

# Annual report 2011



**Annual and Extraordinary Shareholders' Meeting, April 17, 2012**



*The road forward*

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## **BOARD OF DIRECTORS**

as of April 17, 2012<sup>(1)</sup>

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

**Christian Balmes**  
Director

**François Bertièrè**  
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

**Jean-Claude Tostivin**  
Director

**Gilles Zancanaro**  
Director

## **AUDITORS**

**KPMG SA**  
Statutory Auditor

**Mazars**  
Statutory Auditor

**François Caubrière**  
Substitute

**Thierry Colin**  
Substitute

(1) If approved by the Annual General Shareholders' Meeting on April 17, 2012.

# Report of the Board of Directors

## to the Combined Annual and Extraordinary Shareholders' Meeting, April 17, 2012

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 2011 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 four 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 authorizations granting powers to the Board of Directors for the purposes of:
  - reducing the Company's share capital by canceling treasury shares,
  - issuing securities conferring entitlement to debt instruments other than the bonds provided for in article L. 228-40 of the French Code of Commerce.

## ORDINARY PORTION OF THE COMBINED SHAREHOLDER'S MEETING

### 2011

In 2011, against a global backdrop that has nevertheless remained dominated by the economic and financial crisis, Colas was able to post solid business figures, with revenue at the end of December 2011 totaling 12.4 billion euros, up 6.4% over 2010 (+5.1% with unchanged exchanged rates and scope of business). The Group share of net profit increased a steep 50% at 336 million euros, compared to the end of December 2010 (224 million euros). Current operating income is up 28% at 466 million euros (365 million euros at the end of December 2010), thanks to a strong-willed strategy that has focused on profit margin over volume, to streamlining and improvement actions in central Europe in particular as well as throughout the Group's network, and to ongoing targeted acquisitions. As there were no non-current expenses in 2011, operating income was up 49% at 466 million euros against 313 million euros at the end of December 2010. Favorable weather in mainland France also boosted the Group's business figures in 2011.

Noteworthy disparities exist in revenue trends throughout the geographic zones where the Group operates. Business in mainland France, North America and Asia/Australia enjoyed growth and northern Europe is up slightly (excluding sales of refined products). Africa, the Indian Ocean and North Africa have dropped off somewhat, along with the French overseas departments. Central Europe has slumped sharply, as expected.

Compared to last year, the breakdown of revenue remains unchanged. Sales in France, including the French overseas departments, account for 58% of total revenue at 7.2 billion euros. Outside of France, including French overseas territories, revenue amounted to 5.2 billion euros, i.e., 42% of total revenue. When combined, Europe (including France) with 9.1 billion euros, and North America with 2.4 billion euros account for 11.5 billion euros, i.e., 92% of total revenue.

The Group kept tight control over investments. After deduction of asset sales, the net total of investments was 496 million euros, only slightly under the 500 million euros invested in 2010. External growth investments (shares and assets) amounted to 100 million euros (63 million in 2010). Net investments in tangible and intangible assets mostly involving the renewal of plant and equipment, totaled 401 million euros, compared to 437 million euros in 2010.

Free cash flow (cash flow from operations less net financial debt, taxes and net investments) totaled 327 million euros (225 million in 2010).

The Group continued to focus on controlling cash flow. Despite even shorter supplier payment deadlines in France that have led to an increase in working capital requirements, the net cash position at the end of December 2011 amounted to 28 million euros, compared to consolidated net debt of 57 million euros at the end of December 2010, i.e., an improvement of 85 million euros during the fiscal year.

As of December 31, 2011, Colas' financial situation is solid, with a Group share of shareholders' equity prior to dividend distribution of 2,494 million euros, compared to 2,345 million euros at the end of 2010, and an 84% coverage ratio of non-current assets by shareholders' equity and non-current provisions, identical to that of the end of 2010.

## Business

### France

Revenue in France (mainland France plus overseas departments) amounted to 7.2 billion euros against 6.7 billion euros in 2010, i.e., a 8.0% increase.

### Mainland France

Revenue in mainland France amounted to 6.8 billion euros, up 8.7% over 2010 (7.1% with an unchanged scope of business).

The Group's activities include:

#### ROADS

**(72% 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 60,000 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

**(28% 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 the country, 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), signs, 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 servocontrols;
  - 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 as well as goods for private customers). 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 in 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, paraffin 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, paraffin, special fuels) to third-party customers.

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 (NGE), 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 2011, despite major disparities in investments by local authorities (urban areas vs rural zones, small towns vs big cities), the road market was relatively stable in volume compared to 2010, boosted by works involving a great number of reserved-lane public transport projects. The Group's 16 regional road construction subsidiaries recorded road sales of 4.9 billion euros, up 9% against 2010 (of which nearly 5% is due to rising construction costs, in particular energy, bitumen and other raw materials). Excellent weather conditions helped further enhance business figures all year long. Several major projects were won (concession for Highway A63 in southwest France, PPP for Vichy bypass, PPP for roads and street lights in Le Plessis-Robinson). Prices pushed down by tough competition seem to have bottomed out in 2011. The Group's companies and profit centers continued to adapt, to rationalize and to streamline in order to improve competitiveness and to make for a better fit with current local and regional market conditions. The market for Group's techniques, products and processes designed to enhance responsible development has made headway from 7% in 2010 to 9% in 2011 for reclaimed asphalt pavement (RAP), whereas warm mixes have remained stable at 4%. The production of aggregates is unchanged against 2010.

## Specialized activities

The Group's specialized activity, most of which is performed by dedicated subsidiaries, recorded revenue of 1.9 billion euros in 2011, up 8%. This increase is mainly due to the full year consolidation of refined products sales, against only six months in 2010. Excluding the sales of refined products, the increase is 5%.

### ROAD SAFETY AND SIGNALING

**Aximum and its subsidiaries** recorded a 7% increase in revenue over 2010, boosted by the full fiscal year consolidation of acquisition of Sagemcom's lights and signaling business acquired the previous fiscal year. The market experienced a slight drop in volume and a rise in raw material prices (notably those used to manufacture road markings). A ten-year high energy performance contract covering street lights and traffic lights in the City of Paris was signed by Evesa, a consortium in which Aximum holds a 15% stake. The agreement, which covers assistance in contracting, operating and maintenance of 180,000 street lights and 1,700 intersections, comprises a commitment to ensure energy savings of 30% over ten years.

Streamlining in Aximum's business involving the design, manufacture and sales of electronic products has made headway. A consortium was formed by an investment fund (65%) and Aximum (35%) to acquire sign manufacturing plant and equipment belonging to the former company SES currently in liquidation.

## PIPELINES

**Spac and its subsidiaries:** in 2011, sales were down 5%, due to a slump in the traditional pipeline business in mainland France. In Belgium, an 85-km long pipeline project with difficult contractual and financial conditions was completed. The subsidiary continued to broaden its widespread range of skills and expertise and complex projects are currently underway involving compression plants and gas storage units, such as the one in Hauterives.

## WATERPROOFING

Despite a sluggish market during the last quarter and a sharp drop in the photovoltaic sector, **Smac and its subsidiaries** recorded an increase in revenue figures of 13%, thanks to a more buoyant construction market during the first half-year and particularly favorable weather especially at the beginning of the year. Industrial business (waterproofing membranes and resins) also had a satisfactory year, with growing export sales, in spite of the negative impact of rising raw material prices. Thanks to its strong, resilient business network, Smac performed well.

## RAILWAYS

With revenue for 2011 up by 6% compared to 2010, business at **Colas Rail** remained buoyant in a dynamic, albeit very competitive, market, boosted by the construction of new tramway lines in Tours, Dijon, Besançon and Paris, along with renovation and maintenance of track with high output track renewal units and closed-line contracts. The freight business continues to expand with the signature of a contract with a major French carmaker for auto transport by rail.

## Sales of refined oil products

Sales of refined products recorded a full-year revenue of 0.2 billion euros, against 0.14 billion euros in 2010 (only 6 months).

In all, 2011 was witness to nearly 84,000 projects in mainland France. Here are some noteworthy examples to demonstrate the **broadly diverse nature of the Group's businesses in France.**

**Construction and maintenance of highway networks:** A11: refurbishment of a 35-km section between Thivars and Brou, using reclaimed asphalt pavement; A23: preventive maintenance between Sars-et-Rosières and Saint-Amand-les-Eaux, using reclaimed asphalt pavement; A29: lowering a 1.2 km section in the Somme department to allow for the passage of the future Seine-Nord Europe canal and building a temporary section of highway; A36: refurbishment of roadway between Fontaine and Burnhaupt, using reclaimed asphalt pavement recycled in situ; A46: refurbishment of roadway in Saint-Priest; A48: widening and reinforcement of roadway on the Voreppe - Saint-Égrève section with 30% reclaimed asphalt pavement; A71: refurbishment of roadway in Bourges.

**Construction, maintenance and renovation of road networks:** construction of bypasses in Montluçon, Fleuré, Chanos-Curson using low temperature mix with 30% reclaimed asphalt pavement; refurbishment of pavement on Route RN 191 linking Highways A10 and A11; refurbishment of a section of Route RD 338 on the Les Hunaudières straight line, part of the 24 Hours of Le Mans race, using warm mix and skid-resistant surfacing with Colflex® binder; refurbishment of bypasses near La Rochelle, on Route RD 28 between Soultz-sous-Forêts and Seltz, on Route RD 928 in La Loupe using 50% RAP, on Route RD 763 in Belleville-sur-Vie using 30% RAP, on Route RD 934 between Chaillay-en-Brie and La Ferté-Gaucher with 20% to 30% RAP; maintenance of road networks in the Landes regions using warm mix and in the Charentes region; maintenance of city streets in Longué-Jumelles using Compomac®, an environmentally-friendly cold technique.

**Airports - ports:** reinforcement of aprons using kerose-ne-resistant mixes at the Ajaccio airport; building of a dock at the Port of Saint-Martin-de-Ré.

**Urban development projects:** redesigning the eastern access route into Lyon by transforming a section of highway into a city boulevard; redesigning the northern access route into Marseille and the main access route to Saint-Brieuc using in-place pavement retreatment, warm mixes, noise-reducing mixes, visually-appealing mixes; surfacing in a tunnel in Toulon; work on the access roads to the future Stadium of Lille, using 3E®+R warm mix with RAP, Nanosoft® noise-reducing mix and Rugosoft® skid-resistant mix, including a total of 25,000 man-hours for underprivileged people trying to enter the job market; redesigning of downtown areas in the towns of Seclin and Château-Thierry using Microville® HP noise-reducing mix, and at the Leclerc square in Poitiers.

**Public transport:** construction of the Tours tramways including employees on job-access programs, construction of the East line for the Dijon tramway, continued work on tramways T1, T2, T3, T5, T6 in and around Paris, including the hiring of employees on job-access programs, using warm mix with RAP.

**Logistics platforms, other facilities:** construction of an industrial zone in Neuves-Maisons; roads, networks and parking lots for a commercial facility in Clairac; construction of facilities and roads for a shopping center in La Chapelle-Saint-Luc, including retention ponds.

**Athletic and recreational facilities:** construction of a 17-km bike path along the banks of the Somme between Cappy and Amiens, using mix with translucent Vegeclair® binder; construction of a porous asphalt track at the Chantilly horse racetrack; refurbishment of a track at the Vincennes horse race-track.

**Environment:** earthworks, waterproofing, roads and networks for an extension at the Grenay landfill; construction of the Ecostep® water treatment plant that uses reed plant filters in Saint-Jean-de-Marcel; roads, networks and landscaping at a photovoltaic plant in Crucey-Villages for EDF; refectory and creation of a pipe network at the Salins-les-Bains spa.

**Safety and signaling:** renovation and upgrading of toll booth equipment at Veauchette on Highway A 72; installation of noise barriers on Highway A 31; driving of 30,000 steel piles for 2,500 steel frames and 300,000 photovoltaic panels at the Toul solar center.

**Pipes, mains:** construction of the Hauterives and Beynes natural gas storage units with an EPCC contract (Engineering, Procurement, Construction and Commissioning); rehabilitation of urban heating network between the Porte de Vincennes and the Porte de Bagnolet in Paris as part of the T3 tramway project; construction of rear track for a gantry crane used to load/unload containers in the Grand Port of Marseille in Fos.

**Waterproofing:** refurbishment at night of platforms in the Paris metro on lines 1 and 13 using low temperature mastic asphalt and special measures to protect employees and the environment (materials transported by remote controlled machines, no smoke or fumes); cladding, roofing at Georges-Frêche high school in Montpellier, with installation of 4,000 triangular Alucobond cases; supplying 90,000 m<sup>2</sup> of Coletanche® for a mining project in Toro Mucho, Chile.

**Railways:** turnkey upgrading on closed lines for two rail lines: Siorac-Sarlat (25 km of track) and Bergerac-Sauveboeuf (23 km of track) in Dordogne; installation of 7.1 km of track on the Dijon tramway and 9 km of track on the T2 tramway in Lyon.

**Building, deconstruction/demolition:** construction and rehabilitation of Marcel-Sembaud high school in Sotteville; demolition using “verinage” of a 140-meter long low-income housing complex comprising 315 apartments in Asnières-sur-Seine.

## Concessions and PPPs

### COFIROUTE: HIGHWAY CONCESSION COMPANY FOR NORTHWEST FRANCE

**Cofiroute**, a highway concession company in which Colas holds a 16.67% stake, operates a 1,100-km interurban network in northwestern France and the A86 Duplex tunnel near Paris. In 2011, the network recorded a 0.8% increase in traffic, with passenger vehicle traffic on the rise at +1.0% and HGV traffic down slightly by 0.4% compared to 2010. Improvements continued on the interurban network, with investments in the framework of the “Green Highway Package” (treatment of waste water, noise-reducing mixes, noise barriers, improved parking areas and design of eco-friendly areas to help preserve biodiversity).

### ADELAC: CONCESSION FOR HIGHWAY A 41 NORTH

**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 14% increase in traffic compared to 2010 during its third year of operation, average traffic – at 21,000 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.

### ATLANDES: CONCESSION FOR HIGHWAY A 63 IN SOUTHWEST FRANCE

**Atlandes**, a concession company in which Colas holds a 15.57%, is in charge of financing, designing, widening from 4 to 6 lanes, operating and maintaining a 105-km section of Highway A 63 between Salles and Saint-Geours-de-Mareme for a duration of forty years. The concession was granted on January 23, 2011 and the transfer of existing

State-owned infrastructure and State-employed manpower was effective on May 23, 2011. As stipulated in the concession contract, Atlandes paid out a 400-million euro entrance fee that corresponds to the taking on of existing infrastructure. The work, which should amount to some 500 million euros, was awarded to a building consortium comprising Colas Sud-Ouest (the project manager) and Screg Sud-Ouest, two companies which hold a combined 51% share. At the end of September, the work got off to a start, once the proper permits had been secured. Tolls will begin to be collected in June 2013, after the initial construction and upgrading phase has ensured compliance with current standards for highways and environmental protection. The entire section is slated for completion in June 2014.

#### **MARS: CONCESSION FOR THE REIMS TRAMWAY AND BUS NETWORK**

The **Mars** concession company, in which Colas holds an 8.5% stake, completed the design, construction and financing of the tramway for the City of Reims, France. As part of the concession, the company also ensures the operation and management of the entire public transport system in greater Reims for a duration of thirty years. Mars has been operating the city's bus network (roughly 160 buses) since 2008 and the tram network (11.2 km) since it was opened to the public in April 2011.

#### **EVESA: HIGH ENERGY PERFORMANCE CONTRACT FOR LIGHTING IN THE CITY OF PARIS**

On July 1, 2011, **Evesa**, a company in which Aximum holds a 15% share, was awarded a ten-year high energy performance contract for public lighting and traffic lights in the City of Paris. The contract involves assistance in project management and operations for 180,000 street lights and 140,000 traffic lights, with a commitment to provide 30% energy savings over a ten-year period.

## **French overseas departments**

Revenue posted for the French overseas departments amounted to 419 million euros, down 3% from 2010.

On **Reunion Island**, revenue was stable after two consecutive years of drops. Business for the building sector enjoyed a slight upturn at the end of the year, boosted by private investment, low-income housing construction programs and renovation projects on public buildings (schools, etc.). The Road sector is still waiting for the launching of major projects. The materials business (aggregates, concrete block, beams) has steadied. Among the highlights of 2011, one can cite the construction of the new Saint-Benoît hospital and the Saint-André water treatment plant.

In **Mayotte**, business was rocked by strikes that paralyzed the island in October and November. The design-build Majicavo prison extension and rehabilitation project got off to a start and the construction of the Dzoumogné waste storage site is well underway. Warm mixes are now being used on the majority of surfacing projects.

In the **Caribbean (Martinique and Guadeloupe)**, the market has remained flat, although there was a slight increase in public investment for road maintenance in Martinique and a second half-year launch of a number of roads and main networks projects in the framework of housing programs in Guadeloupe. A major water supply and conveyance project was completed for the Conseil Général in Guadeloupe. Streamlining plans are still ongoing.

**French Guiana** recorded a drop in revenue in the wake of the completion of major projects such as the Apatou – Saint-Laurent road or the link between Saint-Georges and the Oyapock bridge. Teams worked to extend aprons at the Rochambeau military airport.



## International and French overseas territories

Revenue from international subsidiaries and French overseas territories amounted to 5.2 billion euros, up nearly 4.3% compared to 2010 (3.3% with unchanged structures and comparable exchange rates). A breakdown by region shows that North America accounts for 46% (45% in 2010), Europe (excluding France): 36% (37% in 2010), Africa/Indian Ocean/Asia/Oceania/other countries: 18% (18% in 2010).

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, civil engineering, signaling, and waterproofing in the Indian Ocean, road marking in Canada and in Alaska, waterproofing in Quebec, civil engineering, railways, signaling, and waterproofing in Morocco, railways in Venezuela, Egypt, etc. In Asia and Australia, Colas' business mainly focuses on the production, storage, transformation and trade of oil products (bitumen and emulsion), except for a recent foothold in the railway market in Malaysia.

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, materials producers).

## Europe

Revenue in Europe, excluding France, amounted to 1.9 billion euros, stable compared to 2010.

**Northern Europe** recorded a slight increase in revenue of 1% (+10% with sales of refined products), with good business in Belgium and Switzerland offsetting budget cuts in Ireland and Great Britain.

In **Great Britain**, the economic backdrop was tough, in the wake of an austerity plan that led to a freeze in local investment. Nonetheless, revenue at the road subsidiary Colas Ltd remained high – albeit slightly down from 2010 – due to a well-thought-out range of business activities. These include long term MAC contracts (Managing Agent Contractor) for the management and maintenance of the British motorway and road network (four contracts covering Areas 14, 10, 7, 12, i.e. 3,500 km, including engineering structures), a strong industrial foothold and the development of airport runway maintenance. The PFI for the upgrading and maintenance of the city network in Portsmouth is still ongoing, much to the satisfaction of the customer and users.

In **Ireland**, despite an extremely difficult economic environment due to austerity plans, revenue is comparable to 2010.

In **Belgium**, revenue in the road business has surged, thanks to a good level of public investment earmarked for the upgrading of the road network that had been seriously damaged by harsh winter weather in 2009 and 2010.

In **Switzerland**, business figures remain high, practically identical to the previous year, thanks to a number of road, highway and rail infrastructure projects (tramways, regional lines).

In **Denmark**, revenue is on the rise, boosted by government investments in road works and by good weather conditions.

Revenue in **central Europe** has dropped 17% compared to 2010.

The new slump (57% drop over a three-year period), is the fruit of shrinking public investment, mainly in **Hungary**, the **Czech Republic** and **Slovakia**. **Poland**, however, is benefitting from the positive impact brought on by the Euro 2012 Soccer championship. In addition, a clear drive to prefer profitability over volume amidst very tough competition has pushed prices down. The Colas companies are still endeavoring to streamline to make for a better fit with the market and with strategy. In **Romania**, Colas decided to cancel the Motorway A2 contract

between Cernavoda and Constanta in the wake of major contractual issues (in particular, a 15-km shift in the original trace and delays in hand-over of land) that prevented the work from being performed as planned. The transfer of the subsidiary SCCF Iasi (road works and civil engineering), located in eastern Romania, was signed at the end of 2011 and should become effective as of the beginning of 2012 once the free trade authorities have given their agreement. When the transfer has been completed, the Group will focus its business on industrial activities (quarries) and bitumen distribution. In **Croatia**, Colas acquired the remaining shareholders' equity in its subsidiary Cesta Varazdin, and now wholly owns the company.

Among the year's most noteworthy projects, one can cite: the refurbishment of the main runway at Manchester Airport, the extension of the main runway at London-Southend airport in Great Britain; the refurbishment of the Saint-Maurice road with Nanosoft® noise-reducing mix and the construction of a new tramway line in Geneva, Switzerland; the refurbishment of Highway E34 near Antwerp and the construction of the Hollain-Péronnes waste water treatment plants in Belgium; the widening of a 12-km section of highway in the south of Jutland and the refurbishment of a 4-km section of highway using noise-reducing mix near Copenhagen, Denmark; the construction, reinforcement and widening of sections of Motorway M3 and M0 in Hungary; the construction of a section of Motorway D3 in the Czech Republic; the construction of highway bypasses to the east and west of Poznań, Poland.

Responsible development techniques are gaining ground: projects involving plant-based binders were performed in Belgium, Switzerland and Great Britain; noise-reducing mixes progressed sharply in Switzerland, Denmark and Poland; cold recycling is making headway in Switzerland.

### CONCESSIONS, PFI, PPP

#### Ensign: PFI for the city network 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, as seen in independent opinion polls carried out by NHT (National Highways & Transport Network). Two years after the upgrading phase was completed, teams are

now working on maintenance and network management covering 480 km of roads, 84 bridges and engineering structures, and 19,000 streetlights.

#### MAK: PPP for M6-M60 Motorway in 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 of Highways M6 (50 km) and M60 (30 km), for a total of 80 km in the southwest of Hungary. Launched at the end of March 2010 for a duration of twenty-eight years, the operation and maintenance phase on the two sections, performed by MAÜ, a dedicated company in which Colas owns a 25% stake, continued to provide satisfactory service levels for the Hungarian government.

## North America

Revenue totaled 2.4 billion euros, up 6.6% compared to 2010 (8.5% with comparable exchange rates and identical scope of business).

### UNITED STATES

As stimulus packages drew to a close, creating a more difficult economic environment, the Colas companies, which operate out of 29 states, enjoyed an increase in revenue compared to the previous year, due in part to the full-year consolidation of Baker and Ballou, two companies acquired in 2010. Harsh weather caused delays during the first half year, but this was offset during the second half year. The long-term federal infrastructure program called SAFETEA-LU was extended for an additional year in 2010 and renewed in 2011 for the first half year of 2012. Colas companies rolled out plans aimed at improving their organization (exchange of best practice) and continued to control operating costs. In addition, the subsidiaries pursued the promotion of cost-wise pavement maintenance techniques and aimed to diversify their businesses with a new focus on civil engineering and structures. Furthermore, the companies moved on with their strategies targeting a better control of bitumen supplies, backed by a network of depots and terminals along with greater diversification of the customer base over the last three years. They also continued to reinforce their footholds in states in which they currently operate. Moreover, a division was created, dedicated to the study of new types of bids, such as design-build contracts and public-private partnerships. These actions helped the companies perform well, bearing witness to their strength and resilience in 2011's highly competitive market.

## CANADA

Despite harsh weather during the first half year, revenue at ColasCanada increased sharply, boosted by an ongoing program to upgrade infrastructure in Quebec, buoyant private investment in the West (mining, energy in Alberta) and acquisitions in Quebec and British Columbia. Against a dynamic economic backdrop, 2011 was once again a good 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; production of aggregates, asphalt concrete, road marking paint; road works).

Among the highlights of 2011 for Colas North America:

- United States: widening of the roadway and construction of two engineering structures at the Blue Mountain interchange in Franklin county, Pennsylvania; construction of a greenbelt from the university campus to downtown Syracuse, New York; upgrading of a section of highway in Blytheville, Arkansas; refurbishment of a section of Interstate 90 in Sheridan, Wyoming; refurbishment of pavement on a 26-km section of Interstate 26 in Spartanburg County, South Carolina; construction of a section of highway including six engineering structures in Savannah, Georgia; application of noise-reducing mix on sections of Routes 199 and 288 in Virginia; work on the Burbank airport in California; refecton and extension of a runway at the Anchorage International Airport in Alaska;
- Canada: in Quebec, upgrading of Route 185 to Highway 85 for the Trans-Canada Route in Temiscouata, the extension of Highway 73 in the Beauce region and of Highway 410 in Sherbrooke as part of preparations for the Canada Summer Games in 2013; in Alberta, extension and refurbishment at the Fort McMurray Airport, construction of an intermodal rail platform in Calgary, refurbishment of pavement on Highway 88; in British Columbia, supply of ready-mix concrete for the construction of the Waneta dam; in Saskatchewan, widening of a section of highway in North Battleford.

In the United States, warm mixes accounted for 32% of total asphalt mix production in 2011 (14% in 2010), ranking Colas companies as the leading users of this technique. Reclaimed Asphalt Pavement or RAP is also very widespread, amounting to 22% of total production (18% in 2010). In Canada, special focus continues to be placed on warm mixes and cold in-place recycling.

## Elsewhere around the world

### MOROCCO

In an increasingly competitive, sluggish market, revenue at the Group's road companies is down slightly compared to 2010. Among the year's most significant projects, one can cite the earthworks for the Tangiers - Kenitra high speed train line including 5,200,000 m<sup>3</sup> of cut and 1,000,000 tons of fill, and the construction of the platform and other ancillary work on a 9-km section of the Casablanca tramway.

### IN WEST AFRICA

In **Benin**, where the market is very low and competition from Chinese companies has strongly impacted prices, construction work continues on the 37-km section Djougou - Ouaké Route, with special focus on good corporate citizenship and environmental protection.

In **Togo**, sales have dropped off sharply; work on the civil engineering project in the Port of Lomé is nearing completion.

In **Gabon**, business is still enjoying growth, notably with construction and renovation work on the city streets of Libreville as part of the African National Cup 2012, along with the extension of the main runway at the Port-Gentil Airport.

The **Ivory Coast** is currently awaiting major road infrastructure upgrading projects financed by international funding. Work on refurbishing streets in Abidjan is currently underway.

### INDIAN OCEAN AND SOUTHERN AFRICA

In **Mauritius**, where the market remains buoyant, the Group acquired 50% of the equity of Gamma Materials Ltd, specialized in the production and sales of construction materials. The most noteworthy projects that are currently underway or were completed in 2011 include the construction of the Port-Louis highway bypass, a 16-km section of highway between Terre Rouge and Verdun, the extension and refurbishment of a runway and the construction of a new taxiway at the airport.

In **Djibouti**, the Group's business includes roads, building and a variety of diversified contracts including drainage for the City of Djibouti using international financing and the construction of a parking zone on the Japanese military base.

In **Madagascar**, where lasting political unrest remains strong, business has been streamlined to allow the Group to weather out the storm until new projects have been launched. Road works at the Tamatave nickel site are still underway, a structure crossing the Mahajamba is being erected and a 30-storey office building was completed in Antananarivo.

In the **Comoros Islands**, political stability has paved the way for the return of investors and international financial backers. After eight years of absence, the Group's company began doing business again. Some 43 km of road works are currently being performed on the archipelago's three islands.

In **southern Africa**, the market was boosted by rising raw material prices. Business was good throughout the zone, in particular in South Africa, where maintenance work has replaced infrastructure projects for the 2010 World Soccer Cup, as well as in Zambia, Namibia and Kenya.

#### **ASIA AND OCEANIA**

In **New Caledonia**, the road business has been boosted by the dynamic economy in the North Province, with earthworks that are part of the construction of the Koniambo nickel plant, along with infrastructure work. The Group is currently building an industrial facility in Vavouto and a 4-storey government building in Noumea.

In **Australia**, Colas Australia and its subsidiaries have enjoyed strong growth, operating 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.

In **Asia**, Colas operates in eight countries with a central line of business focused on the production, distribution and sales of bituminous products. All of the Group's units recorded an improvement in business figures against 2010 despite a slumping bitumen market. Bitumen sales at Tipco were down (800,000 tons compared to 1,000,000 in 2010).

In **Thailand**, business was penalized by cuts in government spending and by very bad weather. In **Malaysia**, production at the Kemaman bitumen refinery was hindered during the first half year due to raw material price issues. In **India**, an eighth emulsion plant was completed in Haldia. Hincol recorded business figures that are comparable to 2010 in a market impacted by a number of delays in projects. In **Indonesia**, the bitumen trading business enjoyed sharp growth despite a sluggish bitumen market. A fifth bitumen depot was opened in Medan, in northeast Sumatra. The road construction business is buoyant and maintenance contract for mining roads were renewed in Borneo. In **Vietnam**, the bitumen market is down due to an overall economic slowdown, and due to unfavorable weather during the second half year. The Group's bitumen trading business has hence slowed.

#### **INTERNATIONAL RAILWAY PROJECTS**

Colas Rail Ltd enjoyed buoyant business in Great Britain, with work on track renewal in the frame of long-term MAC contracts and a new MAFA maintenance framework agreement for the southwest region signed in 2011. Colas Rail Ltd has thus confirmed its position as market leader in long-term track renewal contracts.

Elsewhere around the world, new contracts were secured in 2011, including a new line for the Los Teques metro in Venezuela and a 17.7-km extension of the Kelana Jaya light metro in Kuala Lumpur, Malaysia. In Morocco, work is currently underway to lay track on a 9-km section of the Casablanca tramway, in addition to recurrent maintenance and upgrading work performed by the Group's local rail company. Work continued on the construction of phase 2 of the Cairo metro line 3 in Egypt.

# 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 filed in France and around the world, with products used throughout the Group worldwide, Colas is a pioneer in the development of new techniques able to adapt to a wide range of infrastructure needs in ever-changing national markets and diverse weather conditions, from the sub-zero temperatures of Alaska to tropical climates in Africa and Asia.

In 2011, the R&D budget was stable at 69 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, noise reduction 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 and new offers, 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 of road and rail infrastructure and applied physics.

In 2011, 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. Here, 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, PFIs, and concessions. Over 90 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 manufacturing temperatures to produce warm, semi-warm and cold mixes (3E® energy-efficient asphalt mixes at Colas, Compomac® at Screg, Ecofalt® at Sacer) and low temperature mastic asphalts (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 and applied in 2011 notably on the visitors' center at the Mont-Saint-Michel and on the Amiens Veloroute bikepath;
- absorbing nitrogen compounds emitted by vehicles using innovative surfacing (Colclean®);
- recycling used materials, with in particular the use of reclaimed asphalt pavement (RAP) from old demolished roadways to manufacture new mixes (3E®+R mixes - certified by the French Ministry of Ecology, Sustainable Development, Transports, Housing, in-place recycling with Novacol® and Valorcol® at Colas, Recycold® V at Screg);
- decreasing the thickness of road courses (Colgrill® R surfacing combining a fiberglass grid and asphalt mix, winner of the 2010 Sustainable Development Innovation Award, and applied on a project for the Conseil General de l'Aude).

Teams from Colas played a major role, alongside specialists from USIRF, in designing an industry-wide **eco-comparing software tool SEVE®**, which has enabled a number of contracts to be won with eco-friendly technical alternatives (reduced energy consumption and 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 (first project in 2011) and Picoville® at Screg and Miniphone® S 0/4 at Sacer. The Group's safety and signaling company, Aximum, also provides high performance noise barriers.

**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. Sacerlift®, a product designed to renovate and clean porous stone surfaces, won the 2011 Innovation Award at the Congress for French Mayors and Local Authorities.

**In the field of road safety and user information**, in addition to designing highly skid resistant road surfacing that drastically cuts braking times, teams also 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).

Lastly, to contend with tighter local budgets, the Group has been focusing on **developing cost-wise products and processes that provide equal or improved performance**, such as road maintenance techniques using surface dressing or safety-enhancing long lasting high grip surfacing (Optigrip® designed in 2011 by Sacer).

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 2011, a number of projects undertaken by international and French overseas units used the Group's special products and processes:

- in **Belgium**, Vegeclair® plant-based binder was used for two hot mix projects;
- in **Switzerland**, there was a surge in interest for the latest generation of noise-reducing mixes called Nanosoft®, along with Valorcol® cold in-place recycling and Vegeclair® plant-based binder;
- in the **United Kingdom**, French-designed airfield asphalt concrete was used to reinforce and renovate runways and a first-ever project using French standards to upgrade the main runway at the Manchester Airport. Vegecol® binder was used in surface dressing applied as part of the work done for the London Olympics in 2012;
- in **Denmark**, Vegecol® mixes were employed for the first time and noise-reducing mixes continued to develop;
- in **Poland**, the first Active Joint® project was completed and Rugosoft® noise-reducing mixes remained popular;
- in **North America (United States and Canada)**, FiberMat, a crack-resistant technique continued to gain ground, Vegeflux plant-based binder was employed, a North American eco-comparison tool was designed in collaboration with the Campus for Science and Techniques in France. In the United States, Ecomat® warm mix enjoyed strong growth, with an overall tonnage multiplied by 10 compared to 2009, i.e., 32% of total asphalt mix production, and reclaimed asphalt pavement also progressed (22% of total mix production). In June 2011, Colas Solutions Technology Center (CSTC), was inaugurated, offering a dedicated development and training center for pavement preservation techniques. A new prime coat called EcoPrime™ with no volatile flux was launched, along with DustGrip™ dust reducer and TuffBond™ emulsion for high-performance asphalt concrete. Teams continued to work hand in hand with the Group's Campus for Science and Techniques in France regarding emulsions designed for recycling, micro-surfacing and other

surface treatments. In Canada, focus continued to be set on developing warm mixes using additives or foam bitumen. 2011 saw a sharp jump in the use of RAP, in particular with in place cold recycling. Colclair® light-colored binder was applied for the first time in Quebec as was noise-reducing, skid-resistant Rugosoft®. Tests were performed to certify water-based road marking paint, and heavy duty skid resistant surfacing was developed in the west. A Central Laboratory was opened in Edmonton, Alberta and Colas Solutions™ continued to deploy innovative marketing solutions;

- in **Martinique**, Rodal® open-graded percolated mix was applied and teams are now using road base asphalt concrete with 25% RAP;
- in **French Guiana**, the first warm mixes with CWM® liquid additive were employed on a CNES project;
- in **Benin** and in **Togo**, contracts for work on piers were won using technical alternatives;
- in **Morocco**, noise-reducing Nanosoft® mix was applied on a structure built for the Rabat tramway and Emulfix® bitumen savings process was used;
- in the **Indian Ocean and Pacific Rim**, warm mixes containing CWM® were involved in the majority of asphalt projects in Mayotte, high modulus mixes and Betoflex® modified bitumen were highly successful on the Mauritius Airport project; RAP techniques are being developed, along with warm mixes containing CWM®, including with modified binders such as Ruflex® on Reunion Island; special concrete was developed by the Central Laboratory in Madagascar to build a new skyscraper, Tour 786, some 100 meters high, in Antananarivo; Ruflex® and Betoflex® modified binders were manufactured for the first time and CWM® was used to haul mix over long distances in New Caledonia;
- in **Asia**, special bitumen was developed for airport projects in Thailand, Cambodia and Vietnam; microsurfacing was developed on heavy traffic sites; colored micro surfacing was applied in Khao Yai national park and noise-reducing mixes were applied in Thailand. Emulfix® was used in two plants in India; Novachip® mix and emulsion-based mix were applied in Vietnam; Aquaquick® mix was employed in South Korea.

# Responsible Development

## Approach

Colas has developed an approach to responsible development (see [www.colas.com](http://www.colas.com)) 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: social cohesion, climate change, transportation needs, improving living conditions, etc.

As a cornerstone of its responsible development approach, Colas has mapped out the interrelationships between its stakeholders:

	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		Major impact	Major impact	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	Major impact		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 risk

Three main lessons emerge from this assessment:

- our people in the field play a key role in determining how Colas is perceived;
- environmental considerations are critical to this image;
- customers are an important source of feedback at a 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 long-lasting culture of continuous improvement in the field, throughout Colas' 800 work centers and 1,400 material production sites. It was rated AA+ in 2010 by extra-financial rating agency BMJ specialized in the rating of corporate sustainable development and social responsibility. This motivation is also reflected in the wide variety of actions the Group's operating units undertake in their own communities.

The vision of Colas' business activities is thus enriched and transformed by the collective appropriation of corporate social responsibility.

As far as the dialogue with non-contractual stakeholders is concerned, few issues justify a global approach, whereas exchanges on a local level are numerous, with neighboring residents, local governments, schools, the social sector, etc. Colas has a tightknit local network and maintains ongoing dialogues with its stakeholders<sup>(1)</sup>. On a global level, it is still difficult to identify structuring, general issues

(1) See "Community acceptance of production sites" section.



that would justify the organization of dialogues with global, hence international, stakeholders. To date, the sole issue that Colas deems relevant on a global level involves bitumen fumes. Colas has played a major role in communicating with customers, scientists, employees, government labor departments and workplace health bodies<sup>(1)</sup>. To help foster reflection, Colas participates in strategic committees and commissions gathering stakeholders from other fields, such as CORE at the INERIS<sup>(2)</sup>, COS at the FRB<sup>(3)</sup> and the COS Environnement et Responsabilité Sociétale at Afnor<sup>(4)</sup> and continues to endeavor to give more meaning to its corporate patronage actions.

### ORGANIZATION IMPLEMENTED TO MONITOR SUSTAINABLE DEVELOPMENT PERFORMANCE

In 2011, the Group's Environment Department took on greater cross-functional responsibilities in the area of sustainable development, expanding its dialogue with all other functional and operational departments for the analysis and verification of indicators and the drafting of detailed reports sent to the chief operating officers of the 67 "head entities" (national head offices or subsidiaries), who are responsible for first-level internal control. The Environment Department also coordinates the renewal and updating of action plans in this area. More specific objectives and more targeted types of feedback are agreed with some of the head entities. To implement these action plans, chief operating officers rely on the support of management personnel within their entities responsible for areas such as workplace safety, energy, environmental affairs, quality, health, diversity and road safety, in accordance with Colas' decentralized organizational structure. The organizational challenge is to ensure the balance between bottom-up contributions and top-down cohesiveness. In 2011, a project was established to examine the robustness, adaptability and renewal of formal quality management systems.

Following the global roll-out in 2010 of a new reporting tool designed to harmonize all non-financial indicators used by 770 legal entities by means of precise definitions, 2011 saw a number of improvements in the use of this tool, which now<sup>(5)</sup>:

- takes into account the relevant minority interests;
- has enhanced the reliability of quantitative information with a view to later certification;
- has introduced new indicators, whose reliability is still subject to verification, including those examining alternative means of transport and biodiversity.

“ Under the aegis of the French Ministry of Ecology, INERIS specializes in expertise and research in the field of risk prevention for technology and industrial pollutions. As Professor Ortwin Renn from the University of Stuttgart has said, certain risks can be called ‘indirect’, meaning that the assessment an individual will make of a given risk does not depend on his/her own experience – everyone has seen a fire or a car wreck – but rather on the degree of trust that the individual has in the person who is explaining the risk to him/her.

When dealing with risks, the fact that one trusts an expert is inseparable from scientific and technical expertise. This is why INERIS has recently reinforced its governance by creating CORE, a scientific committee for the orientation of research and expertise. The committee members include elected officials, trade associations, NGOs, industrialists, academics and government representatives, who gather together to help define work programs for INERIS. I truly appreciate Colas' commitment and diligence, and thanks to CORE, we at INERIS can share issues very far upstream.

This relationship helps us ensure that we are in line with society's expectations, thus favoring a climate of trust and dialogue when we present our results. The fact that Colas is involved in the committee is also an opportunity for elected officials and NGOs to better understand – sometimes even to discover – the viewpoints, questions and expectations of industries, and vice versa. This is the cornerstone of trust, indispensable in the field of risks.”

**Vincent Lafilèche,**  
Managing Director, INERIS<sup>(1)</sup>

(1) National Institute for industrial environment and risks, France.

(1) See “Chemical risks” and “Operational risks” sections.

(2) Steering committee for research and expertise at the National Institute for industrial environment and risks, France.

(3) Strategic steering committee at the French foundation for biodiversity research.

(4) French standard organization.

(5) Methodological guide to non-financial reporting accessible via the Colas Web site.

## Three strategic targets

### Renewal and development of human resources

Colas must ensure the renewal of its organization across generations. Colas' human capital and its enhancement are key to the Group's development and its long-term viability. The main issues addressed in this area are recruitment, diversity, retention and training.

#### RECRUITMENT

Recruitment in 2011 by geographic area

Zone	Managers	Workers	Total
Mainland France	1,217	1,671	2,888
International	886	1,937	2,823
incl. Europe	253	283	536
North America	309	1,171	1,480
Africa/Asia/Indian Ocean	324	483	807
<b>Total</b>	<b>2,103</b>	<b>3,608</b>	<b>5,711</b>

In 2011, Colas maintained an active recruitment policy: 5,700 people were hired (up from 4,500 in 2010), including nearly 3,000 in mainland France. The Group's recruitment goals are advanced through media campaigns, ongoing contacts with educational institutions at all levels in the countries where Colas has operations, and follow-up tools currently being rolled out for the Group's human resources information system<sup>(1)</sup>. Staff joining Colas often come from the local area, by way of internships (a total of 2,136 in 2011, including 488 outside France, compared with 2,260 and 275, respectively, in 2010), work-study and apprenticeship programs across all qualification levels (559 in 2011 versus 380 in 2010), as well as temporary employment, which allows both the entity involved and the prospective hire to get to know and evaluate each other prior to the offer of an open-ended employment contract.

#### WORKFORCE

Workforce by country in 2011 (rolling 12-month average)

Country	Managers and engineers			Office staff and supervisors			Workers			Total		
	2010	2011	%	2010	2011	%	2010	2011	%	2010	2011	%
Mainland France + overseas depts. and territories	5,740	5,689	-0.89	9,629	9,624	-0.05	22,998	22,579	-1.82	38,367	37,892	-1.24
Europe (excl. France)	961	949	-1.25	3,215	3,033	-5.66	8,478	7,728	-8.85	12,654	11,710	-7.46
Total Europe	6,701	6,638	-0.94	12,844	12,657	-1.46	31,476	30,307	-3.71	51,021	49,602	-2.78
North America	553	566	2.35	1,776	1,909	7.49	5,118	5,359	4.71	7,447	7,834	5.20
Africa/Asia	367	379	3.27	927	957	3.24	3,805	3,317	-12.83	5,099	4,653	-8.75
Indian Ocean	163	114	-30.06	552	437	-20.83	4,613	3,562	-22.78	5,328	4,113	-22.80
<b>Total</b>	<b>7,784</b>	<b>7,697</b>	<b>-1.12</b>	<b>16,099</b>	<b>15,960</b>	<b>-0.86</b>	<b>45,012</b>	<b>42,545</b>	<b>-5.48</b>	<b>68,895</b>	<b>66,202</b>	<b>-3.91</b>

The Group's global workforce decreased by 3.9% in 2011. Efforts to promote staff mobility and the synergies generated over the last several years, together with a number of major contract wins, have allowed for the effective adaptation of structures so as to avoid layoffs to the greatest extent possible.

In France, a job protection plan is currently underway at Aximum in the Electronic products arm (in the wake of a transfer of some 37 jobs from one site to another, 7 employees accepted to follow their post and redeployments within the Group were proposed to the other remaining employees). In central Europe, ongoing reorganization efforts resulted in 997 layoffs (131 in Croatia, 211 in Hungary, 30 in the Czech Republic, 606 in Romania, 19 in Slovakia). In Romania, 80 employees were redeployed in the Group and the sale underway at year-end 2011 of the subsidiary SCCF Iasi to a local company included a guarantee that existing staff would remain in their jobs. In Benin and in Togo, following a sharp drop in business, Colas has initiated employee support measures in connection with a layoff plan (affecting 42 employees) that exceed legal requirements.

(1) Known as SIRH in France.

## DIVERSITY

Diversity is a key priority for the Group's continuing development. In 2011, the Group pursued and further expanded its efforts in this area under the action plan launched in 2010: brochures, mini-poster campaigns, appointment of diversity correspondents in the subsidiaries, special training sessions for managers, etc.

**Social integration:** in France, Colas continued its partnership with Epide<sup>(1)</sup> and also maintained its program offering job opportunities to underprivileged young people in collaboration with local organizations (for example, contracts for work on tramway projects) in mainland France as well as the overseas departments. Across the Group's international operations, many subsidiaries are stepping up their recruitment efforts in black-spots for youth unemployment and in support of the integration of the long-term unemployed (Australia, Belgium, Benin, Djibouti, United States, Madagascar, Switzerland).

**People with disabilities:** following the memorandum of understanding signed with Agefiph<sup>(2)</sup> in 2009 setting a 3.5% target for the employment (both direct and indirect) of people with disabilities to be achieved by early 2013, and once an initial diagnostic/consulting phase has been completed resulting in the preparation of action plans by subsidiaries in mainland France, a two-year agreement was signed in May 2011 with this same body. The principal aims of this agreement are to promote awareness-raising initiatives, maintain disabled employees in their jobs, and integrate and expand the use of contracts concluded with sheltered workshops.

### Gender diversity

#### Breakdown of male and female employees in 2011

Zone		Management	Workers	Total
Mainland France	Men	81.2%	99.5%	91.7%
	Women	18.8%	0.5%	8.3%
International	Men	77.2%	93.9%	89.4%
	Women	22.8%	6.1%	10.6%

In 2011, women represented 8.3% of the Group's workforce in mainland France (8.1% in 2010), including 18.8% of supervisors and managers (18.7% in 2010). Outside of France, this figure rises to 10.6%

(10.2% in 2010), including 22.8% of supervisors and management staff (23.1% in 2010). On the basis of a study of women's career paths at Colas subsidiaries in France, areas for improvement have been identified. At the same time, senior management has placed a priority on effectively increasing the presence of women across the Group, even in traditionally male-dominated occupations, and initiatives are taking shape focusing on the organization of work, equal treatment of men and women, and career advancement, among other areas.

**Older employees:** Colas subsidiaries in mainland France have taken steps to promote the employment of older workers following an agreement concluded with employee representatives setting a minimum employment rate of 9% for employees aged 55 and over.

## RETENTION

Both within and outside France, employees are paid more than the minimum wage. Remuneration is supplemented by benefits, depending on local laws relating to pensions, life insurance, health care coverage, employee savings plans, etc. The Group's remuneration policy is based on the recognition of individual efforts and performance, with salary packages comprised of a fixed part and a variable part determined on the basis of annual performance reviews. Entities apply this policy independently, making the necessary adaptations for their markets and under centralized supervision. In France, profit-sharing agreements give employees a personal stake in the success of Colas and the Group. Outside France, a policy intended to promote greater convergence of employee benefit schemes continues to be applied within each major geographic region.

To reinforce dialogue beyond the involvement of the employee representative bodies established in accordance with each country's local labor laws (336 works councils in France and 20 central works councils), new human resources positions have been created outside France and innovative initiatives are being encouraged: employee satisfaction indicators, discussion forums on human resources issues, etc.

(1) Social integration agency under the aegis of the Ministries of Defense, Employment and Urban Affairs.

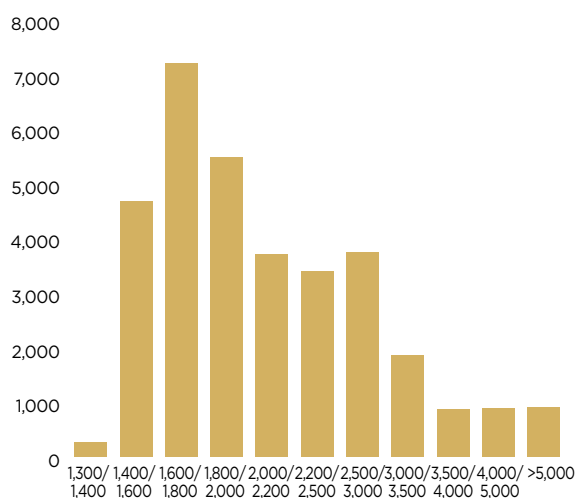
(2) Association for the management of a national fund to promote the employment of the disabled.

Payroll costs and social security contributions in 2011 (Mainland France)

in thousands of euros	2010	2011	% 11/10
Salaries and wages	2,186,864	2,242,963	2.57%
Social security charges	756,815	800,838	5.82%
<b>Total payroll expenses</b>	<b>2,943,679</b>	<b>3,043,801</b>	<b>3.40%</b>
Employer contribution to PEE	24,417	23,669	-3.06%
Profit sharing	10,984	15,256	38.89%
Incentive scheme	2,889	3,160	-
<b>Total employer contribution, profit sharing and incentive scheme</b>	<b>38,290</b>	<b>42,085</b>	<b>9.91%</b>
<b>Total payroll costs and other advantages</b>	<b>2,981,969</b>	<b>3,085,886</b>	<b>3.48%</b>
Outside personnel	313,944	335,540	6.88%

Gross salaries per month in 2011 (France) in euros

Number of employees



(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 2011

in euros		Mainland France <sup>(1)</sup>	Hungary	Great Britain	Switzerland <sup>(2)</sup>	Morocco	Madagascar	United States	Canada <sup>(3)</sup>
Average annual salary paid by Colas <sup>(1)</sup>	Machine driver	24,996	8,178	31,641	73,485	7,464	849	42,584	32,991
	Foreman	33,465	13,050	44,608	96,240	12,737	2,202	48,906	39,365
Minimum annual legal salary per country		16,380	4,120	15,140	58,006	2,410	372	11,655	12,773

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

(1) Average annual salary for the fixed portion.

(2) The minimum salary is the salary for the construction sector.

(3) The average minimum salary for provinces where Colas carries out business.

Company savings plan (PEE) and retirement savings plan (Perco) in 2011 (France)

Bouygues PEE	Number of subscribers	% of workforce	Total aggregate employee deposits <sup>(1)</sup> (in euros)	Average individual deposits (in euros)
Managers	3,449	60.63%	9,899,824	2,870
Office staff and supervisors	4,106	42.66%	7,189,285	1,751
Workers	5,156	22.84%	6,186,412	1,200
<b>Total</b>	<b>12,711</b>	<b>33.55%</b>	<b>23,275,521</b>	<b>1,831</b>

Colas Monétaire	Number of subscribers	% of workforce	Total aggregate employee deposits <sup>(1)</sup> (in euros)	Average individual deposits (in euros)
Managers	99	1.74%	93,812	948
Office staff and supervisors	124	1.29%	98,416	794
Workers	146	0.65%	110,382	756
<b>Total</b>	<b>369</b>	<b>0.97%</b>	<b>302,610</b>	<b>820</b>

PERCO	Number of subscribers	% of workforce	Total aggregate employee deposits <sup>(1)</sup> (in euros)	Average individual deposits (in euros)
Managers	465	8.17%	853,966	1,836
Office staff and supervisors	246	2.56%	206,405	839
Workers	143	0.63%	99,481	696
<b>Total</b>	<b>854</b>	<b>2.25%</b>	<b>1,159,852</b>	<b>1,358</b>

## TRAINING, MOBILITY AND INTERNAL PROMOTION

### Training actions and hours in 2011

	Hours	Actions
France	580,072	34,138
International	493,156	73,320
<b>Total</b>	<b>1,073,228</b>	<b>107,458</b>

The Group's training budget again represented 4% of the payroll in France (as in 2010) and 2.5% outside France (identical in 2010). Training programs are offered to all staff members regardless of their level in the hierarchy (51% for skilled workers), including temporary employees, and cover all subject areas: apart from fundamental training, new program content is constantly being developed to support current action plans relating to contractual management, safety (39%), individual interviews, ethics, diversity, the environment, etc. Exchanges are fostered between employees pursuing training together, thus strengthening Group culture: this significant and growing investment by Colas helps to instill a broad set of values. The transfer of know-how begins during the employee induction process and continues throughout an employee's career with tutoring, mentoring and PQCs<sup>(1)</sup> (awarded to 79 employees in 2011; 61 in 2010). Furthermore, the 924 members of Colas' Compagnons de la Route guild play a key role by ensuring that the core values and techniques that have built the Group's reputation are disseminated in the field.

Internal promotion and mobility are an integral part of the Group's managerial culture. Mobility is both necessary for adaptation to market developments and a key aspect of career development at Colas, opening up ever more diversified opportunities for its employees. In order to support mobility efforts, senior management issued a direct questionnaire in 2011 to encourage employees to consider these opportunities and increase the flow of information. Annual performance reviews for individual employees are an essential priority, to shape career development and prepare the managers of tomorrow: their effective use is now one of the criteria for evaluating performance of managers as much as results achieved in the area of safety.

## Community acceptance of production sites

Colas operates a large number of sites producing construction materials, such as aggregates, ready-mix concrete, asphalt mixes, bitumen and emulsions. Public acceptance of these sites has become a more sensitive issue, particularly for local residents. Action plans are focusing on two imperatives.

## EXEMPLARY PRODUCTION SITES

Each site must implement progress measures that go beyond mere compliance with administrative or regulatory requirements. Obtaining environmental certification is the preferred approach (under ISO 14001, for example). Progress measures are documented and assessed by using a system of checklists covering most of the Group's activities in the production of construction materials worldwide, which is part and parcel of the internal control of operations. Some 1,700 Colas production sites and plants around the world are able to assess their own progress each year by responding to a questionnaire consisting of more than 100 fact-based questions relating to matters such as the storage of chemicals and liquids, risk prevention (water, air, waste, safety, noise), formal procedures, and dialogue with local stakeholders. The Group's Environment Department consolidates and analyzes the responses to these questionnaires, communicates the results, and proposes the appropriate action plans, thus stimulating continuous improvement by individual operating units and the Group's performance as a whole.

As of December 31, 2011, in terms of revenue generated, 80% of Colas' activities worldwide in the production of construction materials were covered by at least one of these two tools (certifications or checklists) and the aim is to rapidly increase the coverage rate to 90%.

In each country, the construction materials produced (aggregates, binders, bitumen, mastic asphalt, asphalt mixes, concrete, paints, etc.) meet all applicable standards or certification requirements (MSDS<sup>(2)</sup>, CE marking, and REACH<sup>(3)</sup> registration in the European Union, etc.). Many production sites or plants are also working to obtain other voluntary certifications, including those that may be obtained under eco-labeling schemes, for example.

In 2011, a new program was launched to reinforce and underscore the contribution made by the Group's quarries and gravel pits to biodiversity: within its immediate area, each active site identifies a protected species and takes appropriate measures to safeguard its habitat, entering into partnerships with scientists to build knowledge of the species, while ensuring that these actions are transparent to local residents. At sites where no such species may be identified, bee hives are installed. To date, it is estimated that a quarter of the Group's production sites already satisfy most of the criteria to be considered as exemplary.

(1) Professional qualification certificates recognizing the acquisition of work experience.

(2) Materials safety data sheets (mainly used in the OECD countries).

(3) European Commission regulation on the registration of chemicals produced or used in the European Union.

## 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 2011, 44% of revenue at Colas materials production sites had set up a formal procedure for communicating with their local community (vs 46% in 2010 with a narrower scope). The objective is to quickly exceed 50%.

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

- new construction projects account for less than 20% of total works 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® and Rugosoft® noise-reducing pavement, which is popular with neighboring residents and drivers alike. Indeed, noise is considered to be the greatest environmental nuisance. Nearly 1 million m<sup>2</sup> were applied in 2011.

## 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.

Colas has implemented many concrete actions, often in collaboration with independent partners such as l'AQP<sup>(1)</sup>, to ensure traceability of asphalt

plant deliveries by equipping them with a tamper-proof weight system. Another example is Colas' participation in an auction exchange for pre-owned construction equipment, subject to the control of Tracfin<sup>(2)</sup> in order to avoid money laundering and illegal transactions

## Five other major targets

### Safety

Safety has been a top priority at Colas for many years.

### PREVENTING WORKPLACE ACCIDENTS

Colas Group safety indicators<sup>(1)</sup>

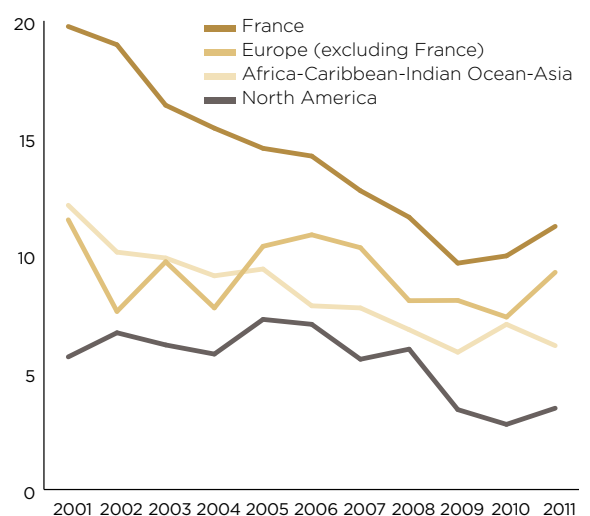
Mainland French subsidiaries	Frequency rate	Annual severity rate	Security index	Fatal work accidents	Fatal accidents on work-related journeys
2009	9.66	0.42	4.06	2	0
2010	9.97	0.48	4.79	1	2
2011	11.23	0.49	5.50	2	4

International subsidiaries	Frequency rate	Annual severity rate	Security index	Fatal work accidents	Fatal accidents on work-related journeys
2009	5.98	0.19	1.14	6	1
2010	6.08	0.16	0.97	6	2
2011	6.17	0.23	1.42	6	0

(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 10 years



(1) Quality weighing association.

(2) Information and action against money-laundering schemes.

Having successfully achieved the targets for 2010 set five years earlier, new targets have now been set for 2015: an accident frequency rate<sup>(1)</sup> for permanent employees lower than 5 in France and lower than 3 outside France, with a 50% reduction in the accident frequency rate for temporary staff; more than 300 accident-free entities in mainland France; over 35% of the Group workforce worldwide having received first-aid training (with at least two certified first responders at each work site). Accident prevention at Colas is ensured through a variety of initiatives, supported in the field on a day-to-day basis by specially appointed correspondents: risk assessment, employee awareness campaigns making use of specific tools and software, safety prizes, presentation of safety instructions, video analysis of workplace behavior, a unit to monitor serious and fatal accidents, etc. In 2011, despite efforts by management and preventionists, safety indicators worsened by 5.50% in mainland France and 1.42% elsewhere around the world, compared to 4.79 and 0.97 in 2010. As a result, all subsidiaries have been instructed to develop new action plans. A number of entities have obtained safety certification (OHSAS 18001, MASE, LO, etc.), accounting for 37% of the Group's worldwide activities in revenue terms, as in 2010.

#### Change in the number of employees trained in first aid

	2009	2010	2011
France	11,225	11,441	11,865
International	8,128	8,307	8,081
<b>Total</b>	<b>19,353</b>	<b>19,748</b>	<b>19,946</b>

First-aid training is naturally beneficial not just for those receiving this training, but for their colleagues, family members, friends, and society in general, at the same time reinforcing awareness of safety issues. In 2011, 19,946 employees were certified first responders, representing 32% of the workforce (31% in 2010).

#### ROAD SAFETY

Colas has taken a highly proactive approach to preventing road accidents since 1997, when it signed the first road safety charter in France. This charter has since been renewed three times and has been supplemented by a European charter that has also been renewed. Over 500 road safety correspondents across the Group promote best practices for driving, provide tips for accident avoidance, help with the organization of work, etc. In 2010 and 2011, more than 33,000 handbooks on safe and fuel-efficient driving written for operators of construction equipment and truck drivers were distributed, while an energy efficiency campaign provided an opportunity to remind drivers of the safety benefits of eco-driving practices.

#### Comparison of the change in number of accidents and the vehicle fleet in France between 1997 and 2011

	1997	2003	2007	2011	Variation 2011/1997
Number of vehicles	13,746	20,588	25,380	27,247	+98%
Number of accidents involving third parties <sup>(1)</sup>	3,024	2,334	2,407	2,268	-25%
Frequency	0.220	0.113	0.095	0.083	-62%

(1) Accidents involving third parties deemed liable or not liable based on the principles of avoidability.

The accident frequency rate involving company vehicles in France was nearly stable at 0.083 in 2011 (0.082 in 2010) remaining at its lowest level since 1997, when this rate was 0.220. Accident frequency has thus decreased by 62% in fourteen years, even though the total vehicle and equipment fleet increased by 98% over the same period. This proactive approach to accident prevention is gradually being extended to all countries where Colas maintains operations.

#### HEALTH

“ People working in the asphalt paving industry should not be concerned about this new IARC<sup>(1)</sup> classification. The two key animal studies on paving asphalt did not show any evidence of cancer risk, and the major IARC cancer study of people working in the paving industry in Europe did not show any increased risk for cancer ; in conclusion, a possible hazard<sup>(2)</sup> but no evidence of any risk.”

**Jim Melius<sup>(3)</sup>,  
DrPH, MD (occupational physician and epidemiologist), expert in the field of Occupational Safety and Health, has worked for the Laborers International Union of North America**

(1) International Agency for Research on Cancer (World Health Organization).

(2) Hazard is something inherent to the product ; risk results from exposure to the product.

(3) After working for the NIOSH, and in a number of National Academy of Sciences committees, Dr. Melius joined the LIUNA (affiliated to the AFL-CIO), and is now an administrator. He is currently Chair of the Steering Committee for the World Trade Center Medical Monitoring and Treatment Program. He also helped draw up the IARC's bitumen monograph in October 2011.

(1) Number of workplace accidents resulting in a leave of absence × 1,000,000 / number of hours worked.

Colas has a comprehensive approach to protecting health that encourages healthy living, including initiatives like a back clinic at Colas Belgium and medical partnerships in the United States. Improvements in the design of construction equipment and adaptations to suit the needs of older workers are certified under Ergomat in France (currently being rolled out to operations outside France). In France, Colas takes an active part in the identification of factors resulting in work-related discomfort for each job position and ways to reduce their impact (noise and vibrations, improved ergonomics for working postures). Measures to reduce dust and stress also continue to be applied. In France, a “toolbox” of resources to prevent substance abuse has been developed and distributed to aid in the fight against addictions. Random on-site drug and alcohol testing is carried out in countries where such tests are permitted.

The Group’s policy for the prevention of chemical risks is dealt with elsewhere in this document.<sup>(1)</sup>

### Corporate citizenship actions in developing countries

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.

**Society:** the Group is involved in patronage programs to support education, supply water and/or ensure its viability through construction projects, and provides humanitarian relief when fire, floods or other catastrophes strike nearby communities.

**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.

“ I am a local Papuan fishery academy lecturer from APSOR (Sorong Fishery Academy, Indonesia) who has been able to experience something that I had even never dreamed of before: I am now conducting my dissertation in Paul-Sabatier University, Toulouse, France.

My dissertation is about rainbow fish (Melanotaenia Mairasi), an almost extinct kind of fish that was found in a massive Karst area in Papua, Indonesia, through an extensive expedition involving multi-disciplinary teams, known as the Lengguru expedition. The expedition was initiated by IRD<sup>(1)</sup>, involving other local and overseas institutions, including APSOR.

From 2007 until the last expedition in 2010, ABS and Wasco<sup>(2)</sup> had extensively funded part of the research in biodiversity science expedition. It was also the first step for me on the long journey that finally brought me to an international preservation mission for the rainbow fish.

I have a close relation with ABS and Wasco management and staff, and often speak with them of my studies and expeditions. Colas through ABS and Wasco has allowed me to pursue my research; they truly show that they care about environmental sustainability, especially in Indonesia.”

**Kadariusman Loba,**  
Lecturer at Apsor<sup>(3)</sup>

(1) Research and Development Institute in France.

(2) Colas companies in Indonesia.

(3) Local institution that trains in fishing techniques in Papua, Indonesia.

(1) See “Chemical risks” and “Operational risks” sections.

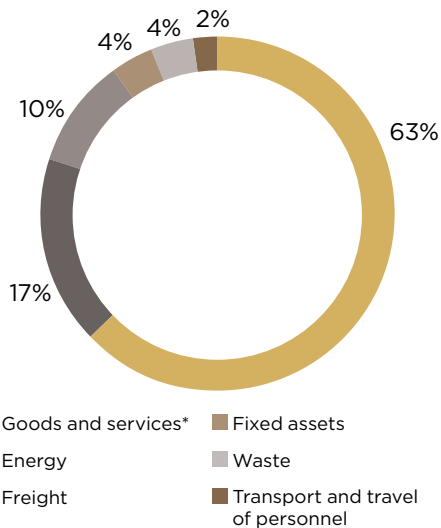


## Energy and greenhouse gas

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 part 3a of the ISO 14064 standard, which includes internal and upstream emissions. The 2011 figures have remained stable at 12 million tons of CO<sub>2</sub> equivalent, in line with expectations. The segmentation clearly shows that heavy materials are the main contributor. 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. Still this calculation provides an approximation that is necessary and useful in evaluating the amounts of CO<sub>2</sub> emissions the Colas Group avoided in 2011, i.e., 160,000 tons (vs 130,000 in 2010) or 1.5% 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 580 mixing plants, it is much more complicated to accurately monitor the consumption of over 70,000 machines and vehicles across over 800 works centers 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:** Colas has encouraged its equipment operators 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, everyone is clearly committed to this effort.

**Asphalt plants:** the energy consumption of plant burners has increased by 3% (18,000 t of CO<sub>2</sub> equivalent). These figures are however stationary when calculated with an unchanged scope of business.

Overall, people at Colas are now clearly committed to ensuring better energy efficiency. At the beginning of 2012, a project team was formed to help provide impetus to the energy saving program and to monitor its concrete results.

### ENERGY CONTENT OF CUSTOMER OFFERINGS

**Eco-friendly technical alternatives:** 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 and opened to customers at the end of 2011. In addition, the French Ministry of Environment has encouraged the initiative, signing a charter in March 2009. In 2011 the eco-alternatives that Colas was thus able to successfully recommend made it possible to avoid the emission of 29,000 tons of CO<sub>2</sub> (21,000 tons in 2010). Of the eco-alternatives proposed, 16% were accepted, vs 28% in 2010. Outside of France, Colas began promoting a specially adapted version of the software tool in the Indian Ocean zone. Indeed, SEVE® was designed to enable relatively simple translation and database adaptation to different national requirements.

**Neophalte BT®, 3E® and 3E®+R warm mix, Ecomat®, etc.** In 2011, the Group's production of warm mixes and mastic asphalts increased in one year's time from 6% of total Group production to over 12%. Subsidiaries have gone above and beyond their initial target of doubling production to 11% (consolidated level). The greatest proportions of these new products are produced by the American road companies (32%) and by Smac (100%). Warm products offer the dual advantage of 10 to 30% energy savings and 70% to 90% fumes reductions. A target of over 50% in 2018 is imaginable.

**Vegeoute® 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, 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<sub>2</sub> balance.

**Photovoltaic roofing:** in 2011, buy-back prices for electricity production have slumped, and a total power capacity of 8.8 MWh was installed (18.5 MWh in 2010). Smac is now focusing on developing products designed to reduce a building's energy consumption, in particular with innovative facades.

## Recycling

Recycling is a key focus for development since Colas is a major 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. This is a key issue for Colas, as well as for its customers because they can benefit from more cost-wise materials (economic interest is one of the three pillars of responsible development).

### RECYCLING PLATFORMS

In 2011, production of recycled products grew 17%, while that of Colas quarries and gravel pits only increased 9%<sup>(1)</sup>. Some 11 million tons of waste products (dirt debris, asphalt and mastic asphalt, concrete demolition rubble, foundry slag, clinker, etc.) were recycled vs 9 million tons in 2010 and 8.7 million in 2009). This is the equivalent of 14% of Colas' total production of aggregates (11% in 2010), or the output of 32 quarries<sup>(2)</sup>. The production of recycled materials is increasing faster than that of 'new' materials.

## ASPHALT MIXES

Colas' asphalt mix production included an average of 12% reclaimed asphalt pavement (RAP) vs 10% in 2010. This represents the recycling of almost 5 million tons of aggregates, some 230,000 tons of bitumen – the equivalent output of a medium-sized refinery, and the avoidance of 87,000 tons of CO<sub>2</sub> emissions. There are disparities in recycling performance however, from 17% to 22% in Belgium, Switzerland and the United States, and 9% in France (7.2% in 2010), a figure which reflects strong progress (target in France: 12% in 2012). Since it is estimated that if all available road demolition materials were recycled, asphalt mixes could contain up to 20 to 25% RAP, Colas is halfway to achieving the theoretical maximum.

### IN-PLACE RECYCLING

This recycling technique continued to expand in 2011, accounting for over 8.6 million m<sup>2</sup> of road construction, vs 7.8 million in 2010, mainly in North America, the United Kingdom, West and Central Africa. This success was made possible by such proven technologies as Valorcol®, Recycold®, etc. In all, the technique was used to recycle the equivalent of a 900-km section of two-lane road.

## Chemical hazards

Colas has focused its efforts to reduce chemical 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 instead of fuel-oil.

**Bitumen fumes:** please see operational risk section in Risks. Colas is clearly committed to promoting the use of warm mixes, which produce almost no fumes or smoke, and help save energy, too. The percentage of warm mix use has soared from 6% in 2010 to more than 12% in 2011, thanks in particular to the United States where warm mix now accounts for 30% of total asphalt mix production. The initiative has taken hold around the world: North America, South Korea, West and central Europe, France (mainland France and overseas departments), Gabon, Madagascar, Morocco, Mauritius, etc.

(1) Based on integral proportional consolidation, not on "Group share" volumes.

(2) Based on average permanent production at Colas of more than 100,000 tons each year.

**Resins:** a research project entitled Greencoat is being conducted in collaboration with several partners and with the support of the ANR<sup>(1)</sup> under the aegis of sustainable development foundation Chem-SuD.

**Waste oils:** the worldwide objective is to ensure the disposal or recycling of used motor oils, which form the bulk of Colas' hazardous waste. The global waste oil recovery rate is currently 67% on a consolidated basis (56% in 2010). 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.

### Rail-road 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. Colas also uses alternative transport modes, rail and water, for its own needs, chalking up over one billion txkm in 2011. Since there are relatively few cases where one mode of transportation tends to replace another, Colas' objective is to improve the environmental performance of each mode, through a policy of technological and methodological innovation aimed to create a balanced approach to transport.

### 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<sup>(2)</sup>, PFI<sup>(3)</sup>, MAC<sup>(4)</sup> 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 Highways A41 and A63 in France, the M6-M60 Motorway in Hungary, the Vichy bypass, city streets in Le Plessis-Robinson, street lighting in Libourne,

road renewal and maintenance PFI for Portsmouth, England, a high energy performance maintenance contract for street lights and traffic lights for the City of Paris, four MAC maintenance contracts in the United Kingdom that cover a third of the national motorway system, five similar CMA<sup>(5)</sup> 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 in France 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<sup>(6)</sup>.

### Community involvement and project support

These actions are essentially local and are managed by Colas companies and their operating units. They mainly involved sponsoring sports teams (50%) or cultural events (40%), for a total of 2.5 million euros, which has remained unchanged against 2010. Outside of France, the proportions vary with 30% for sports, 20% for humanitarian programs, 15% for education, and 10% for cultural events, for an unchanged budget of 1.1 million euros.

Actions by the parent company in France include a skills-sharing patronage program to restore paths in Versailles park, artistic patronage with the purchase of paintings by the Colas Foundation, support to the international dance company Akram Khan, and backing for the humanitarian efforts of "On the Road to School" with Good Planet for a total of 1.5 million euros.

(1) National research agency (France).

(2) Public-private partnerships.

(3) Private finance initiatives.

(4) Managing Agent Contractors (UK).

(5) Contract Maintenance Area (Canada).

(6) See "Corporate citizenship actions in developing countries" section.

## 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 suitable 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, and 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. Soaring public debt and the sovereign debt crisis that exists in number of countries in which Colas operates (notably in Europe, France included) have, of course, increased this risk factor. The risk is attenuated by the large share of Group business done in maintaining infrastructure which is vital to the mobility of both people and goods, and hence, to the economy as a whole, by the good geographic spread of operating units, by a diversity of businesses, and by the Group's capacity to bid on complex contracts.

### 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 are difficult to measure.

#### Significant legal claims as of December 31, 2011

- Claims for civil damages:

– Hungary. Several claims for damages have been brought against Hungarian subsidiaries (Egut, Debmüt, Alterra), following 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. As the national highway company remained firm in its position, the court nonetheless appointed a new construction expert as well as an accounting expert in September 2011. The next hearing is scheduled for March 2012.

– France. An action for damages against the subsidiary Colas Île-de-France – Normandie has been filed by the General Council of the Seine-Maritime department. Following the ruling that Colas Île-de-France – Normandie and five other companies were deemed to have participated in anti-competitive bidding practices on asphalt mix contracts in the Seine-Maritime department 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, or, alternatively, 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 principal claim is 133.7 million euros, while the damages requested under the alternative claim total 35.6 million euros. Colas Île-de-France – Normandie contests these claims. Statements of defense were filed with the administrative court in November 2011.

- Provisions are made to cover the risks of adjustments to payroll taxes that could be claimed by URSSAF (the French labor inspectorate) subsequent to its inspections. These provisions are deemed sufficient to cover all of the inspections that are regularly made at a large number of Colas companies. In late 2009, URSSAF made a major adjustment to exemptions in social security contributions allowed under the "TEPA" and "Fillon" laws, 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 exemptions under the "TEPA" and "Fillon" laws 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 52.6 million euros. Appeals have been submitted to URSSAF's various conciliation committees, which have yet to deliver any rulings as of this writing (except for the appeal by Colas Île-de-France – Normandie, whose case has been brought before the social security court).

- Contract for the A2 Motorway between Cernavodă and Constanța, in Romania:

Negotiations with the Romanian government as a result of difficulties experienced with the design-build contract for the section of the A2 Motorway between Cernavodă and Constanța (20 km for an amount of 175 million euros) were not able to reach a successful conclusion. On March 28, 2011, Colas sent notice of the termination of this contract due to a failure by the contracting authority to honor its contractual obligations. Colas filed a request for arbitration with the International Chamber of Commerce on December 19, 2011, claiming in particular the payment of just over 150 million Romanian leis (just over 35 million euros) plus interest for the contractual losses suffered. As permitted under this arbitration procedure, the Romanian government might possibly file a counter-claim.

## Industrial and environmental risk

(e.g., at emulsion plants, bituminous membrane plants, quarries, mastic asphalt units, asphalt mixing plants and bitumen refineries, etc.)

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 annual 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' waterproofing membrane plant in Courchelettes;

- SRD's bitumen and refined products plants in Dunkirk.

Appropriate insurance coverage has been provided for all sites.

Industrial sites 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, 2011, total provisions covering these commitments amounted to 152 million euros (133 million euros at end 2010). The Group applies a systematic policy of obtaining environmental certification (ISO 14001 for example). Progress 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 three years ago, now covers most materials production activities and makes it possible to consolidate action plans. At the end of 2011, 80% of Colas' materials plants worldwide by annual revenue 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., 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<sub>2</sub> emissions, the installations are not subject to emissions quotas (with the exception of SRD, see below). The situation in the European

Union is however evolving rapidly. All other 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 refinery 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 "high 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. 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<sub>2</sub>, it is subject to emissions quotas and its declarations are verified by an approved auditing firm.

Three other significantly smaller sites are classified Seveso "low threshold". The sites in questions are all depots for explosives used in quarries located in Martinique, in Mayotte and in Saint-Martin.

Outside of the European Union, one can also site the KBC refinery in Malaysia (Thai subsidiary Tipco), and several explosives depots in Africa and in the Indian Ocean zone. Prevention policies on these sites are identical to their European counterparts, although the administrative framework differs from one country to another.

## Credit or counterparty risk

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

Colas carries out 92% of its business in Europe and North America (United States and Canada). Exposure to country risk is therefore low, as is the risk of non-payment, since 64% 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 the end of 2011, the total amount of overdue receivables was much lower than at the end of 2010. The great majority of these receivables are owed by the national government and local government entities. Although customers will be asked to pay unexpected additional financial charges on these late payments, 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 considerable efforts (especially in the area of waterproofing and cladding) as has explosion prevention in underground work on fluid networks carrying dangerous substances such as natural gas.

With regard to workplace accidents and traffic accidents arising during work-related travel, the Group

has implemented a strong, proactive policy of accident prevention and safety training which has yielded significant, sustainable improvements. This has led to a steady drop in the frequency rates of both workplace and traffic accidents (despite the slight increase recorded in 2011).

Colas regularly monitors occupational health hazards. In particular, the Group has been monitoring exposure to bitumen fumes in France and abroad for some twenty years and is represented on most of the task forces that deal with this issue. At Colas, this monitoring is coordinated by the Human Resources and Environment departments, who regularly report to senior management. Colas has been working on this issue with occupational health authorities and government agencies for quite some time and regards this risk as "low and adequately mitigated", except in confined spaces (tunnels) where specific risk analysis is necessary due to the combined effect of vehicle exhaust fumes and ventilation issues. The only undesirable health effect proven to exist at the Group's road construction project sites is irritation of the respiratory tract and eyes.

On October 19, 2011, the International Agency for Research on Cancer (IARC) published a new classification of occupational exposures to bitumens and bitumen fumes following a scientific survey of all available studies worldwide in order to assess the possible carcinogenic nature of these exposures. Occupational exposures to straight-run bitumens and their emissions during road paving were classified as "possibly carcinogenic to humans" (group 2B). This classification indicates that, despite the large number of studies conducted, the IARC was not able to conclude as to the existence or non-existence of a probable or proven link between the use of bitumens in road paving and cancer. This expression of scientific doubt and prudence stands as an invitation to the scientific community to perform further research, particularly on the possible mechanisms of action at the bio-cellular level. This decision relied on numerous epidemiological or laboratory studies, none of which were able to provide sufficient evidence for the carcinogenicity of occupational exposures during road paving.

On the basis of all of these studies, Colas has not altered its assessment of the risk of cancer related to bitumen fumes, which it continues to evaluate as "low and adequately mitigated" (using the standard administrative terminology) at its jobsites. At this stage, there is little reason to suspect that the European Union or the United States will decide to challenge this analysis given the findings of the IARC, but Colas remains attentive to any regulatory solutions that may come to light. Colas is keeping a close eye on this issue in France, with recent lawsuits and media campaigns seeking to cast doubt on one of the main materials used in the road construction industry. Colas continues to measure its employees' exposure at its project sites and to facilitate the work of researchers studying this issue. Colas maintains its proactive policy to support innovation so as to guarantee the health and safety, both individually and

collectively, of its employees working at sites where mastic asphalt or asphalt mixes are used for road paving. In October 2011, Colas decided to expand the reach of the procurement policy relating to finishers (asphalt application) it has until now applied only in France, with the aim of limiting purchases worldwide to equipment including a system for dispelling fumes at the jobsite (subject to the availability of equipment with the required dimensions). All paving machines with capacities larger than 7 metric tons used by Colas in North America are thus now equipped with ventilation systems.

Apart from these efforts, for several years Colas has reaffirmed its commitment to wider use of warm mastic asphalt and asphalt mixes, which allow for significant reductions in the application temperatures of bitumen-containing products and virtually eliminate bitumen fumes. Colas regularly reminds public officials and contracting authorities of these benefits in order to encourage more rapid expansion of the use of these products.

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. In Slovakia, the Colas subsidiary ISK is currently having difficulty in performing a fixed price contract involving the construction and renovation of a power plant in Mochovce.

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, 2011, net available cash and cash equivalents totaled 332 million euros, in addition to 1,400 million euros of confirmed medium-term bank credit lines undrawn at that date. During the year, Colas renewed a program to assign receivables, confirmed for 2014 for a total of 300 million euros. 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					Total 2011	Total 2010
	Less than 1 year 2012	1 to 2 years 2013	2 to 3 years 2014	3 to 4 years 2015	4 to 5 years 2016	5 years and + 2017 and +		
Bank loans (medium-long-term)		30	34	19	15	116	214	171
Finance leases		9	5	4	4	2	24	25
Other financial debts (long-term)		1				3	4	4
<b>Sub-total</b>	<b>48</b>	<b>40</b>	<b>39</b>	<b>23</b>	<b>19</b>	<b>121</b>	<b>242</b>	<b>200</b>
Short-term borrowings and overdrafts	114							
<b>At December 31, 2011</b>	<b>162</b>	<b>40</b>	<b>39</b>	<b>23</b>	<b>19</b>	<b>121</b>	<b>242</b>	<b>200</b>
At December 31, 2010	259	29	23	16	13	119	200	200
Current portion of non-current debt							48	50

## BREAKDOWN OF FINANCIAL DEBT BY CURRENCY

in millions of euros	Euro	USD <sup>(1)</sup>	GBP <sup>(1)</sup>	Other <sup>(1)</sup>	Total
Non-current December 2011	105	21	79	37	242
Current December 2011	24	23	10	105	162
Non-current December 2010	94	2	75	29	200
Current December 2010	91	13	10	145	259

(1) Equivalent in euros.

## CONFIRMED/DRAWN CREDIT LINES

in millions of euros	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	51	1,501	138	1,690	48	121	121	290
Letters of credit								
<b>Total</b>	<b>51</b>	<b>1,501</b>	<b>138</b>	<b>1,690</b>	<b>48</b>	<b>121</b>	<b>121</b>	<b>290</b>

## 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<sup>(1)</sup>: 75% (2010: 44%)

Floating rate debt: 25% (2010: 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, 2011.

in millions of euros	Variable rate	Fixed rate	Total
<b>Financial assets:</b>			
- cash and cash equivalents	446		446
<b>Financial liabilities:</b>			
- borrowings <sup>(1)</sup>	(242)	(62)	(304)
- outstanding bank overdrafts	(114)		(114)
<b>Net position before cash management</b>	<b>90</b>	<b>(62)</b>	<b>28</b>
Interest rate hedges	166	(166)	
<b>Net position after cash management</b>	<b>256</b>	<b>(228)</b>	<b>28</b>
Seasonality adjustment <sup>(2)</sup>	(734)		
<b>Position after cash management and seasonality adjustment</b>	<b>(478)</b>		

(1) Including (13.1) million euros for the fair value of interest rate swap (Aximum and Colas Rail) recognized in other comprehensive income.

(2) Activity and cash undergo periodic swings linked to changing seasons. The adjustment makes it possible to obtain a clear picture of the general trend in cash over the year, which is used to calculate the impact of interest rate fluctuations on financial costs.

Therefore, an instantaneous 1% increase in the short-term interest rate on the net position shown above would increase financial costs by 4.8 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.

### 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.

Activity 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), 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 water-proofing 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. At the beginning of 2011, the KBC refinery in Malaysia (Thai subsidiary Tipco) had to stop production due to a disruption in supply of special crude at an acceptable price. 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. Storage capacities are large compared to bitumen consumption of every region. The Group 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, helps significantly optimize bitumen supply security for the road businesses in mainland France and Northern Europe. The bitumen risk is increased when faced with temporary shutdowns or possible closures of refineries in mainland France (Berre, Petit-Couronne).

## Risks linked to prices variation

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 activity of the Société de la Raffinerie de Dunkerque acquired in June 2010 is sensitive to raw material price fluctuations. The net income of a specialty 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 first half-year saw satisfactory profit margin, which then slumped during the last quarter due to raw material price increases (heating fuel) and a drop in prices, notably for base oils, due to September's downward turn in the economic crisis and customer destocking.

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.

At December 31, 2011, this hedging represented the equivalent of 132,000 barrels of Brent and 1,200 tons of 1% fuel oil sold forward for a notional amount (volume multiplied by forward) of 12 million euros. The cash flow hedge as of December 31, 2011 was valued at (0.1) million euros and will have negligible impact on Group profits and losses.

## Group principles and policies for financial hedging instruments

Financial hedging instruments used are conventional instruments such as:

- forward currency trades, currency swaps, currency options, according to a hedging policy against foreign exchange risks;
- interest rate swaps, future rate agreements, purchase of caps and tunnels and rate options, according to a hedging policy against interest rate risks;
- purchases and sales of futures contracts, raw material swaps, raw material options according to a 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 arising from hedged instruments or forecast transactions.

When derivative instruments hedge cash flow arising from firm commitments or expected transactions, portions of profit and loss that are determined to be an effective hedge are recognized directly in equity.

The ineffective portion of the hedging instruments is reported immediately in profit and loss. Other residual profit or loss arising from the hedging instruments is also reported immediately in profit and loss.

## FAIR VALUE HEDGE

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

When a derivative financial instrument covers exposure to changes in the fair value of receivables or debts occur, profit or loss arising from remeasuring the hedging instrument at fair value is recognized directly in net profit and loss. The gain or loss on the hedged item attributable to the hedged risk adjusts the carrying amount of the hedged item and is recognized directly in net profit or loss.

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

## Accounting policies for financial instruments

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

### CRITERIA FOR RECOGNITION OF FINANCIAL ASSETS OR LIABILITIES

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

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

## BASIS OF VALUATION OF FINANCIAL ASSETS AND LIABILITIES

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

### ACCOUNTING OF FINANCIAL INSTRUMENTS STATED AT FAIR VALUE

The Group uses very few financial instruments; derivative financial instruments are stated at fair value. Their 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.

## Financial instruments as of December 31, 2011

We present below the total of notional amounts outstanding at December 31, 2011, 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 in millions of euros	Maturity			Total	Total
	2012	2013 to 2016	Beyond	31/12/2011	31/12/2010
On financial assets	-	-	-	-	-
On financial liabilities		30	207	237	150

## HEDGING OF FOREIGN EXCHANGE RISKS

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 are hedged for exchange risks.

in millions of euros	HUF <sup>(1)</sup>	AUD <sup>(1)</sup>	USD <sup>(1)</sup>	GBP <sup>(1)</sup>	Other <sup>(1)</sup>	31/12/2011	31/12/2010
Forward purchases	7		3	-	-	10	14
Forward sales	-	33	35	13	19	100	75
Currency swaps	-	-	-	-	-	-	-
Currency options	-	-	-	-	-	-	-

(1) Equivalent in euros.

## HEDGING OF COMMODITIES RISKS

in millions of euros	Brent	Fuels	31/12/2011	31/12/2010
Forward purchases	-	5	5	-
Forward sales	11	1	12	4
Swaps	-	-	-	-
Options	-	5	5	-

Forward sales of Brent contracts and fuels correspond to hedging for activity at Société de la Raffinerie de Dunkerque.

## FAIR VALUE OF HEDGING FINANCIAL INSTRUMENTS

At December 31, 2011, the net present value of hedging instruments amounted to (33) 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: (18) million euros;
- transactions undertaken subject to cash flow hedging instruments: (15) million euros;
- transactions undertaken for trading purposes: none.

In the event of a +1% change in the interest rate yield curve (or -1%), the market value of hedging instruments would amount to (19.9) million euros (or (47.8) 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 (34.5) 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 (34.0) million euros (respectively a hedging loss of (32.6) 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 constructions, products, operations and the ten-year

guarantee. Insurance policies covering liability to third parties also cover damage to company assets. 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 poli-cy, 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 2011, significant equity stakes<sup>(1)</sup> were acquired in the following companies:

Company	Registered office	% held
Gamma Materials	Beau Bassin (Mauritius Island)	50%
Carrières Lamalou	Les Aires (France)	100%
Travaux Publics de Concassage	Ganges (France)	100%
Béziers Béton	Villeneuve-lès-Béziers (France)	100%
Montpellier Béton	Vendargues (France)	100%
Lamalou Béton	Les Aires (France)	100%
Whitmer Holdings	Prince George (Canada)	100%
Godet	Rubécourt-et-Lamécourt (France)	65%
Sofima - Maroc Étanche	Casablanca (Morocco)	100%
Les Bétons Mont-Carmel	Montreal (Canada)	100%
Carrières de Carlencas	Carlencas-et-Levas (France)	100%
Servant Prestations	Ganges (France)	100%
Les Ateliers des Flandres	Hazebrouck (France)	100%

Additional acquisitions of investment stakes were carried out as follows:

Company	Registered office	% acquired	% held
Sami Bitumen Technologies (WA) Pty	Fremantle (Australia)	40%	100%
Cesta-Varaždin	Varaždin (Croatia)	30%	100%
Tipco Asphalt	Bangkok (Thailand)	1%	32%
Aquitaine de Matériaux Enrobés	Mérignac (France)	18%	82%
Charentaise de Matériaux Enrobés	Angoulême (France)	16%	71%

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

## Strategy

Colas' strategy for profitable, long-term growth remains unchanged, aiming at meeting the modern world's need for mobility, urbanization and environmental protection. The cornerstones of this strategy have been built upon a drive to support responsible development, via social, societal and environmental protection issues, 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 participation 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 financing;
- enhance service to customers by conducting large projects that are consistent with the Group's traditional activities;
- develop an expanded and innovative offering of products and services capable of meeting sustainable development requirements.

## Strengths

Colas' keys strengths are its:

- **network of over 800 works centers and 1,400 materials production sites in some 50 countries** worldwide, some of which are over a century old;
- **core business** of building and maintaining living environments and transport 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 66,000 employees, **handed down 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 Science and Technology Campus (CST), the premier 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, bitumen, impervious membranes and road safety equipment;
- a **decentralized network** of over 800 work centers units and 1,400 materials production sites, with strong local roots and capable of responding rapidly to market needs;
- a **full-service transport infrastructure offering** covering the range of large and small construction or maintenance projects, thanks to the Group's extensive presence in local markets and its ability to leverage its global expertise and resources.

## Outlook

Colas has started out 2012 with improved competitiveness, as illustrated by the increase in profitability in 2011 despite relatively sluggish markets.

Work-on-hand at the end of December 2011 totaled 6.5 billion euros, up 5% from the end of 2010 (4% in mainland France and 7% for the international and overseas units). The level of work-on-hand allows the Group to move smoothly into the beginning of the year. With the award of preferred bidder status to a consortium including Colas Rail and Colas Midi-Méditerranée on the Nîmes-Montpellier railway bypass PPP contract, 2012 has gotten off to a good start.

However, market trends for Colas' businesses remain difficult to forecast. France is seeing a number of major projects in the making or being launched, and other projects are well underway involving public transport, urban development, maintenance on road and rail infrastructures, PPPs, and more. However, uncertainty still reigns as to their finalization, which will depend on the ability of local authorities to obtain financing. Colas companies in North America, boosted by good figures in 2011, should continue to enjoy upbeat business trends in Canada and a resistant market in the United States, along with a recovery – albeit slight – of the US economy. In Europe, outlook for business remains stable in the west and more uncertain in central Europe, where the Group is still targeting figures close to the breakeven point, after a major decrease in losses for 2011 vs 2010. In Africa and in the Indian Ocean zone, business should be stable or slightly growth oriented. Asia and Australia will continue to operate in a dynamic environment.

Against this backdrop, Colas is moving into the year with caution. The profit margin over volume strategy implemented by Colas will remain unchanged. Backed by confidence in its ability to adapt, Colas boasts a great number of strong suits – in particular a wide sweeping geographic spread and a solid financial situation. On the basis of all available information, the initial revenue forecast for 2012 is 12.5 billion euros.

## 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 324,626,714.03 euros, compared to 267,456,301.95 euros in 2010. The total amount available for appropriation, consisting of the net profit for the year plus unappropriated retained earnings from the prior year, is 772,782,383.39 euros. We propose appropriating this amount as follows:

- legal reserve: 4,456.35 euros;
- dividend distribution for a total of: 237,071,662.74 euros, as of May 2, 2012;
- balance of unappropriated retained earnings: 535,706,264.30 euros.

For shareholders who pay income tax in France, the dividend of 7.26 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 2008, 8.75 euros;
- for 2009, 6.75 euros;
- for 2010: 6.30 euros.

We propose paying this dividend in the form of cash with date of payment as of May 2, 2012.

## 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, 2011 was 44,951 thousand euros<sup>(1)</sup> 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	Total
2009	27,165	831	28	28,024
2010	24,610	637	3	25,250
2011	44,009	926	16	44,951

(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 2011 to Mr. Hervé Le Bouc, Chairman and Chief Executive Officer, amounted to 924,100 euros (924,100 euros in 2010). Gross variable compensation for 2011 established in relation to qualitative and quantitative targets to be paid in 2012 will be 1,380,000 euros (compensation of 650,716 euros was paid in 2011 on the basis of 2010). Mr. Hervé Le Bouc also received 20,000 euros in Directors' fees paid by Colas in 2011 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 subsidiary ColasCanada Inc., a subsidiary of the Colas parent company, in 2011 to Mr. Louis Gabanna in his salaried status as Managing Director of Colas North America was 552,000 Canadian dollars (535,000 Canadian dollars in 2010). Gross variable compensation for 2011, based on growth in Group earnings and qualitative targets, to be paid by the Company in 2012 will be 690,000 Canadian dollars (compensation of 620,000 Canadian dollars was paid in 2011 on the basis of 2010). Mr. Louis Gabanna also received 20,000 euros in Director's fees in 2011 from Colas.

Total gross compensation (including benefits in kind but excluding variable compensation) paid by the Company in 2011 to Mr. Thierry Genestar, in his salaried status as Managing Director of Roads France, was 419,470.70 euros (408,163 euros in 2010). Gross variable compensation for 2011, based on growth in Group earnings and qualitative targets, to be paid by the Company in 2012 will be 350,000 euros (compensation of 230,000 euros was paid in 2011 on the basis of 2010). Mr. Thierry Genestar also received 20,000 euros in Directors' fees in 2011 from Colas.



Total gross compensation (including benefits in kind but excluding variable compensation) paid by the Company in 2011 to Mr. Jacques Leost, in his salaried status as Managing Director, International (excluding the Americas) was 703,962.33 euros (287,205 euros in 2010 for five months). Gross variable compensation for 2011, based on growth in Group earnings and qualitative targets, to be paid by the Company in 2012 will be 400,000 euros (compensation of 350,000 euros was paid in 2011 on the basis of 2010).

Total gross compensation (including benefits in kind but excluding variable compensation) paid by the Company in 2011 to Mr. Thierry Montouché, in his salaried status as General Secretary, was 403,635.83 euros (392,328 euros in 2010). Gross variable compensation for 2011, based on growth in Group earnings and qualitative targets, to be paid by the Company in 2012 will be 260,000 euros (compensation of 212,000 euros was paid in 2011 on the basis of 2010). Mr. Thierry Montouché also received 20,000 euros in Directors' fees in 2011 from Colas.

Total gross compensation (including benefits in kind but excluding variable compensation) paid by the Company in 2011 to Mr. Christian de Pins, in his salaried status as Managing Director responsible for specialized activities and Northern Europe, was 394,695.16 euros (385,131 euros in 2010). Gross variable compensation for 2011, based on growth in Group earnings and qualitative targets, to be paid by the Company in 2012 will be 280,000 euros (compensation of 230,000 euros was paid in 2011 on the basis of 2010). Mr. Christian de Pins also received 20,000 euros in Directors' fees in 2011 from Colas.

**Directors whose compensation is paid by Bouygues SA**, Colas' parent company as defined under article L. 233-16 of the French Code of Commerce, namely Messrs François Bertière<sup>(1)</sup>, Olivier Bouygues<sup>(1)</sup>, Jean-François Guillemin<sup>(1)</sup>, Philippe Marien<sup>(1)</sup> (representative of Bouygues SA), Jean-Claude Tostivin<sup>(1)</sup>, and Gilles Zancanaro<sup>(1)</sup>; please see the Bouygues 2011 Registration Document for further information.

<sup>(1)</sup> These six Directors received an amount of 20,000 euros each in 2011 in Directors' fees from Colas.

#### Other Directors

Directors' fees paid by the Company in 2011 to Mr. Christian Balmes amounted to 20,000 euros.

## Share capital

### Share capital in 2011

As of January 1, 2011, the Company had issued share capital of 48,937,185 euros, consisting of 32,624,790 shares with a par value of 1.50 euros each.

After adding 29,709 newly issued shares subscribed through the exercise of the option for payment in shares of the dividend for fiscal year 2010, the Company's share capital as of December 31, 2011 was 48,981,748.50 euros, consisting of 32,654,499 shares with a par value of 1.50 euros.

### Share ownership

On the basis of recorded share capital as of January 2, 2012, Bouygues SA directly and indirectly held 96.55% of Colas' share capital as of December 31, 2011; Colas Group employees via the "Colas en actions" and "Colas shares" investment funds held 0.94%.

As of December 31, 2011, Colas did not hold any treasury stock.

### Share price and trading volume

In 2011, Colas' share price on the Euronext Paris stock exchange varied from a high of 169.00 euros (April 8, 2011) to a low of 98.50 euros (December 28, 2011) and ended the year at 103.00 euros, i.e., 28.94% lower than the share price as of December 31, 2010. For purposes of comparison, during this period the French CAC 40 stock market index fell 16.95% and the French SBF 120 stock market index fell 16.21%.

## Colas share price

Year	Month	Share price		Number of shares traded	Share capital in millions of euros
		Highest	Lowest		
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
2011	January	166.00	141.04	39,583	6.1
	February	164.00	147.70	17,864	2.8
	March	162.10	147.10	19,406	3.0
	April	169.00	154.00	36,301	6.0
	May	161.00	153.60	7,817	1.2
	June	159.00	147.50	10,774	1.6
	July	150.50	142.00	6,838	1.0
	August	146.60	120.00	21,700	2.8
	September	129.99	100.00	12,602	1.5
	October	113.10	105.00	15,124	1.6
	November	109.99	100.00	16,751	1.7
	December	108.50	98.50	16,493	1.7

## 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 2011, 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 514 employees of Colas and its subsidiaries 887,850 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 31.84 euros and they may be exercised for a period of seven years and six months as of their grant date (June 14, 2011). Options may be exercised on the conclusion of the fourth year following the grant date, i.e., with effect from June 14, 2015.

## Options granted to corporate officers and Directors with employee status in fiscal year 2011

Name	Granting company	Grant date	Number of options	Exercise price (in euros)	Number of options	Exercise price (in euros)
Le Bouc Hervé	Bouygues (parent company)	14/06/2011	97,000	31.84	98,257	31.43
Genestar Thierry	"	"	15,000	"	15,195	"
Leost Jacques	"	"	"	"	"	"
Montouché Thierry	"	"	"	"	"	"
Gabanna Louis	"	"	"	"	"	"
de Pins Christian	"	"	"	"	"	"
<b>Total</b>			<b>172,000</b>		<b>174,232</b>	

## Options granted to the 10 non-corporate officer employees who received the most stock options in fiscal year 2011

Name	Granting company	Grant date	Number of options	Exercise price (in euros)	Number of options	Exercise price (in euros)
Tournier Philippe	Bouygues (parent company)	14/06/2011	15,000	31.84	15,195	31.43
Ausseil Georges	"	"	9,000	"	9,117	"
Da-Poian Christophe	"	"	8,000	"	8,104	"
Lavedrine Christian	"	"	7,500	"	7,598	"
Brossard Jean-Pierre	"	"	7,500	"	"	"
Decarmin Philippe	"	"	7,500	"	"	"
Ducroix Daniel	"	"	7,500	"	"	"
Guérolé Patrick	"	"	7,500	"	"	"
Roussel Frédéric	"	"	7,500	"	"	"
Dusserre Jérôme	"	"	6,500	"	6,585	"
Le Roch' Thierry	"	"	6,500	"	"	"
<b>Total</b>			<b>90,000</b>		<b>91,174</b>	

Corporate officers and employees of the Company did not receive any other options in 2011 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, 2011.

## 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 2011

Name	Granting company	Grant date	Number of options	Exercise price (in euros)
Genestar Thierry	Bouygues (parent company)	15/03/2004	9,416	25.15
<b>Total</b>			<b>9,416</b>	

### Options exercised by the 10 non-corporate officer employees of the Company that exercised the most options during fiscal year 2011

Name	Granting company	Grant date	Number of options	Exercise price (in euros)
Guy Christophe	Bouygues (parent company)	15/03/2004	5,885	25.15
Lavedrine Christian	"	"	2,500	"
Brissonneau Philippe	"	"	2,354	"
Derdaele Yvo	"	"	"	"
Fleischmann Peter	"	"	"	"
Pastor Jacques	"	"	2,120	"
Aumont Paul-Henri	"	"	1,413	"
Beaulieu Patrick	"	"	1,177	"
Benier Jean-Luc	"	"	"	"
Binda Alain	"	"	"	"
<b>Total</b>			<b>31,927</b>	

## Special report on the share repurchase program

### Programs to buy back and retire shares in 2011

Pursuant to article L. 225-209 of the French Code of Commerce, the Combined Annual and Extraordinary Shareholders' Meeting of April 15, 2011, in its fourteenth resolution, renewed the authorization granted to the Board to buy back shares in the Company up to a maximum of 10% of share capital, for a period of eighteen months. This authorization was not used by your Company in the course of fiscal year 2011.

### Program to buy back shares in 2012

#### DESCRIPTION OF PROGRAM AND REQUEST FOR AUTHORIZATION FROM THE COMBINED ANNUAL AND EXTRAORDINARY SHAREHOLDERS' MEETING OF APRIL 17, 2012

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 15, 2011 in its fourteenth resolution.

The characteristics of the program are as follows:

- objectives: retirement of all shares bought back to ensure, if needed, the cash flow requirements of funds held by Group employees as part of a Company Savings Plan, in compliance with applicable laws and regulations;
- methods used: buyback of shares sold by the FCP investment fund owned by Group employees in the framework of a Company Savings Plan, to ensure the cash flow requirements of the said plan. As of December 31, 2011, these funds owned 307,608 Colas shares;
- maximum number of shares: 307,608 shares, i.e., 0.94% of the existing share capital;
- maximum share price: 200 euros;
- maximum amount paid by the Company: 61,521,600 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 17, 2012, i.e., until October 17, 2013.

## Synopsis of authorizations as of December 31, 2011

Authorization	Maximum amount	ASM or ESM	Duration
Issuance of shares reserved for employees without preferential subscription rights (Resolution 19)	10% of share capital	15/04/2011	26 months
Issuance of shares or securities of any type with or without preferential subscription rights (Resolutions 17, 18 and 19)	10 million euros	15/04/2011	26 months
Buyback by the Company of treasury shares (Resolution 14)	10% of share capital	15/04/2011	18 months
Cancellation of treasury shares by the Company (Resolution 16)	10% of share capital	15/04/2011	18 months
Issuance of bonds or similar securities (Resolution 13)	750 million euros	14/04/2010	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, 2011, grant full discharge to the Directors for their management, approve the consolidated financial statements, the appropriation of earnings, which amount to 324,626,714.03 euros with the payment of a dividend of 7.26 euros per share as of May 2, 2012 and agreements and transactions specified in articles L. 225-38 et seq. of the French Code of Commerce (1<sup>st</sup>, 2<sup>nd</sup>, 3<sup>rd</sup> and 4<sup>th</sup> resolutions).

You are invited to:

- reappoint four Directors for a term of two years to expire at the Annual Shareholders' Meeting convened to approve the financial statements for fiscal year 2013 (5<sup>th</sup> to 8<sup>th</sup> resolutions);
- 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 objective of canceling all of the shares bought back in compliance and of ensuring the cash flow requirements of the funds held by employees as part of the Company Savings Plan, with Regulation (EC) no. 2273/2003 applicable as of October 13, 2004. This authorization, which will replace that granted by the Annual Shareholders' Meeting of April 15, 2011, is sought for a period of eighteen months (9<sup>th</sup> resolution);
- grant powers to carry out all legal requirements (10<sup>th</sup> resolution).

# EXTRAORDINARY PORTION OF THE COMBINED SHAREHOLDERS' MEETING

## Resolutions

### Extraordinary portion of the Combined Shareholders' Meeting

You are requested to empower the Board of Directors:

- to reduce the Company's share capital by canceling treasury shares, in one or several operations, up to a maximum of 10% of the share capital per twenty-four-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 (11<sup>th</sup> resolution);
- to issue securities conferring entitlement to debt instruments other than the bonds provided for in article L. 228-40 of the French Code of Commerce (12<sup>th</sup> resolution);
- You are requested to grant powers to carry out all legal requirements (13<sup>th</sup> 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 meeting of February 27, 2012.

## The Board of Directors

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

#### MEMBERSHIP

As of its meeting of February 27, 2012, your Board consisted of the following 14 Directors:

Hervé Le Bouc  
Christian Balmes  
François Bertière  
Olivier Bouygues  
Louis Gabanna  
Thierry Genestar  
Jean-François Guillemin  
Jacques Leost  
Colette Lewiner  
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 2011

The Shareholders' Meeting held on April 15, 2011 reappointed seven Directors, Messrs Hervé Le Bouc, Christian Balmes, François Bertière, Olivier Bouygues, Thierry Genestar, Thierry Montouché and Bouygues SA, and appointed two Directors, Ms. Colette Lewiner and Mr. Jacques Leost.

#### PROPOSED CHANGES IN BOARD MEMBERSHIP SUBMITTED TO THE SHAREHOLDERS' MEETING

A proposal will be submitted to the Shareholders' Meeting of April 17, 2012 recommending that the Meeting reappoint four Directors for a further term of two years: Messrs Louis Gabanna, Jean-François Guillemin, Jean-Claude Tostivin and Gilles Zancanaro. The Board of Directors would henceforth be composed of 13 Directors.

#### APPLICATION OF EQUAL MALE-FEMALE REPRESENTATION PRINCIPLE

In application of French law dated January 27, 2011 that requires equal male-female representation within the Board of Directors, the members of the Board, in compliance with the said law and with the Afep-Medef code revised on April 2010, appointed Ms. Colette Lewiner to be a member of the Board during a meeting on March 18, 2011. As of this date, the Board has one female Director, i.e., 6% female representation. Over the next few years, the Board will appoint more female Directors, in compliance with the recommendations of the Afep-Medef Code and French law.

#### MEETINGS

The Board of Directors meets five times each year to transact ordinary business (specifically, in the months of February, May, August, November and December). 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 December meeting, it reviews the three-year business plan. The agenda of meetings of the Board called to transact ordinary business is generally divided into three parts: current business activity and outlook; review of financial statements; and legal issues. A set of documents dealing with these matters is presented to each Director.



## CHAIRMAN AND CEO

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

## AUDIT, COMPENSATION AND ETHICS 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, 2011

The Board met nine times over the course of the 2011 fiscal year (of which four via conference calls). The average attendance rate at Board of Directors' meetings was 93% (excluding conference calls).

The main items on the agenda of these nine Board meetings were as follows.

- On February 28, 2011, 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, to submit a proposal to the Shareholders' Meeting for the appointment of seven new Directors and renewed Hervé Le Bouc as President and Chief Executive Officer. The Board also examined the Group's business activity and results for 2010, the performance of each of its business segments, the Group's strategies and outlook for 2011, its work-on-hand, its industrial potential and future strategies, the year's investments, the investment budget for fiscal year 2011 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. A risk mapping covering the entire scope of the Group's operations was presented to the Board.

- On March 18, 2011, the Board met to submit a proposal to the Shareholders' Meeting for the appointment of one additional Director.
- On May 16, 2011, the Board reviewed the interim results of the parent company and its subsidiaries for the first quarter 2011 and two external growth projects involving the acquisition of stakes.
- On July 5, 2011, Board examined and approved the issue of a parent company guarantee as part of an international bid.
- On August 29, 2011, 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 and approved the interim statements closed on June 30, 2011.
- On September 12, 2011, the Board examined and approved the issue of temporary guarantees in the framework of A63 Highway concession project.
- On October 12, 2011, the Board examined and approved a real estate asset transfer project.
- On November 14, 2011, the Board reviewed the Group's business activity during the third quarter of 2011 and the interim statements for the period ending September 30, 2011.
- On December 15, 2011, the Board reviewed the three-year business plan for the period 2012-2014 (outlook and operational action plans).

## Operations of the Committees established by the Board

### AUDIT COMMITTEE

The Audit Committee met four times during the year, on February 22, May 11, August 25 and November 9, 2011. 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 Committee reviewed major projects, receivables, disputes and litigation, and the findings of impairment tests. Updated risk mapping was presented, along with the internal audit program for 2011. In May, several major projects were reviewed, along with a synopsis of in-house audit programs at Colas Rail. A presentation of governance and IT organization in the Group was provided by the Chief Information Officer. In August, the Committee examined an updated progress report on several major projects, receivables, disputes and litigation. The Statutory Auditors presented their audit approach for 2011 and conclusions of the internal audit in two French subsidiaries and one international subsidiary were studied. In November, two major international projects were reviewed. The internal audit plan 2012 was presented along with the findings from audits performed in a road subsidiary in mainland France.

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 2011 to review the compensation awarded to 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 67 companies based in some 50 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

The Colas Group applies the internal control reference framework published by the AMF 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 parent company.
- High level of decentralization, in order to situate decision-making processes at the most relevant and effective level: this organization 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 Africa).

### 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 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.

In 2011, four Managing Directors steered, supervised and audited the work of these subsidiaries, grouped as follows: road construction subsidiaries in mainland France, specialized activities (Railways, Waterproofing, Road Safety and Signaling, Pipelines) and Northern Europe, North America, and the Rest of the World (French overseas departments and territories, central Europe, Indian Ocean, Africa, Asia, Middle East).

This organization has been modified as of January 1, 2012 and now includes three General Management Departments, as follows:

- Roads in mainland France, Waterproofing;
- North America;
- International (excluding the Americas), Safety and Signaling, Pipelines.

The Rail sector reports directly to the Chairman and CEO.

### 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 for a single business line so as to share 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 specialized activities pursued by Colas, means that the Group receives orders for, executes and recognizes in its accounts about 110,000 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 2011, executive contract committees met 63 times to review the conditions for submitting bids. Dedicated IT tools are used to follow-up performance on the projects. 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 half-year 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 sustainable 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 check-lists) 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 2011, training efforts were tripled compared to 2010, with ten full-day training sessions dedicated to ethics and legal liability of managers (update of knowledge and comprehensive training) in five regional subsidiaries in France and three international units in Hungary, Slovakia and the Czech Republic. In all, over 400 employees received this special training. In addition, regular reminders are given in all meetings

of subsidiaries, executive management teams and on the Group level. The training plan, which will continue through next year, has been determined.

- **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 order intake, the main financial indicators and the consolidated net profit of the Group, on the 15<sup>th</sup> 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 team. 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 2011 financial statements, 548 consolidation reporting packages were processed for a scope of consolidation covering 633 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 2011, Colas pursued its efforts focusing on constant improvements and the continuous adaptation of its internal control procedures.

### 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, 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 functions 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-evaluation of the principles of the procedures and a management of risks based on mapping the risks, which is

updated each year when the three-year business plan is produced.

**The annual self-evaluation 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 529 principles, comprised of 253 general principles and 218 accounting and financial principles, to which have been added 58 principles specific to the Group's business lines. Together they form Colas' internal control framework.

- An assessment was performed in October 2011 in each French regional subsidiary and each country subsidiary outside France (except in the United States and Canada, the assessment was performed at the state or province level), thus a total of 65 subsidiaries or companies, representing 99.4% 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 third global assessment, the subsidiaries were requested to base their evaluation more on the operating units' assessments. 100 of the 529 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, as is correct application of Group management principles;
  - overall, progress was made, as shown in the 2011 self-evaluations, 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;

- action plans rolled out following first two self-evaluation campaigns,
- specific action plan implemented for the Caribbean and French Guiana regional division that led to improved control of operations;

– points requiring attention:

- improvement in managing and coordinating employees' career via career committees, identifying crucial posts and monitoring employees with high potential (roll-out remains incomplete in some zones),
- organization of annual performance reviews for office staff, supervisors, managers (improvement required in some international zones),
- control of links between employees authorized to order and suppliers (improvement needed in some works centers),
- improvement in securing computer equipment rooms,
- greater caution in small business units and partnerships where separation of powers is often difficult to enforce;

– the 2011 fiscal year saw the exposure of certain weaknesses:

- insufficient reactivity in some business units in mainland France to adapt to slumps in their business market,
- failure to accurately calculate revenue in two profit centers in mainland France,
- several cases of fraud (insignificant amounts on a Group level) in Great Britain, United States, Indonesia, mainland France for which partial recovery was obtained,
- unpaid invoices left by private customers,
- discrepancies in financial assessment of stock (insignificant on consolidated level),
- difficulties integrating after external growth.

#### **Main actions taken in 2011 following the 2010 assessment:**

- reinforcing management of resources, to better know and anticipate needs in terms of skills and expertise, confirm potentially available employees who are apt for promotion and mobility, in particular for job positions that have been identified as crucial (980 managers were contacted directly by the Human Resources department during the first half-year to find out their expectations and mobility);
- poll carried out amongst 1,109 managers to identify existing Group values and to understand which of these need to be more widely promoted;
- improving safety on IT systems with wide spread distribution of the global IT safety policy, an IT user

charter, a real-time test simulating an overall IT shut-down in two profit centers in France;

- two meetings of the Management Committee working on cross-disciplinary paths for improvements;
- launching of a newsletter and an analysis of payment procedures throughout the Group to improve protection against payment fraud, in the wake of a growing number of cases of attempted fraud, none of which were successful in 2011.

#### **For 2012, the actions planned include:**

- an anonymous employee satisfaction poll in April 2012 for all employees;
- three human resources managers for the international divisions will be appointed, one for central Europe, one for Northern Europe and one for the Indian Ocean zone.

In addition, local action plans included, for example, improved formalization of organization and powers of attorney, training programs in favor of business ethics, roll-out of career committees where these did not exist, the creation of internal audit divisions, ongoing optimization of purchasing, implementation of share accounting software.

#### **RISK MAPPING**

The program to map risks and their associated action plans was updated by the General Management divisions per zone and per line of business. An overview is 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.

The 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 internal control across the Group are responsible for the monitoring and management of its procedures. 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 team verifies that the internal control principles have been properly applied and audits the quality of the assessment.

The Group's internal audit team consists of eight auditors working under an audit manager, who reports directly to the General Secretary as of January 1, 2012.

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 2011, the team audited the subsidiaries Colas Rail (Great Britain), Colas CZ (Czech Republic), GTR and LRM (Morocco) as well as the track, freight, tramway and engineering activities at Colas Rail in France, the road companies Screg Île-de-France - Normandie, Colas Nord-Picardie, Screg Nord-Picardie and the Échangeur Nord-Picardie head office and the Roy quarry company.

These audits may be supplemented by more technical or targeted engagements.

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-evaluation procedure in 2011 was submitted to the Group's Audit Committee and discussed in its meeting of February 22, 2012. 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-evaluation 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

# Report of the Statutory Auditors

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

(Fiscal year ended December 31, 2011)

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, 2011.

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, February 27, 2012

The Statutory Auditors

KPMG Audit  
*A division of KPMG SA*

MAZARS

Xavier Fournet  
*Partner*

Gilles Rainaut  
*Partner*

Gaël Lamant  
*Partner*



# Notes to the report of the Board of Directors

## 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
<b>Hervé Le Bouc</b>			
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
Bouygues Immobilier	SA	Director	3, boulevard Gallieni 92130 Issy-les-Moulineaux - 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 (up to July 2011)	41, boulevard de la République 78400 Chatou - France
Aximum	SA	Permanent representative of IPF	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	5 H Floor Richardson - Crudas Build Sir JJ Road BY 400008 Mumbai - India
Isco	Ltd	Director	Je-il bldg 94/49 Youngdeungpo - dong 7 ga Yougdeundpo - dong 140988 Seoul Republic of Korea
Sacer Atlantique	SA	Permanent representative of Spar	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
Tipco Asphalt (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
<b>Christian Balmes</b>			
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
<b>François Bertière</b>			
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
<b>Olivier Bouygues</b>			
Bouygues	SA	Permanent representative of SCDM, Deputy Managing Director	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
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 - Ivory Coast
Compagnie Ivoirienne d'Électricité (CIE)	SA	Director	BP 6923 Abidjan - Ivory Coast
Seci	SA	Director, Chairman and Chief Executive Officer	34, avenue Houdaille - Tour Sidam BP 4039 Abidjan - Ivory Coast

Name of company	Type	Office in the company	Head office
<b>Louis R. Gabanna</b>			
Colas	SA	Director	7, place René-Clair 92100 Boulogne-Billancourt - France
Colas Inc.	Inc.	Director, Chairman of the Board	163 Madison Avenue, suite 500 NJ 07960 Morristown - United States
ColasCanada	Inc.	Director, Chairman of the Board Chairman and Chief Executive Officer	4984 place de la Savane, bureau 150 Montreal, Quebec H4P 2M9 - Canada
Canadian Road Builders	Inc.	Director	Suite 1560, Weber Centre - 5555 Calgary Trail Edmonton, Alberta T6H 5P9 - Canada
DGOC	Ltd	Director, Chairman of the Board	4984 place de la Savane, bureau 150 Montreal, Quebec H4P 2M9 - 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 VOJ 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 - Withehorse, 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
251145 Alberta	Ltd	Director	County Industrial Park - Box 608 Grande Prairie, Alberta T8V 3A8 - Canada
373247 Alberta	Ltd	Director	County Industrial Park - Box 608 Grande Prairie, Alberta T8V 3A8 - Canada
400319 Alberta	Ltd	Director	County Industrial Park - Box 608 Grande Prairie, Alberta T8V 3A8 - Canada
1278368 Alberta	Ltd	Director	Suite 1560, Weber Centre - 5555 Calgary Trail Edmonton, Alberta T6H 5P9 - Canada
G & C Asphalt	Ltd	Director	10015 Thatcher Avenue - North Battleford, Saskatchewan S9A 3W8 - Canada
Alberta Highway Services	Ltd	Director	23 Bellerose Drive - St. Albert, Alberta T8N 5E1 - Canada
Arctic Holdings And Leasing	Ltd	Director	135 Kam Lake Road - Box 2949 Yellowknife, NT X1A 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 X1A 2R2 - Canada
Standard General	Inc.	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, Secretary, Treasurer	2200, 10155 - 102 Street - Edmonton, Alberta T5J 4G8 - Canada

Name of company	Type	Office in the company	Head office
<b>Thierry Genestar</b>			
Colas	SA	Director	7, place René-Clair 92100 Boulogne-Billancourt - France
Adelac	SAS	Director	Le Châble - 400, route de Viry 74160 Beaumont - France
Atlandes	SAS	Director	15, avenue Léonard-de-Vinci 33600 Pessac - France
Beaujolaise de Porphyre	SA	President (up to October 2011)	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 Brussels - Belgium
Colas Centre-Ouest	SA	Permanent representative of Colas	Échangeur Nantes - 2, rue Gaspard-Coriolis 44300 Nantes - France
Colas Île-de-France - Normandie	SA	Permanent representative of Colas	2, rue Jean-Mermoz - BP 31 78771 Magny-les-Hameaux - France
Colas Environnement	SAS	Director	7, place René-Clair 92100 Boulogne-Billancourt - France
Colas Est	SA	Permanent representative of Colas	44, boulevard de la Mothe 54000 Nancy - France
Colas Nord-Picardie	SA	Permanent representative of Colas	Échangeur Lille - 197, rue du 8-Mai-1945 BP 10135 - 59653 Villeneuve-d'Ascq Cedex - France
Colas Rhône-Alpes Auvergne	SA	Permanent representative of Colas	Échangeur Lyon - 2, avenue Tony-Garnier 69007 Lyon - France
Colas Sud-Ouest	SA	Permanent representative of Colas	Échangeur Sud-Ouest - 6, avenue Charles-Lindbergh 33700 Mérignac - France
Développement Infrastructures	SAS	President (up to October 2011)	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 Aéroports	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 Grands Travaux	SA	Permanent representative of Spare	2, rue Virginie-Mauvais 54000 Nancy - France
Screg Île-de-France - Normandie	SA	Permanent representative of Colas	6, rue Galilée - Quartier Europe 78280 Guyancourt - France
Screg 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
<b>Jean-François Guillemin</b>			
Bouygues Telecom	SA	Permanent representative of Bouygues	32, avenue Hoche 75008 Paris - France
Bouygues Construction	SA	Director	1, avenue Eugène-Freyssinet 78065 Guyancourt - France
Bouygues Immobilier	SA	Director	3, boulevard Gallieni 92130 Issy-Les-Moulineaux - France
Colas	SA	Director	7, place René-Clair 92100 Boulogne-Billancourt - France
Fondation d'Entreprise Francis Bouygues	FDT	Member of the Board	32, avenue Hoche 75008 Paris - France
Université Paris-II	EP	Director	12, place du Panthéon 75231 Paris - France
PRES Sorbonne Université	EP	Director	12, place du Panthéon 75231 Paris - France
<b>Jacques Leost</b>			
Colas	SA	Director	7, place René-Clair 92100 Boulogne-Billancourt - France
Colas Australia (ex-Drawmac)	Ltd	Director	PO Box 163 - 12 Grand Avenue - Granville NSW 2142 - Australia
Hincol	Ltd	Alternate Director for Hervé Le Bouc	5 H Floor Richardson - Crudas Build Sir JJ Road BY 400008 Mumbai - India
Tipco Asphalt (Tasco)	SA	Director	Tipco, 118/1 Rama 6 road - Samsen Nai, Phayathai - 10400 Bangkok - Thailand
Spac	SA	Director, Chairman and Chief Executive Officer	13, rue Madame-de-Sanzillon 92112 Clichy - France
<b>Colette Lewiner</b>			
Bouygues	SA	Director	32, avenue Hoche 75008 Paris - France
Colas	SA	Director	7, place René-Clair 92100 Boulogne-Billancourt - France
Nexans	SA	Director	8, rue du Général-Foy 75008 Paris - France
La Poste	SA	Director (up to April 2011)	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	106, avenue Marx-Dormoy 92541 Montrouge Cedex - France
Eurotunnel	SA	Director	3, rue de la Boétie 75008 Paris - France

Name of company	Type	Office in the company	Head office
<b>Philippe Marien</b>			
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
<b>Thierry Montouché</b>			
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 H4P 2M9 Montreal - 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 Limited	Ltd	Director	76 Ballyhannon Road - Portadown - Craigavon BT 635 SE Country Armagh, Ireland
Aximum	SA	Permanent representative of Spare	41, boulevard de la République 78400 Chatou - France
Colas Centre-Ouest	SA	Permanent representative of Spare	Échangeur Nantes - 2, rue Gaspard-Coriolis 44300 Nantes - France
Colas Est	SA	Permanent representative of Spare	Immeuble Échangeur - 44, boulevard de la Mothe 54000 Nancy - France
Colas Île-de-France Normandie	SA	Permanent representative of Spare	2, rue Jean-Mermoz - BP 31 78771 Magny-les-Hameaux - France
Colas Midi-Méditerranée	SA	Permanent representative of IPF	345, rue Louis-de-Broglie - La Duranne 13792 Aix-en-Provence - France
Colas Rhône-Alpes Auvergne	SA	Permanent representative of Spare	Échangeur Lyon - 2, avenue Tony-Garnier 69007 Lyon - France
Colas Rail	SA	Permanent representative of Colas	38/44, rue Jean-Mermoz 78600 Maisons-Laffitte - France
Colas Sud-Ouest	SA	Permanent representative of IPF	Échangeur Sud-Ouest 6, avenue Charles-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

Name of company	Type	Office in the company	Head office
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
Aximum	SA	Permanent representative of IPF (up to July 2011)	41, boulevard de la République 78400 Chatou - France
Aximum	SA	Permanent representative of Développement Infrastructures	41, boulevard de la République 78400 Chatou - France
Colas Belgium	SA	Chairman of the Board	313, rue Nestor Martin 1082 Bruxelles - Belgium
Colas Danmark	A/S	Director	Fabriksparken 40 2600 Glostrup - Denmark
Colas Environnement	SAS	Director	7, place René-Clair 92100 Boulogne-Billancourt - France
Colas Ltd	Ltd	Director	Rowfant - RH104NF Crawley (West Sussex) Great Britain
Colas Rail	SA	Permanent representative of IPF	38/44, rue Jean-Mermoz 78600 Maisons-Laffitte - France
Colas Holdings (IOM)	Ltd	Director	Rosehill - Malew, Broom House Isle of Man Im 3DW - Great Britain
Colas Suisse Holding	Ltd	Director	20, route de Berne, Case postale 96, CH 1010 Lausanne - Switzerland
Colas Teoranta	SA	Director	Unit G1 Maynooth Business Campus Maynooth - Co. Kildare - Northern Ireland
Ensign Holdings Highways	Ltd	Director	Rowfant - RH104NF Crawley (West Sussex) Great Britain
ICB Emulsions Limited	Ltd	Director	76 Ballyhannon Road Portadown - Craigavon BT 635 SE County Armagh - Ireland
Carrières Roy	SA	Director (up to June 2011)	Le Noubleau - BP 1 79330 Saint-Varent - France
SES Nouvelle	SAS	Member of the Board of Trustees	102, avenue des Champs-Élysées 75008 Paris - 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

### 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
Financière SBP (formely Société de Banque Privée)	SARL	Non-associate Manager	16-18, impasse d'Antin 75008 Paris - France
Qualite	SNC	Non-associate Manager	32, avenue Hoche 75008 Paris - France
Scar	SNC	Manager	32, avenue Hoche 75008 Paris - France

Name of company	Type	Office in the company	Head office
<b>Jean-Claude Tostivin (cont.)</b>			
Actifly	SNC	Non-associate Manager	32, avenue Hoche 75008 Paris - France
Transport Air	GIE	Director	32, avenue Hoche 75008 Paris - France
Airby	SNC	Manager	32, avenue Hoche 75008 Paris - France

<b>Gilles Zancanaro</b>			
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
<b>BOUYGUES</b>				
Bouygues Telecom	SA	Director	Jean-François Guillemin	32, avenue Hoche 75008 Paris - France
C2S	SA	Director	Alain Pouyat	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



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# Consolidated financial statements of the Colas Group

at December 31, 2011

# Consolidated balance sheet at December 31

<b>in millions of euros</b>	<b>Notes</b>	<b>2011</b>	<b>2010</b>
Property, plant and equipment	3.2	2,524	2,438
Intangible assets	3.3	90	87
Goodwill	3.3	450	445
Investments in associates	3.4	437	422
Other financial assets	3.5	225	174
Deferred taxes and non-current tax assets	3.6	155	138
<b>Non-current assets</b>		<b>3,881</b>	<b>3,704</b>
Inventories	4.1	602	531
Trade receivables	4.1	2,826	2,538
Current tax assets	4.1	15	44
Other receivables and prepayments	4.1	467	435
Cash and cash equivalents	4.2	446	411
Financial instruments	17	18	13
<b>Net current assets</b>		<b>4,374</b>	<b>3,972</b>
Assets held for sale and discontinued operations		-	-
<b>Total assets</b>		<b>8,255</b>	<b>7,676</b>
Share capital and paid-in capital		384	380
Retained earnings		1,713	1,704
Translation reserve		61	37
Net income for the year		336	224
<b>Capital and reserves</b>		<b>2,494</b>	<b>2,345</b>
Minority interests		34	30
<b>Equity</b>	5	<b>2,528</b>	<b>2,375</b>
Long-term debt	8	242	200
Provisions	6.1	750	750
Deferred tax liabilities	7	110	95
<b>Non-current liabilities</b>		<b>1,102</b>	<b>1,045</b>
Advance payments		241	243
Current portion of long-term debt	8	48	50
Current tax liabilities		87	49
Trade payables		2,128	1,872
Provisions	6.2	300	303
Other payables	10	1,675	1,508
Bank overdrafts and short-term loans		114	209
Financial instruments	17	32	22
<b>Current liabilities</b>		<b>4,625</b>	<b>4,256</b>
Liabilities associated to assets held for sale and discontinued operations		-	-
<b>Total equity and liabilities</b>		<b>8,255</b>	<b>7,676</b>
Net financial debt	9	28	(57)

# Consolidated income statement

in millions of euros	Notes	2011	2010
<b>Revenue<sup>(1)</sup></b>	11/16	<b>12,412</b>	<b>11,661</b>
Raw materials and consumables used		(6,086)	(5,564)
Staff costs		(3,086)	(2,982)
External services		(2,576)	(2,427)
Taxes, other than income tax		(158)	(155)
Depreciation, amortization and depletion		(461)	(470)
Reversal (allocations) of provisions		(114)	(173)
Change in inventories		31	40
Other operating incomes <sup>(2)</sup>	12	651	568
Other operating expenses	12	(147)	(133)
<b>Profit from operations (current)</b>	12/16	<b>466</b>	<b>365</b>
Extraordinary income	12		6
Extraordinary expenses	12		(58)
<b>Profit from operations</b>		<b>466</b>	<b>313</b>
Financial income		22	20
Financial expenses		(46)	(50)
<b>Interest income (expense)</b>	13	<b>(24)</b>	<b>(30)</b>
Other financial income	13	18	9
Other financial costs	13	(15)	(16)
Provision for income taxes	14	(163)	(122)
Income from associates		59	69
<b>Profit for the year</b>		<b>341</b>	<b>223</b>
Of which: Minority interest		5	(1)
<b>Of which: Equity holders of the parent</b>		<b>336</b>	<b>224</b>
Earnings per share (in euros)	15	10.28	6.86
Basic (in euros)	15	10.28	6.86
(1) Of which recorded outside of France (international)		5,162	4,947
(2) Of which unused provisions and depreciations		107	114

# Statement of recognized income and expense

in millions of euros	2011	2010
<b>Profit for the year</b>	<b>341</b>	<b>223</b>
<b>Non-recyclable items in net income</b>		
Actuarial gains (losses) regarding employee benefits <sup>(1)</sup>	15	(16)
Tax on non-recyclable items in net income	(7)	4
<b>Recyclable items in net income</b>		
Exchange differences on controlled companies	15	76
Fair value restatements for financial instruments	(6)	(2)
Tax on recyclable items in net income	2	
Share in associates	5	2
<b>Net income recognized directly in equity</b>	<b>24</b>	<b>64</b>
<b>Total recognized income and expense</b>	<b>365</b>	<b>287</b>
Equity holders of the parent	361	287
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
<b>At January 1, 2010</b>	<b>376</b>	<b>1,553</b>	<b>(40)</b>	<b>387</b>	<b>2,276</b>	<b>34</b>	<b>2,310</b>
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		(14)	77		63	1	64
Net profit and income (expenses) recognized directly in equity		(14)	77	224	287		287
Change in scope of consolidation							
<b>At December 31, 2010</b>	<b>380</b>	<b>1,704</b>	<b>37</b>	<b>224</b>	<b>2,345</b>	<b>30</b>	<b>2,375</b>
Share capital increase	4				4		4
Prior-year profit allocation		224		(224)			
Dividends paid		(206)			(206)	(3)	(209)
Other transactions between shareholders		(13)	3		(10)	1	(9)
Profit for the period				336	336	5	341
Income (expenses) recognized directly in equity <sup>(1)</sup>		4	21		25	(1)	24
Net profit and income (expenses) recognized directly in equity		4	21	336	361	4	365
Change in scope of consolidation						2	2
<b>At December 31, 2011</b>	<b>384</b>	<b>1,713</b>	<b>61</b>	<b>336</b>	<b>2,494</b>	<b>34</b>	<b>2,528</b>

(1) Detail:

	Group	Minority interests	Total
Exchange differences	21	(1)	20
Fair value restatement on financial instruments	(6)		(6)
Actuarial gains (losses) regarding employee benefits	15		15
Deferred taxes based on these items	(5)		(5)
<b>Total income (expenses) recognized directly in equity</b>	<b>25</b>	<b>(1)</b>	<b>24</b>

# Consolidated cash flow statement

<b>in millions of euros</b>	<b>2011</b>	<b>2010</b>
Profit for the year (including minority interests)	341	223
Adjustments for:		
- Income from associates	(59)	(69)
- Dividends received from associates	52	33
- Dividends received from unconsolidated companies	(3)	(3)
- Depreciation, amortization and depletion on non-current assets	466	515
- Capital gains on disposal of assets	(69)	(37)
<b>Sub-total</b>	<b>728</b>	<b>662</b>
Interest income (expense)	24	30
Income tax	163	122
<b>Cash from operations</b>	<b>915</b>	<b>814</b>
Income tax paid	(96)	(171)
Changes in current assets and liabilities	(41)	(109)
<b>Cash flows from operating activities (a)</b>	<b>778</b>	<b>534</b>
Purchase of tangible and intangible assets	(538)	(517)
Proceeds from sales of properties, plant and equipment	124	43
Net debt on tangible and intangible assets	21	22
<b>Sub-total</b>	<b>(393)</b>	<b>(452)</b>
Acquisitions and disposals of subsidiaries:		
- Acquisitions of subsidiaries	(87)	(46)
- Disposals of subsidiaries	5	20
- Net debt on acquisitions of subsidiaries	35	2
- Cash acquired	2	21
<b>Sub-total</b>	<b>(45)</b>	<b>(3)</b>
Other investing activities:		
- Dividends received from unconsolidated companies	3	3
- Changes of other financial assets	4	(5)
<b>Sub-total</b>	<b>7</b>	<b>(2)</b>
<b>Cash flows from investing activities (b)</b>	<b>(431)</b>	<b>(457)</b>
Change in equity (Group share)	4	4
Change in minority interests		
Subsidiaries transactions with minority interests	(7)	(2)
Dividends paid to parent company shareholders	(206)	(220)
Dividends paid to minority interests	(3)	(4)
Net variation from borrowings	20	(19)
Interest income (expense)	(24)	(30)
Other financing activities		
<b>Cash flows from financing activities (c)</b>	<b>(216)</b>	<b>(271)</b>
Exchange differences and other non-cash variations (d)	(1)	13
<b>Net change in cash and cash equivalents (a+b+c+d)</b>	<b>130</b>	<b>(181)</b>
Net cash at the beginning of the year	202	383
<b>Net cash and cash equivalents at the end of the year</b> (see note 9)	<b>332</b>	<b>202</b>

# Notes to the consolidated financial statements

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

## General information

The financial statements for year ended December 31, 2011 were approved by the Board of Directors and authorized for issue on February 27, 2012.

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

Colas (the Company) is a French public company incorporated in France (RCS Nanterre B552 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.

### DESCRIPTION OF GROUP ACTIVITIES

#### Colas is a world leader in the construction and maintenance of transport infrastructure

Roads account for 76% of Colas' business, including:

- the construction and maintenance of roads and highways, airfield runways and aprons, ports, industrial sites, logistics platforms, urban networks, reserved-lane public transport (tramways), recreational facilities, bike paths, etc.;

- upstream from the construction sector, wide-scale industrial production and recycling of construction materials (aggregates, emulsions and binders, asphalt mixes, ready-mix concrete) backed by a dense international network of quarries, gravel pits, emulsion plants, asphalt plants, concrete plants, along with the production and sales of bitumen, manufactured in two refining units (one in France and one in Malaysia). Third-party bitumen trading is made possible by a network of depots, the majority of which are located outside of France.

- Colas is also involved in specialized, essentially road-related lines of business, representing 24% of Colas' activity:

- road safety and signaling, traffic management, manufacturing, installation and maintenance of safety equipment;
- civil engineering, pipelines;
- waterproofing, cladding, roofing, production and sales of waterproofing membranes;
- building (construction, rehabilitation, deconstruction);
- railways (design and engineering, construction, infrastructure renewal and maintenance);
- sales of refined oil products other than bitumen (base oil, paraffin, fuels).

Colas also works in infrastructure concession and infrastructure management (PPP), in particular for highways, city street networks and public transport.

### THE YEAR'S SIGNIFICANT EVENTS

- Revenue is up 6.4% at 12.4 billion euros (5.1% with unchanged scope of business and comparable exchange rates), in an environment that remained dominated by the economic and financial crisis, thanks to growth in the subsidiaries operating in mainland France, in North America, in Asia and Australia, and to a lesser extent in Northern Europe.

- Current operating income increased 28% compared to the end of 2010 to total 466 million euros, thanks to:

- very favorable weather, except for North America;
- a strong willed policy focusing on profit margins instead of volume;
- streamlining and improvement actions undertaken in central Europe, as well as in the French overseas departments, mainland France, and generally speaking, throughout the Group's areas as a whole;
- continued emphasis on targeted development.

- A steep 49% increase was recorded in operating income at 466 million euros, with no non-current operating expenses, unlike 2010 when 52 million euros in non-current operating expenses had to be posted.

- The Group share of net profit at 336 million euros was up 50% against the end of December 2010.

- Net cash totaled 28 million euros at the end of December 2011, compared to net debt of 57 million euros at the end of December 2010.

- Other significant events:

- success in concessions and PPPs: launch of A63 Highway project, securing of PPP contracts for the Vichy bypass and city street networks in Le Plessis-Robinson, High Performance Energy contract for the City of Paris;
- good commercial success with major highway contracts secured in Canada, an airport in Mauritius, tramways in Dijon, Besançon in France and Casablanca in Morocco, rail contracts (light metro in Kuala Lumpur, Malaysia, maintenance of railway network in United Kingdom);
- strengthening of foothold in materials sector with the acquisition of 50% of the capital in Gamma Materials Ltd (production and sales of aggregates, ready-mix concrete, blocks) in Mauritius and the Servant Group in France (quarries and ready-mix concrete).

### SIGNIFICANT FACTS AND CHANGES SUBSEQUENT TO DECEMBER 31, 2011

None.

## Note 1 – Accounting standards

The Group applied all standards IFRSs and IFRIC interpretations that were issued as of December 31, 2011 and adopted by the European Union.

### MAJOR NEW IFRS STANDARDS, AMENDMENTS AND INTERPRETATIONS IN FORCE WITHIN THE EUROPEAN UNION, MANDATORY ON JANUARY 1, 2011:

- IFRIC 14: Advance payments regarding minimum funding requirements (no impact on accounts);
- IFRIC 19: Extinguishing financial liabilities with equity instruments (no impact on accounts);
- Revised IAS 24: Related party disclosures (impact on the annexes submitted in note 20);
- Improvement of IFRS (no impact on the accounts).

### OTHER MAIN STANDARDS, AMENDMENTS, AND CRITICAL INTERPRETATIONS PUBLISHED BY THE IASB, NOT YET APPROVED BY THE EUROPEAN UNION:

IASB published the major standards and following amendments before December 31, 2011, which have not yet entered into force:

Standards	Implementation date <sup>(*)</sup>	Expected impact for Group
Amendment to IFRS 7: Disclosures regarding transfers of financial assets <sup>(1)</sup>	July 1, 2011	Impact on notes in progress
Amendment to IFRS 1: Severe hyperinflation and suppression of implementation dates for first-time adopters	July 1, 2011	No impact
Amendment to IAS 12: Deferred tax: recovery of underlying assets	January 1, 2012	No impact
Amendment to IAS 1: Presentation of items of other comprehensive income (OCI) <sup>(1)</sup>	July 1, 2012	Impact on presentation of financial statements
IAS 28 amended: Investments in associates and joint ventures	January 1, 2013	Evaluation in progress
IAS 27 amended: Accounting for investments in subsidiaries	January 1, 2013	No impact on financial statements
IFRS 10: Consolidated financial statements	January 1, 2013	Evaluation in progress
IFRS 11: Joint arrangements	January 1, 2013	Evaluation in progress
IFRS 12: Disclosure of interests in other entities		Evaluation in progress
IFRS 13: Fair value measurement	January 1, 2013	Evaluation in progress
Amended IAS 19: Employee benefits	January 1, 2013	Evaluation in progress
IFRS 9: Financial instruments – classification and measurement of financial assets	January 1, 2015	Non estimable at this date (adoption project suspended by EU)

(\*) Unless stipulated to the contrary, applicable to fiscal years beginning from the date indicated in this column.

(1) The amendments IFRS 7 and IAS 1 are applicable by anticipation as of January 1, 2011. As of December 31, 2011, the Group has not applied by anticipation any of these standards, amendments and interpretations, except for IAS 1 amendment.



## 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 (companies controlled jointly with other partners) 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 22.

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 United Kingdom, 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 completion**

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

**Provisions for quarry reclamation (short term)**

This covers reclamation costs after operating a quarry, for the portion within twelve months after balance sheet date.

In compliance with IAS 37 on provisions, information regarding the most significant provisions is disclosed only to the extent that this disclosure will not harm the Group.

**DEFERRED TAXES AND LONG-TERM TAX LIABILITIES**

Deferred tax liabilities are the amounts of income taxes payable in future periods in respect of taxable temporary differences. All deferred tax liabilities are stated as deferred taxes, including consolidation adjustments.

Deferred tax liabilities are recognized for all taxable temporary differences associated with investments in subsidiaries, branches and associates, and interests in joint ventures, except to the extent that the parent company is able to control the timing of the reversal of the temporary differences, and it is probable that the temporary differences will not reverse in the foreseeable future (no disposal in foreseeable future).

If disposal of investments or distribution of dividends is probable in the foreseeable future or if the company is not controlled (associate), deferred tax liability is recognized.

**FINANCIAL INSTRUMENTS**

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

**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.

Activity 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), 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. Storage capacities are large compared to bitumen consumption of every region. The Group 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, helps significantly optimize bitumen supply security for the road businesses in mainland France and Northern Europe.

- **Risks linked to prices variation**

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 activity of the Société de la Raffinerie de Dunkerque acquired in June 2010 is sensitive to raw material price fluctuations. The net income of a specialty 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.

## **Group principles and rules for financial hedging instruments**

Financial hedging instruments used are 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, raw material options according to a 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 arising from hedged instruments or forecast transactions.

When derivative instruments hedge cash flow arising from firm commitments or expected transactions, portions of profit and loss that are determined to be an effective hedge are recognized directly in equity.

The ineffective portion of the hedging instruments is reported immediately in profit and loss. Other residual profit or loss arising from the hedging instruments is also reported immediately in profit and loss.

### **Fair value hedge**

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

When a derivative financial instrument covers exposure to changes in the fair value of receivables or debts occur, profit or loss arising from remeasuring the hedging instrument at fair value is recognized directly in net profit and loss. The gain or loss on the hedged item attributable to the hedged risk adjusts the carrying amount of the hedged item and is recognized directly in net profit or loss. Fair value of hedged items, according to the type of risk hedged, corresponds to the carrying amount, translated into euros at the exchange rate prevailing on the balance sheet date.

### Accounting policies for financial instruments

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

#### Criteria for recognition of financial assets or liabilities

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

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

#### Basis of valuation of financial assets and liabilities

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

#### Accounting of financial instruments stated at fair value

The Group uses very few financial instruments; derivative financial instruments are stated at fair value. Their 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 Group, 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 12.

### Interest income (expense)

This includes 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 2011; 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 over 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 – SYNTHESIS OF INVESTMENTS OF THE YEAR (OPERATIONAL AND FINANCIAL)

	2011	2010
Property, plant and equipment	527	499
Intangible assets and goodwill	11	18
<b>Operating activities investments</b>	<b>538</b>	<b>517</b>
Non-consolidated investments and other long-term investments	87	46
<b>Consolidated investments</b>	<b>625</b>	<b>563</b>
Proceeds from sales of tangible and intangible assets	(124)	(43)
Proceeds from disposals of subsidiaries	(5)	(20)
<b>Net investments</b>	<b>496</b>	<b>500</b>



### 3.2 – PROPERTY, PLANT AND EQUIPMENT

	Land and buildings	Plant and equipment	Assets in course of construction and advance payments	Total
<b>Cost or valuation</b>				
<b>At January 1, 2010</b>	<b>1,314</b>	<b>4,351</b>	<b>57</b>	<b>5,722</b>
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)
<b>At December 31, 2010</b>	<b>1,405</b>	<b>4,838</b>	<b>103</b>	<b>6,346</b>
Exchange differences	7	23		30
Transfers and other	20	62	(81)	1
Changes in scope of consolidation	33	13	(1)	45
Additions	61	377	89	527
Disposals	(69)	(239)		(308)
<b>At December 31, 2011</b>	<b>1,457</b>	<b>5,074</b>	<b>110</b>	<b>6,641</b>
<b>Depreciation and impairment</b>				
<b>At January 1, 2010</b>	<b>(480)</b>	<b>(2,948)</b>		<b>(3,428)</b>
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
<b>At December 31, 2010</b>	<b>(536)</b>	<b>(3,372)</b>		<b>(3,908)</b>
Exchange differences	(1)	(16)		(17)
Transfers and other	1	7		8
Changes in scope of consolidation	1	(1)		
Net charge for the year	(53)	(398)		(451)
Disposals	40	211		251
<b>At December 31, 2011</b>	<b>(548)</b>	<b>(3,569)</b>		<b>(4,117)</b>
<b>Carrying amount</b>				
<b>At January 1, 2010</b>	<b>834</b>	<b>1,403</b>	<b>57</b>	<b>2,294</b>
Including financial leases	6	49		55
<b>At December 31, 2010</b>	<b>869</b>	<b>1,466</b>	<b>103</b>	<b>2,438</b>
Including quarry land	307			307
Including financial leases	5	46		51
<b>At December 31, 2011</b>	<b>909</b>	<b>1,505</b>	<b>110</b>	<b>2,524</b>
Including quarry land	343			343
Including financial leases	5	36		41

At December 31, 2011 equipment has been ordered for an amount of 51 million euros (82 million euros at the end of 2010).

### 3.3 – INTANGIBLE ASSETS AND GOODWILL

	Concessions, patents, and other rights	Other	Total intangible assets	Goodwill
<b>Cost or valuation</b>				
<b>At January 1, 2010</b>	<b>108</b>	<b>47</b>	<b>155</b>	<b>491</b>
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)	
<b>At December 31, 2010</b>	<b>113</b>	<b>64</b>	<b>177</b>	<b>496</b>
Exchange differences	(1)	2	1	2
Transfers	1	(2)	(1)	1
Changes in scope of consolidation	3	1	4	5
Additions	3	8	11	
Disposals	(2)	(1)	(3)	
<b>At December 31, 2011</b>	<b>117</b>	<b>72</b>	<b>189</b>	<b>504</b>
<b>Depreciation and impairment</b>				
<b>At January 1, 2010</b>	<b>(49)</b>	<b>(28)</b>	<b>(77)</b>	<b>(24)</b>
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	
<b>At December 31, 2010</b>	<b>(56)</b>	<b>(34)</b>	<b>(90)</b>	<b>(51)</b>
Exchange differences		(1)	(1)	
Transfers	(1)	1		
Changes in scope of consolidation				
Net charge for the year	(6)	(4)	(10)	(3)
Disposals	2		2	
<b>At December 31, 2011</b>	<b>(61)</b>	<b>(38)</b>	<b>(99)</b>	<b>(54)</b>
<b>Carrying amount</b>				
<b>At January 1, 2010</b>	<b>59</b>	<b>19</b>	<b>78</b>	<b>467</b>
<b>At December 31, 2010</b>	<b>57</b>	<b>30</b>	<b>87</b>	<b>445</b>
<b>At December 31, 2011</b>	<b>56</b>	<b>34</b>	<b>90</b>	<b>450</b>

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	
				A1 <sup>(1)</sup>	A2 <sup>(1)</sup>
CGU France	20	165	2%	6.16%	4.40%
CGU Rail		182	2%	6.16%	4.40%
CGU Europe (excluding France)	6	18	2%	6.16%	4.40%
CGU North America		48	2%	6.16%	4.40%
CGU DGI and Asia		37	2%	6.16%	4.40%
<b>Total</b>	<b>26</b>	<b>450</b>			

(1) According to debt structure assumptions:  
- A1: 1/3 debt - 2/3 equity.  
- A2: 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.

### 3.4 - INVESTMENTS IN ASSOCIATES

	Share in equity	Goodwill	Depreciation of goodwill	Carrying amount
<b>At January 1, 2010</b>	<b>383</b>	<b>10</b>	<b>(5)</b>	<b>388</b>
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
<b>At December 31, 2010</b>	<b>413</b>	<b>10</b>	<b>(1)</b>	<b>422</b>
Exchange differences	5			5
Transfers	1			1
Changes in scope of consolidation	1	1		2
Issue of share capital				
Net consolidated profit	59			59
Dividends paid	(52)			(52)
Impairment				
Other variations				
<b>At December 31, 2011</b>	<b>427</b>	<b>11</b>	<b>(1)</b>	<b>437</b>

### Main associated companies

Company	Head office	% hold	Share in equity	Goodwill	Goodwill impairment	Net carrying amount
Cofiroute <sup>(1)</sup>	France	16.7%	357			357
Tipco Asphalt <sup>(2)</sup>	Thailand	32.1%	31	5		36
Mak Mecsek <sup>(3)</sup>	Hungary	300%	24			24
Other <sup>(4)</sup>			15	6	(1)	20
<b>Total</b>			<b>427</b>	<b>11</b>	<b>(1)</b>	<b>437</b>

(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).

(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.

(4) None of these entities are significant on an individual basis.

For the three main associated entities, the total amounts posted as main assets, liabilities, income and expenses are provided below:

#### At December 31, 2011

Amounts at 100%	Cofiroute	Tipco Asphalt	Mak Mecsek
Non-current assets	5,825	123	928
Current assets	655	387	20
<b>Total assets</b>	<b>6,480</b>	<b>510</b>	<b>948</b>
Equity	2,142	98	80
Non-current liabilities	3,665	78	864
Current liabilities	673	334	4
<b>Total liabilities</b>	<b>6,480</b>	<b>510</b>	<b>948</b>
Revenue	1,331	522	81
Profit from operations (current)	602	41	51
Profit for the year	294	15	9
<b>Of which: Equity holders of the parent</b>	<b>49</b>	<b>5</b>	<b>3</b>

#### At December 31, 2010

Amounts at 100%	Cofiroute	Tipco Asphalt	Mak Mecsek
Non-current assets	5,841	120	942
Current assets	568	151	17
<b>Total assets</b>	<b>6,409</b>	<b>271</b>	<b>959</b>
Equity	2,150	68	71
Non-current liabilities	3,726	78	885
Current liabilities	533	125	3
<b>Total liabilities</b>	<b>6,409</b>	<b>271</b>	<b>959</b>
Revenue	1,292	612	58
Profit from operations (current)	584	34	36
Profit for the year	312	24	7
<b>Of which: Equity holders of the parent</b>	<b>52</b>	<b>7</b>	<b>2</b>

### 3.5 – OTHER NON-CURRENT FINANCIAL ASSETS

	Non-consolidated investments	Other long-term investments	Total gross value	Allowance	Carrying amount
<b>At January 1, 2010</b>	<b>51</b>	<b>151</b>	<b>202</b>	<b>(29)</b>	<b>173</b>
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)
<b>At December 31, 2010</b>	<b>54</b>	<b>158</b>	<b>212</b>	<b>(38)</b>	<b>174</b>
Exchange differences		3	3		3
Transfers					
Changes in scope of consolidation	(5)		(5)	(1)	(6)
Acquisitions and other additions	53	16	69		69
Disposals	(3)	(20)	(23)		(23)
Net charge for the year				8	8
<b>At December 31, 2011</b>	<b>99</b>	<b>157</b>	<b>256</b>	<b>(31)</b>	<b>225</b>

## Breakdown of main non-consolidated investments

	31/12/2011		31/12/2010	
	Gross	Allowance	Net	Net
Binder, asphalt concrete and quarry companies	22	(5)	17	17
Non-controlled companies	16	(2)	14	14
Companies acquired at the end of the year <sup>(1)</sup>	46		46	2
Other investments <sup>(2)</sup>	15	(6)	9	9
<b>Total</b>	<b>99</b>	<b>(13)</b>	<b>86</b>	<b>42</b>

(1) These companies, not consolidated because acquired at year-end, will be consolidated during the coming year. This mainly includes Servant (Group), Sofima and Whitmer Holdings.

(2) None of these investments are significant.

## Breakdown of other financial assets

	31/12/2011		31/12/2010	
	Gross	Allowance	Net	Net
Loans <sup>(1)</sup>	59	(17)	42	37
Deposits	22	(1)	21	18
City of Portsmouth (Great Britain) <sup>(2)</sup>	76		76	77
Other financial receivables				
<b>Total</b>	<b>157</b>	<b>(18)</b>	<b>139</b>	<b>132</b>

(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).

## Breakdown of non-current financial assets by nature

	Fair value measurement			Total
	Financial assets available for sale	Other financial assets	Loans and receivables	
<b>January 1, 2011</b>	-	<b>42</b>	<b>132</b>	<b>174</b>
2011 variations	-	44	7	51
<b>December 31, 2011</b>	-	<b>86</b>	<b>139</b>	<b>225</b>

## 3.6 - DEFERRED TAXES AND NON-CURRENT TAX ASSETS

	Deferred taxes	Other long-term tax assets	Total
<b>At January 1, 2010</b>	<b>102</b>		<b>102</b>
Exchange differences	1		1
Transfers	(4)		(4)
Acquisitions of subsidiaries	23		23
Net variations	16		16
<b>At December 31, 2010</b>	<b>138</b>		<b>138</b>
Exchange differences	1		1
Transfers	9		9
Acquisitions of subsidiaries			
Net variations	7		7
<b>At December 31, 2011</b>	<b>155</b>		<b>155</b>

Unrecognized tax assets (which are probably not reversible in the foreseeable future) amounted to 59 million euros on December 31, 2011 (58 million euros on December 31, 2010).

Deferred tax assets are mainly reversible after five years.

## Main deferred tax bases

	31/12/2011	31/12/2010
<b>Assets</b>		
Employee benefits	61	66
Tax losses	26	29
Financial instruments	10	7
<b>Liabilities</b>		
Regulatory provisions	(23)	(29)
Fixed assets (finance leases)	(17)	(16)
Taxes on dividends	(6)	(6)
Financial instruments	(5)	(4)
Other temporary differences	(1)	(4)
<b>Net deferred tax assets (liabilities)</b>	<b>45</b>	<b>43</b>

## Note 4 - Current assets

### 4.1 - INVENTORIES, TRADE AND OTHER RECEIVABLES

	31/12/2011			31/12/2010		
	Gross	Allowance	Net	Gross	Allowance	Net
<b>Inventories</b>	<b>625</b>	<b>(23)</b>	<b>602</b>	<b>552</b>	<b>(21)</b>	<b>531</b>
Raw materials, supplies and finished goods						
<b>Trade receivables</b>	<b>2,955</b>	<b>(129)</b>	<b>2,826</b>	<b>2,679</b>	<b>(141)</b>	<b>2,538</b>
Invoiced and to invoice <sup>(1)</sup>						
<b>Tax receivables</b>	<b>15</b>		<b>15</b>	<b>44</b>		<b>44</b>
Staff, social welfare bodies, State	241		241	226		226
Group receivables and other receivables	206	(13)	193	190	(10)	180
Prepayments	33		33	29		29
<b>Other receivables</b>	<b>480</b>	<b>(13)</b>	<b>467</b>	<b>445</b>	<b>(10)</b>	<b>435</b>

(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)	2,042	635	97	181	2,955
Allowance	(4)	(13)	(12)	(100)	(129)
<b>Trade receivables (net)</b>	<b>2,038</b>	<b>622</b>	<b>85</b>	<b>81</b>	<b>2,826</b>
Reminder 2010	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

	31/12/2011			31/12/2010		
	Gross	Allowance	Net	Gross	Allowance	Net
Cash on hand	360		360	333		333
Bouygues Relais cash management company	25		25	42		42
Marketable securities	61		61	36		36
<b>Total</b>	<b>446</b>		<b>446</b>	<b>411</b>		<b>411</b>

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

They are divided as follows:

	<b>Euro</b>	<b>USD<sup>(1)</sup></b>	<b>GBP<sup>(1)</sup></b>	<b>Other<sup>(1)</sup></b>	<b>Total</b>
Cash-on-hand	113	36	64	147	360
Bouygues Relais cash management company	25				25
Marketable securities	52	1		8	61
<b>Total at December 31, 2011</b>	<b>190</b>	<b>37</b>	<b>64</b>	<b>155</b>	<b>446</b>
December 31, 2010	158	23	58	172	411

(1) Equivalent in euros.

Cash and cash equivalents have an original maturity of three 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:

	<b>31/12/2011</b>	<b>31/12/2010</b>
Cash and cash equivalents	446	411
Bank overdraft and short-term loans	(114)	(209)
<b>Total</b>	<b>332</b>	<b>202</b>

## Note 5 - Information on equity

### COMPOSITION OF SHARE CAPITAL

Colas' share capital on December 31, 2011 amounts to 48,981,748.50 euros.

It is comprised of 32,654,499 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)

	<b>Number of shares</b>	<b>Share capital</b>
At January 1, 2011	32,624,790	48,937,185.00
Part of dividend paid in shares	29,709	44,563.50
<b>At December 31, 2011</b>	<b>32,654,499</b>	<b>48,981,748.50</b>

### MAIN SHAREHOLDERS

Bouygues SA	31,526,344	96.55%
Other shareholders	1,128,155	3.45%

### 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, 2011 relate to companies located in the following countries:

	31/12/2011	31/12/2010
United States	2	(11)
Canada	35	32
Great Britain	(11)	(13)
Slovakia	12	11
Czech Republic	7	9
Australia	8	7
Other countries	8	2
<b>Total translation reserve</b>	<b>61</b>	<b>37</b>

## Note 6 – Non-current and current provisions

### 6.1 – NON-CURRENT PROVISIONS

	Employee benefits	Litigation and legal matters	Customer warranties (long-term)	Quarry reclamation (long-term)	Others	Total
<b>At January 1, 2010</b>	<b>248</b>	<b>200</b>	<b>89</b>	<b>99</b>	<b>27</b>	<b>663</b>
Exchange differences	1		1	2		4
Transfers	1	2	1	3		7
Changes in scope of consolidation	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)
<b>At December 31, 2010</b>	<b>276</b>	<b>213</b>	<b>83</b>	<b>122</b>	<b>56</b>	<b>750</b>
Exchange differences	1	(1)	(1)			(1)
Transfers	(5)		3	(1)		(3)
Changes in scope of consolidation				16	(16)	
Actuarial gains/losses in equity	(15)					(15)
Allocation for the year	21	55	21	12	20	129
Provisions used	(16)	(20)	(11)	(6)	(9)	(62)
Provisions reversed	(2)	(26)	(15)	(1)	(4)	(48)
<b>At December 31, 2011</b>	<b>260</b>	<b>221</b>	<b>80</b>	<b>142</b>	<b>47</b>	<b>750</b>



## Breakdown of main provisions

	31/12/2011	31/12/2010
Length-of-service awards	75	77
Retirement indemnities	135	144
Pensions	50	55
<b>Employee benefits</b>	<b>260</b>	<b>276</b>
Litigation with clients	83	92
Litigation with employees	14	14
Litigation with welfare bodies	74	65
Litigation with tax authorities	21	19
Litigation with other bodies	14	12
Other litigations	15	11
<b>Litigation and legal matters</b>	<b>221</b>	<b>213</b>
Decennial warranties	47	51
Civil engineering warranties	31	30
Performance warranties	2	2
<b>Warranties</b>	<b>80</b>	<b>83</b>

## 6.2 - CURRENT PROVISIONS

	Losses on completion	Works risks and costs of closing down sites	Customer warranties (short-term)	Quarry reclamation (short-term)	Other	Total
<b>At January 1, 2010</b>	<b>57</b>	<b>95</b>	<b>54</b>	<b>14</b>	<b>65</b>	<b>285</b>
Exchange differences		1	1		3	5
Transfers				2	(13)	(11)
Changes in scope of consolidation		(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)
<b>At December 31, 2010</b>	<b>60</b>	<b>109</b>	<b>56</b>	<b>11</b>	<b>67</b>	<b>303</b>
Exchange differences						
Transfers	1	(2)	(2)	1		(2)
Changes in scope of consolidation			(1)			(1)
Allocation for the year	51	39	24	2	23	139
Provisions used	(32)	(26)	(14)	(3)	(21)	(96)
Provisions reversed	(13)	(17)	(9)	(1)	(3)	(43)
<b>At December 31, 2011</b>	<b>67</b>	<b>103</b>	<b>54</b>	<b>10</b>	<b>66</b>	<b>300</b>

## Note 7 - Deferred tax liabilities

	31/12/2011	31/12/2010
Deferred tax liabilities	110	95
Other long-term tax liabilities		
<b>Total non-current taxes</b>	<b>110</b>	<b>95</b>

Deferred tax liabilities essentially include temporary tax differences (allocations of goodwill, differences between accounting and fiscal depreciations, etc.).

## Note 8 – Current and non-current financial debts

### CASH RISKS

At December 31, 2011, net cash totaled 332 million euros, in addition to 1,400 million euros of confirmed medium-term bank credit lines undrawn to date. During the year, Colas renewed an assignment of receivables program confirmed due in 2014 for an amount of 300 million euros. 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 less than 1 year	Maturity over one year					Total 2011	Total 2010
	2012	From 1 to 2 years 2013	From 2 to 3 years 2014	From 3 to 4 years 2015	From 4 to 5 years 2016	5 years and more 2017 and beyond		
Bank loans (medium-long term)		30	34	19	15	116	214	171
Finance leases		9	5	4	4	2	24	25
Other financial debts (long term)		1				3	4	4
<b>Sub-total</b>	<b>48</b>	<b>40</b>	<b>39</b>	<b>23</b>	<b>19</b>	<b>121</b>	<b>242</b>	<b>200</b>
Short-term borrowings and overdrafts	114							
<b>At December 31, 2011</b>	<b>162</b>	<b>40</b>	<b>39</b>	<b>23</b>	<b>19</b>	<b>121</b>	<b>242</b>	<b>200</b>
At December 31, 2010	259	29	23	16	13	119	200	200
Short-term portion of long-term debt							48	50

### BREAKDOWN OF FINANCIAL DEBT BY TYPE OF CURRENCY

	Euro	USD <sup>(1)</sup>	GBP <sup>(1)</sup>	Other <sup>(1)</sup>	Total
Long-term December 2011	105	21	79	37	<b>242</b>
Short-term December 2011	24	23	10	105	<b>162</b>
Long-term December 2010	94	2	75	29	<b>200</b>
Short-term December 2010	91	13	10	145	<b>259</b>

(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	51	1,501	138	1,690	48	121	121	290
Letters of credit								
<b>Total</b>	<b>51</b>	<b>1,501</b>	<b>138</b>	<b>1,690</b>	<b>48</b>	<b>121</b>	<b>121</b>	<b>290</b>

### 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<sup>(1)</sup>: 75% (2010: 44%);
- floating rate debt: 25% (2010: 56%).

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

## INTEREST RATES RISKS

At December 31, 2011, 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	446		446
Financial liabilities:			
- Borrowings <sup>(1)</sup>	(242)	(62)	(304)
- Bank overdrafts	(114)		(114)
<b>Net position before cash management</b>	<b>90</b>	<b>(62)</b>	<b>28</b>
Interest rates hedging	166	(166)	
<b>Net position after cash management</b>	<b>256</b>	<b>(228)</b>	<b>28</b>
Seasonality adjustment <sup>(2)</sup>	(734)		
<b>Position after cash management and seasonality adjustment</b>	<b>(478)</b>		

(1) Including (13.1) million euros for the fair value of interest rate swap (Aximum and Colas Rail) recognized in other comprehensive income.

(2) Activity and cash undergo periodic swings linked to changing seasons. The adjustment makes it possible to obtain a clear picture of the general trend in cash over the year, which is used to calculate the impact of interest rate fluctuations on financial costs.

Consequently, an immediate increase of 1% in interest rates on the short-term net position above would cause an increase in financial expenses of 4.8 million euros in a full year.

## Note 9 - Changes in net financial position

### CHANGES IN NET FINANCIAL POSITION

	31/12/2011	2011 variations	31/12/2010
Cash and cash equivalents	446	35	411
Bank overdrafts and short-term loans	(114)	95	(209)
<b>Net cash</b>	<b>332</b>	<b>130</b>	<b>202</b>
Long-term financial debts	242	42	200
Long-term financial debts (current portion)	48	(2)	50
Financial instruments	14	5	9
<b>Gross debt</b>	<b>304</b>	<b>45</b>	<b>259</b>
<b>Net financial position</b>	<b>28</b>	<b>85</b>	<b>(57)</b>

### MAIN TRANSACTIONS

<b>Net financial position at December 31, 2010</b>	<b>(57)</b>
Financial acquisition/disposals <sup>(1)</sup>	(60)
Dividends paid	(209)
Share capital increase/decrease	(3)
Change in scope of consolidation, exchange differences and other	(17)
Operating	374
<b>Net financial position asset (liability) at December 31, 2011</b>	<b>28</b>

(1) Of which 13 million euros for acquisitions of assets.

## Note 10 - Other current liabilities

	31/12/2011	31/12/2010
Staff, social welfare, States	928	837
Deferred incomes	27	34
Other non-financial debts	720	637
<b>Total other debts</b>	<b>1,675</b>	<b>1,508</b>

## Note 11 – Income from ordinary activities

### BREAKDOWN BY NATURE OF INCOME

	2011	2010
Revenue	2,242	1,934
Rendering of services	338	334
Construction contracts	9,832	9,393
Other income from ordinary activities	-	-
<b>Total income from ordinary activities</b>	<b>12,412</b>	<b>11,661</b>

### INFORMATION REGARDING CONSTRUCTION CONTRACTS

Works to be invoiced	402	375
Retentions for warranties	98	53
Works invoiced in advance	(316)	(321)
Payments received in advance	(104)	(107)

## Note 12 – Other operating income and expenses

### DETAIL OF OTHER OPERATING INCOME AND EXPENSES

	2011	2010
Profits allocated or losses transferred regarding unconsolidated joint ventures	39	40
Proceeds on disposal of non-current assets	127	62
Reversal of unused provisions and depreciations	107	114
Other current income <sup>(1)</sup>	378	352
<b>Other operating income</b>	<b>651</b>	<b>568</b>
Losses allocated or profits transferred regarding unconsolidated joint ventures	(18)	(22)
Net book value of non-current assets disposed	(60)	(23)
Other current expenses	(69)	(88)
<b>Other operating expense</b>	<b>(147)</b>	<b>(133)</b>
(1) Mainly expenses invoiced back to associates in joint ventures.		
Other non-current income	-	6
<b>Other non-current income<sup>(2)</sup></b>	<b>-</b>	<b>6</b>
Other non-current expenses	-	(58)
<b>Other non-current expenses<sup>(3)</sup></b>	<b>-</b>	<b>(58)</b>

(2) Other non-current income:

- badwill on minority interests shares purchase.

(3) Other non-current expenses:

- antitrust fines and related litigations (31) million euros;

- impairment of goodwill (27) million euros.

## INCOME STATEMENT BY FUNCTION

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

	2011	2010
Revenue	12,412	11,661
Cost of sales	(10,857)	(10,235)
<b>Gross profit</b>	<b>1,555</b>	<b>1,426</b>
Research and development costs	(69)	(69)
Administrative expenses	(1,020)	(992)
<b>Profit from operations (current)</b>	<b>466</b>	<b>365</b>
Extraordinary items		(52)
<b>Profit from operations</b>	<b>466</b>	<b>313</b>
Net financial debt costs	(24)	(30)
Other financial income and expense	3	(7)
Provision for income taxes	(163)	(122)
Income from associates	59	69
<b>Profit for the year</b>	<b>341</b>	<b>223</b>
Of which: Minority interest	5	(1)
Of which: Equity holders of the parent	336	224

## Note 13 - Finance income and expense

### INTEREST INCOME AND EXPENSE

	2011	2010
Interest income from cash	19	19
Income from short-term deposits	3	1
<b>Interest income</b>	<b>22</b>	<b>20</b>
Interest expense on cash	(22)	(25)
Interest on finance leases	(1)	(2)
Interest on financial debt	(23)	(23)
<b>Interest expense</b>	<b>(46)</b>	<b>(50)</b>
<b>Interest income and expense</b>	<b>(24)</b>	<b>(30)</b>

### OTHER FINANCIAL INCOME AND EXPENSE

	2011	2010
Dividends received from unconsolidated investments	3	3
Release of financial provisions	11	4
Proceeds on disposal of financial assets	2	1
Other income	2	1
<b>Other financial income</b>	<b>18</b>	<b>9</b>
Net charge on financial provisions	(4)	(11)
Net book value of financial assets disposed		(4)
Other expense	(11)	(1)
<b>Other financial expense</b>	<b>(15)</b>	<b>(16)</b>
<b>Other net financial income and expense</b>	<b>3</b>	<b>(7)</b>

## Note 14 – Income tax

### BREAKDOWN

	2011	2010
Current income tax	(164)	(123)
Deferred income tax	9	6
Tax adjustments or exemptions	4	(1)
Withholding taxes on dividends	(4)	(3)
<b>Tax expense</b>	<b>(155)</b>	<b>(121)</b>
Tax provisions allocations/reversals	(8)	(1)
<b>Net tax expense</b>	<b>(163)</b>	<b>(122)</b>

### RECONCILIATION BETWEEN THEORETICAL TAX AND ACTUAL TAX EXPENSE

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

	2011	2010
Theoretical income tax determined at statutory tax rate	(153)	(95)
Impact of different tax rates of subsidiaries operating in other jurisdictions	24	(11)
Recognition of tax assets not previously recognized		10
Unrecognized tax losses <sup>(1)</sup>	(11)	(34)
Income taxes which are not linked to income	(7)	
Impact of expenses that are not deductible and incomes that are not taxable in determining taxable profit	(16)	8
<b>Income tax reported in income statement</b>	<b>(163)</b>	<b>(122)</b>

(1) Not reversible in a foreseeable future.

## Note 15 – 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, less the number of bought back shares expected to be written off.

	2011	2010
Net profit (Group share) (in euros)	335,789,000	223,839,000
Number of issued shares	32,654,499	32,624,790
<b>Basic earnings per share (in euros)</b>	<b>10.28</b>	<b>6.86</b>

Diluted earnings per share is determined by dividing net profit for the year (Group share) by the total number of shares outstanding at December 31, 2011, 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.

<b>Diluted earnings per share (in euros)</b>	<b>10.28</b>	<b>6.86</b>
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in euros	Per share	Total
Dividends decided and paid in 2011	6.30	205,536,177.00
Dividends submitted to approval of the General Meeting of Shareholders on April 17, 2012 <sup>(1)</sup> (not recognized as liabilities at December 31, 2011)	7.26	237,071,662.74

(1) If approved by the Board of Directors.

## Note 16 – Segment reporting

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

### DETERMINATION OF GROUP'S SEGMENTS

The Group's operating activities are organized as follows:

#### Roads France and Specialized road-related activities General Management Division

Includes:

- the road business in mainland France;
- specialized road-related activities for France and elsewhere around the world: signaling and safety, 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, North Africa, Indian Ocean, French overseas departments and territories, Asia and Middle-East.

#### Holding

Includes the activity of Colas' corporate head office and the sales of refined oil products other than bitumen (base oils, paraffin and fuels).

### RECONCILIATION

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

## BUSINESS SEGMENT INFORMATION

	Roads France & Specialized road related	Europe Management Division	North America Management Division	International Management Division	Holding	Consoli- dated
<b>Year 2011</b>						
<b>Income from ordinary activities</b>	<b>6,948</b>	<b>1,478</b>	<b>2,348</b>	<b>1,295</b>	<b>343</b>	<b>12,412</b>
Income before depreciation	434	60	243	122	68	927
Depreciation	(239)	(53)	(94)	(57)	(18)	(461)
<b>Profit from operations (current)</b>	<b>195</b>	<b>7</b>	<b>149</b>	<b>65</b>	<b>50</b>	<b>466</b>
Extraordinary items						
<b>Profit from operations</b>	<b>195</b>	<b>7</b>	<b>149</b>	<b>65</b>	<b>50</b>	<b>466</b>
Interest income (expense)	(8)	(9)	(3)	(7)	3	(24)
Other financial income and costs	2				1	3
Provision for income taxes	(75)	(13)	(49)	(19)	(7)	(163)
Income from associates	2	3		5	49	59
<b>Profit for the year</b>	<b>116</b>	<b>(12)</b>	<b>97</b>	<b>44</b>	<b>96</b>	<b>341</b>
Segment assets	3,089	1,166	1,276	1,272	1,452	8,255
Segment liabilities	2,264	923	627	886	1,027	5,727
Current investments	(240)	(15)	(106)	(54)	22	(393)
<b>Year 2010</b>						
<b>Income from ordinary activities</b>	<b>6,457</b>	<b>1,589</b>	<b>2,208</b>	<b>1,250</b>	<b>157</b>	<b>11,661</b>
Income before depreciation	439	(33)	255	137	37	835
Depreciation	(249)	(55)	(92)	(59)	(15)	(470)
<b>Profit from operations (current)</b>	<b>190</b>	<b>(88)</b>	<b>163</b>	<b>78</b>	<b>22</b>	<b>365</b>
Extraordinary items	(37)	(21)		6		(52)
<b>Profit from operations</b>	<b>153</b>	<b>(109)</b>	<b>163</b>	<b>84</b>	<b>22</b>	<b>313</b>
Interest income (expense)	(11)	(11)	(1)	(6)	(1)	(30)
Other financial income and costs	(7)					(7)
Provision for income taxes	(51)	9	(52)	(18)	(10)	(122)
Income from associates	1	3		13	52	69
<b>Profit for the year</b>	<b>85</b>	<b>(108)</b>	<b>110</b>	<b>73</b>	<b>63</b>	<b>223</b>
Segment assets	2,790	1,247	1,150	1,178	1,311	7,676
Segment liabilities	2,040	1,029	529	837	866	5,301
Current investments	(218)	(33)	(135)	(48)	(18)	(452)

## INFORMATION REGARDING MAIN CLIENTS

	France	International	Total
States, public companies and local authorities	60%	72%	64%
Private companies and individuals	40%	28%	36%

## 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	%
<b>Year 2011</b>						
Roads – works and sales of construction materials	5,199	1,241	2,153	819	9,412	76
Civil engineering, pipes and mains	323	235	180	20	758	6
Waterproofing	624	20	2	13	659	5
Safety and signaling	299	26	11	9	345	3
Building	255	15	4	30	304	2
Railways	356	198		44	598	5
Sales of refined oil products	194	125	6	11	336	3
<b>Total</b>	<b>7,250</b>	<b>1,860</b>	<b>2,356</b>	<b>946</b>	<b>12,412</b>	<b>100</b>
<b>Year 2010<sup>(1)</sup></b>						
Roads – works and sales of construction materials	4,811	1,323	2,024	734	8,892	77
Civil engineering, pipes and mains	324	258	167	52	801	7
Waterproofing	553	20	3	9	585	5
Safety and signaling	282	26	12	8	328	3
Building	270	44	5	26	345	3
Railways	339	170		49	558	4
Sales of refined oil products	135	17			152	1
<b>Total</b>	<b>6,714</b>	<b>1,858</b>	<b>2,211</b>	<b>878</b>	<b>11,661</b>	<b>100</b>

(1) Mayotte figures have been reclassified in France.

## Assets and liabilities by geographical segments

	France	Europe (excl. France)	North America	Rest of the world	Consolidated
<b>At December 31, 2011</b>					
Non-current assets	2,256	572	719	334	3,881
Current assets	2,372	825	558	619	4,374
<b>Total assets</b>	<b>4,628</b>	<b>1,397</b>	<b>1,277</b>	<b>953</b>	<b>8,255</b>
Non-current liabilities	626	268	142	66	1,102
Current liabilities	2,725	824	486	590	4,625
<b>Total liabilities</b>	<b>3,351</b>	<b>1,092</b>	<b>628</b>	<b>656</b>	<b>5,727</b>
<b>Net assets</b>	<b>1,277</b>	<b>305</b>	<b>649</b>	<b>297</b>	<b>2,528</b>
<b>At December 31, 2010<sup>(1)</sup></b>					
Non-current assets	2,211	590	672	231	3,704
Current assets	2,059	867	479	567	3,972
<b>Total assets</b>	<b>4,270</b>	<b>1,457</b>	<b>1,151</b>	<b>798</b>	<b>7,676</b>
Non-current liabilities	667	222	99	57	1,045
Current liabilities	2,338	957	431	530	4,256
<b>Total liabilities</b>	<b>3,005</b>	<b>1,179</b>	<b>530</b>	<b>587</b>	<b>5,301</b>
<b>Net assets</b>	<b>1,265</b>	<b>278</b>	<b>621</b>	<b>211</b>	<b>2,375</b>

(1) Mayotte figures have been reclassified in France.

## Note 17 – Financial instruments

We disclose, hereafter, the total of all notional amounts outstanding at December 31, 2011 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
	2012	2013 to 2016	Beyond	12/31/2011	12/31/2010
On financial assets	-	-	-	-	-
On financial liabilities	-	30	207	237	150

### 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 <sup>(1)</sup>	AUD <sup>(1)</sup>	USD <sup>(1)</sup>	GBP <sup>(1)</sup>	Other <sup>(1)</sup>	31/12/2011	31/12/2010
Forward purchases	7		3			10	14
Forward sales	-	33	35	13	19	100	75
Currency swap	-	-	-	-	-	-	-
Currency options	-	-	-	-	-	-	-

(1) Equivalent in euros.

### HEDGING FOR COMMODITIES RISKS

	Brent	Fuels	31/12/2011	31/12/2010
Forward purchases	-	5	5	-
Forward sales	11	1	12	4
Swaps	-	-	-	-
Options	-	5	5	-

Forward sales of Brent contracts and fuels correspond to hedging for activity at SRD, Société de la Raffinerie de Dunkerque.

At December 31, 2011, this hedging represented an amount of 132,000 barrels of Brent and 1,200 tons of 1% fuel oil sold forward for a notional value of 12 million euros. The cash flow hedge as of December 31, 2011 was valued at (0.1) million euros and will have negligible impact on other comprehensive income.

### FAIR VALUE OF HEDGING FINANCIAL INSTRUMENTS

At December 31, 2011, the net present market value of hedging financial instruments amounted to (33) 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: (18) million euros;
- transactions regarding cash flow hedge: (15) million euros;
- trading transactions: none.

In case of +1% transfer in interest rate yield curve (and respectively -1%), the market value of hedging financial instruments would amount to (19.9) million euros (respectively (47.8) 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 (34.5) million euros.

Should commodities prices fluctuate by +10% (and respectively -10%), the market value of financial instruments would amount to (34.0) million euros (respectively (32.6) 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 31/12/2011	Total 31/12/2010
<b>Commitments given</b>					
Endorsements and warranties	38	30	6	74	67
<b>Commitments received</b>					
Contractual commitments	-	-	-	-	-
<b>Assets given as securities</b>					
Mortgages and securities	13	45	46	104	98

The presentation of the commitments above includes all significant commitments, according to all currently applicable accounting rules.

### OPERATING LEASE COMMITMENTS

Maturity	Less than 1 year	From 1 to 5 years	More than 5 years	Total 31/12/2011	Total 31/12/2010
Commitments given/received	34	92	56	182	165

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		11	24	38
Finance charge		(2)	(3)	(5)
<b>Present value of minimum lease payments</b>		<b>9</b>	<b>21</b>	<b>33</b>
At December 31, 2010		16	22	40

### OTHER COMMITMENTS

In 2011, 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 – Workforce and employee benefits

### AVERAGE GROUP WORKFORCE

	2011	2010
Managers and engineers	7,697	7,784
Foremen, technicians, supervisors and office staff	15,960	16,099
Workers	42,545	45,012
<b>Total average Group workforce</b>	<b>66,202</b>	<b>68,895</b>

### BREAKDOWN OF EMPLOYEE BENEFITS: DEFINED CONTRIBUTION PLANS

	2011	2010
<b>Amounts recognized as expense</b>	<b>801</b>	<b>757</b>

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 <sup>(1)</sup>	
	2011	2010	2011	2010
Current service costs	(1)	(13)	(1)	(4)
Interest costs	7	7	11	11
Expected return on plan assets			(11)	(11)
Past service costs	2	2	(1)	(15)
<b>Net expenses</b>	<b>8</b>	<b>(4)</b>	<b>(2)</b>	<b>(19)</b>
Present value of obligations	157	168	325	311
Fair value of plan assets			(277)	(258)
Unrecognized past service costs	(22)	(24)	2	2
<b>Net recognized liabilities</b>	<b>135</b>	<b>144</b>	<b>50</b>	<b>55</b>

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

## VARIATIONS OF BALANCE SHEET NET LIABILITIES

	Retirement indemnities		Pensions	
	2011	2010	2011	2010
<b>At January 1</b>	<b>144</b>	<b>147</b>	<b>55</b>	<b>38</b>
Exchange differences			1	1
Transfers		1	(6)	
Acquisitions of subsidiaries		4		15
Actuarial gains/losses in equity	(17)	(4)	2	20
Net expenses	8	(4)	(2)	(19)
<b>At December 31</b>	<b>135</b>	<b>144</b>	<b>50</b>	<b>55</b>

## MAIN ACTUARIAL ASSUMPTIONS FOR DETERMINATION OF RETIREMENT INDEMNITIES

The effect of changes in assumptions determined at 2011 balance sheet date has been recognized directly through equity, according to Group accounting policies (IAS 19 revised).

	2011	2010
Discount rates IBoxx € Corporate A10 <sup>(1)</sup>	5.46%	4.62%
Survival tables	Insee 2006-2008	Insee 2006-2008
Average retirement age for managers and executives	65 years	65 years
Average retirement age for other employees and workers	63 years	63 years
Projected salaries increase	4.00%	4.00%

(1) A drop of 0.5% of the discount would rate an increase in commitments of 10 millio euros. According to Group accounting principles, the actuarial gain/loss would be recognized as other income and expenses.

## EQUITY COMPENSATION BENEFITS

In 2011, options giving subscription rights for new Bouygues shares have been granted by Bouygues to certain Colas and Group subsidiary employees. The amount of these benefits is not significant.

## Note 20 – Related party disclosures

### RELATED PARTIES IDENTITY

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

## DETAILS OF RELATED PARTY DISCLOSURES

	Expense		Income		Receivables		Debts	
	2011	2010	2011	2010	2011	2010	2011	2010
Bouygues Group companies	56	47	114	68	50	61	17	15
Joint ventures	18	18	38	47	15	12	11	10
Associates	7		74	49	4	4	3	
Other related parties	20	27	15	17	6	8	3	6
<b>Total</b>	<b>101</b>	<b>92</b>	<b>241</b>	<b>181</b>	<b>75</b>	<b>85</b>	<b>34</b>	<b>31</b>
Maturity < 1 year					75	85	32	29
Maturity > 1 year					-	-	2	2

The application of amended IAS 24 with effect as of January 1, 2011, led Colas to further complete the information provided above, mainly involving transactions with the company Alstom (associated with Bouygues Company). Other non-significant changes involve operations with non-consolidated companies.

The 2010 figures have been re-calculated.

## COMPENSATION OF KEY MANAGEMENT OF THE GROUP

Key managers are members of the executive committee at December 31, 2011. It comprises the Chairman and Chief Executive Officer and six salaried members (including four salaried Directors)

	2011	2010
Direct compensation	6.9	6.4
Post-employment benefits	0.4	0.4
Equity compensation benefits	-	-
<b>Total</b>	<b>7.3</b>	<b>6.8</b>

### Direct compensation

This amounts to 6.9 million euros, of which 3.4 million euros is for variable compensation established in relation to performance realized in 2011 and 140,000 euros for Directors' fees.

### Post-employment benefits

Chairman and Chief Executive Officer: this provides a supplementary pension plan amounting to 0.92% of reference salary for each year of service in the scheme 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 amount of the benefit linked to Bouygues shares 2011 attribution is not material.

### Directors' fees

Directors' fees allocated to Directors in 2011 amounted to 240,000 euros.

## Note 21 – Fees of independent Auditors

We disclose hereunder the fees charged by the Auditors and members of their network who carry out the legal audit of Colas consolidated accounts and subsidiaries subject to global integration.

	Mazars		KPMG	
	2011	2010	2011	2010
Colas parent company's legal Auditors				
– Colas	0.2	0.2	0.2	0.2
– Subsidiaries	1.9	1.8	2.2	2.1
– Secondary assignments				
<b>Sub-total</b>	<b>2.1</b>	<b>2.0</b>	<b>2.4</b>	<b>2.3</b>
Other assignments: law, tax, welfare			0.7	
<b>Total</b>	<b>2.1</b>	<b>2.0</b>	<b>3.1</b>	<b>2.3</b>

## Note 22 – Main exchange rates used for translation

Convention : 1 euro = x local monetary units.

Country	Currency	Rate 31/12/2011	Average rate 2011	Rate 31/12/2010	Average rate 2010
<b>Europe</b>					
Croatia	Croatian kuna	7.5370	7.4492	7.3830	7.2949
Denmark	Danish kroner	7.4342	7.4496	7.4535	7.4477
Great Britain	British pound	0.8353	0.8713	0.8608	0.8560
Hungary	Forint	314.58	280.67	277.95	276.51
Poland	Zloty	4.4580	4.1380	3.9750	4.0049
Czech Republic	Czech Republic koruny	25.787	24.600	25.061	25.263
Romania	New leu	4.3233	4.2399	4.2620	4.2169
Switzerland	Swiss franc	1.2156	1.2318	1.2504	1.3700
<b>North America</b>					
United States	US dollar	1.2939	1.4000	1.3362	1.3207
Canada	Canadian dollar	1.3215	1.3805	1.3322	1.3660
<b>Other</b>					
Australia	Australian dollar	1.2723	1.3435	1.3136	1.4390
Morocco	Dirham	11.095	11.2605	11.1735	11.1453
Thailand	Baht	40.9910	42.7719	40.1700	41.8175

## Note 23 – Scope of consolidation

### 23.1 – CHANGES IN SCOPE OF CONSOLIDATION

Number of consolidated companies	2011	2010
Full consolidation	528	530
Proportional consolidation	86	97
Equity method	19	18
<b>Total</b>	<b>633</b>	<b>645</b>

#### Main new investments

France: Godet, Ateliers des Flandres.  
International: Gamma Materials (Mauritius).

#### Disposal of companies

Tubobel (Belgium).

#### Change in consolidation method

AME: change from proportionate method to full integration method.

## 23.2 – 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 <sup>(1)</sup>	Fair value of items acquired
Tangible assets	12	28	40
Intangible assets		4	4
Goodwill		3	3
Current assets	8		8
<b>Total assets</b>	<b>20</b>	<b>35</b>	<b>55</b>
Capital and reserves	5	33	38
Minority interests		1	1
Tax liabilities	1		1
Other non-current liabilities	5		5
Current liabilities	9	1	10
<b>Total liabilities</b>	<b>20</b>	<b>35</b>	<b>55</b>

### Impact on revenue

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

Amendments in 2011 (within one year period) of temporary allocations made in 2010: none.

Investment price in consolidated companies acquired during the year totaled 37 million euros. Additionally, 2 million euros were paid for companies acquired in 2010, but consolidated in 2011. After deduction of an option for an amount of 1 million euros, the fair value of acquired assets and liabilities totals 38 million euros and corresponds to the acquisition price.

### 23.3 – 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	
		2011	2010
<b>France</b>			
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 Mayotte	Mamoudzou – Mayotte	100.0	100.0
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	100.0
<b>French overseas territories</b>			
Colas de Nouvelle-Calédonie	Noumea – New Caledonia	99.9	99.9
<b>Europe (excluding France)</b>			
Colas Bauchemie GmbH	Bremen – Germany	100.0	100.0
Colas GmbH	Gratkorn – Austrian	100.0	100.0
Colas Belgium	Brussels – Belgium	99.9	99.9
Cesta Varazdin	Varazdin – Croatia	100.0	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	99.1	99.1
Colas Teoranta	Dublin – Ireland	100.0	100.0
Colas Romania	Bucharest – Romania	100.0	100.0
Colas SA	Lausanne – Switzerland	99.2	99.2



Companies	Head office	% of stake	
		2011	2010
<b>North America</b>			
ColasCanada Inc.	Montréal - Quebec, Canada	100.0	100.0
Colas Inc.	Morristown - New Jersey, United States	100.0	100.0
<b>Africa - Indian Ocean</b>			
Colas Afrique	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
Gamma Materials (PC)	Beau Bassin - Mauritius	49.9	-
Colas du Maroc	Casablanca - Morocco	100.0	100.0
Grands Travaux Routiers	Rabat - Morocco	67.7	67.7
<b>Asia</b>			
Wasco	Jakarta - Indonesia	55.1	55.1
Raycol Asphalt Co. Ltd (PC)	Rayong - Thailand	50.0	50.0
Thai Slurry Seal Co. Ltd	Bangkok - Thailand	50.0	50.0
Tipco Asphalt (EM)	Bangkok - Thailand	32.1	30.7
Hincol (PC)	Mumbai - India	30.0	30.0
Drawmac Group	Sydney - Australia	93.8	93.8

# Report of the Statutory Auditors on the consolidated financial statements

(Fiscal year ended December 31, 2011)

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, 2011 dealing with:

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

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

## 1 - OPINION ON THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

## 2 - JUSTIFICATION OF OUR ASSESSMENTS

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

- the Company systematically, at least once per year, performs impairment tests on its goodwill and assets with indefinite useful economic lives and determines whether there is any indication of impairment of its non-current assets, as described more fully in note 2 in the section entitled "Non-current assets - 5. Monitoring the value of fixed assets" and note 3.3 "Goodwill and other intangible assets" of the notes to the financial statements. We have examined the assumptions made and methods employed in performing that impairment testing and have verified that the abovementioned notes provide the appropriate information;

- Colas recognizes the profit or loss of its construction projects on the basis described in note 2 in the section "Income statement - 1. 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 27, 2012

The Statutory Auditors

KPMG Audit

MAZARS

*A division of KPMG SA*

Xavier Fournet  
*Partner*

Gilles Rainaut  
*Partner*

Gaël Lamant  
*Partner*



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# Colas financial statements

at December 31, 2011

## Balance sheet at December 31

<b>in millions of euros</b>	<b>Notes</b>	<b>2011</b>	<b>2010</b>
Intangible assets		17.4	17.7
Property, plant and equipment		157.1	170.5
Holdings in subsidiaries and affiliates		1,294.8	1,216.8
Loans and advances to subsidiaries and affiliates		315.0	242.2
Other non-current financial assets		2.1	1.9
<b>Non-current assets</b>	<b>3</b>	<b>1,786.4</b>	<b>1,649.1</b>
Inventories		80.9	49.8
Trade receivables		114.2	102.3
Group and associates		138.9	128.5
Other receivables and prepayments		17.5	36.5
Cash and cash equivalents		31.6	34.5
<b>Current assets</b>	<b>4</b>	<b>383.1</b>	<b>351.6</b>
<b>Total assets</b>		<b>2,169.5</b>	<b>2,000.7</b>
Share capital		49.0	48.9
Share premium and reserves		875.8	809.7
Net profit for the year		324.6	267.4
Tax-driven provisions		11.3	10.4
<b>Equity</b>	<b>5</b>	<b>1,260.7</b>	<b>1,136.4</b>
<b>Provisions for contingencies and losses</b>	<b>6</b>	<b>39.7</b>	<b>84.7</b>
Financial debt		-	0.7
Advance payments		-	0.7
Trade payables		107.2	86.4
Group and associates		668.5	584.4
Other non-financial debt, accruals and deferred income	<b>9</b>	78.4	62.9
Bank overdrafts and short-term loans		15.0	44.5
<b>Liabilities</b>		<b>869.1</b>	<b>779.6</b>
<b>Total equity and liabilities</b>		<b>2,169.5</b>	<b>2,000.7</b>

# Income statement

<b>in millions of euros</b>	<b>Notes</b>	<b>2011</b>	<b>2010</b>
<b>Revenue</b>	10	<b>757.4</b>	<b>576.7</b>
Raw materials and consumables used		(506.9)	(375.9)
External services		(151.0)	(122.8)
Staff costs		(60.7)	(59.7)
Taxes other than income tax		(9.2)	(10.7)
Depreciation, amortization and depletion		(10.8)	(10.4)
Net provision allocations		(5.3)	(0.7)
Other operating income		84.9	106.6
Other operating expenses		(2.1)	(2.2)
Share of profits from joint ventures		1.1	1.0
<b>Operating profit</b>		<b>108.0</b>	<b>101.9</b>
Financial income		321.0	289.2
Financial expense		(109.6)	(113.1)
<b>Interest income (expense)</b>	11	<b>211.4</b>	<b>176.1</b>
<b>Profit from operations</b>		<b>319.4</b>	<b>278.0</b>
Exceptional income		60.1	11.4
Exceptional expense		(26.5)	(7.2)
<b>Exceptional income (expense)</b>	12	<b>33.6</b>	<b>4.2</b>
Employee profit sharing scheme		(1.7)	(1.4)
Income taxes	13	(26.7)	(13.4)
<b>Net profit for the year</b>		<b>324.6</b>	<b>267.4</b>

# Notes to the financial statements of Colas

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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, 2011 were approved by the Board of Directors and authorized for issue on February 27, 2012.

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.

For future valuations costs are assigned using the first-in first-out or weighted average cost formulas, according to the type of inventories.

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

### TRADE RECEIVABLES AND OTHER RECEIVABLES

Trade receivables, which generally have 30-90 day terms, are recognized and carried at their original invoice amount less an allowance for any 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:

	2011	2010
Discount rate (IBoxx € corporate)	5.46%	4.62%
Average staff turnover rate	Insee 2006-2008	Insee 2006-2008
Executive retirement age	65 years	65 years
Retirement age of clerical, technical and supervisory staff and site workers	63 years	63 years
Future salary increases	4%	4%

**REVENUE**

Revenue represents the aggregate amount of sales generated and works 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

	January 1, 2011	Acquisitions	Disposals and reductions	Charges and reversals	December 31, 2011
<b>Intangible assets</b>					
Gross	24.4	0.2			24.6
Amortization and impairment	(6.7)			(0.5)	(7.2)
<b>Net</b>	<b>17.7</b>	<b>0.2</b>		<b>(0.5)</b>	<b>17.4</b>
<b>Tangible assets</b>					
Gross	266.4	13.8	(30.4)		249.8
Depreciation and impairment	(95.9)			3.2	(92.7)
<b>Net</b>	<b>170.5</b>	<b>13.8</b>	<b>(30.4)</b>	<b>3.2</b>	<b>157.1</b>
<b>Holdings in subsidiaries and affiliates</b>					
Gross	1,342.7	88.9	(10.0)		1,421.6
Impairment	(125.9)			(0.9)	(126.8)
<b>Net</b>	<b>1,216.8</b>	<b>88.9</b>	<b>(10.0)</b>	<b>(0.9)</b>	<b>1,294.8</b>
<b>Loans/advances to subsidiaries and affiliates</b>					
Gross	260.1	717.8	(614.5)		363.4
Impairment	(17.9)			(30.5)	(48.4)
<b>Net</b>	<b>242.2</b>	<b>717.8</b>	<b>(614.5)</b>	<b>(30.5)</b>	<b>315.0</b>
<b>Other non-current financial assets</b>					
Gross	1.9	0.4	(0.2)		2.1
Impairment					
<b>Net</b>	<b>1.9</b>	<b>0.4</b>	<b>(0.2)</b>		<b>2.1</b>
<b>Total non-current assets</b>	<b>1,649.1</b>	<b>821.1</b>	<b>(655.1)</b>	<b>(28.7)</b>	<b>1,786.4</b>

### Note 4 – Current assets

	Gross	Impairment	2011 Net	2010 Net
<b>Inventories</b>	<b>82.1</b>	<b>(1.2)</b>	<b>80.9</b>	<b>49.8</b>
<b>Trade receivables</b>	<b>120.5</b>	<b>(6.3)</b>	<b>114.2</b>	<b>102.3</b>
<b>Group and associates</b>	<b>147.8</b>	<b>(8.9)</b>	<b>138.9</b>	<b>128.5</b>
Advances and down payments	0.8		0.8	3.2
Other receivables	9.0		9.0	26.7
Prepaid expenses	0.4		0.4	0.4
Accrued income	0.6		0.6	0.2
Deferred tax assets	6.7		6.7	6.0
<b>Other receivables and regularization accounts</b>	<b>17.5</b>		<b>17.5</b>	<b>36.5</b>
Marketable securities				
Bouygues Relais cash management company	20.0		20.0	30.0
Cash and cash equivalents	11.6		11.6	4.5
<b>Marketable securities, cash and cash equivalents</b>	<b>31.6</b>		<b>31.6</b>	<b>34.5</b>
<b>Total current assets</b>	<b>399.5</b>	<b>(16.4)</b>	<b>383.1</b>	<b>351.6</b>

## Note 5 - Equity

### COMPOSITION OF THE SHARE CAPITAL

Colas had share capital of 48,981,748.50 euros at December 31, 2011.

It comprised 32,654,499 shares of 1.50 euros at par value, with all shares having the same rights (however, double voting rights are allocated to shares registered in the name of the same shareholder for more than two years).

### YEAR VARIATIONS

	Number of shares	Amounts in euros
<b>At January 1, 2011</b>	<b>32,624,790</b>	<b>48,937,185.00</b>
Part of dividend paid in shares	29,709	44,563.50
<b>At December 31, 2011</b>	<b>32,654,499</b>	<b>48,981,748.50</b>

### MAIN SHAREHOLDERS

Bouygues SA	31,526,344	96.55%
Other shareholders	1,128,155	3.45%

### CHANGE IN EQUITY

	January 1, 2011	Appropriation by AGM <sup>(1)</sup>	Capital increase	Other changes	December 31, 2011
<b>Share capital</b>	<b>48.9</b>		<b>0.1</b>		<b>49.0</b>
Share premium account	401.7		4.2		405.9
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	386.3	61.9			448.2
<b>Share premium and reserves</b>	<b>809.7</b>	<b>61.9</b>	<b>4.2</b>		<b>875.8</b>
Net profit for the year	267.4	(267.4)		324.6	324.6
Tax-driven provisions	10.4			0.9	11.3
<b>Total equity</b>	<b>1,136.4</b>	<b>(205.5)</b>	<b>4.3</b>	<b>325.5</b>	<b>1,260.7</b>

(1) Distribution of a dividend of 6.30 euros per share amounting to a total of 205,536,177 euros.

## Note 6 - Provisions for contingencies and losses

	January 1, 2011	Increases	Provisions used	Provisions cancelled	December 31, 2011
Litigation and claims	4.8	0.3		(1.3)	3.8
Guarantees provided to customers	0.1				0.1
Tax reassessments	2.7		(0.7)		2.0
Risks related to foreign operations	22.7	1.2	(0.2)		23.7
Other provisions for contingencies	50.1	7.9	(45.4)	(3.5)	9.1
Employee benefits	0.9			(0.6)	0.3
Provisions for losses	3.4		(1.3)	(1.4)	0.7
<b>Provisions for contingencies and losses</b>	<b>84.7</b>	<b>9.4</b>	<b>(47.6)</b>	<b>(6.8)</b>	<b>39.7</b>

## Note 7 – Breakdown of accounts involving related companies

	Assets	Liabilities	Income statement
Non-current financial assets	1,609.8	-	-
Receivables	209.8	-	-
Cash and cash equivalents	20.0		
Financial debt	-	-	-
Non-financial debt	-	684.4	-
Financial income	-	-	313.8
Financial expense	-	-	(100.6)
<b>Total</b>	<b>1,839.6</b>	<b>684.4</b>	<b>213.2</b>

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

	Net amount	Less than 1 year	1 to 5 years	More than 5 years
Receivables related to non-current assets	317.1	99.1	216.4	1.6
Receivables related to current assets	270.6	270.6		
Cash and cash equivalents	31.6	31.6		
<b>Receivables</b>	<b>619.3</b>	<b>401.3</b>	<b>216.4</b>	<b>1.6</b>
Financial debt				
Non-financial debt	854.1	854.1		
Bank overdrafts and short-term loans	15.0	15.0		
<b>Payables</b>	<b>869.1</b>	<b>869.1</b>		

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

	2011	2010
Tax and social security liabilities	47.7	31.3
Liabilities in respect of fixed assets	3.6	3.2
Other liabilities	17.1	15.8
Deferred income and other regularization accounts	10.0	12.6
<b>Total</b>	<b>78.4</b>	<b>62.9</b>

## Note 10 – Breakdown of revenue

	France	International	2011	2010
Works <sup>(1)</sup>		4.6	4.6	22.9
Sale of products <sup>(2)</sup>	364.3	187.8	552.1	362.1
Provision of services <sup>(3)</sup>	121.6	79.1	200.7	191.7
<b>Revenue</b>	<b>485.9</b>	<b>271.5</b>	<b>757.4</b>	<b>576.7</b>

(1) Project in Romania.

(2) Sales of oil products by SRD (Société de la Raffinerie de Dunkerque).

(3) Provisions of services to subsidiaries and affiliates.

## Note 11 – Financial income (expense)

	2011	2010
Dividends received from subsidiaries and affiliates	243.8	262.9
Net interest income (expense)	(1.6)	(0.5)
Other financial provision (charges) reversals	8.8	(84.5)
Net gain on disposal of marketable securities		
Translation adjustment	(1.7)	(1.8)
Losses on advances to subsidiaries and affiliates	(37.9)	
<b>Net financial income (expense)</b>	<b>211.4</b>	<b>176.1</b>

## Note 12 – Exceptional income (expense)

	2011	2010
Capital gain (loss) on the disposal of fixed assets (non-recurring disposals: land, buildings, non-current financial assets)	33.8	6.2
Other income (expense) on management transactions (net)	0.7	
Exceptional provision (charges) reversals	(0.9)	(2.0)
<b>Exceptional gain (loss)</b>	<b>33.6</b>	<b>4.2</b>

## Note 13 – Income taxes

### BREAKDOWN OF TAX EXPENSE

	2011	2010
Current tax charge for the year	(29.0)	(13.1)
Tax supplements or reductions for prior years	1.6	(1.2)
Deferred tax	0.7	(0.9)
<b>Income taxes</b>	<b>(26.7)</b>	<b>(13.4)</b>

### BREAKDOWN OF TAX CHARGE BETWEEN CURRENT PROFIT AND EXCEPTIONAL PROFIT

	Profit before tax	Tax due	Net profit after tax
Current profit (after profit sharing)	317.7	(19.2)	298.5
Exceptional income (expense)	33.6	(7.5)	26.1
<b>Total</b>	<b>351.3</b>	<b>(26.7)</b>	<b>324.6</b>

### BREAKDOWN OF DEFERRED TAX

	Temporary differences
Non-current assets	(8.2)
Current assets	3.5
Provisions for contingencies and losses, temporarily not deductible	24.1
Debt	
Tax losses available for carry forward	
<b>Total deferred tax bases</b>	<b>19.4</b>
Tax rate	34.43%
<b>Deferred tax at fiscal year end</b>	<b>6.7</b>
Deferred tax at the beginning of the year	6.0
<b>Deferred tax (income) expense</b>	<b>0.7</b>

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	324.6
Amounts charged for the year to tax-driven provisions	2.5
Reversals for year of tax-driven provisions	(1.5)
Impact on tax	(0.3)
<b>Net profit excluding the impact of tax-driven provisions on profit</b>	<b>325.3</b>

## Note 15 – Off-balance sheet commitments

### FINANCE LEASE

None.

### OTHER COMMITMENTS

	Guarantees	Letters of intent	Total
Subsidiaries and affiliates	0.2		0.2
Other related companies		0.8	0.8
Third parties	39.4	0.1	39.5
<b>Commitments given</b>	<b>39.6</b>	<b>0.9</b>	<b>40.5</b>
<b>Commitments received</b>	<b>-</b>	<b>-</b>	<b>-</b>

The Company issued a guarantee for 2011 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

	2011	2010
Managers and engineers	265	236
Clerical and technical	76	75
Site workers	-	-
<b>Total</b>	<b>341</b>	<b>311</b>

### ADVANCE PAYMENTS AND LOANS GRANTED TO EMPLOYEES

None.

### COMPENSATION AWARDED TO MEMBERS OF THE EXECUTIVE BODIES

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 2011 to Mr. Hervé Le Bouc, Chairman and Chief Executive Officer, amounted to 924,100 euros (924,100 euros in 2010). Gross variable compensation for 2011 established in relation to quantitative and qualitative targets to be paid in 2012 will be 1,380,000 euros (650,716 euros paid out in 2011 for 2010). He received an amount of 20,000 euros in Directors' fees from Colas in 2011. 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 2011 amounted to 240,000 euros (including the amount paid to the Chairman and Chief Executive Officer).

## Note 17 – Fees paid to the Statutory Auditors

	Mazars		KPMG	
	2011	2010	2011	2010
Statutory audit and certification of annual financial statements	0.2	0.2	0.2	0.2
Other fees			0.7	
<b>Total</b>	<b>0.2</b>	<b>0.2</b>	<b>0.9</b>	<b>0.2</b>

## Note 18 – Subsidiaries and affiliates

	Share capital	Other equity	% held	Value of securities		Loans and advances granted	Guarantees provided	Revenue 2011	Net income 2011	Dividends received in 2011
				Gross	Net					
<b>1. Subsidiaries</b>										
<b>France</b>										
Colas Centre-Ouest	3.3	17.5	99.9	3.4	3.4	41.0		358.5	(3.0)	-
Colas Île-de-France - Normandie	19.7	17.6	99.9	19.7	19.7			589.9	6.1	3.0
Colas Nord-Picardie	2.9	15.2	99.9	2.9	2.9	1.0		240.7	3.2	1.5
Colas Est	10.4	17.1	99.9	10.2	10.2	17.0		358.7	4.0	1.0
Colas Rhône-Alpes - Auvergne	12.9	69.3	99.9	36.1	36.1	15.0		440.8	9.9	4.0
Colas Midi-Méditerranée	6.9	40.3	99.9	6.1	6.1			400.5	14.1	11.0
Colas Sud-Ouest	6.9	15.5	99.9	5.8	5.8	20.0		357.7	2.6	2.0
Aximum	49.1	(14.1)	99.9	50.1	50.1	30.0		363.3	(1.8)	-
Screg Ouest	11.7	2.6	99.9	21.0	21.0	29.0		290.6	(1.5)	-
Screg Île-de-France - Normandie	8.8	18.8	99.9	24.7	24.7			321.9	4.0	3.2
Screg Nord-Picardie	12.1	17.3	99.9	19.7	19.7			199.9	3.5	2.1
Screg Est	13.4	22.2	99.9	30.8	30.8	26.0		359.4	4.2	2.5
Screg Sud-Est	8.3	20.9	99.9	23.7	23.7	4.0		352.4	5.3	3.4
Screg Sud-Ouest	9.0	19.3	99.9	20.2	20.2	10.0		290.3	4.4	3.0
Sacer Atlantique	4.4	6.6	99.9	4.4	4.4	28.0		260.0	(1.4)	-
Sacer Paris-Nord-Est	4.8	11.4	99.9	4.9	4.9	1.0		205.9	2.9	2.0
Sacer Sud-Est	5.1	12.2	99.9	5.2	5.2			258.2	3.5	2.5
Spac	5.1	6.2	99.9	14.3	14.3	4.0		237.6	(5.1)	4.0
Smac	4.3	31.1	99.9	9.9	9.9			664.6	8.6	8.0
Colas Rail	90.3	49.2	100.0	316.4	316.4	20.0		595.8	(6.6)	-
Société de la Raffinerie de Dunkerque	40.7	4.7	100.0	21.2	21.2			79.4	0.6	-
GTOI	0.8	19.5	100.0	1.4	1.4			157.5	4.2	-
Colas Réunion Industries	4.0	16.3	100.0	30.3	30.3			-	(0.1)	-
SBEG	7.5	12.7	100.0	7.6	7.6			23.5	4.8	5.2
Gouyer	2.0	3.9	96.9	48.0	48.0			3.6	(0.4)	-
Other French subsidiaries				13.0	13.0	115.4		-	-	16.5
<b>Total subsidiaries France</b>				<b>751.0</b>	<b>751.0</b>	<b>361.4</b>				<b>74.9</b>
<b>2. Affiliates - France</b>										
Cofiroute	158.3	1 983.3	16.6	10.9	10.9			-	-	50.9
Other affiliates - France				9.6	9.6	9.9		-	-	-
<b>Total affiliates France</b>				<b>20.5</b>	<b>20.5</b>	<b>9.9</b>				<b>50.9</b>
<b>3. Foreign subsidiaries and affiliates</b>										
Foreign subsidiaries				575.0	468.1	82.6	0.2	-	-	118.0
Foreign affiliates				75.1	55.2	-	-	-	-	-
<b>Total</b>				<b>1,421.6</b>	<b>1,294.8</b>	<b>453.9</b>	<b>0.2</b>			<b>243.8</b>

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

Name	Number of securities	Book value in thousands of euros
Colas Centre-Ouest	3,299,994	3,354
Colas Île-de-France – Normandie	19,739,194	19,726
Colas Nord-Picardie	2,849,994	2,897
Colas Est	10,393,970	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	21,188
Aximum	49,071,094	50,129
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	90,312,756	316,385
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	-	3,230
Other stakes in foreign companies	-	523,196
<b>Total subsidiaries</b>		<b>1,294,769</b>
Other securities held in French companies		26
Other securities held in foreign companies		-
<b>Total other non-current financial assets</b>		<b>26</b>
Certificates of deposit		-
SICAV mutual funds		-
<b>Total marketable securities</b>		<b>0</b>
<b>Total subsidiaries, affiliates and marketable securities</b>		<b>1,294,795</b>

# Results of the Company for the last five fiscal years

in thousands of euros	2007	2008	2009	2010	2011
<b>Share capital at the end of the fiscal year</b>					
Share capital	48,575	48,820	48,903	48,937	48,982
Number of shares issued	32,516,685	32,546,671	32,601,789	32,624,790	32,654,499
Number of bonds convertible into shares	None	None	None	None	None
<b>Operations and results for the fiscal year</b>					
Revenue excluding tax	447,005	739,587	573,294	576,703	757,399
Profit before tax, depreciation, amortization and provisions	314,692	385,752	405,952	378,508	349,625
Income taxes	27,417	28,903	30,095	13,385	26,735
Profit sharing for the fiscal year	1,490	1,766	1,729	1,405	1,668
Profit after tax, depreciation, amortization and provisions	278,477	327,745	329,061	267,456	324,627
Distributed profit	276,392	284,783	220,062	205,536	237,072 <sup>(1)</sup>
<b>Earnings per share (in euros)</b>					
Profit after tax but before depreciation, amortization and provisions	8.83	10.96	11.53	11.19	9.89
Profit after tax, depreciation, amortization and provisions	8.56	10.07	10.09	8.20	9.94
Dividend per share (in euros)	8.50	8.75	6.75	6.30	7.26 <sup>(1)</sup>
<b>Workforce</b>					
Average workforce	295	311	317	311	341
Total payroll	49,104	45,671	45,327	44,352	47,554
Amounts paid in respect of social benefits (social security, etc.)	18,872	15,002	13,524	15,393	13,147

(1) 2011 dividend: subject to the approval of the Shareholders' Meeting of April 17, 2012.



# Report of the Statutory Auditors on Colas financial statements

(Fiscal year ended December 31, 2011)

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, 2011 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, 2011 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.

Paris-La Défense and Courbevoie, February 27, 2012

The Statutory Auditors

KPMG Audit  
*A division of KPMG SA*

MAZARS

Xavier Fournet  
*Partner*

Gilles Rainaut  
*Partner*

Gaël Lamant  
*Partner*

# Special report of the Statutory Auditors

## on related party agreements and commitments

(Fiscal year ended December 31, 2011)

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 Annual 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 TO THE SHAREHOLDERS' MEETING FOR APPROVAL

#### 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.

- **Guarantee provided by Colas on Highway A63 project**

On February 28, 2011, the Board of Directors of Colas authorized the issuance of a Colas guarantee for the concessionary company Atlandes as part of the financing of the Highway A63 concession project.

The guarantee is issued in the form of a surety bond, as follows:

- the guarantee covers 70% of each unpaid amount by the A63 consortium, each of these amounts being within the limits of the ceiling of liability as stipulated in the design-build contract;
- Colas' guarantee is to be applied once the members of the A63 consortium have already been solicited. When Colas Sud-Ouest and Screg Sud-Ouest have paid the share that corresponds to their own stake in the A63 consortium, i.e., 25.5% for each of the said companies, then the total amount is deducted from the 70% covered by the Colas guarantee;
- the said guarantee comes to an end pursuant to the end of the construction completion warranty period that follows phase 2 of the works.

*Director concerned:*  
Thierry Genestar.

- **Modifications to the legal structure of Colas Rail in Great Britain**

As part of a program to modify the legal structure of Colas Rail in Great Britain, the Board of Directors at a meeting on August 29, 2011 authorized the transfer by Colas to its subsidiary Colas Rail Holding of its share in the capital of Seco Rail Ltd for an amount of 5,836 euros.

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

- **Transfer of shares in Développement Infrastructures to Screg Sud-Est**

Développement Infrastructures is a company specialized in equity portfolio management for construction companies and quarries.

To improve synergy in quarry management in the Greater Lyon area, the Board of Directors, at a meeting on August 29, 2011, authorized the transfer by Colas to its subsidiary Screg Sud-Est of all the shares it held in the capital of Développement Infrastructures for an amount of 7,930,000 euros.

*Directors concerned:*  
Hervé Le Bouc, Thierry Genestar.

- **Modifications of the legal structure in Guadeloupe**

As part of a program to modify the legal structures of the Colas companies in Guadeloupe, the Board of Directors, at a meeting on August 29, 2011, authorized the transfer by Colas of:

- 222 shares held by Colas in the share capital of Tropic Travaux Signalisation to SPRI for 1,776 euros;
- 15 shares held by Colas in the share capital of Grands Travaux de Guadeloupe to Colas Guadeloupe for 15 euros;
- 77 shares held by Colas in the share capital of Routes Nouvelles to Sogetra for 1,584 euros.

*Directors concerned:*  
Hervé Le Bouc.

- **Cash management**

On November 14, 2011, the Board of Directors authorized a rider to the agreement with Bouygues Relais for an amount of 750 million euros. The agreement takes effect as of March 1, 2011 until March 1, 2012.

In this regard, Colas had an amount outstanding of 20 million euros from Bouygues Relais. In addition, transactions carried out in fiscal 2011 generated a net expense of 4,160,283 euros.

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

- **Use of aircraft**

The Board of Directors' meeting of November 14, 2011 authorized the renewal of the agreement with Bouygues SA regarding the use of aircraft, with the company SNC Airby, subsidiary of Bouygues SA and SCDM, for a period of one year, as of January 1, 2012.

The agreement stipulates that a Global 5000 jet shall be made available to Colas, and if this aircraft is unavailable, a Challenger 605, or an equivalent aircraft, for an hourly rate of 7,000 euros, excluding VAT. The price includes the provision of the plane, and all other related services. Invoices shall be sent as the aircraft is used.

The agreement had no impact on the 2011 financial statements. It will affect the 2012 financial statements.

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

- **Shared services agreement**

The Board of Directors' meeting on November 14, 2011 authorized the renewal for a period of one year of the shared services agreement signed between Bouygues and Colas, for which Bouygues provides sub-groups of services to Colas, in particular in the field of management, human resources, information technology and finance.

The agreement had no impact on the 2011 financial statements. It will affect the 2012 financial statements.

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

- **Tax consolidation**

The Board of Directors' meeting of December 15, 2011 authorized the renewal for a period of five fiscal years, from January 1, 2012 to December 31, 2016, renewable by tacit agreement, of the tax consolidation agreement signed with Bouygues SA.

The agreement had no impact on the 2011 financial statements. It will affect the 2012 financial statements.

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

- **Supplemental defined benefit pension scheme**

The Board of Directors' meeting of November 14, 2011 authorized the renewal, for fiscal year 2012, of the agreement relating to the collective supplemental defined benefit pension scheme of which Mr. Hervé Le Bouc is beneficiary as Chairman and Chief Executive Officer.

The agreement covers a supplemental defined benefit pension scheme for Mr. Hervé Le Bouc that includes the following:

- 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 agreement had no impact on the 2011 financial statements. It will affect the 2012 financial statements.

*Director concerned:*  
Hervé Le Bouc.

### **Agreements and commitments from prior years which had not been submitted to the Shareholders' Meeting for approval**

We were informed of the following agreements and commitments, authorized during fiscal 2010, that were included in our special report on agreements and commitments for 2010, and which were not submitted for approval to the Annual General Shareholders' Meeting held on April 15, 2011 that examined the financial statements for fiscal year 2010.

#### **• Shared services agreement**

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 2011.

The corresponding expenses recognized by Colas during the fiscal year ended December 31, 2011 amounted to 16,081,009 euros excluding VAT.

#### *Directors concerned:*

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

#### **• Service agreement: use of aircraft**

The Board of Directors' meeting of November 26, 2010 authorized the renewal for a period of one year of the agreement between Colas and Bouygues SA regarding the use of aircraft as of January 1, 2011.

The amount of the expense recognized in the financial statements for the year ended December 31, 2011 by Colas in respect of this agreement amounted to 417,375 euros excluding VAT.

#### *Directors concerned:*

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

#### **• Supplemental defined benefit pension scheme**

The Board of Directors' meeting of November 26, 2010 authorized the renewal, for fiscal year 2011, of the agreement relating to the collective supplemental defined benefit pension scheme of which Mr. Hervé Le Bouc is beneficiary as Chairman and Chief Executive Officer:

- 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 2011 amounts to 272,014 euros excluding VAT.

#### *Director concerned:*

Hervé Le Bouc.

### **AGREEMENTS AND COMMITMENTS WHICH HAD RECEIVED PRIOR APPROVAL BY THE SHAREHOLDERS' MEETING**

#### **Agreements and commitments which had received prior approval and which continued to be in effect during the fiscal year**

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.

#### **• Cash management**

The Board of Directors, at a meeting on August 30, 2010, authorized a rider to the agreement signed with Bouygues Relais for a maximum amount of 750 million euros. The rider took effect on September 1, 2010 and remained in effect up to March 1, 2011.

#### *Directors concerned:*

François Bertière, Olivier Bouygues, Jean-François Guillemin, Hervé Le Bouc 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 2011. The Board of Directors' meeting of September 1, 2006 authorized the renewal of this agreement until the end of fiscal year 2011.

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

- **Supplemental defined contribution pension scheme**

On February 21, 2007, the Board of Directors authorized the application of an agreement relating to a defined contribution pension scheme, 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 2011 recognized in the accounts of Colas was 40,444 euros excluding VAT.

*Directors concerned:*

Thierry Genestar and Thierry Montouché.

Paris-La Défense and Courbevoie, February 27, 2012

The Statutory Auditors

KPMG Audit

MAZARS

*A division of KPMG SA*

Xavier Fournet  
*Partner*

Gilles Rainaut  
*Partner*

Gaël Lamant  
*Partner*

# Report of the Statutory Auditors

## on the transactions in share capital relating to the 11<sup>th</sup> and 12<sup>th</sup> resolutions of the Extraordinary Shareholders' Meeting of April 17, 2012

(Extraordinary Shareholders' Meeting of April 17, 2012)

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 - STATUTORY AUDITORS' REPORT ON THE REDUCTION OF SHARE CAPITAL BY RETIRING TREASURY SHARES OWNED BY THE COMPANY (11<sup>TH</sup> 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 as the Statutory Auditors of your Company 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 a 24-month period 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 - STATUTORY AUDITORS' REPORT ON THE CREATION AND ISSUE OF SECURITIES OTHER THAN THE BONDS PROVIDED FOR IN ARTICLE L. 228-40 OF THE FRENCH CODE OF COMMERCE (12<sup>TH</sup> RESOLUTION)**

Pursuant to article L. 228-92 of the French Code of Commerce, as the Statutory Auditors of your Company, we hereby report on the proposed delegation of authority to the Board of Directors to decide upon the creation and issue of securities (other than the bonds provided for in article L. 228-40 of the French Code of Commerce) conferring entitlement to fixed-term or perpetual debt instruments, or any other instruments conferring, in a single issue, a similar claim on the Company.

The maximum nominal amount of issues of these securities conferring entitlement to a claim on the Company carried out under this delegation may not exceed a ceiling of seven hundred fifty million euros (750,000,000) euros or in foreign currencies, or in any other monetary unit based on a basket of currencies at the date of issuance, 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 above and to set the final terms thereof.

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, 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.

Since the modalities of the transactions have not yet been determined, we cannot give our opinion on the terms under which the transactions will take place.

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, February 27, 2012

The Statutory Auditors

KPMG Audit  
A division of KPMG SA

MAZARS

Xavier Fournet  
Partner

Gilles Rainaut  
Partner

Gaël Lamant  
Partner

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# 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 2011 - which include the balance sheet, the income statement and the notes, and which show a profit of 324,626,714.03 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 6,293 euros for fiscal year 2011.

## 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 2011 - which include the balance sheet, the income statement and the notes, and which show a net profit attributable to the Group of 335,789,000 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:

<b>Earnings for the year:</b>	<b>€324,626,714.03</b>
Plus prior unappropriated earnings:	€448,155,669.36
<b>Total unappropriated earnings:</b>	<b>€772,782,383.39</b>
- to the legal reserve:	€4,456.35
- dividend payout:	€237,071,662.74
- balance of unappropriated earnings:	€535,706,264.30

The dividend of 7.26 euros per share shall be paid by Colas, the issuing company, as of May 2, 2012. 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 is to be paid in cash.

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
2008	€8.75
2009	€6.75
2010	€6.30

## 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. Louis Gabanna'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 2013.

## Sixth resolution

### REAPPOINTMENT OF A DIRECTOR

The Shareholders' Meeting renews Mr. Jean-François Guillemin's appointment to the Board for a term of two years that shall expire upon the Annual Shareholders' Meeting to be called to approve the financial statements for fiscal year 2013.



## Seventh resolution

### REAPPOINTMENT OF A DIRECTOR

The Shareholders' Meeting renews Mr. Jean-Claude Tostivin'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 2013.

## Eighth resolution

### REAPPOINTMENT OF A DIRECTOR

The Shareholders' Meeting renews Mr. Gilles Zancanaro'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 2013.

## Ninth resolution

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

Pursuant to articles L. 255-209 *et seq.* of the French Code of Commerce, the Shareholders' Meeting, which meets the quorum and majority requirements for Annual Shareholders' Meetings and pursuant to the provisions of the European regulation of December 22, 2003 no. 2273/2003 and title IV of book II of the general regulations of the AMF (*Autorité des Marchés Financiers*):

- authorizes the Board of Directors to purchase shares subject to a maximum of 307,608 shares. The Board 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, and (ii) to ensure, where necessary, the liquidity needs of mutual funds whose units are held by Group employees under a Company 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 200 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 200 euros per share, would be 61,521,600 euros (on the basis of 307,608 shares, i.e., 0.94% 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.

## Tenth 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

## Eleventh 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.

## Twelfth resolution

### **AUTHORIZATION GRANTED TO THE BOARD OF DIRECTORS IN ORDER TO ISSUE SECURITIES CONFERRING ENTITLEMENT TO DEBT INSTRUMENTS (OTHER THAN THE BONDS PROVIDED FOR IN ARTICLE L. 228-40 OF THE FRENCH CODE OF COMMERCE)**

The Shareholders' Meeting, which meets the quorum and majority requirements for Extraordinary Shareholders' Meetings, having examined the report prepared by the Board of Directors and the special report submitted by the Statutory Auditors and pursuant to the provisions of the French Code of Commerce, in particular articles L. 225-129-2 to L. 225-129-6 and L. 228-92 *et seq.* of the French Code of Commerce:

- delegates the authority to the Board of Directors to decide upon the creation and issue, at its sole discretion, in one or several operations, either in France

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

- decides that the maximum nominal amount of issues of these securities conferring entitlement to a claim on the Company and the debt instruments to which these securities give access, carried out under this delegation, may not exceed a ceiling of seven hundred fifty million euros (750,000,000) or its equivalent in currencies other than the euro or in any other monetary unit based on a basket of currencies, with the understanding that this maximum nominal amount does not include redemption premiums, if provided for;
- decides that the Board of Directors shall have all powers necessary to implement this delegation, with the option to sub-delegate its authority in accordance with applicable laws and in particular to:
  - proceed with said issues within the abovementioned limits, setting the date, type, amounts and currency of the issues,
  - determine the type and characteristics of the securities to be issued as well as those of the debt instruments to which these securities may confer entitlement and in particular their nominal value and the date from which these securities shall carry dividend or interest rights, their issue price, including an issue premium where applicable, their interest rates, whether fixed, floating or zero coupon and the payment date, or in the event of floating rate securities, the procedures used to determine their interest rates, or the conditions under which interest is capitalized,
  - set forth the method of amortization and/or early redemption of the securities to be issued as well as those for the debt instruments to which these securities may confer entitlement, in accordance with market conditions, where applicable including a fixed or variable premium, or even a redemption premium to be paid by the Company,
  - decide, if appropriate, to attach a guarantee or surety to the securities to be issued and to the debt instruments to which these securities may confer entitlement and to determine its type and characteristics,
  - make provision, if applicable, for the redemption of securities to be issued, as well as that of the debt instruments to which these securities may confer entitlement, to be paid out of Company assets,
  - and, from an overall perspective, to determine all methods and procedures for each issue, enter into any and all agreements with banks and other organizations, take any measures necessary and complete any formalities required and more generally do anything that may be required in this regard;

- grants this delegation of authority for a period of twenty-six months as of the date of this Meeting;
- takes due note that this power granted supersedes any earlier corresponding delegation.

## **Thirteenth 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 things 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 45 and 55 to 62 of this document provides an accurate image of business trends, profits and the financial situation of the Company and all consolidated companies as well as a description of the main risks and uncertainties to which the latter are exposed.

Boulogne-Billancourt,  
March 8, 2012

Hervé Le Bouc  
Chairman and Chief Executive Officer

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 EURO RSCG C&O

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Cover photo: Baloon Photo

7, place René-Clair  
92653 Boulogne-Billancourt Cedex - France  
Tel.: +33 1 47 61 75 00  
Fax: +33 1 47 61 76 00  
[www.colas.com](http://www.colas.com)

Colas, a French Société Anonyme with share capital of €48,981,748.50  
RCS Nanterre 552 025 314 02325



*The road forward*