Annual Report 2016

COMBINED ANNUAL AND EXTRAORDINARY SHAREHOLDERS' MEETING, APRIL 11, 2017

COLAS

WE OPEN THE WAY

Board of Directors

AS OF APRIL 11, 2017(1)

Directors

Hervé LE BOUC
Chairman and Chief Executive Officer

François BERTIÈRE
Director

Olivier BOUYGUES
Director

Martine GAVELLE(2)
Director

Colette LEWINER(2)
Director

Philippe MARIEN
Permanent representative of Bouygues

Catherine RONGE(2)
Director

(1) Subject to approval by the Annual General Shareholders' Meeting of April 11, 2017.
(2) Independent Director.

Auditors

KPMG Audit IS SAS
Statutory Auditor

Mazars
Statutory Auditor

KPMG Audit ID SAS
Substitute

Thierry COLIN
Substitute

Non-voting Director

Jean-François GUILLEMIN(1)
Non-voting Director

CONTENTS

Report of the Board of Directors

TO THE COMBINED ANNUAL AND EXTRAORDINARY SHAREHOLDERS' MEETING ON APRIL 11, 2017

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 section dealing with ordinary business, we present a report on our management of the Group during the past year, together with its current position and trends and submit for your approval the 2016 financial statements and the proposed appropriation of earnings, the agreements and transactions governed by articles L. 225-38 *et seq.* of the French Commercial Code, as well as proposals to renew the appointments of six Directors, to appoint a non-voting Director, to renew the authorization granted to the Board to allow the Company to buy back its own shares, to approve the Chairman and Chief Executive Officer Hervé Le Bouc's compensation for the year 2016 and to approve the principles and criteria used to determine compensation for the Chairman and Chief Executive Officer for the year 2017;

• in the section dealing with extraordinary business, we invite you to amend the Company by-laws to make it possible to appoint one or more non-voting Directors, to grant powers to the Board of Directors to reduce the Company's share capital by retiring treasury shares, to increase the Company's share capital with preferential subscription rights by issuing shares or investment securities, to increase the Company's share capital without preferential subscription rights by way of a public offering of shares or investment securities, to increase the Company's share capital by way of an offering to the persons referred to in section II of article L. 411-2 of the French Monetary and Financial Code of shares and investment securities without preferential subscription rights, to increase the number of new shares to be issued in the event of a capital increase, and to increase the share capital through the capitalization of share premiums, reserves or earnings.

ORDINARY PORTION OF THE COMBINED SHAREHOLDERS' MEETING

2016

Key figures from 2016 are presented below:

in millions of euros	2016	2015	Change 2016/2015
Consolidated revenue	11,006	11,960	−8.0%
of which France	*5,779*	*6,044*	*−4.4%*
of which International	*5,227*	*5,916*	*−11.6%*
Current operating income	386	344	+€42 M
Net profit attributable to the Group	355	234	+€121 M
Net cash flow	578	583	−€5 M
Free cash flow(1)	194	272	−€78 M
Net cash	517 695(2)	560	+€135 M(2)

(1) Free cash flow is cash flow (determined after cost of net debt and net income tax expense, but before changes in working capital requirements) minus net capital expenditure for the period.

(2) Before payment of interim dividend for an amount of 178 million euros in December 2016.

In 2016, in a global economy where growth remained sluggish, trends varied widely throughout the many markets, areas and countries where Colas operates. A fairly large number of these markets continued to decline in volume. The year was also marked by significant impact of changes in scope of consolidation and currency effects. Falling raw material prices (oil products in particular) also led to a decrease in revenue. As a result of these four factors, revenue in 2016 amounted to 11.0 billion euros, down 8% on the previous year (−4% at constant scope and exchange rates), consistent with trends throughout the year.

The year 2016 saw the end of the three-year long drop in revenue for road subsidiaries in Mainland France. The decline in traditional activity in the French Overseas Departments explains in large part the decrease in revenue in France, which amounted to 5.8 billion euros (−4%). International revenue amounted to 5.2 billion euros, down 12%, but at constant scope and exchange rates, the drop only totaled 5%. The impact of currency effects was equal to (124) million euros. Changes in the scope of consolidation amounted to (299) million euros due to the sale of Asian bitumen storage and marketing subsidiaries to the Thai subsidiary Tipco Asphalt (consolidated under the equity method) and revenue from sales of refined products in France virtually reduced to zero with the closure of the SRD subsidiary.

Business in France accounted for 52% of total revenue, with international units totaling 48%.

Revenue from the Road segment decreased by 8%, but only by 5% at constant scope and exchange rates. This 5% decrease is mainly located in central Europe, Canada and the French Overseas Departments. In Mainland France, the Road business was essentially stable over the year. Revenue generated by Specialized Activities (excluding production and sales of refined products in France) was down 2.5% at constant scope and exchange rates, spread amongst Waterproofing, Networks, and Safety and Signaling.

Despite a downturn in activity, current operating income stood at 386 million euros, an improvement of 42 million euros compared to 2015, notably due to the end of current losses in the production and sales of refined products in France and the effects of adaptation plans in Mainland France and elsewhere around the world. The operating margin increased from 2.9% to 3.5%. Hence, Colas has held up well, thanks to the diversity and quality of its operations on five continents, its ability to adapt and react quickly to rapid market changes, and its strategy of continuous transformation throughout its network.

Non-recurring expenses were accounted for in the year for an amount of 62 million euros before taxes, the bulk of which represents fixed costs at SRD, which was closed in 2016.

The contribution from associates and joint ventures amounted to 82 million, up 4 million from 78 million in 2015. For the first time, it includes income from Colas Middle East (the road companies acquired at the end of 2015 and the beginning of 2016 in Abu Dhabi, Dubai, Oman and Qatar).

The cost of net debt totaled 13 million euros, a 6-million-euro improvement with the rise in net cash.

At 97 million euros, other financial income was up sharply (+84 million) compared to 2015. In 2016, this income includes 72 million euros, generated by the sale of the stakes held by Colas in two highway concession companies: Atlandes (section of Highway A63) and Adelac (Highway A41 North).

Net profit attributable to the Group amounted to 355 million euros, a 121-million-euro increase compared to 234 million euros posted in 2015.

(1) In 2016, as was the case in 2015, the halt of activity in the Sales of refined products in France was reported as a change in scope.

Cash flow stood at 578 million euros, practically unchanged from 583 million euros in 2015.

Net capital expenditure came to 384 million euros in 2016, compared to 311 million euros in 2015. In 2015, a prudent tangible investment policy was rolled out, in light of poor market visibility, especially in France.

Free cash flow (cash flow determined after cost of net debt, net income tax and net capital expenditure before changes in working capital requirements) amounted to 194 million euros (272 million euros in 2015).

In 2016, Colas continued to study opportunities for acquisitions, but external growth during the year was slight. Only a few acquisitions were completed, with new units to reinforce the existing network. Investments in equity securities totaled 15 million euros against 18 million in 2015.

Disposals of equity securities amounted to 150 million euros. This included the sale of companies specialized in the storage and marketing of bituminous products to the Thai subsidiary Tipco Asphalt (of which Colas owns 32%), and two stakes in highway concession companies.

The financial structure remains solid, with substantial shareholders' equity totaling 2.7 billion euros and net cash at 517 million euros at the end of December 2016, a 135-million-euro improvement compared with the end of December 2015 if the interim dividend of 178 million euros paid in December 2016 is neutralized.

Business activity

With operations via 800 construction business units and 2,000 material production units in more than 50 countries across five continents, Colas is a leader in the construction and maintenance of transport infrastructure.

Colas works in every field of transport infrastructure construction and maintenance, through two operating divisions: Roads, which are the Group's core business and account for 82% of its revenue, and additional Specialized Activities (Railways, Waterproofing, Road Safety and Signaling, Networks).

Colas integrates all the production and recycling activities involved in most of these businesses, via an international network of quarries, emulsion plants, asphalt plants, ready-mix concrete plants, and plants that produce bitumen, manufacture waterproofing membranes and make road safety equipment.

Every year, Colas performs more than 90,000 projects worldwide, the majority of which involve its recurrent core business.

The breakdown of revenue by business segment is as follows:

in millions of euros	2016	2015	Change 2016/2015	At constant scope and exchange rates
Roads Mainland France	3,990	3,982	0.2%	0.2%
Roads Europe	1,374	1,674	−18%	−16%
Roads North America	2,474	2,666	−7%	−6%
Roads Rest of the World	1,133	1,395	−19%	−4%
Total Roads	**8,971**	**9,717**	**−8%**	**−5%**
Specialized Activities(1)	**2,016**	**2,227**	**−9%**	**−3%**
Parent company	**19**	**16**	**ns**	**ns**
TOTAL	**11,006**	**11,960**	**−8%**	**−4%**
(1) Including sales of refined products	12	120		

ROADS

Roads are the Group's main business activity, with revenue totaling 9.0 billion euros in 2016, compared to 9.7 billion euros in 2015, an 8% drop (−5% at constant scope and exchange rates). Roads represent 82% of the Group's revenue.

The Roads business is very diverse, covering a wide range of jobs and skill sets. It can be broken down into two activities:

- **construction and maintenance of road infrastructure:**

Each year, via 60,000 projects worldwide, Colas builds and maintains roads and highways, and also works on airfield runways and aprons, seaports, industrial sites, logistics and commercial premises, street construction and urban development (pedestrian walkways, city squares), reserved-lane public transport (tramways, bus lanes, metros), recreational amenities (bicycle paths, motor racing tracks, sports facilities) and environmental protection (retention ponds, landscaping, wind farms), etc. The degree of seasonality of this business varies from one country to the next.

This activity also includes small-scale civil engineering and drainage work often linked to road projects, as well as more complex civil engineering jobs (major structures) required when bidding for road or highway contracts.

Lastly, in certain geographic zones, the Group's road work companies sometimes carry out marginal building activities including conventional new construction and renovation projects in the Paris region and the Indian Ocean and Oceania, where this is an indispensable addition to road work, and the demolition and deconstruction of existing buildings in France, often in connection with the recycling of materials.

The Group's road construction and maintenance business covers a very large number of small- to mid-sized projects, but also major projects, which are sometimes carried out with complex contracts such as concessions, PPP/PFI or MAC (Management Agent Contractor, now called ASC for Asset Support Contract) such as:

– in France, Highway A63 concession in the southwest, Reims tramway concession, Nîmes-Montpellier rail bypass PPP, L2 Marseille bypass PPP, the southwest Vichy bypass PPP, Troissereux bypass PPP in the north of Paris;

– the Portsmouth PFI and long-term MAC/ASC management and maintenance contracts for roads and highways in the United Kingdom;

– PPP for Motorway M6-M60 in Hungary;

– PPP for the Iqaluit International Airport in Nunavut, Canada.

In connection, Colas sometimes acquires stakes, usually minority interests, in concession companies for highway infrastructure, urban roadways and urban public transit.

The road construction and maintenance business posted revenue of 7.5 billion euros, some 68% of total Group revenue.

• the production and recycling of construction materials (aggregates, emulsions and binders, asphalt mixes, ready-mix concrete, bitumen):

Upstream of road construction and maintenance, Colas runs a major business focused on manufacturing and recycling construction materials at all its locations around the world, for internal reuse or sale to third parties, via a dense international network of 714 quarries and gravel pits, 123 emulsion and binder plants, 565 asphalt plants, 177 ready-mix concrete plants and one bitumen production plant (the Dunkirk plant was closed down in 2016). In 2016, the Group produced 100 million tons of aggregates, 1.8 million tons of emulsions and binders, 41 million tons of asphalt mix, 2.3 million cubic meters of ready-mix concrete and 850,000 tons of bitumen(1). Colas also has 2.6 billion tons of authorized aggregate reserves(2) (equivalent to twenty-eight years of production), as well as 2.0 billion additional tons of potential reserves(3).

Sales of construction materials to third parties accounted for revenue of 1.5 billion euros in 2016, i.e., 14% of total Group revenue.

ROADS IN MAINLAND FRANCE (revenue 2016: 3.990 billion euros)

In Mainland France, the Group operates in the roads sector via six regional Colas subsidiaries (merger at end-2016 of Colas Nord-Picardie and Colas Est to form Colas Nord-Est), providing a dense network of construction business units and material production units located across the country.

In the Mainland France roads market, Colas is the leader ahead of Eurovia (Vinci group) and Eiffage Travaux Publics (Eiffage group). In the roads and public works sectors, Colas subsidiaries also compete against large national companies such as NGE and Malet, and regional companies like Ramery, Charrier, and Pigeon as well as a very dense network of some 1,400 small- and medium-sized businesses that may be regional or local. In the aggregates and ready-mix concrete market, competitors include cement groups such as LafargeHolcim, Cemex, Eqiom, Italcementi, and Vicat, and a regional or local network of aggregate producers, which in some cases also work in construction.

In Mainland France, roads generated revenue of 3.990 billion euros, virtually stable compared to 2015, after several years of decline. This figure, which mechanically incorporates the drop observed during the year in oil product prices, in particular for bitumen, masks a very slight improvement in activity. Despite continued cuts to government funding for local authorities, projects (trams, bus rapid transit) were launched by the municipalities in the second part of their elected term. The private market remains virtually unchanged. Revenue was stable throughout the entire network in France, with the exception of the Rhône-Alpes region which declined slightly. In a market where pressure on profit margins remains high, adaptation plans have continued.

The major PPP projects in which Colas has taken part over the last few years are currently reaching completion: the East section of the L2 bypass in Marseille (work on the North section has begun) and Troissereux PPP bypass were handed over end-2016. Road work on the Nîmes-Montpellier high-speed train bypass is finished.

In all, a total of 37,000 projects were completed by Colas road companies in Mainland France in 2016. The following examples illustrate Colas' broad diversity of know-how and expertise:

Construction, maintenance and renovation of highway networks: extension of Highway A34 to Belgium; widening to six lanes of a section of Highway A71, repaving on Highways A6 at Courtenay, Nitry, A8 between Le Muy and Vidauban, A39 between Beaurepaire and Courlaoux, A40 at Bourg-en-Bresse, and between Sallanches and Cluses, in the Mont-Blanc tunnel, A85 between Bléré and Saint-Aignan-sur-Cher, on the Dirmed network (A7, A51, A55, A515);

Construction, maintenance and renovation of road networks: construction of the L2 ring road in Marseille, with the delivery of the East section; construction of two base camps and a construction office base, and supply of fill and cement bound aggregates on the high speed railway bypass between Nîmes and Montpellier; repaving of roads on the eastern ring road of Toulouse; completion of the construction of the Troissereux bypass (PPP); construction of the Mussidan bypass; widening to four lanes of a section of the Route RN 19 between Amblans and Lure; refurbishment of a four-lane section of Route RD 948 between Challans and Aizenay; repaving of Route RN 57 in the Vosges, Route RD 117 in Prat-Bonrepaux;

Airports and ports: refection of runway 2 at Roissy – Charles-de-Gaulle Airport; runway refurbishment at the Cognac Airbase; work on airports in Ajaccio, Calvi, Cannes, Nice, Nîmes;

Urban development: development of an urban boulevard in Vichy, from boulevard Émile-Zola to Villeurbanne, Route RD5 in Vitry-sur-Seine with roads, main services, and green spaces; redevelopment of public spaces in the Jean-Bouvier neighborhood in Colombes; development of the Duranne eco-district in Aix-en-Provence;

Public transport: refurbishing the railway platform between Niort and La Rochelle in a design build contract; start of the construction of the T4 tramway line between Clichy-sous-Bois and Montfermeil; extension of line 3 of the Basel tramway in Saint-Louis; construction of bus rapid transit lines (BHNS) in Lorient, Montbéliard, Pau;

Logistics, commercial, industrial facilities: development of a multimodal hub in Quimperlé; commercial platforms in Guéret, Poupry, Fenouillet, Béziers, Mont-de-Marsan, Louvroil, Villebon-sur-Yvette; construction of garages for Eurotunnel;

Sports and recreational facilities: development of a vacation village in Hattigny;

Environment: development of wind farms in Oise, Bouches-du-Rhône; carrying out work to protect the banks of the Canal du Midi in Carcassonne; sand reloading of the beaches of Barcarès, Sainte-Marie and Toreilles on the Mediterranean coast; rebuilding the French gardens at the castle of Chambord;

Miscellaneous: earthworks, roads and main services, civil engineering for the maintenance and storage site for the tram-train in Massy-Évry; cleaning, dismantling and demolition of buildings at the Necker hospital in Paris; earthwork and pollution remediation of the View building in Paris; rehabilitation of Gustave-Eiffel high school in Gagny.

ROADS IN EUROPE (revenue 2016: 1.374 billion euros)

Colas does road work both in northern Europe, including Belgium, Denmark, Ireland, the United Kingdom and Switzerland, as well as in central Europe, including Croatia, Hungary, Poland, the Czech Republic, Slovakia and Romania.

In most European countries where Colas operates, the Group enjoys a prominent position in the roads sector. Its main competitors in these countries are national corporations or subsidiaries of large international groups (construction and public works, cement makers, manufacturers of building materials).

In Europe, the Roads business accounted for revenue of 1.374 billion euros in 2016, down from 2015 (–18%) (–16% at constant scope and exchange rates).

Northern Europe

In northern Europe, revenue totaled 892 million euros in 2016, down 5% compared to 2015 (–2% at constant scope and exchange rates).

In the **United Kingdom,** the market remained highly competitive and business declined due to the slowdown in investments after the vote in favor of the "Brexit" and delays in rolling out a major national road infrastructure plan that extends up to 2020. Work continued as part of multi-year MAC/ASC maintenance contracts for the Areas 4, 12 and 14 road and motorway network and the TfL (Transport for London) renovation and maintenance contract for central London streets.

In **Ireland,** the economy is recovering gradually and business at the subsidiaries is on the rise in every segment (bitumen, emulsions, asphalt mixes, road works). Colas Ireland also benefitted from the continuation of the first MAC/ASC contract in partnership with Colas Ltd, an improved organization for its construction business and better integration of its activities (quarries, asphalt plants, works).

In **Belgium,** with market volumes that remain low and lingering pressure on prices, business is up slightly. Colas Belgium reaped the fruit of its reorganization and an increased share of private sector in its overall revenue. New major contracts are expected to come up for bid, e.g., the Antwerp ring road and the Liege tramway in PPP.

In **Switzerland,** in a favorable economic environment, business improved slightly despite the absence of large highway projects. Revenue at comparable scope and exchange rates was stable.

In **Denmark,** where the economic environment remains buoyant, business is up slightly from last year. The decline in new construction projects was offset by higher maintenance volumes, particularly in cities. In **Iceland,** the economy is getting stronger, and the company benefitted from a good level of investment in road infrastructure and an airport renovation project.

Central Europe

In central Europe, in line with forecasts, revenue fell significantly as a result of delays in the launch of highway and motorway tenders financed by European funds. The subsidiaries continued their efforts to reorganize and adapt their structures.

(1) This figure corresponds to production at the Kemaman plant in Malaysia.
(2) Authorized reserves refers to the annual tonnages authorized by the authorities, multiplied by the number of years remaining until expiration of the operating permit, at all premises controlled by the Group. This figure cannot exceed the number of tons that are economically viable within the scope of the permit.
(3) Potential reserves refers to tonnages currently in controlled premises, with the reasonable likelihood that a local permit will be obtained, and not already counted under "Authorized reserves". This figure cannot exceed fifty years of production, based on the assumption that a permit will be obtained or an existing permit renewed.

In **Hungary,** where numerous calls for tenders were launched in the second half of the year, work on the construction of Motorway M35 and the widening of Route 21 began. At the end of 2016, a major contract was won for the construction of the Hódmezővásárhely bypass on Highway 47. In **Slovakia,** the major design-build project for the R2 Banovce bypass, including 13 engineering structures, was delivered. In the **Czech Republic,** two new sections of Highway D1 are awaiting allocation, and the subsidiary's modified polymer bitumen (PmB) plant has been commissioned. In **Poland,** in a competitive public market, business benefitted from private sector projects, and the Rogoznicza quarry has been upgraded. In **Romania,** where business is focused on the production and sale of construction, revenue increased. In **Croatia** and **Slovenia,** markets remain sluggish.

Some of the highlights in 2016 in Europe include: in the United Kingdom, continuation of renovation and maintenance work on central London streets as part of an eight-year contract, and refurbishment of the main runway and taxiway at East Midlands Airport; in Ireland, maintenance of a 253-km road network under a five-year joint-venture contract renewable twice for one year; in Belgium, rehabilitation of the test track for an automobile manufacturer in Lommel; in Switzerland, earthworks, pollution remediation and pipes for the construction of a workshop complex in Plan-les-Ouates; in Denmark, complete rehabilitation and re-design of a street in the town of Middelfart; in Iceland, rehabilitation of the runways and the construction of two taxiways at the Keflavik Airport; in Hungary, construction of Motorway M35, completion of a water treatment plant in Siófok and a tram platform on Görgey Utca in Budapest; in the Czech Republic, renovation of the Zdakovsky bridge; in Slovakia, construction of the Banovce bypass (R2) and a factory platform for a car manufacturer in Nitra; in Poland, development of commercial hubs in Lacina and Poznan.

ROADS IN NORTH AMERICA (revenue 2016: 2.474 billion euros)

In North America, the Group operates in 24 states in the United States and eight provinces and territories in Canada (Quebec, Alberta, British Columbia, Yukon, Northwest Territories, Saskatchewan, Ontario and Nunavut). Activity in the United States includes a strong industrial component (aggregates, asphalt mixes, ready-mixed concrete) and a large bitumen storage activity.

In fragmented North American markets, Colas' competitors are local, regional or national players (for example, in the United States, Granite Construction for the construction and renovation of transport infrastructure, or Martin Marietta and Vulcan Materials) or subsidiaries of multinational companies, especially for material production (e.g., CRH, LafargeHolcim, Hanson-Heidelberg).

In North America, the Roads business accounted for revenue of 2.474 billion euros in 2016, down 7% from 2015 (–6% at constant scope and exchange rates).

In the **United States,** the economy is recovering noticeably and progressively. The road segment has not yet actually benefitted from the eight-year FAST Act – Fixing America's Surface Transportation Act (a 10% increase over the previous plan for the five first years). It is however boosted by a number of state-level financing initiatives, and the private sector which is slowly starting back up. Revenue at constant scope and exchange rates was stable compared to 2015, impacted by lower prices for oil products, in particular bitumen, and the refocusing of activity (end of civil engineering works). Operational performance continues to improve. Small acquisitions were made in Alaska, South Carolina and Wyoming.

In **Canada,** the economy was impacted by the sharp decline in crude oil prices affecting the western provinces, including Alberta. The major fire in the Fort McMurray area prevented the local profit center from doing business as usual. As a result, Colas Canada's revenue is down compared to 2015, which was a high basis for comparison. The ten-year infrastructure plan decided by the federal government at the end of 2015 has not yet begun to take effect. In Ontario, activity was satisfactory. In Quebec, the subsidiary is now well adapted to the current level of the market, which remains historically low. The Iqaluit Airport PPP project in Nunavut is nearing completion.

Some of the significant projects completed or underway in 2016 in North America include:

– in the **United States:** expansion and repaving as part of a Design & Build contract on a section of Interstate 77 in Richland County, South Carolina; construction of a new access to the Norfolk container port platform and construction of a drone runway at Wallops Island, Virginia; rehabilitation of engineering structures and widening of roadways on a section of Interstate 81 in Luzerne County, Pennsylvania; repaving and expansion of Socialville-Foster Road in Warren County, Ohio; rebuilding the main access road to downtown Fairbanks, rehabilitating a section of Arctic Boulevard in Anchorage and Egan Drive in Juneau, Alaska;

– in **Canada:** upgrading and extension of the runway, taxiways, aprons and rehabilitation of access roads as part of a PPP for the Iqaluit Airport, Nunavut; rehabilitation of two runways at Quebec City Airport and reconstruction of a section of Highway 173 in Quebec; completion of multi-year road maintenance contracts in the City of Edmonton and expansion and reconstruction of McKnight Boulevard in Calgary, Alberta; repaving in the cities of Brampton and Mississauga, Ontario; upgrading a section of Tuck Inlet Road in British Columbia.

ROADS IN THE REST OF THE WORLD (revenue 2016: 1.133 billion euros)

Throughout the Rest of the World (international excluding North America), the Group operates:

– in all of France's Overseas Departments (Martinique, Guadeloupe, French Guiana, Mayotte, Reunion Island);

– in Africa and the Indian Ocean (mainly Morocco, western and southern Africa, Madagascar, the Comoros, Mauritius), as well as in the Middle East since the beginning of 2016;

– in Asia/Australia/New Caledonia, where the production, storage, transformation, distribution and sale of petroleum products are the Group's main business, via a network comprising one bitumen production plant in Kemaman, Malaysia, coupled with 28 emulsion plants and 21 bitumen storage units. In Australia, business has expanded to include road construction. In New Caledonia, Colas and its subsidiaries operate in road building, construction, aggregates and ready-mix concrete.

In most of the countries and regions where it operates, Colas is a prominent player in the road construction sector. It competes in each country with national corporations or the subsidiaries of major international groups (construction and public works, cement makers, material manufacturers).

In 2016, the Roads business in the Rest of the World accounted for revenue of 1.133 billion euros, down 19% from 2015, only –4% at constant scope and exchange rates, a trend that reflects dissimilar situations.

French Overseas Departments

In the French Overseas Departments, 2016 revenue stood at 428 million euros, down 15% from 2015.

In the **Caribbean-French Guiana** zone, the market remains low level, as is the case in Mainland France. Martinique and French Guiana are also impacted by the setting up of a combined local government for the region and the *département,* resulting in a halt in investment for maintenance and a freeze in offers for new major projects. Guadeloupe, which has retained its two distinct levels of government, benefits from investments from the *département* and the region, and small social housing projects along with the private sector.

In **Reunion Island,** the construction of the new Coastal Road (850 million euros, of which 482 million euros for Colas) is in the process of partially offsetting the decline in the conventional public works and civil engineering activities after a slump in 2015. The building business has benefitted from several major projects (hospitals and a high school) and the completion of social housing projects. In **Mayotte,** where social unrest was high in the first half of the year, the market was marked by the absence of major projects.

Some of the significant projects completed or underway in 2016 in the French Overseas Departments include: extension of the port terminal at Pointe-des-Grives in Fort-de-France and earthworks, roads and main services and civil engineering for the construction of a bagasse/biomass plant in Martinique; earthworks and roads and main services for an eco-district in French Guiana; construction of a causeway and an interchange for the new Coastal Road, construction of the main structure and roads and main services for the Saint-Paul West health center, a high school in Saint-Denis, and extension and rehabilitation of the Saint-Pierre hospital in Reunion Island.

Africa and the Indian Ocean

In Africa and the Indian Ocean, revenue amounted to 420 million euros in 2016, compared to 428 million in 2015. Despite infrastructure needs that remain high, some countries in central and southern Africa are impacted by lower oil and raw material revenue.

In **Morocco,** in a highly competitive market, business started to benefit from investments in infrastructure and the private sector (automobile, aeronautics). The subsidiary maintained its market share, thanks to innovative offers. Some important projects with high technical features should be launched quickly (highways, tramways, renewable energy).

In **West and central Africa,** the difference in business from one country to another reflects their dependence on oil and commodity prices: business was up in **Côte d'Ivoire,** work continued on the Tchetti-Savalou and Logozohoué-Glazoué routes in **Benin,** along with rehabilitation of the National Road 4 between Tabligbo and Aného in **Togo,** whereas **Gabon** was down. At the end of 2016, a major contract for a mining client, including earthworks, civil engineering and railway works, was won in **Guinea-Conakry.**

In **southern Africa,** the decline in raw material prices impacted business. Sales in **South Africa,** Colas' main unit in the zone, remain low, close to that of 2015.

In **Madagascar,** activity is low in the absence of major projects. The same is true in **Mauritius.**

Some of the significant projects completed or underway in 2016 in Africa and the Indian Ocean include: repaving on the Settat-Marrakech Highway, road maintenance using microsurfacing on sections in several areas, treatment and maintenance using the Dust-A-Side process of the Sidi Chennane phosphate mine tracks in Khouribga, Morocco; construction of Tchetti-Savalou (42 km) and Logozohoué-Glazoué routes (17 km) in Benin; rehabilitation and reinforcement of roads on National Route 4 over a 43-km section between Tabligbo and Aného, Togo; rehabilitation and extension of National Route 1 at the exit of Libreville, Gabon; rehabilitation of Route RN5 between Mananara North and Maroantsetra in Madagascar.

Middle East

In the Middle East, companies acquired in partnership at the end of 2015 and early 2016 in the United Arab Emirates, Oman and Qatar performed well. These subsidiaries are consolidated by the equity method and do not contribute to consolidated revenue.

Asia/Australia/New Caledonia

In Asia/Australia/New Caledonia, revenue amounted to 285 million euros, up 3% from 2015 if one neutralizes the significant impact of changes in the scope of consolidation resulting from the sale of subsidiaries operating in storage, transport and sale of bitumen in Vietnam, Indonesia and Singapore to the Thai subsidiary Tipco Asphalt, of which Colas owns 32%. Colas recorded a good performance again this year.

In **Asia,** in **India,** activity is stable and, thanks to very good business and a good "product mix", Hincol had yet another good year. A new emulsion and polymer modified bitumen plant was acquired. In **Thailand,** where domestic demand remains strong, Tipco Asphalt (consolidated under the equity method) recorded a decline after a record year in 2015, reflecting a significant slowdown in activity in the zone (Vietnam, Indonesia, Australia and China).

In **Australia,** in a more favorable economic environment, activity in industries and road works is on the increase. Despite the sharp decline in the price of oil products, notably bitumen, revenue is stable.

In **New Caledonia,** the economic environment remains sluggish, but the road subsidiary maintained its level of activity thanks to the maintenance market. The construction business benefitted from a project to build a private clinic.

Significant projects completed or in progress in 2016 in Asia/Australia/New Caledonia include: widening a road in Surin, northeast of Thailand; pavement maintenance with the application of asphalt and surface dressings on sections of the Pacific Highway, Australia; building reserved-lane bus networks and construction of the Nouville clinic in Nouméa, New Caledonia.

SPECIALIZED ACTIVITIES

Specialized Activities, excluding production and sales of refined products in France, recorded revenue of 2.0 billion euros in 2016, down 5% from 2015. These activities represent 18% of Group revenue.

RAILWAYS (revenue 2016: 967 million euros)

The Railways business, performed by Colas Rail and its subsidiaries, includes the design and engineering of large, complex projects and the construction, renewal, and maintenance of rail networks (high-speed and conventional train routes, tramways, metros) as regards their fixed installations and infrastructure, namely the laying and maintenance of track, electrification (substations, overhead power supplies), signaling and safety systems, specialty projects (retractable bridges, special branch lines, tunnels), the manufacturing of ties, and a rail freight business (transport of aggregates for the Group's subsidiaries, as well as other goods for private clients).

The Railways units operate in France and around the world, notably in the United Kingdom, as well as in Belgium, Poland, Romania, Venezuela, Chile, Egypt, Algeria, Tunisia, Morocco and Malaysia.

Colas Rail's main competitors in France are ETF (Eurovia), TSO (NGE), TGS (Alstom), Eiffage Rail, and a number of independent mid-sized companies. In the United Kingdom, they are Balfour Beatty, Carillion, Babcock, VolkerWessels, Vinci, Skanska, BAM, and Ferrovial.

In 2016, Colas Rail posted revenue at 967 million euros, down 4% (almost identical at constant scope and exchange rates) with, for the first time, a larger share for the international segment. The railway renovation and maintenance markets were less buoyant in France than in the United Kingdom, and large international railway project markets remained upbeat.

In France, renovation and maintenance activity for the French national railway network started later than in 2015. The share of closed-line renovation projects was also down and the tramway business has not yet benefitted from new projects launched in the second half of 2016. The construction of the high-speed Nîmes-Montpellier bypass, in which Colas Rail has an 18% stake, is currently being completed.

In the United Kingdom, the subsidiary achieved a record level of business, comparable to that of last year. The important contract to upgrade the Wessex railway infrastructure has started.

In the Rest of the World, revenue continued to increase, notably with the continued construction of the Tangiers-Kenitra high-speed line – the first high-speed line on the African continent – in Morocco, the start-up of extensions A and C of line 1 of the metro of Algiers, Algeria, and the construction of lines 3 and 6 of the metro of Santiago, in Chile.

In addition to international projects mentioned above, one can cite among the significant projects completed or underway in 2016: completion of the construction of the catenary for the new Brittany-Pays de la Loire high-speed train between Le Mans and Rennes, as a subcontractor for Eiffage Rail Express; regeneration of the railway platform between Niort and La Rochelle; modernization of the Guingamp-Paimpol and Quimper-Landerneau lines; renewal of track on line A of the Paris RER between Nanterre and Vincennes; extension of line 14 of the Paris metro between Mairie-de-Saint-Ouen and Saint-Denis-Pleyel.

WATERPROOFING (revenue in 2016: 547 million euros)

Waterproofing, performed by Smac and its subsidiaries, includes:
– the production and sale of waterproofing membranes (19 million m² produced in 2016) in France and internationally (in more than 70 countries), lighting and smoke evacuation systems and installation and maintenance of servo-controls;
– the performance, mainly in France but also in Morocco, Chile and Peru, of waterproofing work on buildings, major engineering structures and parking lots, and building envelope work (roofing, siding, cladding and acoustics, e.g., for industrial facilities, concert halls, museums) and road work and other mastic asphalt street-level construction.

Thanks to its advanced research and development capabilities and engineering design offices, Smac can take on highly technical projects, in which it is a recognized expert and a major market player, competing mainly with Soprema.

In 2016, Smac recorded revenue of 547 million euros, down 8% compared to 2015, in a building market in Mainland France that enjoyed a slight recovery in the second half. Revenue from sales of waterproofing membranes is impacted by lower raw material prices.

Among the significant projects of the year were the following: the new building of the *tribunal de grande instance* court house in Paris; noise reducing roofing and cladding for the future terminal linking Orly Ouest and Orly Sud Airport; cladding on shopping centers in Toulouse, Neuville-en-Ferrain.

ROAD SAFETY AND SIGNALING (revenue 2016: 301 million euros)

The Road Safety and Signaling business (Aximum and its subsidiaries) includes the manufacture, installation and maintenance of safety equipment (guardrails and traffic directing systems), of road paints and marking products, of signs, and of traffic and access management systems (traffic lights and equipment for toll booths, parking lots and access control).

Most of this business is in France but some is conducted in international markets, most notably in the Netherlands, and products are exported to some 20 countries.

Aximum's main competitors in France are Signature (Eurovia), Agilis (NGE), AER (Eiffage), and Girod and Lacroix in the sign sector.

In 2016, in a market where volumes are on the decline, and competition is very tough due to overcapacity both in Works and Services segment and in Industries (painting, signaling), Aximum recorded revenue of 301 million euros, down 3% from the previous year. Aximum continued to play a major role in large complex contracts (PPP), including maintenance, operation and renewal of guardrails and safety equipment on the Troissereux bypass since the section was commissioned in 2016 for a twenty-two-year period. Losses recorded in 2016 will be met with a strong-willed action plan to adapt structures to markets that will remain down for the long-term and a refocus of the subsidiary's business model.

Highlights of 2016 include: job site signaling, supply of concrete and steel guardrails, and the commissioning of fixed operating equipment for L2 bypass construction site in Marseille (PPP); supply of 33 km of double guardrails for Route 4 in the Czech Republic; supply of resins and varnishes for the Wattway trial site (photovoltaic road surfacing created by Colas in partnership with the French national institute for solar energy) in Tourouvre, Normandy.

NETWORKS (revenue 2016: 189 million euros)

The Networks business (Spac and its subsidiaries) involves the installation and maintenance of large-diameter and smaller pipelines and pipes designed for the transport of fluids (oil, natural gas, water), including the construction of turnkey gas compression stations, and dry networks (electricity, heating, telecommunications), as well as small-scale civil engineering and industrial services.

This business is mostly conducted in France.

Spac's main competitors in the pipeline market are Spiecapag, Sicim, Bonatti for pipelines and Ponticelli, Endel and Eiffel (Eiffage group) for turnkey projects.

Spac recorded revenue of 189 million euros in 2016, down 4% from 2015, with a nonetheless good level of business for energy distribution in industrial projects that offset the slump in the pipeline sector. At the end of 2016, Spac secured a major contract involving 62 km of natural gas pipeline to reinforce the Midi-Gascogne network along with two sections of the Val-de-Saône natural gas pipeline.

Among the most significant projects in 2016: construction of interconnection stations in Palleau and Étrez for GRTgaz; installing 10 km of natural gas pipeline in Parentis-en-Born; installing cold network on the Seine river banks in Paris and dry, wet networks at the Fort de Vanves.

PRODUCTION AND SALES OF REFINED PRODUCTS (revenue 2016: 12 million euros)

The production of the Dunkirk unit of SRD was stopped in early 2016. At the end of a re-employment plan negotiated with social partners and signed at the end of May, the unit was definitively closed and gradually secured. All employees left the Company at the end of December, following termination procedures which started in November. The year 2016 therefore almost fully bore the cost of a full year of structure costs, notably wages. A dedicated structure has been set up to start the decommissioning and depollution phase, which is scheduled for completion in 2019. This work has been provisioned for on the basis of an interim budget. Some of the site could be maintained if the project to develop a bitumen depot came to fruition, the feasibility of which is still being studied by a third-party company.

Techniques, Research and Development

Research has been a pillar of Colas' strategy from the very start.

Founded in 1929 to operate a Cold Asphalt patent, Colas continues to pioneer the development of new techniques for transport infrastructure, tailoring them to different national markets (e.g., depending on market evolutions and the type of weather – from the freezing temperatures of Alaska to the tropical climates of Africa and Asia) or inventing, as is the case today, new functions for these infrastructures. Thus, over the decades, Colas has come to boast a portfolio of more than 100 patents in France and across the world, in addition to products and processes distributed to subsidiaries worldwide.

The objective of Colas' Research and Development policy is to anticipate and meet market expectations and the needs of public and private sector customers, transport infrastructure users and local communities, in terms of cost-effective quality, safety, comfort, environmental protection (saving materials and energy, reducing carbon impact, reducing traffic noise, and improving esthetic integration) and controlling costs, as well as the protection of employee health at the workplace. It also aims to add new complementary functions to the traditional role played by roads as a vector of mobility and transport, by using new energy and information technologies (photovoltaic panels, connected objects).

This policy has led Colas' R&D teams not only to improve existing techniques, but to design new products and processes and broaden the Group's range of services, backed by ongoing progress in expertise, particularly in the fields of mineral, organic and plant chemistry, rail and road infrastructure design and applied physics.

In 2016, the Group once again adapted its research programs to meet the needs of its rapidly changing markets, especially in France where pavement preservation projects are being rolled out, against a backdrop of extremely tight budgets.

In addition to work focused on products, Colas teams continued to focus their research efforts on the communicating, energy-plus "Road of the Future".

A NETWORK OF TECHNICAL SKILLS

Colas has a large global technical network that is expanding and getting stronger with each new acquisition the Group makes. This network operates in close synergy with Colas teams in the field to propose new solutions, and to adapt the focus of R&D to include market factors in an ever-changing environment.

At the core of this network is the spearhead of the Group's innovation program, the Campus for Science and Techniques (CST) based in Magny-les-Hameaux, near Paris, the road industry's premier private research center in the world with eight laboratories. The men and women at the CST use their R&D expertise and skills to provide support to Colas subsidiaries in France and worldwide, assisting them with everyday projects and with larger works and complex contracts such as tramway platforms and PPP, PFI and concession projects. Over 90 engineers, laboratory technicians, physicists, chemists, materials specialists and metrology experts work at the CST.

At Colas, there are some 50 regional laboratories and nearly 100 engineering design offices specialized in road construction, civil engineering, rail networks, building construction and deconstruction in France and throughout the world that work in continuous collaboration with the CST. They contribute to the Group's overall research effort and offer tailor-made technical support to local projects.

Each team has its own state-of-the-art laboratory equipment and computer tools, which are renewed on a regularly basis, to meet evolving technical challenges, regulatory requirements and customer needs and expectations. This includes equipment for materials analysis, risk assessment and simulation software, and equipment to assess and inspect the condition of roads, recently acquired or designed by the CST. This equipment enables the Group's teams to propose new solutions to customer needs and enhance contract offerings with technical and cost-saving alternatives.

In all, the Colas technical network boasts 2,000 research experts, engineers and technicians hard at work throughout the Group's businesses worldwide, with 1,000 people in regional laboratories and 1,000 people in technical engineering and design offices.

THE FOCUS OF RESEARCH AT COLAS

Colas' R&D and technical teams focus on the following responsible development issues.

SAVING ENERGY AND MATERIALS, REDUCING CARBON IMPACT

In the field of road construction, Colas' R&D and technical teams focus their efforts on:

– **lowering asphalt mix and mastic asphalt manufacturing temperatures** to make warm, semi-warm and cold mixes (3E® energy efficient mixes), and low-temperature mastic asphalts, such as Smac's Neophalte® BT, with equivalent workability to hot techniques;

– **progressively replacing petrochemical and synthetic chemical components with plant-based products,** such as Vegeflux® and Ekoflux® fluxing agents, and Vegecol® binder which is a carbon sink;

– **reducing bitumen content,** with Megabase®, a road base asphalt concrete with large sized aggregates designed for base courses and subgrades on heavily-solicited roads, railways and logistics facilities;

– **recycling used materials,** with in particular the use of high percentages of reclaimed asphalt pavement (RAP) to make new asphalt mixes, illustrated by 3E®+R mixes which have been certified by the French Ministry of Ecology, Sustainable Development and Energy for use in Innovation pilot projects, and by cold in-place pavement recycling and treatment with Novacol® and Valorcol®;

– **reducing the thickness of road layers,** with Colgrill R®, which consists of a fiberglass mesh and asphalt mix. This product won a Sustainable Development Innovation Award and is currently used in several Innovation pilot projects for the French Ministry of Ecology, Sustainable Development and Energy. Optibase®, optimized road base asphalt concrete that can be applied warm, is designed to greatly reduce pavement thickness on heavily solicited roadways (heavy, aggressive traffic, industrial sites). With the same goal in mind to save materials, Ecofast® is a very thin asphalt technique that can be applied quickly, combining a waterproof substrate and good skid resistance for vehicles. The product is now part of an Innovation charter program with the CIRR (Street and Road Innovation committee) and a project was monitored by government officials in France in 2016;

– **energy savings in buildings,** with the use of insulating structural concrete that reduces heat loss through the walls of the facade.

SEVE®, an "eco-comparator" software designed by teams at Colas and the USIRF, enables contracting authorities to effectively compare the alternative eco-friendly solutions that contract bidders propose to reduce energy consumption and carbon emissions.

MAKING TRANSPORT INFRASTRUCTURE SAFER

As part of its drive to increase road safety and improve information to users, in addition to heavy duty skid-resistant asphalt mix that considerably reduces braking distances, Colas teams are creating energy-autonomous tools to automatically collect, process and transmit information, along with new road marking products that emit no volatile organic compounds, with plant-based ingredients, such as Vegemark®, a water-based road paint with a plant-based binder developed by Aximum.

REDUCING TRAFFIC NOISE POLLUTION

Reducing traffic noise has long been a priority at Colas, which continues to improve its noise-reducing mixes, such as Nanosoft® and Rugosoft®, very efficient tools to reduce rolling noise, even at speeds of less than 50 km/h.

MAKING INFRASTRUCTURE MORE VISUALLY APPEALING

Since the quality of our environment is also a question of visual appeal, R&D teams have been working to develop surfacing that uses light colored binders such as Bituclair® and translucent plant-based binders such as Vegecol® instead of bitumen to reveal the natural appearance of aggregate.

Paving stones are increasingly popular in town and city centers, and Colas has developed an innovative process called Colpav®: the paving stones are applied on a bituminous substrate then sealed and jointed using a specially-designed hydraulic mortar.

The Group also offers a stone surface maintenance process called Sacerlift®, designed to preserve mineral surfaces and restore their original luster. It is particularly suitable for urban squares and pedestrian areas with natural or engineered materials, and it was awarded the 2013 Innovation Award by the Ministry of Ecology, Sustainable Development and Energy.

CONTROLLING INFRASTRUCTURE COSTS

In response to the budget difficulties that local authorities are facing, Colas has been developing products and processes that are more economical while providing equivalent or even superior performance. Two examples are surface dressing techniques for road maintenance, and long lasting, heavy duty skid-resistant mixes that make roads safer.

In particular, Colbifibre®, which won the 2012 Innovation Award for Durable Materials and Equipment from the French Ministry of Ecology, Sustainable Development and Energy, has been designed to keep older roads in service longer and postpone structural reinforcement work. This cold product helps protect fatigued pavement at a lower cost, and restores the road's initial quality of service.

PAVEMENT PRESERVATION

Thanks to new pavement inspection technologies, of which the image-based inspection techniques used by the Road Eagle Colas, other research paths are being taken, such as sensors embedded in the pavement. These technologies provide real-time information on the structural condition of the pavement, and define maintenance programs in line with residual service life expectations.

IMPROVED MOBILITY MANAGEMENT

Designed by R&D teams at Aximum and the Campus for Science and Techniques, in a partnership with CEA-LETI, the smart road sensor makes it possible to detect vehicles. The sensor has two purposes: first to count vehicles in lieu of loop-based counting systems coupled with the Axiboucle application, and second, to manage parking places using the Axipark application. In the second case, the sensors detect the number of places available in a parking lot or on a street, and can help guide motorists via variable message panels and applications

EXPANDING THE FUNCTIONS OF ROADS

In 2016, the teams at the Colas Campus for Science and Techniques continued research and development on the Wattway photovoltaic road surfacing, a major cutting-edge innovation that is the fruit of research jointly led with the French national institute for solar energy (INES), unveiled in the Fall of 2015. At the COP21 in December 2015, Wattway won a Climate Solutions Award. R&D focused on optimizing the panels, the electrical engineering and qualifying usages. Some ten trial sections have been built in France and elsewhere around the world to date. The experiment phase will continue into 2017 with additional trials, all of which will contribute to ensuring a robust final process.

TECHNIQUES AND SPECIAL PRODUCTS IN FRANCE IN 2016

In a market that remains difficult, the technical network designed high performance technical alternatives using the full range of Colas solutions.

All subsidiary technical departments have maintained or renewed their Laboroute label (IDRRIM certification), reflecting the high level of services provided by the 35 subsidiary-level laboratories in France, that work closely with people on jobsites and production sites (quarries, emulsion plants, asphalt plants, concrete plants).

When budgets are tight, the most popular techniques are Optibase®, optimized road base asphalt concrete and Megabase®, road base asphalt concrete with large sized aggregates, intended for pavement structures. The Euromac R process, ultra-thin emulsion based asphalt mix, won an Innovation Award from the CIRR Road Innovation committee monitored by the CEREMA (Center for studies and expertise on risks, environment, mobility and development). Ecomac®, a semi-warm mix with a high reclaimed asphalt pavement (RAP) content, is still paving the way forward in the Rhône-Alpes, Auvergne and Midi-Méditerranée regions of France, after successful applications in the central and southwest France. Emulsion-based techniques for heavy traffic roads are also currently being developed.

In addition, Rugosoft® noise-reducing mix was applied on the L2 bypass in Marseille and on the Troissereux bypass.

SPECIAL TECHNIQUES AND PRODUCTS AROUND THE WORLD

In 2016, numerous projects performed by the international and overseas subsidiaries used the Group's special products and processes:

– in **Denmark** and the **United Kingdom:** development of Pentack® (a seal coat for asphalt mixes), with more than one million m² at 14 airports;

– in **Switzerland:** focus on the Valortiède® recycling process, using Vegeflux® plant-based binder and 100% RAP, and 100,000 m² of Nanosoft® noise-reducing mix;

– in **Belgium:** use of the Capeseal® maintenance technique on 200,000 m² and asphalt mixes with high RAP content;

– in **Austria:** development of Colfibre®, a fiberglass-reinforced anti-crack surface dressing, in partnership with Colas Nord-Est;

– in **Hungary:** further development of warm mixes with bitumen foam, porous asphalt mixes and high modulus mixes;

– in **Slovakia:** surface dressings in collaboration with Colas Austria; development of mastic asphalt for waterproofing on civil engineering structures;

– in the **Czech Republic:** development of the range of modified binders and warm mixes;

– in **Poland:** further development of Rugosoft® heavy duty skid-resistant and noise-reducing mix; and launching of Compomac® ready-mix asphalt mix for small, routine maintenance;

– in **Romania:** development of storable cold mix for small-scale maintenance;

– in **Croatia:** development of emulsion;

– in the **United States:** further development of Ecomat® warm mixes with bitumen foam and recycled asphalt aggregates (RAP); use in Alaska of Chemoran's CWM® additive agent, now certified in New York State; trial sections for FiberMat® anti-cracking process in cold weather conditions, following the success of its evaluation in Alabama by the National Center of Asphalt Technology (NCAT);

– in **Canada:** further development of warm mixes, reclaimed asphalt pavement and FiberMat® cost-effective surface dressing for low-traffic roads;

– in **Martinique:** roll out of optimized Optibase® road base asphalt concrete on the extension project of the Port of Pointe-des-Grives;

– in **Morocco:** further development of microsurfacing (a total of 1.3 million m² in the country), the launch of use of Coltrack® bitumen emulsion for surfacing country roads and the first maintenance contract for mining tracks on the OCP site in Khouribga in partnership with Dust-A-Side; the Central Laboratory received Laboroute approval;

– in **Côte d'Ivoire:** construction of the first grave emulsion project for road pavement preservation and launching of the construction of a 190-m long pre-stressed bridge on the Comoé river;

– in **South Africa:** surface dressings using the double Polycol® X process (polymer modified bitumen emulsion) and Emulcol® (for the winter season);

– in **southern Africa:** completion of the first asphalt mix project on the runway at Namibia's Ondangwa Airport;

– in **Reunion Island:** use of Saflex® OA sealing processes to waterproof structures, Betoflex® to reinforce pavement structure and Rugoflex® to provide skid resistance on engineering structures and the interchange at La Possession as part of the major project involving the new Coastal Road; development of the process based on Valorcol® 100% RAP and the Optibase® pavement structure optimization technique;

– in **Madagascar:** first use of Compomac® cold mix for pavement preservation on city streets;

– in **Thailand:** completion of the Honda Test Track, including several test tracks dedicated to safety and comfort, and use of 70,000 tons of high modulus asphalt on runways and taxiways at the Suvarnabhumi Airport;

– in **Indonesia:** supply of highly modified binders for highway maintenance in Jakarta;

– in **India:** production of modified bitumen for wearing courses at civil and military airports, and development of Colmat® microsurfacing;

– in **Vietnam:** supply of emulsion for the production of cold mixes in the center of the country, and marketing of storable cold mixes for small routine maintenance;

– in **Australia:** development of fiber reinforced microsurfacing in Queensland (190,000 m²) and plant-based flux emulsion in western Australia;

– in **New Caledonia:** implementation of Rodal® high performance mix on an industrial platform at a mining site and Scintiflex® visually appealing sparkling mix in Noumea.

Responsible development

INTRODUCTION

Colas' approach to responsible development (see www.colas.com) is based on the dual conviction that its businesses help fulfill essential needs and aspirations, and that they must be conducted in a responsible manner. Colas has to take into account the sometimes contradictory expectations of contemporary society, including social cohesion, climate change, transportation and housing needs, improving living conditions, energy transition and resource management.

As the cornerstone of this approach, the policy implemented and deployed across the Group is guided by three strategic targets and five major targets.

The three strategic targets are crucial for the development and long-term success of Colas' activities, each of which enjoys its own scope of action: the renewal and enrichment of human capital, community acceptance of production sites, and business ethics. To renew and enrich our human capital, the key areas for priority action are attracting talent, promoting diversity (professional integration, disabilities, gender balance and older workers), retaining employees and training. The action plans implemented to ensure community acceptance of production sites have two principal objectives: ensuring that stationary production sites carry out their operations in a professional manner (environmental certification, checklists used for risk prevention, biodiversity programs) and maintaining open lines of communication with local stakeholders including residents, elected officials and local government. In addition, Colas makes no compromises when it comes to business ethics, which are an intangible Group principle and an integral part of internal control procedures, backed by the roll-out of conformity programs.

Colas' scope for action may be more limited in relation to **its five additional targets,** even though some may be considered every bit as important. These major targets are safety at work and on the road, corporate citizenship in developing countries, energy and greenhouse gases, material recycling, and controlling chemical risks.

For each of these targets, a policy of continuous progress has been established and is coordinated at each level of the organization. Global performance indicators and goals have been specified in most cases. This approach seeks to foster a deep and lasting culture of continuous improvement in the field, throughout the network of 800 construction business units and 2,000 materials production units referenced within the Group.

The team's motivation is also reflected in the wide variety of outreach actions the Group's subsidiaries and local operating units undertake in their own communities. The vision of Colas' business activities is thus enriched and transformed by the collective appropriation of CSR(1).

As far as the dialogue with non-contractual stakeholders is concerned, Colas maintains a strong local presence through a variety of exchanges with neighboring residents, local governments, schools, the social sector, etc. Few issues justify a global and international approach. To date, the sole relevant issue at the Group level involves bitumen fumes, and Colas plays a major role in promoting dialogue on this issue with customers, scientists, employees, government labor departments and workplace health bodies(2). To encourage broader thinking on CSR issues, Colas takes part in strategy committees and commissions organized by various bodies bringing together a range of stakeholders, such as CORE at the Ineris(3) or COS at the FRB(4). The Group is also working to give ever more meaning to its corporate patronage and sponsorship actions.

Following the global roll-out starting in 2010 of a new reporting tool designed to harmonize all indicators used by Colas' more than 400 legal entities, 2016 saw ongoing efforts to develop the software and improve its use, thus providing more reliable data and indicators(5).

Pursuant to French decree no. 2012-557 of April 24, 2012, on corporate social and environmental reporting requirements (article 225 of law no. 2010-788 of July 12, 2010), the non-financial indicators for 2016 and the procedures used to collect this data were verified and certified by Ernst & Young et Associés on February 21, 2017.

(1) Corporate Social Responsibility.
(2) See the "Operational risks" section.
(3) *Commission d'orientation de la recherche et de l'expertise de l'Institut national de l'environnement industriel et des risques* (research and expert evaluation steering committee), France.
(4) *Comité d'orientation stratégique de la Fondation pour la recherche sur la biodiversité* (strategic steering committee at the French foundation for biodiversity research), France.
(5) www.colas.com.

CSR REPORTING(1)

Pursuant to French decree no. 2012-557 of April 24, 2012, on corporate social and environmental reporting requirements (article 225 of law no. 2010-788 of July 12, 2010), Colas has reported its relevant employee, social and environmental information in its 2016 management report. Three types of information are provided in this document, each of which is identified as either an "indicator" with a "comment", "substantiating items" (when no indicator is provided) or "qualitative information" (when the subject dealt with requires an explanation).

I – EMPLOYEE INFORMATION

Employee indicators are calculated on the basis of a classic calendar year from January 1 to December 31.

The scope of companies considered in the calculation of employee indicators is a subgroup of the financial scope of consolidation.

For 2016, the calculation rules for employee indicators were the following:
- fully-consolidated companies are 100% consolidated;
- proportionately consolidated companies are 100% consolidated if the percentage owned is above 50%; the rest are excluded from the scope;
- equity-accounted associates are excluded.

Colas makes the scope of its employee reporting as wide as possible in order to faithfully reflect the activities of its companies in France and around the world.

In 2016, 61% of the indicators were consolidated on a worldwide basis (as against 29% in 2015):
- workforce by geographic location;
- workforce by gender;
- workforce by age bracket;
- external recruiting by status;
- number of departures;
- number of hours worked;
- number of consecutive lost-time days following workplace accidents;
- frequency rate of employee workplace accidents;
- severity rate of employee workplace accidents;
- number of fatal accidents;
- total number of employees trained in first aid;
- percentage of companies providing employee benefits;
- existence of a formalized training plan;
- number of employees trained;
- number of training days;
- percentage of female managers;
- percentage of female staff members;
- percentage of female workers;
- existence of a staff representative body.

39% of the indicators corresponding to definitions specific to France that come from the French Labor Code are consolidated under the France scope:
- number of dismissals;
- employee working time arrangements (counted in hours/counted in days);
- turnout for latest works council elections;
- number of collective bargaining agreements negotiated;

(1) Article 225 of French law no. 2010-788 of July 12, 2010.

- average annual wages by status;
- absence rate;
- number of employees recognized as suffering from an occupational illness during the year;
- number of apprenticeship contracts;
- number of vocational training contracts;
- number of employees with disabilities;
- number of employees with disabilities recruited during the year;
- revenue with companies that employ people with disabilities (ESAT or EA in France) for the year.

In 2015, the Group introduced a standardized human resources reporting (HRR) process, used by all entities in France and internationally. The application interfaces with the payroll management system in France (which is in the process of being rolled out to international entities) and with the World activity report consolidation process.

Human resources indicators are consolidated according to the definitions found in the Bouygues Group's employee reporting protocol.

A. EMPLOYMENT

A.1: Total workforce and breakdown of employees by gender, age and geographic location

Indicators

Name of indicator	Scope	2015	2016
Workforce by geographic location[1] (number)	World		
France		34,098	33,217
International total		22,803	21,620
Europe		9,314	9,021
Indian Ocean/Africa/Middle East		6,889	6,655
North America		4,762	4,630
Asia/Pacific		1,450	720
Central America/South America		388	594
TOTAL		56,901	54,837

(1) Workforce as of December 31, i.e., all individuals bound by an employment contract to a company within the scope of consolidation or receiving direct compensation for their work from said company, excluding those having entered into a business contract (such as a service agreement) with the Company.

Comments

As of December 31, 2016, Colas' global workforce was down 3.6% from that of December 31, 2015, consistent with the drop in business activity.

In France, in a difficult market, the workforce declined by 2.6% overall:

- down 3% at road construction subsidiaries in Mainland France (69.8% of the workforce), which have been adapting to declines in business activity and margins for several years;
- down 2.8% in French Overseas Departments, tied to sluggish conventional roadworks markets in the Caribbean and on Reunion Island (with the exception of the new Coastal Road project on Reunion Island, which offset the drop in business activity there for conventional roadworks);
- down 1.8% at the Specialized Activities subsidiaries, due in particular to lower revenue in the power transport, water supply, waterproofing, and traffic management, road marking and signaling sectors.

The workforce is comprised of 57% workers; 26% office staff, technicians and supervisors; and 17% managers.

As an annual average in Mainland France, the permanent headcount fell 2.8%, while temporary staff levels were up 12.4% (2015 provides a very low basis of comparison).

The workforce outside France decreased by 5.2%, with results varying across geographic regions in line with business activity levels.

Workforce reductions were observed in the following regions:

- Europe (9,021 employees): down 3.3%, due to the completion of some major projects in the United Kingdom and Slovakia;
- Indian Ocean/Africa/Middle East (6,655 employees): down 3.4%, due in particular to the drop in Roads revenue in Madagascar and Côte d'Ivoire, not offset by the Railways business, the results of which reflect its contract for the extension of the Algiers metro as well as the ramp-up of the contract for the high-speed rail line joining Tangier and Kenitra in Morocco;
- North America (4,630 employees): down 2.8%, as a result of lower investments by Canada's western provinces, especially Alberta, impacted by the fall in crude oil prices;
- Asia/Pacific (720 employees): down 50.3%, as the scope of activities has changed considerably due to the sale of companies in Thailand, Indonesia and Vietnam specializing in the storage and sale of bitumen.

Conversely, workforce levels rose in:

- South America (594 employees): up 53%, thanks to the ramp-up of the contract for a portion of the Santiago metro in Chile.

Indicators

Name of indicator	Scope	2015	2016
Workforce by gender and age bracket (in percentage)	World		
Percentage of women[1]		9.8	10.1
Percentage of men[1]		90.2	89.9
Workforce by age bracket[2]	World[3]		
< 25 years old		4.3	5.3
25-34 years old		22	22.5
35-44 years old		27.1	27.3
45-54 years old		31.7	29.7
55 years old and up		14.8	15.2

(1) The 2015 figure for France has been restated to permit comparison with the 2016 figure, which was calculated on a worldwide basis.
(2) 2015 figure for France, including both fixed-term and permanent contracts.
(3) Age bracket of 99.3% of the workforce on a worldwide basis.

Comments

The percentage of women in the workforce remained nearly stable compared to December 31, 2015 (up 0.3 point).

The commitment to improve gender balance in the workforce is supported by Executive Management, with an ambitious action plan for 2017.

It should be noted that, despite considerable efforts, the industry sectors in which Colas operates still have difficulty attracting women.

The distribution of ages across the Group is fairly even worldwide.

A.2: Hiring and dismissals

Indicators

Name of indicator	Scope	2015	2016
External hires by status and leavers[1] (number)	World		
France total		2,248[1]	2,917
Managers		222[1]	430
Office staff, technicians and supervisors		395[1]	646
Workers		1,631[1]	1,841
International total[2]		14,369	12,910
Managers		2,447	2,233
Workers		11,922	10,677
TOTAL		16,617[4]	15,827
Number of departures[3]	World	19,004[4]	17,185
Of which number of dismissals	France	1,913	1,530

(1) The 2015 figure for hires under permanent contracts has been restated to permit comparison with the 2016 figure, which was calculated for hires under both fixed-term and permanent contracts.

(2) Outside France, the total number of employees hired over the year is recognized, regardless of the nature of the employment relationship ("permanent" or "seasonal" employee).

(3) Outside France, the total number of employees who left over the year is recognized, regardless of the nature of the employment relationship ("permanent" or "seasonal" employee).

(4) The 2015 figure for leavers at international units has been restated to permit comparison with the 2016 figure, which was calculated for leavers in France and at international units.

Comments

Hiring levels for the Colas Group remain high (up 30% in France, but down 10.2% outside France).

In France, the rise in hiring levels (up 30%) reflects stronger confidence in near-term growth for the road market (the workforce at year-end 2015 had reached a record low):

- up 112% at road construction subsidiaries in Mainland France (from 444 to 940 hires);
- down 4% in the French Overseas Departments (from 944 to 910 hires);
- up 20% at Specialized Activities subsidiaries (from 829 to 998 hires).

Out of a total of 2,917 hires in 2016, 77% (2,256) were under permanent contracts and the remainder (661) were under fixed-term contracts, notably including 314 apprenticeship contracts and 220 vocational training contracts.

Given the outlook for improvement in the road market, the recruitment of both career starters and more experienced applicants is on the rise.

In conjunction with its efforts via the Colas careers Hub (www.hubcarrierecolas.com) and the Group's careers website, Colas is making use of social networks to help meet its hiring goals. Thanks to the Group's platforms for content sharing and publishing that are open to employees, managers and applicants, 8,000 followers joined the Colas LinkedIn page in about eight months, increasing the number of quality applicants introduced to the Group through community management. Colas is also continuing with its digital communications strategy. At the end of 2016, an innovative system allowing individuals to submit unsolicited applications in the form of videos was launched on the Colas careers Hub.

During the year, Colas welcomed a total of 1,144 interns, including 144 recent or upcoming graduates, and 68 interns were hired. Colas was recognized as one of the very best companies in France for pursuing an internship (ranked n°2 in the Happy Trainees survey) and for starting a career (n°1 in the Happy at Work for Starters survey).

As part of its continued commitment to developing its partnerships with educational institutions, Colas is sponsoring the 2018 graduating class at the Paris engineering school ESTP, an initiative that involves individual coaching provided to students by Group employees to assist them with their career plans.

In contrast, permanent and seasonal hires outside France fell 10.2% in 2016.

In North America, Africa and Asia, hiring levels vary due to seasonal factors.

By geographic region, movements in hiring were as follows in 2016:

- in North America, hiring levels rose in the United States (up 8%) in a healthier market and fell in Canada (down 6.9%) due to declines in public and private investment;
- in Europe, they were sharply lower in northern Europe (down 59%), in line with the business downturn in the United Kingdom, but surged in Belgium (up 63.3%), Ireland (up 46.1%) and Switzerland (up 39%), while falling slightly in central Europe (down 6.5%);
- in Africa, the number of hires remained high, with seasonal workers hired particularly in Togo and Benin for major projects, as well as the rollout of proactive hiring policies at the national level to attract talent (interns and experienced applicants) in partnership with local educational institutions, and a rise in hires in Morocco to offset retirees and expand managerial teams.

In Railways, the number of new hires increased in France (up 53%) to meet the needs of the activity and decreased outside France (down 35%).

On a worldwide basis, the number of leavers fell 9.6% (down 9% in France and down 10% outside France).

In France, the number of dismissals was down 20% compared to 2015, for a total of 1,530 people, including 832 terminations due to the completion of construction projects.

Outside France, the number of leavers remains high, particularly due to the seasonal nature of business activities.

A.3: Compensation and changes in compensation

Indicators

Name of indicator	Scope	2015	2016	Change (in %)
Average annual wages by status[1] (in euros)	France			
Managers		61,250	61,446	+0.3
Office staff, technicians and supervisors		35,935	36,245	+0.9
Workers		25,862	26,160	+1.2

(1) Permanent contracts.

Comments

In France, in a difficult market with inflation at 0.2% in 2016, payroll costs were kept under control.

The compensation policy applied by each Group entity is based on the annual guidelines issued by Executive Management, which take into account the economic environment, the inflation rate, the labor market, and the status of salary negotiations with trade unions and employee representatives. Compensation policy at Colas favors merit increases, encourages promotions, and recognizes the skills and expertise of the Group's employees. Compensation includes both a fixed component and variable bonuses linked to collective and individual performance criteria.

Employees are also party to a discretionary profit-sharing agreement, mandated profit-sharing agreements and a Company Savings Plan.

Apart from compensation, the French subsidiaries honor the professionalism and positive attitudes of their best workers each year by inducting them into the *Ordre des compagnons,* which had 873 members in 2016.

Outside France, compensation policy is determined at the local level, in line with the Group's annual guidelines and the economic environment. In each country, compensation policy is consistent with market practices, which are verified by way of compensation surveys, as is the case in the United States and Europe, and with the terms of both collective bargaining agreements and negotiations with trade unions and employee representatives.

Overall compensation includes excellent retirement benefits, health insurance and personal risk coverage. Worldwide, 96% of Colas employees receive a full benefits package.

B. ORGANIZATION OF WORK

B.1: Organization of working time

Indicators

Name of indicator	Scope	2015	2016
Employee working time arrangements[1] (in percentage)	France		
Hourly		82.3	81.5
Fixed number of days worked		17.7	18.5
Number of hours worked[2]	World	110,481,631	105,530,724

(1) Fixed-term and permanent contracts.

(2) Data for 2015 has been recalculated to permit comparison with data for 2016, which was calculated for a different scope, particularly in the United Kingdom.

Comments

On a worldwide basis, the organization of working time takes into account the seasonal nature of the Group's transport infrastructure construction and maintenance business.

In France, the preferred organization of working time is based on annualization and a fixed number of days worked. Annualization and the working time modulation plan – which apply to workers and some office staff, technicians and supervisors – mean that work can be organized according to seasonality, while rewarding overtime.

In Specialized Activities like Railways and Road Signaling, where work is sometimes carried out at night for safety reasons, specific procedures are used for the organization of working time.

The working hour arrangement applied to managers, which is based on a set number of days worked, is being gradually extended to office staff, technicians and supervisors.

The tool used to manage working time and time off for employees whose working time is counted in days keeps track of days worked, rest days, and leave days on a monthly basis. It is also designed to facilitate regular exchanges between managers and employees about their workloads and the work-life balance.

Outside France, the seasonal nature of business also has an impact on the organization of working time.

In North America, for example, projects are mainly carried out between April and November, with a large proportion of seasonal employees rehired from one year to the next.

In Europe, working time is calculated on an annual basis, particularly in Hungary and Slovakia.

In Africa, the fact that roadwork projects often take place at remote sites requires a specific approach to the organization of working time, with six days worked per week and four consecutive rest days at the end of the month.

In 2016, the number of hours worked was down 4.7%, in line with the reduction in the workforce worldwide.

B.2 : Absences

Indicators

Name of indicator	Scope	2015	2016
Number of consecutive lost-time days following workplace accidents[1]	World	57,213	55,596
Absence rate[2]	France	5.1	5.2

(1) Permanent contracts; this indicator measures the number of consecutive days of leave following workplace accidents, commuting accidents, illness or occupational illness, in proportion to the number of calendar days.

(2) Data for 2015 has been recalculated to permit comparison with data for 2016, which was calculated for a different scope, particularly in the United Kingdom.

Comments

Worldwide, the number of consecutive lost-time days following workplace accidents was down 2.8% in 2016.

In France, the absence rate was nearly stable at 5.2%. This is slightly higher than the national rate for the private sector of 4.55% in 2015 (according to the Ayming 2015 absence survey).

The overall rate of 5.2% breaks down as follows: 6.8% for workers; 4.0% for office staff, technicians and supervisors; and 1.6% for managers.

C. LABOR RELATIONS

C.1: Organization of labor-management dialogue, including procedures for informing, consulting, and negotiating with personnel

Indicators

Name of indicator	Scope	2015	2016
Turnout for latest works council elections (in percentage)	France	83	83
Existence of a staff representative body[1] (in percentage)	International	74.1	78.6

(1) Number of companies with more than 300 employees at which there is a recognized interface for dialogue (either elected or designated) between management and local staff, divided by the total number of companies with more than 300 employees.

Comments

In France, turnout for the latest works council elections remained high (83%) in 2016.

Outside France, the situation varies:

– in 2016, 78.6% of companies employing more than 300 people had staff representation comparable to that in France, particularly in Europe and Africa;

– in North America, labor-management dialogue is handled mainly with trade unions at 62% of Group subsidiaries in the United States and Canada. In the United States, subsidiaries also organize their own meetings to stimulate this dialogue.

C.2: Outcome of collective bargaining agreements

Indicators

Name of indicator	Scope	2015	2016
Number of collective bargaining agreements negotiated, including mandatory yearly negotiations	France	106	116

Comments

In Mainland France, the signing of three employer agreements in 2016 by trade unions, including one by all trade unions represented at Colas, attests to the quality of its labor-management dialogue.

These three employer agreements concerned the following areas:

– Health insurance and personal risk coverage:
Due to regulatory changes, Colas was required to adapt the personal benefit plans offered to its employees (health insurance and personal risk coverage) no later than January 1, 2017. An agreement was reached on October 21, 2016, with three out of the four trade unions, adjusting the coverage for eye care, doctors' fees, and childbirth benefits.

– Discretionary profit-sharing:
Following negotiations in the second quarter of 2016, a third discretionary profit-sharing agreement was signed with two majority trade unions. The aim of this new three-year agreement, covering the 2016-2018 period, is to give employees a vested interest in the economic performance (in terms of operating profit) and safety performance (assessed via safety indicators) of their companies.

– Workforce planning system:
During the final quarter of 2016, the Group began negotiations for an agreement to create a workforce planning system, known in France as a GPEC agreement. The objective of this agreement will be to assist Group companies and their employees in managing the adaptations and transformations they may find to be necessary in the coming years.

At the subsidiaries, agreements relate mainly to collective bargaining arrangements, employee benefits, and employee compensation.

The implementation of standardization agreements continued at the quarries operated by Colas Nord-Est. The merger of Colas Nord-Picardie and Colas Est – which became Colas Nord-Est on September 1, 2016 – necessitated a specific agreement.

Agreements were reached on working time organization, night work (which is often required at Colas Midi-Méditerranée and Aximum) and exceptional working days (Saturdays, Sundays and public holidays) at Colas Nord-Est and Aximum.

In France, labor-management dialogue was carried out in 2016 via 311 local and central works councils.

D. HEALTH AND SAFETY

D.1: Workplace health and safety conditions

Qualitative information

Health and safety in the workplace is a top priority for the Group.

In the area of health, specific initiatives are pursued to limit:

– musculoskeletal disorders (providing physical activity risk prevention training or Exopush powered exoskeletons to reduce strain for asphalt paving teams);

– noise exposure (mandatory use of hearing protection);

– exposure to ultraviolet radiation (frequent reminders to wear protective clothing and testing with manufacturers of new fabrics for long-sleeved T-shirts).

Colas has also implemented mechanisms and actions to reduce employee exposure to bitumen fumes, silica dust and chlorinated solvents.

The International Agency for Research on Cancer (IARC), the world's leading cancer research organization, stated in a 2013 publication that, despite the substantial number of studies carried out, it was unable to judge whether there is a link between cancer and exposure to bitumen and bitumen fumes in road work. Given the IARC's findings, no new positions have been adopted by national authorities in the various countries where Colas operates, with the exception of France.

The conclusions of ANSES, the French national agency for food, environmental and occupational health and safety, reflected the risk analyses carried out by the road construction industry: there are no grounds to consider a carcinogenic risk in the production or use of non-oxidized bitumen, but this substance does present risks of eye and upper respiratory irritation. There were no further publications in 2016. In order to monitor the risk of employee exposure to this irritant, a major study was launched by INRS, the French national research institute for occupational safety and health, to develop a standard method for the measurement of bitumen fumes inhaled by workers. Completed in 2015, this research involved broad participation by industry players, including Colas. An assessment template to evaluate the effectiveness of prevention methods has been developed and will be used by health insurance agents. Employee exposure data monitored using this new assessment tool will enable a database to be built up and analyzed at least every five years.

For several years now, action plans have been in place across the Group to reduce exposure to bitumen fumes. This strategy is implemented by Colas worldwide, with two main objectives:

– reducing bitumen application temperatures, since every 12°C reduction in temperature reduces fume emissions by around 50%. The R&D program currently underway to continue developing warm mixes (see Part II – D.1) is being supplemented by communications campaigns aimed at convincing customers to adopt warm mixes in place of traditional hot mixes;

– upgrading the fleet of finishers (machines that lay asphalt mix) to equip them with fume extraction systems able to reduce emissions by 50%.

Action plans have been put in place in France and internationally to reduce employee exposure to silica dust:

– ensuring that operator cabs in use are sealed, air-conditioned and air-filtered;

– ensuring that site staff wear basic dust masks;

– launching a milling-planing equipment replacement program to ensure that machines are equipped with dust extraction systems.

Solvents are another front in the fight against employee exposure to toxic chemicals, a category that includes chlorinated solvents used in laboratories, fluidifying agents or anti-adhesive petroleum-based products used at worksites, and petroleum-based or chlorinated solvents used in workshops. Solvents are hazardous to human health when absorbed through the skin (and via the respiratory tract when heated). In addition to maintaining high standards for individual and collective protection equipment and the strict supervision of all products used, Colas has begun a program focused on finding safer alternatives for all solvents in use, which will involve the gradual adaptation of working methods and equipment.

In France, Colas has taken part in the debate on the presence of amphibole elongate mineral particles (amphibole being a naturally occurring rock, one of the forms of which can contain asbestiform fibers) in existing roads, recycled materials and newly extracted aggregates. Colas is a member of several working groups that bring together public-sector experts as well as building, construction, demolition and public works industry associations to better gauge this risk and develop suitable prevention measures. In 2016, this risk was taken into account in the comprehensive risk assessment inventory, known in France as the DUER, for all Colas entities.

Thanks to its network of around one hundred prevention specialists in the field, Colas has raised its employees' awareness and expanded their training on these issues.

Indicators

Name of indicator	Scope	Coverage	2015	2016
Percentage of warm mix and low-temperature mastic asphalt (in percentage of quantity)	World	Asphalt mix and mastic asphalt production activity	21	21
Percentage of finishers equipped with a bitumen fume extraction system (in percentage of quantity)	World	All fleets of equipment	43	45
Percentage of asphalt planers equipped with a dust extraction system (in percentage of quantity)	World	All fleets of equipment	17	25
Percentage of chlorinated solvents used in closed-loop systems (in percentage of quantity)	World	All laboratories	57	78

Comments

The "Percentage of warm mix and low-temperature mastic asphalt" produced at hot-mix plants and mastic asphalt plants indicator remained virtually stable in 2016, mainly due to resistance from customers in most countries, aside from the United States.

The "Percentage of finishers equipped with a bitumen fume extraction system", "Percentage of asphalt planers equipped with a dust extraction system", and "Percentage of chlorinated solvents used in closed-loop systems" indicators were established in 2013 and are intended to measure the number of machines that limit employees' exposure to bitumen fumes, dust and chemicals. The proportion of finishers and asphalt planers equipped with dust extraction systems improved by 2 and 8 points, respectively. These two indicators are therefore gaining ground across the Group, as equipment is being replaced.

Additionally, the "Percentage of chlorinated solvents used in closed-loop systems" indicator increased by 21 points. The risk related to chlorinated and petroleum solvent use has been reduced at workshops, worksites and laboratories in France and internationally. More than 80% of the Group's parts washers no longer use these types of solvents to clean workshop and laboratory equipment, having replaced them with organic solvents, plant-based solvents or aqueous cleaning solutions. These indicators follow the rules described for environmental and social indicators (see Part II – A).

D.2: Outcome of agreements signed with union organizations or labor representatives as regards workplace health and safety

Qualitative information

In line with the policy it has pursued for a number of years, as of May 2013 Colas adopted an action plan aimed at "improving working conditions and preventing arduous working conditions" for fiscal years 2013, 2014 and 2015. The discretionary profit-sharing agreement signed on June 15, 2016 has helped reinforce safety culture awareness among employees. Apart from its positive impact on economic performance, this agreement also aims to strengthen employee adherence to and involvement in the Group's policy to promote occupational health and safety and prevent risks in the workplace.

D.3: Workplace accidents, including frequency and severity, and occupational illnesses

Indicators

Name of indicator	Scope	2015	2016
Frequency rate(1) of employee workplace accidents(3)	World	6.96	7
Severity rate(2) of employee workplace accidents	World	0.52	0.53
Number of fatal accidents	World	5	3
Total number of employees trained in first aid (end of period)	World	19,415	20,367
Number of employees recognized as suffering from an occupational illness during the year	France	148	149
Percentage of companies outside France providing employee benefits	International	100	96.4

(1) Number of workplace accidents resulting in leave x 1,000,000 / number of hours worked. These are accidents declared and recognized by the competent authorities, e.g., the CPAM in France.

(2) Number of days of leave x 1,000 / number of hours worked, in line with the regulatory definition of "severity rate": "Lost-time days in the current year are taken into account even if the accident occurred in the previous calendar year."

(3) Data for 2015 has been recalculated to permit comparison with data for 2016, which was calculated for a different scope, particularly in the United Kingdom.

Comments

- **Workplace accidents**

The number of lost-time accidents was down 3.9% in 2016 (739 accidents in 2016 as against 769 in 2015).

The frequency and severity rates remained stable.

These results build on the improvements already recorded in 2015, particularly at the road construction subsidiaries in Mainland France.

They also reflect the initial effects of the Group's new safety policy, launched in connection with Safety Week (June 20–24, 2016), which focuses on four topics in particular:

- complying with rules;
- training and information;
- ensuring safety at worksites;
- verification, analysis and planning.

Each topic is addressed through a specific action:

- mandatory use of personal protective equipment (PPE);
- safety training for all new arrivals;
- risk analysis prior to the start of each construction project or manufacturing process change;
- rollout of safety cross-audits (43 carried out in 2016).

At the launch of Safety Week, the Chairman and CEO of Colas reaffirmed the Group's focus on safety as its number-one core value, its zero tolerance for any departures from acceptable behaviors, and the importance for managers of setting an example.

This safety policy is to be expanded each year with new measures, which will thus become Group standards.

The following significant actions were also taken in 2016:

- a growing number of safety coaching sessions for business unit managers including a strong initiative launched by Colas Sud-Ouest to provide training for all its managers and executive committee members;
- the Ergomat system, which sets a higher mandatory safety standard for operating machinery (action relating to loading shovels in 2016);
- the Goal Zero process rolled out in the United States, with the assistance of Caterpillar Safety Services.

A safety focus was added to the areas studied by the Colas Innovation Board (CIB), with the aim of drawing on innovation to improve employee safety.

Lastly, the Group encourages first-aid training, which benefits all employees in both their working and private lives. This training helps to raise employees' awareness of safety issues. At year-end 2016, employees trained in first aid constituted 36.8% of the total workforce (compared to 34% in 2015).

- **Occupational illnesses**

In France, the number of employees with a recognized occupational illness remained stable (149 in 2016, compared to 148 in 2015).

- **Employee benefits**

Outside France, 96.4% of all subsidiaries employing more than 300 people provide benefits to their employees.

E. TRAINING: POLICIES IMPLEMENTED AS REGARDS TRAINING AND TOTAL NUMBER OF TRAINING HOURS

Indicators

Name of indicator(1)	Scope	2015	2016
Existence outside France of a formalized training plan(2) (in percentage)	World	96.3(3)	99
Number of employees trained	World	Not consolidated	35,473
Number of training days	World	Not consolidated	113,921
Number of apprenticeship contracts(2)	France	251	314
Number of vocational training contracts(2)	France	170	220

(1) Figures related to training are consolidated in fiscal year Y for the period Y-1.

(2) Outside France, this refers to the number of companies with more than 300 employees where a training plan exists.

(3) In 2015, the percentage referred only to the Group's international units.

Comments

Both in France and internationally, Colas invests in training to develop its employees' core competencies and managerial skills and to make progress in the area of safety.

In 2016, 99% of Group companies (including only companies with more than 300 employees outside France) had a training plan. In 2015, 35,473 employees received training, including 20,634 in France (61% of the workforce), 14,839 outside France (69% of the workforce), and 113,921 days of training were recorded in France and in companies with more than 300 employees outside France.

The Group's training and skills development policy places an emphasis on safety management training for works supervisors, as well as on mastering technical fundamentals and team management.

In Mainland France, 3.97% of the payroll was spent on training in 2015, corresponding to 31,214 training initiatives and 473,842 training hours, down 6% compared with 2014. Prevention and safety training made up 51.42% of total training hours. In 2015, 52% of training hours were delivered to workers, 28% to office staff, technicians and supervisors, and 20% to managers.

Colas Campus, the Group's in-house training organization in France, held a total of 362 training sessions during the year throughout the country, with 3,058 employees attending. It delivers training programs based on a common curriculum, facilitating the professional development of workers, office staff, technicians, supervisors and managers. Among these programs, the five Colas University courses have supported the professional development of 267 managers.

Colas hosts students under various programs while they pursue their studies. In France, nearly 1,144 interns, including 144 recent or upcoming graduates, were welcomed in 2016. The integration and training of these new arrivals is based on a mentoring system. In 2016, 534 employees were hired under work/training contracts (314 apprenticeship contracts and 220 vocational training contracts). Orientation training for young managers involves a series of initiatives over a three-year period: Tour de France, welcome days at subsidiaries and the Colas orientation day during their first 18 months with the Group, a Colas University 1 course between 18 and 24 months of seniority, and the Bouygues welcome day.

Internationally, in line with the Group's guidelines, the training plans put in place mainly relate to the development of core competencies and safety measures. They take shape through both local initiatives and shared programs.

In central Europe, for example, training is delivered under the aegis of programs shared by the various countries where Colas operates. In 2016, the main focuses of this training were safety, core competencies, and leadership. In northern Europe, training offers are organized by business line; in the United Kingdom, Belgium and Switzerland, in particular, training is delivered through organizations similar to Colas Campus. The Group's Northern Europe University runs management and leadership training programs for its English-speaking managers. Overall in Europe, the number of staff members trained has reached a high level (4,089 employees).

In Africa, the objective is to roll out a training plan that will deliver real and lasting results, as in Morocco and Gabon.

In North America, Group subsidiaries have trained 8,853 employees, mainly in safety, core competencies, and methods for integrating new hires, through Colas Campus and training initiatives at the local level. Managers receive training through the three programs run by Colas North America University. In Canada, training is provided under the Colas Canada Educational Training Series program, including a training course conferring a diploma in association with the Northern Alberta Institute of Technology.

Also in 2016, the Group introduced several innovative new training approaches (including serious games and e-learning) in areas ranging from leadership and negotiation skills to ethics.

Colas Campus has begun to convert its listing of training courses into digital form, a process that is expected to be completed by the end of 2017, using new technologies to present its offerings in a more dynamic and interactive way.

F. EQUAL TREATMENT

Indicators

Name of indicator	Scope	2015	2016
Female staff members (in percentage)	World	21.8(1)	21.0
Female managers(2) (in percentage)		9.6(1)	10.2
Female workers (in percentage)		1.5(1)	2.1

(1) Figures for 2015, which were presented separately for France and international units, have been restated to permit comparison with those for 2016, presented on a worldwide basis.

(2) In France, the "female managers" category is based on employment code criteria, under which managers are defined as being at or above the level of department head.

Outside France, the "female managers" category was defined as members of a local management body (the body that makes strategic decisions, for example an executive committee) of a company with more than 300 employees.

Comments

The percentage of women in the workforce remained stable compared to 2015. It declined by 0.8 point among office staff, technicians and supervisors and increased by 0.6 point for both managers and workers.

F.1: Measures to promote gender equality

Qualitative information

The commitment to improve gender balance in the workforce is supported by Executive Management, with an ambitious action plan for 2017:

– actions to attract and hire more women (designating male-female duos to serve as Colas ambassadors at targeted educational institutions, initiatives with hiring partners such as temporary and permanent employment agencies, support for women's sporting and cultural organizations);

– getting managers involved in promoting gender balance (specific managerial training, emphasizing the advantages of gender balance in internal communications materials);

– introduction of a career management program specifically for female employees: visibility, career development, assistance via mentoring (2017).

Agreements negotiated to promote gender equality are subject to regular follow-up, including analyses and comparisons of the situations of male and female Group employees.

F.2: Measures to employ and promote the social integration of people with disabilities

Indicators

Name of indicator	Scope	2015	2016
Number of employees with disabilities(1)	France	942	975
Number of employees with disabilities recruited(1)	France	6	9
Revenue with companies that employ people with disabilities (in euros)	France	1,383,472	1,456,123

(1) Fixed-term and permanent contracts.

Comments

In France, the number of employees with disabilities working at Colas companies was up 3.5%, reflecting the Group's efforts to help staff with disabilities remain in employment.

Revenue with companies that employ people with disabilities (ESAT in France) was up 5.3%.

The agreements signed with the French government agency AGEFIPH, which promotes the employment of people with disabilities, expired in the fall of 2016. A new action plan was put in place to continue in the same vein.

F.3: Anti-discrimination policy

Qualitative information

In France, the principle of non-discrimination was reaffirmed in the negotiation of agreements on diversity and gender equality, and in the three-year "generation contract" agreement signed in 2013. The generation contract aims to create lasting jobs for young people, provide older workers with employment opportunities and ensure that knowledge and skills are passed on from one generation to the next. The new GPEC agreement signed during the year to create a workforce planning system was inspired by the principles set forth in the Group's 2013 "generation contract" and reiterates its measures to create jobs for young people, promote employment for older people, and facilitate the transmission of knowledge and skills.

Managers are regularly reminded of the importance of non-discrimination by way of presentations during their Colas University training, which they receive at different stages of their professional development within the Group.

Colas' 2016-2017 action plan focuses on expanding its disability policy, promoting gender balance and developing tools to help employ disadvantaged individuals. It is complemented by the GPEC agreement, which contains a new generation contract.

The Group's diversity policies are implemented at the local level by its French subsidiaries: the Accord Handicap disability agreement at Colas Île-de-France Normandie, local partnerships with social integration and employment bodies at Colas Centre-Ouest, regional committees working to help staff with disabilities remain in employment at Colas Sud-Ouest.

Outside France, subsidiaries located in English-speaking countries are focusing their efforts on measures to combat discrimination.

US subsidiaries are bound by federal laws prohibiting job discrimination in hiring, employee treatment and compensation. They make their commitments clear and send vacancy announcements to placement agencies that specialize in the employment of minorities, or to specific publications. The Colas North America University offers ethics courses. US-based employees who feel they are victims of harassment may call a toll-free number for help.

In the United Kingdom, Colas Ltd has charters and procedures in place against all forms of discrimination.

G. PROMOTING COMPLIANCE WITH THE INTERNATIONAL LABOR ORGANIZATION'S FUNDAMENTAL PRINCIPLES

G.1: Freedom of association and the right to collective bargaining

G.2: Elimination of discrimination in respect of employment and occupation

G.3: Elimination of forced or compulsory labor

G.4: Effective abolition of child labor

Qualitative information

Since Colas obtains practically 95% of its revenue in OECD countries, it has few operations in countries where there is a substantial threat to freedom of association or substantial risks of forced or compulsory labor, child labor or discrimination. The Group works with few subcontractors.

Colas has made a commitment to observe the United Nations' Universal Declaration of Human Rights and the ILO's fundamental principles (as per article 2 of the Code of Ethics of Colas' parent company, Bouygues). To ensure that these fundamental principles are observed, Colas:

– provides its employees with a copy of the Bouygues Group's Code of Ethics, to which Colas adheres;

– includes social and environmental criteria in its procurement policy.

II – ENVIRONMENTAL INFORMATION

A. GENERAL ENVIRONMENTAL POLICY

The environmental policy is an integral part of Colas' Responsible Development effort, which the Chairman and CEO has made a core Group value. A Corporate Environment Director, who is also in charge of Responsible Development, examines environmental issues and priorities with the Group's operational departments and functional departments, such as Communications, Equipment & Innovation, Human Resources and the Technical and R&D Department. The Environment Department comprises seven employees and a network of some forty environmental managers at the subsidiaries, which are in turn supported in the field by several hundred correspondents and internal environment auditors, who often have responsibilities in other areas, such as quality and safety.

All environmental indicators (see list below) are strictly defined. They are collected across the world using a BFC (BusinessObjects Financial Consolidation) application and calculated over a non-calendar year from October 1 of year Y–1 to September 30 of year Y (to allow sufficient time for precise data collection, verification, processing and analysis). Following the structural changes made in 2013 and new features added in 2014, the social and environmental reporting application Xfi was the focus of an in-depth maintenance review for 2015 and 2016, with the addition of new indicators relating to the Group's building business.

The scope of consolidation for Group indicators was modified in 2016:

– the subsidiaries in Indonesia (ABS and Wasco), Vietnam and Singapore, as well as Raycol in Thailand are no longer included because they have been sold to the Thai subsidiary Tipco Asphalt Group, of which Colas is a minority shareholder;

– Société de la Raffinerie de Dunkerque (SRD) ceased all bitumen manufacturing operations at end-December 2015;

– in January 2016, Colas acquired the stakes held directly or indirectly by Anglo American in six jointly owned or operated companies historically operating under the Tarmac name in the United Arab Emirates, Oman and Qatar.

The impact of these changes in scope, together with the slight drop in business activity for Colas as a whole, on both consolidated revenue and CAE (consolidated revenue plus intra-Group transactions and disposals) is less than 5%. For these reasons, it was not deemed necessary to restate the figures for 2015.

For several years, the indicators used for materials production activities have also applied to companies held with partners outside the Colas Group, and for which Colas does not always have control over environmental aspects (as is the case for example with sites in which Colas has a minority interest). The broad scope of Colas' responsibility and risk exposure may have a negative impact on indicator results.

In addition, this scope includes small materials production companies, even when their consolidated revenue is lower than the threshold for financial consolidation (2 million euros). The total volume of materials produced by these companies can be significant, even though their revenue is often subject to a high rate of restatement, due to Colas' vertical integration.

The rules of consolidation, which were changed in 2013 to more closely resemble those of the financial consolidation, are presented in the table below and have not changed since then.

	Financial consolidation	Xfi consolidation	Difference between financial and non-financial consolidation
Exclusive control = full consolidation	100% (between 50% and 100% control)	100% (between 50% and 100% control)	Same
Joint control = proportionate consolidation (for GIE consortiums in France, partnerships or joint ventures)	Application of percentage of control	Application of percentage of control	Same
Significant influence or joint ventures = equity method (for partnerships or joint ventures)	Application of percentage ownership (application of percentage ownership to income rather than revenue)	Application of percentage ownership (application of percentage ownership to all data)	Difference in certain data

Environmental indicators:

II – A.1: Percentage of materials production activities that have environmental certification; Percentage of materials production activities that carry out environmental self-evaluations using Colas checklists; Percentage of materials production activities that use a tool to manage environmental impact.

II – B.1: Percentage of materials activities with procedures in place to manage wastewater discharges.

II – C.1.1: Ratio of recycled materials to total aggregates produced; Percentage of reclaimed asphalt pavement with bitumen recovery; Surface area of road recycled in place; Waste oil recovery rate.

II – C.2.1: Percentage of stationary activities (in terms of CAE) located in highly water-stressed areas; Water self-sufficiency rate of highly water-stressed areas; Percentage of CAE generated in highly water-stressed areas for which an action plan has been implemented; Percentage of water consumption in highly water-stressed areas for which an action plan has been implemented.

II – C.2.2: Amount of materials recycled; Amount of asphalt pavement reclaimed; Number of eco-friendly alternatives offered to customers.

II – C.2.3: Energy consumed per metric ton of mix produced; Percentage of warm mix and low-temperature mastic asphalt produced at hot-mix plants and other asphalt plants; Number of metric tons of materials transported by rail or waterway; Total energy costs; Total energy consumption; Ratio of total energy costs to IAV; Percentage of vehicles with on-board telematics; Percentage of machinery with on-board telematics.

II – D.1: Greenhouse gas emissions; Greenhouse gas emissions per metric ton of mix produced; Worldwide carbon intensity; Greenhouse gas emissions avoided by the Group's actions.

II – E.1: Percentage of CAE from aggregate production activities that take action to promote biodiversity.

A.1: The Company's organization for addressing environmental issues and its environmental certification and evaluation actions when appropriate

Colas manages environmental risk and its continuous improvement plan with the support of two tools: (i) certification to ISO 14001 or its equivalent and (ii) self-evaluations using Colas checklists. The challenge for Colas relates mainly to permanent facilities and hardly involves its worksites, given their small average size (revenue of around 110,000 euros) and the fact that a very large majority of them (around 90%) are in areas no longer in their natural state.

Colas has put in place three indicators to measure progress made under its policy:

1. The environmental certification indicator reflects Colas' regulatory compliance policy as well as the efforts made to analyze environmental risks and control these risks through action plans.

2. The environmental self-evaluation indicator reflects the extent to which Colas evaluates its activities using its own checklists. These checklists constitute a concrete benchmark for assessing the environmental performance of the Group's main fixed facilities and then determining progress plan priorities. A standard checklist has been prepared for practically every type of stationary facility: R&D laboratories, works center depots, workshops, hot and cold-mix plants, emulsion and binder plants, bitumen depots, quarries, gravel pits, recycling platforms, ready-mix concrete plants and prefabrication plants as well as construction waste disposal sites. This represents around 2,000 production units all over the world. The checklists are part of Colas' internal control system.

3. The aggregate indicator combining environmental certification and checklists provides an overview of an expanded scope.

Indicators

Name of indicator	Scope	Coverage	2015	2016
Percentage of materials production activities that have environmental certification (in percentage of CAE(1))	World	100% of CAE(1) of materials production activities	60	62
Percentage of materials production activities that carry out environmental self-evaluations using Colas checklists (in percentage of CAE(1))	World	100% of CAE(1) of materials production activities for which checklist is applicable	89	85
Percentage of materials production activities that use a tool to manage environmental impact (environmental certification and/or Colas checklists) (in percentage of CAE(1))	World	100% of CAE(1) of materials production activities	81	85

(1) CAE: revenue + intra-Group transactions and disposals. This amount takes into account Colas' upstream activity (essentially construction materials), whereas accounting for Colas' vertical integration results in the elimination of more than 50% of materials production activity from revenue.

Comments

The "Percentage of materials production activities that have environmental certification" indicator increased slightly, remaining at a satisfactory level, given the range of contexts around the world where Colas operates and the minority interests held by Colas in many of these businesses. Furthermore, in some regions, managers have begun to question the usefulness of this approach, or would like to replace it with more practical and less systemic guidelines. At this stage, the debate remains open, even though there is a strong tendency at subsidiaries to define the certified scope of their activities with greater precision.

The indicator on environmental self-evaluation using checklists fell 4 points in 2016. This decrease is due not only to the broader scope used in 2016 but also to a slight decline of this indicator in the United States, West Africa and Oceania. However, self-assessment using checklists continues to be the cornerstone of Colas' policy for addressing environmental risks and more checklists were completed in 2016, despite this percentage decrease.

The percentage of materials production activities that use a tool to manage environmental impact increased and remained high. The target is to reach 100%. This objective is ambitious considering that other companies sometimes have large and even majority stakes in some Colas entities, which prevents Colas from ensuring complete oversight (see Part II – A on the method used to consolidate non-financial indicators).

A.2: Employee environmental training and information actions

Substantiating items

Colas does not use performance indicators to specifically monitor employee training and awareness-raising actions in the area of environmental protection.

However, environmental certification standards (particularly ISO 14001) require that the environmental performance of employees be assessed, that environmental training be provided for employees when necessary, including new recruits, and that contractors be provided with relevant information (pursuant to Section 4.4.2 of ISO 14001).

Colas has not set up a single central model for training and information actions; these actions may take a variety of forms depending on the country, the subsidiary and the activity. However, the environment and Colas' Responsible Development policy in general are covered in a training program offered at Colas University 1. Colas prefers to address this challenge with a decentralized approach and monitor training and information performance in compliance with an environmental standard that is verified by certified auditors, such as ISO 14001.

Furthermore, work meetings and conventions on environmental themes are organized every other year (with the most recent being held in Lyon in May 2016, preceded by Brussels in June 2014) to raise awareness within the network of environmental correspondents in France and worldwide. Meetings at worksites and production sites make it possible to share experience and set up action plans. The Colas Group's websites are also ongoing sources of information for all employees.

Subsequent to the Brussels Convention, the EOCE project was launched to give impetus to the network of environmental correspondents and enable them to expand their knowledge and share it within their subsidiary and throughout the Group.

This project, which is supported by the CEOs of the participating subsidiaries, has three primary objectives:

- manage environmental risks more effectively while making Colas entities more efficient;
- use a dedicated social network and other tools to establish and sustain cooperative relationships;
- share tools and knowledge to promote the exchange of experience and best practices.

An initial series of pilot tests were launched in mid-2015 with four French-speaking correspondents. Six months later, a second pilot group of English-speaking correspondents was formed. Each of the pilot correspondents then sponsored two new correspondents in the network.

The project involves three months of intense collaboration based on a common assessment of requirements with concrete action plans at each subsidiary.

Thanks in large part to the engagement of many employees from all departments, the action plans undertaken have facilitated and improved the understanding of environmental issues in our subsidiaries. This dynamic new approach will enable trained correspondents to communicate actively on the Group's social network, discussing plans for progress as well as a wide range of important topics and best practices.

Half of the approximately 40 environmental correspondents are expected to have received training in these principles by early 2017, and the remainder by 2020.

A.3: Resources used and measures taken to prevent environmental risks and pollution

Substantiating items

Colas does not use consolidated indicators to monitor spending on the prevention of environmental hazards or pollution, or to monitor preventive actions. This spending is included in normal operating expenditures. It is difficult to allocate purchases or maintenance costs: for example, replacing a bag filter at an asphalt mix plant constitutes a normal investment for Colas, even though it is of an environmental nature since it serves to prevent particulate emissions.

However, environmentally certified sites have supporting documentation in the form of an environmental analysis on the one hand and budgeted preventive action plans on the other. Colas uses this information during management reviews to analyze and limit the impact of the Group's operations and improve environmental performance.

Operating licenses for environmentally sensitive facilities that require government authorization or registration ("ICPE" facilities in France) generally require strict compliance with environmental requirements, irrespective of the country in question (OECD or otherwise). ISO 14001 certification gives Colas a good level of assurance that it will meet these requirements. Compliance with government requirements is the main criterion for self-evaluation by Colas' checklists. It is therefore taken into account through annual self-evaluations at sites that are not certified (see the "Percentage of materials production activities that carry out environmental self-evaluations using Colas checklists" indicator in Section A.1). Lastly, the annual cross-audits of subsidiaries in Belgium, Mainland France and Switzerland, which are conducted at a large number of sites by trained internal auditors, also serve to evaluate facilities and reinforce environmental hazard prevention. Audits are carried out at an average of one hundred ISO 14001-certified sites per year, representing around 14% of sites in that geographic area. Extending this type of system to countries with different languages, where Colas has fewer locations, is more difficult, but a thought process is currently underway to adapt it to these contexts.

A.4: Provisions and guarantees to cover environmental risks, unless this information may be detrimental to the Company's position in ongoing litigation

Qualitative information

Contaminated land: in line with its management guidelines, Colas makes provisions for clean-up expenses when the amounts have been determined based on an assessment by an independent firm and when a date for site rehabilitation has been set (by the competent authority, for example) or is otherwise known (upon lease termination, for example).

Financial guarantees and provisions for site rehabilitation: a large number of quarries and other sites worldwide are subject to specific regulatory requirements when they are no longer operated and require provisions to cover environmental risks during operation. This entails a wide variety of guarantees and practices (such as performance bonds, insurance, escrow accounts and provisions) that depend on national laws. Colas' provisions on site rehabilitation commitments totaled 168 million euros as of December 31, 2016 (see the section of the management report entitled "Rehabilitation of industrial sites" (under Risks – Industrial and environmental risks – Environmental risks).

As of this date, there is nothing that indicates that any of these measures were insufficient, either during internal or external audits or during the investigation of insurance claims.

B. POLLUTION

B.1: Measures to prevent, reduce and clean up discharges into the atmosphere, water or soil that may have a severe environmental impact

All environmentally certified sites prepare an environmental analysis, dashboards and action plans (particularly for reducing discharges into the environment in cases where this is deemed significant). Colas uses this information during management reviews to analyze and limit the impact of the Group's operations and improve environmental performance. In addition to these certified measures, Colas' checklists cover such aspects as administrative management, site development, waste storage, operations management and monitoring, environmental impact and risk management (water and air pollution, waste, natural and technological risks, noise and vibration) and dialogue with local communities (see the relevant indicators and comments in Part III – A.1).

During the fiscal year, there were no accidents or incidents to report that seriously affected the environment.

The main environmental risk for Colas' materials plants is generally considered to be the risk of gradual pollution resulting from accidental spillage into the aquatic environment, via rivers, sewage drains, aquifers and other water systems. To monitor progress in addressing this risk, a specific and stringent performance indicator has been derived from the environmental checklists.

Indicators

Name of indicator	Scope	Coverage	2015	2016
Percentage of materials activities with procedures in place to manage wastewater discharges (in percentage of CAE)	World	100% of CAE of materials production activities	21	26

Comments

Colas has implemented a strict surface water and groundwater protection policy to guard against the impact of accidental or everyday pollution at its fixed production and maintenance sites. This policy follows strict guidelines, backed by Colas checklists, which require that these sites be (or may be) completely isolated from the surrounding environment. 26% of CAE from global materials production activity satisfies all these requirements (up 5 points from 2015); the other sites are at varying stages of their action plans.

B.2: Reducing noise and other types of pollution for a given activity

Indicators and comments

"Percentage of CAE from materials production activities with an organization for local dialogue": see Part III – A.2 (Regional, economic and social impact of the Company's activity on local residents and communities).

Qualitative information

Colas is developing products that reduce traffic noise, such as fractal-technology noise barriers, and most significantly noise-reducing mixes (such as Nanosoft® and Rugosoft®) which can reduce traffic noise by as much as 9 dB. 324,000 metric tons were produced in 2016, up 34% compared to 2015. This product range reflects the continuing effort Colas has been investing in R&D for many years, and for which it has received a number of awards.

C. THE CIRCULAR ECONOMY

A key factor in the organization of public works operations is the consumption of aggregates, which is the commodity that human beings consume the most of, after water. Public works account for most of this consumption, with road construction accounting for more than half of this. For Colas, promoting the circular economy therefore means that recycling materials, and consequently limiting their initial use, are top priorities.

Since most of the materials that Colas uses are relatively heavy, recycling must be optimized at a very local level to minimize transportation requirements. The key environmental aspects are determined from life-cycle analyses and carbon footprint calculations. This local dimension naturally favors an industrial ecology approach and there are many examples of how Colas has successfully brought quarries, recycling centers, plants and other facilities on board with this approach.

Colas' circular economy policy is based on the results of various methodological tools, particularly life-cycle analyses of asphalt mixes. Efforts in this area began in 2000 through such industrial associations as the European Asphalt Pavement Association (EAPA) and USIRF (the French union of road industry associations) and are regularly intensified and updated. For example, USIRF is currently conducting a study on the life-cycle analysis of a representative French hot mix and of an asphalt-paved road. Two main objectives of this work are to find ways to improve sustainable design methods (for example, by reducing the energy consumption of asphalt production and paving) and to increase the percentage of road construction waste that can be recovered or recycled.

C.1: Waste prevention and management

C.1.1: MEASURES TO PREVENT, RECYCLE, RECOVER, REUSE AND DISPOSE OF WASTE

The vertical integration of Colas' operations on a global scale means that resources are used and materials inventories and logistics flows are managed according to specific local requirements and characteristics. For example, with 34 recycling platforms Colas Île-de-France Normandie alone accounts for 15% of Colas' global production of recycled materials, while subsidiaries in the eastern United States produce another 12%.

Recycling reduces the need to extract aggregates from the earth (thereby reducing the need for new quarries and gravel pits) while also reducing the amount of material that needs to be disposed of. A Recycled Materials indicator was implemented in 2004 to measure subsidiaries' efforts in converting waste into construction materials, relative to the total volume of aggregates produced, thus providing an assessment of savings in terms of new materials.

Reclaiming asphalt pavement when repairing or demolishing roads makes it possible to recover bitumen, a non-renewable petroleum resource found in this type of material. Asphalt mix, which is used in most road networks throughout the world, consists of a mixture of about 5% bitumen with aggregates. Reclaimed asphalt pavement (RAP) comprises the materials recovered from the milling or demolition of roadways before new asphalt mix is applied. Recycling asphalt mix when repaving a road offers three advantages:

- saves energy and reduces greenhouse gas emissions;
- enables the reuse of bitumen, a non-renewable natural resource, and aggregates;
- reduces road construction costs for the customer (often public sector) at identical levels of quality and performance.

In-place road recycling – which involves removing the asphalt mix from a road, adding a binder to it at the worksite and repaving the road with the resulting mix – saves a great deal of energy by considerably reducing the need to transport materials. Substantial amounts of aggregates are also saved since the material removed from the road is recycled.

As part of its effort to measure its waste management performance, Colas has developed a specific indicator to monitor the management and disposal of waste oils generated by all its subsidiaries and business lines. In most countries, waste oil is subject to special hazardous waste regulations and is the main hazardous waste generated by Colas' business activities. The indicator is calculated based on the ratio of used hydraulic and motor lubrication oil that is either disposed of by a certified channel or responsibly recovered, relative to total oils purchased.

Indicators

Name of indicator	Scope	Coverage	2015	2016
Ratio of recycled materials to total aggregates produced (in percentage of quantity)	World	Asphalt mix and aggregate production activities, and railroad worksites	10	11
Percentage of reclaimed asphalt pavement with bitumen recovery (in percentage of quantity)	World	Materials production activities	14	15
Surface area of road recycled in place (in millions of square meters)	World	Worksite activities	2.4	3.4
Waste oil recovery rate (in percentage of quantity)	World	All activities	64	61

Comments

In 2016, Colas recycled and recovered almost 8.5 million metric tons of materials. This represents 11% of its total aggregate production and worldwide savings equivalent to the average production of 17 Colas quarries. This indicator has improved significantly, with the number of metric tons of recycled materials and aggregates production increasing by 18% and 8%, respectively. This is largely attributable to the increase in ballast recycled at Colas Rail and to the growing use of recycled materials by road construction subsidiaries in Mainland France and North America, particularly the United States.

The industry consensus holds that the maximum recycling ratio achievable for asphalt mix that has been excavated or planed off is between 20% and 25% in OECD countries, with this rate varying in accordance with urban density and the technologies employed by project owners. Colas has therefore achieved three-fourths of its estimated recycling potential, with some subsidiaries in Belgium, Switzerland, France, the United States and Canada achieving this maximum ratio in 2016. There has been slower progress however in countries where recycling is less of a priority.

The ratio of asphalt aggregates recycled to reclaim bitumen increased one percentage point in 2016, which is consistent with the annual increase over the past few years. The amount of asphalt pavement reclaimed and asphalt produced increased by 12% and 11%, respectively.

The surface area of road recycled in place by Colas subsidiaries increased by 42% in 2016 compared to 2015. The sharp improvement in this indicator is attributable to a Canadian subsidiary, which completed several large construction projects using this technology, and to Colas UK, Colas Ireland and other subsidiaries in northern Europe.

Regarding waste oil, the optimum oil-recycling ratio is considered to be 80% if the oil that is consumed and burned by vehicles and machinery is taken into account. The recycling ratio of 61% that Colas achieved in 2016 is three percentage points lower than in 2015. This is explained by a change in the indicator's components and the inclusion in its denominator of oil inventory in addition to oil purchased during the reporting period. The management of all types of waste is monitored and assessed pursuant to ISO 14001 certification requirements and at annual self-evaluations using checklists (see environmental certification and self-evaluation indicators in A.1).

C.1.2: FOOD WASTE PREVENTION MEASURES

Substantiating items

Given the nature of its business activities, this new reporting requirement, which is a result of the Energy Transition Act decree, does not apply to Colas.

C.2: Sustainable resource use

C.2.1: LOCAL WATER CONSUMPTION AND SUPPLY

Qualitative information

Water consumption is more important in some parts of the world than in others. In general, Colas subsidiaries must take local water requirements into account, and water management is one of the criteria of the ISO 14001 standard (see indicator in A.1 on the percentage of materials production activities that have environmental certification and carry out environmental self-evaluations).

In 2015, Colas introduced new indicators to measure and limit the pressure exerted on water resources by its operations in regions where water is extremely scarce. The methodology used to assess the Colas operating regions concerned is based on the interactive "Overall Water Risk" map published on the website of the World Resources Institute. The water consumption of Colas' fixed facilities in these areas in 2016 is estimated to exceed 770,000 m^3.

The accuracy of these relatively new indicators is expected to increase in 2017 and 2018.

In order to limit the pressure exerted by Colas on water resources in these regions, action plans aim to increase subsistence consumption of water, encourage recycling and reduce waste.

Indicators

Name of indicator	Scope	Coverage	2015	2016
Percentage of stationary activities (in terms of CAE) located in highly water-stressed areas (in percentage of CAE)	World	100% of CAE of stationary activities in highly water-stressed areas	–	6
Water self-sufficiency rate of highly water-stressed areas (in percentage of m^3)	World	100% of CAE of stationary activities in highly water-stressed areas	–	84
Percentage of CAE generated in highly water-stressed areas for which an action plan has been implemented (in percentage of CAE)	World	100% of CAE of stationary activities in highly water-stressed areas	–	38
Percentage of water consumption in highly water-stressed areas for which an action plan has been implemented (in percentage of cubic m^3)	World	100% of CAE of stationary activities in highly water-stressed areas	–	69

Comments

The Colas Group's fixed facilities in highly water-stressed areas are located in Canada (Saskatchewan), the United States (California and Wyoming), South Africa, Namibia, Guadeloupe, Martinique, Ireland, India, Morocco, the Middle East, Chile and Mainland France (Normandy). These facilities, which account for about 6% of the CAE revenue of the Colas Group's industrial facilities, consist mainly of quarries and gravel pits but also include workshops, binder plants, depots, asphalt plants, ready-mix concrete plants and recycling platforms.

In addition to reducing water consumption in these localities, a key objective for Colas is to increase water self-sufficiency so as to minimize disruption of the water cycle and downstream water use. The water self-sufficiency indicator for 2016 is 84%, which means that most of the water consumed was obtained internally and not from the local water system. This preserves access to water resources for other local users.

By tracking its action plan progress indicators, as part of a continuous improvement process, Colas is able to monitor and reduce pressure on water resources in highly water-stressed areas.

C.2.2: CONSUMPTION OF RAW MATERIALS AND MEASURES TO USE THEM MORE EFFICIENTLY

Colas' approach to reducing the consumption of raw materials is based on the following action plan:

– optimizing and maximizing the recycling of all types of excavation material, demolition debris and inert waste produced by construction and public works projects, which reduces the need for disposal sites and to operate quarries and gravel pits. Colas has developed indicators to track the amounts of materials it recycles in its industrial processes and compare these amounts to materials extraction, rather than simply record the amount of waste disposed of (see Section C.1.1) or the amount of recycled material consumed. This decision serves two purposes: it improves data reliability and encourages the subsidiaries to invest in recycled materials production units. Rather than tracking total materials consumption, this approach focuses on measuring the amount of materials saved. This is because interpreting consumption totals is complicated. For example, some totals may increase with revenue while others decrease due to changing market conditions (such as bitumen consumption, the increasing proportion of service and maintenance activities, and the development of new activities);

– developing new products at Colas' R&D laboratories based on a sustainable design approach that seeks to minimize the use of raw materials, particularly non-renewable resources (see Section C.1.1). Research is being carried out to optimize eco-friendly binders by applying the principles of "green chemistry", notably by introducing bio-sourced components from forest and marine resources, reducing temperatures and limiting greenhouse gas emissions. This work focuses on using waste and renewable raw materials that have no adverse impact on the production of human food resources. In addition, to reduce chemical risk Colas promotes and commissions toxicological characterizations on the products made using these alternative chemical technologies, for example to detect potentially harmful substances like endocrine disruptors;

– developing and offering low-carbon alternatives. For many years now, Colas has led the way in offering its customers low-carbon alternatives and in developing "eco-comparison" tools for assessing these alternatives. In France, these efforts have culminated in the SEVE® eco-comparison tool, which includes a materials savings indicator. Colas played a key role in developing this software and making it available to its customers and throughout the construction industry. 2016 was marked by further development of this software and the creation of two distinct modules: the Roads & Utilities(1) module and the Earthworks module. These two modules make it possible to distinguish the results of the various environmental indicators for both types of work and thus have a better idea of the distinct environmental impact of earthwork and of road construction. Low-carbon alternatives consume less energy and material and produce fewer greenhouse gas emissions than conventional products and techniques. Efforts to promote the use of SEVE® internationally are currently underway within the industry in France and within the European Union. Colas is actively involved in these efforts.

Indicators

Name of indicator	Scope	Coverage	2015	2016
Amount of materials recycled (in millions of metric tons)	World	Asphalt mix and aggregate production activities, and railroad worksites	7.2	8.5
Amount of reclaimed asphalt pavement (in millions of metric tons)	World	Materials production activities	5	5.6
Number of low-carbon alternatives offered to customers	World	Worksite activities	243	201

(1) Roads and other networks.

Comments

The 18% increase in recycled material exceeded the growth of aggregates production and consequently increased the recycling ratio (see the indicators in Section C.1.1).

In today's challenging economic climate, the drop in the number of low-carbon alternatives reflects the current state of the market, which becomes less open to alternatives every year. However, thanks to improved targeting of low-carbon alternatives in 2016, the proportion of greenhouse gas emissions avoided by the Group declined by only 7%, whereas the number of selected low-carbon alternatives fell 10% (see Section D.1). Colas is taking an active part in the efforts made in the profession to give new impetus to low-carbon alternatives.

C.2.3: ENERGY CONSUMPTION, MEASURES TAKEN TO IMPROVE ENERGY EFFICIENCY AND THE USE OF RENEWABLE ENERGIES

Colas' information systems are designed to allow for decentralized management, which is better adapted to the diverse range of regions and activities it covers. Energy consumption is tracked in very general terms in these systems, with no distinction between, for example, fuel purchased for machinery and electricity consumption at quarries. Some of this data is extracted from accounting data, while other information comes from production data, if only to monitor improvements in energy efficiency. To overcome this issue, the Cleanergie (Colas Lean in energy) program was launched in 2012 to provide Colas with a measuring and monitoring tool aimed at enabling all Colas activities to reduce the energy they consume for construction, production, building operation and logistics. The program includes a study of some one hundred employees across a range of construction, production and quarry sites, actions to empower managers, and the creation of a steering committee of business-line experts. Some one hundred best practices and opportunities have been identified. This work revealed that the energy consumed by three types of equipment (asphalt plant burners, construction machines and vehicles) together accounted for three-fourths of Colas' direct energy consumption in almost equal proportions. In 2013, as part of its Cleanergie program, Colas set about transforming its collection systems into an information network to obtain more accurate data on its energy consumption at all its locations worldwide. This collection method has been used by Xfi since 2014 and was rendered more reliable in 2015 and 2016.

Colas is also focusing its efforts on:

– measurement tools: to assess improvements in energy efficiency, Colas must be able to measure its fossil fuel consumption, since electricity is only a small portion of the Group's total energy footprint. To monitor the production and energy consumption of asphalt plants, Colas has developed software for the different types of plants that are operated in central Europe, France and North America. These energy coordination and monitoring tools, which are steadily being rolled out across the Group, allow for real-time tracking of energy consumption and mix temperatures, with alerts sent over the Internet and to smartphones, plus reporting capabilities. These tools are currently being used by about 15% of the Group's asphalt plants. The data thus collected will be used to increase their energy efficiency.

To record and analyze the energy consumption of some 50,000 vehicles and construction machines at about 2,000 materials production sites and 800 construction profit centers, Colas equipped these vehicles and machines with energy consumption monitoring systems (see energy consumption indicators in the table below);

– increasing employee energy awareness: Colas is conducting an information campaign to get its truck drivers and equipment operators to reduce their fuel consumption by 20% by adopting environmentally friendly driving habits and switching off engines when equipment is idling. The campaign highlights the three advantages of environmentally friendly driving: it reduces costs, increases safety and helps preserve the environment. Although these advantages are nearly impossible to measure at this stage (see above), the level of commitment is clear and there is a good appreciation of the issue's importance. All continuing vocational training provided to drivers includes an environmentally friendly driving component, as well as specific training sessions on this subject developed for heavy-vehicle drivers and machinery operators. The Cleanergie program also has a good deal of support at worksites and production sites, with a growing range of initiatives and efficiency indicators.

In some areas Colas facilities are powered using renewable energy sources. For example, on Reunion Island, GTOI has equipped the roofs of several depot buildings with 6,600 m^2 of solar panels. This "solar farm" has been connected to the local power grid since 2009. In 2014, Colas Switzerland set up a high-temperature thermal solar power plant at its Pittet-Chatelan facility, in the canton of Vaud. The plant is used to heat bitumen and emulsion tanks and to produce some of the power used by the site's administrative building. The objective of this project is to demonstrate the advantages of using solar-generated heat with thermal storage in an industrial environment. Also in 2014, Colas Belgium equipped its Heusden-Zolder plant, in the province of Limbourg, with two wind turbines and over 1,000 solar panels installed on its administrative buildings. In 2016, the wind turbines were generating 7.6 GWh, of which almost 900 MWh were used at the site.

Indicators

Name of indicator	Scope	Coverage	2015	2016
Energy consumed per metric ton of mix produced (kWh per ton)	World	Asphalt mix production activities	80	78
Percentage of warm mix and low-temperature mastic asphalt (in percentage of quantity)	World	Asphalt and asphalt mix production activities	21	21
Number of metric tons of materials transported by rail or waterway (in millions of metric tons)	World	All activities	8	7.4
Total energy costs (in millions of euros)	World	All activities	430	370
Total energy consumption (in millions of MWh)	World	All activities	–	7.8
Ratio of total energy costs to IAV(1) (in percentage)	World	All activities	3	3
Percentage of vehicles with on-board telematics (in percentage)	World	All activities	21	22
Percentage of machinery with on-board telematics (in percentage)	World	All activities	23	27

(1) IAV (Internal Activity Volume): the purpose of this performance indicator is to establish an accounting scope reflecting direct energy consumption by Colas, in order to calculate a ratio of direct energy intensity. It is equivalent to CAE (revenue before eliminations) less operating profit margin and revenue from subcontracted work.

Comments

Colas systematically and carefully measures and monitors the fuel consumption of asphalt plant burners at more than 550 plants. This indicator improved by over 2% in 2016, mainly due to the increase in the average tonnage of asphalt plants in most countries, which automatically improves their energy efficiency.

In addition to low-carbon alternatives (see C.2.2), the following help achieve energy savings:

– warm mixes, which require about 15% less energy to produce than hot mixes. In 2016, warm mix accounted for 21% of Colas' total mix production, which is almost identical to 2015. The US subsidiaries were most successful in increasing their warm mix production. All employees are ready to start expanding the use of these products across all regions, adapting production tools and conducting ongoing research to develop new technical solutions that enable lower product temperatures, all the more so given the substantial health-related benefits (see Part I – D.1);

– recycled materials, especially reclaimed asphalt pavement, which saves bitumen and aggregates and reduces production and transport costs. This improves the overall energy balance over the life cycle of the materials (see indicators in C.1.1 and C.2.2);

– in-place road recycling also saves energy by reducing the need for materials and transport (see indicators in C.2.2);

– for its own transport requirements, Colas uses rail and inland waterways as an alternative to road haulage. However, there is little flexibility to replace one mode of transport with another. Colas is therefore working to improve the environmental performance of each mode and achieve the best possible balance between them by proactively adopting innovative techniques. The quantity of materials transported by rail or waterway is equivalent to more than 2,700 freight trains (with each train containing 44 freight cars), which avoids deploying some 247,000 30-ton trucks. These figures successfully withstood the decline in materials production in OECD countries. The average distance traveled (260 km in 2015, 270 km in 2016) rose 4% while the tonnage of materials transported fell 8%.

The Colas Group's total energy costs are estimated at about 370 million euros. To implement an energy intensity indicator, Colas looked at establishing a relationship between these energy costs and a relevant denominator, such as revenue or added value. This work helped to reveal the complexities involved in this regard. Selecting revenue would encourage energy-intensive business activities to be outsourced via subcontracting: revenue would remain unchanged, while direct energy consumption would go down, without actually making progress in this area. For this reason, Colas defined IAV to express the volume (in euros) of business activity that truly constitutes the basis of its energy costs. IAV is equivalent to CAE (revenue before eliminations) less operating profit margin and revenue from subcontracted work. As 2016 was the second year for this new indicator, and its reliability therefore needs to be reviewed, Colas is not yet able to comment on the movement in this indicator, nor its effective relevance. Energy consumption totaled 7.8 million MWh and as may be expected is more or less proportional to revenue in each country.

The number of construction machines and vehicles equipped with energy consumption monitoring systems increased in 2016, to 27% of machines and 22% of vehicles, up from 13% and 5% respectively in 2015. This complex indicator points to the most substantial avenue for potential progress.

C.2.4: LAND USE

Qualitative information

The construction of new infrastructure accounts for a very modest share of revenue (estimated at less than 10%), and Colas most often has no control over how land is used since the land for its projects (including concessions and public-private partnerships, or PPPs) is made available by its customers. Given the nature of its worksites, Colas therefore rarely has a direct impact on land use, as the land take of its activities is determined by the project owner.

All quarry and gravel pit sites are restored when they are shut down and many are progressively restored while still being operated. In addition, the amount of materials recycled is equivalent to the production of 17 Colas quarries and gravel pits throughout the world.

Photovoltaic power generation is considered one of the main renewable energy solutions under the global energy transition, but it requires vast available surfaces exposed to the sun. This problem is particularly acute in densely populated or agriculture-heavy countries: roof surfaces alone are not enough to produce the power levels required, and solar farms, although highly efficient, run up against issues of competition for land use (with agriculture, natural spaces and landscapes, for example). With its innovative Wattway solution (see D.1 below), Colas is paving the way for the construction of solar energy-generating roads, offering access to a sizable surface area, with the potential to meet most of a country's needs in terms of solar power.

D. CLIMATE CHANGE

Colas has a twofold strategy to address climate change. Its first objective is to reduce its carbon footprint and to propose solutions that reduce the footprint of its customers while taking their specific requirements into account. Its second objective is to anticipate the consequences of climate change, which involves pursuing its research efforts and proposing products that reduce the formation of urban heat islands, both in buildings (such as insulated facades and green or reflective roofs) and with respect to transport infrastructure. Here Colas uses its expertise in design and construction constraints specific to harsh climates. For Colas, the need to reduce carbon footprints and anticipate climate change are not so much risks for its business activities, but rather opportunities for competitive differentiation. For example, abandoning the use of fossil-fuel-powered transport will not eliminate the need for low-carbon transport infrastructure. In fact, it is likely to increase.

D.1: Significant sources of greenhouse gas emissions generated by the Company's activity, including through the use of its products and services

Indicators

Name of indicator	Scope	Coverage	2015	2016
Greenhouse gas emissions (in millions of metric tons of CO_2 equivalent)	World	All activities	12	11
Greenhouse gas emissions per metric ton of mix produced (in kilos of CO_2 equivalent per metric ton)	World	Asphalt mix production activities	19	18
Carbon intensity (in kilos of CO_2 equivalent per euro of revenue)	World	All activities	1	1
Greenhouse gas emissions avoided by the Group's actions (in metric tons of CO_2 equivalent)	World	All activities	105,000	176,000

Comments

Changes in the Group's CO_2 levels are generally not significant given the uncertainty inherent in calculating the carbon footprint. To calculate its carbon footprint, Colas observes scope 3.a of the ISO 14064 standard and the guidelines of the GHG Protocol. The scope of calculation includes activities that are upstream from its business operations. The impact of road traffic on the infrastructure that Colas maintains or builds is considerable, non-quantifiable and beyond Colas' control. Therefore, scope 3.b has not been applied.

This calculation necessarily involves a margin of uncertainty (over 20%), particularly for scope 3.a, due to discrepancies between national and international data, the difficulty of estimating carbon costs related to certain suppliers and subcontractors, and data collection and conversion issues, etc. Consequently, the carbon footprint is a good way of establishing an order of magnitude, but it cannot be considered a reliable indicator for monitoring annual performance, given these factors of uncertainty.

That being said, we might venture to guess that the two main factors contributing to the decrease in the Group's overall carbon footprint in 2016 were the ceasing of Société de la Raffinerie de Dunkerque's refining activity (which produced over 230,000 metric tons of CO_2 equivalent in 2015) and changes in revenue distribution between geographic areas and business activities.

The breakdown by scope of Colas' carbon footprint may be estimated as follows:

- scope 1: 2 million metric tons of CO_2 equivalent;
- scope 2: 0.5 million metric tons of CO_2 equivalent;
- scope 3.a: 8.5 million metric tons of CO_2 equivalent.

Although the carbon footprint cannot be used to assess a reduction in greenhouse gas emissions based simply on a comparison of annual results, the greenhouse gas emissions avoided by specific actions to reduce them can be more accurately measured. Colas reduces GHG emissions in two ways:

- by reducing the amount of energy it requires for its operations and the GHG emissions these operations generate. This involves improving energy efficiency (see C.3 above) through actions that aim to:
  - manage fuel consumption by site machines and vehicles; this has included introducing systems that measure fuel consumption and raising drivers' and operators' awareness of the need to adopt environmentally friendly driving practices and switch off engines when equipment is idle,
  - measure and reduce the amount of fuel consumed by asphalt plant burners. Fuel consumption per metric ton of asphalt mix produced is monitored worldwide;
- by reducing the energy and GHG content of the products and techniques that Colas offers its customers. To reduce its carbon footprint and that of its customers, Colas pursues an active R&D and innovation policy to develop alternative solutions that help preserve the environment. Below are some examples:
  - warm mixes and mastic asphalts: mixed at temperatures that are tens of degrees lower, these products reduce energy consumption by 10% to 30% while reducing emissions of bitumen fumes by 70% to 90%,
  - in-place road recycling: this technique reduces greenhouse gas emissions by reducing materials production and transport requirements,
  - recycling RAP and bitumen: recycling old asphalt pavement enables the recovery of bitumen, which is made from petroleum, a limited natural resource. In 2016, the Colas Group recycled 285,000 metric tons of bitumen, the equivalent of the annual bitumen production of a medium-sized refinery,
  - Vegeroute® products (e.g., Vegecol® plant-based binder, patented in 2004; Vegeflux® fluxing agent, patented in 2006; Vegemark® road marking paint, certified in 2010; Ostrea®, a hot road marking product certified in 2006; Ekoflux®, a plant-based bio-fluxing agent which entered the development phase in 2014). Developed in Colas' R&D laboratories, these products contain plant- or biomineral-based materials instead of petroleum-based components. These alternative materials not only serve as carbon sinks but also enable lower production and application temperatures, and can even reduce overall materials requirements in some cases,
  - Colas has developed EcologicieL®, the first software tool for calculating and selecting low-carbon alternatives for road building projects, and has also played a key role in developing the SEVE® eco-comparison tool, which is used throughout the road construction industry in France and provides customers and contracting authorities with an approved and common framework for selecting low-carbon alternatives (see C.2.2). In 2016, the number of low-carbon alternatives selected by customers was down 10% from its 2015 level, while the number of metric tons of CO_2 avoided declined to a lesser extent (7%). A total of 5,640 metric tons of CO_2 emissions were thus avoided in 2016. Recycling bitumen recovered from demolition or resurfacing materials is currently the main means of reducing CO_2 emissions (107,000 metric tons of CO_2 equivalent in 2016). In most countries, low-carbon alternatives cannot be proposed in public contracts, with the exception of France, where they are less and less frequently proposed and are rare in private markets due to the growing rigidity of purchasing processes. Colas is working to promote these products internationally, which has proven difficult within the current economic context faced by project owners. Nevertheless, a project subsidized by the European Union is currently underway, under the aegis of USIRF, a French road industry association, in which Colas and its subsidiaries are playing a major role,
  - Wattway: this major innovation in the road sector is the fruit of five years of research and development by teams at Colas. In partnership with INES, the French national institute for solar energy, Colas is pioneering an innovative technique that gives roads a new function alongside their traditional use: locally producing clean, renewable energy. The principle behind Wattway involves gluing specially designed solar panels directly to road surfaces, without requiring any civil engineering work. These panels are only a few millimeters thick and are able to withstand vehicle traffic in complete safety (including heavy trucks) while generating electricity. Wattway will be able to power public lighting, illuminated signs and trams as well as homes, offices and more. By way of example, one kilometer of surfaced road can generate enough electricity to light a town of 5,000 inhabitants. Nine small-scale projects covering a surface area of approximately 100 m^2 each were launched in 2016 to test Wattway under real-life conditions, mainly in Mainland France, North America and on Reunion Island. A major pilot project in France covering a 1 km-long stretch of the RD5 highway near Tourouvre, in Normandy, was also undertaken. This first large-scale project is one of several supported by the Ministry of the Environment, Energy and the Sea under its energy transition policy, and is also partly funded by the department of Orne. Another pilot project, in the United States, involved the installation by Reeves Construction of Wattway panels on a rest area along a section of highway in Georgia known as "The Ray" that is dedicated to the development of new transportation technologies.

In 2016, the Group's actions to reduce greenhouse gas emissions – such as improving the efficiency of asphalt plants, increasing warm mix production and recycling more road construction materials – avoided 176,000 metric tons of CO_2 equivalent, compared to 105,000 metric tons in 2015.

Colas facilities concerned by the European Union's greenhouse gas quota system fall into two categories: a portion of the asphalt plants (as combustion facilities higher than 20 megawatts) and Société de la Raffinerie de Dunkerque (SRD). The asphalt plants in question are located in Belgium (4 plants), Denmark (2 plants), and France (11 plants). Compared with other manufacturing facilities concerned by this system, asphalt plants are minor CO_2 emitters. For example, the 11 French plants totaled 19 thousand metric tons of CO_2 in 2015 (reported in April 2016) for a production of about one million metric tons of asphalt mix. SRD's refining operations were cut back in 2015 and ceased in 2016. Colas SA purchased 443 metric tons of CO_2 in 2016 to cover its subsidiaries' emissions in 2015, for a total cost of about 2,500 euros. The figures for 2016 will be available in the first quarter of 2017.

D.2: Adapting to the consequences of climate change

Qualitative information

With worksites and production sites around the world, Colas has acquired in-depth knowledge of the particular constraints of designing and building infrastructure in harsh climates. This includes regions with very hot, dry climates (such as southern Morocco and western Australia), extremely high rainfall (French Guiana and Caribbean, and the Indian Ocean region) and extremely low temperatures (at high altitudes and in Canada, Alaska and Greenland). This experience enables Colas to advise its customers concerning their policies for adapting infrastructure to climate change, whenever possible. For example, in 2009, Colas developed a low-carbon alternative made with Colclair® binder to better reflect heat while resurfacing a road in Dawson (Yukon, Canada), where the permafrost ground is threatened by increasing temperatures due to climate change. This expertise was once again in demand for work done on Iqaluit Airport under a public-private partnership signed at the end of 2013 in Nunavut (Canada), which should be completed in 2017. Colas' research efforts also include developing light-colored paving mixes to help protect permafrost ground (instead of the traditional black mixes which reflect less of the sun's heat), and conducting studies on the effects of extreme thermal shock on crack development and on the effects and prevention of urban heat islands.

E. PROTECTING BIODIVERSITY

E.1: Steps taken to preserve or develop biodiversity

Colas supports biodiversity in two ways:

– by actively participating in research on biodiversity:

- Colas is one of the few companies to be part of the FRB (French foundation for biodiversity research)'s strategic steering committee,
- in 2014, the Colas Group backed the Lengguru scientific expedition, a patronage initiative carried out by the IRD (French institute of research for development) in partnership with the Indonesian Institute of Sciences (LIPI) and the Sorong Fisheries Academy (APSOR). The aim of this expedition was to inventory and study biodiversity in forests, underground and in the sea using an approach that focused on the impact of environmental factors on the adaptation and evolution of different species. The scientific exploration was conducted in a particularly rich, unexplored area of Indonesia's Papua province, which gave rise to the discovery of a number of new species (scientific publications are in preparation). In 2016, several films were made and broadcast on Arte and Ushuaïa TV, and a traveling exhibition was held throughout the year in southern France, Paris and Jakarta. (For more information on the expedition, visit www.lengguru.org.) Colas aims to ensure that all of its actions to promote biodiversity (including Lengguru) have an educational component targeting the general public, such as lecture series, school projects and initiatives geared to younger audiences. This is important because the challenges of biodiversity will only find genuine solutions once people have embraced them as their own, on a local and global scale,
- Colas created a conservatory for black bees in the Alps of Haute-Provence, in partnership with Apilab, a laboratory specializing in the study of bees and environmental biomonitoring. This scientific project uses a protocol for the genetic analysis of mitochondrial DNA that was developed by the French national research institute CNRS. The conservatory, which comprises 20 hives and is the first of its kind in France created by the private sector, is located at Colas Midi-Méditerranée's Cozzi quarry, near Norante. This social and collaborative project is conducted in partnership with local beekeepers and the mayors of the neighboring towns;

– through targeted projects that are directly related to its operations:

- Colas' efforts are focused on its quarries and gravel pits and consist in implementing and monitoring actions to enable and facilitate the presence and survival of a notable animal or plant species, and in installing beehives in collaboration with local stakeholders (beekeepers, naturalists, nature reserves, NGOs and others) and informing local communities through an educational awareness-raising campaign,
- trials are also underway to help Colas work crews address the issue of invasive plants, with a growing number of subsidiaries around the world tackling this issue.

Indicators

Name of indicator	Scope	Coverage	2015	2016
Percentage of CAE from aggregate production activities that take action to promote biodiversity (in percentage of CAE)	World	100% of CAE of permanent aggregate production activities	41	44

Comments

More than 70 protected species currently live at the Group's extraction sites, in addition to some 50 sites that are home to beehives. Real progress has been made since this policy was deployed in 2012, on the occasion of Colas' Environmental Convention. This effort remains varied according to cultural contexts, enjoying strong support in France but less in the United States, for example. The three-point improvement in this indicator in 2016 may be attributed to road construction subsidiaries in Mainland France and countries such as Madagascar, which achieved a ratio of 100%.

Additionally, in Madagascar, since December 2008, Colas has offered an educational and awareness-raising program on protecting biodiversity, providing its support to a private lemur reserve and a botanical garden. Thanks to this program, 26,205 children and 890 teachers have learned about the importance of their country's natural heritage, particularly the protection of lemurs through habitat conservation.

III – CORPORATE SOCIAL RESPONSIBILITY COMMITMENTS TO PROMOTE SUSTAINABLE DEVELOPMENT

Colas cares not only about reducing the negative impacts of its activities, but also about expanding its positive impact on a large scale. Among the concrete actions that Colas has implemented over time are:

– its road safety policy to prevent accidents: Colas' commitment in this area is reflected by its regular renewal since 1997 of a road safety charter signed with the French government and CNAMTS, the French national health insurance fund for salaried employees, as well as a similar charter at the European level. "Road Safety Officers" are specially trained employees who implement an accident prevention program in the field based on the code of best practices issued by the French government's road risk prevention committee. Not only does this policy help Colas improve the road safety record of its drivers – the Group saw a 5% reduction in accident frequency in 2016 (see Part I – D.3) –, it also benefits their families and friends (through the sharing of best practices) along with all other road users;

– its employee first-aid training policy, which has been in place since 2006: Colas places a major emphasis on first-aid training, both in France and abroad. Today, more than a third of Colas employees have learned life-saving techniques (see Part I – D.1). This training benefits employees as well as everyone around them, including their families and friends.

Because the Group's activities are decentralized, Colas is involved locally through community outreach activities, particularly with regard to work, local partnership initiatives, corporate patronage, and in terms of local dialog (see Part III – A.2).

Corporate social responsibility indicators:

III – A.2: Percentage of CAE from materials production activities with an organization for local dialogue;

III – B.2: Corporate patronage: cash donations, donations in kind; Sponsorship: cash expenditures, in-kind expenditures.

A. REGIONAL, ECONOMIC AND SOCIAL IMPACT OF THE COMPANY'S ACTIVITY

A.1: Employment and regional development

Qualitative information

The Group has an impact on employment and regional development through:

– its network of long-standing local operating units which is at the heart of the Group's strategy, in business lines where proximity to the customer is key;

– its 55,000 employees, in businesses where the jobs are local and not liable to be relocated;

– the construction of transport infrastructures that promote the economic development of regions;

– its management of water in highly water-stressed areas (see Part II – C.2.1).

The Group contributes to employment and development in the regions where its operations are located through a number of actions, including:

– in Mainland France: in 2014, the signing of a national partnership agreement with the CNCE-GEIQ (French national committee for coordinating and evaluating groups of employers that promote workforce integration and vocational training) underscored Colas' commitment to combating discrimination in access to employment. In 2015 and 2016, this agreement was adapted into regional agreements between Colas Group subsidiaries and the employers' groups responsible for each region. These regional agreements enable the subsidiaries to strengthen their partnerships with employers' groups, particularly by developing shared tools (standard procedures for career discovery, model for assessing the skills and experience gained by an employee, model agreement governing the provision of staff or model procedure for staff orientation and guidance). Several regional agreements have been signed or renewed locally by the Mainland France road construction subsidiaries (Colas Île-de-France Normandie, Colas Rhône-Alpes Auvergne, Colas Centre-Ouest, Colas Nord-Est and Smac).

To facilitate the employment of people who have difficulty finding work, in 2015 Colas set up regional workshops on how to comply with social responsibility clauses in procurement contracts. These half-day workshops were aimed at business unit managers, assistant operations managers, engineering office managers and human resource managers. They brought in entities specialized in integration through employment (facilitators and representatives of the Adecco employment network and employers' groups) with the aim of implementing lasting employment solutions. After this training, Aximum intensified its action in 2016 by stepping up recruitment from ETTI agencies (which provide temporary employment for the hard-to-employ) and hiring under fixed-term and permanent vocational training contracts. For example, employment under temporary contracts for the hard-to-employ accounted for over 83,000 man-hours at Colas Île-de-France Normandie and for 33,000 at Colas Nord-Est;

– outside France, many initiatives have been implemented across all the Group's companies; for example, since December 2008 Colas Madagascar has been running an educational program to raise awareness of the importance of preserving biodiversity, has supported a private lemur reserve and a botanical garden (see Part II – E) and in the early 2000s set up two dispensaries at its facilities at Antananarivo and Toamasina, to provide ambulatory care to its employees and their families. In 2016, Colas Madagascar contributed to the renovation of a primary school in the village of Andranovelona (two hours from Antananarivo) that can accommodate about 20 students, and to the construction of a cafeteria and a well for the students.

A.2: Resident and local populations

Colas manages a large number of production sites for construction materials (aggregates, ready-mix concrete, asphalt mixes, bitumen, emulsions, and others). The acceptance of these sites, particularly by local residents, is an increasingly sensitive topic throughout the world. Issues include concerns of nuisances (odors, dust, traffic, noise) and risks of environmental or health impacts. The Colas Group has identified community acceptance as one of its strategic challenges for Responsible Development and has initiated action plans focused on two key priorities:

– 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 using a system of checklists covering most of the Group's activities in the production of construction materials worldwide. This approach is part of the internal control of operations and covers some 2,000 Colas production units around the world (see indicator in A.1 on the percentage of materials production activities that use environmental certification and/or Colas checklists to manage environmental impact);

– dialogue initiatives with neighboring communities, local governments and the relevant authorities: maintaining an open dialogue with local communities makes it possible to better understand their expectations, explain the reality and constraints of production sites, and promote mutual understanding to prevent crisis situations.

In developing countries where it established operations many years ago (in Madagascar, West Africa and central Africa, in particular), Colas is involved in health initiatives (to fight AIDS, intestinal infections, and malaria in particular) in favor of employees, their families and local village populations.

Indicators

Name of indicator	Scope	Coverage	2015	2016
Percentage of CAE from materials production activities with an organization for local dialogue (in percentage of CAE)	World	100% of CAE of materials production activities	30	40

Comments

A local dialogue indicator was introduced in 2006 to measure the extent of this dialogue with local communities, local elected officials, and the competent government agencies. The 10-point increase in this indicator in 2016 is partly attributable to the action plan undertaken early in the year. The most progress was made in Oceania, central Europe and the United States.

B. RELATIONSHIPS WITH PERSONS OR ORGANIZATIONS HAVING AN INTEREST IN THE COMPANY'S ACTIVITIES

B.1: Conditions for dialogue with these persons or organizations

Indicators and comments

Please refer to Section A.2.

Beyond the local relations described in Section A.2, issues related to relations with Colas Group stakeholders can be challenging to resolve, given the diverse range of business activities and regions across which the Group operates. In line with Colas' values and culture, stakeholders are generally dealt with through decentralized management, except when it comes to subjects that may be addressed through a global approach.

Regarding this last point, the issue of bitumen fumes (see indicators and comments in Part I – D.1) deserves to be highlighted, since Colas has been a driving force in the construction industry when it comes to mounting a dialogue with the scientific community and joint organizations at the French and international levels. Another noteworthy development in 2016 was an increase in dialogue with financial analysts specializing in socially responsible investment.

B.2: Partnership and patronage initiatives

At the local level, corporate patronage and sponsorship initiatives are decided upon and managed by the subsidiaries and their operating units. These actions mainly involve cultural and humanitarian initiatives and the sponsoring of sports events.

The Colas parent company's patronage policy focuses on four main areas:

– cultural patronage: the Colas Foundation (commissioning paintings from artists on road-related themes), Colas on Stage (support for dance performances, young virtuosos and music festivals);

– solidarity patronage: Colas Life (support for educational assistance initiatives);

– scientific patronage: ChemSud Foundation;

– skills-sharing patronage: no initiatives in 2016.

Since 2014, an application has been used to collect data on and approve the Group's patronage initiatives in France and abroad. In 2016, it was expanded to include event sponsoring. All the information collected and validated using this tool is automatically transferred to Xfi for consolidation purposes.

Indicators

Name of indicator	Scope	Coverage	2015	2016
Patronage: cash donations (in millions of euros)	World	100% of CAE of all activities	4.3	3
Patronage: donations in kind (value in millions of euros)	World	100% of CAE of all activities	0.19	0.12
Sponsorship: cash expenditures (in millions of euros)	World	100% of CAE of all activities	–	4
Sponsorship: in-kind expenditures (value in millions of euros)	World	100% of CAE of all activities	–	0.03

Comments

The decrease in donations in kind that began in 2015, accelerated in 2016. This is mainly due to the completion of the skills-sharing patronage project with the Château de Chambord.

The 29% drop in cash donations in fiscal year 2016 had two main causes: the decrease in donations outside of France, and the transfer of sports-related expenditures to the "sponsorship" category, especially in Hungary, where the government set up a very attractive sponsorship program.

Since 2016 is the first year for the sponsorship indicator, it is not very relevant and it should not be compared to the 2015 indicators. Its relevance will increase over the next few years.

C. SUBCONTRACTING AND SUPPLIERS

C.1: Including social and environmental considerations in purchasing policy

C.2: Importance of subcontracting and taking into account the social and environmental responsibility of suppliers and subcontractors in relationships with them

Qualitative information

The CSR objectives to which the Colas Group's Purchasing Department committed in early 2016 may be divided into the following three types:

– Purchasing and investments processes

To ensure an effective purchasing function, it is necessary to:

- set up a specific organizational structure and deploy clear purchasing processes that ensure both the separation of purchasing powers (i.e., a single person must not specify the purchasing requirement, select the supplier and order, accept and pay for the product or service) and compliance with regulatory requirements and obligations towards suppliers. A computerized purchasing system that is accessible to all stakeholders and which ensures that expenditures comply with process requirements, that purchasing powers are separated and that expenditures are authorized (via the validation circuit), is currently being deployed and process performance indicators are being prepared;
- use purchase order / contract templates for each product category to ensure that products and services are compliant and that CSR concerns are addressed. These templates must be validated by internal stakeholders in the Purchasing, Legal, Safety and Environment departments;
- get suppliers engaged in CSR by including the Group's CSR charter in all purchase orders and contracts;
- get internal stakeholders (e.g., Safety, Environment and other personnel) engaged in the purchasing of products and services that are most relevant to them;
- formally draft and deploy the capital spending process.

– Social responsibility and resource preservation

Colas must contribute to preserving:

- local economies: by preferentially awarding contracts and orders to local suppliers and contractors when their product and service offerings are considered to be equivalent (when everything is taken into consideration) and unless there is any strategic reason to prefer a non-local product or service; by granting a minimum percentage of contracts to small local companies and/or suppliers (which is facilitated with advance orders and gradually increasing order size); by favoring suppliers that employ people with disabilities when these suppliers are competitive in terms of quality and price;
- resources: by developing business models that enable comparison and the selection of the most appropriate solution (i.e., total cost of ownership) and which among other things take into account resource consumption (e.g., the Cleanergie project) and environmental impact (e.g., the reduction of GHG emissions). For example, since late 2015 Colas' vehicle purchasing policy has taken these considerations into account by favoring vehicles that comply with the Euro 6 standard or offer good fuel-efficiency.

– Organizational

Several organizational initiatives will be undertaken in 2017, such as the distribution of an ethics charter and special training to increase the CSR awareness of purchasing staff.

The project to develop the Group's new work uniforms, launched in 2013, is a significant example of the vigilance exercised by Colas in its relations with its suppliers and service providers. Intended to be worn by 30,000 of the Group's employees, these uniforms are Fairtrade-certified by Max Havelaar and made of organic cotton fiber produced in Mali and grown without any GMOs or dangerous pesticides. The cloth was produced in European ISO 14001-certified factories, and the dyes used are OEKO-TEX® Standard 100-certified. The uniforms were produced in workshops in North Africa where working conditions were checked by SGS during CSR audits (12 audits in all). These textile workshops were also certified by Flocert. In 2014, Colas received several awards for its work uniforms, including the *Trophée des Achats* in the Responsible and Sustainable Purchasing category and the *Janus de l'Industrie* seal of approval. Several initiatives were continued in 2016: the improvement of existing models based on feedback from users; the creation of a line designed specifically for female body shapes; roll-out to international locations, in particular Morocco and Madagascar, taking into account feedback from worksites and the improvements made since the first run of uniforms.

D. FAIR TRADE PRACTICES

D.1: Preventing corruption

Qualitative information

For many years, guidelines have been established and disseminated to promote compliance with business ethics and standards of integrity. These were first set out in a business conduct brochure and on the first page of the management principles booklet, and are now presented in the Code of Ethics issued to employees by the Bouygues Group (to which Colas belongs). At the end of 2014, this code was supplemented by a compliance program built around four topics (competition, conflicts of interest, preventing corruption, and financial disclosures and stock market transactions). The Colas Group's Ethics and Corporate Sponsorship Committee was expanded to include two independent directors. It met in February 2016.

Given the considerable decentralization of the business lines and the very large number of staff members in a position to enter into contracts, particularly with public-sector customers, the risks associated with business ethics cannot be ruled out with complete certainty. It is for this reason that regular training is provided in areas including compliance programs, refresher courses, controls and reporting, according to a schedule that aims to cover all of the subsidiaries. The main actions carried out in 2016 relate to:

– appointing a Compliance officer in every region where Colas does business: North America, central Europe, Oceania, the Middle East, the Indian Ocean, Belgium, Switzerland, the United Kingdom, northern Europe, Africa, Morocco, the West Indies and French Guiana and Mainland France;

– ongoing training of subsidiaries in "Business Ethics and Accountability", which includes the Group's compliance programs. This training is intended for chairmen and CEOs, regional managers, support function managers, department managers, profit center managers, operating center managers, assistant operations managers, works managers, purchasing and sales staff. The subject of business ethics is regularly dealt with at all subsidiary meetings in France and abroad, including executive committee and senior management meetings, and at Group level;

– setting up an "Ethical and Accountable Leadership" training program to raise awareness and promote discussion on business ethics and the individual and collective accountability of Group subsidiary leaders, and to provide practical exercises and experience in handling situations of specific relevance to Colas. This training is intended for the chairmen, CEOs and profit center managers of road construction subsidiaries in Mainland France and for Specialized Activities managers at Colas Rail, Smac, Spac and Aximum. This training will be provided to about 750 people;

– in the United States, the development of the ethics program "The Right Turn" continued in 2016, with the dissemination of its new code of conduct developed in 2014 to all subsidiaries, complementing local training programs. Each company has asked its employees to recertify their compliance with the code in January. Training sessions for managers and worksite supervisors were also held on the topic of fraud in public-sector contracts. Ethics seminars were provided for Colas University participants. In 2016, several courses were made available online in the United States to all employees with an email address. The courses dealt with topics such as fraud, bid-rigging, government contracts, age discrimination, behavior in the workplace, conflicts of interest and sexual harassment. Each US subsidiary also provides its own training in these subjects;

– in Canada, "Ethics" and "Compliance Programs" training were merged, and 27 courses of this type were dispensed during the year to 685 employees. In April 2016, a presentation on how ethical and compliance breaches may adversely affect business performance was given to 163 senior managers of various Canadian subsidiaries at a conference in Banff, Alberta;

– a whistle-blowing program for Colas employees was launched at the beginning of 2017;

– the ethics training program called "Fair Play", an e-learning serious game, is being rolled out for employees (initially at French subsidiaries) during the first quarter of 2017.

D.2: Measures taken to promote consumer health and safety

Qualitative information

The Group's end customers are the users of the infrastructures that it builds or maintains. In this area, Colas has very limited freedom to modify its products and its projects since, in most of the countries where it operates, it is prohibited from proposing alternatives to the basic solution described in public tenders. In France and several other European countries, however, it is possible to propose modifications, albeit often limited ones and only for certain contracts.

With the exception of traffic safety issues, transport infrastructures do not present any direct impact on or risk to the health of users.

Group R&D works in a number of areas to respond to road safety challenges, in particular:

– producing a range of high-performance surfacing that provides better tire grip (textured and/or draining products to limit skidding in rainy weather);

– improving visibility (work on road markings in cold or wet weather and at night);

– manufacturing road safety equipment (Aximum safety and signaling subsidiary).

In order to reduce noise from road traffic, Colas offers noise-reducing mixes and has developed a noise barrier (see Section B.3). This product range has received many prizes in France and abroad.

D.3: Other actions taken regarding corporate social responsibility commitments to promote human rights

Qualitative information

In article 2 of its Code of Ethics, the Bouygues Group, to which Colas belongs, commits to complying with the United Nations' Universal Declaration of Human Rights and the fundamental conventions of the ILO (International Labor Organization) (see Part I – G).

The Colas Group operates in more than 50 countries across five continents, and follows a business model centered on permanent operating units that employ local staff. Colas is committed to hiring locally everywhere in the world and as a result has very few expatriate employees: around 300 originating from some twenty countries, out of a total of 22,000 employees outside France. Relying on local staff and treating employees with respect are part of preserving human rights.

In France and on the international level, the Colas Group is committed to respecting laws and regulations, including the Universal Declaration of Human Rights, and carries out internal audits to verify that these rights are indeed respected. There is no indication that Colas is particularly exposed regarding this issue. As it mainly operates in OECD countries, where it carries out around 90% of its activity, Colas has virtually no presence in countries listed as at-risk regarding these issues. Furthermore, its vertical integration policy automatically protects it from a systematic reliance on external purchasing and subcontracting.

The field of purchasing and subcontracting is often considered an at-risk subject. Colas is in a special position because the nature of its activity does not allow for outsourcing (concrete and asphalt mix cannot be produced or applied in one country for an infrastructure located in another country). Purchases made in at-risk countries are completed by Colas teams located in those countries; their local presence and management systems enable these teams to limit the risk of working with suppliers that may violate human rights.

The Audit Department is instructed to issue a warning if a problem of this nature is detected during an audit, even if no complaint is triggered. In 2010, an audit and rating report produced by the BMJ ratings agency did not identify any particular weakness regarding these issues.

Risks – Exceptional events – Disputes

Measures to evaluate, monitor and mitigate risks related to the specific nature of Colas' businesses have for many years been among the Group's essential 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 and the overall policy with respect to risk are managed mainly on the basis of 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 a year by the executive operational management teams. This 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. It is 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, also centralizing feedback so that best practices may be communicated to subsidiaries, while contributing to the development of a risk prevention policy and appropriate preventive actions.

RISKS ASSOCIATED WITH SECTORS OF ACTIVITY AND MARKETS

In particular, Colas' business activities and results are exposed to the following risks:

– changes in the macroeconomic environment of the Group's main markets (France, Europe, North America), which can have an impact in terms of business volumes, competitive pressures and price levels;

– changes in public-sector procurement, since about 59% of the Group's business involves public-sector customers (especially local and regional authorities in France), and in the ability of these customers to finance their projects. Rising budget deficits, the state of public finances in many countries, the resulting austerity measures and, in France, the drop in state contributions to local governments, all compound this risk. Furthermore, administrative and political considerations can also influence the volume of public contracts whether due to difficulties in reaching consensus on budgets, elections, community aggregation plans or changes in leadership for government agencies, which may result in the postponement or cancellation of infrastructure projects that had been previously approved or were under consideration.

However, these risks are attenuated by the large share of Group business in the maintenance of infrastructure, which is vital to the mobility of both people and goods, and hence to the economy as a whole, by the broad geographic distribution of operating units, by the wide range of business activities pursued by the Group, by the large number of projects and by the Group's capacity to bid on complex contracts.

CREDIT OR COUNTERPARTY RISK AND COUNTRY RISK

With operations in over 50 countries, Colas is exposed to various risk factors attributable to the specific countries where it operates. However, the Group's exposure to country risk is in fact low, as 93% of its business is conducted in Europe (including France), North America (the United States and Canada) and Australia. Moreover, as most of the Group's revenue is derived from public-sector customers, such as national governments or local and regional authorities, with many small-scale projects with low contract value, the risk of non-payment is also low. Business conducted in high-risk countries carrying low ratings assigned by international organizations or credit insurance firms is limited to contracts whose financing is provided most often by multilateral lending institutions (European Development Fund, World Bank, etc.).

Given the large number of customers across a wide network of businesses in road construction, waterproofing, safety, signaling, traffic management, and construction materials (including many private-sector customers as well as local authorities), the risk of significant counterparty risk is low. With respect to railways, a substantial portion of business is conducted with state-owned companies or state agencies with responsibility for rail infrastructures. In the private sector, a preliminary analysis of the customer, supplemented through the use of credit insurance wherever possible, limits this risk. The largest risks can be quantified using statistical analysis, accurate within 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.

RISKS RELATED TO RAW MATERIALS

Colas is affected by the regularity of its supply and fluctuations in the cost of petroleum-based raw materials in its road construction business (bitumen, fuel, heating fuel and gas, oils), and other raw materials such as steel, copper or aluminum, which are used in the safety, signs and signaling, traffic management, waterproofing and cladding, and railways businesses. Bitumen and other petroleum-based products are the raw materials most associated with this type of risk.

SUPPLY RISK

Delays or disruptions in the supply of these materials may result in additional direct or indirect costs for the road construction or waterproofing businesses. This is not a systemic risk, except in the case of armed conflict or a complete breakdown in the supply of petroleum, and may affect a given country, or more likely a region, for periods of varying length. 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). Over the years, Colas has thus developed a policy favoring greater storage capacity in Mainland France, in Europe, in French Overseas Departments, in the Indian Ocean region and, on a larger scale, in North America. The risk related to additional temporary or potential closures of refineries in Mainland France has greatly reduced since 2013, with the general drop in bitumen consumption in France and neighboring European countries. It may remain present in certain regions of North America and Africa.

RISK RELATED TO PRICE CHANGES

The price of bitumen has varied widely for quite a few years now. The risk associated with this volatility is limited by several factors, such as the number of contracts and the average contract amount, which often allow the price to be anticipated in the bid to the customer, and revision and indexing clauses included in many contracts in France and abroad. This risk is considered in the context of contractual negotiations by staff members well versed on this issue. In some regions, supply contracts may be signed at guaranteed prices for a given period. For major contracts, the Group may enter into hedging arrangements on a case-by-case basis when the order is received. However, a portion of the Group's business is affected by rising bitumen or petroleum prices, such as the sale of manufactured goods to third parties, in which case the price increases are passed on to the customer, where the competitive context permits.

Given these factors, it is impossible to measure the sensitivity of operating results to price changes for raw materials due to the thousands of contracts executed in different legal and protective contexts, and also with price increases differing across geographic regions.

Lastly, there is also an indirect risk in the event of a rise in the price of these products for customers who, due to the resulting increase in the price of work or services, may lower the volume of orders placed.

LEGAL RISKS

COMPLIANCE RISKS

Colas' business activities tend to involve a large number of contracts (around 90,000 per year) as well as the decentralized negotiation and execution of these contracts (800 construction business units and 2,000 materials production units around the world). Apart from regulations applicable in all cases (anti-trust 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 its decentralized management approach, Colas may run the risk of non-compliance with legal requirements, particularly in the area of anti-competitive practices or corruption, despite a vast array of upstream preventive measures (information, training programs, charter, etc.), compliance programs developed since 2015 – in addition to a Code of Ethics – and a systematic policy of penalties. These risks, which may lead to financial penalties for the company involved (e.g., those imposed by anti-trust authorities), might also entail criminal or civil liability, or result in a loss of market share (by prohibiting bidding on certain contracts) or a loss of reputation. The likelihood and potential severity of this risk are difficult to measure.

SIGNIFICANT LEGAL DISPUTES AS OF DECEMBER 31, 2016

Group companies are involved in litigation or disputes that form part of the normal course of their business. Risks are assessed and financial provisions are set aside using a method consistent with that used in previous years, based on feedback and analysis by the Group's legal department and legal advisors. To date, to the best of the Company's knowledge, no exceptional events or disputes are likely to significantly impact the activity, assets, earnings or equity of the Group as a whole. Detailed information on the main ongoing legal disputes involving the Group is provided below.

Hungarian Competition Authority cases and damages and interest claimed in connection with this dispute in Hungary

Between 2004 and 2012, the Hungarian Competition Authority found that some ten Hungarian companies, including Colas subsidiaries, had infringed competition rules by engaging in price-fixing practices for public works contracts. The penalties have been paid and all appeals have been rejected.

In the aftermath of these various decisions, claims for damages have been brought against certain Hungarian companies controlled by Colas subsidiaries in Hungarian courts by several companies alleging they were harmed by these price-fixing practices. There are still two cases that are ongoing: (i) one concerning the City of Budapest and (ii) the other concerning the Hungarian government (M3 motorway) before the Budapest Court, as the claims of motorway operator the Hungarian National Development Agency have been refused definitively due to a lack of interest in bringing proceedings.

URSSAF audits

In late 2009, URSSAF (the French labor inspectorate) notified Colas of an adjustment to exemptions affecting social security contributions allowed under the TEPA and Fillon laws for the 2006-2008 fiscal years. URSSAF requested the payment of all social security contributions covered by these exemptions, from the very first euro, in the form of a lump-sum tax, on the grounds that the Group companies concerned had failed to supply the necessary information in support of these exemptions in electronic form. The submission of this information in electronic form was deemed mandatory by URSSAF, in its interpretation of the French Social Security Code. Colas and its subsidiaries consider that the conditions for lump-sum taxation as provided for under article R. 242-5 of the French Social Security Code are not met, as the supporting documents necessary for verification were submitted in a timely fashion, and since the format in which these were supplied enabled them to be used. The amount attributable to this adjustment, including late payment penalties, is estimated at 56.8 million euros as of December 31, 2016. This dispute has been referred to the Social Security courts.

Tax-related dispute in Canada pertaining to technical assistance invoiced by Colas to its subsidiaries Colas Canada Inc. and Sintra Inc.

The Canada Revenue Agency has challenged the deductibility of technical assistance expenses invoiced by the Colas parent company to its subsidiaries Colas Canada Inc. and Sintra Inc. for the 2004-2012 fiscal years (only for 2004 for Sintra), due in particular to the excessive amount and insufficient documentation of these expenses. Notices of assessment for 2004 to 2007 that contested the full deductibility of expenses incurred were addressed through the out-of-court settlement procedure under the tax treaty between France and Canada. Notices of assessment for 2008 to 2012 partly acknowledge that these expenses are deductible and will also be contested within the framework of the aforementioned out-of-court settlement procedure. The amounts in question, taking account of the most recent tax notices for the period, come to about 55 million euros. This includes an amount related to the presumed refusal of the deduction of total technical assistance expenses for 2013 to 2016 as well as interest and penalties as of December 31, 2016.

Civil complaints in Quebec in respect of alleged fraud and fraudulent tactics in public contracts

Sintra has announced its intention to take part in the voluntary reimbursement program brought into force by the Province of Quebec in 2015 and has offered to pay a settlement of 10.7 million Canadian dollars in return for a general release.

The process of approval of the offer by public bodies is being supervised by the administrator of the voluntary reimbursement program and the Minister of Justice. The process will be completed on November 1, 2017. If the public bodies do not give their approval, they will regain their right to prosecute for the damage allegedly suffered.

INDUSTRIAL AND ENVIRONMENTAL RISKS

FIRE, EXPLOSION AND ACCIDENTAL POLLUTION RISKS

Exposures to this category of risk, which vary depending on the size of sites and the nature of business activities pursued, are not considered to be significant for most of the Group's industrial sites, given their relatively small size. However, these sites are kept under regular surveillance to reduce the likelihood of risk events and are subject to such requirements as fire permit procedures and infrared thermography audits of thermal and electrical equipment, in addition to preventive maintenance actions. The Axter site in Courchelettes, France, which produces waterproofing membranes, is the largest and most exposed site due to the nature of its business activities and is handled using specific procedures. The SRD site in Dunkirk, France, which produces bitumen and other refinery products, has been shut down definitively and a definitive checklist of security procedures has been sent to the authorities. Over and above regulatory requirements, it is being monitored in collaboration with the engineering department of its insurance company, which issues risk prevention recommendations.

Appropriate insurance coverage has been provided for all sites.

In addition, some of the Group's production sites might be responsible for accidental pollution (pipe breakage or defective storage installations), despite the fact that the installations are designed and subject to maintenance procedures intended to prevent the occurrence of such events (e.g., storage bins and control valves). 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.

ENVIRONMENTAL RISKS

CO_2 emissions

The production processes of the Group's industrial installations result in CO_2 emissions. In 2016, most of these installations were not subject to emissions quotas, with the exception of SRD, certain asphalt plants in Denmark and Belgium, and some fifteen plants in France which have been subject to emissions quotas since the beginning of 2013. Some of these plants will need to buy emissions rights in the market. Emissions declarations for these installations are verified on a yearly basis by approved auditing firms. The possibility that emissions quotas will be extended to an increased number of installations cannot be completely ruled out.

All other emissions are regularly monitored by external authorities and accredited organizations.

The reader may refer to the sustainable development report, prepared pursuant to article 225 of the French Environmental Code.

Waste

Colas now recycles considerable quantities of material: two-thirds of asphalt plants recycle asphalt aggregates and recycling platforms process a volume that is roughly equivalent to the production of 17 quarries (for more information, please refer to the sustainable development report prepared in compliance with article 225 of the French Environmental Code). Recycling on this scale requires appropriate monitoring of the materials processed and the accountability of those who generate waste, which does not always come from Colas worksites. Since the asphalt mixes and other inert materials processed at Colas facilities are not considered hazardous, systematically analyzing them is not necessary, and therefore not economically justifiable. Given this context, it is conceivable that some one hundred thousand metric tons of deconstruction materials currently stored at Colas recycling facilities in France or abroad may be found to be non-compliant, although it may not be possible to reassign responsibility to the original contractors involved. In accordance with regulations in most countries, the latter should normally be responsible for the (chemical) nature of their waste.

Rehabilitation of industrial sites

The Group's industrial sites in France are covered by regulations governing *installations classées pour la protection de l'environnement* (classified facilities requiring environmental impact assessment) and, in other countries where the Group operates, its sites are subject to similar regulations. In France, commitments for the rehabilitation of quarries or gravel pits, defined by government agencies, are an integral part of every operating license. Provisions for the rehabilitation of all of the Group's quarries are set aside for the amounts in question, which are periodically reviewed and adjusted when necessary. As of December 31, 2016, total provisions covering these commitments amounted to 168 million euros. Should legal requirements become more stringent, possible costs for rehabilitation might increase.

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 checklist system, launched five years ago, now covers most materials production activities and makes it possible to consolidate action plans. In 2016, 85% of annual revenue in Colas' materials production businesses worldwide had obtained at least one certification or used internal checklists. The entire set of procedures has been incorporated within the internal control systems deployed at companies based in France as well as the Group's international operations.

Provisions have been set aside for the rehabilitation of the SRD site, which has now been definitively shut down, and a team has been put together to devise in a clean-up program with the authorities in 2017, while a deconstruction program is in the process of being launched.

Geological risks

A study carried out by the BRGM (geological and mining research bureau) at a number of quarries in Mainland France revealed the presence of actinolite (a naturally occurring rock, one of the forms of which contains asbestiform fibers) at certain sites. Further studies are being done by the working group made up of the INRS (French institute for research and security), the BRGM and road industry organizations to develop a recognized method for analyzing risks. Colas is taking an active part in this work. Depending on the findings of these studies and the decisions that will be made, certain sites – in principle only a limited number – may have their production capacity reduced or even be shut down. Since the BRGM study was published, a number of meetings have been arranged between the profession and the ministries concerned and further studies have been initiated, but no public policy has been adopted as yet.

Regulatory compliance

One site is classified as a Seveso high-risk site: the emulsifier production plant in Galway, Ireland. Furthermore, outside the European Union, the following sites are worthy of mention: the KBC refinery in Malaysia (operated by the Group's Thai subsidiary Tipco) and several explosives depots in Africa and in the Indian Ocean region. Prevention policies on these sites are identical to their European counterparts, although the administrative framework differs from one country to another. All of these sites require the implementation of specific safety management tools and are subject to highly stringent national and European laws. In general, these requirements have tended to become increasingly strict over time. Should these regulations become even more demanding in future, greater investments and other expenses to ensure compliance might be needed.

OPERATIONAL RISKS

WORK-RELATED ACCIDENTS

The Group is exposed to two main types of occupational hazards: the operation of construction machinery and industrial equipment; and traffic accidents, which include those in which employees may be directly involved and those that may occur when hauling a wide load. For many years now the Group has observed an extremely proactive policy of prevention, training and security for new employees, as well as research (exoskeleton, security bubble for machinery, etc.). In addition, major initiatives are being conducted to transport construction machinery and industrial equipment safely, by keeping employees regularly informed of wide-load haulage regulations, extending the use of load calculation software, having each subsidiary prepare a transport action plan, making sure employees are aware of the rules and procedures for securing heavy loads, and reminding them of haulage and equipment rental contract requirements. Other safety actions include training in fire prevention (particularly for waterproofing work) and for work carried out near sensitive networks, such as natural gas pipes or electrical conduits.

CHEMICAL WORK-RELATED HEALTH HAZARDS

Exposure to bitumen and ultraviolet radiation

2013 was marked by the official publication of the monograph by the IARC (International Agency for Research on Cancer) on bitumen fumes. The IARC, which is the world's leading scientific reference on the subject, stated in its publication that, despite the substantial number of studies carried out, it was unable to judge whether there is a link between cancer and exposure to bitumen and bitumen fumes in road work. Given the IARC's findings, no new positions have been adopted by national authorities in the various countries where Colas operates, with the exception of France.

In France, the conclusions of ANSES, the French national agency for food, environmental and occupational health and safety, tally with the risk analyses carried out by the road construction industry. There were no further publications in 2016.

The only health hazard that can be linked to road construction workers' exposure to bitumen fumes is irritation of the respiratory tract and eyes. In order to monitor the risk of employee exposure to this irritant, a major study was launched by INRS, the French national research institute for occupational safety and health, to develop a standard method for the measurement of bitumen fumes inhaled by workers. Completed in 2015, this research involved broad participation by industry players, including Colas. An assessment template to evaluate the effectiveness of prevention methods has been developed and will be used by health insurance agents. Employee exposure data monitored using this new assessment tool will enable a database to be built up and analyzed at least every five years.

The risk of exposure to bitumen fumes is classified as low and adequately mitigated, except in confined workplaces where specific risk analysis is necessary due to the combined effect of vehicle exhaust fumes and ventilation problems. It is, however, conceivable that if new studies establish a link, however tenuous, between the use of bitumen for road paving and cancer, new regulations in accordance with the precautionary principle may be enacted, although there are currently no signs of this. The Group's reputation as a leader in the road construction industry could be adversely affected by new media campaigns, court decisions or scientific research.

Colas' Human Resources and Environment departments continue to regularly measure employee exposure to bitumen fumes at work sites, and the Group continues to assist occupational physicians and researchers and also to encourage government agencies and project owners to accept the use of warm asphalt and mixes, which make it possible to significantly lower the application temperature of bitumen-based products and practically eliminate bitumen fumes. The Group is applying on a widespread basis all possible means of reducing worker exposure to bitumen and proactively seeking innovative ways to protect the safety and health of its employees. One example is the decision to purchase road pavers that are equipped with a fume extraction system, whenever this is practicable. In 2016, the INRS determined that using these systems results in a statistical reduction in exposure of 55%. The Group is also working to reduce the temperature of paving materials as low as possible while preserving quality, and is steadily increasing the use of warm mix. In 2016, the INRS determined that the use of warm mix results in a statistical reduction in exposure of 27%. The Group has techniques for applying all bitumen-based products worldwide at less than 200°C. Some of these techniques, particularly for mastic asphalt, were developed by Colas, which has made its expertise available throughout the road construction industry in Mainland France, where it makes these materials.

Given the nature of the Group's work, many employees are also required to work outdoors and are repeatedly exposed to sunlight and therefore to ultraviolet (UV) solar radiation, which is the main environmental risk factor for skin cancer. To prevent excessive exposure to UV rays, these workers are given instructions and regular reminders (part 1 of the new security policy rolled out in 2016) concerning wearing protective clothing, a cap and gloves.

Dust and solvents

Workplace health bodies have rallied around the issue of exposure to silica dust at worksites, quarries and gravel pits. This risk has been greatly reduced through actions deployed both in France and abroad (ensuring that operator cabs are sealed, air-conditioned and air-filtered; ensuring that site staff wear basic dust masks; employing various dust reduction techniques such as misting or watering; and upgrading asphalt milling-planing equipment to ensure that machines are equipped with dust extraction systems).

The risk related to solvent use has been reduced in workshops, on worksites and in laboratories, both in France and internationally, through a policy put in place to limit solvent use and implement safety equipment. More than three-quarters of the Group's washing stations no longer use chlorinated or petroleum solvents to clean workshop or laboratory equipment. These products have been replaced by organic, plant-based solvents or liquid detergent-based solutions.

Asbestos

Claiming that they were exposed to asbestos, several former SRD employees (some of whom were employed by BP before SRD was spun off on December 31, 1991) and their beneficiaries have undertaken legal action against BP and/or SRD and against their local CPAM national health insurance fund. At this point, the procedure to recognize that they have an occupational illness caused by exposure to asbestos and that their former employer may be held liable is still underway for 21 cases. If the occupational illness is recognized and the employer (and possibly SRD) is determined to be liable, the latter's health insurance contributions could increase and it could have to bear the financial consequences of the recognition of the occupational illness in the case of claims that the employer has been guilty of gross negligence (two lawsuits for gross negligence filed).

In France, Colas has taken part in the debate on the presence of actinolite asbestos (actinolite being a naturally occurring rock, one of the forms of which can contain asbestiform fibers) in existing roads, recycled materials and newly extracted aggregates. Colas also participates in the working group made up of the INRS, DGT, OPPBTP, UNICEM and road industry organizations in order to use a recognized method for analyzing asphalt mix and aggregates. ANSES is due to finalize a set of specifications by the end of the first quarter of 2017 for establishing an analysis method for a measurement program. During this transitional period, USIRF – with which Colas is actively involved – has published a "dust" prevention guide, prepared with the OPPBTP and in collaboration with the DGT.

Conclusion on work-related health hazards

Colas conducts its activities in a highly complex environment in terms of chemical risk. This topic, which has been focused on for a number of years, is one of the main priorities of the Group's responsible development policy. This complexity is not only specific to Colas' business: it reflects our society's growing awareness of and concern for these issues, as illustrated by the European Union's REACH regulation, for instance. Colas has thoroughly assessed this risk, which seems however to be limited in scope. Colas is committed to a policy of dialogue, particularly with the scientific community.

CONTRACT PERFORMANCE RISKS

Overall contractual risk is relatively limited due to the large number of contracts and their low average value. However, some subsidiaries do work on large contracts, such as concessions or private-public partnerships. Given their complexity these large projects are subject to greater risks, in terms of design, geological and archaeological constraints, the availability of construction land, cost estimation, execution and scheduling requirements (for example, if the customer fails to make land available by the specified deadline).

WEATHER AND NATURAL DISASTER RISKS

Colas' projects may also be adversely affected by poor weather conditions and other natural phenomena. Rain, snow or ice may require that a worksite or other activity be temporarily shut down or suspended, which means that fixed costs may not be covered. Poor weather may also make work more expensive by increasing the need for temporary employees and rented equipment to make up for lost time and stay on schedule.

Work may also be disrupted by a natural disaster or weather phenomenon (such as earthquakes, floods, cyclones, storms or lightning) that requires work to be suspended or destroys work under construction.

Such events may reduce revenue or increase expenses, only some of which may be covered by insurance.

ACQUISITION RISKS

The Group owes much of its growth over the years to acquisitions. The execution of its acquisition strategy could be restricted by excessively high valuations, a lack of suitable targets, competition for acquisition projects, and on occasion, restrictions under competition law. For various reasons, Colas may also encounter difficulty integrating a company it acquires, which may result in less cash flow and earnings than expected and even require the impairment of goodwill.

All acquisition projects are subject to a specific investment process and require the preparation of the various documents described in the internal procedures guide. These projects are presented to the Group's Executive Management and are reviewed before being presented to the Board of Directors of the subsidiary that is considering the acquisition.

EMPLOYEE RISKS

Colas' business depends heavily on its human capital. It must therefore continuously recruit and train new generations of employees and deal with risks that could compromise the recruitment, training and loyalty of employees, increase payroll costs or trigger industrial action. Furthermore, the death or unavailability for any reason of a member of Executive Management could delay a development project and weaken the Group's operational management. This is why anticipating needs for skills and developing talent are fundamental to Colas' human resources policy.

LIQUIDITY RISKS

At December 31, 2016, net cash totaled 717 million euros, in addition to 656 million euros of confirmed bank credit lines for over one year, undrawn to date (versus 1,490 million euros at December 31, 2015).

In January 2017, the Group renewed 490 million euros of five-year medium-term credit lines.

Colas Group companies' confirmed bank loan contracts contain no significant financial clauses likely to lead to early termination and/or early repayment.

As of December 31, 2016, the breakdown of interest-bearing loans by maturity was as follows:

in millions of euros	Maturity	Maturity over 1 year						
	Less than 1 year 2017	From 1 to 2 years 2018	From 2 to 3 years 2019	From 3 to 4 years 2020	From 4 to 5 years 2021	More than 5 years 2022 and beyond	Total 2016	Total 2015
Bank loans (medium/long-term)		22	16	13	11	54	116	166
Finance leases		3	2	1	1	1	8	9
Other financial debts (long-term)		1					1	1
Sub-total	**73**	**26**	**18**	**14**	**12**	**55**	**125**	**176**
Overdrafts and short-term bank borrowings	42							
DECEMBER 31, 2016	115	26	18	14	12	55	125	
Reminder as of December 31, 2015	106	57	23	17	14	65		176
Portion of long-term debt at less than one year							73	44

As of December 31, 2016, the Group's confirmed/drawn credit lines were as follows:

in millions of euros	Confirmed credit lines – Maturity				Drawn credit lines – Maturity			
	Less than 1 year	From 1 to 5 years	More than 5 years	Total	Less than 1 year	From 1 to 5 years	More than 5 years	Total
Credit lines	998	726	55	1,779	73	70	55	198

MARKET RISKS

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

RISKS TO WHICH THE GROUP IS EXPOSED

Interest rate risk

Changes in interest rates have no effect on the Group's financial expense, since over the fiscal year the average amount of floating-rate debt is lower than available cash, which is invested at a floating rate. In addition to the floating-rate debt stated on the balance sheet, the seasonal nature of the Group's business may require short-term borrowings.

Some financial assets or liabilities may sometimes be hedged.

The fixed-rate portion 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, and excluding short-term bank facilities, is 39% (59% in 2015).

Floating-rate debt that is not matched by an interest-rate swap is broken down by maturity in the table below:

in millions of euros	Maturity						Total
	Less than 1 year[(1)] 2017	1 to 2 years 2018	2 to 3 years 2019	3 to 4 years 2020	4 to 5 years 2021	More than 5 years 2022 and beyond	
	73	16	8	8	4	13	122

(1) Short-term fixed-rate liabilities are considered floating-rate liabilities.

As of December 31, 2016, a breakdown of financial assets and liabilities by nature of interest rate shows the following:

in millions of euros	Floating rates	Fixed rates	Total
Cash and cash equivalents	759		759
Borrowings(1)(2)	(189)	(11)	(200)
Bank overdrafts	(42)		(42)
Net position before cash management	**528**	**(11)**	**517**
Interest rate hedging(2)	67	(67)	
Net position after cash management	**595**	**(78)**	**517**
Seasonality adjustment(3)	(499)		(499)
POSITION AFTER HEDGING AND SEASONALITY ADJUSTMENT	96	(78)	18

(1) Includes (2) million euros of interest rate swaps measured at fair value and recognized through “Other income and expenses”.

(2) Fixed-rate liabilities and short-term interest rate hedges are considered floating-rate items.

(3) Business activity and operating cash flow are subject to sharp seasonal variations. This adjustment uses average cash over the year to calculate the sensitivity of financial expenses to changes in interest rates. It is the difference between the average financing cash flow for the year (calculated based on the average monthly financing cash flows) and net cash at the balance sheet date, excluding fixed-rate debt and interest rate swaps.

Consequently, an immediate increase of 1% in interest rates on the short-term net position above would cause an increase in the cost of net debt of 1 million euros.

Currency risk

The Group has little exposure to currency risk since exports account for only a very small proportion of subsidiaries’ revenues and most of the Group’s business (56%) is conducted in the euro zone.

In most cases, revenue from international operations comes from locally-based subsidiaries that issue invoices and book their expenses in the currency of the country where the work is performed, so that the only significant impact that exchange rate movements have on the Group’s revenue and earnings is through currency translation, in proportion to the change in the average exchange rate. Since North America accounts for more than one-fifth of revenue, the Group is exposed to changes in exchange rates between the euro and the US dollar, and the euro and the Canadian dollar.

Borrowings and deposits are centralized in each country’s currency (e.g., euros, US dollars, Canadian dollars, etc.).

As of December 31, 2016, current and non-current debt by currency broke down as follows:

Breakdown of financial debt by type of currency

in millions of euros	Euro	USD(1)	GBP(1)	Other(1)	Total
Financial debt at December 31, 2016					
- Non-current	55	–	55	15	125
- Current	53	–	7	55	115
Financial debt at December 31, 2015					
- Non-current	89		70	17	176
- Current	37	7	8	54	106

(1) Equivalent in euros.

Some contracts in a foreign currency may be hedged against exchange risk.

Generally, the Group does not hedge its net investments in foreign subsidiaries, branches or joint ventures since it does not intend to sell these entities.

Currency swaps are used to eliminate currency risk on excess Group cash that is lent to or borrowed from a subsidiary after conversion into the subsidiary’s local currency. This optimizes cash management and reduces the need for bank borrowing.

In addition, particular attention is paid to risks related to Group assets denominated in non-convertible currencies, and more generally to “country” risks.

Commodity price risks

Please refer to the section of this document entitled “Hedging of commodities risks”.

HEDGING POLICIES AND INSTRUMENTS USED BY THE GROUP

The Group only uses standard hedging instruments, such as:

- purchase and sale of currency futures, currency swaps and purchase of currency options – to hedge currency risk;
- interest rate swaps, future rate agreements, interest rate caps, collars and options – to hedge interest rate risk;
- purchase and sale of commodity futures, swaps and options – to hedge commodity price risk.

These instruments are only used for hedging purposes, are transacted exclusively with leading French and international financial counterparties, and are exposed to no liquidity risk in the event of a sudden and adverse market movement.

The use of these instruments, the selection of counterparties and the management of exposure to currency, interest rate and commodity price risks in general are specifically and closely monitored and are reported to the management and oversight bodies of the company concerned.

ACCOUNTING POLICIES FOR FINANCIAL INSTRUMENTS

As a general rule, the financial instruments used by the Group are recognized as hedging transactions. This entails formal documentation of the hedging relationship under IAS 39. The Group then applies one of two recognition methods:

- accounting regarding fair value hedge: the change in the hedging instrument’s fair value and that of the hedged item are recorded on a symmetrical basis in income;
- accounting regarding cash flow hedge: the change in the hedging instrument’s fair value is recorded in income for the ineffective portion and in equity (until the transaction has been completed) for the effective portion.

FINANCIAL INSTRUMENTS AS OF DECEMBER 31, 2016

The total notional amounts of each type of instrument used as of December 31, 2016 are presented in this section, with interest rate instruments broken down by maturity date and currency instruments by type of currency.

Hedging of interest rate risks

Interest rate swap	Maturity			Total	Total
in millions of euros	Less than 1 year	From 1 to 5 years	More than 5 years	31/12/2016	31/12/2015
On financial assets	–	–	–	–	–
On financial liabilities	33	3	71	107	308

An interest rate swap that will mature in January 2028 was agreed with the City of Portsmouth, England, to enable it to pay a fixed monthly fee for the duration of its twenty-five-year road maintenance and rehabilitation contract with Colas.

This swap is receive-floating, pay-fixed. Its par value is perfectly in line with the draw down and repayment schedule of the non-recourse loan, in order to back the debt fixed cost onto the monthly fee received. At December 31, 2016, the notional amount of that swap amounted to 57 million euros (49 million GBP).

Hedging of currency risks

in millions of euros	USD(1)	GBP(1)	CZK(1)	Other(1)	31/12/2016	31/12/2015
Forward purchases	100	8	23	45	176	199
Forward sales	106	6		11	123	68

(1) Equivalent in euros.

Hedging of commodities risks

in millions of euros	31/12/2016	31/12/2015
Forward purchases	1	0
Forward sales	3	1

Forward purchases and sales reflect hedging transactions on road projects and hedging transactions on electricity purchases.

Market value of hedging instruments

At December 31, 2016, the net present market value of hedging financial instruments amounted to (17) million euros, including accrued interests not yet due. 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:

- fair value hedging instruments: 0 million euros;
- cash flow hedging instruments: (17) million euros;
- instruments used other than for hedging: 0 million euros.

All portfolio transactions are carried out for purposes of hedging.

The market value of the interest rate swap agreed with the City of Portsmouth, England, (16) million euros including accrued interest not due, is fully offset by the market value of the derivative embedded in the fixed payments to be paid by the customer, i.e. 16 million euros.

The total of valuation of financial instruments after deduction of embedded derivative financial instrument to fixed contractual fee paid by the City of Portsmouth is (1) million euros, including accrued interests not yet due.

In case of +1% transfer in interest rate yield curve (and respectively –1%), the market value of hedging financial instruments would change from (17) to (13) million euros (respectively (22) million euros), including accrued interests not yet due.

In the event of an average unfavorable change of 1% against all other currencies, the market value of hedging financial instruments would remain at (17) million euros, including accrued interests not yet due.

In the event of an average unfavorable change of 1% in commodities prices, the market value of hedging financial instruments would remain at (17) million euros, including accrued interests not yet due.

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

INSURANCE AND RISK COVER

The Group takes care to protect its assets, property and people against foreseeable hazards that can be insured without compromising competitiveness. Risks at all levels are assessed and either prevented, transferred contractually or insured.

Whether or not a risk is insured depends on its nature and assessed severity (i.e., probability of occurrence and potential loss). Insurance cover is required for all major risks.

Colas' Risks and Insurance Department oversees risks and provides subsidiaries with its risk management expertise whenever necessary. Some risks are insured under Group policies that Colas manages on the basis of the information provided by subsidiaries, while others may be optionally included in existing policies to which subsidiaries must subscribe. Outside France, some insurance policies are subscribed locally to comply with local laws, or to cover frequency risks that must be managed locally.

Liability insurance

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 construction guarantee.

Policy coverage is adapted to risk exposure and generally exceeds 5 million euros.

Property insurance

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

Construction insurance

Construction insurance policies are purchased when there is a contractual obligation to cover work under construction.

The Group has strengthened its long-standing accident prevention program over the years and succeeded in developing a genuine partnership with insurance companies that has enabled it to renew its insurance policies under virtually identical conditions to previous years.

Acquisition of equity interests

The significant equity interests[1] acquired during fiscal year 2016 were as follows:

Company	Registered office	% stake held
Al-Zawawi	Bawshar (Oman)	60.00
Jougla et Fils	Saïx (France)	100.00
Al-Dhahira Ltd	Hong Kong	50.00
Granulats du Châtillonnais	Longvic (France)	65.00
Thanomwongse Service	Bangkok (Thailand)	37.50

(1) Materiality threshold used: investments of more than 150,000 euros.

Strategy

Colas' strategy is one of profitable growth with a focus on responsible development for its employees, society and the environment, designed to meet the modern world's needs for mobility, urbanization and environmental protection. Colas' strategic targets are as follows:

– **consolidating and expanding sustainable operations throughout the world,** mainly through external growth, to establish and develop a leading position in local markets and spread risk through geographic diversification. Since Colas' business activities require a stable political, legal and tax environment to thrive, the Group has always invested primarily in developed countries, mostly in North America, Europe and Australia. The Group may also make targeted investments in other zones where major infrastructure projects are planned, if the project offers a reasonable level of security for investments;

– **securing the materials and resources required for operations** through a process of optimized industrial integration to ensure:

- better security and quality of the resources the Group needs to operate and expand,
- increased added value,
- an improved competitive edge, notably thanks to synergies and savings due to reduced transport distances for construction materials;

– **pursuing the development of Specialized Activities** in order to:

- expand the Group's customer offerings,
- develop synergies,
- enter new regions and markets,
- position the Group on growth markets such as Railways;

– **developing an expanded offering of services** by:

- developing complex offerings (PPPs, concessions, network management) that leverage the full range of Colas' technical skills, from order to design, construction and maintenance, as well as its legal and financial expertise,
- highlighting major projects that are complementary to the Group's traditional core business activities;

– **innovating, specifically by designing new products and techniques,** backed by a Research & Development policy that aims to anticipate customer demands in terms of quality, comfort, safety, environmental protection and cost control, and to design the roads of the future;

– **focusing on profitability rather than volume,** with the ongoing aim of improving profit margins in all business segments.

Strengths

The Group's strengths reside in the following driving forces:

– **strong footholds in long-term, high potential growth markets:**

• high-level needs worldwide for transport infrastructure, driven by substantial structural factors such as population growth, urbanization, increasing global trade, a lack of infrastructure in emerging countries, the need to replace infrastructure in developed countries, mobility and environmental challenges,

• the need to maintain existing infrastructure, which in many mature markets often exceeds the need for construction.

Recurring maintenance constitutes a large part of Colas' core business, thus enabling good revenue visibility. Moreover, since the core business involves a large number of projects and worksites, the Group benefits from broad risk diversification;

– **vertical integration** of upstream production processes and a policy to secure the procurement of essential materials and supplies, such as aggregates, emulsions, asphalt mixes and ready-mix concrete.

This integration improves the Group's operational performance by creating synergies and by securing and ensuring the quality of a substantial portion of procurement. This strategy has made Colas a leading producer of road construction materials;

– **the Group's network of 800 construction business units and 2,000 materials production units** in over 50 countries on five continents, some of which have been operating for over a century.

The density of this network gives Colas a major advantage in markets where having a local presence and customer proximity are important, and where distance substantially increases the cost of transporting construction materials;

– **a decentralized organization** that has strong roots in local communities, and is able to respond to market needs flexibly, quickly and effectively.

Although implemented on a global scale, this organization can be adapted to each local environment. The lean management structure enables decisions to be made where they are most needed and most effective. This organization gives Colas the operational agility and flexibility it needs to adapt to changing market requirements;

– **human capital** that creates collective intelligence, with values and a passion forged over Colas' long history and shared by 55,000 employees, passed on from generation to generation, and carefully cultivated and enriched through the Group's adapted human resources policy;

– **an innovation policy particularly geared toward technical innovation,** backed by a vast, dedicated international network comprising 2,000 people and the Campus for Science and Techniques (CST), the world's leading private R&D center in the road industry, along with some fifty regional laboratories and one hundred technical engineering and design offices;

– **recognized technical, legal and financial expertise in managing complex contracts,** enabling Colas to provide a comprehensive offering throughout its existing business network, spanning the full range of design, finance, construction, engineering and maintenance of large-scale transport infrastructure projects. Colas is able to win major commercial successes and can seize opportunities to optimize the technical requirements and financing constraints of its customers, within the framework of complex projects, such as concessions, PPP, PFI, MAC/ASC, etc.;

– **development capacities via both external and internal growth.** The Group has acquired more than 170 companies of various sizes over the past ten years. Together, they account for about half of the Group's growth over this period;

– **a solid financial structure** and strong cash flow, key advantages when bidding on some contracts, also enabling the Group to pursue its growth strategy by continuing to take advantage of targeted investment opportunities.

Outlook

At the end of December 2016, work-on-hand remained high at 7.1 billion euros, a slight 1% improvement compared to the end of December 2015 (+2% at constant exchange rates). While work-on-hand in Mainland France (2.9 billion euros) is 7% higher, work-on-hand for international and French overseas units (4.2 billion euros) is down 3%. A number of major contracts were signed at the end of the year, e.g., in Guinea-Conakry for a mining customer (earthworks, civil works, railways for 129 million euros), in Hungary for the construction of the Hódmezővásárhely bypass on Route 47 (91 million euros) or in France for natural gas pipelines on the Gascogne-Midi artery and in Saône-et-Loire (91 million euros).

In 2017, revenue for Roads in Mainland France could improve slightly, as the market probably bottomed out in 2016. Colas will continue to pursue its objectives, including broadening the range of activities in the subsidiaries, transforming organizations and operating procedures, and improving operating margin. The Roads business in the international units, in particular in North America and central Europe, should enjoy growth. Infrastructure plans could begin to bear fruit (United Kingdom, Canada, United States). Railways should record a good level of business in France. For the other Specialized Activities, revenue should increase for Networks, with a high level of work-on-hand, and Waterproofing, with the building industry on the road to recovery. Only Safety and Signaling will continue to operate in a sluggish market.

Based on these forecasts and all available information, with constant scope, revenue for 2017 should be higher than in 2016. Colas intends to continue developing outside of France, and has the financial resources for this type of growth (organic or external acquisitions).

Earnings and appropriation of earnings

The report given by the Statutory Auditors of the Company will include their opinion on the accounts submitted to you. These accounts have also been examined by the Works Council in accordance with applicable law.

The parent company's earnings amounted to 249,623,810.34 euros, compared with 104,980,455.13 euros in 2015. Unappropriated earnings from the fiscal year plus unappropriated retained earnings totaled 984,358,035.10 euros, which we propose that you appropriate as follows:

– to the legal reserve:	0 euro;
– to a dividend payout in the amount of:	267,766,891.80 euros;
– less the interim dividend paid in December 2016 (5.45 euros)	177,967,019.55 euros;
– representing a final dividend payable (2.75 euros) as of May 2, 2017	89,799,872.25 euros;
– balance of unappropriated earnings:	716,591,143.30 euros.

As regards the dividend of 8.20 euros per share (interim dividend of 5.45 euros plus final dividend of 2.75 euros), with a par value of 1.50 euros, shareholders who are subject to income tax in France are eligible for the 40% tax rebate *(réfaction)* provided for under article 243 *bis* of the French General Tax Code. Dividends in respect of the past three fiscal years have been as follows:

- in respect of 2013, a dividend of 7.26 euros;
- in respect of 2014, a dividend of 15.40 euros (of which 11.40 euros as a special dividend);
- in respect of 2015, a dividend of 5.45 euros.

We propose that the final dividend of 2.75 euros be paid in cash with a payment date of May 2, 2017.

MATURITIES OF ACCOUNTS PAYABLE

In accordance with the requirements of the "LME" law of August 4, 2008 and the corresponding implementation decree no. 2008-1492 dated December 30, 2008, the breakdown of outstanding supplier payables, which as of December 31, 2016 totaled 30,520 thousand euros(1), by maturity at the balance sheet date, is indicated below:

in thousands of euros Fiscal year	Due in 1 month	Due in 2 months	Due in 3 months	Total
2014	89,398	3,166	0	92,564
2015	18,968	1,506	0	20,474
2016	29,822	698	0	30,520

(1) Does not include foreign profit centers.

COMPENSATION OF COMPANY OFFICERS – STOCK OPTIONS GRANTED TO COMPANY OFFICERS, DIRECTORS AND EMPLOYEES

This section includes all related reporting required by the French Commercial Code, as well as tables recommended by the AFEP-MEDEF Code of Corporate Governance (version of December 2008, revised in June 2013) or by the AMF recommendation released on December 22, 2008 and updated on December 10, 2009 concerning the Company officer compensation disclosures to be provided in French registration documents *(documents de référence)*.

PRINCIPLES AND RULES FOR DETERMINING THE CHAIRMAN AND CHIEF EXECUTIVE OFFICER'S COMPENSATION FOR FISCAL YEAR 2016

Fixed compensation and benefits in kind for the fiscal year

Fixed compensation is determined based on the level and difficulty of responsibilities, experience in the job and seniority in the Group, as well as practices documented at companies or groups of companies whose business activities are comparable.

Benefits in kind consist of a Company car.

Variable compensation for the fiscal year

Variable compensation is determined on an individual basis. In the case of the Chairman and Chief Executive Officer, the Board of Directors has approved a set of criteria for determining variable compensation, and has capped it at 150% of fixed compensation.

Variable compensation is based on performance, as measured by five qualitative and quantitative targets:

- P1: change in the consolidated net profit attributable to the Group at Bouygues, versus the plan (30% if target is reached);
- P2: change in current operating margin at Colas, versus the plan (10% if target is reached);
- P3: change in the consolidated net profit attributable to the Group at Colas, versus the plan (25% if target is reached);
- P4: change in the consolidated net profit attributable to the Group at Colas, versus the prior fiscal year (35% if target is reached);
- P5: qualitative targets, of which there are four, including a CSR target (50% if targets are reached).

These qualitative and quantitative criteria, in particular the level to which they are achieved, are clearly established and stipulated but are not published for confidentiality reasons.

Target	Variable remuneration calculation method Theoretical bonus if targets are reached (in % of FR)
P1 – Operating income for year as per 2016 business plan	30%
P2 – Percentage of operating margin as per 2016 business plan	10%
P3 – Consolidated net profit for the year as per 2016 business plan	25% + if consolidated net profit as per 2016 business plant is lower by at least 20% than consolidated net profit for 2015, the ceiling for P2 is set at 25%.
P4 – Consolidated net profit recorded by business during previous year (2015)	35%
P5 – Qualitative targets including Ethics and CSR for 20%	50%
	150%
Ceiling	*150%*

The Chairman and Chief Executive Officer's overall compensation also takes into account the existence of a capped pension add-on and the absence of any specific agreement to provide a severance package.

Hervé Le Bouc's definitive variable compensation for fiscal year 2016 was determined based on the individual quantitative and qualitative criteria described above. His variable compensation was 150% of his fixed compensation in 2016 (150% in 2015), which is within the 150% cap on the ratio of variable-to-fixed compensation.

Hervé Le Bouc's compensation is paid by Bouygues and billed by Bouygues to Colas under the agreement that governs relations between Bouygues and Colas, which has been put through the proper procedure for regulated agreements.

Table 1 – Summary of compensation, benefits in kind and stock options granted to the Chairman and Chief Executive Officer

in euros	Hervé Le Bouc Chairman and Chief Executive Officer	
	2016	2015
Compensation due for the fiscal year (see details in table below)	2,324,100	2,324,100
Value of options granted during the fiscal year	197,888	255,944
Value of performance shares granted during the fiscal year(1)	–	–
TOTAL	**2,521,988**	**2,580,044**
Change	**-2%**	**+4%**

(1) No performance shares were granted.

Table 2 – Compensation of the Chairman and Chief Executive Officer

in euros	Compensation(1)	Amounts(2) for fiscal year 2016(5)		Criteria for variable compensation (fiscal year 2016)
		due(3)	paid	
Hervé Le Bouc **Chairman and Chief Executive Officer** **(65 years old)**	Fixed	920,000	920,000	P1 = Change in Bouygues' consolidated net earnings (30%).
	– Change	0%		
	Variable	1,380,000	1,380,000	P2 = Change in Colas' current operating margin with respect to the plan (10%).
	– Change – Variable/fixed portion(4) – Cap(5)	0% 150% 150%		P3 = Change in Colas' consolidated net profit with respect to the plan (25%).
	Exceptional	–	–	P4 = Change in Colas' consolidated net profit compared to fiscal year 2015 (35%).
	Directors' fees	45,000	45,000	
	Benefits in kind	4,100	4,100	P5 = Qualitative criteria (50%).
	TOTAL	**2,349,100**	**2,349,100**	

(1) No remuneration other than that mentioned in this table was paid to the Chairman and Chief Executive Officer by Group companies.

(2) Amounts due = all amounts allocated in respect of one fiscal year. Amounts paid = all amounts paid over the fiscal year, with the understanding that the variable portion allocated in respect of one fiscal year is paid during the first quarter of the following fiscal year.

(3) Amounts due – Change: the percentages shown below the fixed and variable compensation amounts represent the change compared to the previous fiscal year.

(4) Variable compensation expressed as a percentage of fixed compensation.

(5) Variable compensation cap, set as a percentage of fixed compensation.

PRINCIPLES AND CRITERIA FOR THE DETERMINATION, ALLOCATION AND AWARDING OF FIXED, VARIABLE AND EXCEPTIONAL ELEMENTS OF TOTAL COMPENSATION AND BENEFITS IN KIND ATTRIBUTABLE TO THE CHAIRMAN AND CHIEF EXECUTIVE OFFICER IN 2017

General principles

The Board of Directors has set out the following nine general principles for 2017, which will be used to determine compensation and benefits attributable to the Chairman and Chief Executive Officer of Colas.

1. In accordance with the recommendations of the AFEP-MEDEF code.

2. No compensation for termination of service or non-competition payment in the event of leaving the Group.

3. Level of compensation taking into account the existence of a capped pension add-on and the absence of any compensation for termination of service or non-competition payment.

4. Taking into account the level and difficulty of the executive Company officer's responsibilities. Taking into account their experience in the role and length of service with the Group.

5. Taking into account practices found at groups or companies involved in comparable business activities.

6. An incentive-based compensation structure broken down as follows:

- fixed compensation;
- annual variable compensation;
- Directors' fees;
- limited benefits in kind;
- pension add-on.

7. No deferred annual variable compensation. No multi-year variable compensation.

8. Option given to the Board of Directors to decide to pay exceptional compensation but only in exceptional circumstances.

9. No additional compensation paid to the executive Company officer by a Group subsidiary other than Directors' fees.

Criteria applied in 2017 by the Board of Directors for the determination, allocation and awarding of fixed, variable and exceptional elements of total compensation and benefits in kind attributable to the executive Company officer

FIXED COMPENSATION

920,000 euros.

Fixed compensation is determined based on the level and difficulty of responsibilities, experience in the job and seniority in the Group, as well as practices documented at companies or groups of companies whose business activities are comparable.

ANNUAL VARIABLE COMPENSATION

A maximum of 150% of fixed compensation, equal to a cap of 1,380,000 euros.

Annual variable compensation shall be determined on the basis of five criteria (three of which refer to a three-year business plan), giving the possibility of receiving five bonuses (P for prime in French): P1, P2, P3, P4 and P5.

- P1 Bouygues consolidated net profit for the year vs. target = consolidated net profit in the 2017 plan.
- P2 Colas percentage current operating margin for the year vs. target = current operating profit in the 2017 plan.
- P3 Colas consolidated net profit for the year vs. target = consolidated net profit in the 2017 plan.
- P4 Colas consolidated net profit for the year vs. target = consolidated net profit in the 2016 plan.
- P5 Qualitative criteria.

Method for determining 2017 annual variable compensation

Variable compensation payable to executive Company officers shall be determined using the following method:

(FC = fixed compensation)

- **P1, P2, P3 and P4**

The effective weighting of each criterion determining payment of each of the four bonuses P1, P2, P3 and P4 depends on performance achieved during the year.

Each Bonus (P) is calculated as follows:

1. If performance is more than 10% below target bonus concerned (P1, P2, P3 or P4) = 0;

2. If performance is between (target –10%) and target:

P1 = 0% to 30% of FC,
P2 = 0% to 10% of FC,
P3 = 0% to 25% of FC,
P4 = 0% to 35% of FC;

3. If performance is above target:

P1 = 30% to 60% of FC,
P2 = 10% to 20% of FC,
P3 = 25% to 50% of FC,
P4 = 35% to 70% of FC.

Between these limits, the effective weighting of each bonus is defined using linear interpolation.

- **P5**

The Board of Directors defines the effective weighting of P5 without going over the cap of 50% of FC.

- **Cap**

The sum total of the five bonuses P1, P2, P3, P4 and P5 calculated using the above method can never go over a cap of 150% of FC.

- **Directors' fees**

Director's fees paid by a Group subsidiary shall be kept by the executive Company officer.

- **Benefits in kind**

A Company car shall be allocated to the executive Company officer.

- **Supplementary pension plan**

The executive Company officer shall be eligible for a supplementary defined benefit pension plan governed by article L. 137-11 of the French Social Security Code. This pension plan shall present the following characteristics:

1. pension rights that can be acquired each year and limited to a maximum of 0.92% of reference compensation;

2. conditions for joining the pension plan and other conditions to be able to benefit from it:

- must be a member of the General Management Committee of Bouygues SA on the day of departure or retirement,
- must have at least ten years of service with the Bouygues Group at the time of departure or retirement,
- must have completed their professional career at a Group company (this condition is met if the employee is included in the headcount on the date of their departure or retirement),
- must be aged under 65 on the day of departure or retirement,
- must ensure that state basic pension schemes and ARRCO and AGIRC compulsory supplementary schemes are wound up;

3. reference compensation equal to average gross salary for the best three calendar years received by the executive Company officer at the Bouygues Group during their time as a member of the Bouygues General Management Committee, revalued according to the change in the AGIRC index on the date of termination of their term of office or termination of the employment contract.

Gross reference salary is that taken into account to calculate social security contributions in accordance with article L. 242-1 of the French Social Security Code;

4. rate of acquisition of rights: annual rate;

5. cap: 8x the annual social security cap (313,824 euros in 2017);

6. funded through an insurance company to which a contribution is paid each year;

7. Performance conditions:

- definition of the performance target (hereinafter referred to as "the target")
  - 2017: target = that Colas' average consolidated net profit for 2016 and 2017 ("Average Consolidated Net Profit") is no more than 10% below average consolidated net profit expected in the 2016 and 2017 plans ("Plan Average"),
  - each subsequent year: target = that Colas' average consolidated net profit for the fiscal year ended and the preceding two fiscal years ("Average Consolidated Net Profit") is no more than 10% below average consolidated net profit expected in the plan for the fiscal year ended and the preceding two fiscal years;
- method for determining acquisition of pension rights on the basis of performance
  - if Average Consolidated Net Profit is on target: annual pension rights = 0.92% of reference salary,
  - if Average Consolidated Net Profit is more than 20% below the Plan Average: annual pension rights = 0.

Between the lower limit and the upper limit, pension rights awarded shall vary linearly from 0% to 0.92% of reference salary.

Table 3 – Directors' fees

The overall amount of Directors' fees to be allotted to the Chairman and Chief Executive Officer and to the Directors of Colas was set by the Shareholders' Meeting of April 17, 2007 at 250,000 euros for each fiscal year, to be apportioned as seen fit by the Board of Directors.

Directors' fees paid in 2016 (in respect of 2015) and in 2015 (in respect of 2014) were in the following amounts:

in euros		Source	2016	2015
Hervé Le Bouc	Chairman and Chief Executive Officer	Colas SA Directors' fees	20,000	20,000
Sub-total: Executive Company officers			**20,000**	**20,000**
François Bertière	Director	Colas SA Directors' fees	22,400	20,000
Olivier Bouygues	Director	Colas SA Directors' fees	20,000	18,400
Jean-François Guillemin	Director	Colas SA Directors' fees	26,400	24,000
Colette Lewiner	Director	Colas SA Directors' fees	26,400	24,000
Martine Gavelle	Director	Colas SA Directors' fees	20,000	20,000
Phillippe Marien	Director, Permanent Representative of Bouygues SA	Colas SA Directors' fees	22,000	23,600
Catherine Ronge	Director	Colas SA Directors' fees	22,000	15,200
Subtotal: Other Directors		**Colas SA Directors' fees**	**159,200**	**145,200**
TOTAL DIRECTORS' FEES EXECUTIVE COMPANY OFFICERS AND DIRECTORS			179,200	165,200

In accordance with the recommendations of the AFEP/MEDEF Code, the manner in which Directors' fees are apportioned in 2017 (in respect of fiscal year 2016) accounts for Directors' actual participation in the Board and specialized Board committees.

In 2016, Hervé Le Bouc also received a total of 25,000 euros in Directors' fees in respect of his directorship at Bouygues SA.

REPORT ON 2016 PERFORMANCE SHARES OR OPTIONS

Pursuant to articles L. 225-184 and L. 225-180, point II of the French Commercial Code, 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 Commercial Code. It presents the tables recommended by the AFEP/MEDEF Code of Corporate Governance, regarding the information to provide on the compensation of Company officers.

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

- Options granted by the Company :

In 2016, the Board of Directors was granted no authorization 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. At the end of December 2016, no Colas share subscription options existed.

- By related companies:

Stock options entitling the holder to subscribe for new Bouygues shares are granted to individuals who work for Colas or its subsidiaries, by Bouygues, in a manner pursuant to article L. 225-180 of the French Commercial Code.

- General information: features of share subscription options:

All share subscription options granted by Bouygues (the parent company of Colas) in 2016 conform to the following characteristics:

- exercise price: mean of the first quoted prices for the twenty trading sessions leading up to the grant, not discounted;
- total duration: ten years beginning on the grant date;
- vesting period: two years beginning on the grant date;
- exercise period: eight years beginning at the end of the vesting period (three exceptions for exercise at any time during those ten years: exercise by holder's heir no later than six months after holder's death; change in control over Bouygues or public offer of purchase [OPA] or exchange [OPE] directed at Bouygues; exercise pursuant to article L. 3332-25 of the French Labor Code, using credits acquired under the Group's Company Savings Plan [PEE]);
- automatic cancellation if the holder's employment contract or term of office comes to an end, barring special authorization, an inability to work, resignation or retirement.

Share subscription options granted to, or exercised by, executive Company officers and salaried Directors in 2016

Options entitling the holders to subscribe for new Bouygues shares were granted in 2016. The exercise price was set at 29.00 euros per subscribed share.

At the time of the grant, as measured in the consolidated financial statements, the value of one option was 2.4736 euros per option.

Table 4 – Share subscription options granted to executive Company officers

Executive Company officers	Granting company	Grant date	Number of options	Exercise price (in euros)
Hervé Le Bouc	Bouygues	May 12, 2016	80,000	29.00
TOTAL	–	–	80,000	29.00

Table 5 – Share subscription options exercised by executive Company officers and salaried Directors

Executive Company officers	Granting company	Plan concerned	Number of options	Exercise price (in euros)
Hervé Le Bouc	Bouygues	April 1, 2009 June 13, 2012	151,943 97,000	25.62 20.11
TOTAL			248,943	

Performance shares

Table 6 – Performance shares granted to executive Company officers

No performance shares were granted by the Company in 2015.

Table 7 – Performance shares made available during the fiscal year to executive Company officers

No performance shares were made available since no performance shares were granted.

Table 8 – Breakdown of share subscription options by plan and by type of recipient

	2016	2015	2014	2013	2012	2011	2010
Date of Bouygues SA Shareholders' Meeting	23/04/2015	23/04/2015	21/04/2011	21/04/2011	21/04/2011	21/04/2011	24/04/2008
Grant date	12/05/2016	28/05/2015	27/03/2014	28/03/2013	13/06/2012	14/06/2011	30/06/2010
Number of options granted to persons working at Colas	800,000	800,000	850,000	850,000	990,000	887,850	1,184,000
– of which: executive Company officers and salaried Directors[1]	80,000		80,000	220,000	157,000	172,000 (174,228)[3]	214,000 (216,772)[3]
Hervé Le Bouc	80,000		80,000	80,000	97,000	97,000	130,000
– of which: top ten employee recipients	120,000	120,000	117,000	81,000	88,000	83,500	100,000
Original exercise price before adjustment	€29.00	€37.106	€30.32	€22.28	€20.11	€31.84	€34.52
Exercise price after adjustment[2]	–	€37.106	€30.32	€22.28	€20.11	€31.43	€34.08
Earliest exercise date	30/05/2016	29/05/2017	28/03/2018	29/03/2017	14/06/2016	14/06/2015	30/06/2014
Expiration date	30/05/2026	28/05/2025	27/09/2021	28/09/2020	13/12/2019	14/12/2018	30/12/2017

(1) There are no longer any salaried Directors as of 2014.

(2) In compliance with French law, the exercise price and the number of options granted were adjusted on November 15, 2011, following a public share buyback offer (OPRA) by Bouygues SA (the parent company).

(3) After the adjustment of the number of options carried out on November 15, 2011, due to the public share buyback offer (OPRA) by Bouygues SA (the parent company).

Share subscription options granted to, or exercised by, the ten employees who received/exercised the most options during the fiscal year

Table 9 – Share subscription options granted to the ten non-Company officer Colas SA employees who received the most options during the fiscal year

Employees	Granting company	Grant date	Number of options	Exercise price (in euros)
Louis Gabanna	Bouygues	12/05/2016	15,000	29.00
Thierry Genestar	Bouygues	12/05/2016	15,000	29.00
Thierry Méline	Bouygues	12/05/2016	15,000	29.00
Thierry Montouché	Bouygues	12/05/2016	15,000	29.00
Philippe Tournier	Bouygues	12/05/2016	15,000	29.00
Patrick Guénolé	Bouygues	12/05/2016	10,000	29.00
Christophe Da Poïan	Bouygues	12/05/2016	9,000	29.00
Daniel Ducroix	Bouygues	12/05/2016	9,000	29.00
Frédéric Roussel	Bouygues	12/05/2016	9,000	29.00
Alain Clotte	Bouygues	12/05/2016	8,000	29.00
Thierry Le Roch'	Bouygues	12/05/2016	8,000	29.00
Bernard Sala	Bouygues	12/05/2016	8,000	29.00
Jean Vidal	Bouygues	12/05/2016	8,000	29.00
TOTAL	–	–	144,000	29.00

Table 9 *bis* – Share subscription options exercised in fiscal year 2016 by the ten Colas SA employees who exercised the most options

Employees	Granting company	Plan concerned	Number of options exercised	Exercise price (in euros)
Thierry Genestar	Bouygues Bouygues	April 1, 2009 June 13, 2012	22,285 14,093	25.62 20.11
Daniel Ducroix	Bouygues Bouygues	April 1, 2009 June 13, 2012	8,104 9,000	25.62 20.11
Thierry Le Roch'	Bouygues Bouygues	April 1, 2009 June 13, 2012	5,065 7,500	25.62 20.11
Philippe Tournier	Bouygues	April 1, 2009	12,285	25.62
Thierry Montouché	Bouygues	June 13, 2012	10,000	20.11
Christophe Da Poïan	Bouygues Bouygues	April 1, 2009 March 28, 2013	5,000 4,500	25.62 22.28
Frédéric Roussel	Bouygues	June 13, 2012	9,000	20.11
Serge Body	Bouygues	April 1, 2009	8,104	25.62
Martine Bourdon	Bouygues	April 1, 2009	8,104	25.62
Philippe Raffin	Bouygues	April 1, 2009	8,104	25.62
TOTAL	–	–	131,144	–

OTHER INFORMATION ON EXECUTIVE COMPANY OFFICERS AND SALARIED DIRECTORS

Table 10 – Chairman and Chief Executive Officer: separation of corporate office and employment – Supplementary pension plan – Severance package – Non-competition payment

Executive Company officers	Employment contract		Supplementary pension plan		Compensation or benefits due or potentially due as a result of termination or change in position[2]		Compensation relating to a non-competition clause	
	Yes	No	Yes	No	Yes	No	Yes	No
Hervé Le Bouc Position: Chairman and Chief Executive Officer	X		X[1]			X[2]		X

(1) Pension add-on: Hervé Le Bouc: members of the Bouygues Group's General Management Committee are covered by a supplementary pension plan, which represents 0.92% of their base salary (average of three best years) per year of seniority in the plan, capped at eight times the French Social Security limit. The estimated amount of this annual pension as of the closing date is 216,839 euros. The supplementary pension plan is only available after ten years of service within the Group and if the person is a member of the General Management Committee when he or she retires. It should be noted that the form of this additional plan is that of an insurance contract entered into with an insurance provider outside the Group. As Hervé Le Bouc was neither appointed nor renewed in his duties as Chairman and Chief Executive Officer in 2016, it was not necessary to attach performance conditions to the acquisition of pension rights for 2016.

(2) Severance package – Non-competition payment: neither the Company and its subsidiaries nor Bouygues have made any commitment or any promise to grant a severance package to the Chairman and Chief Executive Officer. It should be noted that, while this does not constitute a severance package, Hervé Le Bouc, who is employed by Bouygues, would be covered by the applicable collective bargaining agreement (for Bouygues SA, the collective bargaining agreement for management-level employees of the construction industry in the Paris region), and would therefore be entitled to the severance compensation provided for under this agreement in the event that his employment contract should come to an end. This severance compensation is estimated at around one year's salary.

Share capital

SHARE CAPITAL IN 2016

As of January 1, 2016, the Company had issued share capital of 48,981,748.50 euros, consisting of 32,654,499 shares with a par value of 1.50 euros each.

As of December 31, 2016, the Company's issued share capital remained unchanged at 48,981,748.50 euros, consisting of 32,654,499 shares with a par value of 1.50 euros each.

SHARE OWNERSHIP

On the basis of recorded share capital as of January 2, 2017, Bouygues SA directly and indirectly held 96.60% of Colas' share capital as of December 31, 2016. Colas Group employees held 0.82% via the "Colas en actions" and "Colas shares" investment funds.

As of December 31, 2016, Colas held 10,057 treasury shares via a liquidity agreement.

SHARE PRICE AND TRADING VOLUME

There were no adjustments to the share price in 2016 (payment of an exceptional dividend in 2015 resulted in an adjustment for the period prior to April 27, 2015).

Colas' share price on the NYSE Euronext Paris stock exchange varied in 2016 from a low of 121.80 euros (July 21, 2016) to a high of 142.40 euros (January 5, 2016) and ended the year at 140.85 euros, i.e. 0.04% higher than the share price as of December 31, 2015. For purposes of comparison, during this period the French CAC 40 stock market index rose 4.86% and the French SBF 120 stock market index rose 4.69%. Adjusted for the interim dividend (5.45 euros per share) paid in December 2016, the share price rose by 3.91%.

COLAS SHARE PRICE (ADJUSTED[1])

Year	Month	Share price		Number of shares traded	Share capital (in millions of euros)
		Highest	Lowest		
2013	January	117.93	107.71	21,950	2.5
	February	115.05	107.95	34,452	3.9
	March	115.98	107.71	13,459	1.5
	April	118.39	105.11	21,785	2.5
	May	107.16	97.50	19,387	2.0
	June	102.14	95.64	20,020	2.0
	July	100.29	95.74	11,340	1.1
	August	106.79	99.82	19,906	2.1
	September	107.71	102.56	59,734	6.4
	October	114.91	104.93	33,745	3.7
	November	113.29	107.71	24,119	2.7
	December	115.38	107.90	29,461	3.3
2014	January	123.50	111.61	38,171	4.6
	February	129.77	119.65	45,174	5.6
	March	142.54	126.75	41,955	5.6
	April	145.79	133.71	32,921	4.6
	May	140.21	131.02	31,334	4.3
	June	141.14	134.18	19,532	2.7
	July	135.57	124.89	26,111	3.4
	August	126.38	120.71	16,893	2.1
	September	128.98	120.25	25,228	3.1
	October	124.89	112.82	26,360	3.1
	November	126.75	118.39	17,787	2.2
	December	127.21	121.27	18,510	2.3
2015	January	125.82	120.25	26,780	3.3
	February	139.19	124.89	61,136	8.0
	March	148.48	139.29	76,059	11.0
	April	148.90	135.60	117,439	17.3
	May	138.90	132.20	40,446	5.5
	June	139.50	128.00	45,866	6.1
	July	134.50	128.70	25,359	3.3
	August	134.50	127.60	23,572	3.1
	September	129.50	123.10	47,169	5.9
	October	140.95	126.50	60,511	8.1
	November	138.20	132.50	29,171	4.0
	December	140.80	130.40	28,962	3.9
2016	January	142.40	126.50	38,015	5.1
	February	138.95	128.00	27,828	3.7
	March	138.85	134.50	34,653	4.7
	April	136.95	126.60	17,891	2.4
	May	136.00	129.50	18,889	2.5
	June	135.80	125.00	25,534	3.3
	July	132.00	121.80	29,245	3.7
	August	133.50	126.40	12,390	1.6
	September	136.00	129.05	16,358	2.2
	October	136.45	131.00	16,894	2.3
	November	140.00	131.40	44,452	6.1
	December	141.90	132.00	42,293	5.8

(1) In order to account for the distribution of a special dividend of 11.40 euros per share in 2015, the share price has been adjusted by a coefficient of 0.9285, as has the volume of trading, for the period prior to April 27, 2015.

SPECIAL REPORT ON SHARE BUYBACK PROGRAMS

2016 SHARE BUYBACK AND RETIREMENT PROGRAMS

Pursuant to articles L. 225-209 *et seq.* of the French Commercial Code, the Combined Shareholders' Meeting of April 14, 2015, in its twelfth resolution, renewed the authorization granted to the Board to buy back shares in the Company up to a maximum of 10% of the number of shares constituting the share capital, for a period of eighteen months. This authorization was used by your Company in fiscal year 2016, within the framework of a liquidity agreement. As of December 31, 2016, the Company had acquired 57,130 shares and sold 55,053 shares over the 2016 fiscal year. As of December 31, 2016, it held 10,057 shares for a total of 1,348,851 euros, i.e. an average share price of 134.12 euros.

Pursuant to article L. 225-211 of the French Commercial Code, the table below summarizes the transactions carried out as part of these operations over the course of the 2016 fiscal year:

Transactions carried out by Colas in its own shares during fiscal year 2016

Number of shares held by the Company as of December 31, 2015	7,980
Number of shares purchased during fiscal year 2016	57,130
Number of shares sold during fiscal year 2016	55,053
Number of shares held by the Company as of December 31, 2016	10,057
Value (based on purchase price) of shares held by the Company as of December 31, 2016 (in euros)	1,348,851

Breakdown of transactions by purpose

RETIREMENT OF SHARES

Number of shares retired during fiscal year 2016	–
Reallocations to other purposes	–
Number of shares held by the Company as of December 31, 2016	–

LIQUIDITY AGREEMENT

Number of shares purchased during fiscal year 2016	57,130
Number of shares sold during fiscal year 2016	55,053
Number of shares held by the Company as of December 31, 2016 under the liquidity agreement	10,057

2017 SHARE BUYBACK PROGRAM

Description of program and request for authorization from the Combined Annual and Extraordinary Shareholders' Meeting of April 11, 2017

Pursuant to the general regulations governing the AMF *(Autorité des marchés financiers)* in articles 241-1 *et seq.,* a resolution has been submitted for the approval of the Combined Shareholders' Meeting of April 13, 2016 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 Commercial Code, up to a maximum of 10% of the total number of shares constituting the share capital, while at all times not exceeding the limit allowed under article L. 225-210 of the French Commercial Code. If granted, as of April 11, 2017, this authorization would replace that previously granted at the Combined Shareholders' Meeting of April 13, 2016 in its seventh resolution.

The characteristics of the program are as follows:

Objectives	retirement of any shares bought back; ensuring liquidity and an active market for Company shares through the intermediary of an investment services provider acting within the framework of a liquidity agreement in accordance with a code of ethics recognized by the AMF, with the understanding that the achievement of these objectives shall need to comply with applicable laws and regulations
Methods used	purchase of shares through the intermediary of an investment services provider acting within the framework of a liquidity agreement in accordance with a recognized code of ethics
Maximum proportion of share capital	326,545 shares, i.e. 1% of the current issued share capital
Maximum purchase price	175 euros
Maximum amount payable by the Company	57,145,375 euros based on the maximum purchase price
Financing methods	Colas reserves the right to use its available cash or short and medium-term debt if additional needs exceed available cash from operations
Schedule	18 months as of the date of authorization granted by the Combined Annual and Extraordinary Shareholders' Meeting (ASM and ESM, respectively) on April 11, 2017, i.e. until October 14, 2018

SYNOPSIS OF AUTHORIZATIONS AS OF DECEMBER 31, 2016

Authorization	Maximum amount	ASM or ESM	Duration
Issuance of shares or securities of any type, with or without preferential subscription rights (Resolutions 18, 19, 20, 21)	10 million euros	14/04/2015	26 months
Share capital increase through the capitalization of share premiums, reserves or earnings (Resolution 22)	1 billion euros	14/04/2015	26 months
Purchase to allow the Company to carry out transactions in its own shares (Resolution 7)	1% of share capital	13/04/2016	18 months
Retirement by the Company of its own shares (Resolution 10)	10% of share capital	13/04/2016	18 months

Resolutions

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

RESOLUTIONS FOR THE ORDINARY PORTION OF THE COMBINED SHAREHOLDERS' MEETING

We ask that you give your opinion as to: the approval of Colas' annual financial statements closed on December 31, 2016; the granting of discharge to the Board of Directors for the performance of its management duties; the approval of the consolidated financial statements; the appropriation of earnings, which amount to 249,623,810.34 euros with the distribution of a dividend of 8.20 euros per share (interim dividend of 5.45 euros paid in December 2016 and final dividend of 2.75 euros for payment as of May 2, 2017), and approval of the agreements concerned by articles L. 225-38 *et seq.* of the French Commercial Code (1st, 2nd, 3rd and 4th resolutions).

We propose that you:

• renew the appointments of six Directors for a term of two years, i.e. until the Ordinary Shareholders' Meeting convened to approve the financial statements for fiscal year 2018 (5th to 10th resolutions);

• appoint Jean-François Guillemin as a non-voting Director subject to your adoption of Resolution 16, which amends the by-laws to make it possible to appoint one or more non-voting Directors (11th resolution);

• authorize the Board of Directors, within the legal framework set forth by articles L. 225-209 *et seq.* of the French Commercial Code, to purchase a maximum number of shares equal to 326,545 shares, in full and constant compliance with the share ownership ceiling set by article L. 225-210 of the French Commercial Code, with a view to retiring all the shares thus acquired and ensuring stock liquidity, in accordance with the provisions of Commission Regulation (EC) No. 2273/2003 dated December 22, 2003 and Book II, Title IV of the General Regulations of the *Autorité des marchés financiers* (AMF). This authorization, which shall supersede that granted by the Ordinary Shareholders' Meeting of April 13, 2016, is requested for a period of eighteen months (12th resolution);

• render an opinion in favor of the items of compensation due and awarded to the Chairman and Chief Executive Officer, Hervé Le Bouc, in respect of fiscal year 2016 (13th resolution);

• submit for your approval the principles and criteria for the determination, allocation and awarding of fixed, variable and exceptional elements of total compensation and benefits in kind attributable to the Chairman and Chief Executive Officer (14th resolution);

• grant full powers to carry out all necessary filings and formalities (15th resolution).

EXTRAORDINARY PORTION OF THE COMBINED SHAREHOLDERS' MEETING

Resolutions

RESOLUTIONS FOR THE EXTRAORDINARY PORTION OF THE COMBINED SHAREHOLDERS' MEETING

You are requested to vest the Board of Directors with the authority to:

• amend the by-laws to make it possible to appoint one or more non-voting Directors (16th resolution);

• reduce the share capital by retiring the Company's shares the Company holds as the result of using various share-buyback authorizations granted by the Shareholders' Meeting to the Board of Directors, in one or more transactions, subject to a maximum of 10% of the share capital per twenty-four-month period. This authorization is requested for a period of eighteen months (17th resolution); increase the Company's share capital with preferential subscription rights by issuing shares or investment securities (18th resolution); increase the Company's share capital without preferential subscription rights by way of a public offering of shares or investment securities (19th resolution); increase the share capital, by way of an offering to the persons referred to in section II of article L. 411-2 of the French Monetary and Financial Code, by issuing shares or investment securities without preferential subscription rights (20th resolution); raising the number of new shares to be issued in the event of a capital increase (21st resolution); increasing the share capital through the capitalization of share premiums, reserves or earnings (22nd resolution);

• grant full powers to carry out all necessary filings and disclosures (23rd resolution).

We hereby request your decisions on these 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 Commercial Code)

To the Shareholders,

Pursuant to the provisions of articles L. 225-37 and L. 225-68 of the French Commercial Code, 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, submitted to the Accounts Committee on February 17, 2017, and subsequently approved by the Board of Directors at its meeting of February 21, 2017.

THE BOARD OF DIRECTORS

Overview of the organization of the Board of Directors

MEMBERSHIP

As of its meeting of February 21, 2017, your Board consisted of the following eight Directors:

- Hervé Le Bouc – Company Officer
- François Bertière
- Olivier Bouygues
- Martine Gavelle – Independent Director
- Jean-François Guillemin
- Colette Lewiner – Independent Director
- Philippe Marien – Permanent representative of Bouygues SA
- Catherine Ronge – Independent Director

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

CHANGES IN MEMBERSHIP OF THE BOARD IN 2016

There were no changes in the membership of the Board of Directors in 2016.

RESOLUTIONS CONCERNING BOARD MEMBERSHIP SUBMITTED TO THE SHAREHOLDERS' MEETING

A proposal will be submitted to the Shareholders' Meeting of April 11, 2017 recommending the reappointment of six Directors for additional two-year terms: Martine Gavelle, Colette Lewiner, Hervé Le Bouc, François Bertière, Olivier Bouygues and Bouygues SA.

If the Shareholders' Meeting of April 11, 2017 approves these six resolutions, the Board of Directors will be composed of the following seven Directors:

- Hervé Le Bouc – Company Officer
- François Bertière
- Olivier Bouygues
- Martine Gavelle – Independent Director
- Colette Lewiner – Independent Director
- Philippe Marien – Permanent representative of Bouygues SA
- Catherine Ronge – Independent Director

The Board will include three female Directors among the seven total Directors, pursuant to the French law of January 27, 2011. The Board recognizes Martine Gavelle, Colette Lewiner and Catherine Ronge as Independent Directors.

Independent Directors make up more than one third of all Directors, which is the minimum recommended for controlled companies under the Afep-Medef Code, and women will make up 42% of the Board, in accordance with French law for listed companies.

APPOINTMENT OF A NON-VOTING DIRECTOR

At its meeting on February 21, 2017, the Board of Directors voted to submit the appointment of Jean-François Guillemin as a non-voting Director for approval by the shareholders at the Shareholders' Meeting on April 11, 2017. As such, it is planned that Jean-François Guillemin resign from his position as a Director before the Shareholders' Meeting is held.

The amendments to the by-laws to make it possible to appoint one or more non-voting Directors will also be submitted for approval at the Shareholders' Meeting.

POTENTIAL CONFLICTS OF INTEREST

Directors make sure not to engage in any activity that could generate a conflict of interest with the Company. Notably, Directors do not hold any interests or investments in customers, suppliers or competitors of the Company, where such interests or investments could influence the way a Director performs his or her Board duties.

Directors and company officers have agreed to inform the Board of Directors of any conflict of interest, existing or potential, between their duties to the Company and their private interests and/or other duties. Directors have also agreed not to take part in voting on any decision that concerns them directly or indirectly. If called for, the Director concerned may have to refrain from attending meetings of the Board of Directors as long as such decisions are being made and, where applicable, for the duration of voting on the resolutions. He or she may also have to forego access to any related documents or information brought to the attention of the other Directors.

The Statutory Auditors' special report on regulated agreements and commitments covers the agreements and commitments submitted for authorization by the Board and on which some Directors have abstained from voting because of existing or potential conflicts of interest.

MEETINGS

The Board of Directors meets five times each year to transact ordinary business (in January, February, May, August and November). In January, it reviews the three-year business plan. In February, it approves the financial statements for the previous fiscal year. In August, it reviews business activity and examines the financial statements for the first half of the year and analyzes Group performance 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. The agenda of Board meetings 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 provided to each Director.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The Board of Directors has decided not to separate the roles of Chairman and Chief Executive Officer. The age limit for a Chairman and Chief Executive Officer, Chief Executive Officer, or Deputy Chief Executive Officer is 67 years old. When the Chairman and Chief Executive Officer, Chief Executive Officer, or Deputy Chief Executive Officer turns 65, his or her term in office can continue for a maximum of one year subject to confirmation by the Board of Directors at its next meeting. That appointment can then be renewed for a second one-year period, until the age of 67, at which time the person in question will automatically be deemed to have resigned.

COMMITTEES

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

The Accounts Committee meets four times each year to review the consolidated and parent company financial statements in advance of the Board of Directors' Meetings. The Accounts Committee is made up of Philippe Marien (Chairman), Colette Lewiner and Catherine Ronge.

The Accounts Committee's mission is to assist the Board in guaranteeing the accuracy, reliability and fair presentation of the financial statements and the quality of the information communicated, particularly to shareholders. It reviews the interim and annual financial statements and the internal financial results for the periods ending March 31 and September 30. It ensures that accounting methods and principles are appropriate, evaluates the main financial risks, examines internal control systems, and issues recommendations. Lastly, it determines the criteria for the appointment of Statutory Auditors and is notified of their work schedules and recommendations.

The Selection and Compensation Committee is responsible for recommending to the Board the compensation and benefits to be paid to the Chairman and Chief Executive Officer, and periodically examining issues regarding the composition, organization and functioning of the Board of Directors, with the aim of making proposals to the Board. It is composed of Colette Lewiner (Chairman with a casting vote) and Jean-François Guillemin.

The Ethics and Corporate Sponsorship Committee is responsible for reviewing all alerts or situations that might expose the Group to ethics-related risks and the actions to be taken in such situations, as well as sponsorship and corporate patronage agreements for amounts over 20,000 euros. Its members are Jean-François Guillemin (Chairman), François Bertière, Martine Gavelle and Colette Lewiner.

Activity report of the Board of Directors for the fiscal year ended December 31, 2016

The Board met eight times during fiscal year 2016. The average attendance rate at Board of Directors' meetings called to transact ordinary business was 100%.

The essential items on the agenda of these eight Board meetings were as follows:

On January 13, 2016, the Board reviewed the three-year business plan for the 2016-2018 period (outlook and operational action plans).

On February 22, 2016, the Board approved the annual financial statements after having reviewed the report submitted by the Accounts Committee, examined the financial statements, set the amount and payment terms and conditions of the dividend, approved the prospectus for the share buyback program, and recommended proposing at the Shareholders' Meeting the reappointment of two Directors for additional terms. The Board also examined the Group's business activity and results for 2015, developments in each of the Group's business segments, the Group's strategies and outlook for 2016, work-on-hand, industrial potential and future strategies, the year's investments, the investment budget for fiscal year 2016, and the Group's safety record. The Board approved the parent company and consolidated financial statements with the proposed appropriation of earnings, the compensation awarded to the Chairman, and the amount and allocation of directors' fees under the authorization granted in the Shareholders' Meeting. The Board also convened the Combined Shareholders' Meeting. The Board approved the Chairman's special report on conditions governing the preparation and organization of the Board's work and on internal control procedures implemented by the Company. Lastly, an updated risk mapping covering the entire scope of Colas' operations was presented to the Board.

On March 23, 2016, the Board reviewed and authorized a parent company guarantee for subsidiary Colas Rail within the framework of an international call for tenders.

On May 10, 2016, the Board reviewed the position of the Company and its subsidiaries for the first quarter of 2016.

On July 25, 2016, the Board reviewed and authorized the agreements mentioned in articles L. 225-35, 225-38 and 233-5-1 of the French Commercial Code, and the issuing of a parent company guarantee for one of its subsidiaries.

On August 29, 2016, the Board reviewed the position of the Company and its subsidiaries for the first half of 2016, reviewed work-on-hand, discussed the status of investments, in particular two possible acquisitions, and approved the consolidated financial statements for the period ending June 30, 2016.

On November 10, 2016, the Board reviewed the Group's business activity in the third quarter of 2016 and interim financial statements for the period ending September 30, 2016. The current situation concerning acquisitions under consideration was discussed.

On November 29, 2016, the Board approved the payment of an interim dividend for 2016 and authorized the agreements mentioned in article L. 225-35 within the framework of a concession project.

Operations of the Committees established by the Board

ACCOUNTS COMMITTEE

The Accounts Committee met four times during the year, on February 18, May 9, August 24 and November 8, 2016. The attendance rate at these meetings was 92%. During these meetings, the Accounts Committee reviewed the Group's accounting methods, the scope of consolidation, financial highlights and segment information.

In February, the Committee reviewed significant events, significant transactions during the fiscal year, changes in accounting rules and methods, changes in scope, segment information, major projects, trade receivables, disputes and litigation, as well as deferred taxes and the results of impairment tests. An updated risk map and a summary of the internal control self-assessment campaign were also reviewed.

In May, the items reviewed were the significant facts for the quarter, segment information, major projects, progress in labor plan negotiations and the stages of the timetable for the definitive discontinuation of operations at subsidiary SRD. The internal control campaign targets and progress on the audit program were also examined. The Committee approved the update of the Accounts Committee's rules of procedure.

In August, the Accounts Committee examined segment information, revenue and operating profit, non-current assets, an updated progress report on several major projects and the Company's main estimates. The activity and profitability of subsidiary Colas Rail was looked at specifically by the subsidiary's Chairman and Chief Executive Officer, Patrick Guénolé, at the request of the Committee. A quarterly report on internal audit for 2016 was presented, as well as progress made in plans of action relating to risk mapping and internal control.

In November, the Committee reviewed the consolidated financial statements for the period ended September 30, 2016, including significant events (changes in the refinery activity, with non-recurring costs being taken into account), significant projects and legal disputes. The Committee was informed that, without Bill 26 in Quebec (Canada), subsidiary Sintra would be participating in the voluntary reimbursement program. The Statutory Auditors presented their overall audit program. Risk mapping for 2016/17 was presented.

At these four meetings, the Accounts Committee recommended that the Board approve the financial statements without issuing any changes or comments.

SELECTION AND COMPENSATION COMMITTEE

The Selection and Compensation Committee met in February and November 2016 to review the compensation awarded to Hervé Le Bouc, Chairman and Chief Executive Officer, and to make its recommendations.

ETHICS AND CORPORATE PATRONAGE COMMITTEE

The committee met on February 15, 2016, to review major corporate patronage efforts in 2015 and the roll-out of compliance programs (timetable, practical implementation).

INTERNAL CONTROL PROCEDURES WITHIN THE COMPANY

Colas, as head entity of a group of 50 main companies located in some thirty 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 Company and Group business activities and to ensure that management decisions, transactions carried out and courses of action pursued by employees comply with regulations and the guiding principles and best practices to which Colas adheres. Risk management has always been a key management principle at Colas, espoused by its senior executives and managers who base their actions on principles and procedures that have been in use over a long period of time.

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

Reference framework

The Colas Group applies the internal control reference framework published by the *Autorité des marchés financiers* (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

Organizational 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, the parent company;

– high level of decentralization, so that decision-making takes place at the most appropriate and most efficient level: this organization is based on a limited number of hierarchical tiers, generally three main levels of responsibility. Each manager performs his or her role by virtue of delegations of powers granted to operational and functional managers at different hierarchical levels in the context of general directives;

– financial and economic responsibility assumed by independent legal entities (legal and financial identity);

– 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 accounting and financial functions, supplemented by software for reporting and consolidation operations. The software tool deployed across all French road construction subsidiaries offers complete coverage of operations, from contract acquisition to execution, including budgeting and procurement. This software tool interfaces with manufacturing tools and production equipment. It is intended to boost efficiency and simplify control of operations in profit centers. Harmonization of the information systems used for accounting, finance and human resources is ongoing. A single software application has been operational in Mainland France since January 1, 2005. A major update of this application and associated processes is currently underway. The number of software applications used in these fields internationally has gradually been narrowed down to a handful of solutions and will benefit from work that has been carried out in Mainland France.

Organization of business activities

Both in France and worldwide, business activities are performed by work centers or production 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 teams, who aim to achieve specific financial and quality objectives. These centers are united under regional subsidiaries (in France) and/or national subsidiaries (outside France). Each of these subsidiaries has its own Executive Management team, generally a Chairman and Chief Executive Officer supported by functional managers responsible for directing, developing and overseeing all operations of their subsidiary.

In 2016, three Executive Management units directed, supervised and monitored these subsidiaries grouped as follows:

– Roads in Mainland France, Waterproofing, Safety and Signaling;

– North America;

– International (excluding the Americas), Networks.

Railways and Sales of refined products, including subsidiary SRD (activity is now closed permanently), report directly to the Chairman and Chief Executive Officer.

Main internal control procedures

All subsidiaries and Managing Directors benefit from the assistance of the functional departments of Colas, which provide their expertise (procurement, internal audit, accounting and consolidation, sales, communications, environment, finance, legal matters, marketing, equipment, research and development, human resources, risks and insurance, 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, held at least once or several times each year, bring together all Group managers for each business line to share experiences, disseminate information and keep abreast of the latest developments.

Staff at the subsidiaries have access to Group Management Principles, a booklet covering the essential rules, procedures and standards of conduct applicable within the Group, all of which reflect the values defining the Colas spirit and culture, as well as a code of business ethics and compliance programs 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-standing and newly integrated subsidiaries). The strategy pursued by the Group for many years focuses on growth and expansion achieved through the application of prudence, rigor and control. The transparency of the internal control procedures contributes to compliance with these "Group management principles". The sharing of these principles is backed by the skills and expertise of employees, a large number of whom have been working within the Group for many years, motivated by a system based on regular internal promotion, or who have joined the Group as a result of its many acquisitions and who share these values, already embraced in the entities or acquired once they are integrated within the Group.

Anticipating skills requirements and the development of talent are priority objectives of the Group's human resources policy, as is a policy for protecting the life, health and safety of all employees.

Supervision and control of operations

• Work-on-hand, revenue and profit in a highly decentralized group

Given the nature of the road construction business and other specialized activities pursued by Colas, the Group manages orders for, executes and accounts for approximately 90,000 projects each year. In addition to thousands of smaller, short-term projects, Colas regularly handles a number of major projects in France and especially outside of France. Engineering studies and order management are under the responsibility of the operating managers in charge of some 800 construction business units and 2,000 materials production units worldwide. Bids for either large-scale projects or those considered to be exceptional due to their characteristics or complexity, as well as projects in new markets (these elements are defined in detail in the internal procedures and/or delegations of powers) as well as bids for long-term operations such as public-service contracts (concessions, public-private partnerships, private finance initiatives) are subject to prior approval by a contract committee at the subsidiary level, the Executive Management unit responsible for the geographic area, or the Executive Management of Colas. Dedicated information technology tools are used to monitor project performance. The validity of these arrangements is verified by the Executive Management functions of the Group's various subsidiaries. Contracts resulting in revenue in excess of 20 million euros at the conclusion of work are reported to the Accounts Committee twice yearly.

• Acquisitions and disposals

As any acquisition process exposes the Group to risk, all proposals for the creation, acquisition or disposal of an entity (securities or assets) or of property assets must first be presented in the form of a specific investment or divestment request, including a set of supporting documents defined in the guide to internal procedures. These projects are presented to the Group's Executive Management and are reviewed before being presented to the Board of Directors of the subsidiary that is considering the acquisition or disposal.

• 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 transport 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 verified on a regular basis. The Group is in the process of obtaining ISO certification in quality and environmental management, with the aim of receiving certification for all production facilities. Analysis systems (worldwide checklists) have been implemented and give rise to shared action plans. An Environment Department at the Colas parent company works through a network of representatives in all subsidiaries. It enforces guidelines laid down by Executive Management, granting subsidiaries broad autonomy to best adapt these measures to address specific local issues;

– business ethics: for many years, guidelines have been established and disseminated to promote compliance with business ethics and standards of integrity. These have been included in a brochure and summarized on the first page of the management principles and Code of Ethics brochure issued to employees by the Bouygues Group (of which Colas is a subsidiary). At the end of 2014, this code was supplemented by a compliance program built around four topics (competition, conflicts of interest, preventing corruption, and financial disclosures and stock market transactions). Considering how decentralized our businesses are, the broad cultural diversity that is inherent in the Colas Group, and the very large number of employees that are concerned by the compliance programs, these programs have been progressively deployed since 2016, beginning in France.

A Compliance Director, reporting to the Chairman and Chief Executive Officer of Colas, is responsible for overseeing the operational deployment of the compliance programs in the Group's various entities. In 2016, this was added to with the appointment of a Compliance Officer in every region where Colas does business: North America, Northern Europe, Central Europe, Oceania, the Middle East, Africa, the West Indies and French Guiana, the Indian Ocean, and Mainland France.

The Colas Group's Ethics and Corporate Sponsorship Committee, expanded since 2015 to four Directors (two of whom are independent), met in February 2016 to review sponsorship operations worth more than 20,000 euros.

A proposed professional whistle-blowing procedure accessible to Colas employees was launched at the beginning of 2017.

As of the first quarter of 2017, Ethics training, via the "Fair Play" e-learning serious game, is being rolled out for employees (initially at French subsidiaries).

The "business ethics and responsibility" training module, including compliance programs, continued in 2016 both in France and internationally.

– In France, in addition to the initiatives held at Colas Universities, specific training is offered at subsidiaries for operational and functional middle managers and team leaders. This training systematically includes ethics and the implementation of compliance programs. The topic of ethics is also discussed at subsidiaries' executive management committee meetings, regional meetings and business unit managers' meetings. In 2016, a new "Ethical and Accountable Leadership" training program was introduced. Its aim is to promote discussion on business ethics and the individual and collective accountability of Group subsidiary leaders using practical exercises, and to raise participants' awareness about situations of specific relevance to Colas. This training is intended for the chairmen, CEOs and profit center managers of road construction subsidiaries in Mainland France and for Specialized Activities managers at Colas Rail, Aximum, Smac, and Spac.

– Outside France (excluding North America), information and training is offered to the main managers in the areas where the Group has locations. This training, which is conducted by the subsidiaries, was expanded in 2016 to include more operational and functional managers.

– The subsidiaries in North America continued their roll-out of a specific communication and training program on ethics.

In the United States, in January, each subsidiary asked its employees to reaffirm their commitment to the Right Turn code of conduct. Each new employee receives a copy of this code and agrees in writing to observe its principles. Training sessions for managers and worksite supervisors were also held on the topic of fraud in public-sector contracts. Two ethics seminars were offered at Colas Universities in North America. In parallel, each subsidiary regularly holds local training sessions on ethics-related topics and a number of them have reported on the issue in their in-house publications. The online ethics training program also continued in 2016. As part of this program, all employees of subsidiaries in the United States who have an e-mail address received a quarterly questionnaire on fraud, conflicts of interest, discrimination and behavior at work. Lastly, all offices and hiring locations display the dedicated ethics hotline which anyone can call anonymously. Cards listing the dedicated phone numbers and website were also distributed. In 2016, 32 alerts were handled in the United States.

In Canada, "Ethics" and "Compliance Programs" training were merged, and 27 courses of this type were dispensed during the year to 685 employees. In April 2016, a presentation on the negative impacts of ethical and compliance breaches on entities' performance was given to 163 senior managers of various Canadian subsidiaries at a colloquium in Banff, Alberta.

• 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 after-tax profit (monthly for subsidiaries and the Group), which are consolidated. This information provides data on the Group's revenue, order intake, main financial indicators and consolidated net profit on the 15th of each month following the month of operations. These figures are compared monthly with the bi-annual budgets and the quarterly balance sheets and income statements, at the level of each subsidiary and each Executive Management unit. The net consolidated cash or debt position is prepared on a daily basis for all companies located in Mainland France and on a monthly basis for the Group. These figures are reconciled with monthly forecasts over a three-month period. 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 consolidated financial and accounting information. It sets out and monitors accounting procedures, rules and policies in accordance with IFRS. For the 2016 financial statements, 389 consolidation reporting packages were processed for a scope of consolidation covering 519 entities. Personnel involved included 12 staff at Colas, about 120 at the headquarters of subsidiaries based in Mainland France, 950 at operating entities and, outside France, some 300 staff at headquarters and 280 at operating entities or worksites, giving a total of more than 1,600 people.

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, worksites and manufactured products. These risks are identified and analyzed based on prior experience where possible. The primary focus is placed on prevention in order to reduce the frequency and impact of incidents. One aspect of the policy, which is important in Colas' field of work, is to treat both road and railroad worksites on a cost-splitting basis. The Group consistently communicates any lessons learned from previous incidents to all levels within the Company and across all business segments. Risks of loss are monitored by functional departments, particularly the legal department of each subsidiary, under the authority of its Chairman and CEO. These risks are systematically entered in a database updated in real time by subsidiaries. Colas parent company's Risk and Insurance Department supervises and contributes its expertise where required to help manage these risks. Estimated losses are managed at all levels by prevention, legally transferring the risk, maintaining the risk or insuring the risk. Insurance cover is required for all major risks. Transfer to insurance is conditional upon defining and assessing the risk (probability of the damage occurring). The insurability of the risk remains subject to the constraints of the insurance market. Certain risks are insured by Group policies managed by Colas on the subsidiaries' databases. Others may be covered on an optional basis under existing policies (subsidiaries are responsible for purchasing such policies). Finally, internationally, certain insurance policies are purchased locally, either to comply with local laws, or to cover frequent risks necessitating local-level management. Liability insurance policies cover third-party claims and mainly include mandatory automobile insurance as well as civil liability for worksites, products, operating premises, and ten-year guarantee insurance. Policy coverage is adapted to risk exposure and generally exceeds 5 million euros. Property damage insurance covers damage affecting property included in the companies' asset base. Coverage amounts are generally equivalent to the value of the assets. For work under construction, a specific insurance policy is purchased when there is a contractual obligation.

MONITORING AND SUPERVISION OF THE SYSTEM

In 2016, Colas continued its efforts to constantly improve and adjust its internal control procedures.

Progress in the development of internal control procedures

This project was launched in September 2007, in close collaboration with Bouygues SA, Colas' parent company. The internal control system covers all Colas Group companies. The project uses input from exchanges with other functions within the Bouygues Group, addressing cross-functional issues consistently, while taking into account the characteristics specific to Colas.

This process for improving Colas' internal control procedures takes the form of an annual self-evaluation of the internal control principles and risk management based on mapping the risks, which is updated each year when the three-year business plan is produced. The risks map is presented to the Board of Directors when it meets to approve the financial statements for the year.

The annual self-evaluation of the principles of Colas' internal control framework covers all Colas business segments. There are 545 principles, comprised of 309 general principles and 236 accounting and financial principles, including 69 that are specific to the Group's business lines. Together they form Colas' internal control framework.

– These principles are reviewed at the various subsidiaries in the form of a self-evaluation, with each principle assigned a score on a scale of 1 to 4, depending on the official procedures employed and the extent to which the principle is applied at the entity. Each assessment provided by a respondent best able to evaluate the extent of application of a given principle in the subsidiary is then validated and commented on by a validator, generally the manager of the entity or an individual delegated to perform this role.

– A score of 1 or 2, indicating that a principle was not applied or, more frequently, that the application of a given principle was partially or insufficiently documented, results in an observation with recommendations concerning action plans to be implemented locally or more widely depending on the analysis.

– With the aim of ensuring consistency and renewing the Internal Control implementation approach within the Group, the format used for the annual evaluation to ensure these principles are observed has been updated, and is now based on a three-year self-evaluation cycle:

- two years out of three, the Group campaign focuses on principles related to the main risk factors covered in the most recently published Report of the Board of Directors. Every third year, self-evaluations go back to covering all principles;
- any newly acquired entities must cover all the principles of Colas' internal control framework in their first annual self-evaluations before joining the three-year cycle adopted by the Group.

  In 2016 (first year of the cycle), a self-evaluation of all internal control principles was carried out by 63 subsidiaries and companies (in France and internationally) representing 99.2% of Colas' consolidated revenue.

– The assessment of the proper application of the Colas internal control framework involved the participation of the Chairmen and CEOs, the human resources, legal, administrative and financial managers of subsidiaries, the functional division heads at the Colas parent company and the Managing Directors.

– Each subsidiary was asked to continue deploying evaluations on the operating units, using the internal control system rolled out in the Group in 2011. Consequently, 81 of the 545 principles that make up the internal control framework were assessed at the entity level. Their assessments then contributed to the final assessments of the subsidiary's respondents and validators.

This new general evaluation of internal control principles has revealed good overall management of operations and processes in most subsidiaries and steady improvement in determining those responsible for each process and in complying with the Group's management principles.

Main actions taken in 2016:

– implementation of compliance programs in accordance with the schedule decided, accompanied by indicators and reporting information needed to ensure that they are applied correctly;

– more business ethics training seminars under multi-year programs;

– deployment of the "New Momentum" approach to help to adapt the Company to the economic climate in France;

– in concert with the various subsidiaries, continuing the deployment by Colas SA's Purchasing Department of purchasing and/or procurement management procedures in France and internationally.

Some Group actions planned for 2017:

– continuing the deployment of compliance programs throughout the Group;

– more business ethics training seminars under multi-year programs;

– operational implementation of the "COPERNIC" project accompanied by the deployment of IT tools at subsidiaries;

– continuing implementation of adaptation plans as part of the "New Momentum" corporate plan.

These initiatives will be supplemented by local action plans with aims such as formalizing organizational and administrative procedures and the delegation of authority.

Risk mapping

In response to the risk mapping campaign launched by Colas' Chairman and CEO, the senior management of each major region and business line updated its risk map and associated action plans. This initiative combines a bottom-up and top-down approach.

A summary report on this was presented at the Board of Directors meeting in November 2016 and at the preceding Audit Committee meeting.

Although this effort confirmed that Colas has relatively little exposure to systemic risks, it showed that sudden economic downturns in some of the Group's regions and markets do present a risk, due to the difficulty that some local entities have in rapidly adjusting to changes in market conditions.

Energy Transition (article 173)

Colas operates in regions that are exposed to a possible risk of natural disasters (Asia-Oceania, Indian Ocean, Caribbean and French Guiana). This is why the impact of climate events is taken into account in the Group's risk mapping as a factor that may affect the continuity of operations at production plants located in the regions concerned.

Faced with this risk, the subsidiaries concerned have adopted warning systems and systems to ensure the security of people and property, as well as including the risk in their insurance cover.

Colas has a twofold strategy to address climate change. Its first objective is to reduce its carbon footprint and to propose solutions that reduce the footprint of its customers (details in the section of the Board of Directors' report relating to article 225 of the Grenelle 2 law), while the second objective proposes adaptations to climate change by continuing with its research efforts and proposing products that reduce the formation of urban heat islands, both in buildings (such as insulated facades and green or reflective roofs) and with respect to transport infrastructure. Here Colas uses its expertise in the design and construction constraints that are specific to harsh climates. For Colas, the need to reduce carbon footprints and anticipate climate change are not so much risks but rather opportunities for competitive differentiation. For example, abandoning the use of fossil-fuel powered transport will not eliminate the need for low-carbon transport infrastructure.

Internal control monitoring

All internal control staff are responsible for the operation and monitoring of the internal control system. Their work is coordinated by an internal control manager at the parent company who liaises with a network of correspondents at the national or regional subsidiaries.

The Internal Audit Department's audit program includes verifying compliance with internal control rules and the quality of evaluation.

In 2016, the Group's Internal Audit Department, which reports to the General Secretary, was composed of ten auditors led by an Audit and Internal Control Manager.

The main objectives of an internal audit are to:

– assess the systems that the subsidiaries and other audited entities have set up to manage their risks, protect their assets, and ensure the reliability of accounts and reporting information, the observance of Group rules, procedures and objectives, and compliance with laws and regulations;

– make proposals to improve the audited entity's operations and efficiency in accordance with best practices. The internal audit team's responsibilities include monitoring the observance of Colas' internal control principles, the results of annual self-evaluations and the implementation of action plans to improve the internal control system;

– monitor compliance with audit recommendations over a period of twelve to eighteen months.

The annual audit program is approved by the Chairman and by the Accounts Committee in the third quarter of the preceding year. It generally includes an average of a dozen audits of French and international entities. The program gives priority to recently acquired entities and those that have not been audited over the past five years.

The international subsidiaries audited in 2016 were Branscome Inc. (United States), Wapiti Gravel and Standard General Calgary (Canada), Colas Nouvelle Calédonie, as well as subsidiaries Colas Île-de-France Normandie and Smac, in France.

The internal audit team also performs more targeted assignments such as project reviews (R2 in Slovakia, LGV in Morocco, NRL on Reunion Island) and/or contracts (TfL in the United Kingdom) and technical reviews of laboratories (France and internationally), as well as post-acquisition audits (Middle East).

The findings of each audit are reported to the Chairman, Colas functional managers, the Executive Management of the appropriate country or region, and the management bodies of the audited entity. A copy of this report is systematically sent to the Statutory Auditors, who in turn provide the Internal Audit Department with their reports on the Group's companies. Each audit summary report includes a list of recommendations for the audited entity's management bodies and the entity has two months to draw up an action plan. The Statutory Auditors are informed of the annual internal audit program. Regular meetings between internal and external auditors are scheduled to enable them to exchange information on their work and organize their assignments in a complementary manner.

The Statutory Auditors are provided with a copy of the standard internal control procedures. A report on fiscal year 2016 self-evaluation results was presented to the Accounts Committee on February 17, 2017 and made available to the Statutory Auditors to enable them to include additional accounting and financial verifications. The self-evaluation findings will also be used to plan internal auditing work, in collaboration with the Statutory Auditors. The Statutory Auditors are also informed of the accounting and financial principles observed by the French subsidiaries, as revealed by their self-evaluations.

The objective of the internal control system is to enable Colas to achieve stable and profitable growth. It therefore focuses on preventing and mitigating operational and other risks, with the primary objective of ensuring that financial statements and accounting documents are reliable and provide a true and fair image of Colas to its shareholders, customers and employees.

Efforts to improve and update the internal control system will be pursued. Since it cannot however provide absolute assurance, continual vigilance will always be necessary.

The Chairman

Statutory Auditors' report

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

FISCAL YEAR ENDED DECEMBER 31, 2016

This is a free translation into English of the Statutory Auditors' report, prepared in accordance with article L. 225-235 of the French Commercial Code, on the report of the Chairman of the Board of Directors issued in French and is provided solely for the convenience of English-speaking readers.
This report on the report of the Chairman of the Board of Directors should be read in conjunction with, and construed in accordance with, French law and professional standards applicable in France.

To the Shareholders,

In our capacity as Statutory Auditors of Colas and in application of the provisions of article L. 225-235 of the French Commercial Code, we hereby report to you on the report prepared by the Chairman of your Company, in accordance with the provisions of article L. 225-37 of the French Commercial Code, for the fiscal year ended December 31, 2016.

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

Our role is to:

– report on any matters as to the information contained in the Chairman's report on internal control and risk management procedures relating to the preparation and processing of the accounting and financial information;

– confirm that the report also includes the other information required by article L. 225-37 of the French Commercial Code, with the understanding that our role is not to verify the fairness of this other information.

We performed our procedures in accordance with professional standards applicable in France.

INFORMATION ON THE INTERNAL CONTROL AND RISK MANAGEMENT PROCEDURES RELATING TO THE PREPARATION AND PROCESSING OF ACCOUNTING AND FINANCIAL INFORMATION

The applicable professional standards require us to perform our procedures so as to be able to assess the fair presentation of the information in the Chairman's report on the internal control and risk management procedures relating to the preparation and processing of accounting and financial information. These procedures consist mainly in:

– obtaining an understanding of the internal control and risk management 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 may have noted in the course of our work are properly disclosed in the Chairman's report.

On the basis of our work, we have no matters to report on the information relating to the Company's internal control and risk management 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 Commercial Code.

OTHER INFORMATION

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

Paris-la Défense and Courbevoie, February 23, 2017

The Statutory Auditors

KPMG Audit IS — MAZARS

François Plat, *Partner*
Guillaume Potel, *Partner*
Daniel Escudeiro, *Partner*

Appendix to the report of the Board of Directors

Offices or positions held in all companies by company officers (Article L. 225-102-1 of the French Commercial Code)

Name of company	Type	Office or position in the Company	Registered office
Hervé LE BOUC			
Colas	SA	Director, Chairman and Chief Executive Officer	7, place René-Clair – 92100 Boulogne-Billancourt – France
Bouygues	SA	Director(1)	32, avenue Hoche – 75008 Paris – France
Bouygues Immobilier	SA	Director	3, boulevard Gallieni – 92130 Issy-les-Moulineaux – France
Colas Inc.	Inc.	Director	163 Madison Avenue, suite 500 NJ 07960 Morristown – United States
Colas Canada	Inc.	Director	4984 place de la Savane, Bureau 150 Montreal, Québec H4P 2M9 – Canada
Colasie	SA	Director, Chairman and Chief Executive Officer	4, rue Jean-Mermoz – 78114 Magny-les-Hameaux – France
Colas Rail	SA	Permanent representative of IPF	44, rue Jean-Mermoz – 78600 Maisons-Laffitte – France
Aximum	SA	Permanent representative of IPF *(up to December 30, 2016)*	8, rue Jean-Mermoz – 78114 Magny-les-Hameaux – France
Échangeur International	SNC	Permanent representative of Colas	4, rue Jean-Mermoz – 78114 Magny-les-Hameaux – France
Fondation Colas	FDT	President	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
Société Parisienne d'Études, d'Informatique et de Gestion	SA	Permanent representative of Colas *(up to April 5, 2016)*	2/4, allée Latécoère – 78140 Vélizy-Villacoublay – 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 Supervisory Board	5, boulevard Abdellah-Ben-Yacine 21700 Casablanca – Morocco
Grands Travaux Routiers	SACS	Representative of Colas on the Supervisory Board	5, boulevard Abdellah-Ben-Yacine 21700 Casablanca – Morocco

(1) Up to April 27, 2017 (not renewed)

Name of company	Type	Office or position in the Company	Registered office
François BERTIÈRE			
Bouygues	SA	Director	32, avenue Hoche – 75008 Paris – France
Bouygues Immobilier	SA	Director, Chairman and Chief Executive Officer *(up to December 9, 2016)*	3, boulevard Gallieni 92130 Issy-les-Moulineaux – France
Bouygues Immobilier	SAS	Chairman, member of the Board	3, boulevard Gallieni 92130 Issy-les-Moulineaux – France
Colas	SA	Director	7, place René-Clair 92100 Boulogne-Billancourt – France
Fondation d'Entreprise Bouygues Immobilier	FDT	Chairman, member of the Board	3, boulevard Gallieni 92130 Issy-les-Moulineaux – France
Fondation d'Entreprise Francis Bouygues	FDT	Member of the Board	32, avenue Hoche – 75008 Paris – France
Centre Scientifique et Technique du Bâtiment	EP	Director	84, avenue Jean-Jaurès – Champs-sur-Marne 77447 Marne-la-Vallée – France Cedex 2
École nationale des ponts et chaussées (ENPC)	EP	Director	6 et 8, avenue Blaise-Pascal – Cité Descartes Champs-sur-Marne – 77455 Marne-la-Vallée – France Cedex2
Cité de l'architecture et du patrimoine	EP	Director	Palais de Chaillot – 1, place du Trocadéro et du 11-Novembre – 75116 Paris – France
Fonds de dotation "Les technologies pour l'Homme"		Director	Hôtel le Marois – 9, avenue Franklin-Roosevelt 75008 Paris – France
Nextdoor	SAS	Chairman, member of the Supervisory Board	3, boulevard Gallieni 92130 Issy-les-Moulineaux – France
Fondation des Ponts	FDT	Chairman	15, rue de la Fontaine-au-Roi – 75011 Paris – France
Olivier BOUYGUES			
Bouygues	SA	Permanent representative of SCDM Chief Operating Officer *(up to December 9, 2016)*	32, avenue Hoche – 75008 Paris – France
Bouygues	SA	Director Chief Operating Officer	32, avenue Hoche – 75008 Paris – France
Bouygues Construction	SA	Director	1, avenue Eugène-Freyssinet 78065 Guyancourt – France
Bouygues Europe	SA	Director Chairman of the Board	52, avenue de Cortenberg 1000 Brussels, Belgium
Bouygues Telecom	SA	Director	37-39, rue Boissière – 75116 Paris – France
Colas	SA	Director	7, place René-Clair 92100 Boulogne-Billancourt – France
Alstom	SA	Director	3, avenue André-Malraux 92300 Levallois-Perret – France
Sagri-E	SAS	Chairman	32, avenue Hoche – 75008 Paris – France
Sagri-F	SAS	Chairman	32, avenue Hoche – 75008 Paris – France
SCDM Energie Limited	Ltd	Director	50 Cannon Street – EC4N 6JJ London – United Kingdom
Seci	SA	Director Chairman and Chief Executive Officer	34, avenue Houdaille – Tour Sidam BP 4039 Abidjan – Côte d'Ivoire
SCDM	SAS	Managing Director	32, avenue Hoche – 75008 Paris – France
Télévision Française 1 (TF1)	SA	Director	1, quai du Point-du-Jour 92100 Boulogne-Billancourt – France
Bouygues Immobilier	SAS	Member of the Board	3, boulevard Gallieni – 92160 Issy-les-Moulineaux – France
Martine GAVELLE			
Colas	SA	Director	7, place René-Clair 92100 Boulogne-Billancourt – France

Name of company	Type	Office or position in the Company	Registered office
Jean-François GUILLEMIN			
Bouygues Telecom	SA	Permanent representative of Bouygues – Director	32, avenue Hoche – 75008 Paris – France
Bouygues Construction	SA	Director *(end 2016)*	1, avenue Eugène-Freyssinet 78065 Guyancourt – France
Bouygues Immobilier	SAS	Member of the Board *(end 2016)*	3, boulevard Gallieni 92130 Issy-Les-Moulineaux – France
Bouygues Europe	SA	Director	52, avenue Cortenberg – 1000 Brussels – Belgium
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 *(end 2016)*	12, place du Panthéon – 75231 Paris – France Cedex 5
PRES Sorbonne Université	EP	Director	12, place du Panthéon – 75231 Paris – France Cedex 5
Colette LEWINER			
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
Eurotunnel	SA	Director	3, rue de La Boétie – 75008 Paris – France
EDF	SA	Director	22-30, avenue de Wagram 75382 Paris – France Cedex 2
Ingenico	SA	Director	28-32, boulevard de Grenelle – 75015 Paris – France
Philippe MARIEN			
Bouygues Telecom	SA	Director	37-39, rue Boissière – 7116 Paris – France
Télévision Française 1 (TF1)	SA	Permanent representative of Bouygues – Director	1, quai du Point-du-Jour 92100 Boulogne-Billancourt – France
Colas	SA	Permanent representative of Bouygues – Director	7, place René-Clair 92100 Boulogne-Billancourt – France
Alstom	SA	Permanent representative of Bouygues – Director	3, avenue André-Malraux 92300 Levallois-Perret – France
Bouygues Immobilier	SAS	Permanent representative of Bouygues – Member of the Board	3, boulevard Gallieni 92130 Issy-les-Moulineaux – France
Bouygues Construction	SA	Permanent representative of Bouygues – Director	1, avenue Eugène-Freyssinet 78280 Guyancourt – France
SCDM	SAS	Managing Director	32, avenue Hoche – 75008 Paris – France
Bouygues Europe *(Belgian law)*	SA	Director	52, avenue Cortenbergh – 1000 Brussels – Belgium
C2S	SA	Permanent representative of Bouygues	3, rue A.-Kastler – 78280 Guyancourt – France
Uniservice *(Swiss law)*	SA	Director	Rue du Conseil Général 3 – 1203 Geneva – Switzerland
Bouygues	SA	Chief Operating Officer	32, avenue Hoche – 75008 Paris – France
Catherine RONGE			
Colas	SA	Director	7, place René-Clair – 92100 Boulogne-Billancourt – France
Inneva	SAS	Chairwoman	2, rue de la Comète – 75007 Paris – France
Innoveox	SA	Director *(up to July 23, 2016)*	21, rue de la Paix – 75002 Paris – France
Paprec Holding	SA	Director	7, rue du Docteur-Lancereaux – 75008 Paris – France
Weave Air	SAS	Chairwoman	37, rue du Rocher – 75008 Paris – France
Eramet	SA	Director	33, avenue du Maine – 75015 Paris – France

Name of company	Type	Office or position in the Company	Permanent representative	Registered office
Bouygues				
Bouygues Telecom	SA	Director	Jean-François Guillemin	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
C2S	SA	Director	Phillippe Marien	3, rue A.-Kastler – 78280 Guyancourt – France
Télévision Française 1 (TF1)	SA	Director	Phillippe Marien	1, quai du Point du Jour 92100 Boulogne-Billancourt – France
Alstom	SA	Director	Phillippe Marien	3, avenue André Malraux 92300 Levallois-Perret – France
Colas	SA	Director	Phillippe Marien	7, place René Clair 92100 Boulogne-Billancourt – France
32 Hoche	GIE	Director	Georges Colombani	32, avenue Hoche – 75008 Paris – France
Fondation Dauphine	Fdt	Member of the Board of Directors	Georges Colombani	Place du Maréchal de Lattre de Tassigny 75775 Paris – France Cedex 16
GIE Registrar	GIE	Member of the Board of Directors	Gaëlle Pinçon	14, rue Rouget de Lisle 92130 Issy-les-Moulineaux – France
Organisme gestionnaire du Centre Gustave Eiffel		Member of the Board of Directors	Charles-Henri Burgelin	30, route de Longjumeau 91385 Chilly-Mazarin – France

Consolidated financial statements of the Colas Group

AT DECEMBER 31, 2016

Consolidated balance sheet at December 31

in millions of euros	Notes	2016	2015
Property, plant and equipment	3.2	2,394	2,392
Intangible assets	3.3	92	86
Goodwill	3.3	500	507
Investments in joint ventures and associates	3.4	375	307
Other non-current financial assets	3.6	183	212
Deferred taxes and non-current tax receivable	3.7	172	165
Non-current assets		**3,716**	**3,669**
Inventories	4.1	498	511
Trade receivables	4.1	2,600	2,360
Tax asset (receivable)	4.1	159	124
Other current receivables and prepaid expenses	4.1	673	543
Cash and cash equivalents	4.2	759	848
Financial instruments	17	17	18
Current assets		**4,706**	**4,404**
Held-for-sale assets		-	-
TOTAL ASSETS		8,422	8,073
Share capital and share premium		384	384
Retained earnings		1,826	1,993
Treasury shares		(1)	(1)
Translation reserve		116	83
Consolidated net income/(loss)		355	234
Equity attributable to the Group		**2,680**	**2,693**
Non-controlling interests		33	31
Equity	5	**2,713**	**2,724**
Non-current debt	8	125	176
Non-current provisions	6.1	917	837
Deferred tax liabilities and non-current tax liabilities	7	71	73
Non-current liabilities		**1,113**	**1,086**
Advances and down-payments received on orders		300	293
Current debt	8	73	44
Current taxes payable		55	57
Trade payables		1,945	1,763
Current provisions	6.2	324	348
Other current liabilities	10	1,838	1,672
Overdrafts and short-term bank borrowings		42	62
Financial instruments	17	19	24
Current liabilities		**4,596**	**4,263**
Liabilities associated to assets held for sale and discontinued operations		-	-
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		8,422	8,073
Net surplus clash/(net debt)	9	**517**	**560**

Consolidated income statement

in millions of euros	Notes	2016	2015
Revenue(1)	11/16	**11,006**	**11,960**
Purchases used in production		(4,842)	(5,645)
Personnel costs		(3,214)	(3,271)
External charges		(2,372)	(2,379)
Taxes, other than income tax		(154)	(160)
Net depreciation and amortization expenses		(399)	(420)
Net charges to provisions and impairment losses		(155)	(186)
Change in production inventories		(12)	(32)
Other income from operations(2)	12	757	658
Other expenses on operations	12	(229)	(181)
Current operating profit	16	**386**	**344**
Other operating income	12		
Other operating expenses	12	(62)	(95)
Operating profit		**324**	**249**
Financial income		16	17
Financial expenses		(29)	(36)
Cost of net debt	13	**(13)**	**(19)**
Other financial income	13	97	13
Other financial expenses	13	(23)	(15)
Income tax expenses	14	(108)	(68)
Joint ventures and associates		82	78
Net profit		**359**	**238**
NET PROFIT ATTRIBUTABLE TO THE GROUP		355	234
Net profit attributable to non-controlling interests		4	4
Basic earnings per share from continuing operations (in euros)	15	10.87	7.16
Diluted earnings per share from continuing operations (in euros)	15	10.87	7.16
(1) Of which recorded outside of France (including export sales)		5,227	5,916
(2) Of which reversals of unutilized provisions/impairment losses		139	106

Statement of recognized income and expense

in millions of euros	2016	2015
Net profit/(loss)	**359**	**238**
Items not reclassifiable to net profit		
Actuarial gains (losses) on employee benefits	(63)	11
Net tax effect of items not reclassifiable to profit/(loss)	14	(2)
Items reclassifiable to net profit		
Change in cumulative translation adjustment of controlled entities	24	30
Net change in fair value of financial instruments used for hedging purposes	7	
Net tax effect of items reclassifiable to net profit	(3)	
Share of reclassifiable income and expense of joint ventures and associates	9	(1)
Net income recognized directly in equity	**(12)**	**38**
TOTAL RECOGNIZED INCOME AND EXPENSE	347	276
Attributable to the Group	343	271
Attributable to non-controlling interests	4	5

Consolidated statement of changes in equity

in millions of euros	Share capital and share premiums	Retained earnings	Translation reserve	Consolidated net profit	Capital and reserves	Non-controlling interests	Total
At December 31, 2014	**384**	**1,872**	**55**	**604**	**2,915**	**30**	**2,945**
Variation in treasury shares		1			1		1
Prior-year profit allocation		604		(604)			
Dividends paid		(503)			(503)	(1)	(504)
Other transactions with shareholders							
Net profit/(loss)				234	234	4	238
Income (expenses) recognized directly in equity[1]		9	28		37	1	38
Net profit/(loss) and income (expenses) recognized directly in equity		9	28	234	271	5	276
Change in scope of consolidation and miscellaneous		9			9	(3)	6
At December 31, 2015	**384**	**1,992**	**83**	**234**	**2,693**	**31**	**2,724**
Variation in treasury shares							
Prior-year profit allocation		234		(234)			
Dividends paid		(356)			(356)	(2)	(358)
Other transactions with shareholders							
Net profit/(loss)				355	355	4	359
Income (expenses) recognized directly in equity[1]		(45)	33		(12)		(12)
Net profit/(loss) and income (expenses) recognized directly in equity		(45)	33	355	343	4	347
Change in scope of consolidation and miscellaneous							
AT DECEMBER 31, 2016	384	1,825	116	355	2,680	33	2,713

(1) Detail of recognized income and expense:

	Group	Non-controlling interests	Total
Exchange differences	33		33
Fair value restatement on financial instruments	7		7
Actuarial gains (losses) on employee benefits	(63)		(63)
Deferred taxes based on these items	11		11
TOTAL INCOME (EXPENSES) RECOGNIZED DIRECTLY IN EQUITY	(12)		(12)

Consolidated cash flow statement

in millions of euros	2016	2015
Consolidated net profit/(loss) (including non-controlling interests)	359	238
Adjustments for:		
– Joint ventures and associates	(82)	(59)
– Dividends received from associates	31	24
– Dividends received from unconsolidated companies	(2)	(2)
– Charges to/(reversals of) depreciation, amortization, impairment and non-current provisions	395	495
– Gains and losses on asset disposal	(123)	(107)
– Miscellaneous non-cash charges		(6)
Sub-total	**578**	**583**
Cost of net debt	13	19
Income tax expenses	108	68
Cash from operations	**699**	**670**
Income tax paid	(148)	(104)
Changes in working capital related to operating activities	66	128
CASH FLOWS FROM OPERATING ACTIVITIES (a)	617	694
Purchase price of property, plant and equipment and intangible assets	(457)	(406)
Proceeds from disposals of property, plant and equipment and intangible assets	73	95
Net liabilities related to property, plant and equipment and intangible assets	18	(20)
Sub-total	**(366)**	**(331)**
Acquisitions and disposals of subsidiaries:		
– Acquisitions of subsidiaries	(15)	(18)
– Disposals of subsidiaries	150	28
– Net liabilities related to non-consolidated companies and other investments	(68)	5
– Other effects of changes in scope of consolidation (cash of acquired and divested companies)		7
Sub-total	**67**	**22**
Other cash flows related to investing activities (change in loans, dividends received from non-consolidated companies):		
– Dividends received from unconsolidated companies	2	2
– Changes of other non-current financial assets	11	3
Sub-total	**13**	**5**
CASH FLOWS FROM INVESTING ACTIVITIES (b)	(286)	(304)
Capital increases/(reductions) paid by shareholders and non-controlling interests and other transactions between shareholders		1
Dividends paid to parent company shareholders	(356)	(503)
Dividends paid to minority interests	(2)	(1)
Change in current and non-current debt	(17)	(53)
Cost of net debt	(13)	(19)
Other cash flows related to financing activities		
CASH FLOWS FROM FINANCING ACTIVITIES (c)	(388)	(575)
Effect of foreign exchange fluctuations (d)	(12)	15
NET CHANGE IN CASH AND CASH EQUIVALENTS (a + b + c + d)	(69)	(170)
Net cash at the beginning of the year	786	956
NET CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR (see note 9)	717	786

Notes to the consolidated financial statements

Declaration of compliance

The consolidated financial statements have been prepared in accordance with the IFRS standards (International Financial Reporting Standards) endorsed by the European Union.

The financial statements, presented in millions of euros (unless otherwise indicated) comprise: the balance sheet, the income statement, the statement of recognised income and expenses, the statement of changes in shareholders' equity, the cash flow statement, and the notes to the financial statements.

The above are presented with a side-by-side comparison of consolidated figures at December 31, 2015.

Contents

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

NOTE 1 – SIGNIFICANT EVENTS OF THE YEAR

1.1 – SCOPE OF CONSOLIDATION AS OF DECEMBER 31, 2016

Number of consolidated companies	2016	2015
Full consolidation	369	412
Proportional consolidation	66	62
Equity method	84	81
TOTAL	519	555

Main movements of the year

Entries in scope: Al Futtaim Colas (UEA), Al Dhahira Colas (Oman), Al Zawawi Colas (Oman), Midmac Colas (Qatar), Thanomwongse (Thailand).

Exit from scope:

France: Bétonord.

International: Asphalt Bangun Sarana, Raycol Asphalt Co., Highway Resources Ltd, Reta Link Ltd, AD Shipping PTE Ltd, Colas Vietnam Co. LTD.

1.2 – SIGNIFICANT FACTS OF 2016

– Revenue of 11.0 billion euros, an 8.0% decrease from 2015 (-4.4% at constant scope and exchange rates).

– A current operating income of 386 million euros, an increase of 42 million euros due to the end of current losses in the refining activity that was closed, and the positive impact of a series of action plans.

– Non-current expenses amounting to 62 million euros, mainly pertaining to the closure of SRD (95 million euros in 2015).

– Operating income at 324 million euros (+75 million euros compared to 2015).

– Net profit attributable to the Group at 355 million euros, a sharp 121-million-euro increase, thanks to capital gains from the sale of stakes in Atlandes and Adelac highway concession companies (72 million euros).

– A high level of work-on-hand at December 31, 2016, 7.1 billion euros, up 0.7% compared to end of December 2015.

– Controlled working capital requirements and capital expenditure, leading to a net surplus cash equal to 517 million euros (after payment of an interim dividend of 178 million euros in December 2016).

1.3 – SIGNIFICANT EVENTS AND CHANGES IN THE SCOPE OF CONSOLIDATION AFTER DECEMBER 31, 2016

None.

NOTE 2 – SIGNIFICANT PRINCIPLES OF THE FINANCIAL STATEMENTS

2.1 – DESCRIPTION OF GROUP ACTIVITIES

Colas (the Company) is a French public company incorporated in France (RCS Nanterre B552 025 314) with its Head Office 7, place René-Clair, Boulogne-Billancourt, France.

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

Roads represent 82% of Colas' activity, including:

the construction and maintenance of roads, motorways, airports, ports, industrial and logistics platforms, urban development, reserved-lane public transport systems (tramways), recreational facilities, bike paths. Civil engineering (large and small-scale projects) and building (new construction, rehabilitation and demolition/deconstruction) in certain regions complement road construction;

– upstream from the construction sector, major industrial activity involving the production and recycling of construction materials (aggregates, emulsions and binders, asphalt, ready-mix concrete, bitumen), from a dense international network of quarries, emulsion plants, asphalt plants, concrete plants and one bitumen production plant.

Colas also operates in Specialized Activities most of which are complementary to Road activities that represent 18% of its total business:

– Road safety, traffic management, manufacture, installation and maintenance of safety equipment;

– Underground networks;

– Waterproofing, including building envelope, siding and roofing, manufacture and sales of waterproofing membranes;

– Railways (design and engineering, construction, renewal and maintenance of infrastructure).

Colas is also a stakeholder in infrastructure concessions and management (PPP) companies, especially motorways, as well as city road networks and public transport.

2.2 – PREPARATION PRINCIPLES OF THE FINANCIAL STATEMENTS

The Group's financial statements include the accounts of Colas SA and its subsidiaries, as well as holdings in related entities and joint ventures. They are presented in millions of euros, the currency of the majority of Group's transactions.

They were approved for publication by the Board of Directors on February 21, 2017 and will be submitted for the approval of the next Ordinary General Shareholders' Meeting of April 11, 2017.

The consolidated financial statements for the year ended December 31, 2016 have been prepared in accordance with IFRS standards and principles, based on historical cost, with the exception of certain financial assets and liabilities, measured at fair value where this is required by IFRS. They are presented in comparison with the financial statements for the year ended December 31, 2015.

As of December 31, 2016, the Group applied the standards, interpretations, accounting principles and methods that were applied in the financial statements of fiscal year 2015, with the exception of mandatory changes laid down by the IFRS standards mentioned below, applicable as from January 1, 2016.

Main IFRS standards, amendments and interpretations adopted by the European Union, for mandatory application or for early adoption as of January 1, 2016

AMENDMENTS TO IAS 7: STATEMENT OF CASH FLOW

The amendments stipulate that an entity must provide information to users of financial statements to allow them to assess changes in liabilities in financing activities, whether or not these changes stem from cash flow.

To meet this obligation, the Group provides a reconciliation between the balances of opening and closing of the financial situation with regard to the liabilities included in note 9.

These amendments, applicable for the year beginning as of January 1, 2017, were applied by anticipation in the accounts for the year ended December 31, 2016.

IFRS 9: FINANCIAL INSTRUMENTS

On July 24, 2014, the IASB issued a new standard on financial instruments, to replace most of the existing provisions in IFRS including IAS 39. The new standard, adopted by the European Union on November 22, 2016, is applicable as of January 1, 2018. The Group will not apply IFRS 9 by anticipation.

IFRS 15: REVENUES FROM CONTRACTS WITH CUSTOMERS

On May 28, 2014, the IASB published a new standard on the accounting of income to replace most of the existing provisions in IFRS, including IAS 11 and IAS 18. The new standard, adopted by the European Union on October 29, 2016, is applicable as of January 1, 2018. The Group will not apply IFRS 15 by anticipation.

Main standards, amendments and interpretations published by the IASB essential, not adopted by the European Union

IFRS 16: LEASES

On January 16, 2016, the IASB published the standard IFRS 16 on "rental agreements". IFRS 16 will replace IAS 17 and IFRIC interpretations and SIC associated and will remove, for decision-makers, the distinction that was previously made between "operating leases" and "finance leases". All leases for a term of more than one year will be recorded in the same manner as financing leases are currently posted as per IAS 17, counting as an asset and a liability in respect of the rights and obligations created by a rental contract. The new standard, not adopted by the European Union, is applicable as of January 1, 2019.

Exercise of judgement and use of estimates

In preparing consolidated financial statements to comply with IFRS standards and interpretations, the Group uses estimates and assumptions which may have affected the amounts reported for assets, liabilities and contingent liabilities at the end of the reporting period, and the amounts of income and expenses reported for the period.

These estimates and assumptions have been applied consistently on the basis of past experience and of various other factors regarded as reasonable forming the basis of assessments of the valuations of assets and liabilities for accounting purposes. Actual results may differ materially from these estimates if different assumptions or conditions apply.

The main items involved are the impairment testing of goodwill and equity investments, employee benefits (lump-sum retirement benefits, pensions, etc.), the fair value of unlisted financial instruments, deferred tax assets, and provisions.

Where no standard or interpretation applies to specific transactions, events or conditions, Group management exercises its judgement to define and apply accounting policies that will provide relevant information that gives a fair presentation and is comparable between periods, such that the consolidated financial statements:

- represent faithfully the financial position, financial performance and cash flows of the Group;
- reflect the economic substance of the underlying transactions;
- are neutral, prudent, and complete in all material respects.

Disclosures about judgements made by management are provided in the notes to the consolidated financial statements.

Held-for-sale assets and discontinued or held-for-sale operations

A non-current asset, or a group of directly-associated assets and liabilities, is regarded as being held for sale if its carrying amount will be recovered primarily through a sale rather than through continuing use. For this to be the case, the asset must be available for sale in its immediate condition, and its sale must be highly probable. Such held-for-sale assets or asset groups are measured at the lower of the carrying amount or the estimated selling price less costs to sell.

An operation that is discontinued or classified as held-for-sale is one that is material to the Group (having been treated as a Cash Generating Unit) and that has either been disposed of or has been classified as a held-for-sale asset. Income statement and cash flow information about such discontinued or held-for-sale operations is reported in separate line items in the consolidated financial statements for all periods presented.

2.3 – BASIS OF CONSOLIDATION

Companies controlled by the Group

Companies over which Colas exercises control are consolidated by the full consolidation method.

Jointly-controlled companies

A joint venture or joint operation 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 the joint operations, which give each party direct rights over the assets and obligations for the liabilities, are accounted for in accordance with the interests held in the joint operation. Joint ventures, which give the parties rights over the net assets, are accounted for using the equity method.

Companies under significant influence

An associate is a company over which the Group exercises significant influence. This influence is presumed to exist where the Group directly or indirectly holds at least 20% of the entity's voting rights.

The consolidated net profit or loss and the assets and liabilities of associate companies are accounted for by the equity method.

2.4 – BUSINESS COMBINATIONS

With effect from January 1, 2010, business combinations have been accounted for in accordance with IFRS 3 standard.

In a business combination, the fair value of the consideration transferred is allocated to the identifiable assets and liabilities acquired. They are measured at fair value at the acquisition date and presented in the balance sheet using the full fair value method, in accordance with IFRS 3. This method involves remeasuring the acquired assets and liabilities at fair value in full (and not at the proportionate share in the percentage acquired interest).

For each business combination, the revised IFRS 3 allows the following two options for the recognition of non-controlling interests:

- at fair value (i.e. with goodwill including the share of the non-controlling interest, known as the "full goodwill" method);
- at the share of the non-controlling interest in the fair value of the identifiable assets acquired and liabilities assumed from the acquired company (i.e. not including goodwill allocated to the non-controlling interest, known as the "partial goodwill" method).

Fair value is the price that would be received for selling an asset or paid for transferring a liability in an arm's length transaction between market participants as of the date of measurement.

In this context, goodwill represents the excess of the cost of the business combination over the acquirer's interest in the fair value of the acquirer's identifiable assets, liabilities and contingent liabilities that may be measured reliably as of the acquisition date, non-controlling interests are, depending on the option elected, either measured at fair value or not (see above). Goodwill is allocated to the Cash Generating Unit (CGU) benefitting from the business combination or to the group of CGUs at the level of which return on investment is measured (business segment for the Colas group).

The purchase price allocation period is limited to the time required to identify and measure the acquired entity's assets and liabilities, the non-controlling interests, the consideration transferred and the fair value of any previously-held equity interest, subject to a maximum period of twelve months.

Negative goodwill is recognized in the income statement in the year of acquisition.

Subsequently, goodwill is carried at cost net of any impairment losses identified using the methods described in the sections on "Monitoring of the value of the fixed assets" below, in accordance with IAS 36. Impairment losses are charged to the income statement as an operating item.

In accordance with the revised IFRS 3, at the date when control is obtained, any previously-held equity interest is remeasured at fair value at the date on which control is obtained, with the adjustment recorded in the income statement; in the event of a loss of control, in addition to the recognition of the gain or loss on disposal, the proportionate share retained is also remeasured to fair value, with the adjustment recorded in the income statement.

In the event of a change in equity interest with no impact on control, the difference between the consideration transferred and the carrying amount of non-controlling interests is recognized immediately in equity attributable to the Group. As a result, no additional goodwill is recorded.

Direct costs incurred in connection with business combinations are recognised in the income statement.

In the event of a partial divestment of the component operations of a CGU, the Group usually allocates the goodwill in proportion to the value of the divested operation relative to the value of the CGU as measured at the date of divestment in accordance with the IFRS 7 hierarchy of valuation methods, unless it can be demonstrated that another method better reflects the goodwill of the divested operation, in accordance with IAS 36.86.

Goodwill recognised prior to January 1, 2004 continues to be measured using the partial fair value method. Non-controlling interests are measured on the basis of the carrying amount of the relevant items as shown in the balance sheet of the acquired entity.

2.5 – METHOD OF TRANSLATION OF ITEMS IN FOREIGN CURRENCY

Transactions denominated in foreign currencies

Transactions denominated in foreign currencies are translated into euros at the average exchange rate on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the closing exchange rate. Translation differences are recognised as income or expenses in the income statement. Non-monetary assets and liabilities denominated in foreign currencies and accounted for at historical cost are translated using the exchange rate on the date of the transaction.

Financial statements of the entities whose operating currency is not the euro

All assets and liabilities of consolidated entities with a functional currency other than the euro are translated at the closing exchange rate. Income and expenses are translated at the average exchange rate for the period. Translation differences arising from this treatment, and arising from the retranslation of a subsidiary's opening shareholders' equity at the closing exchange rate, are taken to the translation reserve (which is a component of consolidated shareholders' equity). Translation differences arising on the net investment in foreign subsidiaries and associates are recognised in shareholders' equity.

2.6 – ASSESSMENT OF INCOME TAXES

Deferred taxation is recognised on differences between the carrying amount and tax base of assets or liabilities, and arises as a result of:

– temporary differences between the carrying amount and tax base of assets or liabilities, which may be:

- items generating a tax liability in the future (deferred tax liabilities), arising mainly from income that is liable to tax in future periods, or
- items deductible from taxable profits in the future (deferred tax assets), mainly provisions that are temporarily non-deductible for tax purposes. Such assets are recognised to the extent that it is probable that sufficient taxable profits will be available against which to offset the temporary differences, they are reviewed at each balance sheet date;

– tax losses available for carry-forward (deferred tax assets), where it is probable that these losses will be recovered in future periods.

Deferred taxes are measured using known applicable national tax rates for the relevant country as of the balance sheet date. Thus, at December 31, 2016, the timing differences for French entities, with maturity dates after December 31, 2019 were recorded at the rate of 28.92%, as per French tax law for 2020. For the years 2017 to 2019, the tax rate applied is 34.43%, as for 2016.

Deferred taxes are not discounted, and are reported in non-current assets and liabilities.

2.7 – NON-CURRENT ASSETS

Property, plant and equipment

They are measured at acquisition cost net of accumulated depreciation and impairment. Depreciation is recognised on a straight line basis over the estimated useful life of the asset.

PRINCIPAL USEFUL LIVES

Land	(see below)
Office buildings	20 to 40 years
Industrial buildings	10 to 20 years
Plant and equipment	5 to 15 years
Other property, plant and equipment (Vehicles and office equipment)	3 to 10 years

Unimproved land or land under buildings: these are not depreciated, but are tested for impairment.

Land with aggregate quarries: these are depreciated in accordance with the depletion of the aggregates, up to a maximum of forty years.

The cumulative amount of this depreciation cannot be lower than that calculated using the straight-line method.

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.

In accordance with IAS 16, when an item of property, plant and equipment consists of components with different useful lives, each component is accounted for and depreciated as a separate item of property, plant and equipment.

Gains and losses on disposal represent the difference between the sale proceeds and the carrying amount; they are recognised in the income statement under "Other operating income and expenses".

Depreciation periods are reviewed annually, and may be adjusted if expectations differ from previous estimates.

LEASES

Lease contracts whereby the Group retains substantially all the risks and rewards of ownership are considered as finance leases contracts and subject to this title to a reprocessing (recognition of a tangible asset with a corresponding liability eventually).

Assets held under finance leases are recognised in the balance sheet in "Property, plant and equipment" at the lower of fair value or the present value of the minimum lease payments, less accumulated depreciation and impairment losses. These assets are depreciated over their estimated useful lives (in the liabilities, the counterpart of contracts reprocessed is recognised under "Debt").

Obligations under operating leases are disclosed in off-balance sheet commitments.

GRANTS RECEIVED

Investment grants received from national, regional or local governments are netted off the value of the assets concerned in the balance sheet, and depreciated at the same rate as those assets once receipt of the grant becomes unconditional.

Intangible assets

IAS 38 defines an intangible asset as an identifiable non-monetary asset without physical substance which is controlled by the entity. An asset is identifiable:

– if it is separable (capable of being independently sold, transferred, licensed, rented or exchanged);

– or if it is derived from contractual or other legal rights, whether separable or not.

An asset is controlled if the entity has the power to obtain the future economic benefits from that asset and to restrict the access of others to those benefits.

Intangible assets with finite useful lives are depreciable. Intangible assets with indefinite useful lives are not depreciable, but are subject to annual impairment testing; the indefinite character is reviewed at each closing date.

Development costs are capitalised if the IAS 38 criteria are met (generation of future economic benefits is expected and costs can be reliably measured).

In accordance with IFRS, incorporation and research expenses are expensed as incurred.

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.

MONITORING OF THE VALUE OF THE FIXED ASSETS AND ASSOCIATED ENTITIES

Impairment tests are carried out on the carrying amount of non-current assets and investments in associates if there is objective evidence that they may have become impaired.

The carrying amounts of indefinite-lived intangible assets and goodwill are compared to their recoverable amounts at least at the end of each financial year.

METHOD APPLIED FOR IMPAIRMENT TESTS

In determining the recoverable amount, intangible assets to which independent cash flows cannot be directly allocated are grouped within the Cash Generating Unit (CGU) to which they belong, or within the appropriate group of CGUs representing the lowest level at which management monitors return on investment.

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.

– Mainland France Roads CGU: road activities in mainland France.

– Specialized Activities (excluding Railways) CGU: safety, signaling, networks, waterproofing.

– Railway CGU: rail activities.

– Roads Europe (excluding France) CGU: road activities in European countries where the Group operates.

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

– Roads Rest of the world CGU: road activities in Africa, Indian Ocean, Asia, Australia, Middle East 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.

Other non-current 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 REGARDING CONCESSION ARRANGEMENTS AND PUBLIC-PRIVATE PARTNERSHIP (PPP) CONTRACTS:

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 amortized 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 NON-CURRENT FINANCIAL ASSETS

They are recorded initially at fair value and amortized cost when they are meant to be kept until maturity later.

2.8 – 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 incurred to transfer inventories where they are.

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 thirty to ninety 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.

Other current receivables

Other current receivables are carried at face value, net of impairment recorded to reflect the probability of recovery.

2.9 – 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

EXPOSURE TO FOREIGN EXCHANGE RISK

Overall, the Group has a low exposure to foreign exchange risk in its ongoing commercial transactions, insofar as the proportion attributable to exports in its international business is very low. For most of the work carried out outside France, the billing and expenses incurred are denominated in the country where the work is carried out.

Occasionally, some currency contracts are hedged for exchange risks.

Borrowings or deposits are centralized in the currency of the country.

In addition, the Group remains especially attentive to the risks associated with its assets in non-convertible currencies and, more generally, to so-called country risks.

EXPOSURE TO INTEREST RATE RISK

The Group's financial expenses have low sensitivity to interest rate risk, since the bulk of debt is at fixed-rate either in the form of fixed-rate bond issues, or via a portfolio of hedging instruments that convert floating-rate debt into fixed-rate debt.

Consolidated financial expenses would be only marginally affected by fluctuations in euro interest rates, or by a divergence in interest rate trends between the euro and other major currencies.

On average over the year, the amount of floating-rate debt in the balance sheet is less than the amount of surplus cash invested at floating rates.

EXPOSURE TO COMMODITY PRICE RISK

Colas does experience sensitivity to fluctuations in the prices of commodities, primarily crude oil, whose market value has an impact on the Group's road construction business, as well as certain metals used in road safety and signaling, waterproofing and rail.

Hedges may occasionally be entered into on specific transactions.

Common principles for financial hedging instruments

Financial hedging instruments used are only conventional instruments such as:

- forward currency trade, 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;
- purchase and sale of futures contracts, raw material swaps in the frame of hedging policy for raw materials.

The above instruments are characterized by the fact that:

- they are only used for hedging;
- only undertaken with first rank French banks and foreign banks;
- and present no cash risk in the event of turnaround.

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

Recognition methods

Generally speaking, the Group applies hedge accounting to the financial instruments that it uses. This entails formal documentation of the hedging relationship under IAS 39. The Group then applies one of two recognition methods:

- fair value hedge: the changes in fair value of the hedging instrument and hedged item are recognized symmetrically in the income statement;
- cash flow hedge: the ineffective portion of the gain or loss on the hedging instrument is recognized in the income statement, while the effective portion is recognized directly in equity (until the position is unwound).

2.10 – EQUITY

The treasury shares are deducted from consolidated shareholders' equity; no expense or income arising on the cancellation of treasury shares is recognised in the income statement.

If a Group subsidiary holds its own shares, an additional percentage interest in that subsidiary is recognised at Group level.

Translation reserve

The translation reserve reflects the foreign exchange gains and losses recorded since January 1, 2004, the date on which the existing translation reserve in equity was reset against retained earnings.

Information about the management of capital

The objective of Colas management in managing capital is to maintain consolidated shareholders' equity at a level consistent with:

- maintaining a reasonable gearing ratio (net debt to shareholders' equity);
- distributing regular dividends to shareholders.

However, the level of equity may vary over short periods, especially if a strategically important investment opportunity arises.

The business plan is a key management tool, used by the parent company to assess the financial position of each business segment and of the Group as a whole, and the effects on consolidated shareholders' equity.

2.11 – NON-CURRENT LIABILITIES

Non-current financial debts

With the exception of derivative financial liabilities, which are measured at fair value, borrowings and other financial liabilities are measured at amortized cost, calculated using the effective interest method.

The portion of long-term borrowings with a maturity of less than one year is shown under current liabilities.

Non-current provisions

According to IAS 37 "Provisions, contingent liabilities and contingent assets", provisions are recorded at the balance sheet date if the Group has an obligation to a third party resulting from a past event and it is probable that settlement of the obligation will result in a net outflow from the Group of resources embodying economic benefits.

The amount recognised as a provision represents the Group's best estimate of the net outflow of resources.

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

EMPLOYEE BENEFITS

Pensions

The Group commitments with regard to pensions payable to employees on retirement are, generally, covered by the regular payment of contributions to retirement plans or pension funds (defined contribution plans).

Some defined benefit plans exist in the UK, Ireland and Canada. With the exception of Colas Rail Ltd, these defined benefit plans concern a limited number of employees because the Group decided, several years ago, to close these plans to new subscribers. These benefit plans are managed by independent funds.

Retirement indemnities

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

Length-of-service awards

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

Actuarial gains and losses are posted in the income statement.

PROVISIONS FOR LITIGATION AND LEGAL MATTERS

Litigation and claims about works contracts

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

Provisions for tax, social welfare or administration audit

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

PROVISIONS FOR WARRANTIES (LONG TERM)

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

PROVISIONS FOR QUARRY RECLAMATION (LONG TERM)

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

Deferred tax liabilities

Deferred tax liabilities are the amounts of income taxes payable in future periods in respect of taxable temporary differences (source of future income tax expenses). 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 distribution of dividends is probable in the foreseeable future or if the company is not controlled (associate), deferred tax liability is recognized.

2.12 – CURRENT LIABILITIES

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 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.

2.13 – INCOME STATEMENT

As allowed under IAS 1 "Presentation of Financial Statements", the Group presents an income statement that classifies expenses by nature.

Ordinary activity income

Revenue is recognised when:

- it is probable that the future economic benefits of the transaction will flow to the Group;
- the amount of revenue can be reliably measured;
- at the transaction date, it is probable that the amount of the sale will be recovered.

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.

Current operating profit

Current operating profit comes from main 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 income and expenses

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.

Cost of net debt

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

Income tax expenses

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.

2.14 – CASH FLOW STATEMENT

The consolidated cash flow statement is presented in accordance with IAS 7 and with CNC (now ANC) Recommendation 2013-03 of November 7, 2013 (using the indirect method).

The consolidated net profit (loss) from consolidated companies is corrected for the effects of non-cash transactions and items of income or expense related to investment or financing flows.

Cash from operations is defined as the consolidated net profit (loss) from consolidated companies before net depreciation and amortization expenses, net charges to provisions, capital gains or losses on disposal of assets, cost of net debt (included in financing activities in the cash flow statement) and income tax expenses for the fiscal year.

Net Group cash, changes to which are broken out in the cash flow statement, is defined as the net balance of:

- cash and cash equivalents;
- outstanding overdrafts and short-term bank borrowings.

2.15 – OTHER FINANCIAL INDICATORS

Net financial debt

It results from:

- cash and cash equivalents;
- overdrafts;
- current and non-current debt;
- financial instruments (used to hedge financial liabilities measured at fair value).

2.16 – COMPARABILITY OF THE CONSOLIDATED FINANCIAL STATEMENTS

Changes in scope during the fiscal year did not have a significant impact on the 2016 consolidated financial statements, thus allowing for comparison with financial statements at December 31, 2015.

NOTE 3 – NON-CURRENT ASSETS

3.1 – SYNTHESIS OF INVESTMENTS OF THE YEAR (OPERATIONAL AND FINANCIAL)

	2016	2015
Property, plant and equipment	439	403
Intangible assets and goodwill	18	3
Operating activities investments	**457**	**406**
Acquisitions of subsidiaries	15	18
Consolidated investments	**472**	**424**
Proceeds from disposals of property, plant and equipment	(73)	(95)
Disposals of subsidiaries	(150)	(28)
NET INVESTMENTS	**249**	**301**

3.2 – PROPERTY, PLANT AND EQUIPMENT

	Land and buildings	Plant and equipment	Assets in course of construction and advance payments	Total
Cost or valuation				
At December 31, 2014	**1,518**	**5,313**	**155**	**6,986**
Exchange differences	21	63		84
Transfers and other	40	131	(123)	48
Changes in scope of consolidation	(9)	(41)	1	(49)
Additions	65	240	98	403
Disposals	(42)	(267)		(309)
At December 31, 2015	**1,593**	**5,439**	**131**	**7,163**
Exchange differences	9	49	(1)	57
Transfers and other	19	105	(118)	6
Changes in scope of consolidation	(12)	(55)	(1)	(68)
Additions	43	311	85	439
Disposals	(37)	(205)		(242)
AT DECEMBER 31, 2016	1,615	5,644	96	7,355
Depreciation and impairment				
At December 31, 2014	**(613)**	**(3,929)**		**(4,542)**
Exchange differences	(8)	(50)		(58)
Transfers and other		(1)		(1)
Changes in scope of consolidation	5	31		36
Net charge for the year	(70)	(397)		(467)
Disposals	20	241		261
At December 31, 2015	**(666)**	**(4,105)**		**(4,771)**
Exchange differences	(1)	(40)		(41)
Transfers and other	2	(3)		(1)
Changes in scope of consolidation	8	26		34
Net charge for the year	(54)	(335)		(389)
Disposals	13	194		207
AT DECEMBER 31, 2016	(698)	(4,263)		(4,961)
Carrying amount				
At December 31, 2014	**905**	**1,384**	**155**	**2,444**
Including quarry land	281			281
Including financial leases	3	38		41
At December 31, 2015	**927**	**1,334**	**131**	**2,392**
Including quarry land	285			285
Including financial leases	3	35		38
AT DECEMBER 31, 2016	917	1,381	96	2,394
Including quarry land	272			272
Including financial leases	3	33		36

At December 31, 2016 equipment has been ordered for an amount of 20 million euros (8 million euros at the end of 2015).

3.3 – INTANGIBLE ASSETS AND GOODWILL

	Concessions, patents, and other rights	Other	Total intangible assets	Goodwill
Cost or valuation				
At December 31, 2014	**156**	**63**	**219**	**586**
Exchange differences	1	2	3	2
Transfers	3		3	(2)
Changes in scope of consolidation				(8)
Additions	2	1	3	
Disposals	(2)	(1)	(3)	
At December 31, 2015	**160**	**65**	**225**	**578**
Exchange differences	1	1	2	1
Transfers	2	2	4	(4)
Changes in scope of consolidation	(5)	(2)	(7)	(7)
Additions	4	13	17	1
Disposals	(1)	(5)	(6)	
AT DECEMBER 31, 2016	161	74	235	569
Depreciation and impairment				
At December 31, 2014	**(80)**	**(43)**	**(123)**	**(68)**
Exchange differences	(1)	(1)	(2)	
Transfers				
Changes in scope of consolidation				6
Net charge for the year	(10)	(5)	(15)	(9)
Disposals		1	1	
At December 31, 2015	**(91)**	**(48)**	**(139)**	**(71)**
Exchange differences	(1)		(1)	1
Transfers				2
Changes in scope of consolidation	4		4	
Net charge for the year	(9)	(4)	(13)	(1)
Disposals	1	5	6	
AT DECEMBER 31, 2016	(96)	(47)	(143)	(69)
Carrying amount				
At December 31, 2014	76	20	96	518
At December 31, 2015	69	17	86	507
AT DECEMBER 31, 2016	65	27	92	500

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

Research costs are expensed in the year.

Development costs are mainly recognized as expenses during the year because they have a permanent and recurrent nature. No 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	Goodwill	Intangible assets with indefinite useful life	Growth rates	Discount rates	
				H1(1)	H2(1)
CGU Roads Mainland France	134	20	2%	5.34%	4.98%
CGU Roads Europe (excluding France)	15		2%	5.34%	4.98%
CGU Roads North America	104		2%	5.34%	4.98%
CGU Roads Rest of the world	30		2%	5.34%	4.98%
CGU Specialized activities (excluding Railways)	38		2%	5.34%	4.98%
CGU Railways	179		2%	5.34%	4.98%
TOTAL	500	20			

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

Sensitivity analyses on the calculation of individual key assumptions or on scenarios of combined changes in the discount rate and normative cash flow, including reasonably possible changes of the said, were performed.

Assumptions used:
- discount rate: +2%;
- growth rate: –2%;
- normative cash-flow: –10%.

In all cases, the recoverable amount would be greater than the book value of the assets tested.

The recoverable amount of each CGU would be equal to the book value of the assets have been tested with the following discount rates:

Cash Generating Units	Discount rates
Roads Mainland France	9.83%
Roads Europe (excluding France)	15.30%
Roads North America	12.83%
Roads Rest of the world	18.05%
Specialized activities (excluding Railways)	16.96%
Railways	7.48%

3.4 – INVESTMENTS IN JOINT VENTURES AND ASSOCIATES

	Share in equity	Goodwill	Depreciation of goodwill	Carrying amount
At December 31, 2014	**184**	**106**	**(27)**	**263**
Net consolidated profit	84		(6)	78
Dividends paid	(24)			(24)
Other operations	(15)	4	1	(10)
At December 31, 2015	**229**	**110**	**(32)**	**307**
Net consolidated profit	89		(7)	82
Dividends paid	(31)			(31)
Other operations	14	1	2	17
AT DECEMBER 31, 2016	301	111	(37)	375

Main associated companies

	Share in equity		Net carrying amount	
	31/12/2016	31/12/2015	31/12/2016	31/12/2015
Main associated companies				
Tipco Asphalt(1)	101	84	25	42
Mak Mecsek(2)	34	33	3	3
Other	28	3	3	1
Joint ventures				
Miscellaneous companies(3)	138	109	58(4)	19
TOTAL	301	229	89	65

(1) Tipco Asphalt, based in Bangkok (Thailand), operates in the distribution and sale of bitumen in South East Asia.
(2) Mak Mecsek has been awarded a thirty-year PPP contract for the construction and operation of a new 80-km section of Motorways M6 (50 km) and M60 (30 km) in Southwest Hungary.
(3) These are mainly industrial companies (quarries, emulsion plants) operated in common with non-Group partners.
(4) Of which badwill recorded in profit, which was recognized through company acquisitions.

Breakdown of net carrying amounts from the associated entities

	31/12/2016	31/12/2015
Share in the results of associates	89	84
Depreciation and impairment	(7)	(6)
TOTAL	82	78

3.5 – JOINT OPERATIONS

Amounts from joint operations are posted to the title of main assets, liabilities, income and expenses. Please note their contributions below:

	31/12/2016	31/12/2015
Assets	226	234
Liabilities	224	233
Revenue	346	426
Current operating profit	2	2

3.6 – OTHER NON-CURRENT FINANCIAL ASSETS

	Non-consolidated investments	Other non-current financial assets	Total gross value	Allowance	Carrying amount
At December 31, 2014	**98**	**175**	**273**	**(62)**	**211**
Exchange differences	1	5	6	(1)	5
Transfers	(1)				(1)
Changes in scope of consolidation	6	(1)	5	(4)	1
Acquisitions and other additions	18	11	28		29
Disposals	(18)	(15)	(33)		(33)
Net charge for the year					
At December 31, 2015	**104**	**175**	**279**	**(67)**	**212**
Exchange differences	(3)	(11)	(14)	3	(11)
Transfers					
Changes in scope of consolidation	(29)	12	(17)	(2)	(19)
Acquisitions and other additions	15	9	24		24
Reassessment and fair value(1)	65		65		65
Disposals	(66)	(23)	(89)		(89)
Net charge for the year				1	1
AT DECEMBER 31, 2016	86	162	248	(65)	183

(1) Atlandes shares.

Breakdown of main non-consolidated investments

	Gross	Allowance	31/12/2016	31/12/2015
			Net	Net
Asphalt concrete, binder and quarry companies	26	(8)	18	18
Non-controlled companies	9	(3)	6	16
Inactive companies and companies undergoing liquidation	43	(41)	2	2
End of period acquired companies(1)	1		1	5
Other investments(2)	7	(3)	4	4
TOTAL	86	(55)	31	45

(1) These companies are not consolidated because acquired at the end of the year. They will be consolidated the following fiscal year. The company is Jougla et Fils.

(2) None of these investments are significant.

Breakdown of other non-current financial assets

	Gross	Allowance	31/12/2016	31/12/2015
			Net	Net
Loans(1)	86	(8)	78	78
City of Portsmouth (Great Britain)(2)	62		62	74
Other financial receivables	14	(2)	12	15
TOTAL	162	(10)	152	167

(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, determined at the loan date.

(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		Loans and receivables	Total
	Financial assets available for sale	Other non-current financial assets		
December 31, 2015	–	45	167	212
2016 variations	–	(14)	(15)	(29)
DECEMBER 31, 2016	–	31	152	183

3.7 – DEFERRED TAXES AND NON-CURRENT TAX RECEIVABLE

	Deferred taxes	Other long term tax receivable	Total
At December 31, 2014	**156**		**156**
Exchange differences	2		2
Transfers	(20)		(20)
Acquisitions of subsidiaries	(4)		(4)
Net variations	31		31
At December 31, 2015	**165**		**165**
Exchange differences	(1)		(1)
Transfers	10		10
Acquisitions of subsidiaries	(1)		(1)
Net variations	(1)		(1)
AT DECEMBER 31, 2016	172		172

Unrecognized tax assets (which are probably not reversible in the foreseeable future) amounted to 87 million euros on December 31, 2016 (87 million euros on December 31, 2015).

Deferred tax assets are mainly reversible after four years.

Main deferred tax bases

	31/12/2016	31/12/2015
Assets		
Employee benefits	91	86
Tax losses	66	64
Financial instruments	5	7
Liabilities		
Regulatory provisions	(10)	(18)
Fixed assets (finance leases, goodwill allocated to assets)	(46)	(42)
Taxes on dividends	(5)	(4)
Other temporary differences	(1)	(1)
NET DEFERRED TAX ASSETS (LIABILITIES)	100	92

NOTE 4 – CURRENT ASSETS

4.1 – INVENTORIES, TRADE AND OTHER CURRENT RECEIVABLES

	31/12/2016			31/12/2015		
	Gross	Allowance	Net	Gross	Allowance	Net
INVENTORIES	531	(33)	498	550	(39)	511
Raw materials, supplies and finished goods						
TRADE RECEIVABLES	2,735	(135)	2,600	2,500	(140)	2,360
Invoiced and to invoice, warranty retention(1)						
TAX RECEIVABLES	159		159	124		124
Staff, social welfare bodies, State	241		241	216		216
Group receivables and other current receivables	419	(34)	385	316	(30)	286
Prepayments	47		47	41		41
OTHER CURRENT RECEIVABLES	707	(34)	673	573	(30)	543

(1) Maturity of trade receivables is as follows:

	Receivables not matured	Less than 6 months	6 months to 1 year	More than 1 year	Total
Trade receivables (gross)	1,891	545	122	177	2,735
Allowance	(3)	(6)	(5)	(121)	(135)
TRADE RECEIVABLES (NET)	1,888	539	117	56	2,600
Reminder 2015	1,670	555	89	46	2,360

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

	31/12/2016			31/12/2015		
	Gross	Allowance	Net	Gross	Allowance	Net
Cash on hand	337		337	352		352
Marketable securities(1)	422		422	496		496
TOTAL	759		759	848		848
(1) Including Bouygues Relais	342		342	379		379

Bouygues Relais is the main cash consolidation company of Bouygues Group.

Cash investments are made by the Group with French and foreign banks.

They are divided into the following currencies:

	Euro	USD[1]	GBP[1]	Other[1]	Total
Cash-on-hand	93	72	58	114	337
Marketable securities	393	–	–	29	422
TOTAL	**486**	**72**	**58**	**143**	**759**
Reminder December 31, 2015	580	45	74	149	848

(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:

	31/12/2016	31/12/2015
Cash and cash equivalents	759	848
Overdrafts and short-term bank borrowings	(42)	(62)
TOTAL	**717**	**786**

NOTE 5 – INFORMATION ON EQUITY

COMPOSITION OF SHARE CAPITAL

Colas' share capital on December 31, 2016 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).

TREASURY SHARES AT DECEMBER 31, 2016

Colas SA holds 10,057 shares for an amount of 1,348,851.26 euros.

YEAR VARIATIONS

None.

MAIN SHAREHOLDERS

Bouygues SA	31,543,222	96.60%
Other shareholders	1,111,277	3.40%

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, 2016 relate to companies located in the following countries:

	31/12/2015	Variation 2016	31/12/2016
United States	67	14	81
Canada	(10)	22	12
Great Britain	2	(14)	(12)
Slovakia	12		12
Czech Republic	5		5
Australia	(1)	1	
Other countries	8	10	18
TOTAL TRANSLATION RESERVE	**83**	**33**	**116**

NOTE 6 – PROVISIONS

6.1 – NON-CURRENT PROVISIONS

	Employee benefits	Litigation and legal matters	Customer warranties (long-term)	Site reclamation (long-term)	Others	Total
At December 31, 2014	**394**	**208**	**53**	**153**	**29**	**837**
Exchange differences	3	(2)				1
Transfers		1	1	4	(1)	5
Changes in scope of consolidation	(2)			(1)	(1)	(4)
Actuarial gains/losses in equity	(12)					(12)
Allocation for the year	20	43	31	5	8	107
Reversals of utilized provisions	(31)	(13)	(8)	(5)	(2)	(59)
Reversals of unutilized provisions	(3)	(22)	(8)	(3)	(2)	(38)
At December 31, 2015	**369**	**215**	**69**	**153**	**31**	**837**
Exchange differences	(8)	3	1	1	(1)	(4)
Transfers	1	(1)	(2)	(2)	28	24
Changes in scope of consolidation	(1)	(1)	3			1
Actuarial gains/losses in equity	63					63
Allocation for the year	19	62	18	13	10	122
Reversals of utilized provisions	(14)	(16)	(9)	(7)	(31)	(77)
Reversals of unutilized provisions	(6)	(27)	(11)	(3)	(2)	(49)
AT DECEMBER 31, 2016	**423**	**235**	**69**	**155**	**35**	**917**

BREAKDOWN OF MAIN PROVISIONS

	31/12/2016	31/12/2015
Length-of-service awards	101	98
Retirement indemnities	217	204
Pensions	105	67
Employee benefits	**423**	**369**
Litigation with clients	46	55
Litigation with employees	26	19
Litigation with welfare bodies	83	85
Litigation with tax authorities	39	32
Litigation with other bodies	3	2
Other litigations	38	22
Litigation and legal matters	**235**	**215**
Decennial warranties	50	49
Civil engineering warranties	16	17
Performance warranties	3	3
Warranties	**69**	**69**

6.2 – CURRENT PROVISIONS

	Losses on completion	Works risks and costs of closing down sites	Customer warranties (short-term)	Site reclamation (short-term)	Other	Total
At December 31, 2014	**72**	**84**	**55**	**8**	**82**	**301**
Exchange differences	1	(1)			3	3
Transfers	(1)	1	(2)	1		(1)
Changes in scope of consolidation		(2)	(2)		(2)	(6)
Allocation for the year	62	52	27	2	66	209
Reversals of utilized provisions	(25)	(16)	(9)	(2)	(45)	(97)
Reversals of unutilized provisions	(21)	(19)	(17)	(1)	(3)	(61)
At December 31, 2015	**88**	**99**	**52**	**8**	**101**	**348**
Exchange differences		1	(1)		1	1
Transfers			2	6	(30)	(22)
Changes in scope of consolidation			(2)			(2)
Allocation for the year	64	41	16	2	38	161
Reversals of utilized provisions	(34)	(20)	(9)	(2)	(19)	(84)
Reversals of unutilized provisions	(29)	(33)	(11)	(1)	(4)	(78)
AT DECEMBER 31, 2016	**89**	**88**	**47**	**13**	**87**	**324**

NOTE 7 – DEFERRED TAX LIABILITIES

	31/12/2016	31/12/2015
Deferred tax liabilities	71	73
Other long term tax liabilities		
TOTAL NON-CURRENT TAXES	**71**	**73**

Deferred tax liabilities are essentially coming from temporary tax differences (allocations of goodwill, differences between accounting and fiscal depreciations...).

NOTE 8 – CURRENT AND NON-CURRENT FINANCIAL DEBTS

BANK LOANS AND BORROWING MATURITIES

	Maturity Less than 1 year 2017	Maturity over 1 year: From 1 to 2 years 2018	From 2 to 3 years 2019	From 3 to 4 years 2020	From 4 to 5 years 2021	More than 5 years 2022 and beyond	Total 2016	Total 2015
Bank loans (medium/long-term)		22	16	13	11	54	116	166
Finance leases		3	2	1	1	1	8	9
Other financial debts (long-term)		1					1	1
Sub-total	**73**	**26**	**18**	**14**	**12**	**55**	**125**	**176**
Overdrafts and short-term bank borrowings	42							
AT DECEMBER 31, 2016	**115**	**26**	**18**	**14**	**12**	**55**	**125**	
Reminder At December 31, 2015	106	57	23	17	14	65		176
Portion of long-term debt at less than one year							73	44

CONFIRMED/DRAWN CREDIT LINES

	Confirmed credit lines – Maturity: Less than 1 year	1 to 5 years	Beyond	Total	Drawn credit lines – Maturity: Less than 1 year	1 to 5 years	Beyond	Total
Credit lines	998	726	55	1,779	73	70	55	198

CASH POSITION AT DECEMBER 31, 2016

At December 31, 2016, net cash totaled 717 million euros, in addition to 656 million euros of confirmed bank credit lines for over one year, undrawn to date (versus 1,490 million euros at December 31, 2015).

In January 2017, the Group renewed 490 million euros of medium-term lines at five years.

Confirmed bank credit contracted by companies of the Group Colas do not include significant financial clauses likely to lead their due date and/or their prepayment.

BREAKDOWN OF FINANCIAL DEBT BY TYPE OF INTEREST RATE

The part of fixed rate debt of current and non-current financial debt after accounting for backed interest rate hedging instruments that have not yet reached maturity as of the balance sheet date, and excluding bank overdrafts is 39% (59% in 2015).

INTEREST RATES RISKS

At December 31, 2016, a breakdown of financial assets and liabilities by nature of interest rate shows the following:

	Floating rates	Fixed rates	Total
Cash and cash equivalents	759	–	759
Borrowings[(1)(2)]	(189)	(11)	(200)
Bank overdrafts	(42)	–	(42)
Net position before cash management	**528**	**(11)**	**517**
Interest rates hedging[(2)]	67	(67)	–
Net position after cash management	**595**	**(78)**	**517**
Seasonality adjustment[(3)]	(499)	–	(499)
POSITION AFTER CASH MANAGEMENT AND SEASONALITY ADJUSTMENT	**96**	**(78)**	**18**

(1) Including (2) million euros for fair value of interest swap, disclosed on line "income (expenses) recognized directly in equity" in consolidated statement of changes in equity.

(2) Fixed-rate liabilities under one year and interest rates swap under one year are considered as variable-rate debt.

(3) Activity and activity related cash are subject to strong seasonal variations. This adjustment makes it possible to estimate average cash on the year which serves as a basis for the calculation of sensitivity of the financial costs to changes in interest rates. It corresponds to the difference between the average financial cash of the year (calculated on the basis of the average of the monthly average financial cash position) and the accounting net position at end of December, excluding debt at fixed rates and portfolio of interest rate swaps.

Consequently, an immediate increase of 1% in interest rates on the short-term net position above would result in an increase in the cost of the net financial debt of 1 million euros.

BREAKDOWN OF FINANCIAL DEBT BY TYPE OF CURRENCY

	Euro	USD[(1)]	GBP[(1)]	Other[(1)]	Total
Financial debt at December 31, 2016					
Non-current	55		55	15	125
Current	53		7	55	115
Financial debt at December 31, 2015					
Non-current	89		70	17	176
Current	37	7	8	54	106

(1) Equivalent in euros.

NOTE 9 – CHANGES IN NET FINANCIAL POSITION

BREAKDOWN

	31/12/2015	Cash flows	Scope	Currency translation adjustment	Fair values	Other impacts	31/12/2016
Cash and cash equivalents	848	(65)	(9)	(9)		(6)	759
Overdraft and short-term bank borrowings	(62)	8	9	(3)		6	(42)
Net cash	**786**	**(57)**		**(12)**			**717**
Non-current financial liabilities	176	(2)		(10)		(39)	125
Financial liabilities (party less than a year)	44	(16)		(1)		46	73
Net financial instrument	6					(4)	2
Gross debt	**226**	**(18)**		**(11)**		**3**	**200**
NET FINANCIAL SURPLUS (NET DEBT)	560	(39)		(1)		(3)	517(1)

(1) An interim dividend of 178 million euros was paid out in December 2016. If the interim dividend is neutralized, the net financial surplus amounts to 695 million euros.

CHANGES IN NET FINANCIAL POSITION

	31/12/2016	31/12/2015
Net debt at the beginning of the year	**560**	**682**
Cash flows from operating activities	617	694
Cash flows from investing activities	(286)	(304)
Cash flows from financing activities	(13)	(18)
Dividends paid	(358)	(504)
Other (exchange differences, change in scope of consolidation, and other)	(3)	10
NET CASH (NET DEBT) AT THE END OF THE YEAR	517	560

NOTE 10 – OTHER CURRENT LIABILITIES

	31/12/2016	31/12/2015
Staff, social welfare, States	881	841
Deferred incomes	94	88
Other non-financial debts	863	743
TOTAL OTHER DEBTS	1,838	1,672

NOTE 11 – INCOME FROM ORDINARY ACTIVITIES

BREAKDOWN BY NATURE OF INCOME

	2016	2015
Sales of products	1,741	2,127
Rendering of services	387	404
Construction contracts	8,878	9,429
Other income from ordinary activities	–	–
TOTAL REVENUE	11,006	11,960

INFORMATION REGARDING CONSTRUCTION CONTRACTS

	2016	2015
Works to be invoiced	447	412
Retentions for warranties	92	100
Works invoiced in advance	(346)	(326)
Payments received in advance	(89)	(60)

NOTE 12 – OTHER OPERATING INCOME AND EXPENSES

DETAIL OF OTHER OPERATING INCOME AND EXPENSES

	2016	2015
Profits allocated or losses transferred regarding unconsolidated joint ventures	49	51
Proceeds from disposal of non-current assets	133	145
Reversal of unused provisions and depreciations	139	106
Other current income(1)	436	356
OTHER INCOME FROM OPERATIONS	757	658
Losses allocated or profits transferred regarding unconsolidated joint ventures	(38)	(38)
Net book value of non-current assets disposed	(86)	(55)
Other current expenses	(105)	(88)
OTHER EXPENSES ON OPERATIONS	(229)	(181)

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

BREAKDOWN OF OTHER NON-CURRENT INCOME AND EXPENSES

	2016	2015
Other non-current income(1)	–	–
OTHER NON-CURRENT INCOME	–	–
Other non-current expenses(1)	(62)	(95)
OTHER NON-CURRENT EXPENSES	(62)	(95)

(1) 2015/2016: Expenses mainly related to the restructuring operations of refined products activity (SRD).

NOTE 13 – COST OF NET DEBT, OTHER FINANCIAL INCOME AND EXPENSES

COST OF NET DEBT

	2016	2015
Interest income from cash	16	16
Income from short-term deposits		1
Interest income	**16**	**17**
Interest expense on cash	(11)	(14)
Interest on finance leases		
Interest on financial debt	(18)	(22)
Interest expense	**(29)**	**(36)**
COST OF NET DEBT	(13)	(19)

OTHER FINANCIAL INCOME AND EXPENSES

	2016	2015
Dividends received from unconsolidated investments	2	2
Release of financial provisions	4	9
Proceeds from disposal of financial assets	90	2
Other income	1	
Other financial income	**97**	**13**
Net charge on financial provisions	(5)	(6)
Net book value of financial assets disposed	(15)	(4)
Other expenses	(3)	(5)
Other financial expenses	**(23)**	**(15)**
OTHER FINANCIAL INCOME AND EXPENSES	74	(2)

NOTE 14 – INCOME TAX EXPENSES

BREAKDOWN

	2016	2015
Current income tax	(103)	(94)
Deferred income tax	4	33
Tax adjustments or exemptions		1
Withholding taxes on dividends	(5)	(4)
Tax expense	**(104)**	**(64)**
Tax provisions allocations/reversals	(4)	(4)
INCOME TAX EXPENSES	**(108)**	**(68)**

RECONCILIATION BETWEEN THEORETICAL TAX AND ACTUAL TAX EXPENSE

Differences between theoretical tax expenses, determined at the rate applicable to Colas SA, the Group's parent company, i.e., 34.43%, and effective income tax are as follows:

	2016	2015
Theoretical income tax	(133)	(79)
Impact of different tax rates of subsidiaries operating in other jurisdictions	27	24
Recognition of deferred tax assets not previously recognized	–	3
Unrecognized deferred tax assets(1)	(14)	(16)
Income taxes which are not linked to income	(9)	(7)
Effect of tax credits (French CICE and CIR)	19	20
Effect of permanent differences(2)	2	(13)
INCOME TAX REPORTED IN INCOME STATEMENT	**(108)**	**(68)**

(1) Not reversible in a foreseeable future.
(2) Including impact of the comprehensive liability method in France: (12).

NOTE 15 – BASIC EARNINGS AND DIVIDENDS PER SHARE FROM CONTINUING OPERATIONS

Basic earnings per share before dilution is obtained by dividing the consolidated net profit (loss) attributable to the Group by the number of shares outstanding at December 31, excluding treasury shares.

	2016	2015
Consolidated net profit/(loss) (attributable to the Group) (in euros)	354,746,000	233,748,000
Number of issued shares	32,644,442	32,646,519
BASIC EARNINGS PER SHARE (in euros)	**10.87**	**7.16**

Diluted earnings per share is determined by dividing consolidated net profit (loss) attributable to the Group by the total number of shares outstanding at December 31, plus the number of outstanding stock options.

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

DILUTED EARNINGS PER SHARE (in euros)	**10.87**	**7.16**

	2016	2015
Dividend per share (in euros)		
Interim dividend	5.45	–
Dividend balance	2.75	5.45
TOTAL NET OVERALL DIVIDEND	**8.20**	**5.45**

	2016	2015
Dividend amount (in millions of euros)		
Interim dividend	178	–
Dividend balance	90	178
TOTAL NET DIVIDEND	**268**	**178**

Colas paid the dividend for the year 2015 in April 2016. An interim dividend 2016 was paid in December 2016.

The overall dividend which will be distributed for the year 2016 will be submitted to the approval of the General Meeting of Shareholders on April 11, 2017.

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 Mainland France** includes the road activities in mainland France;
- **Roads Europe** includes road activities in Europe (excluding France);
- **Roads North America** includes road activities in the United States and Canada:
- **Roads Rest of the world** includes road activities in Africa, North Africa, Indian Ocean, French Overseas Departments and Territories, Asia/Australia and Middle East;
- **Specialized Activities** include specialized activities for France and elsewhere around the world: Waterproofing, Railways, Safety and Signaling, Networks, the Sales of refined oil products other than bitumen (base oils, paraffin and fuels). The latter was halted at the end of 2015;
- **Holding company** includes the Head Office of Colas.

RECONCILIATION

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

INFORMATION REGARDING MAIN CLIENTS

	Roads	Specialized Activities	Total
States, public companies and local authorities	62%	49%	60%
Private companies and individuals	38%	51%	40%

No client individually exceeds 10% of revenue.

BUSINESS SEGMENT INFORMATION

	Roads Mainland France	Roads Europe	Roads North America	Roads Rest of the world	Specialized Activities	Holding company	Consolidated
Year 2015 (reminder)							
Works	3,548	1,413	2,040	926	1,893	13	9,833
Sales of products	434	261	626	469	334	3	2,127
Income from ordinary activities	**3,982**	**1,674**	**2,666**	**1,395**	**2,227**	**16**	**11,960**
Income before depreciation	218	109	242	121	42	32	764
Depreciation	(136)	(46)	(109)	(56)	(59)	(14)	(420)
Current operating profit	**82**	**63**	**133**	**65**	**(17)**	**18**	**344**
Other operating income and expenses	(7)				(88)		(95)
Operating profit	**75**	**63**	**133**	**65**	**(105)**	**18**	**249**
Cost of net debt		1	(5)	(6)	(6)	(3)	(19)
Other financial income and expenses						(2)	(2)
Income tax expenses	(23)	(13)	(46)	(13)	33	(6)	(68)
Joint ventures and associates	5	5	1	49	(1)	19	78
CONSOLIDATED NET PROFIT/(LOSS)	57	56	83	95	(79)	26	238
Year 2016							
Works	3,568	1,138	1,902	844	1,795	18	9,265
Sales of products	422	236	572	289	221	1	1,741
Income from ordinary activities	**3,990**	**1,374**	**2,474**	**1,133**	**2,016**	**19**	**11,006**
Income before depreciation	215	116	227	106	98	23	785
Depreciation	(121)	(41)	(110)	(56)	(55)	(16)	(399)
Current operating profit	**94**	**75**	**117**	**50**	**43**	**7**	**386**
Other operating income and expenses	(4)		(7)		(51)		(62)
Operating profit	**90**	**75**	**110**	**50**	**(8)**	**7**	**324**
Cost of net debt	1	1	(3)	(4)	(6)	(2)	(13)
Other financial income and expenses		(2)			(3)	79	74
Income tax expenses	(29)	(13)	(38)	(12)	(2)	(14)	(108)
Joint ventures and associates	4	8	5	72	(7)		82
CONSOLIDATED NET PROFIT/(LOSS)	66	69	74	106	(26)	70	359

ASSETS, LIABILITIES BY BUSINESS SEGMENTS

	Roads Mainland France	Roads Europe	Roads North America	Roads Rest of the world	Specialized Activities	Holding company	Consolidated
At December 31, 2015 (reminder)							
Segment assets	2,141	981	1,320	1,266	1,559	806	8,073
Segment liabilities	1,624	659	549	762	1,149	606	5,349
Current investments[1]	(81)	(36)	(91)	(50)	(61)	(12)	(331)
At December 31, 2016							
Segment assets	2,355	1,003	1,384	1,290	1,700	690	8,422
Segment liabilities	1,785	664	555	771	1,341	593	5,709
Current investments[1]	(62)	(48)	(118)	(49)	(73)	(16)	(366)

(1) Net investments in tangible and intangible assets.

REVENUE BY GEOGRAPHICAL SEGMENTS

	France	Europe (excl. France)	North America	Rest of the world	Consolidated
Year 2015 (reminder)					
Roads	4,483	1,678	2,666	890	9,717
Specialized Activities	1,549	500	3	175	2,227
Holding	12			4	16
TOTAL	6,044	2,178	2,669	1,069	11,960
Year 2016					
Roads	4,398	1,394	2,474	705	8,971
Specialized Activities	1,364	398	4	250	2,016
Holding	17			2	19
TOTAL	5,779	1,792	2,478	957	11,006

The Group operates in the United Kingdom, where it mainly does local business, and is therefore not significantly exposed to the uncertainties of imports and exports. Revenue in the United Kingdom in 2016 amounted to 636 million euros, compared to 788 million euros in 2015. Out of this 152-million-euro decrease, an amount of 81 million euros was due to the decline in the pound sterling following the United Kingdom's decision to withdraw from the European Union. The average exchange rate was down by 11% (0.7258 GBP per euro in 2015, against 0.819 in 2016).

ASSETS AND LIABILITIES BY GEOGRAPHICAL SEGMENT

	France	Europe (excl. France)	North America	Rest of the world	Consolidated
At December 31, 2015 (reminder)					
Non-current assets	1,877	573	795	424	3,669
Current assets	2,578	683	525	618	4,404
Total assets	**4,455**	**1,256**	**1,320**	**1,042**	**8,073**
Non-current liabilities	699	218	127	42	1,086
Current liabilities	2,597	621	422	623	4,263
Total liabilities	**3,296**	**839**	**549**	**665**	**5,349**
NET ASSETS	1,159	417	771	377	2,724
At December 31, 2016					
Non-current assets	1,850	559	838	469	3,716
Current assets	2,756	731	546	673	4,706
Total assets	**4,606**	**1,290**	**1,384**	**1,142**	**8,422**
Non-current liabilities	682	243	143	45	1,113
Current liabilities	2,839	649	412	696	4,596
Total liabilities	**3,521**	**892**	**555**	**741**	**5,709**
NET ASSETS	1,085	398	829	401	2,713

NOTE 17 – FINANCIAL INSTRUMENTS

We disclose, hereafter, the total of all notional amounts outstanding at December 31, 2016 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
	Less than 1 year	1 to 5 years	More than 5 years	31/12/2016	31/12/2015
On financial assets	–	–	–	–	–
On financial liabilities	33	3	71	107	308

To ensure that the City of Portsmouth, Great Britain, is able to pay a fixed monthly fee for the duration of the twenty-five years of the road rehabilitation and maintenance contract, an interest rate swap, maturing January 2028, has been set up.

This swap is a floating rate receiver, fixed rate payer. Its par value is perfectly in line with the draw down and repayment schedule of the non-recourse loan, in order to back the debt fixed cost onto the monthly fee received. At December 31, 2016 the notional of that swap amounted to 57 million euros (49 million GBP).

HEDGING FOR EXCHANGE RISKS

	USD(1)	GBP(1)	CZK(1)	Others(1)	31/12/2016	31/12/2015
Forward purchases	100	8	23	45	176	199
Forward sales	106	6	–	11	123	68

(1) Equivalent in euros.

HEDGING FOR COMMODITIES RISKS

	31/12/2016	31/12/2015
Forward purchases	1	–
Forward sales	3	1

FAIR VALUE OF HEDGING FINANCIAL INSTRUMENTS

At December 31, 2016, the net present market value of hedging financial instruments amounted to (17) million euros, including accrued interests not yet due. 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: 0 million euros;
- transactions regarding cash flow hedge: (17) million euros;
- trading transactions: 0 million euros.

All portfolio transactions are carried out for purposes of hedging.

The impact of the market value of the interest rate swap set up for the contract with the City of Portsmouth (Great Britain), i.e. (16) million euros, including accrued interests not yet due is fully offset by the market value of the embedded derivative instrument regarding the fixed fee paid by the client, i.e., 16 million euros.

The total of valuation of financial instruments after deduction of embedded derivative financial instrument to fixed contractual fee paid by the City of Portsmouth is (1) million euros, including accrued interests not yet due.

In case of + 1% transfer in interest rate yield curve (and respectively –1%), the market value of hedging financial instruments would change from (17) to (13) million euros (respectively (22) million euros), including accrued interests not yet due.

In the event of an average unfavorable change of 1% against all other currencies, the market value of hedging financial instruments would remain at (17) million euros, including accrued interests not yet due.

In the event of an average unfavorable change of 1% in commodities prices, the market value of hedging financial instruments would remain at (17) million euros, including accrued interests not yet due.

NOTE 18 – OFF-BALANCE SHEET COMMITMENTS AND FINANCE LEASE DISCLOSURES

WARRANTY COMMITMENTS

Maturity	Less than 1 year	From 1 to 5 years	More than 5 years	Total 31/12/2016	Total 31/12/2015
Commitments given					
Endorsements and warranties	24	16	6	46	74
Commitments received					
Contractual commitments	–	–	–	–	–
Assets given as securities					
Mortgages and securities	39	17	13	69	74

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 31/12/2016	Total 31/12/2015
Commitments given/received	33	77	99	209	176

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

OTHER COMMITMENTS GIVEN

In 2016, 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, Road Binders Ltd, Chemoran Ltd, Atlantic Bitumen Company Ltd, and Georgevale Ltd.

DISCLOSURE ON FINANCE LEASES IN BALANCE SHEET

Maturity	Less than 1 year	From 1 to 5 years	More than 5 years	Total
Future minimum lease payments	7	7	1	15
Finance charges	(1)	–	–	(1)
PRESENT VALUE OF MINIMUM LEASE PAYMENTS	6	7	1	14
Reminder at December 31, 2015	6	8	1	15

NOTE 19 – AVERAGE WORKFORCE, COMMITMENTS TO STAFF

AVERAGE WORKFORCE

The average workforce totalled 58,803 for the year 2016, against 60,772 in 2015.

EMPLOYEE BENEFITS: DEFINED CONTRIBUTION PLANS

	2016	2015
Amounts recognized as expense	819	846

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

EMPLOYEE BENEFITS: DEFINED BENEFIT PLANS

	Retirement indemnities		Pensions[1]	
	2016	2015	2016	2015
Current service costs	(2)	(7)	(5)	(13)
Interest costs	4	4	5	5
Expected return on plan assets			(5)	(4)
NET EXPENSES	2	(3)	(5)	(12)
Present value of obligations	217	204	478	412
Fair value of plan assets			(373)	(345)
NET RECOGNIZED LIABILITIES	217	204	105	67

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

VARIATIONS OF BALANCE SHEET NET LIABILITIES

	Retirement indemnities		Pensions	
	2016	2015	2016	2015
At January 1	204	211	67	87
Exchange differences			(8)	2
Transfers		(1)		
Acquisitions of subsidiaries		(1)	(1)	(1)
Actuarial gains/losses in equity	11	(2)	52	(9)
Net expenses	2	(3)	(5)	(12)
AT DECEMBER 31	217	204	105	67

MAIN ACTUARIAL ASSUMPTIONS FOR DETERMINATION OF RETIREMENT INDEMNITIES AND LENGTH OF SERVICE AWARDS

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

	2016	2015
Discount rates IBoxx € Corporate A10[1]	1.7136%	2.09%
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	2.00%	2.00%

(1) A drop of 0.7% of the discount rate would lead to an increase in commitments of 24 million euros.
According to Group accounting principles, such an actuarial gain/loss would be recognized as other income and expenses.

EQUITY COMPENSATION BENEFITS

In 2016, options giving subscription rights for new Bouygues shares have been granted by Bouygues SA to certain Colas and Group subsidiary employees. The amount of these benefits is not significant.

NOTE 20 – RELATED PARTY DISCLOSURES

RELATED PARTIES IDENTITY

- Parties with ownership interest: Bouygues and its subsidiaries and associates companies.
- Joint-ventures and joint activities: Carrières Roy and certain non-significant joint-ventures.
- Associates: Tipco Asphalt, Mak and some non-significant associates.
- Other related parties: Colas Foundation, and other non-consolidated companies.

DETAILS OF RELATED PARTY DISCLOSURES

	Expenses		Income		Receivables		Payables	
	2016	2015	2016	2015	2016	2015	2016	2015
Parties with ownership interest	58	65	160	197	381	457	17	15
Joint ventures and joint activities	67	63	174	184	58	54	57	63
Associates	2	1	12	10	4	4	8	7
Other related parties	47	41	108	162	16	14	7	9
TOTAL	174	170	454	553	459	529	89	94
Maturity under 1 year							87	92
Maturity between 1 and 5 years							2	2
Maturity above 5 years							–	–

COMPENSATION OF SENIOR EXECUTIVES OF THE GROUP

Senior executives are members of the Executive Committee at December 31.

In 2016, like in 2015, it comprises six members: the Chairman and Chief Executive Officer and five salaried members.

Direct compensation

The amount of direct remuneration paid to the Management Committee in 2016, amounted to 6.3 million euros (6.8 million euros in 2015).

Post-employment benefits

Chairman and Chief Executive Officer: a supplementary pension plan amounting to 0.92% of reference salary for each year of service with a ceiling that is eight times that of French Social Security. The supplementary pension scheme has been externalized to an insurance company.

Other senior executives: company's contribution regarding defined pension contribution plan (4% of employees' global wages).

Equity compensation benefits

The amount of the benefit linked to the attribution of Bouygues shares in 2016 is not material.

Directors' fees

Directors' fees allocated to Directors in 2016 amounted to 179,200 euros.

NOTE 21 – ADDITIONAL INFORMATION ABOUT CASH FLOW STATEMENT

PRESENTATION OF THE NET CASH FLOWS RESULTING FROM ACQUISITIONS AND OUTPUT OF SUBSIDIARIES

	31/12/2016	31/12/2015
Non-current assets	(20)	7
Current assets	(5)	(8)
Non-current liabilities	(1)	(3)
Current liabilities	11	(6)
Cash	150	20
NET ACQUISITION OR DIVESTMENT COST	135	10
Other effects of changes in scope of consolidation (cash of acquired and divested companies)		7
Net debt on financial fixed assets	(68)	5
CASH NET RESULTING FROM THE ACQUISITION OR THE DISPOSAL OF SUBSIDIARIES	67	22

NOTE 22 – AUDITORS' FEES

We disclose hereunder the fees charged by the Statutory Auditors and members of their network who carry out the legal audit of the Colas Group's consolidated accounts (subsidiaries subject to full integration).

	Mazars		KPMG	
	2016	2015	2016	2015
Statutory Auditors				
– Colas	0.2	0.2	0.2	0.2
– Subsidiaries	2.4	2.7	3.6	3.9
– Secondary assignments				
Sub-total	**2.6**	**2.9**	**3.8**	**4.1**
Other assignments: law, tax, welfare	0.1	0.1	0.1	0.4
TOTAL	2.7	3.0	3.9	4.5

NOTE 23 – LIST OF MAIN CONSOLIDATED COMPANIES

The following companies are fully consolidated except in case of specific disclosure (EM: Equity method).

Companies	Head office	% of stake	
		2016	2015
France			
Mainland France			
Colas Centre-Ouest	Nantes – France	99.9	99.9
Colas Île-de-France-Normandie	Magny-les-Hameaux – France	99.9	99.9
Colas Nord-Picardie	Villeneuve-d'Ascq – France	99.9	99.9
Colas Nord-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
Smac	Boulogne-Billancourt – France	99.9	99.9
Colas Rail	Maisons-Laffitte – France	99.9	99.9
Société de la Raffinerie de Dunkerque	Dunkerque – France	100.0	100.0
SPEIG	Vélizy-Villacoublay – France	50.1	50.1
French Overseas Departments			
GTOI	Le Port – Reunion Island	99.9	99.9
SCPR	Le Port – Reunion Island	100.0	100.0
Colas Mayotte	Mamoudzou – Mayotte	100.0	100.0
Colas Martinique	Le Lamentin – Martinique	99.9	99.9
Sogetra	Les Abymes – Guadeloupe	99.9	99.9
Ribal Travaux Publics	Cayenne – French Guiana	99.9	99.9
French Overseas Territories			
Société Colas de Nouvelle-Calédonie	Noumea – New Caledonia	99.7	99.7
Europe (excluding France)			
Colas Belgium	Brussels – Belgium	99.9	99.9
Colas Danmark A/S	Glostrup – Denmark	100.0	100.0
Colas Ltd	Rowfant Crawley – 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
ISK	Kosice – Slovakia	100.0	100.0
Cesty Nitra	Nitra – Slovakia	100.0	100.0
Colas Teoranta	Maynooth – Ireland	100.0	100.0
Colas Suisse Holding SA	Lausanne – Switzerland	99.2	99.2
North America			
ColasCanada Inc.	Montreal, Quebec – Canada	100.0	100.0
Colas Inc.	Morristown, New Jersey – United States	100.0	100.0
Africa – Indian Ocean			
Colas Gabon	Libreville – Gabon	89.9	89.9
Colas Madagascar	Antananarivo – Madagascar	100.0	100.0
Colas Afrique	Cotonou – Benin	100.0	100.0
Transinvest Construction Ltd	Petite Rivière – Mauritius	100.0	100.0
Gamma Materials (EM)	Beau Bassin – Mauritius	49.9	49.9
Colas du Maroc	Casablanca – Morocco	100.0	100.0
Grands Travaux Routiers	Rabat – Morocco	67.9	67.9
Colas South Africa	Cape Town – South Africa	100.0	100.0
Asia			
Asphalt Bangun Sarana	Jakarta – Indonesia	–	100.0
Highway Resources Ltd	Singapore – Singapore	–	100.0
Tipco Asphalt (EM)	Bangkok – Thailand	31.6	31.8
Hincol (EM)	Mumbai – India	30.0	30.0
Colas Australia	Sydney – Australia	100.0	100.0

To request a comprehensive list of scope,
please email olivier.grevoz@colas.com.

NOTE 24 – MAIN EXCHANGE RATES USED FOR TRANSLATION

Convention: 1 euro = x local monetary units

Country	Currency	Rate 31/12/2016	Average rate 2016	Rate 31/12/2015	Average rate 2015
Europe					
Croatia	Croatian kuna	7.5597	7.5339	7.638	7.6137
Denmark	Danish kroner	7.4344	7.4452	7.4626	7.4587
Great Britain	British pound	0.8562	0.819	0.734	0.7258
Hungary	Forint	309.8300	311.4499	315.9800	309.9956
Poland	Zloty	4.4103	4.3639	4.2639	4.1841
Czech Republic	Czech Republic koruny	27.0210	27.0344	27.023	27.2792
Switzerland	Swiss franc	1.0739	1.0902	1.0835	1.0679
North America					
United States	US dollar	1.0541	1.1066	1.0887	1.1095
Canada	Canadian dollar	1.4188	1.4659	1.5116	1.4186
Other					
Australia	Australian dollar	1.4596	1.4883	1.4897	1.4777
Morocco	Dirham	10.6566	10.8504	10.7771	10.8253
Thailand	Baht	37.7260	39.0413	39.248	38.0278

Statutory Auditors' report
on the consolidated financial statements

FISCAL YEAR ENDED DECEMBER 31, 2016

This is a free translation into English of the Statutory Auditors' report on the consolidated financial statements issued in French and is provided solely for the convenience of English-speaking readers.

This report on the consolidated financial statements should be read in conjunction with, and construed in accordance with, French law and professional standards applicable in France.

To the Shareholders,

In accordance with the assignment entrusted to us by your Shareholders' Meeting, we hereby present to you our report for the fiscal year ended December 31, 2016 on:

- the audit of the accompanying consolidated financial statements of Colas SA;
- the justification of our assessments;
- the specific verification required by law.

The consolidated 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 CONSOLIDATED FINANCIAL STATEMENTS

We conducted our audit in accordance with professional standards applicable in France. These standards require that we plan and perform the audit so as to obtain reasonable assurance that the consolidated financial statements are free from material misstatement. An audit consists in examining, by sampling or other selection methods, evidence supporting the amounts and disclosures in the consolidated financial statements. It also involves assessing the accounting principles and policies used, significant estimates made, and the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements for the fiscal year give a true and fair view of the financial position, assets and liabilities, and results of the Group constituted by the persons and entities included in the consolidation, in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

2. JUSTIFICATION OF OUR ASSESSMENTS

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

- Colas recognizes the profit or loss of its construction business on the basis described under the heading "Income from ordinary activities" in note 2.13 "Income statement" to the consolidated financial statements. Based on the information provided to us, we have assessed the assumptions used by the Company in estimating the final profit or loss on project completion and have reviewed the data;
- Colas performs impairment tests at least once per year on goodwill as well as assets with indefinite useful economic lives and also assesses whether there is any indication that non-current assets may be impaired, in accordance with the methodology described under "Non-current assets – Monitoring the value of fixed assets" in note 2.7 "Non-current assets" and in note 3.3 "Goodwill and other intangible assets" to the consolidated financial statements. We have examined how these impairment tests are performed and the assumptions used. We have also verified that the above-mentioned notes provide the appropriate disclosures.

These assessments were made as part of our audit of the consolidated financial statements taken as a whole, and therefore contributed to the opinion we formed which is expressed in the first part of this report.

3. SPECIFIC VERIFICATION

As required by law we have also verified in accordance with professional standards applicable in France the information relating to the Group presented in the management report.

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

Paris-la Défense and Courbevoie, February 23, 2017

The Statutory Auditors

KPMG Audit IS	MAZARS	
François Plat	Guillaume Potel	Daniel Escudeiro
Partner	*Partner*	*Partner*

Colas financial statements

AT DECEMBER 31, 2016

Balance sheet at December 31

in millions of euros	Notes	2016	2015
Intangible assets		18.3	18.8
Property, plant and equipment		176.3	182.2
Holdings in subsidiaries and affiliates		1,321.4	1,342.2
Loans and advances to subsidiaries and affiliates		231.9	253.2
Other non-current financial assets		3.0	2.8
Non-current assets	3	**1,750.9**	**1,799.2**
Inventories		1.1	15.8
Trade receivables		73.4	65.1
Group and associates		334.0	125.3
Other current receivables and prepayments		54.3	58.0
Cash and cash equivalents		307.5	389.4
Current assets	4	**770.3**	**653.6**
TOTAL ASSETS		2,521.2	2,452.8
Share capital		49.0	49.0
Share premium and reserves		1,162.3	1,235.2
Net profit/(loss)		249.6	105.0
Tax-driven provisions		10.7	10.2
Equity	5	**1,471.6**	**1,399.4**
Provisions for contingencies and losses	6	**94.8**	**85.7**
Financial debt		–	–
Advance payments		–	–
Trade payables		67.1	48.9
Group and associates		793.0	775.3
Other non-financial debt, accruals and deferred income	7	74.6	126.6
Bank overdrafts and short-term loans		20.1	13.4
Liabilities	8	**954.8**	**967.7**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		2,521.2	2,452.8

Income statement

in millions of euros	Notes	2016	2015
Revenue	9	**267.1**	**406.1**
Raw materials and consumables used		(54.0)	(181.5)
External charges		(146.4)	(170.3)
Personnel costs		(72.4)	(65.8)
Taxes other than income tax		(7.8)	(7.3)
Depreciation, amortization and depletion		(12.4)	(11.9)
Net provision allocations		(2.4)	5.5
Other operating income		56.7	29.1
Other operating expenses		(0.8)	(0.3)
Share of profits from joint ventures		(1.0)	(1.3)
Operating profit		**26.6**	**2.3**
Financial income		216.1	175.6
Financial expenses		(17.2)	(33.0)
Interest income (expenses)	10	**198.9**	**142.6**
Profit from operations		**225.5**	**144.9**
Exceptional income		78.4	38.6
Exceptional expenses		(47.6)	(111.0)
Exceptional income (expenses)	11	**30.8**	**(72.4)**
Employee profit sharing scheme		(1.1)	(0.2)
Income taxes	12	(5.6)	32.7
NET PROFIT/(LOSS) FOR THE YEAR		249.6	105.0

Notes to the financial statements of Colas

Contents

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

NOTE 1 – INFORMATION ABOUT THE COMPANY

INFORMATION ABOUT THE COMPANY AND SIGNIFICANT FACTS OF THE YEAR

The financial statements of Colas for the year ended December 31, 2016 were approved by the Board of Directors and authorized for issue on February 21, 2017.

Colas is a French public *société anonyme* company incorporated in France.

Its main activities are described in note 10.

INFORMATION ON THE USE OF THE FRENCH COMPETITIVENESS AND EMPLOYMENT TAX CREDIT (CICE)

During the fiscal year 2016, Colas recorded a Competitiveness and Employment Tax credit of 145,000 euros as a reduction in social security contributions.

The CICE tax credit enabled Colas to spend on projects designed to enhance competitiveness and to maintain a strong financial structure.

In particular, the following efforts were made during the year:

– the Company has made tangible and intangible assets in the amount of 15.2 million euros;

– the Company has made efforts to train beyond the statutory minimum;

– in addition, 32 people were recruited during the year for a total annual salary cost of 2.7 million euros.

SIGNIFICANT EVENTS OF THE YEAR 2016

Société de la Raffinerie de Dunkerque (SRD)

Since Colas SA decided to completely stop its production and sales of refined products, which had already been in deficit for several years, total losses and expenses related to the discontinuation of this activity amounted to 8.4 million euros in 2016 and have been recognized in exceptional income.

Distribution of an interim dividend

Colas SA paid an interim dividend in December 2016 for 178 million euros.

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

In 2016, the company applied ANC 2015-06 for the first time, modifying in particular the treatment of melt-offs.

This application had no impact on the presentation of the Company's financial statements for the year ended December 2016.

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 CURRENT 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 taxes 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:

	2016	2015
Discount rate (IBoxx € corporate)	1.7136%	2.09%
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	2%	2%

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 of 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 taxes 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 taxes 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

Colas is included in the consolidation scope of the Bouygues SA group:

- Siret no. 572 015 246 000216;
- head office address: 32, avenue Hoche – 75008 Paris, France.

NOTE 3 – NON-CURRENT ASSETS

	January 1, 2016	Acquisitions and increases	Disposals and reductions	Charges and reversals	December 31, 2016
Intangible assets					
Gross	29.6	0.8			30.4
Amortization and impairment	(10.8)	(1.3)			(12.1)
Net	**18.8**	**(0.5)**			**18.3**
Tangible assets					
Gross	298.9	7.4	(4.0)		302.3
Depreciation and impairment	(116.7)	(11.4)	2.1		(126.0)
Net	**182.2**	**(4.0)**	**(1.9)**		**176.3**
Holdings in subsidiaries and affiliates					
Gross	1,504.4	9.2	(33.6)		1,480.0
Impairment	(162.2)			3.6	(158.6)
Net	**1,342.2**	**9.2**	**(33.6)**	**3.6**	**1,321.4**
Loans/advances to subsidiaries and affiliates					
Gross	303.4	148.5	(178.6)		273.3
Impairment	(50.2)			8.8	(41.4)
Net	**253.2**	**148.5**	**(178.6)**	**8.8**	**231.9**
Other non-current financial assets					
Gross	2.8	0.2			3.0
Impairment					
Net	**2.8**	**0.2**			**3.0**
TOTAL NON-CURRENT ASSETS	1,799.2	153.4	(214.1)	12.4	1,750.9

NOTE 4 – CURRENT ASSETS

	Gross	Impairment	2016 Net	2015 Net
Inventories	**1.1**		**1.1**	**15.8**
Trade receivables	**78.6**	**(5.2)**	**73.4**	**65.1**
Group and associates[1]	**360.6**	**(26.6)**	**334.0**	**125.3**
Advances and down payments received on orders	0.2		0.2	0.2
Other current receivables	12.7	(0.2)	12.5	14.5
Prepaid expenses	0.5		0.5	0.4
Accrued income	1.3		1.3	1.1
Deferred taxes receivable	39.8		39.8	41.8
Other current receivables and regularization accounts	**54.5**	**(0.2)**	**54.3**	**58.0**
Marketable securities	1.3		1.3	1.1
Bouygues Relais cash management company	304.0		304.0	379.0
Cash and cash equivalents	2.2		2.2	9.3
Marketable securities, cash and cash equivalents	**307.5**		**307.5**	**389.4**
TOTAL CURRENT ASSETS	**802.3**	**(32.0)**	**770.3**	**653.6**

(1) Of which an interim dividend paid in December 2016 for 178 million euros.

NOTE 5 – EQUITY

COMPOSITION OF THE SHARE CAPITAL

Colas had share capital of 48,981,748.50 euros at December 31, 2016.

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).

TREASURY SHARES AS OF DECEMBER 31, 2016

The Colas company holds 10,057 shares for an amount of 1,348,821.26 euros.

YEAR VARIATIONS

in euros	Number of shares	Share capital
At January 1, 2016	32,654,499	48,981,748.50
2016 Variations	–	–
AT DECEMBER 31, 2016	**32,654,499**	**48,981,748.50**

MAIN SHAREHOLDERS

Bouygues SA	31,543,222	96.60%
Other shareholders	1,111,277	3.40%

CHANGE IN EQUITY

	January 1, 2016	Appropriation by AGM[1]	Capital increase	Other changes	December 31, 2016
Share capital	**49.0**				**49.0**
Share premium account	405.9				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	807.6	(72.9)			734.7
Share premium and reserves	**1,235.2**	**(72.9)**			**1,162.3**
Net profit/(loss)	105.0	(105.0)		249.6	249.6
Tax-driven provisions	10.2			0.5	10.7
TOTAL SHAREHOLDERS' EQUITY	**1,399.4**	**(177.9)**		**250.1**	**1,471.6**

(1) Distribution of a dividend of 5.45 euros per share amounting to a total of 177,967,019.55 euros.

NOTE 6 – PROVISIONS FOR CONTINGENCIES AND LOSSES

	January 1, 2016	Increases	Provisions used	Provisions cancelled	December 31, 2016
Litigation and claims	5.6	6.4	(1.3)	(0.1)	10.6
Tax reassessments					
Risks related to foreign operations	3.0				3.0
Employee benefits	27.9	0.8	(1.5)		27.2
Risks related to subsidiaries and affiliates	48.6	7.7	(4.6)		51.7
Other provisions for contingencies	0.6	1.7			2.3
Provisions for losses					
PROVISIONS FOR CONTINGENCIES AND LOSSES	**85.7**	**16.6**	**(7.4)**	**(0.1)**	**94.8**

NOTE 7 – RECEIVABLES AND PAYABLES BY MATURITY

	Net amount	Less than 1 year	From 1 to 5 years	More than 5 years
Receivables related to non-current assets	234.8	232.1	0.4	2.3
Receivables related to current assets	461.8	461.8		
Cash and cash equivalents	307.5	307.5		
RECEIVABLES	**1,004.1**	**1,001.4**	**0.4**	**2.3**
Financial debt				
Non-financial debt	934.7	934.7		
Overdrafts and short-term bank borrowings	20.1	20.1		
PAYABLES	**954.8**	**954.8**		

NOTE 8 – OTHER NON-FINANCIAL DEBT, ACCRUALS AND DEFERRED INCOME

	2016	2015
Tax and social security liabilities	48.9	38.4
Liabilities in respect of fixed assets	3.2	1.3
Other liabilities	18.8	74.7
Deferred income and other regularization accounts	3.7	12.2
TOTAL	74.6	126.6

NOTE 9 – BREAKDOWN OF REVENUE

	France	International	2016	2015
Works(1)		(2.1)	(2.1)	0.1
Sale of products(2)	63.2	10.8	74.0	205.3
Provision of services(3)	111.6	83.6	195.2	200.7
REVENUE	174.8	92.3	267.1	406.1

(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 10 – FINANCIAL INCOME (EXPENSES)

	2016	2015
Dividends received from subsidiaries and affiliates	193.5	127.0
Net interest income (expenses)	(0.4)	(1.6)
Other financial provision (charges) reversals	4.8	13.1
Net gain on disposal of marketable securities	0.1	0.2
Translation adjustment	0.9	3.9
Losses on advances to subsidiaries and affiliates		
NET FINANCIAL INCOME (EXPENSES)	198.9	142.6

NOTE 11 – EXCEPTIONAL INCOME (EXPENSES)

	2016	2015
Capital gain (loss) on the disposal of fixed assets (non-recurring disposals: land, buildings, non-current financial assets)	39.7	20.2
Other income (expenses) on management transactions (net)	(12.2)	(0.5)
Exceptional provision (charges) reversals	3.3	(92.1)
EXCEPTIONAL GAIN (LOSS)(1)	30.8	(72.4)

(1) Including: SRD, compensation for the costs of restructuring: (8.4).

NOTE 12 – INCOME TAXES

BREAKDOWN OF TAX EXPENSE

	2016	2015
Current tax charge for the year	(0.9)	(0.6)
Tax supplements or reductions for prior years	(2.7)	0.4
Deferred taxes	(2.0)	32.9
INCOME TAXES	(5.6)	32.7

BREAKDOWN OF TAX CHARGE BETWEEN CURRENT PROFIT AND EXCEPTIONAL PROFIT

	Profit before tax	Tax due	Net profit/(loss) after tax
Current profit (after profit sharing)	224.4	(7.7)	216.7
Exceptional income (expenses)	30.8	2.1	32.9
TOTAL	255.2	(5.6)	249.6

BREAKDOWN OF DEFERRED TAXES

	Temporary differences
Non-current assets	(7.2)
Current assets	1.5
Provisions for contingencies and losses temporarily not deductible	26.8
Tax loss carryforward	100.5
Total deferred taxes bases	**121.6**
Tax rate	34.43%
DEFERRED TAXES AT FISCAL YEAR END	41.9
Variable report	(2.1)
Deferred taxes at the beginning of the year	41.8
Deferred taxes (income) expense	**(2.0)**

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

NOTE 13 – IMPACT OF DEROGATORY TAX-DRIVEN PROVISIONS ON PROFIT

Net profit/(loss)	249.6
Amounts charged for the year to tax-driven provisions	(0.9)
Reversals for year of tax-driven provisions	0.4
Impact on tax	
NET PROFIT/(LOSS) EXCLUDING THE IMPACT OF TAX-DRIVEN PROVISIONS ON PROFIT	249.1

NOTE 14 – OFF BALANCE SHEET COMMITMENTS

FINANCE LEASE

None.

OTHER COMMITMENTS

	Guarantees	Letters of intent	Total
Subsidiaries and affiliates	114.6	0.9	115.5
Other related companies	10.0	13.1	23.1
Third parties	1.4		1.4
Commitments given	**126.0**	**14.0**	**140.0**
Commitments received	**–**	**–**	**–**

The Company issued a guarantee for 2016 pursuant to article 17 of the Companies (Amendment) Act 1986 of Ireland in favor of Colas Teoranta, Road Maintenance Services Ltd, Colas Building Products Ltd, Cold Chon (Galway) Ltd, Colfix (Dublin) Ltd, Road Binders Ltd, Chemoran Ltd, Atlantic Bitumen Company Ltd and Georgevale Ltd.

COLLATERAL GRANTED IN RESPECT OF DEBTS

None.

NOTE 15 – WORKFORCE AND REMUNERATION OF EXECUTIVE BODIES

AVERAGE WORKFORCE

	2016	2015
Managers and engineers	293	271
Clerical and technical	63	63
Workers		
TOTAL	356	334

COMPENSATION AWARDED TO MEMBERS OF THE EXECUTIVE BODIES

Total gross compensation (including benefits in kind but excluding variable compensation) paid in 2016 to Mr. Hervé Le Bouc, Chairman and Chief Executive Officer, amounted to 924,100 euros. Gross variable compensation for 2016 established in relation to quantitative and qualitative targets to be paid in 2017 will be 1,380,000 euros (1,380,000 euros in 2016). He received an amount of 20,000 euros in Directors' fees from Colas in 2016.

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 2016 amounted to 179,200 euros (including the amount paid to the Chairman and Chief Executive Officer).

ADVANCE PAYMENTS AND LOANS GRANTED TO EMPLOYEES

None.

NOTE 16 – FEES PAID TO THE STATUTORY AUDITORS

	Mazars		KPMG	
	2016	2015	2016	2015
Statutory audit and certification of annual financial statements	0.2	0.2	0.2	0.2
Other fees	–	–	–	–
TOTAL	0.2	0.2	0.2	0.2

NOTE 17 – SUBSIDIARIES AND AFFILIATES

in millions of euros	Share capital	Other equity	% held	Value of securities		Loans and advances granted	Guarantees provided	Revenue	Net income	Dividends received
				Gross	Net					
1. Subsidiaries France										
Colas Centre-Ouest	7.4	40.0	44.3	3.4	3.4	65.0	0.2	593.0	5.2	
Colas Île-de-France Normandie	35.1	45.0	56.3	19.7	19.7		0.2	884.7	11.3	5.5
Colas Nord-Picardie	5.7	35.7	50.0	2.9	2.9					
Colas Nord-Est	36.6	74.8	28.4	10.2	10.2	14.0	0.2	827.2	1.0	
Colas Rhône-Alpes Auvergne	20.1	74.3	64.4	36.1	36.1		0.1	549.9	4.0	6.1
Colas Midi-Méditerranée	9.0	45.6	76.6	6.1	6.1	30.0	0.1	581.2	12.3	20.9
Colas Sud-Ouest	14.8	36.7	47.0	5.8	5.8		0.2	574.3	9.4	11.1
Screg Ouest	11.7	10.1	99.9	21.0	21.0				0.4	
Screg Île-de-France Normandie	8.8	32.1	99.9	24.7	24.7				3.0	
Screg Nord-Picardie	12.1	19.6	99.9	19.7	19.7					
Screg Est	13.4	31.0	99.9	30.8	30.8			0.3	0.2	
Screg Sud-Est	8.3	36.1	99.9	23.7	23.7				5.6	
Screg Sud-Ouest	9.0	36.8	99.9	20.2	20.2				10.0	
Sacer Atlantique	4.4	4.0	99.9	4.4	4.4				1.8	
Sacer Paris Nord-Est	4.8	18.2	99.9	4.9	4.9				1.2	
Sacer Sud-Est	5.1	25.8	99.9	5.2	5.2				3.9	
Aximum	36.8	(6.6)	99.9	50.1	50.1	8.0	0.1	329.4	(7.8)	0.2
Spac	5.1	14.5	99.9	14.3	14.3			189.8	5.0	2.3
Smac	4.3	13.3	99.9	9.9	9.9		0.1	551.8	0.5	0.3
Colas Rail	105.3	61.9	100.0	331.4	331.4	50.0	0.3	975.4	9.6	7.4
Sté Raffinerie de Dunkerque	40.7	(48.0)	100.0	21.2	21.2			30.6	1.2	
Colas Grands Travaux	0.3	(0.6)	100.0	0.8	0.8			35.4	(0.8)	
GTOI	0.8	13.0	100.0	1.4	1.4			140.3	(2.2)	5.3
SCPR	0.5	23.9	100.0	30.3	30.3			54.9	5.1	0.4
Ribal Travaux Publics	7.5	13.4	100.0	7.6	7.6			29.1	1.5	4.8
Gouyer	2.0	3.3	96.9	48.0	20.0			0.3	2.1	
Sogetra	0.1	9.7	100.0	3.5	3.5			26.7	0.6	1.2
Other French subsidiaries				9.9	9.4	292.4	109.2			0.7
Total subsidiaries France				**767.2**	**738.7**	**459.4**	**110.7**			**66.2**
2. Affiliates France										
Affiliates France				1.0	0.2	11.3		–	–	–
Total affiliates France				**1.0**	**0.2**	**11.3**		**–**	**–**	**–**
3. Foreign subsidiaries and affiliates										
Foreign subsidiaries				616.6	496.2	95.2	3.9			127.3
Foreign affiliates				95.2	86.3					
TOTAL				**1,480.0**	**1,321.4**	**565.9**	**114.6**			**193.5**

NOTE 18 – LIST OF SUBSIDIARIES, AFFILIATES AND MARKETABLE SECURITIES

Name	Number of securities	Book value in thousands of euros
Colas Centre-Ouest	3,299,998	3,354
Colas Île-de-France Normandie	19,739,198	19,726
Colas Nord-Picardie	2,849,998	2,897
Colas Nord-Est	10,393,974	10,193
Colas Rhône-Alpes Auvergne	12,925,964	36,061
Colas Midi-Méditerranée	6,899,998	6,123
Colas Sud-Ouest	6,938,751	5,848
Société de la Raffinerie de Dunkerque	2,670,000	21,163
Aximum	49,071,094	50,129
Screg Ouest	11,674,999	21,007
Screg Île-de-France Normandie	8,799,999	24,697
Screg Nord-Picardie	12,108,499	19,739
Screg Est	13,439,999	30,795
Screg Sud-Est	8,353,943	23,678
Screg Sud-Ouest	8,999,999	20,227
Sacer Atlantique	4,349,996	4,421
Sacer Paris Nord-Est	4,799,996	4,878
Sacer Sud-Est	5,099,998	5,183
Spac	5,099,997	14,330
Smac	4,299,997	9,930
Sobib	3,924,050	3,907
Colas Rail	105,312,759	331,385
Colas Grands Travaux	300,000	837
Grands Travaux de l'Océan Indien (GTOI)	799,964	1,381
SCPR	32,600	30,300
Ribal Travaux Publics	7,500,000	7,644
Sogetra	146,895	3,492
Gouyer	124,436	20,033
Colas Mayotte	18,548,640	927
Entreprise de Travaux Publics et de Concassage (ETPC)	79,999	200
Société Parisienne d'Études d'Informatique et de Gestion	790,345	944
Colasie	624,225	634
Colas Environnement et Recyclage	160,000	312
SCI Les Scop	1,000	1,029
SCI La Mouche	1,000	227
Other stakes in French companies	–	1,300
Other stakes in foreign companies	–	582,505
Total subsidiaries		**1,321,436**
Other securities held in French companies		6
Other securities held in foreign companies		–
Total other non-current financial assets		**6**
Certificates of deposit		–
Sicav mutual funds		–
Total marketable securities		**0**
TOTAL SUBSIDIARIES, AFFILIATES AND MARKETABLE SECURITIES		**1,321,442**

Results of the Company for the last five fiscal years

in thousands of euros	2012	2013	2014	2015	2016
Share capital at the end of the fiscal year					
Share capital	48,982	48,982	48,982	48,982	48,982
Number of shares issued	32,654,499	32,654,499	32,654,499	32,654,499	32,654,499
Number of bonds convertible into shares	None	None	None	None	None
Operations and results for the fiscal year					
Revenue excluding tax	871,316	913,060	784,712	406,077	267,083
Profit before tax, depreciation, amortization and provisions	304,786	219,056	845,550	1,617	261,809
Income taxes	22,623	9,006	5,500	(32,709)	5,590
Profit sharing for the fiscal year	1,219	695	4,706	228	1,109
Profit after tax, depreciation, amortization and provisions	252,765	170,040	826,096	104,980	249,623
Distributed profit	237,072	237 072	502,879	177,967	267,767(1)
Basic earnings per share from continuing operations (in euros)					
Profit after tax but before depreciation, amortization, and provisions	8.64	6.43	25.73	1.05	7.85
Profit after tax, depreciation, amortization and provisions	7.74	5.21	25.30	3.21	7.64
Dividend per share	7.26	7.26	15.40	5.45(1)	8.20(1)
Workforce					
Average workforce	347	342	336	334	356
Total payroll	47,527	46,897	47,132	47,519	52,939
Amounts paid in respect of social benefits (social security, etc.)	17,340	17,406	17,993	18,238	19,464

(1) 2016 dividend: subject to the approval of the Shareholders' Meeting of April 11, 2017.

Proposed appropriation of earnings

The Board of Directors proposes to assign:

Earnings for the year:	249,623,810.34
Prior unappropriated retained earnings:	734,734,224.76
Total unappropriated earnings:	984,358,035.10
– to the legal reserve:	–
– dividend payout of 8.20 euros per share for an amount of(1):	267,766,891.80
– less the interim dividend (paid in December 9, 2016) of 5.45 euros per share:	177,967,019.55
– i.e., a balance payable of 2.75 euros per share:	89,799,872.25
– balance transferred to unappropriated retained earnings:	716,591,143.30

(1) Subject to the approval of the Shareholders' Meeting on April 11, 2017.

Statutory Auditors' report
on the parent company financial statements

FISCAL YEAR ENDED DECEMBER 31, 2016

This is a free translation into English of the Statutory Auditors' report on the parent company financial statements issued in French and is provided solely for the convenience of English-speaking readers.

This report on the parent company financial statements should be read in conjunction with, and construed in accordance with, French law and professional standards applicable in France.

To the Shareholders,

In accordance with the assignment entrusted to us by your Shareholders' Meeting, we hereby present to you our report for the fiscal year ended December 31, 2016 on:

– the audit of the accompanying parent company financial statements of Colas SA;

– the justification of our assessments;

– the specific verification required by law.

The parent company 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 PARENT COMPANY FINANCIAL STATEMENTS

We conducted our audit in accordance with professional standards applicable in France. These standards require that we plan and perform the audit so as to obtain reasonable assurance that the parent company financial statements are free from material misstatement. An audit consists in examining, by sampling or other selection methods, evidence supporting the amounts and disclosures in the parent company financial statements. It also involves assessing the accounting principles used, significant estimates made, and the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

We hereby certify that the annual financial statements are true and fair in accordance with French accounting rules and principles, and give a true and fair view of the results for the year ended, and of the Company's financial position and assets at the end of the year.

2. JUSTIFICATION OF OUR ASSESSMENTS

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

As indicated in note 2 "Non-current financial assets" in the notes to the financial statements, the equity investments held by Colas SA are recorded at cost less estimated impairment losses determined based on their value in use. In the course of our work, we verified in particular the consistency of assumptions used and calculation methods.

These assessments were made as part of our audit of the parent company financial statements taken as a whole, and therefore contributed to the opinion we formed which is expressed in the first part of this report.

3. SPECIFIC VERIFICATIONS AND DISCLOSURES

As required by law we have also verified in accordance with professional standards applicable in France the information relating to the Group presented in the management report.

We have no matters to report as to its fair presentation and its consistency with the parent company financial statements or with the documents addressed to the shareholders pertaining to the financial position and financial statements.

Regarding the information provided in accordance with the provisions of article L. 225-102-1 of the French Commercial Code on remuneration and benefits paid to corporate officers as well as the commitments granted to them, we have verified their consistency with the financial statements or with the data used to prepare the said and, where applicable, with the data collected by your Company from the companies controlling your Company or controlled by it. On the basis of this work, we certify the accuracy and the sincerity of this information.

In accordance with the law, we have verified that the information relating to the identity of the stakeholders and voting rights have been disclosed to you in the management report.

Paris-la Défense, February 23, 2017

The Statutory Auditors

KPMG Audit IS	MAZARS	
François Plat *Partner*	Guillaume Potel *Partner*	Daniel Escudeiro *Partner*

Special report of the Statutory Auditors

on regulated agreements and commitments

SHAREHOLDERS' MEETING TO APPROVE THE FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED DECEMBER 31, 2016

This is a free translation into English of the special report of the Statutory Auditors on regulated agreements and commitments issued in French and is provided solely for the convenience of English-speaking readers.

This report on regulated agreements and commitments should be read in conjunction with, and construed in accordance with, French law and professional standards applicable in France.

To the Shareholders,

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

We are required to inform you, on the basis of the information provided to us, of the principal terms and conditions and the factors justifying the interest for the Company of those agreements and commitments brought to our attention, or that we may have discovered in the course of our audit. We are not required to express an opinion on their usefulness and appropriateness or ascertain whether any other such agreements and commitments exist. It is your responsibility, in accordance with article R. 225-31 of the French Commercial Code, to evaluate the benefits resulting from these agreements and commitments with a view to their approval.

Our role is also to provide you with the information stipulated in article R. 225-31 of the French Commercial Code relating to the implementation during the fiscal year under review of agreements and commitments previously approved by the Shareholders' Meeting.

We have carried out the procedures we considered necessary in accordance with the professional guidelines of the *Compagnie nationale des Commissaires aux comptes* (CNCC, the French national institute of Statutory Auditors) relating to this engagement. These procedures involved verifying that the information provided to us was consistent with its supporting documentation.

AUTHORIZED AGREEMENTS AND COMMITMENTS SUBMITTED FOR THE APPROVAL OF THE SHAREHOLDERS' MEETING

Agreements and commitments authorized during the fiscal year under review

In accordance with article L. 225-40 of the French Commercial Code, we have been advised of the following regulated agreements and commitments submitted for the prior authorization of your Board of Directors.

a) Service agreement as part of the Pollutec trade fair

On August 29, 2016, the Board of Directors authorized the signing of a service agreement with Bouygues SA to participate in the Pollutec trade fair with all Bouygues Group companies.

The purpose of this agreement is to enable Colas SA to pool the costs of participating in the Pollutec trade fair in conjunction with the other businesses of the Bouygues Group.

The amount of the expenses recorded in the financial statements for the year ended December 31, 2016 by Colas SA under this agreement was 85,000 euros excluding tax.

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

b) Payment guarantee for the compensation granted to Oc'Via in connection with the Nîmes-Montpellier bypass

As part of the construction of a high-speed rail line between the cities of Nîmes and Montpellier, a builders joint venture (GIE Constructeur) including certain Colas companies entered into a design-build contract with Oc'Via, the main project company.

As part of claims made by the parties, compensation was received by Oc'Via from its customer SNCF Réseau, amounts that Oc'Via is required to pay in part to the builders joint venture in accordance with the design-build contract.

The said payment to the builders joint venture is subject to the introduction of a guarantee for the payment of compensation to benefit the company Oc'Via.

On July 25, 2016, the Board of Directors authorized the signature of a payment guarantee by Colas SA in favor of Oc'Via, in the form of an autonomous bank or corporate guarantee at first demand, in proportion to the stake of its subsidiaries in the builders joint venture, i.e. 25% of the amount.

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

c) Refinancing of Adelac, concession company on Highway A41

As part of a credit refinancing for up to 750 million euros from Adelac with financial institutions as lenders, Crédit Agricole CIB as agent and securities agent and the Caisse d'Epargne Rhône-Alpes as the account bank, hereinafter referred to as the "financial parties", the Board of Directors on July 25, 2016 authorized the following agreements:

– the pledge of securities accounts for Adelac shares held by Colas SA in favor of the financial parties;

– the pledge of the receivables held by Colas SA in respect of Adelac in favor of Crédit Agricole CIB as collateral agent.

These securities and receivables pledges by Colas SA constitute a security interest granted by Colas SA to Adelac as part of its refinancing.

In addition, the Board of Directors on July 25, 2016 authorized the signing of a new junior financing contract between Adelac, Colas SA, AREA, Bouygues Travaux Publics, Bouygues Bâtiment Sud-Est, Quille, CERA and STEC, with a contribution in equity funds made available to Adelac by its shareholders.

The amendments to the original contract, signed on November 24, 2005, concern:

– contributions of equity funds, maturities and the identity of the financial parties;

– the approval by Colas SA of the terms of the inter-credit agreement and the subordinated nature of the equity contributions.

Since this shareholding was sold by Colas SA during the financial year, the impact of this agreement ended with the sale.

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

d) Shared services agreement entered into with Bouygues SA

At its meeting of November 10, 2016, the Board of Directors authorized the renewal for a period of one year of the shared services agreement signed between Bouygues SA and Colas SA, under which Bouygues provides services to the various sub-groups, in particular in the fields of management, human resources, information technology and finance (expires on December 31, 2017).

The renewal of this agreement had no impact on the 2016 financial statements. Its effects will be reflected in the 2017 financial statements.

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

e) Cash management agreement entered into with Bouygues Relais

At its meeting on November 10, 2016, the Board of Directors authorized the continuation of the cash management agreement signed with Bouygues Relais, for one additional year (expires on March 1, 2018).

The renewal of agreement had no impact on the 2016 financial statements. Its effects will be reflected in the 2017 financial statements.

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

f) Tax consolidation agreement

The tax consolidation agreement between Colas SA and Bouygues SA, renewed on December 15, 2011, is subject to automatic renewal for a period of five fiscal years, thus from January 1, 2012 to December 31, 2016.

On November 10, 2016, the Board of Directors authorized the renewal of the said tax consolidation agreement between Colas SA and Bouygues SA, with the same terms and conditions, for an additional five-year period as of January 1, 2017 (expires on December 31, 2021).

The renewal of agreement had no impact on the 2016 financial statements. Its effects will be reflected in the 2017 financial statements.

Persons concerned: Hervé Le Bouc, Olivier Bouygues, Colette Lewiner and Bouygues SA represented by Philippe Marien.

g) Agreement for the use of aircraft

At its meeting of November 10, 2016, the Board of Directors authorized the renewal of the agreement and the rider to the agreement relating to the use of Bouygues Group aircraft, with SNC AIRBY (a Bouygues SA and SCDM subsidiary), for the 2017 fiscal year, under the same conditions as those approved by the Shareholders' Meeting of April 13, 2016.

Regarding the aircraft made available by Bouygues Group, the Global 5000, the overall price per flight hour is revised annually to account for changes in market prices. In the case of an aircraft leased by SNC AIRBY, the aircraft is made available to Colas SA at lease cost, plus an amount of 1,000 euros excluding VAT, which corresponds to the provision of the aircraft and related services.

The renewal of this agreement had no impact on the 2016 financial statements. Its effects will be reflected in the 2017 financial statements.

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

h) Supplemental defined benefits pension plan

Following the application of the Macron law (August 6, 2015), at its meeting of November 10, 2016, the Board of Directors authorized the modification for fiscal year 2016, of the agreement relating to the supplemental defined benefits pension plan of which Hervé Le Bouc is beneficiary as Chairman and Chief Executive Officer of Colas SA, subjecting the annual acquisition of pension rights to performance conditions.

This new agreement covers a supplemental defined benefits pension plan for Hervé Le Bouc that includes the following:

– the amount of the additional annuity is 0.92% of the reference salary per year of membership in the plan, subject to a maximum of eight times the annual social security ceiling in France;

– the acquisition of pension rights in respect of each financial year is subject to performance conditions to be decided each year by the Board of Directors, which, if they are not reached, would be reduced to due proportion;

– contributions by the Company made to the fund constituted by the insurer vary depending on the rights acquired by the beneficiary and the expected returns of the amounts invested.

This agreement, which has not yet been concluded at the date of issuance of our report, did not have a financial impact in 2016 and will apply starting in 2017, if Hervé Le Bouc is reappointed as Chairman and Chief Executive Officer of Colas SA.

Person concerned: Hervé Le Bouc.

AGREEMENTS AND COMMITMENTS ALREADY APPROVED BY THE SHAREHOLDERS' MEETING

Agreements and commitments approved during previous fiscal years that remained in force during the fiscal year under review

In accordance with article R. 225-30 of the French Commercial Code, we have been advised that the following agreements and commitments which were approved in prior fiscal years remained in effect during the fiscal year under review.

a) Cash management agreement entered into with Bouygues Relais

At its meeting on November 9, 2015, the Board of Directors authorized the continuation, for one additional year, of the cash management agreement signed with Bouygues Relais, which expires on March 1, 2017. This cash management agreement is composed of bridge loans backed by confirmed medium-term bank lines, granted to Colas SA, with a residual maturity of over one year.

Pursuant to said agreement, Colas SA has a receivable of 304 million euros as of December 31, 2016 with respect to Bouygues Relais. In addition, cash transactions made during fiscal year 2016 generated a net expense of 146,034 euros.

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

b) Shared services agreement entered into with Bouygues SA

At its meeting of February 22, 2016, the Board of Directors authorized the signature of a new shared services agreement that replaced, as of January 1, 2016, the previous agreement authorized by the Board of Directors on November 9, 2015.

For a period of one year, the shared services agreement signed between Bouygues SA and Colas SA, under which Bouygues provides services to the various sub-groups, in particular in the fields of management, human resources, information technology and finance. The main changes brought on by this new agreement include the description of services, the updating of certain definitions and the principles for invoicing shared services.

The corresponding expenses recognized by Colas SA during the fiscal year ended December 31, 2016 amounted to 15,756,926 euros.

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

c) Agreement for the use of aircraft

At its meeting on November 9, 2015, the Board of Directors authorized the renewal of the agreement relating to the use of aircraft with SNC AIRBY, a subsidiary of Bouygues SA and SCDM, for fiscal year 2016. This agreement was approved by the Shareholders' Meeting on April 13, 2016.

Regarding the aircraft made available by Bouygues Group, the Global 5000, the overall price per flight hour remained unchanged in 2016, at 7,000 euros excluding tax per flight hour. Invoices are sent each time the aircraft is made available.

In the case of an aircraft leased by SNC AIRBY, the aircraft is made available to Colas SA at lease cost, plus an amount of 1,000 euros excluding VAT, which corresponds to the provision of the aircraft and related services.

The corresponding expenses recognized by Colas SA during the fiscal year ended December 31, 2016 amounted to 884,153 euros.

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

d) Tax consolidation agreement

The Board of Directors on February 22, 2016 authorized the continuation of the tax consolidation agreement between Colas SA and Bouygues SA. The agreement was authorized on December 15, 2011 for five fiscal years, thus from January 1, 2012 to December 31, 2016, and is subject to automatic renewal.

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 tax expenses to Colas SA that it is jointly and severally liable to pay.

As part of this agreement, Colas SA authorizes Bouygues SA to become solely liable to pay the corporate income tax of Colas SA, with regard to determining the taxable profit of the Group as a whole.

This agreement was applied in 2016.

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

e) Colas Rail Ltd Pension Fund

Given the deficit of the defined benefits pension fund of Colas Rail Ltd, a Colas Rail subsidiary, the Trustees requested that guarantees be issued.

In order to avoid issuing a Colas parent company guarantee, as requested by the Trustees, at its meeting on May 7, 2015, the Board of Directors authorized the extension of Colas Rail's parent company guarantee covering the commitments of its subsidiary and the continued subordination of the Colas SA receivable to the payment of Colas Rail's principal debt owed to the Trustees.

As a reminder, this debt subordination takes the form of:

– a quadripartite agreement between Colas Rail Ltd, Colas Rail, the Trustees, and Colas subordinating the 30 million euros Colas SA receivable to the payment of Colas Rail's principal debt owed to the Trustees;

– a loan agreement officially substantiating the 30 million euros existing Colas SA receivable from Colas Rail, including a reference to the subordination obligations under the quadripartite agreement.

Person concerned: Hervé Le Bouc.

Agreements and commitments approved during previous fiscal years that were not executed during the fiscal year under review

We have also been advised that the following commitments, which were approved in prior fiscal years, were not executed during the fiscal year under review.

a) Supplemental defined benefits pension plan

At its meeting of November 9, 2015, the Board of Directors authorized the continuation, for fiscal year 2016, of the agreement relating to the supplemental defined benefits pension plan of which Hervé Le Bouc is beneficiary as Chairman and Chief Executive Officer of Colas SA.

This commitment was not applied in 2016.

Person concerned: Hervé Le Bouc.

b) Signing of a *bail en l'état futur d'achèvement* (BEFA off-plan lease) with Bouygues Immobilier

As the lease for the property where Colas SA's current registered office is located in Boulogne-Billancourt (France) expires on December 28, 2017, the Board of Directors, at its meeting on July 23, 2015, authorized the signing of a BEFA off-plan lease with Bouygues Immobilier for the lease of new property to serve as the registered office for a period of twelve years as of the date when the building is made available, which is expected to be in May 2018.

The annual lease payment to be made to the lessor Bouygues Immobilier was set at 3,478,200 euros, excluding taxes and expenses. Lease payments will be made starting at the date when the property is made available, and therefore had no impact on the 2016 financial statements; their impact will be reflected starting in the 2018 financial statements.

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

c) Service agreement and equity holdings management agreement entered into with Bouygues and its subsidiary Bouygues Développement

At its meeting of February 23, 2015, the Board of Directors authorized the signing of a consulting and management services agreement with Bouygues SA, directly or through the intermediary of its wholly owned subsidiary Bouygues Développement, as part of any minority equity interests that Colas SA may acquire in innovative start-ups.

This agreement was not applied in 2016.

Persons concerned: Hervé Le Bouc, François Bertière, Olivier Bouygues, Colette Lewiner, Bouygues SA represented by Philippe Marien.

d) Counter joint and several guarantee for the builders joint venture (GIE Constructeur) for the L2 bypass project in Marseille

In connection with the L2 bypass construction project, on September 25, 2013, the Board of Directors authorized the issuance of a joint and several guarantee for the builders joint venture (GIE Constructeur) by Colas SA as the parent company of Colas Midi-Méditerranée benefiting Bouygues Construction.

This agreement was not applied in 2016.

Persons concerned: Olivier Bouygues, Jean-François Guillemin and Bouygues SA represented by Philippe Marien.

e) Joint and several guarantee for the builders joint venture (GIE constructeur) for the Nîmes-Montpellier bypass project

As a reminder, as part of the construction of a high-speed rail line between the cities of Nîmes and Montpellier, a builders joint venture (GIE Constructeur) including certain Colas companies entered into a design-build contract with Oc'Via, the main project company. With respect to that contract, at its meeting of June 21, 2012, the Board of Directors authorized the signing of a joint and several guarantee issued by Colas SA, Bouygues Construction, Alstom Transport and Spie Batignolles to the project company Oc'Via, the aim of which was to provide Oc'Via with a guarantee for all of the builders joint venture's obligations for their entire duration.

Following a request by the legal adviser of the lenders and the lenders' agent, the Board of Directors, at its meeting on August 25, 2015, authorized the issuance of a confirmation that the parent company guarantee entered into on June 28, 2012 by Oc'Via, Colas SA, Bouygues Construction, Alstom Transport and Spie Batignolles did indeed cover the amounts that the Oc'Via joint venture would be liable to pay, in order to avoid any other interpretation of the scope of said guarantee.

These agreements were not applied in 2016.

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

Paris-la Défense, February 23, 2017

The Statutory Auditors

KPMG Audit IS	MAZARS	
François Plat *Partner*	Guillaume Potel *Partner*	Daniel Escudeiro *Partner*

Statutory Auditors' report

on the equity transactions described in the 17th, 18th, 19th, 20th and 21st resolutions submitted for the approval of the Combined Shareholders' Meeting of April 11, 2017

FISCAL YEAR ENDED DECEMBER 31, 2016

This is a free translation into English of the Statutory Auditors' report on equity transactions described in resolutions 17 to 21 submitted for the approval of the Combined Shareholders' Meeting of April 11, 2017 issued in French and is provided solely for the convenience of English-speaking readers.

The report hereunder should be read in conjunction with, and construed in accordance with, French law and professional standards applicable in France.

To the Shareholders,

In our capacity as Statutory Auditors of your Company and as required by the French Commercial Code, we hereby present to you our report on the transactions submitted for your approval.

1. CAPITAL REDUCTION (17th resolution)

In accordance with the procedures provided for in article L. 225-209 of the French Commercial Code in the event of a reduction in share capital by way of the retirement of shares purchased, we hereby report on our assessment of the reasons for and conditions of the proposed reduction in share capital.

Shareholders are requested to confer all necessary powers on the Board of Directors, for a period of eighteen months from the date of this Shareholders' Meeting, to retire the shares purchased by your Company pursuant to the authorization to purchase its own shares in application of the provisions of the abovementioned article, up to a maximum of 10% of the number of shares making up the share capital.

We have carried out the procedures we considered necessary in accordance with the professional guidelines of the *Compagnie nationale des Commissaires aux comptes* (CNCC, the French national institute of Statutory Auditors) relating to this engagement. Our procedures consisted, in particular, in verifying the fairness of the reasons for and the conditions of the proposed reduction in share capital, which does not interfere with the equal treatment of shareholders.

We have no comments to make on the reasons for or conditions of the proposed reduction in share capital.

2. ISSUE OF SHARES AND/OR INVESTMENT SECURITIES WITH OR WITHOUT PREFERENTIAL SUBSCRIPTION RIGHTS FOR EXISTING SHAREHOLDERS (18th, 19th, 20th and 21st resolutions)

In accordance with the procedures provided for in articles L. 225-135 *et seq.* and L. 228-92 of the French Commercial Code, we hereby report to you on the proposed delegation to the Board of Directors of the authority to proceed with a number of issues of shares and/or investment securities, transactions which are being submitted for your approval.

On the basis of its report, your Board of Directors proposes that:

– it be delegated the authority, with the option to subdelegate this authority as provided by law, for a period of twenty-six months, to decide upon the following transactions, setting the final terms and conditions of these issues and, if applicable, excluding your preferential subscription rights:

- the issue, with preferential subscription rights, of shares or investment securities giving access to shares in the Company (18th resolution),
- the issue, without preferential subscription rights, of shares or investment securities giving access to shares in the Company, by way of a public offering (19th resolution),
- the issue, without preferential subscription rights, of shares or investment securities giving access to the shares in the Company, by way of an offering provided for under item II of article L. 411-2 of the French Monetary and Financial Code (20th resolution);

– it be authorized, in connection with the implementation of the delegations provided for in the 18th, 19th and 20th resolutions, to determine the features, amount and conditions of any issue, as well as those of the securities issued.

The number of securities to be created in connection with the implementation of the delegations provided for in the 18th, 19th and 20th resolutions may be increased as provided by article L. 225-135-1 of the French Commercial Code if you adopt the 21st resolution.

The aggregate nominal value represented by any capital increases that may be carried out as a result of the issue of shares and/or investment securities giving access to shares in the Company under the 18th, 19th, 20th and 21st resolutions, whether immediately or over time, shall not exceed 10 million euros.

It is the responsibility of your Board of Directors to prepare a report in accordance with article R. 225-113 *et seq.* of the French Commercial Code. Our role is to express an opinion as to the fair presentation of the quantitative information extracted from the financial statements, on the proposed exclusion of preferential subscription rights, and on certain other information pertaining to the issues as presented in this report.

We have carried out the procedures we considered necessary in accordance with the professional guidelines of the *Compagnie nationale des Commissaires aux comptes* (CNCC, the French national institute of Statutory Auditors) relating to this engagement. Our work consisted in verifying the content of the Board of Directors' report as it relates to these transactions and the methods used to determine the issue price of equity securities to be issued.

Subject to our review in due course of the terms and conditions of the proposed issues, we have no comments to make on the methods used to determine the issue price of the equity securities to be issued as presented in the Board of Directors' report.

Given that the definitive conditions of issuance have yet to be determined, we do not express any opinion on the conditions under which the issues will take place.

In accordance with article R. 225-116 of the French Commercial Code, we will provide a supplemental report, where necessary, upon the use of these delegations by your Board of Directors.

Paris-la Défense and Courbevoie, February 23, 2017

The Statutory Auditors

KPMG Audit IS	MAZARS	
François Plat *Partner*	Guillaume Potel *Partner*	Daniel Escudeiro *Partner*

Independent verifier's report

on consolidated social, environmental and societal information presented in the management report

FISCAL YEAR ENDED THE DECEMBER 31, 2016

This is a free translation into English of the Independent verifier's report on consolidated social, environmental and societal information presented in the management report issued in the French language and it is provided solely for the convenience of English-speaking users.

The report hereunder should be read in conjunction with, and construed in accordance with, French law and professional standards applicable in France.

To the shareholders,

In our quality as an independent verifier accredited by the COFRAC[1] under the number no. 3-1050, we hereby present our report on the consolidated social, environmental and societal information established for the year ended December 31, 2016, as presented in section of the management report entitled "Corporate social and environmental reporting", hereafter referred to as the "CSR Information" pursuant to the provisions of the article L. 225-102-1 of the French Commercial code (*Code de commerce*).

Responsibility of the company

It is the responsibility of the Board of Directors to establish a management report including CSR Information referred to in the article R. 225-105 of the French Commercial code, in accordance with the guidelines used by the company, composed of the social, environmental and societal reporting protocols (hereafter referred to as the "Criteria") which are summarized in the management report and are available on request at the Company's headquarters.

Independence and quality control

Our independence is defined by regulatory requirements, the Code of Ethics of our profession as well as the provisions in the article L. 822-11 of the French Commercial code. In addition, we have implemented a quality control system, including documented policies and procedures to ensure compliance with ethical standards, professional standards and applicable laws and regulations.

Responsibility of the independent verifier

It is our role, based on our work:

- to attest whether the required CSR Information is present in the management report or, in the case of its omission, that an appropriate explanation has been provided, in accordance with the third paragraph of R. 225-105 of the French Commercial code (Attestation of presence of CSR Information);
- to express a limited assurance conclusion, that the CSR Information, overall, is fairly presented, in all material aspects, in according with the Criteria;

Our verification work was undertaken by a team of six people between September 2016 and February 2017 for an estimated duration of nine weeks.

We conducted the work described below in accordance with the professional standards applicable in France and the Order of May 13, 2013 determining the conditions under which an independent third party verifier conducts its mission.

1. ATTESTATION OF PRESENCE OF CSR INFORMATION

Nature and scope of the work

We obtained an understanding of the company's CSR issues, based on interviews with the management of relevant departments, a presentation of the company's strategy on sustainable development based on the social and environmental consequences linked to the activities of the company and its societal commitments, as well as, where appropriate, resulting actions or programmes.

We have compared the information presented in the management report with the list as provided for in the article R. 225-105-1 of the French Commercial code.

In the absence of certain consolidated information, we have verified that the explanations were provided in accordance with the provisions in article R. 225-105-1, paragraph 3, of the French Commercial code.

We verified that the information covers the consolidated perimeter, namely the entity and its subsidiaries, as aligned with the meaning of the article L. 233-1 and the entities which it controls, as aligned with the meaning of the article L. 233-3 of the French Commercial code, with the limitations specified in the management report.

Conclusion

Based on this work, and given the limitations mentioned above, we confirm the presence in the management report of the required CSR information.

2. LIMITED ASSURANCE ON CSR INFORMATION

Nature and scope of the work

We undertook eight interviews with about ten people responsible for the preparation of the CSR Information in the different departments of the consolidated company in charge of the data collection process and, if applicable, the people responsible for internal control processes and risk management, in order to:

– Assess the suitability of the Criteria for reporting, in relation to their relevance, completeness, reliability, neutrality, and understandability, taking into consideration, if relevant, industry standards;

– Verify the implementation of the process for the collection, compilation, processing and control for completeness and consistency of the CSR Information and identify the procedures for internal control and risk management related to the preparation of the CSR Information.

We determined the nature and extent of our tests and inspections based on the nature and importance of the CSR Information, in relation to the characteristics of the Company, its social and environmental issues, its strategy in relation to sustainable development and industry best practices.

For the CSR Information which we considered the most important[2]:

– At the level of the consolidated entity and at the level of the subsidiary Colas Rail, we consulted documentary sources and conducted interviews to corroborate the qualitative information (organisation, policies, actions, etc.), we implemented analytical procedures on the quantitative information and verified, on a test basis, the calculations and the compilation of the information, and also verified their coherence and consistency with the other information presented in the management report;

– At the level of the representative sample of entities[3] we selected, based on their activity, their contribution to the consolidated indicators, their location and a risk analysis. We undertook interviews to verify the correct application of the procedures and undertook detailed tests on the basis of samples, consisting in verifying the calculations made and linking them with supporting documentation. The sample selected therefore represents on average 8% of the activity and the total workforce of the company.

For the other consolidated CSR information, we assessed their consistency in relation to our knowledge of the company.

Finally, we assessed the relevance of the explanations provided, if appropriate, in the partial or total absence of certain information taking into account, if relevant, professional best practices.

We consider that the sample methods and sizes of the samples that we considered by exercising our professional judgment allow us to express a limited assurance conclusion; an assurance of a higher level would have required more extensive verification work. Due to the necessary use of sampling techniques and other limitations inherent in the functioning of any information and internal control system, the risk of non-detection of a significant anomaly in the CSR Information cannot be entirely eliminated.

Conclusion

Based on our work, we have not identified any significant misstatement that causes us to believe that the CSR Information, taken together, has not been fairly presented, in compliance with the Criteria.

Paris-la Défense, February 21, 2017

Independent Verifier

ERNST & YOUNG et Associés

Éric Mugnier *Partner,* *Sustainable Development*	Bruno Perrin *Partner*

(1) Scope available at www.cofrac.fr.

(2) **Human resources information:**
– Quantitative information (indicators):
  • workforce (total headcount and trend), share of women managers, fatalities, frequency and severity rates of workplace accidents, share of companies providing social protection, share of companies with a training plan and the number of training days (International)
  • absenteeism and occupational illnesses (France).
– Qualitative information: employment, health and safety at the work place, training policies.

Environmental and societal information:
– Quantitative information (indicators): environmental certification or self-evaluation rate of the material production activities, share of production sites activity with local dialogue action, percentage of aggregate production sites activity working to promote biodiversity, share of fixed production sites activity located in extremely high water stress areas, volumes of recycled materials and reclaimed asphalt pavement, energy bill, energy used per ton of asphalt mix produced, and share of warm mixes and cold mastic asphalt.
– Qualitative information: general environmental policy, circular economy, measures to improve energy efficiency (Cleanergie), greenhouse gas emissions, relations with subcontractors and suppliers (responsible purchasing approach), relations with stakeholders (dialogue conditions, patronage) , business ethics and initiatives in place to guard against corruption (code of ethics and compliance programme).

(3) Colas Sud-Ouest (France), Grands Travaux et Voies (GTV - France), Colas Rail Belgique and Colas Belgium, Terus (Canada).

Resolutions

Ordinary meeting resolutions

FIRST RESOLUTION

Approval of the parent company financial statements

The Shareholders' Meeting, after the reading of the Board of Directors' management report and the Statutory Auditors' general report, approves the Company's financial statements for fiscal year 2016 – which include the balance sheet, the income statement and the notes, which show a profit of 249,623,810.34 euros – in addition to the transactions reflected in these statements and 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 French General Tax Code, which are subject to corporate income tax, totaled 11,752 euros for fiscal year 2016.

SECOND RESOLUTION

Approval of the annual consolidated financial statements

The Shareholders' Meeting, after the reading of the Board of Directors' management report and the Statutory Auditors' general report, approves the annual consolidated financial statements for fiscal year 2016 – which include the balance sheet, the income statement and the notes, and which show a net profit attributable to the Group of 354,745,000 euros – in addition to the transactions reflected in these financial statements and summarized in these reports.

THIRD RESOLUTION

Earnings and earnings appropriation

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

Earnings for the year:	249,623,810.34
Plus prior unappropriated earnings:	734,734,224.76
Total unappropriated earnings:	**984,358,035.10**
– to the legal reserve:	–
– to a dividend payout in the amount of:	267,766,891.80
– less the interim dividend (paid in December 2016) of:	177,967,019.55
– equal to a final dividend payable:	89,799,872.25
– balance of unappropriated earnings:	716,591,143.30

The final dividend of 2.75 euros per share shall be paid by Colas, the issuing company, as of May 2, 2017.

For shareholders subject to income tax in France, this dividend per share is eligible for a 40% tax rebate pursuant to article 243 *bis* of the French 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:

Fiscal year	Dividend
2014	€7.26
2015	€15.40(1)
2016	€5.45

(1) Including 11.40 euros: special dividend.

FOURTH RESOLUTION

Approval of the agreements and transactions specified in articles L. 225-38 *et seq.* of the French Commercial Code

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 Commercial Code, approves all such agreements and transactions mentioned in this report.

FIFTH RESOLUTION

Reappointment of a Director

The Shareholders' Meeting renews Hervé Le Bouc's appointment to the Board for a term of two years that shall expire upon the Annual Shareholders' Meeting to be called to approve the financial statements for fiscal year 2018.

SIXTH RESOLUTION

Reappointment of a Director

The Shareholders' Meeting renews François Bertière's appointment to the Board for a term of two years that shall expire upon the Annual Shareholders' Meeting to be called to approve the financial statements for fiscal year 2018.

SEVENTH RESOLUTION

Reappointment of a Director

The Shareholders' Meeting renews Olivier Bouygues' appointment to the Board for a term of two years that shall expire upon the Annual Shareholders' Meeting to be called to approve the financial statements for fiscal year 2018.

EIGHTH RESOLUTION

Reappointment of a Director

The Shareholders' Meeting renews Martine Gavelle'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 2018.

NINTH RESOLUTION

Reappointment of a Director

The Shareholders' Meeting renews Colette Lewiner'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 2018.

TENTH RESOLUTION

Reappointment of a Director

The Shareholders' Meeting renews the appointment of Bouygues SA 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 2018.

ELEVENTH RESOLUTION

Appointment of Jean-François Guillemin as non-voting Director

Subject to the adoption of the sixteenth resolution, the shareholders at the Shareholders' Meeting, which meets the quorum and majority requirements for Annual Shareholders' Meetings, appoint Jean-François Guillemin as non-voting Director for a two-year term. This appointment shall expire at the end of the Annual Shareholders' Meeting convened to approve the financial statements for fiscal year 2018.

TWELFTH RESOLUTION

Authorization to be granted to the Board of Directors to allow the Company to carry out transactions in its own shares

Pursuant to the French Commercial Code, particularly articles L. 255-209 *et seq.,* and to the provisions of the European regulation (EC) no. 2273/2003 of December 22, 2003 and Title IV of Book II of the General Regulations of the AMF *(Autorité des marchés financiers),* the Shareholders' Meeting, which meets the quorum and majority requirements for Annual Shareholders' Meetings:

– authorizes the Board of Directors to purchase or arrange for the purchase of a maximum of 326,545 Company shares, subject to continuing compliance with the maximum ownership threshold defined in article L. 225-210 of the French Commercial Code;

– decides that the main objectives of this authorization granted to the Company to acquire its own shares shall be (i) the potential retirement of the shares bought back, provided this has been authorized by an Extraordinary Shareholders' Meeting, and (ii) ensuring liquidity and an active market for Company shares through the intermediary of an investment services provider acting within the framework of a liquidity agreement in accordance with a code of ethics recognized by the AMF, 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 on one or more occasions, through any market or off-market transactions, over-the-counter trades or otherwise, by any means, notably by way of block purchases or sales or the use of derivatives, and at any time, in particular during a public offering period for the Company's shares, within the limits prescribed by applicable regulations. However, the Board of Directors shall need to ensure that the volatility of the Company's shares is not increased through its actions. The portion of the program that may be carried out through block trades is not limited and may correspond to the entire program;

– decides that the Board of Directors may acquire shares at a maximum price per share of 175 euros, excluding acquisition costs, and that the maximum cumulative amount of funds dedicated to this share buyback program may not exceed 57,145,375 euros, i.e. 1.0% of the total number of shares constituting the Company's share capital, as of December 31, 2016, assuming that the shares are bought at the maximum price stated above;

– 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;

– 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;

– determines that this delegation of authority shall be valid for a period of eighteen months as of the date of this Meeting and that it supersedes, where applicable in respect of the unused amounts, any other previous delegation of authority having the same purpose.

THIRTEENTH RESOLUTION

Opinion in favor of the items of compensation due and awarded to Hervé Le Bouc in respect of fiscal year 2016

The Shareholders' Meeting, which meets the quorum and majority requirements for Annual Shareholders' Meetings, consulted in accordance with the recommendation of paragraph 26 of the Afep-Medef Code of Corporate Governance, which constitutes the Company's code of reference, in accordance with article L. 225-37 of the French Commercial Code, after having examined the items of compensation due and awarded to the Chairman and Chief Executive Officer, Hervé Le Bouc, in respect of the fiscal year ended December 31, 2016, as presented in the Board of Directors' report in accordance with article L. 225-102-1 of the French Commercial Code, renders an opinion in favor of these items of compensation.

FOURTEENTH RESOLUTION

Compensation policy for the Chairman and Chief Executive Officer: approval of the principles and criteria for the determination, allocation and awarding of fixed, variable and exceptional elements of total compensation and benefits in kind attributable to this senior executive

The Shareholders' Meeting, which meets the quorum and majority requirements for Annual Shareholders' Meetings, having familiarized itself with the report as provided for in article L. 225-37-2 of the French Commercial Code, approves the principles and criteria for the determination, allocation and awarding of fixed, variable and exceptional elements of total compensation and benefits in kind presented in this report and attributable to the Chairman and Chief Executive Officer in respect of his office.

FIFTEENTH RESOLUTION

Powers to carry out legal requirements

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

Extraordinary meeting resolutions

SIXTEENTH RESOLUTION

Amendment of the Company's by-laws to make it possible to appoint one or more non-voting Directors

The shareholders at the Shareholders' Meeting, which fulfills the quorum and majority requirements for Extraordinary Shareholders' Meetings, resolves to modify the by-laws as follows:

Title III: Company Directors, new article 23:

"Shareholders at the Annual Shareholders' Meeting may appoint one or more non-voting Directors for a two-year term.

The non-voting Director's appointment automatically expires at the first Shareholders' Meeting held after he/she reaches the age of 70.

In the event of a vacancy following the death or resignation of one or more non-voting Directors, the Board of Directors may make provisional appointments. These appointments are subject to ratification at the next Shareholders' Meeting.

Non-voting Directors are responsible for ensuring that the by-laws are strictly applied. They attend the Board of Directors' meetings in an advisory capacity. Whenever they deem it relevant, they present their observations to the Board of Directors on any issues the Board is asked to consider, and they may present their observations regarding these matters at the Shareholders' Meeting.

Non-voting Directors receive the same directors' fees as Directors."

SEVENTEENTH RESOLUTION

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

The Shareholders' Meeting, which fulfills the quorum and majority requirements for Extraordinary Shareholders' Meetings, having examined the report of the Board of Directors and the special report of the Statutory Auditors, and pursuant to the provisions of article L. 225-209 of the French Commercial Code, hereby:

– authorizes the Board of Directors to retire or sub-delegate the retirement of, 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 10% (per twenty-four-month period) of the total number of shares constituting the Company's share capital, and to correspondingly reduce the share capital;

– grants full powers to the Board of Directors, including the option to sub-delegate such powers, to carry out any share capital decrease(s) resulting from the retirement of shares pursuant to this authorization (particularly to deduct the difference between the purchase value of the securities canceled and their par value from the premiums and reserves available, including the statutory reserve for 10% of the share capital canceled) and to amend the by-laws accordingly;

– determines that this delegation of authority shall be valid for a period of eighteen months as of the date of this Meeting and that it supersedes, where applicable in respect of the unused amounts, any other delegation of authority having the same purpose.

EIGHTEENTH RESOLUTION

Delegation of powers granted to the Board of Directors to increase the share capital, with maintained preferential subscription rights, by the issue of shares or investment securities conferring entitlement to Company shares

The Shareholders' Meeting, which fulfills the quorum and majority requirements for Extraordinary Shareholders' Meetings, having examined the report of the Board of Directors and the special report of the Statutory Auditors, and pursuant to the provisions of the French Commercial Code, particularly articles L. 225-129-2 to L. 225-129-6 and L. 228-92 *et seq.,* hereby:

1. delegates its authority to the Board of Directors to increase the Company's share capital, with the option to sub-delegate this authority as provided by law, on one or more occasions, in such amounts, at such times, and under such conditions that it may deem fit, through the issue, with preferential subscription rights for existing shareholders, on the French market and/or any foreign market, whether denominated in euros, any foreign currency, or any other accounting unit based on a basket of currencies, of (i) ordinary shares in the Company and (ii) any other type of investment securities, whether issued against payment or not, giving immediate and/or future access by any means, at any time or on a predetermined date, to new ordinary shares in the Company, which may be paid up in cash and/or by offsetting receivables;

2. decides that the maximum aggregate nominal value represented by all capital increases that may be carried out immediately and/or over time under this delegation of authority is set to 10 million euros or the equivalent of this amount, with the understanding that:

– to this ceiling shall be added, where applicable, the aggregate nominal value of any additional shares to be issued, as provided by legislative and regulatory provisions and, where applicable, by contractual requirements providing for other cases of adjustment, to protect the rights of holders of investment securities giving access to the Company's share capital, of holders of options to subscribe for or purchase newly issued shares, or of recipients of bonus share allocations,

– this ceiling is the maximum overall ceiling represented by all capital increases that may be carried out under this delegation of authority together with those given by the nineteenth, twentieth and twenty-first resolutions below,

– the aggregate nominal value represented by any capital increases carried out under these resolutions shall be offset against the overall ceiling;

3. decides that the investment securities giving access to new ordinary shares in the Company thus issued may comprise debt securities, other securities issued together with this type of instrument, or allow the issue thereof as intermediate securities. In particular, these securities may be subordinated or unsubordinated, dated or undated, and may be denominated in euros, any foreign currency, or any other accounting unit based on a basket of currencies;

4. decides that the bonds giving access to new ordinary shares in the Company thus issued may bear interest at a fixed and/or variable rate or may involve the capitalization of interest, may be subject to redemption prior to maturity, with or without a premium, which may be amortized, and that the securities may also be the focus of share repurchases on the stock market or a tender or exchange offer by the Company;

5. decides that the aggregate nominal value of all debt securities that may be issued under this delegation of authority must not exceed ten million euros or the equivalent of this amount, with the understanding that:

– this ceiling is the maximum overall ceiling for the nominal value of all debt securities that may be issued under this delegation of authority together with debt securities that may be issued under the nineteenth, twentieth and twenty-first resolutions below,

– this ceiling is separate and distinct from the amount of debt securities and/or securities representing receivables that grant entitlement to debt instruments whose issue may be decided or authorized by the Board of Directors, in accordance with article L. 228-40 of the French Commercial Code;

6. decides, should the Board of Directors use the authority thus delegated, that:

– shareholders shall have preferential rights to subscribe, in proportion to the number of shares they hold and in respect of their pro rata entitlements, for ordinary shares and/or any other investment securities issued under this resolution,

– the Board of Directors shall also have the option to grant to shareholders a subscription right in respect of excess applications that may be reduced, to be exercised in proportion to their rights and based on their application,

– the Company may issue share subscription warrants by means of offers to subscribe for shares under the conditions specified above but also by means of the allocation of bonus shares to existing shareholders,

– in the event of the bonus allocation of standalone subscription warrants, the Board of Directors shall be entitled to decide whether or not fractional rights shall be negotiable and whether or not the corresponding securities may be sold,

– if subscriptions in respect of pro rata entitlements and, if applicable, subscriptions in respect of excess applications that may be reduced, do not absorb the entirety of an issue of ordinary shares or investment securities decided under this resolution, the Board of Directors may use, in the order it shall determine, any (or more than one) of the following options:

- limit the capital increase to the amount of subscriptions received, provided this represents at least three quarters of the issuance decided,
- freely allocate all or a portion of the unsubscribed securities,
- offer to the general public all or a portion of the unsubscribed securities on the French and/or international and/or any foreign market,

– the Board of Directors shall determine the terms and conditions, specific characteristics, and amount of any issuance and of the securities issued. In particular, it shall determine the type of securities to be issued and shall set, based on the information contained in its management report, their subscription price, with or without a premium, the procedures for paying up the securities, the date, possibly with retroactive effect, from which they shall have dividend rights, or the terms under which the investment securities issued under this resolution shall give access to ordinary shares in the Company, as well as the conditions under which recipients' entitlement to investment securities giving access to ordinary shares shall be temporarily suspended, pursuant to applicable legal provisions,

– decides that in the event that securities representing receivables that grant entitlement to the Company's share capital are issued, the Board of Directors shall decide whether these securities are subordinated or unsubordinated (and, where applicable, their subordination rank, in accordance with the provisions of article L. 228-97 of the French Commercial Code), and shall set their interest rate (particularly fixed, floating, zero-coupon or indexed interest), their duration (dated or undated) and other details relating to their issue and repayment or amortization; since the securities may be the focus of share repurchases on the stock market or a tender or exchange offer by the Company, the Board of Directors shall set the terms and conditions under which these securities will give access to the Company's share capital, and shall update the terms and conditions mentioned above over the duration of the securities concerned, in accordance with the applicable formalities;

7. decides that the Board of Directors shall have all powers, with the option to sub-delegate said powers as provided by law, to implement this delegation and in particular by executing any agreement for this purpose, especially in order to ensure the successful completion of any capital increase, to proceed with the issuances referenced above, on one or more occasions, in such amounts and at such times as it may deem fit, on the French market and/or, where applicable, any foreign market and/or the international market – and also, where appropriate, to suspend any issuance – to record the completion of each capital increase and amend the Company's by-laws accordingly, as well as to carry out any formalities, file any declarations, and obtain any authorizations found to be necessary for carrying out the issuances and ensuring their successful completion;

8. takes note that this delegation entails the automatic waiver by shareholders, in favor of the holders of investment securities issued, of their preferential rights to subscribe for the Company shares to which these investment securities may confer entitlement;

9. determines that this delegation of authority shall be valid for a period of twenty-six months as of the date of this Meeting and that it supersedes, where applicable in respect of the unused amounts, any prior delegation of authority having the same purpose.

NINETEENTH RESOLUTION

Delegation of authority to be given to the Board of Directors to increase the share capital by way of a public offering, without preferential subscription rights, of shares or investment securities giving access to the Company's share capital

The Shareholders' Meeting, which fulfills the quorum and majority requirements for Extraordinary Shareholders' Meetings, having examined the report of the Board of Directors and the special report of the Statutory Auditors, and pursuant to the provisions of the French Commercial Code, particularly articles L. 225-129-2 *et seq.,* L. 225-135, L. 225-136 and L. 228-92 *et seq.,* hereby:

1. delegates its authority to the Board of Directors to increase the Company's share capital, with the option to sub-delegate this authority as provided by law, on one or more occasions, in such amounts and at such times that it may deem fit, through the issue by way of a public offering, without preferential subscription rights for existing shareholders, on the French and/or any foreign market, whether denominated in euros, any foreign currency, or any other accounting unit based on a basket of currencies, of (i) ordinary shares in the Company as well as (ii) any other type of investment securities giving immediate and/or future access by any means to new ordinary shares in the Company, which may be subscribed for either in cash or by offsetting receivables;

2. decides that the maximum aggregate nominal value represented by all capital increases that may be carried out immediately or over time under this delegation of authority is set to ten million euros or the equivalent of this amount, with the understanding that (i) to this ceiling shall be added, where applicable, the aggregate nominal value of any additional shares to be issued, as provided by legislative and regulatory provisions and, where applicable, by contractual requirements providing for other cases of adjustment, to protect the rights of holders of investment securities giving access to the Company's share capital, of holders of options to subscribe for or purchase newly issued shares, or of recipients of bonus share allocations, (ii) this amount shall be offset against the overall ceiling set forth in section 2 of the eighteenth resolution;

3. decides that the investment securities giving access to new ordinary shares in the Company thus issued may comprise debt securities, other securities issued together with this type of instrument, or allow the issue thereof as intermediate securities. In particular, these securities may be subordinated or unsubordinated, dated or undated, and may be denominated in euros, any foreign currency, or any other accounting unit based on a basket of currencies;

4. decides that the maximum aggregate nominal value of securities representing receivables that grant entitlement to the Company's share capital must not exceed ten million euros or the equivalent of this amount, with the understanding that (i) this amount shall be offset against the overall ceiling set forth in section 5 of the eighteenth resolution, and that (ii) this ceiling is separate and distinct from the amount of debt securities and/or securities representing receivables that grant entitlement to debt instruments whose issue would be decided or authorized by the Board of Directors, in accordance with article L. 228-40 of the French Commercial Code;

5. decides to exclude the preferential rights of shareholders to subscribe for ordinary shares and/or securities to be issued on the basis of this delegation of authority, and to give the Board of Directors the power to grant a priority right to shareholders, in respect of their pro rata entitlements and/or in respect of excess applications that may be reduced, to subscribe for these securities pursuant to the provisions of article L. 225-135 of the French Commercial Code. If subscriptions, including where applicable those of existing shareholders, do not absorb the entirety of an issue of securities, the Board of Directors may limit the amount of the capital increase as provided by law;

6. takes note that this delegation of authority entails the waiver by shareholders of their preferential rights to subscribe for the ordinary shares in the Company to which the investment securities that would be issued under this delegation of authority may confer entitlement;

7. decides that the Board of Directors shall determine the terms and conditions, specific characteristics, and amount of any issuance and of the securities issued. In particular, it shall determine the type of securities to be issued and shall set, based on the information contained in its management report, their subscription price, with or without premium, the date, possibly with retroactive effect, from which they shall have dividend rights, as well as, where applicable, the period during which or the terms under which the investment securities issued under this resolution shall give access to new ordinary shares in the Company, in accordance with legislation in force, as well as the conditions under which recipients' entitlement to investment securities giving access to ordinary shares shall be temporarily suspended, pursuant to applicable legal provisions.

8. decides that, pursuant to article L. 225-136 of the French Commercial Code, the issue price of ordinary shares and investment securities shall be such that the amount immediately collected by the Company plus, where applicable, any amount that may be collected by the Company at a later date shall, for each ordinary share issued, be at least equal to the minimum amount provided by regulations in force at the time when this delegation of authority is used, i.e. as of the date of this Meeting and pursuant to the provisions of article R. 225-119 of the French Commercial Code, to the weighted average of the share price over the three trading days preceding its determination less, where applicable, a discount not to exceed 5%;

9. decides that in the event that securities representing receivables that grant entitlement to the Company's share capital are issued, the Board of Directors shall decide whether these securities are subordinated or unsubordinated (and, where applicable, their subordination rank, in accordance with the provisions of article L. 228-97 of the French Commercial Code), and shall set their interest rate (particularly fixed, floating, zero-coupon or indexed interest), their duration (dated or undated) and other details relating to their issue and repayment or amortization; since the securities may be the focus of share repurchases on the stock market or a tender or exchange offer by the Company, the Board of Directors shall set the terms and conditions under which these securities will give access to the Company's share capital, and shall update the terms and conditions mentioned above over the duration of the securities concerned, in accordance with the applicable formalities;

10. decides that the Board of Directors shall have all powers, with the option to sub-delegate said powers as provided by law, to implement this delegation and in particular by executing any agreement for this purpose, especially in order to ensure the successful completion of any capital increase, to proceed with the issuances referenced above, on one or more occasions, in such amounts and at such times as it may deem fit, on the French market and/or, where applicable, any foreign market and/or the international market – and also, where appropriate, to suspend any issuance – to record the completion of each capital increase and amend the Company's by-laws accordingly, as well as to carry out any formalities, file any declarations, and obtain any authorizations found to be necessary for carrying out the issuances and ensuring their successful completion;

11. determines that this authorization shall be valid for a period of twenty-six months as of the date of this Meeting and that it supersedes, where applicable in respect of the unused amounts, any prior delegation of authority having the same purpose.

TWENTIETH RESOLUTION

Delegation of authority to be given to the Board of Directors for the purpose of issuing, by way of an offering to the persons referred to in section II of article L. 411-2 of the French Monetary and Financial Code, shares and investment securities giving access to the Company's share capital, without preferential subscription rights

The Shareholders' Meeting, which fulfills the quorum and majority requirements for Extraordinary Shareholders' Meetings, having examined the report of the Board of Directors and the special report of the Statutory Auditors, and pursuant to the provisions of the French Commercial Code, particularly articles L. 225-129-2 *et seq.,* L. 225-129-4, L. 225-135, L. 225-136 and L. 228-92, and to article L. 411-2-II of the French Monetary and Financial Code, hereby:

1. delegates its authority to the Board of Directors to increase the Company's share capital, with the option to sub-delegate this authority as provided by law, on one or more occasions, in such amounts and at such times that it may deem fit, through the issue by way of one or more offerings provided for in section II of article L. 411-2 of the French Monetary and Financial Code, without preferential subscription rights for existing shareholders, on the French and/or any foreign market, whether denominated in euros, any foreign currency, or any other accounting unit based on a basket of currencies, of (i) ordinary shares in the Company as well as (ii) any other type of investment securities giving immediate and/or future access by any means to new ordinary shares in the Company, which may be subscribed for either in cash or by offsetting receivables;

2. decides that the aggregate nominal value represented by any capital increases that may be carried out, whether immediately or over time, under this resolution may not exceed either 20% of the share capital over a period of twelve months or ten million euros or the equivalent of this amount, with the understanding that (i) to this amount shall be added, where applicable, the aggregate nominal value of any additional shares to be issued, as provided by legislative and regulatory provisions and, where applicable, by contractual requirements providing for other cases of adjustment, to protect the rights of holders of investment securities giving access to the Company's share capital, of holders of options to subscribe for or purchase newly issued shares, or of recipients of bonus share allocations, and (ii) this amount shall be offset against the overall ceiling set forth in section 2 of the eighteenth resolution;

3. decides that the investment securities giving access to ordinary shares in the Company issued under this resolution may comprise debt securities, other securities issued together with this type of instrument, or allow the issue thereof as intermediate securities. In particular, these securities may be subordinated or unsubordinated, dated or undated, and may be denominated in euros, any foreign currency, or any other accounting unit based on a basket of currencies;

4. decides that the maximum aggregate nominal value of securities representing receivables that grant entitlement to the Company's share capital must not exceed ten million euros or the equivalent of this amount, with the understanding that (i) this amount shall be offset against the overall ceiling set forth in section 5 of of the eighteenth resolution, and that (ii) this ceiling is separate and distinct from the amount of debt securities and/or securities representing receivables that grant entitlement to debt instruments whose issue would be decided or authorized by the Board of Directors, in accordance with article L. 228-40 of the French Commercial Code;

5. decides to exclude the preferential rights of shareholders to subscribe for the ordinary shares and/or investment securities to be issued under this delegation of authority;

6. takes note that this delegation of authority entails the waiver by shareholders of their preferential rights to subscribe for the ordinary shares in the Company to which the investment securities that would be issued under this delegation of authority may confer entitlement;

7. decides that the Board of Directors shall determine the terms and conditions, specific characteristics, and amount of any issuance and of the securities issued. In particular, it shall determine the type of securities to be issued and shall set, based on the information contained in its management report, their subscription price, with or without premium, the date, possibly with retroactive effect, from which they shall have dividend rights, as well as, where applicable, the period during which or the terms under which the investment securities issued under this resolution shall give access to ordinary shares in the Company, in accordance with legislation in force, as well as the conditions under which recipients' entitlement to investment securities giving access to ordinary shares in the Company shall be temporarily suspended, pursuant to applicable legal provisions.

8. decides that, pursuant to article L. 225-136 of the French Commercial Code, the issue price of ordinary shares and investment securities shall be such that the amount immediately collected by the Company plus, where applicable, any amount that may be collected by the Company at a later date shall, for each ordinary share issued, be at least equal to the minimum amount provided by regulations in force at the time when this delegation of authority is used, i.e. as of the date of this Meeting and pursuant to the provisions of article R. 225-119 of the French Commercial Code, to the weighted average of the share price over the three trading days preceding its determination less, where applicable, a discount not to exceed 5%;

9. decides that in the event that securities representing receivables that grant entitlement to the Company's share capital are issued, the Board of Directors shall decide whether these securities are subordinated or unsubordinated (and, where applicable, their subordination rank, in accordance with the provisions of article L. 228-97 of the French Commercial Code), and shall set their interest rate (particularly fixed, floating, zero-coupon or indexed interest), their duration (dated or undated) and other details relating to their issue and repayment or amortization; since the securities may be the focus of share repurchases on the stock market or a tender or exchange offer by the Company, the Board of Directors shall set the terms and conditions under which these securities will give access to the Company's share capital, and shall update the terms and conditions mentioned above over the duration of the securities concerned, in accordance with the applicable formalities;

10. decides that the Board of Directors shall have all powers, with the option to sub-delegate said powers as provided by law, to implement this delegation and in particular by executing any agreement for this purpose, especially in order to ensure the successful completion of any capital increase, to proceed with the issuances referenced above, on one or more occasions, in such amounts and at such times as it may deem fit, on the French market and/or, where applicable, any foreign market and/or the international market – and also, where appropriate, to suspend any issuance – to record the completion of each capital increase and amend the Company's by-laws accordingly, as well as to carry out any formalities, file any declarations, and obtain any authorizations found to be necessary for carrying out the issuances and ensuring their successful completion;

11. determines that this delegation of authority shall be valid for a period of twenty-six months as of the date of this Meeting and that it supersedes, where applicable in respect of the unused portion, any prior delegation of authority having the same purpose.

TWENTY-FIRST RESOLUTION

Authorization to be given to the Board of Directors to raise the number of new shares to be issued in the event of a capital increase with or without preferential subscription rights

The Shareholders' Meeting, which fulfills the quorum and majority requirements for Extraordinary Shareholders' Meetings, having examined the report of the Board of Directors and the special report of the Statutory Auditors, and pursuant to the provisions of the French Commercial Code, in particular its articles L. 225-135-1 and R. 225-118, hereby:

1. authorizes the Board of Directors, should it use the delegations of authority given under of the eighteenth, nineteenth and twentieth resolutions above, to raise the number of new shares to be issued in connection with any increase in the Company's share capital, with or without preferential subscription rights, for a period of thirty days as of the closing date of the subscription period, in an amount not to exceed 15% of the amount originally issued, and at the same price as that applied for the original issue;

2. decides that this authorization shall not raise the maximum aggregate nominal value represented by capital increases that may be carried out, as determined individually under the eighteenth, nineteenth and twentieth resolutions. Consequently, the maximum aggregate nominal value represented by capital increases that may be carried out under this delegation of authority shall be offset against the ceiling for capital increases set for each delegation of authority given above by this Shareholders' Meeting;

3. grants the Board of Directors full powers to implement this delegation of authority in accordance with applicable legal and regulatory provisions;

4. determines that this delegation of authority shall be valid for a period of twenty-six months as of the date of this Shareholders' Meeting and that it supersedes, where applicable in respect of the unused portion, any prior delegation of authority having the same purpose.

TWENTY-SECOND RESOLUTION

Delegation of authority to be given to the Board of Directors to increase the share capital through the capitalization of share premiums, reserves or earnings

The Shareholders' Meeting, which fulfills the quorum and majority requirements provided for in article L. 225-98 of the French Commercial Code, having examined the report of the Board of Directors and pursuant to the provisions of the French Commercial Code, particularly articles L. 225-129-2, L. 225-129-4 and L. 225-130, hereby:

1. delegates its authority to the Board of Directors to increase the Company's share capital, with the option to sub-delegate this authority as provided by law, on one or more occasions, in such amounts and at such times that it may deem fit, through the successive or simultaneous capitalization of share premiums, reserves, earnings, or any other items as permitted by law and the by-laws, in the form of the allocation of bonus shares or an increase in the par value of existing shares, or by way of a combination of these two methods;

2. decides that the aggregate nominal value represented by any capital increases that may be carried out under this delegation of authority may not exceed ten million euros, with the understanding that to this ceiling shall be added, where applicable, the aggregate nominal value of any additional shares to be issued, as provided by legislative and regulatory provisions and, where applicable, by contractual requirements providing for other cases of adjustment, to protect the rights of holders of investment securities giving access to the Company's share capital, of holders of options to subscribe for or purchase newly issued shares, or of recipients of bonus share allocations. The ceiling specified under this delegation of authority is separate and distinct from the overall ceiling set forth in section 2 of the eighteenth resolution;

3. decides, should the Board of Directors use this delegation of authority, pursuant to the provisions of article L. 225-130 of the French Commercial Code, that in the event of a capital increase in the form of an allocation of bonus shares, fractional rights shall be neither negotiable nor transferable, and that the corresponding shares shall be sold, with the resulting proceeds to be allocated among the holders of these rights within the period stipulated by applicable regulations;

4. decides that the Board of Directors shall have all powers, with the option to sub-delegate these powers to any other person authorized by law, to implement this delegation of authority, and generally, to take any action and complete all formalities required for the successful completion of each capital increase, to record its completion, and amend the by-laws accordingly;

5. determines that this delegation of authority shall be valid for a period of twenty-six months as of the date of this Meeting and that it supersedes, where applicable in respect of the unused amounts, any prior delegation of authority having the same purpose.

TWENTY-THIRD RESOLUTION

Powers to carry out all necessary formalities

The Shareholders' Meeting grants full powers to the bearer of an original, copy or extract of the minutes of this Meeting to carry out all legal or administrative formalities and to make all filings and publish all notices required by applicable laws.

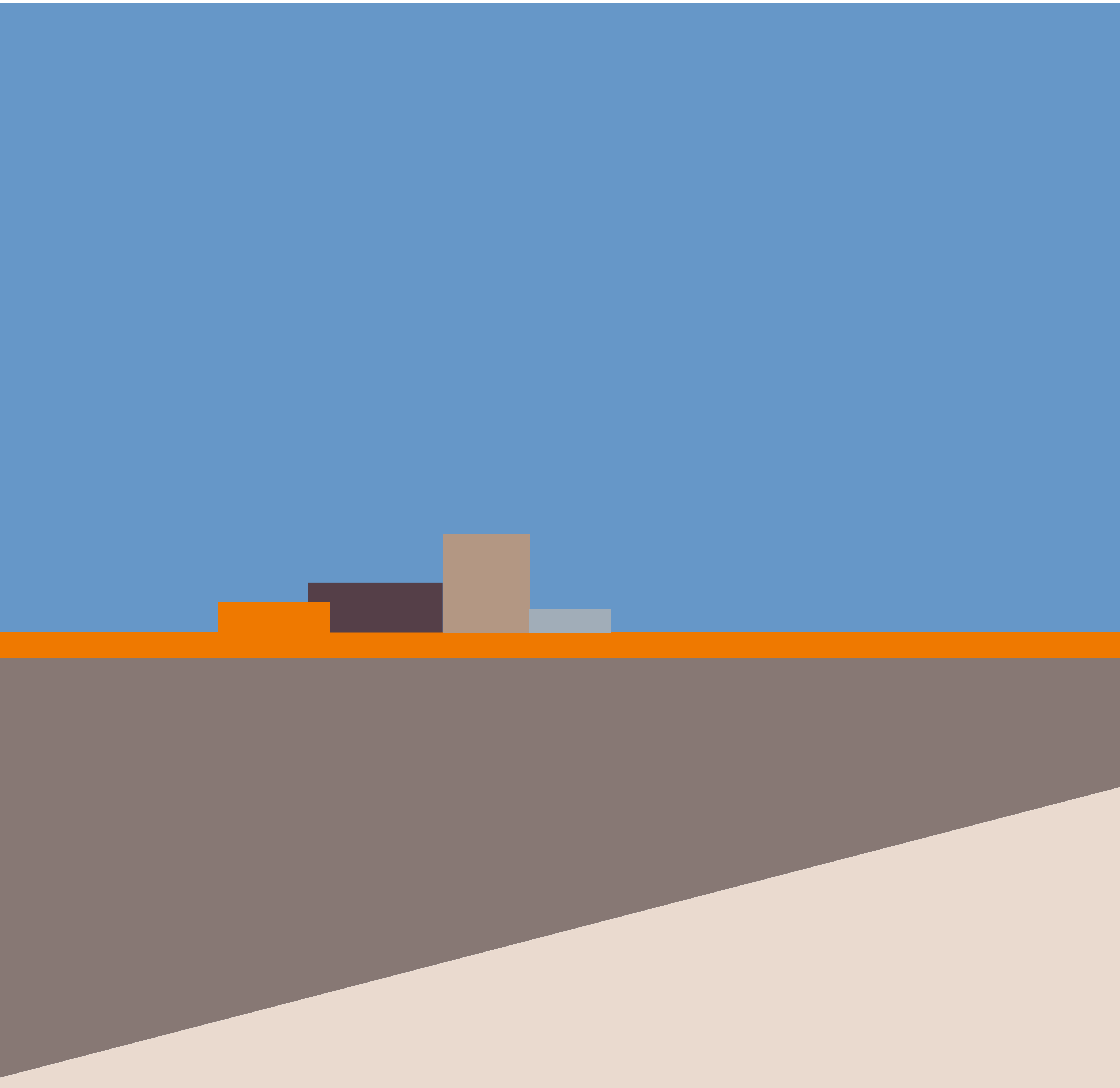
Certification of Annual Financial Report

I hereby declare that to the best of my knowledge the accounts and statements presented herewith have been drawn up in full compliance with all applicable accounting standards and provide an accurate view of the assets, financial situation and profits of the Company and the consolidated companies, and that the business report included in pages 1 to 75 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 3, 2017

Hervé Le Bouc
Chairman and Chief Executive Officer

DESIGN AND PRODUCTION
havas Paris



WE OPEN THE WAY

7, place René-Clair
92653 Boulogne-Billancourt Cedex – France
Tel.: +33 1 47 61 75 00 – Fax: +33 1 47 61 76 00
www.colas.com

Colas Group

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