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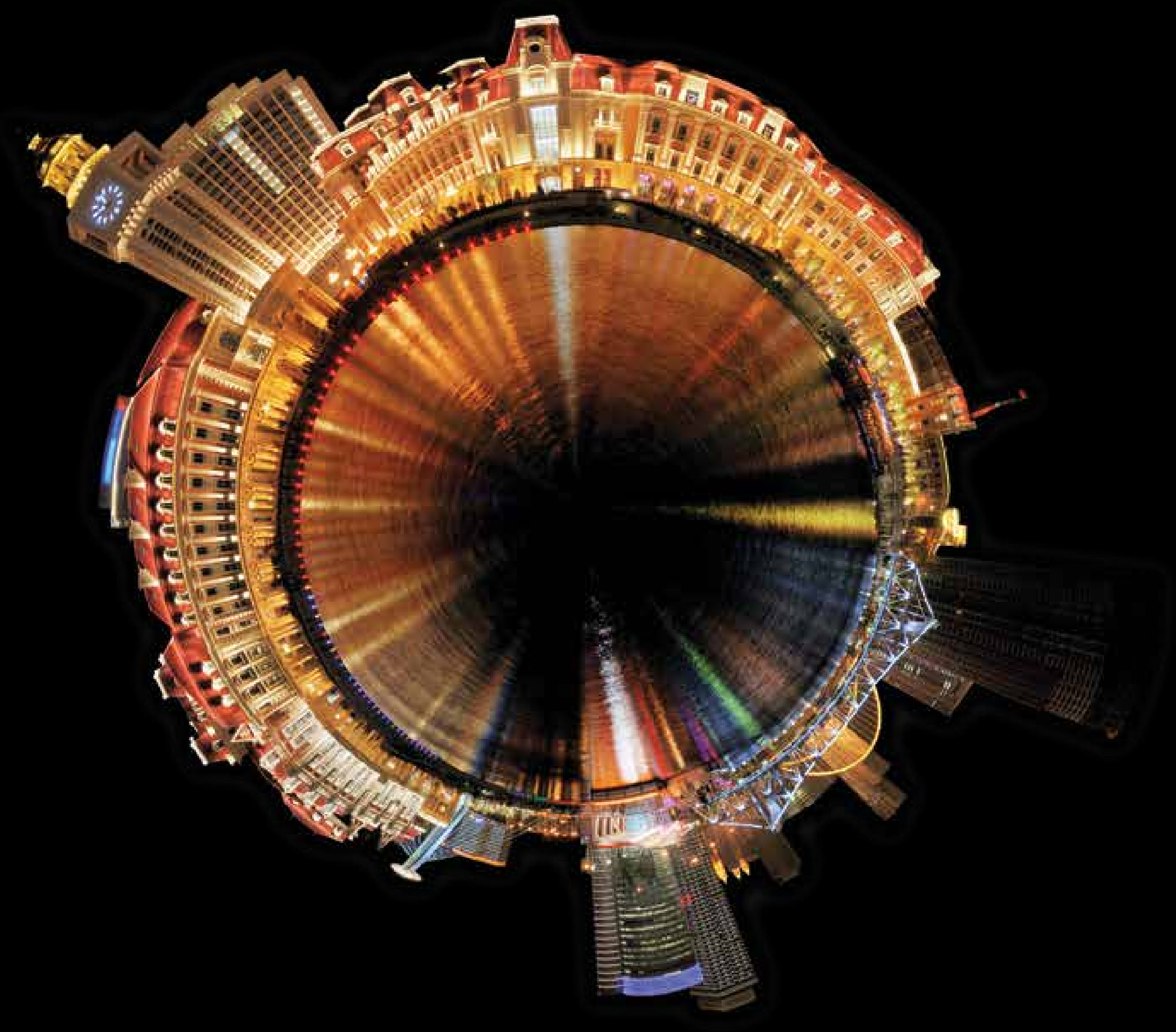

EPoC 2016
European Powers of Construction

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Introduction

The fourteenth edition of European Powers of Construction analyses the current economic situation of the construction industry and examines the strategies and performance of the most representative listed European construction groups in 2016.

We are pleased to present European Powers of Construction 2016, our annual publication in which we identify and outline the major listed European construction groups and provide insights into the current marketplace. The data in this edition of EPoC was gathered from internal and external sources, such as annual company reports, Euroconstruct, European Commission and ENR reports.

The market position and performance of the main industry players in terms of revenue, market capitalisation, internationalisation, diversification, profitability, indebtedness and other financial ratios are examined throughout this publication. Additionally, it contains an analysis of the financial situation of the most representative non-European listed construction groups, which are mainly headed and dominated by Chinese companies.

In 2016 the aggregate sales and market capitalisation of the major European companies fell by 2% and 5% respectively (Figure 1.1). However, it should be noted that the market value of our most significant EPoC in 2016 remained slightly higher than that achieved prior to the financial crisis which began in 2007.

This publication includes an analysis of the current macroeconomic situation and expectations for coming years in the European construction industry. The industry, which is emerging from recession, has returned to a moderate level of growth, which it regained in 2014. Structural reforms are expected to consolidate economic recovery and lead to sustainable growth. Moreover, this publication reviews the macroeconomic outlook of other regions such as the Americas, Africa and Asia-Pacific.

With regard to our analysis of internationalisation and diversification strategies, we have updated the current position of the main industry players. In 2016 international and non-construction sales remained in line with 2015 and represented around 52% and 29% of total sales, respectively. In this year's publication we have performed a more in-depth review of non-construction activities. The main players in non-construction industries such as concessions, engineering and services have been identified and their main financial information has been compared with that of our EPoC.

We have also maintained the section on company profiles, which focuses on the Top 20 listed European construction companies in terms of revenue. For the selected companies, we present key data regarding ownership structure, main activities and divisions, international presence, goals and strategic objectives and selected financial data from the groups' 2016 financial statements, compared with 2015[1] and 2014[1].

We hope that you find our EPoC 2016 review of the construction industry of interest, and that the information detailed herein helps you to understand and assess its challenges and opportunities. As always, we welcome any thoughts and suggestions you may have with regard to any of the topics discussed.

1 Please note that prior years' data corresponds in all cases to the audited financial statements for the relevant year, since we do not take into consideration subsequent restatements. In addition, we have converted the financial data of companies with functional currencies other than the euro into euros using the exchange rate prevailing at year-end for balance sheet data, and the average exchange rate for the year for statement of profit or loss data.

Ranking of listed European construction companies

Total EPoC sales decreased by 2% and market cap decreased by 5%. Only 24 of the Top 50 groups managed to increase total revenue in 2016. Of the Top 20, Ferrovial, Salini Impregilo, Barrat and Kier achieved double-digit growth.

In terms of revenue, Vinci, ACS and Bouygues have led our EPoC ranking (Figure 1.2) since 2012, and this is likely to remain unchanged in the coming years considering the significant gap that exists between these three companies and Skanska, ranked in fourth position. The “Big 3”, all of which obtained sales exceeding EUR 30,000 million, represent 35% and 38% of total income and market value recorded by the EPoC in 2016.

Total income recorded by the EPoC in 2016 amounted to EUR 294,618 million, slightly lower than in 2015 (a 2% decrease) (Figure 1.1). Among the Top 20, only eight groups managed to increase total revenue in 2016. It is noteworthy that within this group Ferrovial, Salini Impregilo, Barratt and Kier achieved double-digit growth.

With regard to the EPoC’s stock market performance, total value decreased from EUR 164,067 million in 2015 to EUR 155,353 million in 2016 (a 5% decrease). The market cap growth observed in countries such as France, Sweden and Austria partially offset the downturn experienced by UK groups (-33%) (Figure 1.1).

As in previous years, France remains in first place in our Top 50 in terms of both total sales and market capitalisation, with three companies in the Top 5. While total sales of the French groups remained stable, market value rose by 7% to EUR 56,000 million, approximately (Figure 1.1) Vinci represents 68% of the total market capitalisation attained by the French EPoC and an impressive 25% of total market capitalisation of the entire 50 EPoC.

Spain, which is represented by seven groups, recorded 21% of total sales obtained by the EPoC in 2016. On an aggregate basis, both market value and revenue decreased by 5% in the year (Figure 1.1). Five groups (ACS, Ferrovial, Acciona, FCC and OHL) are ranked among the Top 20. While Ferrovial jumped to 7th position, OHL dropped to 20th place. ACS, Acciona and FCC remained unchanged and San José, which had been out of the ranking since 2013, returned to 49th place (Figure 1.2).

The United Kingdom dominates the Top 50 in terms of number of companies, with a total of 13 medium-sized groups. Some of the companies are engaged mainly in residential building construction. Sales of our British EPoC remained relatively stable compared to 2015, at EUR 56,253 million. Without taking into account the effect of foreign exchange rates, total British sales would have increased by approximately 10%. On the other hand, it is worth noting the performance of these companies in the stock markets in 2016: total market value decreased by 33% to EUR 27,878 million (Figure 1.1). However, since 2011 market value has grown by 147%.

Figure 1.1

Country	Number of companies	Sales 2016 (€ M)	Sales 2015 (€ M)	Variation 2016 vs 2015	Market Capitalisation 2016 (€ M)	Market Capitalisation 2015 (€ M)	Variation 2016 vs 2015
FRANCE	3	84,148	85,006	(1%)	56,370	52,907	7%
SPAIN	7	61,999	65,500	(5%)	31,104	32,697	(5%)
UNITED KINGDOM	13	56,253	55,434	1%	27,878	41,356	(33%)
SWEDEN	4	27,451	29,279	(6%)	16,191	14,567	11%
AUSTRIA	2	15,817	16,263	(3%)	4,265	3,232	32%
NETHERLANDS	3	11,176	11,708	(5%)	1,583	2,033	(22%)
ITALY	3	9,969	8,936	12%	2,146	2,835	(24%)
TURKEY	2	4,584	5,390	(15%)	6,721	6,176	9%
GREECE	3	3,646	3,005	21%	511	426	20%
PORTUGAL	2	3,442	3,925	(12%)	617	589	5%
FINLAND	2	3,361	3,611	(7%)	1,426	977	46%
NORWAY	1	3,080	2,707	14%	1,816	1,508	20%
SWITZERLAND	1	2,997	3,079	(3%)	1,289	861	50%
BELGIUM	1	2,797	3,239	(14%)	2,619	2,762	(5%)
DENMARK	2	2,312	2,251	3%	622	843	(26%)
GERMANY	1	1,586	1,656	(4%)	195	298	(34%)
Total	**50**	**294,618**	**300,989**	**(2%)**	**155,353**	**164,067**	**(5%)**

Source: Bloomberg. Deloitte analysis

Top 50 EPoC – ranking by sales

Figure 1.2

				FY 2016				
Rank 2016	**Company**	**Country**	**FY End**	**Sales 2016 (€ m)**	**% Variation 2016 vs 2015 (a)**	**EBIT 2016 (€ m)**	**Market Capitalisation 2016 (€ M)**	**Ranking 2016 vs 2015 (b)**
1	VINCI SA	FRANCE	Dec 16	38,073	(1%)	4,174	38,128	=
2	ACTIV. DE CONSTR. Y SERV. SA (ACS)	SPAIN	Dec 16	31,975	(8%)	1,368	9,446	=
3	BOUYGUES SA	FRANCE	Dec 16	31,768	(2%)	1,121	12,083	=
4	SKANSKA AB	SWEDEN	Dec 16	15,352	(6%)	762	9,187	=
5	EIFFAGE SA	FRANCE	Dec 16	14,307	2%	1,597	6,159	=
6	STRABAG SE	AUSTRIA	Dec 16	12,400	(6%)	425	3,452	=
7	FERROVIAL SA	SPAIN	Dec 16	10,759	11%	926	12,450	▲ 1
8	BALFOUR BEATTY PLC	UNITED KINGDOM	Dec 16	10,596	(9%)	18	2,171	▼ 1
9	KONINKLIJKE BAM GROEP NV	NETHERLANDS	Dec 16	6,976	(6%)	33	1,188	=
10	CARILLION PLC	UNITED KINGDOM	Dec 16	6,363	1%	222	1,189	▲ 3
11	ACCIONA SA	SPAIN	Dec 16	5,977	(9%)	988	4,004	=
12	FOMENTO DE CONSTR. Y CONTRATAS SA (FCC)	SPAIN	Dec 16	5,952	(8%)	94	2,861	=
13	SALINI IMPREGILO SPA	ITALY	Dec 16	5,884	24%	276	1,468	▲ 4
14	BARRATT DEVELOPMENTS PLC	UNITED KINGDOM	Jun 16	5,656	15%	892	4,875	▲ 1
15	KIER GROUP PLC	UNITED KINGDOM	Jun 16	5,624	28%	16	1,212	▲ 3
16	NCC AB	SWEDEN	Dec 16	5,590	(16%)	153	2,523	▼ 6
17	PEAB AB	SWEDEN	Dec 16	4,894	3%	222	2,217	▼ 1
18	INTERSERVE PLC	UNITED KINGDOM	Dec 16	4,497	(10%)	(121)	583	▼ 4
19	TAYLOR WIMPEY PLC	UNITED KINGDOM	Dec 16	4,486	4%	931	5,864	▲ 1
20	OBRASCON HUARTE LAIN SA (OHL)	SPAIN	Dec 16	3,863	(12%)	22	984	▼ 1
21	PERSIMMON PLC	UNITED KINGDOM	Dec 16	3,828	(4%)	941	6,411	▲ 1
22	PORR GROUP	AUSTRIA	Dec 16	3,417	9%	100	813	▲ 3
23	GALLIFORD TRY PLC	UNITED KINGDOM	Jun 16	3,332	8%	211	906	▲ 3
24	ENKA INSAAT VE SANAYI AS	TURKEY	Dec 16	3,167	(23%)	567	6,078	▼ 3
25	MORGAN SINDALL PLC	UNITED KINGDOM	Dec 16	3,126	(5%)	57	390	▼ 2
26	VEIDEKKE ASA	NORWAY	Dec 16	3,080	14%	113	1,816	▲ 4
27	ASTALDI SPA	ITALY	Dec 16	3,004	5%	317	528	▲ 2
28	IMPLENIA AG	SWITZERLAND	Dec 16	2,997	(3%)	95	1,289	▼ 1
29	BELLWAY PLC	UNITED KINGDOM	Jul 16	2,948	26%	647	3,049	▲ 3
30	SACYR VALLEHERMOSO SA	SPAIN	Dec 16	2,860	(3%)	208	1,149	▼ 2
31	CFE	BELGIUM	Dec 16	2,797	(14%)	227	2,619	▼ 7
32	ORANJEWOUD NV	NETHERLANDS	Dec 16	2,316	0%	26	277	=
33	MOTA ENGIL SGPS SA	PORTUGAL	Dec 16	2,212	(9%)	88	490	▼ 2
34	KELLER GROUP PLC	UNITED KINGDOM	Dec 16	2,172	1%	104	711	▲ 1
35	COSTAIN GROUP PLC	UNITED KINGDOM	Dec 16	2,023	12%	43	431	▲ 2
36	ELLAKTOR SA	GREECE	Dec 16	1,942	27%	98	257	▲ 4
37	HEIJMANS NV	NETHERLANDS	Dec 16	1,884	(5%)	(94)	118	▼ 2
38	LEMMINKAINEN OYJ	FINLAND	Dec 16	1,683	(10%)	68	473	▼ 2
39	YIT OYJ	FINLAND	Dec 16	1,678	(3%)	18	953	▼ 1
40	JM AB	SWEDEN	Dec 16	1,615	8%	204	2,264	▲ 3
41	ISG PLC	UNITED KINGDOM	Dec 16	1,602	(26%)	7	86	▼ 7
42	BAUER AKTIENGESELLSCHAFT	GERMANY	Dec 16	1,586	(4%)	68	195	▼ 2
43	TEKFEN HOLDING AS	TURKEY	Dec 16	1,417	10%	94	643	▲ 3
44	PER AARSLEFF A/S	DENMARK	Sep 16	1,399	2%	56	486	=
45	TEIXEIRA DUARTE ENGENHARIA E CONSTRUÇOES SA	PORTUGAL	Dec 16	1,230	(18%)	191	127	▼ 3
46	GEK TERNA	GREECE	Dec 16	1,163	20%	180	224	▲ 1
47	TREVI GROUP	ITALY	Dec 16	1,081	(19%)	(38)	150	▼ 2
48	MT HOJGAARD	DENMARK	Dec 16	913	4%	10	136	=
49	GRUPO SAN JOSÉ	SPAIN	Dec 16	613	14%	25	210	N/A
50	J&P AVAX	GREECE	Dec 16	541	8%	(29)	30	N/A

(a) % variation is calculated over total sales included in 2015´s financial statements, without considering any subsequent restatement.
(b) Financial data of companies with functional currency other than the Euro is converted into Euros, using the exchange rate prevailing at year end for balance sheet data, and the average exchange rate for the year for income statement data.

Top 20 EPoC – ranking by market capitalisation

The aggregate market capitalisation of our Top 20 EPoC at the end of 2016 was 4% higher than in 2007, just before the financial crisis began.

Since 2012, the Top 20 EPoC 2016 ranking by market capitalisation (Figure 2.1) has been headed by Vinci, Ferrovial and Bouygues, which represent 46% of the total market capitalisation attained by our EPoC.

The market capitalisation of Vinci, which achieved the highest increase in absolute terms (EUR 3,000 million approximately), is significantly higher (by at least EUR 25,000 million) than that of the rest of the companies analysed in the EPoC 2016 publication. It should be noted that Ferrovial, which is in 7th position in terms of total revenue, is ranked 2nd in terms of market value. In comparison with 2015, the novelties of the ranking are FCC and Veidekke, which are ranked 14th and 20th, respectively.

Total Top 20 aggregate market capitalisation dropped to EUR 137,657 million (-4% compared with 2015). Despite the fact that market value decreased in 2016, total market capitalisation remained above the figures reached in pre-crisis periods (2007). Aggregate market capitalisation for the Top 20 EPoC exceeds the figures achieved in 2007 by 4%.

In terms of countries, the French EPoC increased their market value by 7% to EUR 56,370 million, in line with the growth recorded by the CAC 40 index during the period. These figures are explained mainly by the exceptional performance of Vinci in the stock markets, which offset the decrease reported by Bouygues.

With regard to the Spanish groups, total market value decreased by 5% to EUR 28,761 million, while the IBEX 35 index fell by 2% in the period. Among these groups, only ACS and FCC increased their stock exchange capitalisation in 2016. Except for Ferrovial, it should also be noted that none of the Spanish EPoC have yet managed to reach the market value achieved before the beginning of the financial crisis (27% below 2007 on aggregate) (Figure 2.2).

There are five UK groups in our Top 20 ranking by market capitalisation: Persimmon, Taylor Wimpey, Barratt Developments, Bellway and Balfour Beatty. In 2016 aggregate market capitalisation for these companies decreased by 32% (a decrease of 20% excluding foreign

Figure 2.1

Rank	Company	COUNTRY	Market Capitalisation (€ m) 2016	Market Capitalisation (€ m) 2015	Variation 2016 vs 2015	Ranking change on 2015
1	VINCI	FRANCE	38,128	34,801	10%	=
2	FERROVIAL	SPAIN	12,450	15,270	(18%)	=
3	BOUYGUES	FRANCE	12,083	12,613	(4%)	=
4	ACS	SPAIN	9,446	8,501	11%	↑2
5	SKANSKA	SWEDEN	9,187	7,373	25%	↑ 3
6	PERSIMMON	UNITED KINGDOM	6,411	8,427	(24%)	↑ 1
7	EIFFAGE	FRANCE	6,159	5,493	12%	↑ 3
8	ENKA	TURKEY	6,078	5,704	7%	↑ 1
9	TAYLOR	UNITED KINGDOM	5,864	8,974	(35%)	↓ 5
10	BARRATT	UNITED KINGDOM	4,875	8,625	(43%)	↓ 5
11	ACCIONA	SPAIN	4,004	4,528	(12%)	=
12	STRABAG	AUSTRIA	3,452	2,419	43%	↑ 4
13	BELLWAY	UNITED KINGDOM	3,049	4,195	(27%)	↓ 1
14	FCC	SPAIN	2,861	1,824	57%	↑ 8
15	CFE	BELGIUM	2,619	2,762	(5%)	↓ 1
16	NCC	SWEDEN	2,523	3,088	(18%)	↓ 3
17	JM	SWEDEN	2,264	2,024	12%	↑ 1
18	PEAB	SWEDEN	2,217	2,082	6%	↓ 1
19	BALFOUR	UNITED KINGDOM	2,171	2,528	(14%)	↓ 4
20	VEIDEKKE	NORWAY	1,816	1,508	20%	↑ 5

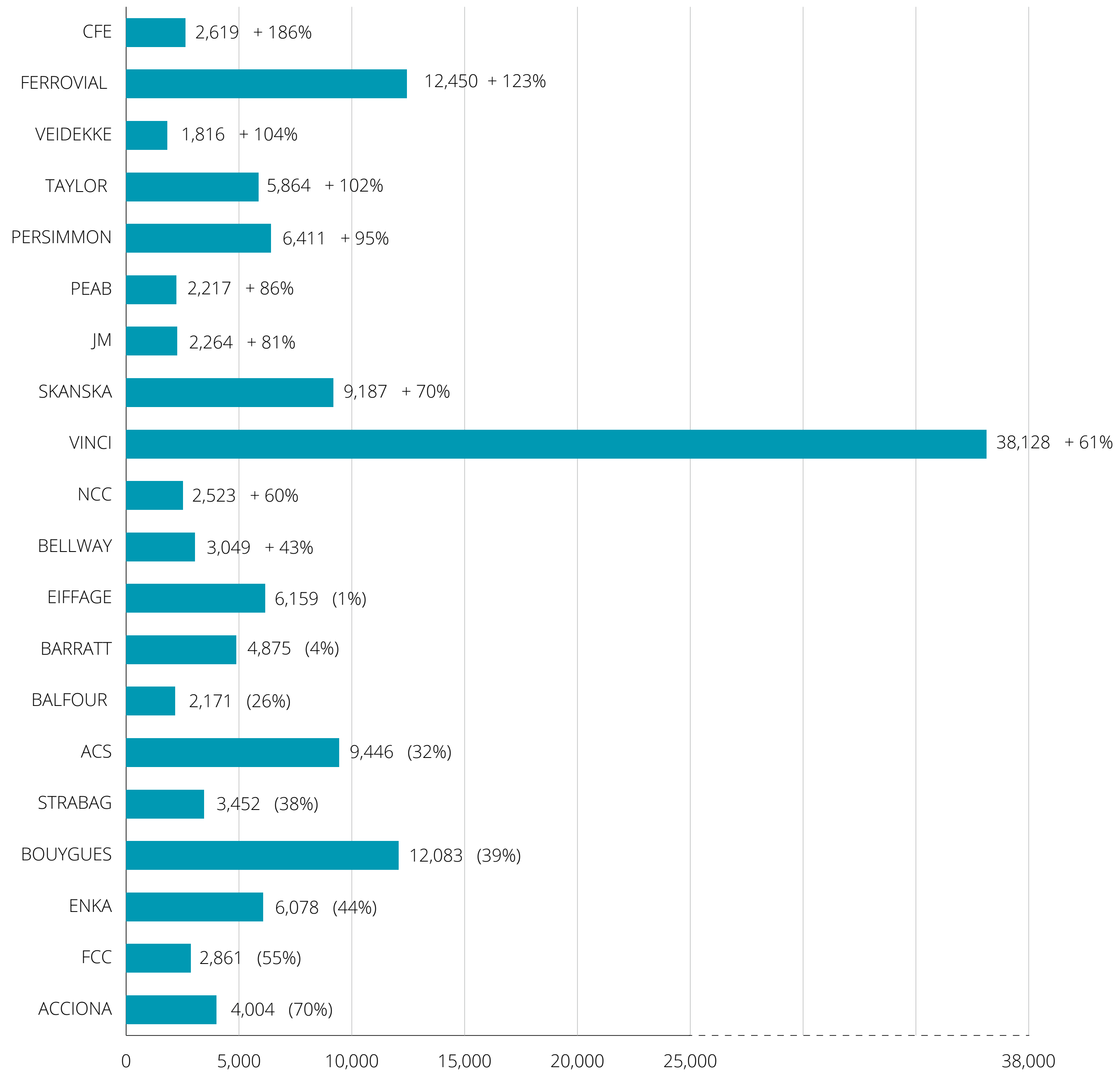
Source: Bloomberg

exchange effect), explained mainly by the weakening of the Sterling against the euro and probably market assessment the convection with the impact of the Brexit. However, their market value is 37% above pre-crisis period (2007) levels (Figure 2.2).

With regard to other countries, it is noteworthy that the Swedish group Skanska entered the Top 5 in market value, while the Austrian group Strabag experienced one of the most significant jumps in this ranking, up to 12th position from 16th in 2015.

As commented before, the aggregate market capitalisation of our Top 20 EPoC at the end of 2016 was 4% higher than in 2007 (Figure 2.2), just before the financial crisis began. Eleven of our Top 20 EPoC recorded market value increases in that period, with CFE and Ferrovial leading the ranking (in relative terms) with increases of 186% and 123%. On the contrary, nine of our Top 20 EPoC experienced a decrease in market capitalisation, with Acciona and FCC recording the most significant decreases (70% and 55%, respectively).

Figure 2.2: Market Capitalisation 2016 vs 2007



Outlook for the construction industry in the EU

After years of slowdown, since 2014 the industry has been continuously growing at a moderate but stable pace.

Investment in construction in the EU was dramatically affected by the global economic and financial crisis. From 2008 to 2014, when the deficit reduction policies implemented by governments were especially severe, almost all countries in the area recorded lower levels of investment in the construction industry. Among them, countries such as Ireland, Greece, Spain, Cyprus, Portugal and Slovenia were particularly affected.

However, this trend reached a turning point in 2014 when construction investment in the EU grew for the first time since the beginning of the economic recession. From 2014 until now, the industry has been continuously growing at a moderate but stable pace. In addition, expectations for the coming years are quite optimistic, even though it will be difficult to achieve the figures recorded in the pre-crisis period. (Current EU-28 investment in construction is 15% lower than the 2007 levels). The upturn is reflected by greater confidence, as demonstrated in construction sector surveys such as the European Commission's Construction Confidence Indicator.

This higher confidence has also impacted the market: the annual rate of growth in loans for house purchases increased by over 2.9% in February 2017, the highest rate since November 2011. House prices rose by 4.1% in the eurozone and by 4.7% in the EU in the fourth quarter of 2016 compared with the same quarter in 2015, which represent the highest rates since 2007-2008. Also, employment expectations in the construction sector improved in the first quarter of 2017. All this bodes well for future residential construction investment.

An analysis of forecasted EU construction investment for 2017-2018 highlights the following (Figure 3.2):

- In 2016 the highest increase was experienced by Ireland and Sweden, which recorded growth rates exceeding 10%. On the other hand, countries such as Latvia, Slovenia, Slovakia and Hungary reduced their investment in construction by more than 15% and other Central European countries such as the Czech Republic and Poland also reduced their investment levels between 8% and 13%. In 2016 overall investment in construction rose by 2.5% in the eurozone. Thirteen out of twenty-

Figure 3.1: Production index in the construction sector

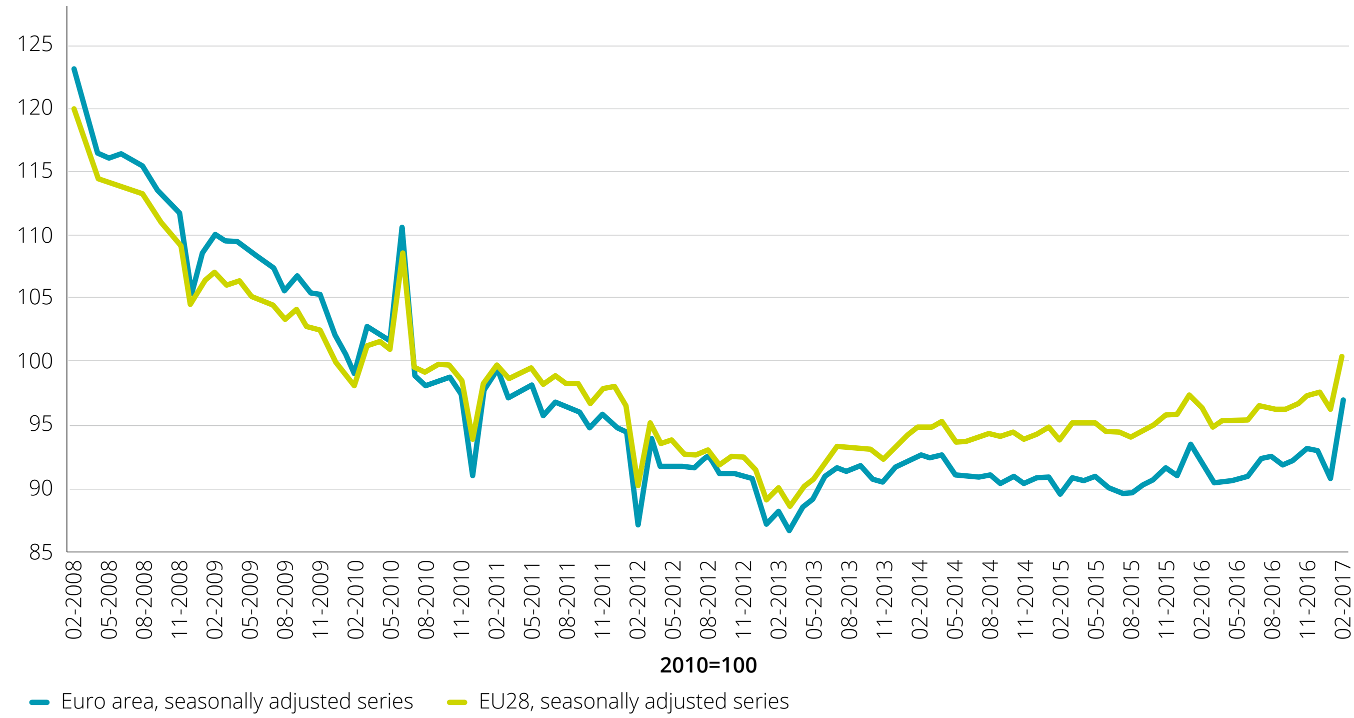


Figure 3.2: Investment in construction, by volume (year-on-year percentage change, 1998-2018)

	5-year averages						Spring 2017 forecast		
	1998-02	2003-07	2008-12	2013	2014	2015	2016	2017	2018
Belgium	(1.6)	4.8	1.2	(2.3)	2.3	1.4	4.3	2.1	2.5
Germany	(2.6)	(1.1)	1.5	(1.1)	1.9	0.3	3.0	2.3	2.7
Estonia	8.6	14.6	(5.5)	(15.1)	(6.4)	2.8	(7.8)	6.2	4.1
Ireland	7.1	7.0	(18.3)	12.4	9.5	7.7	13.7	17.2	14.4
Greece	3.9	6.6	(16.1)	(12.9)	(19.0)	0.0	0.6	2.2	8.6
Spain	8.0	5.7	(11.2)	(8.6)	1.2	4.9	1.9	3.0	3.9
France	3.7	4.0	(2.1)	(0.8)	(2.3)	(0.8)	1.4	2.5	3.7
Italy	4.0	1.6	(6.0)	(8.0)	(6.6)	(0.4)	1.1	1.8	2.9
Cyprus	1.6	12.4	(10.7)	(18.5)	(12.8)	(2.9)	8.8	7.8	4.7
Latvia	18.9	19.8	(6.8)	(10.3)	10.2	(3.6)	(17.6)	12.6	6.2
Lithuania	2.8	15.9	(8.4)	8.0	4.6	3.6	(3.1)	6.4	5.0
Luxemburg	8.6	1.9	(0.2)	5.4	5.9	9.6	5.3	5.1	3.9
Malta	N/A	4.4	(4.6)	(2.0)	0.8	13.7	(7.6)	N/A	N/A
Netherlands	2.4	2.4	(5.5)	(6.2)	2.4	11.3	9.0	4.6	4.2
Austria	(1.0)	1.3	(1.6)	(0.9)	(0.1)	(1.2)	1.3	1.5	1.3
Portugal	3.4	(3.4)	(9.3)	(12.1)	(3.7)	4.1	(2.3)	6.2	3.6
Slovenia	2.9	5.7	(11.8)	(4.6)	9.6	0.1	(15.8)	4.1	4.4
Slovakia	(1.7)	9.1	(5.6)	4.7	(4.2)	22.9	(15.2)	(1.0)	5.8
Finland	4.7	4.9	(2.3)	(3.8)	(3.8)	2.0	8.2	3.8	3.0
Euro area	**N/A**	**2.7**	**(4.3)**	**(3.5)**	**(0.9)**	**1.4**	**2.5**	**2.8**	**3.5**
Bulgaria	N/A	17.9	0.1	(0.5)	(4.1)	(3.8)	(6.2)	2.7	3.3
Czech Republic	(1.9)	4.8	(2.8)	(4.9)	1.0	11.2	(8.4)	3.1	3.9
Denmark	0.8	4.9	(5.8)	(1.0)	5.2	3.2	6.9	3.9	3.9
Croatia	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Hungary	4.9	0.2	(6.8)	11.2	10.5	1.4	(25.1)	24.5	7.2
Poland	0.6	8.6	4.5	(4.8)	8.9	6.5	(12.7)	5.2	6.7
Romania	2.8	22.1	(3.5)	(15.0)	10.1	7.8	(8.5)	1.4	3.2
Sweden	5.0	6.6	(2.4)	(1.3)	9.4	8.3	10.3	5.7	2.9
United Kingdom	3.0	4.2	(4.5)	3.4	8.1	3.6	(0.1)	0.3	0.3
EU	**2.1**	**3.3**	**(4.1)**	**(2.7)**	**1.2**	**2.3**	**1.3**	**2.7**	**3.1**
USA	2.4	0.4	(5.6)	3.4	5.2	4.3	1.1	4.1	3.5
Japan	(4.0)	(4.3)	(2.7)	10.9	1.6	(0.5)	N/A	N/A	N/A

Source: European Commission.

eight countries reduced construction investment in 2016.

- According to the European Commission's Spring 2017 Economic Forecast, construction investment in the EU will grow in 2017 and 2018 by 2.7% and 3.1%, respectively, an acceleration from the growth rates achieved in the last three years. Growth rates for the eurozone are slightly higher than those projected for the EU as a whole. In the coming years, all countries in the EU will increase their investment in construction.

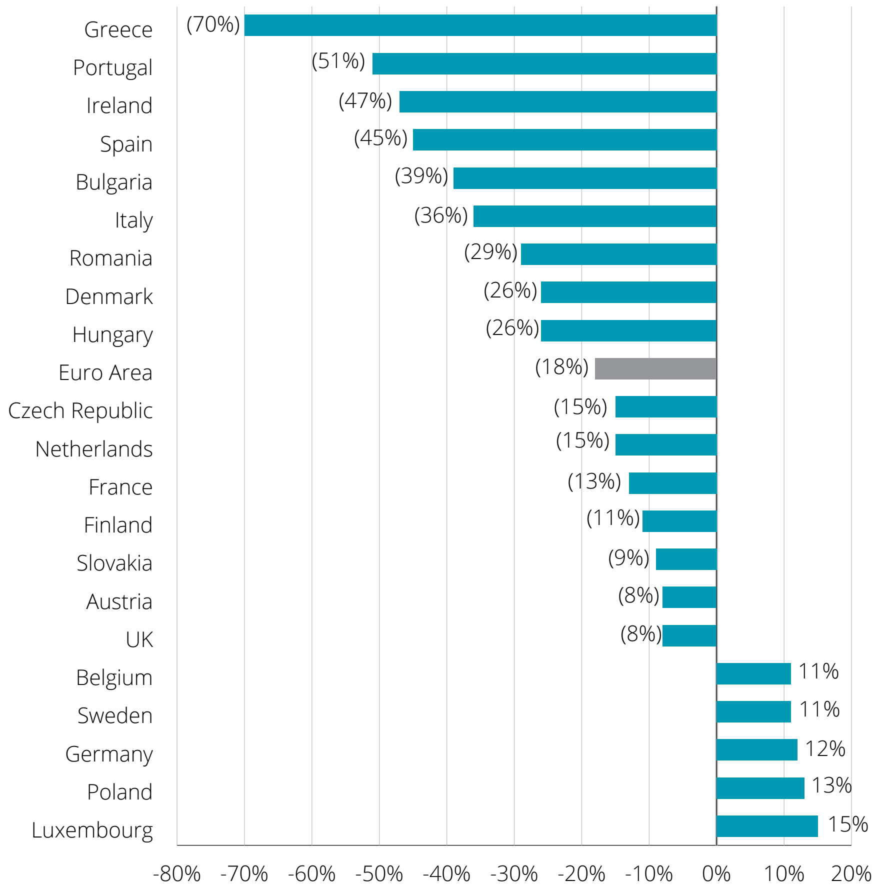
- Contrary to 2016, in 2017 Hungary and Latvia are expected to increase investment in construction by 24.5% and 12.6%, respectively. For these countries, investment is expected to pick up sharply as EU-funded and public investment in infrastructure increase. In line with 2016, expectations for Ireland in 2017 are still favourable. However, it should be noted that considerable uncertainty surrounds the final outcome of negotiations between the UK and the EU, to which Ireland is highly exposed.

- Expectations for 2018 are quite favourable, since the industry will grow in all EU countries. With regard to the largest markets in the area, Germany, Spain, France and Italy are expected to expand investment in construction by 2.7%, 3.9%, 3.7% and 2.9%, respectively.

- In June 2016 the United Kingdom EU membership referendum took place, with the result shaking the UK economy, together with its construction market. Although the effects of the Brexit would be tangible in the near future, certain consequences are already visible in the UK economy. Forecasts have been adjusted downwards: construction investment in the UK will rise by just 0.3% in both 2017 and 2018.

- In 2016 the performance of the European construction industry was in line with the US construction market. However, in 2017 and 2018 investment in construction is expected to grow more rapidly in the US than in the European economy.

Figure 3.3: Construction Investment variation 2016-2007 (%)



Source: Ameco

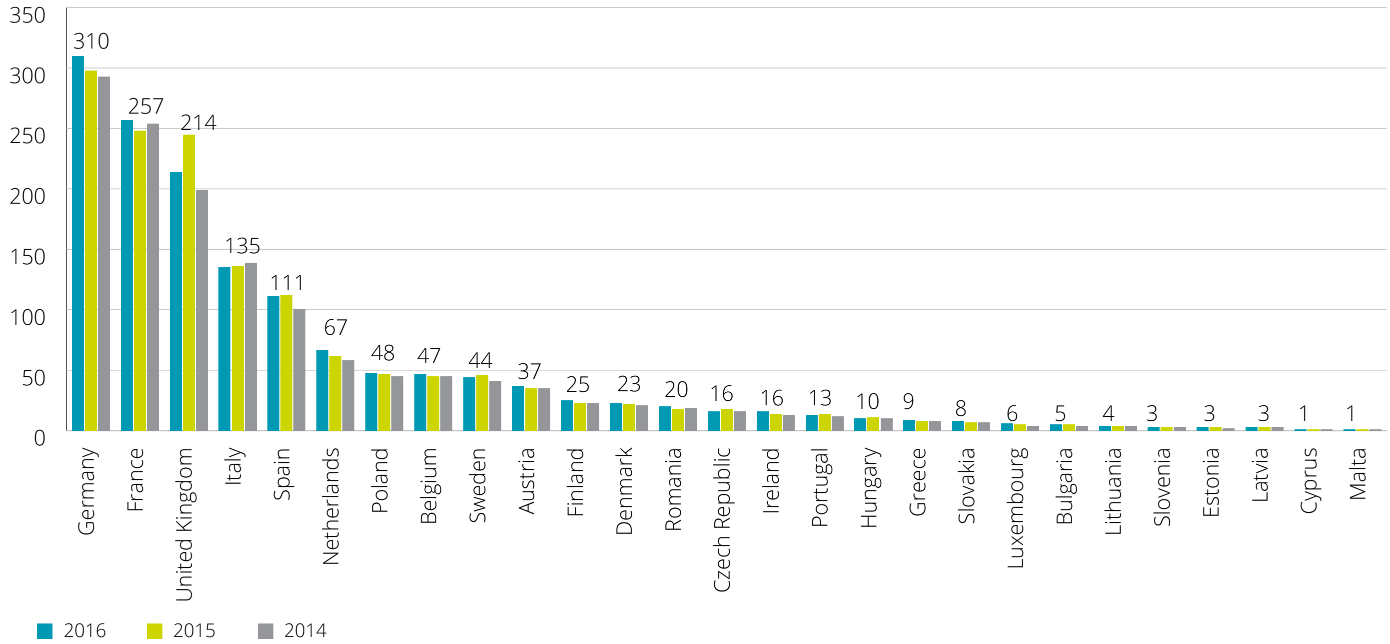
- In 2016 overall construction investment in the eurozone is still below 2007 levels (Figure 3.3). As exceptions, Luxemburg has managed to achieve a higher investment figure in 2016 than in 2007, and Belgium, Sweden, Germany and Poland have recorded an increase in their investment volume in that period. On the contrary, a significant decrease in construction investment is noted in countries such as Greece (-70%), Portugal (-51%), Ireland (-47%), Spain (-45%), Bulgaria (39%) and Italy (-36%).

Total construction investment in the European Union in 2016 has remained stable at EUR 1,436 billion (2015: 1,434 billion) (Figure 3.4). Since 2012 Germany, France and United Kingdom have been the largest construction markets in Europe. These countries represent 54% of the total construction investment recorded in 2016. Among the Top 5, which also includes Italy and Spain, construction investment represented between 8.1% and 11.5% of total GDP in 2016 (Figure 3.5). It is noteworthy that in 2016 construction investment in the United Kingdom was affected by the performance of its currency.

For the first time since 2014, analysis of the construction investment / GDP ratios and GDP per capita indicates that there is a slight change in the trend. While in previous years there appeared to be an inverse correlation between GDP per capita and construction investment as a percentage of GDP, a slight trend change could be noted in 2016. The figure 3.5 shows a direct correlation between both parameters. In this context, the countries that recorded construction investment / GDP ratios of over 9% have an average GDP per capita of EUR 37,405, 9% higher than the GDP per capita recorded by countries with inferior construction investment ratios (EUR 34,634).

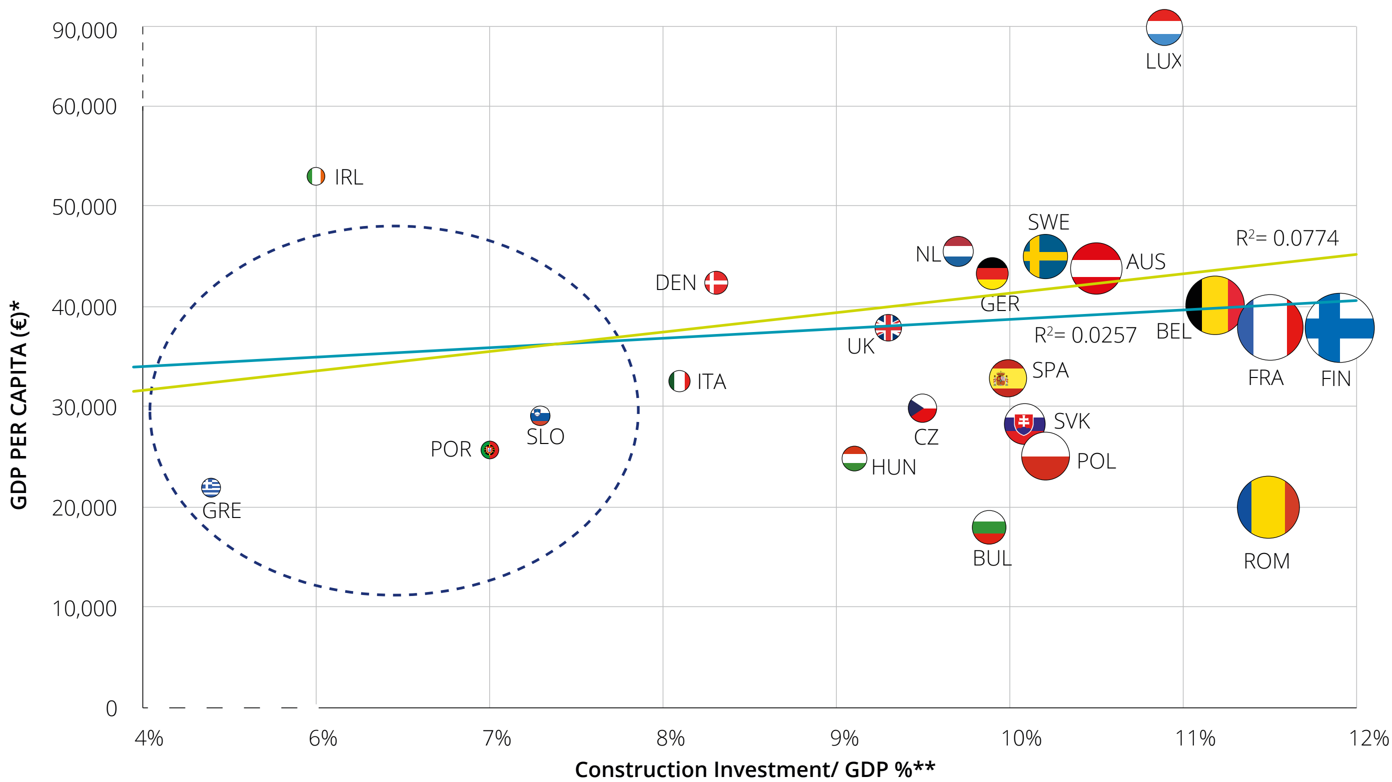
In addition, there appears to be a slight negative correlation between construction investment and GDP growth (Figure 3.6), which would contradict the prevalent opinion that infrastructure investment is clearly pro-cyclical. The different stages of the infrastructure stock in each country, and the low levels of construction investment in the majority of the countries in recent years, might explain this apparent contradiction.

Figure 3.4: Construction Investment in 2016 (Billions of euros)



Source: Ameco, May 2015

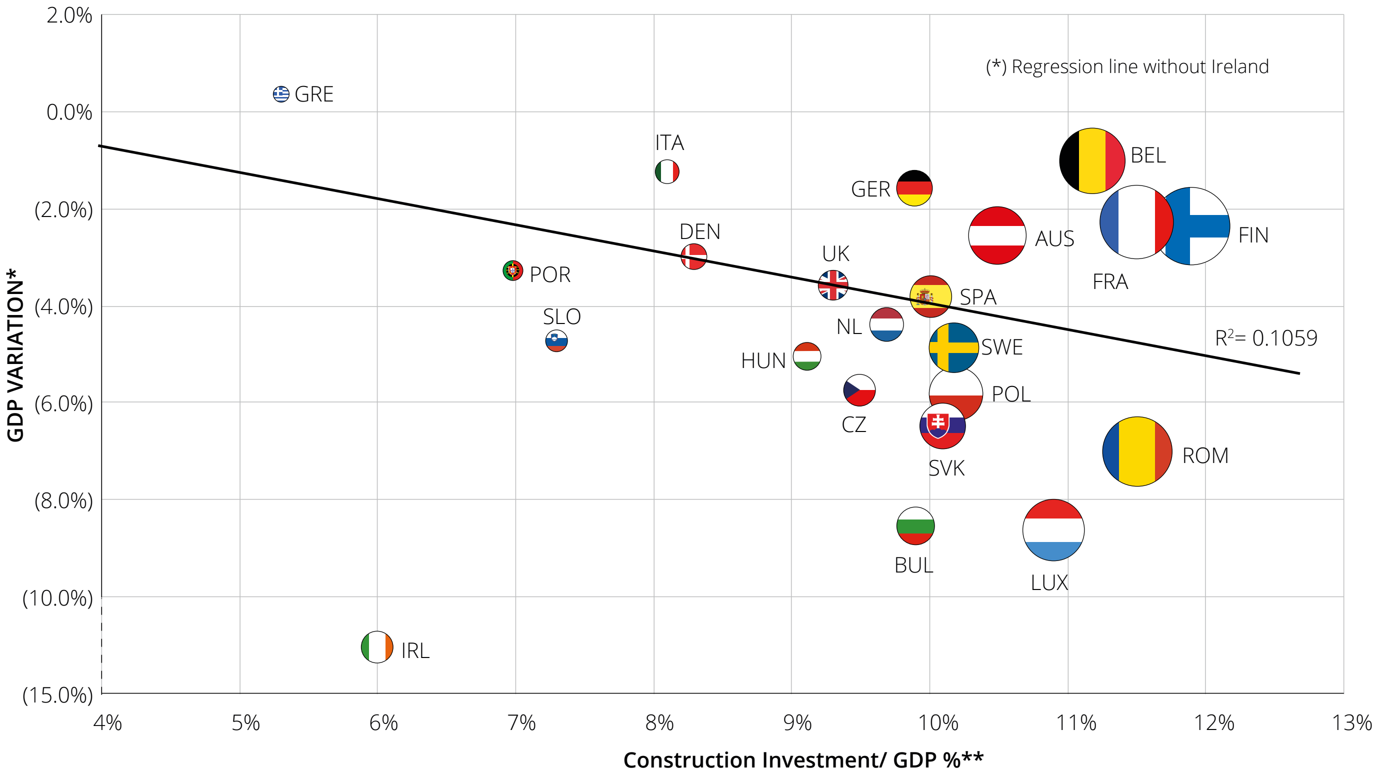
Figure 3.5



Trend line excluding countries affected by PPS[1]   Trend line with all countries analyzed

Source: * International Monetary Fund
** Ameco
[1] Ireland, Greece, Portugal, Spain, Hungary and Romania are affected by the Post-Programme Surveillance (PPS).

Figure 3.6



Source: * International Monetary Fund
** Ameco

Top 20 EPoC strategies: internationalisation and diversification

In 2016 international sales and non-construction revenue of our EPoC represented 52% and 29% respectively. The internationalisation of the EPoC continues to grow, with a majority of the Top 20 EPoC falling within our "International Construction Groups" category.

Currently, the world invests around USD 2.5 trillion per year in the transportation, power, water, and telecom systems on which businesses and populations depend. From 2016 through to 2030, the world needs to invest around 3.8% of its GDP (or an average of USD 3.3 trillion a year) in economic infrastructure just to support expected growth rates. Therefore, there is a market full of opportunities for our EPoC. As in our previous editions of this publication, we have identified four main categories within the Top 20 EPoC, based on the different levels of internationalisation and diversification achieved in terms of total sales (Figure 4.1). The following paragraphs discuss the developments in these four categories:

Domestic construction groups

This category is composed of companies focused mainly on construction activities carried out in their domestic markets. As in 2015, this division is represented only by Bouygues and Peab, both of which have remained in this category throughout recent years.

Bouygues, which is ranked 3rd in terms of sales and market capitalisation, has a strong presence in France. In line with previous years, Bouygues obtained more than 60% of its total sales in France and around 80% of total revenue from construction activities. In 2016, 53% of total sales in the Group's construction segment were obtained in France. However, 58% of the current construction order book has been obtained abroad and, accordingly, in the coming years Bouygues may be transferred to the "International construction groups" category.

On a smaller scale, Peab, despite having increased its international activities by almost five percentage points since 2010, still has strong roots in the domestic construction market. Contrary to other Swedish competitors, such as Skanska and NCC, over 80% of its revenue was obtained in Sweden and just 20% in other neighbouring countries such as Finland and Norway.

Total sales recorded by the companies included in this category amounted to EUR 36,662 million and represented 16% of total sales of the Top 20 EPoC in 2016. Approximately 79% of total revenue was obtained from construction activities while 66% was generated locally.

International construction groups

This category is composed of groups with a relatively low level of diversification, whose primary source of sales is the construction business performed abroad.

The French giant Vinci, which was classified in this category for the first time in 2015, did not significantly change its position in 2016. While France represents 59% of its total revenue, the company is also focused on international markets such as Germany, the United Kingdom, Benelux and other European markets. However, it is also strengthening its non-construction business units: in 2016 Vinci took over operations under its new concession contracts in Japan and also acquired concessions for six airports in the Dominican Republic.

ACS is one of the companies with the largest international presence among the Top 20 listed European construction groups, which was broadened further through the integration of HOCHTIEF in 2011. In 2016 both construction activities and international revenue as a percentage of total revenue increased by 4 percentage points, mainly as a result of the sale of Urbaser, which has traditionally provided environmental services primarily in Spain.

Skanska still has a strong international presence, as it obtains more than 75% of its total revenue internationally. In terms of construction activities, its performance in 2016 was strong in its largest markets, Sweden and the U.S. Order bookings were also very strong, especially in the U.S., and the order backlog reached a historic high (EUR 20,000 million). Skanska's non-construction activities are currently not representative enough for it to fall within the "International conglomerate" category.

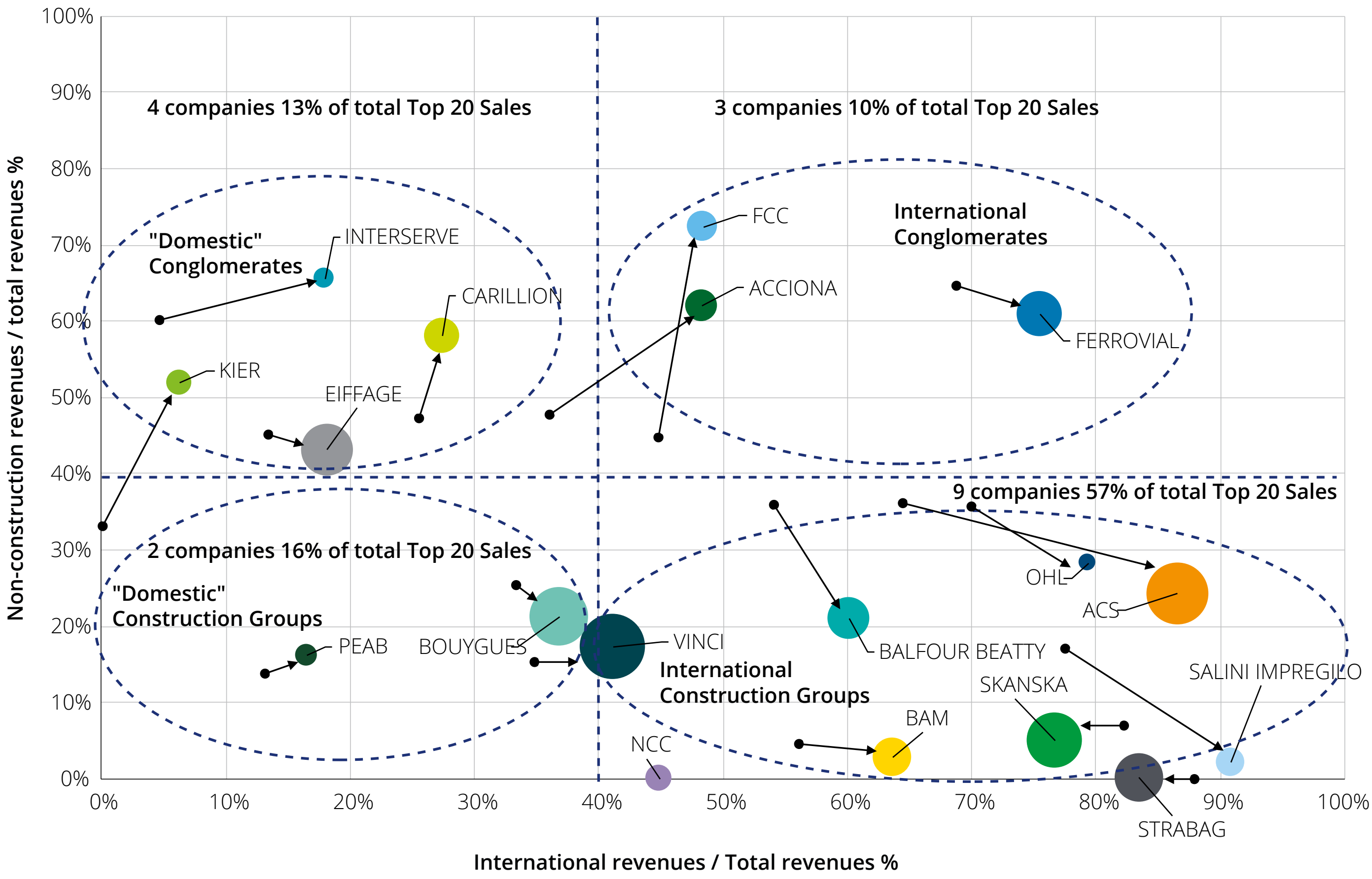
OHL remains classified as an international construction group, since this segment represents more than 70% of its total revenue. In 2016 and in light of certain developments in certain international projects, expected revenue from the projects was reassessed by the Group. This assessment led to construction project revenue being adjusted downwards from previously envisaged levels. As a result, the importance of the construction unit and international sales has decreased. The construction business is carried on mainly outside the Group's domestic borders, especially in America.

Balfour Beatty, which is the only UK company not classified as a "Domestic conglomerate", increased its internationalisation to 60% in 2016 from 54% in 2015. This growth is a combination of an almost 10% decrease in domestic sales and a 13% increase in revenue obtained abroad. On the other hand, the importance of construction activity rose by 3 percentage points due mainly to the company's positive performance in the United States. Approximately 85% of its revenue obtained in the US is generated from the general building market, with the infrastructure market accounting for the remaining 15%.

The Italian group Salini Impregilo, which is ranked 13th in our Top 20 EPoC by sales, is classified as an "International construction group", given that 91% of its sales are obtained abroad and its non-construction activities are not significant. Its international revenue increased by 6 percentage points in comparison with 2015 as a result of the acquisition of Lane Construction. Ranked as the No. 1 Highway Contractor (ENR) for the third year in a row, Lane is one of America's leading heavy civil construction companies specialised in highways, bridges, mass transit and airport systems, as well as the power and energy sector. Since 2010 the group's internationalisation has grown by 13 percentage points.

Construction groups located in countries with smaller domestic markets consider the internationalisation process to be essential in order to develop new business opportunities. The Austrian group Strabag and the Dutch group BAM obtained at least 50% of their revenue abroad, with

Figure 4.1



Barrat Developments and Taylor Wimpey were not included in the analysis, since these companies do not disclose construction revenue arising from house sale-related income. Accordingly, it is impossible to classify them within any of the categories defined above.

Variation from 2010 to 2016

Source: Deloitte analysis

non-construction activities representing less than 5% of total sales. On the other hand, the Swedish NCC Group reduced its internationalisation and diversification as a result of the 2016 spin-off of the housing division which develops and sells houses in foreign markets.

In 2016 the "International construction" category represented more than 50% of our Top 20 EPoC by sales and included some of the largest EPoC in terms of sales (up to nine groups fall within this category). Total revenue recorded by these groups amounted to EUR 130,709 million compared with EUR 106,401 million in 2010.

Domestic conglomerates

The "Domestic conglomerates" category is formed by groups that have focused their main activities in their respective local markets. However, these companies are characterised by the diversification of their business portfolio, which encompasses significant non-construction activities.

Carillion has consolidated its position as a "domestic conglomerate" in recent years. The significance of non-construction activities has grown by 11 percentage points since 2010. Non-construction activities are represented by the Support Services division, which maintains and operates buildings and infrastructure, most notably for large property estates and transport and utility networks.

Interserve increased its international presence in 2016 as a result of its positive performance in markets such as Abu Dhabi, Oman and Qatar. This trend is expected to continue in the coming years due to the importance of its international backlog.

Eiffage is focused on its domestic market and in 2016 obtained more than 80% of its total revenue in France. Since 2010, the group's diversification and internationalisation have remained stable. Eiffage is considered to be a "Domestic conglomerate" due to the strong position of its Concessions and Energy division.

The UK group Kier achieved increases in internationalisation and diversification of 2% and 3%, respectively, which is partially due to certain acquisitions performed in 2015 that impacted on the global results in 2016. In this context, the acquisition of Mouchel in the previous year has benefited the group's presence in the highways market. The group is now the UK's largest provider of highway maintenance services, accelerating its growth in this important infrastructure services market.

Since 2010 total revenue obtained by the groups included in this category has risen from EUR 24,172 million to EUR 30,791 million.

International conglomerates

The "International conglomerates" category is represented by groups with highly diversified portfolios and a strong international presence.

In 2016 only the Spanish groups Acciona, FCC and Ferrovial were classified as "international conglomerates". The growth achieved by these players in the international marketplace offsets the contraction recorded in their local market, which was severely affected by the economic recession.

Ferrovial, the Spanish group ranked 7th in terms of total sales and 2nd in terms of market value, significantly increased the importance of its non-construction activities in international markets in 2016, mainly as a result of performing certain acquisitions: in May 2016, it completed the acquisition of Broadspectrum, an Australian listed company that will strengthen the group's Services division in countries such as Australia, New Zealand, the US, Canada and Chile. Since its inclusion in the Ferrovial Group, Broadspectrum's sales have amounted to EUR 1,446 million since June 2016.

Acciona obtained almost 50% of total sales outside Spain, mainly in Europe and in other OECD countries. In 2016 the group sold Acciona Windpower, a subsidiary dedicated to the design, manufacture and operation of wind turbines, to the German group Nordex. As part of the transaction, Acciona also acquired a 29.9% interest in Nordex. The divestment of Acciona Windpower reduced the significance of non-construction revenue at the Spanish company.

As in previous years, FCC recorded the highest level of diversification among the Top 20 EPoC in relative terms. The internationalisation level was driven by significant activity outside Spain, mainly in Latin America, the Middle East and the UK. On the other hand, the high level of diversification relates to the strong performance of the Environmental, Water Management and Cement divisions.

Total sales recorded by the groups included in this category amounted to EUR 22,688 million in 2016 and represented 10% of the total revenue of our Top 20 EPoC. Since 2010, internationalisation and diversification levels have grown by 9% and 12%, respectively.

Figure 4.2

Company	2016 - 2010 Internationalization % variation	2016 - 2010 Diversification % variation
VINCI	3.82%	1.70%
ACS	54.77%	(39.37%)
BOUYGUES	5.69%	(5.03%)
SKANSKA	(4.27%)	(2.30%)
EIFFAGE	3.21%	(1.35%)
STRABAG	(1.67%)	0.23%
FERROVIAL	6.50%	(1.80%)
BALFOUR BEATTY	7.46%	(14.94%)
BAM	8.35%	(2.20%)
CARRILLION	2.14%	10.93%
ACCIONA SA	17.55%	15.16%
FCC	2.37%	27.49%
SALINI IMPREGLIO	12.68%	(11.31%)
BARRATT	0.00%	0.00%
KIER GROUP	6.26%	19.44%
NCC AB	(1.43%)	0.00%
PEAB AB	2.28%	2.17%
INTERSERVE	14.03%	5.81%
TAYLOR WIMPEY	(30.70%)	0.00%
OHL	9.91%	(9.26%)
AVERAGE	**8.21%**	**(2.79%)**

Trends in internationalisation and diversification 2010-2016

An analysis of changes in the degree of internationalisation and diversification recorded over the last six years confirms that most of our Top 20 EPoC have remained in the same category throughout the period (Figures 4.2 & 4.3). Nevertheless, the following considerations may be highlighted:

- In 2016 international sales and non-construction revenue of our EPoC represented 52% and 29%, respectively. The level of internationalisation increased by 8 percentage points on 2010, while diversification decreased by 3 percentage points.

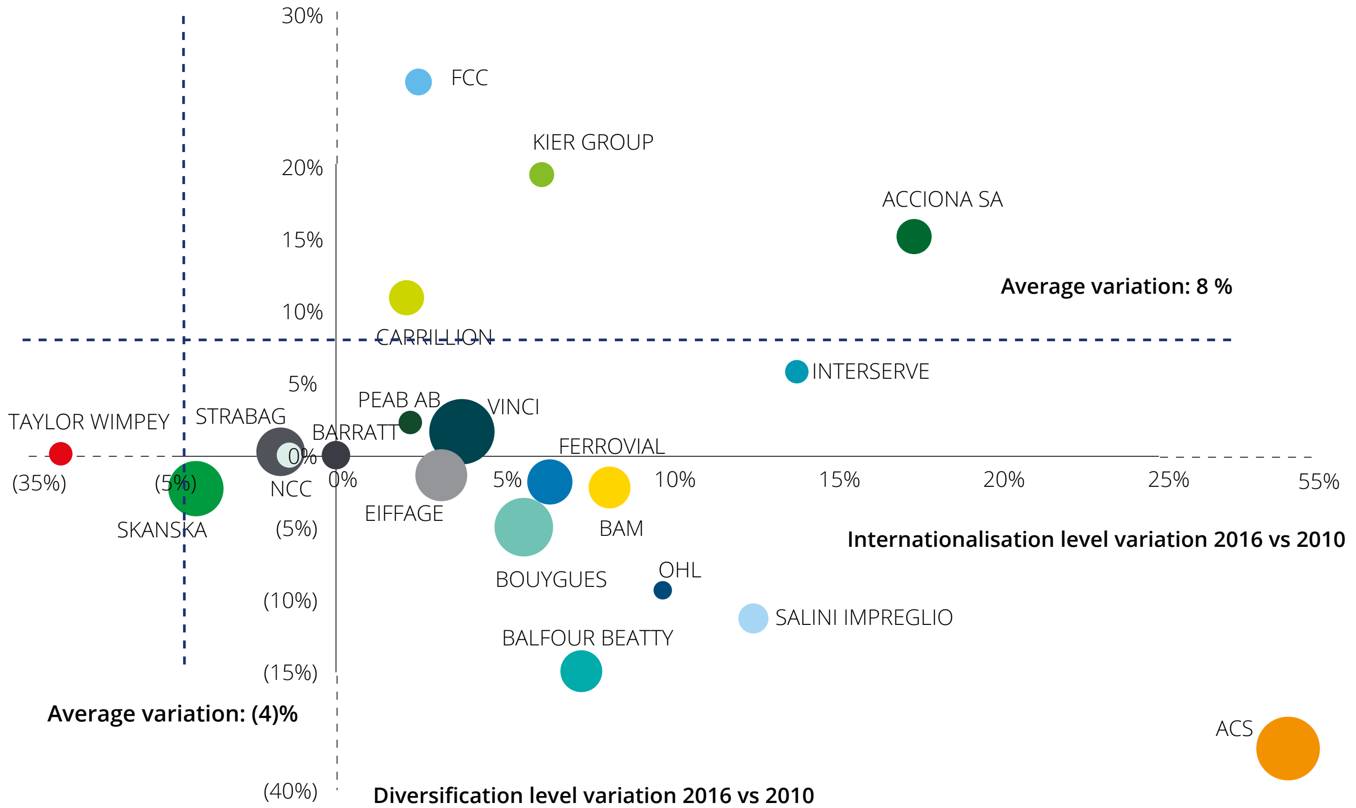
- The French groups, with diversification levels below 50% since 2010, have reinforced their international presence. Vinci increased its activities in areas such as Europe (especially in Germany and the United Kingdom), America, Asia and the Middle East. On the other hand, the importance of Bouygues' non-construction business dropped by 6 percentage points as a result of the growth of its construction activities combined with a slight contraction of the Media and Telecom businesses.

- With regard to the Spanish companies, it should be noted that internationalisation rose to 76% in 2016 from 48% in 2010, while diversification decreased by 14% over the last six years due to the net effect of various factors: the acquisition and subsequent full integration of HOCHTIEF in 2011, which boosted ACS's international presence in the construction industry; Ferrovial's development of a strong worldwide Services division, partially driven by some of the acquisitions performed over the period (Enterprise, Broadspectrum) offset by HAH desconsolidation in 2016; and Acciona's increased diversification and internationalisation levels, partly explained by the performance of the Energy segment in international markets. FCC's evolution is largely due to the deconsolidation of its Austrian construction subsidiary Alpine in 2013. Lastly, OHL reduced its diversification by almost 10%, mainly as a result of the divestment of its Brazilian and Chilean concessions.

- Unlike other companies, the UK groups have focused their revenues on their domestic markets. The main changes identified relate to Carillion, Interserve, Taylor Wimpey, Balfour Beatty and Kier. Carillion increased its diversification by 11% as a result of the development of the Services division which was boosted by the acquisition of companies such as John Laing Integrated Services in 2013 and Rokstad Power Corporation in 2014. Along the same lines, Kier increased its diversification by almost 20 percentage points as a consequence of the positive performance of the group's Services division. On the other hand, and as a result of the sale of its North American business, Taylor Wimpey reduced its internationalisation by 30%. Similarly, the 2014 sale of Parsons Brinckerhoff (professional services business), caused the importance of non-construction revenue for Balfour Beatty to decrease by 12% in relative terms. According to Interserve's financial information, it should be highlighted that sales in the UK have risen by more than 70% since 2010, while the Support Services division has doubled its sales in recent years.

- Other significant variations relate to BAM and the Italian group Salini Impregilo. BAM's international business has been strengthened by the growth achieved in countries such as the United Kingdom. As discussed above, Salini Impregilo has increased its internationalisation by 13 percentage points since 2010, partly due to the 2016 acquisition of Lane Construction, one of the major highway contractors in the United States.

Figure 4.3


30%
FCC
KIER GROUP
20%
ACCIONA SA
15%
Average variation: 8 %
10%
CARRILLION
5%
INTERSERVE
PEAB AB
VINCI
TAYLOR WIMPEY
STRABAG
BARRATT
FERROVIAL
0%
(35%)
(5%)
NCC
0%
5%
10%
15%
20%
25%
55%
EIFFAGE
SKANSKA
(5%)
BAM
Internationalisation level variation 2016 vs 2010
BOUYGUES
OHL
(10%)
SALINI IMPREGLIO
BALFOUR BEATTY
(15%)
Average variation: (4)%
ACS
(40%)
Diversification level variation 2016 vs 2010

EPoC 2016 financial performance

Over the last six years, EBIT from construction activities has averaged 2.8% over sales, while EBIT from non-construction activities has averaged 12.6% and return on equity has averaged 8.9% over the same period. The EPoC continue to deleverage with net debt/EBITDA ratios falling to an average of 2.1 in 2016.

The 2016 financial results of our Top 20 EPoC were not brilliant. Aggregate sales decreased by 5% and market capitalisation by 4.5%, while aggregate EBIT increased by only 3.4%. However, net income increased by 17%, mainly as a result of lower extraordinary items and impairment losses. Additionally, our EPoC continued to improve their financial structure by decreasing their indebtedness by 6%, thus improving their net debt to EBITDA ratio.

EPoC 2016 financial performance was in line with the trends identified over the last two years:

- Aggregate sales as well as EBIT margins remained relatively stable.

- Debt reduction mainly due to the funds obtained from certain divestment processes and, in a smaller scale, the cash flows from operating activities have been used for debt repayments.

- Significant impacts on the respective income statements as a result of certain impairments recorded as well as the extraordinary results obtained from the divestments achieved.

The most noteworthy aspects of the financial performance of our Top 20 EPoC are as follows:

EBIT margin

EPoC 2016 profitability levels must be analysed by separating construction from other activities. Based on the figures obtained in the last three years, the following conclusions may be drawn (Figures 5.1 & 5.2):

- Over the last six years, EBIT from construction activities has averaged 2.8% over sales, and EBIT from non-construction activities has averaged 12.6%, resulting in a combined average EBIT margin of 5.4%.

  Since 2013, total EBIT margins have grown continuously. In 2016 total average EBIT margins grew by 30 basis points to 6.1% as a result of the improvement in non-construction margins. The Top 3 in terms of total profitability is represented by Taylor Wimpey. Barratt (two UK housebuilders, with significant margin, coming from Real Estate developments), and Acciona which also have a significant presence in non-construction business (housing, energy and concessions.). By country, the average margins for the French, Spanish and UK EPoC were 8.2%, 5.9% and 5.2%, respectively. Interserve was the only EPoC 2016 group to recognise operating losses in the year, due to its weak performance in the UK construction market, but also due to the costs incurred in exiting the energy-from-waste business.

  The EBIT margin from non-construction activities increased significantly in 2016 to 14.7% (2015: 13.7%; 2014: 12.1%). Worthy of note are the figures attained by certain groups, such as Skanska, OHL and Vinci, partially explained by the gains obtained from various divestments performed in 2016: Skanska sold its investment in the M25 motorway, and Vinci sold its remaining stake in Indigo (formerly known as Vinci Park). Profitability in non-construction business is twelve percentage points higher than in traditional construction activity.

- Since 2011, the EBIT margin in construction activities has remained relatively stable, ranging from 2.4% to 3.4%. Three groups recognised construction operating losses in 2016: OHL, FCC and Balfour Beatty. If we exclude them, the average construction margin would have reached 3.4% in the year. In 2016, the Spanish group Ferrovial, which is ranked 2nd in terms

Figure 5.1

	EBIT* / Sales								
	Construction activities			Other activities			Total		
Company	2016	2015	2014	2016	2015	2014	2016	2015	2014
FERROVIAL SA	7.5%	8.5%	7.9%	9.3%	9.8%	8.9%	8.6%	9.3%	8.4%
SALINI IMPREGILO SPA	4.8%	5.9%	6.3%	-	-	-	4.7%	5.8%	6.2%
PEAB AB	4.1%	2.1%	4.4%	6.9%	3.3%	2.4%	4.5%	2.3%	4.0%
ACTIV. DE CONSTR. Y SERV. SA (ACS)	3.8%	3.1%	2.7%	6.9%	6.7%	9.9%	4.5%	4.1%	4.6%
ACCIONA SA	3.7%	1.9%	1.4%	24.4%	13.4%	13.8%	16.5%	9.6%	8.8%
VINCI SA	3.7%	3.4%	3.5%	45.7%	44.7%	43.1%	11.0%	9.8%	9.4%
BOUYGUES SA	3.5%	3.2%	3.2%	3.6%	1.7%	0.7%	3.5%	2.9%	2.7%
STRABAG SE	3.4%	2.6%	2.3%	-	-	-	3.4%	2.6%	2.3%
EIFFAGE SA	3.0%	2.6%	3.3%	22.0%	20.2%	17.6%	11.2%	10.2%	9.7%
NCC AB	2.7%	4.9%	4.6%	-	-	-	2.7%	4.9%	4.6%
AVERAGE EPOC	**2.7%**	**2.6%**	**2.6%**	**14.7%**	**13.7%**	**12.1%**	**6.1%**	**5.8%**	**5.1%**
SKANSKA AB	2.6%	2.8%	3.5%	49.9%	19.5%	6.2%	5.0%	4.1%	3.8%
CARILLION PLC	1.9%	3.3%	3.5%	4.6%	5.4%	5.8%	3.5%	4.6%	4.9%
INTERSERVE PLC	1.1%	1.0%	1.3%	(4.7%)	2.6%	1.9%	(2.7%)	2.0%	1.7%
KIER GROUP PLC	0.8%	1.9%	1.6%	(0.2%)	1.7%	0.7%	0.3%	1.8%	1.2%
KONINKLIJKE BAM GROEP NV	0.6%	0.3%	(0.9%)	(4.5%)	(14.3%)	(12.9%)	0.5%	(0.1%)	(1.4%)
TAYLOR WIMPEY PLC (**)	-	-	-	20.8%	20.1%	18.5%	20.8%	20.1%	18.5%
BARRATT DEVELOPMENTS PLC (**)	-	-	-	15.8%	15.4%	13.0%	15.8%	15.4%	13.0%
BALFOUR BEATTY PLC	(0.8%)	(4.4%)	(5.9%)	3.9%	4.8%	5.0%	0.2%	(2.2%)	(3.2%)
FOMENTO DE CONSTR. Y CONTRATAS SA (FCC)	(2.8%)	(1.0%)	1.3%	3.3%	7.7%	(8.8%)	1.6%	5.0%	(5.5%)
OBRASCON HUARTE LAIN SA (OHL)	(22.3%)	(1.7%)	(5.7%)	58.8%	66.0%	82.6%	0.6%	15.7%	16.5%

(*) EBIT figures, as reported by these Groups, correspond to Operating income from ordinary activities
(**) Barratt Developments as well as Taylor Wimpey do not disclose construction revenue from house sale-related income.

Figure 5.2: EBIT Margin

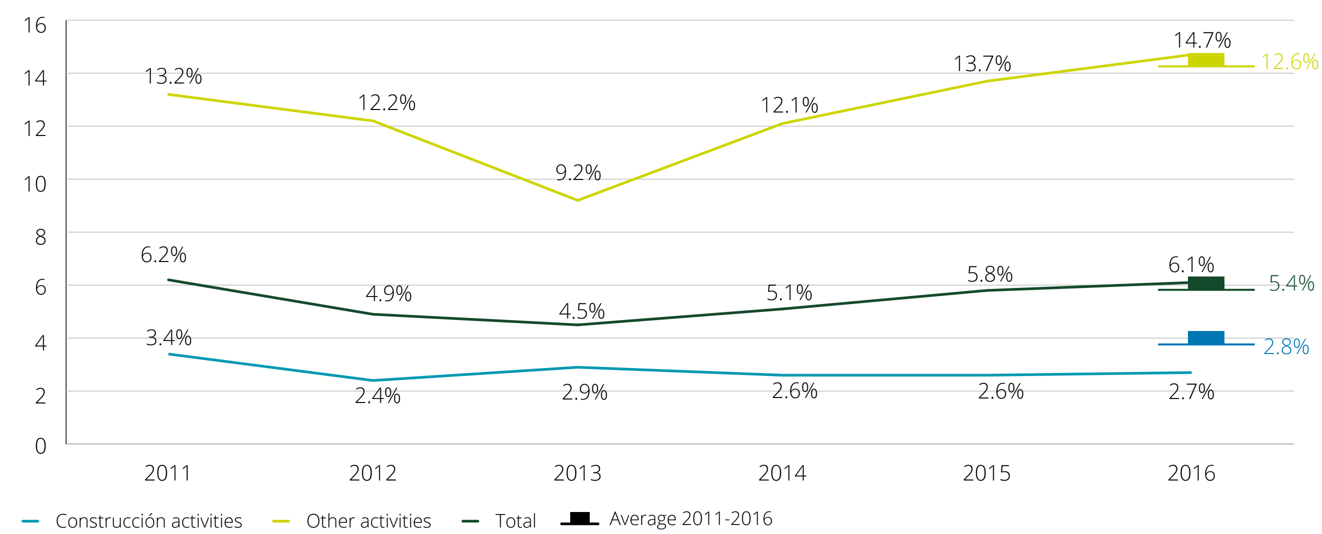


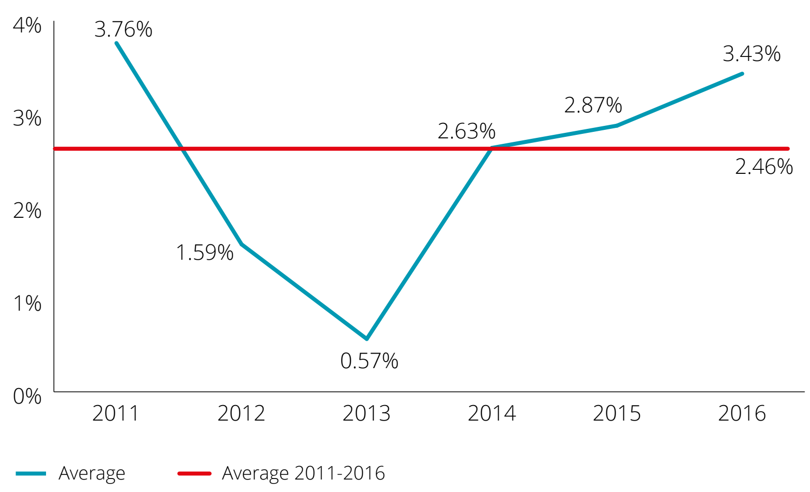
Figure 5.3

Variables	Net Income* / Total Sales 2016	2015	2014	2013	2012	2011
TAYLOR WIMPEY PLC	15.3%	15.4%	13.6%	12.0%	11.4%	5.7%
NCC AB	14.9%	3.4%	3.1%	3.4%	3.3%	2.5%
BARRATT DEVELOPMENTS PLC	11.8%	12.8%	10.1%	2.8%	2.9%	(0.7%)
VINCI SA	6.6%	5.3%	6.4%	4.9%	5.0%	5.2%
ACCIONA SA	5.9%	3.2%	2.8%	(29.8%)	2.7%	3.0%
SKANSKA AB	3.9%	3.2%	2.6%	2.7%	2.2%	6.4%
PEAB AB	3.7%	1.8%	2.3%	0.7%	1.4%	2.2%
FERROVIAL SA	3.5%	7.4%	4.6%	8.9%	9.2%	17.0%
AVERAGE	**3.4%**	**2.9%**	**2.6%**	**0.6%**	**1.6%**	**3.8%**
EIFFAGE SA	3.3%	2.2%	2.0%	1.8%	1.6%	1.5%
ACTIV. DE CONSTR. Y SERV. SA (ACS)	2.3%	2.1%	2.1%	1.8%	(5.0%)	3.4%
BOUYGUES SA	2.3%	1.2%	2.4%	(2.3%)	1.9%	3.3%
CARILLION PLC	2.3%	2.9%	3.1%	2.5%	3.6%	2.7%
STRABAG SE	2.2%	1.2%	1.0%	0.9%	0.5%	1.4%
SALINI IMPREGILO SPA	1.0%	1.3%	2.2%	8.1%	26.4%	8.4%
KONINKLIJKE BAM GROEP NV	0.7%	0.1%	(1.5%)	0.7%	(2.5%)	1.6%
BALFOUR BEATTY PLC	(0.3%)	(2.4%)	(0.7%)	(0.4%)	0.4%	2.2%
KIER GROUP PLC	(0.4%)	0.1%	0.3%	1.8%	2.4%	2.7%
INTERSERVE PLC	(2.6%)	1.9%	1.4%	2.0%	7.0%	3.2%
FOMENTO DE CONSTR. Y CONTRATAS SA (FCC)	(2.7%)	(0.7%)	(11.4%)	(22.4%)	(9.2%)	0.9%
OBRASCON HUARTE LAIN SA (OHL)	(11.2%)	1.3%	0.6%	7.3%	24.9%	4.6%

(*) Net income figures, as reported by these Groups, correspond to Net income attributable to the Group.

of market value, recorded again the highest profitability in the construction and infrastructure segment, followed by the Italian group Salini Impregilo and the Swedish group Peab. Only these three groups managed to achieve construction margins of above 4%. The Top 5 also includes ACS and Acciona.

Figure 5.4: Net Income Margin



Net income attributable

The analysis of the net income obtained by the Top 20 EPoC in 2016 enables us to reach the following conclusions (Figures 5.3 & 5.4):

- Total net income obtained by the Top 20 EPoC grew by 17% to EUR 7,926 million. Since 2013, average profit has continuously increased: total income obtained in 2016 is approximately five times the profit recorded in 2013.

- As a percentage of total sales, average net income margin has been increasing since 2013. In 2016, it represents 3.4% of total revenue obtained by EPoC. NCC, Barratt and Taylor Wimpey recorded net income margins above 10% in 2016. Contrary, groups such as OHL, FCC and Interserve obtained significant losses during the year.

- Vinci, which is ranked in 1st place in terms of total revenue and market value, remains the group with the highest net income of the Top 20 EPoC. Its total net income amounted to EUR 2,505 million in 2016, reaching 8.6% growth in comparison with 2015, and more than 30% growth since 2011. The robust results achieved by Vinci are driven by the strong growth of Vinci Airports (new contracts and acquisitions) as well as the motorway business. Net income represents 6.6% of total sales in 2016.

- The Swedish group NCC increased its net income by more than EUR 600 million to EUR 835 million in 2016 (14.9% of total sales). In June 2016 NCC spun off the shares in Bonava (formerly NCC Housing) to the shareholders. The capital gain was almost EUR 700 million, which mainly explains the positive results recognised.

- Five groups in the Top 20 EPoC recognised losses in 2016: OHL, FCC, Interserve, Balfour Beatty and Kier. The Spanish groups OHL and FCC are currently involved in various restructuring and downsizing processes that partially explain the losses recognised. FCC has not recorded any profit since 2012. The weak performance in the UK construction market, but also the costs incurred in exiting the energy-from-waste business, impacted Interserve's results in 2016. Finally, Kier recognised net losses of EUR 22 million, due mainly to certain non-recurring costs related to the closure of its Caribbean operations, provisions relating to environmental service recycling costs and costs incurred following the acquisition of the Mouchel Group in 2015.

Net debt / net debt + equity

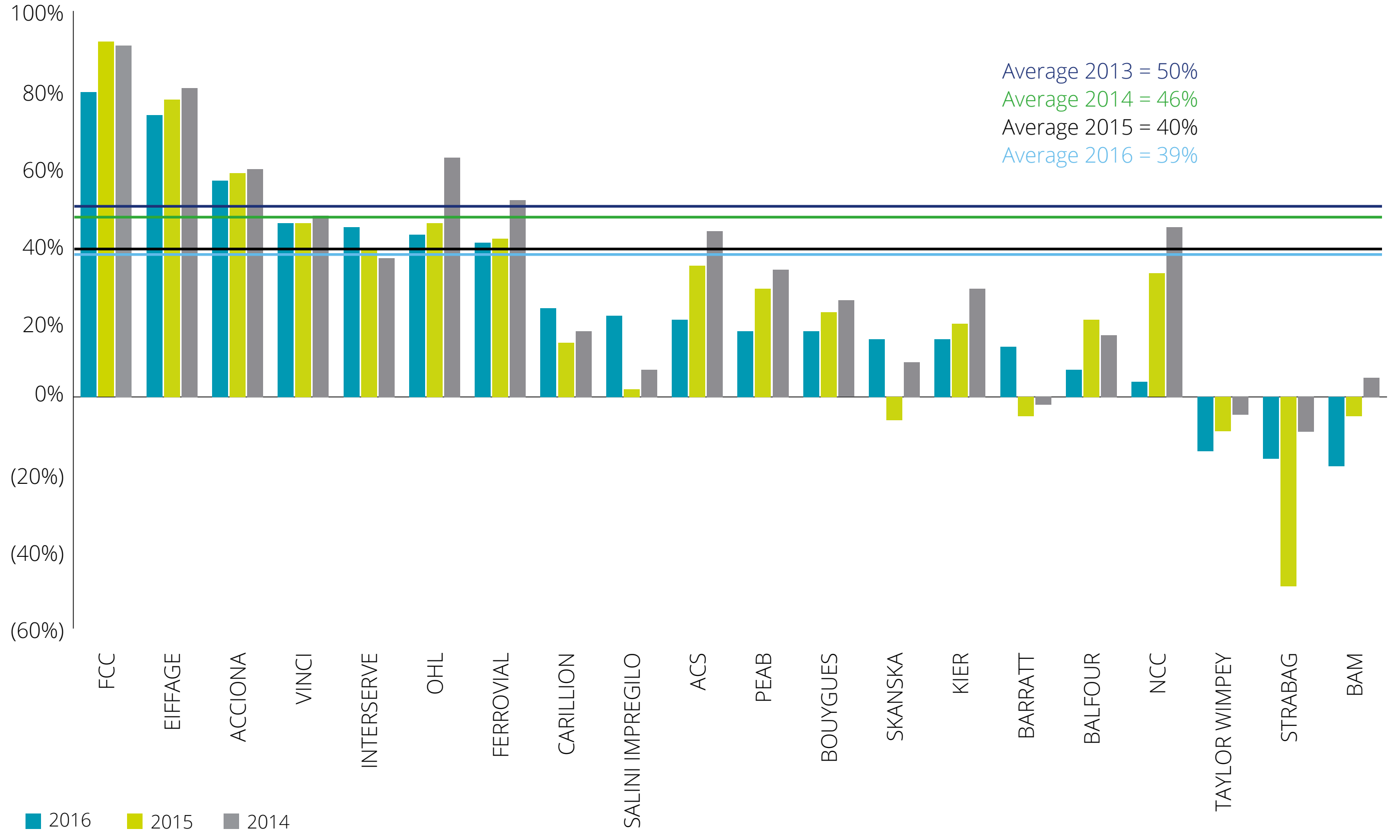
The analysis of the net debt / (net debt + equity) ratio gives rise to the following most notable observations (Figure 5.5):

- Average net debt / (net debt + equity) amounted to 39% in 2016, slightly lower than in 2015. Since 2013, the ratio has decreased by 11 percentage points.

- By country, the average ratios for the French, Spanish and UK companies were 47%, 46% and 9% in 2016. Among the UK companies, Taylor Wimpey's has a net cash position of EUR 426 million in 2016.

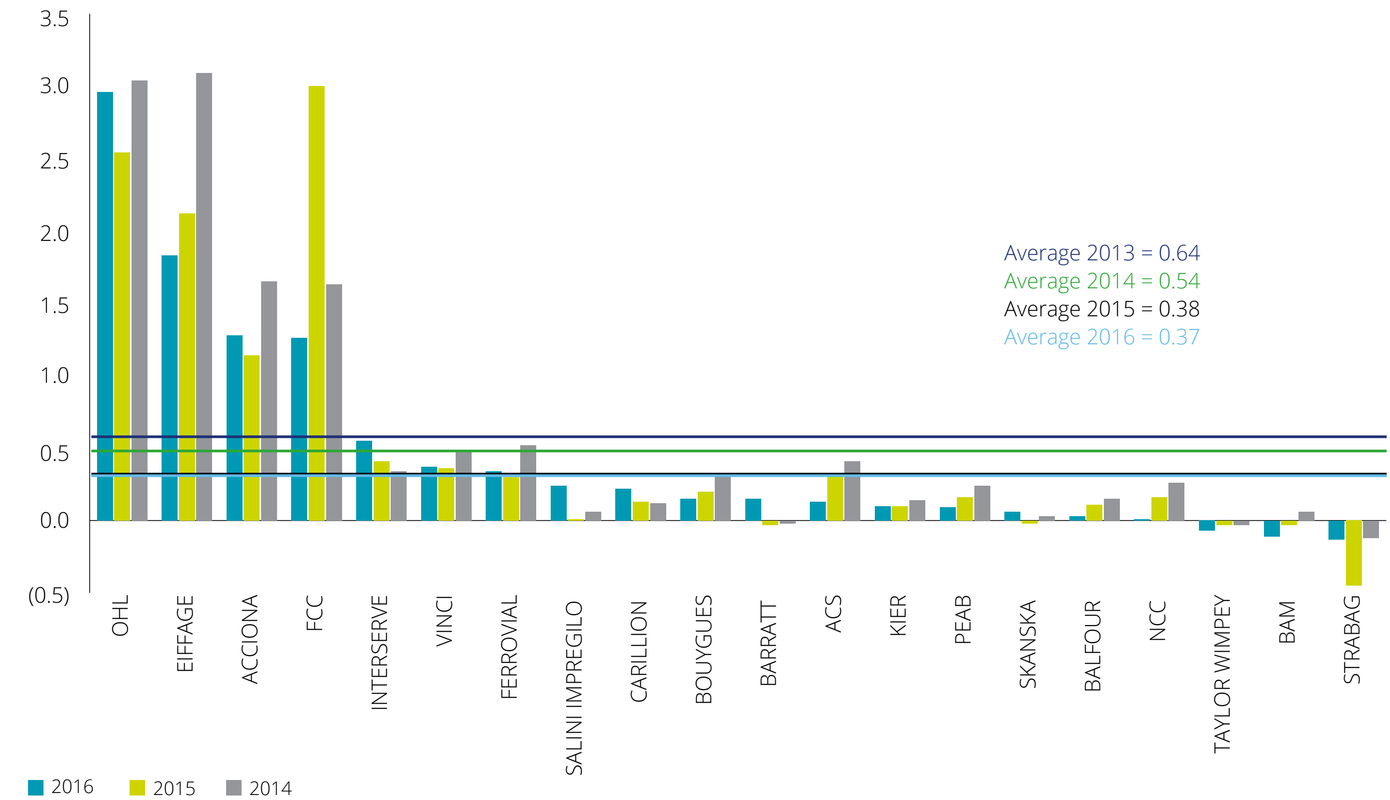
- Even though FCC's ratio was reduced from 92% in 2015 to 79% in 2016, the Spanish group recorded the highest indebtedness ratio among the EPoC. The reduction of net debt as a result of the divestment performed in the cement business in the US, in addition to the

Figure 5.5: Total net debt / (Total net debt + Equity)



Source: Deloitte analysis

Figure 5.6: Net Debt / Market Capitalisation



Source: Bloomberg, Deloitte analysis

impacts of the capital increase carried out in March 2016, have strengthened the company's financial position.

- BAM, Strabag and Taylor Wimpey, which recorded the lowest ratios of our EPoC, have positive net cash positions.

- Vinci, ACS and Bouygues, which are ranked in the first three positions of our Top 20, recorded net debt / (net debt + equity) ratios of 45%, 20% and 17%, respectively.

Net debt / market capitalisation

The analysis of these ratios enables the following conclusions to be drawn (Figure 5.6):

- The average net debt / market capitalisation ratio remained in line with 2015 (0.37 in 2016 vs. 0.38 in 2015). By country, Spain, France and the United Kingdom recorded net debt / market capitalisation ratios of 0.6, 0.5 and 0.04, respectively. It is noteworthy that the ratio for the Spanish groups has fallen by 0.51 since 2013, as a result of their continuous efforts and divestment processes. However, their indebtedness ratios are still among the highest of our EPoC.

- In 2015, FCC recorded the highest net debt to market capitalisation ratio of our EPoC. However, since the proceeds from the EUR 700 million capital increase completed in 2016 were used mainly to make debt repayments, indebtedness has been significantly reduced to EUR 3,591 million. In 2016, the highest ratio was recorded by OHL (2.96), whose market capitalisation fell by almost 40% in the period.

- As in previous years, Strabag recorded the lowest ratio as a result of the group's net cash position (EUR 74 million).

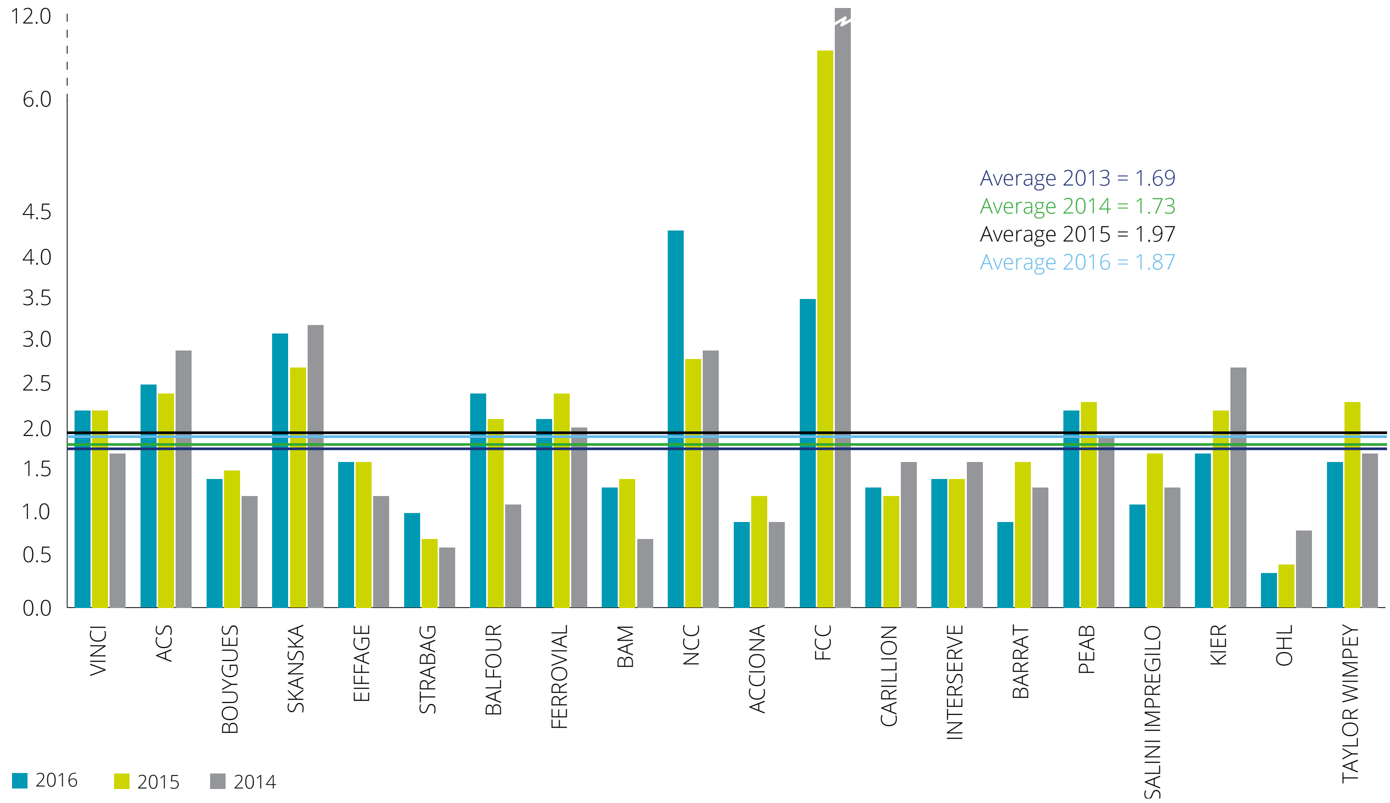
Market capitalisation / book value (Figure 5.7)

- The average market capitalisation / book value ratio was 1.87 in 2016, compared with 1.97 in 2015. While total book value remained in line with the prior year, market capitalisation fell by 4%, mainly driven by the UK EPoC. By country, the average ratio recorded by the Swedish, French, Spanish and UK companies amounted to 3.2, 2.0, 1.8, and 1.4, respectively.

- The market capitalisation / book value ratio achieved by NCC and FCC was significantly higher than those achieved by the other EPoC. NCC's ratio rose by 1.4 to 4.4 in 2016, explained by the reduction in book value as a result of the spin-off the shares of Bonava (formerly NCC Housing) to the shareholders. The book value of the Spanish company FCC was affected by the significant losses incurred in recent years, while market capitalisation grew by 57%, mainly as a consequence of a EUR 700 million capital increase performed in 2016.

- Excluding FCC and NCC, in 2016 six groups recorded market capitalisation / book value ratios of above 2. Skanska, ACS and Balfour Beatty achieved the highest figures of these groups. In 2016 only OHL recorded a market capitalisation / book value ratio of below 1.

Figure 5.7: Market capitalisation / Book value



Source: Bloomberg, Deloitte analysis

* Book value is equivalent to equity attributable to the equity holders

Intangible assets and market value vs. book value

As part of their growth strategies, some of our EPoC have been involved in major M&A transactions. In this context, the purchase price paid usually exceeded the value of the assets acquired, since investors expected to recover their investments through significant cash flows in subsequent years.

The economic and financial crisis was particularly damaging to the construction and infrastructure sector and, accordingly, the cash flows expected to be obtained through the acquired businesses were reassessed. As a result, our EPoC have recorded significant impairment losses over recent years. The value of the residual intangible assets and goodwill that arose as a result of the aforementioned M&A transactions has been under review by analysts in recent years.

The following paragraphs analyse the relationship between market capitalisation, book value and the intangible assets of our EPoC 2016. Four groups can be identified as follows (Figure 5.8):

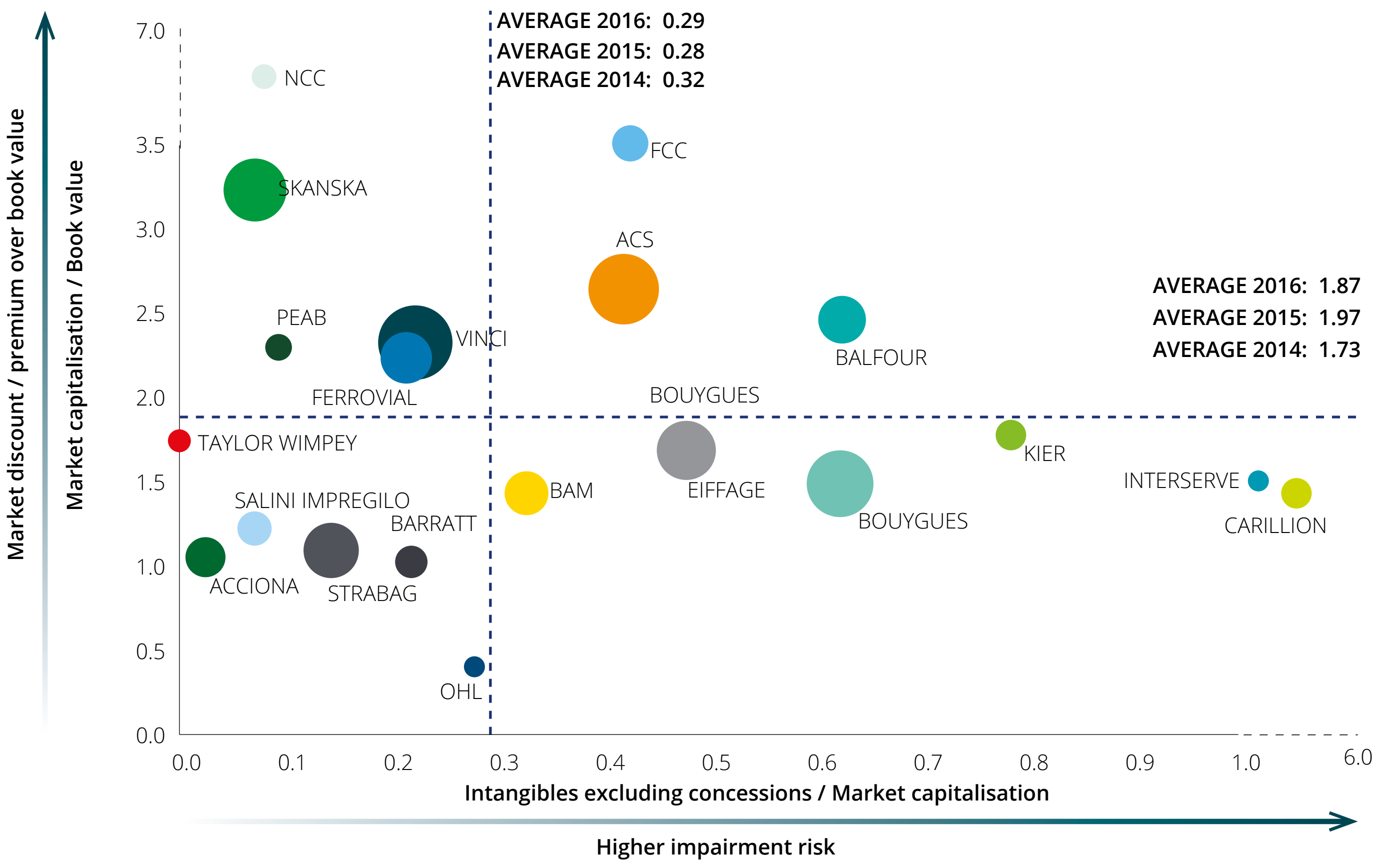
- The first category (upper-left quadrant) is composed of those companies that recognised a lower volume of intangible assets in their balance sheet (and which, therefore, have a lower theoretical impairment risk compared with other EPoC), for which the stock markets trade at a premium to book value. While in 2015 this category comprised six of our Top 20 EPoC, in 2016 Taylor Wimpey moved downwards to the lower-left quadrant due mainly to its decreased market capitalisation. Currently, this category is represented by NCC, Skanska, Peab, Ferrovial and Vinci.

- The second category (lower-left quadrant) comprises entities with a low intangible assets volume for which the market is trading at a lower premium in comparison with the first category, but also includes certain groups for which the stock market is trading at a discount to book value. In 2016 this quadrant was formed by Taylor Wimpey, Salini Impregilo, Acciona, Strabag, Barratt Developments and OHL. Of these groups, only OHL recorded lower market capitalisation than book value and, at the same time, the amount of intangible assets was below market value.

- The third category (lower-right quadrant) includes six of the Top 20 EPoC and comprises companies with a higher intangible assets volume, for which the market trades at a lower-than-average premium or is trading at a discount to book value. In this context, it could be considered that the stock markets are discounting the risk associated with the intangible assets. The main novelties in this quadrant are BAM and Kier. While BAM did not recognise significant changes in comparison with 2015, Kier's market capitalisation to book value ratio decreased significantly as a result of weak performance in the UK stock market. As in 2015, Eiffage, Bouygues, Interserve and Carillion were also included in this category.

- Lastly, the upper-right quadrant is represented by companies with a high volume of intangible assets, to which the market applies a significant premium

Figure 5.8



Source: Bloomberg, Deloitte analysis

to book value and, therefore, does not discount any relevant risk associated to them. ACS, FCC and Balfour Beatty are classified in this category. Although FCC performed a significant capital increase in 2016, the Spanish group's low equity continues to have a major impact on its ratios.

The average market capitalisation / book value ratio of the Top 20 EPoC decreased to 1.87, while the average intangible asset / market capitalisation ratio jumped to 0.29 in 2016.

Enterprise value / EBITDA (Figure 5.9)

- The average enterprise value / EBITDA multiple decreased to 7.4 from 8.3 in 2015. In 2016 the total enterprise value of the EPoC decreased by 10%, due mainly to the contraction in market value. Notably, the average enterprise value / EBITDA multiple returned to 2013 levels.
- IIt is remarkable that the market capitalisation of Ferrovial reflects the significant value and dividends –not included in the EBITDA figures- of certain infrastructure assets that the Group accounts for using the equity method (407 ETR and Heathrow).
- In terms of country performance, Spain and France recorded enterprise value / EBITDA ratios of 8.9 and 7.5 in 2016. The ratio of the UK EPoC fell from 12.6 to 7.5, driven by a drop in market value.

Net debt / EBITDA (Figure 5.10)

The average net debt / EBITDA ratio dropped slightly from 2.3 in 2015 to 2.1 in 2016. This contraction is explained mainly by the 6% decrease in total net debt. Groups such as FCC, ACS and OHL reduced their indebtedness by EUR 1,883 million, 1,410 million and 1,096 million, respectively. Since 2013, the ratio has been reduced by 0.8.

OHL and Balfour Beatty recorded the highest ratios of our EPoC. OHL increased its ratio to 13.1 due to a 77% reduction in EBITDA as a result of cost overruns in certain international projects and the currency depreciation in Mexico, which constitutes the company's most important international market. Along the same lines, Balfour's EBITDA amounted to EUR 7 million due to its weak performance in the UK construction market.

Cash to EBITDA (Figure 5.11)

The average cash to EBITDA ratio remained stable at 1.05 both in 2016 and 2015. While NCC and BAM lead this ranking, Balfour Beatty, Interserve and OHL reported below-zero cash to EBITDA ratios in 2016. Ten companies recorded cash to EBITDA ratios of over 1 and seven groups between 0 and 1.

Figure 5.9: Enterprise value / EBITDA

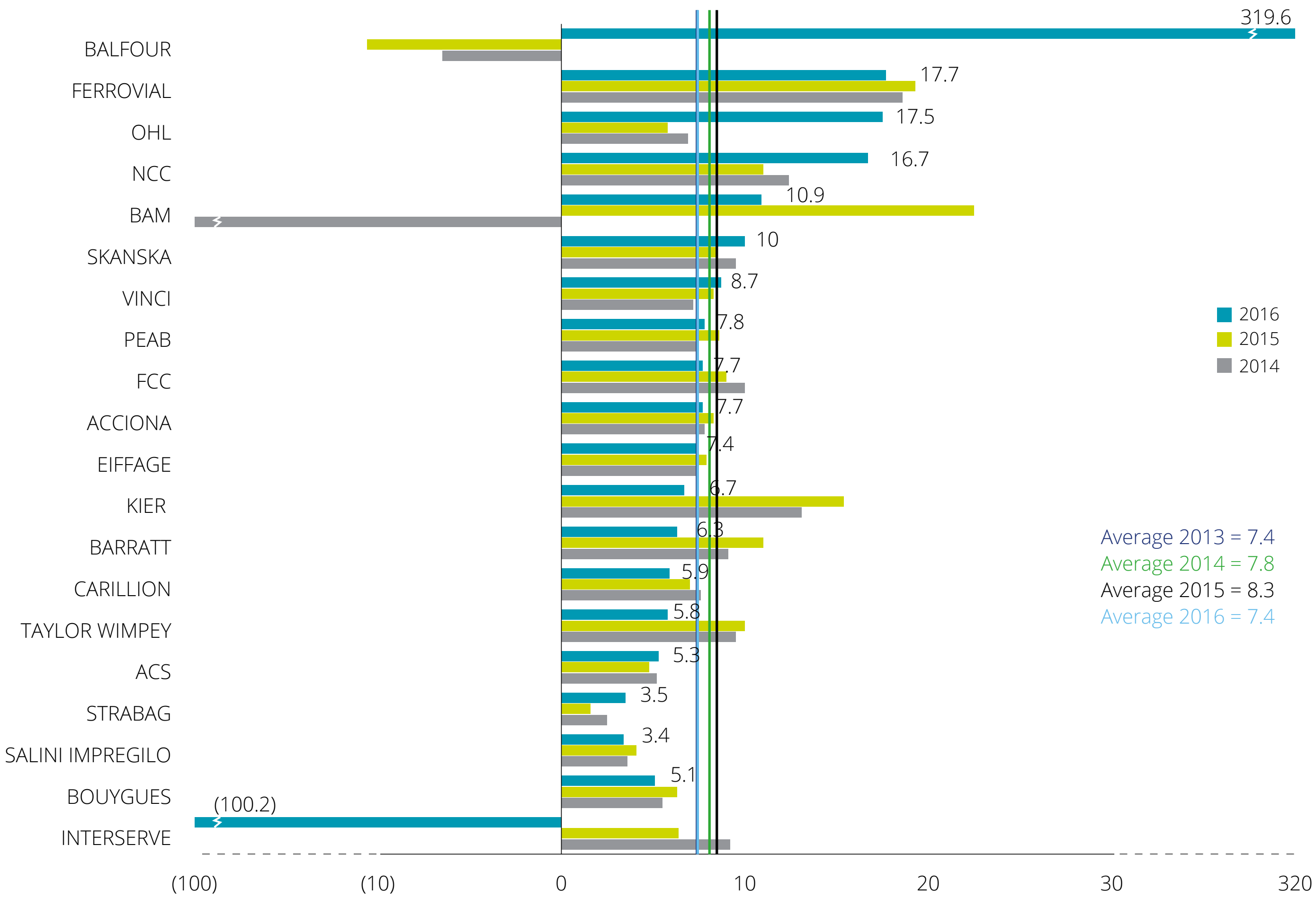


Figure 5.10: Net Debt/EBITDA

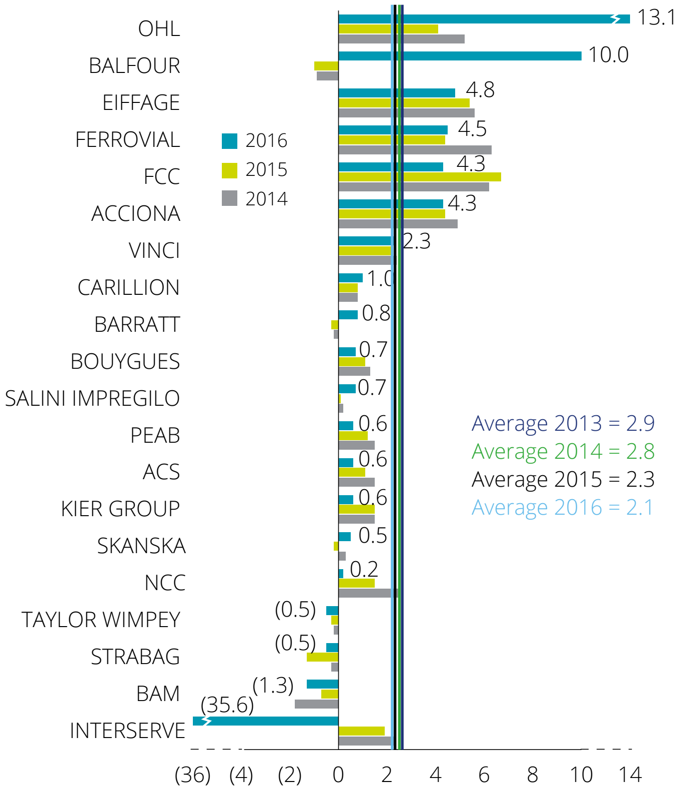
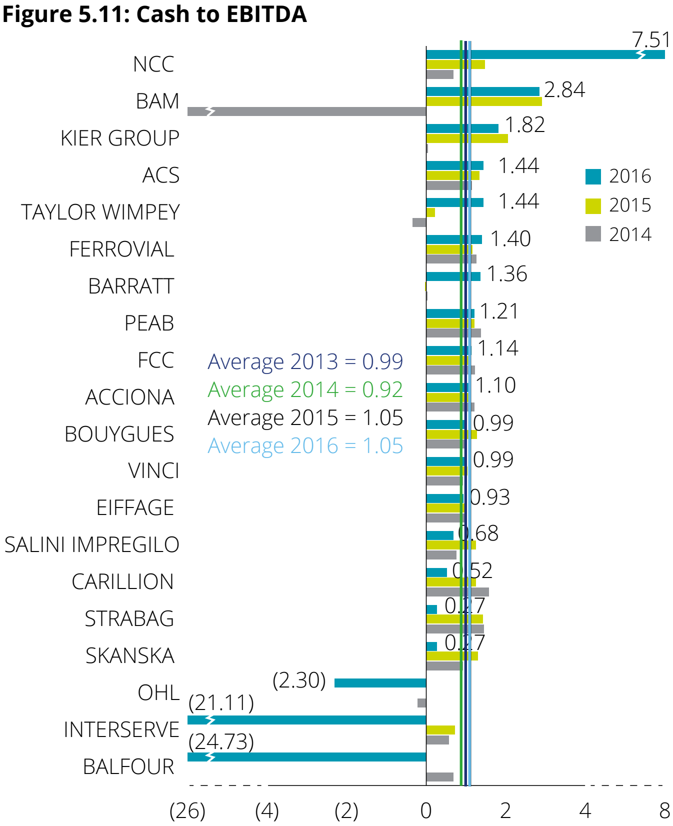


Figure 5.11: Cash to EBITDA



Source: Bloomberg, Deloitte analysis

Figure 5.12: Capital expenditure / Sales

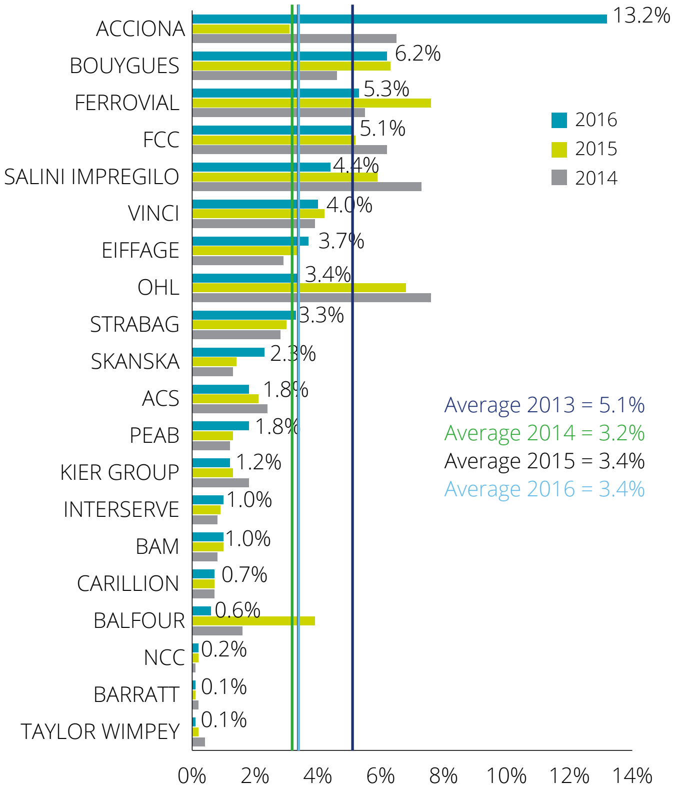
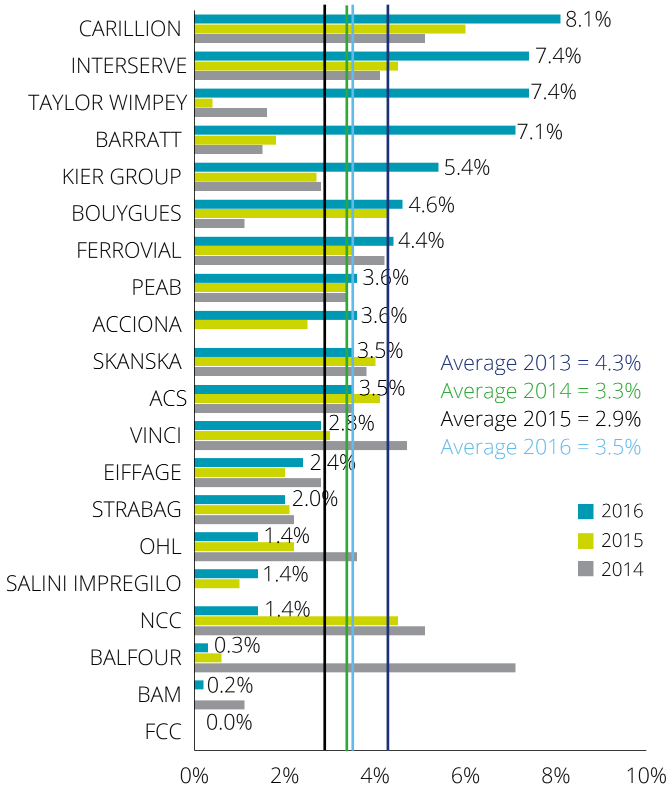


Figure 5.13: Dividend Yield



* The ratios of these groups may be affected by the investments made in subsidiaries and associates

Capital expenditure / sales (Figure 5.12)

Construction activity generally does not require significant levels of capital expenditure. However, capital expenditure requirements are traditionally higher in more diversified groups, since certain non-construction activities such as concessions or real estate do require high investment volumes.

The EPoC's average capital expenditure / sales ratio reached 3.4% and remained stable in comparison to 2015. However, the ratio achieved by the companies that fall within the "International conglomerate" groups climbed to 7.3%, while the ratios corresponding to the Domestic and International construction groups were 5.6% and 2.6%, respectively.

In this context, the highest increase in the Top 20 EPoC was that of Acciona, which intensified its capital expenditure due to investments related to wind power projects in the US and India.

The main reduction in the capital expenditure / sales ratio related to Balfour Beatty and OHL, which recognised net losses in 2016.

Dividend yield (Figure 5.13)

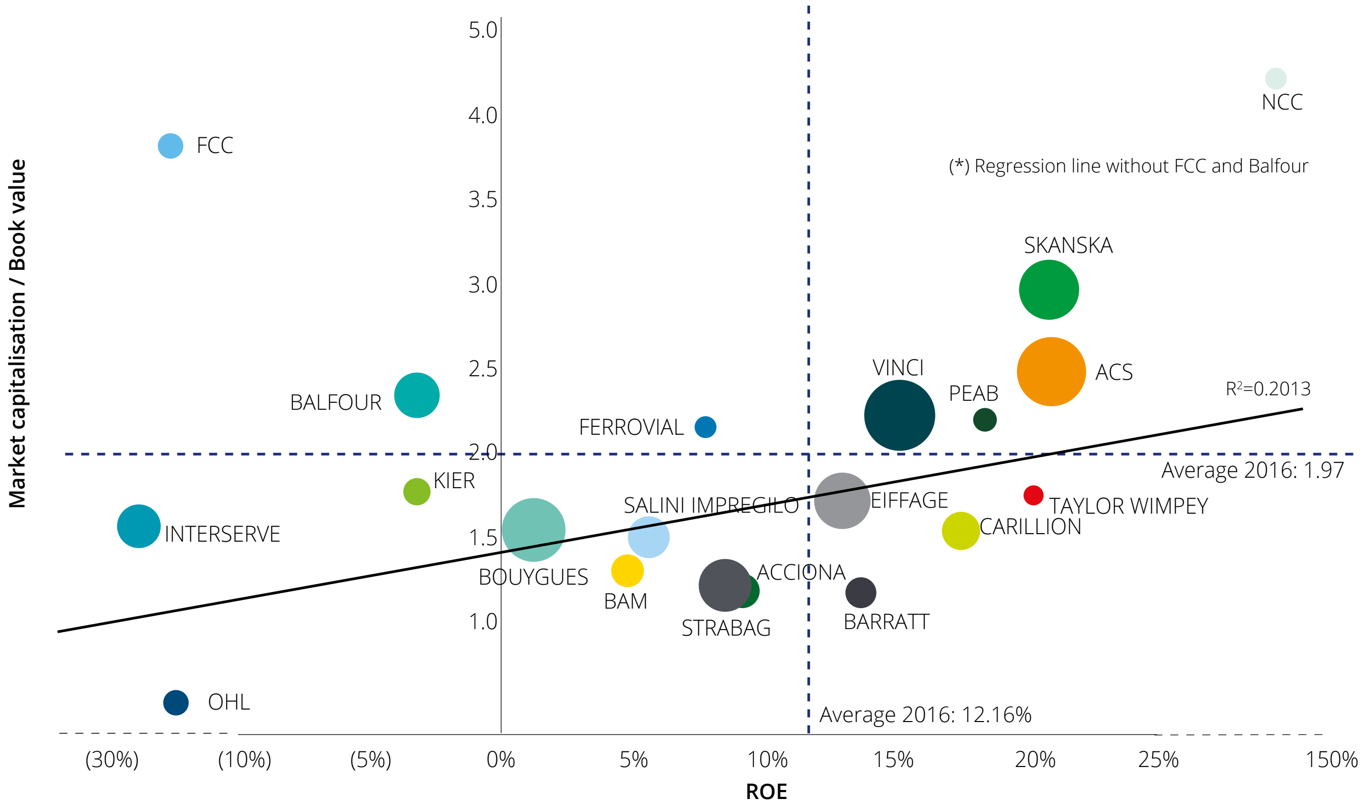
The average dividend yield returned to 2014 levels, reaching 3.5% in 2016. The Top 5 ranking is led by the British groups Carillion, Interserve, Taylor Wimpey, Barratt Developments and Kier. The growth achieved by these companies in this ratio is driven by the decline in their respective market value in 2016.

Excluding the UK EPoC, only Bouygues and Ferrovial achieved ratios of over 4. On the other hand, FCC has not been able to pay out any dividends since 2012.

Return on Equity (ROE) (Figures 5.14 & 5.15)

Average ROE for the TOP 20 EPoC jumped to 12.2% in 2016. Since 2012, ROE has increased by more than 6 percentage points. Four groups have recorded ROE ratios of over 20%: NCC, ACS, Skanska and

Figure 5.14

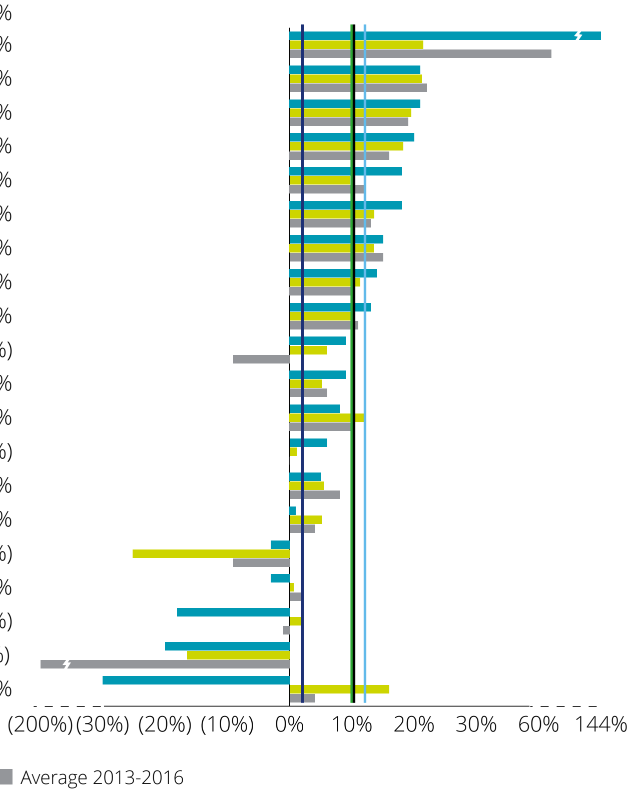


Taylor Wimpey. Among the Top 20 EPoC, note should be made of the ROE achieved by NCC (144% in 2016 compared with 21% in 2015) as a result of the spin-off of the shares of Bonava (formerly NCC Housing) to the shareholders, which gave rise to a capital gain of around EUR 700 million.

In addition, there seems to be a direct correlation between ROE and the market capitalisation recorded by our EPoC. Certain companies such as NCC, ACS, Skansa, Peab and Vinci recorded above-average ROE and market capitalisation / book value ratios.

Figure 5.15: Return on Equity

	Average 2013-2016
Top 20 EPoC	8.9%
NCC	42.0%
ACS	21.8%
SKANSKA	19.4%
TAYLOR WIMPEY	16.3%
PEAB	11.6%
CARILLION	16.3%
VINCI	14.9%
BARRATT	9.6%
EIFFAGE	10.6%
ACCIONA	(8.8%)
STRABAG	5.6%
FERROVIAL	9.7%
BAM	(0.1%)
SALINI IMPREGILO	8.4%
BOUYGUES	3.8%
BALFOUR	(8.9%)
KIER GROUP	2.0%
OHL	(0.8%)
FCC	(181.1%)
INTERSERVE	4.3%



Since 2011, the sales of our Top 20 EPoC have increased by 5.8%, although it may be observed that growth has not remained stable every single year. However, since 2013, when the companies were affected by the financial crisis and began to recognise impairment losses on their assets, the EBIT margin and net income to sales ratio have grown uninterruptedly. In 2016 the Top 20 EPoC achieved similar EBIT margin and net income levels to 2011. Also, net debt has improved considerably, due mainly to the divestments made in the last six years (Figure 5.16).

Figure 5.16: Overview Perfomance 2016 - 2011

Variables	2016	2015	2014	2013	2012	2011
Total Sales	230,992	236,699	227,567	228,824	233,760	218,325
Variation Sales (%)	(2.4%)	4.0%	(0.5%)	(2.1%)	7.1%	N/A
EBIT	14,196	13,658	11,684	10,306	11,164	13,604
% EBIT/Sales	6.1%	5.8%	5.1%	4.5%	4.9%	6.2%
Net Debt	45,774	48,582	56,423	62,099	62,710	65,197
Net Income attributable	7,926	6,787	5,981	1,301	3,706	8,205
% Net Income/Sales	3.4%	2.9%	2.6%	0.6%	1.6%	3.8%

Diversification of the EPoC 2016

An analysis of the diversification strategies adopted by our EPoC shows that Industrial & Services, as well as Concessions, are the segments in which the largest number of our EPoC have diversified over recent years. Industrial & Services margins are similar to Construction margins, whereas margins in the Concession segment are higher, although the activity requires significant investment.

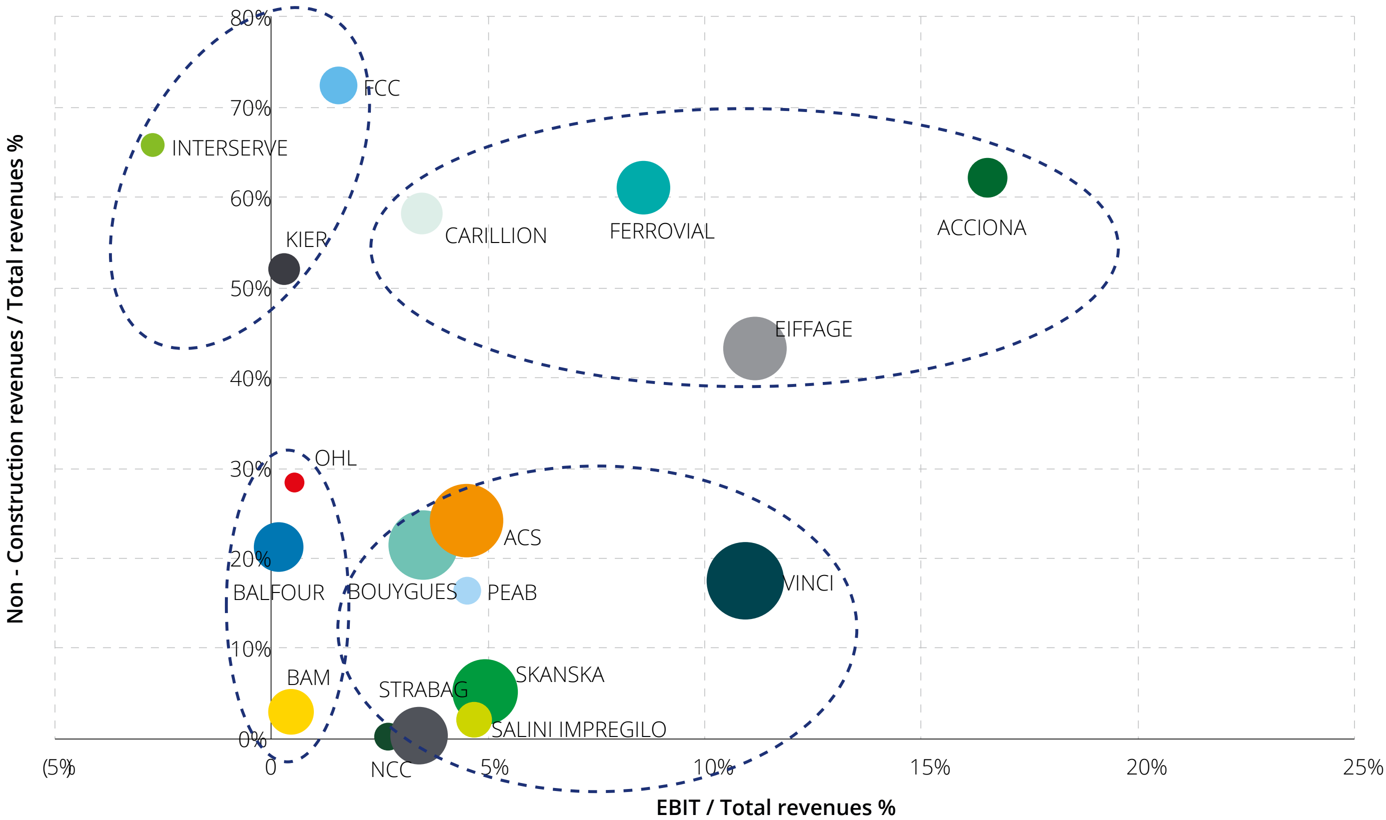
The cyclical nature of construction activity causes many companies significant financial difficulties. Also, local construction markets are characterised by strong competition and traditionally low margins (the average construction EBIT / sales margin was 2.7% in 2016 -Figure 5.1-). These construction industry characteristics favour investments in alternative businesses, since adequate expansions complement construction activity. Consequently, EPoC companies have diversified their portfolio of business segments to achieve sustainable growth and increase the typically narrow margins of construction projects.

These new activities into which the EPoC have entered frequently share common customers with the construction sector and cover a full range of services throughout the entire infrastructure cycle, which allows the EPoC to increase the synergies generated between the different activities performed. These activities are characterised, inter alia, by high operating margins, longer cycles and recurring revenue. However, it should also be pointed out that, as indicated in the "Financing of EPoC 2016" section, higher diversification usually leads to higher indebtedness.

The EPoC's non-construction sales represent 29% of total revenue, slightly higher than in 2015. At first glance, there seems to be a direct correlation between the degree of diversification and the margins achieved by the companies analysed:

- Carillion, Ferrovial, Eiffage, Acciona, FCC, Kier and Interserve, which obtained more than 40% of their total sales from

Figure 6.1



Barratt Developments as well as Taylor Wimpey were not included in the analysis since these companies do not disclose construction revenue from house sales-related income. Accordingly, it is impossible to classify them in any of the categories defined above.

Source: Deloitte analysis

non-construction activities, recorded an average EBIT margin of 7% in 2016, while groups focused on construction activities, such as Vinci, ACS, Salini, Strabag, NCC, BAM and OHL, achieved an average EBIT ratio of 5.2%, 1.8 percentage points lower (Figure 6.1).

- Despite the fact that the Spanish companies FCC and OHL have developed differing diversification strategies, both significantly reduced EBIT margins in 2016. These groups are currently involved in various restructuring and downsizing processes in relation to the construction segment, which partially explains the figures recorded.

- Only three companies recorded margins above 15%: Barratt, Taylor Wimpey and Acciona (Figure 6.1). The UK groups are focused on the residential building construction and real estate development business in the UK, which has historically recorded high profits. On the other hand, Acciona obtained significant operating profit as a result of the sale of Acciona Windpower, a subsidiary dedicated to the design, manufacturing and operation of wind turbines, to the German group Nordex.

- Interserve, which is considered to be a diversified company, is the only group to record negative EBIT margins in 2016, due to its weak performance in the UK construction market, but also due to the costs incurred in exiting the energy-from-waste business (Figure 6.1).

- It is noteworthy that France, Spain and United Kingdom, which are the most diversified countries, recorded the highest profitability of our EPoC (8.2%, 5.9% and 5.2%, respectively).

An analysis of the diversification strategies adopted by our EPoC (Figure 6.2) shows that while Industrial & Services is the segment in which the largest number of our EPoC have diversified, only two companies obtained sales over EUR 1,000 million in the Environment & Water segment (ACS and FCC) and just one company, Bouygues (France), has a significant presence in the telecommunications market, through its investment in the TV channel TF1. The concessions business, which in many cases is accounted for using the equity method, is led by French groups Vinci and Eiffage, with sales exceeding EUR 1,000 million. Other groups such as Bouygues, Strabag, Carillion and the Spanish groups ACS and OHL are also present within the concessions business, although their sales are below EUR 1,000 million.

In this year's EPoC publication we have also identified the main listed players in other related industries: Concessions, Engineering & Industrial and Services (Figure 6.3). Based on the financial information on those groups and the nature of the activities performed, the following ideas can be drawn:

Figure 6.2

Company	Construction	Real Estate Development	Concessions	Industrial & Services	Environment & Water	Energy	Telecom	Other activities
VINCI SA	✓✓✓	✓✓	✓✓✓	✓✓✓	✗	✓✓✓	✗	✗
ACTIV. DE CONSTR. Y SERV. SA (ACS)	✓✓✓	✓✓	✓✓	✓✓✓	✓✓✓	✓	✗	✓✓
BOUYGUES SA	✓✓✓	✓✓✓	✓✓	✓✓	✗	✓	✓✓✓	✓✓✓
SKANSKA AB	✓✓✓	✓✓✓	✗	✓✓✓	✗	✓✓✓	✗	✗
EIFFAGE SA	✓✓✓	✓✓	✓✓✓	✓✓	✗	✓✓✓	✗	✗
STRABAG SE	✓✓✓	✓✓	✓✓	✓✓	✗	✓✓	✗	✓
FERROVIAL SA	✓✓✓	✓	✓✓✓	✓✓✓	✓✓	✗	✗	✓✓
BALFOUR BEATTY PLC	✓✓✓	✗	✓	✓✓✓	✓✓	✓✓	✓✓	✓✓
BAM	✓✓✓	✓✓	✓	✓✓	✗	✓✓	✗	✗
CARILLION	✓✓✓	✓✓	✓✓	✓✓✓	✓✓	✗	✗	✗
ACCIONA SA	✓✓✓	✓	✓	✓✓	✓✓	✓✓✓	✗	✓✓
FOMENTO DE CONSTR. Y CONTRATAS SA (FCC)	✓✓✓	✓	✓✓	✓✓✓	✓✓✓	✗	✗	✓✓
SALINI IMPREGILO SPA	✓✓✓	✗	✗	✗	✗	✗	✗	✗
BARRATT DEVELOPMENTS	✓✓✓ (*)		✗	✗	✗	✗	✗	✗
KIER GROUP	✓✓✓	✓✓	✗	✓✓✓	✗	✗	✗	✗
NCC	✓✓✓	✓✓✓	✗	✓✓✓	✗	✗	✗	✗
PEAB AB	✓✓✓	✓✓	✗	✓✓	✗	✓✓✓	✗	✓✓
INTERSERVE	✓✓✓	✗	✗	✗	✗	✗	✗	✓✓
TAYLOR WIMPEY	✓✓✓ (*)		✗	✗	✗	✗	✗	✗
OBRASCON HUARTE LAIN SA (OHL)	✓✓✓	✓✓	✓✓	✓✓	✗	✗	✗	✓✓

✓✓✓ Special focus ✓✓ Average presence ✓ Limited presence ✗ No presence

(*) Barratt Developments as well as Taylor Wimpey do not disclose construction revenue from house sale-related income.

Figure 6.3

Company	Country	Sales (€ M)	EBIT (€ M)	EBIT/ Sales (€ M)	EBITDA (€ M)	EBITDA/ SALES (€ M)	Market Cap 2016 (€ M)	Market Cap 2015 (€ M)	VAR %	Net Debt (€ M)	Equity (€ M)	Net debt/ (net debt + equity)	Net debt /EBITDA
MACQUARIE	Australia	7,109	2,129	29.9%	1,370	19.3%	20,699	14,266	45%	28,915	12,352	77.0%	21.1
ATLANTIA SpA	Italy	5,484	2,315	42.2%	3,378	61.6%	18,261	20,173	(9%)	11,677	10,009	68.4%	3.5
ABERTIS	Spain	4,936	1,946	39.4%	3,231	65.5%	13,167	13,592	(3%)	15,119	6,901	76.1%	4.7
TRANSURBAN	Australia	1,450	436	30.0%	819	56.5%	16,418	12,302	33%	8,064	4,326	74.1%	9.9
JOHN LAING	UK	318	247	77.6%	246	77.3%	1,163	1,045	11%	187	1,188	53.6%	0.8
SUBTOTAL CONCESSION GROUPS		**19,297**	**7,072**	**36.7%**	**9,044**	**46.9%**	**69,708**	**61,378**	**13.6%**	**63,962**	**34,775**	**74.0%**	**7.1**
AECOM	USA	15,673	338	2.2%	697	4.4%	4,075	3,721	10%	2,864	3,183	65.5%	4.1
TECHNIP	France	8,313	451,8	5.4%	791	9.5%	8,081	5,444	48%	(3,526)	4,794	20.9%	(4.5)
AMEC FOSTER WHEELER	UK	5,440	366	6.7%	559	10.3%	2,163	2,286	(5%)	1,193	1,197	66.6%	2.1
TECNICAS REUNIDAS	Spain	4,789	192	4.0%	211	4.4%	2,178	1,948	12%	(383)	442	11.9%	(1.8)
WSP GLOBAL INC.	Canada	4,352	232	5.3%	340	7.8%	3,194	2,808	14%	600	2,016	56.5%	1.8
SUBTOTAL ENGINEERING & INDUSTRIAL GROUPS		**38,567**	**1,579**	**4.1%**	**2,598**	**6.7%**	**19,691**	**16,207**	**21.5%**	**748**	**11,632**	**51.6%**	**0.3**
G4S PLC	UK	9,262	491	5.3%	530	5.7%	4,268	4,744	(10%)	1,951	1,008	74.6%	3.7
CAPITA PLC	UK	5,991	181	3.0%	366	6.1%	4,165	10,975	(62%)	2,078	565	82.4%	5.7
BILFINGER	Germany	4,249	(231)	-5.4%	(221)	(5.2%)	1,617	1,921	(16%)	(510)	1,621	40.7%	2.3
SERCO	UK	3,674	51	1.4%	127	3.5%	1,826	1,394	31%	128	466	56.0%	1.0
MITIE	UK	3,048	154	5.1%	208	6.8%	1,176	1,396	(16%)	225	524	58.8%	1.1
SUBTOTAL SERVICES GROUPS		**26,224**	**646**	**2.5%**	**1,010**	**3.8%**	**13,052**	**20,430**	**(36.1%)**	**3,871**	**4,184**	**65.8%**	**3.8**

Concessions

Current investments in infrastructure fall below the world's needs, which results in lower economic growth and deprives citizens of essential services. Significant investments are needed in order to meet current and future demand and, accordingly, strong private sector involvement is critical. It seems that public-private partnerships could be the solution for closing infrastructure gaps in periods of tight public funding. Public-private partnerships between a government agency and private sector company can be used to finance, build and operate projects. These partnerships are used in such diverse sectors as roads, water and hospitals.

Several of the main players involved in the concessions industry are Australian, Italian, Spanish and UK companies:

- Macquarie is a diversified financial group which provides clients with asset management and finance, banking, advisory and risk and capital solutions in relation to debt, equity and commodities. Macquarie, dominates the ranking in the Concessions industry, invested equity of EUR 4.4 billion in 2016 in infrastructure assets in countries such as Australia, the US, the Philippines, India and Korea. The diversification of its activities, combined with a strong capital position and robust risk management framework, has contributed to a 48-year record of uninterrupted profitability. Of the group's various divisions, it should be remarked that Macquarie Infrastructure and Real Assets is a leader in alternative asset management worldwide, specialising in infrastructure, real estate, agriculture and energy via public and private funds, co-investments, partnerships and separately managed accounts. In 2016 the group leads this ranking in terms of sales; however, the EBIT margin recorded by the group is the lowest of the players analysed, partially explained by the mix of activities (with differing characteristics and profitability) performed by the Australian company.

- Atlantia is a global player in the motorway and airport infrastructure sector, operating 5,000 km of toll motorway in Italy, Brazil, Chile, India and Poland and managing Fiumicino and Ciampino airports in Italy and the three airports of Nice, Cannes-Mandelieu and Saint Tropez in France. Despite being involved in the concessions business, its debt to EBITDA ratio was 3.5, lower than other diversified European groups such as Acciona and Eiffage (Figures 6.3 & 5.10) .

- Abertis is a listed international market leader in the management of toll roads, managing over 8,600 km of high capacity and quality roads worldwide. Abertis, which is present in 14 countries, is the leading national toll road operator in countries such as Spain and Chile, and has a strong presence in France, Brazil, Italy and Puerto Rico. The company also has a stake in more than 700 km of road through different concessionaires in the UK, Argentina and Colombia. In line with Peab, total sales amounted to almost EUR 5,000 million in 2016, although the market capitalisation of the Swedish group is significantly lower than the figure achieved by Abertis (Figures 6.3 & 1.2).

- Transurban is a Top 20 company on the Australian Securities Exchange (ASX) and has been operational since 1996. It manages and develops urban toll road networks in Australia and the US. The company has 13 roads in Australia and 2 roads in the US (both in the Washington D.C. area). The market capitalisation of the Australian group is approximately four times more than total equity (Figure 6.3).

- John Laing is an international originator, active investor and manager of infrastructure projects. Its business is focused on major transport, social and environmental infrastructure projects awarded under governmental public-private partnership (PPP) programmes, and renewable energy projects, across a

range of international markets including the UK, Europe, Asia-Pacific and North America. The UK group recorded the highest profitability of the companies analysed (Figure 6.3).

Concession activity is characterised by a need for high levels of investment, which has led to high leverage among the industry's main players. As a result, average net debt to EBITDA ratios for these groups are significantly higher than in other industries such as Services, Engineering & Industrial and pure construction business. (Figure 6.5).

On the other hand, it is a recurring activity which recorded high profitability. In 2016 the EBIT margin recorded by the Concessions companies was at least 30 percentage points higher than the EBIT margin achieved by the other groups analysed (Figure 6.4). Among them, John Laing recorded the highest margin (78%).

Engineering & Industrial

These activities range from the design and development to the construction, maintenance and operation of energy, industrial and mobility infrastructures. It is a market dominated by highly-specialised companies. Several of the main players come from the Americas and Europe:

- Since its foundation in 1990, more than 50 companies have joined AECOM. In 2007 it became a publicly traded company on the New York Stock Exchange. AECOM is a premier, fully integrated professional and technical services firm positioned to design, build, finance and operate infrastructure assets around the world for public and private sector clients. Although its performance was in line with Skanska and Eiffage in terms of total sales, AECOM's total market value amounted to EUR 4,075 million in 2016, significantly lower than the aforementioned Swedish and French companies (Figures 6.3 & 1.2).

- Technip is a global leader in oil and gas projects, technologies, systems, and services. The company provides expertise in three different segments: Subsea, Onshore/Offshore, and Surface projects. Technip is one of the most profitable companies in terms of EBIT and also recorded a net debt to EBITDA ratio below zero in 2016 (Figure 6.3).

- Amec Foster Wheeler, which employs around 35,000 people worldwide, serves major corporations and government bodies in the oil, gas & chemicals, mining, power & process and environment & infrastructure markets. Its net debt to EBITDA ratio was 2.1 in 2016, in line with the average recorded by our EPoC, and its market capitalisation to equity ratio was approximately 1.8 (Figures 6.3 & 5.10).

- Técnicas Reunidas is an international general contractor engaging in the engineering, design and construction of various types of industrial facilities for a broad spectrum of customers throughout the world, including many of the principal national oil companies as well as several multinational companies. Most of its business is concentrated in large turnkey industrial projects, although it also provides engineering, management, start-up and operating services for industrial plants. Its EBIT margin was 4% in 2016, around two percentage points below the average recorded by the EPoC (Figures 6.3 & 5.1). In line with the French company Technip, Técnicas Reunidas recorded a net cash position of EUR 383 million in 2016.

- WSP provides technical expertise and strategic advice to clients in the Property & Buildings, Transportation & Infrastructure, Environment, Industry, Resources (including Mining and Oil & Gas) and Power & Energy sectors. It also offers highly specialised services in project delivery and strategic consulting. The company offers a variety of project services throughout all project execution phases, from initial development and planning studies to the project/programme management, design, construction management, commissioning and maintenance phases. In 2016 its market capitalisation rose by EUR 386 million to EUR 3,194 million (Figure 6.3).

In 2016 the companies specialised in this industry recorded sales of over EUR 4,000 million, but reported reduced profitability in comparison with Concessions. The Engineering & Industrial companies and Top 20 EPoC have similar features and share similar industry risks than the pure construction activities. In this sense, the business of Engineering and Industrial companies is non-recurring and they rely heavily on the global economy. In addition, they have low EBIT margins (4.1% of sales) and low leverage levels (Engineering companies achieved a net debt to EBITDA ratio of 0.3, while the Top 20 EPoC recorded a ratio of 2.1) (Figures 6.4 & 6.5).

Services

We have selected certain players whose main activity focuses on providing services such as waste collection, maintenance of green areas, security services, facility management and other urban and environmental services. The selected groups, together with a brief explanation of the main activities they perform, are as follows:

- G4S is the world's leading global, integrated security company specialising in the provision of security and related services to a diverse range of customers all over the world. G4S, which employs 585,000 staff, offers a broad range of services on a stand-alone basis or in conjunction with other services to provide customers with integrated solutions. In 2016 the Group's continuing businesses delivered revenue growth of 6.3% and earnings growth of 16.6%.

- Capita is the UK's leading provider of technology-enabled customer and business process transformation and

Figure 6.4: Average EBIT/Sales

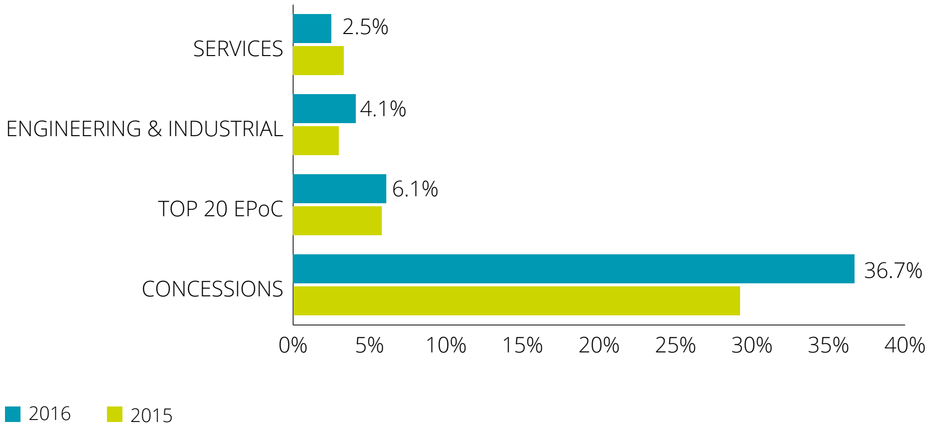


Figure 6.5: Average Net Debt/Ebitda

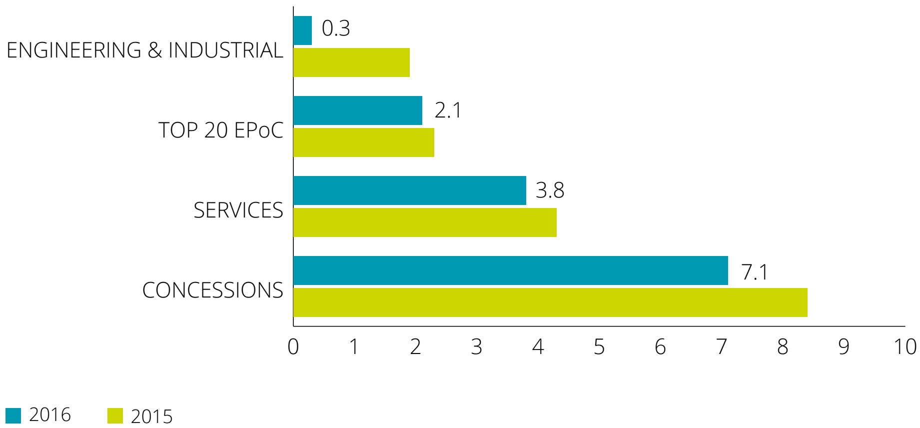
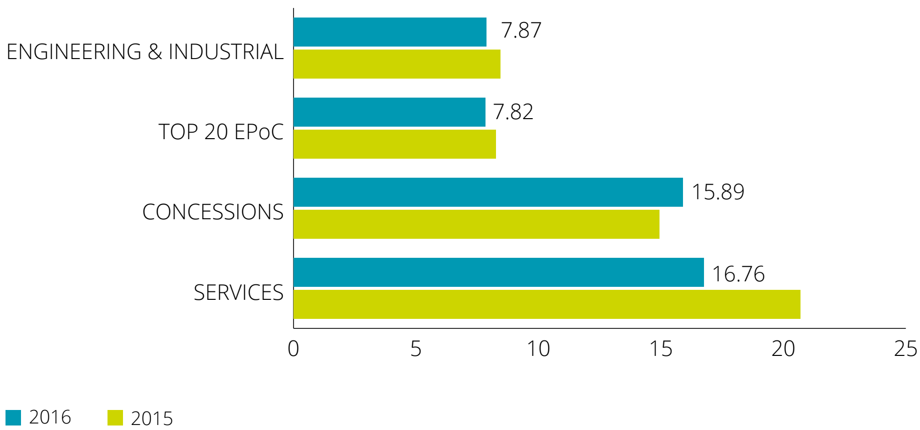


Figure 6.6: Average Enterprise value/EBITDA

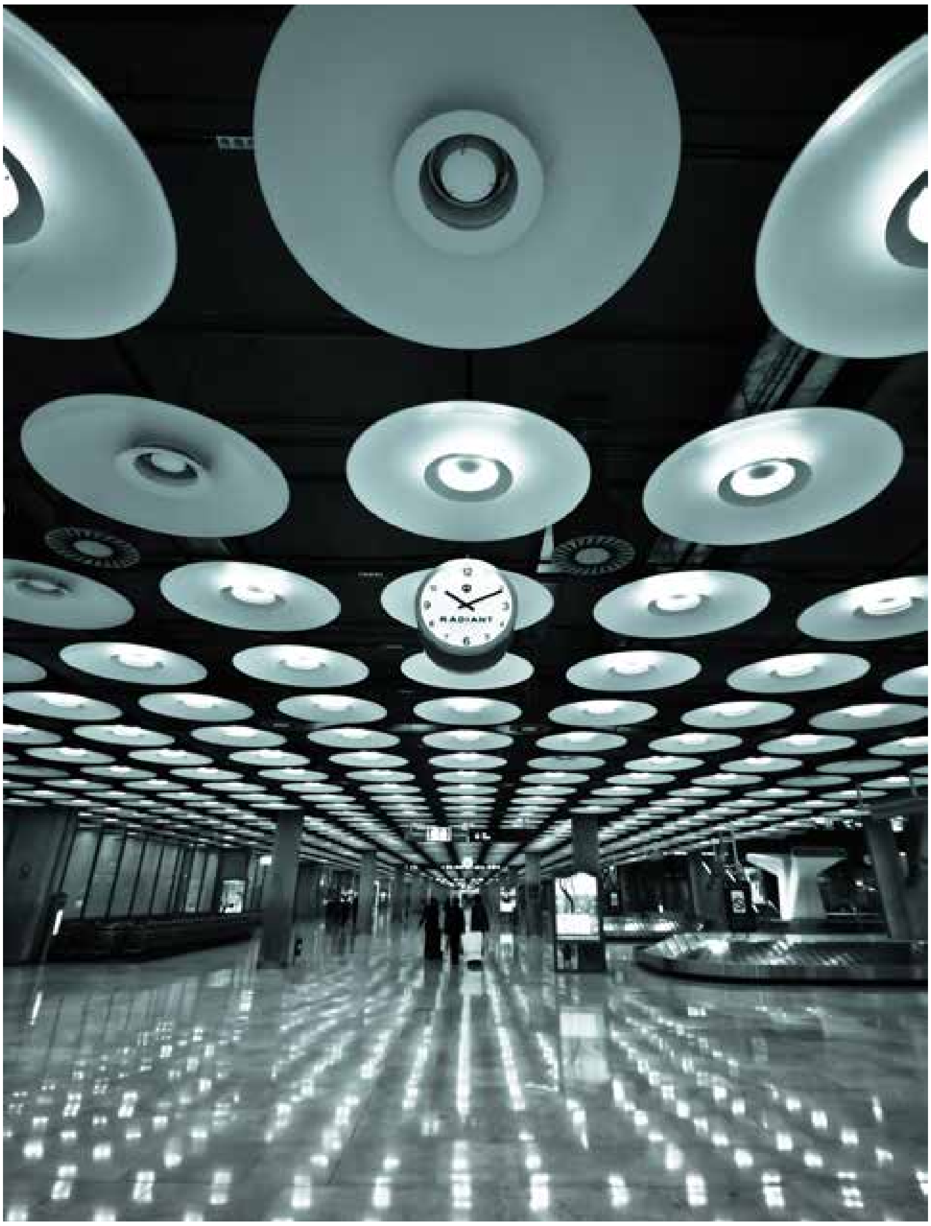


integrated professional support services. The majority of its business sites are in the UK, Ireland and other areas of the European Union, complemented by operations and delivery centres in the Channel Islands, India, South Africa, North America and the Middle East. Stock markets trade at a premium to equity value, since Capita's market capitalisation amounted to EUR 4,165 million, while equity amounted to EUR 565 million (Figure 6.3).

- Bilfinger is a leading international industrial services provider. The group enhances the efficiency of assets, ensures a high level of availability and reduces maintenance costs. The portfolio covers the entire value chain from consulting, engineering, manufacturing, assembly, maintenance, plant expansion and turnarounds and also includes environmental technologies and digital applications. Bilfinger was previously included in our EPoC ranking. However, in 2014 the group sold its civil engineering business to Implenia, which is a listed European construction company ranked in 28th position. At December 2016 market value was EUR 1,617 million (Figure 6.3), 24% lower than in 2014 when the company was still considered a construction group.

- The Serco Group's roots go back to 1929; it became Serco Limited in 1987 and in 1988 was listed on the London Stock Exchange. Currently, Serco is a FTSE Top 250 company and manages over 600 contracts worldwide. It operates internationally across four geographies: the UK & Europe, North America, Asia-Pacific and the Middle East. Serco is specialised in the delivery of essential public services and employs over 50,000 people working in defence, transport, justice, immigration, healthcare and other citizen services. Its EBIT margin remained below the average achieved by the Concessions and Engineering & Industrial groups analysed, but it is also below the average of our EPoC (Figures 6.3 & 6.4).

- Mitie, which is one of the largest cleaning companies in the UK, has been caring for residents' homes and public buildings for over 25 years. The group mainly provides facilities management, consultancy and project management services to both public and private sector clients. The Group's financial performance was strong in 2016: its profitability ratios are above the figures recorded by most of our EPoC, while indebtedness is significantly lower (Figures 6.3, 6.4 & 6.5).



The Service industry is characterised by low margins (average EBIT margin in 2016 was 2.5% -Figure 6.4-) and high recurrence. The level of need for investment is very low and, consequently, these companies achieved a lower net debt to EBITDA ratio in comparison with other industries (3.8 in 2016) (Figure 6.5). The profitability recorded by these companies is also the lowest, and Bilfinger was the only company to record a negative margin, due mainly to certain impairment losses recognised in the year.

The average enterprise value / EBITDA multiples of companies focused on Services are significantly higher than those recorded by our EPoC and by other Engineering & Industrial companies (Figure 6.6).

Financing of EPoC 2016

Over recent years, our EPoC have shown a higher degree of concern regarding their debt levels, with significant efforts aimed at improving their financial position. The average net debt to EBITDA ratio has been consistently decreasing over recent years.

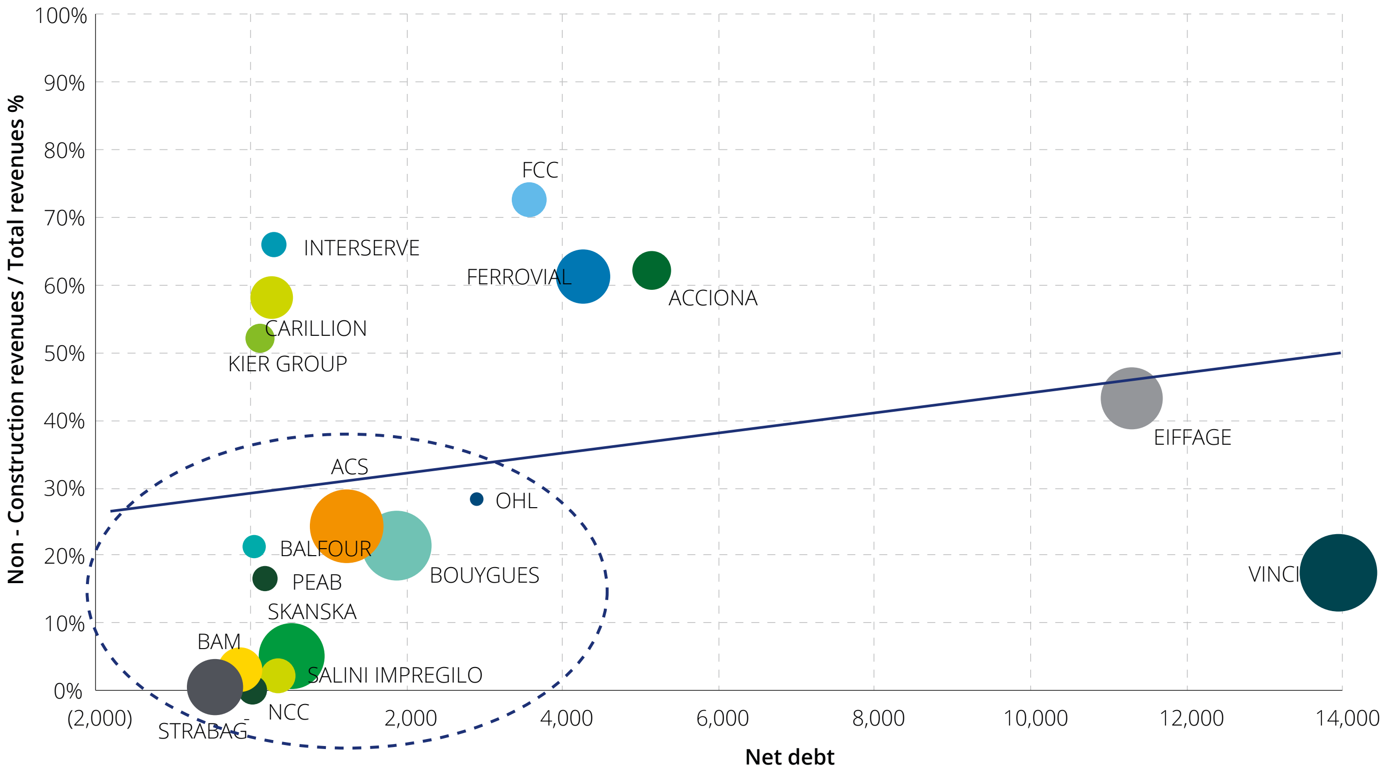
The construction business is generally characterised by low investment, tight operating margins and low working capital and financing needs. Historically, groups focused on construction activities have not required significant financing to perform their core activities. However, the diversification processes carried out by several of the major listed European construction companies in recent years have required them to obtain financing, which is still reflected in the 2016 consolidated balances sheets of the EPoC.

The development of certain business lines, such as those structured through Public-Private Partnerships (PPPs) and Project Finance Initiatives (PFIs), requires high debt levels, mainly through syndicated loans. In recent years, due to the financial crisis and the enhanced capital constraints faced by the banking sector, financing provided by banks has decreased significantly. Bond financing, which played an important role before the financial crisis, almost completely disappeared over the 2009-2012 period. However, since 2013/2014 it regained importance and several major recently developed projects have been financed through bond issues.

As indicated in the "2016 Financial Performance" section, the average net debt to EBITDA ratio has been consistently decreasing over recent years. While in 2012 the ratio was 3.1, in 2016 it amounted to 2.1, mainly as a result of a 27% reduction of net debt partially offset by 5% growth in EBITDA in the period (Figure 5.10). As of December 2016, the total indebtedness of our EPoC amounted to EUR 45,774 million, a 6% reduction on 2015 (Figure 5.16).

Our prior years' analyses of the correlation between indebtedness and diversification appeared to show that further diversification normally goes hand-in-hand with higher net debt and net debt/EBITDA multiples. Based on the figures obtained for recent years, the following conclusions may be drawn (Figures 7.1 & 7.2):

Figure 7.1



Barratt Developments as well as Taylor Wimpey were not included in the analysis since these companies do not disclose construction revenue from house sales-related income. Accordingly, it is impossible to classify them in any of the categories defined above.

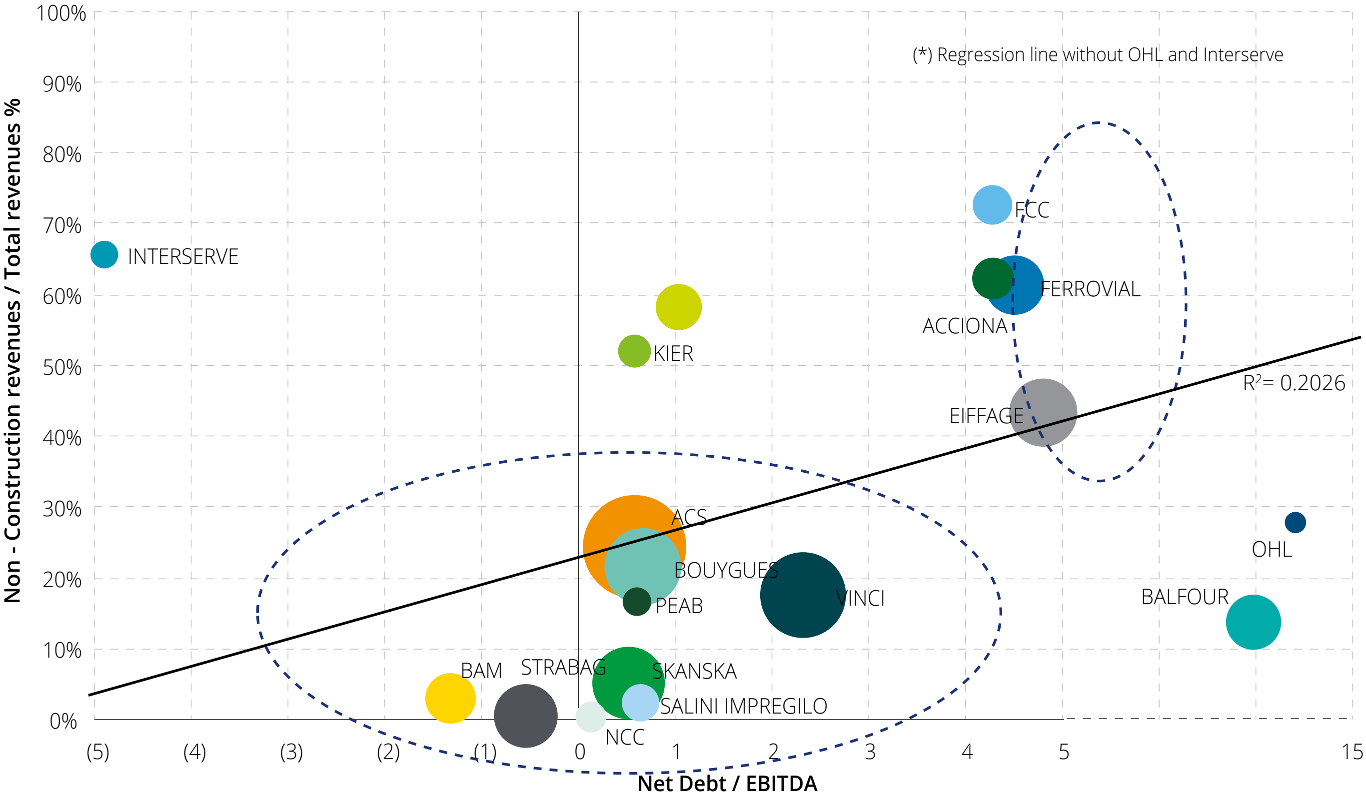
Source: Deloitte analysis

- As we have already mentioned, the construction business is a cyclical industry (generally with short cycles) that does not require significant levels of initial investment. While financing of companies focused on construction activities is rather low, the cash flows expected to be obtained from their operations are quite unpredictable. However, there are other related activities within the industry that involve major investment levels and more predictable cash flows, resulting in a higher indebtedness ratio. Accordingly, the groups classified as "Conglomerates" in the "Top 20 EPoC strategies 2016" section recorded an average net debt to EBITDA ratio of 2.6, while the companies classified as "Construction" groups obtained an average ratio of 1.7.

- The French groups Vinci and Eiffage, as in prior years, remain the groups with the highest net debt values of the EPoC 2016, but several differences may be identified with regard to these two companies. Vinci's indebtedness level relates more to the size of the French giant than to the diversification of its business. As a result, Vinci's 2016 net debt to EBITDA ratio of 2.3 is in line with the average of the Top 20 EPoC (2.1). On the other hand, Eiffage's net debt to EBITDA ratio reached 4.8 in 2016, given that non-construction activities, which are focused mainly on the Concession sector, represented around 45% of total sales.

- The Spanish companies FCC, Acciona and Ferrovial, which are classified as "International Conglomerates", recorded a net debt to EBITDA ratio of approximately 4.5 in 2016. While FCC and Ferrovial reduced net debt in 2016 by 34% and 6%, respectively, Acciona's indebtedness remained quite stable compared to 2015. In the case of FCC, the funds obtained through the capital increase performed in 2016 were partially used to make significant debt repayments. The sale of its cement business in the US also contributed to the

Figure 7.2: Diversification vs Indebtedness



Barratt Developments as well as Taylor Wimpey were not included in the analysis since these companies do not disclose construction revenue from house sales-related income. Accordingly, it is impossible to classify them in any of the categories defined above.

Source: Deloitte analysis

reduction recorded in 2016. In addition, ACS, whose construction sales represent around 76% of total revenue, reduced its debt by 54% to EUR 1,214 million as a result of the divestment of Urbaser and the subsequent deconsolidation of the environmental services subsidiary. Similarly, OHL significantly reduced its net debt by 27% to EUR 2,911 million. In 2016 the group significantly reduced the corporate debt of the concessions division and bonds amounting to EUR 84.8 million were redeemed early. This reduction was greatly aided by the divestment of non-strategic assets. It is noteworthy that the overall net debt of the Spanish EPoC companies was reduced from EUR 97 billion in 2007 to EUR 17 billion in 2016, due mainly to the divestment process following the financial crisis.

- The UK groups Carillion, Kier and Interserve managed to diversify their traditional construction businesses without creating significant new leverage. The sectors on which these companies have focused (basically, support and professional services) do not require significant financing. It should be noted that Interserve recorded a negative net debt to EBITDA ratio due to the operating losses recorded in 2016. Additionally, Kier and Interserve recorded a better indebtedness position in comparison with the previous year (EUR 440 million in 2016 vs. EUR 619 million in 2015).

- Other companies with low diversification levels, such as Strabag, BAM, Peab, NCC, Skanska and Salini Impregilo, are among the least indebted of the Top 20 EPoC, each with net debt of below EUR 500 million.

In recent years, our EPoC have shown a higher degree of concern regarding their debt levels, with significant efforts aimed at improving their financial position. Since 2012, the total net debt of our EPoC has been reduced by 27% to EUR 45,774 million (Figure 5.16). Similarly, net debt to EBITDA ratio has improved, decreasing from 5.5 points in 2012 to 2.1 points in 2016 (Figure 5.10). This evolution is primarily a consequence of the companies' focus on improving their financial position after the financial crisis.

Our analysis is based on the debt as recognised in the 2016 financial statements of the respective EPoC companies. Consequently, the debt figures analysed do not include the debt of non-controlling interests accounted for using the equity method, joint ventures that are not fully consolidated and PFIs over which the respective company does not have control (which in some cases may be very significant).

Internationalisation: Business opportunities

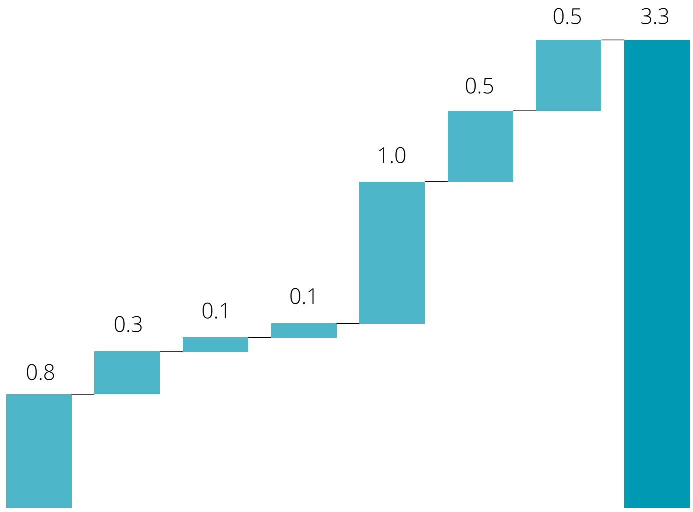
Global infrastructure market spending up to 2030 is expected to grow significantly, reaching USD 14 trillion for EMEA markets and USD 19 trillion in the Asia-Pacific area.

The European construction market, characterised by its relatively small size, fierce competitors and weak performance over the financial crisis, has encouraged major European construction groups to seek new growth opportunities abroad. However, as indicated in the "Outlook for the construction industry in the EU" section, economic expansion in Europe continued in 2016, which was the fourth consecutive year of moderate, yet uninterrupted, GDP growth in the EU.

Investment in construction activities in the European Union is forecast to increase in 2017 and 2018 (Figure 3.2). Nevertheless, envisaged local growth rates are not high enough in comparison with other non-European construction markets; this leads many of our EPoC companies to continue to seek new opportunities in foreign markets.

Currently, the world invests around USD 2.5 trillion a year in the transportation, power, water, and telecom systems on which businesses and populations depend. However, it should be noted that current investment falls below the world's needs, which results in lower economic growth and deprives citizens of essential services. From 2016 through to 2030, Mckinsey Global Institute has estimated that the world needs to invest around 3.8% of its GDP (an average of USD 3.3 trillion per year) in economic infrastructure just to support expected growth rates (Figure 8.1).

Figure 8.1: Average annual need, 2016-2030
$ trillion, constant 2015 dollars

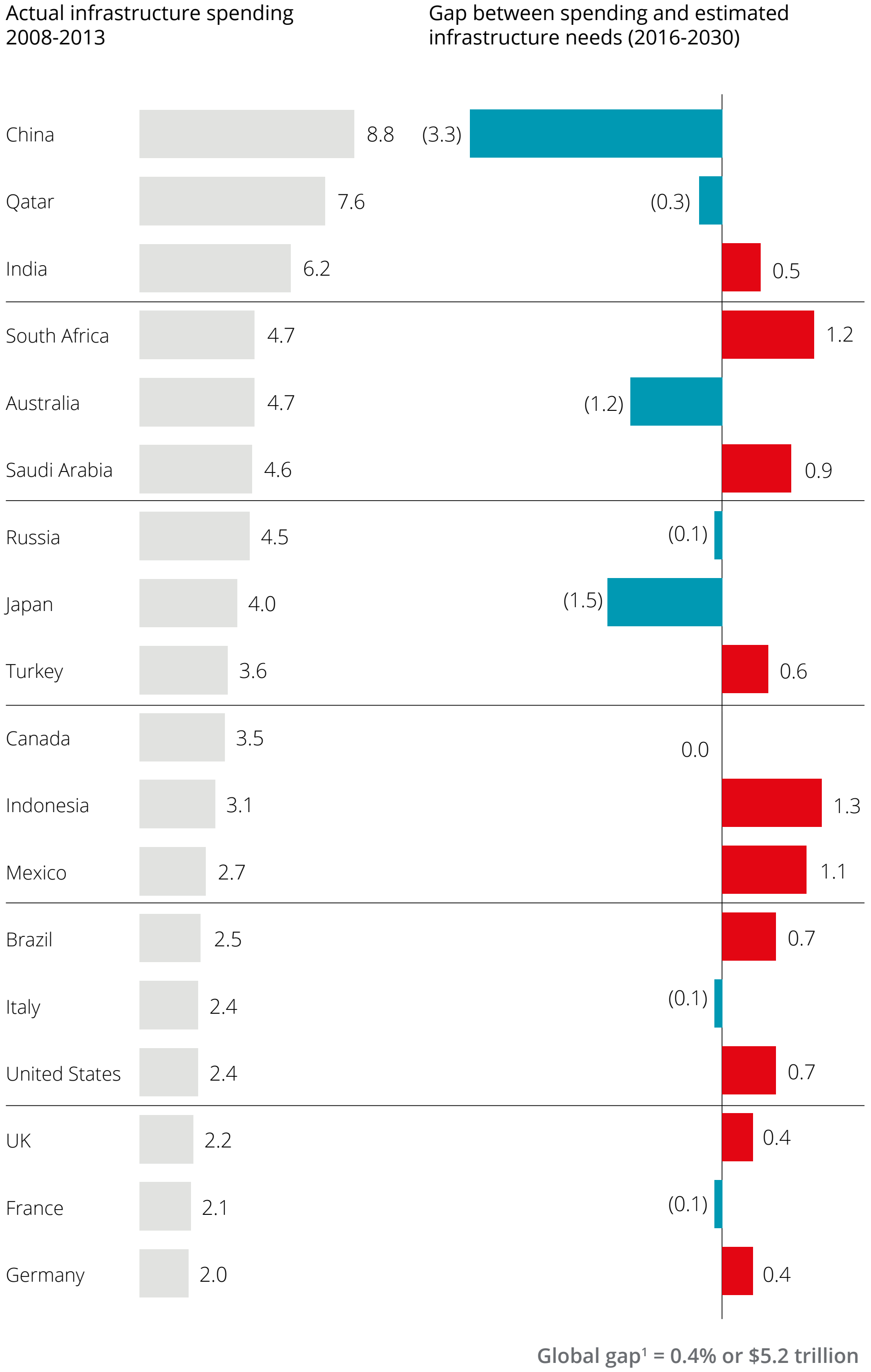


	Roads	Rail	Ports	Airports	Power	Water	Telecom	**Total**
Annual spending % of GDP	0.9	0.4	0.1	1.1	0.6	0.6	0.6	3.8
Aggregate spending 2016-2030 % $ trillion	11.4	5.1	0.9	1.3	14.7	7.5	8.3	49.1

Source: Mckinsey Global Insitute

Figure 8.2: The size of the infrastructure investment gap varies widely by geography

Economic infrastructure, % of GDP



[1] The global gap for 2016-2030 as a share of GDP is calculated by adding negative values, converting to dollar terms, then dividing by cumulative world GDP. Without adjusting for positive gap, the value is 0.2 percent. This has been calculated from a set of 49 countries for which data are available for all sectors. This gap does not include additional investment needed to meet the UN Sustainable Development Goals.

Source: Mckinsey Global Insitute

Investments will be focused on roads and power infrastructures, but also on water and telecom assets.

Global infrastructure market spending up to 2030 is expected to reach USD 13 trillion in the Americas, USD 14 trillion for EMEA markets and USD 19 trillion in the Asia-Pacific area. More than 70% of infrastructure investment up to 2030 will be allocated to developing countries. Key factors driving the boom in infrastructure spending are, inter alia, urban development and the growing population in emerging economies, as well as the need to replace infrastructure in developed countries.

The internationalisation strategy entails additional risks that could negatively impact the traditionally tight margins of construction activity, as well as the cash flows obtained from operating activities. Companies have recently experienced the difficulties associated with making their foreign contracts profitable and repatriating funds to their domestic markets. When investing abroad, certain issues must be considered in order to avoid the risks inherent to the internationalisation process. Prior selection of target countries and projects, understanding customers and subcontractors and assessing the convenience of working with local partners and/or acquiring local operators are certain key factors that may affect the traditional tight margins of construction activities. Therefore, the success of our EPoC companies when performing business abroad is highly dependent upon gaining a proper understanding of the characteristics of each individual international market.

Approximately 48% of total sales recognised by our EPoC in 2016 were obtained from their domestic markets. The Americas, Asia-Oceania and Africa represent 18%, 9% and 2%, respectively, of total international sales recognised by the Top 20 EPoC groups.

Figure 8.3: Most Internationalized EPoC

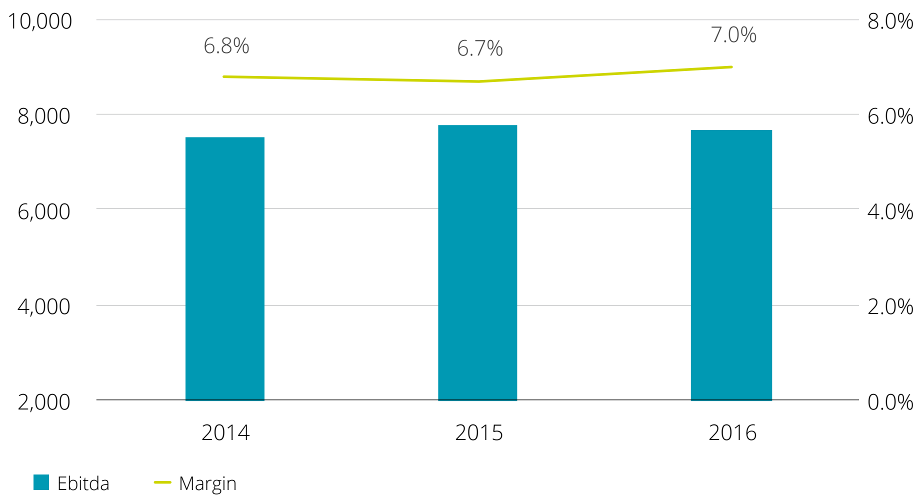


Figure 8.4: Less Internationalized EPoC

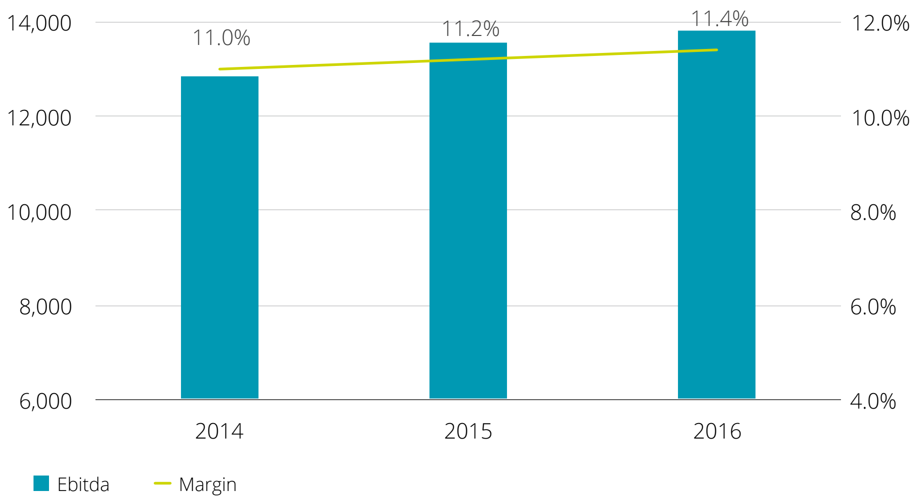
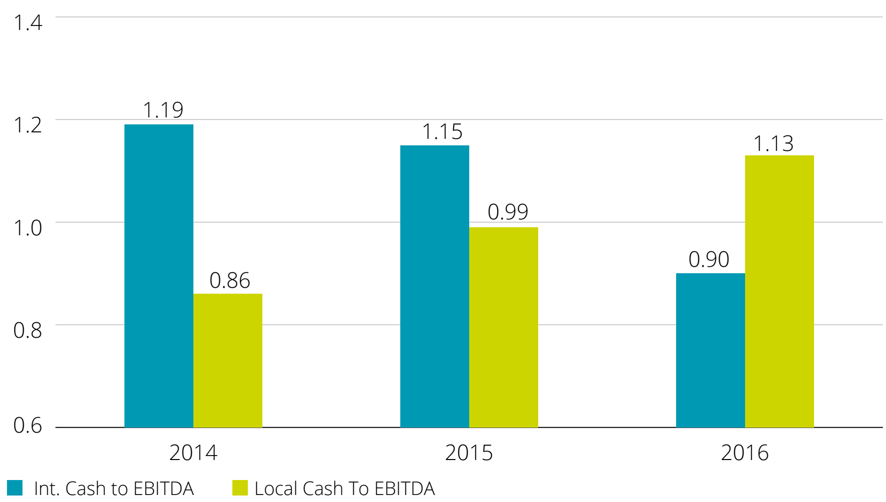


Figure 8.5



Most of our EPoC do not provide detailed margin information by geographical area, which makes it difficult to assess the profitability and cash flows obtained from the internationalisation process. We have split the Top 20 EPoC data into two categories for further analysis: the first group includes the Top 10 companies in terms of internationalisation levels, while the second category includes the Top 10 groups with the strongest focus on domestic markets. After considering several variables, the following conclusions may be highlighted:

- For the last three years, the average EBITDA margin has remained stable at around 9%. However, there are certain differences with regard to the degree of internationalisation level. While the average profitability of the EPoC with high internationalisation levels remained steady at around 7% (Figure 8.3), the EBITDA margin for groups focused on their local markets was 11.4% (Figure 8.4), more than four percentage points higher.

- Cash to EBITDA (Figure 8.5) was generally higher for the groups with high internationalisation levels. However, in 2016 the cash to EBITDA ratio of the groups focused on their domestic markets significantly increased to 1.13. Among other factors, the performance of the most internationalised groups was affected by the difficulties faced by OHL and Balfour Beatty in the year.

Based on an analysis of the level of internationalisation and construction margins achieved by our Top 20 EPoC, there seems to be an inverse correlation between the two figures: the majority of the most internationalised EPoC reported a lower average construction EBIT margin in 2016 than the less internationalised EPoC (Figure 8.6). The total average EBIT margin was 6.1% in 2016, while the average margin for internationalised groups such as ACS, Skanska, Strabag and Ferrovial was 4.5%. On the other hand, Vinci, Bouygues, Carillion and Barratt recorded an average EBIT margin of 7.6%. Additionally, management of working capital and conversion of sales into cash was previously more successful in local markets, due mainly to a more extensive knowledge of customers and subcontractors and a greater understanding of how to process and negotiate claims and change orders. However, a change in trend since 2014 can be observed.

In addition, there appears to be a slight inverse correlation between the level of internationalisation and the EBITDA multiple valuation of the Top 20 EPoC (Figure 8.7). Therefore, it may be assumed that a more significant internationalisation process does not necessarily lead to higher market value. Except for BAM, Ferrovial, Skanska and Balfour, the most internationalised groups did not manage to achieve above-average EBITDA multiples.

Figure 8.6

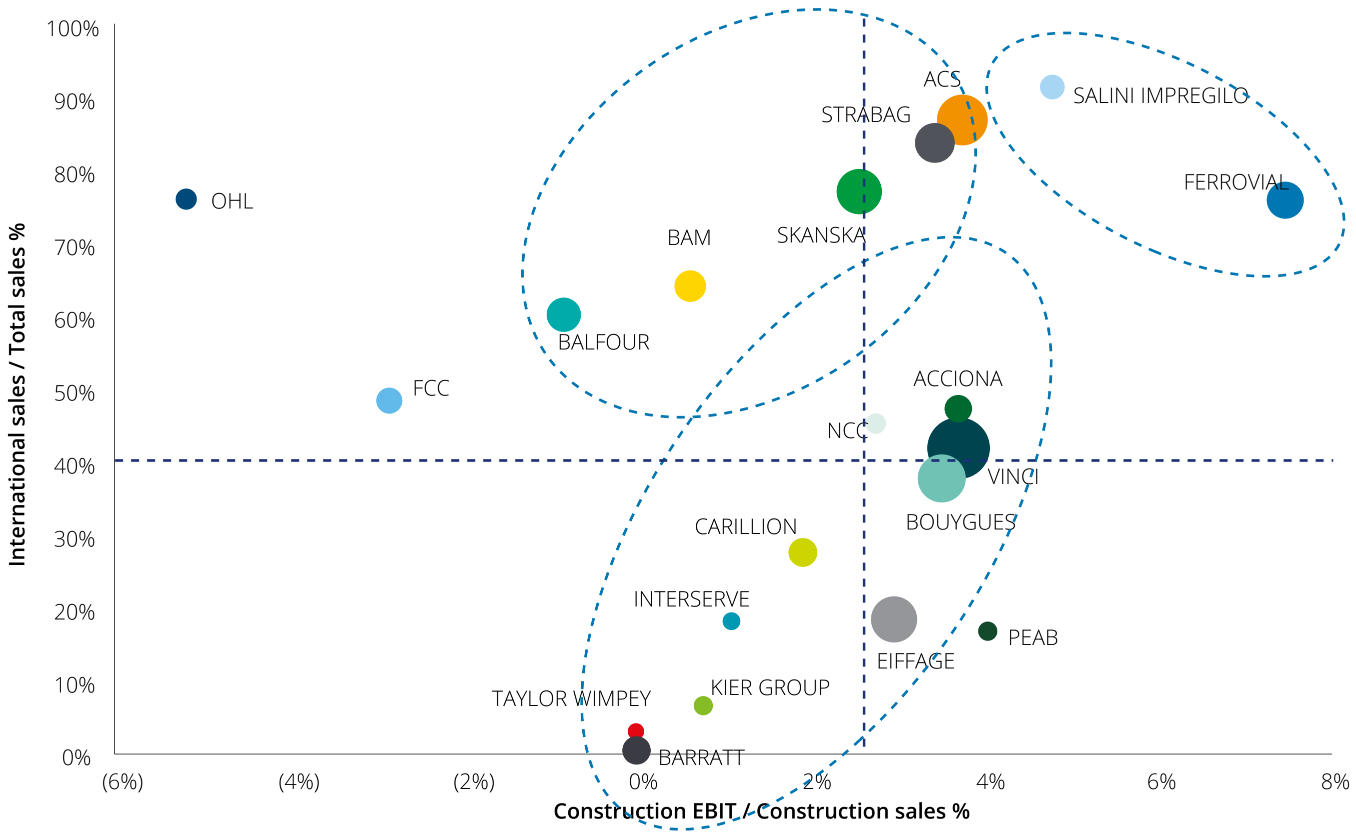
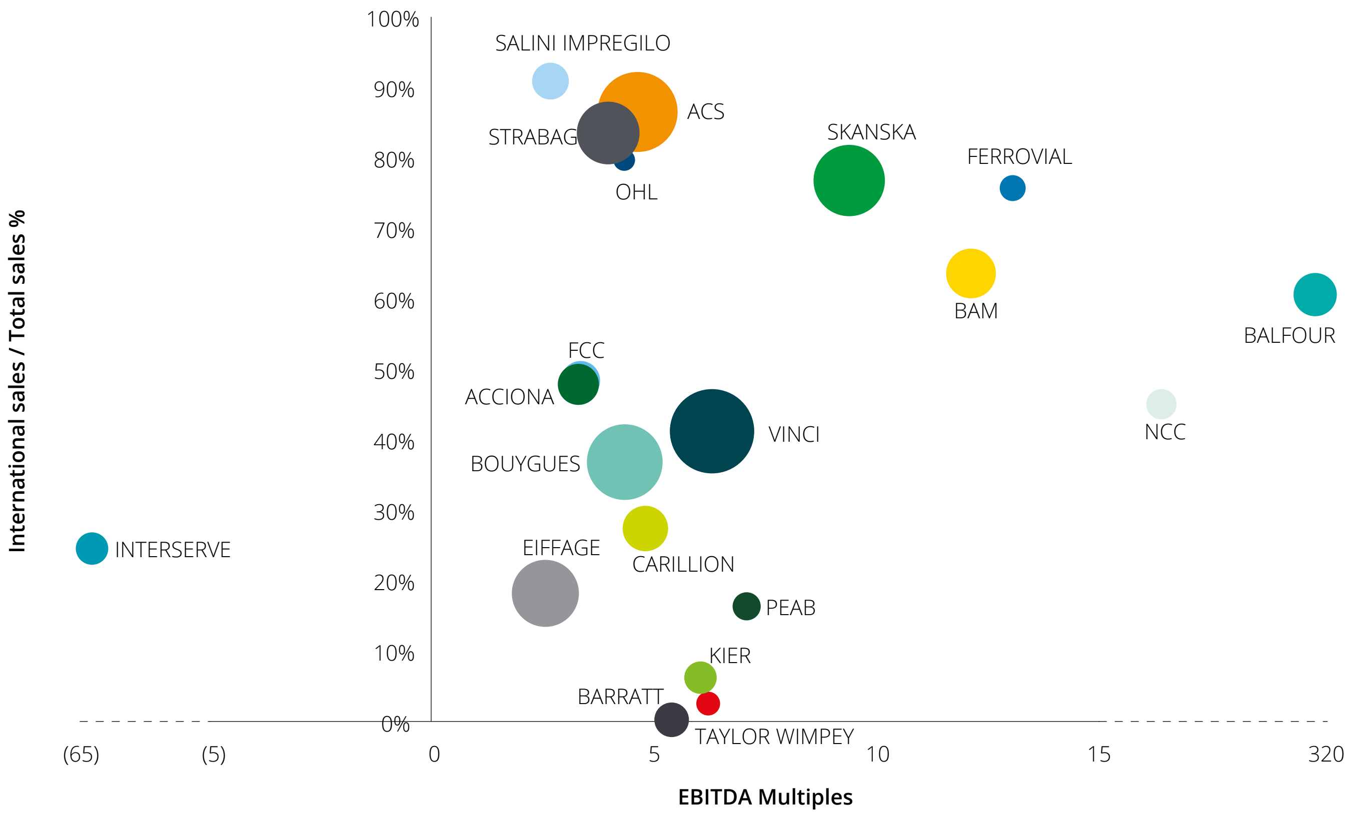


Figure 8.7


International sales / Total sales %
100%
90%
80%
70%
60%
50%
40%
30%
20%
10%
0%
SALINI IMPREGILO
ACS
STRABAG
OHL
SKANSKA
FERROVIAL
BAM
BALFOUR
FCC
ACCIONA
VINCI
NCC
BOUYGUES
INTERSERVE
EIFFAGE
CARILLION
PEAB
KIER
BARRATT
TAYLOR WIMPEY
(65)
(5)
0
5
10
15
320
EBITDA Multiples

Our 2016 EPoC companies are currently present on all five continents and obtain about 48% of their revenue outside their respective national borders. A summary of the international markets and the presence of our EPoC, by region, is as follows:

The Americas

When analysing the economic growth of the continent and forecasts for 2017, we must distinguish between North America and Latin America due to the particular characteristics of each area.

North America

Since the second half of 2016, GDP growth has been picking up in the United States. The labour market is at its strongest point since the crisis and concerns over inactivity have been eased. The most recent employment report indicates that unemployment fell to 4.4%, the lowest figure since 2007. Wage growth is moderate at 2.5% year-on-year and job creation is robust. However, there are still concerns with respect to the labour force participation rate, now at 62.9%.

Economic expansion in the United States is expected to continue at a moderate pace, supported by strengthening balance sheets and improving conditions within the housing market. In terms of growth, higher business confidence and moderate fiscal stimulus are expected to boost real GDP growth to 2.3% in 2017 and 2.4% in 2018.

Every four years, the American Society of Civil Engineers (ASCE) releases its report card on the condition of America's infrastructure and, for the second time since 2013, the nation's roads, bridges, waterways and airports achieved a low score. Additionally, there was a significant gap between spending and estimated infrastructure needs. To solve this, the US President has announced the US infrastructure spending plan. The main idea of the plan is that the government will spend USD 200 billion, using tax breaks to incentivize private business in order for more money, in turn, to be spent on infrastructure projects. In total, with state and local contributions combined, spending would total USD 1 trillion. The infrastructure plan announced by the new U.S. government features a major private sector, revenue-neutral option to help finance a significant portion of the nation's infrastructure needs.

Growth in Canada is expected to increase, supported by fiscal initiatives, export-market growth and the slowdown in commodity-related investment bottoming out. According to OECD, Canada's economy is expected to expand by 2.2 per cent, ahead of the other G7 countries. The ten-year New Building Canada Plan, announced in 2013, is intended to offer funding options to assist a variety of public and private sector infrastructure projects. In 2017-18, Infrastructure Canada will continue to deliver new and existing infrastructure programs to ensure the federal government's investments in public infrastructure.

Latin America

GDP in Latin America contracted by around 0.7% in 2016. Also, projected recovery is weaker than previously expected at 1.6% in 2017 and 2.6% in 2018. These growth prospects for Latin America are set to improve thanks to the gradual recovery in Brazil and Argentina, even though growth is expected to remain weak by historical standards.

Significant investment is still needed to resolve the current infrastructure shortage in Latin America. Urban infrastructure requirements are yet another challenge, requiring annual investments of at least 2% of GDP. Although Latin America is on a par with OECD countries in terms of share of the population living in cities, local governments have less revenue to invest in infrastructure, and, accordingly, provide fewer services to raise the quality of life for inhabitants. Looking towards 2030, ongoing investments in a range of areas including (but certainly not limited to) water and sanitation are required if cities are to compete at world-class levels.

The presence of the EPoC 2016 in the Americas is led mainly by ACS and Skanska (Figure 8.8):

- ACS is the EPoC leader in the American market. The Spanish group obtained aggregate revenue of approximately EUR 16,000 million in the Americas, mainly in the US and Canada, but also in Latin America. Through its subsidiaries, including Turner, Flatiron and Dragados, ACS is considered one of the most prestigious general construction groups and civil works contractors in the US. Also, ACS's presence in America is being strengthened through the activities performed by its Industrial Services division, which recorded revenue of EUR 2,907 million in 2016. It should be noted that ACS is one of the main competitors in Latin America, where it has extensive experience and a stable presence in the development of turnkey projects and the provision of services, particularly in Mexico and Peru, two countries in which it holds a leading position. ACS's backlog in the Americas amounted to EUR 25,507 million and represented 38% of its total order book at December 2016.

- Skanska, whose sales in the Americas amounted to almost EUR 5,527 million, is one of the leading construction companies in the US in both building and civil construction. It is worth noting that the profitability of its activities in the US continued to be affected by higher costs caused by earlier design changes by clients. Operations in the US reported higher order bookings in the year, due largely to the LaGuardia Airport project.

Asia/Oceania

The outlook for the Asia-Pacific region remains robust. Growth in the region's largest economies remains particularly strong, reflecting policy stimuli in China and Japan, which in turn is benefiting other neighbours in Asia. With expected GDP growth rates of 5.7% in 2017 and 5.6% in 2018, Asia remains the fastest-growing regional economy in the world.

The role of infrastructure is critical to improving connectivity and promoting sustainable growth among the Asia-Pacific economies. While significant progress has been made in infrastructure development over recent decades, much more must be done to provide adequate facilities for the region's people and support greater cross-border flows of trade and investments.

The Japanese economy continues to be affected by deflationary pressures and a weak export performance due to subdued demand in global markets and the strength of the yen. Recent economic stimulus measures, including postponement of the sales tax increase, additional fiscal spending and further easing of monetary policy, are expected to support consumer spending. Real GDP growth is projected to pick up to 1.2% in 2017, while the rate of expansion is expected to slow to 0.6% in 2018.

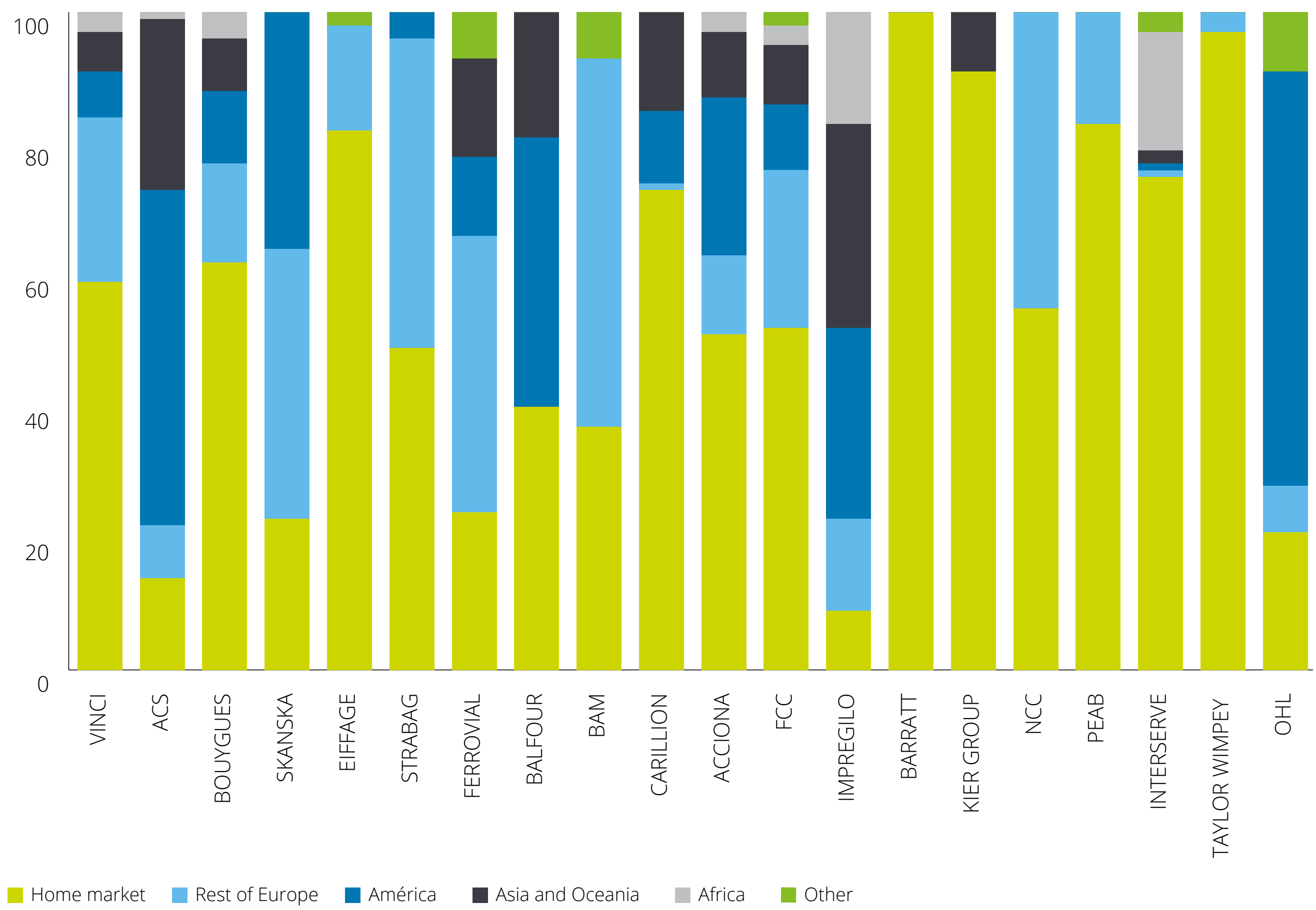
The Australian economy continues its transition from the investment to the production phase of the mining boom. Exports and household consumption are expected to support growth, with housing investment higher at short term. A modest recovery in non-mining business investment is expected over the coming years. The International Monetary Fund does not expect substantial changes in GDP growth in Australia up to 2021, but an OECD long-term forecast predicts a peak of 3.95% GDP growth in 2017.

Opportunities throughout the Asia-Pacific region are substantial in terms of infrastructure needs. Much work must be done to increase the power and utility capabilities of the emerging market economies and to improve the transportation networks that connect economic activities on a domestic scale, as well as those that allow for effective trade between nations.

As in the Americas, ACS remains the leading EPoC in Asia/Oceania. However, in 2016 its revenue decreased by 14% to EUR 8,342 million due to the completion of certain significant projects (Figure 8.8).

A long way behind ACS, but with significant sales in the Asia-Pacific area, is Vinci. For

Figure 8.8: Sales by region



the first time, Vinci is the second-ranked EPoC 2016 in the area. The French company's total sales in Asia-Pacific amounted to EUR 2,173 million.

Balfour recorded revenue of EUR 2,065 million in Asia, up 9% on 2015. This increase is explained mainly by the growth in major building projects, including the construction of seven towers and the conversion into a hotel of the ex-government Murray building.

Bouygues Construction has a strong local presence in the Asia-Oceania region, especially in Hong Kong, where it has been an important player for 60 years, and in Singapore. Bouygues carries on its activities in Asia through its wholly-owned subsidiary Bouygues Asia KK.

Africa and the Middle East

Insufficient infrastructure is widely recognised as one of the key challenges facing Africa and one of the major obstacles to the continent's economic development. Africa's growth slowed to 2.2% in 2016, down from 3.4% in 2015. Despite this deterioration, Africa's growth path is expected to remain resilient. Growth projections for Africa show a moderate upturn to 3.4% and 4.3% in 2017 and 2018. This is due to stronger domestic demand, improved macroeconomic governance fundamentals and a friendlier business environment.

The Sub-Saharan African economic outlook remains clouded. Growth in Sub-Saharan Africa is expected to recover modestly in 2017, supported by improving external demand, recovery in oil and other commodity prices, easing of domestic constraints and drags experienced in 2016 and policy intervention. Economic growth slowed to 1.5% in 2016 from 3.4% in 2015 as difficult conditions persisted. This largely reflects the slowdown or recession in the region's largest economies: Nigeria, South Africa and Angola.

While Sub-Saharan Africa continues to experience subdued growth in relation to the commodity price effect, global economic activity is picking up; however, structural impediments in many Sub-Saharan countries will limit the boost gained from the modest global upswing. South Africa suffered from a contraction in investment last year, and government gross debt has escalated from 22% of GDP in 2008/09 to 45.7% of GDP in 2016/17. Uncertainty has also arisen on the political and economic policy front, with South Africa currently seeing its key credit ratings split between investment grade and sub-investment grade.

In the Middle East, there are certainly positive macroeconomic drivers for construction that include population growth, diversified economic growth, a growing younger labour force and other specific drivers such as Saudi Vision 2030 and the Dubai Expo 2020. In April 2016 Saudi Arabia approved its long-term economic transformation plan, Vision 2030, which sets out a number of structural reforms to advance economic diversification and create job opportunities.

According to the International Monetary Fund (IMF), GDP growth in the Gulf Cooperation Council (GCC) region is expected to increase to 2.3% in 2017. This growth is a reflection of stable oil prices and increased market confidence, underpinned by strategic initiatives aimed at reducing oil dependency. Government spending will need to be better prioritised to ensure it meets social and economic development objectives, and options to enhance non-oil industries will have to be considered. Additionally, public-private partnerships will continue to be instrumented extensively in the power, water and wastewater sectors.

The presence of the EPoC 2016 in Africa (Figure 8.8) is led by French groups, which is partially explained by the continent's historic roots. Operating in 21 countries, the Vinci Construction subsidiary Sogea-Satom is a major player in Central, West, Equatorial and East Africa. In 2016, Vinci's revenue in Africa fell by 11% mainly as a result of the decline in oil and commodity prices. Vinci is expanding its activities in sectors with growing infrastructure requirements such as hydraulic and port facilities. This subsidiary is a significant building and civil engineering company in Africa.

In Africa, Bouygues Construction's building and civil engineering firms work on major infrastructure projects. In 2016 Bouygues recorded sales of EUR 1,203 million in the region, thus maintaining its strong position in this emerging market. It should be noted that activity in Morocco began to benefit from investment in infrastructure and the private industrial sector. The weak performance in West and Central Africa reflected the extent of countries' dependence on the price of oil and other raw materials. The French group's presence on the continent is focused mainly on North and Southern African countries such as Algeria, Morocco, Egypt, South Africa and Botswana.

The EPoC top three is completed by the Italian group Salini Impregilo, which obtained a significant level of sales in Africa (total recognised revenue amounted to EUR 1,000 million in 2016). In 2016 Salini won a new contract worth approximately EUR 2.5 billion to build a dam in Koysha (Ethiopia). This important new project will enable Ethiopia to become Africa's leader in energy production.

Performance of non-European construction companies

The ranking of non-European construction companies is dominated by Chinese and Japanese groups. The list also includes American, Indian, Brazilian and South Korean companies. Non-European construction companies present, on average, lower margins and higher indebtedness ratios than our EPoC.

Figure 9.1: ENR Ranking

Company	Country	Ranking 2016 vs 2015
China State Construction Engineering Corporation (*)	China	↑ 1
China Railway Group Limited	China	↓ (1)
China Railway Construction Corporation Limited	China	=
China Communications Construction Company Limited	China	=
Vinci SA (**)	France	=
Power Construction Corporation of China (*)	China	↑ 1
Activ. de Constr. y Serv. SA (ACS) (**)	Spain	↓ (1)
Metallurgical Corporation of China Limited	China	↑ 2
Bouygues SA (**)	France	↓ (1)
Shanghai Construction Group (*)	China	↑ 2
Hochtief Ag (***)	Germany	↓ (2)
Bechtel Corporation (*)	Usa	↓ (1)
Construtora Norberto Odebrecht	Brazil	↑ 9
Hyundai Engineering & Construction Corporation	S. Korea	↑ 3
Obayashi Corporation	Japan	↑ 3
Skanska Ab (**)	Sweden	↓ (2)
Strabag Se (**)	Austria	↓ (1)
Fluor Corporation	Usa	↓ (3)
Kajima Corporation	Japan	↑ 5
Technip (****)	France	=
Shimizu Corporation	Japan	↑ 4
Samsung C&T Corporation	S. Korea	↓ (1)
Eiffage (**)	France	↓ (4)
Taisei Corporation	Japan	↑ 2
Larsen & Toubro	India	↑ 3

(*) The financial information of these groups is not available.
(**) Included in our Top 50 EPoC ranking.
(***) HOCHTIEF was acquired by ACS in 2011.
(****) Considered as an engineering group Technip is excluded from our analysis.

Since 2013, the EPoC publication has included a review of some of the most important non-European construction groups selected from the ENR ranking. Annually, ENR draws up a "Top Global Contractors" ranking of the major construction and engineering groups in terms of total construction contract revenue. This ranking takes into account 250 global contractors, the Top 25 of which are the focus of our analysis (Figure 9.1).

Based on the available financial information on those companies obtained from the annual report, and excluding our EPoC companies and other European engineering groups, we have reviewed the performance in the marketplace in terms of revenue, profitability, debt, market capitalisation and other financial figures.

Of ENR's Top 25 global contractors, eight European groups are considered: Vinci, ACS, Bouygues, HOCHTIEF, Skanska, Strabag, Technip and Eiffage. In this context, it should be noted that the German group HOCHTIEF is not included in our EPoC ranking, as it was acquired by the ACS Group prior to 2016. Also, Technip is not considered in our EPoC ranking, as it is an engineering group rather than a construction company.

Without taking into account the EPoC companies and European engineering groups, the world's Top 25 is once again dominated by Chinese (seven) and Japanese (four) companies. The Top 25 list also includes American, Indian, Brazilian and South Korean groups:

- China State Construction Engineering Corporation, one of the most integrated construction and real estate conglomerates in China, moved from 2nd position in the ENR 2015 ranking to 1st position in 2016. It focuses on the domestic and international markets, operating in more than 20 countries and regions. China State Construction Engineering Corporation's core businesses are building construction, international contracting, real estate development and infrastructure construction.

- China Railway Group is 57th in the Fortune Global 500 ranking. The group offers a full range of construction-related services, including infrastructure construction, surveys, design and consulting services, engineering equipment and component manufacturing, and other businesses such as property development and mining. Given that in 2016 its revenue was obtained mainly from construction activities in the domestic market, it appears that China Railway Group could be classified as a "Domestic Construction Group". It should be highlighted that in 2016 the group's market capitalisation increased by 57% to EUR 25,064 million, which is significantly higher than the figures obtained by our EPoC (excluding Vinci) (Figures 9.2 & 1.2).

- China Railway Construction Corporation was established in 2007 in Beijing. The company is currently under the administration of the State-owned Assets Supervision and Administration Commission of the State Council of China (SASAC). Its business activities include project contracting, survey design consultation, industrial manufacturing, real estate development, logistics, trade of goods and materials and capital operations. In 2016 the Company was 62nd in the Fortune Global 500 ranking and 14th in the China Top 500 Enterprises ranking. The company is listed on the Hong Kong Stock Exchange and its market capitalisation at December 2016 amounted to EUR 22,386 million. With total construction sales of EUR 72,669 million at December 2016, which represent more than 85% of its total revenue, the construction business is considered to be the group's core and traditional area. In 2016 the EBIT margin was 2.9%, approximately 3 percentage points below the average profitability figures recorded by the Top 20 EPoC companies. Also, the Company recorded lower margins and higher indebtedness in comparison with other Chinese groups (Figure 9.2).

- China Communications Construction is focused mainly on the design and construction of transportation infrastructure, dredging and the heavy machinery manufacturing business. It is the largest port construction and design company in China and obtained sales of over EUR 58,000 million in 2016. As a multinational enterprise, it is present in 140 countries and regions worldwide. Recently, the company strengthened its position in the Australian and New Zealand markets as a result of the acquisition of the John Holland Group in 2015 (previously owned by CIMIC). In line with other Chinese groups, construction activities represent over 83% of the group's total revenue. In 2016 its operating profit amounted to 4,233 million, representing 7.2% of total sales, slightly above the average profitability achieved by the EPoC in 2016 (Figures 9.2 & 5.1). At December 2016 market capitalisation amounted to EUR 31,652 million, which was almost twice as high as in 2015.

- Founded in September 2011, Power Construction Corporation of China, also known as POWERCHINA, is ranked 6th of the top global contractors. This company focuses on providing services from planning, investigation, design, consulting and civil works construction to M&E installation and manufacturing services in the fields of hydropower, thermal power, new energy and infrastructure. It also operates in the fields of real estate, investment, finance, and O&M services. The group also owns prestigious brands including Sinohydro, Hydrochina, Sepco, Sepco III and Hypec.

- Metallurgical Corporation of China is a large conglomerate which operates in various specialist fields throughout various countries and industries. The company is focused on engineering and construction services, which represent 85% of its total revenue. Other activities include contracting, property development, equipment manufacturing and resource development. In 2016 the EBIT margin increased by 6 percentage points in comparison with 2015, reaching 3.2%. The market value of Metallurgical Corporation of China stands at EUR 7,653 million, significantly below the figures of other Chinese groups analysed above (Figure 9.2).

- Shanghai Construction Group has core technologies in the construction of high-rise buildings, large bridges, light railways, public culture and sporting facilities, large industrial plants and major environmental protection projects that have enabled it to perform some of the most important construction projects developed in China, and to complete around 100 landmark projects in more than 30 countries and regions over its 50 years of history.

- Bechtel Corporation is the largest construction and civil engineering company in the United States. Since 1898 it has carried out more than 25,000 extraordinary projects in 160 countries throughout the world. This company operates on global megaprojects through its Infrastructure, Nuclear, Security & Environmental, Mining & Metals and Oil, Gas & Chemicals global businesses. The most noteworthy of the projects currently under construction by Bechtel is a Bechtel-led consortium that is designing and constructing two lines of the Riyadh Metro network in Saudi Arabia.

- Norberto Odebrecht is a Brazilian conglomerate comprising diversified businesses in the fields of engineering, construction, chemicals and petrochemicals. It was founded in 1944 and is now present in Brazil and 27 other countries. Its total sales exceeded EUR

Figure 9.2

Company	Country	Sales (€ M)	EBIT (€ M)	EBIT/ Sales (€ M)	EBITDA (€ M)	EBITDA/ SALES (€ M)	Market Cap 2016 (€ M)	Market Cap 2015 (€ M)	VAR	Net Debt (€ M)	Equity (€ M)	Net debt + Equity	Net debt / (net debt + equity)	Net debt /EBITDA
CHINA RAILWAY GROUP LTD.	CHINA	86,077	6,772	7.9%	7,300	8.5%	25,064	15,978	57%	31,979	20,354	52,333	61%	4.4
CHINA RAILWAY CONSTRUCTION CORPORATION LIMITED	CHINA	85,597	2,466	2.9%	2,686	3.1%	22,386	15,496	44%	51,015	20,316	71,331	72%	19.0
CHINA COMMUNICATIONS CONSTRUCTION GRP. LTD.	CHINA	58,482	4,233	7.2%	6,039	10.3%	31,652	15,212	108%	22,508	25,487	47,995	47%	3.7
METALLURGICAL CORPORATION OF CHINA	CHINA	29,863	951	3.2%	1,582	5.3%	7,653	5,310	44%	7,756	11,353	19,109	41%	4.9
SUBTOTAL CHINESE GROUPS		**260,018**	**14,423**	**5.5%**	**17,607**	**6.8%**	**86,755**	**51,996**	**67%**	**113,258**	**77,510**	**190,768**	**59%**	**6,4**
CONSTRUTORA NORBERTO ODEBRECHT SA (*)	BRAZIL	41,220	N/A	N/A	5,696	13.8%	N/A	N/A	N/A	N/A	5,903	N/A	N/A	N/A
HYUNDAI ENGINEERING & CONSTRUCTION	KOREA	14,917	838	5.6%	965	6.5%	4,612	2,488	85%	2,162	6,414	8,576	25%	2.2
OBAYASHI CORPORATION	JAPAN	15,766	1,126	7.1%	1,210	7.7%	6,275	4,353	44%	2,286	3,618	5,904	39%	1.9
FLUOR CORP., IRVING	US	17,198	542	3.2%	746	4.3%	6,677	6,041	11%	(217)	3,077	2,859	(8%)	(0.3)
KAJIMA CORPORATION	JAPAN	15,338	1,308	8.5%	1,205	7.9%	6,329	5,725	11%	(682)	4,622	3,940	(17%)	(0.6)
SHIMIZU CORPORATION	JAPAN	13,196	1,085	8.2%	1,183	9.0%	6,576	5,846	12%	1,021	3,530	4,551	22%	0.9
SAMSUNG C&T CORP	KOREA	22,365	111	0.5%	440	2.0%	16,102	18,207	(12%)	4,928	16,627	21,555	23%	11.2
TAISEI CORPORATION	JAPAN	12,521	1,209	9.7%	1,215	9.7%	7,801	6,798	15%	1,064	4,060	5,124	21%	0.9
LARSEN & TOUBRO (*)	INDIA	8,451	833	9.9%	969	11.5%	15,055	23,914	(37%)	1,519	5,867	7,386	21%	1.6
SUBTOTAL OTHER GROUPS		**160,973**	**7,052**	**5.9%**	**13,628**	**8.5%**	**69,427**	**73,372**	**(5%)**	**12,081**	**53,719**	**59,897**	**20%**	**1.5**

* Since financial information for the year 2016 is not available, the figures detailed above refer to 2015

41,000 million (Figure 9.2); 49% of this revenue was obtained by Braskem, a listed subsidiary considered the largest producer of thermoplastics in the Americas. The group's diversification levels are similar to those of Acciona, FCC and Interserve.

- Hyundai Engineering & Construction is one of the Korean construction industry's leading companies. Originally founded in 1947 as Hyundai Civil Works Company, in April 2011 it made a turnaround and became a member of the Hyundai Motor Group. It focuses mainly on building, civil works and power plant construction. Sales in 2016 amounted to EUR 14,917 million, in line with 2015. On the other hand, the EBIT margin reached 5.6%, significantly higher than that of other Korean companies analysed in this publication, such as Samsung C&T (Figure 9.2). The company is listed on the Korea Exchange and its market capitalisation increased by 50% in 2016, amounting to EUR 4,612 million, below the average of the top 20 EPoC companies.

- Obayashi Corporation is one of the world's leading construction contractors and one of Japan's leading listed companies. With a history spanning more than 120 years, its business includes domestic and overseas building construction and civil engineering work, real estate and other construction-related businesses and activities in the renewable energy industry. Sales in 2016 increased by 27% in comparison with 2015, amounting to EUR 15,766 million, partially explained by the strong performance of the construction business, which represents 74% of total sales. At December 2016 its market capitalisation increased by 44% to 6,275 million (Figure 9.2). Both the revenue and market value figures are similar to those recorded by the French group Eiffage.

- Fluor is one of the world's largest publicly traded engineering, procurement, construction (EPC), maintenance and project management companies. It focuses mainly on the energy & chemicals, power, infrastructure and mining & metals industries. Total sales in 2016 amounted to EUR 17,198 million, 50% of which were made in the international market and 20% of which arose from construction activities. For this reason, we could classify the company as an "International Conglomerate". Fluor Corporation is listed on the New York Stock Exchange, with market capitalisation representing 2.2 times total equity in 2016 (Figure 9.2).

- Kajima, founded in 1840, is one of the leading companies in the construction industry in Japan. Its activities are focused mainly on Construction (Civil Engineering and Building Construction), Real Estate Development, Architectural Design and Civil Engineering Design. International contracts, which it develops mainly in North America, represented around 21% of Kajima's total revenue in 2016, in line with the previous year. Its total market capitalisation increased by 11% in 2016, amounting to EUR 6,329 million (Figure 9.2).

- Shimizu Corporation, a company with over 210 years of history, is a leading architectural, civil engineering and general contracting firm that offers integrated and comprehensive planning, design and building solutions for a wide range of international construction and engineering projects. Total sales in 2016 amounted to EUR 13,196 million, with an EBIT margin of 8.2%, a higher percentage than the average recorded both by our EPoC and the Chinese groups analysed (Figures 9.2 & 5.1). The construction business, which encompasses civil engineering and architectural construction activities, accounts for more than 90% of total sales. The company's total backlog amounted to EUR 13,198 million. Shimizu's positive performance resulted in market capitalisation growth of 12%.

- Established in 1963, Samsung C&T Corporation focuses mainly on engineering, procurement, technology and construction activities. As a result of the merger of Samsung C&T and Cheil Industries in September 2015, both companies combined their reputations as leaders in their respective industries. Nowadays, Samsung C&T's core business is present in four industries: Engineering & Construction, Trading & Investment, Fashion and Resort Groups. Since construction and international activities represent 46% and 26% of sales, the company is considered to be a "Domestic" Conglomerate Group (Figure 4.1). The group is currently involved in some of the largest infrastructure projects worldwide, such as the Riyadh Metro in Saudi Arabia and the UK Mersey Gateway bridge projects. Operating profit amounted to EUR 111 million, lower than the average profitability obtained by other European and non-European companies (Figures 9.2 & 5.1).

- Founded in 1873 and with a workforce that exceeds 8,000 employees, Taisei Corporation engages in Civil Engineering, Building Construction and Real Estate Development. Revenue in 2016 amounted to EUR 12.521 million, in line with EPoC companies such as Strabag (Figures 9.2 & 1.2). Furthermore, the EBIT and EBITDA margin reached 9.7%, which is higher than the margins achieved by other Japanese companies and also our EPoC 2016. The group's stock exchange performance was very strong, as total value rose by 15% to EUR 7,801 million.

- Larsen & Toubro (L&T) is a major technology, engineering, construction, manufacturing and financial services conglomerate which operates worldwide. L&T addresses critical needs in key sectors - Hydrocarbon, Infrastructure, Power, Process Industries and Defence - for customers in over 30 countries around the world. Its order book increased by 7.4% as a result of important projects undertaken, such as airports in India and the Middle East, and large infrastructure projects including bridges and highways in Jordan and Malaysia. Also, the Company obtained the highest EBITDA margin of all non-European companies analysed, which represented

Figure 9.3: EBIT/Sales 2016

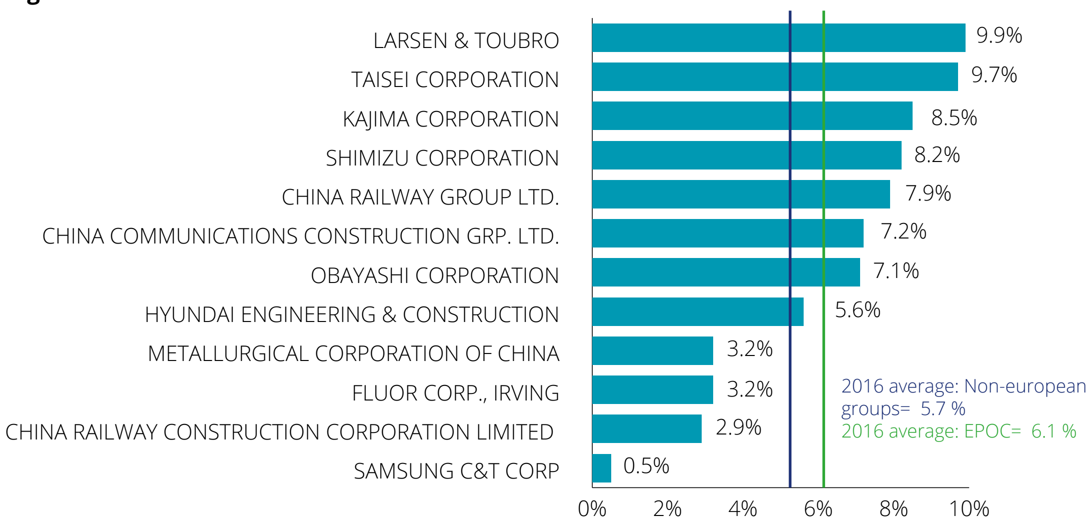


Figure 9.4: Net debt /EBITDA

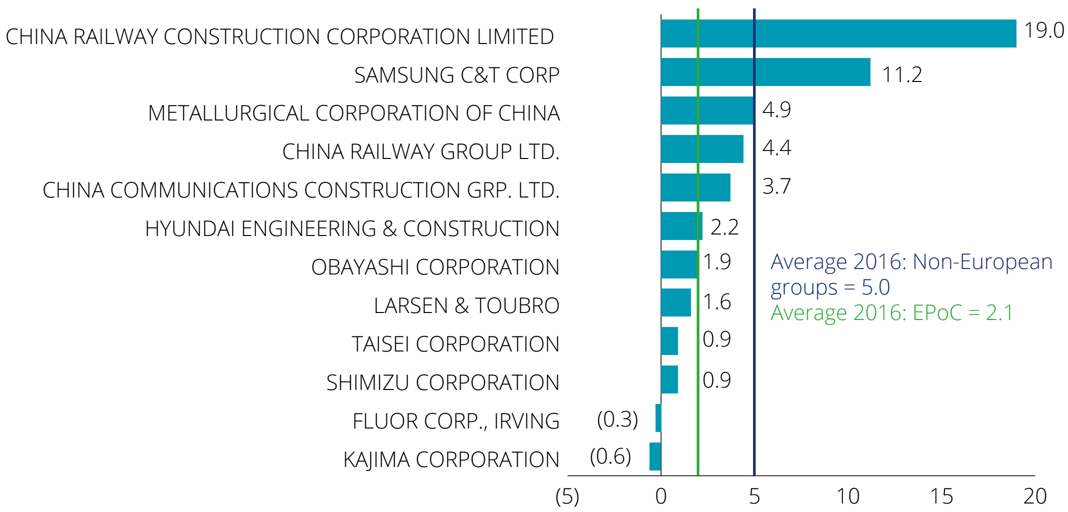
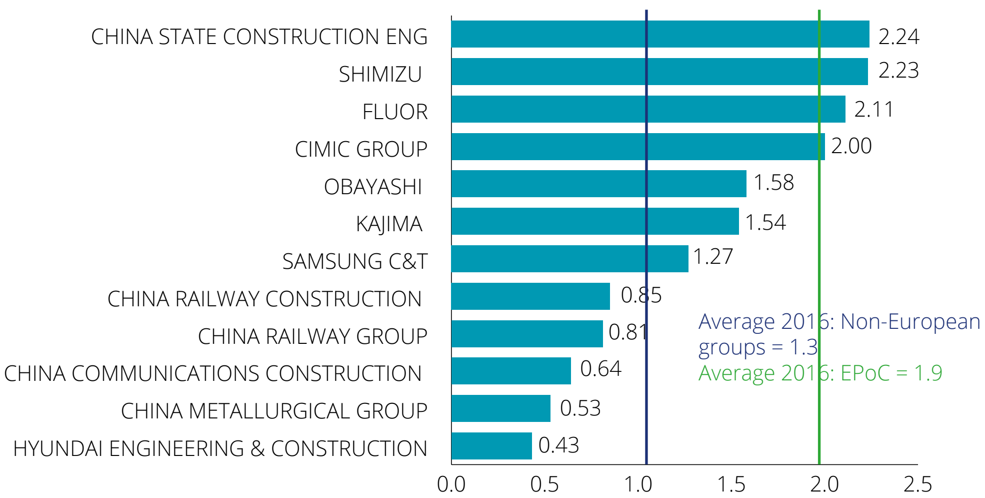


Figure 9.5: MC/Book Value



11.5% of its total sales. The net debt to EBITDA ratio was 1.6, slightly lower than the levels of the EPoC (Figures 9.2 & 5.10).

Comparison with EPoC 2016

Based on the available financial information, the following conclusions could be drawn:

- The EBIT to sales ratio of the EPoC was 6.1% (Figure 5.1), while the Chinese and other companies analysed recorded an average of between 5.5% and 5.9% (Figure 9.3). Among them, Larsen & Toubro and Taisei Corporation achieved the highest values (9.9% and 9.7%, respectively). Also, it should be noted that none of the companies analysed recorded operating losses.

- The average net debt to EBITDA ratio for non-European groups is 2.9 times (so versus 2.1 times) higher than that of the EPoC 2016 (Figure 9.4). The existing gap between this ratio for the Chinese groups and the rest of non-European companies should be highlighted. Outside Europe, China Railway Construction Corporation and Samsung C&T Corporation recorded the highest figures. With regard to our EPoC, OHL and Balfour are the groups with the highest ratios (13.1 and 10, respectively).

- The market capitalisation to book value ratio for the non-European companies amounted to 1.3 compared with 1.9 recorded by the EPoC (Figure 9.5). In line with the figure achieved by the Spanish group OHL, Metallurgical Corporation of China achieved a ratio of below 1. NCC recorded the highest ratio in Europe (4.4) while Larsen & Toubro leads the ranking in the rest of the world.

- In terms of the diversification and internationalisation strategies of the non-European groups (Figure 9.6), only eight companies gave enough information to provide a reasonable basis for their classification as domestic conglomerates, domestic construction groups, international conglomerates or international construction groups. It is noteworthy that all the Chinese companies analysed are classified as domestic construction groups, since their activities are focused mainly on construction activities carried out in their domestic markets. On the other hand, Fluor Corporation is classified as an international conglomerate, since more than 75% of its total revenue arises from non-construction activities performed in the international marketplace. Samsung C&T Corporation, which was categorised as an “International Construction Group” in 2015, became a domestic conglomerate due to the spread of its activity in Trading, obtaining just 46% of its sales from the construction sector.

The average internationalisation and diversification levels of the non-European companies analysed were 13% and 21%, respectively, while the EPoC companies’ international and non-construction sales represented 52% and 29%, respectively.

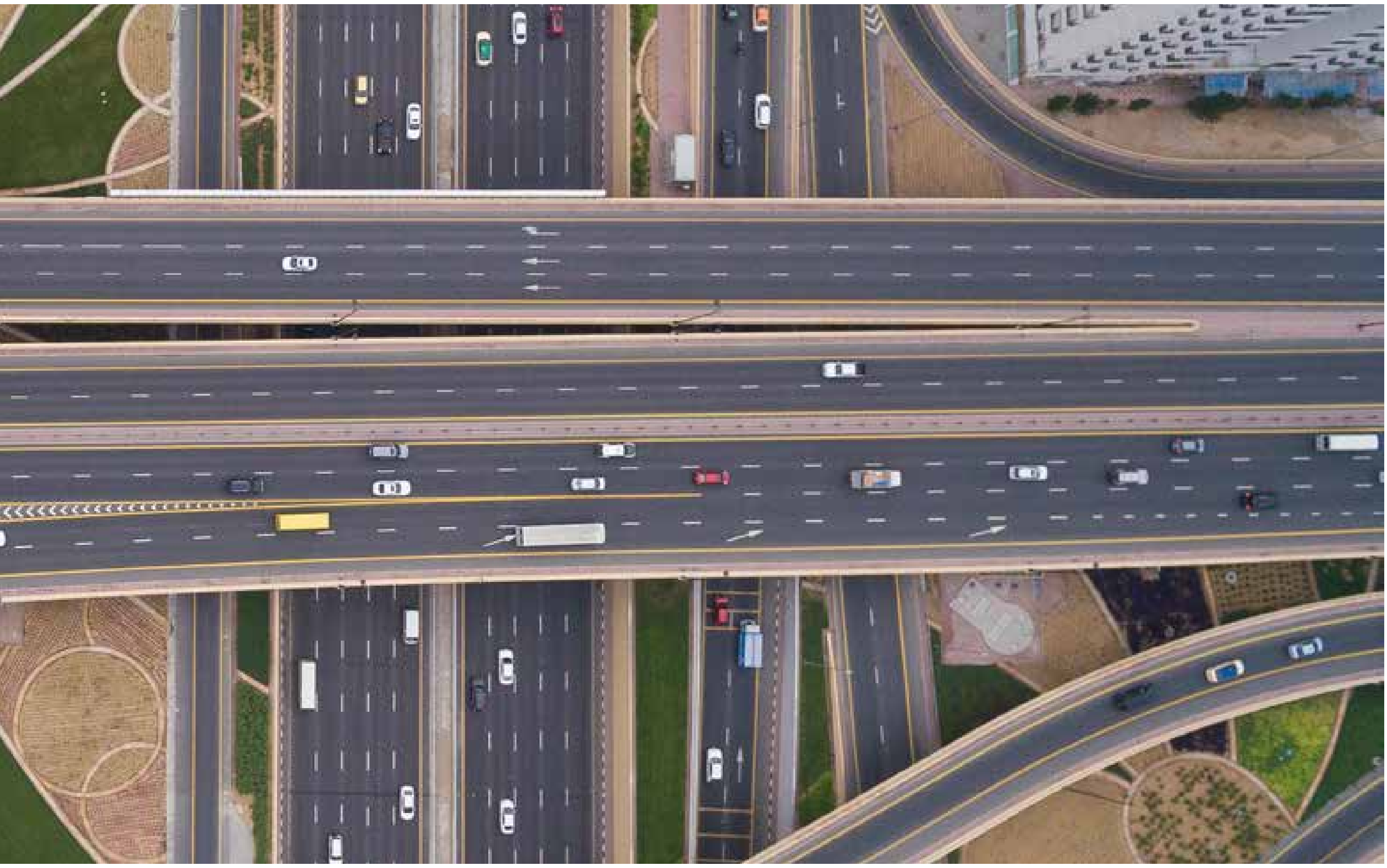
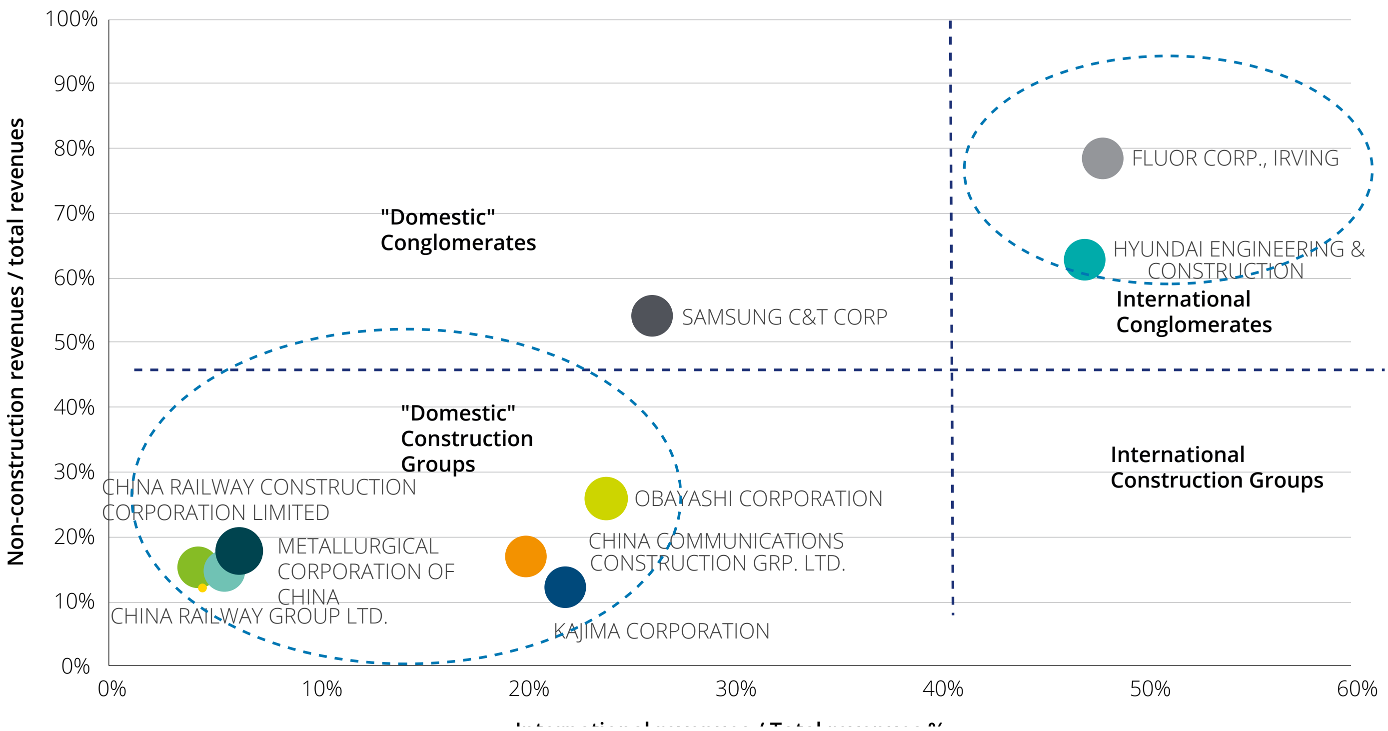


Figure 9.6


100%
90%
80%
70%
60%
50%
40%
30%
20%
10%
0%
Non-construction revenues / total revenues
"Domestic" Conglomerates
"Domestic" Construction Groups
International Conglomerates
International Construction Groups
FLUOR CORP., IRVING
HYUNDAI ENGINEERING & CONSTRUCTION
SAMSUNG C&T CORP
OBAYASHI CORPORATION
CHINA COMMUNICATIONS CONSTRUCTION GRP. LTD.
KAJIMA CORPORATION
CHINA RAILWAY CONSTRUCTION CORPORATION LIMITED
METALLURGICAL CORPORATION OF CHINA
CHINA RAILWAY GROUP LTD.
0%
10%
20%
30%
40%
50%
60%

Top 20 EPoC
Company profiles

Vinci SA

Vinci, S.A. is a global player in concessions and construction, employing over 183,000 people in more than 100 countries. Incorporated in 1899 by French engineers Alexandre Giros and Louis Loucheur, in 2016 it remained the largest listed European construction group in terms of sales and market capitalisation.

Its main shareholders are financial institutions (73%), both in France (16.6%) and abroad (56.6%). The remaining shares are controlled by individual shareholders (7.7%), employees (9.2%) and Qatari Diar Real Estate Investment Company (4%). Treasury shares represent 5.9% of total shares.

Vinci, S.A.'s strategy is based on the development of its core businesses Concessions and Contracting.

Concessions

The Group's Concessions business experienced strong growth in 2016, generating revenue of EUR 6,298 million, an 8.5% increase on 2015. This increase was due to the recent expansion of the motorway business into Colombia and Peru and the takeover of certain airport concession contracts in Japan and Dominican Republic, together with the general increase in airport passenger traffic. Vinci Concessions generates 16.5% of the Group's total revenue and 70.8% of its operating income.

Vinci Concessions develops and operates a solid portfolio of transport infrastructure and public facility concessions around the world. It is primarily active in airports, motorways and road infrastructure, rail infrastructure, stadiums and parking sectors.

Vinci experienced strong organic growth within the airport concession industry, since the Company commenced operations under its new contract in Japan (airports in the Kansai region) and acquired six new concessions in several Dominican Republic airports including Santo Domingo. In France, it won the concession for Lyon's airport. Nowadays VINCI is ranked among the world's top five airport operators.

VINCI is the number one motorway concession operator in Europe, thanks to "VINCI Autoroutes", which operates a 4,391 km network in France. In terms of its international expansion, there were several important achievements in 2016 in the motorway sector. During the year VINCI extended its network of motorways outside of France, with two new concessions in Peru and Colombia.

In the rail sector, the success of the South Europe Atlantic Tours–Bordeaux high-speed rail line should be highlighted; it is expected to enter into operation in mid-2017, as the design and construction work has been completed.

Contracting

Vinci Energies, Eurovia and Vinci Construction represent a strong network of companies in over 100 countries. In 2016 this division's total sales decreased by 3.4% to EUR 31,466 million. Contracting revenue represents 82.7% of total revenue. Despite the decrease in sales, the EBITDA margin rose from 4.8% in 2015 to 5% in 2016. Internationally, VINCI reduced its investments in oil- and commodity-producing countries; however, the results obtained are still positive due to the division's geographical and business diversification.

The priority for growth within the Contracting business is the Energies business line. Revenue from this segment has already more than doubled over the last seven years. Vinci Energies serves public authorities and business customers in order to improve the safety, reliability and efficiency of energy, transport and communication infrastructure, industrial facilities and buildings.

In 2016 the revenue of VINCI Energies maintained its upward trend, reaching EUR 10.2 billion. VINCI Energies operates in 45 countries, 24 of which are outside Europe. Due to the completion of certain major projects in 2016, its international sales volume decreased by 1.9%. However, these results were offset by a higher activity level in France (+2.2%). With regard to external growth, VINCI Energies acquired the Australian company J&P Richardson, one of the world's energy infrastructure leaders; this generated revenue of EUR 67 million in 2016. The company has also announced the acquisition of Novabase IMS, a Portuguese infrastructure and managed services leader. This operation was approved in January 2017.

Eurovia is a world leader in transport and urban development infrastructure. While continuing to nurture its strong roots in France, it now generates 43% of its revenue through international operations, mainly in Europe and the Americas. After several years of market contraction in France, Eurovia's business activity fell in 2016, though only by 4%. Internationally, revenue increased in Germany, the UK and mainly the United States, offsetting the downturn in Central Europe, Spain and Canada. Overall revenue fell by 3.8% to EUR 7.6 billion. In February 2016 Eurovia acquired the Canadian company Rail Cantech, which specialises in rail work and obtained revenue of EUR 10.8 million in 2016.

Vinci Construction, France's leading construction company and a major global player, brings together 700 consolidated companies with 67,000 employees in more than 100 countries. The Group delivers a comprehensive array of capabilities in building, civil engineering, hydraulic engineering and contracting-related specialties. The division's sales amounted to EUR 13,681 million (a decrease of 5.6% in comparison with 2015) and represented 36% of total Group revenue.

Vinci Construction's business comprises three complementary components:

- A network of French subsidiaries, through Vinci Construction France, and internationally through Vinci Construction UK, Warbud, Prumstay, SMP, SMS in Central Europe, Sogea-Satom in Africa and HEB Construction in New Zealand.

- Specialist activities serving global markets: Soletanche Freyssinet (foundation and ground technologies, structures, nuclear activities) and Entrepose Contracting (infrastructure for the oil and gas sector).

- A division engaging in the execution and management of complex projects, with Vinci Construction Grands Projets, Vinci Construction Terrassement and Dodin Campenon Bernard, which work on major civil engineering and building projects around the world.

2016 performance

VINCI's revenue for the year decreased by 1.2% compared with 2015, while EBITDA figures increased by 5.3% to EUR 5,966 million. National sales remained stable; however, international sales, which represent 41% of total sales, fell by 2.8%. Despite the Group's financial position remaining solid, its acquisition-based development strategy gave rise to an increase in net financial debt in 2016.

The order book stood at EUR 27,400 million at the end of 2016, slightly lower than the amount obtained at the end of 2015.

Figure 10.1

Key Data (EUR million)	2016	2015	2014	Variation 2016-2015 %
Assets				
Non-current assets	43,016	39,267	39,254	9.5%
Current assets	24,915	22,880	23,776	8.9%
Total assets	67,931	62,147	63,030	9.3%
Liabilities and shareholders' equity				
Shareholders' equity	17,006	15,256	14,868	11.5%
Non-current liabilities	21,110	19,474	21,414	8.4%
Current liabilities	29,815	27,417	26,748	8.7%
Total liabilities and shareholders' equity	67,931	62,147	63,030	9.3%
Statement of profit or loss				
Sales	38,073	38,518	38,703	(1.2%)
National sales	22,418	22,414	23,936	0.0%
International sales	15,655	16,104	14,767	(2.8%)
Construction sales	31,466	32,570	32,916	(3.4%)
Non-construction sales	6,607	5,948	5,787	11.1%
EBITDA	5,966	5,664	5,561	5.3%
EBIT	4,174	3,758	3,642	11.1%
Net income	2,545	2,079	2,516	22.4%
Net income attributable to the Group	2,505	2,046	2,486	22.4%
Other key data				
Net debt	13,938	12,436	13,281	12.1%
Order book	27,400	27,700	27,900	(1.1%)
Market capitalisation	38,128	34,801	26,851	9.6%

Figure 10.2: Sales by geographical area

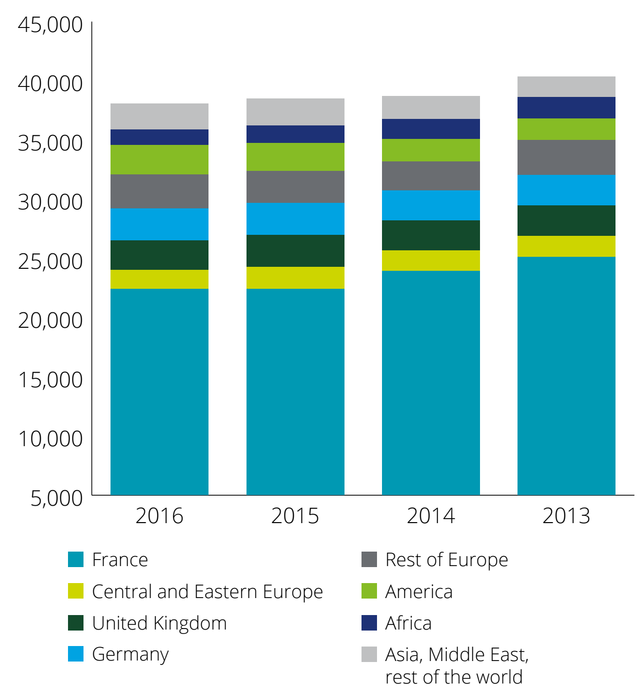
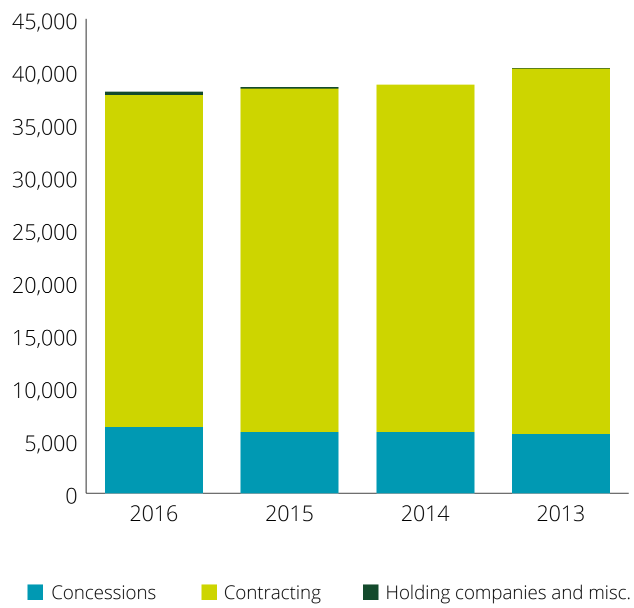


Figure 10.3: Sales by segment



ACS Group

Since its incorporation in 1983, the ACS Group has become a worldwide benchmark in the construction and services market, with a workforce of around 177,000 employees.

The Group's main shareholder (the only one that owns over 10% of the total capital) is the Spanish company Inversiones Vesan, owned by the Group's Chairman which held a 12.5% interest at December 2016.

The Group's main activities are as follows:

Construction

The ACS Group's Construction segment is aimed at executing all kinds of civil engineering projects, building work, concession projects and mining and property projects through an extensive group of companies, led by Dragados, Hochtief, and Cimic.

This business was traditionally headed by Dragados until 2011, when the Group completed certain acquisitions. The integration of HOCHTIEF in 2011 was in line with the strategic objectives for the area, based on maintaining a leadership position in Spain through Dragados, while consolidating and internationally expanding the Group through the German listed group. HOCHTIEF has a strong position in America through its subsidiaries Turner, Flatiron, Clark Builders and E.E. Cruz and in the Asia-Pacific area through the Cimic Group (formerly known as the Leighton Group).

In 2016 total construction sales decreased by 4.4% to EUR 24,217 million, representing 76% of total annual revenue. The EBITDA margin was 5.8%. Despite the decrease in construction revenue, the total order book significantly increased by 14.1%, boosted mainly by the backlog from the Asia-Pacific and North America areas.

Worthy of note with regard to the Construction business strategy is the growth and strengthening of the Group's leading position in the North American market, primarily in the United States, where total revenue accounted for 53% of the total construction segment.

On a much smaller scale, Iridium manages concessions and public-private partnership contracts for transport infrastructures and public facilities. In 2016 total sales amounted to EUR 72 million.

The main contracts awarded in 2016 included a project for the design and construction of the Chesapeake Bay Bridge-Tunnel, Virginia (US) and a project for the modernisation and expansion of Los Angeles International Airport (US).

Industrial Services

The ACS Group's Industrial Services area is focused on the development, construction, maintenance and operation of energy, industrial and mobility infrastructures through a large group of companies. The activities carried on within this business area are basically industry support services, EPC projects and renewable energy activities.

The Group has become a leader in applied industrial engineering both locally and internationally, since it is already present on the whole word (operating in over 50 countries). Sales recorded in Spain and North America accounted for 52% of total revenue of the entire Industrial Service segment in 2016.

Industrial Services sales in 2016 amounted to EUR 6,256 million, representing a 3.8% decrease with respect to the previous year. On the other hand, the Industrial Services order book increased by 4% in 2016, reaching EUR 8,762 million, thanks to certain major contracts awarded internationally, the most important of which in terms of revenue was the EPC project for the construction of the Mantiqueira electricity transmission line in Minas Gerais State (Brazil), amounting to EUR 1,396 million.

In 2016 the Group acquired UGL, an Australian company that offers engineering, construction and maintenance services.

Services & Environment

In 2016 ACS sold Urbaser, considered a leading company in the management of urban solid waste treatment plants and the main source of revenue of the Environmental Services activities. The company was purchased by Firion Investments, S.L.U., a company controlled by a Chinese group. The Group also agreed the sale of Sintax, the ACS Group's logistics services subsidiary, to the French company Compagnie d'Affretement et de Transport S.A.S. The transaction was completed in February 2017.

As a consequence of these divestments, the area has been restructured, since the Group has discontinued the Environment business segment. The remaining Services business of the ACS Group is formed mainly by Clece, which is a benchmark company that delivers services for buildings, cities and the environment.

Total Services division sales amounted to EUR 1,538 million in 2016 (an increase of 2.2% with respect to 2015). Clece is present in various European countries, although 93% of its total sales were recorded in Spain.

2016 performance

2016 revenue amounted to EUR 31,975 million. Sales decreased mainly because of the completion of major projects in Spain and Australia. The sales breakdown, by region, is as follows: North America accounted for 45.9% of the total, Asia Pacific 26.1%, Spain 13.4% and the remaining areas 14.6%. This clearly shows the diversification of the Group's revenue sources. 76% of total revenue arose from the Construction business.

The ACS Group's net profit amounted to EUR 751 million, representing a 3.6% increase compared with the previous year.

The Group's order book stood at EUR 66,526 million (84% arising from the construction business), which was slightly lower than the 2015 order book amount. Of the total order book, 38% corresponds to the Asia-Pacific region, which is followed by North America, with 36%.

In recent years, the Group has considerably improved its financial structure, reducing its net debt to EUR 1,214 million (-53.7% with respect to 2015).

Figure 10.4

Key Data (EUR million)	2016	2015	2014	Variation 2016-2015 %
Assets				
Non-current assets	12,639	13,779	14,001	(8.3%)
Current assets	20,734	21,501	25,320	(3.6%)
Total assets	33,373	35,280	39,321	(5.4%)
Liabilities and shareholders' equity				
Shareholders' equity	4,982	5,197	4,898	(4.1%)
Non-current liabilities	7,934	10,690	9,535	(25.8%)
Current liabilities	20,457	19,393	24,888	5.5%
Total liabilities and shareholders' equity	33,373	35,280	39,321	(5.4%)
Statement of profit or loss				
Sales	31,975	34,925	34,881	(8.4%)
National sales	4,293	5,887	5,581	(27.1%)
International sales	27,682	29,038	29,300	(4.7%)
Construction sales	24,217	25,319	25,820	(4.4%)
Non construction sales	7,758	9,606	9,061	(19.2%)
EBITDA	2,023	2,306	2,466	(12.3%)
EBIT	1,445	1,439	1,598	0.4%
Net income	1,017	1,054	928	(3.5%)
Net income attributable to the Group	751	725	717	3.6%
Other key data				
Net debt	1,214	2,624	3,722	(53.7%)
Order book	66,526	67,072	63,320	(0.8%)
Market capitalisation	9,446	8,501	9,116	11.1%

Figure 10.5: Sales by geographical area

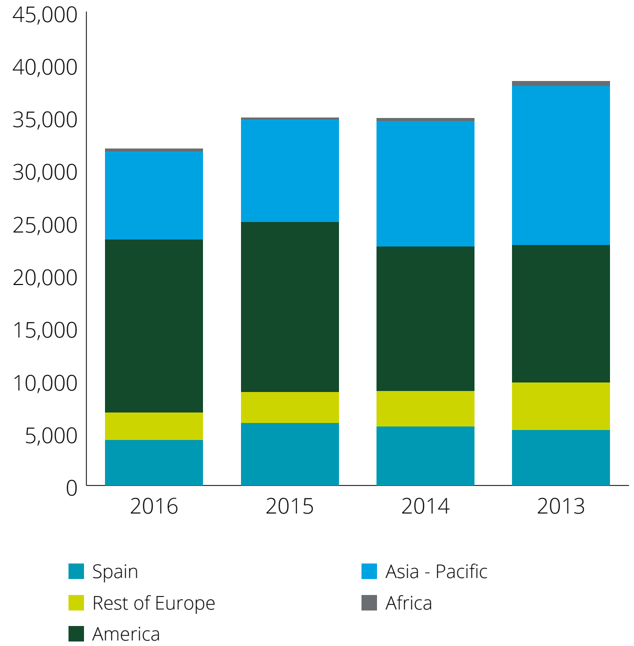
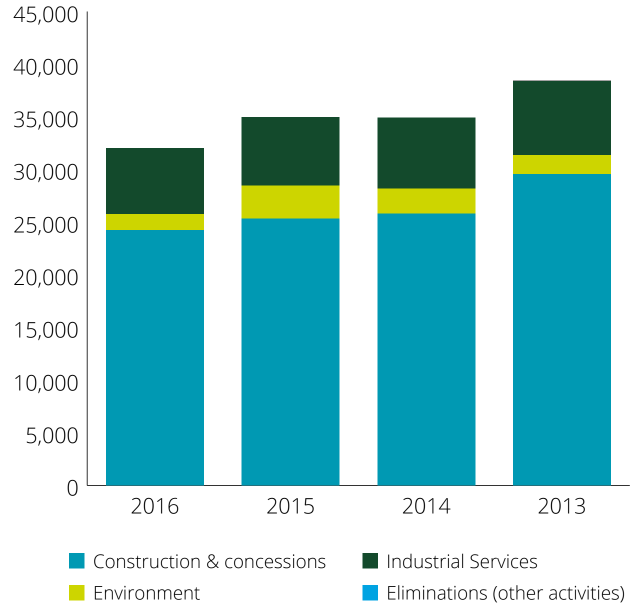


Figure 10.6: Sales by segment



Bouygues SA

Bouygues is a diversified industrial group that draws on a diverse range of skills and expertise. Its corporate culture, shared by all of its subsidiaries, is distinguished by project management expertise and human resources management. Bouygues offers construction solutions to meet essential needs in areas such as housing, transport, information and communication. The Group operates in nearly 90 countries worldwide and has a workforce of 118,000 employees.

Foreign shareholders hold ownership interests of 38.1% in the Group, while French shareholders control 21.8%, employees 20.2% and SCDM (a company controlled by Martin and Oliver Bouygues) owns 19.9% of the total shares.

The Bouygues Group operates in three main industries: Construction, Media and Telecoms.

Construction

This segment of activity is represented by the companies Bouygues Construction, Bouygues Immobilier and the listed subsidiary Colas.

Bouygues Construction designs, builds and operates structures including public and private buildings, transport infrastructure and energy and communication networks. Total sales for the year amounted to EUR 11,815 million, a slight decrease of 1% on 2015. This segment represents 37% of total Group sales. The current operating margin remained stable compared to 2015, at 2.8%.

As France's leading property developer, Bouygues Immobilier develops residential, commercial and retail park projects through thirty-five companies in France and three international subsidiaries. Total sales in 2016 increased by 11% to EUR 2,568 million due mainly to an increase in residential property reservations. 2016 results were very positive, with the Company achieving a current operating margin of 6.5% (a 0.5% increase on 2015) due to improved management of the marketing policy in residential property sales.

Colas is a listed transport infrastructure company in which Bouygues holds an ownership interest of 96.6%. It operates in all areas of transport infrastructure construction and maintenance. Its two main business divisions are Roads (its core business) and complementary Specialised Activities. In 2016 Colas generated revenue of EUR 11,006 million, 8% less than in 2015. This downturn was a consequence of lower roadbuilding activity levels in Central Europe and Canada and the decline in the Specialised Activities business. Despite the decrease in sales, Cola's operating margin increased by 0.6 points to 3.5%, due to the achievement of healthier margins in roadbuilding.

Overall, the order book of the construction businesses reached a record level of EUR 30.2 billion at 2016 year end, a 6% increase on 2015. It included several major contracts, such as Hinkley Point C in the UK, Line 3 of the Cairo metro in Egypt, the Port of Calais extension and Tour Alto in Paris-La Defense, among others. The orders of Bouygues Construction and Colas International alone accounted for 58% of the total order book.

Media

Considered the leading private media group in free-to-air television in France, TF1's mission is to inform and entertain via four free-to-air channels, several pay-TV special-interest channels and a number of digital offshoots. TF1 is working on its transformation by aligning its multi-channel, multimedia and multi-business strategy and expanding into production and digital media. In 2016 the Group cemented its leadership position with an average 27.4% total audience share of its free-to-air channels. Sales in 2016 increased by 3%, to EUR 2,063 million, driven by the consolidation of Newen Studios in January. TF1's current operating profit amounted to EUR 129 million (EUR 29 million lower than in 2015) mainly because of the high costs of screening the Euro 2016 soccer tournament. As a consequence, the current operating margin for 2016 decreased by 1.6 points to 6.3%.

Telecoms

Bouygues Telecom, considered a major player in the French electronic communications market, is constantly innovating in order to deliver the best possible digital experience to its more than 16 million customers. Its business continued to grow in 2016, and it reported total sales of EUR 4,761 million, 6% higher than in 2015. EBITDA stood at EUR 916 million in 2016, EUR 164 million higher than in 2015, as a result of a stricter cost reduction policy and an increase in sales, with the company obtaining a margin of 22.6%. Its operating profit for the year was EUR 169 million.

Other

At 2016 year-end Bouygues held an equity interest of 28.3% in Alstom, a global company specialised in transport solutions. Based in France, Alstom operates in over 60 countries and has 31,000 employees. The company obtained sales of EUR 3,570 million in 2016 (Alstom is consolidate by the equity method and therefore sales are not integrated).

2016 performance

Total Group revenue decreased by 2% in 2016, amounting to EUR 31,768 million. Nonetheless, the Group continued to improve its profitability, recording a current operating margin of 3.5%, up 0.6 points on 2015. Overall, results significantly improved at Bouygues Telecom and in the construction businesses. Net profit attributable to the Group amounted to EUR 732 million in 2016, compared with EUR 403 million in 2015. The Group's order book grew by 4.3% to EUR 30,200 million.

Figure 10.7

Key Data (EUR million)	2016	2015	2014	Variation 2016-2015 %
Assets				
Non-current assets	17,432	18,210	18,504	(4.3%)
Current assets	17,301	15,590	16,364	11.0%
Held-for-sale assets and operations	121	35	-	245.7%
Total assets	**34,854**	**33,835**	**34,868**	**3.0%**
Liabilities and shareholders' equity				
Shareholders' equity	9,420	9,293	9,455	1.4%
Non-current liabilities	8,538	7,562	8,308	12.9%
Current liabilities	16,896	16,980	17,105	(0.5%)
Total liabilities and shareholders' equity	34,854	33,835	34,868	3.0%
Statement of profit or loss				
Sales	31,768	32,428	33,138	(2.0%)
National sales	20,071	20,058	21,271	0.1%
International sales	11,697	12,370	11,867	(5.4%)
Construction sales	25,001	25,963	26,515	(3.7%)
Non-construction sales	6,767	6,465	6,623	4.7%
EBITDA	2,757	2,411	2,418	14.4%
EBIT	1,121	941	888	19.1%
Net income	784	480	1,064	63.3%
Net income attributable to the Group	732	403	807	81.6%
Other key data				
Net debt	1,866	2,561	3,216	(27.1%)
Order book	30,200	28,961	27,700	4.3%
Market capitalisation	12,083	12,613	10,070	(4.2%)

Figure 10.8: Sales by nationality

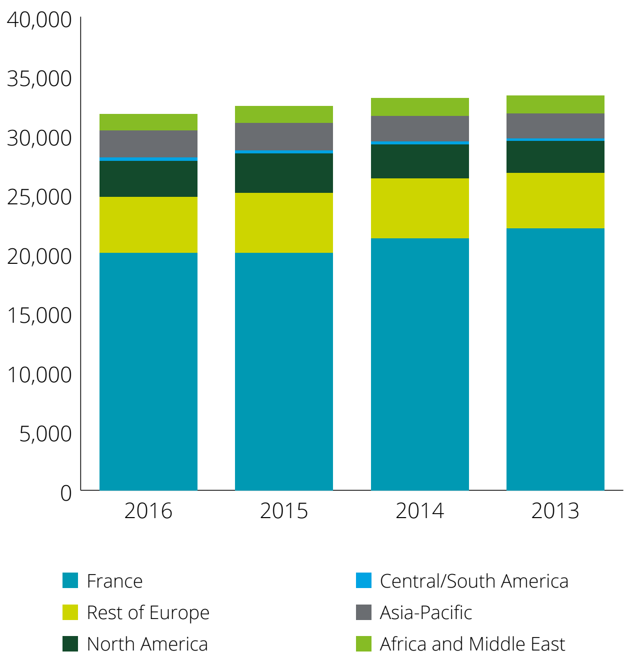
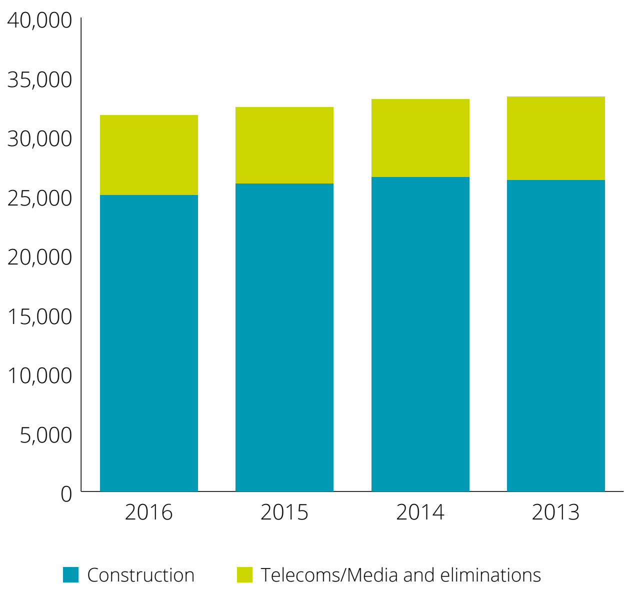


Figure 10.9: Sales by segment



Skanska

Skanska is one of the world's leading project development and construction companies, focused on selected home markets, with experience in construction, development of commercial properties and residential projects and public-private partnerships. The Group operates in several countries within the Nordic region, Europe and North America. With a workforce of approximately 41,000 employees, Skanska is the most important Swedish construction group in terms of revenue.

Skanska's main shareholders are Swedish financial and institutional companies and private Swedish individuals. The Company's ten largest shareholders own 34.8% of the capital. 63.2% of the shareholders have Swedish nationality, while 36.8% are foreign.

Skanska's business activities are focused on Construction, Residential Development, Commercial Property Development and Infrastructure Development. The business units within these streams cooperate with each other, creating operational and financial synergies that add value to the Group.

Construction

Skanska's Construction business executes building, civil and residential construction work. Skanska is active in selected home markets in the Nordic region, Europe and North America, both in the private and public sector. It also performs service-related commissions, such as construction management services and facility operation and maintenance.

Construction is Skanska's largest business segment in terms of revenue and profit, representing 95% of the Group's total sales in 2016 and 49% of total operating income.

In 2016, the division's total sales decreased by 2%, amounting to SEK 138,001 million. Geographically, performance in 2016 was particularly strong in the largest units in terms of revenue, which are Sweden and the US (in the building sector). The positive results within the local market were boosted by Swedish GDP growth. Urbanisation in Sweden gives rise to an increasing need for infrastructure to expand, thus increasing demand for the Construction business. On the other hand, the operating margin performed negatively in Poland, mainly because of delays in the allocation of designated EU funds, and in the US (in the civil construction sector), due to lower revenue and a higher cost structure.

The order backlog reached historic highs in 2016, at SEK 196.3 billion. This represented a 24% increase in the order book compared with 2015. Order book levels in the US were considerably higher than in 2015, driven by the SEK 23 billion LaGuardia Airport contract.

Residential Development

Skanska initiates, develops and sells modern homes to private individuals. Fiscal year 2016 saw an improved performance, with a total of 4,603 homes sold and 4,848 started.

Business profitability continued to improve, and operating income reached a historic high, with a 10% operating margin and 10% return on capital. The main reasons behind these strong results were the favourable market in all Nordic countries (especially in Sweden) and improved operational efficiency within the Group.

The residential business segment reported sales of SEK 13,264 million in 2016. This segment represents 8% of the Group's total revenue and 17% of its operating income in fiscal year 2016.

The BoKlok business, which is an affordable residential concept developed by Skanska and IKEA, had very good profitability and contributed to the improvement of this segment's margins.

Commercial Property Development

Skanska's Commercial Property Development business focuses on healthy, environmentally friendly and customer-focused properties and offices. Skanska initiates, develops, leases and divests properties that contribute to well-being and profitability, both for customers and their employees. This segment operates mainly in the Nordic Region, although the Group still develops several projects in the US and Central Europe.

This business segment reported 6% of the Group's total sales and 25% of its total operating income in 2016. Revenue for fiscal year 2016 amounted to SEK 10,226 million (+13% compared with 2015).

Infrastructure Development

The Skanska Infrastructure Development business focuses on three segments: roads, including bridges, tunnels and highways; social infrastructure, such as hospitals and schools; and industrial facilities, such as power stations.

This business line executes Skanska's project development through public-private partnerships (PPP). This program continues to grow in the US and is also showing signs of improvement in Norway.

In fiscal year 2016 operating income from Infrastructure Development was more than double that of the previous year, amounting to SEK 1,818 million (2015: SEK 863 million). Operating income includes the gains from the divestment of the M25 motorway in London, UK.

In 2015 Skanska was named the preferred bidder for the expansion of LaGuardia Airport in New York. In this context, the Group reached the financial close of the project in 2016. The public-private partnership (PPP) includes the financing, design, construction, operation and maintenance of LaGuardia Airport Central Terminal B with a lease term running until 2050.

2016 performance

Despite total revenue decreasing by 5% to SEK 145,365 million, Skanska performed strongly with positive results in 2016, obtaining operating income of SEK 7,220 million, 14.8% higher than in 2015. Historic earnings figures were reported in the Residential Development and Commercial Property Development business segments; however, the operating margin of Construction activities fell below expectations.

Figure 10.10

Key Data (SEK million)	2016	2015	2014	Variation 2016-2015 %
Assets				
Non-current assets	19,966	18,107	18,007	10.3%
Current assets	86,539	79,560	74,767	8.8%
Total assets	106,505	97,667	92,774	9.0%
Liabilities and shareholders' equity				
Shareholders' equity	27,506	24,206	21,405	13.6%
Non-current liabilities	10,049	9,129	12,733	10.1%
Current liabilities	68,950	64,332	58,636	7.2%
Total liabilities and shareholders' equity	106,505	97,667	92,774	9.0%
Statement of profit or loss				
Sales	145,365	153,049	143,325	(5.0%)
National sales	33,826	34,124	34,311	(0.9%)
International sales	111,539	118,925	109,014	(6.2%)
Construction sales	138,001	140,648	128,890	(1.9%)
Non-construction sales	7,364	12,401	14,435	(40.6%)
EBITDA	9,193	7,971	7,282	15.3%
EBIT	7,220	6,290	5,409	14.8%
Net income	5,735	4,791	3,850	19.7%
Net income attributable to the Group	5,722	4,780	3,843	19.7%
Other key data				
Net debt	4,907	(1,411)	2,091	(447.8%)
Order book	170,244	122,104	147,424	39.4%
Market capitalisation	88,042	67,739	68,972	30.0%

Exchange rate prevailing at year-end 2016: 9.552.
Average exchange rate for the year 2016: 9.4689.

Figure 10.11: Sales by geographical area

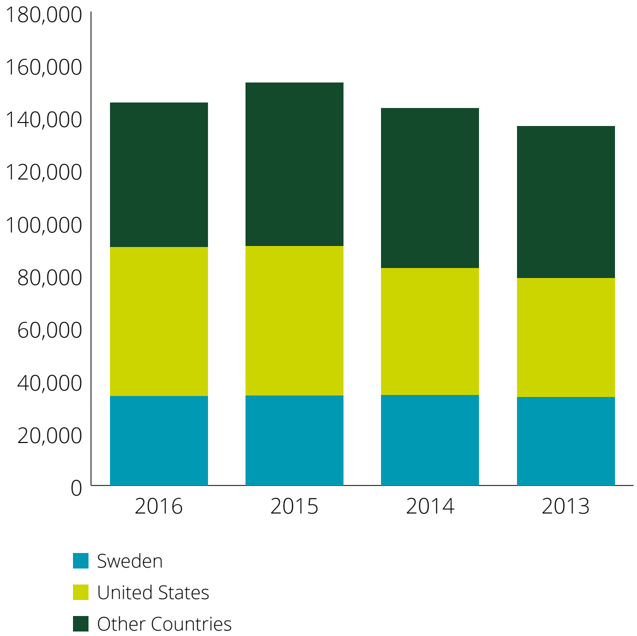
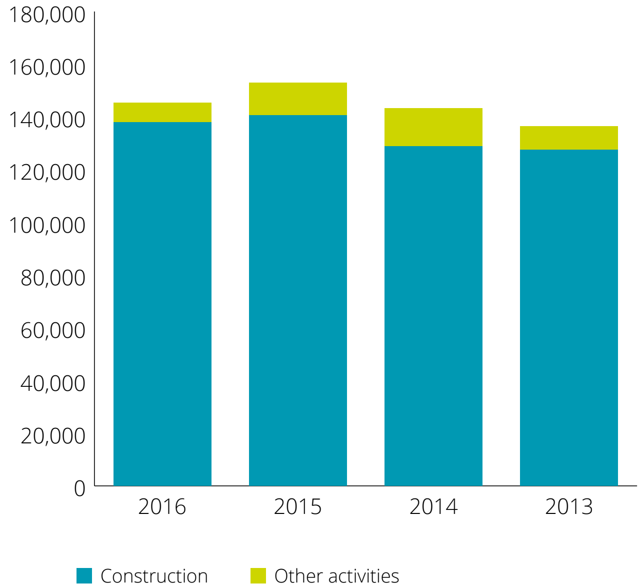


Figure 10.12: Sales by segment



Eiffage

Eiffage is a leading company both in France and internationally, due to its exceptionally extensive range of technical expertise and skills. Since its incorporation in 1844, Eiffage has become a prominent figure in the European concessions and public works sector. The culture of constant innovation, commitment and expertise among the Group's 63,164 employees enabled Eiffage to generate revenue of EUR 14,307 million in 2016 (+1.8% compared with the previous year), of which 18% arose from international projects.

Eiffage's employees in France are also Group shareholders and own 21.1% of the total shares. The remaining shares continue to be mostly free float.

Eiffage's activities comprise four main business lines:

Concessions and public-private partnerships (PPPs)

In 2016 Eiffage Concessions continued to consolidate its status as a major player in the area of public-private partnerships (PPP). Through such partnerships, the Eiffage Group is able to finance, design, build and maintain complex facilities.

The division's total sales increased by 4% to EUR 2,833 million, representing 18% of total Group revenue. The positive results were a result of strong traffic growth on the motorway networks operated by the Group (particularly, due to the opening of the Avenir motorway extension in Senegal) and the contributions of the other concessions and public-private partnerships.

Construction

Eiffage Construction represents 26% of the Group's total revenue. It comprises a wide range of businesses in the public and private sectors related to urban development, property development, construction and maintenance and services works. Eiffage's Construction division operates through its many regional divisions in France, Benelux, Poland and other European locations.

Construction division sales increased by 8% compared with 2015, to EUR 3,696 million. Local sales grew by 4.6% in France and 3.3% internationally. The higher level of activity and a tighter control on overheads resulted in an improved operating margin of 4%. The order book remained strong at 2016 year-end, amounting to EUR 4,675 million.

Infrastructures

The Group's infrastructure division has the required expertise to design and construct terrestrial and maritime infrastructure. Some of the works it develops are related to road and rail construction, civil engineering, earthworks, drainage and environmental work.

The division's sales decreased by 3% to EUR 4,437 million in 2016. However, it remains the Company's most significant area of activity, representing 31% of total revenue in 2016. The activity of the Civil Engineering business in France declined as a consequence of the completion of the work on the Bretagne-Pays de la Loire (BPL) high-speed rail line project. On the other hand, international operations showed improvement, growing by 9.6% within this business segment.

Energy

Eiffage Energie, Clemessy and Eiffel Industrie are the Group companies specialised in electrical engineering, HVAC and process automation. They provide comprehensive turnkey solutions comprising the design, construction, operation and maintenance of special purpose and multi-technical facilities for all sectors of activity.

Sales generated by the energy division increased slightly by 1% with respect to 2015, amounting to EUR 3,324 million in 2016. The operating margin increased to 4%, as the division continued to progress in regions of France. The Group has entered into significant contracts, especially in multi-site maintenance, telecoms, nuclear activities, transportation (tunnel ventilation) and aerospace.

2016 performance

Group revenue increased by 1.8% with respect to the previous year, and total sales amounted to EUR 14,307 million. In 2016 both national and international sales grew by 1% and 4%, respectively.

The Group has improved its results, experiencing continuous growth in operating profit and operating margin over the last 5 years. In fact, operating profit from ordinary activities increased to EUR 1,597 million (11.6% higher than in 2015) and the operating margin was 11.4%. There were significant improvements in operating profit from both Contracting and Concessions activities. Thanks to the positive performance of the business, market capitalisation increased by 12.1% in 2016, reaching a value of EUR 6,159 million at 2016 year-end.

The Group also experienced an increase in the contracting order book, which amounted to EUR 11,200 million in 2016, 5.1% higher than the closing figure for 2015.

Figure 10.13

Key Data (EUR million)	2016	2015	2014	Variation 2016-2015 %
Assets				
Non-current assets	18,640	18,634	18,668	0.0%
Current assets	10,863	9,480	10,200	14.6%
Total assets	29,503	28,114	28,868	4.9%
Liabilities and shareholders' equity				
Shareholders' equity	4,265	3,472	2,989	22.8%
Non-current liabilities	14,366	14,633	15,881	(1.8%)
Current liabilities	10,872	10,009	9,998	8.6%
Total liabilities and shareholders' equity	29,503	28,114	28,868	4.9%
Statement of profit or loss				
Sales	14,307	14,060	13,948	1.8%
National sales	11,719	11,565	11,595	1.3%
International sales	2,588	2,495	2,353	3.7%
Construction sales	8,133	8,020	7,638	1.4%
Non-construction sales	6,174	6,040	6,310	2.2%
EBITDA	2,346	2,170	2,138	8.1%
EBIT	1,597	1,431	1,347	11.6%
Net income	777	458	354	(83.2%)
Net income attributable to the Group	475	312	275	52.2%
Other key data				
Net debt	11,294	11,665	12,014	(3.2%)
Order book	12,000	11,400	11,765	5.3%
Market capitalisation	6,159	5,493	3,886	12.1%

Figure 10.14: Sales by geographical area

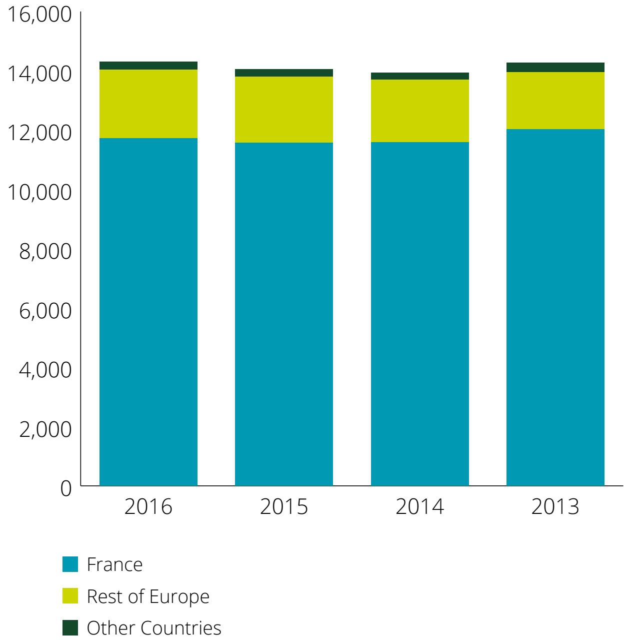
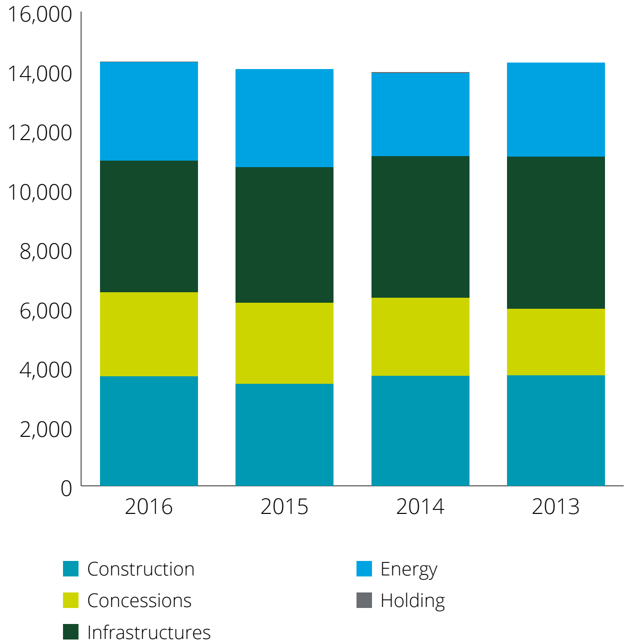


Figure 10.15: Sales by segment



Strabag SE

STRABAG

Strabag SE is an Austrian-based technology group for construction services and a leader in innovation and financial strength, capable of offering services along the entire construction value chain. It currently has a workforce of almost 72,000 employees worldwide.

Strabag SE's main shareholders with a direct or indirect interest of at least 10% of the share capital are the Haselsteiner Group (26.4%), Rasperia Trading (25.9%), UNIQA (14.3%) and the Raiffeisen Group (13.2%) Additionally, the Company itself held 6.7% of its share capital, representing 7,400,000 no-par shares, at 31 December 2016.

Its portfolio is divided into three operating segments: North + West, South + East, and International + Special Divisions.

North + West

The North + West segment is the most significant in terms of revenue (it represents 46% of the Group's output volume for 2016). The main activities performed consist of the execution of construction services, with a focus on Germany, Poland, the Benelux countries and Scandinavia. Ground and hydraulic engineering, as well as offshore wind operations, are other activities that belong to this segment.

The division's total sales decreased slightly by 2% with respect to 2015, amounting to EUR 5,802 million. Revenue remained stable in Germany, which is the most important market within this segment; however, it fell significantly in Poland, the segment's second-largest market.

Despite the downturn in sales, EBIT figures improved by 62% in 2016, amounting to EUR 170 million, with margins of 2.9% (2015: 1.8%). The positive result was due to improvements in Germany and the absence of past liabilities related to an important project in the Netherlands.

The 2016 order backlog stood at EUR 7,030 million, up 30% on 2015. The considerably strong increase in overall order volume came primarily from Germany, although several significant projects were awarded in Sweden, Benelux and Poland. The most important gain in Germany in 2016 was the new Axel Springer building in Berlin.

South + East

The South + East division focuses on countries including Austria, Switzerland, Hungary, the Czech Republic, Slovakia, Russia and other countries in South-Eastern Europe. This segment also comprises the business related to environmental engineering activities.

This segment registered a 12% downturn in terms of revenue, to EUR 3,889 million. The evolution of sales was negatively affected by the results obtained in Slovakia, where significant growth had been observed the previous year, and by lower level of operations in Hungary, the Czech Republic and Russia.

EBIT decreased by 5% to EUR 188 million, although its margin over revenues rose by 0.3 percentage points to 4.8%.

The order backlog remained at the previous year's level, with a volume of EUR 3,482 million. Despite the low level of project acquisitions in Romania and Russia, several significant contracts were acquired in Slovakia and Hungary in the year, the most important of which are the Slovakian industrial park and a large number of football stadiums, roads and rail projects.

International + Special Divisions

On the one hand, the International + Special Divisions segment includes activities such as international construction, tunnelling services, real estate development, infrastructure development and the construction materials business. On the other hand, the concessions business represents a further important area of business, with global project development activities in transportation infrastructures in particular.

In 2016, total sales of the International and Special Divisions decreased by 4%, amounting to EUR 2,681 million. The downturn in output volume was particularly accentuated in Italy, while the other markets remained relatively stable. Despite this fall in revenue, EBIT grew by 4% to EUR 49 million as a result of the favourable effects of certain projects and the lower levels of impairment recorded in the offshore wind business, which amounted to EUR 4.8 million, compared with EUR 24.7 million in the previous year.

The order backlog increased slightly by 1%, to EUR 4,295 million, due to the acquisition of a tunnelling project for a copper mine in Chile, which amounts to approximately EUR 400 million. Certain growth in the order book was also reported in Austria and Germany.

2016 performance

In 2016, total Group sales decreased by 5.5% to EUR 12,400 million. In spite of this, EBIT figures continued their improvement on prior years, amounting to EUR 425 million in 2016, which represented an increase of 24.6% on 2015. Operating income has more than doubled since 2013, reaching a historical margin of 3% in 2016.

The Group's 2016 order book also reached record levels, standing at EUR 14,816 million, 13% higher than in 2015. Multiple new significant orders in relation to building construction and transportation infrastructure in Germany helped to increase the order backlog. The German market represents 44% of the total amount, followed by Austria and Italy, which represent 13% and 6.5%.

Figure 10.16

Key Data (EUR million)	2016	2015	2014	Variation 2016-2015 %
Assets				
Non-current assets	4,130	4,284	4,506	(3.6%)
Current assets	6,248	6,445	5,770	(3.1%)
Total assets	10,378	10,729	10,276	(3.3%)
Liabilities and shareholders' equity				
Shareholders' equity	3,265	3,321	3,144	(1.7%)
Non-current liabilities	2,420	2,519	2,409	(3.9%)
Current liabilities	4,693	4,889	4,723	(4.0%)
Total liabilities and shareholders' equity	10,378	10,729	10,276	(3.3%)
Statement of profit or loss				
Sales	12,400	13,123	12,476	(5.5%)
National sales	2,058	1,996	2,030	3.1%
International sales	10,342	11,127	10,445	(7.1%)
Construction sales	12,372	13,098	12,455	(5.5%)
Non-construction sales	28	25	21	12.0%
EBITDA	855	816	720	4.8%
EBIT	425	341	282	24.6%
Net income	282	182	148	54.5%
Net income attributable to the Group	278	156	128	77.9%
Other key data				
Net debt	(449)	(1,094)	(249)	(59.0%)
Order book	14,816	13,135	14,403	12.8%
Market capitalisation	3,453	2,419	2,072	42.7%

Figure 10.17: Sales by geographical area

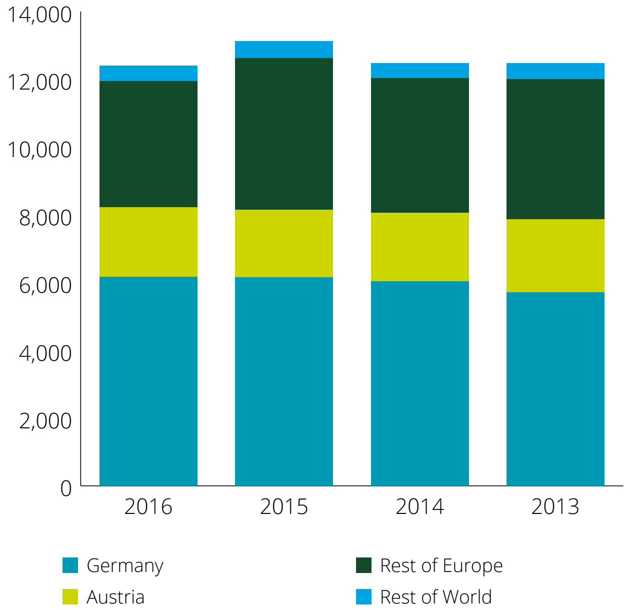
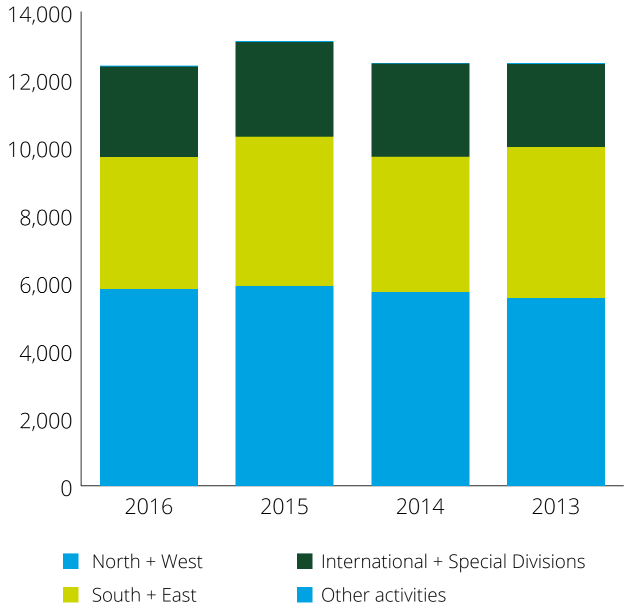


Figure 10.18: Sales by segment



Ferrovial

Ferrovial is one of the leading global providers of infrastructure and services, with a workforce of approximately 96,000 employees and operations in more than 25 countries. It is listed in the prestigious Dow Jones Sustainability Index, FTSE4Good Index and the Carbon Disclosure Project.

The most significant current shareholder in Ferrovial, S.A. is Rijn Capital BV, which holds a 20.3% interest. It is followed by Menosmares, S.L.U., Siemprelara, S.L.U. and Soziancor, which hold 8.2%, 5% and 2.5% of total shares, respectively, among other minority shareholders. All the aforementioned companies are controlled by the Del Pino family. After the close of the financial year in February 2017, Blackrock notified the CNMV that it had increased its stake in Ferrovial, S.A. to 3.2%.

Two of the Group's main assets are Canada's 407 ETR highway and London's Heathrow Airport (both accounted for using the equity method), as well as the NTE-LBJ Managed Lanes Highways in Texas (USA).

Ferrovial's activities are divided into four business lines:

Services

Ferrovial Services is an international leader in the maintenance and operation of public and private infrastructure for transport, the environment, industry, natural resources (oil, gas and mining) and utilities (water and electricity), and in the provision of facility management services.

In 2016 the Group acquired the Australian corporation Broadspectrum, which entailed a significant change for the Group, increasing its geographical diversity in Australia and New Zealand. In 2016 Broadspectrum contributed to Ferrovial's figures with approximately EUR 1,400 million in revenue, 25,000 new employees and a backlog of around EUR 6,000 million.

The division's total revenue grew significantly by 24% to EUR 6,078 million, and in 2016 was the most important segment in terms of revenue, as it represented 56% of the total. 71% of sales in this segment were obtained internationally. Sales growth was due primarily to the integration of Broadspectrum; however, results were also positive in Spain, where the Group maintained existing contracts and strengthened its presence with private clients, and also in the North American market. The context in the United Kingdom was quite different due to the negative impact of the Brexit, which led to budget reductions and increased uncertainty. In spite of the higher revenue, EBITDA fell by 12.9%, mainly as a consequence of fewer high-margin projects in the UK, legal expenses due to the Birmingham lawsuit and restructuring costs..

Construction

Ferrovial Agroman is the second-most important division of the Ferrovial Group in terms of revenue (39% of the Group's total) and its activities comprise civil engineering, construction, water-related and industrial projects. Its presence is consolidated in various markets such as the United States, Spain, Latin America, Canada, the United Kingdom, Australia and Poland. This business segment is well known for its solid historical trend of growth and high profitability, but also because it is an excellent source for obtaining the required cash flows in the diversification and international expansion process.

Ferrovial has been a pioneer in the expansion of Spanish construction companies into stable international markets such as Poland and the United States, where they have established a solid presence through its subsidiaries Budimex, Ferrovial Agroman US and Webber. They focus mainly on international markets and, accordingly revenue, 83% of the total revenue of this business area was obtained outside of Spain in 2016.

In 2016 the segment experienced a slight decrease in sales, which amounted to EUR 4,194 million. This is explained by the completion in 2015 of some major projects in the United States, as well as the slowdown in the domestic market. On the other hand, Budimex (a listed company based in Poland) achieved positive results in 2016, with a sales increase, in comparable terms, of 8.1% on 2015. Overall, profitability within the construction business remained high in 2016, and EBITDA margins of 8.1% were achieved.

Airports

Ferrovial is one of the leading private airport operators in the world, with four well-known operative airports in the United Kingdom. The Group is the largest shareholder in Heathrow Airport Holdings (HAH) over which it maintains a 25% stake. The Company is also the industrial partner at the airports of Aberdeen, Glasgow and Southampton (AGS), with a 50% stake.

In 2016 the Group acquired the company Transchile, which is the owner of a 204-kilometre transmission line located between the stations of Charrúa and Cautín. This transaction increases the diversification of the Group's business with the incorporation of electricity transmission.

Concessions

Through its subsidiary Cintra, Ferrovial is one of the world's leading private developers of transport infrastructure in terms of number of projects (27 in total) and highway kilometres managed (1,948 km).

Total revenue fell by 5% on 2016 as a result of the exchange effect and the impact of the changes in the scope of consolidation in 2016 (divestment of Chicago Skyway and Irish toll roads). In comparative terms, Cintra had a very positive year, experiencing traffic growth of 24.8% due mainly to its strong performance in relation to the Texas managed lanes. The division also registered solid EBITDA growth in comparison with 2015 (+24.9%).

It should be highlighted that Cintra has been awarded the I-66 toll road (Virginia, USA), with total investment expected to exceed USD 3,000 million.

2016 performance

Overall, 2016 was a positive year for Ferrovial. Revenue increased by 11%, to EUR 10,759 million, including the revenue recognised by Broadspectrum from June onwards.

Net profit totalled EUR 376 million, compared with EUR 720 million in 2015. However, these amounts are incomparable due to a series of extraordinary negative impacts in 2016, such as the negative evolution of the pound sterling exchange rate and certain non-recurring items at Heathrow Airport Holdings. Additionally, in 2015 there was an extraordinary positive impact due to the deconsolidation of the Ocaña-La Roda and R4 concessions.

The Group's total order book reached a historical high of EUR 33,519 million at year-end, representing a 6.3% increase on 2015. Several major projects awarded to the Group in 2016 include the California High-Speed Rail project, the building of the Bratislava beltway in Slovakia and certain road and high-speed rail maintenance contracts in the UK. It should be noted that the I-66 highway project in Virginia is not include in that order book.

Figure 10.19

Key Data (EUR million)	2016	2015	2014	Variation 2016-2015 %
Assets				
Non-current assets	15,647	16,821	19,426	(7.0%)
Current assets	7,750	8,563	6,047	(9.5%)
Total assets	23,397	25,384	25,473	(7.8%)
Liabilities and shareholders' equity				
Shareholders' equity	6,314	6,541	6,021	(3.5%)
Non-current liabilities	11,527	10,401	14,017	10.8%
Current liabilities	5,556	8,442	5,435	(34.2%)
Total liabilities and shareholders' equity	23,397	25,384	25,473	(7.8%)
Statement of profit or loss				
Sales	10,759	9,701	8,802	10.9%
National sales	2,629	2,694	2,709	(2.4%)
International sales	8,130	7,007	6,093	16.0%
Construction sales	4,194	4,287	3,942	(2.2%)
Non-construction sales	6,565	5,414	4,860	21.3%
EBITDA	944	1,027	983	(8.1%)
EBIT	926	901	743	2.8%
Net income	383	631	352	(39.3%)
Net income attributable to the Group	376	720	402	(47.8%)
Other key data				
Net debt	4,266	4,542	6,230	(6.1%)
Order book	33,519	31,531	30,460	6.3%
Market capitalisation	12,450	15,270	12,029	(18.5%)

Figure 10.20: Sales by geographical area

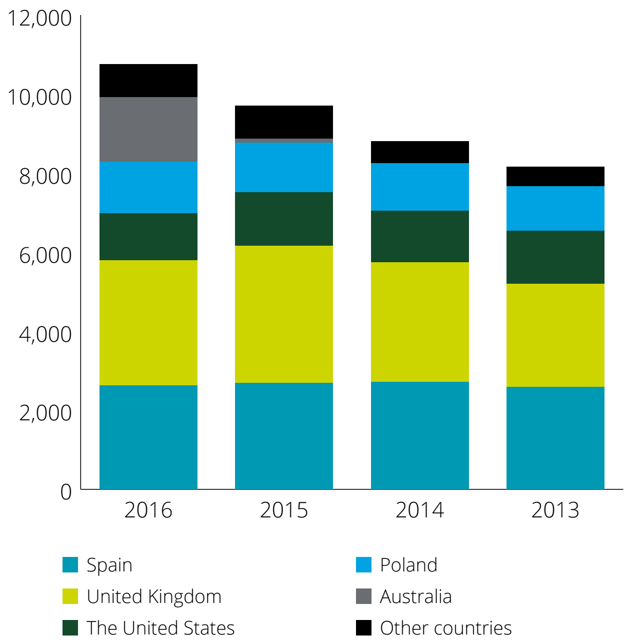
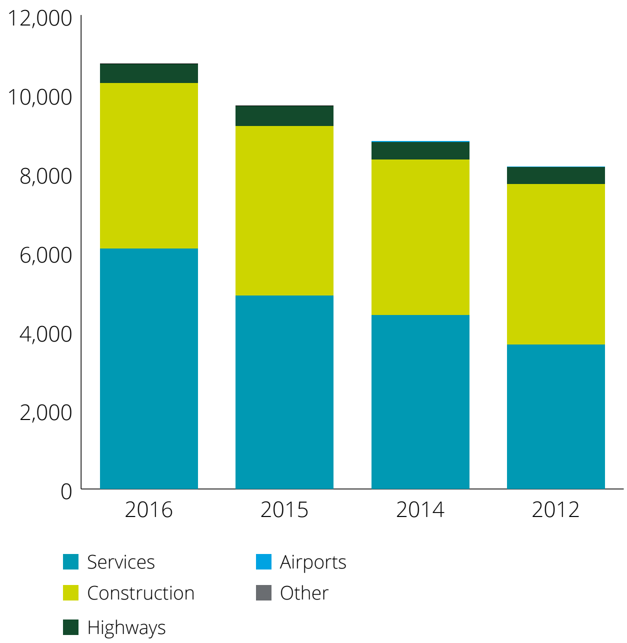


Figure 10.21: Sales by segment



Balfour Beatty

Balfour Beatty plc is a multinational infrastructure group with capabilities in construction and support services and infrastructure investments. It performs work for customers principally in the UK and the US, but also in other areas such as Australia, Canada, the Middle East and Southeast Asia. The Group obtains over 60% of its total revenue from international markets and operates in various economies and markets.

Balfour Beatty's main shareholders are UK institutional investors, which each hold more than 5% of the Company's shares: Causeway Capital Management LLC. (9.05%), Prudential Plc. (6.22%) and Schroder Investment Management Limited (5.03%).

Balfour Beatty's activity is divided into three business lines: Construction Services, Support Services and Infrastructure Investments.

Construction Services

The Construction business in the UK, the US and the Far East operates across the infrastructure and building sectors. Construction Services include civil, ground and rail engineering, building, refurbishment and fit-out and mechanical and electrical services. In 2016 Engineering Construction and Engineering Services (mechanical and electrical engineering) merged, simplifying the business into the new Balfour Beatty Kilpatrick brand.

The Construction business continues to be very selective by seeking to increase bid margin thresholds, improving risk frameworks and finding better contract governance. The Group has shifted towards seeking a lower-risk contract portfolio as well as a tighter and more effective control environment.

In 2016 the division's total sales grew to GBP 6,852 million, a 7% increase on 2015. Regionally, revenue fell by 6% due to a decline in the regional construction business and the adoption of a more selective bidding discipline in 2015 that resulted in lower levels of new contracts. The fall of sales in the UK was offset by an 11% increase in the US and 21% growth in the Far East.

The Construction Services order book increased from GBP 7.9 billion in 2015 to GBP 9.6 billion in 2016. The backlog increased by 30% in the US as the business continued to experience strong order intake, and by 25% in Hong Kong due to the awarding of a contract for the redevelopment of Somerset House into a 48-floor office building, among other contracts. Regionally, the order book increased by 11%, and notable new contract awards in the period included a GBP 146 million construction project for a segment of the existing A14 and a contract to build an energy-from-waste facility for Gloucestershire County Council.

Support Services

The Support Services segment comprises utilities and transportation businesses.

This division manages, upgrades and maintains critical national infrastructure, and its capabilities complement both the Group's Construction Services and Infrastructure Investments divisions. The Utilities business operates across the power transmission and distribution, gas and water sectors. The Transportation business operates in rail, highway and managed road scheme projects for local authorities.

Support Services revenue amounted to GBP 1,103 million, 12.4% less than the figure achieved in 2015, as a consequence of the phasing of contract and regulatory cycles. Both Transportation and Utilities revenue fell in 2016. Despite the fall in sales, underlying profit from operations grew to GBP 34 million in 2016.

The order book remained stable at 2016 year-end, since the growth of the transportation backlog, which arose from a strong order intake in rail and from local authorities, was offset by a significant decline in the Utilities business.

Infrastructure Investments

This segment operates a portfolio of long-term PPP concessions, primarily education, health and roads/street lighting activities. The Group has also established a presence in data centres in Canada. In recent years Balfour Beatty Investments has extended to new markets and geographies. The Group's current strategy is to dispose of its mature assets, invest in new opportunities and broaden its range of assets.

The Investments business continued to improve in 2016, with the awarding of three new private rental housing projects and one data centre project, which will entail high levels of investment. The business continued to grow in the North American region. In the UK the company acquired its first private development site in Manchester's New Cross area.

2016 performance

Total Group sales grew by 2.8% with respect to 2015, amounting to GBP 8,683 million. The Group's main business segment is represented by construction activities, which reported 80% of total Group sales. Revenue increased in both construction and investment activities.

After two years of recording heavy losses, 2016 saw the business return to operating profit, reported at GBP 15 million.

The Group's order book also improved by 15.5% at 2016 year-end, amounting to GBP 12,700 million, thanks mainly to an increase in orders arising from the Construction segment.

Figure 10.22

Key Data (GBP million)	2016	2015	2014	Variation 2016-2015 %
Assets				
Non-current assets	2,452	2,522	2,745	(2.8%)
Current assets	2,325	2,079	2,439	11.8%
Assets held for sale	-	-	60	100%
Total assets	4,777	4,601	5,244	3.8%
Liabilities and shareholders' equity				
Shareholders' equity	762	830	1,230	(8.2%)
Non-current liabilities	1,447	1,407	1,501	2.8%
Current liabilities	2,568	2,364	2,466	8.6%
Liabilities held for sale	-	-	47	100%
Total liabilities and shareholders' equity	4,777	4,601	5,244	3.8%
Statement of profit or loss				
Sales	8,683	8,444	8,793	2.8%
National sales	3,465	3,843	4,209	(9.8%)
International sales	5,218	4,601	4,584	13.4%
Construction sales	6,852	6,388	6,597	7.3%
Non-construction sales	1,831	2,056	2,196	(10.9%)
EBITDA	6	(192)	(270)	(103.1%)
EBIT	15	(182)	(281)	(108.2%)
Net income	(24)	(206)	(59)	(88.3%)
Net income attributable to the Group	(24)	(206)	(60)	-88.3%
Other key data				
Net debt	60	202	226	(70.3%)
Order book	12,700	11,000	11,400	15.5%
Market capitalisation	1,855	1,864	1,463	(0%)

Exchange rate prevailing at year-end 2016: 0.8562.
Average exchange rate for the year 2016: 0.8195.

Figure 10.23: Sales by geographical area

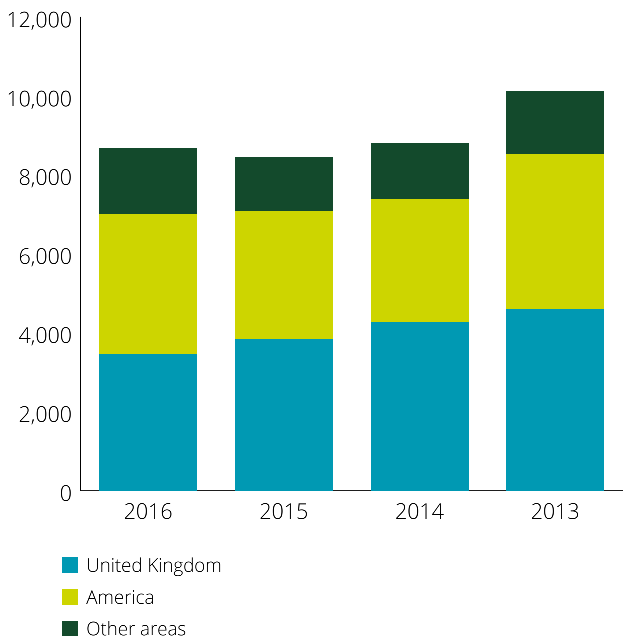
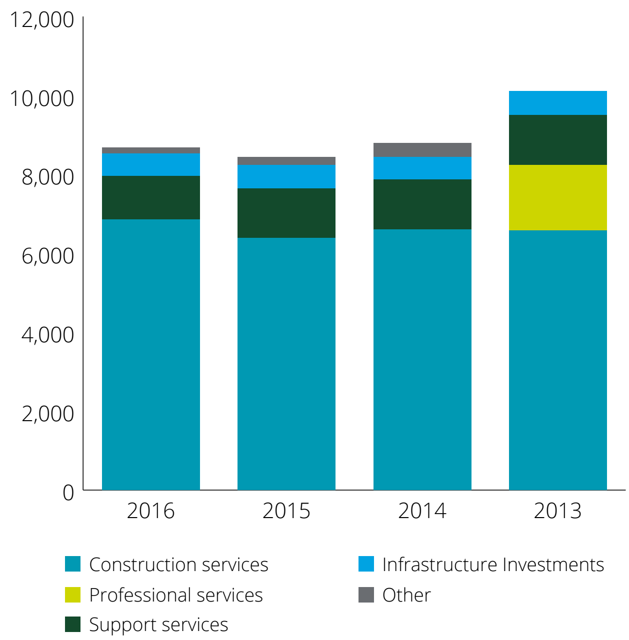


Figure 10.24: Sales by segment



BAM Group

Royal BAM Group N.V. is a European construction group listed on Euronext Amsterdam that encompasses operating companies in five different markets (the Netherlands, Belgium, the United Kingdom, Ireland and Germany) with a corporate centre in the Netherlands. With approximately 19,500 employees, BAM is active in the construction, mechanical and electrical services, civil engineering, property and public-private partnerships (PPP) sectors. The Group is also involved in specialised construction and civil engineering projects in niche markets worldwide.

The main shareholder of the Group is A. Van Herk, with control of a 9.5% interest in the Company, followed by NN Group N.V. (5.5%) and I.M. Fares (5%).

Effective from 2016 onwards, the BAM Group changed its business segments in order to align them with its updated strategy. The Group companies have been classified into three different business sectors: Construction and Property, Civil Engineering and public-private partnerships.

Construction & Property

The Construction and Property businesses are now managed and reported as one integrated business line. Additionally, construction activities in Ireland, Belgium and at BAM International have been reclassified from the Civil Engineering segment to Construction and Property.

BAM is active in the construction, mechanical and electrical services sector in all of BAM's home markets, but also in Switzerland and Denmark. In addition to carrying out non-residential construction work in all its local markets, the Group is also involved in residential construction contracts mainly in the Netherlands and Belgium. Also, BAM International carries out non-residential construction projects in the Middle East, Indonesia, Australia and Africa. With regard to property investments, BAM is active in residential and non-residential property development in the Netherlands, the United Kingdom, Ireland and Belgium.

BAM International operates from its headquarters in the Netherlands and from regional offices in Dubai, Perth, Jakarta and other locations.

In order to better analyse the financial results for the year, comparative figures for the previous year have been adjusted. The division's total revenue amounted to EUR 4,124 million, 2% less than in 2015 in comparative terms, mainly as a consequence of the exchange rate impact of the pound sterling. Revenue grew in the UK, the Netherlands and Ireland; however, there was a downturn in Germany as a result of the postponement of certain projects and also in Belgium because of fewer property transactions.

The positive results amounting to EUR 3.5 million were mostly attributable to commercial property activities in the UK and Ireland. On the other hand, the outcome in Germany was not as good, where significant losses were recognised due to a lower sales volume, settlements in older projects and subcontractor bankruptcies.

In comparative terms, the total order book fell by 4.5% to EUR 6,264 million, due mainly to the impact of foreign exchange rates and stricter project selection.

Civil Engineering

BAM operates in the Civil Engineering sector in all its home markets. BAM International also carries out specialised civil engineering work worldwide. In 2016 the construction activities carried out in Ireland, Belgium and at BAM International that had previously been included in this segment were reclassified to Construction and Property.

Due to the changes in the reporting package, the financial data in this segment should be evaluated in comparative terms. In 2016 sales generated within this business segment were 11% lower than in 2015, at EUR 2,899 million. This was due to lower revenue from large multi-disciplinary projects in the UK, at BAM International and in Belgium. On the other hand, revenue in the Netherlands increased by 6% in 2016. The overall margins in 2016 stood at 2.9%, and exceeded 2% in the local market.

As a consequence of the currency exchange rates, the cancellation of a large project and adverse market conditions in the Belgian and international oil and gas markets, the order book declined by 19% to EUR 3,950 million.

Public-private partnerships

BAM PPP is responsible for the Royal BAM Group's involvement in the European public-private partnerships (PPP) market and operates in the roads, rail, education, health care, judicial and general accommodation sectors. This reporting sector remains unchanged from 2015.

2016 was positive for the PPP sector, as the Company obtained a stable adjusted result before tax and maintained a healthy return on equity. Revenue grew slightly to EUR 197 million, driven by positive operational project performance, successful refinancing of a number of projects and asset management profits on transfers to the joint venture with PGGM.

The Company did not include new projects in its portfolio in 2016; however, the current activities performed by this segment remain profitable thanks to the three major projects initiated in 2016. The Company expects new opportunities that are scheduled to materialise throughout 2017.

2016 performance

Total revenue for 2016 amounted to EUR 6,976 million, 6% down on the amount obtained in 2015. Most of the downturn is related to the lower GBP exchange rate but also to divestments of non-core activities in the Netherlands and Belgium. It should be mentioned that national sales increased by 2.3%, since the effect of the exchange rate did not affect this market. Overall, the Group obtained a profit of EUR 47 million in 2016. The Company has a strong financial position and recognised a net cash position of EUR 127 million at the end of 2016.

The order book, which comprises orders that will be in hand for the next five years, decreased by 11% at 2016 year-end to EUR 10,193 million. This decrease includes the cancellation of a significant project from the Civil Engineering sector and the variation in currency exchange rates.

Figure 10.25

Key Data (EUR million)	2016	2015	2014	Variation 2016-2015 %
Assets				
Non-current assets	1,446	1,507	1,469	(4.1%)
Current assets	3,366	3,345	3,487	0.6%
Total assets	4,812	4,852	4,956	(0.8%)
Liabilities and shareholders' equity				
Shareholders' equity	839	906	831	(7.4%)
Non-current liabilities	741	813	914	(9%)
Current liabilities	3,232	3,133	3,211	3.2%
Total liabilities and shareholders' equity	4,812	4,852	4,956	(0.8%)
Statement of profit or loss				
Sales	6,976	7,423	7,314	(6.0%)
National sales	2,531	2,475	2,652	2.3%
International sales	4,445	4,948	4,662	(10.2%)
Construction sales	6,776	7,192	6,965	(5.8%)
Non-construction sales	200	231	349	(13.4%)
EBITDA	97	60	(22)	62.9%
EBIT	33	(11)	(105)	(408.6%)
Net income	49	11	(107)	344.2%
Net income attributable to the Group	47	10	(108)	361.7%
Other key data				
Net debt	(127)	(40)	40	218%
Order book	10,193	11,480	10,268	(11.2%)
Market capitalisation	1,188	1,387	698	(14.4%)

Figure 10.26: Sales by geographical area

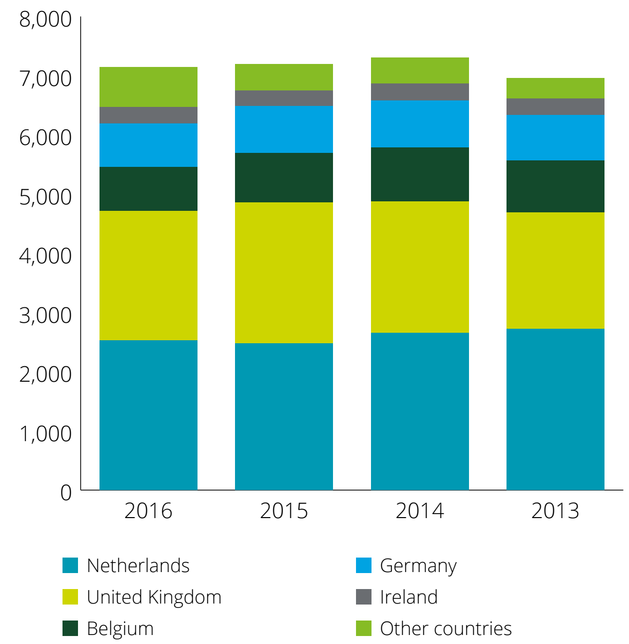
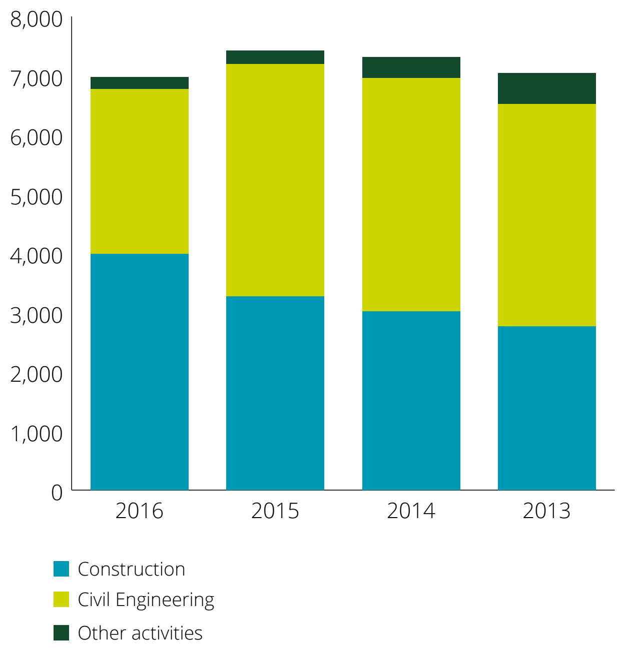


Figure 10.27: Sales by segment



Carillion

With a significant portfolio of public-private partnership projects, extensive construction capabilities and the ability to deliver sustainable solutions based on its capacity as a sector leader, Carillion has become one of the UK's leading integrated support service companies. The Group was created as a result of the stock split of Tarmac Plc in 1999. The Tarmac Group demerged into a building materials company ("Tarmac") and a company focused on support, project finance and construction services ("Carillion"). Currently, Carillion Plc. has established businesses in the UK, the Middle East, North Africa and Canada.

At March 2017, BlackRock Inc was the only investor with an ownership interest of over 8% in the Company's share capital, holding an interest of 8.81%. There are six additional institutional shareholders with ownerships interests ranging from 4% to 6%.

Carillion's portfolio includes Construction works (subdivided into Middle East and the rest of the world), Support Services and public-private partnership projects.

Support Services

Carillion offers a fully-integrated range of skills and capabilities to both the public and private sector, such as property and facilities services, infrastructure services and energy services in the UK, Canada and the Middle East, particularly for large property estates and transport and utility networks. Within this segment the Group reports all the activities that comprise facilities management, facilities services, rail services, road maintenance, utility services, remote site accommodation services and consultancy activities. This is the Group's largest segment in terms of revenue, as it represents 52% of the total sales achieved in 2016.

The performance of this segment continued to improve in 2016 thanks primarily to its organic growth and strong performance in winning work contracts. Sales increased by 7% to a record level of GBP 2,713 million. 78% of total revenue was obtained in the UK, where a significant portion of income came from public sector bodies. Sales in Canada represent 17% of the segment's total revenue. In Spain, the Company focuses on the oil, gas and power transmission and distribution sectors, as well as on providing facilities and accommodation services to its customers. As a result of the Company's positive performance, underlying operating profit increased by 25% to GBP 182.7 million, contributing over two thirds of total operating profit.

The order book at the end of 2016 amounted to GBP 12.2 billion, representing 76% of the total Group backlog. Certain contracts awarded in the year were a large number of agreements related to blue-chip customers, two contracts for the Northern Ireland Housing Executive and a project in the Canadian power transmission and distribution sector for Rokstad.

Middle East Construction Services

The activities performed within this segment comprise the Company's building and civil engineering projects in the Middle East and North Africa. Carillion has around 50 years' experience in the Middle East and has delivered some of the region's most prestigious buildings and infrastructure projects. These projects bring together skills and resources that very few construction companies can match. The Company performs construction services in Oman, Abu Dhabi, Dubai, Qatar and Saudi Arabia.

In 2016 the division's total sales amounted to GBP 668.3 million, 11% up on 2015 mainly as a consequence of a favorable US dollar/pound sterling exchange rate. Underlying operating profit amounted to GBP 16.1 million, representing a decrease of 36% with respect to 2015. However, it should be noted that 2015 results included the positive effect of the reorganisation of the staff accommodation facilities in Oman, amounting to GBP 14 million. Excluding this impact, operating profit would have increased by 1.9% in comparative terms.

Significant contracts awarded were the Expo 2020 in Dubai and the 2022 World Cup in Qatar.

Construction Services (excluding the Middle East)

The Group includes in this segment the activity of the UK building, civil engineering and development businesses. In Canada, the Group is currently focusing on construction for its PPP projects. In 2016 these activities comprised 29% of the Company's total revenue.

Revenue grew strongly by 21% to GBP 1,520 million, driven by improvements in the UK where revenue increased to approximately GBP 1.5 billion, representing 96% of total segment sales. Underlying operating profit for 2016 increased by 9.3% to GBP 41.3 million, with a margin of 2.7%. The Company continues to follow its strict selective criteria in relation to bidding contracts in order to deliver target margins and cash flows.

Public-Private Partnership projects

In this division, the Group includes the equity returns on investment activities in public-private partnership projects for government buildings and infrastructure, mainly in the defence, health, education, transport and secure accommodation sectors.

In 2016 this segment experienced a substantial increase in revenue to GBP 313 million, 62% higher than in 2015. This improvement was due to notable progress in several construction projects, including the Midland Metropolitan Hospital, Aberdeen Western Peripheral Route and the Midlands Priority Schools Building

Programme. Underlying profit from operations decreased significantly by 43% to GBP 28.3 million, an expected result due to lower sales of equity investments than in 2015.

2016 performance

In 2016 total Group revenue grew by 13.7% to GBP 5,214 million. The increase in sales came primarily from the Support Services segment and construction activities (including the Middle East). Geographically, GBP 3,831 million of the Group's total sales in 2016 were obtained in the United Kingdom, representing 74% of total sales, 16% were recorded in Canada and 10% in the Middle East and North Africa.

The Group's underlying operating margin decreased from 5.3% in 2015 to 4.9% in 2016, particularly as a result of both the lower profit from the sale of equity investments in public-private partnership projects and the decrease in the margin of the Middle East Construction Services segment.

Figure 10.28

Key Data (GBP million)	2016	2015	2014	Variation 2016-2015 %
Assets				
Non current assets	2,163	2,057	2,040	5.1%
Current assets	2,270	1,813	1,850	25%
Total assets	4,433	3,870	3,890	14.5%
Liabilities and shareholders' equity				
Shareholders' equity	730	1,017	895	(28.2%)
Non-current liabilities	1,486	1,082	1,194	37.4%
Current liabilities	2,217	1,771	1,802	25.2%
Total liabilities and shareholders' equity	4,433	3,870	3,890	14.5%
Statement of profit or loss				
Sales	5,214	4,587	4,072	13.7%
National sales	3,784	3,335	2,941	13.5%
International sales	1,430	1,252	1,131	14.2%
Construction sales	2,188	1,860	1,586	17.6%
Non construction sales	3,026	2,727	2,486	11.0%
EBITDA	200	208	220	(4.0%)
EBIT	182	209	200	(12.9%)
Net income	130	139	128	(6.7%)
Net income attributable to the Group	124	133	121	(6.5%)
Other key data				
Net debt	219	170	177	29.0%
Order book	16,000	17,400	18,600	(8.0%)
Market capitalisation	1,016	1,303	1,445	(22.1%)

Exchange rate prevailing at year-end 2016: 0.8562.
Average exchange rate for the year 2016: 0.8195.

Figure 10.29: Sales by geographical area

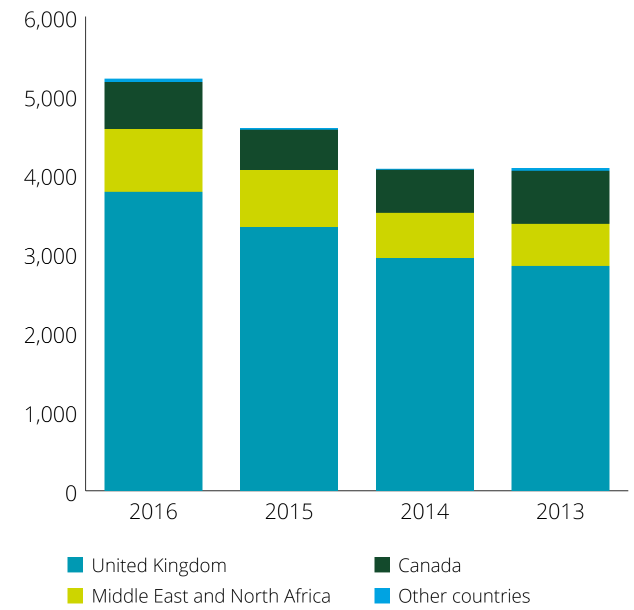
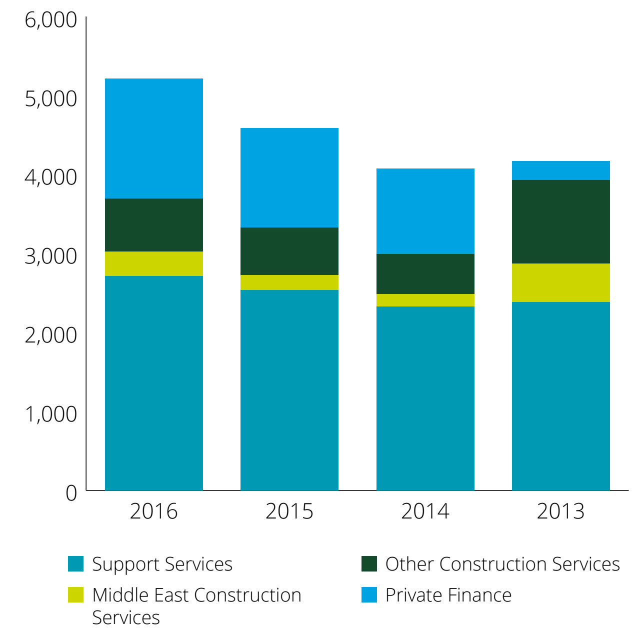


Figure 10.30: Sales by segment



Acciona

Acciona is one of Spain's leading corporations and is considered a leader in providing sustainable solutions for infrastructure and renewable energy projects worldwide. The Company was incorporated over a century ago, currently employs more than 32,500 staff and has an international presence in over 40 countries throughout 5 continents.

At December 2016 two shareholders held significant ownership interests in the Company: Tussen de Grachten, B.V. (27.8%) and Wit Europesse Investering, B.V. (formerly Entreazca, B.V.) (28.2%). Both companies belong to the Entrecanales family (founders of the Group).

The Acciona Group companies operate in several sectors of economic activity, including most notably: energy, infrastructure and construction, water, services and other secondary activities.

Infrastructure

Acciona Infrastructure offers innovative solutions in order to satisfy global demand for infrastructure and is capable of undertaking all kinds of construction projects, from engineering to works performance and maintenance, as well as public works, concession management and building.

The infrastructure segment represents 38% of the Group's total sales; revenue from this segment increased by 4.5% in 2016, amounting to EUR 2,267 million. Overall, this division experienced positive growth in the year thanks to the improvement in the international construction business.

The EBITDA of infrastructure activities markedly increased by 72% compared with 2015, amounting to EUR 174 million. 15% of the entire Group's EBITDA arises from this business segment. The operating profit for the period also performed positively, reporting EUR 84 million from EUR 41 million in 2015.

Short-term expectations are promising, since the backlog grew by 21.1% to EUR 8,140 million. Certain new projects awarded are the Dubai Underground (United Arab Emirates), the Construction of the Pacific Highway Bridge (Australia), the Extension of Puhoi Highway (New Zealand) and the Roskilde Fjord Highway (Denmark).

Energy

With over 20 years' experience, Acciona Energy is a worldwide energy operator and is positioned as one of the best companies in the world to fulfil the commitment signed under the Paris Agreement on climate change. Its activities are focused mainly on renewables energies, a sector in which the Company is a major player in five types of clean energy: wind, solar thermal (CSP), solar PV, hydraulic and biomass.

The energy business represents 30% of the Group's total sales, at EUR 1,796 million. Revenue decreased by 34% in 2016, primarily as a result of the deconsolidation process of Acciona Wind Power, which was effective from April 2016 after the company was sold to the German wind turbine manufacturer Nordex for a combination of cash and stock. Nevertheless, in 2016 Acciona Energy consolidated its installed capacity improvements, reaching a total of 8,913 MW in operation. It should be noted that, in spite of the downturn in revenue, this division still accounts for 62% of total Group EBITDA.

Considerable investments were made in this segment in 2016, and of particular note was the delivery of new installed capacity in Chile and the United States.

Water

Acciona Water is involved in the water treatment industry, offering design, construction and operation of drinking water treatment plants, desalination facilities, wastewater treatment plants and tertiary treatment plants for water reuse. Acciona Agua also offers end-to-end service management covering each step of the water treatment process.

The Water division significantly increased revenue by 57% to EUR 708 million, due mainly to the acquisition of an additional 37.05% of the water treatment concession ATLL Concesionaria de la Generalitat de Catalunya, which was fully consolidated after January 2016 (it was an equity investment) . Without taking this purchase into account, revenue and EBITDA would have grown by 24.2% and 6.1%, respectively, mainly because of the expansion of the design and international construction of two desalination plants in Qatar.

Services

Acciona Services encompasses a range of services provided by the Group: airport handling services, facility services, logistics services and waste management, among others. The division reported a 5.4% decrease in revenue, obtaining EUR 677 million. EBITDA amounted to EUR 28 million, 9.7% lower than in 2015, as a consequence of the decrease in sales.

Other Activities

This division includes activities such as real estate, wineries, Bestinver, Transmediterránea and others. Total revenue recorded within these activities amounted to EUR 529 million, representing an 8.4% increase on 2015 mainly as a result of the very positive performance of Transmediterránea.

EBITDA from real estate activities, which are represented by Acciona Inmobiliaria, more than doubled, amounting to EUR 14 million mainly as a result of the delivery of a development in Mexico but also because the Company sold a hotel, shopping mall and adjacent office building for EUR 67 million.

At Bestinver, which is a financial services company focusing on asset management, revenue for the year decreased by 6.7% to EUR 85 million. However, the company still achieved most of its targets for the year. Bestinver's assets under management stood at EUR 5,222 million at 31 December 2016, 2.3% higher than in 2015.

Trasmediterránea, which is one of the leading Spanish shipping lines for passengers, vehicles and ro-ro cargo, as well as one of Europe's largest connectors, increased revenue by 1.7% to EUR 431 million. It increased its efficiency, optimisation and cost policy, consolidating EBITDA of EUR 61 million, 48% higher than in 2015.

2016 performance

Total sales in 2016 decreased by 8.7%, to EUR 5,977 million, mainly because of the fall in revenue in the Energy division caused by the deconsolidation of Acciona Wind Power.

On the other hand, operating profit increased by 57.6% to EUR 988 million, due to the recognition of EUR 387 million of extraordinary profit arising from the aforementioned sale of Acciona Wind Power to Nordex.

As a consequence, net attributable income for 2016 amounted to EUR 352 million, representing a 69.8% increase on 2015.

In 2016 the Group's order book increased by 13.8% primarily as a consequence of the change in the consolidation method of the concession ATLL Concesionaria de la Generalitat de Catalunya from the equity to the full consolidation method.

Figure 10.31

Key Data (EUR million)	2016	2015	2014	Variation 2016-2015 %
Assets				
Non-current assets	12,684	10,885	10,771	16.5%
Current assets	4,723	4,893	5,372	(3.5%)
Total assets	17,407	15,778	16,143	10.3%
Liabilities and shareholders' equity				
Shareholders' equity	4,097	3,754	3,613	9.1%
Non-current liabilities	8,839	7,903	7,919	11.8%
Current liabilities	4,471	4,120	4,611	8.5%
Total liabilities and shareholders' equity	17,407	15,778	16,143	10.3%
Statement of profit or loss				
Sales	5,977	6,544	6,499	(8.7%)
National sales	3,087	3,213	3,524	(45.3%)
International sales	2,890	3,331	2,975	(13%)
Construction sales	2,267	2,170	2,626	4.5%
Non-construction sales	3,710	4,374	3,873	(15.2%)
EBITDA	1,192	1,174	1,087	2%
EBIT	988	627	572	57.6%
Net income	374	236	207	58.6%
Net income attributable to the Group	352	207	185	69.8%
Other key data				
Net debt	5,131	5,159	5,294	(0.5%)
Order book	18,609	16,352	15,051	13.8%
Market capitalisation	4,004	4,528	3,218	(11.6%)

Figure 10.32: Sales by geographical area

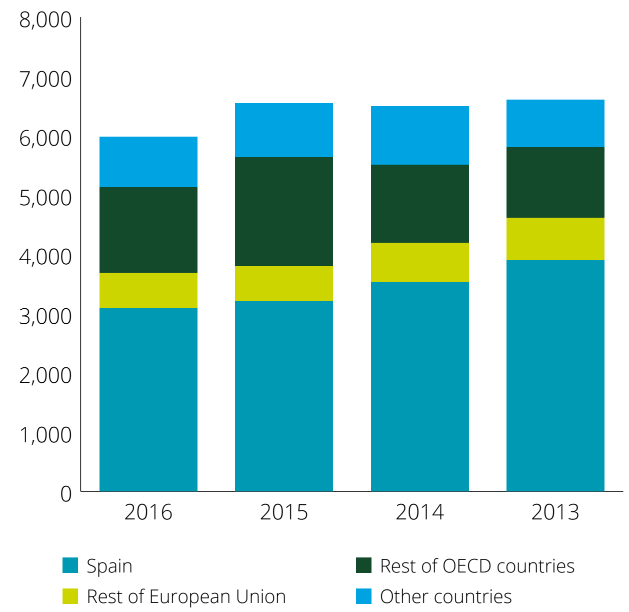
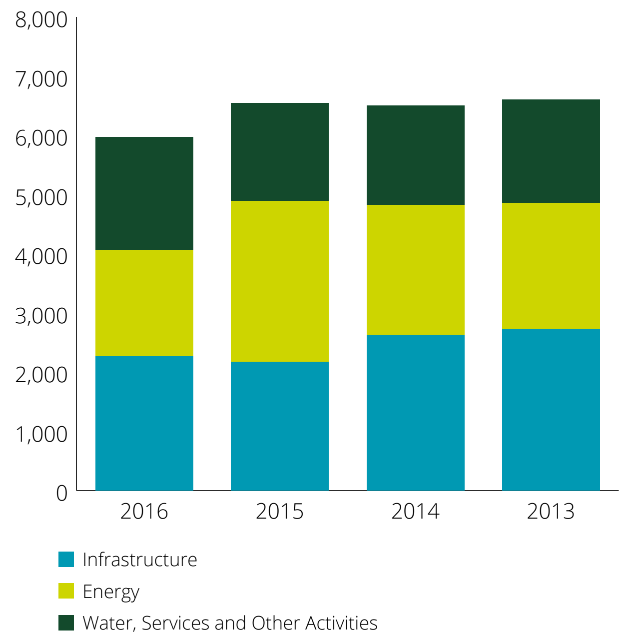


Figure 10.33: Sales by segment



FCC

FCC was incorporated in 1992 following the merger of two companies: Construcciones y Contratas (1944) and Fomento de Obras y Construcciones (1900).

In 2016 the Group completed a capital increase of approximately EUR 710 million, which led Inversora Carso, S.A. de C.V., controlled by the Slim group, to have a 61.11% ownership interest in the share capital at 31 December 2016. Samede Inversiones 2010, S.L. also has an indirect ownership interest of 15.44% in the share capital and Nueva Samede 2016, S.L.U. (Nueva Samede) holds a direct stake of 4.53% (both owned by Esther Koplowitz).

The Group's activities include environmental services and water management, construction of large infrastructure and cement production. Also, the FCC Group has a presence in the real estate industry through its 36.96% ownership interest in Realia Business, S.A., which engages mainly in housing development and office rental, both in Spain and abroad. It should be noted that in 2016 the Group sold one of its concession businesses, Globalvia Infraestructuras, S.A., for a total amount of EUR 220 million.

International operations, which represent approximately 48% of the Group's revenue, are carried on mainly in the European, Latin American, Middle East and US markets.

Environmental Services

Services provided by this division include, among others, urban sanitation and industrial waste treatment, recovery and disposal. It represents 46% of total sales and is the Group's main line of business in terms of revenue.

In 2016 revenue fell by 4.5% due to the depreciation of the pound sterling over the year and the completion of a treatment plant in the UK that entered into service in June.

It should be mentioned that in 2016 the Group expanded its international portfolio with contracts in Scotland and the United States.

Integrated Water Management

This division, through its subsidiary Aqualia, provides integral water cycle-related services: collection, treatment and distribution of water for human consumption; wastewater collection, filtering and treatment; and design, construction, operation and maintenance of water infrastructure for municipal, industrial, agricultural and other services.

This area's revenue fell by 2.3% mainly as a result of the decline in the technology and networks business in the domestic market, as public authorities reduced investment in water infrastructure. However, this decline was partially offset by the incipient contribution from the contracts recently obtained in Latin America and the Middle East.

Despite the decline in revenue, EBITDA increased by 1.7% with respect to 2015, due to a significant increase in the EBITDA margin, to 22.9%. This was attributable to the combined effect of a lower contribution by the technology and network business and an increase in the profitability of the concession business, mainly as a result of improvements in contract operating efficiency and in structural and support expenses.

Construction

The Construction area is involved mainly in the design and construction of large civil engineering and industrial projects in certain geographies. It operates in highly complex public construction projects such as railways, tunnels and bridges which, together with industrial installation and maintenance projects, account for a significant portion of its activity.

Construction revenue decreased by 17% to EUR 1,653 million, due almost entirely to the 35.4% decline in the domestic market arising from ongoing cutbacks in government expenditure on infrastructure. This was partly offset by revenue from other areas such as the Middle East and North Africa, which continued to rise at a significant rate due mainly to the execution of the Riyadh Metro project.

Cement

This area engages in the operation of quarries and mineral deposits as well as the manufacture of cement. These activities are carried out through its 77.9% owned subsidiary Cementos Portland Valderrivas.

In 2016 total revenue fell by 7.6%, due largely to the effect of the deconsolidation of the cement business in the United States (Giant Cement) as a result of the dilution of FCC's stake in Giant Cement to 45% and the resulting decision to account for this investment using the equity method as of November 2016.

2016 performance

Consolidated Group revenue fell by 8.1% in 2016, amounting to EUR 5,952 million. This was due mainly to the continuing decline in demand in the Construction area in Spain, caused by the ongoing reduction in investment in public works. Nevertheless, EBITDA rose by 2.3% due to a sharp reduction in support and administration expenses throughout the Group.

In 2016 there was a considerable decrease in net debt, explained mainly by the fact that in September the bulk of the FCC, S.A. convertible bond was repaid before its maturity date. This, combined with smaller payments in subsequent months, resulted in the repayment in 2016 of EUR 418 million.

The Group's total order book ended the year at EUR 30,590 million, 85.4% of which is concentrated in water and waste management.

Figure 10.34

Key Data (EUR million)	2016	2015	2014	Variation 2016-2015 %
Assets				
Non-current assets	7,009	8,184	7,854	(14.4%)
Current assets	3,761	4,678	6,169	(19.6%)
Total assets	10,770	14,023	15,602	(23.2%)
Liabilities and shareholders' equity				
Shareholders' equity	937	487	495	92.3%
Non-current liabilities	6,596	7,718	7,834	(14.5%)
Current liabilities	3,237	4,657	5,693	(30.5%)
Total liabilities and shareholders' equity	10,770	14,023	15,602	(23.2%)
Statement of profit or loss				
Sales	5,952	6,476	6,334	(8.1%)
National sales	3,073	3,408	3,541	(9.8%)
International sales	2,879	3,068	2,794	(6.2%)
Construction sales	1,653	1,993	2,076	(17%)
Non-construction sales	4,299	4,484	4,258	(4.1%)
EBITDA	834	815	804	2.4%
EBIT	94	324	(346)	(71.0%)
Net income	(203)	(54)	(733)	275.2%
Net income attributable to the Group	(162)	(46)	(724)	250.6%
Other key data				
Net debt	3,591	5,474	5,016	(34.4%)
Order book	30,590	32,500	32,997	(5.9%)
Market capitalisation	2,861	1,824	3,062	56.8%

Figure 10.35: Sales by geographical area

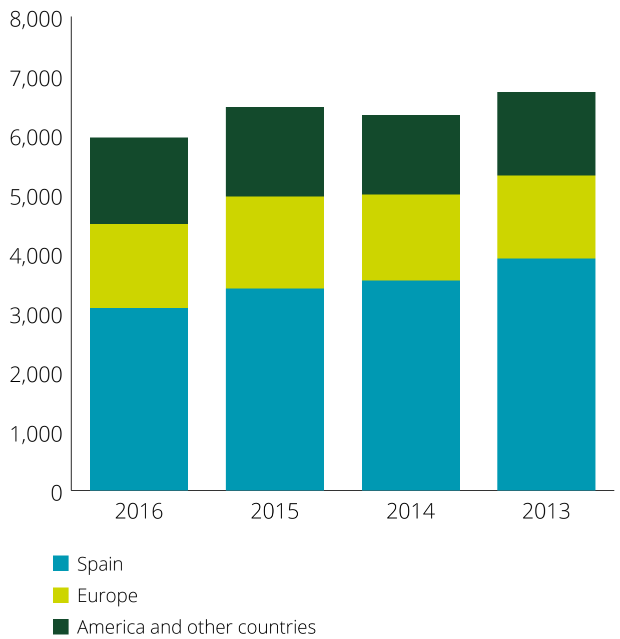
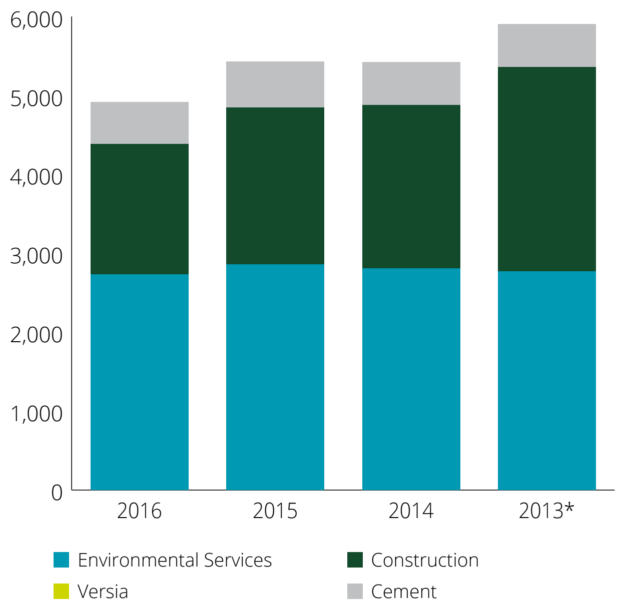


Figure 10.36: Sales by segment



* Since 2013, Versia does not constitute a segment and Integral Water Management is reported as a business unit.

Salini Impregilo

Salini Impregilo is a dynamic Italian industrial group specialised in the construction of major, complex infrastructure projects and which is able to compete with leading global players at an international level. It operates in over 50 countries both in developed and underdeveloped markets and has 35,000 employees. Salini Impregilo is a global player in the construction sector and a leading company in the water segment. The Group focuses its activities on a strong passion for construction, which is reflected in its portfolio of international projects. Dams and hydroelectric plants, hydraulic works, railways and metro systems, airports and motorways and civil and industrial buildings are the projects in which the Group has been operating for over a century.

The Group's main shareholder is Salini Costruttori, with a 66.46% ownership interest, followed by Free Float, which holds 32.91% of the share capital. The remaining share capital is owned by minority shareholders. The Company's shares are listed on the Mercato Telematico Azionario (electronic stock exchange) managed by Borsa Italiana, S.p.A.

On 4 January 2016, the Group completed the full acquisition of Lane Industries Inc. Salini Impregilo financed the acquisition with bridge financing of EUR 400 million, to be repaid in May 2017, obtained from a syndicate of five leading international banks. Lane is the top highway contractor and private asphalt producer in the United States, specialised in heavy civil construction and the transportation infrastructure sector, with projects in more than 20 states in the US and roughly 5,000 employees. The US market has increasingly acknowledged the Company's progress, with the Group ranked number one in the US roads sector (ENR no. 1 ranking).

On 24 June 2016, the Parent announced the placement of bonds with a nominal amount of EUR 428.3 million, which it listed on the Irish Stock Exchange in Dublin, reserved for institutional investors and redeemable in 2021. The Company used proceeds of EUR 300 million to repay part of the bridge financing raised to acquire Lane.

Salini Impregilo operates in all sectors requiring complex large-scale infrastructures, offering the following services:

Dams, hydroelectric plants and hydraulic works

The Group is a world leader in the construction of dams, hydroelectric plants and hydraulic engineering works. Salini Impregilo has constructed approximately 257 dams and hydroelectric plants internationally, with an installed capacity of more than 37,500 MW of low-cost, clean energy.

2016 was one of the most important years in Salini Impregilo's history. It delivered and opened the new Panama Canal, one of the world's most complex feats of engineering which will generate total income of USD 5 billion for Panama when it is fully operational. Also, in December the Company delivered the GIBE III dam in Ethiopia, which is currently the highest RCC dam in the world and is worth approximately EUR 1.5 billion.

Furthermore, the Group is involved in significant engineering projects including: the Rogun hydroelectric project in Tajikistan, worth EUR 1.8 billion and involving the construction of the tallest dam in the world; the Koysha dam in Ethiopia, worth EUR 2.5 billion; and the Grand Ethiopian Renaissance Dam Project (Gerd), worth EUR 181.5 million.

Motorways, roads and bridges

Salini Impregilo also focuses on transport projects, in which road infrastructure plays a decisive role in the economic growth and social development of an area. Salini Impregilo has constructed over 51,660 km of roads and motorways and approximately 350 km of bridges and viaducts across the globe. The Group currently participates in numerous projects overseas, such as: the A1 motorway and Expressway S7 in Poland; the Gerald Desmond Bridge in California, which is worth around USD 790 million (30% for the Group); and the South Carolina Port Access Road as a joint venture, which is worth approximately USD 220 million.

As previously mentioned, the acquisition of Lane Industries Incorporated will stimulate the expansion of Salini's operations in the US market. The American company operates in three segments, which are asphalt manufacturing, road and other infrastructure projects, both locally and internationally. The company is currently involved in certain large and complex projects in the United States, such as the construction of the I-4 Ultimate freeway in Florida.

Railways and undergrounds

Salini has taken advantage of its innovative technologies in order to become a significant player within the Rail Transport segment, which represents the most sustainable terrestrial mobility method currently available. The Group has contributed to its development by building over 6,830 km of railway lines, about 400 km of metro lines and more than 1,450 km of underground works.

Salini Impregilo is involved in building high-speed railways, such as the Milan-Genoa and the Verona-Padua projects in Italy and the Ruta del Sol contract in Colombia, as well as the "rebirth" of urban metro transport throughout the world. Outside Europe, the Group participates in the Red Line in Doha, Qatar, one of the largest infrastructure developments in the Middle East, as well as in the longest line of the new metro of Riyadh in Saudi Arabia.

Civil and industrial buildings

Salini Impregilo plays an important role in the building of innovative and iconic civil structures worldwide. Some examples are the Kingdom Centre in Riyadh, the European Parliament in Strasbourg and the Great Mosque in Abu Dhabi. Significant contracts such as hospital complexes, university campuses, government buildings and other structures not only satisfy practical needs, but also play an important cultural role, such as the world famous Stavros Niarchos Cultural Centre project in Athens, which has been recently awarded Platinum certification from the LEED (Leadership in Energy and Environmental Design) Programme. The Group acquired multiple new projects in this category, such as the construction of a residential urban area in Kuwait city as part of the larger South Al Mutlaa Housing Project amounting to EUR 467 million.

2016 performance

Continuing the trend of previous years, 2016 was a positive year for the Group, in which it which generated revenue of EUR 5,884 million, 24.2% higher than in 2015, thanks mainly to several large foreign contracts entered into by the Company. In fact, in 2016 total international revenue increased by 32.7% to EUR 5,344 million.

As a result, the Group's operating profit (EBITDA) amounted to EUR 536 million (10.2% higher than in 2015). However, net debt increased from EUR 27 million in 2015 to EUR 351 million in 2016, mainly as a result of the financing taken out to acquire Lane, which entailed an outlay of EUR 429 million.

Figure 10.37

Key Data (EUR million)	2016	2015	2014	Variation 2016-2015 %
Assets				
Non-current assets	1,533	1,051	1,060	45.8%
Current assets	7,803	6,251	5,610	24.8%
Total assets	9,336	7,302	6,670	27.9%
Liabilities and equity				
Equity	1,361	1,217	1,186	11.8%
Non-current liabilities	2,165	1,413	1,159	53.2%
Current liabilities	5,810	4,672	4,324	24%
Total liabilities and equity	9,336	7,302	6,670	27.9%
Statement of profit or loss				
Sales	5,884	4,739	4,194	24.2%
National sales	540	711	736	(24.1%)
International sales	5,344	4,028	3,458	32.7%
Construction sales	5,760	4,596	4,097	25.3%
Non construction sales	124	143	97	(13.3%)
EBITDA	536	487	436	10.2%
EBIT	276	273	258	1.1%
Net income	100	82	103	21.0%
Net income attributable to the Group	60	61	94	(1.7%)
Other key data				
Net debt	351	27	89	1.211%
Order book	36,900	33,300	32,374	10.8%
Market capitalisation	1,468	1,980	1,501	(25.9%)

Figure 10.38: Sales by geographical area

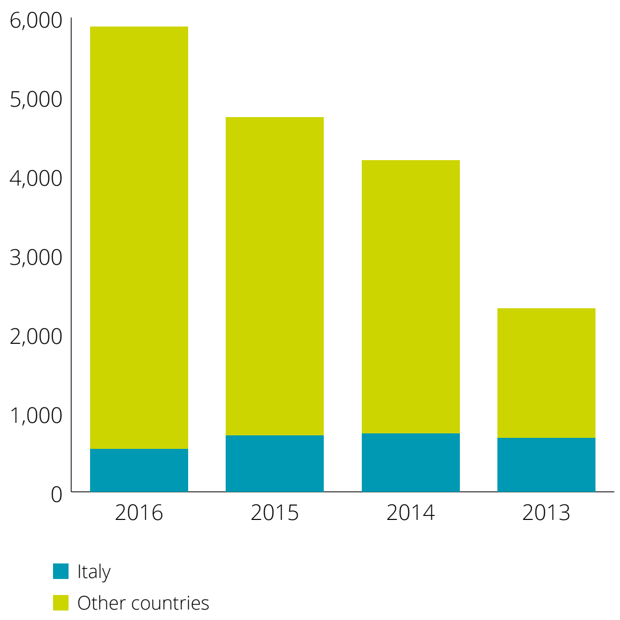
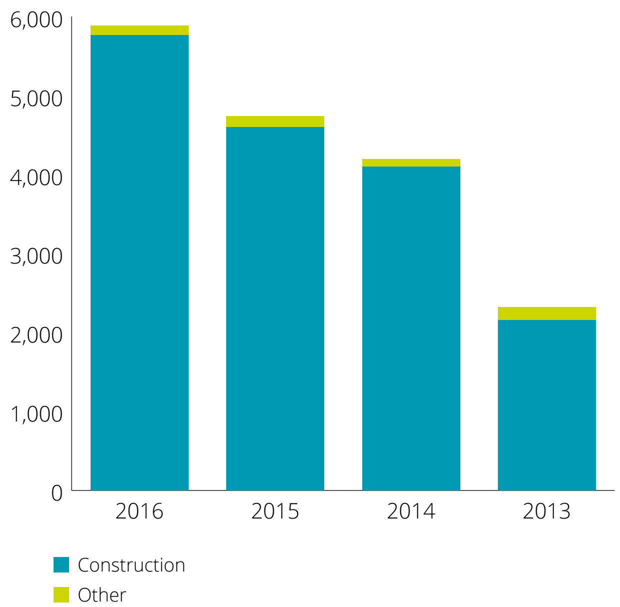


Figure 10.39: Sales by segment



Barratt

Barratt Developments PLC, incorporated over 50 years ago as Greensitt Bros, is one of the UK's largest housebuilders, with over 6,209 employees and 27 divisions delivering 17,319 homes in 2016. Focused in the UK, the Group builds developments nationwide, from Aberdeen to Plymouth. The Group has been listed on the London Stock Exchange since 1968.

At June 2016, four major shareholders held significant ownership interests in the Group: Capital Research and Management Company, FMR LLC, BlackRock, Inc. and Standard Life Investments Ltd, which controlled 9%, 8.2%, 5% and 4.9% of Barratt Developments, respectively.

Barratt consists of two separate segments, Housebuilding and Commercial Developments.

Housebuilding

Barratt is a national housebuilder engaging only in operations in the UK, where it obtains 100% of its total revenue. The Company has three main brands through which it works: Barratt Homes, David Wilson Homes and Barratt London. The division operates across a broad spectrum of the market, from flats to family homes and urban regeneration schemes. The segment's strategy is based on improving the status of the homes in terms of location, design and construction quality.

In 2016 total division sales increased by almost 12% to GBP 4,153 million. Along the same lines, residential completions in 2016 reached 15,905 (17,319 including joint venture completions in which the Group has an interest) compared to 15,599 in 2015. The positive performance achieved within this business segment allowed the Company to increase its operating profit to GBP 662.4 million (16% higher than in 2015). The UK The UK housing market continues to show strength in terms of UK residential housing transactions for the year, with an increase in new housing supply of 144,290. Home buyers are supported by a sound mortgage market in terms of both availability and rates, as well as the UK Government's Help to Buy Program (equity loans) which had a positive effect, increasing the construction and sales of new housing.

Commercial Developments

Commercial Developments are delivered by Wilson Bowden Developments, which is in a unique position, since it is one of the very few developers with both commercial and residential expertise. The business also has a national footprint, with particular focus on the Midlands and the North of England. In 2016 the brand secured planning permission for a Regional Distribution Centre on a plot of strategic land that was subsequently sold to a supermarket group. It also completed the final phase of the Hinckley scheme, which included 200,000 square feet of retail and leisure space.

The commercial occupier market shows signs of increasing confidence from within the logistics sector; the encouragement of institutional funding back into the market has enabled the Company to enter into agreements to commit to over 1 million sq. ft. of speculative forward-funded logistics buildings. Since the downturn, demand has been satisfied mainly by the availability of second-hand space and, with this accommodation now largely filled, occupiers have turned their attention to new commercial builds. The division's total revenue jumped from GBP 57.2 million in 2015 to GBP 81.9 million in 2016.

Barrat Developments' profit before tax for the year was GBP 682 million compared with GBP 566 million in 2015, representing the highest profit the Group has ever achieved.

2016 performance

The Group's sales performance was very positive. In 2016 total Group sales rose by 12.6%, amounting to GBP 4,235 million, which also resulted in a 0.5 percentage point growth in operating margin, which amounted to 15.8% on average (15.9% for housebuilding and 7.3% for commercial developments).

Figure 10.40

Key Data (GBP million)	2016	2015	2014	Variation 2016-2015 %
Assets				
Non-current assets	1,183	1,208	1,248	(2.1%)
Current assets	5,235	4,703	3,896	11.3%
Total assets	6,418	5,911	5,144	8.6%
Liabilities and shareholders' equity				
Shareholders' equity	4,010	3,711	354	8.0%
Non-current liabilities	819	787	630	4.0%
Current liabilities	1,589	1,412	1,160	12.5%
Total liabilities and shareholders' equity	6,418	5,911	5,144	8.6%
Statement of profit or loss				
Sales	4,235	3,760	3,157	12.6%
National sales	4,235	3,760	3,157	12.6%
International sales	-	-	-	-
Construction sales	-	-	-	-
Non-construction sales	4,235	3,760	3,157	12.6%
EBITDA	673	580	412	16.0%
EBIT	668	577	410	15.8%
Net income	550	450	305	22.1%
Net income attributable to the Group	550	449	305	22.4%
Other key data				
Net debt	592	(187)	(73)	(417.4%)
Order book	N,A	N,A	N,A	N.A
Market capitalisation	4,069	6,117	3,681	(33.5%)

Exchange rate prevailing at year-end 2016: 0.8265.
Average exchange rate for the year 2016: 0.7488.

Figure 10.41: Sales by geographical area

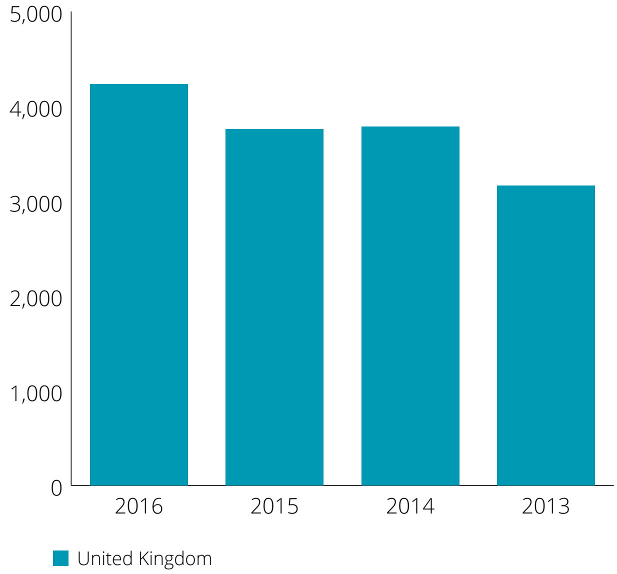
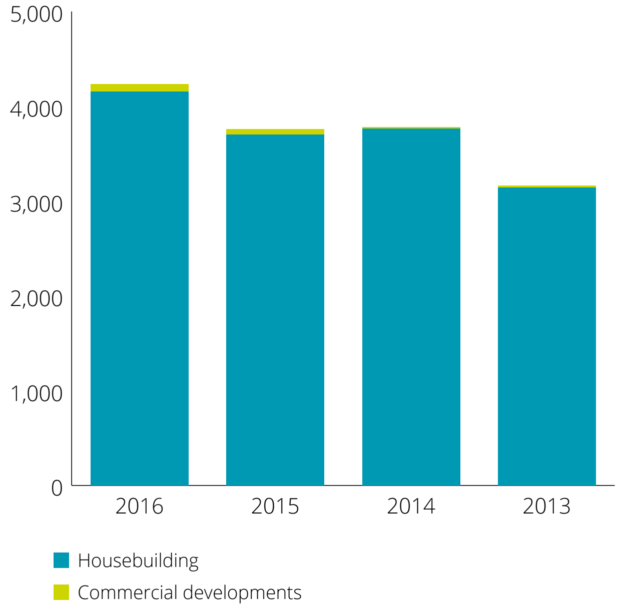


Figure 10.42: Sales by segment



Kier Group

The Kier Group, which was incorporated in the United Kingdom in 1992, is a leading property, residential, construction and services Group that operates mainly in the local UK market, although it has recently expanded into several areas in other continents, including the Middle East, Hong Kong, Australia and the Caribbean. Kier currently employs over 24,000 people and delivers services that vary throughout a wide range of sectors, including defence, education, health, housing, the industrial sector, power, property, transport and utilities.

Kier's activities are currently structured as follows:

Construction

The Construction segment represents 48% of the Group's total revenue and is focused mainly on UK building and civil engineering projects, although it also includes international operations carried out by the Group, mostly in the Middle East. This division has a well-established, leading position in strategic frameworks, supported by its strong regional building position in the public and private sector, together with its solid local supply chain partners. The infrastructure division is benefiting from greater local government investment.

Revenue generated within the Construction segment amounted to GBP 2,025.3 million at June 2016, 17.7% higher than in the previous year. Underlying operating profit also increased by 25.7%, from GBP 37.7 million in 2015 to GBP 47.4 million in 2016.

Within the UK building sector, Kier has developed its profile in the biotech sector by carrying out several construction projects at the University of Cambridge. It was also awarded the GBP 170 million first phase of The Ram Quarter, an important flagship regeneration scheme. Additional infrastructure projects include the Crossrail Farringdon station, which is expected to be completed in 2018, the Deephams waste water treatment project for Thames Water and the Five Pancras Square project to house the new headquarters for London-based Camden Council.

Services

The Services division encompasses capabilities in highway maintenance (both local authority and strategic highways), housing maintenance, utilities, facilities management and environmental services. The recently-acquired activities (June 2015) of Mouchel's consulting and local authority business processing operations, recently renamed Kier Business Services, are also included within this segment. The Company was recently awarded a GBP 50 million design services contract for the roll-out and maintenance of highways for Area 7 in the East Midlands.

The Services division represents around 39.3% of the Group's total revenue, which amounted to GBP 1,656 million in 2016 (a 32.8% increase on 2015). This sharp rise in the division is explained mainly by the integration of Mouchel, which brought attractive contracts during the year, such as the GBP 105 million five-year extension contract awarded for the provision of repair and maintenance services for the waste water network across Scotland. Two new contracts were awarded subsequent to year-end: a three-year GBP 50 million National Grid Infrastructure Protection Works framework security contract and a GBP 40 million trunk mains utility contract for a new client, Affinity Water.

Property

This division focuses on property development and structured finance. Kier operates across various sectors but focuses particularly on the industrial, commercial, retail and leisure sectors, as well as the public sector, in which demand has increased over recent years. The Group works with joint venture partners in order to develop property businesses, and participates in projects such as the retail and leisure development in Catterick, completed in September 2015 and sold in May 2016 for GBP 30.5 million, and the Logistics City industrial space.

Residential

The Group has restructured its business by creating the Residential division, which comprises elements that were previously included within the Property and Construction divisions. At June 2016, this segment accounted for 8.4% of total Group sales, 1% higher than the previous year (GBP 96 million in absolute terms). Activities performed include private housebuilding as well as affordable mixed-tenure housing partnerships. The client's portfolio involves local authorities, housing associations and the private rental sector.

2016 performance

The Group had obtained total revenue of GBP 4,211 million at June 2016, which represents a 25.7% increase on the previous year. Approximately 92% of total sales were made within the United Kingdom. As a result, profit from current operations improved by 44.3%, from GBP 104 million recorded in 2015 to GBP 150 million at June 2016. Overall, underlying operating margins remained strong; however, the best results were obtained within the Property and Residential divisions, followed by the Services division.

In June 2015 the Group performed a significant transaction by completing the acquisition of the international infrastructure and business services group Mouchel Consulting for a total of GBP 265 million. The acquisition benefited both companies by combining Mouchel's outstanding position in the strategic highways services market and Kier's presence in the local authority roads market. As a result, Kier will position itself as a sector leader in the growing UK highway management and maintenance market, and this will allow the construction group to expand its operations across its local border. The underlying profit from operations in 2016 relating to this acquisition amounted to approximately GBP 150 million.

Internationally, the Company has a strong business in the Middle East, principally in Dubai, which is preparing for Expo 2020, and is consequently investing in its infrastructure. The total Construction division order book stands at GBP 3.4 billion and covers more than 90% of the target revenue for 2017.

Figure 10.43

Key Data (GBP million)	2016	2015	2014	Variation 2016-2015 %
Assets				
Non-current assets	1,066	1,020	582	4.5%
Current assets	1,422	1,721	1,250	(17.4%)
Total assets	2,488	2,741	1,832	(9.2%)
Liabilities and shareholders' equity				
Shareholders' equity	576	585	310	(2%)
Non-current liabilities	490	801	444	(38.8%)
Current liabilities	1,422	1,355	1,078	4.9%
Total liabilities and shareholders' equity	2,488	2,741	1,832	(9.2%)
Statement of profit or loss				
Sales	4,211	3,351	2,985	25.7%
National sales	3,948	3,213	2,825	22.9%
International sales	263	138	160	90.8%
Construction sales	2,025	1,721	1,597	17.7%
Non-construction sales	2,186	1,630	1,388	34.1%
EBITDA	150	104	88	44.3%
EBIT	12	61	35	(80%)
Net income	(17)	6	11	(409.1%)
Net income attributable to the Group	(18)	4	10	(509%)
Other key data				
Net debt	99	141	123	(29.8%)
Order book	8,700	9,300	6,200	(6.5%)
Market capitalisation	1,012	1,354	981	(25.3%)

Exchange rate prevailing at year-end 2016: 0.8265.
Average exchange rate for the year 2016: 0.7488.

Figure 10.44: Sales by geographical area

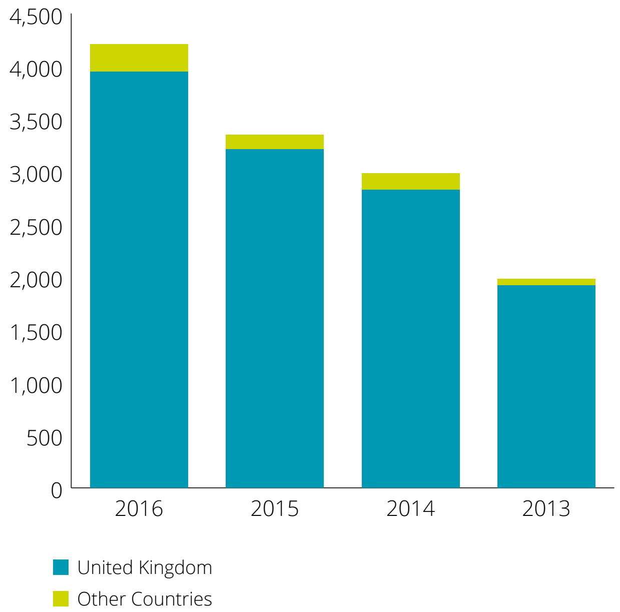
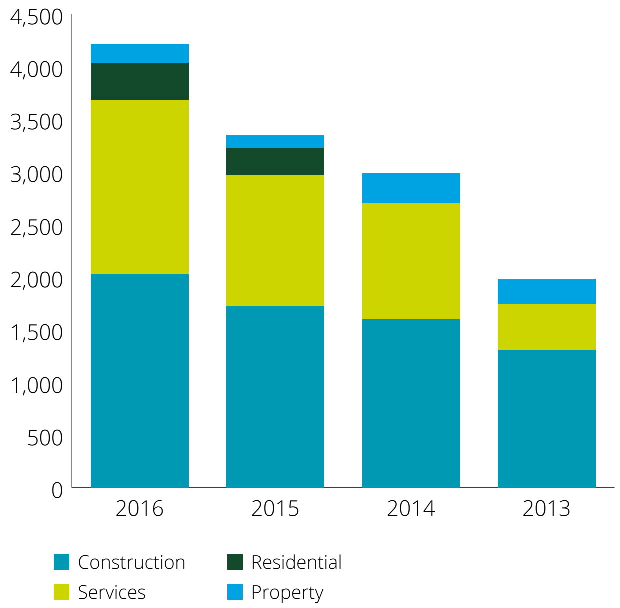


Figure 10.45: Sales by segment



NCC

The NCC Group was legally incorporated in 1989. However, JCC and ABV have been under a single roof and sharing a logo since 1988. Currently, NCC is one of the leading construction and property development companies in Northern Europe, with 17,000 employees and overall sales of SEK 52,934 million. Operations are conducted mainly in the Nordic region; approximately 55.1% of the year's sales correspond to operations carried out in Sweden.

The Group's main shareholder is Nordstjernan AB, with 17% of the share capital and 48% of the voting rights. No other shareholder accounts for more than 10% of the voting rights. The ten largest shareholders jointly account for 46% of the share capital and 62% of the voting rights. The shares are traded on Nasdaq Stockholm/Large Cap.

In June and according to the NCC's Annual General Meeting held on 12 April 2016, NCC's housing development operation was spun off to NCC's shareholders and adopted the name Bonava. It was subsequently also listed on Nasdaq Stockholm's Large Cap list. For this reason, the segment structure adopted by the Company in 2016 changed in comparison with 2015. The preparations for demerging the Group began in autumn 2015, motivated by the assessment that long-term shareholder value would increase and that greater growth potential could be created acting as two independent companies. Also for this reason, the geographical Construction operations were divided into the business areas NCC Building and NCC Infrastructure.

The Group's current structure is as follows:

NCC Construction and Civil Engineering

Construction and Civil Engineering operations are divided into two business areas: NCC Building and NCC Infrastructure.

The NCC Building business area is NCC's largest business, accounting for approximately 46% of consolidated sales. This area primarily builds housing and offices but also constructs public and commercial premises.

The NCC Infrastructure business area supplies integrated infrastructure projects, from design and construction to production and service. It specialises in large-scale infrastructure projects such as tunnels, roads and railways.

In 2016 the division's sales grew by 16.8% and amounted to SEK 40,948 million, accounting for 77% of total Group sales. Profits improved in Sweden and Denmark. Finland's figures remained similar to those of 2015, accounting for a 10% share of net sales, while in Norway sales levels were lower due to several project adjustments.

The order backlog increased by 15.4% to SEK 45,582 million (2015: SEK 39,494 million) due to a notable rise in orders received in the last three quarters. However, operating profit declined both in the Infrastructure and Building areas, due mainly to impairment losses on projects in the Norwegian market.

NCC Industry

The main activities of the NCC Industry business area consist of the production of stone materials and asphalt, as well as asphalt paving and road services in the Nordic region and St. Petersburg. It delivers aggregates and asphalts for numerous applications, ranging from major infrastructure projects to small roads.

Sales within industrial operations increased slightly to SEK 9,230 million (2015: SEK 9,305 million) because the volume of stone materials sold was marginally higher in all markets apart from Denmark, which recorded lower volumes due to the closure of quarries in western Denmark in 2015.

Also, operating profit for NCC Industry improved to SEK 533 million (2015: SEK 374 million), with a significant contribution from the asphalt and stone materials division as a result of better earnings from projects in Sweden and the effects of restructuring measures implemented in Denmark, as previously indicated.

NCC Property Development

NCC Property Development develops and sells commercial properties in metropolitan regions of Sweden, Norway, Denmark and Finland. The business focuses on office, retail and logistics properties in attractive locations.

NCC Property Development sales amounted to SEK 2,756 million, 15.6% lower than in the previous year, mainly because in 2016 five property projects (three fewer than in 2015) were recognised as having made a profit, and they achieved lower margins.

Nevertheless, in 2017 NCC intends to invest more capital in the development business in order to develop commercial properties in more geographical markets in the Nordic region, increasing cooperation between NCC Property Development and NCC Building, thus increasing the projects' margins and operating profit for the coming years. For example, in spring 2017 NCC will develop commercial properties with a total of some 60,000 square meters of office space in Valle Hovin (Oslo).

2016 performance

In 2016 total sales amounted to SEK 52,934 million, 15.3% lower than in 2015. However, if the effect of the Housing Division spin-off is taken into account, sales decreased by only 2.8% (2015: SEK 51,492 million, excluding Bonova). This decrease was mainly a result of fewer property projects being recognised as having made a profit at NCC Property Development in 2016, as previously indicated.

Consistent with this, operating profit decreased by 12.5% in 2016, amounting to SEK 1,453 million (2015: SEK 1,661 million, excluding Bonava). All operating units reported weaker year-on-year operating profit, except for the NCC Industry division which achieved its highest ever operating profit as a result of more positive results in the stone materials product area.

The Group's order book increased by 15.4% and totalled SEK 47,940 million (2015: SEK 41,538 million, excluding Bonava). The Construction and Civil Engineering division accounted for 95.1% of the total order book at year-end (NCC Building: 60.8%; NCC Infrastructure: 34.3%)

Due to the spin-off of Bonava, in 2016 the Group's net indebtedness was reduced to SEK 222 million, 95.1% lower than the previous year's figures (2015: SEK 4,552 million).

Figure 10.46

Key Data (SEK million)	2016	2015	2014	Variation 2016-2015 %
Assets				
Non-current assets	6,154	6,435	6,395	(4.4%)
Current assets	19,161	32,967	32,593	(41.9%)
Total assets	25,315	39,402	38,988	(35.8%)
Liabilities and shareholders' equity				
Shareholders' equity	5,566	9,714	8,867	(42.7%)
Non-current liabilities	5,443	9,126	10,376	(40%)
Current liabilities	14,306	20,562	19,745	(30.4%)
Total liabilities and shareholders' equity	25,315	39,402	38,988	(35.8%)
Statement of profit or loss				
Sales	52,934	62,495	56,867	(15.3%)
National sales	29,177	32,104	26,831	(9.1%)
International sales	23,757	30,391	30,036	(21.8%)
Construction sales	52,934	62,400	56,771	(15.2%)
Non-construction sales	-	95	96	(100%)
EBITDA	1,453	3,039	2,604	(52.2%)
EBIT	1,453	3,039	2,604	(52.2%)
Net income	7,983	2,120	1,838	276.6%
Net income attributable to the Group	7,980	2,113	1,835	277.7%
Other key data				
Net debt	222	4,552	6,836	(95.1%)
Order book	47,940	56,588	54,777	(15.3%)
Market capitalisation	24,181	28,369	26,443	(14.8%)

Exchange rate prevailing at year-end 2016: 9.5525.
Average exchange rate for the year 2016: 9.4689.

Figure 10.47: Sales by geographical area

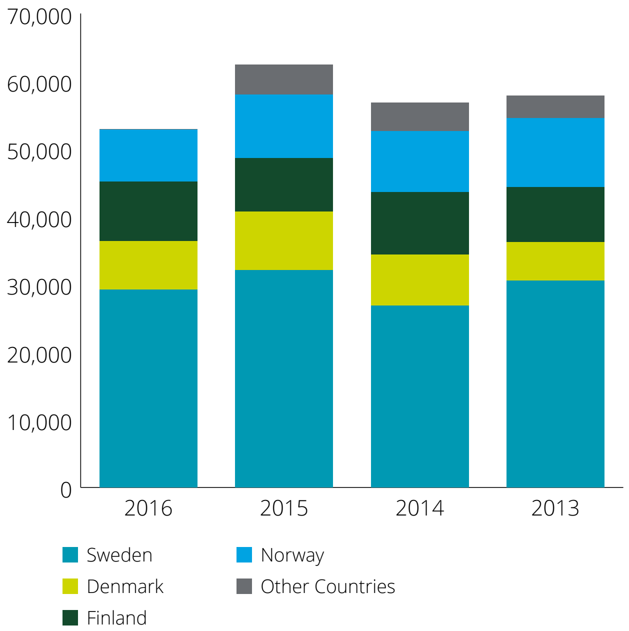
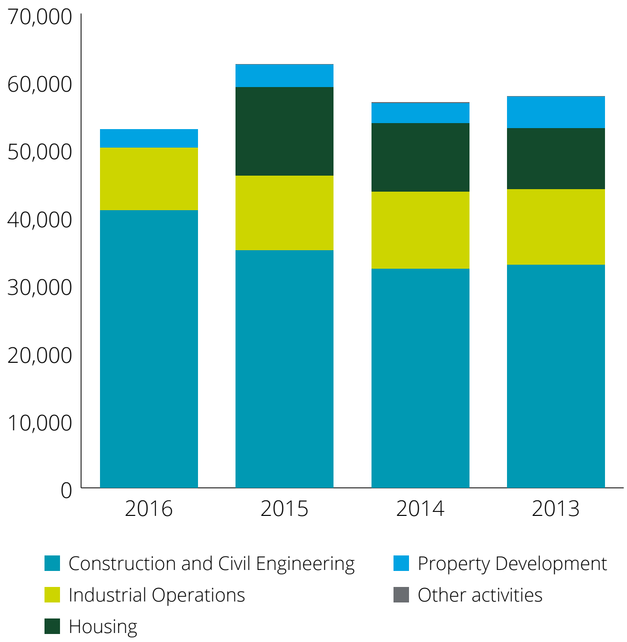


Figure 10.48: Sales by segment



Peab

Peab is one of the Nordic region's leading construction and civil engineering companies, listed on NASDAQ OMX Stockholm. It was incorporated over fifty years ago by the Paulsson brothers and now has over 13,000 employees. The Group primarily conducts business in Sweden, where its headquarters are located, but also operates in Norway and Finland, where it focuses on the capital city areas, and has 150 regional offices.

The main Group shareholders have not changed since 2014. They are certain members of the Paulsson family, who control 32.2% of the Company's share capital and 60% of its voting rights.

The Group is structured around the construction and civil engineering sector, as well as other sectors of less significance.

Construction

The Group's Construction division mainly performs contract work for both external and internal customers in the Nordic region, which includes Sweden, Norway and Finland. Three of the Swedish regions are focused on housing production. Construction projects include everything from new construction of housing, public and commercial premises to renovations and extensions, as well as construction maintenance.

Sales generated within the Construction segment in 2016 amounted to SEK 38,796 million, representing an increase of 6% with respect to the previous year. The most significant increase relates to Civil Engineering activities.

In 2015, the Construction segment was negatively affected by the significant write-down of its largest project, the Mall of Scandinavia. This contract has been a challenge due to its large scale and the many changes that have been made over the course of the project, which resulted in the project being more expensive than originally expected. As a consequence of the drawbacks, the Group recognised a write-down of SEK 800 million. If we exclude this event, net sales in the Construction segment increased by 1.2% in 2016 in comparison with 2015.

A strong housing market had a very positive effect on the construction investments made in Sweden, Norway and Finland in 2016. However, not all of these countries have grown at the same rate. Forecasts for Sweden indicate that record levels of housing construction will be reached as the country benefits from low interest rates and high housing prices in 2017, in line with 2016. Also, the increase in GDP is in line with the ten-year average. Similarly, Norway has experienced a stable increase in civil engineering investments, which enabled a greater contribution to the Group's total net sales (2016: 12%; 2015: 10%). Growth continues to be stronger in Finland, which is recording higher figures than last year, and civil engineering construction and new public housing construction will probably continue to grow in 2017.

Operating profit for the year amounted to SEK 542 million and the operating margin was 2.2%. Excluding the write-down of the Mall of Scandinavia project, operating profit amounted to SEK 575 million and the operating margin was 2.3 percent in the comparable year.

Civil Engineering

The Civil Engineering business area is a leading player in Sweden and also has operations in Norway and Finland. The division mainly builds and maintains highways, railways and bridges. Peab's Civil Engineering division is primarily aimed at the local market and obtains around 90% of its total revenue in Sweden. The division performs operation and maintenance projects in many municipalities in Sweden and is responsible for road maintenance for the Swedish Transport Administration in many areas.

Revenue related to this activity increased by SEK 67 million (0.7% higher than in 2015) to SEK 9,461 million.

The division's operating profit for the year amounted to SEK 355 million (2015: SEK 381 million) and the operating margin remained virtually the same (2016: 3.3; 2015: 3.6).

Other Activities

On a smaller scale, Other Activities includes the Project Development and Industry segments.

The Industry business area is run in seven product areas: Asphalt, Concrete, Gravel and rock, Transportation and machines, Rentals, Foundations and Industrial construction. The core functions performed are the delivery of materials, equipment and services to external customers and those delivered internally to Peab's construction and civil engineering projects. Customers are mainly Nordic construction and civil engineering companies. In 2016 net sales increased by 13% and amounted to SEK 12,161 million with increases in most product areas. Operating profit for 2016 increased to SEK 753 million, 16% higher than in 2015.

Project Development is responsible for the Group's acquisitions and the development and sale of housing, commercial property and city districts. This business area is divided into two segments: Housing Development and Property Development. In 2016 total sales from Project Development and Group Functions activities amounted to SEK 7,639 million, slightly higher than the revenue obtained in 2015 (SEK 7,605 million).

2016 performance

In 2016 total Group operative net sales increased by 4.4% with respect to 2015, amounting to SEK 46,337 million. EBITDA improved 11.7% to SEK 2,960 million (2015: SEK 2,651 million). Orders received increased by 9.6% in 2016, amounting to SEK 41,445 million (2015: SEK 37,812 million).

The Group's total order backlog at December 2016 increased by 24.4%, amounting to SEK 33,572 million (2015: SEK 26,991 million). Despite the fact that last year most orders were concentrated in the Stockholm region, the backlog for 2016 is well spread in terms of product and geography. Overall, the projects selected for future years are characterised by being smaller- and mid-sized, with shorter production times and lower risk profiles.

As a consequence of lower debt levels, the Company's financial position has been reinforced with reduced net interest. In addition, its strong cash flows have contributed to the reduction of net debt to SEK 1,862 million (2015: SEK 3,118 million).

Figure 10.49

Key Data (SEK million)	2016	2015	2014	Variation 2016-2015 %
Assets				
Non-current assets	9,901	9,323	9,284	6.2%
Current assets	21,708	18,718	19,101	16%
Total assets	31,609	28,041	28,385	12.7%
Liabilities and shareholders' equity				
Shareholders' equity	9,380	8,076	7,997	16%
Non-current liabilities	3,876	4,505	4,719	(14.0%)
Current liabilities	18,353	15,460	15,669	18.7%
Total liabilities and shareholders' equity	31,609	28,041	28,385	12.7%
Statement of profit or loss				
Sales	46,337	44,376	43,630	4.4%
National sales	38,697	36,780	35,941	5.2%
International sales	7,640	7,596	7,689	0.6%
Construction sales	38,796	36,627	35,548	6%
Non-construction sales	7,541	7,749	8,082	(2.7%)
EBITDA	2,960	2,651	2,596	11.7%
EBIT	2,098	1,009	1,752	107.9%
Net income	1,727	798	1,027	116.4%
Net income attributable to the Group	1,727	798	1,027	116.4%
Other key data				
Net debt	1,862	3,118	3,886	(40.3%)
Order book	33,572	26,991	24,922	24.4%
Market capitalisation	21,404	19,128	16,208	12%

Exchange rate prevailing at year-end 2016: 9.5525.
Average exchange rate for the year 2016: 9.4689.

Figure 10.50: Sales by geographical area

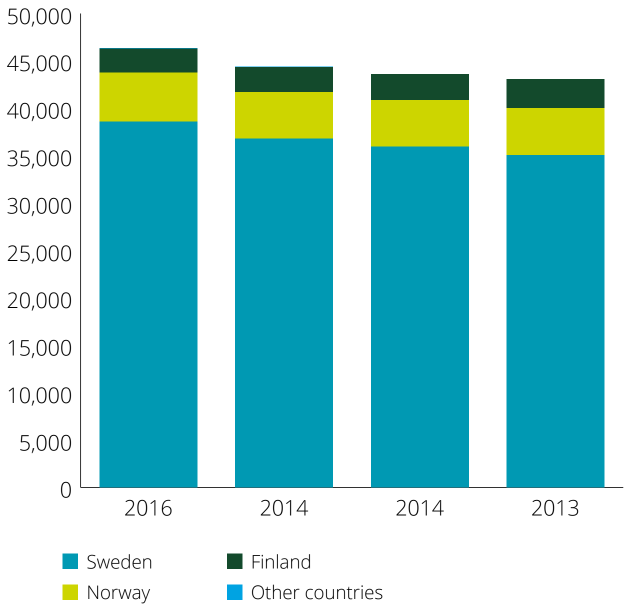
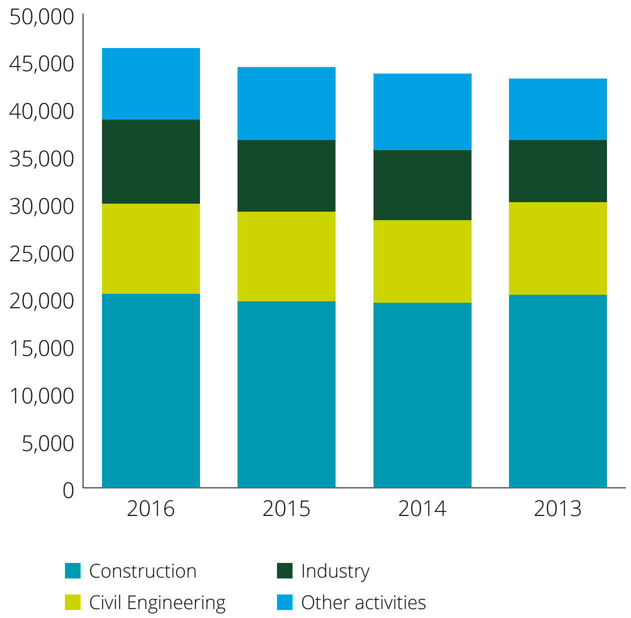


Figure 10.51: Sales by segment



Interserve

Interserve is one of the world's foremost support services and construction companies. It offers advisory services, design, construction, equipment, facilities management and frontline public services. With a workforce of 80,000 people worldwide, Interserve is headquartered in the UK and listed in the FTSE 250 index.

The Group's main shareholders are Henderson Group Plc., Aberdeen Asset Managers Ltd., Old Mutual Plc., Mondrian Investment Partners, Ltd. and Standard Life Investments Ltd., which at December 2016 had an ownership interest of 5.3%, 5.0%, 5.0%, 4.9% and 4.4%, respectively.

The Group's portfolio is divided into three main areas: Construction, Support Services and Equipment Services, all of which are supported by central Group Services.

Construction

Interserve offers design, development, consultancy and construction services to create whole-life, sustainable solutions for building and infrastructure projects. The division operates both in the local market and internationally. The performance of the UK Construction business in the year was weak and disappointing: the Group suffered a 3.3% decrease in domestic sales. International Construction continued to gain momentum, stimulated by development plans such as Qatar's "Vision 2030", the UAE's plans for Expo 2020 and the ongoing need for infrastructure development to keep pace with rapid population growth in the region. However, the division's total sales in 2016 decreased by 4% to GBP 1,268 million. It should be highlighted that 77% of total construction sales are obtained within the UK.

Support Services

Support Services focuses on the management and delivery of operational services to both public and private sector clients in the UK and internationally.

In 2016 total sales decreased by 2% to GBP 2,066 million. Interserve delivered a resilient performance, achieving revenue of GBP 1,798 million (4% lower than in 2015), and achieved a further 4.6% improvement in operating margin (5% in 2015). In 2016 this area demonstrated further positive progress in frontline services. The Company benefited from a large and stable order book of GBP 7,600 million and is experiencing encouraging levels of contract bidding opportunities across its core markets.

Equipment Services

The Equipment Services area operates globally, designing, hiring and selling formwork and falsework solutions for use in infrastructure and building projects.

This area performed strongly in 2016, with revenue increasing by 8.3% and operating profit amounting to GBP 48.6 million. Operating margin increased from 21.5% in 2015 to 21.7% in 2016.

The positive momentum in Equipment Services is expected to continue as the area makes further investments in growing markets, new technologies and products. A strategic review of Equipment Services operations was completed in October 2016. This review concluded that Interserve remained the best owner of the business and that it was to remain a core part of the Group.

Group Services

This segment includes all central costs, including those related to the Group's financing and central bidding activities. Currently, this segment also comprises Investments, which was previously reported separately. Within the Investment line, the Group focuses on project investment activities and manages equity investments both in public-private partnership (PPP) and private sector projects.

The Group Services division's revenue for 2016 amounted to GBP 81.3 million, 51% higher than in 2015. Additionally, Group Services costs rose to GBP 25.2 million, due principally to investment in back-office capabilities, IT infrastructure, people development and communications.

2016 performance

Total Interserve Group revenue remained stable in comparison with the previous year, increasing slightly by 1.5% to GBP 3,685 million. This is explained mainly by the positive performance of the Construction and Support Services segments. The Group performed strongly in Equipment Services and International Construction and maintained certain resilience in UK Support Services, offset by the weak performance of UK Construction. On the other hand, the Group exited the energy-from-waste business and, as a result, recognised negative net income attributable to the Group amounting to GBP 100 million.

In 2016 the Group won key contracts both with new and existing clients, including the Defence Infrastructure Organisation, the Home Office, the BBC, JLL, Land Securities, Severn Trent, Meraas (Dubai), SEPCO (Oman) and the InterContinental Hotels Group (Qatar).

Figure 10.52

Key Data (GBP million)	2016	2015	2014	Variation 2016-2015 %
Assets				
Non-current assets	910	889	840	2.4%
Current assets	941	926	810	1.6%
Total assets	1,851	1,815	1,650	2%
Liabilities and shareholders' equity				
Shareholders' equity	355	513	480	-30.7%
Non-current liabilities	561	465	386	20.6%
Current liabilities	935	837	784	11.7%
Total liabilities and shareholders' equity	1,851	1,815	1,650	2%
Statement of profit or loss				
Sales	3,685	3,629	3,305	1.5%
National sales	2,865	2,890	2,940	(3.3%)
International sales	821	739	365	31.3%
Construction sales	1,268	1,320	1,179	(4%)
Non-construction sales	2,417	2,309	2,126	4.7%
EBITDA	(7)	163	120	(104.3%)
EBIT	(99)	73	56	(234.9%)
Net income	(104)	70	50	(248.6%)
Net income attributable to the Group	(102)	69	45	(247.8%)
Other key data				
Net debt	274	309	269	(11.3%)
Order book	7,600	7,700	8,100	(1.3%)
Market capitalisation	498	756	802	(34.1%)

Exchange rate prevailing at year-end 2016: 0.8562.
Average exchange rate for the year 2016: 0.8195.

Figure 10.53: Sales by geographical area

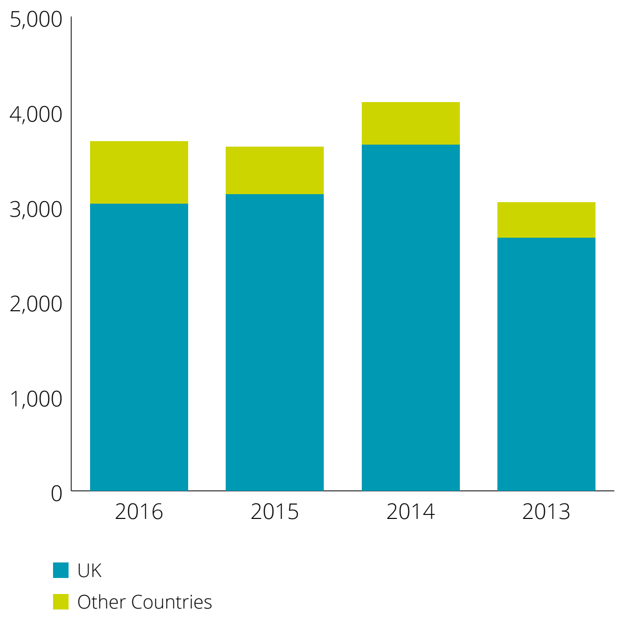
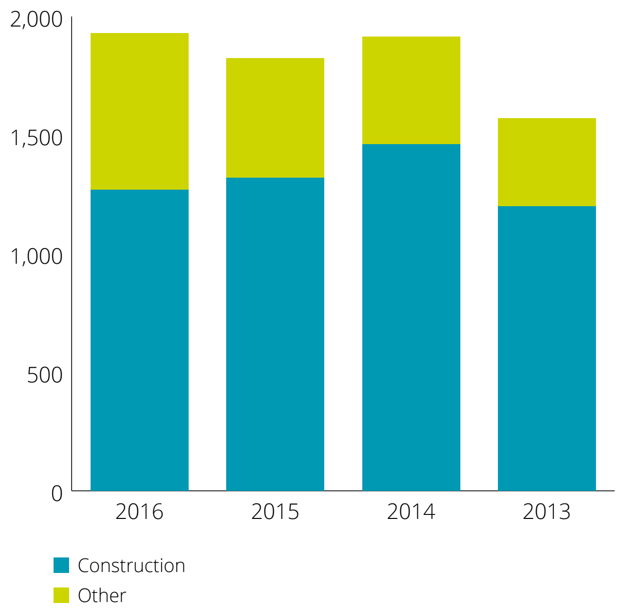


Figure 10.54: Sales by segment



Taylor Wimpey

Taylor Wimpey is one of the largest UK-focused residential companies, the core business of which involves land acquisition, home and community design, urban regeneration and the development of supporting infrastructure. The Company mainly builds a wide range of homes in the UK market; however, it has also expanded its operations to Spain. The Group was formed through the merger of George Wimpey and Taylor Woodrow in 2007.

At December 2016 four major shareholders held ownership interests of 4.7% or more in the Group: Blackrock Inc., The Capital Group Companies, Inc., Legal & General Group Plc and Standard Life Investments Limited, which controlled 5.58%, 5.29%, 3.02% and 3.02% of the Group, respectively.

Certain significant projects in which Taylor Wimpey is currently involved include the new Great Western Park community in the Didcot area, which includes the building of approximately 3,000 homes and is planned to be completed in 2021. Taylor Wimpey was also selected by the UK Ministry of Defence to develop the Prince Phillip Barracks project in Hampshire. Also, in 2016 the Company was involved in creating a sustainable new community in Keynsham (Somerset, UK), delivering 700 new homes.

The Company spreads its business across the following areas:

North Division

The North Division includes East and West Scotland, Yorkshire and Manchester, among other regions. Sales increased by 13.3% within this area in 2016, amounting to GBP 1,239.4 million, thanks both to a higher level of demand and a 5.6% rise in average selling prices on completions, from GBP 196 thousand in 2015 to GBP 207 thousand in 2016.

Central & South West Division

This division covers areas such as Oxfordshire, South Wales, Bristol, Exeter and East and South Midlands. Revenue obtained within this segment amounted to GBP 1,204.5 million, which represents an increase of 12% with respect to 2015 and 32.8% of total Group sales. The average selling price increased by 10.6%

London and South East Division

Business within London and nearby areas is the most representative of this division. The strongest market growth in this segment took place outside Central London. Sales in this segment increased by 24.7% to GBP 1,137 million.

Spain

The international business of Taylor Wimpey comprises the building of high-quality homes near the Mediterranean coast in Spain. The Company experienced significant improvement within this market, obtaining revenue of GBP 93.6 million, 61% higher than in the previous year. The Company, which completed 304 homes in this area in 2016, aims to continue improving its presence in the country in the near future.

2016 performance

2016 was a positive year for Taylor Wimpey, as it achieved revenue of GBP 3,676 million, up 17.1% on 2015. The Group completed 14,112 new homes (excluding those completed through joint ventures) in the year, 6.8% more than in 2015. Expectations for 2017 are also optimistic, thanks to the figures of the year-end order book, which amounts to GBP 1,682 million and represents 7,567 homes.

As a consequence of the aforementioned results, EBITDA increased by 20.7% to GBP 763 million in 2016 and net income attributable to the Group amounted to GBP 589 million, 20.2% higher than in 2015. The value of the Company's shares also benefited from the positive results, achieving market capitalisation of GBP 5,020 million at December 2016.

Figure 10.55

Key Data (GBP Million)	2016	2015	2014	Variation 2016-2015 %
Assets				
Non-current assets	219	201	327	9.0%
Current assets	4,526	4,330	3,813	4.5%
Total assets	4,745	4,531	4,140	4.7%
Liabilities and shareholders' equity				
Shareholders' equity	2,900	2,723	2,536	6.5%
Non-current liabilities	767	683	646	12.3%
Current liabilities	1,078	1,125	958	(4.2%)
Total liabilities and shareholders' equity	4,745	4,531	4,140	4.7%
Statement of profit or loss				
Sales	3,676	3,140	2,686	17.1%
National sales	3,581	3,081	2,652	16.2%
International sales	95	59	34	61.0%
Construction sales	-	-	-	-
Non-construction sales	3,676	3,140	2,686	17.1%
EBITDA	763	632	478	20.7%
EBIT	763	632	497	20.8%
Net income	589	490	354	20.2%
Net income attributable to the Group	589	490	354	20.2%
Other key data				
Net debt	(365)	(223)	(113)	63%
Order book	1,682	1,779	1,397	(5.5%)
Market capitalisation	5,020	6,618	4,483	(24.2%)

Exchange rate prevailing at year-end 2016: 0.8562.
Average exchange rate for the year 2016: 0.8195.

Figure 10.56: Sales by geographical area

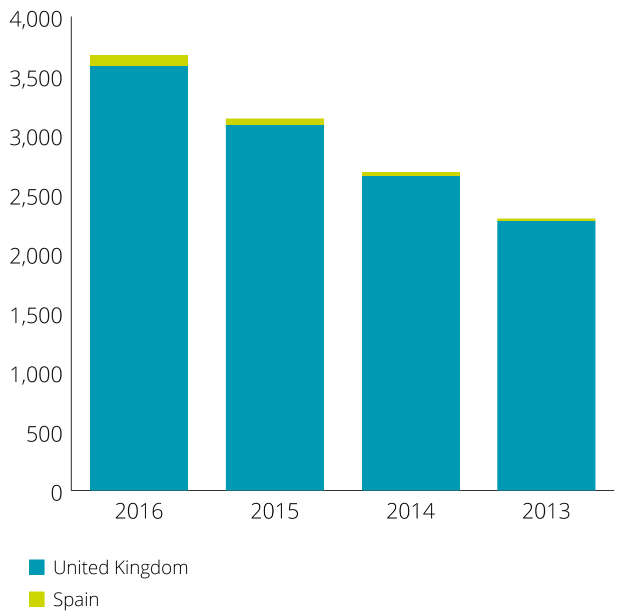
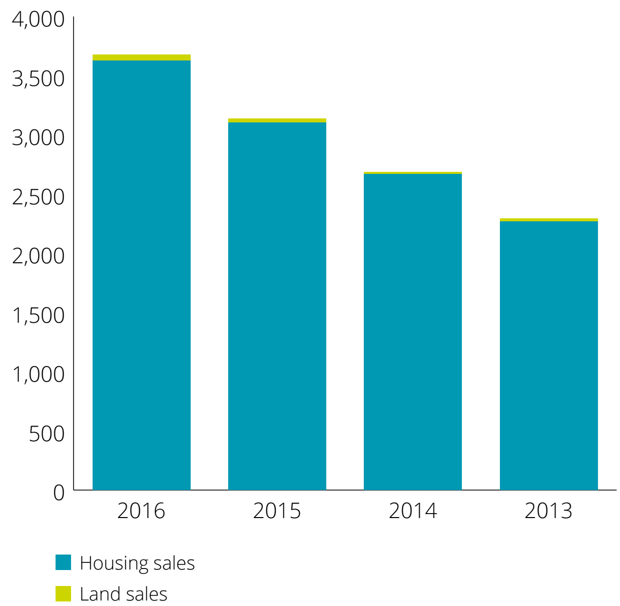


Figure 10.57: Sales by segment



OHL

OHL is the result of the merger between Obrascon, Huarte and Lain in 1999 and is one of the largest international concession and construction groups in the world. Having been in business for over one hundred years, the Group performs significant operations in 30 countries across all five continents. OHL has a workforce of around 24,000 employees.

Inmobiliaria Espacio, S.A. (Grupo Villar Mir) is the controlling shareholder of the Group, with a total direct and indirect stake of 51.124% after the exercise of a call option over the 8.37% interest owned by Tyrus Capital Event, carried out on 2 June 2017.

OHL is composed of the following divisions: Concessions, Engineering and Construction and Development.

The main significant events that took place in 2016 were most notably the sale of 7% and 4.425% of the capital of Abertis Infraestructuras, S.A. on 28 June and 3 October, respectively, giving rise to a total of EUR 1.3 billion in net funds. In addition, the remaining 2.5% stake in Abertis was sold on 23 January 2017, giving rise to net funds of EUR 329.8 million.

Concessions

The activities carried out by this division consist of the development, management and maintenance of transportation infrastructures such as motorways, ports, airports and railways.

OHL's broad experience in the promotion, development and operation of transportation infrastructures in a full range of modalities allows the Spanish Group to be considered one of the leading companies in the international market for public-private partnerships.

OHL Concessions manages a direct portfolio of 18 concessions. The Company participates in 14 toll roads with a total of 1,070 km. In addition, it manages an airport in Mexico (Toluca International Airport), three ports in Spain and Chile and one railway concession in Madrid. Mexico provides the main source of revenue, with total sales exceeding EUR 354.9 million (this includes approximately EUR 94 million of sales for construction of the infrastructure in accordance with IFRIC 12) , representing 68.2% of Concessions sales.

Concessions sales increased by 16.9% to EUR 520.3 million, due mainly to an increase in traffic and tolls in Mexico. On the other hand, EBITDA fell slightly due to the sharp fall in the inflation rate in Mexico in the year, which affects the guaranteed return of some of its Mexican concessions.

Engineering and Construction

This segment includes three different businesses: Construction, Industrial and Services. Construction is the Group's leading business, with sales representing 71.8% of total revenue. The segment focuses on civil engineering works and selective building construction all over the world. OHL operates through several international subsidiaries established mainly in Europe and North America.

In 2016 sales decreased by 14.6% to EUR 2,773.6 million. This decline is partly due to: (i) the effect of the target revision of legacy projects, which had an impact of EUR 476.2 million; (ii) the increase in the relevance of small-medium sized projects in developed economies which typically have narrower margins; and (iii) the delay in the commencement of the construction work on the new concessions awarded in Mexico, Chile and Colombia. Margins are expected to improve in the near future with the inclusion in sales of larger-scale projects, such as the recent awarding of the I-405 in California.

The Industrial business is focused on the engineering and construction of industrial plants. The segment generated sales of EUR 243.6 million, representing a sharp decrease of 30.8% on 2015 figures. This decline is due principally to the completion of ongoing projects, a temporary slowdown in the performance of certain projects, primarily in Mexico, and the negative effect of exchange rates (basically that of the Mexican peso).

EBITDA performance was negative as a result of the absorption of structural costs in new projects and because the figures do not include the 50% ownership interest that the Company held in the joint venture performing the construction of the Empalme I Combined Cycle plant in Mexico, as the foregoing figures were accounted for using the equity method in accordance with IFRSs.

Service activity specialises in the provision of services to buildings, based on their infrastructure and activities/services. It obtained sales of EUR 194.4 million, 2.4% lower than in 2015. However, in comparative terms (without including in 2015 the sales by Sacova, sold in November 2015), this area presents 11.3% growth. The EBITDA margin was slightly lower, due mainly to the effect of stronger competition in the sector.

Development

Development covers a broad range of services associated with a project's life cycle, from its initial stage to divestment. It represents 3% of total Group sales, and amounted to EUR 131 million in 2016. This segment experienced an increase of 4.8% in revenue due to the performance of the Mayakoba hotels, which in 2016 had occupancy levels of 61%, in line with the levels achieved in 2015.

OHL has recognised various divestments in this division in 2017. On 9 February, OHL Desarrollos S.L., a wholly-owned subsidiary of the OHL Group, sold 17.5% of its ownership interest in Centro Canalejas Madrid, S.L. (Canalejas) for EUR 78.8 million, giving rise to an estimated gain of approximately EUR 29.0 million. In addition, in April the Group finalised the sale and purchase transaction whereby OHL Desarrollos sold 51% of the share capital of the holding companies of the Rosewood Mayakoba, Fairmont Mayakoba, Banyan

Tree Mayakoba and Andaz Mayakoba hotels as well as the "El Camaleón" golf course to RLH Properties, S.A.B. de C.V. (an additional stake is expected to be sold by OHL during 2017). This transaction generated a cash amount of EUR 138.3 million and the estimated capital gains, including the value of the unsold stake, amounts to EUR 16.5 million.

2016 performance

In 2016 there was a decrease in the activity levels of all the Group's divisions, with the exception of "Concessions", which increased by 22%. Total sales dropped by 11.6% to EUR 3,863 million, while net income fell by 190.7%, reaching a negative value of EUR 235 million mainly due to the recognition of 625 million losses at same large international contract..

Net debt decreased by 27.4% to EUR 2,911 million due mainly to the 73% reduction in the corporate debt of Concessions, the full elimination of borrowings with trigger risk and the early redemption of bonds for an amount of EUR 84.8 million.

Figure 10.58

Key Data (EUR million)	2016	2015	2014	Variation 2016-2015 %
Assets				
Non-current assets	8,589	10,234	10,510	(16.1%)
Current assets	4,331	5,055	3,720	(14.3%)
Total assets	12,920	15,289	14,230	(9.2%)
Liabilities and shareholders' equity				
Shareholders' equity	4,043	4,812	3,492	(16.0%)
Non-current liabilities	5,454	6,583	7,049	(17.2%)
Current liabilities	3,423	3,894	3,688	(12.1%)
Total liabilities and shareholders' equity	12,920	15,289	14,230	(9.2%)
Statement of profit or loss				
Sales	3,863	4,369	3,731	(11.6%)
National sales	794	760	845	4.5%
International sales	3,069	3,609	2,885	(15.0%)
Construction sales	2,774	3,248	2,794	(14.6%)
Non-construction sales	1,089	1,121	937	(2.9%)
EBITDA	223	967	1,078	(76.9%)
EBIT	22	685	614	(96.8%)
Net income	(235)	259	185	(190.7%)
Net income attributable to the Group	(432)	56	23	(871.4%)
Other key data				
Net debt	2,911	4,007	5,625	(27.4%)
Order book	82,350	64,970	66,766	26.8%
Market capitalisation	984	1,575	1,850	(37.5%)

At December 2016 the Group's backlog amounted to EUR 82,350 million. This figure includes the Concessions business backlog, which represents 92% of the total. The Engineering and Construction order book amounted to EUR 6,900 million, down EUR 7,460 million on the prior year's backlog. At year-end the international backlog represented approximately 95% of the overall Group backlog.

Figure 10.59: Sales by geographical area

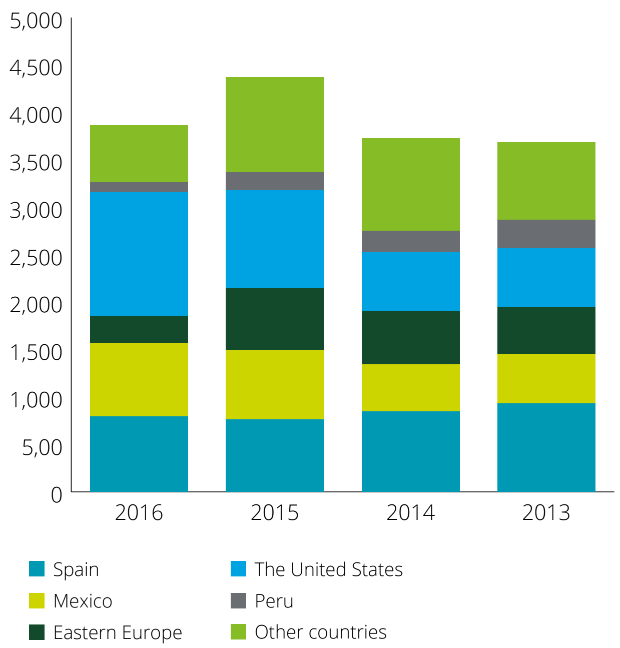
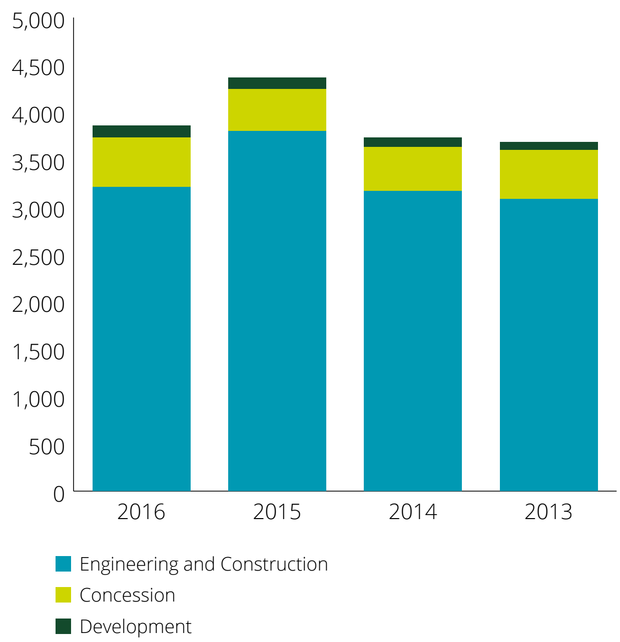


Figure 10.60: Sales by segment



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