The road ahead

Tomas Carlsson
CEO
Action plan

1. Organisation and team
2. Exit or divest non-performing business
3. Turn-around plans
4. Improved processes and training
A flatter and more transparent organization

Business area

Building

Building Sweden

Building Nordics

Division

Civil

Civil Sweden

Civil Norway

Operational development and IT

ODIT
Balanced Business Areas
Jan-Sep 2018

**Net sales**
- Property Development: 2%
- Industry: 21%
- Infrastructure: 33%
- Building Nordics: 18%
- Building Sweden: 26%

**Employees**
- Property Development: 1%
- Industry: 26%
- Infrastructure: 34%
- Building Nordics: 18%
- Building Sweden: 21%
New Executive team

Tomas Carlsson
CEO
+ 25 years experience
21 years with NCC
Re-joined May 2018

Susanne Lithander
CFO
+ 30 years experience
Joining Nov 12, 2018

Klaus Kaae
Building Nordics
+ 30 years experience
+ 30 years with NCC

Henrik Landelius
Building Sweden
+ 15 years experience
10 years with NCC
New in ET from Oct 1, 2018

Jyri Salonen
Industry
+ 20 years experience
10 years with NCC

Carola Lavén
Property Development
+ 20 years experience
5 years with NCC

Ylva Lageson
Head of ODIT
+ 20 years experience
15 years with NCC
Re-joined October 2018

Kenneth Nilsson
Infrastructure
+ 30 years experience
Joined April 3, 2018

Organisation and team

4/8
new in 2018

+90
years at NCC

+100
years outside NCC
Appointments in key roles

• Senior Management Team
  – Ann-Marie Hedbeck, Head of Legal and Risk
  – Marie Reifelt, Head of HR
  – Harri Savolainen, Head of Purchasing
  – Head of Communications, recruitment underway

• Other key appointments
  – Fredrik Vernersson, Head of Strategy
  – Erik Nerell, Business Support to the CEO

Several key appointments in the Business Areas
  – 3 new division heads
  – More than 10 new department heads
  – Business Support
    BA Infrastructure
  – Business support
    BA Building Sweden
  – Project Council Building Nordics, all divisions
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Exit Road Services

• Long service-contracts in Sweden, Denmark, Norway and Finland
• Ca 650 employees, revenues approx. SEK 2.5 Bn
• Low profitability for several years
• Few synergies with other parts of NCC
• Strong fundamentals for the right owner: Stable cash-generator and non-cyclical

NCC has decided to explore the potential to divest the business and the process has been initiated.

Division Road Services will be carved out of BA Infrastructure and reported as a Non-core asset from Q4 2018
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Turn-around Civil Norway

- Strong market potential – largest infrastructure market in the Nordics
- New division creates transparency and a more focused organization
- New Head of Division Civil Norway since May 2018
- Two new department heads
- Problem projects identified and isolated
- New Business Risk Manager appointed in the BA to support tendering
Turn-around Building Nordics

- New business area since 1 Oct
- Three different turn-around needs
- Finland – secure profitable tenders and reduce claims
- Denmark – solve isolated problems in part of the business
- Norway – managing legacy projects
- New management in all three markets
- Markets are relatively strong
Turn-around activities for non-performing

EBIT margin

Underperforming departments will be followed up closely

Net sales

Net sales and EBIT % Jan-Aug 2018
Action plan

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4. Improved processes and training
## Improved processes and project management

### Tendering
- Screening, reviewing and approving tender decisions
- Organisation
- Improve assessment of projects risks and unexpected costs based on track record
- Coordination function

### Project Management and cost control
- Early Warning System on business area level
- Ensure sufficient headroom for foreseeable risks
- Improved project management

### Claims and warranties
- New and uniform methodology for estimating claim outcomes and warranty provisions
- Improve documentation throughout the process
- In larger projects, more external experts and second opinions
NCC Project Management Academy
Securing key competence now and in the future

Guiding principles
- Best practice and role models
- Direct impact
- Transfer of learnings

Black belt
White belt
## Summary: Plan to improve profitability

<table>
<thead>
<tr>
<th>Step</th>
<th>Description</th>
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<tbody>
<tr>
<td>1</td>
<td><strong>Organisation and team</strong>&lt;br&gt;Effective organization – strong team</td>
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<tr>
<td>2</td>
<td><strong>Exit or divest non-performing business</strong>&lt;br&gt;Road services, some businesses in Industry, property and land, rightsizing office locations</td>
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<td>3</td>
<td><strong>Turn-around</strong>&lt;br&gt;Civil Norway, Building Nordics, single departments in other Business Areas</td>
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<tr>
<td>4</td>
<td><strong>Improved processes and training</strong>&lt;br&gt;Work towards a common operational model. Structured processes for follow-up of tenders and project. Training.</td>
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Profitability before volume
Reduced number of objectives

- **Operating Margin** ≥ 4.0%
- **Net Indebtedness** < 2.5 x EBITDA
- **Return on Equity** ≥ 20%

**Dividend policy** ≥ 40% of profit after tax
New baseline

• Build on our strong and healthy core

• Focus on projects, customers and geographies where NCC can deliver value

• Lower risk profile in the projects – not less ambitious in our business

• Clear main objectives: Restore profitability and better consistency
My message to the organisation now

- Professional partner to our customers and stakeholders
- Most attractive employer in the industry
- Profit and quality before growth