2014

FINANCIAL REPORT

VINCI CONSTRUCTION

CONSOLIDATED BALANCE SHEET AT 31 DECEMBER 2014

Assets

(in € thousands)	Notes	Gross	2014 depreciation, amortisation and provisions	Net	2013 net
Non-current assets					
Intangible assets	1	138,850	87,680	**51,170**	50,081
Goodwill	2	949,762	202,433	**747,329**	819,306
Concession fixed assets	3	6,871	4,442	**2,429**	2,609
Property, plant and equipment	4	3,407,701	2,275,324	**1,132,377**	1,115,934
Investment property	5	753	509	**244**	272
Investments in companies accounted for under the equity method	6	318,106	462	**317,644**	316,773
Other non-current financial assets	7-14	203,300	28,850	**174,450**	149,157
Deferred tax assets (non-current)	20	222,622	-	**222,622**	182,396
Total non-current assets		**5,247,965**	**2,599,700**	**2,648,265**	**2,636,528**
Current assets					
Inventories and work in progress	8-10	373,505	48,605	**324,900**	322,242
Trade and other operating receivables	10	8,517,064	298,825	**8,218,239**	8,082,492
Other current assets	10	256,825	28	**256,797**	248,488
Current tax assets	10	111,865	-	**111,865**	75,412
Deferred tax assets (current)	20	158,187	-	**158,187**	151,206
Current financial assets	14	5,186	34	**5,152**	6,069
Cash management financial assets	9-14	1,645,679	1,516	**1,644,163**	1,879,447
Cash and cash equivalents	9-14	1,564,941	-	**1,564,941**	1,337,415
Total current assets		**12,633,252**	**349,008**	**12,284,244**	**12,102,771**
TOTAL ASSETS		**17,881,217**	**2,948,708**	**14,932,509**	**14,739,299**

Equity and liabilities

(in € thousands)	Notes	2014	2013
Equity			
Share capital		148,806	148,806
Share premium		54,333	54,333
Consolidated reserves		948,157	735,732
Net income		98,399	501,488
Interim dividend		(35,156)	(98,770)
Equity attributable to owners of the parent		**1,214,539**	**1,341,589**
Non-controlling interests		28,086	24,566
Total equity		**1,242,625**	**1,366,155**
Non-current liabilities			
Provisions for retirement and other employee benefits	11	364,571	302,727
Non-current provisions	12	169,573	160,755
Borrowings and financial debt	14	647,011	569,093
Other non-current liabilities	-	78,907	86,193
Deferred tax liabilities (non-current)	20	44,614	45,340
Total non-current liabilities		**1,304,676**	**1,164,108**
Current liabilities			
Current provisions	12-10	1,465,972	1,407,245
Trade payables	10	4,745,901	4,537,655
Other current liabilities	10-13	5,191,604	5,638,032
Current tax liabilities	10	132,339	127,254
Deferred tax liabilities (current)	20	19,800	16,933
Current financial debt	14	829,592	481,917
Total current liabilities		**12,385,208**	**12,209,036**
TOTAL EQUITY AND LIABILITIES		**14,932,509**	**14,739,299**

CONSOLIDATED INCOME STATEMENT

for the period from 1 January to 31 December 2014

(in € thousands)	Notes	2014	2013
Revenue	15	**15,430,376**	**16,807,497**
Revenue from ancillary activities	17	30,466	119,845
Revenue from operations		**15,460,842**	**16,927,342**
Purchases (raw materials, supplies, goods)		(2,867,794)	(3,384,197)
Subcontracting and other external expenses		(8,636,990)	(9,011,827)
Employment costs		(3,015,149)	(3,291,862)
Taxes and levies		(183,728)	(190,033)
Other operating income and expense		23,965	2,905
Net depreciation, amortisation and provision expense		(404,743)	(372,706)
Operating income from ordinary activities	17	**376,403**	**679,622**
(% of revenue)		*2.44%*	*4.04%*
Share-based payment expense	18	(36,414)	(32,682)
Income/(loss) of companies accounted for under the equity method	6	34,896	77,071
Other recurring operating items		6,191	(2,730)
Recurring operating income		**381,076**	**721,281**
(% of revenue)		*2.47%*	*4.29%*
Non-recurring operating items	17	(127,537)	25,098
Operating income		**253,539**	**746,379**
(% of revenue)		*1.64%*	*4.44%*
Cost of gross financial debt		(27,256)	(28,332)
Financial income from cash investments		17,314	21,547
Cost of net financial debt		**(9,942)**	**(6,785)**
Other financial income	19	36,492	28,299
Other financial expense	19	(49,734)	(46,591)
Net income tax expense	20	(129,272)	(207,156)
Net income		**101,083**	**514,146**
Attributable to non-controlling interests		2,684	12,658
Net income attributable to owners of the parent		**98,399**	**501,488**
(% of revenue)		*0.64%*	*2.98%*
Number of shares		18,600,811	18,600,811
Basic earnings per share (in €)		**5.29**	**26.96**

CONSOLIDATED COMPREHENSIVE INCOME STATEMENT

for the period from 1 January to 31 December 2014

(in € thousands)	2014	2013
Net income for the period (including non-controlling interests)	**101,083**	**514,146**
Net income recognised directly in equity	(4,610)	(30,587)
Currency translation differences	40,559	(59,602)
Income and expenses recognised directly in equity	**35,949**	**(90,189)**
Total comprehensive income for the period	**137,032**	**423,957**
of which:		
Attributable to owners of the parent	133,555	408,485
Attributable to non-controlling interests	3,477	15,472

CASH FLOW STATEMENT

Consolidated financial statements for the period ended 31 December 2014

(in € thousands)	**31.12.14**	**31.12.13**
Consolidated net income for the period (including non-controlling interests)	101,083	514,146
Depreciation and amortisation	344,562	363,350
Net provision expense	138,457	17,365
Share-based payments (IFRS 2) and other adjustments	(58,198)	(152,135)
Gains or losses on disposals	(9,067)	52,833
Change in fair value of foreign exchange derivative financial instruments	1,824	524
Share of income/(loss) of companies accounted for under the equity method and dividends received from unconsolidated companies	(35,700)	(78,163)
Cost of net financial debt	9,942	6,785
Current and deferred tax expense	129,272	207,156
Cash flows (used in)/from operations before tax and financing costs	**622,175**	**931,861**
Changes in working capital requirement and current provisions	(269,956)	(252,295)
Income taxes paid	(182,889)	(234,386)
Net financial interest paid	(9,508)	(6,694)
Dividends received from companies accounted for under the equity method	19,540	31,117
Cash flows (used in)/from operating activities	**179,362**	**469,603**
Purchases of intangible assets and property, plant and equipment	(352,547)	(385,328)
Proceeds from sales of intangible assets and property, plant and equipment	54,265	65,060
Purchases of non-current financial assets	(64,652)	(37,954)
Proceeds from sales of non-current financial assets	1,538	138,275
Net effect of changes in scope of consolidation	16,917	62,067
Change in financial receivables under PPPs and concessions	5,583	(29,965)
Dividends received from non-consolidated companies	804	1,093
Other	(19,397)	(21,367)
Net cash flows (used in)/from investing activities	**(357,489)**	**(208,119)**
Increases and decreases in share capital	817	3
Dividends paid by VINCI Construction	(258,365)	(318,631)
Dividends paid to non-controlling interests	(2,030)	(10,785)
Proceeds from new borrowings	6,026	53,500
Change in borrowings	68,715	(57,758)
Change in cash management assets and other current financial debts	436,860	155 330
Net cash flows (used in)/from financing activities	**252,023**	**(178 341)**
Change in net cash	**73,896**	**83 143**
Net cash and cash equivalents at beginning of period	1,041,785	1 169 368
Other changes	6,556	(210 726)
Net cash and cash equivalents at end of period	**1,122,237**	**1,041,785**
Net cash and cash equivalents at end of period	***1,122,237***	***1,041,785***
Cash management financial assets	*1,644,163*	*1,879,447*
Loans and collateralised receivables and other financial assets	*677*	*144*
Non-current financial debt	*(646,955)*	*(569,045)*
Other current financial debt (excluding overdrafts)	*(384,151)*	*(185,864)*
Fair value of derivatives, net	*(2,208)*	*824*
Net financial surplus at end of the period	***1,733,763***	***2,167,291***

STATEMENT OF CHANGES IN EQUITY

for the period ended 31 December 2014

EQUITY *(in € thousands)*	Share capital	Share premium	Consolidated reserves	Currency translation reserves	Net income	Net income recognised directly in equity	Total attributable to owners of the parent	Non-controlling interests	Total
31 December 2012	**148,806**	**54,333**	**720,041**	**(16,632)**	**399,486**	**(30,389)**	**1,275,645**	**298,895**	**1,574,540**
Allocation of net income of previous period	-	-	399,486	-	(399,486)	-	-	-	-
Dividend payments	-	-	(219,861)	-	-	-	(219,861)	(10,785)	(230,646)
Interim dividend	-	-	(98,770)	-	-	-	(98,770)		(98,770)
Net income for the period	-	-	-	-	501,488	-	501,488	12,658	514,146
Net income recognised directly in equity	-	-	-	-	-	(38,209)	(38,209)	7,622	(30,587)
Share-based payment (IFRS 2)	-	-	(22,057)	-	-	-	(22,057)	105	(21,952)
Currency translation differences	-	-	441	(55,244)	-	9	(54,794)	(4,808)	(59,602)
Changes in consolidation scope and miscellaneous	-	-	(7,151)	1,254	-	4,044	(1,853)	(279,121)	(280,974)
31 December 2013	**148,806**	**54,333**	**772,129**	**(70,622)**	**501,488**	**(64,545)**	**1,341,589**	**24,566**	**1,366,155**
Allocation of net income of previous period	-	-	501,488	-	(501,488)	-	-	-	-
Dividend payments	-	-	(223,209)	-	-	-	(223,209)	(2,030)	(225,239)
Interim dividend	-	-	(35,156)	-	-	-	(35,156)		(35,156)
Net income for the period	-	-	-	-	98,399	-	98,399	2,683	101,082
Net income recognised directly in equity	-	-	-	-	-	(4,590)	(4,590)	(20)	(4,610)
Share-based payment (IFRS 2)	-	-	(13,616)	-	-	-	(13,616)	-	(13,616)
Currency translation differences	-	-	1	39,791	-	(47)	39,745	814	40,559
Changes in consolidation scope and miscellaneous	-	-	9,294	1,652	-	431	11,377	2,073	13,450
31 December 2014	**148,806**	**54,333**	**1,010,931**	**(29,179)**	**98,399**	**(68,751)**	**1,214,539**	**28,086**	**1,242,625**

NOTES TO THE CONSOLIDATED STATEMENTS

FOR THE PERIOD ENDED 31 DECEMBER 2014

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the period ended 31 December 2014

A - ACCOUNTING POLICIES AND MEASUREMENT METHODS

1. GENERAL PRINCIPLES

Pursuant to Regulation (EC) No. 1606/2002 of 19 July 2002, the Group's consolidated financial statements for the period ended 31 December 2014 have been prepared under International Financial Reporting Standards (IFRS) as adopted by the European Union at 31 December 2014.
The accounting policies used at 31 December 2014 are the same as those used in preparing the consolidated financial statements at 31 December 2013, except for the standards and interpretations adopted by the European Union applicable as from 1 January 2014, (see Note A.1.1. "New standards and interpretations applicable from 1 January 2014").

1.1. New standards and interpretations applicable from 1 January 2014

New standards and interpretations mandatorily applicable from 1 January 2014 have no material impact on VINCI Construction's consolidated financial statements at 31 December 2014. These are mainly:
- Standards on consolidation methods:
  - IFRS 10 "Consolidated Financial Statements";
  - IFRS 11 "Joint Arrangements";
  - IFRS 12 "Disclosure of Interests in Other Entities";
  - Amendment to IFRS 10, 11 and 12 on transition guidance;
  - IAS 28 Amended "Interests in Associates and Joint Ventures".

- Other standards and interpretations:
  - Amendment to IAS 32 "Offsetting Financial Assets and Financial Liabilities";
  - Adjustments to IAS 36 "Recoverable Amount Disclosures for Non-Financial Assets".

1.2. Standards and interpretations adopted by the IASB but not yet applicable at 31 December 2014

The Group has not applied early the following standards and interpretations of which application was not mandatory at 1 January 2014:
- IFRS 15 "Revenue from Contracts with Customers";
- IFRS 9 "Financial Instruments";
- Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture";
- Amendments to IFRS 11 "Accounting for Acquisitions of Interests in Joint Operations";
- Amendments to IAS 19 "Defined Benefit Plans: Employee Contributions";
- Amendments to IAS 16 and IAS 38 "Clarification of Acceptable Methods of Depreciation and Amortisation";
- Amendments to IAS 1 "Disclosure Initiative";
- Annual improvements 2010-2012, 2011-2013 and 2012-2014;
- IFRIC 21 "Levies".

VINCI Construction is currently analysing the impacts and practical consequences of applying these standards.
The application of IFRIC 21 "Levies" as of 1 January 2015, will have no material impact on the Group's consolidated full-year or interim financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the period ended 31 December 2014

2. CONSOLIDATION METHODS

2.1. Consolidation scope

From 1 January 2014, the Group has applied new standards (IFRS 10, 11, 12 and IAS 28 Amended) relating to the consolidation scope.

IFRS 10 "Consolidated Financial Statements" replaces IAS 27 and SIC 12 "Consolidation – Special Purpose Entities" for all aspects relating to control and full consolidation procedures. It redefines the notion of control over an entity on the basis of three criteria:

- power over the entity, i.e. the ability to direct the activities that have the greatest impact on its profitability;
- exposure to variable returns from the entity, which may be positive in the form of dividends or any other financial benefit, or negative;
- and the connection between power and these returns, i.e. the ability to exert power over the entity in order to influence the returns obtained.

In practice, companies in which the Group holds, whether directly or indirectly, the majority of voting rights in shareholders' general meetings, in the Boards of Directors or in the equivalent management bodies, giving it the power to direct their operational and financial policies, are generally deemed to be controlled and are fully consolidated. To determine control, VINCI carries out an in-depth analysis of the established governance arrangements and of the rights held by other shareholders, to see whether they are purely protective. Where necessary, an analysis is performed in relation to instruments held by the Group or third parties (potential voting rights, dilutive instruments, convertible instruments, etc.) which, if exercised, could alter the type of influence exerted by each party.

For some infrastructure project companies operating under concessions or public-private partnership contracts and in which VINCI Construction is not the only capital investor, in addition to the analysis of the governance arrangements with each partner, the Group may look at the characteristics of subcontracting contracts to check that they do not confer additional powers that could lead to a situation of control.

An analysis is performed if a specific event takes place that may affect the level of control exerted by the Group, such as a change in an entity's ownership structure or governance, or the exercise of a dilutive financial instrument.

IFRS 11 "Joint arrangements" replaces IAS 31 regarding all aspects relating to the recognition of jointly controlled entities.
Joint control is established where decisions relating to the entity's main activities require the unanimous consent of the parties sharing control.
Joint arrangements now fall into two categories (joint ventures and joint operations) depending on the nature of the rights and obligations held by each party. That classification is generally determined by the legal form of the project vehicle.

- ·A joint venture is an arrangement where the parties exerting joint control over the entity (joint venturers) have rights to the entity's net assets. Joint ventures are accounted for under the equity method.
- ·A joint operation is a joint arrangement in which the parties (joint operators) have direct rights over the assets and direct obligations with respect to the entity's liabilities. Each joint operator accounts for the portion of assets, liabilities, income and expenses that corresponds to its interest in the joint operation.

Most of the Group's joint arrangements are joint operations because of the legal form of the vehicles used. In France, for example, parties generally use *sociétés en participation* (SEPs) to contractualise their joint works activities.

IAS 28 Amended defines the notion of significant influence and describes the equity method of accounting applicable to stakes in associates and joint ventures within the meaning of IFRS 11. Associates are entities in which the Group exerts significant influence. Significant influence is presumed where the Group's stake is more than or equal to 20%. However, it may arise where the ownership

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the period ended 31 December 2014

interest is lower, particularly where the Group is represented on the Board of Directors or any equivalent governance body, and therefore takes part in determining the entity's operational and financial policies and strategy. This concerns the Group's stake in CFE in particular.

Within the Group's consolidation scope, work to implement these new standards (IFRS 10, IFRS 11 and IAS 28 Amended) has resulted in changes to consolidation methods in respect of only nine non-material entities, particularly French property development joint arrangements contractualised in the form of *sociétés civiles de construction vente* (SCCVs). Those entities, previously accounted for as joint operations, are now classified as joint ventures and accounted for under the equity method.
Accordingly, comparative figures for 2013 have not been adjusted.

IFRS 12 "Disclosure of Interests in Other Entities" defines the information to be disclosed in the full-year financial statements with respect to equity interests in subsidiaries, joint arrangements, associates or non-consolidated structured entities. Since the Group already presented most of the information required in its consolidated financial statements for previous periods, the impact of IFRS 12 was limited. However, its application required details about the material assumptions and judgements used to determine control, joint control and significant influence, and to classify joint arrangements. It also requires the publication of additional information with respect to companies accounted for under the equity method (see note D.6 "Investments in companies accounted for under the equity method").
The Group's consolidation scope dœs not include any subsidiaries in which non-controlling interests are material, or any individually material joint ventures or associates. That assessment is based on the impact of those interests on the Group's financial position, financial performance and cash flows. VINCI Construction dœs not own any interest in structured entities as defined by IFRS 12.

The consolidated financial statements include the financial statements of all companies with revenue of more than €2 million, and of companies whose revenue is below this figure but whose impact on the Group's financial statements is material.

Changes in the scope of consolidation:

	31 December 2014			31 December 2013		
	Total	**France**	**Foreign**	**Total**	**France**	**Foreign**
Controlled companies	657	335	322	675	350	325
Equity-accounted companies	78	36	52	70	14	56
Total	**735**	**361**	**374**	**745**	**364**	**381**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the period ended 31 December 2014

2.2. Intragroup transactions

Reciprocal operations and transactions relating to assets, liabilities, income and expenses between companies that are fully consolidated are eliminated in the consolidated financial statements.
Where a fully consolidated Group entity carries out a transaction with an equity-accounted joint venture or associate, income and losses resulting from the transaction are only recognised in the Group's consolidated financial statements to the extent of the interest owned by third parties in the joint venture or associate.

2.3. Translation of the financial statements of foreign companies and establishments

In most cases, the functional currency of foreign companies and establishments is their local currency.
The financial statements of foreign companies of which the functional currency is different from that used in preparing the Group's consolidated financial statements are translated at the closing rate for balance sheet items and at the average rate for the period for income statement items. Any resulting translation differences are recognised under translation differences in consolidated reserves. Goodwill relating to foreign entities forms part of the assets acquired and is therefore denominated in the company's functional currency and translated at the exchange rate in force at the balance sheet date.

2.4. Foreign currency transactions

Transactions in foreign currency are translated into euros at the exchange rate at the transaction date.
Monetary assets and liabilities denominated in foreign currencies are translated at the closing rate.
Foreign exchange gains and losses are recognised in income.
Foreign exchange gains and losses arising on loans denominated in foreign currency or on foreign currency derivative instruments qualifying as hedges of net investments in foreign subsidiaries are recorded under currency translation differences in equity.

2.5. Business combinations

Business combinations completed from 1 January 2010 onwards have been recognised in accordance with IFRS 3 Amended, which has been applied prospectively.
Under IFRS 3 Amended, the cost of a business combination is the fair value, at the date of exchange, of the assets given, liabilities assumed, and/or equity instruments issued by the acquirer in exchange for control of the acquiree. Contingent price adjustments are included in the cost of the business combination and are measured at fair value at each balance sheet date. From the acquisition date, any subsequent changes to this fair value resulting from events taking place after control was acquired are recognised in profit or loss.
Expenses that are directly attributable to the acquisition, such as professional fees for due diligence and other related fees, are expensed as they are incurred. They are presented in the "Impact of changes in scope and gain/(loss) on disposals of shares" item on the income statement.
Non-controlling interests in the acquiree, where they give their holders present ownership interests in the entity (voting rights, a share of earnings, etc.) and entitle them to a proportionate share of net assets in the event of liquidation, are measured either at their share of the acquiree's net identifiable assets, or at their fair value. This option is applied on a case-by-case basis for each acquisition.
On the date control is acquired, the cost of acquisition is allocated by recognising the identifiable assets acquired and liabilities assumed from the acquiree at their fair value at that date, except for tax assets and liabilities and employee benefits, which are measured according to their reference standard (IAS 12 and IAS 19 respectively) and asset groups classified as held for sale, which are recognised under IFRS 5 at their fair value less costs to sell. The positive difference between the cost of acquisition and the fair value of the identifiable assets and liabilities acquired constitute goodwill. Where applicable, goodwill can include a portion of the fair value of non-controlling interests if the full goodwill method has been selected.
The Group has 12 months from the date of acquisition to finalise the accounting for business combinations.
In the case of a business combination achieved in stages, previously acquired shareholdings in the acquiree are measured at fair value at the date of acquisition of control. Any resulting gain or loss is recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the period ended 31 December 2014

2.6. Transactions between shareholders, acquisitions and disposals of non-controlling interests after acquisition of control

In accordance with IFRS 10, acquisitions or disposals of non-controlling interests, with no impact on control, are considered as transactions with the Group's shareholders. The difference between the consideration paid to increase the percentage shareholding in an already-controlled entity and the supplementary share of equity thus acquired is recorded under equity attributable to owners of the parent. Similarly, a decrease in the Group's percentage interest in an entity that continues to be controlled is booked in the accounts as a transaction between shareholders, with no impact on profit or loss. Professional fees and other incremental costs relating to acquisitions and disposals of non-controlling interests that have no impact on control, and any associated tax effects, are recorded under equity. Cash flows related to transactions between shareholders are presented under cash flows (used in)/from financing activities in the consolidated cash flow statement.

3. MEASUREMENT RULES AND METHODS APPLIED BY THE GROUP

3.1. Use of estimates

The preparation of financial statements under IFRSs requires estimates to be used and assumptions to be made that affect the amounts shown in those financial statements.
These estimates assume the operation is a going concern and are made on the basis of information available at the time. Estimates may be revised if the circumstances on which they were based alter or if new information becomes available. Actual results may be different from these estimates.
The consequences of weak economic recovery in Europe and France in particular, the slowdown in the global economy and geopolitical tension in certain regions make it difficult to assess the outlook for business in the medium term. The consolidated financial statements for the period have been prepared with reference to the immediate environment, in particular as regards the estimates given below.

3.1.1. Measurement of construction contract profit or loss using the percentage of completion method

The Group uses the percentage of completion method to recognise revenue and profit or loss on construction contracts, applying general revenue recognition rules on the basis of the percentage of completion.
The percentage of completion and the revenue to be recognised are determined on the basis of a large number of estimates made by monitoring the work performed and using the benefit of experience to take account of unforeseen circumstances. In consequence, adjustments may be made to initial estimates throughout the contract and may materially affect future results.

3.1.2. Values used in impairment tests

The assumptions and estimates made to determine the recoverable amount of goodwill, intangible assets and property, plant and equipment, relate in particular to the assessment of market prospects needed to estimate the cash flows, and discount rates adopted. Any change in these assumptions could have a material effect on the recoverable amount.
The main assumptions used by the Group are described in Note A.3.12. "Goodwill".

3.1.3. Measurement of share-based payment expense under IFRS 2

The Group recognises a share-based payment expense relating to offers made to employees to subscribe to shares and to take part in performance share plans and the Group savings plan. This expense is measured on the basis of actuarial calculations using estimated behavioural assumptions based on observation of past behaviour.
The main actuarial assumptions (expected volatility, expected return on shares, etc.) adopted by the Group are described for each plan in Note D.18 "Share-based payments".

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the period ended 31 December 2014

3.1.4. Measurement of retirement benefit obligations

The Group is involved in defined contribution and defined benefit retirement plans. Its obligations in connection with these defined benefit plans are measured using the actuarial projected unit credit method, based on assumptions such as the discount rate, future increases in wages and salaries, employee turnover, mortality rates and the rate of increase of health expenses.
These assumptions are generally updated annually. Details of the assumptions used and how they are determined are given in Note D.11 "Retirement and other employee benefit obligations". The Group considers that the actuarial assumptions used are appropriate and justified in the current conditions. Obligations may, however, change if assumptions change.

3.1.5. Measurement of provisions

The factors that may cause a material change in the amount of provisions are:
– the estimates made on a statistical basis from expenses incurred in previous years, for after-sales-service provisions;
– the estimates of forecast profit or loss on construction contracts, which serve as a basis for the determination of losses on completion (see Note A.3.4. "Construction contracts");
– the discount rates used.

3.1.6. Measurement of fair value

The Group mainly uses fair value in measuring, on a consistent basis, the derivative instruments, cash, cash equivalents, available-for-sale financial assets, cash management financial assets and identifiable assets and liabilities acquired in business combinations on its balance sheet.
Fair value is the price that would be received from selling an asset or paid to transfer a liability in a normal transaction. It is recognised on the basis of the asset or liability's main market (or the most advantageous market if there is no main market), i.e. the one that offers the highest volume and activity levels.
To determine these fair values, the Group uses the following measurement methods:

- market-based approaches, based on observable market prices or transactions;
- revenue-based approaches, which convert future cash flows into a single present value;
- cost-based approaches, which take into account the asset's physical, technological and economic obsolescence.

The following three-level hierarchy of fair values is used:

- Level 1: price quoted on an active market. Marketable securities and some available-for-sale financial assets and listed bond issues are measured in this way.
- Level 2: internal model using internal measurement techniques with observable factors. These techniques are based on usual mathematical computation methods, which incorporate observable market data (forward prices, yield curves, etc.). The calculation of the fair value of most derivative financial instruments (swaps, caps, floors, etc.) traded over the counter is based on internal models commonly used by market participants to price such financial instruments.
  Every quarter, the internally calculated values of derivative instruments are checked for consistency with those sent to VINCI by the counterparties.
- Level 3: internal model using non-observable factors. This model applies to customer relationships and contracts acquired through business combinations, as well as to holdings of unlisted shares, which, in the absence of an active market, are measured at their cost of acquisition plus transaction costs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the period ended 31 December 2014

3.2. Revenue

Consolidated revenue is recognised in accordance with IAS 11, as described below.
It includes revenue, after elimination of intragroup transactions, from:

- fully consolidated companies;
- jointly controlled operations and assets on the basis of the Group's share. This relates to the Group's construction work carried out through partnerships.

It also includes any revenue recognised in respect of construction work carried out by third-party companies on infrastructure under a PPP contract, for which the corresponding entry in the balance sheet appears under financial receivables.
The method for recognising revenue under construction contracts is explained in Note A.3.4 "Construction contracts" below.

3.3. Revenue from ancillary activities

This comprises rental income, sales of equipment, materials and merchandise, study work and fees other than that recorded under revenue by concession operating companies.

3.4. Construction contracts

The Group recognises construction contract income and expense using the percentage of completion method defined by IAS 11. For the Group, the percentage of completion is usually determined on a physical basis.
If the estimate of the final outcome of a contract indicates a loss, a provision is made for the loss on completion regardless of the percentage of completion, based on the best estimates of income, including, if need be, any rights to additional revenue or claims if these are probable and can be reliably estimated. Provisions for losses on completion are shown under liabilities.
Part payments received under construction contracts before the corresponding work has been carried out are recognised under liabilities under advances and payments on account received.

3.5. Concession contracts

Under the terms of IFRIC 12 Service Concession Arrangements, a concession operator has a twofold activity:

- a construction activity in respect of its obligations to design, build and finance a new asset that it makes available to the grantor: revenue is recognised on a percentage-of-completion basis in accordance with IAS 11;
- an operating and maintenance activity in respect of the assets under the concession: revenue is recognised in accordance with IAS 18.

In return for its activities, the operator receives remuneration from either:

- **Users: the intangible asset model applies.** The operator has a right to receive tolls (or other payments) from users in consideration for the financing and construction of the infrastructure. The intangible asset model also applies whenever the concession grantor remunerates the concession operator on the basis of how much users use the infrastructure, but with no guarantees as to the amounts that will be paid to the operator (under a simple pass-through or shadow-toll agreement).
  Under this model, the right to receive toll payments (or other remuneration) is recognised in the concession operator's balance sheet under "Concession intangible assets". This right corresponds to the fair value of the concession asset plus borrowing costs capitalised during the construction phase. It is amortised over the term of the arrangement in a manner that reflects the pattern in which the asset's economic benefits are consumed by the entity, starting from the asset's entry into service.
- **The grantor: the financial asset model applies.** The operator has an unconditional contractual right to receive payments from the grantor, irrespective of the amount of use made of the infrastructure.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the period ended 31 December 2014

Under this model, the operator recognises a financial asset, attracting interest, in its balance sheet in consideration for the services it provides (design, construction, etc.). Such financial assets are recognised in the balance sheet under "Loans and receivables" in an amount corresponding to the fair value of the infrastructure on first recognition and subsequently at amortised cost. The receivable is settled by means of the grantor's payments received. The financial income calculated on the basis of the effective interest rate, equivalent to the project's internal rate of return, is recognised under operating income.

In the case of **bifurcated models,** the operator is remunerated partly by users and partly by the grantor. The part of the investment that is covered by an unconditional right to receive payments from the grantor (in the form of grants or rental) is recognised as a financial receivable up to the amount guaranteed. The unguaranteed balance, of which the amount is dependent on the extent of use of the infrastructure, is recognised under "Concession intangible assets".

3.6. Share-based payment

The measurement and recognition methods for share subscription and purchase plans, the Group savings plans and performance share plans are defined by IFRS 2 "Share-based Payment". The granting of share options, VINCI performance shares and offers to subscribe to the VINCI Group savings plan represent a benefit granted to their beneficiaries and therefore constitute supplementary remuneration borne by VINCI Construction. Because such transactions do not give rise to monetary transactions, the benefits granted in this way are recognised as expenses in the period in which the rights are acquired, with a corresponding increase in equity. Benefits are measured on the basis of the fair value at the grant date of the equity instruments granted.
Benefits granted under stock option plans, performance share plans and the Group Savings Plan are implemented as decided by VINCI's Board of Directors after approval by the Shareholders' General Meeting, and are not, in general, systematically renewed. As their measurement is not directly linked to the business lines' operations, VINCI Construction has considered it appropriate not to include the corresponding expense in the operating income from ordinary activities, which is an indicator of divisional performance, but to report it on a separate line, labelled "Share-based payment expense (IFRS 2)", in recurring operating income.

3.6.1. Stock option plans

Options to subscribe to or purchase shares have been granted to Group employees and senior executives. For some of these plans, definitive vesting of share subscription or purchase option plans is conditional on performance conditions (stock market performance or financial criteria) being met. The fair value of options is determined, at the grant date, using the Monte Carlo valuation model, taking account of the impact of the market performance condition if applicable. The Monte Carlo model allows a larger number of scenarios to be modelled, by including in particular the valuation of assumptions about beneficiaries' behaviour on the basis of historical observations.

3.6.2. Performance share plans

Performance shares subject to vesting conditions have been granted to Group employees and senior executives. These are plans under which the final vesting of the shares may be dependent on the realisation of financial criteria.
The number of performance shares measured at fair value in the calculation of the IFRS 2 expense is adjusted at each balance sheet date for the impact of the change in the likelihood of the financial criteria being met.

3.6.3. Group savings plan

In France, VINCI issues new shares reserved for its employees three times a year with a subscription price that includes a discount against the average stock market price of the VINCI share during the last 20 business days preceding the authorisation by the Board of Directors. This discount is considered as a benefit granted to employees; its fair value is determined using the Monte Carlo valuation model at the date on which the subscription price is announced to employees. As certain restrictions apply to the sale or transfer of shares acquired by VINCI Construction employees under these plans, the fair value of the benefit to the employee takes account of the fact that the shares acquired cannot be freely disposed of for five years other than in certain specific circumstances.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the period ended 31 December 2014

The Group recognises the benefits granted in this way to its employees as an expense over the vesting period, with a corresponding increase in consolidated equity.
Outside France, in accordance with authorisations given to the Board of Directors by the Shareholders' General Meeting, VINCI has set up Group savings plans for the employees of certain foreign subsidiaries in 23 countries. These plans have different characteristics from those for employees in France, partly to ensure that the plans' value is consistent across all countries despite varying tax and regulatory arrangements. Details of the plans are set out in Note D.18 "Share-based payment".

3.7. Cost of net financial debt

The cost of net financial debt comprises:

- the cost of gross financial debt, which includes the interest expense calculated at the effective interest rate, and gains and losses on interest rate derivatives allocated to gross financial debt whether designated as hedges for accounting purposes or not; and
- the line item "Financial income from cash management investments", which comprises the return on investments of cash and cash equivalents. Investments of cash and cash equivalents are measured at fair value through profit or loss.

3.8. Other financial income and expense

Other financial income and expense comprises mainly foreign exchange gains and losses, the effects of discounting to present value, capitalised borrowing costs and changes in the value of derivatives not allocated to managing interest rate or exchange rate risk.

3.9. Income tax

Income tax is computed in accordance with the tax legislation in force in the countries where the income is taxable.
In accordance with IAS 12, deferred tax is recognised on the temporary differences between the carrying amount and the tax base of assets and liabilities. It is calculated using the latest tax rates enacted or substantively enacted at the accounts closing date. The effects of a change in the tax rate from one period to another are recognised in the income statement in the period in which the change occurs, except where they relate to transactions recognised under other comprehensive income or directly in equity.
Deferred tax relating to share-based payments (IFRS 2) is taken to income to the extent that the deductible amount dœs not exceed the fair value of plans established according to IFRS 2.
Whenever subsidiaries have distributable reserves, a deferred tax liability is recognised in respect of the probable distributions that will be made in the foreseeable future. Moreover, shareholdings in companies accounted for under the equity method give rise to recognition of a deferred tax liability in respect of all the differences between the carrying amount and the tax base of the shares.
Net deferred tax is determined on the basis of the tax position of each entity or group of entities included in the tax group under consideration and is shown under assets or liabilities for its net amount per taxable entity.
Deferred tax is reviewed at each balance sheet date to take account in particular of the impact of changes in tax law and the prospects for recovery. Deferred tax assets are only recognised if their recovery is probable.
Deferred tax assets and liabilities are not discounted.

3.10. Earnings per share

Earnings per share is the net income for the period after non-controlling interests, divided by the weighted average number of shares outstanding during the period. The Group has issued no equity instruments that could have a dilutive effect.

3.11. Other intangible assets

This is mainly computer software. Purchased intangible assets are measured at cost less amortisation and cumulative impairment losses, and are amortised on a straight-line basis over their useful life.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the period ended 31 December 2014

3.12. Goodwill

Goodwill is the excess of the cost of a business combination over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities at the date(s) of acquisition, recognised on first consolidation.
Goodwill in fully consolidated subsidiaries is recognised under goodwill in consolidated assets. Goodwill relating to companies accounted for under the equity method is included in the line item "Investments in companies accounted for under the equity method".
Goodwill is not amortised but is tested for impairment at least annually and whenever there is an indication that it may be impaired. Whenever goodwill is impaired, the difference between its carrying amount and its recoverable amount is recognised in operating income in the period and is not reversible.
Negative goodwill is recognised directly in profit or loss in the year of acquisition.
Following adoption of IFRS 3 Amended, an option is available to measure non-controlling interests on the acquisition date either at fair value (the full goodwill method), or for the portion of the net assets acquired that they represent (the partial goodwill method). The choice can be made for each business combination.

3.13. Concession intangible assets

Concession intangible assets correspond to the concession operator's right to operate the asset under concession in consideration for the investment expenditures incurred for the design and construction of the asset. This operator's right corresponds to the fair value of the construction of the asset under concession plus the borrowing costs capitalised during the construction phase. It is amortised over the term of the contract in a manner that reflects the pattern in which the contract's economic benefits are consumed by the entity, starting from the date when the right to operate starts to be used.

3.14. Grants related to assets

Grants related to assets are presented in the balance sheet as a reduction of the amount of the asset for which they were received.

3.15. Property, plant and equipment

Items of property, plant and equipment are recorded at their acquisition or production cost less cumulative depreciation and any impairment losses. They are not revalued.
Depreciation is generally calculated on a straight-line basis over the period of use of the asset. Accelerated depreciation may however be used when it appears more appropriate to the conditions under which the asset is used. For certain complex assets comprising several components, in particular buildings and constructions, each component of the asset is depreciated over its own period of use.
The main periods of use of the various categories of items of property, plant and equipment are as follows:

Constructions:	
• structure	between 20 and 50 years
• general technical installations	between 5 and 20 years
Site equipment and technical installations	between 3 and 12 years
Vehicles	between 3 and 5 years
Fixtures and fittings	between 8 and 10 years
Office furniture and equipment	between 3 and 10 years

Depreciation commences as from the date when the asset is ready to enter into service.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the period ended 31 December 2014

3.16. Finance leases

Assets acquired under finance leases are recognised as non-current assets whenever the effect of the lease is to transfer to the Group substantially all the risks and rewards incidental to ownership of these assets, with recognition of a corresponding financial liability. Assets held under finance leases are depreciated over their period of use.

3.17. Investment property

Investment property is property held to earn rentals or for capital appreciation. Such property is shown on a separate line in the balance sheet.

Investment property is recorded at its acquisition cost less cumulative depreciation and any impairment losses, in the same way as items of property, plant and equipment.

3.18. Impairment of non-financial non-current assets

Impairment tests are performed on intangible assets and property, plant and equipment where evidence of a loss of value arises. For intangible assets with an indefinite useful life, goodwill and construction work in progress, a test is performed at least annually and whenever there is an indication of a loss of value.

Assets to be tested for impairment are grouped within cash-generating units that correspond to homogeneous groups of assets that generate identifiable cash inflows from their use. Whenever the recoverable value of a cash-generating unit is less than its carrying amount, an impairment loss is recognised in operating income. The recoverable amount of a cash-generating unit is the higher of its fair value less costs to sell and its value in use. Value in use is the present value of the future cash flows derived from an asset or cash-generating unit. The discount rate is determined for each cash-generating unit taking account of its geographical location and the risk profile of its business.

3.19. Investments in companies accounted for under the equity method

These shareholdings are in joint ventures and companies over which the Group has significant influence, and are accounted for under the equity method.

They are initially recognised at the cost of acquisition, including any goodwill arising. Their carrying amount is then increased or decreased to recognise the Group's share of the entity's profits or losses after the date of acquisition. Whenever losses are greater than the value of the Group's net investment in the equity-accounted entity, these losses are not recognised unless the Group has entered into a commitment to recapitalise the entity or provide it with funding. The share of the negative net equity of companies accounted for under the equity method arising from decreases in the fair value of financial hedging instruments is presented under provisions for financial risks.

If there is an indication that an investment may be impaired, its recoverable value is tested as described in Note A.3.18 "Impairment of non-financial non-current assets". Impairment losses shown by these impairment tests are recognised as a deduction from the carrying amount of the corresponding investments.

In order to present operational performance in the best way possible, the income or loss of companies accounted for under the equity method is reported on a specific line, between the lines "Operating income from ordinary activities" and "Recurring operating income".

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the period ended 31 December 2014

3.20. Other non-current financial assets

Other non-current financial assets comprise available-for-sale securities, the part at more than one year of loans and receivables measured at amortised cost, the part at more than one year of receivables under public-private partnership contracts (PPPs) and the fair value of derivative financial instruments designated as hedges maturing after one year (see Note A.3.28.2 “Fair value of derivative instruments (assets and liabilities)”).

3.20.1. Available-for-sale securities

Available-for-sale securities comprise the Group’s shareholdings in unconsolidated companies.

At the balance sheet date, available-for-sale securities are measured at their fair value. The fair value of shares in listed companies is determined on the basis of the stock market price at that balance sheet date.

For unlisted securities, if their fair value cannot be determined reliably, the securities continue to be measured at their original cost, i.e. their cost of acquisition plus transaction costs.

Changes in fair value are recognised directly in equity.

Whenever there is an objective indication that this asset is impaired, the corresponding loss is recognised in profit or loss and may not be reversed.

- For securities quoted on an active market, a long-lasting or material decline in fair value below their cost is an objective indication of their impairment. The factors considered by the Group in assessing the long-lasting or material nature of a decline in fair value are generally the following:
  - the impairment is long-lasting whenever the closing stock market price has been lower than the cost of the security for more than 18 months;
  - the impairment is material whenever, at the balance-sheet date, there has been a 30% fall in the current market price compared with the cost of the financial asset.
- For unlisted securities, the factors considered are the decrease in value of the share of equity held and the absence of prospects for generating profits.

3.20.2. Loans and receivables at amortised cost

Loans and receivables at amortised cost mainly comprise receivables connected with shareholdings, current account advances to companies accounted for under the equity method or unconsolidated entities, and guarantee deposits, collateralised loans and receivables and other loans and receivables. The item also includes the financial receivables relating to concession contracts and public-private partnerships whenever the concession operator has an unconditional right to receive remuneration (generally in the form of “scheduled construction service payments”) from the grantor.

When first recognised, these loans and receivables are recognised at their fair value less the directly attributable transaction costs. At each balance sheet date, these assets are measured at their amortised cost using the effective interest method. In the particular case of receivables coming under the scope of IFRIC 12, the effective interest rate used corresponds to the project’s internal rate of return.

If there is an objective indication of impairment of these loans and receivables, an impairment loss is recognised at the balance sheet date. The impairment loss corresponding to the difference between the carrying amount and the recoverable amount (i.e. the present value of the expected cash flows discounted using the original effective interest rate) is recognised in profit or loss. This loss may be reversed if the recoverable value increases subsequently and if this positive change can objectively be linked to an event arising after recognition of the impairment loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the period ended 31 December 2014

3.21. Inventories and work in progress

Inventories and work in progress are recognised at their cost of acquisition or of production by the entity. At each balance sheet date, they are measured at the lower of cost and net realisable value.

3.22. Trade and other operating receivables

"Trade and other operating receivables" are current financial assets and are initially measured at their fair value, which is generally their nominal value, unless the effect of discounting is material. At each balance sheet date, receivables are measured at their amortised cost less any impairment losses taking account of any likelihood of non-recovery.
An estimate of the likelihood of non-recovery is made at each balance sheet date and an impairment loss is recognised if necessary. The likelihood of non-recovery is assessed in the light of payment delays and guarantees obtained.

3.23. Other current financial assets

Other current financial assets comprises the fair value of derivative financial instruments (assets) not designated as hedges and the part at less than one year of loans and receivables reported under other non-current financial assets.

3.24. Cash management financial assets

Cash management financial assets comprise investments in monetary and bond securities, and units in UCITS, made with a short-term management objective, that do not satisfy the IAS 7 criteria for recognition as cash (see Note A.3.25 "Cash and cash equivalents"). As the Group adopts fair value as being the best reflection of the performance of these assets, they are measured and recognised at their fair value, and changes in fair value are recognised through profit or loss.
Purchases and sales of cash management financial assets are recognised at their transaction date.
Their fair value is determined using commonly used valuation models or, for non-listed cash management assets, at the present value of future cash flows. In assessing the fair value of listed instruments, the Group uses the market price at the balance sheet date or the net asset value of UCITS.

3.25. Cash and cash equivalents

This item includes current accounts at banks and cash equivalents corresponding to short-term, liquid investments subject to negligible risks of fluctuations of value. Cash equivalents comprise in particular money market UCITS and certificates of deposit with initial maturities not exceeding three months. Bank overdrafts are not included in cash and are reported under current financial liabilities.
Changes in fair value are recognised directly in profit or loss.
Their fair value is determined using commonly used valuation models or, for non-listed cash management assets, at the present value of future cash flows. In assessing the fair value of listed instruments, the Group uses the market price at the balance sheet date or the net asset value of UCITS.

3.26. Non-current provisions

Non-current provisions comprise provisions for retirement benefit obligations and other non-current provisions.

3.26.1. Provisions for retirement benefit obligations

Provisions are taken in the balance sheet for obligations connected with defined benefit retirement plans, for both current and former employees (people with deferred rights or who have retired). These provisions are determined using the projected unit credit method on the basis of actuarial assessments made at each annual balance sheet date. The actuarial assumptions used to determine the obligations vary depending on the economic conditions of the country where the plan is operated. Each plan's obligations are recognised separately.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the period ended 31 December 2014

Under IAS 19, for defined benefit plans financed under external management arrangements (i.e. pension funds or insurance policies), the surplus or shortfall of the fair value of the assets compared with the present value of the obligations is recognised as an asset or liability in the balance sheet. That recognition is subject to the asset ceiling rules and minimum financing requirements set out by IFRIC 14.
The expense recognised under operating income or loss in each period comprises the current service cost and the effects of any change, reduction or winding up of the plan. The accretion impact recognised on actuarial debt and interest income on plan assets are recognised under other financial income and expenses. Interest income from plan assets is calculated using the discount rate used to calculate obligations with respect to defined benefit plans.
The impacts of remeasuring net liabilities (or assets as the case may be) with respect to defined benefit plans are recorded under other comprehensive income. They comprise:

- actuarial gains and losses on obligations resulting from changes in actuarial assumptions and from experience adjustments (the effects of differences between the actuarial assumptions adopted and that which has actually occurred);
- plan asset outperformance/underperformance (i.e. the difference between the effective return on plan assets and the return calculated using the discount rate applied to the actuarial liability);
- and changes in the asset ceiling effect.

Commitments relating to lump-sum payments on retirement for manual construction workers, which are met by contributions to an outside multi-employer insurance scheme (CNPO), are considered as being under defined contribution plans and are recognised as an expense as and when contributions are payable.
The part of provisions for retirement benefit obligations that matures within less than one year is shown under other current non-operating liabilities.

3.26.2. Other non-current provisions

These comprise provisions for other employee benefits, measured in accordance with IAS 19, and those provisions that are not directly linked to the operating cycle, measured in accordance with IAS 37. These are recognised whenever, at the balance sheet date, the Group has a legal or constructive present obligation towards non-Group companies arising from a past event, whenever it is probable that an outflow of resources embodying economic benefits will be required to settle this obligation and whenever a reliable estimate can be made of the amount of the obligation. These provisions are measured at their present value, corresponding to the best estimate of the outflow of resources required to settle the obligation.
The part at less than one year of other employee benefits is reported under “Other current liabilities”. The part at less than one year of provisions not directly linked to the operating cycle is reported under “Current provisions”.

3.27. Current provisions

Current provisions are provisions directly linked to each business line’s own operating cycle, whatever the expected time of settlement of the obligation. They are recognised in accordance with IAS 37 (see above). They also include the part at less than one year of provisions not directly linked to the operating cycle.
Provisions for after-sales service cover Group entities’ commitments under statutory warranties relating to completed projects, in particular 10-year warranties on building projects in France. They are estimated statistically on the basis of expenses incurred in previous years or individually on the basis of specifically identified events.
Provisions for losses on completion of contracts and construction project liabilities are set aside mainly when end-of-contract projections, based on the most likely estimated outcome, indicate a loss, and when work needs to be carried out in respect of completed projects under completion warranties.
Provisions for disputes connected with operations mainly relate to disputes with customers, subcontractors, joint contractors or suppliers.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the period ended 31 December 2014

Restructuring provisions include the cost of plans and measures for which there is a commitment whenever these have been announced before the period end.
Provisions for other current liabilities mainly comprise provisions for other risks related to operations and for individual dismissals.

3.28. Bonds and other financial debt (current and non-current)

3.28.1. Bonds, other loans and financial debt

These are recognised at amortised cost using the effective interest method. The effective interest rate is determined after taking account of redemption premiums and issuance expenses. Under this method, the interest expense is measured actuarially and reported under the cost of gross financial debt.
The benefit of a loan at a significantly below-market rate of interest, which is in particular the case for project finance granted by public-sector organisations, is treated as a government grant and recognised as a reduction of the debt and the related investments, in accordance with IAS 20.
Financial instruments that comprise both a liability component and an equity component are recognised in accordance with IAS 32. The carrying amount of the compound instrument is apportioned between its liability component and its equity component, the equity component being defined as the difference between the fair value of the compound instrument and the fair value of the liability component. The liability component corresponds to the fair value of a liability with similar characteristics but without an equity component. The value attributed to the separately recognised equity component is not altered during the term of the instrument. The liability component is measured using the amortised cost method over its estimated term. Issuance costs are allocated proportionately between the liability and equity components.
The part at less than one year of borrowings is included in current borrowings.

3.28.2. Fair value of derivative financial instruments (assets and liabilities)

The Group uses derivative financial instruments to hedge its exposure to market risks (mainly interest rates and foreign currency exchange rates). Most interest rate and foreign currency exchange rate derivatives used by VINCI Construction are designated as hedging instruments. Hedge accounting is applicable in particular if the conditions provided for in IAS 39 are satisfied:

- at the time of setting up the hedge, there is a formal designation and documentation of the hedging relationship;
- the effectiveness of the hedging relationship must be demonstrated from the outset and at each balance sheet date, prospectively and retrospectively.

The fair value of derivative financial instruments designated as hedges of which the maturity is greater than one year is reported in the balance sheet under "Other non-current financial assets" or "Other loans and borrowings" (non-current). The fair value of other derivative instruments not designated as hedges and the part at less than one year of instruments designated as non-current hedges are reported under "Other current financial assets" or "Current borrowings".

– a hedge of a net investment denominated in a foreign currency hedges the exchange rate risk relating to the net investment in a consolidated foreign subsidiary.
Most of the interest rate and foreign currency derivatives used by VINCI Construction are considered as trading instruments, directly allocated to the contract in question.
The fair value of derivative financial instruments designated as hedges of which the maturity is greater than one year is reported in the balance sheet under "Non-current financial assets" or "Other loans and non-current financial debt". The fair value of other derivative instruments not designated as hedges and the part at less than one year of instruments designated as hedges are reported under "Current financial assets" or "Current financial liabilities".

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the period ended 31 December 2014

3.28.3. Financial instruments designated as hedging instruments

Derivative financial instruments designated as hedging instruments are systematically recognised in the balance sheet at fair value (see Note A.3.1.6 "Measurement of fair value"). Variations in fair value from one period to another are recognised differently depending on whether they are designated as:

- a fair value hedge of an asset or a liability or of an unrecognised firm commitment;
- a cash flow hedge; or
- a hedge of a net investment in a foreign entity.

Fair value hedge

A fair value hedge enables the exposure to the risk of a change in the fair value of a financial asset, a financial liability or unrecognised firm commitment to be hedged.

Changes in the fair value of the hedging instrument are recognised in profit or loss for the period. The change in value of the hedged item attributable to the hedged risk is recognised symmetrically in profit or loss for the period (and adjusted to the carrying amount of the hedged item). Except for the ineffective part of the hedge, these two revaluations offset each other within the same line items in the income statement.

Cash flow hedges

A cash flow hedge allows exposure to variability in future cash flows associated with an existing asset or liability, or a highly probable forecast transaction, to be hedged.

Changes in the fair value of the derivative financial instrument are recognised as other comprehensive income, under equity for the effective portion and in profit or loss for the period for the ineffective portion. Cumulative gains or losses in equity are taken to profit or loss under the same line item as the hedged item – i.e. under operating income and expenses for cash flows from operations and under financial income and expense otherwise – when the hedged cash flow affects profit or loss.

If the hedging relationship is interrupted because it is no longer considered effective, the cumulative gains or losses in respect of the derivative instrument are retained in equity and recognised symmetrically with the cash flow hedged. If the future cash flow is no longer expected, the gains and losses previously recognised in equity are taken to profit or loss.

Hedge of a net investment in a foreign entity

A hedge of a net investment denominated in a foreign currency hedges the exchange-rate risk relating to the net investment in a consolidated foreign subsidiary. The effective portion of the changes in the value of the derivative instrument is recorded in equity under currency translation reserves and the portion considered as ineffective is recognised in profit or loss.

The change in the value of the hedging instrument recognised in "Translation differences" is reversed through profit or loss when the foreign entity in which the initial investment was made leaves the Group.

3.28.4. Derivative financial instruments not designated as hedging instruments

Derivative financial instruments that are not designated as hedging instruments are reported in the balance sheet at fair value and changes in their fair value are recognised in profit or loss.

3.29. Off-balance sheet commitments

The Group's off-balance sheet commitments are monitored through specific annual and half-year reports.

Off-balance sheet commitments are reported in the appropriate notes, as dictated by the activity to which they relate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the period ended 31 December 2014

B - BUSINESS COMBINATIONS

On 16 October 2014, Soletanche Freyssinet increased its stake in Freyssinet Espagne from 50% to 100%.
That company specialises in structures and soil reinforcement in Spain, Mexico and South America, and in 2014 generated revenue of around €165 million, of which 80% came from Latin America. The acquisition forms part of Soletanche Freyssinet's ongoing international expansion, and will enable it to exploit South America's growth potential, working in synergy with the Group's other divisions.
Freyssinet Espagne has been fully consolidated in VINCI Construction's consolidated financial statements since 16 October 2014.

C - INFORMATION BY OPERATING SEGMENT

Based on the Group's internal organisation, segment information is presented by business segment, not by management segment. The main activities and/or areas of operation of business segments are:

Networks of local subsidiaries

- VINCI Construction France: operates in metropolitan France in the building, civil engineering, and hydraulic and services sectors, through a network of local operations.
- VINCI Construction Dom-Tom: active in all aspects of the construction business in France's overseas territories.
- Central European subsidiaries: operate in Poland, the Czech Republic and Slovakia in the building, civil engineering and hydraulic sectors.
- VINCI Construction UK: regional and nationwide building and civil engineering operations in the UK.
- Sogea-Satom: active in all aspects of the construction business in Africa.

Specialist business lines

- Soletanche Freyssinet: develops and deploys highly technical expertise in specialised civil engineering, working on structures, special foundations, soil technologies and nuclear engineering.
- Entrepose: specialised in the design and performance of complex industrial projects in the energy sector.

Management and complex projects

- VINCI Construction Grands Projets: designs and performs major civil engineering and building projects worldwide.
- VINCI Construction Terrassement: mainly involved in earthworks for road and rail infrastructure and major bridges and tunnels.
- Dodin Campenon Bernard: works on major civil engineering projects in France.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the period ended 31 December 2014

D - NOTES TO THE BALANCE SHEET AND INCOME STATEMENT

1. INTANGIBLE ASSETS

(in € thousands)	31.12.2013	Increase	Decrease	Translation differences, change in consolidation scope and other	31.12.2014
Gross	134,366	6,745	(5,867)	3,605	138,850
Amortisation and provisions	(84,285)	(8,244)	5,548	(699)	(87,680)
Total net	**50,081**	**(1,499)**	**(319)**	**2,906**	**51,170**

Intangible assets mainly comprise software licences and patents.
The impact of acquisitions and reversals of amortisation in connection with business combinations, and that of impairment losses and reversals, on changes in the year is not material.

2. GOODWILL

(in € thousands)	Gross	Impairment losses	Net
Goodwill at start of period	876,067	(56,761)	819,306
Goodwill recognised during the period	44,950	-	44,950
Amortisation and provisions	-	(141,335)	(141,335)
Translation differences and other	28,745	(4,337)	24,408
Total	**949,762**	**(202,433)**	**747,329**

The main items of goodwill at the balance-sheet date were as follows:

	Net
Soletanche Bachy	169,840
Nuvia	149,708
Entrepose	114,458
VINCI Construction UK	90,960
Geostock	16,794
Structures Île-de-France	10,731
Sogetrav	9,702

Impairment tests on goodwill and other non-financial assets (in € millions)
In accordance with IAS 36 "Impairment of assets", goodwill and other non-financial assets have been tested for impairment at 31 December 2014.
Cash-generating units (CGUs) are identified in line with operational reporting and their recoverable amounts are based on a value in use calculation. The value in use of each CGU is determined by discounting the forecasted operating cash flows before tax (operating income plus depreciation and amortisation plus non-current provisions less operating investments less change in operating WCR), at the rates below.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the period ended 31 December 2014

Forecast cash flows are generally determined on the basis of the latest three-year forecasts available. For periods beyond the three-year period, cash flows are extrapolated until the fifth year, generally using a growth rate based on management's assessment of the outlook for the entity under consideration.
Beyond the fifth year, the terminal value is determined by capitalising cash flows to infinity.

(in € millions)	Carrying amount of goodwill at 31.12.2014	Parameters of the model applied to cash flow forecasts				Impairment losses recognised in the period	
		Growth rate (years n+1 to n+5	Growth rate (terminal value)	Discount rates at 31.12.2014	Discount rates at 31.12.2013	2014	2013
Soletanche Freyssinet	169.8	4.2%	1.5%	9.9%	9.3%	-	-
Entrepose	114.5	2.5%	1.0%	10.2%	10.7%	-	-
VINCI Construction UK	91.0	–1.0%	1.0%	9.2%	10.1%	(121.9)	-
Other goodwill	372.1	–2% to 7%	1% to 5%	7% to 14.8%	7.3% to 18%	(19.4)	(27.2)
Total	**747.3**					**(141.3)**	**(27.2)**

3. CONCESSION FIXED ASSETS

(in € thousands)	31.12.2013	Increase	Decrease	Translation differences, change in consolidation scope and other	31.12.2014
Gross	6,871	-	-	-	6,871
Depreciation and provisions	(4,262)	(180)	-	-	(4,442)
Total net	**2,609**	**(180)**	**-**	**-**	**2,429**

The impact on the Group's financial statements of acquisitions and reversals of depreciation in connection with business combinations, and of impairment losses and reversals, is not material.

4. PROPERTY, PLANT AND EQUIPMENT

4.1. Change in the period

(in € thousands)	31.12.2013	Increase	Decrease	Translation differences, change in consolidation scope and other	31.12.2014
Gross	3,280,293	349,919	(284,897)	62,386	3,407,701
Depreciation and provisions	(2,164,359)	(338,970)	261,880	(33,875)	(2,275,324)
Total net	**1,115,934**	**10,949**	**(23,017)**	**28,511**	**1,132,377**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the period ended 31 December 2014

4.2. Breakdown by type of asset

(in € thousands)	Gross	Depreciation	Net
Land	68,374	(8,690)	59,684
Constructions	272,301	(144,186)	128,115
Plant and equipment	2,774,504	(1,944,994)	829,510
Office furniture, computer equipment, fixtures and fittings	237,865	(176,767)	61,098
Non-current assets in progress	54,657	(687)	53,970
Total net	**3,407,701**	**(2,275,324)**	**1,132,377**

The impact on the Group's financial statements of acquisitions and reversals of depreciation in connection with business combinations, and of impairment losses and reversals, is not material.

4.3. Investments in the period

(in € thousands)	31.12.2014
Land	2,189
Constructions	11,393
Plant and equipment	259,123
Office furniture, computer equipment, fixtures and fittings	26,314
Non-current assets in progress	50,900
Total net	**349,919**

4.4. Leased assets

Leased assets amounted to €93,9 million at 31 December 2014 and related mainly to assets used in operations.

5. INVESTMENT PROPERTY

(in € thousands)	31.12.2013	Increase	Decrease	Translation differences, change in consolidation scope and other	31.12.2014
Gross	762	-	-	(9)	753
Depreciation and provisions	(490)	(25)	-	6	(509)
Total net	**272**	**(25)**	**-**	**(3)**	**244**

The impact on the Group's financial statements of acquisitions and reversals of depreciation in connection with business combinations, and of impairment losses and reversals, is not material.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the period ended 31 December 2014

6. INVESTMENTS IN COMPANIES ACCOUNTED FOR UNDER THE EQUITY METHOD

6.1. Change in the period

(in € thousands)	**31.12.2013**	**31.12.2014**
Value of shares at start of the period	**553,069**	**316,773**
Increases in capital of associates	4,183	2,178
Group share of net income for the period	77,071	34,896
Dividend payments	(31,117)	(19,540)
Changes in consolidation scope, foreign currency translation differences and other	(286,433)	(16,663)
Total net	**316,773**	**317,644**

6.2. Financial information on companies accounted for under the equity method

Investments in companies accounted for under the equity method break down as follows:

	% held	**31.12.2013**	**31.12.2014**
CFE	12.11%	130,004	158,191
QDVC	49.00%	16,054	14,009

The main financial data on companies accounted for under the equity method are as follows (Group share):

(in € thousands)	**31.12.2013**	**31.12.2014**
Income statement		
Revenue	1,689,513	840,910
Operating income from ordinary activities	137,532	40,782
Net income	77,071	34,896
Balance sheet		
Non-current assets	422,141	471,400
Current assets	547,467	622,145
Equity	(293,841)	(311,839)
Non-current liabilities	(214,716)	(213,728)
Current liabilities	(461,076)	(567,978)
Net financial debt	**(76,887)**	**(89,344)**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the period ended 31 December 2014

7. OTHER NON-CURRENT FINANCIAL ASSETS

(in € thousands)	Gross	Impairment losses	Net
Financial receivables - PPPs	27,756	-	27,756
Investments in subsidiaries and affiliates	72,164	(26,506)	45,658
Other available-for-sale financial assets	863	(275)	588
Other non-current financial assets	102,517	(2,069)	100,448
Fair value of derivative financial instruments (assets)	-	-	-
Retirement benefit plans - net surplus financial assets	-	-	-
Total net	**203,300**	**(28,850)**	**174,450**

8. INVENTORIES AND WORK IN PROGRESS

(in € thousands)	31.12.2013	31.12.2014
Inventories	287,496	284,302
Work in progress	34,746	40,598
Total net	**322,242**	**324,900**

9. CASH MANAGEMENT FINANCIAL ASSETS, CASH AND CASH EQUIVALENTS

Cash management financial assets break down as follows:

(in € thousands)	31.12.2013	31.12.2014
Cash management financial assets	**1,879,447**	**1,644,163**
Cash equivalents	358,808	373,657
Cash	978,607	1,191,284
Cash and cash equivalents	**1,337,415**	**1,564,941**

Financial assets mainly comprise an investment of cash with the parent company VINCI, attracting interest close to market rates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the period ended 31 December 2014

10. WORKING CAPITAL REQUIREMENT (SURPLUS)

(in € thousands)	**31.12.2013**	**31.12.2014**
Inventories and work in progress (net)	322,242	324,900
Trade and other operating receivables	8,082,492	8,218,239
Other current assets	248,488	256,797
Current tax assets	75,412	111,865
Inventories and operating receivables (I)	**8,728,634**	**8,911,801**
Trade payables	4,537,655	4,745,901
Other current liabilities	5,638,032	5,191,604
Current tax liabilities	127,254	132,339
Operating payables (II)	**10,302,941**	**10,069,844**
Working capital requirement connected with operations (I-II)	**(1,574,307)**	**(1,158,043)**
Current provisions	**(1,407,245)**	**(1,465,972)**
Working capital requirement (after current provisions)	**(2,981,552)**	**(2,624,015)**

11. RETIREMENT AND OTHER EMPLOYEE BENEFIT OBLIGATIONS

11.1. Retirement benefit obligations

At 31 December 2014, provisions for retirement benefit obligations amounted to €349,569 thousand in total (including €335,983 thousand at more than one year) compared with €334,629 thousand at 31 December 2013 (including €280,068 thousand at more than one year). They comprise provisions for lump sums on retirement and provisions for obligations for supplementary retirement benefits. The part at less than one year was €13,586 thousand at 31 December 2014 and €54,561 thousand at 31 December 2013, and is reported under other current liabilities.

VINCI Construction's retirement benefit obligations on the consolidated balance sheet relate to defined benefit plans recognised in accordance with the accounting principles set out in note A.3.26.1, and have the following characteristics:

- for French subsidiaries, these are contractual lump sums paid on retirement (generally based on a percentage of final salary, depending on the employee's length of service and applicable collective agreements), supplementary defined benefit retirement plans of which some of the Group's employees are members;
- to cover the liabilities of VINCI's UK subsidiaries (VINCI plc, Nuvia UK, Freyssinet UK etc.), plans are funded through independent pension funds.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the period ended 31 December 2014

The retirement benefit obligations covered by provisions recognised in the balance sheet are calculated using the following assumptions:

	Eurozone		UK	
Plan	**31.12.2014**	**31.12.2013**	**31.12.2014**	**31.12.2013**
Discount rate	2.3%	3.4%	4.0%	4.4%
Inflation rate	1.8%	2.0%	2.4% – 3.4%(*)	2.5% – 3.4%
Rate of salary increases	1.8% – 4%	0% – 4%	3% – 4.4%	3% – 4.4%
Rate of pension increases	1% – 1.8%	2.0%	2.4% – 5%	2% – 5%

(*) Inflation rates: CPI 2.4%; RPI 3.4%

Discount rates have been determined by geographical zone on the basis of yields on private-sector bonds with a rating of AA and whose maturities correspond to the plans' expected cash flows. The discount rates finally adopted are based on the various rates applicable to each maturity.
The other local actuarial assumptions (economic and demographic assumptions) are set on the basis of the specific features of each of the countries in question.

Change in provisions for retirement benefit obligations during the period

(in € thousands)	31.12.2014	31.12.2013
Start of period	**334,629**	**281,930**
Total charge recognised with respect to retirement benefit obligations	34,590	34,674
Actuarial gains and losses recognised in other comprehensive income	9,573	57,902
Benefits paid to beneficiaries by the employer	(14,746)	(16,521)
Contributions paid to funds by the employer	(16,295)	(15,666)
Translation differences, changes in consolidation scope and miscellaneous	1,818	(7,690)
End of period	**349,569**	**334,629**

Expenses recognised in respect of defined contribution plans

The Group contributes to basic state pension plans, for which the expense recognised is the amount of the contributions called by the state bodies. Basic state pension plans are considered as being defined contribution plans. Depending on the country, the proportion of contributions paid that relates to pensions may not be clearly identifiable.
Pension contributions taken as an expense in the period in respect of defined contribution plans (excluding basic state plans) totalled €168.5 million at 31 December 2014 (€171.4 million at 31 December 2013). These amounts include the contributions paid to the external multi-employer fund (CNPO) in respect of obligations in regard to lump sums paid on retirement to building workers.

11.2. Other employee benefits

At 31 December 2014, provisions for other employee benefits amounted to €31,557 thousand (including €28,588 thousand at more than one year) against €25,830 thousand at 31 December 2013 (including €22,660 thousand at more than one year). The part at less than one year was €2,969 thousand at 31 December 2014 and €3,170 thousand at 31 December 2013, and is reported under other current liabilities.
Provisions for other employee benefits are measured using the projected unit credit method and mainly relate to obligations to pay long-service bonuses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the period ended 31 December 2014

11.3. Individual entitlement to training

The French Act of 4 May 2004 grants employees of French companies an entitlement to a minimum of 20 hours of training a year, which can be carried forward and accumulated over a period of six years. Expenditure under this individual right to training is considered as an expense for the period and does not give rise to the recognition of a provision, other than in exceptional cases. The Group's employees had acquired rights to 61,000 hours of such training at 31 December 2014.

12. OTHER PROVISIONS

(in € thousands)	31.12.2013	Provisions taken	Reversals	Reversals of unused provisions	Other changes	31.12.2014
Warranties given to customers	414,602	107,701	(85,913)	(9,754)	37,468	464,104
Losses on completion	260,628	175,453	(135,543)	(42)	3,197	303,693
Disputes	264,157	47,790	(61,526)	(18,539)	(1,877)	230,005
Restructuring costs	6,606	5,646	(4,971)	(173)	1,808	8,916
Other current liabilities	354,967	138,635	(112,907)	(8,151)	(16,961)	355,583
Discounting of current provisions	-	-	-	-	-	-
Reclassification of the part at less than one year of non-current provisions	106,286	-	-	-	(2,615)	103,671
Current liabilities	**1,407,246**	**475,225**	**(400,860)**	**(36,659)**	**21,020**	**1,465,972**
Liabilities in respect of subsidiaries	18,167	3,423	(14,063)	(335)	2,892	10,084
Other non-current liabilities	248,873	81,229	(62,149)	(8,020)	3,227	263,160
Discounting of non-current provisions	-	-	-	-	-	-
Reclassification of the part at less than one year of non-current provisions	(106,286)	-	-	-	2,615	(103,671)
Non-current provisions	**160,754**	**84,652**	**(76,212)**	**(8,355)**	**8,734**	**169,573**
Total	**1,568,000**	**559,877**	**(477,072)**	**(45,014)**	**29,754**	**1,635,545**

13. OTHER CURRENT LIABILITIES

Other current liabilities break down as follows:

(in € thousands)	31.12.2013	31.12.2014
Clients - Advances received on work	991,533	1,004,550
Prepaid income	1,352,748	1,114,170
Operating current accounts	1,068,601	742,749
Tax, employment and social benefit liabilities	1,521,647	1,581,393
Liabilities relating to non-current assets	12,509	20,729
Other current liabilities	633,263	711,458
Provisions for retirement benefit and other employee benefits at less than one year	57,731	16,555
Other current liabilities	**5,638,032**	**5,191,604**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the period ended 31 December 2014

14. NET FINANCIAL SURPLUS AND FINANCING RESOURCES

At the end of the period, the Group had a net cash surplus of €1,733,763 thousand, breaking down as follows:

(in € thousands)	**31.12.2013**	**31.12.2014**
Other loans and borrowings (a)	(569,045)	(646,955)
Fair value of derivative financial instruments (non-current liabilities)	(48)	(56)
Non-current financial debt	**(569,093)**	**(647,011)**
Part at less than one year of long-term financial debt (a)	(27,392)	(29,891)
Cash management current accounts, liabilities	(153,430)	(291,288)
Other current financial liabilities	(5,042)	(62,973)
Fair value of derivative financial instruments (current liabilities)	(423)	(2,736)
Bank overdrafts	(295,630)	(442,704)
Current financial debt	**(481,917)**	**(829,592)**
Financial debt	**(1,051,010)**	**(1,476,603)**
Fair value of derivative financial instruments (assets)	1,295	584
Loans and collateralised receivables and other financial assets	29	15
Long-term loans to consolidated subsidiaries, part at less than one year	115	663
Cash management financial assets	1,879,447	1,644,163
Cash and cash equivalents	1,337,415	1,564,941
Net financial surplus	**2,167,291**	**1,733,763**

(a) Long-term loans and financial debt, of which details are given below.

Cash management financial assets include investments with VINCI of €1,355 million, attracting interest at rates close to market rates.

Of which net cash (see cash flow statement)	**31.12.2013**	**31.12.2014**
UCITS - Cash equivalents	358,808	373,657
Cash	978,607	1,191,284
Bank overdrafts	(295,630)	(442,704)
Net cash	**1,041,785**	**1,122,237**

Details of long-term loans and financial debt (in € millions)	**31.12.2013**	**31.12.2014**
Bank loans and other financial debt	63,9	60,8
Finance lease debt restated	21,0	14,9
VINCI Group loans	511,6	601,1
Long-term loans and financial debt (a)	**596.4**	**676.8**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the period ended 31 December 2014

15. REVENUE

The change in revenue takes account of changes in consolidation scope and foreign exchange rates and breaks down as follows:

(in € thousands)	31.12.2014	31.12.2013
Revenue for the period	**15,430**	**16,807**
• *Revenue of companies consolidated for the first time*	*(62)*	-
• *Revenue of companies no longer consolidated*	-	*(1,015)*
• *Impact of foreign exchange fluctuations*	-	*22*
Revenue at constant consolidation scope and exchange rates	**15,369**	**15,815**

At constant consolidation scope and exchange rates, revenue was down 2.8% against the previous period.

REVENUE BY GEOGRAPHICAL AREA (BY DESTINATION)	31.12.2014	31.12.2013
France (including overseas territories)	8,713	9,155
Europe excluding France	2,957	4,007
Africa	1,422	1,525
North and South America	895	758
Middle East	202	206
Asia	896	617
Pacific	346	539
Total	**15,430**	**16,807**

REVENUE BY ACTIVITY	31.12.2014	31.12.2013
Building	6,075	6,716
Civil engineering and earthworks	6,243	6,634
Hydraulic engineering	795	424
Roads	911	995
Facilities management and other services	310	454
Property development	134	203
Rail works (railways, tramways)	269	363
Oil and oil services infrastructure	599	776
Provision of services and other	94	244
Total	**15,430**	**16,807**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the period ended 31 December 2014

16. INFORMATION BY OPERATING SEGMENT

2014

(in € millions)		Revenue	Operating income from ordinary activities	*% of revenue*
Networks of local subsidiaries	VINCI Construction France, VINCI Construction UK, Sogea-Satom, French overseas territories and Central European subsidiaries.	9,990	91	*0.9%*
Specialist business lines	Soletanche Freyssinet, Entrepose	3,485	149	*4.3%*
Management and complex projects	VINCI Construction Grands Projets, VINCI Construction Terrassement and Dodin Campenon Bernard	2,030	95	*4.7%*
Holding company and other activities		-	42	-
Eliminations		(74)	-	-
Total		**15,430**	**376**	***2.4%***

2013(*)

(in € millions)		Revenue	Operating income from ordinary activities	*% of revenue*
Networks of local subsidiaries (**)	VINCI Construction France, VINCI Construction UK, Sogea-Satom, French overseas territories and Central European subsidiaries.	11,455	374	*3.3%*
Specialist business lines	Soletanche Freyssinet, Entrepose	3,396	160	*4.7%*
Management and complex projects	VINCI Construction Grands Projets, VINCI Construction Terrassement and Dodin Campenon Bernard	2,046	107	*5.2%*
Holding company and other activities		-	40	-
Eliminations		(89)	-	-
Total		**16,807**	**680**	***4.0%***

(*) Figures presented according to the new segmentation (see section B).
(**) Of which CFE: revenue €982 million, net loss €25 million.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the period ended 31 December 2014

17. OPERATING INCOME FROM ORDINARY ACTIVITIES

(in € thousands)	**31.12.2014**	**31.12.2013**
Revenue	15,430,376	16,807,497
Revenue from ancillary activities	30,466	119,845
Revenue from operations	**15,460,842**	**16,927,342**
Purchases (raw materials, supplies, goods)	(2,867,794)	(3,384,197)
Subcontracting and other external expenses	(8,636,990)	(9,011,827)
Employment costs	(3,015,149)	(3,291,862)
Taxes and levies	(183,728)	(190,033)
Other operating income and expense	23,965	2,905
Operating depreciation and amortisation expense	(344,562)	(363,350)
Net operating provision charges		
• Impairment losses on property, plant and equipment and intangible assets	7,290	2,401
• Impairment of assets	(26,682)	13,202
• Retirement and other benefit obligations	(2,435)	(1,843)
Current and non-current provisions	(38,354)	(23,116)
Operating income from ordinary activities	**376,403**	**679,622**
% of revenue	*2.4%*	*4.0%*
Share-based payments (IFRS 2)	(36,414)	(32,682)
Profit/(loss) of companies accounted for under the equity method	34,896	77,071
Other recurring operating items	6,191	(2,730)
Recurring operating income	**381,076**	**721,281**
Goodwill impairment expense	(141,335)	(27,171)
Impact from changes in scope and gain/(loss) on disposals of shares	13,798	52,269
Other non-recurring operating items	-	-
Operating income	**253,539**	**746,379**
% of revenue	*1.6%*	*4.4%*

Revenue from ancillary activities amounted to €30.5 million in 2014. It consisted mainly of sales of equipment, materials and merchandise (€3.7 million), study work, engineering and professional fees invoiced in connection with construction contracts (€11.1 million) and rental income (€10 million).

Operating income from ordinary activities measures the operating performance of Group subsidiaries before taking account of expenses related to share-based payments (IFRS 2), the share of the income or loss of companies accounted for under the equity method, and other recurring and non-recurring operating items. It also excludes the share of the income or loss of companies accounted for under the equity method, and other recurring and non-recurring operating items.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the period ended 31 December 2014

Recurring operating income is intended to present the Group's recurring operational performance excluding the impact of non-recurring transactions and events during the period. It is calculated by adding impacts associated with share-based payments (IFRS 2), income from companies accounted for under the equity method and recurring operating expenses to operating income from ordinary activities.

Goodwill impairment losses and other material and unusual non-recurring operating items, including gains or losses on share sales and the impact of remeasuring equity interests at fair value following changes in the type of control exerted over the investee, are recognised in operating income. Operating income is therefore calculated by adding income and expense classified as non-recurring to recurring operating income.

Non-recurring operating items produced a total expense of €127.6 million in 2014 (€25.1 million in 2013), mainly consisting of:

- changes in the consolidation scope and disposals of securities had a positive impact of €13.8 million (€52.3 million 2013), including a €15.5 million capital gain on the acquisition of Freyssinet SA in Spain (in accordance with IFRS 3 Amended: remeasurement of the previously owned stake at fair value);
- goodwill impairment losses of €141.3 million (€27.2 million in 2013).

18. SHARE-BASED PAYMENTS

The expense relating to benefits granted to employees has been assessed at €36.4 million before tax in respect of 2014, of which €1.4 million was in respect of share option plans, €15.1 million in respect of Group savings plans, €16.7 million in respect of performance share plans and €3.3 million in respect of Castor International.

18.1. Group savings plans

VINCI's Board of Directors defines the conditions for subscribing to the Group Savings Scheme in accordance with the authorisations granted to it by the Shareholders' General Meeting.

Group savings plan – France

In France, VINCI issues new shares reserved for employees three times a year at a subscription price that includes a 5% discount against the average stock market price over 20 trading days. Subscribers benefit from an employer's contribution, which is capped at €2,500. These benefits granted to Group employees are recognised in the income statement and measured in accordance with IFRS 2 using the following assumptions:

- length of subscription period: four months
- lock-up period: five years from the end of the subscription period.

The estimated number of shares subscribed to at the end of the subscription period is calculated based on a linear regression method applied to historical observations of the plans between 2006 and 2013, taking account of the cost of restrictions on the availability of units in the savings fund.

The opportunity cost of the frozen shares subscribed to is estimated from the point of view of a third party holding a diversified portfolio and prepared to acquire the frozen shares in return for a discount, which should correspond to the return demanded by a purchaser on own funds allocated to hedge against market risk over the period in which the shares are frozen (five years). The market risk is assessed on an annual basis applying a value-at-risk approach.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the period ended 31 December 2014

Group savings plan – international

In 2014, in accordance with authorisations given to the Board of Directors by the Shareholders' General Meeting, VINCI initiated new savings plans for the employees of certain foreign subsidiaries. Known as Castor International, the plans covered 23 countries in 2014: Australia, Austria, Belgium, Brazil, Canada, Chile, the Czech Republic, Germany, Hong Kong, Indonesia, Luxembourg, Morocco, Netherlands, Poland, Portugal, Romania, Singapore, Slovakia, Spain, Sweden, Switzerland, the United Kingdom and the United States.

The main characteristics of these plans are as follows:

- subscription period: three weeks ended 6 June 2014 (seven successive periods between April and October 2014 in the UK);
- employer contribution consisting of bonus shares, with delivery deferred for three years where possible, or with immediate delivery but a three-year vesting period;
- no lock-up period beyond the three-year vesting period for bonus shares.

18.2. Share subscription and purchase options

No new stock option plan was set up in 2013 or 2014.

Options only vest definitively after a period of three years has elapsed and are conditional on beneficiaries being employed by the Group until the end of the vesting period.

The fair value of the options has been calculated by an external actuary at the respective grant dates of the options on the basis of the following assumptions:

Plan	12/04/12	02/05/11
Volatility (*)	27.65%	26.93%
Expected return on shares	6.95%	8.29%
Risk-free rate of return (**)	1.29%	2.62%
Anticipated dividend payout rate (***)	5.26%	4.05%
Fair value of the option *(in €)*	4.02	7.66

(*) Volatility estimated applying a multi-criteria approach.
(**) Five-year French government bond yield.
(***) Average return expected by financial analysts over the four years following the grant date adjusted by a theoretical annual growth rate beyond that period.

18.3. Performance shares

The fair value of the performance shares has been estimated by an external actuary. The main assumptions used for these assessments are:

	2014 plan	2013 plan	2012 plan
Price of VINCI share on date plan was announced (in €)	52.61	35.47	36.37
Fair value of performance share at grant date (in €)	44.9	28.6	28.0
Fair value of share at grant date (in %)	85.31%	80.56%	77.00%
Original maturity (in years) – vesting period	3 years	2 years	2 years
Risk-free interest rate (*)	0.28%	0.11%	0.36%

(*) Two-year government bond yield in the eurozone for the 2012 and 2013 plans, and three-year yield for the 2014 plan.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the period ended 31 December 2014

On 15 April 2014, VINCI's Board of Directors decided to set up a new long-term incentive plan involving conditional grants consisting of "deferred cash" (falling outside the scope of IFRS 2) and performance shares. The cash and performance shares granted will only vest definitively after a period of three years. Vesting is subject to beneficiaries being employed by the Group until the end of the vesting period, and to performance conditions in respect of the performance shares.
The 2012 and 2013 plans provide that the shares will only be definitively allocated after a two-year vesting period subject to VINCI's stock market and financial performance criteria being met.
In accordance with IFRS 2, the number of performance shares measured at fair value in the calculation of the IFRS 2 expense is adjusted at each balance sheet date for the impact of the change since the grant date of the shares in the likelihood of the financial criteria being met.

19. OTHER FINANCIAL INCOME AND EXPENSE

(in € thousands)	31.12.2014	31.12.2013
Foreign exchange gains and losses	(165)	(8,212)
Impact of discounting to present value	(13,077)	(10,086)
Other financial income and expenses, net	-	6
Other financial income and expenses, net	**(13,242)**	**(18,292)**

20. INCOME TAX EXPENSE

20.1. Breakdown of net tax expense

(in € thousands)	31.12.2014	31.12.2013
Current and deferred tax	(129,272)	(207,156)
Effective tax rate	66.14%	32.16%

20.2. Effective tax rate

Pre-tax income and income from companies accounted for under the equity method	**195,459**
Theoretical tax rate	34.43%
Theoretical tax charge	**(67,297)**
Goodwill impairment expense	(32,186)
Income taxed at reduced and other rates	9,031
Tax rate differential between current and previous year	(377)
Tax rate differences (foreign countries)	17,676
Creation (use) of carryforward losses not having given rise to deferred tax	(58,247)
Fixed-sum and other additional taxes	(11,381)
Permanent differences and miscellaneous	13,509
Tax charge recognised	**(129,272)**
Effective tax rate	66.14%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the period ended 31 December 2014

20.3. Analysis of deferred tax assets and liabilities

Deferred tax assets and liabilities arise from timing differences and were as follows at the year end:

Assets	Liabilities	Net
380,809	64,414	316,395

20.4. Unrecognised deferred tax assets

Deferred tax assets unrecognised because their recovery is uncertain amounted to €216,6 million at 31 December 2014.

21. CONSTRUCTION CONTRACTS

21.1. Financial information on construction contracts

Costs incurred plus recognised profits less recognised losses and intermediate invoicing are determined on a contract by contract basis. If this amount is positive it is shown on the line "Construction contracts in progress – assets". If negative, it is shown on the line "Construction contracts in progress – liabilities".

Advances are the amounts received before the corresponding work has been performed. Repayment terms depend on the terms of each individual contract. These advances are usually retained throughout the contract, regardless of the amount of work completed or in progress.

Items relating to construction contracts in progress at the balance sheet date are:

(in € millions)	31.12.2014	31.12.2013
Construction contracts in progress – assets	1,074	1,096
Construction contracts in progress – liabilities	(636)	(803)
Construction contracts in progress	**438**	**293**
Costs incurred plus profits recognised less losses recognised to date	33,474	36,189
Invoices issued	**(33,036)**	**(35,896)**
Construction contracts in progress before advances received from customers	438	293
Advances received from customers	**(712)**	**(696)**
Construction contracts in progress, net	**(274)**	**(403)**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the period ended 31 December 2014

21.2. Commitments made and received in connection with construction contracts

The Group gives and receives guarantees (personal surety) in connection with its construction contracts. These break down as follows:

(in € millions)	Commitments given	Commitments received
Performance guarantees and performance bonds	1,942	272
Retention payments	1,860	400
Deferred payments to subcontractors and suppliers	1,247	454
Bid bonds	83	8
Total	**5,132**	**1,134**

In connection with the construction of the future South Europe Atlantic high-speed rail link between Tours and Bordeaux, the Group has in particular provided a joint and several guarantee and an independent first-demand guarantee in favour of LISEA under which the Group guarantees contract performance of the design and construction joint venture (GIE COSEA).

22. RELATED PARTY TRANSACTIONS

Related party transactions are:
- remuneration and similar benefits paid to members of the governing and management bodies;
- transactions with companies in which VINCI Construction exercises significant influence or joint control.

These transactions are conducted on the basis of market prices.

22.1. Remuneration of members of the Management Committee

The share falling to VINCI Construction of remuneration paid to members of the Management Committee in 2014 amounted to €4,287,438.

22.2. Other

The information on companies accounted for under the equity method is given in Note D.6.2. "Financial information on companies accounted for under the equity method".

23. CONTRACTUAL OBLIGATIONS AND OTHER COMMITMENTS MADE AND RECEIVED

(in € millions)	Commitments given	Commitments received
Tax and customs bonds	40.0	-
Operating leases	320.0	-
Collateral security	-	0.1
Other commitments	241.6	25.7
Total	**601.6**	**25.8**

Given in particular the quality of its partners, the Group considers that the risk of its guarantee being invoked in respect of these commitments is negligible.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the period ended 31 December 2014

24. NOTE ON LITIGATION

The companies comprising the VINCI Construction group are sometimes involved in litigation arising from the normal course of business. The related risks are assessed by VINCI Construction and the subsidiaries involved on the basis of their knowledge of the cases, and provisions are taken in consequence.

The main disputes in progress at the date of this document were as follows:

- On 12 February 2010, Région Ile-de-France – the regional authority for the Greater Paris region – applied to the Paris Court of First Instance (Tribunal de Grande Instance) for a ruling against 15 companies, of which several are members of the VINCI Group, and 11 natural persons, some of whom are or have been VINCI Group employees, ordering them to pay a sum corresponding to the damage it claims to have suffered. The total amount claimed is €232 million plus interest from 7 July 1997.
This application by the regional authority was further to a judgment by the Paris Appeal Court on 27 February 2007 against various natural persons finding them guilty of operating a cartel as well as to the decision on 9 May 2007 by the competition authority (the Conseil de la Concurrence)(*) and the ruling of the Paris Court of Appeal of 3 July 2008 imposing penalties on the enterprises for anti-competitive practices between 1991 and 1996 in connection with the programme to renovate secondary educational establishments in the Ile-de-France region. In a judgment on 17 December 2013, the Paris Court of First Instance declared the claims made by Région Ile de France inadmissible and stated that the proceedings were time-barred. Région Ile de France appealed against that decision in January 2014. In view of the current situation, the Group considers that this dispute is unlikely to have a material effect on its financial situation.

- King County, the county seat of which is Seattle, Washington, is in dispute with a consortium in which VINCI Construction Grands Projets has a 60% share, the purpose of which is to perform a contract for the construction of two underground tunnels known as "Brightwater Central". Because of particularly difficult geotechnical conditions and changes to the initial contract terms, it was not possible to complete the work as set out in the contract, and this resulted in delays and cost overruns. As a result, King County decided to complete one of the tunnels using another company that had a tunnel boring machine using a technology different to that of the tunnel boring machine that the consortium was contractually obliged to use. King County initiated proceedings before the King County Superior Court in Seattle in order to obtain compensation for the cost of completing the work, and for damage that it claims to have suffered. A hearing took place before a jury which, on 20 December 2012, decided that the consortium should pay $155 million to King County and that King County should pay $26 million to the consortium.
The King County Superior Court delivered its judgment on 7 May 2013, formalising the jury's decision. After paying the damages, the consortium appealed against this judgment in the Washington Court of Appeals on 31 May 2013. In view of the current situation, the Group considers that this dispute is unlikely to have a material effect on its financial situation.

- SNCF initiated proceedings in the Paris Administrative Court on 14 March 2011 against eight construction companies, including several Group subsidiaries, seeking €59.4 million for damages it claims to have suffered as a result of contracts formed in 1993 relating to the construction of civil engineering structures at the Magenta and Saint Lazare Condorcet railway stations. This application follows a ruling made by the competition authorities (the Conseil de la Concurrence)(*) on 21 March 2006.
In July 2014, SNCF asked the court to declare the contracts formed in 1993 void, and believes it is entitled to claim back the price paid at the time while retaining enjoyment, free of charge, of the completed structures, which it has been operating for around 15 years. The Group considers that these claims are excessive and groundless and that, in view of the current situation, the dispute will not have a material effect on its financial situation.

(*) Now known as the Autorité de la Concurrence.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the period ended 31 December 2014

- Soletanche Bachy France has submitted a request for arbitration to the International Chamber of Commerce after ACT (Aqaba Container Terminal) terminated a contract for the construction of an extension to a container terminal in the port of Aqaba in Jordan. Soletanche Bachy France is disputing the grounds for terminating the contract, and is claiming $10 million in damages. ACT contends that it had valid grounds for terminating the contract and that it incurred additional costs in completing the works, and is counter-claiming $50 million in damages. In view of the current situation, the Group considers that this dispute will not have a material effect on its financial situation.

- In 2011, Freyssinet Canada undertook to make prefabricated beams for PIC under a contract worth C$23 million. Prefabrication work started in 2012 but was suspended in 2013 because the project owner took the view that the beams were defective. PIC terminated the supply contract, resulting in legal proceedings before the Superior Court of Ontario. Freyssinet Canada is claiming C$11 million for wrongful termination and PIC is claiming C$55 million from Freyssinet Canada and several Soletanche Freyssinet group companies for losses arising from the alleged defects. In view of the current situation, the Group considers that this dispute is unlikely to have a material effect on its financial situation.

To the Company’s knowledge, there are no other disputes or matters submitted to arbitration (including any proceedings known to the Company, pending or with which it is threatened) that are likely to have, or have had in the last 12 months, a material effect on the business, financial performance, net assets or financial situation of the Company or Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the period ended 31 December 2014

25. MAIN CONSOLIDATED AND EQUITY-ACCOUNTED COMPANIES AT 31 DECEMBER 2014

	Consolidation method	Percentage holding
1/ Parent		
VINCI Construction	**FC**	**100.0**
2/ Controlled companies		
VINCI Construction France	**FC**	**100.0**
Bateg	FC	100.0
Botte Fondations	FC	100.0
Bourdarios	FC	100.0
Campenon Bernard Construction	FC	100.0
Campenon Bernard Industrie	FC	100.0
Campenon Bernard Régions	FC	100.0
Campenon Bernard Sud-Est	FC	100.0
Chantiers Modernes Construction	FC	100.0
Dumez Île-de-France	FC	100.0
Dumez Méditerranée	FC	100.0
Dumez Sud	FC	100.0
EMCC	FC	100.0
GTM Bâtiment	FC	100.0
GTM Bâtiment et Génie Civil Lyon	FC	100.0
GTM Normandie Centre	FC	100.0
GTM Sud	FC	100.0
GTM Sud-Ouest TPGC	FC	100.0
GTM TP Île-de-France	FC	100.0
Lainé Delau	FC	100.0
Petit	FC	100.0
Sicra Île-de-France	FC	100.0
Société d'Ingénierie et de Réalisation de Construction	FC	100.0
Sogea Atlantique BTP	FC	100.0
Sogea Caroni	FC	100.0
Sogea Centre	FC	100.0
Sogea Est BTP	FC	100.0
Sogea Île-de-France Hydraulique	FC	100.0

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the period ended 31 December 2014

	Consolidation method	Percentage holding
Sogea Nord-Ouest	FC	100.0
Sogea Nord-Ouest TP	FC	100.0
Sogea Picardie	FC	100.0
Sogea Sud	FC	100.0
Sogea Sud-Ouest Hydraulique	FC	100.0
Sogea Travaux Publics et Industries en Île-de-France	FC	100.0
VINCI Environnement	FC	100.0
VINCI Construction International Network	**FC**	**100.0**
Sogea-Satom and its subsidiaries (various African countries)	FC	100.0
Dumez-GTM Calédonie	FC	100.0
Getelec TP (Guadeloupe)	FC	100.0
GTM Guadeloupe	FC	100.0
Nofrayane (French Guyana)	FC	100.0
SBTPC (Reunion Island)	FC	100.0
Sogea Mayotte	FC	100.0
Sogea Réunion	FC	100.0
Prumstav a.s (Czech Republic)	FC	100.0
SMP CZ a.s (Czech Republic)	FC	100.0
Warbud (Poland)	FC	99.7
Soletanche Freyssinet	**FC**	**100.0**
Agra Foundations	FC	100.0
Bachy Soletanche Group Ltd. (Hong Kong)	FC	100.0
Bachy Soletanche Ltd. (United Kingdom)	FC	100.0
Bachy Soletanche Singapour Pte Ltd.	FC	100.0
Bermingham (Canada)	FC	72.5
Cimesa (Mexico)	FC	100.0
Freyssinet France	FC	100.0
Freyssinet International et Cie	FC	100.0
Freyssinet UK	FC	100.0
Freyssinet Australia	FC	100.0
March Construction Ltd. (New Zealand)	FC	55.0
MCCF	FC	100.0
Menard	FC	100.0
Nicholson Construction Company Inc. (United States)	FC	100.0

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the period ended 31 December 2014

	Consolidation method	Percentage holding
Nuvia Ltd. (United Kingdom)	FC	100.0
Roger Bullivant	FC	100.0
Salvarem	FC	100.0
Soletanche Bachy France	FC	100.0
Terre Armee Internationale	FC	100.0
The Reinforced Earth Company - RECo (United States)	FC	100.0
Zetas (Turkey)	FC	60.0
VINCI plc (United Kingdom)	**FC**	**100.0**
Taylor Woodrow Construction	FC	100.0
VINCI Construction UK	FC	100.0
VINCI Investment Ltd	FC	100.0
VINCI Construction Grands Projets	**FC**	**100.0**
VINCI Construction Terrassement	**FC**	**100.0**
Dodin Campenon Bernard	**FC**	**100.0**
Entrepose	**FC**	**100.0**
Entrepose Projets	FC	100.0
Entrepose Services	FC	100.0
Geocean	FC	100.0
Spiecapag	FC	100.0
Cofor	FC	95.0
Geostock	FC	90.0

3/ Companies accounted for under the equity method

Compagnie d'Entreprises CFE (Belgium)	**EM**	**12.1**
Soletanche Freyssinet		
Grupo Rodio Kronsa (Spain)	EM	50.0
Soletanche Bachy CIMAS S.A. (Colombia)	EM	50.0
VINCI Construction Grands Projets		
QDVC (Qatar)	EM	49.0

STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2014

We have performed the assignment you entrusted to us and hereby submit our report for the year ended 31 December 2014 on:

- the audit of the accompanying consolidated financial statements of VINCI Construction SAS;
- the justification of our assessments; and
- the specific verification required by French law.

The consolidated financial statements have been approved by the Chairman. Our role is to express an opinion on these financial statements based on our audit.

1. Opinion on the consolidated financial statements

We conducted our audit in accordance with the professional standards applicable in France. Those standards require that we plan and perform the audit in such a way as to obtain reasonable assurance that the consolidated financial statements are free of material misstatement. An audit consists of examining, by sampling or other selection methods, evidence supporting the amounts and disclosures in the consolidated financial statements. It also consists of assessing the accounting principles used, significant estimates made and the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion as expressed below.

In our opinion, the consolidated financial statements for the period give a true and fair view of the financial position, the assets and liabilities and the results of the group formed by the persons and entities included in the consolidation, in accordance with the International Financial Reporting Standards as endorsed by the European Union.

2. Justification of our assessments

As required by Article L. 823-9 of the French Commercial Code relating to the justification of our assessments, we inform you of the following:

As stated in Note A.3.1, the VINCI Construction Group uses estimates prepared on the basis of information available at the time of preparing its consolidated financial statements, in a context where the medium-term outlook for business is difficult to assess due to the consequences of weak economic recovery in Europe, and particularly France, the slowdown in global economic growth and geopolitical tensions in certain geographical areas. These estimates relate in particular to:

- Construction contracts: as indicated in Note A.3.4 "Construction contracts", the Group recognises income from its long-term contracts using the percentage completion method. We have assessed the assumptions used and reviewed the calculations made by your Group.
- Impairment tests: as indicated in Note A.3.12 "Goodwill", the VINCI Construction Group carries out impairment tests on goodwill at least once a year. We have examined how these impairment tests are performed, as well as the cash flow forecasts and assumptions used.

These assessments were made as part of our audit of the consolidated financial statements taken as a whole and therefore contributed to the formation of the opinion we gave in the first part of this report.

3. Specific verification

We have also verified, in accordance with the professional standards applicable in France and as required by law, the information concerning the Group presented in the Report of the Board of Directors.

We have no comments to make as to its fair presentation and its conformity with the consolidated financial statements.

Paris La Défense and Neuilly sur Seine, 27 March 2015
The Statutory Auditors

KPMG Audit	**Deloitte & Associés**
Department of KPMG SA	
Philippe Bourhis	Marc de Villartay

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