

# INTRODUCTION TO COLAS



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- Colas is a **worldwide leader** in **construction and maintenance of transport infrastructures**
- **Activities**
  - ✓ Construction and maintenance of diversified **road-related infrastructures** (including road safety and signaling)
  - ✓ Production and **sale of construction materials**
  - ✓ Construction, renewal and maintenance of **rails and related systems**
  - ✓ Others: waterproofing, sale of refined products, pipeline



## ■ Key financial indicators

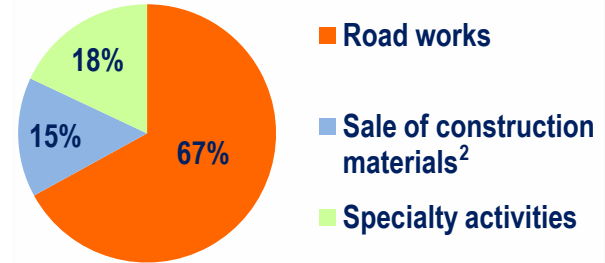
- ✓ Sales: €13.0bn
- ✓ Operating profit: €406m
- ✓ Net profit<sup>1</sup>: €302m
- ✓ Net debt at end-December: €170m

■ ~ 63,000 employees

## ■ Key activity indicators

- ✓ Bread-and-butter activity: ~ 100,000 projects a year
- ✓ Average project size: ~ €100k
- ✓ 800 work centers and 1,400 production sites in almost 50 countries

## 2012 sales by activities



Bus lane, St Nazaire, France

(1) Attributable to the Group

(2) Sales to third parties

## ■ Widespread **industrial footprint**

- ✓ 736 quarries
- ✓ 138 emulsion plants
- ✓ 567 asphalt plants
- ✓ 212 ready-mix concrete plants
- ✓ 2 bitumen refineries

## ■ **Production** of raw materials

- ✓ Aggregates: 102 Mt
- ✓ Emulsions: 1.6 Mt
- ✓ Asphalt mix: 42 Mt
- ✓ Ready Mix Concrete: 2.8 million m<sup>3</sup>
- ✓ Bitumen: 1.1 Mt<sup>1</sup>

## ■ High level of **aggregates reserves**

- ✓ 2.6 Bnt, i.e ~ 25 years of production of authorized reserves<sup>2</sup>
- ✓ 2 Bnt of additional potential reserves<sup>2</sup>



Quarry



Emulsion plant

# The stake in Cofiroute, a valuable asset



- Consolidated using the equity method
  - ✓ Contribution not included in operating income
- **Motorways concession** company founded in 1970 by 6 companies among which Colas
- Shareholders
  - ✓ Colas: 16.7%
  - ✓ Vinci: 83.3%
- **Assets under operation**
  - ✓ Interurban network of 1,200 km in northwest France
  - ✓ A86 toll tunnel (West of Paris)
- 2012 dividend (paid in 2012): €48m<sup>1</sup>

## Key financials

€m	2012
Sales (100%)	1,337
Net profit (100%)	294
Net debt at year-end (100%)	2,877
Colas' share of net profit (16.7%)	49
Dividend paid to Colas (16.7%)	48

## Network under operation



(1) Colas share

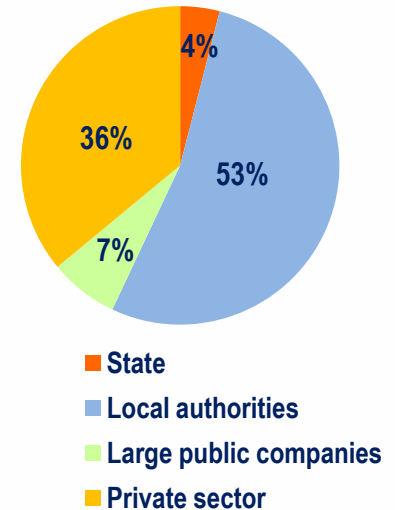
## ■ Public customers: **63%** of Colas' sales

- ✓ A widespread focus on **regular maintenance works** in order to avoid obsolescence
- ✓ Specificities of the French local administrations
  - Diversity of players: more than 50k local authorities in France, o/w 37k municipalities
  - Sound financial situation: the golden rule is to keep the operating budget balanced. Low and stable debt: approx. 8% GDP

## ■ Private customers: **37%** of Colas' sales

- ✓ Main customers: property developers, commercial and industrial platforms, logistics hubs, Oil & Gas/mining companies, etc.

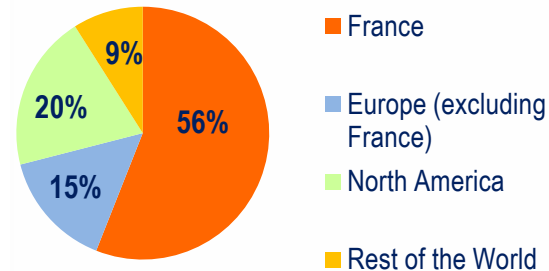
Breakdown of customers in the French roads market<sup>1</sup>





- **A worldwide leader in the road market**
  - ✓ **No.1 in France**
  - ✓ **Leadership positions** in many countries thanks to **long-standing presence**
  
- Among the largest **worldwide road construction materials** producers
  - ✓ No.1 in asphalt mixes
  - ✓ No.1 in emulsions
  - ✓ No.8 in aggregates (No.2 in France)

## 2012 sales by region



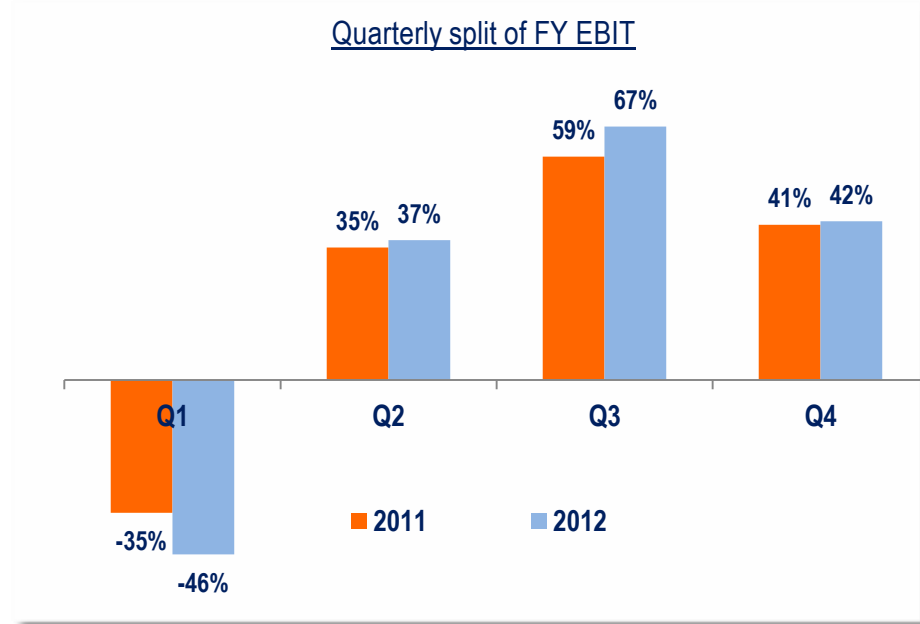
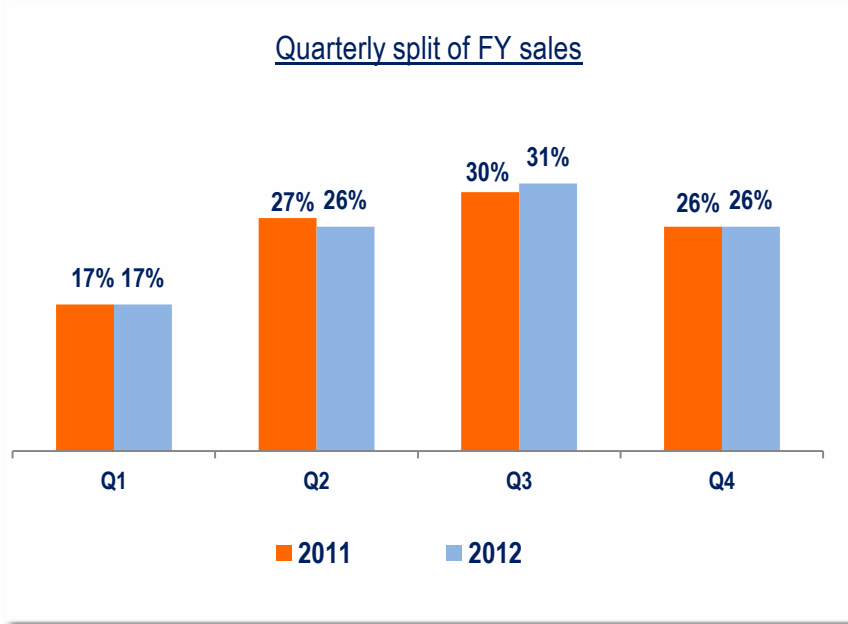
Anchorage airport, Alaska, USA

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# Strong seasonality of activity



- Activity is highly **sensitive to weather conditions** and **Q1** is therefore **never meaningful**
  - ✓ Q1 equates to ~17% of FY sales on average (less than 10% in North America)
  - ✓ Q1 always accounts for an operating loss given low sales



## ■ Backlog

- ✓ It represents only about 5 to 7 months of activity
- ✓ Its maturity might vary depending on the amount of long-term contracts
- ✓ It is seasonal

## ■ Oil products and energy prices

- ✓ In road works, an increase in bitumen and oil prices is usually passed on to customers, and therefore generates sales but is neutral for EBIT
  - Many contracts have a short duration and/or include indexation/escalation clauses
  - Bitumen storage and occasional hedging policy mitigate price changes
- ✓ However a sustained and significant increase in energy prices might have an impact on clients' budgets and therefore activity volumes

## ■ Exchange rates have no material impact on financials other than the conversion effects

- ✓ Sales and costs of foreign subsidiaries are denominated in the same currency

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# Vertically integrated business model (1/2)



Raw materials

Processing

Works



Quarries and gravel pits



Binder and emulsion plants



Road safety equipment plants



Road works



Road safety works



Bitumen plants



Asphalt mixing plants



Ready mix concrete plants



Railway works

**A presence across the value chain**

- Vertical integration
  - ✓ Secures **supplies**
  - ✓ Ensures **product quality**
  - ✓ Enhances **profitability**
  - ✓ Contributes to **margin resilience**
  - ✓ Improves **competitiveness**



**A key competitive advantage for the Group as road works and material activity are complementary and mutually beneficial**

- **A flat and decentralized organization** providing strong **flexibility**...
  - ✓ Strong **local market knowledge**
  - ✓ **Competitive advantage** thanks to the **proximity** with customers that enables fast reaction to local market needs
  - ✓ Optimized **raw material transportation**
  
- ...combined with the strengths of a **global Group**
  - ✓ Capacity to **leverage global expertise** and **resources**
    - Project financing, specifications, design, construction and maintenance
  - ✓ **Global technical network for R&D and innovation**
    - Campus for Science and Techniques (CST), 50 laboratories and about 2,000 researchers, engineers and technicians
  - ✓ **Financial strength**



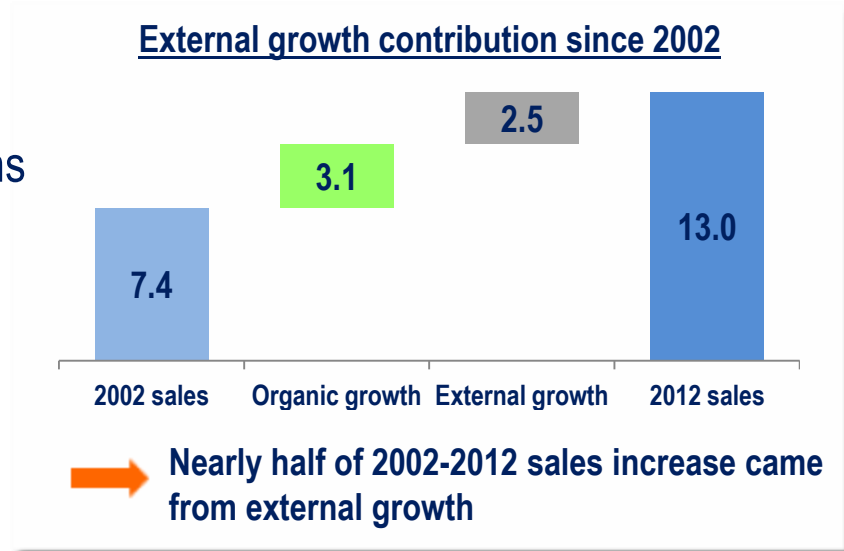
A73 motorway in Canada



# Successful external growth track record



- External growth is **key to increase presence** both in new countries and in existing operations
- More than 170 acquired and successfully integrated companies since 2002 as a result of a steady acquisition policy



- External growth is **value-creating**: companies acquired can leverage on the size, the know-how and the processes of a global leader to improve their profitability

**Proven ability to grasp external growth opportunities and integrate acquisitions**

# A strong expertise in Railways



- **A comprehensive railway business**
  
- **A strong know-how in both maintenance of existing infrastructure and construction of turnkey projects**
  - ✓ Long-term **rail maintenance contracts** providing good visibility
    - Network renewal contracts in France secured until end-2015
    - A leader in maintenance on the British rail network through several multi-annual schemes
  - ✓ Track record in **urban transport**, especially tramways
    - Leader in France with participation in almost all existing tramway lines
  - ✓ Ability to hand over **large complex** new line projects thanks to **strong engineering skills**
    - Nîmes-Montpellier high-speed rail bypass contract
  - ✓ Well-recognized **international know-how**
    - Metro and tramways in Cairo (Egypt), Geneva (Switzerland), Kuala Lumpur (Malaysia), etc.
  
- **Good sales dynamic** at Colas Rail: €644m in 2012, up 10% YoY
  - ✓ Business size has tripled since 2006



Tramway in Le Mans,  
France

## Colas has a range of **tools to adapt its costs**

### ■ Flexibility on **personnel costs**

- ✓ Seasonal contracts in North America (can represent up to around 50% of workforce during peak season)
- ✓ Temporary workers
- ✓ Geographical mobility of teams to adjust staff

### ■ Adjustment of **capex**

- ✓ Ex: 33% cut in Group net capex in 2009

### ■ **Equipment** transfers

### ■ Sale of **assets**

### ■ Adjustment of **structures** in very specific cases (Ex: Central Europe)

#### Example of Central Europe

- A €109m EBIT loss in 2010
- Breakeven in 2012 with sales down 60% since 2008

#### Sales in Central Europe





Roundabout in Côtés d'Armor, France

- Operational **resilience** through a large part of recurring **renovation**-related activities
- Ability to **mitigate the impact of economic downturns** thanks to vertical integration
- **Risk spread out** through geographic diversification and a large number of projects

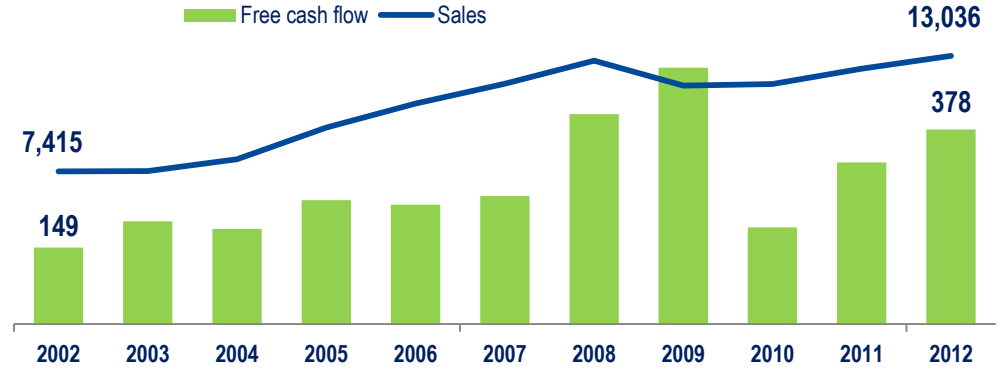
# Demonstrated resilience of operations (2/2)



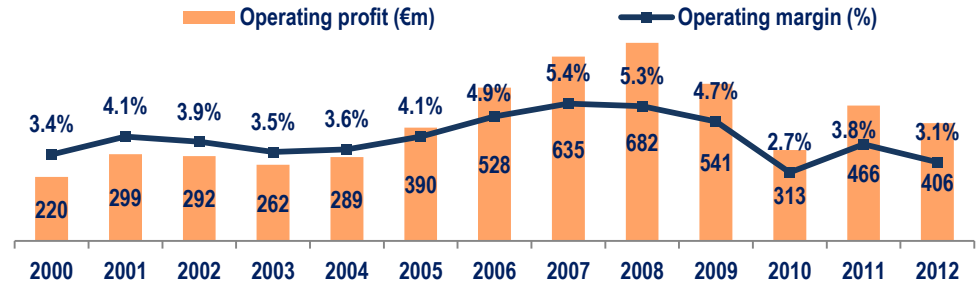
- Solid track record of sales growth and free cash flow<sup>1</sup> generation



Sales: 6% 10-y CAGR  
Free cash flow<sup>1</sup>: 10% 10-y CAGR



- Good track record for profitability



- Healthy financial structure

- Low level of net debt and excellent liquidity
- A competitive advantage for tenders

(1) Free cash flow is calculated before change in WCR

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- **Structural needs for transport infrastructure** supported by underlying drivers
  - ✓ Worldwide population: +2bn<sup>1</sup> over the next 40 years
  - ✓ Urbanization rate: +15%<sup>1</sup> by 2050
  - ✓ Global trade expected to double by 2026<sup>(2)</sup>
  - ✓ Increasingly demanding environmental requirements
  - ✓ Mobility and passenger transportation needs
  
- **Transport capacity** to be able to handle volumes 2 or 3 times current levels by 2030<sup>(3)</sup>
  - ✓ Infrastructure maintenance and network improvement strongly required in developed countries
  - ✓ New transport infrastructure construction needed in fast-growing economies

(1) Source: United Nations – World Urbanization Prospects 2011

(2) Source: HSBC Global Connections report

(3) Source: OECD study – Strategic Transport Infrastructure Needs to 2030



Kitimat site in British Columbia, Canada

- **International expansion**
- **Growth in railways worldwide**
- **Increasing demand for innovative solutions**



# International expansion in areas with high potential for long term operations



## ■ North America

- ✓ United States: huge road network in average conditions and strong desire to maintain and enhance it
- ✓ Canada: large road network requiring lots of maintenance

## ■ Australia

- ✓ Dynamic economy benefitting from high mineral resources

## ■ Asia

- ✓ Significant potential for transport infrastructure development

## ■ Indian Ocean

- ✓ Opportunities for large projects

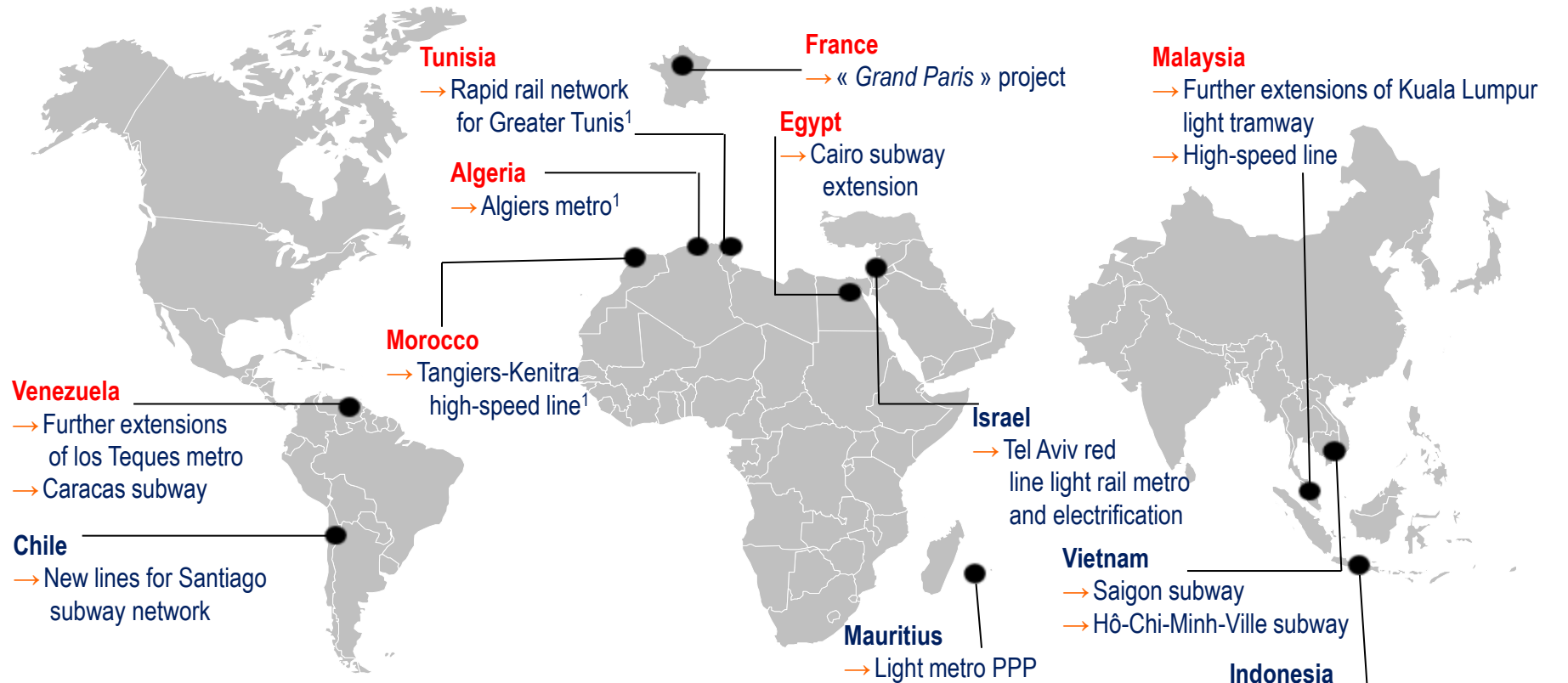
## ■ Southern Africa

- ✓ Strong demographic growth and dynamic economies



National road in Madagascar

# Examples of opportunities for Colas Rail



**France:** area where Colas Rail is already present

**Chile:** area where Colas Rail is not present yet

(1) Contracts recently awarded to Colas Rail

**Colas Rail order book at end-March 2013: €1.3bn, up 26% YoY**

- Develop **innovative products** and services anticipating customer needs
  - ✓ Customers are increasingly concerned about environment (i.e. gas emissions reduction), road safety, reduction of noise and pollution and energy/raw material cost savings
  - ✓ Thanks to its R&D capabilities, Colas can offer products and services fitting customer requests
- Provide a portfolio of **services matching large private customer** expectations (mining, energy, industry)
  - ✓ Example: contracts for mining projects in Madagascar with Sherritt and Rio Tinto
- Increase business in **complex projects** (PPP/PFIs, **concessions** and other long-term contracts)
  - ✓ Increasing demand from public customers
  - ✓ Extension to small/medium sized projects as well as infrastructure maintenance



Viaduct for M60 motorway in Hungary

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- 1** ➔ **Strengthen and expand the network** of international operations
  - ✓ Consolidation of leadership positions in existing operations
  - ✓ Selected geographical expansion
- 2** ➔ **Expand offering** to customers
  - ✓ Develop innovative products anticipating customers needs and provide turnkey services
  - ✓ Increase business in complex and large projects, but small “bread-and-butter” contracts will remain the core business
- 3** ➔ Pursue **vertical integration**
  - ✓ Secure supplies
  - ✓ Improve competitiveness
- 4** ➔ Keep on developing the **railway activity**

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## Mainland France

### ■ Market size

- ✓ Civil works: ~€40bn<sup>1</sup>
  - Of which roads: ~€20bn<sup>2</sup>
- ✓ Aggregates: ~340 Mt<sup>3</sup>

### ■ Competition

- ✓ 3 large players: Colas (leader), Eurovia (Vinci) and Eiffage TP representing ~50% of the market
- ✓ Other competitors
  - Medium-size regional road works companies
  - 1,400 small road works companies
  - For materials: large cement groups (Lafarge, Cemex, Holcim, Ciments Français, Vicat) and 1,600 small aggregates producers

## North America

### ■ Market size

- ✓ USA: ~USD 80bn<sup>4</sup>
- ✓ Canada: ~USD 13bn<sup>5</sup>

### ■ Very fragmented markets

- ✓ Example in the USA: 5 major players in asphalt mix represent a ~20% market share

### ■ Main competitors in the USA

- ✓ Subsidiaries of global groups: CRH, and for construction materials, Lafarge, Holcim, Cemex and Hanson
- ✓ Large national players: Granite and, for construction materials, Vulcan and Martin Marietta
- ✓ Many regional or local contractors or small producers

(1) FNTP- French civil works federation

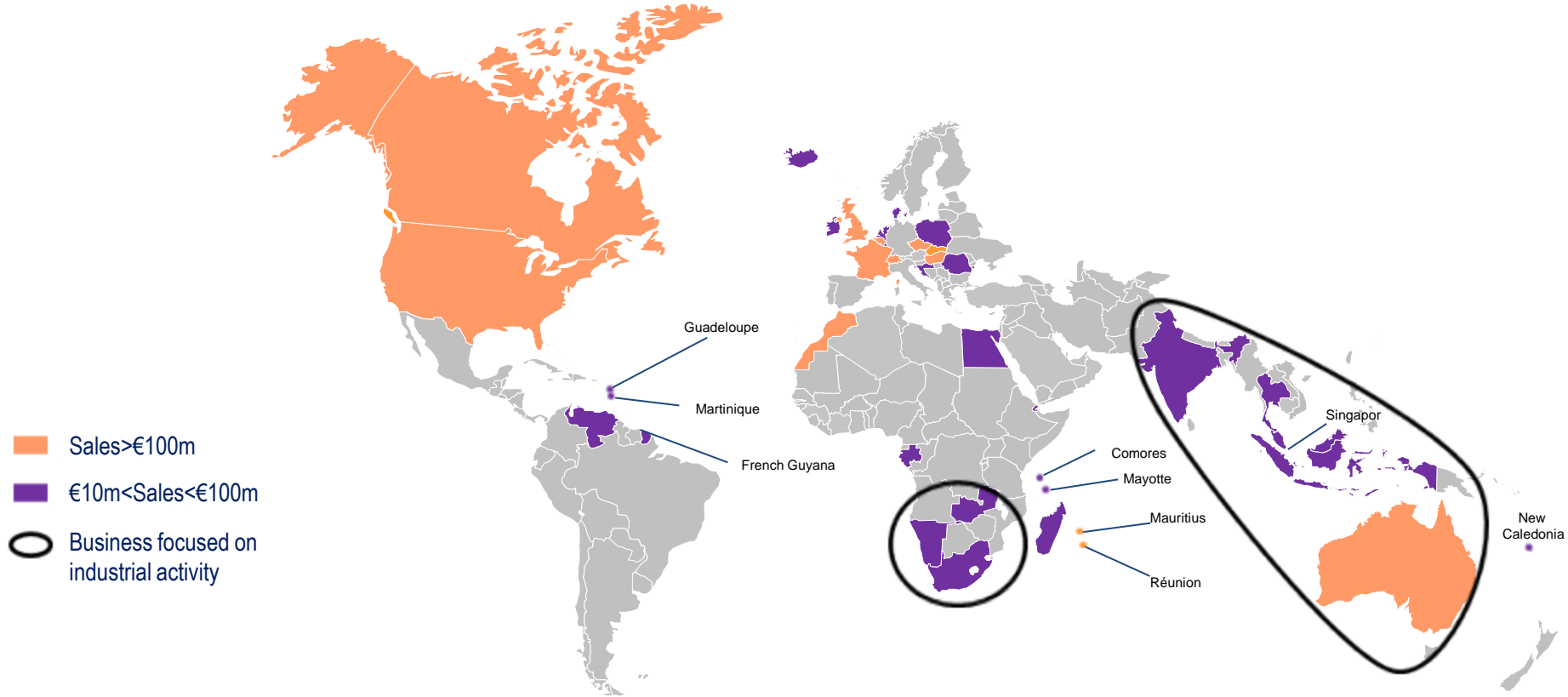
(2) Euroconstruct

(3) USIRF- French road industry organization

(4) ARTBA (American Road & Transportation Builders Association). - "Highways and Streets"

(5) World Market Intelligence – Roads and Highways infrastructure

# A diversified geographical footprint





- Very dense network of work centers and production sites
- Road activity new organization: 7 regional subsidiaries and one single brand



Works on the “Promenade des Anglais” in Nice, France



Construction of motorway 73 from Saint-Georges-de-Beauce to Quebec City, Canada



Extension of the port of Anchorage, Alaska



Refurbishing a bridge in Port Royal, Pennsylvania

## ■ United States

- ✓ Presence in 27 states with a dense local footprint
- ✓ Intensive industrial activity and bitumen storage
- ✓ Activity diversification: maintenance of heavy works structures, works for oil companies on shale gas projects, etc.

## ■ Canada

- ✓ Strong Eastern and Western coverage with a presence in 6 provinces
- ✓ Historical presence in Quebec
- ✓ Solid footprint in Alberta, British Columbia, Yukon and Northwest Territories
- ✓ Recent penetration of Saskatchewan province, a high growth potential area



Refurbishment of the Antwerp ring road, Belgium



Widening of Avenue Bukowska to four lanes in Poznań, Poland



Maintenance and management of road and motorway network in UK



Cycle-path in La Tour-de-Peilz, Switzerland

## ■ Western Europe

- ✓ Activity oriented on long-term maintenance contracts, runway maintenance and production of emulsions in the UK
- ✓ Strong positions in Switzerland, Belgium, Denmark and Ireland
- ✓ No exposure to Southern Europe
- ✓ Significant railway activity, mainly in the UK

## ■ Central Europe

- ✓ Presence maintained after downsizing to adapt to the current level of activity
- ✓ Main countries are Hungary, Slovakia, Czech Republic, Poland and Croatia



Construction of the Tamarind Road,  
Réunion island



Building a road Route RN 1 in Bir Guendouz in  
the Sahara desert, Morocco



Works on a mining site in Madagascar



Operating the Kemaman refinery,  
Malaysia

- **Asia/Australia:** focus on industrial activities
  - ✓ Production, distribution, storage and sale of bitumen and emulsions
  - ✓ Local partnerships
- **Africa:** strong presence in Morocco, Gabon and emulsion production in Southern Africa
- **Indian Ocean:** road works, civil engineering and large projects, with a focus on mining customers in Madagascar
- **French Overseas Departments:**
  - ✓ Roadworks and strong position in construction materials
  - ✓ In addition, building and civil engineering in Réunion island
- Large tramway and subway projects underway in Venezuela, Malaysia and North of Africa

## A63 motorway concession in France



- Upgrading and widening of a 105-km section in southwest France awarded in January 2011
- 40-year concession (Colas share: 16%)
- Construction works (duration: 3.5 years) worth €0.5bn (Colas share: 51%)

## M6 - M60 motorway in Hungary



- Construction of a 80-km section including many engineering structures between 2008 and 2010
- €1.1bn PPP contract (Colas share: €330m)
- 30-year concession (Colas share: 30%)

## Long-term motorway maintenance contracts in the UK

- 3 long-term MAC contracts for network management and maintenance of road motorways including engineering structures
- Value of the contracts for Colas: £220m



## CMA contract in Alberta (Canada)



- Maintenance of Alberta motorway network
- 4 sections for ColasCanada (out of 30 in the province) with 5-year duration (extendable)
- First contract for ColasCanada awarded in 2006
- Value of the contract for Colas: CAD 190m<sup>1</sup>

- **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 tonnes that are economically viable within the scope of the permit.
- **Potential reserves** refers to tonnages currently on 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.