

NCC Infrastructure

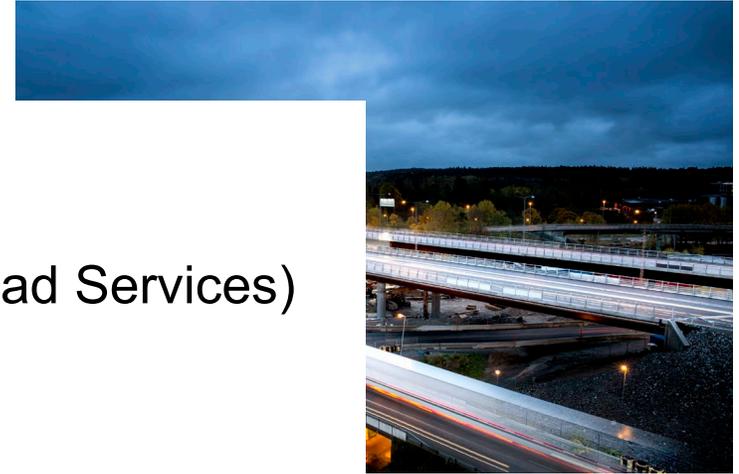
Kenneth Nilsson
Head of NCC Infrastructure



NCC Infrastructure



NCC Infrastructure



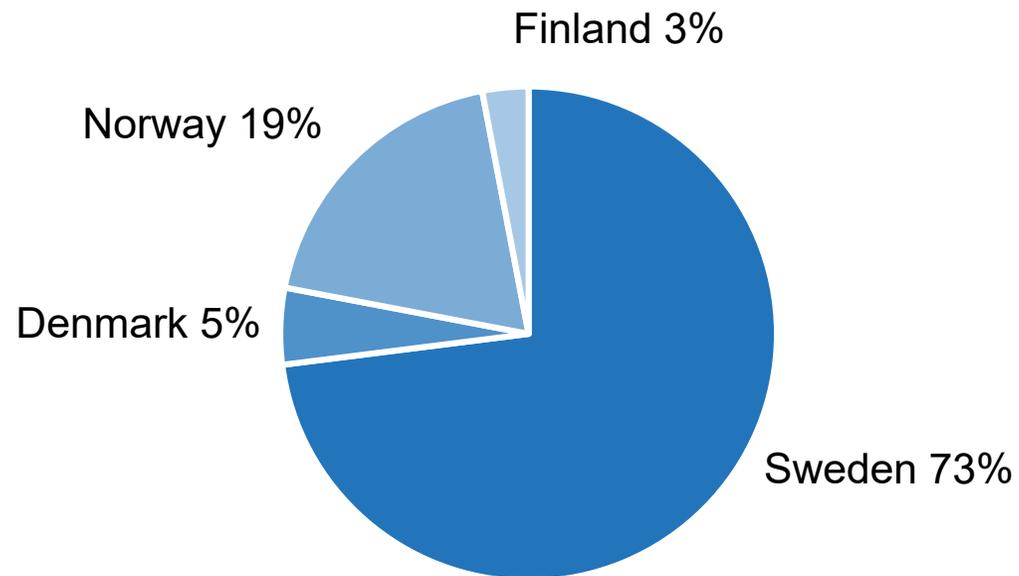
- 4 divisions (Civil Engineering Norway, Civil Engineering Sweden, Infra and Road Services)
- 5,400 employees
- 1,700 ongoing projects
- 700 customers



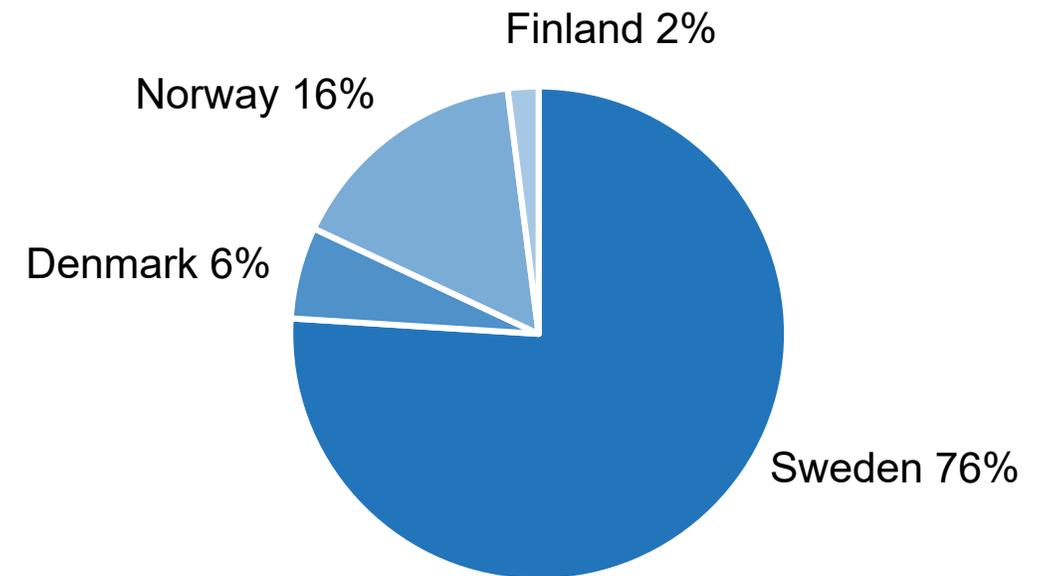
Solid base in Sweden

NCC Infrastructure Jan-Sep 2018

Orders received



Net sales



Continued strong development of the civil engineering market

Sweden

- Growth rates: 5.9% (2019), 3.0% (2020)
- Many large projects, primarily focused on railways
- Concentration around Stockholm
- Strong international competition for major projects

Norway

- Growth rates: 10.8% (2019), 6.5% (2020)
- Many large projects, primarily focused on roads
- Concentration around Oslo
- Strong international competition for major projects

Source: Euroconstruct

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

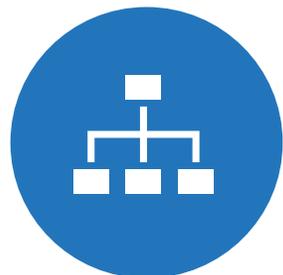
Profitability before volume



Action plans for increased profit

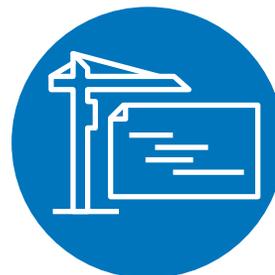
- Action plans for all regions 2019
 - Extensive work in progress
 - Special focus on projects >100 MSEK
- Turnaround plan Civil Engineering Norway
 - In-depth analysis and strategy for the business based on; internal performance and capabilities, products, customers, competitors etc.
- Road Services
 - 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

Civil Norway

New division
(May 2018)

New managers

- New Head of Division
(May 2018)
- New Regional Manager North
(2017)
- New Regional Manager East/Oslo
(Aug 2018)

Road Services

New division
(March 2018)

New managers

- New Head of Division
(March 2018)
- New Regional Manager Sweden
(March 2018)
- New Regional Manager Norway
(March 2018)

Civil Sweden and Infra

New managers

New Regional Manager Civil East
(March 2018)

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