WHY DO LEADING EUROPEAN CONSTRUCTION AND ENGINEERING GROUPS SEEM TO BE IMMUNE TO THE CRISIS IN THE SECTOR?

2013 Study
MAZARS is an international, integrated and independent organisation specialising in audit, advisory, accounting, tax and legal services. As of January 1 2014, the Group is present in 72 countries, drawing on the expertise of more than 13,800 professionals to assist companies — major international groups, SMES and entrepreneurs — and public bodies, at every stage in their development.
EXECUTIVE SUMMARY

Our 2013 study, How the major European construction and engineering companies are managing the economic downturn, found that major construction companies had largely resisted the global economic and financial turmoil that was a consequence of the 2008 financial crisis. They were able to successfully manage their financial situations, achieve significant growth in turnover and limit reductions in productivity, receiving substantial new orders in recent years. All of which led them to look forward to a recovery in 2012.

Unfortunately, while overall European production in the sector suggested an end to the crisis in 2011, delivering a 1.4% rise in activity after three consecutive years of decline, fresh difficulties arrived in 2012, largely due to government austerity policies. According to the European Construction Industry Federation (FIEC), overall level of activity at European construction companies fell by 4.5% in 2012, with a further drop of 2.6% forecast for 2013.

"Under these difficult conditions, most FIEC Member Federations do not foresee a recovery before 2014."

Jacques Vuillard, FIEC Vice-President for Economic Issues (and CEO of Eiffage Construction Métallique), June 2013
EXECUTIVE SUMMARY

In spite of these market challenges, the main European construction and engineering groups appeared to be unaffected by the crisis, posting strikingly positive performances in 2012 in term of both activity and margins:

In this study, we analyse the reasons for this sharp divergence between the poor performance of the construction and engineering sector and the apparent success of major companies within the sector.

“Contracting companies performed well in France and the rest of Europe, although economic conditions were tougher than in 2011. They also expanded in markets outside of Europe thanks to a combination of dynamic local networks and significant new contracts for major projects.”

Xavier Huillard, CEO of Vinci, 2012 Annual Report
METHODOLOGY

Our data is drawn from the annual reports and presentations of the seven largest construction and engineering companies listed on the European markets. Some of the data published by these companies has been adjusted for reasons of consistency and readability. Sector and macroeconomic information is primarily from data published by the FIEC and the Euroconstruct network.

For ease of comparison, we have divided the activities of these construction and public works groups into three main categories:

- **CONSTRUCTION**
  - **Construction and Utilities:** Building, public works, road construction, energy, facility management, environment, water, industrial services
  - **Real Estate:** Mainly development

- **CONCESSIONS**
  - Diversification of certain construction and public works entities (including the development of PPPs in the 2000s and motorway privatisation in France).

- **OTHER BUSINESS SECTORS**
  - Diversification into activities unconnected with construction and public works (media and telecoms).

The sample

The entities included in this year’s study are identical to those surveyed last year, because these seven groups are still Europe’s leaders in construction and engineering sector turnover.

The construction sector in Europe is very diffuse – although these are the most prominent groups, their activities represent no more than 14% of total sector activity.

### SAMPLE OF EUROPEAN GROUPS, 2012

<table>
<thead>
<tr>
<th>Rank</th>
<th>Country of origin</th>
<th>Group</th>
<th>2012 Turnover in €bn</th>
<th>Internal market share in 2012</th>
<th>Market capitalisation at end 2012 (in €bn)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>France</td>
<td>Vinci</td>
<td>38.6</td>
<td>63%</td>
<td>20.7</td>
</tr>
<tr>
<td>2</td>
<td>Spain</td>
<td>ACS</td>
<td>38.4</td>
<td>16%</td>
<td>6.0</td>
</tr>
<tr>
<td>3</td>
<td>France</td>
<td>Bouygues</td>
<td>35.5</td>
<td>67%(*)</td>
<td>7.1</td>
</tr>
<tr>
<td>4</td>
<td>Sweden</td>
<td>Skanska</td>
<td>14.9</td>
<td>44%</td>
<td>5.2</td>
</tr>
<tr>
<td>5</td>
<td>France</td>
<td>Eiffage</td>
<td>14.0</td>
<td>85%</td>
<td>2.9</td>
</tr>
<tr>
<td>6</td>
<td>Austria</td>
<td>Strabag</td>
<td>13.0</td>
<td>61%</td>
<td>2.3</td>
</tr>
<tr>
<td>7</td>
<td>UK</td>
<td>Balfour Beatty</td>
<td>11.7</td>
<td>49%</td>
<td>2.3</td>
</tr>
</tbody>
</table>

(*) 58% excluding other sectors of activity (media and telephone).
Why do leading European construction and engineering groups seem to be immune to the crisis in the sector?

**Key Statistics**

**Growth of activity of leading European construction and public works groups vs Overall sector**

<table>
<thead>
<tr>
<th>Year</th>
<th>Sector Leaders</th>
<th>Overall Sector</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>+9%</td>
<td>-4.5%</td>
</tr>
<tr>
<td>2012</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**A sharp rise in activity outside Europe**

- 2007: 15%
- 2012: 31%

**Change in construction sector operating margin**

<table>
<thead>
<tr>
<th>Year</th>
<th>Margin</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>4.3%</td>
</tr>
<tr>
<td>2011</td>
<td>3.4%</td>
</tr>
<tr>
<td>2012</td>
<td>3.2%</td>
</tr>
</tbody>
</table>
1. SUCCESSFUL PERFORMANCE BY LEADING EUROPEAN GROUPS IN A SECTOR IN CRISIS

1.1. Hard times for European construction

Despite hopes for growth at the end of 2011, the construction sector plunged back into severe crisis in 2012. Total volume of European construction fell by 4.5% in 2012 compared to modest growth of 1.4% in 2011 (Source: FIEC).

This sharp turnaround in construction activity was mainly due to the sovereign debt crisis in the euro area and the austerity policies that followed. These measures included significant cuts in public investment leading to a slow-down, particularly in those markets affected by public procurement such as construction of non-residential buildings (-9.9%) and infrastructure (-6.5%).

The credit crunch and attendant payment delays led to a cutback in construction investment and numerous bankruptcies in small-scale construction and engineering businesses (for example, 25% of bankruptcies in France in 2012 were in this sector).

Change in the volume of European activity between 2012 and 2011

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Buildings:</td>
<td>-3.8%</td>
</tr>
<tr>
<td>Including Public Non-residential</td>
<td>-9.9%</td>
</tr>
<tr>
<td>Public works:</td>
<td>-6.5%</td>
</tr>
<tr>
<td>TOTAL CONSTRUCTION:</td>
<td>-4.5%</td>
</tr>
</tbody>
</table>
Renovation and maintenance works in the residential segment also declined in 2012 (-2%), despite support from public authorities (energy-efficiency measures). The construction of new housing (-5.2%) was also hit by falling purchasing power, low household confidence and the unwillingness of banks to lend.

The countries which experienced the most drastic austerity policies were affected by the sharpest contraction in construction activity (Greece: -26%, Cyprus: -20%, Ireland: -14%, Portugal: -16%, Spain: -11%).

Europe’s founding states (France, Germany) experienced limited damage, with a fall of just 1%, while a minority of states bucked the trend, showing weak growth (Sweden: +2.5%, Austria: +1.1%) as did some Eastern European countries (Estonia: +23.3%, Romania: +5.4%) where the markets remain volatile. However, these countries represent a relatively small proportion of the greater European market.
1.2. Increasing activity by leading European groups

1.2.1. 9% INCREASE IN TURNOVER IN 2012 (+3.3% EXCLUDING HOCHTIEF EFFECT)

With the exception of Strabag - which experienced difficulties in 2012 (-5%) due to the slowdown in construction in Eastern and Central Europe - all leading European construction groups grew in 2012.

**Two groups posted double-digit growth:**

- **ACS**: +35% (+4.1% excl. Hochtief)
  
  This dizzying 35% growth from Spanish group ACS is principally due to the 2011 acquisition of the German Hochtief group, when ACS was experiencing difficulty in its internal market and seeking new growth drivers. Adjusted to exclude the impact of the Hochtief group, consolidated for seven months in 2011 and for the full year in 2012, growth stands at 4.1%, thanks to the international expansion of the group, partly on the American continent (US, Mexico, Brazil, etc.). The proportion of activities conducted on the American continent climbed by five points in 2012.

- **Skanska**: +13%

  The strong growth in this Swedish group (+9% excluding exchange rate effects) mainly derived from the pursuit of international development, including activities in the US, centered on complex new public works projects (first PPP tunnel project) and increased building activity in a range of sectors (research campus, hospital renovation). International turnover rose by 16% between 2011 and 2012 while Skanska achieved 6% growth in its national market (in the non-residential building sector in Sweden).

**Diversified groups:**

- **Vinci** continued to pursue a policy of external growth. Half of the 5% growth achieved in 2012 came from acquisitions, mainly international:
  
  - The EVT division of the Alpiq group - engineering activities and energy and telecoms infrastructure works in Germany and Central Europe;
  - Camarcks, in Canada - construction of road infrastructure and maintenance;
  - NAPC, in India - road building, earthworks and civil engineering.

- The 3% growth posted by the Bouygues group was deeply undercut by the downturn in telecoms activity. The construction portion of the business, the foundation of the group, drove growth in 2012 with a rise of +9% for Bouygues construction and +5% for Colas.
Successful performance by leading European groups in a sector in crisis

- Despite weak presence outside Europe, Eiffage achieved slight growth of 2%, due to a substantial portion of its work taking place in a protected French context, further supported by government projects (Bretagne-Pays de la Loire high speed rail line).

The 7% growth at Balfour Beatty in 2012 was mainly due to an exchange rate effect.

Turnover of leading groups per activity in €bn

<table>
<thead>
<tr>
<th>Public works</th>
<th>Real estate</th>
<th>Concessions</th>
<th>Out of sector</th>
</tr>
</thead>
<tbody>
<tr>
<td>8 (stable)</td>
<td>5 (stable)</td>
<td>8 (stable)</td>
<td></td>
</tr>
</tbody>
</table>

Between 2007 and 2011, growth in turnover stood at 23% (+10% excluding the acquisition of Hochtief by ACS)

Changes in turnover between 2011 and 2012

- Above 2.5%
- Between -2.5% and +2.5%
- Below -2.5%
Growth was principally driven by the core business of the leading groups, construction (including public works) and real estate:

- **Public works** grew by 11% in 2012 (4% excluding the Hochtief effect). Thus the share of public works in the overall activity of leading companies is up by one percentage point, reaching 88%.

- **Real estate** business also grew by 3% despite a difficult environment that saw a 5.3% fall in the construction of new housing (Source: 2013 FIEC statistical report).

1.2.2 MARGINS HOLD UP IN CONSTRUCTION

Change in operating margins between 2011 and 2012

![Graph showing change in operating margins between 2011 and 2012 for various companies.](image-url)

- VINCI: 3.660 to 3.671, +3%
- BOUYGUES: 1.189 to 1.286, +7%
- ACS: 1.333 to 1.579, +20%
- EIFFAGE: 1.104 to 1.199, +9%
- STRABAG: 2.199 to 3.69, +39%
- SKANSKA: 3.84 to 5.29, +37%
- BALFOUR BEATTY: 294 to 261, -11%
- AVERAGE: 3.671 to 3.671, +0%

Overall margin in Construction and Real estate for VINCI: 5%, BOUYGUES: 4%, ACS: 3%, EIFFAGE: 2%, STRABAG: 3%, SKANSKA: 3%, BALFOUR BEATTY: 2%, AVERAGE: 3%.
The operating margin for construction has remained almost unchanged at around 3.2% (3.4% in 2011), though differences exist between groups.

The overall operating margin in our sample is down one point to 4.8%, mainly due to reduced profitability in other sectors (including a 9% downturn in the telecoms sector).

“In 2012, the ACS Group registered excellent operating results, since our activities continue to produce a solid profitability and an important international diversification.”

Florentino Pérez, chairman of ACS
Speech to the annual general meeting of shareholders, 10 May, 2013

The net average margin has fallen by 0.6 points while the average operating margin has declined by one point. The impact of extraordinary financial items is not individually significant, excluding adjustment to ACS.
1.2.3 A RESILIENT ORDER BOOK

With activity thriving in 2012, the average order book over the 2012 financial period was down slightly to 14.6 months at the end of 2012 (-0.8 months by comparison with 2011). It remains at historically high levels for leading construction and engineering companies, which is remarkable given the current macroeconomic background.

This near-stability of the order book (by months of activity) masks a range of results which differ from one group to another: Eiffage (-12%), Skanska (-15%), Balfour Beatty (+12%).

The 12% reduction in the Eiffage order book can be explained by a selective approach to order acceptance which prioritised margins over volumes but also by very intensive PPP business in 2012 contrasting with an absence of significant new PPP contracts in 2013. The Skanska order book fell by 15% but only by 3% at constant exchange rates. 49% of these orders are from North and Latin America; they remain high and represent 14 months of activity.

The Balfour Beatty order book rose by 12% but only by 3% at constant exchange rates.

“The 2% growth in our order book during the year, to €31.3 billion at year-end, is grounds for confidence. It also gives us the visibility we need to take timely but essential measures in those markets hardest hit by business conditions, which are likely to remain weak in 2013.”

Xavier Huillard, CEO of Vinci, 2012 Annual Report
2. KEYS FACTORS IN THE SUCCESS OF LEADERS DURING THE CRISIS

2.1. Increasing internationalisation outside Europe - a driver for growth

A sharp rise in the percentage of business outside Europe

The average percentage of business conducted outside Europe jumped by 6 points between 2011 and 2012, rising from 25% to 31%. Over the period of 2007-2011, the rise was 10 points. ACS is the most striking example: in order to reduce its dependency on a troubled internal market, in 2011 ACS acquired the Hochtief group which had a significant international presence. In this way its business outside Europe soared by 57 points between 2007 and 2012.
The growth posted in 2012 by the sector leaders can be explained by the increasingly international focus observed for all companies in our sample. Companies can be further divided into three categories:

**Percentage of turnover achieved in Europe**

- **<30%**
  - **ACS**: the percentage of activities conducted in Europe stands at 29.6%, down 16 points in 2012 as a result of: - the acquisition of Hochtief (a German group conducting 84% of its business in America and Asia Pacific in 2010); and the general decline in construction activities in Spain (ACS turnover fell by 24% in its national territory in 2012 while construction fell in the country by 11% in the same year).

- **between 50% and 70%**
  - **Skanska et Balfour Beatty** whose European business represents between 50% and 70% of total turnover. Skanska significantly boosted its international presence in 2012 thanks to new complex civil construction projects in the US.

- **>80%**
  - **Eiffage, Strabag, Vinci and Bouygues**: These four groups generated more than 80% of turnover in Europe. Eiffage, in particular, stands out, conducting almost 100% of its business in Europe, and 85% in France.

“Outside the European Union, we have stepped up our international expansion with further moves into new growth markets, acquiring two companies in India (one in road works and the other in automated systems for industry), while the acquisition of Carmacks in Canada has extended Eurovia’s presence in the province of Alberta.”

Xavier Huillard, CEO of Vinci, 2012 Annual Report
The sector leaders are increasingly turning to construction markets with greater growth potential outside Europe, such as the Americas. The United States, in particular, has drawn attention, with the proportion of activities conducted in America by ACS and Vinci rising by five and two points respectively in a market which has recovered its dynamism since the end of 2011.

2.2. Technical expertise and a strong capacity for innovation in the execution of increasingly complex contracts

Thanks to their experience, the leading European construction and engineering groups have acquired undeniable technical expertise giving them international prestige. Construction markets are also evolving towards increasingly global and complex contracts.

The leading European companies are best positioned to address these increasingly large and technically more demanding projects, since:

- These large groups have extensive technical resources;
- They are continually developing a strong capacity for innovation in responding to the challenges and technical and financial improvements of the projects they undertake;
- They have benefits of scale, enabling them to take the financial and technical risks involved in such projects, and to deploy the necessary resources within tight timeframes.

The leading construction and engineering groups illustrate the strength of the sector by offering global solutions with high added value, meeting their clients’ needs throughout the project chain: upstream (property development, design, etc.) and at later stages (long-term project and user services).

"We have strong assets in construction: we can offer our customers comprehensive, high value-added solutions. Our speciality activities help to drive growth and we have strong international operations, with flagship projects in many different areas, from transport infrastructure to business districts and residential developments."

Martin Bouygues, CEO Bouygues
2012 Registration Document
An increasing capacity for innovation is evident among all these leading organisations, particularly in the building sector, with the assembly of new products offering integrated services to clients (environmental and digital services in particular), but also in the development of new methods of design, construction techniques or exclusive products and processes.

2.3. Debt under control

Average net debt fell by 10% in 2012

Construction has an inbuilt negative working capital requirement because contracts often benefit from initial advances and staged payments reflect the progress of the work.

This is why two of the seven groups studied have very low debt levels (Skanska and Strabag) and Balfour Beatty is in a positive net cash position.

However, investment strategies have led some entities to amend their financial structures and these now have significant debt (ACS, Bouygues, Eiffage, Vinci).

The 10% fall in net average debt is mainly explained by the reduction in the ACS debt of €4.4 (or -47%), mainly as a result of the sale of its holding in the company Iberdrola.

“ The Group’s future growth, in all our business areas, will be built on our great capacity for innovation.”

Martin Bouygues, CEO Bouygues
2012 Registration Document

“The reduction of Group debt by 4,382 million euros in 2012 was accomplished largely with funds proceeding from the sales of assets and from those generated by operations.”

Florentino Pérez, chairman of ACS
Speech to the annual general meeting of shareholders, 10 May 2013

“Why do leading European construction and engineering groups seem to be immune to the crisis in the sector?”

Keys factors in the success of leaders during the crisis
2.4. Dynamic diversification strategies

The current performance of leading construction and engineering groups is closely connected to strategies implemented before the crisis and the degree of diversification of their businesses. Leaders in the sector have opted for diverse development strategies:

- **Other business sectors**: Bouygues (media with TF1 and telecoms with Bouygues Telecom)

- **Concessions and public-private partnerships (PPP)**: To compensate for the cyclical nature of construction via the management of infrastructure. Vinci created Vinci Autoroute, Vinci Park, and Vinci Concessions. Eiffage created APRR, and Strabag developed concessions (M5 motorway in Hungary)

- **External growth**: Avoiding dependence on the internal market (ACS) or developing other associated business activities (investment in real estate by Skanska)

- **Sectors similar to construction**: environment, water and industrial or professional services, particularly at ACS and Balfour Beatty
A stable activity structure in our sample in 2012
The activity portfolios of companies in our sample have maintained the same structure since 2011, with two distinct profiles:

- **The major French players** (Bouygues, Vinci and Eiffage) have diversified significantly outside their construction activities: 20% of the activities of Bouygues are in media and telecoms, while 14% of activities at Vinci and 15% at Eiffage are in infrastructure management.

- **The other European leaders** are less diversified and continue to specialise in construction.

ACS’s profile is unusual, with a significant rise in the proportion of construction in its activities in the 2012 financial year, as a result of the full integration in that year of Hochtief, engaged solely in construction.

Trends in the business activities of construction and engineering leaders are already emerging for 2013, mirroring the strategies of ACS, Vinci or Eiffage:

- **Hochtief**, a subsidiary of ACS, finalised the transfer of its energy and building services division to the French group SPIE. The group is pursuing a strategy of refocusing on its core business, construction and public works. The company has also sold its holding in Sydney airport.

- In September 2013, **Vinci** finalised acquisition of the Portuguese airport operator ANA for €3 billion. In June 2013, Vinci also increased its capital holding in Aéroports de Paris by an additional 4.7%. Finally, in September 2013, Vinci asked consultancy firms to look into the sale of its car park concession subsidiary in order to concentrate on construction, or to acquire other concessions.

- **Eiffage** is now focusing on international growth, particularly in Africa where it has begun construction and extension of a motorway in Dakar through a PPP. It is also targeting some European markets for expansion, as through acquisition of the Belgian company Smulders which is active in the offshore wind market.
3. STRONG PROSPECTS DESPITE A SLIGHT DECLINE IN THE FIRST HALF OF 2013

3.1. Generally stable turnover despite severe weather

Average change in turnover in 1st half of 2013:
-0.9% compared with 1st half 2012

<table>
<thead>
<tr>
<th>Company</th>
<th>Change in Turnover</th>
</tr>
</thead>
<tbody>
<tr>
<td>Skanska</td>
<td>+7%</td>
</tr>
<tr>
<td>Vinci</td>
<td>+4%</td>
</tr>
<tr>
<td>ACS</td>
<td>+2%</td>
</tr>
<tr>
<td>Eiffage</td>
<td>-1%</td>
</tr>
<tr>
<td>Bouygues</td>
<td>-2%</td>
</tr>
<tr>
<td>Balfour Beatty</td>
<td>-6%</td>
</tr>
<tr>
<td>Strabag</td>
<td>-10%</td>
</tr>
</tbody>
</table>

For companies in our sample, turnover fell slightly by 0.9% in the first half of 2013 by comparison with the first half of 2012. This change can mainly be ascribed to the very severe weather which hit Europe in the first quarter of 2013.

This small change should be viewed in light of the forecast for a -2.6% drop in construction activities in Europe during 2013 (Source: FIEC), suggesting that the leading construction and engineering groups continued to do comparatively well in 2013. Some confirmed their turnover objectives for the year-end during the publication of their half-yearly results (+1.2% for Eiffage, “a slight rise” for Vinci and +1% for the construction division at Bouygues).

Strabag is the exception to this trend, with a sharp fall in its business in the first half of 2013 (-10% compared to the first half of 2012), mainly due to the completion of major projects in Eastern Europe and the decline in the construction market in Poland (forecast at -4% between 2012 and 2013).

The 6% reduction recorded at Balfour Beatty mainly reflects an exchange rate effect. The group has otherwise followed the same trend as other major European construction players in 2013 (-3% at constant exchange rates).
Construction and engineering entities generally reported a decline in their operating margin in the first half of the year compared with the second for reasons due to severe weather, explaining six-monthly margin rates one point lower than annual rates.

“The lower operational result was mainly due to very unfavourable weather conditions in the first half, especially in mainland France and North America.”

Source: Bouygues Half-year Review
June 2013
Strong prospects despite a slight decline in the first half of 2013

The slight 0.6 point reduction in operating margin in the first half of 2013 compared to the first half of 2012 is also explained by:

- **The 1.7 point fall in the margin ratio at Balfour Beatty**, was heavily impacted by the decline in construction in the United Kingdom (-9% according to the FIEC). The group also attributed this change to the numerous operational difficulties caused by a restructuring plan. However, the group confirmed its intention to increase its operating margin by the end of 2013.

- **The 0.9 point reduction in the operating margin in the Vinci construction division**, which was spread across all the group’s construction activities. However, the group insists that even if the operating margin continues to fall, the scale of the reduction will be more limited in the second half of 2013.

3.3. ...Order books reach record levels

Order books as of 30 June 2013

<table>
<thead>
<tr>
<th>Company</th>
<th>Months’ activity</th>
<th>Change since end 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>ACS</td>
<td>22</td>
<td>7%</td>
</tr>
<tr>
<td>Balfour Beatty</td>
<td>20</td>
<td>0%</td>
</tr>
<tr>
<td>Strabag</td>
<td>16</td>
<td>34%</td>
</tr>
<tr>
<td>Skanska</td>
<td>15</td>
<td>10%</td>
</tr>
<tr>
<td>Eiffage</td>
<td>14</td>
<td>11%</td>
</tr>
<tr>
<td>Bouygues</td>
<td>14</td>
<td>11%</td>
</tr>
<tr>
<td>Vinci</td>
<td>12</td>
<td>4%</td>
</tr>
<tr>
<td><strong>Average</strong></td>
<td><strong>16</strong></td>
<td><strong>11%</strong></td>
</tr>
</tbody>
</table>

As of 30 June 2013, the average order book of leading European construction and engineering groups reached a record level **record of 16 months, a rise of +1.4 months since 31 December 2012**. With this average rise of 11% the level is now higher than before the crisis in 2007, thus proving the healthy condition of these leading groups.
For all the organisations examined, these order books represent more than a year’s work. The rise, recorded in every group, is mainly due to new large-scale international orders. Note that the very large change recorded at Strabag was also affected by the 10% reduction in its activities in the first half of 2013.

“…In a still-challenging economic environment, especially in Europe, order books continued to run at a high level [...] the result of a strong and selective presence on international markets and recognised know-how in complex projects.”

Source: Bouygues Half-year Review
June 2013
We are targeting Africa and the Middle East, two regions with close ties to France. These markets offer considerable growth potential, as they are relatively lacking in infrastructure, despite the presence of plentiful raw materials. Eiffage intends to establish itself in these countries, either on its own or with partners. In addition to providing expertise in the area of buildings, large-span engineering structures and electrical works, we will be able to manage turnkey projects and develop concessions, as we are already doing in Senegal, for example, by financing and finishing the work for the new motorway between Dakar and Diamniadio.”

Pierre Berger, CEO of Eiffage
2012 Annual Report
The sound performance of leading European construction and engineering groups against a troubled European market background seems mainly due to their ability to expand into international growth areas, their capacity for innovation and their mastery of complex projects due to globally recognised technical expertise. The failure of smaller-scale organisations and the gradual concentration of the sector, also probably contributed to this performance.

Since 2012, some of these leaders have been able to take advantage of the return of American construction sector growth at a time when the sector was contracting again in Europe.

For 2013, the FIEC predicts that the construction sector in Europe is likely to shrink by a further 2.6% before recovering slightly in 2014.

While the European forecast is likely to remain gloomy in the short-term, an Oxford Economics study published in June 2013 is more optimistic for long-term prospects. The study announced a new golden age for the construction and public works sector, predicting growth of around 70% of production by 2025, with new El Dorados for this sector, such as the Asian tigers (led by Indonesia) and some African countries (principally Nigeria).

There is also expected growth in developed areas, with urban renovation and sustainable building and transport projects (for example, the greater Paris initiative).

In order to exploit these developments and continue to pursue growth, leading European organisations will have to cope with competition from Asian construction and engineering groups, some of which, like the China State Construction Engineering Corporation, have reached significant size, with turnover of €66 billion in 2012.

However, unlike industries shaped by their historical location (production facilities, labour costs), the construction sector is less affected by domestic constraints. Enterprises in the construction and public works sector can use subcontractors, recruit staff locally and more easily access foreign staff, adapting these methods to each major project.

In an increasingly competitive market, these key factors, combined with the capacity for innovation, should help the leading European construction and engineering groups maintain their leading position in the global markets.
FUTURE PROJECTS

7 major international projects

1. Skanska
   MetLife Stadium in New York, United States

2. Vinci
   LGV Sud Europe Atlantique, Tours to Bordeaux

Source: http://www.group.skanska.com © Pascal Le Doare
WHY DO LEADING EUROPEAN CONSTRUCTION AND ENGINEERING GROUPS SEEM TO BE IMMUNE TO THE CRISIS IN THE SECTOR?
Mazars is present on all 5 continents.

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