

# FIRST QUARTER 2018 RESULTS

Christian Nørgaard Madsen, CEO | Anne Harris, CFO



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# INTRODUCTION AND HIGHLIGHTS

**Christian Nørgaard Madsen, CEO**

# Highlights

- Significant calendar effect in Norway reduced revenues and EBIT by approximately NOK 70 million
- Profitability improvement program on track with tangible improvement already in Regions Norway
- LINK arkitektur continues to generate improved profitability
- Group-wide billing ratio at a satisfactory level
- Significant contract awards in the quarter
- Stable order backlog at NOK 2.2 billion



# Financial summary 1Q 2018

- Net operating revenues up 7.4 % y-o-y to NOK 859.1 million
  - Higher production due to acquisition of the Hjellnes group and Iterio AB
  - Billing ratio increased to 70.6% (68.4%)
  - Significant calendar effect of approximately NOK 70 million
  - Organic growth in net operating revenues down 3.8%
    - adjusted for calendar effect up 4.8 %
- EBIT of NOK 36.1 million, 4.2 % margin
  - Adjusted for the calendar effect, EBIT margin is 11.3 % in the quarter.



# Status profitability improvement program

Area of improvement	Ambitions	Status	Comments on achievements since baseline 1 January 2018
<b>Sales</b>	<ul style="list-style-type: none"> <li>- Further develop strategic sales team</li> <li>- Key account management (KAM) program</li> <li>- Prioritised tendering</li> <li>- Stricter pricing criteria</li> </ul>		<ul style="list-style-type: none"> <li>- Order intake Regions Norway and increased group order backlog</li> <li>- KAM program in progress</li> <li>- Significant frame agreement awards</li> <li>- Moderate increase in billing rates, still price pressure</li> </ul>
<b>Billing ratio</b>	<ul style="list-style-type: none"> <li>- Increased sales</li> <li>- Aligned procedures</li> <li>- Reduce internal activity</li> <li>- No integration of new acquisitions in Norway</li> </ul>		<ul style="list-style-type: none"> <li>- Improved billing ratio in all segments</li> <li>- Aligned procedures implemented</li> <li>- Low internal activity, but reorganisation in Greater Oslo Area</li> <li>- No new acquisitions</li> </ul>
<b>Project execution</b>	<ul style="list-style-type: none"> <li>- Continue already established programs</li> <li>- Improve client communication</li> <li>- Benefit from improved transportation market</li> </ul>		<ul style="list-style-type: none"> <li>- Net write-downs reflect a normal level of 1-2% of revenues</li> <li>- Fifth project management training programme completed</li> <li>- Best value procurement- and EPC project execution models</li> </ul>
<b>Efficiency gains</b>	<ul style="list-style-type: none"> <li>- Release synergies from new ERP system</li> <li>- Fully integrate existing acquisitions</li> <li>- Further focus on cost reduction</li> <li>- Manning control</li> </ul>		<ul style="list-style-type: none"> <li>- ERP system gradually improved</li> <li>- Integration of the Hjellnes group according to plan</li> <li>- Operating expenses reduced in Greater Oslo Area and Regions Norway</li> <li>- Manning control resulting in stable headcount in Greater Oslo and Regions Norway</li> </ul>

# Key ongoing projects 1Q 2018



- Campus Ås



- Neelum Jhelum



- Tønsberg Hospital



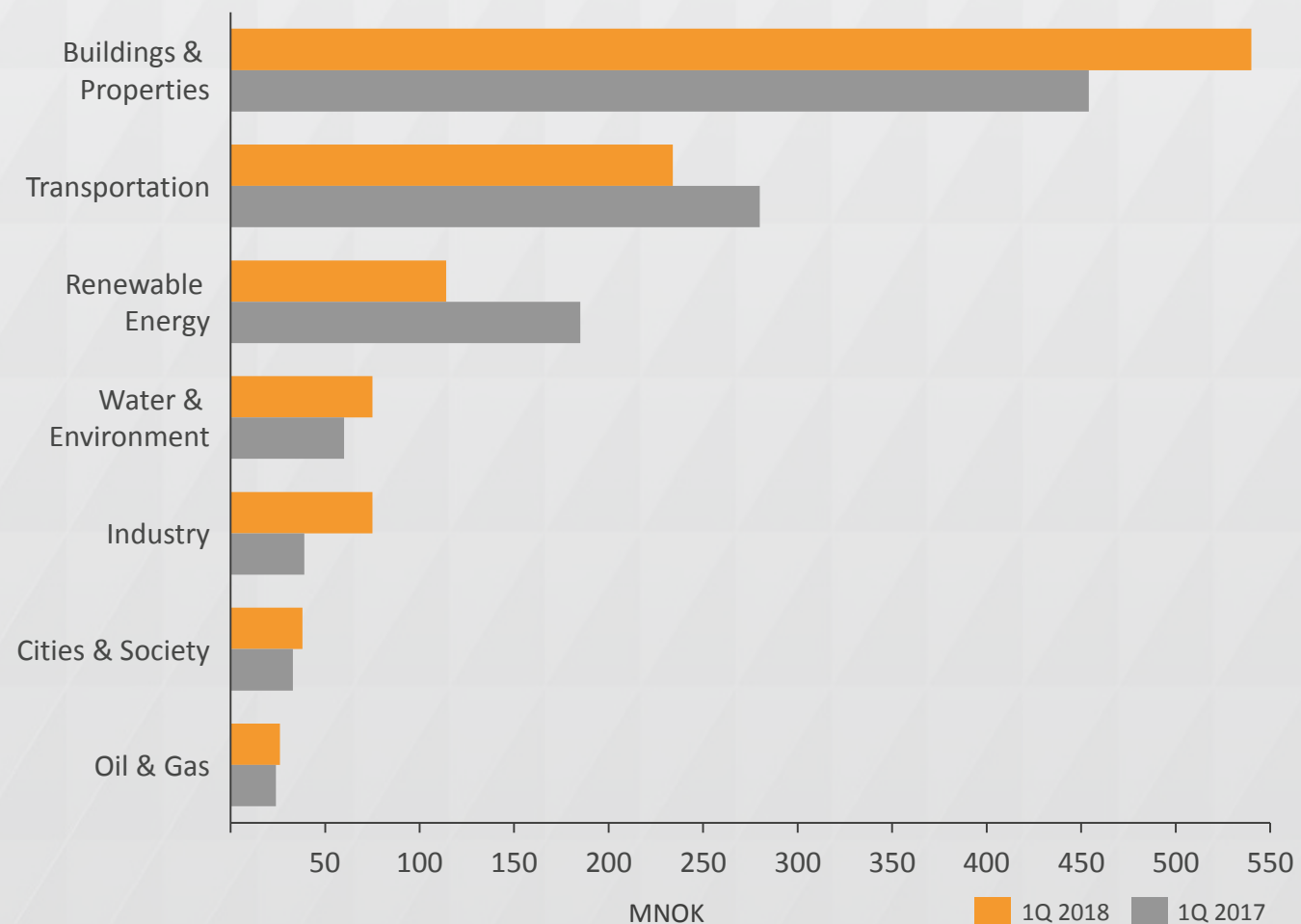
- Fornebubanen



- InterCity Fredrikstad - Sarpsborg



# Order intake 1Q 2018



- Order intake NOK 1 101.2 million, up 2.6 % y-o-y
- Calendar effect impacts order intake
- Continued strong tender pipeline

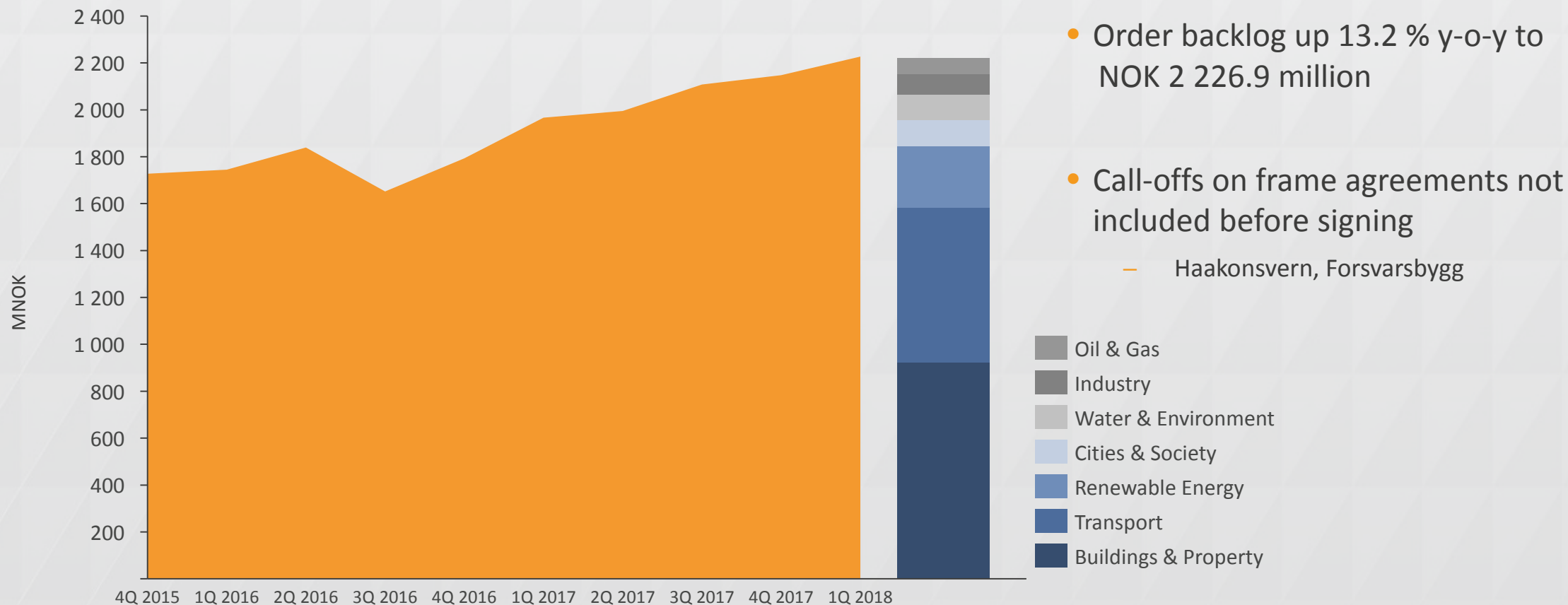
## Key order intake

- RV 3 and 25
- Bus lane Stavanger - Sandnes
- New Airbase Ørland
- Mosjøen power system
- Campus Ås





# Order backlog development and overview per business area



# Organisation

- 2 861 employees at 31 March
- Group employee turnover at 5.9 %
- A new organisational structure of The Greater Oslo Area in effect from 1 March 2018.
  - Comprehensive reorganisation and integration process
  - More than 1 000 employees involved
- Universum annual rankings
  - More attractive employer than ever with top 3 ranking for both engineering students and engineering professionals in Norway
  - Industry leader for sixth consecutive year

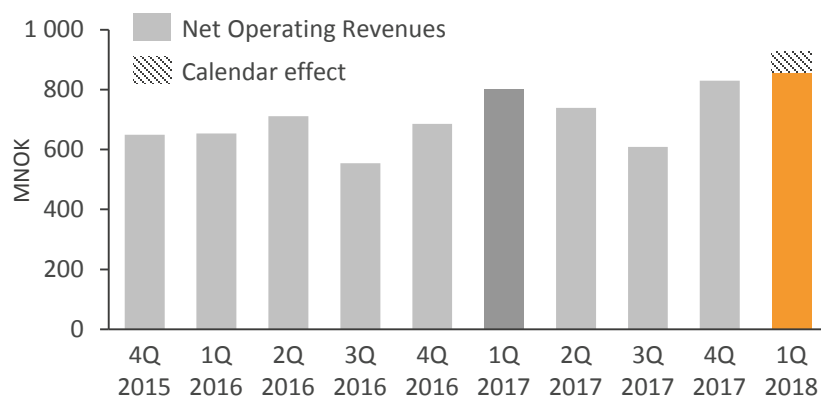
Universum student ranking – Engineering/Natural Sciences 2018 - Norway

Employer	Per cent	Rank	
Statoil	24,98%	1	-
Kongsberg Gruppen	16,80%	2	-
Multiconsult	16,76%	3	-
Aker Solutions	13,85%	4	↗
Norconsult	13,35%	5	↘
Sintef	11,19%	6	↘
Sweco	10,88%	7	↗
Rolls-Royce	10,73%	8	↗
Hydro	10,03%	9	-
Forsvaret	9,50%	10	↘

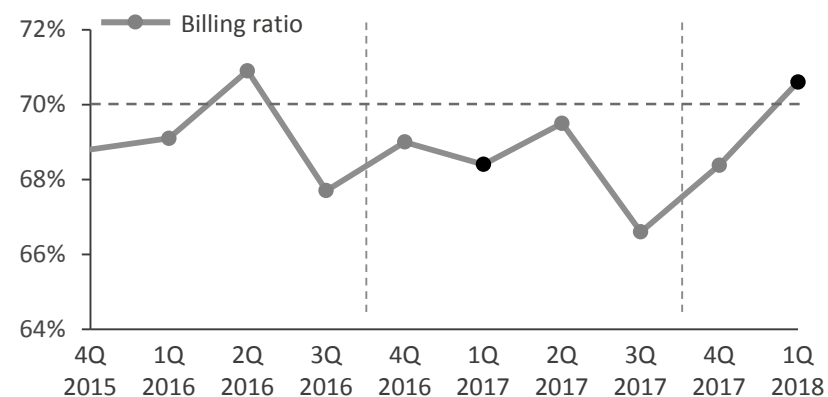
# FINANCIAL REVIEW

**Anne Harris, CFO**

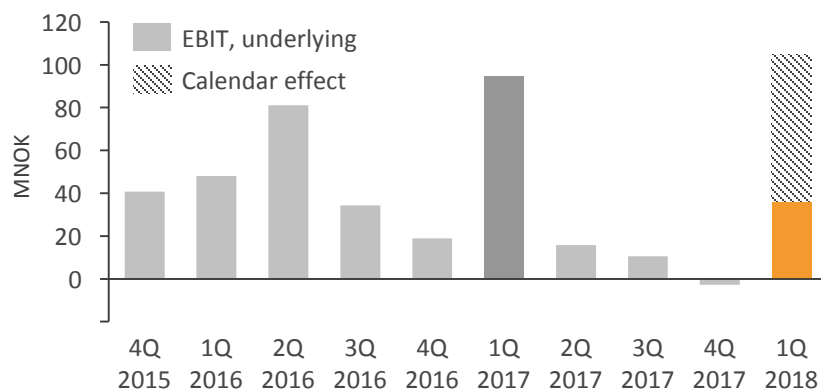
# Financial highlights 1Q 2018



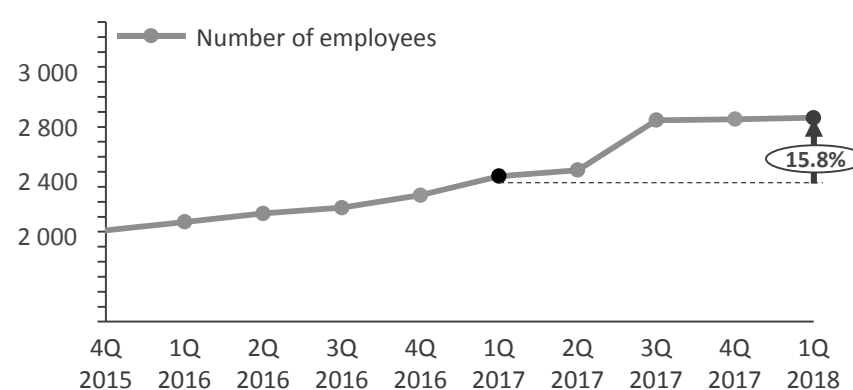
- NOK 859.1 million
- Growth from acquisitions
- Calendar effect
- Net project write-downs
- Billing rates modest increase



- Billing ratio at 70.6 % up by 2.2 ppt y-o-y
- LINK and Regions Norway drive improvement

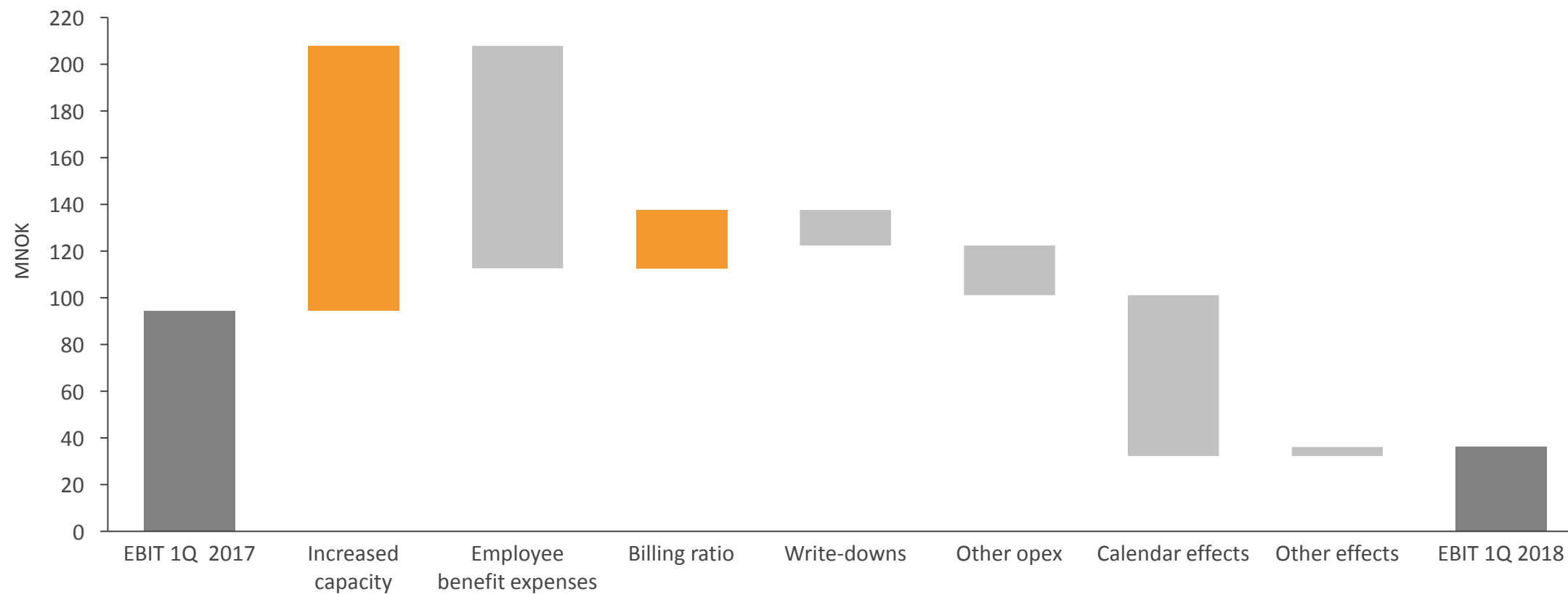


- NOK 36.1 million
- Increased opex in line with headcount



- Up 15.8 % y-o-y to 2 861 employees
- Organic growth 4.6 %

# EBIT Bridge Y-O-Y



# Segments 1Q 2018

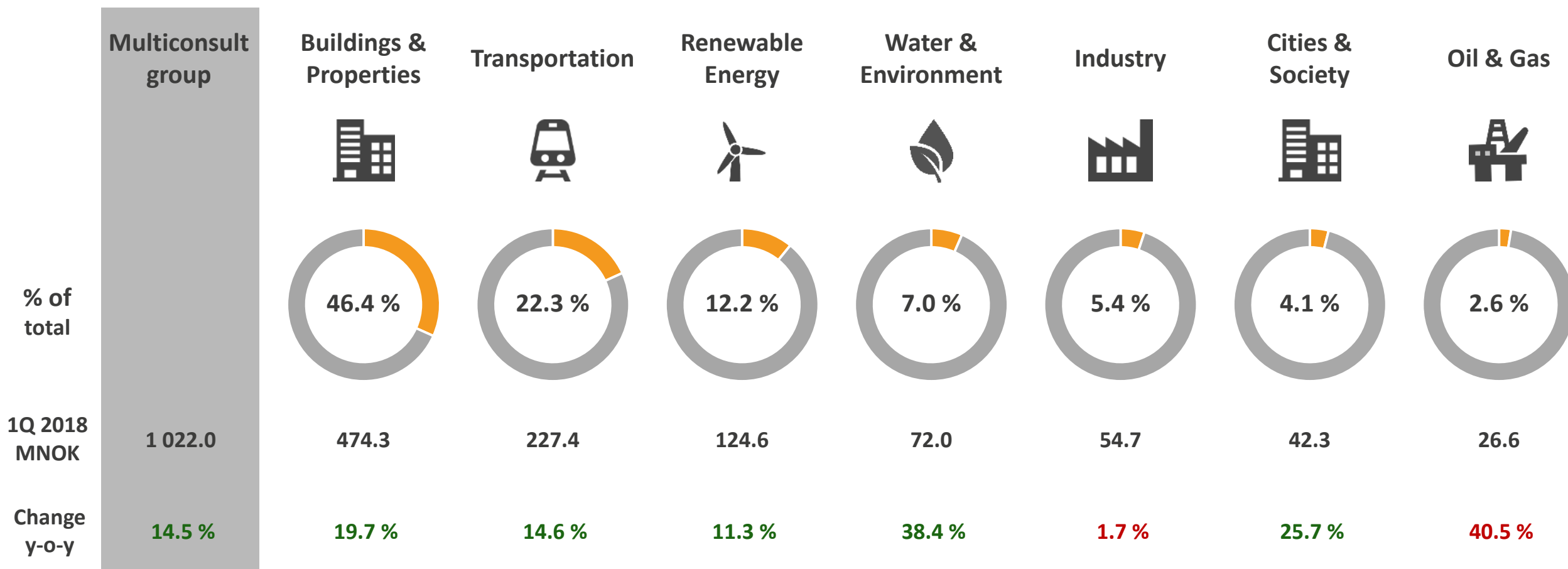
Greater Oslo Area	1Q 2018	1Q 2017	Change	Calendar adjusted
EBIT MNOK	11.6	52.1	77.7 %	47.2
EBIT margin %	2.9 %	14.9 %	11.9 pp	11.0 %
Billing ratio	69.6 %	67.8 %	1.8 pp	
Number of employees	1 172	898	30.5 %	

Regions Norway	1Q 2018	1Q 2017	Change	Calendar adjusted
EBIT MNOK	13.8	22.4	38.4 %	42.5
EBIT margin %	4.9 %	8.0 %	3.1 pp	13.8 %
Billing ratio	69.9 %	66.7 %	3.2 pp	
Number of employees	842	807	4.3 %	

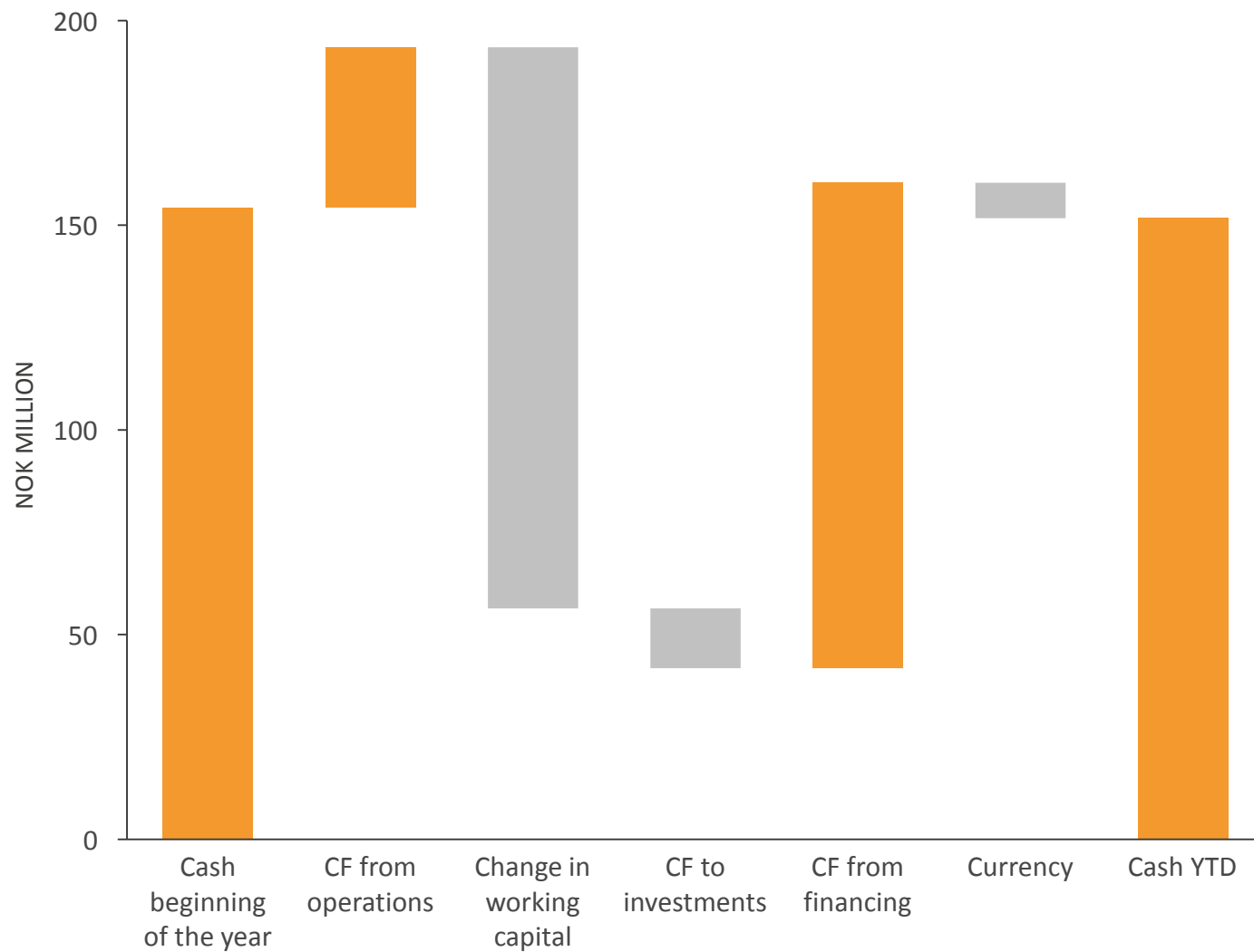
International	1Q 2018	1Q 2017	Change
EBIT MNOK	5.4	13.1	58.8 %
EBIT margin %	10.5 %	28.2 %	17.7 pp
Billing ratio	75.7 %	73.3 %	2.4 pp
Number of employees	241	208	15.9 %

LINK arkitektur	1Q 2018	1Q 2017	Change
EBIT MNOK	12.8	8.3	54.2 %
EBIT margin %	9.0 %	6.8 %	2.2 pp
Billing ratio	76.1 %	71.7 %	4.4 pp
Number of employees	477	431	10.7 %

# Operating revenues by business area 1Q 2018



# Cash flows 1Q 2018



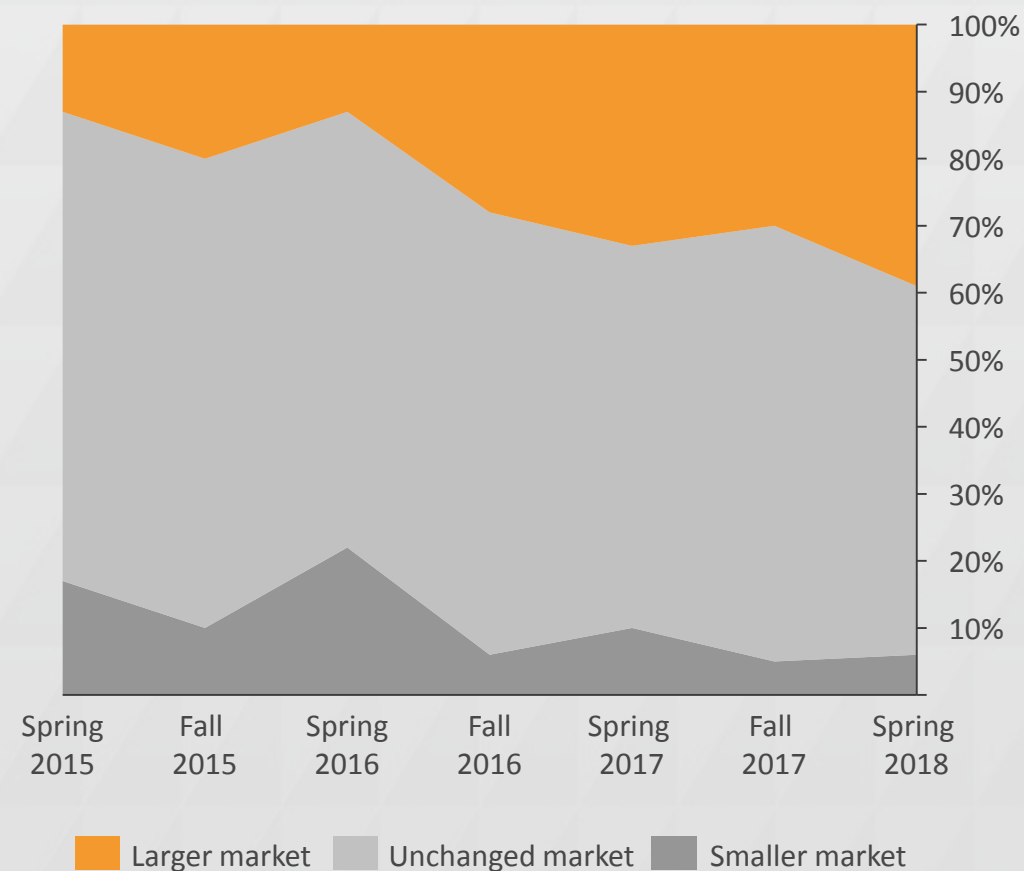
- Cash flow from operations impacted by
  - Calendar effect
- Change in working capital driven by
  - Increased receivables due to increased production
- Investments include
  - Ordinary asset replacement
- Financing
  - Higher level of interest bearing debt



# Outlook

- The overall market outlook shows signs of positive development across all business areas
  - Supported by industry consensus from RIF economic survey
- Continued strong competition and price pressure on large projects
  - Market rates have increased in Norway, regional variation
- Stronger combination of professional capability and stable order backlog
- Active and systematic implementation of the 3-2-1 GO strategy with clear emphasis on profitability
- Profitability program systematically implemented in daily operations
  - Close management follow-up on all levels

Market outlook 6 month perspective industry consensus\*



\*RIF: Economic survey 2018



## FINANCIAL CALENDAR

Dividend payment 25 May 2018

2Q 2018 results 23 Aug 2018

3Q 2018 results 8 Nov 2018

# Q&A

FOURTH QUARTER 2017 RESULTS | Christian Nørgaard Madsen, CEO  
Anne Harris, CFO



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