ANNUAL REPORT 2018

Shareholders' Meeting of April 17, 2019

COLAS

WE OPEN THE WAY

Contents

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BOARD OF DIRECTORS

AS OF APRIL 17, 2019 (1)

DIRECTORS

Hervé Le Bouc
Chairman and Chief Executive Officer

Olivier Bouygues
Director

Martine Gavelle (2)
Director

Colette Lewiner (2)
Director

Philippe Marien
Permanent Representative of Bouygues

Catherine Ronge (2)
Director

Olivier Roussat
Director

AUDITORS

KPMG Audit IS SAS
Statutory Auditor

Mazars
Statutory Auditor

KPMG Audit ID SAS
Substitute

Thierry Colin
Substitute

NON-VOTING DIRECTOR

Arnauld Van Eeckhout

(1) Subject to the approval by the Shareholders' Meeting of April 17, 2019.
(2) Independent Director.

MANAGEMENT REPORT

Management report

1. THE YEAR 2018

The key figures for fiscal year 2018 are as follows:

In millions of euros	2017	2018	Change 2018/2017
Consolidated key figures	11,705	13,190	+13%
of which France	*6,104*	*6,460*	*+6%*
of which International	*5,601*	*6,730*	*+20%*
Current operating income	362	359	-€3M
Current operating profit margin	*3.1%*	*2.7%*	*-0.4 pt*
Operating income	357 (1)	328 (2)	-€29M
Consolidated net profit attributable to the Group	328	226	-€102M
Net cash flow	675	665	-€10M
Free cash flow (3)	320	377	+€57M
Net financial surplus/(debt)	433	(517)	-€950M

(1) Of which non-current expenses of €5M relating to preliminary work on the decommissioning of the Dunkirk site.
(2) Of which non-current expenses of €31M relating mainly to the dismantling of the Dunkirk site and the exceptional purchasing power bonus in France.
(3) Free cash flow: 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.

In 2018, Colas posted revenue of 13.2 billion euros, up 13% compared to last year (+5% at constant scope and exchange rates), an increase that reflects growing business, driven by the acquisition of Miller McAsphalt in Canada and good headway in the road segment in Mainland France and Europe. Revenue was up 6% in France and 20% internationally (+5% at constant scope and exchange rates).

With 6,730 million euros, or 51% of the total, the international units exceeded France (6,460 million euros, i.e. 49% of the total) for the first time ever.

Revenue for the Roads segment amounted to 11.2 billion euros in 2018, up 16% compared to 2017 (+7% at constant scope and exchange rates):

- revenue in mainland France rose by 10%, in line with market growth. Growth is strong in the Ile-de-France, Hauts-de-France, Grand Est and Auvergne-Rhône-Alpes regions;
- revenue in North America was up 32% following the integration of Miller McAsphalt in Canada effective March 1, 2018; revenue was down 1% at constant scope and exchange rates, mainly due to inclement weather and strained markets in some states and provinces;
- revenue in Europe (excluding France) increased by 15% (+14% at constant scope and exchange rates). Revenue was up in both the British Isles (+16%) and Continental Europe (+14% and +13% at constant scope and exchange rates), where activity is boosted by Hungary, the Czech Republic and Belgium;
- in the Rest of the World (International, excluding Europe and North America), revenue was up 4% (+8% at constant scope and exchange rates). The situation is contrasted between Oceania, where growth reached 14% (+20% at constant scope and exchange rates), Overseas France and the Indian Ocean, up 12% (+14% at constant scope and exchange rate), and Africa, where revenue fell by 15% (-13% at constant scope and exchange rates).

Revenues from Railways and other Specialized Activities amounted to 2 billion euros in 2018, down 2% compared to 2017 (-5% at constant scope and exchange rates). Railways recorded a slump (-3% and -9% at constant scope and exchange rates) due to a decline in revenue in France, especially in the wake of strikes at SNCF that negatively impacted railway works and freight, while Railway activity enjoyed growth internationally. Networks recorded a decrease in business (-14%); Waterproofing was stable and the Safety and Signaling segment made headway (+5%).

Current operating income amounted to 359 million euros in 2018, compared with 362 million euros in 2017, a slight decrease of 3 million euros. Current operating margin stands at 2.7% in 2018 compared to 3.1% in 2017:

- the Roads business generated current operating income of 387 million euros, up 46 million euros from 2017 (341 million euros) and a current operating margin of 3.5%, stable compared to 2017. The improvement in current operating income in Mainland France and the contribution of Miller McAsphalt were mitigated by a lower performance of North America in its historical scope, in particular due to inclement weather on the east coast of the United States and strained markets in some states and provinces;
- current operating income from Railways and other Specialized Activities amounted to (37) million euros, compared to 12 million euros in 2017, a decrease of 49 million euros. This decrease is primarily due to Colas Rail's difficulties in France, while the international units have improved current profitability. Smac (Waterproofing) and Spac (Networks) also lagged behind 2017.

In 2018, non-recurring operating expenses amounted to 31 million euros, mainly related to the dismantling of the Dunkirk site and the exceptional purchase power bonus in France, compared to 5 million euros in 2017 related to the work prior to the dismantling of the Dunkirk site.

As a result, operating income in 2018 amounted to 328 million euros, compared with 357 million in 2017, a decrease of 29 million euros.

As a result, operating income in 2018 amounted to 328 million euros, compared to 357 million in 2017, a decrease of 29 million euros.

The cost of financial debt increased by 17 million euros to 31 million euros following the acquisitions of Miller McAsphalt and Alpiq's railway activities.

2018 tax expense amounted to 96 million euros compared with 75 million euros in 2017, an increase of 21 million euros. 2017 tax expense benefited from the partial resolution of a dispute with tax authorities in Canada.

The share of income from joint ventures and associates amounted to 28 million euros in 2018 compared to 61 million euros in 2017. The decrease of 33 million euros is mainly due to a drop in the contribution of Tipco Asphalt, in the wake of crude oil supply difficulties at the beginning of the year.

Finally, net profit attributable to the Group totaled 226 million euros in 2018 compared to 328 million euros in 2017, down 102 million euros.

Net cash flow amounted to 665 million euros, down by 10 million euros compared to 2017 (675 million euros). Free cash flow improved by 57 million euros, to 377 million euros against 320 million euros in 2017.

Net cash allocated to fixed assets for operations decreased by 43 million euros to 300 million euros in 2018 against 343 million euros in 2017. While gross capital expenditure increased by 19 million euros to 462 million euros in 2018 against 443 million euros in 2017, disposals increased by 86 million euros to 174 million euros in 2018 compared to 88 million euros in 2017. Disposals in 2018 included the Colas Rail sale and leaseback of 67 locomotives in France and the United Kingdom.

2018 was a record year for net cash allocated to financial assets, with a total of 720 million euros compared to 79 million euros in 2017. The two main transactions of the year are the acquisition by Colas Canada of the Miller McAsphalt group for 555 million euros and Colas Rail's acquisition of Alpiq Engineering Services' rail activities for 118 million euros.

Shareholders' equity remained stable at 2.8 billion euros as of December 31, 2018; net financial debt at the end of December 2018 was 517 million euros compared to net financial surplus at 433 million euros at the end of December 2017.

2. BUSINESS ACTIVITIES

Present in more than 50 countries across five continents via 800 construction business units and 2,000 material production units, Colas is a leader in the construction and maintenance of transport infrastructure. The Group's mission is to promote infrastructure solutions for sustainable mobility.

Colas works in every field of transport infrastructure construction and maintenance in the Roads segment, which includes road construction and sales of construction materials, accounting for 85% of the Group's revenue, and Railways and other Specialized Activities (Waterproofing, Road Safety and Signaling, Networks).

Colas integrates the production and recycling activities involved in most of these businesses, backed by an international network of quarries, emulsion plants, asphalt plants, ready-mix concrete plants, one bitumen refinery, and industrial units that produce waterproofing membranes and road safety equipment.

Every year, Colas performs some 85,000 projects worldwide, the majority of which involve its recurrent local business.

The breakdown of revenue by business segment is as follows:

In millions of euros	2017	2018	Change 2018/2017	Change at constant scope and exchange rates
Roads Mainland France	4,304	4,731	+10%	+10%
Roads Europe	1,603	1,840	+15%	+14%
Road North America	2,525	3,340	+32%	-1%
Roads Rest of the World	1,216	1,266	+4%	+8%
Total Roads	**9,648**	**11,177**	**+16%**	**+7%**
Railways and other Specialized Activities	**2,037**	**1,989**	**-2%**	**-5%**
Parent	**20**	**24**	**ns**	**ns**
Total	**11,705**	**13,190**	**+13%**	**+5%**

2.1. Roads

Roads are the Group's main business activity, with revenue totaling 11.2 billion euros in 2018, compared to 9.7 billion euros in 2017, up 16% (+7% at constant scope and exchange rates). Roads account for 85% of the total revenue.

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

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

Each year, via 52,000 projects worldwide, Colas builds and maintains roads and highways, and also works on airfield runways and aprons, seaports, industrial sites, logistics and commercial premises, city streets and urban development (pedestrian walkways, city squares), reserved-lane public transport (tramways, metros, bus rapid transit), 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 new construction and renovation projects in the Paris region and the Indian Ocean and Oceania, where this is often an indispensable addition to road work, and the demolition and deconstruction of existing buildings in France.

The Group's road construction and maintenance business covers a very large number of smaller projects, as well as projects of greater size and complexity.

These projects can be carried out in the form of complex contracts such as concessions, P3 (public-private partnership), PFI (Private Finance Initiative) and ASC (Asset Support Contract), for example:

— the P3 of the Nîmes and Montpellier railway bypass or the P3 of the L2 bypass in Marseille;
— Portsmouth's PFI and long-term ASC contracts for the management and maintenance of road and motorway networks in the United Kingdom;
— the P3 at Iqaluit International Airport in Nunavut, Canada;
— the concession of Antananarivo and Nosy Be airports in Madagascar.

In connection with such projects, Colas sometimes acquires stakes, mostly minority, in concession companies for highway and airport motorway infrastructure, urban roadways, and public transport.

Colas Projects, an entity dedicated to managing major projects, provides subsidiaries with expertise in studies and construction. In 2018, Colas Projects won a contract, in a consortium with Group subsidiaries, for a tramway project in Liège, Belgium and an airfield project on runway 3 at the Paris-Orly airport in France. Colas Projects also participated in the construction of Bus Rapid Transit networks in Lens, France and in the construction and upgrading of runways for Antananarivo and Nosy Be airports in Madagascar.

The road construction and maintenance business reported revenue of 9.1 billion euros in 2018, representing 69% of the Group's total revenue.

— **the production and recycling of construction materials (aggregates, emulsions and binders, asphalt mixes, ready-mix concrete, bitumen) and distribution of 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 475 operating quarries and gravel pits (86 in joint ventures), 150 emulsion and binder plants, 589 asphalt plants, 206 ready-mix concrete plants and one bitumen production plant. In 2018, the Group sold 101 million metric tons of aggregates, 2.6 million metric tons of emulsions and binders, 44 million metric tons of asphalt mix, 3.0 million m^3 of ready-mix concrete and produced 730,000 metric tons of bitumen. Colas also has 2.8 billion metric tons of authorized aggregate reserves [(1)] (equivalent to 28 years of sales to third parties), as well as 1.8 billion additional metric tons of potential reserves [(2)].

Backed by 79 bitumen storage terminals, Colas is a major player in bitumen distribution, in particular in Asia, Australia, and North America.

Sales of construction materials to third parties accounted for revenue of 2.1 billion euros in 2018, i.e., 16% of total Group revenue.

2.1.1. Roads in Mainland France

(revenue in 2018: 4.731 billion euros)

In Mainland France, the Group operates in the Roads sector via six regional Colas subsidiaries, 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 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, Equiom, HeidelbergCement, and Vicat, and a regional or local network of aggregate producers, which in some cases also work in construction.

In Mainland France, Roads generated 4.731 billion euros in revenue in 2018, up 10% from 2017.

Despite numerous disruptions (bad weather, rising bitumen prices and supply difficulties, strikes and social movements, etc.), the subsidiaries performed well, in line with market growth.

Municipalities continued to launch new projects, including tramways (in Angers, Saint-Etienne, Sophia Antipolis, etc.) and Bus Rapid Transit networks (in Cannes, Saint-Brieuc, etc.). Business was also boosted by the French Motorway plan and the Grand Paris projects (metro line 16, tramway T4). In addition, there is a slight recovery in private investment. Diversification of the subsidiaries' business segments (work for private individuals under the Colas & Vous brand, pollution clean up, trading in construction products, recycling and disposal of construction waste) also bolstered business. The increase was enjoyed throughout all the regional subsidiaries. The igneous aggregates and trading business of LafargeHolcim Granulats Ouest was acquired in July. Finally, under the Premys brand, Colas consolidated its deconstruction activities in France, in order to improve the Group's visibility with its customers.

(1) 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.

(2) 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.

A total of 33,000 projects were performed by the road subsidiaries in Mainland France in 2018. Among the most significant projects completed or in progress in 2018: the completion of the central median of a 70-km section of Highway A10 in Deux-Sèvres, the widening of a 15-km section of Highway A6 at Auxerre and a section of Highway A41 North near Annecy, the construction of a new section of Highway A304 in Champagne-Ardennes, the repaving sections of Highway A36 at Mulhouse; the extension of the port of Calais; the reinforcement of the runway at Figari-Sud-Corse Airport; the construction and extension of tramways lines in Caen, Bordeaux, Saint-Etienne, Lyon; the construction of Bus Rapid Transit networks in Aix-en-Provence, Lens, Pau; in the Greater Paris area, as part of the Grand Paris project, the construction or extension of the T12 Express, T4 and Metro line 16.

2.1.2. Roads in Europe

(revenue in 2018: 1.840 billion euros)

Colas does road work in both the British Isles (United Kingdom and Ireland) and Continental Europe (Belgium, Denmark, Iceland, Switzerland, and in Central Europe, mainly Croatia, Hungary, Poland, the Czech Republic, Slovakia, Romania).

In most European countries where Colas operates, the Group enjoys a leading position in the road market. Its main competitors in these countries are national companies or subsidiaries of major international groups (construction, cement, materials producers).

The Roads business in Europe generated revenue totaling 1.840 billion euros in 2018, up 15% (+14% at constant scope and exchange rates) compared to 2017.

BRITISH ISLES

In the British Isles, revenue for 2018 totaled 436 million euros, up 16% from 2017 (+17% at constant scope and exchange rates).

In the **United Kingdom,** business is up despite a highly competitive market, boosted by the many investment plans launched by the UK government. An adaptation plan was rolled out to better fit with market requirements, strengthen operational performance and continue to develop business in large projects. The integration of Allied Infrastructure Management Ltd, which specializes in maintenance and airport services, is being conducted under satisfactory conditions. Work on multiannual maintenance contracts for the ASC on road and motorway networks of Areas 4 and 12 is continuing.

In **Ireland,** the economic environment is favorable and business at the subsidiaries increased in every sector (bitumen, emulsions, asphalt, road works). Colas Ireland benefits from the continuation of the first ASC contract in partnership with Colas Ltd and a greater upstream integration of its activity (quarries, asphalt plants, works). Work is under way on the 2x3-lane upgrading and widening project on a section of Motorway M7 in a consortium with SIAC Construction Ltd.

CONTINENTAL EUROPE

In Continental Europe, revenue amounted to 1.404 billion euros in 2018, up 14% compared to 2017 (+13% at constant scope and exchange rates). Business benefitted from major road and motorway projects financed by European funds under the 2017-2020 plan in Central Europe.

In **Hungary,** major road and motorway projects (Motorway M30, M25 South expressway, Motorway M70) are in progress and the construction of the Hódmezővásárhely Bypass on Route 47 has been completed. Private projects, such as the construction of the Continental plant in Debrecen and work on roads and main services for the extension of the Mercedes plant in Kecskemét, have boosted business. The launch of a building project management business with Colas-Bayer went well. Business was very good in the production and sale of aggregates. In **Slovakia,** where large public projects are scarce, the building activity in the east of the country is developing, for example with the construction of a residential building in Kosice. Work on roads and networks for the new Jaguar-Land Rover plant in Nitra has been completed. In the **Czech Republic,** widening and reinforcement of two sections of the D1 Motorway were completed and the project to build a section of the D48 motorway is under way. Conventional business was good and the production and sale of aggregates was buoyant. In **Poland,** activity is high both in the production of aggregates and in the production and supply of asphalt, on subcontracting for large projects. A new emulsion plant was commissioned in Warsaw. In **Romania,** where activity is focused on the production and sale of building materials, the year was satisfactory despite ongoing political tensions in the country. A new asphalt plant was opened in Arad. In **Croatia,** the market is down. In **Slovenia**, the works activity is stable. In **Austria,** the products business is stable.

In **Belgium,** in a market that remains tense, business is on the rise. The P3 for the design, financing, construction and maintenance of the first tramway line in Liège was won by the Tram'Ardent consortium, comprising Colas Projects, Colas Belgium, Colas Rail Belgium, CAF and DIF. The widening and reinforcing of Highway A7 has been completed. In **Denmark,** traditional business is down. In Iceland**,** the subsidiary benefited from a high level of activity. The extension of the bitumen depot at the port of Hafnarfjörđur is under way. Business is stable in **Switzerland.** Development work around the CEVA Geneva-Champel station is under way.

2.1.3. Roads in North America

(revenue in 2018: 3.340 billion euros)

In North America, the Group primarily operates in 16 states in the United States and in all the provinces and territories across Canada. In addition to the construction and maintenance of infrastructure, business in the United States includes a hefty industrial component (aggregates, asphalt, ready-mix concrete) including bitumen storage and, in Canada, a large bitumen distribution business.

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

The Roads segment in North America posted revenue of 3.340 billion euros in 2018, up 32% from 2017 (-1% at constant scope and exchange rates).

In the **United States,** federal investment plans are complemented by state funding initiatives. Activity was strongly impacted by inclement weather conditions, particularly on the East Coast, and tense market conditions in some states. Revenue was up by a slight 1% at constant scope and exchange rates compared to 2017; this includes rising prices for petroleum products, particularly bitumen. SERB, specialized in road works and material production, was acquired in Alaska and ASA in Missouri.

In **Canada,** against a slight economic slowdown after a year of recovery, the market is practically stable and highly competitive. The level of activity in road construction varies across the provinces, up for example in Quebec and British Columbia, stable in Ontario, down in Alberta and Saskatchewan. The bitumen distribution business benefited from a favorable market in the eastern part of the country (Ontario and Quebec) and more difficult in the West. Colas Canada's revenue is up sharply from 2017 (+89%), boosted by the major contribution of roadworks company Miller and the bitumen distributor McAsphalt. The acquisition of these two companies, completed on February 28, 2018, allows Colas Canada to expand its geographic coverage by strengthening its foothold in Ontario and significantly increasing its bitumen storage and distribution capacity across Canada. The integration of Miller McAsphalt is going well.

Highlights of significant projects completed or under way in North America in 2018 include:

— in the United States: redesigning an interchange including the construction of a bridge on Interstate I75 in Georgia; construction of a water treatment plant on a former mine in Cambria County, Pennsylvania; reconstruction of Cincinnati Dayton Road in Butler County, Ohio; repaving County Road 46 in Cheyenne County, Nebraska; widening of Route 395 at Kramer Junction in San Bernardino County, California; widening of the Seward Highway between Dimond Boulevard and Dowling Road in Anchorage and reconstruction of runways at Galena Airport in Alaska;

— in Canada: widening of a section of Highway 404 and the extension of Highway 407 East in the Toronto area, Ontario; completion of the Southwest Ring Road and widening of 17th Avenue Southeast including a Bus Rapid Transit network in Calgary, Alberta; carrying out road marking work under a five-year contract, renewable for two years, in British Columbia.

2.1.4. Roads in the Rest of the World

(revenue in 2018: 1.266 billion euros)

Throughout the Rest of the World, the Group operates:

— in all of France's Overseas Departments and Regions (Martinique, Guadeloupe, French Guiana, Mayotte, Reunion Island) and in the Indian Ocean (Madagascar, the Comoros, Mauritius);

— in Africa (mainly Morocco, western and southern Africa) and in the Middle East (United Arab Emirates, Oman, Qatar);

— in Asia, Australia and New Caledonia: in Asia, the production, storage, transformation, distribution and sale of petroleum products are the Group's main business via its Thai subsidiary Tipco Asphalt (Colas holds a 31% stake), backed by a network comprising one bitumen production plant in Kemaman, Malaysia, coupled with 37 emulsion plants, 23 bitumen storage units and 9 dedicated bitumen tankers. 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 does business in the Rest of the World, 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 2018, the Roads business in the Rest of the World accounted for revenue of 1.266 billion euros, up 4% from 2017 (+8% at constant scope and exchange rates), a trend that reflects dissimilar situations.

FRENCH OVERSEAS DEPARTMENTS AND REGIONS, AND INDIAN OCEAN

In the French Overseas Departments and Regions, and in the Indian Ocean, revenue in 2018 totaled 562 million euros, up 12% from 2017 (+14% with constant scope and exchange rates).

In the **Caribbean – French Guiana** zone, where weather was unfavorable, and the economic and social environment remained difficult, the market is still down. Activity in Martinique continues to be impacted by the sharp drop in maintenance budgets and structuring investments since the creation of a single *collectivité*. Guadeloupe benefits from investments by the *département* and the *région*, social housing projects and the private sector. In French Guiana, the call for bids on the Cayenne Bus Rapid Transit P3 project was launched. In **Reunion Island,** in a difficult economic and social context at the end of the year linked to the French "yellow vests" social movement, and in a building and public works market that remains tense, the traditional public works, civil engineering and building business (hospitals, social housing, commercial space) is stable. Work on the dike construction project for the major Nouvelle Route du Littoral causeway is ongoing. In **Mayotte,** against a backdrop of strong social unrest, business was stable.

In **Madagascar,** business was up sharply, boosted by the construction and repairs of runways at Antananarivo and Nosy Be airports as part of a concession, and by private building projects. In **Mauritius,** in a booming market in this post-election year, business was driven by public investment in maintenance works and new road projects. The building materials business benefited from the start-up of several major infrastructure projects (first metro line, sports complex for the 2019 Indian Ocean Games, etc.) and sustained investment in residential real estate.

Significant projects completed or under way in 2018, other than those already mentioned, include: civil works for the extension of a bagasse/biomass plant and earthworks for the construction of dikes for the Grand Port Maritime in Guadeloupe; earthworks, roads and main networks for an eco-neighborhood in French Guiana; the construction of two shopping centers in Sainte-Marie and Saint-Joseph, a 222-unit housing complex in Sainte-Marie, the construction of the Rivière des Galets Bridge and a structure over the La Plaine ravine in Reunion; public lighting of the city of Mamoudzou in Mayotte; repair of sections of Route RN5, the construction of an earth dam on a mining site in Madagascar; the construction of an engineering structure and roads in Pont-Fer and the urban development of the Cape Tamarin smart city in Mauritius.

AFRICA AND MIDDLE EAST

In Africa and the Middle East, revenue amounted to 319 million euros in 2018, down 15% from 2017 (-13% at constant scope and exchange rates).

In **Morocco,** where the market is highly competitive, the subsidiary maintained its market share and continued to develop its industrial network (crushing, emulsion and bitumen). The urban development project related to the extension of the T2 line of the Rabat-Salé tramway is under way as well as the doubling of Route RN1 in the Great South.

In **West and Central Africa,** the level of business varies from country to country. The project to widen and reinforce the Route du Nord on a 120-km section between Bouaké and Ferkessédougou in **Côte d'Ivoire** has been launched. Activity in **Benin** and **Togo** is dormant. In **Gabon,** work involving the upgrading and widening of National Highway 1 at the exit of Libreville was completed and the maintenance contract for roads in Libreville financed by UK Export Finance (UKEF) got off to a start. In **Guinea-Conakry,** a major contract for a mining client involving earthworks, civil engineering and rail infrastructure is being completed.

In **Southern and Eastern Africa,** activity, which is mainly industrial, is down sharply, impacted in particular by a difficult political and economic environment in **South Africa.** The construction of the Hoima Airport in Uganda, carried out in partnership and funded by UK Export Finance (UKEF), has started. The South African company Dust-A-Side (Colas holds a 50% stake), which specializes in the maintenance of mining site access roads, is continuing to expand internationally (Zambia, Namibia, Ghana, Mozambique, Morocco, Chile, Australia).

In the **Middle East** (**United Arab Emirates, Oman** and **Qatar**), in a particularly difficult political and economic environment (embargo on Qatar, US sanctions against Iran), activity is down sharply. The first experimental Wattway project in Dubai illustrates the innovation drive of the Group's subsidiaries. It should be noted that these subsidiaries are consolidated using the equity method, and therefore do not contribute to consolidated revenue.

ASIA, AUSTRALIA AND NEW CALEDONIA

In Asia, Australia and New Caledonia, revenue amounted to 385 million euros, up 14% (+20% at constant scope and exchange rates) compared to 2017. As a reminder, the Thai subsidiary Tipco Asphalt (in which Colas holds 31%) and the Indian subsidiary Hincol (in which Colas holds 50%) are consolidated using the equity method, and therefore do not contribute to consolidated revenue.

In **Asia,** despite crude oil supply difficulties at the Kemaman refinery in Malaysia in the first half of the year, business at the Thai subsidiary Tipco Asphalt was up. With two new joint ventures in Laos and the Philippines, Tipco Asphalt now operates in ten countries. In India, in a market boosted by the increase in infrastructure budgets within the frame of the "Bharatmala" federal plan, Hincol had a good year, and now has an additional plant in the state of Assam, as well as a new bitumen depot on the east coast. In South Korea, the Isco joint venture had a good year and is continuing to expand in recycled mixes.

In **Australia,** in a favorable economic environment, business at the industries and road works subsidiaries was strong, and revenue is up sharply. The road construction company Topcoat Asphalt Contractors was acquired in South Australia.

In **New Caledonia,** in a difficult economic environment, the road subsidiary maintained its level of activity thanks to the completion of the bus lane project in Noumea and major earthworks and asphalt projects. The building activity saw the delivery of the construction site of the Nouville private clinic.

Among the significant projects completed or under way in 2018 in Asia, Australia, New Caledonia, other than those already mentioned: the 2×2 lanes of a 26-km section of a national road in Surin Province, Thailand; the production and application of asphalt mix and surface dressings for the Toowoomba bypass project in Queensland, Australia; repaving on a section of the Expressway in New Caledonia.

2.2. Railways and other Specialized Activities

Railways and other Specialized Activities posted revenue of 2.0 billion euros in 2018, down 2% (-5% at constant scope and exchange rates) compared to 2017. Combined, these activities represent 15% of the Group's total revenue.

2.2.1. Railways

(revenue in 2018: 911 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) with 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, Italy, Switzerland, Poland, the Czech Republic, Romania, Serbia, Chile, Egypt, Algeria, Tunisia, Morocco, Guinea, Vietnam, and Indonesia.

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, Babcock, VolkerWessels, Vinci, Skanska, BAM, and Ferrovial.

In 2018, Colas Rail recorded revenue of 911 million euros, a slight 3% decrease from 2017 (-9% at constant scope and exchange rates), and nearly two-thirds of business was performed outside of France.

In France, business was down, mainly because of the consequences of strikes at French Rail operator SNCF on railway works and freight. The metro and tramway business benefited from the completion of several projects (extension of metro lines 14 in Paris, 2 in Rennes, tram lines C and D in Bordeaux, T4 in the Paris region), making it possible to offset the drop in activity related to the end of the fast track renewal contract. Colas won several metro (line 15 South-East sector of Grand Paris Express) and tramways contracts (T9 between Paris and Orly-ville, line B in Angers).

In the United Kingdom, in a rail market that remains on an upward trend, the subsidiary recorded a high level of activity, even if it is slightly lower than in 2017, with the completion of the renewal of equipment for Network Rail (switch & crossings) and ongoing work on the Birmingham Midland Metro Alliance tramway extension project. Lundy Projects, which specializes in catenaries, joined Colas Rail UK as part of the acquisition of Alpiq Engineering Services' rail operations on July 31, 2018.

In the Rest of the World, revenue was down slightly, excluding the integration of newly acquired subsidiaries. In the Middle East Africa (MEA) zone, the drop in business linked to the completion of Morocco's Tangiers-Kenitra high-speed line – Africa's first high-speed train line – was partially offset by the completion of Line 3 of the Cairo Metro, Egypt, and a rail system for access to a bauxite mine in Guinea-Conakry. Activity in South America decreased, linked to the shutdown of Los Teques and Caracas metro projects in Venezuela and the completion of the construction of Line 3 of the Santiago de Chile metro. In Asia, business is up sharply with the continuation of construction work on Line 3 of the Hanoi Metro in Vietnam and the launch of the Jabodebeck LRT project in Jakarta, Indonesia. In continental Europe, business is stable in Belgium, where at the end of the year, the Tram'Ardent consortium, of which Colas Rail Belgium is a member, won a P3 for the design, financing, construction and maintenance of Liège's first tramway line. Activity is up in Poland and Serbia. As part of the acquisition of Alpiq Engineering Services' railway activities on July 31, three railway units specialized in catenaries joined Colas Rail in Continental Europe: Kummler Matter in Switzerland, Elektroline in the Czech Republic and Alpiq Enertrans Spa in Italy.

2.2.2. Waterproofing

(revenue in 2018: 561 million euros)

The Waterproofing business, performed by Smac and its subsidiaries, includes:

— the production and marketing of waterproofing membranes (22.4 million m^2 produced in 2018) in France and internationally (in more than 70 countries), and lighting and smoke extraction equipment, and the installation and maintenance of servo-controls;

— the performance, in France mainly but also in Morocco, in Chile and in Peru, of waterproofing work on buildings, engineering structures, parking lots, and building envelopes (roofing, siding, cladding and acoustics, for offices, industrial facilities, auditoriums, museums) along with road works and mastic asphalt street level construction.

Thanks to advanced research and development capacities and its engineering and design offices, Smac is able to take on high-tech projects for which its expertise is recognized. It is one of the major players in its market, and its main competitor is Soprema.

In 2018, Smac posted revenue of 561 million euros, stable compared to 2017, in a French building market that is recovering. Revenue from the sales of waterproofing membranes was impacted by the rise in the price of raw materials.

Among the significant projects of the year, we can cite in particular: the envelope of the Grand Hall of the Parc des Expositions of Toulouse; the cladding of the Promenade de Flandre shopping center in Neuville-en-Ferrain; the completion of roofing works and awnings for a terminal at the airport of Santiago of Chile.

2.2.3. Road Safety & Signaling

(revenue in 2018: 318 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), road paints and marking products, signs, as well as 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 2018, in markets that seem to be stabilizing but remain highly competitive due to production overcapacity for the Works and Services segments and for industrial segments (painting, signage), Aximum posted revenue at 318 million euros, a 5% increase from 2017. Business was up for Works and Services and stable for Industries. Aximum participates in large complex contracts (P3), performing the maintenance, operation, and renewal on guardrail systems and safety equipment on the Troissereux bypass for a period of 22 years.

Significant projects of the year included moving stationary speed radars in the south of France.

2.2.4. Networks

(revenue in 2018: 199 million euros)

The Networks business (Spac and its subsidiaries) involves the installation and maintenance of 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.

The business is mainly performed in France and continues to expand internationally, with the support of local Colas subsidiaries.

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 199 million euros in 2018, down 14% compared to 2017, which had benefitted from strong business in major natural gas pipeline laying projects.

Significant projects for the year include the completion of the laying of two natural gas pipelines for the Gascogne Midi Reinforcement (RGM) and for the Val-de-Saône artery; the land lines for France-England electrical links; launch of work on a new propane gas storage station in Ajaccio; the laying of water pipes in Gabon and Guinea-Conakry; pipeline works for the transport of hydrocarbons in Jorf Lasfar, Morocco.

3. INNOVATION, DEVELOPMENT, RESEARCH

Created in 2017, Colas' Foresight, Development and Research Department federates teams that contribute to the development of infrastructure solutions and techniques to promote sustainable mobility.

In order to better imagine and design these solutions and techniques, it is first necessary to better understand and analyze the expectations of stakeholders. The ecosystems in which Colas operates are studied by the Marketing Department in all their economic, cultural and human dimensions. Knowledge and analysis of user practices is a primary source of information. Similarly, the Institutional Department is able to study the expectations of institutional investors, be they politicians, major private actors, employers' unions, state agencies, non-governmental organizations or associations, which allows to better define the means and the technologies needed to carry out projects.

The Innovation Department plays a role in accelerating transformations. Its goal is to create products and service technologies for traditional solutions, or breakthroughs with traditional proposals, adding a differentiating effect at the core of the Group's offers. Its mission is also to invent solutions for internal Group processes, for example to improve the working and safety conditions of workers, while increasing operating performance.

The Technical, Research & Development Department ensures the transition from concept to creation and development of products, techniques and solutions for infrastructure that promote sustainable mobility. In association with the Group's regional laboratories located throughout the Colas business units worldwide, teams work at the Colas Campus for Science and Techniques, in Magny-les-Hameaux, near Paris.

In addition to its usage analysis activities, the Marketing Department contributes to a more in-depth knowledge of the environments, enabling faster implementation of the solutions brought by the Group's Campus for Science and Techniques and regional laboratories, and making for a better fit with customer expectations.

Finally, due to the increasing complexity of the solutions to be developed, a "Go to market" department has been created: Colas' new technology incubator, the Mobilities Development Department, promotes these cutting-edge solutions, which will enter the acceleration phase, with a special focus on digital solutions, before being integrated into operational units or dedicated business units.

The governance of these departments is ensured by the Colas Innovation Board (CIB), chaired by the Group's Chairman and Chief Executive Officer and headed by the Deputy Managing Director in charge of Foresight, Development and Research.

The CIB validates the innovation and research paths, ensures the contribution of the field entities, monitors development and measures the progress of the assigned objectives.

Colas brings the vision of an infrastructure fully integrated with usage and mobility, and based on the "4 S" base: Safe, Sustainable, Smart and Shared.

Six paths for innovation, development and research have been defined:

3.1. Zero risk, zero accidents

Controlling the risk generated by work, industrial and logistics activities is a priority for Colas. The goal is to build solutions that help ensure a better control of these risks. Colas thus participates in working groups organized on the theme in professional organizations, such as, in France, the Health/Safety prevention committees of Routes de France or the National Federation of Public Works. Colas is also working on the development of innovative solutions to better prevent workplace accidents.

In the United States, the virtual reality solution developed with Caterpillar allows Colas to immerse the employee in a virtual risk environment to better understand the rules and prevention solutions, and accelerate the acquisition of good reflexes.

To better prevent the onset of musculoskeletal disorders, Colas has finalized, in a partnership with the startup RB3D, the development of an innovative tool to assist workers laying materials by hand. It is called Exopush, an exoskeleton, currently being rolled out on Colas sites. This cobot constitutes a technological brick of the augmented worker, who will be able to use digital technologies to better organize his/her work and the quality follow-up of tasks, while preserving his/her health thanks to efforts divided by 5.

The Yellow trailer project, developed by the Aximum subsidiary, greatly improves the safety of employees working on expressways by quickly identifying vehicles that accidentally enter work zones.

Finally, Colas and Volvo have started a partnership, called "safety bubble", aiming at the development of a technology designed to prevent the intrusion of an employee or a third party into the risk zone around construction machinery. The target is to lower the risk impact of man/machine co-activity when working on a mechanized construction site.

3.2. Sustainability and costs

The work carried out in France under the Mobility Orientation Law (LOM) and the growing need for infrastructure at the global level have pointed to the need to develop frugal infrastructure solutions.

Controlling the overall cost of infrastructure is indeed an issue for the future. Colas, a specialist in emulsion techniques, has pioneered the development of these environmentally friendly techniques, especially when they avoid excessive heating of aggregates.

In order to make the surfacing technique even more efficient, experts at Colas have developed the Colfibre method including a reinforcement in the binder layer. This innovation has made it possible to improve the durability of surface dressings, in particular on slightly damaged substrates, thus optimizing maintenance operations on secondary road networks.

Quick in, quick out maintenance techniques, such as Ecomac or Compomac, are recognized to help ensure rapid emergency interventions on rural roads and city streets.

Auscultation techniques for roadways and railways, developed in particular by Nouvelles Technologies, a subsidiary of Aximum, also contribute to better management of road assets.

One of Colas' targets is to offer optimized infrastructure that is low-cost, maintenance-free, safe and sustainable, thanks to the development of sensors and the analysis of collected data.

3.3. New uses of space

The Smart Road is a cornerstone in the development of new neighborhoods and new mobilities. Roads and streets must be thought of in terms of use and durability from the design phase.

Colas has been a forerunner in the development of these concepts, as far as infrastructures are concerned. The first photovoltaic road surface Wattway was presented by Colas in 2015, during COP21. This innovation prefigures a range of innovative technologies, which will make the road not only a place of passage but also a place of sharing: sharing energy production, sharing space, sharing mobility. The Wattway experiment is conducted both in France and internationally on trial sites installed in different weather and geographical configurations, under different traffic conditions and for various uses. These tests have led Colas to improve the slab structure to make it stronger, more adherent, more efficient.

The Flowell solution is based on Wattway technology. Encapsulated in the same road surfacing complex, LEDs replace photovoltaic cells. With this innovative technique of dynamic luminous marking, roads and streets become places of exchange. Many usage-based configurations are possible: modularity of parking places, securing crosswalks, temporal or differentiated lane assignments.

3.4. Environmental and societal footprint

With Colsoft, Colas was among the first road companies to give a sustainable dimension to its products. The acoustic performance of this wearing course was unmatched. Since then, Nanosoft, tested in particular on the Parisian ring road, has gone on to further reduced noise pollution. Then, with Rugosoft, Colas improved the mechanical strength of these products under intense traffic. These developments were the basis of the Cool & Low Noise Asphalt solutions implemented in Paris in 2018 as part of a European research program. The rise in nightime temperatures in dense urban areas has led decision-makers to launch competitions to control the so-called effects of Urban Heat Island (ICU). The Colas Campus for Science and Techniques has designed a mix able to retain water to participate in the temperature drop while reducing noise, creating sound traps within the wearing course. Colas' expertise is once again highlighted through this experiment.

Among the many other solutions developed by Colas to reduce environmental and societal footprints are: Smart Roof paint solutions, developed by Aximum to reduce the Albedo effect; light colored surfacing to improve readability and aesthetics of roadways, for example in Qatar; plant-based fluxes, Vegeflux and Ekoflux, after the binder Vegecol (Colas was a precursor in the use of low carbon binders); the range of 3E mixes, produced and implemented at lower temperatures, thus reducing carbon emissions, while improving the working conditions of teams during laying.

Colas' green chemistry laboratory, which brings together engineers and researchers, is continuing to work to find new solutions.

At the same time, studies are being conducted to improve the acceptability of the construction phase. The ViaMuse solution has been tested to help smooth traffic flows during special events around the "Seine Musicale" auditorium in Paris. This solution ensures a cross-functional approach between all the actors of a building site using a digital platform which helps organize the flow of supplies and truck traffic around the building site, as well as guide users. The acceptability of construction sites is a key issue. This is particularly the case in the Paris region, with the Grand Paris projects and the Olympic Games in 2024.

3.5. Digital transformation

Economic frugality and the environment go hand in hand with a simple response to users and operational efficiency. Colas' ambition is to capitalize not only on techniques, but on how they are used, to make them more modular and responsible.

Thanks to information and data, sensor technologies, auscultation, as well as service integration platforms such as Moov'Hub, which will soon be implemented by Paris Saclay, meet these challenges. The goal is to enable infrastructure managers to anticipate and then make the right investment and management decisions. The Anaïs solution proposed by Colas provides a real-time analysis of the behavior of vehicles and thus identifies accident-prone zones caused by infrastructure. Through the analysis of user data, this project aims to provide targeted, economical solutions to road safety issues.

Information technology, shared mobility, and data collected by uses foreshadow the future solutions of autonomous movement and clean energy. The mastery of these technologies is essential for the construction of the 5th generation of roads needed to ensure the mobility of the future.

3.6. Operational effectiveness

Transport infrastructures are transforming, thus participating in the development of new forms of mobility: this is the concept of "Roads as a Service". Already today, roads "host" networks for communication, for transporting energy and water, all essential for everyday life. Tomorrow, infrastructure will guide self-driving vehicles, allow for the cohabitation between modes of soft transport and public transport, adapt to the diversity of the users as a function of time. This complexity is only possible if there is complete control of the chain and life cycle of the techniques put in place.

In addition to operational and technical excellence in its traditional activities, Colas is developing engineering, control and analysis solutions for the future.

Thus, Colas is a major player in Infrastructure BIM, particularly through its active participation in MINnD. This expertise was recognized in 2018 by a Golden BIM award won by Colas BIM teams for an infrastructure project, involving the deconstruction and pollution clean up on a refinery in Dunkirk. Cross-functional work is undertaken by the BIM teams in the field, under the leadership of the Department of Digital Construction.

Digital sharing and "build before building" solutions are the cornerstones of operational excellence needed for today's complex systems. Stakeholders' demands lead to better process control. Actions undertaken during work on asphalt plants of the future or quarries of the future, such as controlling the heating of aggregates, increasing the recycled material content, and controlling delivery logistics, must allow us to better respond to these issues.

4. NON-FINANCIAL PERFORMANCE STATEMENT 2018

4.1. Business model

In a world undergoing major demographic and geographic upheaval, the need for transportation infrastructure has both grown and changed. To respond to these challenges, Colas needs to transform and adapt.

Building infrastructure entails implementing a maintenance system to ensure that infrastructure's long-term viability. In the case of road and rail infrastructure, maintenance and transformation of existing structures account for around 90% of the market and involves minor works (around 140,000 euros on average). Handling this ongoing work requires a network of local teams able to carry out these thousands of small-scale projects.

Furthermore, in order to be sustainable, a company must offer its employees and future recruits satisfactory working conditions, particularly as attracting talent has become a key issue for the public works sector. These days, fostering a sense of belonging at a company means embodying core values such as ethics, safety and respect for human rights.

In light of these two points, Colas has developed a business model based on the following principles:

- conducting its business activities by means of long-term, local operations on a human scale all over the world;
- taking a decentralized approach that lets its business units adapt to local conditions (technical, human resources, weather-related, etc.);
- allowing its business units and their clients to benefit from the pooled expertise of a major Group.

To optimize this business model, Colas draws on three additional points:

1. It is necessary to be able to carry out major new-build projects, mostly relying on the network of long-standing business units. Colas Projects was created with this in mind, allowing for technical and organizational advances in major projects that can then continue to enhance the network. There are also countries where major works are possible but where a long-standing presence is not feasible.
2. In order to offer clients and users the best possible transportation conditions, it is essential to have an overarching vision and control of the upstream value chain by producing a large proportion of construction materials (aggregates, asphalt mix, modified bitumen, etc.). This allows for the development of innovative techniques, control of impacts (carbon footprint assessment, for example) and offering the client economies of scale that also constitute a key factor in competitiveness.
3. Optimizing Colas' local presence may lead to taking on related work that it makes sense to handle at this level (building, civil engineering, networks, environment, etc.).

The construction and maintenance of mobility infrastructure is connected to environmental issues. Transportation and the related linear infrastructure meet an essential human need, but they also pose an environmental problem relating to the transition to new energy sources and environmental concerns such as the climate impact of combustion engines, resource use, ecosystem fragmentation and land development. Colas is aware of these issues and is taking action to change its activities accordingly. To this end, it draws on its business model of adapting to local conditions and its ability as a major group to pool improvements and come up with breakthrough innovations.

With all this in mind, Colas has set itself a mission to design, promote and perform transportation infrastructure solutions. Its ambition is to be the reference company in this field.

This explains the nature of its activities, as Colas' competitive universe consists of a number of aspects and a variety of parties are involved. As a world market leader in the public works sector, Colas competes with major French and European companies (such as Eurovia and CRH) when bidding for public tenders in Mainland France, Overseas France and internationally. Colas is also aware of the threat from companies in fast-growing emerging markets such as Turkey, China and Brazil, which it is having to compete with, particularly in developing parts of the world. Lastly, in new markets such as sustainable cities, we are seeing attempts to "uberize" the public works sector and the arrival of potential new competitors such as Alphabet, Cisco and Orange, which are using digital technology to position themselves as a driving force behind the transformation of cities, living conditions and transportation.

4.2. Main CSR challenges

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 expectations and contradictions 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 overall CSR policy implemented across the Group and adapted to the specificities of each entity is guided by several key priorities, based on the concept of risk management. For each of the Group's priorities, a policy of continuous progress has been established and is coordinated at every level of the organization. In most cases, global performance indicators and goals have been specified. This approach seeks to foster a deep and lasting culture of continuous improvement in the field, across the 800 (1) construction business units and 2,000 (1) materials production units listed in the non-financial reporting software.

(1) *These figures do not take account of information concerning the Miller McAsphalt group.*

4.3. CSR challenges – policies – action plans – key indicators

4.3.1. Human capital

Colas implements its human resources policy across all regions where it operates according to local legislation and its specific requirements. As part of its 2017-2020 Human Resources strategy, the areas developed to exercise its social responsibility are based on three priorities in addition to one essential commitment, that of health and safety (detailed in Section 2 of this report):

— **attract** new talent by surrounding itself with men and women who reflect the plurality of civil society (diversity in terms of culture, ethnicity, age, gender, initial training, etc.); preventing discrimination; implementing dynamic recruitment policies for future employees, work-based training students and interns; and championing equal treatment and equal promotion opportunities for men and women.

— **retain** employees by implementing actions favoring quality of life in the workplace, ensuring a good work/life balance, offering appropriate compensation and employee benefits, and creating the right conditions for dialogue between employees and management.

— **develop** employees' skills in order to enhance their expertise and give them more responsibility, make them more employable and also enable Colas to improve its financial performance and anticipate changes in its activities.

4.3.1.1. ATTRACTING TALENT

Public works are traditionally a less attractive business sector than others that faces difficulties with recruiting staff regardless of the job on offer and the skills required. In the light of this observation, which relates primarily to mistrust of the trades involved and the industry's lackluster image, Colas has adopted an active policy to respond to this challenge and attract future talent.

4.3.1.1.1. A dynamic strategy

In France, where the upturn in activity was confirmed in 2018, particularly in the Paris region with the Le Grand Paris Express projects, recruitment should be able to respond to needs relating to carrying out construction projects and the implementation of all functional and operational projects. The Human Resources department endeavors to make Colas more attractive and diversify its sources of recruitment in order to benefit from a greater variety of backgrounds in a highly competitive climate.

The Group's ability to attract new staff is clearly also bolstered by its fourth-place showing in the 2018 ranking of the best construction and civil engineering employers compiled by the data provider Statista for the magazine Capital as well as the positive opinions posted on business rating sites (Glassdoor, Indeed, Viadeo), reflecting its employees' pride in working for Colas.

Colas' recruitment strategy is supported in particular by its many partnerships with schools, which help build strong relationships with students, resulting in offers for internships, work-study positions, and ultimately full-time jobs.

In 2018, Colas took on a total of 2,600 interns across its Mainland France entities, 172 of whom were subsequently hired. Of the 138 interns in the final year of their studies, 42% were hired to full-time positions. Furthermore, the number of students on work-based training programs has increased significantly (by 100 people).

In 2018, alongside its commitment to developing its relationships with engineering schools, university technology institutes and other two-year higher education programs in civil engineering, as well as institutions like Centre d'Egletons, a French civil engineering training school, Colas introduced or continued various initiatives to promote its employer brand, such as: an ambassador program in partner institutions with a focus on diversity; the Golden Roads contest, for which interns contribute films they have made about their experience at Colas; the Colas Clubs Spring Challenge, an innovative competition showcasing the creativity of student members of performing arts clubs from different schools.

Colas sponsored the 2018 class at EATP, EFIA TP and CFC TP Egletons, named "Alain Dupont" (the name of the Colas CEO from 1983 to 2007), within the framework of awarding degrees to 461 students from different training programs.

The November schools forum held at the new Paris head office and the virtual forum that followed were both a resounding success.

In addition, the subsidiaries regularly hold site visits and get involved at schools in their local area. In 2018, Colas Centre-Ouest signed a partnership agreement with IUT Saint-Nazaire, sponsoring the 2018-2019 class for the "Public works project management" professional diploma and initiated the principle of a meeting with INSA Rennes students during which they were told about the Wattway project, its challenges and outlets. Colas Sud-Ouest met with all engineering schools within its area of activity, offering practice interviews with future graduates, Colas staff lecturers at schools, as well as an Insathlon with the INSA Toulouse student council (speed job dating, business conferences, etc.). A co-opting program named "Wanted" was launched in September at Colas Nord-Est following the resounding success of the program initiated at Colas Ile-de-France Normandie in 2017. It has now been rolled out across all subsidiaries in Mainland France.

A variety of approaches and initiatives are also implemented at the Group's International entities to recruit candidates for positions: social networks, local agencies, websites, employee referrals, partnerships with schools, etc. As is the case in France, these subsidiaries continue to build ties with schools, primarily through partnerships within the geographic area they cover. In Africa, partnerships have been established with different schools such as Institut Med VI in Morocco, UCAC ICAM in Cameroon and USTM in Gabon. Colas Maroc attended the Forum Horizon, Mena Careers and Afric Talents employment forums in order to improve its local image and attract people from the African diaspora. In Europe, most countries take part in student fairs and benefit from partnerships with schools and universities. Colas UK has reinforced its apprenticeship policy, setting itself the target of hiring 5% of its staff on apprenticeship contracts by 2020. The UK subsidiary has launched a specific campaign targeting women, sponsoring events via the Women in Engineering network, including site visits and meetings with management.

As of December 31, 2018, the Colas Group had 57,997 employees.

Name of indicator	Scope	2017	2018
Workforce by geographic location [(1)] (number)	World		
Total France	(Mainland + Overseas)	33,683	33,702
Total International		21,496	24,295
– Europe (excluding France)		8,971	9,084
– Indian Ocean/Africa/Middle East		6,563	6,353
– North America [(2)]		4,900	7,683
– Asia/Pacific (including New Caledonia)		715	765
– Central America/South America		347	410
Total		**55,179**	**57,997**

(1) Workforce as of December 31, which corresponds to all individuals working under an employment contract of any type for 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.
(2) Including Miller McAsphalt employees.

As of December 31, 2018, Colas' global workforce was up 5% with respect to 2017.

The most significant increase was in North America (up 57%), mainly due to the acquisition of the Miller McAsphalt group in Canada.

In France, the number of employees has remained relatively stable, with the following changes: up 1.8% at Mainland France road construction subsidiaries (which make up 71.4% of the workforce in Mainland France); down 0.8% for Overseas France; down 5.4% at Specialized Activities subsidiaries.

The workforce is comprised of 56% workers; 26% office staff, technicians, and supervisors; and 18% managers.

Internationally, the workforce grew substantially (up 13%):
— the Group had 9,084 employees in Europe (excluding France) – making it the largest region in the International scope – and staff levels in this region remained stable, however there were fairly significant disparities between regions: up 15% in Hungary, up 13% in Poland, up 4% in Belgium, down 8% in Denmark, down 6% in the United Kingdom and down 5% in the Czech Republic;
— in the Indian Ocean/Africa/Middle East region, the number of employees remained stable but with major contrasts between countries: increase of 45% in Ivory Coast, 23% in Mauritius, 7% in Madagascar, and a fall of 67% in Algeria and 40% in Benin;
— in North America, as mentioned above, there was a sharp increase in the number of employees (up 57%). The number of employees in Canada saw a near three-fold increase (up 2,845 employees as of end-December 2018). In the United States, workforce levels remained stable, but with significant changes throughout the year due to seasonal business fluctuations;
— in the Asia/Pacific and Central America/South America regions, the number of employees accounts for 5% of the international scope. For road and building activities, the most significant increases are in Peru and Chile.

Name of indicator	Scope	2017	2018
External recruiting by status (number)	World		
Total France	(Mainland + Overseas)	4,080	4,173
– Managers		611	671
– Office staff, technicians and supervisors		978	1,227
– Workers		2,491	2,275
International (1) (including New Caledonia)	International	13,517	18,137
– Managers		2,780	3,082
– Workers		10,737	15,055
Total		**17,597**	**22,310**

(1) 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), including Miller McAsphalt employees.

Name of indicator	Scope	2017	2018
Leavers (by reason for leaving) (number)			
Number of leavers in France (under permanent contracts) (1)	France (Mainland + Overseas)	3,140	3,538
– Redundancies (all reasons)		1,372	1,508
– Mutually agreed terminations		379	399
– Resignations		807	958
– Other (retirement, death, termination at end of trial period)		582	673
Number of leavers outside France (2) (including New Caledonia)	International	13,813	15,152
Number of departures (all reasons and all statuses)	World	**17,547**	**19,313**

(1) In France, the total number of employees under permanent contracts who left over the year is recognized.
(2) Outside France, the total number of employees who left over the year is recognized, regardless of the nature of the employment contract or relationship ("permanent" or "seasonal" employee), including the employees of Miller McAsphalt.

The number of new hires by the Colas Group grew strongly, up 25% year on year.

The increase was less significant in France (up 2%), relating primarily to international hires and more specifically the population of workers.

Outside France, in addition to the acquisition of the Miller McAsphalt group with over 2,700 employees at the end of December 2018, the volume of recruitment of workers rose significantly between 2017 and 2018 (up 40%), representing the hiring of over 4,000 people. In North America, Africa and Asia, hiring levels vary very widely, mainly due to seasonal factors.

By geographic region, movements in hiring were as follows:
— in North America, hiring levels were up significantly relative to 2017, for both managers and workers;
— in Europe, hiring levels were up significantly in central European countries and especially in Hungary and Poland;
— in Africa, in Ivory Coast, the launch of new contracts – particularly San Pedro and the Route du Nord – is accompanied by a sharp increase in recruitment;
— in the Indian Ocean region, in Madagascar, there is also an increase in recruitment due to the RN 5 construction project as well as strong growth in construction activity. The same effect can be seen in Mauritius due to the high level of general activity as a result of the launch of the A1/M1 Pont-Fer project.

Employer brand

This year, Colas obtained Top Employers 2018 certification. This certification consists of five stages and includes in particular an independent audit and analysis of several hundred managerial and HR practices.

Recognizing the importance of brand awareness in boosting its appeal as an employer, in addition to the Colas Careers Hub (www.hubcarrierecolas.com) and the Group's Careers website, Colas has continued to develop its digital communications strategy and initiated an in-depth review to improve the recruitment experience for job applicants, from the online application process to follow-up actions in the talent pool.

In 2018, backed by its strong social media presence, Colas continued its three major employee advocacy programs, rolled out around the world, thus increasing employee social engagement to help promote its employer brand and job offers on professional networking sites:

— Follow-Me, a program providing individualized support on LinkedIn for managers in France and abroad;
— Roadshows, a program of workshops to encourage business unit managers and members of management committees at subsidiaries to share their brand messages on professional networking sites. 2018 was the opportunity to extend roadshow training to all employees with access to the Colas Campus platform in the form of two video e-learning modules intended to develop personal branding on LinkedIn, the world's largest professional social network;
— Buzz Club, a platform to share content about Colas, particularly via mobile devices, open to staff in support functions and recent graduates, in order to facilitate employee referrals.

The Textkernel app makes it possible for applications to be submitted in less than one minute from a desktop PC, mobile phone or tablet. The applicant conversion rate – which measures the number of applicants submitting a CV after viewing a job offer – saw a more than three-fold increase for a sample recruitment campaign between 2017 and 2018.

Colas also initiated a partnership with Yaggo, a job application platform that lets companies respond to applicants online, ensuring a 100% response rate to applications received while also establishing an individualized relationship in terms of both the form of response and keeping track of applicants with potential.

Lastly, in order to strengthen its employer brand, Colas has launched an innovative major advertising campaign, "My job story", based on employee commitment. On the basis of video testimonies presenting jobs at all entities, both in France and abroad, this campaign has been developed by and for the Group's employees, who are invited to share funny or moving anecdotes in interview format, filmed locally using smartphones, and then adjusted to the campaign format by an advertising agency. These testimonies are to be published on social media as they are created over a six-month period from September 2018 to March 2019, but will be passed on primarily by employees themselves. All the videos made (from September to December 2018) will paint a stroke-by-stroke picture of what Colas is all about in terms of diversity and social connection, and allow it to communicate its employer brand to potential applicants while also helping to maintain pride in belonging to the company.

Outside France, Colas has made itself more visible and stepped up its communications via LinkedIn Worldwide agreements and more intense use of social media. In January 2018, Colas UK had its Gold level "Investors in people" accreditation extended.

A second "Colas & You" perception survey took place from September 17 to October 11, 2018. This concerned around 46,000 Group employees (26,220 technical/management/supervisory staff worldwide and more than 20,000 workers in France, including Overseas France). It comprised 90 questions and was translated into six languages. The response rate was 59% for managers and 33% for workers. The overall satisfaction rate for the full set of issues was 72%, thus remaining stable compared with the survey conducted in 2015. It reveals a high level of pride in belonging to the Colas Group. As regards France (Mainland and Overseas), the survey concerned more than 34,000 employees of all statuses and the response rate was over 44%.

Depending on each subsidiary's results, specific and local action plans will be rolled out in 2019.

Another survey (Satin approach) to measure stress, health and well-being at work was rolled out again in 2018. This anonymous questionnaire is a prevention tool (see 4.3.2 "Health and safety").

4.3.1.1.2. Diversity policy and preventing discrimination

Today, the company has to reflect the plurality of civil society. Taking account of the wide variety of backgrounds in terms of culture, ethnicity, religion, age, education/training, means of consumption, etc., Colas adapts itself to this reality and factors it into its HR practices.

Colas continued with its Diversity policy action plan in 2018 with a number of awareness-raising initiatives:

— presentation of the Diversity policy to the Management Committee during manager training programs or meetings of business unit managers at subsidiaries;
— four National Diversity Committee meetings in 2018;
— article in each edition of the E-HR e-newsletter (three editions in 2018 sent out to over 30,000 employees worldwide in French and English);
— a message in the in-house magazine Routes, which is distributed to Colas Group employees.

Name of indicator	Scope	2017	2018
Workforce by age bracket [(1)] (as %)	World		
< 25 years old		5.7	6.4
25-34 years old		22.0	21.5
35-44 years old		27.0	26.5
45-54 years old		29.4	28.6
55 years old and up		15.9	17

(1) All types of contract (permanent, temporary, seasonal); figures including Miller McAsphalt group employees.

The distribution of ages across the Group is fairly even worldwide, comparable to 2017 levels.

Measures to promote gender equality

The diversity policy implemented by Colas' Executive Management is structured around three objectives:

— attracting more women, which means benefiting from a larger number of female applicants for jobs on offer: in France, 18 pairs of ambassadors, comprising a man and a woman have been identified. After undergoing training, they are invited to speak at forums or during events at schools to tell people about Colas, what it does and career opportunities for both women and men. Relations with schools have also been rethought to target more women, now supporting an increasing number of cultural and artistic associations. Lastly, the partnership agreement signed in 2017 with the "Elles Bougent" non-profit has helped Colas boost awareness among women across France and encourage girls in middle school and high school to consider pursuing scientific and technical career paths;

— hiring more women in all business lines: with this aim, internal recruiters and partners – namely temporary employment agencies and recruitment firms – are making sure to put forward applications from both genders for all jobs, particularly in supervisory roles;

— retaining talented women and supporting their career development: the Group has introduced support measures for women. In 2018, 35 female employees were offered depending on their job level and requirements either a leadership development training course (Leadership au féminin) or a year of mentoring with a Colas manager, either male or female. Given the positive feedback received, these two programs will run again in 2019.

In addition, in late 2017, Colas launched a dedicated and "mixed" social network (open to men) called WE. One of the key aims of this network is to improve diversity, in particular by working on the representation of women in the Group to strengthen gender equality. This allows members to discuss and share ideas.

A Steering Committee has been set up to initiate action plans in the areas of combating sexism, breaking down gender stereotypes and creating a more favorable environment for women to flourish professionally (suitable workwear, dedicated locker rooms, etc.). Its role is to support the 840 members of the WE network worldwide.

In order to bolster this approach, a landmark agreement to enhance diversity and improve professional equality between men and women was signed for France in June 2018 (see conditions of dialogue with employee representatives and past agreements).

In September 2018, Colas Afrique's HR team took part in the second annual Women In Africa (WIA) summit on the theme of "Looking at Africa with confidence, believing in its talents". A number of issues were discussed, such as the place of women in business or even the importance of education for the development of women.

In Europe, the Group's subsidiaries ensure that equality between men and women is respected and apply a proactive policy, particularly in terms of recruitment. In certain countries such as the United Kingdom and Denmark, specific statements from management have been drawn up with precise long-term targets. A training program on this topic has been developed and is offered to all employees at Colas UK.

Name of indicator	Scope	2017	2018
Workforce by gender [(1)] (as %)	World		
Women		10.4	10.8
Men		89.6	89.2

(1) All types of contract (permanent, temporary, seasonal); figures including Miller McAsphalt group employees.

The percentage of women in the workforce rose slightly (up 0.4 points).

Name of indicator	Scope	2017	2018
Representation of women in the Group [1] (as %)	World [1]		
– Female office staff, technicians and supervisors (as % of total office staff, technicians and supervisors)		21.9	21.9
– Female workers (as % of total workers)		1.7	2.5
Female managers (as % of total managers) [2]		10	11.6

(1) All types of contract (permanent, temporary, seasonal); figures including Miller McAsphalt group employees.
(2) Number of women managers relative to the total number of managers.
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 (chef de service).
Outside France, the "Female managers" category is defined as members of a local management body (the body that makes strategic decisions, such as an Executive Committee).

The percentage of female workers increased by nearly 1 point in 2018. This increase was mainly the result of efforts made by subsidiaries in North America.

The percentage of female managers rose slightly, with the most significant increase in the number of female managers taking place outside France, up from 13% in 2017 to 15% in 2018. In France, the percentage rose by 1 point: 9% in 2018, up from 8% in 2017.

Preventing discrimination

In France, the principle of non-discrimination was reaffirmed in the negotiation of agreements on diversity and gender equality, resulting in the signing of an agreement in June 2018. The importance of non-discrimination is regularly reaffirmed by way of presentations as part of the Colas University training programs, delivered to managers at various stages of their professional development within the Group. Under the new legal requirements concerning the obligation to provide non-discrimination training, a specific training program was launched and completed by around 80 Group recruiters (in six sessions across Mainland France). The program will be adapted into an e-learning module in order to reach a wider audience.

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

Subsidiaries in Europe made further progress in promoting diversity and equal opportunity. In the United Kingdom, Ireland, Switzerland and Denmark in particular, specific statements and management charters on this issue have been drawn up in addition to the Colas Group's charters. In Ireland, a specific chapter is planned in the new HR manual "Dignity and respect for all". In Belgium, specific measures concerning employees aged over 45 have been implemented at profit centers. In the United Kingdom, Colas UK takes a proactive approach (specific certification for the construction sector), and is involved in studies into diversity in recruitment. Diversity is encouraged by initiatives organized with associations for ex-prisoners, ex-military, disabled people, outplacement agencies, etc. In Switzerland, a system for reporting discrimination guaranteeing anonymity has been set up.

In North America, 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. 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.

Measures to employ and promote the social integration of people with disabilities

In France, as part of its Disability policy, Colas recruits disabled workers and also raises employee awareness about the issue. The Handi-alternance campaign in partnership with Cap'emploi and Agefiph in the Paris region has allowed for communication about disability. A new approach is planned for 2019. An initiative has been launched to improve use of sheltered employment organizations in collaboration with the Purchasing department. Approved suppliers have been listed in a platform. An internal communications campaign was relaunched at the end of 2018 to encourage use of the sheltered employment sector wherever possible and for the benefit of both parties.

In Europe, Colas UK has obtained "Be Fair" accreditation from the Construction Industry Training Board in recognition of its commitment to fairness, inclusion and respect. During National Inclusion Week, Colas UK conducted a series of activities and published various articles on social inclusion. The "The Inclusion – Unlocking tomorrow" campaign continues to promote greater diversity within the company. The campaign was in the form of posters both on the internet and on a mobile app accessible to everyone. Colas UK has introduced performance indicators in this area in order to improve transparency and encourage responsibility among everyone.

Name of indicator	Scope	2017	2018
Number of employees with disabilities [1]	France (Mainland + Overseas)	975	953
Number of new hires with disabilities [1]	France (Mainland + Overseas)	25	24
Revenue with companies that employ people with disabilities (in euros)	France (Mainland + Overseas)	1,753,278	1,735,356

(1) Fixed-term and permanent contracts.

Despite the measures taken to hire people with disabilities, all of the indicators in this area remained stable.

4.3.1.2. RETAINING EMPLOYEES

4.3.1.2.1 Organization of working time

Worldwide, the organization of working time takes into account the seasonal nature of the Group's transportation 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 office staff, technicians and supervisors in the Operations business line – mean that work can be organized according to seasonality, while rewarding overtime. In businesses like Railways and Road Safety and Signaling, where safety requires that work be carried out at night, specific procedures are used for the organization of work. The working hour arrangement applied to managers, which is based on a set number of days worked, is being gradually extended to 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 ongoing dialogue between managers and employees about their workloads and the work-life balance. In Mainland France, subsidiaries use temporary employment agencies to fill short-term staffing requirements.

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. In the United States and Canada, in many states, weather conditions mean that it is not possible to work on construction sites all months of the year. The approach to staffing is influenced by this seasonality: employees work at the entities for six to eight months of the year and are rehired from one year to the next. In Canada, working times during periods of activity are governed by provincial regulations and, for unionized workers, by collective bargaining agreements. A fatigue management policy is in place at most Canadian companies that tracks hours worked and rest periods.

In Europe, working time is calculated on an annual basis in most countries, in line with the local legislation. Flexibility encourages work at the times of the year best suited to construction. At the end of the year or when new projects come in, the entities publish a schedule of activity for the upcoming year and submit it to employee representatives. In other countries such as the Czech Republic, Austria, Denmark and Iceland, subsidiaries bring in seasonal staff at the busiest times of the year.

In Africa, working time is geared to the legislation in force in each country. An overtime rate is paid for hours worked outside normal working times. On certain projects, employees are granted time off at the end of the month.

In certain countries, working times are adapted during the month of Ramadan.

Name of indicator	Scope	2017	2018
Employee working time arrangements [1] (as %)	France (Mainland + Overseas)		
– Hourly		81	80
– Fixed number of days worked		19	20
Number of hours worked [2]	World	106,669,569	111,508,974

(1) Fixed-term and permanent contracts.
(2) All types of contract (permanent, temporary, seasonal); figures including Miller McAsphalt group employees.

In 2018, the 4.5% increase in the volume of hours worked was mainly due to the acquisition of the Miller McAsphalt group and the integration of its staff.

4.3.1.2.2. Conditions for labor-management dialogue and agreements signed with employee representatives

In France, turnout for the latest employee elections, to choose members for the new social and economic committees in each subsidiary, remained high (82%) in 2018.

Two collective agreements covering all Colas Group subsidiaries in Mainland France were signed in 2018:

— a "working time account" ("Compte Épargne-Temps" or CET) agreement taking over from the initial system from 2002, plus easing measures negotiated at the time of the Colas Group's "Quality of Life at Work" agreement signed on December 1, 2017. This Group agreement, signed in March 2018, now allows employees to use days in their "working time account" to take shorter periods of time off for personal matters, while ensuring that business units are not disrupted;

— following on from agreements relating to workforce planning (2016) and quality of life at work (2017), a landmark agreement to enhance diversity and improve professional equality between men and women at the level of the Colas Group. Signed in June 2018, this agreement is based on two main aspects – diversity and professional equality between men and women – and defines the guiding principles shared by all Colas Group companies. At the same time, in order to reflect the actions and measures that are most appropriate to its situation from those defined, each subsidiary has to initiate negotiation at their level of an additional agreement to roll out this landmark agreement.

In addition to initiating negotiations, the agreements signed at subsidiaries concern primarily employee representative bodies, taking account of the organization of union representative elections for most subsidiaries in 2018 and the creation of a Social and Economic Committee (merging of the current bodies: works council, employee representatives and health and safety committee).

A number of Social and Economic Committee agreements have been signed in order to define the social mapping of the Group's subsidiaries (business unit committee and central committee) and organize the implementation and working of these bodies at these different levels.

Name of indicator	Scope	2017	2018
Turnout for latest elections for members of works councils or social and economic committees, employee representatives, or the combined works councils and employee representatives known as *délégations uniques du personnel* (as %)	France	82	82
Existence of an employee representative body [(1)] (as %)	International	74	80

(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.

In Mainland France in 2018, labor-management dialogue took place via 283 employee representative bodies, a lower number than the previous year due to the gradual introduction of CSEs (economic and social committees). Turnout for the latest elections remained high (82%).

At the Group's International entities, and particularly in Europe and Africa, three-fourths of companies employing more than 300 people had staff representation comparable to that in France.

In North America, labor-management dialogue takes place via trade unions. Subsidiaries also hold information meetings to foster labor-management dialogue.

Agreement relating to quality of life at work

An agreement concerning all Colas subsidiaries in Mainland France relating to quality of life at work was signed on December 1, 2017 and implemented in 2018.

This agreement has introduced new working arrangements for employees:

— the development of remote working in a number of forms: weekly remote working (one or two "fixed" days per week) and monthly remote working (quota of up to eight days per month). In addition, employees can work from home or at one of the Colas Group's business units. As of end-December 2018, 181 people were working remotely. For 2018/2019, to begin with, remote working was limited to four days per month and one day per week to avoid disrupting the organization of work for staff;

— occasional remote working, a more flexible form of working remotely particularly suited to operational managers.

The agreement also offers services for employees in order to offer a better work-life balance, namely:

— help with their children's homework, with free access to tutoring (from kindergarten to high school) and "online teachers";

— childcare, along with a housekeeping service platform.

Awareness campaigns have been launched to make sure employees know that under France's CET program they now have the option of transferring some of their unused days off to the Bouygues PERCO and/or PEG company savings plans.

Further measures planned by the agreement will be implemented in 2019, such as help for employees who are caregivers and a legal and administrative support platform.

Name of indicator	Scope	2017	2018
Number of collective bargaining agreements negotiated, including mandatory yearly negotiations	France (Mainland + Overseas)	62	168

Of the 168 agreements negotiated, the majority (99) are related to the renewal and implementation of Economic and Social Councils (election cycles begun in 2018), 48 relate to compensation/employee benefits/collective agreements, 10 to organization and working hours, and 11 to quality of life at work/diversity.

4.3.1.2.3. Compensation and changes in compensation

The compensation policy applied by Colas around the world is based on the annual guidelines issued by Executive Management, taking into account the economic environment, inflation, the job market and wage negotiations with trade unions and employee representatives. This Colas policy keeps jobs aligned with responsibilities, with attention to equity between men and women, and includes measures for young people, talent management, and promotions. It rewards achievement and recognizes employees' competencies.

In France, where the economy is beginning to recover, with an inflation rate of 1% in 2017, a pay increase budget amounting to 2.8% of payroll on a present/present basis was decided in 2018.

The variable compensation policy applied by the Group is based on the overall performance of all its entities in France and around the world. The amount paid out by subsidiaries is based on three criteria: the Colas Group's results, the subsidiary's results and individual performances.

Variable compensation paid to executives and managers is more impacted than that paid to supervisory staff by the entity's financial performance and meeting personal targets.

Every manager is provided with a pay review tool, plus relevant performance indicators. Managers are thus given all the information they need to review their team's pay levels and can submit their proposals with a single click to the subsidiary's and then the Group's validators for approval. The information system is no longer geared solely to the needs of HR staff; it is also a managerial monitoring system that provides traceability, efficiency and a seamless approach to the validation of pay increases and promotions.

In line with the overall compensation policy applied by the Bouygues Group, Colas provides employees with very good levels of health insurance, pension benefits and personal risk coverage and allows employees to share in profits by giving them access to PEE and PERCO employee savings vehicles and profit-sharing plans.

A 2017 compensation benchmarking exercise was carried out by Bouygues SA via consulting firm AON HEWITT. This benchmarking was done by business sector and by job type (works/management/HR/IT/legal). This study shows that compensation paid by the Colas Group is in line with the market.

In the United States, Colas Inc. uses local pay surveys, given the regional differences between its units in western states (California, Nevada), central states (Wyoming, Colorado, South Dakota, Nebraska, Arkansas, Missouri, Illinois), and eastern states (Florida, Alabama, Georgia, South Carolina, North Carolina, Tennessee, Kentucky, Ohio, Virginia, Pennsylvania, New York). As a result, its employees can be paid at a level in line with the local market. Likewise, Colas Canada uses local surveys to set its pay. For unionized employees, pay is set through the collective bargaining arrangements applicable to their businesses.

In northern Europe, market surveys conducted in certain countries revealed pay disparities in the Operations and Engineering business lines, resulting in plans to close these gaps. In central Europe, the large number of infrastructure projects created tension in the jobs market, driving wage increases at certain units. All countries in Europe therefore rely on a benchmark of sector pay levels.

In Africa, the subsidiaries in Morocco, Ivory Coast and Gabon, which rely on market surveys and best practices, have reviewed their compensation processes in order to better assess, steer and retain employees as well as attract new talent thanks to fairer rules rewarding performance.

Name of indicator	Scope	2017	2018	Change (%)
Average annual wages by status (1) (in euros)	France (Mainland + Overseas)			
– Managers		61,502	62,144	+1
– Office staff, technicians and supervisors		36,723	37,338	+1.67
– Workers		26,546	27,084	+2

(1) Permanent contracts.

Average annual wages in France have seen steady year-on-year growth. It should be noted that the most significant wage growth has been for workers.

4.3.1.3. DEVELOPING CAREERS

4.3.1.3.1. Career management within the Group

The mobility policy pursued by Colas has long been a key element in its approach to career development for the Group's employees. It aims to facilitate transfers between different functions and/or regions within the Group to help meet employees' professional and/or personal goals and manage changes in staffing requirements for businesses. One of the challenges of this policy is making the development of talent fit the Group's performance and growth.

Transfers between subsidiaries or within subsidiaries concern all employees both in France and abroad.

The principles and key rules are presented in the Colas Mobility Charter, which is available on the e-colas intranet. It states specifically that the process for each transfer should be based on a partnership between the employee, the manager and the human resources department. It also indicates that special arrangements should be put in place to assist with transfers, which includes expatriate assignments and secondments, as well as outright transfers.

Nomades, a jobs bulletin board accessible on the e-colas intranet, displays internal job offers, which also appear, alongside others, on the Bouygues Group's Mobyclic platform.

Subsidiaries – particularly those outside France – often have their own information tools about the opportunities available to employees.

Changes were also made to the mobility support programs to make them clearer and more transparent, better suited to the personal and professional needs of employees and their family. They also address factors that can hamper mobility, such as a spouse's job and housing costs. They now include a common set of assistance packages (including moving costs, contribution towards the cost of finding a new home, etc.), plus specific forms of financial assistance that may vary according to employee status.

A study into key jobs was carried out in 2018 in collaboration with the Group's subsidiaries. This will allow for the creation of an enhanced jobs reference framework including all associated skills in order to provide better visibility with regard to possible career trajectories and therefore allow for better development of career paths, particularly within the framework of job transfers.

Through the "One Colas" corporate plan – rolled out internationally (excluding North America) under the name "Route 22" – the Group's Executive Management has reasserted its desire to internationalize its talent by recruiting staff from international backgrounds, offering career development guidance to French and international employees, and promoting job mobility across regions and continents. Support and training programs will be rolled out in 2019 as part of this Group-wide plan.

In Mainland France, a policy to support career paths has been defined and implemented as part of the workforce planning system (GPEC) agreement signed between Colas and its employee representative partners in December 2016 for a period of five years (2017-2021), with the aim of developing and reinforcing career management. At the heart of this approach is the individual discussion interview, a valuable opportunity and a key tool in building career paths. The "Point Carrières" scheme spearheaded by the Group's Human Resources department continued in 2018 to listen to employees' aspirations, offer jobs and better anticipate their career development.

In addition, "Career Committees" were relaunched to think about the development and support of the most talented staff and prepare succession plans for the Group's main managers. Another key tool in career management, the jobs and skills reference framework mentioned above should be accessible to employees soon. Thanks to these job descriptions, which cover both the position and key skills, it will be possible to determine trajectories from one job to another, with the aim of establishing formal visibility on building a career plan.

4.3.1.3.2. Integration of young managers

The integration of young managers joining Colas is done on the ground, for example allowing young works engineers to train with teams on construction sites before gradually being given responsibility. The "Tour de France" scheme offers new joiners three to four stints at different subsidiaries, or even a tour of the region within the same subsidiary. At the end of 2018, 40 Tour de France posts were available. The new manager then joins Colas University during the second year with the Group. The aim is to develop autonomy, responsibility, teamwork and knowledge of the Group. Career development towards management responsibilities is achieved rapidly during the first three to ten years depending on the business area.

In 2018, Colas launched a World Tour graduate program to attract new talent, targeting more specifically leading French universities such as Mines ParisTech, École des Ponts ParisTech, École Centrale Paris and HEC business school. The modular program that can be tailored to suit all backgrounds consists of three stages in 18 months, including two outside France, with personalized coaching from a management team member, as well as an HR contact throughout the program.

These actions foster pride in belonging to the Group. In 2018, Colas was ranked by Choosemycompany as the seventh best company for internships and the eighth best company to work for. It was also ranked fourth best construction and civil engineering employer in 2018 by Capital.

Efforts to integrate young people are also reflected by hires under the International Volunteers in Business ("VIE") program in technical roles and support functions. A total of 21 young people were integrated in 2018, including three in North America.

4.3.1.3.3. Policies implemented for training

Colas has an ambitious policy of investing in training to support the competency development of all its employees, irrespective of what their status is, the role they have, and the region in which they work.

Under this policy, each of the Group's subsidiaries implements a formal training plan, and these have been drawn up in close to 99% of its units. These training plans put into action the development priorities set by Colas' HR department, including training in technical fundamentals, managerial skills, safety and prevention, which represents the leading category of investment in training.

Colas makes a particular effort in terms of digital transformation by means of the implementation of the UniOne Digital system. A roadshow in France organized by the Information Systems department did a tour of regional subsidiaries' head offices to inform and train employees in new digital practices. On this occasion, awareness was raised among employees about the use of collaborative tools such as SharePoint, Teams and Yammer, as well as the Group's business line tools. These meetings allowed for the message to be communicated to employees that measures exist to help them to adopt these tools, particularly by means of the Netexplo digital academy, as well as Colas' office automation tools digital training offering (Vodéclic). Whether concerning communities relating to a specific theme (business lines, projects) or region (via sites such as Paris, Magny, etc.), employees are able to enhance their expertise in networks and collaborative working. This trend is set to continue with the implementation of a Knowledge Management approach. In the area of digital technology, a pilot version of an employee portal for employees and managers was set up at the end of 2018 and will be rolled out across Mainland France in 2019. This portal combines primarily new HR services such as a digital safe and Selfs (paid leave and HR), with the aim of creating closer proximity to employees and better interaction.

In June 2018, the Colas Campus online platform providing access to a digital training offering was opened in all regions outside France. Wherever they are located in the world, all Group employees with an email address now have access to an online training catalogue offering innovative-format modules. In the course of the year, in addition to the Netexplo digital academy, 10 business line tutorials were rolled out on the platform, available in 13 languages, with the aim of providing tips for essential phases of construction projects. A number of other modules have been designed and rolled out, such as using commercial performance within the framework of works for individuals, applicable safety regulations, using LinkedIn to boost the Group's employer brand, etc. A large amount of this content can also be accessed via the dedicated mobile app, which can be downloaded onto smartphones and tablets. Since its launch, the platform has logged over 67,000 connections and delivered more than 21,000 hours of training. A mentoring program initiated in 2017 continued in 2018 at Colas Rhône-Alpes Auvergne in the form of a senior business unit manager sponsoring a young business unit manager.

Name of indicator (1)	Scope	2016 (1)	2017 (1)
Existence of a formal training plan (2) (as %)	World	99	99
Number of employees trained	World	36,050	34,320
Number of days of training	World	107,848	116,952
Number of people under apprenticeship contracts taken on during the year	France	431	503
Number of people under vocational training contracts taken on during the year	France	272	303

(1) Figures related to training are consolidated in fiscal year Y for the period Y-1. They do not take account of information concerning the Miller McAsphalt group.
(2) Outside France, this refers to the number of companies with more than 300 employees where a training plan exists.

In 2017(1), 34,320 employees received training, thus about 60% of the global workforce, and 116,952 days of training were recorded at the Group's companies in France and around the world.

Across the entire scope of Mainland France, 3.96% of the payroll was spent on training, corresponding to 32,724 training initiatives and 500,535 training hours. For the first time in four years, the volume increased not only in terms of hours (up 11%) but also in terms of the number of training initiatives (up 6%). This is due in particular to the upturn in the Group's activity, which is traditionally accompanied by an increase in hiring, internal transfers and promotions, which in turn increases the need for training to give these employees the skills they need in their new roles.

With the upturn in activity, apprenticeship and vocational training contracts also saw a significant increase (up 15%).

In 2017(1), the four Colas University courses had 287 participants, guiding them through the key stages of their professional development. Of these, 47 came from international subsidiaries.

Alongside its prevention and safety training sessions, which accounted for 48.6% of total training hours during the year, Colas also prioritized business-specific technical skills for nearly 19% of training hours in order to advance operational excellence at worksites.

In 2017(1), 52.8% of training hours were delivered to workers; 26.5% to office staff, technicians and supervisors; and 20.7% to engineers and managers. This breakdown is the same as that in previous years.

The Colas Campus training center, which offers nearly 200 personalized training programs designed for and by Colas, provided training to 4,232 French-speaking employees from a variety of backgrounds.

Among the Group's International entities, units in Europe implemented programs to meet training needs, particularly in management and leadership as well as junior- and senior-level contract management. A program called Advance Program for International Leaders (APIL) was set up to train Colas' international mangers. The first session was held in 2017/18 and brought together nine employees from different nationalities. A second session is planned for 2020.

4.3.2. Health and safety

Protecting employees is an essential and major tenet of Colas' human resources policy. Safety is of paramount importance to Colas, and it has set a "zero accident" target. Risk analysis and looking into causality in terms of health and safety allow it to establish appropriate and structured action plans, implement an approach based on continuous improvement and make progress in all aspects of these areas to not just prevent and avoid accidents and illness.

So that this issue is effectively taken into account at the highest level, key performance indicators are used as targets for the variable portion of compensation paid to Colas' Chairman and Chief Executive Officer. As of 2018, these indicators are subject to in-depth verification and audits by a third-party organization, allowing the auditors to deliver a certificate of reasonable assurance. This taking account of safety check results now applies to subsidiary CEOs and is spreading to all managers.

4.3.2.1. WORKPLACE HEALTH AND SAFETY CONDITIONS

4.3.2.1.1. Safety policy

The Group's health and safety policy is built around four priorities:

1. compliance with rules;
2. training and information;
3. a safety-first approach to project and process design;
4. follow-up of action plans.

In 2018, the Group's annual Safety Week concerned prevention of addictions (drugs, alcohol, psychoactive medications and rules concerning the use of mobile phones). It was held from June 25 to 29 at all Colas offices worldwide, involving around 60,000 employees. The film "Under the influence" – which won two awards at the safety film festival – was shown across the entire Group, with video quizzes presented by managers and summary sheets for all employees as well as posters to complete the campaign.

Other significant actions included:

- "Safety Culture" days in Mainland France for all newcomers to the Group. Between 2,500 and 3,000 employees are concerned each year;
- safety supervisory inspection at Colas Centre-Ouest, which is also currently being rolled out at Colas Rail and Colas Sud-Ouest;
- the rollout in Canada of the Goal Zero process already in place in the United States, in partnership with Caterpillar Safety Services;
- the Safety Culture program launched at Spac together with ICSI, a French industrial safety culture institute;
- virtual reality training on crush hazards as part of the prevention days for newly hired employees;
- an "accident risk" project with Volvo Construction Equipment, which allows for pedestrians to be alerted if they enter a prohibited zone close to machinery, as well as the operator. This system uses artificial intelligence to recognize human presence.

4.3.2.1.2. Health policy

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

- musculoskeletal disorders (providing physical activity risk prevention training or ExoPush powered exoskeletons, which help reduce strain for asphalt paving teams). More than 40 units have been rolled out in France, Belgium, Switzerland, Denmark, Australia and Central Europe. These exoskeletons were developed by robotics engineers in collaboration with Colas workers and experts to facilitate the manual application of asphalt mixes and thus improve working conditions for paving workers, with a much more vertical posture and a lower heart rate;
- noise exposure (mandatory use of hearing protection); in 2019, noise will be the main theme of Safety Week;
- exposure to ultraviolet radiation (frequent reminders to wear protective clothing and rollout of new long-sleeved T-shirts).

Colas has also implemented mechanisms and actions (described below) to reduce employee exposure to bitumen fumes, silica dust and chlorinated solvents. The Group also takes part in a number of industry-wide measures, including those relating to crystalline dust emissions as part of the campaign launched by the FNTP (the French national federation of civil engineering companies) and OPPBTP (the French professional agency for risk prevention in construction and civil engineering).

A monograph on bitumen fumes was officially published in 2013 by the IARC (International Agency for Research on Cancer, an offshoot of the World Health Organization). The IARC 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 has operations, with the exception of France, whose health authorities have produced an extensive update on the issue.

The conclusions and official report 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, stating that there are no grounds to consider a carcinogenic risk in the production or use of non-oxidized asphalt, but that this substance does present risks of eye and upper respiratory irritation. There were no further publications in 2018. 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) and Routes de France (formerly USIRF, a French road industry association) 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 is now 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, Colas has worked on reducing exposure to bitumen fumes and has pursued its strategy around the world with two main objectives:

— reducing bitumen application temperatures, since every 12°C reduction in temperature reduces fume emissions by around 50%. In addition, the R&D program currently under way to further expand the production of warm mixes is being supplemented by communications campaigns aimed at convincing customers to adopt warm mixes in place of traditional hot mixes; in 2016, the INRS determined that the use of warm mix results in a statistical reduction in exposure of 25% (see indicator below);
— upgrading the fleet of finishers (machines that lay asphalt mix) to equip them with fume extraction systems. In 2016, the INRS determined that using these systems results in a statistical reduction in exposure of 55% (see indicators below).

Work on these two areas continued in 2018, and a joint publication by Routes de France, the INRS and the DGT (General Labor Directorate) is due to be published next year.

Measures are also being taken to eliminate residual use of oxidized bitumen (as defined in the IARC's monograph), following its classification as a probable carcinogen, both in road and waterproofing applications. Currently, Colas' only use of oxidized bitumen is related to its presence in roof shingles recycled into asphalt mixes at certain facilities in North America.

Workplace health bodies and industry players have rallied around the issue of exposure to dust at worksites, quarries and gravel pits.

In France, Routes de France, a trade body in which Colas plays a very active part, published guides on two issues: preventing dust risk in surface-planing, sawing, chipping, scaling and coring activities; and preventing dust risk on recycling platforms, together with the UNPG (French national union of aggregates producers).

These guides were prepared with input from the DGT as well as OPPBTP.

A guide addressing dust risks at asphalt mixing plants is currently being finalized.

Colas is taking action in France and around the world to reduce exposure to dust at manufacturing facilities and construction sites alike by using equipment and processes that create a humid environment through spraying or misting, having workers wear personal protective equipment, and upgrading milling and planing equipment with machines fitted with dust extraction systems. Dust risk was one of the priorities in the 2017 action plan under the Group's health policy, and was brought to the fore again in 2018.

In France, Colas has taken part in the debate on the presence of amphibole elongate mineral particles (which belong to the same family of naturally occurring rocks as asbestos) 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.

The health effects of potentially asbestos-bearing actinolite and of amphibole elongate mineral particles (EMPs) are an issue that has attracted attention for a number of years in many different countries (including the United States, Germany and Hungary) from a regulatory and scientific standpoint. At present, France is the only country in which a number of public decision-makers have decided to identify this risk as a commercial asbestos risk. Colas has great respect for the requirements of the French authorities, but it has opted not to embrace this stance in its risk analysis nor to apply it to the other countries in which it works. At the same time, it aims to promote a genuine scientific and regulatory dialogue internationally, in particular in the United States, where most of the research in this area has been carried out, but where it has not been regarded as sufficiently conclusive.

Solvents are the latest 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, especially 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. Progress in this area is difficult to achieve because possible alternatives may encounter resistance from employees for technical reasons. They may also be more costly, not available in all countries, or require adaptations in working methods due to their lower effectiveness (see indicator below).

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.

Name of indicator [1]	Scope	Coverage	2017	2018
Percentage of warm mix and low-temperature mastic asphalt (as % of quantity)	World	Asphalt mix and mastic asphalt production activity	23	22
Percentage of finishers equipped with a bitumen fume extraction system (as % of quantity)	World	All fleets of equipment	51	58
Percentage of asphalt planers equipped with a dust extraction system (as % of quantity)	World	All fleets of equipment	40	50
Percentage of chlorinated solvents used in closed-loop systems (as % of quantity)	World	All laboratories	82	80

(1) These figures do not take account of information concerning the Miller McAsphalt group.

The "Percentage of warm mix and low-temperature mastic asphalt produced at hot-mix plants and mastic asphalt plants" indicator remained nearly stable between 2017 and 2018. However, the production of warm mixes increased by 1%, whereas that of hot mixes rose by 5%. The Group's target for 2018 was 24%.

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 advanced by 7 points and 10 points, respectively, demonstrating that efforts in this area continue to make progress everywhere as and when equipment is replaced.

The percentage of chlorinated solvents used in closed-loop systems fell by 2 points. However, the quantity of chlorinated solvents bought or taken from inventory counts decreased by 28%. It should be noted that purchases of these products by US subsidiaries have been reduced to extremely low levels. More generally, the risk related to chlorinated and petroleum solvent use has been reduced in workshops, on worksites and in laboratories, both in France and internationally. More than 85% 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. The goal of completely eliminating these uses in an open environment still has to overcome several highly specific applications, the laboratory standards in certain countries and the availability of equipment and alternative equipment in certain locations. Colas continues to invest in refining control methods, but it seems likely that progress will now become slower and harder to achieve.

The collection and consolidation of data for these indicators follow the rules described for environmental and social indicators (see note on methodology).

The "Satin" employee satisfaction survey on quality of life at work was launched in 2014 and run again in 2018 on employees at Colas companies in Mainland France. A questionnaire was sent out to all employees. Based on their responses, each subsidiary has developed an action plan to improve its workplace well-being approach and work-related stress prevention policy.

4.3.2.2. WORKPLACE ACCIDENTS, PARTICULARLY THEIR FREQUENCY AND SEVERITY, AND OCCUPATIONAL ILLNESSES

Name of indicator (1)	Scope	2017	2018
Frequency rate (2) of employee workplace accidents	World	6.41	6.67
Severity rate (3) for workplace accidents	World	0.48	0.46
Number of fatal accidents	World	7	6
Number of employees recognized as suffering from an occupational illness during the year	France	120	122
Percentage of companies outside France providing employee benefits	International	100	100

(1) These rates include data for Miller McAsphalt employees.
(2) Number of lost-time accidents x 1,000,000/Number of hours worked. These are accidents declared and recognized by the competent authorities, e.g. the CPAM in France.
(3) Number of working days lost x 1,000/Number of hours worked, in line with the regulatory definition of "Severity rate": "Working days lost in the current year are taken into account even if the accident occurred in the previous calendar year."

In 2018, the Group's frequency rate for workplace accidents was higher than in 2017. However, this is the second-best frequency rate ever achieved by the Group.

The severity rate improved, dropping from 0.48 to 0.46.

2018 was therefore a year of transition and consolidating the prevention and safety measures implemented over the last few years.

The Safety Culture initiative launched with Dupont at the end of 2018 in Mainland France should enable Colas to take another step forward. The initiative is to be rolled out across all Mainland and Colas Rail subsidiaries until 2022.

Nevertheless, six fatal accidents were reported in 2018.

Also worth mentioning are the instruction on consignment/deconsignment protocols in all countries, concerning primarily production plants, and the safety meeting on degraded situations, which has been included in training for newcomers.

Absences

Name of indicator	Scope	2017	2018
Number of working days lost due to workplace accidents (excluding commuting accidents)	World	51,585	50,780
Absence rate (1) (%)	France (Mainland + Overseas)	5.1	5.0

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

Worldwide, the number of working days lost due to workplace accidents was down 1.5% in 2018.

In France, the absence rate declined slightly to 5.0 (down 0.1 points). This is marginally higher than the national rate for the private sector of 4.72 in 2018 (according to the Ayming 2018 absence survey).

The overall rate of 5.0 breaks down as follows: 6.6 for workers; 4.0 for office staff, technicians and supervisors; and 1.7 for managers.

4.3.2.3. OUTCOME OF AGREEMENTS SIGNED WITH TRADE UNIONS OR EMPLOYEE REPRESENTATIVES AS REGARDS WORKPLACE HEALTH AND SAFETY

Colas' agreement on the quality of life in the workplace encapsulates the Group's desire for its employees to achieve a better balance between their working and personal/family life through concrete measures.

The discretionary profit-sharing agreement applicable to 2016, 2017 and 2018 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.

4.3.3. Environment

The Colas Group's environmental policy is organized in accordance with governance principles that allow the Group's environment department to implement its actions as close as possible to the ground as regards both production facilities and worksites, all over the world. It draws on a network of about 40 environmental representatives at the Group's subsidiaries in France and around the world, in turn supported in the field by several hundred coordinators and internal environment auditors, who often have responsibilities in other areas, particularly safety.

Colas has adopted a structured approach to steering, measuring, managing, monitoring and anticipating its impacts, by assessing the inherent environmental and economic risks of its activities and innovating in order to move forward. The main areas in which it is taking action are the assessment and control of its impact on and into the soil (preventing pollution, replacing hazardous products with non-toxic substances, etc.), on water resources (control of aqueous waste and management of water stress areas) and into the air (fumes, CO_2 emissions, etc.), as well as taking account of biodiversity, the circular economy (recycling, saving resources etc.) and climate change (energy efficiency, green chemistry, etc.). For the overall steering of this approach and its implementation on the ground, Colas relies not only on conventional tools like ISO 14001 certification and relevant indicators, but also internal procedures tailored to its activities such as self-assessments using checklists or the EOCE program, which aims to share knowledge and resolve environmental issues by pooling environmental officers' expertise and setting up cross-departmental working parties as is the case for industrial risk, or even cross-auditing between subsidiaries. The major axes for the deployment of innovation and R&D form a direct part of this policy in terms of both products favoring technologies and the use of substances that are more environmentally-friendly than life-cycle analysis solutions in order to support innovation by means of sustainable design initiatives.

4.3.3.1. ENVIRONMENTAL POLICY PRINCIPLES OF ACTION

The key tenets of the Group's environmental policy are based on issues and initiatives on the ground, which are used to define the policy implemented by the Group, which in turn is subject to action plans applied locally.

The effects on natural resources are detailed in the section relating to the circular economy and recycling, one of the main challenges facing Colas.

The effects relating to pollution, biodiversity and water are discussed in the section on social and regional acceptance.

Lastly, energy and greenhouse gas emissions are covered in a specific section.

4.3.3.2. SYSTEMS IN PLACE FOR STEERING ENVIRONMENTAL POLICY

Colas manages environmental risk and its continuous improvement plan with the support of two tools: certification to ISO 14001 or its equivalent and 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 140,000 euros) and the fact that the overwhelming majority of them are in areas no longer in their natural state (corresponding to about 90% of revenue).

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 its efforts made to analyze environmental risks and control these risks through action plans;
2. the environmental self-assessment indicator reflects the extent to which Colas evaluates its activities using its own checklists. These checklists, which serve as a concrete benchmark for assessing environmental performance, cover the majority of the Group's fixed facilities and are used to determine 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, prefabrication plants, and construction waste disposal sites. This represents around 2,000 production units all over the world. The checklists are part of Colas' internal control system.

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

Name of indicator (1)	Scope	Coverage	2017	2018
Percentage of materials production activities that have environmental certification (as % of CAE (2))	World	100% of CAE (2) of materials production activities	62	61
Percentage of materials production activities that carry out environmental self-evaluations using Colas checklists (as % of CAE (2))	World	100% of CAE (2) of materials production activities for which checklist is applicable	85	83
Percentage of materials production activities that use a tool to manage environmental impact (environmental certification and/or Colas checklists) (as % of CAE (2))	World	100% of CAE (2) of materials production activities	85	84

(1) These figures do not take account of information concerning the Miller McAsphalt group.
(2) 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.

The "Percentage of materials production activities that have environmental certification" indicator fell by 1 point but is still at a satisfactory level, given the range of contexts around the world in which 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 consolidated target for the Group's subsidiaries in 2018 was 70%.

The checklist-based environmental self-assessment indicator also declined (a drop of 2 points), but remains at a high level. The decline in this indicator is due to two separate factors:

1. the number of checklists taken into account in calculating the indicator did not increase as sharply as the number of applicable checklists, up 9%, a sign that more and more industrial activities are becoming eligible. This automatically implies a reduction as a percentage of CAE.
2. the breakdown by department reveals a 5-point decline in areas covered by the International department and a 4-point drop in those under the responsibility of the North America department, while the Mainland France department posted a 3-point increase.

The consolidated target for the Group's' subsidiaries in 2018 was 90%. Self-assessment using checklists continues to be the cornerstone of Colas' policy for addressing environmental risks.

The percentage of materials production activities that use a tool to manage environmental impact remains high, even though this indicator decreased by 1 point in 2018. The target remains 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 the Appendix for a presentation of the method used to consolidate non-financial indicators).

4.3.3.3. EMPLOYEE ENVIRONMENTAL AWARENESS-RAISING INITIATIVES

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 (most recently in Montreal in June 2018, preceded by Lyon in June 2016, with the next to be held in 2020 in a country to be determined) to raise awareness within the network of environmental representatives in France and around the world. Meetings at worksites and production sites make it possible to share experience as well as set up and monitor action plans. The Colas Group's websites and intranet are also ongoing sources of information for all employees. The Colas Campus provides specially designed training courses for employees (works managers, superintendents, engineering consultants, environment managers) in Mainland France. They cover topics such as water legislation, ISO 14001, QSE management for road construction, and the management of soil pollution.

Following the environmental convention held in Brussels in 2014, the EOCE project was launched to give impetus to the network of environmental representatives and enable them to expand their knowledge and share it within their subsidiary and throughout the Group. This EOCE 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 was launched in mid-2015 with four French-speaking representatives. Six months later, a second pilot group of English-speaking representatives 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 at 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.

By 2020, all of the currently serving environmental representatives are due to be trained under this program. At the close of the current reporting period, 24 of the 46 environmental representatives had been trained (including eight trained in English), and eight of them had already reached the level required to coach new EOCE trainees.

Working parties are organized in order to make progress in specific themes. For example, a cross-departmental working party was formed in 2018 to look into industrial risk with the Materials, Health and Safety in the Workplace, Audit, Technical, Research & Development and Risk & Insurance departments, as well as with the three operational executive management teams (Mainland France & Rail, North America, International). Its role is to specify a Group industrial risk policy with appropriate tools for the different types of facilities. This approach aims to take account of technical and human factors as well as organizational factors, while also including a review of industrial equipment suppliers.

4.3.3.4. RESOURCES USED AND MEASURES TAKEN TO PREVENT ENVIRONMENTAL RISKS AND POLLUTION

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 and it is difficult to allocate purchases or major maintenance costs: for example, replacing a bag filter at an asphalt mix plant constitutes a routine 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, and it is also examined as part of a standard budget monitoring procedure.

Operating licenses for environmentally sensitive facilities subject to special administrative processes ("ICPE" or "ISDI" facilities in France) generally require strict compliance with environmental requirements, irrespective of the country in question. ISO 14001 certification gives Colas a moderate level of assurance that it will meet these requirements. Furthermore, compliance with government requirements is the main criterion for self-assessment by Colas' checklists. These requirements are therefore taken into account through annual self-assessments at sites that are not certified. Lastly, the annual cross-audits of subsidiaries in Belgium, Mainland France and Switzerland by trained internal auditors, also serve to evaluate facilities and tighten up environmental hazard prevention. Audits are carried out at an average of 100 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 the lessons learned from these cross-audits are shared with the rest of the Group and some geographic areas (Indian Ocean region and the United States, for example) have experimented with similar exchanges, often initiated following the completion of an EOCE program.

Colas wins the 2018 BIM d'Or award for the Dunkirk worksite

The Dunkirk refinery site is a large-scale demolition and decontamination site (95 hectares, 35 kilometers of buried piping, 250 kilometers of ground-level pipelines, around 100 tanks, WWI and WWII-era bombs in the ground, more than a century of history, and so on) faced with the major challenge of managing and cross-checking all of the information needed to develop an acceptable decontamination strategy with a view to returning it to the Port of Dunkirk.

To respond to this challenge, Colas decided to use a BIM model integrating all underground data, including buried structures and their plans from a variety of time periods, aquifer monitoring data, geological data, the results of water and soil pollution tests, bomb impact maps and topographical surveys. The BIM tool was then used to go beyond a simple 3D representation with a large spatial database in order to automatically detect inconsistencies, target additional diagnostics needs, interpolate pollution data, and more.

This development work enables Colas to create an increasingly accurate underground image, take on the remaining uncertainties, study and put forward a number of decontamination strategies, and then over time carry out works and the corresponding volumes. At the end, Colas will be in a position to provide the owner of the land with a reliable 3D picture in standardized format, which will allow it to bring this intelligent digital object to life during future developments on the site. This gives underground works operators a unique opportunity for better collaboration: facilitating exploration of multiple scenarios and explaining the assumptions made; trade-offs can be made with full transparency, safeguarding negotiations; site supervision and reutilization of sites by means of a chain of operators over the years.

Implementation in three months and the use of this huge digital object (1 terabyte at end-2018) have been possible thanks to the creation of a team combining both Colas' internal expertise (in particular BIMbyCo and Colas Environnement) and external service providers for the management of plans, digitization, topography, site engineering and contaminated soil, etc.

In France, the BIM judging panel decided to award its 2018 gold award to Colas for this world-first application of BIM to underground issues, for the quality of its corresponding technical developments and the collaborative transparency vision that is central to this development.

4.3.3.5. AMOUNT OF PROVISIONS AND GUARANTEES TO COVER ENVIRONMENTAL RISKS

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 175 million euros as of December 31, 2018 (see the section of the management report entitled "Rehabilitation of industrial sites," under "Risks" – "Industrial and environmental risks" – "Environmental risks").

For the closure of the Dunkirk plant, Colas and SRD made the necessary arrangements for the restructuring plan and for the asbestos removal, decommissioning and pollution abatement project (see inset on BIM) prior to the site's return to its owner. MCD, a new company, was set up to run the project, and work began in 2018. The relevant provisions were set aside in Colas' and SRD's financial statements. The size of these provisions is confidential, but it is checked annually by the Statutory Auditors.

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.

4.3.4. Circular economy and recycling

Colas is one of the world's five biggest recyclers across all sectors and types of materials. A leading producer and user of construction materials, Colas recovers and recycles its waste and site demolition materials in its road construction, and more generally also waste and materials from other construction and public works professionals and even other industries (mirror glass waste, broken porcelain, shoe soles, etc.).

Aggregates are the resources most used by human beings, after water. Public works account for the bulk of this consumption, with road construction alone making up more than half of it. Aware of the responsibility that results from this, Colas has been developing its recycling techniques for over 40 years and has disseminated them across all of the regions where it works. Today, 800 Colas sites transform used materials, primarily reclaimed asphalt pavement, to turn them into public works materials. This avoids production of bitumen from a refinery, exploitation of around 20 quarries worldwide and an even larger number of landfill sites.

This approach falls within the wider framework of the circular economy with a reduction in construction costs and savings in materials, transportation and energy (carbon). By taking a "zero waste" approach to its public works activities, Colas makes it possible for each region to rebuild using its own materials.

4.3.4.1. STEPS TAKEN TO PROMOTE THE CIRCULAR ECONOMY

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 understandably favors an industrial ecology approach and there are many examples of how Colas has successfully brought quarries, recycling centers, asphalt plants, and other facilities on board with this approach.

A more circular economy: Colas Île-de-France Normandie sets an example

For more than 30 years, Colas Île-de-France Normandie has taken account of fundamental issues concerning responsible management of waste and materials from sites of all kinds, as well as their recycling and reuse. The subsidiary has developed a network of around 40 facilities – recycling platforms, sorting platforms for commercial users, inert waste storage facilities – across the region, allowing it to offer its clients its own sorting and recycling services and elimination services for non-recyclable waste and materials.

Premys, Colas Île-de-France Normandie's demolition subsidiary operating across all of Mainland France, is a key player in this sector. It has been recycling building structure waste, comprising mainly concrete, for years, and is also working on optimizing the reuse or recycling of secondary works waste, consisting of materials from dredging and in particular from selective coating (ferrous and non-ferrous metals, computer floors, wooden flooring, wooden beams, false ceilings, furniture, etc.) so that they become a source of raw materials or equipment.

Through all its activities, including those of its demolition subsidiary Premys, Colas Île-de-France Normandie was able to recycle more than 1.45 million metric tons of materials in 2018, including 275,000 metric tons of reclaimed asphalt pavement from the demolition of former road surfaces.

Thanks to this long-term strategy, Colas Île-de-France Normandie has established itself as a leading proponent of the circular economy in the French construction and civil engineering sector.

Colas' circular economy policy is based on the results of various methodological tools, particularly life-cycle analyses of asphalt mixes. Work in this area began in 2000 through such industrial associations as the European Asphalt Pavement Association (EAPA) and Routes de France. These efforts are regularly intensified and updated.

4.3.4.2. CONSUMPTION OF RAW MATERIALS AND RECYCLING

Colas' approach to reducing the consumption of raw materials (aggregates and bitumen) 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 effectively recycled at its industrial facilities in order to compare these amounts to the volume of new materials produced, rather than simply record the amount of waste generated by its worksites or the amount of recycled materials Colas reuses. This decision serves two purposes: it improves data reliability and encourages the subsidiaries to invest in materials recycling equipment. The aim of this approach is therefore not to track total consumption, the interpretation of which has proven too complex to allow proactive action plans to be developed. 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. 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 (see inset on page 34), 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 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.

Name of indicator (1)	Scope	Coverage	2017	2018
Quantity of materials recycled (in millions of metric tons)	World	Asphalt mix and aggregate production activities, and railroad worksites	9	9
Quantity of reclaimed asphalt pavement (in millions of metric tons)	World	Materials production activities	5.8	6
Number of low-carbon alternatives offered to customers	World	Worksite activities	141	116

(1) These figures do not take account of information concerning the Miller McAsphalt group.

The quantity of materials recycled remained stable in 2018. The quantity of reclaimed asphalt pavement increased by 2%. In total, more than 15 million metric tons of materials are recycled each year by Colas via its 800 installations (asphalt plants, recycling platforms etc.) around the world, making it one of the top five worldwide across all sectors (steel, aluminum, waste, plastic, paper and cardboard, glass, etc.). This positioning is continuing to improve and is particularly robust in that it corresponds to a very fine network of recycling sites across practically all regions where Colas operates.

In today's challenging economic environment, the drop in the number of low-carbon alternatives reflects the current state of the market, which becomes less open to alternatives every year. The proportion of greenhouse gas emissions avoided by the Group declined by 5% in 2018 while the number of low-carbon alternatives proposed was 18% lower and the number of low-carbon alternatives selected remained stable. Within the road construction industry, Colas is playing an active role in efforts to give new impetus to low-carbon alternatives, especially now that the French SEVE® eco-comparison tool is attracting genuine interest in Europe (see inset below).

Working together, the industry and the European Union have undertaken to promote SEVE® internationally. Colas is actively involved in these efforts. In 2017, the SustainEuroRoad project, 50% grant funded under the EU's Life program, was audited by the European Commission. It has been noted that there are no other projects of this type in road construction and that it helps make contracting more objective. The European Commission's Directorate-General for Environment has referred to the possibility of reducing greenhouse gas emissions by more than 50%, energy consumption by 70%, and consumption of natural resources by similar proportions by using this software. In 2018, "SustainEuroRoad" allowed for the creation of a new pan-European database and demonstrators at worksites and production sites across Europe (Spain, Hungary, Germany and France). Its aim is to support GPP (Green Public Procurement), a European Community organization, in its efforts to introduce environmental criteria into public procurement. The software is changing continually and listens to users' comments in order to be as in touch as possible with the reality on worksites.

4.3.4.3. WASTE PREVENTION AND MANAGEMENT

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. Colas Île-de-France Normandie, which operates in a highly urbanized region lacking aggregates resources, accounted on its own for 16% of Colas' global production of recycled materials in 2018.

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 "Materials recycled" 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 makes it possible to reduce consumption of bitumen (a non-renewable petroleum resource) by reusing that contained in the asphalt recovered when repairing or demolishing roads. Asphalt mix, the surfacing used for most road systems 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 in place.

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.

Name of indicator (1)	Scope	Coverage	2017	2018
Ratio of materials recycled to total aggregates produced (as % of quantity)	World	Asphalt mix and aggregate production activities, and railroad worksites	12	10
Percentage of reclaimed asphalt pavement with bitumen recovery (as % of quantity)	World	Materials production activities	15	15
Surface area of road recycled in place (in millions of m^2)	World	Worksite activities	3.6	3.3
Waste oil recovery rate (as % of quantity)	World	All activities	61	65

(1) These figures do not take account of information concerning the Miller McAsphalt group.

The ratio of materials recycled fell slightly (down 2 points) between 2017 and 2018, due to a sharp rise in aggregates produced (up 12%) and a small drop in the quantity of materials recycled (down 1%). Countries in the International scope saw the most significant increase in the volume of materials recycled (up 26%).

In 2018, Colas recycled and recovered 9 million metric tons of materials. This represents almost 10% of its total aggregate production and worldwide savings equivalent to the average production of 17 Colas quarries.

The "Percentage of reclaimed asphalt pavement with bitumen recovery" indicator remained stable in 2018. The quantity of reclaimed asphalt pavement increased by 2% and asphalt production fell by 5%, but these positive trends were not sufficient to deliver a positive change in the overall indicator. The consolidated target for the Group's' subsidiaries in 2018 was 16% for this indicator. The industry consensus holds that the maximum recycling ratio achievable for all asphalt mix excavated or planed off the road is between 20% and 25% in OECD countries, with this rate varying locally in accordance with urban density and the technologies employed by project owners. Colas is therefore situated in the third quartile of this maximum rate overall, with some subsidiaries in Canada, the United States, and Belgium having attained the maximum level in 2018, whereas this progress is more difficult to achieve in less proactive countries.

The surface area of road recycled in place by Colas subsidiaries decreased by 4% in 2018 compared to 2017. The 5% increase in this indicator in the countries where the International department operates was unable to make up for the fall at the Group's Canadian subsidiaries, which accounted for more than one-third of this production in 2017. The reduction seen in Canada this year relates to the completion of construction projects using this technology.

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. Colas' recycling ratio rose by 4 points in 2018. The management of all types of waste is monitored and evaluated pursuant to ISO 14001 certification requirements and during the annual self-assessments using checklists (see environmental certification and self-assessment indicators in Section 4.3.3.2).

4.3.5. Social acceptance and local regions

The notion of social acceptance allows for the creation of an idea of economic development that takes account of the positive and negative impacts of Colas' activities overall and in a given region. This means taking into consideration the Group's relations with its stakeholders and being able to listen to their expectations. In line with Colas' values and culture, the management of relations with stakeholders is decentralized, but the approach also allows for the identification of subjects that may merit a more global approach.

Due to the nature of its activities, whether in terms of long-term operations and major projects, Colas has a socioeconomic impact on the regions where it operates as regards both job creation and purchasing, by targeting local suppliers or even by forming scientific partnerships or partnerships with start-ups in the area of innovation. In addition to this role, it supports general interest initiatives in the fields of education and humanitarianism, culture and heritage, scientific research etc.

Its social commitments are targeted not only at populations as a whole, in particular with targeted actions as regards human rights, but also infrastructure users and residents local to its production facilities and worksites.

In line with the policy adopted at Group level, Colas manages its environmental impact on a local level in terms of adapting to climate change and sustainable use of resources and pollution, as well as protecting biodiversity. Although the challenges of the circular economy and recycling, as well as energy consumption and CO_2 emissions, are major local concerns, they are handled in two separate parts due to their overall importance for Colas.

4.3.5.1. SOCIOECONOMIC IMPACT ON LOCAL REGIONS

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 58,000 employees, in businesses where the jobs are local and not liable to be relocated;
— the construction of transportation infrastructure that promotes connections between people, cultural exchanges, and the economic development of regions: streets, roads, highways and railways together form the world's first social network.

4.3.5.1.1. Employment

The Group contributes to employment and development of the regions where it is active through both national and local initiatives:

— in Mainland France, partnership agreements are signed locally with GEIQs (employer groups for integration and training) to help facilitate the employment process for people having trouble accessing the job market or returning to work. GEIQs directly hire individuals within these target groups and then make them available to member companies by organizing their schedules to alternate between theoretical training and on-the job work experience. The system has enabled around 40 people to work at Colas subsidiaries under this type of contract. In addition, Colas subsidiaries have taken part in the HOPE project (which helps refugees secure housing and find work), welcoming a total of around 20 refugees. The aim of this experimental program, developed by the French employment ministry in partnership with FNTP, Afpa, GEIQs and Pole Emploi, was to respond to the specific difficulties encountered by refugees on arriving in France. Each of them has been able to benefit from French lessons, training in worksite prevention and an internship to learn about the company on the ground;
— outside France, various initiatives are pursued across all Colas subsidiaries, including Colas Canada, which has taken steps since 2012 to integrate members of the First Nations within its work crews via its subsidiaries across the country. A nationwide approach is currently being drawn up to introduce a wider-ranging program with the First Nations. For example, this may include setting up partnerships in common areas, establishing training programs (literacy, efforts to combat addiction, etc.) and prioritizing the hiring of indigenous populations.

4.3.5.1.2. Local purchasing within global policy

The overall policy of the Colas Group's Purchasing Department has been reorganized, in line with the following principles:

— the establishment of a specially designed organizational structure and the rollout of clear purchasing processes to guarantee the segregation of duties (the same person cannot fill out the procurement requisition, select the supplier, place the order, accept and pay for the product or service) and compliance with regulations and commitments made to suppliers;

A new purchasing information system, accessible to all participants and ensuring that expenditures comply with process requirements, that purchasing duties are segregated appropriately, and that expenditures are duly authorized (via the validation workflow), is currently being deployed and process performance indicators are being prepared;

— the use of 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;

— the involvement of internal stakeholders (e.g., Safety and Environment personnel) in the purchasing processes for products and services that are most relevant to them.

Colas' activities are decentralized and in this regard a large proportion of purchasing is done locally via the network of suppliers in each country and each region in which Colas operates. Colas helps preserve local economies in the areas where it operates, also working to improve economic vitality, by adopting several principles:

— framework agreements signed at Group level are with companies represented locally;

— preference is given to local suppliers and contractors in the case of similar offers from several bidders, unless there is a strategic reason to prefer a non-local product or service;

— a minimum proportion of awarded contracts is reserved for small local companies and/or suppliers. The concept of advance orders and gradually increasing order size is favored;

— in France, suppliers that employ people with disabilities (see indicator below) are preferred when they are competitive in terms of quality and price;

— purchasing officers are made aware of the Group's CSR policy and are asked to systematically factor this into their calls for tenders; local initiatives are also implemented.

Colas contributes to the sustainable and efficient use of regional resources by developing models that enable comparisons between proposed solutions (notably by analyzing the total cost of ownership) and also take into account resource conservation, ways to reduce consumption (particularly of energy resources), and the impact on the planet (e.g. reducing GHG emissions). For example, Colas' vehicle purchasing policy takes these considerations into account by opting for vehicles that meet the Euro 6 standard or offer good fuel efficiency.

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 fabric is produced in European ISO 14001-certified factories, and the dyes used are OEKO-TEX® Standard 100-certified. The uniforms are produced in workshops in North Africa where working conditions have been checked by SGS in the course of workplace audits (12 audits have been carried out). 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 2018:

— the improvement of existing models based on feedback from users;

— the creation of a line specifically designed to fit women;

— 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.

4.3.5.1.3. Patronage activities, sponsorships and partnerships

Partnerships

Colas continues to develop numerous partnerships across all its subsidiaries in France and around the world, to further build its knowledge and expertise, but also to adapt its business activities to tomorrow's challenges, in two main areas.

Academic partnerships are entered into with universities and schools (including the University of Birmingham in the United Kingdom, the University of Alberta in Canada, and the École Centrale engineering school in France), along with organizations and institutes (such as Ineris, the French Alternative Energies and Atomic Energy Commission (CEA), ChemSuD, and the Foundation for Research on Biodiversity (FRB)) for scientific or research and development projects.

Partnerships in the area of innovation are being developed with:

— with start-up incubators such as Paris and Co or Via ID on issues of mobility and logistics in sustainable cities;

— with startups in connection with the Group's innovation projects. For example, the partnership with RB3D, a cobotics (collaborative robotics) specialist, is currently in its industrialization stage concerning the development of the ExoPush, a powered exoskeleton designed to help paving workers with the manual application of asphalt mixes. This innovation, developed in collaboration with Colas, which has around 30 ExoPush systems, is available to the entire public works industry. Other deals have been sealed with start-ups in energy and in the development of innovative solutions for local authorities. For example, an agreement was entered into with the Béthune city authorities to trial online maintenance service offerings. Colas' employees scour the city to detect, catalog and then remedy any issues they spot with its infrastructure using the TellMyCity app. The city authorities obtain a detailed, mapped and real-time overview of the state of maintenance of its infrastructure. with start-ups Apilab et BeeOdiversity, Colas is continuing to work on the ground on protecting the genetic diversity of bees and using beehives as a general bioindicator;
— with business foundations like Ferec (the Collective Research for Construction and Infrastructure Business Foundation), which supports research in the public works sector through its national and pan-European projects.

Patronage activities

The Colas parent company's patronage policy focuses on three 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, FRB.

Colas uses an application to collect data on and approve the Group's patronage and sponsorship activities in France and abroad. All the information collected and validated using this tool is automatically transferred to Xfi (the Group's non-financial reporting application) for consolidation purposes.

Name of indicator [1]	Scope	Coverage	2017	2018
Patronage: Cash donations (in millions of euros)	World	100% of CAE of all Activities	2.6	2.5
Patronage: In-kind donations (value in millions of euros)	World	100% of CAE of all Activities	0.16	0.10
Sponsorship: Cash expenditures (in millions of euros)	World	100% of CAE of all Activities	2.9	3
Sponsorship: In-kind expenditures (value in millions of euros)	World	100% of CAE of all Activities	0.04	0.0052

(1) These figures do not take account of information concerning the Miller McAsphalt group.

The total amount of patronage donations (donations in cash and in kind) declined by 6% between 2017 and 2018, while sponsorship expenditures saw a slight increase of 4%.

For donations in cash or in kind, the most significant changes were seen at subsidiaries in North America (down 13% and 66% respectively). In Mainland France, the fall in donations in kind (down 21%) was accompanied by a reduction in cash donations (down 5%). International subsidiaries did not make any donations in kind, while the amount of cash donations increased by 3%.

Sponsorship in kind expenditures were more or less non-existent for the reporting period. Cash expenditures were down in Mainland France (down 2%) and North America (down 5%) and up in the International department (up 20%).

4.3.5.2. SOCIAL COMMITMENTS TOWARDS NON-CONTRACTUAL STAKEHOLDERS

Issues involved in relations with Colas Group stakeholders are complex, given the diverse range of business activities and regions across which the Group operates. In line with Colas' values and culture, the management of relations with stakeholders is therefore decentralized, except for subjects that may merit a global approach.

4.3.5.2.1. Citizens

Colas cares not only about reducing the negative impacts of its activities, but also about expanding its positive impact on a large scale, thus benefiting society as a whole in addition to its employees. One example of the long-term concrete actions Colas has implemented in this area is 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 (35%) of Colas employees have learned life-saving techniques. This training benefits employees as well as everyone around them, including their families and friends.

Name of indicator (1)	Scope	2017	2018
Total number of employees trained in first aid (at end of period)	World	20,809	20,067

(1) These figures do not take account of information concerning the Miller McAsphalt group.

The number of employees trained in first aid remains at a high level, even though a slight drop was recorded in 2018.

In developing countries where it has operated for many years (in Madagascar, West Africa and central Africa, in particular), Colas is involved in health initiatives (to fight AIDS, intestinal infections, and malaria in particular) that cover employees, their families, and local village populations. One of the programs has been led jointly with the ILO (International Labor Organization) for several years.

Principles implemented in the area of human rights

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 ILO's fundamental conventions.

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 450 originating from some twenty countries, out of a total of around 24,200 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 it is not complicit in any human rights violations. 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.

Within the framework of the French law on duty of care, an approach has been adopted concerning serious risks in terms of human rights. Information about this included in the duty of care plan published by Colas' parent company Bouygues, governing this aspect for the Group as a whole.

4.3.5.2.2. Road users

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, transportation infrastructure does not present any direct impact on or risk to the health of users.

Colas' commitment to road safety is reflected in its frequent initiatives, in France and abroad, to raise employee awareness about road risks. These actions include organizing a Safety Week each year, focusing on road safety as well as safety issues relating to Colas worksites, in which all Group employees around the world take part.

These initiatives can also fall within the framework of charters (e.g., in France, charter with the government and CNAMTS – the French national health insurance fund for employees – renewed regularly since 1997) or road safety campaigns (for example, those led by RoSPA, The Royal Society for the Prevention of Accidents, in the United Kingdom).

In accordance with each country's laws and regulations (e.g. CNIL in France, GDPR in the European Union), onboard telematics in vehicles is set to be gradually extended in the future. Positive results, such as a significant reduction in speeds, have already been obtained at Colas Rail Ltd (United Kingdom) following discussion with the drivers concerned about the risks of excessive speed, supported by data collected.

Efforts to reduce losses, a goal shared by all subsidiaries (the Group saw a 45% reduction in road accident frequency worldwide between 2004 and 2018, with a 3% decline between 2017 and 2018), benefit not only the Group's employees, but also their families and friends (through the sharing of best practices), and most certainly all other road users.

Colas 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 effects in rainy weather or due to insufficient braking distance);
— improving visibility (work on road markings in cold or wet weather and at night);
— manufacturing road safety equipment (Aximum safety and signaling subsidiary).

Flowell: dynamic signaling for intelligent and modular roads

As part of its innovation strategy, which aims to offer solutions based on road uses for transportation of the future, Colas created Flowell in 2017. This is a dynamic, scalable and modular signaling system that aims to optimize urban space, traffic flows, safety and the coexistence of multiple forms of transport.

Developed by Colas R&D in collaboration with CEA Tech [1], Flowell makes it possible to organize the shared space of roads and city streets thanks to a device based on dynamic control of light-emitting signaling. Installed on existing roads, Flowell offers a great degree of flexibility and adapts the infrastructure to the needs of both urban and rural communities in real time.

Flowell streamlines traffic on existing roadways by giving priority to certain users over specific time periods. For example, communities can turn parking spaces reserved in the daytime for deliveries into car parking spaces at night. They can also create temporary drop-off spaces around schools, and secure pedestrian crosswalks by enhancing their visibility and that of pedestrians with light-emitting markings. Several trial sites have been deployed to test the solution in real conditions. The goal is to benefit from the experience of communities and users as to the relevance of its applications, ease of use and integration in urban areas. For example, a crosswalk marking a bus stop that lights up when school buses arrive is currently being trialed in the Vendée region of France.

To address noise pollution, Colas is developing products that reduce traffic noise, such as fractal-technology noise barriers, and especially noise-reducing mixes (such as Nanosoft®, Rugosoft® and similar products), which can reduce vehicle rolling noise levels by as much as 9 dB. About 393,600 metric tons of these noise-reducing mixes were produced in 2018, a volume 28% lower than the 544,300 metric tons produced in 2017. The high tonnage in 2017 relates to a contract in Denmark.

This product range reflects the continuing effort Colas has been investing in R&D for many years, with a clear focus on meeting society's expectations, and for which it has received a number of awards.

(1) Technological research unit serving industry of the French Atomic Energy and Alternative Energy Commission (CEA).

4.3.5.2.3. Local populations

Colas identifies and anticipates the risks of blockages at its production facilities and construction sites relating to social and societal contexts (population displacement etc.), cultural contexts (sacred ground etc.) and environmental contexts (protected species, water stress etc.), as well as disturbances (noise, vibration, dust, smells, visual pollution, light pollution, etc.). It is developing a structured and proactive system for listening, working in concert and dialogue with stakeholders in order to take account of their expectations (open days, meetings, raising awareness about recycling, reporting and monitoring indicators for fixed sites, smartphone apps to inform residents about current construction works and collect their opinions etc.).

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. Concerns raised include those relating to nuisances (odors, dust, traffic, noise) and risks of environmental or health impacts. The Colas Group has identified community acceptance as one of its key priorities for Responsible Development and has initiated action plans focused on two areas:

— 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 or 6S, 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 indicators in Section 4.3.3.2 on the percentage of materials production activities that have environmental certification and/or carry out environmental self-assessments using Colas checklists);
— 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.

Name of indicator [1]	Scope	Coverage	2017	2018
Percentage of CAE from materials production activities with an organization for local dialogue (as % of CAE)	World	100% of CAE of materials production activities	47	47

(1) These figures do not take account of information concerning the Miller McAsphalt group.

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. In 2018, this indicator remained stable, while the consolidated target for the Group's subsidiaries in 2018 was 48%. Furthermore, a working group has been set up to implement the tools that will allow for progress in this area.

At certain worksites of Colas road construction subsidiaries in Mainland France, the Colas & Vous smartphone app provides local residents with worksite information and lets them contact superintendents with any questions or comments.

4.3.5.3. ENVIRONMENTAL IMPACT ON LOCAL AND REGIONAL AREAS

4.3.5.3.1. Adapting to the consequences of climate change

Colas takes account of climate change in its activities. This is done not only at the level of the Group's overall policy (details of which are provided in Section 4.3.7.2) but also at the level of its locations around the globe.

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 Colclair®, a low-carbon alternative binder to better reflect heat while resurfacing a road in Dawson (Yukon, Canada), where the permafrost base is threatened by increasing temperatures due to climate change. This expertise was once again harnessed for work done at Iqaluit Airport under a public-private partnership signed at the end of 2013 in Nunavut, the northernmost territory of Canada, where work was completed in August 2017. Colas' research efforts thus include developing light-colored paving mixes (instead of the traditional black mixes which reflect less of the sun's heat) to help protect permafrost ground while maintaining flexible road pavements, and studying the effects of extreme thermal shock on crack development. Another illustration is the US-based Colas subsidiary Colaska, which has launched a project in Alaska under extreme weather conditions (up to -35°C) consisting of installing pre-insulated water pipes of different sizes over 55 kilometers. Work crews have managed to prevent the permafrost layer from thawing while also stemming dehydration.

4.3.5.3.2. Sustainable resource use and pollution prevention measures

Land use and discharge treatment

The construction of new infrastructure accounts for a very modest share of revenue (estimated at less than 10%), and Colas 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 about 20 quarries or gravel pits and many more landfill sites around 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 (agriculture, natural spaces, landscapes). With its innovative Wattway solution (see Section 4.3.7.2), 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 some of a country's needs in terms of solar power without impeding other types of land use. Similarly, by optimizing use of existing road surfaces, Flowell® helps share space, and reduce the need to pave open land.

The Colas Group's pollution prevention, reduction and elimination activities are mainly focused on production sites and major projects:

— production sites: 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 measures, Colas' checklists also cover non-certified sites in areas including administrative compliance, 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;

— major projects: specific arrangements such as an Environmental Protection Plan are drawn up for each of these projects, including the large Route du Littoral (Coastal Highway) project on Reunion Island. In addition, Colas Projects' QSE team is responsible for analyzing this feedback and raising performance.

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

Colas Environnement, founded in 1981, is the longest-standing pollution abatement company in France. It is also the first company to have gained ISO 9001, ISO 14001 and OHSAS 18001 certification in 2001. In addition to this trio of accreditations, it has also been MASE-compliant since 2010. Colas Environnement's staff of around 50 professionals is proficient in the use of most pollution remediation techniques. In particular, it has gained a reputation for the excellence and reliability of its on-site processing systems, and it also stands out thanks to its policy of full transparency toward its customers. Through its continuous growth, it has been able to broaden its footprint across Mainland France, with locations in Lyon, Paris, Bordeaux and Dunkirk. Outside France, new locations are emerging, notably in Casablanca and Spain, where an initial construction project is in progress.

Water management according to local constraints and the impact of manufacturing facilities on this factor

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. Water management is one of the criteria of the ISO 14001 standard (see indicator in Section 4.3.3.2 "Systems in place for steering environmental policy").

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 – Baseline Water Stress" map published on the website of the World Resources Institute. The water consumption of Colas' fixed facilities in these areas in 2018 is estimated to be around 909,000 m^3.

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.

Name of indicator [1]	Scope	Coverage	2017	2018
Percentage of stationary activities (in terms of CAE) located in areas facing extremely high water stress (as % of CAE [2])	World	100% of CAE [2] generated by stationary activities in areas facing extremely high water stress	5	6
Water self-sufficiency rate of areas facing extremely high water stress (as % of m^3)	World	100% of CAE [2] generated by stationary activities in areas facing extremely high water stress	61	73
Percentage of CAE generated in areas facing extremely high water stress for which an action plan has been implemented (as % of CAE [2])	World	100% of CAE [2] generated by stationary activities in areas facing extremely high water stress	58	76
Percentage of water consumption in areas facing extremely high water stress for which an action plan has been implemented (as % of m^3 consumed)	World	100% of CAE [2] generated by stationary activities in areas facing extremely high water stress	67	82

(1) These figures do not take account of information concerning the Miller McAsphalt group.
(2) CAE: revenue + intra-Group transactions and disposals.

These recent indicators were made more reliable in 2018 in terms of both understanding of the regions where water stress is a major challenge, as well as in terms of water management at these locations.

The Colas Group's fixed facilities in areas facing extremely high water stress are located in Canada (Saskatchewan), the United States (California and Wyoming), South Africa, Zambia, Guadeloupe, Martinique, Ireland, India, Morocco, the Middle East, Chile and Mainland France (Normandy). These facilities, which account for 6% of the CAE 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.

Broadly speaking, this geographical analysis shows that the water footprint of Colas' operations is not highly critical, with 94% of its activities located in non- or low water-stressed areas.

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 2018 is 73%, 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. This indicator saw a sharp increase this year (up 12 points).

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 areas facing extremely high water stress. The trend of introducing action plans made significant headway between 2017 and 2018, both for the indicator calculated as a percentage of CAE (revenue + intra-Group transactions and disposals) generated in areas facing extremely high water stress and the one relating to the percentage of water consumption in these same areas (with improvements of 18 and 15 points, respectively).

The main environmental risk for Colas' materials plants is generally considered to be the risk of gradual pollution resulting from accidental spillages 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 (see the "Percentage of materials activities with procedures in place to manage wastewater discharges" indicator below) has been derived from the environmental checklists.

Name of indicator [1]	Scope	Coverage	2017	2018
Percentage of materials activities with procedures in place to manage wastewater discharges (as % of CAE [2])	World	100% of CAE[2] of materials production activities	22	27

(1) These figures do not take account of information concerning the Miller McAsphalt group.
(2) CAE: revenue + intra-Group transactions and disposals.

Colas has implemented a 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. 27% of CAE from global materials production activity meets all these requirements (up 5 points from 2017). It should be noted that the criteria involved are very difficult to meet completely at a single site, especially at older or very large facilities. But it is still an excellent indicator of the vulnerability of Colas' sites and illustrates the need for its environmental risk management systems, and makes the improvement seen this year all the more impressive. The consolidated target for the Group's subsidiaries in 2018 of 23% was exceeded by 5 points.

4.3.5.3.3. Protecting biodiversity

Because Colas is aware that biodiversity on a global level is in danger, it has based its approach on concrete action rather than conceptual commitments. Its aims are to protect and develop biodiversity at its own level. Its efforts are based on two main tenets:

First cornerstone, by actively participating in biodiversity research and innovation:

— Colas is one of the few companies to have been a member of the strategic steering committee set up by the FRB (the Foundation for Research in Biodiversity) since 2011 and recently awarded a prize to a young researcher in the category "Biodiversity and the fight against invasive species";
— Colas is an unintentional local propagator of invasive exotic plant species in its minor earthworks. It has initiated dialogue with scientific communities to make progress in analyzing and preventing this problem and is taking its considerations further with a growing number of subsidiaries around the world;
— in 2016, Colas created a conservatory for black bees in southern France in partnership with Apilab, a laboratory specialized in environmental biomonitoring using bees. 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 the Cozzi quarry, near Norante, in the French administrative department of Alpes-de-Haute-Provence. This social and collaborative project is conducted in partnership with local beekeepers and the mayors of the neighboring towns. Similarly, an initiative to protect stingless bees is being launched in French Guiana, also in partnership with Apilab.

Colas aims to develop an educational component targeting the general public, such as lecture series, projects for students and programs geared to younger audiences with its biodiversity initiatives. This is important because genuine solutions to the challenges posed by biodiversity will be found only if people take ownership of them on a local and global scale.

Second cornerstone, through targeted projects that are directly related to its operations. Colas' efforts relate to 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, installing beehives in collaboration with local stakeholders (beekeepers, naturalists, nature reserves, NGOs and others), and informing local communities through an educational awareness-raising campaign.

Name of indicator (1)	Scope	Coverage	2017	2018
Percentage of CAE from aggregate production activities that take action to promote biodiversity (as % of CAE)	World	100% of CAE of permanent aggregate production activities	51	51

(1) These figures do not take account of information concerning the Miller McAsphalt group.

Around 70 protected species currently live at the Group's extraction sites, in addition to some 50 sites that are home to beehives. Even though there was no movement in the biodiversity indicator in 2018, real progress has been made since this policy was rolled out in 2012, on the occasion of the 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 EOCE program has played a major role in securing subsidiaries' collaborative commitment to advancing this policy. The consolidated target for the Group's' subsidiaries in 2018 was 55%.

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, over the last 10 years, 32,166 children and 1,129 teachers have learned about the importance of their country's natural heritage, particularly the protection of lemurs through habitat conservation.

4.3.6. Ethics

Acts of corruption or complicity in corruption (falsifying prices, money laundering, paying bribes or offering gifts to obtain contracts, fraud, etc.) are major economic and financial risks (loss of contracts, fines, insolvency) and a risk to the company's reputation. Colas identifies all risks of corruption of conflicts of interest, particularly in sensitive countries, draws up and displays rules of ethical conduct (code of ethics and gifts policy) and implements measures concerning prevention (monitoring training), warnings (warning procedure and system for protecting whistleblowers) and penalties in the case of fault (provisional dismissal, redundancy, etc.).

4.3.6.1. ACTIONS TAKEN TO PREVENT CORRUPTION AND ENCOURAGE FAIR BUSINESS PRACTICES

The ethical guidelines, introduced many years ago, are included in a summary of the management guidelines contained in the Code of Ethics of the Bouygues Group (of which Colas is a subsidiary). Since late 2014, this has been supplemented by a compliance program built around four topics: competition, conflicts of interest, preventing corruption, and financial disclosures and stock market transactions. In 2017, the compliance program was overhauled to take into account changes arising from the enactment of the Sapin II Act on transparency, efforts to combat corruption and the modernization of business life and the Act of March 27, 2017 on parent companies' and lead contractors' duty of vigilance. A new compliance program was also introduced concerning export embargoes and restrictions.

Considering how decentralized our businesses are, the broad cultural diversity that is inherent in the Colas Group, and the very large number of employees involved, the programs have been deployed progressively since 2016, beginning in France.

A Chief Legal and Compliance Officer was appointed on September 1, 2018. He is supported in his work by a Compliance Manager as well as a network of compliance officers appointed in each of the Group's significant entities around the world.

A whistleblowing system open to all Colas employees was introduced in early 2017.

The Colas Group's Ethics and Corporate Sponsorship Committee, which was expanded in 2015 to four directors (two of whom are independent), met in February 2018. Patronage and sponsorship initiatives in amounts exceeding 20,000 euros were presented to the committee, as was progress made on the rollout of compliance programs for the past year and the actions scheduled for 2018. The cases reviewed by the Business Ethics Commission were also presented to it.

In a clear and public commitment, a model position statement by Colas senior executives, pledging to abide by and champion the Group's Code of Ethics and compliance programs, was agreed by the Executive Management Committee.

By the end of December 2018, all of the Colas Group's managing directors, department heads and business unit managers had signed up to this clear undertaking. As part of the renewal campaign scheduled for 2019, employees, department heads and works managers will also be invited to sign up to this undertaking.

All the Group's companies with employee representative bodies were also consulted about the code of ethics and compliance programs to ensure they are embedded in their internal rules and regulations.

In 2018, the training campaigns continued and were stepped up:

— the Business Ethics and Responsibility training module, also covering the Group's compliance programs, continued in 2018 both in France and internationally. It was offered at all subsidiaries for operational and functional managers and team leaders. This training systematically includes business 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. Since the training was introduced in 2016, close to 5,000 employees have been trained, including 1,636 in 2018, with a continued focus on subsidiaries outside France;
— the Ethical and Accountable Leadership training program delivered for the first time in 2016 to promote discussions about business ethics and the individual and collective accountability of Group subsidiary leaders, also continued throughout 2018 in France and around the world. To date, nearly 700 managers have completed this training;
— the subsidiaries in North America continued their rollout of a specific communication and training program on ethics:
  – In the United States, classroom training sessions for Colas USA and the subsidiary's staff and managers have been organized on topics such as anti-competitive practices, workplace conduct, conflicts of interest, gifts and third-party invitations. Two ethics training modules have been offered at Colas University in the United States. In parallel, all of the US subsidiaries regularly hold training sessions on ethics-related topics, some of which have been amply documented in their in-house magazines. The online ethics training program also continued in 2018. As part of this program, all employees of subsidiaries in the United States with an email address are allocated various online modules relating to information security and behavior in the workplace. All employees have been invited to view online the Bouygues Code of Ethics and the Colas USA Code of Conduct and to confirm that they have read them carefully. Furthermore, all Colas USA employees are required to confirm each year in writing that they have received the Code of Conduct and comply with it. All offices and recruitment centers advertise the dedicated hotline for ethics alerts that can be accessed anonymously by anyone. Fold-out cards listing the phone numbers and the website for ethics issues were also distributed. In 2018, 51 alerts were received and handled in the United States. Around 4,000 employees have taken part in various training programs and campaigns on ethics in the United States (live training, Colas University, online training). Lastly, the head of ethics at Colas USA has sent 12 Ethics Alerts to all Colas USA employees. Each Ethics Alert concerns a topical event relating to ethics/legal issues in the United States such as corruption, antitrust legislation, fraud and behavior at work.
  – In Canada, Ethics and Compliance Program training had been delivered to 550 employees by the end of 2018. As a reminder, a new whistleblowing system for employees was introduced across Canada in June 2017. A major communication campaign informed all the employees of the Canadian subsidiaries about this bilingual service run by an independent third party. In addition, the overhaul of the Colas Canada intranet provided an opportunity to reiterate the obligations with regard to commercial intermediaries, corporate patronage and sponsorship, gifts and hospitality.

Internal training on compliance programs and instructions for the application of "ethics and compliance documents" are due to begin in 2019 for the Miller McAsphalt group.

The Fair Play e-learning ethics training, which takes the form of a serious game, was rolled out during the second half of 2017 across all the French subsidiaries. Of the nearly 3,500 eligible employees, 92% have completed this e-learning session to date. Other training sessions are scheduled for subsidiaries outside France and new hires.

A project for the mapping of corruption risks, and specifically risks of bribery and influence peddling, was carried out for Mainland France. It will be presented to the Executive Management of Colas for discussion and approval. Corruption risks are mapped and presented to the Group's Executive Management for all high-risk and very high-risk countries where Colas subsidiaries do not currently operate, but have plans to set up locations or to go ahead with a major project. Corruption risk mapping will be carried out in 2019 for all countries where the Group operates.

Checks of the ethical standards of third parties are primarily performed by means of internal resources and ethical standards questionnaires. In relation to the main risks identified, these checks concern suppliers, partners, intermediaries, benefits of patronage and sponsorship actions and potential major clients.

These actions will be continued and expanded in 2019.

4.3.6.2. CODE OF ETHICS FOR THE PURCHASING FUNCTION

Colas' responsibility in its relations with suppliers allows for a win-win collaboration during all stages of the supply chain.

Several organizational initiatives were undertaken in 2017, such as the distribution of a specific ethics charter for purchasing staff. This charter was distributed worldwide in French and English in September 2018.

The main principles set out in the charter are as follows:
— demonstrate exemplary personal behavior;
— comply with legislation and regulations;
— adopt transparency criteria in selecting suppliers and fair treatment regardless of the size or type of services to be provided;
— avoid any conflicts of interest or corruption with suppliers and subcontractors;
— respect the confidentiality of information provided by a supplier;
— issue an alert when compliance rules are breached.

On receiving this document, each purchasing officer must acknowledge and sign it.

4.3.7. Energy and greenhouse gases

To help make its production facilities and equipment more energy-efficient and less carbon-intensive, Colas measures its energy consumption and CO_2 emissions, invests in more energy-efficient equipment (asphalt plants, etc.), offers its clients techniques with lower CO_2 emissions (warm mix, etc.) and favors the use of short supply chains thanks to its extensive regional coverage. As far as possible, Colas favors non-road transport (rail, water transport), minimizes its dependency on fossil fuels in favor of renewable energies (wind, solar, hydraulic power) and factors this concern into its products and services (solar roads).

4.3.7.1. ENERGY CONSUMPTION AND MEASURES TAKEN TO IMPROVE ENERGY EFFICIENCY

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 expressed 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. The aim of the cLEANergie (Colas Lean in energy) program, which was rolled out between 2014 and 2017, was to enable all Colas activities to reduce the energy they consume for construction, production, building operation, and logistics. This work revealed that the energy consumed by three uses – asphalt plant burners, construction equipment, and vehicles – together accounted for three-fourths of Colas' direct energy consumption in almost equal proportions.

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 now entering their second generation, allow for real-time tracking of energy consumption and mix temperatures, with alerts sent over the Internet and to smartphones, plus reporting capabilities. These applications are currently being used by about 28% of the Group's asphalt plants (up 2 points from 2017), accounting for 33% of CAE (revenue + intra-Group transactions and disposals). This data will be used to help make the Group's asphalt plants more energy-efficient. To record and analyze the energy consumption of some 50,000 vehicles and construction machines at about 2,000 production units and 800 construction business units, Colas has 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. This program 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, 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.

Name of indicator (1)	Scope	Coverage	2017	2018
Energy consumed per metric ton of mix produced (kWh per metric ton)	World	Asphalt mix production activities	78	78
Percentage of warm mix and low-temperature mastic asphalt (as % of quantity)	World	Mastic asphalt and asphalt mix production activities	23	22
Number of metric tons of materials transported by rail or waterway (in millions of metric tons)	World	All Activities	8.9	8.5
Total energy costs (in millions of euros)	World	All Activities	375	427
Total energy consumption (in millions of MWh)	World	All Activities	7.4	7.6
Ratio of total energy costs to IAV (2) (as %)	World	All Activities	3	3
Percentage of vehicles with on-board telematics	World	All Activities	21	25
Percentage of machinery with on-board telematics	World	All Activities	26	25

(1) These figures do not take account of information concerning the Miller McAsphalt group.
(2) 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.

Colas systematically and carefully measures and monitors the fuel consumption of asphalt plant burners at more than 400 plants. Although both the production of asphalt mix and energy consumption by asphalt plants increased slightly in 2018, greenhouse gas emissions remained stable.

Warm mixes require about 15% less energy to produce than hot mixes (see the explanatory comment on the indicator in Section 2.1.2). Despite a slight decline in warm mix production this year, all employees remain committed to 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, with the knowledge that the health-related benefits are also substantial. In 2018 as in 2017, the US subsidiaries achieved the highest levels, with the fine example of Branscome Company, where warm mix accounted for 100% of production during the year.

The quantity of materials transported by rail or waterway is equivalent to nearly 3,100 freight trains (with each train containing 44 freight cars), which avoids deploying more than 280,000 dump trucks, each with a haulage capacity of 30 metric tons. The average distance traveled (227 km in 2017, 233 km in 2018) rose by 3% while the tonnage of materials transported fell by 5%.

The Colas Group's total energy costs are estimated at about 427 million euros. Energy consumption totaled 7.6 million MWh and as may be expected is more or less proportional to revenue in each country. In 2018, the Group's energy bill and energy consumption increased by 14% and 3%, respectively. These upward movements must be considered in light of the 6% increase in CAE for materials production activities as well as the rise in energy costs.

Measures have been taken to reduce Colas' overall energy costs, which relate primarily to work on consumption taxes, optimizing electricity consumption and carrying out tests to adapt to future constraints relating to consumption production peaks.

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, for example, 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 energy costs. IAV is equivalent to CAE (revenue before eliminations) less operating profit margin and revenue from subcontracted work. No change in this indicator was recorded between 2017 and 2018.

The number of site machines and vehicles equipped with energy consumption monitoring systems rose by 4 points for vehicles and declined by 1 point for site machines in 2018: 25% of site machine and vehicles are now equipped with such systems. The replacement of equipment contributed to this trend, since the data for each individual item of machinery can be downloaded directly from manufacturers' websites for most of the latest models. This complex indicator points to the most substantial avenue for potential progress.

4.3.7.2. CARBON FOOTPRINT AND REDUCTION MEASURES

The first is to play its part in curbing climate change by reducing its carbon footprint and delivering solutions that reduce the footprint of its customers while accommodating their specific requirements. The second is to adapt to climate change by pursuing its research efforts into the formation of urban heat islands, both in buildings (such as insulated facades and green or reflective roofs) and in transportation infrastructure by drawing on its extensive knowledge of the complex equations involved in this phenomenon, and by offering techniques and materials protecting existing infrastructure and scaling new infrastructure projects to cope with a broader range of climate scenarios. For Colas, these two goals are not so much risks for its business activities, but rather opportunities for competitive differentiation, since the threat to vehicles running on fossil fuels does not preclude demand for infrastructure for carbon-free modes of transport.

Colas has launched a program of academic discussions concerning the formation of urban heat islands to factor in the complex interactions and retroactions characterizing this phenomenon, which is a concern for all the world's major urban centers. Concurrently, Colas continues to pursue a rigorous experimental program to characterize the thermodynamic properties of building materials and is ready and willing to participate in the full-scale measurement and experimental programs launched by several municipal authorities. This is an area in which collaborative solutions spanning water management, big data, urban planning, materials science, human and social sciences can be developed – it represents one of the key building blocks of tomorrow's sustainable cities.

Significant sources of greenhouse gas emissions generated by the Group's business activities

Name of indicator [1]	Scope	Coverage	2017	2018
Greenhouse gas emissions (in millions of metric tons of CO_2 equivalent)	World	All Activities	12	12
Greenhouse gas emissions per metric ton of mix produced (in kilograms of CO_2 equivalent per metric ton)	World	Asphalt mix production activities	18	18
Carbon intensity (in kilograms 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	153,000	156,000

(1) These figures do not take account of information concerning the Miller McAsphalt group.

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 3a 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 3b has not been applied.

This calculation necessarily involves a margin of uncertainty (over 30%), particularly for Scope 3a, 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.

In 2018, carbon footprint figures remained stable.

The breakdown by scope of Colas' carbon footprint may be estimated as follows and is unchanged from 2017:

- Scope 1: 1.7 million metric tons of CO_2 equivalent;
- Scope 2: 0.3 million metric tons of CO_2 equivalent;
- Scope 3a: 10 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 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 2018, the Colas Group recycled 299,000 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-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. The number of low-carbon alternatives selected by customers was the same as in 2017 (39 selected), but the number of metric tons declined by 5%. A total of 2,657 metric tons of CO_2 emissions were thus avoided in 2018. Recycling bitumen recovered from demolition or the milling of road surfaces is currently the main means of reducing CO_2 emissions (111,000 metric tons of CO_2 equivalent in 2018). 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, the SustainEuroRoad project subsidized by the European Union is currently under way, under the aegis of Routes de France (formerly USIRF, a French road industry association), in which the Colas Group is playing a major role,
- Wattway: a major innovation in the road sector, the fruit of five years of research and development by teams at Colas. In partnership with INES, the French national institute for solar energy, this innovative technique gives roads a new purpose alongside their traditional function as facilitators of mobility: 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. Despite being just a few millimeters thick, these panels can generate electricity while safely withstanding vehicle traffic – even heavy trucks. 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 power the streetlights in a town of 5,000 inhabitants. Around 30 small-scale projects have been launched in France and around the world since 2016. A number of applications have been tested: vehicle recharging; information board power supplies in the United Kingdom; street lighting in Mainland France and on Reunion Island; supplying power to buildings in Canada, the United States, France, Japan and Luxembourg; and the sale of generated electricity to local power grids in Monaco, France and the Netherlands.

In 2018, the quantity of greenhouse gas emissions avoided as a result of Colas' actions rose from 153,000 to 156,000 metric tons of CO_2 equivalent, as a result of the increase in quantities of reclaimed asphalt pavement around the world, excluding North America.

Some Colas asphalt plants, as combustion facilities with a rated thermal input exceeding 20 MW, are concerned by the European Union's emissions trading system. The asphalt plants in question are located in Belgium (five plants), Denmark (two plants), and France (eight plants). Compared with other manufacturing facilities concerned by this system, asphalt plants are minor CO_2 emitters. For example, the 8 French plants totaled 20 thousand metric tons of CO_2 in 2017 (reported in April 2018) for a production of about one million metric tons of asphalt mix. Following the closure of Société de la Raffinerie de Dunkerque, Colas SA picked up surplus quotas, allowing it to transfer 28,272 CO_2 quotas to unprofitable subsidiaries in 2018 in respect of 2017 without calling on the CO_2 market. At the same time, Colas SA received 734 quotas from an entity with a surplus. Thanks to these transfers, each subsidiary had a quota balance following the April 2018 report corresponding to the free quotas allotted in February 2018, which will have to be used in the April 2019 report. The final figures for the 2018 activity report for submission in April 2019 will be available in the first quarter of 2019.

Specific information regarding the Non-financial Performance Statement

NOTE ON METHODOLOGY

With Ministerial Order No. 2017-1180 of July 19, 2017, and Decree No. 2017-1265 of August 9, 2017, France has implemented the EU directive of October 22, 2014, relating to the disclosure of non-financial information, and amended Articles L. 225-102-1 and R. 225-104 to R. 225-105-2 of the French Commercial Code accordingly.

Specifically, the "Article 225" system under the Grenelle II Act has been replaced, for fiscal years beginning on or after September 1, 2017, by the obligation to prepare a "Non-Financial Performance Statement".

Colas' 2018 Non-Financial Performance Statement reflects the principles set out in the new legislation. As part of the Group's continuous improvement process, changes to this document are planned in fiscal year 2019. It includes sections covering:

— the Group's business model;
— the main challenges facing Colas in terms of non-financial information on the basis of risks updated following materiality analysis;
— policies, performance indicators and their development in the following areas: human capital, health and safety, environment, circular economy and recycling, social acceptance and local regions, ethics, energy and greenhouse gases.

Indicators monitored by the Human Resources Department

Indicators monitored by the Human Resources Department are calculated on the basis of a calendar year from January 1 to December 31. The scope of companies considered in their calculation is a subgroup of the scope of financial consolidation.

For 2018, 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%, while the remainder are excluded from the scope;
— equity-accounted associates are excluded.

The indicators cover all business activities of Group companies in France and around the world.

Colas' workforce-related reporting system is based on the indicator definitions used in the Bouygues Group's workforce-related reporting protocol.

The application including these indicators interfaces with the payroll management system in France (which is in the process of being rolled out to International entities) and has access to data provided by the global consolidation process managed through the financial information system.

Performance categories: 1. Human capital – 2. Health and safety

In 2018, 50% of the indicators were consolidated on a worldwide basis:

— Workforce by geographic location
— External hires by status and number of leavers
— Workforce by age bracket
— Workforce by gender
— Representation of women in the Group
— Number of hours worked
— Existence of a formal training plan
— Number of employees trained
— Number of days of training
— Workplace accident frequency rate
— Workplace accident severity rate
— Number of fatal accidents
— Number of consecutive lost-time days following workplace accidents

38% of the indicators correspond to definitions that come from the French Labor Code and are therefore consolidated under the “France (Mainland and Overseas)” scope:

— Number of employees with disabilities, Number of new hires with disabilities, Revenue with companies that employ people with disabilities (ESAT or EA in France)
— Employee working time arrangements
— Number of collective bargaining agreements negotiated, including mandatory yearly negotiations
— Average annual wages by status
— Number of apprenticeship contracts
— Number of vocational training contracts
— Number of employees recognized as suffering from an occupational illness
— Absence rate

12% of the indicators apply to companies incorporated under French law and those with more than 300 employees outside France:

— Turnout for latest works council elections; existence of an employee representative body
— Percentage of companies outside France providing employee benefits

CSR indicators

The indicators listed below are strictly defined. They are collected across the world using Xfi – 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 Xfi application has undergone extensive maintenance work since fiscal year 2015.

In 2018, the scope of consolidation for the Group’s environmental and social indicators was the same as that of 2017.

In accordance with the rules set by Colas, the Miller McAsphalt group in Canada and the rail activities of Alpiq in Switzerland, acquired in 2018, will be integrated into the reporting scope for fiscal year 2019.

For environmental and social reporting, the following rules apply to companies that are acquired, merged, created, abolished or sold in the course of the year:

— *the company is taken into account for reporting for the same period only in Magnitude, the Group’s financial consolidation reporting system;*
— *companies that are too small to be taken into account in financial consolidation (revenue of less than €2m) may or may not be included in non-financial reporting for the first fiscal year depending on the specific requirements of their ERT (head reporting entity);*
— *as Colas produces indicators in the form of ratios and percentages, there is no pro forma adjustment of non-financial figures for the previous year to compare them with the current year if the scope is amended.*

If for technical reasons an exception is made to one of the three rules listed above, Colas shall state the reasons for this and provide details in a report to this effect in its Non-Financial Performance Statement.

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 (€2M). 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	≠
Exclusive control = full consolidation	100% (between 50% and 100% control)	100% (between 50% and 100% control)	=
Joint control = proportionate consolidation *(for GIE consortiums in France, partnerships or joint ventures)*	Application of percentage of control	Application of percentage of control	=
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)	≠

Performance category: 2. Health and safety

- Percentage of warm mix and low-temperature mastic asphalt
- Percentage of finishers equipped with a fume extraction system
- Percentage of asphalt planers equipped with a dust extraction system
- Percentage of chlorinated solvents used in closed-loop systems

Performance category: 3. Environment

- 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

Performance category: 4. Circular economy and recycling

- Quantity of materials recycled
- Quantity of reclaimed asphalt pavement
- Number of environmentally friendly alternatives offered to customers
- Ratio of materials recycled to total aggregates produced
- Percentage of reclaimed asphalt pavement with bitumen recovery
- Surface area of road recycled in situ
- Waste oil recovery rate

Performance category: 5. Social acceptance and local regions

- Corporate patronage: Cash donations; In-kind donations
- Sponsorship: cash expenditures, in-kind expenditures
- Percentage of CAE from materials production activities with an organization for local dialogue
- Percentage of stationary activities (in terms of CAE) located in areas facing extremely high water stress
- Water self-sufficiency rate of areas facing extremely high water stress
- Percentage of CAE generated in areas facing extremely high water stress for which an action plan has been implemented
- Percentage of water consumption in areas facing extremely high water stress for which an action plan has been implemented
- Percentage of materials activities with procedures in place to manage wastewater discharges
- Percentage of CAE from aggregate production activities that take action to promote biodiversity

Performance category: 7. Energy and greenhouse gas emissions

- 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
- Greenhouse gas emissions
- Greenhouse gas emissions per metric ton of mix produced
- Carbon intensity
- Greenhouse gas emissions avoided by the Group’s actions

5. RISKS AND UNCERTAINTIES

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 map is presented in the form of a compilation of the main risks affecting progress towards operational, financial and/or 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.

5.1. 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 main markets served by the Group (France, Europe, North America), which may affect business volumes, competitive pressures and price levels;

— changes in public-sector procurement, since about 57% 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 – whether due to difficulties in agreeing 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 – can also influence the volume of public contracts.

However, these risks are mitigated by the large share of Group business deriving from 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 its large number of projects and by the Group's capacity to bid on complex contracts.

5.2. 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 95% of its business is conducted in Europe (including France), North America (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 with low ratings issued by international organizations or credit insurance firms is limited to contracts for which 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, the risk of significant counterparty risk is low. A very substantial portion of railway 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.

5.3. Risks related to raw materials

Colas is sensitive to the security of its supply chain 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 and signaling, waterproofing, and railways businesses. Bitumen and other petroleum-based products are the raw materials most associated with this type of risk.

5.3.1. 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. As a result, Colas has taken measures over the past few years to secure its bitumen supplies in its key geographical regions (specialized trading teams, storage capacity, etc.).

5.3.2. 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 difficult to measure the sensitivity of operating performance to changes in raw materials prices due to the thousands of contracts executed in different legal and protective contexts, and also with price increases varying from one geographic region to another.

Lastly, there is also an indirect risk in the event of a rise in the price of these products for customers. As a result of the increase in the cost of work or services, customers may decide to reduce the volume of orders they place.

5.4. Legal risks

5.4.1. Compliance risks

Colas' business activities tend to involve a large number of contracts (about 85,000 per year) as well as the decentralized negotiation and execution of these contracts. 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, at both national and 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 (a ban on bidding for certain contracts) or a loss of reputation. The likelihood and potential severity of this risk are difficult to measure.

5.4.2. Significant legal disputes as of December 31, 2018

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 in relation to 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, one concerning the city of Budapest and the other concerning the Hungarian government (M3 motorway), both before the Budapest-Capital Regional Court.

URSSAF AUDITS

In late 2009, URSSAF (the French labor inspectorate) notified Colas of an adjustment related to the social security charge exemptions claimed 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 60 million euros as of December 31, 2018. This dispute has been referred to the Social Security courts.

TAX-RELATED DISPUTE IN CANADA PERTAINING TO TECHNICAL ASSISTANCE CHARGED BY COLAS TO ITS SUBSIDIARY COLAS CANADA INC.

The Canada Revenue Agency is challenging the deductibility of technical assistance expenses invoiced by the Colas parent company to its subsidiary Colas Canada Inc. on the grounds in particular that the amounts of these expenses are excessive and insufficiently documented. Notices of assessment for 2004 to 2007 challenging the full deductibility of expenses incurred were addressed through the out-of-court settlement procedure under the tax treaty between France and Canada.

The French and Canadian authorities had agreed on a technical assistance rate very close to the rate charged. For fiscal years 2008 to 2012, the rate accepted by the Canada Revenue Agency was challenged by Colas Canada Inc. via the out-of-court settlement procedure. The tax audit at Colas Canada Inc. covering 2013 to 2015 is still ongoing. The amounts at stake at the end of 2018 amounted to some 12 million euros.

FILING OF A COMPLAINT BY COLAS RAIL IN CONNECTION WITH AN INTERNATIONAL PROJECT

In 2017, an internal audit and an external inquiry commissioned by Colas Rail, a subsidiary of Colas, revealed that in a foreign subsidiary of Colas Rail suspicious payments in euros and local currency were made to local consultants. Faced with this unacceptable situation, Colas Rail filed a complaint in France. The contracts of the said consultants have been invalidated and any payment prohibited. In agreement with the customer, Colas Rail has transferred the construction contract, without any significant economic impact for the Colas Group. The investigation following the Colas Rail complaint is ongoing. Colas Rail and Colas will cooperate fully with the judicial authorities. The Group immediately took disciplinary action and tightened its internal control and compliance procedures.

INVESTIGATION INTO COLAS DJIBOUTI BY THE US GOVERNMENT

On July 1, 2014, Colas SA voluntarily informed the US government that it had discovered that employees of Colas Djibouti, a Colas subsidiary, had engaged in non-compliant and inappropriate practices when entering into agreements and sub-agreements with the US government between 2012 and mid-2014. In the meantime, Colas SA has cooperated with the investigation into this affair by the US government and Justice Department.

5.5. Industrial and environmental risks

5.5.1. Fire, explosion and accidental pollution risks

Exposures to fire and explosion 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. Aximum's hot-dip galvanization site at Nogent-sur-Oise (France) and its specialty paint and binder production site at Rouen (France), the Axter (Smac) waterproofing membrane production unit at Courchelettes (France), the Colas Australia bitumen processing facility, the Colas Ireland emulsifier production plant in Galway and the Tipco bitumen production facility in Kemaman (Malaysia) are the largest or the most sensitive on account of the nature of their operations and are dealt with separately.

Appropriate insurance coverage has been provided for all sites.

In addition, certain of the Group's production sites may be responsible for accidental pollution (pipe breakages or defective storage installations), despite the fact that the installations are designed (e.g., with retention perimeters and shut-off valves) and subject to maintenance procedures intended to prevent the occurrence of such events as far as possible. Given the large number of sites and their relatively small size, combined with the effective management of these risks, incidents are limited in scope and not material at the Group level.

5.5.2. Environmental risks

CO_2 EMISSIONS

The production processes of the Group's industrial installations result in CO_2 emissions. In 2018, 15 asphalt plants (five in Belgium, two in Denmark, and eight in France), as combustion facilities with a rated thermal input exceeding 20 MW, were concerned by the European Union's emissions trading system. These facilities are verified on a yearly basis by approved auditing firms. It is conceivable that in the future emissions quotas will no longer apply to any Colas asphalt plants. Compared with other manufacturing facilities concerned by this system, asphalt plants are minor CO_2 emitters.

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

The reader may refer to the Responsible Development Report, which meets the requirements, as set forth in the French Commercial Code, to be considered as the Colas Group's Non-financial Performance Statement.

WASTE

Colas now recycles considerable quantities of material: around two-thirds of asphalt plants recycle reclaimed asphalt pavement and recycling platforms process a volume that is roughly equivalent to the production of around twenty quarries (for further details, the reader may refer to the Non-financial Performance Statement, prepared in accordance with the requirements of the French Commercial 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. As a result, it is conceivable that some one hundred thousand metric tons of materials recovered from site demolition 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 the Group's quarries have been set aside for the amounts in question, and are periodically reviewed and adjusted as necessary. As of December 31, 2018, total provisions covering these commitments amounted to 175 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, first introduced in 2007, now covers most materials production activities and can be used to consolidate action plans. In 2018, 83% 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 shut down permanently. A team has been put together to devise a clean-up program with the authorities in 2019 and 50% of the work on an asbestos removal and decommissioning contract had been completed at the end of 2018.

GEOLOGICAL RISKS

The BRGM study of hard rock quarries that began in 2015 continued in 2018 with an analysis of alluvial sites. The focus of the analysis remains the presence of actinolite, a natural rock that contains asbestos fibers in one of its forms. Following the publication of two ANSES reports highlighting the potential hazards posed by elongated mineral particles of interest (large crystalline formations arising from the mechanical processing of rocks), this risk was taken into account in the Single Risk Assessment Document for Colas facilities and those of its subsidiaries. The OPPBTP was also mandated by DGT to conduct a study with a view to establishing a protocol for measuring the emission risks associated with materials liable to produce cleavage fragments and elongated mineral particles of interest. Colas will continue to contribute to the requests from trade organizations and mandated public agencies.

REGULATORY COMPLIANCE

One plant is classified as a high-risk Seveso 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.

5.6. Operational risks

5.6.1. Workplace accidents

The Group is exposed to two main types of occupational hazards: the operation of construction machinery and industrial equipment; and traffic accidents 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 (safety area around 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 grids (gas, electricity, etc.).

5.6.2. Chemical work-related health hazards

EXPOSURE TO BITUMEN AND ULTRAVIOLET RADIATION

A monograph on bitumen fumes was officially published in 2013 by the IARC (International Agency for Research on Cancer, an offshoot of the World Health Organization). The IARC 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 were adopted by national authorities in the various countries in which Colas operates, with the exception of France, where the health authorities have produced an extensive update on the issue.

In France, the conclusions drawn by ANSES, the French national agency for food, environmental and occupational health and safety, are in line with the risk analyses carried out by the road construction industry. There were no further publications in 2018.

The only health hazard that can be linked to road construction workers' exposure to bitumen fumes is irritation of the upper 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. The study was completed in 2015, with significant input from the industry (USIRF), including Colas. An assessment template to evaluate the effectiveness of prevention methods has been developed and is now 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 in this field. Even so, all the evidence suggests that Colas is regarded by the various administrative and scientific authorities in the countries in which it operates as a major contributor to the advances in knowledge achieved in this area, while scrupulously respecting the independence of the relevant players.

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 rolling out 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% (for further details, the reader may refer to the Non-financial Performance Statement, prepared in accordance with the requirements of the French Commercial Code). The Group is also working to reduce the temperature of paving materials as far as possible while preserving quality, and is steadily increasing the use of warm mix. In 2016, the INRS found that the use of warm mix results in a statistical reduction in exposure of 25%. 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 safety policy rolled out since 2016) concerning mandatory use of protective clothing, a hard hat and gloves.

DUST AND SOLVENTS

Workplace health bodies and industry players have focused on the issue of exposure to silica dust at worksites, quarries and gravel pits. In France, the USIRF, a trade body in which Colas actively participates, published two guides prepared with the OPPBTP and in collaboration with the DGT: Preventing dust risk in surface-planing, sawing, chipping, scaling and coring activities, and Preventing dust risk on recycling platforms. A guide for asphalt plants is currently being finalized. Measures are taken by Colas both in and outside France to reduce exposure to dust at manufacturing facilities and construction sites. These measures comprise the use of equipment and processes to create a humid environment through spraying or misting, personal protective equipment, and upgrades to milling and planing equipment to replace it with machines fitted 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. (for further details, the reader may refer to the Non-financial Performance Statement, prepared in accordance with the requirements of the French Commercial Code).

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 under way for 14 cases. When an occupational illness is diagnosed and the employer (and possibly SRD) is found to be liable, the latter's health insurance contributions will increase and it could have to pay financial penalties should an occupational illness be established in the event of claims that the employer has been guilty of gross negligence (two lawsuits for gross negligence filed, including one successfully in the trial court).

In France, pending the OPPBTP results, Colas is introducing and applying the individual and collective protection principles, including those addressing the dust risk, in accordance with the procedures laid down in the Single Risk Assessment Document for Colas facilities. To this end, it is implementing the recommendations in the USIRF guide to preventing dust, which was prepared with the OPPBTP and in conjunction with the DGT. Colas also participates in think tanks studying these issues.

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.

5.6.3. 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 public-private 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).

5.6.4. Weather and natural disaster risks

Colas' projects may also be adversely affected by poor weather conditions. 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 other natural phenomena such as earthquakes, floods, cyclones, windstorms or lightning that require 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.

Generally speaking, this risk factor is tending to increase as a result of climate change. Nonetheless, Colas' operations are chiefly located in temperate latitudes (exposed to lower risks) and in developed countries (with solid insurance frameworks and proper construction standards). The large number and small size of Colas' facilities, and the fact that they are spread widely across the regions they serve, also help to mitigate the risk. Even so, this represents a major and increasing risk factor for most businesses. Having said that, the increase is less substantial for Colas owing to its business model.

5.6.5. Financial risks associated with the effects of climate change

Colas operates in regions that are exposed to a possible risk of natural disasters (Asia-Oceania, Indian Ocean, French West Indies and Guiana). That 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.

In response to this risk, the relevant subsidiaries have adopted warning systems and systems to ensure the safety of people and property, as well as including the risk in their insurance cover.

Colas pursues a climate change strategy with two objectives. The first is to play its part in curbing climate change by reducing its carbon footprint and delivering 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). The second is to adapt to climate change by pursuing its research efforts into the formation of urban heat islands, both in buildings (such as insulated facades and green or reflective roofs) and in transportation infrastructure by drawing on its extensive knowledge of the complex equations involved in this phenomenon, and by offering techniques and materials protecting existing infrastructure and scaling new infrastructure projects to cope with a broader range of climate scenarios. For Colas, these two goals are not so much risks for its business activities, but opportunities for competitive differentiation. For example, the threat to vehicles running on fossil fuels does not call into question demand for infrastructure for carbon-free modes of transport.

5.6.6. Acquisition risk

The Group owes much of its growth over the years to acquisitions. The execution of its acquisition strategy could be restricted in particular 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. Depending on the nature of the acquisition, an environmental assessment by a trusted third party may be required systematically. These projects are presented to the Group's Executive Management and are reviewed before being presented to the management body of the subsidiary that is considering the acquisition.

5.6.7. Employee risks

Colas' business depends heavily on its human capital. The Group therefore has to 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 the Executive Management team 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.

5.7. Liquidity risks

As of December 31, 2018, available cash totaled 75 million euros, in addition to 1,895 million euros of confirmed bank credit lines due in more than one year and undrawn to date (versus 1,605 million euros as of December 31, 2017).

In early 2019, the Colas Group raised its credit lines with a remaining term of more than one year by 120 million euros.

Confirmed bank loan contracts entered into by companies controlled by Colas do not contain any significant financial clauses that might result in early termination and/or early repayment, with the exception of the financing of the acquisition of Miller McAsphalt by Colas Canada Inc., which temporarily includes a financial covenant requiring the maintenance of a certain ratio of debt to EBITDA.

As of December 31, 2018, the breakdown of interest-bearing loans by maturity was as follows:

	Maturity under 1 year	Maturity over 1 year						
		From 1 to 2 years	From 2 to 3 years	From 3 to 4 years	From 4 to 5 years	More than 5 years	Total	Total
	2019	2020	2021	2022	2023	2024 et +	2018	2017
Bank loans (medium/long-term)	39	20	394	14	11	59	498	116
Finance leases	12	8	8	7	5	2	30	9
Other financial debts (long-term)	7	5					5	1
Subtotal	**58**	**33**	**402**	**21**	**16**	**61**	**533**	**126**
Overdrafts and short-term bank borrowings	488							
December 31, 2018	**546**	**33**	**402**	**21**	**16**	**61**	**533**	
December 31, 2017	120	23	18	16	13	56		126
Current portion of non-current debt							58	40

As of December 31, 2018, the Group's confirmed/drawn credit lines were as follows:

	Confirmed credit lines – Maturity				Drawn credit lines – Maturity			
	Less than 1 year	1 to 5 years	More than 5 years	Total	Less than 1 year	1 to 5 years	More than 5 years	Total
Credit lines	277	2,277	151	**2,705**	58	472	61	**591**

5.8. 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.

5.8.1. Risks to which the Group is exposed

INTEREST RATE RISK

Changes in interest rates have little effect on the Group's financial expense, since floating-rate debt is partially offset by 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 had not yet reached maturity as of the balance sheet date and excluding short-term bank facilities, was 18% (53% in 2017).

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)	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	More than 5 years	
	2019	2020	2021	2022	2023	2024 and beyond	
	58	10	383	4	3	24	483

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

As of December 31, 2018, the Group's financial assets and liabilities were as follows, by rate type.

in millions of euros	Floating rate	Fixed rate	Total
Cash and cash equivalents	564	-	564
Borrowings (1) (2)	(540)	(52)	(592)
Bank overdrafts	(488)	-	(488)
Net position before cash management	**(464)**	**(52)**	**(516)**
Interest rate hedges (2)	56	(56)	-
Net position after cash management	**(408)**	**(108)**	**(516)**
Seasonality adjustment (3)	(436)	-	(436)
Position after hedging and seasonality adjustment	**(844)**	**(108)**	**(952)**

(1) Includes a negative impact of 1 million euros due to 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 short-term interest rates on the aforementioned net position would lead to an increase of 8 million euros in the cost of net debt.

CURRENCY RISK

The Group has limited exposure to currency risk given that exports account for only a very small proportion of subsidiaries' revenues, together with the fact that 54% of the Group's business is conducted in the eurozone.

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 about one-fourth 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 (euros, US dollars, Canadian dollars, etc.).

As of December 31, 2018, current and non-current debt by currency broke down as follows:

in millions of euros	EUR	USD (1)	GBP (1)	Other (1)	Total
Financial debt as of December 31, 2018					
– Non-current	47	16	57	413	533
– Current	407	13	16	110	546
Financial debt as of December 31, 2017					
– Non-current	63	-	49	14	126
– Current	26	-	27	67	120

(1) Equivalent in euros.

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

Generally, the Group does not hedge its net investments in foreign entities (subsidiaries, associates, 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".

5.8.2. 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.

5.8.3. 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 IFRS 9. The Group then applies one of three hedge accounting 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;
- cash flow hedge: the change in the hedging instrument's intrinsic value is recorded in equity until the transaction is completed;
- hedge of a net investment in a foreign operation: the change in the hedging instrument's intrinsic value is recorded in equity until the transaction is completed;

5.8.4. Financial instruments as of December 31, 2018

The total notional amounts of each type of instrument used as of December 31, 2018 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 in millions of euros	Maturity			Total	Total
	Less than 1 year	From 1 to 5 years	More than 5 years	12/31/2018	12/31/2017
On financial assets	-	-	-	-	-
On financial liabilities	1	11	45	57	61

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 25-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. As of December 31, 2018, the notional amount of the swap amounted to 45 million euros (40 million GBP).

HEDGING OF CURRENCY RISKS

in millions of euros	HUF (1)	GBP (1)	USD (1)	Other (1)	12/31/2018	12/31/2017
Forward purchases	195	0	75	36	306	478
Forward sales	0	62	4	44	110	102

(1) Equivalent in euros.

HEDGING OF COMMODITIES RISKS

in millions of euros	12/31/2018	12/31/2017
Forward purchases	2	3
Forward sales	1	2

Forward purchases and sales reflect hedges for road projects.

MARKET VALUE OF HEDGING INSTRUMENTS

As of December 31, 2018, the market value (i.e., the net present value) of the hedging portfolio was negative 10 million euros, including accrued interest not yet due. This amount consists mainly of the net present value of the interest rate swaps used to hedge part of the Group's debt.

The market value of hedging instruments by type of hedge breaks down as follows:

— fair value hedges: 1 million euros;
— cash flow hedges: negative 11 million euros;
— transactions not qualifying as hedges: 0 million euros.

All portfolio transactions are carried out for purposes of hedging.

In the event of an upward (or downward shift, respectively) of 1% in the yield curve, the market value of the hedging portfolio would change from negative 10 million euros to negative 7 million euros (or negative 14 million euros, respectively), including accrued interest not yet due.

If the euro declined 1% against all other currencies, the market value of the hedging portfolio would stand at negative 11 million euros, including accrued interest not yet due.

In the event of an average unfavorable 1% change in commodity prices, the market value of the hedging portfolio would remain at negative 10 million euros, including accrued interest not yet due.

The market value of the interest rate swap agreed with the City of Portsmouth, England – negative 11 million euros including accrued interest not yet due – is fully offset by the market value of the derivative embedded as per the contract in the fixed fee to be paid by the customer, i.e. 11 million euros.

The total value of the hedging portfolio net of the value of the derivative embedded as per the contract in the fixed fee paid by the City of Portsmouth is 1 million euros, including accrued interest not yet due.

These calculations were made by an independent party, in accordance with current market practices.

5.9. Insurance and risk cover

The Colas Group endeavors to protect people and goods against operational risks that may impact both its production tools and its construction and transport infrastructure maintenance activities.

Identifying and quantifying these risks reveals a high level of fragmentation. The Group's activities are predicated on a large number of worksites and production units (quarries, emulsion plants, asphalt plants, etc.), most of which are small in size and widely spread from a geographical perspective.

Risk reduction represents the focal point for the Group's efforts to curb even further its exposure to the various events potentially impacting it.

Potential losses are monitored by each subsidiary's functional departments, particularly the legal/insurance department, under the authority of its managing director, and the largest are passed on with their conclusions to the Group's Risk and Insurance department to raise awareness of them as broadly as possibly, both vertically and horizontally across the organization.

The Group's Risks and Insurance Department has an oversight role and thus provides subsidiaries with the benefit of its risk management expertise whenever necessary.

This strategy also entails the implementation of preventative measures across all of its worksites and projects, such as procedures and operational guidelines. It also leads to the installation of detection and protective equipment wherever a risk analysis establishes there is a need for it.

A work group and a steering committee with representatives from the equipment, environment, risk, insurance and prevention, workplace health and safety departments was thus set up in conjunction the Group's subsidiaries to achieve the same objectives specifically in relation to industrial risks, including accident and near-miss reporting and analysis, sharing of feedback, best practices and Group recommendations (technical, organizational and human measures).

Insurance is obligatory for major risks, provided, naturally, that they can be insured – the preventative measures may help with this, subject to the constraints of the insurance market.

Some risks have to be insured under Group policies that the Risks and Insurance department manages on the basis of the information provided by subsidiaries, while others may be optionally included in framework policies arranged by the Risks and Insurance department on behalf of Group subsidiaries (to which subsidiaries must subscribe). Outside France, some insurance policies may be arranged locally to comply with local laws or to cover frequency risks that need to be managed locally.

5.9.1. 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.

Coverage amounts are appropriate to the risks incurred by Group companies and are generally in excess of 5 million euros.

5.9.2. 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.

5.9.3. Construction insurance

Construction insurance is arranged where there is a contractual obligation to cover work under construction or where a risk analysis identifies a need for it.

The Group's longstanding accident prevention program, which is strengthened every year, has helped the Group to curb its loss experience and to forge a genuine partnership with insurance companies.

That has facilitated the renewal of its cover, because policies can be tailored very closely to the risks being transferred, on terms that remain relatively stable year after year.

6. INTERNAL CONTROL OF ACCOUNTING AND FINANCIAL INFORMATION

Identifying and preventing risks is one of the fundamental management principles at Colas.

Thus, the Group has implemented internal control procedures throughout its subsidiaries in some 50 countries to ensure the proper monitoring of operations and associated risks, regardless of their nature (operational, financial, legal, etc.). In addition, the system is designed to provide accurate information in accounting and financial reporting so that all actions involving management, the performance of operations and employee behavior comply with the regulations in force and the guiding principles of the Group.

As with any control system, the Company cannot ensure that the risks it seeks to prevent are totally eliminated.

The standard applied by the Colas Group is the framework reference of internal control published by the French Authority of Financial Markets (AMF) in July 2010.

The internal control system of Colas applies to Colas SA and all first rank consolidated subsidiaries in which Colas owns more than 50% (including their own subsidiaries).

6.1. Organization of the Colas Group and its internal control procedures

6.1.1. Organizational principles

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

— business activities pursued by subsidiaries: the Group's business activities are conducted by subsidiaries, most of which are wholly owned by Colas, the parent company;

— a high level of decentralization: the organization is based on a limited number of hierarchical tiers (generally three). Each manager (with operational and/or functional responsibilities) performs his/her role by virtue of delegations of powers granted to ensure that decision-making takes place at the most appropriate level;

— monitoring of operations and their results in relation to objectives defined on the basis of shared principles followed by everyone (budgets and budget updates, etc.);

— integrated management tools (accounting and financial software, Group reporting tool) to control and monitor business activities. The software tool rolled out 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. The Copernic project, launched in 2015 to standardize the Group's information systems, has continued its rollout both within and outside France.

6.1.2. Organization of business activities

The Group's business activities are performed by work centers or production units, each operating in a geographically defined region (e.g., a specific French administrative department). These centers or units are under the supervision of regional subsidiaries (within France) and/or national subsidiaries (outside France). Each of these subsidiaries has its own management body (generally a senior operational manager supported by functional managers) responsible for directing, developing and overseeing operations.

In 2018, three departments directed, supervised and monitored these subsidiaries grouped as follows:

— Mainland France, Railways (Colas Rail), Waterproofing (Smac), and Road Safety and Signaling (Aximum);

— North America;

— International (excluding North America), Networks (Spac) and Major Projects (Colas Projects).

6.1.3. Main internal control procedures

All subsidiaries and managing directors benefit from the **assistance of Colas' functional departments.** 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 the Group Management Principles** as well as a code of business ethics and compliance programs developed by Bouygues, the parent company of Colas. These three components establish and reiterate the essential rules, procedures and standards of conduct applicable within the Colas Group.

In this context, senior executives across the Group place special emphasis on ensuring that **internal control remains a key priority for their staff at all times.** For a number of years, the strategy pursued by the Group has been to promote growth and the development of business activities achieved through the application of prudence, rigor and control.

6.2. Monitoring and supervision of the system

In 2018, Colas continued its efforts to constantly improve and adjust its internal control procedures.

6.2.1. Supervision and control of operations

ORDER INTAKE, REVENUE AND PROFIT IN A HIGHLY DECENTRALIZED GROUP

Given the nature of its business activities (road works, production of construction materials, railways, and other specialized activities), the Group manages orders for, executes and accounts for approximately 85,000 projects each year. In addition to thousands of smaller, short-term projects, Colas regularly handles a number of major projects both within and outside France. Engineering studies and order management are handled by the managers responsible for operations at the Group's 800 construction units and 2,000 materials production sites. Bids for either large-scale projects or those considered to be exceptional (due to their characteristics, complexity or duration), as well as projects in new markets are subject to prior approval by a contract committee (at the level of the subsidiary, the department responsible for the geographical area, or the Executive Management of Colas), organized by the subsidiaries concerned in accordance with predefined thresholds and criteria. In addition, major contracts are monitored regularly, a process that includes reports submitted for examination by the Audit Committee.

ACQUISITIONS AND DISPOSALS

As any acquisition process exposes the Group to risk, all proposals for the creation, acquisition or disposal of an 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 for prior review and validation before being authorized by the Board of Directors of the subsidiary carrying out the transaction.

6.2.2. 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 comply with the accrual principle. This involves monitoring worksite cost schedules and preparing activity reports by subsidiary and/or country and monthly statements of after-tax profit (monthly for subsidiaries and the Group), which are consolidated in order to provide data including 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 budgets drawn up three times each year (B0, B1 and B2) and the quarterly balance sheets and income statements, at the level of each subsidiary and each department grouping subsidiaries.

The net consolidated cash or debt position is prepared on a daily basis for all Mainland France companies and on a monthly basis for the rest of 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 2018 financial statements, some 400 consolidation reporting packages were processed for a scope of consolidation covering 569 entities. Personnel involved included 17 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.

6.2.3. Progress in developing internal control procedures

The internal control system covers all Colas Group companies. Development of the Group's internal control procedures 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.

The system relies in particular on an annual self-assessment of the principles applied at Colas for internal controls, supplemented by a risk mapping exercise, which is updated each year when the three-year business plan is produced.

The results of the risk mapping exercise are presented to the Audit Committee at the start of the year, and to the Board of Directors when it meets to approve the financial statements for the fiscal year just ended.

The **annual self-assessment of the principles applied at Colas for internal controls** covers all of the Group's business activities. There are 545 principles, comprised of 309 general principles and 236 accounting and financial principles and policies, including 69 that are specific to the Group's business lines. Together they form the Colas internal control framework.

— Each subsidiary rates the applicable principles for its business activities individually, on a scale of 1 to 4, depending on the extent to which they are applied and documented. The assessment is performed by the respondent best able to evaluate the extent to which the principle in question is being applied in the subsidiary, after which it is reviewed and validated by the manager of the entity or another person to whom this role is delegated.
— A score of 1 or 2, indicating that a principle was not applied or, more commonly, that the application of a given principle was partially or insufficiently documented, triggers an observation with recommendations concerning action plans to be implemented.
— The format used for the annual assessment of compliance with principles is based on a three-year self-assessment cycle:
  – in two out of every three years, 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, the self-assessment again covers all the principles;
  – any newly acquired entities must cover all the principles of the Colas internal control framework in their first annual self-assessments before joining the three-year cycle adopted by the Group.
  In 2018 (the third year in the current cycle), a self-assessment of the internal control themes related to the Colas Group's risk mapping exercise (12 themes, around 180 principles) was carried out by the 63 subsidiaries and companies (in France and internationally) covering 99% of Colas' consolidated revenue.
— The assessment of the proper application of the Colas internal control framework involves 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 has been asked to continue deploying assessments at the operating units, using the internal control system rolled out across the Group since 2011. Consequently, 81 of the 545 principles that make up the internal control framework have been assessed at the entity level, thus contributing to the final assessments made by the subsidiary's respondents and validators.

The analysis of the overall results of these assessments carried out in 2018 revealed good overall management of operations and processes in most subsidiaries and steady improvement in determining those responsible for each process.

Main actions taken in 2018:

— continuing rollout of IT management tools (Copernic in Mainland France, JDE in Canada, etc.);
— in collaboration with the various subsidiaries, the completion of the rollout by the Colas Group's Purchasing Department of purchasing and/or procurement management procedures in France and internationally.

Action plans to be implemented by the Group in 2019 include:

— control on the reliability of indicators and reporting linked to compliance programs;
— the adaptation, for the international subsidiaries concerned, of the Copernic management tools.

These Group initiatives will be supplemented by local action plans with aims such as formalizing organizational and administrative procedures and delegations of authority.

6.2.4. 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 was presented at the Board of Directors meeting in January 2019 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.

6.2.5. Internal control monitoring

All internal control staff are responsible for operating and monitoring 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 the assessments carried out.

In 2018, the Group's Internal Audit Department, which reports to the General Secretary, was composed of 12 auditors led by an Audit and Internal Control Manager.

The main objectives of an internal audit are to:

— evaluate the control organization and environment in place within the subsidiaries and other audited entities to manage their risks, protect their assets, and ensure the reliability of accounts and financial information, as well as the observance of the Group's principles;
— propose ways in which the audited entity's operations might be improved to achieve greater effectiveness and promote the dissemination of best practices within the Group. This notably includes verifying the application of the principles constituting the Colas internal control framework as well as the review of the results of annual self-assessments and progress made on actions to improve the internal control system as a whole;
— measure, over a period of 12 to 18 months, the extent to which action plans are being implemented and verify compliance with audit recommendations.

The annual audit program is approved by the Chairman and by the Audit Committee in the third quarter of the preceding year. It generally includes an average of 15 audits of French and international entities (excluding follow-up audits), proposed with regard to the Group's risks and issues.

In 2018, this approach resulted in audits at the international subsidiaries Delta Companies (United States), Sintra (Canada), Colas Australia (road works and bitumen activities), Colas Madagascar, Colas Maroc, and Colas Polska, as well as Colas Sud-Ouest in France.

The internal audit function also carries out more selective assignments, such as reviews of projects (CMBI – refurbishment project for Madagascar airports reviewed by a joint Colas/Bouygues Construction team) and processes (control environment – Colas Rail), assistance assignments in connection with the integration of recently acquired entities (assignment relating to Alpiq carried out jointly with Colas Rail), and technical laboratory reviews (France and international).

An audit report is drawn up at the conclusion of each assignment, which is presented to the Chairman, Colas functional managers, the department responsible for the geographical area concerned, and the management bodies of the audited entity. This report highlights the areas in need of improvement and offers recommendations to the management bodies of the audited entity for the development and implementation of a suitable action plan.

The Statutory Auditors are informed of the annual internal audit program and receive copies of all audit reports. They also share their own conclusions with the Internal Audit Department relating to the evaluation of the control environment. Regular meetings between internal and external auditors are scheduled so that they can discuss their assignments and organize their work in a complementary manner.

The Statutory Auditors are provided with a copy of the standard internal control procedures. A report on the 2018 self-assessment results was presented to the Audit Committee on February 15, 2019 and made available to the Statutory Auditors to enable them to include additional accounting and financial verifications where necessary. The Statutory Auditors are thus kept informed of the accounting and financial principles and policies observed by the French subsidiaries, as revealed by their self-assessments.

7. DUTY OF VIGILANCE

Bouygues, the company that controls Colas within the meaning of Article L. 233-3 of the French Commercial Code, has implemented a vigilance plan covering its activities and those of all the subsidiaries and companies that it controls as stated in its registration document.

Accordingly, Colas is deemed to satisfy the requirements provided for in Article L. 225-102-4 of the French Commercial Code under paragraph 2 of said Article.

8. ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES

The significant equity interests [(1)] acquired during fiscal year 2018 were as follows:

Company	Registered office	% stake held
Kummler & Matter AG	Holstrasse 176, 8004 Zurich, Switzerland	100.00%
Elektroline A.S.	K Ládvi 1805/20, Kobylisy, 18400 Prague 8, Czech Republic	100.00%
Lundy Projects Ltd	195 Chestergate, Stockport, Cheshire SK3 0BQ, United Kingdom	100.00%
Miller Paving Limited	505 Miller Avenue, Markham, Ontario L6G 1B2, Canada	100.00%
Óseyrarbraut 20 ehf	Gullhella 1, 221 Hafnarfjörður, Iceland	100.00%
Topcoat Asphalt Contractors Pty Ltd	50-54 Millers Road, Wingfield, South Australia 5013, Australia	50.00%

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

Additional stakes were acquired in the following companies:

Company	Registered office	% acquired	% stake held
Transpolis	3148 route du Dauphiné, 13600 Beligneux, France	2.72%	5.09%
BTP environnement	Parc d'Activités rudologique des Alizés, 76430 St Vigor d'Ymonville, France	49.20%	100.00%
Ravinala Airports	Escalier C, Zone Tana Water Front, Ambodivona, Antananarivo 101, Madagascar	10.00%	10.00%

9. BRANCHES

In compliance with Article L. 232-2 II of the French Commercial Code, it is clearly stated that Colas does not have any branches.

For information purposes, it is specified that the following are secondary establishments of Colas:

Address	Category	Company registration number
1 rue du Colonel Pierre Avia, 75015 Paris, France	Registered and principal office	552 025 314 02366
8 rue Jean Mermoz, 78114 Magny les Hameaux, France	Secondary establishment	552 025 314 02341
4 rue Jean Mermoz, 78114 Magny les Hameaux, France	Secondary establishment	552 025 314 02333
1 bis rue du Petit Clamart, 78140 Vélizy Villacoublay, France	Secondary establishment	552 025 314 02358

10. INTERCOMPANY LOANS

In compliance with Article L. 511-6 3.bis of the French Monetary and Financial Code, it is clearly stated that Colas has not granted any loans to microenterprises, small and medium-sized businesses or middle-market companies with which it has economic ties.

11. STRATEGY

Colas' development strategy is based on a vision of global collective expertise serving a strong brand and profitable growth.

It has several elements:

- **capitalizing on industrial activities, in particular aggregates and bitumen**, in a way that is responsible on social, environmental and societal levels, in order to control availability and procurement quality and improve competitiveness;
- **enriching the range of solutions it offers** in two areas: large-sized or complex projects for public or major private-sector clients, new business lines and innovative services focused on meeting clients' responsible mobility needs;
- **continuing targeted international expansion,** mainly through external growth in low-risk countries, to establish and develop leadership positions in local markets and spread risk through geographical diversification;
- **stepping up the pace of digital transformation** in processes, industries and new business lines, in order to improve the quality of services and competitiveness and offer new services.

12. STRENGTHS

Colas benefits from **long-term growth markets around the world**. These markets are driven by population growth, urbanization, substantial demand for infrastructure in emerging markets, recurring needs for infrastructure maintenance in developed countries, environmental issues, the development of new forms of mobility and the digital revolution.

Colas' main strengths are as follows:

- **global collective expertise,** thanks to 58,000 male and female employees united around a common history and shared values including safety, ethics and protecting the environment, and a well-known brand name;
- **capacity for innovation,** in particular with its Campus for Science and Techniques, which designs and develops products and techniques addressing the challenges of energy transition and new uses, as well as "Mobility in Colas" in the area of digital transformation, supporting mobility services by developing digital technology for new uses and services;
- **vertical integration,** with an international network of 2,000 construction materials production and recycling plants (aggregate, bitumen emulsions, asphalt mix etc.) and bitumen terminals, which give it control of the value chain at an upstream stage and in particular of its impact on the environment;

— **decentralized organization,** in the form of a network of 800 establishments around the world, with long-standing local teams adapted to local requirements and carrying out small maintenance and development work, which represent the majority of the 85,000 projects carried out each year. In addition, a dedicated structure – Colas Projects – works alongside subsidiaries in designing and carrying out major projects;
— **solid financial structure** with a strong cash flow enabling Colas to pursue its growth strategy by continuing to take advantage of selective investment opportunities.

13. SIGNIFICANT EVENTS SINCE THE CLOSE OF THE FISCAL YEAR

An agreement to sell 100% of Smac shares was signed on February 14, 2019 with investment fund OpenGate Capital.

This sale is subject to approval from the competition authorities, particularly in France.

The associated assets and liabilities (331 million euros of assets and 325 million euros of liabilities) are presented separately within current assets and liabilities in the balance sheet to December 31, 2018, under "Held-for-sale assets" and "Liabilities associated with held-for-sale assets".

This sale will reduce Colas' revenue by around 600 million euros, with no material impact on operating income.

14. OUTLOOK

At the end of December 2018, work on hand amounted to 8.5 billion euros, up 12% and 13% at constant exchange rates compared to the end of December 2017. Excluding Miller McAsphalt and Alpiq catenaries for 0.8 billion euros, work on hand has grown 2% at constant exchange rates, up 8% in Mainland France at 3.4 billion euros and up 17% at constant exchange rates in the International and French Overseas units at 5.1 billion euros.

The markets in which Colas operates are long-term. Construction and maintenance needs for transport infrastructure remain high, both in developed and emerging countries.

In Mainland France, the public works market is expected to continue to grow but at a slower pace than in 2018. Business will be boosted by investment plans for transport and a favorable pre-election context.

In Europe, Roads and Railways will continue to benefit from European infrastructure plans, with continued strong growth in Central Europe and major infrastructure projects in the UK.

In North America, the situation should be contrasted. In the United States, despite a favorable economic environment and very high needs, uncertainties remain as to financing. In Canada, the situation should vary from province to province; some have major investment plans while others are dependent on oil prices.

In the Rest of the World, a number of opportunities exist, with fast-growing zones such as Australia, ongoing developments in Latin America and many major projects, particularly in the railway sector.

In Railways, with globally favorable market environments, Colas Rail is expected to return to growth, especially in its international units. Measures will continue to be taken in 2019 to restore profitability.

In Waterproofing, an agreement to sell Smac was signed with the investment fund OpenGate Capital. The actual completion of this sale is subject to the agreement of fair competition authorities, particularly in France. The disposal will reduce Colas' revenue by around 600 million euros, without any significant impact on operating income.

Current operating income is expected to improve due to growth-oriented markets and a return to profitability at Colas Rail.

Following the acquisitions of Miller McAsphalt and Alpiq catenaries in 2018, Colas continues to grow its core businesses: roads, materials and railways.

In addition, the Group is continuing to transform, particularly thanks to digital technologies, and is pursuing its focus on innovation to assert its leadership in serving sustainable mobility.

15. SIMPLIFIED STRUCTURE

As part of an internal restructuring project, at its meeting of August 28, 2018, the Board of Directors authorized the merging into Colas (fusion-absorption) of the following wholly owned subsidiaries (the "***Subsidiaries***"):

— Sacer Atlantique;
— Sacer Paris Nord-Est;
— Sacer Sud-Est;
— Screg Est;
— Screg Nord-Picardie;
— Screg Île-de-France Normandie;
— Screg Ouest;
— Screg Sud-Ouest;
— Screg Sud-Est.

As these Subsidiaries have not exercised any activities since 2013 apart from managing their movable and immovable property, maintaining them can no longer be justified.

Therefore, on December 1, 2018, these Subsidiaries were merged into Colas with retroactive effect for accounting and taxation purposes as of January 1, 2018. These mergers were subject to the legal regime for simplified mergers.

In accordance with the provisions of Article L. 236-3 of the French Commercial Code, and if Colas owned all shares representing the entire share capital of the Subsidiaries, there was no exchange of shares or increase in Colas' share capital.

The shares of Subsidiaries held by Colas were then retired, resulting in the recognition of a capital gain on the retirement of these shares in the parent company financial statements (merger surplus).

Subsidiary	**Net assets contributed** (in euros)	**Net carrying amount of shares in Subsidiaries in Colas SA's accounts** (in euros)	**Capital gain on retirement of shares (merger surplus)** (in euros)
Sacer Atlantique	8,801,378.78	4,421,004.23	4,380,374.55
Sacer Paris Nord-Est	23,468,597.36	4,878,340.02	18,590,257.34
Sacer Sud-Est	30,993,384.53	5,183,238.70	25,810,145.83
Screg Est	38,344,241.96	30,794,826.03	7,549,415.93
Screg Nord-Picardie	31,661,079.96	19,738,700.97	11,922,378.99
Screg Île-de-France Normandie	41,743,224.43	24,696,854.38	17,046,370.05
Screg Ouest	21,937,919.85	21,007,256.07	930,663.78
Screg Sud-Ouest	48,042,508.99	20,227,063.79	27,815,445.20
Screg Sud-Est	44,617,940.02	23,678,491.67	20,939,448.35
Total	**289,610,275.88**	**154,625,775.86**	**134,984,500.02**

This merger surplus was recognized:

— in Colas' net financial income in an amount equal to the share of earnings accumulated by the Subsidiaries since the acquisition and not distributed, i.e., 134,865,018.54 euros;
— and the remainder in Colas' equity under "merger premium", i.e., 119,481.48 euros.

16. EARNINGS AND APPROPRIATION OF EARNINGS

The report given by the Statutory Auditors of the Company included their opinion on the accounts submitted to you. These accounts have also been examined by the Social and Economic Committee in accordance with applicable law.

The parent company's earnings amounted to 386,085,663.95 euros, compared with 163,233,671.26 euros in 2017. Unappropriated earnings from the fiscal year plus unappropriated retained earnings totaled 998,199,734.35 euros, which we propose that you appropriate as follows:

— to the legal reserve 0 euro,

— for dividends
  – total payout of 181,232,469.45 euros,
  – equal to a dividend per share of 5.55 euros*
  (to be paid on May 2, 2019);

— balance of unappropriated earnings 816,967,264.90 euros.

As required by the provisions of Article 243 bis of the French General Tax Code, the following amounts were paid out in respect of dividends for the last three fiscal years:

Fiscal year ended	Income eligible for tax allowance			Income not eligible for tax allowance (in euros)
	Dividend per share (in euros)	Total dividend	Other distributed income (in euros)	
12/31/2015	5.45	177,967,019.55	/	/
12/31/2016	8.20	267,766,891.80	/	/
12/31/2017	8.20	267,766,891.80	/	/

17. INFORMATION ON PAYMENT PERIODS

Pursuant to the provisions of Article L. 441-6-1 of the French Commercial Code, the Board provides the following breakdown of the payment periods for our suppliers and customers using the templates provided in the order of March 20, 2017 showing:

— invoices received but not settled at the end of the reporting period;

— invoices issued but not settled at the end of the reporting period.

	Article D. 441 I.-1: Invoices received but not settled at the end of the reporting period					
	0 days (indication)	1 to 30 days	31 to 60 days	61 to 90 days	91 days and up	Total (1 day and up)
(A) Late payment by time range						
Number of invoices concerned	2,541					737
Total amount of invoices concerned (excl. VAT)	12,698,532.56	262,831.56	228,251.47	10,304.08	459,329.90	960,717.01
Percentage of total amount of purchases (excl. VAT) in the fiscal year	4.63%	0.10%	0.08%	0.00%	0.17%	0.35%
Percentage of revenue (excl. VAT) for the fiscal year						
(B) Invoices excluded from (A) related to disputed or unrecognized receivables and payables						
Number of invoices excluded						6
Total amount of invoices excluded						14,173.74
(C) Standard payment terms used (contractual or statutory terms of payment – Articles L. 441-6 or L. 443-1 of the French Commercial Code)						
Payment terms used to calculate late fees	General rule: 45 days end of month Carriers: 30 days end of month					

* *Shareholders who are subject to income tax in France have the option of being eligible for the 40% tax rebate (réfaction) provided for under par. 2 of 3 of Article 158 of the French General Tax Code.*

	Article D. 441 I.-2: Invoices issued but not settled at the end of the reporting period					
	0 days (indication)	1 to 30 days	31 to 60 days	61 to 90 days	91 days and up	Total (1 day and up)
(A) Late payment by time range						
Number of invoices concerned	144					440
Total amount of invoices concerned (excl. VAT)	13,083,125.24	5,411,790.97	5,199,434.25	(59,261.53)	23,239,245.06	33,791,208.75
Percentage of total amount of purchases (excl. VAT) in the fiscal year						
Percentage of revenue (excl. VAT) for the fiscal year	3.74%	1.55%	1.49%	-0.02%	6.64%	9.65%
(B) Invoices excluded from (A) related to disputed or unrecognized receivables and payables						
Number of invoices excluded	0					
Total amount of invoices excluded	0.00					
(C) Standard payment terms used (contractual or statutory terms of payment – Articles L. 441-6 or L. 443-1 of the French Commercial Code)						
Payment terms used to calculate late fees	General rule: 60 days from date of invoice					

18. INJUNCTIONS OR FINES AS A RESULT OF ANTI-COMPETITIVE PRACTICES

In accordance with Article L. 464-2 of the French Commercial Code, it is understood that the company has not been subject to any injunctions or fines as a result of anti-competitive practices from the French competition authorities, which it recommends be included in the annual report.

19. SHARE CAPITAL

19.1. Share capital in 2018

As of January 1, 2018, 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 euro each.

As of December 31, 2018, 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 euro each.

Share capital as of December 31, 2017	48,981,748.50
Number of outstanding shares as of December 31, 2017	32,654,499
Number of voting rights as of December 31, 2017 (1)	32,653,906
Creation of new shares from January 1 to December 31, 2018	64,468,970
Share capital as of December 31, 2018	48,981,748.50
Number of outstanding shares as of December 31, 2018 (1)	32,654,499
Number of voting rights as of December 31, 2018	64,443,731

(1) Including treasury shares (unwound).

19.2. Share ownership

Colas' shareholding structure as of December 31, 2018, was as follows:

Shareholder	Number of shares	%	Number of voting rights	%
Bouygues SA	31,543,222	96.60	63,086,444	97.90
"*Colas en actions*" investment fund	235,676	0.72	471,352	0.73
"Colas shares" investment fund	4,220	0.01	8,440	0.01
Free float	852,288	2.61	857,708 (2)	1.36
Colas SA (treasury shares)	19,093 (1)	0.06	/	/

(1) Traded position.
(2) Unwound position.

19.3. Share price and trading volume

No adjustments were made to the share price during 2018.

In 2018, Colas' share price on the Euronext Paris stock exchange recorded a low of 129.00 euros (December 21, 2018) and a high of 192.00 euros (April 25 to April 27, 2018), before ending the year at 140.00 euros, i.e. 22.87% lower than the share price as of December 31, 2017. For purposes of comparison, the French CAC 40 stock market index fell 10.95% and the French SBF 120 stock market index fell 11.65% over the same period.

19.4. Colas share price (adjusted*)

Year	Month	Share price		Number of shares traded	Share capital (in millions of euros)
		Highest	Lowest		
2015	January	125.82	120.25	26,780	3.3
	February	139.19	124.89	61,136	8
	March	148.48	139.29	76,059	11
	April	148.9	135.6	117,439	17.3
	May	138.9	132.2	40,446	5.5
	June	139.5	128	45,866	6.1
	July	134.5	128.7	25,359	3.3
	August	134.5	127.6	23,572	3.1
	September	129.5	123	47,169	5.9
	October	140.95	126.5	60,511	8.1
	November	138.2	132.5	29,171	4
	December	140.8	130.4	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
2017	January	153.50	140.50	43,184	6.3
	February	155.95	146.90	32,292	4.9
	March	159.00	153.00	23,316	3.6
	April	159.65	152.50	38,613	6.0
	May	160.50	154.15	26,497	4.2
	June	174.90	159.05	67,876	11.4
	July	177.95	174.00	26,045	4.6
	August	178.00	168.50	31,465	5.5
	September	187.00	172.00	41,095	7.4
	October	189.90	180.00	31,726	5.9
	November	188.90	173.95	32,771	5.9
	December	184.05	176.30	26,918	4.8
2018	January	189.40	178.00	25,586	4.7
	February	187.80	173.80	28,559	5.1
	March	184.80	175.60	34,134	6.2
	April	192.00	176.60	34,991	6.4
	May	190.20	177.80	27,275	5.0
	June	181.60	175.80	17,979	3.2
	July	179.00	172.40	11,420	2.0
	August	175.60	167.40	17,433	3.0
	September	179.00	168.20	21,799	3.8
	October	179.60	139.60	54,536	9.0
	November	155.00	133.40	32,088	4.5
	December	143.20	129.00	26,644	3.7

* *To account for the distribution of a special dividend of 11.40 euros per share in 2015, the share price was adjusted by a coefficient of 0.9285, as was the volume of trading, for the period prior to April 27, 2015.*

19.5. Share buyback program

19.5.1. Use during the 2018 fiscal year of the authorizations to buy back shares granted by the Shareholders' Meeting

The Combined Shareholders' Meetings of April 13, 2016, April 11, 2017 and April 12, 2018 approved share buyback programs authorizing the Board of Directors, acting pursuant to Articles L. 225-209 et seq. of the French Commercial Code, to buy the Company's shares up to a maximum of 1% of the number of shares making up the share capital, for a period of 18 months. This authorization was used by your Company in fiscal year 2018, within the framework of a liquidity agreement.

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 2018 fiscal year:

TRANSACTIONS CARRIED OUT BY COLAS IN ITS OWN SHARES DURING FISCAL YEAR 2018 (1)

Number of shares held by the Company as of December 31, 2017	593
Number of shares purchased during fiscal year 2018	45,759
Number of shares sold during fiscal year 2018	27,259
Number of shares held by the Company as of December 31, 2018	19,093
Average purchase price *(in euros)*	164.40
Average selling price *(in euros)*	162.63
Value (based on purchase price) of shares held by the Company as of December 31, 2018 *(in euros)*	2,973,353
Par value of shares held by the Company as of December 31, 2018 *(in euros)*	28,639.50

(1) Traded positions.

BREAKDOWN OF TRANSACTIONS BY PURPOSE (1)

Retirement of shares

Number of shares retired during fiscal year 2018	-
Reallocations to other purposes	-
Number of shares held by the Company as of December 31, 2018	-

Liquidity agreement

Number of shares purchased during fiscal year 2018	45,759
Number of shares sold during fiscal year 2018	27,259
Number of shares held by the Company as of December 31, 2018 under the liquidity agreement	19,093

(1) Traded positions.

19.5.2. Details of the new share buyback program to be put to a vote at the Combined Shareholders' Meeting of April 17, 2019

Pursuant to Articles 241-2 and 241-3 of the AMF's General Regulation, the Company presents below details of the share buyback program that will be submitted for approval at the Combined Shareholders' Meeting of April 17, 2019. This program will replace that previously granted by the Combined Shareholders' Meeting of April 12, 2018 in its ninth resolution.

CHARACTERISTICS OF THE 2019 SHARE BUYBACK PROGRAM

Objectives	– Retirement of any shares bought back – Providing liquidity and an active market for the Company's 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 have to comply with applicable laws and regulations
Methods used	The shares will be purchased via an investment services provider acting within the framework of a liquidity agreement in accordance with a recognized code of ethics
Maximum proportion of the share capital	326,545 shares, i.e. 1.0% of the current issued share capital
Maximum purchase price	180 euros per share
Maximum amount payable by the Company	58,778,100 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 the authorization granted by the Combined Shareholders' Meeting of April 17, 2019, i.e. until October 17, 2020

The Board of Directors

Results of the Company for the last five fiscal years

in thousands of euros	2014	2015	2016	2017	2018
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					
Operations and results for the fiscal year					
Revenue excluding tax	784,712	406,077	267,083	275,547	277,238
Profit before tax, depreciation, amortization and provisions	845,550	1,617	261,809	159,634	424,229
Income taxes	5,500	(32,709)	5,590	19,605	3,810
Profit sharing for the fiscal year	4,706	228	1,109	727	1,803
Profit after tax, depreciation, amortization and provisions	826,096	104,980	249,623	163,234	386,086
Distributed profit	502,879	177,967	267,767	267,767	181,232 (1)
Earnings per share (in euros)					
Profit after tax but before depreciation, amortization and provisions	25.73	1.05	7.85	4.29	12.87
Profit after tax, depreciation, amortization and provisions	25.30	3.21	7.64	5.00	11.82
Dividend per share	15.40	5.45	8.20	8.20	5.55 (1)
Workforce					
Average workforce	336	334	356	415	485
Total payroll	47,132	47,519	52,939	52,007	59,007
Amounts paid in respect of social benefits (social security, etc.)	17,993	18,238	19,464	18,250	18,736

(1) If approved by the Shareholders' Meeting of April 17, 2019.

The Board of Directors

CONSOLIDATED FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2018

CONSOLIDATED BALANCE SHEET

millions of euros	*Notes*	2018	2017 Restated [1]
Property, plant and equipment	*3.2*	2,619	2,384
Intangible assets	*3.3*	213	107
Goodwill	*3.3*	674	512
Joint ventures and associates	*3.4*	394	396
Other non-current financial assets	*3.6*	192	197
Deferred taxes and non-current tax receivable	*3.7*	145	154
Non-current assets		**4,237**	**3,750**
Inventories	*4.1*	672	501
Trade receivables	*4.1*	2,436	2,314
Customer contract assets	*4.1*	658	539
Tax asset (receivable)	*4.1*	42	197
Other current receivables and prepaid expenses	*4.1*	790	617
Cash and cash equivalents	*4.2*	563	680
Financial instruments	*17*	11	14
Current assets		**5,172**	**4,862**
Held-for-sale assets and operations		**331**	
Total assets		**9,740**	**8,612**
Share capital and share premium		384	384
Retained earnings		2,172	2,070
Treasury shares		(3)	
Translation reserve		11	15
Consolidated net income /(loss)		226	328
Equity attributable to the Group		**2,790**	**2,797**
Non-controlling interests		29	30
Equity	*5*	**2,819**	**2,827**
Non-current debt	*8*	533	126
Non-current provisions	*6.1*	804	884
Deferred tax liabilities and non-current tax liabilities	*7*	124	60
Non-current liabilities		**1,461**	**1,070**
Advances and down-payments received on orders			
Current debt	*8*	58	40
Current taxes payable		52	56
Trade payables		2,115	2,041
Customer contract liabilities		846	802
Current provisions	*6.2*	271	278
Other current liabilities		1,293	1,403
Overdrafts and short-term bank borrowings	*8*	488	80
Financial instruments		12	15
Current liabilities		**5,135**	**4,715**
Liabilities related to held-for-sale operations		**325**	
Total liabilities and shareholders' equity		**9,740**	**8,612**
Net debt (-) Net surplus cash (+)	*9*	**(517)**	**433**

(1) Restated to reflect the impact of application of IFRS 9.

CONSOLIDATED INCOME STATEMENT

millions of euros		2018	2017
Revenue [1]	*11/16*	**13,190**	**11,705**
Purchases used in production		(6,260)	(5,319)
Personnel costs		(3,525)	(3,252)
External charges		(2,849)	(2,611)
Taxes other than income tax		(167)	(159)
Net depreciation and amortization expense		(461)	(407)
Charges to provisions and impairment losses, net of reversals due to utilization		(100)	(88)
Changes in production inventories		17	1
Other income from operations [2]	*12*	740	685
Other expenses on operations	*12*	(226)	(193)
Current operating profit	*16*	**359**	**362**
Other operating income	*12*		
Other operating expenses	*12*	(31)	(5)
Operating profit		**328**	**357**
Financial income		14	15
Financial expenses		(45)	(29)
Cost of net debt	*13*	**(31)**	**(14)**
Other financial income	*13*	8	14
Other financial expenses	*13*	(10)	(13)
Income tax	*14*	(96)	(75)
Share of net profits/losses of joint ventures and associates		28	61
Net profit/(loss)		**227**	**330**
Net profit/(loss) attributable to the Group		**226**	**328**
Net profit/(loss) attributable to non-controlling interests		1	2
Basic earnings per share from continuing operations (in euros)	*15*	6.93	10.04
Diluted earnings per share from continuing operations (in euros)	*15*	6.93	10.04
(1) Of which sales generated abroad (including export sales)		6,730	5,601
(2) Of which reversals of unutilized provisions / impairment losses		145	121

STATEMENT OF RECOGNIZED INCOME AND EXPENSE

millions of euros	2018	2017
Net profit/(loss)	**227**	**330**
Items not reclassifiable to profit or loss		
Actuarial gains / losses on post-employment benefits	55	5
Net tax effect of items not reclassifiable to profit or loss	(10)	(2)
Items reclassifiable to profit or loss		
Change in cumulative translation adjustment	(10)	(85)
Net change in fair value of financial instruments used for hedging purposes	2	(3)
Net tax effect of items reclassifiable to profit or loss	(2)	1
Share of reclassifiable income and expense of joint ventures and associates	6	(17)
Net income recognized directly in equity	**41**	**(101)**
Total recognized income and expense	**268**	**229**
Attributable to the Group	267	228
Attributable to non-controlling interests	1	1

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

millions of euros	Share capital and share premium	Retained earnings	Translation reserve	Consolidated net profit	Capital and reserves	Non-controlling interests	Total
As of December 31, 2016	**384**	**1,825**	**116**	**355**	**2,680**	**33**	**2,713**
Acquisitions/disposals of treasury shares		1			1		1
Prior-year profit allocation		355		(355)			
Dividend paid		(90)			(90)	(1)	(91)
Other transactions with shareholders							
Net profit/(loss)				328	328	2	330
Income/(expenses) recognized directly in equity		1	(101)		(100)	(1)	(101)
Net profit/(loss) and income/(expenses) recognized directly in equity		1	(101)	328	228	1	229
Change in scope of consolidation and miscellaneous						(3)	(3)
Impact of applying IFRS 9		(22)			(22)		(22)
As of December 31, 2017, restated [(1)]	**384**	**2,070**	**15**	**328**	**2,797**	**30**	**2,827**
Acquisitions/disposals of treasury shares		(3)			(3)		(3)
Prior-year profit allocation		328		(328)			
Dividend paid		(268)			(268)	(2)	(270)
Other transactions with shareholders							
Net profit/(loss)				226	226	1	227
Income/(expenses) recognized directly in equity		45	(4)		41		41
Net profit/(loss) and income/(expenses) recognized directly in equity		45	(4)	226	267	1	268
Change in scope of consolidation and miscellaneous		(3)			(3)		(3)
As of December 31, 2018	**384**	**2,169**	**11**	**226**	**2,790**	**29**	**2,819**

	Group	Non-controlling interests	Total
Exchange differences	(4)		(4)
Net change in fair value of financial instruments used for hedging purposes	2		2
Actuarial gains/losses on post-employment benefits	55		55
Deferred taxes based on these items	(12)		(12)
Total income/(expenses) recognized directly in equity	**41**	**0**	**41**

(1) Restated for the effects of applying IFRS 9.

CONSOLIDATED CASH FLOW STATEMENT

millions of euros	2018	2017
Consolidated net profit/(loss)	227	330
Adjustments:		
– Share of profits/losses reverting to joint ventures and associates	(28)	(61)
– Dividends received from associates	36	53
– Dividends received from non-consolidated companies	(1)	(2)
– Net charges to/(reversals of) depreciation, amortization, and non-current impairment and provisions	483	395
– Gains and losses on asset disposal	(52)	(40)
– Miscellaneous non-cash charges		
Cash flow after income from net surplus cash/cost of net debt) and income tax	**665**	**675**
Reclassification of (income from net surplus cash)/cost of net debt	31	14
Elimination of income tax	96	75
Cash from operations	**792**	**764**
Income tax paid	(132)	(86)
Changes in working capital related to operating activities	(295)	(205)
Net cash flows from operating activities (a)	**365**	**473**
Purchase price of property, plant and equipment and intangible assets	**(462)**	**(443)**
Proceeds from disposals of property, plant and equipment and intangible assets	174	88
Net liabilities related to property, plant and equipment and intangible assets	(12)	12
Subtotal	**(300)**	**(343)**
Acquisitions and disposals of subsidiaries:		
– Purchase price of investments in subsidiaries	(807)	(157)
– Proceeds from disposals of investments in subsidiaries	6	23
– Net receivables/liabilities related to purchased and disposed subsidiaries	3	65
– Other effects of changes in scope of consolidation: cash of acquired and divested companies	78	(10)
Subtotal	**(720)**	**(79)**
Other cash flows related to investing activities:		
– Dividends received from unconsolidated companies	1	2
– Changes of other non-current financial assets	41	(18)
Subtotal	**42**	**(16)**
Cash allocated to investing activities (b)	**(978)**	**(438)**
Capital increases/(reductions) paid by shareholders & non-controlling interests and other transactions between shareholders	(3)	(1)
Dividends paid to shareholders of the parent company	(268)	(90)
Dividends paid to non-controlling interests	(2)	(1)
Change in current and non-current debt	391	(34)
Income from net surplus cash/cost of net debt	(31)	(14)
Other cash flows related to financing activities		
Cash flows from financing activities (c)	**87**	**(140)**
Effect of foreign exchange fluctuations (d)		(12)
Net change in cash and cash equivalents (a+b+c+d)	**(526)**	**(117)**
Net cash at the beginning of the year	600	717
Smac Group: cash disclosed in held-for-sale activities and operations in balance sheet	1	
Net cash and cash equivalents at the end of the year (see Note 7)	**75**	**600**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Declaration of compliance:

The consolidated financial statements of Colas and its subsidiaries (the "Group") for the year ended December 31, 2018 were prepared in accordance with IFRS as endorsed by the European Union.

The financial statements are presented in millions of euros (unless otherwise indicated) and comprise: the balance sheet, the income statement, the statement of recognized income and expense, the statement of changes in shareholders' equity, the cash flow statement, and the notes to the financial statements.

Notes

In millions of euros unless otherwise indicated.

NOTE 1 – SIGNIFICANT EVENTS

1.1 – SCOPE OF CONSOLIDATION AS OF DECEMBER 31, 2018

Number of consolidated companies	2018	2017
Full consolidation	370	357
Proportional consolidation	75	67
Equity method	124	112
Total	**569**	**536**

Main movements of the year:

— **Entries in scope:**

France: none

International: Kummler & Matter AG (Switzerland), Alpiq Enertrans (Italy), Elektroline A.S (Czech Republic), Lundy Projects Ltd (Great Britain), Delta Asphalt Inc. (United States), Miller (Canada), McAsphalt (Canada), Topcoat (Australia)

— **Exit from scope:**

France: STVR

International: South West Highways (Great Britain)

1.2 – SIGNIFICANT EVENTS OF 2018

— On February 28, 2018, Colas completed the acquisition of the entire share capital of the Miller McAsphalt group in line with the memorandum of understanding signed on August 30, 2017. The Miller McAsphalt group is a major player in road construction and bitumen distribution in Canada, with a particularly strong foothold in Ontario. Over the last three years, it has generated average annual revenue of approximately CAD 1.3 billion and employs 3,300 people. The purchase price paid on the completion date was CAD 953 million, equivalent to 611 million euros. Out of the total purchase price, 410 million euros were financed by debt. After purchase price allocation, goodwill amounted to CAD 140 million, equivalent to 92 million euros as of December 31, 2018.

The acquired business's contribution to results has been accounted for over a period of 10 months in the income statement for 2018.

— On March 16, 2018, Bouygues Construction and Colas announced the acquisition of the entire share capital of Alpiq Engineering Services, which specializes in hard and soft services in construction and in energy, industrial and transport infrastructures. It employs nearly 7,650 people and generated revenue of approximately CHF 1.7 billion in 2017, mainly in Switzerland (57%), Germany (24%) and Italy (12%). Following clearance from the European and Swiss competition authorities on July 11, 2018, the acquisition was completed on July 31, 2018 based on an enterprise value of CHF 150 million for Colas Rail. After purchase price allocation, which did not identify any items in the balance sheets of four acquired companies, residual goodwill amounts to EUR 74 million.

The acquired business's contribution to results has been accounted for over a period of 5 months in the income statement for 2018.

— Colas is aiming to refocus on its core businesses, and therefore began a process to transfer Smac subgroup (revenue: roughly 600 million euros). This was announced to employees on May 31, 2018 and continued into the 4th quarter of 2018. On November 19, 2018, a potential purchaser signed an agreement to buy Smac, the maximum duration of which is 7 months. According to *IFRS 5 – Non-Current Assets Held for Sale and Discontinued Operations,* the assets and liabilities of the Smac subgroup were presented on a separate line in the balance sheet as of December 31, 2018.

1.3 – SIGNIFICANT EVENTS AFTER DECEMBER 31, 2018

On February 14, 2019: signature of an agreement to sell all Smac shares to OpenGate Capital. The transaction is expected to be finalized within 60 to 90 days following that date.

NOTE 2 – SIGNIFICANT PRINCIPLES OF THE FINANCIAL STATEMENTS

2.1 – DESCRIPTION OF GROUP ACTIVITIES

Colas (the Company) is a French société anonyme incorporated in France (R.C.S. Paris B552 025 314) with its head office located at 1 rue du Colonel Pierre Avia, Paris, France.

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

Roads represent 85% 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, are complement to 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.

Colas also operates in Specialized Activities, most of which are complementary to Road activities, that represent 15% of its total business:

— Road safety and signaling, traffic management, manufacture, installation and maintenance of security 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 (P3) companies, especially motorways as well as railways, airports, city road networks and urban public transport.

2.2 – PREPARATION PRINCIPLES OF THE FINANCIAL STATEMENTS

The Group's financial statements include the accounts of Colas and its subsidiaries, as well as holdings in related entities and joint ventures. They are presented in millions of euros, the currency of most of Group's transactions, and take account of the recommendations on the presentation of financial statements No. 2013-03 of November 7, 2013 and No. 2016-01 of December 2, 2016 issued by the Autorité des Normes Comptables (ANC), the French national accounting standard-setter.

They were approved for publication by the Board of Directors on February 19, 2019 and will be submitted for the approval of the next Ordinary General Meeting of April 17, 2019.

The consolidated financial statements for the year ended December 31, 2018 have been prepared in accordance with IFRS standards and principles, based on historical cost, except for 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, 2017, restated to take account of the first-time application of IFRS 9 and IFRS 15 as of 1 January 2018 (see Note 25 to the consolidated financial statements).

As of December 31, 2018, the Group applied the standards, interpretations, accounting principles and methods that were applied in the financial statements of fiscal year 2017, except for mandatory changes laid down by the IFRS standards mentioned below, applicable as from 1 January 2018.

2.3 – NEW IFRS STANDARDS AND INTERPRETATIONS

Main IFRS standards, amendments adopted by the European Union, for mandatory application as of 1 January 2018:

IFRS 9 Financials Instruments

On July 24, 2014, the IASB issued a new standard on financial instruments intended to replace most of the current IFRS pronouncements on this subject, in particular IAS 39. The new standard was endorsed by the European Union on November 22, 2016 and is mandatorily applicable from January 1, 2018. The Group did not early adopt IFRS 9.

The Group has applied the classification, measurement and impairment principles of IFRS 9 retrospectively, with no restatement of prior period comparatives. The hedge accounting principles of IFRS 9 have also been applied by the Group with effect from January 1, 2018, using a prospective approach in accordance with the standard.

The impacts of applying IFRS 9 as of January 1, 2018 are not material, and are presented in Note 25 to the consolidated financial statements.

IFRS 15 Revenue from Contracts with Customers

On May 28, 2014, the IASB issued a new standard on revenue recognition intended to replace most of the current IFRS pronouncements on this subject, in particular IAS 11 and IAS 18. The new standard was endorsed by the European Union on October 29, 2016 and is applicable from January 1, 2018. The Group did not early adopt IFRS 15. It has applied IFRS 15 retrospectively with effect from January 1, 2018, with the 2017 comparatives restated to reflect the impacts of the new standard.

The application of this standard as of January 1, 2018 did not impact the 2018 income statement.

IFRS standards and interpretations adopted by the European Union, for mandatory application as of January 1, 2019:

IFRS 16 Leases

On January 13, 2016, the IASB issued IFRS 16 Leases, which replaces IAS 17 and the associated IFRIC and SIC interpretations. The new standard was endorsed by the European Union on October 31, 2017 and is applicable from January 1, 2019. The Group has not early adopted IFRS 16, and for first-time application has elected the retrospective approach with presentation of a comparative period.

The process of inventorying lease contracts and collecting the related data has been ongoing through 2017 and 2018. The estimated impacts of applying IFRS 16 on the balance sheet as of December 31, 2018 restated for IFRIC 23 are presented in Note 26 to the consolidated financial statements.

IFRIC 23 Uncertainty Over Income Tax Treatment

On June 7, 2017, the IFRS IC issued IFRIC 23. That interpretation clarifies the accounting treatments used to recognize the fiscal consequences of uncertainties relating to income taxes. The Group has not elected early adoption of IFRIC 23, and is reviewing the potential consequences of applying it. The new interpretation, endorsed by the European Union on October 23, 2018, is applicable from January 1, 2019.

The impact of the application of this interpretation at January 1, 2019 should not be material and is presented in note 26.

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. They 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 based on 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, the recoverability of deferred tax assets, provisions (for litigation and claims, etc.), and end-of-contract margins on construction contracts, measurement of identifiable assets and liabilities in a purchase price allocation (see Note 2.5 and 2.8), tangible and intangible assets (see Note 2.8), and assessment of the impairment on goodwill (see Note 2.8).

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.

2.4 – CONSOLIDATION METHODS

Controlled companies

Companies over which Colas exercises control are consolidated by the full consolidation method.

Jointly-controlled companies

A joint venture or joint operation derives from a contractual arrangement whereby two or more parties undertake an economic activity which is subject to joint control. In the case of joint operations, which give each party direct rights over the assets and obligations for the liabilities, the assets, liabilities, income and expenses of the joint operation 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 over which significant influence is exercised

An associate is a company over which the Group exercises significant influence without exercising control. Significant influence is presumed to exist where the group directly or indirectly holds at least 20% of the entity's voting rights.

The net profit or loss and the assets and liabilities of such entities are accounted for by the equity method.

2.5 – BUSINESS COMBINATIONS

Since January 1, 2010, business combinations have been accounted for in accordance with the revised IFRS 3.

In a business combination, goodwill represents the total of the consideration transferred and non-controlling interests minus the net amount recognized (usually at fair value) for the identifiable assets acquired and liabilities assumed, adjusted to reflect the fair value re-measurement of any previously-acquired equity interest. The revised IFRS 3 allows entities to elect one of two methods of accounting for non-controlling interests in each business combination:

- 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.

Goodwill is allocated to the Cash Generating Unit (CGU) benefiting from the business combination or to the group of CGUs at the level of which return on investment is measured.

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 12 months.

Negative goodwill is taken to the income statement in the period in which the acquisition is made.

Subsequently, goodwill is carried at cost net of any impairment losses identified annually using the methods described in the sections on impairment testing in Note called "Impairment testing of non-current assets, joint ventures and associates", in accordance with IAS 36. Impairment losses are charged to the income statement as an operating item.

In accordance with the revised IFRS 3, the previously-held equity interest in a step acquisition is remeasured at fair value at the date on which control is obtained; the resulting gain or loss is recognized in profit or loss for the period; in the event of loss of control with a retained equity interest, that retained interest is remeasured at fair value; the gain or loss on remeasurement is recognized in profit or loss for the period, along with the gain or loss arising on the disposal.

In the event of a change in percentage interest with no effect on control, the difference between the consideration transferred and the carrying amount of the non-controlling interest is recognized directly in equity attributable to the Group. Consequently, no additional goodwill is recognized.

All acquisition-related costs are recognized as an expense within current operating profit for the period.

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, unless it can be demonstrated that another method better reflects the goodwill of the divested operation, according to IAS 36.86.

Goodwill recognized prior to 1 January 2004 continues to be measured using the partial fair value method. Non-controlling interests are measured based on the carrying amount of the relevant items as shown in the balance sheet of the acquired entity.

2.6 – METHOD OF TRANSLATION OF ITEMS IN FOREIGN CURRENCIES

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 end of the reporting period are translated at the closing exchange rate. Translation differences are recognized in profit or loss for the period. 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 entities with a functional currency other than 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 recognized in shareholders' equity.

2.7 – ASSESSMENT OF INCOME TAXES

Deferred taxation is recognized on differences between the carrying amount and tax base of assets or liabilities, and arises because 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,
  – items deductible from taxable profits in the future (deferred tax assets), mainly provisions that are temporarily non-deductible for tax purposes. Such assets are recognized to the extent that it is probable that sufficient taxable profits will be available against which to offset the temporary differences, and are reviewed at the end of each reporting period;

— 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 national tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates that have been enacted or substantively enacted in the relevant country by the end of the reporting period. As of 31 December 2018, the temporary differences and tax losses available for carry-forward of French entities were measured at the following rates as approved by the French National Assembly, according to the period in which they are expected to reverse:

— 32.02% for 2019;
— 28.92% for 2020;
— 27.37% for 2021;
— 25.83% for 2022 and later.

Deferred taxes are not discounted, and are reported in non-current assets and liabilities.

2.8 – NON-CURRENT ASSETS

Property, plant and equipment

It is measured at acquisition cost net of accumulated depreciation and impairment. Depreciation is recognized on a straight-line basis over the estimated useful life of the asset.

Principal useful lives by main asset category and sector of activity

Land	(see below)
Office buildings	20 to 40 years
Industrial buildings	10 to 20 years
Plant, equipment and tooling	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 40 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 recognized 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

Leases of property, plant and equipment under which the Group retains substantially all the risks and rewards of ownership are considered as finance leases contracts and as such are subject to restatement (recognition of a tangible asset with a corresponding financial liability).

Assets held under finance leases are recognized 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 (with a corresponding liability for restated leases recognized under "Debt").

Obligations under operating leases are disclosed in off-balance sheet commitments.

Grants received

Investment grants received (including those from the state) are netted off the value of the fixed 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, i.e. 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 and are reviewed at the end of each reporting period to ensure that their useful lives are still indefinite.

Development costs are capitalized 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 joint ventures and 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 fiscal 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.

CGUs correspond to the Group's 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.

Non-current financial assets

Other non-current financial assets include loans and receivables, to consolidated or non-consolidated companies, and miscellaneous financial assets: deposits and caution money, investments in companies over which the Group exercises neither control nor significant influence.

Investments in non-consolidated companies are measured at fair value, with changes in fair value taken either to shareholders' equity in "Items not reclassifiable to profit or loss" or to the income statement in "Other financial income" or "Other financial expenses", depending on the treatment elected by the Group for each individual investment.

Fair value is the market price for listed investments, and estimated value in use for unlisted investments. Value in use is determined using the most appropriate financial criteria for each individual investment.

Advances to non-consolidated companies, and other loans and receivables, are accounted for at amortized cost, determined using the effective interest method.

In the case of floating-rate loans and receivables, cash flows are periodically re-estimated to reflect changes in market interest rates, resulting in an adjustment to the effective interest rate and hence to the valuation of the loan or receivable.

Loans and receivables are accounted for at amortized cost. In accordance with IFRS 9 an impairment allowance is recognized on initial recognition to reflect the expected risk of loss during the next twelve months, and charged to profit or loss.

2.9 – CURRENT ASSETS

Inventories

Inventories are stated 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 are carried at face value, net of impairment recorded to reflect the probability of recovery; these receivables are usually short-term and non-interest-bearing, and are measured at the original invoice amount, unless application of an implied interest rate would have a material effect.

For contracts accounted for using the percentage of completion method, trade receivables include invoices and statements issued as works are executed or services provided (accepted by the project owner).

Other current receivables

Other receivables are carried at face value, net of impairment recorded to reflect the probability of recovery.

2.10 – FINANCIAL INSTRUMENTS

Some Group entities use hedging instruments to limit the impact on the income statement of fluctuations in exchange rates, interest rates and commodity prices. The Group's policy on the use of financial instruments is described below.

Nature of risks to which the Group is exposed

Interest rate risk

The Group's financial expenses have low sensitivity to interest rate risks, because floating-rate debt is partially hedged by floating-rate cash surplus.

In addition to variable rate debt on the balance sheet, the seasonal nature of the business may lead to the use of short-term borrowings.

Certain financial assets or liabilities may be hedged from time to time.

Currency 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, and 54% of Group activity is realized in euro zone.

For most of the work performed out outside France, billing and expenses are posted in the country where the work is carried out, so that changes in exchange rates have no significant impact on the Group's revenue and profitability other than the conversion effect calculated from variations from an average annual exchange rate. With nearly one-fourth of its business performed in North America, the Group is sensitive to changes in the euro/US dollar and the euro/Canadian dollar.

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

Occasionally, some currency contracts are hedged for exchange risks.

In general, the net investments made by the Group in foreign entities (subsidiaries, participations, branches, joint ventures) are not subject to currency hedging because these entities are not intended to be sold.

Foreign exchange forward hedges are used to optimize the Group's cash flow by converting surpluses lent or borrowed to subsidiaries in their local currency to replace bank lines, without currency risk.

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.

Commodities risk

The Group is exposed to commodities risk mainly due to petroleum-based products in the Roads segment, and metals in its safety & signaling, waterproofing and railways businesses.

Hedges may be contracted on an as-needed basis relating to specific contracts.

Principles applied to all 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, the exposure to exchange risks and interest rate risks with detailed, specific follow-up reporting to the management and control of the companies involved.

Accounting methods applied to financial instruments

The Group applies hedge accounting to the financial instruments that it uses. This entails formal documentation of the hedging relationship under IFRS 9. The Group then applies one of three 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 change in the intrinsic value of the hedging instrument is recognized in equity until the transaction is settled;

— recognition in the context of a hedging relationship of net investments outside of France: the change in the intrinsic value of the hedging instrument is recognized in equity until the transaction is settled.

2.11 – CONSOLIDATED SHAREHOLDERS' EQUITY

Treasury shares are deducted from consolidated shareholders' equity. If a Group subsidiary holds its own shares, an additional percentage interest in that subsidiary is recognized at Group level.

Translation reserve

The translation reserve represents translation differences arising since January 1, 2004, when the reserve was deemed to be zero and the balance transferred to "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 ratio of 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, and the effects on consolidated shareholders' equity.

2.12 – NON-CURRENT LIABILITIES

Non-current financial liabilities

Except for derivative instruments accounted for as liabilities measured at fair value, all other borrowings and financial liabilities are accounted for at amortized cost using the effective interest method.

The portion of long-term debt due within less than one year is included in current liabilities.

Non-current provisions

In accordance with IAS 37 "Provisions, Contingent Liabilities and Contingent Assets", a provision is recorded at the end of the reporting period 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 recognized as a provision represents the Group's best estimate of the net outflow of resources.

These non-current provisions are not usually associated with the normal operating cycle of each business segment. They mainly comprise:

Employee benefits

Pensions

To cover their pension obligations, Group companies make regular payments to external bodies and independent pension fund managers (defined-contribution plans).

There are however some remaining defined-benefit plans still in existence, mainly in the United Kingdom, in Ireland and in Canada. Except for 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 bonuses

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 security or other administrative 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 can 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.

2.13 – 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 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.

Customer contract liabilities

Customer contract liabilities represent the Group's obligation to transfer goods and services for which payment has already been received from a customer, or where the Group has an unconditional right to receive payment. They include advances and down-payments received on orders, and differences arising from the percentage of completion on a contract (see Note 11 to the consolidated financial statements).

2.14 – INCOME STATEMENT

As allowed under IAS 1 "Presentation of Financial Statements", the Group presents an income statement that classifies expenses by nature. In presenting its income statement, the Group has applied ANC Recommendations 2013-03 of November 7, 2013 and 2016-01 of December 2, 2016 for income statement presentation.

Income from ordinary activities

Revenue from ordinary activity is recognized when:

— a customer contract, and the performance obligations within that contract, have been identified;
— a transaction price has been determined, and allocated between the performance obligations;
— the distinct performance obligations under the contract have been satisfied;
— 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.

The Group's contracts with significant value include only one performance obligation.

The Group's income from ordinary activities comprises the following items:

Sale of goods

The proceeds are recognized when the risks and rewards of ownership of the property/goods are transferred to the buyer.

Construction contracts

All activities related to construction contracts are accounted for using the percentage of completion method.

Under this method, the revenue recognized equals the latest estimate of the total selling price of the contract multiplied by the actual completion rate. That completion rate is determined by reference to the physical state of progress of the works or to completed works. The latest estimate of the total selling price takes account of claims that have been accepted by the client or are highly probable.

If it is regarded as probable that a contract will generate a loss on completion, a provision for expected losses to completion is recognized as a current provision in the balance sheet. The loss is provided for in full as soon as it is can be reliably measured, irrespective of the completion rate.

Other income from ordinary activities

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 impairment 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 based on 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.

2.15 – CASH FLOW STATEMENT

The consolidated cash flow statement is presented in accordance with the amended IAS 7 and with ANC Recommendations 2013-03 of November 7, 2013 (using the indirect method) and 2016-01 of December 2, 2016.

Consolidated net profit is adjusted to eliminate the impact of transactions with no cash effect, and of income and expenses related to investing or financing activities.

Cash flow is defined as consolidated net profit before: net depreciation and amortization expense, net charges to non-current provisions and impairment losses, gains and losses on asset disposals, cost of net debt (included in financing activities in the cash flow statement), and net income tax expense for the period.

The cash flow statement explains changes in the Group's net cash position, which is defined as the net total of the following balance sheet items:

— cash and cash equivalents;
— overdrafts and short-term bank borrowings.

2.16 – OTHER FINANCIAL INDICATORS

Net financial surplus/indebtedness

It results from:

— cash and cash equivalents;
— overdrafts;
— current and non-current debt;
— financial instruments (used to hedge financial liabilities measured at fair value).

Net financial surplus/indebtedness restated IFRS 16

Net financial surplus/indebtedness plus lease obligations.

2.17 – COMPARABILITY OF THE CONSOLIDATED FINANCIAL STATEMENTS

Changes in scope during the fiscal year did not have a significant impact on the 2018 consolidated financial statements, thus allowing for comparison with financial statements as of December 31, 2017.

NOTE 3 – NON-CURRENT ASSETS

3.1 – SYNTHESIS OF INVESTMENTS OF THE YEAR (OPERATIONAL AND FINANCIAL)

	2018	2017
Property, plant and equipment	455	428
Intangible assets and goodwill	7	15
Operating activities investments	**462**	**443**
Acquisitions of subsidiaries	807	157
Consolidated investments	**1,269**	**600**
Proceeds from disposals of property, plant and equipment	(174)	(88)
Proceeds from disposals of subsidiaries	(6)	(23)
Net investments	**1,089**	**489**

3.2 – PROPERTY, PLANT AND EQUIPMENT

	Land and buildings	Plant and equipment	Assets in course of construction and advance payments	Total
Cost or valuation				
As of December 31, 2016	**1,615**	**5,644**	**96**	**7,355**
Exchange differences	(45)	(172)	(2)	(219)
Transfers and other	24	95	(121)	(2)
Changes in scope of consolidation	52	49		101
Acquisitions	40	280	108	428
Disposals and reductions	(37)	(246)		(283)
As of December 31, 2017	**1,649**	**5,650**	**81**	**7,380**
Exchange differences	2	4		6
Transfers and other	12	156	(138)	30
Changes in scope of consolidation	152	286	6	444
Acquisitions	37	262	156	455
Disposals and reductions	(32)	(398)		(430)
As of December 31, 2018	**1,820**	**5,960**	**105**	**7,885**
Depreciation and impairment				
As of December 31, 2017	**(698)**	**(4,263)**		**(4,961)**
Exchange differences	13	125		138
Transfers and other	(1)	1		
Changes in scope of consolidation	(1)	(7)		(8)
Net charge for the year	(55)	(343)	(1)	(399)
Disposals and reductions	23	211		234
As of December 31, 2017	**(719)**	**(4,276)**	**(1)**	**(4,996)**
Exchange differences	(2)	(6)	1	(7)
Transfers and other	2	(1)		1
Changes in scope of consolidation	12	(142)		(130)
Net charge for the year	(61)	(382)		(443)
Disposals and reductions	22	287		309
As of December 31, 2018	**(746)**	**(4,520)**		**(5,266)**
Carrying amount				
As of December 31, 2016	**917**	**1,381**	**96**	**2,394**
including quarry land	272			272
Including financial leases	3	33		36
As of December 31, 2017	**930**	**1,374**	**80**	**2,384**
including quarry land	293			293
Including financial leases	2	17		19
As of December 31, 2018	**1,074**	**1,440**	**105**	**2,619**
including quarry land	347			347
Including financial leases	2	48		50

As of December 31, 2018 equipment has been ordered for an amount of 20 million euros (24 million euros at the end of 2017).

3.3 – INTANGIBLE ASSETS AND GOODWILL

	Concessions, patents, and other rights	Other	Total intangible assets	Goodwill
Cost or valuation				
As of December 31, 2016	**161**	**74**	**235**	**569**
Exchange differences	(2)	(3)	(5)	(11)
Transfers and other	2	5	7	
Changes in scope of consolidation	(14)	2	(12)	21
Additions	3	12	15	
Disposals	(2)	(1)	(3)	
As of December 31, 2017	**148**	**89**	**237**	**579**
Exchange differences	(1)	(2)	(3)	(2)
Transfers and other	30	(28)	2	
Changes in scope of consolidation	12	110	122	157
Additions	4	3	7	
Disposals	(2)	(3)	(5)	
As of December 31, 2018	**191**	**169**	**360**	**734**
Depreciation and impairment				
As of December 31, 2017	**(96)**	**(47)**	**(143)**	**(69)**
Exchange differences	2	1	3	
Transfers and other				
Changes in scope of consolidation	14	1	15	3
Net charge for the year	(6)	(2)	(8)	(1)
Disposals	2	1	3	
As of December 31, 2017	**(84)**	**(46)**	**(130)**	**(67)**
Exchange differences	1		1	1
Transfers and other				
Changes in scope of consolidation	(4)	(1)	(5)	6
Net charge for the year	(10)	(8)	(18)	
Disposals	2	3	5	
As of December 31, 2018	**(95)**	**(52)**	**(147)**	**(60)**
Carrying amount				
As of December 31, 2016	65	27	**92**	**500**
As of December 31, 2017	64	43	**107**	**512**
As of December 31, 2018	**96**	**117**	**213**	**674**

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	19	2%	4.97%	4.73%
CGU Roads Europe (excluding France)	22		2%	4.97%	4.73%
CGU Roads North America	210	21	2%	4.97%	4.73%
CGU Roads Rest of the World	28		2%	4.97%	4.73%
CGU Specialized activities (excluding Railways)	28		2%	4.97%	4.73%
CGU Railways	252		2%	4.97%	4.73%
Total	**674**	**40**			

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

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	15.63%
Roads Europe (excluding France)	22.05%
Roads North America	12.37%
Roads Rest of the World	25.27%
Specialized activities (excluding Railways)	9.70%
Railways	8.48%

3.4 – INVESTMENTS IN JOINT VENTURES AND ASSOCIATES

	Share in equity	Goodwill	Impairment, depreciation, amortization	Carrying amount
As of December 31, 2016	**302**	**111**	**(38)**	**375**
Net consolidated profit	63		(2)	61
Dividends paid	(53)			(53)
Other operations	9	4		13
As of December 31, 2017	**321**	**115**	**(40)**	**396**
Net consolidated profit	30		(2)	28
Dividends paid	(36)			(36)
Other operations	8	(9)	7	6
As of December 31, 2018	**323**	**106**	**(35)**	**394**

Main associated companies

	Share in equity		Net carrying amount	
	31/12/2018	31/12/2017	31/12/2018	31/12/2017
Main associated companies				
Tipco Asphalt [(1)]	104	106	4	21
Mak Mecsek [(2)]	36	35	3	3
Other	21	22	2	4
Joint ventures				
Miscellaneous companies [(3)]	162	156	19	33
Total	**323**	**319**	**28**	**61**

(1) Tipco Asphalt, based in Bangkok (Thailand) operates in the distribution and sale of bitumen business in southeast Asia.
(2) Mak Mecsek has been awarded a thirty-year P3 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, factories of emulsions) operated in common with non-Group partners. Individually, none of these companies has any material impact.

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:

	31/12/2018	31/12/2017
Assets	214	241
Liabilities	200	240
Revenue	351	368
Current operating profit	17	2

3.6 – OTHER NON-CURRENT FINANCIAL ASSETS

	Non-consolidated investments	Other non-current financial assets	Total gross value	Allowance	Carrying amount
As of December 31, 2016	**86**	**162**	**248**	**(65)**	**183**
Exchange differences	(1)	(3)	(4)	1	(3)
Transfers	(36)	1	(35)	(2)	(37)
Changes in scope of consolidation	(102)	(1)	(103)		(103)
Acquisitions and other additions	157	27	184		184
Disposals	(23)	(9)	(32)		(32)
Net charge for the year				5	5
As of December 31, 2017	**81**	**177**	**258**	**(61)**	**197**
Exchange differences		(1)	(1)		(1)
Transfers	1	(1)			
Changes in scope of consolidation	(798)	24	(774)	(2)	(776)
Acquisitions and other additions	807	13	820		820
Disposals	(8)	(44)	(52)		(52)
Net charge for the year				4	4
As of December 31, 2018	**83**	**168**	**251**	**(59)**	**192**

Breakdown of main non-consolidated investments

	31/12/2018			31/12/2017
	Gross	Allowance	Net	Net
Asphalt concrete, binder and quarry companies	22	(5)	17	16
Non-controlled companies	11	(3)	8	7
Inactive companies and companies undergoing liquidation	44	(41)	3	2
End of period acquired companies [1]				
Other investments [2]	6	(3)	3	4
Total	**83**	**(52)**	**31**	**29**

(1) These companies are not consolidated because acquired at the end of the year. They will be consolidated the following fiscal year.
(2) None of these investments are significant.

Breakdown of other non-current financial assets

	31/12/2018			31/12/2017
	Gross	Allowance	Net	Net
Loans [1]	91	(7)	84	91
City of Portsmouth (Great Britain) [2]	52		52	57
Other financial receivables	25		25	20
Total	**168**	**(7)**	**161**	**168**

(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 at fair value through OCI	Financial assets at fair value through profit or loss	Financial assets at amortized cost		
December 31, 2017	-	29	-	168	197
Change in 2018	-	2	-	(7)	(5)
December 31, 2018	**-**	**31**	**-**	**161**	**192**

3.7 – DEFERRED TAXES AND NON-CURRENT TAX RECEIVABLE

	Deferred taxes	Other long-term tax receivable	Total
As of December 31, 2016	**172**		**172**
Exchange differences	(1)		(1)
Transfers	(1)		(1)
Acquisitions of subsidiaries			
Net change	(16)		(16)
At December 31, 2017	**154**		**154**
Exchange differences	(1)		(1)
Transfers	(6)		(6)
Acquisitions of subsidiaries	(1)		(1)
Net change	(1)		(1)
As of December 31, 2018	**145**		**145**

Unrecognized tax assets (which are probably not reversible in the foreseeable future) amounted to 129 million euros as of December 31, 2018 (83 million euros as of December 31, 2017).

Deferred tax assets are mainly reversible after four years.

Main deferred tax bases

	31/12/2018	31/12/2017
Assets		
Employee benefits	63	79
Tax losses	48	53
Financial instruments	2	10
Other temporary differences	23	27
Liabilities		
Regulatory provisions	(10)	(9)
Fixed assets (finance leases, goodwill allocated to assets)	(101)	(55)
Taxes on dividends	(2)	(8)
Other temporary differences	(2)	(3)
Net deferred tax assets (liabilities)	**21**	**94**

NOTE 4 – CURRENT ASSETS

4.1 – INVENTORIES, TRADE AND OTHER CURRENT RECEIVABLES

	31/12/2018			31/12/2017		
	Gross	Allowance	Net	Gross	Allowance	Net
Inventories	**711**	**(39)**	**672**	**542**	**(41)**	**501**
Raw materials, supplies and finished goods						
Trade receivables	**2,548**	**(112)**	**2,436**	**2,461**	**(147)**	**2,314**
Invoiced and to invoice, warranty retention [1]						
Customer contract assets	658		658	539		539
Tax receivables	**42**		**42**	**197**		**197**
Staff, social welfare bodies, State	246		246	256		256
Group receivables and other current receivables	525	(28)	497	336	(33)	303
Prepayments	47		47	58		58
Other current receivables	**818**	**(28)**	**790**	**650**	**(33)**	**617**

(1): Maturity of trade receivables is as follows:	Receivables not matured	Less than 6 months	6 months to 1 year	1 year and more	Total
Trade receivables (gross)	1 555	689	101	203	2,548
Allowance	(7)	(5)	(4)	(96)	(112)
Trade receivables (net)	**1 548**	**684**	**97**	**107**	**2,436**
Reminder 2017	1 435	674	96	109	2,314

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

4.2 – CASH AND CASH EQUIVALENTS

	31/12/2018			31/12/2017		
	Gross	Allowance	Net	Gross	Allowance	Net
Cash on hand	471		471	383		383
Marketable securities [1]	92		92	297		297
Total	**563**		**563**	**680**		**680**
(1) Including Bouygues Relais.	*29*		*29*	*230*		*230*

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	97	29	68	277	471
Cash equivalents	87			5	92
Total	**184**	**29**	**68**	**282**	**563**
Reminder December 31, 2017	397	38	62	183	680

(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:

	31/12/2018	31/12/2017
Cash and cash equivalents	563	680
Overdrafts and short-term bank borrowings	(488)	(80)
Total	**75**	**600**

NOTE 5 – INFORMATION ON EQUITY

COMPOSITION OF SHARE CAPITAL (IN EUROS)

Colas' share capital on December 31, 2018 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 AS OF DECEMBER 31, 2018

Colas SA holds 19,093 shares for an amount of 2,961,415.69 euros.

MOVEMENTS DURING THE FISCAL YEAR

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.

OUTSTANDING STOCK OPTIONS

None.

TRANSLATION RESERVE

The translation reserve was established at January 1, 2004 with the first-time application of IFRS. Main translation differences as of December 31, 2018 relate to companies located in the following countries:

	31/12/2017	Change 2018	31/12/2018
United States	22	23	45
Canada	(8)	(24)	(32)
Great Britain	(14)	(1)	(15)
Slovakia	12		12
Czech Republic	7	(1)	6
Australia	(4)	(5)	(9)
Other countries		4	4
Total translation reserve	**15**	**(4)**	**11**

NOTE 6 – NON-CURRENT AND CURRENT PROVISIONS

6.1 – NON-CURRENT PROVISIONS

	Employee benefits	Litigation & legal matters	Customer warranties (long term)	Site reclamation (long term)	Others	Total
As of December 31, 2016	**423**	**235**	**69**	**155**	**35**	**917**
Exchange differences	(4)	(2)		(3)	(3)	(12)
Transfers			(1)	2	8	9
Changes in scope of consolidation		(1)	(1)	5	(2)	1
Actuarial gains/losses in equity	(5)					(5)
Allocation for the year	28	36	18	11	13	106
Reversals of utilized provisions	(10)	(36)	(9)	(12)	(9)	(76)
Reversals of unutilized provisions	(6)	(36)	(10)	(2)	(2)	(56)
As of December 31, 2017	**426**	**196**	**66**	**156**	**40**	**884**
Exchange differences	(1)	(1)	(1)		4	1
Transfers	3	4		2	(3)	6
Changes in scope of consolidation	(19)	(14)	(19)	4	(10)	(58)
Actuarial gains/losses in equity	(55)					(55)
Allocation for the year	34	42	20	27	19	142
Reversals of utilized provisions	(15)	(18)	(7)	(23)	(9)	(72)
Reversals of unutilized provisions	(10)	(23)	(6)	(2)	(3)	(44)
As of December 31, 2018	**363**	**186**	**53**	**164**	**38**	**804**

Breakdown of main provisions	31/12/2018	31/12/2017
Length-of-service awards	95	105
Retirement bonuses	198	228
Pensions	70	93
Employee benefits	**363**	**426**
Litigation with clients	41	39
Litigation with employees	22	27
Litigation with social security administration	82	85
Litigation with tax authorities	17	18
Litigation with other bodies		1
Other litigations	24	26
Litigation and legal matters	**186**	**196**
Decennial warranties	34	50
Civil engineering warranties	18	14
Performance warranties	1	2
Warranties	**53**	**66**

6.2 – CURRENT PROVISIONS

	Losses on completion	Works risks and costs of closing sites	Customer warranties (short term)	Site reclamation (short term)	Other	Total
As of December 31, 2016	**89**	**88**	**47**	**13**	**87**	**324**
Exchange differences	(1)	(1)			(6)	(8)
Transfers			3		(3)	
Changes in scope of consolidation		(1)				(1)
Allocation for the year	66	25	10	1	17	119
Reversals of utilized provisions	(31)	(20)	(8)	(2)	(27)	(88)
Reversals of unutilized provisions	(31)	(18)	(11)	(1)	(7)	(68)
As of December 31, 2017	**92**	**73**	**41**	**11**	**61**	**278**
Exchange differences					(3)	(3)
Transfers		(4)	1		1	(2)
Changes in scope of consolidation	8	1	1		(4)	6
Allocation for the year	59	38	16	2	25	140
Reversals of utilized provisions	(36)	(15)	(13)	(2)	(20)	(86)
Reversals of unutilized provisions	(33)	(18)	(8)		(3)	(62)
As of December 31, 2018	**90**	**75**	**38**	**11**	**57**	**271**

NOTE 7 – DEFERRED TAX LIABILITIES

	31/12/2018	31/12/2017
Deferred tax liabilities	124	60
Other long-term tax liabilities		
Total non-current taxes	**124**	**60**

Deferred tax liabilities essentially arise from temporary tax differences (allocation of goodwill, differences between accounting and tax depreciations, etc.).

NOTE 8 – CURRENT AND NON-CURRENT FINANCIAL DEBTS

BANK LOANS AND BORROWING MATURITIES

	Maturity	Maturity over 1 year						
	Less than 1 year	From 1 to 2 years	From 2 to 3 years	From 3 to 4 years	From 4 to 5 years	More than 5 years	Total	Total
	2019	2020	2021	2022	2023	2024 and +	2018	2017
Bank loans (medium/long-term)	39	20	394	14	11	59	498	116
Finance leases	12	8	8	7	5	2	30	9
Other financial liabilities (long-term)	7	5					5	1
Subtotal	**58**	**33**	**402**	**21**	**16**	**61**	**533**	**126**
Overdrafts and short-term bank borrowings	488							
As of December 31, 2018	**546**	**33**	**402**	**21**	**16**	**61**	**533**	
Reminder as of December 31, 2017	120	23	18	16	13	56		126
Portion of long-term debt at less than one year							58	40

CONFIRMED/DRAWN CREDIT LINES

	Confirmed credit lines – Maturity				Drawn credit lines – Maturity			
	Less than 1 year	1 to 5 years	More than 5 years	Total	Less than 1 year	1 to 5 years	More than 5 years	Total
Credit lines	277	2,277	151	2,705	58	472	61	591

CASH POSITION AS OF DECEMBER 31, 2018

As of December 31, 2018, net cash totaled 75 million euros, in addition to 1,895 million euros of confirmed bank credit lines for over one year, undrawn to date (compared to 1,605 million euros as of December 31, 2017).

At the beginning of 2019, the Colas Group increased its financing lines for more than a year by 120 million euros.

Confirmed bank credit contracted by companies of the Group Colas do not significant financial clause likely to lead their due date and/or their prepayment, except for financing for the acquisition of Miller McAsphalt at Colas Canada Inc. which temporarily includes a financial covenant (debt/EBITDA).

BREAKDOWN OF FINANCIAL DEBT BY TYPE OF INTEREST RATE

The fixed rate portion 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 18% (53% in 2016).

Floating-rate debt not backed by an interest rate swap is broken down by maturity as follows:

	Maturities						
	Less than 1 year (1)	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	More than 5 years	Total
	2019	2020	2021	2022	2023	2024 and +	
	58	10	383	4	3	24	483

(1) Fixed-rate liabilities under one year are considered as floating-rate debt.

As of December 31, 2018, a breakdown of financial assets and liabilities by nature of interest rate shows the following:

	Floating rates	Fixed rates	Total
Cash and cash equivalents	563	-	563
Borrowings (1) (2)	(540)	(52)	(592)
Bank overdrafts	(488)	-	(488)
Net position before cash management	**(465)**	**(52)**	**(517)**
Interest rates hedging (2)	56	(56)	-
Net position after cash management	**(409)**	**(108)**	**(517)**
Seasonality adjustment (3)	(436)	-	(436)
Position after cash management and seasonality adjustment	**(845)**	**(108)**	**(953)**

(1) Including (1) 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 floating-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 based on 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 net financial debt of 8 million euros.

BREAKDOWN OF FINANCIAL DEBT BY TYPE OF CURRENCY

	Euro	USD (1)	GBP (1)	Other (1)	Total
Financial debt as of December 31, 2018					
– Non-current	47	16	57	413	533
– Current	407	13	16	110	546
Financial debt as of December 31, 2017					
– Non-current	63		49	14	126
– Current	26		27	67	120

(1) Equivalent in euros.

NOTE 9 – NET FINANCIAL SURPLUS/(NET DEBT)

BREAKDOWN

	31/12/2017	Cash flows	Scope	Currency translation adjustment	Fair values	Other impacts	Smac Group [1]	31/12/2018
Cash and cash equivalents	680	(306)	204	(3)		(8)	(4)	563
Overdraft and short-term bank borrowings	(80)	(298)	(126)	3		8	5	(488)
Net cash	**600**	**(604)**	**78**				**1**	**75**
Non-current financial liabilities	126	399	7	(9)		16	(6)	533
Current liabilities (less than one year)	40	(8)	6	(1)		22	(1)	58
Net financial instrument	1							1
Gross debt	**167**	**391**	**13**	**(10)**		**38**	**(7)**	**592**
Net financial surplus/(net debt)	**433**	**(995)**	**65**	**10**		**(38)**	**8**	**(517)**

(1) Held-for-sale assets and liabilities.

CHANGES DURING THE FISCAL YEAR

	31/12/2018	31/12/2017
Net debt at the beginning of the year	**433**	**517**
Cash flows from operating activities	365	473
Cash flows from investing activities	(978)	(438)
Cash flows from financing activities	(34)	(15)
Dividends paid	(270)	(91)
Other (exchange differences, change in scope of consolidation, and other) [1]	(33)	(13)
Net cash (Net debt) at the end of the year	**(517)**	**433**

(1) Including net debt of the Smac group €8 M.

NOTE 10 – OTHER CURRENT LIABILITIES

	31/12/2018	31/12/2017
Staff, social security, states	899	915
Other non-financial debts	394	488
Total other debts	**1,293**	**1,403**

NOTE 11 – ANALYSIS OF SALES AND OTHER REVENUES FROM OPERATIONS

BREAKDOWN BY NATURE OF INCOME

	2018	2017
Sales of products	2,353	1,780
Rendering of services	403	393
Construction contracts	10,434	9,532
Turnover [(1)]	**13,190**	**11,705**
Other income from ordinary activities	-	-
Total revenue	**13,190**	**11,705**

(1) Revenue recognized with performance achievement in the previous year is not significant.

INFORMATION REGARDING CONSTRUCTION CONTRACTS

	2018	2017
Works to be invoiced	658	539
Retentions for warranties	147	99
Works invoiced in advance	(295)	(300)
Payments received in advance	(101)	(78)

NOTE 12 – OPERATING PROFIT

DETAIL OF OTHER OPERATING INCOME AND EXPENSES

	2018	2017
Profits allocated or losses transferred regarding unconsolidated joint ventures	39	53
Proceeds from disposal of non-current assets	180	110
Reversal of unused provisions and depreciations	145	121
Other current income [(1)]	376	401
Other income from operations	**740**	**685**
Losses allocated or profits transferred regarding unconsolidated joint ventures	(25)	(38)
Net book value of non-current assets disposed	(125)	(65)
Other current expenses	(76)	(90)
Other expenses on operations	**(226)**	**(193)**

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

BREAKDOWN OF OTHER NON-CURRENT INCOME AND EXPENSES

	2018	2017
Other non-current income	-	-
Other non-current income	**-**	**-**
Other non-current expenses [(1)]	(31)	(5)
Other non-current expenses	**(31)**	**(5)**

(1) 2017/2018: Expenses mainly related to the restructuring operations of the refined products activity (SRD). In 2018, the exceptional purchasing power bonus in France is also included for an amount of 10 million euros.

NOTE 13 – COST OF NET DEBT, OTHER FINANCIAL INCOME AND EXPENSES

COST OF NET DEBT	2018	2017
Interest income from cash	14	14
Income from short-term deposits		1
Interest income	**14**	**15**
Interest expense on cash	(16)	(14)
Interest on finance leases	(1)	
Interest on financial debt	(28)	(15)
Interest expense	**(45)**	**(29)**
Cost of net debt	**(31)**	**(14)**

OTHER FINANCIAL INCOME AND EXPENSE	2018	2017
Dividends received from unconsolidated investments	1	2
Release of financial provisions	6	9
Proceeds from disposal of financial assets	1	1
Other income		2
Other financial income	**8**	**14**
Net charge on financial provisions	(3)	(4)
Net book value of financial assets disposed	(4)	(6)
Other expenses	(3)	(3)
Other financial expenses	**(10)**	**(13)**
Other financial income and expense	**(2)**	**1**

NOTE 14 – TAX

BREAKDOWN	2018	2017
Current income tax	(85)	(90)
Deferred income tax	(6)	(11)
Tax adjustments or exemptions	(2)	11
Withholding taxes on dividends	(4)	(4)
Tax expense	**(97)**	**(94)**
Tax provisions allocations/reversals	1	19
Income tax expenses	**(96)**	**(75)**

RECONCILIATION BETWEEN THEORETICAL TAX AND ACTUAL TAX EXPENSE

Differences between theoretical tax expenses, determined at the rate applicable to Colas SA, Group' parent company i.e., 34.43%, and effective income tax are as follows:

	2018	2017
Theoretical income tax	(102)	(118)
Impact of different tax rates of subsidiaries operating in other jurisdictions	33	19
Recognition of deferred tax assets not previously recognized	4	7
Unrecognized deferred tax assets (1)	(53)	(17)
Income taxes which are not linked to income	(5)	26
Effect of tax credits (French CICE and CIR)	20	24
Effect of permanent differences (2)	7	(16)
Income tax reported in income statement	**(96)**	**(75)**

(1) Not reversible in a foreseeable future.
(2) Including impact of the comprehensive liability method in 2018: France -1, United States +12.

NOTE 15 – BASIC EARNINGS AND DIVIDENDS PER SHARE FROM CONTINUING OPERATIONS

Basic earnings per share is calculated by dividing net profit (loss) attributable to the Group by the weighted average number of shares outstanding as of December 31, excluding treasury shares.

	2018	2017
Net profit (loss) (attributable to the Group) in euros	226,070,000	327,963,000
Number of issued shares	32,635,406	32,653,906
Basic earnings per share (in euros)	**6.93 €**	**10.04 €**

Diluted earnings per share is determined by dividing consolidated net profit (loss) attributable to the Group by the total number of shares outstanding as of 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)	**6.93 €**	**10.04 €**

Dividend per share (in euros)	2018	2017
Interim dividend	-	-
Dividend balance	5.55 €	8.20 €
Total net dividend	**5.55 €**	**8.20 €**

Dividend amount (in millions of euros)	2018	2017
Interim dividend	-	-
Dividend balance	181	268
Total net dividend	**181**	**268**

The dividend distributed for the year 2018 will be submitted to the approval of the Shareholders' Meeting of April 17, 2019.

NOTE 16 – SEGMENT REPORTING AND OTHER INDICATORS

16.1 – 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 the Middle East;
- **Specialized Activities** includes specialized activities for France and elsewhere around the world: Waterproofing, Railways, Safety and Signaling, Networks;
- **Parent company** includes the Head Office activities 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	58%	52%	57%
Private companies and individuals	42%	48%	43%

No client individually exceeds 10% of the revenue.

Business segment information

	Roads Mainland France	Roads Europe	Roads North America	Rest of the world	Specialized activities	Holding company	Consolidated
year 2017 (reminder)							
Works	3,872	1,356	1,969	888	1,820	20	9,925
Sales of products	432	247	556	328	217		1,780
Income from ordinary activities	**4,304**	**1,603**	**2,525**	**1,216**	**2,037**	**20**	**11,705**
Income before depreciation	255	112	202	104	70	26	769
Depreciation	(120)	(44)	(111)	(57)	(58)	(17)	(407)
Current operating profit	**135**	**68**	**91**	**47**	**12**	**9**	**362**
Other operating income and expenses						(5)	(5)
Operating profit	**135**	**68**	**91**	**47**	**12**	**4**	**357**
Cost of net debt	(1)	(1)	(4)	(3)	(7)	2	(14)
Other financial income and expenses	(1)	3			(1)		1
Income tax expenses	(26)	(10)	5	(10)	(17)	(17)	(75)
Joint ventures and associates	5	7	13	35	1		61
Consolidated net profit (loss)	**112**	**67**	**105**	**69**	**(12)**	**(11)**	**330**
year 2018							
Works	4,259	1,541	2,371	892	1,752	22	10,837
Sales of products	472	299	970	373	237	2	2,353
Income from ordinary activities	**4,731**	**1,840**	**3,341**	**1,265**	**1,989**	**24**	**13,190**
Income before depreciation	309	102	258	99	21	31	820
Depreciation	(133)	(48)	(147)	(53)	(58)	(22)	(461)
Current operating profit	**176**	**54**	**111**	**46**	**(37)**	**9**	**359**
Other operating income and expenses				(5)		(26)	(31)
Operating profit	**176**	**54**	**111**	**41**	**(37)**	**(17)**	**328**
Cost of net debt	(1)	(1)	(22)	(2)	(8)	3	(31)
Other financial income and expenses	1			(1)	(1)	(1)	(2)
Income tax expenses	(44)	(10)	(14)	(19)	(10)	1	(96)
Joint ventures and associates	4	9	3	11	1		28
Consolidated net profit (loss)	**136**	**52**	**78**	**30**	**(55)**	**(14)**	**227**

Assets and liabilities by business segments

	Roads Mainland France	Roads Europe	Roads North America	Rest of the world	Specialized activities	Holding company	Consolidated
As of December 31, 2017							
Segment assets	2,479	1,060	1,388	1,295	1,780	610	8,612
Segment liabilities	1,838	670	577	779	1,423	498	5,785
Current investments (1)	(108)	(27)	(100)	(37)	(54)	(17)	(343)
As of December 31, 2018							
Segment assets	2,678	1,136	2,323	1,384	1,804	415	9,740
Segment liabilities	2,116	732	1,218	838	1,359	658	6,921
Current investments (1)	(122)	(49)	(130)	(49)	66	(16)	(300)

(1) Net investments in tangible and intangible assets.

Revenue by geographical segments

	France	Europe Excl. France	North America	Rest of the World	Consolidated
year 2017 (reminder)					
Roads	4,703	1,622	2,525	798	9,648
Specialized activities	1,384	416	4	233	2,037
Holding company	17			3	20
Total	**6,104**	**2,038**	**2,529**	**1,034**	**11,705**
year 2018					
Roads	5,140	1,859	3,341	837	11,177
Specialized Activities	1,299	485	5	200	1,989
Parent	21			3	24
Total	**6,460**	**2,344**	**3,346**	**1,040**	**13,190**

Assets, liabilities by geographical segments

	France	Europe Excl. France	North America	Rest of the World	Consolidated
As of December 31, 2017 (reminder)					
Non-current assets	1,862	593	842	453	3,750
Current assets	2,845	755	546	716	4,862
Total assets	**4,707**	**1,348**	**1,388**	**1,169**	**8,612**
Non-current liabilities	699	212	114	45	1,070
Current liabilities	2,808	692	462	753	4,715
Total liabilities	**3,507**	**904**	**576**	**798**	**5,785**
Net assets	**1,200**	**444**	**812**	**371**	**2,827**
As of December 31, 2018					
Non-current assets	1,753	656	1,374	454	4,237
Current assets	2,541	908	949	774	5,172
Held-for-sale assets and operations	331				331
Total assets	**4,625**	**1,564**	**2,323**	**1,228**	**9,740**
Non-current liabilities	606	209	598	48	1,461
Current liabilities	2,975	790	620	750	5,135
Liabilities related to held-for-sale operations	325				325
Total liabilities	**3,906**	**999**	**1,218**	**798**	**6,921**
Net assets	**719**	**565**	**1,105**	**430**	**2,819**

16.2 – OTHER INDICATORS

	2018	2017
Cash flow after income from net surplus cash / cost of net debt) and income tax (I)	665	675
Acquisitions net of disposals of property, plant and equipment and intangible assets (II)	(288)	(355)
Free cash flow (I) + (II)	**377**	**320**
Cash from operations	**792**	**764**
EBITDA [(1)]	**775**	**736**

(1) EBITDA = Current operating profit + net depreciation and amortization expenses + net charges to provisions and impairment losses – reversal of unutilized provisions and impairment losses.

NOTE 17 – FINANCIAL INSTRUMENTS

We disclose, hereafter, the total of all notional amounts outstanding as of December 31, 2018 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	31/12/2018	31/12/2017
On financial assets	-	-	-	-	-
On financial liabilities	1	11	45	57	61

To ensure that the City of Portsmouth, Great Britain, can 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, to back the debt fixed cost onto the monthly fee received. As of December 31, 2018, the notional of that swap amounted to 45 million euros (40 million GBP).

HEDGING FOR EXCHANGE RISKS

	HUF (1)	GBP (1)	USD (1)	Others (1)	31/12/2018	31/12/2017
Forward purchases	195	0	75	36	306	478
Forward sales	0	62	4	44	110	102

(1) Equivalent in euros.

HEDGING FOR COMMODITIES RISKS

	31/12/2018	31/12/2017
Forward purchases	2	3
Forward sales	1	2

FAIR VALUE OF HEDGING FINANCIAL INSTRUMENTS

As of December 31, 2018, the net present market value of hedging financial instruments amounted to (10) 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: 1 million euros;
- transactions regarding cash flow hedge: (11) million euros;
- trading transactions: 0 million euros.

All portfolio transactions are carried out for purposes of hedging.

In the event of a +1% transfer in interest rate yield curve (or a 1% decrease), the market value of hedging financial instruments would change from (10) to (7) million euros (or to (14) million euros, respectively), including accrued interests not yet due.

In the event of a uniform 1% unfavorable change of the euro against all other currencies, the market value of hedging financial instruments would come to (11) million euros, including accrued interests not yet due.

In the event of a uniform 1% unfavorable change in the price of raw materials, the market value of hedging financial instruments would come to (10) million euros, including accrued interest not yet due.

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. (11) million euros, including accrued interest 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., 11 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 interest not yet due.

An independent service provider performed the calculations according to current market practices.

NOTE 18 – OFF-BALANCE SHEET COMMITMENTS AND FINANCE LEASES DISCLOSURES

WARRANTY COMMITMENTS

Maturity	Less than one year	From one to five years	More than five years	Total 31/12/2018	Total 31/12/2017
Commitments given					
Endorsements and warranties	16	45	2	63	57
Miscellaneous contractual commitments	6	25	93	124	124
Commitments received					
Contractual commitments	-	-	-	-	-
Assets given as securities					
Mortgages and securities	6	71	8	85	63

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

OPERATING LEASE COMMITMENTS

Maturity	Less than one year	From one to five years	More than five years	Total 31/12/2018	Total 31/12/2017
Commitments given/received	69	276	4	349	251

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 2018, 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 one year	From one to five years	More than five years	Total
Future minimum lease payments	12	28	2	42
Finance charge				
Present value of minimum lease payments	**12**	**28**	**2**	**42**
Reminder as of December 31, 2017	6	7	1	14

NOTE 19 – AVERAGE WORKFORCE, EMPLOYEE BENEFITS

AVERAGE WORKFORCE

The average number of employees in the Group amounted to 61,514 for the year 2018, against 58,273 in 2017.

DEFINED BENEFIT PLAN

	2018	2017
Amounts recognized as expense	871	823

These expenses comprise contributions to:
— social security, health insurance;
— retirement pension funds (state and supplementary);
— unemployment insurance plans.

EMPLOYEE BENEFITS, DEFINED BENEFIT PLANS

	Retirement bonuses		Pensions (1)	
	2018	2017	**2018**	2017
Current service costs	(1)	2	14	2
Interest costs	3	4		
Expected return on plan assets			(2)	
Net recognized expenses	**2**	**6**	**12**	**2**
Present value of obligations	198	228	433	467
Fair value of plan assets			(363)	(374)
Net recognized liabilities	**198**	**228**	**70**	**93**

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

CHANGES IN BALANCE SHEET ITEMS

	Retirement indemnities		Pensions	
	2018	2017	**2018**	2017
At January 1	228	217	93	105
Exchange differences		(1)	(1)	(4)
Transfers			2	1
Acquisitions of subsidiaries	(13)			
Actuarial gains/losses in equity	(19)	6	(36)	(11)
Net expenses	2	6	12	2
As of December 31	**198**	**228**	**70**	**93**

MAIN ACTUARIAL ASSUMPTIONS FOR DETERMINING RETIREMENT BONUSES 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).

	2018	2017
Discount rates IBoxx €Corporate A10 (1)	2.1042%	1.5035%
Life span (women)	Insee 2012-2014 Women	Insee 2006-2008
Life span (men)	Insee 2012-2014 Men	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 salary increase	2.00%	2.00%

(1) A drop of 0.7% of the discount rate would lead to an increase in commitments of €20M. According to Group accounting policies, such an actuarial gain/loss would be recognized as "Other income and expenses".

EQUITY COMPENSATION BENEFITS

In 2018, options giving subscription rights for new Bouygues shares have been granted by Bouygues to certain Colas and Group subsidiary employees. The amount of these benefits is not significant.

NOTE 20 – RELATED-PARTY DISCLOSURES

RELATED PARTIES' IDENTITY

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 Mecsek and some non-significant associates.

Other related parties: Colas Foundation, and other non-consolidated companies.

DETAIL OF RELATED-PARTY DISCLOSURES

	Expenses		Income		Receivables		Payables	
	2018	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**
Parties with ownership interest	65	66	65	102	70	271	441	33
Joint-ventures and joint activities	62	62	99	138	46	52	43	38
Associates	6	1	19	15	4	3	11	9
Other related parties	29	44	65	58	22	27	3	18
Total	**162**	**173**	**248**	**313**	**142**	**353**	**498**	**98**
Maturity under one year							496	96
Maturity between 1 and 5 years							2	2
Maturity above 5 years							-	-

COMPENSATION OF SENIOR EXECUTIVES OF THE GROUP

The Group's main senior executives were the current members of the Management Committee as of December 31.

In 2018, as in 2017, it had six members: the Chairman and Chief Executive Officer and five salaried senior executives.

DIRECT COMPENSATION

The amount of direct compensation paid to the Management Committee in 2018, amounted to 6.7 million euros (6.0 million euros in 2017).

POST-EMPLOYMENT BENEFITS

Chairman & Chief Executive Officer: a supplementary pension plan amounting to 0.92% of reference salary for each year of service capped at eight times the annual limit under the French Social Security system. This supplementary pension plan has been externalized to an insurance company.

Other senior executives: employer's contribution to a defined contribution pension plan (4% of the employee's total wages).

EQUITY COMPENSATION BENEFITS

The amount of the benefits related to the 2018 allocation of Bouygues shares to senior executives is not material.

DIRECTORS' FEES

The gross amount of Directors' fees paid to Directors in 2018 came to 195,600 euros.

NOTE 21 – ADDITIONAL INFORMATION ON THE CASH FLOW STATEMENT

NET CASH FLOW RESULTING FROM ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES

	31/12/2018	31/12/2017
Non-current assets	(707)	(137)
Current assets	(648)	(56)
Non-current liabilities	67	1
Current liabilities	481	35
Cash	6	23
Net acquisition or divestment cost	**(801)**	**(134)**
Cash of acquired and divested companies	78	(10)
Net liabilities related to investments	3	65
Net cash from acquisitions and disposals of subsidiaries	**(720)**	**(79)**

CHANGES IN WORKING CAPITAL RELATED TO OPERATING ACTIVITIES

	31/12/2018	31/12/2017
Assets		
Stocks	(109)	(11)
Advances and prepayments on orders		
Customers and related accounts/customer contract assets	(214)	(329)
Other current receivables and current financial assets	(19)	(27)
Subtotal Assets (1)	**(342)**	**(367)**
Liabilities		
Advances and down payments received on orders	68	150
Accounts payable/customer contract liabilities	76	126
Current provisions	(6)	(36)
Other current debts and current financial liabilities	(91)	(78)
Subtotal Liabilities (2)	**47**	**162**
Changes in working capital related to operating activities	**(295)**	**(205)**

(1) (Increase) Decrease.
(2) Increase (Decrease).

NOTE 22 – STATUTORY AUDITORS' FEES

We disclose hereunder the fees charged by the Statutory Auditors and members of their network who carry out the statutory audit of the Colas Group's consolidated financial statements (fully consolidated companies).

	Mazars		KPMG	
	2018	2017	2018	2017
Statutory audit: certification of the parent company and consolidated financial statements				
– Colas SA	0.3	0.3	0.3	0.2
– Subsidiaries	3.7	2.5	3.4	4.0
– Secondary assignments				
Subtotal	**4.0**	**2.8**	**3.7**	**4.2**
Other services: legal, tax, social		0.1	1.8	0.1
Total	**4.0**	**2.9**	**5.5**	**4.6**

Other services: legal, tax, social comprised in 2018: work carried out relating to the acquisition of the Miller McAsphalt Group and the sale of Smac.

NOTE 23 – LIST OF MAIN CONSOLIDATED COMPANIES

The following companies are fully consolidated except in case of specific disclosure (EM: Equity method).

Companies	Registered office	Ownership interest	
		2018	2017
France			
Mainland France			
Colas Centre-Ouest	Nantes – France	100.0	100.0
Colas Ile-de-France-Normandie	Magny-les-Hameaux – France	100.0	100.0
Colas Nord-Est	Nancy – France	100.0	100.0
Colas Rhône-Alpes-Auvergne	Lyon – France	100.0	100.0
Colas Midi-Méditerranée	Aix-en-Provence – France	100.0	100.0
Colas Sud-Ouest	Mérignac – France	100.0	100.0
Aximum	Magny-les-Hameaux – France	100.0	100.0
Spac	Nanterre – France	100.0	100.0
Smac	Issy les Moulineaux – France	100.0	100.0
Colas Rail	Maisons-Laffitte – France	100.0	100.0
Société de la Raffinerie de Dunkerque	Dunkirk – France	100.0	100.0
SPEIG	Vélizy-Villacoublay – France	100.0	100.0
French overseas departments			
GTOI	Le Port – Reunion Island	100.0	100.0
SCPR	Le Port – Reunion Island	100.0	100.0
Colas Mayotte	Mamoudzou – Mayotte	100.0	100.0
Colas Martinique	Le Lamentin – Martinique	100.0	100.0
Sogetra	Les Abymes – Guadeloupe	100.0	100.0
Ribal Travaux Publics	Cayenne – French Guiana	100.0	100.0
French overseas territories			
Société Colas de Nouvelle-Calédonie	Noumea – New Caledonia	100.0	100.0
Europe (excluding France)			
Colas Belgium	Brussels – Belgium	100.0	100.0
Colas Danmark A/S	Glostrup – Denmark	100.0	100.0
Colas Ltd	Rowfant Crawley – Great Britain	100.0	100.0
Colas Hungaria	Budapest – Hungaria	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			
Colas Canada Inc.	Toronto – Ontario – 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	50.0	50.0
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			
Tipco Asphalt (EM)	Bangkok – Thailand	31.2	31.4
Hincol (EM)	Mumbai – India	30.0	30.0
Colas Australia Group	Sydney – Australia	100.0	100.0

A comprehensive list of consolidated entities is available from Olivier Grevoz.
E-mail: olivier.grevoz@colas.com

NOTE 24 – MAIN EXCHANGE RATES USED FOR TRANSLATION

Convention: 1 euro = x local monetary units

Count	Currency	Rate 31/12/2018	Average rate in 2018	Rate 31/12/2017	Average rate in 2017
Europe					
Croatia	Croatian kuna	7.4125	7.418	7.44	7.4636
Denmark	Danish kroner	7.4673	7.4532	7.4449	7.4386
Great Britain	British pound	0.8945	0.8847	0.8872	0.8765
Hungary	Hungarian forint	320.98	318.9185	310.33	309.1932
Poland	Zloty	4.3014	4.262	4.177	4.2576
Czech Republic	Czech Koruna	25.724	25.6491	25.535	26.3334
Switzerland	Swiss franc	1.1269	1.155	1.1702	1.1113
North America					
United States	US dollar	1.145	1.1806	1.1993	1.1291
Canada	Canadian dollar	1.5605	1.5292	1.5039	1.464
Other					
Australia	Australian dollar	1.622	1.5796	1.5346	1.4724
Morocco	Moroccan dirham	10.9573	11.0831	11.2218	10.9598
Thailand	Thai baht	37.052	38.1624	39.121	38.2868

NOTE 25 – IMPACTS OF FIRST-TIME APPLICATION OF IFRS 15: "REVENUE FROM CONTRACTS WITH CUSTOMERS" AND IFRS 9 "FINANCIAL INSTRUMENTS"

IFRS 15 was applied with effect from January 1, 2018, with retrospective application and presentation of a comparative period. The first-time application of IFRS 15 had no impact on the Group's shareholders' equity. The method used to recognize revenue over time is consistent with IFRS 15.

IFRS 9 requirements on classification, measurement and impairment principles of hedging financial instruments are applied with retrospective effect from January 1, 2018, with no restatement of prior period comparatives on first-time application. The Group is also applying hedge accounting principles of IFRS 9 with effect from January 1, 2018, using a prospective approach in accordance with the standard.

The first-time application of IFRS 9 has the effect of reducing shareholders' equity as of December 31, 2017 by 22 million euros, net of deferred taxes, due to the adoption of the expected loss method to account for impairment of trade receivables.

NOTE 26 – IMPACTS OF FIRST-TIME APPLICATION OF IFRS 16, "LEASES" AND IFRIC 23, "UNCERTAINTY OVER INCOME TAX TREATMENTS"

This note presents the effects of first-time application of IFRS 16 and IFRIC 23 on the consolidated financial statements of the group and key performance indicators.

IFRS 16

IFRS 16 will be applied with effect from January 1, 2019, with retrospective application and presentation of a comparative fiscal year. For lessees, IFRS 16 will end the distinction previously made between "operating leases" and "finance leases". Lessees will be required to account for all leases with a term of more than one year in a manner similar to that currently specified for finance leases under IAS 17, with the recognition of an asset and a liability for the rights and the obligations, arising under the lease.

The Group has elected to use the practical expedients permitted by the standard, and to exclude leases where the as-new value of the underlying asset is less than 5,000 euros and leases with a reasonably certain lease term of less than twelve months. Such leases are recognized in profit and loss as and when payments are made. The Group has also elected to account for each lease component separately, distinguishing the lease components from the non-lease (service) components.

The Group has elected not to apply the option permitted by IFRS 16 of applying the standard to leases of intangible assets.

The impacts on the balance sheets as of December 31, 2018 are presented below, and relate mainly to the recognition of a right-of-use asset and a lease obligation, primarily in respect of property leases, and equipment. The lease term used is the non-cancellable period of the lease, plus any extension options that the Group is reasonably certain to exercise. In the case of property leases in France, the lease term is generally nine years. If there are no significant initial direct costs, the right-of-use corresponds to the present value of the future lease payments. Right-of-use assets are amortized, and an impairment loss is recognized where there is evidence of potential impairment.

The amounts of finance lease assets and liabilities currently classified as property, plant and equipment and as debt have been reclassified respectively as right-of-use assets and as lease obligations. Deferred taxes have been recognized on the difference between right-of-use assets and lease obligations falling within the scope of IFRS 16, as was previously the case for finance leases.

Overall, IFRS 16 has the effect of reducing consolidated shareholders' equity as of December 31, 2018 by 22 million euros, net of deferred taxes. As of December 31, 2017, the effect would be a decrease of 23 million euros, net of deferred taxes.

The first-time application of IFRS 16 does not alter the conclusions of the goodwill impairment tests conducted as of December 31, 2017 (restated) and December 31, 2018.

IFRIC 23

The Group will apply IFRIC 23 retrospectively with effect from January 1, 2019, with no restatement of prior period comparatives on first-time application. First-time application will have no impact on consolidated shareholders' equity, and will result in the reclassification as tax liabilities of provisions for risks relating to corporate income taxes. An initial estimate of the impact of IFRIC 23 on the balance sheet as of December 31, 2018 is presented below.

All the restated financial statements presented below are provisional pending final quantification in the Group's information systems; they have not been subject to any audit or review by the Statutory Auditors.

CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2018, RESTATED FOR IFRS 16 AND IFRIC 23 INTERPRETATION

Consolidated balance sheet	31/12/2018 Published	Impacts of IFRS 16	Impacts of IFRIC 23	31/12/2018 Restated
in millions of euros				
Property, plant and equipment	2,619	(50)		2,569
Right of use of leased assets		370		370
Intangible assets	213			213
Goodwill	674			674
Joint ventures and associates	394			394
Other non-current financial assets	192			192
Deferred taxes and non-current tax receivable	145	5		150
Non-current assets	**4,237**	**325**		**4,562**
Inventories	672			672
Trade receivables	2,436			2,436
Customer contract assets	658			658
Tax asset/(receivable)	42			42
Other current receivables and prepaid expenses	790			790
Cash and cash equivalents	563			563
Financial instruments	11			11
Current assets	**5,172**			**5,172**
Held-for-sale assets and operations	331	8		339
Total assets	**9,740**	**333**		**10,073**
Share capital and share premium	384			384
Retained earnings	2,172	(23)		2,149
Treasury shares	(3)			(3)
Translation reserve	11			11
Consolidated net income /(loss)	226	1		227
Equity attributable to the Group	**2,790**	**(22)**		**2,768**
Non-controlling interests	29			29
Equity	**2,819**	**(22)**		**2,797**
Non-current debt	533	(30)		503
Non-current lease obligations		317		317
Non-current provisions	804		(12)	792
Deferred tax liabilities and non-current tax liabilities	124	(2)		122
Non-current liabilities	**1,461**	**285**	**(12)**	**1,734**
Advances and down-payments received on orders				
Current debt	58	(12)		46
Current lease obligations		74		74
Current taxes payable	52		12	64
Trade payables	2,115			2,115
Customer contract liabilities	846			846
Current provisions	271			271
Other current liabilities	1,293			1,293
Overdrafts and short-term bank borrowings	488			488
Financial instruments	12			12
Current liabilities	**5,135**	**62**	**12**	**5,209**
Liabilities related to held-for-sale operations	325	8		333
Total liabilities and shareholders' equity	**9,740**	**333**		**10,073**
Net debt (-) Net surplus cash (+)	**(517)**	**(349)**		**(866)**
IFRS 16		391		391
Adjusted net debt (-)/net surplus cash (+)	**(517)**	**42**		**(475)**

Consolidated income statement	2018 Published	Impacts of IFRS 16	2018 Restated
in millions of euros			
Revenue	**13,190**		**13,190**
Purchases used in production	(6,260)		(6,260)
Personnel costs	(3,525)		(3,525)
External charges	(2,849)	77	(2,772)
Taxes other than income tax	(167)		(167)
Net depreciation and amortization expense	(461)		(461)
Net amortization expense on right of use of leased assets		(68)	(68)
Charges to provisions and impairment losses, net of reversals due to utilization	(100)		(100)
Changes in production inventories	17		17
Other income from operations	740	5	745
Other expenses on operations	(226)		(226)
Current operating profit	**359**	**14**	**373**
Other operating income			
Other operating expenses	(31)		(31)
Operating profit	**328**	**14**	**342**
Financial income	14		14
Financial expenses	(45)		(45)
Interest expense on lease obligations		(13)	(13)
Cost of net debt	**(31)**	**(13)**	**(44)**
Other financial income	8		8
Other financial expenses	(10)		(10)
Income tax	(96)		(96)
Share of net profits/losses of joint ventures and associates	28		28
Net profit/(loss)	**227**	**1**	**228**
Net profit/(loss) attributable to non-controlling interests	1		1
Net profit/(loss) attributable to the Group	**226**	**1**	**227**

Consolidated cash flow statement	2018 Published	Impacts of IFRS 16	2018 Restated
Millions of euros			
Consolidated net profit / (loss)	227	1	228
Adjustments:			
– Share of profits/losses reverting to joint ventures and associates	(28)		(28)
– Dividends received from associates	36		36
– Dividends received from non-consolidated companies	(1)		(1)
– Net charges to / (reversals of) depreciation, amortization, and non-current impairment and provisions	483		483
– Net charges to amortization and impairment expense and other adjustments to right of use of leased assets		68	68
– Gains and losses on asset disposal	(52)		(52)
– Miscellaneous non-cash charges			
Cash flow after income from net surplus cash / cost of net debt) and income tax	**665**	**69**	**734**
Reclassification of (income from net surplus cash) / cost of net debt	31	13	44
Elimination of income tax	96		96
Cash from operations	**792**	**82**	**874**
Income tax paid	(132)		(132)
Changes in working capital related to operating activities	(295)		(295)
Net cash flows from operating activities (a)	**365**	**82**	**447**
Purchase price of property, plant and equipment and intangible assets	(462)		(462)
Proceeds from disposals of property, plant and equipment and intangible assets	174		174
Net liabilities related to property, plant and equipment and intangible assets	(12)		(12)
Subtotal	**(300)**		**(300)**
Acquisitions and disposals of subsidiaries:			
– Purchase price of investments in subsidiaries	(807)		(807)
– Proceeds from disposals of investments in subsidiaries	6		6
– Net receivables / liabilities related to purchased and disposed subsidiaries	3		3
– Other effects of changes in scope of consolidation: cash of acquired and divested companies	78		78
Subtotal	**(720)**		**(720)**
Other cash flows related to investing activities:			
– Dividends received from unconsolidated companies	1		1
– Changes of other non-current financial assets	41		41
Subtotal	**42**		**42**
Cash allocated to investing activities (b)	**(978)**		**(978)**
Capital increases/(reductions) paid by shareholders & non-controlling interests and other transactions between shareholders	(3)		(3)
Dividends paid to shareholders of the parent company	(268)		(268)
Dividends paid to non-controlling interests	(2)		(2)
Change in current and non-current debt	391		391
Change in current and non-current lease obligations		(69)	(69)
Income from net surplus cash / cost of net debt	(31)	(13)	(44)
Other cash flows related to financing activities			
Cash flows from financing activities (c)	**87**	**(82)**	**5**
Effect of foreign exchange fluctuations (d)			
Net change in cash and cash equivalents (a+b+c+d)	**(526)**		**(526)**
Net cash at the beginning of the year	600		600
Smac Group: cash disclosed in held-for-sale activities and operations in balance sheet	1		1
Net cash and cash equivalents at the end of the year	**75**		**75**

STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

This is a free translation into English of the Statutory Auditors' report issued in French and is provided solely for the convenience of English-speaking readers. This report should be read in conjunction with, and construed in accordance with, French law and professional standards applicable in France.

Statutory Auditors' report

on the consolidated financial statements

FISCAL YEAR ENDED DECEMBER 31, 2018

To the Shareholders of Colas SA,

1. OPINION

In accordance with the assignment entrusted to us by your Shareholders' Meeting, we conducted our audit of the accompanying consolidated financial statements of the Colas Group for the fiscal year ended on December 31, 2018.

In our opinion, the consolidated financial statements for the fiscal year give a true and fair view of the results of operations for the year ended and 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.

The opinion stated above is consistent with the content of our report to the Audit Committee.

2. BASIS FOR OUR OPINION

Audit framework

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

The responsibilities incumbent upon us pursuant to these standards are stated in the "Statutory Auditors' responsibilities for the audit of the consolidated financial statements" section of this report.

Independence

We conducted our audit in accordance with the rules on independence applicable to us during the period from January 1, 2018 through to the date on which we issued our report, and we did not provide any services prohibited in Article 5, Paragraph 1 of Regulation (EU) No. 537/2014 or by the French Code of Ethics for Statutory Auditors.

Remarks

Without calling into question the conclusion express above, we draw your attention to Note 25 to the consolidated financial statements setting out the impact of the first-time application of IFRS 9 and IFRS 15.

3. JUSTIFICATION OF OUR ASSESSMENTS – KEY AUDIT MATTERS

As required by Articles L. 823-9 and R. 823-7 of the French Commercial Code relating to the justification of audit assessments, we bring to your attention the key audit matters concerning the risks of material misstatements that, in our professional judgment, were the most significant for the audit of the consolidated financial statements for the fiscal year, and our responses to these risks.

These assessments were made as part of our audit of the consolidated financial statements taken as a whole, and contributed to the opinion we stated above. We do not express an opinion on individual items in these consolidated financial statements taken in isolation.

Construction contracts

(Notes 2.14 and 11 to the consolidated financial statements)

Risks identified

In view of the Colas Group's transport infrastructure construction and maintenance activities, 79% of revenue in fiscal year 2018, or a total of 10,434 million euros, derives from construction contracts recognized on a percentage of completion basis.

The recognition of income and results on completion under construction contracts depends chiefly on judgments and estimates made by management concerning the end-of-contract budgets and the percentage of completion of works.

Accordingly, we considered the recognition of the Group's construction contracts as a key audit matter given the impact on the Group's consolidated financial statements of these contracts and the degree of estimation required by management to determine results to completion.

Audit procedures implemented in light of identified risks

We selected the projects that we regarded as the most significant based on the following criteria:

- contribution to revenue and net profit for the fiscal year;
- related operational risks (complexity of the project, structure of the operation);
- qualitative aspects, such as the nature of the client, financing and the geographical location of the project.

With regard to the sample of projects selected, our work consisted of:

- cross-checking the project's income on completion against contractual figures (initial contract, supplemental agreements, additional work notified, etc.);
- assessing the consistency of the margin applied based on an evaluation of the costs on completion, the recognition of impacts arising from the performance of works, the level of risk coverage and level of contingencies in the budget;

— assessing compliance with the Group rules concerning the recognition of construction contracts, including how claims, unearned income and provisions for losses on completion are accounted for, to comply with the IFRS framework as adopted by the European Union.

4. NON-CURRENT PROVISIONS FOR LITIGATION AND DISPUTES

(Notes 2.12 and 6.1 to the consolidated financial statements)

Risks identified

The 186 million euros in provisions for litigation and disputes shown under non-recurring provisions on the consolidated balance sheet are presented in Note 6.1 to the consolidated financial statements.

As disclosed in Note 2.12, the amount recognized as non-current provisions represents the Group's best estimate of the net outflow of resources.

These notes describe the nature of the provisions set aside to cover litigation, disputes and claims related to works.

We took the view that this is a key audit matter insofar as the amount of non-current provisions is sensitive to the estimates and assumptions adopted by the Group and thus may have a material impact on the financial statements.

5. AUDIT PROCEDURES IMPLEMENTED IN LIGHT OF IDENTIFIED RISKS

Our work consisted principally of:

— obtaining information on the process for cataloging litigation requiring non-current provisions;
— reviewing for a selection of the complex and material risks the rationale for and assumptions underpinning their measurement at the balance sheet date in respect of the amounts set aside, which may include:
  – conducting a review of the documentation relating to the dispute and correspondence with third parties, as well as cross-checking them against management's estimates,
  – holding discussions with the relevant managers,
  – where appropriate, conducting a review of correspondence with lawyers and written consultations from non-Group advisors;
— asking the lawyers questions directly to confirm our understanding of the material litigation in progress and the level of claims with a view to assessing the adequacy of the provisions recognized;
— checking the information disclosed in the notes to the consolidated financial statements and in the Management Report on the estimation of the non-current provisions and the main litigation and disputes involving the Group.

6. ACCOUNTING FOR ACQUISITIONS

(Notes 2.4 and 2.5 to the consolidated financial statements)

Risks identified

As part of the development of its international activities, the Colas Group made two major acquisitions in 2018: the acquisitions of the majority of the entities of the Miller McAsphalt group in Canada and the Transportation operations of the Alpiq Engineering Services group and its subsidiary Kraftanlagen in Europe.

On the basis of the terms of the acquisitions, the Group has determined the applicable consolidation methods for each acquisition as described in Note 2.4 "Consolidation methods", as well as the accounting and valuation principles used in the opening balance sheet for the companies acquired in Note 2.5 "Business combinations". At the time of the acquisitions, the Group applied the recognition principles of IFRS 3 Business Combinations. In particular, allocation of the acquisition price of the companies acquired results in the identification and determination of the fair value as of the acquisition date of the assets acquired (primarily land, quarries, trademarks and customer relationships for the corresponding new assets recognized).

The Group also values liabilities and contingent liabilities assumed as a result of these acquisitions, the means of recognition and valuation of which are described in Note 2.5 "Business combinations" to the consolidated financial statements.

Determining control of the companies acquired, identifying and determining the fair value of the assets acquired and liabilities assumed and determining the fair value of an earn-out payment (if applicable) may require significant judgments by management on the acquisition date and in subsequent fiscal years. We also considered that the recognition of these two acquisitions represented a key audit matter.

7. AUDIT PROCEDURES IMPLEMENTED IN LIGHT OF IDENTIFIED RISKS

Our work consisted primarily, depending on the acquisitions concerned, of:

— analyzing the legal information relating to these acquisitions and checking that the main contractual clauses are taken into account (terms for setting the price of the acquisition, earn-out clauses) in determining the accounting treatment of the acquisitions;
— assessing the control exercised by the Group with regard to the companies acquired;
— analyzing the application of the acquisition method in accordance with IFRS 3 and the means of implementation of this method (in particular the determination of the acquisition price, identification of assets acquired and liabilities assumed, and valuation of goodwill resulting from the acquisition);

- assessing the reasonableness and consistency of all of the fair values applied for the assets acquired and liabilities assumed;
- checking that Note 1.2 "Key events for fiscal year 2018" to the consolidated financial statements provides appropriate information.

Specific verification

As required by law we also verified, in accordance with professional standards applicable in France, the information relating to the Group presented in the Board of Directors' Management Report.

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

We certify that the non-financial performance declaration required by Article L. 225-102-1 of the French Commercial Code is included in the Management Report, it being specified that in accordance with the provisions of Article L. 823-10 of this Code, the information contained in this declaration has not been verified by us as to its sincerity or consistency with the annual financial statements and are subject to a report by an independent verifier.

8. INFORMATION ARISING FROM OTHER LEGAL AND REGULATORY REQUIREMENTS

Appointment of the Statutory Auditors

KPMG was appointed as Statutory Auditor of Colas at the Combined Shareholders' Meeting of April 1989 and Mazars at the Ordinary Shareholders' Meeting of April 25, 2001.

As of December 31, 2018, KPMG was in the 30th successive year of its assignment given the series of mergers and acquisitions it went through, and Mazars was in the 18th year, i.e., respectively 30 and 18 years since the Company's shares were admitted to trading on a regulated market.

9. RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE CONCERNING THE CONSOLIDATED FINANCIAL STATEMENTS

Management is responsible for preparing fairly presented consolidated financial statements in accordance with the IFRS framework as adopted in the European Union and for implementing the internal control it deems necessary to prepare consolidated financial statements free from material misstatement, whether as a result of fraud or errors.

When preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the intention is to liquidate the Company or to cease operations.

The Audit Committee is responsible for overseeing the process of preparing financial reporting and monitoring the effectiveness of internal control and risk management systems, as well as, where applicable, the internal audit, with regard to the procedures for the preparation and processing of accounting and financial information.

The consolidated financial statements have been approved by the Board of Directors.

10. STATUTORY AUDITORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

Audit objective and approach

Our role is to prepare a report on the consolidated financial statements. Our objective is to obtain reasonable assurance as to whether the consolidated financial statements taken as a whole are free from material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or on aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As stated in Article L.823-10-1 of the French Commercial Code, our statutory audit does not consist in guaranteeing the viability or quality of the management of your Company.

In an audit performed in accordance with professional standards applicable in France, the Statutory Auditors exercise their professional judgment throughout the audit. Moreover:

- they identify and assess the risks of material misstatement of the annual financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for their opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- they obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control;

— they evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made in the annual financial statements;
— they evaluate the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern. If it concludes that a material uncertainty exists, it draws attention in its report to the related disclosures in the annual financial statements in respect of this uncertainty or, if such disclosures are not provided or are not relevant, it expresses a qualified or adverse opinion;
— they evaluate the overall presentation of the annual financial statements and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Report to the Audit Committee

We have submitted a report to the Audit Committee presenting the scope of the audit work and the audit program implemented, together with the conclusions of our work. We also bring to its attention, where appropriate, any material weaknesses in internal control that we identified relating to the procedures for the preparation and processing of accounting and financial information.

The items contained in the report to the Audit Committee include the risks of material misstatement that we consider to be the most significant for the audit of the consolidated financial statements for the fiscal year and thereby forming the key audit matters, which we are responsible for presenting in this report.

We also provide the Audit Committee with the declaration of independence provided for in Article 6 of Regulation (EU) No. 537-2014, as defined in the rules applicable in France, as specified in Articles L.822-10 to L.822-14 of the French Commercial Code and in the French Code of Ethics for Statutory Auditors. Where appropriate, we discuss with the Audit Committee risks to our independence and the measures applied to safeguard it.

The Statutory Auditors

Paris La Défense, February 21, 2019

KPMG Audit IS		MAZARS	
Xavier Fournet	Stéphanie Millet	Daniel Escudeiro	Gilles Rainaut

COLAS FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2018

BALANCE SHEET AS OF DECEMBER 31

In millions of euros	*Notes*	2018	2017
Intangible assets		17.2	17.7
Property, plant and equipment		173.1	164.1
Holdings in subsidiaries and affiliates		1,777.8	1,318.2
Loans and advances to subsidiaries and affiliates		219.2	215.3
Other non-current financial assets		3.2	3.1
Non-current assets	*3*	**2,190.5**	**1,718.4**
Inventories		1.8	1.0
Trade receivables		53.4	64.5
Group and associates		299.8	354.5
Other current receivables and prepayments		55.9	48.7
Cash and cash equivalents		6.2	209.6
Current assets	*4*	**417.1**	**678.3**
Total assets		**2,607.6**	**2,396.7**
Share capital		49.0	49.0
Share premium and reserves		1 039.5	1,144.0
Net profit /(loss)		386.1	163.2
Tax-driven provisions		11.0	10.7
Equity	*5*	**1,485.6**	**1,366.9**
Provisions for contingencies and losses	*6*	58.3	57.0
Financial debt		-	-
Advance payments		-	-
Trade payables		50.1	52.3
Group and associates		518.1	812.5
Other non-financial debt, accruals and deferred income	*7*	69.3	84.5
Bank overdrafts and short-term loans		426.2	23.5
Liabilities	*8*	**1,063.7**	**972.8**
Total liabilities and shareholders' equity		**2,607.6**	**2,396.7**

INCOME STATEMENT

In millions of euros	Notes	2018	2017
Revenue	9	277.2	275.5
Raw materials and consumables used		(74.3)	(67.0)
External charges		(110.4)	(111.7)
Personnel costs		(77.8)	(70.2)
Taxes other than income tax		(10.3)	(8.5)
Depreciation, amortization and depletion		(11.1)	(11.4)
Net provision allocations		(4.4)	(4.3)
Other operating income		54.7	54.5
Other operating expenses		(2.3)	(1.9)
Share of profits from joint ventures		0.9	(0.3)
Operating profit		**42.2**	**54.7**
Financial income		384.1	166.8
Financial expense		(39.8)	(47.3)
Interest income (expense)	10	**344.3**	**119.5**
Profit from operations		386.5	174.2
Exceptional income		17.5	62.6
Exceptional expense		(12.3)	(53.3)
Exceptional income/(expense)	11	**5.2**	**9.3**
Employee profit-sharing plan		(1.8)	(0.7)
Income taxes	12	(3.8)	(19.6)
Net profit/(loss) for the year		**386.1**	**163.2**

NOTES TO THE FINANCIAL STATEMENTS OF COLAS

Notes

In millions of euros unless otherwise indicated.

NOTE 1 – INFORMATION ABOUT THE COMPANY

INFORMATION ABOUT THE COMPANY AND SIGNIFICANT EVENTS OF THE YEAR

Colas is a French société anonyme incorporated in France.

The financial statements of Colas for the year ended December 31, 2018 were approved by the Board of Directors and authorized for issue on February 19, 2019.

INFORMATION ON THE USE OF THE FRENCH COMPETITIVENESS & EMPLOYMENT TAX CREDIT (CICE)

During the fiscal year 2018, Colas recorded a Competitiveness & Employment Tax credit of 160,000 euros as a reduction in social security contributions.

The following efforts were made during the year:

— the Company had tangible and intangible assets in the amount of 11.7 million euros;

— the company made efforts to provide training beyond the minimum legal requirements;

— in addition, 57 people were recruited during the year for a total annual salary cost of 4.9 million euros.

SIGNIFICANT EVENTS AS OF DECEMBER 31, 2018

Sacer Atlantic, Sacer Paris-Nord-Est, Sacer Sud-Est, Screg Est, Screg Nord-Picardie, Screg Ile-de-France-Normandie, Screg Ouest, Screg Sud-Ouest, Screg Sud-Est and Colas SA merged on December 1, 2018.

These mergers were carried out retroactively to January 1, 2018.

They generated a merger bonus of 135 million euros.

This merger bonus was recorded:

— in the financial result of the Absorbing Company proportionally to the share of results accumulated by the companies absorbed since the acquisition, and not distributed, i.e., 134.9 million euros;

— and in shareholders' equity for the residual amount of 0.1 million euros, under the item “merger bonus”.

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.

FINANCIAL HEDGING INSTRUMENTS

In order to limit the impact of changes in foreign exchange and interest rate changes on the income statement, the Company uses financial hedging instruments.

These instruments share the following characteristics:

— they are limited to the following products: forward currency purchases and sales, currency swaps, cross currency swaps, foreign exchange options purchases as currency hedging, interest rate swaps, future rate agreements, purchases of caps and tunnels in the context of interest rate hedging;

— they are used only for purposes of hedging or pre-hedging;

— they are concluded only with leading French and foreign banks;

— they present no risk of illiquidity in the event of a possible reversal.

The company applies the ANC regulation 2015-05 regulating to financial futures and hedging transactions.

This application had no impact on the presentation of the financial statements of the company of the end of December 2018.

The following is the sum of notional amounts outstanding as of December 31, 2018, for each type of product used with currency allocation for foreign exchange transactions:

HEDGING FOR COMMODITIES RISKS

	31/12/2018
Forward purchases	2
Forward sales	1

HEDGING FOR EXCHANGE RISKS

	HUF (1)	CAD (1)	CZK (1)	Other (1)	31/12/2018
Forward purchases	195	-	10	1	206
Forward sales	-	24	-	6	30

(1) Equivalent in euros.

The net value of the of Colas SA's financial instruments is 1.3 million euros.
Unrealized gains and losses are not significant at the balance sheet date.

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

The company applies ANC 2015-06 for the treatment of merger melt-offs.

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 bonuses

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:

	2018	2017
Discount rate (IBoxx € corporate)	2.1042%	1.5035%
Life tables Women	Insee 2012-2014 Women	Insee 2006-2008
Life tables Men	Insee 2012-2014 Men	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;

— Registered office: 32 Avenue Hoche-75008 Paris, France.

NOTE 3 – NON-CURRENT ASSETS

Changes during the year	January 1, 2018	Acquisitions and increases	Disposals and reductions	Charges and reversals	December 31, 2018
Intangible assets					
Gross	30.3	0.1			30.4
Amortization and impairment	(12.6)			(0.6)	(13.2)
Net	**17.7**	**0.1**		**(0.6)**	**17.2**
Tangible assets					
Gross	290.6	26.9	(10.7)		306.8
Depreciation and impairment	(126.5)	(4.7)		(2.5)	(133.7)
Net	**164.1**	**22.2**	**(10.7)**	**(2.5)**	**173.1**
Holdings in subsidiaries and affiliates					
Gross	1,507.2	635.6	(157.3)		1,985.5
Impairment	(189.0)			(18.7)	(207.7)
Net	**1,318.2**	**635.6**	**(157.3)**	**(18.7)**	**1,777.8**
Loans/advances to subsidiaries and affiliates					
Gross	224.2	215.2	(212.4)		227.0
Impairment	(8.9)			1.1	(7.8)
Net	**215.3**	**215.2**	**(212.4)**	**1.1**	**219.2**
Other non-current financial assets					
Gross	3.1	0.1			3.2
Impairment					
Net	**3.1**	**0.1**			**3.2**
Total non-current assets	**1,718.4**	**873.2**	**(380.4)**	**(20.7)**	**2,190.5**

NOTE 4 – CURRENT ASSETS

	Gross	Impairment	2018 net	2017 net
Inventories	**1.8**		**1.8**	**1.0**
Trade receivables	**54.8**	**(1.4)**	**53.4**	**64.5**
Group and associates	**338.2**	**(38.4)**	**299.8**	**354.5**
Advances and down payments received on orders	0.1		0.1	0.1
Other current receivables	27.7		27.7	19.7
Prepaid expenses	1.0		1.0	0.6
Accrued income	1.9		1.9	1 .2
Deferred taxes receivable	25.2		25.2	27.1
Other current receivables and regularization accounts	**55.9**		**55.9**	**48.7**
Marketable securities	3.6		3.6	2.9
Bouygues Relais cash management company	-		-	203.0
Cash and cash equivalents	2.6		2.6	3.7
Marketable securities. cash and cash equivalents	**6.2**		**6.2**	**209.6**
Total current assets	**456.9**	**(39.8)**	**417.1**	**678.3**

NOTE 5 - EQUITY

COMPOSITION OF THE SHARE CAPITAL

Colas had share capital of 48,981,748.50 euros as of December 31, 2018.

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, 2018

The Colas company holds 19,093 shares for an amount of 2,961,415.69 euros.

MOVEMENTS DURING THE FISCAL YEAR

(Amounts in Euros)	Number of shares	Share capital
At January 1, 2018	32,654,499	48,981,748.50
Changes in 2018	-	-
At December 31, 2018	**32,654,499**	**48,981,748.50**

MAIN SHAREHOLDERS

	Number of shares	Share capital
Bouygues SA	31,543,222	96.60%
Other shareholders	1,111,277	3.40%

CHANGE IN EQUITY

	January 1, 2018	Appropriation by AGM [1]	Capital increase	Other changes	December 31, 2018
Share capital	49.0				49.0
Share premium account	405.9			0.1	406.0
Revaluation reserve	2.5			(0.1)	2.4
Legal reserve	4.8				4.8
Blocked reserve	0.7				0.7
Other reserves	13.5				13.5
Retained earnings	716.6	(104.5)			612.1
Share premium and reserves	**1,144.0**	**(104.5)**			**1,039.5**
Net profit/(loss)	163.2	(163.2)		386.1	386.1
Tax-driven provisions	10.7			0.3	11.0
Total shareholders' equity	**1,366.9**	**(267.7)**		**386.4**	**1,485.6**

(1) Distribution of a dividend of 8.20 euros per share for a total of 267,766,891.80 euros.

NOTE 6 – PROVISIONS FOR CONTINGENCIES AND LOSSES

	January 1, 2018	Increases	Provisions used	Provisions cancelled	December 31, 2018
Litigation and claims	10.5	2.1	(3.2)		9.4
Tax reassessments					
Risks related to foreign operations					
Employee benefits	28.3	2.4			30.7
Risks related to subsidiaries and affiliates	15.9	10.8	(9.1)		17.6
Other provisions for contingencies	2.3			(1.7)	0.6
Provisions for losses					
Provisions for contingencies and losses	**57.0**	**15.3**	**(12.3)**	**(1.7)**	**58.3**

NOTE 7 – RECEIVABLES AND PAYABLES BY MATURITY

	Net amount	Less than 1 year	1 to 5 years	More than 5 years
Receivables related to non-current assets	222.4	219.5	0.6	2.3
Receivables related to current assets	412.7	412.7		
Cash and cash equivalents	6.2	6.2		
Receivables	**641.3**	**638.4**	**0.6**	**2.3**
Financial debt				
Non-financial debt	637.5	637.5		
Overdrafts and short-term bank borrowings	426.2	426.2		
Payables	**1,063.7**	**1,063.7**		

NOTE 8 – OTHER NON-FINANCIAL LIABILITIES ACCRUALS AND DEFERRED INCOME

	2018	2017
Tax and social security liabilities	47.1	45.7
Liabilities in respect of fixed assets	1.4	4.4
Other liabilities	17.4	32.8
Deferred income and other regularization accounts	3.4	1.6
Total	**69.3**	**84.5**

NOTE 9 – BREAKDOWN OF REVENUE

	France	International	2018	2017
Works				
Sale of products	80.2		80.2	77.1
Provision of services [1]	131.8	65.2	197.0	198.4
Revenue	**212.0**	**65.2**	**277.2**	**275.5**

(1) Provisions of services to subsidiaries and affiliates.

NOTE 10 – FINANCIAL INCOME/(EXPENSE)

	2018	2017
Dividends received from subsidiaries and affiliates	237.8	116.3
Net interest income (expense) [1]	138.0	5.6
Other financial provision (charges) reversals	(29.9)	(0.8)
Net gain on disposal of marketable securities	(0.2)	0.3
Translation adjustment	(1.4)	(1.9)
Net financial income (expense)	**344.3**	**119.5**

(1) Including merger bonus of 134.9.

NOTE 11 – EXCEPTIONAL INCOME/(EXPENSE)

	2018	2017
Capital gain/(loss) on the disposal of fixed assets (non-recurring disposals: land, buildings, non-current financial assets)	4.4	6.6
Other income/(expense) on management transactions (net)	7.6	(26.5)
Exceptional provision (charges) reversals	(6.8)	29.2
Exceptional gain/(loss) [1]	**5.2**	**9.3**

(1) Including: SRD compensation for the costs of restructuring: (6.8).

NOTE 12 – INCOME TAXES

BREAKDOWN OF THE TAX EXPENSE

	2018	2017
Current tax charge for the year	(4.0)	(10.3)
Tax supplements or reductions for prior years	2.2	3.3
Deferred taxes	(2.0)	(12.6)
Income taxes	**(3.8)**	**(19.6)**

BREAKDOWN OF THE TAX CHARGE BETWEEN CURRENT PROFIT AND EXCEPTIONAL PROFIT

	Profit before tax	Tax due	Net profit/(loss) after tax
Current profit (after profit sharing)	384.7	(2.8)	381.9
Exceptional income (expense)	5.2	(1.0)	4.2
Total	**389.9**	**(3.8)**	**386.1**

BREAKDOWN OF DEFERRED TAXES

	Temporary differences
Non-current assets	(6.6)
Current assets	2.2
Provisions for contingencies and losses temporarily not deductible	30.2
Tax loss carryforward	67.7
Total deferred taxes bases	**93.5**
Tax rate	34.43%
Deferred taxes at fiscal year-end	**32.1**
Impact on deferred tax of enacted tax rate change	(1.1)
Deferred taxes at the beginning of the year	33.1
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)	386.1
Amounts charged for the year to tax-driven provisions	(0.4)
Reversals for year of tax-driven provisions	0.2
Impact on tax	
Net profit/(loss) excluding the impact of tax-driven provisions on profit	**385.9**

NOTE 14 - OFF BALANCE SHEET COMMITMENTS

OTHER COMMITMENTS

	Guarantees	Letters of intent	Total
Subsidiaries and affiliates	122.4		122.4
Other related companies	16.1	3.1	19.2
Third parties	1.4		1.4
Commitments given	**139.9**	**3.1**	**143.0**
Commitments received	**-**	**-**	**-**
Operating leases commitments	-	-	32.1

The Company issued a guarantee for 2018 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 and Atlantic Bitumen Company Ltd and Georgevale Ltd.

COLLATERAL GRANTED IN RESPECT OF DEBTS

None.

NOTE 15 – WORKFORCE AND REMUNERATION OF EXECUTIVE BODIES

AVERAGE WORKFORCE

	2018	2017
Managers and engineers	423	345
Clerical and technical	72	70
Site workers		
Total	**485**	**415**

COMPENSATION AWARDED TO MEMBERS OF THE EXECUTIVE BODIES

Total gross compensation (including benefits in kind but excluding variable compensation) paid in 2018 to Mr. Hervé Le Bouc, Chairman and Chief Executive Officer, amounted to 920,000 euros. Gross variable compensation for 2018 established in relation to quantitative and qualitative targets to be paid in 2019 will be 1,196,000 euros (1,380,000 euros in 2018). He received an amount of 20,000 euros in Directors' fees from Colas in 2018.

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 2018 amounted to 195,600 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	
	2018	**2017**	**2018**	**2017**
Statutory audit and certification of annual financial statements	0.3	0.2	0.3	0.2
Other fees		0.1		0.1
Total	**0.3**	**0.3**	**0.3**	**0.3**

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	66.0	100.0	25.7	25.7	64.0	0.2	724.7	13.3	
Colas Ile-de-France-Normandie	35.1	67.9	100.0	47.1	47.1		0.1	1,075.0	21.8	2.8
Colas Nord-Picardie	5.7	38.2	100.0	27.6	27.6				2.4	
Colas Nord-Est	36.6	104.4	65.2	50.7	50.7	8.0	0.2	990.7	20.6	5.0
Colas Rhône-Alpes Auvergne	20.1	87.3	100.0	51.6	51.6		0.1	687.0	10.0	10.2
Colas Midi-Méditerranée	9.0	75.6	100.0	27.2	27.2	25.0	0.1	631.3	19.7	7.0
Colas Sud-Ouest	14.8	62.2	100.0	31.9	31.9		0.1	673.8	13.8	54.0
Aximum	36.8	(11.5)	99.9	50.1	50.1	20.0	0.1	361.0	(1.6)	
Spac	5.1	15.6	99.9	14.3	14.3			205.8	1.9	5.3
Smac	4.3	0.8	99.9	9.9	9.9			569.4	(8.6)	
Colas Rail	220.3	31.6	100.0	456.4	456.4	50.0	0.1	939.1	(40.3)	
Sté Raffinerie de Dunkerque	40.7	(51.2)	100.0	21.2	-				12.6	
Colas Projects	8.2	(1.8)	100.0	16.4	16.4			17.0	(2.9)	
GTOI	0.8	8.2	100.0	1.4	1.4			147.9	(3.0)	
SCPR	0.5	24.5	100.0	30.3	30.3			50.4	-	3.0
Ribal Travaux Publics	7.5	13.7	100.0	7.6	7.6			27.3	0.6	1.8
Gouyer	2.0	3.6	96.9	48.0	20.0			0.1	0.8	0.8
Sogetra	0.1	10.4	100.0	3.5	3.5			32.0	1.2	0.5
Other French subsidiaries				29.9	29.2	249.4	54.8			14.5
Total subsidiaries France				**950.8**	**900.9**	**416.4**	**55.8**			**104.9**
2. Affiliates – France										
Affiliates – France				1.2	0.4	12.1		-	-	-
Total affiliates – France				**1.2**	**0.4**	**12.1**		**-**	**-**	**-**
3. Foreign subsidiaries and affiliates										
Foreign subsidiaries				965.3	808.3	90.5	66.5			133.4
Foreign affiliates				68.2	68.2					
Total				**1,985.5**	**1,777.8**	**519.0**	**122.3**			**238.3**

NOTE 18 – LIST OF SUBSIDIARIES, AFFILIATES AND MARKETABLE SECURITIES

Name	Number of securities	Book value in thousands of euros
Colas Centre-Ouest	7,449,381	25,682
Colas Île-de-France-Normandie	35,092,411	47,071
Colas Nord-Picardie	5,703,394	27,599
Colas Nord-Est	23,841,787	50,655
Colas Rhône-Alpes Auvergne	20,063,450	51,575
Colas Midi-Méditerranée	9,008,267	27,193
Colas Sud-Ouest	14,769,500	31,946
Aximum	49,071,094	50,129
Spac	5,099,997	14,330
Smac	4,299,997	9,930
Sobib	3,924,050	3,590
Colas Rail	230,312,759	456,385
Colas Projects	8,180,636	16,374
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	1,575,012	2,559
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	–	1,086
Other stakes in foreign companies	–	895,518
Total subsidiaries		**1,777,801**
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		**1,777,807**

STATUTORY AUDITORS' REPORT ON THE PARENT COMPANY FINANCIAL STATEMENTS

This is a free translation into English of the Statutory Auditors' report issued in French and is provided solely for the convenience of English-speaking readers. This report should be read in conjunction with, and construed in accordance with, French law and professional standards applicable in France.

Statutory Auditors' report

on the parent company financial statements

FISCAL YEAR ENDED DECEMBER 31, 2018

To the Shareholders of Colas SA,

1. OPINION

In accordance with the assignment entrusted to us by your Shareholders' Meeting, we conducted our audit of the accompanying parent company financial statements of Colas for the fiscal year ended on December 31, 2018.

In our opinion, the parent company financial statements give a true and fair view of the Company's financial position, its assets and liabilities as of December 31, 2018, and the results of its operations for the fiscal year then ended, in accordance with accounting principles generally accepted in France.

The opinion stated above is consistent with the content of our report to the Audit Committee.

2. BASIS FOR OUR OPINION

Audit framework

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

The responsibilities incumbent upon us pursuant to these standards are stated in the "Statutory Auditors' responsibilities for the audit of the parent company financial statements" section of this report.

Independence

We conducted our audit in accordance with the rules on independence applicable to us during the period from January 1, 2018 through to the date on which we issued our report, and we did not provide any services prohibited in Article 5, Paragraph 1 of Regulation (EU) No. 537/2014 or by the code of ethics for statutory auditors.

3. JUSTIFICATION OF OUR ASSESSMENTS – KEY AUDIT MATTERS

As required by Articles L.823-9 and R.823-7 of the French Commercial Code relating to the justification of audit assessments, we bring to your attention the key audit matters concerning the risks of material misstatements that, in our professional judgment, were the most significant for the audit of the parent company financial statements for the fiscal year, and our responses to these risks.

These assessments were made as part of our audit of the parent company financial statements taken as a whole, and contributed to the opinion we stated above. We do not express an opinion on individual items in these parent company financial statements taken in isolation.

4. VALUATION OF HOLDINGS IN SUBSIDIARIES AND AFFILIATES

(Notes 2, 17 and 18 to the parent company financial statements)

Risk identified

The holdings in subsidiaries and affiliates, which are shown on the balance sheet as of December 31, 2018 at a net amount of 1,778 million euros, account for 68% of total assets. They are recognized at their acquisition cost, less any impairment required based on their value in use.

The value in use of the holdings is estimated by management based on the value of the equity held, i.e., the profitability outlook.

Accordingly, we considered that the assessment of the value in use of the holdings in subsidiaries and affiliates represented a key audit matter.

Audit procedures implemented in light of identified risks

To assess the reasonableness of the estimate of the values in use of the holdings in subsidiaries and affiliates, our work consisted in considering the value of the holdings in subsidiaries and affiliates in relation to the share of equity they represent, then assessing, for those with a carrying amount significantly above the value of the equity held, whether:

— based on the information provided to us, the estimate of these values determined by management is based on an appropriate justification;

— the data used to test the holdings in subsidiaries and affiliates for impairment is consistent with the data originating from the entities;

— the mathematical accuracy of the calculations of the values in use used by the Company.

5. SPECIFIC VERIFICATION

We have also carried out, in accordance with professional standards applicable in France, the specific verifications required by law and regulations.

Information given in the Management Report and in the other documents concerned with the financial position and the parent company financial statements addressed to shareholders

We have no matters to report regarding the fair presentation and consistency with the parent company financial statements of the information given in the Management Report of the Board of Directors and in the other documents concerned with the financial position and the parent company financial statements addressed to shareholders.

We attest to the fair presentation and compliance with the parent company financial statements of information relating to payment times mentioned in Article D. 441-4 of the French Commercial Code.

Report on corporate governance

We confirm that the Board of Directors' report on corporate governance contains the information required pursuant to Articles L. 225-37-3 and L. 225-37-4 of the French Commercial Code.

Regarding the disclosures provided in application of the provisions of Article L. 225-37-3 of the French Commercial Code on the compensation and benefits paid to company officers and on the commitments made to them, we have verified that this information is consistent with the financial statements or the data used to prepare these financial statements and, if applicable, with the information collected by your Company from the companies that control or are controlled by your Company. Based on these procedures, it is our opinion that these disclosures are accurate and fairly presented.

Other information

In accordance with French law, we have ascertained that the appropriate disclosures have been provided with regard to the acquisition of shareholdings and controlling interests as well as the identity of shareholders and of holders of voting rights.

6. INFORMATION ARISING FROM OTHER LEGAL AND REGULATORY REQUIREMENTS

Appointment of the Statutory Auditors

KPMG was appointed as Statutory Auditor of Colas by the Combined Shareholders' Meeting of April 1989 and Mazars by the Ordinary Shareholders' Meeting of April 25, 2001.

As of December 31, 2018, KPMG was in the 30th successive year of its assignment and Mazars was in the 18th year, i.e. respectively 30 and 18 years since the Company's shares were admitted to trading on a regulated market.

7. RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE CONCERNING THE PARENT COMPANY FINANCIAL STATEMENTS

Management is responsible for preparing fairly presented parent company financial statements in accordance with French GAAP and for implementing the internal controls it deems necessary to prepare parent company financial statements not containing any material misstatements, whether as a result of fraud or errors.

When preparing the parent company financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the intention is to liquidate the Company or to cease operations.

The Audit Committee is responsible for overseeing the process of preparing financial reporting and monitoring the effectiveness of internal control and risk management systems, as well as, where applicable, the internal audit, with regard to the procedures for the preparation and processing of accounting and financial information.

The parent company financial statements have been approved by the Board of Directors.

8. STATUTORY AUDITORS' RESPONSIBILITIES FOR THE PARENT COMPANY FINANCIAL STATEMENTS

Audit objective and approach

Our role is to prepare a report on the parent company financial statements. We aim to obtain reasonable assurance that the parent company financial statements taken as a whole are free from material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or on aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As stated in Article L. 823-10-1 of the French Commercial Code, our statutory audit does not consist in guaranteeing the viability or quality of the management of your Company.

In an audit performed in accordance with professional standards applicable in France, the Statutory Auditors exercise their professional judgment throughout the audit. Moreover:

— they identify and assess the risks of material misstatement of the parent company financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for their opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- they obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control;
- they evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made in the parent company financial statements;
- they evaluate the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern. If it concludes that a material uncertainty exists, it draws attention in its report to the related disclosures in the parent company financial statements in respect of this uncertainty or, if such disclosures are not provided or are not relevant, it expresses a qualified or adverse opinion;
- they evaluate the overall presentation of the parent company financial statements and whether the parent company financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Report to the Audit Committee

We have submitted a report to the Audit Committee presenting the scope of the audit work and the audit program implemented, together with the conclusions of our work. We also bring to its attention, where appropriate, any material weaknesses in internal control that we identified relating to the procedures for the preparation and processing of accounting and financial information.

The items contained in the report to the Audit Committee include the risks of material misstatement that we consider to be the most significant for the audit of the parent company financial statements for the fiscal year and thereby forming the key audit matters, which we are responsible for presenting in this report.

We also provide the Audit Committee with the declaration of independence provided for in Article 6 of Regulation (EU) No. 537-2014, as defined in the rules applicable in France, as specified in Articles L. 822-10 to L. 822-14 of the French Commercial Code and in the code of ethics applicable to Statutory Auditors. Where appropriate, we discuss with the Audit Committee risks to our independence and the measures applied to safeguard it.

The Statutory Auditors

Paris La Défense, February 21, 2019

KPMG Audit IS		MAZARS	
Xavier Fournet	Stéphanie Millet	Daniel Escudeiro	Gilles Rainaut

SPECIAL STATUTORY AUDITORS' REPORTS

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Special Statutory Auditors' report

on regulated agreements and commitments

Shareholders' Meeting to approve the financial statements for the fiscal year ended December 31, 2018

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. 22531 of the French Commercial Code relating to the implementation during the fiscal year under review of agreements and commitments previously approved at 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.

Agreements and commitments submitted for the approval of the Shareholders' Meeting

AGREEMENTS AND COMMITMENTS AUTHORIZED AND ENTERED INTO 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 entered into during the fiscal year under review submitted for the prior authorization of your Board of Directors.

a. Shared services agreement entered into with Bouygues within the framework of the Vivatech and Pollutec trade fairs

At its meeting on August 28, 2018, the Board of Directors authorized the signing of a service agreement with Bouygues SA to participate in the Vivatec and Pollutec trade fairs.

The purpose of this agreement is to enable Colas SA to pool the costs of participating in the Vivatech and Pollutec trade fairs in conjunction with the other businesses of the Bouygues Group and increase its visibility.

The corresponding expenses recognized in the financial statements for the fiscal year ended December 31, 2018 by Colas SA amounted to 105,000 euros excluding tax.

Persons concerned:

Hervé Le Bouc (Chairman and Chief Executive Officer), François Bertière, Olivier Bouygues and Colette Lewiner (Directors), Bouygues SA represented by Philippe Marien.

b. Renewal of the shared services agreement entered into with Bouygues

At its meeting on November 12, 2018, the Board of Directors authorized the extension of the shared services agreement between Bouygues and Colas for a term of one year from January 1, 2019 to December 31, 2019.

In consideration for a fee payable to Bouygues, Colas SA receives various services related to management, human resources, information technology, law and finance, among other areas. The terms and conditions of this agreement remained the same as under the previous agreement (presented below).

The renewal of this agreement had no impact on the 2018 financial statements. Its impact will be reflected in the 2019 financial statements.

Persons concerned:

Hervé Le Bouc (Chairman and Chief Executive Officer), François Bertière, Olivier Bouygues and Colette Lewiner (Directors), Bouygues SA represented by Philippe Marien.

c. Renewal of the Open Innovation services agreement entered into with Bouygues

At its meeting on November 12, 2018, the Board of Directors authorized the renewal of the agreement for a further one-year term from January 1, 2019 to December 31, 2019.

Under this agreement, Colas benefits from Bouygues SA's and its Bouygues Développement subsidiary's expertise and advice in an environment of open innovation and synergies between large groups and innovative start-ups.

These services form an integral part of the services provided to Colas in connection with the shared services agreement referred to above. In return, Colas pays Bouygues, via its CIB Développement subsidiary, a flat monthly fee of 750 euros excluding taxes on a pro rata basis per investment in an innovative company under management.

The renewal of this agreement had no impact on the 2018 financial statements. Its impact will be reflected in the 2019 financial statements.

Persons concerned:

Hervé Le Bouc (Chairman and Chief Executive Officer), François Bertière, Olivier Bouygues and Colette Lewiner (Directors), Bouygues SA represented by Philippe Marien.

d. Renewal of the cash management agreement entered into with Bouygues Relais

At its meeting on November 12, 2018, the Board of Directors authorized the renewal of this agreement upon its expiration for an additional one-year term from March 1, 2019 to March 1, 2020. To date, this agreement has not been entered into and is expected to be signed during March 2019.

Under this agreement, Colas is able to make interest-bearing borrowings from Bouygues Relais for cash management optimization purposes.

This maximum amount that may be borrowed under this cash management agreement is the sum of the authorized amounts of the confirmed medium-term bank lines, with a residual maturity of over one year, that will back these borrowings. To date, the authorized credit lines with a remaining term of more than one year amount to 960 million euros.

In return for the service offered by Bouygues Relais, Colas pays interest calculated based on the amounts drawn down and an interest rate equal to Eonia, plus a margin calculated as the average margin on drawings on Colas' bank lines with a maturity of over one year at the date on which the agreement was entered into, less a margin, where appropriate;

The renewal of this agreement had no impact on the 2018 financial statements. Its impact will be reflected in the 2019 financial statements.

Persons concerned:

Hervé Le Bouc (Chairman and Chief Executive Officer), François Bertière, Olivier Bouygues and Colette Lewiner (Directors), Bouygues SA represented by Philippe Marien.

e. Cash investment agreement entered into with Bouygues Relais

At its meeting on November 12, 2018, the Board of Directors authorized the renewal of this agreement upon its expiration for an additional one-year term from March 1, 2019 to March 1, 2020. To date, this agreement has not been entered into and is expected to be signed In March 2019.

The purpose of the agreement is to optimize Colas' cash management.

In return for the deposits it makes, Colas receives interest at a rate linked to their term. Colas can therefore make overnight investments bearing interest at a rate equal to Eonia applied to the principal amount borrowed, or monthly or pluri-monthly deferred investments. In the case of monthly deferred investments, the rate of interest is equal to the average Eonia rate for the month plus a margin, if applicable. In the case of pluri-monthly deferred investments, the deferred amount earns interest at the Euribor rate corresponding to the maturity of the loan plus a margin agreed in advance between the parties.

Persons concerned:

Hervé Le Bouc (Chairman and Chief Executive Officer), François Bertière, Olivier Bouygues and Colette Lewiner (Directors), Bouygues SA represented by Philippe Marien.

f. Renewal of the aircraft use agreement entered into with Airby

At its meeting on November 12, 2018, the Board of Directors authorized the renewal of the agreement with Airby, a subsidiary of Bouygues and SDCM, for an additional one-year term from January 1 to December 31, 2019.

Under this agreement, Airby makes available to Colas the Global 6000 aircraft, or when the latter is unavailable, an aircraft leased in the open market meeting Colas' needs. The terms and conditions of this agreement remained the same as under the previous agreement (presented below).

The renewal of this agreement had no impact on the 2018 financial statements. Its impact will be reflected in the 2019 financial statements.

Persons concerned:

Hervé Le Bouc (Chairman and Chief Executive Officer), François Bertière, Olivier Bouygues and Colette Lewiner (Directors), Bouygues SA represented by Philippe Marien.

g. Renewal of the shared services agreement with GIE 32 Hoche

At its meeting on November 12, 2018, the Board of Directors authorized the renewal of the agreement for a further one-year period from January 1, 2019 to December 31, 2019.

GIE 32 Hoche provides Colas with meeting room and reception area facilities located in central Paris, plus an array of related services. In return, Colas pays an annual fee of 15,050 euros excluding taxes one quarter in advance. Additional charges are payable for IT services, breakfasts and other meals.

The renewal of this agreement had no impact on the 2018 financial statements. Its impact will be reflected in the 2019 financial statements.

Persons concerned:

Hervé Le Bouc (Chairman and Chief Executive Officer), François Bertière, Olivier Bouygues and Colette Lewiner (Directors), Bouygues SA represented by Philippe Marien.

AGREEMENTS AUTHORIZED SINCE THE END OF THE PREVIOUS FISCAL YEAR

We have been advised of the following regulated agreements authorized entered since the end of the previous fiscal year under review submitted for the prior authorization of your Board of Directors.

h. Renewal of the collective defined-benefit pension contract given to Hervé Le Bouc, Chairman and Chief Executive Officer

At its meeting on February 19, 2019, the Board of Directors authorized the renewal for fiscal year 2019 of the commitment relating to the supplemental pension plan provided to Hervé Le Bouc in his capacity as Chairman and Chief Executive Officer of Colas SA, the renewal of which in respect of fiscal year 2018 was approved at the Shareholders' Meeting of April 12, 2018. The aim of this commitment is to reward and retain the loyalty of Colas' Chairman and Chief Executive Officer.

The terms and conditions of this agreement remained the same as under the previous agreement (presented below).

Persons concerned:

Hervé Le Bouc (Chairman and Chief Executive Officer).

i. Shared services agreement entered into with Bouygues within the framework of the Vivatech trade fair

At its meeting on February 19, 2019, the Board of Directors authorized the signing of a service agreement with Bouygues SA to participate in the Vivatec trade fair in fiscal year 2019.

The purpose of this agreement is to enable Colas SA to pool the costs of participating in the Vivatech trade fair in conjunction with the other businesses of the Bouygues Group and increase its visibility.

Total compensation owed by Colas SA to Bouygues in respect of its participation in the trade fair amounts to 75,000 euros excluding tax (firm, definitive and non-revisable amount).

Persons concerned:

Hervé Le Bouc (Chairman and Chief Executive Officer), François Bertière, Olivier Bouygues and Colette Lewiner (Directors), Bouygues SA represented by Philippe Marien.

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. Shared services agreement entered into with Bouygues

The Shareholders' Meeting of April 12, 2018 had approved the renewal of the shared services agreement entered into with Bouygues for the period from January 1, 2018 to December 31, 2018.

Under this agreement entered into between Bouygues and Colas for a term of one year, Colas receives various services provided by Bouygues in return for a fee in areas including management, human resources, information technology, legal and finance.

The principle behind this agreement is based on the rules for allocating and invoicing shared services costs, including specific services, and the assumption of a residual share of the costs up to a limit linked to a percentage of Colas' revenue. A margin of 10% is invoiced on the share of the residual amount for high value-added services and of 5% for low value-added services.

The corresponding expenses recognized by Colas SA under this agreement in the financial statements for the fiscal year ended December 31, 2018 amounted to 18,756,635 euros.

Persons concerned:

Hervé Le Bouc (Chairman and Chief Executive Officer), François Bertière, Olivier Bouygues and Colette Lewiner (Directors), Bouygues SA represented by Philippe Marien.

b. Open Innovation services agreement entered into with Bouygues

The Shareholders' Meeting of April 13, 2016 had approved the consulting and management services agreement with Bouygues SA, directly or through the intermediary of its wholly owned subsidiary Bouygues Développement. Under this agreement, Colas receives consulting services and assistance with the qualification and validation of innovation projects led by innovative companies, and with investment management.

This agreement was entered into on February 1, 2015 for a period of 11 months and has since been renewed for automatically renewable 12-month periods.

These services form an integral part of the services provided to Colas in connection with the shared services agreement referred to above. In return, a flat monthly fee of 750 euros excluding taxes is charged per investment in an innovative company under management.

The corresponding expenses recognized by Colas SA via its subsidiary CIB Développement under this agreement in the financial statements for the fiscal year ended December 31, 2018 amounted to 13,500 euros.

Persons concerned:

Hervé Le Bouc (Chairman and Chief Executive Officer), François Bertière, Olivier Bouygues and Colette Lewiner (Directors), Bouygues SA represented by Philippe Marien.

c. Cash management agreement entered into with Bouygues Relais

Period from March 1, 2017 to March 1, 2018:

The Shareholders' Meeting of April 11, 2017 had approved the renewal of the cash management agreement entered into with Bouygues Relais for the period from March 1, 2017 to March 1, 2018.

Period from March 1, 2018 to March 1, 2019:

The Shareholders' Meeting of April 12, 2018 had approved the renewal of the cash management agreement entered into with Bouygues Relais for the period from March 1, 2018 to March 1, 2019.

Under this cash management agreement, Colas is able to borrow from and make interest-bearing deposits with Bouygues Relais for cash management optimization purposes.

In return for the borrowings offered by Bouygues Relais, Colas pays interest calculated based on the amounts drawn down and an interest rate equal to Eonia, plus a margin calculated as the average margin on drawings on Colas' bank lines with a maturity of over one year at the date on which the agreement was entered into, less a margin, where appropriate.

Under the arrangement, Colas SA held a debt of 405 million euros due from Bouygues Relais as of December 31, 2018. In addition, cash transactions (borrowings and investments) made during fiscal year 2018 generated a net expense of 782,903 euros.

Persons concerned:

Hervé Le Bouc (Chairman and Chief Executive Officer), François Bertière, Olivier Bouygues and Colette Lewiner (Directors), Bouygues SA represented by Philippe Marien.

d. Cash investment agreement entered into with Bouygues Relais

Period from March 1, 2017 to March 1, 2018:

The Shareholders' Meeting of April 11, 2017 had approved the renewal of the cash investment agreement entered into with Bouygues Relais for the period from March 1, 2017 to March 1, 2018.

Period from March 1, 2018 to March 1, 2019:

The Shareholders' Meeting of April 12, 2018 had approved the renewal of the cash investment agreement entered into with Bouygues Relais for the period from March 1, 2018 to March 1, 2019.

The purpose of the cash management agreement is to optimize Colas' cash management.

In return for the deposits it makes, Colas receives a rate of interest linked to either Eonia or Euribor depending on the length and type of transaction, plus a margin, where appropriate.

Under the arrangement, Colas SA held a debt of 405 million euros due from Bouygues Relais as of December 31, 2018. In addition, cash transactions (borrowings and investments) made during fiscal year 2018 generated a net expense of 782,903 euros.

Persons concerned:

Hervé Le Bouc (Chairman and Chief Executive Officer), François Bertière, Olivier Bouygues and Colette Lewiner (Directors), Bouygues SA represented by Philippe Marien.

e. Aircraft use agreement entered into with Airby

The Shareholders' Meeting of April 12, 2018 had approved renewal of the agreement relating to the use of aircraft provided by SNC Airby (a Bouygues and SCDM subsidiary), and all the related services (pilot services, fuel, etc.) for fiscal year 2018.

Under this agreement, Airby makes available to Colas the Global 6000 aircraft, or when the latter is unavailable, an aircraft leased in the open market meeting Colas' needs. In return for the use of:

- the Global 6000 aircraft: Colas pays a price per flight hour of 7,000 euros excluding taxes. This rate is adjusted annually to account for changes in market rates;
- an aircraft leased in the open market: Colas pays the leasing cost of the aircraft plus a fixed sum of 1,000 euros excluding taxes for every aircraft made available, reflecting the chartering assignment provided by SNC Airby to Bouygues. Invoices are sent each time the aircraft is made available.

The corresponding expenses recognized by Colas SA under this agreement in the financial statements for the fiscal year ended December 31, 2018 amounted to 466,317 euros.

Persons concerned:

Hervé Le Bouc (Chairman and Chief Executive Officer), François Bertière, Olivier Bouygues and Colette Lewiner (Directors), Bouygues SA represented by Philippe Marien.

f. Tax consolidation agreement

The Shareholders' Meeting of April 11, 2017 had approved the renewal of the tax consolidation agreement between Colas and Bouygues. This agreement is applicable for a period of five fiscal years, from January 1, 2017 to December 31, 2021, and is automatically renewable.

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 the agreement, Colas SA authorized 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 effective in fiscal year 2018.

Persons concerned:

Hervé Le Bouc (Chairman and Chief Executive Officer), François Bertière, Olivier Bouygues and Colette Lewiner (Directors), Bouygues SA represented by Philippe Marien.

AGREEMENTS AND COMMITMENTS APPROVED DURING THE FISCAL YEAR UNDER REVIEW

We have also been advised of the execution during the fiscal year under review of the following commitment, already approved by the Shareholders' Meeting of April 12, 2018, concerning the special report of the Statutory Auditors of March 7, 2018.

g. Renewal of the collective defined-benefit pension contract given to Hervé Le Bouc, Chairman and Chief Executive Officer

At its meeting on February 20, 2018, the Board of Directors authorized the renewal for fiscal year 2018 of the commitment relating to the supplemental pension plan provided to Hervé Le Bouc in his capacity as Chairman and Chief Executive Officer of Colas SA, approved previously by the Shareholders' Meeting of April 11, 2017, and the renewal of which was approved at the Shareholders' Meeting of April 12, 2018. The aim of this commitment is to reward and retain the loyalty of Colas' Chairman and Chief Executive Officer.

The commitment covering the supplemental defined-benefit pension plan for Colas SA's Chairman and Chief Executive Officer makes the vesting of pension rights contingent upon the attainment of performance conditions to be set each year by the Board of Directors. Should these performance conditions not be achieved, the pension rights vesting would be reduced proportionately.

The other terms and conditions of the agreement stated below did not change during the fiscal year:

— the maximum additional annuity is 0.92% of the reference salary per year of membership in the plan, and must not exceed eight times the maximum annual French social security benefit;
— contributions made by the Company to the fund constituted by the insurer vary depending on the rights acquired by the plan recipient and the expected returns of the amounts invested.

Person concerned:

Hervé Le Bouc (Chairman and Chief Executive Officer).

The Statutory Auditors

Paris La Défense, March 6, 2019

KPMG Audit IS		MAZARS	
Xavier Fournet	Stéphanie Millet	Daniel Escudeiro	Gilles Rainaut

Special Statutory Auditors' report

on capital transactions provided for in Resolutions 21, 22, 23, 24 and 25 of the Combined General Meeting of April 17, 2019

This is a free translation into English of the Statutory Auditors' report issued in French and is provided solely for the convenience of English-speaking readers. This report should be read in conjunction with, and construed in accordance with, Franch law and professional standards applicable in France.

Year ended December 31, 2018

To the Shareholders,

In our capacity as Statutory Auditors of your Company and in accordance with procedures provided for in the French Commercial Code, we hereby report on our assesment of the transactions to be put forward for your approval.

1. Capital reduction (21st resolution)

In our capacity as Statutory Auditors and 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 purchased shares, we hereby report on our assessment of the reasons for and the conditions of the proposed reduction in share capital.

Your Board of Directors proposes that you confer all necessary powers on it, for a period of 18 months from the date of this Shareholders' Meeting, to retire up to a maximum of 10% of the share capital, the shares purchased by our company pursuant to the authorization to purchase its own shares in application of the provisions of the aforementioned article.

We have performed the due diligence that we have deemed necessary in light of the professional guidelines of the French National Institute of Statutory Auditors relating to this engagement. Our procedures lead to examining whether the reasons for and conditions of the proposed capital reduction, which is not likely to affect the equal treatment of shareholders, are fair.

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

2. Issuing of shares and/or securities with or without preferential subscription rights (22nd, 23rd, 24th, 25th resolutions)

In accordance with procedures provided for by the French Commercial Code, and in particular articles L.225-135 et seq. and L.228-92, we hereby report to you on the proposals to grant power to the Board of Directors on the issuing of share issues and/or securities upon which you shall be called upon to decide.

Your Board of Directors proposes, on the basis of its report:

— to grant it power, with the option of sub-grant of powers, for a period of 26 months, to decide on the following transactions and to set the final conditions of the said, proposing if necessary, to cancel the preferential subscription right:
  - issue of shares or securities giving access to shares in the company with preferential subscription rights (22nd resolution);
  - issue of shares or securities giving access to shares of the company with cancellation of the preferential right, by way of public offering (23rd resolution);
  - issue of shares or securities giving access to shares of the company with cancellation of the preferential subscription right, by way of offer referred to in II of Article L411-2 of the French Monetary and Financial Code (24th resolution).

— authorize the Board, as conferred by the powers granted in the 22nd, 23rd and 24th resolutions, to decide upon the characteristics, amount and terms of any issue as well as securities/shares issued.

The number of shares/securities to be created as conferred by the powers granted in the 22nd, 23rd and 24th resolutions may be increased under the conditions provided for in Article L.225-135-1 of the French Commercial Code if the 25th resolution is approved.

The total nominal amount of the capital increases that may be carried out as a result of the issue of shares and/or securities giving access to shares of the company referred to in the 22nd, 23rd, 24rd and 25th resolutions, immediately or in the future can not exceed 10 million euros.

It is your Board of Directors' responsibility to prepare a report in accordance with Articles R.225-113 et seq. of the French Commercial Code. Our role is to express an opinion on the fairness of the quantified information taken from the financial statements, on the proposal to cancel the preferential subscription right and on other information concerning the issue as provided in this report.

We have performed the due diligence that we have deemed necessary in light of the professional guidelines of the French National Institute of Statutory Auditors relating to this engagement. Our procedures lead to examining of the conditions under which the issue price of shares/securities was determined as described in the Board of Directors' report.

Subject to the subsequent review of the conditions of issue that may be decided, we have no comments to make on the methods for determining the issue price of the shares/securities to be issued provided in the Board of Directors' report.

As the final terms of issues have not yet been determined, we have no comments to make on the final conditions under which the issues will be performed.

In accordance with Article R.225-116 of the French Commercial Code, we will prepare an additional report, if necessary, when the powers granted are used by your Board of Directors.

Statutory Auditors

Paris La Défense, February 21, 2019

KPMG Audit IS		MAZARS	
Xavier Fournet	Stéphanie Millet	Daniel Escudeiro	Gilles Rainaut

INDEPENDENT VERIFIER'S REPORT ON A SELECTION OF NON-FINANCIAL INFORMATION

This is a free translation into English of the Independent verifier's report issued in French and is provided solely for the convenience of English-speaking readers. This report should be read in conjunction with, and construed in accordance with, French law and professional standards applicable in France.

Independent Verifier's Report on a selection of non-financial information

Fiscal year ended December 31, 2018

To the Shareholders,

Further to your request and in our quality as an independent verifier of the entity Colas (hereafter "entity"), we present our report on a selection of non-financial information established for the year ended on December 31, 2018 detailed in Appendix 1 (hereafter referred to as the "Information"), that the entity has chosen to prepare and present in its management report.

Responsibility of the entity

As part of this voluntary approach, it is the responsibility of the entity to prepare the Information in accordance with the protocols used by the entity, concerning HR reporting on the one hand, and environmental and societal reporting on the other hand (hereafter referred to as the "Criteria"), available on request at the entity's headquarters and summarized in the management report.

Independence and quality control

Our independence is defined by the Code of Ethics of our profession. 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 in response to the entity's request, based on our work, to express:

— a reasonable assurance that the Information selected by the entity and identified by an * in Appendix 1 (hereinafter the "Selected information") is fairly presented, in all material aspects, in accordance with the Criteria.

— Nonetheless, it is not our role to give an opinion on the entire management report for the year ended on the December 31, 2018 or on the compliance with other applicable legal provisions.

Nonetheless, it is not our role to give an opinion on the entire management report for the year ended on the December 31, 2018 or on the compliance with other applicable legal provisions.

1. Limited assurance report on the Information

Nature and scope of the work

Our verification work mobilized the skills of seven people and took place between September 2018 and February 2019 over a total duration of intervention of approximately twenty-two weeks.

We conducted the work described below in accordance with the international standard ISAE 3000 (International Standard on Assurance Engagements) and with the professional standards applicable in France:

— We assessed the suitability of the Criteria in terms of its relevance, comprehensiveness, reliability, neutrality and understandability by taking into consideration, if relevant, the best practices of the industry;

— On quantitative information, we implemented:
  - analytical procedures to verify the correct consolidation of the collected data as well as the consistency of their evolutions,
  - detailed tests based on samples, consisting of checking the correct application of the definitions and procedures and reconciling the data with the supporting documents. This work was carried out on a selection of contributing entities listed hereafter: Colas Rhône-Alpes Auvergne, Colas Danmark, Colas UK, Colas Australia Group, Colas USA, which cover 24% of the entity's activity, 18% of the entity's workforce and from 16% to 43% of the consolidated environmental data.

We consider that the work we have done by exercising our professional judgment allows us to express a limited assurance conclusion; an assurance of a higher level would have required more extensive verification work.

Conclusion

Based on our work, we have not identified any significant misstatement that causes us to believe that the Information, taken together, has not been fairly presented, in compliance with the Criteria.

2. Reasonable assurance report on the Selected information

Nature and scope of the work

Concerning the Selected Information by the entity and identified by an * in Appendix 1, we carried out work of the same nature as those described in paragraph 1 above, but in a more in-depth manner, especially with regard to the scope of the tests.

The selected sample thus represents between 47% and 67% of the Selected Information.

We believe that this work allows us to express a reasonable assurance on the Selected Information.

Conclusion

In our opinion, the Selected Information has been established, in all material respects, in accordance with the Criteria.

Independent Verifier
Paris-La Défense, February 19, 2019
French original signed by:

ERNST & YOUNG et Associés

Éric Mugnier	Jean-François Bélorgey
Partner, Sustainable Development	Partner

APPENDIX 1: VERIFIED INFORMATION

Social information

Total workforce

Percentage of women managers

Frequency rate of work-related accidents of employees*

Severity rate of work-related accidents of employees*

Environmental information

Environmental certification ratio for manufacturing activities

Percentage of aggregates production with an action for biodiversity (as % of CAE)

Percentage of recycled asphalt for bitumen beneficial reuse*

Total energy consumption (MWh million)

Bill - Total energy consumption (euro million)

Carbon footprint (scope 1, 2 and 3a) (TCO_2 eq.)

Societal information

Percentage (CAE) of manufacturing activities with a local dialogue structure

SPECIAL REPORT RELATING TO STOCK OPTIONS GRANTED

to all or some salaried employees of the Company (Article L. 225-184 of the French Commercial Code)

Special report relating to stock options granted to all or some salaried employees of the Company (Article L. 225-184 of the French Commercial Code)

Pursuant to Article L. 225-184 of the French Commercial Code, this report informs the Shareholders' Meeting of the transactions performed by virtue of the provisions of Articles L. 225-177 to L. 225-186 of the French Commercial Code (share subscription and/or purchase options granted to all or some salaried employees of the Company).

1. Stock options granted by the Company (Article L. 225-177 of the French Commercial Code)

In 2018, the Company did not benefit from any authorizations to set up stock option plans for all or some salaried employees of the Company.

2. Stock options granted by affiliated companies (Article L. 225-180 of the French Commercial Code)

The Bouygues SA Combined Shareholders' Meeting of April 27, 2017, in its twenty-eighth resolution, authorized the Board of Directors to grant, on one or more occasions, options giving the right to subscribe to new shares or purchase existing shares. This authorization was granted for a period of 38 months, and recipients of these options must be employees and/or company officers of Bouygues SA or of companies or economic interest groups (GIEs) that are directly or indirectly affiliated with it in accordance with Article L. 225-180 of the French Commercial Code.

2.1. GENERAL INFORMATION: FEATURES OF SHARE SUBSCRIPTION OPTIONS

All share subscription options granted by Bouygues (the parent company of Colas) in 2018 conform to the following characteristics:

— exercise price: average 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.

2.2. SHARE SUBSCRIPTION OPTIONS GRANTED OR EXERCISED IN 2018

Options entitling the holders to subscribe for new Bouygues shares were granted in 2018. The exercise price was set at 41.57 euros per subscribed share.

At the time of the grant, as measured in the consolidated financial statements, the value of one option was 1.8518 euros per option.

2.2.1. Share subscription options granted to executive company officers

Executive company officer	Granting company	Grant date	Number of options	Exercise price (in euros)
Hervé Le Bouc	Bouygues	6/1/2018	80,000	41.57
TOTAL	**-**	**-**	**80,000**	**41.57**

2.2.2. Share subscription options exercised by executive company officers and salaried Directors

Executive company officer	Granting company	Plan concerned	Number of options	Exercise price (in euros)
Hervé Le Bouc	Bouygues	March 27, 2014	80,000	30.32
	Bouygues	May 30, 2016	80,000	29.00
TOTAL			**160,000**	

2.2.3. Breakdown of share subscription options by plan and by category of recipients

	2018	2017	2016	2015	2014	2013	2012
Date of Bouygues SA Shareholders' Meeting	04/26/2018	04/27/2017	04/21/2016	04/23/2015	04/21/2011	04/21/2011	04/21/2011
Grant date	06/01/2018	06/1/2017	05/30/2016	05/28/2015	03/27/2014	03/28/2013	06/13/2012
Number of options granted to persons working at Colas	817,000	810,000	800,000	800,000	850,000	850,000	990,000
– of which: executive company officers and salaried Directors [1]	80,000	80,000	80,000	*80,000*	*80,000*	*220,000*	*157,000*
Hervé Le Bouc (Chairman and Chief Executive Officer)	80,000	80,000	80,000	80,000	80,000	80,000	97,000
– of which: top ten employee recipients	130,000	140,000	120,000	*120,000*	*117,000*	*81,000*	*88,000*
Exercise price	€41.57	€37.99	€29.00	€37.106	€30.32	€22.28	€20.11
Earliest exercise date	06/01/2020	06/01/2019	05/30/2018	05/29/2017	03/28/2018	03/29/2017	06/14/2016
Expiration date	06/02/2028	06/01/2027	05/30/2026	05/28/2025	09/27/2021	09/28/2020	12/13/2019

(1) There have not been any salaried Directors since 2014.

2.2.4. 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	06/01/2018	20,000	41.57
Thierry Méline	Bouygues	06/01/2018	20,000	41.57
Frédéric Gardes	Bouygues	06/01/2018	15,000	41.57
Éric Haentjens	Bouygues	06/01/2018	15,000	41.57
Philippe Tournier	Bouygues	06/01/2018	15,000	41.57
Bernard Sala	Bouygues	06/01/2018	10,000	41.57
Alain Moustard	Bouygues	06/01/2018	9,500	41.57
Thierry Le Roch'	Bouygues	06/01/2018	9,000	41.57
Frédéric Roussel	Bouygues	06/01/2018	9,000	41.57
Francis Grass	Bouygues	06/01/2018	7,500	41.57
Total			**130,000**	**41.57**

2.2.5. Share subscription options exercised in fiscal year 2018 by the ten Colas SA employees who exercised the most options

Employees	Granting company	Plan concerned	Number of options exercised	Exercise price (in euros)
Frédéric Roussel	Bouygues	March 27, 2014	9,000	30.32
		May 30, 2016	9,000	29.00
Alain Moustard	Bouygues	June 14, 2011	7,902	31.43
Daniel Ducroix	Bouygues	June 14, 2011	7,598	31.43
Thierry Méline	Bouygues	March 28, 2013	6,000	22.28
		May 28, 2015	7,000	37.106
Éric Haentjens	Bouygues	March 28, 2013	11,000	22.28
Laurent Le Boulc'h	Bouygues	June 14, 2011	6,078	31.43
Philippe Guilmant	Bouygues	June 14, 2011	6,078	31.43
Bernard Sala	Bouygues	March 27, 2014	3,000	30.32
		May 30, 2016	6,000	29.00
Philippe Tournier	Bouygues	June 14, 2011	15,195	31.43
Christophe Da Poian	Bouygues	June 14, 2011	8,104	31.43
Total			**101,955**	**-**

The Board of Directors

SPECIAL REPORT ON BONUS AWARDS OF EXISTING OR NEW SHARES

to all or some salaried employees of the Company (Article L. 225-197-4 of the French Commercial Code)

Special report on bonus awards of existing or new shares

to all or some salaried employees of the Company (Article L. 225-197-4 of the French Commercial Code)

Pursuant to Article L. 225-197-4 of the French Commercial Code, this report informs the Shareholders' Meeting of the transactions performed by virtue of the provisions of Articles L. 225-197-1 to L. 225-197-3 of the French Commercial Code (bonus awards of existing or new shares to all or some salaried employees of the Company).

1. Bonus shares awarded by the Company (Article L. 225-197-1 of the French Commercial Code)

In 2018, the Company did not benefit from any authorizations to set up bonus share award plans for all or some salaried employees of the Company.

2. Bonus shares awarded by affiliated companies (Article L. 225-197-2 of the French Commercial Code)

The Bouygues SA Combined Shareholders' Meeting of April 21, 2016, in its twenty-first resolution, authorized the Board of Directors to make, on one or more occasions, bonus awards of existing or new shares. This authorization was granted for a period of 38 months, and share recipients must be employees and/or company officers of Bouygues SA or of companies or economic interest groups (GIEs) that are affiliated with it within the meaning of Article L. 225-197-2 of the French Commercial Code.

The Board of Directors of Bouygues SA did not use this authorization in 2018.

The Board of Directors

REPORT ON CORPORATE GOVERNANCE

(Article L. 225-37 of
the French Commercial Code)

Report on corporate governance

(Article L. 225-37 of the French Commercial Code)

In accordance with the provisions of Article L. 225-37 par. 6 and Article L. 225-37-4 of the French Commercial Code, the Board of Directors has prepared this report on corporate governance as attached to the management report.

1. List of all offices or positions held in all companies by each company officer during the fiscal year

HERVÉ LE BOUC

Name of company	Type	Office or position in the company	Registered office
Colas	SA	Director, Chairman and Chief Executive Officer	1 rue du Colonel Pierre Avia, 75015 Paris, France
Colas Inc.	Inc.	Director	163 Madison Avenue, Suite 500, Morristown, NJ 07960, USA
Colas Canada	Inc.	Director	4984 place de la Savane, Bureau 150, Montreal, Quebec H4P 2M9, Canada
Colasie	SA	Director, Chairman and Chief Executive Officer	4 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	Foundation	Chairman	1 rue du Colonel Pierre Avia, 75015 Paris, France
Hincol	Ltd	Director	5 H Floor Richardson, Crudas Build Sir JJ Road, Byculla, Mumbai 400008, India
Isco	Ltd	Director	Jeil Bldg 94/49, Yeongdeungpodong 7-ga, Yeongdeungpo-gu, 150-988 Seoul, South Korea
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

FRANÇOIS BERTIÈRE

Name of company	Type	Office or position in the company	Registered office
Bouygues Immobilier	SAS	Member of the Board of Directors, Chairman	3 boulevard Gallieni, 92130 Issy-les-Moulineaux, France
Colas	SA	Director	1 rue du Colonel Pierre Avia, 75015 Paris, France
Fondation d'Entreprise Bouygues Immobilier	Foundation	Member of the Board of Directors, Chairman	3 boulevard Gallieni, 92130 Issy-les-Moulineaux, France
Fondation d'Entreprise Francis Bouygues	Foundation	Member of the Board of Directors	32 avenue Hoche, 75008 Paris, France
Centre Scientifique et Technique du Bâtiment	Public institution	Director	84 avenue Jean Jaurès, Champs-sur-Marne, 77447 Marne la Vallée Cedex 2, France
École nationale des Ponts et Chaussées (ENPC)	Public institution	Director	6 et 8 avenue Blaise-Pascal, Cité Descartes, Champs-sur-Marne, 77455 Marne la Vallée Cedex 2, France
Cité de l'Architecture et du Patrimoine	Public institution	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
Fondation des Ponts	Foundation	Chairman	15 rue de la Fontaine au Roi, 75011 Paris, France

OLIVIER BOUYGUES

Name of company	Type	Office or position in the company	Registered office
Bouygues	SA	Director, Deputy Chief Executive 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 of Directors	52 avenue Cortenbergh, 1000 Brussels, Belgium
Bouygues Telecom	SA	Director	37-39 rue Boissière, 75116 Paris, France
Colas	SA	Director	1 rue du Colonel Pierre Avia, 75015 Paris, France
Alstom	SA	Director	3 avenue André Malraux, 92300 Levallois-Perret, France
SCDM Domaine (formerly Sagri-F)	SAS	Chairman	32 avenue Hoche, 75008 Paris, France
SCDM Energie Limited	Ltd	Director	50 Cannon Street, London EC4N 6JJ, 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 of Directors	3 boulevard Gallieni, 92130 Issy-les-Moulineaux, France

MARTINE GAVELLE

Name of company	Type	Office or position in the company	Registered office
Colas	SA	Director	1 rue du Colonel Pierre Avia, 75015 Paris, France

COLETTE LEWINER

Name of company	Type	Office or position in the company	Registered office
Bouygues	SA	Director	32 avenue Hoche, 75008 Paris, France
Colas	SA	Director	1 rue du Colonel Pierre Avia, 75015 Paris, 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 Cedex 2, France
Ingenico	SA	Director *(until May 16, 2018)*	28-32 boulevard de Grenelle, 75015 Paris, France
CGG	SA	Director	33 avenue du Maine, 75015 Paris, France

BOUYGUES

Name of company	Type	Office or position in the company	Permanent representative	Registered office
Bouygues Telecom	SA	Director	Philippe Marien	32, avenue Hoche - 75008 Paris, France
Bouygues Construction	SA	Director	Philippe Marien	1, avenue Eugène Freyssinet 78280 Guyancourt, France
Bouygues Immobilier	SA	Member of the Board of Directors	Philippe Marien	3, boulevard Gallieni 92130 Issy-les-Moulineaux, France
Télévision Française 1 (TF1)	SA	Director	Philippe Marien	1, quai du Point du Jour 92100 Boulogne-Billancourt, France
Alstom	SA	Director	Philippe Marien	3, avenue André Malraux 92300 Levallois-Perret, France
Colas	SA	Director	Philippe Marien	1, rue du Colonel Pierre Avia - 75015 Paris, France
32 Hoche	GIE	Director	Georges Colombani	32, avenue Hoche - 75008 Paris, France
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	Non profit	Member of the Board of Directors	Charles-Henri Burgelin	30, route de Longjumeau 91385 Chilly-Mazarin, France

PHILIPPE MARIEN

Name of company	Type	Office or position in the company	Registered office
Bouygues Telecom	SA	Permanent representative of Bouygues on the Board of Directors	37-39 rue Boissière 75116 Paris, France
Télévision Française 1 (TF1)	SA	Permanent representative of Bouygues on the Board of Directors	1 quai du Point du Jour 92100 Boulogne-Billancourt, France
Colas	SA	Permanent representative of Bouygues on the Board of Directors	1 rue du Colonel Pierre Avia 75015 Paris, France
Alstom	SA	Permanent representative of Bouygues on the Board of Directors	3 avenue André Malraux 92300 Levallois Perret, France
Bouygues Immobilier	SAS	Permanent representative of Bouygues on the Board of Directors	3 boulevard Gallieni 92130 Issy-les-Moulineaux, France
Bouygues Construction	SA	Permanent representative of Bouygues on the Board of Directors	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
Uniservice (Swiss law)	SA	Director	Rue du Conseil Général 3, 1203 Geneva, Switzerland
Bouygues	SA	Deputy Chief Executive Officer	32 avenue Hoche, 75008 Paris, France

CATHERINE RONGE

Name of company	Type	Office or position in the company	Registered office
Colas	SA	Director	1 rue du Colonel Pierre Avia, 75015 Paris, France
Inneva	SAS	Chairman	3 rue de Chaillot, 75116 Paris, France
Paprec Holding	SA	Director	7 rue du Docteur Lancereaux, 75008 Paris, France
Weave Air	SAS	Chairman	37 rue du Rocher, 75008 Paris, France
Eramet	SA	Director	33 avenue du Maine, 75015 Paris, France

OLIVIER ROUSSAT

Name of company	Type	Office or position in the company	Registered office
Bouygues	SA	Deputy Chief Executive Officer	32 avenue Hoche, 75008 Paris, France
Bouygues Telecom	SA	Director, Chairman	37-39 rue Boissière, 75116 Paris, France
Télévision Française 1 (TF1)	SA	Director	1 quai du Point du Jour, 92100 Boulogne-Billancourt, France
Bouygues Construction	SA	Director	1 avenue Eugène Freyssinet, 78280 Guyancourt, France
Bouygues Immobilier	SAS	Member of the Board of Directors	3 boulevard Gallieni, 92130 Issy-les-Moulineaux, France

2. Agreements entered into, directly or through an intermediary, between one of the company officers and/or one of the shareholders holding more than 10% of the voting rights of a company, and another company in which the former directly or indirectly holds more than half of its share capital (apart from agreements concerning ordinary transactions and signed subject to normal conditions)

Bouygues SA, a shareholder holding more than 10% of Colas SA's voting rights, has signed a tax consolidation agreement with certain Colas SA subsidiaries. This concerns the following subsidiaries:

Subsidiary consolidation group	Year of inclusion in the tax
COLAS CENTRE-OUEST	2001
COLAS NORD-OUEST	2001
COLAS ÎLE-DE-FRANCE NORMANDIE	2001
COLAS MARTINIQUE	2001
COLAS MIDI-MÉDITERRANÉE	2001
COLAS NORD-PICARDIE	2001
COLAS RHÔNE-ALPES AUVERGNE	2001
COLAS SA	2001
COLAS SUD-OUEST	2001
GTOI	2001
SACER ATLANTIQUE *(merged into Colas on December 1, 2018)*	2001
SACER PARIS NORD-EST *(merged into Colas on December 1, 2018)*	2001
SACER SUD-EST *(merged into Colas on December 1, 2018)*	2001
SCREG EST *(merged into Colas on December 1, 2018)*	2001
SCREG ÎLE-DE-FRANCE NORMANDIE *(merged into Colas on December 1, 2018)*	2001
SACER NORD-PICARDIE *(merged into Colas on December 1, 2018)*	2001
SCREG OUEST *(merged into Colas on December 1, 2018)*	2001
SACER SUD-EST *(merged into Colas on December 1, 2018)*	2001
SCREG SUD-OUEST *(merged into Colas on December 1, 2018)*	2001
COLAS RAIL *(formerly Secorail)*	2001
SMAC	2001
AXIMUM *(formerly Somaro)*	2001
SPAC	2001
RESIPOLY CHRYSOR	2004
AXTER	2009
SGTE	2010
PERRIER TP	2010
RIBAL TRAVAUX PUBLICS	2011
SOGETRA	2012
SRD	2014
AXIMUM PRODUITS ÉLECTRONIQUES	2015
AXIMUM PRODUITS DE SÉCURITÉ	2015
CARRIÈRES ET MATÉRIAUX DU GRAND OUEST	2015
COLAS MAYOTTE	2016
ETPC	2016
SES NOUVELLE	2016
CMCA	2018
COLAS PROJECTS	2018
PERASSO	2018

The Board of Directors has not been advised of any other agreements that fall within the framework of Article L. 225-37-4 par. 2 of the French Commercial Code.

3. Summary table of delegations of powers concerning capital increases

The table below provides a summary of current financial authorizations granted by the Shareholders' Meeting to the Board of Directors for the purposes of buying back shares, increasing or reducing the share capital, or awarding stock options.

Only the authorization to trade in the Company's shares was used in 2018.

Purpose of authorization	Nominal cap	Expiry/Duration	Usage in 2018
Share buybacks and reduction in share capital			
1. Buying back by the Company of its own shares (Shareholders' Meeting of April 12, 2018, Resolution 9)	1% of share capital, total cost capped at 71,839,900 euros	October 12, 2019 (18 months)	45,759 shares bought 27,259 shares sold (under the liquidity agreement)
2. Reducing share capital by retiring shares (Shareholders' Meeting of April 12, 2018, Resolution 11)	10% of share capital per 24-month period	October 12, 2019 (18 months)	None
Share issues			
3. Carrying out capital increases with preferential subscription rights for existing shareholders (Shareholders' Meeting of April 11, 2017, Resolution 18)	Capital increase: 10 million euros Issue of debt securities: 10 million euros	June 11, 2019 (26 months)	None
4. Carrying out capital increases by way of a public offering without preferential subscription rights for existing shareholders (Shareholders' Meeting of April 11, 2017, Resolution 19)	Capital increase: 10 million euros Issue of debt securities: 10 million euros	June 11, 2019 (26 months)	None
5. Carrying out capital increases 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 (Shareholders' Meeting of April 11, 2017, Resolution 20)	Capital increase: 10 million euros and 20% of share capital over a period of 12 months Issue of debt securities: 10 million euros	June 11, 2019 (26 months)	None
6. Raising the number of new shares to be issued in the event of a capital increase with or without preferential subscription rights for existing shareholders (Shareholders' Meeting of April 11, 2017, Resolution 21)	15% of the initial issue	June 11, 2019 (26 months)	None
7. Increasing the share capital through the capitalization of share premiums, reserves or earnings (Shareholders' Meeting of April 11, 2017, Resolution 22)	10 million euros	June 11, 2019 (26 months)	None

The table below provides a summary of the financial authorizations requested at the Shareholders' Meeting of April 17, 2019.

Purpose of authorization	Nominal cap	Expiry/Duration
Share buybacks and reduction in share capital		
1. Buying back by the Company of its own shares (Resolution 17)	1% of share capital, total cost capped at 58,778,100 euros	October 17, 2020 (18 months)
2. Reducing share capital by retiring shares (Resolution 19)	10% of share capital per 24-month period	October 17, 2020 (18 months)
Share issues		
3. Carrying out capital increases with preferential subscription rights for existing shareholders (Resolution 20)	Capital increase: 10 million euros Issue of debt securities: 10 million euros	June 17, 2020 (26 months)
4. Carrying out capital increases by way of a public offering without preferential subscription rights for existing shareholders (Resolution 21)	Capital increase: 10 million euros Issue of debt securities: 10 million euros	June 17, 2020 (26 months)
5. Carrying out capital increases 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 (Resolution 22)	Capital increase: 10 million euros and 20% of share capital over a period of 12 months Issue of debt securities: 10 million euros	June 17, 2020 (26 months)
6. Raising the number of new shares to be issued in the event of a capital increase with or without preferential subscription rights for existing shareholders (Resolution 23)	15% of the initial issue	June 17, 2020 (26 months)
7. Increasing the share capital through the capitalization of share premiums, reserves or earnings (Resolution 24)	10 million euros	June 17, 2020 (26 months)

4. Methods of exercising general management in accordance with Article L. 225-51-1 of the French Commercial Code

The Board of Directors has decided not to separate the roles of Chairman and Chief Executive Officer.

The age limit for serving as **Chairman of the Board of Directors** is the day after the Shareholders' Meeting to approve the annual financial statements for the year in which the Chairman reaches the age of 67. When the Chairman turns 65, his/her term of office may continue for a maximum of one year, subject to confirmation by the Board of Directors at its next meeting. The Chairman's term of office may then be renewed for a second period ending no later than the date of the Shareholders' Meeting to approve the annual financial statements for the year in which the Chairman reaches the age of 67.

The age limit for serving as **Chief Executive Officer** is the day after the Shareholders' Meeting to approve the annual financial statements for the year in which the Chief Executive Officer reaches the age of 67. When the Chief Executive Officer turns 65, his/her term of office may continue for a maximum of one year, subject to confirmation by the Board of Directors at its next meeting. The Chief Executive Officer's term of office may then be renewed for a second period ending no later than the date of the Shareholders' Meeting to approve the annual financial statements for the year in which the Chief Executive Officer reaches the age of 67.

5. Composition, conditions for preparation and organization of the work of the Board of Directors

5.1. Overview of the organization of the Board of Directors

5.1.1. MEMBERSHIP

At the end of its meeting of February 19, 2019, the Company's Board of Directors consisted of seven Directors:

— Hervé Le Bouc – Chairman and Chief Executive Officer;
— Olivier Roussat;
— Olivier Bouygues;
— Bouygues SA, with Philippe Marien as permanent representative;
— Martine Gavelle – independent Director;
— Colette Lewiner – independent Director;
— Catherine Ronge – independent Director;

and one Non-voting Director, Arnauld Van Eeckhout.

Directors and the Non-voting Director are appointed by the Shareholders' Meeting for a term of office lasting two years.

5.1.2. CHANGES IN THE MEMBERSHIP OF THE BOARD SINCE THE LAST SHAREHOLDERS' MEETING

Jean-François Guillemin tendered his resignation as Non-voting Director with effect as of April 28, 2018.

In accordance with Article 23 of the Company's bylaws, the Board of Directors provisionally appointed Arnauld Van Eeckhout to replace Jean-François Guillemin as Non-voting Director for the remainder of the latter's term of office, which expires at the close of the Shareholders' Meeting called to approve the financial statements for fiscal year 2018.

François Bertière tendered his resignation as Director at the end of the Board meeting of February 19, 2019.

In accordance with Article 15 of the Company's bylaws, the Board of Directors provisionally appointed Olivier Roussat to replace François Bertière as Director for the remainder of the latter's term of office, which expires at the close of the Shareholders' Meeting called to approve the financial statements for fiscal year 2018.

5.1.3. RESOLUTIONS CONCERNING BOARD MEMBERSHIP SUBMITTED TO THE SHAREHOLDERS' MEETING

A proposal will be submitted to the Shareholders' Meeting of April 17, 2019 recommending:

- ratification of the provisional appointment of Olivier Roussat as Director to replace François Bertière;
- renewal of the term of office of Hervé Le Bouc as Director for one year;
- renewal of the terms of office of the following Directors for two years:
  - Olivier Roussat,
  - Olivier Bouygues,
  - Bouygues SA,
  - Martine Gavelle,
  - Colette Lewiner;
- ratification of the provisional appointment of Arnauld Van Eeckhout as Non-voting Director;
- renewal of the term of office of Arnauld Van Eeckhout as Non-voting Director for a period of two years.

If the Shareholders' Meeting of April 17, 2019 approves these resolutions, the Board of Directors will be composed of the following seven Directors:

- Hervé Le Bouc – Chairman and Chief Executive Officer;
- Olivier Bouygues;
- Bouygues SA, with Philippe Marien as permanent representative;
- Olivier Roussat;
- Martine Gavelle – independent Director;
- Colette Lewiner – independent Director;
- Catherine Ronge – independent Director;

and one Non-voting Director, Arnauld Van Eeckhout.

5.1.4. 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/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/she may also have to forgo 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.

5.1.5. 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 and risk mapping;
- in February, it approves the financial statements for the previous fiscal year;
- in May, it approves the financial statements to March 31;
- in August, it approves the financial statements to June 30;
- in November, it approves the financial statements to September 30.

Other Board meetings are organized as required by the Group's activities.

The Statutory Auditors are systematically invited to all Board meetings to review the annual or interim financial statements.

Persons from outside the Board of Directors, who may or may not be part of the Colas Group, may be invited to attend all or some Board meetings.

5.1.6. COMMITTEES

The Board is assisted in the performance of its duties by:

- an Audit 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.

Audit Committee

The Audit Committee meets four times a year to review the consolidated and parent company financial statements in advance of the Board of Directors' Meetings. In January 2018, a fifth meeting of the Audit Committee was organized, during which the business plan and risk mapping were presented.

It is made up of:
— Philippe Marien (Chairman);
— Colette Lewiner; and
— Catherine Ronge.

The Audit 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 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.

Selection and Compensation Committee

The Selection and Compensation Committee is responsible for recommending to the Board the compensation and benefits for 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 made up of:
— Colette Lewiner (Chairman with a casting vote); and
— Arnauld Van Eeckhout (appointed to replace Jean-François Guillemin on May 15, 2018).

Ethics and Corporate Sponsorship Committee

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.

It is made up of:
— Arnauld Van Eeckhout (appointed to replace Jean-François Guillemin on May 15, 2018);
— François Bertière (until February 20, 2019);
— Martine Gavelle; and
— Colette Lewiner.

5.2. Activity report of the Board of Directors for fiscal year 2018

The Board met six times during fiscal year 2018. The average attendance rate at Board of Directors' meetings called to transact ordinary business was 97%.

The agenda for these six Board meetings was as follows:

January 12, 2018	– Approval of the minutes of the Board of Directors' meeting of November 14, 2017 – 2018–2020 business plan – Risk mapping – Endorsements and warranties – Agreements specified in Articles L. 225-35 and L. 225-38 et seq. of the French Commercial Code – Miscellaneous matters
February 20, 2018	– Approval of the minutes of the Board of Directors' meeting of January 12, 2018 – Company's position – Review and approval of the 2017 financial statements – Consolidated financial statements – Parent company financial statements – Proposed earnings appropriation – Press release – Review and approval of the documents mentioned in Articles L. 232-2 *et seq.* of the French Commercial Code – Summary note on strategy (French employment act of June 14, 2013) – Company policy regarding professional and wage equality – Board of Directors – Terms of office of Directors – Term of office of the Chairman and Chief Executive Officer – Compensation paid to the Chairman – Directors' fees – Agreements specified in Articles L. 225-38 et seq. of the French Commercial Code – Endorsements and warranties – Share capital – Convening of the Combined Shareholders' Meeting: Ordinary meeting – Agenda – Board of Directors' management report – Report on corporate governance (Article L. 225-37 of the French Commercial Code) – Draft resolutions Extraordinary meeting – Agenda – Report of the Board of Directors – Draft resolutions – Miscellaneous matters

May 15, 2018	– Resignation of a Non-voting Director – Co-opting of a replacement Non-voting Director – Selection and Compensation Committee – Ethics and Corporate Sponsorship Committee – Approval of the minutes of the Board of Directors' meeting of February 20, 2018 – Position of the Company and its subsidiaries – Review and approval of the consolidated financial statements to March 31, 2018 – Agreements specified in Articles L. 225-38 et seq. of the French Commercial Code – Endorsements and warranties – Relocation of Colas' head office – Press release – Miscellaneous matters
August 28, 2018	– Approval of the minutes of the Board of Directors' meeting of May 15, 2018 – Position of the Company and its subsidiaries – Approval of the financial statements to June 30, 2018 and approval of the interim financial report – Updating of management forecasts – Regulated agreement – Endorsements and warranties – Proposed merger of the following companies into Colas: Sacer Atlantique, Sacer Paris Nord-Est, Sacer Sud-Est, Screg Est, Screg Nord-Picardie, Screg Île-de-France Normandie, Screg Ouest, Screg Sud-Ouest, Screg Sud-Est – Proposed dissolution through merger of assets and liabilities of SNC Pointe-des-Grives – Press release – Miscellaneous matters
November 12, 2018	– Approval of the minutes of the Board of Directors' meeting of August 28, 2018 – Position of the Company and its subsidiaries – Regulated agreements – Endorsements and warranties – Press release – Miscellaneous matters
December 11, 2018	– Endorsements and warranties to be authorized within the framework of the Liège tram contract

5.3. Operations of the committees established

5.3.1. AUDIT COMMITTEE

The Audit Committee met five times. The attendance rate at these meetings was 100%.

The Committee reviewed the Company's annual financial statements and the quarterly, interim and full-year consolidated financial statements, as well as matters relating to internal control and risk management procedures.

It also reviewed the following topics:
— market outlook;
— strategy;
— three-year plan;
— progress made in GDPR compliance;
— presentation of Group IT security measures;
— analysis of Colas Rail's trade receivables;
— process of reappointing a Statutory Auditor.

5.3.2. SELECTION AND COMPENSATION COMMITTEE

The Selection and Compensation Committee met on February 14, 2018 to review the compensation awarded to Hervé Le Bouc, Chairman and Chief Executive Officer, and to make its recommendations.

5.3.3. ETHICS AND CORPORATE SPONSORSHIP COMMITTEE

The Ethics and Corporate Sponsorship Committee met in January 2018 to review major corporate sponsorship efforts in 2017 and the roll-out of compliance programs (timetable, practical implementation).

6. Diversity policy

6.1. Diversity policy applied to the Board of Directors

The Board consists of three female Directors among the seven total Directors, pursuant to the provisions of Article L. 225-17 of the French Commercial Code.

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 make up 42% of the Board, in accordance with French law for listed companies.

6.2. Diversity policy applied to Executive Management

As regards the Committee set up by Executive Management to help it to perform its general duties, no specific policy has been adopted concerning equal representation of men and women.

Throughout the year, Colas' Executive Management nevertheless demonstrated its firm belief that respecting professional and wage equality between men and women within the company is a factor for ensuring progress and fairness at all levels that contributes to the company's performance and everyone's wellbeing, both individually and collectively.

The policy pursued in this area falls within the framework of Colas' gender diversity plan, one of the aims of which is to have 30% women in management positions by 2020, with the goal of attracting and recruiting, retaining and promoting more women, in particular by offering them the same career development and same compensation as men for the equivalent level of skill. This commitment to gender diversity was reasserted by the chairmen of subsidiaries in Metropolitan France in April 2017 on signing up to the company Diversity Charter.

More specifically, and for the first time, a Colas Group landmark agreement was signed on June 28, 2018, to define its guiding principles in terms of professional equality between men and women to be shared by all Group companies. At the same time, following on from this agreement and in order to reflect the actions and measures that are most appropriate to its situation, each subsidiary has initiated negotiation of an additional agreement to roll out this landmark agreement.

Planned measures include primarily raising awareness (in particular with a campaign to raise awareness about sexism), training ("Feminine leadership"), partnership agreements with associations promoting diversity, ongoing efforts to support professional development specifically for women such as mentoring, initiatives launched as part of the mixed network (WE Network), and measures to improve working conditions and reconcile professional life with family responsibilities.

In addition, on December 1, 2017, a Group agreement relating to quality of life at work and professional equality applicable to all subsidiaries in Metropolitan France was signed for a period of four years, with effect as of January 1, 2018. It provides for a certain number of measures to support work-life balance.

In 2018, the proportion of women in positions of most responsibility was as follows:

	Women	Men	Total	Proportion of women (%)
Manager	14	210	224	5.7%
Deputy Manager	14	153	167	8.3%
Department head	59	652	711	8.3%

7. Any limitations placed by the Board of Directors on the powers of the Chief Executive Officer

The Chief Executive Officer shall be vested with the broadest powers to act in any event on the Company's behalf. He/she shall exercise those powers within the confines of the Company's corporate purpose and to the exclusion of powers expressly granted by law to Shareholders' Meetings or the Board of Directors (see Article 20.2 of the Company's bylaws).

8. Corporate governance code

Colas refers to the Afep-Medef corporate governance code for listed companies. This code was updated in June 2018. It is published on the Medef website, www.medef.com, and on the Afep website, www.afep.com.

9. Terms and conditions for shareholders' participation in Shareholders' Meetings

The terms and conditions for shareholders' participation in Shareholders' Meetings are mentioned in Title V "Shareholders' Meetings" of the Company's bylaws.

10. Executive compensation

10.1. Fixed, variable and exceptional elements of total compensation and benefits in kind paid or attributable to the Chairman and Chief Executive Officer in respect of 2018

The Shareholders' Meeting of April 12, 2018, by adopting the seventh resolution, approved the principles and criteria for the determination, allocation and awarding of fixed, variable and exceptional elements of total compensation and benefits in kind attributable, in respect of his office, to the Chairman and Chief Executive Officer for 2018.

In accordance with the provisions of Article L. 225-100 II of the French Commercial Code, the Shareholders' Meeting is invited to reach a decision on the fixed, variable and exceptional components of total compensation and benefits in kind attributable to the Chairman and Chief Executive Officer in respect of 2018.

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.

These elements of compensation paid to the Chairman and Chief Executive Officer in respect of 2018 are as follows:

2018 SUMMARY

Fixed (FC)	€920,000
Annual bonus [(1)]	€690,000
Directors' fees	€20,000
Benefits in kind	€4,100
Total	€1,634,100
Pension rights	0.92%
Stock options (BY)	80,000

2018 PENSION RIGHTS CALCULATION

Target	€294M (average consolidated net profit in the 2018, 2017 and 2016 plans) – 10%
Actual	€303M (average consolidated net profit in the 2018, 2017 and 2016 plans)
Pension rights	0.92%

2018 ANNUAL BONUS CALCULATION (3)

Bonus	Target (Plan) 2018	Actual 2018	Calculation % of fixed
P1 RNC.BY	€996M	€1,311M (132%)	60%
P2 MOC.MET	3.3%	2.7% (82%)	0%
P3 RNC.MET	€320M	€226M (71%)	0%
P4 RNC.MET (2) n-1	€328M	€246M (75%)	0%
P5 QUAL (4)	-	-	15%
Total			75%
Cap			150% of FC
Amount of 2018 annual bonus (1)			€690,000

(1) *Payment in 2019 if approved by the Shareholders' Meeting.*

(2) *Excluding exceptional items.*

(3) *Summary of calculation method: each Bonus P1, P2, P3 and P4, is calculated as follows:*

*If performance is **more than 10% below Target**: Bonus concerned (P1, P2, P3 or P4) = 0*	*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*	*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 is determined on the basis of performance (CSR-Compliance) as assessed by the Board of Directors, with a cap = 50% of FC.

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

(4) *Qualitative criteria: for 25% CSR (Safety; recycling); for 25% Compliance (dissemination of compliance programs; letters of commitment) + possibility of reducing P5 or canceling it in the case of a serious event during the year.*

The Shareholders' Meeting of April 17, 2019 is invited to reach a decision on the following resolution:

"The Shareholders' Meeting, which meets the quorum and majority requirements for Ordinary Shareholders' Meetings, having examined the items of compensation due and awarded to Hervé Le Bouc in his capacity as Chairman and Chief Executive Officer in respect of 2018, as presented in the report on corporate governance in accordance with Article L. 225-37-3 of the French Commercial Code, and in accordance with the provisions of Article L. 225-100 of the French Commercial Code, renders an opinion in favor of these items of compensation."

10.2. 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 for 2019

The Board of Directors has approved the general principles shown below, which will be used to determine compensation and benefits attributable to the Chairman and Chief Executive Officer of Colas for 2019.

2019 FIXED COMPENSATION (FC)

€920,000

2019 ANNUAL BONUS [1]

Bonus (P)	Target (O)	Target achieved	Target not achieved	Performance 20% above target
			Linear change	
P1 CFL.BY [4]	€900M (2019 target)	40% of FC	< 20% = 0% of FC	55% of FC
P2 MOC.MET	3.2% (2019 plan)	35% of FC	< 10% = 0% of FC	45% of FC
P3 RNC.MET [2]	€275M (2019 plan)	35% of FC		60% of FC
P4 QUAL [3]		40% of FC		40% of FC
TOTAL				200% of FC
Overall cap				150% of FC

CALCULATION METHOD

(FC = Fixed compensation = €920,000)

P1 → Target = Bouygues free cash flow [5]

— If the target is achieved, **P1 = 40% of FC.**
— If 2019 free cash flow is 20% below target, P1 = 0;
— If 2019 free cash flow is 20% above target, **P1 = 55% of FC**.
— Between this lower limit and this upper limit, P1 varies on a linear basis from 0% to 40%, then from 40% to 55%.

P2 → Target = Current operating margin in Colas' 2019 plan

— If the target is achieved, **P2 = 35% of FC.**
— If Colas' 2019 current operating margin is 10% below target, P2 = 0;
— If Colas' 2018 current operating margin is 20% above the target, **P2 = 45% of FC**.
— Between this lower limit and this upper limit, P2 varies on a linear basis from 0% to 10%, then from 10% to 20%.

P3 → Target = Consolidated net profit in Colas' 2019 plan

— If the target is achieved, **P3 = 35% of FC.**
— If Colas' 2019 consolidated net profit is 10% below target, P3 = 0;
— If Colas' 2019 consolidated net profit is 20% above target, P3 = 60% of FC.
— Between this lower limit and this upper limit, P3 varies on a linear basis from 0% to 25%, then from 25% to 50%.
— **However, if Colas' net profit as expected in the 2019 plan is at least 20% below 2018 net profit, P3 cannot be more than 25% and will be adjusted for exceptional items.**

P4 → Qualitative criteria: 40% of FC

Compliance	10%	Implementation of the Sapin 2 law as part of the compliance program
CSR development	10%	Improvement in workplace accident frequency rate relative to 2018. 14% of materials recycled as a proportion of total aggregates produced.
Overall qualitative assessment	20%	

(1) Payment in 2020 if approved by the Shareholders' Meeting in April 2020.
(2) If net consolidated profit for the 2019 plan is at least 20% lower than consolidated net profit for the business line in 2018, P3 cannot be more than 25% of FC. Net consolidated profit is adjusted for exceptional items.
(3) For 10% Compliance (implementation of the Sapin 2 law); for 10% CSR (safety: improvement in workplace accident frequency rate relative to 2018 + environmental criterion: 14% of materials recycled as a proportion of total aggregates produced); Management assessment 20% + possibility of reducing P5 or canceling it in the case of a serious event during the year. The calculation methods used are the same as the methods used to calculate the 2018 bonus.
(4) Free cash flow after change in operating WCR and WCR relating to fixed assets.
(5) Free cash flow after change in operating WCR and WCR relating to operating assets.

OTHER ITEMS OF 2019 COMPENSATION

Directors' fees paid in 2019 by Colas or a Bouygues Group subsidiary	Director's fees will be kept by the senior executive
2019 benefits in kind	Provision of a car and driver that may be used for professional and personal use
Pension add-on	
– Annual cap on acquisition of pension rights	0.92% of 2019 reference salary (fixed + annual bonus)
– Overall cap on acquisition of pension rights	8x the annual French social security ceiling: €324,192 in 2019
– Colas performance conditions	

Target	Target not achieved	Target achieved
Plan average -10% (Plan average = average Colas group net consolidated profit in the 2019, 2018 and 2017 plans)	(Average net consolidated profit 2019 – 2018 and 2017 more than 10% below Plan average)	(Average net consolidated profit 2019 – 2018 – 2017 equal to or above Plan average)
	0	0.92% of reference salary
	⟷ Linear change	

The Shareholders' Meeting of April 17, 2019 is invited to reach a decision on the following resolution:

"The Shareholders' Meeting, which meets the quorum and majority requirements for Ordinary Shareholders' Meetings, having familiarized itself with the report on corporate governance and in accordance with the provisions of 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."

11. Chairman and Chief Executive Officer: Separation of corporate office and employment – Supplementary pension plan – Severance package – Non-competition payment

Executive company officer	Employment contract		Supplementary pension plan (1)		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) See section 10.

(2) Severance package – Non-competition payment: neither the Company and its subsidiaries nor Bouygues have made any commitment or any promise to grant separation pay 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.

12. Director's fees paid to Directors

Pursuant to Article 20.4 of the Afep-Medef Code, the overall amount of directors' fees to be allotted 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.

In its decision of February 19, 2019, the Board of Directors decided to allocate, in accordance with the means of allocation decided by the Board at its meeting of February 23, 2015, a total of 206,400 euros divided between the Directors as follows:

(in euros)		Source	2018	2017
Hervé Le Bouc	Chairman and Chief Executive Officer	Colas SA Directors' fees	20,000	20,000
Subtotal: Executive company officers				
François Bertière	Director	Colas SA Directors' fees	24,000	24,000
Olivier Bouygues	Director	Colas SA Directors' fees	20,000	20,000
Colette Lewiner	Director	Colas SA Directors' fees	32,000	32,000
Martine Gavelle	Director	Colas SA Directors' fees	22,400	24,000
Philippe Marien	Director, Permanent representative of Bouygues SA	Colas SA Directors' fees	24,000	24,000
Catherine Ronge	Director	Colas SA Directors' fees	24,000	22,400
Jean-François Guillemin	Non-voting Director (resigned on April 28, 2018)	Colas SA Directors' fees	23,200	28,000
Arnauld Van Eeckhout	Non-voting Director (provisionally appointed on May 15, 2018)	Colas SA Directors' fees	16,800	/
Subtotal: Other Directors		**Colas SA Directors' fees**	**175,600**	**174,400**
Total Directors' fees for executive company officers and Directors			**206,400**	**194,400**

13. Performance shares

13.1. Performance shares granted during the fiscal year to the Chairman and Chief Executive Officer

Pursuant to the provisions of Article 25 of the Afep-Medef Code, it is specified that no performance shares were granted by the Company in 2018.

13.2. Performance shares vested during the fiscal year to the Chairman and Chief Executive Officer

Pursuant to the provisions of Article 25 of the Afep-Medef Code, it is specified that no performance shares vested as no performance shares have been granted.

14. Information that may have an impact in the event of a public offer

14.1. Shareholding structure

Colas' shareholding structure as of December 31, 2018, was as follows:

Shareholder	Number of shares	%	Number of voting rights	%
Bouygues SA	31,543,222	96.60	63,086,444	97.90
"Colas en actions" investment fund	235,676	0.72	471,352	0.73
"Colas shares" investment fund	4,220	0.01	8,440	0.01
Free float	852,288	2.61	857,708 (2)	1.36
Colas SA (treasury shares)	19,093 (1)	0.06	/	/

(1) Traded position.
(2) Unwound position.

14.2. Statutory limitations on the exercise of voting rights and transfers of shares and any clauses of agreements brought to the attention of the Company in accordance with Article L. 233-11 of the French Commercial Code

To the Board of Directors' knowledge, there are no limitations on the exercise of voting rights and transfers of shares.

14.3. Direct or indirect shareholdings in the Company of which it is aware in accordance with Articles L. 233-7 and L. 233-12 of the French Commercial Code

Colas SA is controlled by Bouygues SA, which holds around 96.60% of share capital.

Colas SA does not have any shareholdings in Bouygues SA.

14.4. List of holders of any securities with special control rights and description of those rights

In accordance with the provisions of Article 31 "Voting rights and quorum" of the bylaws, a double voting right conferred on other shares on the basis of the share capital they represent is attributed to all fully paid-up shares for which proof is provided of registration for at least two years in the name of the same shareholder.

Colas SA is controlled by Bouygues SA, which held around 96.60% of share capital as of December 31, 2018, equal to 31,543,222 shares entitling it to 63,086,444 voting rights.

14.5. Control mechanism provided under an employee shareholding plan

To the Board of Directors' knowledge, there is no control mechanism relating to the employee shareholding plan.

14.6. Agreement between shareholders that may result in restrictions on the transfer of shares and the exercise of voting rights

To the Board of Directors' knowledge, there is no agreement between shareholders that may result in restrictions on the transfer of shares and the exercise of voting rights.

14.7. Rules applicable to the appointment and replacement of members of the Board of Directors and amendment of the bylaws

14.7.1. APPOINTMENT AND REPLACEMENT OF MEMBERS OF THE BOARD OF DIRECTORS

In accordance with the provisions of Articles 13, 14 and 15 of the bylaws, the Company is administered by a Board of Directors comprising at least three and no more than eighteen members appointed by the Shareholders' Meeting. Legal entities can be members of the Board of Directors. Upon their appointment, they must appoint a permanent representative who is subject to the same conditions and obligations and incurs the same liabilities as if this person were a Director in his/her own name, without prejudice to the joint and several liability of the legal entity he/she represents. Company employees can only be appointed as Director if their employment contract pre-dates their appointment and corresponds to actual employment. Any appointment made in violation of this provision is null and void. However, this does not render null and void the deliberations in which the irregularly appointed Director has taken part. The number of Directors linked to the Company by an employment contract cannot exceed one-third of Directors in office.

Directors are appointed for an initial term of office of two years. The Board of Directors shall be renewed at each annual Shareholders' Meeting, with this process involving one or more members, if applicable, so that the Board can be completely renewed in two years, done as equally as possible according to the number of members. All outgoing members can be reappointed.

If a seat becomes vacant as a result of death or resignation during the period between two Shareholders' Meetings, the Board of Directors may make a provisional replacement. The

Director appointed to replace another Director shall only serve for the remainder of his/her predecessor's term of office. Provisional appointments of Directors are subject to ratification at the next Ordinary Shareholders' Meeting. If they are not ratified, deliberations and acts carried out previously by the Board shall remain valid. If just two Directors remain in office, the Shareholders' Meeting must be immediately convened by the Directors or, as necessary, by the Statutory Auditors in order to complete the Board.

14.7.2. AMENDMENT OF THE BYLAWS

The bylaws may only be amended, unless otherwise required by law, on the basis of a decision by the Extraordinary Shareholders' Meeting.

14.8. Powers of the Board of Directors

In accordance with the provisions of Article 19 "Powers of the Board of Directors", the Board of Directors determines the Company's business strategy and oversees its implementation. Subject to the powers expressly attributed to Shareholders' Meetings and within the limits of the Company's purpose, it handles all matters relating to the proper operation of the Company and settles matters concerning the Company by means of its deliberations. In relations with third parties, the Company is bound even by the acts of the Board of Directors that do not fall within the scope of its corporate purpose unless it can prove that the third party knew that the act was outside its corporate purpose or that it could not have been unaware of this given the circumstances, it being excluded that the mere publication of the bylaws constitutes sufficient proof thereof. The Board of Directors carries out any controls and verifications it deems appropriate. The Chairman or the Chief Executive Officer of the Company is responsible for providing all Directors with all documents and information needed to perform their duties. The Board of Directors sets the level of compensation paid to the Chairman, the Chief Executive Officer and Deputy Chief Executive Officers and determines the benefits and ancillary benefits to which they are entitled.

In addition, the Board of Directors benefits from the financial authorizations set out above (see summary table of current delegations of powers in this report).

14.9. Agreements entered into by the Company that are amended or end in the event of change of ownership

To the Board of Directors' knowledge, there are no material agreements entered into by the Company that would be amended or end in the event of change of ownership.

14.10. Agreements providing for compensation for members of the Board of Directors or employees if they resign or are made redundant without real and serious cause or if their employment ends because of a public offer for purchase or exchange

To the Board of Directors' knowledge, there are agreements providing for compensation for members of the Board of Directors or employees if they resign or are made redundant without real and serious cause or if their employment ends because of a public offer for purchase or exchange.

The Board of Directors

RESOLUTIONS

1. AGENDA

1.1. Ordinary resolutions

- Approval of the parent company financial statements
- Approval of the consolidated financial statements
- Earnings and earnings appropriation
- Approval of the agreements and transactions specified in Articles L. 225-38 *et seq.* of the French Commercial Code
- Approval of the defined-benefit pension commitment for Hervé Le Bouc
- Opinion on the items of compensation due and awarded to Hervé Le Bouc in respect of fiscal year 2018 in his capacity as Chairman and Chief Executive Officer
- 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
- Ratification of the appointment of Olivier Roussat as Director
- Renewal of the term of office of Olivier Roussat as Director
- Renewal of the term of office of Hervé Le Bouc as Director
- Renewal of the term of office of Olivier Bouygues as Director
- Renewal of the term of office of Bouygues SA as Director
- Renewal of the term of office of Martine Gavelle as Director
- Renewal of the term of office of Colette Lewiner as Director
- Ratification of the appointment of Arnauld Van Eeckhout as Non-voting Director
- Renewal of the term of office of Arnauld Van Eeckhout as Non-voting Director
- Appointment of PricewaterhouseCoopers Audit as Statutory Auditor to replace KPMG Audit IS
- KPMG Audit ID's term of office as Substitute Statutory Auditor
- Authorization granted to the Board of Directors to allow the Company to carry out transactions in its own shares
- Powers to carry out legal requirements

1.2. Extraordinary resolutions

- Authorization given to the Board of Directors to reduce share capital by retiring Company shares that the Company owns
- Delegation of powers granted to the Board of Directors to increase the share capital, with preferential subscription rights, by the issue of shares or investment securities conferring entitlement to Company shares
- 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
- 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
- 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
- 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
- Relocation of the head office and ratification of the amendment of Article 4 of the Company's bylaws
- Amendment of Article 24 of the Company's bylaws
- Powers to carry out legal requirements

2. REPORT ON THE RESOLUTIONS TO BE SUBMITTED TO THE SHAREHOLDERS' MEETING

2.1. Ordinary resolutions

RESOLUTIONS 1, 2 AND 3

Approval of the parent company and consolidated financial statements, appropriation of fiscal year 2018 earnings and setting of the dividend (5.55 euros per share)

Subject and purpose

Approve:

— the individual (parent company) financial statements for fiscal year 2018 showing net profit of 386,085,663.95 euros, and

— the consolidated financial statements for fiscal year 2018 showing net profit attributable to the Group of 226,070 thousand euros.

The detailed financial statements are provided in the 2018 annual report and are available for download at www.colas.com.

The profit available for distribution, which consists of net profit of 386,085,663.95 euros plus retained earnings brought forward of 612,114,070.40 euros, amounts to 998,199,734.35 euros.

We propose that you pay out a total dividend of 181,232,469.45 euros and transfer the remaining balance of 816,967,264.90 euros to retained earnings. The payout represents a dividend of 5.55 euros per share for each of the 32,654,499 existing shares. The payment is eligible, as an option, for natural persons, for the 40% tax allowance provided for under Article 158.3-2° of the French General Tax Code. The dividend will be paid on May 2, 2019. As required by Article 243 bis of the French General Tax Code, dividends paid out in respect of the last three fiscal years are stated below:

Fiscal year ended	Income eligible for tax allowance			Income not eligible for tax allowance (in euros)
	Dividend per share (in euros)	Total dividend	Other distributed income (in euros)	
12/31/2015	5.45	177,967,019.55	/	/
12/31/2016	8.20	267,766,891.80	/	/
12/31/2017	8.20	267,766,891.80	/	/

RESOLUTION 4

Approval of the agreements and regulated commitments

Subject and purpose

Approve the regulated agreements entered into directly or indirectly during fiscal year 2018 between Colas and:

— any of its company officers (senior executives, Directors);

— any company in which a company officer of Colas is also appointed as a company officer;

— any shareholder holding more than 10% of Colas' voting rights.

This approval falls within the scope of the procedure for regulated agreements, which aims to guard against any conflicts of interest. The defined-benefit pension commitment for the Chairman and Chief Executive Officer also has to be approved. As required by law, these agreements and commitments were given prior authorization by the Board of Directors before they were entered into, with the relevant Directors not taking part in the proceedings. A detailed list of these agreements and commitments, their interest for Colas, and their financial arrangements are included in the special report of the Statutory Auditors on regulated agreements and commitments. The agreements and commitments stated in the special report that had previously approved by the Shareholders' Meeting were not submitted for another vote.

RESOLUTION 5

Approval of the defined-benefit pension commitment for Hervé Le Bouc

Subject and purpose

The members of Bouygues' General Management Committee, which include Hervé Le Bouc, are covered by a supplementary pension plan entitling them to an annual benefit amounting to 0.92% of their base salary (average of the three best years) per year of seniority in the plan, capped at eight times the French Social Security limit. Pursuant to Article L. 225-42-1 of the French Commercial Code, the Shareholders' Meeting has to approve by means of individual resolutions the pension plan for Hervé Le Bouc, whose term of office as Chairman and Chief Executive Officer was renewed on February 19, 2019. The features of the defined-benefit contribution plan are presented in the report on corporate governance.

RESOLUTION 6

Opinion on the items of compensation due and awarded to Hervé Le Bouc in respect of fiscal year 2018 in his capacity as Chairman and Chief Executive Officer

Subject and purpose

Pursuant to Article L. 225-100 of the French Commercial Code, shareholders are asked to approve the items of compensation due and awarded to Hervé Le Bouc in respect of fiscal year 2018 in his capacity as Chairman and Chief Executive Officer. In accordance with the provisions of Article L. 225-37-3 of the French Commercial Code, these items are presented in the report on corporate governance.

RESOLUTION 7

Compensation policy for the Chairman and Chief Executive Officer in respect of fiscal year 2019

Subject and purpose

Pursuant to Article L. 225-37-2 of the French Commercial Code, the Board of Directors submits for the approval of the Shareholders' Meeting the principles and criteria for the allocation and award of fixed, variable and exceptional elements of total compensation and benefits in kind attributable, in respect of his office, to the Chairman and Chief Executive Officer for fiscal year 2019 and thereby constituting the compensation policy with respect to him. The principles and criteria laid down by the Board of Directors on the recommendation of the Selection and Compensation Committee are presented in the report on corporate governance pursuant to the provisions of Article L. 225-37-2 of the French Commercial Code. In accordance with Article L. 225-100 of the French Commercial Code, the amounts arising from implementation of these principles and criteria will be submitted for shareholders' approval at the Shareholders' Meeting called to approve the financial statements for fiscal year 2019.

RESOLUTIONS 8 AND 9

Ratification of the appointment of Olivier Roussat as Director to replace François Bertière and renewal of his term of office as Director

Subject and purpose

Ratify the provisional appointment of Olivier Roussat as Director to replace François Bertière, who resigns, for the remainder of the latter's term of office, which expires at the close of the Shareholders' Meeting on April 17, 2019.

In addition to ratifying this provisional appointment, the Board of Directors proposes that you renew the term of office of Olivier Roussat as Director.

Length of term of office

In accordance with the Company's bylaws, this term of office would cover a period of two years, expiring at the close of the Ordinary Shareholders' Meeting called in 2021 to approve the financial statements for the fiscal year ending on December 31, 2020.

RESOLUTION 10

Renewal of the term of office of Hervé Le Bouc as Director

Subject and purpose

Renew Hervé Le Bouc's term of office as Director, which expires at the close of the Shareholders' Meeting on April 17, 2019.

Length of term of office

This term of office would cover a period of one year, expiring at the close of the Ordinary Shareholders' Meeting called in 2020 to approve the financial statements for the fiscal year ending on December 31, 2019.

RESOLUTIONS 11 AND 12

Renewal of the terms of office of Olivier Bouygues and Bouygues SA as Directors

Subject and purpose

Renew the terms of office of Olivier Bouygues and Bouygues SA as Directors, both of which expire at the close of the Shareholders' Meeting on April 17, 2019.

Length of terms of office

In accordance with the Company's bylaws, these terms of office would each cover a period of two years, expiring at the close of the Ordinary Shareholders' Meeting called in 2021 to approve the financial statements for the fiscal year ending on December 31, 2020.

RESOLUTIONS 13 AND 14

Renewal of the terms of office of Martine Gavelle and Colette Lewiner as Directors

Subject and purpose

Renew the terms of office of Martine Gavelle and Colette Lewiner as Directors, both of which expire at the close of the Shareholders' Meeting on April 17, 2019.

Length of terms of office

In accordance with the Company's bylaws, these terms of office would each cover a period of two years, expiring at the close of the Ordinary Shareholders' Meeting called in 2021 to approve the financial statements for the fiscal year ending on December 31, 2020.

RESOLUTIONS 15 AND 16

Ratification of the appointment of Arnauld Van Eeckhout as Non-voting Director to replace Jean-François Guillemin and renewal of his term of office as Non-voting Director

Subject and purpose

Ratify the provisional appointment of Arnauld Van Eeckhout as Non-voting Director to replace Jean-François Guillemin, who resigns, for the remainder of the latter's term of office, which expires at the close of the Shareholders' Meeting on April 17, 2019.

In addition to the ratification of Arnauld Van Eeckhout's provisional appointment, the Board of Directors proposes that you renew his term of office as Non-voting Director.

Length of term of office

In accordance with the Company's bylaws, this term of office would cover a period of two years, expiring at the close of the Ordinary Shareholders' Meeting called in 2021 to approve the financial statements for the fiscal year ending on December 31, 2020.

RESOLUTION 17

Appointment of PricewaterhouseCoopers Audit as Statutory Auditor to replace KPMG Audit IS

Subject and purpose

Pursuant to EU Regulation No. 537/2014 of April 16, 2014, the Audit Committee carried out a selection procedure by means of a call for tenders in order to recommend to the Board the appointment of an audit firm to replace KPMG Audit IS SAS.

This call for tenders resulted in offers being considered from top-ranking firms. KPMG Audit IS SAS was approached and informed Colas on October 19, 2018 that it did not wish to submit a bid. At its meeting of February 15, 2019, the Audit Committee recommended to the Board that it appoint PricewaterhouseCoopers Audit as first choice to replace KPMG Audit IS SAS, with Ernst & Young Audit as second choice. PricewaterhouseCoopers Audit had submitted an excellent bid that obtained the best scores in most of the Audit Committee's selection criteria.

Having considered the Audit Committee's recommendation, and in accordance with Article 16-5 of EU Regulation No. 537/2014 of April 16, 2014, the Board of Directors proposes to the Shareholders' Meeting the appointment of PricewaterhouseCoopers Audit as first choice as Statutory Auditor to replace KPMG Audit IS SAS, with Ernst & Young Audit as second choice. PricewaterhouseCoopers Audit will take part in a joint audit alongside Mazars, whose current term of office expires at the close of the Shareholders' Meeting in 2021.

Length of term of office

In accordance with applicable legal requirements, this term of office would cover a period of six fiscal years, expiring at the close of the Shareholders' Meeting called in 2025 to approve the financial statements for the fiscal year ending on December 31, 2024.

RESOLUTION 18

KPMG Audit ID's term of office as Substitute Statutory Auditor

Subject and purpose

KPMG Audit ID's term of office as Substitute Statutory Auditor expires at the close of the Shareholders' Meeting on April 17, 2019.

As the Statutory Auditor is neither a natural person nor a single-member company, the Board of Directors proposes, in accordance with the provisions of Article L. 823-1 of the French Commercial Code and subject to the adoption of the twenty-eighth resolution, that a Substitute Statutory Auditor not be appointed to replace KPMG Audit ID.

RESOLUTION 19

Authorization for the Company to buy back its own shares

Subject and purpose

Renew the authorization granted to the Company to repurchase its own shares under a share buyback program. The Company is requesting that the Shareholders' Meeting authorize it to buy back its own shares in an amount not exceeding 1% of share capital. This authorization would cover the following purposes:

- reduce the share capital through the retirement of shares as provided for in law, subject to authorization from the Extraordinary Shareholders' Meeting;
- providing liquidity and an active market for the Company's 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.

In 2018, purchases of the Company's own shares consisted of the acquisition of 45,759 shares and the sale of 27,259 shares through the intermediary of an investment services provider acting within the framework of a liquidity agreement in accordance with a code of ethics approved by the Autorité des Marchés Financiers (AMF).

Upper limits of the authorization

The authorization would be granted subject to the following restrictions:

- 1% of share capital;
- maximum purchase price: 180 euros per share;
- maximum budget: 58,778,100 euros.

Length of authorization

18 months.

RESOLUTION 20

Powers to carry out formalities

Subject and purpose

Arrange for the completion of all legal and administrative formalities and all filings and notices.

2.2. Extraordinary resolutions

RESOLUTION 21

Option of reducing the share capital by retiring shares

Subject and purpose

Authorize the Board of Directors, should it so deem appropriate, to reduce the share capital in one or more transactions, subject to a maximum of 10% of the share capital per 24-month period, by retiring some or all of the shares the Company holds as a result of any authorization to buy back shares granted by the Shareholders' Meeting.

Upper limits of the authorization

Option of retiring up to 10% of the share capital per 24-month period.

Length of authorization

18 months.

RESOLUTIONS 22, 23, 24, 25 AND 26

Authorizations and delegations to increase the Company's share capital

Subject and purpose

Renew, under the same terms, the financial delegations currently granted to the Board of Directors concerning increasing share capital in accordance with the decisions made by the Board of Directors on April 11, 2017.

Length of authorization

26 months.

RESOLUTION 27

Relocation of the head office and ratification of the amendment of Article 4 of the Company's bylaws

Subject and purpose

Ratify the relocation of the head office as decided by the Board of Directors on May 15, 2018 with effect as of September 1, 2018, from 7 Place René Clair, Boulogne-Billancourt (92100) to 1 rue du Colonel Pierre Avia, Paris (75015) and the corresponding amendment of Article 4 of the bylaws.

RESOLUTION 28

Amendment of Article 24 of the Company's bylaws

Subject and purpose

Remove the requirement in the bylaws to systematically appoint two or more Substitute Statutory Auditors in the light of new legal requirements in force allowing for exemption from this obligation if the Statutory Auditor is neither a natural person nor a single-member company.

RESOLUTION 29

Powers to carry out formalities

Subject and purpose

Arrange for the completion of all legal and administrative formalities and all filings and notices.

3. TEXT OF RESOLUTIONS

3.1. Ordinary resolutions

FIRST RESOLUTION

Approval of the parent company financial statements

After the reading of the parent company financial statements for the year ended December 31, 2018, the Board of Directors' management report and the Statutory Auditors' report on the financial statements, the Shareholders' Meeting, which meets the quorum and majority requirements for Ordinary Shareholders' Meetings, approves the parent company financial statements for the year ended December 31, 2018, which show a net profit of 386,085,663.95 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 0 euros for fiscal year 2018.

SECOND RESOLUTION

Approval of the consolidated financial statements

After the reading of the consolidated financial statements for the year ended December 31, 2018, the Board of Directors' report on the Group's management included in the management report in accordance with Article L. 233-26 of the French Commercial Code, and the Statutory Auditors' report on the consolidated financial statements, the Shareholders' Meeting, which meets the quorum and majority requirements for Ordinary Shareholders' Meetings, approves the consolidated financial statements for the year ended December 31, 2018, which show a net profit attributable to the Group of 226,070 thousand euros, in addition to the transactions reflected in these statements and summarized in these reports.

THIRD RESOLUTION

Earnings and earnings appropriation

The Shareholders' Meeting, which meets the quorum and majority requirements for Ordinary Shareholders' Meetings, notes that in view of the net profit of 386,085,663.95 euros, and retained earnings carried over of 612,114,070.40 euros, distributable income amounts to 998,199,734.35 euros.

It decides, on the proposal of the Board of Directors, to appropriate distributable income as follows:

— a dividend payout of 5.55 euros per share, representing a total of 181,232,469.45 euros;

— allocation of the balance of 816,967,264.90 euros to retained earnings.

The Shareholders' Meeting therefore sets the dividend for the fiscal year ended December 31, 2018 at 5.55 euros per eligible share.

The dividend will be payable in cash on May 2, 2019.

The entire dividend is eligible, as an option, for the 40% tax allowance provided for under par. 2 of 3 of Article 158 of the French General Tax Code.

If, as of the date of payment, the Company holds some of its own shares, the sum corresponding to the amount of the dividend not paid out in respect of these shares will be allocated to retained earnings.

As required by the provisions of Article 243 bis of the French General Tax Code, dividends paid out in respect of the last three fiscal years were as follows:

Fiscal year ended	Income eligible for tax allowance			Income not eligible for tax allowance (in euros)
	Dividend per share (in euros)	Total dividend	Other distributed income (in euros)	
12/31/2015	5.45	177,967,019.55	/	/
12/31/2016	8.20	267,766,891.80	/	/
12/31/2017	8.20	267,766,891.80	/	/

FOURTH RESOLUTION

Approval of the agreements and transactions specified in Articles L. 225-38 *et seq.* of the French Commercial Code

The Shareholders' Meeting, which fulfills the quorum and majority requirements for Ordinary Shareholders' Meetings, having examined the Statutory Auditors' special report on regulated agreements and commitments, and pursuant to the provisions of Articles L. 225-38 *et seq.* of the French Commercial Code, approves the regulated agreements and commitments presented in this report and not yet approved by the Shareholders' Meeting.

FIFTH RESOLUTION

Approval of the defined-benefit pension commitment for Hervé Le Bouc

The Shareholders' Meeting, which fulfills the quorum and majority requirements for Ordinary Shareholders' Meetings, having examined the report of the Statutory Auditors' special report on regulated agreements and commitments, and pursuant to the provisions of Article L. 225-42-1 of the French Commercial Code, approves the commitment relating to the defined-benefit pension plan for Hervé Le Bouc as of February 19, 2019, the date of renewal of his term of office as Chairman and Chief Executive Officer.

SIXTH RESOLUTION

Opinion on the items of compensation due and awarded to Hervé Le Bouc in respect of fiscal year 2018 in his capacity as Chairman and Chief Executive Officer

The Shareholders' Meeting, which meets the quorum and majority requirements for Ordinary Shareholders' Meetings, having examined the items of compensation due and awarded to Hervé Le Bouc in his capacity as Chairman and Chief Executive Officer in respect of fiscal year 2018, as presented in the report on corporate governance in accordance with Article L. 225-37-3 of the French Commercial Code, and in accordance with the provisions of Article L. 225-100 of the French Commercial Code, renders an opinion in favor of these items of compensation.

SEVENTH 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 Ordinary Shareholders' Meetings, having familiarized itself with the report on corporate governance and in accordance with the provisions of 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.

EIGHTH RESOLUTION

Ratification of the appointment of Olivier Roussat as Director

The Shareholders' Meeting notes the retirement of François Bertière as Director at the close of the Board of Directors' meeting on February 19, 2019 and the Board of Directors' decision of February 19, 2019 to provisionally appoint Olivier Roussat to replace François Bertière, for the remainder of the latter's term of office, which expires at the close of the Shareholders' Meeting called to approve the financial statements for fiscal year 2018.

The Shareholders' Meeting, which meets the quorum and majority requirements for Ordinary Shareholders' Meetings, ratifies the appointment of Olivier Roussat as Director.

NINTH RESOLUTION

Renewal of the term of office of Olivier Roussat as Director

The Shareholders' Meeting, which meets the quorum and majority requirements for Ordinary Shareholders' Meetings, renews Olivier Roussat's term of office as Director for a period of two years that shall expire at the close of the Shareholders' Meeting called to approve the financial statements for fiscal year 2020.

TENTH RESOLUTION

Renewal of the term of office of Hervé Le Bouc as Director

The Shareholders' Meeting, which meets the quorum and majority requirements for Ordinary Shareholders' Meetings, renews Hervé Le Bouc's term of office as Director for a period of one year that shall expire at the close of the Shareholders' Meeting called to approve the financial statements for fiscal year 2019.

ELEVENTH RESOLUTION

Renewal of the term of office of Olivier Bouygues as Director

The Shareholders' Meeting, which meets the quorum and majority requirements for Ordinary Shareholders' Meetings, renews Olivier Bouygues' term of office as Director for a period of two years that shall expire at the close of the Shareholders' Meeting called to approve the financial statements for fiscal year 2020.

TWELFTH RESOLUTION

Renewal of the term of office of Bouygues SA as Director

The Shareholders' Meeting, which meets the quorum and majority requirements for Ordinary Shareholders' Meetings, renews Bouygues SA's term of office as Director for a period of two years that shall expire at the close of the Shareholders' Meeting called to approve the financial statements for fiscal year 2020.

THIRTEENTH RESOLUTION

Renewal of the term of office of Martine Gavelle as Director

The Shareholders' Meeting, which meets the quorum and majority requirements for Ordinary Shareholders' Meetings, renews Martine Gavelle's term of office as Director for a period of two years that shall expire at the close of the Shareholders' Meeting called to approve the financial statements for fiscal year 2020.

FOURTEENTH RESOLUTION

Renewal of the term of office of Colette Lewiner as Director

The Shareholders' Meeting, which meets the quorum and majority requirements for Ordinary Shareholders' Meetings, renews Colette Lewiner's term of office as Director for a period of two years that shall expire at the close of the Shareholders' Meeting called to approve the financial statements for fiscal year 2020.

FIFTEENTH RESOLUTION

Ratification of the appointment of Arnauld Van Eeckhout as Non-voting Director

The Shareholders' Meeting notes the resignation of Jean-François Guillemin as Non-voting Director with effect as of April 28, 2018 and the Board of Directors' decision of May 15, 2018 to provisionally appoint Arnauld Van Eeckhout to replace Jean-François Guillemin, for the remainder of the latter's term of office, which expires at the close of the Shareholders' Meeting called to approve the financial statements for fiscal year 2018.

The Shareholders' Meeting, which meets the quorum and majority requirements for Ordinary Shareholders' Meetings, ratifies the appointment of Arnauld Van Eeckhout as Non-voting Director.

SIXTEENTH RESOLUTION

Renewal of the term of office of Arnauld Van Eeckhout as Non-voting Director

The Shareholders' Meeting, which meets the quorum and majority requirements for Ordinary Shareholders' Meetings, renews Arnauld Van Eeckhout's term of office as Non-voting Director for a period of two years, which shall expire at the close of the Shareholders' Meeting called to approve the financial statements for fiscal year 2020.

SEVENTEENTH RESOLUTION

Appointment of PricewaterhouseCoopers Audit as Statutory Auditor to replace KPMG Audit IS

The Shareholders' Meeting, which meets the quorum and majority requirements for Ordinary Shareholders' Meetings, decides to appoint PricewaterhouseCoopers Audit as Statutory Auditor to replace KPMG Audit IS, whose term of office expires at the close of this Shareholders' Meeting, for a period of six fiscal years, which shall expire at the close of the Shareholders' Meeting called to approve the financial statements for fiscal year 2024.

EIGHTEENTH RESOLUTION

KPMG Audit ID's term of office as Substitute Statutory Auditor

The Shareholders' Meeting, which fulfills the quorum and majority requirements for Ordinary Shareholders' Meetings, noting that KPMG Audit ID's term of office as Substitute Statutory Auditor has ended and that the Statutory Auditor is neither a natural person nor a single-member company, decides in accordance with the provisions of Article L. 823-1 of the French Commercial Code and subject to the adoption of the twenty-eighth resolution not to appoint a Substitute Statutory Auditor to replace KPMG Audit ID.

NINETEENTH RESOLUTION

Authorization granted to the Board of Directors to allow the Company to carry out transactions in its own shares

Having noted the Board of Directors' report and pursuant to applicable regulations, in particular Articles L. 225-209 *et seq.* of the French Commercial Code and the provisions of Title IV of Book II of the General Regulations of the Autorité des Marchés Financiers (AMF), the Shareholders' Meeting, which meets the quorum and majority requirements for Ordinary 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, corresponding either to a market practice accepted by the AMF, or an objective in accordance with EU regulations concerning market abuse, or an objective mentioned by Articles L. 225-209 *et seq.* of the French Commercial Code, shall be primarily (i) the potential retirement of the shares bought back, provided this has been authorized by an Extraordinary Shareholders' Meeting, (ii) providing 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, and (iii) any market practice as may be accepted, 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, in accordance with the rules laid down by the AMF, 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 180 euros, excluding acquisition costs, and that the maximum cumulative amount of funds dedicated to this share buyback program may not exceed 58,778,100 euros, corresponding to the purchase of 326,545 shares (i.e., 1.0% of the total number of shares constituting the Company's share capital, as of December 31, 2018) 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;
- grants full powers to the Board of Directors 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 18 months as of the date of this Shareholders' Meeting and that it supersedes, where applicable in respect of the unused amounts, any prior delegation of authority having the same purpose.

TWENTIETH RESOLUTION

Powers to carry out legal requirements

The Shareholders' Meeting, which meets the quorum and majority requirements for Ordinary Shareholders' Meetings, 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.

3.2. Extraordinary resolutions

TWENTY-FIRST 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:

1. 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 24-month period) of the total number of shares constituting the Company's share capital, and to correspondingly reduce the share capital;
2. 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 modify the bylaws accordingly;
3. determines that this delegation of authority shall be valid for a period of 18 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.

TWENTY-SECOND RESOLUTION

Delegation of powers granted to the Board of Directors to increase the share capital, with 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 *et seq.* 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 ten 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 beneficiaries 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 twenty-third, twenty-fourth and twenty-fifth 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 floating 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 twenty-third, twenty-fourth and twenty-fifth 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-fourths 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 beneficiaries' 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 modify the Company's bylaws 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 26 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

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 beneficiaries of bonus share allocations, (ii) this amount shall be offset against the overall ceiling set forth in paragraph 2 of the twenty-second 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 bonds giving access to new ordinary shares in the Company thus issued may bear interest at a fixed and/or floating 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 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 paragraph 5 of the twenty-second resolution, and
   - (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 may be decided or authorized by the Board of Directors, in accordance with Article L. 228-40 of the French Commercial Code;
6. 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;
7. 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;
8. 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;
9. 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%;

10. 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;
11. 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, and 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 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 modify the Company's bylaws 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;
12. determines that this authorization shall be valid for a period of 26 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-FOURTH 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 *et seq.*, L. 225-129-4, L. 225-135, L. 225-136 and L. 228-92, and to the provisions of 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 12 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 beneficiaries of bonus share allocations, and (ii) this amount shall be offset against the overall ceiling set forth in paragraph 2 of the twenty-second 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 bonds giving access to new ordinary shares in the Company thus issued may bear interest at a fixed and/or floating 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 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 paragraph 5 of the twenty-second 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;

6. 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;
7. 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;
8. 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 beneficiaries' entitlement to investment securities giving access to ordinary shares in the Company shall be temporarily suspended, pursuant to applicable legal provisions;
9. 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%;
10. 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;
11. 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, and 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 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 modify the Company's bylaws 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;
12. determines that this delegation of authority shall be valid for a period of 26 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-FIFTH 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 the twenty-third, twenty-fourth and twenty-fifth 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 overall for the twenty-third, twenty-fourth and twenty-fifth 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 26 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-SIXTH 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 its Articles L. 225-129 *et seq.* 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 bylaws, 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 paragraph 2 of the twenty-second 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 modify the bylaws accordingly;
5. determines that this delegation of authority shall be valid for a period of 26 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-SEVENTH RESOLUTION

Relocation of the head office and ratification of the amendment of Article 4 of the Company's bylaws

The Shareholders' Meeting notes the Board of Directors' decision of May 15, 2018 to relocate the Company's head office from 7 Place René Clair, Boulogne-Billancourt (92100) to 1 rue du Colonel Pierre Avia, Paris (75015) with effect as of September 1, 2018.

The Shareholders' Meeting, which meets the quorum and majority requirements for Extraordinary Shareholders' Meetings, resolves accordingly to ratify this relocation of the head office and to modify Article 4 of the Company's bylaws as follows:

"The Company's head office is located at: 1 rue du Colonel Pierre Avia, Paris (75015).

This head office may be relocated to anywhere within the same French administrative department or a neighboring administrative department on the decision of the Board of Directors, subject to ratification by the next Ordinary Shareholders' Meeting and to anywhere else pursuant to a decision of the Extraordinary Shareholders' Meeting.

Administrative head offices, branches, offices and agencies can be created in any country, without this resulting in exemption from the assignment of jurisdiction in accordance with the bylaws."

TWENTY-EIGHTH RESOLUTION

Amendment of Article 24 of the Company's bylaws

The Shareholders' Meeting, which meets the quorum and majority requirements for Extraordinary Shareholders' Meetings, resolves to remove the requirement in the bylaws to appoint one or more Substitute Statutory Auditors and resolves accordingly to modify Article 24 of the Company's bylaws as follows:

"The Shareholders' Meeting shall appoint at least two Statutory Auditors as well as, as necessary or on the express decision of the Ordinary Shareholders' Meeting, one or more Substitute Statutory Auditors. These Statutory Auditors are appointed for a period of six fiscal years.

The departing Statutory Auditors are always eligible for re-election. In the case of fault or inability to perform their duties, they may be relieved of their duties in accordance with the law.

The Statutory Auditors certify that the financial statements give a true and fair view and also check the fair presentation and consistency with the financial statements of the information given in the Management Report of the Board of Directors and in the documents addressed to shareholders concerned with the Company's financial position.

To this end, their permanent role, without exercising any interference with management, is to verify the Company's accounting values and documents and ensure that its accounts comply with applicable regulations. They may at any time of the year carry out the checks or controls that they consider opportune, under the terms and arrangements provided for by law.

They shall prepare a report in which they inform the Ordinary Shareholders' Meeting of the execution of their duties and indicate any irregularities and inaccuracies identified.

They shall also prepare the special report as stated in Article 22 of these bylaws.

The Statutory Auditors are entitled to compensation, the amount of which is set in accordance with current legal and regulatory provisions.

"One or more shareholders representing at least one-twentieth of the share capital may, in court, in accordance with legal requirements and time frames, object to one or more Statutory Auditors appointed by the Shareholders' Meeting and ask for the appointment of one or more Statutory Auditors who shall perform their duties instead."

TWENTY-NINTH RESOLUTION

Powers to carry out legal requirements

The Shareholders' Meeting, which meets the quorum and majority requirements for Ordinary Shareholders' Meetings, 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.

The Board of Directors

CERTIFICATION OF THE ANNUAL FINANCIAL REPORT

Certification of the 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 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.

Paris, March 18, 2019

Hervé Le Bouc

Chairman and Chief Executive Officer

Colas, 1 rue du Colonel Pierre Avia, 75730 Paris Cedex - France. Tel.: +33 (0)1 47 61 75 00. Fax: +33 (0)1 47 61 76 00. **www.colas.com.** Colas, a French Société Anonyme with share capital of 48,981,748.50 euros. RCS Paris 552 025 314. **Photo credit:** Jean-Michel Ruiz/Maroc-Images (p. 1, 204). **Design & production:** Angie (ref.: RACO018).

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