

Focus on Africa: Lessons Learned from more than 60 Years of Experience in Infrastructure Delivery

António Mota – EIC

17th
October
Porto



EUROPEAN
INTERNATIONAL
CONTRACTORS



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WITH CHINESE
COMPANIES?**

**MOTA-ENGIL AFRICA
AND THE NACALA
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AFRICA

***A WORLD OF
OPPORTUNITIES***



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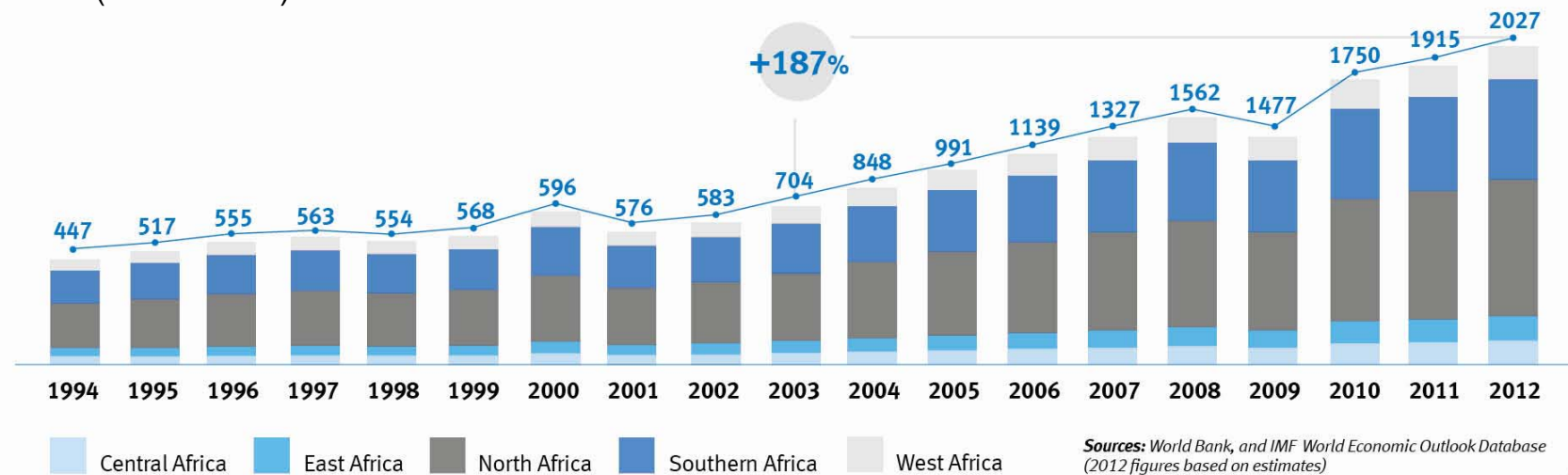
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AFRICA

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AFRICA'S ECONOMICS OUTPUT BY REGIONAL CLUB

GDP (Billions USD)

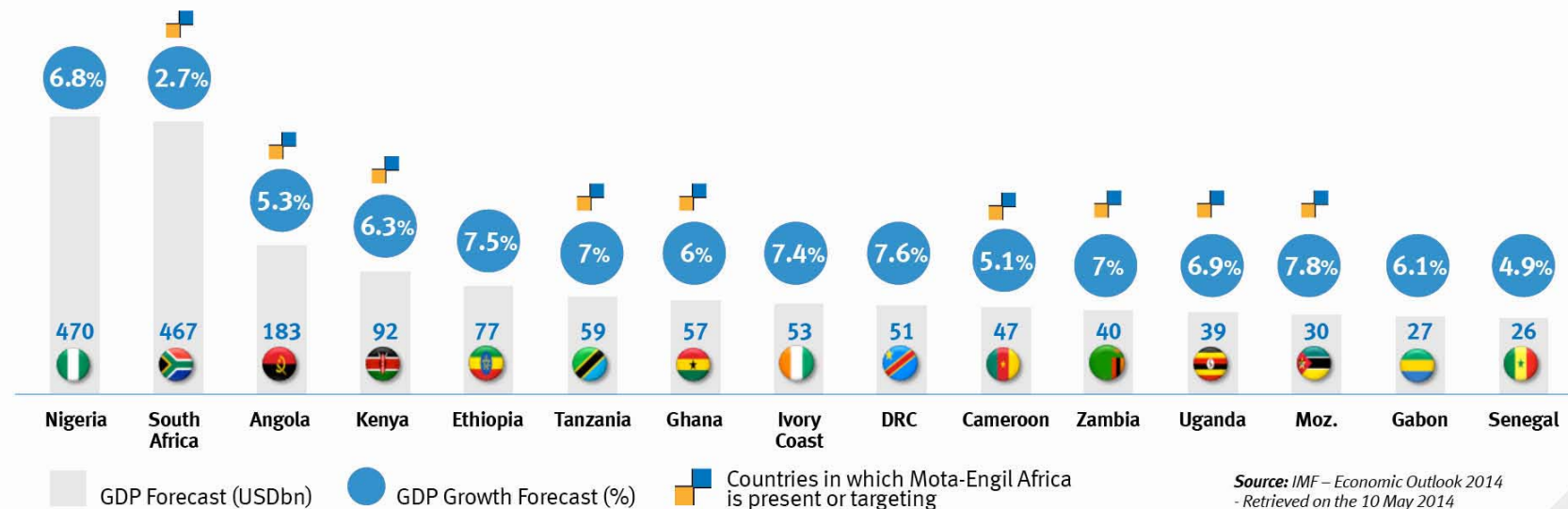


Africa is growing in a unique pace (187% in a decade). **But it's only starting...**

AFRICA

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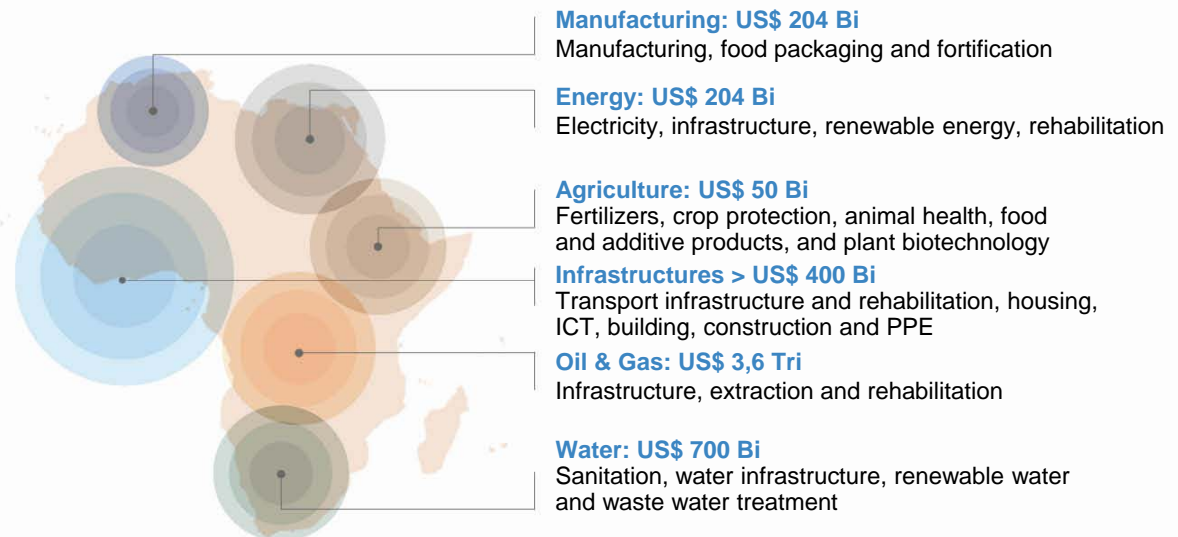
2014 GDP FORECASTS FOR LARGEST 15 SUB-SAHARA AFRICAN ECONOMIES



With many countries with GDP Growth forecast beyond 5% and with a strong lack of infrastructures, Africa is a land of opportunities to develop the Engineering and Construction business.

AFRICA

A WORLD OF OPPORTUNITIES



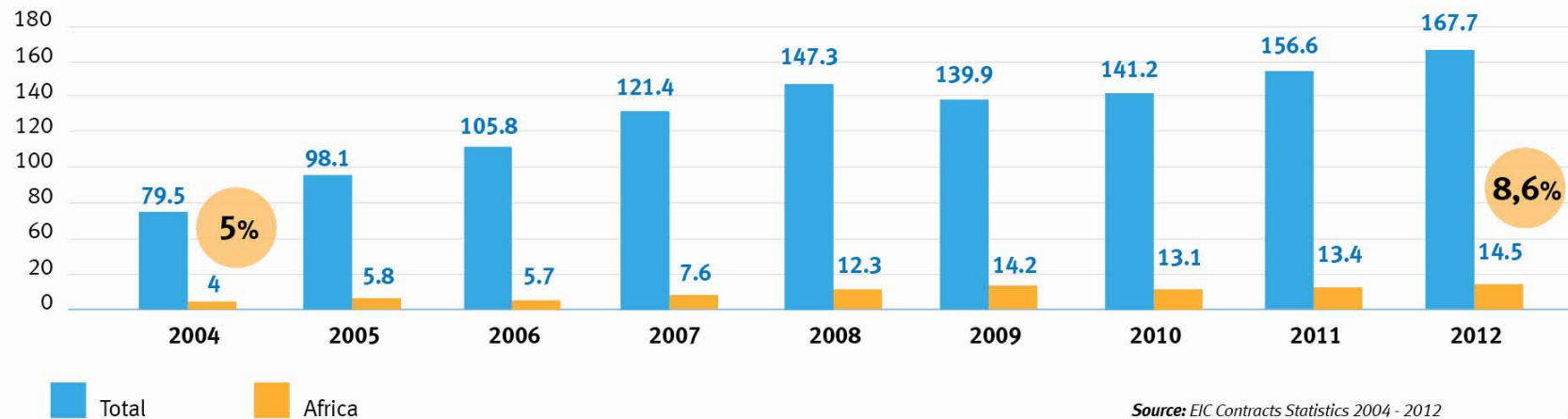
Source: AfricaInvestor – Sep. 2013

According to the Infrastructure Investment Plan for the near future in Africa, European Contractors have huge opportunities in several different segments.

AFRICA

A WORLD OF OPPORTUNITIES

EIC TOTAL TURNOVER VS. TURNOVER IN AFRICA (2004-2012) (Million Euros)



Source: EIC Contracts Statistics 2004 - 2012

European contractors are progressively growing it's activity in Africa.
However, **Africa represents a very small share of the Total Turnover (8,6%).**

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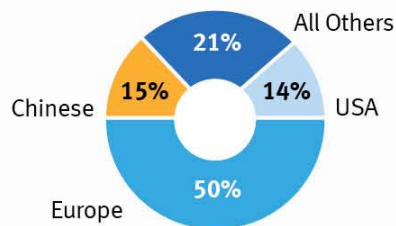
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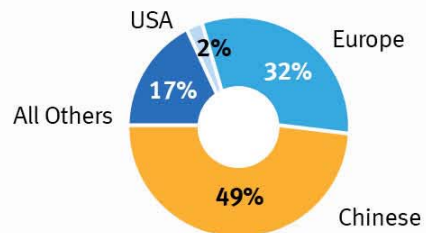
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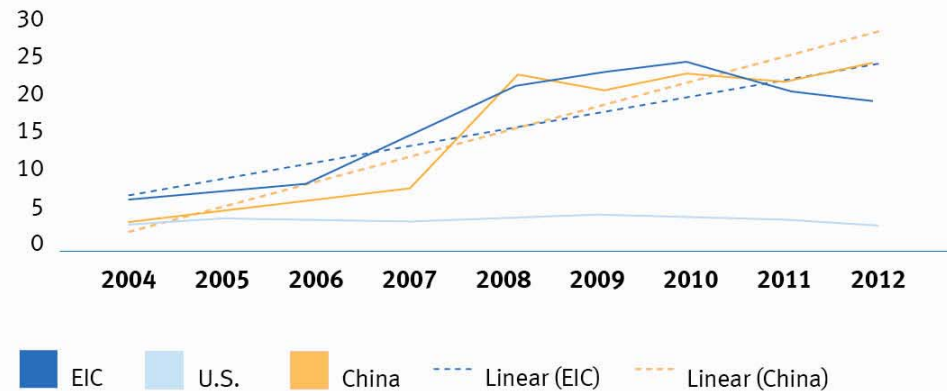
TURNOVER IN AFRICA (2004) (Contractor Nationality)



TURNOVER IN AFRICA (2013) (Contractor Nationality)



TURNOVER OF MAJOR INTERNATIONAL COMPETITORS IN AFRICA, IN US\$ (2004-2012)



In 10 years **China became the leader in Africa**

CHINA

A NEW LEADER IN AFRICA

TURNOVER IN AFRICA

Top 10 Companies (2004)

01	TECHNIP
02	BECHTEL
03	BOUYGUES
04	BILFINGUER BERGER AG
05	VINCI
06	FLUOR CORP.
07	AMEC PLC
08	CHINA STATE CONSTRUCTION ENG'G CORP.
09	ODEBRECHT
10	CHINA PETROLEUM ENG'G & CONSTR. CORP.

TURNOVER IN AFRICA

Top 10 Companies (2013)

01	CHINA COMMUNICATIONS CONSTRUCTION
02	SAIPEM
03	CHINA RAILWAY GROUP LTD.
04	VINCI
05	SINOHYDRO GROUP LTD.
06	CHINA STATE CONSTRUCTION ENG'G CORP.
07	CHINA RAILWAY CONSTRUCTION CORP. LTD.
08	CITIC CONSTRUCTION CO. LTD.
09	BOUYGUES
10	ODEBRECHT

TURNOVER IN AFRICA

	2004	2013	Δ
EUROPE	7.129,5	20.030,7	181%
CHINESE	2.106,8	30.339,8	1340%
U.STATES	1.976,6	1.026,7	-48%
ALL OTHERS	3.070,9	10.838,9	253%
TOTAL	14.283,8	62.236,1	336%

European Companies Chinese Companies

Source: ENR Top 250 (US\$ million)

China's geopolitics for Africa, supported by strong financial instruments, has contributed to create a new leader in the continent's construction business and companies with an enormous dimension ranked in the Top 10 of the African market.

Even so, the quality and expertise of Chinese companies, in comparison with European contractors, is still very low and with difficulties in integrating and training local workers.

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HOW CAN WE COMPETE WITH CHINESE COMPANIES?

*WITH AN EUROPEAN
POSITION*



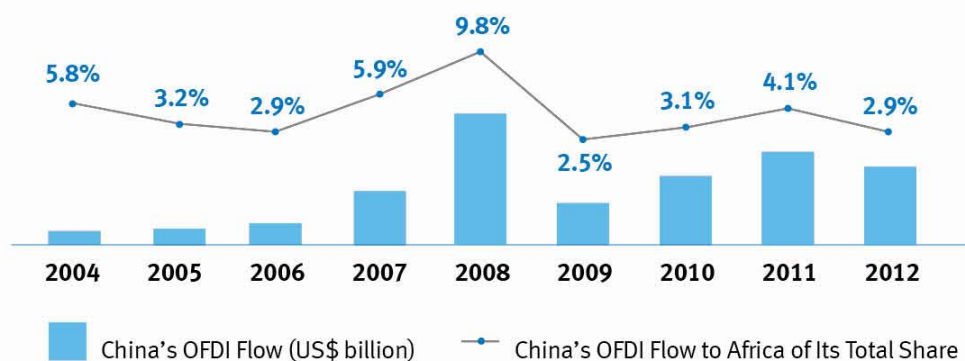
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HOW CAN WE COMPETE WITH CHINESE COMPANIES? WITH AN EUROPEAN POSITION

Chinese Foreign Direct Investment to Africa increased from \$317 million in 2004 to \$2.52 billion in 2012 or by nearly 8 times.



European Contractors must look to Africa as a priority to promote a win-win relationship.

For that, we need an integrated position, starting in the EIC and with EU political support and economic and fiscal reforms to reinforce the European Investment in Africa, in opposition to Chinese presence.

CHINESE PLEDGES

Chinese Premier **Li Keqiang** said on a visit to Africa last May that the government will boost its line of credit to African nations by \$10 billion to \$30 billion.

He also pledged to almost double capital in the China-Africa Development Fund, which gives financing to Chinese companies for private equity deals, to \$5 billion.



HOW CAN WE COMPETE WITH CHINESE COMPANIES?

WITH AN EUROPEAN POSITION

COMPETITIVE ADVANTAGES FROM THE EUROPEAN COMPANIES VS. CHINESE:

- / **Know-How in PPP and Capital Projects** (very important to a faster economic growth of the Continent);
- / **More Experience in EPC Contracts.**
- / **Share of Technical Skills** with local contents;
- / **Job Creation** for Local People
- / **More open to training** and to transfer specialized know-how;

PROPOSALS:

- / **Concessional Loans** to support european contractors (to compete with China and Brazil);
- / **More tax benefits** from the European countries to motivate european expat to work in Africa;
- / **Insurance policies for export** of goods and services to Africa with EU coverage
- / **Triangular flows between imports of raw materials in exchange for infrastructure investment** made by European companies
- / **Strengthening job training through the integration of African professional staff in Europe** for further evolution in Africa: the creation of a European Programme for Africa (“An Erasmus for Africa in the enterprise world”)

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MOTA-ENGIL AFRICA

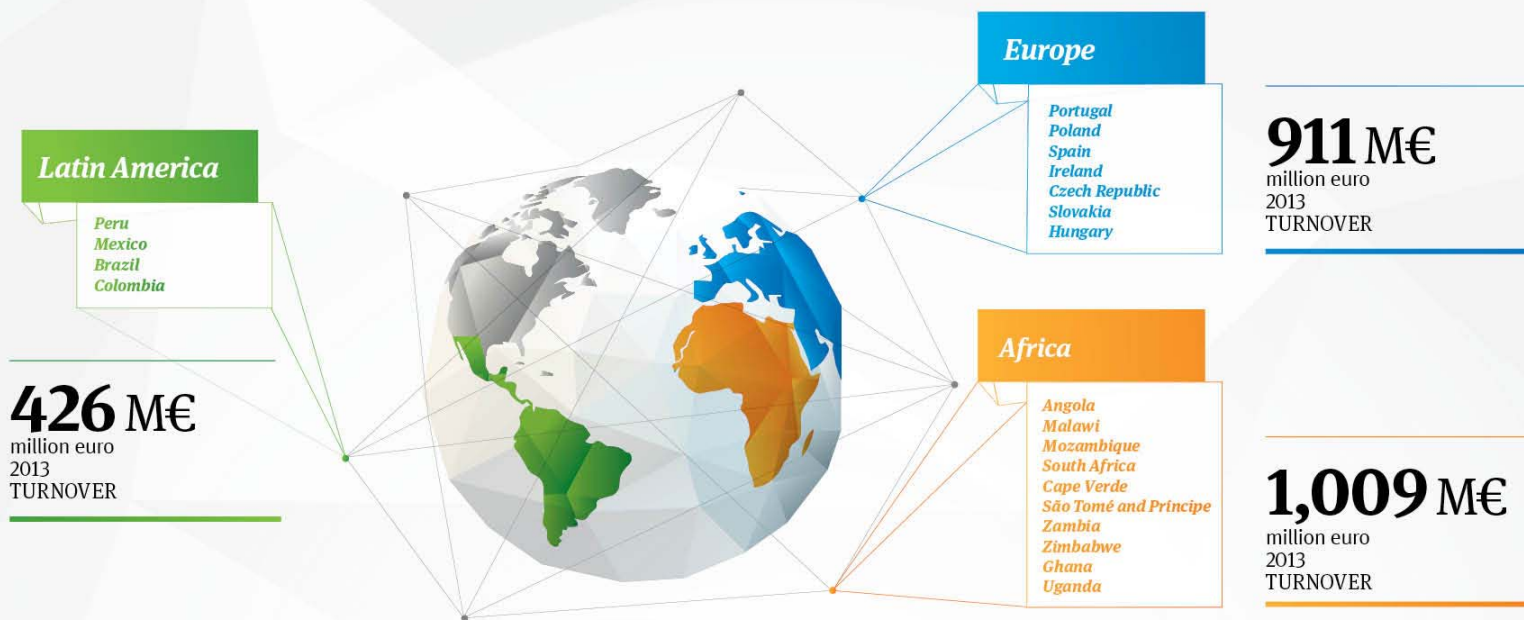
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MOTA-ENGIL

68 YEARS OF PRESENCE IN AFRICA



10

COUNTRIES

ANGOLA
MALAWI
MOZAMBIQUE
SOUTH AFRICA
CAPE VERDE
SAO TOME E PRINCIPE
ZAMBIA
ZIMBABWE
GHANA
UGANDA



38

COMPANIES
Mota-Engil Groupor subsidiaries

1,621M€

million euro
ORDER BOOK 2013

1,009M€

million euro
TURNOVER 2013

244M€

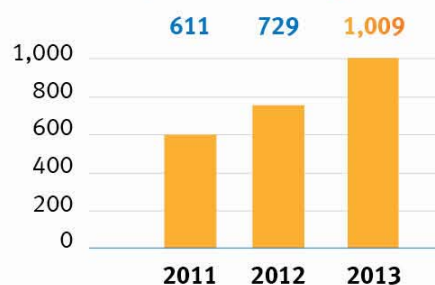
million euro
EBITDA 2013

SNAPSHOT:

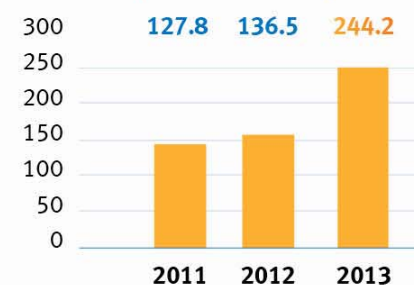
- / Presence in Angola for 68 years;
- / Representative activity in markets such as Mozambique and Malawi;
- / Expanding activity in new markets as Zimbabwe, Ghana, Zambia, Uganda and Cameroon;
- / Nacala Corridor Project: Conclusion: in December 2014.
Biggest project so far (US\$ 1 Bi)
- / June 2014: Biggest Contract ever in Cameroon (US\$ 3,5 Bi) | Mbalam Project

KEY FINANCIAL RESULTS:

Turnover (million EURO)



EBITDA (million EURO)



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NACALA CORRIDOR: AN EXAMPLE OF MOTA-ENGIL CAPACITY

PROJECT DESCRIPTION

Nacala Corridor railway project will link the Moatize coal mine in Tete Province, Mozambique, via Malawi, to Nacala Port, Mozambique over a total distance of 906km;

The Group has been awarded both sections of the project in Malawi (Sections 3 and 5);

Contract comprises the construction of 245km of new railway.

EXPECTED YEAR OF COMPLETION

December 2014

CLIENT

Vale Logistics

TOTAL CONTRACT VALUE

US\$ 1.000 million



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THANK YOU.



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