

## Press release

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October 16, 2018

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### NCC presents new path forward and preliminary Q3 earnings charged with provisions and revaluations

**Following a comprehensive analysis of NCC, the company is presenting a number of measures to improve profitability. The quarter was charged with provisions for claims and warranties, revaluation of development properties and impairment losses totaling SEK 1,565 M. Operating profit for the third quarter is estimated to amount to approximately negative SEK 1,108 M.**

“Today NCC presents a new path forward. We are now lowering the risk level associated with the Group’s project portfolio and balance sheet, discontinuing certain unprofitable operations and focusing on NCC’s healthy core operations that can be found in all business areas and countries. With a new Executive Management Team in place, a consistent approach to risk management in projects and extensive measures to improve profitability to turnaround non-performing operations, we are creating a platform on which to build a strong future for NCC,” says Tomas Carlsson, CEO of NCC.

NCC has initiated extensive measures in all business areas to strengthen profitability. These measures include:

- Processes for the divestment and closure of unprofitable operations, such as the Road Services division in the Infrastructure business area and a number of smaller operations in the Industry business area and certain development properties in the Property Development business area.
- Turnaround plans for the civil engineering operations in Norway and the Building Nordics business area
- Strengthened organization with new recruitments to key positions, training initiatives and the development of control and follow-up processes to achieve a general improvement
- Enhanced process for risk assessment of projects

Earnings for Q3 were charged with:

- Revaluation in ongoing claims and warranties of approximately SEK 693 M
- Revaluation of certain development properties of SEK 365 M due to decisions to discontinue projects
- Impairment losses in the project portfolio as a result of a revaluation of approximately SEK 225 M
- Restructuring costs for discontinuation and restructuring of operations SEK 75 M
- Other revaluation of SEK 207 M

The measures that have now been decided will probably entail further restructuring costs of approximately SEK 200 M until the end of 2019.

The measures are expected to have a limited effect on employment within the Group. Certain local changes may be made. The company still has a recruitment need.

The assessment is that the market conditions remain favorable.

The Board of Directors has decided to limit the number of objectives for the Group in order to give greater clarity and focus on profitability ahead of volume. The approved objectives and the dividend policy remain unchanged and are as follows:

- Return on equity  $\geq 20\%$
- Operating margin  $\geq 4\%$
- Net indebtedness  $< 2.5$  times EBITDA
- Dividend policy: The Group's dividend policy is to distribute at least 40% of after-tax profit for the year.

The financial objectives for the business areas are unchanged. NCC also has a number of non-financial objectives that the company will continue to work toward as part of its efforts to generate long-term profitability.

"The demerger of NCC and Bonava in 2016 highlighted the need for increasing NCC's profitability. The Board decided in October 2017 to replace NCC's CEO. The reason was that the performance of the operations was too weak. The Board recruited an external CEO with a proven record of taking strong action and 20 years of experience in the construction industry – Tomas Carlsson – who was asked by the Board to perform a comprehensive review and to develop a robust action program, aiming at building long-term profitability. The result of this review is presented today and has the full support of the Board. The Board believes that we are now laying the foundation for future profitability at NCC," says Tomas Billing, Chairman of NCC.

The preliminary earnings for NCC and for each business area are presented in the appendix.

The revaluations in addition to the current operations and the preliminary operating result were presented in a press release from NCC at 9:50 p.m. on October 15 in accordance with the EU Market Abuse Regulation (MAR).

A Capital Markets Meeting for representatives of the financial market and media will be held at 9:00 a.m. CET at the Scandic Anglais Hotel in Stockholm, Sweden. To follow the Capital Markets Meeting via webcast, visit [ncc.group/cmd](https://ncc.group/cmd) UK: +442030089806, SE: +46856619353, US: +18558315945.

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This is the type of information that NCC is obligated to disclose pursuant to the EU Market Abuse Regulation. The information was issued for publication through the agency of the contact person set out above on October 16, 2018 at 7:10 a.m. CET.

**About NCC.** Our vision is to renew our industry and provide superior sustainable solutions.

NCC is one of the leading companies in construction, infrastructure and property development in the Nordic region, with sales of SEK 55 billion and 17,800 employees in 2017. The NCC share is listed on Nasdaq Stockholm.

# Appendix 1, Preliminary result for NCC January-September, 2018

MSEK	2018 Jul-Sep.	2017 Jul-Sep.	2018 Jan-Sep.	2017 Jan-Sep.
<b>Group</b>				
Orders received	12,738	12,738	44,093	40,554
Order backlog	56,587	52,175	56,587	52,175
Net sales	14,269	13,075	39,513	38,168
EBIT	-1,108	364	-1,020	1,118
whereof revaluation	-1,565	-150	-1,565	-150
EBIT margin, %	-7.8	2.8	-2.6	2.9
Cash flow before financing	-574	443	-3,099	117
Net indebtedness	-4,169	-884	-4,169	-884
<b>NCC Infrastructure</b>				
Orders received	5,423	5,158	18,660	14,638
Order backlog	24,923	18,792	24,923	18,792
Net sales	4,515	4,472	13,799	12,375
EBIT	-883	-65	-843	-61
whereof revaluation	-727	-150	-727	-150
EBIT margin, %	-19.6	-1.4	-6.1	-0.5
<b>NCC Building Sweden<sup>1)</sup></b>				
Orders received	2,394	3,232	9,182	12,678
Order backlog	17,435	20,781	17,435	20,781
Net sales	3,380	2,908	11,086	9,705
EBIT	91	106	349	303
whereof revaluation	-83		-83	
EBIT margin, %	2.7	3.6	3.2	3.1
<b>NCC Building Nordics<sup>1)</sup></b>				
Orders received	2,488	2,306	7,753	5,603
Order backlog	11,110	9,577	11,110	9,577
Net sales	2,720	2,411	7,590	7,380
EBIT	-198	-17	-153	-68
whereof revaluation	-213		-213	
EBIT margin, %	-7.3	-0.7	-2.0	-0.9
<b>NCC Industry</b>				
Orders received	2,913	2,584	9,885	9,445
Order backlog	3,940	3,781	3,940	3,781
Net sales	4,301	4,051	9,092	8,554
EBIT	283	409	196	435
whereof revaluation	-115		-115	
EBIT margin, %	6.6	10.1	2.2	5.1
<b>NCC Property Development</b>				
Net sales	397	168	797	2,525
EBIT	-326	-9	-326	650
whereof revaluation	-363		-363	
EBIT margin, %	-82.1	-5.1	-40.9	25.7

<sup>1)</sup> The business area NCC Building will be reported as one business area in the interim report January - September 2018. New business structure is valid from October 1 and will be reported in the year-end report.