

2012 ANALYST AND INVESTOR DAY



RIKARD APPELGREN

Rikard Appelgren: Well, thank you for coming. I'm very happy to be here. It's my first visit to Canada. I haven't had too much time to see anything outside the office, but hopefully over the coming years that will happen.

I think before I stop my presentation, I think there were some earlier questions about integration and I think, from my perspective representing Nordic - Northern Europe, and perhaps as you've seen as of late Sweden being a big part of that. I think it's a common view in terms of there is a lot of commonality between the Swedes and the Canadians.

Actually I even have a - one of my Vice Presidents, he's co-author of - very simple, you can read it between Montreal and Toronto, but it's called Canada versus Sweden, and it makes actually a comparison (sic) between the countries and I think the conclusion is there. A lot of similarities, some differences too. But if you want to read it we have done our own translation into English so please talk to us about it and I will send it to you.

Man: (Unintelligible)

Man: Well yes, that's also a problem that we - I don't -- let's talk about that another day, I think. I don't know what you do, why they come here instead of staying home playing -- so...

Man: Lower taxes.

Rikard Appelgren: Lower taxes, yes, that's one of the conclusions in the book.

So, well what I've tried to do now in my presentation is give you a flavor in the European business, it's probably one of the businesses in (WSP) that is divided into a number of countries, I will try to explain to you why we are in these countries, there are some thinking behind it and then hopefully to give you a balanced view of what we do and how we are represented in different parts of Europe.

If we look at the existing business, we are over the European continent, but mainly as he had said focused on the northern parts. Over five hundred million in turnover, three thousand three hundred people, and of course a large part of that sits in the Swedish business and because of that we go into more detail into the Swedish business later on.

If I go through the different countries here, and I'll come back to give you bits of a feeling of how big these countries are, what is the economy, but you can see that the main business is in Sweden, we have about 300 people in Finland and Germany and then we have a number of smaller businesses moving to the southern part.

What's interesting here is our ownership in our Norwegian colleagues, Multi Consult it's a big company that has grown from 400 people 10 years ago, that has taken part of the ongoing consolidation in the Norwegian markets, and I think we have been a good partner in that development. We have over the years developed a lot of corporations between the countries, we have supported each other and that is something that I see move - will continue to develop when we move on into the future.

France is not on my map, we have a small business in France, it's actually at the moment divided in the small GENIVAR part and the small (WSP) part, and I suppose we have to - as part of integration see how we move that on.

Our expertise, I believe that in the European, in Europe, in (WSP) Europe we are well represented in all sectors. It varies between the countries a bit, some markets we are very multi disciplinary, in Norway and Sweden being those two. In some other markets we are only represented in parts of the - of the sector.

But I also think the picture here on - shows the variety of all projects and that we work with, I mean public projects like hospitals, with the similar set up, I mean a lot of hospitals in Sweden and Germany are public investments and we participate in those. We have in that industry, we have the iconic buildings, not so high, but in this case, the Porsche and I think that is good.

And then a lot of investment in tunnels and infrastructure and road and rail especially in the Nordic countries. The client diversity, yes we have 65% of our turnover towards public clients and with that I include also, state owned enterprises, of course I believe that they somehow are part of the same mixture and on top of that, 35% private clients.

We have a number of clients similar, very similar to the GENIVAR setup or GENIVAR structure and we also have a number of ongoing projects, and I think that is everything from very small projects to very big projects and it builds resilience into the business actually. Where you build - or win a lot of work on being local, being close to the client, but at the same time we use, now developing into the global work, but also into the regional point of view, we use our expert ties to make sure that whenever big big projects come up we can support the local presence with our resources and expert ties from other parts of the region.

You see a number of names here; perhaps you recognize some of them. You've seen a few of them on previous slides, but you also have of course a number of big local Swedish clients and the road and rail authority, that is definitely one of the bigger ones that we work a lot with in Sweden.

I think this picture shows a bit about the markets we are working in; it also gives some input to the rationale as to why we are in this specific market. Personally I believe it's better to be in fewer markets with a bigger balance sheet, and I think this picture shows that we are not there.

We are on a journey towards that strategy, because of course there are some small businesses in this picture, but the rationale behind these countries were of course, Sweden, our history we've come from there, we've been there since 1938. Finland and Norway being part of the Nordic region. A lot of commonalities, a lot of similar challenges and ways of working, but looking into Germany and Poland, Germany is the driver, the engine of Europe; Germany is a very unconsolidated market.

When you look at our market share in Sweden, we have about 10%. In Germany we are with 300 people, we don't even have a percent; it is a point something percent. But even with 3-400 people we are among the 10 biggest companies in Germany so it shows how unconsolidated market that is and how we as part of stepping into that market of course we think there is room for consolidation and we want to be part of that.

When it comes to Poland, I mean it's a big country too, 50 million people, also very unconsolidated market. It is a - it came into the union, the European union a couple of years ago, but it also has a very Nordic approach to - I mean it's starting to build its own economy now, the economy is developing on its own -on its own base I should say. I believe Poland is a country, it's a market that is going to develop over the coming 10 years and could be interesting looking forwards.

These were previous ways of looking at things that Pierre said earlier on, we will go into a process of looking forward in the combined entity and we will see where this ends. But that was somehow the drive us behind, why we are where we are today.

Finally you can see Romania on the previous map, Romania today is a very difficult market, it used to be a better market. Today we have transformed that office into an off shoring office for the Swedish business meaning that we use Romanian engineers to deliver projects in Sweden and I think that is something that we develop in parallel with also working with our Indian off shoring office that (Paul) will talk about later on.

During this period we have actually stepped out some markets, we left Russia a year ago for different reasons. We also have stepped out several of the smaller Baltic states, I think it shows that we have a dynamic view on where to be and where not to be and I think that's also important to have moving forward.

Our market presence, as I said earlier on, it differs from country to country, but I also think this map - road map gives you a view of where there are opportunities in the market, I mean Sweden is the most mature market, we are covering most of the sectors. Two three years we had worked and are in progress of developing our energy in industrial markets.

Here I can see very strong synergies with GENIVAR of course, where they have a resources and know how in these sectors, not in this picture, but included in their industries, definitely mining I mean we do a lot of mining work up in the northern parts. And of course with (GENIVAR)'s position also as a Nordic country and all that comes with that climate. I think that know how is very good to have when we try to expand our service offering to our mining clients.

We have had the industry network over a couple of years now including UK, South Africa and China, and back to what (Tom) said, I can see a number of projects coming out of the back of that network that we would never have won without it.

So this global interaction between different parts of the business is an opportunity, it is creating work, volume that wouldn't be there otherwise and I believe that there are a number of areas that (Tom) will work on for the future so we will see this development.

Norway is an oil country, oil and gas. There have been new findings of more - more development into the future so I believe the Norwegian economy is an economy of its own. There is a very active investment going on now into the oil and gas. Partly also the mining sector and of course this whole activity also spills over on the rest of the construction market, the property market and so on.

Finland, we are a medium player, I believe we are subscale in Finland with 340 people, I think Pierre touched on that too. I mean there are synergies in scaling up, back office issues, and so on and so on, with larger businesses, and I believe that filling up the gaps that you can see on this map also represents growth -growth opportunities for the future.

And finally, Germany is similar; I mean Germany is also subscale compared to that market. Germany, one has to remember is a regional market, I don't know how compared to Canada, because I don't know enough of Canada, but I suppose there are similarities. It is one country, but it is 15 (unintelligible) and you have to be local and our strategy for Germany is exactly that.

We have our head office in Munich for our business is in Munich today, but we want to develop regional hubs in Stuttgart, Frankfurt, (Rudgabeat),

Donzdorf, Essen, and Hamburg and then of course Berlin in one way or another being the capital of the country.

Finally Poland, we have a fairly small business and more so that is also an area where that is a big country, we have a - as I said before, or I didn't say, but we have an approach of you have to be top tier, even if it's not on a country base, it has to be on a regional base, I believe in building a strong position on where you are, number one or number two in any market that you are active on, because that somehow - I mean being number one or number two normally means that you have strong relationships, good relationships, client relationships that you can build on.

Through those relationships, you normally get good work, good projects, and on the back of those projects, you can recruit the best people and in the end you create good shareholder value. So it all comes together in the positive outgoing movement.

So this is the market percent of where we are today, market overview, I think there is a perhaps a temporary softening of the market in Sweden, partly housing is softening, industry is part, I mean we are part of resource impacted the industry so it plays on the global resource market.

And at the same time of course we have a very strong state economy at the moment, so we know there will be investments in the economy related to infrastructure, rail - rail and road moving forward, so I think this is a balance that we are looking into taking into account and I think that everybody is convinced there will be a strengthening next year.

Germany - I mean the market is - has been good in Germany. We have had some restructuring in our own business, we have done that now in 2012, and we do expect that that will show in improvement moving into next year.

The overall markets view in Germany and Poland partly impacted by Eurozone, what will happen in the Euro Zone and partly impacted by the overall global economy, I mean Germany has a very strong industry producing high quality goods that they sell all over the world. And that is of course is the machine in Germany and one way or another.

Finland, bit of mixed views and as I said Romania is challenging we are more or less stepping out of the local market using the resources for the Swedish operation.

A closer look at Sweden, as I said - I mean we have a big - it's a very consolidated market, we have a 10% market share in Sweden. You can see here our peer groups, (Staaco) and (AF) and (Grompny) are all listed companies. (Grompny) in Holland, (Glenaic) in Stockholm, and so there are opportunities for you to compare if you want.

We are number three in the Swedish market, (AF) is the largest one, but one should remember large proportion of (AF) Swedish work doesn't compete because they work in different sectors. They work in product development in the car industry, service lines that we don't have and will never have, or will never have, I don't know, but don't have at least.

So we consider ourselves being number two in Sweden and from a turnover point of view, and I think (Staaco) is probably the company that we would and always benchmark ourselves with. I think competition is good. I remember an old owner I had before (WP) said you should be number one but act as number two. So I am acting as number two to become number one. So hopefully somewhere in the future we will get there.

(WSP) Sweden, well it's a mature market, I mean we've had business there since 1938. Meaning that we have been move - working a lot with structures, we are very close with our clients, we are developing new business lines, we are working a lot with integrating - well we are integrated, but it is continuous

work to keep that pace and we are all over Sweden, about 40 offices, and we have been operating in a strong economy.

I think Sweden and Canada have had similar history over the last four or five years. And then what is quite interesting at the moment is for the first time I think in history with the global economy going down, the Swedish Crone has stayed strong. Normally currency follows - becomes unsecure, an unsecure place to be, but for the first time this is going the other way.

Had some impact - on the other hand, I think that the export industry is very diversified in Sweden, we import, we export, we assemble in Sweden. So nobody really knows if you go into analyze how this will move.

So I think from our point of view is listening less to those views and actually work our own - do our own work - proper work into the marketplace into the relation with our clients.

So we have a diversified look, I said that, and we also have a full range of services. Also to give you a feeling we are all over the place and that also gives us the resilience that I believe you have seen or you could have seen if you follow (WP) over the last, almost 10 years now, or at least eight, seven to eight years now. And I think that is also our strength actually moving it.

Opportunities, well I mean the Swedish market being very consolidated already, consolidating, so it is - I mean the five or six big ones are continuing to grow and I think there are areas where we are stepping in organically now, but perhaps also reinforcing with some smaller expertise, we will continue to address those.

The overall as I said markets, there could be some temporary softening, but we also see that there is an ongoing investment in the info structure, we also believe that similar to Canada, I suppose, the resource market over time is

going only in one direction even though it is volatile and of course continuous investment in mining will be important in the Swedish economy.

I read a report the other day where the conclusion was that probably in comparison with Australia, our mining industry should be twice as big as it is today. Wherever it will end we don't know, but it shows that long term development in that area.

So I also believe that the Swedish business is well ahead when it comes to structures, to systems and efficiency issues and I will come back to that on my last slide, but it is definitely - or this slide, but it is definitely an area that we are continuously working with, meaning that we want to increase our operational efficiency.

If I tried to sum up what we are looking at in Europe at the moment, what are our priorities, well one is definitely to maintain Sweden, it is the engine of (WSP) Europe and we always need to work with this, to make sure it's developing, that we don't see any complacency coming into the business. And make sure that we keep that business on its toes, to make sure - to continue to evolve.

The close relationships with the Multi Consult in Norway are of course very important. We are or have been over the last year supporting Norway in info structure, we see that volume just increasing and I believe that the overall partnership with Multi Consulting in Norway will take further steps moving into the future.

And then improve and develop, we had turnaround in Finland in 2011, we are now seeing a real good change in 2012, but of course there are further improvements there. And the same moving into Germany.

When it comes to the different sectors, industry, rail and the whole area sustainability in the future cities are areas that we work on. And finally

assignment management system, again back to productivity increase, efficiency increase, we have invested in that over the last four or five years, now it's time to get the benefits out of that system over the years to come because we have now introduced it into the business, but we still of course have to leverage from it and get people to use it in a proper way.

Being this important finally off-shoring. Couple of projects, this is a big investment in the southern part of Sweden. It's about two and a half billion dollars. We are on the project in initial basis now we have about a number of technical resources on it.

But also shared with some of our pay groups, because with such a big project, there will - a lot of consultants will be engaged in it, but it shows that we are in the early phases of it and it will become a big important project for us moving forward.

The west linking Gothenburg I mean it's a big rail project where they are actually standing - there used to be a stack station in Gothenburg now they are making it a drive through station and it is a huge - also again, two billion, two and a half billion dollar investment has started now in the early phases.

We are in that we have assignments and I'm sure that moving on this will also be an important project for us. This picture I say has to represent our other businesses in Germany with Berlin airport; with Frankfurt airport we have a very good knowledge base, resource base in Germany with airports both in project management and in design. And that is something of course that we want to use in moving into the global world.

Finland has a world class expertise in bridges and that is also hopefully something that we can bring and get use of in the future. Royal seaports, future cities, development of new cities is going to be a key issue for everybody, today 50% of the population in the Berlin city, tomorrow it will be 70% in 2050.

This creates lots of problem issues, to solve and I believe (WSP) GENIVAR has all or a lot of knowledge in this area that will be used and we can benefit from. Some iconic football is a big - big area stadium, we have yet, it's almost finished now, but I wanted to show you our project look in the middle of it, it's in our office in (Globurn).

Eighteen thousand pieces of concrete put together and we designed them all so it's a bit of a Lego, but they all fitted together in the end which is quite nice.

So with those words, you got the short introduction. I could stay here and talk over lunch too, but I don't think that is appropriate, thank you for giving a short insight to the European business and if there are any questions, please. Yes?

Man: Can you describe a little more, your relationship in Norway with Multi Consult, what are the - is there a standstill of the 25%, do you have any intent over time to - could you require more, could they compete outside, what's the relationship there?

Rikard Appelgren: I mean the relationship with Multi Consult is that we have had the 25% for many years now, since the 70s. The rest is owned by a foundation and I think that multi consult - and we are representing (WSP) from the board so we would have had - from the board position we do impact their way forward.

When it comes to develop in that relationship, in that owner relationship, I think it is an area that is being talked about, it's a matter of two companies getting into same views so I think it could be for future opportunities, but I also think that Multi Consult has to make up their own mind on where they want to go so it's an ongoing issue I would say that has been ongoing and we continue to go on, but in the meantime we continue to develop close relationships to work together to exchange resources and to support each other on different markets.

I think one good example is ultimately contacting GENIVAR because there is an interest in understanding (unintelligible) knowledge, Nordic conditions again are the synergies between GENIVAR and - and Multi Consult.

Man: Thank you, is there something structurally different about Germany that keeps it as fragmented as it is?

Rikard Appelgren: I think that in Germany you have the - I don't know if you know, a strong ((Foreign Language Spoken)) it's called even in big companies you have a lot of private ownership. There are cultural private owned companies in Germany that is probably slightly different to the Anglo-Saxon world. I think that has been one of the areas that have made it or that haven't started consolidation yet.

On the other hand I can see that number of companies are now coming; there is a need, because clients are starting to see that they do not want to take on the risk. Historically German clients have taken in three or four or five different companies and managed the risk themselves, they can always come up in between number of supplies. And there is a driver also on the client's side of wanting to work with bigger companies that can take on bigger responsibility, not risk, but handed the risk and take on bigger responsibility.

And I think - so the dynamics are changing, but yes historically, and still Germany has a strong private sector and it's also been driven by legislation has been supported in handling, you know handing over from father to son so to keep the businesses in the family, but I think there are a number of drivers changing that dynamic.

As you can see 300 people, we are very - very down on consolidation. So there is still potential even though consolidation starts to expand the business.

Man: And still on Germany, can you speak to the challenges you have faced internally and what led you to -

Rikard Appelgren: No I think - yes, the challenge here for us was more internal. It was about managing a partner owned company and doing the changes we needed to do there. We changed management and middle management and taking away some of the partners.

The other challenge was in 2012 to get a new (ERP) system in place. We did - we consolidated eight subsidiaries into one, one business by the first of January this year. We changed the brand to (WSP) Germany so there has been a lot of activities that we will benefit from in the future has taken place in 2012. And that's why I believe that we will see an improvement going into next year.

Man: Pierre was talking about the competition that we have in Canada and Ontario that we have from European companies. Can you describe a bit what is happening in your market, given the fact that you have good margins? Are you- are you the target of other European players. I understand that GENIVAR wants to get into that market. That's why they bought the (WP), what is the dynamic there?

Rikard Appelgren: Well, it looks different in different markets, but definitely the journey from Spain to Sweden is shorter than to Canada so with the fact that the southern European countries have problems, that does move competition from country to country.

So I do believe we are seeing some influx from international competition. It has increased over the last year or two, and on the other hand, we - you always have - you always need the Swedish partner in most of the projects, I mean they can compete with the large projects, but I also believe that we are trying to mitigate that with also looking into off-shoring to make sure that we

can use flexible resources with another (unintelligible) to make sure that we stay competitive in our market.

But yes, it has had - we can see and increase international competition. On the other hand Sweden is a small market and yes, I believe that over time we have seen it before if competition comes but it also goes back when things get better back home, and I suppose that will happen in Canada too perhaps over time.

Man: Hi, I'd like to know what are some of the impacts of the European crisis and will that have an impact upon the sales mix on the private and public sales mix.

Rikard Appelgren: I mean, the Eurozone crisis is perhaps from a broad seen as one crisis. I think different countries have slightly different problems, I'm not a specialist on this, but don't take it - but some of the countries are - and its all, of course, mostly related to southern parts of Europe. Even though Ireland have had its problems.

In some countries it is an issue in other countries it's a property bubble that has blown and the banks have a lot of debt. I think that depending on this, I mean we all know that Germany has committed itself to do that and of course if that emanates somehow it could have some negative impact on the German economy, on their - they have to use the money to save Spain instead of investing on their own.

I think that the bigger impact from my business point of view is of course that it puts a bit of a wet blanket on the market at the moment and creates insecurity, and insecurity is never good. I mean I'd rather have a secure situation that I know the market is downhill than an insecure situation, not knowing where the market is.

So I think that is going to be the issue. On the other hand there is a lot of investment needed in public sector in Germany when it comes to help. One good example is the German population is growing older. Sweden has a strong balance sheet, so they have the strength to continue.

But yes, of course, I mean Germany is a big, second biggest export country from Sweden, so if Germany softens, it will somehow impact the northern countries.

Okay, okay thank you, thank you very much