Financial report 2006

VINCI CONSTRUCTION

ASSETS
in € thousands

	Notes	2006			2005
		Gross	Amort. Dep'n and Provs.	Net	Net
Non-current assets					
Intangible assets	1	63,011	46,889	**16,122**	10,930
Goodwill	2	376,863	192,972	**183,891**	168,482
Concession intangible assets	3	15,305	6,159	**9,146**	11,622
Property, plant and equipment	4	2,284,697	1,316,122	**968,575**	814,116
Investment property	5	38,694	12,938	**25,756**	25,534
Investments in associates	6	14,036		**14,036**	22,354
Other non-current financial assets	7-13	116,434	33,952	**82,482**	58,388
Deferred tax assets	18.3	126,265		**126,265**	135,566
Total non-current assets		**3,035,305**	**1,609,032**	**1,426,273**	**1,246,992**
Current assets					
Inventories and work in progress	8-10	250,427	14,759	**235,668**	217,040
Trade and other operating receivables	10	5,130,671	161,221	**4,969,450**	4,195,545
Other current assets	10	171,802	5,483	**166,319**	165,364
Current tax assets	10	20,904		**20,904**	18,106
Current financial assets	10	1,110		**1,110**	324
Cash management financial assets	9-13	1,312,680	1,263	**1,311,417**	1,510,057
Cash and cash equivalents	9-13	931,393		**931,393**	906,462
Total current assets		**7,818,987**	**182,726**	**7,636,261**	**7,012,898**
TOTAL ASSETS		**10,854,292**	**1,791,758**	**9,062,534**	**8,259,890**

EQUITY AND LIABILITIES

in € thousands

	Notes	2006	2005
Equity			
Share capital		**148,806**	148,806
Share premium account		**54,333**	54,333
Consolidated reserves		**454,472**	420,878
Net profit for the period		**351,697**	295,633
Interim dividend		**(180,428)**	(189,728)
Equity attributable to equity holders of the parent		**828,880**	**729,922**
Minority interest		**148,100**	114,631
Total equity		**976,980**	**844,553**
Non-current liabilities			
Retirement and other employee benefit obligations	11	**107,848**	125,173
Non-current provisions	12	**33,956**	38,953
Participating loans and bonds	13	**147**	2,436
Other loans and borrowings	13	**181,130**	204,531
Other non-current liabilities		**14,829**	12,469
Deferred tax liabilities	18.3	**26,201**	35,428
Total non-current liabilities		**364,111**	**418,990**
Current liabilities			
Current provisions	12	**799,456**	722,830
Trade payables	10	**3,101,079**	2,671,309
Other current payables	10	**3,060,324**	2,792,383
Current tax payables	10	**83,806**	86,697
Current borrowings	13	**676,778**	723,128
Total current liabilities		**7,721,443**	**6,996,347**
TOTAL EQUITY AND LIABILITIES		**9,062,534**	**8,259,890**

Consolidated IFRS income statement

For the period from 1 January to 31 December 2006
in € thousands

	Notes	2006	2005
Revenue	14	**10,174,392**	**8,958,351**
Revenue from ancillary activities	15	94,887	85,730
Operating income		**10,269,279**	**9,044,081**
Purchases		(2,354,676)	(2,075,071)
Sub-contracting and other external expense		(5,028,350)	(4,410,105)
Employment costs		(2,027,284)	(1,812,880)
Taxes and levies		(116,429)	(102,604)
Other operating income and expense		31,707	21,975
Net amortisation, depreciation, and provision		(263,197)	(209,384)
Operating profit from ordinary activities (% of revenue)	15	**511,050** 5.02%	**456,012** 5.09%
Share-based payment expense	16	(28,704)	(24,325)
Goodwill impairment expense		(4,545)	(4,723)
Operating profit (% of revenue)		**477,801** 4.70%	**426,964** 4.77%
Cost of gross financial debt		(26,072)	(30,879)
Financial income from cash management investments		57,667	46,073
Cost of net financial debt		**31,595**	**15,194**
Other financial income	17	72,146	77,900
Other financial expense	17	(58,783)	(57,192)
Income tax expense	18	(146,797)	(151,242)
Share of profit / (loss) of associates		2,746	2,131
Net profit for the period		**378,708**	**313,755**
Minority interest		27,011	18,122
Net profit attributable to equity holders of the parent (% of revenue)		**351,697** 3.46%	**295,633** 3.30%
Number of shares		18,600,811	18,600,811
Earnings per share (in euros)		**18.91**	**15.89**

IFRS cash flow statement

in € thousands

	31/12/2006	31/12/2005
Net profit for the period (including minority interest)	378,708	313,755
Depreciation and amortisation	231,783	205,146
Net provision charge	(17,769)	(937)
Share-based payments (IFRS 2)	12,212	9,883
Gains or losses on disposals	(17,834)	(20,319)
Change in fair value of foreign currency derivative financial instruments	(1,861)	414
Share of profit or loss of associates and dividends received from unconsolidated entities	(4,714)	(6,688)
Capitalised borrowing costs	(721)	(81)
Cost of net financial debt	(31,595)	(15,194)
Current and deferred tax expense	146,797	151,242
Cash flow (used in) / from operations before tax and financing costs	**695,006**	**637,221**
Changes in working capital requirement and current provisions	(40,254)	115,257
Income taxes paid	(147,384)	(118,369)
Net interest payments	28,333	15,409
Net cash flows (used in) / from operating activities	**535,701**	**649,518**
Purchases of property, plant and equipment, and intangible assets	(434,223)	(341,681)
Proceeds from sales of property, plant and equipment, and intangible assets	57,894	32,139
Purchases of non-current financial assets	(58,612)	(43,191)
Proceeds from disposal of non-current financial assets	17,951	8,738
Net effect of changes in scope of consolidation	3,981	173
Dividends received from equity-accounted associates and unconsolidated entities	3,563	5,021
Other	503	6,418
Net cash flows (used in) / from investing activities	**(408,943)**	**(332,383)**
Minority interest in share capital increases of subsidiaries	24,412	3,632
Dividends paid by VINCI Construction	(266,921)	(224,141)
Dividends paid to minority shareholders	(5,926)	(4,022)
Proceeds from new long-term borrowings	88,319	198,284
Repayments of borrowings	(70,245)	(88,310)
Change in cash management assets and current borrowings	272,266	(2,287)
Net cash flows (used in) / from financing activities	**41,905**	**(116,844)**
Change in net cash and cash equivalents	**168,663**	**200,291**
Cash and cash equivalents at beginning of period	435,755	222,714
Other changes	(27,997)	12,750
Cash and cash equivalents at end of period	**576,421**	**435,755**
Cash and cash equivalents at end of period	**576,421**	**435,755**
Cash management financial assets	1,311,417	1,510,057
Loans and collateralised receivables and other financial assets	3,371	4,688
Non-current financial debt	(180,766)	(203,438)
Other current financial debt (excluding bank overdrafts)	(321,166)	(252,422)
Fair value of derivatives, net	383	(1,294)
Net financial surplus at end of period	**1,389,660**	**1,493,346**

Changes in equity

in € thousands

Equity	Share capital	Share premiums	Consolidated reserves	Currency translation reserves	Net profit for the period	Net income recognised directly in equity	Attributable to equity-holders of the parent	Minority interest	Total
31 December 2004	**148,806**	**54,333**	**216,118**	**771**	**221,008**	**972**	**642,008**	**103,680**	**745,688**
Allocation of net income for previous period			221,008		(221,008)				
Dividend payments			(34,413)				(34,413)	(4,022)	(38,435)
Interim dividend			(189,728)				(189,728)		(189,728)
Net profit or loss for the period					295,633		295,633	18,122	313,755
Financial instruments: changes in fair value						(2,556)	(2,556)	(2,296)	(4,852)
Share-based payments (IFRS 2)			12,434				12,434		12,434
Currency translation differences				5,869			5,869	1,123	6,992
Changes in consolidation scope and miscellaneous			1,216	(1,593)		1,052	675	(1,976)	(1,301)
31 December 2005	**148,806**	**54,333**	**226,635**	**5,047**	**295,633**	**(532)**	**729,922**	**114,631**	**844,553**
Allocation of net income for previous period			295,633		(295,633)				
Dividend payments			(86,493)				(86,493)	(5,926)	(92,419)
Interim dividend			(180,428)				(180,428)		(180,428)
Net profit or loss for the period					351,697		351,697	27,011	378,708
Financial instruments: changes in fair value						(656)	(656)	(572)	(1,228)
Share-based payments (IFRS 2)			14,688				14,688		14,688
Currency translation differences				(2)			(2)	(2,281)	(2,283)
Changes in consolidation scope and miscellaneous			(270)	(932)		1,354	152	15,237	15,389
31 December 2006	**148,806**	**54,333**	**269,765**	**4,113**	**351,697**	**166**	**828,880**	**148,100**	**976,980**

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ACCOUNTING POLICIES AND MEASUREMENT METHODS

NOTES ON THE BALANCE SHEET AND INCOME STATEMENT

ACCOUNTING POLICIES AND MEASUREMENT 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.

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 information required is given in Note 11 Retirement and other employee benefit obligations.

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.

IAS 39 Amendment – Recognition and Measurement of Financial Instruments

In 2005, the IASB published three amendments to IAS 39, relating to:

The Fair Value Option

In June 2005, the IASB published the finalised amendment to IAS 39 relating to the fair value option. IAS 39 (the December 2003 version) introduced the possibility of applying the fair value option to any financial asset or liability, allowing them to be valued at fair value through profit or loss. The fair value option amendment aims to restrict the use of the option.

The Group had already elected on first application of the IFRS for the fair value option for its cash management financial assets and cash equivalents. Given the way in which these assets are managed, this option has been maintained under this Amendment.

Cash Flow Hedge Accounting of Forecast Intragroup Transactions

In April 2005, the IASB published an amendment to IAS 39 relating to cash flow hedge accounting of forecast intragroup transactions. The purpose of this amendment is to allow a forecast intragroup transaction in a foreign currency to be shown in the consolidated financial statements, under certain conditions, as an item hedged against foreign currency risk through cash flow hedging.

Financial Guarantee Contracts

In July 2005, the IASB published an amendment to IAS 39 relating to financial guarantees and credit insurance. Instruments that meet the definition of a financial guarantee as defined by IAS 39 are now accounted for by the guarantor in accordance with the measurement principles set out in IAS 39.

These last two Interpretations are not applicable in the Group's financial statements at 31 December 2006.

1.2 New Standards and Interpretations applicable after 31 December 2006

IFRIC 10 Interim Financial Reporting and Impairment

This IFRIC Interpretation states that an entity shall not reverse an impairment loss that it recognises in a previous interim period in respect of goodwill, an unlisted equity investment or a financial asset carried at cost.

This Interpretation is not applicable in the Group's financial statements at 31 December 2006.

IFRIC 12 Service Concession Arrangements

On 30 November 2006, the IFRIC published Interpretation IFRIC 12 on accounting for service concession agreements:

- The application scope covers public service concession contracts in which the concession grantor is considered to exercise control over the assets operated.
- The various accounting models applicable depend on the consideration received by the operator:

- under the intangible asset model, the operator recognises the asset under concession as an intangible asset to the extent that it receives a right to collect tolls (or receive other remuneration) from users, in consideration for the financing, building, and operation of the infrastructure;

- under the financial asset model, the operator's rights over the asset under concession are recognised as an interest-bearing financial receivable whenever the concession operator has an unconditional right to receive payments from the concession grantor independently of the extent of use of the infrastructure by users;
- whenever only part of the investment is covered by a payment commitment from the grantor, the expense would be recognised as a financial receivable up to the amount guaranteed by the grantor, and as an intangible fixed asset for the balance.

At 31 December 2006, VINCI Construction has not elected for early application of this Interpretation, which is in the course of endorsement by the European Union.

The application of IFRIC 12 by VINCI Construction will require the accounting rules and procedures applicable to concession contracts to be adapted.

IFRS 7 Financial Instruments: Disclosures

In August 2005, the IASB published IFRS 7 Financial Instruments: Disclosures. This new standard replaces IAS 30 Disclosures in the Financial Statements of Banks and Similar Financial Institutions and makes amendments to IAS 32 Financial Instruments: Disclosure and Presentation.

IFRS 7, which is applicable as from 1 January 2007, provides for the disclosure of qualitative and quantitative information on the risk exposure resulting from the use of financial instruments. The Group is currently identifying the supplementary disclosures on financial instruments that will be made in future consolidated financial statements in application of this Standard.

Moreover, on the basis of the transactions effected at 31 December 2006, and in the light of the studies conducted until now, application of the following interpretations should have no effect on the Group's consolidated financial statements:

- IFRIC 9 Reassessment of Embedded Derivatives
- IFRIC 8 Scope of IFRS 2
- IFRIC 7 Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies.

1.3 Change of presentation

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

In accordance with the AMF's communiqué:

- Money-market UCITS falling into the AMF's "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's communiqué, 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. The effects of this reclassification are mentioned in Note 9, Cash management financial assets, cash and cash equivalents. This change in presentation has no effect on net financial debt, as defined by the Group.

2. Consolidation Methods

2.1 Consolidation scope

Companies over which VINCI Construction exercises majority control are fully consolidated. Companies that are less than 50% owned but in which VINCI Construction exercises de facto control are consolidated using this same method. This relates in particular to CFE, of which VINCI Construction owns 46.84%.

Companies over which VINCI Construction 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.

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

Joint venture partnerships created for specific construction projects and that manage revenue of over €45 million (on a 100% basis) are consolidated proportionately.

The other joint venture partnerships are consolidated by recording the Group's share of revenue and expenses in the income statement, but the full current accounts of joint venturers in the balance sheet.

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

	31 December 2006			31 December 2005		
	Total	France	Foreign	Total	France	Foreign
Full consolidation	**481**	264	217	**439**	244	195
Proportionate consolidation	**185**	45	140	**173**	40	133
Equity method	**31**	3	28	**22**	3	19
	697	**312**	**385**	**634**	**287**	**347**

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 using the closing rate method. 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.

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 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 positive difference between the cost of acquisition, as defined above, and VINCI Construction'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.
In the case of an increase in the percentage holding of a previously controlled entity, the subsidiary's net assets are remeasured at their fair value at the date of the supplementary acquisition, for the supplementary holding acquired.

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 stage of completion method to recognise revenue and profit or loss on construction contracts, applying the general revenue recognition rules on the basis of the percentage of completion.
The percentage of completion and the revenue to recognise are determined on the basis of a large number of estimates based on monitoring of 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 have material effects on 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 and could entail a change in the impairment losses to recognise.
The main assumptions used by the Group are described in Note 3.11 Goodwill.

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

The Group recognises a share-based payment expense relating to the granting to its employees of share options (offers to subscribe to shares), of shares for no consideration and of shares under the

Group Savings Scheme. 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 the share, etc.) adopted by the Group are described for each plan in Note 3.5 Share-based payments.

3.1.4 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 11 Retirement and other employee benefit obligations.
The Group considers that the actuarial assumptions used are appropriate and justified. Obligations may, however, change to take account of future changes in assumptions.

3.1.5 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.

3.1.6 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.

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; and
- 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 other than those generated by concession operators.

3.4 Construction contracts

The Group recognises construction contract income and expenses using the stage of completion method defined by IAS 11.
For the Group, 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 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 Share-based payments

The measurement and recognition methods for share subscription and purchase plans and the Group Savings Schemes are defined by IFRS 2 Share-based Payment. The granting of share options, free shares and offers to subscribe to the group savings plan represent a benefit granted to their beneficiaries and therefore constitute supplementary remuneration borne by VINCI. 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.

3.5.1 Share subscription or purchase option plans

Options to subscribe to or purchase shares are granted to Group employees and officers. The fair value of the options granted is determined at the grant date using a binomial valuation model, of the "Monte Carlo" type. The number of options is adjusted for the probability that the vesting conditions for the exercise of the option will not be satisfied.

3.5.2 Free share allocation plans

On 12 December 2006, the VINCI Board of Directors, in accordance with the authorisations granted by the Ordinary and Extraordinary Shareholders Meeting of 16 May 2006, granted existing shares for no consideration with effect from 2 January 2007, to certain employees and certain company officers.

3.5.3 Group Savings Scheme

Under the Group Savings Scheme, the Group issues new shares in France three times a year reserved for its employees 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 the employees; its fair value is determined using a binomial valuation model, of the "Monte Carlo" type, at the date on which the Board of Directors sets the subscription price. As certain restrictions apply to the shares acquired by the employees under these plans regarding their sale or transfer, 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.

The Group recognises the benefits granted in this way to its employees as an expense at the time of granting, with a corresponding entry increasing consolidated equity.
The plans, implemented as decided by the holding company's Board of Directors and approved by the Shareholders General Meeting, are not systematically renewed. As their measurement is not directly linked to divisions' business operations, VINCI has considered it appropriate not to include this expense in the operating profit 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 operating profit.

3.6 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 interest rate derivatives related to debt, except those that are recognised in equity;
- the line financial income from cash management 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.

3.7 Other financial income and expenses

Other financial income and expenses mainly comprises foreign exchange gains and losses, the effects of discounting to present value, dividends received from unconsolidated entities, capitalised borrowing costs and changes in the value of derivatives not allocated to interest rate risk management.

3.8 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. 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.
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 equity-accounted entities and joint ventures 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.

3.9 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.

3.10 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.

3.11 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 is recognised directly in the income statement in the year of acquisition.

3.12 Concession intangible assets

The costs of concession contracts are shown on a specific line in the balance sheet as concession intangible assets. They are amortised on a straight-line basis over the period of the contract, starting at the date of entry into service of the assets.
Renewable assets are depreciated on a straight-line basis over their useful life. Supplementary depreciation charges are made in respect of renewable assets that are returned for no consideration to the concession grantor, in order to bring their residual value to zero at the end of the contract.

3.13 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.

3.14 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 how-

ever 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 5 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.

3.15 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.

3.16 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 recognised, in the same way as items of property, plant and equipment.

3.17 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.

3.18 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 equity-accounted 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 of a loss of value, the recoverable value of equity-accounted investments in associates is tested as described in the note above on impairment of non-financial non-current assets.

3.19 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 (assets).

3.19.1 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 a decrease in the fair value of an available-for-sale financial asset has been recognised directly in equity and when there is an objective indication that it is impaired, the cumulative loss is recognised in profit or loss and may not be reversed.

3.19.2 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 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 favourable change can objectively be linked to an event arising after recognition of the impairment loss.

3.20 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.

3.21 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.

3.22 Other current financial assets

Other current financial assets comprises the fair value of derivative financial instruments (assets) and the part at less than one year of loans and receivables reported under other non-current financial assets.

3.23 Cash management financial assets

Cash management financial assets comprises 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.
They are measured and recognised at their fair value. Changes in fair value are recognised through profit or loss, as the fair value option has been adopted by the Group in accordance with the provisions of IAS 39.
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 cash-in-value of UCITS.

3.24 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.

3.25 Retirement and other employee benefit obligations

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 profit or loss. 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 other 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 (CNPO), 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.

3.26 Provisions

Provisions are liabilities of which the timing or amount cannot be accurately assessed. They are measured at the present value of 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.

Provisions for restructuring costs are recognised whenever the Group has a detailed formal plan of which the interested parties have been informed.

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.

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 late delivery penalties, 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.

3.27 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.

3.28 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 profit or loss. 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 future 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 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.

The market value of interest rate and foreign exchange transactions is estimated on the basis of valuations provided by bank counterparties or financial models commonly used in financial markets, using market data at the balance sheet date.

3.29 Off-balance sheet commitments

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

NOTES ON THE BALANCE SHEET AND INCOME STATEMENT

in € thousands

1. Intangible assets

	31/12/2005	Increase	Decrease	Translation differences and changes in consolidation scope	31/12/2006
Gross	52,325	7,672	(2,478)	5,492	63,011
Amortisation and provisions	(41,395)	(6,517)	1,220	(197)	(46,889)
Total net	**10,930**	**1,155**	**(1,258)**	**5,295**	**16,122**

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 period is not material.

2. Goodwill

in € thousands

	Gross	Amortisation	Net
Goodwill at start of period	354,567	(186,085)	168,482
Goodwill recognised during the period	9,446		9,446
Amortisation and provisions		(4,012)	(4,012)
Translation differences and others	12,850	(2,875)	9,975
Total	**376,863**	**(192,972)**	**183,891**
The main items of goodwill at net value at the balance sheet date were as follows:			
Sogea Holdings UK			76,055
VINCI PLC			22,462
Energilec			8,920

3. Concession intangible assets

in € thousands

	31/12/2005	Increase	Decrease	Translation differences and changes in consolidation scope	31/12/2006
Gross	16,524	4,635		(5,854)	15,305
Amortisation and provisions	(4,902)	(861)		(396)	(6,159)
Total net	**11,622**	**3,774**	**–**	**(6,250)**	**9,146**

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

4. Property, plant and equipment

in € thousands

4.1 Change in the period

	31/12/2005	Increase	Decrease	Translation differences and changes in consolidation scope	31/12/2006
Gross	2,031,967	425,566	(148,549)	(24,287)	2,284,697
Depreciation and provisions	(1,217,851)	(226,022)	115,980	11,771	(1,316,122)
Total net	**814,116**	**199,544**	**(32,569)**	**(12,516)**	**968,575**

4.2 Breakdown by nature

	Gross	Depreciation	Net
Land	39,729	(4,178)	35,551
Buildings	155,151	(71,613)	83,538
Plant and equipment	1,888,695	(1,131,854)	756,841
Office furniture, computer equipment, fixtures and fittings	152,563	(108,477)	44,086
Non-current assets in progress	48,559		48,559
Total net	**2,284,697**	**(1,316,122)**	**968,575**

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

	31/12/2006
Land	2,945
Buildings	16,623
Plant and equipment	328,662
Office furniture, computer equipment, fixtures and fittings	24,394
Non-current assets in progress	52,942
Total investments	**425,566**

4.4 Leased assets

Leased assets amounted to €53.7m at 31 December 2006 and mainly relate to assets used in operations.

5. Investment property

in € thousands

	31/12/2005	Increase	Decrease	Translation differences and changes in consolidation scope	31/12/2006
Gross	33,993	–	(1,625)	6,326	38,694
Depreciation and provisions	(8,459)	(923)		(3,556)	(12,938)
Total net	**25,534**	**(923)**	**(1,625)**	**2,770**	**25,756**

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.

6. Investments in associates

in € thousands

	31/12/2005	31/12/2006
Value of shares at start of period	**13,976**	**22,354**
Share capital increases of equity-accounted associates	3,646	636
Share of profit or loss for the period	2,131	2,746
Dividends paid	(464)	(1,595)
Changes in consolidation scope, foreign currency translation differences and other	3,065	(10,105)
Total net	**22,354**	**14,036**

7. Other non-current financial assets

in € thousands

	Gross	Amortisation	Net
Investments in subsidiaries and associates	69,109	(18,997)	50,112
Other available-for-sale financial assets	8,953	(3,111)	5,842
Other non-current financial assets	36,750	(6,765)	29,985
Fair value of derivative financial instruments (assets)	1,411		1,411
Discounting of non-current financial assets	(4,868)		(4,868)
Total net	**111,355**	**(28,873)**	**82,482**

8. Inventories and work in progress

in € thousands

	31/12/2005	31/12/2006
Inventories	188,827	218,276
Work in progress	28,213	17,392
Total net	**217,040**	**235,668**

9. Cash management financial assets, cash and cash equivalents

in € thousands

Cash management financial assets break down as follows:

	31/12/2005	31/12/2006
Cash management financial assets	**1,510,057**	**1,311,417**
UCITS	177,832	345,541
Cash	728,630	585,852
Cash and cash equivalents	**906,462**	**931,393**

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

10. Working capital requirement (surplus)

in € thousands

	31/12/2005	31/12/2006
Inventories and work in progress (net)	217,040	235,668
Trade and other operating receivables	4,195,545	4,969,450
Other current assets	165,364	166,319
Current tax assets	18,106	20,904
Inventories and operating receivables (I)	**4,596,055**	**5,392,341**
Trade payables	2,671,309	3,101,079
Other current payables	2,792,383	3,060,324
Current tax payables	86,697	83,806
Operating payables (II)	**5,550,389**	**6,245,209**
Working capital requirement connected with operations (I-II)	**(954,334)**	**(852,868)**
Current provisions	722,830	799,456

11. Retirement and other employee benefit obligations

in € thousands

Retirement benefit obligations

Retirement benefit commitments covered by provisions mainly relate to France and are calculated on the basis of 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%	2% - 4.2%
Rate of pension increases	2.5%	1.5% - 2.5%
Amortisation period of initial actuarial liability	10 to 15 years	10 to 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.

Total obligations covered by provisions		**109,075**
Of which due within one year	12,172	
Other employee benefits		
Total obligations covered by provisions		**12,759**
Of which due within one year	1,814	

12. Provisions

in € thousands

	31/12/2005	Dotations	Reprises	Reprises non utilisées	Autres variations	**31/12/2006**
Warranties given to customers	264,470	79,989	(49,754)	(28,121)	2,821	269,405
Losses on completion	101,010	95,305	(58,923)	(2,138)	(2,990)	132,264
Litigation	164,567	36,453	(25,378)	(15,866)	2,610	162,386
Restructuring	10,657	3,143	(4,155)	(180)	226	9,691
Other current liabilities	104,256	87,162	(26,514)	(9,720)	5,546	160,730
Discounting of current provisions	(3,936)	(745)	1,262			(3,419)
Reclassification of the part at less than one year of non-current provisions	81,806				(13,407)	68,399
Current provisions	**722,830**	**301,307**	**(163,462)**	**(56,025)**	**(5,194)**	**799,456**
Liabilities in respect of subsidiaries	17,001	1,490	(9,582)	(495)	218	8,632
Other non-current liabilities	105,902	30,219	(22,123)	(14,527)	(3,552)	95,919
Discounting of non-current provisions	(2,144)	(169)	117			(2,196)
Reclassification of the part at less than one year of non-current provisions	(81,806)				13,407	(68,399)
Non-current provisions	**38,953**	**31,540**	**(31,588)**	**(15,022)**	**10,073**	**33,956**
TOTAL	**761,783**	**332,847**	**(195,050)**	**(71,047)**	**4,879**	**833,412**

The types of provisions are defined in Note 3.26 Measurement rules and methods.

13. Net financial surplus and financing resources

in € thousands

At the year end the Group had a net cash surplus of €1,389,660,000 which breaks down as follows:

	31/12/2005	**31/12/2006**
Participating loans and bonds	**(2,436)**	**(147)**
Other loans and borrowings	(201,002)	(180,618)
Fair value of derivative financial instruments (non-current liabilities)	(3,529)	(512)
Financial debt	**(204,531)**	**(181,130)**
Non-current financial debt	**(206,967)**	**(181,277)**
Part at less than one year of long-term borrowing	(134,580)	(164,007)
Cash management current accounts, liabilities	(19,915)	(19,595)
Other current financial liabilities	(97,927)	(137,565)
Fair value of derivative financial instruments (current liabilities)		(640)
Bank overdrafts	(470,706)	(354,971)
Current financial debt	**(723,128)**	**(676,778)**
GROSS DEBT	**(930,095)**	**(858,055)**
Fair value of derivative financial instruments (assets)	2,234	1,534
Loans and collateralised receivables and other financial assets	4,688	3,371
Cash management financial assets	1,687,889	1,311,417
Cash and cash equivalents	906,462	931,393
NET FINANCIAL SURPLUS	**1,671,178**	**1,389,660**

The other loans and borrowings are not subject to any specific covenant, except for CFE's syndicated loan which is subject to covenants that take account, amongst other items, of equity and the debt-to-equity ratio, and of the cash flow generated.

14. Revenue
in € millions

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

	31/12/2006	31/12/2005
Revenue for the period	10,174	8,958
• Revenue of companies consolidated for the first time	(152)	
• Revenue of companies no longer consolidated		(8)
• Impact of foreign exchange rate fluctuations		2
Revenue at constant consolidation scope and exchange rates	**10,022**	**8,952**

At constant consolidation scope and foreign exchange rates, revenue increased 11% over the previous year.

REVENUE BY DIVISION	31/12/2006	31/12/2005
• Sogea Construction	2,986	2,744
• GTM Construction	2,180	1,976
• VINCI Construction Filiales Internationales	1,571	1,336
• VINCI PLC	928	937
• Compagnie d'Entreprises CFE	1,212	976
• VINCI Construction Grands Projets	778	604
• Freyssinet	618	508
• Intragroup eliminations	(99)	(123)
Total	**10,174**	**8,958**

REVENUE BY GEOGRAPHICAL AREA (by destination)		
• France (including overseas territories - (DOM-TOM))	6,030	5,381
• Europe excluding France	2,816	2,569
• Africa	593	539
• Asia	166	119
• North and South America	304	167
• Middle East	185	117
• Oceania	80	66
Total	**10,174**	**8,958**

REVENUE BY ACTIVITY		
• Building	4,573	4,207
• Civil engineering and earth-moving	3,629	3,079
• Hydraulic engineering	802	709
• Public works and environmental	184	136
• Facility Management and other services	220	194
• Roads	504	451
• Provision of services and other	262	182
Total	**10,174**	**8,958**

15. Operating profit from ordinary activities

in € thousands

	31/12/2006	31/12/2005
Revenue	10,174,392	8,958,351
Revenue from ancillary activities	94,887	85,730
Operating revenue	**10,269,279**	**9,044,081**
Purchases (raw materials, supplies, goods)	(2,354,676)	(2,075,071)
Sub-contracting and other external expenses	(5,028,350)	(4,410,105)
Wages, salaries and social benefit charges	(2,027,284)	(1,812,880)
Taxes and levies	(116,429)	(102,604)
Other operating income and expenses	31,707	21,975
Operating depreciation and amortisation expense	(231,496)	(205,129)
Net operating provision charges		
• Impairment losses on tangible and intangible fixed assets	(366)	(611)
• Impairment of assets	46,115	4,504
• Retirement and other benefit obligations	(2,285)	(6,751)
• Current and non-current provisions	(75,165)	(1,397)
Operating profit from ordinary activities	**511,050**	**456,012**

Revenue from ancillary activities amounted to €94.9 million before tax at 31 December 2006 and mainly consisted of sales of equipment, materials and goods for €63.8 million, studies, engineering and fees invoiced in connection with construction contracts, for €11.3 million and rental income for €17.8 million.

16. Share-based payments

The expense relating to benefits granted to employees has been assessed at €28.7 million before tax in respect of 2006, of which €12.1 million was in respect of share options and €16.6 million in respect of the Group Savings Schemes.

17. Other financial income and expenses

in € thousands

	31/12/2006	31/12/2005
Dividends received	1,968	4,557
Foreign exchange gains and losses	(1,083)	(4,689)
Effect of discounting to present value	(3,138)	(3,976)
Other financial income and expenses	15,616	24,816
Other financial income and expenses, net	**13,363**	**20,708**

18. Income tax expense

18.1 Breakdown of net tax expense

in € thousands

	31/12/2006	31/12/2005
Current tax	(143,045)	(139,924)
Deferred tax	(3,752)	(11,318)
Total	**(146,797)**	**(151,242)**

18.2 Effective tax rate
in € thousands

Profit before tax and profit or loss of associates	**522,759**
Theoretical tax rate	34.43%
Expected tax charge	**(179,986)**
Goodwill impairment expense	1,565
Effect of income being taxed at reduced rate	3,086
Tax rate differential between current and previous year	190
Tax rate differences (foreign countries)	20,238
Creation (use) of carryforward losses not giving rise to deferred tax	27
Fixed-sum and other additional taxes	654
Permanent differences and miscellaneous	7,429
Tax charge recognised	**(146,797)**
Effective tax rate	28.08%

18.3 Analysis of deferred tax assets and liabilities
Deferred tax assets and liabilities arise from temporary differences and were as follows at the year end:

	Assets	Liabilities	Net
	126,265	26,201	100,064

18.4 - Unrecognised deferred tax assets
Deferred tax assets unrecognised because their recovery is uncertain amounted to €62.4 million at 31 December 2006.

19. Financial information relating to construction contracts
in € millions

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. They are usually retained during the contract regardless of the amount of the work completed or in progress.
The various items relating to construction contracts in progress at the balance sheet date are:

	31/12/2006	**31/12/2005**
Construction contracts in progress - assets	657	514
Construction contracts in progress - liabilities	(521)	(414)
Construction contracts in progress	**136**	**100**
Costs incurred plus profits recognised and less losses recognised to date	16,759	14,614
Less invoices issued	(16,623)	(14,514)
Construction contracts in progress before advances received from customers	**136**	**100**
Advances received from customers	(420)	(407)
Construction contracts in progress, net	**(284)**	**(307)**

20. Transactions with related parties

Transactions with related parties are:
- remuneration and similar benefits paid to members of the governing and management bodies;
- transactions with entities in which VINCI Construction 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.

20.1 Remuneration of members of the Executive Committee

VINCI Construction's share of remuneration paid to members of the Executive Committee in 2006 amounted to €2,870,074.

20.2 Transactions between VINCI Construction and proportionately consolidated companies (unconsolidated part):

in € millions

	31/12/2006	31/12/2005
Revenue	1,785.9	1,468.3
Purchases	333.5	279.0
Subcontracting	1,176.4	984.0
Trade receivables	1,030.0	928.0
Trade payables	474.4	388.7

20.3 Contribution to the consolidated balance sheet by proportionately consolidated companies

	31/12/2006	31/12/2005
Current assets	1,012.4	934.1
Non-current assets	461.6	364.0
Current liabilities	1,201.2	1,002.5
Non-current liabilities	361.5	308.2
Operating revenue	1,458.3	1,211.5
Operating expenses	(1,364.3)	(1,051.6)
Cost of net financial debt	(8.0)	(7.7)
Other financial income and expenses	-	(1.9)
Income tax	(12.7)	(7.9)

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

21. Contractual obligations and other commitments made and received

in € thousands

Contractual obligations and other commitments made and received break down as follows:

	Commitments given	Commitments received
Performance guarantees and performance bonds	1,314,830	265,609
Retention payments	970,282	239,442
Deferred payments to subcontractors	740,828	154,497
Joint and several guarantees of partnerships	16,133	
Bank overdrafts	23,537	
Bid bonds	39,072	1,826
Tax and customs bonds	5,284	
Operating leases	183,598	
Other commitments	335,785	124,392
Total	**3,629,349**	**785,766**

22. Employment costs and numbers employed

Numbers employed at the balance sheet date were:

	31/12/2006	31/12/2005
Engineers and managers	7,817	6,961
Monthly and hourly paid staff	45,076	38,430
TOTAL	**52,893**	**45,391**

Employment costs for all companies in the Group together amounted to 2,027,284 thousand euros.

Individual entitlement to training

The Act of 4 May 2004 gives employees of French businesses the right 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 702,700 hours of such training at 31 December 2006.

23. Disputes and arbitration

To the Company's knowledge, there is no exceptional event or litigation likely to affect substantially the business, financial performance, net assets or financial situation of the Group or the Company. In respect of the cases described below, provisions have been taken, where necessary, that the Company considers sufficient given the current state of affairs.

On 23 May 2004, part of the shell structure over the passageway of Roissy airport's 2E terminal collapsed. The structure had been built for Aéroports de Paris, which in this project acted as principal, architect and main contractor. The construction work on terminal 2E was carried out under multiple separate contracts by numerous different companies. The passageway shells (superstructures) were constructed by a group of companies comprising several VINCI Construction subsidiaries.

The incident is currently subject to a criminal investigation and court-ordered expert appraisal to establish the reasons for the collapse. The financial implications of the incident, in terms of, on the one hand, reconstruction costs and, on the other hand, damage caused, and the terms under which financial liability will be allocated to the various parties involved, have yet to be determined. The Company considers that this dispute will not have a material adverse effect on its financial situation.

In 1997, SNCF lodged multiple claims with the Paris Administrative Court against a large number of construction and civil engineering enterprises, of which several belong to the VINCI Construction Group, with a view to obtaining financial compensation for the damage it claims to have suffered between 1987 and 1990 during the award of tenders for the construction of the TGV Nord and Rhône-Alpes lines (and their interconnection). This claim was the consequence of the finding by the competition authority against the enterprises concerned in 1995, which the Paris Appeal Court upheld overall (making a second ruling after its 1997 decision was overturned).
The Paris Administrative Court ruled on 15 December 1998 that the findings of the competition authority regarding the anti-competitive practices entitled SNCF to claim that its consent was impaired with respect to the contracts that are the subject of two of the petitions and the Court ordered an appraisal to establish the impact of such practices. On 22 April 2004, the Paris Appeal

Court delivered judgements confirming this ruling. Following this ruling, the Paris Administrative Court decided to resume consideration of all other proceedings on which it had not yet pronounced judgement. On 15 February 2005, the expert appointed by the Paris Administrative Court submitted two reports in which it was concluded that SNCF had incurred extra costs significantly lower than the claims made by SNCF. In June and July 2005, the Paris Administrative Court delivered several rulings ordering further examination of some of the other proceedings. The total amount sought from the consortiums in which VINCI Construction companies have holdings amounts to €97 million. VINCI Construction considers that SNCF did not suffer financial prejudice on the award of these tenders to its subsidiaries given that each contract was subject to detailed negotiation by SNCF, which is a highly experienced and qualified project owner. VINCI Construction considers that these disputes will not have a material adverse effect on its financial situation.

Lastly, several VINCI Construction Group companies are being investigated under competition law, and certain employees of VINCI Construction Group companies are subject, on a personal basis, to judicial enquiry procedures that aim to determine whether they have participated in practices restricting competition or made inappropriate use of corporate assets for the direct or indirect benefit of political figures or parties. In this connection, the French competition authority issued ruling No. 06-D-07 on 21 March 2006 imposing financial penalties on a large number of companies, including several VINCI Construction subsidiaries, in respect of practices used for the signing of various public sector contracts in the Ile-de-France region between 1989 and 1996. An appeal has been lodged with the Paris Appeal Court. VINCI Construction does not expect these procedures to have a material negative impact on its financial situation in the event of an unfavourable outcome.

24. Post balance sheet events

Acquisitions in progress

In January 2007, VINCI Construction agreed to acquire 81% of Solétanche Bachy, which should generate revenue of more than €1 billion and employs approximately 4,000 people.
Solétanche Bachy is one of the world leaders in special foundations and soil improvement. It provides its public and private sector customers with globally recognised technical expertise and innovative solutions.
The acquisition will become effective after the relevant administrative authorisations have been obtained.

25. Establishments and main companies consolidated at 31 December 2006

	Consolidation method	% holding
1/ Parent		
VINCI CONSTRUCTION	**FC**	**100.0**
2/ Subsidiaries		
SOGEA CONSTRUCTION	**FC**	**100.0**
BATEG	FC	100.0
CAMPENON BERNARD CONSTRUCTION	FC	100.0
CAMPENON BERNARD MEDITERRANEE	FC	100.0
CAMPENON BERNARD REGIONS	FC	100.0
DESCHIRON	FC	100.0
DODIN	FC	100.0
E.M.C.C.	FC	100.0
ENERGILEC	FC	100.0
SICRA Ile de France	FC	100.0
SOGEA ATLANTIQUE	FC	100.0
SOGEA CARONI	FC	100.0
SOGEA NORD OUEST	FC	100.0
VINCI ENVIRONNEMENT	FC	100.0

Establishments and main companies consolidated at 31 December 2006 (continued)

	Consolidation method	% holding
GTM CONSTRUCTION	**FC**	**100.0**
CHANTIERS MODERNES BTP	FC	100.0
DUMEZ EPS	FC	100.0
DUMEZ Ile de France	FC	100.0
DUMEZ MÉDITERRANÉE	FC	100.0
GTM BÂTIMENT	FC	100.0
GTM GÉNIE CIVIL ET SERVICES	FC	100.0
GTM TERRASSEMENT	FC	100.0
LAINÉ-DELAU	FC	100.0
LES TRAVAUX DU MIDI	FC	100.0
PETIT	FC	100.0
SCAO	PC	33.3
SOGEA HOLDINGS LTD (UK)	**FC**	**100.0**
CRISPIN & BORST	FC	100.0
NORWEST HOLST LIMITED	FC	100.0
ROSSER AND RUSSELL	FC	100.0
VINCI INVESTMENT	FC	100.0
VINCI PLC	FC	100.0
VINCI CONSTRUCTION FILIALES INTERNATIONALES	**FC**	**100.0**
DUMEZ-GTM CALÉDONIE	FC	100.0
FIRST CZECH CONSTRUCTION COMPANY - FCC (Czech Republic)	FC	100.0
GTM GUADELOUPE	FC	100.0
HIDEPITO (Hungary)	FC	97.4
INTER MOST (Serbia)	FC	100.0
NOFRAYANE (French Guiana)	FC	100.0
SBTPC (Réunion)	FC	100.0
SMP CZ (Czech Republic)	FC	100.0
SOBEA GABON	FC	90.0
SOGEA MARTINIQUE	FC	100.0
SOGEA MAYOTTE	FC	100.0
SOGEA RÉUNION	FC	100.0
SOGEA-SATOM	FC	100.0
WARBUD (Poland)	FC	99.7
COMPAGNIE D'ENTREPRISES CFE (Belgium)	**FC**	**46.8**
ABEB	FC	46.8
BAGECI	FC	46.8
BPC	FC	46.8
BPI	FC	46.8
CFE HUNGARY	FC	46.8
CFE NEDERLAND	FC	46.8
CFE POLSKA	FC	46.8

Establishments and main companies consolidated at 31 December 2006 (continued)

	Consolidation method	% holding
CFE SLOVAQUIA	FC	46.8
CLE	FC	46.8
CLI SA	FC	46.8
DEME (Dredging Environmental and Marine Engineering)	PC	23.4
ENGEMA	FC	46.8
GEKA	FC	46.8
MBG	FC	46.8
NIZET ENTREPRISES	FC	46.8
SOGESMAINT	FC	33.7
VAN WELLEN	FC	46.8
VANDERHOYDONCKX	FC	46.8
VINCI CONSTRUCTION GRANDS PROJETS	**FC**	**100.0**
ALGIERS METRO (Algeria)	FC	100.0
EIB (Luxembourg)	PC	50.0
GORO NICKEL HARBOUR (New Caledonia)	PC	28.0
HALLANDSAS TUNNEL (Sweden)	PC	40.0
KINCARDINE CROSSING BRIDGE (Scotland)	PC	50.0
MITHOLZ TUNNEL (Switzerland)	PC	25.0
S C GRUPO 3 (Chile)	FC	100.0
SOCALY	PC	72.0 (*)
SOCASO	PC	66.7
SOCATOP	PC	41.8
WADI DAYQAH DAM (Sultanate of Oman)		
(*) including Sogéa 24% and GTM 24%	PC	50.0
FREYSSINET	**FC**	**100.0**
FREYSSINET Spain	PC	50.0
FREYSSINET France	FC	100.0
FREYSSINET HONG KONG	FC	100.0
FREYSSINET INTERNATIONAL & CIE	FC	100.0
FREYSSINET KOREA (South Korea)	FC	90.0
IMMER PROPERTY (Australia)	FC	70.0
MÉNARD	FC	100.0
TERRE ARMÉE INTERNATIONAL	FC	100.0
THE REINFORCED EARTH CY (USA)	FC	100.0
VINCI CONSTRUCTION HOLDING		
DUMEZ CONSTRUCTION	FC	100.0

Report of the Statutory Auditors on the Consolidated Financial Statements Year ended 31 December 2006

In accordance with our appointment as Statutory Auditors by your Shareholders General Meeting, we have audited the accompanying consolidated financial statements of VINCI Construction for the year ended 31 December 2006.

Your Chairman is responsible for preparation of the financial statements. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion expressed below.

In our opinion, the consolidated financial statements 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 Code of Commerce relating to the justification of our assessments, we bring to your attention the following matters:

As shown in Note 3.4 of the section on the Group's accouting policies and measurement methods, entitled "Construction contracts", the Group recognises income from long-term contracts using the percentage-of-completion method on the basis of the best available estimates of the final outcome of contracts. We have assessed the reasonableness of the assumptions used and the resulting evaluations.

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 our opinion, which is expressed in the first part of this report.

3. Specific verification

We have also verified the information contained in the Board of Directors' report on the Group, in accordance with the professional standards applicable in France. 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,
9 April 2007
The Statutory Auditors

SALUSTRO REYDEL
Member of KPMG International
Bernard Cattenoz and Philippe Bourhis

DELOITTE & ASSOCIÉS
Thierry Benoit