Vélizy-Villacoublay, 26 August 2020

17:40

Revenues [(1)]: €6.9bn (-18.9%)
Operating profit on ordinary activities: €262m (-68.7%)
Net profit group share: -€8m
Net debt [(2)]: €10.9bn (+€0.2bm over 12 months)
Contracting order book: €17.1bn (+15% over 12-months)

Press Release

Results for the first half of 2020

- **Major impact of the Covid-19 pandemic on the half-year: sharp fall in revenues and results, in Contracting and Concessions**
- **Loss for the semester limited to €8m (net profit group share), confirming the pertinence of Eiffage's construction – concessions business model**
- **Solid financial situation, Group liquidity increased to €4.6bn for Eiffage S.A. and €3.1bn for APRR**
- **Order book up by 15% at over €17bn**
- **Full-year 2020 activity and results expected to be down sharply with a significant recovery in the second half (effective resumption of works, summer motorway traffic close to that of 2019)**

The Board of Directors of Eiffage met on 26 August 2020 to approve the financial statements for the first half of 2020[(3)].

Activity

As indicated in the financial information for the quarter ended 31 March 2020, "the growth recorded by the Group in the first two months of the year came to an end in mid-March when there was an abrupt fall in activity as a result of the measures implemented to limit the spread of the Covid-19 virus (...). This phenomenon was far more pronounced in France than internationally." Against this backdrop, consolidated revenues for the first half-year amounted to €6.9bn, down by 18.9% in actual terms and by 19.6% on a like-for-like (lfl) basis.

Contracting activity shrank by 18.7% to around €5.8bn (-18.9% lfl). Revenues amounted to €3.8bn in France (-22.1% actual and -22.2% lfl) and nearly €2.0bn abroad, down by 11.1%, of which -12.0% in Europe excl. France and -6.2% in the rest of the world. Among the main countries where the Group operates, business proved robust in the face of the pandemic in Germany (+8.9%) and Spain (-0.8%). In Belgium, in contrast, revenues contracted in similar proportions to France (-23.8%).

[1] Excl. IFRIC 12.
[2] Excluding IFRS16 debt and the fair value of CNA debt and of swaps.
[3] The audit procedures have been performed and the limited review report on the financial statements has been issued.

The Group considers that the decline in its contracting's revenues between mid-March and the end of June, linked to Covid-19, is €1.4bn.

In the Construction division, activity was down by 27.0% at €1.47bn (-30.0% in France and -18.5% abroad). In Property Development, reservations for new housing units numbered 1,863 as against 2,534 in the first half of 2019.

In the Infrastructure division, revenues declined by 15.0% to €2.55bn. With an overall decrease of 18.4% in France, activity declined by 22.8% in Road Construction and 19.4% in Civil Engineering, while in Metal it was up by 14.1% thanks to offshore wind farms. The division posted more limited declines internationally (-8.4%, of which -11.4% in Europe excl. France).

In the Energy Systems division, activity fell by 16.1% to €1.76bn, of which -19.1% in France and -9.4% internationally, of which -6.7% in Europe excl. France.

In Concessions, revenues were down by 20% at €1.13bn, affected by the fall in motorway traffic (-30.6% for the APRR network and the A65 motorway, -40.0% for the Millau viaduct and -17.5% for the Autoroute de l'Avenir in Senegal), with business generated by the Lille and Toulouse airports also proving much weaker than expected due to a 61.5% drop in passenger traffic.

The fall in motorway and airport traffic between mid-March and the end of June, as well as the closure of the Pierre Mauroy stadium were entirely attributable to Covid-19. The impact of the Covid-19 on Concessions revenues is estimated at €0.43bn.

In the second quarter, the one most affected by the pandemic, business was down 31.4%, of which -29.9% in Contracting and -38.9% in Concessions.

Results

The Group's operating profit on ordinary activities came to €262m, down by (-68.7%), for an operating margin of 3.8% as against 9.8% for the first half of 2019.

In Construction, the operating margin came to -2.1% (3.4% in June 2019), basically due to building in France, while margins on property and contracting in Europe held up better.

In the Infrastructure division, the margin went from -1.0% in June 2019 to -5.3% in June 2020, with activity being particularly affected in France, especially in Road Construction.

In the Energy Systems division, profitability was 1.1% (3.6% in June 2019). Activity in France showed a small profit. The Spanish, German and Dutch subsidiaries posted solid performances.

For Contracting overall, the operating margin was -2.5% and the contribution to operating profit on ordinary activities went from €115m in June 2019 to -€146m in June 2020.

This decline in operating income was mainly due to the drop in activity between mid-March and the end of June, which made it impossible to cover fixed overheads and means of production, which are not paid for by customers. During this period of under-activity, however, they were reduced to the minimum necessary to ensure the health and safety of the personnel present on the active sites and to allow a rapid restart of the works. The Group made use of the short-time working scheme during this period, mainly in France. Despite the restart of almost all the works during June, the adaptation of job posts to safeguard the health of on-site workers continues to weigh on productivity, albeit to a much lesser extent than in the second quarter.

The Group considers that the shortfall in profitability in Contracting observed in the first half of 2020 relative to the margin of the past two years (1.6%) is entirely attributable to the pandemic. This 4.1%[(4)] fall in the margin represents a reduction in operating profit on ordinary activities of €265m.

In Concessions, the operating margin shrank to 36.2% (51.6% in 2019), with APRR for its part posting a moderate fall in its EBITDA margin to 73.1%, compared with 76.4% in June 2019.

The fall in revenues of the motorway and of the airport concessions in France, as well as the closing of the Pierre Mauroy stadium, as a result of Covid-19, led to a decline in operating profit on ordinary activities of €350m.

The decline in operating profit on ordinary activities was also due to the significant resources that were maintained to ensure the continuity of service of the motorway and rail networks and the airport hubs, despite the falls in traffic.

Other operating income and expense resulted in a net expense of €12m compared with a net expense of €18m in June 2019. This item includes two significant amounts. On the one hand the value of the Pierre Mauroy stadium was adjusted for an impairment of €57m. As a direct consequence of Covid-19, the commercial activity of the stadium has been closed during the lockdown, due to the prohibition of assemblies in France. To date, capacity restrictions still do not allow the organisation of large events, key commercial activity target. Continuing uncertainty as to the lifting date of the limitations and associated restrictions that could follow renders the scheduling difficult. Consequently, Eiffage has made an impairment adjustment to the commercial part of this asset so as to reduce its carrying amount to the NPV of the PPP rent flows to be received. On the other hand, one-off payment of €61m was charged to Atlas Arteria, in consideration of support for the change in governance of MAF2 in parallel with the 2% increase in APRR and ADELAC. This one-off payment, which reduced the net amount paid by Eiffage in March 2020 in the context of this transaction to €150m, was recognised as income in the consolidated financial statements.

The net cost of financial debt decreased by €11m in the first half of the year, to €124m.

The net profit group share was thus -€8m (€290m profit in June 2019).

Financial situation

Net financial debt, excluding IFRS 16 debt and the fair value of CNA debt and of swaps, stood at €10.9bn (+0.2bn over 12 months). It takes into account the investment made in March 2020 to acquire 2% of the share capital of APRR and ADELAC, as well as the precautionary measures taken as soon as the pandemic started to preserve the Group's liquidity (in particular the cancellation of the dividend for 2019 and the limitation of the share buyback programme).

Free cash flow, traditionally negative in the first half of the year, came to -€373m as against -€135m in the first half of 2019, despite still significant investments in concessions (start of construction of the A79 motorway in Allier) and in Contracting (tunnel boring machines for the Grand Paris Express). The seasonal change in working capital requirement (€306m), substantially less pronounced than in 2019 (€518m), partly offset the fall in EBITDA.

[4] Difference between +1.6 % and – 2.5 %

Financing

The Group has a solid financial structure, both at the level of Eiffage S.A. (and its Contracting subsidiaries), which have a short-term rating of F2, and its concession-holding entities, the most important of which is APRR (rated A- stable).

At 30 June 2020, Eiffage S.A. and its Contracting subsidiaries had liquidity of €4.6bn composed of €2.6bn of cash and cash equivalents and an undrawn bank line of credit without financial covenants. This facility, which was increased from €1bn to €2bn in May 2019, matures in 2025 with the possibility of a one-year extension. Liquidity was up by €0.5bn compared with the €4.1bn at 30 June 2019.

On 15 April 2020, Eiffage S.A. put in place a supplementary line of credit of €600m in the form of a securitisation bridging loan, which it cancelled on 30 June. On 16 June, Eiffage S.A. also obtained an F2 short-term credit rating from Fitch Ratings and on 26 June it carried out an inaugural unrated bond issue for €500m maturing in January 2027 with a coupon of 1.625%.

APRR for its own part had liquidity of €3.1bn at 30 June 2020, consisting of €1.1bn in cash and cash equivalents and an undrawn bank line of credit. This facility, which was increased from €1.8bn to €2bn in February 2020, matures in 2025 with the possibility of two one-year extensions. Liquidity was up by €0.3bn compared with the €2.8bn at 30 June 2019.

Additionally, in January 2020 APRR repaid all its bonds maturing in 2020 for €1bn with the completion of two bond issues of €500m each, one in January with a three-year maturity and a 0% coupon, and the other in April with a seven-year maturity and a 1.25% coupon. In April 2020, APRR also raised €400m by means of commercial paper with a one-year maturity and a negative yield. Lastly, on 17 April 2020, Standard & Poor’s confirmed APRR’s A- credit rating with a stable outlook.

Composition of the Board of Directors

Ms Thérèse Cornil and Mr Bruno Flichy resigned as directors effective 30 June 2020 after respectively 9 and 18 uninterrupted years on the board. The Board of Directors thanks Ms Cornil and Mr Flichy for their work and actions in supporting the Group’s growth and development over the course of these years.

In its December meeting the Board will welcome a new director representing the employees in accordance with the vote of the General Meeting of 22 April 2020. This director’s nomination process is under way.

Outlook for 2020

In Contracting, the order book has reached a record high of €17.1bn, up by 15% year-on-year (+14% over 3 months). It represents 14.8 months of activity for the Contracting divisions. The growth in the order book (+€2.3bn) is due both to low production in the second quarter of 2020 and to the award of three major contracts in 2020 (the future A79 motorway in France, the A3 motorway in Germany and the HS2 high-speed rail line in the UK). However, taking orders for the recurring businesses will be a point for attention in the second half.

Business in the second half of the year will therefore be able to rely on a solid order book as well as a work organisation now in place to deal with the still present sanitary constraints. This organisation will have an impact, albeit limited, on the productivity of the work sites.

The Group therefore anticipates for the second half of the year:

- In Contracting, a slightly lower level of activity than in the second half of 2019, to take into account a persistent but at this stage marginal impact of the pandemic as well as probably lower orders from local authorities and certain industrial customers in short-cycle activities.
- In Concessions, while summer motorway traffic has regained momentum, the evolution of the pandemic and its possible consequences in terms of travel restrictions (quarantine, working from home, etc.) make it impossible to reliably estimate motorway and air traffic.

For the year as a whole, Eiffage anticipates a marked decline in its business and results, which will however recover significantly in the second half of the year.

With an all-time record order book, a solid balance sheet and strengthened liquidity, the Group is confident of its ability to weather the current health and economic crisis and to invest in its sustainable growth.

A more detailed presentation of the accounts for the first half of 2020, in French and English, is available on the company's website, www.eiffage.com.

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APPENDICES

Appendix 1: Revenues by division for the first half-year

in millions of euros	H1 2019	H1 2020	Changes Actual	Changes Like-for-like (lfl)
Construction	2,018	1,473	*-27.0%*	*-27.4%*
of which Property	*445*	*321*	-	-
Infrastructure	2,998	2,548	*-15.0%*	*-15.0%*
Energy Systems	2,102	1,764	*-16.1%*	*-16.4%*
Sub-total Contracting	7,118	5,785	*-18.7%*	*-18.9%*
Concessions (excl. Ifric 12)	1,417	1,133	*-20.0%*	*-23.2%*
Total Group (excl. Ifric 12)	**8,535**	**6,918**	***-18.9%***	***-19.6%***
Of which:				
France	6,313	4,940	*-21.7%*	*-22.5%*
International	2,222	1,978	*-11.0%*	*-11.5%*
of which Europe excl. France	*1,843*	*1,621*	*-12.0%*	*-12.8%*
of which outside Europe	*379*	*357*	*-5.8%*	*-5.3%*
Construction revenue of Concessions (Ifric 12)	176	110	n.m.	

Revenues by division for the second quarter

in millions of euros	Q2 2019	Q2 2020	Change
Construction	1,095	666	*-39.2%*
of which Property	*240*	*139*	-
Infrastructure	1,680	1,293	*-23.0%*
Energy Systems	1,109	762	*-31.3%*
Sub-total Contracting	3,884	2,721	*-29.9%*
Concessions (excl. Ifric 12)	735	449	*-38.9%*
Total Group (excl. Ifric 12)	**4,619**	**3,170**	***-31.4%***
Construction revenue of Concessions (Ifric 12)	106	65	n.s.

Appendix 2: Operating profit on ordinary activities and margins:

	H1 2019		H1 2020		∆ 20/19
	millions of euros	**% of revenues**	**millions of euros**	**% of revenues**	***Change***
Construction	69	3.4%	(31)	(2.1%)	
Infrastructure	(29)	(1.0%)	(134)	(5.3%)	
Energy Systems	75	3.6%	19	1.1%	
Sub-total Contracting	***115***	***1.6%***	***(146)***	***(2.5%)***	
Concessions	731	51.6%	410	36.2%	
Holding company	(10)		(2)		
Total Group	**836**	**9.8%**	**262**	**3.8%**	**- 68.7%**

Appendix 3: Consolidated financial statements

in millions of euros	H1 2019	2019	H1 2020
Operating revenues	**8,869**	**18,690**	**7,136**
Other operating revenue	1	5	1
Raw materials and consumables used	(1,638)	(3,180)	(1,237)
Employee benefits expense	(1,908)	(3,800)	(1,814)
External charges	(3,764)	(8,103)	(3,082)
Taxes other than income tax	(218)	(495)	(190)
Depreciation and amortisation	(505)	(1,041)	(569)
Net additions to (releases of) provisions	(16)	(72)	(20)
Change in inventories of finished goods and work in progress	(41)	(77)	12
Other operating income and expense on ordinary activities	55	78	25
Operating profit	**836**	**2,005**	**262**
Other income (expenses) from operations	(18)	(68)	(12)
Operating profit/(loss)	**818**	**1,937**	**250**
Income from cash and cash equivalents	7	18	6
Gross cost of financial debt	(142)	(283)	(130)
Net cost of financial debt	**(135)**	**(265)**	**(124)**
Other financial income and expense	3	(12)	(11)
Share of profit/(loss) of equity-accounted investees	7	13	5
Tax on income	(205)	(560)	(35)
Net profit/(loss)	**488**	**1,113**	**85**
Attributable to owners of the parent	**290**	**725**	**(8)**
Attributable to non-controlling interests	198	388	93

Statement of financial position

in millions of euros	30/06/20	31/12/19	30/06/20
Property, plant & equipment	1,485	1,817	1,838
Right-of-use assets	795	889	935
Investment property	3	62	60
Concession intangible assets	10,907	10,837	11,561
Goodwill	3,241	3,703	3,398
Other intangible assets	220	249	254
Investments in associates	157	162	163
Non-current financial assets in respect of concession service arrangements	1,599	1,585	1,576
Other financial assets	579	612	525
Deferred tax assets	286	254	310
Total non-current assets	**19,272**	**20,170**	**20,620**
Inventories	743	745	768
Trade and other receivables	6,267	5,467	4,955
Current taxation	231	140	212
Current financial assets in respect of concession service arrangements	59	60	62
Other assets	1,806	1,718	1,970
Other financial assets	-	157	-
Cash & cash equivalents	3,576	4,420	4,186
Total current assets	**12,682**	**12,707**	**12,153**
Total assets	**31,954**	**32,877**	**32,773**

in millions of euros	30/06/2019	31/12/2019	30/06/2020
Capital	392	392	398
Consolidated Reserves	4,272	4,288	4,922
Gains and losses recognised directly in equity	(162)	(157)	(240)
Profit/(loss) for the year	290	725	(8)
Equity attributable to owners of the parent company	**4,792**	**5,248**	**5,072**
Non-controlling interests	894	983	1,142
Total equity	**5,686**	**6,231**	**6,214**
Borrowings	10,644	10,698	11,622
Lease liabilities	573	642	695
Deferred tax assets	836	811	1,001
Non-current provisions	683	787	794
Other non-current liabilities	155	151	153
Total non-current liabilities	12,891	13,089	14,265
Trade and other payables	4,069	4,174	3,639
Loans and other borrowings	2,645	3,047	2,892
Part of non-current borrowings due within one year	1,279	1,304	900
Part of lease liabilities due within one year	204	230	216
Current income tax liability	113	190	66
Current provisions	568	597	613
Other liabilities	4,499	4,015	3,968
Total current liabilities	**13,377**	**13,557**	**12,294**
Total liabilities and equity	**31,954**	**32,877**	**32,773**

Statement of cash flows

in millions of euros	H1 2019	2019	H1 2020
Opening cash & cash equivalents	**3,573**	**3,573**	**4,293**
Effect of movements in exchange rates	1	2	(2)
Restated opening cash & cash equivalents	**3,574**	**3,575**	**4,291**
Net profit/(loss)	488	1,113	85
- Profit/(loss) of equity-accounted associates	(7)	(13)	(5)
- Dividends received from equity-accounted investees	5	6	3
- Depreciation and amortisation	505	1,041	615
- Net additions to provisions	3	51	30
- Other non-cash items	25	43	18
- Net gains/(losses) on disposals	(8)	(14)	(4)
Cash flow from operating activities before interest and taxes	1,011	2,227	742
Net interest expense	122	240	119
Interest paid	(193)	(263)	(199)
Income tax expense	(205)	559	35
Income tax paid	(340)	(542)	(287)
Change in working capital requirements linked to operations	(518)	3	(306)
Net cash from operating activities	**287**	**2,224**	**104**

in millions of euros	H1 2019	2019	H1 2020
Acquisition of intangible assets and property, plant & equipment	(151)	(392)	(227)
Acquisition of intangible concession assets	(190)	(420)	(174)
Acquisition of non-current financial assets	(9)	(26)	(22)
Disposals and reductions of non-current assets	44	114	66
Net operating investments	**(306)**	**(724)**	**(357)**
Acquisition of equity interests	(31)	(553)	(22)
Disposal of equity interests and of assets corresponding to disposal of businesses	-	10	-
Cash and cash equivalents of entities bought or sold	(8)	49	(8)
Net financial investments	-	(494)	(30)
Net cash from/(used in) investing activities	**(345)**	**(1,218)**	**(387)**
Dividends paid to shareholders	(403)	(550)	(210)
Capital increase	162	162	119
Acquisitions/disposals of non-controlling interests	-	-	(232)
Buy-backs and re-sales of own shares	(149)	(146)	(52)
Repayment of lease liabilities	(116)	(233)	(120)
Repayment of borrowings	(1,203)	(1,406)	(2,726)
New borrowings	1,528	2,042	3,040
Net cash from/(used in) financing activities	**(181)**	**(131)**	**(181)**
Change in other financial assets	**-**	**(157)**	**157**
Change in cash and cash equivalents	**(239)**	**718**	**(307)**
Closing cash & cash equivalents	**3,335**	**4,293**	**3,984**

Appendix 4: Liquidity and net financial debt*

Holding & Contracting liquidity	Concessions liquidity
	APRR
€2.6bn of cash	€1.1bn of cash
+ €2bn undrawn revolving credit line	+ €2bn undrawn revolving credit line
= €4.6bn of liquidity	= €3.1bn of liquidity

Holding & Contracting's net financial debt*	Concessions's net financial debt*
€2.6bn of cash	€1.1bn of cash at APRR
- €2.4bn of financial debt	- €9.4bn of financial debt APRR and Eiffarie
= €0.2bn of net treasury	+ €2.8bn of net financial debt from others concessions and PPP
	= €11.1bn financial debt from concessions

* excluding IFRS 16 debt, mark-to-market value of the CNA debt and the swaps

Appendix 5: Change in order book by division

in billions of euros	**30/06/19**	**30/06/20**	***∆ 20/19***	***∆ 3 month***
Construction	4.5	4.8	*+5%*	*+7%*
Infrastructure	6.9	8.4	*+21%*	*+21%*
Energy Systems	3.4	4.0	*+16%*	*+10%*
Total for Works	**14.9**	**17.1**	***+15%***	***+14%***
Property Development	0.6	0.7	*+9%*	*+4%*
Concessions	1.1	1.0	*-6%*	*-4%*

Appendix 6: Estimation of the Covid-19 principal impacts

- **Profit & Loss account:**
  - Revenues: decrease of 1.83 billion euros
    - Contracting: -1.40 billion euros
    - Concessions: -0.43 billion euros

  - Operating profit on ordinary activities: decrease of 615 million euros
    - Contracting: -265 million euros
    - Concessions: -350 million euros

  - Non-current operational charge
    - Depreciation of the commercial part of the Pierre Mauroy stadium: 57 million euros

- **Balance sheet:**
  - Cancellation of the dividend due for 2019 for 274 million euros
  - Temporary alt of the share purchase program

- **Liquidity:**
  - Implementation and cancelation of a securitisation bridge for 600 million euros

Appendix 7: Glossary

Item	Definition
Construction revenue of Concessions (Ifric 12)	Construction revenue of the concessions corresponds to the costs of carrying out the construction or upgrade of infrastructure incurred by the concession holder in application of the provisions of Ifric 12 “Service Concession Arrangements”, after elimination of intra-group transactions.
Contracting order book	Portion of signed contracts not yet executed.
Net financial debt excluding IFRS 16 (lease) liabilities and fair value of debt to CNA and of swaps	Net financial debt excluding that deriving from the application, since 1 January 2019, of IFRS 16 Leases, the fair value of the debt owed to Caisse Nationale des Autoroutes (CNA) and of derivative instruments.
Current operating margin	Operating profit/(loss) on ordinary activities as a percentage of revenues
Like-for-like or at constant scope and exchange rate	Constant consolidation scope is calculated by neutralising: the 2020 contribution made by companies consolidated for the first time in 2020; the contribution made by companies consolidated for the first time in 2019 in the period of 2020 equivalent to that of 2019 which preceded their first-time consolidation; the contribution made by companies deconsolidated in 2019 in the period of 2020 equivalent to that of 2019 after they were deconsolidated; the 2019 contribution made by companies deconsolidated in 2019. Constant exchange rate: 2019 exchange rates applied to 2020 revenues in currency.
Group Liquidity	The Group’s liquidity is calculated as follows: cash and cash equivalents managed by Eiffage S.A. and its Contracting subsidiaries + undrawn credit line(s) of Eiffage S.A.
APRR liquidity	APRR’s liquidity is calculated as follows: cash and cash equivalents managed by APRR S.A. + undrawn credit line(s) of APRR S.A.

Appendix 8: Financial calendar

	Eiffage	APRR
Quarterly information and revenues for the third quarter of 2020	04.11.2020	20.10.2020
Quarterly information and revenues for the fourth quarter of 2020	24.02.2021	N/A
2020 annual results and financial analysts' meeting	24.02.2021	24.02.2021
Quarterly information and revenues for the first quarter of 2021	11.05.2021	20.04.2021
General Meeting of Shareholders	21.04.2021	
Quarterly information and revenues for the second quarter of 2021	25.08.2021	20.07.2021
2021 half-year results and financial analysts' meeting	25.08.2021	
Quarterly information and revenues for the third quarter of 2021	03.11.2021	19.10.2021
Quarterly information and revenues for the fourth quarter of 2021	N/A	N/A

Blackout periods start 15 days before publication of quarterly results and 30 days before publication of annual and semi-annual results.