

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.* ”

XERFI - CONSTRUCTION GROUPS - WORLD - NOVEMBER 2015



EDITORIAL



OLIVIER THIREAU,
Mazars Partner



MATHIEU DELAFOY
Mazars Senior Manager

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.

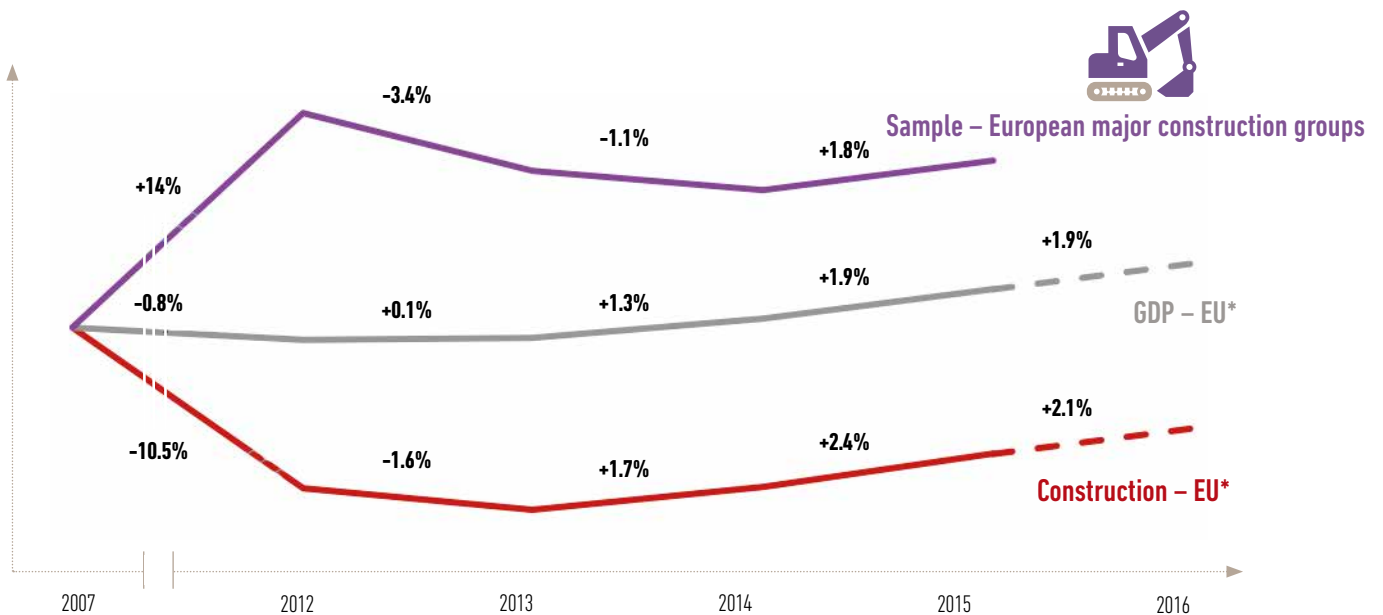
This upturn in the business of European key players reflects the sectoral data published by the FIEC*, which shows the recovery beginning in 2014 (1.7%), and confirmed in 2015 (+2.4%). Over the last two years, the construction sector has grown more rapidly than the GDP in Europe.

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:

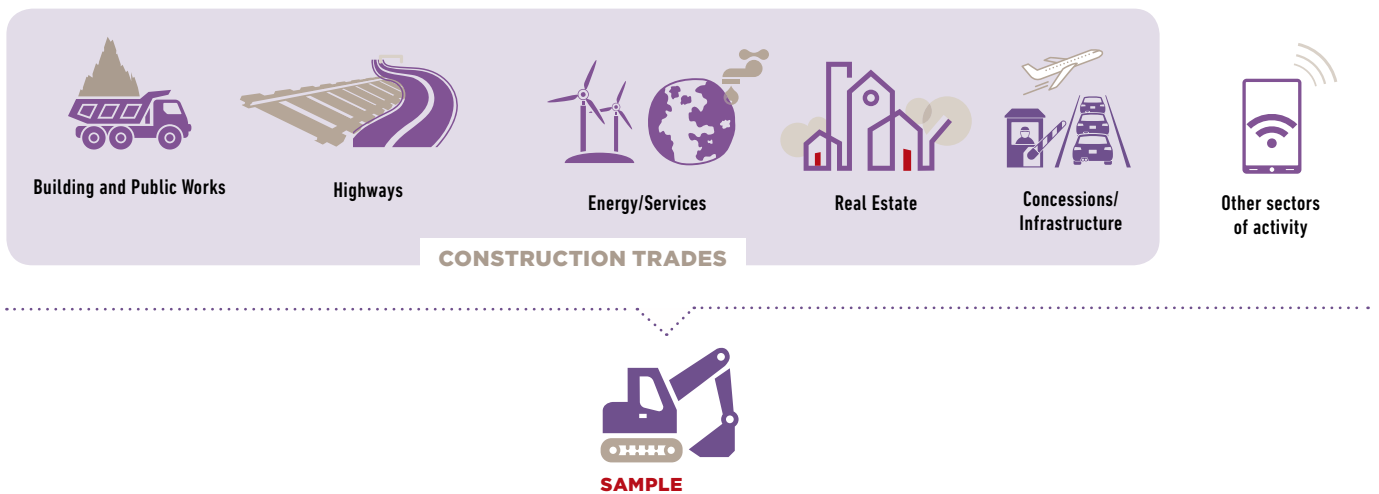
- the addition of the French group SPIE, specialised in energy and communications services;*
- the removal of the Swedish group PEAB, whose turnover fell below €5 bn in 2015.*

Rank	Country of origin	Group	2015 turnover (in €bn)	Market capitalisation at end 2015 (in €bn)
1	France 🇫🇷	Vinci	38.5	34.8
2	Spain 🇪🇸	ACS	34.9	8.5
3	France 🇫🇷	Bouygues	32.4	12.6
4	Sweden 🇸🇪	Skanska	16.4	7.4
5	France 🇫🇷	Eiffage	13.9	5.7
6	Austria 🇦🇹	Strabag	13.1	2.7
7	UK 🇬🇧	Balfour Beatty	9.7	2.5
8	Spain 🇪🇸	Ferrovial	9.6	15.3
9	Netherlands 🇳🇱	Royal BAM Group	7.4	1.4
10	Sweden 🇸🇪	NCC AB	6.7	3.1
11	Spain 🇪🇸	Acciona	6.5	4.6
12	Spain 🇪🇸	FCC	6.5	1.8
13	Germany 🇩🇪	Bilfinger	6.5	2.0
14	UK 🇬🇧	Carillion	6.3	2.0
15	France 🇫🇷	SPIE	5.4	2.5

Source: Bloomberg data

Benchmark

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.

Sources

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.

CONTENTS

EDITORIAL	03
METHODOLOGY	04
KEY FIGURES IN 2015	07
1 - A HESITANT RECOVERY FOR PLAYERS IN THE SAMPLE	08
2 - PROFITABILITY OF MAJOR CONSTRUCTION COMPANIES BY SECTOR IN 2015	18
FUTURE PROJECTS	28
CONCLUSION	30
ANNEXES	32

MAJOR EUROPEAN CONSTRUCTION COMPANIES

KEY FIGURES IN 2015

Solid financial performances

Real estate, energy and services, and concessions, drivers of growth in 2015

ACTIVITY



+1.8%



OF WHICH FRENCH GROUPS REPRESENT

-0.6%

SAMPLE

OPERATING MARGIN



SAMPLE

+0.3 pt



OF WHICH FRENCH GROUPS REPRESENT

+0.5 pt



SAMPLE



-0.4%



OF WHICH FRENCH GROUPS REPRESENT

+0.8%

SAMPLE DATA 2014-2015 BY SECTOR OF ACTIVITY



Building and Public Works



Highways



Energy/Services



Real Estate



Concessions/
Infrastructure

CHANGES IN ACTIVITY

+0.1%

-3.3%

+10.2%

+7.0%

+ 4.3%

OPERATING MARGIN AND TREND

2.2% ↓

2.9% ↓

5.8% ↓

8.6% ↑

31.7%* ↑

* 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.

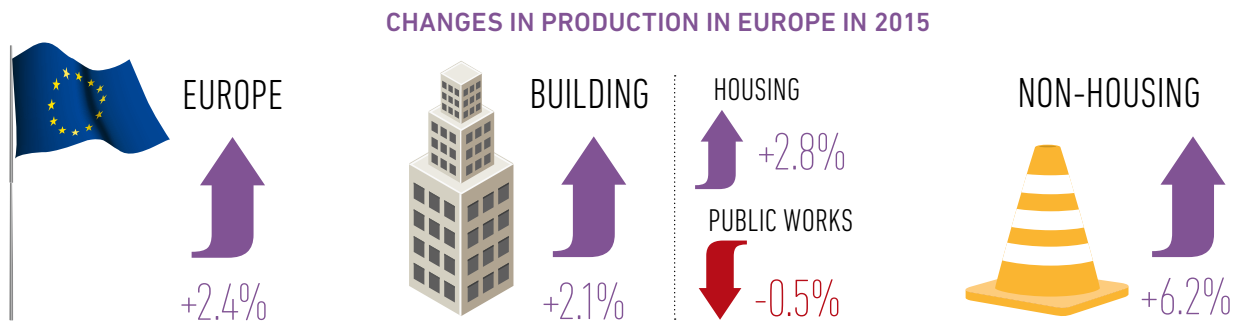
Construction therefore represented 8.5% of the European GDP in 2015, whereas it stood at 10.7% in 2007.



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.



Source: FIEC data – Construction activity in Europe – 2016 edition

1.1 A RETURN TO GROWTH FOR MAJOR PLAYERS IN 2015

ACTIVITY



SAMPLE



+1.8%

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.

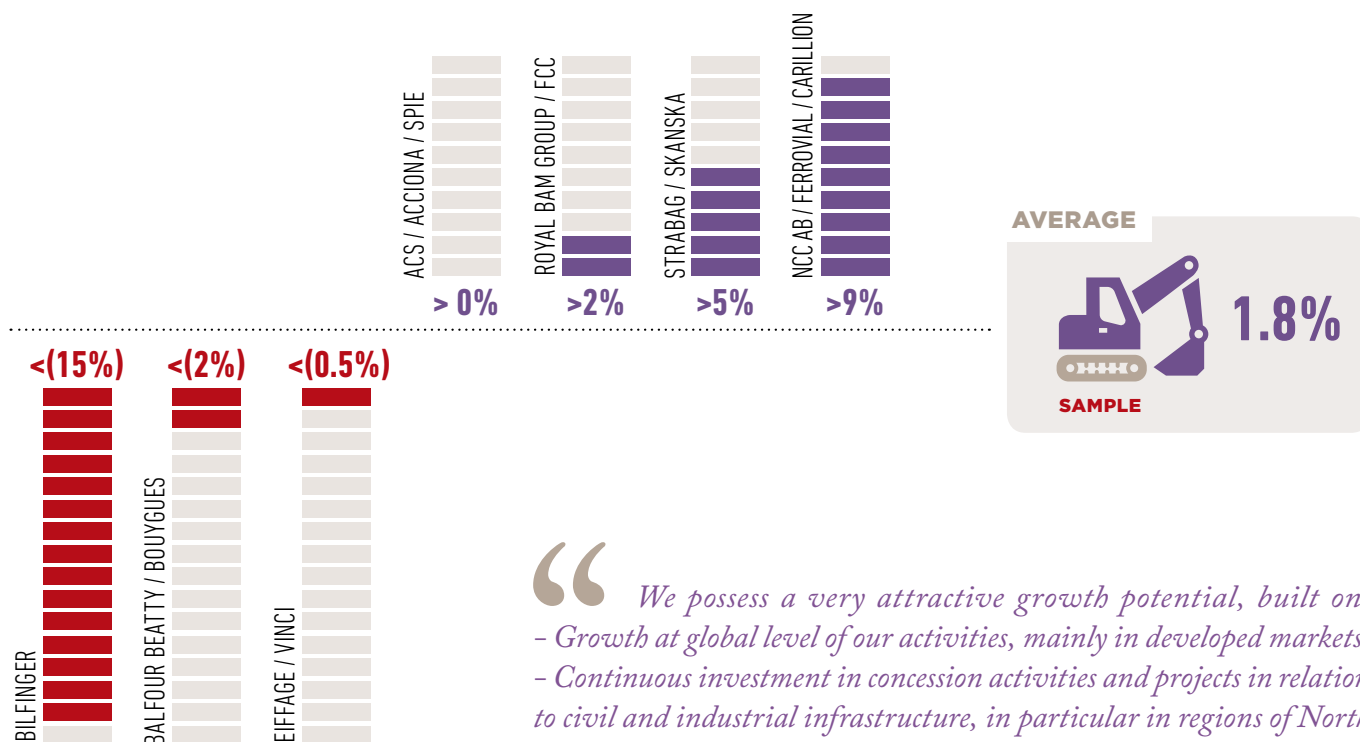
Considering all activities together, in 2015 the aggregated turnover of the sample stood at more than €297 bn in Europe, representing 12.2% of the European construction market.

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

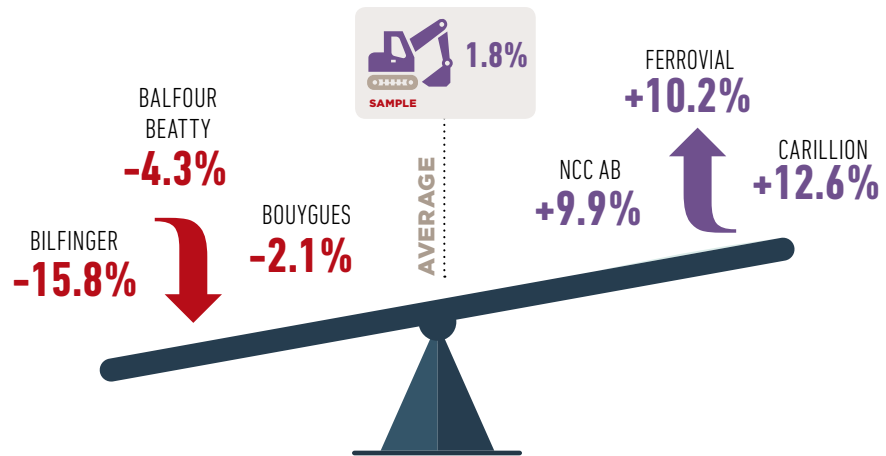


“ We possess a very attractive growth potential, built on:
 - Growth at global level of our activities, mainly in developed markets.
 - Continuous investment in concession activities and projects in relation to civil and industrial infrastructure, in particular in regions of North America and Asia Pacific,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

FLORENTINO PÉREZ, CHAIRMAN AND CEO, ACS

SIGNIFICANT DEVELOPMENTS

ACTIVITY IN 2015



-2.1%

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.



+12.6%

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.



-4.3%

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.



+10.2%

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.



-15.8%

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*).

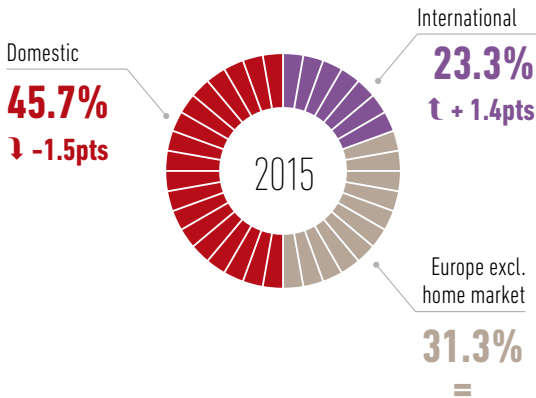


+9.9%

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

GEOGRAPHICAL DISTRIBUTION OF ACTIVITY



“ *Construction activities have adapted to the shrinking French market and are continuing to pursue business internationally.* ”

MARTIN BOUYGUES, CHAIRMAN AND CEO, BOUYGUES

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 WÄGSTRÖM, PRESIDENT AND CEO OF NCC AB

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.

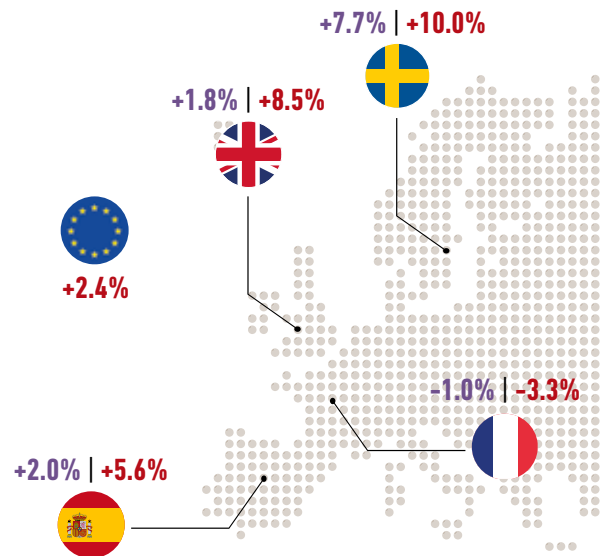
This development is based around two international development strategies which each have their own risks: “**spot**” sites and **long-term establishment**.

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;
- **NCCAB** 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.

Construction business developments in 2015:

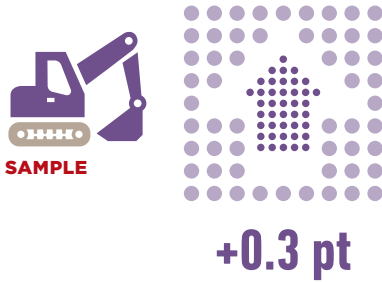
- for the sample companies in their domestic markets
- by country (FIEC data)



N.B. Countries with at least two major groups

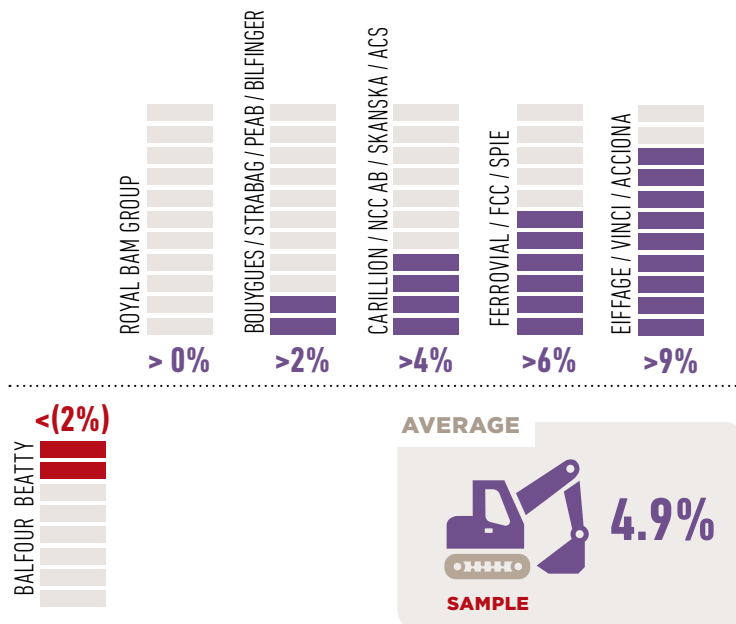
1.2 SLIGHTLY INCREASED OPERATING MARGINS IN 2015

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.

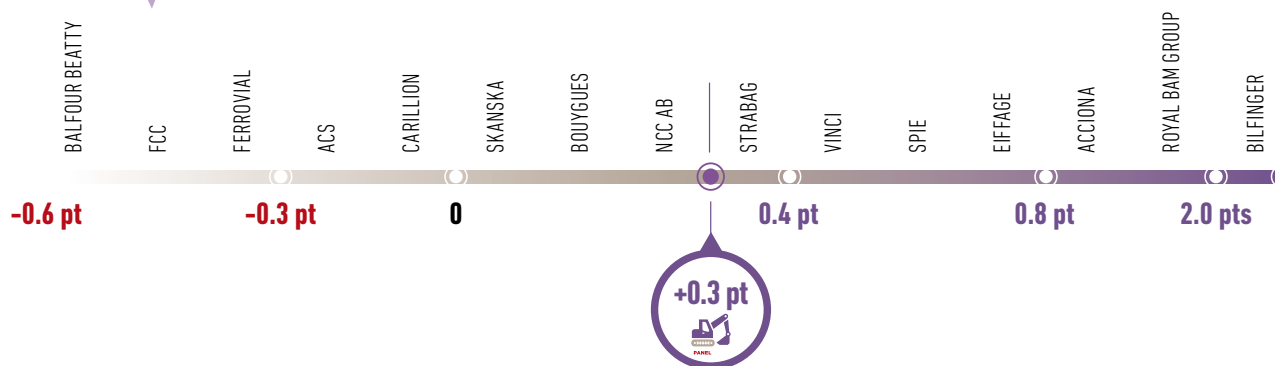
SIGNIFICANT DEVELOPMENTS

CHANGES IN OPERATING MARGIN RATIOS IN 2015

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.

“ *The priority is to pursue the recovery of margins in Public Works while maintaining a high level of profitability in Concessions.* ”

BENOIT DU RUFFRAY, CHAIRMAN
AND CHIEF EXECUTIVE OFFICER OF EIFFAGE



-0.4pt

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.



+2.0pts

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).



-0.6pt

In 2015 **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.



+0.9pt

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.



+0.8pt

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 (*)



-0.4%

meaning -0.9 month's depth***

OF WHICH INTERNATIONAL ORDER BOOK OUTSIDE COUNTRY OF ORIGIN REPRESENTS



64%
↑ up by
6.6%

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

(**) Information available for 8 groups

(***) Depth = order book at end N/Turnover N

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**.

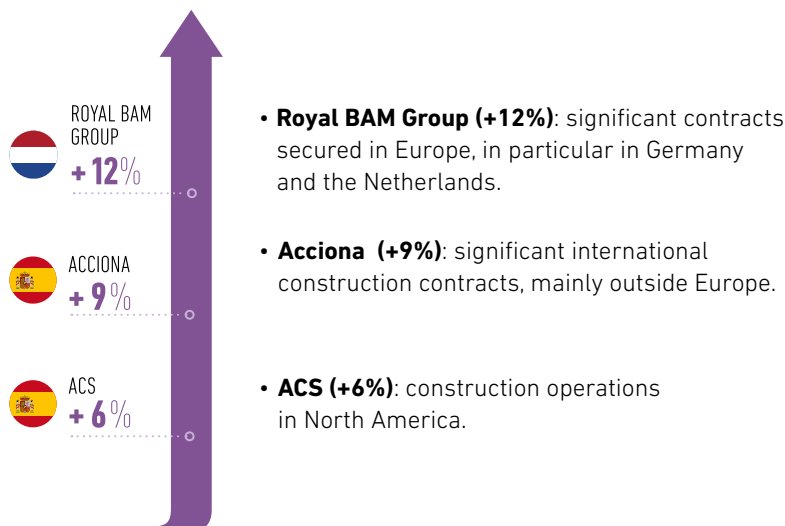
However, this development varies in accordance with:

- 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

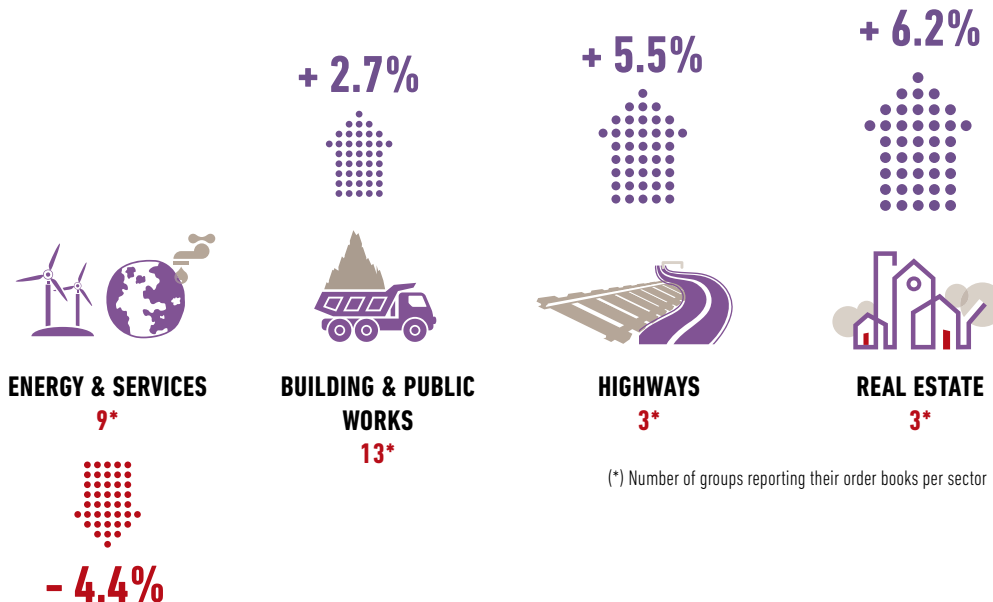


“ We will shape our business portfolio towards ‘doing better things’ by rationalising our propositions and developing new solutions for customers. ”

ROB VAN WINGERDEN, CEO OF ROYAL BAM GROUP

Contrasting order book developments by sector

AVERAGE ORDER BOOK DEVELOPMENTS IN 2015



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.

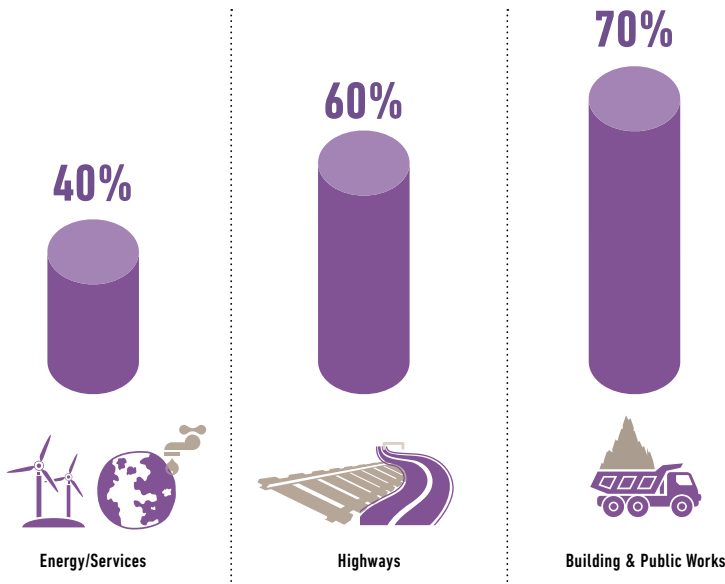
However, **the Energy / Services sector**, which saw the sharpest growth in activity in 2015 at +10%, saw order books fall by an average of more than 4%, in particular due to a decline in four companies that failed to renew multi-annual contracts and the impact of the disposal of companies. Nevertheless, 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 IFRS 15. ”

CAROLE MASSON, MAZARS PARTNER, DOCTRINE EXPERT



II. PROFITABILITY OF MAJOR CONSTRUCTION COMPANIES BY SECTOR IN 2015

PERFORMANCE OF MAJOR CONSTRUCTION COMPANIES BY SECTOR IN 2015

CHANGES IN ACTIVITY

CHANGES IN OPERATING MARGIN



Building & Public Works

52%*



Highways

10%*



Energy & Services

25%*



Real Estate

4%*



Concessions & Infrastructure

5%*



(*): Weight of sector in the total sample activity. In 2015, sectors outside the construction business represented 4% of the sample's business.

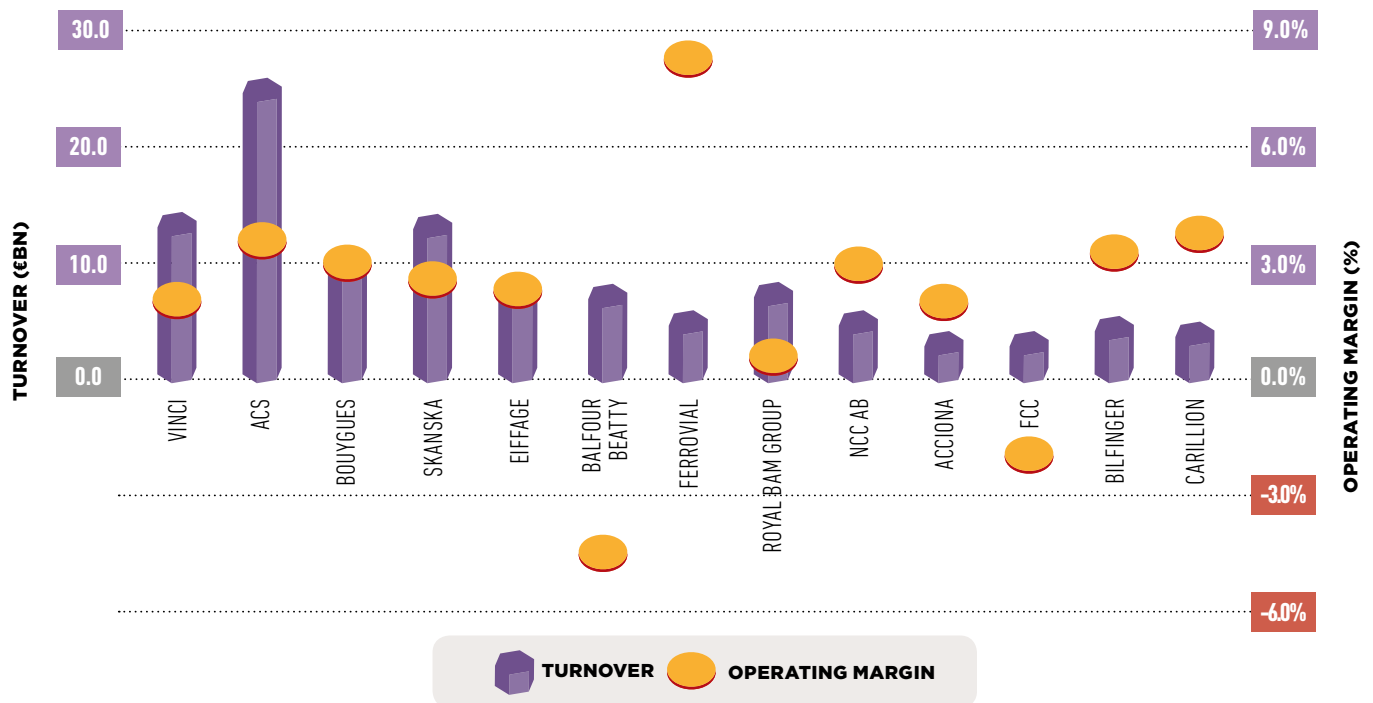
BUILDING & PUBLIC WORKS



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.

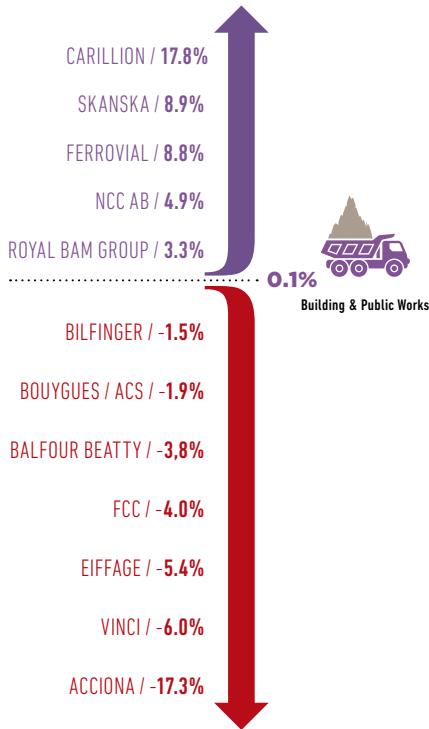


ACS continued to lead the Building and Public Works sample in 2015, but recorded a reduction of nearly 2% from the prior year. By geographic area, the company saw a fall in Europe (-11%), particularly in Germany, and also in Asia (-21%). This decline was partly offset by increased activity in North America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

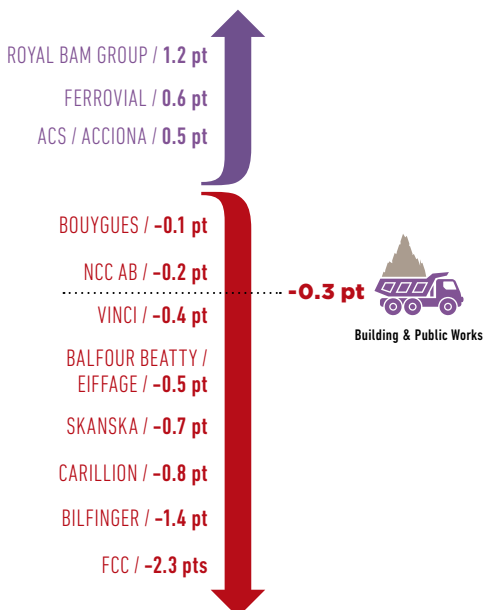
CHANGES IN TURNOVER



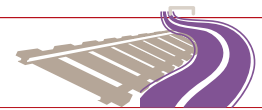
- **Carillion** grew by 18% in 2015. This development is due to significant contract wins, mainly in the United Kingdom, which paid off in 2015. The company also benefited from favourable exchange rates.
- **Skanska** grew by 9%, mainly due to a significant recovery in public investment in the Nordic 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 Metropolitana in June 2014.

Operating margins were stable overall, with some exceptions:

CHANGES IN OPERATING MARGIN



- **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.

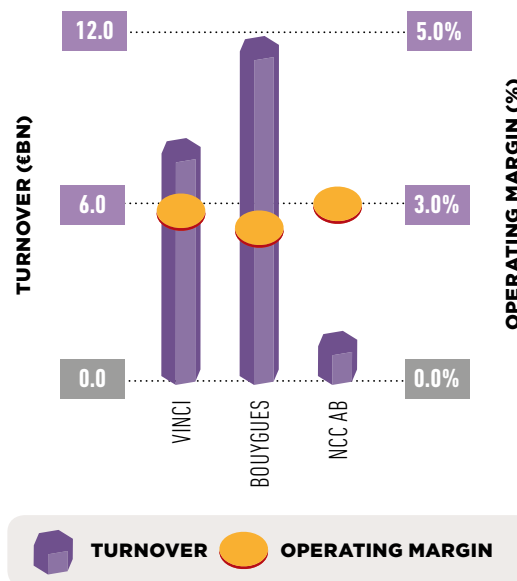


Key data 2014-2015:

Turnover: **-3.3%** | Op. margin: **-0.3pt** | Average op. margin: **2.9%**

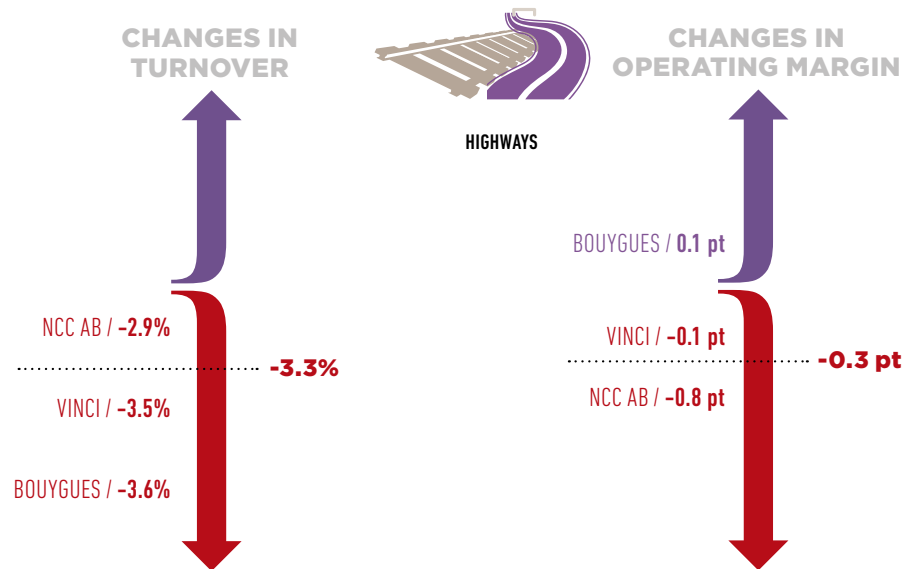
THIS SECTOR INCLUDES THE CONSTRUCTION AND MAINTENANCE OF ROAD AND RAIL INFRASTRUCTURE, AND URBAN AND LEISURE DEVELOPMENT PROJECTS.

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

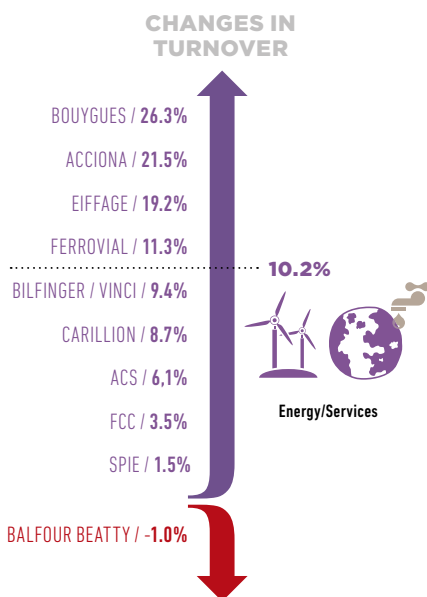
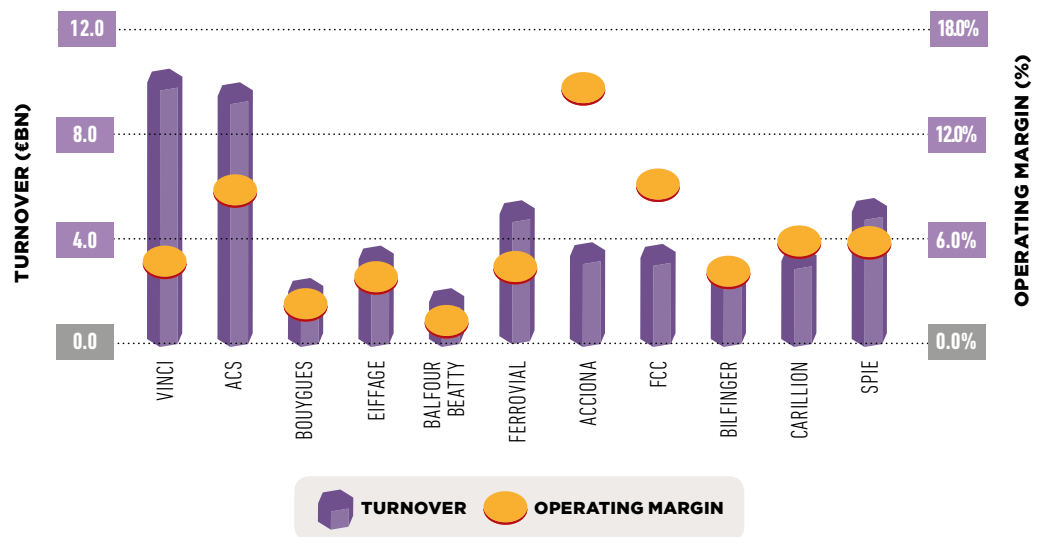


Key data 2014-2015:

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

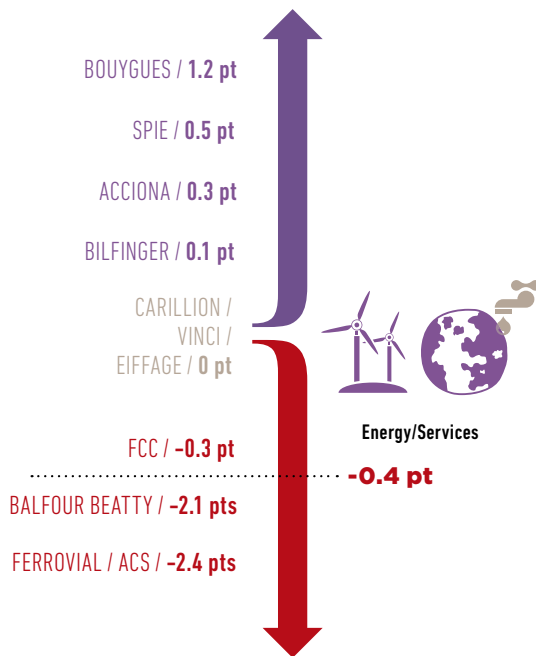
THIS SECTOR INCLUDES ENERGY, NETWORKS, SERVICES TO CONSTRUCTION AND INDUSTRY, THE ENVIRONMENT AND WATER.

- **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 Intech ICT and Electrix.



- **Bouygues Energy & 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%.

CHANGES IN OPERATING MARGIN



“ 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 ”

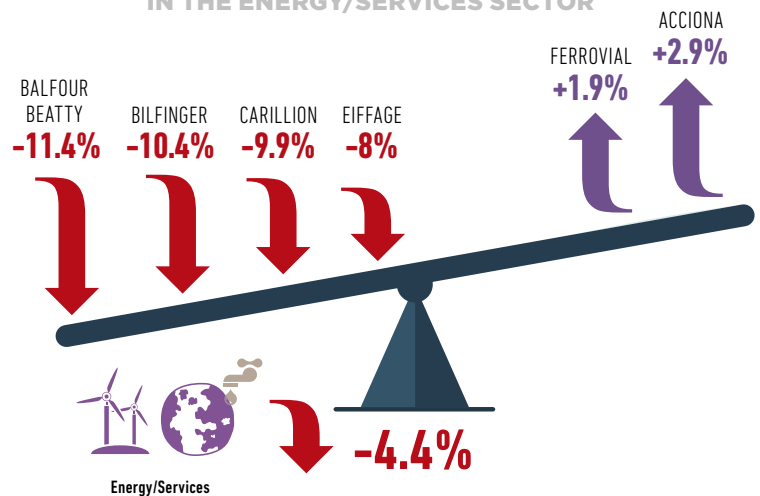
GAUTHIER LOUETTE, CHAIRMAN AND CEO, SPIE

- **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.

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).

ORDER BOOK CHANGES IN THE ENERGY/SERVICES SECTOR



Despite the sharp 10% rise in activities in 2015, the Energy/Services sector saw a fall in its order book by an average of 4%, mainly due to changes in the following groups:

- **Balfour Beatty** (-11%) was facing difficulties in renewing the order book after years of steep growth.
- **Bilfinger** (-10%) was affected by the reclassification of its Power business unit, with the result that it no longer generated orders.
- **Carillion** (-10%) was impacted by a slowdown in the English market in the award of government contracts, caused by the recent elections.
- **Eiffage** (-8%) was affected by the non-renewal of significant business, mainly in France (Bretagne-Pays de la Loire HSR, and the Cestas solar power plant), much of the order book having been consumed in 2015.



Key data 2014-2015:

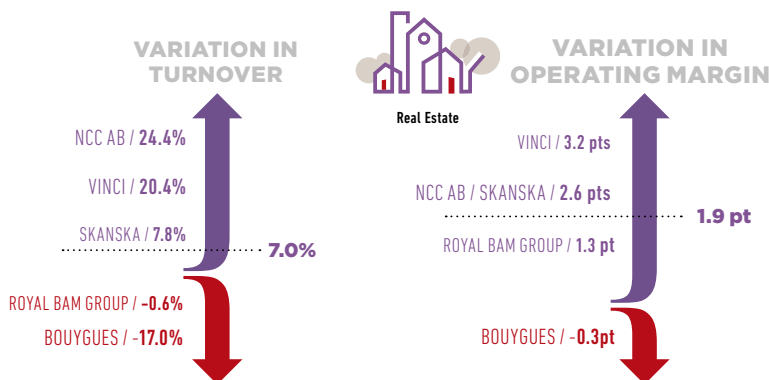
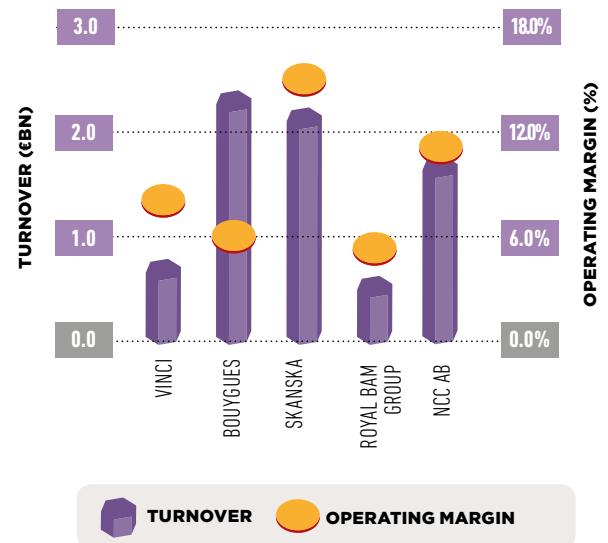
Turnover: **+7.0%** | Op. margin: **+1.9pt** | Average op. margin: **8.6%**

THIS SECTOR MAINLY CONSISTS OF RESIDENTIAL AND COMMERCIAL DEVELOPMENT ACTIVITIES.

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.



“ 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 KARLSTRIIM, PRESIDENT AND CEO OF SKANSKA

CONCESSIONS / INFRASTRUCTURE

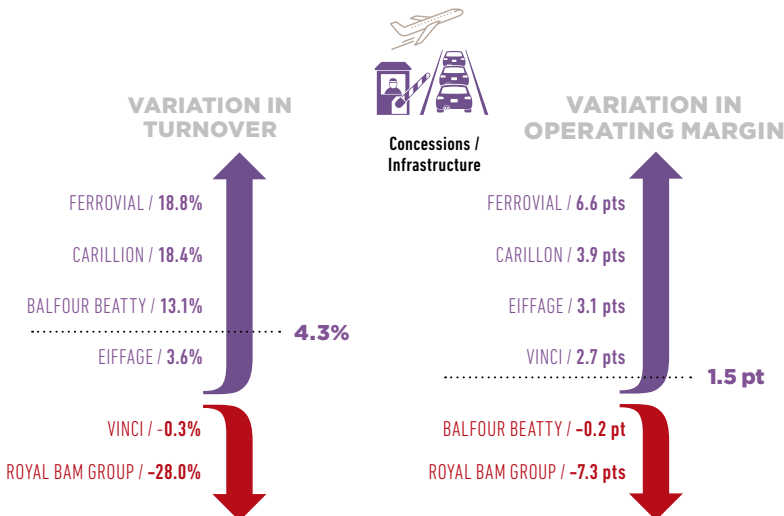
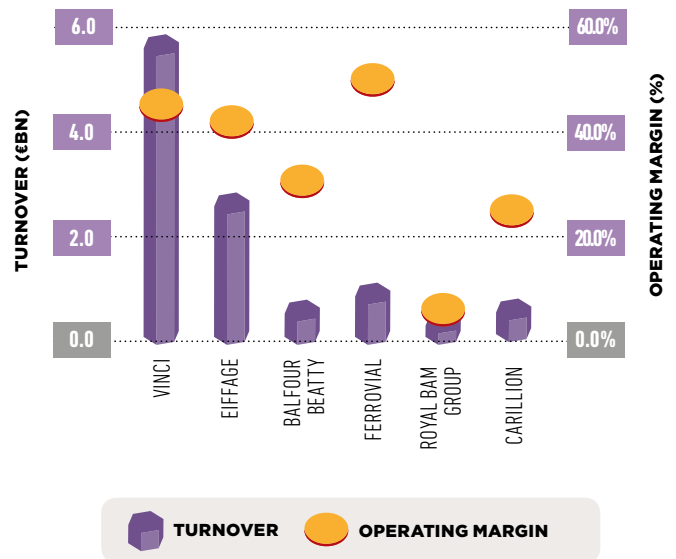


Key data 2014-2015:

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



1 ACCIONA
AÇU PORT
BRAZIL

2 EIFFAGE
HOCHMOSELBRUCKE
GERMANY



Source: <http://aciona-dev.aciona.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



3 VINCI

SANTIAGO AIRPORT
CHILE



Source: www.vinci.com

4 SPIE

BRADFORD UNIVERSITY
UNITED KINGDOM



Source: www.spie.com/fr

5 BOUYGUES

SOLAR ROADWAY
FRANCE



Source: www.metronews.fr

6 SKANSKA

3-D CONCRETE PRINTER
SWEDEN



7 FERROVIAL

SMART CITY – CIUDAD 2020
SPAIN



CONCLUSION

MAJOR TRENDS BETWEEN 2014 AND 2015

CONSTRUCTION SECTOR IN EUROPE		2014	2015
 <p>SAMPLE OF MAJOR GROUPS</p>	TURNOVER	+1.7%	+2.4%
	OPERATING MARGIN	-1.1%	+1.8%
	ORDER BOOK	+0.6 pt	+0.3 pt
		+2.0%	-0.4%

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)

ANNEXES

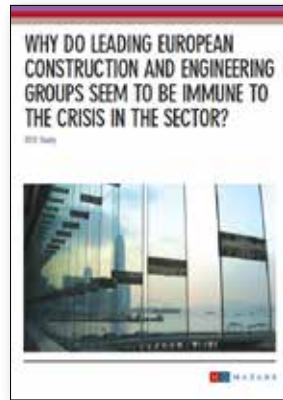
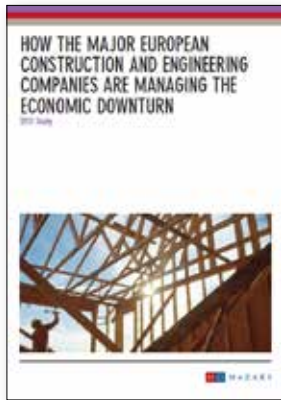


BREAKDOWN OF THE 15 MAJOR CONSTRUCTION COMPANIES BY SECTOR OF ACTIVITY

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.

MAZARS SECTORS						
Group	Building & public works	Highways	Energy / services	Real estate	Concessions	Other
Vinci	Vinci Construction	Eurovia	Vinci Energies	Vinci Immobilier	Vinci Autoroutes Vinci Airports Other concessions	
ACS	Construction		Environment / Industrial services			
Bouygues	Bouygues Construction: construction & public works	Colas	Bouygues Construction: energy and services	Bouygues Immobilier		TF1 Bouygues Telecom
Skanska	Construction			Commercial Property Dev. Residential Dev.		
Eiffage	Construction Infrastructures		Energy sector		Eiffage Concessions	
Strabag	Geographic information					
Balfour Beatty	Construction Services		Support Services		Infrastructure Inv.	
Ferrovial	Construction		Services		Toll Roads	
Royal Bam Group	Construction and M&E Services / Civil Engineering			Property	PPP	
NCC AB	Construction Sweden Construction Denmark Construction Finland Construction Norway	Roads		Housing / Property Development		
Acciona	Construction		Energy / Water / Services			Other Activities
FCC	Construction		Environmental Services Water - Aqualia			
Bilfinger	Construction Industrial		Building and Facility			
Carillion	Middle East Construction Services / Construction Services		Support Services		PPP projects	
Spie			France / Germany and Central Europe North-Western Europe Oil & Gas and Nuclear			

OTHER AVAILABLE PUBLICATIONS





The content of the present document is for information purposes only.
Mazars is in no way responsible for the information or its use.
Property of Mazars - All rights reserved. July 2016

MAZARS IS AN INTERNATIONAL, INTEGRATED AND INDEPENDENT ORGANISATION, SPECIALISING IN AUDIT, ACCOUNTANCY, TAX, LEGAL AND ADVISORY SERVICES. AS OF 1 JANUARY 2016, MAZARS OPERATES THROUGHOUT THE 77 COUNTRIES THAT MAKE UP ITS INTEGRATED PARTNERSHIP. WE DRAW ON THE EXPERTISE OF 17,000 PROFESSIONALS TO ASSIST MAJOR INTERNATIONAL GROUPS, SMES, PRIVATE INVESTORS AND PUBLIC BODIES AT EVERY STAGE OF THEIR DEVELOPMENT.

CONTACTS

Real Estate group practice

Shahab Moreh

Tel.: +1 212 375 6791

E-mail: shahab.moreh@weisermazars.com

Austria

Peter Ernst

Tel.: +43 1 3671667 12

E-mail: peter.ernst@mazars.at

Belgium

Anton Nuttens

Tel.: +32 3 230 31 55

E-mail: anton.nuttens@mazars.be

Czech Republic

Milan Prokopius

Tel.: +420 224 835 730

E-mail: milan.prokopius@mazars.cz

France

Olivier Thireau

Tel.: +33 1 49 97 63 82

E-mail: olivier.thireau@mazars.fr

Germany

Stefan Kirchmann

Tel.: +49 69 96765 1208

E-mail: stefan.kirchmann@mazars.de

Andreas Lichel

Tel.: +49 30 208 88-1002

E-mail: andreas.lichel@mazars.de

Hungary

Philippe Michalak

Tel.: +36 1 885 0201

E-mail: philippe.michalak@mazars.hu

Ireland

Mark Kennedy

Tel.: +353 1 449 4442

E-mail: mkennedy@mazars.ie

Italy

Olivier Rombaut

Tel.: +39 3357839836

E-mail: olivier.rombaut@mazars.it

Luxembourg

Pierre Friderich

Tel.: +352 27 114-301

E-mail: pierre.friderich@mazars.lu

Poland

Michel Kiviatkowski

Tel.: +48 22 345 52 00

E-mail: m.kiviatkowski@mazars.pl

Netherlands

Leander Kuster

Tel.: +31 88 2772210

E-mail: leander.kuster@mazars.nl

Portugal

Fernando Vieira

Tel.: +351 217 210 183

E-mail: fernandovieira@mazars.pt

Romania

Dino Ebneter

Tel.: +4021 528 57 57

E-mail: dino.ebneter@mazars.ro

Slovakia

Mickael Compagnon

Tel.: +421 2 59 20 4700

E-mail: mickael.compagnon@mazars.sk

Spain

José Luis Bueno

Tel.: +34 915 624 030

E-mail: joseluis.bueno@mazars.es

Sweden

Karin Löwhagen

Tel.: +46 46 32 74 20

E-mail: karin.lowhagen@mazars.se

Switzerland

Jean-Philippe Keil

Tel.: +41 44 384 84 30

E-mail: jean-philippe.keil@mazars.ch

Ukraine

Grégoire Dattée

Tel.: +38 044 390 71 07

E-mail: gregoire.dattee@mazars.ua

United Kingdom

David Herbinet

Tel.: +44 207 063 4419

E-mail: david.herbinet@mazars.co.uk

Photo © Thinkstock