



IFRS
First-time adoption at 1 January 2004
Main impacts on the financial statements

9 February 2005

- This document presents a summary of the impacts on VINCI's financial statements of the IFRSs published to date, in the current state of available information.

Some uncertainty remains regarding the definition and interpretation of certain important accounting standards, in particular relating to the treatment of concession contracts. For this reason, no restatements have been made at this stage in respect of such contracts.

- The numerical data included in this document has been examined by the company's Statutory Auditors.

The process of auditing the financial statements at 31 December 2004, which has not yet been completed, may lead to certain adjustments being made.

- Regulatory framework
- Management of the transition to IFRSs
 - Organisation
 - Calendar
- Analysis of the IFRSs that affect VINCI's consolidated financial statements
 - Inventory of the existing IFRSs
 - Main IFRSs affecting the VINCI financial statements
 - Impact of the other Standards
- Specific accounting treatments applicable to concession operations
- Main impacts on the financial statements
 - Reconciliation of equity at 1 January 2004
 - Presentation of the opening IFRS balance sheet at 1 January 2004
 - Main impacts expected on the Group's financial statements

- European Regulation 1606/2002 of 9 July 2002
 - VINCI will present its consolidated financial statements under IFRSs for accounting years commencing on or after 1 January 2005

- An environment that is not yet stable
 - The IFRSs are still changing
 - Adoption by the European Union is not yet definitive
 - Co-existence of several recommendations regarding financial information:
 - Recommendation by CESR (*Committee of European Securities Regulators*) of 30 December 2003 giving guidance on the information to provide during the transition to IFRSs
 - Recommendation by the CNC (*Conseil National de la Comptabilité*) of 27 October 2004 (*No 2004-R.02*) on the presentation of the financial statements
 - AMF recommendations of 2 July 2004 and 26 January 2005 on financial communication



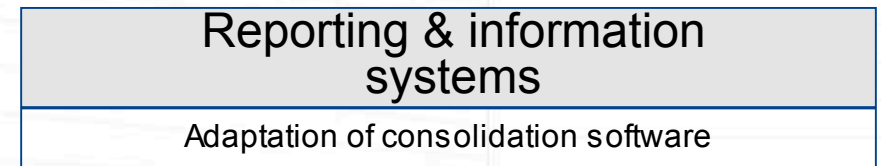
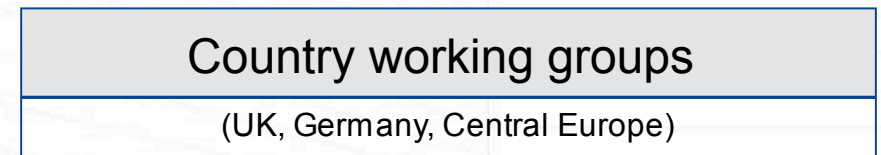
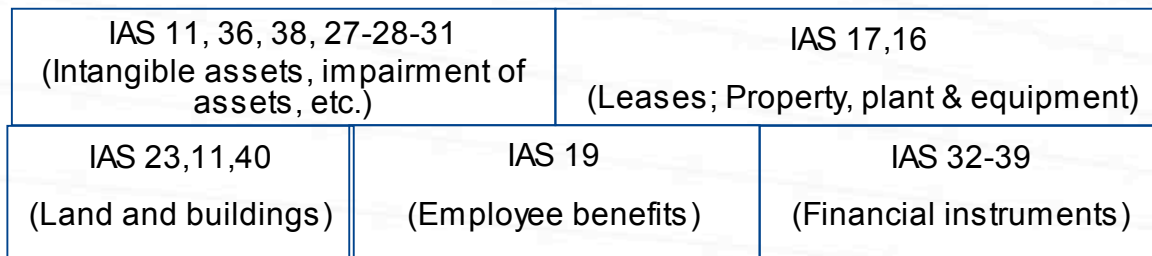
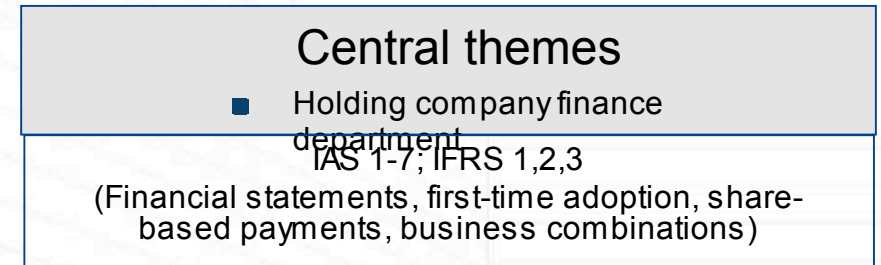
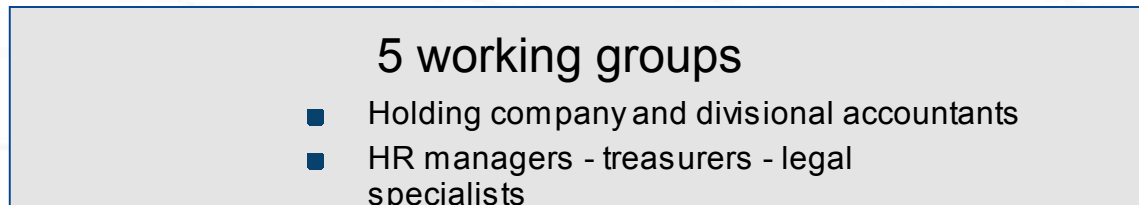
Management of the transition to IFRSs

■ General objectives

- Identify the points of divergence between French GAAP and IFRS principles
- Choose the Group's policies from the alternative treatments available under the Standards
- Organise the collection of information from subsidiaries
- Adapt the internal reporting and consolidation tools
- Actively monitor developments in IFRSs and interpretations
- Prepare the changes in the Group's IFRS financial statements



Supervises
Decides between alternative treatments



- Finance Department
 - Defines the project's general directions
 - Decides on urgent action requested by the project team
 - Approves the choice of accounting policies proposed
- Steering Committee
 - Steers and monitors the entire project
 - Monitors progress of work
 - Takes a position on the options proposed by the working groups
 - Frequency of meetings: at least monthly
- Working groups
 - Study particular themes and make proposals to the Steering Committee
- The reporting / information system working group
 - Implements the adaptations of the consolidation software

An ambitious project: 100 participants, 500 people trained
Period: 30 months

Dates	Work / Publication
April 2002	Project launched by Finance Department
April – September 2002	Identification of the main points of divergence between the existing accounting methods and the IFRSs Agreement by the auditors as to the main points of divergence identified
3 September 2002	Presentation of the Action Plan and Calendar to the Executive Committee
March 2003	Implementation of the project organisation
28 November 2003	Agreement by the Audit Committee to the Steering Committee's chosen treatments
1 st Half 2004	Training Presentation to the Audit Committee (<i>February 2004</i>) of project progress and of the information given in the 2003 Annual Report Preparation of the opening IFRS balance sheet at 1 January 2004
2 nd Half 2004	Examination by the auditors of the opening IFRS balance sheet at 1 January 2004 Presentation of the opening IFRS balance sheet to the Audit Committee (<i>November 2004</i>) and to the Board of Directors (<i>December 2004</i>) Preparatory work on the 2004 IFRS financial statements
9 February 2005	Communication to the market (<i>presentation to financial analysts</i>)
April 2005	Publication in the 2004 registration document of tables reconciling the opening balance sheet at 1 January 20/04 under French GAAP and under IFRSs
2nd Quarter 2005	Audit of the 2004 IFRS financial statements
September 2005	Publication of the 2005 six-monthly IFRS financial statements with comparison with 2004



Analysis of the IFRSs that affect VINCI's consolidated financial statements

Inventory of the existing IFRSs



The applicable Standards		Impact on the opening balance sheet		Impact on future financial statements	
		material	not material	material	not material
IAS 1	Presentation of Financial Statements	X		X	
IAS 2	Inventories		X		X
IAS 7	Cash Flow Statements	n/a	n/a	X	
IAS 8	Accounting Policies, Changes in Accounting Estimates and Errors		X		X
IAS 10	Events after the Balance Sheet Date		X		X
IAS 11	Construction Contracts		X		X
IAS 12	Income Taxes		X		X
IAS 14	Segment Reporting		X		X
IAS 16	Property, Plant and Equipment		X		X
IAS 17	Leases		X		X
IAS 18	Revenue		X		X
IAS 19	Employee Benefits		X		X
IAS 20	Accounting for Government Grants and Disclosure of Government Assistance		X		X
IAS 21	The Effects of Changes in Foreign Exchange Rates		X		X
IAS 22	Business Combinations		X		X
IAS 23	Borrowing Costs	X		X	
IAS 24	Related Party Disclosures		X		X
IAS 27/28/31	Consolidation Scope and Methods		X		X
IAS 32/39	Financial Instruments	X			
IAS 33	Earnings per Share		X		X
IAS 34	Interim Financial Reporting		X		X
IAS 36/38	Intangible Assets; Impairment of Assets		X	X	
IAS 37	Provisions, Contingent Liabilities and Contingent Assets		X		X
IAS 40	Investment Property		X		X
IFRS 1	First-time Adoption of International Financial Reporting Standards	X		X	
IFRS 2	Share-based Payment		X	X	
IFRS 3	Business Combinations	X		X	
IFRS 4	Insurance Contracts		X		X
IFRS 5	Non-current Assets Held for Sale and Discontinued Operations		X		X
IFRIC (D12, D13, D14)	Accounting for Concession Contracts	n/a	n/a	X	

Main IFRSs affecting VINCI's financial statements: Financial instruments (IAS 32/39)



- Application as from 1 January 2004
- Main impacts on the opening balance sheet
 - Treasury shares: reclassified as a reduction of equity (*previously shown under marketable securities*)
 - **impact on equity at 1 January 2004: - €182m**
 - improvement of earnings per share**
 - OCEANES
 - The "debt component" (*obligation to repay the debt in cash*) is shown under borrowings for an amount equal to the present value of the contractual future cash flows (*coupons, redemption premium*) discounted at the market rate for similar non-convertible bonds at the time of issue
 - The "equity component" (*the value of the issuer's call option*) is recorded under equity for the difference between the proceeds of the issue and the value of the debt component.
 - **impact on equity at 1 January 2004: + €77m**
 - increase of future finance costs**
 - Actuarial amortisation of loan issuance expenses and OCEANE redemption premiums (*amortised cost method*)
 - **impact on equity at 1 January 2004: - €30m**
 - decrease of future finance costs**
 - Recognition of derivative financial instruments at fair value (*rate hedging, mainly relates to VINCI Holding and Cofiroute*)
 - **impact on equity not material**
 - increased volatility of future earnings**

- IFRS 2 requires the recognition at fair value of benefits granted to employees under stock option plans or share savings plans
 - Stock option plans:
 - Share purchase or share subscription plans granted since 7 November 2002, to which the rights are not acquired at 1 January 2005, must be recognised under employment costs with an opposite entry increasing equity
 - VINCI will recognise an expense, spread over the period during which rights are acquired (*the 3-year vesting period*), for plans granted since November 2002 (*relates to 3 plans*)
 - Options will be valued using a model approved by an independent expert
- ➔ **no impact on equity at 1 January 2004**
but impact to be expected on future earnings (*assessment in progress*)

■ VINCI Group Savings Plans

- Three times a year, VINCI makes issues of new shares reserved for its employees at a discount to the share price
- This benefit leads to recognition of an employment cost in application of IFRS 2
- Subscriptions prior to 1 January 2005 do not fall under the Standard as the rights are considered acquired at 31 December 2004

 **[no incidence on equity at 1 January 2004
impact to be expected on future earnings**

- VINCI has applied IAS 23 since 1 January 2003
- For the periods before 2003, the calculation method used previously has been modified retrospectively to comply with IAS 23
 - **impact on equity at 1 January 2004: + €60m**
increase of future operating costs

- Certain intangible assets not considered as assets under IFRSs have been
 - Reclassified under goodwill on acquisition (*mainly market shares in airport services*): €89m
 - ➔ **no impact on equity at 1 January 2004**
 - Or cancelled against a reduction of equity (*negative goodwill*):
 - ➔ **impact on equity at 1 January 2004: - €28m**

- Goodwill on acquisition will no longer be amortised but will be subject to an annual impairment test: the value of such items will therefore be frozen at their carrying amount at 1 January 2004: €800m
 - ➔ **saving of on-going amortisation expenses: €60m (estimated) for 2004**
the exceptional write-downs will be recognised under profit or loss from operations

- Under IFRS 1 (*first-time adoption*):
 - No retrospective restatement of business combinations made prior to 1 January 2004

- Consolidation scope and methods (IAS 27,28 & 31)
 - No change in consolidation scope compared with French GAAP: 1,564 companies consolidated at 1 January 2004
 - No change in consolidation methods compared with French GAAP
 - VINCI will continue to consolidate jointly-controlled subsidiaries ("*SEP*" partnerships, *JVs*, and *EIGs*) using the proportionate method (*allowed under IAS 31*)

- Translation of amounts denominated in foreign currency (IAS 21)
 - No change to the present translation methods (exchange rates)
 - Under IFRS 1 (*first-time adoption*): cumulative translation differences at 1 January 2004 in respect of foreign subsidiaries (€86m) are deemed to be zero

→ **no impact on equity at 1 January 2004**
positive impact on future earnings

- Construction contracts (IAS 11)
 - VINCI already used the stage of completion method to recognise earnings on its construction contracts (*CRC opinion 99-08*)
 - No change expected in this area under IFRSs

■ Employee benefits (IAS 19)

- VINCI already recognised its obligations in respect of retirement benefit (*lump sums paid on retirement and supplementary pensions*) and other employee benefits (*long service bonuses*) in the balance sheet: €543m at 31 December 2003
- A comprehensive inventory of its defined benefit obligations was made, with the assistance of external actuaries
- Under IFRS 1 (first-time adoption) and from the alternative treatments offered by IAS 19, VINCI has elected to:
 - recognise actuarial gains and losses against equity at 1 January 2004 (€131m)
 - retain the corridor method for actuarial costs arising after 1 January 2004
 - recognise separately the current service cost, under profit or loss from operations, and the net cost of discounting to present value, under financial expenses

→ **impact on equity at 1 January 2004: - €131m**
positive impact on future earnings

■ Leases (IAS 17)

- VINCI already recognised finance leases (*€142m included in net financial debt at 1 January 2004*)
- All the lease contracts were examined, applying the criteria defined in IAS 17
- ➔ **impact on equity and net financial debt not material at 1 January 2004 (*less than €1m*)**

■ Property, plant and equipment, and investment property (IAS 16 & IAS 40)

- Under IFRS 1 (first-time adoption) and from the alternative treatments offered by the IFRSs, VINCI has elected to:
 - not revalue its items of property, plant and equipment
 - maintain its existing depreciation periods, as French GAAP and IFRS are similar on this point
 - maintain its investment properties at historical cost

➔ **avoids volatility of future earnings**

■ Government grants and government assistance (IAS 20)

- In accordance with the option available under IAS 20, VINCI has elected to set grants received in connection with the financing of infrastructures under concessions against the acquisition cost of the corresponding assets (*€512m at 1 January 2004*)

➔ **no impact on either equity at 1 January 2004 or earnings**

■ Impairment of assets (IAS 36)

- IAS 36 makes impairment testing of non-financial assets systematic
 - At least annually for non-amortisable assets
 - Whenever there is an indication that an asset might be impaired for other assets

➔ **no impact on VINCI's opening balance sheet**
increased volatility of future earnings

■ Provisions (IAS 37)

- VINCI already recognised provisions in accordance with CRC Regulation 2000.06 on liabilities, which is not very different from IAS 37 (*appropriate allocation of provisions*)

- However, provisions at more than one year have been discounted

→ **impact on equity at 1 January 2004: +€30m**
impact on earnings not very material

■ Minority interests are now shown under equity (IAS 1)

→ **impact on equity at 1 January 2004: + €559m**



Specific accounting treatments applicable to concession operations

- The IASB has not made a decision on the accounting treatment of concession contracts under IFRSs
- IFRIC (*The International Financial Reporting Interpretation Committee*) should publish the following draft interpretations in February 2005:
 - D12 "Determining the accounting model"
 - D13 "The financial asset model"
 - D14 "The intangible asset model"
- Illustrative examples will be attached to this publication
- From the time of publication of these examples, there will be a 90-day "period for comment" for those active in this sector.
- Publication of the definitive interpretations after consensus and validation by IASB
 - Target: 30 June 2005
- These interpretations would be applicable from 1 January 2006 (*with earlier adoption possible from 1 January 2005*)

- Three important conditions
 - Restricted to "public to private" contracts
 - Operation is in the context of the provision of a public service
 - The concession provider (*the grantor*) controls the assets:
 - Monitors and regulates the services provided by the concession operator and
 - Recovers the assets at the end of the contract on advantageous terms

➔ economic ownership of the assets lies with the concession provider (the grantor)
- Nature of the assets and related accounting treatments:
 - Depend on the way in which the operator is remunerated
 - Two accounting models envisaged

- The choice between the two models would be made on the basis of how the concession operator is remunerated and not on the basis of an appreciation of the risks inherent to the concession contract:
 - "The intangible asset model": if the concession operator is paid directly by the users
 - Applicable to most of our infrastructure concessions portfolio (*Cofiroute, Vinci Park, A19, Rion-Antirion, etc*)
 - Not very different from the present accounting treatment
 - No revaluation of the intangible asset during the period of the contract
 - "The financial asset model": if the concession operator is paid directly by the concession provider
 - Applicable to PPP/PFI contracts and infrastructure operating concessions in which the revenue is paid by the concession provider, e.g. "availability scheme" (*Newport*), "shadow toll" (*A Modell*)
 - Accounting presentation markedly different:
 - Recognition in the balance sheet of a financial receivable (*as opposed to a fixed asset*)
 - Revenue recognised is limited to the amount of the payment made to remunerate operation of the infrastructure asset
 - Recognition of remuneration of the receivable under income
 - If the concession operator's remuneration is variable (*availability scheme, shadow toll*), the receivable is remeasured annually. The valuation difference is recognised partly under equity (*rate effect*), and partly under income (*change in the estimate of the future cash flows*)

- EFRAG (*The European Financial Reporting Advisory Group*) has drawn IFRIC's attention to the following points:
 - A standard on the treatment of concession contracts is a necessity
 - The choice of accounting model must take account of the analysis of the risk borne by the concession operator
 - Temporary relief is sought for 2004 and 2005 in view of the absence of a definitive interpretation and in order to avoid several successive changes of method
- In this context, the accounting policies applied to concessions contracts should remain unchanged for the 2004 IFRS financial statements
- Reminder: the specific accounting treatments for concessions under French GAAP relate to:
 - The method of depreciating the assets provided to the operator under the concession
 - Provisions for asset renewal and major repairs
 - The depreciation of renewable assets made over to the concession provider free of charge at the end of the contract



Main impacts on the financial statements

■ Summary

(€m)	Capital and reserves attributable to equity holders of the parent	Minority interest	Total equity
French GAAP	2,937	551	3,488
IFRS restatements (*)	(241)	8	(233)
IFRS	2,696	559	3,255

$\Delta = + \text{€}318\text{m}$

(*) Excluding restatement for concession contracts not yet known

■ Analysis of the IFRS restatements (*)

(€m)	Total equity
Treasury shares (IAS 32)	(182)
Actuarial gains and losses on retirement benefit obligations (IAS 19 & IFRS 1)	(131)
Restatement of intangible assets (IAS 38)	(28)
Discounting of provisions	+30
Financial instruments (IAS 39)	+34
Capitalised borrowing costs (IAS 23)	+60
Other restatements	(1)
<i>Sub-total before effect of taxation</i>	<i>(218)</i>
Effect of taxation	(15)
Total IFRS restatements before tax	(233)

(*) Excluding restatement for concession contracts not yet known

- Presentation of the balance sheet
 - Presentation of minority interest under consolidated equity
 - Presentation of assets and liabilities making the distinction between current and non-current (incl. provisions)
 - Reclassification of goodwill on acquisition in respect of equity-accounted entities under "investments accounted for using the equity method"
 - Presentation of investment property on a separate line
 - Presentation of deferred tax assets and liabilities on a separate line under non-current assets and liabilities
 - Separate presentation of discontinued operations and operations intended for sale

■ Definition of net financial debt

- Treasury shares are excluded from the concept of the consolidated cash position (*€182m at 1 January 2004*)
- Cash position: distinction between the concepts "available cash and cash equivalents" and "liquid assets"
 - Restrictive definition of available cash (*concept of cash and cash equivalents*): short-term investments (*less than 3 months*)
 - Liquid assets correspond to the other interest-bearing investments of cash measured in the balance sheet at fair value. In particular, such assets are investments with no pre-determined maturity held with a view to optimising returns, but which are nevertheless liquid

■ Restated financial debt

- Reductions:
 - Recognition of OCEANE call options under equity
 - Reclassification of loan issuance expenses
- Increases: recognition of OCEANE redemption premiums

- Recognition in the balance sheet of hedging financial instruments (*neutral effect on net borrowings*)



limited increase of net financial debt (already taken into account by rating agencies)

- Net financial debt under IFRS at 1 January 2004: €2.6bn

in € billions	1 January 2004
Non-current borrowing	5.8
Current financial liabilities	1.0
<i>Total gross borrowing</i>	6.8
Available cash and cash equivalents, and liquid assets	(4.0)
Fair value of financial instruments, net	(0.2)
Total net financial debt under IFRSs	2.6
<i>p.m.: net financial debt under French GAAP</i>	2.3

(*) Excluding restatement for concession contracts not yet known

Revenue	
Other income from ancillary activities	
Operating expenses	
Other operating income and expenses	
	← Gross operating profit: ?
Amortisation, depreciation and provisions	
Profit or loss from ordinary activities	
Other operating income and expenses	← Write-down of goodwill (<i>impairment test</i>) and material unusual items
Profit from operations	
Cost of net borrowing	↙ Reclassification under finance costs of the effect of discounting retirement benefit obligations (<i>previously at EBIT level</i>)
Other financial income and expenses	↙
Finance costs	↙ Capital gains and losses on securities
Tax	No exceptional income or expenses
Share of results of equity-accounted associates	
Consolidated profit	Amortisation of goodwill abolished
Minority interest	
Net profit attributable to equity holders of the parent	

- Revenue: no impact
- Profit from operations
 - IFRS 2 (share-based payment): negative impact
 - IAS 19 (retirement benefit obligations): positive impact
- Financial income/(expense)
 - IAS 19 (retirement benefit obligations): negative impact
 - IAS 39
 - OCEANEs: negative impact (*opposite entry of recognition of call options under equity*)
 - Other financial instruments: no recurring impact
- Net profit
 - IFRS 3 (goodwill): positive impact



positive impact overall on net profit
limited increase of volatility
no cash impact

(*) Excluding restatement for concession contracts not yet known

**Thank you
for your attention**



Appendices: reconciliation of the opening IFRS balance sheet at 1 January 2004

Reconciliation of the opening IFRS balance sheet at 1 January 2004 - assets



Unaudited

in € billions	French GAAP	IFRS restatements (*)	IFRS (*)
Intangible assets	0.2	(0.1)	0.1
Goodwill on acquisition	0.7	0.1	0.8
Property, plant and equipment relating to concessions	5.0	(0.5)	4.5
Other property, plant and equipment, and investment property	1.9	-	1.9
Financial fixed assets	1.7	-	1.7
Derivative financial instruments (assets) at fair value		0.3	0.3
Deferred charges	0.1	(0.1)	
Other non-current assets		0.2	0.2
Total non-current assets	9.6	(0.1)	9.5
Inventories and work in progress	0.5	-	0.5
Trade receivables and other current assets	7.1	-	7.1
Deferred tax assets	0.1	(0.1)	
Current financial assets	0.3	(0.1)	0.2
Available cash and cash equivalents, and liquid assets	4.2	(0.2)	4.0
Total current assets	12.2	(0.4)	11.8
TOTAL ASSETS	21.8	(0.5)	21.3

(*) Excluding restatement of concession contracts not yet known

Reconciliation of the opening IFRS balance sheet at 1 January 2004 - liabilities

Unaudited

in € billions	French GAAP	IFRS restatements (*)	IFRS (*)
Equity attributable to equity holders of the parent	2.9	(0.2)	2.7
Minority interest	0.6	-	0.6
Total equity	3.5	(0.2)	3.3
Investment grants	0.5	(0.5)	
Retirement and other employee benefit obligations	0.5	0.1	0.6
Long-term provisions	1.6	(1.4)	0.2
Other non-current liabilities	0.1	(0.1)	-
Long-term borrowing	6.8	(1.0)	5.8
Derivative financial instruments (liabilities) at fair value		0.1	0.1
Deferred tax liabilities		0.2	0.2
Total non-current liabilities			6.9
Trade and other payables	8.7	0.1	8.8
Short-term provisions		1.3	1.3
Deferred tax liabilities	0.1	(0.1)	
Short-term financial liabilities		1.0	1.0
Total non-current liabilities			11.1
TOTAL EQUITY AND LIABILITIES	21.8	(0.5)	21.3

(*) Excluding restatement for concession contracts not yet known



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