EIFFAGE

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Sales[1]: €bn 14 (+ 0.7%)
Operating margin: 11.4 % (+ 110 bps)
Net profit Group share[2]: €M 416 (+ 33.3%)
Net financial debt[3] down by €M 378
Contracting order book: €bn 12 (+ 5.1%)
Dividend: 1.50 € per share

Press release

2016 annual results

- **Strong increase in the net profit Group share[2] (+33.3%)**
- **Growth in Contracting and Concessions margins**
- **Increase in the Contracting order book (+5.1%)**
- **Further increase in earnings expected in 2017**

The Board of Directors of Eiffage met on 22 February 2017 to approve the financial statements for the year ended 31 December 2016[4].

2016 Sales

Thanks to an upbeat fourth quarter (+4.8%), particularly for the Contracting activities (+5.0%), consolidated sales for the year ended 31 December 2016 came to €14.0bn, up slightly by 0.7% on a reported basis, but down slightly by 0.2% on a like-for-like basis (lfl; appendix 1).

In the Contracting activities, sales were stable at €11.5bn (down by 1.2% lfl), bolstered by the growth recorded by the Group's international operations (up 4.5% to €2.73bn) as well as recent acquisitions in Germany (MDM and Bohn), Switzerland (Yerly) and the Benelux (Vuylesteke), which contributed €78m (i.e 3.0%). In France, sales reached €8.72bn (down 1.5%).

At the Construction divison, sales increased by 4.3% to €3.67bn (up 4.6% in France and up 3.3% outside France), with an upbeat fourth quarter (up 9.1%). As regards the property development business, the number of reservations increased to 4,134 units (up from 3,671 units in 2015).
At the Infrastructures division, sales declined by 1.1% to €4.33bn. There was a 5.0% decrease in France, attributable mainly to the Civil Engineering business, notably due to the end of the works on the Bretagne-Pays de la Loire (BPL) high-speed rail line project. Sales contributed by the Road activities were stable, while the Metal division recorded a 2.8% increase. International operations recorded a 9.6% increase.

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(1) Excluding IFRIC 12
(2) Before taking into account the adjustment of non-current deferred tax, resulting in additional profit of €59m.
(3) Excluding FV of the CNA debt and the swaps
(4) The audit procedures have been completed and the auditors' report on the financial statements is in the process of being issued.

At the Energy divison, sales declined by 3.3% to €3.46bn, with a decrease of 3.6% in France (but a 3.0% increase after restating for the exceptional Cestas solar power plant, which was executed in 2015) and a decrease of 2.2% outside France.

In Concessions, sales increased significantly by 4.6% to €2.56bn, fuelled by the growth in traffic on the motorway networks operated by the Group (+3.7% on the APRR network, +5.2% on the A65 motorway, +2.7% on the Millau viaduct and +24.2% on the Avenir motorway in Senegal) and by the contributions made by the other concessions and public-private partnerships.

Results

Operating profit on ordinary activities increased to €1,597m, the operating margin improving to 11.4% (from 10.3% in 2015). There were increases in operating profit at both the Contracting activities (+10.2%) and the Concessions activities (+11.8%).

The operating margin in Contracting activities reached 3.3% from 3.0% in 2015, with all divisions contributing to this growth.

At the Construction division, the higher level of activity, combined with a tight control of overhead costs, paved the way for an improvement in the operating margin to 4.0% (from 3.9% in 2015). At the Infrastructures branch, the major reorganisations carried out at the Metal business in France and at the Road activities (whose level of activity stabilised) led to an improvement in the operating margin to 2.2% (from 1.7% in 2015). Finally, at the Energy division, the turnaround in the operating margin continued, up to 4.0% (from 3.7% in 2015), with improvements in France in the different regions, as well as at the Systems business and at the European subsidiaries.

The operating margin in Concessions recorded another increase, up to 48.4% (from 45.3% in 2015), fuelled mainly by the significant growth in traffic recorded by all motorway concessions and by the tight control of operating costs.

Net finance costs declined sharply, down 12% (after a 15% decrease in 2015), due mainly to the effect of the debt refinancing by Eiffarie and APRR in 2015 and 2016.

There follows that, before taking into account the adjustment of non-current deferred tax, net profit group share increased by 33.3% to €416m (from €312m in 2015). This adjustment, stemming from the 2017 Finance Act, which provides for a reduction in the corporation tax rate in France from 2020, reduced income tax expense for the year by €135m (non-cash item) and the net profit group share by €59m. After this adjustment, the net profit group share increased to €475m.

Financial situation

Free cash flow came to €417m. It reflects the increase in working capital requirements (€95m), as anticipated by management, as well as further significant development investments in concessions (€634m) in respect of APRR, the BPL project and building public-private partnerships.

As regards financial investments, the Group increased its equity interest in Adelac (which operates the A41 North motorway between Annecy and Geneva), acquiring a further 24% for €66m. Furthermore, as part of its portfolio rotation policy for public-private partnerships, Eiffage sold the company Eiffigen (public-private partnership relating to the headquarters of the Gendarmerie Nationale) and its interest in Norscut (public-private partnership operating the A24 motorway in Portugal). Acquisitions by the Contracting activities amounted to €84m.

After taking into account capital transactions and dividend payments, these cash flows paved the way for a further reduction in net debt (excluding the fair value of the swaps and the debt with Caisse Nationale des Autoroutes - CNA) of €378m. The holding company and Contracting divisions had net cash of €492m at 31 December 2016 (compared with €334m at 31 December 2015).

The group’s liquidity improved to €3bn at 31 December 2016, consisting of available net cash of €2bn and an unused credit line of €1bn.

Financing

In November, Standard & Poor's upgraded APRR's credit rating to A- (Stable) from BBB+ (Stable).

APRR staged two bond issues in 2016: in June, the company issued €700m of bonds maturing in January 2026 and offering a fixed coupon of 1.125%; in November, it issued €1,000m of bonds, consisting of two tranches of €500m each, one maturing in January 2027 and offering a fixed coupon of 1.25%, the other maturing in January 2031 and offering a fixed coupon of 1.875%.

General meeting – dividend

In its statutory accounts, Eiffage SA recorded a net profit of €148m for the year ended 31 December 2016. At the General Meeting convened on 19 April 2017, the Board of Directors will propose distributing a dividend of €1.50 per share. This dividend will be paid on 17 May 2017 on the 98,082,265 shares making up the share capital on 31 December 2016 as well as on the shares to be issued in connection with the capital increase reserved for employees decided by the Board of Directors on 22 February 2017.

2017 prospects

Order intake having held up, the order book of the Contracting divisions increased to €12.0bn, up 5.1% from the previous year (and up 0.8% over the last three months of 2016). The order book is equivalent to 12.6 months of activity at the Contracting divisions.

There follows that, given the weaker growth in motorway traffic that is expected on account of the demanding 2016 base effect, expectations are that there will be a slight increase in sales along with another increase in the Group's earnings[5] in 2017.

A more detailed presentation of the financial statements for the year ended 31 December 2016, in French and English, is available on the company's website: www.eiffage.com

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[5]Before taking into account the adjustment of non-current deferred tax

APPENDICES

Appendix 1: Sales by division

In millions of euro	Year ended 31 December 2015	Year ended 31 December 2016	% change Actual consolidation scope	 Like-for-like (**)
Construction	3,514	3,666	*+4.3%*	*+3.4%*
of which Property	*743*	*768*	-	-
Infrastructures	4,374	4,325	*-1.1%*	*-2.5%*
Energy	3,578	3,461	*-3.3%*	*-4.1%*
Sub-total Contracting	11,466	11,452	*-0.1%*	*-1.2%*
Concessions (excluding IFRIC 12)	2,443	2,556	*+4.6%*	*+4.7%*
TOTAL GROUP (excluding IFRIC 12)	**13,909**	**14,008**	***+0.7%***	***-0.2%***
Of which:				
France	11,272	11,246	*-0.2%*	*-0.7%*
International	2,637	2,762	*+4.7%*	*+2.2%*
o/w Europe exc France	*2,234*	*2,384*	*+6.7%*	*+3.7%*
o/w rest of world	*403*	*378*	*-6.2%*	*-6.2%*
Construction revenue of Concessions (IFRIC 12)	206	272	nm	

(**) Constant consolidation scope: calculated by neutralising:
- the 2016 contribution made by companies consolidated for the first time in 2016;
- the 2016 contribution made by companies consolidated for the first time in 2015, for the period equivalent to that in 2015 before consolidated for the first time;
- the 2015 contribution made by companies deconsolidated in 2016, for the period equivalent to that in 2016 after they were deconsolidated;
- the 2015 contribution made by companies deconsolidated in 2015.

Constant exchange rates: 2015 exchange rates applied to 2016 local currency sales.

Sales by division 4th quarter

in millions of euro	4Q 2015	4Q 2016	Variation
Construction	1,021	1,114	*+9.1%*
of which Property	*269*	*311*	
Infrastructures	1,225	1,222	*-0.2%*
Energy	936	1,006	*+7.5%*
Sub-total Contracting	3,182	3,342	*+5.0%*
Concessions (excluding IFRIC 12)	582	604	*+3.8%*
TOTAL GROUP (excluding IFRIC 12))	**3,764**	**3,946**	***+4.8%***
Construction revenue of Concessions (IFRIC 12)	78	69	nm

Appendix 2: Operating profit by division

	2015		2016		*% change*
	€m	% of sales	€m	% of sales	
Construction	136	3.9%	147	4.0%	*+8.1%*
Infrastructures	75	1.7%	93	2.2%	*+24.0%*
Energy	132	3.7%	138	4.0%	*+4.5%*
Sub-total Contracting	***343***	***3.0%***	***378***	***3.3%***	***+10.2%***
Concessions	1,106	45.3%	1,236	48.4%	*+11.8%*
Holding	(18)		(17)		
TOTAL GROUP	**1,431**	**10.3%**	**1,597**	**11.4%**	***+11.6%***

Appendix 3: Consolidated financial statements

Simplified consolidated income statement

In millions of euro	2015	2016	*% change*
Sales [(1)]	**13,909**	**14,008**	***+0.7%***
Operating profit on ordinary activities *% of revenue*	**1,431** 10.3%	**1,597** 11.4%	***+11.6%***
Other income (expenses) from operations	(94)	(71)	
Operating profit	**1,337**	**1,526**	***+14.1%***
Net finance costs	(615)	(539)	***-12.4%***
Other financial income (expenses)	(39)	(41)	
Net financial expenses	**(654)**	**(580)**	***-11.3%***
Share of profit (loss) of equity-method investments	(5)	(2)	
Income tax	(220)	(167)	
Profit for the year	458	777	*+69.7%*
Non-controlling interests	(146)	(302)	
Profit attributable to the holders of the parent	312	475	*+52.2%*
Earnings per share	3.42	5.13	
Profit attributable to the holders of the parent before deferred tax adjustment(*)	**312**	**416**	***+33.3%***
Earnings per share before deferred tax adjustment(*)	**3.42**	**4.49**	

(1) Excluding construction revenue of concessions (IFRIC 12)
(*) Adjustment of non-current deferred tax to reflect the decrease in the French corporation tax rate from 2020, resulting in additional profit of €59m.

Simplified consolidated statement

In millions of euro	2015	2016
Assets	**18,342**	**18,366**
Non-current assets - Concessions	13,951	13,888
Non-current assets - Holding and Contracting	4,391	4,478
Liabilities	**18,342**	**18,366**
Capital and reserves	3,472	4,265
o/w capital attributable to the Group	*3,197*	*3,642*
o/w minority interests	*275*	623
Net debt excluding FV of the CNA debt and the swaps	11,591	11,213
Net current liabilities	1,198	1,079
Net non-current liabilities including FV of the CNA debt and the swaps	2,081	1,809

Simplified consolidated statement of cash flows

In millions of euro	**2015**	**2016**
Cash-flows from operations before interest and taxes	1,261	1,571
Changes in working capital requirements	46	(95)
Other (1)	(77)	(309)
Net cash from operating activities	**1,230**	**1,167**
Net investments - Holding and Contracting	(111)	(116)
Net investment - Concessions	(637)	(634)
Net cash used in investing activities	**(748)**	**(750)**
Free cash flow	**482**	**417**
Acquisitions and disposals	(33)	(108)
Dividends	(121)	(145)
Capital transactions	40	56
Net change in bank borrowings	**368**	**220**
Items not involving movement of funds	55	158
Change in net financial debt (2)	**423**	**378**
o/w Concessions	*120*	*220*
o/w Holding and Contracting	*303*	*158*
(1) Difference in interest and tax between amounts paid and amounts recognised		
(2) Excluding FV of the CNA debt and the swaps:	*623*	*428*

Appendix 4: Order book of Contracting activities by division

In millions of euro	**2015**	**2016**	***% change***
Construction	4,762	4,675	*-1.8%*
Infrastructures	3,864	4,431	*+14.7%*
Energy	2,814	2,922	*+3.8%*
Total	**11,440**	**12,028**	***+5.1%***