



P R E S S R E L E A S E

Implenia accelerates strategy implementation and sets new targets after rigorous risk assessments of Portfolio

- **Implenia finalized strategy implementation reviews for all Divisions, including a re-evaluation of opportunities and risks for all projects. This reinforced the need to sharpen and accelerate strategy execution**
- **Implenia intends to concentrate its activities on core, solid-margin businesses. This will significantly improve the Group's risk profile, focusing on integrated construction and real estate services in Switzerland and Germany. Only Tunnelling and related infrastructure projects planned to be conducted also in other markets**
- **As a consequence, Implenia needs to take unavoidable and painful measures such as Portfolio adjustments, restructuring including layoffs, as well as write-downs and rightsizing of businesses and functions**
- **Restructuring is planned to affect up to 2,000 FTE by 2023, thereof ~750 layoffs, of which ~250 in Switzerland. The plan is to transfer ~1,250 FTE to new ownership. Implenia expects yearly savings of CHF >50 million and a ~20% reduction in its asset base by 2023, with restructuring costs amounting to CHF ~60 million**
- **In the context of divisional strategy implementation reviews, rigorous risk assessments including re-evaluation of claims/litigations for all projects were conducted. This revealed the need for extraordinary write-downs of CHF ~200 million in 2020, for projects that all started before 2019, particularly in sub-unit Civil, and especially in Civil Sweden**
- **Continued negative COVID-19 impact is anticipated at CHF ~50 million for FY 2020 from today's perspective**
- **Reported EBITDA for 2020 is expected to be CHF ~ -70 million. In line with its asset-light strategy, Implenia will report future performance in EBIT. For 2021, EBIT of CHF >100 million (>3%) is expected, an equivalent of CHF >200 million EBITDA (~5.5%). Implenia is solidly financed to achieve these targets**
- **Board of Directors and Management are fully convinced Implenia is well positioned to become a strong and profitable company with substantially improved risk profile. Implenia is firmly on its way to realizing its vision of becoming a leading multinational integrated construction and real estate services provider**

Dietlikon, 27 October 2020

Implenia finalized strategy implementation reviews for all Divisions, including a re-evaluation of opportunities and risks for all projects. This reinforced the need to sharpen and accelerate strategy execution

Since Implenia announced its new Group strategy in March 2019, many strategic initiatives were successfully executed and are proving to be effective. Along with the implementation of the new operating model under the leadership of a new management team, Implenia started the execution of a comprehensive operational excellence program, a newly established Innovation stage-gate process and defined new corporate values. Furthermore, the Group began systematic reviews of strategy implementation, portfolio and performance of the four Divisions, including a re-evaluation of opportunities and risks for all projects. The strategy implementation reviews were conducted sequentially. With Civil Engineering being the last of the four Divisions, this process has been completed recently. These reviews clearly revealed

the need to sharpen and accelerate strategy implementation, particularly for the strategic priorities 'Portfolio' and 'Profitable Growth'.

Implenia intends to concentrate its activities on core, solid-margin businesses. This will significantly improve the Group's risk profile, focusing on integrated construction and real estate services in Switzerland and Germany. Only Tunnelling and related infrastructure projects planned to be conducted also in other markets

Implenia intends to focus on integrated construction and real estate services in Switzerland and Germany. Because of continued challenges at sub-unit Civil, only Tunnelling and related infrastructure projects planned to be conducted also in other markets. Implenia will therefore remain a leading multinational player in Tunnelling, where the company has a strong track record and international tendering practices are common. A focused market presence allows Implenia to concentrate on core solid margin businesses and to significantly improve the company's risk profile. Various non-strategic, non-performing and non-core businesses shall be divested or ramped-down. Implenia also plans to reduce its participation in independent businesses in order to reduce its asset base and thereby significantly improve its equity ratio.

- *Division Real Estate* (previously Development) will continue to grow with an attractive development Portfolio (Landbank) in Switzerland and further expand in Germany. It will extend its value chain and deliver Real Estate Services within the scope of Portfolio and Asset Management services, as well as create scalable Real Estate Products for international markets. The Division Real Estate also plans to develop prefabrication competencies. It will benefit from recurring earnings from services for Ina Invest and from dividends from Implenia's significant minority participation of 42.5%.
- *Division Buildings* will concentrate on a strong market presence in Switzerland and Germany. As an owner-centric end-to-end provider of construction services, Buildings uses its proven track record and competencies to be a general and total contractor and to offer novel contract models to its clients. Non-performing businesses, are planned to be closed, such as Implenia Bau GmbH (South Baden, Germany) which is ongoing, and realization capacities at the lower end of the value chain are planned to be reduced. Activities in Austria are intended to be transferred to the best possible owner.
- *Division Civil Engineering* will focus on planning, engineering and realization of complex infrastructure in Switzerland and Germany. In other markets, only Tunnelling and related infrastructure services shall also be offered. The activities of the sub-unit Civil in Sweden, Norway, Austria and Romania are planned to be sold or ramped-down while Tunnelling business in France is being observed. In Switzerland, Implenia intends to focus activities of the sub-unit Civil in selected areas and reduce realization capacities at the lower end of the value chain. In addition, a reduction in the ownership of yards and equipment in Switzerland, Germany and Austria is planned, thereby further reducing the company's asset base.
- *Division Specialties* will develop scalable businesses as general contractor in construction and engineering. The Division transforms selected offerings (e.g. Timber Construction and Formworks), screens for innovative solutions and identifies existing and new investment opportunities, such as façade solutions and building technology services. Further, it will set up and test opportunities from Implenia's Innovation Hub. Several non-strategic or non-performing businesses are planned to be divested or ramped-down, such as Implenia Modernbau GmbH (Saarbrücken, Germany), which is already ongoing.

Concerning its strategic priority *Profitable Growth*, Implenia aims to achieve its ambitious future targets based on a sound underlying business. Extraordinary project write-downs are minimized by an increased transparency resulting from

the new operating model under the new management team and the risk management, especially with a rigorous Value Assurance in all project phases. Part of this is Implenia's governance and internal control system to further reduce project risks and sustainably improve realized profitability. Implenia will continue to execute its Operational Excellence program in order to benefit from improvements in procurement, digitalization (e.g. new ERP platform, BIM, process automation), lean construction methods in all complex projects. In addition, Implenia improves its cash-conversion-cycle.

As a consequence, Implenia needs to take unavoidable and painful measures such as Portfolio adjustments, restructuring including layoffs, as well as write-downs and rightsizing of businesses and functions

As a consequence of the sharpened and accelerated strategy execution with focus on core solid margin businesses, Implenia must take unavoidable and painful measures. The group will restructure its market presence and therefore plans to reduce its workforce significantly. Additionally, a re-evaluation of opportunities and risks disclosed the need for extraordinary project write-downs and a partial goodwill impairment. Further, a rightsizing in Divisions and Functions will be conducted.

Restructuring is planned to affect up to 2,000 FTE by 2023, thereof ~750 layoffs, of which ~250 in Switzerland. The plan is to transfer ~1,250 FTE to new ownership. Implenia expects yearly savings of CHF >50 million and a ~20% reduction in its asset base by 2023, with restructuring costs amounting to CHF ~60 million

Current restructuring is planned to affect up to 2,000 FTE by 2023, thereof up to ~750 FTE layoffs, of which ~250 FTE in Switzerland. Of all impacted employees, ~1,250 FTE are planned to be transferred to new ownership. Implenia will fulfil its social responsibility and keep ultimate layoffs as low as possible. Planned reduction of workforce is subject to information and consultation procedures as required under respective local law. Groupwide productivity shall be increased by reducing management expenses, rightsizing all Global Functions as well as by externalisation and automation of support processes for all Divisions. This shall lead to annual savings of CHF >50 million by 2023. Furthermore, in order to reduce tied up capital and become more asset light, Implenia also intends to increasingly source project-related third-party services instead of owning them, for example yards and equipment. By 2023, assets are expected to be reduced by ~20% and restructuring costs are estimated to amount to CHF ~60 million. We expect a goodwill impairment of CHF ~30 million.

In the context of divisional strategy implementation reviews, rigorous risk assessments including re-evaluation of claims/litigations for all projects were conducted. This revealed the need for extraordinary write-downs of CHF ~200 million in 2020 for projects that all started before 2019, particularly in sub-unit Civil, and especially in Civil Sweden

As part of the divisional strategy implementation reviews, Implenia conducted rigorous assessments of all projects. This included a re-evaluation of all claims and litigations that had been estimated too optimistically in the past for projects that all started before 2019. This revealed the need for unavoidable extraordinary write-downs of CHF ~200 million in 2020, particularly in the sub-unit Civil and especially in Civil Sweden as well as in some other markets. As an immediate consequence, Implenia changed its Swedish management and consequences in Sweden are currently being further assessed. Key reasons for these write-downs are weaknesses in operational leadership and processes as well as in low groupwide transparency before 2019. From 2019 onwards, the new operating model was set up. The new management team installed new processes with improved organizational and cultural foundation. A revised risk governance including a Value Assurance framework for all project phases with margin as key selection criteria, was effective after 2019.

Continued negative COVID-19 impact is anticipated at CHF ~50 million for FY 2020 from today's perspective

The COVID-19 pandemic is continuing to negatively impact Implenia's performance for FY 2020 from today's perspective. This was driven particularly by closed construction sites in France, Austria and a few Swiss cantons as well as forced closures by some clients. Since then, hygienic and other measures on construction sites have continued to cause decreases in productivity and delays in output. Delays or cancellations of orders and partly interrupted supply chains led to additional impacts. Implenia is in close contact with all clients and suppliers in order to minimize negative effects, such as penalties. As of today, Implenia anticipates that COVID-19 will hit FY 2020 result by CHF ~50 million.

Reported EBITDA for 2020 is expected to be CHF ~ -70 million. In line with its asset-light strategy, Implenia will report future performance in EBIT. For 2021, EBIT of CHF >100 million (>3%) is expected, an equivalent of CHF >200 million EBITDA (~5.5%). Implenia is solidly financed to achieve these targets

Reported EBITDA for 2020 is expected to be CHF ~ -70 million, including the incremental Ina Invest transaction impact (CHF +49 million), COVID-19 impact (CHF ~ -50 million), extraordinary project write-downs (CHF ~200 million) and restructuring costs of CHF ~60 million. The order book remains at a high level at CHF ~6,068 million and is now of improved quality. Estimated revenues for 2020 are confirmed by current orders and approx. two thirds of expected revenues for 2021 are already in the order book.

In line with its asset light strategy, Implenia will report future performance in EBIT. For 2021, Implenia expects an EBIT of CHF >100 million, respectively >3.0% which is equivalent to CHF >200 million EBITDA (~5.5%). As a mid-term target Implenia expects a ~4.5% EBIT margin which is equivalent to an EBITDA margin of ~6.5% EBITDA.

Implenia is solidly financed to achieve these targets. The expected short-term decline in the equity ratio to just over 10% in the 2020 financial year is due to the project write-downs and goodwill impairment, restructuring costs, COVID-19, FX effects and the Ina Invest transaction. The equity ratio doesn't contain the upside potential from the development portfolio remaining at Implenia, this included the equity ratio would be above 15%. Planned strategic initiatives which are being sharpened and accelerated (e.g. divestments/externalization of asset-heavy activities) are leading to an expected equity ratio of >20% within the next 2 years.

Board of Directors and Management are fully convinced Implenia is well positioned to become a strong and profitable company with substantially improved risk profile. Implenia is firmly on its way to realizing its vision of becoming a leading multinational integrated construction and real estate services provider

Recent market predictions remain positive despite the impact of COVID-19 on all Implenia markets. Total construction output is expected to recover in 2021 and continue to grow in 2022. Implenia is confident about the disclosure of all significant extraordinary write-downs from projects that started before 2019. Risk management procedures are proving their effectiveness and will further increase the predictability of positive value creation for our shareholders and other stakeholders. Recent acquisitions of new lighthouse projects by Buildings (e.g. Kantonsspital Aarau, Alto Pont Rouge in Geneva, Südcampus in Bad Homburg) and Civil Engineering (e.g. Modernization of the Waldenburgerbahn Basel-Land) reflect Implenia's strong and integrated planning and realization competences. In sum, the restructured Group and its four Divisions will be more flexible in offering integrated construction and real estate services in Switzerland and Germany. Implenia will integrate internal and external capabilities and leverage synergies among the Divisions.

The Board of Directors and Management are fully convinced, Implenia will become a strong and sustainably profitable company with a substantially improved risk profile and will deliver a strong financial performance in all Divisions in FY 2021.

Implenia is firmly on its way realizing its unchanged vision and strategy to become a leading multinational integrated construction and real estate services provider.

Contact for Investors and Analysts:

Investor Relations, T +41 58 474 29 99, ir@implenia.com

Contact for media:

Corporate Communications, T +41 58 474 74 77, communication@implenia.com

Analysts and Media Conference

An [Analysts and Media Conference \(webcast\)](#) takes place today (from 8.30 to 9.30 am), where you can submit your questions.

Investors' Agenda

3 March 2021: Annual Result 2020, analysts and media conference

30 March 2021: Annual General Meeting

This press release is also published in German and French. The original English version is legally binding.

Implenia is Switzerland's leading construction and real estate services company. It has significant building construction and Civil Engineering operations in Switzerland, Germany and Austria, as well as strong positions in the infrastructure sectors of all its home markets: Switzerland, Germany, Austria, France, Sweden and Norway. Implenia is also a successful real estate developer in Switzerland and Germany. Established in 2006, Implenia can look back on around 150 years of construction tradition. It brings the expertise of its highly skilled consultancy, planning and execution units together under the single roof of a leading multinational integrated construction and real estate services provider. With Implenia's broad offering and the deep experience of its specialists, the Group can realise complex major projects and provide integrated, customer-centric support across the entire life-cycle of a building or structure. The focus is on customer needs and striking a sustainable balance between financial success and social and environmental responsibility. Implenia, with its headquarters in Dietlikon near Zurich, employs more than 10,000 people in Europe and posted revenue of over CHF 4.4 billion in 2019. The company is listed on the SIX Swiss Exchange (IMPN, CH0023868554). More information can be found at implenia.com.