VINCI CONSTRUCTION | GRANDS PROJETS

# Consolidated financial statements 2006

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# Key figures
2006

## › Revenue(1)

### By geographical area

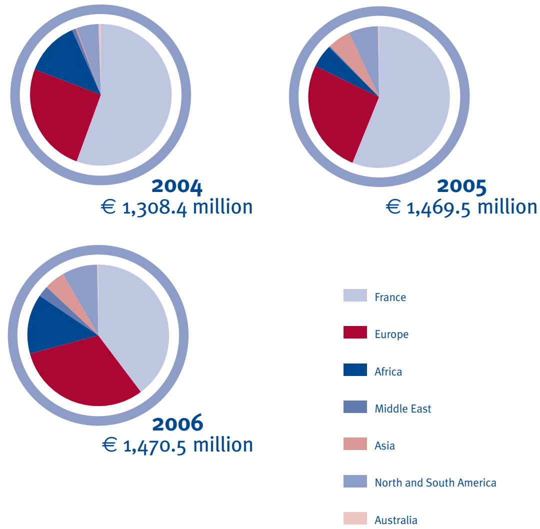
| *in million of euros* | 2004 | 2005 | 2006 |
|---|---|---|---|
| France | 144.4 | 270.2 | 369.9 |
| Europe | 286.4 | 161.3 | 194.6 |
| Africa | 84.4 | 99.3 | 60.3 |
| Middle East | 1.5 | 10.2 | 15.7 |
| Asia | 7.7 | 15.7 | 39.8 |
| North and South America | 22.4 | 48.7 | 94.6 |
| Australia | 0.7 | 0.3 | 2.8 |
| **TOTAL** | **547.5** | **605.7** | **777.7** |

### By business line

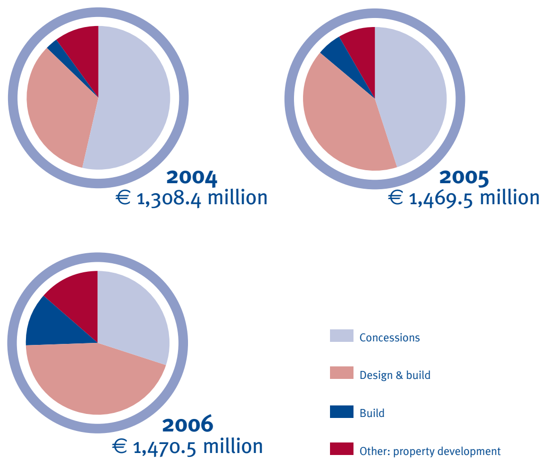
| *in million of euros* | 2004 | 2005 | 2006 |
|---|---|---|---|
| New residential building | - | - | 5.6 |
| Private, non-residential building | 32.5 | 76.6 | 103.3 |
| Public, non-residential building | 3.1 | 30.7 | 71.0 |
| **Building total** | **35.6** | **107.3** | **179.9** |
| Energy | 49.8 | 64.1 | 113.5 |
| Environment | 84.2 | 95.2 | 68.8 |
| Transport | 356.0 | 327.9 | 350.4 |
| Major facilities | 21.9 | 11.2 | 65.1 |
| **Civil Engineering Total** | **511.9** | **498.4** | **597.8** |
| **TOTAL** | **547.5** | **605.7** | **777.7** |

## › Order book(1)

### By geographical area




### By type of contract

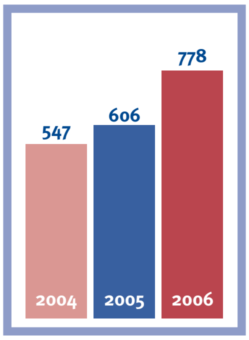



(1) the relevant key figures are stated as a contribution to VINCI's consolidated results

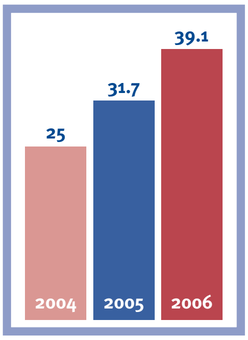
# Key figures
2006

## Key figures *in million of euros*

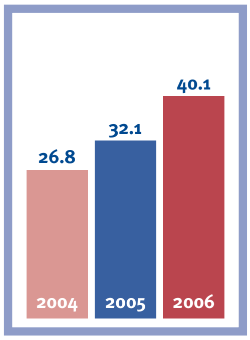
### Revenue[1]



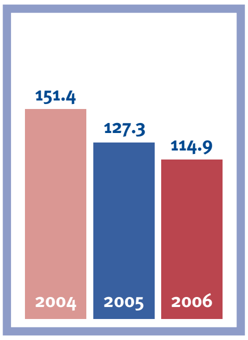

### Operating profit from ordinary activities[1]



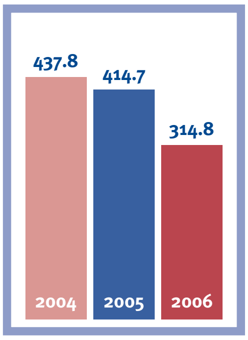

### Net profit attributable to Group shareholders[1]




### Equity including minority interest




### Cash[1]




## Workforce

| | |
|---|---|
| As at 31 December 2006 | 4,298 |

# Consolidated IFRS balance sheet

as at 31 December 2006

## ASSETS

| *in thousands of euros* | Notes | 2006 Gross amount | 2006 Amort. Prov. | 2006 Net amount | 2005 Net amount |
|---|---|---|---|---|---|
| **Non-current assets** | | | | | |
| Intangible assets | 1 | 8,643 | 7,883 | 760 | 619 |
| Goodwill | | 4,435 | 4,435 | - | - |
| Property, plant and equipment | 2 | 103,739 | 69,466 | 34,273 | 32,992 |
| Other non-current financial assets | 3-8 | 12,359 | 10,352 | 2,007 | 2,061 |
| Deferred tax assets | 12 | 1,332 | - | 1,332 | 3,715 |
| **Total non-current assets** | | **130,508** | **92,136** | **38,372** | **39,387** |
| **Current assets** | | | | | |
| Inventories and work in progress | 5 | 13,225 | 473 | 12,752 | 22,544 |
| Trade receivables and related accounts | 5 | 245,818 | 17,920 | 227,898 | 209,689 |
| Other operating receivables | 5 | 373,189 | 8,232 | 364,957 | 323,685 |
| Other current assets | 5 | 17,360 | 1,620 | 15,740 | 31,696 |
| Current tax assets | 5 | 174 | - | 174 | 156 |
| Cash management financial assets | 4-8 | 317,823 | - | 317,823 | 338,430 |
| Cash and cash equivalents | 4-8 | 138,695 | - | 138,695 | 196,633 |
| **Total current assets** | | **1,106,284** | **28,245** | **1,078,039** | **1,122,833** |
| **TOTAL ASSETS** | | **1,236,792** | **120,381** | **1,116,411** | **1,162,220** |

# Consolidated IFRS balance sheet

as at 31 December 2006

## EQUITY AND LIABILITIES

| *in thousands of euros* | Notes | 2006 | 2005 |
|---|---|---|---|
| **Equity** | | | |
| Share capital | | 67,854 | 67,854 |
| Share premium account | | 19,252 | 19,252 |
| Consolidated reserves | | 7,337 | 11,598 |
| Net profit for the period | | 40,087 | 28,419 |
| Interim dividend | | (19,904) | - |
| **Equity attributable to equity holders of the parent** | | **114,626** | **127,123** |
| Minority interest | | 309 | 137 |
| **Total equity** | | **114,935** | **127,260** |
| **Non-current liabilities** | | | |
| Retirement and other employee benefit obligations | 6 | 9,725 | 9,287 |
| Non-current provisions | 7 | 7,251 | 7,322 |
| Other loans and borrowings | 8 | - | 8,164 |
| Other non-current liabilities | | 42 | 39 |
| Deferred tax liabilities | 12 | 1,423 | 3,806 |
| **Total non-current liabilities** | | **18,441** | **28,618** |
| **Current liabilities** | | | |
| Current provisions | 5-7 | 171,528 | 150,821 |
| Trade payables | 5 | 184,954 | 159,962 |
| Current tax payables | 5 | 136 | 64 |
| Current borrowings | 8 | 141,752 | 112,405 |
| Other current payables | 5 | 484,665 | 583,090 |
| **Total current liabilities** | | **983,035** | **1,006,342** |
| **TOTAL EQUITY AND LIABILITIES** | | **1,116,411** | **1,162,220** |

# Consolidated IFRS financial statement

for the year ended 31 December 2006

| *in thousands of euros* | Notes | 2006 | 2005 |
|---|---|---|---|
| **Revenue** | **9** | **777,650** | **603,647** |
| Revenue from ancillary activities | | 2,978 | 2,897 |
| **Operating income** | **10** | **780,628** | **606,544** |
| Purchases | | (102,897) | (82,677) |
| Sub-contracting and other external expense | | (481,051) | (360,538) |
| Employment cost | | (139,683) | (119,091) |
| Taxes and levies | | (8,119) | (6,786) |
| Other operating income and expense | | 323 | (385) |
| Net amortisation, depreciation, and provision | | (10,116) | (7,384) |
| **OPERATING PROFIT FROM ORDINARY ACTIVITIES** | **10** | **39,085** | **29,683** |
| *(% of revenue)* | | *5.03%* | *4.92%* |
| Goodwill impairment expense | | (263) | - |
| **OPERATING PROFIT** | | **38,822** | **29,683** |
| *(% of revenue)* | | *4.99%* | *4.92%* |
| Cost of gross financial debt | | (2,423) | (4,227) |
| Income from financial assets and cash equivalents | | 13,620 | 10,869 |
| **COST OF NET FINANCIAL DEBT** | | **11,197** | **6,642** |
| Other financial income and expense | 11 | (3,045) | 2,007 |
| Income tax expense | 12 | (3,733) | (9,009) |
| Share of loss of associates | | (7) | (11) |
| **NET PROFIT FOR THE PERIOD** | | **43,234** | **29,312** |
| Minority interest | | 3,147 | 893 |
| **NET PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT** | | **40,087** | **28,419** |
| *(% of revenue)* | | *5.15%* | *4.71%* |
| Number of shares | | 4,523,591 | 4,523,591 |
| **EARNINGS PER SHARE *(in euros)*** | | **8.86** | **6.28** |

# IFRS cash flow statement

## as at 31 December 2006

| *in thousands of euros* | | 31/12/2006 | 31/12/2005 |
|---|---|---|---|
| Net profit for the period (including minority interest) | | 43,234 | 29,312 |
| Net amortisation and depreciation expense | | 16,477 | 14,848 |
| Net provision expense | | (3,465) | (2,557) |
| Gain or loss on disposals of fixed assets | | (54) | 1,565 |
| Change in fair value of foreign currency derivative financial instruments | | 141 | 66 |
| Share of profit or loss in associates | | 7 | 11 |
| Capitalised borrowing costs | | (721) | - |
| Cost of net financial debt | | (11,197) | (6,642) |
| Current and deferred tax expense | | 3,733 | 9,010 |
| **Cash flows from operations before tax and financing costs** | | **48,155** | **45,613** |
| Changes in working capital requirement from operations (including liabilities related to employee benefits) | | (124,280) | 11,726 |
| Changes in current provisions | | 17,123 | (3,405) |
| Income taxes paid | | (1,020) | (4,555) |
| Net interest paid (including under finance leases) | | 11,369 | 6,695 |
| **Net cash flows from operating activities** | **I** | **48,653** | **56,074** |
| Purchases of property, plant and equipment, and intangible assets | | (18,638) | (31,267) |
| Proceeds from sales of property, plant and equipment, and intangible assets | | 3,899 | 1,833 |
| Purchases of shares in subsidiaries & associates (consolidated or not) | | (1,158) | (841) |
| Proceeds from sales of shares in subsidiaries and associates (consolidated or not) | | 2,233 | 432 |
| Net effect of changes in scope of consolidation | | 871 | (1,817) |
| Changes in other non-current financial assets | | 828 | 1,107 |
| Changes in current financial assets | | - | 3,047 |
| Changes in non-current financial debts | | (3) | (33) |
| **Net cash flows from investing activities** | **II** | **(11,968)** | **(27,539)** |
| Dividends paid by VINCI Construction Grands Projets | | (54,736) | (52,025) |
| Changes in loans and other financial debts | | 44,844 | 92,787 |
| Change in cash management assets | | 13,628 | 1,855 |
| **Net cash flows from investing activities** | **III** | **3,736** | **(42,617)** |
| **NET CHANGE IN CASH AND CASH EQUIVALENTS** | **I+II+III** | **(56,885)** | **71,152** |
| Net cash at beginning of the year | | 186,521 | 113,189 |
| Effect of changes in foreign exchange rates | | (1,302) | 2,180 |
| **NET CASH AT END OF THE YEAR** | | **128,334** | **186,521** |
| *Net cash at end of the year* | | *128,334* | *186,521* |
| *Cash management financial assets* | | *317,823* | *338,430* |
| *Other current and non-current financial debts (without overdraft)* | | *(131,391)* | *(110,421)* |
| *Fair value of derivatives, net* | | *-* | *141* |
| ***NET FINANCIAL SURPLUS AT END OF THE YEAR*** | | ***314,766*** | ***414,671*** |

# Statement of changes in equity

as at 31 December 2006

| | GROUP SHAREHOLDERS | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| **EQUITY** *in thousands of euros* | Share capital | Premiums and reserves | Currency differences | Net profit for the period | Net income recognised directly in equity | **Attributable to equity-holders of the parent** | Minority interest | **Total** |
| **31 December 2004** | **67,854** | **61,252** | **(8,308)** | **30,616** | **-** | **151,414** | **-** | **151,414** |
| Allocation of net income for previous period | - | 30,616 | - | (30,616) | - | - | - | - |
| Currency differences and miscellaneous | - | (8,692) | 8,007 | - | - | **(685)** | 247 | **(438)** |
| Dividends paid | - | (52,025) | - | - | - | **(52,025)** | (1,003) | **(53,028)** |
| Profit for the period | - | - | - | 28,419 | - | **28,419** | 893 | **29,312** |
| **31 December 2005** | **67,854** | **31,151** | **(301)** | **28,419** | **-** | **127,123** | **137** | **127,260** |
| Allocation of net income for previous period | - | 28,419 | - | (28,419) | - | - | - | - |
| Currency differences and miscellaneous | - | - | 2,152 | - | - | **2,152** | (869) | **1,283** |
| Interim dividend | - | (19,904) | - | - | - | (19,904) | - | (19,904) |
| Dividends paid | - | (34,832) | - | - | - | **(34,832)** | (2,106) | **(36,938)** |
| Profit for the period | - | - | - | 40,087 | - | **40,087** | 3,147 | **43,234** |
| **31 December 2006** | **67,854** | **4,834** | **1,851** | **40,087** | **-** | **114,626** | **309** | **114,935** |

At 31 December 2006, the share capital of the parent company was represented by 4,523,591 shares of 15 euros nominal value.

# Notes to the consolidated IFRS financial statements

as at 31 December 2006

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# Notes to the consolidated IFRS financial statements

as at 31 December 2006

## I - Accounting policies and valuation methods

## 1 > General principles

In application of Regulation (EC) No 1606/2002 of the European Parliament and of the Council of 19 July 2002, the Group's consolidated financial statements for the period ended 31 December 2006 have been prepared under the International Financial Reporting Standards (IFRS) as endorsed by the European Union at 31 December 2006.

VINCI has granted options on VINCI shares to some executives and/or employees of VINCI Construction Grands Projets. VINCI also allows the executives and employees of VINCI Construction Grands Projets to subscribe to VINCI shares, under the Group Savings Scheme, at a subscription price that is at a discount to the average market price of the VINCI share. These share-based payments (IFRS 2 and IFRIC 11) have not been recognised in the consolidated financial statements of VINCI Construction Grands Projets at 31 December 2005 and 31 December 2006, except for the employer's contribution paid and recognised as an expense by the entities comprising the VINCI Construction Grands Projets group. The impact for 2006 is estimated at €1.2 million. The accounting policies applied by the Group at 31 December 2006 are the same as those used in preparing its 2005 consolidated financial statements, except for the Standards and Interpretations adopted by the European Union that are applicable as from 1 January 2006 (see Note 1.1). These have had no material impact on the financial statements.

### 1.1 > New Standards and Interpretations applicable from 1 January 2006

- IAS 19 Amendment - Employee Benefits

The option allowing the full amount of actuarial gains and losses to be recognised in equity, provided by IAS 19 Employee Benefits (Revised), which is applicable as from 1 January 2006, has not been used by the Group. Actuarial gains and losses therefore continue to be amortised using the corridor method.

The IAS 19 Amendment also sets out how to recognise surpluses and deficits on multi-employer plans, and the supplementary disclosures to make in the Notes.

After examination of the situation, application of this amendment has had no impact on the Group's consolidated financial statements for the period ended 31 December 2006. The supplementary disclosures required are given in Note 6 "Provisions for employee benefits".

- IFRIC 4 Determining whether an Arrangement contains a Lease

IFRIC 4 "Determining whether an Arrangement contains a Lease" aims to identify the contractual terms of arrangements, which without having the legal form of a lease contract, give customers the right to use a group of assets in return for rent that is included in the overall payments made under the contract. If it is concluded that an arrangement contains a lease, this is analysed and accounted for according to the criteria of IAS 17 (making the distinction between a finance lease and an operating lease). After examination of the situation, application of this Interpretation has had no impact on the Group's consolidated financial statements for the period ended 31 December 2006.

### 1.2 > Change of presentation

#### 1.2.1 AMF communiqué of 9 March 2006 on the classification of money-market funds (UCITS) as cash equivalents.

In accordance with the AMF communiqué:

- Money-market UCITS falling into the AMF "monetary euro" category are assumed to meet the definition of "cash equivalents" in IAS 7 "Cash Flow Statements", namely: cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

- UCITS other than monetary euro funds must be analysed on a case-by-case basis.

In view of the AMF position, cash investments that correspond to the definition of "cash equivalents" are now shown in the balance sheet and cash flow statement as "cash and cash equivalents", in accordance with IAS 7, for all the periods shown. Cash equivalents that were previously presented as "cash management financial assets" in the balance sheet at 31 December 2005 have been reclassified accordingly. This change in presentation has no effect on net financial debt, as defined by the Group.

# Notes to the consolidated IFRS financial statements

as at 31 December 2006

## 2 > Basis of consolidation

### 2.1 > Consolidation scope

The consolidated financial statements include the financial statements of all the companies with revenue of more than €2 million, and the financial statements of subsidiaries whose revenue is lower than this figure but whose impact on the Group's financial statements is material. Companies in which the Group owns the majority of voting rights directly or indirectly or exercises de facto control are fully consolidated.

Those in which VINCI Construction Grands Projets exercises significant influence are accounted for by the equity method.

The proportionate method is used to consolidate companies in which the Group exercises joint control and joint venture partnerships in which the Group's share of the revenue and balance sheet are material for the Group.

Scope of consolidation can be broken down by consolidation method as follows:

| | 31.12.2006 | | | 31.12.2005 | | |
|---|---|---|---|---|---|---|
| | Total | France | Foreign | Total | France | Foreign |
| Full consolidation | **56** | 16 | 40 | **50** | 14 | 36 |
| Proportionate consolidation | **43** | 14 | 29 | **45** | 13 | 32 |
| Equity method | **1** | - | 1 | **1** | - | 1 |
| | **100** | **30** | **70** | **96** | **27** | **69** |

### 2.2 > Intragroup transactions

Reciprocal operations and transactions relating to assets and liabilities, income and expenses between consolidated or equity-accounted companies are eliminated in the consolidated financial statements. This is done:

- for the full amount if the transaction is between two fully consolidated entities;
- applying the percentage of proportionate consolidation of an entity if the transaction is between a fully consolidated entity and a proportionately consolidated entity;
- applying the percentage owned of an equity-accounted entity in the case of internal profits or losses realised between a fully consolidated entity and an equity-accounted entity.

### 2.3 > Translation of the financial statements of foreign subsidiaries and establishments

In most cases, the functional currency of foreign entities and establishments is their local currency.
The financial statements of foreign entities presented in a currency other than that used in preparing the Group's consolidated financial statements are translated at the closing rate. Balance sheet items are translated at the exchange rate at the balance sheet date and income statement items are converted at the average rate for the period (which represents the best estimate of the exchange rate at the transaction date). Any resulting translation differences are recognised under translation differences in consolidated reserves. Goodwill relating to foreign entities is considered as comprising part of the assets and liabilities acquired and is therefore 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. At the balance sheet date, trade receivables and payables expressed in foreign currencies are translated at the closing rate. Resulting exchange gains and losses are recognised under foreign exchange gains and losses and are shown under other financial income and expenses in the income statement.

Foreign exchange gains and losses arising on loans denominated in foreign currency or on foreign currency derivatives used to hedge investments in foreign subsidiaries are recorded under translation differences in equity.

# Notes to the consolidated IFRS financial statements

as at 31 December 2006

### 2.5 > Business combinations

The Group applies the so-called purchase method for business combinations made as from 1 January 2004. In application of this method, the Group recognises the identifiable assets, liabilities and certain contingent liabilities at their fair value at the dates when control was acquired.

The cost of a business combination is the fair value, at the date of exchange, of assets given, liabilities incurred, and/or equity instruments issued by the acquirer in exchange for control of the acquiree, plus any costs directly attributable to the acquisition. When an agreement provides for an adjustment to the purchase price contingent on future events, the Group includes the amount of that adjustment in the cost of the target entity at the acquisition date if the adjustment is probable and can be measured reliably.

The cost of acquisition is allocated by recognising the identifiable assets, liabilities and contingent liabilities of the acquiree at their fair value at that date, except for assets or asset groups classified as held for sale under IFRS 5, which are recognised at their fair value less costs to sell. The difference between the cost of acquisition, as defined above, and the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities is recognised as goodwill.

The Group has 12 months from the date of acquisition to finalise recognition of the business combination in question.

## 3 > Measurement rules and methods applied by the Group

### 3.1 > Use of estimates

The preparation of financial statements under the IFRSs requires estimates to be used and assumptions to be made that affect the amounts shown in these financial statements. These estimates assume the operation is a going concern and are made on the basis of the 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.

Use of estimates relates in particular to the following:

#### 3.1.1 Measurement of construction contract profit or loss using the stage of completion method

The Group uses the percentage of completion method to recognise revenue and profit and loss on construction contracts. The percentage of completion is calculated on the basis of "chargeable costs" corresponding to a physical measurement of work converted into the chargeable costs necessary to carry it out.

The revenue and profit or loss to be recognised is determined on the basis of a large number of estimates based on monitoring of the work performed and on 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 have material effects on future results.

#### 3.1.2 Measurement of retirement benefit obligations

The Group is involved in defined contribution and defined benefit retirement plans. Its obligations are measured actuarially based on assumptions such as the discount rate, the return on the investments dedicated to these plans, 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 in 2006 and how they are determined are given in Note 6 "Provisions for employee benefits".

The Group considers that the actuarial assumptions used are appropriate and justified. Obligations may, however, change to take account of future changes in assumptions.

#### 3.1.3 Measurement of provisions

The factors that materially influence the amount of provisions relate to:

- 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.

#### 3.1.4 Measurement of financial instruments at fair value

In the case of financial instruments that are not listed on a market, the Group uses valuation models based on a certain number of assumptions to assess their fair value, and changes in these assumptions could have a material impact on the valuation of these instruments.

# Notes to the consolidated IFRS financial statements

as at 31 December 2006

### 3.2 > Revenue

Consolidated revenue is recognised in accordance with IAS 11 as described below.

The total includes the revenue, after elimination of intragroup transactions, of:

- fully consolidated companies;
- jointly controlled companies, which are consolidated proportionately on the basis of the Group's share in the company;
- joint venture partnerships, based on the Group's share in the entity.

The method for recognising revenue in respect of construction contracts is explained in the note on “construction contracts” below.

### 3.3 > Revenue from ancillary activities

Revenue from ancillary activities is recognised in accordance with IAS 18. It comprises rental income, sales of equipment, materials and merchandise, study work and fees.

### 3.4 > Construction contracts

The Group recognises construction contract income and expenses using the stage of completion method defined by IAS 11.

For VINCI Construction Grands Projets, the stage 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 stage of completion, based on the best estimates of income, including any rights to additional revenue or claims, based on a reasonable assessment. 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 > 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, gains and losses on interest rate hedges in respect of gross financial debt, and net changes in the fair value of derivatives related to debt, except those that are recognised in equity.
- “financial income from investments” comprises the return on cash investments (interest income, dividends from UCITS, disposal gains and losses, etc.), the impact of interest rate hedges related to these investments and changes in their fair value.

### 3.6 > Other financial income and expense

Other financial income and expense mainly comprises foreign exchange gains and losses, the effects of discounting to present value, dividends received from unconsolidated companies and capitalised borrowing costs.

### 3.7 > 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 differences between the carrying amount and the tax base of assets and liabilities. Deferred tax is calculated using the latest tax rates enacted or substantially enacted. 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.

Deferred tax relating to items recognised directly under equity is also recognised under equity.

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.

# Notes to the consolidated IFRS financial statements

as at 31 December 2006

### 3.8 > Earnings per share

Earnings per share is the net profit after minority interest, divided by the weighted average number of shares outstanding during the year. The Group has issued no equity instruments that could have a dilutive effect.

### 3.9 > Intangible assets

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

### 3.10 > 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 relating to fully and proportionately consolidated entities is recognised in the consolidated balance sheet under “Goodwill”. Goodwill relating to entities accounted for using the equity method is reported under “Investments in Associates”.

Goodwill is not amortised but is tested for impairment at least annually and whenever there is an indication that it may be impaired. Whenever an asset is impaired, the difference between its carrying amount and its recoverable amount is recognised as an operating expense in the period and is not reversible.

Negative goodwill (“badwill”) is recognised directly in the income statement in the year of acquisition.

### 3.11 > 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 recognised. 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, in particular buildings, each component of the asset is recognised separately and 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 40 years** |
| - General technical installations | **between 5 and 20 years** |
| Site equipment and technical installations | **between 3 and 10 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 service.

### 3.12 > Finance leases

Assets acquired under finance leases are recognised as fixed 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. Assets held under finance leases are depreciated over their period of use.

### 3.13 > Impairment of non-financial non-current assets

Under certain circumstances, impairment tests must be performed on intangible and tangible fixed assets. For assets with an indefinite useful life, which is the case for goodwill, a test is performed at least annually and whenever there is an indication of a loss of value. For other fixed assets, a test is performed only when there is an indication of a loss of value.

### 3.14 > Investments in associates

Equity-accounted investments in associates are initially recognised at cost of acquisition, including any goodwill arising. Their carrying amount is then increased or decreased to recognise the Group's share of the associate's profits or losses after the date of acquisition. Whenever losses are greater than the value of the Group's net investment in the associate, these losses are not recognised unless the Group has entered into a commitment to recapitalise the associate or made payments on its behalf.

If there is an indication that an equity-accounted investment in

# Notes to the consolidated IFRS financial statements

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an associate may be impaired, its recoverable value is tested as described in the note above on impairment of non-financial non-current assets.

## 3.15 > 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 their amortised cost and the fair value of non-current derivative financial instruments.

- Available-for-sale securities

"Available-for-sale securities" comprises the Group's shareholdings in unconsolidated entities.

At the balance sheet date, available-for-sale securities are measured at their fair value. For shares in listed companies, fair value 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 and are only transferred to profit or loss when the securities in question are sold.

Whenever an impairment test leads to recognition of an unrealised loss as against the historic cost and whenever this is considered to be a material and/or durable loss of value, this loss is recognised in the income statement and is irreversible.

- Loans and receivables at amortised cost

"Loans and receivables at amortised cost" mainly comprises receivables connected with shareholdings, current account advances to associates or unconsolidated entities, guarantee deposits, collateralised loans and receivables and other loans and receivables.

When first recognised, these loans and receivables are recognised at their fair value plus the directly attributable transaction costs. At each balance sheet date, these assets are measured at their amortised cost using the effective interest method.

If there is an objective indication of durable impairment, an impairment loss is recognised. 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 the income statement. This loss may be reversed if the recoverable value increases subsequently and if this favourable change can objectively be linked to an event arising after recognition of the impairment loss.

## 3.16 > 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.

## 3.17 > Trade and other operating receivables

Trade and other operating receivables are current financial assets 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.

## 3.18 > Cash management financial assets

Cash management financial assets comprise investments of cash surpluses, 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.

They are measured and recognised at their fair value. Changes in fair value are recognised in the income statement, as the fair value option has been adopted in accordance with the provisions of IAS 39.

Purchases and sales of cash management financial assets are recognised at their settlement date.

## 3.19 > Cash and cash equivalents

This item comprises current accounts at banks and cash equivalents that are not subject to any restrictions. Bank overdrafts are not included in cash and are reported under current financial liabilities.

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## 3.20 > Retirement and other employee benefit obligations (IAS 19)

- Defined benefit retirement obligations

Provisions are taken in the balance sheet for obligations arising from 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 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.

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, after deduction of cumulative actuarial gains and losses and any past service cost not yet recognised in the income statement. However, surplus assets are only recognised in the balance sheet to the extent that they represent a future economic benefit for the Group.

Past service cost corresponds to the benefits granted either when an entity adopts a new defined benefit plan or when it changes the level of benefit of an existing plan. Whenever new rights to benefit are acquired as from the adoption of the new plan, the past service cost is recognised immediately in the income statement. Conversely, whenever adoption of a new plan gives rise to the acquisition of rights after its implementation date, past service costs are recognised as an expense on a straight-line basis over the average period remaining until the corresponding rights are fully vested.

Actuarial gains and losses result mainly from changes in actuarial assumptions and from experience adjustments (the effects of differences between the actuarial assumptions adopted and what has actually occurred).

Actuarial gains and losses that exceed 10% of the higher of the present value of the Group's defined benefit obligation and the fair value of the plan assets are recognised on a straight-line basis over the average expected remaining working life of the employees participating in that plan.

For defined benefit plans, the expense recognised under operating profit or loss comprises the current service cost, the amortisation of past service cost, the amortisation of any actuarial gains and losses and the effects of any reduction or winding up of the plan. The interest cost (cost of discounting) and the expected yield on plan assets are recognised under financial income and expenses.

Commitments relating to lump-sum payments on retirement for manual construction workers, which are met by contributions to an outside multi-employer insurance scheme, are considered as being under defined contribution plans and are recognised as an expense as and when contributions are payable.

- Provisions for other employee benefits

Provisions are taken for long-service bonuses in the French subsidiaries, and for the payment of medical expenses in certain subsidiaries. This provision is measured using the actuarial forecasting method (the projected unit credit method).

The part with a maturity of less than one year of provisions for retirement benefit obligations and for other employee benefits is shown under current liabilities.

## 3.21 > Provisions

Provisions are liabilities of which the timing or amount cannot be accurately assessed. They are measured at their present value, corresponding to the best estimate of the consumption of resources required to settle the obligation.

Provisions are recognised whenever the Group has a present obligation as a result of a past event and it is probable that an outflow of resources of which a reliable estimate can be made will be required to settle the obligation. The amount recognised as a provision must be the best estimate of the expenditure required to settle the present obligation at the balance sheet date. Obligations to be settled after one year are discounted whenever the effect of discounting is material.

- 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.

Provisions for after-sales service cover Group entities' commitments under statutory warranties relating to completed projects, in particular ten-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 defects.

# Notes to the consolidated IFRS financial statements

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Provisions for completion losses on contracts and construction project liabilities are made 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, sub-contractors, joint contractors or suppliers.

Restructuring provisions include the cost of plans and measures for which there is a commitment whenever these have been announced before the year end.

Provisions for other current liabilities mainly comprise provisions for individual dismissals and for other risks related to operations.

- Non-current provisions

Non-current provisions are provisions not directly linked to the operating cycle and that are generally unlikely to reverse in less than one year. They include, in particular, provisions for potential employment liabilities and for disputes.

That part of non-current provisions that matures within less than one year is shown under current provisions.

## 3.22 > Financial debt (current and non-current)

Financial debt comprises bond loans, other loans and the fair value of derivative financial instruments (liabilities). Financial debt is 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 part at less than one year of borrowings is included in current borrowings.

## 3.23 > Fair value of derivative financial instruments (assets and liabilities)

The Group uses derivative financial instruments to hedge its exposure to market risks (interest rates, exchange rates, equity prices). In accordance with IAS 39, all derivatives should be shown in the balance sheet at their fair value. If a derivative is not designated as a hedge, the change in its fair value must be recognised through the income statement. If a derivative is designated as a hedge, recognising it as a hedging instrument allows changes in the value of the derivative to be cancelled out in the income statement.

Derivative instruments may be designated as hedging instruments in three cases: when the instrument is a fair value hedge, a cash flow hedge, or a hedge of a net investment in a foreign operation:

- a fair value hedge allows the exposure to changes in fair value of a recognised asset or liability or an unrecognised firm commitment, attributable to changes in financial variables (interest rates, exchange rates, equity prices, raw material prices, etc.) to be hedged;
- a cash flow hedge allows exposure to variability in cash flows associated with a recognised asset or liability or a highly probable forecast transaction to be hedged;
- a hedge of a net investment denominated in a foreign currency hedges the foreign exchange risk relating to the net investment in a consolidated foreign subsidiary.

Most of the interest rate and foreign currency derivatives used by VINCI Construction Grands Projets are considered as trading instruments, directly allocated to the contract in question.

## 3.24 > Off-balance sheet commitments

The Group's off-balance sheet commitments are monitored through an annual or six-monthly report.

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

# Notes to the consolidated IFRS financial statements

as at 31 December 2006

## II - Notes to the balance sheet and income statement

## 1 > Intangible assets

| *in thousands of euros* | 31.12.2005 | Increase | Decrease | Currency differences and other changes | 31.12.2006 |
|---|---|---|---|---|---|
| Gross | 8,395 | 408 | 161 | 1 | 8,643 |
| Amortisation and provisions | (7,776) | (265) | (162) | (4) | (7,883) |
| **TOTAL NET** | **619** | **143** | **(1)** | **(3)** | **760** |

There has been no acquisition or reversal of amortisation through a business combination in the period. No impairment losses have been recognised or reversed at 31 December 2006.

## 2 > Property, plant and equipment

### 2.1 > Change in the period

| *in thousands of euros* | 31.12.2005 | Increase | Decrease | Currency differences and other changes | 31.12.2006 |
|---|---|---|---|---|---|
| Gross | 103,340 | 18,230 | 16,787 | (1,044) | 103,739 |
| Depreciation and provisions | (70,348) | (16,825) | (16,814) | 893 | (69,466) |
| **TOTAL NET** | **32,992** | **1,405** | **(27)** | **(151)** | **34,273** |

There has been no acquisition or reversal of amortisation through a business combination in the period. No impairment losses have been recognised or reversed at 31 December 2006.

# Notes to the consolidated IFRS financial statements

as at 31 December 2006

## 2.2 > Breakdown by type of asset

| *in thousands of euros* | Gross | Depreciation | Net |
|---|---|---|---|
| Land | 2,027 | (1,483) | 544 |
| Buildings | 3,280 | (1,936) | 1,344 |
| Plant and equipment | 77,614 | (50,495) | 27,119 |
| Vehicles | 7,097 | (4,656) | 2,441 |
| Office furniture, computer equipment, fixtures and fittings | 12,907 | (10,896) | 2,011 |
| Non-current assets in progress | 814 | - | 814 |
| **TOTAL NET** | **103,739** | **(69,466)** | **34,273** |

## 2.3 > Investments in the period

| *in thousands of euros* | 31.12.2006 |
|---|---|
| Buildings | 1,380 |
| Plant and equipment | 12,157 |
| Vehicles | 2,338 |
| Office furniture, computer equipment, fixtures and fittings | 2,127 |
| Non-current assets in progress | 228 |
| **TOTAL INVESTMENTS** | **18,230** |

# Notes to the consolidated IFRS financial statements

as at 31 December 2006

## 3 › Other non-current financial assets

| *in thousands of euros* | Gross | Depreciation | Net |
|---|---|---|---|
| Investments in subsidiaries and associates | 6,193 | (4,809) | 1,384 |
| Other available-for-sale financial assets | 545 | - | 545 |
| Other non-current financial assets | 6,043 | (5,543) | 500 |
| Present value adjustment of non-current financial assets | (422) | - | (422) |
| **TOTAL NET** | **12,359** | **(10,352)** | **2,007** |

There has been no acquisition or reversal of amortisation through a business combination in the period. No impairment losses have been recognised or reversed at 31 December 2006.

At 31 December 2006, the main unconsolidated companies were:

| | *% held* | *Net* |
|---|---|---|
| *Dumez-GTM SAS* | *100* | *500* |
| *Société centrale de matériel* | *99.99* | *152* |
| *Concesionaria Puente Chiloe* | *27* | *405* |

## 4 › Cash management financial assets and cash equivalents

Cash management financial assets break down as follows:

| *in thousands of euros* | 31.12.2005 | 31.12.2006 |
|---|---|---|
| **CASH MANAGEMENT FINANCIAL ASSETS** | **338,430** | **317,823** |
| UCITS | 111,829 | 89,318 |
| Cash | 84,804 | 49,377 |
| **CASH AND CASH EQUIVALENTS** | **196,633** | **138,695** |

Cash management financial assets include investments with parent companies of €315,739,000 attracting interest at rates close to market rates.

UCITS are now included in the definition of net cash in application of IAS 7 Cash Flow Statements. In consequence, these UCITS are included under Cash and cash equivalents in the balance sheet.

# Notes to the consolidated IFRS financial statements

as at 31 December 2006

## 5 › Working capital requirement (surplus)

| *in thousands of euros* | 31.12.2005 | 31.12.2006 |
|---|---|---|
| Inventories and work in progress (net) | 22,544 | 12,752 |
| Trade receivables and related accounts | 209,689 | 227,898 |
| Other operating receivables | 323,685 | 364,957 |
| Other current assets | 31,696 | 15,740 |
| Current tax assets | 156 | 174 |
| **INVENTORIES AND OPERATING RECEIVABLES (I)** | **587,770** | **621,521** |
| Trade payables | 159,962 | 184,954 |
| Other current payables | 583,090 | 484,665 |
| Current tax payables | 64 | 136 |
| **TRADE AND OTHER OPERATING PAYABLES (II)** | **743,116** | **669,755** |
| **WORKING CAPITAL REQUIREMENT** | **(155,346)** | **(48,234)** |
| ***Current provisions*** | **150,821** | **171,528** |

## 6 › Provisions for employee benefits

### RETIREMENT BENEFIT OBLIGATIONS

The Group's retirement benefit commitments that are covered by provisions mainly relate to France. Provisions are calculated applying the following assumptions:

| | 31.12.2005 | 31.12.2006 |
|---|---|---|
| Discount rate | 4.50% | 4.75% |
| Inflation rate | 2.0% | 2.0% |
| Rate of salary increases | 3.0% | 3.0% |
| Rate of benefit increases | 2.5% | 2.5% |
| Amortisation period of initial actuarial liability | 10 - 15 years | 10 - 15 years |

Retirement benefit commitments relate to contractual lump-sum payments on retirement, are calculated using the prospective actuarial method and are fully provided for in the balance sheet.

*in thousands of euros*

| | |
|---|---|
| **TOTAL OBLIGATIONS COVERED BY PROVISIONS** | **9,555** |

*Of which due within one year* 590

### OTHER EMPLOYEE BENEFITS

| | |
|---|---|
| **TOTAL OBLIGATIONS COVERED BY PROVISIONS** | **815** |

*Of which due within one year* 55

# Notes to the consolidated IFRS financial statements

as at 31 December 2006

## 7 > Provisions

| *in thousands of euros* | 31.12.2005 | Charges | Reversals | Reversals of unused provisions | Currency differences and other changes | 31.12.2006 |
|---|---|---|---|---|---|---|
| Warranties given to customers | 55,742 | 9,776 | (3,770) | (10,977) | (83) | 50,688 |
| Site restoration | 5,655 | 586 | (1,396) | - | 139 | 4,984 |
| Losses on completion | 25,550 | 20,351 | (3,615) | - | (267) | 42,019 |
| Litigation | 26,144 | 6,836 | (3,026) | (377) | 1,552 | 31,129 |
| Restructuring | 4,831 | 1,667 | (1,352) | - | (21) | 5,125 |
| Other current liabilities | 2,641 | 4,220 | (1,799) | - | (49) | 5,013 |
| Discounting of current provisions | (201) | - | - | - | - | (201) |
| Reclassification of the part at less than one year of non-current provisions | 30,459 | - | - | - | 2,312 | 32,771 |
| **Current provisions** | **150,821** | **43,436** | **(14,958)** | **(11,354)** | **3,583** | **171,528** |
| Financial liabilities | 5,438 | 177 | (100) | | (5) | 5,510 |
| Other non-current liabilities | 33,217 | 9,361 | (3,346) | (4,452) | 606 | 35,386 |
| Discounting of non-current provisions | (874) | - | - | - | - | (874) |
| Reclassification of the part at less than one year of non-current provisions | (30,459) | - | - | - | (2,312) | (32,771) |
| **Non-current provisions** | **7,322** | **9,538** | **(3,446)** | **(4,452)** | **(1,711)** | **7,251** |
| **TOTAL** | **158,143** | **52,974** | **(18,404)** | **(15,806)** | **(1,872)** | **178,779** |

The types of provisions are defined in Note 3.21 of the section “Provisions”.

# Notes to the consolidated IFRS financial statements

as at 31 December 2006

## 8 > Net financial surplus

At the year end the Group had a net cash surplus of €314,766,000 which breaks down as follows:

| *in thousands of euros* | 31.12.2005 | 31.12.2006 |
|---|---|---|
| Other loans and borrowing | (8,128) | - |
| Fair value of derivative financial instruments (liabilities) | (36) | - |
| **Non-current financial debt** | **(8,164)** | **-** |
| Part at less than one year of long-term borrowings | (102,284) | (127,213) |
| Cash management current accounts, liabilities | (9) | (945) |
| Other current financial debt | - | (3,233) |
| Bank overdrafts | (10,112) | (10,361) |
| **Current financial debt** | **(112,405)** | **(141,752)** |
| **GROSS FINANCIAL DEBT** | **(120,569)** | **(141,752)** |
| Fair value of derivative financial instruments (assets) | 177 | - |
| Cash management financial assets | 450,259 | 317,823 |
| Cash and cash equivalents | 84,804 | 138,695 |
| **NET FINANCIAL SURPLUS** | **414,671** | **314,766** |

The part at less than one year of the long-term financial debt takes account of the cancelling out of the payment received in connection with securisation of receivables relating to the Chile Prisons project for €83,477,000.

Debts guaranteed by collateral: none.

## 9 > Revenue

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

| *in million of euros* | 31.12.2006 | 31.12.2005 |
|---|---|---|
| **Revenue for the year** | **777.7** | **603.6** |
| of which: changes in consolidation scope | - | - |
| of which: impact of foreign exchange rate fluctuations | - | 0.5 |
| **REVENUE AT CONSTANT CONSOLIDATION SCOPE AND EXCHANGE RATES** | **777.7** | **604.2** |

At comparable consolidation scope and exchange rates, revenue shows a strong increase of approximately 29% against the previous period.

# Notes to the consolidated IFRS financial statements

as at 31 December 2006

**REVENUE BY GEOGRAPHICAL AREA (by destination)**

| *in million of euros* | 31.12.2006 | 31.12.2005 |
|---|---|---|
| France | 369.9 | 270.2 |
| Europe | 194.6 | 161.3 |
| North and South America | 94.6 | 46.7 |
| Africa | 60.3 | 99.3 |
| Asia | 39.8 | 15.7 |
| Middle East | 15.7 | 10.2 |
| Other | 2.8 | 0.2 |
| **TOTAL** | **777.7** | **603.6** |

## 10 > Operating profit from ordinary activities

| *in thousands of euros* | 31.12.2006 | 31.12.2005 |
|---|---|---|
| Revenue | 777,650 | 603,647 |
| Revenue from ancillary activities | 2,978 | 2,897 |
| **Operating income** | **780,628** | **606,544** |
| Purchases (raw materials, supplies, goods) | (102,897) | (82,677) |
| Sub-contracting and other external expenses | (481,051) | (360,538) |
| Employment costs | (139,683) | (119,091) |
| Taxes and levies | (8,119) | (6,786) |
| Other operating income and expense | 323 | (385) |
| Operating depreciation and amortisation expense | (16,477) | (14,848) |
| Net operating provision expense | | |
| - Impairment losses property, plant and equipment, and intangible assets | 3,241 | (646) |
| - Impairment of assets | 19,003 | 2,318 |
| - Retirement and other benefit obligations | 198 | 171 |
| - Current and non-current provisions | (16,081) | 5,621 |
| **OPERATING PROFIT FROM ORDINARY ACTIVITIES** | **39,085** | **29,683** |

Revenue from ancillary activities amounted to €3 million at 31 December 2006 and mainly related to sales of study work and equipment, and rental income.

# Notes to the consolidated IFRS financial statements

as at 31 December 2006

## 11 › Other financial income and expenses

| *in thousands of euros* | 31.12.2006 | 31.12.2005 |
|---|---|---|
| Foreign exchange gains and losses | (2,899) | 2,598 |
| Effect of discounting to present value | (627) | (589) |
| Other financial income and expenses | 481 | (2) |
| **OTHER FINANCIAL INCOME AND EXPENSES, NET** | **(3,045)** | **2,007** |

## 12 › Breakdown of income tax expense

### 12.1 › Breakdown of net tax expense

| *in thousands of euros* | 31.12.2006 | 31.12.2005 |
|---|---|---|
| Current tax | (3,733) | (9,011) |
| Deferred tax | - | 2 |
| **TOTAL** | **(3,733)** | **(9,009)** |

### 12.2 › Effective tax rate

| *in thousands of euros* | |
|---|---|
| **Taxable profit** | **43,820** |
| Theoretical tax rate | 34.43% |
| **EXPECTED TAX EXPENSE** | **(15,087)** |
| Impact on partnerships' results of differences between tax rates | 1,858 |
| Creation (use) of tax loss carryforwards not having given rise to deferred tax | 10,059 |
| Fixed-sum and other additional taxes | (3,308) |
| Profits (losses) of foreign establishments not taxable in France | 4,237 |
| Others (including consolidation restatements except for elimination of dividends) | (1,492) |
| **TAX EXPENSE ACTUALLY RECOGNISED** | **(3,733)** |
| Effective tax rate | 8.52% |

# Notes to the consolidated IFRS financial statements

as at 31 December 2006

### 12.3 > Analysis of deferred tax assets and liabilities

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

| *in thousands of euros* | Assets | Liabilities | Net |
|---|---|---|---|
| | 1,332 | 1,423 | (91) |

### 12.4 > Unrecognised deferred tax assets

Deferred tax assets unrecognised because their recovery is uncertain amounted to €21.6 million at 31 December 2006.

## 13 > Transactions with related parties

Transactions with related parties are:

- remuneration and similar benefits paid to members of the governing and management bodies;
- transactions with companies in which VINCI Construction Grands Projets has significant influence or joint control (these transactions are conducted at market prices). The Company also has normal business relations with other companies in the VINCI Group.

### 13.1 > Remuneration of members of the Management Committee

The share falling to VINCI Construction Grands Projets of remuneration paid to members of the Management Committee in 2006 amounted to €1,953,296.

### 13.2 > Transactions between VINCI Construction Grands Projets and proportionately consolidated companies (unconsolidated part):

| *in thousands of euros* | 31.12.2006 | 31.12.2005 |
|---|---|---|
| Revenue | 608.6 | 544.4 |
| Purchases | (69.5) | (95.1) |
| Subcontracting | (416.2) | (351.3) |
| Trade receivables | 448.1 | 421.3 |
| Trade payables | 182.2 | 176.0 |

These mainly relate to transactions with joint-venture partnerships in connection with VINCI Construction Grands Projets' construction activities.

# Notes to the consolidated IFRS financial statements

as at 31 December 2006

### 13.3 > Contribution to the consolidated balance sheet by proportionately consolidated companies

| *in thousands of euros* | 31.12.2006 | 31.12.2005 |
|---|---|---|
| Current assets | 266.4 | 280.3 |
| Non-current assets | 24.3 | 21.3 |
| Current liabilities | 357.0 | 312.2 |
| Non-current liabilities | - | - |
| Operating income | 408.3 | 347.1 |
| Operating expenses | (388.5) | (332.5) |
| Cost of net financial debt | 1.7 | 0.9 |
| Other financial income and expenses | (2.1) | 2.5 |
| Income tax expense | 0.2 | 1.7 |

Given the nature of the works undertaken by VINCI Construction Grands Projets, joint venture partnerships created for projects and that manage revenue of over €45 million (on a 100% basis) are consolidated proportionately.

## 14 > Financial information relating to construction contracts

Costs incurred plus recognised profits less recognised losses and intermediate invoicing is 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. Their repayment depends on the specific provisions of each contract.

**The various items relating to construction contracts in progress at the balance sheet date are:**

| *in thousands of euros* | 31.12.2006 | 31.12.2005 |
|---|---|---|
| Construction contracts in progress, assets | 54,418 | 77 575 |
| Construction contracts in progress, liabilities | (84,982) | (77 994) |
| **Construction contracts in progress** | **(30,564)** | **(419)** |
| Costs incurred plus profits recognised to date and less losses recognised to date | 1,596,146 | 1,630,172 |
| Less invoices issued | (1,626,710) | (1,630,591) |
| **Construction contracts in progress before advances received from customers** | **(30,564)** | **(419)** |
| Advances received from customers | (72,639) | (99,554) |
| **Net construction contracts in progress** | **(103,203)** | **(99,973)** |

# Notes to the consolidated IFRS financial statements

as at 31 December 2006

## 15 › Off balance sheet commitments

Off balance sheet commitments break down as follows:

| *in thousands of euros* | Commitments given | Commitments received |
|---|---|---|
| Performance guarantees and performance bonds | 287,663 | 29,816 |
| Retention payments | 59,842 | 12,249 |
| Deferred payments to subcontractors | 43,105 | 2,062 |
| Balance sheet warranties given | 3,256 | - |
| Bank overdrafts | 274 | - |
| Bid bonds | 13,050 | 1,588 |
| Tax and customs bonds | 899 | - |
| Operating leases | 139 | - |
| Other commitments | 1,820 | 1,748 |
| **TOTAL** | **410,048** | **47,463** |

## 16 › Employment costs and numbers employed

| **Number of employees** | 31.12.2006 | 31.12.2005 |
|---|---|---|
| Engineers and managers | 835 | 763 |
| Non-management | 4,193 | 2,288 |
| **TOTAL** | **5,028** | **3,051** |

Employment costs for all companies in the Group amounted to €139,683,000.

**Individual entitlement to training**
The Act of 4 May 2004 gives employees of French companies the right to a minimum of 20 hours of training a year, which can be carried forward and accumulated for six years. Expenditure under this individual right to training is considered as an expense for the period and, other than in exceptional cases, no provisions are taken for this. The Group's employees had acquired rights to 16,800 hours of such training at 31 December 2006.

## 17 › Other information

**DISPUTES AND ARBITRATION**

To the Company's knowledge there is no exceptional event or litigation likely to substantially affect the business, financial performance, net assets or financial situation of the Group or the Company.

# Notes to the consolidated IFRS financial statements

as at 31 December 2006

## 18 › Main entities consolidated at 31 December 2006

| | Country | % held |
|---|---|---|
| **1/ Parent** | | |
| VINCI Construction Grands Projets | France | 100 |
| **2/ Fully consolidated subsidiaries in the construction and public works sector** | | |
| Arthur Invest | Czech Republic | 100 |
| Campenon Saïgon Builders | Vietnam | 100 |
| Constructora VCGP Chile SA | Chile | 100 |
| Dumez Jaya SDN BHD | Malaysia | 100 |
| Félicia Invest | Romania | 100 |
| Florenc 1 | Czech Republic | 100 |
| Hydroplus | France | 100 |
| Janin Atlas Inc. | Canada | 100 |
| Kosmos Holding AB | Sweden | 100 |
| S.C Grupo 3 | Chile | 100 |
| Soconac | Romania | 100 |
| Victoria Belinvest | Belgium | 100 |
| VINCI Construction Technology | France | 100 |
| Water Management International | France | 100 |
| **3/ Proportionately consolidated subsidiaries in the construction and public works sector** | | |
| Socaso | France | 67 |
| Socatop | France | 42 |
| Socaly | France | 24 |

# Notes to the consolidated IFRS financial statements

as at 31 December 2006

### 4/ Proportionately consolidated partnerships and economic interest groupings formed to carry out major projects

| | | |
|---|---|---|
| Algiers metro | Algeria | 100 |
| Andra | France | 12 |
| Beijing Olympic Stadium JV | China | 50 |
| Brightwater Tunnels | USA | 60 |
| Budapest metro | Hungary | 35 |
| Eastern Harbour | La Réunion | 40 |
| EIB | Luxembourg | 50 |
| Goro Nickel Harbour | New Caledonia | 28 |
| Grande Ravine bridge | La Réunion | 50 |
| Hallandsås tunnel | Sweden | 40 |
| Heathrow Airport T5 | United Kingdom | 50 |
| Kincardine crossing bridge | Scotland | 50 |
| Kingston Metropolitan Area | Jamaica | 100 |
| Mitholz tunnel | Switzerland | 25 |
| Naga Hammadi dam | Egypt | 33 |
| Soyouz launch pad | French Guyana | 80 |
| Thalys IV | Netherlands | 13 |
| VTV Center Hanoï | Vietnam | 51 |
| Wadi Dayqah dam | Sultanate of Oman | 50 |

# Report of the Statutory Auditors on the consolidated financial statements

Year ended 31 December 2006

In accordance with our appointment as auditors by your Shareholders' General Meeting, we have audited the consolidated financial statements of VINCI Construction Grands Projets for the year ended 31 December 2006, as included in this report.

The consolidated financial statements were prepared by the Chairman. Our role is to express an opinion on them, based on our audit.

## 1 > Opinion on the consolidated financial statements

We have carried out our audit in accordance with professional standards applicable in France. Those standards require us to take the necessary steps to obtain reasonable assurance that the consolidated financial statements are free of any material anomalies. An audit involves the examination, on a test basis, of the evidence in support of the data contained in financial statements. It also involves an assessment of the accounting principles applied and of the significant estimates made in their preparation, and an assessment of their overall presentation. We believe that our audit constitutes a reasonable basis for the opinion we express below.

We certify that the consolidated financial statements for the year ended 31 December 2006 give a true and fair view, in accordance with International Financial Reporting Standards as adopted in the European Union, of the assets and liabilities, financial position and results of the companies and entities included in the consolidation.

## 2 > Reasons for our conclusions

As required by Article L. 823-9 of the French Commercial Code regarding disclosure of the reasons for our conclusions, we draw your attention to the following matters:

As shown in paragraph 3.4 of the note to the financial statements headed “Construction contracts”, the Group accounts for income from its long-term contracts using the percentage of completion method, based on the best available estimates of the income upon completion. We have assessed the reasonableness of the assumptions made and the resulting assessments.

We reached these conclusions as part of our audit of the consolidated financial statements as a whole, and they therefore contributed to the formation of the opinion expressed in the first part of this report.

## 3 > Specific verification

In accordance with professional standards applicable in France, we have also verified the information given in the Group's management report. We have no comments to make as to the fair presentation of that information and its conformity with the consolidated financial statements.

Paris La Défense and Neuilly-sur-Seine, 11 April 2007

The Statutory Auditors

| | |
|---|---|
| SALUSTRO REYDEL | DELOITTE & ASSOCIES |
| Member of KPMG International | |
| Philippe BOURHIS and Bernard CATTENOZ | Thierry BENOIT |

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