Leader in the construction and maintenance of transport infrastructure

Backed by a network of 1,400 autonomous business units that boast a workforce of more than 70,000 people located in 40 countries on 5 continents, Colas is a leader in the field of construction and maintenance of transport infrastructures, urban development and recreational facilities. In 2009, with 105,000 projects worldwide, the Group posted consolidated revenue at 11.6 billion euros.

Roads represent nearly 80% of the Group’s business, including the construction and maintenance of roads and highways, airfield runways and aprons, ports, industrial sites, logistics platforms, urban networks, reserved-lane public transport systems, bike paths, sports facilities, automobile circuits, recreational areas, retention ponds, landscaping, and more. In addition, Colas does buoyant business in industrial activities upstream from the construction sector involving the production and recycling of materials (aggregates, emulsions and binders, asphalt concrete, ready-mix concrete) that it uses internally or sells to third parties, thanks to its dense international network of quarries, gravel pits, emulsion plants, asphalt plants, concrete plants. The Group operates in the storage, transformation and distribution of bitumen as well.

Colas is also involved in other complementary lines of business, which means that the Group can propose a wide range of products and services to its clients, both public and private: manufacturing and installation of safety equipment, road marking and traffic control/access management systems; production and application of waterproofing products, siding, roofing and installation of photovoltaic panels and membranes; laying of pipes for the transport of fluids; civil engineering; building (new construction, rehabilitation, deconstruction); design and engineering of large-scale complex railway projects, construction, renewal and maintenance of railways for conventional lines, high speed trains, trams, subways, including electrification and signaling, railway freight transport; services and concessions.

Safety, quality, ethics, environmental protection, innovation, diversity, training, rigor, financial strength: these are the keys that allow Colas to pursue long-term profitable growth in the framework of responsible development.

Colas is paving the way forward, serving people, freedom, higher standards of living and enhanced economic development.
Interview with Hervé Le Bouc, Chairman of Colas

"2009: THE COLAS BUSINESS MODEL HAS HELD UP WELL IN THE MARKET DOWNTURN"

After many years of uninterrupted growth and a record year in 2008, Colas posted nearly 11.6 billion euros in revenue in 2009, down 9% from 2008. Given the intensity of the crisis that has hit almost all of the markets in which the Group’s companies work, Colas has managed to weather the storm in every line of business, thanks to its solid decentralized network, an excellent sense of anticipation, sharp reactivity and a first-rate capacity to adapt. The Group share of net profit at 387 million euros is still high, amounting to 3.3% of revenue. Despite the 21% drop in profits, the Group has performed well given that figures for 2008 had reached a historical record when the market was at its highest.

For example, the mechanical repercussion of lower raw material prices, bitumen in particular, also brought revenue down. We also knew that 2009 would be a year lacking in major infrastructure projects for Colas, save the construction of a 78-km section of the M6-M60 motorway in Hungary; exceptional major projects, in the Indian Ocean zone in particular, were handed over at the end of 2008 such as the Tamarind Road in Reunion Island and the port of Longoni in Mayotte, and had no veritable relay in 2009. We also knew that in France 2009 was a postelection year, meaning that local authorities would launch fewer projects.

What we didn’t see coming, however, was the dreadful winter weather that froze work on our jobsites for an entire two months in France and around Europe. This type of harsh weather had been virtually unheard of in the last few years and managed to considerably slow down our business activity during the first half-year. We had also counted on stimulus packages especially in France and in the USA. Even if they did help boost volume, we were a bit disappointed when we saw delays, substitution effects and the postponing of projects to 2010.

When you take a look at all these unfavorable factors, I truly feel that the Group’s share of net profit at 387 million euros is a good performance, even if it is still less than the record 2008 figures.

2009 was marked by a deep economic crisis. Do you feel that Colas performed well in spite of a drop in revenue and profit? Is the crisis the only reason why the figures were down?

Revenue at Colas amounted to 11.6 billion euros, a 9.4% decrease. I do think the drop is relatively moderate given the intensity of the crisis that hit our sectors hard at the end of 2008, and even harder in 2009.

And, don’t forget that 2008 was a record year for the Group, with soaring business volumes in the infrastructure construction and maintenance markets, spurred by obvious needs and growing economies. Many grew accustomed to this kind of growth and began to take it for granted.

In France and in a number of other countries, the economic turnaround sparked a series of disproportionate price reactions in light of the actual volume of available business. In a context like this, we favored profitability over volume and did our best to steer clear of the trap that consists in racing for revenue and bidding with no regard to the prices, simply to pad up the order book.

Yes, the financial crisis has strongly affected our businesses. And yet, in addition to the slump in public and private investment, other unfavorable factors have also played a role in the downswing, some of which were foreseeable, others not.

Interview with Hervé Le Bouc, Chairman of Colas

“2009: THE COLAS BUSINESS MODEL HAS HELD UP WELL IN THE MARKET DOWNTURN”
Has the crisis had a different degree of impact on Group companies, depending on the region in which they operate?

The financial crisis hit Europe in September-October 2008, but it had already impacted the USA and Asia the year before. In 2009, a slight recovery was noted in Asia and the markets in the USA stabilized. Even if the calendar for American stimulus packages was partially shifted over to 2010, the American and Canadian Colas companies continued to perform well. Morocco enjoyed another year of growth.

However, in western Europe, business was down in Ireland and Belgium. In France, we felt the positive impact of stimulus funding during the last quarter, but this was not enough to offset the drop in public and private investment. The calendar shifts in stimulus funding in France and in the USA will boost the Group’s figures in 2010. Central Europe felt the full brunt of the crisis, with very sharp drops in everyday business, in particular in Romania, Hungary and Croatia.

Which of Colas’ business sectors weathered the storm the best?

The Group’s Road companies all saw their business drop, but the Railway sector and the Waterproofing sector both enjoyed the two most upbeat markets. Indeed, major rail investments have become a necessity, both in terms of construction and maintenance. In France, the Group won a number of High-Output track renewal contracts. In Great Britain, we secured a second rail network renewal contract. There are also quite a few tram projects currently under way in France and elsewhere around the world – Reims, Angers, Rabat, etc. The PPP contract for the Reunion Island Tram-train was signed, and a number of other projects are still in the bidding process: in France for example, the LGV high-speed train line Tours – Bordeaux, Brittany – Pays de Loire, Nîmes – Montpellier, along with the Casablanca tram in Morocco and the LGV high speed Rabat – Marrakech train line.

The Waterproofing business also held its head high in 2009. This business is intricately entwined with the building and renovation sector, which tends to take longer to slow down than other activities. It was also boosted by strong growth in the photovoltaic market. Smac demonstrated its feel for innovation in this field, with the launching of a series of photovoltaic solar panels that can be integrated into the building itself, an idea that has met with great success.

The Safety and Signaling business remained relatively stable compared to 2008.

The Pipes and mains business secured several large contracts in the energy distribution sector (pipelines and energy compressor stations for natural gas storage and distribution).
Has Colas continued to pursue its responsible development drive, despite the crisis?

Of course! This is a long-term goal, an integral part of our strategy, and we will not change paths with each market variation. The target of profitable growth is indissociable from social progress and environmental protection.

For example, as far as the environment is concerned, we are currently developing warm mixes, which are manufactured and applied at temperatures that are 40°C to 45°C lower than conventional mixes, thus reducing greenhouse gas emissions by 15% to 25%.

Another target for progress involves the recuperation and recycling of materials – asphalt concrete and bitumen – during road refurbishment projects. This is a flagship responsible development technique for road builders because it helps reduce costs, energy consumption and greenhouse gas emissions. With specially-equipped plant, the reclaimed asphalt pavement (RAP) content of new mixes can go as high as 20%, 30%, even 50%, with identical performance levels compared to new materials. Our research and development policy is primarily focused on environmentally-friendly products and techniques.

At the end of the year, we also launched a vast campaign to promote energy savings, a tailor-made message for the Group’s drivers and machine operators worldwide, calling for a 20% reduction in fuel consumption.

Are public-private partnerships and long-term maintenance contracts growth markets for Colas?

PPPs – which include studies, design, financing, building, operation and maintenance – only account for a small percentage of our revenue. But this market is definitely expanding. The cornerstone for Colas’ growth remains its recurrent business performed by longstanding local networks. Major PPP projects are a complementary part of our business when our customers are interested in work of this nature in a country or region in which we already operate. This type of long-term contract – whose value can total several hundreds of millions of euros – can not be managed in the same way as a series of smaller projects with lower contract values. You need different teams, different procedures.

We have already made a name for ourselves in PPP contracts, for example with the M6-M60 motorway in Hungary, the Reims tramway, maintenance contracts for vast road networks in Canada and the Portsmouth PFI in Great Britain. In France, we hope to see PPPs develop in citywide road network refurbishment and maintenance projects. People now know we have the skills. These are definitely growth markets.

We are quite proud of the four long-term maintenance contracts on England’s road and motorway network we have secured with the Highways Agency. These 5- to 7- year contracts cover one-third of the entire network, which means 3,500 kilometers of roads and motorways, making Colas Ltd the leader on England’s market. Colas’ share of the project value totals 420 million euros. In the railway sector, Colas Rail also manages long-term maintenance contracts in France, Great Britain and in Belgium. This helps us have better medium-term visibility. Road and rail maintenance contracts account for up to 25% of our business in Great Britain, a country where outsourcing is much more frequent than in France.

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At the end of the year, we also launched a vast campaign to promote energy savings, a tailor-made message for the Group’s drivers and machine operators worldwide, calling for a 20% reduction in fuel consumption.

Did you keep on recruiting newcomers in spite of the downturn? Is the idea of diversity that we hear so much about part of your responsible development drive?

We maintained our effort to recruit new talent despite the slowdown in business that hit practically every single one of our profit centers. In all, nearly 5,800 people were hired by the Group in 2009. We invested in training, as we do each year, roughly 4% of payroll, which is well above legal requirements in France. Through hiring and training, we are preparing the future, keeping an eye on the age pyramid to ensure a renewal of generations, even when business is down. Simply speaking, the total number of people hired is slightly lower than it would have been in a strong growth cycle.
I am also quite attached to the idea of diversity of talent. It provides a source of strength via collective intelligence. This is why we appointed a Corporate Diversity Manager in 2009, who is in charge of proposing paths for progress with four main issues: gender disparities, older employees, disabled employees, and people who are hard to employ. Some of our companies have long since launched their own initiatives in this field, but I feel we need to go that extra mile to make true progress.

Gender disparity is a tricky issue in that it does not simply depend on our own desire to improve. We are not looking for excuses, but the truth is that there are not enough women in our business, even though 50% of the young engineers are women. We have to make our business more attractive to them; we have to communicate better. Recent studies show that the more women a company employs, the better it performs.

Was 2009 a good year in terms of workplace safety?
We are really proud of the fact that our work-related accidents were down in 2009 by roughly 15% compared to 2008, despite the fact that Colas was already a leader in safety in the road construction industry.

Our "zero accident" goal has been reaffirmed with ongoing prevention programs and the rewarding of good performances in the field. This target is truly attainable, because nearly half of our profit centers in France have managed to do so, some of which for over more than ten years now, thanks to their strongly devoted foremen and project engineers.

2009 was also witness to the renewal of our Road Safety Charter with the French ministerial delegation for road safety as well as the European Road Safety Charter. Our results in this field are very encouraging too. Despite the fact that the Group's fleet has doubled in size since 1997, date at which the first charter was signed, the frequency rate for road accidents involving the Group's vehicles has dropped by nearly 60%.

How does 2010 look for you?
We are starting out 2010 with work-on-hand that is higher than last year. After several months of a downward drift, this is an encouraging sign, even if market trends remain uncertain. We also have an eye on the future launching of major projects whose financing is currently being secured, like the Reunion Island tram-train and the D1 motorway in Slovakia, along with a series of tramway projects. The Group is also bidding at this time on high-speed train line construction projects.

Even though we must still remain vigilant, we hope that the crisis has been reined in. We now need to observe how the idea of renewed growth and the reduction of inflated public debt can be conciliated.

After the hiatus in external growth, do you plan to take up acquisitions again in 2010?
True, we have been very careful about acquisitions – and investments in general – over the last few months.

There are two new additions to our network this year. We acquired a road building company in a neighboring province of Alberta, Saskatchewan, a region which should enjoy growth because it is rich in raw materials. We also bought a stake in a bitumen emulsion producer in Turkey to assess potential for market growth in the area.

In France, we signed draft agreements in view to purchase a refinery in Dunkirk called the Société de la Raffinerie de Dunkerque, which should help us secure part of our bitumen supply.

In 2010, we will see if we find any interesting opportunities. Colas' profitable growth strategy has always combined a balance of external and internal growth.

What strong points will help Colas stay on track?
The quality and solidarity of the 70,000 men and women who work in the Group, including 1,400 profit center supervisors. A rigorous management model, based on delegation and responsibility. A solid decentralized network and geographic spread of its business units. An industrial integration strategy from the quarrying of materials to the production of bitumen. Responsible development. Excellent financial health. Major global needs in terms of construction, improvement and maintenance of transport infrastructure.

**Consolidated key figures**

**Revenue**

The Group’s consolidated revenue totaled 11.6 billion euros, a **9.4% drop** (9.5% with an unchanged scope of business and comparable exchange rates) compared to the record figures in 2008, due to a global slump in private and public investment in addition to the postponing of stimulus package spending and substitution effects, the completion of several major projects at the end of 2008 which had no immediate relay, the impact of lower bitumen prices on revenue and unfavorable weather during the first half-year.

**Profit from operations**

Business volumes shrunk throughout Colas’ network of 1,400 profit centers in 40 countries, except for Asia and Morocco. In a defavorable global economic situation, profit from operations dropped by 0.6 points but the profit margin remained at **4.7% of revenue**.
### Net profit (Group share)

The Group share of net profit totaled 387 million euros, a 21% decrease. Nonetheless, profitability amounts to **3.3% of revenue.**

### Net cash position

The Group’s consolidated net cash position totals +117 million euros, compared to −6 million at the end of December 2008. The significant 123-million euro improvement in cash performance – a very positive point in the year 2009 – can be attributed to the Group’s drive to restrict investment, as well as to a major effort undertaken by the workforce to reduce working capital requirements, despite a sharp rise in the latter caused by shorter supplier payment deadlines in France as of January 1, 2009. As such, the increase in working capital requirements was capped at 51 million euros, compared to a 254-million euro increase in 2008.

### Cash flow from operations, net investments, free cash flow

Colas’ quick anticipation and adaptation to the market downturn in 2009 led to a sharp reduction in net investments of 290 million euros compared to 2008. Cash flow from operations was still high at 1,066 million euros, yielding free cash flow at 484 million euros, up 58 million euros from 2008.
### Share Price

#### in euros

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Highest</td>
<td>143.60</td>
<td>228.50</td>
<td>309.50</td>
<td>309.50</td>
<td>121.15</td>
<td>174.49</td>
<td>198.78</td>
</tr>
<tr>
<td>Lowest</td>
<td>115.00</td>
<td>137.50</td>
<td>225.60</td>
<td>121.15</td>
<td>143.60</td>
<td>228.50</td>
<td>198.78</td>
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</tbody>
</table>

### Key Figures for Colas Share

<table>
<thead>
<tr>
<th></th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
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<tr>
<td>Highest</td>
<td>159.50</td>
<td>230.00</td>
<td>363.99</td>
<td>309.50</td>
<td>198.78</td>
</tr>
<tr>
<td>Lowest</td>
<td>115.00</td>
<td>137.50</td>
<td>225.60</td>
<td>121.15</td>
<td>124.45</td>
</tr>
<tr>
<td>Price on December 31</td>
<td>143.60</td>
<td>228.50</td>
<td>309.50</td>
<td>142.00</td>
<td>174.49</td>
</tr>
<tr>
<td>Market capitalization</td>
<td>4.62</td>
<td>7.40</td>
<td>10.06</td>
<td>4.62</td>
<td>5.69</td>
</tr>
<tr>
<td>(in billions of euros)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Average daily transactions</td>
<td>3,190</td>
<td>1,289</td>
<td>911</td>
<td>1,460</td>
<td>689</td>
</tr>
</tbody>
</table>
Net profit per share (Group share)
Net profit per share is down –21% at 11.86 euros, compared to 15.06 euros at the end of 2008.

Dividend per share
Paid out in a given year in respect of the previous year’s results
The dividend distributed in 2010 for fiscal 2009 amounts to 6.75 euros, if approved by the Annual General Shareholders’ Meeting on April 14, 2010. The dividend distributed in 2009 for fiscal 2008 amounted to 8.75 euros.

Shareholders’ information

CALENDAR
Annual results: March 1, 2010
Interim results: August 30, 2010
Annual Shareholders’ Meeting: April 14, 2010
Payment of dividend: April 28, 2010

INFORMATION SOURCES
Annual Report
Web site: http://www.colas.com

TO CONTACT COLAS
Shareholders and Investors Relations
Tel: (33)1 47 61 76 73
E-mail: finance@colas.com

SHARE SERVICES
As an issuing company, Colas provides share services and financial services.

Yield per share
Dividend paid out in a given year/year-end share price of previous year
Colas’ yield per share for 2010 totals 3.87%, if the dividend is approved by the Annual General Shareholders’ Meeting on April 14, 2010.

* If approved by the Annual General Shareholders’ Meeting on April 14, 2010.
## Consolidated income statement

<table>
<thead>
<tr>
<th>Fiscal years</th>
<th>2009</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>11,581</td>
<td>12,789</td>
</tr>
<tr>
<td>Profit from operations (current)</td>
<td>541</td>
<td>682</td>
</tr>
<tr>
<td>Extraordinary items</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Profit from operations</td>
<td>541</td>
<td>682</td>
</tr>
<tr>
<td>Interest income (expense)</td>
<td>(34)</td>
<td>(22)</td>
</tr>
<tr>
<td>Other finance income (expense)</td>
<td>1</td>
<td>6</td>
</tr>
<tr>
<td>Provision for income taxes</td>
<td>(172)</td>
<td>(217)</td>
</tr>
<tr>
<td>Income from associates</td>
<td>55</td>
<td>46</td>
</tr>
<tr>
<td>PROFIT FOR THE YEAR</td>
<td>391</td>
<td>495</td>
</tr>
<tr>
<td>of which minority interest</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>OF WHICH EQUITY HOLDERS OF THE PARENT</td>
<td>387</td>
<td>490</td>
</tr>
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</table>

## Consolidated cash flow statement

<table>
<thead>
<tr>
<th>Fiscal years</th>
<th>2009</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash from operations before tax</td>
<td>1,066</td>
<td>1,184</td>
</tr>
<tr>
<td>Income tax paid</td>
<td>(202)</td>
<td>(217)</td>
</tr>
<tr>
<td>Changes in current assets and liabilities</td>
<td>(61)</td>
<td>(254)</td>
</tr>
<tr>
<td>Cash flows from operating activities (a)</td>
<td>813</td>
<td>713</td>
</tr>
<tr>
<td>Operating capital expenditures (net)</td>
<td>(383)</td>
<td>(585)</td>
</tr>
<tr>
<td>Acquisitions and disposals of subsidiaries</td>
<td>–</td>
<td>(146)</td>
</tr>
<tr>
<td>Other investing activities</td>
<td>(1)</td>
<td>(15)</td>
</tr>
<tr>
<td>Cash flows from investing activities (b)</td>
<td>(384)</td>
<td>(746)</td>
</tr>
<tr>
<td>Change in equity</td>
<td>8</td>
<td>8</td>
</tr>
<tr>
<td>Dividends paid</td>
<td>(287)</td>
<td>(280)</td>
</tr>
<tr>
<td>Net variation from borrowings</td>
<td>20</td>
<td>27</td>
</tr>
<tr>
<td>Interest income (expense) and miscellaneous</td>
<td>(35)</td>
<td>(21)</td>
</tr>
<tr>
<td>Cash flows from financing activities (c)</td>
<td>(294)</td>
<td>(266)</td>
</tr>
<tr>
<td>Exchange differences and other (d)</td>
<td>6</td>
<td>(3)</td>
</tr>
<tr>
<td>NET CHANGE IN CASH AND CASH EQUIVALENTS (a + b + c + d)</td>
<td>141</td>
<td>(302)</td>
</tr>
<tr>
<td>Net cash at the beginning of the year</td>
<td>242</td>
<td>544</td>
</tr>
<tr>
<td>NET CASH AND CASH EQUIVALENT AT END OF THE YEAR</td>
<td>383</td>
<td>242</td>
</tr>
</tbody>
</table>
### Consolidated balance sheet on December 31

<table>
<thead>
<tr>
<th></th>
<th>2009</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Property, plant and equipment</strong></td>
<td>2,294</td>
<td>2,327</td>
</tr>
<tr>
<td><strong>Intangible assets</strong></td>
<td>78</td>
<td>84</td>
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<tr>
<td><strong>Goodwill</strong></td>
<td>467</td>
<td>469</td>
</tr>
<tr>
<td><strong>Investments in associates</strong></td>
<td>388</td>
<td>357</td>
</tr>
<tr>
<td><strong>Other financial assets</strong></td>
<td>173</td>
<td>202</td>
</tr>
<tr>
<td><strong>Deferred tax assets</strong></td>
<td>102</td>
<td>90</td>
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<tr>
<td><strong>Non-current assets</strong></td>
<td>3,502</td>
<td>3,529</td>
</tr>
<tr>
<td><strong>Inventories and receivables</strong></td>
<td>3,641</td>
<td>4,030</td>
</tr>
<tr>
<td><strong>Cash and financial instruments</strong></td>
<td>545</td>
<td>436</td>
</tr>
<tr>
<td><strong>Net current assets</strong></td>
<td>4,186</td>
<td>4,466</td>
</tr>
<tr>
<td><strong>TOTAL ASSETS</strong></td>
<td>7,688</td>
<td>7,995</td>
</tr>
<tr>
<td><strong>Capital and reserves</strong></td>
<td>2,276</td>
<td>2,140</td>
</tr>
<tr>
<td><strong>Minority interests</strong></td>
<td>34</td>
<td>37</td>
</tr>
<tr>
<td><strong>Equity</strong></td>
<td>2,310</td>
<td>2,177</td>
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<tr>
<td><strong>Long-term debt</strong></td>
<td>212</td>
<td>186</td>
</tr>
<tr>
<td><strong>Provisions</strong></td>
<td>663</td>
<td>648</td>
</tr>
<tr>
<td><strong>Deferred tax liabilities</strong></td>
<td>82</td>
<td>79</td>
</tr>
<tr>
<td><strong>Non-current liabilities</strong></td>
<td>957</td>
<td>913</td>
</tr>
<tr>
<td><strong>Trade and other payables</strong></td>
<td>4,205</td>
<td>4,649</td>
</tr>
<tr>
<td><strong>Current portion of long-term debt</strong></td>
<td>45</td>
<td>53</td>
</tr>
<tr>
<td><strong>Bank overdrafts and financial instruments</strong></td>
<td>171</td>
<td>203</td>
</tr>
<tr>
<td><strong>Current liabilities</strong></td>
<td>4,421</td>
<td>4,905</td>
</tr>
<tr>
<td><strong>TOTAL EQUITY AND LIABILITIES</strong></td>
<td>7,688</td>
<td>7,995</td>
</tr>
</tbody>
</table>
BOARD OF DIRECTORS
as of April 14, 2010(1)

Hervé Le Bouc
Chairman and Chief Executive Officer

Christian Balmes
Director

François Bertiére
Director

Olivier Bouygues
Director

Louis Gabanna
Director

Thierry Genestar
Director

Jean-François Guillemin
Director

Philippe Marien
Permanent Representative of Bouygues SA

Thierry Montouché
Director

Christian de Pins
Director

Jean-Claude Tostivin
Director

Gilles Zancanaro
Director

AUDITORS

KPMG SA
Statutory Auditor

Mazars
Statutory Auditor

François Caubrière
Substitute

Thierry Colin
Substitute

(1) If approved by the Annual General Shareholders’ Meeting on April 14, 2010.
BUSINESS IN 2009

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

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

Sales in France (including French overseas departments) rose to 6.75 billion euros, i.e., 58.3% of total revenue. Outside of France, revenue amounted to 4.83 billion euros, i.e., 41.7% of total revenue. When combined, Europe, including France, with 8.8 billion euros, and North America, with 1.9 billion euros, account for 10.7 billion euros, i.e., 92.4% of total revenue.
After depreciation/amortization of 481 million euros (466 million euros in 2008), and additional provisions totaling 183 million euros (153 million euros in 2008), the Group share of consolidated net profit is down at 387 million euros, a 21% decrease, but remains high at 3.3% of total revenue. These figures, despite the drop, still reflect a good performance when seen against the backdrop of the 2009 global crisis and in light of the fact that the 490-million-euro profit posted by the Group in 2008 was a historical record in a market at its highest. Consolidated net profit amounted to 391 million euros, against 495 million euros in 2008.

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

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

**MAINLAND FRANCE**

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

The Group’s activities include:

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

- **Road-related activities** (26% of total revenue in mainland France):
  - **The Building sector** comprises conventional construction business located exclusively in the Greater Paris area, along with demolition and deconstruction of old buildings both in and around Paris, and throughout France, often coupled with material recycling activities.
  - **The Road Safety and Signaling sector** includes the manufacture, installation and maintenance of safety equipment (guardrails, traffic directing systems), road marking (production of road paints and application of road markings), lights and traffic/access management systems (traffic light maintenance, equipment for toll booths, parking lots, access). Aximum and its subsidiaries operate in these markets.
  - The **Pipes and mains sector** encompasses the installation and maintenance of large and small diameter pipes for the transport of fluids (oil, natural gas, water), including the construction of compressor stations, along with dry networks (electricity, heating, telecommunications), small-scale civil engineering projects and industrial services. Spac and its subsidiaries operate in these markets.
• The **Waterproofing sector** includes:
  – the production and sales of waterproofing membranes including photovoltaic membranes in France and elsewhere around the world, skydomes and fume/smoke removal systems, installation and maintenance of servo-controls;
  – the waterproofing of roadways and sidewalks (mastic asphalt) and buildings, cladding, and roofing (offices, industrial sites, auditoriums, museums), with complex work on highly-architectural projects: aluminum and steel cladding and roofing, metal frameworks, photovoltaic roofing.
  Smac and its subsidiaries operate in these markets.

• The **Railway sector** comprises the design and engineering of complex, large-scale projects, the construction, renewal and maintenance of railway track (conventional and high speed lines, tramways, subways), for both fixed installations and infrastructure with the laying and maintenance of track, electrification (substations, catenary systems), signaling and safety systems, special work (bridge cranes, sidings, tunnels), the manufacture of cross ties, as well as a railway freight business (transport of aggregates for Group companies). Colas Rail and its subsidiaries operate in these markets.

The Group’s competitors in the road construction industry and in other public works sectors remain Eurovia (Vinci group), Eiffage TP (Eiffage group), NGE group, major regional companies such as Ramery, Charrier, and Pigeon, in addition to a very tight network of roughly 1,600 small and medium-sized local companies. On the aggregate and ready-mix concrete markets, competition comes from cement manufacturing groups such as Lafarge, Cemex and Ciments Français, along with a network of regional and local aggregate producers, some of whom operate in the public works sector as well. The Group’s road-related businesses contend with specialized subsidiaries of the French construction groups mentioned above, along with major international companies as well. There are also a number of small, medium and large specialized business units that operate on regional, national and international markets, such as:
  – signing and signaling: Signature (Burelle and Eurovia groups), Girod, Lacroix;
  – railways: ETF (Eurovia), TSO, Alstom (TGS), Eiffage Rail and a number of independent medium-sized companies.

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

**ROADS**

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

**ROAD-RELATED ACTIVITIES**

**ROAD SAFETY AND SIGNALING**

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

**PIPES AND MAINS**

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

**WATERPROOFING**

Smac and its subsidiaries recorded stable revenue figures compared to the previous year, after five consecutive years of growth. In the middle of a plunging construction market, revenue was sustained thanks to ordinary business and the photovoltaic sector, in particular via partnerships with Tenesol and EDF EN.
RAILWAYS
In 2009, with revenue up 13%, Colas Rail enjoyed more buoyant activity throughout its lines of business: renewal and maintenance of track with the “High-Output renewal train”, first project as main contractor with the RFF, which owns and maintains the French national railway network to manage rail traffic, electromechanical work on the Marseille metro, signaling, along with tramway construction in Angers, Reims and near Paris.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

COFIROUTE

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

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

ADELAC

A company in which Colas holds a 46.1% share with Bouygues Construction, Adelac opened up a 19.7-km section of highway A41 North on December 22, 2008. The so-called “Two Lake highway” links Arney, France to Geneva, Switzerland in thirty minutes and Adelac has a 55-year concession contract. Despite getting off to a slightly disappointing start due to the economic crunch and harsh winter weather, traffic on the section during the first year was satisfactory, with average figures of a little less than 15,000 vehicles/day during the off season.

MARS

The role played by the Mars concession company in which Colas holds an 8.5% stake is twofold: it is in charge of the design and construction of the Reims tramway and the management of the entire public transport system in greater Reims for a duration of thirty years. Since January 1, 2008, Mars has been operating the city’s bus network (roughly 170 buses). Once the archeological digs were completed at the end of December 2008, the construction consortium – including road specialists Colas Est and Sregr Est, and the Group rail company, Colas Rail – launched the work phase of the project. At the end of 2009, earthworks on the entire 11.2-km long tramway platform were finished, track had been laid on three-quarters of the section, new roads and sidewalks were being rebuilt around the city at the end of 2009 and the maintenance center is currently reaching the final phases of construction. Tests on the tramway will start at beginning of April 2010, with inauguration slated for April 2011.

FRENCH OVERSEAS DEPARTMENTS

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

On Reunion Island, revenue was down sharply compared to 2008, against a backdrop of recession, the end of the major Tamarind project and the plunge of private investment linked to reforms in real estate tax laws. The Building and Roads businesses took a strong dive, partially offset by the construction of water treatment plants and photovoltaic farms. The construction material sector was also impacted by the building and public works crisis.

In August, the Tram’Tiss consortium, in which Colas holds a stake via GTOI and Colas Rail, was selected as the preferred bidder for the construction of the Tram-train between Saint-Paul and Sainte-Marie in a PPP contract that was signed in December. The project could be launched during the second half-year of 2010 but additional government financing remains to be secured by the Region.

In the Caribbean (Martinique and Guadeloupe), business grinded to a halt at the beginning of the year as a major social crisis erupted, deeply affecting the economy and investments. The impact of this social unrest was aggravated by the already precarious financial situation of local authorities. Decision-makers – both public and private – were at a stand-still, which explains the particularly low levels of business recorded in the public works and building companies. Projects are currently underway to extend the airport at Dominica Island and to build a 10,000 m² refrigerated warehouse for the port of Guadeloupe.

French Guiana enjoyed good levels of business, thanks in particular to a government-funded project to build the access road leading to the future Oyapock bridge at the border with Brazil (1.4 million m³ of earthworks) and to investments in the housing sector.
INTERNATIONAL AND FRENCH OVERSEAS TERRITORIES

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

Business in the international and overseas territories’ road construction activity is quite similar to the same sector in mainland France. Contracts are on the average larger in North America, central Europe and the Indian Ocean. The Road business in some countries may encompass civil engineering projects (engineering structures) required on comprehensive road and highway projects. Road work is also supplemented by upstream industrial activities (aggregates, asphalt mix, emulsion, ready-mix concrete). The amount of products sold to third parties can be higher than in France, as is the case in North America for example. Additional activities in the international divisions include pipes and mains/drilling, civil engineering, railways in Europe, building and civil engineering in the Indian Ocean, along with road marking in Canada and signaling in Europe, Morocco, etc. In Asia and in Australia, Colas is currently developing business focused on the storage, transformation and trade of oil products essentially for use in road construction (bitumen).

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

EUROPE

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

In Great Britain, Colas Ltd’s road business recorded good revenue despite the crisis. Their figures were essentially boosted by four long-term MAC contracts for the management and maintenance of road and motorway networks in Great Britain for Areas 14, 10, 7 and 12, i.e., 3,500 kilometers (including engineering structures), which, in addition, benefited from stimulus package investments. The network upgrading and maintenance contract in Portsmouth is still ongoing. Colas Rail Ltd also enjoyed buoyant business, with in particular a new long-term MAC contract for track renewal.

In Switzerland, business was up thanks to a number of infrastructure projects and the acquisition of a small road marking company.

Revenue in the Road sector in Belgium is down, due to an absence of major projects, harsh winter weather and postponed projects. On the other hand, business at Colas Rail in this country is on the rise. In Denmark, the stimulus plan did not offset the drop in public and private investment. In Ireland, activity decreased against a backdrop of economic crisis exacerbated by very bad weather. The same was true in Iceland, which took a brutal punch in the financial crisis.

Conventional business has declined sharply in the central European countries where Colas operates, such as Hungary, Slovakia and Poland, due to the crisis. In Hungary, several major construction projects, including the 80-km section of highway that is part of the M6-M60 PPP contract continued on schedule, which helped lessen the drop. In Romania and Croatia, Group companies adapted to face the sharp plunge in business, due in particular to the grave financial difficulties that the countries are encountering. In Germany, Colas Bauchemie (an emulsion plant), with revenue of 17 million euros, was transferred mid-2009.

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

Ension: PFI in Portsmouth (Great Britain)

Five years into the contract, the Portsmouth PFI is still a source of satisfaction for both customers and users alike. Phase one of this first ever public-private partnership involving the upgrading and maintenance of city networks signed in 2004 for a duration of twenty-five years has come to an end (upgrading). In four and a half years’ time, Colas Ltd upgraded more than 1,300,000 m² of roads, 400,000 m² of sidewalks and replaced 12,000 streetlights. On July 31, 2009, the PFI entered into the second phase (maintenance and network management, covering 480 kilometers of roads, 19,000 streetlights and 84 bridges and structures).

MAK: M6-M60 motorways (Hungary)

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

NORTH AMERICA

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

UNITED STATES

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

CANADA

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

Highlights of 2009 in North America include:

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

- In Canada: in Quebec, the upgrading of a new 20-km section on route 185 to an eight-lane highway 85 on the Trans-Canada highway in Temiscouata county (8.7 million m² of earthworks); in the Yukon Territory, the upgrading of Main Street in Dawson City.

ELSEWHERE AROUND THE WORLD

MOROCCO

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

In Benin, work on two major projects was temporarily suspended due to payment delays. The 126-km Djougou–N’Dali road was completed and construction work at the Torou-Parakou airport began, with over 1.5 million m³ of earthworks.

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

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

INDIAN OCEAN AND SOUTHERN AFRICA

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

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

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

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

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

ASIA AND OCEANIA

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

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

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

TECHNIQUES, RESEARCH AND DEVELOPMENT

Research has been one of the driving forces of Colas’ strategy for many years. Backed by a portfolio of 142 patents, with products used in France and around the world, the Group is a pioneer in the development of new road techniques able to adapt to a wide range of needs in the ever-changing global market. In 2009, the R&D budget was stable at 70 million euros, with 60% in France (based on the definition provided by the OECD including research, experimental development, technical activities of laboratories, IT).
Colas’ research and development policy focuses on anticipating and responding to the needs of transport infrastructure customers (public and private), users and neighboring residents, regarding quality, safety, environmental protection (in particular in the fields of energy savings, reduced greenhouse gas emissions, decreased consumption of materials, and greater awareness of visual appeal) and costs. The Group aims to improve existing technologies, design new products and offer a broader range of services. Its expanding technical skills and know-how are also reflected in its new lines of business, e.g., its activity in the bitumen sector for the last several years and new contracts like PPPs in which maintenance and improved service levels require accurate technical analysis of existing roads. Ongoing improvements to know-how focus in particular in the fields of mineral, organic and plant chemistry, design and, more recently, physics.

In 2009, the Group’s research programs had to adapt, as was the case in previous years, to a rapidly changing market, in particular in France in the wake of the French Grenelle Environmental Roundtables, in addition to reinforced standards for products in Europe with the application of REACH legislation covering chemical substances. The French Government continued to support innovation in the road industry, a program that was relaunched in 2007 following a 5-year hiatus.

**NETWORK ORGANIZATION FOR TECHNIQUES**

The Group boasts a tight-knit internal technical network that operates internationally. Every new company that joins the Group helps reinforce this valuable system. One of Colas’ keys to success lies in the fact that its network works hand in hand with operational teams in the field.

As the leading private research center in the road industry, the Campus for Science and Techniques (CST) and its eight laboratories in Magny-les-Hameaux, near Paris, are at the heart of the Group’s innovation program. Its teams put their research skills and know-how at the disposal of Group subsidiaries, both in France and elsewhere around the world, on conventional projects, major projects or more complex contracts such as tramway platforms and PPP-PFIs. Over 80 people work at the CST, from engineers, technicians, physicists and chemists to material experts and calibration specialists.

Nearly 50 decentralized laboratories and one hundred engineering design offices – specialized in roads, civil engineering, building, deconstruction and more – work in liaison with the CST both inside and outside of France. They contribute to the Group’s overall research effort and offer tailor-made technical support to local projects.

Each unit has its own state-of-the-art laboratory and computer tools, which are constantly renewed to remain at the cutting edge of technological innovation and customer needs and requirements: material analysis equipment, sophisticated simulation and risk measurement software, modern auscultation apparatuses. Research teams can thus help meet customers’ needs and optimize bidding by using alternative technical solutions.

In all, the Colas technical network includes 2,000 engineers and technicians hard at work in the Group’s laboratories (more than 1,000 people) and engineering design offices (more than 900 people), roughly 45% of whom work in France.

**RESPONSIBLE DEVELOPMENT: A KEY FOCUS FOR R&D**

To save energy, reduce the consumption of materials, and diminish carbon impact, teams at Colas R&D and technical divisions focus on:

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

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

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

In 2009, a number of projects undertaken by international and French overseas units used the Group’s special products and processes:

− in Belgium, the first projects using warm mixes and Nanosoft® noise-reducing mix, another project involving mix with Vegecol® plant-based binder;
− in Switzerland, Vegecol® and Valorcol® reclaimed asphalt pavement (RAP) products were used;
− on the Isle of Man, special airfield asphalt pavement (BBA) was employed to reinforce airport runways;
− in Iceland, a warm mix project with CWM® from Chemoran;
− in Denmark, projects with CWM® warm mixes, application of warm noise-reducing Rugosoft® mix, high modulus mix, surface dressing with Vegecol® binder;
− in Hungary, the first projects using Valorcol® and CWM® warm mixes;
− in Poland, Nanosoft®, Colgrip® (highly skid-resistant surface dressing), CWM® warm mixes, and Ruflex® mix for thin layers;
− in Romania, first project using reclaimed asphalt pavement and additional projects with modified bitumen;
− in North America (United States and Canada), development of warm mixes (Ecomat® in the USA and in English-speaking provinces and territories in Canada, Pavecol® in Quebec) with a total tonnage multiplied by 8 and a 80,000 ton project on I55 in Missouri, further use of the Fibermat anti-crack process (nearly 3.5 million m² applied in 2009 and the first projects in Quebec and in Alaska), first Bituclair® project in the Yukon to reduce warming in the permafrost layer, Vegecol® projects in Quebec, launching of EcologicieL®;
− in the Caribbean/French Guiana, reclaimed asphalt pavement (RAP) was used in Martinique, first Vegecol® project at the Kourou space center in French Guiana;

− in Gabon, use of special Colao PE® mixes;
− in Morocco, a number of Novacol® projects (more than 220,000 m² in 2009), further use of colored mastic asphalt (165,000 m² in 2009);
− in the Indian Ocean, special Betoflex® mix was used on the Grand-Bois bypass, in Reunion Island, Colgrill® on the Dzaoudzi airport parking lot in Mayotte, the first Colmat® cold micro surfacing;
− in Asia and Australia, in place recycling with Stabicol® in Thailand, modified bitumens in Vietnam and on a number of airport projects in India, special binders for highways and airports in Australia.

RESPONSIBLE DEVELOPMENT

THE COLAS APPROACH

A leader in the construction and maintenance of transport infrastructure, urban development and recreational facilities, Colas improves the quality of life, facilitates the movement of people and goods and contributes to economic development, thus helping to meet essential needs and aspirations. This contribution must be responsible, addressing the concerns and contradictions of present-day societies: in particular, social cohesion, environmental protection and climate change. Awareness of these changes, the implementation of measures to tackle the issues, and the Group’s long-standing commitment to exemplary corporate citizenship are grouped under the concept of “responsible development”, deemed to be a more appropriate term for the corporate world than “sustainable development”.

As a cornerstone of its responsible development approach, Colas has mapped the interactions of its stakeholders using stakeholder analysis as shown in the chart opposite:
This approach highlights three main issues:
- teams in the field (local management) play a major role in Colas’ societal image;
- environmental issues are at the heart of societal reputation, in particular for the material production sector;
- customers are a key relay of local opinion in Colas’ dialogue with civil society.

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

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

THREE STRATEGIC TARGETS

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

RENEWAL AND ENRICHMENT OF HUMAN RESOURCES

Colas devotes considerable means to anticipating and accompanying growth.

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

Continued effort in recruitment

Recruitment in 2009 per geographic zone

<table>
<thead>
<tr>
<th>Zone</th>
<th>Managers</th>
<th>Workers</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>France</td>
<td>983</td>
<td>1,437</td>
<td>2,420</td>
</tr>
<tr>
<td>International incl. Europe</td>
<td>1,142</td>
<td>2,208</td>
<td>3,350</td>
</tr>
<tr>
<td>North America</td>
<td>207</td>
<td>719</td>
<td>926</td>
</tr>
<tr>
<td>Africa/Asia/Indian Ocean</td>
<td>284</td>
<td>230</td>
<td>614</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>2,125</td>
<td>3,645</td>
<td>5,770</td>
</tr>
</tbody>
</table>

In 2009, against a difficult backdrop marked by a drop in business activity in every zone, Colas nonetheless continued to hire newcomers in a drive to preserve the future. In all, nearly 5,800 people were hired (7,450 in 2008), including more than 2,400 in France (4,150 in 2008). The employment market made it possible for some Group companies to hire qualified staff, in North America in particular. Other companies had to slow down the recruitment of beginners to recruit more experienced people. Needs remain high in specialized sectors such as railways, which is today a growth market.

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

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

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

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

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

Diversity – a source of strength for the Group

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

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

Older employees

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

Disabled

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

Many subsidiaries in France, Djibouti, the United States, New Caledonia and the Czech Republic have already undertaken initiatives to promote the recruitment of disabled individuals and to retain their disabled employees. Colas strives to ensure that its employees can, insofar as possible, continue their careers with Colas by either helping them retrain for a new position or by adapting their current job to accommodate their disability. Efforts to make premises accessible to people with limited mobility are being pursued and subcontracting agreements are also being signed with organizations that employ the disabled.
Since 2006, Colas has also been sponsoring the partially sighted runner Assia El’Hannouni, a four-time medal winner at the Paralympic Games. Her recruitment in the Corporate Communications Department in late 2009 under a CIP youth-employment contract, enables her to use some of her work time to train and carry the Colas banner even further.

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

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

**Gender diversity**

**Breakdown of male and female employees in 2009**

<table>
<thead>
<tr>
<th></th>
<th>Management</th>
<th>Workers</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>France</strong></td>
<td>Men 81.1%</td>
<td>99.4%</td>
<td>91.7%</td>
</tr>
<tr>
<td></td>
<td>Women 18.9%</td>
<td>0.6%</td>
<td>8.3%</td>
</tr>
<tr>
<td><strong>International</strong></td>
<td>Men 75.3%</td>
<td>95.6%</td>
<td>90.8%</td>
</tr>
<tr>
<td></td>
<td>Women 24.7%</td>
<td>4.4%</td>
<td>9.2%</td>
</tr>
</tbody>
</table>

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

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

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

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

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

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

**The hard-to-employ**

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

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

Colas Group
Business report

Workforce averages in 2009

<table>
<thead>
<tr>
<th>Countries</th>
<th>Management-level</th>
<th>Office staff &amp; supervisors</th>
<th>Workers</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2008</td>
<td>2009 %</td>
<td>2008</td>
<td>2009 %</td>
</tr>
<tr>
<td>Mainland France</td>
<td>5,596</td>
<td>2.88%</td>
<td>9,752</td>
<td>-0.17%</td>
</tr>
<tr>
<td>+ overseas depts. and territories</td>
<td>5,757</td>
<td></td>
<td>9,735</td>
<td></td>
</tr>
<tr>
<td>Europe (excl. France)</td>
<td>1,749</td>
<td>0.99%</td>
<td>3,018</td>
<td>7.14%</td>
</tr>
<tr>
<td>Total Europe</td>
<td>6,777</td>
<td>2.48%</td>
<td>12,653</td>
<td>1.50%</td>
</tr>
<tr>
<td>North America</td>
<td>549</td>
<td>-1.82%</td>
<td>1,749</td>
<td>1.03%</td>
</tr>
<tr>
<td>Africa/Asia</td>
<td>277</td>
<td>17.33%</td>
<td>763</td>
<td>20.84%</td>
</tr>
<tr>
<td>Indian Ocean</td>
<td>138</td>
<td>9.42%</td>
<td>467</td>
<td>9.85%</td>
</tr>
<tr>
<td>TOTAL</td>
<td>7,741</td>
<td>2.83%</td>
<td>15,632</td>
<td>2.64%</td>
</tr>
</tbody>
</table>

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

Restructuring and downsizing

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

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

MOBILITY

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

For example: Colas Est and Screg Est regularly made employees available for the Reims tramway project; Screg Sud-Est set up a job exchange at the head office that involved 525 employees; Spac temporarily transferred personnel to Colas Centre-Ouest to work on a water-supply system for the city of Orléans; while Colas Centre-Ouest sent employees to Colas companies in the Caribbean to expand quarry installations and monitor their operations.

Subsidiaries in North America also showed that they were able to transfer employees where they were needed, with Terus lending personnel to Canadian Road Builders and permanently transferring some managers to Works Alberta after pension plans were converged in western Canada. In Asia, Thai employees helped expand the Group’s operations in China, Malaysia and Cambodia.

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

TRAINING AND INTERNAL PROMOTION

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

Training actions and hours in 2009

<table>
<thead>
<tr>
<th></th>
<th>Hours</th>
<th>Actions</th>
</tr>
</thead>
<tbody>
<tr>
<td>France</td>
<td>530,000</td>
<td>29,500</td>
</tr>
<tr>
<td>International</td>
<td>454,100</td>
<td>64,300</td>
</tr>
<tr>
<td>TOTAL</td>
<td>984,100</td>
<td>93,800</td>
</tr>
</tbody>
</table>
There are significant differences between French and international subsidiaries when it comes to training, mainly due to different regulatory frameworks. In France, training is generally provided over a longer period than elsewhere around the world, where it is usually given on an ad hoc basis in the field.

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

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

Colas Campus and Colas Universities

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

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

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

Training to foster synergy, multiskilling and internal promotion

Increasingly, training programs are run jointly by two or more subsidiaries, to enable their employees to share their experience, work methods and tools. Against a background of recession, some subsidiaries have made multiskilling a priority or have helped their employees make the transition to a new job where Colas lacks resources, such as deconstruction and civil engineering.

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

Mentoring

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

In France, the Compagnons de la route guilds, a group of expert skilled workers, play a key role in ensuring that young employees benefit from the finest Colas know-how. In 2009, two new branches of the Compagnons de la route were formed in Canada and on Reunion Island.
HEALTH
A safe and healthy work environment is vital at Colas.
Safety concerns are dealt with specifically below.

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

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

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

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

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

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

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

Payroll costs and social-security contributions in 2009 (France)
in millions of euros 2008 2009 % 2009/2008
Salaries and wages 2,110,266 2,126,141 +0.75
Social security charges 761,840 757,370 –0.59
TOTAL PAYROLL EXPENSES 2,872,108 2,883,511 +0.40
Employer contribution to PEE 21,282 28,924* +35.91
Employees profit-sharing 25,061 13,055 –47.91
TOTAL EMPLOYER CONTRIBUTION PLUS PROFIT-SHARING 46,343 41,979 –9.42
TOTAL PAYROLL COSTS AND OTHER ADVANTAGES 2,918,451 2,925,490 +0.24
Outside personnel 336,405 267,903 –20.36

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

Gross salaries per month in 2009
(in hundreds of euros)
No. of employees
8000
7000
6000
5000
4000
3000
2000
1000
0
Company savings plan (PEE) and retirement savings plan (PERCO) in 2009 (in France)

<table>
<thead>
<tr>
<th></th>
<th>Bouygues PEE</th>
<th>Colas Monétaire</th>
<th>PERCO</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of members</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Managers</td>
<td>3,592</td>
<td>113</td>
<td>373</td>
</tr>
<tr>
<td>Office staff</td>
<td>3,973</td>
<td>138</td>
<td>166</td>
</tr>
<tr>
<td>Workers</td>
<td>4,381</td>
<td>173</td>
<td>99</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>11,946</strong></td>
<td><strong>424</strong></td>
<td><strong>638</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>% of workforce</th>
<th>Total aggregate employee deposits* (in euros)</th>
<th>Average individual deposits (in euros)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Managers</td>
<td>62.39%</td>
<td>10,188,621</td>
<td>2,836</td>
</tr>
<tr>
<td>Office staff</td>
<td>40.81%</td>
<td>6,761,348</td>
<td>1,703</td>
</tr>
<tr>
<td>Workers</td>
<td>18.72%</td>
<td>5,161,308</td>
<td>1,178</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>30.71%</strong></td>
<td><strong>22,117,278</strong></td>
<td><strong>1,851</strong></td>
</tr>
</tbody>
</table>

<p>| | | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Managers</td>
<td>1.96%</td>
<td>114,776</td>
<td>1,016</td>
</tr>
<tr>
<td>Office staff</td>
<td>1.42%</td>
<td>111,032</td>
<td>805</td>
</tr>
<tr>
<td>Workers</td>
<td>0.74%</td>
<td>120,283</td>
<td>695</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>1.09%</strong></td>
<td><strong>346,091</strong></td>
<td><strong>816</strong></td>
</tr>
</tbody>
</table>

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<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Managers</td>
<td>6.48%</td>
<td>750,179</td>
<td>2,011</td>
</tr>
<tr>
<td>Office staff</td>
<td>1.71%</td>
<td>133,207</td>
<td>802</td>
</tr>
<tr>
<td>Workers</td>
<td>0.42%</td>
<td>64,470</td>
<td>651</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>1.64%</strong></td>
<td><strong>947,856</strong></td>
<td><strong>1,486</strong></td>
</tr>
</tbody>
</table>

* Employee deposits excluding matching contribution from employer.

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

<table>
<thead>
<tr>
<th>in euros</th>
<th>Mainland France</th>
<th>Hungary</th>
<th>Great Britain</th>
<th>Switzerland</th>
<th>Morocco</th>
<th>Madagascar</th>
<th>United States</th>
<th>Canada</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average annual salary paid by Colas</td>
<td>Machine driver</td>
<td>23,654</td>
<td>9,990</td>
<td>30,352</td>
<td>47,118</td>
<td>5,317</td>
<td>1,629</td>
<td>37356</td>
</tr>
<tr>
<td></td>
<td>Foreman</td>
<td>32,528</td>
<td>14,377</td>
<td>42,140</td>
<td>64,694</td>
<td>13,905</td>
<td>3,215</td>
<td>43,097</td>
</tr>
<tr>
<td>Minimum annual legal salary per country</td>
<td>Machine driver</td>
<td>15,952</td>
<td>3,048</td>
<td>13,562</td>
<td>38,379</td>
<td>2,213</td>
<td>330</td>
<td>10,800</td>
</tr>
</tbody>
</table>

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

The gradual strengthening and convergence of global employee benefits

Several foreign subsidiaries have started to converge their pension and health-insurance plans and employee benefits within a given geographic region to ensure more consistent treatment among their employees and facilitate their mobility between subsidiaries and other entities. This is the case, for example, of Works Alberta, Terus and Canadian Road Builders in western Canada and of Colas entities in Romania. In Morocco, private-sector health care and disability coverage was extended to all employees and the entities have also converged their compensation practices.
Other examples of social responsibility initiatives undertaken by subsidiaries – in addition to those in developing countries (see “Corporate citizenship in developing countries”) – include that of Canadian Road Builders and Works Alberta, which decided to follow Branscome’s example in the United States and set up an Employment Assistance Program that enables their employees to obtain confidential legal, financial, psychological or medical advice and assistance from specialists. Subsidiaries can also assist employees suffering from illness, for example by providing a replacement income, lending them equipment or paying medication expenses. In France, similar initiatives have been undertaken by Colas Midi-Méditerranée, which has set up a permanent social assistance office, and by Colas Nord-Picardie, where employees can seek assistance from a team of social workers.

Local management of labor relations
Employee interests in France are represented through 342 works councils (of which 30 are “central works councils”) and through health and safety committees.

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

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

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

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

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

Some subsidiaries have also undertaken special initiatives, such as:

- an employee satisfaction index at Screg IDFN;
- a “site teams forum” at Colas Ltd in Great Britain that brings representatives of worksite teams together to discuss work-related problems in an atmosphere of dialogue and cooperation; and
- the creation of an industrial relations committee at Sintra in Canada composed of union representatives from each region.

SOCIAL ACCEPTANCE OF PRODUCTION SITES

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

EXEMPLARY PRODUCTION SITES

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

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

As for Colas’ construction work, it has little direct impact on the environment:
– new projects account for only 20% of total revenue and project owners assess their compliance during the design phase. Colas also observes and enhances its customers’ environmental-compliance plans during construction;
– the bulk of the Group’s projects average less than 100,000 euros and involve the maintenance, replacement or modification of existing road or rail systems. They require no additional land area and the land used has already been surfaced or otherwise prepared. Environmental requirements therefore mainly have to do with effluent and solid waste, most of which is inert.

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

ETHICS

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

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

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

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

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

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

Mike Cardinal, member of the Big Stone Cree nation in northern Alberta, Canada, former member of the Legislative Assembly of Alberta and former minister.
Colas has implemented many concrete actions to ensure ethical behavior and transparency, often in collaboration with independent partners. Some examples include:

– **Association Qualité Pesage (AQP)**, which was created with independent inspection agencies Socotec and Veritas to ensure the traceability of asphalt plant deliveries by equipping them with a tamper-proof weighing system. For nearly ten years, Colas has been asking public contracting authorities to require that their supplier plants be equipped with such a system. They are now used to weigh three-fourths of all asphalt mixes made in France;

– **setting up an exchange for selling pre-owned construction equipment**: Colas was behind the creation of an auction exchange for pre-owned construction equipment that is operated by a large international company and subject to the control of Tracfin, an anti-money-laundering organization. Colas sells much of its construction equipment through this exchange, including 268 items totaling 3.3 million euros in 2009 and 517 items totaling 9.5 million euros in 2008.

**FIVE OTHER MAJOR TARGETS**

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

**SAFETY**

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

**WORK ACCIDENTS**

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

**Colas Group safety indicators**

<table>
<thead>
<tr>
<th>Year</th>
<th>French subsidiaries</th>
<th>Frequency rate</th>
<th>Annual severity rate</th>
<th>Security index</th>
<th>Fatal work accidents</th>
<th>Fatal accidents on work-related journeys</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>12.75</td>
<td>0.57</td>
<td>727</td>
<td>3</td>
<td>4</td>
<td></td>
</tr>
<tr>
<td>2008</td>
<td>11.62</td>
<td>0.48</td>
<td>5.58</td>
<td>6</td>
<td>2</td>
<td></td>
</tr>
<tr>
<td>2009</td>
<td>9.66</td>
<td>0.42</td>
<td>4.06</td>
<td>2</td>
<td>0</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Year</th>
<th>International subsidiaries</th>
<th>Frequency rate</th>
<th>Annual severity rate</th>
<th>Security index</th>
<th>Fatal work accidents</th>
<th>Fatal accidents on work-related journeys</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>8.02</td>
<td>0.23</td>
<td>1.84</td>
<td>5</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>2008</td>
<td>6.99</td>
<td>0.21</td>
<td>1.47</td>
<td>5</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>2009</td>
<td>5.98</td>
<td>0.19</td>
<td>1.14</td>
<td>6</td>
<td>1</td>
<td></td>
</tr>
</tbody>
</table>

**Change in global frequency rate over the last ten years**

- France
- Europe (excl. France)
- Africa, Caribbean, Indian Ocean, Asia
- North America

**Employee awareness-raising and risk assessment**

Colas provides its subsidiaries with various tools and materials for making sure that employees are fully aware of construction industry hazards. Some examples include: the Safety Induction software application, which reviews all hazards and safety instructions for specific jobs and is systematically used in mainland France to train
new recruits and temporary employees; the Hazards application, which helps subsidiaries complete the master risk assessment form and prepare safety action plans; and the Lara application, which is used to assess chemical hazards.

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

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

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

Employees trained in first aid

<table>
<thead>
<tr>
<th></th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>France</td>
<td>8,824</td>
<td>10,290</td>
<td>11,225</td>
</tr>
<tr>
<td>International</td>
<td>5,096</td>
<td>6,774</td>
<td>8,128</td>
</tr>
<tr>
<td>TOTAL</td>
<td>13,920</td>
<td>17,064</td>
<td>19,353</td>
</tr>
</tbody>
</table>

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

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

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

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

The accident frequency rate involving the Group’s vehicles in France once again improved in 2009, with 0.084 accidents compared to 0.088 in 2008. Since the first Road Safety charter was signed twelve years ago, the accident frequency rate has dropped by 62%, even though the Company’s fleet of vehicles and site machines has grown by 99%, requiring new drivers to be trained.

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

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of vehicles</td>
<td>13,746</td>
<td>20,588</td>
<td>25,380</td>
<td>26,564</td>
<td>+93%</td>
</tr>
<tr>
<td>Number of accidents involving third parties*</td>
<td>3,024</td>
<td>2,334</td>
<td>2,407</td>
<td>2,241</td>
<td>-26%</td>
</tr>
<tr>
<td>Frequency</td>
<td>0.220</td>
<td>0.113</td>
<td>0.095</td>
<td>0.084</td>
<td>-62%</td>
</tr>
</tbody>
</table>

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

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

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

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

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

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

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

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

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

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

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

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

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

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

ENERGY CONTENT OF BIDS

Ecologiciel® (Colas) was the first carbon variation software tool to be used for road works, as were Eco-Cana (Spac) for the installation of pipes and CarbonEco® (Bouygues Group) for building sites and civil engineering works. In order to satisfy customer demand for a tool available to all companies allowing fair competition between environmentally-friendly alternatives, Colas began to pool this type of tool with other French road builders with a view to developing an eco-comparator shared on the extranet and available in 2010. The initiative was backed by the French Ministry for Ecology and Sustainable Development and a charter was signed with the industry’s professional body in March. At the end of 2009, the French authorities modified their general terms and conditions applicable to contracts in order to authorize the use of eco-friendly solutions in maintenance and construction works. Elsewhere around the world, Colas supports industry professional bodies in the European Union to promote the use of this tool and a version for use in other countries will be offered by Colas where possible. In 2009, over 1,000 bids were submitted using Ecologiciel® software (vs. under 500 in 2008) representing potential CO₂ savings of 7,000 metric tons in 2009.

The Vegeroute product range: developed as a plant-based substitute for oil-based or petrochemical components, these products cut manufacturing and application temperatures and even reduce the quantities required: Vegeflux® fluxing agent, Vegecol® bitumen substitute, Ostrea® hot-application road marking product, NeoGreen emulsion, Compomac V® asphalt mixes, etc. As a carbon sink, this range consistently presents a positive carbon balance. Compared with conventional products, the savings in CO₂ emissions came to 7,000 metric tons in 2009.

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

ENERGY CONSUMPTION AND EFFICIENCY

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

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

Mixing plants: the consumption of fossil fuels by burners fell further in 2009, i.e., 4.2% less per metric ton of mix compared with 2008 and a gain of over 10% in two years. This improvement represents carbon savings of 100,000 metric tons (vs. 40,000 tons in 2008) by combining falls in consumption with the choice of fuel (essentially recycled fuel in North America and changeover to natural gas in Europe).
Global assessment: in order to put into perspective the steps taken to reduce its carbon balance, Colas has begun to compute its global carbon footprint (internally and upstream). The result, due out in 2010, will allow Colas to compare its global footprint with the volumes of CO₂ saved (230,000 metric tons of CO₂ equivalent in 2009), and identify the segmentation of its footprint more precisely in order to pinpoint new paths for targeted actions.

RECYCLING

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

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

Asphalt mixes: Colas’ production already incorporates an average 9% of RAP (reclaimed asphalt pavement), versus 8% in 2008, i.e., the recycling of around 3.6 million metric tons of aggregates and some 180,000 metric tons of bitumen, the equivalent of an average-sized refinery. This equates to preventing the emission of 70,000 metric tons of CO₂. The situation continues to vary with rates of 21% and 20% in Belgium and the United States, while France has progressed well to 5.2% and is within reach of its target of 10% in 2010.

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

CHEMICAL HAZARDS

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

- **solvents**: scrapping the use of solvents in laboratories; scrapping the use of solvent-based degreasing fountains; scrapping the use of toluene in road paints (the entire range is available in a solvent-free option);
- **pigments**: scrapping the use of heavy metal-based pigments in paints; research for a formulation in non-powder form;
- **non-stick products**: scrapping the use of fuel oil in the application of asphalt mixes and substitution of plant-based alternatives;
- **bitumen vapors**: international studies published in 2009, notably the second part of the epidemiological study conducted by the International Agency for Research on Cancer (IARC), part of the World Health Organization, all pointed to the fact that there is no link between lung cancer and exposure to bitumen vapors. Colas has been an industry pioneer in France and Europe for involving independent bodies such as the IARC and persuading the industry and its suppliers to give these bodies the necessary access and resources;
- **resins**: Greencoat research project with several partners and the National Research Agency (ANR);
- **hazardous waste**: systematic policy of eliminating and recycling used oils in all the countries in which Colas operates; used oils account for most of Colas’ hazardous waste.
DIALOGUE WITH COMMUNITY INSTITUTIONS

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

THE RAIL VS. ROAD DEBATE

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

The road network, the only system of terrestrial communication that allows any two places to be connected, is irreplaceable. Although road traffic contributes to CO₂ emissions, the increasing pace of technical advances in road vehicles is bound to rapidly reduce the carbon footprint. Roads do not therefore deserve to be condemned on account of vehicle pollution any more than the railroads were in the past due to steam engines.

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

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

GLOBAL COST OF PUBLIC INFRASTRUCTURE

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

- two concessionary operations: the Reims tramway and highway A41 in France;
- five PPPs: M6 highway in Hungary, maintenance of the city of Portsmouth in the UK, street lighting in Libourne, France, Tram-train project on Reunion Island and the D1 motorway project in Slovakia;
- six MAC-type maintenance contracts in the UK: four of them cover one-third of the English road network, two of them are for railroad maintenance.

RESPONSIBLE PURCHASING

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

Identification work for each group defines the degrees of freedom available and the key features of responsible purchasing: safety, quality, control of illegal work, compliance with payment terms and conditions, design and correct usage of materials, etc. Colas is currently trialing various tools for the non-financial rating and auditing of its suppliers. However, it is impossible to carefully evaluate all its suppliers and subcontractors in this way, even as part of purchasing rationalization policy. At the same time, it was therefore decided to conduct risk assessment and target priority purchasing categories.

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

PARTICIPATION IN COMMUNITY LIFE AND PROJECT SUPPORT

This action is essentially local and managed by Group companies and their profit centers. It reflects Colas’ integration into local communities and expresses the values of commitment and action shared by the Group and its teams.
In mainland France, in addition to active participation in a number of job-creation schemes (part of Human Resources policy), participation mainly takes the form of cultural patronage (roughly 100 actions) and sports sponsorship (400 teams), while around 100 other actions (humanitarian, educational, participation in local community life, etc.) have accounted for a sum in the order of 2 million euros, which is stable compared to 2008.

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

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

ENCOURAGING THE EXCHANGE OF IDEAS

This policy covers two areas: social sciences, political science, the humanities and economics through the Cercle Colas, which regularly invites academics and prominent personalities to talk on aspects of modern life of their choosing and science, through the Rencontres Scientifiques Colas, in partnership with the magazine, La Recherche, which invites scientists to present their ideas.

In 2009, the Cercle Colas hosted the following speakers:

– Michel Maffesoli, member of the Institut Universitaire de France and professor at Sorbonne University: “Words and Worse”;
– Hubert Reeves, astrophysicist, President of the Ligue ROC: “Of Stars and Men”.

The topics of the Rencontres Scientifiques Colas 2009 were:

– “The Future of Electric Vehicles” by Yves Chabre, PhD, consultant in batteries for electric vehicles, and Pierre Midrouillet, CEO of PVI (manufacturer of electrically powered industrial vehicles);
– “IT Security” by Cédric Blancher, Director of the InnovationWorks IT Security Research Laboratory, EADS, and Antoine Joux, visiting professor at the university of Versailles-Saint-Quentin-en-Yvelines, Chief Armaments Engineer at the state organization responsible for armament programs (DGA).

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

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

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

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

In this context, a cautious provisional hypothesis for revenue in 2010 has been set at €11.5 billion euros, based on an ongoing strategy that focuses on profitability rather than volume. The Group will remain prudent in terms of investments and will pursue its targets in the field of responsible development (in particular energy savings, reduction of CO₂ emissions, safety, diversity). 2009 brought an improvement in the net cash position at more than €100 million euros, thus reinforcing the Group’s solid financial foundations. In 2010, a year of transition, Colas will stay on path with a pragmatic policy to adapt to the new economic context, while it waits for recovery as of 2011 to impact the world’s infrastructure markets, where needs have remained high.
BENIN
Construction of an engineering structure in Cotonou.
The year in review
FRANCE
High-quality development project in the port of Saint-Martin-de-Ré.

POLAND
Refurbishment of route RN5 in Poznan.
FRANCE

Construction of a new natural gas compressor station in Bazainville.

FRANCE

Cladding on the Talence sports center.
DJIBOUTI
Rehabilitation of route RN1 to the Ethiopian border.

HUNGARY
Construction of a 78-km section of the M6-M60 motorway linking Pécs to Szekszárd.
FRANCE
Construction of infrastructure for the Reims tramway.

FRANCE
Installation of a concrete traffic divider on highway A75 near Clermont-Ferrand.
FRANCE
Demolition of an apartment building in Toulouse.

FRANCE
Waterproofing and roofing at the Solère technology pole in Lyon, including the installation of photovoltaic panels.
CANADA
Construction of highway 85 on the Trans-Canada highway in Saint-Louis-du-Ha! Ha! and Cabano, Quebec.

FRENCH GUIANA
Construction of an access road to the Brazilian border between Saint-Georges and the future Oyapock bridge.
FRANCE
Application of warm mixes that save energy and reduce greenhouse gas emissions on highway A75 near Béziers.
HUNGARY
Construction of a wastewater treatment plant on Csepel Island in Budapest.
MOROCCO
Construction of platforms for the Renault plant in Tangiers-Meloussa.

FRANCE
Elise®, the first 100% electric road marking machine.
FRANCE
Using Novacol® cold in place pavement recycling technique on route RD119 near Pamiers.

THAILAND
Refurbishment of pavement on North Sathorn Road in Bangkok.
GREAT BRITAIN
Renovation of infrastructure at the Crystal Palace station in south London.

SWITZERLAND
Application of mixes using Vegecol® plant-based binder in La Chaux-de-Fonds.
FRANCE
Renovation of the Vanne aqueduct in Moret-sur-Loing.

High-quality development on the 16-Août-1944 Square in Thonon-les-Bains.
MADAGASCAR
Civil engineering work at the Toamasina nickel treatment plant site.

GREAT BRITAIN
Maintenance work on the road and motorway network as part of the Area 12 long-term MAC contract.
FRANCE
Renewal of track using "High-Output" equipment between Saint-Hilaire and Hagondange.

FRANCE
Application of Colclair® colored surfacing in a tunnel on highway A86 near Paris.
FRANCE
Application of warm mixes to reduce greenhouse gas emissions on route RN88.

CANADA
Refurbishment of Main Street in Dawson City, Yukon with Colclair® colored surfacing.
FRANCE
High-quality development along the Garonne river bank in Bordeaux.

MAYOTTE
Extension of the container terminal at the port of Longoni.
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Director, Managing Director France

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