Why to invest in concession business?
CONCESSIONS: A specific skill
VINCI is the world leader for concession/construction

142 500 staff

84 000 in France

Present in more than 80 countries

A network of 2 500 companies

300 000 projects/works per year

Created with a tramway concession in 1890, Vinci has now more than 100 years of existence.
The 4 VINCI business lines

VINCI Concessions
Delegation of public service and concession. Design, construction, financing and operation of infrastructures

EUROVIA
European leader for roads construction, crushed stone supply and quarries

VINCI Energies
Leader in France and major company in Europe for energy and information technologies

VINCI Construction
N°1 for design and construction of civil works and buildings
The 4 business lines are of similar importance

Turn over 2006 = 26 000

*in millions euros*

<table>
<thead>
<tr>
<th>VINCI Concessions</th>
<th>VINCI Energies</th>
<th>Eurovia</th>
<th>VINCI Construction</th>
</tr>
</thead>
<tbody>
<tr>
<td>Roads and motorways</td>
<td>Industry</td>
<td>Road works</td>
<td>Buildings</td>
</tr>
<tr>
<td>Airports</td>
<td>Energy</td>
<td>Environment</td>
<td>Civil works</td>
</tr>
<tr>
<td>Car Parks</td>
<td>Telecommunications</td>
<td>Quarries</td>
<td>Specialized Civil works</td>
</tr>
<tr>
<td>Stade de France</td>
<td>Equipements</td>
<td>Crushed stones supply…</td>
<td>Hydraulics</td>
</tr>
<tr>
<td>Services</td>
<td></td>
<td>Services</td>
<td>Services</td>
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| Turn over 2006 | 4 292 | 3 654 | 7 234 | 10 617 |
4 business lines directed towards maintenance and concessions activities
The synergy comes from a full range of expertise and a permanent close cooperation between the various divisions.
Why concession is a efficient way to development?
Private partner is more efficient in:

- Design: maximum efficiency, no over-investment
- Whole life costs optimization
- Best commercial efficiency for selling the service
- Flexibility in staff management
- Optimum risk sharing matrix and profit sharing procedure

- Permanent co-operation with the grantor to adjust the goals to be reached and the administrative bodies to be set up for optimizing the procurement with a long term view

- Then market is developing and creates new opportunities and turn over
There are 7 contracts/laws and Vinci may appear 4 times.
Concessions / Construction: complementary activities

Construction

- Short cycles
- Small amount of equity
- Positive operating cash
- Knowledge in engineering
- Good commercial network

Free cash flow

Concessions

- Long cycles
- Large amount of debt and equity
- Highly leveraged financing
- Knowledge in project finance
- Legal and financial know-how

Debt and equity
CONCESSIONS: Results
VINCI Concessions : key figures

<table>
<thead>
<tr>
<th></th>
<th>PF</th>
<th>PF</th>
<th>Δ / 05 PF</th>
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<tbody>
<tr>
<td>Turn over</td>
<td>4 024</td>
<td>4 292</td>
<td>+7%</td>
</tr>
<tr>
<td>Operational result (*)</td>
<td>1 433</td>
<td>1 581</td>
<td>+10%</td>
</tr>
<tr>
<td>% of turn over</td>
<td>35,6%</td>
<td>36,8%</td>
<td></td>
</tr>
<tr>
<td>Net result</td>
<td>562</td>
<td>694</td>
<td>+24%</td>
</tr>
<tr>
<td>% of turn over</td>
<td>14,0%</td>
<td>16,2%</td>
<td></td>
</tr>
<tr>
<td>Financing from cash flow</td>
<td>2 418</td>
<td>2 624</td>
<td>+9%</td>
</tr>
<tr>
<td>% of turn over</td>
<td>60,0%</td>
<td>61,1%</td>
<td></td>
</tr>
<tr>
<td>Net Financial Debt</td>
<td>(1 1578)</td>
<td>(1 852)</td>
<td></td>
</tr>
</tbody>
</table>

*PF = pro forma: consolidation of ASF at 100% since January 1 as well in 2005 as in 2006

(*) after damping of the variation of evaluation of contracts ASF/Escota: (268) m€
### Net financial debt by business line

<table>
<thead>
<tr>
<th></th>
<th>Actual 2005</th>
<th>Actual 2006</th>
<th>Δ 06/05</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Concessions</strong></td>
<td>(3,638)</td>
<td>(13,852)</td>
<td>(10,214)</td>
</tr>
<tr>
<td><strong>ASF / ASF Holding</strong></td>
<td></td>
<td>(9,569)</td>
<td>(9,569)</td>
</tr>
<tr>
<td><strong>Cofiroute</strong></td>
<td>(2,544)</td>
<td>(3,006)</td>
<td>(462)</td>
</tr>
<tr>
<td><strong>VINCI Park</strong></td>
<td>(391)</td>
<td>(874)</td>
<td>(483)</td>
</tr>
<tr>
<td><strong>Other infrastructure</strong></td>
<td>(703)</td>
<td>(403)</td>
<td>300</td>
</tr>
<tr>
<td><strong>Construction, roads, energy, property</strong></td>
<td>2,705</td>
<td>2,610</td>
<td>(95)</td>
</tr>
<tr>
<td><strong>Holding companies &amp; misc.</strong></td>
<td>(646)</td>
<td>(3,554)</td>
<td>(2,908)</td>
</tr>
<tr>
<td><strong>Net financial debt</strong></td>
<td>(1,579)</td>
<td>(14,796)</td>
<td>(13,217)</td>
</tr>
</tbody>
</table>
French concessions

- First motorway concessionnaire (4 300 km)
- First car park concessionnaire in Europe with 445,000 places (out of which 293,000 as concessions or full ownership)
- Everywhere in France, and mainly in the most dynamic regions
What is the value of a concession?

Methodologies for evaluating a concession value:

- Discounted Cash Flow Method: the future dividends cash flows are discounted at a rate which correspond to the WACC of the company.

- Change in discount rate after the different phases of the concession life (function of the risk profile of the business). Example just for an illustration:
  - 12% at the beginning of the concession life, according to the 3 main risks (construction, beginning of operation and ramp up period)
  - 10% at the beginning of operation, i.e. after the end of the construction and end of the construction risk
  - 7.5% after the ramp up period and correct evaluation of operation risks

- The decrease of the discount rate creates enterprise value and is a remuneration of the sponsor
Theoretical example: cash flow and value evolution

Which value for a concession?

- Construction risks decrease
- Particularly if tunnels are involved
- Risk decrease
- Better knowledge of opex and revenues

- Construction phase
- Ramp up
- Dividends payments
- End of concession period
- Company dissolution Equity + reserves

Initial equity

Value

Cash flow for shareholders

Time
Example: Société Marseillaise du Tunnel Prado Carénage

Value of SMTPC versus time

Value in Millions of euros

-20 €

Years


Impact de l'ouverture de L2
Ramp up terminé

Liquidation de la société

Construction Ramp up End
Where is then the business for a private sponsor?

The main part of the value is created during the first two phases of the concession life:

- Infrastructure Construction
- « Ramp-up » phase with
- all the opex optimisation and
- revenues optimisation (toll policy)

After it is a matter of routine operation and large dividends, with only economical and political risks

It is not the main job of VINCI just to keep existing concessions

The concession portfolio has to be managed in a dynamic way so as to create further opportunities to sponsor new projects and be in the phases one and two of the process

But having existing mature concessions gives better financing opportunities for new concessions: it is a matter to be balanced
Specific tunnel risks

- Marseilles: it was only a widening of an old existing tunnel
- Lyon northern bypass: problems arose when the TBM was stopped by an unexpected boulder. Compensation have been given by the grantor to the concessionaire and then to the contractor
- Lumpsum or cost + fee? Financing is requesting lumpsum prices, but with the TBM uncertainty in final cost is decreasing
- Three ways to overcome the specific tunnel risks
  - A specific insurance
  - A stand by equity
  - A protecting contract
- The grantor has to understand that the best way to manage risks is not to push on the contractor shoulders the maximum of risks but to keep the risk he is better able to manage
- Underground risk is better managed by the grantor than by the contractor or by the sponsor
Conclusion: Factors for success

- Strong expertise in both construction and concession activities to evaluate and manage
  - construction risk
  - financing risk
  - operating risk

- Selective approach to new concession projects in order to keep all involved parties happy at the top level of the company
  - strict financial criteria (IRR, impact on EPS)
  - financial and operational control
  - approval of the VINCI Risk Committee and of the Board of Directors’ Investment Committee

- Operating at arm’s length level with our contractor

- Top management is always largely involved in concession contracts and are structurally in a position of arbitrator, without the formal procedures linked to this process when between independent companies