

Report of the Chairman on internal control procedures, as required by the Financial Security Act

Article L. 225-37 of the French Code of Commerce (modified by Article 117 of the French Financial Security Act of 17 July 2003) requires the Chairman of the Board of Directors of VINCI to report on:

- how the Board of Directors' work is prepared and organised;
- principles and rules established by the Board of Directors to determine all types of compensation and benefits to company officers; and

- the internal control procedures put in place by the Group.

The Chairman's report on the work of the Board of Directors and the principles and rules established by it to determine all types of compensation and benefits to company officers are given in paragraph 2.7.3 of the Corporate Governance chapter, on pages 145 and 146.

The section below relates to the internal control procedures.

1. Principles governing conduct and behaviour

The businesses in which VINCI operates require the personnel involved to be geographically close to customers in order to provide them promptly with solutions suited to their needs. In order to enable each profit centre manager to take the required operational decisions rapidly, a decentralised organisation has been implemented in each of the four business line divisions (Concessions, Energy, Roads, and Construction) and in VINCI Immobilier.

This organisation entails delegation of authority and responsibility to operational and functional staff at all levels.

This delegation of authority to operational and functional management staff is carried out in compliance with the following principles of conduct and behaviour to which VINCI is strongly committed:

- rigorous compliance with the rules common to the whole Group, in particular in respect of delegation (see paragraph 3.3), acceptance of business (see paragraph 4.1) and financial, accounting and management information (see paragraph 4.2). These common rules, which are deliberately restricted in number given the range of the Group's activities, must be strictly applied by the staff concerned;
- transparency and loyalty of managers towards their line management superiors and towards functional departments and the holding company. In particular, all managers must inform their superiors of any difficulties encountered in the performance of

their duties (e.g. with respect to carrying out work on sites, relations with customers, government departments and suppliers, internal relationships, personnel management, safety, etc). Although an integral part of operational managers' duties is to take decisions alone, within the framework of the instructions received, on matters falling within their area of competence, any difficulties encountered must be handled with the assistance, if necessary, of their line management superiors or divisional or holding company functional departments;

- compliance with the laws and regulations in force in the countries where the Group operates, and in particular with the rules laid down in competition regulations and with the OECD's recommendations and guidelines in the area of public service ethics, first published in May 1998 and extended in 2003;
- responsibility of operational executive managers to communicate the Group's principles governing conduct and behaviour to their staff by appropriate means and to set an example. This responsibility cannot be delegated to functional managers;
- safety of persons (employees, external suppliers, subcontractors, etc.);
- a culture of financial performance.

Operational and functional managers at all levels, including the highest within the Group, regularly carry out field visits and specific assignments in order, in particular, to satisfy themselves that these principles are applied effectively.

2. The objectives of internal control

2.1 Definition

On 31 October 2006, the French Stock Market regulator, the AMF, published the findings of the working group formed under its aegis. This publication, entitled "The Internal Control System – Reference Framework", recommends the use of the standard published by the Committee of Sponsoring Organisations (COSO), which is the most commonly accepted internationally. The Group already applied this standard and continued to do so in 2006.

According to COSO, "internal control is a process, effected by an entity's Board of Directors, management and other personnel, designed to provide reasonable assurance regarding the achievement of objectives in the following categories:

- effectiveness and efficiency of operations;
- reliability of financial reporting;
- compliance with applicable laws and regulations."

2.2 Limits of internal control

One of the objectives of internal control is the prevention and control of risks arising from an enterprise's activities and the risks of error and fraud, in particular in the areas of accounting and finance.

However, like any control system, internal control, however well designed and implemented, cannot provide an absolute guarantee that these risks have been completely eliminated.

3. General organisation and the environment of internal control

3.1 The Board of Directors and the Audit Committee

VINCI's Board of Directors represents all the shareholders collectively and commits itself to act in all circumstances in the enterprise's corporate interest. It considers all major matters arising during the Group's business, in particular its major strategic choices.

The Board of Directors has delegated certain specific tasks to the Audit Committee regarding internal control and risk management, such as for example the monitoring of provisions, off-balance sheet commitments and the level of debt.

3.2 The Executive Committee

The Executive Committee has nine members:

- the Director and Chief Executive Officer;
- the two Senior Executive Vice-Presidents (who are also the Chairman of Eurovia and the Chief Executive Officer of VINCI Concessions);
- the two Executive Vice-Presidents (who are also the Group's Chief Financial Officer and the Vice-President, Corporate Communications, Human Resources and Synergies);

- the Chairman of VINCI Construction;
- the Chairman of VINCI Energies;
- the Vice-President, Business Development;
- the Chief Operating Officer of VINCI Concessions.

The Executive Committee is in charge of executing the Group's strategy and of defining and implementing its management policies, relating to finances, human resources, safety, insurance, etc.

3.3 Guidelines

The Chairmen of the companies heading divisions (VINCI Energies, Eurovia and VINCI Construction), the Chief Executive Officer and the Chief Operating Officer of VINCI Concessions, and the Chairman of VINCI Immobilier exercise the powers given to them by law. Under the Group's internal organisation, they are also required to comply with the guidelines issued by VINCI's Director and Chief Executive Officer. These guidelines apply to the following areas:

- acceptance of new business, replies to tenders, offers of services and for projects, studies, provision of services, concessions (including public-private partnerships) and project organisation;
- property development;
- property investments and divestments;
- financial investments and divestments;

- employment matters;
- financial and banking relations, tax, insurance;
- guarantees, collateral and security;
- external and internal communication;
- management and monitoring of major risks.

In particular these guidelines require compliance with the holding company's procedures regarding the acceptance of new business or the making of investments. These procedures define the thresholds above which specific authorisation has to be obtained or prior information submitted to the Chairman and Chief Executive Officer or certain VINCI functional departments or both.

3.4 Internal audit

The internal audit department's role is to draw up and distribute the general procedures laid down by the holding company and to supervise the situation in each division as regards procedures, ensuring in particular that they are adapted to the Group's situation and organisation, while complying with the requirements of the Financial Security Act. It also organises the meetings of the VINCI Risk Committee charged with examining and authorising the acceptance of new business that exceeds certain thresholds (see paragraph 4.1). In this

connection, it records and follows up the Risk Committee's decisions. Lastly, it undertakes specific assignments requested either by the Group's General or Financial Management or the various divisions' General Management.

The internal audit department works mainly with divisions' internal audit staff, with whom it undertakes joint assignments, personnel seconded for this purpose by the operational department concerned and personnel from certain of the holding company's functional departments.

3.5 The role of the holding company in relation to divisions

The holding company has staff restricted to some 140 people, suited to the Group's strongly decentralised structure. In particular, the holding company's functional departments have to ensure that the Group's rules and procedures and General Management's

decisions are applied. Furthermore, and depending on needs expressed, these departments advise divisions on technical matters but do not interfere in the taking of operational decisions, which are a divisional responsibility.

4. The main internal control procedures

The main procedures described below are common to all companies in the Group. There are specific procedures within each division, in particular for the monitoring of projects and forecasting of results, especially for contracts spanning several years.

4.1 VINCI Risk Committee procedures

Strict procedures are applied before orders are accepted.

The VINCI Risk Committee has to assess:

- acquisitions and disposals of activities;
- the terms and conditions of submitting offers for work worth more than the thresholds set, and in particular the associated technical, legal and financial commitments; these thresholds relate to the entire operation, taking all lots together, whatever the share obtained by Group entities in the operation, and however the enterprise is contacted (directly, through an invitation to tender, etc.);
- all transactions relating to property development, concession operation, public-private partnership (PPP) or long-term commitments, including all associated financing, whether in France or abroad.

For construction work contracts, other thresholds, lower than those necessitating consideration by the Risk Committee, trigger submission of prior information to VINCI General Management on an alert form. The Chief Audit Officer may, if he considers that the alert form renders it necessary, propose that a specific Risk Committee meeting be held. Lastly, under the system of delegation and sub-delegation in place, other thresholds trigger a requirement for a formal agreement from the division's General Management, under the procedure specific to and defined by each division.

The Risk Committee's objective is to examine business that, particularly because of its size, financing, location or specific nature, bears a special risk, whether technical, legal, financial or other.

Submission to the Risk Committee constitutes formalisation of the commitment made by the manager of the subsidiary in question to his or her superiors as to the expected level of profit on the project presented.

The Risk Committee is usually composed of the Director and Chief Executive Officer, the Chief Financial Officer, the Chief Audit Officer, the Chairman of the division concerned and representatives from the operational staff (the general manager, project manager, design office, etc.) and functional departments (legal, insurance, finance, etc.) of the company presenting the project. Moreover, the composition of the Risk Committee may be altered depending on the purpose of its meeting (e.g. examination of property transactions, acquisitions of companies, concessions contracts and public-private partnerships).

The holding company's Risk Committee, in its various configurations, met 175 times in 2006.

4.2 Internal control with respect to financial and accounting information

The Budgets and Consolidation Department, part of the Finance Department, is responsible for the production and analysis of the financial information distributed inside and outside the Group, which it must ensure is reliable. In particular the Department is in charge of:

- preparing, agreeing and analysing VINCI's half-year and annual parent company and consolidated financial statements and forecasts (consolidation of budgets, budget updates and three-year forecasts);
- the definition and monitoring of the Group's accounting procedures and the application of the IFRSs;
- co-ordination of the "Vision" Group financial information system, which incorporates the consolidation process and which is used to unify the various VINCI reporting systems (accounting and financial information, human resources information, commercial data, borrowing).

The budget procedure is common to all divisions and their subsidiaries. It is built around five key dates in the year: the budget for the next year in November followed by four updates in March, May, September and November. For each of these stages, management committees meet to examine each division's position and financial data, in the presence of the Group's Chief Executive Officer and its Chief Financial Officer.

A monthly report on business, new orders taken, the Group's order book and consolidated net borrowing position is prepared by the Finance Department on the basis of detailed information provided by the divisions, and is distributed to the General Management.

The Management of each division prepares a specific report on the month's key events.

The Budgets and Consolidation Department lays down a timetable and closure instructions for the preparation of the half-yearly and annual accounts. These instructions, sent to the division's Finance Departments, are presented in detail to the staff in charge of consolidation in the entities in question.

The Group's accounting rules and methods, including the definition of reporting documents and consolidation packages, are set out in widely distributed procedural notes. Specific monitoring is carried out for some areas, e.g. provisions, deferred tax, and off-balance sheet commitments.

At each accounts closure, divisions send the Budgets and Consolidation Department a dossier with an analysis with commentary of the consolidated data submitted.

The Group Finance Department presents the accounting treatment it intends using for any complex transactions to the Statutory Auditors in order to receive their prior opinion.

The Statutory Auditors present their observations on the half-year and annual accounts to the Audit Committee before they are presented to the Board of Directors. These observations are first presented to the Management of the divisions in question and of the VINCI holding company.

Before signing their reports, the Statutory Auditors request letters of representation from Group Management and divisional management. In these representations, Group Management and divisional management confirm that they consider that the effects of any still unresolved anomalies noted by the Statutory Auditors do not have a material impact, either individually or in aggregate, on the financial statements taken as a whole.

Divisions have their own management accounting systems tailored to their business. Specific budgetary control tools have been installed in the Construction, Roads and Energy divisions and each of the concession activities (motorways, car parks and airports) and allow regular monitoring of the progress of sites and contracts.

5. Actions undertaken to strengthen internal control

5.1 Reminder of work carried out before 2006

In 2003, VINCI initiated an action plan intended to enhance the quality of the internal control system, without bringing into question the principles and features of its management organisation, which combines an entrepreneurial culture, the autonomy of operational managers, transparency and loyalty, and network-based operations.

The project comprised several stages, of which the first, completed in 2003, was to identify the main risks and the associated controls for the main Group entities and processes.

The second stage related to determining and describing the current organisation of internal control, the aim being to describe the internal control arrangements existing in the various divisions. Self-assessment questionnaires on the internal control environment, approved by the Executive Committee, were sent in 2003 and 2004 to managers of a sample of entities, selected from the largest and most representative entities. Their replies were analysed and a list was drawn up of the main procedures in existence.

The third step, in 2003 and 2004, involved listing the risks and associated controls. The objective here was to use the self-assessment questionnaires and the interviews conducted with VINCI's General Management, the managers of the main divisions and VINCI's functional departments to list the main risks and corresponding controls existing within the Group and the divisions. This resulted in the identification of the processes that the various entities should assess from an internal control viewpoint. In this connection, acceptance of new business was

identified as the main area to be assessed as a priority. The main risks inherent in the Group's activities are analysed in the "Risk Management" section of this registration document.

2004 also saw the implementation of the decisions taken in 2003 on the improvement of the internal control environment:

- distribution of the Chief Executive's guidelines (see paragraph 3.3) to all the operational and functional managers of divisions in France and abroad;
- harmonisation and fine-tuning of the formalisation of certain procedures (through the creation of working groups and specific dedicated resources), including in particular cash management and accounting at holding company level and a complete revision of operational procedures in the Roads division; holding company procedures have also been made available on the Group's intranet;
- implementation in certain foreign subsidiaries of management methods and procedures complying with Group policy;
- creation of internal audit functions in those divisions where none existed (Concessions and Energies), and an increase of divisions' head-office management control staff;
- implementation of a charter in the largest operational entity of the Construction division (Sogea Construction), covering its ten internal operating rules (on risk taking, financial engineering, outside appointments or functions, acquisition or disposal of securities and reorganisation, property and other tangible assets, human resources, budgetary management, banking relations and financial commitments, administrative management, media, brands and logos);

The survey made in 2005 to assess the quality of internal control under the Financial Security Act covered 193 Group entities (including 38 foreign entities) which replied to 120 questions grouped into three self-assessment questionnaires (internal control of operations and monitoring business; control of financial information; the control environment

and risk assessment). The three questionnaires used in previous years were first simplified and clarified by the working group of experts from the Group's various divisions. They are analysed using various criteria: division, business line, geographical area, and revenue.

5.2 Work carried out in 2006

A project to assess the operation of information systems has been launched with 13 entities in continental France, forming a representative sample. These replied to a self-assessment questionnaire comprising four sections:

- the information systems environment (32 questions);
- acquisition, development and deployment of software and hardware (43 questions);
- operation (27 questions);
- information systems security (56 questions).

The 13 entities selected have their own computer systems, which are all very different from each other. Furthermore, most of the entities have centralised their computer equipment (servers and connections) and computer staff (the users being decentralised), while others, fewer in number, have a decentralised computing system. Although, overall, the results of this survey are satisfactory, areas for improvement have been identified for 2007, relating in particular to secure access, back-ups and the development of specific tools. This survey will be repeated regularly and non-French entities will be gradually included in the sample.

In 2006, the sample used in the survey to assess the quality of internal control under the Financial Security Act was larger than in 2005, with 208 Group entities, including 45 foreign entities, replying to the three questionnaires described above in paragraph 5.1.

Furthermore, in 2006, more detailed replies to the questions were requested, with five possible answers instead of three. Given the general improvement in internal control within the Group, this allowed the subjects requiring particular attention to be identified more precisely. Lastly, software improvements allowed each division and sub-division to use the information generated by this survey better, in order to carry out the necessary improvements.

Internal control in the **Construction division** is performed at the level of each of its component entities: Sogea Construction, GTM Construction, VINCI Construction Grands Projets, VINCI Construction Filiales Internationales, Freyssinet, VINCI PLC (UK) and CFE (Belgium). Each entity has set up its own organisation adapted to its business, the area where it operates, and the size of its sites. An internal control system that is well suited to one entity

is therefore usually not very applicable in another entity. VINCI Construction Grands Projets, which is certified ISO 9001 and 14001, has long since implemented rigorous procedures that are well known and well applied. French entities, such as Sogea Construction, have made great efforts to strengthen their internal control, in particular as regards the formalisation and distribution of operating rules. There is now an operational internal control manual and the position of internal auditor was created in 2006 to accompany its implementation. VINCI Construction Filiales Internationales is undertaking action to strengthen internal control in its Central and Eastern European subsidiaries (in Poland, Hungary, the Czech Republic, etc.).

The **Energy division** has finished drawing up a set of rules applicable to all its entities. This relates in particular to the internal control policy and organisation within the division. In 2006, the second part of a progress plan relating to the drafting of procedures covering 18 processes considered as "priority" by the division (such as acceptance of new business and debt collection), has been implemented with the assistance of the VINCI Energies internal audit department.

VINCI Concessions has appointed an internal auditor, charged with co-ordinating implementation of internal control, which remains the responsibility of the companies within the division. As well as the VINCI Concessions internal audit department, ASF-ESCOTA and VINCI Park also have their own audit organisation. The VINCI Concessions internal audit department also carries out specific reviews of some infrastructure concession entities, and these are updated regularly.

In 2006, 35 audits were conducted at VINCI Park in order to verify that its car park operating procedures were being complied with. Particular attention was paid by ASF-ESCOTA to the accounting treatment of property, plant and equipment, and to the management of user profiles and access rights for the payroll software. Lastly, Cofiroute has sought to verify the quality of its toll debt collection procedures and payroll management. The assignments carried out in the various companies in 2006 revealed no anomalies that would raise doubts as to the level of internal control in the entities audited.

In 2006, Eurovia met the objectives it had set itself, namely to:

- harmonise and fine-tune formalisation of certain procedures, in particular in the area of operations, by drawing up new standing instructions, and by reformulating and simplifying the standard procedures applicable in France;
- improve internal control by continuing the deployment of the division's management methods and procedures in certain foreign subsidiaries;
- progressively deploy the division's computer system in foreign subsidiaries;
- place the Eurovia Management System on line on the intranet, to ensure the widest distribution of the internal control standards.

Eurovia has continued deployment, at the planned pace, of the Kheops computerised management information system, which is used in France and abroad. Eurovia's management principles have now been implemented across the whole division.

This project has shown that:

- the division's organisational structure, with its shared service centres, provides a balanced share of power between operational and functional responsibilities that is favourable to the performance of internal control;

5.3 Work to be done in 2007 and beyond

VINCI's various divisions have an awareness of internal control and are organised to continue making progress in this area. The two priorities for the coming years remain:

- to strengthen control in foreign subsidiaries, in particular by deploying the management tools used in France;
- to assess internal control, in particular by sampling during specific internal audit assignments carried out by management controllers assigned solely to those duties.

In 2007, the improvement of internal control in the Concessions division will take the form of continuing audit assignments in all subsidiaries and the updating or the preparation of a mapping of the company's risk exposure.

The annual internal control survey based on self-assessment questionnaires will again be extended to a larger number of

- the management methods have been formalised (in the form of a management manual, written procedures, and instructions);
- an internal audit charter has been prepared and distributed within the division; the internal audit department carried out 29 assignments in 2006, resulting in recommendations that will be followed up; this year, the focus was on the formalisation of the contractual terms and conditions governing activities, on human resource procedures (hiring, temporary and foreign workers) and on the use of Kheops;
- the procedures for the acquisition of companies and control over tendering are correctly defined and followed;
- the involvement of the division's General Management in the execution of management control and internal audit functions strengthens their effectiveness.

VINCI Immobilier has launched a major project to overhaul its procedures, which are based on those of Elige and Sorif, which merged in 2005 to form VINCI Immobilier. The first part of this project was to identify existing procedures and analyse the internal control environment. Well under way in the second half of 2006, this work should be completed in the first quarter of 2007.

operational or functional entities abroad. The information collected will result in the preparation of annual action plans for each country and division. A new survey on computer systems will be prepared from the 2006 survey results, ready for use in 2008.

While striving to continue to improve the organisation of internal control within the Group, VINCI intends maintaining light command structures, at both holding company and divisional level. The Group's operating principles, based on the autonomy of operational entities, will be widely disseminated and compliance with them will be imperative, the objectives being to:

- ensure the correct application of the Group's rules and procedures;
- monitor changes in regulatory requirements;
- maintain effective management of the main risks;
- guarantee financial information of quality.