# Q1 report Jan-Mar 2020

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# Stable results in Q1

**THE COMBINED COMPANY**

Net sales: SEK 5,255 million (5,423) -3.1%

EBITA*: SEK 474 million (467) +1.5%

EBITA-margin*: 9.0% (8.6)

**REPORTED NUMBERS**

Net sales: SEK 5,255 million (4,389) +19.7%

EBITA*: SEK 474 million (390) +21.5%

EBITA-margin*: 9.0% (8.9)

*Excl Items affecting comparability

- Improved profitability, due to cost synergies and strong development within Process Industries and Energy
- Sales affected negatively by challenging market conditions in automotive, the repositioning of Division Energy and the completion of a large EPC+ project
- Solid cash flow development
- Extensive measures to mitigate future effects on operations



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# Measures to address the challenges of Covid-19

- Remote work and digital collaborations as well as other safety precautions
- Short term work allowances for approximately 1 600 employees mainly within automotive, but also support functions
- Reduction of all cost spending
- Increased pace of ongoing cost and synergy program of 120 MSEK
- Investment program connected to the systems platform reviewed
- Withdrawal of dividend and renewal of credit facilities

# Flexible cost structure allows quick measures

Q1, 2020


**Materials and services:**
Mainly related to project deliveries and adjusts according to volume

**Personnel expenses:**
Fixed and variable pay schemes
Quick reaction through work time allowances

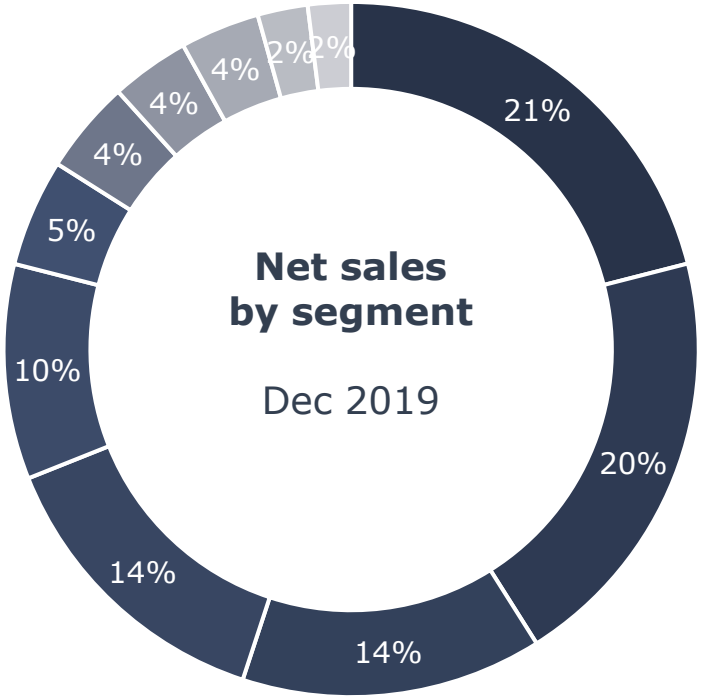
**Other expenses:**
IT related expenses especially – short time impact difficult to achieve

**SEK 4,6 billion in total cost, excl depreciation and amortisation**

# Market update

- Overall good activity in Q1 in majority of business segments, however uncertain market situation.
- Risk of delayed projects and investment decisions.
- In **Infrastructure**, core markets show continued solid demand, however some impact in buildings segment.
- In **Industrial & Digital Solutions** significantly lower volumes in automotive. Continued good demand in defense and food & pharma.
- Strong demand in **Process Industries**, no impact yet of the crisis.
- Stable demand in **Energy** and effects of repositioning faster than expected.
- Solid demand in **Management Consulting** driven by the transition in Energy and Bioindustry
- We expect the effects of Covid-19 to have a negative impact of net sales in Q2.

# Diversified portfolio balances risks




- Infrastructure
- Energy and Power
- Process Industry
- Real Estate
- Automotive and Vehicles
- Life Science, Food & Pharma
- Telecom and ICT
- Manufacturing Industry
- Management Consulting
- Defence
- Other

**30%**
Public business

**70%**
Private business

# New projects

- ABB ready for 5G together with AFRY, Ericsson and Telia
- Selected as Metsä Fibre’s partner in the world’s most modern sawmill and new bioproduct mill projects in Finland
- Site management contract for secondary Gotthard tunnel in Switzerland
- Develop new ferry terminal at Skeppsbron in Stockholm
- Planning mandate for wastewater treatment plant in Switzerland
- New EPCM services assignment for the LD Cellulose S.A. pulp mill in Brazil
- Implement light rail project in Helsinki
- Lead project planning of new hospital in Västerås, Sweden

# Growth impacted by challenging market conditions

**COMBINED, Q1 2020**

— Total growth: -3.1%

**REPORTED, Q1 2020**

— Total growth: 19.7%
— Organic growth: -2.7%
— Adjusted/underlying organic growth: -3.0%

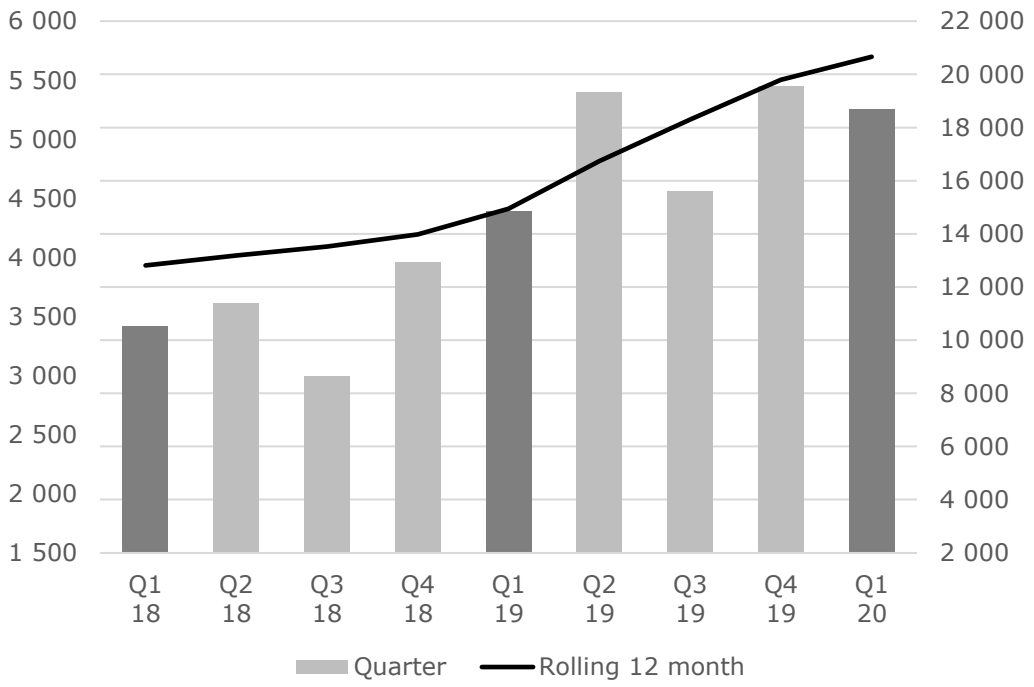
**COMMENTS**

— Growth affected by lower demand in automotive, the repositioning of Division Energy and the completion of a large EPC+ project

— Positive growth in three out of five divisions

— Reduction of materials and subconsulting of 230 MSEK (combined operations) and divestment of a unit in Energy of appr. 35 MSEK

**REPORTED NET SALES, MSEK**



# Improved profitability

**COMBINED, Q1 2020***

— EBITA increased to SEK 474 million (467)
— EBITA margin up to 9.0% (8.6)

**REPORTED, Q1 2020***

— EBITA increased to SEK 474 million (390)
— EBITA margin up to 9.0% (8.9)

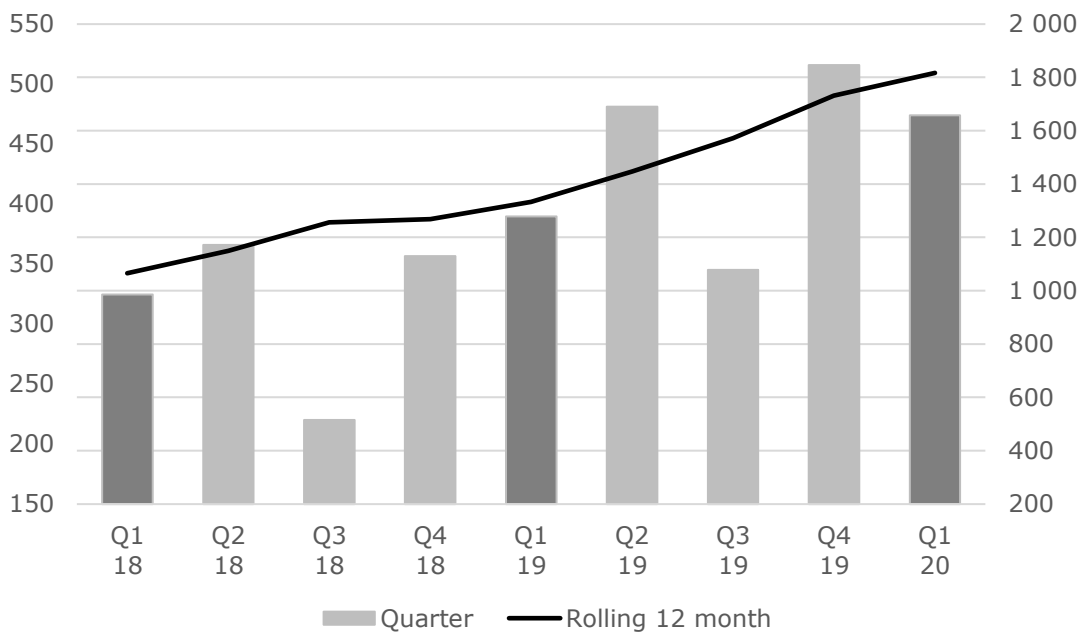
**COMMENTS**

— Strong development within Process Industries and Energy

— Positive impact from synergy program and general cost savings

— Negative impact mainly from the challenging situation within automotive

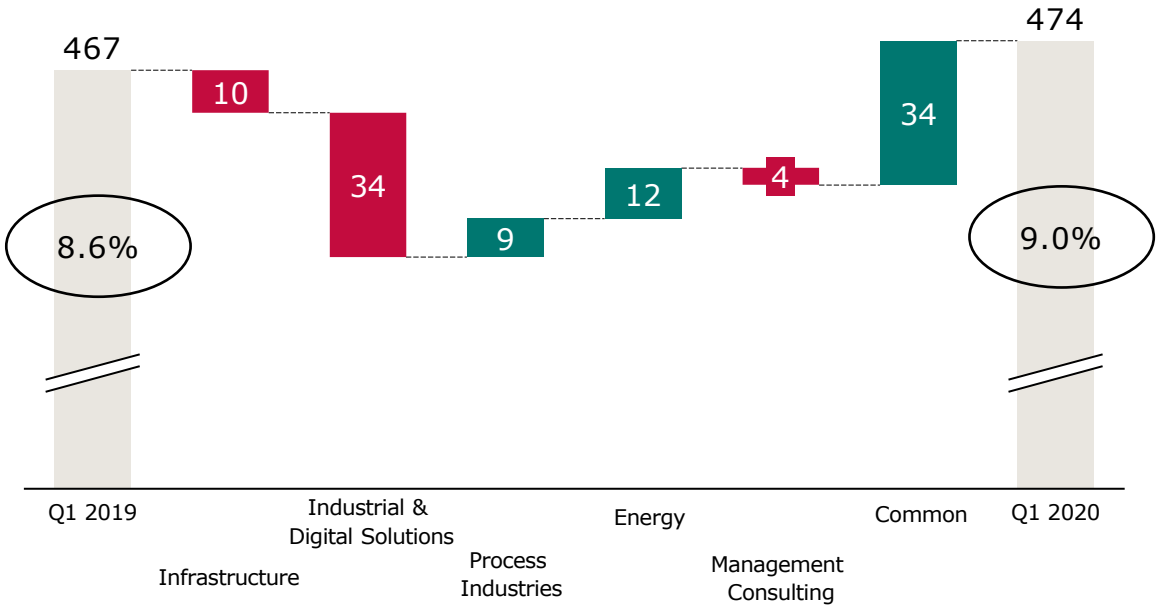
**REPORTED EBITA, MSEK**
excl. items affecting comparability




* Excl. items affecting comparability

# Improved profitability

**Q1 PROFITABILITY STABLE BUT DIVISIONS IN DIFFERENT POSITIONS**




**EBITA CHANGE COMPARED TO PREVIOUS YEAR**

- Minor calendar effects; 2 hours more vs. 2019
- Except for Industrial & Digital Solutions, only minor impact by Covid-19 in Q1
- Cost synergies visible, especially in group expenses



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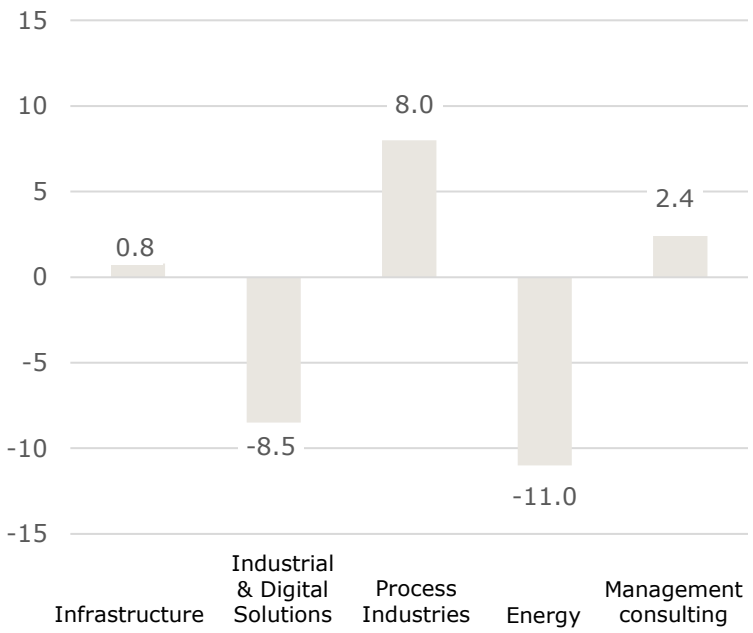
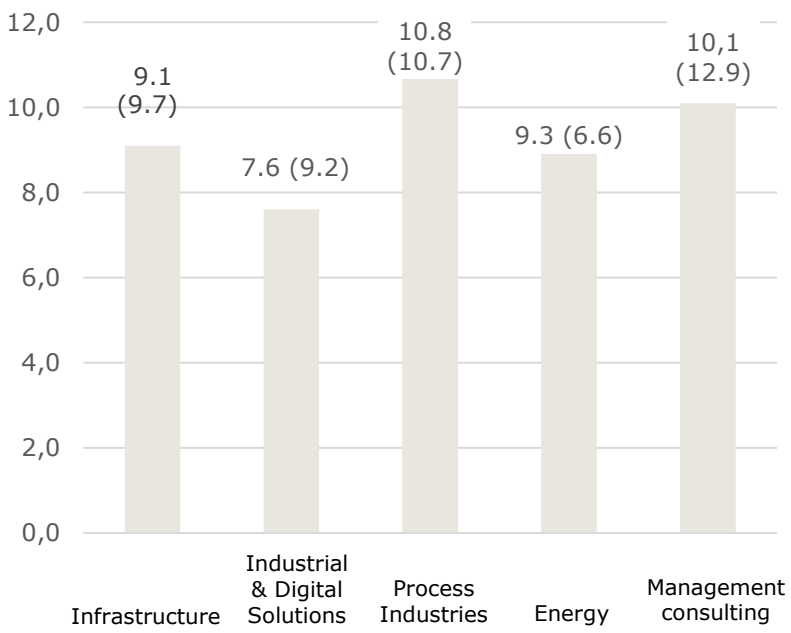
# Growth and profitability

**Q1 ORGANIC GROWTH, ADJUSTED WITH CALENDAR EFFECTS***




**Q1 EBITA % (previous year)***




* Combined operations

**INFRASTRUCTURE**

— Solid growth in most segments, profitability in line with Q4. Some neg impact in Buildings.

**INDUSTRIAL & DIGITAL SOLUTIONS**

— Growth and profitability down due to a sharp drop in volumes in automotive segment

**PROCESS INDUSTRIES**

— Strong growth mainly in the Nordics and South America, profitability on a high level.

**ENERGY**

— Decline in growth due to the material completion of a large EPC+ project, improved profitability due to the repositioning and strong development in nuclear.

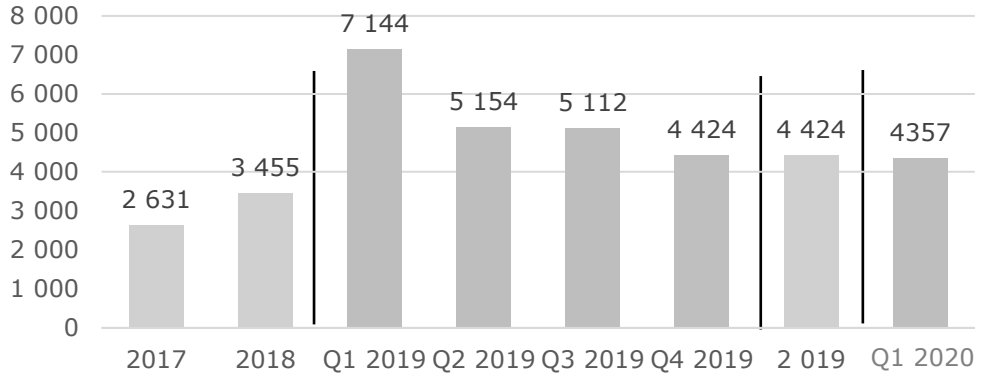
**MANAGEMENT CONSULTING**

— Growth and profitability impacted negatively by lack of success fees and minor impact from Covid-19

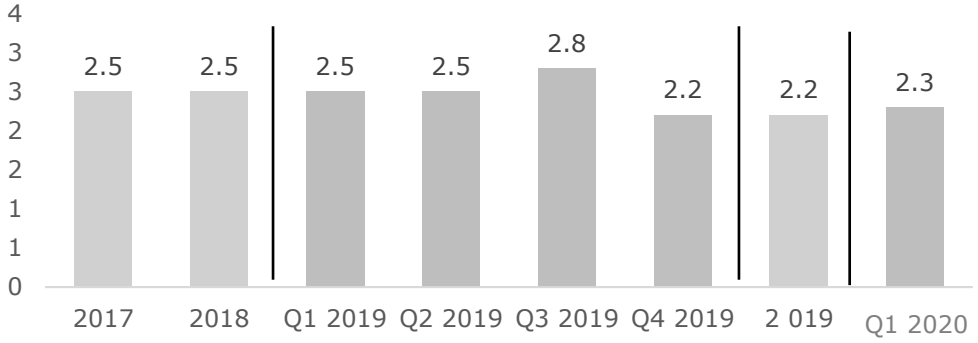
# Net debt development – strong liquidity

- Solid operating cash flow in Q1 pushing adjusted Net Debt/EBITDA to 2.3 (reported at 2.7)
- Net Debt reduced by 67 MSEK compared to end of last year
  - Reduced due to operating cash flow by 249 MSEK
  - Increased due to investments and acquisition related items by 106 MSEK
  - Other impact mainly non-cash related and increased net debt by 76 MSEK
- Available liquid assets of 887 MSEK and unutilised credit lines of 3 300 MSEK and in addition committed term loan of 500 MSEK to replace bond maturing in May 2020
- Board of Directors proposes no dividend for 2019 given the uncertain and challenging market

**Net Debt, MSEK**
excl. items affecting comparability and IFRS16




**Net Debt/EBITDA***
excl. items affecting comparability and IFRS16




** Calculated excluding IFRS16 impact, including Pöyry for rolling 12m and excluding items affecting comparability*

# Focus moving forward

## React & adjust
(Q1/Q2)

- React to Covid-19 crisis - distance work using digital platforms
- Cost savings across all areas including short term allowances
- Focus on operational efficiency and adjusting investments

## Sustain & lean
(Q2/Q3)

- Based on 120 MSEK cost program, and short-term savings in Q2, setting lean operational structure:
  - Increased efficiency
  - Increased flexibility
- Review of strategy and scenario planning: Where to play and how to win in new normal

## Win in new normal
(Q3/Q4)

- Leverage from lean and flexible structure with strong position in key segments and regions.
- Growth, M&A, brand-building and attractive employer
- Execution of strategy with focus on:
  - Sustainability
  - Digitalisation



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# Thank you!

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