NCC Infrastructure
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• 4 divisions (Civil Engineering Norway, Civil Engineering Sweden, Infra and Road Services)
• 5,400 employees
• 1,700 ongoing projects
• 700 customers
Solid base in Sweden
NCC Infrastructure Jan-Sep 2018

**Orders received**
- Sweden: 73%
- Norway: 19%
- Denmark: 5%
- Finland: 3%

**Net sales**
- Sweden: 76%
- Norway: 16%
- Denmark: 6%
- Finland: 2%
Continued strong development of the civil engineering market

<table>
<thead>
<tr>
<th></th>
<th>Sweden</th>
<th>Norway</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>• Growth rates: 5.9% (2019), 3.0% (2020)</td>
<td>• Growth rates: 10.8% (2019), 6.5% (2020)</td>
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<tr>
<td></td>
<td>• Many large projects, primarily focused on railways</td>
<td>• Many large projects, primarily focused on roads</td>
</tr>
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<td></td>
<td>• Concentration around Stockholm</td>
<td>• Concentration around Oslo</td>
</tr>
<tr>
<td></td>
<td>• Strong international competition for major projects</td>
<td>• Strong international competition for major projects</td>
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</tbody>
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Source: Euroconstrukt
NCC Infrastructure
Jan-Sep 2018

Orders received
SEK 18.7 BN (14.6)

Net sales
SEK 13.8 BN (12.4)

Order backlog
SEK 24.9 BN (18.8)

EBIT
SEK -843 M (-61)

EBIT-margin
-6.1% (-0.5)
## Our challenges

### Civil Engineering

#### Sweden and Infra

Stable and profitable business for a long time

Problems concentrated to:
- Three large projects won in 2016 (to be completed 2018-2021)
- Several smaller loss making projects in one geography

Root causes:
- Partly optimistic tendering
- Disagreements with customers
- High staff turnover

### Civil Engineering

#### Norway

Profitable business 2005-2015

Problems primarily caused by projects won 2013-2016:
- 4 large projects
- 4 complex mid-sized projects

Root causes:
- Partly optimistic tendering
- Disputes with customer
- Insufficient project management and too many large projects in parallel

Project completion in these about 95%

### Road Services

Generally low profitability or loss-making for 10 years. Several loss-making contracts were won during 2015-2017

Root causes:
- Optimistic tendering
- Insufficient project management

NCC is exploring the possibility to divest the business
Actions for improved profitability
Profitability before volume
Action plans for increased profit

- Action plans for all regions 2019
  - Extensive work in progress
  - Special focus on projects >100 MSEK

- Turnaround plan Civil Engineering Norway
  - In-depth analysis and strategy for the business based on; internal performance and capabilities, products, customers, competitors etc.

- Road Services
  - Potential divestment
Action plan 2019 – Focus areas

Right organization and team
- The right management
- Adapt organization to competitiveness
- Specialization

Execute profitable projects
- Staffing of key roles
- Challenge tender margin: Outperform scorecard
- Project management
  - Income: Protect our contractual rights
  - Costs: Productivity tools, Purchasing plan, Design management way of working

Tendering: Win profitable projects
- Prioritize the right projects
- Ensure the right tender team and project execution team (key roles)
- Risk analysis and contingency

Action plan for underperforming units
- Separate action plan for all units with EBIT<2%
Right organization and team

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<thead>
<tr>
<th>Civil Norway</th>
<th>Road Services</th>
<th>Civil Sweden and Infra</th>
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<tbody>
<tr>
<td><strong>New managers</strong></td>
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<tr>
<td>- New Head of Division (May 2018)</td>
<td>- New Head of Division (March 2018)</td>
<td>New Regional Manager Civil East (March 2018)</td>
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<tr>
<td>- New Regional Manager North (2017)</td>
<td>- New Regional Manager Sweden (March 2018)</td>
<td></td>
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<tr>
<td>- New Regional Manager East/Oslo (Aug 2018)</td>
<td>- New Regional Manager Norway (March 2018)</td>
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Summary

• BA Infrastructure is underperforming in terms of EBIT
• Strong order backlog with lower risk than previously
• Main challenges in Civil Engineering Norway and Road Services
• Civil Engineering Sweden and Infra are stable and profitable over time
• We have a comprehensive action plan to improve profitability
• The combination of a good market and strong order backlog allows us to be selective in tendering