HOW ARE MAJOR EUROPEAN CONSTRUCTION GROUPS PERFORMING?

2016 study
In addition to global expansion, vertical integration and other business strategies, construction leaders will pay more attention to the energy construction business and green building to differentiate and reach a larger slice of the market.
How are major European construction groups performing?

EDITORIAL

In November 2015, our previous edition, entitled “Après deux années difficiles pour les majors européens du BTP, les prémices d'une reprise?”, suggested that the future climate might be more favourable for major European construction groups, thanks to some positive signs such as order book growth and the new challenges, focusing in particular on R&D into new technologies and energy transition.

It is obvious that 2015 marked a slight recovery for our sample of major construction groups with an upturn in business and improved operating margins.

This upturn in the business of European key players reflects the sectoral data published by the FIEC*, which shows the recovery beginning in 2014 (1.7%), and confirmed in 2015 (+2.4%). Over the last two years, the construction sector has grown more rapidly than the GDP in Europe.

Growth of the European construction key players continues at both sectoral and geographic levels, with a boost in the energy and services sector and growth in business outside of Europe.

However, companies are still affected by developments in their domestic markets, as can be seen in France, where construction key players are impacted by a still-sluggish home market, with business down by 0.6% from the prior year.

In 2016, most major groups are not expecting a fall over the financial year, even though first quarter reports reveal that activity is on average 5% down.

The FIEC anticipates growth in 2016 (+2.1%) at the European level in the construction sector.

*Source: FIEC - European Construction Industry Federation; Base 100 in 2007.
**METHODOLOGY**

**Sample**

Our sample consists of 15 European groups, either “pure players” or diversified entities in the construction sector, with turnover in excess of €5 bn. Since the previous survey there have been several changes amendments to our sample:

- the addition of the French group SPIE, specialised in energy and communications services;

- the removal of the Swedish group PEAB, whose turnover fell below €5 bn in 2015.

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<tbody>
<tr>
<td>1</td>
<td>France</td>
<td>Vinci</td>
<td>38.5</td>
<td>34.8</td>
</tr>
<tr>
<td>2</td>
<td>Spain</td>
<td>ACS</td>
<td>34.9</td>
<td>8.5</td>
</tr>
<tr>
<td>3</td>
<td>France</td>
<td>Bouygues</td>
<td>32.4</td>
<td>12.6</td>
</tr>
<tr>
<td>4</td>
<td>Sweden</td>
<td>Skanska</td>
<td>16.4</td>
<td>7.4</td>
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<tr>
<td>5</td>
<td>France</td>
<td>Eiffage</td>
<td>13.9</td>
<td>5.7</td>
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<td>6</td>
<td>Austria</td>
<td>Strabag</td>
<td>13.1</td>
<td>2.7</td>
</tr>
<tr>
<td>7</td>
<td>UK</td>
<td>Balfour Beatty</td>
<td>9.7</td>
<td>2.5</td>
</tr>
<tr>
<td>8</td>
<td>Spain</td>
<td>Ferrovial</td>
<td>9.6</td>
<td>15.3</td>
</tr>
<tr>
<td>9</td>
<td>Netherlands</td>
<td>Royal BAM Group</td>
<td>7.4</td>
<td>1.4</td>
</tr>
<tr>
<td>10</td>
<td>Sweden</td>
<td>NCC AB</td>
<td>6.7</td>
<td>3.1</td>
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<tr>
<td>11</td>
<td>Spain</td>
<td>Acciona</td>
<td>6.5</td>
<td>4.6</td>
</tr>
<tr>
<td>12</td>
<td>Spain</td>
<td>FCC</td>
<td>6.5</td>
<td>1.8</td>
</tr>
<tr>
<td>13</td>
<td>Germany</td>
<td>Bilfinger</td>
<td>6.5</td>
<td>2.0</td>
</tr>
<tr>
<td>14</td>
<td>UK</td>
<td>Carillion</td>
<td>6.3</td>
<td>2.0</td>
</tr>
<tr>
<td>15</td>
<td>France</td>
<td>SPIE</td>
<td>5.4</td>
<td>2.5</td>
</tr>
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</table>

Source: Bloomberg data
To conduct sectoral comparisons using the available information, the activities of the major European companies in our sample were broken down into six sectors, five of which are construction trades:

The distribution of our sample's activities over the sectors defined above is set out in an annex.

This study is based on the annual reports and other communications from the groups in our sample. Some sectoral information is taken from the data published by the FIEC (the European Construction Industry Federation), Xerfi and Bloomberg.
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The high operating margins in the concessions business should be seen in the context of the special features of this model. This is because the assets are restored to the licensor at the end of the concession and the operating margin must be sufficient to pay down the debt and remunerate shareholders over a finite useful life.
I. A HESITANT RECOVERY FOR PLAYERS IN THE SAMPLE
Against a European economic background of gradual return to GDP growth over the last three years, the European construction market has grown in the last two years slightly faster than European GDP. This trend is maintained in the 2016 forecasts.

The volume of production in construction, which reached a low of €1 188 bn in 2013, began to recover in 2014, reaching €1 241 bn in 2015, with a 2.1% rise forecast in 2016.

Construction therefore represented 8.5% of the European GDP in 2015, whereas it stood at 10.7% in 2007.

<table>
<thead>
<tr>
<th>CHANGES IN GDP AND CONSTRUCTION SINCE 2003</th>
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<tbody>
<tr>
<td>GDP - EU</td>
</tr>
<tr>
<td>+2.1%</td>
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<tr>
<td>-0.5%</td>
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<td>Source: FIEC data</td>
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</table>

This recovery mainly depends on the housing segment, + 2.8% in 2015, due to a return to real estate investment in Europe (+16%, according to the estimates published by BNP Paribas Real Estate), stimulatory monetary policy, the restructuring of certain European markets and strong growth in “green” markets (energy-saving construction, the “smart city” concept, etc.).

Public Works recorded a high rate of growth at 6.2%, not least due to significant expansion in the United Kingdom (+34%).

The recovery of construction in Europe conceals wide disparities between countries. In 2015 activity was down in France, Switzerland and Italy and flat in Germany, several countries recorded significant growth (UK: +8.5%; Spain: +5.6%; Sweden: +10.0%; Netherlands: +7.2%). This is largely due to structural characteristics and different cycles across the countries.

<table>
<thead>
<tr>
<th>CHANGES IN PRODUCTION IN EUROPE IN 2015</th>
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<tbody>
<tr>
<td>EUROPE</td>
</tr>
<tr>
<td>BUILDING</td>
</tr>
<tr>
<td>HOUSING</td>
</tr>
<tr>
<td>NON-HOUSING</td>
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</tbody>
</table>
1.1 A RETURN TO GROWTH FOR MAJOR PLAYERS IN 2015

The increased activity observed in the construction market in Europe over the last two years translated in 2015 into growth of 1.8% for our sample of European construction companies.

Considering all activities together, in 2015 the aggregated turnover of the sample stood at more than €297 bn in Europe, representing 12.2% of the European construction market.

This average rise of 1.8% in the business of companies in our sample in 2015 came after two years of contraction (-3.4% in 2013, -1.1 % in 2014).

Varying performance by different groups

Companies in which activity rose by more than 5% were mainly based in Northern Europe and Spain, thanks to dynamic local markets.

CHANGES IN ACTIVITY IN LEADING EUROPEAN GROUPS BETWEEN 2014 AND 2015

“We possess a very attractive growth potential, built on:
- Growth at global level of our activities, mainly in developed markets.
- Continuous investment in concession activities and projects in relation to civil and industrial infrastructure, in particular in regions of North America and Asia Pacific, where we hold a leadership position, with expectations for sustained growth in coming years.”

FLORENTINO PÉREZ, CHAIRMAN AND CEO, ACS
**Bouygues** saw a 2% fall in turnover in 2015, with a 3% decline in the Building and Public Works and Highways sectors, impacted by the contraction of the French market, and a 17% decline in the Real Estate sector following the shrinking reservations recorded in previous financial periods and the lack of new orders in Corporate Real Estate. The Energy/Services sector grew sharply, by 26%, mainly due to acquisitions.

**Balfour Beatty** saw activity decline again, with a fall of -4% in 2015 (after -17% in 2014), a result of a shrinking Building and Public Works business in the United Kingdom due to an increasingly selective approach to projects. The group persisted with its “Build to Last” strategic plan.

**Bilfinger** recorded a fall of almost 16% in turnover, with a renewed focus on the European zone and on the group’s core business (Building and Public Works and Energy / Services). The group accordingly launched the sale of its Power business segment. At constant scope, turnover rose by 4% in 2015, with +9% for the Energy / Services sector (Building and Facility), set off by the 1% decline in its Building and Public Works activity (Industrial).

**Carillion** returned to growth for the first time since 2010 and achieved the largest rise in the sample, at almost +13% in 2015, led by the increase in the Building and Public Works sector. The rise can be explained both by organic growth (+10%) and by acquisitions in the **Support Services** segment in Canada: Rokstad Corporation in December 2014 and Outland Group in May 2015.

**Ferrovial** continued its growth with a new rise of almost 10% in 2015 (after +8% in 2014), of which +9% was in the **Construction** segment and +11% in **Services**. In this last segment, the group continued its strategy of external growth, including the acquisition of two waste treatment enterprises in Poland.

The activity of **NCC AB** grew by nearly 10% in 2015, led by a surge of 24% in Real Estate, mainly in the **Housing segment**, reflecting increasing sales to both private individuals and to investors. Building and Public Works grew by 5% due to strong growth in Sweden (+13%) and Denmark (+19%). In January 2016 the group confirmed its intention of spinning off its **Housing** segment, representing 79% of its Real Estate business in 2015.
Continuing international growth

The trend towards growth in international business, established for several years now, has continued. Almost all the companies report that they are keen to grow internationally to mitigate the impact of sluggish domestic markets and to capture new markets beyond the European borders.

This development is based around two international development strategies which each have their own risks: “spot” sites and long-term establishment.

Only two groups reported a realignment of their activities:

- in April 2015, Bilfinger decided to refocus on the European area and on its core business and Energy/Services. This decision, confirmed in 2016 by the company chairman Axel Salzmann, aims in particular to draw a line under repeated bad news internationally;

- NCC AB announced the spin-off of its Housing segment (representing 21% of its business) in order to increase the growth potential of the two separate entities.

In their home markets, European construction groups reflect the trends

Following a fall of 9.5% over the period 2013-2014, the activity recorded by the 15 European construction giants in their home countries was stable in 2015 (+0.2%), though with significant disparities.

France was alone in seeing a decline in 2015, despite the fact that it managed to withstand a difficult year in 2014, unlike its European neighbours. Thus, business in the French construction groups (-1.7%) followed the national trend (-3.3%).

Strong growth in certain countries – Sweden (+10.0%), the United Kingdom (+8.5%), and Spain (+5.6%) – benefited those companies for which these were the domestic markets.

In 2015, we strengthened our leading position in the Nordic construction market, thanks to higher sales and profits. This also signifies that the strategy we have been pursuing since 2012 ended on a high note. We are now launching a new proactive strategy focusing on profitable growth.

Peter Wågström, President and CEO of NCC AB
1.2 SLIGHTLY INCREASED OPERATING MARGINS IN 2015

EVOLUTION OF OPERATING MARGINS BETWEEN 2014 AND 2015

The rise in operating profitability of the companies analysed in 2015 derived from efforts to adapt production equipment and to reduce structural costs over recent financial years, accompanied by a growth in business.

2015 OPERATING MARGINS IN OUR SAMPLE

The average operating margin in our sample stood at 4.9% in 2015, boosted by three companies – Eiffage, Vinci and Acciona – which had average operating margins of over 9%, due to:

- Concession/Infrastructure activities for Eiffage and Vinci, where the operating margin takes no account of the need to pay down the debt and remunerate shareholders over a finite useful life;
- Acciona’s Energy/Services business, which is generating an operating margin close to 18%.

An analysis of profitability by sector for each of the major groups is presented in part 2.
In 2015, changes in the operating margins of the key players were fairly diverse, though within a narrow range of -0.6 and +2.0 pts.

- **FCC** recorded a decline of 0.4 pt in its operating margin (after +5 pts in 2014), influenced by a 2.3 pt fall in the Building and Public Works sector due to downsizing in the Spanish market.

- **Balfour Beatty** registered the sharpest reduction in operating margin in the sample, reaching -2.2%, mainly due to the 0.5 pt fall in operating margin in the construction business because of difficulties faced in the United Kingdom, the US and Asia.

- **Bilfinger** improved its operating margin, which reached 2.1% in 2015. This rise is mainly due to the decision in 2015 to sell the Power business segment (which had a negative impact on the group’s margin in 2014).

- **Royal Bam Group** regained a positive operating margin in 2015, though it remains weak (0.4%). The increase is mainly due to the Building and Public Works sector, which saw its operating margin rise by 1.2 pt in 2015.

- **Acciona** confirmed the improvement in its operating margin following the restructuring carried out from 2013 onwards. After a sharp 7.7-point rise in 2014, the group’s margin continued to improve with a rise of 0.8 pt in 2015 thanks to the reduction of fixed costs, greater selectivity in tendering for contracts and higher levels of activity.
1.3 A STAGNATING ORDER BOOK

CHANGES IN ORDER BOOK IN 2015 (*)

<table>
<thead>
<tr>
<th>Company</th>
<th>Change (2015)</th>
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</thead>
<tbody>
<tr>
<td>Royal BAM Group</td>
<td>+12%</td>
</tr>
<tr>
<td>Acciona</td>
<td>+9%</td>
</tr>
<tr>
<td>ACS</td>
<td>+6%</td>
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</tbody>
</table>

OF WHICH INTERNATIONAL ORDER BOOK OUTSIDE COUNTRY OF ORIGIN REPRESENTS

<table>
<thead>
<tr>
<th>Percentage</th>
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<tbody>
<tr>
<td>64%</td>
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</table>

(*) Excluding SPIE due to absence of order book information

Order book developments in the major construction groups saw a slight 0.4% fall by comparison with 2014, reflecting a still-fragile recovery. The order-book depth of the sample has thus declined by one month to **22 months**.

However, this development varies in accordance with:

- the business sector, in particular with a significant fall in the order book in the sector which saw the sharpest rise in activity in 2015: Energy/Services;
- geographical area, with a sharp rise outside the domestic markets (+6.6% according to the information provided by 8 companies of the sample), led by Acciona (+37%) and Bouygues (+16%).

"In 2016 we will continue on the same track as in 2015: tackling new international growth areas and strengthening our competitiveness in mature markets."

XAVIER HUILLARD, CHAIRMAN AND CHIEF EXECUTIVE OFFICER, VINCI

THE THREE SHARPEST ORDER BOOK RISES IN 2015

- **Royal BAM Group (+12%)**: significant contracts secured in Europe, in particular in Germany and the Netherlands.
- **Acciona (+9%)**: significant international construction contracts, mainly outside Europe.
- **ACS (+6%)**: construction operations in North America.

"We will shape our business portfolio towards ‘doing better things’ by rationalising our propositions and developing new solutions for customers."

ROB VAN WINGERDEN, CEO OF ROYAL BAM GROUP
Contrasting order book developments by sector

AVERAGE ORDER BOOK DEVELOPMENTS IN 2015

ENERGY & SERVICES 9* BUILDING & PUBLIC WORKS 13* HIGHWAYS 3* REAL ESTATE 3*

+ 2.7% + 5.5% + 6.2%

- 4.4%

For Building and Public Works, Highways and Real Estate, the order book improved in 2015 by comparison with 2014:

- **Building and Public Works**: The average 2.7% improvement in order books in the Building and Public Works sector was led by Acciona (+18%) and Royal Bam Group (+14%), which secured many contracts in Europe and internationally.

- **Highways**: The average order book growth of +5.5% was led by the Swedish company NCC AB, where the 20% rise was due to Nordic markets. The two biggest players in this sector, Eurovia (Vinci) and Colas (Bouygues), both saw their order book fall by 2%.

- **Real Estate**: Order books rose by an average of 6.2%, mainly due to the Swedish company NCC AB (+16.5%) and to Bouygues (+9.5%), as a result of the recovery in local investments.

However, the Energy / Services sector, which saw the sharpest growth in activity in 2015 at +10%, saw order books fall by an average of more than 4%, in particular due to a decline in four companies that failed to renew multi-annual contracts and the impact of the disposal of companies. Nevertheless, the major construction groups are not expecting any slow-down in this sector, which they report will remain buoyant in the short to medium term. This aspect will be the subject of a detailed analysis by group in the sectoral review (see Part 2).

"It's worth remembering that the Support Services business wins large multi-year contracts, which we book in one year, then unwind over the following years."

Balfour Beatty – 2015 Full Year Results Presentation
An order book outside the home markets

2015 ORDER BOOK OUTSIDE THE DOMESTIC MARKET BY SECTOR (*)

International expansion is led by the Building and public works and Highways sectors where the domestic market represents less than 40% of the order book.

This is because, in these sectors, the opportunities of international markets generally appear to be the essential vector of growth for key players.

The Energy/Services sector retains a strong domestic presence, international development mainly being represented by external growth.

(*): 9 of the 13 companies report on the geographical breakdown of their order book in the different sectors.

Financial reporting on the order book also reveals a degree of diversity in the practices of these groups. As of 2018, the new standard IFRS 15 on revenue recognition will harmonise these practices. This key performance indicator, widely followed by investors, will then be standardised and should be presented by all the companies in the notes to the financial statements.

THE NEW IFRS 15: WHAT NEW DISCLOSURES ARE REQUIRED FOR THE ORDER BOOK?

IFRS 15 provides a definition of the order book (backlog) and requires entities to disclose in the notes to the financial statements the amount of revenue still to be accounted for and a quantitative and qualitative explanation of when its backlog will be recognised in revenue.

Our benchmarking of entities’ communication on their order book shows a diversity of practices which should be harmonised by the requirements of IRFS 15.

CAROLE MASSON, MAZARS PARTNER, DOCTRINE EXPERT
II. PROFITABILITY OF MAJOR CONSTRUCTION COMPANIES BY SECTOR IN 2015
<table>
<thead>
<tr>
<th>Sector</th>
<th>Changes in Activity</th>
<th>Changes in Operating Margin</th>
</tr>
</thead>
<tbody>
<tr>
<td>Building &amp; Public Works</td>
<td>+ 0.1%</td>
<td>- 0.3pt</td>
</tr>
<tr>
<td>Highways</td>
<td>- 3.3%</td>
<td>- 0.3pt</td>
</tr>
<tr>
<td>Energy &amp; Services</td>
<td>+10.2%</td>
<td>- 0.4pt</td>
</tr>
<tr>
<td>Real Estate</td>
<td>+ 7.0%</td>
<td>+ 1.9pt</td>
</tr>
<tr>
<td>Concessions &amp; Infrastructure</td>
<td>+ 4.3%</td>
<td>+ 1.5pt</td>
</tr>
</tbody>
</table>

(*) Weight of sector in the total sample activity. In 2015, sectors outside the construction business represented 4% of the sample’s business.
BUILDING & PUBLIC WORKS

Key data 2014-2015:

Turnover: +0.1% | Op. margin: -0.3pt | Average op. margin: 2.2%

THE BUILDING & PUBLIC WORKS SECTOR INCLUDES THE DESIGN AND CONSTRUCTION OF PRIVATE, PUBLIC OR INDUSTRIAL BUILDINGS, AS WELL AS PUBLIC WORKS. SOME GROUPS ALSO INCLUDE THEIR HIGHWAYS SEGMENT UNDER THIS HEADING.

ACS continued to lead the Building and Public Works sample in 2015, but recorded a reduction of nearly 2% from the prior year. By geographic area, the company saw a fall in Europe (-11%), particularly in Germany, and also in Asia (-21%). This decline was partly offset by increased activity in North America (+23%) and in Africa (+7%).

This slight drop has been due to the decline in mining activity at CIMIC, which (...) has undergone a significant transformation process (...). Excluding this impact, construction sales would have risen by 0.6%.

FLORENTINO PÉREZ, CHAIRMAN, ACS
• **Carillion** grew by 18% in 2015. This development is due to significant contract wins, mainly in the United Kingdom, which paid off in 2015. The company also benefited from favourable exchange rates.

• **Skanska** grew by 9%, mainly due to a significant recovery in public investment in the Nordic countries and to its highly sought-after expertise in green construction.

• **Ferrovial** also grew by 9% thanks to 14.6% expansion in its international business, mainly in Australia, Brazil and the Middle East.

• **Vinci** saw a 6% fall, impacted by shrinking public contracts in France and by the end of the infrastructure works on the Tours-Bordeaux SEA HSR. New orders for several international projects (Chile, the United Kingdom, Qatar, China and Egypt) had no impact in 2015.

• **Acciona** fell by 17% as a result of the disposal of Tranvia Metropolità in June 2014.

• **Royal Bam Group** saw a rising operating margin due to a favourable exchange rate in the United Kingdom and a strong position in a recovering Irish market.

• Following the sale of its Construction business unit, **Bilfinger** recorded a fall in its operating margin. The restructuring that took place in 2015 is continuing, and focuses on the optimisation of operating processes. Further, the Industrial unit of its Building and Public Works business suffered from falling oil prices and from the lack of investment by its customers in the chemical and petrochemical sectors.

• **FCC** recorded a 2.3-point fall in operating margin in 2015, mainly due to the changes caused by restructuring during the year.

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**Operating margins were stable overall, with some exceptions:**

<table>
<thead>
<tr>
<th>Company</th>
<th>Change in Margin</th>
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<tbody>
<tr>
<td>Royal Bam Group</td>
<td>+1.2 pt</td>
</tr>
<tr>
<td>Ferrovial</td>
<td>+0.6 pt</td>
</tr>
<tr>
<td>ACS / Acciona</td>
<td>+0.5 pt</td>
</tr>
<tr>
<td>Bouygues</td>
<td>-0.1 pt</td>
</tr>
<tr>
<td>NCC AB</td>
<td>-0.2 pt</td>
</tr>
<tr>
<td>Vinci</td>
<td>-0.4 pt</td>
</tr>
<tr>
<td>Balfour Beatty</td>
<td>-0.5 pt</td>
</tr>
<tr>
<td>Eiffage</td>
<td>-0.5 pt</td>
</tr>
<tr>
<td>VINCI</td>
<td>-0.6 pt</td>
</tr>
<tr>
<td>FCC</td>
<td>-4.0 pt</td>
</tr>
<tr>
<td>Bilfinger</td>
<td>-1.5 pt</td>
</tr>
<tr>
<td>ACCIONA</td>
<td>-17.3%</td>
</tr>
</tbody>
</table>
THIS SECTOR INCLUDES THE CONSTRUCTION AND MAINTENANCE OF ROAD AND RAIL INFRASTRUCTURE, AND URBAN AND LEISURE DEVELOPMENT PROJECTS.

The Highways sample saw a fall in activity of 3.3% in 2015, mainly because of a continuing fall in public investment in Europe and to the drop in raw materials prices. Changes in activity and in the operating margins of the three enterprises in the sample remained generally similar.

"Colas coped well, thanks to [...] the diversity and quality of its operations on the five continents and of its business lines. The fall in turnover in France was therefore largely offset by growth at the international level, which now represents almost 50% of our business, and in our Railway segment."

HERVÉ LE BOUC, CHAIRMAN AND CEO, COLAS
• *Eurovia* (Vinci) and *Colas* (Bouygues) were affected by both the fall in prices of raw materials, leading to downward price revisions, and also by the contraction in the French market caused by the fall in central government grants to local authorities. The proportion of activity realised in France by *Eurovia* and *Colas* stood at 56.8% and 50.5% respectively. Additionally, the territorial reorganisation project has added uncertainty to a still-weak French market.

• Business at *NCC AB* declined by 3%, having felt the impact of falling oil prices and a contraction in volumes. *NCC AB* operating margins are down by 0.8 point as a result of its reorganisation programme, which includes in particular the creation of the *NCC Industrial Business Area*, the construction of a recycling unit with a negative margin, and the closure of its Danish subsidiaries that had filed for bankruptcy.

"The resilience of international activities and the volume of railway works enabled us to limit the impact of the sharp contraction in the market for road works in France."  
PIERRE ANJOLRAS, CHAIRMAN, EUROVIA
**ENERGY / SERVICES**

Key data 2014-2015:

- **Turnover:** +10.2%
- **Op. margin:** -0.4pt
- **Average op. margin:** 5.8%

This sector includes energy, networks, services to construction and industry, the environment and water.

- **Vinci Énergies** is the leader in this sector, with turnover in excess of €10 bn and growth of 9.4%, profiting from its external expansion, including internationally with the acquisition of Imtech ICT and Electrix.

- **Bouygues Energies & Services** saw growth of 26%, in particular due to several large digital infrastructure projects in France and numerous energy performance projects. At the international level, the Bouygues subsidiary benefited from acquisitions in 2014 and 2015 in Canada, and continued to grow thanks to its expertise in the market for major turnkey projects.

- **Acciona** achieved a 21% rise in activity, mainly due to the 37% growth in turnover in the Asia-West Pacific region, which consolidated its development in the international markets. The group stands out with a much higher operating margin than the average for the sector (13.6% in 2015), in particular due to the performance of its wind power business.

- **Eiffage** carried out regional restructuring of its subsidiaries and closed the Metal division, part of which was transferred to Energy. These measures enabled the French group to record a 19% rise in turnover in 2015. At constant scope and exchange rates, the Energy segment grew by 8%.
Despite growth in the Energy/Services sector, average profitability was slightly down, by 0.4 point from 2014.

- The profit margin at Ferrovial was 2.4 points down, with a very adverse contribution from the Birmingham contract.
- ACS also recorded a decline of 2.4 points following a fall in the margin in the Industrial Services segment, after the sale of renewable energies business Saeta (with profitability above the average for other activities in this sector).

“Despite a mixed macro-economic context, (...) rigorous management of the contracts portfolio and the optimisation of costs have enabled us to improve the margin in our four segments. We are now seeing an upturn in calls to tender in France and in the oil and gas sector, but the recent oil price fall may worsen the weak level of activity in OCTG (Oil Country Tubular Goods) in the second half of 2016.”

Gauthier Louette, Chairman and CEO, SPIE

- SPIE, the only “pure player” in this sector, turned over €5.3 bn of business in 2015 and recorded a 0.5 point rise in operating margin, after its successful stock exchange listing.
Real Estate activity saw a recovery in the European construction players, with turnover up by an average of 7% over the period 2014 – 2015.

- **NCC AB** recorded a 24% rise in business, boosting its presence in the Nordic countries and benefiting from the growth generated by real estate and infrastructure investment.

- **Vinci** Immobilier saw growth of 20% in its activities, in conjunction with growth in the residential segment against a background of reducing interest rates and the return of investors influenced by the Pinel law in France.

- **Skanska** recorded growth of 8%, benefiting from the boom in the Swedish residential development while increasing the number of projects in the commercial segment.

- Unlike its competitors, **Bouygues Immobilier** recorded a 17% reduction in activity, due to the sharp fall in housing reservations since 2012.

The growth in activities was accompanied by a relative rise in margins for most companies, confirming the current recovery in the real estate market.

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**We will increase value creation in project development by investing more, particularly in Commercial Property Development and Infrastructure Development. Residential Development continues to grow with an emphasis on profitability and with a stronger presence in Warsaw and Prague.**

**Johan Karlström, President and CEO of Skanska**
Key data 2014-2015:

- Turnover: +4.3%  
- Op. margin: +1.5pt  
- Average op. margin: 31.7%

This sector includes concessions and PPP (public-private partnerships) for the use of infrastructure.

- **Vinci** maintained its position as leader in this sector and benefited from the increase in motorway traffic in France and the growth in airport traffic in Portugal, Cambodia and France. The growth recorded in these markets (3.9% in 2015) offset the impact of the disposal of its subsidiary Vinci Park.

- **Ferrovial** recorded the strongest growth in the sector at +19%, with a rise in operating margins of 6.6 points. This growth can mainly be explained by increasing road and airport traffic.

- **Carillion** also saw significant growth (+18%) in its business, mainly due to the British market, which continued to offer new project opportunities, and the Canadian market which was benefiting from an investment programme.

- **Royal Bam Group** stood out, with a 28% decline in turnover and a 7.3% fall in operating margins. This can be explained by the decision to transfer a number of very profitable existing projects to the joint venture set up in 2014 with the Dutch pension fund PGGM, consolidated by equity method.
FUTURE PROJECTS

7 major international projects

Source: http://acciona-dev.acciona.com

Source: www.baulinks.de
“In particular, we will make digital a lever for optimising the operational performance of our sites and the creativity of our solutions, and to enrich relationships with customers using our infrastructures.”

XAVIER HUILLARD, CHAIRMAN AND CHIEF EXECUTIVE OFFICER, VINCI
As was indicated by the return to growth in the construction sector in 2014 and the increase in order books at the end of 2014, European construction players continued their growth in 2015 with an average increase in activity of 1.8% and improved operating margins of 0.3 point.

Even before the results of the Brexit referendum were known, some indicators were advising caution, including the 0.4% order book reduction or the 5% decline in activity in the major construction groups during the first quarter of 2016. However, the performances achieved in 2015 are part of a movement confirmed by the most recent FIEC publication, forecasting a 2.1% rise in activity in the construction sector for 2016.

While the STOXX All Europe 100 rose by 7.5% in 2015, the stock exchange valuation of the key players rose by 21% in 2015, indicating that the markets were also expecting favourable developments in the sector.

At the time of our previous study, we found average performance** over the last 10 years ranging from 2.6% to 8.9% annually, in a sector that has its own particular risks but which also demonstrates:

- a degree of consistency in result levels;
- average growth prospects of 4.1% annually until 2020*;
- the increasing influence of emerging countries: Africa and the Middle East should outpace Asia in terms of growth in the coming years due to a high demand for infrastructure;
- a still-significant fragmentation in the sector (given that the 15 companies represent 12% of the European construction market), suggesting that there is scope for consolidation.

We may therefore wonder how far these positive aspects are taken into account by the market, a topic that could be addressed in a future study.

"The global construction industry was worth 8.20 trillion euros in 2014 and is expected to grow at an average of 4.1% annually to reach 10.4 trillion euros by 2020."

* XERFI - CONSTRUCTION GROUPS - WORLD - NOVEMBER 2015

** Average return: Average (annual dividends / price at end of period)
BREAKDOWN OF THE 15 MAJOR CONSTRUCTION COMPANIES BY SECTOR OF ACTIVITY

The distribution of the activities of the groups in the sample across the six sectors defined for our study, Building & Public works, Highways, Energy/Services, Real estate, Concessions/Infrastructure and Other, is taken from the information in their publications and on their websites.

<table>
<thead>
<tr>
<th>Group</th>
<th>Building &amp; public works</th>
<th>Highways</th>
<th>Energy / services</th>
<th>Real estate</th>
<th>Concessions</th>
<th>Other</th>
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<tbody>
<tr>
<td>Vinci</td>
<td>Vinci Construction</td>
<td>Eurovia</td>
<td>Vinci Energies</td>
<td>Vinci Immobilier</td>
<td>Vinci Autoroutes Vinci Airports Other concessions</td>
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<td>ACS</td>
<td>Construction</td>
<td>Environment / Industrial services</td>
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<td>Bouygues Construction: public works</td>
<td>Colas</td>
<td>Bouygues Construction: energy and services</td>
<td>Bouygues Immobilier</td>
<td>TF1 Bouygues Telecom</td>
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<td>Property</td>
<td>PPP</td>
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