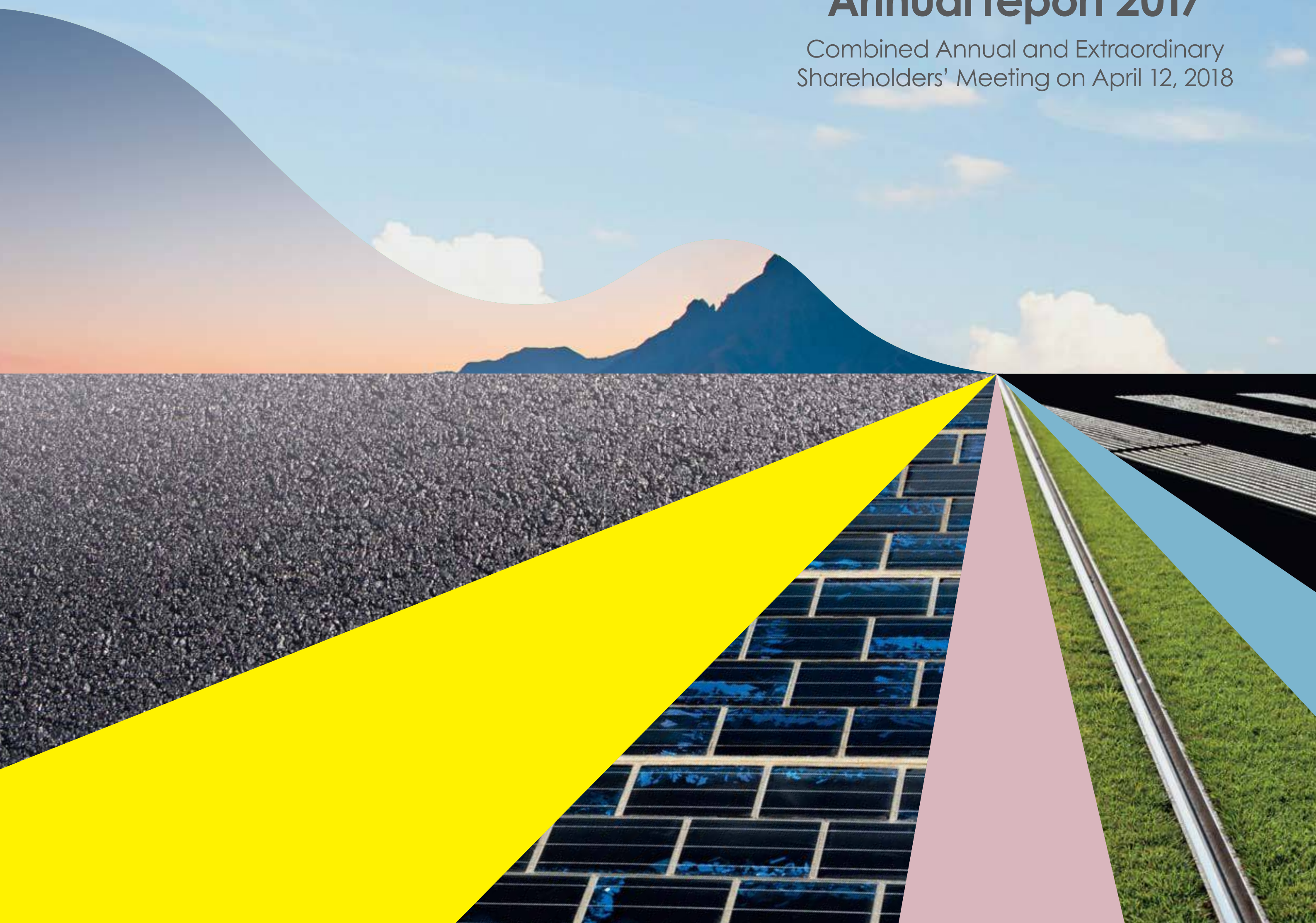
WE OPEN THE WAY

Annual report 2017

Combined Annual and Extraordinary
Shareholders' Meeting on April 12, 2018



Board of Directors

/ On April 12, 2018(1) /

Directors

Hervé LE BOUC
Chairman and
Chief Executive Officer

François BERTIÈRE
Director

Olivier BOUYGUES
Director

Martine GAVELLE(2)
Director

Colette LEWINER(2)
Director

Philippe MARIEN
Permanent representative
of Bouygues

Catherine RONGE(2)
Director

(1) Subject to the approval by the Annual General Shareholders' Meeting of April 12, 2018.

(2) Independent Director.

Auditors

KPMG Audit IS SAS
Statutory Auditor

Mazars
Statutory Auditor

KPMG Audit ID SAS
Substitute

Thierry COLIN
Substitute

Non-voting Director

Jean-François GUILLEMIN

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Annual Report of the Board of Directors

/to the Combined Annual and Extraordinary Shareholders' Meeting of April 12, 2018/

Dear Shareholders,

We have convened this Combined Annual and Extraordinary Shareholders' Meeting to deal with the following matters of business in compliance with French law and our Company bylaws:

IN THE SECTION DEALING WITH ORDINARY BUSINESS

- Management report of the Board of Directors
- Statutory Auditors report
- Approval of balance sheets and financial statements for the 2017 financial year
- Granting discharge to the Directors
- Approval of the consolidated financial statements 2017
- Appropriation of earnings
- Approval of the agreements and transactions covered by articles L. 225.38 *et seq.* of the French Commercial Code
- Approval of the defined benefit pension plan for Hervé Le Bouc
- Opinion on the compensation due or awarded for fiscal year 2017 to Hervé Le Bouc in his capacity as Chairman and Chief Executive Officer
- Compensation policy for the Chairman and Chief Executive Officer: approval of the principles and criteria used to determine and allocate the fixed, variable, and exceptional components of total compensation and benefits of any kind attributable to the latter
- Renewal of the appointment of Catherine Ronge
- Authorization granted to the Board of Directors to allow the Company to intervene on its own shares
- Powers for completion of formalities

IN THE SECTION DEALING WITH EXTRAORDINARY BUSINESS

- Report of the Board of Directors
- Special Statutory Auditor reports
- Authorization given to the Board of Directors to reduce the share capital by canceling treasury shares held by the Company
- Modification of the age limit for the office of Chairman of the Board of Directors (article 16 of the Company's bylaws)
- Modification of the age limit for the office of Chief Executive Officer (article 20.2 of the Company's bylaws)
- Powers for completion of formalities

Management report

2017

Key figures from 2017 are presented below:

in millions of euros	2017	2016	Change 2017/2016
Consolidated revenue	11,705	11,006	+6%
of which France	*6,104*	*5,779*	*+6%*
of which International	*5,601*	*5,227*	*+7%*
Current operating income	362	386	(24)
Current operating profit margin	*3.1%*	*3.5%*	*-0.4 pt*
Operating income	357(1)	324(1)	+33
Consolidated net profit attributable to the Group	328	355(2)	(27)
Net cash flow	675	578	+97
Free cash flow(3)	320	194	+126
Net cash/(Net debt)	433	517	(84)

(1) Of which noncurrent expenses: 5 million euros in 2017 related to the closure of the Dunkirk site and 62 million euros in 2016 mainly related to the discontinuation of the refined products business.

(2) Including 72 million euros in net capital gains on the sale of stakes in highway concession companies Atlandes and Adelac.

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

In 2017, Colas was back on track to growth after three consecutive years of decline. In a more favorable economic environment, the Group benefited from the recovery of the road market, particularly in Europe. Revenue in 2017 totaled 11.7 billion euros, up 6% compared to the previous year (+7% at constant scope and exchange rates).

Activity in France represents 52% of total revenue and international units account for 48%.

The Road business posted revenue of 9.7 billion euros in 2017, up 8% compared to 2016 (+8% at constant scope and exchange rates):

– revenue in Mainland France is up 8%. The six regional subsidiaries enjoyed an increase in business, as the market recovers following several years of decline and stabilization in 2016;

– revenue in North America increased slightly (+1% at constant scope and exchange rates) after a very good fourth quarter, particularly in the United States;

– revenue in Europe increased by 19% at constant scope and exchange rates. Business in northern Europe increased by 7%. In central Europe, revenue rose sharply by 35% (+45% at constant scope and exchange rates), fueled by the resumption of infrastructure projects financed by the European Union;

– in the Rest of the World (international excluding Europe and North America), revenue was up 7% at constant scope and exchange rates. The situation is contrasted between Oceania, with 19% growth (+18% at constant scope and exchange rates), Africa and the Indian Ocean, with 10% growth, and the French Overseas Departments and Regions, where revenue is down 3%.

Revenue at Specialized Activities totaled 2 billion euros in 2017, a slight 1% increase compared to 2016 (+3% at constant scope and exchange rates): an increase in Networks (+22%) and Waterproofing (+3%), whereas business at Railways and Safety, Signaling remained practically stable.

Current operating income amounted to 362 million euros in 2017, compared to 386 million euros in 2016, a decrease of 24 million euros. Current operating margin stood at 3.1% in 2017, compared with 3.5% in 2016:

– the Road business generated current operating income of 335 million euros, stable compared to 2016 (336 million euros) and a current operating profit margin of 3.5%, down from 2016 (3.8%). The improvement in current operating income in Mainland France offsets the decline observed in North America, mainly due to difficult weather conditions in Canada and a less favorable market environment for bitumen by-products in the United States;

– Specialized Activities posted 12 million euros in current operating income, compared to 43 million euros in 2016, a decrease of 31 million euros, attributable almost entirely to the Railway business.

In 2017, noncurrent operating expenses amounted to 5 million euros relating to the closure of the Dunkirk site, compared to 62 million euros in 2016, mainly attributable to the discontinuation of the refined products business.

Thus, the operating income for the year 2017 reached 357 million euros against 324 million in 2016, an improvement of 33 million euros.

The cost of financial debt is 14 million euros in 2017, comparable to that of 2016 (13 million euros).

Other financial income net of other financial charges amounted to 1 million euros in 2017 compared to 74 million euros in 2016 (of which 75 million euros in capital gains on the sale of stakes in highway concession companies Atlandes and Adelac).

Tax expenses for 2017 amounted to 75 million euros compared to 108 million euros in 2016, down 33 million euros, mainly due to the tax reform passed at the end of 2017 in the United States.

The contribution from associates and joint ventures totaled 61 million euros in 2017 compared to 82 million in 2016.

Lastly, net profit attributable to the Group amounted to 328 million euros in 2017, compared to 355 million euros in 2016, down 27 million euros.

Net cash flow stood at 675 million euros, an improvement of 97 million euros compared to 2016 (578 million euros). Free cash flow improved significantly, to 320 million euros in 2017 against 194 million in 2016.

Net capital expenditure came to 355 million euros in 2017, compared to 384 million euros in 2016. Financial investments amounted to 157 million euros gross and 134 million euros net in 2017. The Group was back on track to external growth, mainly in France and in North America, in building materials. In addition, on August 30, 2017, Colas signed a memorandum of understanding for the acquisition of 100% of the shares of the Miller McAsphalt road works and bitumen distribution group in Canada. The closing of the transaction is expected in the first quarter of 2018. The purchase price of the shares, payable at closing and subject to adjustments, should be a multiple of approximately 12 times the average operating income(1). The acquisition will be financed by debt and will not jeopardize Colas' solid financial structure.

The Group's financial structure remains solid, with shareholders' equity at 2.8 billion euros and net cash at 433 million euros at the end of December 2017, against 517 million at the end of December 2016.

Business activity

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

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

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

Every year, Colas performs some 80,000 projects worldwide, the majority of which involve its recurrent core business.

(1) Average of last three fiscal years.

The breakdown of revenue by business segment is as follows:

in millions of euros	2017	2016	Change 2017/2016	Change at constant scope and exchange rates
Roads Mainland France	4,312	3,990	+8%	+8%
Roads Europe	1,603	1,374	+17%	+19%
Roads North America	2,525	2,474	+2%	+1%
Roads Rest of the World	1,216	1,133	+7%	+7%
Total Roads	**9,656**	**8,971**	**+8%**	**+8%**
Specialized Activities	**2,037**	**2,016(1)**	**+1%**	**+3%**
Holding	**12**	**19**	**ns**	**ns**
TOTAL	**11,705**	**11,006**	**+6%**	**+7%**
(1) Including the sale of refined products.	0	12		

ROADS

Roads are the Group's main business activity, with revenue totaling 9.7 billion euros in 2017, compared to 9.0 billion euros in 2016, an 8% increase (+8% at constant scope and exchange rates). Roads represent 82% of the Group's revenue.

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

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

Each year, via 55,000 projects worldwide, Colas builds and maintains roads and highways, and also works on airfield runways and aprons, seaports, industrial sites, logistics and commercial premises, city streets and urban development (pedestrian walkways, city squares), reserved-lane public transport (tramways, metros, bus lanes), recreational amenities (bicycle paths, motor racing tracks, sports facilities) and environmental protection (retention ponds, landscaping, wind farms), etc. The degree of seasonality of this business varies from one country to the next.

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

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

The Group's road construction and maintenance business covers a very large number of small- to mid-sized projects, but also major projects, which are sometimes carried out with complex contracts. In 2017, Colas created a specialized subsidiary dedicated to complex contract management, called Colas Projects. The aim of this unit is to provide subsidiaries with expertise in the studying and performance of major projects.

Some of these projects are performed as concessions, PPP/PFI or MAC (Management Agent Contractor, now called ASC for Asset Support Contract) such as:

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

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

– PPP for Motorway M6-M60 in Hungary;

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

– concession for Antananarivo and Nosy Be airports in Madagascar.

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

The road construction and maintenance business posted revenue of 8.1 billion euros in 2017, some 69% of total Group revenue;

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

Upstream of road construction and maintenance, Colas runs a major business focused on manufacturing and recycling construction materials at all its locations around the world, for internal reuse or sale to third parties, via a dense international network of 741 quarries and gravel pits, 125 emulsion and binder plants, 568 asphalt plants, 168 ready-mix concrete plants and one bitumen production plant. In 2017, the Group produced 106 million tons of aggregates, 1.7 million tons of emulsions and binders, 42 million tons of asphalt mix, 2.4 million m^3 of ready-mix concrete and 840,000 tons of bitumen. Colas also has 2.9 billion tons of authorized aggregate reserves[1] (equivalent to thirteen years of production), as well as 1.9 billion additional tons of potential reserves[2].

Sales of construction materials to third parties accounted for revenue of 1.6 billion euros in 2017, i.e., 13% of total Group revenue.

ROADS IN MAINLAND FRANCE (revenue 2017: 4.312 billion euros)

In Mainland France, the Group operates in the roads sector via six regional Colas subsidiaries, providing a dense network of construction business units and material production units located across the country.

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

In Mainland France, Roads generated revenue of 4.321 billion euros, an increase of 8% compared to revenue in 2016, which was stable after several years of decline. Despite continued cuts in State funding to local authorities, towns and cities, to launch new projects for the second year of the last half of the electoral cycle, including trams (Bordeaux, Caen, Lyon, etc.) and bus rapid transit networks (Lens, Poitiers, Rouen, etc.). Business also benefited from a national highway plan and the Greater Paris projects (for lines 14 North and 15 South, preparatory work: deviations and construction of roads for truck traffic, earthworks, deconstruction, removal of excavated material). There is also a slight recovery in private investment. Diversification of business in the subsidiaries (work for private individuals, with the creation of a dedicated Colas & Vous brand, pollution remediation work, and the sale of construction materials) also contributes to the increase in revenue. Every regional subsidiary saw its revenue grow. Acquisitions and investments in quarry companies (Malet, Carayon Languedoc) have been completed.

In total, 36,000 projects were carried out by the road subsidiaries in Mainland France in 2017. The following examples illustrate Colas' broad diversity of know-how and expertise:

• Construction, maintenance and renovation of highway networks: paving the median of Highway A 10 over a 70-km section in Deux-Sèvres Department; repaving a 10-km section of Highway A20 in the Indre Department; repaving Highways A40 in Haute-Savoie Department, A48 between Réaumont and Voreppe, A64 between Artix and Soumoulou, A75 in the Hérault Department; widening of the roadway on Montée des Volcans Route, on Highway A71; building an interchange connecting Highway A2 and A23 at Valenciennes; repairing the Bordeaux-Cestas rest areas on Highway A63;

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

• Construction, maintenance and renovation of road networks: construction on the northern section of the L2 ring road in Marseille as a PPP; completion of road works for the construction of the LGV bypass between Nîmes and Montpellier; construction of the Vue and Rouans, and Chépy bypasses, the Delta 3 multi-modal platform bypass at Dourges; road rehabilitation on Route RD 6009 at Fitou, Route RD 90 at Fouencamps; waterproofing and paving of the Oléron Bridge;

• Airports and ports: airfield pavement and networks for the extension of Hall 1 of the west terminal of Paris-Orly Airport; night repair of a taxiway at Basel-Mulhouse Airport; platform and networks at a new civil defense air base in Garons; construction of roads and networks at a polder in the port of Brest; repair of a dike, and piers in the port of Niel, on the Giens peninsula;

• Urban development: qualitative development of the Bruneseau district as part of the Paris Rive gauche project, the Empalot district in Toulouse, Gambetta Street in Brive, the Saint-Pierre square in Troyes; roads and services for a subdivision in Meximieux;

• Public transport: launch of construction on line 1 of the Avignon tramway, line 2 of the Bordeaux tramway; construction of bus rapid transit networks in Aix-en-Provence, Bayonne, Lens, Pau, Poitiers; construction of a railway platform for the reopening of the Belfort-Delle line; underground structures the in Rennes train station;

• Logistics, commercial and industrial facilities: development of the new location of the Nantes national market; shopping centers in Guéret, Garons, Baziège, Artenay, Saran, Saint-Nicolas-de-Port, Montchanin; platforms, roads, and services for the château Lynch-Bages rehabilitation project in Pauillac; construction of a military tank parking lot in the Canjuers Camp;

• Sports and leisure facilities: 10-km bike path along the Moselle between Custines and Pont-à-Mousson; hike and bike path along the Bastia seafront;

• Environment: soil remediation in the Saint-Serge industrial zone in Angers; construction of wind farms at Chamole, at the Rouvey Pass;

• Civil engineering, construction, deconstruction: construction of a rail bridge for SNCF Réseau as part of the construction of the T9 tramway line linking the Porte de Choisy to Orly near Paris; construction of a composite double girder bridge at Manosque; construction of two pedestrian bridges crossing the Argens at Vidauban; rehabilitation and extension of the Pondorly Building for the CRS in Rungis; deconstruction of the Orange CNET (National Center for the Study of Telecommunications) in Issy-les-Moulineaux, with a societal acceptance approach on site.

ROADS IN EUROPE (revenue 2017: 1.603 billion euros)

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

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

In Europe, the Roads business accounted for revenue of 1.603 billion euros in 2017, up 17% (+19% at constant scope and exchange rates) compared to 2016.

Northern Europe

In northern Europe, revenue totaled 954 million euros in 2017, up 7% compared to 2016 (+7% at constant scope and exchange rates).

In the **United Kingdom,** business remained stable in a highly competitive market. The acquisition of Allied Infrastructure Management Ltd, which specializes in airport maintenance and services, will expand Colas Ltd's range of solutions and services. The year was also marked by the signing of a partnership construction contract for Hoima Airport in Uganda, funded by UK Export Finance (UKEF). Long-term maintenance contracts for roads and highways along with Motorway MAC/ASC for Areas 4 and 12 were still under way. Work on the TfL (Transport for London) contract for the upgrading and maintenance of main roads in central London is continuing.

In **Ireland,** business in the subsidiaries increased in every segment (bitumen, emulsions, asphalt mixes, road works). Colas Ireland also benefited from the continuation of the first MAC/ASC contract in partnership with Colas Ltd and a broader integration of its activity (quarries, asphalt plants, works). A first major project was won, the 6-lane widening contract for a 13-km section of Motorway M7, in a consortium with SIAC Construction Ltd.

In **Belgium,** where the economy is recovering but the market remains tense, business is on the rise. Calls for bids for major projects are under way, such as the Liège tramway in PPP.

In **Switzerland,** business is stable in a buoyant market. A streamlining plan was put in place during the year. Colas acquired HTP SA and Amiante Exit, specialists in deconstruction and asbestos removal in and around Geneva.

In **Denmark,** in a favorable economic environment, activity was strong in the west of the country. In **Iceland,** the subsidiary benefited from a good level of investment in road infrastructure.

Central Europe

In central Europe, revenue stood at 649 million euros, up sharply by 35% (+45% at constant scope and exchange rates), as expected, thanks to an upward trend in business mainly related to the launch of major road and highway projects financed by European funds. Business also benefited from numerous private investments.

In **Hungary,** where a number of bids were launched this year, several major road and highway contracts were won, including Motorway M30 and the M25 South Expressway. Construction on Motorway M35 continues and work on the Hódmezővásárhely Bypass on Route 47 has begun. The acquisition of a stake at the end of the year in Bayer-CFE, a building project management company, is part of a business segment expansion strategy. In **Slovakia,** where large public projects are scarce, conventional business is complemented by building in the east of the country and private projects. In the **Czech Republic,** where many large highway projects on existing infrastructure have been launched, two contracts for the widening and upgrading of sections of Highway D1 have been secured. Activity was refocused on the core business with the sale of the pipeline company Cermak & Hrakovek. In **Poland,** as the market recovered slightly, business benefited from private investment; paving work on the new S5 Expressway is under way, with the supply and application of 330,000 tons of asphalt mix. In **Romania,** where activity is focused on the production and sale of building materials, the announced investment program has been delayed. In **Croatia,** the production and sale of aggregates are stable. In **Slovenia,** activity benefited from a market recovery.

Significant projects completed or under way in 2017 in Europe other than those already mentioned include: in the United Kingdom, the rehabilitation of the main runway and taxiway at East Midlands Airport, and the upgrading of Wolverhampton Light Rail Infrastructure on Bilston Road for Midland Metro Alliance; in Ireland, the maintenance of a 253-km road network under a five-year joint venture contract, renewable twice a year; in Belgium, repaving on Highway E34 and redesigning a pier in the port of Antwerp; in Switzerland, earthworks, soil remediation and civil engineering works for a real estate project in Plan-les-Ouates; in Iceland, repair of runways and construction of two taxiways at Keflavik Airport; in Hungary, widening of Route 21; in Slovakia, roads and services for the new Jaguar-Land Rover factory in Nitra.

ROADS IN NORTH AMERICA (revenue 2017: 2.525 billion euros)

In North America, the Group primarily operates in 16 states in the United States and eight provinces and territories in Canada (Quebec, Alberta, British Columbia, Yukon, Northwest Territories, Saskatchewan, Ontario and Nunavut). Activity in the United States includes a hefty industrial component (aggregates, asphalt mixes, ready-mixed concrete), as well as a strong foothold in bitumen storage.

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

The Road business in North America posted revenue of 2.525 billion euros in 2017, a slight 2% increase compared to 2016 (+1% at constant scope and exchange rates).

In the **United States,** the economy is recovering, but the road market has not yet fully benefited from the federal FAST Act (Fixing America's Surface Transportation Act), a multi-year plan for infrastructure rolled out for a period of eight years. Business was boosted however by many initiatives funded by state governments. Revenue was practically stable at constant scope and exchange rates compared to 2016, with a very good fourth quarter that offset delays at the end of the third quarter. Operational performance in the construction sector continued to improve. Colas acquired assets in the Graymont Materials Group in New York State and in the Heartland Missouri Quarry.

In **Canada,** despite a strong economic recovery after a two-year period that was strongly impacted by a significant drop in crude oil prices affecting the western provinces, in particular Alberta, the market is growly slowly and remains highly competitive. The federal government's ten-year infrastructure plan in late 2015 has not yet begun to produce results. The level of business varies from province to province, on the rise for example in Quebec, and with a downturn in Ontario due to a late start of construction sites. Colas Canada's revenue is up from 2016. Two major contracts were secured for the construction and maintenance of the Southwest Ring Road in Calgary, Alberta. Acquisitions were completed in Quebec (assets of La Compagnie Meloche) and the Yukon. On August 30, a memorandum of understanding was signed for the acquisition of 100% of the Miller McAsphalt group, specialized in road works and bitumen distribution, with average annual revenue of some 1.3 billion[(1)] Canadian dollars, an average operating profit margin of 7%[(1)], and 3,300 employees. The acquisition of Miller McAsphalt will allow Colas Canada to expand its geographic network by strengthening its footprint in Ontario and significantly increasing its bitumen storage and distribution capacity across Canada.

Significant projects completed or in progress in 2017 in North America include:

– in the **United States**: the extension of a 9-km section of Interstate 64 to Newport News, Virginia; the demolition and reconstruction of six bridges across Interstate 78 near Harrisburg, Pennsylvania; the rehabilitation of Bridge Street–Milton Avenue intersection in Syracuse, New York; the construction of a platform at the Brunswick Terminal for the Georgia Port Authority; repaving a section of Highway 285 in Faulkner County, Arkansas; repaving a section of Interstate 40 and Route 95 in the Mojave Desert, California; widening of the Seward Highway between Dimond Boulevard and Dowling Road in Anchorage, and a section of Glacier Highway in Juneau, Alaska;

(1) Average of last three fiscal years.

– in **Canada**: the completion of a P3 including repair and extension of the runway, taxiways, aircraft parking, and the rehabilitation of access roads at Iqaluit Airport in Nunavut; the rehabilitation of a section of Highway 20 West, and roadways and networks on Saint-Pierre Street in Rivière-du-Loup, Quebec; culvert construction and bridge rehabilitation in the Barrie area of Ontario; repaving 17th Avenue Southeast with the construction of bus rapid transit lanes in Calgary, the completion of multi-year road maintenance contracts in the City of Edmonton, and the rehabilitation of roads and services in downtown Grande Prairie, Alberta; the construction of a section of Highway 5 in the Northwest Territories.

ROADS IN THE REST OF THE WORLD (revenue 2017: 1.216 billion euros)

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

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

– in Africa and the Indian Ocean (mainly Morocco, western and southern Africa, Madagascar, the Comoros, Mauritius);

– in the Middle East (United Arab Emirates, Oman, Qatar);

– in Asia/Australia/New Caledonia, where the production, storage, transformation, distribution and sale of petroleum products are the Group's main business via its Thai subsidiary Tipco (Colas holds a 32% stake), backed by a network comprising one bitumen production plant in Kemaman, Malaysia, coupled with 26 emulsion plants, 21 bitumen storage units and 10 dedicated bitumen tankers. In Australia, business has expanded to include road construction. In New Caledonia, Colas and its subsidiaries operate in road building, construction, aggregates and ready-mix concrete.

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

In 2017, the Roads business in the Rest of the World accounted for revenue of 1.216 billion euros, up 7% from 2016 (+7% at constant scope and exchange rates), a trend that reflects dissimilar situations.

French Overseas Departments and Regions

In the French Overseas Departments and Regions, revenue in 2017 totaled 417 million euros, down 3% compared to 2016.

In the **Caribbean-French Guiana** zone, where weather was unfavorable and the economic and social environment remained difficult, and with unfavorable weather, the market was still low. Business in Martinique continues to be strongly impacted by a halt in maintenance investments and a freeze on bids for major projects since the creation of a single *collectivité.* Guadeloupe benefited from investments from the *département* and the region, and small projects including social housing and private sector clients. In French Guiana, a call for bids was launched for the Cayenne bus rapid transit PPP project.

In **Reunion Island,** where the construction and public works market remains tough, business for the conventional public works and civil engineering segment and the building segment (hospitals, social housing) is at a comparable level to that of 2016. The construction of the La Possession interchange, as part of the ongoing construction of the major new coastal road project (850 million euros, of which 482 million euros for the subsidiary), was completed. In Mayotte, in an environment wrought with social unrest, business remained stable.

Among the significant projects completed or in progress in 2017, other than those already mentioned, in the French Overseas Departments and Regions, highlights include: earthworks, roads, services, and civil engineering for the construction of a bagasse/biomass plant in Martinique; earthworks for the construction of dikes for Grand Port Maritime of Guadeloupe; the construction of earthworks and roads and services for an eco-neighborhood in French Guiana; the construction of a dike for the new Coastal Road, an engineering structure over the Rivière des Galets, the extension and rehabilitation of Saint-Pierre hospital, Reunion Island.

Africa and the Indian Ocean

In Africa and the Indian Ocean, revenue stood at 460 million euros in 2017, up 10% from 2016.

In **Morocco,** in a highly competitive market, the subsidiary maintained its market share. Work on the urban development project for the T2 line of the Casablanca tramway is continuing and construction on the Rabat-Salé tram line 2 extension has started.

In **West and central Africa,** the variation in activity across countries reflects their level of dependence on oil and commodity prices. Work was completed on the construction of the Bettié bridge in **Côte d'Ivoire,** the Tchetti-Savalou and Logozouhé-Glazoué roads in **Benin,** and the rehabilitation of a 43-km section of National Route 4 between Tabligbo and Aného in **Togo.** The rehabilitation and widening of the National Route 1 at the exit of Libreville, **Gabon,** continues. In **Guinea-Conakry,** the major contract for a mining client involving earthworks, civil engineering, and railways was delayed due to a landslide.

Revenue in **southern Africa** remains low.

In **Madagascar,** after securing a twenty-eight-year concession contract for the airports of Antananarivo and Nosy Be, runway construction and repaving have started. The construction business benefited from private investments. In Mauritius, business was up.

Among the significant projects completed or in progress in 2017, other than those already mentioned, in Africa and the Indian Ocean, highlights include: road maintenance with the use of micro surfacing on road sections in several regions, the construction of roads in the industrial zone of Kenitra, the access road to the Laayoune and Boujdour solar project, and qualitative development of the new marina of Casablanca, Morocco; the extension of a runway at Tourou Airport, in Benin; repair of sections of National Route RN5, the construction of an earth dam on a mining site in Madagascar.

Middle East

In the Middle East **(United Arab Emirates, Oman, and Qatar),** in a difficult political and economic environment (embargo on Qatar, falling oil revenues), the subsidiaries had a good year, thanks in particular to their capacity for innovation. It should be noted that these subsidiaries are consolidated using the equity method and do not contribute to the consolidated revenue.

Significant projects completed in 2017 include the implementation of red Colclair® asphalt mix on Al Bidda Park Avenue in Doha, Qatar.

Asia/Australia/New Caledonia

In Asia/Australia/New Caledonia, revenue amounted to 339 million euros, up 19% (+18% at constant scope and exchange rates) compared to 2016. As a reminder, the business involving bitumen storage, transport and trading in Vietnam, Indonesia and Singapore is operated by the Thai subsidiary Tipco Asphalt (of which Colas owns 32%), accounted for under the equity method, and does not impact the consolidated revenue. Colas performed well in every business segment throughout the zone.

In **Asia**, in an overall downward trending market, and despite delays in sourcing crude oil at its Kemaman refinery in Malaysia, the Thai subsidiary Tipco Asphalt, which operates in eight countries, had a good year. In India, thanks to very good business and a good "product mix", the subsidiary Hincol once again performed well. In South Korea, the subsidiary Isco is continuing to expand in recycled mixes.

In **Australia,** in a favorable economic environment, business has been buoyant for the industries and road works subsidiaries and revenue is up. As the mining sector regains ground, markets in Queensland and Western Australia, which are the most competitive, are more upward trending.

In **New Caledonia,** in an economy that remains difficult, with uncertainty related to the self-determination referendum scheduled for 2018, the road subsidiary maintained its level of business thanks to ongoing maintenance contracts. The building activity benefited from the construction site of a private clinic nearing completion.

Significant projects completed or under way in 2017 in Asia/Australia/New Caledonia include: the repair of a runway at Bangkok Airport and pavement near the Royal Palace in Thailand; asphalt mix production and application for the Pacifico project in New South Wales, Australia; the development of reserved bus lanes and the construction of the Nouville clinic in Noumea, and repaving of a section of the expressway, in New Caledonia.

SPECIALIZED ACTIVITIES

Specialized Activities recorded revenue of 2.0 billion euros in 2017, up a slight 1% (+3% at constant scope and exchange rates) from 2016. These activities represent 18% of Group revenue.

RAILWAYS
(revenue 2017: 940 million euros)

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

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

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

In 2017, Colas Rail posted revenue at 940 million euros, a slight 3% decrease compared to 2016 (practically stable at constant scope and exchange rates), with 57% of the activity outside of France.

In France, business was stable for the most part. The metro and tramway business benefited from the launch of several projects (in Paris, Bordeaux, Rennes), offsetting the decline in activity linked to the end of high-speed line construction projects (LGV Bretagne-Pays de la Loire, LGV Nîmes-Montpellier bypass). Two renewal and maintenance contracts for the national rail network were won.

In the United Kingdom, in a rail market that remains buoyant, the subsidiary recorded a high level of activity, in particular with the completion of Wessex Capacity Alliance (Wessex Capacity Railway) upgrades and the start of the extension and maintenance of the Birmingham Midland Metro Alliance. An important track maintenance contract for the British rail network has been secured.

In the Rest of the World, revenue is practically stable. Revenue is up in the Middle East–North Africa (MENA) zone, notably with the construction of Morocco's Tangier-Kenitra high-speed line – the first high speed train line on the African continent – in Morocco, and the extension of line 2 of the Rabat-Salé tramline, and extensions A and C of line 1 of the Algiers metro in Algeria. Activity in South America was down due to the shutdown of the Los Teques and Caracas metro projects in Venezuela, and was focused on the construction of lines 3 and 6 of the Santiago metro in Chile. Activity in Europe is stable. In Asia, construction work on line 3 of the Hanoi metro in Vietnam has started.

In addition to the international projects listed above, significant projects completed or under way in 2017 include: electrification and track renewal work on the LGV Paris-Nantes line, between Angers and Nantes; the construction of the second line of the Rennes metro; the extension of line 14 of the Paris metro between the Mairie-de-Saint-Ouen and Saint-Denis-Pleyel stations; the extension of the T1, T3b and T4 trams in the Paris region; the extension of lines C and D of the Bordeaux tramway; the renovation of the RER A line between La Défense and Châtelet stations in Paris; laying track and installing overhead lines on the French section of the future Franco-Swiss rail link Leman Express.

WATERPROOFING (revenue 2017: 562 million euros)

Waterproofing, performed by Smac and its subsidiaries, includes:

- the production and sale of waterproofing membranes (21 million m^2 produced in 2017) in France and internationally (in more than 70 countries), lighting and smoke evacuation systems and installation, and maintenance of servo-controls;
- the performance, mainly in France but also in Morocco, Chile and Peru, of waterproofing work on buildings, major engineering structures and parking lots, and building envelope work (roofing, siding, cladding and acoustics, e.g., for industrial facilities, concert halls, museums) and road work and other mastic asphalt street level construction.

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

In 2017, Smac recorded revenue of 562 million euros, a slight 3% increase compared to 2016, as the building market in Mainland France is recovering. The revenue of watertight membranes was impacted by the rise in the price of raw materials.

Among the significant projects of the year, highlights include: the construction of the architectural facade, cladding and waterproofing of the Aix-en-Provence Arena; cladding of grandstands at the Longchamp racecourse, a shopping center at Farébersviller; the waterproofing of a plant at Sandouville; the supply of 25,000 m^2 of waterproofing membrane for the new *Tribunal de Paris* courthouse, in the north of Paris.

ROAD SAFETY, SIGNALING (revenue 2017: 304 million euros)

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

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

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

In 2017, in markets that appear to be stabilizing but remain highly competitive due to overcapacity in the Works, Services and Industries sectors (marking, signage), Aximum's revenue remained practically unchanged at 304 million euros (+1% compared to the previous year). Business is up for Works and Services activities and stable for industrial activities. As a major player in large complex contracts (PPP), Aximum is in charge of maintaining guardrails and safety equipment on the Troissereux bypass for a 22-year period.

Significant projects for the year 2017 include the installation of modular track separators, concrete separators and marking on a 7-km section of Highway A71, in the Montées de Volcans Route; delivery of 60 km of guardrails and 18 median separators for Highway A10; the supply of thermoplastic marking products for highway maintenance in Morocco.

NETWORKS (revenue 2017: 231 million euros)

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

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

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

Spac recorded revenue of 231 million euros in 2017, a sharp 22% increase compared to 2016, mainly thanks to the completion of two major natural gas pipeline laying projects, one of 62 km for the reinforcement of the Midi-Gascogne network and the other for the Val-de-Saône artery. New contracts were secured, including two in Africa.

In addition to these two major projects, among the significant projects of the year, we can cite in particular: the construction of the interconnection stations of Palleau and Etrez for GRTgaz; the creation of water networks as part of the development of the Brest polder; the installation of drinking water pipes in Libreville, Gabon.

Research and Development, Innovation

Colas' Research and Development policy is part of an ambition to pave the way ahead into the future of a Group whose mission is to promote infrastructure solutions for sustainable mobility.

Colas' innovation initiative is threefold: understanding trends to transform them into opportunities ("Catch the future"), supporting the design of innovative solutions ("Fast & Curious"), and accompanying intrapreneurship, from idea to market ("Launch & Go").

This approach requires that different types of expertise be brought together, with coherent reflection and action: proactive listening skills to get a clear grasp of the market, both public and private clients, as well as users and, more broadly, all stakeholders; marketing skills upstream of research and innovation programs; leadership and implementation skills for the research and innovation programs; and development skills, guided by a Go-to-market strategy and by the aim to match solutions with end-customer expectations.

In 2017, the Prospective, Research and Development department was created to meet the objective of coordinating skills.

Two bodies participate in the definition and management of Colas' innovation policy: the Colas Innovation Board (CIB), the Group's governance body for innovation, responsible in particular for identifying ideas from the field as well as external opportunities, and the Commitment Committee, responsible for steering the development of innovations and their marketing.

TECHNIQUES, R&D

LONGSTANDING EXPERTISE

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

Founded in 1929 to operate a Cold Asphalt patent, which gave its name to Colas, the Group continues to pioneer the development of new technical solutions to meet the clients' demands in terms of quality, safety, comfort, environmental protection, and cost control for construction and maintenance of transport infrastructures. These solutions are tailored to fit with different national markets and weather conditions, including the most extreme, from the freezing temperatures of Alaska to the tropical climates of Africa and Asia). Today, they are also all part of drive to ensure sustainable mobility. The environmental issues addressed cover savings in materials and energy, reducing carbon impact, diminishing traffic noise, and visual appeal for better esthetic integration, as well as protecting its employees' health at the workplace. Lastly, Colas invents new functions for road transport infrastructures, beyond their traditional use as a support for mobility and transport: these additional uses include the production of energy, using new energy and information technologies (e.g., photovoltaic panels, connected objects).

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

Over the decades, Colas has come to boast a portfolio of more than 100 patents in France and across the world, in addition to products and processes distributed to subsidiaries worldwide.

A NETWORK OF TECHNICAL SKILLS

Colas has a large global technical network that is able to adapt as the Group paves new ways forward.

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

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

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

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

THE FOCUS OF RESEARCH AT COLAS

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

Saving energy and materials, reducing carbon impact

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

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

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

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

– recycling used materials, with in particular the use of high percentages of reclaimed asphalt pavement (RAP) to make new asphalt mixes, illustrated by 3E®+R mixes which have been certified by the French Ministry for the Ecological and Inclusive Transition for use in Innovation pilot projects, and by cold in-place pavement recycling and treatment with Novacol® and Valorcol®; issues pertaining to multirecycling are also handled with a sustainability-based approach;

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

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

SEVE®, an "eco-comparator" software designed by teams at Colas and the USIRF, helps win contracts, as it enables contracting authorities to effectively compare the alternative eco-friendly solutions designed to reduce energy consumption and carbon emissions.

Making transport infrastructure safer

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

Reducing traffic noise pollution

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

Making infrastructure more visually appealing

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

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

Controlling infrastructure costs

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

Colas also offers fast, low environmental impact, sustainable and economical pavement maintenance solutions, such as Compomac® and Ecomac® cold mix solutions, or the Ecofast® solution, with an innovative design and application technique. Ecofast® is a wearing course consisting of projected precoated aggregates, which combines the quality of a mix with the application speed and flexibility of a surface dressing, all well within the customers' tight budget requirements. This solution performs well on a variety of road networks, both in France, and in Africa and central Europe as well.

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

Pavement preservation

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

Improved mobility management

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

Expanding the functions of roads

Trial sections continued for Wattway photovoltaic road surfacing, a major cutting-edge innovation that produces electricity as the fruit of research jointly led with the French national institute for solar energy (INES) unveiled in the fall of 2015 and the winner of a Climate Solutions Award at the COP21 in December of the same year. Feedback from these trials has been integrated into new versions of the product. The experiment phase will continue into next year with additional trials, all of which will contribute to ensuring a robust final process.

In 2017, Wattway was installed on a pilot site in Japan, thus illustrating the interest for this solution in areas where energy is scarce and available space is limited, giving full meaning to the use of existing road infrastructure. In addition, the development of connected objects and new modes of travel such as electric bicycles has created growing needs for energy supply in areas where networks are sometimes absent.

In 2017, Colas unveiled another innovation paving the way for new uses, particularly the optimization of road surfaces in a multi-modal environment: Flowell, for improved safety and better sharing of the road. This dynamic marking solution, encapsulated in a multilayer complex designed from the mechanical structure of Wattway, meets the characteristics of traffic resistance and roughness of a traditional pavement, guaranteeing good skid resistance. Flowell combines the quality of a wearing course with the performance of innovative signaling. A trial site for a school bus stop was inaugurated in western France at the end of December 2017.

TECHNIQUES AND SPECIAL PRODUCTS IN FRANCE IN 2017

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

When budgets are tight, the most popular techniques are Optibase®, optimized road base asphalt concrete and Megabase®, road base asphalt concrete with large-sized aggregates, intended for pavement structures. The Euromac® process, ultrathin emulsion based asphalt mix, which an Innovation Award from the CIRR Road Innovation committee, is being tested on a trial section monitored by the CEREMA (Center for studies and expertise on risks, environment, mobility and development). Ecomac®, a semi-warm mix with a high reclaimed asphalt pavement (RAP) content, is still paving the way forward in France, in particular in the center and the west.

In addition, Rugosoft® noise-reducing mix was applied on Highway A6 in the southeast of Paris.

Proven techniques for bus rapid transit lanes have been used in Pau, Bayonne, Lens, and Aix-en-Provence.

SPECIAL TECHNIQUES AND PRODUCTS AROUND THE WORLD

In 2017, numerous projects performed by the international and overseas subsidiaries used the Group's special products and processes:

– **in the United Kingdom:** renovation of the runway at Exeter Airport using a BBA Airfield asphalt concrete designed as a technical alternative, confirming the interest for this technique in the United Kingdom;

– **in Denmark:** application of 15,000 tons of noise reducing asphalt mix on a 5.2-km section of Highway M10 (eight lanes) south of Copenhagen;

– **in Belgium:** application of Nanosoft® noise reducing asphalt mix on a 2.5-km section of Highway E313; construction of a 5,400 m^2 noise and vibration test track at the Ford site in Lommel;

– **in Ireland:** first trial section for Pentack®, a surface seal for asphalt mix;

– **in Hungary:** construction of 134,000 m^2 of treated flooring for the Auchan logistics center in Budapest;

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

– **in Canada:** continued development of warm mixes, recycling of asphalt pavement, and FiberMat® economical surface dressing for low traffic roads;

– **in Martinique:** application of Optibase® optimized road base asphalt mix on the extension of the pier at the port of Pointe des Grives;

– **in Côte d'Ivoire:** completion of the construction of a 190-meter long engineering structure with prestressed beams on the Comoé River;

– **in Indonesia:** supply of modified binders for the reconstruction of the Jakarta airport runway;

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

– **in Vietnam:** introduction of micro surfacing;

– **in Australia:** development of high modulus asphalt mixes in Western Australia and Queensland.

DIGITAL INNOVATIONS

Alongside the innovations devised by the Research and Development teams and presented above, Colas is working on other ground-breaking projects harnessing digital technology. These include initiatives transforming its business segments and bringing in new services for the benefit of its employees (engineers and workers) and its customers.

TRANSFORMING OUR BUSINESS SEGMENTS

Colas' more global activities are becoming increasingly complex and need to accommodate numerous interfaces, including network managers, operators and buildings. Together with the environmental constraints requiring optimized qualification of materials and modeling of their impact, the implementation process needs to be time-efficient and cost-effective. These multiple parameters influence the design of road and rail infrastructure and network projects and how they are implemented. To meet these new requirements, Colas uses collaborative BIM (Building Information Modeling) systems, mirroring the approach taken in the construction sector. By modeling a construction project before it actually goes ahead, BIM makes sure good decisions are made and facilitates the planning of all the tasks involved, highlighting any clashes very early on in the process.

The ten or so employees in the BIMbyCO unit deliver training in the BIM system and in the change management necessitated by this collaborative new way of building that involves all the relevant parties (contractors, project managers, cocontractors). Around 20 BIM managers support the development of BIM in Colas' business units around the world.

Site workers also enjoy the benefit of innovation, as illustrated by Exopush. The Exopush cobot is the product of three years' development work in partnership with the RB3D start-up and aims to provide physical assistance to workers, reducing the strain on asphalt paving teams. Employees need to use only one-tenth of the strength otherwise required. In the future, the implementation parameters may be logged, turning Exopush into an online tool complementing the digital BIM system and the planning and documentation requirements for projects.

BRINGING IN NEW SERVICES TO FACILITATE USERS' DAILY LIFE

Colas is taking advantage of the increasing digitization of users' daily life by using it to offer new services.

With the TellMyCity citizens' app proposed by Spallian, a partner of Colas, users can inform the local authorities about the state of the infrastructure where they live and work. This digital tool, which can be linked up with online repair solutions, brings the local authority, businesses and users together to improve management of the road infrastructure, while helping to hold the various stakeholders to account. The statistical analysis it provides is tremendously valuable for public sector decision-makers. In 2017, under a partnership agreement with the Béthune city authorities, Colas put an online maintenance service offering to the test. During the year, Colas employees equipped with smartphones crisscrossed the city, logging any problems they observed with the road infrastructure and then carrying out the necessary remedial measures. Via the TellMyCity app, city authorities obtain a detailed, mapped and real-time overview of the state of maintenance of its infrastructure.

Support for local authorities with infrastructure management to enhance users' mobility represents another avenue of development. Infrastructure now needs to be integrated for journey data compilation and flow management purposes and to make sure the various modes of mobility are properly aligned. The Mobility by Colas unit develops Smart Mobility solutions for a responsible online mobility system. It has devised tools that can link up the various building blocks of mobility, including managing the last mile, degraded mode traffic routing around projects and optimized use of parking spaces.

Responsible development

INTRODUCTION

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

As the cornerstone of this approach, the policy implemented and deployed across the Group is guided by several key targets.

Three of these priorities are crucial for the development and long-term success of Colas' activities, and are areas where Colas can truly take action: the renewal and enrichment of human capital, acceptance of production sites, and business ethics. Attracting talent, promoting diversity (gender balance, disabilities, professional integration, older workers), employee retention and training are the Group's key areas for priority action with respect to human resources. The action plans implemented to ensure community acceptance of production sites have two principal objectives: ensuring that stationary production sites carry out their operations in a professional manner (environmental certification, checklists used for risk prevention, biodiversity programs) and maintaining open lines of communication with local stakeholders including residents, elected officials and local government. In addition, Colas makes no compromises when it comes to business ethics, which are an inalienable Group principle and an integral part of internal control procedures, backed by the roll-out of compliance programs.

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

For each of these priorities, a policy of continuous progress has been established and is coordinated at each level of the organization. Global performance indicators and goals have been specified in most cases. This approach seeks to foster a deep and lasting culture of continuous improvement in the field, throughout the network of more than 800 construction business units and 2,000 materials production units listed in the non-financial reporting software.

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

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

Following the global roll-out in 2010 of a new reporting tool designed to harmonize all indicators used by Colas' 800 legal entities, 2017 saw ongoing efforts to develop the software and improve its use, thus providing more reliable data and indicators[(5)].

Pursuant to French decree no. 2012-557 of April 24, 2012, on corporate social and environmental reporting requirements (article 225 of act no. 2010-788 of July 12, 2010), the non-financial indicators for 2017 and the procedures used to collect this data were verified and certified by Ernst & Young et Associés on February 20, 2018.

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

CSR REPORTING[1]

Pursuant to French decree no. 2012-557 of April 24, 2012, on corporate social and environmental reporting requirements (article 225 of act no. 2010-788 of July 12, 2010), Colas has reported its relevant employee, social and environmental information in its 2017 management report. Three types of information are provided in this document, each of which is identified as either an "indicator" with a "comment", "substantiating items" (when no indicator is provided) or "qualitative information" (when the subject dealt with requires an explanation).

I – EMPLOYEE INFORMATION

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

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

For 2017, the calculation rules for employee indicators were the following:

- fully consolidated companies are 100% consolidated;
- proportionately consolidated companies are 100% consolidated if the percentage owned is above 50%; the rest are excluded from the scope;
- equity-accounted associates are excluded.

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

In 2017, 61% of the indicators were consolidated on a worldwide basis:

- workforce by geographic location;
- workforce by gender;
- workforce by age bracket;
- external recruiting by status;
- number of departures;
- number of hours worked;
- number of consecutive lost-time days following workplace accidents;
- frequency rate of employee workplace accidents;
- severity rate of employee workplace accidents;
- number of fatal accidents;
- total number of employees trained in first aid;
- percentage of companies providing employee benefits;
- existence of a formalized training plan;
- number of employees trained;
- number of training days;
- percentage of female managers;
- percentage of female staff members;
- percentage of female workers;
- existence of a staff representative body.

39% of the indicators corresponding to definitions specific to France that come from the French Labor Code are consolidated under the France scope:

- number of dismissals;
- employee working time arrangements (counted in hours/counted in days);
- turnout for latest works council elections;
- number of collective bargaining agreements negotiated;

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

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

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

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

A. EMPLOYMENT

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

Indicator

Name of indicator	Scope	2016	2017
Workforce by geographic location[1] (number)	World		
France		33,217	33,683
International total		21,620	21,496
Europe		9,021	8,971
Indian Ocean/Africa/Middle East		6,655	6,563
North America		4,630	4,900
Asia/Pacific		720	715
Central America/South America		594	347
TOTAL		**54,837**	**55,179**

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

Comments

As of December 31, 2017, Colas' global workforce rose slightly (up 0.6%) from its level at December 31, 2016.

In France, the workforce grew by 1.4%, in line with the gradual upturn in business activity:

- up 1.7% at road construction subsidiaries in Mainland France (65.7% of the workforce);
- up 5.9% in French Overseas Departments, especially on Reunion Island and Mayotte;
- down 0.2% at the Specialized Activities subsidiaries.

The workforce is comprised of 56.2% workers; 25.9% office staff, technicians and supervisors; and 17.9% managers.

Overall, the workforce outside France decreased by 0.6%, but changes in workforce levels varied across geographic regions in line with business activity.

Workforce reductions were observed in the following regions:

– in Europe (8,971 employees): down 0.5%; the workforce grew slightly in northern Europe (up 0.7%) in line with the pick-up in business activity, except in Switzerland and the United Kingdom, where Allied Infrastructure (a company based in northwestern England) was acquired; the workforce declined slightly in central Europe (down 2.3%) following the sale of Cermak & Hrachovec in the Czech Republic, despite a rise in Hungary and Poland reflecting the numerous EU-funded infrastructure projects;

– in the Indian Ocean/Africa/Middle East region (6,563 employees): down 1.4%, as contracts came to an end in Togo and Benin, despite a pick-up in business in Gabon and Guinea-Conakry (large-scale GAC mining project), the start-up of new projects in Madagascar (Antananarivo Airport) and stable activity levels in Morocco;

– in Asia/Pacific (715 employees): down 0.7%, as business activity levels were stable in Australia, New Caledonia and Malaysia;

– South America (347 employees): down 41.5%, following the delivery of line 6 of the Santiago metro in Chile, in particular.

Conversely, workforce levels rose in North America (4,900 employees, up 5.8%):

– in Canada, with higher business activity levels in the western provinces, the acquisition of La Compagnie Meloche in Quebec, and the development of major projects;

– in the United States, in particular with the acquisition of Graymont Materials.

Indicators

Name of indicator	Scope	2016	2017
Workforce by gender and age bracket (in percentage)	World		
Women		10.1	10.4
Men		89.9	89.6
Workforce by age bracket	World		
< 25 years old		5.3	5.7
25-34 years old		22.5	22.0
35-44 years old		27.3	27.0
45-54 years old		29.7	29.4
55 years old and up		15.2	15.9

Comments

The percentage of women in the workforce rose slightly compared to December 31, 2016 (up 0.3 points), particularly in management roles.

It was a year of transition for the Colas Group's gender balance policy in 2017. The Chairman set the target of achieving 30% women managers by 2020.

The distribution of ages across the Group is fairly even worldwide, comparable to 2016 levels.

A.2: Hiring and dismissals

Indicators

Name of indicator	Scope	2016	2017
External hires by status and leavers (number)			
Hires	World		
France total		2,917	4,080
Managers		430	611
Office staff, technicians and supervisors		646	978
Workers		1,841	2,491
International total(1)		12,910	13,517
Managers		2,233	2,780
Workers		10,677	10,737
TOTAL		**15,827**	**17,597**
Number of departures(2)	World	17,185	17,547
Of which number of dismissals	France	1,530	1,372

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

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

Comments

The number of new hires by the Colas Group rose 11.2%.

In France, the steep rise in new hires (up 39.9%) reflects a significant recovery in the road market and a rise in work-on-hand:

- up 895 at road construction subsidiaries in Mainland France (from 940 to 1,835 hires);
- up 71 in French Overseas Departments and Regions (from 910 to 981 hires);
- up 156 at Specialized Activities subsidiaries (from 998 to 1,154 hires).

Out of a total of 4,080 hires in 2017, 2,491 were workers; 978 were office staff, technicians and supervisors; and 611 were managers; 3,151 were under permanent contracts and 929 were under fixed-term contracts, including 431 apprenticeship contracts and 272 vocational training contracts.

Attracting and retaining more talent represents the top priority of Colas' 2017-2020 human resources strategy. Colas' hiring policy is predicated on initiatives such as continuous engagement with schools to build close relationships with students and offer them internships and then jobs. In 2017, Colas welcomed a total of 1,351 interns, including 165 at the end of their studies (36% of whom were hired). Colas is sponsoring the 2018 graduating class at the Paris engineering school ESTP, an initiative that involves individual coaching provided to students by Group employees to assist them with their career plans. As well as reaching out to engineering schools, university technology institutes and public works and civil engineering students at the Centre d'Égletons, a French public works and civil engineering training school, Colas enhanced its employer brand with measures including:

- an ambassador program covering the schools;
- the Golden Roads contest, as part of which interns make a film about their internship;
- the Colas Clubs Spring Challenge, a ground-breaking contest between different schools' performing arts clubs.

In addition, the subsidiaries hold site visits and get involved at schools in their local area. In 2017, Colas Sud-Ouest, for example, held mock interviews for future graduates and arranged an Insathlon event (speed job dating, industry conference, etc.) with INSA Toulouse's student activities board. Colas Centre-Ouest held a forum at its regional headquarters in Nantes to inform the next generation of engineers about post-graduation projects, and Colas Rail launched a campaign targeting specialized engineering schools about rail technologies in a bid to attract young talent.

In conjunction with its efforts via the Colas careers Hub (www.hubcarrierecolas.com) and the Group's careers website, Colas is making use of social networks to help meet its hiring goals. Colas launched three major employee advocacy programs (employee ambassadors) internationally to encourage its employees active online to raise the profile of its employer brand and share its job offers on business social media:

– Follow-Me, a program providing individualized support on LinkedIn;

– Roadshows, mobile training workshops to encourage managers to share their brand messages on social media;

– BuzzClub, a mobile sharing platform open to support professionals and recent graduates.

Colas' ability to attract new staff is clearly also bolstered by its top spot in the best construction and public works employer rankings (Capital – Statista) and the prize it won in the Victoires du Capital Humain 2017 awards, not to mention the positive opinions posted on business rating sites (Glassdoor, Indeed, Viadeo), reflecting its employees' pride in working for Colas.

At the international level, the number of new hires rose 4.7%.

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

By geographic region, movements in hiring were as follows:

– in North America, hiring levels rose in Canada (up 13.7%), but fell in the United States (down 10.6%);

– in Europe, they rose sharply in northern Europe (up 17.3%), especially in Belgium (up 124.5%) in line with the pick-up in business activity, in the United Kingdom with the acquisition of Allied Infrastructure in northwestern England (up 20.8%), and in Denmark with firmer activity levels (up 21.9%). They rose in central Europe, in line with the numerous EU-funded infrastructure projects, especially in Hungary (up 45.5%) and in Slovakia (up 33%);

– hiring levels rose in Africa and in the Indian Ocean (up 14.1%), especially with the major projects in Guinea-Conakry with the GAC mining project, in Gabon (up 52.2%) with a major road project and resumption of the urban infrastructure work in Libreville, in Madagascar (up 66%) with the airport construction project, and in Morocco (up 39.3%), with an impressive level of activity in the north of the country.

In Railways, the number of new hires decreased in France (down 17%), but rose outside France (up 17.3%), as a result of the workers hired for projects in Algeria and the United Kingdom.

Just as in France, businesses outside France made hires from a number of different sources, including social media and employee advocacy programs (employee ambassadors), websites, staff referrals, partnerships with schools and recruitment firms. Numerous employer branding initiatives were introduced to enhance the Group's appeal to engineers and technicians, thereby preparing for the future.

Outside France, subsidiaries continue to build ties with schools, primarily through partnerships within the geographic area they cover. For example, partnerships were established between the Terus subsidiary and the Northern Alberta Institute of Technology (NAIT) in Canada; between the Branscome, HRI and Reeves subsidiaries and local universities in the United States; in Northern Europe between Colas Ireland and the National University of Ireland; between most subsidiaries and various schools and universities in central Europe; and in Africa, new partnerships were set up with schools in Côte d'Ivoire, Cameroon and Morocco.

In addition to new hires, Colas' mobility policy has long played its part in the development of its employees careers. It aims to facilitate transfers between different functions and/or regions within the Group to help meet employees' professional and/or personal goals and the staffing requirements of the business.

Inter- and intra-subsidiary transfers between Group companies are encouraged. In all, 543 employees in France secured transfers under the mobility policy in 2017. The principles and key rules are presented in the Colas Mobility charter, which is available on the e-colas intranet. It states specifically that the process for each transfer should be based on a partnership between the employee, the manager and the Human Resources Department. It also indicates that special arrangements should be put in place to assist with transfers, which includes expatriate assignments and secondments, as well as outright transfers. Nomades, a jobs bulletin board accessible on the e-colas intranet, backed up by the Bouygues Group's Mobyclic platform, displays internal job offers.

In 2017, Executive Management restated its commitment to promoting mobility under the 2017-2020 HR strategy of "Managing employees' career paths". A communication campaign, which included the launch of a dedicated intranet, colasandme.com, was launched in March to keep employees better informed about the purposes of and practical arrangements for mobility, the support and guidance available and job opportunities. A corporate film entitled "Colas and me – A fresh look at my career path" was also made to raise employees' awareness of the benefits of mobility, a key factor in professional advancement, and to encourage them to speak up about their career goals. Changes were also made to the mobility support programs to make them clearer and more transparent, better suited to the personal and professional needs of employees and their family. They also address factors that can hamper mobility, such as a spouse's job and housing costs. They now include a common set of assistance packages (including moving costs, contribution towards the cost of finding a new home, etc.), plus specific grants that may vary according to employee status.

On a worldwide basis, the number of leavers rose 2.1% (up 1% in France and up 2% outside France).

In France, the number of dismissals was down 10.3% compared to 2016, for a total of 1,372 people, including 482 terminations due to the completion of construction projects.

Outside France, the number of leavers was not significant, because it was chiefly linked to the seasonal nature of business activities (end of project contracts).

A.3: Compensation and changes in compensation

Indicator

Name of indicator	Scope	2016	2017	Change (in %)
Average annual wages by status[1] (in euros)	France			
Managers		61,446	61,502	+0.1
Office staff, technicians and supervisors		36,245	36,723	+1.3
Workers		26,160	26,546	+1.5

(1) Permanent contracts.

Comments

The compensation policy applied by Colas around the world is based on the annual guidelines issued by Executive Management, taking into account the economic environment, the inflation rate, the labor market, and the status of salary negotiations with trade unions and employee representatives. This Colas policy keeps jobs aligned with responsibilities and includes measures for young people, talent and promotions. It rewards achievement and recognizes employees' competencies.

In France, where the inflation rate stood at 1% in 2016, wages were increased by 2.5% of the payroll on a present/present basis for 2017. On a current workforce basis, average annual wages were raised by 0.1% for managers, 1.3% for office staff, technicians and supervisors and 1.5% for workers.

The variable compensation policy applied by the Group is based on the overall performance of all its entities in and outside France. The aggregate amount allocated for variable compensation is based on the overall performance of all its entities in and outside France. It is allocated by employee category as a function of the performance of the Group, subsidiaries and individuals measured using criteria related to safety, management and meeting targets.

For employees, it is based solely on individual performance, whereas it also reflects the performance of the subsidiary or sector of activity for managers. In line with the Group, the overall compensation policy provides employees with very good levels of health insurance, pension benefits and personal risk coverage and allows employees to share in profits by giving them access to PEE and Perco employee savings vehicles and profit-sharing plans.

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

Outside France, Colas Inc. in the United States uses local pay surveys given the regional differences between its units spread across the West Coast, the Midwest and the East Coast. As a result, its employees can be paid at a level in line with the local market. Likewise, Colas Canada uses local surveys to set its pay. For unionized employees, pay is set through the collective bargaining arrangements applicable to their businesses.

In northern Europe, local pay surveys brought to light the need for pay adjustments in the Operations and Engineering business lines.

In central Europe, the large number of infrastructure projects created tension in the jobs market, driving wages up sharply.

Overall compensation includes excellent retirement benefits, health insurance and personal risk coverage.

B. ORGANIZATION OF WORK

B.1: Organization of working time

Indicators

Name of indicator	Scope	2016	2017
Employee working time arrangements[1] (in percentage)	France		
Hourly		81.5	81
Fixed number of days worked		18.5	19
Number of hours worked	World	105,530,724	106,669,569

(1) Fixed-term and permanent contracts.

Comments

The organization of working time takes into account the seasonal nature of the Group's transportation infrastructure construction and maintenance business.

In France, the preferred organization of working time is based on annualization and a fixed number of days worked. Annualization and the working time modulation plan – which apply to workers and office staff, technicians and supervisors in the Operations business line – mean that work can be organized according to seasonality, while rewarding overtime. In Specialized Activities like Railways and Road signaling, where safety requires that work be carried out at night, specific procedures are used for the organization of working time. The working hour arrangement applied to managers, which is based on a set number of days worked, is being gradually extended to office staff, technicians and supervisors.

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

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

In North America, for example, where projects go ahead mainly between April and November owing to weather conditions, this seasonality dictates employment patterns, with seasonal employees making up a large proportion of the workforce. Employees work at the entities for six to eight months of the year and are rehired from one year to the next. In Canada, working times during periods of activity are governed by provincial regulations and, for unionized workers, by collective bargaining agreements. A Fatigue Management System Policy is in place at most Canadian companies that tracks hours worked and rest periods.

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

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

In 2017, the total number of hours worked by the Group's global workforce rose 1%, in line with the increase in the workforce.

B.2: Absences

Indicators

Name of indicator	Scope	2016	2017
Number of consecutive lost-time days following workplace accidents	World	55,596	51,585
Absence rate(1)	France	5.2	5.1

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

Comments

Worldwide, the number of consecutive lost-time days following workplace accidents was down 7.2% in 2017.

In France, the absence rate declined slightly to 5.1 (down 0.1 points). This is slightly higher than the national rate for the private sector of 4.6 in 2016 (according to the Ayming 2016 absence survey).

The overall rate of 5.1 breaks down as follows: 6.8 for workers; 3.9 for office staff, technicians and supervisors; and 1.6 for managers.

C. LABOR RELATIONS

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

Indicators

Name of indicator	Scope	2016	2017
Turnout for latest works council elections (in percentage)	France	83	82
Existence of a staff representative body(1) (in percentage)	International	78.6	74.0

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

Comments

In France, labor-management dialogue was carried out in 2017 via 326 local and central works councils.

Turnout for the latest works council elections remained high (82%).

Several subsidiaries reached agreements ahead of the 2018 elections, including extensions to terms of office and pre-electoral agreements (Colas Île-de-France Normandie, Aximum, Smac).

Aside from negotiations about quality of life in the workplace, Colas extended its agreement with three representative unions on labor-management dialogue setting the level of the funding that enables them to conduct their duties effectively.

Outside France, 74% of companies employing more than 300 people had staff representation comparable to that in France. This was the case in Europe and Africa, for example.

In North America, labor-management dialogue is handled through trade unions. In addition, subsidiaries hold information meetings to foster labor-management dialogue.

C.2: Outcome of collective bargaining agreements

Indicator

Name of indicator	Scope	2016	2017
Number of collective bargaining agreements negotiated, including mandatory yearly negotiations	France	116	62

Comments

In 2017, Colas entered into an agreement on quality of life and equality in the workplace that aims to provide a better work-life balance and covers all employees of the subsidiaries in Mainland France:

- possibility of new working arrangements for employees by developing telecommuting, with employees able to work from home or from another Group location other than their usual place of work, for one or two days per week. Employees are free to decide whether they wish to telecommute, and the system is based on trust between employees and their managers. Colas intends to facilitate this new way of working, which is particularly popular among the younger generations keen on greater flexibility in their working arrangements;
- possibility of new working arrangements for employees by developing occasional remote working – a more flexible form of telecommuting, without any regular/weekly patterns of working being imposed. This system is also open to project managers, giving them a higher quality of life in their daily tasks, while improving their work-family life balance;
- greater flexibility in the use of the *Compte Épargne Temps* (CET) flexible working hours accounts originally introduced in 2002-2003. These are based on voluntary savings of days off and other leave, enabling employees to build up an end-of-career leave entitlement so they can either retire early or deal with life's major incidents (support a partner, child or parent with a serious illness, for example);
- support for maternity leave or adoption leave;
- pay maintained for employees on paternity leave, subject to a cap;
- support for parents in the form of services for employees (day care and tutoring);
- easier leave arrangements applicable when a child is sick, with pay partially maintained.

The agreement also contains a set of measures (awareness-raising, training) enabling employees to stay offline to make sure that employees and their managers better control their use of mobile technologies (smartphone, tablet computer, PC, etc.) for business purposes to protect their personal and family life.

In 2017, 62 agreements were entered into at subsidiaries. They relate mainly to collective bargaining arrangements, employee benefits, and employee compensation. For example, standardization and substitution agreements were sealed by Colas Rail and Colas Rhône-Alpes Auvergne, and agreements related to pay negotiations were entered into by all subsidiaries. Other working time agreements were reached, including agreements on nightworking at Aximum, Colas Centre-Ouest and Colas Midi-Méditerranée.

D. HEALTH AND SAFETY

D.1: Workplace health and safety conditions

Qualitative information

Safety is of paramount importance to Colas, and it has set a "zero accident" target. Its health and safety policy is built around four priorities: respect for rules, training and information, a safety-first approach to project and process design, and follow-up of action plans.

New measures were introduced in 2017, including the compulsory wearing of safety belts in all machinery, roll-out of new training in safety culture for all new employees in Mainland France (around 700 employees in 2017) and the prevention of dust risk. Other significant actions included:

- safety coaching sessions (from the President to business unit managers) held by Colas Centre-Ouest;
- the Goal Zero process rolled out in Canada, with Caterpillar Safety Services;
- the Safety Culture program launched at Spac together with ICSI (French industrial safety culture institute);

– the roll-out of innovative tools providing assistance with manual tasks, such as Exopush, which was presented at the Vivatech trade fair and to the French road construction subsidiaries. These exo-skeletons were designed through cooperation between engineers, workers and Colas experts to help workers spread asphalt mixes more easily and thus improve their working conditions;

– virtual reality safety training.

With regard to health, specific initiatives have continued in relation to musculoskeletal disorders, noise, UV exposure, alcohol, drugs and psychosocial issues.

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

A monograph on bitumen fumes was officially published in 2013 by the IARC (International Agency for Research on Cancer, an offshoot of the World Health Organization). The IARC stated in its publication that, despite the substantial number of studies carried out, it was unable to judge whether there is a link between cancer and exposure to bitumen and bitumen fumes in road work. Given the IARC's findings, no new positions have been adopted by national authorities in the various countries where Colas has operations, with the exception of France, whose health authorities have produced an extensive update on the issue.

The conclusions and official report of ANSES (the French national agency for food, environmental and occupational health and safety) reflected the risk analyses carried out by the road construction industry, stating that there are no grounds to consider a carcinogenic risk in the production or use of non-oxidized asphalt, but that this substance does present risks of eye and upper respiratory irritation. There were no further publications in 2017. In order to monitor the risk of employee exposure to this irritant, a major study was launched by INRS (the French national research institute for occupational safety and health) and French road construction industry representatives (USIRF) to develop a standard method for the measurement of bitumen fumes inhaled by workers. Completed in 2015, this research involved broad participation by industry players, including Colas. An assessment template to evaluate the effectiveness of prevention methods has been developed and is now used by health insurance agents. Employee exposure data monitored using this new assessment tool will enable a database to be built up and analyzed at least every five years.

For several years now, Colas has worked on reducing exposure to bitumen fumes and has pursued its strategy around the world with two main objectives:

– reducing application temperatures, since every 12 °C reduction in temperature reduces fume emissions by around 50%. The R&D program currently underway to continue developing warm mixes (see Part II – D.1) is being supplemented by communications campaigns aimed at convincing customers to adopt warm mixes in place of traditional hot mixes. In 2016, the INRS determined that the use of warm mix results in a statistical reduction in exposure of 25% (see indicator below);

– upgrading the fleet of finishers (machines that lay asphalt mix) to equip them with fume extraction systems. In 2016, the INRS determined that using these systems results in a statistical reduction in exposure of 55% (see indicators below).

Work on these two areas continued in 2017, and a joint publication by the USIRF, the INRS and the DGT (General Labor Directorate) is due to be published next year.

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

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

In France, the USIRF, a trade body in which Colas plays a very active part, published guides on two issues:

– *Preventing dust risk* in surface-planing, sawing, chipping, scaling and coring activities.

– *Preventing dust risk on recycling platforms*, together with the UNPG (French national union of aggregates producers).

These guides were prepared with input from the French authorities (DGT), as well as from the OPPBTP (French construction and public works prevention organization).

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

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

Dust-A-Side, a subsidiary providing innovative technologies that help to reduce dust emissions, offers the mining industry road management solutions that can deliver a 90% reduction in both dust on tracks and in water consumption, cut fuel consumption by an average of 5% and extend the life of tires by around 7%. Every year Dust-A-Side processes over 10 million m^2 of mining tracks in Africa, Oceania and South America.

In France, INMS markets a range of products based on innovative technology: Eco-Pist is a plant-based binder used to treat track surfaces to prevent dust, helping to cut by 90% the amount of watering required several times a day during the dry season. INMS also offers Eco-Stock, an organic mineral product added to aggregates and sand stocks in powder form to prevent dust formation.

Lastly, at the high-quality end of the spectrum, Heliocol was designed to produce natural-looking walkways in parks and gardens that people can tour without creating dust – even when visitors number in the thousands, as is the case at the châteaux of Chambord and Versailles.

In France, Colas has taken part in the debate on the presence of amphibole elongate mineral particles (which belong to the same family of naturally occurring rocks as asbestos) in existing roads, recycled materials and newly extracted aggregates. Colas is a member of several working groups that bring together public-sector experts as well as building, construction, demolition and public works industry associations to better gauge this risk and develop suitable prevention measures. In 2017, this risk – which is still poorly defined – was nevertheless taken into account in the comprehensive risk assessment inventory (known in France as the DUER) for all Colas entities.

The health effects of potentially asbestos-bearing actinolite and of amphibole elongate mineral particles are an issue that has attracted attention for a number of years in many different countries (including the United States, Germany and Hungary) from a regulatory and scientific standpoint. At present, France is the only country in which a number of public decision-makers have decided to identify this risk as a commercial asbestos risk. Colas has great respect for the requirements of the French authorities, but it has opted not to embrace this stance in its risk analysis and to apply it to the other countries in which it works. At the same time, it intends to promote a genuine scientific and regulatory dialogue internationally, in particular in the United States, where most of the research in this area has been carried out, but where it has not been regarded as sufficiently conclusive.

Solvents are the latest front in the fight against employee exposure to toxic chemicals, a category that includes chlorinated solvents used in laboratories, fluidifying agents or anti-adhesive petroleum-based products used at worksites, and petroleum-based or chlorinated solvents used in workshops. Solvents are hazardous to human health when absorbed through the skin (and via the respiratory tract, especially when heated). In addition to maintaining high standards for individual and collective protection equipment and the strict supervision of all products used, Colas has begun a program focused on finding safer alternatives for all solvents in use. Progress in this area is difficult to achieve because possible alternatives may encounter resistance from staff for technical reasons. They may also be more costly, not available in all countries, or require adaptations in working methods due to their lower effectiveness (see indicator below).

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

With regard to safety, comments are referenced in D.3 below.

Indicators

Name of indicator	Scope	Coverage	2016	2017
Percentage of warm mix and low-temperature mastic asphalt (in percentage of quantity)	World	Asphalt mix and mastic asphalt production activity	21	23
Percentage of finishers equipped with a bitumen fume extraction system (in percentage of quantity)	World	All fleets of equipment	45	51
Percentage of asphalt planers equipped with a dust extraction system (in percentage of quantity)	World	All fleets of equipment	25	40
Percentage of chlorinated solvents used in closed-loop systems (in percentage of quantity)	World	All laboratories	78	82

Comments

The "Percentage of warm mix and low-temperature mastic asphalt produced at hot-mix plants and mastic asphalt plants" indicator increased by 2 points between 2016 and 2017. The largest increases recorded were in Denmark (up 10 points) and at Colas Rhône-Alpes Auvergne (up 8 points), while, more broadly, an increase of 5 points was logged in both the United States and northern Europe.

The "Percentage of finishers equipped with a bitumen fume extraction system", "Percentage of asphalt planers equipped with a dust extraction system", and "Percentage of chlorinated solvents used in closed-loop systems" indicators were established in 2013 and are intended to measure the number of machines that limit employees' exposure to bitumen fumes, dust and chemicals. The proportion of finishers and asphalt planers equipped with dust extraction systems advanced 6 points and 15 points, respectively, demonstrating that efforts in this area continue to make progress everywhere as and when equipment is replaced.

The percentage of chlorinated solvents used in closed-loop systems increased by 4 points. It should be noted that purchases of these products by US subsidiaries have been reduced to extremely low levels. More generally, the risk related to chlorinated and petroleum solvent use has been reduced in workshops, on worksites and in laboratories, both in France and internationally. More than 85% of the Group's parts washers no longer use these types of solvents to clean workshop and laboratory equipment, having replaced them with organic solvents, plant-based solvents or aqueous cleaning solutions. The goal of completely eliminating these uses in an open environment still has to overcome several highly specific applications, the laboratory standards in certain countries and the availability of equipment and alternative equipment in certain locations. Colas continues to invest in refining control methods, but it seems likely that progress will now become slower and harder to achieve.

These indicators follow the rules described for environmental and social indicators (see Part II – A).

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

Qualitative information

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

The discretionary profit-sharing agreement applicable to 2016, 2017 and 2018 has helped reinforce safety culture awareness among employees. Apart from its positive impact on economic performance, this agreement also aims to strengthen employee adherence to and involvement in the Group's policy to promote occupational health and safety and prevent risks in the workplace.

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

Indicators

Name of indicator	Scope	2016	2017
Frequency rate(1) of employee workplace accidents	World	7	6.41
Severity rate(2) of employee workplace accidents	World	0.53	0.48
Number of fatal accidents	World	3	7
Total number of employees trained in first aid (end of period)	World	20,367	20,809
Number of employees recognized as suffering from an occupational illness during the year	France	149	120
Percentage of companies outside France providing employee benefits	International	96.4	100

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

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

Comments

- **Workplace accidents**

The number of lost-time accidents fell in 2017 (down 4.9%).

The frequency rate improved, dropping from 7 to 6.41.

The severity rate also moved in the right direction, pulling back to 0.48 from 0.53 in 2016.

Even though the accident prevention program is delivering results, as demonstrated by the improved frequency rate, the Group sadly reported seven fatal accidents in 2017, mainly in the "Accidents involving site machines" category. A specific action plan to address this risk has been approved, giving rise in particular to the safer@work project implemented in partnership with a manufacturer of site machines and vehicles, a virtual reality module at worksites, and efforts to raise awareness of blind spots as part of the accident prevention day for newly hired employees (780 training sessions in 2017; 2,000 planned for 2018).

The Group's new safety and security policy launched in June 2016 has four main elements:

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

New requirements were introduced in 2017:

- wearing seat belts when operating machinery;
- a day-long session on safety culture for all new hires in Mainland France (around 700 employees trained in 2017);
- dust risk mitigation.

To date, 38% of Group employees have received first-aid training since the program was launched a number of years ago. Attendees at these courses are also educated about the importance of prevention and safety.

- **Occupational illnesses**

In France, the number of employees with a recognized occupational illness decreased (down 19%).

Over several years, a number of measures have been introduced to enhance working conditions for employees.

- **Employee benefits**

Outside France, 100% of all subsidiaries employing more than 300 people provide benefits to their employees.

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

Indicators

Name of indicator[1]	Scope	2016	2017
Existence of a formalized training plan[2] (in percentage)	World	99	99
Number of employees trained	World	35,473	36,050
Number of training days	World	113,921	107,848
Number of apprenticeship contracts	France	314	431
Number of vocational training contracts	France	220	272

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

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

Comments

Colas has an ambitious policy of investing in training to support the competency development of all its employees, irrespective of what their status is, the role they have and the region in which they work. Under this policy, each of the Group's subsidiaries implements a formal training plan, and these have been drawn up in close to 99% of its units. These training plans put into action the development priorities set by Colas' HR Department, including training in technical fundamentals, managerial skills, safety and prevention, which represents the leading category of investment in training.

In 2016, 36,050 employees received training, including 19,913 in France (60% of the workforce), 16,137 outside France (75% of the workforce). Overall, 107,848 days of training were recorded in and outside France in companies with more than 300 employees.

This year, the five Colas University courses had 266 participants, guiding them through the key stages of their professional development. Of these, 49 came from international subsidiaries.

In June 2017, Colas introduced the Colas Campus online training system delivering digital training in innovative formats such as COOCs (corporate open online courses), MOOCs (massive open online courses), serious games, and video tutorials. A wide variety of topics are covered, including management and leadership, ethics and compliance, desktop productivity software (Excel, Word, PowerPoint, etc.) and bitumen.

Most of the modules offered on the training platform are accessible to everyone. Since it was launched for employees in France and central Europe, the platform has logged over 27,000 connections and delivered close to 5,000 hours of training. The platform was launched for employees in northern Europe in late 2017 and will gradually be rolled out at all the other geographical locations during 2018. New digital content will be introduced shortly to enrich the existing offering, and innovative new training solutions, such as virtual classrooms and the mobile-learning platform (on smartphones), will be tested.

In Mainland France, 3.83% of the payroll was spent on training, corresponding to 30,807 training initiatives and 449,931 training hours, down 5% compared with 2015. Alongside the prevention and safety training, which accounts for 52% of total training hours, Colas also prioritizes general training related to the Group's specialized activities (superintendents, works managers, engineering consultants, etc.), which accounts for 16% of training hours, as well as reinforcement of technical skills (15% of training hours). In 2016, 53.4% of training hours were delivered to workers; 26.3% to office staff, technicians and supervisors; and 20.3% to engineers and managers. The Colas Campus training school, which offers more than 150 personalized training programs designed for and by Colas, played host to 3,463 French-speaking employees from far and wide.

Outside France, units in central and northern Europe implemented an ambitious program to meet training needs, including in management, leadership and contract management. The program aims to cater for English-speaking employees from all of Colas' units. The other training is delivered under joint programs across the various countries where Colas operates.

In total, 4,346 employees were trained in Europe.

In North America, Group subsidiaries trained 9,615 employees. Managers receive training through the three programs run by Colas North America University. In Canada, training is provided under the Colas Canada Educational Training Series program, including a training course conferring a diploma in association with the Northern Alberta Institute of Technology.

In Africa and the Indian Ocean, 1,705 employees were trained.

F. EQUAL TREATMENT

Indicator

Name of indicator	Scope	2016	2017
Representation of women in the Group (in percentage)	World		
Female staff members		21.0	21.9
Of which, female managers(1)		10.2	10.0
Female workers		2.1	1.7

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

Outside France, the "Female managers" category was defined as members of a local management body (the body that makes strategic decisions, such as an executive committee).

Comments

The percentage of women increased by 0.9 point among office staff, technicians and supervisors, was stable among managers (10%) and fell by 0.4 point among workers.

It was a year of transition for the Colas Group's gender diversity policy in 2017. The Chairman set the target of achieving 30% women managers by 2020.

F.1: Measures to promote gender equality

Qualitative information

Measures implemented in France to attract more applications from women included building relationships with target schools (support for arts and cultural pursuits, often more popular among women than sports clubs), attendance at the Mix&Métiers jobs fairs in Nantes and Marseille, and the training of 18 gender-mixed ambassador pairings to represent the various subsidiaries and activities, the best possible spokespeople for female students.

As part of the retention program, the Group put in place training in 2017 dedicated to female talent, and the Women's Leadership course is due to be launched in early 2018. In parallel, a major nationwide mentoring program will enable 23 of the Group's female employees to receive support for one year from January from a mentor within the senior management team to accelerate women's career advancement and help raise their profile. Mentors give up their time freely (they are under no obligation to do so), and the mentees, like the mentors, are given training in mentoring, before the process begins.

Lastly, to help change mindsets, Colas launched WE, a network promoting greater gender diversity. It has 769 employee-members, 57% of whom are men. Everyone is welcome to contribute by making comments or implementing measures to achieve equality in the workplace and working towards greater gender balance.

These various measures, which were refined throughout the year and launched in late 2017, are expected to start paying off in 2018 and deliver significant progress after indicators remained stable overall between 2016 and 2017.

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

Indicators

Name of indicator	Scope	2016	2017
Number of employees with disabilities(1)	France	975	975
Number of employees with disabilities recruited(1)	France	9	25
Revenue with companies that employ people with disabilities (in euros)	France	1,456,123	1,753,278

(1) Fixed-term and permanent contracts.

Comments

Despite the measures taken to hire disabled workers (Handi-alternance, Hello handicap, etc.), the direct employment rate remained stable.

The 20% increase in revenue from the sheltered and protected employment sector was partly attributable to efforts implemented at national level to make reporting more reliable.

F.3: Anti-discrimination policy

Qualitative information

In France, Colas and its subsidiaries signed the Diversity charter on April 20, 2017. By signing the charter, Hervé Le Bouc and the chairmen of 10 subsidiaries in France clearly signaled the Group's commitment to combat discrimination and promote equal job opportunities for all.

Actions implemented during the year included:

- a speech by the Chairman to the Group's 170 senior managers;
- introduction and coordination of a national Diversity Committee;
- the distribution of the e-HR electronic newsletter to 29,000 employees;
- a message in the *Routes* internal magazine, which is distributed around the world;
- introduction of an awareness-raising module in connection with the University 2 training (managers);
- introduction of other measures with the support of the HR Committee and the Diversity Committee as part of the gender balance action plan and the disability policy.

In addition, Colas has retained the Entreprises pour la Cité organization to lead training sessions in combating discrimination for HR managers and recruiters.

Outside France, subsidiaries located in the US and the UK are focusing their efforts on measures to combat discrimination.

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

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

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

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

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

G.3: Elimination of forced or compulsory labor

G.4: Effective abolition of child labor

Qualitative information

Since Colas does around 90% of its business in OECD countries, it has few operations in countries where there is a substantial threat to freedom of association or substantial risks of forced or compulsory labor, child labor or discrimination. The Group works with few subcontractors.

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

- provides its employees with a copy of the Bouygues Group's Code of Ethics, to which Colas adheres;
- includes social and environmental criteria in its procurement policy.

II – ENVIRONMENTAL INFORMATION

A. GENERAL ENVIRONMENTAL POLICY

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

All environmental indicators (see list below) are strictly defined. They are collected across the world using Xfi – a BFC (BusinessObjects Financial Consolidation) application – and calculated over a non-calendar year from October 1 of year Y–1 to September 30 of year Y (to allow sufficient time for precise data collection, verification, processing and analysis). Following the structural changes made in 2013 and new features added in 2014, the Xfi application has undergone extensive maintenance work since 2015.

The scope of consolidation for Group indicators was modified in 2016 (see below) and did not change in 2017:

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

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

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

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

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

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

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

Environmental indicators:

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

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

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

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

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

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

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

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

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

Colas manages environmental risk and its continuous improvement plan with the support of two tools: (i) certification to ISO 14001 or its equivalent and (ii) self-evaluations using Colas checklists. The challenge for Colas relates mainly to permanent facilities and hardly involves its worksites, given their small average size (revenue of around 120,000 euros) and the fact that the overwhelming majority of them (around 90%) are in areas no longer in their natural state.

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

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

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

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

Indicators

Name of indicator	Scope	Coverage	2016	2017
Percentage of materials production activities that have environmental certification (in percentage of CAE[(1)])	World	100% of CAE[(1)] of materials production activities	62	62
Percentage of materials production activities that carry out environmental self-evaluations using Colas checklists (in percentage of CAE[(1)])	World	100% of CAE[(1)] of materials production activities for which checklist is applicable	85	85
Percentage of materials production activities that use a tool to manage environmental impact (environmental certification and/or Colas checklists) (in percentage of CAE[(1)])	World	100% of CAE[(1)] of materials production activities	85	85

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

Comments

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

The checklist-based environmental self-evaluation indicator remained stable at a high level of 85% in 2017. The indicator's stable performance was the product of a 3-point dip in areas covered by the International department and the Mainland France department, while those under the responsibility of the North America department posted a 2-point increase. Self-assessment using checklists continues to be the cornerstone of Colas' policy for addressing environmental risks, and the number of checklists completed remained virtually unchanged in 2017.

The percentage of materials production activities that use a tool to manage environmental impact is high and remained stable in 2017. The target remains 100%. This objective is ambitious considering that other companies sometimes have large and even majority stakes in some Colas entities, which prevents Colas from ensuring complete oversight (see Part II – A on the method used to consolidate non-financial indicators).

A.2: Employee environmental training and information actions

Substantiating items

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

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

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

Furthermore, work meetings and conventions on environmental themes are organized every other year (most recently in Lyon in May 2016, preceded by Brussels in June 2014, with the next to be held in 2018 in Montreal) to raise awareness within the network of environmental correspondents in France and worldwide. Meetings at worksites and production sites make it possible to share experience as well as set up and monitor action plans. The Colas Group's websites and intranet are also ongoing sources of information for all employees. The Colas Campus provides specially designed training courses for employees (works managers, superintendents, engineering consultants, environment managers) in Mainland France. They cover topics such as water legislation, ISO 14001, QSE management for road construction, and the management of soil pollution.

Subsequent to the Brussels Convention, the EOCE project was launched to give impetus to the network of environmental correspondents and enable them to expand their knowledge and share it within their subsidiary and throughout the Group. This project, which is supported by the CEOs of the participating subsidiaries, has three primary objectives:

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

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

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

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

By 2020, the forty or so currently serving environmental correspondents are due to be trained along these lines. By the close of the reporting period, 43% of the 46 environmental correspondents had been trained (50% of the French speakers and 40% of the English speakers), and six of them had already reached the level required to coach new EOCE trainees.

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

Substantiating items

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

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

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

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

Qualitative information

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

Financial guarantees and provisions for site rehabilitation: a large number of quarries and other sites worldwide are subject to specific regulatory requirements when they are no longer operated and require provisions to cover environmental risks during operation. This entails a wide variety of guarantees and practices (such as performance bonds, insurance, escrow accounts and provisions) that depend on national laws. Colas' provisions on site rehabilitation commitments totaled 168 million euros as of December 31, 2017 (see the section of the management report entitled "Rehabilitation of industrial sites" under Risks – Industrial and environmental risks – Environmental risks).

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

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

B. POLLUTION

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

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

– production sites: all environmentally certified sites prepare an environmental analysis, dashboards and action plans (particularly for reducing discharges into the environment in cases where this is deemed significant). Colas uses this information during management reviews to analyze and limit the impact of the Group's operations and improve environmental performance. In addition to these measures, Colas' checklists also cover non-certified sites in areas including administrative management, site development, waste storage, operations management and monitoring, environmental impact and risk management (water and air pollution, waste, natural and technological risks, noise and vibration) and dialogue with local communities (see the relevant indicators and comments in Part III – A.1). The main environmental risk for Colas' materials plants is generally considered to be the risk of gradual pollution resulting from accidental spillages into the aquatic environment, via rivers, sewage drains, aquifers and other water systems. To monitor progress in addressing this risk, a specific and stringent performance indicator (see the "Percentage of materials activities with procedures in place to manage wastewater discharges" indicator below) has been derived from the environmental checklists;

– major projects: specific arrangements such as an Environmental Protection Plan are drawn up for each of these projects, including the new Coastal Road project on Reunion Island. In addition, Colas Projects' QSE team is responsible for analyzing this feedback and raising performance.

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

> Colas Environnement, founded in 1981, is the longest-standing pollution remediation company in France. It is also the first company to have gained ISO 9001, ISO 14001 and OHSAS 18001 certification in 2001. In addition to this trio of accreditations, it has also been MASE-compliant since 2010. Colas Environnement's 50 or so employees use most pollution remediation techniques. In particular, it has gained a reputation for the excellence and reliability of its on-site processing systems, and it also stands out on account of its policy of full transparency toward its customers. Through its continuous growth, it has been able to broaden its footprint across Mainland France. Following on from Lyon, Paris and Bordeaux, it is now opening a new unit in Dunkirk, and plans to seize opportunities outside France in the future.

Indicators

Name of indicator	Scope	Coverage	2016	2017
Percentage of materials activities with procedures in place to manage wastewater discharges (in percentage of CAE)	World	100% of CAE of materials production activities	26	22

Comments

Colas has implemented a strict surface water and groundwater protection policy to guard against the impact of accidental or everyday pollution at its fixed production and maintenance sites. This policy follows strict guidelines, backed by Colas checklists, which require that these sites be (or may be) completely isolated from the surrounding environment. 22% of CAE from global materials production activity satisfies all these requirements (down 4 points from 2016, with subsidiaries outside France seeing the steepest decline). This represents a set of criteria that is very difficult to meet completely at a site, especially at older or very large facilities. It is still an excellent indicator of the vulnerability of Colas' sites and illustrates the need for its environmental risk management systems (see Part II – A.1, "Percentage of materials production activities that use a tool to manage environmental impact").

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

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

Qualitative information

Colas is developing products that reduce traffic noise, such as fractal-technology noise barriers, and most significantly noise-reducing mixes (such as Nanosoft® and Rugosoft®) which can reduce traffic noise by as much as 9 dB. 544,300 metric tons were produced in 2017, up 68% from the 324,000 metric tons produced in 2016, thanks to a significant breakthrough in Denmark in particular. This product range reflects the continuing effort Colas has been investing in R&D for many years, and for which it has received a number of awards.

(For products helping to reduce dust-related pollution, please refer to D.1: Workplace health and safety conditions.)

C. THE CIRCULAR ECONOMY

A key factor in the organization of public works operations is the consumption of aggregates – the commodity that human beings consume the most of, after water. Public works account for the bulk of this consumption, with road construction alone making up more than half of it. For a group such as Colas, materials recycling – and thus measures to reduce their use – is a top priority as part of its commitment to the circular economy.

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

For example, under its long-term urban environment strategy, Colas Île-de-France Normandie has established itself as a leading player in the circular economy capable of meeting the needs arising from the Grand Paris public works projects. Its activities include handling excavation material and projects of all types, and it operates a network of around 40 installations across the Paris region, such as recycling platforms, business waste disposal centers, inert waste storage facilities, storage cells for asbestos-bearing waste and asphalt mixing plants that can recycle former road surfaces.

It also works on developing transit and analysis platforms for the materials extracted from tunneling work on the Grand Paris projects. A platform is already up and running at Saint-Witz, and additional plans are afoot to extend the administrative permits of existing platforms to cover this type of activity.

Another example of this is the first-class project in Bagneux led by the SNPR and Brunel Démolition subsidiaries as part of the transformation of a former industrial site into a mixed-use urban project by Bouygues Immobilier. The subsidiaries treated, handled asbestos removal and selectively demolished almost all the buildings. All told, 80% of the materials were recovered, including all 25,000 metric tons of concrete from the buildings, which were then crushed and used in filling works.

Lastly, Colas Île-de-France Normandie has designed an innovative product that is manufactured from inert materials pre-treated using the Ecosol® process. This new product provides an alternative to concrete in road, rail and industrial projects, as well as for backfilling. It can be used to reuse materials from excavations and earthworks, such as the Grand Paris projects, thereby helping to reduce consumption of natural resources.

Thanks to all these activities, Colas Île-de-France Normandie was able to recycle close to 1.5 million metric tons of materials in 2017, including 200,000 metric tons of rail ballast.

Colas' circular economy policy is based on the results of various methodological tools, particularly life-cycle analyses of asphalt mixes. Efforts in this area began in 2000 through such industrial associations as the European Asphalt Pavement Association (EAPA) and USIRF (the French union of road industry associations) and are regularly intensified and updated.

C.1: Waste prevention and management

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

The vertical integration of Colas' operations on a global scale means that resources are used and materials inventories and logistics flows are managed according to specific local requirements and characteristics. Colas Île-de-France Normandie, which operates in an aggregates-scarce, highly urbanized region, accounted on its own for 16% of Colas' global production of recycled materials in 2017.

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

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

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

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

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

Indicators

Name of indicator	Scope	Coverage	2016	2017
Ratio of recycled materials to total aggregates produced (in percentage of quantity)	World	Asphalt mix and aggregate production activities, and railroad worksites	11	12
Percentage of reclaimed asphalt pavement with bitumen recovery (in percentage of quantity)	World	Materials production activities	15	15
Surface area of road recycled in place (in millions of m^2)	World	Worksite activities	3.4	3.6
Waste oil recovery rate (in percentage of quantity)	World	All activities	61	61

Comments

In 2017, Colas recycled and recovered 9 million metric tons of materials. This represents almost 12% of its total aggregate production and worldwide savings equivalent to the average production of 17 Colas quarries. This indicator has improved significantly over the past year, with the number of metric tons recycled increasing 6%, whereas aggregates production dropped by 3%. The growing use of recycled materials by subsidiaries in Mainland France and the United States accounted for the increase in the number of metric tons of recycled materials.

The industry consensus holds that the maximum recycling ratio achievable for all asphalt mix excavated or planed off the road is between 20% and 25% in OECD countries, with this rate varying locally in accordance with urban density and the technologies employed by project owners. Colas has therefore achieved three-fourths of its estimated recycling potential, with some subsidiaries in Belgium, Switzerland, Morocco, the United States and Canada already achieving this maximum ratio in 2017. There has been slower progress however in countries where recycling is less of a priority.

The "Percentage of reclaimed asphalt pavement with bitumen recovery" indicator remained stable in 2017. The quantity of reclaimed asphalt pavement increased by 4% and asphalt production fell by 2%, but these positive trends were not sufficient to deliver a positive change in the overall indicator.

The surface area of road recycled in place by Colas subsidiaries increased by 4% in 2017 compared to 2016. The improvement in this indicator was led by Benin, central Europe, Mainland France and northern Europe.

Regarding waste oil, the optimum oil-recycling ratio is considered to be 80% if the oil that is consumed and burned by vehicles and machinery is taken into account. Colas' recycling ratio remained stable in 2017, at 61%. The management of all types of waste is monitored and assessed pursuant to ISO 14001 certification requirements and at annual self-evaluations using checklists (see environmental certification and self-evaluation indicators in Part II – A.1).

C.1.2: FOOD WASTE PREVENTION MEASURES

Substantiating items

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

C.2: Sustainable resource use

C.2.1: LOCAL WATER CONSUMPTION AND SUPPLY

Qualitative information

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

In 2015, Colas introduced new indicators to measure and limit the pressure exerted on water resources by its operations in regions where water is extremely scarce. The methodology used to assess the Colas operating regions concerned is based on the interactive "Overall Water Risk – Baseline Water Stress" map published on the website of the World Resources Institute. The water consumption of Colas' fixed facilities in these areas in 2017 is estimated to be around 734,000 m^3.

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

Indicators

Name of indicator	Scope	Coverage	2016	2017
Percentage of stationary activities (in terms of CAE) located in highly water-stressed areas (in percentage of CAE)	World	100% of CAE of stationary activities in highly water-stressed areas	6	5
Water self-sufficiency rate of highly water-stressed areas (in percentage of m^3)	World	100% of CAE of stationary activities in highly water-stressed areas	84	61
Percentage of CAE generated in highly water-stressed areas for which an action plan has been implemented (in percentage of CAE)	World	100% of CAE of stationary activities in highly water-stressed areas	38	58
Percentage of water consumption in highly water-stressed areas for which an action plan has been implemented (in percentage of m^3 consumed)	World	100% of CAE of stationary activities in highly water-stressed areas	69	67

Comments

These recent indicators will not be fully reliable until 2018, and so comparisons between 2016 and 2017 are provided solely for information purposes.

The Colas Group's fixed facilities in highly water-stressed areas are located in Canada (Saskatchewan), the United States (California and Wyoming), South Africa, Zambia, Guadeloupe, Martinique, Ireland, India, Morocco, the Middle East, Chile and Mainland France (Normandy). These facilities, which account for about 5% of the CAE revenue of the Colas Group's industrial facilities, consist mainly of quarries and gravel pits but also include workshops, binder plants, depots, asphalt plants, ready-mix concrete plants and recycling platforms.

Broadly speaking, this geographical analysis shows that the water footprint of Colas' operations is not highly critical, with 95% of its activities located in non- or barely water-stressed areas.

In addition to reducing water consumption in these localities, a key objective for Colas is to increase water self-sufficiency so as to minimize disruption of the water cycle and downstream water use. The water self-sufficiency indicator for 2017 is 61%, which means that most of the water consumed was obtained internally and not from the local water system. This preserves access to water resources for other local users.

By tracking its action plan progress indicators, as part of a continuous improvement process, Colas is able to monitor and reduce pressure on water resources in highly water-stressed areas. The trend of introducing action plans made significant headway between 2016 and 2017.

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

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

– optimizing and maximizing the recycling of all types of excavation material, demolition debris and inert waste produced by construction and public works projects, which reduces the need for disposal sites and to operate quarries and gravel pits. Colas has developed indicators to track the amounts of materials it recycles in its industrial processes in order to compare these amounts to the volume of new materials produced, rather than simply record the amount of waste disposed of (see Sections C.1.1 and C.2.2) or the amount of recycled material consumed. This decision serves two purposes: it improves data reliability and encourages the subsidiaries to invest in materials recycling equipment. The aim of this approach is therefore not to track total consumption, the interpretation of which has proven too complex to allow proactive action plans to be developed. For example, some totals may increase with revenue while others decrease due to changing market conditions (such as bitumen consumption, the increasing proportion of service and maintenance activities, and the development of new activities);

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

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

In addition, the industry and the European Union have undertaken to promote SEVE® internationally. Colas is actively involved in these efforts. In 2017, the SustainEuroRoad project, 50% grant funded under the EU's Life project, was audited by the European Commission. The European Commission's representative stated that the project was "remarkable" in that there are no other projects of this type in road construction and it stands out by being a project that helps to make contracting more objective. The European Commission's Directorate-General for the Environment has referred to the possibility of reducing greenhouse gas emissions by more than 50%, energy consumption by 70% and consumption of natural resources by similar proportions by using this software. It may be rolled out to operations outside France over the coming years.

Indicators

Name of indicator	Scope	Coverage	2016	2017
Amount of materials recycled (in millions of metric tons)	World	Asphalt mix and aggregate production activities, and railroad worksites	8.5	9
Amount of reclaimed asphalt pavement (in millions of metric tons)	World	Materials production activities	5.6	5.8
Number of low-carbon alternatives offered to customers	World	Worksite activities	201	141

Comments

The 6% increase in the quantity of recycled material exceeded the 3% decrease in aggregates production and consequently increased the recycling ratio (see indicators in Part II – C.1.1). Colas, which recycles close to 15 million metric tons of materials, is probably one of the world's top five corporate-sector recyclers of materials, all sectors of activity combined (after certain steel producers, but ahead of paper and cardboard producers, for example).

In today's challenging economic climate, the drop in the number of low-carbon alternatives reflects the current state of the market, which becomes less open to alternatives every year. The proportion of greenhouse gas emissions avoided by the Group declined by 50% in 2017 and the number of selected low-carbon alternatives fell 30% (see Section D.1). Colas is taking an active part in the efforts made in the profession to give new impetus to low-carbon alternatives.

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

Colas' information systems are designed to allow for decentralized management, which is better adapted to the diverse range of regions and activities it covers. Energy consumption is expressed in very general terms in these systems, with no distinction between, for example, fuel purchased for machinery and electricity consumption at quarries. Some of this data is extracted from accounting data, while other information comes from production data, if only to monitor improvements in energy efficiency. To overcome this issue, the Cleanergie (Colas Lean in energy) program was launched in 2012 to provide Colas with a measuring and monitoring tool aimed at enabling all Colas activities to reduce the energy they consume for construction, production, building operation and logistics. The program includes a study of some one hundred employees across a range of construction, production and quarry sites, actions to empower managers, and the creation of a steering committee of business-line experts. Some one hundred best practices and opportunities have been identified. This work revealed that the energy consumed by three uses – asphalt plant burners, construction equipment and vehicles – together accounted for three-fourths of Colas' direct energy consumption in almost equal proportions. In 2013, as part of its Cleanergie program, Colas set about transforming its collection systems into an information network to obtain more accurate data on its energy consumption at all its locations worldwide. This collection method has been used by Xfi since 2014 and reliability was improved in 2017 through higher take-up of the software by numerous internal contributors and by process improvements.

Colas is also focusing its efforts on:

– measurement tools: to assess improvements in energy efficiency, Colas must be able to measure its fossil fuel consumption, since electricity is only a small portion of the Group's total energy footprint. To monitor the production and energy consumption of asphalt plants, Colas has developed software for the different types of plants that are operated in central Europe, France and North America. These energy coordination and monitoring tools, which are steadily being rolled out across the Group, allow for real-time tracking of energy consumption and mix temperatures, with alerts sent over the Internet and to smartphones, plus reporting capabilities. These tools are currently being used by about 32% of the Group's asphalt plants. The data thus collected will be used to increase their energy efficiency.

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

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

For example, Colas Suisse in Switzerland introduced a sustainable energy policy in 2004 with support from EnAW (Energy Agency of the Swiss Private Sector). This voluntary commitment required major investments, which translated into improved energy efficiency, greater accountability, greater competitiveness, deeper knowledge, enhanced legislative compliance and a high return on investment. Under the first agreement that came to an end in 2012, Colas Suisse's CO_2 charge was cut by 15.6% and its CO_2 intensity by 41.7%. Under the latest agreement that came into force in 2013, a new commitment was given to achieve further reductions by 2022. Areas where savings can be unlocked are now harder to find. That said, investments have been made in the replacement of conventional power sources with renewable energies, especially the installation of photovoltaic panels, and process optimization.

Indicators

Name of indicator	Scope	Coverage	2016	2017
Energy consumed per metric ton of mix produced (kWh per metric ton)	World	Asphalt mix production activities	78	77
Percentage of warm mix and low-temperature mastic asphalt (in percentage of quantity)	World	Asphalt and asphalt mix production activities	21	23
Number of metric tons of materials transported by rail or waterway (in millions of metric tons)	World	All activities	7.4	8.9
Total energy costs (in millions of euros)	World	All activities	370	375
Total energy consumption (in millions of MWh)	World	All activities	7.8	7.4
Ratio of total energy costs to IAV(1) (in percentage)	World	All activities	3	3
Percentage of vehicles with on-board telematics	World	All activities	22	21
Percentage of machinery with on-board telematics	World	All activities	27	26

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

Comments

Colas systematically and carefully measures and monitors the fuel consumption of asphalt plant burners at more than 400 plants. This indicator slightly improved in 2017, with one less kWh per metric ton produced, mainly due to the increase in the average tonnage of asphalt plants in most countries, which automatically improves their energy efficiency.

In addition to low-carbon alternatives (see Part II – C.2), the following help achieve energy savings:

– warm mixes, which require about 15% less energy to produce than hot mixes. In 2017, warm mix accounted for 23% of Colas' total mix production, up 2 points from 2016. The US subsidiaries were most successful in increasing their warm mix production and achieved the highest levels. All employees are ready to start expanding the use of these products across all regions, adapting production tools and conducting ongoing research to develop new technical solutions that enable lower product temperatures, all the more so given the substantial health-related benefits (see Part I – D.1);

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

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

– for its own transport requirements, Colas uses rail and inland waterways as an alternative to road haulage. However, there is little flexibility to replace one mode of transport with another. Colas is therefore working to improve the environmental performance of each mode and achieve the best possible balance between them by proactively adopting innovative techniques. The quantity of materials transported by rail or waterway is equivalent to nearly 3,300 freight trains (with each train containing 44 freight cars), which avoids deploying more than 295,000 30-ton trucks. These figures successfully withstood the decline in materials production in OECD countries. The average distance traveled (270 km in 2016, 227 km in 2017) fell 16% while the tonnage of materials transported rose by 20%.

The Colas Group's total energy costs are estimated at about 375 million euros. To implement an energy intensity indicator, Colas looked at establishing a relationship between these energy costs and a relevant denominator, such as revenue or added value. This work helped to reveal the complexities involved in this regard. Selecting revenue, for example, would encourage energy-intensive business activities to be outsourced via subcontracting: revenue would remain unchanged, while direct energy consumption would go down, without actually making progress in this area. For this reason, Colas defined IAV to express the volume (in euros) of business activity that truly constitutes the basis of energy costs. IAV is equivalent to CAE (revenue before eliminations) less operating profit margin and revenue from subcontracted work. As 2017 was the second year for this new indicator, and its reliability therefore needs to be reviewed, Colas is not yet able to comment on the movement in this indicator, nor its effective relevance. Energy consumption totaled 7.4 million MWh and as may be expected is more or less proportional to revenue in each country.

The number of construction machines and vehicles equipped with energy consumption monitoring systems declined by one point in 2017 to 26% of machines and 21% of vehicles. The replacement of equipment contributed to this trend, since the data for each individual item of machinery can be downloaded directly from manufacturers' websites for most of the latest models. This complex indicator points to the most substantial avenue for potential progress.

C.2.4: LAND USE

Qualitative information

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

All quarry and gravel pit sites are restored when they are shut down and many are progressively restored while still being operated. In addition, the amount of materials recycled is equivalent to the production of 17 Colas quarries and gravel pits throughout the world (see Part II – C.1.1).

Photovoltaic power generation is considered one of the main renewable energy solutions under the global energy transition, but it requires vast available surfaces exposed to the sun. This problem is particularly acute in densely populated or agriculture-heavy countries: roof surfaces alone are not enough to produce the power levels required, and solar farms, although highly efficient, run up against issues of competition for land use (agriculture, natural spaces, landscapes). With its innovative Wattway solution (see Part II – D.1 below), Colas is paving the way for the construction of solar energy-generating roads, offering access to a sizable surface area, with the potential to meet some of a country's needs in terms of solar power without impeding other types of land use.

D. CLIMATE CHANGE

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

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

Indicators

Name of indicator	Scope	Coverage	2016	2017
Greenhouse gas emissions (in millions of metric tons of CO_2 equivalent)	World	All activities	11	12
Greenhouse gas emissions per metric ton of mix produced (in kilograms of CO_2 equivalent per metric ton)	World	Asphalt mix production activities	18	18
Carbon intensity (in kilograms of CO_2 equivalent per euro of revenue)	World	All activities	1	1
Greenhouse gas emissions avoided by the Group's actions (in metric tons of CO_2 equivalent)	World	All activities	176,000	153,000

Comments

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

This calculation necessarily involves a margin of uncertainty (over 30%), particularly for Scope 3-a, due to discrepancies between national and international data, the difficulty of estimating carbon costs related to certain suppliers and subcontractors, and data collection and conversion issues, etc. Consequently, the carbon footprint is a good way of establishing an order of magnitude, but it cannot be considered a reliable indicator for monitoring annual performance, given these factors of uncertainty.

In 2017, the carbon footprint increased slightly, but this greater order of magnitude reflects a more accurate calculation method rather than a new trend.

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

- scope 1: 1.7 million metric tons of CO_2 equivalent;
- scope 2: 0.3 million metric tons of CO_2 equivalent;
- scope 3.a: 10 million metric tons of CO_2 equivalent.

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

– by reducing the amount of energy it requires for its operations and the GHG emissions these operations generate. This involves improving energy efficiency (see Part II – C.3 above) through actions that aim to:

- manage fuel consumption by site machines and vehicles; this has included introducing systems that measure fuel consumption and raising drivers' and operators' awareness of the need to adopt environmentally friendly driving practices and switch off engines when equipment is idle,
- measure and reduce the amount of fuel consumed by asphalt plant burners. Fuel consumption per metric ton of asphalt mix produced is monitored worldwide;

– by reducing the energy and GHG content of the products and techniques that Colas offers its customers. To reduce its carbon footprint and that of its customers, Colas pursues an active R&D and innovation policy to develop alternative solutions that help preserve the environment. Below are some examples:

- warm mixes and mastic asphalts: mixed at temperatures that are tens of degrees lower, these products reduce energy consumption by 10% to 30% while reducing emissions of bitumen fumes by 70% to 90%,
- in-place road recycling: this technique reduces greenhouse gas emissions by reducing materials production and transport requirements,
- recycling reclaimed asphalt pavement (RAP) and bitumen: recycling old asphalt pavement enables the recovery of bitumen, which is made from petroleum, a limited natural resource. In 2017, the Colas Group recycled 291,000 metric tons of bitumen, the equivalent of the annual bitumen production of a medium-sized refinery,
- Vegeroute® products (e.g. Vegecol® plant-based binder, patented in 2004; Vegeflux® fluxing agent, patented in 2006; Vegemark® road marking paint, certified in 2010; Ostrea®, a hot road marking product certified in 2006; Ekoflux®, a plant-based bio-fluxing agent which entered the development phase in 2014). Developed in Colas' R&D laboratories, these products contain plant-based materials instead of petroleum-based components. These alternative materials not only serve as carbon sinks but also enable lower production and application temperatures, and can even reduce overall materials requirements in some cases,
- Colas has developed EcologicieL®, the first software tool for calculating and selecting low-carbon alternatives for road building projects, and has also played a key role in developing the SEVE® eco-comparison tool which is used throughout the road construction industry in France and provides customers and contracting authorities with an approved and common framework for selecting low-carbon alternatives (see Part II – C.2.2). In 2017, the number of low-carbon alternatives selected by customers was down 40% from its 2016 level, and the number of metric tons of CO_2 avoided declined by 50%. A total of 2,810 metric tons of CO_2 emissions were thus avoided in 2017. Recycling bitumen recovered from demolition or resurfacing materials is currently the main means of reducing CO_2 emissions (109,000 metric tons of CO_2 equivalent in 2017). In most countries, low-carbon alternatives cannot be proposed in public contracts, with the exception of France, where they are less and less frequently proposed and are rare in private markets due to the growing rigidity of procurement processes. Colas is working to promote them internationally, which has proven difficult within the current economic context faced by project owners. Nevertheless, the SustainEuroRoad project subsidized by the European Union is currently underway, under the aegis of USIRF, a French road industry association (see Part II – C.2.3), in which Colas and its subsidiaries are playing a major role,
- Wattway: a major innovation in the road sector, the fruit of five years of research and development by teams at Colas. In partnership with INES, the French national institute for solar energy, Colas is pioneering an innovative technique that gives roads a new function alongside their traditional use: locally producing clean, renewable energy. The principle behind Wattway involves gluing specially designed solar panels directly to road surfaces, without requiring any civil engineering work. These panels are only a few millimeters thick and are able to withstand vehicle traffic in complete safety (including heavy trucks) while generating electricity. Wattway will be able to power public lighting, illuminated signs and trams as well as homes, offices and more. By way of example, one kilometer of surfaced road can generate enough electricity to light a town of 5,000 inhabitants. Around 20 small-scale projects have been launched in and outside France since 2016. Various different applications have been trialled, such as vehicle recharging, information board power supplies, street lighting in Mainland France and on Reunion Island, as well as in supplying power to buildings in Canada, the United States, France and Japan. Lastly, the electricity generated is sold to the local power grid in Monaco and France.

A Life Cycle Assessment (LCA) of Wattway has also been conducted:

– As things currently stand, the impact analysis of the kWh generated by Wattway is better than that of the European energy mix but not yet as good as it is for conventional photovoltaic power. The primary contributor in terms of the impact on the environment comes from module production (manufacture of photovoltaic cells and, to a lesser extent, the protective polymer/resin layer). The second-largest contributor is the installation stage, especially the various items of electrical equipment. This study shows that the Wattway's impact could shrink to less than that of a standard photovoltaic farm over the next twenty years or so, with energy payback times shortening to two years from six years at present.

– This prospect is especially attractive because the photovoltaic power infrastructure program in a country such as France could run into land shortage issues with conventional solar photovoltaic power. The Vision 2030-2050 blueprint drawn up by Ademe, the French environment and energy management agency, in 2013 that has already contributed to the debate leading to the enactment of the 2015 law on the energy transition for growth in the green economy, calls for solar photovoltaic installed capacity of 65 GWp by 2050. According to the LCA conducted on behalf of Colas, this installed capacity would require over 500 km^2 of land for ground-based facilities. At present, only 100 km^2 of polluted industrial wasteland not suitable for other uses is available. That points to a substantial need for land, in competition with other applications (farming, countryside, ecosystems, etc.). Wattway, like rooftop photovoltaic solutions, would sidestep this type of competition by providing additional functionality to spaces already used for pedestrian and road infrastructure (by 2050, less than 15% of municipal and departmental roads should suffice to generate 65 GWp according to the same life cycle assessment).

In 2017, the quantity of greenhouse gas emissions avoided as a result of Colas' actions fell from 176,000 to 153,000 metric tons of CO_2 equivalent, as a result of the decline in CO_2 emissions avoided at asphalt plant burners.

Colas facilities concerned by the European Union's greenhouse gas quota system fall into two categories: a portion of the asphalt plants (as combustion facilities higher than 20 megawatts) and Société de la Raffinerie de Dunkerque (SRD). The asphalt plants in question are located in Belgium (4 plants), Denmark (2 plants), and France (11 plants). Compared with other manufacturing facilities concerned by this system, asphalt plants are minor CO_2 emitters. For example, the 11 French plants totaled 19 thousand metric tons of CO_2 in 2016 (reported in April 2017) for a production of about one million metric tons of asphalt mix. SRD's refining operations were cut back in 2015 and ceased in 2016. Colas SA purchased 24,482 metric tons of CO_2 in 2017 to cover its subsidiaries' emissions in 2016 (8,418 quotas) and 2017 (16,064 quotas), at a total cost of about 157,000 euros. These purchases gave each subsidiary a quota balance at year-end 2017 matching the free quotas allotted in February 2017, which will have to be used in the April 2018 report. The final figures for the 2017 activity report for submission in April 2018 will be available in the first quarter of 2018.

D.2: Adapting to the consequences of climate change

Qualitative information

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

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

E. PROTECTING BIODIVERSITY

E.1: Steps taken to preserve or develop biodiversity

Colas supports biodiversity in two ways:

– by actively participating in biodiversity research and innovation:

  - Colas is one of the few companies to have been part of the FRB (French foundation for biodiversity research)'s strategic steering committee since 2011,
  - between 2014 and 2016, the Colas Group backed the Lengguru scientific expedition, a patronage initiative carried out by the IRD (French institute of research for development) in partnership with the Indonesian Institute of Sciences (LIPI) and the Sorong Fisheries Academy (APSOR). The aim of this expedition was to inventory and study biodiversity in forests, underground and in the sea using an approach that focused on the impact of environmental factors on the adaptation and evolution of different species. The scientific exploration was conducted in a particularly rich, unexplored area of Indonesia's Papua province, which gave rise to the discovery of a number of new species (scientific publications are in preparation),
  - Colas created in 2016 a conservatory for black bees in the Alps of Haute-Provence, in partnership with Apilab, a laboratory specialized in environmental biomonitoring using bees. This scientific project uses a protocol for the genetic analysis of mitochondrial DNA that was developed by the French national research institute CNRS. The conservatory, which comprises 20 hives and is the first of its kind in France created by the private sector, is located at the Cozzi quarry, near Norante (Alpes-de-Haute-Provence). This social and collaborative project is conducted in partnership with local beekeepers and the mayors of the neighboring towns,
  - on the innovation front, GTOI (a Colas subsidiary on Reunion Island) has developed a bubble curtain as an acoustic insulator protecting marine mammals from the impact of the underwater noise caused by work on the massive project to build the Route du Littoral highway on Reunion Island. The aim is to create a barrier absorbing the acoustic waves caused by various phenomena, in a similar way to double-glazed windows. The innovation won the special Business and Environment Award for 2017 in the biodiversity category at the World Efficiency fair.

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

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

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

Indicators

Name of indicator	Scope	Coverage	2016	2017
Percentage of CAE from aggregate production activities that take action to promote biodiversity (in percentage of CAE)	World	100% of CAE of permanent aggregate production activities	44	51

Comments

More than 70 protected species currently live at the Group's extraction sites, in addition to some fifty sites that are home to beehives. Real progress has been made since this policy was deployed in 2012, on the occasion of Colas' Environmental Convention. This effort remains varied according to cultural contexts, enjoying strong support in France but less in the United States, for example. In 2017, the indicator rose 7 points as a result of the contribution from subsidiaries outside France (up 15 points), especially in northern Europe (up 21 points) and in Indian Ocean territories (up 82 points). The EOCE program (see Part II – A.2) played a major role in securing subsidiaries' backing for this program.

Additionally, in Madagascar, since December 2008, Colas has offered an educational and awareness-raising program on protecting biodiversity, providing its support to a private lemur reserve and a botanical garden. Thanks to this program, 29,265 children and 1,030 teachers have learned about the importance of their country's natural heritage, particularly the protection of lemurs through habitat conservation.

III – CORPORATE SOCIAL RESPONSIBILITY COMMITMENTS TO PROMOTE SUSTAINABLE DEVELOPMENT

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

– its road safety policy to prevent road accidents: Colas' commitment in this area is reflected by its regular renewal since 1997 of a road safety charter signed with the French government and CNAMTS, the French national health insurance fund for salaried employees, as well as a similar charter at the European level. "Road Safety Officers" are specially trained employees who implement an accident prevention program in the field based on the code of best practices issued by the French government's road risk prevention committee. Not only does this policy help Colas improve the road safety record of its drivers – the Group saw a 44% reduction in accident frequency between 2004 and 2017, although the indicator rose slightly (7%) this year – it also benefits their families and friends (through the sharing of best practices) along with all other road users;

– its employee first-aid training policy, which has been in place since 2006: Colas places a major emphasis on first-aid training, both in France and abroad. Today, more than a third (38%) of Colas employees have learned life-saving techniques (see Part I – D.1). This training benefits employees as well as everyone around them, including their families and friends.

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

Corporate social responsibility indicators:

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

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

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

A.1: Employment and regional development

Qualitative information

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

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

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

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

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

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

– Mainland France: the national partnership agreement entered into in 2014 with the CNCE-GEIQ (French national committee for coordinating and evaluating groups of employers that promote workforce integration and vocational training) came to an end in 2017. Preliminary contact was established with the GEIQ with a view to extending the partnership.

For its three-year term, the agreement reinforced Colas' commitment to integration through the various regional agreements entered into by our subsidiaries in 2015 and 2016 with the relevant local GEIQ.

For example, the results achieved under the partnership between Colas Nord-Est and the local GEIQ showed 23,813 hours of secondment and 5,977 training hours. In all, 48 people worked on the BHNS (bus rapid transit lines) project in Lens in 2017 as a result of workplace integration initiatives.

For the construction of the Bordeaux tram lines, Colas Sud-Ouest worked with facilitators and local missions for hiring purposes. That helped to diversify the roles eligible under the clause. A project-long permanent employment agreement as an administrative employee was agreed for two years with an applicant who had been out of work for several years. This role is not very prevalent in workplace integration clauses, and nonetheless recruitment proved simpler and provided candidates of higher quality than for road construction workers. That also helped to increase the percentage of women being integrated into the workforce.

Aximum teamed up with the Île-de-France GEIQ to set up a training course for its road equipment activities. The training beginning in January 2018 will give eight individuals with few or no qualifications the opportunity to gain a certificate and professional experience, with a view to joining the business on a permanent contract at the end of their training period.

Colas Île-de-France Normandie introduced vocational training contracts with the GEIQ for road and main services project workers (operations on tramline T4, metro line 16), tunnel construction workers and demolition operators.

The subsidiary also participated in the FNTP's program for migrants, with four refugees currently employed under vocational training contracts.

In addition, three young people joined the workforce under the partnership with NQT (*Nos quartiers ont du talent*), a corporate-sponsored association promoting social mobility in France;

– outside France, various initiatives were implemented across all Colas' subsidiaries, including Colas Canada, which has taken steps since 2012 to integrate members of the First Nations within its works teams via its subsidiaries across the country. A nationwide approach is currently being drawn up to introduce a wider-ranging program with the First Nations. For example, this may include setting up partnerships in common areas, establishing training programs (literacy, efforts to combat addiction, etc.) and prioritizing the hiring of indigenous populations.

A.2: Resident and local populations

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

– exemplary production sites: each site must implement progress measures that go beyond mere compliance with administrative or regulatory requirements. Obtaining environmental certification is the preferred approach (under ISO 14001, for example). Progress measures are documented and assessed using a system of checklists covering most of the Group's activities in the production of construction materials worldwide. This approach is part of the internal control of operations and covers some 2,000 Colas production units around the world (see indicator in Part II – A.1 on the percentage of materials production activities that use environmental certification and/or Colas checklists to manage environmental impact);

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

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

Indicators

Name of indicator	Scope	Coverage	2016	2017
Percentage of CAE from materials production activities with an organization for local dialogue (in percentage of CAE)	World	100% of CAE of materials production activities	40	47

Comments

A local dialogue indicator was introduced in 2006 to measure the extent of this dialogue with local communities, local elected officials, and the competent government agencies. The 7-point increase in this indicator in 2017 is partly attributable to the action plan undertaken early in the year. The most progress was made in northern Europe, central Europe, Oceania and the United States. The EOCE program (see Part II – A.2) with its collaborative approach helped to raise awareness among employees at the subsidiaries concerning the importance of local dialogue.

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

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

Indicators and comments

Please refer to Section A.2 in Part III.

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

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

B.2: Partnership and patronage initiatives

Colas has forged numerous partnerships across all its subsidiaries in and outside France in two main areas:

– academic partnerships with universities and schools (e.g. University of Birmingham and of Alberta in Canada, the École Centrale engineering school in France) and scientific and R&D bodies and companies (Ineris, the French alternative energies and atomic energy commission (CEA), and ChemSud);

– partnerships with start-ups on innovation projects. For example, the partnership with RB3D, a cobotics (collaborative robotics) specialist, is currently at a pre-industrializaton stage concerning the development of the Exopush, a cobot designed to help workers with the manual application of asphalt mixes. Other deals have been sealed with start-ups in energy and in the development of innovative solutions for local authorities. For example, an agreement was entered into with the Béthune City authorities to trial online maintenance service offerings. Colas' employees scour the city to detect, catalog and then remedy any issues they spot with its infrastructure using the TellMyCity app. The city authorities obtain a detailed, mapped and real-time overview of the state of maintenance of its infrastructure.

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

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

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

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

– scientific patronage: ChemSud Foundation;

– skills-sharing patronage: Château de Chambord.

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

Indicators

Name of indicator	Scope	Coverage	2016	2017
Patronage: cash donations (in millions of euros)	World	100% of CAE of all activities	3	2.6
Patronage: donations in kind (value in millions of euros)	World	100% of CAE of all activities	0.12	0.16
Sponsorship: cash expenditures (in millions of euros)	World	100% of CAE of all activities	4	2.9
Sponsorship: in-kind expenditures (value in millions of euros)	World	100% of CAE of all activities	0.03	0.04

Comments

The total amount of the patronage donations (donations in cash and in kind) declined by 14% between 2016 and 2017, with a similar trend in sponsorship costs (–28%).

Irrespective of the regions in which Colas operates, the decline in donations in cash was particularly striking this year. The decline was largest (–35%) in the International department. Overall, donations in kind recorded the biggest fall in 2017, and skills-sharing patronage at the Château de Chambord accounted for a very large proportion of this amount.

Sponsorship costs in cash fell back predominantly in sports, reflecting the discontinuation of the sponsorship program in Hungary. Sponsorship costs in the research field doubled in 2017 at the Mainland France department, chiefly under ad hoc partnerships.

C. SUBCONTRACTING AND SUPPLIERS

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

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

Qualitative information

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

– Procurement and capital spending processes

The pre-requisite for an effective procurement function is a specially designed organizational structure and clear procurement processes ensuring:

- the segregation of procurement powers. A single person must not specify the procurement requirement, select the supplier and place the order, accept and pay for the product or service;
- regulatory compliance;
- compliance with commitments made to suppliers.

A computerized procurement system that is accessible to all stakeholders and which ensures that expenditures comply with process requirements, that procurement powers are separated and that expenditures are authorized (via the validation workflow) is currently being deployed and process performance indicators are being prepared.

- Use purchase order/contract templates for each product category to ensure that products and services are compliant and that CSR concerns are addressed. These templates must be validated by internal stakeholders in the Procurement, Legal, Safety and Environment departments.
- Get suppliers engaged in CSR by including the Group's CSR charter in all purchase orders and contracts.
- Get internal stakeholders (e.g. Safety, Environment and other personnel) engaged in the procurement of products and services that are most relevant to them.
- Formally draft and deploy the capital spending process.

– Social responsibility and resource preservation

Colas helps preserve local economies:

- by preferentially awarding contracts and orders to local suppliers and contractors when their product and service offerings are considered to be equivalent (when everything is taken into consideration) and unless there is any strategic reason to prefer a nonlocal product or service;
- by awarding a minimum percentage of contracts to small local companies and/or suppliers. The concept of advance orders and gradually increasing order size will be highlighted;
- by favoring suppliers that employ people with disabilities when these suppliers are competitive in terms of quality and price.

Colas helps conserve resources by developing comparative economic models for picking solutions (TCO) that factor in:

- the conservation of resources;
- the reduction in consumption (e.g. Cleanergie);
- the impact on the planet (greenhouse gas emissions): for example, since late 2015 Colas' vehicle procurement policy has taken these considerations into account by favoring vehicles that meet the Euro 6 standard (fuel efficiency).

– Organizational

Several organizational initiatives were undertaken in 2017, such as the distribution of an Ethics charter and special training to increase the legal and CSR awareness of procurement staff.

The project to develop the Group's new workwear, launched in 2013, is a significant example of the vigilance exercised by Colas in its relations with its suppliers and service providers. Intended to be worn by 30,000 of the Group's employees, these uniforms are Fairtrade-certified by Max Havelaar and made of organic cotton fiber produced in Mali and grown without any GMOs or dangerous pesticides. The cloth was produced in European ISO 14001-certified factories, and the dyes used are OEKO-TEX® Standard 100-certified. The uniforms were produced in workshops in North Africa where working conditions were checked by SGS during CSR audits (12 audits in all). These textile workshops were also certified by Flocert. In 2014, Colas received several awards for its work uniforms, including the *Trophée des Achats* in the Responsible and Sustainable Procurement category and the *Janus de l'Industrie* seal of approval. Several initiatives were continued in 2017:

- the improvement of existing models based on feedback from users;
- the creation of a line designed specifically for female body shapes;
- roll-out to international locations, in particular Morocco and Madagascar, taking into account feedback from worksites and the improvements made since the first run of uniforms.

In accordance with the law on the duty of vigilance, Colas drew up an initial vigilance plan for Bouygues SA, its parent company, characterizing the risks arising from its operations and from those of its suppliers and subcontractors that could potentially pose a severe environmental, employee-related, social or human rights-related threat.

D. FAIR TRADE PRACTICES

D.1: Preventing corruption

Qualitative information

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

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

A Compliance officer, who reports to Colas' Chairman and CEO, is responsible for overseeing the operational deployment of compliance programs at the Group's various entities. The Compliance Director is backed up by a network of Compliance officers appointed in each significant entity around the world where Colas is present.

A whistle-blowing system open to all Colas employees was introduced in early 2017.

The Colas Group's Ethics and Corporate Sponsorship Committee, which was expanded in 2015 to four directors (two of whom are independent), met in February and August 2017. The corporate philanthropy and sponsorship initiatives costing in excess of 20,000 euros were presented to it, as was progress made on the deployment of the compliance programs for the past year and the actions scheduled for 2017. The cases reviewed by the Business Ethics Commission were also presented to it. It established the facts concerning the noncompliant practices of a Colas Group entity belonging to a subsidiary outside France and developments concerning them.

An instruction concerning the benchmark thresholds and values for third-party gifts and hospitality applicable to all Colas Group entities was approved by the Ethics Committee. It was circulated on July 20, 2017.

An instruction on sponsorship and philanthropy initiatives and the procedure for authorizing material initiatives in excess of 20,000 euros was also circulated within the Colas Group.

An instruction on commercial agents outlining, in addition to the anti-corruption compliance program and the internal control repository, the mandatory authorization process prior to use of an intermediary was also introduced within the Colas Group.

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

By the end of December 2017, 98% of the Colas Group's senior executives and business unit managers had signed up to this clear undertaking.

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

In 2017, the training campaigns continued and were stepped up:

– the "Business Ethics and Responsibility" training module, including "Compliance Programs", continued in 2017 both in France and internationally. It was offered at all subsidiaries for operational and functional managers and team leaders. This training systematically includes business ethics and the implementation of compliance programs. The topic of ethics is also discussed at subsidiaries' executive management committee meetings, regional meetings and business unit managers' meetings. Since the training was introduced in 2016, close to 3,000 employees have been trained, with special attention paid in 2017 to the international subsidiaries;

– the "Ethical and Accountable Leadership" training program delivered for the first time in 2016 to promote discussions about business ethics and the individual and collective accountability of Group subsidiary leaders, also continued throughout 2017 in and outside France. To date, 670 employees have completed this training;

– the subsidiaries in North America continued their roll-out of a specific communication and training program on ethics:

- training sessions for managers and worksite supervisors were also held on the topic of anti-competitive practices, and third-party gifts and hospitality. Two ethics seminars were offered at Colas Universities in North America. In parallel, each subsidiary regularly holds local training sessions on ethics-related topics and a number of them have reported on the issue in their in-house publications. The online ethics training program also continued in 2017. As part of this program, all employees of subsidiaries in the United States who have an e-mail address received a quarterly questionnaire on fraud, conflicts of interest, discrimination and behavior at work. Lastly, all offices and hiring locations display the dedicated ethics hotline which anyone can call anonymously. Cards listing the dedicated phone numbers and website were also distributed. In 2017, 59 alerts were handled in the United States. Close to 5,000 employees attended the various training courses on ethics in the United States (live training, Colas University, online training),
- in Canada, "Ethics and Compliance Program" training was delivered to 400 employees. A new whistle-blowing system for employees was introduced across Canada from June 12, 2017. A major communication campaign informed all the employees of the Canadian subsidiaries about this bilingual service run by an independent third party. In addition, the overhaul of the Colas Canada intranet provided an opportunity to reiterate the obligations with regard to commercial intermediaries, corporate philanthropy and sponsorship, gifts and hospitality;

– the "Fair Play" e-learning ethics training, which takes the form of a serious game, was rolled out during the second half of 2017 across all the French subsidiaries. Other training sessions are scheduled for the international subsidiaries in early 2018. Of the nearly 3,500 eligible employees, 92% completed this e-learning session.

The mapping of the corruption and influence peddling risk was launched, with a priority focus on high-risk and very high-risk countries where Colas already has a presence, as well as every country where it plans to establish itself or to go ahead with a major project.

Checks are carried out on the probity of potential partners and customers on major projects outside France, mainly through business intelligence firms.

These actions will be continued in 2018.

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

Qualitative information

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

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

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

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

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

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

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

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

Qualitative information

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

The Colas Group operates in more than 50 countries across five continents, and follows a business model centered on permanent operating units that employ local staff. Colas is committed to hiring locally everywhere in the world and as a result has very few expatriate employees: around 340 originating from some twenty countries, out of a total of around 21,500 employees outside France. Relying on local staff and treating employees with respect are part of preserving human rights.

In France and on the international level, the Colas Group is committed to respecting laws and regulations, including the Universal Declaration of Human Rights, and carries out internal audits to verify that it is not complicit in any human rights violations. There is no indication that Colas is particularly exposed regarding this issue. As it mainly operates in OECD countries, where it carries out around 90% of its activity, Colas has virtually no presence in countries listed as at-risk regarding these issues. Furthermore, its vertical integration policy automatically protects it from a systematic reliance on external procurement and subcontracting.

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

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

Risks – Exceptional events – Disputes

Measures to evaluate, monitor and mitigate risks related to the specific nature of Colas' businesses have for many years been among the Group's essential management principles, applied at the most suitable level to ensure appropriation. The Group's decentralized organization remains the key to risk management.

Corporate-level risk assessment and the overall policy with respect to risk are managed mainly on the basis of feedback received via the Group's reporting system or, conversely, the dissemination of best practices. However, the subsidiaries and profit centers are responsible for dealing with, controlling and monitoring their own risks. The formal listing and analysis of major risks are carried out once a year by the executive operational management teams. This risk map is presented in the form of a compilation of the main risks affecting progress towards operational, financial and/or strategic objectives. This analysis is used to develop action plans designed to mitigate the risks thus identified. It is supplemented by a risk prevention policy founded upon monitoring claims and losses, an analysis of the phenomena of causal relations, and feedback. Corporate-level coordination and organization using reporting tools ensure that the different types of risk can be identified and analyzed effectively, also centralizing feedback so that best practices may be communicated to subsidiaries, while contributing to the development of a risk prevention policy and appropriate preventive actions.

RISKS ASSOCIATED WITH SECTORS OF ACTIVITY AND MARKETS

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

– changes in the macroeconomic environment of the main markets served by the Group (France, Europe, North America), which may affect business volumes, competitive pressures and price levels;

– changes in public-sector procurement, since about 58% of the Group's business involves public-sector customers (especially local and regional authorities in France), and in the ability of these customers to finance their projects. Rising budget deficits, the state of public finances in many countries, the resulting austerity measures and, in France, the drop in state contributions to local governments, all compound this risk. Furthermore, administrative and political considerations – whether due to difficulties in agreeing on budgets, elections, community aggregation plans or changes in leadership for government agencies, which may result in the postponement or cancellation of infrastructure projects that had been previously approved or were under consideration – can also influence the volume of public contracts.

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

CREDIT OR COUNTERPARTY RISK AND COUNTRY RISK

With operations in over 50 countries, Colas is exposed to risk factors specific to the countries in which it operates. However, the Group's exposure to country risk is in fact low, as 94% of its business is conducted in Europe (including France), North America (United States and Canada) and Australia. Moreover, as most of the Group's revenue is derived from public-sector customers, such as national governments or local and regional authorities, with many small-scale projects with low contract value, the risk of nonpayment is also low. Business conducted in high-risk countries with low ratings issued by international organizations or credit insurance firms is limited to contracts for which financing is provided most often by multilateral lending institutions (European Development Fund, World Bank, etc.).

Given the large number of customers across a wide network of businesses in road construction, waterproofing, road safety & signaling, and construction materials, significant counterparty risk is low. A very substantial portion of railway business is conducted with state-owned companies or state agencies with responsibility for rail infrastructures. In the private sector, a preliminary analysis of the customer, supplemented through the use of credit insurance wherever possible, limits this risk.

RISKS RELATED TO RAW MATERIALS

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

SUPPLY RISK

Delays or disruptions in the supply of these materials may result in additional direct or indirect costs for the road construction or waterproofing businesses. This is not a systemic risk, except in the case of armed conflict or a complete breakdown in the supply of petroleum, and may affect a given country, or more likely a region, for periods of varying length. As a result, Colas has taken measures over the past few years to secure its bitumen supplies in its key geographical regions (specialized trading teams, storage capacity, etc.).

RISK RELATED TO PRICE CHANGES

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

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

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

LEGAL RISKS

COMPLIANCE RISKS

Colas' business activities tend to involve a large number of contracts (about 80,000 per year) as well as the decentralized negotiation and execution of these contracts. Apart from regulations applicable in all cases (antitrust and competition law, criminal law, etc.), most of the contracts awarded by public or private contracting authorities are subject to specific regulations, at both national and international level. Due to this proliferation of contracts and its decentralized management approach, Colas may run the risk of noncompliance with legal requirements, particularly in the area of anticompetitive practices or corruption, despite a vast array of upstream preventive measures (information, training programs, charter, etc.), compliance programs developed since 2015 – in addition to a Code of Ethics – and a systematic policy of penalties. These risks, which may lead to financial penalties for the company involved (e.g. those imposed by antitrust authorities), might also entail criminal or civil liability, or result in a loss of market share (a ban on bidding for certain contracts) or a loss of reputation. The likelihood and potential severity of this risk are difficult to measure.

SIGNIFICANT LEGAL DISPUTES AS OF DECEMBER 31, 2017

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

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

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

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

In its decision of September 26, 2017 in the dispute between these subsidiaries and the Hungarian government, the Budapest Court found that the latter's claims were time-barred. The Hungarian government appealed this decision on October 11, 2017.

URSSAF audits

In late 2009, URSSAF (the French labor inspectorate) notified Colas of an adjustment related to the social security charge exemptions claimed under the TEPA and Fillon laws for the 2006-2008 fiscal years. URSSAF requested the payment of all social security contributions covered by these exemptions, from the very first euro, in the form of a lump-sum tax, on the grounds that the Group companies concerned had failed to supply the necessary information in support of these exemptions in electronic form. The submission of this information in electronic form was deemed mandatory by URSSAF, in its interpretation of the French Social Security Code. Colas and its subsidiaries consider that the conditions for lump-sum taxation as provided for under article R. 242-5 of the French Social Security Code are not met, as the supporting documents necessary for verification were submitted in a timely fashion, and since the format in which these were supplied enabled them to be used. The amount attributable to this adjustment, including late payment penalties, is estimated at 58.7 million euros as of December 31, 2017. This dispute has been referred to the Social Security courts.

Tax-related dispute in Canada pertaining to technical assistance charged by Colas to its subsidiary Colas Canada Inc.

The Canada Revenue Agency is challenging the deductibility of technical assistance expenses invoiced by the Colas parent company to its subsidiary Colas Canada Inc. on the grounds in particular that the amounts of these expenses are excessive and insufficiently documented.

Notices of assessment for the years 2004 to 2007 contesting the deductibility of the costs incurred were the subject of an out-of-court settlement procedure provided for in the French-Canadian tax treaty. The French-Canadian authorities have accepted a rate for technical assistance very close to the invoiced rate.

For the years 2008 to 2012, the rate accepted by the Canada Revenue Agency was contested by Colas Canada Inc. under the out-of-court settlement procedure.

The tax audit of Colas Canada Inc. for the years 2013 to 2015 is still ongoing. The amounts at stake at the end of 2017 amounted to some 10 million euros, a sharp decrease compared to 2016.

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

Sintra had announced its intention to take part in the voluntary reimbursement program brought into force by the Province of Quebec in 2015 and offered to pay a settlement of 10,740,260 Canadian dollars in return for a general release.

The process for approval of the offer by public bodies was supervised by the administrator of the voluntary reimbursement program and the Minister of Justice. After lengthy negotiations, Sintra agreed to increase its settlement payment to 18,437,366 Canadian dollars, plus the program costs of 10% or 1,843,737 Canadian dollars (including 216,117.86 Canadian dollars that were paid when Sintra joined the program in November 2016). These amounts will be paid to the Finance Minister in 2018.

Filing of a complaint by Colas Rail in connection with an international project

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

Investigation into Colas Djibouti by the US government

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

INDUSTRIAL AND ENVIRONMENTAL RISKS

FIRE, EXPLOSION AND ACCIDENTAL POLLUTION RISKS

Exposures to fire and explosion risk, which vary depending on the size of sites and the nature of business activities pursued, are not considered to be significant for most of the Group's industrial sites, given their relatively small size. However, these sites are kept under regular surveillance to reduce the likelihood of risk events and are subject to such requirements as fire permit procedures and infrared thermography audits of thermal and electrical equipment, in addition to preventive maintenance actions. Aximum's hot-dip galvanization site at Nogent-sur-Oise (France) and its specialty paint and binder production site at Rouen (France), the Axter (Smac) waterproofing membrane production unit at Courchelettes (France), the Colas Australia bitumen processing facility in Brisbane, the Colas Ireland emulsifier production plant in Galway and the Tipco bitumen refinery in Kemaman (Malaysia) are the largest or the most sensitive on account of the nature of their operations and are dealt with separately. The facility operated by Société de la Raffinerie de Dunkerque (SRD) in France at which bitumen and other products were refined has been shut down permanently, and a final memorandum on the requisite safety measures has been sent to the authorities.

Appropriate insurance coverage has been provided for all sites.

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

ENVIRONMENTAL RISKS

CO_2 emissions

The production processes of the Group's industrial installations result in CO_2 emissions. In 2017, most of these installations were not subject to emissions quotas, with the exception of certain asphalt plants in Denmark and Belgium, and some fifteen plants in France which have been subject to emissions quotas since the beginning of 2013. As a result, emission rights had to be purchased in the market. Emissions declarations for these installations are verified on a yearly basis by approved auditing firms. The possibility that emissions quotas will be extended to a larger number of installations cannot be completely ruled out.

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

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

Waste

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

Rehabilitation of industrial sites

The Group's industrial sites in France are covered by regulations governing *installations classées pour la protection de l'environnement* (classified facilities requiring environmental impact assessment) and, in other countries where the Group operates, its sites are subject to similar regulations. In France, commitments for the rehabilitation of quarries or gravel pits, defined by government agencies, are an integral part of every operating license. Provisions for the rehabilitation of all the Group's quarries have been set aside for the amounts in question, and are periodically reviewed and adjusted as necessary. As of December 31, 2017, total provisions covering these commitments amounted to 168 million euros. Should legal requirements become more stringent, possible costs for rehabilitation might increase.

The Group applies a systematic policy of obtaining environmental certification (ISO 14001, for example). Progress is documented and tracked thanks to monitoring and certification audits carried out with the assistance of external organizations as well as in-house resources. A global checklist system, first introduced in 2007, now covers most materials production activities and can be used to consolidate action plans. In 2017, 85% of annual revenue in Colas' materials production businesses worldwide had obtained at least one certification or used internal checklists. The entire set of procedures has been incorporated within the internal control systems deployed at companies based in France as well as the Group's international operations.

Provisions have been set aside for the rehabilitation of the SRD site, which has now been shut down permanently, and a team has been put together to devise a clean-up program with the authorities in 2017, while a decommissioning contract is currently being put out to tender.

Geological risks

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

Regulatory compliance

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

OPERATIONAL RISKS

WORK-RELATED ACCIDENTS

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

CHEMICAL WORK-RELATED HEALTH HAZARDS

Exposure to bitumen and ultraviolet radiation

A monograph on bitumen fumes was officially published in 2013 by the IARC (International Agency for Research on Cancer, an offshoot of the World Health Organization). The IARC stated in its publication that, despite the substantial number of studies carried out, it was unable to judge whether there is a link between cancer and exposure to bitumen and bitumen fumes in road work. Given the IARC's findings, no new positions were adopted by national authorities in the various countries in which Colas operates, with the exception of France, where the health authorities have produced an extensive update on the issue.

In France, the conclusions drawn by ANSES, the French national agency for food, environmental and occupational health and safety, are in line with the risk analyses carried out by the road construction industry. There were no further publications in 2017.

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

The risk of exposure to bitumen fumes is classified as low and adequately mitigated, except in confined workplaces where specific risk analysis is necessary due to the combined effect of vehicle exhaust fumes and ventilation problems. It is, however, conceivable that if new studies establish a link, however tenuous, between the use of bitumen for road paving and cancer, new regulations in accordance with the precautionary principle may be enacted, although there are currently no signs of this. The Group's reputation as a leader in the road construction industry could be adversely affected by new media campaigns, court decisions or scientific research in this field. Even so, all the evidence suggests that Colas is regarded by the various administrative and scientific authorities in the countries in which it operates as a major contributor to the advances in knowledge achieved in this area, while scrupulously respecting the independence of the relevant players.

Colas' Human Resources and Environment departments continue to regularly measure employee exposure to bitumen fumes at work sites, and the Group continues to assist occupational physicians and researchers and also to encourage government agencies and project owners to accept the use of warm asphalt and mixes, which make it possible to significantly lower the application temperature of bitumen-based products and practically eliminate bitumen fumes. The Group is rolling out all possible means of reducing worker exposure to bitumen and proactively seeking innovative ways to protect the safety and health of its employees. One example is the decision to purchase road pavers that are equipped with a fume extraction system, whenever this is practicable. In 2016, the INRS determined that using these systems results in a statistical reduction in exposure of 55%. The Group is also working to reduce the temperature of paving materials as far as possible while preserving quality, and is steadily increasing the use of warm mix. In 2016, the INRS found that the use of warm mix results in a statistical reduction in exposure of 25%. The Group has techniques for applying all bitumen-based products worldwide at less than 200°C. Some of these techniques, particularly for mastic asphalt, were developed by Colas, which has made its expertise available throughout the road construction industry in Mainland France, where it makes these materials.

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

Dust and solvents

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

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

Asbestos

Claiming that they were exposed to asbestos, several former SRD employees (some of whom were employed by BP before SRD was spun off on December 31, 1991) and their beneficiaries have undertaken legal action against BP and/or SRD and against their local CPAM national health insurance fund. At this point, the procedure to recognize that they have an occupational illness caused by exposure to asbestos and that their former employer may be held liable is still under way for 14 cases. When an occupational illness is diagnosed and the employer (and possibly SRD) is found to be liable, the latter's health insurance contributions will increase and it could have to pay financial penalties should an occupational illness be established in the event of claims that the employer has been guilty of gross negligence (two lawsuits for gross negligence filed, including one successfully in the trial court).

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

Conclusion on work-related health hazards

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

CONTRACT PERFORMANCE RISKS

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

WEATHER AND NATURAL DISASTER RISKS

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

Work may also be disrupted by other natural phenomena such as earthquakes, floods, cyclones, windstorms or lightning that require work to be suspended or destroy work under construction.

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

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

FINANCIAL RISKS ASSOCIATED WITH THE EFFECTS OF CLIMATE CHANGE

Colas operates in regions that are exposed to a possible risk of natural disasters (Asia-Oceania, Indian Ocean, Caribbean and French Guiana). That is why the impact of climate events is taken into account in the Group's risk mapping as a factor that may affect the continuity of operations at production plants located in the regions concerned.

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

Colas pursues a climate change strategy with two objectives. The first is to play its part in curbing climate change by reducing its carbon footprint and delivering solutions that reduce the footprint of its customers (details in the section of the Board of Directors' report relating to article 225 of the Grenelle 2 law). The second is to adapt to climate change by pursuing its research efforts into the formation of urban heat islands, both in buildings (such as insulated facades and green or reflective roofs) and in transportation infrastructure by drawing on its extensive knowledge of the complex equations involved in this phenomenon, and by offering techniques and materials protecting existing infrastructure and scaling new infrastructure projects to cope with a broader range of climate scenarios. For Colas, these two goals are not so much risks for its business activities, but opportunities for competitive differentiation. For example, the threat to vehicles running on fossil fuels does not call into question demand for infrastructure for carbon-free modes of transport.

ACQUISITION RISK

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

All acquisition projects are subject to a specific investment process and require the preparation of the various documents described in the internal procedures guide. Depending on the nature of the acquisition, an environmental assessment by a trusted third party may be required systematically. These projects are presented to the Group's Executive Management and are reviewed before being presented to the Management Bodies of the subsidiary that is considering the acquisition.

EMPLOYEE RISKS

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

LIQUIDITY RISKS

As of December 31, 2017, cash totaled 600 million euros, in addition to 1,605 million euros of confirmed bank credit lines due in more than one year and undrawn to date (versus 656 million euros as of December 31, 2016).

Colas Group companies' confirmed bank loan contracts do not contain any significant financial clauses likely to trigger their acceleration and/or early repayment.

As of December 31, 2017, the breakdown of interest-bearing loans by maturity was as follows:

in millions of euros	Maturity	Maturity over 1 year						
	Less than 1 year 2018	From 1 to 2 years 2019	From 2 to 3 years 2020	From 3 to 4 years 2021	From 4 to 5 years 2022	More than 5 years 2023 and beyond	Total 2017	Total 2016
Bank loans (medium/long-term)		20	16	14	11	55	116	116
Finance leases		2	2	2	2	1	9	8
Other financial debts (long-term)		1					1	1
Subtotal	**40**	**23**	**18**	**16**	**13**	**56**	**126**	**125**
Overdrafts and short-term bank borrowings	80							
DECEMBER 31, 2017	**120**	**23**	**18**	**16**	**13**	**56**	**126**	
December 31, 2016	115	26	18	14	12	55		125
Current portion of non-current debt							40	73

As of December 31, 2017, the Group's confirmed/drawn credit lines were as follows:

	Confirmed credit lines – Maturity				Drawn credit lines – Maturity			
	Less than 1 year	1 to 5 years	More than 5 years	Total	Less than 1 year	1 to 5 years	More than 5 years	Total
Credit lines	65	1,670	61	1,796	40	70	56	166

MARKET RISKS

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

RISKS TO WHICH THE GROUP IS EXPOSED

Interest rate risk

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

Some financial assets or liabilities may sometimes be hedged.

The fixed-rate portion of current and non-current financial debt after accounting for all interest rate hedging instruments that have not yet reached maturity as of the balance sheet date, and excluding short-term bank facilities, is 53% (39% in 2016).

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

in millions of euros	Maturity						Total
	Less than 1 year(1) 2018	1 to 2 years 2019	2 to 3 years 2020	3 to 4 years 2021	4 to 5 years 2022	More than 5 years 2023 and beyond	
	40	12	10	8	5	3	78

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

As of December 31, 2017, the Group's financial assets and liabilities are as follows, by rate type:

	Floating rate	Fixed rate	Total
Cash and cash equivalents	680	–	680
Borrowings(1)(2)	(145)	(22)	(167)
Bank overdrafts	(80)	–	(80)
Net position before cash management	**455**	**(22)**	**433**
Interest rate hedging(2)	67	(67)	–
Net position after cash management	**522**	**(89)**	**433**
Seasonality adjustment(3)	(653)	–	(653)
POSITION AFTER HEDGING AND SEASONALITY ADJUSTMENT	**(131)**	**(89)**	**(220)**

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

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

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

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

Currency risk

The Group has little exposure to currency risk since exports account for only a very small proportion of subsidiaries' revenues and most of the Group's business (57%) is conducted in the eurozone.

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

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

As of December 31, 2017, current and non-current debt by currency broke down as follows:

Breakdown of financial debt by type of currency

in millions of euros	Euro	USD(1)	GBP(1)	Other(1)	Total
Financial debt as of December 31, 2017					
– Non-current	63	–	49	14	126
– Current	26	–	27	67	120
Financial debt as of December 31, 2016					
– Non-current	55	–	55	15	125
– Current	53	–	7	55	115

(1) Equivalent in euros.

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

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

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

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

Commodity price risks

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

HEDGING POLICIES AND INSTRUMENTS USED BY THE GROUP

The Group only uses standard hedging instruments, such as:

– purchase and sale of currency futures, currency swaps and purchase of currency options – to hedge currency risk;

– interest rate swaps, future rate agreements, interest rate caps, collars and options – to hedge interest rate risk;

– purchase and sale of commodity futures, swaps and options – to hedge commodity price risk.

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

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

ACCOUNTING POLICIES FOR FINANCIAL INSTRUMENTS

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

– accounting regarding fair value hedge: the change in the hedging instrument's fair value and that of the hedged item are recorded on a symmetrical basis in income;

– accounting regarding cash flow hedge: the change in the hedging instrument's fair value is recorded in income for the ineffective portion and in equity (until the transaction has been completed) for the effective portion.

FINANCIAL INSTRUMENTS AS OF DECEMBER 31, 2017

The total notional amounts of each type of instrument used as of December 31, 2017 are presented in this section, with interest rate instruments broken down by maturity date and currency instruments by type of currency.

Hedging of interest rate risks

Interest rate swap	Maturity			Total	Total
in millions of euros	**Less than 1 year**	**From 1 to 5 years**	**More than 5 years**	**12/31/2017**	**12/31/2016**
On financial assets	–	–	–	–	–
On financial liabilities	–	2	59	61	107

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

This swap is receive-floating, pay-fixed. Its par value is perfectly in line with the draw down and repayment schedule of the nonrecourse loan, in order to back the debt fixed cost onto the monthly fee received. As of December 31, 2017, the notional amount of the swap amounted to 52 million euros (46 million GBP).

Hedging of currency risks

in millions of euros	USD (1)	CAD (1)	HUF (1)	Other (1)	12/31/2017	12/31/2016
Forward purchases	36	219	170	53	478	176
Forward sales	54	–	–	48	102	123

(1) Equivalent in euros.

Hedging of commodities risks

in millions of euros	12/31/2017	12/31/2016
Forward purchases	3	1
Forward sales	2	3

Forward purchases and sales reflect hedges for road projects and for electricity purchases.

Market value of hedging instruments

As of December 31, 2017, the market value (i.e., the net present value) of the hedging portfolio was (18) million euros, including accrued interest not yet due. This amount consists mainly of the net present value of the interest rate swaps used to hedge part of the Group's debt.

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

- fair value hedges: 0 million euros;
- cash flow hedges: (18) million euros;
- transactions not qualifying as hedges: 0 million euros.

All portfolio transactions are carried out for purposes of hedging.

The market value of the interest rate swap agreed with the City of Portsmouth, England – i.e. (14) million euros including accrued interest not due – is fully offset by the market value of the derivative embedded in the fixed payments to be paid by the customer, i.e. 14 million euros.

The total value of the portfolio of financial instruments, net of the value of the embedded derivative in the contractual fixed fee paid by the City of Portsmouth, is (4) million euros including accrued interest not due.

If the yield curve rose +1% (or fell –1%), the market value of the hedging portfolio would go from (18) to (14) million euros (or, respectively, to (22) million euros), including accrued interest not yet due.

If the euro declined 1% against all other currencies, the market value of the hedging portfolio would stand at (21) million euros, including accrued interest not yet due.

In the event of an average unfavorable change of 1% in commodities prices, the market value of hedging financial instruments would remain at (18) million euros, including accrued interests not yet due.

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

INSURANCE AND RISK COVER

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

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

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

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

The Colas Group's Risks and Insurance Department oversees risks and provides subsidiaries with the benefit of its risk management expertise whenever necessary.

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

A working group and a steering committee with representatives from the Equipment, Environment, Risks, Insurance and Prevention, Workplace Health and Safety departments was thus set up in conjunction with the Group's subsidiaries to achieve the same objectives specifically in relation to industrial risks, including accident and near-miss reporting and analysis, sharing of feedback, best practices and Group recommendations (technical, organizational and human measures).

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

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

LIABILITY INSURANCE

Liability insurance policies protect against claims by third parties and mainly consist of obligatory automotive insurance and policies covering constructions, products, operations and the ten-year construction guarantee.

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

PROPERTY INSURANCE

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

CONSTRUCTION INSURANCE

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

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

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

Internal control of accounting and financial information

Colas, as head entity of a group of companies located in some fifty countries, implements internal control procedures to provide effective oversight of its operations and the associated operational, financial or legal risks. The objective is to ensure that the accounting and financial information provides an accurate picture of the Company's and Group's business activities and to ensure that management decisions, the transactions implemented and employee behavior comply with regulations and the guiding principles and best practices to which Colas adheres. Risk management has always been a key management principle at Colas, espoused by its senior executives and managers who base their actions on principles and procedures that have been in use over a long period of time.

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

REFERENCE FRAMEWORK

The Colas Group applies the internal control reference framework published by the *Autorité des marchés financiers* (AMF) in July 2010.

SCOPE OF APPLICATION OF INTERNAL CONTROL

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

ORGANIZATION OF THE GROUP AND INTERNAL CONTROL PROCEDURES

ORGANIZATIONAL PRINCIPLES

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

• A high level of decentralization, so that decision-making takes place at the most appropriate and most effective level: this organization is based on a limited number of management tiers, generally three main levels of responsibility. Each manager performs his/her role by virtue of delegations of powers granted to operational and functional managers at different levels in the management hierarchy.

• Financial and economic responsibility assumed by independent legal entities (legal and financial identity).

• Systematic and frequent verification of actions and results in relation to objectives defined and monitored in documents drafted at regular intervals on the basis of shared and identical management principles, guidelines and procedures followed by all Group companies and employees.

• Integrated management tools facilitating the monitoring and supervision of production activities through the use of software modules covering all accounting and financial functions, supplemented by software for reporting and consolidation operations. The software tool rolled out across all French road construction subsidiaries offers complete coverage of operations, from contract acquisition to execution, including budgeting and procurement. This software tool interfaces with manufacturing tools and production equipment. Harmonization of the information systems used for accounting, finance, and human resources is ongoing. Outside France, the number of software applications used in these fields has gradually been reduced to a handful of solutions and will benefit from the work carried out in Mainland France.

ORGANIZATION OF BUSINESS ACTIVITIES

Both in France and worldwide, business activities are performed by work centers or production units operating in a geographically defined region (e.g., a specific region of France), each of which is under the supervision of an operational manager supported by his/her teams, who aim to achieve specific financial and quality objectives. These centers are united under regional subsidiaries (in France) and/or national subsidiaries (outside France). Each of these subsidiaries has its own Executive Management team, generally a Chairman and Chief Executive Officer supported by functional managers responsible for directing, developing, and overseeing all operations of their subsidiary.

In 2017, three Executive Management units directed, supervised and monitored these subsidiaries grouped as follows:

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

The Railways sector reported directly to the Chairman and Chief Executive Officer in 2017.

In addition, a dedicated unit for overseeing large projects was set up in 2017. Colas Projects aims to provide subsidiaries with expertise in studies and the implementation of large projects.

MAIN INTERNAL CONTROL PROCEDURES

All subsidiaries and managing directors benefit from the assistance of Colas' functional departments. These departments define and make changes to the Group's guidelines and procedures in their specific areas of expertise. They work closely with the functional managers of the subsidiaries. Meetings held at least once or several times each year bring together all Group managers for each business line to share experiences, disseminate information, and keep abreast of the latest developments.

Staff at the subsidiaries have access to the Group Management Principles in a booklet summarizing the essential rules, procedures, and standards of conduct applicable within the Group, all of which reflect the values defining the Colas spirit and culture, as well as a code of business ethics and compliance programs developed by Bouygues, the parent company of Colas.

In the context of this organization, all Executive Management staff place special emphasis on ensuring that internal control remains a key priority for employees of companies within the Group (at both long-standing and newly integrated subsidiaries). The strategy pursued by the Group for many years focuses on growth and expansion achieved through the application of prudence, rigor and control. The transparency of the internal control procedures contributes to compliance with these "Group management principles". The sharing of these principles is backed by the skills and expertise of employees, a large number of whom have been part of the Group for many years.

SUPERVISION AND CONTROL OF OPERATIONS

Work on hand, revenue, and profit in a highly decentralized group

Given the nature of the road construction business and other specialized activities pursued by Colas, the Group manages orders for, executes and accounts for approximately 80,000 projects each year. In addition to thousands of smaller, short-term projects, Colas regularly handles a number of major projects in France and especially outside of France. Engineering studies and orders are handled by the operating managers in charge of some 800 construction business units and 2,000 materials production units worldwide. Bids for either large-scale projects or those considered to be exceptional due to their characteristics or complexity, as well as projects in new markets (these elements are defined in detail in the internal procedures and/or delegations of powers) as well as bids for long-term operations such as public-service contracts (concessions, public-private partnerships, private finance initiatives) are subject to prior approval by a contract committee at the subsidiary level, the Executive Management unit responsible for the geographical area, or the Executive Management of Colas. The validity of these arrangements is verified by the Executive Management functions of the Group's various subsidiaries. The Audit Committee is provided with regular reporting on major contracts.

Acquisitions and disposals

As any acquisition process exposes the Group to risk, all proposals for the creation, acquisition or disposal of an entity (shares or assets) or of property assets must first be presented in the form of a specific investment or divestment request, including a set of supporting documents defined in the guide to internal procedures. These projects are presented to the Group's Executive Management and are reviewed before being presented to the Board of Directors of the subsidiary that is considering the acquisition or disposal.

PROCEDURES WITH REGARD TO PREPARING, PROCESSING, AND MONITORING FINANCIAL AND ACCOUNTING INFORMATION

The main documents, procedures, and tools used for the communication of accounting and financial information are based on accrual accounting. This allows for monitoring worksite cost schedules, as well as for preparing activity reports by subsidiary and/or country and monthly statements of after-tax profit (monthly for subsidiaries and the Group), which are consolidated. This information provides data on the Group's revenue, order intake, main financial indicators and consolidated net profit on the 15th of each month following the month of operations. These figures are compared monthly with the biannual budgets and the quarterly balance sheets, and income statements, at the level of each subsidiary and each Executive Management unit. The net consolidated cash or debt position is prepared on a daily basis for all companies located in Mainland France and on a monthly basis for the Group. These figures are reconciled with monthly forecasts over a three-month period. Meetings are organized throughout the year with the main senior executives in charge of operating the subsidiaries, to analyze changes in business activity, the economic situation, strategy and issues relating to current affairs.

The Accounting and Consolidation Department is in charge of preparing and analyzing consolidated financial and accounting information. It sets out and monitors accounting procedures, rules and policies in accordance with IFRS. For the 2017 financial statements, 386 consolidation reporting packages were processed for a scope of consolidation covering 536 entities. Personnel involved included 14 staff at Colas, about 120 at the headquarters of subsidiaries based in Mainland France, 950 at operating entities and, outside France, some 300 staff at headquarters and 280 at operating entities or worksites, for a total of more than 1,600 people.

In France and abroad, cash management is centralized whenever possible. Financial flows in Mainland France and abroad are subject to Group procedures, to ensure maximum security and to minimize fraud risks.

MONITORING AND SUPERVISION OF THE SYSTEM

In 2017, Colas continued its efforts to constantly improve and adjust its internal control procedures.

PROGRESS IN THE DEVELOPMENT OF INTERNAL CONTROL PROCEDURES

The internal control system covers all Colas Group companies. The project uses input from exchanges with other functions within the Bouygues Group, addressing cross-functional issues consistently, while taking into account the characteristics specific to Colas.

This process for improving Colas' internal control procedures takes the form of an annual self-evaluation of the internal control principles and risk management based on mapping the risks, which is updated each year when the three-year business plan is produced. The risks map is presented to the Board of Directors when it meets to approve the financial statements for the year.

The annual self-evaluation of the principles of Colas' internal control framework covers all Colas business segments. There are 545 principles, comprised of 309 general principles and 236 accounting and financial principles, including 69 that are specific to the Group's business lines. Together they form Colas' internal control framework.

- These principles are reviewed at the various subsidiaries in the form of a self-evaluation, with each principle rated on a scale of 1 to 4, depending on the documentation and the extent to which the principle is applied at the entity. Each assessment provided by the respondent best able to evaluate the extent of application of a given principle in the subsidiary is then validated and commented on by a validator, generally the manager of the entity or an individual to whom this role is delegated.

• A score of 1 or 2, indicating that a principle was not applied or, more commonly, that the application of a given principle was partially or insufficiently documented, triggers an observation with recommendations concerning action plans to be implemented locally or more widely, depending on the analysis.

• With the aim of ensuring consistency and refreshing the Group's approach to implementing internal control, the format of the annual evaluation to ensure these principles are observed was updated, and is now based on a three-year self-evaluation cycle:

– in two out of every three years, the Group campaign focuses on principles related to the main risk factors covered in the most recently published report of the Board of Directors. Every third year, self-evaluations again cover all the principles;

– any newly acquired entities must cover all the principles of Colas' internal control framework in their first annual self-evaluations before joining the three-year cycle adopted by the Group.

In 2017 (second year in the cycle), a self-evaluation of the internal control themes related to the Colas Group's risk mapping (12 themes, around 180 principles) was carried out by the 63 subsidiaries and companies (in France and internationally) covering 99.2% of Colas' consolidated revenue.

• The assessment of the proper application of the Colas internal control framework involved the participation of the Chairmen and CEOs; the human resources, legal, administrative and financial managers of subsidiaries; the functional division heads at the Colas parent company; and the Managing Directors.

• Each subsidiary was asked to continue deploying evaluations at the operating units, using the internal control system rolled out in the Group in 2011. Consequently, 81 of the 545 principles that make up the internal control framework were assessed at the entity level. Their assessments then contributed to the final assessments of the subsidiary's respondents and validators.

This new general evaluation of internal control principles has revealed good overall management of operations and processes in most subsidiaries and steady improvement in determining those responsible for each process and in complying with the Group's management principles.

Main actions taken in 2017

• Deployment of IT tools at subsidiaries as part of the Copernic project.

• Together with the procurement networks, continuing the deployment by Colas SA's Procurement Department of procedures in and outside France.

Group actions **planned for 2018** include:

– control on the reliability of indicators and reporting linked to compliance programs;

– operational implementation of the Copernic project and in particular the roll-out of the associated ERP in Mainland France.

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

RISK MAPPING

In response to the risk mapping campaign launched by Colas' Chairman and CEO, the senior management of each major region and business line updated its risk map and associated action plans. This initiative combines a bottom-up and top-down approach.

A summary report was presented at the Board of Directors meeting in January 2018 and at the preceding Audit Committee meeting.

Although this effort confirmed that Colas has relatively little exposure to systemic risks, it showed that sudden economic downturns in some of the Group's regions and markets do present a risk, due to the difficulty that some local entities have in rapidly adjusting to changes in market conditions.

INTERNAL CONTROL MONITORING

All internal control staff are responsible for operating and monitoring the internal control system. Their work is coordinated by an internal control manager at the parent company who liaises with a network of correspondents at the national or regional subsidiaries.

The Internal Audit Department's audit program includes verifying compliance with internal control rules and the quality of evaluation.

In 2017, the Group's Internal Audit Department, which reports to the General Secretary, was composed of ten auditors led by an Audit and Internal Control Manager.

The main objectives of an internal audit are to:

– assess the systems that the subsidiaries and other audited entities have set up to manage their risks, protect their assets, and ensure the reliability of accounts and reporting information, the observance of Group rules, procedures and objectives, and compliance with laws and regulations;

– make proposals to improve the audited entity's operations and efficiency in accordance with best practices. The internal audit team's responsibilities include monitoring the observance of Colas' internal control principles, the results of annual self-evaluations and the implementation of action plans to improve the internal control system;

– monitor compliance with audit recommendations over a period of twelve to eighteen months.

The annual audit program is approved by the Chairman and by the Audit Committee in the third quarter of the preceding year. It generally includes an average of a dozen audits of French and international entities. The program gives priority to recently acquired entities and those that have not been audited over the past five years.

In 2017, the Sully-Miller and HRI (United States), Road Works Ontario (Canada), Colas Teoranta (Ireland), Colas Mayotte, Transinvest and Gamma (Mauritius), Colas Guadeloupe and Colas Martinique international subsidiaries were audited, as was Colas Rhône-Alpes Auvergne in France.

The internal audit function also carries out more selective assignments, such as project reviews (Santiago metro in Chile – Colas Rail), technical laboratory reviews (France and international), post-acquisition audits (Road Works Ontario – Canada) and cross-functional assignments on behalf of Colas SA (crisis management, Group's business practices).

The findings of each audit are reported to the Chairman, Colas functional managers, the Executive Management of the appropriate country or region, and the management bodies of the audited entity. A copy of this report is systematically sent to the Statutory Auditors, who in turn provide the Internal Audit Department with their reports on the Group's companies. Each summary audit report is accompanied by a list of recommendations for the audited entity's management bodies, and the entity has two months to draw up an action plan. The Statutory Auditors are informed of the annual internal audit program. Regular meetings between internal and external auditors are scheduled to enable them to exchange information on their work and organize their assignments in a complementary manner.

The Statutory Auditors are provided with a copy of the standard internal control procedures. A report on fiscal year 2017 self-evaluation results was presented to the Accounts Committee on February 16, 2018 and made available to the Statutory Auditors to enable them to include additional accounting and financial verifications. The self-evaluation findings will also be used to plan internal auditing work, in collaboration with the Statutory Auditors. The Statutory Auditors are also informed of the accounting and financial principles observed by the French subsidiaries, as revealed by their self-evaluations.

The objective of the internal control system is to enable Colas to achieve stable and profitable growth. It therefore focuses on preventing and mitigating operational and other risks, with the primary objective of ensuring that financial statements and accounting documents are reliable and provide a true and fair image of Colas to its shareholders, customers and employees.

Efforts to improve and update the internal control system will be pursued. Since internal control cannot however provide absolute assurance, continual vigilance will always be necessary.

Duty of vigilance

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

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

Acquisition of equity interests

The significant equity interests[(1)] acquired during fiscal year 2017 were as follows:

Company	Registered office	% stake held
Carayon Languedoc SAS	Route de Béziers – 34220 Saint-Pons-de-Thomières (France)	100.00
Carrières Malet SAS	25, avenue de Larrieu – 31100 Toulouse (France)	50.00
SMTP (Saddier Maurice Travaux Publics)	217, rue des Celliers – 74800 Saint-Pierre-en-Faucigny (France)	100.00
Colas-Bayer Zartkoruen Mukodo Reszvenytarsasag	Hercegprímás u. 21. 2. em. 23 – Budapest (Hungary)	50.70
Allied Infrastructure Management Ltd	Wallage Lane, Rowfant – West Sussex – Crawley (United Kingdom)	100.00
Carrières de Haut-le-Wastia	Grand-Route 71 – Crisnée 4367 (Belgium)	99.96
Amiante Exit	Route des Moulières 10 bis – Satigny 1242 (Switzerland)	100.00
HTP SA	Chemin de Delay 16 – Vernier 1214 (Switzerland)	100.00
MAINBY	Rue du Conseil Général 3 – 1205 Genève (Switzerland)	28.00

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

Additional stakes were acquired in the following companies:

Company	Registered office	% acquired	% stake held
SPEIG	1 bis, rue du Petit-Clamart – Bât. C – 78140 Vélizy-Villacoublay (France)	49.82	100.00
Angers Enrobés SARL	31, rue du Bocage – 49610 Mozé-sur-Louet (France)	12.50	62.50
Eva Industries SA	Rue Blaise-Pascal – 93600 Aulnay-sous-Bois (France)	5.72	81.72
Carrières du Fût	Cametours – 50570 Marigny (France)	50.00	100.00
OC'VIA	34, boulevard des Italiens – 75009 Paris (France)	0.01	5.00
Pointe-des-Grives	ZIP de la Pointe des Grives – 97200 Fort-de-France (France)	0.01	100.00
Gigabloc	Zone Collery 4/5 – RN 2 – 97300 Cayenne (France)	10.77	90.00

Branches

In compliance with article L. 232-2 II of the French Code of Commerce, it is clearly stated that the following are branches of the Colas company:

Address	Category	Company registration number
7, place René-Clair – 92100 Boulogne-Billancourt (France)	Registered and principal office	552 025 314 02325
8, rue Jean-Mermoz – 78114 Magny-les-Hameaux (France)	Secondary establishment	552 025 314 02341
4, rue Jean-Mermoz – 78114 Magny-les-Hameaux (France)	Secondary establishment	552 025 314 02333

Strategy

Colas' business strategy for achieving profitable growth while discharging its social, environmental and societal responsibilities, and for building on its strong brand has several elements:

– **enriching the range of solutions it offers,** with the development of large-sized complex projects for public- or major private-sector clients, new business lines and innovative services focused on meeting clients' responsible mobility needs;

– **sharing the collective operational expertise gained globally** in key areas (quarries, bitumen products, projects) to raise local entities' competitiveness and the quality of their services;

– **keep a firm grip on aggregates and bitumen, the two key resources required for the core business,** to control the availability and procurement quality and improve competitiveness;

– **consolidating and expanding sustainable operations around the world,** mainly through external growth, to establish and develop leadership positions in local markets and spread risk through geographical diversification.

Strengths

Colas' main strengths are its:

– **expanding markets over the long term right around the world** driven by population growth, urbanization, substantial demand for infrastructure in emerging markets, recurring needs for infrastructure maintenance in developed countries, environmental issues, the development of new forms of mobility and the digital revolution;

– **vertical integration** in most local entities, with materials production activities conducted upstream of the works, securing the supply chain and underpinning operational performance;

– **strong local roots** thanks to a network of 800 construction business units and 2,000 materials production units in over 50 countries on five continents;

– **leadership positions** in construction and transport infrastructure maintenance, including the production of building materials (aggregates, bitumen-related products), with an acclaimed brand and expertise;

– **collective intelligence gained from its 55,000 employees** who share a common history and values;

– **drive for innovation**, both to develop products and related services providing solutions focused on clients' needs and to rise to the challenges posed by the energy transition, and to use digital tools to unlock productivity improvements;

– **ability to deliver complex solutions and large projects;**

– **solid financial structure** with a strong cash flow enabling Colas to pursue its growth strategy by continuing to take advantage of selective investment opportunities.

Outlook

At the end of December 2017, work on hand remained high at 7.6 billion euros, up 7% compared to the end of December 2016, and up 9% at constant exchange rates. Work on hand in Mainland France (3.2 billion euros) is up 9%, as is international and overseas work on hand (4.4 billion euros), which is also up 9% at constant exchange rates.

Major contracts were won in the fourth quarter, including three motorway contracts in Hungary for a total of 330 million euros and three contracts for renewal and maintenance of rail networks in France (300 million euros) and the United Kingdom (255 million euros).

In the medium term, demand for transport infrastructure is expected to remain high, whether in emerging countries, due to population growth and increasing urbanization, or in developed countries, where maintenance needs are growing. The return of a favorable economic environment is also positive for Colas.

Colas intends to pursue its growth in transport infrastructure solutions, roads and railways, to serve sustainable mobility. The Group has the assets, skills, and financial resources necessary for this growth.

Revenue for the Roads business in Mainland France is expected to increase slightly in 2018, in a market boosted by the "Greater Paris" projects, by the second highway plan and by a resumption in public-funded projects.

In Europe, the construction market is fueled by the public works sector. Road activity should also increase.

In North America, in addition to infrastructure bills at the federal, state and provincial level, Colas is positioning itself on major P3 projects in Canada. The acquisition of Miller McAsphalt in the first quarter of 2018 will lead to a sharp increase in Colas Canada's revenue.

In the Rest of the World, opportunities for projects are numerous and national markets are generally buoyant except in a few specific areas, notably in the French Overseas Departments and Regions, and Qatar.

Revenue from Specialized Activities is expected to remain stable for the most part. The measures taken in the Railways sector (renewal of management, reorganization of activities in France, asset disposals) will begin to have a gradual effect as of 2018. Waterproofing will benefit from a healthy building market. Road Safety and Signaling could grow slightly and Networks could remain stable at a high level.

As a result, revenue in 2018 is expected to be significantly higher than in 2017, and the current operating profit margin is expected to improve.

Earnings and appropriation of earnings

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

The parent company's earnings amounted to 163,233,671.26 euros, compared with 249,623,810.34 euros in 2016. Unappropriated earnings from the fiscal year plus unappropriated retained earnings totaled 879,880,961.71 euros, which we propose that you appropriate as follows:

- to the legal reserve: 0 euro;
- to a total dividend payout of: to be paid on May 3, 2018; 267,766,891.80 euros,
- balance of unappropriated earnings: 612,114,069.91 euros.

As regards the dividend of 8.20 euros per share (par value of shares: 1.50 euro), shareholders who are subject to income tax in France are eligible for the 40% tax rebate (*réfaction*) provided for under paragraph 2 of 3 of article 158 *bis* of the French General Tax Code. Dividends in respect of the past three fiscal years have been as follows:

- in respect of 2014, a dividend of 15.40 euros (of which 11.40 euros as a special dividend);
- in respect of 2015, a dividend of 5.45 euros;
- in respect of 2016, a dividend of 8.20 euros (including an interim dividend of 5.45 euros, and a final dividend of 2.75 euros).

Information on payment periods

Pursuant to the provisions of article L. 441-6-1 of the French Commercial Code, the Board provides the following breakdown of the payment periods for our suppliers and customers using the templates provided in the order of March 20, 2017 showing:
- invoices received but not settled at the end of the reporting period;
- invoices issued but not settled at the end of the reporting period.

Article D 441 I.-1 : Invoices received but not paid at the end of the fiscal year

	0 day (indication)	1 to 30 days	31 to 60 days	61 to 90 days	91 days and up	Total (1 day and up)
(A) Late payment by time range						
Number of invoices concerned	16					794
Total amount of invoices concerned (excl. VAT)	418,315.34	−179 116.21	425,837.36	19,742.63	582,273.94	848,737.72
Percentage of total amount of purchases (excl. VAT) in the fiscal year	0.17%	−0.07%	0.17%	0.01%	0.24%	0.35%
Percentage of revenue (excl. VAT) for the fiscal year						
(B) Invoices excluded from (A) related to disputed or unrecognized receivables and payables						
Number of invoices excluded	0					
Total amount of invoices excluded	0.00					
(C) Standard payment terms used (contractual or statutory terms of payment – articles L.441-6 or L.443-1 of the French Commercial Code)						
	General rule: 45 days end of month					
Payment terms used to calculate late fees	Carriers: 30 days end of month					

Article D 441 I.-2 : Invoices issued but not paid at the end of the fiscal year

	0 day (indication)	1 to 30 days	31 to 60 days	61 to 90 days	91 days and up	Total (1 day and up)
(A) Late payment by time range						
Number of invoices concerned	73					275
Total amount of invoices concerned (excl. VAT)	2,352,813.70	−93 129.58	401,958.30	5,919,414.76	5,502,448.08	11,730,691.56
Percentage of total amount of purchases (excl. VAT) in the fiscal year						
Percentage of revenue (excl. VAT) for the fiscal year	0.71%	−0.03%	0.12%	0.79%	1.67%	3.55%
(B) Invoices excluded from (A) related to disputed or unrecognized receivables and payables						
Number of invoices excluded	0					
Total amount of invoices excluded	0.00					
(C) Standard payment terms used (contractual or statutory terms of payment – articles L.441-6 or L.443-1 of the French Commercial Code)						
Payment terms used to calculate late fees	General rule: 60 days from date of invoice					

Share capital

SHARE CAPITAL IN 2017

At January 1, 2017, the Company had issued share capital of 48,981,748.50 euros, consisting of 32,654,499 shares with a par value of 1.50 euros each.

As of December 31, 2017, the Company's issued share capital remained unchanged at 48,981,748.50 euros, consisting of 32,654,499 shares with a par value of 1.50 euro each.

SHARE OWNERSHIP

On the basis of the share capital recorded as of January 2, 2018, Colas' shareholding structure as of December 31, 2017, was as follows: Bouygues SA directly and indirectly held 96.60% of the share capital, Colas Group employees held 0.76% via the "Colas en actions" and "Colas shares" investment funds, free float was 2.63% and Colas SA held 0.01%.

As of December 31, 2017, Colas held 593 treasury shares via a liquidity agreement.

SHARE PRICE AND TRADING VOLUME

No adjustments were made to the share price during 2017.

In 2017, Colas' share price on the Euronext Paris stock exchange recorded a low of 140.50 euros (January 2, 2017) and a high of 189.90 euros (October 16, 2017), before ending the year at 181.50 euros, i.e. 28.86% higher than the share price as of December 31, 2016. For purposes of comparison, the French CAC 40 stock market index rose 9.26% and the French SBF 120 stock market index rose 10.84% over the same period.

COLAS SHARE PRICE (ADJUSTED)[1]

Year	Month	Share price highest	Share price lowest	Number of shares traded	Share capital in millions of euros
2014	January	123.50	111.61	38,171	4.6
	February	129.77	119.65	45,174	5.6
	March	142.54	126.75	41,955	5.6
	April	145.79	133.71	32,921	4.6
	May	140.21	131.02	31,334	4.3
	June	141.14	134.18	19,532	2.7
	July	135.57	124.89	26,111	3.4
	August	126.38	120.71	16,893	2.1
	September	128.98	120.25	25,228	3.1
	October	124.89	112.82	26,360	3.1
	November	126.75	118.39	17,787	2.2
	December	127.21	121.27	18,510	2.3
2015	January	125.82	120.25	26,780	3.3
	February	139.19	124.89	61,136	8.0
	March	148.48	139.29	76,059	11.0
	April	148.90	135.60	117,439	17.3
	May	138.90	132.20	40,446	5.5
	June	139.50	128.00	45,866	6.1
	July	134.50	128.70	25,359	3.3
	August	134.50	127.60	23,572	3.1
	September	129.50	123.00	47,169	5.9
	October	140.95	126.50	60,511	8.1
	November	138.20	132.50	29,171	4.0
	December	140.80	130.40	28,962	3.9
2016	January	142.40	126.50	38,015	5.1
	February	138.95	128.00	27,828	3.7
	March	138.85	134.50	34,653	4.7
	April	136.95	126.60	17,891	2.4
	May	136.00	129.50	18,889	2.5
	June	135.80	125.00	25,534	3.3
	July	132.00	121.80	29,245	3.7
	August	133.50	126.40	12,390	1.6
	September	136.00	129.05	16,358	2.2
	October	136.45	131.00	16,894	2.3
	November	140.00	131.40	44,452	6.1
	December	141.90	132.00	42,293	5.8
2017	January	153.50	140.50	43,184	6.3
	February	155.95	146.90	32,292	4.9
	March	159.00	153.00	23,316	3.6
	April	159.65	152.50	38,613	6.0
	May	160.50	154.15	26,497	4.2
	June	174.90	159.05	67,876	11.4
	July	177.95	174.00	26,045	4.6
	August	178.00	168.50	31,465	5.5
	September	187.00	172.00	41,095	7.4
	October	189.90	180.00	31,726	5.9
	November	188.90	173.95	32,771	5.9
	December	184.05	176.30	26,918	4.8

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

SHARE BUYBACK PROGRAM

USE DURING THE 2017 FISCAL YEAR OF THE AUTHORIZATIONS TO BUY BACK SHARES GRANTED BY THE SHAREHOLDERS' MEETING

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

Pursuant to article L. 225-211 of the French Commercial Code, the table below summarizes the transactions carried out as part of these operations over the course of the 2017 fiscal year:

Transactions carried out by Colas in its own shares during fiscal year 2017

Number of shares held by the Company as of December 31, 2016	10,057
Number of shares purchased during fiscal year 2017	31,754
Number of shares sold during fiscal year 2017	41,218
Number of shares held by the Company as of December 31, 2017	593
Value (based on purchase price) of shares held by the Company as of December 31, 2017 (in euros)	102,051

Breakdown of transactions by purpose

RETIREMENT OF SHARES

Number of shares retired during fiscal year 2017	–
Reallocations to other purposes	–
Number of shares held by the Company as of December 31, 2017	593

LIQUIDITY AGREEMENT

Number of shares purchased during fiscal year 2017	31,754
Number of shares sold during fiscal year 2017	41,218
Number of shares held by the Company as of December 31, 2017 under the liquidity agreement	593

DETAILS OF THE NEW SHARE BUYBACK PROGRAM TO BE PUT TO A VOTE AT THE COMBINED SHAREHOLDERS' MEETING OF APRIL 12, 2018

Pursuant to articles 241-2 and 241-3 of the AMF's (*Autorité des marchés financiers*) General Regulation, the Company presents below details of the share buyback program that will be submitted for approval at the Combined Shareholders' Meeting of April 12, 2018. This program will replace that previously granted by the Combined Shareholders' Meeting of April 11, 2017 in its twelfth resolution.

Characteristics of the 2018 share buyback program	
Objectives	– Retirement of any shares bought back; – Providing liquidity and an active market for the Company's shares through the intermediary of an investment services provider acting within the framework of a liquidity agreement in accordance with a code of ethics recognized by the AMF, with the understanding that the achievement of these objectives shall have to comply with applicable laws and regulations
Methods used	The shares will be purchased via an investment services provider acting within the framework of a liquidity agreement in accordance with a recognized code of ethics
Maximum proportion of the share capital	326,545 shares, i.e. 1.0% of the current issued share capital
Maximum purchase price	220 euros per share
Maximum amount payable by the Company	71,839,900 euros based on the maximum purchase price
Financing methods	Colas reserves the right to use its available cash or short and medium-term debt if additional needs exceed available cash from operations
Schedule	18 months as of the date of the authorization granted by the Combined Shareholders' Meeting of April 12, 2018, i.e. until October 12, 2019

RETIREMENT OF SHARES

The Combined Shareholders' Meeting of April 11, 2017 authorized the Board of Directors, for a period of eighteen months, in accordance with the provisions of article L. 225-209 of the French Commercial Code, to retire in one or more transactions, some or all of the Company's shares that it holds as the result of the use of the various share buyback authorizations granted by the Shareholders' Meeting to the Board of Directors, subject to a maximum of 10% (per twenty-four-month period) of the total number of shares making up the Company's share capital, and to reduce the share capital accordingly.

The plan is to submit a proposal to the Shareholders' Meeting of April 12, 2018 to renew the authorization of the Board of Directors with the same arrangements.

The Board of Directors

Results of the Company for the last five fiscal years

in thousand of d'euros	2013	2014	2015	2016	2017
Indicator					
Share capital at the end of the fiscal year					
Share capital	48,982	48,982	48,982	48,982	48,982
Number of shares issued	32,654,499	32,654,499	32,654,499	32,654,499	32,654,499
Number of bonds convertible into shares					
Operations and results for the fiscal year					
Revenue excluding tax	913,060	784,712	406,077	267,083	275,547
Profit before tax, depreciation, amortization, and provisions	219,056	845,550	1,617	261,809	159,634
Income taxes	9,006	5,500	(32,709)	5,590	19,605
Profit sharing for the fiscal year	695	4,706	228	1,109	727
Profit after tax, depreciation, amortization, and provisions	170,040	826,096	104,980	249,623	163,234
Distributed profit	237,072	502,879	177,967	267,767	267 767 (1)
Earnings per share (in euros)					
Profit after tax but before depreciation, amortization, and provisions	6.43	25.73	1.05	7.85	4.29
Profit after tax, depreciation, amortization, and provisions	5.21	25.30	3.21	7.64	5.00
Dividend per share	7.26	15.40	5.45	8.20	8.20 (1)
Workforce					
Average workforce	342	336	334	356	415
Total payroll	46,897	47,132	47,519	52,939	52,007
Amounts paid in respect of social benefits (social security, etc.)	17,406	17,993	18,238	19,464	18,250

(1) If approved by the Annual General Shareholders' Meeting on April 12, 2018.

The Board of Directors

Special report relating to stock options granted to all or some salaried employees of the company (article L. 225-184 of the French Commercial Code)

Pursuant to article L. 225-184 of the French Commercial Code, this report informs the Shareholders' Meeting of the transactions performed by virtue of the provisions of articles L. 225-177 to L. 225-186 of the French Commercial Code (share subscription and/or purchase options granted to all or some salaried employees of the Company).

STOCK OPTIONS GRANTED BY THE COMPANY (Article L. 225-177 of the French Commercial Code)

In 2017, the Company did not benefit from any authorizations to set up stock option plans for all or some salaried employees of the Company.

STOCK OPTIONS GRANTED BY AFFILIATED COMPANIES (Article L. 225-180 of the French Commercial Code)

The Bouygues SA Combined Shareholders' Meeting of April 23, 2015, in its twenty-fourth resolution, authorized the Board of Directors to grant, on one or more occasions, options giving the right to subscribe to new shares or purchase existing shares. This authorization was granted for a period of thirty-eight months, and recipients of these options must be employees and/or company officers of Bouygues SA or companies of the economic interest group (GIE) that are directly or indirectly affiliated with it in accordance with article L. 225-180 of the French Commercial Code.

GENERAL INFORMATION: FEATURES OF SHARE SUBSCRIPTION OPTIONS

All share subscription options granted by Bouygues (the parent company of Colas) in 2017 conform to the following characteristics:

– exercise price: average of the first quoted prices for the twenty trading sessions leading up to the grant, not discounted;

– total duration: ten years beginning on the grant date;

– vesting period: two years beginning on the grant date;

– exercise period: eight years beginning at the end of the vesting period (three exceptions for exercise at any time during those ten years: exercise by holder's heir no later than six months after holder's death; change in control over Bouygues or public offer of purchase (OPA) or exchange (OPE) directed at Bouygues; exercise pursuant to article L. 3332-25 of the French Labor Code, using credits acquired under the Group's Company Savings Plan (PEE));

– automatic cancellation if the holder's employment contract or term of office comes to an end, barring special authorization, an inability to work, resignation or retirement.

SHARE SUBSCRIPTION OPTIONS GRANTED OR EXERCISED IN 2017

Options entitling the holders to subscribe for new Bouygues shares were granted in 2017. The exercise price was set at 37.99 euros per subscribed share.

At the time of the grant, as measured in the consolidated financial statements, the value of one option was 3.2967 euros per option.

Share subscription options granted to executive Company officers

Executive company officers	Granting company	Grant date	Number of options	Exercise price (in euros)
Hervé Le Bouc	Bouygues	June 1, 2017	80,000	37.99
TOTAL	**-**	**-**	**80,000**	**37.99**

Share subscription options exercised by executive Company officers and salaried Directors

Executive company officers	Granting company	Plan concerned	Number of options	Exercise price (in euros)
Hervé Le Bouc	Bouygues	June 30, 2010	131,684	34.08
	Bouygues	June 14, 2011	98,257	31.43
	Bouygues	May 28, 2013	80,000	22.28
	Bouygues	May 28, 2015	80,000	37.106
TOTAL			**389,941**	

Breakdown of share subscription options by plan and by type of recipient

	2017	2016	2015	2014	2013	2012	2011
Date of Bouygues SA Shareholders' Meeting	27/04/2017	21/04/2016	23/04/2015	21/04/2011	21/04/2011	21/04/2011	21/04/2011
Grant date	01/06/2017	30/05/2016	28/05/2015	27/03/2014	28/03/2013	13/06/2012	14/06/2011
Number of options granted to persons working at Colas	810,000	800,000	800,000	850,000	850,000	990,000	887,850
– of which: executive Company officers and salaried Directors[1]	80,000	80,000		80,000	220,000	157,000	172,000 (174,228)[2]
Hervé Le Bouc	80,000	80,000		80,000	80,000	97,000	97,000
– of which: top ten employee recipients	140,000	120,000	120,000	117,000	81,000	88,000	83,500
Original exercise price before adjustment (in euros)	37.99	29.00	37.106	30.32	22.28	20.11	31.84
Exercise price after adjustment[3] (in euros)	37.99	29.00	37.106	30.32	22.28	20.11	31.43
Earliest exercise date	02/06/2019	30/05/2018	29/05/2017	28/03/2018	29/03/2017	14/06/2016	14/06/2015
Expiration date	01/06/2027	30/05/2026	28/05/2025	27/09/2021	28/09/2020	13/12/2019	14/12/2018

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

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

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

Share subscription options granted to the ten non-Company officer Colas SA employees who received the most options during the fiscal year

Employees	Granting company	Grant date	Number of options	Exercise price (in euros)
Louis Gabanna	Bouygues	01/06/2017	20,000	37.99
Thierry Genestar	Bouygues	01/06/2017	20,000	37.99
Thierry Méline	Bouygues	01/06/2017	20,000	37.99
Éric Haentjens	Bouygues	01/06/2017	15,000	37.99
Philippe Tournier	Bouygues	01/06/2017	15,000	37.99
Frédéric Roussel	Bouygues	01/06/2017	9,000	37.99
Jean Vidal	Bouygues	01/06/2017	9,000	37.99
Alain Clotte	Bouygues	01/06/2017	8,000	37.99
Thierry Le Roch'	Bouygues	01/06/2017	8,000	37.99
Bernard Sala	Bouygues	01/06/2017	8,000	37.99
Daniel Ducroix	Bouygues	01/06/2017	8,000	37.99
TOTAL	**-**	**-**	**140,000**	**37.99**

Share subscription options exercised in fiscal year 2017 by the ten Colas SA employees who exercised the most options

Employees	Granting company	Plan concerned	Number of options exercised	Exercise price (in euros)
Louis Gabanna	Bouygues	30/06/2010	21,273	34.08
	Bouygues	14/06/2011	15,195	31.43
Jacques Leost	Bouygues	30/06/2010	23,273	34.08
	Bouygues	13/06/2012	15,000	20.11
Jean-Claude Ducamp	Bouygues	30/06/2010	7,091	34.08
	Bouygues	14/06/2011	6,078	31.43
	Bouygues	13/06/2012	7,000	20.11
	Bouygues	28/03/2013	7,500	22.28
Philippe Durand	Bouygues	30/06/2010	8,104	34.08
	Bouygues	14/06/2011	6,078	31.43
	Bouygues	13/06/2012	6,000	20.11
	Bouygues	28/03/2013	6,000	22.28
Éric Haentjens	Bouygues	30/06/2010	9,117	34.08
	Bouygues	14/06/2011	7,902	31.43
	Bouygues	13/06/2012	9,000	20.11
Thierry Genestar	Bouygues	30/06/2010	21,273	34.08
	Bouygues	13/06/2012	907	20.11
	Bouygues	28/03/2013	2,904	22.28
Jean-Paul Brossard	Bouygues	30/06/2010	8,104	34.08
	Bouygues	14/06/2011	7,598	31.43
	Bouygues	28/03/2013	7,500	22.28
Christian de Pins	Bouygues	30/06/2010	21,273	34.08
Philippe Tournier	Bouygues	30/06/2010	21,273	34.08
Christian Raimondi	Bouygues	30/06/2010	8,104	34.08
	Bouygues	14/06/2011	6,078	31.43
	Bouygues	13/06/2012	5,000	20.11
	Bouygues	28/03/2013	1,100	22.28
TOTAL	**-**	**-**	**263,725**	**-**

The Board of Directors

Special report on bonus awards of existing or new shares
to all or some salaried employees of the Company (article L. 225-197-4 of the French Commercial Code)

Pursuant to article L. 225-197-4 of the French Commercial Code, this report informs the Shareholders' Meeting of the transactions performed by virtue of the provisions of articles L. 225-197-1 to L. 225-197-3 of the French Commercial Code (bonus awards of existing or new shares to all or some salaried employees of the Company).

BONUS SHARES AWARDED BY THE COMPANY (article L. 225-197-1 of the French Commercial Code)

In 2017, the Company did not benefit from any authorizations to set up bonus share award plans for all or some salaried employees of the Company.

BONUS SHARES AWARDED BY AFFILIATED COMPANIES (article L. 225-197-2 of the French Commercial Code)

The Bouygues SA Combined Shareholders' Meeting of April 21, 2016, in its twenty-first resolution, authorized the Board of Directors to make, on one or more occasions, bonus awards of existing or new shares. This authorization was granted for a period of thirty-eight months, and share recipients must be employees and/or company officers of Bouygues SA or companies of the economic interest group (GIE) that are affiliated with it within the meaning of article L. 225-197-2 of the French Commercial Code.

The Board of Directors of Bouygues SA did not use this authorization in 2017.

The Board of Directors

Report on corporate governance
(article L. 225-37 of the French Commercial Code)

Ladies and Gentlemen,

In accordance with the provisions of article L. 225-37-4 of the French Commercial Code, the Board of Directors has prepared this report on corporate governance as attached to the management report.

LIST OF ALL OFFICES OR POSITIONS HELD IN ALL COMPANIES BY EACH COMPANY OFFICER DURING THE YEAR

Name of company	Type	Office or position in the company	Registered office
Hervé LE BOUC			
Colas	SA	Director, Chairman and Chief Executive Officer	7, place René-Clair – 92100 Boulogne-Billancourt – France
Bouygues	SA	Director *(until April 27, 2017)*	32, avenue Hoche – 75008 Paris – France
Colas Inc.	Inc.	Director	163 Madison Avenue, Suite 500 NJ 07960 Morristown – United States
Colas Canada	Inc.	Director	4984 place de la Savane, Bureau 150 Montréal, Quebec H4P 2M9 – Canada
Colasie	SA	Director, Chairman and Chief Executive Officer	4, rue Jean-Mermoz – 78114 Magny-les-Hameaux – France
Colas Rail	SA	Permanent representative of IPF *(until April 4, 2017)*	44, rue Jean-Mermoz – 78600 Maisons-Laffitte – France
Échangeur International	SNC	Permanent representative of Colas	4, rue Jean-Mermoz – 78114 Magny-les-Hameaux – France
Fondation Colas	FDT	Chairman	7, place René-Clair – 92100 Boulogne-Billancourt – France
Hincol	Ltd.	Director	5 H Floor Richardson – Crudas Build Sir JJ Road BY 400008 Mumbai – India
Isco	Ltd.	Director	Je-il bldg 94/49 Yeongdeungpo-dong 7 ga Yeongdeungpo-gu 140988 Seoul – Republic of Korea
Tipco Asphalt (Tasco)	SA	Director	Tipco, 118/1 Rama 6 Road – Samsen Nai, Phayathai 10400 Bangkok – Thailand
Colas Émulsions	SACS	Representative of Colas on the Supervisory Board	5, boulevard Abdellah-Ben-Yacine 21700 Casablanca – Morocco
Grands Travaux Routiers	SACS	Representative of Colas on the Supervisory Board	5, boulevard Abdellah-Ben-Yacine 21700 Casablanca – Morocco

Name of company	Type	Office or position in the company	Registered office
François BERTIÈRE			
Bouygues	SA	Director *(until 2017)*	32, avenue Hoche – 75008 Paris – France
Bouygues Immobilier	SAS	Chairman – Member of the Board of Directors	3, boulevard Gallieni – 92130 Issy-les-Moulineaux – France
Colas	SA	Director	7, place René-Clair – 92100 Boulogne-Billancourt – France
Fondation d'Entreprise Bouygues Immobilier	FDT	Chairman – Member of the Board of Directors	3, boulevard Gallieni – 92130 Issy-les-Moulineaux – France
Fondation d'Entreprise Francis Bouygues	FDT	Member of the Board of Directors	32, avenue Hoche – 75008 Paris – France
Centre Scientifique et Technique du Bâtiment	EP	Director	84, avenue Jean-Jaurès – Champs-sur-Marne 77447 Marne-La-Vallée Cedex 2 – France
École nationale des ponts et chaussées (ENPC)	EP	Director	6-8, avenue Blaise-Pascal – Cité Descartes – Champs-sur-Marne – 77455 Marne-la-Vallée Cedex 2 – France
Cité de l'architecture et du Patrimoine	EP	Director	Palais de Chaillot – 1, place du Trocadéro-et-du-11-novembre – 75116 Paris – France
Fonds de dotation "Les technologies pour l'Homme"		Director	Hôtel le Marois – 9, avenue Franklin Roosevelt – 75008 Paris – France
Nextdoor	SAS	Chairman – Member of the Supervisory Board *(until July 25,2017)*	3, boulevard Gallieni – 92130 Issy-les-Moulineaux – France
Fondation des Ponts	FDT	Chairman	15, rue de la Fontaine-au-Roi – 75011 Paris – France
École d'architecture de la ville & des territoires à Marne-la-Vallée	EP	Director	12, avenue Blaise-Pascal – 77447 Marne-la-Vallée Cedex 2 – France
Olivier BOUYGUES			
Bouygues	SA	Director Deputy Chief Executive Officer	32, avenue Hoche – 75008 Paris – France
Bouygues Construction	SA	Director	1, avenue Eugène-Freyssinet – 78065 Guyancourt – France
Bouygues Europe	SA	Director Chairman of the Board of Directors	52, avenue de Cortenberg – 1000 Brussels – Belgium
Bouygues Telecom	SA	Director	37-39, rue Boissière – 75116 Paris – France
Colas	SA	Director	7, place René-Clair – 92100 Boulogne-Billancourt – France
Alstom	SA	Director	3, avenue André-Malraux – 92300 Levallois-Perret – France
Sagri-E	SAS	Chairman *(until December 27, 2017)*	32, avenue Hoche – 75008 Paris – France
SCDM Domaine (formerly Sagri-F)	SAS	Chairman	32, avenue Hoche – 75008 Paris – France
SCDM Energie Limited	Ltd.	Director	50 Cannon Street – EC4N 6JJ London – United Kingdom
Seci	SA	Director Chairman and Chief Executive Officer	34, avenue Houdaille – Tour Sidam BP 4039 – Abidjan Côte d'Ivoire
SCDM	SAS	Managing Director	32, avenue Hoche – 75008 Paris – France
Télévision Française 1 (TF1)	SA	Director	1, quai du Point-du-Jour – 92100 Boulogne-Billancourt – France
Bouygues Immobilier	SAS	Member of the Board of Directors	3, boulevard Gallieni – 92160 Issy-les-Moulineaux – France
Martine GAVELLE			
Colas	SA	Director	7, place René-Clair – 92100 Boulogne-Billancourt – France

Name of company	Type	Office or position in the company	Registered office
Jean-François GUILLEMIN			
Bouygues Telecom	SA	Permanent representative of Bouygues – Director *(until April 11, 2017)*	32, avenue Hoche – 75008 Paris – France
Bouygues Telecom	SA	Non-voting Director	32, avenue Hoche – 75008 Paris – France
Bouygues Construction	SA	Director	1, avenue Eugène-Freyssinet – 78065 Guyancourt – France
Bouygues Immobilier	SAS	Member of the Board of Directors	3, boulevard Gallieni – 92130 Issy-les-Moulineaux – France
Bouygues Europe	SA	Director	52, avenue Cortenbergh – 1000 Brussels – Belgium
Colas	SA	Director *(until April 11, 2017)*	7, place René-Clair – 92100 Boulogne-Billancourt – France
Colas	SA	Non-voting Director	7, place René-Clair – 92100 Boulogne-Billancourt – France
Fondation d'Entreprise Francis Bouygues	FDT	Chairman Member of the Board of Directors	32, avenue Hoche – 75008 Paris – France
PRES Sorbonne Université	EP	Director	12, place du Panthéon – 75231 Paris Cedex 5 – France
Fondation Perce Neige	FDT	Director	102, boulevard Saint-Denis – 92400 Courbevoie – France
Colette LEWINER			
Bouygues	SA	Director	32, avenue Hoche – 75008 Paris – France
Colas	SA	Director	7, place René-Clair – 92100 Boulogne-Billancourt – France
Nexans	SA	Director	8, rue du Général-Foy – 75008 Paris – France
Eurotunnel	SA	Director	3, rue de La Boétie – 75008 Paris – France
EDF	SA	Director	22-30, avenue de Wagram – 75382 Paris Cedex 2 – France
INGENICO	SA	Director	28-32, boulevard de Grenelle – 75015 Paris – France
Philippe MARIEN			
Bouygues Telecom	SA	Director *(until April 11, 2017)*	37-39, rue Boissière – 75116 Paris – France
Bouygues Telecom	SA	Permanent representative of Bouygues – Director	37-39, rue Boissière – 75116 Paris – France
Télévision Française 1 (TF1)	SA	Permanent representative of Bouygues – Director	1, quai du Point-du-Jour – 92100 Boulogne-Billancourt – France
Colas	SA	Permanent representative of Bouygues – Director	7, place René-Clair – 92100 Boulogne-Billancourt – France
Alstom	SA	Permanent representative of Bouygues – Director	3, avenue André-Malraux – 92300 Levallois-Perret – France
Bouygues Immobilier	SAS	Permanent representative of Bouygues – Member of the Board of Directors	3, boulevard Gallieni – 92130 Issy-les-Moulineaux – France
Bouygues Construction	SA	Permanent representative of Bouygues – Director	1, avenue Eugène-Freyssinet – 78280 Guyancourt – France
SCDM	SAS	Managing Director	32, avenue Hoche – 75008 Paris – France
Bouygues Europe (Belgian law)	SA	Director	52, avenue Cortenbergh – 1000 Brussels – Belgium
C2S	SA	Permanent representative of Bouygues *(until April 25, 2017)*	3, rue Alfred-Kastler – 78280 Guyancourt – France
Uniservice (Swiss law)	SA	Director	Rue du Conseil Général 3 – 1203 Geneva – Switzerland
Bouygues	SA	Deputy Chief Executive Officer	32, avenue Hoche – 75008 Paris – France
Catherine RONGE			
Colas	SA	Director	7, place René-Clair – 92100 Boulogne-Billancourt – France
Inneva	SAS	Chairman	3, rue de Chaillot – 75116 Paris – France
Paprec Holding	SA	Director	7, rue du Docteur-Lancereaux – 75008 Paris – France
Weave Air	SAS	Chairman	37, rue du Rocher – 75008 Paris – France
Eramet	SA	Director	33, avenue du Maine – 75015 Paris – France

Name of company	Type	Office or position in the company	Permanent representative	Registered office
BOUYGUES				
Bouygues Telecom	SA	Director	Philippe Marien	32, avenue Hoche – 75008 Paris – France
Bouygues Construction	SA	Director	Philippe Marien	1, avenue Eugène-Freyssinet 78280 Guyancourt – France
Bouygues Immobilier	SA	Director	Philippe Marien	3, boulevard Gallieni 92130 Issy-les-Moulineaux – France
C2S	SA	Director *(until April 25, 2017)*	Philippe Marien	3, rue Alfred-Kastler 78280 Guyancourt – France
Télévision Française 1 (TF1)	SA	Director	Philippe Marien	1, quai du Point-du-Jour 92100 Boulogne-Billancourt – France
Alstom	SA	Director	Philippe Marien	3, avenue André-Malraux 92300 Levallois-Perret – France
Colas	SA	Director	Philippe Marien	7, place René-Clair 92100 Boulogne-Billancourt – France
32 Hoche	GIE	Director	Georges Colombani	32, avenue Hoche 75008 Paris – France
GIE Registrar	GIE	Member of the Board of Directors	Gaëlle Pinçon	14, rue Rouget-de-Lisle 92130 Issy-les-Moulineaux – France
Organisme gestionnaire du Centre Gustave Eiffel	Association	Member of the Board of Directors	Charles-Henri Burgelin	30, route de Longjumeau 91385 Chilly-Mazarin – France

AGREEMENTS ENTERED INTO, DIRECTLY OR THROUGH AN INTERMEDIARY, BETWEEN ONE OF THE COMPANY OFFICERS AND ONE OF THE SHAREHOLDERS HOLDING MORE THAN 10% OF THE VOTING RIGHTS OF A COMPANY, AND ANOTHER COMPANY IN WHICH THE FORMER DIRECTLY OR INDIRECTLY HOLDS MORE THAN HALF OF ITS SHARE CAPITAL (APART FROM AGREEMENTS CONCERNING ORDINARY TRANSACTIONS AND SIGNED SUBJECT TO NORMAL CONDITIONS)

Bouygues SA, a shareholder holding more than 10% of Colas SA's voting rights, has signed a tax consolidation agreement with certain Colas SA subsidiaries. This concerns the following subsidiaries:

Subsidiary	Year of inclusion in the tax consolidation group
Colas Centre-Ouest	2001
Colas Nord-Est	2001
Colas Île-de-France Normandie	2001
Colas Martinique	2001
Colas Midi-Méditerranée	2001
Colas Nord-Picardie	2001
Colas Rhône-Alpes Auvergne	2001
Colas SA	2001
Colas Sud-Ouest	2001
GTOI	2001
Sacer Atlantique	2001
Sacer Paris Nord-Est	2001
Sacer Sud-Est	2001
Screg Est	2001
Screg Île-de-France Normandie	2001
Screg Nord-Picardie	2001
Screg Ouest	2001
Screg Sud-Est	2001
Screg Sud-Ouest	2001
Colas Rail (formerly Seco-Rail)	2001
Smac	2001
Aximum (formerly Somaro)	2001
Spac	2001
Resipoly Chrysor	2004
Axter	2009
SGTE	2010
Perrier TP	2010
Ribal Travaux Publics	2011
Sogetra	2012
SRD	2014
Aximum Produits Électroniques	2015
Aximum Produits de Sécurité	2015
Carrières et Matériaux du Grand Ouest	2015
Colas Mayotte	2016
ETPC	2016
SES Nouvelle	2016
CMCA	2018
Colas Projects	2018
Perasso	2018

The Board of Directors has not been advised of any other agreements that fall within the framework of article L. 225-37-4 para. 2 of the French Commercial Code.

SUMMARY TABLE OF CURRENT DELEGATIONS OF POWERS GRANTED BY THE SHAREHOLDERS' MEETING CONCERNING CAPITAL INCREASES

The table below provides a summary of current financial authorizations granted by the Shareholders' Meeting to the Board of Directors for the purposes of buying back shares, increasing or reducing the share capital, or awarding stock options.

Only the authorization to trade in the Company's shares was used in 2017.

Purpose of authorization	Nominal cap	Expiry/Duration	Usage in 2017
Share buybacks and reduction in share capital			
1. Buying back by the Company of its own shares (Shareholders' Meeting of April 11, 2017, Resolution 12)	1% of share capital, total cost capped at 57,145,375 euros	October 11, 2018 (18 months)	31,754 shares bought 41,218 shares sold (under the liquidity agreement)
2. Reducing share capital by retiring shares (Shareholders' Meeting of April 11, 2017, Resolution 17)	10% of share capital per 24-month period	October 11, 2018 (18 months)	None
Share issues			
3. Carrying out capital increases with preferential subscription rights for existing shareholders (Shareholders' Meeting of April 11, 2017, Resolution 18)	Capital increase: 10 million euros Issue of debt securities: 10 million euros	June 11, 2019 (26 months)	None
4. Carrying out capital increases by way of a public offering without preferential subscription rights for existing shareholders (Shareholders' Meeting of April 11, 2017, Resolution 19)	Capital increase: 10 million euros Issue of debt securities: 10 million euros	June 11, 2019 (26 months)	None
5. Carrying out capital increases for the purpose of issuing, by way of an offering to the persons referred to in section II of article L. 411-2 of the French Monetary and Financial Code, shares and investment securities giving access to the Company's share capital, without preferential subscription rights (Shareholders' Meeting of April 11, 2017, Resolution 20)	Capital increase: 10 million euros and 20% of share capital over a period of 12 months Issue of debt securities: 10 million euros	June 11, 2019 (26 months)	None
6. Raising the number of new shares to be issued in the event of a capital increase with or without preferential subscription rights for existing shareholders (Shareholders' Meeting of April 11, 2017, Resolution 21)	15% of the initial issue	June 11, 2019 (26 months)	None
7. Increasing the share capital through the capitalization of share premiums, reserves or earnings (Shareholders' Meeting of April 11, 2017, Resolution 22)	10 million euros	June 11, 2019 (26 months)	None

The table below provides a summary of the financial authorizations proposed to be requested at the Shareholders' Meeting of April 12, 2018.

Purpose of authorization	Nominal cap	Expiry/Duration
Share buybacks and reduction in share capital		
1. Buying back by the Company of its own shares (Resolution 9)	1% of share capital, total cost capped at 71,839,900 euros	October 12, 2019 (18 months)
2. Reducing share capital by retiring shares (Resolution 11)	10% of share capital per 24-month period	October 12, 2019 (18 months)

METHODS OF EXERCISING GENERAL MANAGEMENT IN ACCORDANCE WITH ARTICLE L. 225-51-1 OF THE FRENCH COMMERCIAL CODE

The Board of Directors has decided not to separate the roles of Chairman and Chief Executive Officer.

The age limit for serving as Chairman of the Board of Directors is the day after the Shareholders' Meeting to approve the annual financial statements for the year in which the Chairman reaches the age of 67. When the Chairman turns 65, his/her appointment may continue for a maximum of one year, subject to confirmation by the Board of Directors at its next meeting. The Chairman's appointment may then be renewed for a second period ending no later than the date of the Shareholders' Meeting to approve the annual financial statements for the year in which the Chairman reaches the age of 67.

The age limit for serving as Chief Executive Officer is the day after the Shareholders' Meeting to approve the annual financial statements for the year in which the Chief Executive Officer reaches the age of 67. When the Chief Executive Officer turns 65, his/her appointment may continue for a maximum of one year, subject to confirmation by the Board of Directors at its next meeting. The Chief Executive Officer's appointment may then be renewed for a second period ending no later than the date of the Shareholders' Meeting to approve the annual financial statements for the year in which the Chief Executive Officer reaches the age of 67.

COMPOSITION, CONDITIONS FOR PREPARATION AND ORGANIZATION OF THE WORK OF THE BOARD OF DIRECTORS

OVERVIEW OF THE ORGANIZATION OF THE BOARD OF DIRECTORS

Membership

As of the date of its meeting of February 20, 2018, the Company's Board of Directors consisted of seven Directors:

- Hervé Le Bouc – Chairman and Chief Executive Officer;
- François Bertière;
- Olivier Bouygues;
- Philippe Marien – Permanent representative of Bouygues SA;
- Martine Gavelle – Independent Director;
- Colette Lewiner – Independent Director;
- Catherine Ronge – Independent Director;

and one non-voting Director, Jean-François Guillemin.

Directors and the non-voting Director are appointed by the Shareholders' Meeting for a term of two years.

Changes in membership of the Board in 2017

There were no changes in the membership of the Board of Directors in 2017.

Resolutions concerning Board membership submitted to the Shareholders' Meeting

A proposal will be submitted to the Shareholders' Meeting of April 12, 2018 recommending the reappointment of Catherine Ronge for an additional two-year term.

If the Shareholders' Meeting of April 12, 2018 approves this resolution, the Board of Directors will be composed of the following seven Directors:

- Hervé Le Bouc – Chairman and Chief Executive Officer;
- François Bertière;
- Olivier Bouygues;
- Philippe Marien – Permanent representative of Bouygues SA;
- Martine Gavelle – Independent Director;
- Colette Lewiner – Independent Director;
- Catherine Ronge – Independent Director.

Potential conflicts of interest

Directors make sure not to engage in any activity that could generate a conflict of interest with the Company. Notably, Directors do not hold any interests or investments in customers, suppliers or competitors of the Company, where such interests or investments could influence the way a Director performs his/her Board duties.

Directors and company officers have agreed to inform the Board of Directors of any conflict of interest, existing or potential, between their duties to the Company and their private interests and/or other duties. Directors have also agreed not to take part in voting on any decision that concerns them directly or indirectly. If called for, the Director concerned may have to refrain from attending meetings of the Board of Directors as long as such decisions are being made and, where applicable, for the duration of voting on the resolutions. He/she may also have to forego access to any related documents or information brought to the attention of the other Directors.

The Statutory Auditors' special report on regulated agreements and commitments covers the agreements and commitments submitted for authorization by the Board and on which some Directors have abstained from voting because of existing or potential conflicts of interest.

Meetings

The Board of Directors meets five times each year to transact ordinary business (in January, February, May, August and November).

- In January, it reviews the three-year business plan and risk mapping.
- In February, it approves the financial statements for the previous fiscal year.

• In August, it reviews business activity and examines the financial statements for the first half of the year and analyzes Group performance and profit forecasts for the current year.

• In May and November, it reviews key business indicators and the Group's interim results.

The agenda of Board meetings called to transact ordinary business is generally divided into three parts: current business activity and outlook; review of financial statements; and legal issues. A set of documents dealing with these matters is provided to each Director.

Committees

The Board is assisted in the performance of its duties by an Audit Committee, a Selection and Compensation Committee, and an Ethics and Corporate Patronage Committee. The responsibilities of these committees and their operating guidelines are defined in the Board's internal rules and regulations.

Audit Committee

The Audit Committee meets four times a year to review the consolidated and parent company financial statements in advance of the Board of Directors' meetings. In January 2018, a fifth meeting of the Audit Committee was introduced, during which the business plan and risk mapping are presented. The Audit Committee is made up of Philippe Marien (Chairman), Colette Lewiner and Catherine Ronge.

The Audit Committee's mission is to assist the Board in guaranteeing the accuracy, reliability and fair presentation of the financial statements and the quality of the information communicated, particularly to shareholders. It reviews the interim and annual financial statements for the periods ending March 31 and September 30. It ensures that accounting methods and principles are appropriate, evaluates the main financial risks, examines internal control systems, and issues recommendations. Lastly, it determines the criteria for the appointment of Statutory Auditors and is notified of their work schedules and recommendations.

Selection and Compensation Committee

The Selection and Compensation Committee is responsible for recommending to the Board the compensation and benefits for the Chairman and Chief Executive Officer, and periodically examining issues regarding the composition, organization and functioning of the Board of Directors, with the aim of making proposals to the Board. It is composed of Colette Lewiner (Chairperson with a casting vote) and Jean-François Guillemin.

Ethics and Corporate Patronage Committee

The Ethics and Corporate Patronage Committee is responsible for reviewing all alerts or situations that might expose the Group to ethics-related risks and the actions to be taken in such situations, as well as sponsorship and corporate patronage agreements for amounts over 20,000 euros. Its members are Jean-François Guillemin (Chairman), François Bertière, Martine Gavelle and Colette Lewiner.

ACTIVITY REPORT OF THE BOARD OF DIRECTORS FOR FISCAL YEAR 2017

The Board met five times during fiscal year 2017. The average attendance rate at Board of Directors' meetings called to transact ordinary business was 97%.

The essential items on the agenda of these five Board meetings were as follows:

On January 16, 2017, the Board reviewed the three-year business plan for the 2017-2019 period (outlook and operational action plans).

On February 21, 2017, the Board approved the annual financial statements after having reviewed the report submitted by the Audit Committee, examined the financial statements, set the amount and payment terms and conditions of the dividend, approved the prospectus for the share buyback program, and decided to propose at the Shareholders' Meeting the reappointment of six Directors for additional terms and the appointment of one nonvoting Director. The Board also examined the Group's business activity and results for 2016, developments in each of the Group's business segments, the Group's strategies and outlook for 2017, work on hand, industrial potential and future strategies, the year's investments, the investment budget for fiscal year 2017, and the Group's safety record. The Board approved the parent company and consolidated financial statements with the proposed appropriation of earnings, the compensation awarded to the Chairman, and the amount and allocation of Directors' fees under the authorization granted at the Shareholders' Meeting. The Board also convened the Combined Shareholders' Meeting. The Board approved the Chairman's special report on conditions governing the preparation and organization of the Board's work and on internal control procedures implemented by the Company. Lastly, an updated risk mapping covering the entire scope of Colas' operations was presented to the Board.

On May 15, 2017, the Board reviewed the position of the Company and its subsidiaries for the first quarter of 2017.

On August 29, 2017, the Board reviewed the position of the Company and its subsidiaries for the first half of 2017, reviewed work on hand, discussed the status of investments, in particular an acquisition, and approved the consolidated financial statements for the period ending June 30, 2017.

On November 14, 2017, the Board reviewed the Group's business activity in the third quarter of 2017 and interim financial statements for the period ended September 30, 2017.

OPERATIONS OF THE COMMITTEES

Audit Committee

The Audit Committee met four times during the year, on February 17, May 11, August 25 and November 10, 2017. The attendance rate at these meetings was 100%. During these meetings, the Audit Committee reviewed the Group's accounting methods, the scope of consolidation, financial highlights and segment information.

In February, the Committee reviewed significant events, significant transactions during the fiscal year, changes in accounting rules and methods, changes in scope, segment information, major projects, trade receivables, disputes and litigation, as well as deferred taxes and the results of impairment tests. An updated risk map and a summary of the internal control self-assessment campaign were also reviewed.

In May, the items reviewed were the significant facts for the quarter, segment information and major projects. The internal control campaign targets and progress on the audit program were also examined. A review of the application of IFRS 9, IFRS 15 and IFRS 16 was also presented.

In August, the Audit Committee examined segment information, revenue and operating profit, non-current assets, an updated progress report on several major projects and the Company's main estimates. A quarterly report on internal audit for 2017 was presented, as well as progress made in plans of action relating to risk mapping and internal control.

In November, the Committee reviewed the consolidated financial statements for the period ended September 30, 2017, including significant events (changes in the refinery activity, with nonrecurring costs being taken into account), significant projects and legal disputes. The Statutory Auditors presented their overall audit program. The Audit Department also presented its audit plan for 2018.

At these four meetings, the Audit Committee recommended that the Board approve the financial statements without issuing any changes or comments.

Selection and Compensation Committee

The Compensation Committee met in February 2017 to review the compensation awarded to Hervé Le Bouc, Chairman and Chief Executive Officer, and to make its recommendations.

Ethics and Corporate Patronage Committee

The Committee met on February 13 and August 25, 2017 to review major corporate sponsorship efforts in 2016 and the roll-out of compliance programs (timetable, practical implementation).

DIVERSITY POLICY APPLIED TO MEMBERS OF THE BOARD OF DIRECTORS

The Board consists of three female Directors among the seven total Directors, pursuant to the provisions of article L. 225-17 of the French Commercial Code.

The Board recognizes Martine Gavelle, Colette Lewiner and Catherine Ronge as Independent Directors.

Independent Directors make up more than one-third of all Directors, which is the minimum recommended for controlled companies under the Afep-Medef Code, and women make up 42% of the Board, in accordance with French law for listed companies.

ANY LIMITATIONS PLACED BY THE BOARD OF DIRECTORS ON THE POWERS OF THE CHIEF EXECUTIVE OFFICER

The Chief Executive Officer shall be vested with the broadest powers to act in any event on the Company's behalf. He/she shall exercise those powers within the confines of the Company's corporate purpose and to the exclusion of powers expressly granted by law to Shareholders' Meetings or the Board of Directors (see article 20.2 of the Company's bylaws).

CORPORATE GOVERNANCE CODE

Colas refers to the Afep-Medef Corporate Governance Code for listed companies. This Code was updated in November 2016. It is published on the Medef website, www.medef.com, and on the Afep website, www.afep.com.

TERMS AND CONDITIONS FOR SHAREHOLDERS' PARTICIPATION IN SHAREHOLDERS' MEETINGS

The terms and conditions for shareholders' participation in Shareholders' Meetings are mentioned in Title V "Shareholders' Meetings" of the Company's bylaws.

EXECUTIVE COMPENSATION

FIXED, VARIABLE AND EXCEPTIONAL ELEMENTS OF TOTAL COMPENSATION AND BENEFITS IN KIND PAID OR ATTRIBUTABLE TO THE CHAIRMAN AND CHIEF EXECUTIVE OFFICER IN RESPECT OF 2017

The Shareholders' Meeting of April 11, 2017, by adopting the fourteenth resolution, approved the principles and criteria for the determination, allocation and awarding of fixed, variable and exceptional elements of total compensation and benefits in kind attributable, in respect of his office, to the Chairman and Chief Executive Officer for 2017.

In accordance with the provisions of article L. 225-100 II of the French Commercial Code, the Shareholders' Meeting is invited to reach a decision on the fixed, variable and exceptional components of total compensation and benefits in kind paid or attributed to the Chairman and Chief Executive Officer in respect of 2017.

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

Benefits in kind consist of a company car.

These elements of compensation paid to the Chairman and Chief Executive Officer in respect of 2017 are as follows:

1. 2017 Summary		2. 2017 pension rights calculation
Fixed (FC)	€920,000	Target: €297.5 M (average consolidated net profit in the 2017 and 2016 plans) –10%
Annual bonus[1]	€1,380,000	
Directors' fees	€37,200	
Benefits in kind	€4,100	Actual: €335.5 M (average consolidated net profit in the 2017 and 2016 plans)
TOTAL	**€2,341,300**	
Pension rights	0.92%	Pension rights = 0.92%
Stock options (BY)	80,000	

3. 2017 annual bonus calculation[2]

Bonuses	Targets (Plan) 2017	Actual 2017	Calculation % of fixed
P1 RNC.BY	€783 M	€1,085 M (138.5%)	60% (PLF)
P2 MOC.MET	3.3%	3.1% (0.94%)	4%
P3 RNC.MET	€307 M	€328 M (106.8%)	33.75%
P4 RNC.MET[3] n–1	€324 M	€328 M (101.23%)	36.75%
P5 QUAL	–	–	25%
Total			**159.5%**
CAP			**150% of FC**
Amount of 2017 annual bonus[1]			**€1,380,000**

(1) Payment in 2018 if approved by the Shareholders' Meeting on April 12, 2018.

(2) Summary of calculation method: Each Bonus P1, P2, P3, and P4, is calculated as follows:
- if performance is more than 10% below Target: bonus concerned (P1, P2, P3 or P4) = 0
- if performance is between (Target –10%) and Target: P1 = 0 to 30% of FC; P2 = 0 to 10% of FC; P3 = 0 to 25% of FC; P4 = 0 to 35% of FC
- if performance is above Target: P1 = 30% to 60% of FC; P2 = 10% to 20% of FC; P3 = 25% to 50% of FC; P4 = 35% to 70% of FC

Between these limits, the effective weighting of each bonus is defined using linear interpolation.
P5 is determined on the basis of performance (CSR-Compliance) as assessed by the Board of Directors, with a cap = 50% of FC.
The sum total of P1, P2, P3, P4 and P5 calculated using the above method can never go over a cap of 150% of FC.

(3) Qualitative criteria: for 25% CSR (Security; Satisfaction survey); for 25% Compliance (dissemination of compliance programs; letters of commitment) + possibility of reducing P5 or cancelling it in the case of a serious event during the year.

The Shareholders' Meeting of April 12, 2018 is invited to reach a decision on the following resolution:

"The Shareholders' Meeting, which meets the quorum and majority requirements for Annual Shareholders' Meetings, after having examined the items of compensation due and awarded to Hervé Le Bouc in his capacity as Chairman and Chief Executive Officer in respect of 2017, as presented in the report on corporate governance in accordance with article L. 225-37-3 of the French Commercial Code, and in accordance with the provisions of article L. 225-100 of the French Commercial Code, renders an opinion in favor of these items of compensation."

PRINCIPLES AND CRITERIA FOR THE DETERMINATION, ALLOCATION, AND AWARDING OF FIXED, VARIABLE, AND EXCEPTIONAL ELEMENTS OF TOTAL COMPENSATION AND BENEFITS IN KIND ATTRIBUTABLE TO THE CHAIRMAN AND CHIEF EXECUTIVE OFFICER FOR 2018

General principles

The Board of Directors has set out the following nine general principles for 2018, which will be used to determine compensation and benefits attributable to the Chairman and Chief Executive Officer of Colas:

1. In accordance with the recommendations of the Afep-Medef Code.

2. No compensation for termination of service or noncompetition payment in the event of leaving the Group.

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

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

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

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

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

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

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

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

2018 criteria

Fixed compensation

920,000 euros.

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

Annual variable compensation

The method for determining compensation is as follows:

P1: TARGET = BOUYGUES CONSOLIDATED NET PROFIT IN THE 2018 PLAN

If the target is achieved, P1 = 30% of FC. If 2018 net profit is 10% below target, P1 = 0; if 2018 net profit is 20% above target, P1 = 60%. Between this lower limit and this upper limit, P1 varies on a linear basis from 0% to 30%, then from 30% to 60%.

P2: TARGET = PERCENTAGE OF CURRENT OPERATING MARGIN IN THE 2018 PLAN FOR THE BUSINESS LINE

If the target is achieved, P2 = 10% of FC. If the percentage of current operating margin for the business line is 10% below target, P2 = 0; if the percentage of 2018 current operating margin for the business line is 20% above the target, P2 = 20%. Between this lower limit and this upper limit, P2 varies on a linear basis from 0% to 10%, then from 10% to 20%.

P3: TARGET = CONSOLIDATED NET PROFIT IN THE 2017 PLAN FOR THE BUSINESS LINE

If the target is achieved, P3 = 25% of FC. If 2018 net profit for the business line is 10% below target, P3 = 0; if 2018 net profit for the business line is 20% above target, P3 = 50%. Between this lower limit and this upper limit, P3 varies on a linear basis from 0% to 25%, then from 25% to 50%. However, if net profit for the business line as expected in the 2018 plan is at least 20% below 2017 net profit, P3 cannot be more than 25%.

P4: TARGET = 2017 CONSOLIDATED NET PROFIT FOR THE BUSINESS LINE

If the target is achieved, P4 = 35% of FC. If 2018 consolidated net profit for the business line is 10% below target, P4 = 0; if 2018 consolidated net profit for the business line is 20% above target, P4 = 70%. Between this lower limit and this upper limit, P4 varies on a linear basis from 0% to 35%, then from 35% to 70%.

"Consolidated net profit" is defined as follows for the purposes of P4: "Consolidated net profit excluding exceptional items, as reported" (in particular excluding capital gains and capital losses on disposals of subsidiaries or equity affiliates).

P5: QUALITATIVE CRITERIA: 50% OF FC

It is proposed to the Compensation Committee that qualitative criteria be defined and weighted as follows.

Compliance[1]	15%	CSR development[2]	15%
		Overall qualitative assessment	20%

(1) Implementation of eight measures of the Sapin II law + signature of commitments by managers.
(2) Safety + Environmental criterion.

The Board of Directors reserves the right not to award the P5 bonus or to reduce it very significantly in the event of a serious CSR or compliance incident.

TOTAL CAP

Variable compensation paid to Hervé Le Bouc, including all bonuses, may not exceed a total cap: **150% of fixed compensation**.

2018 BONUSES

	Colas: Hervé Le Bouc	2017 actual	2018 target	Weighting	Cap for each bonus
P1	Consolidated net profit attributable to the Group: BY	–	–	30%	P = 60%
P2	Current operating profit	3.1%	3.3%	10%	P + 20%
P3	Consolidated net profit attributable to the Group: Colas vs. Plan consolidated net profit	328	320	25%	P = 50% ou 25%[1]
P4	Net profit attributable to the Group: Colas vs. 2017 consolidated net profit[2]		328	35%	P = 70%
P5	Qualitative criteria[3]			50%	

Variable compensation total cap = 150% of fixed compensation.
(1) P3 is capped at 25% if the Plan net consolidated profit is at least 20% lower than consolidated net profit for 2017.
(2) Excluding exceptional items.
(3) Compliance representing 15% (implementation of eight measures of the Sapin II law + signature of commitments by managers); CSR representing 15% (safety + environmental criterion); overall qualitative assessment representing 20%.

Directors' fees

Director's fees will be kept by the senior executive.

Benefits in kind

Provision of a car and driver that may be used for professional and personal use.

Stock options

The Board of Directors of Bouygues SA shall make an announcement in May about the awarding of a 2018 stock option plan.

Additional pension for senior executives

The supplementary pension plan is open to senior executives who are members of the Bouygues Group's General Management Committee.

NOTE

The annual additional pension for members of the Group's General Management Committee has been capped by the Board of Directors at eight times the annual social security cap (i.e. approximately 313,824 euros in 2017).

The undertaking to provide an additional pension is a regulated agreement subject to the prior authorization of the Board of Directors.

Listed companies must make receiving additional pensions subject to meeting performance conditions, which must be based on the performance of the company managed by the recipient.

The Board of Directors must verify each year that these conditions are met. Recipients are only entitled to the increase in pension rights in respect of the fiscal year if it has been authorized by the Board of Directors.

The undertaking made by the listed company to provide said pension must be submitted for approval at the Shareholders' Meeting upon appointment or for each renewal, within the framework of a specific resolution for each recipient.

The terms of the pension plan and an estimate of potential annuities must be published each year at the fiscal year-end date.

PERFORMANCE CONDITIONS

- **Definition of the performance target (hereinafter referred to as "the Target")**

Fiscal year 2018: Target = that Colas' average consolidated net profit for the fiscal year ended and the preceding two fiscal years ("Average Consolidated Net Profit") is no more than 10% below average consolidated net profit expected in the plan for the fiscal year ended and the preceding two fiscal years ("Plan Average").

(Note that any plan serving as a reference for a particular year is that of the said year as approved by the Board of Directors at the start of the year).

- **Method for determining acquisition of pension rights**

Pension rights shall be determined as follows:

– if Average Consolidated Net Profit is on Target

Pension rights = 0.92% of reference salary

– if Average Consolidated Net Profit is more than 10% below the Plan Average

Pension rights = 0

Between the lower limit and the upper limit, pension rights shall be fixed according to results using linear interpolation between the two levels of 0% and 0.92% of the reference salary.

- **Information given by the Company concerning pension liabilities**

In order to comply with the transparency obligations of the Macron law, it is proposed to the Compensation Committee that the additional pension granted to Group senior executives be described as follows:

1. title of the liability in question: defined benefit collective pension contract;

2. reference to legal provisions to identify the corresponding pension plan: article L. 137-11 of the French Social Security Code;

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

– must be a member of the General Management Committee of Bouygues SA on the day of departure or retirement,

– must have at least ten years of service with the Bouygues Group at the time of departure or retirement,

– must have completed their professional career at a Group company (this condition is met if the employee is included in the headcount on the date of their departure or retirement),

– must be at least 65 years old on the day of departure or retirement,

– must ensure that state basic pension plans and ARRCO and AGIRC compulsory supplementary plans are wound up;

4. means of determining reference compensation set by the pension plan concerned and used to calculate recipients' rights:

Reference compensation shall be equal to average gross salary for the best three calendar years received by the employee at the Bouygues Group during their time as a member of the Executive Committee, revalued according to the change in the AGIRC index on the date of termination of the employment contract.

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

5. rate of acquisition of rights: annual rate;

6. existence of a cap, amount, and means of determining the cap: 8x the annual Social Security cap (308,900 euros in 2016);

7. means of funding of rights: funded through an insurance company to which a contribution is paid each year;

8. estimated amount of annual pension as of the closing date:

Name	Annual pension (in euros)
Hervé Le Bouc	235,716

9. tax and Social Security charges deducted from the plan: contributions paid by the Company are not subject to employer's Social Security contributions or CSG – CRDS Social Security charges. The company must pay an amount equal to 24% of these contributions.

The Shareholders' Meeting of April 12, 2018 is invited to reach a decision on the following resolution:

"The Shareholders' Meeting, which meets the quorum and majority requirements for Annual Shareholders' Meetings, having familiarized itself with the report on corporate governance and in accordance with the provisions of article L. 225-37-2 of the French Commercial Code, approves the principles and criteria for the determination, allocation and awarding of fixed, variable and exceptional elements of total compensation and benefits in kind presented in this report and attributable to the Chairman and Chief Executive Officer in respect of his office."

CHAIRMAN AND CHIEF EXECUTIVE OFFICER: SEPARATION OF CORPORATE OFFICE AND EMPLOYMENT – SUPPLEMENTARY PENSION PLAN – SEVERANCE PACKAGE – NON-COMPETITION PAYMENT

Executive company officers	Employment contract		Supplementary pension plan(1)		Compensation or benefits due or potentially due as a result of termination or change in position(2)		Compensation relating to a non-competition clause	
	yes	no	yes	no	yes	no	yes	no
Hervé Le Bouc Position: Chairman and Chief Executive Officer	X		X(1)			X(2)		X

(1) See point 10.2.2.

(2) Severance pay – Noncompetition compensation: neither the Company and its subsidiaries nor Bouygues have made any commitment or any promise to grant separation pay to the Chairman and Chief Executive Officer. It should be noted that, while this does not constitute a severance package, Hervé Le Bouc, who is employed by Bouygues, would be covered by the applicable collective bargaining agreement (for Bouygues SA, the collective bargaining agreement for management-level employees of the construction industry in the Paris region), and would therefore be entitled to the severance compensation provided for under this agreement in the event that his employment contract should come to an end. This severance compensation is estimated at around one year's salary.

DIRECTOR'S FEES PAID TO DIRECTORS

Pursuant to article 20.4 of the Afep-Medef Code, the overall amount of directors' fees to be allotted to the Directors of Colas was set by the Shareholders' Meeting of April 17, 2007 at 250,000 euros for each fiscal year, to be apportioned as seen fit by the Board of Directors.

In its decision of February 20, 2018, the Board of Directors decided to allocate, in accordance with the means of allocation decided by the Board at its meeting of February 23, 2015, a total of 194,400 euros divided between the Directors as follows:

in euros		Source	2016	2017
Hervé Le Bouc	Chairman and Chief Executive Officer	Colas SA directors' fees	20,000	20,000
Subtotal: Executive Company officers				
François Bertière	Director	Colas SA directors' fees	24,000	24,000
Olivier Bouygues	Director	Colas SA directors' fees	20,000	20,000
Jean-François Guillemin	Nonvoting Director	Colas SA directors' fees	28,000	28,000
Colette Lewiner	Director	Colas SA directors' fees	32,000	32,000
Martine Gavelle	Director	Colas SA directors' fees	24,000	24,000
Philippe Marien	Director, Permanent Representative of Bouygues SA	Colas SA directors' fees	24,000	24,000
Catherine Ronge	Director	Colas SA directors' fees	23,600	22,400
Subtotal: Other Directors		Colas SA directors' fees	**175,600**	**174,400**
TOTAL DIRECTORS' FEES FOR EXECUTIVE COMPANY OFFICERS AND DIRECTORS			**195,600**	**194,400**

PERFORMANCE SHARES

PERFORMANCE SHARES GRANTED DURING THE FISCAL YEAR TO THE CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Pursuant to the provisions of article 25 of the Afep-Medef Code, it is specified that no performance shares were granted by the Company in 2017.

PERFORMANCE SHARES MADE AVAILABLE DURING THE FISCAL YEAR TO THE CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Pursuant to the provisions of article 25 of the Afep-Medef Code, it is specified that no performance shares were made available as no performance shares were granted.

INFORMATION THAT MAY HAVE AN IMPACT IN THE EVENT OF A PUBLIC OFFER

SHAREHOLDING STRUCTURE

On the basis of the share capital recorded as of January 2, 2018, Colas' shareholding structure as of December 31, 2017, was as follows: Bouygues SA directly and indirectly held 96.60% of the share capital, Colas Group employees held 0.76% via the "Colas en actions" and "Colas shares" investment funds, free float was 2.63% and Colas SA held 0.01%.

As of December 31, 2017, Colas held 593 treasury shares via a liquidity agreement.

STATUTORY LIMITATIONS ON THE EXERCISE OF VOTING RIGHTS AND TRANSFERS OF SHARES AND ANY CLAUSES OF AGREEMENTS BROUGHT TO THE ATTENTION OF THE COMPANY IN ACCORDANCE WITH ARTICLE L. 233-11 OF THE FRENCH COMMERCIAL CODE

To the Board of Directors' knowledge, there are no limitations on the exercise of voting rights and transfers of shares.

DIRECT OR INDIRECT SHAREHOLDINGS IN THE COMPANY OF WHICH IT IS AWARE IN ACCORDANCE WITH ARTICLES L. 233-7 AND L. 233-12 OF THE FRENCH COMMERCIAL CODE

Colas SA is controlled by Bouygues SA, which holds around 96.60% of share capital.

Colas SA does not have any shareholdings in Bouygues SA.

LIST OF HOLDERS OF ANY SECURITIES WITH SPECIAL CONTROL RIGHTS AND DESCRIPTION OF THOSE RIGHTS

In accordance with the provisions of article 31 "Voting rights and quorum" of the bylaws, a double voting right conferred on other shares on the basis of the share capital they represent is attributed to all fully paid-up shares for which proof is provided of registration for at least two years in the name of the same shareholder.

Colas SA is controlled by Bouygues SA, which held around 96.60% of share capital as of December 31, 2017, equal to 31,543,222 shares entitling it to 63,086,444 voting rights.

CONTROL MECHANISM PROVIDED UNDER AN EMPLOYEE SHAREHOLDING PLAN

To the Board of Directors' knowledge, there is no control mechanism relating to the employee shareholding plan.

AGREEMENT BETWEEN SHAREHOLDERS THAT MAY RESULT IN RESTRICTIONS ON THE TRANSFER OF SHARES AND THE EXERCISE OF VOTING RIGHTS

To the Board of Directors' knowledge, there is no agreement between shareholders that may result in restrictions on the transfer of shares and the exercise of voting rights.

RULES APPLICABLE TO THE APPOINTMENT AND REPLACEMENT OF MEMBERS OF THE BOARD OF DIRECTORS AND AMENDMENT OF THE BYLAWS

Appointment and replacement of members of the Board of Directors

In accordance with the provisions of articles 13, 14 and 15 of the bylaws, the Company is administered by a Board of Directors comprising at least three and no more than eighteen members appointed by the Shareholders' Meeting. Legal entities can be members of the Board of Directors. Upon their appointment, they must appoint a permanent representative who is subject to the same conditions and obligations and incurs the same liabilities as if they were a Director in their own name, without prejudice to the joint and several liability of the legal entity they represent. An employee of the company can only be appointed as a Director if their employment contract predates their appointment and corresponds to actual employment. Any appointment made in violation of this provision is null and void. However, this does not render null and void the deliberations in which the irregularly appointed Director has taken part. The number of Directors linked to the Company by an employment contract cannot exceed one-third of Directors in office.

Directors are appointed for two-year terms. The Board of Directors shall be renewed at each annual Shareholders' Meeting, alternating between one or more members, if applicable, so that the Board can be completely renewed in two years, done as equally as possible according to the number of members. All outgoing members can be reappointed.

If a seat becomes vacant as a result of death or resignation during the period between two Shareholders' Meetings, the Board of Directors may make a provisional replacement. The Director appointed to replace another Director shall only remain in office for the remaining term of his/her predecessor's directorship. Provisional appointments of Directors are subject to ratification at the next ordinary Shareholders' Meeting. If they are not ratified, deliberations and acts carried out previously by the Board shall remain valid. If just two Directors remain in office, the Shareholders' Meeting must be immediately convened by the Directors or, as necessary, by the Auditors in order to complete the Board.

Amendment of the bylaws

The bylaws may only be amended, unless otherwise required by law, on the basis of a decision by the Extraordinary General Meeting.

POWERS OF THE BOARD OF DIRECTORS

In accordance with the provisions of article 19 "Powers of the Board of Directors", the Board of Directors determines the Company's business strategy and oversees its implementation. Subject to the powers expressly attributed to Shareholders' Meetings and within the limits of the Company's purpose, it handles all matters relating to the proper operation of the Company and settles matters concerning the Company by means of its deliberations. In relations with third parties, the Company is bound even by the acts of the Board of Directors that do not fall within the scope of its corporate purpose unless it can prove that the third party knew that the act was outside its corporate purpose or that it could not have been unaware of this given the circumstances, it being excluded that the mere publication of the bylaws constitutes sufficient proof thereof. The Board of Directors carries out any controls and verifications it deems appropriate. The Chairman or the Chief Executive Officer of the Company is responsible for providing all Directors with all documents and information needed to perform their duties. The Board of Directors sets the level of compensation paid to the Chairman, the Chief Executive Officer, and Deputy Chief Executive Officers and determines the benefits and ancillary benefits to which they are entitled.

In addition, the Board of Directors benefits from the financial authorizations set out previously (see above).

AGREEMENTS ENTERED INTO BY THE COMPANY THAT ARE AMENDED OR END IN THE EVENT OF CHANGE OF OWNERSHIP

To the Board of Directors' knowledge, there are no material agreements entered into by the Company that would be amended or end in the event of change of ownership.

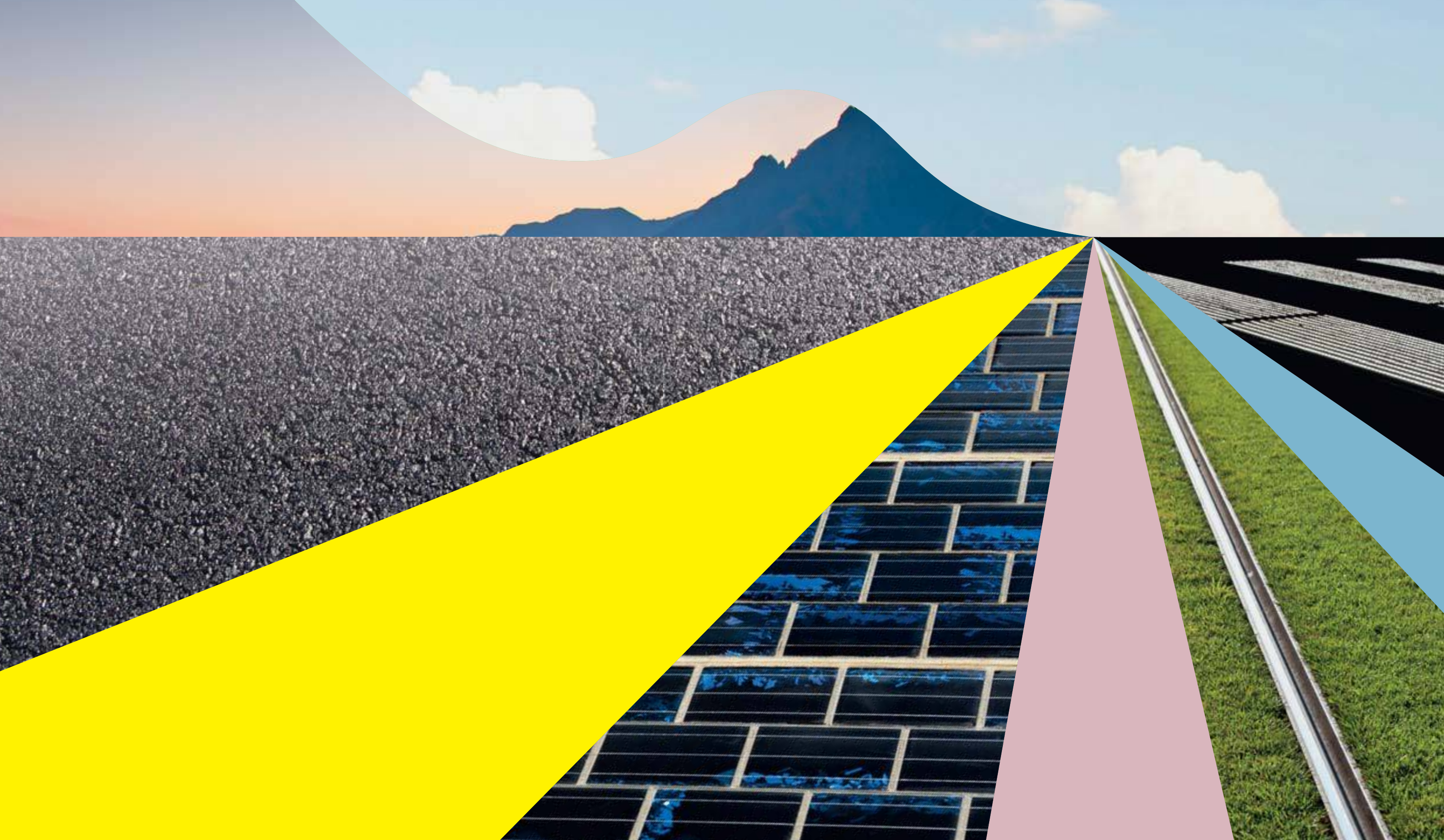
AGREEMENTS PROVIDING FOR COMPENSATION FOR MEMBERS OF THE BOARD OF DIRECTORS OR EMPLOYEES IF THEY RESIGN OR ARE MADE REDUNDANT WITHOUT REAL AND SERIOUS CAUSE OR IF THEIR EMPLOYMENT ENDS BECAUSE OF A PUBLIC OFFER FOR PURCHASE OR EXCHANGE

To the Board of Directors' knowledge, there are no agreements providing for compensation for members of the Board of Directors or employees if they resign or are made redundant without real and serious cause or if their employment ends because of a public offer for purchase or exchange.

The Board of Directors

Consolidated financial statements of the Colas Group

/ at December 31, 2017 /



Consolidated balance sheet at December 31

in millions of euros	Notes	2017	2016
Property, plant and equipment	3.2	2,384	2,394
Intangible assets	3.3	107	92
Goodwill	3.3	512	500
Joint ventures and associates	3.4	396	375
Other non-current financial assets	3.6	197	183
Deferred taxes and non-current tax receivable	3.7	154	172
Non-current assets		**3,750**	**3,716**
Inventories	4.1	501	498
Trade receivables	4.1	2,875	2,600
Tax asset (receivable)	4.1	197	159
Other current receivables and prepaid expenses	4.1	617	673
Cash and cash equivalents	4.2	680	759
Financial instruments	17	14	17
Current assets		**4,884**	**4,706**
TOTAL ASSETS		8,634	8,422
Share capital and share premium		384	384
Retained earnings		2,092	1,826
Treasury shares			(1)
Translation reserve		15	116
Consolidated net income/(loss)		328	355
Equity attributable to the Group		**2,819**	**2,680**
Non-controlling interests		30	33
Equity	5	**2,849**	**2,713**
Non-current debt	8	126	125
Non-current provisions	6.1	884	917
Deferred tax liabilities and non-current tax liabilities	7	60	71
Non-current liabilities		**1,070**	**1,113**
Advances and down-payments received on orders		445	300
Current debt	8	40	73
Current taxes payable		56	55
Trade payables		2,041	1,945
Current provisions	6.2	278	324
Other current liabilities	10	1,760	1,838
Overdrafts and short-term bank borrowings		80	42
Financial instruments	17	15	19
Current liabilities		**4,715**	**4,596**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		8,634	8,422
Net surplus cash/(net debt)	9	**433**	**517**

Consolidated income statement

in millions of euros		2017	2016
Revenue[1]	11/16	**11,705**	**11,006**
Purchases used in production		(5,319)	(4,842)
Personnel costs		(3,252)	(3,214)
External charges		(2,611)	(2,372)
Taxes, other than income tax		(159)	(154)
Net depreciation and amortization expenses		(407)	(399)
Net charges to provisions and impairment losses		(88)	(155)
Change in production inventories		1	(12)
Other income from operations[2]	12	685	757
Other expenses on operations	12	(193)	(229)
Current operating profit	16	**362**	**386**
Other operating income	12		
Other operating expenses	12	(5)	(62)
Operating profit		**357**	**324**
Financial income		15	16
Financial expenses		(29)	(29)
Cost of net debt	13	**(14)**	**(13)**
Other financial income	13	14	97
Other financial expenses	13	(13)	(23)
Income tax expenses	14	(75)	(108)
Joint ventures and associates		61	82
Net profit/(loss)		**330**	**359**
NET PROFIT/(LOSS) ATTRIBUTABLE TO THE GROUP		**328**	**355**
Net profit/(loss) attributable to non-controlling interests		2	4
Basic earnings per share from continuing operations (in euros)	15	10.04	10.87
Diluted earnings per share from continuing operations (in euros)	15	10.04	10.87
(1) Of which recorded outside of France (including export sales)		5,601	5,227
(2) Of which reversals of unutilized provisions/impairment losses		121	139

Statement of recognized income and expense

in millions of euros	2017	2016
Net profit/(loss)	**330**	**359**
Items not reclassifiable to/(loss)		
Actuarial gains (losses) on employee benefits	5	(63)
Net tax effect of items not reclassifiable to profit/(loss)	(2)	14
Items reclassifiable to or loss		
Change in cumulative translation adjustment of controlled entities	(85)	24
Net change in fair value of financial instruments used for hedging purposes	(3)	7
Net tax effect of items reclassifiable to profit/(loss)	1	(3)
Share of reclassifiable income and expense of joint ventures and associates	(17)	9
Net income recognized directly in equity	**(101)**	**(12)**
TOTAL RECOGNIZED INCOME AND EXPENSE	**229**	**347**
Attributable to the Group	228	343
Attributable to non-controlling interests	1	4

Consolidated statement of changes in equity

in millions of euros	Share capital and share premium	Retained earnings	Translation reserve	Consolidated net profit	Capital and reserves	Non-controlling interests	Total
At December 31, 2015	**384**	**1,992**	**83**	**234**	**2,693**	**31**	**2,724**
Variation in treasury shares							
Prior-year profit allocation		234		(234)			
Dividends paid		(356)			(356)	(2)	(358)
Other transactions with shareholders							
Net profit/(loss)				355	355	4	359
Income (expenses) recognized directly in equity(1)		(45)	33		(12)		(12)
Net profit/(loss) and income (expenses) recognized directly in equity		(45)	33	355	343	4	347
Change in scope of consolidation and miscellaneous							
At December 31, 2016	**384**	**1,825**	**116**	**355**	**2,680**	**33**	**2,713**
Variation in treasury shares		1			1		1
Prior-year profit allocation		355		(355)			
Dividends paid		(90)			(90)	(1)	(91)
Other transactions with shareholders							
Net profit/(loss)				328	328	2	330
Income (expenses) recognized directly in equity(1)		1	(101)		(100)	(1)	(101)
Net profit/(loss) and income (expenses) recognized directly in equity		1	(101)	328	228	1	229
Change in scope of consolidation and miscellaneous						(3)	(3)
AT DECEMBER 31, 2017	**384**	**2,092**	**15**	**328**	**2,819**	**30**	**2,849**

(1) Detail of recognized income and expense:

	Group	Non-controlling interests	Total
Exchange differences	(101)	(1)	(102)
Fair value restatement on financial instruments	(3)		(3)
Actuarial gains (losses) on employee benefits	5		5
Deferred taxes based on these items	(1)		(1)
TOTAL INCOME (EXPENSES) RECOGNIZED DIRECTLY IN EQUITY	**(100)**	**(1)**	**(101)**

Consolidated cash flow statement

in millions of euros	2017	2016
Consolidated net profit/(loss)	330	359
Adjustments for:		
– joint ventures and associates	(61)	(82)
– dividends received from associates	53	31
– dividends received from unconsolidated companies	(2)	(2)
– charges to/(reversals of) depreciation, amortization, impairment and non-current provisions	395	395
– gains and losses on asset disposal	(40)	(123)
– miscellaneous non-cash charges		
Cash flow after cost of net debt and income tax	**675**	**578**
Cost of net debt	14	13
Income tax expenses	75	108
Cash from operations	**764**	**699**
Income tax paid	(120)	(148)
Changes in working capital related to operating activities	(171)	66
CASH FLOWS FROM OPERATING ACTIVITIES (a)	473	617
Purchase price of property, plant and equipment and intangible assets	(443)	(457)
Proceeds from disposals of property, plant and equipment and intangible assets	88	73
Net liabilities related to property, plant and equipment and intangible assets	12	18
Sub-total	**(343)**	**(366)**
Acquisitions and disposals of subsidiaries:		
– acquisitions of subsidiaries	(157)	(15)
– disposals of subsidiaries	23	150
– net liabilities related to non-consolidated companies and other investments	65	(68)
– other effects of changes in scope of consolidation (cash of acquired and divested companies)	(10)	
Sub-total	**(79)**	**67**
Other cash flows related to investing activities (change in loans, dividends received from non-consolidated companies):		
– dividends received from unconsolidated companies	2	2
– changes of other non-current financial assets	(18)	11
Sub-total	**(16)**	**13**
CASH ALLOCATED TO INVESTING ACTIVITIES (b)	(438)	(286)
Capital increases/(reductions) paid by shareholders and non-controlling interests and other transactions between shareholders	(1)	
Dividends paid to parent company shareholders	(90)	(356)
Dividends paid to minority interests	(1)	(2)
Change in current and non-current debt	(34)	(17)
Cost of net debt	(14)	(13)
Other cash flows related to financing activities		
CASH FLOWS FROM FINANCING (c)	(140)	(388)
Effect of foreign exchange fluctuations (d)	(12)	(12)
NET CHANGE IN CASH AND CASH EQUIVALENTS (a + b + c + d)	(117)	(69)
Net cash at the beginning of the year	717	786
NET CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR (see note 9)	600	717

Notes to the consolidated financial statements

Declaration of compliance

The consolidated financial statements have been prepared in accordance with the IFRS standards (International Financial Reporting Standards) endorsed by the European Union.

The financial statements comprise: the balance sheet, the income statement, the statement of recognized income and expenses, the statement of changes in shareholders' equity, the cash flow statement, and the notes to the financial statements.

The above are presented with a side-by-side comparison of consolidated figures at December 31, 2016.

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

NOTE 1 – SIGNIFICANT EVENTS

1.1 – SCOPE OF CONSOLIDATION AS OF DECEMBER 31, 2017

Number of consolidated companies	2017	2016
Full consolidation	357	369
Proportional consolidation	67	66
Equity method	112	84
TOTAL	536	519

Main movements of the year

- **Entries in scope**

France: Carrières du Fût, SMTP Saddier Maurice Travaux Publics, Carayon Languedoc, Jougla et Fils, Carrières Malet.

International: Allied Infrastructure Management Ltd (GB), Colas-Bayer (Hungaria), Amiante Exit and HTP (Switzerland).

- **Exit from scope**

France: SATP.

International: Asiacol (Thailand), Newhaven Roadstone (GB), Cermak and Prakan (Czech Republic).

1.2 – SIGNIFICANT FACTS OF 2017

- Revenue of 11.7 billion euros, a 6.4% increase from 2016 (+6.7% at constant scope and exchange rates).
- A current operating income of 362 million euros, a decrease of 24 million euros.
- Non-current expenses amounting to 5 million euros correspond to additional costs related to the closure of the Dunkirk site.
- Operating income totals 357 million euros (+33 million euros compared to 2016).
- Net profit attributable to the Group stood at 328 million euros, down 27 million euros compared to the end of 2016.
- Work on hand at December 31, 2017 totaled 7.6 billion euros, up 7% compared to end of December 2016.

Acquisition of shares

A memorandum of understanding was signed on August 30 to acquire 100% of the Miller McAsphalt Group, a road works and bitumen distribution specialist with a workforce of 3,300 employees, annual average revenue of some 1.3 billion(1) Canadian dollars and an average operating profit margin of 7%(1). The acquisition of Miller McAsphalt will allow Colas Canada to expand its geographic network by strengthening its footprint in Ontario and significantly increasing its bitumen storage and distribution capacity across Canada. The transaction is expected to be closed during the first quarter of 2018. The purchase price of the shares, payable on closing and subject to certain adjustments, should amount to a multiple of approximately 12 times the average operating income(1). The acquisition will be financed by debt and will not jeopardize Colas' solid financial structure.

(1) Average of the three last fiscal years.

1.3 – SIGNIFICANT EVENTS AND CHANGES IN THE SCOPE OF CONSOLIDATION AFTER DECEMBER 31, 2017

None.

NOTE 2 – SIGNIFICANT PRINCIPLES OF THE FINANCIAL STATEMENTS

2.1 – DESCRIPTION OF GROUP ACTIVITIES

Colas (the Company) is a French public company incorporated in France (RCS Nanterre B552 025 314) with its head office 7, place René-Clair, Boulogne-Billancourt, France.

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

Roads represent 82% of Colas' activity, including:

– the construction and maintenance of roads, motorways, airports, ports, industrial and logistics platforms, urban development, reserved-lane public transport systems (tramways), recreational facilities, bike paths. Civil engineering (large and small-scale projects) and building (new construction, rehabilitation and demolition/deconstruction) in certain regions, are a complement to road construction;

– upstream from the construction sector, major industrial activity involving the production and recycling of construction materials (aggregates, emulsions and binders, asphalt, ready-mix concrete, bitumen), from a dense international network of quarries, emulsion plants, asphalt plants, concrete plants and one bitumen production plant.

Colas also operates in Specialized Activities most of which are complementary to Road activities, that represent 18% of its total business:

– Road, safety, traffic management, manufacture, installation and maintenance of security equipment;

– Underground networks;

– Waterproofing, including building envelope, siding and roofing, manufacture and sales of waterproofing membranes;

– Railways (design and engineering, construction, renewal and maintenance of infrastructure).

Colas is also a stakeholder in infrastructure concessions and management (PPP) companies, especially motorways and airports, as well as city road networks and public transport.

2.2 – PREPARATION PRINCIPLES OF THE FINANCIAL STATEMENTS

The Group's financial statements include the accounts of Colas SA and its subsidiaries, as well as holdings in related entities and joint ventures. They are presented in millions of euros, the currency of the majority of Group's transactions.

They were approved for publication by the Board of Directors on February 20, 2018 and will be submitted for the approval of the next General Shareholders' Meeting on April 12, 2018.

The consolidated financial statements for the year ended December 31, 2017 have been prepared in accordance with IFRS standards and principles, based on historical cost, with the exception of certain financial assets and liabilities, measured at fair value where this is required by IFRS. They are presented in comparison with the financial statements for the year ended December 31, 2016.

As of December 31, 2017, the Group applied the standards, interpretations, accounting principles and methods that were applied in the financial statements of fiscal year 2016, with the exception of mandatory changes laid down by the IFRS standards mentioned below, applicable as from January 1, 2017.

Main IFRS standards, amendments and interpretations adopted by the European Union, for mandatory application or for early adoption as of January 1, 2017

AMENDMENTS TO IAS 7: STATEMENT OF CASH FLOW

These amendments lay down the principle that an entity should provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

These amendments are applicable to annual reporting periods beginning on or after January 1, 2017, and were early adopted in the consolidated financial statements for the year ended December 31, 2016.

Consequently, the Group provides a reconciliation between the opening and closing financial positions as regards liabilities included in financing activities, in note 9 to the consolidated financial statements.

IFRS 9: FINANCIAL INSTRUMENTS

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

IFRS 15: REVENUES FROM CONTRACTS WITH CUSTOMERS

On May 28, 2014, the IASB issued a new standard on revenue recognition intended to replace most of the current IFRS pronouncements on this subject, in particular IAS 11 and IAS 18. The new standard, endorsed by the European Union on October 29, 2016, is applicable from January 1, 2018. The Group decided not to early adopt this standard.

IFRS standards adopted by the European Union, for mandatory application as of January 2019

IFRS 16: LEASES

On January 13, 2016, the IASB issued IFRS 16, "Leases". IFRS 16 will replace IAS 17, along with the associated IFRIC and SIC interpretations, and for lessees will end the distinction previously made between operating leases and finance leases. Lessees will be required to account for all leases with a term of more than one year in a manner similar to that currently specified for finance leases under IAS 17, involving the recognition of an asset for the rights, and a liability for the obligations, arising under the lease.

The new standard was endorsed by the European Union on October 31, 2017 and is applicable from January 1, 2019.

The Group has elected to use the retrospective approach for the first time application of the standard.

The impact of IFRS 16 is currently under review. Given the expected changes in lease accounting and uncertainties, the detailed information on leases as provided in the notes to the consolidated financial statements for the year ended December 31, 2017 is not indicative of the actual impact that IFRS 16 might have on those financial statements.

Essential interpretation issued by the IASB, not adopted by the European Union

IFRIC 23: UNCERTAINTY ABOUT TAX TREATMENT

On June 7, 2017, the IFRS Interpretations Committee issued IFRIC 23, which is mandatorily applicable from January 1, 2019 and has not yet been endorsed by the European Union. IFRIC 23 clarifies the accounting treatments used to recognize the fiscal consequences of uncertainties relating to income taxes. The Group has not elected early adoption of IFRIC 23.

Exercise of judgement and use of estimates

In preparing consolidated financial statements to comply with IFRS standards and interpretations, the Group uses estimates and assumptions which may have affected the amounts reported for assets, liabilities and contingent liabilities at the end of the reporting period, and the amounts of income and expenses reported for the period.

These estimates and assumptions have been applied consistently on the basis of past experience and of various other factors regarded as reasonable forming the basis of assessments of the valuations of assets and liabilities for accounting purposes. Actual results may differ materially from these estimates if different assumptions or conditions apply.

These mainly concern: the value of fixed assets and associated entities, including the impairment testing of goodwill and equity investments, employee benefits (lump-sum retirement benefits, pensions, etc.), the fair value of unlisted financial instruments, deferred tax assets, and provisions, the value of inventories of raw materials and finished products, etc.

For income related to construction contracts, the Group applies the general principles of revenue recognition based on the measurement of progress, physical or on costs, including provisions for completion of work. The determination of the percentage of completion and the revenue to be accounted for is based on numerous estimates based on the monitoring of the works and the taking into account of possible hazards. They are regularly reviewed, contract by contract, on the basis of available information, taking into account the technical and contractual constraints of each contract. Costs incurred, those still to be borne and the possible costs of guarantees are analyzed, and their evaluation is based on the best estimate of the expenses necessary to fulfill the Group's contractual obligations. The determination of the ending products takes into account the rights to additional revenue and claims accepted by the customer or which are deemed highly probable by the management.

Where no standard or interpretation applies to specific transactions, events or conditions, Group management exercises its judgement to define and apply accounting policies that will provide relevant information that gives a fair presentation and is comparable between periods, such that the consolidated financial statements:

- represent faithfully the financial position, financial performance and cash flows of the Group;
- reflect the economic substance of the underlying transactions;
- are neutral, prudent, and complete in all material respects.

Disclosures about judgements made by management are provided in the notes to the consolidated financial statements.

Held-for-sale assets and discontinued or held-for-sale operations

A non-current asset, or a Group of directly-associated assets and liabilities, is regarded as being held for sale if its carrying amount will be recovered primarily through a sale rather than through continuing use. For this to be the case, the asset must be available for sale in its immediate condition, and its sale must be highly probable. Such held-for-sale assets or asset Groups are measured at the lower of the carrying amount or the estimated selling price less costs to sell.

An operation that is discontinued or classified as held-for-sale is one that is material to the Group – having been treated as a Cash Generating Unit (CGU) – and that has either been disposed of or has been classified as a held-for-sale asset. Income statement and cash flow information about such discontinued or held-for-sale operations is reported in separate line items in the consolidated financial statements for all periods presented.

2.3 – BASIS OF CONSOLIDATION

Companies controlled by the Group

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

Jointly-controlled companies

A joint venture or joint operation is a contractual arrangement whereby two or more parties undertake an economic activity which is subject to joint control. The assets, liabilities, income and expenses of the joint operations, which give each party direct rights over the assets and obligations for the liabilities are accounted for in accordance with the interests held in the joint operation. Joint ventures, which give the parties rights over the net assets, are accounted for using the equity method.

Companies under significant influence

An associate is a company over which the Group exercises significant influence. This influence is presumed to exist where the Group directly or indirectly holds at least 20% of the entity's voting rights.

The consolidated net profit or loss and the assets and liabilities of associate companies are accounted for by the equity method.

2.4 – BUSINESS COMBINATIONS

With effect from January 1, 2010, business combinations have been accounted for in accordance with IFRS 3 standard.

In a business combination, the fair value of the consideration transferred is allocated to the identifiable assets and liabilities acquired. They are measured at fair value at the acquisition date and presented in the balance sheet using the full fair value method, in accordance with IFRS 3. This method involves remeasuring the acquired assets and liabilities at fair value in full (and not at the proportionate share in the percentage acquired interest).

For each business combination, the revised IFRS 3 offers the following two options for the recognition of non-controlling interests:

- at fair value (i.e. with goodwill including the share of the non-controlling interest, known as the "full goodwill" method);
- at the share of the non-controlling interest in the fair value of the identifiable assets acquired and liabilities assumed from the acquired company (i.e. not including goodwill allocated to the non-controlling interest, known as the "partial goodwill" method).

Fair value is the price that would be received for selling an asset or paid for transferring a liability in an arm's length transaction between market participants as of the date of measurement.

In this context, goodwill represents the excess of the cost of the business combination over the acquirer's interest in the fair value of the acquirer's identifiable assets, liabilities and contingent liabilities that may be measured reliably as of the acquisition date; non-controlling interests are, depending on the option elected, either measured at fair value or not (see above). Goodwill is allocated to the Cash Generating Unit (CGU) benefiting from the business combination or to the Group of CGUs at the level of which return on investment is measured (business segment for the Colas Group).

The purchase price allocation period is limited to the time required to identify and measure the acquired entity's assets and liabilities, the non-controlling interests, the consideration transferred and the fair value of any previously-held equity interest, subject to a maximum period of twelve months.

Negative goodwill is recognized in the income statement in the year of acquisition.

Subsequently, goodwill is carried at cost net of any impairment losses identified using the methods described in the sections on "Monitoring of the value of the fixed assets" below, in accordance with IAS 36. Impairment losses are charged to the income statement as an operating item.

In accordance with the revised IFRS 3, at the date when control is obtained, any previously-held equity interest is remeasured at fair value at the date on which control is obtained, with the adjustment recorded in the income statement; in the event of a loss of control, in addition to the recognition of the gain or loss on disposal, the proportionate share retained is also remeasured to fair value, with the adjustment recorded in the income statement.

In the event of a change in equity interest with no impact on control, the difference between the consideration transferred and the carrying amount of non-controlling interests is recognized immediately in equity attributable to the Group. As a result, no additional goodwill is recorded.

Direct costs incurred in connection with business combinations are recognized in the income statement.

In the event of a partial divestment of the component operations of a CGU, the Group usually allocates the goodwill in proportion to the value of the divested operation relative to the value of the CGU as measured at the date of divestment in accordance with the IFRS 7 hierarchy of valuation methods, unless it can be demonstrated that another method better reflects the goodwill of the divested operation, in accordance with IAS 36.86.

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

2.5 – METHOD OF TRANSLATION OF ITEMS IN FOREIGN CURRENCY

Transactions denominated in foreign currencies

Transactions denominated in foreign currencies are translated into euros at the average exchange rate on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the closing exchange rate. Translation differences are recognized as income or expenses in the income statement. Non-monetary assets and liabilities denominated in foreign currencies and accounted for at historical cost are translated using the exchange rate on the date of the transaction.

Financial statements of the entities whose operating currency is not the euro

All assets and liabilities of consolidated entities with a functional currency other than the euro are translated at the closing exchange rate. Income and expenses are translated at the average exchange rate for the period. Translation differences arising from this treatment, and arising from the retranslation of a subsidiary's opening shareholders' equity at the closing exchange rate, are taken to the translation reserve (which is a component of consolidated shareholders' equity). Translation differences arising on the net investment in foreign subsidiaries and associates are recognized in shareholders' equity.

2.6 – ASSESSMENT OF INCOME TAXES

Deferred taxation is recognized on differences between the carrying amount and tax base of assets or liabilities, and arises as a result of:

– temporary differences between the carrying amount and tax base of assets or liabilities, which may be:

- items generating a tax liability in the future (deferred tax liabilities), arising mainly from income that is liable to tax in future periods, or
- items deductible from taxable profits in the future (deferred tax assets); regard mainly provisions that are temporarily non-deductible for tax purposes. Such assets are recognized to the extent that it is probable that sufficient taxable profits will be available against which to offset the temporary differences, they are reviewed at each balance sheet date;

– tax losses available for carry-forward (deferred tax assets), where it is probable that these losses will be recovered in future periods.

Deferred taxes are measured at the national tax rates that are expected to apply in the period in which the asset is realized and the liability settled, based on the tax rates that have been adopted or substantively enacted at the closing date, depending on the country. As at December 31, 2017, temporary differences in the French entities were recorded at the rates voted by the National Assembly according to the reversal schedules:

– 33.33% or 34.43% for 2018;

– 31.00% or 32.02% for 2019;

– 28.00% or 28.92% for 2020;

– 26.50% or 27.37% for 2021;

– 25.00% or 25.83% for 2022 and beyond.

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

2.7 – NON-CURRENT ASSETS

Property, plant and equipment

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

Principal useful lives

Land	(see below)
Office buildings	20 to 40 years
Industrial buildings	10 to 20 years
Plant and equipment	5 to 15 years
Other property, plant and equipment (Vehicles and office equipment)	3 to 10 years

Unimproved land or land under buildings: these are not depreciated, but are tested for impairment.

Land with aggregate quarries: these are depreciated in accordance with the depletion of the aggregates, up to a maximum of forty years.

The cumulative amount of this depreciation cannot be lower than that calculated using the straight-line method.

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

In accordance with IAS 16, when an item of property, plant and equipment consists of components with different useful lives, each component is accounted for and depreciated as a separate item of property, plant and equipment.

Gains and losses on disposal represent the difference between the sale proceeds and the carrying amount; they are recognized in the income statement under "Other operating income and expenses".

Depreciation periods are reviewed annually, and may be adjusted if expectations differ from previous estimates.

LEASES

Lease contracts whereby the Group substantially retains all the risks and rewards of ownership are considered as finance lease contracts and as such are restated (recognition of a tangible asset with a corresponding liability).

Assets held under finance leases are recognized in the balance sheet in "Property, plant and equipment" at the lower fair value or the present value of the minimum lease payments, less accumulated depreciation and impairment losses. These assets are depreciated over their estimated useful lives (in the liabilities, the counterpart of restated contracts is recognized under "Debt").

Obligations under operating leases are disclosed in off-balance sheet commitments.

GRANTS RECEIVED

Investment grants received from national, regional or local governments are netted off the value of the assets concerned in the balance sheet, and depreciated at the same rate as those assets once receipt of the grant becomes unconditional.

Intangible assets

IAS 38 defines an intangible asset as an identifiable non-monetary asset without physical substance which is controlled by the entity. An asset is identifiable:

– if it is separable (capable of being independently sold, transferred, licensed, rented or exchanged);

– or if it is derived from contractual or other legal rights, whether separable or not.

An asset is controlled if the entity has the power to obtain the future economic benefits from that asset and to restrict the access of others to those benefits.

Intangible assets with finite useful lives are depreciable. Intangible assets with indefinite useful lives are not depreciable, but are subject to annual impairment testing; the indefinite character is reviewed at each closing date.

Development costs are capitalised if the IAS 38 criteria are met (generation of future economic benefits is expected and costs can be reliably measured).

In accordance with IFRS, incorporation and research expenses are expensed as incurred.

Goodwill

Goodwill represents the excess of cost of acquisition over the fair value of identifiable assets and liabilities of a subsidiary or joint venture at the date of acquisition.

The Group uses the "partial goodwill" method.

MONITORING OF THE VALUE OF THE FIXED ASSETS AND ASSOCIATED ENTITIES

Impairment tests are carried out on the carrying amount of non-current assets and investments in associates if there is objective evidence that they may have become impaired.

The carrying amounts of indefinite-lived intangible assets and goodwill are compared to their recoverable amounts at least at the end of each financial year.

METHOD APPLIED FOR IMPAIRMENT TESTS

In determining the recoverable amount, intangible assets to which independent cash flows cannot be directly allocated are grouped within the Cash Generating Unit (CGU) to which they belong, or within the appropriate Group of CGUs representing the lowest level at which management monitors return on investment.

Group CGUs correspond to its operational organization.

They comply with the following criteria: common management, synergies regarding human resources, equipment resources, technical matters and studies.

- Mainland France Roads CGU: road activities in Mainland France;
- Specialized Activities (excluding Railways) CGU: safety, signaling, networks, waterproofing;
- Railway CGU: rail activities;
- Roads Europe (excluding France) CGU: road activities in European countries where the Group operates;
- Roads North America CGU: road activities in the United States of America and Canada;
- Roads Rest of the world CGU: road activities in Africa, Indian Ocean, Asia, Australia, Middle East and in French Overseas Departments and Territories.

The value in use is determined by the Discounted Cash Flow method (DCF); which consists of the discount of future cash flows applying the average weighted capital costs, including the economic risk premium. Future cash flows are determined based on forecasts prepared by CGU management according to yearly budget procedures for the coming year, and the three-year plan for the two following years.

Other non-current financial assets

NON-CONSOLIDATED INVESTMENTS AND OTHER INVESTMENTS

These mainly comprise shares of unlisted companies; they are recognized at acquisition cost less an allowance for depreciation when considered necessary (there are no significant differences between cost and fair value for these shares).

LOANS

Loans are stated at present value if their interest rates are far from the normal market conditions (example: non-interest bearing loans pursuant to legal obligations governing participation of employers in construction investments in France).

FINANCIAL RECEIVABLES REGARDING CONCESSION ARRANGEMENTS AND PUBLIC-PRIVATE PARTNERSHIP (PPP) CONTRACTS

The twenty-five years road rehabilitation and maintenance PFI (Private Finance Initiative) contract of the City of Portsmouth is stated according to the financial asset model, as recommended under IFRIC 12.

Works completed are recognized on the basis of the stage of completion, according to IAS 11.

Financial assets are initially recognized at the fair value of works completed, and then stated at amortized cost, according to IAS 39.

Financial assets represent the amount of works completed, plus cumulative interest, determined according to the effective interest rate method, and after deduction of payments received from the client.

OTHER NON-CURRENT FINANCIAL ASSETS

They are recorded initially at fair value and then at amortized cost when they are meant to be kept until maturity later.

2.8 – CURRENT ASSETS

Inventories

Inventories are measured at the lowest of the following values: cost or net realizable value.

Inventory costs include all purchase costs and costs of conversion.

Costs of purchase include purchase price, import duties and other non-recoverable taxes, transport and handling costs incurred to transfer inventories where they are.

Costs of conversion include costs that are directly or indirectly incurred in converting raw materials into finished goods.

For carried forward valuation, costs are assigned by using the first-in, first-out or weighted average cost formulas, according to the type of inventories.

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

Trade receivables

Trade receivables, which generally have thirty to ninety day terms, are recognized and carried at original invoice amount less allowance for any uncollectible amounts.

Trade receivables include “receivables to invoice” related to the works recognized by clients, and which have not yet been invoiced.

Other current receivables

Other current receivables are carried at face value, net of impairment recorded to reflect the probability of recovery.

2.9 – FINANCIAL INSTRUMENTS

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

Nature of the risks for the Group

EXPOSURE TO FOREIGN EXCHANGE RISK

Overall, the Group has a low exposure to foreign exchange risk in its ongoing commercial transactions, insofar as the proportion attributable to exports in its international business is very low. For most of the work carried out outside France, the billing and expenses incurred are denominated in the country where the work is carried out.

Occasionally, some currency contracts are hedged for exchange risks.

Borrowings or deposits are centralized in the currency of the country.

In addition, the Group remains especially attentive to the risks associated with its assets in non-convertible currencies and, more generally, to so-called country risks.

EXPOSURE TO INTEREST RATE RISK

The Group’s financial expenses have low sensitivity to interest rate risk, since the bulk of debt is at fixed-rate either in the form of fixed-rate bond issues, or via a portfolio of hedging instruments that convert floating-rate debt into fixed-rate debt.

Consolidated financial expenses would be only marginally affected by fluctuations in euro interest rates, or by a divergence in interest rate trends between the euro and other major currencies.

On average over the year, the amount of floating-rate debt in the balance sheet is less than the amount of surplus cash invested at floating rates.

EXPOSURE TO COMMODITY PRICE RISK

Colas does experience sensitivity to fluctuations in the prices of commodities, primarily crude oil, whose market value has an impact on the Group's road construction business, as well as certain metals used in road safety and signaling, waterproofing and rail.

Hedges may occasionally be entered into on specific transactions.

Common principles for financial hedging instruments

Financial hedging instruments used are only conventional instruments such as:

– forward currency trade, currency swaps, currency options, according to a hedging policy against foreign exchange risks;

– interest rate swaps, future rate agreements, purchase of caps and tunnels and rate options, according to a hedging policy against interest rate risks;

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

The above instruments are characterized by the fact that:

– they are only used for hedging;

– only undertaken with first rank French banks and foreign banks;

– and present no cash risk in the event of turnaround.

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

Recognition methods

Generally speaking, the Group applies hedge accounting to the financial instruments that it uses. This entails formal documentation of the hedging relationship under IAS 39. The Group then applies one of two recognition methods:

– fair value hedge: the changes in fair value of the hedging instrument and hedged item are recognized symmetrically in the income statement;

– cash flow hedge: the ineffective portion of the gain or loss on the hedging instrument is recognized in the income statement, while the effective portion is recognized directly in equity (until the position is unwound).

2.10 – EQUITY

The treasury shares are deducted from consolidated shareholders' equity; no expense or income arising on the cancellation of treasury shares is recognized in the income statement.

If a Group subsidiary holds its own shares, an additional percentage interest in that subsidiary is recognized at Group level.

Translation reserve

The translation reserve reflects the foreign exchange gains and losses recorded since January 1, 2004, the date on which the existing translation reserve in equity was reset against retained earnings.

Information about the management of capital

The objective of Colas in managing capital is to maintain consolidated shareholders' equity at a level consistent with:

– maintaining a reasonable gearing ratio (net debt to shareholders' equity);

– distributing regular dividends to shareholders.

However, the level of equity may vary over short periods, especially if a strategically important investment opportunity arises.

The business plan is a key management tool, used by the parent company to assess the financial position of each business segment and of the Group as a whole, and the effects on consolidated shareholders' equity.

2.11 – NON-CURRENT LIABILITIES

Non-current financial debts

With the exception of derivative financial liabilities, which are measured at fair value, borrowings and other financial liabilities are measured at amortized cost, calculated using the effective interest method.

The portion of long-term borrowings with a maturity of less than one year is shown under current liabilities.

Non-current provisions

According to IAS 37 "Provisions, contingent liabilities and contingent assets", provisions are recorded at the balance sheet date if the Group has an obligation to a third party resulting from a past event and it is probable that settlement of the obligation will result in a net outflow from the Group of resources embodying economic benefits.

The amount recognized as a provision represents the Group's best estimate of the net outflow of resources.

These are provisions not linked to the normal operating cycle. They essentially comprise:

EMPLOYEE BENEFITS

Pensions

The Group commitments with regard to pensions payable to employees on retirement are, generally, covered by the regular payment of contributions to retirement plans or pension funds (defined contribution plans).

Some defined benefit plans exist in the UK, Ireland and Canada. With the exception of Colas Rail Ltd, these defined benefit plans concern a limited number of employees because the Group decided, several years ago, to close these plans to new subscribers. These benefit plans are managed by independent funds.

Retirement indemnities

Their cost is determined using the projected unit credit method. Actuarial gains and losses are recognized in equity.

Length-of-service awards

Provisions are booked in respect of length-of-service awards, which Colas Group companies grant on an ongoing and systematic basis. An individual projection method is used to calculate these amounts, taking into consideration the average rate of employee revenue and average life expectancy, according to appropriate tables.

Actuarial gains and losses are posted in the income statement.

PROVISIONS FOR LITIGATION AND LEGAL MATTERS

Litigation and claims about works contracts

The amount of these provisions is determined based on the amount of customer claims or on costs of repairs of damages as determined by official experts.

Provisions for tax, social welfare or administration audit

Amounts claimed by authorities are recognized in the income statement when accepted and are provisioned when contested.

PROVISIONS FOR WARRANTIES (LONG TERM)

These represent the valuation of the works to be performed when the term of the warranty exceeds the term of the operating cycle (one or two years), such as the ten-year warranty for specific building works.

PROVISIONS FOR QUARRY RECLAMATION (LONG TERM)

Reclamation cost after operating a quarry is calculated based on a detailed valuation (cost of labor, equipment, materials, the corresponding share of overhead required, etc.). Only the portion of the provision regarding costs due after twelve months following the balance sheet date is classified in non-current provisions.

Deferred tax liabilities

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

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

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

2.12 – CURRENT LIABILITIES

Current provisions

These are provisions linked to the normal operating cycle. The related expenses are generally paid within twelve months of the balance sheet date.

They mainly comprise:

PROVISIONS FOR WARRANTIES (ONE OR TWO YEARS MAXIMUM)

Provisions for additional works related to contractual warranties are made in respect of individual estimates for each contract.

PROVISIONS FOR CLOSING DOWN SITES

This covers costs of cleaning up a site and removing equipment. These costs are measured individually based on the size of the site and distance from operating units.

PROVISIONS FOR LOSSES ON COMPLETION

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

PROVISIONS FOR QUARRY RECLAMATION (SHORT TERM)

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

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

2.13 – INCOME STATEMENT

As allowed under IAS 1 “Presentation of Financial Statements”, the Group presents an income statement that classifies expenses by nature.

Ordinary activity income

Revenue is recognized when:

- it is probable that the future economic benefits of the transaction will flow to the Group;
- the amount of revenue can be reliably measured;
- at the transaction date, it is probable that the amount of the sale will be recovered.

Ordinary activity income comprises:

SALE OF GOODS

Income is recognized when risks and rewards of ownership are transferred to the buyer.

CONSTRUCTION CONTRACTS AND RENDERING OF SERVICES

Revenue from construction contracts is recognized based on the "stage of completion method".

The stage of completion is determined by reference to the work performed; an expected loss on a contract is immediately recognized in income statement, regardless of the progress of the project, based on the best estimate of the expected results. Where appropriate, supplementary revenue or claim rights, to the extent that they are highly probable and can be reliably measured, are taken into account.

OTHER ORDINARY ACTIVITY INCOME

This consists of royalties received from the use of licenses and patents: income is recognized when the company's right to receive payment is established.

Current operating profit

Current operating profit comes from main activities generating income, and all other activities which are not investing or financing activities.

Goodwill depreciation is included in results of operating activities.

Other non-current income and expenses

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

The nature of these items is described in note 12.

Cost of net debt

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

Income tax expenses

Deferred taxes are determined in accordance with the balance sheet liability method, for all the taxable or deductible temporary differences, at balance sheet date.

Taxable or deductible temporary differences include every difference between the tax base of an asset or liability and its carrying amounts on the balance sheet, except for goodwill.

When, for a company, the net tax balance is an asset, that asset is recognized only to the extent that it is probable that taxable profit will be available against these deductible temporary differences.

Deferred tax assets or liabilities are measured on the basis of tax rates expected to be applied during the year of the reversal, based on tax rates which have been enacted or substantially enacted by the balance sheet date.

2.14 – CASH FLOW STATEMENT

The consolidated cash flow statement is presented in accordance with IAS 7 and with CNC (now ANC) Recommendation 2013-03 of November 7, 2013 (using the indirect method).

The consolidated net profit/(loss) from consolidated companies is corrected for the effects of non-cash transactions and items of income or expense related to investment or financing flows.

Cash from operations is defined as the consolidated net profit/(loss) from consolidated companies before net depreciation and amortization expenses, net charges to provisions, capital gains or losses on disposal of assets, cost of net debt (included in financing activities in the cash flow statement) and income tax expenses for the fiscal year.

Net Group cash, changes to which are broken out in the cash flow statement, is defined as the net balance of:

- cash and cash equivalents;
- outstanding overdrafts and short-term bank borrowings.

2.15 – OTHER FINANCIAL INDICATORS

Net financial surplus/indebtedness

It results from:

- cash and cash equivalents;
- overdrafts;
- current and non-current debt;
- financial instruments (used to hedge financial liabilities measured at fair value).

2.16 – COMPARABILITY OF THE CONSOLIDATED FINANCIAL STATEMENTS

Changes in scope during the fiscal year did not have a significant impact on the December 31, 2017 consolidated financial statements, thus allowing for comparison with financial statements at December 31, 2016.

NOTE 3 – NON-CURRENT ASSETS

3.1 – SYNTHESIS OF INVESTMENTS OF THE YEAR (OPERATIONAL AND FINANCIAL)

	2017	2016
Property, plant and equipment	428	439
Intangible assets and goodwill	15	18
Operating activities investments	**443**	**457**
Acquisitions of subsidiaries	157	15
Consolidated investments	**600**	**472**
Proceeds from disposals of property, plant and equipment	(88)	(73)
Disposals of subsidiaries	(23)	(150)
NET INVESTMENTS	**489**	**249**

3.2 – PROPERTY, PLANT AND EQUIPMENT

	Land and buildings	Plant and equipment	Assets in course of construction and advance payments	Total
Cost or valuation				
At December 31, 2015	**1,593**	**5,439**	**131**	**7,163**
Exchange differences	9	49	(1)	57
Transfers and other	19	105	(118)	6
Changes in scope of consolidation	(12)	(55)	(1)	(68)
Additions	43	311	85	439
Disposals	(37)	(205)		(242)
At December 31, 2016	**1,615**	**5,644**	**96**	**7,355**
Exchange differences	(45)	(172)	(2)	(219)
Transfers and other	24	95	(121)	(2)
Changes in scope of consolidation	52	49		101
Additions	40	280	108	428
Disposals	(37)	(246)		(283)
AT DECEMBER 31, 2017	**1,649**	**5,650**	**81**	**7,380**
Depreciation and impairment				
At December 31, 2015	**(666)**	**(4,105)**		**(4,771)**
Exchange differences	(1)	(40)		(41)
Transfers and other	2	(3)		(1)
Changes in scope of consolidation	8	26		34
Net charge for the year	(54)	(335)		(389)
Disposals	13	194		207
At December 31, 2016	**(698)**	**(4,263)**		**(4,961)**
Exchange differences	13	125		138
Transfers and other	(1)	1		
Changes in scope of consolidation	(1)	(7)		(8)
Net charge for the year	(55)	(343)	(1)	(399)
Disposals	23	211		234
AT DECEMBER 31, 2017	**(719)**	**(4,276)**	**(1)**	**(4,996)**
Carrying amount				
At December 31, 2015	**927**	**1,334**	**131**	**2,392**
including quarry land	285			285
Including finance leases	3	35		38
At December 31, 2016	**917**	**1,381**	**96**	**2,394**
including quarry land	272			272
Including financial leases	3	33		36
AT DECEMBER 31, 2017	**930**	**1,374**	**80**	**2,384**
including quarry land	293			293
Including finance leases	2	30		32

At December 31, 2017 equipment has been ordered for an amount of 24 million euros (20 million euros at the end of 2016).

3.3 – INTANGIBLE ASSETS AND GOODWILL

	Concessions, patents, and other rights	Other	Total intangible assets	Goodwill
Cost or valuation				
At December 31, 2015	**160**	**65**	**225**	**578**
Exchange differences	1	1	2	1
Transfers	2	2	4	(4)
Changes in scope of consolidation	(5)	(2)	(7)	(7)
Additions	4	13	17	1
Disposals	(1)	(5)	(6)	
At December 31, 2016	**161**	**74**	**235**	**569**
Exchange differences	(2)	(3)	(5)	(11)
Transfers	2	5	7	
Changes in scope of consolidation	(14)	2	(12)	21
Additions	3	12	15	
Disposals	(2)	(1)	(3)	
AT DECEMBER 31, 2017	**148**	**89**	**237**	**579**
Depreciation and impairment				
At December 31, 2015	**(91)**	**(48)**	**(139)**	**(71)**
Exchange differences	(1)		(1)	1
Transfers				2
Changes in scope of consolidation	4		4	
Net charge for the year	(9)	(4)	(13)	(1)
Disposals	1	5	6	
At December 31, 2016	**(96)**	**(47)**	**(143)**	**(69)**
Exchange differences	2	1	3	
Transfers				
Changes in scope of consolidation	14	1	15	3
Net charge for the year	(6)	(2)	(8)	(1)
Disposals	2	1	3	
AT DECEMBER 31, 2017	**(84)**	**(46)**	**(130)**	**(67)**
Carrying amount				
At December 31, 2015	69	17	86	507
At December 31, 2016	65	27	92	500
AT DECEMBER 31, 2017	**64**	**43**	**107**	**512**

Concessions, patents, and other rights: mainly mining rights, and to a lesser extent patents and software.

Research costs are expensed in the year.

Development costs are mainly recognized as expenses during the year because they have a permanent and recurrent nature. No projects satisfy recognition criteria according to IAS 38.

Impairment of intangible assets with indefinite useful life and goodwill

Impairment losses are recorded in profit from operations if the carrying amount of an asset or its Cash Generating Unit (CGU) exceeds its value in use. If an indication shows impairment loss, an impairment test is performed, based on the method described under note 2. Such tests are performed at least once a year after the updating of budgets and three-year plans by management.

Details of assets with indefinite useful life and goodwill split by CGU and main assumptions used for impairment tests are as follows:

Cash Generating Units	Goodwill	Intangible assets with indefinite useful life	Growth rates	Discount rates	
				H1(1)	H2(1)
CGU Roads Mainland France	134	20	2%	5.38%	5.08%
CGU Roads Europe (excluding France)	19		2%	5.38%	5.08%
CGU Roads North America	114		2%	5.38%	5.08%
CGU Roads Rest of the world	29		2%	5.38%	5.08%
CGU Specialized activities (excluding Railways)	37		2%	5.38%	5.08%
CGU Railways	179		2%	5.38%	5.08%
TOTAL	**512**	**20**			

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

The Group performed sensitivity analyses of the calculation to the individual key assumptions or using scenarios of combined changes in the discount rate and of normative cash flow, including reasonably possible changes of the latter.

Assumptions used:

- discount rate: +2%;
- growth rate: –2%;
- normative cash flow: –10%.

In all cases, the recoverable amount would be greater than the book value of the assets tested.

The recoverable amount of each CGU would be equal to the book value of the assets that have been tested with the following discount rates:

Cash Generating Units	Discount rates
Roads Mainland France	14.39%
Roads Europe (excluding France)	22.80%
Roads North America	17.43%
Roads Rest of the world	21.44%
Specialized activities (excluding Railways)	16.09%
Railways	7.82%

3.4 – INVESTMENTS IN JOINT VENTURES AND ASSOCIATES

	Share in equity	Goodwill	Depreciation of goodwill	Carrying amount
At December 31, 2015	**229**	**110**	**(32)**	**307**
Net consolidated profit	89		(7)	82
Dividends paid	(31)			(31)
Other operations	14	1	2	17
At December 31, 2016	**301**	**111**	**(37)**	**375**
Net consolidated profit	63			63
Dividends paid	(53)			(53)
Other operations	8	4	(1)	11
AT DECEMBER 31, 2017	**319**	**115**	**(38)**	**396**

Main associated companies

	Share in equity		Net carrying amount	
	31/12/2017	31/12/2016	31/12/2017	31/12/2016
Main associated companies				
Tipco Asphalt[1]	106	101	21	25
Mak Mecsek[2]	35	34	3	3
Other	22	28	4	3
Joint ventures				
Miscellaneous companies[3]	156	138	35	58
TOTAL	**319**	**301**	**63**	**89**

(1) Tipco Asphalt, based in Bangkok (Thailand) operates in the distribution and sale of bitumen business in Southeast Asia.

(2) Mak Mecsek has been awarded a thirty-year PPP contract for the construction and operation of a new 80-km section of Motorways M6 (50 km) and M60 (30 km) in Southwest Hungary.

(3) These are mainly industrial companies (quarries, emulsion plants) operated in common with non-Group partners.

Breakdown of net carrying amounts from the associated entities

	31/12/2017	31/12/2016
Share in the results of associates	63	89
Depreciation and impairment	(2)	(7)
TOTAL	**61**	**82**

3.5 – JOINT OPERATIONS

Amounts from joint operations are posted to the title of main assets, liabilities, income and expenses. Please note their contributions below:

	31/12/2017	31/12/2016
Assets	241	226
Liabilities	240	224
Revenue	368	346
Current operating profit	2	2

3.6 – OTHER NON-CURRENT FINANCIAL ASSETS

	Non-consolidated investments	Other non-current financial assets	Total gross value	Allowance	Carrying amount
At December 31, 2015	**104**	**175**	**279**	**(67)**	**212**
Exchange differences	(3)	(11)	(14)	3	(11)
Transfers					
Changes in scope of consolidation	(29)	12	(17)	(2)	(19)
Acquisitions and other additions	15	9	24		24
Reassessment and fair value[1]	65		65		65
Disposals	(66)	(23)	(89)		(89)
Net charge for the year				1	1
At December 31, 2016	**86**	**162**	**248**	**(65)**	**183**
Exchange differences	(1)	(3)	(4)	1	(3)
Transfers	(36)	1	(35)	(2)	(37)
Changes in scope of consolidation	(102)	(1)	(103)		(103)
Acquisitions and other additions	157	27	184		184
Disposals	(23)	(9)	(32)		(32)
Net charge for the year				5	5
AT DECEMBER 31, 2017	**81**	**177**	**258**	**(61)**	**197**

(1) Atlandes shares.

Breakdown of main non-consolidated investments

	Gross	Allowance	31/12/2017 Net	31/12/2016 Net
Asphalt concrete, binder and quarry companies	24	(8)	16	18
Non-controlled companies	9	(2)	7	6
Inactive companies and companies undergoing liquidation	41	(39)	2	2
End of period acquired companies(1)				1
Other investments(2)	7	(3)	4	4
TOTAL	**81**	**(52)**	**29**	**31**

(1) These companies are not consolidated because acquired at the end of the year. They will be consolidated the following fiscal year.

(2) None of these investments are significant.

Breakdown of other non-current financial assets

	Gross	Allowance	31/12/2017 Net	31/12/2016 Net
Loans(1)	99	(8)	91	78
City of Portsmouth (Great Britain)(2)	57		57	62
Other financial receivables	21	(1)	20	12
TOTAL	**177**	**(9)**	**168**	**152**

(1) Loans: mainly twenty-year non-interest bearing loans, pursuant to employers' legal obligations governing construction investments in France. These loans are stated at their net present value, determined at the loan date.

(2) Receivables from the City of Portsmouth (Great Britain), in compensation for the works completed in the framework of the road rehabilitation and maintenance PFI contract, signed in 2004 for twenty-five years (2004-2029). The receivable is valued according to IFRIC 12 (financial asset model).

Breakdown of non-current financial assets by nature

	Fair value measurement		Loans and receivables	Total
	Financial assets available for sale	Other non-current financial assets		
December 31, 2016	–	31	152	183
2017 variations	–	(2)	16	14
DECEMBER 31, 2017	**–**	**29**	**168**	**197**

3.7 – DEFERRED TAXES AND NON-CURRENT TAX RECEIVABLE

	Deferred taxes	Other long term tax receivable	Total
At December 31, 2015	**165**		**165**
Exchange differences	(1)		(1)
Transfers	10		10
Acquisitions of subsidiaries	(1)		(1)
Net variations	(1)		(1)
At December 31, 2016	**172**		**172**
Exchange differences	(1)		(1)
Transfers	(1)		(1)
Acquisitions of subsidiaries			
Net variations	(16)		(16)
AT DECEMBER 31, 2017	**154**		**154**

Unrecognized tax assets (which are probably not reversible in the foreseeable future) amounted to 83 million euros on December 31, 2017 (87 million euros on December 31, 2016).

Deferred tax assets are mainly reversible after four years.

Main deferred tax bases

	31/12/2017	31/12/2016
Assets		
Employee benefits	79	91
Tax losses	53	66
Financial instruments	10	5
Other temporary differences	27	–
Liabilities		
Regulatory provisions	(9)	(10)
Fixed assets (finance leases, goodwill allocated to assets)	(55)	(46)
Taxes on dividends	(8)	(5)
Other temporary differences	(3)	(1)
NET DEFERRED TAX ASSETS (LIABILITIES)	**94**	**100**

NOTE 4 – CURRENT ASSETS

4.1 – INVENTORIES, TRADE AND OTHER CURRENT RECEIVABLES

	31/12/2017			31/12/2016		
	Gross	Allowance	Net	Gross	Allowance	Net
INVENTORIES	**542**	**(41)**	**501**	**531**	**(33)**	**498**
Raw materials, supplies and finished goods						
TRADE RECEIVABLES	**3,000**	**(125)**	**2,875**	**2,735**	**(135)**	**2,600**
Invoiced and to be invoiced, warranty retention[(1)]						
TAX RECEIVABLES	**197**		**197**	**159**		**159**
Staff, social welfare bodies, State	256		256	241		241
Group receivables and other current receivables	336	(33)	303	419	(34)	385
Prepayments	58		58	47		47
OTHER CURRENT RECEIVABLES	**650**	**(33)**	**617**	**707**	**(34)**	**673**

(1) Maturity of trade receivables is as follows:

	Receivables not matured	Less than 6 months	6 months to 1 year	1 year and more	Total
Trade receivables (gross)	1,999	679	103	219	3,000
Allowance	(25)	(5)	(7)	(88)	(125)
TRADE RECEIVABLES (NET)	**1,974**	**674**	**96**	**131**	**2,875**
Reminder 2016	1,888	539	117	56	2,600

Credit risk: the Group considers that its exposition to credit risk regarding non-matured receivables is limited as regards the type of customers (States, public administrations, public and private companies, individuals).

4.2 – CASH AND CASH EQUIVALENTS

	31/12/2017			31/12/2016		
	Gross	Allowance	Net	Gross	Allowance	Net
Cash on hand	383		383	337		337
Marketable securities[(1)]	297		297	422		422
TOTAL	**680**		**680**	**759**		**759**
(1) Including Bouygues Relais	230		230	342		342

Bouygues Relais is the main cash consolidation company of Bouygues Group.

Cash investments are made by the Group with French and foreign banks.

They are divided into the following currencies:

	Euro	USD(1)	GBP(1)	Other(1)	Total
Cash on hand	113	38	62	170	383
Marketable securities	284			13	297
TOTAL	**397**	**38**	**62**	**183**	**680**
Reminder December 31, 2016	486	72	58	143	759

(1) Equivalent in euros.

Cash and cash equivalents have an original maturity of three months or less or can easily be converted into cash.

Cash and cash equivalents disclosed in the cash flow statement consist of the following items:

	31/12/2017	31/12/2016
Cash and cash equivalents	680	759
Overdrafts and short-term bank borrowings	(80)	(42)
TOTAL	**600**	**717**

NOTE 5 – INFORMATION ON EQUITY

COMPOSITION OF SHARE CAPITAL

Colas' share capital on December 31, 2017 amounts to 48,981,748.50 euros.

It is comprised of 32,654,499 shares at 1.50 euros each, ranking *pari passu* (although nominative shares owned for a period of more than two years by the same shareholder grant double voting rights).

TREASURY SHARES AT DECEMBER 31, 2017

Colas SA holds 593 shares for an amount of 102,051.17 euros.

YEAR VARIATIONS

None.

MAIN SHAREHOLDERS

Bouygues SA	31,543,222	96.60%
Other shareholders	1,111,277	3.40%

CAPITAL MANAGEMENT

The General Management's target is to maintain a level of capital and reserve to enable Colas to:
- ensure reasonable gearing;
- pay regular dividends to shareholders.

Among performance indicators used, some can be determined by reference to capital and reserves, but their use is neither preponderant nor systematic.

Otherwise, we remind you that capital and reserves are not submitted to any statutory restriction.

STOCK OPTIONS

None.

TRANSLATION RESERVE

The translation reserve was established at January 1, 2004 with the first-time application of IFRS.

Main translation differences at December 31, 2017 relate to companies located in the following countries:

	31/12/2016	Variation 2017	31/12/2017
United States	81	(59)	22
Canada	12	(20)	(8)
Great Britain	(12)	(2)	(14)
Slovakia	12		12
Czech Republic	5	2	7
Australia		(4)	(4)
Other countries	18	(18)	
TOTAL TRANSLATION RESERVE	**116**	**(101)**	**15**

NOTE 6 – PROVISIONS

6.1 – NON-CURRENT PROVISIONS

	Employee benefits	Litigation and legal matters	Customer warranties (long term)	Site reclamation (long term)	Others	Total
At December 31, 2015	**369**	**215**	**69**	**153**	**31**	**837**
Exchange differences	(8)	3	1	1	(1)	(4)
Transfers	1	(1)	(2)	(2)	28	24
Changes in scope of consolidation	(1)	(1)	3			1
Actuarial gains/losses in equity	63					63
Allocation for the year	19	62	18	13	10	122
Reversals of utilized provisions	(14)	(16)	(9)	(7)	(31)	(77)
Reversals of unutilized provisions	(6)	(27)	(11)	(3)	(2)	(49)
At December 31, 2016	**423**	**235**	**69**	**155**	**35**	**917**
Exchange differences	(4)	(2)		(3)	(3)	(12)
Transfers			(1)	2	8	9
Changes in scope of consolidation		(1)	(1)	5	(2)	1
Actuarial gains/losses in equity	(5)					(5)
Allocation for the year	28	36	18	11	13	106
Reversals of utilized provisions	(10)	(36)	(9)	(12)	(9)	(76)
Reversals of unutilized provisions	(6)	(36)	(10)	(2)	(2)	(56)
AT DECEMBER 31, 2017	**426**	**196**	**66**	**156**	**40**	**884**

Breakdown of main provisions

	31/12/2017	31/12/2016
Length-of-service awards	105	101
Retirement indemnities	228	217
Pensions	93	105
Employee benefits	**426**	**423**
Litigation with clients	39	46
Litigation with employees	27	26
Litigation with welfare bodies	85	83
Litigation with tax authorities	18	39
Litigation with other bodies	1	3
Other litigations	26	38
Litigation and legal matters	**196**	**235**
Decennial warranties	50	50
Civil engineering warranties	14	16
Performance warranties	2	3
Warranties	**66**	**69**

6.2 – CURRENT PROVISIONS

	Losses on completion	Works risks and costs of closing down sites	Customer warranties (short term)	Site reclamation (short term)	Other	Total
At December 31, 2015	**88**	**99**	**52**	**8**	**101**	**348**
Exchange differences		1	(1)		1	1
Transfers			2	6	(30)	(22)
Changes in scope of consolidation			(2)			(2)
Allocation for the year	64	41	16	2	38	161
Reversals of utilized provisions	(34)	(20)	(9)	(2)	(19)	(84)
Reversals of unutilized provisions	(29)	(33)	(11)	(1)	(4)	(78)
At December 31, 2016	**89**	**88**	**47**	**13**	**87**	**324**
Exchange differences	(1)	(1)			(6)	(8)
Transfers			3		(3)	
Changes in scope of consolidation		(1)				(1)
Allocation for the year	66	25	10	1	17	119
Reversals of utilized provisions	(31)	(20)	(8)	(2)	(27)	(88)
Reversals of unutilized provisions	(31)	(18)	(11)	(1)	(7)	(68)
AT DECEMBER 31, 2017	**92**	**73**	**41**	**11**	**61**	**278**

NOTE 7 – DEFERRED TAX LIABILITIES

	31/12/2017	31/12/2016
Deferred tax liabilities	60	71
Other long-term tax liabilities		
TOTAL NON-CURRENT TAXES	**60**	**71**

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

NOTE 8 – CURRENT AND NON-CURRENT FINANCIAL DEBTS

BANK LOANS AND BORROWING MATURITIES

	Maturity	Maturity over 1 year						
	Less than 1 year	From 1 to 2 years	From 2 to 3 years	From 3 to 4 years	From 4 to 5 years	More than 5 years	Total	Total
	2018	2019	2020	2021	2022	2023 and beyond	2017	2016
Bank loans (medium-long term)		20	16	14	11	55	116	116
Finance leases		2	2	2	2	1	9	8
Other financial debts (long term)		1					1	1
Sub-total	**40**	**23**	**18**	**16**	**13**	**56**	**126**	**125**
Overdrafts and short-term bank borrowings	80							
AT DECEMBER 31, 2017	**120**	**23**	**18**	**16**	**13**	**56**	**126**	
Reminder at December 31, 2016	115	26	18	14	12	55		125
Portion of long-term debt at less than one year							40	73

CONFIRMED/DRAWN CREDIT LINES

	Confirmed credit lines – Maturity				Drawn credit lines – Maturity			
	Less than 1 year	1 to 5 years	Beyond	Total	Less than 1 year	1 to 5 years	Beyond	Total
Credit lines	65	1,670	61	1,796	40	70	56	166

CASH POSITION AT DECEMBER 31, 2017

At December 31, 2017, net cash totaled 600 million euros, in addition to 1.605 million euros of confirmed bank credit lines for over one year, undrawn to date (versus 656 million euros at December 31, 2016).

Confirmed bank credit contracted by companies of the Colas Group do not present any significant financial clauses likely to lead to their payment or prepayment.

BREAKDOWN OF FINANCIAL DEBT BY TYPE OF INTEREST RATE

The share of fixed rate debt of current and non-current financial debt after accounting for backed interest rate hedging instruments that have not yet reached maturity as of the balance sheet date, and excluding bank overdrafts, is 53% (39% in 2016).

INTEREST RATES RISKS

At December 31, 2017, a breakdown of financial assets and liabilities by nature of interest rate shows the following:

	Floating rates	Fixed rates	Total
Cash and cash equivalents	680	–	680
Borrowings(1)(2)	(145)	(22)	(167)
Bank overdrafts	(80)	–	(80)
Net position before cash management	**455**	**(22)**	**433**
Interest rates hedging(2)	67	(67)	–
Net position after cash management	**522**	**(89)**	**433**
Seasonality adjustment(3)	(653)	–	(653)
POSITION AFTER CASH MANAGEMENT AND SEASONALITY ADJUSTMENT	(131)	(89)	(220)

(1) Including (1) million euros for fair value of interest swap, disclosed on line "income (expenses) recognized directly in equity" in consolidated statement of changes in equity.

(2) Fixed-rate liabilities under one year and interest rates swap under one year are considered as variable-rate debt.

(3) Activity and activity related cash are subject to strong seasonal variations. This adjustment makes it possible to estimate average cash on the year which serves as a basis for the calculation of sensitivity of the financial costs to changes in interest rates. It corresponds to the difference between the average financial cash of the year (calculated on the basis of the average of the monthly average financial cash position) and the accounting net position at end of December, excluding debt at fixed rates and portfolio of interest rate swaps.

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

BREAKDOWN OF FINANCIAL DEBT BY TYPE OF CURRENCY

	Euro	USD(1)	GBP(1)	Other(1)	Total
Financial debt at December 31, 2017					
Non-current	63		49	14	126
Current	26		27	67	120
Financial debt at December 31, 2016					
Non-current	55		55	15	125
Current	53		7	55	115

(1) Equivalent in euros.

NOTE 9 – NET FINANCIAL SURPLUS (NET DEBT)

BREAKDOWN

	31/12/2016	Cash flows	Scope	Currency translation adjustement	Fair values	Other impacts	31/12/2017
Cash and cash equivalents	759	(61)	(2)	(15)		(1)	680
Overdraft and short-term bank borrowings	(42)	(34)	(8)	3		1	(80)
Net cash	**717**	**(95)**	**(10)**	**(12)**			**600**
Non-current financial liabilities	125	28		(2)		(25)	126
Financial liabilities (party less than a year)	73	(62)		(1)		30	40
Net financial instrument	2				(1)		1
Gross debt	**200**	**(34)**		**(3)**	**(1)**	**5**	**167**
NET FINANCIAL SURPLUS (NET DEBT)	**517**	**(61)**	**(10)**	**(9)**	**1**	**(5)**	**433**

CHANGES IN NET FINANCIAL POSITION

	31/12/2017	31/12/2016
Net debt at the beginning of the year	**517**	**560**
Cash flows from operating activities	473	617
Cash flows from investing activities	(438)	(286)
Cash flows from financing activities	(15)	(13)
Dividends paid	(91)	(358)
Other (exchange differences, change in scope of consolidation, and other)	(13)	(3)
NET CASH (NET DEBT) AT THE END OF THE YEAR	**433**	**517**

NOTE 10 – OTHER CURRENT LIABILITIES

	31/12/2017	31/12/2016
Staff, social welfare, States	915	881
Deferred incomes	57	94
Other non-financial debts	788	863
TOTAL OTHER DEBTS	**1,760**	**1,838**

NOTE 11 – ANALYSIS OF SALES AND OTHER REVENUES FROM OPERATIONS

BREAKDOWN BY NATURE OF INCOME

	2017	2016
Sales of products	1,780	1,741
Rendering of services	393	387
Construction contracts	9,532	8,878
Revenue	**11,705**	**11,006**
Other income from ordinary activities	–	–
TOTAL REVENUE	**11,705**	**11,006**

INFORMATION REGARDING CONSTRUCTION CONTRACTS

	2017	2016
Works to be invoiced	539	447
Retentions for warranties	99	92
Works invoiced in advance	(300)	(346)
Payments received in advance	(78)	(89)

NOTE 12 – OTHER OPERATING INCOME AND EXPENSES

DETAILS OF OTHER OPERATING INCOME AND EXPENSES

	2017	2016
Profits allocated or losses transferred regarding unconsolidated joint ventures	53	49
Proceeds from disposal of non-current assets	110	133
Reversal of unused provisions and depreciations	121	139
Other current income(1)	401	436
OTHER INCOME FROM OPERATIONS	685	757
Losses allocated or profits transferred regarding unconsolidated joint ventures	(38)	(38)
Net book value of non-current assets disposed	(65)	(86)
Other current expenses	(90)	(105)
OTHER EXPENSES ON OPERATIONS	(193)	(229)

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

BREAKDOWN OF OTHER NON-CURRENT INCOME AND EXPENSES

	2017	2016
Other non-current income(1)	–	–
OTHER NON-CURRENT INCOME	–	–
Other non-current expenses(1)	(5)	(62)
OTHER NON-CURRENT EXPENSES	(5)	(62)

(1) 2016/2017: Expenses mainly related to the restructuring operations of refined products activity (SRD).

NOTE 13 – COST OF NET DEBT, OTHER FINANCIAL INCOME AND EXPENSES

COST OF NET DEBT

	2017	2016
Interest income from cash	14	16
Income from short-term deposits	1	
Interest income	**15**	**16**
Interest expense on cash	(14)	(11)
Interest on finance leases		
Interest on financial debt	(15)	(18)
Interest expense	**(29)**	**(29)**
COST OF NET DEBT	(14)	(13)

OTHER FINANCIAL INCOME AND EXPENSES

	2017	2016
Dividends received from unconsolidated investments	2	2
Release of financial provisions	9	4
Proceeds from disposal of financial assets	1	90
Other income	2	1
Other financial income	**14**	**97**
Net charge on financial provisions	(4)	(5)
Net book value of financial assets disposed	(6)	(15)
Other expenses	(3)	(3)
Other financial expenses	**(13)**	**(23)**
OTHER FINANCIAL INCOME AND EXPENSES	1	74

NOTE 14 – TAX

BREAKDOWN

	2017	2016
Current income tax	(90)	(103)
Deferred income tax	(11)	4
Tax adjustments or exemptions	11	
Withholding taxes on dividends	(4)	(5)
Tax expenses	**(94)**	**(104)**
Tax provisions allocations/reversals	19	(4)
INCOME TAX EXPENSES	**(75)**	**(108)**

RECONCILIATION BETWEEN THEORETICAL TAX AND ACTUAL TAX EXPENSE

Differences between theoretical tax expenses, determined at the rate applicable to Colas SA, Group' parent company, i.e., 34.43%, and effective income tax are as follows:

	2017	2016
Theoretical income tax	(118)	(133)
Impact of different tax rates of subsidiaries operating in other jurisdictions	19	27
Recognition of deferred tax assets not previously recognized	7	–
Unrecognized deferred tax assets(1)	(17)	(14)
Income taxes which are not linked to income	26	(9)
Effect of tax credits (French CICE and CIR)	24	19
Effect of permanent differences(2)	(16)	2
INCOME TAX REPORTED IN INCOME STATEMENT	**(75)**	**(108)**

(1) Not reversible in a foreseeable future.

(2) Including impact of the comprehensive liability method in: France (9), United States 14.

NOTE 15 – BASIC EARNINGS AND DIVIDENDS PER SHARE FROM CONTINUING OPERATIONS

Basic earnings per share before dilution is obtained by dividing the consolidated net profit (loss) attributable to the Group by the number of shares outstanding at December 31, excluding treasury shares.

	2017	2016
Consolidated net profit (loss) attributable to the Group (in euros)	327,963,000	354,746,000
Number of issued shares	32,653,906	32,644,442
BASIC EARNINGS PER SHARE (in euros)	**10.04**	**10.87**

Diluted earnings per share is determined by dividing consolidated net profit (loss) attributable to the Group by the total number of shares outstanding at December 31, plus the number of outstanding stock options.

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

DILUTED EARNINGS PER SHARE (in euros)	**10.04**	**10.87**

	2017	2016
Dividend per share (in euros)		
Interim dividend	–	5.45
Dividend balance	8.20	2.75
TOTAL NET DIVIDEND	**8.20**	**8.20**

	2017	2016
Dividend amount (in millions euros)		
Interim dividend	–	178
Dividend balance	268	90
TOTAL NET DIVIDEND	**268**	**268**

Colas paid the balance of the dividend for the year 2016 in May 2017.

The overall dividend which will be distributed for the year 2017 will be submitted to the approval of the General Meeting of Shareholders of April 12, 2018.

NOTE 16 – SEGMENT REPORTING

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

DETERMINATION OF GROUP'S SEGMENTS

The Group's operating activities are organized as follows:

- **Roads Mainland France** includes the road activities in mainland France;
- **Roads Europe** includes road activities in Europe (excluding France);
- **Roads North America** includes road activities in the United States and Canada;
- **Roads Rest of the world** includes road activities in Africa, North Africa, Indian Ocean, French Overseas Departments and Territories, Asia/Australia and Middle-East;
- **Specialized Activities** include specialized activities for France and elsewhere around the world: Waterproofing, Railways, Safety and Signaling, Networks;
- **Parent company** includes the Head Office of Colas.

RECONCILIATION

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

INFORMATION REGARDING MAIN CLIENTS

	Roads	Specialized activities	Total
States, public companies and local authorities	59%	54%	58%
Private companies and individuals	41%	46%	42%

No client individually exceeds 10% of the revenue.

BUSINESS SEGMENT INFORMATION

	Roads Mainland France	Roads Europe	Roads North America	Roads Rest of the World	Specialized activities	Holding company	Consolidated
Year 2016 (reminder)							
Works	3,568	1,138	1,902	844	1,795	18	9,265
Sales of products	422	236	572	289	221	1	1,741
Income from ordinary activities	**3,990**	**1,374**	**2,474**	**1,133**	**2,016**	**19**	**11,006**
Income before depreciation	215	116	227	106	98	23	785
Depreciation	(121)	(41)	(110)	(56)	(55)	(16)	(399)
Current operating profit	**94**	**75**	**117**	**50**	**43**	**7**	**386**
Other operating income and expenses	(4)		(7)		(51)		(62)
Operating profit	**90**	**75**	**110**	**50**	**(8)**	**7**	**324**
Cost of net debt	1	1	(3)	(4)	(6)	(2)	(13)
Other financial income and expenses		(2)			(3)	79	74
Income tax expenses	(29)	(13)	(38)	(12)	(2)	(14)	(108)
Joint ventures and associates	4	8	5	72	(7)		82
CONSOLIDATED NET PROFIT/(LOSS)	**66**	**69**	**74**	**106**	**(26)**	**70**	**359**
Year 2017							
Works	3,880	1,356	1,969	888	1,820	12	9,925
Sales of products	432	247	556	328	217		1,780
Income from ordinary activities	**4,312**	**1,603**	**2,525**	**1,216**	**2,037**	**12**	**11,705**
Income before depreciation	249	112	202	104	70	32	769
Depreciation	(121)	(44)	(111)	(57)	(58)	(16)	(407)
Current operating profit	**128**	**68**	**91**	**47**	**12**	**16**	**362**
Other operating income and expenses					(5)		(5)
Operating profit	**128**	**68**	**91**	**47**	**7**	**16**	**357**
Cost of net debt	(1)	(1)	(4)	(3)	(7)	2	(14)
Other financial income and expenses	(1)	3			(1)		1
Income tax expenses	(26)	(10)	5	(10)	(19)	(15)	(75)
Joint ventures and associates	5	7	13	35	1		61
CONSOLIDATED NET PROFIT/(LOSS)	**105**	**67**	**105**	**69**	**(19)**	**3**	**330**

ASSETS, LIABILITIES BY BUSINESS SEGMENTS

	Roads Mainland France	Roads Europe	Roads North America	Roads Rest of the World	Specialized activities	Holding company	Consolidated
At December 31, 2016 (reminder)							
Segment assets	2,355	1,003	1,384	1,290	1,700	690	8,422
Segment liabilities	1,785	664	555	771	1,341	593	5,709
Current investments(1)	(62)	(48)	(118)	(49)	(73)	(16)	(366)
At December 31, 2017							
Segment assets	2,479	1,060	1,388	1,310	1,787	610	8,634
Segment liabilities	1,838	670	577	779	1,423	498	5,785
Current investments(1)	(108)	(27)	(100)	(37)	(54)	(17)	(343)

(1) Net investments in tangible and intangible assets.

REVENUE BY GEOGRAPHICAL SEGMENTS

	France	Europe (excl. France)	North America	Rest of the world	Consolidated
Year 2016 (reminder)					
Roads	4,398	1,394	2,474	705	8,971
Specialized activities	1,364	398	4	250	2,016
Holding	17			2	19
TOTAL	**5,779**	**1,792**	**2,478**	**957**	**11,006**
Year 2017					
Roads	4,710	1,623	2,525	798	9,656
Specialized activities	1,385	415	4	233	2,037
Holding	9			3	12
TOTAL	**6,104**	**2,038**	**2,529**	**1,034**	**11,705**

ASSETS AND LIABILITIES BY GEOGRAPHICAL SEGMENT

	France	Europe (excl. France)	North America	Rest of the world	Consolidated
At December 31, 2016 (reminder)					
Non-current assets	1,850	559	838	469	3,716
Current assets	2,756	731	546	673	4,706
Total assets	**4,606**	**1,290**	**1,384**	**1,142**	**8,422**
Non-current liabilities	682	243	143	45	1,113
Current liabilities	2,839	649	412	696	4,596
Total liabilities	**3,521**	**892**	**555**	**741**	**5,709**
NET ASSETS	**1,085**	**398**	**829**	**401**	**2,713**
At December 31, 2017					
Non-current assets	1,862	593	842	453	3,750
Current assets	2,845	755	546	738	4,884
Total assets	**4,707**	**1,348**	**1,388**	**1,191**	**8,634**
Non-current liabilities	699	212	114	45	1,070
Current liabilities	2,808	692	462	753	4,715
Total liabilities	**3,507**	**904**	**576**	**798**	**5,785**
NET ASSETS	**1,200**	**444**	**812**	**393**	**2,849**

NOTE 17 – FINANCIAL INSTRUMENTS

We disclose, hereafter, the total of all notional amounts outstanding at December 31, 2017 for each type of financial instrument, with breakdown by maturity for interest transactions, and by currency for currency trade.

HEDGING OF INTEREST RATE RISKS

Interest rate swap	Maturity			Total	Total
	Less than 1 year	1 to 5 years	More than 5 years	31/12/2017	31/12/2016
On financial assets	–	–	–	–	–
On financial liabilities	–	2	59	61	107

To ensure that the City of Portsmouth, Great Britain, is able to pay a fixed monthly fee for the duration of the twenty-five years of the road rehabilitation and maintenance contract, an interest rate swap, maturing January 2028, has been set up.

This swap is a floating rate receiver, fixed rate payer. Its par value is perfectly in line with the draw down and repayment schedule of the non-recourse loan, in order to back the debt fixed cost onto the monthly fee received. At December 31, 2017 the notional of that swap amounted to 52 million euros (46 million GBP).

HEDGING FOR EXCHANGE RISKS

	USD(1)	GBP(1)	HUF(1)	Others(1)	31/12/2017	31/12/2016
Forward purchases	36	219	170	53	478	176
Forward sales	54	–	–	48	102	123

(1) Equivalent in euros.

HEDGING FOR COMMODITIES RISKS

	31/12/2017	31/12/2016
Forward purchases	3	1
Forward sales	2	3

FAIR VALUE OF HEDGING FINANCIAL INSTRUMENTS

At December 31, 2017, the net present market value of hedging financial instruments amounted to (18) million euros, including accrued interests not yet due. This amount mainly comprises the net present value of interest rate swap for Group debt hedging.

Breakdown of the market value by nature of hedging is as follows:
- transactions regarding fair value hedge: 0 million euros;
- transactions regarding cash flow hedge: (18) million euros;
- trading transactions: 0 million euros.

All portfolio transactions are carried out for purposes of hedging.

The impact of the market value of the interest rate swap set up for the contract with the City of Portsmouth (Great Britain), i.e. (14) million euros, including accrued interests not yet due, is fully offset by the market value of the embedded derivative instrument regarding the fixed fee paid by the client, i.e., 14 million euros.

The total of valuation of financial instruments after deduction of embedded derivative financial instrument to fixed contractual fee paid by the City of Portsmouth is (4) million euros, including accrued interests not yet due.

In case of +1% transfer in interest rate yield curve (and respectively –1%), the market value of hedging financial instruments would change from (18) to (14) million euros (respectively (22) million euros), including accrued interests not yet due.

In the event of an average unfavorable change of 1% against all other currencies, the market value of hedging financial instruments would remain at (21) million euros, including accrued interests not yet due.

In the event of an average unfavorable change of 1% in commodities prices, the market value of hedging financial instruments would settle at (18) million euros, including accrued interests not yet due.

NOTE 18 – OFF-BALANCE SHEET COMMITMENTS AND FINANCE LEASES DISCLOSURES

WARRANTY COMMITMENTS

Maturity	Less than 1 year	From 1 to 5 years	More than 5 years	Total 31/12/2017	Total 31/12/2016
Commitments given					
Endorsements and warranties	17	32	8	57	46
Commitments received					
Contractual commitments	–	–	–	–	–
Assets given as securities					
Mortgages and securities	14	24	25	63	69

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

OPERATING LEASE COMMITMENTS

Maturity	Less than 1 year	From 1 to 5 years	More than 5 years	Total 31/12/2017	Total 31/12/2016
Commitments given/received	26	72	126	224	209

Minimum lease payments up to contracts renewal date (or first cancel date) pertain to operating lease contracts for operating businesses (land, building, equipment, etc.).

OTHER COMMITMENTS GIVEN

In 2017, the Company issued guarantees under Section 17 of Ireland's Companies (Amendment) Act, 1986 of Ireland on behalf of Colas Teoranta, Road Maintenance Services Ltd, Colas Building Products Ltd, Cold Chon (Galway) Ltd, Colfix (Dublin) Ltd, Road Binders Ltd, Chemoran Ltd, Atlantic Bitumen Company Ltd, and Georgevale Ltd.

ACQUISITION OF SHARES

A memorandum of understanding was signed on August 30 to acquire 100% of the Miller McAsphalt Group, a road works and bitumen distribution specialist with a workforce of 3,300 employees, annual average revenue of some 1.3 billion(1) Canadian dollars and an average operating profit margin of 7%(1). The acquisition of Miller McAsphalt will allow Colas Canada to expand its geographic network by strengthening its footprint in Ontario and significantly increasing its bitumen storage and distribution capacity across Canada. The transaction is expected to be closed during the first quarter of 2018. The purchase price of the shares, payable on closing and subject to certain adjustments, should amount to a multiple of approximately 12 times the average operating income(1). The acquisition will be financed by debt and will not jeopardize Colas' solid financial structure.

DISCLOSURE ON FINANCE LEASES IN BALANCE SHEET

Maturity	Less than 1 year	From 1 to 5 years	More than 5 years	Total
Future minimum lease payments	6	8	1	15
Finance charges	(1)			(1)
PRESENT VALUE OF MINIMUM LEASE PAYMENTS	**5**	**8**	**1**	**14**
Reminder at December 31, 2016	6	7	1	14

(1) Average of the three last fiscal years.

NOTE 19 – AVERAGE WORKFORCE, EMPLOYEE BENEFITS

AVERAGE STRENGTH

The average of the Group amounted to 58,273 for the year 2017, against 58,803 in 2016.

EMPLOYEE BENEFITS: DEFINED CONTRIBUTION PLANS

	2017	2016
Amounts recognized as expense	823	819

These expenses comprise contributions to:

- social security, welfare;
- retirement pension funds (State and supplementary);
- unemployment insurance schemes.

EMPLOYEE BENEFITS: DEFINED BENEFIT PLANS

	Retirement indemnities		Pensions[1]	
	2017	2016	2017	2016
Current service costs	2	(2)	2	(5)
Interest costs	4	4		5
Expected return on plan assets				(5)
NET EXPENSES	**6**	**2**	**2**	**(5)**
Present value of obligations	228	217	467	478
Fair value of plan assets			(374)	(373)
NET RECOGNIZED LIABILITIES	**228**	**217**	**93**	**105**

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

VARIATIONS OF BALANCE SHEET NET LIABILITIES

	Retirement indemnities		Pensions	
	2017	2016	2017	2016
At January 1	**217**	**204**	**105**	**67**
Exchange differences	(1)		(4)	(8)
Transfers			1	
Acquisitions of subsidiaries				(1)
Actuarial gains/losses in equity	6	11	(11)	52
Net expenses	6	2	2	(5)
AT DECEMBER 31	**228**	**217**	**93**	**105**

MAIN ACTUARIAL ASSUMPTIONS FOR DETERMINATION OF RETIREMENT INDEMNITIES AND LENGTH OF SERVICE AWARDS

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

	2017	2016
Discount rates IBoxx € Corporate A10[1]	1.5035%	1.7136%
Survival tables	Insee 2006-2008	Insee 2006-2008
Average retirement age for managers and executives	65 years	65 years
Average retirement age for other employees and workers	63 years	63 years
Projected salaries increase	2.00%	2.00%

(1) A drop of 0.7% of the discount rate would lead to an increase in commitments of 25 million euros.
According to Group accounting principles, such an actuarial gain/loss would be recognized as other income and expenses.

EQUITY COMPENSATION BENEFITS

In 2017, options giving subscription rights for new Bouygues shares have been granted by Bouygues SA to certain Colas and Group subsidiary employees. The amount of these benefits is not material.

NOTE 20 – RELATED PARTY DISCLOSURES

RELATED PARTIES IDENTITY

- Parties with ownership interest: Bouygues and its subsidiaries and associates.
- Joint-ventures and joint activities: Carrières Roy and certain non-significant joint ventures.
- Associates: Tipco Asphalt, Mak and some non-significant associates.
- Other related parties: Colas Foundation, and other non-consolidated companies.

DETAILS OF RELATED PARTY DISCLOSURES

	Expenses		Income		Receivables		Payables	
	2017	2016	2017	2016	2017	2016	2017	2016
Parties with ownership interest	66	58	102	160	271	381	33	17
Joint ventures and joint activities	62	67	138	174	52	58	38	57
Associates	1	2	15	12	3	4	9	8
Other related parties	44	47	58	108	27	16	18	7
TOTAL	**173**	**174**	**313**	**454**	**353**	**459**	**98**	**89**
Maturity under one year							98	87
Maturity between 1 and 5 years							–	2
Maturity above 5 years							–	–

COMPENSATION OF SENIOR EXECUTIVES OF THE GROUP

Senior executives are members of the executive committee at December 31.

In 2017, like in 2016, it comprises six members: the Chairman and Chief Executive Officer and five salaried members.

Direct compensation

The amount of direct remuneration paid to the Management Committee in 2017, amounted to 6.0 million euros (6.3 million euros in 2016).

Post-employment benefits

Chairman & Chief Executive Officer: a supplementary pension plan amounting to 0.92% of reference salary for each year of service with a ceiling that is eight times that of French Social Security. The supplementary pension scheme has been externalized to an insurance company.

Other senior executives: company’s contribution regarding defined pension contribution plan (4% of employees’ global wages).

Equity compensation benefits

The amount of the benefit linked to Bouygues shares 2017 attribution is not material.

Directors’ fees

Directors’ fees allocated to Directors in 2017 amounted to 195,600 euros.

NOTE 21 – ADDITIONAL INFORMATION ABOUT CASH FLOW STATEMENT

PRESENTATION OF THE NET CASH FLOWS RESULTING FROM ACQUISITIONS AND OUTPUT OF SUBSIDIARIES

	31/12/2017	31/12/2016
Non-current assets	(137)	(20)
Current assets	(56)	(5)
Non-current liabilities	1	(1)
Current liabilities	35	11
Cash	23	150
NET ACQUISITION OR DIVESTMENT COST	**(134)**	**135**
Other effects of changes in scope of consolidation (cash of acquired and divested companies)	(10)	
Net debt on financial fixed assets	65	(68)
CASH NET RESULTING FROM THE ACQUISITION OR THE DISPOSAL OF SUBSIDIARIES	**(79)**	**67**

CHANGES IN WORKING CAPITAL RELATED TO OPERATING ACTIVITIES

	31/12/2017	31/12/2016
Assets		
Stocks	(11)	9
Advances and prepayments on orders		
Customers and related accounts	(329)	(261)
Other current receivables and current financial assets	7	(20)
Sub-total assets(1)	**(333)**	**(272)**
Liabilities		
Advances and down payments received on orders	150	9
Accounts payable	126	188
Current Provisions	(36)	1
Other current debts and current financial liabilities	(78)	140
Sub-total liabilities(2)	**162**	**338**
CHANGES IN WORKING CAPITAL RELATED TO OPERATING ACTIVITIES	**(171)**	**66**

(1) (Increase) Decrease.

(2) Increase (Decrease).

NOTE 22 – AUDITORS' FEES

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

	Mazars		KPMG	
	2017	2016	2017	2016
Colas parent company's legal auditors				
– Colas	0.3	0.2	0.2	0.2
– Subsidiaries	2.5	2.4	4.0	3.6
– Secondary assignments				
Sub-total	**2.8**	**2.6**	**4.2**	**3.8**
Other assignments: law, tax, welfare	0.1	0.1	0.1	0.1
TOTAL	**2.9**	**2.7**	**4.3**	**3.9**

NOTE 23 – LIST OF MAIN CONSOLIDATED COMPANIES

The following companies are fully consolidated except in case of specific disclosure (EM: Equity method).

Companies	Head office	% of stake	
		2017	2016
France			
Mainland France			
Colas Centre-Ouest	Nantes – France	100.0	100.0
Colas Île-de-France Normandie	Magny-les-Hameaux – France	100.0	100.0
Colas Nord-Est	Nancy – France	100.0	100.0
Colas Rhône-Alpes Auvergne	Lyon – France	100.0	100.0
Colas Midi-Méditerranée	Aix-en-Provence – France	100.0	100.0
Colas Sud-Ouest	Mérignac – France	100.0	100.0
Aximum	Chatou – France	100.0	100.0
Spac	Clichy – France	100.0	100.0
Smac	Boulogne-Billancourt – France	100.0	100.0
Colas Rail	Maisons-Laffitte – France	100.0	100.0
Société de la Raffinerie de Dunkerque	Dunkerque – France	100.0	100.0
SPEIG	Vélizy-Villacoublay – France	100.0	50.1
French Overseas Departments			
GTOI	Le Port – Reunion Island	100.0	100.0
SCPR	Le Port – Reunion Island	100.0	100.0
Colas Mayotte	Mamoudzou – Mayotte	100.0	100.0
Colas Martinique	Le Lamentin – Martinique	100.0	100.0
Sogetra	Les Abymes – Guadeloupe	100.0	100.0
Ribal Travaux Publics	Cayenne – French Guiana	100.0	100.0
French Overseas Territories			
Société Colas de Nouvelle-Calédonie	Nouméa – New Caledonia	100.0	99.7
Europe (excluding France)			
Colas Belgium	Brussels – Belgium	100.0	100.0
Colas Danmark A/S	Glostrup – Denmark	100.0	100.0
Colas Ltd	Rowfant Crawley – Great Britain	100.0	100.0
Colas Hungaria	Budapest – Hungary	100.0	100.0
Colas Polska	Sroda Wlkp – Poland	100.0	100.0
Colas CZ	Prague – Czech Republic	99.1	99.1
ISK	Kosice – Slovakia	100.0	100.0
Cesty Nitra	Nitra – Slovakia	100.0	100.0
Colas Teoranta	Maynooth – Ireland	100.0	100.0
Colas Suisse Holding SA	Lausanne – Switzerland	99.2	99.2
North America			
Colas Canada Inc.	Montreal, Quebec – Canada	100.0	100.0
Colas Inc.	Morristown, New Jersey – United States	100.0	100.0
Africa – Indian Ocean			
Colas Gabon	Libreville – Gabon	89.9	89.9
Colas Madagascar	Antananarivo – Madagascar	100.0	100.0
Colas Afrique	Cotonou – Benin	100.0	100.0
Transinvest Construction Ltd	Petite Rivière – Mauritius	100.0	100.0
Gamma Materials (ME)	Beau Bassin – Mauritius	50.0	49.9
Colas du Maroc	Casablanca – Morocco	100.0	100.0
Grands Travaux Routiers	Rabat – Morocco	67.9	67.9
Colas South Africa	Cape Town – South Africa	100.0	100.0
Asia			
Tipco Asphalt (ME)	Bangkok – Thailand	31.4	31.6
Hincol (ME)	Mumbai – India	30.0	30.0
Colas Australia Group	Sydney – Australia	100.0	100.0

A comprehensive list of consolidated entities is available from Mr. Olivier Grevoz.
e-mail: olivier.grevoz@colas.com.

NOTE 24 – MAIN EXCHANGE RATES USED FOR TRANSLATION

Convention: 1 euro = x local monetary units

Country	Currency	Rate 31/12/2017	Average rate 2017	Rate 31/12/2016	Average rate 2016
Europe					
Croatia	Croatian kuna	7.44	7.4636	7.5597	7.5339
Denmark	Danish kroner	7.4449	7.4386	7.4344	7.4452
Great Britain	British pound	0.8872	0.8765	0.8562	0.819
Hungary	Forint	310.33	309.1932	309.8300	311.4499
Poland	Zloty	4.177	4.2576	4.4103	4.3639
Czech Republic	Czech Republic koruny	25.535	26.3334	27.0210	27.0344
Switzerland	Swiss franc	1.1702	1.1113	1.0739	1.0902
North America					
United States	US dollar	1.1993	1.1291	1.0541	1.1066
Canada	Canadian dollar	1.5039	1.464	1.4188	1.4659
Other					
Australia	Australian dollar	1.5346	1.4724	1.4596	1.4883
Morocco	Dirham	11.2218	10.9598	10.6566	10.8504
Thailand	Baht	39.121	38.2868	37.7260	39.0413

NOTE 25 – IMPACTS OF FIRST-TIME APPLICATION OF IFRS 15 “REVENUE FROM CONTRACTS WITH CUSTOMERS” AND IFRS 9 “FINANCIAL INSTRUMENTS”

IFRS 15 will be applied by the Group on January 1, 2018. This standard is not expected to have any significant impact.

The provisions of IFRS 9 on the classification, measurement and impairment of financial instruments will be applied by the Group from January 1, 2018 retrospectively without adjusting the comparatives at the first applications. As for specific provisions for hedge accounting, the Group will also apply them on January 1, 2018, with a prospective approach in accordance with the provisions of IFRS 9.

The application of this standard does not have a significant impact at Group level on shareholders’ equity at January 1, 2018.

Statutory Auditors' report
on the consolidated financial statements

FISCAL YEAR ENDED DECEMBER 31, 2017

This is a free translation into English of the Statutory Auditors' report issued in French and is provided solely for the convenience of English-speaking readers. This report should be read in conjunction with, and construed in accordance with, French law and professional standards applicable in France.

To the Shareholders,

1. OPINION

In accordance with the assignment entrusted to us by your Shareholders' Meeting, we conducted our audit of the accompanying consolidated financial statements of the Colas Group for the fiscal year ended on December 31, 2017.

In our opinion, the consolidated financial statements for the fiscal year give a true and fair view of the results of operations for the year ended and of the financial position, assets and liabilities, and results of the Group constituted by the persons and entities included in the consolidation, in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

The opinion stated above is consistent with the content of our report to the Audit Committee.

2. BASIS FOR OUR OPINION

Audit framework

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

The responsibilities incumbent upon us pursuant to these standards are stated in the "Statutory Auditors' responsibilities for the audit of the consolidated financial statements" section of this report.

Independence

We conducted our audit in accordance with the rules on independence applicable to us during the period from January 1, 2017 through to the date on which we issued our report, and we did not provide any services prohibited in article 5, paragraph 1 of regulation (EU) No. 537/2014 or by the Code of ethics for statutory auditors.

3. JUSTIFICATION OF OUR ASSESSMENTS – KEY AUDIT MATTERS

As required by articles L. 823-9 and R. 823-7 of the French Commercial Code *(Code de commerce)* relating to the justification of audit assessments, we bring to your attention the key audit matters concerning the risks of material misstatements that, in our professional judgment, were the most significant for the audit of the consolidated financial statements for the fiscal year, and our responses to these risks.

These assessments were made as part of our audit of the consolidated financial statements taken as a whole, and contributed to the opinion we stated above. We do not express an opinion on individual items in these consolidated financial statements taken in isolation.

Construction contracts

(Notes 2.13 and 11 of the consolidated financial statements.)

Risks identified

In view of the Colas Group's transport infrastructure construction and maintenance activities, 85% of revenue in fiscal year 2017, or a total of 9,925 million euros, derives from construction contracts recognized on a percentage of completion basis.

The recognition of income and results on completion under construction contracts depends chiefly on judgments and estimates made by management concerning the end-of-contract budgets and the percentage of completion of works.

Accordingly, we considered the recognition of the Group's construction contracts as a key audit matter given the impact on the Group's consolidated financial statements of these contracts and the degree of estimation required by management to determine results to completion.

Audit procedures implemented in light of identified risks

We selected the projects that we regarded as the most significant based on the following criteria:

- contribution to revenue and net profit for the fiscal year;
- related operational risks (complexity of the project, structure of the operation);

– qualitative aspects, such as the nature of the client, financing and the geographical location of the project.

With regard to the sample of projects selected, our work consisted in:

– cross-checking the project's income on completion against contractual figures (initial contract, supplemental agreements, additional work notified, etc.);

– assessing the consistency of the margin applied based on an evaluation of the costs on completion, the recognition of impacts arising from the performance of works, the level of risk coverage and level of contingencies in the budget;

– assessing compliance with the Group rules concerning the recognition of construction contracts, including how claims, unearned income and provisions for losses on completion are accounted for, to comply with the IFRS framework as adopted by the European Union.

4. NON-CURRENT PROVISIONS FOR LITIGATION AND DISPUTES

(Notes 2.11 and 6.1 to the consolidated financial statements.)

Risks identified

The 196 million euros in provisions for litigation and disputes shown under non-recurring provisions on the consolidated balance sheet are presented in Note 6.1 to the consolidated financial statements.

As disclosed in note 2.11, the amount recognized as non-current provisions represents the Group's best estimate of the net outflow of resources.

These notes describe the nature of the provisions set aside to cover litigation, disputes and claims related to works.

We took the view that this is a key audit matter insofar as the amount of non-current provisions is sensitive to the estimates and assumptions adopted by the Group and thus may have a material impact on the financial statements.

5. AUDIT PROCEDURES IMPLEMENTED IN LIGHT OF IDENTIFIED RISKS

Our work consisted principally in:

– obtaining information on the process for cataloging litigation requiring non-current provisions;

– reviewing for a selection of the complex and material risks the rationale for and assumptions underpinning their measurement at the balance sheet date in respect of the amounts set aside, which may include:

- conducting a review of the documentation prepared and correspondence with third parties, as well as cross-checking them against management's estimates;
- holding discussions with the relevant managers;
- where appropriate, conducting a review of correspondence with lawyers and written consultations from non-Group advisors;

– asking the lawyers questions directly to confirm our understanding of the material litigation in progress and the level of claims with a view to assessing the adequacy of the provisions set aside;

– checking the information disclosed in the notes to the consolidated financial statements and in the management report on the value of the non-current provisions and the main litigation and disputes involving the Group.

6. VERIFICATION OF THE INFORMATION RELATING TO THE GROUP PROVIDED IN THE MANAGEMENT REPORT

As required by law we also verified, in accordance with professional standards applicable in France, the information relating to the Group presented in the Board of Directors' management report.

We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

7. INFORMATION ARISING FROM OTHER REQUIREMENTS IN LAW OR THE REGULATIONS

Appointment of the Statutory Auditors

KPMG was appointed as Statutory Auditor of Colas by the Combined Shareholders' Meeting of April 1989 and Mazars by the Ordinary Shareholders' Meeting of April 25, 2001.

As of December 31, 2017, KPMG was in the twenty-ninth successive year of its assignment given the series of mergers and acquisitions it went through, and Mazars was in the seventeenth year, i.e. respectively twenty-nine and seventeen years since the Company's shares were admitted to trading on a regulated market.

8. RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE CONCERNING THE CONSOLIDATED FINANCIAL STATEMENTS

Management is responsible for preparing fairly presented consolidated financial statements in accordance with the IFRS framework as adopted in the European Union and for implementing the internal control it deems necessary to prepare consolidated financial statements free from material misstatement, whether as a result of fraud or errors.

When preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the intention is to liquidate the Company or to cease operations.

The Audit Committee is responsible for overseeing the process of preparing financial reporting and monitoring the effectiveness of internal control and risk management systems, as well as, where applicable, the internal audit, with regard to the procedures for the preparation and processing of accounting and financial information.

The consolidated financial statements have been approved by the Board of Directors.

9. STATUTORY AUDITORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

Audit objective and approach

Our role is to prepare a report on the consolidated financial statements. Our objective is to obtain reasonable assurance as to whether the consolidated financial statements taken as a whole are free from material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or on aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As stated in article L. 823-10-1 of the French Commercial Code, our statutory audit does not consist in guaranteeing the viability or quality of the management of the Company.

In an audit performed in accordance with professional standards applicable in France, the Statutory Auditors exercise their professional judgment throughout the audit. Moreover:

– they identify and assess the risks of material misstatement of the annual financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for their opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

– they obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control;

– they evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made in the annual financial statements;

– they evaluate the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern. If it concludes that a material uncertainty exists, it draws attention in its report to the related disclosures in the annual financial statements in respect of this uncertainty or, if such disclosures are not provided or are not relevant, it expresses a qualified or adverse opinion;

– they evaluate the overall presentation of the annual financial statements and whether the annual financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Report to the Audit Committee

We have submitted a report to the Audit Committee presenting the scope of the audit work and the audit program implemented, together with the conclusions of our work. We also bring to its attention, where appropriate, any material weaknesses in internal control that we identified relating to the procedures for the preparation and processing of accounting and financial information.

The items contained in the report to the Audit Committee include the risks of material misstatement that we consider to be the most significant for the audit of the consolidated financial statements for the fiscal year and thereby forming the key audit matters, which we are responsible for presenting in this report.

We also provide the Audit Committee with the declaration of independence provided for in article 6 of regulation (EU) No. 537-2014, as defined in the rules applicable in France, as specified in articles L. 822-10 to L. 822-14 of the French Commercial Code and in the Code of ethics applicable to statutory auditors. Where appropriate, we discuss with the Audit Committee risks to our independence and the measures applied to safeguard it.

French original signed by:

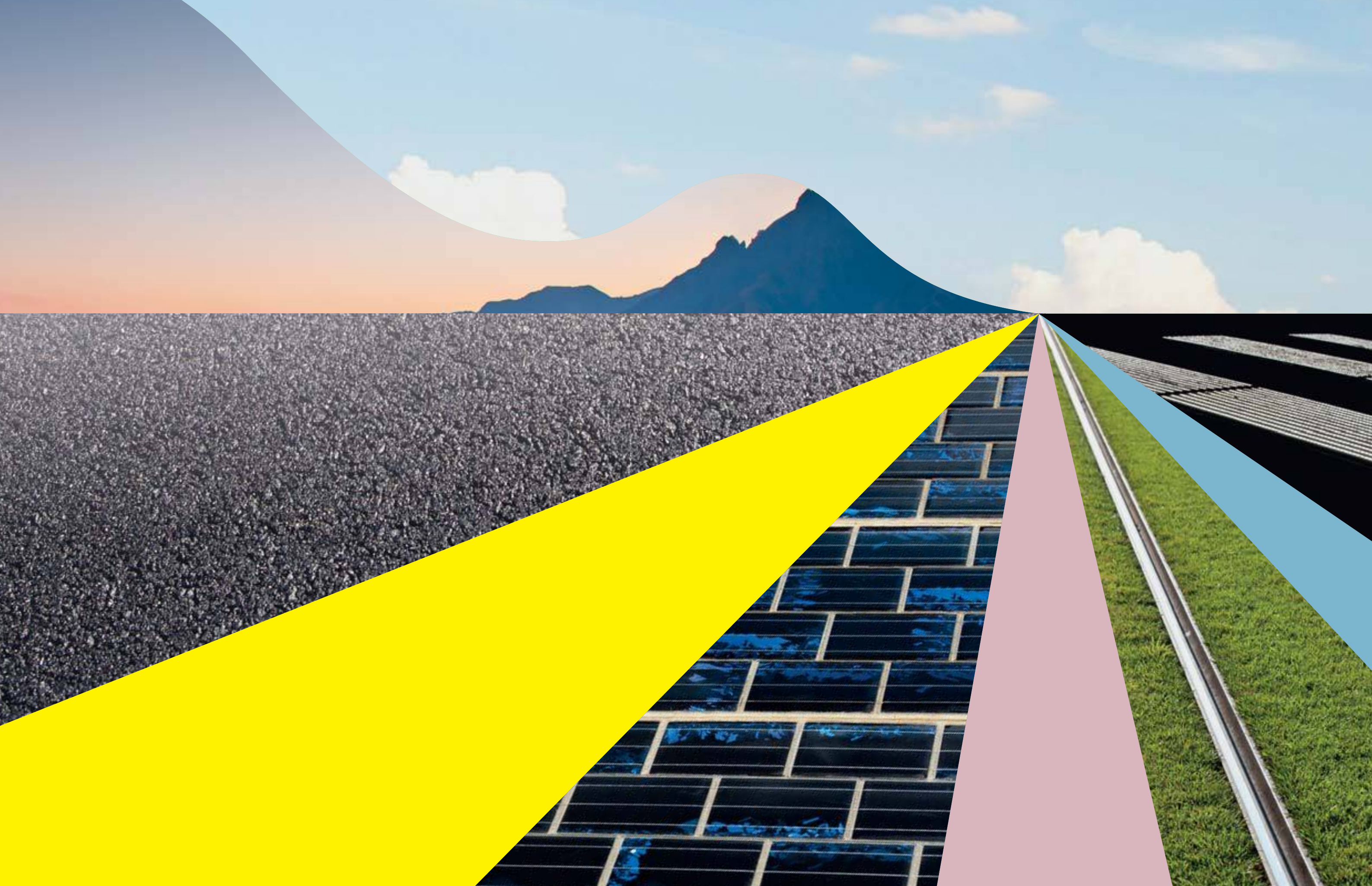
The Statutory Auditors

Paris-la Défense, February 20, 2018

KPMG Audit IS	MAZARS	
François Plat *Partner*	Daniel Escudeiro *Partner*	Gilles Rainaut *Partner*

Colas financial statements

/at December 31, 2017/



Balance sheet at December 31

in millions of euros	Notes	2017	2016
Intangible assets		17.7	18.3
Property, plant and equipment		164.1	176.3
Holdings in subsidiaries and affiliates		1,318.2	1,321.4
Loans and advances to subsidiaries and affiliates		215.3	231.9
Other non-current financial assets		3.1	3.0
Non-current assets	3	**1,718.4**	**1,750.9**
Inventories		1.0	1.1
Trade receivables		64.5	73.4
Group and associates		354.5	334.0
Other current receivables and prepayments		48.7	54.3
Cash and cash equivalents		209.6	307.5
Current assets	4	**678.3**	**770.3**
TOTAL ASSETS		2,396.7	2,521.2
Share capital		49.0	49.0
Share premium and reserves		1,144.0	1,162.3
Net profit (loss)		163.2	249.6
Tax-driven provisions		10.7	10.7
Equity	5	**1,366.9**	**1,471.6**
Provisions for contingencies and losses	6	**57.0**	**94.8**
Financial debt		–	–
Advance payments		–	–
Trade payables		52.3	67.1
Group and associates		812.5	793.0
Other non-financial debt, accruals and deferred income	7	84.5	74.6
Bank overdrafts and short-term loans		23.5	13.4
Liabilities	8	**972.8**	**954.8**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		2,396.7	2,521.2

Income statement

in millions of euros	Notes	2017	2016
Revenue	9	**275.5**	**267.1**
Raw materials and consumables used		(67.0)	(54.0)
External charges		(111.7)	(146.4)
Personnel costs		(70.2)	(72.4)
Taxes other than income tax		(8.5)	(7.8)
Depreciation, amortization and depletion		(11.4)	(12.4)
Net provision allocations		(4.3)	(2.4)
Other operating income		54.5	56.7
Other operating expenses		(1.9)	(0.8)
Share of profits from joint ventures		(0.3)	(1.0)
Operating profit		**54.7**	**26.6**
Financial income		166.8	216.1
Financial expenses		(47.3)	(17.2)
Interest income (expenses)	10	**119.5**	**198.9**
Profit from operations		**174.2**	**225.5**
Exceptional income		62.6	78.4
Exceptional expenses		(53.3)	(47.6)
Exceptional (expenses)	11	**9.3**	**30.8**
Employee profit sharing scheme		(0.7)	(1.1)
Income taxes	12	(19.6)	(5.6)
NET PROFIT (LOSS) FOR THE YEAR		163.2	249.6

Notes to the financial statements of Colas

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The figures in the notes to the financial statements are presented in millions of euros unless otherwise stated.

NOTE 1 – INFORMATION ABOUT THE COMPANY

INFORMATION ABOUT THE COMPANY AND SIGNIFICANT FACTS OF THE YEAR

The financial statements of Colas for the year ended December 31, 2017 were approved by the Board of Directors and authorized for issue on February 20, 2018.

Colas is a French public *société anonyme* company incorporated in France.

Its main activities are described in note 10.

INFORMATION ON THE USE OF THE FRENCH COMPETITIVENESS AND EMPLOYMENT TAX CREDIT (CICE)

During the fiscal year 2017, Colas recorded a Competitiveness and Employment Tax credit of 206,000 euros as a reduction in Social Security contributions.

The CICE tax credit enabled Colas to spend on projects designed to enhance competitiveness and to maintain a strong financial structure in 2017.

In particular, the following efforts were made during the year:

- the Company has made tangible and intangible investments in the amount of 7.2 million euros;
- the Company has made efforts to train beyond the statutory minimum;
- in addition, 49 people were recruited during the year for a total annual salary cost of 4.5 million euros.

NOTE 2 – SUMMARY OF ACCOUNTING POLICIES

PREPARATION OF THE FINANCIAL STATEMENTS

Colas' financial statements have been prepared in accordance with current French legal and regulatory provisions.

FINANCIAL HEDGING INSTRUMENTS

In order to limit the impact of foreign exchange and interest rate changes on the income statement, the Company uses financial hedging instruments.

These instruments share the following characteristics:

- they are limited to the following products: forward currency purchases and sales, currency swaps, cross currency swaps, foreign exchange option purchases as currency hedging, interest rate swaps, future rate agreements, purchase of caps and tunnels in the context of interest rate hedging;
- they are used only for purposes of hedging or pre-hedging;
- they are concluded only with leading French and foreign banks;
- they present no risk of illiquidity in the event of a possible reversal.

In 2017, for the first time the Company applied the ANC regulation 2015-05 relating to financial futures and hedging transactions.

This application had no impact on the presentation of the financial statements of the Company as of the end of December 2017.

The following is the sum of notional amounts outstanding at December 31, 2017 for each type of product used with currency allocation for foreign exchange transactions.

HEDGING FOR COMMODITIES RISKS

	31/12/2017
Forward purchases	3
Forward sales	2

HEDGING FOR EXCHANGE RISKS

	USD(1)	CAD(1)	HUF(1)	Other(1)	31/12/2017
Forward purchases	2	219	170	20	411
Forward sales	47	–	–	21	68

(1) Equivalent in euros.

The net value of Colas SA's financial instruments is –3.8 million euros.

Unrealized gains and losses are not significant at closing.

FOREIGN CURRENCY TRANSLATION

Transactions denominated in foreign currency are recognized at the exchange rate prevailing at the transaction date. Monetary assets and liabilities denominated in foreign currency are translated at the exchange rate prevailing at the balance sheet date.

INTANGIBLE ASSETS

Intangible assets are recognized at acquisition cost.

Start-up and research costs are expensed as incurred.

Intangible assets consist chiefly of patents and brands.

Business goodwill is not amortized; an impairment charge may be recognized if economic circumstances so require.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are recognized at cost less accumulated depreciation and any recognized impairment loss.

Depreciation is charged so as to write off the cost of assets or components of assets with different estimated useful lives, over their estimated useful lives, using the straight-line method. Land is not depreciated.

Office buildings	20 to 40 years
Industrial buildings	10 to 20 years
Plant and equipment	5 to 10 years
Other property and equipment (cars, trucks and office equipment)	3 to 10 years

The Company applies ANC 2015-06 for the treatment of merger melt-offs.

NON-CURRENT FINANCIAL ASSETS

Equity interests are stated on the balance sheet at acquisition cost less any impairment deemed necessary, determined based on their value-in-use.

Acquisition costs have been carried as non-current assets since 2006.

Other non-current financial assets are carried at face value net of any impairment.

INVENTORIES

Inventories are measured at the lower of their cost and net realizable value.

Inventory costs include all purchase costs and costs of conversion.

Costs of purchase include the purchase price, import duties and other unrecoverable taxes, transport and handling costs incurred to bring the inventories to their current location.

Costs of conversion include all costs that are directly or indirectly incurred in converting raw materials into finished goods.

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

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

TRADE RECEIVABLES AND OTHER CURRENT RECEIVABLES

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

Trade receivables include unbilled revenue on work performed for which customers have not yet been invoiced.

PREPAID EXPENSES AND ACCRUED INCOME

These include among other items prepaid expenses and deferred taxes assets recoverable in future accounting periods.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash at bank and in hand and short-term deposits with a maturity on inception of three months or less.

Short-term deposits are stated at cost less accumulated impairment if their net realizable value is lower than cost.

PROVISIONS FOR CONTINGENCIES AND LOSSES

Provisions are constituted when Colas has a current (legal or implicit) obligation arising from a past or current event and a cash disbursement is likely to be required to settle the obligation.

PENSIONS AND EMPLOYEE BENEFITS

Commitments with regard to pensions payable to employees on retirement are covered by the regular payment of contributions to pension funds that are independent from the Company.

Retirement indemnities

The cost of this employee benefit is determined using the "Projected Unit Credit actuarial method".

Actuarial gains or losses are only recognized as income or expenses when their total exceeds 10% of the total commitment (the "corridor" method).

Actuarial gains or losses are apportioned over the employees' average residual working life.

Length-of-service awards

Provisions are booked in respect of length-of-service awards, which the Company grants on an ongoing and systematic basis.

An individual projection method is used to calculate these amounts taking into consideration staff turnover and average life expectancy, according to mortality tables.

The main actuarial assumptions used to calculate vested pension benefits are:

	2017	2016
Discount rate (IBoxx € corporate)	1.5035%	1.7136%
Average staff turnover rate	Insee 2006-2008	Insee 2006-2008
Executive retirement age	65 years	65 years
Retirement age of clerical, technical and supervisory staff and site workers	63 years	63 years
Future salary increases	2%	2%

REVENUE

Revenue represents the aggregate amount of sales generated and works and services provided.

Revenue from construction activities is recognized according to the percentage of completion method:
- on the basis of work completed for contracts of less than one year;
- on the basis of the latest estimate of the total contract price multiplied by the percentage of completion for long-term contracts.

CAPITAL GAINS OR LOSSES ON DISPOSAL OF ASSETS

In accordance with the recommendations made in the chart of accounts of the French public works sector, the capital gains on recurring disposals of equipment and installations have been recognized under operating profit.

INCOME TAX

Deferred taxes are determined in accordance with the balance sheet liability method for all the taxable or deductible temporary differences at the balance sheet date.

Taxable or deductible temporary differences include:
- all differences between the tax base of an asset or liability and its carrying amount in the balance sheet;
- carry-forwards of tax losses and unused tax credits.

When the net deferred taxes balance is a tax asset, that asset is recognized only to the extent that it is highly probable that taxable profit will be available against these deductible temporary differences in future accounting periods.

Deferred taxes assets or liabilities are measured on the basis of tax rates expected to be applied during the year in which the asset will be realized or the liability settled based on tax rates that have been enacted or substantially enacted at the balance sheet date.

CONSOLIDATION

Colas is included in the consolidation scope of the Bouygues SA group:
- Siret no. 572 015 246 000216;
- head office address: 32, avenue Hoche – 75008 Paris, France.

NOTE 3 – NON-CURRENT ASSETS

	January 1, 2017	Acquisitions and increases	Disposals and reductions	Charges and reversals	December 31, 2017
Intangible assets					
Gross	30.4		(0.1)		30.3
Amortization and impairment	(12.1)			(0.5)	(12.6)
Net	**18.3**		**(0.1)**	**(0.5)**	**17.7**
Tangible assets					
Gross	302.3	7.2	(18.9)		290.6
Depreciation and impairment	(126.0)			(0.5)	(126.5)
Net	**176.3**	**7.2**	**(18.9)**	**(0.5)**	**164.1**
Holdings in subsidiaries and affiliates					
Gross	1,480.0	45.2	(18.0)		1,507.2
Impairment	(158.6)			(30.4)	(189.0)
Net	**1,321.4**	**45.2**	**(18.0)**	**(30.4)**	**1,318.2**
Loans/advances to subsidiaries and affiliates					
Gross	273.3	196.4	(245.5)		224.2
Impairment	(41.4)			32.5	(8.9)
Net	**231.9**	**196.4**	**(245.5)**	**32.5**	**215.3**
Other non-current financial assets					
Gross	3.0	0.1			3.1
Impairment					
Net	**3.0**	**0.1**			**3.0**
TOTAL NON-CURRENT ASSETS	1,750.9	248.9	(282.5)	1.1	1,718.4

NOTE 4 – CURRENT ASSETS

	Gross	Impairment	2017 Net	2016 Net
Inventories	**1.0**		**1.0**	**1.1**
Trade receivables	**65.9**	**(1.4)**	**64.5**	**73.4**
Group and associates	**390.3**	**(35.8)**	**354.5**	**334.0**
Advances and down payments received on orders	0.1		0.1	0.2
Other current receivables	19.7		19.7	12.5
Prepaid expenses	0.6		0.6	0.5
Accrued income	1.2		1.2	1.3
Deferred taxes receivable	27.1		27.1	39.8
Other current receivables and regularization accounts	**48.7**		**48.7**	**54.3**
Marketable securities	2.9		2.9	1.3
Bouygues Relais cash management company	203.0		203.0	304.0
Cash and cash equivalents	3.7		3.7	2.2
Marketable securities. cash and cash equivalents	**209.6**		**209.6**	**307.5**
TOTAL CURRENT ASSETS	**457.2**	**(37.2)**	**678.3**	**770.3**

NOTE 5 – EQUITY

COMPOSITION OF THE SHARE CAPITAL

Colas had share capital of 48,981,748.50 euros at December 31, 2017.

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

TREASURY SHARES AS OF DECEMBER 31, 2017

The Colas company holds 593 shares for an amount of 102,051.17 euros.

YEAR VARIATIONS

in euros	Number of shares	Share capital
At January 1, 2016	32,654,499	48,981,748.50
2017 Variations	–	–
AT DECEMBER 31, 2017	**32,654,499**	**48,981,748.50**

MAIN SHAREHOLDERS

Bouygues SA	31,543,222	96.60%
Other shareholders	1,111,277	3.40%

CHANGE IN EQUITY

	January 1, 2017	Appropriation by AGM[1]	Capital increase	Other changes	December 31, 2017
Share capital	**49.0**				**49.0**
Share premium account	405.9				405.9
Revaluation reserve	2.7			(0.2)	2.5
Legal reserve	4.8				4.8
Blocked reserve	0.7				0.7
Other reserves	13.5				13.5
Retained earnings	734.7	(18.1)			716.6
Share premium and reserves	**1,162.3**	**(18.1)**		**(0.2)**	**1,144.0**
Net profit (loss)	249.6	(249.6)		163.2	163.2
Tax-driven provisions	10.7				10.7
TOTAL SHAREHOLDERS' EQUITY	**1,471.6**	**(267.7)**		**163.0**	**1,366.9**

(1) Distribution of a dividend of 2.75 euros per share amounting to a total of 89,799,872.25 euros.

NOTE 6 – PROVISIONS FOR CONTINGENCIES AND LOSSES

	January 1, 2017	Increases	Provisions used	Provisions cancelled	December 31, 2017
Litigation and claims	10.6	3.1	(3.2)		10.5
Tax reassessments					
Risks related to foreign operations	3.0			(3.0)	
Employee benefits	27.2	1.1			28.3
Risks related to subsidiaries and affiliates	51.7	0.6		(36.4)	15.9
Other provisions for contingencies	2.3				2.3
Provisions for losses					
PROVISIONS FOR CONTINGENCIES AND LOSSES	**94.8**	**4.8**	**(3.2)**	**(39.4)**	**57.0**

NOTE 7 – RECEIVABLES AND PAYABLES BY MATURITY

	Net amount	Less than 1 year	From 1 to 5 years	More than 5 years
Receivables related to non-current assets	218.4	215.6	0.6	2.2
Receivables related to current assets	467.7	467.7		
Cash and cash equivalents	209.6	209.6		
RECEIVABLES	**895.7**	**892.9**	**0.6**	**2.2**
Financial debt				
Non-financial debt	949.3	949.3		
Overdrafts and short-term bank borrowings	23.5	23.5		
PAYABLES	**972.8**	**972.8**		

NOTE 8 – OTHER NON-FINANCIAL DEBT, ACCRUALS AND DEFERRED INCOME

	2017	2016
Tax and Social Security liabilities	45.7	48.9
Liabilities in respect of fixed assets	4.4	3.2
Other liabilities	32.8	18.8
Deferred income and other regularization accounts	1.6	3.7
TOTAL	**84.5**	**74.6**

NOTE 9 – BREAKDOWN OF REVENUE

	France	International	2017	2016
Works				(2.1)
Sale of products	76.0	1.1	77.1	74.0
Provision of services[1]	123.0	75.4	198.4	195.2
REVENUE	**199.0**	**76.5**	**275.5**	**267.1**

(1) Provisions of services to subsidiaries and affiliates.

NOTE 10 – FINANCIAL INCOME (EXPENSES)

	2017	2016
Dividends received from subsidiaries and affiliates	116.3	193.5
Net interest income (expenses)	5.6	(0.4)
Other financial provision (charges) reversals	(0.8)	4.8
Net gain on disposal of marketable securities	0.3	0.1
Translation adjustment	(1.9)	0.9
NET FINANCIAL INCOME (EXPENSES)	**119.5**	**198.9**

NOTE 11 – EXCEPTIONAL INCOME (EXPENSES)

	2017	2016
Capital gain (loss) on the disposal of fixed assets (non-recurring disposals: land, buildings, non-current financial assets)	6.6	39.7
Other income (expenses) on management transactions (net)	(26.5)	(12.2)
Exceptional provision (charges) reversals	29.2	3.3
EXCEPTIONAL GAIN (LOSS)[1]	**9.3**	**30.8**

(1) Including: SRD, compensation for the costs of restructuring: (29.3).

NOTE 12 – INCOME TAXES

BREAKDOWN OF THE TAX EXPENSE

	2017	2016
Current tax charge for the year	(10.3)	(0.9)
Tax supplements or reductions for prior years	3.3	(2.7)
Deferred taxes	(12.6)	(2.0)
INCOME TAXES	**(19.6)**	**(5.6)**

BREAKDOWN OF THE TAX CHARGE BETWEEN CURRENT PROFIT AND EXCEPTIONAL PROFIT

	Profit before tax	Tax due	Net profit/(loss) after tax
Current profit (after profit sharing)	142.1	(11.0)	131.1
Exceptional income (expenses)	40.7	(8.6)	32.1
TOTAL	**182.8**	**(19.6)**	**163.2**

BREAKDOWN OF DEFERRED TAXES

	Temporary differences
Non-current assets	(6.8)
Current assets	1.1
Provisions for contingencies and losses temporarily not deductible	28.0
Tax loss carryforward	73.7
Total deferred tax bases	**96.0**
Tax rate	34.43%
DEFERRED TAXES AT FISCAL YEAR END	**33.1**
Impact on deferred tax of enacted tax rate change	(3.8)
Deferred taxes at the beginning of the year	41.9
Deferred taxes (income) expense	**(12.6)**

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

NOTE 13 – IMPACT OF DEROGATORY TAX-DRIVEN PROVISIONS ON PROFIT

Net profit (loss)	163.2
Amounts charged for the year to tax-driven provisions	(0.7)
Reversals for year of tax-driven provisions	0.7
Impact on tax	
NET PROFIT (LOSS) EXCLUDING THE IMPACT OF TAX-DRIVEN PROVISIONS ON PROFIT	**163.2**

NOTE 14 – OFF BALANCE SHEET COMMITMENTS

FINANCE LEASE

None.

OTHER COMMITMENTS

	Guarantees	Letters of intent	Total
Subsidiaries and affiliates	126.6	0.6	127.2
Other related companies	17.3	13.1	30.4
Third parties	1.8		1.8
Commitments given	**145.7**	**13.7**	**159.4**
Commitments received	**–**	**–**	**–**

The Company issued a guarantee for 2017 pursuant to article 17 of the Companies (Amendment) Act 1986 of Ireland in favor of Colas Teoranta, Road Maintenance Services Ltd., Colas Building Products Ltd., Cold Chon (Galway) Ltd., Colfix (Dublin) Ltd., Road Binders Ltd., Chemoran Ltd., Atlantic Bitumen Company Ltd. and Georgevale Ltd..

COLLATERAL GRANTED IN RESPECT OF DEBTS

None.

NOTE 15 – WORKFORCE AND REMUNERATION OF EXECUTIVE BODIES

AVERAGE WORKFORCE

	2017	2016
Managers and engineers	345	293
Clerical and technical	70	63
Site workers		
TOTAL	415	356

COMPENSATION AWARDED TO MEMBERS OF THE EXECUTIVE BODIES

Total gross compensation (including benefits in kind but excluding variable compensation) paid in 2017 to Mr. Hervé Le Bouc, Chairman and Chief Executive Officer, amounted to 920,000 euros. Gross variable compensation for 2017 established in relation to quantitative and qualitative targets to be paid in 2018 will be 1,380,000 euros (1,380,000 euros in 2017). He received an amount of 20,000 euros in Directors' fees from Colas in 2017.

Mr. Hervé Le Bouc benefits from a supplementary pension plan as a member of the Executive Management Committee of Bouygues which represents 0.92% of yearly compensation per year of seniority in the said plan with a ceiling amounting to eight times that of French Social Security. This supplementary pension plan has not been posted as a provision since this plan consists of an insurance contract subscribed with an external organization and is governed by the procedure for regulated agreements.

The amount of Directors' fees paid by Colas and its subsidiaries to the Directors of Colas in 2017 amounted to 195,600 euros (including the amount paid to the Chairman and Chief Executive Officer).

ADVANCE PAYMENTS AND LOANS GRANTED TO EMPLOYEES

None.

NOTE 16 – FEES PAID TO THE STATUTORY AUDITORS

	Mazars		KPMG	
	2017	2016	2017	2016
Statutory audit and certification of annual financial statements	0.2	0.2	0.2	0.2
Other fees	0.1	–	0.1	–
TOTAL	0.3	0.2	0.3	0.2

NOTE 17 – SUBSIDIARIES AND AFFILIATES

in millions of euros	Share capital	Other equity	% held	Value of securities		Loans and advances granted	Guarantees provided	Revenue	Net income	Dividends received
				Gross	Net					
1. Subsidiaries France										
Colas Centre-Ouest	7.4	51.4	44.3	3.4	3.4	54.0	0.1	664.1	12.2	
Colas Île-de-France Normandie	35.1	48.8	56.3	19.7	19.7		0.2	953.0	12.8	1.6
Colas Nord-Picardie	5.7	35.9	50.0	2.9	2.9				0.2	
Colas Nord-Est	36.6	89.7	28.4	10.2	10.2	9.0	0.2	900.6	15.2	
Colas Rhône-Alpes Auvergne	20.1	87.7	64.4	36.1	36.1		0.1	602.0	13.4	
Colas Midi-Méditerranée	9.0	62.9	76.6	6.1	6.1	25.0	0.1	613.9	18.5	0.9
Colas Sud-Ouest	14.8	102.6	47.0	5.8	5.8		0.1	616.4	71.0	2.4
Screg Ouest	11.7	10.2	99.9	21.0	21.0				0.1	
Screg Île-de-France Normandie	8.8	32.9	99.9	24.7	24.7				0.9	
Screg Nord-Picardie	12.1	19.6	99.9	19.7	19.7					
Screg Est	13.4	24.9	99.9	30.8	30.8			0.3	0.1	
Screg Sud-Est	8.3	36.2	99.9	23.7	23.7				0.2	
Screg Sud-Ouest	9.0	39.0	99.9	20.2	20.2				2.2	
Sacer Atlantique	4.4	4.5	99.9	4.4	4.4				0.4	
Sacer Paris Nord-Est	4.8	18.7	99.9	4.9	4.9				0.5	
Sacer Sud-Est	5.1	25.9	99.9	5.2	5.2				0.1	
Aximum	36.8	(10.0)	99.9	50.1	50.1	14.0		339.4	(3.4)	
Spac	5.1	18.9	99.9	14.3	14.3			233.3	7.6	3.3
Smac	4.3	9.4	99.9	9.9	9.9			569.4	(3.2)	
Colas Rail	105.3	44.7	100.0	331.4	331.4	50.0	0.1	947.6	(19.8)	
Sté Raffinerie de Dunkerque	40.7	(38.6)	100.0	21.2	21.2				9.5	
Colas Grands Travaux	0.3	(2.3)	100.0	3.9	3.9			10.3	(1.7)	
GTOI	0.8	11.2	100.0	1.4	1.4			126.6	(1.7)	
SCPR	0.5	27.5	100.0	30.3	30.3			65.5	4.7	1.0
Ribal Travaux Publics	7.5	14.9	100.0	7.6	7.6			27.7	1.5	
Gouyer	2.0	3.7	96.9	48.0	20.0			0.1	0.3	
Sogetra	0.1	9.7	100.0	3.5	3.5			23.2	0.6	0.6
Other French subsidiaries				11.6	10.8	266.8	100.7			0.5
Total subsidiaries France				**772.0**	**743.2**	**418.8**	**101.6**			**10.3**
2. Affiliates France										
Affiliates France				1.0	0.2	10.7		–	–	–
Total affiliates France				**1.0**	**0.2**	**10.7**		**–**	**–**	**–**
3. Foreign subsidiaries and affiliates										
Foreign subsidiaries				640.5	488.1	140.3	25.0			106.0
Foreign affiliates				93.7	86.7					
TOTAL				**1,507.2**	**1,318.2**	**569.8**	**126.6**			**116.3**

NOTE 18 – LIST OF SUBSIDIARIES, AFFILIATES AND MARKETABLE SECURITIES

Name	Number of securities	Book value in thousands of euros
Colas Centre-Ouest	3,299,998	3,354
Colas Île-de-France Normandie	19,739,198	19,726
Colas Nord-Picardie	2,849,998	2,897
Colas Est	10,393,974	10,193
Colas Rhône-Alpes Auvergne	12,925,964	36,061
Colas Midi-Méditerranée	6,899,998	6,123
Colas Sud-Ouest	6,938,751	5,848
Société de la Raffinerie de Dunkerque	2,670,000	21,163
Aximum	49,071,094	50,129
Screg Ouest	11,674,999	21,007
Screg Île-de-France Normandie	8,799,999	24,697
Screg Nord-Picardie	12,108,499	19,739
Screg Est	13,439,999	30,795
Screg Sud-Est	8,353,943	23,678
Screg Sud-Ouest	8,999,999	20,227
Sacer Atlantique	4,349,996	4,421
Sacer Paris Nord-Est	4,799,996	4,878
Sacer Sud-Est	5,099,998	5,183
Spac	5,099,997	14,330
Smac	4,299,997	9,930
Sobib	3,924,050	3,590
Colas Rail	105,312,759	331,385
Colas Projects	3,309,000	3,874
Grands Travaux de l'Océan Indien (GTOI)	799,964	1,381
SCPR	32,600	30,300
Ribal Travaux Publics	7,500,000	7,644
Sogetra	146,895	3,492
Gouyer	124,436	20,033
Colas Mayotte	18,548,640	927
Entreprise de Travaux Publics et de Concassage (ETPC)	79,999	200
Société Parisienne d'Études d'Informatique et de Gestion	1,575,012	2,559
Colasie	624,225	634
Colas Environnement et Recyclage	160,000	312
SCI Les Scop	1,000	1,029
SCI La Mouche	1,000	227
Other stakes in French companies	–	1,460
Other stakes in foreign companies	–	574,743
Total subsidiaries		**1,318,169**
Other securities held in French companies		6
Other securities held in foreign companies		–
Total other non-current financial assets		**6**
Certificates of deposit		–
Sicav mutual funds		–
Total marketable securities		**0**
TOTAL SUBSIDIARIES, AFFILIATES AND MARKETABLE SECURITIES		**1,318,175**

Statutory Auditors' report
on the parent company financial statements

FISCAL YEAR ENDED DECEMBER 31, 2017

This is a free translation into English of the Statutory Auditors' report issued in French and is provided solely for the convenience of English-speaking readers. This report should be read in conjunction with, and construed in accordance with, French law and professional standards applicable in France.

To the Shareholders,

1. OPINION

In accordance with the assignment entrusted to us by your Shareholders' Meeting, we conducted our audit of the accompanying parent company financial statements of Colas for the fiscal year ended on December 31, 2017.

In our opinion, the parent company financial statements give a true and fair view of the Company's financial position, its assets and liabilities as of December 31, 2017, and the results of its operations for the fiscal year then ended, in accordance with accounting principles generally accepted in France.

The opinion stated above is consistent with the content of our report to the Audit Committee.

2. BASIS FOR OUR OPINION

Audit framework

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

The responsibilities incumbent upon us pursuant to these standards are stated in the "Statutory Auditors' responsibilities for the audit of the parent company financial statements" section of this report.

Independence

We conducted our audit in accordance with the rules on independence applicable to us during the period from January 1, 2017 through to the date on which we issued our report, and we did not provide any services prohibited in article 5, paragraph 1 of regulation (EU) No. 537/2014 or by the code of ethics for Statutory Auditors.

3. JUSTIFICATION OF OUR ASSESSMENTS – KEY AUDIT MATTERS

As required by articles L. 823-9 and R. 823-7 of the French Commercial Code *(Code de commerce)* relating to the justification of audit assessments, we bring to your attention the key audit matters concerning the risks of material misstatements that, in our professional judgment, were the most significant for the audit of the parent company financial statements for the fiscal year, and our responses to these risks.

These assessments were made as part of our audit of the parent company financial statements taken as a whole, and contributed to the opinion we stated above. We do not express an opinion on individual items in these parent company financial statements taken in isolation.

Valuation of holdings in subsidiaries and affiliates

(Notes 2, 17 and 18 to the parent company financial statements)

Risks identified

The holdings in subsidiaries and affiliates, which are shown on the balance sheet as of December 31, 2017 at a net amount of 1,138 million euros, account for 55% of total assets.

They are recognized at their acquisition cost, less any impairment required based on their value in use.

The value in use of the holdings is estimated by management based on the value of the equity held, i.e. the profitability outlook.

Accordingly, we considered that the assessment of the value in use of the holdings in subsidiaries and affiliates represented a key audit matter.

Audit procedures implemented in light of identified risks

To assess the reasonableness of the estimate of the values in use of the holdings in subsidiaries and affiliates, our work consisted in considering the value of the holdings in subsidiaries and affiliates in relation to the share of equity they represent, then assessing, for those with a carrying amount significantly above the value of the equity held, whether:

– based on the information provided to us, the estimate of these values determined by management is based on an appropriate justification;

– the data used to test the holdings in subsidiaries and affiliates for impairment is consistent with the data originating from the entities;

– the mathematical accuracy of the calculations of the values used by the Company.

4. VERIFICATIONS OF THE MANAGEMENT REPORT AND OTHER DOCUMENTS ADDRESSED TO THE SHAREHOLDERS

We have also carried out, in accordance with professional standards applicable in France, the specific verifications required by law.

We have no matters to report regarding the fair presentation and consistency with the parent company financial statements of the information given in the management report of the Board of Directors and in the other documents addressed to shareholders concerned with the financial position and the parent company financial statements.

We confirm that the Board of Directors' report on corporate governance contains the information required pursuant to articles L. 225-37-3 and L. 225-37-4 of the French Commercial Code.

Regarding the disclosures provided in application of the provisions of article L. 225-102-1 of the French Commercial Code on the compensation and benefits paid to company officers and on the commitments made to them, we have verified that this information is consistent with the financial statements and with the data used to prepare these financial statements and, if applicable, with the information collected by your Company from the companies that control or are controlled by your Company. Based on these procedures, it is our opinion that these disclosures are accurate and fairly presented.

In accordance with French law, we have ascertained that the appropriate disclosures have been provided with regard to the acquisition of shareholdings and controlling interests as well as the identity of shareholders and of holders of voting rights.

5. INFORMATION ARISING FROM OTHER LEGAL AND REGULATORY REQUIREMENTS

Appointment of the Statutory Auditors

KPMG was appointed as Statutory Auditor of Colas by the Combined Shareholders' Meeting of April 1989 and Mazars by the Ordinary Shareholders' Meeting of April 25, 2001.

As of December 31, 2017, KPMG was in the twenty-ninth successive year of its assignment given the series of mergers and acquisitions it went through, and Mazars was in the seventeenth year, i.e. respectively twenty-nine and seventeen years since the Company's shares were admitted to trading on a regulated market.

6. RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE CONCERNING THE PARENT COMPANY FINANCIAL STATEMENTS

Management is responsible for preparing fairly presented parent company financial statements in accordance with French GAAP and for implementing the internal controls it deems necessary to prepare parent company financial statements not containing any material misstatements, whether as a result of fraud or errors.

When preparing the parent company financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the intention is to liquidate the Company or to cease operations.

The Audit Committee is responsible for overseeing the process of preparing financial reporting and monitoring the effectiveness of internal control and risk management systems, as well as, where applicable, the internal audit, with regard to the procedures for the preparation and processing of accounting and financial information.

The parent company financial statements have been approved by the Board of Directors.

7. STATUTORY AUDITORS' RESPONSIBILITIES FOR THE PARENT COMPANY FINANCIAL STATEMENTS

Audit objective and approach

Our role is to prepare a report on the parent company financial statements. We aim to obtain reasonable assurance that the parent company financial statements taken as a whole are free from material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or on aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As stated in article L. 823-10-1 of the French Commercial Code, our statutory audit does not consist in guaranteeing the viability or quality of the management of your Company.

In an audit performed in accordance with professional standards applicable in France, the Statutory Auditors exercise their professional judgement throughout the audit. Moreover:

– they identify and assess the risks of material misstatement of the parent company financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for their opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

– they obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control;

– they evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made in the parent company financial statements;

– they evaluate the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern. If it concludes that a material uncertainty exists, it draws attention in its report to the related disclosures in the parent company financial statements in respect of this uncertainty or, if such disclosures are not provided or are not relevant, it expresses a qualified or adverse opinion;

– they evaluate the overall presentation of the parent company financial statements and whether the parent company financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Report to the Audit Committee

We have submitted a report to the Audit Committee presenting the scope of the audit work and the audit program implemented, together with the conclusions of our work. We also bring to its attention, where appropriate, any material weaknesses in internal control that we identified relating to the procedures for the preparation and processing of accounting and financial information.

The items contained in the report to the Audit Committee include the risks of material misstatement that we consider to be the most significant for the audit of the parent company financial statements for the fiscal year and thereby forming the key audit points, which we are responsible for presenting in this report.

We also provide the Audit Committee with the declaration of independence provided for in article 6 of regulation (EU) No. 537-2014, as defined in the rules applicable in France, as specified in articles L. 822-10 to L. 822-14 of the French Commercial Code and in the code of ethics applicable to Statutory Auditors. Where appropriate, we discuss with the Audit Committee risks to our independence and the measures applied to safeguard it.

French original signed by:

The Statutory Auditors

Paris-la Défense, February 20, 2018

KPMG Audit IS	MAZARS	
François Plat *Partner*	Daniel Escudeiro *Partner*	Gilles Rainaut *Partner*

Special report of the Statutory Auditors
on regulated agreements and commitments

SHAREHOLDERS' MEETING TO APPROVE THE FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED DECEMBER 31, 2017

This is a free translation into English of the special report of the Statutory Auditors on regulated agreements and commitments issued in French and is provided solely for the convenience of English-speaking readers.

This report on regulated agreements and commitments should be read in conjunction with, and construed in accordance with, French law and professional standards applicable in France.

To the Shareholders,

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

We are required to inform you, on the basis of the information provided to us, of the principal terms and conditions and the factors justifying the interest for the Company of those agreements and commitments brought to our attention, or that we may have discovered in the course of our audit. We are not required to express an opinion on their usefulness and appropriateness or ascertain whether any other such agreements and commitments exist. It is your responsibility, in accordance with article R. 225-31 of the French Commercial Code (*Code de commerce*), to evaluate the benefits resulting from these agreements and commitments with a view to their approval.

Our role is also to provide you with the information stipulated in article R. 225-31 of the French Commercial Code relating to the implementation during the fiscal year under review of agreements and commitments previously approved at the Shareholders' Meetings.

We have carried out the procedures we considered necessary in accordance with the professional guidelines of the *Compagnie nationale des commissaires aux comptes* (CNCC, the French National Institute of Statutory Auditors) relating to this engagement. These procedures involved verifying that the information provided to us was consistent with its supporting documentation.

AGREEMENTS AND COMMITMENTS SUBMITTED FOR APPROVAL AT THE SHAREHOLDERS' MEETINGS

In accordance with article L. 225-40 of the French Commercial Code, we have been advised of the following regulated agreements and commitments submitted for the prior authorization of your Board of Directors.

a) Rider to the cash management agreement entered into with Bouygues Relais

At its meeting on August 29, 2017, the Board of Directors authorized the rider to the cash management agreement with Bouygues Relais of March 1, 2017, increasing the maximum size of the bridge loans to 960 million euros prior to expiration of the agreement on March 1, 2018. This increase is linked to the arrangement by Colas in fiscal year 2017 of new medium-term bank lines with a residual maturity of over one year backing these bridge loans.

Under this agreement, Colas is able to borrow and make interest-bearing deposits. All the other terms and conditions of the cash management agreement presented below remain unchanged.

Under the arrangement, Colas SA held a receivable of 203 million euros due from Bouygues Relais as of December 31, 2017. In addition, cash transactions made during fiscal year 2017 generated a net expense of 356,563 euros.

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

b) Shared services agreement entered into with Bouygues

At its meeting on November 14, 2017, the Board of Directors authorized the extension of the shared services agreement between Bouygues and Colas for a term of one year from January 1, 2018 to December 31, 2018.

In consideration for a fee payable to Bouygues, Colas receives various services related to management, human resources, information technology, law, and finance, among other areas. The terms and conditions of this agreement remained the same as under the previous agreement (presented below).

The renewal of this agreement had no impact on the 2017 financial statements. Its impact will be reflected in the 2018 financial statements.

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

c) Open Innovation services agreement entered into with Bouygues

At its meeting on November 14, 2017, the Board of Directors authorized the renewal of the agreement for a further one-year term from January 1, 2018 to December 31, 2018.

Under this agreement, Colas benefits from expertise and advice from Bouygues and its subsidiary Bouygues Développement against the backdrop of an environment ripe for open innovation and synergies between large groups and innovative start-ups.

These services form an integral part of the services provided to Colas in connection with the shared services agreement referred to above. In return, Colas pays Bouygues, via its CIB Développement subsidiary, a flat monthly fee of 750 euros excluding taxes on a pro rata basis per investment in an innovative company under management.

The renewal of this agreement had no impact on the 2017 financial statements. Its impact will be reflected in the 2018 financial statements.

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

d) Aircraft use agreement entered into with Airby

At its meeting on November 14, 2017, the Board of Directors authorized the renewal of the agreement with Airby, a subsidiary of Bouygues and SDCM, for an additional one-year term from January 1 to December 31, 2018.

Under this agreement, Airby makes available to Colas the Global 6000 aircraft, or when the latter is unavailable, an aircraft leased in the open market meeting Colas' needs. The terms and conditions of this agreement remained the same as under the previous agreement (presented below).

The renewal of this agreement had no impact on the 2017 financial statements. Its impact will be reflected in the 2018 financial statements.

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

e) Shared services agreement with GIE 32 Hoche

At its meeting on November 14, 2017, the Board of Directors authorized the renewal of the agreement for a further one-year period from January 1, 2018 to December 31, 2018.

GIE 32 Hoche provides Colas with meeting room and reception area facilities located in central Paris, plus an array of related services. In return, Colas pays an annual fee of 22,362 euros excluding taxes one quarter in advance. Additional charges are payable for IT services, breakfasts, and other meals.

The renewal of this agreement had no impact on the 2017 financial statements. Its impact will be reflected in the 2018 financial statements.

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

f) Agreement to acquire shares in Mainby from Bouygues

On November 14, 2017, the Board of Directors authorized the agreement between Colas and Bouygues to acquire shares in Mainby.

In connection with the new human resources policy promoting international mobility within the Bouygues Group, Colas acquired 560 shares in Mainby (28% of the share capital) during the fiscal year.

Colas' acquisition of an interest in Mainby will enable it to play a part in shaping the Bouygues Group's international mobility policy and to better meet expectations in terms of the management of international human resources.

The amount recognized by Colas SA for this acquisition under this agreement in the financial statements for the fiscal year ended December 31, 2017 came to 443,800 Swiss francs, or around 380,519 euros.

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

g) Agreement to acquire shares in Société Parisienne d'Études d'Informatique et de Gestion (SPEIG) from Bouygues

On November 14, 2017, the Board of Directors authorized the agreement between Colas and Bouygues to acquire shares in SPEIG.

This acquisition (784,665 shares representing 49.82% of the share capital) will give Colas full ownership of SPEIG's share capital.

The amount recognized by Colas SA for this acquisition under this agreement in the financial statements for the fiscal year ended December 31, 2017 came to 1,615,012 euros.

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

h) Cash management agreement with Bouygues Relais

At its meeting on November 14, 2017, the Board of Directors authorized the renewal of this agreement upon its expiration for an additional one-year term from March 1, 2018 to March 1, 2019. To date, this agreement has not been entered into and is expected to be signed during March 2018.

Under this agreement, Colas is able to make interest-bearing borrowings from Bouygues Relais for cash management optimization purposes.

This maximum amount that may be borrowed under this cash management agreement is the sum of the authorized amounts of the confirmed medium-term bank lines with a residual maturity of over one year that will back these borrowings. To date, the authorized credit lines with a remaining term of more than one year amount to 960 million euros.

The renewal of this agreement had no impact on the 2017 financial statements. Its impact will be reflected in the 2018 financial statements.

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

i) Cash investment agreement entered into with Bouygues Relais

At its meeting on November 14, 2017, the Board of Directors authorized the renewal of this agreement upon its expiration for an additional one-year term from March 1, 2018 to March 1, 2019. It is expected to be renewed during March 2018.

The purpose of the agreement is to optimize Colas' cash management.

In return for the deposits it makes, Colas receives interest at a rate linked to their term.

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

Agreement authorized since the end of the previous fiscal year

j) Supplemental defined benefit pension plan

At its meeting on February 20, 2018, the Board of Directors authorized the continuation, for fiscal year 2018, of the agreement relating to the supplemental pension plan provided to Hervé Le Bouc in his capacity as Chairman and Chief Executive Officer of Colas SA, previously approved at the Shareholders' Meeting of April 11, 2017. The aim of this commitment is to reward and retain the loyalty of Colas' Chairman and Chief Executive Officer.

The agreement covering the supplemental defined benefit pension plan for Colas SA's Chairman and Chief Executive Officer makes the vesting of pension rights contingent upon the attainment of performance conditions to be set each year by the Board of Directors. Should these performance conditions not be achieved, the pension rights vesting would be reduced proportionately.

The other terms and conditions of the agreement stated below did not change during the fiscal year:

– the maximum additional annuity is 0.92% of the reference salary per year of membership in the plan, and must not exceed eight times the maximum annual French social security benefit;

– contributions made by the Company to the fund constituted by the insurer vary depending on the rights acquired by the plan recipient and the expected returns of the amounts invested.

This agreement, which had not been entered into by the date of our report, did not apply during fiscal year 2017.

Person concerned: Hervé Le Bouc.

AGREEMENTS AND COMMITMENTS ALREADY APPROVED AT SHAREHOLDERS' MEETINGS

Agreements and commitments approved during previous fiscal years that remained in force during the fiscal year under review

In accordance with article R. 225-30 of the French Commercial Code, we have been advised that the following agreements and commitments which were approved in prior fiscal years remained in effect during the fiscal year under review.

a) Shared services agreement entered into with Bouygues

The Shareholders' Meeting of April 11, 2017 approved the new shared services agreement entered into with Bouygues, which superseded and replaced the previous agreement in force effective January 1, 2017.

Under this agreement entered into between Bouygues and Colas for a term of one year, Colas receives various services provided by Bouygues in return for a fee in areas including management, human resources, information technology, and finance.

The principle behind this agreement is based on the rules for allocating and invoicing shared services costs, including specific services, and the assumption of a residual share of the costs up to a limit linked to a percentage of Colas' revenue. A margin of 10% is invoiced on the share of the residual amount for high value-added services and of 5% for low value-added services.

The corresponding expenses recognized by Colas SA under this agreement in the financial statements for the fiscal year ended December 31, 2017 amounted to 17,543,667 euros.

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

b) Cash management agreement entered into with Bouygues Relais

Period from March 1, 2016 to March 1, 2017:

The Shareholders' Meeting of April 13, 2016 had approved the renewal of the cash management agreement entered into with Bouygues Relais for the period from March 1, 2016 to March 1, 2017.

Period from March 1, 2017 to March 1, 2018:

The Shareholders' Meeting of April 11, 2017 had approved the renewal of the same agreement for the period from March 1, 2017 to March 1, 2018.

Under this cash management agreement, Colas is able to borrow from and make interest-bearing deposits with Bouygues Relais for cash management optimization purposes:

– in return for the borrowings offered by Bouygues Relais, Colas pays interest calculated based on the amounts drawn down and an interest rate equal to EONIA, plus a margin calculated as the average margin on drawings on Colas' bank lines with a maturity of over one year at the date on which the agreement was entered into, less a margin, where appropriate;

– in return for the deposits it makes, Colas receives interest at a rate varying according to their term.

The cash deposit and borrowing transactions effected by Colas carry a rate of interest linked to either EONIA or EURIBOR depending on the length and type of transaction, plus a margin, where appropriate.

Under the arrangement, Colas SA held a receivable of 203 million euros due from Bouygues Relais as of December 31, 2017. In addition, cash transactions made during fiscal year 2017 generated a net expense of 356,563 euros.

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

c) Open Innovation services agreement entered into with Bouygues

The Shareholders' Meeting of April 13, 2016 had approved the consulting and management services agreement with Bouygues SA, directly or through the intermediary of its wholly owned subsidiary Bouygues Développement. Under this agreement, Colas receives consulting services and assistance with the qualification and validation of innovation projects led by innovative companies, and with investment management.

This agreement was entered into on February 1, 2015 for a period of eleven months and has since been renewed for automatically renewable twelve-month periods.

These services form an integral part of the services provided to Colas in connection with the shared services agreement referred to above. In return, a flat monthly fee of 750 euros excluding taxes is charged per investment in an innovative company under management.

This agreement was not applied in fiscal year 2017.

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

d) Aircraft use agreement entered into with Airby

The Shareholders' Meeting of April 11, 2017 had approved renewal of the agreement relating to the use of aircraft provided by SNC Airby (a Bouygues SA and SCDM subsidiary), and all the related services (piloting, fuel, etc.) for fiscal year 2017.

Under this agreement, Airby makes available to Colas the Global 6000 aircraft, or when the latter is unavailable, an aircraft leased in the open market meeting Colas' needs. In return for the use of:

– the Global 6000 aircraft: Colas pays a price per flight hour of 7,000 euro excluding taxes. This rate is adjusted annually to account for changes in market rates;

– an aircraft leased in the open market: Colas pays the leasing cost of the aircraft plus a fixed sum of 1,000 euros excluding taxes for every aircraft made available, reflecting the chartering assignment provided by SNC Airby to Bouygues. Invoices are sent each time the aircraft is made available.

The corresponding expenses recognized by Colas SA under this agreement in the financial statements for the fiscal year ended December 31, 2017 amounted to 510,358 euros.

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

e) Tax consolidation agreement

The Shareholders' Meeting of April 11, 2017 had authorized the renewal of the tax consolidation agreement between Colas and Bouygues. This agreement is applicable for a period of five fiscal years, from January 1, 2017 to December 31, 2021, and is automatically renewable.

This agreement governs the apportionment of tax expenses within the consolidated group constituted by the parent company Bouygues SA, pursuant to article 223-A of the French General Tax Code, attributing tax expenses to Colas SA that it is jointly and severally liable to pay.

As part of the agreement, Colas SA authorized Bouygues SA to become solely liable to pay the corporate income tax of Colas SA, with regard to determining the taxable profit of the Group as a whole.

This agreement was effective in fiscal year 2017.

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

Agreements and commitments approved during previous fiscal years that were not executed during the fiscal year under review

We have also been advised that the following commitments, which were approved at Shareholders' Meetings in prior fiscal years, were not executed during the fiscal year under review.

Signing of a *Bail en l'état futur d'achèvement* ("BEFA" off-plan lease) with Bouygues Immobilier

As the lease for the property where Colas SA's current registered office is located in Boulogne-Billancourt (France) was expiring, the Shareholders' Meeting of April 13, 2016 approved the signing of a *Bail en l'état futur d'achèvement* (BEFA) off-plan lease with Bouygues Immobilier for the lease of new property to serve as the registered office for a period of twelve years as of the date when the building is made available, which is expected to be in May 2018.

An off-plan lease for this property located in Issy-les-Moulineaux was preferred to a purchase so as to maintain Colas' investment capacity for its operating activities.

The annual lease payment to be made to the lessor was set at 3,478,200 euros, excluding taxes and expenses. Lease payments will be made starting at the date when the property is made available, and therefore had no impact on the 2017 financial statements; their impact will be reflected starting in the 2018 financial statements.

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

French original signed by:

The Statutory Auditors

Paris-la Défense, March 7, 2018

KPMG Audit IS	MAZARS	
François Plat *Partner*	Daniel Escudeiro *Partner*	Gilles Rainaut *Partner*

Statutory Auditors' report
on capital reduction

SHAREHOLDERS' MEETING OF APRIL 12, 2018, RESOLUTION 11

This is a free translation into English of the Statutory Auditors' report issued in French and is provided solely for the convenience of English-speaking readers. This report should be read in conjunction with, and construed in accordance with, French law and professional standards applicable in France.

To the Shareholders,

In our capacity as Statutory Auditors of your Company and in accordance with the procedures provided for in article L. 225-209 of the French Commercial Code *(Code de commerce)* in the event of a reduction in share capital by way of the retirement of shares purchased, we hereby report on our assessment of the reasons for and conditions of the proposed reduction in share capital.

Your Board of Directors proposes that you confer all necessary powers on it, for a period of eighteen months as from the date of this Shareholders' Meeting, to retire, up to a maximum of 10% of its share capital per twenty-four-month period, the shares purchased by your Company pursuant to the authorization to purchase its own shares in application of the provisions of the above-mentioned article.

We have carried out the procedures we considered necessary in accordance with the professional guidelines of the *Compagnie nationale des commissaires aux comptes* (CNCC, the French National Institute of Statutory Auditors) relating to this engagement. Our procedures consisted, in particular, in verifying the fairness of the reasons for and the terms and conditions of the proposed reduction in share capital, which does not interfere with the equal treatment of shareholders.

We have no comments to make on the reasons for or conditions of the proposed reduction in share capital.

French original signed by:

The Statutory Auditors

Paris-la Défense, February 20, 2018

KPMG Audit IS	MAZARS	
François Plat *Partner*	Daniel Escudeiro *Partner*	Gilles Rainaut *Partner*

Independent verifier's report
on consolidated social, environmental and societal information presented in the management report

YEAR ENDED THE DECEMBER 31, 2017

This is a free translation into English of the original report issued in the French language and it is provided solely for the convenience of English speaking users. This report should be read in conjunction with, and construed in accordance with, French law and professional standards applicable in France.

To the Shareholders,

In our quality as an independent verifier accredited by the COFRAC[1], under the number no. 3-1050, we present our report on the consolidated social, environmental and societal information established for the year ended on the December 31, 2017, presented in the chapter "Corporate social and environmental reporting requirements (article 225)" of the management report, hereafter referred to as the "CSR Information", pursuant to the provisions of the article L. 225-102-1 of the French Commercial Code *(Code de commerce)*.

Responsibility of the Company

It is the responsibility of the Board of Directors to establish a management report including CSR Information referred to in the article R. 225-105-1 of the French Commercial Code *(Code de commerce)*, in accordance with the protocols used by the Company, composed of the Group's social reporting protocol and the environmental and societal reporting protocol (hereafter referred to as the "Criteria"), and of which a summary is included in introduction to the management report and available on request at the company's headquarters.

Independence and quality control

Our independence is defined by regulatory requirements, the Code of ethics of our profession as well as the provisions in the article L. 822-11-3 of the French Commercial Code *(Code de commerce)*. In addition, we have implemented a quality control system, including documented policies and procedures to ensure compliance with ethical standards, professional standards and applicable laws and regulations.

Responsibility of the independent verifier

It is our role, based on our work:

− to attest whether the required CSR Information is present in the management report or, in the case of its omission, that an appropriate explanation has been provided, in accordance with the third paragraph of article R. 225-105 of the French Commercial Code *(Code de commerce)* (Attestation of presence of CSR Information);

− to express a limited assurance conclusion that the CSR Information, overall, is fairly presented, in all material aspects, in according with the Criteria.

Nonetheless, it is not our role to give an opinion on the compliance with other legal dispositions where applicable, in particular those provided for in the article L. 225-102-4 of the French Commercial Code (vigilance plan) and in the Sapin II law no. 2016-1691 of December 9, 2016 (anti-corruption).

Our verification work mobilized the skills of five people between September 2017 and February 2018 for an estimated duration of eight weeks.

We conducted the work described below in accordance with the professional standards applicable in France and the Order of May 13, 2013 determining the conditions under which an independent third-party verifier conducts its mission.

1. ATTESTATION OF PRESENCE OF CSR INFORMATION

Nature and scope of the work

We obtained an understanding of the Company's CSR issues, based on interviews with the management of relevant departments, a presentation of the Company's strategy on sustainable development based on the social and environmental consequences linked to the activities of the Company and its societal commitments, as well as, where appropriate, resulting actions or programmes.

We have compared the information presented in the management report with the list as provided for in the article R. 225-105-1 of the French Commercial Code *(Code de commerce)*.

In the absence of certain consolidated information, we have verified that the explanations were provided in accordance with the provisions in article R. 225-105, paragraph 3, of the French Commercial Code *(Code de commerce)*.

We verified that the information covers the consolidated perimeter, namely the entity and its subsidiaries, as aligned with the meaning of the article L. 233-1 and the entities which it controls, as aligned with the meaning of the article L. 233-3 of the French Commercial Code *(Code de commerce)* with the limitations specified in the methodological note of the management report.

Conclusion

Based on this work, and given the limitations mentioned above, we confirm the presence in the management report of the required CSR Information.

2. LIMITED ASSURANCE ON CSR INFORMATION

Nature and scope of the work

We undertook eight interviews with about ten people responsible for the preparation of the CSR Information in the different departments in charge of the data collection process and, if applicable, the people responsible for internal control processes and risk management, in order to:

– assess the suitability of the Criteria for reporting, in relation to their relevance, completeness, reliability, neutrality, and understandability, taking into consideration, if relevant, industry standards;

– verify the implementation of the process for the collection, compilation, processing and control for completeness and consistency of the CSR Information and identify the procedures for internal control and risk management related to the preparation of the CSR Information.

We determined the nature and extent of our tests and inspections based on the nature and importance of the CSR Information, in relation to the characteristics of the Company, its social and environmental issues, its strategy in relation to sustainable development and industry best practices.

For the CSR Information which we considered the most important(2):

– at the level of the consolidated entity, we consulted documentary sources and conducted interviews to corroborate the qualitative information (organisation, policies, actions, etc.), we implemented analytical procedures on the quantitative information and verified, on a test basis, the calculations and the compilation of the information, and also verified their coherence and consistency with the other information presented in the management;

– at the level of the representative selection of entities that we selected(3), based on their activity, their contribution to the consolidated indicators, their location and a risk analysis, we undertook interviews to verify the correct application of the procedures and undertook detailed tests on the basis of samples, consisting in verifying the calculations made and linking them with supporting documentation. The sample selected therefore represented on average 13,5% of the activity, 17,4% of the total workforce.

For the other consolidated CSR information, we assessed their consistency in relation to our knowledge of the Company.

Finally, we assessed the relevance of the explanations provided, if appropriate, in the partial or total absence of certain information.

We consider that the sample methods and sizes of the samples that we considered by exercising our professional judgment allow us to express a limited assurance conclusion; an assurance of a higher level would have required more extensive verification work. Due to the necessary use of sampling techniques and other limitations inherent in the functioning of any information and internal control system, the risk of non-detection of a significant anomaly in the CSR Information cannot be entirely eliminated.

Conclusion

Based on our work, we have not identified any significant misstatement that causes us to believe that the CSR Information, taken together, has not been fairly presented, in compliance with the Criteria.

Paris-la Défense, February 20, 2018

French original signed by:

Independent verifier
ERNST & YOUNG et Associés

Éric Mugnier	Bruno Perrin
Partner, Sustainable Development	*Partner*

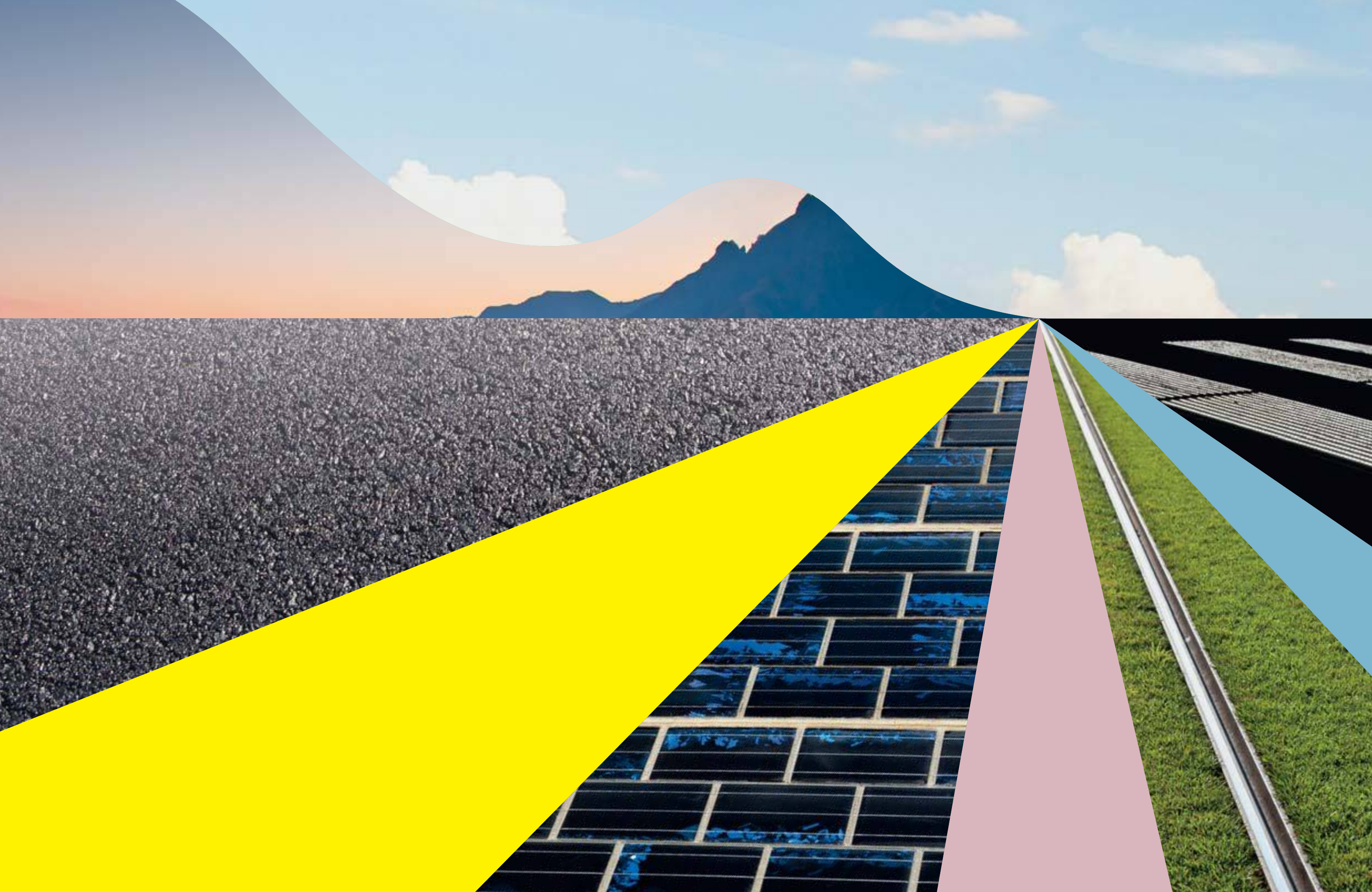
(1) Scope available at www.cofrac.fr.

(2) **Human resources information:**
– Quantitative information (indicators):
  • global scope: workforce (total headcount and movements – recruitments and departures), share of women managers, fatalities, frequency and severity rates of workplace accidents, share of companies with a training plan and number of training days;
  • France perimeter: absenteeism.
– Qualitative information: employment, absenteeism, health and safety on the workplace, training policies, policies in favour of equal opportunities.

Environmental and societal information:
– Quantitative information (indicators): financial indicators (CAE and VAI), total energy bill and total energy consumption, percentage of recycled asphalt for bitumen beneficial reuse, environmental certification or self-evaluation rate of the material production activities, share of manufacturing activities where aqueous effluents are under control, share of manufacturing activities with a local dialogue structure, share of aggregates production activities with an action for biodiversity, share of stationary activities located in extremely high water stress areas, GHG emissions (GHG scope 1, 2 and 3).
– Qualitative information: general environmental policy, approaches to evaluation and certification, climate change and greenhouse gas emissions, loyal practice of business and actions undertaken to guard against corruption.

(3) Colas Nord-Est (France), Colas UK (United Kingdom) and Smac (France).

Resolutions



Report on the resolutions to be submitted to the Shareholders' Meeting

In the resolutions presented to you, we submit the following resolutions for your approval:

RESOLUTIONS FOR THE ORDINARY PORTION OF THE COMBINED SHAREHOLDERS' MEETING

RESOLUTIONS 1, 2, AND 3
Approval of the parent company and consolidated financial statements, appropriation of fiscal year 2017 earnings and setting of the dividend (8.20 euros per share)

Subject and purpose

Approve:

– the individual (parent company) financial statements for fiscal year 2017 showing net profit of 163,233,671.26 euros; and

– the consolidated financial statements for fiscal year 2017 showing net profit attributable to the Group of 327,963 thousand euros.

The detailed financial statements are provided in the 2017 annual report and are available for download at www.colas.com. The notice of the Shareholders' Meeting contains a summary of the consolidated financial statements.

The profit available for distribution, which consists of net profit of 163,233,671.26 euros plus retained earnings brought forward of 716,647,290.45 euros, amounts to 879,880,961.71 euros.

We propose that you pay out a total dividend of 267,766,891.80 euros and transfer the remaining balance of 612,114,069.91 euros to retained earnings. The payout represents a dividend of 8.20 euros per share, which is the same as that paid in respect of fiscal year 2017 for each of the 32,654,499 existing shares. The payment is eligible for the 40% tax allowance provided for under article 158.3–2° of the French General Tax Code. The dividend will be paid on May 3, 2018. As required by article 243 *bis* of the French General Tax Code, dividends paid out in respect of the last three fiscal years are stated below:

For the fiscal year	2014	2015	2016
Number of shares	32,654,499	32,654,499	32,654,499
Dividend per share (in euros)	15.40	5.45	8.20
Total dividend (in euros)	502,879,284.60	177,967,019.55	267,766,891.80

(1) Amount eligible for the 40% tax allowance provided for in paragraph 2 of 3 of article 158 of the French General Tax Code.

RESOLUTION 4
Approval of the agreements and regulated commitments

Subject and purpose

Approve the regulated agreements entered into directly or indirectly during fiscal year 2017 between Colas and:

– one of its company officers (senior executives, Directors);

– a company in which a company officer of Colas is also appointed as a company officer;

– a shareholder holding more than 10% of Colas' voting rights.

This approval falls within the scope of the procedure for regulated agreements, which aims to guard against any conflicts of interest. The defined-benefit pension commitment given to the Chairman and Chief Executive Officer also has to be approved. As required by law, these agreements and commitments were given prior authorization by the Board of Directors before they were entered into, with the relevant Directors not taking part in the proceedings. A detailed list of these agreements and commitments, their interest for Colas, and their financial arrangements are included in the special report of the Statutory Auditors on regulated agreements and commitments. The agreements and commitments stated in the special report that had previously been approved by the Shareholders' Meeting were not submitted for another vote.

RESOLUTION 5
Approval of the defined-benefit pension commitment given to Hervé Le Bouc

Subject and purpose

The members of the Bouygues' Executive Management Committee, which include Hervé Le Bouc, are covered by a supplementary pension plan entitling them to an annual salary of 0.92% of their base salary (average of the three best years) per year of seniority in the plan, capped at eight times the French Social Security limit, which stands at 317,856 euros for 2018.

Pursuant to article L. 225-42-1 of the French Commercial Code, the Shareholders' Meeting has to approve by means of individual resolutions the pension plan for Hervé Le Bouc, whose term of office as Chairman and Chief Executive Officer was renewed on February 20, 2018. The features of the defined-benefit contribution plan are presented in the report on corporate governance.

RESOLUTION 6
Opinion on the items of compensation due and awarded to Hervé Le Bouc in respect of fiscal year 2017 in his capacity as Chairman and Chief Executive Officer

Subject and purpose

Pursuant to article L. 225-100 of the French Commercial Code, shareholders are asked to approve the items of compensation due and awarded to Hervé Le Bouc in respect of fiscal year 2017 in his capacity as Chairman and Chief Executive Officer. In accordance with the provisions of article L. 225-37-3 of the French Commercial Code, these items are presented in the report on corporate governance.

RESOLUTION 7
Compensation policy for the Chairman and Chief Executive Officer in respect of fiscal year 2018

Subject and purpose

Pursuant to article L. 225-37-2 of the French Commercial Code, the Board of Directors submits for the approval of the Shareholders' Meeting the principles and criteria for the allocation and award of fixed, variable, and exceptional elements of total compensation and benefits in kind attributable, in respect of his office, to the Chairman and Chief Executive Officer for fiscal year 2018 and thereby constituting the compensation policy with respect to him. The principles and criteria laid down by the Board of Directors on the recommendation of the Selection and Compensation Committee are presented in the report on corporate governance pursuant to the provisions of article L. 225-37-2 of the French Commercial Code. In accordance with article L. 225-100 of the French Commercial Code, the amounts arising from implementation of these principles and criteria will be submitted for shareholders' approval at the Shareholders' Meeting called to approve the financial statements for fiscal year 2018.

RESOLUTION 8
Reappointment of Catherine Ronge

Subject and purpose

Renew the directorship of Catherine Ronge, whose term of office expires at the close of the ordinary portion of the Shareholders' Meeting on April 12, 2018. The Board of Directors proposes that you reappoint Catherine Ronge as a Director. The Board of Directors believes that she fulfills all the criteria to qualify as an Independent Director.

Term of office

In accordance with the Company's bylaws, her appointment would be for two years, expiring at the close of the Ordinary Shareholders' Meeting called to approve in 2020 the financial statements for the fiscal year ending on December 31, 2019.

RESOLUTION 9
Authorization for the Company to buy back its own shares

Subject and purpose

Renew the authorization granted to the Company to repurchase its own shares under a share buyback program. The Company is requesting that the Shareholders' Meeting authorize it to buy back its own shares in an amount not exceeding 1% of share capital. This authorization would cover the following purposes:

– reduce the share capital through the retirement of shares as provided for in law, subject to authorization from the Extraordinary General Meeting;

– providing liquidity and an active market for the Company's shares through the intermediary of an investment services provider acting within the framework of a liquidity agreement in accordance with a code of ethics recognized by the AMF.

In 2017, purchases of the Company's own shares consisted of the acquisition of 31,754 shares and the sale of 41,218 shares via the intermediary of an investment services provider acting within the framework of a liquidity agreement in accordance with a code of ethics approved by the *Autorité des marchés financiers* (AMF).

Upper limits of the authorization

The authorization would be granted subject to the following restrictions:

– 1% of share capital;

– maximum purchase price: 220 euros per share;

– maximum budget: 71,839,000 euros.

Length of authorization

Eighteen months.

RESOLUTION 10
Powers to carry out formalities

Subject and purpose

Arrange for the completion of all legal and administrative formalities and all filings and notices.

RESOLUTIONS FOR THE EXTRAORDINARY PORTION OF THE COMBINED SHAREHOLDERS' MEETING

RESOLUTION 11
Option of reducing the share capital by retiring shares

Subject and purpose

Authorize the Board of Directors, should it so deem appropriate, to reduce the share capital in one or more transactions, subject to a maximum of 10% of the share capital per twenty-four-month period, by retiring some or all of the shares the Company holds as a result of any authorization to buy back shares granted by the Shareholders' Meeting.

Upper limits of the authorization

Option of retiring up to 10% of the share capital per twenty-four-month period.

Length of authorization

Eighteen months.

RESOLUTION 12
Modification of the age limit for the Chairman of the Board of Directors

Subject and purpose

Decide, in accordance with article L. 225-48 of the French Commercial Code, to modify article 16 of the bylaws to change the age limit for serving as Chairman. The current version of the bylaws states an age limit of 67, with the Chairman of the Board of Directors deemed to resign automatically upon reaching the age of 67. The Board of Directors proposes that the wording of the bylaws be amended to state that the age limit for serving as Chairman is the day after the Shareholders' Meeting called to approve the annual financial statements for the fiscal year in which the Chairman reaches the age of 67.

RESOLUTION 13
Modification of the age limit for the Chief Executive Officer

Subject and purpose

Decide, in accordance with article L. 225-48 of the French Commercial Code, to modify article 20.2 of the bylaws to change the age limit for serving as Chief Executive Officer. The current version of the bylaws states an age limit of 67, with the Chief Executive Officer deemed to resign automatically upon reaching the age of 67. The Board of Directors proposes that the wording of the bylaws be amended to state that the age limit for serving as Chief Executive Officer is the day after the Shareholders' Meeting called to approve the annual financial statements for the fiscal year in which the Chief Executive Officer reaches the age of 67.

RESOLUTION 14
Powers to carry out formalities

Subject and purpose

Arrange for the completion of all legal and administrative formalities and all filings and notices.

The Board of Directors

Text of resolutions

ORDINARY PORTION

FIRST RESOLUTION

Approval of the parent company financial statements

After the reading of the parent company financial statements for the year ended December 31, 2017, the Board of Directors' management report and the Statutory Auditors' report on the financial statements, the Shareholders' Meeting, which meets the quorum and majority requirements for Ordinary Shareholders' Meetings, approves the parent company financial statements for the year ended December 31, 2017, which show a net profit of 163,233,671.26 euros, in addition to the transactions reflected in these statements and summarized in these reports.

The Shareholders' Meeting grants full discharge to the Directors for their management.

The Shareholders' Meeting recognizes that the expenses specified in articles 39-4 and 223 *quater* of the French General Tax Code, which are subject to corporate income tax, totaled 0 euros for fiscal year 2017.

SECOND RESOLUTION

Approval of the consolidated financial statements

After the reading of the consolidated financial statements for the year ended December 31, 2017, the Board of Directors' report on the Group's management included in the management report in accordance with article L. 233-26 of the French Commercial Code, and the Statutory Auditors' report on the consolidated financial statements, the Shareholders' Meeting, which meets the quorum and majority requirements for Ordinary Shareholders' Meetings, approves the consolidated financial statements for the year ended December 31, 2017, which show a net profit attributable to the Group of 327,963 thousand euros, in addition to the transactions reflected in these statements and summarized in these reports.

THIRD RESOLUTION

Earnings and appropriation of earnings

The Shareholders' Meeting, which meets the quorum and majority requirements for Ordinary Shareholders' Meetings, notes that in view of the net profit of 163,233,671.26 euros, and retained earnings carried over of 716,647,290.45 euros, distributable income amounts to 879,880,961.71 euros.

It decides, on the proposal of the Board of Directors, to appropriate distributable income as follows:

- a dividend payout of 8.20 euros per share, representing a total of 267,766,891.80 euros;
- allocation of the balance of 612,114,069.91 euros to retained earnings.

The Shareholders' Meeting therefore sets the dividend for the fiscal year ended December 31, 2017 at 8.20 euros per share entitled.

The dividend will be payable in cash on May 3, 2018.

The entire dividend is eligible for the 40% tax allowance provided for under paragraph 2 of 3 of article 158 of the French General Tax Code.

If, as of the date of payment, the Company holds some of its own shares, the sum corresponding to the amount of the dividend not paid out in respect of these shares will be allocated to retained earnings.

As required by the provisions of article 243 *bis* of the French General Tax Code, dividends paid out in respect of the last three fiscal years were as follows:

For the fiscal year	2014	2015	2016
Number of shares	32,654,499	32,654,499	32,654,499
Dividend per share (in euros)	15.40	5.45	8.20
Total dividend[1] (in euros)	502,879,284.60	177,967,019.55	267,766,891.80

(1) Amount eligible for the 40% tax allowance provided for in paragraph 2 of 3 of article 158 of the French General Tax Code.

FOURTH RESOLUTION

Approval of the agreements and transactions specified in articles L. 225-38 *et seq.* of the French Commercial Code

The Shareholders' Meeting, which fulfills the quorum and majority requirements for Ordinary Shareholders' Meetings, having examined the Statutory Auditors' special report on regulated agreements and commitments, and pursuant to the provisions of articles L. 225-38 *et seq.* of the French Commercial Code, approves the regulated agreements and commitments presented in this report and not yet approved by the Shareholders' Meeting.

FIFTH RESOLUTION

Approval of the defined-benefit pension commitment with Hervé Le Bouc

The Shareholders' Meeting, which fulfills the quorum and majority requirements for Ordinary Shareholders' Meetings, having examined the report of the Statutory Auditors' special report on regulated agreements and commitments, and pursuant to the provisions of article L. 225-42-1 of the French Commercial Code, approves the commitment relating to the defined-benefit pension plan for Hervé Le Bouc as of February 20, 2018, the date of renewal of his term of office as Chairman and Chief Executive Officer.

SIXTH RESOLUTION

Opinion on the items of compensation due and awarded to Hervé Le Bouc in respect of fiscal year 2017 in his capacity as Chairman and Chief Executive Officer

The Shareholders' Meeting, which meets the quorum and majority requirements for Ordinary Shareholders' Meetings, having examined the items of compensation due and awarded to Hervé Le Bouc in his capacity as Chairman and Chief Executive Officer in respect of 2017, as presented in the report on corporate governance in accordance with article L. 225-37-3 of the French Commercial Code, and in accordance with the provisions of article L. 225-100 of the French Commercial Code, renders an opinion in favor of these items of compensation.

SEVENTH RESOLUTION

Compensation policy for the Chairman and Chief Executive Officer: approval of the principles and criteria for the determination, allocation, and awarding of fixed, variable, and exceptional elements of total compensation and benefits in kind attributable to this senior executive

The Shareholders' Meeting, which meets the quorum and majority requirements for Ordinary Shareholders' Meetings, having familiarized itself with the report on corporate governance and in accordance with the provisions of article L. 225-37-2 of the French Commercial Code, approves the principles and criteria for the determination, allocation, and awarding of fixed, variable, and exceptional elements of total compensation and benefits in kind presented in this report and attributable to the Chairman and Chief Executive Officer in respect of his office.

EIGHTH RESOLUTION

Renewal of the directorship of Catherine Ronge

The Shareholders' Meeting, which meets the quorum and majority requirements for Ordinary Shareholders' Meetings, renews Catherine Ronge's directorship for a term of two years that shall expire at the end of the Ordinary Shareholders' Meeting to be called to approve the financial statements for fiscal year 2019.

NINTH RESOLUTION

Authorization granted to the Board of Directors to allow the Company to carry out transactions in its own shares

Pursuant to the French Commercial Code, particularly articles L. 225-209 *et seq.*, and to the provisions of Commission Regulation (EC) no. 2273/2003 of December 22, 2003 and Title IV of Book II of the General Regulations of the *Autorité des marchés financiers* (AMF), the Shareholders' Meeting, which meets the quorum and majority requirements for Annual Shareholders' Meetings:

– authorizes the Board of Directors to purchase or arrange for the purchase of a maximum of 326,545 company shares, subject to continuing compliance with the maximum ownership threshold defined in article L. 225-210 of the French Commercial Code;

– decides that the main objectives of this authorization granted to the Company to acquire its own shares shall be (i) the potential retirement of the shares bought back, provided this has been authorized by an Extraordinary Shareholders' Meeting, and (ii) providing liquidity and an active market for Company shares through the intermediary of an investment services provider acting within the framework of a liquidity agreement in accordance with a code of ethics recognized by the AMF, with the understanding that the achievement of these objectives shall need to comply with applicable laws and regulations;

– decides that the acquisition, sale or transfer by the Company of its own shares may be carried out on one or more occasions, through any market or off-market transactions, over-the-counter trades or otherwise, by any means, notably by way of block purchases or sales or the use of derivatives, and at any time, in particular during a public offering period for the Company's shares, within the limits prescribed by applicable regulations. However, the Board of Directors shall need to ensure that the volatility of the Company's shares is not increased through its actions. The portion of the program that may be carried out through block trades is not limited and may correspond to the entire program;

– decides that the Board of Directors may acquire shares at a maximum price per share of 220 euros, excluding acquisition costs, and that the maximum cumulative amount of funds dedicated to this share buyback program may not exceed 71,839,900 euros, corresponding to the purchase of 326,545 shares (i.e. 1.0% of the total number of shares constituting the Company's share capital, as of December 31, 2017) at the maximum price stated above;

– decides that, in the event of transactions in the Company's shares during the validity period of this authorization, the maximum price per share indicated shall be adjusted by a multiplying coefficient equal to the ratio between the number of shares making up the Company's share capital before and after the transaction;

– grants full powers to the Board of Directors to carry out this authorization and in particular to evaluate the appropriateness of initiating a share buyback program and to determine the terms thereof, in accordance with applicable legal and regulatory provisions. To this end, the Board of Directors may carry out any transactions, place any and all buy and sell orders, enter into any and all agreements, fulfill all formalities and agreements, notably with respect to maintaining registers of purchases and sales of shares, carry out all formalities and declarations with respect to the AMF and any other organization, and generally take any and all other actions required in the implementation of this authorization. The Board of Directors may delegate said powers in accordance with applicable legal and regulatory provisions;

– determines that this delegation of authority shall be valid for a period of eighteen months as of the date of this Shareholders' Meeting and that it supersedes, where applicable in respect of the unused amounts, any prior delegation of authority having the same purpose.

TENTH RESOLUTION

Powers to carry out legal requirements

The Shareholders' Meeting, which meets the quorum and majority requirements for Ordinary Shareholders' Meetings, shall grant the bearer of a copy or extract of the minutes of this Meeting full powers to file any documents or comply with any legal requirements that may be necessary.

EXTRAORDINARY MEETING RESOLUTIONS

ELEVENTH RESOLUTION

Authorization given to the Board of Directors to reduce share capital by retiring Company shares that the Company owns

The Shareholders' Meeting, which fulfills the quorum and majority requirements for Extraordinary Shareholders' Meetings, having examined the report of the Board of Directors and the special report of the Statutory Auditors, and pursuant to the provisions of article L. 225-209 of the French Commercial Code, hereby:

– authorizes the Board of Directors to retire or subdelegate the retirement of, at its sole discretion and in one or more transactions, all or a portion of the Company's shares the Company holds as the result of the share-buyback authorizations granted by the Shareholders' Meeting to the Board of Directors, subject to a maximum of 10% (per twenty-four-month period) of the total number of shares constituting the Company's share capital, and to correspondingly reduce the share capital;

– grants full powers to the Board of Directors, including the option to subdelegate such powers, to carry out any share capital decrease(s) resulting from the retirement of shares pursuant to this authorization (particularly to deduct the difference between the purchase value of the securities canceled and their par value from the premiums and reserves available, including the statutory reserve for 10% of the share capital canceled) and to amend the bylaws accordingly;

– determines that this delegation of authority shall be valid for a period of eighteen months as of the date of this Meeting and that it supersedes, where applicable in respect of the unused amounts, any other delegation of authority having the same purpose.

TWELFTH RESOLUTION

Modification of the age limit for the Chairman of the Board of Directors (article 16 of the bylaws)

The Shareholders' Meeting, which meets the quorum and majority requirements for Extraordinary Shareholders' Meetings, resolves to modify the age limit for the position of Chairman of the Board of Directors by making the following modification to article 16 of the Company's bylaws:

"Article 16 – Chairman and other members of the Board of Directors

The Board of Directors shall appoint a Chairman from among its members. The Chairman must be a natural person, and shall serve as Chairman for the duration of his/her directorship, unless the Board has chosen to set a shorter term for the appointment. The age limit for the position of Chairman is set on the day after the Shareholders' Meeting to approve the annual financial statements for the fiscal year in which the Chairman reaches the age of 67. When the Chairman turns 65, his/her appointment may continue for a maximum of one year, subject to confirmation by the Board of Directors at its next meeting. That appointment can then be renewed for a second one-year period ending no later than the date the Chairman reaches the age limit defined above, at which time the person in question will automatically be deemed to have resigned.

In the event of the temporary incapacity or death of the Chairman, the Board of Directors may delegate a Director to the position of Chairman.

In the event of temporary incapacity, this delegation is given for a limited period, which may be renewed. In the event of death, it applies until the new Chairman is elected.

The Board of Directors may appoint one or more Vice Chairmen in charge of chairing meetings in the event of the absence of the Chairman. Failing this, for each meeting it shall choose one of the Directors present to chair the meeting.

The Board may appoint a Secretary, who does not need to be a shareholder.

The Chairman, the Vice Chairman or Vice Chairmen and the Secretary can all be reappointed.

The Chairman of the Board of Directors organizes and manages the work of the Board and reports on this to the Shareholders' Meeting. He/she oversees the proper functioning of the Company's bodies and ensures in particular that Directors are able to perform their duties.

The Chairman of the Board of Directors receives communications from the interested party in agreements concerning ordinary transactions and subject to normal conditions, the list and object of which is communicated to members of the Board and the Statutory Auditors."

THIRTEENTH RESOLUTION

Modification of the age limit for the Chief Executive Officer (article 20.2 of the bylaws)

The Shareholders' Meeting, which meets the quorum and majority requirements for Extraordinary Shareholders' Meetings, resolves to modify the age limit for the position of Chief Executive Officer by making the following modification to article 20.2 of the Company's bylaws:

"Article 20 – Executive Management – Powers to carry out legal requirements

1. [...]

2. The Board of Directors shall appoint a Chief Executive Officer who shall report to it and whose duties shall be the executive management of the Company. The Chief Executive Officer shall be a natural person.

The duration of the Chief Executive Officer's appointment shall be determined by the Board of Directors. If the Chief Executive Officer is also the Chairman of the Board of Directors, said duration shall not exceed the duration of his/her term as Chairman.

The age limit for the position of Chief Executive Officer is set on the day after the Shareholders' Meeting to approve the annual financial statements for the fiscal year in which the Chief Executive Officer reaches the age of 67. When the Chief Executive Officer turns 65, his/her appointment may continue for a maximum of one year, subject to confirmation by the Board of Directors at its next meeting. That appointment can then be renewed for a second one-year period ending no later than the date the Chief Executive Officer reaches the age limit defined above, at which time the person in question will automatically be deemed to have resigned.

The Chief Executive Officer shall be vested with the broadest powers to act in any event on the Company's behalf. He/she shall exercise those powers within the confines of the Company's corporate purpose and to the exclusion of powers expressly granted by law to Shareholders' Meetings or the Board of Directors.

The Chief Executive Officer shall represent the Company in dealings with third parties.

If asked by the Chief Executive Officer, the Board of Directors may appoint one or two Group Managing Directors, who shall be natural persons, to assist the Chief Executive Officer.

The Chief Executive Officer's appointment may at any time be revoked by the Board of Directors. If asked by the Chief Executive Officer, the Board of Directors may also revoke the appointments of Group Managing Directors at any time.

When the Chief Executive Officer stops or is prevented from acting as such, the Group Managing Directors shall, unless the Board decides otherwise, retain their duties and attributions until a new Chief Executive Officer is appointed.

The extent and duration of the powers delegated to Group Managing Directors are determined by the Board of Directors in agreement with the Chief Executive Officer. However, when a Group Managing Director is also a Director, the term of his/her appointment as Group Managing Director may not exceed that of his/her directorship. The age limit for the position of Group Managing Director shall be set, confirmed and renewed in the same manner as that for the positions of Chairman and Chief Executive Officer.

The Group Managing Directors have the same powers as the Chief Executive Officer with respect to third parties.

3. [...].”

FOURTEENTH RESOLUTION

Powers to carry out legal requirements

The Shareholders' Meeting, which meets the quorum and majority requirements for Ordinary Shareholders' Meetings, shall grant the bearer of a copy or extract of the minutes of this Meeting full powers to file any documents or comply with any legal requirements that may be necessary.

Certification of Annual Financial Report

I hereby declare that to the best of my knowledge the accounts and statements presented herewith have been drawn up in full compliance with all applicable accounting standards and provide an accurate view of the assets, financial situation, and profits of the Company and the consolidated companies, and that the business report included in pages 2 to 78 of this document provides an accurate image of business trends, profits, and the financial situation of the Company and all consolidated companies as well as a description of the main risks and uncertainties to which the latter are exposed.

Boulogne-Billancourt, March 9, 2018

Hervé Le Bouc

Chairman and Chief Executive Officer

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