Annual and Extraordinary Shareholders' Meeting, April 15, 2011

Annual Report 2010

COLAS

The road forward

Board of Directors
as of April, 15 2011 [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

Jacques Leost
Director

Colette Lewiner
Director

Philippe Marien
Permanent Representative
of Bouygues SA

Thierry Montouché
Director

Christian de Pins
Director

Jean-Claude Tostivin
Director

Gilles Zancanaro
Director

(1) If approved by the Annual General Shareholders' Meeting on April 15, 2011.

Auditors

KPMG SA
Statutory Auditor

Mazars
Statutory Auditor

François Caubrière
Substitute

Thierry Colin
Substitute

REPORT OF THE BOARD OF DIRECTORS

to the Combined Annual and Extraordinary Shareholders' Meeting, April 15, 2011

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, submit the 2010 financial statements, the proposed appropriation of earnings, and the agreements and operations pursuant to articles L. 225-38 et seq. of the French Code of commerce for your approval, invite you to reappoint seven Directors, appoint two Directors, and renew the authorization granted to the Board to allow the Company to buy back its 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,
– increasing share capital, either through the issue of shares maintaining or excluding preferential subscription rights and/or securities giving access to the Company's share capital, or through the incorporation of additional paid-in capital, reserves, unappropriated retained earnings or other,
– raising the number of new shares to be issued in connection with an increase in the Company's share capital, with or without preferential subscription rights,
– increasing share capital through issues reserved for Company employees pursuant to the provisions of article L. 225-138 of the French Code of commerce and article L. 3332-18 et seq. of the French Labor Code.

Ordinary portion of the Combined Shareholders' Meeting

Business in 2010

In 2010, despite a complicated, unstable economic and financial environment marked by stark geographic disparities worldwide, Colas was nonetheless able to maintain overall business volumes similar to 2009: revenue was up 1% as of the end of December 2010, at 11.7 billion euros. The markets were more complicated than had been expected, rocked by unfavorable trends in public and private investment, a shortage of major projects, intense competition in France and a recession in the French overseas departments. In addition, the Group's businesses were hit hard by extreme winter weather at the beginning and the end of the year in Europe and in North America, nationwide French social unrest in October and November, the cancellation of two major PPP contracts that had already been signed and financed, and above all, the worse-than-expected situation for most subsidiaries in central Europe where markets dropped sharply. A breakdown in revenue figures shows noteworthy disparities amongst the geographic zones in which the Group operates. North America, northern Europe and Asia have recorded growth. Sales in Africa and the Indian Ocean have remained stable. Business in mainland France was relatively stable. On the other hand, the French overseas departments in the Caribbean and Reunion Island have recorded a sag in activity and business in central Europe has slumped sharply. Several well-targeted acquisitions have reinforced the Group's industrial integration strategy – providing Colas with a significant bitumen production capacity in France – and expanded the Group's network in the United States. With unchanged exchange rates and scope of business, revenue is down slightly by 3.5%.

Against this unusual backdrop, the Group share of net profit at the end of 2010 amounted to 224 million euros, compared to 387 million euros at the end of 2009. However, the profit margin amounted to 1.9% of revenue, despite the accumulation of difficulties encountered in the course of a single fiscal year, which have led to major provisions and expenses, the majority of which are not recurrent.

Compared to last year, the breakdown of revenue has not changed significantly. Sales in France, including the French overseas departments, account for 57% of total revenue, with 6.7 billion euros. Outside of France, including French overseas territories, revenue amounted to 5.0 billion euros, i.e., 43% of total revenue. When combined, Europe, including France with 8.5 billion euros and North America with 2.2 billion euros account for 10.7 billion euros, i.e., 92% of total revenue.

The Group kept tight control over its investments. After deduction of asset sales, the net total of investment was reined in at 500 million euros, compared to 368 million euros in 2009 (exceptionally low figure), with an eye on preserving the future thanks to external growth (shares and assets) at 63 million euros (6 million euros in 2009). Investments in tangible and intangible assets mostly involving the renewal of plant and equipment totaled 437 million euros, compared to 362 million euros in 2009. Thus, free cash flow (cash flow from operations less net financial debt, taxes and net investment) totaled 225 million euros.

The Group continued to focus on controlling cash flow. Despite even shorter supplier payment deadlines in France and the drop in net profit, consolidated net debt at the end of December 2010 amounted to 57 million euros, a limited increase of 174 million compared to the 117 million euros in net cash position posted at the end of December 2009. This was made possible by tight control of investments and an ongoing effort throughout the Group to reduce working capital requirements, which helped cap the increase in working capital requirements at 109 million euros in 2010.

As of December 31, 2010, the financial situation of Colas is solid, with a Group share of shareholders' equity prior to dividend distribution of 2,345 million euros, compared to 2,276 million at the end of December 2009, and an unchanged 84% coverage ratio of non-current assets by shareholders' equity and non-current provisions (84% in 2009).

Mainland France

Revenue in mainland France amounted to 6.3 billion euros, up 0.4% compared to 2009 (–2.7% with an unchanged scope of business).

The Group's activities include:

ROADS

(74% of total revenue in mainland France)

This highly-diverse **Roads** sector includes a variety of projects – both big and small – backed by a full range of businesses, expertise and know-how. It covers some 55,000 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 facilities, roads and main networks for real-estate projects including individual homes and apartments 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 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 16 regional subsidiaries located throughout the country.

SPECIALIZED 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 lights, equipment for toll booths, parking lots, access control). 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) including 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 installation 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 (notably transport of aggregates for Group companies). Colas Rail and its subsidiaries operate in these markets.

• Production and sales of oil refinery products
The Société de la Raffinerie de Dunkerque (SRD), acquired on June 30, 2010, manufactures a range of oil-based products for Colas (60%) and Total (40%) as part of a processing contract that runs up to the end of 2012. The products, including bitumen, oils, waxes, parrafin and special fuels, are sold by SRD to Colas and Total, who then in turn sell them. A specialized bitumen division is in charge of selling the bitumen manufactured by SRD (processing contract) to the Group's road subsidiaries. It also sells other products (oils, parrafin, special fuels) to third-party customers, thus creating a new line of business.

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 specialized road-related businesses contend with other 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 waterproofing market, and third in the production of aggregates. Ranking has no significance in the other lines of business.

Roads

In 2010, the road market in current euros was practically identical to 2009, which most likely means a decrease in volume of 3% to 4%. The stimulus plan drew to an end, but this did not lead to any major drop in business volumes and work-on-hand for the road industry as a whole remained all but stable throughout the year. The Group's 16 regional road construction subsidiaries recorded sales of 4.6 billion euros in roads and road products, down 0.7% from 2009. 2010 was marked by a series of negative factors, making it different from the previous years: some were exogenous – horrendous weather conditions not just at the beginning of the year but also with heavy snowfall in November and December, strikes in November and December that impacted the supply of fuel and bitumen – and others endogenous, with major disparities between regions, departments, urban and rural zones, exacerbated by both the wait-and-see attitude of some local authorities, uncertain as to their future financing capacity in the wake of the disappearance of a local business tax, and by tough competition that is irrational in light of actual business volumes. The Group is adapting and rationalizing its business network to face these trends, and has been actively streamlining to improve competitiveness. These efforts were stepped up during the second half-year, which made it possible to reduce pressure on operating margins. Capital expenditure to renew equipment has been kept to a strict minimum. The Group's techniques, products and processes designed to enhance responsible development are gaining ground: warm mix use increased from 2% in 2009 to 4% in 2010, and reclaimed asphalt pavement went from 5% to 7%. The production of aggregates is down 6%.

Specialized activities

ROAD SAFETY AND SIGNALING

Aximum and its subsidiaries recorded levels of business that were slightly higher than in 2009, boosted by the acquisition of Sagemcom's lights and signaling business (traffic lights, traffic regulation systems, etc.). Its service-based activities, including the installation of guardrails, and of road marking products – more than 50% of which are eco-labeled – have changed in a market rocked by significant drops in volume and a relentless rise in raw material prices (notably those used to manufacture road markings). A plan was launched at the end of the first quarter to help the companies adapt. The integration of Sagemcom's business in the electronics products sector is going as planned.

PIPES AND MAINS

Spac and its subsidiaries posted an 11% increase in sales compared to 2009, thanks to work on three major projects involving natural gas transport and underground storage. Traditional business is down slightly, due to sagging public investments in local water distribution networks and a slump in private sector projects for the industrial maintenance sector.

WATERPROOFING

Smac and its subsidiaries recorded a slight rise in revenue figures thanks to the acquisition of Linea BTP that has offset sluggish business, due for the most part to a drop-off in the photovoltaic market following changes to French tax law and lower buyback prices for electricity. Industrial business is holding up, despite the impact of a sharp rise in raw material prices (waterproofing membranes and resins) and harsh competition (skydomes). Outside of France, business in the Spanish subsidiary has declined but this is balanced off by good business in Great Britain. Commercial investments in North America and industrial investments in Saudi Arabia have started to show results. Generally speaking, business held up in a difficult environment and Smac performed well.

RAILWAYS

In 2010, with revenue up 14% compared to 2009, business at **Colas Rail** remained buoyant in a dynamic market in France, boosted by the construction and completion of a series of new tramway lines in Reims, Angers and Paris, along with renovation and maintenance work on France's national rail network. Projects include the renewal and maintenance of track with high output track renewal units and the first closed-line contracts involving studies, supply, work and contract management for track and train traffic management delegated by the RFF, which owns and maintains the French national railway network. The freight business continues to grow and has expanded its customer base with its first private haulage contract for non-bulk merchandise.

In all, 2010 was witness to nearly 80,000 projects in mainland France. Here are some noteworthy examples to demonstrate the **broadly diverse nature of the Group's business in mainland France.**

Construction and maintenance of highway networks: A21: refurbishment of an 8-km section between Lens and Douai; A29: refurbishment of pavement using 30% reclaimed asphalt pavement (RAP) near Honfleur; A48: refurbishment of pavement on the Voreppe – Saint-Egrève section using 35% RAP; A75: construction of a 9.5-km section between Pézenas and Béziers using warm mixes; A750: upgrading of a 4.8-km section near Montpellier using 40% RAP.

Construction and maintenance of road networks: construction of bypasses in Nogent-le-Roi, Lure, Pont-de-Salars, Le Boulou; refurbishment of the Pau bypass using in-place recycling and warm mixes; widening of Route RN 10 to four lanes between Barbezieux and Pétignac, or Route RD 2009 between Riom and Clermont with 30% RAP; refection of roadways on Route RN 455 in Pecquencourt with 20% RAP; upgrading of Route RD 12 between Aigueperse and Thuret using the Valorcol® in-place recycling technique and of Route RD 753 in Tiffauges using the Novacol® process.

Airports – ports: renovation of the jumbo jet distribution runway at Orly airport using warm mixes; rehabilitation of the runway, taxiways and aprons at the Dijon-Longvic; refurbishment of the Auch airport runway; rehabilitation of the runway at the Valence-Chabeuil airport; construction of a new apron zone at the Lyon-Saint-Exupéry.

Logistics facilities and other platforms: construction of logistics facilities in Coudray-Montceaux using Ecoflex® warm mix near Limoges, construction of a 100-acre parking lot near the Mont-Saint-Michel; construction of an environmentally-friendly parking lot in Pont-l'Abbé using recycled materials and Ecofalt® low temperature mixes.

Urban development projects: high quality development projects in downtown Poitiers, Montluçon, and Westhouse; redesigning a square and terraces in Nanterre using 5,000 m^3 of Compostyrène; refurbishment of the Mont-Saint-Siméon zone in Noyon including the hiring of workers who were part of professional insertion employment schemes; exterior work at the Robert-Schumann Hospital in Metz, at the Amiens University Hospital including high-level safety issues, the Noyal-Pontivy Hospital using Vegecol®; transforming a section of highway into an urban freeway in the east of Lyon.

Athletic and recreational facilities: refurbishement of the track at the Stade de France stadium; refurbishment of the bicycle motorcross track in Mandeure; building of an athletic track in Andernos-les-Bains; construction of a bike path along the coast in Les Sables-d'Olonne.

Public transport: completion of the first tramway line in Reims as part of a Public Private Partnership (PPP); work on the Angers tramway; launching of construction of tramway lines T1, T2, T3, T5, T6 in and around Paris.

Environment: refurbishment of pathways in the Versailles Castle grounds as part of a skills-sharing patronage program; work on the eco-village in Viry; application of 12,000 m^2 of Coletanche® waterproofing membrane on a retention pond in Estrées-Mons including 3E® warm mix.

Safety and signaling: supply and installation of 20 kilometers of concrete separators and 23 kilometers of steel guardrails on the south bypass of Reims; renewal of the traffic regulation system in the Hauts-de-Seine department, near Paris.

Pipes and mains: installation of a 52-km pipeline on the Mâconnais artery for GRT Gaz; construction of the Hauterives natural gas storage unit in an EPCC contract for Storengy.

Waterproofing: construction of the façades and woodwork at the Hôtel de la Region Rhône-Alpes in Lyon; waterproofing and installation of photovoltaic systems on the first positive energy office building, Green Office 1, for Bouygues Immobilier in Meudon.

Railways: renewal of a 37-km section of track on the Pau-Oloron line and an 18-km section on the Cambo-Bayonne line; installation of 12.8 kilometers of track for the Angers tramway line; catenary work on the Paris-Lyon high-speed train line between Combs-la-Ville and Saint-Louis-les-Aygalades; maintenance work on track and signals in the Channel Tunnel.

Deconstruction, demolition: partial deconstruction of a 20-storey housing complex in Levallois-Perret; demolition using explosive of 407 apartments in Vaulx-en-Velin; deconstruction of grain storage units and silos in Billère.

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. In 2010, the network recorded a 1.9% increase in traffic, with passenger vehicle traffic still on the rise at +1.7% and HGV traffic back on track with growth at +3.3% compared to 2009. Improvements continued on the interurban network, and 2010 was witness to the opening of a new bridge over the Loire River, as part of the widening project between Orleans and Olivet on the A71 and the widening of the north bypass of Angers. Work on the 5.5-km section of the Duplex A86 tunnel structure between Vaucresson and Vélizy-Villacoublay was completed at the end of September by Socatop, a consortium including Vinci, Eiffage and Colas, enabling Cofiroute to open up the entire duplex A86 structure to traffic for the first time ever on January 9, 2011. The 10-km long tunnel links Rueil-Malmaison to Vaucresson and Vélizy-Villacoublay, with a concession running to 2086.

ADELAC

Adelac, a concession company in which Colas holds a 6.9% share for a duration of fifty-five years, operates a 19.7-km stretch of highway A 41 between Saint-Julien-en-Genevois and Villy-le-Peloux on the Annecy, France to Geneva, Switzerland link. Despite a 5% increase in traffic compared to 2009 during its second year of operation, average traffic – at 18,000 vehicles per day – is still under the initial forecasts, due mainly to lower-than-expected HGV traffic and to the impact of the economic crisis.

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, financing 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 2008, Mars has been operating the city's bus network (roughly 170 buses). In 2010, the building consortium, including the Group's road companies Colas Est and Screg Est and the railway specialist Colas Rail, completed the construction of the tramway's platforms and tracks (11.2 kilometers). Tests on the tramway were performed in April 2010, with inauguration slated for April 2011.

French overseas departments

Revenue posted for the French overseas departments amounted to 362 million euros, a 15% drop from 2009.

On **Reunion Island,** revenue sagged for the second year in a row, pushed down by a recession in the building and public works markets. Business for the building units has taken a sharp dive, due to the absence of public financing and the collapse of private investment following changes in French tax law that favored real estate investment in the overseas departments. The road construction business is in a slump, but this was offset by civil engineering projects (water treatment plants, irrigation ponds, photovoltaic farms) and roads and main services contracts. The crisis in the sector has led to a decrease in the sales of construction materials. In 2010, the structures of subsidiaries in Reunion Island were streamlined in the wake of the cancellation of the PPP Tram-train project between Saint-Paul and Sainte-Marie that had been awarded to the Tram'Tiss consortium and for which Colas was project leader.

In the **Caribbean (Martinique** and **Guadeloupe),** the market remained relatively flat following the 2009 social crisis, the impact of which is still profoundly affecting the economy and investments. Decision-makers, both public and private, are at a stand-still, due to the precarious financing situation of local authorities and to the reform of French real estate tax law, thus explaining the exceptionally low levels of business for the Group's public works and building units. These companies have reinforced streamlining plans launched in 2009 to help adapt to the current situation.

French Guiana has maintained good levels of business, thanks in particular to two major projects: the construction of the access road to the Oyapock bridge at the border with Brazil and the earthworks for a water treatment plant in Cayenne.

International and French overseas territories

Revenue from international subsidiaries and French overseas territories amounted to 5.0 billion euros, up 2.4% over 2009 (–3.5% with unchanged structures and comparable exchange rates). A breakdown by region shows that North America accounts for 44% (40% in 2009); Europe (excluding France): 37% (42% in 2009); Africa/Indian Ocean/Asia/Oceania/other countries: 19% (18% in 2009).

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. Specialized activities in the international divisions include pipes and mains, civil engineering, railways, signs and signaling in Europe, building and civil engineering in the Indian Ocean, road marking in Canada, civil engineering, railways and signaling in Morocco, etc. In Asia and Australia, Colas' business mainly focuses on the production, storage, transformation and trade of oil products (bitumen and emulsion).

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

Europe

Revenue in Europe, excluding France, amounted to 1.8 billion euros, down 10.1% from 2009 (–12.4% with comparable exchange rates and identical scope of business).

Northern Europe recorded good growth, with revenue up 16%.

In **Great Britain,** revenue at the road subsidiary Colas Ltd remained high, comparable to 2009, boosted by four long-term MAC (Managing Agent Contractor) contracts for the management and maintenance of road and motorways in Great Britain for Areas 14, 10, 7, 12, i.e., 3,500 kilometers (including engineering structures), and by stimulus package investments during the first half-year. At the end of the year, an austerity plan led to a freeze in local investments. The upgrading and maintenance contract in Portsmouth is still ongoing. Colas Rail Ltd also enjoyed buoyant business, with track renewal work that required the use of four High Output track renewal units as part of a long-term MAC contract for track renewal. Colas Rail Ltd has confirmed its position as market leader in the rail sector for long-term track renewal contracts.

In **Switzerland,** business rose sharply thanks to a number of road, highway and rail infrastructure projects.

In **Belgium,** thanks to a high level of investment and to rescheduling of 2009 contracts to 2010, revenue in the road business has surged.

In **Denmark,** revenue remains unchanged with disparity between the two half-years (strong business during second half-year).

In **Ireland,** despite an extremely difficult economic environment, revenue is comparable to 2009.

Business in **central Europe** has declined 34%.

Most of the companies were hit hard by additional slumps in business in 2010 (nearly 50% decrease in two years), mainly in Hungary, Slovakia and Croatia. Generally speaking, throughout the zone, traditional business has dropped off sharply, and prices are pushed down by heavy competition. In **Slovakia,** after many months of uncertainty, the PPP contract for D1 Motorway, which had continued to mobilize manpower and equipment, was finally cancelled at the end of August. In **Hungary,** the lower figures are mainly due to the completion of the major PPP project for M6-M60 Motorway at the end of 2009. Work on the M3 Motorway has begun. In **Croatia,** the road sector is going through a deep recession and the subsidiary was unable to fill its work-on-hand. The drop-off was not as sharp in the **Czech Republic;** sales were stable in **Romania,** and **Poland** posted a slight increase in revenue. In all, the stronger-than-expected decrease in revenue gave rise to major restructuring plans in Croatia, Slovakia and Romania. Administrative timetables governing these plans created additional costs. Difficulties were also encountered to simply complete or to continue work on a number of contracts, such as D47 Motorway in the Czech Republic, or in Romania, with A2 Motorway between Cernavoda and Constanta (20 kilometers) where many contractual issues have arisen (15-km shift in original trace, delays in hand-over of land). The project was unable to advance as planned, and many unexpected costs were incurred. The Suceava bypass in the east of Romania was also hit by extra costs, due notably to delays in the hand-over of land.

Among the year's most noteworthy projects, one can cite: the full upgrade of the slow lane on A7 Highway between Saint-Ghislain and Mons, heavy maintenance work on A12 Highway, and the installation of an 85-km pipeline in Belgium; airport runways at the military base in the Falkland Islands (Great Britain); the construction of a section of Highway 16 in Switzerland; the refurbishment of some 20 sections of highway in Denmark; the rehabilitation of the roadways in two tunnels in Iceland; the widening of a 7-km section of highway to six lanes on the Budapest bypass in Hungary; the construction of the Moravské bypass in the Czech Republic; the construction of the Svinia-Presov section on D1 Motorway in Slovakia; the construction of A2 Motorway between Cernavoda and Constanta in Romania; the construction of a section of highway for the Poznan bypass and another highway section between the towns of Gniezno and Czachurki in Poland.

Responsible development techniques are gaining ground: several projects involving noise-reducing surfacing techniques saw the day in Switzerland and in Great Britain. The use of warm mixes also progressed in Hungary, Poland and Slovakia.

CONCESSIONS

Ensign: PFI in Portsmouth (Great Britain)

The first ever public-private partnership involving the upgrading and maintenance of city networks signed in 2004 for a duration of twenty-five years, the Portsmouth PFI is a source of satisfaction for both the customer and users alike. Since mid-2009, the contract has entered its second phase and now involves maintenance and network management covering 480 kilometers of roads, 84 bridges and structures, and 19,000 streetlights. The year was marked by harsh weather during the winter maintenance program.

MAK: M6-M60 Motorways (Hungary)

MAK, a concession company in which Colas holds a 30% stake, has been awarded a thirty-year PPP contract to build and operate two new sections for a total of 80 kilometers of M6 (50 kilometers) and M60 (30 kilometers) Motorways in the south of Hungary. The work was performed in record time, right on schedule. The operation and maintenance phase began at the end of March 2010 for a duration of twenty-eight years.

North America

Revenue totaled 2.2 billion euros, up 15% compared to 2009 (3% with comparable exchange rates and identical scope of business).

UNITED STATES

The Colas companies, which mainly operate out of 25 states, benefited from the positive impact of stimulus packages as was the case in 2009. This helped partially offset a shrink in demand, which seemed to diminish at year end, paving the way for very slight recovery. The long-term federal infrastructure program called SAFETEA-LU was temporarily extended for an additional year. Colas companies rolled out plans aimed at improving their organization (exchanging best practice) and continued to control operating costs. In addition, the subsidiaries pursued the promotion of cost-wise pavement maintenance techniques and focused on diversifying their businesses (reinforcement of civil engineering and structures activity). Two new road companies (Baker and Ballou) were acquired to strengthen the network in Georgia, and provide a gateway to new states in the midwest and southeast. Furthermore, the companies pursued their strategies targeting a better control of bitumen supplies, backed by a network of depots and terminals and a greater diversification of the customer base. These actions helped the companies perform well, with a slight increase in sales compared to 2009, bearing witness to their strength and resilience in 2010's highly competitive market.

CANADA

Despite harsh weather, especially in Alberta, revenue at ColasCanada increased, thanks to an ongoing program to upgrade infrastructure in Quebec and a leap in private investment in the West, sparked by rising raw material prices. Two companies were acquired in British Columbia. Against a dynamic economic backdrop, 2010 was an excellent year for Colas companies in Canada, thanks to an extensive network of high-quality business units and a business model based on vertical integration (bitumen storage, aggregate production, binders, asphalt mixes, ready-mix concrete, road marking paint, road works).

Among the highlights of 2010 for Colas North America:
– United States: refurbishment of engineering structures and roadways on Interstate 81 in Franklin County, Pennsylvania; rehabilitation of a 108-km section of Interstate 55 in Missouri; refection of pavement on Interstate 57 in Jefferson County, Illinois; widening and upgrading of a bypass in Thomson, Georgia, refurbishment of pavement on Interstate 64 in Richmond and rehabilitation of a naval air station in Virginia Beach, Virginia; refection of a freeway in Los Angeles, California; extension of the Port of Anchorage and upgrading of a bridge in Ketchikan, Alaska;
– Canada: upgrading Route 185 to Highway 85 as part of the Trans-Canada Route in Temiscouata county and the extension of Highway 75 in the Beauce region of Quebec.

In the United States, warm mixes accounted for 14% of total asphalt mix production, roughly five times more than in 2009, and reclaimed asphalt pavement (RAP) made up 18%. In Canada, in-place recycling is currently being developed in Alberta.

Elsewhere around the world

MOROCCO

In an increasingly competitive environment, traditional road business is down, compared to 2009, when figures had reached high levels. Among the year's most significant projects, one can cite the construction of the container yard apron at the brand new port of Tanger-Méditerranée and the widening and reinforcement of the road between Chefchaouen and Oued Laou in the northwest of the country.
A drive to improve sales in the railway sector has paid off, with the award of a contract for the Casablanca tramway, in the wake of the Rabat project, along with maintenance and upgrading of the existing rail network.

WEST AFRICA

In **Benin,** sales have slumped, due to the temporary deferral of two major road contracts in the wake of late payment. Work did however begin on the 37-km section of the Djougou – Ouaké route.

In **Togo,** the Colas teams completed the refurbishment of a 9-km section of a six-lane road that crosses through Lomé. A major civil engineering project was launched in the port of the capital city.

In **Gabon,** business is enjoying growth. Renovation work on the streets in Libreville continues as part of the African Nations Cup 2012 and the country's fiftieth anniversary of independence. Two contracts were won involving the upgrading of runways at Port-Gentil airport and Mayumba airport.

INDIAN OCEAN AND SOUTHERN AFRICA

In **Mauritius,** revenue has soared, with the start-up of two major projects involving the bypass of Port-Louis and a boom in the building sector.

In **Mayotte,** road-business volumes remain satisfactory, backed by long-term upgrading contracts and the construction of logistics facilities for a hospital in Mayotte. More than 26% of surfacing projects use warm mixes.

In **Djibouti,** the Group's business includes roads, building and a variety of diversified contracts including drainage and small-scale road works supported by local financing, the construction of a shopping center and a military base.

In **Madagascar,** investors and international financial backers have still not returned in the wake of political unrest. The units have been streamlined to allow them to weather out the storm until new projects are launched.

Civil engineering, roads and main services work is still ongoing at the Toamasina site, as part of the large-scale Sherritt nickel and cobalt mining project. A 30-storey office building is currently under construction in the capital city.

In **southern Africa,** business in South Africa was boosted by infrastructure reinforcement projects in the framework of the World Soccer Cup in 2010, and work was performed at the Windhoek airport in Namibia. In Kenya and in Zambia, following a very good year in 2009, emulsion production figures are down.

ASIA AND OCEANIA

In **New Caledonia,** the road business has been boosted by civil engineering work as part of the construction of the Koniambo metallurgical plant (nickel) and infrastructure work in the north of the island. The building unit completed the construction of a student housing building at the University of Nouméa.

In **Australia,** business in 2010 was similar to 2009 for Drawmac and its companies, which operate in bitumen storage and trade along with the production and sales of bituminous binders via a network of depots and plants located in Sydney, Brisbane, Perth and Melbourne. Colas increased its stake in Drawmac from 51% to 94%.

In **Asia,** Colas operates in nine countries with a central line of business focused on the production, distribution and sales of bituminous products. All of the Group's units enjoyed a sharp increase in business, boosted by the region's dynamic economic environment. Bitumen sales at Tipco went over the one million-ton mark. In **Thailand,** business was buoyant, including export trading with strong demand in China's road market. In-place recycling techniques are progressing. In **Malaysia,** production at the Kemaman bitumen refinery has surged. In **India,** Hincol recorded business figures similar to 2009. A bitumen depot was commissioned in Haldia and a new emulsion plant, the eighth, is currently being built. In **Indonesia,** the road construction business is stable. A new bitumen depot is being built in Medan, in the northeast of Sumatra. In **Vietnam,** an additional bitumen depot was acquired, and the bitumen trading business is on the rise.

Techniques, Research and Development

Research has been one of the driving forces of Colas' strategy for many years. Backed by a portfolio of more than 130 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 ever-changing national markets, from the sub-zero temperatures of Alaska to tropical climates in Africa and Asia, as well as in the fields of road marking, photovoltaic units, etc. In 2010, 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 physics.

In 2010, 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.

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, which 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 expertise 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 tramways, PPPs, and PFIs. Over 80 people work at the CST, from engineers, technicians, physicists and chemists to material experts and calibration specialists.

Nearly fifty decentralized laboratories and one hundred engineering 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 (1,000 people) and engineering design offices (1,000 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 the following issues for the road sector:

- lowering the manufacturing temperature of asphalt mix and mastic asphalt for warm and cold mixes (3E® energy-efficient asphalt mixes at Colas, Compomac® V at Screg and Ecofalt® at Sacer), along with low temperature mastic asphalt (Neophalte® BT at Smac);
- progressively replacing synthetic chemicals and petrochemical products with plant-based products, such as Vegeflux® fluxing agent or Vegeclair® binder, the carbon negative range launched in 2010;
- absorbing nitrogen compounds emitted by vehicles using innovative surfacing (Colclean®, first project completed in France in 2010);
- recycling used materials, with in particular the use of reclaimed asphalt pavement (RAP) from old demolished roadways to manufacture new mixes (3E®+R mixes, Valorcol® in-place recycling at Colas, Recycold® V at Screg, which won an award at the 2010 Mayors Convention in Paris);
- decreasing the thickness of road courses (Colgrill® R surfacing combining a fiberglass grid and asphalt mix, winner of the 2010 Sustainable Development Innovation Award).

Backed by EcologicieL® software previously developed by Colas, teams from the Group played a major role alongside specialists from the entire French road industry in the design of the USIRF's eco-comparing software tool SEVE®. Decision-makers were very receptive to the project, and the software has enabled a number of contracts to be won with eco-friendly technical alternatives (less energy consumption and reduced greenhouse gas emissions).

Reducing traffic noise has long been a priority at Colas, and improvements continue to be made to noise-reducing surfacing techniques in this aim: latest generation of Nanosoft® and Rugosoft® noise-reducing mix developed by Colas, Microville® HP at Screg and Miniphone® S 0/4 at Sacer.

Lastly, improving the environment can also be a question of creating visually–appealing surroundings: research and development teams focus on highlighting the natural color of aggregates, without bitumen, thanks to translucent plant-based binders (in 2010, Sacer launched the Sacerbike® process).

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 plant-based safety marking processes that do not give off any volatile organic compounds (e.g., Vegemark® water-based road marking paint with plant-based binder designed by Aximum).

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 2010, a number of projects undertaken by international and French overseas units used the Group's special products and processes:
– in **Belgium,** Vegecol® mixes with plant-based binder were used;
– in **Switzerland,** there was a surge in interest for the latest generation of Nanosoft® noise-reducing mixes;
– in the **United Kingdom,** Microville® noise-reducing mix was employed for the first time;
– on **Jersey** and the **Isle of Man,** special airfield asphalt mixes (BBA) have been used to reinforce runways;
– in **Denmark,** Vegecol® surface dressings and noise-reducing mixes were applied;
– in **Hungary,** several projects brought into play warm mixes with CWM® from Chemoran and Rugosoft® noise-reducing mixes;
– in **Poland** and **Slovakia,** teams employed warm mixes with CWM® from Chemoran;
– in **Romania** and the **Czech Republic,** modified bitumen was spotlighted;
– in **Croatia,** reclaimed asphalt pavement (RAP) techniques were used for the first time;
– in **North America (United States** and **Canada),** Ecomat® warm mix continued to progress, with overall tonnage in the United States multiplied by almost five compared to 2009, i.e, 14% of total asphalt mix production. The use of reclaimed asphalt pavement (RAP) techniques is still on the rise in the United States (18% of total asphalt production). In Alberta, Canada, in-place recycling is being highlighted. In both countries, the Fibermat crack-resistant technique is popular (nearly 4 million m^2 applied in 2010); the first test sections involving Vegeflux® plant-based flux have been launched and a North American eco-comparing software has been developed with the assistance of the Colas Campus for Science and Techniques;
– in the **Caribbean/French Guiana,** teams are using high modulus asphalt mixes and Rodal® open graded percolated mix;
– in **Gabon,** bids were made with technical alternatives including rut-resistant mix and reclaimed asphalt pavement (RAP);
– in **Morocco,** Betoflex®, Colbase® and Multicol® special mixes were applied and focus was set on developing colored mastic asphalt;
– in the **Indian Ocean** and **Pacific Rim,** warm mixes were used on more than 50% of the asphalt projects in Mayotte; in Mauritius, teams applied high modulus asphalt mixes, modified bitumen Betoflex® and Ruflex® mixes and extruded concrete; Vegeflux® plant-based flux was employed in Reunion Island and an Eco-tri sorting station was created; in New Caledonia, a 200,000-m^2 microsurfacing project was completed;
– in **Asia,** the Stabicol in-place recycling technique enjoyed strong development (154,000 m^2), along with emulsion-based surfacing techniques in Thailand; modified bitumen sales were up sharply in China; Colquick® asphalt mixes were applied in South Korea.

Responsible development

Approach

Colas – a leading force in the construction and maintenance of transport infrastructure, urban development and recreational facilities – has developed an approach to responsible development based on the conviction that it can and must meet the needs and aspirations of its customers and society in a responsible manner. This approach takes into account the issues of contemporary society and its sometimes contradictory objectives, which range from fostering social cohesion and fighting climate change to meeting transportation needs and improving living environments.

In developing its Responsible Development approach, Colas began by assessing the interrelationships between its stakeholders and the potential impact of these relationships on their needs. These are mapped out in the table below:

	Customers	**Human resources**	**Communities and their institutions**	**Environment and inspection bodies**	**Suppliers**	**Shareholders**
Customers		Average risk	Major impact	Considerable impact	Low risk	Average risk
Human resources	Major impact		Strategic challenge	Strategic challenge	Major impact	Average risk
Communities and their institutions	Average risk	Low risk		Major impact	Low risk	Average risk
Environment and inspection bodies	Average risk	Low risk	Strategic challenge		Average risk	Low risk
Suppliers	Low risk	Low risk	Average risk	Average risk		Low risk
Shareholders	Average risk	Average risk	Major impact	Low risk	Considerable impact	

Strategic challenge Major impact Considerable impact Average risk Low risk Non-significant

Three main lessons emerge from this assessment: our people out in the field play a key role in determining how Colas is perceived; environmental considerations are critical to this image (particularly in relation to the production of construction materials); and customers are an important source of feedback at the local level as part of the ongoing dialogue between Colas, communities and their institutions.

Based on the analysis of stakeholder interrelationships and risks as shown in the table above, Colas' approach to responsible development is underpinned by three strategic targets and five major targets. The three strategic targets are critical for Colas to develop its business and thrive in the long term, and their achievement depends largely on Colas. They include: human resources development, social acceptance of production sites, and ethics. Colas does not have as much leeway in meeting its other five targets, even though some, such as energy, may be considered every bit as important. These major targets include: safety, corporate citizenship in developing countries, energy and greenhouse gases, recycling, and chemical hazards. For each of these targets a policy of continuous progress has been established and is coordinated at each level of the organization. For most of these targets, global performance indicators and goals have been specified. This approach seeks to foster a culture of continuous improvement at all Colas' work sites and plants worldwide. It was rated AA+ by extra-financial rating agency BMJ. This motivation is also reflected in the many actions the Group's operating units undertake in their communities.

In 2010, a reporting software application deployed worldwide enabled the Colas Group's 840 legal entities, 800 works units and 1,400 production sites to report a uniform set of specifically defined performance indicators for the first time. After analysis and verification of these indicators by Colas' Environment department, a detailed report is sent to the operations managers of the 61 "head entities" (subsidiaries or national head offices), which perform the first level of internal control. More specific objectives and reporting requirements are drawn up with some of these entities, and new action plans are prepared each year with chief operating officers and safety, energy, environment, quality, health, diversity and other managers, in accordance with Colas' decentralized organizational structure. In each country, aggregates, binders, mixes, concrete, paint, asphalt, bitumen and other construction materials meet all applicable standards and certification requirements, such as material safety data sheet obligations (mostly in the OECD countries) and EC marking in the European Union. Plants are also working to obtain Eco-Profiles or other voluntary certifications.

"We have been observing Colas very closely over the last five years, and what strikes us is the extent to which the commitment to sustainable development issues is deeply rooted throughout all of the Group's business units. When we assessed their performance in this field, we gave them a rating of AA+, on a scale of AAA to DDD. Colas' determination to advance on issues that are completely new to the Group, in addition to a corporate culture focused on improvement and sharing – and not just satisfactory communication: these are the cornerstones of management practices at Colas. Corporate Social Responsibility is a very serious matter and the issue is well coordinated at Colas. The Group ensures that all environmental, societal and social undertakings are coherent, and that the focus remains on acting before communicating. In our minds, cautiousness of this nature is fitting for a group with so many stakeholders. The men and women at Colas are hard at work to pave the way for Corporate Social Responsibility, even if we have to admit that there is still a long way to go."

Pascal Bello, Chairman and Chief Executive Officer of BMJ Ratings(1)

(1) Extra-financial rating agency specialized in Sustainable Development and Corporate Social Responsibility rating.

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;
• favoring and organizing mobility;
• promoting a productive environment at work, based on enjoying one's job and valuing employees;
• protecting and improving life at work.

RECRUITMENT AND DIVERSITY

Continuation of recruitment efforts in 2010

Recruitment in 2010 by geographic area:

Zone	Managers	Workers	Total
France	746	1,327	2,073
International	862	1,603	2,465
incl. Europe	283	569	852
North America	269	668	937
Africa/Indian Ocean/ Asia	310	366	676
TOTAL	**1,608**	**2,930**	**4,538**

In a difficult economic environment in 2010, Colas maintained an active recruitment policy to ensure that it would be ready for the future. In all, over 4,500 people were hired (vs 5,800 in 2009). France accounted for some 2,100 of these new recruits (vs 2,400 the previous year). There were once again many new hires in North America and Mauritius, where business is expanding, and at Colas Rail, which recruited 300 people in 2010. In contrast, hiring in Europe slipped by 50% in 2010, mainly due to the drop off in business in central Europe.

Links with schools, internships and work/study programs: special recruitment focus

Apart from the many actions undertaken to promote the Group's career opportunities and raise its profile among all categories of job seekers to attract the best candidates (such as open-house days and "Public Works ambassadors" at regional public works federations in France), Colas and its subsidiaries develop and maintain strong links with many schools and universities. In France, these include vocational high-schools, university technology schools, the ESITC engineering school in Cachan, the École des mines in Alès, the École centrale in Lille and the ESTP. In North America, close ties have also been developed with Penn State University and the École de technologie supérieure in Montreal. These actions include providing instruction, sitting on evaluation panels, participating in forums and sponsoring events, graduating classes, schools and students and organizing open-house days at worksites and plants.

Work-study programs, which involve all qualification levels, and student internships are two other preferred means of recruitment. In 2010, 380 young people were trained and evaluated under work-study programs before being hired (vs 600 in 2009). Colas also received 2,260 interns (vs 2,500 in 2009), including 275 outside of France (430 in 2009).

Diversity and the enrichment of our collective intelligence

One way that Colas seeks to increase the diversity of its workforce is through its recruitment policy. This is especially true in mainland France, where laws encourage the hiring and retention of cultural groups that are generally under-represented in the workplace, such as people over 50, the disabled, and low-skilled young people. Increasing gender diversity is also a key objective.

A "Diversity" module has been added to the Group's management training program and to the Colas Campus University-1 curriculum, to help managers develop and manage diversity and make it an asset for their company.

People over 50

Pursuant to the agreement concluded with the social partners in December 2009, subsidiaries in mainland France have undertaken actions to encourage the employment of people age 50 and older. Some, such as Colas Nord-Picardie, Screg Sud-Est and Colas Mayotte, have achieved impressive results. In all, about a hundred of these "seniors" have been hired in France. Experienced employees are often used to train young people under mentoring programs.

Employing the disabled

Under the agreement signed in October 2009 with Agefiph in France, studies to accommodate the disabled in the workplace were conducted in 18 subsidiaries in mainland France in 2010. For each of these subsidiaries, action plans were drawn up to increase employee disability awareness, retain and recruit disabled employees, promote the recognition of disabled workers and procurement from institutions who provide work for the disabled. A group-wide agreement is to be signed with Agefiph in early 2011.

Many subsidiaries in France, Morocco, Djibouti, the United States and New Caledonia have already undertaken initiatives to promote the recruitment, training and retention of disabled employees. Efforts to make premises accessible to people with limited mobility are being pursued. A guide book on adapting work for people who have suffered a work-related accident was prepared and disseminated this year.

Colas won the "Keeping Disabled Workers Employed" prize at the 2010 Diversity Awards, organized by the University of Corte, in Corsica.

The hard-to-employ

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 established with local organizations, and 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 (e.g., the T3 tramway in Île-de-France and the Dijon tramway). For the fifth consecutive year, Colas pursued its partnership with the public-sector agency EPIDe to enable low-skilled youth from age 18 to 21 to learn about the Group's job skills, receive several months of on-the-job training and possibly be offered a job.

International subsidiaries that work on projects in disadvantaged areas generally try to hire locally whenever possible. Colas Belgium is continuing its special training and hiring program for the long-term unemployed. Subsidiaries in the United States hire people from underprivileged communities under Equal Employment Opportunity programs.

Gender diversity

Breakdown of male and female employees in 2010:

		Management	Workers	Total
Mainland France	Men	81.3%	99.4%	91.9%
	Women	18.7%	0.6%	8.1%
International	Men	76.9%	94.2%	89.8%
	Women	23.1%	5.8%	10.2%

Women accounted for 8.1% of Colas' mainland French workforce in 2010 (vs 8.3% in 2009) and for 10.2% outside of France (vs 9.2% in 2009).

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 32% women.

On the basis of a study conducted in 2010 on the career development of women employees in the Group's French subsidiaries, progress actions have been proposed to get more women interested in job opportunities at Colas and to facilitate their internal promotion and skills development.

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 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 welcome books, charters, videos and logbooks, with a strong emphasis on increasing safety awareness, through such tools as the "Induction" training application. After successful completion, trainees are issued a certificate of competency.

"In 2008, our profit center supervisor in Belfort persuaded us to take part in the regional Euroskills(1) competition, and we won! At the nationals in 2009, we won again, much to everyone's surprise, given the tough competition and the fact that we didn't have a lot of experience."
Fabian: "I discovered the construction business by chance, when a foreman invited me to visit a worksite. I fell in love with the job right away."
Mathieu: "Since I was little, I've always dreamed of working in construction and in particular at Colas. One of my neighbors growing up was a supervisor at Colas and absolutely loved his job; he was the one who got me hooked!"
"For the European finals in 2010 in Lisbon, Portugal, we had to do our very best to live up to the faith people had put in us, and to honor the opportunity that we had been given to represent France, our trade and Colas Est(2).
We used to play soccer on different teams so we had to play against each other, but now we work together towards the same goal, focusing on the quality of our work and on adding a special personal touch.
We won the gold, and we would like to dedicate our medal to everyone who had faith in us, who trained us, who taught us how to be proud of a job well done, basically everything Colas believes in!"

Fabian Millot (24 years old) and Mathieu Machwirth (22 years old), Gold medal winners in the Roadbuilding category in the 2010 Euroskills competition held in Lisbon, Portugal.

(1) European section of WorldSkills, an organization that promotes expertise and skills in specific trades, spotlighting the talent of the people who work in these lines of business. Every two year, the best of each category compete in regional, national and European events.

(2) Colas road company based in the east of France.

Workforce in 2010 *(rolling 12-month average)*

	Managers and engineers			Office staff and supervisors			Workers			Total		
Country	2009	2010	%	2009	2010	%	2009	2010	%	2009	2010	%
Mainland France + overseas depts and territories	5,757	5,740	–0.30	9,735	9,629	–1.09	23,404	22,998	–1.73	38,896	38,367	–1.36
Europe (excl. France)	1,188	961	–19.11	3,108	3,215	3.44	9,169	8,478	–7.54	13,465	12,654	–6.02
Total Europe	6,945	6,701	–3.51	12,843	12,844	0.01	32,573	31,476	–3.37	52,361	51,021	–2.56
North America	539	553	2.60	1,767	1,776	0.51	4,853	5,118	5.46	7,159	7,447	4.02
Africa/Asia	325	367	12.92	922	927	0.54	3,734	3,805	1.90	4,981	5,099	2.37
Indian Ocean	151	163	7.95	513	552	7.60	6,153	4,613	–25.03	6,817	5,328	–21.84
TOTAL	**7,960**	**7,784**	**–2.21**	**16,045**	**16,099**	**0.34**	**47,313**	**45,012**	**–4.86**	**71,318**	**68,895**	**–3.40**

The Colas Group's worldwide workforce shrank 3% in 2010, from over 71,300 in 2009 to almost 68,900. This may mainly be attributed to the lack of major projects, the cancellation of two large PPP contracts (the Tram-train on Reunion Island and the D1 highway in Slovakia), the sharp drop in business in central Europe, and the adjustment of hiring to bring the workforce into line with market trends.

Streamlining

The streamlining of the Group's organization continued in 2010, in the wake of the second consecutive year of rapidly declining activity in central Europe and French overseas departments. The drop-off in business in Croatia, Romania, Slovakia, the French West Indies and Reunion Island required layoff plans involving 525 people.

MOBILITY

In 2010, Colas continued to build stronger synergies between entities in France and worldwide, electing to respond to lower activity in some geographic areas or regions by transferring staff between its subsidiaries. This geographic mobility has been successful and has demonstrated the solidarity, complementarity and unity of the Group's subsidiaries. The further synergies generated have helped to protect jobs in mainland France, most notably in the Western region, where subsidiaries set up a "labor exchange" at Colas Échangeur Nantes that enables them to share personnel on a day-to-day basis. Other examples include: Colas Centre-Ouest and Sacer Atlantique, who sent employees to work on tramway projects in the Île-de-France region around Paris; Smac, which supplied Colas Est with people for its Reims tramway project; and Screg Sud-Est, which has set up a "job exchange" between its operating units. Subsidiaries in North America also showed that they were able to transfer employees where they were needed, with Terus and Works Alberta lending personnel to other Canadian subsidiaries. In the Indian Ocean region, Malagasy employees were made available to Colas Mauritius and Colas Madagascar expatriate employees travelled abroad to work for other Colas companies.

The Human Resources department's Mobility and Career Development unit handled about 100 employee transfers in 2010. In all, almost 400 people were redeployed in France, including 75% between subsidiaries.

Mobility guidelines have been standardized for all subsidiaries in mainland France. The Group has introduced specific measures to assist spouses of employees in finding new jobs.

TRAINING AND INTERNAL PROMOTION

Colas' training budget for 2010 totaled 4% of combined payroll in France and more than 2.5% outside of France. This is because training is essential for career development and multi-skilling facilitates employee mobility and reclassification when the economy slows down.

Training actions and hours in 2010:

	Hours	Actions
France	490,600	30,200
International	484,800	71,900
TOTAL	**975,400**	**102,100**

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 mainland France over 2010, workers received 52% of training (by time), while office staff and supervisors received 27% and management 21%. Outside of France, the distribution of training hours for each employee category is 51% for workers, 36% for office staff and supervisors and 13% 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 38% of training hours in 2010 in mainland France and elsewhere around the world. Work methods and equipment account for 25% of training hours in mainland France and 31% elsewhere around the world, general training for 18% in mainland France and 4% elsewhere around the world, and management and HR training for 9% and 14% respectively.

Colas Campus and Colas University

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 (e.g., the Reims Rail School at Colas Rail; and the Thivars training center at Aximum).

In 2010, Colas Campus, during the year of its twentieth anniversary, enabled more than 4,500 employees (vs 5,500 in 2009) in France to improve their professional skills and acquire new ones. Training programs inspired by Colas Campus designed for expatriate and local managers have been put in place at Colas Madagascar and at the Group's Moroccan subsidiaries.

The Colas Universities form the foundation of this campus. In 2010, training actions included twelve University-1 sessions for 250 recently hired managers and supervisors, seven University-2 sessions to enable experienced managers to further develop their management skills, and two University-3 sessions for operating unit and functional managers. In North America, 44 employees were trained at the Colas University.

Training to foster synergy, multiskilling and internal promotion

Training programs run jointly by two or more subsidiaries are frequent in France and elsewhere in the world. They enable their employees to share their experience, work methods and tools.

Against a background of lower activity levels, some subsidiaries make multiskilling a priority or help their employees make the transition to a new job where Colas lacks resources, such as deconstruction and civil engineering.

Internal promotion is part of the Group's managerial culture. It 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, 6,400 superintendants, 2,700 site supervisors and nearly 4,500 foremen and workers were trained from 2000 to 2010, representing almost 930,000 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 2010, 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 managerial positions. Some 61 PQCs have already been granted in many subsidiaries.

Some international subsidiaries (such as Colas Morocco and Barrett Industries in the US) are setting up employee evaluation and promotion programs. Colas Mauritius is conducting a campaign to detect high-potential young people and rapidly train them for management positions.

Mentorship

Colas encourages the transfer of knowledge between generations by training mentors who impart their know-how and experience to new employees. In 2010, 96 mentors were trained in France and elsewhere around the world. In Canada, Sintra was the first to provide specific training for mentors.

In France, the Compagnons de la Route, a group of 875 top skilled workers, play a key role in disseminating Colas' values and technical expertise in the field.

HEALTH

A safe and healthy work environment is vital at Colas.

Safety concerns are addressed in detail beginning on page 21.

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. Efforts have been undertaken to prevent back injuries by improving equipment ergonomics. Data sheets that present the ergonomic characteristics of equipment have been made available online, and the agreement to encourage the employment of "seniors" in France provides for a taskforce to enhance the ergonomics of smaller equipment and tools and promote their safe use. Many subsidiaries have also implemented "movements and postures" training to encourage employees to avoid back injuries in all work situations. Two examples are Colas Belgium's Back School and Branscome's "Watch your back" campaign in the United States. In several subsidiaries in France and abroad (such as Delta in the United States), studies have been conducted to assess the noise and vibration caused by certain types of equipment, and efforts are being made to limit their use. Reducing dust, particularly in quarries, is also a key concern at many subsidiaries, such as Colas Midi-Méditerranée, Colas Reunion Industries and Colas Mayotte.

The subject of exposure to chemicals is dealt with further in the section on "Chemical Hazards" challenge (see page 26), while exposure to bitumen fumes is covered in the same section (page 26) and in the "Operational risk" section (page 31).

To help employees in France manage and reduce stress, Colas and its social partners have signed a "method agreement" to deal with this problem and improve employee well-being. A task force consisting of about twenty people representing the Group's main trades and functions will conduct a comprehensive review of stressful situations and work organization, working in collaboration with an occupational health doctor and the French safety and research institute INRS. An initial report has been submitted to the Monitoring Committee, which includes the social partners, and an action plan will be drawn up in 2011.

Subsidiaries and operating units are also pursuing their efforts to prevent drug and alcohol abuse, for example by organizing awareness-raising workshops. Operating unit managers in France will soon be provided with a "toolbox" to help them deal with this problem.

Lastly, certain subsidiaries (in Switzerland, South Africa and the United States) provide medical checkups for their employees. In Madagascar, Benin and Gabon, health centers and medical staff are made available to employees and their families, and programs to prevent AIDS and other sexually transmissible diseases are being pursued.

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 total compensation.

Pay and benefits

Colas has always made it a point to ensure that pay packages are attractive and motivating, based on the recognition of individual efforts and performance. Salaries consist of a fixed part and a variable part that depends on the achievement of objectives, individual responsibilities and Company performance. In 2010, due to the economic environment and the uncertain outlook for 2011, the main objective in terms of wage policy was to preserve employment. Although aggregate payroll has consequently stopped growing, employee purchasing power has been maintained. Special attention has been paid to the lowest salaries.

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 2010, the agreement on health care costs was extended to French overseas subsidiaries in the Caribbean.

In France, profit-sharing agreements enable employees to reap the fruit of Colas' long-term success. In 2010, Colas signed a Group profit sharing agreement that applies to 20 subsidiaries in mainland France and the Échangeurs. This agreement takes into account not only the subsidiary's financial performance but also its safety rating, to ensure that safety is not a secondary consideration. Employees can also invest in the Bouygues Group's company savings plan, its PERCO retirement savings plan and Bouygues Confiance 5 plan, in which 30% of all French employees and 18% of workers have invested since it was proposed at the end of 2010. Under the Bouygues Confiance 3 plan, which ran from 2006 to 2010, employees earned a return of 30% over this five-year period.

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 2010 (France):

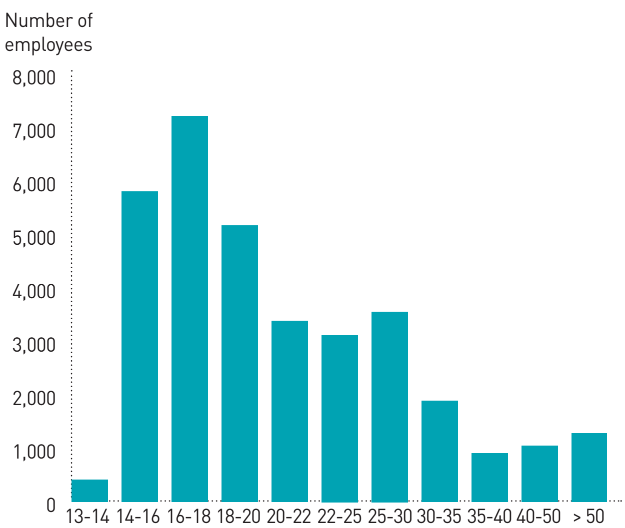
in thousands of euros	2009	2010	% 10/09
Salaries and wages	2,126,141	2,186,864	2.86%
Social security charges	757,370	756,815	–0.07%
Total payroll expenses	**2,883,511**	**2,943,679**	**2.09%**
Employer contribution to PEE	28,924[1]	24,417	–15.58%
Profit sharing	13,055	10,984	–15.86%
Incentive scheme	–	2,889	–
Total employer contribution, profit sharing and incentive scheme	**41,979**	**38,290**	**–8.79%**
TOTAL PAYROLL COSTS AND OTHER ADVANTAGES	**2,925,490**	**2.981,969**	**1.93%**
Outside personnel	267,903	313,944	17.19%[2]

(1) Employer contribution to PEE was amplified by "Bouygues Partage 2" operation.

(2) This change is attributable to the increase and type of work sites in the rail business, in addition to the increase in exceptional highway work sites in Switzerland.

Gross salaries per month in 2010 (France):

(in hundreds of euros)



Company savings plan (PEE) and retirement savings plan (PERCO) in 2010 (France):

Bouygues PEE	Number of subscribers	% of workforce	Total aggregate employee deposits[1] (in euros)	Average individual deposits (in euros)
Managers	3,633	63.29%	10,639,545	2,929
Office staff and supervisors	4,098	42.56%	7,379,985	1,801
Workers	4,697	20.42%	5,799,006	1,235
TOTAL	**12,428**	**32.39%**	**23,818,536**	**1,917**

Colas Monétaire	Number of subscribers	% of workforce	Total aggregate employee deposits[1] (in euros)	Average individual deposits (in euros)
Managers	101	1.76%	107,221	1,062
Office staff and supervisors	127	1.32%	101,092	796
Workers	156	0.68%	115,827	742
TOTAL	**384**	**1.00%**	**324,140**	**844**

PERCO	Number of subscribers	% of workforce	Total aggregate employee deposits[1] (in euros)	Average individual deposits (in euros)
Managers	458	7.98%	804,326	1,756
Office staff and supervisors	204	2.12%	133,283	653
Workers	116	0.50%	77,440	668
TOTAL	**778**	**2.03%**	**1,015,049**	**1,305**

(1) Employee deposits excluding matching contribution from employer.

Comparison between average annual salaries paid by Colas and minimum annual legal salaries by country or geographic area in 2010:

		Mainland France	Hungary	Great Britain	Switzerland	Morocco	Madagascar	United States	Canada [3]
Average annual salary paid by Colas* (in euros)	Machine driver	24,411	8,575	29,114	59,115	5,374	1,152	39,728	23,375
	Foreman	34,239	13,730	44,697	76,811	13,116 [1]	2,628 [2]	45,108	32,725
Minimum annual legal salary per country (in euros)		16,125	3,173	14,555	45,673**	2,213	336	11,072	12,150***

For international operations, an exchange rate at December 31 is applied.

(*) Average annual salary for the fixed portion. (**) The minimum salary is the salary for the construction sector. (***) The average minimum salary for provinces where Colas carries out business.

(1) Attributable to the hiring of a large number of young people (with lower initial salaries) in 2010.
(2) Attributable to a much lower number of overtime hours worked in 2010 comparing to 2009.
(3) Increase comparing to 2009 due to 2009/2010 CAD/EUR exchange rate change.

In France and elsewhere around the world, salaries and benefits are kept 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.

Other examples of social responsibility initiatives undertaken by subsidiaries – in addition to those in developing countries (see "Corporate citizenship actions in developing countries", page 24) – include various programs providing on-site assistance from social workers for employees.

Local management of labor relations

Employee interests in France are represented through 336 works councils (of which 20 are "central works councils") and through health and safety committees.

International subsidiaries elect their local representatives to parent company 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 2010 include: a profit sharing agreement for mainland France; an agreement on medical expenses in the Caribbean (Martinique and Guadeloupe) and in French Guiana.

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 where progress is recorded. These efforts are now being extended to the international subsidiaries. Some subsidiaries organize employee satisfaction surveys.

Social acceptance of production sites

Colas operates a large number of sites where it makes a broad range of construction materials that includes aggregates, ready-mix concrete, asphalt mixes, bitumen and emulsions. Since most countries, and in particular local communities, are increasingly reluctant to accept these sites. Colas' action plans are twofold:

EXEMPLARY PRODUCTION SITES

Each site has a duty to implement progress actions that go beyond just complying with regulations. The main means of achieving this is to obtain environmental certification, such as ISO 14001. Progress actions are documented and measured using global checklists that cover most materials production activities and are used to prepare action plans that are in turn incorporated into French and international internal control systems. By the end of 2010, 80% of Colas' revenue in materials production sites complied with at least one certification system or used the internal checklists. The objective is to rapidly increase this figure to 90%.

ONGOING DIALOGUE WITH NEIGHBORING COMMUNITIES

Maintaining an open dialogue with local communities makes it possible to understand their expectations, explain the reality and constraints of production sites, and promote mutual comprehension to prevent crisis situations. In 2010, 46% of revenue at Colas materials production sites had set up a formal procedure for communicating with their local community (vs 32% in 2009). The objective is to exceed 50%.

As for Colas' construction work, it has little direct impact on the environment:
– new construction projects account for not quite 20% of total revenue. Their impact is assessed during the design phase and Colas' role during construction is generally limited to complying with its customers' environmental requirements and proposing improvements when possible;
– 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. These projects 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.

In addition to its day-to-day efforts to be a good neighbor, Colas also deploys a variety of eco-friendly technologies, such as trenchless pipe replacement and Nanosoft® noise reducing pavement, which is increasingly popular with customers, local communities and drivers. Indeed, noise is considered to be the greatest environmental nuisance. Over 130,000 m^2 of Nanosoft® were laid in 2010.

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. Employees who are exposed to corruption are regularly reminded of the need to scrupulously observe ethical rules and training is systematically provided to top managers. Colas also complies with the Bouygues' Ethics Code, which was first released in 2006, is updated annually and is systematically disseminated. 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 partnership relationship with its customers. Transparent dissemination of information is the cornerstone of career satisfaction and managerial efficiency, since personal and corporate values must be in harmony to sustain individual commitment and motivation.

The Ethics Committee reporting to the Colas' Board of Directors reviews 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, such as:
– the **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 all of their mixing plants be equipped with such a system. They are now used to weigh three fourths of the tons of all asphalt mixes made in France;
– **setting up an exchange for selling pre-owned construction equipment:** in France, 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, in order to avoid illegal transactions and money-laundering. Since the launch of this initiative in 2006, Colas has sold 35 million euros worth of pre-owned construction equipment through this exchange, corresponding to 1,950 units, to buyers in more than 40 countries.

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 at the heart of Colas' concerns for many years. Respect for human resources begins with safety. The safety targets set in 2005 for 2010 have been achieved. The accident frequency rate was less than 10 in France, over 50% of operating units in metropolitan France had no work accidents, and over 30% of the Group's global workforce had received rescue and first-aid training. The targets set for 2015 are: an accident frequency rate of less than 5% for the Group's employees and 20% for temporary employees in France; over 300 operating units with zero accidents in mainland France and 35% of Group employees trained in rescue and first-aid. Colas vigilantly enforces its safety policy.

WORK ACCIDENTS

After a substantial improvement in 2009, the accident frequency rate rose slightly in 2010, to 9.97 in mainland France (vs 9.66) and to 6.08 elsewhere (vs 5.98).

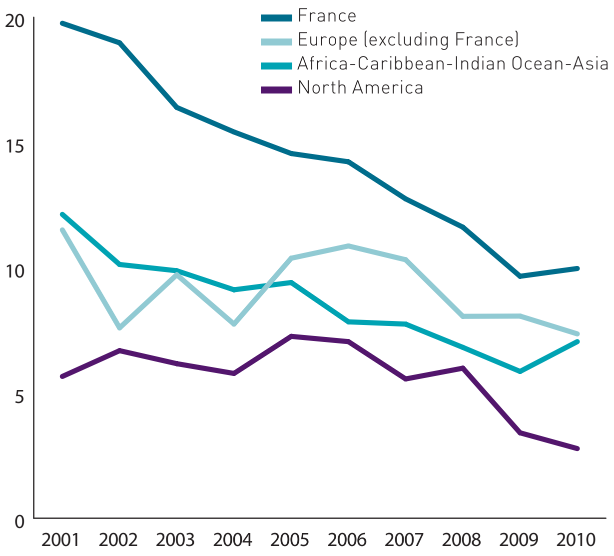
Colas Group safety indicators[1]:

Mainland French subsidiaries	Frequency rate	Annual severity rate	Security index	Fatal work accidents	Fatal accidents on work-related journeys
2008	11.62	0.48	5.58	6	2
2009	9.66	0.42	4.06	2	0
2010	9.97	0.48	4.79	1	2

International subsidiaries	Frequency rate	Annual severity rate	Security index	Fatal work accidents	Fatal accidents on work-related journeys
2008	6.99	0.21	1.47	5	1
2009	5.98	0.19	1.14	6	1
2010	6.08	0.16	0.97	6	2

(1) The difference in rates between the Group's operations in France and elsewhere in the world is primarily the result of differences in regulatory definitions of work accidents in various countries. A much broader definition is used in France than in most other countries.

Change in global frequency rate over the last ten years:



Furthermore, the number of "zero-accident" operating units with over ten employees in mainland France increased from 230 to 234 in 2010, and represent over 50% of total entities.

Employee awareness-raising and risk assessment

Colas provides its subsidiaries with various tools and materials for making sure that employees are fully aware of public works industry hazards. One example is the "Induction" software application, which enables each employee to review the various hazards and safety instructions associated with his or her job. This tool is systematically used in mainland France to train new recruits and temporary employees and is currently being translated into Malagasy and Dutch. Since temporary workers tend to have more accidents, Colas has revised the safety clauses of its contracts with temporary staffing companies in France and has worked with them to prepare safety action plans, in addition to the numerous targeted safety actions of the subsidiaries. Colas' Hazards application helps entities complete the master hazard assessment form and prepare safety action plans, while the Lara application is used to assess chemical hazards. Lastly, in 2010, Colas set up a procedure for monitoring serious and fatal accidents to ensure that their causes are eliminated at the earliest possible phase.

Each subsidiary also implements the specific safety actions and tools it needs for its business activities and employees. This may include, for example: providing training in specific areas (such as working with high voltage lines), videos, booklets, sketches, photos of work-sites followed by debriefings, having employees sign Safety Commitment Charters (at Screg Île-de-France Normandie) and paying bonuses to managers and super-visors for good safety performance (at Branscome in the US). In countries where they are permitted, random drug tests (United States) and alcohol tests (South Africa) are carried out at construction sites.

Safer equipment

Safety can also be improved through innovation to make construction equipment safer and improve personal pro-tection equipment. Efforts in this area include systematically installing back-up cameras on some vehi-cles, rear guardrails on some vehicle bodies and ultrasonic radar, and cameras, etc.

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 man-agers 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 site audits, entities auditing each other, toolbox safety talks and safety days.

The safety awards and contests that are organized between the various operating units, subsidiaries, and countries foster a process of virtuous emulation. The 2010 Crystal Woodpecker Award was granted to Colas Sud-

Ouest in France and to Terus in Canada. Some subsidiaries have created their own safety contest, such as Sacer Atlantique's "Secur'idées" challenge.

Employees trained in first aid

Training in first aid is beneficial not only for employees, their friends and family, but also for society as a whole. It also strengthens everyone's safety awareness.

Change in the number of employees trained in first aid:

	2008	2009	2010
France	10,290	11,225	11,441
International	6,774	8,128	8,307
TOTAL	**17,064**	**19,353**	**19,748**

In 2010, the percentage of the workforce who had received occupational rescue and first-aid training increased from 29% in 2009 to 31% (19,748 employees). First-aid training has been provided to at least 40% of employees in some subsidiaries, such as Sacer Sud-Est, Screg Sud-Est and Screg Sud-Ouest. Colas also has more than 162 volunteer firefighters among its employees in mainland France.

ROAD SAFETY

As an important factor in human progress that is closely linked to the businesses of the Group's road subsidiaries (road construction and maintenance, security and signaling), road safety is a fundamental priority for Colas. Beginning in 1997, when the first road safety charter was signed in France, since renewed three times and supplemented by a European charter, which has also been renewed, Colas has pursued highly proactive policies to prevent road accidents.

The subsidiaries have hundreds of Road Safety Relay Officers who promote good practice of safe and fuel-efficient driving (Scope 3 software, to promote safe and economical 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, etc). The exchange of experience and the promoting of best practices are encouraged and supported by a powerful internal communications system and an active policy of fostering emulation and motivating subsidiaries and operating units to continually improve their performance. One example of this effort is the 2010 French Road Safety Challenge, which was won by Colas Centre-Ouest.

In 2010, over 30,000 handbooks on driving safely and economically were distributed specifically for heavy equipment operators and truck and van drivers. A campaign to raise fuel-saving awareness was launched at all Colas facilities worldwide. It convincingly demonstrated how effective adopting a calm driving manner can be in not only lowering fuel consumption and preserving the environment, but also in reducing traffic accidents.

The accident frequency rate involving the Group's vehicles in France once again improved in 2010, with 0.082 accidents, compared to 0.084 in 2009. Since the first road safety charter was signed thirteen years ago, the accident frequency rate has dropped by 63%, even though the Group's fleet of vehicles and site machines has grown by 96%, requiring new drivers to be trained.

Comparison of the change in number of accidents and the vehicle fleet in France between 1997 and 2010:

	1997	2003	2007	2010	Variation 2010/1997
Number of vehicles	13,746	20,588	25,380	26,945	+96%
Number of accidents involving third parties[1]	3,024	2,334	2,407	2,207	–27%
Frequency	0.220	0.113	0.095	0.082	–63%

(1) 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.

For example, in France, the USIRF safety prize was awarded to subsidiary Screg Est, the Val-de-Reuil and Saint-Romain-de-Colbosc sector of Screg IDFN's Normandy office, and Sacer Paris-Nord-Est's Vesoul office. In Great Britain, the Royal Society for the Prevention of Accidents awarded its Gold Award for Occupational Health and Safety to Colas Ltd. In Ireland, Chemoran was honored by the National Irish Safety Organization, while Branscome in the United States received the Virginia Safety Award. In Gabon, a Safety Day was celebrated in recognition of three millions hours of work without a lost-time accident at the Shell worksite. In Asia, several Tasco plants won the Minister of Labor's award of excellence for safety and environmental management in the workplace.

Finally, while certification is not one of Colas' top business development priorities, a number of its agencies worldwide are certified OHSAS 18001, GHESE, MASE, ILO, etc. In 2010, the Group's overall safety certification rate is 37% of its total revenue (worldwide).

Corporate citizenship actions in developing countries

> "Colas was building a road from Djougou to Ndali in the north of Benin, and decided to rebuild the schoolhouse in our village, for free. The former building was very run down, and had actually been built by hand by the villagers themselves.
> Colas not only provided us with a new building including three classrooms, an office for the headmaster and a store, but the teams come back once a year, right before the kids go back to school after summer break, and check to see that everything is in running order. They have a look at the roof and the paint, and give us school supplies. Once a year, someone from Colas comes in and teaches the children a lesson on the importance of keeping your hands clean.
> We were very happy to see that a paved road was being built near our village because we know that a better road network will help foster the development of our country. What's more, the fact that our schoolhouse has been rebuilt means that we have had more and more children enrolling since June 2009, and these children can study in better conditions. When they graduate, they can just ride their bikes every day down the Colas road to the next village to go to the middle school and high school, instead of having to board. Now, we and Colas have the same goal in mind: helping our kids succeed!"
>
> **Mangou Orou-gani,**
> King of the Village of Gosso, in Benin

Infrastructures cannot be exported. They are built on site using local human resources. These projects are highly exposed to the cost of transporting heavy materials and require very short lead-times, with just a few hours for concrete to set or to apply asphalt. Colas has not established its international presence in order to relocate and cut costs, but rather to find new business development opportunities and balance its exposure to country risk.

Colas has been doing substantial business in Morocco and Madagascar for over fifty years and has also established operations more recently in such countries as South Africa, Benin, Djibouti, Togo and Gabon. In addition to its construction projects, Colas contributes to the economic, social and cultural development and growth of these countries, while helping to protect their environments.

Social: Colas has a progressive policy in terms of pay, training, promotions and employee benefits, etc.

Health: the Group's efforts to promote health benefit not only employees but also their families and local communities. These efforts include, for example, medical check-ups, health-care centers and campaigns to prevent AIDS, the fight against malaria and other diseases.

Environment: priority is given to protecting biodiversity, combating deforestation and managing waste.

Community development: Colas builds worksite facilities that can be handed over to local authorities, helps supply water and/or ensure its viability throughout construction work, and provides humanitarian relief when fire, floods or other catastrophes strike nearby communities. Colas also sponsors actions to promote healthcare, employment and education that are mainly targeted to serve local needs and in which local personnel are closely involved.

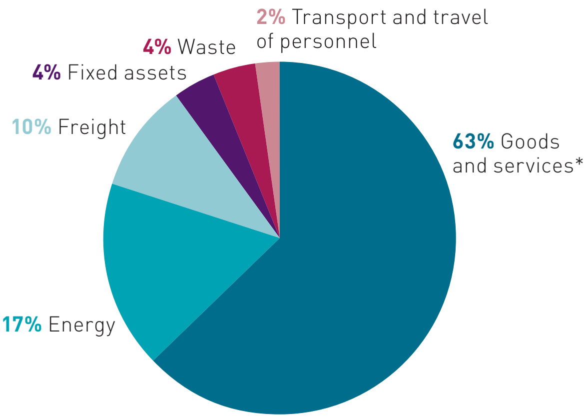
Human rights: Colas has a policy of using and showing respect for local labor and of treating local communities, contractors and suppliers ethically. In doing so, the Group's employees actively promote human rights in their professional dealings with the rest of society.

Energy and greenhouse gases

The overall business environment is and will continue to be affected by the need to reduce carbon emissions. Aware of the importance of this need, Colas offers a range of low-carbon-cost products and technologies and prepares action plans to enhance the energy efficiency of its business activities.

ENERGY CONSUMPTION AND EFFICIENCY

Overall assessment: Colas has completed the calculation of its consolidated global carbon footprint, pursuant to "scope 3a" of the ISO 14064 standard, which includes internal and upstream emissions. The final figure of 12 million tons of CO_2 equivalent is in line with expectations and its segmentation clearly shows that heavy materials are the main contributor (see chart). Colas spent over 100 man-months on this project in 2009 and 2010. It should be noted however that this sort of global figure has a margin of uncertainty of up to 20%, despite the quality of the assessment work and the fact that the vertical integration of Colas operations facilitated access to much of the upstream data. The main difficulties were the disparity between the emissions factors of the national and international databases used and the complexity of estimating the carbon costs of some contractors and product suppliers. Still this calculation provides an approximation that is necessary and useful in evaluating the amounts of CO_2 emissions the Colas Group avoided in 2010, i.e., 130,000 tons (vs 230,000 in 2009) or 1% of its total emissions. It also makes it possible to break down the carbon footprint into its main components and thus prepare more effective action plans.



For information, the heading "non-energy" is 0 for Colas.

* For Colas, this involves raw materials and construction materials (29% mixes, 21% concrete and 13% other).

Measuring instruments: in order to compute its energy efficiency, Colas must measure its 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 600 mixing plants and asphalt plants, it is much more complicated to accurately monitor the consumption of over 70,000 machines and vehicles across over 800 entities and 1,400 production sites. Colas has therefore fitted 2,000 of its machines and vehicles with energy consumption meters and is talking to equipment suppliers to develop new common standards and transmit and receive data in real time.

Contribution of employees: in late 2009, Colas launched a major campaign in France and worldwide to get operators of construction equipment and truck drivers to reduce their fuel consumption by 20%, by adopting eco-driving habits and switching off engines when equipment or vehicles are stationary. This campaign highlights the three advantages of eco-driving, which reduces costs, increases safety and helps preserve the environment. Although emissions are still hard to quantify and the first measurable results are still modest (only 4,000 tons of CO_2 avoided), everyone is clearly committed to this effort. It is estimated that the actual gains are probably at least ten times greater than those measured.

Asphalt mixing plants: the energy consumption of plant burners, expressed in CO_2 equivalent, increased for the first time in 2010, by 3% or 16,000 tons. The causes of this increase are currently being studied. They include a change in the scope of the new international reporting software, unfavorable weather conditions in France and North America, the higher energy cost of recycling more mix, the decrease in business, and erroneous data entries in some countries. The basic trend is still positive however and the transition to natural gas of an increasing number of mix plants should continue to reduce energy consumption over the coming years.

ENERGY CONTENT OF CUSTOMER OFFERINGS

EcologicieL® (Colas) and Eco-Cana (Spac) were the first software tools for selecting low-carbon alternatives for road-construction projects and pipe-laying projects respectively. To enable companies to compare eco-friendly alternatives using uniform criteria, Colas participated in an industry-wide project led by USIRF in France to develop **SEVE®**, an eco-comparing tool that was made available via an extranet in July 2010. This initiative was backed by the French Ministry for the Environment and a charter was signed in March 2009. In late 2009, the French government modified its general procurement terms and conditions to authorize the use of eco-friendly solutions in maintenance and construction work. Public-sector customers no longer think twice about selecting eco-alternatives since they now have an objective tool for comparing and assessing their performance that is available to all. After three months of use in 2010, the eco-alternatives that Colas was thus able to successfully recommend made it possible to avoid the emission of 21,000 tons of CO_2, or almost twice as much as in 2009. Of the eco-alternatives proposed, 28% were accepted, vs only 7% in 2009. SEVE® was designed to enable relatively simple translation and database adaptation to different national requirements. Colas and USIRF are therefore currently promoting its use outside of France.

Neophalte BT®, 3E® and 3E®+R warm mix, Ecomat®, etc.: in 2010, the Group's production of warm mixes and other mixes increased from 2% of total production to over 6%. Subsidiaries are aiming to almost double this figure in 2011 (11% on a consolidated basis). The greatest proportions of these new products will be produced by road construction subsidiaries in the United States and Mayotte, and by SMAC. These products offer the dual advantage of 10% to 30% energy savings and 70% to 90% fume reduction. Despite these advantages, these products are unlikely to entirely replace standard mixes in the near future, given the diversity of existing production facilities, products and customer preferences. Still, a target of over 50% by 2018 is reasonable.

Vegeroute products replace petroleum-based components with plant-based material and make it possible to reduce manufacturing and application temperatures and even the amount of material required. This range includes a fluxing agent (Vegeflux®), binders (V, Vegecol® and Vegeclair®), a hot road-marking product (Ostrea®), an emulsion (Neogreen®) and various mixes, such as Compomac V®. Since these products are "carbon sinks", they ensure a positive CO_2 balance.

Photovoltaic roofing: in 2010, over 112,000 m^2 of photovoltaic roofing panels were installed (vs 100,000 in 2009), representing a total power capacity of 18.5 MWc (vs 13 MWc in 2009).

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

The production of recycled products grew 4% in 2010, while that of Colas quarries and gravel pits once again declined by 4%[1]. Some 9 million tons of waste product (dirt debris, asphalt and mixes, concrete demolition rubble, foundry slag, clinker, etc.) were recycled in 2010 (vs 8.7 million in 2009 and 10.2 in 2008). This is the equivalent of 11% of Colas total production of aggregate, or the output of 32 quarries[2].

Asphalt mixes

Colas asphalt mixes included an average of 10% RAP (reclaimed asphalt pavement) in 2010, vs 9% in 2009. This represents the recycling of almost 4 million tons of aggregates and some 200,000 tons of bitumen, or the equivalent output of a medium-sized refinery, and the avoidance of 76,000 tons of CO_2 emissions. There are disparities in recycling performance however, from 18% to 21% in Belgium, Switzerland and the United States, to 7.2% in France (5.2% in 2009), where the objective is 10%. Since it is estimated that if all available road demolition materials were recycled, asphalt mixes could contain up to 20 to 25% of RAP, Colas is half way to achieving the theoretical maximum.

In-place recycling

This recycling technology continued to expand in 2010, accounting for over 7.8 million m^2 of road construction (vs 7.6 million in 2009), mainly in West Africa, North America, central Europe, France, New Caledonia and the United Kingdom. This success was made possible by such proven technologies as Valorcol® and Recycold®.

Chemical hazards

Colas has focused its efforts to reduce chemicals hazards in the following priority areas:

Solvents: the use of the following has been discontinued: solvents in laboratories, solvent-based degreasing "fountains" in workshops, and toluene in road paints;

Pigments: paint pigments that contain heavy metals are no longer used and priority is being given to non-powder formulations;

Non-stick products: plant-based alternative products are being used for mix application instead of fuel-oil;

Bituminous fumes: Colas was one of the first in France and Europe to open up its files and worksites to independent research organizations. International studies are finding no link between lung cancer and exposure to bitumen fumes, and the consensus among scientists is strengthening despite controversy in France. For example, German and Dutch regulations now consider that bitumen and its fumes represent no carcinogenic risk. The new study of the toxicity of bituminous fumes that IARC[3] is to publish in late 2011 should clear up any uncertainties regarding this issue;

Resins: a research project (Greencoat) is being conducted in collaboration with several partners and with the support of the ANR[4], under the aegis of the sustainable development foundation ChemSud;

Waste oils: the objective is to ensure more eco-friendly disposal and recycling worldwide of used motor oils, which form the bulk of Colas' hazardous waste. The global waste-oil recovery rate is currently 56% on a consolidated basis. The optimum ratio is estimated at approximately 80%, once stock effects and equipment oil consumption are taken into account.

Dialogue with community institutions

In addition to addressing these strategic and major challenges, Colas continues to closely monitor other issues of social interest.

The road/rail debate

Colas holds significant shares of both the road and railroad construction markets in France, the UK and many other countries. This enables it to understand the merits of both types of transportation from an objective perspective. Since there are relatively few cases where one mode of transportation tends to replace the other, Colas' objective is to improve the performance of both, through a policy of technological and methodological innovation.

(1) Based on a proportionate consolidation of volumes and not on the Group's share.

(2) Based on the average production of a permanent Colas quarry.

(3) The International Agency for Research on Cancer, an agency of the World Health Organization (WHO).

(4) The French national research agency.

This policy promotes a balanced approach to the development of public road and rail infrastructure that seeks to maximum the use and efficiency of transportation resources[1].

The total cost of public infrastructure

Colas advocates a more partner-oriented approach that takes into account the total cost of infrastructure and implements innovative public/private sector contracts, such as PPP[2], PFI[2], MAC[3] and concessions. An infrastructure designed and built for the long term, regularly maintained, optimizes public investment and reduces the consumption of resources. The following contracts, at various stages of completion or operation, are a good illustration of this approach: the Reims tramway and the A41 and A63 Highways in France, the M6 Motorway in Hungary, road renewal and maintenance for Portsmouth, England, street lighting in Libourne, France, four MAC maintenance contracts in the United Kingdom that cover a third of the national motorway system, five similar CMA[4] contracts in Canada (in Alberta and Red Deer County), and two MAC rail contracts in the UK.

Responsible purchasing

Colas works with over 100,000 suppliers and subcontractors worldwide which can be classified into six main groups: local subcontractors, local materials suppliers, global raw materials suppliers, national and international materials suppliers, national and international service providers and miscellaneous suppliers.

Identification work for each group defines the possible scope of action available and the strategic priorities for responsible purchasing: safety, quality, monitoring the use of illegal immigrant workers, compliance with payment terms and conditions, design and correct use of materials, etc. Colas is currently trying out various supplier-rating systems, even though rating all suppliers would be impossible. A risk assessment is also underway to determine the types of purchases that should have priority.

As regards purchasing from developing countries, the issues relating to relocation is very marginal for Colas due to the nature of the industries involved, but its businesses in these countries respond to these challenges[5].

Community involvement and project support

These actions are essentially local and are managed by Colas companies and their operating units. They mainly involved sponsoring cultural events (90 actions) or sports teams (270) and supporting around a hundred projects of a humanitarian, educational or other community-related nature. This represents total funding of about 2.4 million euros, which is slightly more than in 2009. Outside of France, there were 1,160 actions, totaling 1.1 million euros. This included participation in 480 educational, health or humanitarian initiatives and the sponsorship of 120 cultural events and 300 sporting events.

Actions by the parent company in France include work to restore paths in Versailles park, the purchase of paintings by the Colas Foundation, and a financial contribution to the international dance company Akram Khan. These actions totaled 1.5 million euros.

Colas is also actively involved in the Francis-Bouygues foundation and named 22 employees in 2010 to mentor young scholarship holders.

> “Colas has been supporting us since 2008, a true reflection of its commitment to developing new chemistry focused on Sustainable Development. From the outset, Colas has worked hand in hand with us at the ChemSud Chair in our teaching endeavors and scientific mediation in favor of sustainable chemistry. Furthermore, Colas and its subsidiary Resipoly have backed our research activities as part of a project with the French National Research Agency. This joint project is what led us to receive the Pollutec 2010 Innovative Techniques award for work on new non-toxic biosourced epoxy resins.”
>
> **Dr Sylvain Caillol,** Director of ChemSud Chair at the École nationale supérieure de chimie in Montpellier 2010 Innovative Techniques Award at Pollutec (1)
>
> (1) The European Environmental Innovation Award highlights public research work, both applied or developed. It is awarded during the Pollutec exhibition by the French National Research Agency.

Encouraging the cross-fertilization 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.

(1) Visit www.colas.com for a more detailed analysis.
(2) Public-private partnerships or Private Finance Initiatives.
(3) Managing Agent Contractors (United Kingdom).
(4) Contract Maintenance Area (Canada).
(5) See "Corporate citizenship in developing countries".

In 2010, the Cercle Colas hosted the following speakers:
– Maurice Thévenet, professor at the CNAM and ESSEC: "The pleasure of working";
– Christian Saint-Étienne, professor at the CNAM and a member of the French government's Economic Analysis Council: "The financial crisis and the euro crisis: what is the outlook for the French and the euro-zone economies?";
– Christophe Mangelle, journalist and columnist: "Cancer and companies".

The following topics were addressed at the 2010 Rencontres Scientifiques Colas:
– "The carbon balance of forests: scientific and ecological considerations", by Denis Loustau, research director at INRA and head of the Ephyse research group in Bordeaux, and Valentin Bellassen, project manager at CDC Climat Recherche;
– "Lateness, friend or foe?" by Thomas Erneux, professor in the Theoretical Non-linear Optics department of the Université libre de Bruxelles, and Vincent Boucher, research project manager in the Vision unit of the Laboratoire des Ponts et Chaussées, in Angers, France.

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 appropriation. 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, 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 risks are carried out once per year by the executive operational management teams. 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. In addition to its exposure to the normal economic and financial conditions of the various countries in which it is present, Colas' business activities depend heavily on public-sector procurement and any substantial change of this can have a large impact on sales and prices.

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 generally applicable regulations (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), could also entail criminal or civil liability, result in a loss of market share (by prohibiting bidding on certain contracts) or be detrimental to the Company's reputation. The likelihood and potential severity of this risk is very difficult to measure.

Significant legal claims as of December 31, 2010

• Claims for civil damages:

– Hungary: several claims for civil damages have been made against Hungarian sub-subsidiaries Egut, Debmut and Alterra, subsequent to a decision by Hungary's competition authority. These claims represent a total of some 25 million euros. The largest claim, which involves Hungary's national highway company, accounts for 19 million euros of this total. In a report submitted on April 22, 2010, a court-appointed expert concluded that the customer had suffered no loss. When the customer contested this finding, the expert reaffirmed his conclusion before the court on December 10, 2010.

– France: the General Council of the department of Seine-Maritime has filed an action for damages against companies, of which Colas Île-de-France – Normandie. Following the ruling that Colas Île-de-France – Normandie and five other companies were guilty of price fixing on asphalt mix contracts in the department of Seine-Maritime between March 1991 and December 1998, the General Council filed a motion on February 25, 2010 requesting principally that the contracts entered into be voided and that the amounts paid be reimbursed, and, in addition, that the contracting companies be ordered to pay compensation for the loss suffered. The total amount claimed from the six companies under the motion's principle claim is 133.7 million euros, while the damages requested under the additional claim total 35.6 million euros. Colas Île-de-France – Normandie contests these claims.

• Provisions are made to cover adjustments to payroll taxes that could be claimed by URSSAF (the French social security inspectorate) subsequent to its inspections. These provisions are deemed sufficient to cover all of the inspections that are regularly made on a large number of Colas companies. In late 2009, URSSAF made a major adjustment to reductions in social charges allowed under the "TEPA" and "Fillon" Acts, and from the very first euro for the 2006 to 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. It is currently difficult to estimate the possible financial consequences of this adjustment since it is based on the principle that all "TEPA" and "Fillon" exemptions could be rejected on the sole grounds that Colas submitted its substantiating documents in paper rather than electronic form. The amount of this adjustment is estimated to be 46.6 million euros.

Industrial and environmental risk

(emulsion plants, bituminous membrane plants, quarries, mastic asphalt units, asphalt mixing plants and bitumen refineries)

Fire and explosion: the magnitude of this risk depends on a site's size and the nature of its operations. This risk is not considered to be significant for most industrial sites, given their relatively small size. Still these sites are kept under regular surveillance to reduce the likelihood of this risk and are subject to such requirements as fire permit procedures and infrared thermography audits of thermal and electrical equipment, in addition to preventive maintenance actions. Sites that are larger or more exposed to this risk due to the nature of their operations are subject to specific requirements. In addition to regulatory requirements they are monitored in collaboration with the engineering departments of their insurance companies, which issue risk prevention recommendations. These sites are:

– subsidiary Axters' impervious membrane plant in Courchelettes, France;

– SRD's bitumen and refined products plant in Dunkirk, France.

Appropriate insurance coverage has been provided for all sites.

Industrial sites (except for SRD) 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, 2010, total provisions covering these commitments amounted to 133 million euros (113 million euros at end 2009). The Group applies a systematic policy of obtaining environmental certification (ISO 14001 for example). 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 global check-list system, deployed two years ago, now covers most materials production activities and makes it possible to consolidate action plans. At the end of 2010, 80% of Colas' materials plants worldwide by annual sales were subject to at least one certification standard or used internal check-lists. This system was incorporated into the French and international internal control system. Commitments to clean up SRD's site when it ceases to operate have been provisioned in the Company's accounts and these amounts are periodically adjusted.

Some of these production sites might be responsible for accidental pollution (pipe breakage or defective storage installations) despite the fact that the installations are designed and maintained to prevent the occurrence of such events (e.g., 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 (with the exception of SRD, see below). However, their emissions are regularly monitored by external authorities and in the context of internal control procedures.

Société de la Raffinerie de Dunkerque (SRD), which was acquired on June 30, 2010, is a production unit that makes refined oil products, bitumen and specialty products obtained by refining petroleum products. It is subject to the regulations that apply to facilities classified as environmentally sensitive and, due to the nature of its products, must also comply with several European directives which include: the Seveso directive (max. threshold), the Combustion directive, which governs the atmospheric emissions of high-combustion plants, and the IPPC directive, which deals with pollution prevention and control. Prefectural authorities ensure that these requirements are addressed when issuing operating permits. Facilities are designed and maintained to prevent or minimize the risk of a pollution accident or other major incident. Inspection and audit programs are implemented and checked by an internal audit department. The French government regularly verifies that these programs are effective and observed. Accident scenarios are prepared with government authorities during hazard analyses and emergency response resources and procedures are specified in internal emergency plans. Employees manage risks in strict compliance with the operating procedures of the safety management system, pursuant to the ISO 14001 standard. This system is presented once a year to the Local Information and Consultation Committee (CLIC), which consists of representatives of the French government (including the sub-prefect), local government authorities, non-profit organizations and industry. All minor accidents and incidents are recorded and analyzed. Any modifications are subject to failure mode, effects and criticality analysis (FMECA), a standardized method for assessing industrial hazards in complex systems. Maintenance work is subject to the strict requirements of the safety management system and to the preventive maintenance recommendations of insurer engineering departments. The plant is shut down every five years for major servicing and upgrading. Some 20 million euros were budgeted for this purpose in 2010. Lastly, SRD is regularly inspected by DREAL, the regional environmental, development and housing bureau, which is responsible for verifying that procedures are complied with. Furthermore, since the facility's production processes emit CO_2, it is subject to emissions quotas and its declarations are verified by an approved auditing firm.

Credit or counterparty risk

Given the large number of clients in road construction and maintenance, waterproofing, safety and signaling, construction materials, etc. (many private clients as well as local authorities), 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.). At end-2010, the most significant overdue receivables can be attributed to certain subsidiaries in central Europe and Morocco. The ratio of outstanding receivables to sales declined for central European subsidiaries in 2010. In contrast, the average payment time for Moroccan subsidiaries increased to over seven months. These receivables are owed by the national government and local government entities. Customers will be asked to pay unexpected additional financial charges on these late payments. However, these payments do not seem to be at substantial risk at this time.

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 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 now, the Group has been implementing 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).

Colas regularly monitors occupational health hazards. In particular it has been observing exposure to bitumen fumes in France and abroad for some twenty years and its representatives participate in most of the task forces that deal with this problem. This monitoring is overseen by the Group's Human Resources and Environment departments and is regularly reported to senior management. Colas has been working on this issue in collaboration with occupational health authorities and government agencies for quite some time and considers that this risk is low and has been sufficiently mitigated, except in confined environments (i.e., tunnels) where a specific hazard analysis is necessary due to the additional effect of vehicle exhaust fumes. The only proven undesirable health effect is irritation of respiratory tracts. USIRF, the French road construction industry's trade group, has set up a website that presents the hundreds of studies that have been conducted on the subject of bitumen fume exposure. Not only do none make it possible to assert a link between these fumes and cancer, the most recent and largest studies clearly assert that there is no such link. In Germany and the

Netherlands, bitumen is now classified as non-carcinogenic. On the basis of the studies made, government authorities, unions and the road construction industry in North America have never recognized any cancer risk and have simply sought to reduce exposure to bitumen fumes due to their irritating nature.

In light of the many studies conducted, Colas considers that there is no basis for believing that exposure to bitumen fumes may cause cancer. Colas is keeping a close eye on this issue in France, since recent legal actions and media campaigns are seeking to cast doubt on the main material used for road construction. The industry has set up a crisis-management unit to respond to this challenge and a round-table meeting has been organized with the French Ministry of Labor, CNAM-TS, occupational health authorities, the industry's safety and hygiene body OPPBTP, and the research institute INRS.

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.

Contract performance risk is relatively limited by the large number of contracts and their low average value. Some subsidiaries however are involved in particularly large contracts that are monitored using specific procedures. These projects are more exposed to various potential constraints resulting from their complexity, design, geological and archeological characteristics, land availability, construction and lead times, etc. In Romania, Colas is currently having difficulty with a 175 million euro contract to design and build a 20-km section of the A2 Motorway between Cernavoda and Constanta. Its initial route had to be considerably modified to preserve archeological sites and land required for another part of the motorway was not made available by the scheduled deadline. A little over 10% of the work has been completed and negotiations are underway to amend the contract to accommodate the new constraints.

Colas' operations can also be disrupted by various natural phenomena and most notably unfavorable weather. Rain, snow and ice can increase construction costs or result in additional fixed costs when work must be stopped.

Liquidity risk

At December 31, 2010, net available cash and cash equivalents totaled 202 million euros, in addition to 1,400 million euros of confirmed medium-term bank credit lines undrawn at that date. During the year, Colas refinanced 610 million euros of confirmed and ongoing medium-term credit lines with the Group's main banks, thus increasing them to 855 million euros. In the United States, Colas Inc. refinanced 210 million euros (280 million USD) of confirmed medium-term credit lines with the Group's main banks. Colas therefore has no 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.

BANK LOANS AND BORROWING MATURITIES

in millions of euros	Current	Non-current						
	Less than one year 2011	1 to 2 years 2012	2 to 3 years 2013	3 to 4 years 2014	4 to 5 years 2015	5 years and + 2016 and +	Total 2010	Total 2009
Bank loans (medium-long-term)		18	16	13	10	114	171	179
Finance leases		10	7	3	3	2	25	29
Other financial debts (long-term)		1				3	4	4
Sub-total	**50**	**29**	**23**	**16**	**13**	**119**	**200**	**212**
Short-term borrowings and overdrafts	209							
AT DECEMBER 31, 2010	**259**	**29**	**23**	**16**	**13**	**119**	**200**	**212**
At December 31, 2009	198	35	25	17	11	124	212	
Current portion of non-current debt							50	45

BREAKDOWN OF FINANCIAL DEBT BY CURRENCY

in millions of euros	Euro	USD[1]	GBP [1]	Other [1]	Total
Non-current December 2010	94	2	75	29	**200**
Current December 2010	91	13	10	145	**259**
Non-current December 2009	102		75	35	**212**
Current December 2009	54	7	6	131	**198**

(1) Equivalent in euros.

CONFIRMED/DRAWN CREDIT LINES

in millions of euros	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	359	1,111	180	1,650	50	81	119	250
Letters of credit								
TOTAL	**359**	**1,111**	**180**	**1,650**	**50**	**81**	**119**	**250**

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% (2009: 44%);
– floating rate debt: 56% (2009: 56%).

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

INTEREST RATE RISK

The table below shows financial assets and debts broken down by fixed and variable interest rate at December 31, 2010:

in millions of euros	Variable rate	Fixed rate	Total
Financial assets:			
– Cash and cash equivalents	411		411
Financial liabilities:			
– Borrowings[1]	(216)	(43)	(259)
– Outstanding bank overdrafts	(209)		(209)
Net position before cash management	**(14)**	**(43)**	**(57)**
Interest rate hedges	72	(72)	
Net position after cash management	**58**	**(115)**	**(57)**
Seasonality adjustment	(523)		
POSITION AFTER CASH MANAGEMENT AND SEASONALITY ADJUSTMENT	**(465)**		

(1) Including (9.1) million euros for the fair value of the STVR/Caen interest-rate swap, recognized in equity.

Therefore, an instantaneous 1% increase in the short-term interest rate on the net position shown above would increase financial costs by 4.65 million euros over a full year.

Market risks

Some of the Group's companies use financial instruments to reduce the impact that changes in exchange rates, interest rates and commodity prices may have on their earnings. 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 very 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.

Société de la Raffinerie de Dunkerque is more exposed to currency risk since it buys and sells products that are valued in dollars and purchased and sold in dollars and/or euros. This risk is managed by using currency swaps to cover dollar-based transactions.

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.

RISKS RELATING TO RAW MATERIALS

Colas is affected by the regularity of its supply mainly 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, copper or aluminum, which are used in the safety, signs and signaling, waterproofing and cladding and rail businesses.
Bitumen and other petroleum-based products are the raw materials most associated with this type of risk.

• 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 geopolitical 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 mainland France, in Europe, in France's overseas departments, 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). The recent acquisition of Société de la Raffinerie de Dunkerque, whose annual bitumen production amounts to some 300,000 metric tons, represents a key element in the Group's strategy to ensure sufficient supply of this raw material for its road construction activities in mainland France and northern Europe.

• Risk related to price changes:
The price of bitumen has varied widely over recent years. The risk of 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. 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 customer, 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.

• Risks associated with Société de la Raffinerie de Dunkerque (SRD):
Société de la Raffinerie de Dunkerque, which was acquired in June 2010, is exposed to changes in commodity prices. The earnings of a specialty products refinery depend on the difference between the sale prices of its products (oils, paraffin-wax, bitumen and fuel oil) and the price of the materials used for its refining processes (atmospheric residue fuel oil, hydrocracking residue and other feedstock). This price differential determines the refining margin.

The refinery's procurement/production/sales cycle is relatively short and purchase and sales contracts try to reduce this risk. A committee is responsible for overseeing raw materials purchases. They are purchased in month M, are used for production in month M+1, and the resulting end products are sold in months M+1, M+2 or M+3. A hedging policy has been implemented to reduce the risk of price changes during this time.

At December 31, 2010, this hedging represented the equivalent of 58,000 barrels of oil futures for a notional amount of 4 million euros. This cash flow hedge was valued at (0.125) million euros and charged to equity.

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;

– commodity futures contracts and swaps to hedge commodity risk.

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 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 HEDGING

Cash flow hedging limits exposure to changes in future cash flows of the hedged instrument or of a future operation.

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 income statement.

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 initialy recognized at fair value, then at cost or amortized cost, as per their category.

RECOGNITION OF FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE

The Group has recourse to few financial instruments. Derivatives are measured at fair value, i.e., market value for listed instruments. For any unlisted instruments (these have never been used), 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 stated 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 rate 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, 2010

We present below the total of notional amounts outstanding at December 31, 2010, 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 in millions of euros	Maturity			Total	Total
	2011	2012 to 2015	Beyond	31/12/2010	31/12/2009
Relating to financial assets	–	–	–	–	–
Relating to financial liabilities		–	150	150	184

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, maturing in January 2028, 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, 2010, the amount attributable to this swap was 70.8 million euros (60.9 million GBP).

STVR, a 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, 2010, the amount attributable to this swap was 79.5 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, certain contracts denominated in foreign currency may be hedged for foreign exchange risk.

in millions of euros	HUF(1)	RON(1)	USD(1)	MAD(1)	GBP(1)	Other(1)	31/12/2010	31/12/2009
Forward purchases	3	2	0	9	–	–	14	51
Forward sales	4	19	25	–	13	14	75	61
Currency swaps	–	–	–	–	–	–	–	–
Currency options	–	–	–	–	–	–	–	–

(1) Equivalent in euros.

Some project contracts signed in Hungary, Romania and Morocco, and invoiced in euros, are systematically hedged for foreign exchange risks. Forward sales of RON and GBP correspond to hedges in connection with bridging loans granted to subsidiaries. Forward sales of USD mainly serve to hedge the sale of products by Société de la Raffinerie de Dunkerque.

HEDGING OF RISKS RELATED TO RAW MATERIALS

in millions of euros	Brent	Other	31/12/2010	31/12/2009
Forward purchases	–	–	–	–
Forward sales	4	–	4	–
Swaps	–	–	–	–
Options	–	–	–	–

The Brent futures are used to hedge the price risk attributable to Société de la Raffinerie de Dunkerque.

FAIR VALUE OF HEDGING INSTRUMENTS

At December 31, 2010, the net present value of hedging instruments amounted to (21.6) million euros. This amount mainly comprises the net present value of interest rate swaps used to hedge the Group's debt.

The breakdown of the market value by type of hedging instrument is as follows:

– transactions undertaken subject to fair value hedging instruments: (12.8) million euros;

– transactions undertaken subject to cash flow hedging instruments: (8.7) 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., (12.4) million euros, is fully offset by the market value of the embedded derivative relating to the contractual fixed fee paid by the customer of 12.4 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 (9.1) 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 (9.2) million euros.

In the event of a +1% change in the interest rate yield curve (or –1%), the market value of hedging instruments would amount to (11.9) million euros (or (31.5) 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 (22.4) million euros.

In the event of +10% change in the price of raw materials (and respectively –10%), the market value of financial instruments would amount to a hedging loss of (22.0) million euros (respectively a hedging loss of (21.2) million euros).

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

Insurance and risk cover

The Group takes care to protect its assets, property and people against foreseeable losses for which insurance is available, while maintaining its competitive edge. The estimated risks are managed at all levels of the organization through risk prevention, contractual transfer or insurance. Whether or not a risk is insured depends on its nature and its probability of occurrence and loss potential. Insurance is obligatory for major risks. Liability insurance policies protect against claims by third parties and mainly consist of obligatory automotive insurance and policies covering works, products, operations and the ten-year guarantee. Insurance policies covering liability to third parties also cover damage to assets of the companies. The coverage 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. 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.

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.

Acquisitions of equity interests

During fiscal year 2010, significant equity stakes[1] were acquired in the following companies:

Company	Registered office	% held
Société de la Raffinerie de Dunkerque	Dunkirk (France)	100.00
SCI du 18 rue Nouvelle	Vitry-sur-Seine (France)	100.00
Colas Mideast LLC	Muscat (Sultanate of Oman)	70.00
MARS (Société de l'Agglomération Rémoise)	Reims (France)	8.50
Centre Voirie	Le Veurdre (France)	100.00
MATCH	Vitry-sur-Seine (France)	100.00
Linea BTP	Vitry-sur-Seine (France)	100.00
Damiacons	Bucharest (Romania)	100.00

Additional acquisitions of investment stakes were carried out as follows:

Company	Registered office	% acquired	% held
SAMI (Drawmac Group)	Sydney (Australia)	42.77	93.77
Enfalt Emulsiyon	Istanbul (Turkey)	44.33	54.33
SNSTPB	Mezzavia (France)	15.58	65.58
Adour Emulsions	Serres-Castet (France)	20.00	100.00
Castres Béton	Castres (France)	50.00	100.00
France Métro Caracas	Cergy-Pontoise (France)	44.47	63.47
Tubobel	Tessenderlo (Belgium)	35.00	100.00
Sami Bitumen Technologies (VIC) Pty Ltd	Sydney (Australia)	50.00	100.00

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

Strategy

Colas' strategy for profitable, long-term growth aims to meet the modern world's need for mobility, urbanization and environmental protection. This strategy is based on the following objectives:

• strengthen and expand the network of operations in France and worldwide, to establish and develop sustainable leadership positions for our traditional business activities in local markets, and spread risk through geographic diversification;

• optimize the integration of industrial processes to secure the procurement of aggregates, bitumen and other vital materials and resources, generate more added value, improve competitiveness and control the quality of materials and products;

• expand our core business – Roads – to include closely related and complementary specialty activities that will enhance our offering to customers, develop synergies and enable us to penetrate future growth markets, such as the railway sector;

• increase development in complex PPP, concession and systems management projects that leverage the full range of Colas expertise in engineering (specifications, design, construction and maintenance) and project finance;

• perform major contracts that are complementary to conventional business, thus enhancing service to customers.

• develop an expanded and innovative offering of products and services capable of meeting sustainable development requirements.

Strengths

Colas' keys strengths are as follows:

• **a network of more than 800 work centers and 1,400 materials production sites in over 40 countries** worldwide, some of which are more than a century old;

• a **group built upon a core business** of building and maintaining transport and urban development infrastructures, and roads in particular, including all of their multiple aspects and components;

• a **heritage of collective intelligence, values and passion built up over many years,** shared by some 70,000 employees, **transmitted from generation to generation** and enhanced by a dynamic human resources policy;

• **innovative technologies** developed by a **vast international technology network** consisting of some 2,000 people who work closely with operating units through the Colas Campus for Science and Techniques (CST), the first leading private **research and development** center in the road construction industry, and some fifty research laboratories and around a hundred engineering offices;

• **integration of upstream production processes to ensure the procurement and quality of essential materials and supplies,** such as aggregates, binders, asphalt mixes, ready-mix concrete, waterproof membranes and road safety equipment;

• a **decentralized organization** with strong local roots, capable of responding rapidly to market needs via more than 800 works centers and 1,400 materials production sites.

• a **capacity to respond to a full range of needs** in the field of transport infrastructure (new construction, maintenance, major projects, small local contracts), thanks to the Group's extensive network in local markets and its ability to leverage its global expertise and resources.

Outlook

As of December 31, 2010, the Group's work-on-hand totaled 6.1 billion euros, down a slight 2% compared to the end of December 2009. However, the portion of work to be completed in 2011 (excluding central Europe) is 3% higher than in 2010, thus providing a sound foundation for the start of the year, despite significant disparities between geographic regions. In mainland France, there was practically no change in overall work-on-hand compared to the end of December 2010. Trends in many of the markets where Colas operates are still difficult to anticipate.

Business for the Roads sector should remain strained in France, even though no substantial decline in volume is expected, thanks to strong-willed local authorities, tramway contracts, major projects and a budding recovery in private investment. The outlook for the Railway sector remains favorable. Markets should stay upbeat in North America, not only in Canada but also in the United States, where the Group's subsidiaries enjoy strong positions in the road and highway maintenance sector, which is expected to receive priority government funding. Although the central European subsidiaries are likely to have another difficult year, the actions undertaken in 2010 should lead to a significant cut in losses in 2011, with the aim of putting these operations back on track in 2012. The market in northern Europe is expected to weaken, due to British and Irish austerity measures. Business elsewhere in the world may very well be stable, with the exception of Asia, where the Group expects its growth trend to continue.

On the basis of all available information, the Group's initial revenue forecast for 2011 is 11.8 billion euros.

2011 got off to a start with Colas securing the concession for a section of Highway A63 in southwest France, illustrating the Group's technical, legal and financial capacity to successfully bid on complex projects (concessions, public-private partnerships, private finance initiatives, and long-term maintenance contracts).

Transport infrastructure maintenance needs remain high both in France and elsewhere around the world. Infrastructure maintenance, key to economic growth, has always been the Group's historical core business and is likely to be prioritized by government authorities in the current climate. Although Colas will remain cautious with respect to investment, the Group is committed to safeguarding the competitiveness of its industrial facilities and a number of acquisition opportunities are currently under consideration. Responsible development targets to save energy, reduce CO_2 emissions and enhance safety and diversity will also be pursued. The strategies developed by Colas, in particular its resolute decision to favor profitability over volume, and the measures undertaken to streamline operations, especially in central Europe, are expected to improve profitability in 2011.

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 267,456,301.95 euros, compared to 329,061,543.44 euros in 2009. The total amount available for appropriation, consisting of the net profit for the year plus unappropriated retained earnings from the prior year, is 653,695,296.51 euros. We propose appropriating this amount as follows :

– legal reserve: 3,450.15 euros;

– dividend distribution for a total of 205,536,177.00 euros, as of April 28, 2011;

– balance of unappropriated retained earnings: 448,155,669.36 euros.

For shareholders who pay income tax in France, the dividend of 6.30 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 2007, 8.50 euros;

– for 2008, 8.75 euros;

– for 2009, 6.75 euros.

We propose paying this dividend either in the form of cash or shares, as preferred by the shareholder, subject to the following terms and conditions:

– the issue price of the new shares would be 95% of Colas' average opening share price during the twenty trading days prior to the date of this Shareholders' Meeting, minus the net dividend amount ;

– requests may represent only a portion of the dividend attributable to a given shareholder but must relate to a whole number of shares, rather than a fraction of a share;

– when the dividend amount to be paid in shares does not correspond to a whole number of shares, the shareholder shall receive the number of shares immediately below this number, 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, 2011 and May 19, 2011 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, 2011.

Information on payment deadlines

Pursuant to the requirements enacted by the French law on the modernization of the economy dated August 4, 2008, known as LME and its enforcement decree no. 2008-1492 dated December 30, 2008, the total amount of supplier payables on December 31, 2010 was 25,250 thousand euros[1] by due date at closing as indicated hereunder:

in thousands of euros

Year	Payable after 1 month	Payable after 2 months	Payable after 3 months
2009	27,165	831	28
2010	24,610	637	3

(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 rebilled to Colas in respect of his duties as a Group senior executive in 2010 to Mr Hervé Le Bouc, Chairman and Chief Executive Officer, amounted to 924,100 euros (924,100 euros in 2009). Gross variable compensation for 2010 established in relation to qualitative and quantitative targets to be paid in 2011 will be 650,716 euros (compensation of 900,000 euros was paid in 2010 on the basis of 2009). Mr Hervé Le Bouc also received 20,000 euros in directors' fees paid by Colas in 2010 and 25,000 euros in directors' fees as a member of the Board of Directors of Bouygues SA, the parent company of Colas as defined under article L. 233-16 of the French Code of Commerce. Mr Hervé Le Bouc benefits from a supplementary pension plan as a member of the General Management Committee of Bouygues, which represents 0.92% of yearly compensation per year of seniority in the said plan, subject to a maximum of eight times the annual social security ceiling. 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.

Directors with employee status

Total gross compensation (including benefits in kind but excluding variable compensation) paid by the Company in 2010 to Mr Thierry Genestar in his salaried status as Managing Director of Roads France was 408,163 euros (407,850 euros in 2009). Gross variable compensation for 2010, based on growth in Group earnings and qualitative targets, to be paid by the Company in 2011 will be 230,000 euros (compensation of 260,000 euros was paid in 2010 on the basis of 2009). Mr Thierry Genestar also received 20,000 euros in directors' fees in 2010 from Colas.

Total gross compensation (including benefits in kind but excluding variable compensation) paid by the Company in 2010 to Mr Thierry Montouché, in his salaried status as General Secretary, was 392,328 euros (392,030 euros in 2009). Gross variable compensation for 2010, based on growth in Group earnings and qualitative targets, to be paid by the Company in 2011 will be 212,000 euros (compensation of 235,000 euros was paid in 2010 on the basis of 2009). Mr Thierry Montouché also received 20,000 euros in directors' fees in 2010 from Colas.

Total gross compensation (including benefits in kind but excluding variable compensation) paid by the Company in 2010 to Mr Christian de Pins in his salaried status as Managing Director responsible for specialized subsidiaries and Northern Europe was 385,131 euros (384,836 euros in 2009). Gross variable compensation for 2010, based on growth in Group earnings and qualitative targets, to be paid by the Company in 2011 will be 230,000 euros (compensation of 260,000 euros was paid in 2010 on the basis of 2009).

Total gross compensation (including benefits in kind but excluding variable compensation) paid by the subsidiary ColasCanada Inc., a subsidiary of the Colas parent company, in 2010 to Mr Louis Gabanna in his salaried status as Managing Director of Colas North America was 535,000 Canadian dollars (522,000 Canadian dollars in 2009). Gross variable compensation for 2010, based on growth in Group earnings and qualitative targets, to be paid by the Company in 2011 will be 620,000 Canadian dollars (compensation of 650,000 Canadian dollars was paid in 2010 on the basis of 2009).

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 François Bertière*, Olivier Bouygues*, Jean-François Guillemin*, Philippe Marien* (representative of Bouygues SA), Jean-Claude Tostivin and Gilles Zancanaro: please see the Bouygues 2010 Registration Document for further information.

* Four of these six Directors received an amount of 20,000 euros each in 2010 in directors' fees from Colas.

Other Directors

Directors' fees paid by the Company in 2010 to Mr Christian Balmes amounted to 20,000 euros.

Share capital

Share capital in 2010

As of January 1, 2010, the Company had issued share capital of 48,902,683.50 euros, consisting of 32,601,789 shares with a par value of 1.50 euros each.

After adding 23,001 newly issued shares subscribed through the exercise of the option for payment in shares of the dividend for fiscal year 2009, the Company's share capital as of December 31, 2010 was 48,937,185 euros, consisting of 32,624,790 shares with a par value of 1.50 euros.

Share ownership

On the basis of recorded share capital as of January 3, 2011, Bouygues SA directly and indirectly held 96.62% of Colas' share capital as of December 31, 2010; Colas Group employees via the "Colas en actions" and "Colas shares" investment funds held 0.97%.

As of December 31, 2010, Colas did not hold any treasury stock.

Share price and trading volume

In 2010, Colas' share price on the Euronext Paris stock exchange varied from a high of 194.00 euros (April 14, 2010) to a low of 128.25 euros (November 16, 2010) and ended the year at 144.94 euros, i.e., 16.94% lower than the share price as of December 31, 2009. For purposes of comparison, during this period the French CAC 40 stock market index was down 3.34% and the French SBF 120 stock market index was up 0.06%.

Colas share price

Year	Month	Share price Highest	Share price Lowest	Number of shares traded	Share capital in millions of euros
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
2010	January	186.40	174.03	4,455	0.8
	February	181.77	174.00	9,270	1.6
	March	192.40	172.50	16,489	3.0
	April	194.00	174.36	28,625	5.3
	May	181.98	163.29	15,620	2.7
	June	174.50	158.55	20,343	3.4
	July	177.00	159.00	15,296	5.5
	August	176.50	159.00	11,748	2.0
	September	166.99	144.00	17,703	2.7
	October	150.00	135.00	18,872	2.7
	November	148.00	128.25	34,276	5.2
	December	151.00	132.00	30,218	4.3

Share subscription options

Pursuant to articles L. 225-184 and L. 225-180, point 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 2010, 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 GRANTED BY COMPANIES CONTROLLED BY OR AFFILIATED WITH THE COMPANY

Bouygues granted 556 employees of Colas and its subsidiaries 1,184,400 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 34.52 euros and they may be exercised for a period of seven years and six months as of their grant date (June 30, 2010). Options may be exercised on the conclusion of the fourth year following the grant date, i.e., with effect from June 30, 2014.

Options granted to corporate officers and directors with employee status in fiscal year 2010

Name	Granting company	Grant date	Number of options	Exercise price in euros
Hervé Le Bouc	Bouygues (parent company)	June 30, 2010	130,000	34.52
Thierry Genestar	"	"	21,000	"
Thierry Montouché	"	"	21,000	"
Christian de Pins	"	"	21,000	"
Louis Gabanna	"	"	21,000	"
TOTAL			**214,000**	

Options granted to the 10 non-corporate officer employees who received the most stock options in fiscal year 2010

Name	Granting company	Grant date	Number of options	Exercise price in euros
Jacques Leost	Bouygues (parent company)	June 30, 2010	21,000	34.52
Philippe Tournier	"	"	21,000	"
Yves François	"	"	14,000	"
Georges Ausseil	"	"	12,000	"
Jérôme Dussere	"	"	9,000	"
Christophe Guy	"	"	9,000	"
Serge Body	"	"	8,000	"
Martine Bourdon	"	"	8,000	"
Jean-Pierre Brossard	"	"	8,000	"
Thierry Caussemille	"	"	8,000	"
Bruno Chambon	"	"	8,000	"
Christophe Da-Poïan	"	"	8,000	"
Philippe Decarnin	"	"	8,000	"
Daniel Ducroix	"	"	8,000	"
Philippe Durand	"	"	8,000	"
Gilles Frotier de Bagneux	"	"	8,000	"
Patrick Guénolé	"	"	8,000	"
Philippe Guilmant	"	"	8,000	"
Patrice Haltebourg	"	"	8,000	"
Joël Hamon	"	"	8,000	"
Christian Lavedrine	"	"	8,000	"
Pascal Maridet	"	"	8,000	"
Christophe Mitridati	"	"	8,000	"
Jacques Pastor	"	"	8,000	"

Name	Granting company	Grant date	Number of options	Exercise price in euros
Christian Raimondi	Bouygues (parent company)	June 30, 2010	8,000	34.52
Frédéric Roussel	"	"	8,000	"
Bernard Sala	"	"	8,000	"
TOTAL			**254,000**	

Corporate officers and employees of the Company did not receive any other options in 2010 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 other employees

COMPANY SHARE OPTIONS EXERCISED BY THE COMPANY'S CORPORATE OFFICERS AND OTHER EMPLOYEES

Options exercised by the Company's corporate officers and employees: none.

There were no options to subscribe to shares issued by Colas in existence on December 31, 2010.

OPTIONS EXERCISED TO PURCHASE SHARES OF AFFILIATE COMPANIES BY COMPANY OFFICERS AND EMPLOYEES

Options exercised by the Company's corporate officers and directors with employee status in fiscal year 2010

Name	Granting company	Grant date	Number of options	Exercise price in euros
Thierry Genestar	Bouygues (parent company)	June 17, 2003	5,885	19.37
Thierry Montouché	"	June 17, 2003	2,769	19.37
	"	March 15, 2004	6,759	25.15
Louis Gabanna	"	June 17, 2003	8,827	19.37
TOTAL			**24,240**	

Options exercised by the 10 non-corporate officer employees of the Company that exercised the most options during fiscal year 2010

Name	Granting company	Grant date	Number of options	Exercise price in euros
Yves François	Bouygues (parent company)	June 17, 2003	8,827	19.37
Jean-Pierre Bélier	"	June 17, 2003	5,885	19.37
	"	March 15, 2004	5,885	25.15
Serge Body	"	June 17, 2003	5,885	19.37
Philippe Guilmant	"	June 17, 2003	5,885	19.37
Georges Ausseil	"	March 15, 2004	4,885	25.15
Sophie Baudoux	"	June 17, 2003	1,766	19.37
	"	March 15, 2004	2,943	25.15
Didier Calbry	"	June 17, 2003	4,708	19.37
John Killeen	"	June 17, 2003	4,708	19.37
Michel Lorrain	"	March 15, 2004	4,708	25.15
Laurent Le Boulc'h	"	June 17, 2003	3,531	19.37
TOTAL			**59,616**	

Special report on the share repurchase program

Programs to buy back and retire shares in 2010

Pursuant to article L. 225-209 of the French Code of Commerce, the Combined Annual and Extraordinary Shareholders' Meeting of April 14, 2010, in its tenth 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 2010.

The Combined Annual and Extraordinary Shareholders' Meeting of April 14, 2010, in its twelfth 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 2010.

Program to buy back shares in 2011

DESCRIPTION OF PROGRAM AND REQUEST FOR AUTHORIZATION FROM THE COMBINED ANNUAL AND EXTRAORDINARY SHAREHOLDERS' MEETING OF APRIL 15, 2011

Pursuant to the general regulations governing the AMF *(Autorité des Marchés Financiers)* in articles 241-1 *et seq.*, we submit for your approval a resolution to renew this authorization, for a further period of eighteen months, to enable the Board to conduct transactions in shares of 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 14, 2010 in its tenth resolution.

The characteristics of the program are as follows:

– objectives: retirement of all shares bought back in compliance with applicable laws and regulations; ensuring if needed liquidity of shares held by employees as part of a Company Savings Plan, in compliance with current laws and regulation;

– 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, 2010, these funds owned 315,251 Colas shares;

– maximum number of shares: 315,251 shares, i.e., 0.96% of the existing share capital;

– maximum share price: 250 euros;

– maximum amount paid by the Company: 78,812,750 euros based on the 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 15, 2011, i.e., until October 15, 2012.

Synopsis of authorizations as of December 31, 2010

Authorization	Maximum amount	ASM or ESM	Duration
Free award of shares (Resolution 14)	10% of share capital	April 16, 2008	38 months
Award of share subscription or purchase options (Resolution 13)	10% of share capital	April 16, 2008	38 months
Issuance of shares reserved for employees without preferential subscription rights (Resolution 18)	10% of share capital	April 15, 2009	26 months
Issuance of shares or securities of any type with or without preferential subscription rights (Resolutions 19, 20 and 21)	10 million euros	April 15,2009	26 months
Buyback by the Company of treasury shares (Resolution 10)	10% of share capital	April 14, 2010	18 months
Cancellation of treasury shares by the Company (Resolution 12)	10% of share capital	April 14, 2010	18 months
Issuance of bonds or similar securities (Resolution 13)	750 million euros	April 14, 2010	26 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, 2010, grant full discharge to the Directors for their management, approve the consolidated financial statements, the appropriation of earnings, which amount to 267,456,301.95 euros with the payment of a dividend of 6.30 euros per share as of April 28, 2011 and agreements and transactions specified in articles L. 225-38 *et seq.* of the French Code of Commerce (first, second, third and fourth resolutions).

You are invited to:

– reappoint seven Directors for a term of two years to expire at the Annual Shareholders' Meeting convened to approve the financial statements for fiscal year 2012 (fifth to eleventh resolutions);

– appoint two Directors for a term of two years to expire at the Annual Shareholders' Meeting convened to approve the financial statements for fiscal 2012 (twelfth and thirteenth resolutions), with the Board of Directors comprising 14 members;

– authorize the Board of Directors in accordance with articles L. 225-209 *et seq.* 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 objectives of canceling all of the shares bought back and ensuring the liquidity of shares held by employees as part of a Company Savings Plan 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 14, 2010, is sought for a period of eighteen months (fourteenth resolution);

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

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 (sixteenth resolution);

– to increase the Company's share capital, either through the issue, with preferential subscription rights, of shares and/or investment securities giving access to the Company's share capital, or through the incorporation of additional paid-in capital or the capitalization of reserves, unappropriated retained earnings, or other items (seventeenth resolution);

– to increase the Company's share capital through the issue, without preferential subscription rights, of shares and/or investment securities giving access to the Company's share capital (eighteenth resolution);

– to raise the number of new shares to be issued in the event of a capital increase with or without preferential subscription rights for existing shareholders (nineteenth resolution);

– to increase the Company's share capital through an issue reserved for Company employees pursuant to the provisions of article L. 225-138 of the French Code of Commerce and article L. 3332-18 *et seq.* of the French Labor Code (twentieth resolution).

You are requested to grant powers to carry out all legal requirements (twenty-first 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)

To the 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 meetings of February 28 and March 18, 2011.

The Board of Directors

Overview of the organization of the Board of Directors

MEMBERSHIP

Your Board consists of the following 12 Directors:
Hervé Le Bouc
Christian Balmes
François Bertière
Olivier Bouygues
Louis Gabanna
Thierry Genestar
Jean-François Guillemin
Philippe Marien, permanent representative of Bouygues SA
Thierry Montouché
Christian de Pins
Jean-Claude Tostivin
Gilles Zancanaro

These Directors are appointed by the Shareholders' Meeting for a term of two years.

CHANGES IN THE MEMBERSHIP OF THE BOARD IN 2010

The Shareholders' Meeting held on April 14, 2010 reappointed one Director, Mr Jean-François Guillemin, and approved the appointment of four new Directors, Messrs Louis Gabanna, Christian de Pins, Jean-Claude Tostivin and Gilles Zancanaro.

PROPOSED CHANGES IN BOARD MEMBERSHIP SUBMITTED TO THE SHAREHOLDERS' MEETING

A proposal will be submitted to the Shareholders' Meeting of April 15, 2011 recommending that the Meeting reappoint seven Directors for a further term of two years: Messrs Hervé Le Bouc, Christian Balmes, François Bertière, Olivier Bouygues, Thierry Genestar, Thierry Montouché and Bouygues SA, and appoint Mr Jacques Leost and Ms Colette Lewiner for a term of two years. The Board would henceforth be composed of 14 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 legal matters in particular is presented to each Director.

CHAIRMAN AND CEO

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

AUDIT AND COMPENSATION COMMITTEES

The Board is assisted in the performance of its duties by an Audit Committee, 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.

Created 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 Messrs Philippe Marien (Chairman), Christian Balmes, Thierry Montouché and Gilles Zancanaro.

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 March 31 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.

Created 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 Messrs Jean-François Guillemin and Olivier Bouygues.

Created on November 25, 2009, the Ethics Committee is comprised of three Directors (Messrs Christian Balmes, Jean-François Guillemin and Thierry Montouché) and is responsible for reviewing all alerts or circumstances that might expose the Group to risks, as well as all sponsoring contracts in amounts greater than 20,000 euros.

Activity report of the Board of Directors for the fiscal year ended December 31, 2010

The Board met four times over the course of the 2010 fiscal year. The average attendance rate at Board of Directors' meetings was 91%.

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 prospectus 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 March 1, 2010, the Board decided to submit a proposal to the Shareholders' Meeting for the appointment of four new Directors and the reappointment of one Director. The Board also examined the Group's business activity and results for 2009, the performance of each of its business segments, the Group's strategies and outlook for 2010, its work-on-hand, its industrial potential and future strategies, the year's investments (including acquisitions made in 2009 and their impact in terms of production, aggregate reserves and revenue), the investment budget for fiscal year 2010 (including the project for the acquisition of Société de la Raffinerie de Dunkerque) and evaluated the success of safety improvement initiatives. The parent company and consolidated financial statements were approved with the proposed appropriation of earnings, as well as the compensation awarded to the Chairman, the amount and allocation of directors' fees under the authorization granted by the Shareholders' Meeting, and the Combined Shareholders' Meeting was convened. The Chairman's special report on conditions governing the preparation and organization of the work of the Board and on internal control procedures implemented by the Company was approved. For the first time, a risk mapping covering the entire scope of the Group's operations was presented to the Board.

In its meeting of May 27, 2010, the Board reviewed the interim results of the parent company and its subsidiaries for the period ending March 31, 2010.

In its meeting of August 30, 2010, 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. Three acquisitions were presented: Sagemcom's "Urban Systems" business unit by the subsidiary Aximum and two US road construction companies (RB Baker Construction Inc. and Ballou Pavement Solutions Inc.), which expand the Group's territorial coverage. The interim management report was approved.

In its meeting of November 26, 2010, the Board reviewed the Group's business activity during the third quarter of 2010 and its outlook, investments made, one proposed acquisition and the parent company and consolidated financial results for the period ending September 30, 2010. A proposed three-year business plan for the period 2011-2013 was also presented and discussed. A report on the characteristics of the highway concession project for the A63 between Salles and Saint-Geours-de-Maremne in France, for which Colas has been selected as the preferred bidder, was presented.

Operations of the committees established by the Board

AUDIT COMMITTEE

The Audit Committee met four times during the year, on February 24, May 25, August 25 and November 25, 2010. The attendance rate at these meetings was 94%. During its meetings, the Audit Committee notably reviewed the

Group's accounting policies, the scope of consolidation and segment information. In February, the new IFRS accounting standards and interpretations to be adopted in respect of the 2010 financial statements were examined. This analysis gave rise to the conclusion that these new standards and interpretations would not have any material impact for Colas. In May, a risk mapping for the bitumen business and a market risk study (petroleum and foreign exchange) in connection with the business of Société de la Raffinerie de Dunkerque, conducted in order to adapt the Group's internal control systems to this business, were presented. An analysis of ethical risks, both in France and worldwide, and of the provisions established to protect against these risks, was presented. In August, the Committee examined the impact of the integration of Société de la Raffinerie de Dunkerque, which had just been acquired, and the provisional allocation of the difference arising on initial consolidation. A detailed review of consolidated inventories (methods, types, geographic breakdown) was presented. In November, goodwill impairment charges booked in the accounts as of September 30, 2010 were reviewed. Lastly, at each meeting, a progress report on the internal audit function and the work carried out since the previous meeting of the Committee was presented. A sample follow-up of post-audit recommendations was submitted to the Committee. A summary of the findings of the annual self-assessment survey for 2010 relating to the internal control framework was discussed. At these four 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 2010 to review the compensation awarded to Mr Hervé Le Bouc, Chairman and Chief Executive Officer and make its recommendations.

Internal control procedures within the Company

Colas, as the head company of a group of 645 companies based in some 40 countries, implements internal control procedures in line with its business strategies to ensure the best possible supervision of its operations and the associated risks, whether operational, financial or legal. The objective is 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. Risk management has always been a key priority at Colas, espoused by its senior executives and managers who base their actions on principles and procedures that have been in use for a very long time.

As with any internal control system, the Company is not able to fully guarantee that the risks it is designed to prevent are completely eliminated.

Reference framework

Colas Group applies the internal control reference framework published by the AMF *Autorité des Marchés Financiers* in January 2007.

Scope of application of internal control

The Group's internal control procedures apply to Colas and to all directly controlled subsidiaries in which the parent company holds an ownership interest greater than 50% (including the subsidiaries of these entities).

Organization and monitoring of internal control procedures

ORGANIZATION OF THE GROUP AND INTERNAL CONTROL PROCEDURES

Organization principles

– Business activities pursued by subsidiaries: virtually all of the Group's business activities are conducted by subsidiaries, a very large majority of which are wholly owned by Colas.

– High level of decentralization, in order to situate decision-making processes at the most relevant and effective level: this architecture involves a limited number of hierarchical tiers and usually only three main levels of responsibility. Each manager fulfills his or her role by virtue of delegations of powers of attorney granted to operational and functional managers at different hierarchical levels, which are exercised in the context of general directives.

– 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.

– Integrated management tools facilitating the monitoring and supervision of production activities through the use of software modules covering all management and accounting functions, supplemented by a specific tool used for reporting and consolidation. The software tool deployed across all French road construction subsidiaries offers complete coverage of operations, from business acquisition to execution, including budgeting and procurement. This tool interfaces with the manufacturing tools and the production equipment. It is intended to promote greater efficiency and simpler control of operations in profit centers. 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 numbers 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 overseas departments and territories and the African continent).

Organization of business activities

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 of 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.

Four Managing Directors steer, supervise and audit the work of these subsidiaries, grouped as follows: road construction subsidiaries in mainland France, specialized activities (Railways, Waterproofing, Road Safety and Signaling, Pipes and Mains) and Northern Europe; North America; and the Rest of the World (French overseas departments and territories, central Europe, Indian Ocean, Africa, Asia, Middle East).

Main internal control procedures

All subsidiaries and managing directors benefit from **assistance provided by the functional departments** 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 within the Group who share the same function so as to exchange experiences, organize and 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, 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.
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.

Supervision and control of operations

• Work-on-hand, revenue and profit in a highly decentralized Group:
The nature of the road construction business, as well as the other specialty 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 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. Engineering studies and order management are under the responsibility of the operating managers in charge of some 800 works centers and 1,400 production sites throughout the world. 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 delegations of 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 the subsidiary level, by the Managing Director with responsibility for the geographic area, or by the General Management of Colas. In 2010, executive contract committees met to review the conditions for submitting bids or proposals for 133 different projects. Dedicated I.T. tools are used to monitor worksite performance. The validity of these arrangements is verified by the executive management functions of the Group's various subsidiaries. Contracts resulting in revenue in excess of 20 million euros at the conclusion of work are monitored on a quarterly basis by the Audit Committee.

• Acquisitions and disposals:
As any acquisition process exposes the Group to risk, all proposals for the creation, acquisition or disposal of an undertaking (securities or assets) or of property 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. 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.

• Objectives and action plans in the area of responsible development are monitored on a regular basis, particularly in relation to:

– health and safety: safety in the workplace and during employee transportation is a priority for every Group company. 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, guidelines 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, supplemented by a code of ethics. 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. It is for this reason that training programs and refresher courses are offered, together with the implementation of controls and reporting, the ultimate goal being to ensure coverage of all subsidiaries. In 2010, 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, for some 150 managers.

• Procedures with regard to preparing, processing and monitoring financial and accounting information:
The main documents, procedures and tools used for the communication of accounting and financial information are based on accrual accounting. This allows for monitoring worksite cost schedules, as well as for preparing activity reports by subsidiary and/or country and monthly statements of post-tax profit (monthly for subsidiaries and the Group), which are consolidated. They give the revenue, the work-on-hand, the main financial indicators and the consolidated net profit of the Group, on the 15th of each month following the month of operations. These figures are compared monthly with the bi-annual budgets and the quarterly balance sheets and income statements, at the level of each subsidiary and each executive management division. The net consolidated cash flow position is prepared on a daily basis for companies located in mainland France and on a monthly basis for the Group. These figures are reconciled with the three-month forecasts, which are produced each month. Meetings are organized throughout the year with the main senior executives in charge of operating the subsidiaries, to analyze changes in business activity, the economic situation, strategy and issues relating to current affairs.
The accounting and consolidation department is in charge of preparing and analyzing the consolidated financial and accounting information. The division sets out and monitors the accounting rules and policies in accordance with IFRS. For the 2010 financial statements, 557 consolidation reporting packages were processed for a scope of consolidation covering 645 entities. Personnel involved included some 15 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 worksites, giving a total of more than 1,100 persons.
In France and abroad, cash management is centralized whenever possible. Financial flows in mainland France and abroad are subject to Group procedures, to ensure maximum security and to minimize fraud risks.

• Procedure for the coverage of risks through insurance:
Risk management policy focuses on people, production and transport assets, work sites 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 ten-year guarantee insurance. Coverage amounts are appropriate to the risks incurred by Group companies and are generally in excess of 5 million euros. Property damage insurance covers damage affecting assets included in the companies' asset base. The guarantee amounts are generally equivalent to the value of the assets. For work under construction, a specific insurance policy is subscribed when there is a contractual obligation.

MONITORING AND SUPERVISION OF THE SYSTEM

In 2010, Colas pursued its efforts focusing on constant improvements and the continuous adaptation of its internal control framework.

Progress in the development of internal control procedures

The Group's project for the definition of internal control procedures was launched in September 2007, in close collaboration with Bouygues SA, its parent company. Conceived as a three-year plan, this project sought 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. This project uses input from exchanges with other lines of business within the Bouygues Group, addressing cross-functional issues in a harmonized manner, while taking into account the specific characteristics of Colas.

This process for improving Colas' internal control procedures consists of an annual self-assessment of the principles of the procedures and a management of risks based on mapping the risks, which is carried out each year when the three-year business plan is produced.

The annual self-assessment of the principles of Colas' internal control framework, tested for the first time in France in October 2008, has now been extended to all Colas business segments. There are 458 principles, comprised of 243 general principles and 215 accounting and financial principles, to which have been added 61 principles specific to the Group's business lines. Together they form Colas' internal control framework.

• This assessment was performed in October 2010 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), thus a total of 59 subsidiaries or head companies of consolidation groups, representing 99% 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.

• For this second global assessment, the subsidiaries were requested to base their evaluation more on the operating units' assessments. 100 of the 519 principles that make up Colas' internal control framework were thereby assessed at the level of entities; their assessments then contributing to the subsidiary respondents' project and validators' final assessments.

• 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.

• The **analysis of the results of this second overall assessment** of internal control principles found that:

– in general, a large majority of subsidiaries demonstrate good overall management of operations and processes, and, for each process, the definition and gradual appropriation by those involved is seen, along with a correct application of Group management principles;

– overall, progress was made, as shown in the 2010 self-assessment, where the average rating was higher than that of the previous year (the good rating of accounting and financial policies contributed to this). This improvement seems to be related to the action plans implemented at year-end 2009-early 2010, following the first global assessment campaign;

– points requiring attention concern:

• the availability in all subsidiaries of information regarding accounting policies and Group consolidation procedures; this information is currently being updated and disseminated on the intranet,

• difficulty in ensuring a proper segregation of duties in some entities, owing to their very small size,

• ongoing improvement in managing and coordinating employees' careers, identifying crucial posts and monitoring staff with high potential, following an action plan launched in the first quarter 2010,

• improving the security of information systems (testing of business continuity plans and emergency anti-virus plans is to be conducted in two sites in France, in 2011) and continuing improvements in securing computer rooms in all Colas' entities,

• too slow a pace of integration of newly acquired companies, such as Gouyer in the Caribbean and, in particular, Cesta Varazdin in Croatia,

• weaknesses in certain central European subsidiaries, a large number of which involved individuals' failings, which led to actions being taken in 2010 and which will continue in 2011 (replacing the entire management chain, managing director, deputy managing director, administration and finance manager and three subsidiary managers, together with bolstering support given to these companies, to increase the pace at which good practices are shared),

• increasing the formalization and dissemination of instructions and rules so as to facilitate their complete assimilation by staff, especially as concerns new or newly promoted staff;

– the 2010 fiscal year saw the exposure of certain weaknesses: a case of fraud (an international wire transfer to the detriment of employees not having applied procedures in a subsidiary in the Caribbean, embezzlement of asphalt mixes sales by employees of a joint venture in Great Britain, misappropriation of checks by and for the benefit of an employee in a quarry holding) or malfunctions (unjustified recorded revenue in a profit center of a road subsidiary in mainland France);

– in 2010, two subsidiaries were fined for breaching antitrust regulations: a Hungarian rail subsidiary was fined mainly concerning events prior to its being acquired by Colas, a second, larger fine was imposed on the subsidiary Aximum for having been the parent company of a vertical signaling company that had been involved in antitrust practices between 1998 and 2006, despite the fact that Aximum has disposed of the company and that these practices were carried out totally independently of its parent company.

Main actions taken in 2010 following the 2009 assessment:

– disseminating a new Group purchasing procedure;

– disseminating press relations kit, including crisis situations;

– including main human resources needs when examining the budget at the beginning of the year and reviewing the main operating and financial risks identified when mapping of risks with the action plans to be undertaken.

For 2011, the actions planned include:

– updating and improving specific control and authorization procedures for order-taking or for bids on certain projects;

– strengthening the International executive management with two deputy managing directors, to whom two additional administration and finance managers will be assigned: one in charge of Africa/Indian Ocean/French overseas departments and the other in charge of central Europe;

– increasing the centralization of international payments for improved security;

– improving the dissemination of the principles of information systems security;

– pursuing, broadening and bolstering the multi-annual training program regarding business ethics;

– reviewing the objectives of internal audit with a view to broadening its scope, by bolstering the means it has at its disposal;

– putting to work the Management Committee, a new corporate governance body that was set up at the end of 2010. This Committee comprises the seven members of the Executive Committee and thirteen other representative managers of Colas' businesses. The Committee will examine questions of strategy and will be a key component to Colas' continuing success, naturally with consequences on matters of internal control.

RISK MAPPING

– Following a program of training and awareness-raising in 2009, which enabled an initial formal listing of major, identifiable risks to be carried out at the beginning of 2010, the mapping of risks continued alongside the updating of the three-year business plans, drawn up at the same time as the 2011 projected budgets for Colas' geographical zones prepared by the executive management teams.

– This mapping of risks includes no more than eight main risks that might affect the achievement of operational, financial and strategic objectives included in the three-year business plans. An overview will be presented to the Board of Directors at its meeting to be held in February and to the Audit Committee at its meeting held prior to that of the Board of Directors.

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

– This second mapping confirmed that Colas' exposure to systemic risks is relatively limited but it showed the Group's sensitivity to risks connected to economic and financial situations of the countries in which Colas carries out business and the extent and/or speed at which its local entities are able to anticipate and adapt to such risks.

Monitoring of internal control procedures

All participants in Company procedures across the Group are responsible for the monitoring and management of its internal control program. The process is supervised by a coordinator at the level of the Colas parent company, who liaises with a network of correspondents in the Group's country- or region-based subsidiaries.

As part of its program, the Group's internal audit division verifies that the internal control principles have been properly applied and audits the quality of the assessment.

The Group's internal audit division consists of eight auditors working under an audit manager, and 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 includes 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 10 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 2010, the team audited the subsidiaries Sully-Miller (United States), Cesta Varazdin (Croatia), the activities of Colas Rail in Morocco and in Romania, as well as the French companies Sacer Atlantique and Colas Centre-Ouest, the shared services platform Échangeur Nantes, along with Ribal (French Guiana), Colas Martinique, Colas Guadeloupe, and the western track units, catenary system and signaling activities of Colas Rail in France.

These audits may be supplemented by more technical or targeted engagements as was the case in 2010 with a feasibility study for the combination of certain of the Group's specialized activities in the Paris region or the in-depth analysis of terms and conditions for declaring the completion of the contract for work on the M6 Motorway in southern Hungary by Colas Hungaria.

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, as well as the management bodies of the audited entity. Each time, a copy of this 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 within the subsequent two months. The Statutory Auditors are 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-assessment procedure in October 2010 was submitted to the Group's Audit Committee and discussed in its meeting of November 25, 2010. This summary is 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 work of the internal audit team in conjunction with that carried out by the Statutory Auditors. The Statutory Auditors are also informed of the general findings of the self-assessment of accounting and financial principles carried out by the French subsidiaries.

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 the article L. 225-235 of the French Code of Commerce on the report of the Chairman of the Board of Directors

(Fiscal year ended December 31, 2010)

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, 2010.

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 and Courbevoie, March 18, 2011

The Statutory Auditors

KPMG Audit	MAZARS	
A division of KPMG SA		
Xavier Fournet	Gilles Rainaut	Gaël Lamant
Partner	*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	Director, Chairman and Chief Executive Officer	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	163 Madison Avenue, suite 500 – NJ 07960 Morristown – United States
ColasCanada	Inc.	Director	4984 place de la Savane, bureau 150 – Montreal, Quebec H4P 2M9 – Canada
Colasie	SA	Director, Chairman and Chief Executive Officer	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	Chairman	7, place René-Clair – 92100 Boulogne-Billancourt – France
Hincol	Ltd	Director	5th Floor Richardson – Crudas Building – Sir JJ Road BY 400008 Mumbai – India
Isco	Ltd	Director	Je-il bldg 94/49 Youngdeungpo – dong 7 ga Yougdeundpo – dong 140988 Seoul – 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 Colas	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, 118/1 Rama 6 road – Samsen Nai, Phayathai – 10400 Bangkok – Thailand
Colas Émulsions	SACS	Representative of Colas on the Board of Trustees	5, boulevard Abdellah-Ben-Yacine – 21700 Casablanca – Morocco
Grands Travaux Routiers	SACS	Representative of Colas on the Board of Trustees	5, boulevard Abdellah-Ben-Yacine – 21700 Casablanca – Morocco
La Route Marocaine	SACS	Member 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

Name of company	Type	Office in the company	Head office
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	Director, Chairman and Chief Executive Officer	3, boulevard Gallieni – 92130 Issy-les-Moulineaux – France
Colas	SA	Director	7, place René-Clair – 92100 Boulogne-Billancourt – France
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 – 78065 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 – France
Finagestion	SA	Director	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 – Chairman	32, avenue Hoche – 75008 Paris – France
Sagri-E	SAS	Chairman	32, avenue Hoche – 75008 Paris – France
Sagri-F	SAS	Chairman	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 – Rep. of Côte d'Ivoire
Compagnie Ivoirienne d'Électricité (CIE)	SA	Director	BP 6923 – Abidjan – Rep. of Côte d'Ivoire
Seci	SA	Director Chairman and Chief Executive Officer	34, avenue Houdaille – Tour Sidam BP 4039 – Abidjan – Rep. of Côte d'Ivoire

Name of company	Type	Office in the company	Head office
Louis Gabanna			
Colas Inc.	Inc.	Director, Chairman of the Board	163 Madison Avenue, suite 500 – NJ 07960 Morristown – United States
ColasCanada	Inc.	Director, 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
Sintra	Inc.	Director, Chairman of the Board	4984 place de la Savane, bureau 200 – Montreal, Quebec H4P 2M9 – Canada
Terus Construction	Ltd	Director	201 – 5550 152 Street – Surrey, British Columbia V3S 5J9 – Canada
Interoute Construction	Ltd	Director	1056 Playmor Road – Box 22 – Crescent Valley, British Columbia V0G 1H0 – Canada
L B Paving	Ltd	Director	2992 Tatlow Road – Box 3513 – Smithers, British Columbia V0J 2N0 – Canada
North Coast Road Maintenance	Ltd	Director	201 – 5550 152 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	Director, Chairman of the Board	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
Arctic Holdings and Leasing	Ltd	Director	135 Kam Lake Road – Box 2949 – Yellowknife, 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, 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
Emulsion Products of Canada	Inc.	Director, Chairman and secretary treasurer	2200, 10155 – 102 Street – Edmonton, Alberta T5J 4G8 – Canada

Name of company	Type	Office in the company	Head office

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
Beaujolaise de Porphyre	SA	Chairman, 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 Belgium	SA	Permanent Representative of Colas	313, rue Nestor-Martin – 1082 Bruxelles – Belgium
Colas Centre-Ouest	SA	Permanent Representative of Colas	Échangeur Nantes – 2, rue Gaspard-Coriolis – 44300 Nantes – France
Colas Environnement	SAS	Director	7, place René-Clair – 92100 Boulogne-Billancourt – France
Colas Est	SA	Permanent Representative of Colas	44, boulevard de la Moth – 54000 Nancy
Colas Nord-Picardie	SA	Permanent Representative of Colas	Échangeur Lille – 197, rue du 8-Mai-1945 – BP 10135 – 59653 Villeneuve-d'Ascq Cedex – France
Colas Rhône-Alpes – Auvergne	SA	Permanent Representative of Colas	Échangeur Lyon – 2, avenue Tony-Garnier – 69007 Lyon – France
Développement Infrastructures	SAS	Chairman	Échangeur Lyon – 2, avenue Tony-Garnier – 69007 Lyon – France
Perrier TP	SA	Director	13, route de Lyon – 69800 Saint-Priest – France
Revue Générale Routes et Aérodromes	SAS	Director	10, rue Clément-Marot – 75008 Paris – France
Sacer Atlantique	SA	Permanent Representative of Colas	Échangeur Nantes – 2, rue Gaspard-Coriolis – 44300 Nantes – 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 Île-de-France – Normandie	SA	Permanent Representative of Colas	6, rue Galilée – Quartier Europe – 78280 Guyancourt – 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 Ouest	SA	Permanent Representative of Colas	Échangeur Nantes – 2, rue Gaspard-Coriolis – 44300 Nantes – France
Screg Sud-Est	SA	Permanent Representative of Colas	Échangeur Lyon – 2, avenue Tony-Garnier – 69007 Lyon – France
Screg Sud-Ouest	SA	Permanent Representative of Colas	Immeuble Échangeur, 14, avenue Becquerel – 33700 Mérignac – 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

Name of company	Type	Office in the company	Head office
Jean-François Guillemin			
Bouygues Telecom	SA	Permanent representative of Bougues	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 – 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	Permanent representative of Bouygues	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	163 Madison Avenue, suite 500 – NJ 07960 Morristown – United States
ColasCanada	Inc.	Director	4984 place de la Savane, bureau 150 – Montreal, Quebec H4P 2M9 – Canada
Colas Ltd	Ltd	Director	Rowfant – RH104NF Crawley (West Sussex) – Great Britain
Ensign Holdings Highways	Ltd	Director	Rowfant – RH104NF Crawley (West Sussex) – Great Britain
Colas Teoranta	Ltd	Director	Unit G1 Maynooth Business Campus – Maynooth – Co. Kildare – Northern Ireland
ICB Emulsions Ltd	Ltd	Director	76 Ballyhannon Road – Portadown – Craigavon – BT 635 SE, Count y 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

Name of company	Type	Office in the company	Head office
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-Lindbergh – 33700 Mérignac – France
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

Christian de Pins

Colas	SA	Director	7, place René-Clair – 92100 Boulogne-Billancourt – 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
Aximum	SA	Permanent representative of IPF	41, boulevard de la République – 78400 Chatou – France
Colas Rail	SA	Permanent representative of IPF	38-44, rue Jean-Mermoz – 78600 Maisons-Laffitte – 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
Screg Grands Travaux	SA	Permanent representative of Spare	2, rue Virginie-Mauvais – 54000 Nancy – France
Colas Belgium	SA	Chairman	313, rue Nestor-Martin – 1082 Brusells – Belgium
Colas Danmark	A/S	Director	Fabriksparken 40 – 2600 Glostrup – Denmark
Colas Suisse Holding	SA	Director	20, route de Bernz – Case postale 96 – CH – 1010 Lausanne – Switzerland
Colas Teoranta	Ltd	Director	Unit G1 Maynooth Business Campus – Maynooth – Co. Kildare – Northern Ireland
ICB Emulsions Ltd	Ltd	Director	76 Ballyhannon Road – Portadown – Craigavon – BT 635 SE – County Armagh – Ireland

Name of company	Type	Office in the company	Head office
Jean-Claude Tostivin			
Colas	SA	Director	7, place René-Clair – 92100 Boulogne-Billancourt – France
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 (formerly 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			
Colas	SA	Director	7, place René-Clair – 92100 Boulogne-Billancourt – France
C2S	SA	Director, Chairman and Chief Executive Officer	3, rue Alfred-Kastler – 17, parc Ariane – 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

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 – 17, parc Ariane – 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 and Extraordinary Shareholders' Meeting on April 15, 2011

Name of company	Type	Office in the company	Head office
Jacques Leost			
Doris Engineering	SA	Director (up to August 20, 2010)	58, rue du Dessous-des-Berges – 75013 Paris – France
Saipem	SA	Director, Chairman and Chief Executive Officer (up to August 20, 2010)	1, avenue San-Fernando – 78180 Montigny-le-Bretonneux – France
BOS Investment Limited	Ltd	Director and Chairman (up to August 20, 2010)	Saipem House Motspur Park, New Malden, Surrey, KT3 6JJ – United Kingdom
BOS-UIE Limited	Ltd	Director and Chairman (up to August 20, 2010)	Saipem House Motspur Park, New Malden, Surrey, KT3 6JJ – United Kingdom
Saipem SpA	SA	Director, Chairman and Chief Executive Officer (up to August 20, 2010)	Via Martiri di Cefalonia, 67 – 20097 San Donato Milanese – Milan, Italy
Starstroi LLC	Llc	Director (up to April 29, 2010)	Dobryninskiy Pereulok, 8-4th Floor – Moscow – Russia
Colette Lewiner			
Bouygues	SA	Director	32, avenue Hoche – 75008 Paris – France
Nexans	SA	Director	8, rue du Général Foy – 75008 Paris – France
La Poste	SA	Director	44, boulevard de Vaugirard – 75015 Paris – France
TGS NOPEC Geophysical Company	ASA	Director	Hagaloekkveien 13 – N-1383 Asker – Norway
Lafarge	SA	Director	61, rue des Belles-Feuilles – 75016 Paris – France
TDF	SAS	Director, Chairwoman of the Board of Directors	106, avenue Marx-Dormoy – 92541 Montrouge Cedex – France

CONSOLIDATED FINANCIAL STATEMENTS OF THE COLAS GROUP

At December 31, 2010

Consolidated balance sheet at December 31

in millions of euros	Notes	2010	2009
Property, plant and equipment	3.1	2,438	2,294
Intangible assets	3.2	87	78
Goodwill	3.2	445	467
Investments in associates	3.3	422	388
Other financial assets	3.4	174	173
Deferred tax assets	3.5	138	102
Non-current assets		**3,704**	**3,502**
Inventories	4.1	531	435
Trade receivables	4.1	2,538	2,688
Current tax assets	4.1	44	31
Other receivables and prepayments	4.1	435	487
Cash and cash equivalents	4.2	411	536
Financial instruments	17	13	9
Net current assets		**3,972**	**4,186**
Assets held for sale and discontinued operations		–	–
TOTAL ASSETS		**7,676**	**7,688**
Share capital and paid-in capital		380	376
Retained earnings		1,704	1,553
Translation reserve		37	(40)
Net income for the year		224	387
Capital and reserves		**2,345**	**2,276**
Minority interests		30	34
Equity	5	**2,375**	**2,310**
Long-term debt	6	200	212
Provisions	7.1	750	663
Deferred tax liabilities	8	95	82
Non-current liabilities		**1,045**	**957**
Advance payments		243	244
Current portion of long-term debt	6	50	45
Current tax liabilities		49	77
Trade payables		1,872	2,006
Provisions	7.2	303	285
Other payables	9	1,508	1,593
Bank overdrafts and short-term loans		209	153
Financial instruments	17	22	18
Current liabilities		**4,256**	**4,421**
Liabilities associated with assets held for sale and discontinued operations		–	–
TOTAL EQUITY AND LIABILITIES		**7,676**	**7,688**

Consolidated income statement

in millions of euros	Notes	2010	2009
Revenue[1]	10	**11,661**	**11,581**
Raw materials and consumables used		(5,564)	(5,386)
Staff costs		(2,982)	(2,925)
External services		(2,427)	(2,295)
Taxes, other than income tax		(155)	(181)
Depreciation, amortization and depletion		(470)	(481)
Reversal (allocations) of provisions		(173)	(183)
Change in inventories		40	8
Other operating incomes	13	568	554
Other operating expenses	13	(133)	(151)
Profit from operations (current)		**365**	**541**
Extraordinary income	13	6	
Extraordinary expenses	13	(58)	
Profit from operations		**313**	**541**
Financial income		20	27
Financial expenses		(50)	(61)
Interest income (expense)	**14**	**(30)**	**(34)**
Other financial income	14	9	7
Other financial costs	14	(16)	(6)
Provision for income taxes	15	(122)	(172)
Income from associates		69	55
Profit for the year		**223**	**391**
Of which: Minority interest		(1)	4
OF WHICH: EQUITY HOLDERS OF THE PARENT		**224**	**387**
Earnings per share (in euros): basic	16	6.86	11.86
Earnings per share (in euros): diluted	16	6.86	11.86
(1) Of which recorded outside of France (international)		5,000	4,883

Statement of recognized income and expense

in millions of euros	2010	2009
Profit for the year	**223**	**391**
Exchange differences	76	21
Fair value restatements for financial instruments	(2)	2
Actuarial gains (losses) regarding employee benefits[1]	(16)	9
Share in associates	2	(2)
Deferred taxes based on these items	4	(4)
Net income recognized directly in equity	**64**	**26**
TOTAL RECOGNIZED INCOME AND EXPENSE	**287**	**417**
Equity holders of the parent	287	413
Minority interest		4

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

Consolidated statement of changes in equity

in millions of euros	Share capital and paid-in capital	Retained earnings	Translation reserve	Net income for the year	Capital and reserves	Minority interests	Total
At January 1, 2009	**368**	**1,341**	**(59)**	**490**	**2,140**	**37**	**2,177**
Share capital increase	8				8		8
Prior-year profit allocation		490		(490)			
Dividends paid		(285)			(285)	(2)	(287)
Other transactions between shareholders							
Profit for the period				387	387	4	391
Income (expenses) recognized directly in equity		7	19		26		26
Net profit and income (expenses) recognized directly in equity		7	19	387	413	4	417
Change in scope of consolidation						(5)	(5)
At December 31, 2009	**376**	**1,553**	**(40)**	**387**	**2,276**	**34**	**2,310**
Share capital increase	4				4		4
Prior-year profit allocation		387		(387)			
Dividends paid		(220)			(220)	(4)	(224)
Other transactions between shareholders		(2)			(2)		(2)
Profit for the period				224	224	(1)	223
Income (expenses) recognized directly in equity[1]		(14)	77		63	1	64
Net profit and income (expenses) recognized directly in equity		(14)	77	224	287		287
Change in scope of consolidation							
AT DECEMBER 31, 2010	**380**	**1,704**	**37**	**224**	**2,345**	**30**	**2,375**

(1) Detail:

	Group	Minority interests	Total
Exchange differences	77	1	78
Fair value restatement on financial instruments	(2)		(2)
Actuarial gains (losses) regarding employee benefits	(16)		(16)
Deferred taxes based on these items	4		4
Total income (expenses) recognized directly in equity	**63**	**1**	**64**

Consolidated cash flow statement

In millions of euros	2010	2009
Profit for the year (including minority interests)	223	391
Adjustments for:		
– Income from associates	(69)	(55)
– Dividends received from associates	33	33
– Dividends received from unconsolidated companies	(3)	(3)
– Depreciation, amortization and depletion on non-current assets	515	509
– Capital gains on disposal of assets	(37)	(15)
Sub-total	**662**	**860**
Interest income (expense)	30	34
Income tax	122	172
Cash from operations	**814**	**1,066**
Income tax paid	(171)	(202)
Changes in current assets and liabilities	(109)	(51)
Cash flows from operating activities (a)	**534**	**813**
Purchase of tangible and intangible assets	(517)	(399)
Proceeds from sales of properties, plant and equipment	43	37
Net debt on tangible and intangible assets	22	(21)
Sub-total	**(452)**	**(383)**
Acquisitions and disposals of subsidiaries:		
– Acquisitions of subsidiaries	(46)	(12)
– Disposals of subsidiaries	20	6
– Net debt on acquisitions of subsidiaries	2	(4)
– Cash acquired	21	10
Sub-total	**(3)**	**–**
Other investing activities:		
– Dividends received from unconsolidated companies	3	3
– Changes of other financial assets	(5)	(4)
Sub-total	**(2)**	**(1)**
Cash flows from investing activities (b)	**(457)**	**(384)**
Change in equity (Group share)	4	8
Change in minority interests		
Subsidiaries transactions with minority interests	(2)	
Dividends paid to parent company shareholders	(220)	(285)
Dividends paid to minority interests	(4)	(2)
Net variation from borrowings	(19)	20
Interest income (expense)	(30)	(34)
Other financing activities		(1)
Cash flows from financing activities (c)	**(271)**	**(294)**
Exchange differences and other non-cash variations (d)	13	6
Other non-cash variations (e)		
NET CHANGE IN CASH AND CASH EQUIVALENTS (a+b+c+d+e)	**(181)**	**141**
Net cash at the beginning of the year	383	242
NET CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR (see note 19)	**202**	**383**

Notes to the consolidated financial statements

Contents

Notes

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

General information about the Company

The financial statements for year ended December 31, 2010 were approved by the Board of Directors and authorized for issue on February 28, 2011.

These statements could be amended by the General Meeting of Shareholders.

Colas (the Company) is a French public company incorporated in France (RCS Nanterre B 552 025 314).

Head office: 7, place René-Clair, Boulogne-Billancourt, France

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 – Accounting standards

The Group applied all standards IFRSs and IFRIC interpretations that were issued as of December 31, 2010 and adopted by the European Union.

NEW STANDARDS OR INTERPRETATIONS REQUIRED FOR 2010

IFRS 3 revised: Business combinations
IAS 27 revised: Consolidated and separate financial statements
None of these new standards had any significant impact on the consolidated financial statements.

IFRIC 12: Service concession arrangements
The Group already applied the said interpretation in 2009.

NEW STANDARDS AND INTERPRETATIONS NOT YET REQUIRED WHICH HAVE BEEN APPLIED IN 2010

None.

NEW STANDARDS AND INTERPRETATIONS NOT YET APPLIED

New standards, standards amendments or interpretations are not yet compulsory in 2010. Consequently, the following standards and interpretations have not been applied in the consolidated financial statements :

IAS 24 revised: Related party disclosures (January 1, 2011)

IFRIC 19: Extinguishing financial liabilities with equity instruments (January 1, 2011)

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.

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.

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.

Investments in associates

An associate is a non-controlled entity over which the Group is in a position to exercise significant influence.

The results, assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting.

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.

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, which gives an approximate value of exchange rates prevailing at transaction dates without any significant variations. 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

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 at acquisition date.

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

When the construction phase of a tangible asset is long, borrowing costs that are directly attributable to its acquisition or construction are recognized as an asset.

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.

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 a straight line basis over their useful life.

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. The Group uses the "partial goodwill" method.

Goodwill is stated at cost less :

– accumulated amortization recognized before the first time application of the IFRSs;

– impairment depreciation recognized since January 1, 2004.

Other financial assets

Non-consolidated investments and other investments

These mainly comprise shares of unlisted companies. 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.

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 specialized road-related activities (safety, signaling, pipes and mains, waterproofing).

– 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: 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

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 realizable value is the estimated selling price less estimated costs of completion and estimated costs necessary to complete the sale.

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.

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

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.

Actuarial gains and losses are posted in the income statement.

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 classified in non-current provisions.

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 completions
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.

Nature of the risks for the Group

Risk management for foreign exchange rates
The level of risk is low because subsidiaries generate only a very 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.

Business linked to SRD, Société de la Raffinerie de Dunkerque, is more subject to exchange risks because their activity involves the purchase and sales of products valued in dollars which are then purchased and sold in dollars and/or in euros. The risk is managed via a currency swap for dollar flows.

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.

Raw materials risks

Colas can be sensitive to fluctuations in supply regularity and raw material costs, in particular for oil products (bitumen, fuel, heating oil, oils) used in road construction as well as for other raw materials such as steel, copper or aluminum in safety and signaling, waterproofing and railways activities.

The raw materials with the strongest impact on the Group are bitumen and other oil products.

– Supply risks:
Delays or disruption of supplies can generate additional direct and indirect expenses in roads and waterproofing activities. This risk can first be considered as non-systemic, except in the event of conflict and full-fledged disruption of oil supply, which can affect a country or more likely a region for a variable length of time. This is why Colas created a Group Bitumen management division several years ago and Bitumen management divisions in some major geographical zones (North America), for the purpose of reinforcing supply capacities (quantity supply agreements, imports). Colas has also focused on developing storage capacity in mainland France, in Europe, in French overseas departments, in the Indian Ocean and, on a larger scale, in North America. The Group, which now has large-scale storage capacities compared to actual bitumen consumption in certain regions, continues to implement a policy aiming at increasing storage capacity whenever possible (acquisition and creation). The acquisition of SRD, Société de la Raffinerie de Dunkerque, which produces 300,000 tons of bitumen per year, will help significantly optimize bitumen supply security for the road businesses in mainland France and Northern Europe.

– Risk related to price changes:
Bitumen prices have been rocked by major purchase price variations over the last several years. Several factors help limit the risk of these fluctuations: number of contracts and average contract value, which often allow prices to be taken into consideration in the bid, revisions, and indexing clauses in France and elsewhere around the world. Thanks to awareness drives, Group employees often include price variation parameters in contractual negotiations. In some regions, Group companies can sign guaranteed price supply contracts for a given period of time. For major contracts, when the deal is signed, hedging policies are underwritten if needed. There is a share of business remaining involving the sales of manufactured products to third parties for which bitumen and/or oil product price increases are passed on if the competitive environment does so allow.

In light of the above, it is impossible to measure income statement sensitivity given the thousands of contracts performed in a variety of legal environments in terms of protection, and the difference in price increases between geographical areas.

Lastly, an indirect risk exists should the price of these products or services increase for the customer, because the latter could reduce the volume of orders.

– Risks linked to SRD (Société de la Raffinerie de Dunkerque) activity:
The business of the Société de la Raffinerie de Dunkerque acquired in June 2010 is sensitive to raw material price fluctuations. The net income of a speciality products refinery is based on the difference between the sales price of the products it produces (oil, paraffin wax, bitumen and fuels) and the price of the raw materials processed by the refinery (atmospheric residue fuel, hydrocrackates and feedstocks). The refinery profit margin is linked to the said price difference.

The supply/production/sale cycle is fast and purchase contracts are tailor-made to reduce that risk. A commitment committee is in charge of raw materials purchasing. The raw materials are purchased in month "A", used in production in A+1 month, and manufactured products are sold in A+1 month, A+2 months or A+3 months. A hedging policy to reduce these risks has been implemented.

As of December 31, 2010, these hedging positions amounted to 58,000 barrels forward sold for a notional amount of 4 million euros. The valuation of these positions amounts to (0.125) million euros, recorded through equity (cash flow hedge).

Group principles and rules for financial hedging instruments

Financial hedging instruments used 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;

– purchase and sale of futures contracts, raw material swaps in the frame of hedging policy for raw materials.

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

The Group follows the use of these instruments, the choice of trade off, and generally speaking, the exposure to exchange risks and interest rate risks with detailed, specific follow-up reporting to the management of the companies involved.

Cash flow hedge

Cash flow hedge consists of hedging cash flow arise 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, 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.

Accounting policies for financial instruments

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

Criteria for recognition of financial assets or liabilities

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

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

Basis of valuation of financial assets and liabilities

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

Accounting of financial instruments stated at fair value

The Group uses few financial instruments; derivative financial instruments are stated at fair value, which means market value for instruments listed on the stock exchange. For unlisted instruments (not yet used), 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 their fair value. Unrealized profit and losses are recognized according to the nature of the 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

Ordinary activity income

Income from operations is recognized when it is probable that future economic benefits will flow to the Company, and costs incurred regarding these transactions 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.

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.

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.

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.

Other non-current results

These concern a very small number of unusual, abnormal and uncommon income or expense – with very significant amounts – disclosed separately in the income statement to improve the understanding of current operational performance.

The nature of these items is described in note 13.

Interest income (expense)

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

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 the said in cash flow from financing activities. Interest paid during the year corresponds to interest disclosed in the income statement.

OTHER INFORMATION

Comparability of consolidated financial statements

Changes in scope of consolidation did not have any significant impact on the consolidated financial statements for 2010; they are comparable to the previous years' financial statements.

Events after balance sheet date:

None.

Nature and scope 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, 2009	**1,209**	**4,153**	**98**	**5,460**
Exchange differences	7	28		35
Transfers and other	26	86	(113)	(1)
Changes in scope of consolidation	33	16		49
Additions	52	271	72	395
Disposals	(13)	(203)		(216)
At December 31, 2009	**1,314**	**4,351**	**57**	**5,722**
Exchange differences	31	122	1	154
Transfers and other	9	69	(73)	5
Changes in scope of consolidation	14	133	18	165
Additions	54	345	100	499
Disposals	(17)	(182)		(199)
AT DECEMBER 31, 2010	**1,405**	**4,838**	**103**	**6,346**
Depreciation and impairment				
At January 1, 2009	**(433)**	**(2,700)**		**(3,133)**
Exchange differences	(2)	(12)		(14)
Transfers and other		1		1
Changes in scope of consolidation	1	(8)		(7)
Net charge for the year	(56)	(413)		(469)
Disposals	10	184		194
At December 31, 2009	**(480)**	**(2,948)**		**(3,428)**
Exchange differences	(9)	(74)		(83)
Transfers and other	3	(3)		
Changes in scope of consolidation	(7)	(113)		(120)
Net charge for the year	(55)	(404)		(459)
Disposals	12	170		182
AT DECEMBER 31, 2010	**(536)**	**(3,372)**		**(3,908)**
Carrying amount				
At January 1, 2009	**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
AT DECEMBER 31, 2010	**869**	**1,466**	**103**	**2,438**
Including financial leases	5	46		51

(1) Including quarry land. 307 million euros

At December 31, 2010 equipment has been ordered for an amount of 82 million euros (35 million euros at the end of 2009).

3.2 – INTANGIBLE ASSETS AND GOODWILL

	Concessions, patents, and other rights	Other	Total intangible assets	Goodwill
Cost or valuation				
At January 1, 2009	**106**	**44**	**150**	**491**
Exchange differences				5
Transfers	1	1	2	
Changes in scope of consolidation		2	2	(7)
Additions	2		2	2
Disposals	(1)		(1)	
At December 31, 2009	**108**	**47**	**155**	**491**
Exchange differences	1	2	3	8
Transfers	1		1	3
Changes in scope of consolidation	2	4	6	(10)
Additions	2	12	14	4
Disposals	(1)	(1)	(2)	
AT DECEMBER 31, 2010	**113**	**64**	**177**	**496**
Depreciation and impairment				
At January 1, 2009	**(44)**	**(22)**	**(66)**	**(22)**
Exchange differences				
Transfers				
Changes in scope of consolidation				
Net charge for the year	(6)	(6)	(12)	(2)
Disposals	1		1	
At December 31, 2009	**(49)**	**(28)**	**(77)**	**(24)**
Exchange differences	(1)	(1)	(2)	
Transfers				(1)
Changes in scope of consolidation	(1)		(1)	3
Net charge for the year	(6)	(5)	(11)	(29)
Disposals	1		1	
AT DECEMBER 31, 2010	**(56)**	**(34)**	**(90)**	**(51)**
Carrying amount				
At January 1, 2009	**62**	**22**	**84**	**469**
At December 31, 2009	**59**	**19**	**78**	**467**
AT DECEMBER 31, 2010	**57**	**30**	**87**	**445**

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	
				H1[a]	H2[a]
CGU France	20	163	2%	6.14%	4.40%
CGU Rail		182	2%	6.14%	4.40%
CGU Europe (excluding France)	6	18	2%	6.14%	4.40%
CGU North America		46	2%	6.14%	4.40%
CGU DGI and Asia		36	2%	6.14%	4.40%
TOTAL	**26**	**445**			

(a) According to debt structure assumptions:
H1: 1/3 debt – 2/3 equity.
H2: 2/3 debt – 1/3 equity.

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, 2009	**355**	**7**	**(5)**	**357**
Exchange differences	(2)			(2)
Transfers				
Changes in scope of consolidation	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**
Exchange differences	3			3
Transfers	(2)			(2)
Changes in scope of consolidation	(4)			(4)
Issue of share capital	1			1
Net consolidated profit	65			65
Dividends paid	(33)			(33)
Impairment			4	4
Other variations				
AT DECEMBER 31, 2010	**413**	**10**	**(1)**	**422**

Main associated companies

Company	Activity	Head office	% hold	Share in equity	Goodwill net	Carrying amount
Cofiroute[1]	Highway concession company	France	16.7%	358		358
Tipco Asphalt[2]	Sales of bitumen products	Thailand	30.7%	21	4	25
Mak Mecsek[3]	Highway concession company	Hungary	30.0%	21		21
Other	(Non significant companies)			13	5	18
TOTAL				**413**	**9**	**422**

(1) Cofiroute operates a 1,100-km highway concession in northwest France (A10, A11, A13, A86 Highways, etc.). 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: Hervé Le Bouc).

(2) Tipco Asphalt operates in the distribution and sale of bitumen business in southeast Asia. The company is listed on the Bangkok Stock Exchange (Thailand) – fair value based on the stock price at December 31, 2010: 78 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 M6 (50 km) and M60 (30 km) Motorways in southwest Hungary.

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	973	37	283	16	1,309
Current assets	95	46	5	14	160
Total assets	**1,068**	**83**	**288**	**30**	**1,469**
Equity	358	21	21	13	413
Non-current liabilities	621	24	266	4	915
Current liabilities	89	38	1	13	141
Total liabilities	**1,068**	**83**	**288**	**30**	**1,469**
Revenue	215	188	18	41	462
Net consolidated profit	**52**	**7**	**2**	**8**	**69**

3.4 – OTHER NON-CURRENT FINANCIAL ASSETS

	Non-consolidated investments	Other long-term investments	Total gross value	Allowance	Carrying amount
At January 1, 2009	**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**
Exchange differences		3	3		3
Transfers	1		1		1
Changes in scope of consolidation	10		10	(2)	8
Acquisitions and other additions	4	14	18		18
Disposals	(12)	(10)	(22)		(22)
Net charge for the year				(7)	(7)
AT DECEMBER 31, 2010	**54**	**158**	**212**	**(38)**	**174**

Breakdown of main non-consolidated investments

	Gross	Allowance	31/12/2010 Net	31/12/2009 Net
Binder, asphalt concrete and quarry companies	21	(4)	17	17
Dormant companies	4	(3)	1	1
Non-controlled companies	16	(2)	14	14
Companies acquired at the end of the year[1]	2		2	2
Other investments[2]	11	(3)	8	4
TOTAL	**54**	**(12)**	**42**	**38**

(1) These companies, not consolidated because acquired at year-end, will be consolidated during the coming year.

(2) None of these investments are significant.

Breakdown of other financial assets

	Gross	Allowance	31/12/2010 Net	31/12/2009 Net
Loans[1]	53	(16)	37	32
Deposits	28	(10)	18	25
City of Portsmouth (Great Britain)[2]	77		77	78
Financial receivables				
TOTAL	**158**	**(26)**	**132**	**135**

(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, 2009	**90**		**90**
Exchange differences			
Transfers	(1)		(1)
Acquisitions of subsidiaries			
Net variations	13		13
At December 31, 2009	**102**		**102**
Exchange differences	1		1
Transfers	(4)		(4)
Acquisitions of subsidiaries	23		23
Net variations	16		16
AT DECEMBER 31, 2010	**138**		**138**

Unrecognized tax assets (which are probably not reversible in the foreseeable future) amounted to 58 million euros on December 31, 2010 (34 million euros on December 31, 2009).

Main deferred tax bases

	31/12/2010	31/12/2009
Assets		
Employee benefits	66	61
Tax losses	29	18
Financial instruments	7	6
Liabilities		
Regulatory provisions	(29)	(30)
Fixed assets (finance leases)	(16)	(20)
Taxes on dividends	(6)	(5)
Financial instruments	(4)	(4)
Other temporary differences	(4)	(6)
NET DEFERRED TAX ASSETS (LIABILITIES)	**43**	**20**

Deferred tax assets are mainly reversible after five years.

Note 4 – Current assets

4.1 – INVENTORIES, TRADE AND OTHER RECEIVABLES

	31/12/2010			31/12/2009		
	Gross	Allowance	Net	Gross	Allowance	Net
Inventories	**552**	**(21)**	**531**	**451**	**(16)**	**435**
Raw materials, supplies and finished goods						
Trade receivables	**2,679**	**(141)**	**2,538**	**2,801**	**(113)**	**2,688**
Invoiced and to invoice[1]						
Tax receivables	**44**		**44**	**31**		**31**
Staff, social welfare bodies, State	226		226	250		250
Group receivables and other receivables	190	(10)	180	208	(9)	199
Prepayments	29		29	38		38
Other receivables	**445**	**(10)**	**435**	**496**	**(9)**	**487**

(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)	1,763	616	106	194	2,679
Allowance	(29)	(11)	(13)	(88)	(141)
Trade receivables (net)	**1,734**	**605**	**93**	**106**	**2,538**

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

	31/12/2010			31/12/2009		
	Gross	Allowance	Net	Gross	Allowance	Net
Cash-on-hand	333		333	458		458
Bouygues Relais cash management company	42		42	38		38
Marketable securities	36		36	40		40
TOTAL	**411**		**411**	**536**		**536**

Short-term investments are deposited in French and foreign banks.

They are divided as follows:

	Euro	USD[1]	GBP[1]	Other[1]	Total
Cash-on-hand	80	23	58	172	333
Bouygues Relais cash management company	42				42
Marketable securities	36				36
TOTAL AT DECEMBER 31, 2010	**158**	**23**	**58**	**172**	**411**
December 31, 2009	183	56	59	238	536

(1) Equivalent in euros.

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:

	31/12/2010	31/12/2009
Cash and cash equivalents	411	536
Bank overdraft and short-term loans	(209)	(153)
TOTAL	**202**	**383**

Note 5 – Information on equity

COMPOSITION OF SHARE CAPITAL

Colas' share capital on December 31, 2010 amounts to 48,937,185.00 euros.

It is comprised of 32,624,790 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
(amounts in euros)

	Number of shares	Share capital
At January 1, 2010	32,601,789	48,902,683.50
Part of dividend paid in shares	23,001	34,501.50
AT DECEMBER 31, 2010	**32,624,790**	**48,937,185.00**

MAIN SHAREHOLDERS

Bouygues SA	31,522,344	96.62%
Other shareholders	1,102,446	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, 2010 relate to companies located in the following countries:

	31/12/2010	31/12/2009
United States	(11)	(34)
Canada	32	7
Great Britain	(13)	(15)
Other countries	29	2
TOTAL TRANSLATION RESERVE	**37**	**(40)**

Note 6 – Current and non-current financial debts

CASH RISKS

At December 31, 2010, cash (cash and cash equivalents minus bank overdrafts and short-term loans) totaled 202 million euros, in addition to 1,400 million euros of confirmed medium-term bank credit lines undrawn to date.

During the year, Colas re-financed 610 million euros of confirmed medium-term bank credit lines ahead of maturity with pivot banks for an amount of 855 million euros. In the United States, Colas Inc. has refinanced 210 million euros (280 million US dollars) of confirmed medium-term bank credit lines with main Group banks. 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.

BANK LOANS AND BORROWING MATURITIES

	Maturity	Maturity over one year						
	Less than 1 year 2011	From 1 to 2 years 2012	From 2 to 3 years 2013	From 3 to 4 years 2014	From 4 to 5 years 2015	5 years and + 2016 and beyond	Total 2010	Total 2009
Bank loans (medium-long term)		18	16	13	10	114	171	179
Finance leases		10	7	3	3	2	25	29
Other financial debts (long term)		1				3	4	4
Sub-total	**50**	**29**	**23**	**16**	**13**	**119**	**200**	**212**
Short-term borrowings and overdrafts	209							
AT DECEMBER 31, 2010	**259**	**29**	**23**	**16**	**13**	**119**	**200**	**212**
At December 31, 2009	198	35	25	17	11	124	212	
Short-term portion of long-term debt							50	45

BREAKDOWN OF FINANCIAL DEBT BY TYPE OF CURRENCY

	Euro	USD[1]	GBP[1]	Other[1]	Total
Long-term December 2010	94	2	75	29	200
Short-term December 2010	91	13	10	145	259
Long-term December 2009	102		75	35	212
Short-term December 2009	54	7	6	131	198

(1) Equivalent in euros.

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	359	1,111	180	1,650	50	81	119	250
Letters of credit								
TOTAL	**359**	**1,111**	**180**	**1,650**	**50**	**81**	**119**	**250**

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% (2009: 44%);

– floating rate debt: 56% (2009: 56%).

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

INTEREST RATES RISKS

At December 31, 2010, 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	411		411
Financial liabilities:			
– Borrowings[1]	(216)	(43)	(259)
– Bank overdrafts	(209)		(209)
Net position before cash management	**(14)**	**(43)**	**(57)**
Interest rates hedging	72	(72)	
Net position after cash management	**58**	**(115)**	**(57)**
Seasonality adjustment	(523)		
POSITION AFTER CASH MANAGEMENT AND SEASONALITY ADJUSTMENT	**(465)**		

(1) Including (9.1) 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 4.65 million euros in a full year.

Note 7 – Provisions

7.1 – NON-CURRENT PROVISIONS

	Employee benefits	Litigation and legal matters	Customer warranties (long term)	Quarry reclamation (long term)	Others	Total
At January 1, 2009	**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**
Exchange differences	1		1	2		4
Transfers	1	2	1	3		7
Acquisitions of subsidiaries	19	(1)		15	16	49
Actuarial gains/losses in equity	16					16
Allocation for the year	25	67	23	15	20	150
Provisions used	(32)	(26)	(14)	(9)	(3)	(84)
Provisions reversed	(2)	(29)	(17)	(3)	(4)	(55)
AT DECEMBER 31, 2010	**276**	**213**	**83**	**122**	**56**	**750**

Breakdown of main provisions

	31/12/2010	31/12/2009
Length-of-service awards	77	63
Retirement indemnities	144	147
Pensions	55	38
Employee benefits	**276**	**248**
Litigation with clients	92	90
Litigation with employees	14	15
Litigation with welfare bodies	65	57
Litigation with tax authorities	19	17
Litigation with other bodies	12	8
Other litigations	11	13
Litigation and legal matters	**213**	**200**
Decennial warranties	51	52
Civil engineering warranties	30	34
Performance warranties	2	3
Warranties	**83**	**89**

7.2 – CURRENT PROVISIONS

	Losses on completion	Works risks and costs of closing down sites	Customer warranties (short term)	Quarry reclamation (short term)	Others	Total
At January 1, 2009	**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**
Exchange differences		1	1		3	5
Transfers				2	(13)	(11)
Acquisitions of subsidiaries		(1)				(1)
Allocation for the year	45	52	26	1	31	155
Provisions used	(28)	(18)	(15)	(4)	(17)	(82)
Provisions reversed	(14)	(20)	(10)	(2)	(2)	(48)
AT DECEMBER 31, 2010	**60**	**109**	**56**	**11**	**67**	**303**

Note 8 – Deferred tax liabilities

	31/12/2010	31/12/2009
Deferred tax liabilities	95	82
Other long-term tax liabilities		
TOTAL NON-CURRENT TAXES	**95**	**82**

Note 9 – Other current liabilities

	31/12/2010	31/12/2009
Staff, social welfare, States	837	864
Deferred incomes	34	57
Other non-financial debts	637	672
TOTAL OTHER DEBTS	**1,508**	**1,593**

Note 10 – Income from ordinary activities

BREAKDOWN BY NATURE OF INCOME

	2010	2009
Revenue	1,934	1,676
Rendering of services	334	376
Construction contracts	9,393	9,529
Other income from ordinary activities	–	–
TOTAL INCOME FROM ORDINARY ACTIVITIES	**11,661**	**11,581**

INFORMATION REGARDING CONSTRUCTION CONTRACTS

Works to be invoiced	375	376
Retentions for warranties	53	55
Works invoiced in advance	(321)	(339)
Payments received in advance	(107)	(119)

Note 11 – Segment reporting

IFRS 8 requires operating segment definition based on internal reporting reviewed by the unit'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, transformation and distribution businesses via two refining units and a network of bitumen depots.

Colas also operates in specialized 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's segments

The Group's operating activities are organized as follows:

France General Management Division
Includes the road business in mainland France and specialized road-related activities for France and elsewhere around the world (signaling, pipes and mains, waterproofing and railways).

Europe General Management Division
Includes the Group's activities in Europe (excluding France) except for signaling, pipes, mains, waterproofing and railways.

North America General Management Division
Includes the Group's activities in the United States and Canada.

International General Management Division
Includes the Group's activities in Africa, Indian Ocean, French overseas departments and territories, 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 2010					
Income from ordinary activities	**6,614**	**1,589**	**2,208**	**1,250**	**11,661**
Income before depreciation	476	(33)	255	137	835
Depreciation	(264)	(55)	(92)	(59)	(470)
Profit from operations (current)	**212**	**(88)**	**163**	**78**	**365**
Extraordinary items	(37)	(21)		6	(52)
Profit from operations	**175**	**(109)**	**163**	**84**	**313**
Interest income (expense)	(12)	(11)	(1)	(6)	(30)
Other financial income and costs	(7)				(7)
Provision for income taxes	(61)	9	(52)	(18)	(122)
Income from associates	53	3		13	69
PROFIT FOR THE YEAR	**148**	**(108)**	**110**	**73**	**223**
Segment assets	4,101	1,247	1,150	1,178	7,676
Segment liabilities	2,906	1,029	529	837	5,301
Current investments	(236)	(33)	(135)	(48)	(452)
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
Depreciations	(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)

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, specialized 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 2010						
Roads – works and sales of construction materials	4,916	1,323	2,024	781	9,044	78%
Civil engineering, pipes and mains	315	258	167	61	801	7%
Waterproofing	553	20	3	9	585	5%
Safety and signaling	282	26	12	8	328	3%
Building	256	44	5	40	345	3%
Railways	339	170		49	558	4%
TOTAL	**6,661**	**1,841**	**2,211**	**948**	**11,661**	**100%**
Year 2009						
Roads – works and sales of construction materials	4,961	1,503	1,791	724	8,979	78%
Civil engineering, pipes and mains	336	259	120	68	783	7%
Waterproofing	551	18		8	577	5%
Safety and signaling	278	25	12	16	331	3%
Building	274	69	2	48	393	3%
Railways	298	172		48	518	4%
TOTAL	**6,698**	**2,046**	**1,925**	**912**	**11,581**	**100%**

Assets and liabilities by geographical segments

	France	Europe (excl. France)	North America	Rest of the world	Consolidated
At December 31, 2010					
Non-current assets	2,193	590	672	249	3,704
Current assets	2,008	867	479	618	3,972
Total assets	**4,201**	**1,457**	**1,151**	**867**	**7,676**
Non-current liabilities	661	222	99	63	1,045
Current liabilities	2,296	957	431	572	4,256
Total liabilities	**2,957**	**1,179**	**530**	**635**	**5,301**
NET ASSETS	**1,244**	**278**	**621**	**232**	**2,375**
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**

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:

	2010	2009
Revenue	11,661	11,581
Cost of sales	(10,235)	(9,936)
Gross profit	**1,426**	**1,645**
Research and development costs	(69)	(70)
Administrative expenses	(992)	(1,034)
Profit from operations (current)	**365**	**541**
Extraordinary items	(52)	–
Profit from operations	**313**	**541**
Net financial debt costs	(30)	(34)
Other financial income and expense	(7)	1
Provision for income taxes	(122)	(172)
Income from associates	69	55
PROFIT FOR THE YEAR	**223**	**391**
Of which: minority interest	(1)	4
Of which: equity holders of the parent	224	387

Note 13 – Other operating income and expense

	2010	2009
Profits allocated or losses transferred regarding unconsolidated joint ventures	40	56
Proceeds on disposal of non-current assets	62	41
Other current income[1]	466	457
OTHER OPERATING INCOME	**568**	**554**
Losses allocated or profits transferred regarding unconsolidated joint ventures	(22)	(26)
Net book value of non-current assets disposed	(23)	(26)
Other current expense	(88)	(99)
OTHER OPERATING EXPENSE	**(133)**	**(151)**

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

Other non-current income	6	–
OTHER NON-CURRENT INCOME[2]	**6**	**–**
Other non-current expense	(58)	–
OTHER NON-CURRENT EXPENSE[3]	**(58)**	**–**

(2) Other non-current income:
– badwill on minority interests shares purchase.

(3) Other non-current expenses:
– antitrust fines and related litigations (31) M€;
– impairment of goodwill (27) M€.

Note 14 – Finance income and expense

INTEREST INCOME AND EXPENSE

	2010	2009
Interest income from cash	19	26
Income from short-term deposits	1	1
Interest income	**20**	**27**
Interest expense on cash	(25)	(26)
Interest on finance leases	(2)	(2)
Interest on financial debt	(23)	(33)
Interest expense	**(50)**	**(61)**
INTEREST INCOME AND EXPENSE	**(30)**	**(34)**

OTHER FINANCIAL INCOME AND EXPENSE

	2010	2009
Dividends received from unconsolidated investments	3	3
Release of financial provisions	4	2
Proceeds on disposal of financial assets	1	2
Other income	1	
Other financial income	**9**	**7**
Net charge on financial provisions	(11)	(4)
Net book value of financial assets disposed	(4)	(1)
Other expense	(1)	(1)
Other financial expense	**(16)**	**(6)**
OTHER NET FINANCIAL INCOME AND EXPENSE	**(7)**	**1**

Note 15 – Income tax

BREAKDOWN

	2010	2009
Current income tax	(123)	(191)
Deferred income tax	6	15
Tax adjustments or exemptions	(1)	
Withholding taxes on dividends	(3)	
Tax expense	**(121)**	**(176)**
Tax provisions allocations/reversals	(1)	4
NET TAX EXPENSE	**(122)**	**(172)**

RECONCILIATION BETWEEN THEORETICAL TAX AND ACTUAL TAX EXPENSE

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

	2010	2009
Theoretical income tax determined at statutory tax rate	(95)	(175)
Impact of different tax rates of subsidiaries operating in other jurisdictions	(11)	14
Recognition of tax assets not previously recognized	10	
Unrecognized tax losses[1]	(34)	(6)
Income taxes which are not linked to income		8
Impact of expenses that are not deductible and incomes that are not taxable in determining taxable profit	8	(13)
INCOME TAX REPORTED IN INCOME STATEMENT	**(122)**	**(172)**

(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, 2010, less the number of bought back shares expected to be written off.

	2010	2009
Net profit (Group share) in euros	223,839,000	386,729,000
Number of issued shares	32,624,790	32,601,789
BASIC EARNINGS PER SHARE (IN EUROS)	**6.86**	**11.86**

Diluted earnings per share is determined by dividing net profit for the year (Group share) by the total number of shares outstanding at December 2010, plus the number of outstanding stock options.

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

DILUTED EARNINGS PER SHARE (IN EUROS)	**6.86**	**11.86**

in euros	Per share	Total
Dividends decided and paid in 2010	6.75	220,062,075.75
Dividends submitted to approval of the General Meeting of Shareholders on April 15, 2011 (not recognized as liabilities at December 31, 2010)	6.30	205,536,177.00

Note 17 – Financial instruments

We disclose, hereafter, the total of all notional amounts outstanding at December 31, 2010 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
	2011	2012 to 2015	Beyond	31/12/2010	31/12/2009
On financial assets	–	–	–	–	–
On financial liabilities	–	–	150	150	184

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, 2010, that swap amounted to 70.8 million euros (60.9 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, 2010, that swap amounted to 79.5 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(1)	RON (1)	USD(1)	MAD(1)	GBP(1)	Other(1)	31/12/2010	31/12/2009
Forward purchases	3	2	0	9	–	–	14	51
Forward sales	4	19	25	–	13	14	75	61
Currency swap	–	–	–	–	–	–	–	–
Currency options	–	–	–	–	–	–	–	–

(1) Equivalent in euros.

Certain work contracts in euros, signed in Hungary, Romania and Morocco, have been systematically hedged for exchange risks. Forward sales of RON and GBP correspond to hedging regarding loans to subsidiaries. Forward sales of USD mainly comprise hedging of sales of products manufactured by Société de la Raffinerie de Dunkerque.

HEDGING FOR COMMODITIES RISKS

	Brent	Other	31/12/2010	31/12/2009
Forward purchases	–	–	–	–
Forward sales	4	–	4	–
Swaps	–	–	–	–
Options	–	–	–	–

The Brent contract forward sales correspond to hedging for activity at Société de la Raffinerie de Dunkerque.

FAIR VALUE OF HEDGING FINANCIAL INSTRUMENTS

At December 31, 2010, the net present market value of hedging financial instruments amounted to (21.6) million euros. This amount mainly comprises the net present value of interest rate swap for Group debt hedging.

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

– transactions regarding fair value hedge: (12.8) million euros;

– transactions regarding cash flow hedge: (8.7) 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., (12.4) million euros, is fully compensated by the market value of the embedded derivative instrument regarding the fixed fee paid by the client, i.e., 12.4 million euros.

The impact of market value of interest rate swap for contract with the City of Caen (France), i.e., (9.1) 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 (9.2) million euros.

In case of +1% transfer in interest rate yield curve (and respectively –1%), the market value of hedging financial instruments would amount to (11.9) million euros (respectively (31.5) million euros).

An average unfavorable change of 1% against all other currencies would result in a decrease in the market value of hedging financial instruments to (22.4) million euros.

Should commodities prices fluctuate by +10% (and respectively –10%), the market value of financial instruments would amount to (22.0) million euros (respectively (21.2) 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 31/12/2010	Total 31/12/2009
Commitments given					
Endorsements and warranties	18	32	17	67	82
Commitments received					
Contractual commitments	–	–	–	–	–
Assets given as securities					
Mortgages and securities	14	31	53	98	103

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 31/12/2010	Total 31/12/2009
Commitments given/received	27	77	61	165	145

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	23	2	42
Finance charge	(1)	(1)		(2)
PRESENT VALUE OF MINIMUM LEASE PAYMENTS	**16**	**22**	**2**	**40**
At December 31, 2009	16	27	2	45

OTHER COMMITMENTS GIVEN

In 2010, the Company issued guarantees under section 17 of Ireland's Companies (Amendment) Act, 1986 of Ireland 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

	31/12/2010	2010 variations	31/12/2009
Cash and cash equivalents	411	(125)	536
Bank overdrafts and short-term loans	(209)	(56)	(153)
Net cash	**202**	**(181)**	**383**
Long-term financial debts	200	(12)	212
Long-term financial debts (current portion)	50	5	45
Financial instruments	9		9
Gross debt	**259**	**(7)**	**266**
NET FINANCIAL POSITION	**(57)**	**(174)**	**117**

Note 20 – Workforce and employee benefits

AVERAGE GROUP WORKFORCE

	2010	2009
Managers and engineers	7,784	7,960
Foremen, technicians, supervisors and office staff	16,099	16,045
Workers	45,012	47,313
TOTAL AVERAGE GROUP WORKFORCE	**68,895**	**71,318**

BREAKDOWN OF EMPLOYEE BENEFITS: DEFINED CONTRIBUTION PLANS

	2010	2009
Amounts recognized as expense	**757**	**757**

These expenses comprise contributions to:

– social security, welfare;

– retirement pension funds (State and supplementary);

– unemployment insurance schemes.

BREAKDOWN OF EMPLOYEE BENEFITS: DEFINED BENEFIT PLANS

	Retirement indemnities		Pensions[1]	
	2010	2009	2010	2009
Current service costs	(13)	(1)	(4)	
Interest costs	7	6	11	10
Expected return on plan assets			(11)	(9)
Past service costs	2	2	(15)	(1)
NET EXPENSES	**(4)**	**7**	**(19)**	**–**
Present value of obligations	168	172	311	271
Fair value of plan assets			(258)	(236)
Unrecognized past service costs	(24)	(25)	2	3
NET RECOGNIZED LIABILITIES	**144**	**147**	**55**	**38**

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

VARIATIONS OF BALANCE SHEET NET LIABILITIES

	Retirement indemnities		Pensions	
	2010	2009	2010	2009
At January 1	147	158	38	28
Exchange differences			1	1
Transfers	1			
Acquisitions of subsidiaries	4		15	
Actuarial gains/losses in equity	(4)	(18)	20	9
Net expenses	(4)	7	(19)	
AT DECEMBER 31	**144**	**147**	**55**	**38**

MAIN ACTUARIAL ASSUMPTIONS FOR DETERMINATION OF RETIREMENT INDEMNITIES

The effect of changes in assumptions determined at 2010 balance sheet date has been recognized directly through equity, according to Group accounting policies (IAS 19 revised).

	2010	2009
Discount rates IBoxx € Corporate A10	4.62%	4.89%
Survival tables	Insee 2006-2008	Insee 1989-1991
Average retirement age for managers and executives	65 years	62 years
Average retirement age for other employees and workers	63 years	60 years

EQUITY COMPENSATION BENEFITS

In 2010, 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 party disclosures

	Expense		Income		Receivables		Debts	
	2010	2009	2010	2009	2010	2009	2010	2009
Bouygues Group companies	47	45	68	73	61	57	15	10
Joint ventures	18	18	47	50	12	15	10	16
Associates		3	49	46	4	5		1
Other related parties	0.3	0.3						
Key managers	6.8	6.9					6	8
Non-executive Directors	0.1	0.2						
TOTAL	**72**	**73**	**163**	**169**	**77**	**77**	**31**	**35**
Maturity < 1 year					77	77	29	32
Maturity > 1 year					–	–	2	3

RELATED PARTY IDENTITY

Bouygues Group companies: Bouygues and its subsidiaries.

Joint ventures: Carrières Roy and certain non-significant joint ventures.

Associates: Cofiroute, Tipco Asphalt, Mak 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, 2010. It comprises the Chief Executive Officer and six salaried members (including four salaried Directors).

	2010	2009
Direct compensation	6.4	6.4
Post-employment benefits	0.4	0.5
Equity compensation benefits	–	–
TOTAL	**6.8**	**6.9**

Direct compensation: this amounts to 6.4 million euros, of which 2.7 million euros is for variable compensation established in relation to targets and 60,000 euros for Directors' fees.

Based on Directors present as of December 31, 2010, executive committee compensation for 2010 is down 7.4% against 2009.

Post-employment benefits:

Chairman and Chief Executive Officer: this provides a supplementary pension plan amounting to 0.92% of reference salary for each year of service in the scheme whose ceiling is eight times that of French Social Security. 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).

Equity compensation benefits: the number of Bouygues shares attributed in 2010 (stock options) is 256,000 with a subscription price of 34.52 euros. The minimum subscription date is June 30, 2014. The amount of this benefit is not material.

Directors' fees:

Directors' fees allocated to Directors in 2010 amounted to 180,000 euros.

Note 22 – Fees of independent Auditors

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

	Mazars		KPMG	
	2010	2009	2010	2009
Colas parent company's legal Auditors				
– Colas	0.2	0.2	0.2	0.2
– Subsidiaries	1.8	1.2	2.1	2.2
– Secondary assignments				
Sub-total	**2.0**	**1.4**	**2.3**	**2.4**
Other assignments: law, tax, welfare				
TOTAL	**2.0**	**1.4**	**2.3**	**2.4**

Note 23 – Main exchange rates used for translation

Convention: 1 euro = x local monetary unit.

Country	Currency	Rate 31/12/2010	Average rate 2010	Rate 31/12/2009	Average rate 2009
Europe					
Croatia	Croatian kuna	7.3830	7.2949	7.3000	7.3444
Denmark	Danish kroner	7.4535	7.4477	7.4418	7.4461
Great Britain	British pound	0.8608	0.8560	0.8881	0.8900
Hungary	Forint	277.95	276.51	270.42	281.44
Poland	Zloty	3.9750	4.0049	4.1045	4.3469
Czech Republic	Czech Republic koruny	25.061	25.263	26.473	26.496
Romania	New leu	4.2620	4.2169	4.2363	4.2417
Switzerland	Swiss franc	1.2504	1.3700	1.4836	1.5076
North America					
United States	US dollar	1.3362	1.3207	1.4406	1.3963
Canada	Canadian dollar	1.3322	1.3660	1.5128	1.5819
Other					
Australia	Australian dollar	1.3136	1.4390	1.6008	1.7656
Morocco	Dirham	11.1735	11.1453	11.3040	11.2507
Thailand	Baht	40.1700	41.8175	47.9860	47.8438

Note 24 – Scope of consolidation

24.1 – CHANGES IN SCOPE OF CONSOLIDATION

Number of consolidated companies	2010	2009
Full consolidation	530	541
Proportional consolidation	97	111
Equity method	18	20
TOTAL	**645**	**672**

Main new investments

France: Société de la Raffinerie de Dunkerque, Gareng, Castres Béton, Centre Voirie, Linea BTP.
International: Damiacons (Romania).

Disposal of companies

France: HDI.
International: Sorexi (Morocco).

Change in consolidation method

Société des Bétons Ajacciens: equity method up to and including 2009, proportionate method in 2010.

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 2009 amended in 2010[2]
Plant and equipment	55	(10)	45	
Intangible assets	4		4	
Goodwill		1	1	
Associated companies				
Non-consolidated investments	4	(1)	3	
Financial assets				
Deferred tax assets	4	10	14	
Current assets	68	(1)	67	
TOTAL ASSETS	**135**	**(1)**	**134**	
Equity	49	(16)	33	
Minority interests				
Deferred tax liabilities				
Other non-current liabilities	37	16	53	
Current liabilities	49	(1)	48	
TOTAL EQUITY AND LIABILITIES	**135**	**(1)**	**134**	

Impact on revenue		**56**		

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

(2) Amendments in 2010 (within one year period) of temporary allocations made in 2009.

Investment price in consolidated companies acquired during the year totaled 32 million euros. Additionally, 1 million euros was paid for companies acquired in 2009, but consolidated in 2010. The fair value of acquired assets and liabilities totals 33 million euros and corresponds to the acquisition price.

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	
		2010	2009
France			
Colas Centre-Ouest	Nantes, France	99.9	99.9
Colas Île-de-France – Normandie	Magny-les-Hameaux, France	99.9	99.9
Colas Nord-Picardie	Villeneuve-d'Ascq, France	99.9	99.9
Colas Est	Nancy, France	99.9	99.9
Colas Rhône-Alpes Auvergne	Lyon, France	99.9	99.9
Colas Midi-Méditerranée	Aix-en-Provence, France	99.9	99.9
Colas Sud-Ouest	Mérignac, France	99.9	99.9
Aximum	Chatou, France	99.9	99.9
Spac	Clichy, France	99.9	99.9
Sacer Atlantique	Nantes, France	99.9	99.9
Sacer Paris – Nord-Est	Magny-les-Hameaux, France	99.9	99.9
Sacer Sud-Est	Lyon, France	99.9	99.9
Screg Ouest	Nantes, France	99.9	99.9
Screg Île-de-France – Normandie	Voisins-le-Bretonneux, France	99.9	99.9
Screg Nord-Picardie	Villeneuve-d'Ascq, France	99.9	99.9
Screg Est	Nancy, France	99.9	99.9
Screg Sud-Est	Lyon, France	99.9	99.9
Screg Sud-Ouest	Mérignac, France	99.9	99.9
Smac	Boulogne-Billancourt, France	99.9	99.9
Colas Rail	Maisons-Laffitte, France	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	99.9
Colas Guadeloupe	Baie-Mahault – Guadeloupe	99.9	99.9
SBEG	Cayenne – French Guiana	99.9	99.9
Carrières Roy (PC)	Saint-Varent, France	49.9	49.9
Cofiroute (EM)	Sèvres, France	16.7	16.7
Société de la Raffinerie de Dunkerque	Dunkerque, France	100.0	–
French overseas territories			
Colas Mayotte	Mamoudzou – Mayotte	100.0	100.0
Colas de Nouvelle-Calédonie	Noumea – New Caledonia	99.9	99.9
Europe (excluding France)			
Colas Bauchemie GmbH	Bremen – Germany	100.0	100.0
Colas Gmbh	Gratkorn – Austria	100.0	100.0
Colas Belgium	Brussels – Belgium	99.9	99.9
Cesta Varazdin	Varazdin – Croatia	70.3	70.3
Colas Danmark A/S	Virum – Denmark	100.0	100.0
Colas Ltd	Rowfant – Great Britain	100.0	100.0
Colas Hungaria	Budapest – Hungary	100.0	100.0
Colas Polska	Sroda Wlkp – Poland	100.0	100.0
Colas CZ	Prague – Czech Republic	100.0	100.0
Colas Teoranta	Dublin – Ireland	100.0	100.0
Colas Romania	Bucarest – Romania	100.0	100.0

Companies	Head office	% of stake	
		2010	2009
Colas SA	Lausanne – Switzerland	99.2	99.2
North America			
ColasCanada Inc.	Montréal – Quebec, Canada	100.0	100.0
Colas Inc.	Morristown – New Jersey, United States	100.0	100.0
Africa – Indian Ocean			
Colas Bénin	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
Thaï Slurry Seal Co. Ltd	Bangkok – Thailand	50.0	50.0
Tipco Asphalt (EM)	Bangkok – Thailand	30.7	30.7
Hincol (PC)	Mumbai – India	30.0	30.0
Drawmac Group	Sydney – Australia	93.8	51.0

Report of the Statutory Auditors on the consolidated financial statements

(Fiscal year ended December 31, 2010)

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, 2010 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 – 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 – Current operating profit". 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 and Courbevoie, February 28, 2011

The Statutory Auditors

KPMG Audit	MAZARS	
A division of KPMG SA		
Xavier Fournet	Gilles Rainaut	Gaël Lamant
Partner	*Partner*	*Partner*

COLAS FINANCIAL STATEMENTS

At December 31, 2010

Balance sheet at December 31

in millions of euros	Notes	2010	2009
Intangible assets		17.7	17.9
Property, plant and equipment		170.5	162.4
Holdings in subsidiaries and affiliates		1,216.8	1,221.2
Loans and advances to subsidiaries and affiliates		242.2	245.3
Other non-current financial assets		1.9	1.7
Non-current assets	3	**1,649.1**	**1,648.5**
Inventories		49.8	0.7
Trade receivables		102.3	109.4
Group and associates		128.5	97.6
Other receivables and prepayments		36.5	22.6
Cash and cash equivalents		34.5	13.7
Current assets	4	**351.6**	**244.0**
TOTAL ASSETS		**2,000.7**	**1,892.5**
Share capital		48.9	48.9
Share premium and reserves		809.7	696.8
Net profit for the year		267.4	329.1
Tax-driven provisions		10.4	8.3
Equity	5	**1,136.4**	**1,083.1**
Provisions for contingencies and losses	6	**84.7**	**48.5**
Financial debt		0.7	0.7
Advance payments		0.7	0.6
Trade payables		86.4	99.5
Group and associates		584.4	557.4
Other non-financial debt accruals and deferred income		62.9	67.0
Bank overdrafts and short-term loans		44.5	35.7
Liabilities		**779.6**	**760.9**
TOTAL EQUITY AND LIABILITIES		**2,000.7**	**1,892.5**

Income statement

in millions of euros	Notes	2010	2009
Revenue	10	**576.7**	**573.3**
Raw materials and consumables used		(375.9)	(348.0)
External services		(122.8)	(101.4)
Staff costs		(59.7)	(58.9)
Taxes other than income tax		(10.7)	(8.3)
Depreciation, amortization and depletion		(10.4)	(9.7)
Net provision allocations		(12.3)	(5.4)
Other operating income		118.2	92.3
Other operating expenses		(2.2)	(1.0)
Share of profits from joint ventures		1.0	9.8
Operating profit		**101.9**	**142.7**
Financial income		289.2	274.4
Financial expense		(113.1)	(55.3)
Interest income (expense)	11	**176.1**	**219.1**
Profit from operations		**278.0**	**361.8**
Exceptional income		11.4	19.9
Exceptional expense		(7.2)	(20.8)
Exceptional income (expense)	12	**4.2**	**(0.9)**
Employee profit sharing scheme		(1.4)	(1.7)
Income taxes	13	(13.4)	(30.1)
NET PROFIT FOR THE YEAR		**267.4**	**329.1**

Notes to the 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, 2010 were approved by the Board of Directors and authorized for issue on February 28, 2011.
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; 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.
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 uncollectible 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: 4.62% (IBoxx € corporate A10 at November 30, 2010);

– average staff turnover rate: according to historical company data;

– executive retirement age: 65;

– retirement age of clerical, technical and supervisory staff and site workers: 63.

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

	01/01/2010	Acquisitions	Disposals and reductions	Charges and reversals	31/12/2010
Intangible assets					
Gross	24.1	0.3			24.4
Amortization and impairment	(6.2)			(0.5)	(6.7)
Net	**17.9**	**0.3**		**(0.5)**	**17.7**
Tangible assets					
Gross	251.0	19.2	(3.8)		266.4
Depreciation and impairment	(88.6)			(7.3)	(95.9)
Net	**162.4**	**19.2**	**(3.8)**	**(7.3)**	**170.5**
Holdings in subsidiaries and affiliates					
Gross	1,312.4	34.8	(4.5)		1,342.7
Impairment	(91.2)			(34.7)	(125.9)
Net	**1,221.2**	**34.8**	**(4.5)**	**(34.7)**	**1,216.8**
Loans/advances to subsidiaries and affiliates					
Gross	253.2	415.4	(408.5)		260.1
Impairment	(7.9)			(10.0)	(17.9)
Net	**245.3**	**415.4**	**(408.5)**	**(10.0)**	**242.2**
Other non-current financial assets					
Gross	1.7	0.2			1.9
Impairment					
Net	**1.7**	**0.2**			**1.9**
TOTAL NON-CURRENT ASSETS	**1,648.5**	**469.9**	**(416.8)**	**(52.5)**	**1,649.1**

Note 4 – Current assets

	Gross	Impairment	2010 Net	2009 Net
Inventories	**50.3**	**(0.5)**	**49.8**	**0.7**
Trade receivables	**109.7**	**(7.4)**	**102.3**	**109.4**
Group and associates	**136.5**	**(8.0)**	**128.5**	**97.6**
Advances and down payments	3.2		3.2	4.0
Other receivables	26.7		26.7	10.6
Prepaid expenses	0.4		0.4	1.3
Accrued income	0.2		0.2	1.5
Deferred tax assets	6.0		6.0	5.2
Other receivables and regularization accounts	**36.5**		**36.5**	**22.6**
Marketable securities				
Bouygues Relais cash management company	30.0		30.0	10.0
Cash and cash equivalents	4.5		4.5	3.7
Marketable securities, cash and cash equivalents	**34.5**		**34.5**	**13.7**
TOTAL CURRENT ASSETS	**367.5**	**(15.9)**	**351.6**	**244.0**

Note 5 – Equity

COMPOSITION OF THE SHARE CAPITAL

Colas had share capital of 48,937,185 euros at December 31, 2010.
It comprised 32,624,790 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
January 1, 2010	**32,601,789**	**48,902,683.50**
Portion of the dividend paid in shares	23,001	34,501.50
DECEMBER 31, 2010	**32,624,790**	**48,937,185.00**
Main shareholders		
Bouygues	31,522,344	96.62%
Other shareholders	1,102,446	3.38%

CHANGE IN EQUITY

	01/01/2010	Appropriation by AGM[1]	Capital increase	Other changes	31/12/2010
Share capital	48.9				48.9
Share premium account	397.8		3.9		401.7
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	277.3	109.0			386.3
Share premium and reserves	**696.8**	**109.0**	**3.9**		**809.7**
Net profit for the year	329.1	(329.1)		267.4	267.4
Tax-driven provisions	8.3			2.1	10.4
TOTAL EQUITY	**1,083.1**	**(220.1)**	**3.9**	**269.5**	**1,136.4**

(1) Distribution of a dividend of 6.75 euros per share amounting to a total of 220,062,075.75 euros.

Note 6 – Provisions for contingencies and losses

TYPE OF PROVISION

	01/01/2010	Increases	Provisions used	Provisions cancelled	31/12/2010
Litigation and claims	10.4	0.7	(0.1)	(6.2)	4.8
Guarantees provided to customers	1.0		(0.9)		0.1
Tax reassessments	3.7			(1.0)	2.7
Risks related to foreign operations	20.5	2.2			22.7
Other provisions for contingencies	9.9	40.2			50.1
Employee benefits	1.1			(0.2)	0.9
Provisions for losses	1.9	3.1	(1.6)		3.4
PROVISIONS FOR CONTINGENCIES AND LOSSES	**48.5**	**43.1**	**(2.6)**	**(4.3)**	**84.7**

Note 7 – Breakdown of accounts involving related companies

	Assets	Liabilities	Income statement
Non-current financial assets	1,459.0	–	–
Receivables	183.8	–	–
Cash and cash equivalents	30.0		
Financial debt	–	–	–
Non-financial debt	–	597.8	–
Financial income	–	–	283.7
Financial expense	–	–	(102.6)
TOTAL	**1,672.8**	**597.8**	**181.1**

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	244.1	25.8	216.8	1.5
Receivables related to current assets	267.3	267.3		
Cash and cash equivalents	34.5	34.5		
RECEIVABLES	**545.9**	**327.6**	**216.8**	**1.5**
Financial debt	0.7	0.7		
Non-financial debt	734.4	734.4		
Bank overdrafts and short-term loans	44.5	44.5		
PAYABLES	**779.6**	**779.6**		

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

	2010	2009
Tax and social security liabilities	31.3	36.8
Liabilities in respect of fixed assets	3.2	6.0
Other liabilities	15.8	13.7
Deferred income and other regularization accounts	12.6	10.5
TOTAL	**62.9**	**67.0**

Note 10 – Breakdown of revenue

	France	International	2010	2009
Works		22.9	22.9	170.4
Sale of products	322.7	39.4	362.1	186.1
Provision of services	113.6	78.1	191.7	216.8
REVENUE	**436.3**	**140.4**	**576.7**	**573.3**

WORKS

In 2010, projects in Hungary and Romania are nearing completion (reminder: the works are sub-contracted to local subsidiaries).

SALES OF PRODUCTS

In 2010, following the acquisition of SRD, Société de la Raffinerie de Dunkerque, Colas has developed the sales of oil products (bitumen, oil, fuels, etc.), which explains the significant increase in Sales of products compared to 2009.

Note 11 – Financial income (expense)

	2010	2009
Dividends received from subsidiaries and affiliates	262.9	266.0
Net interest income (expense)	(0.5)	(5.0)
Other financial provision (charges) reversals	(84.5)	(34.9)
Net gain on disposal of marketable securities		
Translation adjustment	(1.8)	1.7
Losses on advances to subsidiaries and affiliates		(8.7)
NET FINANCIAL INCOME (EXPENSE)	**176.1**	**219.1**

Note 12 – Exceptional income (expense)

	2010	2009
Capital gain (loss) on the disposal of fixed assets (non-recurring disposals: land. buildings. non-current financial assets)	6.2	1.1
Other income (expense) on management transactions (net)		
Exceptional provision (charges) reversals	(2.0)	(2.0)
EXCEPTIONAL GAIN (LOSS)	**4.2**	**(0.9)**

Note 13 – Income taxes

BREAKDOWN OF TAX EXPENSE

	2010	2009
Current tax charge for the year	(13.1)	(30.5)
Tax supplements or reductions for prior years	(1.2)	0.6
Deferred tax	(0.9)	(0.2)
INCOME TAXES	**(13.4)**	**(30.1)**

BREAKDOWN OF TAX CHARGE BETWEEN CURRENT PROFIT AND EXCEPTIONAL PROFIT

	Profit before tax	Tax due	Net profit after tax
Current profit (after profit sharing)	276.6	(11.2)	265.4
Exceptional income (expense)	4.2	(2.2)	2.0
TOTAL	**280.8**	**(13.4)**	**267.4**

BREAKDOWN OF DEFERRED TAX

	Temporary differences
Non-current assets	(8.5)
Current assets	2.9
Provisions for contingencies and losses, temporarily not deductible	23.1
Debt	
Tax losses available for carry-forward	
Total deferred tax bases	**17.5**
Tax rate	34.43%
DEFERRED TAX AT FISCAL YEAR END	**6.0**
Deferred tax at the beginning of the year	5.1
Deferred tax (income) expense	**0.9**

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

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

Net profit for the year	267.4
Amounts charged for the year to tax-driven provisions	(2.7)
Reversals for year of tax-driven provisions	0.7
Impact on tax	
NET PROFIT EXCLUDING THE IMPACT OF TAX-DRIVEN PROVISIONS ON PROFIT	**265.4**

Note 15 – Off balance sheet commitments

FINANCE LEASE

None.

OTHER COMMITMENTS

	Guarantees	Letters of intent	Total
Subsidiaries and affiliates	0.2	7.8	8.0
Other related companies		1.2	1.2
Third parties	28.9	0.1	29.0
Commitments given	**29.1**	**9.1**	**38.2**
Commitments received	**–**	**–**	**–**

The Company issued a guarantee for 2010 pursuant to article 17 of the Companies (Amendment) Act 1986 of Ireland in favor of the following companies: Colas Teoranta, Road Maintenance Services Ltd, Colas Building Products Ltd, Cold Chon (Galway) Ltd, Colfix (Dublin) Ltd, Colas Construction Ltd, Road Binders Ltd, Chemoran Ltd and Atlantic Bitumen Company Ltd.

COLLATERAL GRANTED IN RESPECT OF DEBTS

None.

Note 16 – Workforce and remuneration of executive bodies

Average workforce	2010	2009
Managers and engineers	236	237
Clerical and technical	75	80
Site workers	–	–
TOTAL	**311**	**317**

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 re-billed to Colas in respect of his duties as a Group senior executive in 2010 to Mr. Hervé Le Bouc, Chairman and Chief Executive Officer, amounted to 924,100 euros (unchanged against 2009). Gross variable compensation for 2010 established in relation to quantitative and qualitative targets to be paid in 2011 will be 650,716 euros (900,000 euros in 2009). He received an amount of 20,000 euros in Director's fees from Colas in 2010.

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 with a ceiling amounting to eight times that of French Social Security. 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 2010 amounted to 180,000 euros (including the amount paid to the Chairman and Chief Executive Officer).

Note 17 – Fees paid to the Statutory Auditors

	Mazars		KPMG	
	2010	2009	2010	2009
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 2010	Net income 2010	Dividends received in 2010
				Gross	Net					
1. Subsidiaries France										
Colas Centre-Ouest	3.3	17.5	99.9	3.4	3.4	35.0		335.5	(4.0)	–
Colas Île-de-France – Normandie	19.7	13.6	99.9	19.7	19.7	8.0		525.8	1.6	4.5
Colas Nord-Picardie	2.9	13.5	99.9	2.9	2.9	2.0		208.7	2.0	1.5
Colas Est	10.4	14.2	99.9	10.2	10.2	13.0		327.6	3.9	2.5
Colas Rhône-Alpes – Auvergne	12.9	63.8	99.9	36.1	36.1	20.0		408.6	7.3	5.0
Colas Midi-Méditerranée	6.9	35.8	99.9	6.1	6.1			374.3	11.9	11.6
Colas Sud-Ouest	6.9	17.5	99.9	5.8	5.8	20.0		331.2	5.5	3.5
Aximum	34.1	(12.0)	99.9	35.1	35.1	10.0		341.4	(24.8)	–
Screg Ouest	11.7	4.5	99.9	21.0	21.0	23.0		258.0	(2.9)	–
Screg Île-de-France – Normandie	8.8	17.9	99.9	24.7	24.7			287.4	3.7	3.8
Screg Nord-Picardie	12.1	15.9	99.9	19.7	19.7	2.0		189.6	2.7	3.4
Screg Est	13.4	17.7	99.9	30.8	30.8	20.0		349.7	4.4	3.5
Screg Sud-est	8.3	20.3	99.9	23.7	23.7	4.0		322.9	4.3	3.6
Screg Sud-Ouest	9.0	15.9	99.9	20.2	20.2	10.0		263.3	4.6	6.5
Sacer Atlantique	4.4	8.0	99.9	4.4	4.4	21.0		254.3	(2.5)	0.3
Sacer Paris – Nord-Est	4.8	10.5	99.9	4.9	4.9	3.5		188.7	2.7	2.0
Sacer Sud-Est	5.1	11.4	99.9	5.2	5.2			240.6	3.5	3.0
Spac	5.1	15.3	99.9	14.3	14.3			266.6	5.6	1.5
Smac	4.3	30.6	99.9	9.9	9.9			591.0	8.2	8.0
Colas Rail	40.3	63.4	100.0	266.4	266.4	25.0		557.8	12.4	–
Société de la Raffinerie de Dunkerque	40.7	0.9	100.0	21.2	21.2			37.2	0.5	–
Développement Infrastructures	0.2	0.6	100.0	7.9	7.9			–	0.3	0.5
GTOI	0.8	15.3	100.0	1.4	1.4			146.6	(0.9)	2.0
Colas Réunion Industries	4.0	16.4	100.0	30.3	30.3			–	(0.1)	–
SBEG	7.5	13.1	100.0	7.6	7.6			27.6	6.5	4.3
Gouyer	2.0	4.3	96.9	48.0	48.0			4.1	2.6	–
Other French subsidiaries				10.2	10.2	101.9		–	–	2.1
Total subsidiaries France				**691.1**	**691.1**	**318.4**				**73.1**
2. Affiliates – France										
Cofiroute	158.3	1,990.9	16.6	10.9	10.9			–	–	30.8
Other affiliates – France				9.5	9.5	8.3		–	–	–
Total affiliates – France				**20.4**	**20.4**	**8.3**				**30.8**
3. Foreign subsidiaries and affiliates										
Foreign subsidiaries				558.2	458.1	43.9	0.2	–	–	159.0
Foreign affiliates				73.0	47.2	–	–	–	–	–
TOTAL				**1,342.7**	**1.216.8**	**370.6**	**0.2**			**262.9**

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
Société de la Raffinerie de Dunkerque	2,670,000	21,187
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	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
Mars	340	816
Les Scop	1,000	1,029
43-45, rue R. Witchiz	500	225
18, rue Nouvelle	500	772
Mouche	1,000	227
Other stakes in French companies	–	186
Other stakes in foreign companies	–	505,339
Total subsidiaries		**1,216,799**
Other securities held in French companies		26
Other securities held in foreign companies		2
Total other non-current financial assets		**28**
Certificates of deposit		–
SICAV mutual funds		–
Total marketable securities		**0**
TOTAL SUBSIDIARIES, AFFILIATES AND MARKETABLE SECURITIES		**1,216,827**

Results of the Company for the last five fiscal years

in thousands of euros	2006	2007	2008	2009	2010
Share capital at the end of the fiscal year					
Share capital	48,560	48,575	48,820	48,903	48,937
Number of shares issued	32,373,450	32,516,685	32,546,671	32,601,789	32,624,790
Number of bonds convertible into shares	None	None	None	None	None
Operations and results for the fiscal year					
Revenue excluding tax	395,147	447,005	739,587	573,294	576,703
Profit before tax, depreciation, amortization and provisions	268,684	314,692	385,752	405,952	378,508
Income taxes	26,729	27,417	28,903	30,095	13,385
Profit sharing for the fiscal year	1,197	1,490	1,766	1,729	1,405
Profit after tax, depreciation, amortization and provisions	232,462	278,477	327,745	329,061	267,456
Distributed profit	207,190	276,392	284,783	220,062	205,536 (1)
Earnings per share in euros					
Profit after tax but before depreciation. amortization and provisions	7.47	8.83	10.96	11.53	11.19
Profit after tax, depreciation, amortization and provisions	7.18	8.56	10.07	10.09	8.20
Dividend per share in euros	6.40	8.50	8.75	6.75	6.30 (1)
Workforce					
Average workforce	1,350	295	311	317	311
Total payroll	45,244	49,104	45,671	45,327	44,352
Amounts paid in respect of social benefits (social security, etc.)	20,590	18,872	15,002	13,524	15,393

(1) 2010 dividend: subject to the approval of the Shareholders' Meeting of April 15, 2011.

Report of the Statutory Auditors on Colas financial statements

(Fiscal year ended December 31, 2010)

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, 2010 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, 2010 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 and Courbevoie, February 28, 2011

The Statutory Auditors

KPMG Audit
A division of KPMG SA

Xavier Fournet
Partner

MAZARS

Gilles Rainaut
Partner

Gaël Lamant
Partner

Special report of the Statutory Auditors on related party agreements and commitments

(Fiscal year ended December 31, 2010)

To the Shareholders,

In our capacity as Statutory Auditors of your Company, we hereby report on related party agreements and commitments.

We are required 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, or that we may have discovered. We are not required to comment as to whether they are beneficial or appropriate, nor to search for the existence of other agreements and commitments. 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.

Moreover, we are required to provide you with the information as stipulated in article R. 225-31 of the French Code of commerce regarding the execution of all agreements and commitments already approved by the General Shareholders' Meeting.

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 SUBMITTED FOR APPROVAL BY THE SHAREHOLDERS' MEETING

Agreements and commitments authorized during the fiscal year

Pursuant to article L. 225-40 of the French Code of commerce, we were informed of the following agreements and commitments which had received prior authorization by the Board of Directors.

• Agreement as to the distribution of contractual compensation as part of the cancellation of the Tram Train partnership contract by the Reunion Region

On August 30, 2010, the Board of Directors of Colas authorized the signature of an agreement between Colas, Colas Rail and GTOI, pursuant to which Colas and its subsidiary GTOI agreed to pay compensation to Colas Rail up to a maximum of 1 million euros in compensation for the cancellation of the Tram Train partnership.

The expenses thereby recognized for the fiscal year ending December 31, 2010 by Colas amounted to 700,000 euros excluding VAT.

Directors concerned: Hervé Le Bouc, Thierry Montouché and Christian de Pins.

AGREEMENTS WHICH HAD RECEIVED PRIOR AUTHORIZATION BY THE SHAREHOLDERS' MEETING

Pursuant to article R. 225-30 of the French Code of commerce, we inform you that the following agreements, which had been previously authorized by prior Shareholders' Meetings, continued to be in effect during the last fiscal year.

Agreement which had not received prior authorization for renewal by the Board of Directors for fiscal 2010

Pursuant to articles L. 225-42 and L. 823-12 of the French Code of commerce, we inform you that the following agreement did not receive prior authorization by the Board of Directors.

We are required to inform you of the reasons for which the authorization procedure was not fulfilled.

• Shared services

The shared services agreement signed between Bouygues and Colas, for which Bouygues provides sub-groups with services, in particular in the field of management, human resources, information technology and finance, continued to be applied in 2010.

This agreement has already been approved by prior Shareholders' Meetings. The corresponding expenses recognized during the fiscal year ending December 31, 2009 amounted to 16,222,006 euros excluding VAT.

The renewal of the said agreement for 2010 did not receive prior authorization by the Board of Directors because of a simple omission.

The corresponding expenses recognized during the fiscal year ended December 31, 2010 amounted to 16,103,996 euros excluding VAT.

Directors concerned: François Bertière, Hervé Le Bouc, Olivier Bouygues, Jean-François Guillemin and Bouygues SA, represented by Philippe Marien.

Agreements which had received, if required, prior authorization for renewal from the Board of Directors for fiscal 2010

• Use of aircraft

The Board of Directors' meeting of November 25, 2009 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, 2010 by Colas in respect of this agreement amounted to 733,356 euros excluding VAT.

Directors concerned: François Bertière, Hervé Le Bouc, Olivier Bouygues, Jean-François Guillemin and Bouygues SA, represented by Philippe Marien.

• Cash management

On January 25, 2010 and September 1, 2010, an agreement and a rider were signed with Bouygues Relais, a Bouygues Company, for an amount of 750 million euros, until March 1, 2011.

The agreement and the rider were authorized by the Board of Directors on November 25, 2009 and August 30, 2010.

In this regard, Bouygues Relais had an amount of 30 million euros on December 31, 2010, outstanding as borrower with respect to Colas. Moreover, transactions carried out in fiscal 2010 generated a net expense of 2,715,431 euros.

Directors concerned: François Bertière, Hervé Le Bouc, Olivier Bouygues and Bouygues SA, represented by Philippe Marien.

• Tax consolidation

The tax consolidation agreement signed on December 19, 2000 between Colas and Bouygues SA continued to apply in 2010.

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 November 25, 2009 authorized the renewal, for fiscal year 2010, 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 2010 amounts to 145,479 euros excluding VAT.

Director concerned: Hervé Le Bouc.

• Supplemental defined contribution pension scheme

On November 25, 2009, the Board of Directors authorized the renewal for fiscal 2010 of 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.

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 2010 recognized in the accounts of Colas was 34,510 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, 673,169 euros excluding VAT in 2009 and 265,922 euros in 2010.

Directors concerned: François Bertière, Hervé Le Bouc, Olivier Bouygues, Jean-François Guillemin and Bouygues SA, represented by Philippe Marien.

Moreover, we have been informed that the following agreements and commitments which were approved in prior years were not executed during fiscal 2010.

• Sub-license for Magnitude software

The agreement made in 2005 between Bouygues and Colas relating to a sub-license to use Magnitude consolidation software was maintained in 2010.

No amount was billed in connection with this agreement in 2010.

AGREEMENTS AND COMMITMENTS AUTHORIZED DURING THE LAST FISCAL YEAR AND NOT PUT FORWARD FOR APPROVAL AT THE NEXT SHAREHOLDERS' MEETING

Pursuant to article L. 225-40 of the French Code of commerce, we were informed of the following agreements and commitments which had received prior authorization by the Board of Directors during the last fiscal year.

These agreements, authorized for a period of one year as of January 1, 2011, are without execution during the last fiscal year and will be put forward for approval by the Shareholders' Meeting held to approve the 2011 financial statements:

– Use of aircraft;
– Supplemental defined benefit pension scheme;
– Shared services.

Paris – La Défense and Courbevoie, February 28, 2011

The Statutory Auditors

KPMG Audit	MAZARS	
A division of KPMG SA		
Xavier Fournet	Gilles Rainaut	Gaël Lamant
Partner	*Partner*	*Partner*

Report of the Statutory Auditors

on the transactions in share capital relating to the 16th, 17th, 18th, 19th and 20th resolutions of the Extraordinary Shareholders' Meeting of April 15, 2011

(Extraordinary Shareholders' Meeting of April 15, 2011)

To the Shareholders,

In our capacity as Statutory Auditors of your Company 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 SHARE CAPITAL BY RETIRING TREASURY SHARES OWNED BY THE COMPANY (16TH RESOLUTION)

Pursuant to 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.

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 0.96% of its share capital and by 24-month periods starting from the date of this Shareholders' Meeting.

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.

We have no comments on the reasons for and conditions of the proposed decrease in share capital.

2 – CAPITAL INCREASE THROUGH THE ISSUE, WITH OR WITHOUT PREFERENTIAL SUBSCRIPTION RIGHTS, OF SHARES AND/ OR SECURITIES GIVING ACCESS TO THE COMPANY'S SHARE CAPITAL (17TH, 18TH AND 19TH RESOLUTIONS)

Pursuant to articles L. 225-135, L. 225-136 and L. 228-92 of the French Code of commerce, we present our report on the proposals to grant the Board of Directors the authority to decide one or more capital increases by issuing ordinary shares and/or securities granting access to share capital which will be subject to your approval.

Your Board of Directors proposes, on the basis of its report, that you grant it, for a period of twenty-six months, the authority to enter into the transactions described below and to set the final terms thereof, and also proposes that you waive your preferential subscription rights as appropriate:

– issue ordinary shares and/or securities granting access to your Company's share capital with preferential subscription rights (17th resolution);

– issue ordinary shares and/or securities granting access to your Company's share capital excluding preferential subscription rights (18th resolution).

The total nominal amount of the capital increases that may be made immediately or at a later date pursuant to 17th, 18th and 19th resolutions shall not exceed 20 million euros.

The number of securities to be created if the authorizations granted under 17th and 18th resolutions are exercised may be increased by as much as 15% and subjected to the terms of 19th resolution.

Your Board of Directors must prepare a report in compliance with articles R. 225-113, R. 225-114 and R. 225-117 of the French Code of commerce. It is our role to give our opinion on the fair presentation of accounting figures taken from financial statements, on the proposal to exclude preferential subscription rights and on various information concerning these transactions provided in this report.

For this purpose we have performed the work that we deemed was necessary in accordance with the relevant rules and recommendations of the French Statutory Auditors' board *(Compagnie nationale des commissaires aux comptes)*. This work consisted in verifying the content of the Board of Directors' report relating to these transactions and the method used to determine the price of the equity securities to be issued.

Subject to the subsequent review of the terms of issuing any equity securities that may be decided, we have no observations concerning the method used to determine the issue price of the ordinary shares or securities to be issued as presented in the Board of Directors' report.

Since the issue price of the equity securities to be issued has not been set, we cannot give our opinion on the final terms under which the capital increases would be made, and consequently on the proposal to exclude preferential subscription rights presented in 18th resolution.

Pursuant to article R. 225-116 of the French Code of commerce, we will provide a supplementary report as appropriate in the event your Board of Directors decides to exercise these authorizations for any issue of ordinary shares without preferential subscription rights and securities giving access to the company's share capital.

3 – CAPITAL INCREASE RESERVED FOR EMPLOYEES WITHOUT PREFERENTIAL SUBSCRIPTION RIGHTS, PURSUANT TO ARTICLES L. 225.138 OF THE FRENCH CODE OF COMMERCE AND L. 3332-18 *ET SEQ.* OF THE FRENCH LABOR CODE (20TH RESOLUTION)

In compliance with articles L. 225-135 *et seq.* of the French Code of commerce, we hereby present you with our report on the resolution to grant the Board of Directors the authority to increase share capital, excluding preferential subscription rights up to a maximum amount of 10% of share capital on the day of the exercise of this authorization.

These capital increases are subject to your approval pursuant to articles L. 225-129-6 of the French Code of commerce and L. 3332-18 *et seq.* of the French Labor Code.

Your Board of Directors proposes, on the basis of its report, that you grant it, for a period of twenty-six months, the authority to make one or more capital increases and that you waive your preferential subscription rights. If the capital increase is made, the Board shall determine the final terms for this transaction.

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

For this purpose we have performed the work that we deemed necessary in accordance with the relevant rules and recommendations of the French Statutory Auditors' board *(Compagnie nationale des commissaires aux comptes)*. This work consisted in verifying the content of the Board of Directors' report relating to this transaction and the method used to determine the issue price.

Subject to the subsequent review of the terms of any capital increase that may be decided, we have no observations concerning the method used to determine the issue price as presented in the Board of Directors' report.

Since the issue price of the equity securities has not been set, we cannot give our opinion on the terms under which the capital increases would be made and consequently on the proposal to exclude preferential subscription rights.

Pursuant to article R. 225-116 of the French Code of commerce, we will provide a supplementary report in the event your Board of Directors decides to exercise this authorization.

Paris – La Défense and Courbevoie, March 18, 2011

The Statutory Auditors

KPMG Audit	MAZARS	
A division of KPMG SA		
Xavier Fournet	Gilles Rainaut	Gaël Lamant
Partner	*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 2010 – which include the balance sheet, the income statement and the notes, and which show a profit of 267,456,301.95 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 2010.

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 2010 – which include the balance sheet, the income statement and the notes, and which show a net profit attributable to the Group of 223,839,000 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:	**€267,456,301.95**
Plus prior unappropriated earnings:	€386,238,994.56
Total unappropriated earnings:	**€653,695,296.51**
– to the legal reserve:	€3,450.15
– dividend payout:	€205,536,177.00
– balance of unappropriated earnings:	€448,155,669.36

The dividend of 6.30 euros per share shall be paid by Colas, the issuing company, as of April 28, 2011. 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, 2011 and May 19, 2011, 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, 2011;

– 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
2007	€8.50
2008	€8.75
2009	€6.75

Fourth resolution

APPROVAL OF THE AGREEMENTS AND TRANSACTIONS SPECIFIED IN ARTICLES L. 225-38 *ET SEQ.* 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 *et seq.* 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 Hervé Le Bouc's appointment to the Board for a term of two years that shall expire upon the Annual Shareholders' Meeting to be called to approve the financial statements for fiscal year 2012.

Sixth resolution

REAPPOINTMENT OF A DIRECTOR

The Shareholders' Meeting renews Mr Christian Balmes' 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 2012.

Seventh resolution

REAPPOINTMENT OF A DIRECTOR

The Shareholders' Meeting renews Mr François Bertière'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 2012.

Eighth resolution

REAPPOINTMENT OF A DIRECTOR

The Shareholders' Meeting renews Mr Olivier Bouygues' appointment to the Board for a term of two years that shall expire upon the Annual Shareholders' Meeting to be called to approve the financial statements for fiscal year 2012.

Ninth resolution

REAPPOINTMENT OF A DIRECTOR

The Shareholders' Meeting renews Mr Thierry Genestar's appointment to the Board for a term of two years that shall expire upon the Annual Shareholders' Meeting to be called to approve the financial statements for fiscal year 2012.

Tenth resolution

REAPPOINTMENT OF A DIRECTOR

The Shareholders' Meeting renews Mr Thierry Montouché's appointment to the Board for a term of two years that shall expire upon the Annual Shareholders' Meeting to be called to approve the financial statements for fiscal year 2012.

Eleventh resolution

REAPPOINTMENT OF A DIRECTOR

The Shareholders' Meeting renews Bouygues' appointment to the Board for a term of two years that shall expire upon the Annual Shareholders' Meeting to be called to approve the financial statements for fiscal year 2012.

Twelfth resolution

APPOINTMENT OF A DIRECTOR

The Shareholders' Meeting appoints Mr Jacques Leost 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 2012.

Thirteenth resolution

APPOINTMENT OF A DIRECTOR

The Shareholders' Meeting appoints Ms Colette Lewiner 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 2012.

Fourteenth resolution

AUTHORIZATION TO BE GRANTED TO THE BOARD OF DIRECTORS TO ALLOW THE COMPANY TO CARRY OUT TRANSACTIONS IN ITS OWN SHARES

The Shareholders' Meeting, which meets the quorum and majority requirements for Annual Shareholders' Meetings, pursuant to articles L. 255-209 *et seq.* of the French Code of commerce and 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 AMF *(Autorité des Marchés Financiers)*:

– authorizes the Board of Directors to purchase shares subject to a maximum of 315,251 shares, and shall at all times comply with the maximum ownership threshold defined in article L. 225-210 of the French Code of commerce;

– decides that the main objectives of this program shall be (i) the eventual retirement of the shares bought back, provided this has been authorized by an Extraordinary Shareholders' Meeting, (ii) ensuring if needed liquidity of shares held by employees as part of an Employee Savings Plan, with the understanding that the achievement of these objectives shall need to comply with applicable laws and regulations;

– decides that the acquisition, sale or transfer by the Company of its own shares may be carried out by any means and that the Board of Directors may buy back shares, on one or more occasions, through market or off-market transactions, over-the-counter trades or otherwise, notably by way of block purchases, including the use of derivatives, and at any time, in particular during a public offering period, within the limits prescribed by applicable regulations. However, the Board of Directors shall need to ensure that the volatility of the Company's share is not enhanced 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 78,812,750 euros (on the basis of 315,251 shares, i.e., 0.96% 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, in accordance with applicable legal and regulatory provisions. 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 agreements, notably with respect to maintaining registers of purchases and sales of shares, carry out all formalities and declarations with respect to the AMF and any other organization, and generally take any and all other actions required in the implementation of this authorization. The Board of Directors may delegate said powers in accordance with applicable legal and regulatory provisions.

Fifteenth resolution

POWERS TO CARRY OUT LEGAL REQUIREMENTS

The Shareholders' Meeting shall grant the bearer of a copy or extract of the minutes of this meeting full powers to file any documents or comply with any legal requirements that may be necessary.

Extraordinary Meeting resolutions

Sixteenth resolution

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 a portion 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, subject to a maximum of 0.96% of the number of shares constituting the Company's share capital, an amount lower than 10% of shares constituting the Company's share capital per twenty-four month period;

– grants this authorization for a period of eighteen months as of this Shareholders' Meeting;

– grants full powers to the Board of Directors, including the option to delegate such powers, to carry out any share capital decrease(s) resulting from the retirement of shares pursuant to this authorization and to amend the by-laws accordingly;

– takes due note that this delegation of authority supersedes any corresponding earlier delegation.

Seventeenth resolution

AUTHORIZATION GRANTED TO THE BOARD OF DIRECTORS TO INCREASE THE COMPANY'S SHARE CAPITAL, EITHER THROUGH THE ISSUE, WITH PREFERENTIAL SUBSCRIPTION RIGHTS, OF SHARES AND/OR INVESTMENT SECURITIES GIVING ACCESS TO THE COMPANY'S SHARE CAPITAL, OR THROUGH THE INCORPORATION OF ADDITIONAL PAID-IN CAPITAL, OR THE CAPITALIZATION OF RESERVES, UNAPPROPRIATED RETAINED EARNINGS, OR OTHER ITEMS

The Shareholders' Meeting, which meets the quorum and majority requirements for Extraordinary Shareholders' Meetings, having examined the report prepared by the Board of Directors and the special report submitted by the Statutory Auditors and pursuant to the provisions of the French Code of Commerce, in particular articles L.225-129 to L. 225-129-6 and L. 225-129-2 and L. 228-91 *et seq.* of the French Code of Commerce:

1. delegates its authority to the Board of Directors to increase the Company's share capital, on one or more occasions, in such amounts, at such times and under such conditions that it may deem appropriate:

a) through the issue, whether denominated in euros or any other currency or accounting unit based on a basket of currencies, on the French and/or international market, of ordinary shares in the Company and more generally of any other investment securities giving immediate or future access to the Company's share capital, with the understanding that the issuance of preference shares is excluded from the scope of this delegation,

b) and/or through the incorporation of additional paid-in capital, or the capitalization of reserves, retained earnings, or other items as permitted by law and the by-laws, through the creation and allotment of free shares, or through an increase in the nominal value of existing shares, or through the combined application of these two methods;

2. grants this delegation of authority for a period of twenty-six months as of the date of this Shareholders' Meeting;

3. decides to set the overall ceiling of the amounts of capital increases that may be carried out under this delegation of authority as follows:

a) for capital increases carried out under issuances governed by paragraph 1.a) above, the maximum nominal amount of capital increases that may be carried out in this way, whether immediately or over time, may not exceed 10 million euros, or the equivalent amount in any currency or accounting unit based on a basket of currencies, including the nominal amount of any additional capital increase that may be carried out subject to the terms set forth by the nineteenth resolution below. It is specified that this ceiling includes the overall nominal value any ordinary shares in the Company that may be issued in relation to adjustments that may be made to protect the rights of holders of investment securities giving future access to the Company's share capital, in accordance with applicable laws, regulations and contractual stipulations,

b) in the event of a capital increase carried out under issuances governed by paragraph 1.b) above, the maximum nominal amount of capital increases that may be carried out in this way may not exceed the overall total of amounts that may be capitalized, with the understanding that the amount of these capital increases shall supplement the amount of the ceiling determined in paragraph 1.a) above;

4. in the event that the Board of Directors uses this delegation of authority for issuances governed by paragraph 1.a) above, decides that:

– the Shareholders have a preferential right to subscribe to investment securities under this delegation of authority, in proportion to the amount of their shares,

– if subscriptions in respect of pro rata entitlements and, where applicable, subscriptions in respect of excess applications do not absorb all of the shares issued, the Board of Directors may use at its discretion and in the order that it determines any one and/or other of the options below:
• limit the amount of the capital increase to the amount of subscriptions, provided this represents at least three quarters of the increase initially decided,
• allocate freely all or a portion of the securities issued but not subscribed,
• offer to the public all or a portion of the securities issued but not subscribed, on the French and/or international market;

5. in the event that the Board of Directors uses the delegation of authority governed by paragraph 1.b) above, decides, in accordance with the provisions of article L. 225-130 of the French Code of Commerce, that fractional rights may not be traded or sold, and that the corresponding shares shall be sold; the proceeds of the sale shall be allotted to the holders of the rights within the period set forth under applicable laws and regulations;

6. decides that the amount accruing, or to accrue at a later date to the Company, for each of the shares issued under the above legislation, shall be at least equal to the nominal value of these shares;

7. takes note that this authorization shall, where applicable, entail, in favor of the holders of investment securities giving access to the Company's share capital, the express waiver by Shareholders of their preferential right to subscribe to the shares to which the investment securities so issued shall give access;

8. grants full powers to the Board of Directors, subject to conditions set forth by laws and/or regulations, particularly in order to:

– determine the amounts to be issued, determine the terms and conditions of the issue, the nature, form and characteristics of the investment securities to be created, and set the dates, period and terms and conditions of the issuance,

– record the completion of these issuances and amend the by-laws accordingly,

– and generally, conduct all agreements and carry out all acts and formalities required to complete the planned issuances, subject to applicable laws and regulations;

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

Eighteenth resolution

AUTHORIZATION TO BE GRANTED TO THE BOARD OF DIRECTORS TO INCREASE THE COMPANY'S SHARE CAPITAL, THROUGH THE ISSUE, WITHOUT PREFERENTIAL SUBSCRIPTION RIGHTS, OF SHARES AND/OR INVESTMENT SECURITIES GIVING ACCESS TO THE COMPANY'S SHARE CAPITAL

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 *et seq.*, L. 225-135 and L. 228-91:

1. delegates its authority to the Board of Directors to increase the Company's share capital, on one or more occasions, in such amounts and at such times as it may deem fit, on the French and/or international market, by way of a public offering, either in euros or in any other currency or accounting unit based on a basket of currencies, through the issue of shares in the Company or of any other investment securities giving access to the Company's share capital, with the understanding that the issuance of preference shares is excluded from the scope of this delegation;

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

3. decides that the total nominal amount of capital increases that may be carried out under this delegation of authority may not exceed 10 million euros, or the equivalent amount in any currency or accounting unit based on a basket of currencies, including the nominal amount of any additional capital increase that may be carried out subject to the terms set forth by the nineteenth resolution below;

4. decides to exclude the preferential right of Shareholders to subscribe to any investment securities that may be issued and delegate authority to the Board of Directors to evaluate whether it is appropriate to institute in favor of Shareholders, for a period and under conditions that it shall determine, and for all or a portion of the issuance performed, a priority subscription facility pursuant to the provisions of article L. 225-135 of the French Code of Commerce;

5. decides that the ceiling referred to in paragraph 3 above includes the total nominal value of ordinary shares in the Company that may be issued in respect of adjustments that may be made to protect the rights of holders of investment securities giving future access to the Company's share capital, in accordance with applicable laws, regulations and contractual stipulations;

6. takes note that this authorization shall, where applicable, entail, in favor of the holders of investment securities giving access to the Company's share capital, the express waiver by Shareholders of their preferential right to subscribe to the shares to which the investment securities so issued shall give access;

7. decides that, if subscriptions by the Shareholders and members of the public do not absorb all of the shares issued, as defined above, the Board of Directors may, pursuant to the provisions of article L. 225-134 of the French Code of Commerce, use at its discretion and in the order that it determines any and/or other of the options below:

– limit, if applicable, the amount of the capital increase to the amount of subscriptions, provided this represents at least three quarters of the increase initially decided,

– allocate freely all or a portion of the securities issued but not subscribed;

8. decides that the issue price of the shares shall be at least equal to the minimum amount authorized by legislation, with the understanding that the issue price of shares resulting from the exercise of investment securities giving access to the share capital issued under this delegation is subject to the provisions of article L. 225-136 of the French Code of Commerce;

9. grants full powers to the Board of Directors, subject to conditions set forth by laws and/or regulations, particularly in order to:

– determine the amounts to be issued, the terms and conditions of the issue, the nature, form and characteristics of the investment securities to be created, and set the dates, period and terms and conditions of the issuance,

– record the completion of these issuances and amend the by-laws accordingly,

– and, generally, conduct all agreements and carry out all acts and formalities required to complete the planned issuances, subject to applicable laws and regulations;

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

Nineteenth resolution

AUTHORIZATION TO BE GRANTED TO THE BOARD OF DIRECTORS TO RAISE THE NUMBER OF NEW SHARES TO BE ISSUED IN THE EVENT OF A CAPITAL INCREASE WITH OR WITHOUT PREFERENTIAL SUBSCRIPTION RIGHTS FOR SHAREHOLDERS

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. 225-135-1 and R. 225-118:

1. authorizes the Board of Directors, in the event that the latter uses delegations of authority granted to it under the seventeenth and eighteenth resolutions above, to increase the number of shares to be issued in the event of an increase in the share capital of the Company, with or without preferential subscription rights, for a period of thirty days commencing on the subscription closing date, subject to the limit of 15% of the initial issue amount, and at the same price as that applied for the initial issue;

2. decides that this authorization shall not result in increasing the maximum nominal amount of capital increases that may be carried out, insofar as this amount has been determined by the seventeenth and eighteenth resolutions. Therefore, the maximum nominal amount of capital increases that may be carried out under this delegation of authority shall be offset against the overall ceiling for capital increases of 10 million euros determined for each delegation granted above by this Shareholders' Meeting;

3. grants full powers to the Board of Directors to implement this delegation, subject to conditions set forth by laws and regulations;

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

Twentieth resolution

AUTHORIZATION TO BE GRANTED TO THE BOARD OF DIRECTORS TO INCREASE THE COMPANY'S SHARE CAPITAL THROUGH AN ISSUE RESERVED FOR COMPANY EMPLOYEES PURSUANT TO THE PROVISIONS OF ARTICLE L. 225-138 OF THE FRENCH CODE OF COMMERCE AND ARTICLE L. 3332-18 *ET SEQ.* OF THE FRENCH LABOR CODE

The Shareholders' Meeting, which meets the quorum and majority requirements for Extraordinary Shareholders' Meetings, having examined the report prepared by the Board of Directors and the special report submitted by the Statutory Auditors and pursuant to the provisions of the French Code of Commerce, in particular articles L. 225-129-2 and L. 225-138, and article L. 3332-18 *et seq.* of the French Labor Code:

– delegates its authority to the Board of Directors to carry out, on one or more occasions, at such times as it may deem fit, subject to the provisions of article L. 225-138 of the French Code of Commerce and L. 3332-18 of the French Labor Code, issues without preferential subscription rights of shares in the Company or any other investment securities giving access to the Company's share capital, reserved for employees of the Company and of companies related to it as defined under article L. 225-180 of the French Code of Commerce, who are members of a Company Savings Plan or a voluntary employee savings-partnership plan, subject to a ceiling of 10% of the share capital on the utilization date of this authorization;

– decides that the subscription price of shares or any other investment security giving access to the share capital of the Company by the beneficiaries shall be determined by the Board of Directors, with the understanding that the subscription price may not exceed the average of the listed price during the twenty stock market trading days preceding the date of the decision to set the subscription opening date, nor may it be more than 20% lower than this average, or 30% lower in the event of a vesting period specified by the plan pursuant to articles L. 3332-25 and L. 3332-26 of the French Labor Code of at least ten years; however, the Shareholders' Meeting expressly authorizes the Board of Directors, if it deems fit, to reduce or eliminate the above-mentioned discount, subject to legal and regulatory limits, in order to take into consideration, inter alia, locally applicable legal, accounting, tax and social regimes;

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

– delegates powers to the Board of Directors, including the option to sub-delegate its authority, as provided by law, to implement this delegation and in particular to:

• decide the amount of each issue, determine the dates and terms and conditions of issue and the type of securities to be created, and generally, take all necessary or useful measures and conclude all agreements to ensure the successful accomplishment of the planned issues, at all times and in all actions in accordance with applicable laws and regulations,
• place on record any issues undertaken using this authorization and amend the by-laws accordingly,
• and, generally, conduct all agreement and carry out all acts and formalities required to complete these transactions;

– takes due note that this delegation of authority supersedes any corresponding earlier delegation.

Twenty-first 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 the Company and the consolidated companies, and that the business report included in pages 1 to 57 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 18, 2011

Hervé Le Bouc
Chairman and Chief Executive Officer

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