OF EARNINGS

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 a profit of 329,061,543.44 euros compared to 327,745,470.97 euros in 2008. The total amount available for appropriation, consisting of the net profit for the year plus unappropriated retained earnings from the prior year, is 606,309,338.01 euros. We propose appropriating this amount as follows:

– legal reserve 8,267.70 euros;
– dividend distribution for a total of 220,062,075.75 euros, as of April 28, 2010;
– balance of unappropriated retained earnings 386,238,994.56 euros.

For shareholders who pay income tax in France, the dividend of 6.75 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 2006, 6.40 euros;
– for 2007, 8.50 euros;
– for 2008, 8.75 euros.

We propose paying this dividend either in the form of cash or shares, as preferred by the shareholder, subject to the following 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, with the balance being 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, 2010 and May 19, 2010 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, 2010.

INFORMATION ON PAYMENT DEADLINES

Pursuant to French law called LME dated August 4, 2008 and its enforcement decree no. 2008-1492 dated December 30, 2008, the total amount of supplier payables on December 31, 2009 was 28,025,471 euros[1] by due date at closing as indicated hereunder:

Year In thousands of euros	Payable after 1 month	Payable after 2 months	Payable after 3 months
2009	27,165	831	28

(1) international units not included.

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 senior executive officer in 2009 to Mr Hervé Le Bouc, Chairman and Chief Executive Officer, amounted to 924,100 euros (804,100 euros in 2008). Gross variable compensation for 2009 established in relation to qualitative and quantitative targets to be paid in 2010 will be 900,000 euros (960,000 euros was paid in 2009 on the basis of 2008). Mr Hervé Le Bouc also received 20,000 euros in directors' fees paid by Colas in 2009 and 25,000 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 plan. A provision has not been set aside for this supplementary pension plan given that it operates in the form of an insurance contract subscribed with an external organization and is governed by the procedure for regulated agreements.

Directors with employee status

Total gross compensation (including benefits in kind but excluding variable compensation) paid by the Company in 2009 to Mr Thierry Genestar in his salaried status as Managing Director of Colas France was 407,850 euros (397,380 euros in 2008). Gross variable compensation for 2009, based on growth in Group earnings and qualitative targets, to be paid by the Company in 2010 will be 260,000 euros (270,000 euros was paid in 2009 on the basis of 2008). Mr Thierry Genestar also received 20,000 euros in directors' fees in 2009 from Colas. Total gross compensation (including benefits in kind but excluding variable compensation) paid by the Company in 2009 to Mr Thierry Montouché, in his salaried status as General Secretary was 392,030 euros (369,840 euros in 2008). Gross variable compensation for 2009, based on growth in Group earnings and qualitative targets, to be paid by the Company in 2010 will be 235,000 euros (240,000 euros was paid in 2009 on the basis of 2008). Mr Thierry Montouché also received 20,000 euros in 2009 in directors' fees from Colas.

Directors whose compensation is paid by Bouygues SA, Colas' parent company as defined under article L. 233-16 of the French Code of Commerce, namely Messrs Olivier Bouygues, Jean-François Guillemin, Philippe Marien (representative of Bouygues SA).

Please see the Bouygues 2009 Registration Document for further information.

These three Directors received an amount of 20,000 euros each in 2009 in directors' fees from Colas.

Other Directors

Directors' fees paid by the Company in 2009 to other members of the Board of Directors – Messrs Christian Balmes, Alain Dupont, Patrick Le Lay and Michel Roullet – amounted to 20,000 euros each.

SHARE CAPITAL

SHARE CAPITAL IN 2009

As of January 1, 2009, the Company had issued share capital of 48,820,006.50 euros, consisting of 32,546,671 shares with a par value of 1.50 euros each.

After adding 55,118 shares subscribed through the exercise of the option for payment in shares of the dividend for fiscal year 2008, the Company's share capital as of December 31, 2009 was 48,902,683.50 euros, consisting of 32,601,789 shares with a par value of 1.50 euros.

SHARE OWNERSHIP

On the basis of recorded share capital as of January 2, 2010, Bouygues SA directly and indirectly held 96.62% of Colas' share capital as of December 31, 2009; Colas Group employees via the "Colas en actions" and "Colas shares" investment funds held 0.95%.

As of December 31, 2009, Colas did not hold any treasury stock.

SHARE PRICE AND TRADING VOLUME

In 2009, Colas' share price on the Euronext Paris stock exchange varied from a low of 124.45 euros (February 24, 2009) to a high of 198.78 euros (November 10, 2009) and ended the year at 174.49 euros, i.e., 22.88% above the share price on December 31, 2008. For purposes of comparison, during this period the French CAC 40 stock market index rose 22.32% and the French SBF 120 stock market index rose 23.73%.

COLAS SHARE PRICE

Year	Month	Share price Highest	Lowest	Number of shares traded	Capital in millions of euros
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
2009	January	154.96	130.11	10,728	1.5
	February	141.50	124.45	8,258	1.1
	March	154.54	125.20	10,829	1.5
	April	179.89	135.54	23,296	3.8
	May	180.01	153.12	9,191	1.5
	June	180.00	166.10	12,360	2.1
	July	174.24	159.00	9,660	1.6
	August	182.00	168.01	9,184	1.6
	September	189.00	177.01	17,593	3.2
	October	197.41	180.00	13,138	2.5
	November	198.78	176.00	8,478	1.6
	December	185.00	171.00	42,859	7.5

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 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

OPTIONS GRANTED BY THE COMPANY

In 2009, the Company did not grant any 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 specifically 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.

OPTIONS BY COMPANIES CONTROLLED BY OR AFFILIATED WITH THE COMPANY

Bouygues granted 367 employees of Colas and its subsidiaries 1,355,000 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 25.95 euros and they may be exercised for a period of seven years as of their grant date (April 1, 2009). Options may be exercised on the conclusion of the fourth year following the grant date, i.e., with effect from April 1, 2013.

Options granted to corporate officers and Executive Directors with employee status in fiscal year 2009

Beneficiaries	Granting company	Grant date	Number of options	Exercise price in euros
Hervé Le Bouc	Bouygues (parent company)	April 1, 2009	150,000	25.95
Thierry Genestar	Bouygues (parent company)	April 1, 2009	22,000	25.95
Thierry Montouché	Bouygues (parent company)	April 1, 2009	22,000	25.95
TOTAL			**194,000**	

Options granted to the ten non-corporate officer employees who received the most stock options in fiscal year 2009

Beneficiaries	Granting company	Grant date	Number of options	Exercise price in euros
Alain Benquet	Bouygues (parent company)	April 1, 2009	22,000	25.95
Louis Gabanna	Bouygues (parent company)	April 1, 2009	22,000	25.95
Christian de Pins	Bouygues (parent company)	April 1, 2009	22,000	25.95
Bruno Tabarié	Bouygues (parent company)	April 1, 2009	22,000	25.95
Philippe Tournier	Bouygues (parent company)	April 1, 2009	22,000	25.95
Yves François	Bouygues (parent company)	April 1, 2009	15,000	25.95
Georges Ausseil	Bouygues (parent company)	April 1, 2009	12,000	25.95
Christophe Guy	Bouygues (parent company)	April 1, 2009	10,000	25.95
Jérôme Dusserre	Bouygues (parent company)	April 1, 2009	10,000	25.95
Gilles de Bagneux	Bouygues (parent company)	April 1, 2009	8,000	25.95
Jean-Pierre Bélier	Bouygues (parent company)	April 1, 2009	8,000	25.95
Serge Body	Bouygues (parent company)	April 1, 2009	8,000	25.95
Martine Bourdon	Bouygues (parent company)	April 1, 2009	8,000	25.95
Philippe Brissonneau	Bouygues (parent company)	April 1, 2009	8,000	25.95
Jean-Pierre Brossard	Bouygues (parent company)	April 1, 2009	8,000	25.95
Thierry Caussemille	Bouygues (parent company)	April 1, 2009	8,000	25.95
Bruno Chambon	Bouygues (parent company)	April 1, 2009	8,000	25.95
Christophe Da Poïan	Bouygues (parent company)	April 1, 2009	8,000	25.95
Philippe Decarnin	Bouygues (parent company)	April 1, 2009	8,000	25.95
Daniel Ducroix	Bouygues (parent company)	April 1, 2009	8,000	25.95
Philippe Durand	Bouygues (parent company)	April 1, 2009	8,000	25.95
Patrick Guénolé	Bouygues (parent company)	April 1, 2009	8,000	25.95
Philippe Guilmant	Bouygues (parent company)	April 1, 2009	8,000	25.95
Patrice Haltebourg	Bouygues (parent company)	April 1, 2009	8,000	25.95
Joël Hamon	Bouygues (parent company)	April 1, 2009	8,000	25.95

Beneficiaries	Granting company	Grant date	Number of options	Exercise price in euros
Christian Lavedrine	Bouygues (parent company)	April 1, 2009	8,000	25.95
Pascal Maridet	Bouygues (parent company)	April 1, 2009	8,000	25.95
Christophe Mitridati	Bouygues (parent company)	April 1, 2009	8,000	25.95
Jacques Pastor	Bouygues (parent company)	April 1, 2009	8,000	25.95
Philippe Quillien	Bouygues (parent company)	April 1, 2009	8,000	25.95
Philippe Raffin	Bouygues (parent company)	April 1, 2009	8,000	25.95
TOTAL			**333,000**	

Corporate officers and employees of the Company did not receive any other options in 2009 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 under 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 parent company in existence on December 31, 2009.

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 2009

Beneficiaries	Granting company	Grant date	Number of options	Exercise price in euros
Thierry Genestar	Bouygues (parent company)	June 25, 2002	5,885	23.41
Thierry Montouché	Bouygues (parent company)	June 25, 2002	2,950	23.41
	Bouygues (parent company)	June 17, 2003	9,000	19.37
TOTAL			**17,835**	

Options exercised by the ten non-corporate officer employees of the Company that exercised the most options during fiscal year 2009

Beneficiaries	Granting company	Grant date	Number of options	Exercise price in euros
Alain Benquet	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
Patrice Haltebourg	Bouygues (parent company)	June 25, 2002	5,885	23.41
	Bouygues (parent company)	June 17, 2003	5,885	19.37
Xavier Lepercq	Bouygues (parent company)	March 15, 2004	9,416	25.15
Daniel Ducroix	Bouygues (parent company)	June 25, 2002	3,531	23.41
	Bouygues (parent company)	June 17, 2003	5,885	19.37
Jacques Pastor	Bouygues (parent company)	June 25, 2002	4,120	23.41
	Bouygues (parent company)	June 17, 2003	3,120	19.37
Henri Molleron	Bouygues (parent company)	June 25, 2002	3,531	23.41
	Bouygues (parent company)	June 17, 2003	2,354	19.37
	Bouygues (parent company)	March 15, 2004	1,177	25.15
Alain Clotte	Bouygues (parent company)	June 21, 2005	5,000	31.34
Jean-Pierre Bélier	Bouygues (parent company)	June 25, 2002	5,885	23.41
Serge Body	Bouygues (parent company)	June 25, 2002	5,885	23.41
Louis Gabanna	Bouygues (parent company)	June 25, 2002	5,885	23.41
Philippe Guilmant	Bouygues (parent company)	June 25, 2002	5,885	23.41
John Killeen	Bouygues (parent company)	June 25, 2002	5,885	23.41

SPECIAL REPORT ON THE SHARE REPURCHASE PROGRAM

PROGRAMS TO BUY BACK AND RETIRE SHARES IN 2009

Pursuant to article L. 225-209 of the French Code of Commerce, the Combined Annual and Extraordinary Shareholders' Meeting of April 15, 2009, in its fourteenth 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 2009.

The Combined Annual and Extraordinary Shareholders' Meeting of April 15, 2009, in its seventeenth 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 2009.

PROGRAM TO BUY BACK SHARES IN 2010

DESCRIPTION OF PROGRAM AND REQUEST FOR AUTHORIZATION FROM THE COMBINED ANNUAL AND EXTRAORDINARY SHAREHOLDERS' MEETING OF APRIL 14, 2010

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 Combined Annual and Extraordinary Shareholders' Meeting of April 15, 2009 in its fourteenth 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 FCP investment fund 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, 2009, these funds owned 311,572 Colas shares;
– maximum number of shares: 311,572 shares, i.e., 0.95% of the existing share capital;
– maximum share price: 250 euros;
– maximum amount paid by the Company: 77,893,000 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 Combined Annual and Extraordinary Shareholders' Meeting on April 14, 2010, i.e., until October 14, 2011.

SYNOPSIS OF AUTHORIZATIONS AS OF DECEMBER 31, 2009

	Maximum amount	AGM or EGM	Duration
Issue of shares reserved for employees with removal of preference rights (Resolution 18)	10% of share capital	April 15, 2009	26 months
Issue of shares or securities of any type with or without maintenance of preference rights (Resolutions 19-20-21)	10 million euros	April 15, 2009	26 months
Buyback by the Company of treasury shares (Resolution 14)	10% of share capital	April 15, 2009	18 months
Cancellation of treasury shares by the Company (Resolution 17)	10% of share capital per 24-month period	April 15, 2009	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

We submit the following resolutions for your approval.

ORDINARY PORTION OF THE COMBINED SHAREHOLDERS' MEETING

You are requested to approve the financial statements of Colas as of December 31, 2009, grant full discharge to the Directors for their management, approve the consolidated financial statements, the appropriation of earnings, which amount to 329,061,543.44 euros with the payment of a dividend of 6.75 euros per share as of April 28, 2010 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 one Director for a term of two years to expire at the Annual Shareholders' Meeting to be called to approve the financial statements for fiscal year 2011 (fifth resolution);

– appoint four new Directors for a term of two years to expire at the Annual Shareholders' Meeting to be called to approve the financial statements for fiscal 2011 (sixth, seventh, eighth, ninth resolutions), with the Board of Directors comprising twelve members;

– 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 Regulation (EC) no. 2273/2003 applicable as of October 13, 2004. This authorization, which will replace that granted by the Annual Shareholders' Meeting of April 15, 2009, is sought for a period of eighteen months (tenth resolution);

– grant powers to carry out legal requirements (eleventh resolution).

Extraordinary portion of the Combined Shareholders' Meeting

RESOLUTIONS

EXTRAORDINARY PORTION OF THE COMBINED SHAREHOLDERS' MEETING

You are requested to empower the Board of Directors:
– to reduce the Company's share capital by canceling treasury shares, in one or several operations, up to a maximum of 10% of the share capital per 24-month period. This resolution is only to be voted upon 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 and for a period of eighteen months (twelfth resolution);
– to issue securities conferring entitlement to debt instruments (other than the bonds provided for in article L. 228-40 of the French Code of Commerce) (thirteenth resolution).

You are requested to grant powers to carry out all legal requirements (fourteenth resolution).

We invite 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 drafted 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 March 1, 2010.

THE BOARD OF DIRECTORS

OVERVIEW OF THE ORGANIZATION OF THE BOARD OF DIRECTORS

MEMBERSHIP

As of its meeting of March 1, 2010, your Board consisted of the following nine Directors:
Hervé Le Bouc
Christian Balmes
François Bertière
Olivier Bouygues
Thierry Genestar
Jean-François Guillemin
Patrick Le Lay
Philippe Marien, permanent representative of Bouygues SA
Thierry Montouché
These Directors are appointed by the Shareholders' Meeting for a term of two years.

CHANGES IN THE MEMBERSHIP OF THE BOARD IN 2009

The Shareholders' Meeting held on April 15, 2009 reappointed six Directors: Messrs Hervé Le Bouc, Christian Balmes, Olivier Bouygues, Thierry Genestar, Thierry Montouché and Bouygues SA, while also approving the appointment of Mr François Bertière as Director.

PROPOSED CHANGES IN BOARD MEMBERSHIP SUBMITTED TO THE SHAREHOLDERS' MEETING

A proposal will be submitted to the Shareholders' Meeting of April 14, 2010 recommending that the Meeting reappoint one Director for a further term of two years: Mr Jean-François Guillemin and appoint Messrs Louis Gabanna, Christian de Pins, Jean-Claude Tostivin and Gilles Zancanaro for a term of two years. The Board will henceforth be composed of twelve Directors.

MEETINGS

The Board of Directors meets four times each year to transact ordinary business (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 Group performance during the first half of the year and analyzes business activity and profit forecasts for the current year. In both May and November, it reviews key business indicators as well as the Group's interim results for the first and third quarters, respectively. At the November meeting, it also reviews the three-year business plan. 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; and legal issues. A set of documents dealing with these issues 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, a Compensation Committee and an Ethics 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.

In its meeting of November 25, 2009, the Board of Directors decided to establish an Ethics Committee, comprised of three Directors: Christian Balmes, Jean-François Guillemin and Thierry Montouché.

ACTIVITY REPORT OF THE BOARD OF DIRECTORS FOR THE FISCAL YEAR ENDED DECEMBER 31, 2009

The Board met four times over the course of the 2009 fiscal year. The average attendance rate at Board of Directors' meetings was 97%.

The main items on the agenda of these four Board meetings were as follows: 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 brochure for the share buyback program. In particular, the Board introduced the option to receive the dividend in the form of shares.

In its meeting of February 24, 2009, the Board decided to submit a proposal to the Shareholders' Meeting for the appointment of a new Director and the reappointment of six Directors. The Board also examined the Group's business activity and results for 2008, the performance of each of its business segments, the Group's strategies and outlook for 2009, its work-on-hand, its industrial potential and future strategies, the year's investments (including acquisitions made in 2008 and their impact in terms of production, aggregate reserves and revenue), the investment budget for fiscal year 2009 and evaluated the success of safety improvement initiatives. The parent company and consolidated financial statements were approved, together with the proposal to appropriate earnings, compensation of the Chairman and CEO, the amount and allocation of directors' fees under the terms of the authorization granted by the Shareholders' Meeting and the Combined Shareholders' Meeting was convened.

In its meeting of May 27, 2009, the Board reviewed the interim results of the parent company and its subsidiaries for the period ending March 31, 2009.

In its meeting of August 25, 2009, the Board reviewed the results of the parent company and its subsidiaries for the first half of the year, considered work-on-hand in detail and discussed the current status of investments. The Tram-train project on Reunion Island and its challenges were presented. The Board also reviewed the proposed sale of a relatively small entity as well as the parent company and consolidated financial statements.

In its meeting of November 25, 2009, the Board reviewed the Group's business activity during the third quarter of 2009 and its outlook, investments made, one proposed acquisition and the parent company and consolidated financial results for the period ending September 30, 2009. A proposed three-year business plan for the period 2009-2012 was also examined.

OPERATIONS OF THE COMMITTEES ESTABLISHED BY THE BOARD

AUDIT COMMITTEE

The Audit Committee met three times during the year, on February 23, August 24 and November 23, 2009. The attendance rate at these meetings was 100%. During its meetings, the Audit Committee notably reviewed the Group's accounting policies, the scope of consolidation and segment information. In August, the Committee considered an overview of the main tangible assets with indefinite useful lives. The method employed for impairment testing was presented. The results of impairment tests on the five cash generating units were presented and discussed. In August and November, the performance of the Colas Rail subsidiary and the Romanian road construction subsidiaries was analyzed. Draft press releases for the announcement of annual and half-yearly results were reviewed.

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

COMPENSATION COMMITTEE

The Compensation Committee met in February 2009 to review the compensation awarded to Hervé Le Bouc, Chairman and Chief Executive Officer and make its recommendations.

ETHICS COMMITTEE

Established in November 2009, this Committee is responsible for reviewing all warnings or circumstances that might expose the Group to risks, as well as all sponsoring contracts in amounts greater than 20,000 euros.

INTERNAL CONTROL PROCEDURES

Colas, as the head company of a group of 672 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 AND INTERNAL CONTROL PROCEDURES

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 power of attorney;
– 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 documents 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 president supported by functional managers responsible for orienting, developing and auditing all operations of the subsidiary.

Five 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 (procurement, internal audit, accounting and consolidation, communication, environment, finance, legal matters, marketing, equipment, research and development, human resources and information systems). These departments 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 from the same field within the Group so as to share experiences, disseminate information and keep abreast of the latest developments.

Staff at the subsidiaries have access to the "Group Management Principles" document, a booklet first published in 2001 covering the essential rules and procedures applicable within the Group, all of which reflect the values defining the Colas spirit and culture (an updated version will be published in 2010), as well as rules of conduct and a code of business ethics developed by Bouygues, the parent company of Colas, to which Colas and its subsidiaries unreservedly subscribe.

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, a large proportion of whom have been working within the Group for many years, encouraged by a system based on regular internal promotion, 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. Furthermore, the members of the executive management team and the functional division heads (finance, accounting, legal matters) are members of the boards of directors of the larger companies. Anticipating requirements and skills and the development of talents are priority objectives of the Group's human resources policy, as is a policy for protecting the life, health and safety of employees.

ORGANIZATION AND MONITORING OF INTERNAL CONTROL PROCEDURES

In 2009, 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 uses input from exchanges with other functions within the Bouygues Group, addressing cross-functional issues in a harmonized manner, while taking into account the specific characteristics of Colas.

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

Achievements of 2009:

1) The annual self-evaluation of the principles of Colas' internal control framework, tested for the first time in France in October 2008, was extended to all Colas business segments in October 2009. These internal control principles, consistent with the AMF's reference framework, were developed jointly with the other companies of the Bouygues Group and tailored to Colas' specific requirements to create the **Colas internal control framework.** There are 459 principles, to which have been added 33 specific principles and the full complement may be divided into 277 principles of general import and 215 accounting and financial principles.

▪ This assessment was performed in October 2009 in each French regional subsidiary and each country subsidiary outside France (except in the United States and Canada, where the assessment was performed at the state or province level), bringing the number of respondents to 60 subsidiaries or head companies of consolidation groups, representing 98.5% of the Group's consolidated revenue.

▪ The review of the proper application of these principles at the various subsidiaries takes the form of a self-evaluation, with each principle assigned a score of between 1 and 4, depending on the extent of application of the principle at the subsidiary and the official procedures employed to ensure proper application. Each assessment provided by a respondent best able to appreciate the extent of application of a given principle in the subsidiary is then validated and commented by a validator, generally the manager of the entity or another individual delegated to perform this role.

▪ The assessment of the proper application of the Colas internal control framework involved the participation of presidents and CEOs as well as operational, technical, equipment, human resources, legal, IT, administrative and financial managers, accountants, the functional division heads at the Colas parent company and the managing directors, all of whom are responsible for internal control throughout the Colas Group.

▪ A score of 1 or 2, indicating a lack of application or, more frequently, a partial or insufficiently procedural application of a given principle, results in an observation with recommendations concerning action plans to be implemented locally or in a generalized fashion depending on the analysis conducted.

▪ The analysis of the results of this first overall assessment of internal control principles found that, in general, nearly all subsidiaries demonstrate good management of operations and processes, confirming the interest in having an objective measurement of the proper application of the Group management principles included in this framework, the necessity to provide more robust assistance to recently acquired entities to accelerate the sharing of best practices and the need to set forth instructions and rules in official form and to distribute them more widely so as to facilitate awareness of these principles, particularly among new staff members or upon promotions as well as among staff of newly acquired entities.

▪ The next assessment in October 2010 will make it possible to measure progress achieved as well as to review the effectiveness of the actions plans put in place.

2) Risk mapping

▪ In 2009, the executive management teams of French subsidiaries and those responsible for each region of the Group's international operations continued their training efforts and awareness campaigns.

▪ The formal listing and analysis of major, identifiable risks were carried out for the first time at the behest of the executive management teams of entities based in France as well as those of the Group's international operations, in connection with the preparation of their three-year business plans for 2010-2013.

▪ This mapping of risks is presented in the form of a categorization of no more than eight main risks that might affect the achievement of operational, financial and strategic objectives included in these three-year business plans. An overview will be presented to the Board of Directors at its meeting to be held on March 1, 2010.

▪ Seven risks have been considered as major at the Group level, with regard to their potential financial impact and their likelihood of occurrence. They gave rise to an action plan intended to reduce the likelihood of occurrence and limit their impact.

▪ This mapping allowed for the identification of the sensitivity of these risks for each French subsidiary or region of the Group's international operations, depending on its specific environment. This mapping confirmed that Colas' exposure to systemic risks is relatively limited.

▪ The key findings of this risk mapping, which will be updated each year when three-year business plans are prepared by the executive management teams responsible for each geographic region, incorporating feedback and observed loss experience recorded, in particular, by the risk and insurance function, will be used to amend or supplement, if necessary, the Colas internal control framework.

MONITORING OF INTERNAL CONTROL PROCEDURES

The monitoring and management of internal control procedures have been adopted by all participants in this process across the Group. The process is supervised by a coordinator appointed at Colas headquarters, who is responsible for and liaises with a network of twenty correspondents in the Group's country- or region-based subsidiaries.

The Group's internal audit team consists of eight auditors working under an audit manager. This team reports directly to the Chairman.

The responsibilities of internal audit mainly relate to:
– the assessment of the organizational approaches deployed at the subsidiaries and other audited entities for the management of risks, the protection of assets, the reliability of financial statements and disclosures as well as compliance with the rules, procedures and objectives of the Group and with applicable laws and regulations;
– proposals for improvements in the operations of the audited entity to enhance its effectiveness and ensure the adequate dissemination of best practices.

The scope of the internal audit team's responsibilities has been expanded to include the verification of the application of internal control principles on the basis of the Colas framework, the results of the annual self-evaluations and the implementation of action plans intended to improve the entire internal control system.

The annual program for the internal audit function is approved by the Chairman. This program includes about ten audits on average relating to entities based in France and those of the Group's international operations. Entities having recently joined the Group and those whose most recent audit dates back more than five years are the main targets of the annual audit program.

Accordingly, in 2009, the team audited the subsidiaries Colas Polska (Poland) and HRI (United States) and the French companies SCPR (Reunion Island), Spac, Colas Rhône-Alpes, Screg Sud-Est and Sacer Sud-Est, as well as Échangeur Lyon, the shared services platform.

These audits may be supplemented by more technical or targeted engagements as was the case in 2009 at Colas Rail Ltd (United Kingdom) with a view to the analysis of the organization, procedures, tools and monitoring and reporting methods used for two major work projects and in Romania, where the team sought to determine the risk that receivables and unbilled revenue may not be recoverable in relation to the two main contracts in progress.

Each of these audits results in an audit report submitted to the Chairman, to the functional division heads at the Colas headquarters, to the executive management team of the country or region concerned for entities in international locations or France's overseas departments and territories or to the executive management team of the French company in question for entities based in mainland France, as well as the management bodies of the audited entity.

Each time, a copy of the audit report is also sent to the Group's Statutory Auditors. The internal audit team also receives the reports drafted by the Statutory Auditors of Group companies.

Each audit summary report is supplemented by a list of recommendations for the attention of the audited entity's management bodies so that the entity may draw up an action plan.

The Statutory Auditors are kept informed of the annual internal audit program. Regular meetings between internal and external auditors are planned so as to exchange information on the work performed by each team and verify the complementarity of the procedures applied.

The internal control framework, in its most recent version, is forwarded to the Statutory Auditors. The summary of the findings of the self-evaluation procedure in October 2009 will be submitted to the Group's Audit Committee and will be made available to the Statutory Auditors so that they may use these findings in the context of their usual procedures in relation to accounting and financial matters. These findings will also be used to guide the audits of the internal audit team in conjunction with those of the Statutory Auditors. The Statutory Auditors are informed of the general findings of the self-evaluation of accounting and financial principles carried out by the twenty subsidiaries based in mainland France.

COMMUNICATION METHODS

The Group seeks to gradually promote the use of the e-Colas intranet, together with the various intranets managed by the subsidiaries, so as to ensure the rapid dissemination and communication of relevant and reliable information. First introduced in 2008, the e-Colas intranet accessible to employees of all Group companies is becoming the preferred means for the dissemination of announcements and data so as to provide access, in support of the Colas internal control framework, to the Group's management principles and its code of business ethics, the rules and instructions issued by each support function with the recommended tools, the staff directory, news flashes related to the movements of staff members, organization charts, press releases, information on Group events, sample standard contracts, videos, logos, listings of innovative achievements and products, meeting minutes, internal statistics, etc., as well as forums for exchanging experiences.

RISKS

MAJOR GENERAL RISKS

Colas belongs to a major risk review network bringing together the various business segments within Bouygues, Colas' parent company, whose mission is to reinforce the identification and management of major risks.

The main risk factors that may impede the achievement of targeted objectives are each subjected to specific controls, as described below.

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, means that the Group receives orders for, executes and recognizes in its accounts about 105,000 construction projects each year. In mainland France, the average contract value amounts to 76,000 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 placed 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. Given the increase over the last few years in the number of large contracts, the Audit Committee decided to put in place specific and regular monitoring procedures for each group of contracts whose final revenue figure is greater than 20 million euros.

– **Bidding committees:** bids 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 powers of attorney) as well as bids for long-term operations such as service contracts (concessions, public-private partnerships, private finance initiatives) are subject to prior approval by a contract committee at subsidiary or Group level. In 2009, executive contract committees met to review the conditions for submitting bids or proposals for 133 different projects, with the following worldwide distribution: 25 in the Indian Ocean region, 72 in Europe excluding France, 17 in Morocco and Africa, 18 in mainland France and overseas departments and one in Asia.

– **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 entity (shares 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 2009, one proposal for the acquisition of companies or assets was reviewed at the Group level.

– **Health and safety:** 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 department at the Colas parent company 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, the Chairman and CEO sent a letter 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 SA (the parent company), to which Colas unreservedly subscribes, distributing copies of this code to all staff members. Given the considerable decentralization of business lines and the very large number of staff members in a position to enter into contracts, particularly with public sector clients, risks associated with business ethics cannot be ruled out completely, despite a multitude of actions intended to limit these risks. Training programs, refresher courses, controls and reporting are in place and efforts are continuing with the eventual aim of covering all subsidiaries. In 2009, in addition to regular reminders in all meetings of subsidiaries, executive management teams and on the Group level, a number of full-day training sessions were held in mainland France and in the overseas departments, on behalf of about 150 managers. In spite of these actions, a failure to observe the Group's principles was noted in two regrettable events occurring in 2009: Colas Rail (formerly Seco-Rail) was required to pay a fine of 2.6 million euros and legal proceedings were instigated in Martinique for forgery and fraud, involving several staff members, who were either called as witnesses or, in some cases, charged with wrongdoing. Colas Martinique filed a motion to be joined to the proceedings as a plaintiff and to sue for damages, in addition to filing a complaint for wrongful acts that, if proved, might be considered as a breach of trust. Colas also imposed penalties with regard to the available information concerning this matter.

RISKS ASSOCIATED WITH FINANCIAL AND ACCOUNTING INFORMATION

The main documents, procedures and tools used for the communication of accounting and financial information are the following:
– worksite and workshop reports and invoice reconciliations (financial and accounting preparation is carried out based on these elements, accrual accounting);
– records 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 agency (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 monthly 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 activity, the economic situation, strategy and questions relating to current affairs.

For the 2009 financial statements, 560 consolidation reporting packages were processed for a scope of consolidation covering 672 entities. Personnel involved included some fifteen staff at Colas, about 200 at the headquarters of subsidiaries based in mainland France, 450 in operating entities and, outside France, some 150 staff in headquarters and 300 in operating entities or at work sites, thus a total of more than 1,100 persons.

Financial commitments

At Colas and its subsidiaries located in mainland France, no authority is delegated to commit to loans. Internationally, powers are limited to a very restricted number of employees based on the legal framework for local companies. Issuance 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 Colas issues off-balance-sheet commitments in favor of its subsidiaries. At the international level, every company has its own rules based on the applicable local legal framework.

In France, cash management is centralized and based on agreements between Colas and its subsidiaries. Thus, Colas' Finance department manages credit or surplus cash investment transactions 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. Assessment and management of foreign currency risks and any related hedging is decentralized, but performed in liaison with the Finance department of Colas. Internationally, locally negotiated credit contracts are systematically forwarded before becoming legally binding to the Group's Finance department for advice on conditions, drafting contracts and legal clauses. Financial flows in mainland France and abroad are subject to Group procedures to ensure maximum security and minimize fraud risks (banking delegations). In 2009, these procedures foiled eighteen attempted frauds in mainland France, representing a total cumulative amount of 0.8 million euros.

Accounting, finance and human resources information systems are currently being harmonized. A single software system has been operational in mainland France since January 1, 2005. The number of software tools used for these needs in the Group's international operations has gradually been narrowed down to a small handful of solutions (one in the United States, one in Canada, one in Europe and one for both the French overseas departments and territories and the African continent).

Business-specific software used within the Group depends upon the activities involved (road work and civil engineering, asphalt plants, quarries) and is linked with management modules in the context of an urbanization approach to information systems architecture. As of December 31, 2009, the works module has been installed at all road construction subsidiaries in mainland France and at Aximum. The possibility of deploying this module to other non-road construction subsidiaries in mainland France and abroad will be considered in 2010. The industrial modules (asphalt plants and quarries) are widely deployed across all relevant Group subsidiaries worldwide.

Speig, the Group's dedicated IT subsidiary, is responsible for securing the site and data transfer and providing reliable and up-to-date IT systems that are available to all Group subsidiaries in Europe and Africa. It provides assistance to other companies internationally.

IT security ensures that IT systems always run smoothly and that they are only used for their intended purpose.

To protect against risks including theft, internal or external malevolent acts, misuse or accidents such as a fire or flood, Speig has created and regularly updates a data recovery system, which can restore the data available prior to the incident. Features include protection of sensitive data, anti-intrusion systems, authentication procedures, traceability and regular and reliable data backups.

Risks and Insurance

Risk management policy focuses on people, production and transport assets, worksites and manufactured products. These risks are identified and analyzed based on prior experience where possible. The primary focus is placed on prevention in order to reduce the frequency and impact of incidents. One aspect of the policy, which is important in Colas' field of work, is to treat both road and railroad worksites on a fractional basis. The Group consistently communicates any lessons learned from previous incidents to all levels within the Company and across all business segments.

Risks are monitored by functional departments, particularly the legal department, of each subsidiary, under the authority of its president. These risks are systematically identified on a basis of data updated in real time by subsidiaries. Colas' risk and insurance department supervises and contributes its expertise, as and when required, 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 cover is required for all 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.

Liability insurance policies cover third party property and bodily injury claims and mainly include mandatory automobile insurance as well as general public liability, products liability and premises and operations liability insurance, together with contractor's guarantee insurance. Coverage amounts are appropriate to the risks incurred by Group companies and are generally in excess of five 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.

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 OF THE CHAIRMAN OF THE BOARD OF DIRECTORS OF COLAS

(Fiscal year ended December 31, 2009)

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, 2009.

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, and
– 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

The 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 the existing documentation;
– obtaining an understanding of the work involved in the preparation of this information and of the existing documentation;
– determining if any material weaknesses in the internal control procedures relating to the preparation and processing of the accounting and financial information that we would have 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 of 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, March 1, 2010

The Statutory Auditors

KPMG Audit	Mazars
A division of KPMG SA	
Xavier Fournet	Gilles Rainaut
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
Hervé Le Bouc			
Colas	SA	Chairman and Chief Executive Officer Director	7, place René-Clair – 92100 Boulogne-Billancourt – France
Bouygues	SA	Director	32, avenue Hoche – 75008 Paris – France
Cofiroute	SA	Permanent Representative of Colas	6-10, rue Troyon – 92310 Sèvres – France
Colas Inc.	Inc.	Director	10 Madison Avenue – NJ 07960 Morristown – USA
Colasie	SA	Chairman and Chief Executive Officer Director	7, place René-Clair – 92100 Boulogne-Billancourt – France
Colas Midi-Méditerranée	SA	Permanent Representative of Colas	345, rue Louis-de-Broglie – La Duranne – 13792 Aix-en-Provence – France
Aximum	SA	Permanent Representative of Colas	41, boulevard de la République – 78400 Chatou – France
Échangeur International	SNC	Permanent Representative of Colas	7, place René-Clair – 92100 Boulogne-Billancourt – France
Fondation Colas	FDT	Director	7, place René-Clair – 92100 Boulogne-Billancourt – France
Hincol	Ltd	Director	5th Floor Richardson and Crudas Building – Sir JJ Road Byculla 400 008 Mumbai – India
Isco	Ltd	Director	16th Fl. Je-il Bldg., 94-46 Youngdeungpo-dong 7 ga, Yougdeundpo-gu, Seoul, 150-988, Korea
Sacer Atlantique	SA	Permanent Representative of Spare	Échangeur Nantes – BP 90783 – 2, rue Gaspard-Coriolis – 44307 Nantes – France
Screg Est	SA	Permanent Representative of IPF	44, boulevard de la Mothe – 54000 Nancy – France
Société Parisienne d'Études, d'Informatique et de Gestion	SA	Permanent Representative of Colas	2-4, allée Latécoère – 78140 Vélizy-Villacoublay – France
Spac	SA	Permanent Representative of IPF	13, rue Madame-de-Sanzillon – 92112 Clichy – France
Tasco	SA	Director	Tipco Tower, 118/1 Rama 6 Road – Samsen Nai, Phayathai – 10400 Bangkok – Thailand
Colas Émulsions	SACS	Colas Representative on the Board of Trustees	5, boulevard Abdellah-Ben-Yacine – 21700 Casablanca – Morocco
Grands Travaux Routiers	SACS	Colas Representative on the Board of Trustees	5, boulevard Abdellah-Ben-Yacine – 21700 Casablanca – Morocco
La Route Marocaine	SACS	Vice-President of the Board of Trustees	5, boulevard Abdellah-Ben-Yacine – 21700 Casablanca – Morocco
Société Maghrébienne d'Entreprises et de Travaux	SACS	Member of the Board of Trustees	5, boulevard Abdellah-Ben-Yacine – 21700 Casablanca – Morocco
Christian Balmes			
Colas	SA	Director	7, place René-Clair – 92100 Boulogne-Billancourt – France
Apsys	SA	Director	ZAC de la Clef-Saint-Pierre – 1, boulevard Jean-Moulin – 78990 Élancourt – France
François Bertière			
Bouygues	SA	Director	32, avenue Hoche – 75008 Paris – France
Bouygues Immobilier	SA	Chairman and Chief Executive Officer Director	3, boulevard Gallieni – 92130 Issy-les-Moulineaux – France
Colas	SA	Director	7, place René-Clair – 92100 Boulogne-Billancourt – France

Name of company	Type	Office in the company	Head Office
Olivier Bouygues			
Bouygues	SA	Permanent Representative of SCDM Deputy Chief Executive Officer	32, avenue Hoche – 75008 Paris – France
SCDM	SAS	Managing Director	32, avenue Hoche – 75008 Paris – France
Bouygues Telecom	SA	Director	32, avenue Hoche – 75008 Paris – France
Télévision Française 1 (TF1)	SA	Director	1, quai du Point-du-Jour – 92100 Boulogne-Billancourt – France
Colas	SA	Director	7, place René-Clair – 92100 Boulogne-Billancourt – France
Bouygues Construction	SA	Director	1, avenue Eugène-Freyssinet – 78280 Guyancourt – France
Alstom	SA	Director	3, avenue André-Malraux – 92300 Levallois-Perret – France
Eurosport	SA	Director	3, rue Gaston-et-René-Caudron – 92798 Issy-les-Moulineaux Cedex – France
Finagestion	SA	Director Chairman of the Board of Directors	1, avenue Eugène-Freyssinet – 78280 Guyancourt – France
Cefina	SAS	Member of the Executive Committee	132, boulevard Haussmann – 75008 Paris – France
SCDM Énergie	SAS	Permanent Representative of SCDM – President	32, avenue Hoche – 75008 Paris – France
SCDM Investur	SAS	Permanent Representative of SCDM – President	32, avenue Hoche – 75008 Paris – France
SCDM Investcan	SAS	Permanent Representative of SCDM – President	32, avenue Hoche – 75008 Paris – France
Sagrie-E	SAS	President	32, avenue Hoche – 75008 Paris – France
Sagrie-F	SAS	President	32, avenue Hoche – 75008 Paris – France
Sénégalaise des Eaux	SA	Director	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)	SA	Director	1, avenue Christiani – Abidjan – Ivory Coast
Compagnie Ivoirienne d'Électricité (CIE)	SA	Director	BP 6923 – Abidjan – Ivory Coast
Seci	SA	Director Chairman and Chief Executive Officer	34, avenue Houdaille – Tour Sidam – BP 4039 – Abidjan – Ivory Coast
Thierry Genestar			
Colas	SA	Director	7, place René Clair – 92100 Boulogne-Billancourt – France
Adelac	SAS	Director	Le Châble – 400, route de Viry – 74160 Beaumont – France
Aximum	SA	Permanent Representative of IPF	41, boulevard de la République – 78400 Chatou – France
Beaujolaise de Porphyre	SA	Chairman and Chief Executive Officer	Échangeur Lyon – 2, avenue Tony-Garnier – 69007 Lyon – France
Carrières Roy	SA	Director	Le Noubleau – BP 1 – 79330 Saint-Varent – France
Colas Environnement	SAS	Director	7, place René Clair – 92100 Boulogne-Billancourt – France
Colas Est	SA	Permanent Representative of Colas	44, boulevard de la Mothe – 54000 Nancy – France
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 Rail	SA	Permanent Representative of IPF	38-44, rue Jean-Mermoz – 78600 Maisons-Laffitte – France
Colas Rhône-Alpes-Auvergne	SA	Permanent Representative of Colas	Échangeur Lyon – 2, avenue Tony-Garnier – 69007 Lyon – France

Name of company	Type	Office in the company	Head Office
Développement Infrastructures	SAS	President	Échangeur Lyon – 2, avenue Tony-Garnier – 69007 Lyon – France
Perrier TP	SA	Director	13, route de Lyon – 69800 Saint-Priest – France
Revue Générale des Routes et Aérodromes	SAS	Director	10, rue Clément-Marot – 75008 Paris – France
Sacer Paris-Nord-Est	SA	Permanent Representative of Colas	6, rue Jean-Mermoz – 78771 Magny-les-Hameaux Cedex – France
Sacer Sud-Est	SA	Permanent Representative of Colas	Échangeur Lyon – 2, avenue Tony-Garnier – 69007 Lyon – France
Screg Nord-Picardie	SA	Permanent Representative of Colas	Échangeur Lille – 197, rue du 8-Mai-1945 – BP 10135 – 59653 Villeneuve-d'Ascq Cedex – France
Screg Sud-Est	SA	Permanent Representative of Colas	Échangeur Lyon – 2, avenue Tony-Garnier – 69007 Lyon – France
Socatop	SARL	Manager	5, cours Ferdinand-de-Lesseps – 92500 Rueil-Malmaison – France
Société Parisienne d'Études, d'Informatique et de Gestion	SA	Permanent Representative of IPF	2-4, allée Latécoère – 78140 Vélizy-Villacoublay – France
Jean-François Guillemin			
Alstom Hydro Holding	SAS	Member of the Executive Committee	3, avenue André-Malraux – 92300 Levallois-Perret – France
Bouygues Telecom	SA	Permanent Representative of Bouygues	32, avenue Hoche – 75008 Paris – France
Bouygues Construction	SA	Director	1, avenue Eugène-Freyssinet – 78065 Guyancourt – France
Bouygues Immobilier	SA	Director	3, boulevard Gallieni – 92130 Issy-les-Moulineaux – France
Colas	SA	Director	7, place René-Clair – 92100 Boulogne-Billancourt – France
Fondation d'Entreprise Francis Bouygues	FDT	Member of the Board of Directors	32, avenue Hoche – 75008 Paris – France
Université Paris-II	EP	Director	12, place du Panthéon – 75231 Paris Cedex 05 – France
Philippe Marien			
Bouygues Telecom	SA	Director, Chairman of the Board	32, avenue Hoche – 75008 Paris – France
Télévision Française 1 (TF1)	SA	Permanent Representative of Bouygues	1, quai du Point-du-Jour – 92100 Boulogne-Billancourt – France
Colas	SA	Permanent Representative of Bouygues	7, place René-Clair – 92100 Boulogne-Billancourt – France
Alstom	SA	Director	3, avenue André-Malraux – 92300 Levallois-Perret – France
Bouygues Immobilier	SA	Permanent Representative of Bouygues	3, boulevard Gallieni – 92130 Issy-les-Moulineaux – France
Bouygues Construction	SA	Permanent Representative of Bouygues	1, avenue Eugène-Freyssinet – 78280 Guyancourt – France
Finamag	SC	Liquidator	19, route des Gâtines – 91370 Verrières-le-Buisson – France
SCDM	SAS	Managing Director	32, avenue Hoche – 75008 Paris – France
Thierry Montouché			
Colas	SA	Director Secretary of the Board	7, place René-Clair – 92100 Boulogne-Billancourt – France
Colas Inc.	Inc.	Director	10 Madison Avenue – NJ 07960 Morristown – USA
ColasCanada	Inc.	Director	4984 place de la Savane, bureau 150 – Montreal, Quebec H4P 2M9 – Canada

Name of company	Type	Office in the company	Head Office
Colas Limited	Ltd	Director	Rowfant – RH104NF Crawley (West Sussex) – United Kingdom
Ensign Holdings Highways	Ltd	Director	Rowfant – RH104NF Crawley (West Sussex) – United Kingdom
Colas Teoranta	Ltd	Director	Unit G1 Maynooth Business Campus – Maynooth – Co. Kildare – Northern Ireland
ICB Emulsions Limited	Ltd	Director	76 Ballyhannon Road – Portadown – Craigavon – BT 635 SE – County Armagh – Ireland
Aximum	SA	Permanent Representative of Spare	41, boulevard de la République – 78400 Chatou – France
Colas Centre-Ouest	SA	Permanent Representative of Spare	Échangeur Nantes – 2, rue Gaspard-Coriolis – 44300 Nantes – France
Colas Est	SA	Permanent Representative of Spare	Immeuble Échangeur – 44, boulevard de la Mothe – 54000 Nancy – France
Colas Île-de-France – Normandie	SA	Permanent Representative of Spare	2, rue Jean-Mermoz – BP 31 – 78771 Magny-les-Hameaux – France
Colas Midi-Méditerranée	SA	Permanent Representative of IPF	345, rue Louis-de-Broglie – La Duranne – 13792 Aix-en-Provence – France
Colas Rhône-Alpes – Auvergne	SA	Permanent Representative of Spare	Échangeur Lyon – 2, avenue Tony-Garnier – 69007 Lyon – France
Colas Rail	SA	Permanent Representative of Colas	38-44, rue Jean-Mermoz – 78600 Maisons-Laffitte – France
Colas Sud-Ouest	SA	Permanent Representative of IPF	Échangeur Sud-Ouest – 6, avenue Charles-Lindberg – 33700 Mérignac – France
Debreceni Magas Mely es Utepito RT (Debmut)	SA	Director	Barna utca 15 – 4025 Debrecen – Hungary
Développement Infrastructures	SAS	Director	Échangeur Lyon – 2, avenue Tony-Garnier – 69007 Lyon – France
Fondation Colas	FDT	Director	7, place René-Clair – 92100 Boulogne-Billancourt – France
Screg Est	SA	Permanent Representative of Spare	Immeuble Échangeur – 44, boulevard de la Mothe – 54000 Nancy – 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

Name of company	Type	Office in the company	Permanent Representative	Head Office
BOUYGUES				
Bouygues Telecom	SA	Director	Jean-François Guillemin	32, avenue Hoche – 75008 Paris – France
C2S	SA	Director	Pierre Marfaing	3, rue Alfred-Kastler – 78280 Guyancourt – France
Télévision Française 1 (TF1)	SA	Director	Phillippe Marien	1, quai du Point-du-Jour – 92100 Boulogne-Billancourt – France
Alstom	SA	Director	Phillippe Marien	3, avenue André-Malraux – 92300 Levallois-Perret – France
Colas	SA	Director	Phillippe Marien	7, place René-Clair – 92100 Boulogne-Billancourt – France
32 Hoche	GIE	Director	Philippe Metges	32, avenue Hoche – 75008 Paris – France
Bouygues Construction	SA	Director	Phillippe Marien	1, avenue Eugène-Freyssinet – 78280 Guyancourt – France
Bouygues Immobilier	SA	Director	Phillippe Marien	3, boulevard Gallieni – 92130 Issy-les-Moulineaux – France

Directorships and positions held by Directors who have been put forward for appointment by the Annual General Shareholders' Meeting on April 14, 2010

Name of company	Type	Office in the company	Head Office
Louis Gabanna			
Colas Inc.	Inc.	Director Chairman	10 Madison Avenue – NJ 07960 Morristown – USA
ColasCanada	Inc.	Chairman and Chief Executive Officer	4984 place de la Savane, bureau 150 – Montreal, Quebec H4P 2M9 – Canada
Canadian Road Builders	Inc.	Director	Suite 1540, Weber Centre – 5555 Calgary Trail – Edmonton, Alberta T6H 5P9 – Canada
DGOC	Ltd	Director Chairman	4984 place de la Savane, bureau 150 – Montreal, Quebec H4P 2M9 – Canada
Sintra	Inc.	Director Chairman	4984 place de la Savane, bureau 150 – Montreal, Quebec H4P 2M9 – Canada
Terus Construction	Ltd	Director	201 – 5550 152nd Street – Surrey, British Columbia V3S 5J9 – Canada
Interoute Construction	Ltd	Director	1056 Playmor Road – Box 22 – Crescent Valley, British Columbia V0G 1H0 – Canada
LB Paving	Ltd	Director	2992 Tatlow Road – Box 3513 – Smithers, British Columbia V0J 2N0 – Canada
North Coast Road Maintenance	Ltd	Director	201 – 5550 152nd Street – Surrey, British Columbia V3S 5J9 – Canada
Skookum Asphalt	Ltd	Director	#1 Ear Lake Road – Whitehorse, Yukon Y1A 6L4 – Canada
YCS Holdings	Ltd	Director	4955 Sandberg Road – Box 2370 – Prince George, British Columbia V2N 2S6 – Canada
Works Alberta	Ltd	Chairman	Suite 1560, Weber Centre – 5555 Calgary Trail – Edmonton, Alberta T6H 5P9 – Canada
251145 Alberta	Ltd	Director	County Industrial Park – Box 608 – Grande Prairie, Alberta T8V 3A8 – Canada
373247 Alberta	Ltd	Director	County Industrial Park – Box 608 – Grande Prairie, Alberta T8V 3A8 – Canada
400319 Alberta	Ltd	Director	County Industrial Park – Box 608 – Grande Prairie, Alberta T8V 3A8 – Canada
1278368 Alberta	Ltd	Director	Suite 1560, Weber Centre – 5555 Calgary Trail – Edmonton, Alberta T6H 5P9 – Canada
G & C Asphalt	Ltd	Director	10015 Thatcher Avenue – North Battleford, Saskatchewan S9A 3W8 – Canada
Alberta Highway Services	Ltd	Director	23 Bellerose Drive – St. Albert, Alberta T8N 5E1 – Canada
Artic Holdings and Leasing	Ltd	Director	135 Kam Lake Road – Box 2949 – Yellowknife, Territoires du Nord-Ouest, NT XIA 2R2 – Canada
E Construction	Ltd	Director	10130 – 21 Street NW – Edmonton, Alberta T6P 1W7 – Canada
NPA	Ltd	Director	County Industrial Park – Box 608 – Grande Prairie, Alberta T8V 3A8 – Canada
NWT Construction	Ltd	Director	135 Kam Lake Road – Box 2949 – Yellowknife, Territoires du Nord-Ouest, NT XIA 2R2 – Canada
Standard General	Ltd	Director	23 Bellerose Drive – St. Albert, Alberta T8N 5E1 – Canada
Standard General Construction (1996)	Ltd	Director	23 Bellerose Drive – St. Albert, Alberta T8N 5E1 – Canada
Synergy Construction Materials	Ltd	Director	Suite 1560, Weber Centre – 5555 Calgary Trail – Edmonton, Alberta T6H 5P9 – Canada
Wood Buffalo Project Management	Ltd	Director	10130 – 21 Street NW – Edmonton, Alberta T6P 1W7 – Canada

Name of company	Type	Office in the company	Head Office
Emulsion Products of Canada	Inc.	Director President and Secretary Treasurer	2200, 10155 – 102 Street – Edmonton, Alberta T5J 4G8 – Canada
Christian de Pins			
Colas Île-de-France – Normandie	SA	Permanent Representative of Colas	2, rue Jean-Mermoz – BP 31 – 78771 Magny-les-Hameaux – France
Colas Centre-Ouest	SA	Permanent Representative of Colas	Échangeur Nantes – 2, rue Gaspard-Coriolis – 44300 Nantes – France
Colas Sud-Ouest	SA	Permanent Representative of Colas	Échangeur Sud-Ouest – 6, avenue Charles-Lindberg – 33700 Mérignac – France
Sacer Atlantique	SA	Permanent Representative of Colas	Échangeur Nantes – 2, rue Gaspard-Coriolis – 44300 Nantes – France
Screg Grands Travaux	SA	Permanent Representative of Spare	2, rue Virginie-Mauvais – 54000 Nancy – France
Screg Île-de-France – Normandie	SA	Permanent Representative of Colas	6, rue Galilée – Quartier Europe – 78280 Guyancourt – France
Screg Ouest	SA	Permanent Representative of Colas	Échangeur Nantes – 2, rue Gaspard-Coriolis – 44300 Nantes – France
Screg Sud-Ouest	SA	Permanent Representative of Colas	Immeuble Échangeur – 14, avenue Becquerel – 33700 Mérignac – France
Smac	SA	Permanent Representative of Colas	40, rue Fanfan-la-Tulipe – 92100 Boulogne-Billancourt – France
Spac	SA	Permanent Representative of Spare	13, rue Madame-de-Sanzillon – 92110 Clichy – France
Colas Environnement	SAS	Director	7, place René-Clair – 92100 Boulogne-Billancourt – France
Carrières Roy	SA	Director	Le Noubleau – BP 1 – 79330 Saint-Varent – France
Jean-Claude Tostivin			
32 Hoche	GIE	Permanent Representative of SCDM	32, avenue Hoche – 75008 Paris – France
Cefina	SAS	Member of the Executive Committee	132, boulevard Haussmann – 75008 Paris – France
Qualite	SNC	Non-associate Manager	32, avenue Hoche – 75008 Paris – France
Financière SBP (ex-Société de Banque Privée)	SARL	Non-associate Manager	16-18, impasse d'Antin – 75008 Paris – France
Actifly	SNC	Non-associate Manager	32, avenue Hoche – 75008 Paris – France
Scar	SNC	Manager	32, avenue Hoche – 75008 Paris – France
Gilles Zancanaro			
C2S	SA	Chairman and Chief Executive Officer Director	3, rue A.-Kastler – 17 parc Arianne – 78280 Guyancourt – France
Bouygues Construction	SA	Director	1, avenue Eugène-Freyssinet – 78280 Guyancourt – France
Société Parisienne d'Études, d'Informatique et de Gestion	SA	Director	2-4, allée Latécoère – 78140 Vélizy-Villacoublay – France

Consolidated financial statements of the Colas Group

at December 31, 2009

Consolidated balance sheet at December 31

in millions of euros	Notes	2009	2008
Property, plant and equipment	3.1	2,294	2,327
Intangible assets	3.2	78	84
Goodwill	3.2	467	469
Investments in associates	3.3	388	357
Other financial assets	3.4	173	202
Deferred tax assets	3.5	102	90
Non-current assets		**3,502**	**3,529**
Inventories	4.1	435	441
Trade receivables	4.1	2,688	3,024
Current tax assets	4.1	31	20
Other receivables and prepayments	4.1	487	545
Cash and cash equivalents	4.2	536	425
Financial instruments	17	9	11
Net current assets		**4,186**	**4,466**
TOTAL ASSETS		**7,688**	**7,995**
Share capital and paid-in capital		376	368
Retained earnings		1,553	1,341
Translation reserve		(40)	(59)
Net income for the year		387	490
Capital and reserves		**2,276**	**2,140**
Minority interests		34	37
Equity	5	**2,310**	**2,177**
Long-term debt	6	212	186
Provisions	7.1	663	648
Deferred tax liabilities	8	82	79
Non-current liabilities		**957**	**913**
Advance payments		244	218
Current portion of long-term debt	6	45	53
Current tax liabilities		77	83
Trade payables		2,006	2,431
Provisions	7.2	285	203
Other payables	9	1,593	1,714
Bank overdrafts and short-term loans		153	183
Financial instruments	17	18	20
Current liabilities		**4,421**	**4,905**
TOTAL EQUITY AND LIABILITIES		**7,688**	**7,995**

Consolidated income statement

in millions of euros	Notes	2009	2008
Revenue	10	**11,581**	**12,789**
Raw materials and consumables used		(5,386)	(6,321)
Staff costs		(2,925)	(2,918)
External services		(2,295)	(2,637)
Taxes, other than income tax		(181)	(167)
Depreciation, amortization and depletion		(481)	(466)
Reversal (allocations) of provisions		(183)	(153)
Change in inventories		8	23
Other operating incomes	13	554	723
Other operating expenses	13	(151)	(191)
Profit from operations (current)		**541**	**682**
Extraordinary items			
Profit from operations		**541**	**682**
Financial income		27	26
Financial expenses		(61)	(48)
Interest income (expense)	14	**(34)**	**(22)**
Other financial income	14	7	10
Other financial costs	14	(6)	(4)
Provision for income taxes	15	(172)	(217)
Income from associates		55	46
Profit for the year		**391**	**495**
of which: minority interest		4	5
OF WHICH: EQUITY HOLDERS OF THE PARENT		**387**	**490**
Earning per share (in euros): basic	16	11.86	15.06
Earning per share (in euros): diluted	16	11.86	15.06

Statement of recognized income and expense

in millions of euros	2009	2008
Profit for the year	**391**	**495**
Exchange differences	21	(33)
Fair value restatements for financial instruments	2	(11)
Actuarial gains (losses) regarding employee benefits(1)	9	(13)
Deferred taxes based on these items	(4)	8
Share in associates	(2)	(2)
Net income recognized directly in equity	**26**	**(51)**
TOTAL RECOGNIZED INCOME AND EXPENSE	**417**	**444**
Minority interest	4	4
Equity holders of the parent	413	440

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

Consolidated statement of change 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, 2008	**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**
Exchange differences			19		19	
Acquisitions of subsidiaries					0	(5)
Increase	8				8	
Profit for the period				387	387	4
Prior year profit allocation		490		(490)	0	
Dividends paid		(285)			(285)	(2)
Income (expenses) recognized directly in equity(1)		7			7	0
Other movements					0	
AT DECEMBER 31, 2009	**376**	**1,553**	**(40)**	**387**	**2,276**	**34**

(1) Detail:

	Group	Minority interests
Incidence of acquisition of subsidiaries on financial instruments		
Fair value restatement on financial instruments	2	
Actuarial gains (losses) regarding employee benefits	9	
Deferred taxes based on these items	(4)	
Total income (expenses) recognized directly in equity	**7**	**0**

Consolidated cash flow statement

in millions of euros		2009	2008
Profit for the year (including minority interests)		391	495
Adjustments for:			
– Income from associates		(55)	(46)
– Dividends received from associates		33	33
– Dividends received from unconsolidated companies		(3)	(4)
– Depreciation, amortization and depletion on non-current assets		509	523
– Capital gains on disposal of assets		(15)	(56)
	Sub-total	**860**	**945**
Interest income (expense)		34	22
Income tax		172	217
Cash from operations		**1,066**	**1,184**
Income tax paid		(202)	(217)
Changes in current assets and liabilities		(51)	(254)
Cash flows from operating activities (a)		**813**	**713**
Purchase of tangible and intangible assets		(399)	(597)
Proceeds from sales of properties, plant and equipment		37	60
Net debt on tangible and intangible assets		(21)	(48)
	Sub-total	**(383)**	**(585)**
Acquisitions and disposals of subsidiaries:			
– Acquisitions of subsidiaries		(12)	(157)
– Disposals of subsidiaries		6	36
– Net debt on acquisitions of subsidiaries		(4)	(29)
– Cash acquired		10	4
	Sub-total		**(146)**
Other investing activities:			
– Dividends received from unconsolidated companies		3	4
– Changes of other financial assets		(4)	(19)
	Sub-total	**(1)**	**(15)**
Cash flows from investing activities (b)		**(384)**	**(746)**
Change in equity (Group share)		8	6
Change in minority interests			2
Dividends paid to parent company shareholders		(285)	(276)
Dividends paid to minority interests		(2)	(4)
Net variation from borrowings		20	27
Interest income (expense)		(34)	(22)
Other financing activities		(1)	1
Cash flows from financing activities (c)		**(294)**	**(266)**
Exchange differences and other non cash variations (d)		6	(3)
Other non cash variations (e)			
NET CHANGE IN CASH AND CASH EQUIVALENTS (a + b + c + d + e)		**141**	**(302)**
Net cash at the beginning of the year		242	544
NET CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR (see note 19)		**383**	**242**

Notes to the consolidated financial statements

Contents

Notes

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

General information

The financial statements for year ended December 31, 2009 were approved by the Board of Directors and authorized for issue on March 1, 2010.
Colas (the Company) is a French public company incorporated in France (RCS Nanterre B552 025 314).
These consolidated financial statements are presented in euros because that is the currency of the primary economic environment in which the Group operates.

Note 1 – New accounting standards

New standards or interpretations that are required for 2009

Standards and interpretations	Subject
IAS 1 revised	Presentation of financial statements
IFRS 8	Operating segments
IAS 23 revised	Borrowing costs
Amendments to IFRS 7 and IFRS 4	Improvement of financial instruments disclosures
Annual improvements to IFRSs	Published in May 2008 – excluding amendments to IFRS 5 and IFRS 1
Amendments to IFRS 2	Vesting conditions and cancellations
Amendments to IAS 32 and IAS 1	Puttable financial instruments and obligations arising on liquidation
Amendments to IFRS 1 and IAS 27	Cost of a subsidiary, a JV or an associate
Amendments to IAS 39 and IFRIC 9	Embedded derivatives
IFRIC 11	Group and treasury share transactions
IFRIC 13	Customer loyalty programs
IFRIC14	The limit on a defined benefit asset, minimum funding requirements and their interaction

None of these new standards had any significant impact on the consolidated financial statements.

New standards and interpretations not yet required which have not been applied in 2009

IFRIC12	Service concession arrangements

New standards and interpretations not yet applied

New standards, standards amendments or interpretations are not yet compulsory in 2009. Consequently, the following standards and interpretations have not been applied in the consolidated financial statements:

Standards and interpretations	Subject
IFRS 3 revised and IAS 27 amended	Business combinations
Annual improvements to IFRSs	Published in May 2008 – Amendments to IFRS 5 and IFRS 1 only
Amendments to IAS 39	Qualified hedging items
Annual Improvements to IFRSs	Published in April 2009
Amendments to IFRS 2	Group cash-settled share-based payment transactions
Amendments to IAS 32	Classification of rights issues
Amendments to IFRIC 14	Limit on a defined benefit asset, minimum funding requirements and their interaction
IFRIC 15	Agreements for the construction of real estate
IFRIC 16	Hedges of a net investment in a foreign operation
IFRIC 17	Distributions of non-cash assets to owners
IFRIC 18	Transfers of assets from customers
IFRIC 19	Extinguishing financial liabilities with equity instruments

None of these new standards or interpretations would have any significant impact on the consolidated financial statements.

Note 2 – Significant accounting principles and policies

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 IFRSs standards and IFRIC interpretations that were issued as of December 31, 2009 and adopted by the European Union.

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 exercised.

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, through participation in the financial and operating policy decisions of the investee.

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.

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. The 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.

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 in construction investments in France).

Financial receivables
The twenty-five years 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.

5. Follow-up of non-current assets costs

Evaluation of carrying value of non-current assets is performed whenever events or changes in the economic circumstances indicate that the carrying value of the asset may exceed recoverable value.

For intangible assets with indefinite useful life and goodwill, an assessment of the utility value of these assets is systematically performed at least once a year, even if there is no indication that the asset is impaired.

To determine the value in use of intangible assets for which it is not possible to determine independent cash flow, the assets are grouped within the Cash-Generating Unit (CGU) to which they belong or consolidated to the Cash-Generating Unit for which investment return is assessed.

Group CGUs correspond to its operational organization.

They comply with the following criteria: common management, synergies regarding human resources, equipment resources, technical matters and studies.

– France CGU: road activity in Mainland France, and road-related activities such as pipes and safety;

– Railway CGU: Group rail activity;

– Europe CGU: road activity in European countries where the Group operates.

– North America CGU: road activity in the United States of America and Canada.

– DGI and Asia CGU: road activity in Africa, Indian Ocean, Asia and in French overseas departments and territories.

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. Future cash flows are determined based on forecasts prepared by CGU management according to yearly budget procedures for the coming year, and the three-year plan for the two following years.

Current assets

1. Inventories

Inventories are measured at the lowest of the following values: cost or net realizable value.

Inventory costs include all purchase costs and costs of conversion.

Costs of purchase include purchase price, import duties and other non-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 realisable 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 their net realizable 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. With the exception of Colas Rail Ltd, these defined benefit plans concern a limited number of employees because the Group decided, several years ago, to close these plans to new subscribers. These benefit plans are managed by independent funds.

Retirement indemnities

Their cost is determined using the projected unit credit method. Actuarial gains and losses are recognized in equity.

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 ten-year warranty for specific building works.

Provisions for quarry reclamation (long-term)

Reclamation cost after operating a quarry is calculated based on a detailed valuation (cost of labor, equipment, materials, the corresponding share of overhead required, etc.). Only the portion of the provision regarding costs due after twelve months following the balance sheet date is reported 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 mainly comprise:

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 operating 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 tax 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.

Borrowings and deposits are centralized in the same currency (euro, US dollar, Canadian dollar, etc.).

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 profit and loss is not very sensitive to interest rate changes. On an average annual basis, the share of variable rate debts is equal to available cash under variable rates – only the seasonal nature of the Group's business requires short term borrowings.

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 turn-around.

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 forecast 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 until 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 the 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
Derivative financial instruments are stated at fair value, meaning market value for instruments listed on the stock exchange. For unlisted instruments, fair value is determined with valuation methods, such as 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 "stage of completion" method.
The stage 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 13.

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 and short-term loans.

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 2009; they are comparable to the previous years' financial statements.

2. Events after balance sheet date

None.

3. Nature and size of risks and uncertainties

The main risks and uncertainties which could significantly impact the Group's businesses are as follows:

– weather conditions which have a 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 cost (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 3 – Non-current assets

3.1 – Property, plant and equipment

	Land and buildings[1]	Plant and equipment	Assets in course of construction and advance payments	Total
Cost or valuation				
At January 1, 2008	**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**
Exchange differences	7	28		35
Transfers and other	26	86	(113)	(1)
Acquisitions of subsidiaries	33	16		49
Additions	52	271	72	395
Disposals	(13)	(203)		(216)
AT DECEMBER 31, 2009	**1,314**	**4,351**	**57**	**5,722**
Depreciation and impairment				
At January 1, 2008	**(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)**
Exchange differences	(2)	(12)		(14)
Transfers and other		1		1
Acquisitions of subsidiaries	1	(8)		(7)
Net charge for the year	(56)	(413)		(469)
Disposals	10	184		194
AT DECEMBER 31, 2009	**(480)**	**(2,948)**		**(3,428)**
Carrying amount				
At January 1, 2008	**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
AT DECEMBER 31, 2009	**834**	**1,403**	**57**	**2,294**
Including financial leases	6	49		55

(1) including quarry land 289 million euros

At December 31, 2009, equipment has been ordered for an amount of 35 million euros (45 million euros in 2008).

3.2 – Intangible assets and goodwill

	Concessions, patents and other rights	Other	Total intangible assets	Goodwill
Cost or valuation				
At January 1, 2008	**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**
Exchange differences				5
Transfers	1	1	2	
Acquisitions of subsidiaries		2	2	(7)
Additions	2		2	2
Disposals	(1)		(1)	
AT DECEMBER 31, 2009	**108**	**47**	**155**	**491**
Depreciation and impairment				
At January 1, 2008	**(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)**
Exchange differences				
Transfers				
Acquisitions of subsidiaries				
Disposals	1		1	
Net charge for the year	(6)	(6)	(12)	(2)
AT DECEMBER 31, 2009	**(49)**	**(28)**	**(77)**	**(24)**
Carrying amount				
At January 1, 2008	**63**	**26**	**89**	**447**
At December 31, 2008	**62**	**22**	**84**	**469**
AT DECEMBER 31, 2009	**59**	**19**	**78**	**467**

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

Development costs: they are mainly recognized as expenses during the year because they have a permanent and recurrent nature; few projects satisfy recognition criteria according to IAS 38.

Impairment of intangible assets with indefinite useful life and goodwill

Impairment losses are recorded in profit from operations if the carrying amount of an asset or its cash generating unit (CGU) exceeds its value in use. If an indication shows impairment loss, an impairment test is performed, based on the method described under note 2. Such tests are performed at least once a year after the updating of budgets and three-year plans by management.

Details of assets with indefinite useful life and goodwill split by CGU and main assumptions used for impairment tests are as follows:

Cash Generating Units	Intangible assets with indefinite useful life	Goodwill	Growth rates	Discount rates
CGU France	20	159	2.0%	5.65%
CGU Rail		191	2.0%	5.65%
CGU Europe (excluding France)	6	33	2.0%	5.65%
CGU North America		43	2.0%	5.36%
CGU DGI and Asia		41	2.0%	5.65%
TOTAL	**26**	**467**		

Sensitivity analyses were performed. Any reasonably possible change in key assumptions used did not reveal a situation that could lead to impairment of assets tested.

3.3 – Investments in associates

	Share in equity	Goodwill	Depreciation of goodwill	Carrying amount
At January 1, 2008	**334**	**7**	**(2)**	**339**
Exchange differences	(2)			(2)
Transfers				
Acquisitions of subsidiaries	1			1
Net consolidated profit	49		(3)	46
Dividends paid	(33)			(33)
Other variations	6			6
At December 31, 2008	**355**	**7**	**(5)**	**357**
Exchange differences	(2)			(2)
Transfers				
Acquisition of subsidiaries	5	3		8
Issue of share capital	3			3
Net consolidated profit	55			55
Dividends paid	(33)			(33)
Other variations				
AT DECEMBER 31, 2009	**383**	**10**	**(5)**	**388**

Main associated companies

Company	Activity	Head office	% hold	Share in equity	Goodwill net	Carrying amount
Cofiroute[1]	Highway concession company	France	16.7%	337		337
Tipco Asphalt[2]	Sales of bitumen products	Thailand	30.7%	11		11
Mak Mecsek[3]	Highway concession company	Hungary	30.0%	19		19
Other	(Non significant companies)			16	5	21
TOTAL				**383**	**5**	**388**

(1) Cofiroute operates a 1,100 kilometer highway concession in northwest France (Highways A10, A11, A13, A86). 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) Tipco Asphalt operates in the distribution and sale of bitumen business in southwest Asia. The company is listed on the Bangkok Stock Exchange (Thailand):
– fair value based on the stock price at December 31, 2009: 36 million euros;
– fair value based on the 2009 average stock price: 17 million euros.

(3) Mak Mecsek has been awarded a thirty-year PFI contract for the construction and operation of a new 80-km section of Motorways M6 (50 km) and M60 (30 km) in southwest Hungary. The sections should be opened to traffic during spring 2010.

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	989	35	278	17	1,319
Current assets	83	44	6	20	153
Total assets	**1,072**	**79**	**284**	**37**	**1,472**
Equity	337	11	19	16	383
Non-current liabilities	620	15	257	9	901
Current liabilities	115	53	8	12	188
Total liabilities	**1,072**	**79**	**284**	**37**	**1,472**
Revenue	214	89		18	321
Net consolidated profit	**52**	**3**			**55**

3.4 – Other non-current financial assets

	Non-consolidated investments	Other long-term investments	Total gross value	Allowance	Carrying amount
At January 1, 2008	**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**
Exchange differences		5	5		5
Transfers					
Changes in scope of consolidation	(32)	1	(31)	(1)	(32)
Acquisitions and other additions	3	13	16		16
Disposals	(6)	(12)	(18)		(18)
Net charge for the year					
AT DECEMBER 31, 2009	**51**	**151**	**202**	**(29)**	**173**

Detail of main non-consolidated investments

	Gross	Allowance	Net 31/12/2009	Net 31/12/2008
Binder, asphalt concrete and quarry companies	21	(4)	17	16
Dormant companies	7	(6)	1	1
Non-controlled companies	15	(1)	14	14
Companies acquired at the end of the year(1)	2		2	34
Other investments(2)	6	(2)	4	9
TOTAL	**51**	**(13)**	**38**	**74**

(1) These companies were not consolidated because they were acquired at year-end. They will be consolidated in the beginning of the coming year.

(2) None of these investments are significant.

Detail of other financial assets

	Gross	Allowance	Net 31/12/2009	Net 31/12/2008
Loans(1)	47	(15)	32	26
Deposits	26	(1)	25	30
City of Portsmouth (Great Britain)	78		78	72
Financial receivables(2)				–
TOTAL	**151**	**(16)**	**135**	**128**

(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) Receivables from the City of Portsmouth (Great Britain), in compensation for the works completed in the framework of the road rehabilitation and maintenance PFI contract, signed in 2004 for twenty-five years (2004-2029). The receivable is valued according to IFRIC 12 (financial asset model).

3.5 – Tax assets

	Deferred taxes	Other long-term tax assets	Total
At January 1, 2008	**85**		**85**
Exchange differences	(1)		(1)
Transfers			
Acquisitions of subsidiaries	1		1
Net variations	5		5
At December 31, 2008	**90**		**90**
Exchange differences			
Transfers	(1)		(1)
Acquisitions of subsidiaries			
Net variations	13		13
AT DECEMBER 31, 2009	**102**		**102**

Unrecognized tax assets (which are probably not reversible in the foreseeable future) amount to 34 million euros on December 31, 2009 (28 million euros on December 31, 2008).

Main deferred tax bases

	31/12/2009	31/12/2008
Assets		
Employee benefits	61	62
Tax losses	18	10
Financial instruments	6	5
Liabilities		
Regulatory provisions	(30)	(30)
Fixed assets (finance leases)	(20)	(22)
Taxes on dividends	(5)	(5)
Financial instruments	(4)	(4)
Other temporary differences	(6)	(5)
NET DEFERRED TAX ASSETS (LIABILITIES)	**20**	**11**

Deferred tax assets are mainly reversible after five years.

Note 4 – Current assets

4.1 – Inventories, trade and other receivables

	31/12/2009			31/12/2008		
	Gross	Allowance	Net	Gross	Allowance	Net
Inventories	**451**	**(16)**	**435**	**453**	**(12)**	**441**
Raw materials, supplies and finished goods						
Trade receivables	**2,801**	**(113)**	**2,688**	**3,117**	**(93)**	**3,024**
Invoiced and to invoice(1)						
Tax receivables	**31**		**31**	**20**		**20**
Staff, social welfare bodies, State	250		250	284		284
Group receivables and other receivables	208	(9)	199	231	(7)	224
Prepayments	38		38	37		37
Other receivables	**496**	**(9)**	**487**	**552**	**(7)**	**545**

(1) Maturity of trade receivables is as follows:

	Receivables not matured	Less than 6 months	6 months to 1 year	1 year and more	Total
Trade receivables (gross)	1,901	660	107	133	2,801
Allowance	(7)	(14)	(11)	(81)	(113)
Trade receivables (net)	**1,894**	**646**	**96**	**52**	**2,688**

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

	31/12/2009			31/12/2008		
	Gross	Allowance	Net	Gross	Allowance	Net
Cash-on-hand	458		458	338		338
Bouygues Relais cash management company	38		38	53		53
Marketable securities	40		40	34		34
TOTAL	**536**		**536**	**425**		**425**

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

They are divided as follows:

	Euro	USD	GBP	Other	Total
Cash-on-hand	113	56	59	230	458
Bouygues Relais cash management company	38				38
Marketable securities	32			8	40
TOTAL AT DECEMBER 31, 2009	**183**	**56**	**59**	**238**	**536**
December 31, 2008	207	26	27	165	425

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:

	31/12/2009	31/12/2008
Cash and cash equivalents	536	425
Bank overdraft and short-term loans	(153)	(183)
TOTAL	**383**	**242**

Note 5 – Equity

Composition of share capital

Colas' share capital on December 31, 2009 amounts to 48,902,683.50 euros.

It is comprised of 32,601,789 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, 2009	**32,546,671**	**48,820,006.50**
Part of dividend paid in shares	55,118	82,677.00
AT DECEMBER 31, 2009	**32,601,789**	**48,902,683.50**

Main shareholders

	Number of shares	Amounts in euros
Bouygues SA	31,499,647	96.62%
Other shareholders	1,102,142	3.38%

Capital management

The General Management's target is to maintain a level of capital and reserve to enable Colas to:

– ensure reasonable gearing;

– 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, we remind you 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, 2009 relate to companies located in the following countries:

	31/12/2009	31/12/2008
United States	(34)	(21)
Canada	7	(16)
Great Britain	(15)	(19)
Other countries	2	(3)
TOTAL TRANSLATION RESERVE	**(40)**	**(59)**

Note 6 – Current and non-current financial debts

Cash risks

At December 31, 2009, cash (cash and cash equivalents minus bank overdrafts and short-term loans) totaled 383 million euros, in addition to 1,168 million euros of confirmed medium-term bank credit lines undrawn to date. 208 million euros (300 million US dollars) of confirmed medium-term bank credit lines with pivot banks are subject to renegotiation this year. 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. on December 31, 2009 at 0 (zero) million US dollars, which includes a financial covenant requiring a minimum level of equity; that ratio is complied with by 1.9 times on December 31, 2009.

Bank loans and borrowing maturities

	Current	Non-current						
	Less than 1 year 2010	1 to 2 years 2011	2 to 3 years 2012	3 to 4 years 2013	4 to 5 years 2014	5 years and + 2015 and +	TOTAL 2009	Total 2008
Bank loans (medium-long-term)		22	18	11	9	119	179	130
Finance leases		12	7	6	2	2	29	42
Other financial debts (long-term)		1				3	4	14
Sub-total	45	35	25	17	11	124	212	186
Short-term borrowings and overdrafts	153							
AT DECEMBER 31, 2009	**198**	**35**	**25**	**17**	**11**	**124**	**212**	**186**
At December 31, 2008	236	52	45	16	13	60	186	
Short-term portion of long-term debt.							45	53

Breakdown of financial debt by type of currency

	Euro	USD	GBP	Other	Total
Long-term 12/2009	102		75	35	212
Short-term 12/2009	54	7	6	131	198
Long-term 12/2008	30	12	60	84	186
Short-term 12/2008	51	20	9	156	236

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	250	996	179	**1,425**	45	88	124	**257**
Letters of credit								
TOTAL	**250**	**996**	**179**	**1,425**	**45**	**88**	**124**	**257**

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): 44% (2008: 49%)

Floating rate debt: 56% (2008: 51%)

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

Interest rates risks

At December 31, 2009, a breakdown of financial assets and liabilities by nature of interest rate shows the following:

	Floating rates	Fixed rates	Total
Financial assets:			
– Cash and cash equivalents	536		536
Financial liabilities:			
– Borrowings(1)	(220)	(46)	(266)
– Bank overdrafts	(153)		(153)
Net position before cash management	**163**	**(46)**	**117**
Interest rates hedging	71	(71)	
Net position after cash management	**234**	**(117)**	**117**
Seasonality adjustment	(644)		
POSITION AFTER CASH MANAGEMENT AND SEASONALITY ADJUSTMENT	**(410)**		

(1) Including –9.5 million euros for fair value of STVR/Caen interest swap recorded through equity.

Consequently, an immediate increase of 1% in interest rates on the short-term net position above would cause an increase in financial expenses of 4.1 million euros in a full year.

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, 2008	**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**
Exchange differences	1		1			2
Transfers	(1)	5	(2)	3	(11)	(6)
Acquisitions of subsidiaries	1		1	5		7
Actuarial gains/losses in equity	(9)					(9)
Allocation for the year	21	67	34	14	8	144
Provisions used	(13)	(35)	(22)	(7)	(2)	(79)
Provisions reversed	(1)	(25)	(10)	(4)	(4)	(44)
AT DECEMBER 31, 2009	**248**	**200**	**89**	**99**	**27**	**663**

Detail of main provisions

	31/12/2009	31/12/2008
Length-of-service awards	63	63
Retirement indemnities	147	158
Pensions	38	28
Employee benefits	**248**	**249**
Litigation with clients	90	96
Litigation with employees	15	14
Litigation with welfare bodies	57	39
Litigation with tax authorities	17	18
Litigation with other bodies	8	7
Other litigations	13	14
Litigation and legal matters	**200**	**188**
Decennial warranties	52	51
Civil engineering warranties	34	33
Performance warranties	3	3
Warranties	**89**	**87**

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, 2008	**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**
Exchange differences		1			(1)	
Transfers		11		2	34	47
Acquisitions of subsidiaries			(1)			(1)
Allocation for the year	45	53	32	3	36	169
Provisions used	(24)	(17)	(18)	(3)	(30)	(92)
Provisions reversed	(14)	(12)	(9)	(2)	(4)	(41)
AT DECEMBER 31, 2009	**57**	**95**	**54**	**14**	**65**	**285**

Note 8 – Deferred tax liabilities

	31/12/2009	31/12/2008
Deferred tax liabilities	82	79
Other long-term tax liabilities		
TOTAL NON-CURRENT TAXES	**82**	**79**

Note 9 – Other current liabilities

	31/12/2009	31/12/2008
Staff, social welfare, States	864	937
Deferred incomes	57	45
Other non financial debts	672	732
TOTAL OTHER DEBTS	**1,593**	**1,714**

Note 10 – Income from ordinary activities

Breakdown by nature of income

	2009	2008
Revenue	1,676	1,871
Rendering of services	376	386
Construction contracts	9,529	10,532
Other income from ordinary activities	–	–
TOTAL INCOME FROM ORDINARY ACTIVITIES	**11,581**	**12,789**

Information regarding construction contracts

	2009	2008
Works to be invoiced	376	409
Retentions for warranties	55	51
Works invoiced in advance	(339)	(357)
Payments received in advance	(119)	(94)

Note 11 – Segment reporting

The Group applied IFRS 8 "Operating Segments" effective as of January 1, 2009.

IFRS 8 requires operating segment definition based on internal reporting reviewed by the entity's chief operating decision-maker to make decisions about resources to be allocated to the segment and to assess its performance.

Description of Group operations

Roads represent 78% of the Group's total revenue. This segment includes:

– the construction and maintenance of roads, highways, airport runways, seaports, industrial and commercial platforms, city streets and urban development plans, reserved-lane public transports (tramways), recreational facilities, bike paths, etc.

– a large upstream network of industrial activities involving the production and recycling of construction materials (aggregates, emulsions and binders, asphalt mix, ready-mix concrete) with a dense international network of quarries, emulsion plants, asphalt plants and concrete plants, and bitumen production and distribution businesses.

Colas also operates in road-related activities:

– safety, signaling and traffic management equipment;

– civil engineering, pipes and mains;

– waterproofing, cladding and roofing;

– building (new buildings, rehabilitation and deconstruction);

– railways (construction, renewal and maintenance of infrastructures).

Colas is also an infrastructure concession company, especially for highways.

Determination of Group segments

The Group's operating activities are organized as follows:

France General Management Division
Two Managing Directors are responsible for the road business in Mainland France and road-related activities for France and elsewhere around the world (signaling, pipes and mains, waterproofing, railways).

Europe General Management Division
This unit is responsible for the Group's activities in Europe (excluding France) excluding signaling, pipes and mains, waterproofing, railways.

North America General Management Division
This unit is in charge of the Group's activities in the United States and Canada.

International General Management Division and Asia Division
An International Managing Director and a Deputy Managing Director for Asia are in charge of business in western and central Africa, Morocco, Indian Ocean, French overseas departments and Asia.

Reconciliation

Internal reporting and accounting figures are identical; consequently no reconciliation schedule has been disclosed.

Business segment information

	France GM	Europe GM	North America GM	International GM	Consolidated
Year 2009					
Income from ordinary activities	**6,547**	**1,838**	**1,925**	**1,271**	**11,581**
Income before depreciation	495	101	252	174	1,022
Depreciation	(272)	(66)	(85)	(58)	(481)
Profit from operations	**223**	**35**	**167**	**116**	**541**
Interest income (expense)	(7)	(19)	(2)	(6)	(34)
Other financial income and costs	1				1
Provision for income taxes	(65)	(21)	(52)	(34)	(172)
Income from associates	52			3	55
PROFIT FOR THE YEAR	**204**	**(5)**	**113**	**79**	**391**
Segment assets	4,061	1,467	1,011	1,149	7,688
Segment liabilities	3,005	1,105	440	828	5,378
Current investments	(219)	(33)	(76)	(55)	(383)
Year 2008					
Income from ordinary activities	**7,059**	**2,196**	**2,124**	**1,410**	**12,789**
Income before depreciation	534	186	260	168	1,148
Depreciations	(273)	(60)	(79)	(54)	(466)
Profit from operations	**261**	**126**	**181**	**114**	**682**
Interest income (expense)		(13)	(5)	(4)	(22)
Other financial income and costs	6				6
Provision for income taxes	(100)	(26)	(61)	(30)	(217)
Income from associates	56			(10)	46
PROFIT FOR THE YEAR	**223**	**87**	**115**	**70**	**495**
Segment assets	4,300	1,580	969	1,146	7,995
Segment liabilities	3,330	1,163	479	846	5,818
Current investments	(331)	(68)	(106)	(80)	(585)

Geographical segment information

Due to the manner in which the Group's operations are organized, the information by geographical segments disclosed hereafter is very similar to the information posted above in the business segment section.

The differences are as follows:

– in the business segment section, French overseas departments are posted in the International General Management but they are posted in France in the geographical segment section;

– in the business segment section, road-related activities performed in International territories (safety, waterproofing, mains, railways) are posted in France but they are posted according to their location in the geographical segment section.

Revenue by geographical segments

	France	Europe (excl. France)	North America	Rest of the world	Consolidated	%
Year 2009						
Roads – works and sales of construction materials	4,962	1,502	1,791	724	8,979	78%
Civil engineering, pipes and mains	343	259	120	61	783	7%
Waterproofing	566	11			577	5%
Safety and signaling	285	22	12	12	331	3%
Building	274	69	2	48	393	3%
Railways	321	165		32	518	4%
TOTAL	**6,751**	**2,028**	**1,925**	**877**	**11,581**	**100%**
Year 2008						
Roads – 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%**

Assets and liabilities by geographical segments

	France	Europe (excl. France)	North America	Rest of the world	Consolidated
At December 31, 2009					
Non-current assets	2,109	614	562	217	3,502
Current assets	2,092	1,054	449	591	4,186
Total assets	**4,201**	**1,668**	**1,011**	**808**	**7,688**
Non-current liabilities	605	230	70	52	957
Current liabilities	2,486	1,013	371	551	4,421
Total liabilities	**3,091**	**1,243**	**441**	**603**	**5,378**
NET ASSETS	**1,110**	**425**	**570**	**205**	**2,310**
At December 31, 2008					
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**

Information regarding main clients

The Group's main customers are listed below from largest to smallest in scale:

– Local authorities (regions, towns);

– States;

– Private companies (in France, SNCF for railways) and public companies;

– Individuals.

Note 12 – Income statement by function

In addition to the income statement presented by nature, the income statement by function is disclosed hereunder:

	2009	2008
Revenue	11,581	12,789
Cost of sales	(9,936)	(11,015)
Gross profit	**1,645**	**1,774**
Research and development costs	(70)	(70)
Administrative expenses	(1,034)	(1,022)
Profit from operations (current)	**541**	**682**
Extraordinary items		
Profit from operations	**541**	**682**
Net financial debt costs	(34)	(22)
Other financial income and expense	1	6
Income tax	(172)	(217)
Income from associates	55	46
PROFIT FOR THE YEAR	**391**	**495**
Of which: minority interest	4	5
Of which: equity holders of the parent	387	490

Note 13 – Other operating income and expenses

	2009	2008
Profits allocated or losses transferred regarding unconsolidated joint ventures	56	66
Proceeds on disposal of non-current assets	41	94
Other current income(1)	457	563
OTHER OPERATING INCOME	**554**	**723**
Losses allocated or profits transferred regarding unconsolidated joint ventures	(26)	(37)
Net book value of non-current assets disposed	(26)	(38)
Other current expenses	(99)	(116)
OTHER OPERATING EXPENSES	**(151)**	**(191)**

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

Note 14 – Finance income and expense

Interest income and expense

	2009	2008
Interest income from cash	26	24
Income from short-term deposits	1	2
Interest income	**27**	**26**
Interest expense on cash	(26)	(24)
Interest on finance leases	(2)	(2)
Interest on financial debt	(33)	(22)
Interest expense	**(61)**	**(48)**
INTEREST INCOME AND EXPENSE	**(34)**	**(22)**

Other financial income and expense

	2009	2008
Dividends received from unconsolidated investments	3	4
Release of financial provisions	2	3
Proceeds on disposal of financial assets	2	2
Other income		1
Other financial income	**7**	**10**
Net charge on financial provisions	(4)	(2)
Net book value of financial assets disposed	(1)	(2)
Other expense	(1)	
Other financial expense	**(6)**	**(4)**
OTHER NET FINANCIAL INCOME AND EXPENSE	**1**	**6**

Note 15 – Income tax

Income tax is comprised of tax based on net income and tax on distributed profits.

Taxes, other than income tax based on other income statement items (income, purchases, wages, added value, etc.), are posted at the line ‘taxes, other than income tax’ in the income statement.

Breakdown

	2009	2008
Current income tax	(191)	(210)
Deferred income tax	15	(5)
Tax adjustments or exemptions		2
Withholding taxes on dividends		(5)
Tax expense	**(176)**	**(218)**
Tax provisions allocations/reversals	4	1
NET TAX EXPENSE	**(172)**	**(217)**

Reconciliation between theoretical tax and actual tax expense

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

	2009	2008
Theoretical income tax determined at statutory tax rate	(175)	(229)
Impact of different tax rates of subsidiaries operating in other jurisdictions	14	28
Recognition of tax assets not previously recognized		
Unrecognized tax losses(1)	(6)	(9)
Income taxes which are not linked to income	8	(2)
Impact of expenses that are not deductible and incomes that are not taxable in determining taxable profit	(13)	(5)
CHARGE INCOME TAX REPORTED IN INCOME STATEMENT	**(172)**	**(217)**

(1) Not reversible in a foreseeable future.

Note 16 – 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, 2009, less the number of bought back shares expected to be written off.

	2009	2008
Net profit (Group share) in euros	386,729,000	490,165,000
Number of issued shares	32,601,789	32,546,671
BASIC EARNINGS PER SHARE (IN EUROS)	**11.86**	**15.06**

Diluted earnings per share is determined by dividing net profit for the year (Group share) by the total number of shares outstanding at December 31, 2009, plus the number of outstanding stock options.

Because they are no outstanding stock options, diluted earnings per share are identical to basic earnings per share.

DILUTED EARNINGS PER SHARE (IN EUROS)	**11.86**	**15.06**

	Per share	Total
Dividends decided and paid in 2009	€ 8.75	€ 284,783,371.25
Dividends submitted to approval of the General Meeting of Shareholders on April 14, 2010 (not recognized as liabilities at December 31, 2009)	€ 6.75	€ 220,062,075.75

Note 17 – Financial instruments

We disclose, hereafter, the total of notional amounts outstanding at December 31, 2009, 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
	2010	2011 to 2014	Beyond	31/12/2009	31/12/2008
On financial assets	–	–	–	–	–
On financial liabilities	25		159	**184**	**192**

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, 2009 that swap amounted to 71.4 million euros (63.4 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, 2009, that swap amounted to 87.3 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	USD	MAD	GBP	Other	31/12/2009	31/12/2008
Forward purchases	25	15	–	11	–	–	**51**	**215**
Forward sales	4	13	14	–	22	8	**61**	**75**
Currency swap	–	–	–	–	–	–	–	–
Currency options	–	–	–	–	–	–	–	–

Certain work contracts in euros, signed in Hungary, Romania and Morocco, have been hedged for exchange risks. Forward sales of RON, GBP and USD correspond to hedging regarding loans to subsidiaries.

Fair value of hedging financial instruments

At December 31, 2009, the net present market value of hedging financial instruments amounted to –16.6 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: –9.1 million euros;

– transactions regarding cash flow hedge: –7.5 million euros;

– trading transactions: none.

The impact of the market value of the interest rate swap set up for the contract with the City of Portsmouth, England, i.e., –8.7 million euros, is fully compensated by the market value of the embedded derivative instrument regarding the fixed fee paid by the client, i.e., 8.7 million euros.

The impact of market value of the interest rate swap for the contract with the City of Caen (France), i.e., –9.5 million euros, is recognized directly in equity.

The total of valuation of financial instruments after deduction of embedded derivative financial instrument to fixed contractual fee paid by the City of Portsmouth is –7.9 million euros.

In the event of +0.5% transfer in interest rate yield curve (and respectively –0.5%), the market value of hedging financial instruments would amount to –11.5 million euros (respectively –22.0 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 –17.7 million euros.

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

Note 18 – Commitments and contingencies

Commitments and contingencies

Maturity	Less than 1 year	From 1 to 5 years	More than 5 years	Total 31/12/2009	Total 31/12/2008
Commitments given					
Endorsements and warranties	26	41	15	**82**	**70**
Commitments received					
Contractual commitments	–	–	–		–
Assets given as securities					
Mortgages and securities	10	38	55	**103**	**26**

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.

Operating lease commitments

Maturity	Less than 1 year	From 1 to 5 years	More than 5 years	Total 31/12/2009	Total 31/12/2008
Commitments given/received	27	57	61	**145**	**132**

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

Commitments under finance leases

Maturity	Less than 1 year	From 1 to 5 years	More than 5 years	**Total**
Minimum lease payments	17	28	2	**47**
Finance charge	(1)	(1)		**(2)**
Present value of minimum lease payments	**16**	**27**	**2**	**45**
At December 31, 2008	20	39	4	**63**

Other commitments given

The Company signed, in December 2009, a promise for sale with Exxon Mobil and Total companies for the purchase of a refinery in Dunkirk, France – Société de la Raffinerie de Dunkerque – for 20.5 million euros.

Subject to the waiver of precedent conditions, the purchase should take place mid-2010.

In 2009, 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, Colfix (Dublin) Ltd, Colas Construction Ltd, Road Binders Ltd, Chemoran Ltd and Atlantic Bitumen Company Ltd.

Note 19 – Changes in net financial position

	31/12/2009	2009 variations	31/12/2008
Cash and cash equivalents	536	111	425
Bank overdrafts and short-term loans	(153)	30	(183)
Net cash	**383**	**141**	**242**
Long-term financial debts	212	26	186
Long-term financial debts (current portion)	45	(8)	53
Financial instruments	9		9
Gross debt	**266**	**18**	**248**
NET FINANCIAL POSITION	**117**	**123**	**(6)**

Note 20 – Workforce and employee benefits

Average Group workforce

	2009	2008
Managers and engineers	7,960	7,741
Foremen, technicians, supervisors and office staff	16,045	15,632
Workers	47,313	50,221
TOTAL AVERAGE GROUP WORKFORCE	**71,318**	**73,594**

Detail of employee benefits

Defined contribution plans

	2009	2008
Amounts recognized as expense	**757**	**762**

These expenses comprise contributions to:

– social security, welfare;

– retirement pension funds (State and supplementary);

– unemployment insurance schemes.

Defined benefit plans

	Retirement indemnities		Pensions[1]	
	2009	2008	2009	2008
Current service costs	(1)	2		(2)
Interest costs	6	5	10	5
Expected return on plan assets			(9)	(5)
Past service costs	2	4	(1)	1
NET EXPENSES	**7**	**11**		**(1)**
Present value of obligations	172	187	271	213
Fair value of plan assets			(236)	(188)
Unrecognized past service costs	(25)	(29)	3	3
NET RECOGNIZED LIABILITIES	**147**	**158**	**38**	**28**

(1) These pension schemes are managed by independent funds.

Variations of balance sheet net liabilities

	Retirement indemnities		Pensions	
	2009	2008	2009	2008
At January 1	**158**	**135**	**28**	**31**
Exchange differences			1	(4)
Transfers				
Acquisitions of subsidiaries				1
Actuarial gains/losses in equity	(18)	12	9	1
Net expenses	7	11		(1)
AT DECEMBER 31	**147**	**158**	**38**	**28**

Main actuarial assumptions for determination of retirement indemnities

In 2009, actuarial assumptions used to determine the present value of obligations regarding provisions for retirement indemnities and length-of-service awards, have been updated, especially regarding discount rate, determined by reference to market rates at balance sheet date, based on investment grade corporate bonds. The effect of that change in assumptions determined at 2009 balance sheet date has been recognized directly through equity, according to Group accounting policies (IAS 19 revised).

	2009	2008
Discount rates IBoxx € Corporate A10 in 2009 / OAT TEC10 in 2008	4.89%	3.66%
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 2009, options giving subscription rights for new Bouygues shares have been granted by Bouygues SA to certain Colas and Group subsidiary employees. The amount of these benefits is not significant.

Note 21 – Related parties' disclosures

	Expense		Income		Receivables		Debts	
	2009	2008	2009	2008	2009	2008	2009	2008
Bouygues Group companies	45	56	73	109	57	87	10	14
Joint ventures	18	20	50	49	15	14	16	13
Associates	3	10	46	66	5	7	1	1
Other related parties	0.3	0.2						
Key managers	6.9	6.6					8	8
Non-executive Directors	0.2	0.2						
TOTAL	**73**	**93**	**169**	**224**	**77**	**108**	**35**	**36**
Maturity < 1 year					77	108	32	33
Maturity > 1 year					–	–	3	3

Related parties identity

Bouygues Group companies: Bouygues and its subsidiaries.

Joint ventures: Carrières Roy and certain 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, 2009. It comprises the Chief Executive Officer and seven salaried members (including two salaried Directors).

	2009	2008
Direct compensation	6.4	5.5
Post-employment benefits	0.5	0.3
Termination benefits	–	0.8
Equity compensation benefits	–	–
TOTAL	**6.9**	**6.6**

Direct compensation: this amounts to 6.4 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:

– 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 defined pension contribution plan (4% of employees' global wages).

Termination benefits: this covers retirement indemnities.

Equity compensation benefits: the number of Bouygues shares attributed in 2009 (stock-options) is 304,000 with a subscription price of 25.95 euros. The minimum subscription date is April 1, 2014. 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 parent company's accounts.

	Mazars		KPMG	
	2009	2008	2009	2008
Colas parent company's legal auditors				
– Colas	0.2	0.2	0.2	0.2
– Subsidiaries	1.2	1.0	2.2	1.4
– Secondary assignments				0.1
Sub-total	**1.4**	**1.2**	**2.4**	**1.7**
Other assignments: law, tax, welfare				
TOTAL	**1.4**	**1.2**	**2.4**	**1.7**

Note 23 – Main exchange rates used for translation

Convention: 1 local monetary unit = x euros.

Country	Currency	Rate 31/12/2009	Average rate 2009	Rate 31/12/2008	Average rate 2008
Europe					
Croatia	Croatian Kuna	7.3000	7.3444	7.3555	7.2217
Denmark	Danish Kroner	7.4418	7.4461	7.4506	7.4558
Great Britain	British Pound	0.8881	0.8900	0.9525	0.8026
Hungary	Forint	270.42	281.44	266.70	251.05
Poland	Zloty	4.1045	4.3469	4.1535	3.5278
Czech Republic	Czech Republic Koruny	26.473	26.496	26.875	25.039
Romania	New Leu	4.2363	4.2417	4.0225	3.7005
Switzerland	Swiss Franc	1.4836	1.5076	1.4850	1.5786
North America					
United States	US Dollar	1.4406	1.3963	1.3917	1.4726
Canada	Canadian Dollar	1.5128	1.5819	1.6998	1.5656
Other					
Australia	Australian Dollar	1.6008	1.7656	2.0274	1.7487
Morocco	Dirham	11.3040	11.2507	11.2585	11.3510
Thailand	Baht	47.9860	47.8438	48.2850	48.7373

Note 24 – Scope of consolidation

24.1 – Changes in scope of consolidation

Number of consolidated companies	2009	2008
Full consolidation	541	567
Proportional consolidation	111	94
Equity method	20	12
TOTAL	**672**	**673**

Main new investments

France: Cerf, ETC.
International: Bulk Bitumen Company (Mauritius), Pittet-Chatelan SA (Switzerland).

Disposal of companies

None.

Change in consolidation method

Sorexi: fully consolidated until 2008, equity method in 2009.

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.

Impact on balance sheet

	Amounts before acquisition	Goodwill allocation(1)	Fair value of items acquired	Allocation 2008 amended in 2009(2)
Plant and equipment	16	27	43	(1)
Intangible assets	2		2	
Goodwill		1	1	(8)
Associated companies	4	3	7	1
Non-consolidated investments				2
Financial assets				1
Deferred tax assets				
Current assets	13		13	4
TOTAL ASSETS	**35**	**31**	**66**	**(1)**
Equity	13	31	44	
Minority interests	(4)		(4)	(1)
Deferred tax liabilities	2		2	
Other non-current liabilities	8		8	
Current liabilities	16		16	
TOTAL EQUITY AND LIABILITIES	**35**	**31**	**66**	**(1)**

(1) Temporary allocation potentially amendable within one year following acquisition date.

(2) Amendments in 2009 (within one year period) of temporary allocations made in 2008.

Investment price in consolidated companies acquired during the year totaled 9 million euros. Additionally, 35 million euros was paid for companies acquired in 2008, but consolidated in 2009. The fair value of acquired assets and liabilities for 2009 totals 44 million euros.

In addition to 9 million euros for consolidated companies, non-consolidated investments have been acquired for 3 million euros, i.e., an overall amount of 12 million euros for 2009 investments.

Impact on revenue

Revenue	42 million euros

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	
		2009	2008
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	Nancy	99.9	99.9
Colas Rhône-Alpes – Auvergne	Lyon	99.9	99.9
Colas Midi-Méditerranée	Aix-en-Provence	99.9	99.9
Colas Sud-Ouest	Mérignac	99.9	99.9
Aximum	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
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

Companies	Head office	% of stake	
		2009	2008
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
Colas Romania	Bucarest, Romania	100.0	100.0
Colas	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
Colas Gabon	Libreville, Gabon	89.9	89.9
Colas Madagascar	Antananarivo, Madagascar	100.0	100.0
Colas (Maurice) Ltée	Petite Rivière, Mauritius	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
Thai 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	51.0

REPORT OF THE STATUTORY AUDITORS ON THE CONSOLIDATED FINANCIAL STATEMENTS

(Fiscal year ended December 31, 2009)

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, 2009 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, performs impairment tests on its goodwill and assets with indefinite useful economic lives and determines whether there is any indication of impairment of its non-current assets, as described more fully in note 2 in the section entitled "Non-current assets – 5. Monitoring the value of fixed assets" and note 3.2 "Goodwill and other intangible assets" of the notes to the financial statements. We have examined the assumptions made and methods employed in performing that impairment testing and have verified that the abovementioned notes provide the appropriate information.

– Colas recognizes the profit or loss of its construction projects on the basis described in note 2 in 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 profit or loss on project completion.

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 have also verified the information presented in the Group's management report, in accordance with professional standards applicable in France.

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

Paris-la Défense, March 1, 2010

The Statutory Auditors

KPMG Audit	Mazars
A division of KPMG SA	
Xavier Fournet	Gilles Rainaut
Partner	*Partner*

Colas financial statements

at December 31, 2009

Balance sheet at December 31

in millions of euros	Notes	2009	2008
Intangible assets		17.9	17.9
Property, plant and equipment		162.4	152.3
Holdings in subsidiaries and affiliates		1,221.2	1,250.4
Loans and advances to subsidiaries and affiliates		245.3	263.2
Other non-current financial assets		1.7	2.4
Non-current assets	**3**	**1,648.5**	**1,686.2**
Inventories		0.7	1.1
Trade receivables		109.4	132.4
Group and associates		97.6	49.8
Other receivables and prepayments		22.6	17.0
Cash and cash equivalents		13.7	33.5
Current assets	**4**	**244.0**	**233.8**
TOTAL ASSETS		**1,892.5**	**1,920.0**
Share capital		48.9	48.8
Share premium and reserves		696.8	646.7
Net profit for the year		329.1	327.7
Tax-driven provisions		8.3	6.3
Equity	**5**	**1,083.1**	**1,029.5**
Provisions for contingencies and losses	**6**	**48.5**	**40.5**
Financial debt		0.7	0.7
Advance payments		0.6	1.8
Trade payables		99.5	102.5
Group and associates		557.4	620.0
Other non-financial debt, accruals and deferred income		67.0	67.9
Bank overdrafts and short-term loans		35.7	57.1
Liabilities		**760.9**	**850.0**
TOTAL EQUITY AND LIABILITIES		**1,892.5**	**1,920.0**

Income statement

in millions of euros	Notes	2009	2008
Revenue	**10**	**573.3**	**739.6**
Raw materials and consumables used		(348.0)	(503.4)
External services		(101.4)	(103.9)
Staff costs		(58.9)	(60.7)
Taxes other than income tax		(8.3)	(9.0)
Depreciation, amortization and depletion		(9.7)	(8.8)
Net provision allocations		(5.4)	(1.0)
Other operating income		92.3	75.0
Other operating expenses		(1.0)	(1.7)
Share of profits from joint ventures		9.8	(2.1)
Operating profit		**142.7**	**124.0**
Financial income		274.4	262.9
Financial expense		(55.3)	(44.5)
Interest income (expense)	**11**	**219.1**	**218.4**
Profit from operations		**361.8**	**342.4**
Exceptional income		19.9	26.8
Exceptional expense		(20.8)	(10.8)
Exceptional income (expense)	**12**	**(0.9)**	**16.0**
Employee profit sharing scheme		(1.7)	(1.8)
Income taxes	13	(30.1)	(28.9)
NET PROFIT FOR THE YEAR		**329.1**	**327.7**

Notes to the Colas financial statements

Contents

Notes

The figures in the notes to the financial statements are presented in millions of euros (M€) unless otherwise stated.

Note 1 – Information about the Company

The financial statements of Colas for the year ended December 31, 2009 were approved by the Board of Directors and authorized for issue on March 1, 2010.
Colas is a French public *société anonyme* company incorporated in France.
Its main activities are described in note 10.

Note 2 – Summary of accounting 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.

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: 4.89% (iBoxx € corporate A10 at November 30, 2009);

– 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

	01/01/2009	Acquisitions	Disposals and reductions	Charges and reversals	31/12/2009
Intangible assets					
Gross	23.4	0.7			24.1
Amortization and impairment	(5.5)			(0.7)	(6.2)
Net	**17.9**	**0.7**		**(0.7)**	**17.9**
Tangible assets					
Gross	231.4	20.9	(1.3)		251.0
Depreciation and impairment	(79.1)			(9.5)	(88.6)
Net	**152.3**	**20.9**	**(1.3)**	**(9.5)**	**162.4**
Holdings in subsidiaries and affiliates					
Gross	1,323.2	7.4	(18.2)		1,312.4
Impairment	(72.8)			(18.4)	(91.2)
Net	**1,250.4**	**7.4**	**(18.2)**	**(18.4)**	**1,221.2**
Loans/advances to subsidiaries and affiliates					
Gross	263.2	277.1	(287.1)		253.2
Impairment				(7.9)	(7.9)
Net	**263.2**	**277.1**	**(287.1)**	**(7.9)**	**245.3**
Other non-current financial assets					
Gross	2.4	0.3	(1.0)		1.7
Impairment					
Net	**2.4**	**0.3**	**(1.0)**		**1.7**
TOTAL NON-CURRENT ASSETS	**1,686.2**	**306.4**	**(307.6)**	**(36.5)**	**1,648.5**

Note 4 – Current assets

	Gross	Impairment	2009 Net	2008 Net
Inventories	**0.7**		**0.7**	**1.1**
Trade receivables	**112.5**	**(3.1)**	**109.4**	**132.4**
Group and associates	**106.0**	**(8.4)**	**97.6**	**49.8**
Advances and down payments	4.0		4.0	0.7
Other receivables	11.6	(1.0)	10.6	10.8
Prepaid expenses	1.3		1.3	0.2
Accrued income	1.5		1.5	
Deferred tax assets	5.2		5.2	5.3
Other receivables and regularization accounts	**23.6**	**(1.0)**	**22.6**	**17.0**
Marketable securities				
Bouygues Relais cash management company	10.0		10.0	30.0
Cash and cash equivalents	3.7		3.7	3.5
Marketable securities, cash and cash equivalents	**13.7**		**13.7**	**33.5**
TOTAL CURRENT ASSETS	**256.5**	**(12.5)**	**244.0**	**233.8**

Note 5 – Equity

Composition of the share capital

Colas had share capital of 48,902,683.50 euros at December 31, 2009.
It comprised 32,601,789 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).

Changes during the year

	Number of shares	Amount in euros
At January 1, 2009	**32,546,671**	**48,820,006.50**
Portion of the dividend paid in shares	55,118	82,677.00
At December 31, 2009	**32,601,789**	**48,902,683.50**
Main shareholders		
Bouygues SA	31,499,647	96.62%
Other shareholders	1,102,142	3.38%

Change in equity

	01/01/2009	Appropriation by AGM(1)	Capital increase	Other changes	31/12/2009
Share capital	48.8		0.1		48.9
Share premium account	390.6		7.2		397.8
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	234.4	42.9			277.3
Share premium and reserves	**646.7**	**42.9**	**7.2**		**696.8**
Net profit for the year	327.7	(327.7)		329.1	329.1
Tax-driven provisions	6.3			2.0	8.3
TOTAL EQUITY	**1,029.5**	**(284.8)**	**7.3**	**331.1**	**1,083.1**

(1) Distribution of a dividend of 8.75 euros per share, amounting to a total of 284,783,371.25 euros.

Note 6 – Provisions for contingencies and losses

Type of provision

	01/01/2009	Increases	Provisions used	Provisions cancelled	31/12/2009
Litigation and claims	10.4	2.3	(2.3)		10.4
Guarantees provided to customers	0.1		(0.1)		
Tax reassessments	1.0				1.0
Risks related to foreign operations	3.7				3.7
Other provisions for contingencies	2.4	8.9	(0.3)		11.0
Employee benefits	19.6	1.0	(0.1)		20.5
Provisions for losses	3.3	0.9		(2.3)	1.9
PROVISIONS FOR CONTINGENCIES AND LOSSES	**40.5**	**13.1**	**(2.8)**	**(2.3)**	**48.5**

Note 7 – Breakdown of accounts involving related companies

	Assets	Liabilities	Income statement
Non-current financial assets	1,466.5	–	–
Receivables	159.4	–	–
Cash and cash equivalents	10.0		
Financial debt	–	–	–
Non-financial debt	–	572.7	–
Financial income	–	–	270.2
Financial expense	–	–	(46.6)
TOTALS	**1,635.9**	**572.7**	**223.6**

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	247.0	25.9	219.6	1.5
Receivables related to current assets	229.6	229.6		
Cash and cash equivalents	13.7	13.7		
RECEIVABLES	**490.3**	**269.2**	**219.6**	**1.5**
Financial debt	0.7	0.7		
Non-financial debt	724.5	724.5		
Bank overdrafts and short-term loans	35.7	35.7		
PAYABLES	**760.9**	**760.9**		

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

	2009	2008
Tax and social security liabilities	36.8	33.9
Liabilities in respect of fixed assets	6.0	6.2
Other liabilities	13.7	15.2
Deferred income and other regularization accounts	10.5	12.6
TOTAL	**67.0**	**67.9**

Note 10 – Breakdown of revenue

	France	International	2009	2008
Roads		170.4	170.4	254.2
Construction				
Civil engineering				
Sale of products	165.4	20.7	186.1	271.3
Provision of services	122.7	94.1	216.8	214.1
REVENUE	**288.1**	**285.2**	**573.3**	**739.6**

Note 11 – Financial income (expense)

	2009	2008
Dividends received from subsidiaries and affiliates	266.0	251.2
Net interest income (expense)	(5.0)	(15.5)
Other financial provision (charges) reversals	(34.9)	(17.7)
Net gain on disposal of marketable securities		1.0
Translation adjustment	1.7	(0.6)
Losses on advances to subsidiaries and affiliates	(8.7)	
NET FINANCIAL INCOME (EXPENSE)	**219.1**	**218.4**

Note 12 – Exceptional income (expense)

	2009	2008
Capital gain (loss) on the disposal of fixed assets (non-recurring disposals: land, buildings, non-current financial assets)	1.1	17.5
Other income (expense) on management transactions (net)		
Exceptional provision (charges) reversals	(2.0)	(1.5)
EXCEPTIONAL GAIN (LOSS)	**(0.9)**	**16.0**

Note 13 – Income taxes

Breakdown of the tax expense

	2009	2008
Current tax charge for the year	(30.5)	(31.3)
Tax supplements or reductions for prior years	0.6	1.0
Deferred tax	(0.2)	1.4
INCOME TAXES	**(30.1)**	**(28.9)**

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)	360.1	(30.8)	329.3
Exceptional income (expense)	(0.9)	0.7	(0.2)
TOTAL	**359.2**	**(30.1)**	**329.1**

Breakdown of deferred tax

	Temporary differences
Non-current assets	(8.9)
Current assets	3.0
Provisions for contingencies and losses, temporarily not deductible	20.7
Debt	
Tax losses available for carry-forward	
Total deferred tax bases	**14.8**
Tax rate	34.43%
DEFERRED TAX AT FISCAL YEAR END	**5.1**
Deferred tax at the beginning of the year	5.3
Deferred tax (income) expense	**(0.2)**

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

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

Net profit for the year	329.1
Amounts charged for the year to tax-driven provisions	2.6
Reversals for year of tax-driven provisions	(0.6)
Impact on tax	
NET PROFIT, EXCLUDING THE IMPACT OF TAX-DRIVEN PROVISIONS ON PROFIT	**331.1**

Note 15 – Off balance sheet commitments

Finance lease	
Initial value	35.8
Lease amounts paid:	
– previous cumulative amount	50.3
– amount relating to the year	0.2
Theoretical depreciation charges(1)	
– previous cumulative amount	20.7
– amount relating to the year	0.2
Lease amounts payable	None

(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	7.6	7.8
Other related companies		1.3	1.3
Third parties	40.5	0.1	40.6
Commitments given	**40.7**	**9.0**	**49.7**
Commitments received	**–**	**–**	**–**

The Company issued a guarantee for 2009 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.

The Company signed, in December 2009, a promise for sale with Exxon Mobil and Total companies for the purchase of a refinery – Société de la Raffinerie de Dunkerque – for 20.5 million euros. Subject to the waiver of precedent conditions, the purchase should take place mid-2010.

Collateral granted in respect of debts

None.

Note 16 – Workforce and remuneration of executive bodies

Average workforce	2009	2008
Managers and engineers	237	233
Clerical and technical	80	78
Site workers	–	–
TOTAL	317	311

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 2009 to Mr Hervé Le Bouc, Chairman and Chief Executive Officer, amounted to 924,100 euros. Gross variable compensation for 2009 established in relation to quantitative and qualitative targets to be paid in 2010 will be 900,000 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 2009 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	
	2009	2008	2009	2008
Statutory audit and certification of 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		Loans and advances granted	Guarantees provided	Revenue 2009	Net income 2009	Dividends received in 2009
				Gross	Net					
1. Subsidiaries France										
Colas Centre-Ouest	3.3	21.4	99.9	3.4	3.4	35.0		371.0	0.6	5.0
Colas Île-de-France – Normandie	19.7	16.5	99.9	19.7	19.7	12.0		515.1	6.1	9.1
Colas Nord-Picardie	2.9	13.0	99.9	2.9	2.9	3.0		212.7	2.4	3.5
Colas Est	10.4	12.7	99.9	10.2	10.2	12.5		348.2	4.2	2.0
Colas Rhône-Alpes – Auvergne	12.9	60.4	99.9	36.1	36.1	20.0		436.5	8.6	10.6
Colas Midi-Méditerranée	6.9	34.8	99.9	6.1	6.1			363.5	14.4	16.0
Colas Sud-Ouest	6.9	15.8	99.9	5.8	5.8	30.0		358.6	6.9	7.5
Aximum	34.1	12.9	99.9	35.1	35.1	10.0		335.3	4.5	–
Screg Ouest	11.7	7.4	99.9	21.0	21.0	25.0		269.2	0.3	2.5
Screg Île-de-France – Normandie	8.8	18.0	99.9	24.7	24.7			294.9	4.7	6.0
Screg Nord-Picardie	12.1	16.5	99.9	19.7	19.7	2.0		206.5	4.3	3.8
Screg Est	13.4	16.0	99.9	30.8	30.8	17.5		353.7	5.5	6.6
Screg Sud-Est	8.3	19.6	99.9	23.7	23.7	4.0		325.6	4.5	6.6
Screg Sud-Ouest	9.0	18.2	99.9	20.2	20.2	10.0		275.3	7.9	6.4
Sacer Atlantique	4.4	10.8	99.9	4.4	4.4	21.0		262.2	1.5	3.5
Sacer Paris-Nord-Est	4.8	9.8	99.9	4.9	4.9	2.5		180.6	2.9	3.0
Sacer Sud-Est	5.1	11.0	99.9	5.2	5.2			243.6	4.1	5.3
Spac	5.1	11.5	99.9	14.3	14.3			240.6	2.6	1.5
Smac	4.3	30.4	99.9	9.9	9.9			583.1	8.4	12.0
Colas Rail	40.3	77.4	100.0	266.4	266.4	15.0		517.0	2.0	–
Développement Infrastructures	0.2	0.7	100.0	7.9	7.9			–	0.5	0.4
GTOI	0.8	18.2	100.0	1.4	1.4			187.3	3.0	13.7
Colas Réunion Industries	4.0	16.5	100.0	30.3	30.3			–	4.0	3.3
SBEG	7.5	10.9	100.0	7.6	7.6			21.5	5.3	3.7
Gouyer	2.0	1.6	96.9	48.0	48.0			3.9	1.0	0.9
Other French subsidiaries				7.9	7.9	62.1		–	–	1.8
Total subsidiaries France				**667.6**	**667.6**	**281.6**				**134.7**
2. Affiliates – France										
Cofiroute	158.3	1,874.2	16.6	10.9	10.9			–	–	30.2
Other affiliates France				8.7	8.7	7.8		–	–	–
Total affiliates France				**19.6**	**19.6**	**7.8**				**30.2**
3. Foreign subsidiaries and affiliates										
Foreign subsidiaries				554.7	500.0	53.5	0.2	–	–	101.1
Foreign affiliates				70.5	34.0	–	–	–	–	–
TOTAL				**1,312.4**	**1,221.2**	**342.9**	**0.2**			**266.0**

Note 19 – List of subsidiaries, affiliates and marketable securities

Name	Number of securities	Book value in thousands of euros
Colas Centre-Ouest	3,299,995	3,354
Colas Île-de-France – Normandie	19,739,195	19,726
Colas Nord-Picardie	2,849,994	2,897
Colas Est	10,393,969	10,193
Colas Rhône-Alpes – Auvergne	12,925,960	36,061
Colas Midi-Méditerranée	6,899,994	6,123
Colas Sud-Ouest	6,938,747	5,848
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	8,353,938	23,678
Screg Sud-Ouest	8,999,994	20,227
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	40,312,756	266,385
Développement Infrastructures	50,000	7,932
Grands Travaux de l'Océan Indien (GTOI)	799,964	1,381
Colas Réunion Industries	5,000	30,300
Société des Bitumes et Émulsions Guyanaises (SBEG)	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	790,345	944
Colasie	624,225	634
Colas Environnement et Recyclage	160,000	312
Other stakes in French companies	–	188
Other stakes in foreign companies	–	534,003
Total subsidiaries		**1,221,209**
Other securities held in French companies		26
Other securities held in foreign companies		5
Total other non-current financial assets		**31**
Certificates of deposit		–
SICAV mutual funds		–
Total marketable securities		**0**
TOTAL SUBSIDIARIES, AFFILIATES AND MARKETABLE SECURITIES		**1,221,240**

Results of the Company for the last five fiscal years

in thousands of euros	2005	2006	2007	2008	2009
Share capital at the end of the fiscal year					
Share capital	48,236	48,560	48,575	48,820	48,903
Number of shares issued	32,157,671	32,373,450	32,516,685	32,546,671	32,601,789
Number of bonds convertible into shares	None	None	None	None	None
Operations and results for the fiscal year					
Revenue excluding tax	474,192	395,147	447,005	739,587	573,294
Profit before tax, depreciation, amortization and provisions	236,960	268,684	314,692	385,752	405,952
Income taxes	29,731	26,729	27,417	28,903	30,095
Profit sharing for the fiscal year	1,097	1,197	1,490	1,766	1,729
Profit after tax, depreciation, amortization and provisions	209,120	232,462	278,477	327,745	329,061
Distributed profit	154,357	207,190	276,392	284,783	220,062(1)
Earnings per share in euros					
Profit after tax but before depreciation, amortization and provisions	6.44	7.47	8.83	10.96	11.53
Profit after tax, depreciation, amortization and provisions	6.50	7.18	8.56	10.07	10.09
Dividend per share(1)	4.80	6.40	8.50	8.75	6.75(1)
Workforce					
Average workforce	6,382	1,350	295	311	317
Total payroll	53,638	45,244	49,104	45,671	45,327
Amounts paid in respect of social benefits (social security, etc.)	26,767	20,590	18,872	15,002	13,524

(1) 2009 dividend: subject to the approval of the Shareholders' Meeting of April 14, 2010.

STATUTORY AUDITORS' REPORT ON COLAS FINANCIAL STATEMENTS

(Fiscal year ended December 31, 2009)

To the Shareholders,

In accordance with our appointment as Statutory Auditors by your Shareholders' Meeting, we hereby report to you for the year ended December 31, 2009 on:

– the audit of the accompanying financial statements of Colas;

– the justification of our assessments;

– the specific procedures and disclosures required by law.

These financial statements have been approved by the Board of Directors. Our role is to express an opinion on these financial statements, based on our audit.

1 – Opinion on the individual financial statements

We conducted our audit in accordance with professional standards applicable in France. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis or by other sampling methods, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statements presentation. We believe that the data we have collected is sufficient and appropriate to be used as a basis for our opinion.
In our opinion, the financial statements give a true and fair view of the financial position and the assets and liabilities of the Company as of December 31, 2009 and of the results of its operations for the year then ended, in accordance with French accounting regulations.

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 assessments, we hereby report on the following matters:
As indicated in note 2 of the individual financial statements, the investment securities held by Colas are recognized at their acquisition cost less any impairment deemed necessary determined based on their value in use. In the course of our work, we obtained assurance as to the coherence and consistency of the assumptions used and the calculation methods retained.
The assessments on these matters were made in the context of our audit approach to the financial statements taken as a whole and therefore contributed to the opinion expressed in the first part of this report.

3 – Specific procedures and disclosures

We also performed, in accordance with professional standards applicable in France, specific verifications required by law.
We have no matters to report regarding the fair presentation and consistency with the financial statements of the information given in the management report of the Board of Directors and in the documents addressed to shareholders with respect to the financial position and the individual financial statements.
With regard to the information disclosed pursuant to the provisions of article L. 225-102-1 of the French Code of Commerce on remuneration and benefits granted to company officers in addition to any commitments made in their favor, we have verified their consistency with the financial statements or with the data that was used to prepare the financial statements, and, if applicable, with the data obtained by your Company from the companies that control or are controlled by your Company. On the basis of this work, in our opinion, this information is true and fairly presented.
Pursuant to the law, we have verified that the management report contains the appropriate disclosures as to the acquisition of ownership interests and control and the identity of shareholders.

Paris-la Défense, March 1, 2010

The Statutory Auditors

KPMG Audit *A division of KPMG SA*	Mazars
Xavier Fournet *Partner*	Gilles Rainaut *Partner*

STATUTORY AUDITORS' SPECIAL REPORT ON RELATED PARTY AGREEMENTS AND COMMITMENTS

(Fiscal year ended December 31, 2009)

To the Shareholders,

In our capacity as Statutory Auditors of your Company, we hereby report on related party agreements and commitments.
In accordance with article L. 225-40 of the French Code of Commerce, we have been advised of certain related party agreements and commitments which were authorized by your Board of Directors.
We are not required to ascertain the existence of any other agreements and commitments but to inform you, on the basis of the information provided to us, of the terms and conditions of those agreements and commitments indicated to us. We are not required to comment as to whether they are beneficial or appropriate. It is your responsibility, in accordance with article R. 225-31 of the French Code of Commerce, to evaluate the benefits resulting from these agreements and commitments prior to their approval.
We performed those procedures which we considered necessary to comply with professional guidance issued by the French Institute of Statutory Auditors *(Compagnie nationale des commissaires aux comptes)* relating to this type of engagement. These procedures consisted in verifying that the information provided to us is consistent with the documentation from which it has been extracted.

Agreements and commitments authorized during the fiscal year

Cash management

On August 27, 2008, the Board of Directors authorized the renewal of the agreement with Bouygues Relais relating to cash management, subject to a maximum amount of 500 million euros until June 19, 2009. A rider, extending this agreement until July 1, 2009, was authorized by the Board of Directors on May 27, 2009. At the same meeting, the Board of Directors authorized the signature of a new rider to the cash management agreement subject to a maximum amount of 750 million euros as of July 1, 2009 until February 1, 2010.
Moreover, the Board of Directors' meeting of November 25, 2009 authorized the renewal of this agreement until February 1, 2011, subject to a maximum amount of 750 million euros.
In this regard, Bouygues Relais had an amount of 10 million euros outstanding as borrower with respect to Colas. Moreover, the cash transactions carried out in fiscal year 2009 generated a net expense of 2,415,037 euros.
Directors concerned: François Bertière, Hervé Le Bouc, Olivier Bouygues, Jean-François Guillemin and Bouygues SA represented by Philippe Marien.

Use of aircraft

The Board of Directors' meeting of August 27, 2008 authorized the renewal of the agreement with Bouygues SA regarding the use of aircraft. Moreover, in order to improve the conditions of use of these aircraft, the Board of Directors' meeting of May 27, 2009 authorized a change in the financial conditions with effect from June 2, 2009. The amount of the expense recognized in the financial statements for the year ended December 31, 2009 by Colas in respect of this agreement amounted to 388,509 euros excluding VAT.
Moreover, the Board of Directors' meeting of November 25, 2009 authorized the renewal of this agreement for the following year, fiscal year 2010.
Directors concerned: François Bertière, Hervé Le Bouc, Olivier Bouygues, Jean-François Guillemin and Bouygues SA represented by Philippe Marien.

Renunciation of rights to the current account of subsidiary Colas Romania

The Board of Directors' meeting of November 25, 2009 authorized the renunciation of rights to the current account in the amount of 8.5 million euros in favor of its subsidiary Colas Romania in order to enable it to replenish its equity.
Director concerned: Hervé Le Bouc.

Disposal of Transinvest Engineering and Contracting SARL securities

The Board of Directors' meeting of November 25, 2009 authorized the disposal of securities in a Transinvest Engineering and Contracting (TEC) to SPRI (Société de Partenariats et Réalisations à l'International), a subsidiary of Colas, for consideration of one euro. Once the disposal has been completed, the companies' assets will be merged.
Director concerned: Hervé Le Bouc.

Agreements and commitments authorized in prior years and which remain current during the fiscal year

Moreover, in accordance with the French Code of Commerce, we have been informed that the following agreements and commitments which were approved in prior years remained current during the fiscal year.

Tax consolidation

The tax consolidation agreement signed on December 19, 2000 between Colas and Bouygues SA continued to apply in 2009.
The Board of Directors' meeting of September 1, 2006 authorized the renewal of this agreement until the end of fiscal year 2012.
This agreement governs the apportionment of tax expenses within the consolidated group constituted by the parent company Bouygues SA, pursuant to article 223-A of the French General Tax Code, attributing to Colas tax expenses that it is jointly liable to pay. As part of the agreement, Colas authorized Bouygues SA to become solely liable to pay the corporate income tax of Colas, with regard to determining the net profit of the Group as a whole.
Directors concerned: François Bertière, Hervé Le Bouc, Olivier Bouygues, Jean-François Guillemin and Bouygues SA represented by Philippe Marien.

Supplemental defined benefit pension scheme

The Board of Directors' meeting of August 27, 2008 authorized the renewal, for fiscal year 2009, of the agreement relating to the collective supplemental defined benefit pension scheme reviewed by the Board meeting of October 30, 2007, of which Hervé Le Bouc is beneficiary:

– the amount of the additional annuity is 0.92% of the reference salary per year of membership of the scheme;

– contributions by the Company, that are made to the fund constituted by the insurer, vary based on the rights acquired by the beneficiary and the expected returns of the amounts invested.
The amount of the contribution paid by Colas for fiscal year 2009 amounts to 319,260 euros excluding VAT.
Moreover, the Board of Directors' meeting of November 25, 2009 authorized the renewal of the supplemental pension agreement for the following year, fiscal year 2010.
Director concerned: Hervé Le Bouc.

Supplemental defined contribution pension scheme

The agreement relating to the membership of a defined contribution pension scheme reviewed by the Board of Directors' meeting of February 21, 2007, of which two directors having the status of employees are beneficiaries, was maintained in 2009.
The employer's contribution to this scheme amounted to 4% of the total remuneration of the respective employees (fixed and variable remuneration). The corresponding amount of the expense for 2009 recognized in the accounts of Colas was 35,241 euros excluding VAT.
Directors concerned: Thierry Genestar and Thierry Montouché.

Corporate communication campaign

The Board of Directors' meeting of August 27, 2008 authorized Colas to participate in Bouygues SA's corporate communication campaign carried out in 2008 and 2009; the business lines were involved in this operation. The amount recognized in respect of Colas' participation in this campaign was 2,700,000 euros excluding VAT in 2008 and 673,169 euros excluding VAT in 2009.
Directors concerned: François Bertière, Hervé Le Bouc, Olivier Bouygues, Jean-François Guillemin and Bouygues SA represented by Philippe Marien.

Shared services

The Board of Directors' meeting of August 27, 2008 authorized the renewal of the shared services agreement with Bouygues for fiscal year 2009. The corresponding expenses recognized during the fiscal year ended December 31, 2009 amounted to 16,222,006 euros excluding VAT.
Directors concerned: François Bertière, Hervé Le Bouc, Olivier Bouygues, Jean-François Guillemin and Bouygues SA represented by Philippe Marien.

Sub-license for Magnitude software

The agreement made in 2005 between Bouygues SA and Colas relating to a sub-license to use Magnitude consolidation software was maintained in 2009.
No amount was billed in connection with this agreement in 2009.

Paris-la Défense, March 1, 2010

The Statutory Auditors

KPMG Audit
A division of KPMG SA
Xavier Fournet
Partner

Mazars
Gilles Rainaut
Partner

Report of the Statutory Auditors on the transactions in share capital relating to resolutions 12 and 13 of the Extraordinary Shareholders' Meeting of April 14, 2010

Extraordinary Shareholders' Meeting of April 14, 2010

To the Shareholders,

In our capacity as Statutory Auditors of Colas and pursuant to the terms of the French Code of Commerce, we hereby present our report on the operations submitted for your approval.

1 – Reduction of the share capital by retiring treasury shares owned by the company (resolution 12)

Pursuant to paragraph 7 of article L. 225-209 of the French Code of Commerce on the decrease in share capital by the cancellation of a company's own shares, we hereby report on our assessment of the reasons for and conditions of the proposed decrease in share capital.

We performed the procedures that we deemed necessary in accordance with the professional guidelines of the French Institute of Statutory Auditors *(Compagnie nationale des commissaires aux comptes)* relating to this type of engagement. These procedures consisted in reviewing the fairness of the reasons for and conditions of the proposed decrease in share capital.

This transaction is part of the purchase by your Company of its own shares, within a limit of 10% of its share capital, in accordance with article L. 225-209 of the French Code of Commerce. Furthermore, this purchase authorization is proposed for approval at your Shareholders' Meeting and would be effective for a period of eighteen months.

Your Board of Directors requests the delegation of all powers, for a period of eighteen months, to cancel the shares purchased following the granting of authority by your Company to purchase its own shares, up to a maximum of 10% of its share capital and by 24-month periods starting from the date of this Shareholders' Meeting.

We have no comments on the reasons for and conditions of the proposed decrease in share capital, it being indicated that prior approval of the purchase by your Company of its own shares by your Shareholders' Meeting is required.

2 – Issuance of securities conferring entitlement to debt instruments other than bonds provided for in article L. 228-40 of the French Code of Commerce (resolution 13)

Pursuant to article L. 228-92 of the French Code of Commerce, we hereby report on the delegation of authority granted to the Board of Directors in order to issue securities conferring entitlement to debt instruments (other than the bonds provided for in article L. 228-40 of the French Code of Commerce), fixed-term or perpetual debt instruments, or any other instruments conferring, in a single issue, a similar claim on the Company. The maximum nominal amount of issues of these securities conferring entitlement to a claim on the Company and the debt instruments to which these securities give access, carried out under this delegation, may not exceed a ceiling of 750,000,000 euros (or its equivalent in currencies other than the euro or in any other monetary unit based on a basket of currencies), that is submitted for your approval.

Your Board of Directors proposes, on the basis of its report, that you grant it this delegation of authority for a period of twenty-six months to decide to proceed with this operation. If applicable, it will be responsible for determining the definitive issuance conditions.

It is the responsibility of the Board of Directors to prepare a report in accordance with articles R. 225-113, R. 225-114 and R. 225-117 of the French Code of Commerce. Our role is to express an opinion on the fairness of the information relating to the issuance, provided in this report.

We performed the procedures that we deemed necessary in accordance with the professional guidelines of the French Institute of Statutory Auditors *(Compagnie nationale des commissaires aux comptes)* relating to this type of engagement.

Given that the definitive conditions of issuance have not been determined, we do not express an opinion on the definitive conditions of issuance.

Pursuant to article R. 225-116 of the French Code of Commerce, we shall issue a supplemental report, if applicable, should this authorization be used by your Board of Directors.

Paris-la Défense, March 1, 2010

The Statutory Auditors

KPMG Audit	Mazars
A division of KPMG SA	
Xavier Fournet	Gilles Rainaut
Partner	*Partner*

Resolutions

Ordinary Meeting Resolutions

First resolution

Approval of the individual Company financial statements

The 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 2009 – which include the balance sheet, the income statement and the notes and which show a profit of 329,061,543.44 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 9,999 euros in fiscal year 2009.

Second resolution

Approval of the annual consolidated financial statements

The 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 2009 – which include the balance sheet, the income statement and the notes and which show a net profit attributable to the Group of 386,731,000 euros – and the transactions reflected in these financial statements and which are summarized in these reports.

Third resolution

Earnings and earnings appropriation

The Shareholders' Meeting approves the Board of Director's proposal to appropriate earnings as follows:

Earnings for the year:	329,061,543.44 €
plus prior unappropriated earnings:	277,247,794.57 €
Total unappropriated earnings	**606,309,338.01 €**
Appropriation – to the legal reserve:	8,267.70 €
– dividend payout:	220,062,075.75 €
– balance of unappropriated earnings:	386,238,994.56 €

The dividend of 6.75 euros per share shall be paid by Colas, the issuing company, as of April 28, 2010. 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;

– shareholders 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 and/or in shares between April 28, 2010 and May 19, 2010, 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, 2010;

– the Shareholders' Meeting grants full powers to the Board of Directors to carry out the above decisions, to conduct all transactions associated with exercising the 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
2006	6.40 €
2007	8.50 €
2008	8.75 €

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

Reappointment of a Director

The Shareholders' Meeting renews Mr Jean-François Guillemin'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 2011.

Sixth resolution

Appointment of a Director

The Shareholders' Meeting appoints Mr Louis Gabanna 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 year 2011.

Seventh resolution

Appointment of a Director

The Shareholders' Meeting appoints Mr Christian de Pins 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 year 2011.

Eighth resolution

Appointment of a Director

The Shareholders' Meeting appoints Mr Jean-Claude Tostivin 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 year 2011.

Ninth resolution

Appointment of a Director

The Shareholders' Meeting appoints Mr Gilles Zancanaro 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 year 2011.

Tenth resolution

Authorization to the Board of Directors to buy back the Company's own 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 purchase, 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 offmarket 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 77,893,000 euros (on the basis of 311,572 shares, i.e., 0.95% 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 power of attorney 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.

Eleventh 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

Twelfth resolution

Authorization granted to the Board of Directors to reduce share capital by retiring Company shares that the Company owns

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 power of attorney supersedes any earlier corresponding delegation.

Thirteenth resolution

Delegation of authority granted to the Board of Directors in order to issue securities conferring entitlement to debt instruments (other than the bonds provided for in article L. 228-40 of the French Code of Commerce)

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. 225-129-2 to L. 225-129-6 and L. 228-92 and subsequent of the French Code of Commerce:

– delegates the authority to the Board of Directors to decide upon the creation and issue, at its sole discretion, in one or several operations, either in France or abroad, by way of a public offering or through private investment, at such dates and under such conditions as it shall deem appropriate, of securities other than the bonds provided for in article L. 228-40 of the French Code of Commerce, conferring entitlement, either immediately or over time, to fixed-term or perpetual debt instruments, or any other instruments conferring, in a single issue, a similar claim on the Company. These securities conferring entitlement to debt instruments may be denominated in euros or in foreign currencies, or in any other monetary unit based on a basket of currencies;

– decides that the maximum nominal amount of issues of these securities conferring entitlement to a claim on the Company and the debt instruments to which these securities give access, carried out under this delegation, may not exceed a ceiling of seven hundred fifty million euros (750,000,000) or its equivalent in currencies other than the euro or in any other monetary unit based on a basket of currencies, with the understanding that this maximum nominal amount does not include redemption premiums, if provided for;

– decides that the Board of Directors shall have all powers necessary to implement this delegation, with the option to sub-delegate its authority in accordance with applicable laws and in particular to:

- proceed with said issues within the abovementioned limits, setting the date, type, amounts and currency of the issues,
- determine the type and characteristics of the securities to be issued as well as those of the debt instruments to which these securities may confer entitlement and in particular their nominal value and the date from which these securities shall carry dividend or interest rights, their issue price, including an issue premium where applicable, their interest rates, whether fixed, floating or zero coupon and the payment date, or in the event of floating rate securities, the procedures used to determine their interest rates, or the conditions under which interest is capitalized,
- set forth the method of amortization and/or early redemption of the securities to be issued as well as those for the debt instruments to which these securities may confer entitlement, in accordance with market conditions, where applicable including a fixed or variable premium, or even a redemption premium to be paid by the Company,
- decide, if appropriate, to attach a guarantee or surety to the securities to be issued and to the debt instruments to which these securities may confer entitlement and to determine its type and characteristics,
- make provision, if applicable, for the redemption of securities to be issued, as well as that of the debt instruments to which these securities may confer entitlement, to be paid out of Company assets,
- and, from an overall perspective, to determine all methods and procedures for each issue, enter into any and all agreements with banks and other organizations, take any measures necessary and complete any formalities required and more generally do anything that may be required in this regard;

– grants this delegation of authority for a period of twenty-six months as of the date of this Meeting;

– takes due note that this power granted supersedes any earlier corresponding delegation.

Fourteenth 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.

Certification of 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 51 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 8, 2010

Hervé Le Bouc
Chairman and Chief Executive Officer

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