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Nilfisk Q2 Interim Report 2020
Webcast held on August 20, 2020

Good morning everyone and welcome to Nilfisk's earnings conference call for Q2, 2020. My name is Jens Bak-Holder and I am head of Investor Relations at Nilfisk. To present Nilfisk results for the second quarter of 2020 we have CEO Hans Henrik Lund and CFO Prisca Havranek.

Turning to slide 3. Before we begin, I want to remind you that this presentation, including remarks from management, may contain forward-looking statements that, for a number of reasons, should not be relied upon as predictions of actual results. I therefore encourage you to read the content of this slide in connection with the presentation.

Looking at slide 4. The agenda of today's presentation is as follows: Hans Henrik will start by going through the key takeaways of the quarter, which includes an update on how COVID-19 outbreak has impacted our business and how we have responded to this. This will be followed by Prisca going through the financial performance of Nilfisk and a brief status on our outlook for the financial year.

As always, you are invited to ask questions during the Q&A session at the end of the presentation. With that, Hans Henrik, please go ahead.

0.01.30
Hans Henrik Lund
Thank you, Jens. Good morning everyone and thank you for taking time and taking part in our call. I hope you are all well and safe during these extraordinary times where of course the global pandemic continues to impact people, societies and companies around the world.

Let's kick off with slide 5 for the key takeaways for Nilfisk during Q2. In Q2, we focused on the safety of our employees, of course, our customers and our partners and in keeping all of our sites fully operational. And I am happy that we have been able to serve our customers throughout the quarter with no operational interruptions during a difficult time obviously. During the quarter, we saw a negative impact from COVID-19 on the demand. Very big variations from market to market, of course, and from segment to segment. That said, we are pleased to see a significant improvement during the quarter with the month-over-month pick-up in the demand across the globe. We started off in April with organic growth of -32%. We saw a slight improvement in May as some countries opened up with -28% and then a more significant improvement in June at -15% as more countries opened up

again. July was in line with June. However, the uncertainty for the rest of 2020 is still high, especially when it goes to how the pandemic will evolve and how it will impact the macro-economic conditions that in turn will obviously impact our demand. So visibility is low. In Q2, we responded swiftly to the decline in revenue and during the quarter we, first of all, adjusted our production capacity to the changes in demand very quickly. We managed our cost and CAPEX very strictly and we took the opportunity to send a significant number of employees on furlough given that the customers were not open. As a result of all of that I am pleased to see that we managed to reduce the overhead costs with close to EUR 20 million in Q2 versus Q2 2019.

In addition to that, we took the opportunity to execute a larger part of our restructuring plan, which will have a positive impact on the structural cost going forward. And I will get back to that in a second. With these measures and the continued high engagement across the organisation which I am, of course, very thankful for I actually believe we are well positioned for what lies ahead. We do, however, as we have communicated this morning remain cautious on the rest of the year. The development of the pandemic combined with the highly volatile macro-economic conditions means that we are not able to fully assess the revenue and profitability for the rest of the year. Our financial guidance for 2020 will therefore remain suspended.

Now turning to slide 6 for a summary of the demand development in Q2, and if we look at the regions there were quite significant variations across the various markets during the quarter. Not surprisingly, we have seen a demand pick-up in markets where societies began to re-open and we have seen a less favourable development in markets where lockdowns are continued.

To give you a flavour for all of this, we can look at US versus Canada. In US, we have seen a positive trend through the quarter and demand has picked up quite significantly month-over-month. Canada on the other hand has remained in a fairly strict lockdown and obviously that is impacting our demand. We are not seeing the same traction in orders from Canada. So it is down to the local way of dealing with the pandemic.

Turning to EMEA, we have seen quite some differences here. In EMEA South which for us is Spain, Italy and France, we had the hardest impact early on in the pandemic as you can imagine. In all of these markets we saw very low demand levels at the beginning but actually they have all picked up fairly quickly to bounce back. Not fully to a normalised level, clearly, but the trend is indeed positive. The UK is another example where they have been hit really hard by the crisis and their recovery is slower given that there are still quite significant restrictions on what you can do in the UK and what you cannot.

APAC, still a high degree of uncertainty in China. Severely impacted by the crisis but also the financial conditions in China so it is progressing slower out there due to a cautious purchasing behaviour. That said, add it all up we are pleased to see

the overall Q2 development across segments and markets pick up significantly month-over-month.

If we turn to customer segments, as we are illustrating on slide 7, we have talked about this before but just to recap there are quite significant variations between the different segments. There are customers who have stayed fully operational through the crisis: food, supermarkets, hospitals and they are fairly close to normal demand levels. If I go to the complete other end of the scale demand is, of course, very low in segments like hotels, hospitality, restaurants, airports. They are not in the market for new equipment at the moment.

For the remaining segments in the middle, the picture is a bit more mixed. Overall, industrial customers are, however, cautious on their spending. That is a very general comment. If you go into segments like food, warehousing, it is a bit different. But in general that is the picture.

Touching briefly also on the development within service. Generally speaking, we have seen less impact on the aftermarket business compared to the overall equipment business reflecting that we have had service techs available to our customers throughout the quarter with the right safety measures and we have seen a continued demand for service from our customers.

Turning now to slide 8 for a few more details on the restructuring that I spoke about and we announced in May. We were looking to reduce approximately 250 full-time positions across countries and functions to reduce our structural costs moving forward. The execution is going according to plan and is going well and during the quarter we have eliminated a very significant portion of the 250 positions. We still have some work to do in the southern part of Europe. There are negotiations country-wise that we need to go through and we, of course, respect, but all in all a very significant part of what we were planning to do has been done.

And the restructure built on the foundation we have created during 2018 and 2019 where we have established a global and a well system-supported model that now allows us to take these benefits. And I can go through a couple of examples with you.

We now have a fully global marketing setup. We develop global campaigns, not local. We execute these mostly digital, not so much physical anymore. And this means that we have been able to take resources out, mostly locally.

Sales. As you know we have been implementing Salesforce globally. We now know how to use it as well, which means that we can improve efficiency. And we have taken that benefit.

IT. We have moved competencies to Hungary, a low-cost country in that sense. We have established a new IT hub there and taken cost out of more high-cost

countries. And we have reduced use of consultants as well so pretty much building on what we have built over the last couple of years.

Other functions. R&D is an example. We have simplified and streamlined our operating model and that is giving us some benefits as well so good to see that we have been able to do that.

All in all, I am happy with our ability to address the situation of COVID through Q2, obviously a troubled quarter from a top line perspective. However, in line with what our competitors saw as well, which is of course important. We have been operational, safe, been able to serve the customers. We have taken out costs short-term. We have significantly progressed on our restructuring and we will, of course, benefit from that going forward. Quite a few accomplishments in a hectic quarter, I would say.

With that I would like to hand over to you, Prisca, and Prisca will walk you through some of the financials.

0.10.29
Prisca Havranek
Thank you, Hans Henrik. Let me start off with the Profit & Loss statement on slide 10. In Q2, our total revenue was EUR 191.1 million and we have reported growth of -26.1%. In nominal terms, our revenue was reduced by EUR 67.5 million. Out of this, close to EUR 3 million or 1.1% comes from the exit of the consumer business in the Pacific region. The FX impact was slightly negative due to the impact of several currencies, which gives us underlying organic growth of -24.9% in Q2. During the quarter, our revenue was significantly reduced by the pandemic. This impacted our gross profit which was down a little over EUR 37 million. Our gross margin declined by 4 percentage points. This is a rather steep decline. However, let me remind you that in Q2 2019 our gross margin was positively impacted by one-offs. We report a gross margin of 43.9 in that quarter, which is a very high number for us. If we look at the drop of four percentage points, about half of this comes from underutilisation. Also because of our strong quarter in consumer, we see a mix effect bringing down the margin. Looking at the overhead costs, here I am pleased to say that we have reduced our overhead costs to close to EUR 20 million in the quarter. We did this by implementing strict cost controls minimising all necessary spending or unnecessary spending – apologies – such as travel, marketing and the use of consultants and also by sending home employees on leave or on furlough. To that end, approximate EUR 5 million of the EUR 20 million in savings come from government support programmes. Out of these EUR 5 million, approximately EUR 3 million have been recognised as other operating income in our P&L whereas the remaining EUR 2 million are netted in salary costs. Our good efforts on the cost side enabled us to mitigate roughly half of the decline in gross profit but overall EBITDA before special items dropped with around EUR 18 million bringing it to EUR 21 million for the quarter.

This gives us an EBITDA margin before special items of 11%. If you adjust for the government support programmes, the EBITDA margin before special items is 8.4%. This is of course lower than last year but at an acceptable level given the severe impact of the COVID-19 on our revenue. Our special items amount to EUR 8.7 million. The larger part of these come from the restructuring as Hans Henrik has already talked about. While the restructure is still fully finalised it will contribute to reducing our cost run rates going forward. The rest of the special items in Q2 relates to strategic projects such as our newly opened distribution centre in Europe, in Belgium. In sum, despite the positive impact from our lower overhead costs, our reported EBIT came to a loss of roughly EUR 4 million giving us an EBIT margin of -2.1.

Now turning to slide 11 for an overview of the reporting segments and we will start with EMEA where we have seen an overall pickup in demand during Q2 despite regional differences. So for example in EMEA North, Denmark, Sweden, Norway and Finland were, generally speaking, less impacted by the crisis and we have also seen demand pick up nicely in these markets. In the UK, however, recovery is progressing more slowly due to the timing and the scope of the national lockdown. EMEA Central has been least impacted by the crisis. This also goes for our largest market in that region, which is Germany. Here, we also see demand picking up again but the development has been less steep compared to the other regions but that is simply because they are coming from a more positive starting point.

This is quite different in EMEA South where we have Spain, France and Italy as the main markets. Here, our revenue was down by more than 50% in the beginning of the quarter. But since the lockdowns began to ease, we have seen these markets bounce back quite nicely. Not to the level before COVID-19 but the development is positive. So all in all, we have a revenue of close to EUR 84 million in EMEA in Q2 and organic growth of -29.1%. Our gross margin came to 45.1% and the decline of 410 basis points is largely due to low capacity utilisation as I have mentioned before. We managed to reduce our operating expenses by EUR 2.9 million, which is only partially compensating for our lower revenue bringing our EBITDA margin before special items to 21.7%.

Now moving to Americas on slide 12. Starting with the US, our largest market is in this segment. Generally speaking the demand in the US is less impacted by COVID compared to other markets in the Americas. Also, we have seen demand picking up from April to May to June but of course we remain cautious about this development. The recovery trajectory is looking a bit different from markets such as Canada as Hans Henrik has already mentioned. They have been subject to very strict lockdowns meaning we did not see demand return in that quarter. Finally, in LatAm, our larger markets such as Mexico and Brazil are showing a recovery pattern which I would say is a bit of a mix between the US and Canada. In sum, our revenue for Americas was EUR 58.3 million and our organic growth was EUR -28.1 million. Our gross margin declined by roughly 4 percentage points to EUR 38.9 million, again due to underutilisation. We did manage to reduce operating expenses quite significantly, EUR 4.4 million during the quarter, but we still see a

drop in EBITDA before special items and report an EBITDA margin before special items of 17%.

Turning to slide 13, where we have the numbers for APAC. Starting off with China, here demand is not picking up again and we continue to see very hesitant purchasing behaviour from our customers due to the economic climate. In the Pacific region, however, we are quite happy with the revenue generation during the quarter and we see more or less the same recovery pattern in the other APAC markets, which brings our total revenue to EUR 13.7 million and the organic growth to around -36%. We see a drop of 3.5 percentage points in our gross margin, partly due to revaluation of inventories in Australia and Singapore in Q2 and partly due to mix effects. We reduced our operating expenses by EUR 1.2 million and report an EBITDA margin before special items of 5.8%.

Now, for our Consumer and Private Label business on slide 14 starting with Consumer, we are very happy to report a very strong quarter for this business. Our revenue is close to EUR 25 million and we deliver organic positive growth of 21.1%, which is above expectations and is a strong increase compared to Q2 2019. This is largely the result of strong sales during the lockdown where most consumers were spending more time on home improvements but at the same time we remained fully operational in our supply chain, which is important to note. Our sales team sees new opportunities in the market and we have had a positive contribution from new product releases.

Of course, you should bear in mind that we have had a weak business performance in Q2 2019 so the comps are obviously in our favour. Despite inventory cleanup in the Pacific region we managed to keep our gross margin stable at 33.5%. For Private Label, total revenue is DKK 10.8 million and our organic growth is -18.5%. This is more or less in line with our expectations. Our gross margin is slightly down with 1.9 percentage points due to customer and also product mix.

Now turning to the balance sheet and the cash flow on slide 15. For Q2, I am pleased to report a significant reduction in our working capital. We have actively worked with our inventory levels in response to the crisis and we are able to reduce these with EUR 31 million compared to June end ??? 0.19.00 last year. This is particularly due to raw material and components but you should also bear in mind that about EUR 5 million comes from the exit of our consumer business in the Pacific region. Due to the lower revenue, our trade receivables were also reduced by EUR 56 million compared to last year. We are in very close contact with our customers, especially of course under the given circumstances and we are happy to report that overall our collection efforts have not been impacted by the crisis. Trade receivables were also reduced during Q2 combined with movements in the remaining items in our reported working capital we saw a reduction of EUR 53 million. Overall, we remain very highly focused on our working capital to protect cash flows and on the balance sheet.

Turning to CAPEX. We are pleased to see a ratio of 2.8% compared to 4.8% in Q2 2019. We have postponed a number of R&D projects and reduced our IT CAPEX as well, which has given us a CAPEX reduction of EUR 8.6 million in the quarter and EUR 1.8 million comes from low investments in property, plant and equipment. As a result of favourable working capital and CAPEX we are able to report a solid improvement in our free cash flow despite the crisis. In Q2, we generated free cash flow of EUR 30 million, up EUR 14 million from Q2 last year.

Our return on capital employed is down by 9.5 percentage points due to the lower EBIT before special items and due to the positive development in cash flow we have managed to reduce our net interest-bearing debt with EUR 47.1 million compared to the same time last year. Out of this EUR 47 million, close to EUR 19 million has been reduced since 31 March, which we are very happy with.

As we have communicated to you previously, we obtained a backup credit facility of EUR 100 million at the end of May. This brings our total committed facilities to EUR 550 million and excluding lease liabilities our financial headroom was at EUR 210 million as of 30 June. Our financial gearing was at 4.3 times compared to 3.4 times at the end of 2019.

Now before we continue with the Q&A session, please turn to slide 17 for an update on the 2020 outlook. Now as we have explained during this presentation, the rapid development of the pandemic has had a very significant impact on demand in Q2. We have seen significant variations in demand patterns across different markets and customer segments. As Hans Henrik mentioned, we have seen sequential improvements in revenue during the quarter with June coming in at -15% organic growth and trading in July in line with that. The development over the coming months, however, is highly dependent on how the pandemic will develop and impact our markets and customer segments. Also, our industry is very dependent on the macro-economic conditions which are currently facing unprecedented volatility. In Q2, our strict cost control and the support from government grants resulted in a significant reduction of overhead costs compared to 2019.

While we do not expect the government grants to continue beyond Q2, the low cost base of Q2 reflected a significant reduction of our activity level. So as we adjust our business activities for the future customer demand, our cost run rates will be above the levels that we have seen in Q2 whereas the restructuring programme will have to reduce the cost run rates going forward. For these reasons, we are currently not able to give a meaningful assessment of revenues and profitability for the rest of the year and our financial guidance for 2020 remains suspended. This concludes our presentation and we are now ready to open up for the Q&A. Operator, please continue.

0.23.07
Operator

Thank you. Ladies and gentlemen. If you wish to ask a question please press 01 on your telephone keypad. Our first question comes from Kristian Johansen, Danske Bank. Please go ahead.

0.23.21
Kristian Johansen
Yes thank you, so first question is on your credit facility which you managed to extend. Can you elaborate on the wording that you have adjusted covenants on your credit facility?

Prisca Havranek
You have seen we have increased our facilities to EUR 550 million. As you know, we do not disclose the covenants but I can assure you that we are well within our covenants and there is no breach of any covenant whatsoever at the end of Q2.

0.23.55
Kristian Johansen
But historically you have disclosed that the covenant was on the net debt to EBITDA metrics. You set still the same metric or is there an adjustment to the metric as well?

0.24.03
Prisca Havranek
We have adjusted the metrics and we have also adjusted obviously the total financing package so our covenants are several aspects and we have adjusted both of those.

0.24.18
Kristian Johansen
Okay. Then a second question is on your autonomous focus so you write in the report that you are spinning out the technology built into the Liberty machine together with Carnegie Robotics. Can you elaborate a bit on the reasoning for spinning it out in a separate company and what is the ownership split in this company and what should we think about in terms of capital requirements for this company going forward?

0.24.52
Hans Henrik Lund
So, thank you, Kristian. It is actually very simple. We work with these guys, we have developed technology together with them that we believe can be applied outside our industry and we're just simply wanting to have an upside of that if it happens. And it is not really a huge financial transaction. It is much more saying here is a partnership that we would like to build on and have a potential upside.

0.25.25
Kristian Johansen

Okay, I understand, and then the ownership split is that 50/50 between you and Carnegie Robotics?

0.25.30
Hans Henrik Lund
Yes sir.

0.25.33
Kristian Johansen
That's good. All right. Third and last question. Special item costs for the second half of 2020. Can you give any indication of what to expect here?

0.25.48
Prisca Havranek
Yes. Let me take that one. Thanks for the question. So you have seen the reported special items of EUR 9.5 million for the first half. When we talked about our initial guidance in February this year we were talking about EUR 10-15 million of special items for the full year. Now that was before we decided to restructure the programme that has been mentioned before in May so going forward I would say with the visibility we have I would expect the second half to be in line with the first half from a special items point of view.

0.26.22
Kristian Johansen
Okay, very clear. That was all from me. Thank you.

0.26.26
Operator
Thank you. Our next question comes from ABG. Sir, please introduce yourself before asking a question. Hello sir.

0.26.41
Yes. Is it me?

Operator
Yes sir, please go ahead.

Okay. Sorry I didn't catch it. This is Casper Blom from ABG Sundal Collier. Thanks for taking my questions. First question regarding the Americas and particularly the US. I am aware that sometimes it is really difficult to separate warm and cold water but could you give any kind sort of more comments to the underlying turnaround of the US business, how that is developing? And though I realise it is difficult to sort of split out what is market-driven and what is Nilfisk-driven at the moment. Thank you, that's the first one.

0.27.17
Hans Henrik Lund

Thanks, Casper. So let us go back to Q2, we have been losing market share in the US for God knows how long and quite significant. This was great to see that it did not happen in Q2. So we, as you know, we are working very diligently across all parts of the organisation in the US to get back to a growth track and I will be very cautious here in what I say about the future. I'll rather just say that I am pleased with what I see, the work that has been done by the team in terms of improving how they address the channels, how major account wins come in and how they operate so structurally in a better spot than we have been before and then I will leave it with that, Casper, and just come back every quarter and tell you how it has progressed.

0.28.23
Casper Blom
To EMEA and sort of these comments about how, at least in the southern part, that the macro economics are holding your customers back, this is now actually the fifth quarter in a row where you are posting negative growth in EMEA and we have also previously heard you talk about how a machine can last for 3-7 years. I mean wouldn't we soon be getting to the point where you would expect that sort of renewal rate to kick in and start pushing through some sales despite the market uncertainty that you see right now?

0.28.59
Hans Henrik Lund
Under normal circumstances I would agree with you. However, Q2 has definitely not been a normal circumstance so I think people are very restrictive in their CAPEX spend or the OPEX spend, just like we are. And that is the big uncertainty, Casper, can they make it work a bit longer? And there is a likelihood that they can. However, now you are talking specifically about the southern part. What I really experienced was a major drop early on because Italy, Spain, France just was a complete lockdown as you know hit hardest in EMEA by COVID and the recovery has been excellent so it seems promising. It will come back but I just don't know how much due to two things. How is COVID going to develop? Secondly, as you know, we are GDP dependent and you know the volatility in that area, right? But in the daily operations, the daily sales I am pleased with what I see.

0.30.09
Casper Blom
Okay. I suppose guessing here a little bit that you work with some sort of pipeline in your sales organisation that your sales guys constantly sort of have leads and they speak to their account manager counterparts and they see sort of where they should get the next deal. Have you got any kind of like view on, you know, if that is sort of a pent-up demand that is building right now, that you have these corporate buyers that are just being restricted by their CFOs but as soon as that restriction lifts you would expect them to jump back and start ordering?

0.30.49
Hans Henrik Lund

We are still pipeline-wise we are, you know, the pipeline is reflecting the trends you have seen and as we said July was pretty much in line with June so it is hard to comment on the pipeline as such. The situation is still, Casper, that if a purchaser needed one approval before to buy a machine, he now needs two or three for obvious reasons. Again, similar to what we have done. So the process is a bit longer to get these approvals through, but again if you look at what is happening from April to June, July the trend is right.

0.31.27
Casper Blom
Okay, and you don't worry about the fact that you see sort of a flat trend from June to July?

0.31.32
Hans Henrik Lund
No I don't because you and I talked about this before. You cannot measure this business under normal circumstances month by month. There are variations and it is not like you can do a straight line between two, three dots. One month can be a little bit this and a little bit that so don't read anything into that, Casper. That would not be factual.

0.31.57
Casper Blom
Okay.

0.32.01
Operator
Our next question comes from Mikael Petersen, SEB. Please go ahead

0.32.09
Mikael Petersen
Hi, thank you for taking my questions. I have a question regarding APAC. You said that demand is still low in China, but it seems though that the economy is improving over there. I am not sure if is this company-specific or is it simply your customers who are holding back, very hesitant on investing into new equipment or if you have any flavour on the China situation, that would be very helpful. Thank you.

0.32.32
Hans Henrik Lund
Thanks, Mikael. Let us talk about APAC first because we're being.. we are underperforming in APAC in Q2. The reason is, the first reason is we have a situation where we have a split of our revenue. We are quite good in countries like Thailand, Malaysia and those countries, they were hit the hardest through Q2. All of the tourism and all of that stuff went down. There was even political unrest in Malaysia so that is why we are overall not where we want to be in APAC. Number one. China, I have a little bit some of the same questions because we haven't seen.. we have seen a pickup since February where it started but it has been a bit

flattish lately and I don't know all of the reasons, Mikael, on that front. What I am seeing is that there is a cautious behaviour in terms of buying. From our people living in China we shouldn't expect that China is normal by now. People are still hesitant going out to restaurants and the life out there is still not what it used to be. So that is impacting it as well. And then they have you know a few flare ups of areas where corona is back so I do believe that it is corona-related but we are monitoring very closely whether there might be some internal reasons as well. We haven't found them yet but we are monitoring very closely.

0.34.05
Mikael Petersen
Okay, thank you and then to my second question. Now since you provide EBITDA before special items can you maybe try to quantify the impact of the COVID-19 so you have EBITDA before special items and COVID-19?

0.34.21
Prisca Havranek
Thank you for your question. What I can tell you is on the cost side what we have done and I think we have also talked about the cost profit in my remarks and then I mean Hans Henrik has talked about the impact on the demand side so if you put that all together you have the EBITDA impact. On the cost side, we have roughly saved EUR 20 million as you have seen Y/Y. Now EUR 5 million of these are support programmes from various governments in various countries so those will not come back. Of the remainder I would say about half of it will be in personnel costs so holding back of FTEs but also variable components like bonus accruals and the delta to that would be activity-related costs which you have to expect will come back depending on how the demand pattern will be there. So you will have to.. you see a significant COVID impact in Q2 on the costs but, of course, that will bounce back once the revenue line bounces back.

0.35.27
Mikael Petersen
Okay, thank you, and then maybe my last question. Since you are doing all these restructuring charges and changing sales, operational, changing the marketing and R&D etc. do you see any further cost reduction possible without impacting the ability to meet the demand? I am just trying to figure out if, let's say, the demand keeps being negative double digits could we see further cost reductions that you currently have planned for?

0.35.57
Prisca Havranek
Yes let me take that question. Obviously that is part of our job to continuously improve our cost position, take on efficiencies. So do I see further potential? Absolutely. Will I be able to give you a flavour of how and when and how much? No I can't, but what I can say is you have just seen we have taken a very big step in May. We have reported and we are fully on track on executing that. You will see that this cost programme will also contribute in the second half of the year I would

say if you need a modelling assumption then I would say roughly in line with the special item impact we have seen so that is a tangible cost reduction that is already in the execution and obviously as we go forward we will, on the one hand, look for further efficiencies but on the other hand, of course, then also adjust activities, such as marketing and travel from our sales force to the demand levels and also the COVID situation.

0.36.53
Mikael Petersen
Okay thank you very much.

0.36.58
Operator
Thank you. Ladies and gentlemen as a reminder if you wish to ask a question please press 01 on your telephone keypad. We have a follow-up question from Kristian Johansen, Danske Bank. Please go ahead.

0.37.11
Kristian Johansen
Yes thank you just a follow-up here looking at the development of your full-time employees it is down 531 in Q2. You said you realised the reduction of almost 250 so that leaves still roughly another 300 million FTEs that you have reduced outside that programme. Is that just temporary reductions and should they come back as activity picks up? How should we think about that?

0.37.39
Prisca Havranek
Yes, thanks for your question. Absolutely, you are spot on. So we have reduced around 500 FTEs but we have to be very careful for two reasons. Because, as you know, our business, we have a large number of workforce in blue collar in our manufacturing operations and those have been of course reduced as we were hit by the crisis so that is a major effect of that delta. On top of that you also have to keep in mind that at the end of Q2 there were still people in furlough programmes and on leave across the workforce so that has also contributed so I would be careful in interpreting that number related to our total. You can't relate it to our OPEX salary cost because a lot of it will be seen in the gross profit.

0.38.28
Kristian Johansen
Obviously. Thank you.

Operator
Ladies and gentlemen. As a reminder, if you wish to ask a question please press 01 on your telephone keypad. We have no further questions. Dear speakers, back to you for the conclusion.

0.38.51

Hans Henrik Lund
Thank you for the questions. Thank you for joining us. Happy to walk you through Q2 and how we see it. So with that we conclude the call. Thank you very much for joining and have a good day.