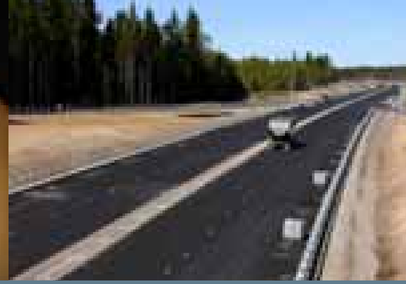
NCC 2005

ANNUAL REPORT



CONTENTS

Financial reports are presented on pages 40–94.
The consolidated accounts are compiled in accordance with IFRS.

This is a translation of the original Swedish Annual Report. In the event of differences between the English translation and the Swedish original, the Swedish Annual Report shall prevail.

Cover:
Interior view of one of NCC's housing projects in Stockholm.

FOCUS

Focusing on a successful business approach means assigning priority to profitability rather than volume. Our competitive edge is developed in close cooperation with customers. NCC focuses on devoting all of its time and resources to satisfying customer needs in the best possible manner.

SIMPLICITY

Simplicity means minimizing all forms of bureaucracy that restrict the business and do not generate added value for our customers. Simple, straightforward solutions boost our efficiency. Doing business with NCC must be as simple as possible.

RESPONSIBILITY

Building the environments of the future and thus contributing to sustainable social development entails a major responsibility. Responsible enterprise creates value for customers and, within NCC, accepting personal responsibility is a matter of course.

FUTURE ENVIRONMENTS FOR WOR

NCC is one of the leading construction and property-developing companies in the Nordic region. The Group had sales of SEK 50 billion in 2005, with 21,000 employees.

NORDIC REGION AS THE DOMESTIC MARKET

NCC is active throughout the whole value chain in its efforts to create environments for working, living and communication. NCC develops residential and commercial property projects and builds offices, industrial facilities, roads, civil-engineering structures and other types of infrastructure. NCC also offers input materials used in construction, such as aggregates and asphalt, and conducts paving, operation and maintenance operations in the roads sector.

NCC mainly conducts operations in the Nordic region. In Poland, NCC principally engages in activities involving asphalt, aggregates and paving. In the Baltic region, NCC builds housing on a proprietary basis and in Germany NCC mainly engages in residential construction.

NCC's vision is to be the leading company in the development of tomorrow's environments for working, living and communication.

CONSTRUCTION

NCC's Construction units develop residential projects and construct offices, other buildings, industrial facilities, roads, civil-engineering structures and other types of infrastructure, with a focus on the Nordic region. In several Nordic markets, the Group is a leading player in the development of housing projects. In recent years, considerable effort has been devoted to increasing industrial construction in order to improve quality and reduce costs.

Jägartorpet, Karlstad.

KING, LIVING AND COMMUNICATION

PROPERTY DEVELOPMENT

NCC Property Development develops and sells commercial properties in defined Nordic growth markets. Its target groups are users seeking inspirational environments and investors seeking properties that offer stability and a secure return over time.

ROADS

NCC Roads' core business is the production of aggregates and asphalt, combined with paving operations and road services. NCC Roads is the leading company in the Nordic market. The main markets for NCC Roads are the Nordic region, Poland and St. Petersburg.


The Bruuns Galleri shopping mall in Aarhus.


E4 Expressway south of Helsingborg.

SUMMARY OF 2005

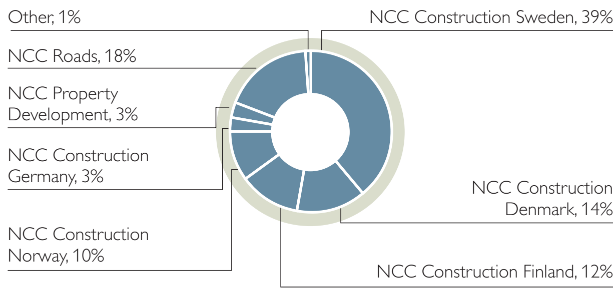
- The 2005 fiscal year was a good year for NCC and all financial objectives were achieved. The return on equity after tax was 18 percent.
- The objective of generating a positive cash flow was realized, which resulted in net indebtedness being reduced to SEK 0.5 billion (1.1).
- The healthy trend in the construction market in the Nordic region during 2005 is reflected in the orders received by NCC, which rose 15 percent to SEK 52.4 billion (45.6).
- Profit after financial items improved to SEK 1,580 M (945), due mainly to the continuingly favorable housing market in the Nordic region.
- NCC's Board of Directors proposes a dividend of SEK 5.50 (4.50) per share, plus an extraordinary dividend of SEK 10.00 (10.00) per share, making a total of SEK 15.50 (14.50) per share.

Key figures

SEK M	2005	2004
Orders received	52,413	45,624
Net sales	49,506	46,534
Operating profit	1,748	1,147
Profit after financial items	1,580	945
Net profit for the year	1,187	876
Earnings per share after dilution, SEK	10.86	8.05
Ordinary dividend per share, SEK	5.50[1]	4.50
Extraordinary dividend per share, SEK	10.00[1]	10.00
Cash flow before financing	2,115	5,244
Cash flow per share	20.12	51.22
Return on shareholders' equity, %	18	14
Equity/assets ratio, %	25	24
Net indebtedness	496	1,149
Average number of employees	21,001	22,375

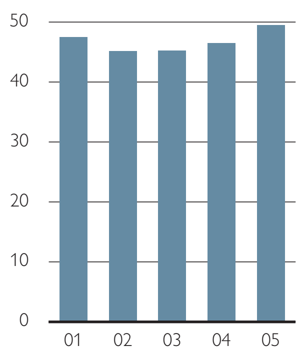
1) Proposed ordinary dividend.

Sales by business area, percent



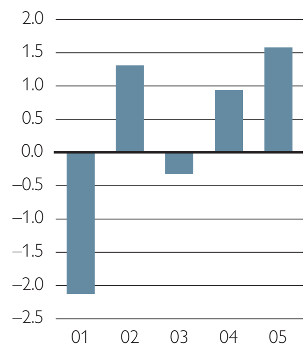
NCC Construction Sweden accounted for 78 percent (72) of net sales in 2005. The increase was mainly attributable to growth within NCC's Construction units and NCC Roads. The net sales figures for 2004 included considerable sales of commercial properties and net sales in the then business area NCC International Projects.

Net sales, SEK billion



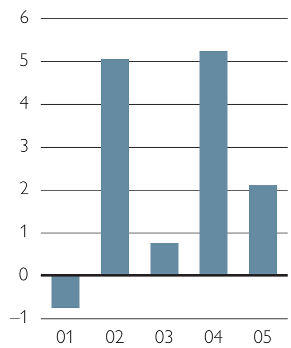
During recent years, net sales have been affected by the discontinuation of operations. The growth noted in 2005 was mainly attributable to NCC's Construction units and NCC Roads.

Profit/loss after financial items, SEK billion



Profit for 2005 amounted to SEK 1,580 M. The losses reported in 2001 and 2003 were due mainly to impairment losses and restructuring measures.

Cash flow before financing, SEK billion



During recent years, cash flow has included payments from major sales of managed properties and property projects within NCC Property Development. Such sales also occurred in 2005, but to a lesser extent. Cash flow in 2005 benefited from the healthy profitability of NCC's Construction units and NCC Roads.

Figures for 2001–2003 are not adapted to IFRS.

Alf Göransson visiting a construction site at Tegelbacken in central Stockholm, where, among other activities, NCC is rebuilding the signal system, switches and tracks and widening the bridge. He is talking to Johan Rudheden, a trainee within NCC Construction Sweden, Civil Engineering Stockholm/Mälardalen.

REVIEW BY THE PRESIDENT

STRONG MARKET AND INTERNAL CHANGE PROCESSES PAVING WAY FOR CONTINUED GROWTH

Fiscal 2005 was a good year and we achieved all of our financial objectives. The return on shareholders' equity after tax was 18 percent and the total return to shareholders was approximately 78 percent.

NCC's Nordic Construction units developed well in 2005, mainly as a result of the strong housing market throughout the Nordic region. Growth in the Nordic economies is favorable, interest rates are historically low, there is a major housing shortage, the real wage trend has been healthy for many years, there is optimism about future trends in the labor market and people have a strong belief in their own private economies. All of these factors are interacting to ensure that the housing market will probably remain buoyant in 2006.

The other operations conducted by NCC's Construction units are also generating improved margins in several regions. This is mainly because of a reduction in loss-making projects, a focus on risk minimization, selective tendering and increased cost-effectiveness.

NCC Roads, NCC Property Development and our German construction operations are still not showing satisfactory profitability. However, NCC Roads is moving in the right direction in a market characterized by price pressure and overcapacity, and where three years of divesting non-core operations and implementing substantial cost-efficiency measures resulted in better earnings in 2005 than in the preceding year. NCC Property Development is admirably building up a new development portfolio on a gradual basis, which represents a major step in its efforts to increase the return on capital employed. During 2005, NCC Construction Germany's results were weighed down by provisions for rental guarantees and the discontinuation of old property

> NCC's growth philosophy is to grow primarily with our existing products in existing markets – in other words, to continue doing what we do best even better for our customers.

funds while, in the shadow of this, core operations developed well. The reduction in NCC International Projects' activity is proceeding as planned and is expected to be essentially completed by the end of 2006.

THE GLOBAL COFFEEMAKER

When we need to buy a coffeemaker, most of us mainly consider price, design and function. Few of us wonder where the timer was produced, the injection head originated or the product was assembled and packed. Globalization is something we take for granted in most of what we are surrounded by. It has resulted in reduced costs for the manufacturer and lower prices for consumers. However, this attitude does not apply to our buildings, and thus not to the construction industry, where the globalization trend is regarded as a threat of dumping and the demise of collective agreements. Representatives of antiquated, outmoded structures are heard complaining about "unhealthy competition."

I regard globalization as an opportunity to reduce construction costs, which are higher in the Nordic region than in the rest of Europe, and to improve NCC's profitability and competitiveness. My colleagues and I at NCC are doing our utmost to change the construction industry, which is one of the last bastions of Nordic enterprise. In the near future, this will result in the construction sector experiencing deflation in the price of products and services, following in the footsteps of so many other mature and more or less regulated industries. The journey has begun, although only those who have boarded the train realize this. Those who are fast and smart will survive, while the others will slowly but surely sink.

HIGHER PROCESSING VALUE BOOSTS MARGINS

We have made a certain amount of progress. At the beginning of 2006, NCC had its own purchasing offices in Poland, Germany, the Baltic countries and China. During 2006, we will open additional purchasing offices in such countries as Slovakia, Romania and Russia. We have our own international buyers in most of our construction regions and purchases from new suppliers, who had previously not considered the Nordic countries as potential markets, amounted to approximately SEK 500 M during 2005. Compared with the best national alternatives, the average saving on these purchases was 16 percent.

In area after area, we are changing and shortening purchasing chains. Traditionally, construction companies purchase labor and materials from the same supplier. Flooring is often laid by a subcontractor who in turn purchases the flooring material from a flooring manufacturer. We are changing this, which is leading to a lower total cost. We purchase flooring material from Poland and use our own or contracted floor layers to install it. We purchase tiles and clinkers in China and lay them with our own skilled workers or insourced subcontractors, and so forth. Step by step, we are taking action to shorten the supply and logistic chains. We prefer to work using our own resources and purchasing the material straight from the producer. This approach enables us to increase our share of the processing chain, while reducing construction costs.

I am also gratified that our customers appreciate our efforts and that increasingly, through our successful NCC Partnering partnership format, they want to have their share of these savings. Quite simply, they want to "Expect a bit more" of NCC.

GROWTH

Our efforts to change the purchasing processes and reduce construction costs match our simple growth strategy:

- If we have lower costs and more skillful employees than our competitors, we will win procurements and grow faster than the market.
- If we have the same costs and the same competencies as our competitors, we will grow at the same pace as the market.
- If we have higher costs and less skillful employees than our competitors, we will not grow, because if we do so, we will increase the risks assumed by our shareholders.

We aim to be the most attractive employer in the industry, in order to attract the best employees and the right skills. We achieve this by implementing a broad spectrum of activities, ranging from the "Children's Construction School" to being a reference company in social debates. During 2005, we enhanced our position as an attractive construction company in the eyes of students, particularly in Sweden, Finland and Norway, and in Sweden we achieved a reversal of trends when technology students ranked NCC the most attractive construction company.

The development and tremendous commitment shown by employees during the past year demonstrate that NCC is becoming an increasingly attractive workplace. Our HCI (Human Capital Index) survey of employee attitudes also showed that pride in working for NCC increased additionally during 2005 (also see pages 23–25).

Statistically, a new product launched in a new market fails in 96 cases of 100. That's why our growth philosophy is to grow primarily with our existing products in existing markets – in other words, to continue doing what we do best even better for our customers. In a number of respects, we also want to create growth either through existing products in new markets or through new products in existing markets:

- We're building up a residential development operation in the Baltic countries and after three to four years we reached a level of approximately 400 proprietarily built apartments in 2005. We will grow further in Tallinn, Riga and Vilnius during 2006.
- We're planning our first acquisition of land in St. Petersburg, in order to also establish a position as a housing developer in this market.
- In Jylland, Denmark, we acquired a number of sites and a small-scale housing developer, in order to expand residential operations in this country.
- In Germany, we have a cost-effective concept for high-quality single-family dwellings. We expanded this operation in 2004 and 2005 by establishing a position as a housing developer in Hamburg, Cologne, Frankfurt, Mannheim, Dresden and Leipzig.

- In Finland, we launched our own concept for single-family dwellings (Idéhuset/Idea House) in 2005, in order to also grow in this market segment.
- In Norway, Sweden and Denmark, we are spearheading the development of Partnering, an appreciated initiative that increasing numbers of customers want to try out. We reported total Partnering volume of approximately SEK 5 billion in 2005, compared with approximately SEK 1.5 billion three years ago.
- In Hallstahammar, Sweden, development work on the construction of Europe's most modern and industrialized production plant for apartment blocks is under way. The aim is to put pressure on construction costs by industrializing the construction process, and the first full-scale building was completed recently.
- Within NCC Roads, we're continuing our expansion in Poland, by establishing state-of-the-art, cost efficient asphalt plants on a region-by-region basis. In the Nordic region, we are acquiring small supplementary units for our aggregates and asphalt operations.

LEADERSHIP ON THE BARRICADES

My simple message to those who want to be managers at NCC both today and tomorrow is that working on the transformation of the industry, and its processes, particularly purchasing, is not just a choice but a demand. In a number of the Group's regions, we also proved during 2005 that an ounce of motivation and conviction is worth more than a ton of facts. We reduced construction costs and simultaneously increased our market share, profitability and competitiveness thanks to our distinct focus and the excellent results of the processes of change. Since we have only just begun this process and have an incredible amount left to improve, the next few years will be even more exciting and challenging.

Solna, February 2006

Alf Göransson
President and Chief Executive Officer

Alf Göransson in front of the Turning Torso in Malmö, one of the well-known projects that NCC has worked on. This spectacular building is 190 meters high and has a total of 54 floors. The building structure turns 90 degrees on its ascent and contains 150 apartments and 4,200 square meters of office space.

In spring 2005, the Turning Torso was named the best housing project in the world at the MIPIM real estate fair in Cannes, France.

THE NCC SHARE

HIGH DIRECT RETURN AND STRONG SHARE PERFORMANCE

The price of the NCC share rose by 62 percent in 2005. At year-end, the market price per Series B share was SEK 142.50 and NCC's market capitalization was approximately SEK 15 billion. The total return was 78 percent.

NCC's shares were initially listed on the Stockholm Stock Exchange in 1988, under the Nordstjernan name. The shares are currently traded on the O List and were quoted among the most heavily traded shares, on the Attract 40 list, during 2005. A round lot is 100 shares. On December 31, 2005, the share capital amounted to SEK 867 M, represented by 52.5 million Series A shares and 56.0 million Series B shares. Series A shares carry ten voting rights and Series B shares carry one voting right each.

SHARE PERFORMANCE AND TRADING

In 2005, the price of Series B NCC shares rose 62 percent from SEK 88.00 to SEK 142.50. This may be compared with the Stockholm Stock Exchange as a whole (according to the SIX General Index), which rose by about 32 percent during 2005 and the sector index (SIX Construction and Civil Engineering Index), which rose by approximately 37 percent. The highest price paid per Series B NCC was SEK 148.50 on September 30 and the lowest price, SEK 87.00, was quoted on January 3. At year-end, the total market capitalization for Series A shares and B shares was SEK 15,282 M (excluding repurchased shares).

An average of 8,759 (6,143) Series A shares and 287,902 (159,778) Series B shares were traded per day. A total of 75.1 million (42.0) NCC shares were traded in 2005, at a combined value of slightly more than SEK 8.8 billion, corresponding to 70 percent (41) of the total number of NCC shares issued (excluding repurchased shares). The turnover rate for Series A NCC shares was 4 percent (28) and the rate for Series B shares was 130 percent (85) excluding repurchased shares. The turnover rate for the Stockholm Stock Exchange as a whole was 124 percent, and the rate for the O List was 87 percent.

OWNERSHIP STRUCTURE

The number of NCC shareholders at year-end was 24,679 (24,103). Nordstjernan AB, the largest shareholder, accounted for 32.3 percent of the share capital and 55.8 percent of the voting rights. The second largest shareholder was L E Lundbergföretagen, with 10.1 percent of the share capital and 18.7 percent of the voting rights. The ten largest shareholders jointly accounted for 59.7 percent of the share capital and 84.5 percents of the voting rights. The proportion of foreign shareholders rose to 12.7 percent of the share capital, with the US and UK accounting for the largest holdings.

The major changes in shareholdings that occurred during 2005 were accounted for by L E Lundbergföretagen, which sold a total of 3.2 million Series B shares, Nordstjernan, which sold a total of 1.5 million Series B shares, and the Eikos Fund, which sold 0.9 million Series A shares and 0.4 million Series B shares. The largest purchases were made by JPMorgan, which increased its holding by 1.8 million Series B shares, Alecta, which increased its holding by 1.7 million Series B shares, and Nordea Funds, which increased its holding by 1.4 million Series B shares. Accordingly, Alecta and Nordea Funds became new members of the ten largest shareholders, replacing Eikos Fund and Sif on this list.

SHARE REPURCHASES AND CONVERSIONS

During 2000–2003, NCC bought back a total of 6,035,392 Series B shares. The reason for repurchasing the shares was to cover the exercise of options under NCC's rolling options program, which was discontinued in 2002 (also see Note 5, page 73). The number of options that had not been exercised at December 31, 2005 was 955,515. At December 31, 2005, a total of 4,840,998 shares had been sold in return for exercised options, following which the number of repurchased shares totaled 1,194,394. Less the repurchased shares, the total number of shares outstanding at year-end was 107,241,428. No shares were repurchased in 2005.

In 1996, holders of Series A shares were provided with the opportunity to convert their Series A shares to B shares. During 2005, 2,368,005 (3,187,942) Series A shares were converted to B shares, and a total of 10.6 million shares have been converted since 1996. Written requests regarding conversion must be submitted to the Board of Directors, which makes decisions regarding conversions on an ongoing basis.

In April 2005, shareholders with uneven lots were given an opportunity to purchase and sell shares, at no commission, to arrive at round trading lots. About 7,000 holders of Series A shares or Series B shares accepted this offer.

DIVIDEND AND DIVIDEND POLICY

NCC's policy for the ordinary cash dividend is to distribute at least half of profit after taxes as dividends. The Board of Directors proposes an ordinary dividend of SEK 5.50 (4.50) per share for 2005 plus an extraordinary dividend of SEK 10.00 (10.00) per share, making a sum total of SEK 15.50 (14.50) per share.

In total, the proposed ordinary dividend amounts to SEK 590 M (482), corresponding to 50 percent of profit after taxes.

The total return (based on the share performance and dividend paid in relation to the price of NCC's share at the beginning of the year) for NCC B shares in 2005 was approximately 78 percent (76). The stock-exchange average (according to Six Return Index) was 36 percent (21).

NCC share trend in past five years

	2001	2002	2003	2004	2005
Market price at year-end, NCC B share, SEK	70.00	53.00	55.50	88.00	142.50
Market capitalization, SEK M	7,347	5,366	5,625	8,984	15,282
Ordinary dividend, SEK	2.25	2.75	2.75	4.50	5.50[3]
Extraordinary dividend, SEK			6.70[1]	10.00	10.00[3]
Dividend yield, %	3.2	5.2	17.0[2]	16.5	10.9[3]
Total return, %[4]	8	–21	10	76	78
Number of shares at year-end (millions)	105.0	102.4	102.4	102.4	107.2

Key figures per share are presented in the multi-year review on page 104.

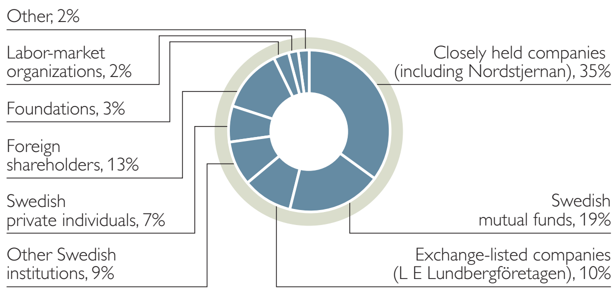
1) Pertains to Altima shares that were spun off in 2003.
2) Including the value of the Altima shares.
3) Proposed dividend.
4) Share performance and dividend paid in relation to the price of NCC's share at the beginning of the year.

Distribution of shares by holding[1]

No. of shares held	No. of shareholders	Percentage of total shareholders	No. of shares	Percentage of share capital
1–500	18,227	73.8	3,211,678	3.0
501–1,000	3,611	14.6	2,965,643	2.8
1,001–10,000	2,471	10.1	7,058,896	6.6
10,001–100,000	261	1.1	7,809,865	7.3
100,001–1,000,000	99	0.3	29,225,414	27.2
1,000,001–	10	0.1	56,969,932	53.1
Total	**24,679**	**100.0**	**107,241,428**	**100.0**

1) Calculated after a deduction for repurchased shares.
(Source: VPC.)

Shareholder categories, percentage of share capital



Foreign ownership rose during 2005 from 7 percent to approximately 13 percent. L E Lundbergföretagen and Nordstjernan reduced their shareholdings.
(Source: SIS Ägarservice.)

Ownership structure at December 31, 2005

Shareholder	No. of Series A shares	No. of Series B shares	Percentage of[1] Share capital	Percentage of[1] Voting rights
Nordstjernan AB	32,089,400	2,566,875	32.3	55.8
L E Lundbergföretagen AB	10,850,000	–	10.1	18.7
Robur mutual funds	2,957,146	2,323,623	4.9	5.5
JPMorgan Chase Bank, USA	82,700	2,243,008	2.2	0.5
SEB mutual funds	–	2,349,200	2.2	0.4
SHB/SPP Funds	–	1,846,215	1.7	0.3
Catella Funds	–	1,763,740	1.6	0.3
Livförsäkrings AB Skandia	1,313,175	420,270	1.6	2.3
Alecta	–	1,712,000	1.6	0.3
Nordea Funds	–	1,500,380	1.4	0.3
Total ten largest shareholders	**47,292,421**	**16,725,311**	**59.7**	**84.5**
Other shareholders in Sweden	4,895,400	27,124,398	29.9	13.1
Other shareholders outside Sweden	296,057	10,907,841	10.4	2.4
Total	**52,483,878**	**54,757,550**	**100.0**	**100.0**
Repurchased treasury shares	–	1,194,394		
Total number of shares	**52,483,878**	**55,951,944**		

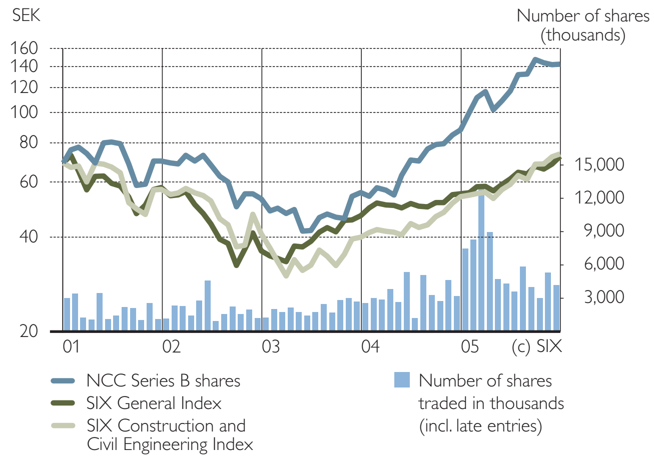
1) After repurchased shares have been deducted.
(Source: SIS Ägarservice and VPC.)

Series A and B shares[1]

	Series A shares	Series B shares	Total A and B shares
No. of shares on Dec. 31, 1999	63,111,682	45,324,140	108,435,822
Conversion of Series A to Series B shares during 2000–2004	–8,259,799	8,259,799	
Shares repurchased during 2000–2004		–6,035,392	–6,035,392
No. of shares on Dec. 31, 2004	54,851,883	47,548,547	102,400,430
Conversion of Series A to Series B shares during 2005	–2,368,005	2,368,005	
Sale of repurchased shares during 2005		4,840,998	4,840,998
No. of shares on Dec. 31, 2005[2]	52,483,878	54,757,550	107,241,428
Number of voting rights	524,838,780	54,757,550	579,596,330
Percentage of voting rights	91	9	100
Percentage of share capital	49	51	100
Closing price, Dec. 30, 2005, SEK	142.50	142.50	
Market capitalization, SEK M	7,479	7,803	15,282

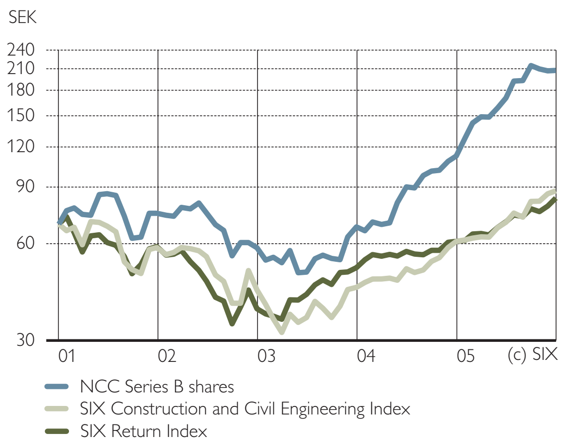
1) Between January 1, 2006 and February 28, 2006, an additional 1,478,026 Series A shares were converted into Series B shares.
2) At February 28, 2006, options corresponding to 5,241,841 shares had been exercised within the framework of the options programs in effect from 1999 to 2001. Also see Note 5, page 73.

Share-price performance and turnover, 2001–2005



The price of NCC's B share rose by 62 percent in 2005, while the General Index rose 32 percent and the Sector Index rose 37 percent. At the end of the year, the price of the Series B share was SEK 142.50.

Total return including dividend 2001–2005



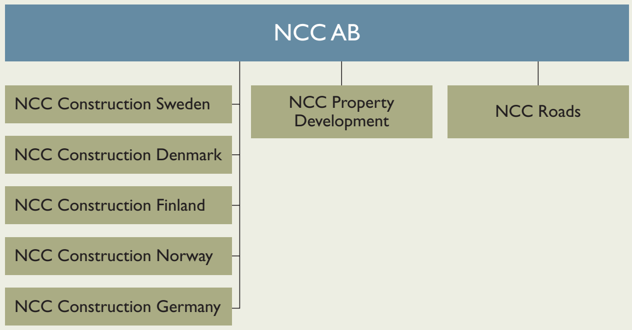
On average, the return on NCC B shares, calculated as the share performance and reinvested dividend, has clearly outperformed the stock exchange in the past five years.

Changes in share capital are presented in Note 35 on page 86.
Updated share and share-price information, ownership statistics and a list of analysts who cover NCC are available on www.ncc.info.

GROUP OVERVIEW

OPERATIONS IN 2005

NCC's structure



Salmakertunet, Ski.

CONSTRUCTION

NCC's Construction units develop residential projects and construct offices, other buildings, industrial facilities, roads, civil-engineering structures and other types of infrastructure, with a focus on the Nordic region. In several Nordic markets, the Group is a leading player in the development of housing projects. In recent years, considerable effort has been devoted to increasing industrial construction in order to improve quality and reduce costs.

Sello Shopping Center, Espoo

PROPERTY DEVELOPMENT

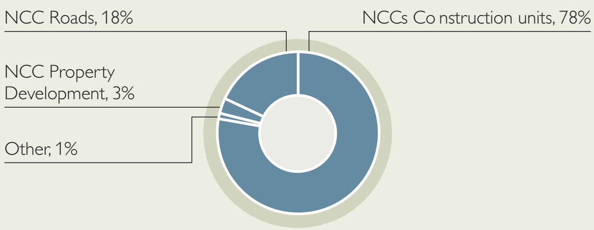
NCC Property Development develops and sells commercial properties in defined Nordic growth markets. Its target groups are users seeking inspirational environments and investors seeking properties that offer stability and a secure return over time.

E4 Expressway south of Helsingborg.

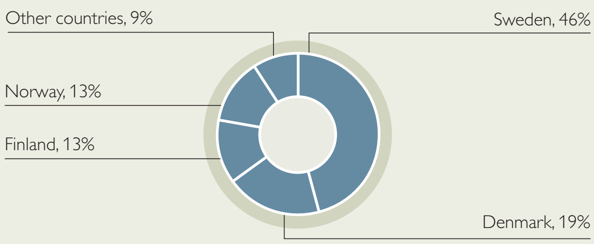
ROADS

NCC Roads' core business is the production of aggregates and asphalt, combined with paving operations and road services. NCC is the leading company in the Nordic market. The main markets for NCC Roads are the Nordic region, Poland and St. Petersburg.

Business areas, share of Group net sales



Net sales, by geographical markets



	Net sales	Operating profit	Cash flow before financing	Capital employed	Average number of employees
NCC's CONSTRUCTION UNITS Share of Group total	SEK 38,695 M 78%	SEK 1,495 M 74%	SEK 1,607 M 55%	SEK 5,421 M 49%	14,474 77%
NCC PROPERTY DEVELOPMENT Share of Group total	SEK 1,671 M 3%	SEK 200 M 10%	SEK 975 M 33%	SEK 2,541 M 23%	111 1%
NCC ROADS Share of Group total	SEK 8,708 M 18%	SEK 313 M 16%	SEK 341 M 12%	SEK 3,170 M 28%	4,206 22%
NCC GROUP TOTAL	**SEK 49,506 M**	**SEK 1,748 M**	**SEK 2,115 M**	**SEK 10,032 M**	**21,001**

In Copenhagen, NCC is converting two former silos into exciting apartment blocks. The apartments are positioned on the outside of the silos, which are located in Havnestad, on Islands Brygge.

STRATEGIC ORIENTATION

FOCUS ON PURCHASING, NEW CONSTRUCTION PROCESSES, EMPLOYEES AND PARTNERING

After having completed its concentration on core operations in the Nordic market, NCC's key strategic goals for the years immediately ahead are increasing the efficiency of the purchasing process, rationalizing construction processes, having the right employees at all levels of the organization and continuing the development of construction assignments based on Partnering contracts. Growth is to be generated in well-defined markets and segments.

VISION

NCC's vision entails being the leading company in the development of tomorrow's environments for working, living and communication.

STRATEGY

Growth within well-defined markets and segments

Having lower costs and better employees than competitors is the prerequisite for NCC's ability to grow without increasing its financing risk. Accordingly, the Group's strategic orientation involves endeavoring to reduce total costs at all levels of the construction process and having the right employees on site.

At the same time, prudent growth is to be generated in well-defined markets and segments:

In the Nordic region, particularly in Sweden, NCC has started developing systems for constructing multi-family residential properties in an industrial environment (also see pages 18–19).

In Denmark, NCC EkoConcept, which has previously been applied successfully in Finland, was introduced during the second half of 2005.

In the Baltic countries, NCC initiated construction of approximately 400 apartments on the company's own land in Tallinn, Riga and Vilnius in 2005. At the beginning of 2006, NCC had access to land or development rights for about another 1,800 apartments. NCC also intends, cautiously and on a small scale, to start up proprietary production of residential projects in St. Petersburg, Russia.

In Germany, NCC already applies a successful concept for high-quality single-family dwellings. During recent years, this operation has been expanded to Hamburg, Cologne, Frankfurt and a number of other cities in Germany.

In Finland, Idéhuset ("Idea House") was launched during the first half of 2005 as a new concept for single-family dwellings.

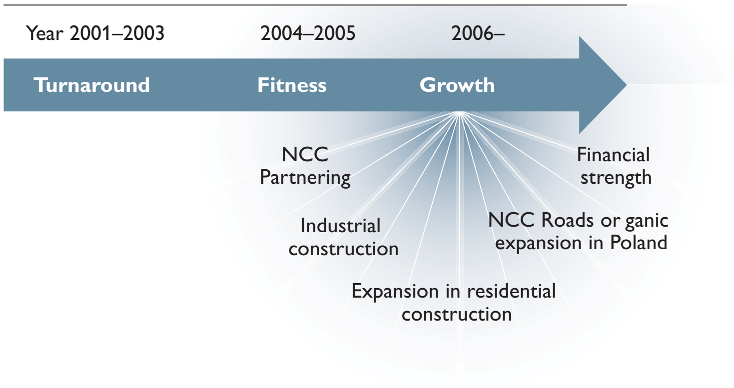
In Poland, NCC Roads' organic and successful expansion continues.

Coordinated purchases reduce costs

For several years, the price of building products has substantially exceeded the rate of inflation, due to such factors as a lack of competition, decentralized structures involving local building projects and suppliers, limited coordination and an irrational construction process. For some time now, NCC has been applying various ways of increasing the efficiency of the construction process, whereby the commitment of the purchasing function and line managers is of vital importance.

At the Inre Hamnen in Sundsvall, NCC is constructing Sweden's largest wooden residential building to date. The five-floor building, with a total of 94 apartments, is based on a unique design featuring a solid-wood framework and completely wooden-clad façades.

NCC's growth occurs in well-defined markets and segments.



A company, NCC Purchasing Group (NPG), was formed in 2005 to function as a professional supplier of purchasing services to the organization's purchasing units. NPG complements the existing purchasing organizations, which focus on national and regional purchasing issues.

The annual purchases of NCC's Nordic Construction units total approximately SEK 30 billion. In 2005, less than one third of the total was coordinated on a Nordic or national basis. The long-term objective is that about one half of purchases will be coordinated.

An obvious goal of the Group-wide purchasing policy is to reduce costs. As a result of large-scale joint purchases, it is possible to compare Nordic suppliers with the offerings of manufacturers in, for example, Poland, the Czech Republic or China. During 2005, the purchasing volume from foreign suppliers totaled approximately SEK 500 M, which represents only a small, but a rapidly growing, portion of NCC's total purchasing volume. The cost savings derived from international purchases during 2005 averaged 16 percent and the actions taken in this area also led to several local NCC suppliers reducing their prices. NCC will continue to expose Nordic suppliers to competition and expects to establish offices in additional new purchasing markets in the next few years.

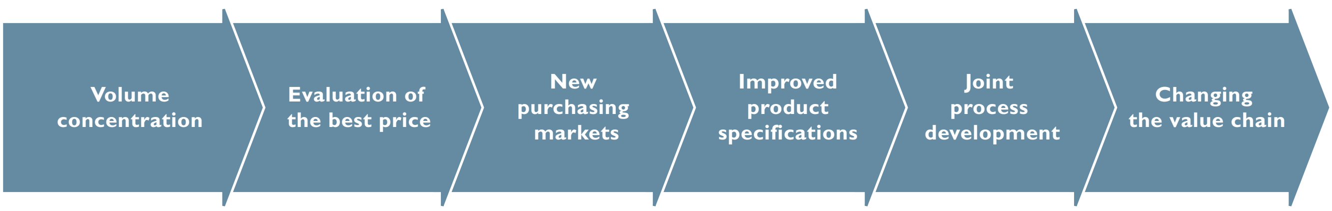
Another approach is to quite simply compare what the various Group companies pay for the same product. The NCC Price Bank is an important tool in this area, enabling price comparisons of purchases and ensuring that all construction projects always obtain the best price for a product or service.

However, the purchasing process involves more than just prices. Other considerations include whether the supplier has the production capacity to deliver high volumes, can guarantee punctual delivery at the agreed quality or has the capacity to develop products. Another of the features of the central purchasing company's work is finding products that can add value, such as simpler installation or a favorable operating economy for future users. Large-scale purchasing volumes also increase the potential to steer the selection of materials from the viewpoint of sustainability. (Read more about purchases on pages 14–15).

Personal buildings based on industrial construction

In many parts of Sweden and the countries around the Baltic Sea, demand for housing is considerable. During recent years, NCC has taken several steps towards increasing the share of prefabrication, also known as industrial construction. An initial step was Det ljuva livet® ("The Good Life"),

Strategic purchasing process



NCC's central purchasing company, NCC Purchasing Group (NPG), operates in accordance with a strategic purchasing process.

the winning entry in a contest arranged by the Swedish Association of Municipal Housing Companies in order to find attractively priced housing that was prefabricated and assembled on site. During recent years, NCC has taken action to further increase the industrialization of the construction process, such as technical platforms for residential and office construction. In 2006, NCC will launch the next step in the industrialization process, which will provide the company with a revolutionary technical edge in the sector. As part of NCC's major industrial investment in prefabrication, which has been conducted in Hallstahammar, Sweden, 90 percent of the buildings will be prefabricated in this plant, and the buildings will delivered to the site as flat packages that are easily assembled at the construction site by fitters. Despite the rational production process, there is considerable scope for individual choices in every property (read more on pages 18–19).

Attracting and retaining the right employees

In addition to lower costs, having the right employees at the right place is a prerequisite for generating growth without increasing the financial risk. In the construction industry in general, and especially in Sweden, the age distribution is distorted, which will result in considerable amounts of retirement in the next five to ten years. In particular, many employees in management positions, such as site managers, will leave the labor market. At the same time, increased expertise will be required within strategic areas, such as purchasing and NCC Partnering, in order to continue to develop NCC's offering.

NCC's growth strategy includes systematic efforts to be the most attractive employer in the sector, which also entails retaining and developing the right employees. This is best achieved by being a profitable and leading company and by offering good career and development opportunities. The work environment – in terms of efforts to both prevent accidents and improve general working conditions – is a central issue. Rehabilitation and a reduction in sickness absence are other issues. Highlighting the Group's strengths and the benefits provided to employees is a key instrument in efforts to retain existing and attract new employees. Communication, both internally and externally, is an important aspect of these efforts.

Through the annual Human Capital Index (HCI), such parameters as leadership and power of implementation can be evaluated (read more about this on pages 23–25).

NCC Partnering generates better results

NCC is the market leader in conducting construction projects in partnership with customers. Expressed simply, NCC cooperates with clients, architects and sub-suppliers in order to implement high-quality projects at the right price and delivered at the agreed time. This is done with great openness, with shared incentives among the various partners and with the best of the project in mind. Common features of all the completed projects are that the agreed prices have been adhered to, the quality has improved and deadlines have been met. In addition, no disputes have arisen. Through NCC Partnering, NCC can deliver a product subject to efficient cost control, which benefits both the customer and NCC, and also improves profitability. As both NCC and the clients increase their knowledge of this way of working, the opportunities to continue to develop the construction process in accordance with NCC Partnering will become considerable (read more about this on pages 30–31).

NCC arranged the Children's Construction School at four locations in Sweden during summer 2005. About 300 children learned such skills as drilling, hammering and computer design, as well as why concrete needs to be reinforced. In Malmö, NCC cooperated with four schools in the Rosengård suburb. The children in the photo are Amina, Sadik, Balwinder and Donart.

FINANCIAL OBJECTIVES AND DIVIDEND POLICY

The aim of the NCC Group's strategy is to generate a healthy return to shareholders under financial stability. This is reflected in the financial objectives of a return on equity of 15 percent after taxes, a positive cash flow before financing and net indebtedness that is less than shareholders' equity.

FINANCIAL OBJECTIVES

The profitability objective for the return on equity was set in conjunction with the transformation of NCC that commenced in 2001 and which was described as the "Turnaround". The level for the return on equity is based on the margins that the various parts of the Group may be expected to generate on a sustainable basis and on the capital requirements needed considering the prevailing business focus.

To ensure that the return target is not reached by taking financial risks, net indebtedness – defined as interest-bearing liabilities less cash and cash equivalents and interest-bearing receivables – must be less than shareholders' equity. As a complement to the return requirement, which is based on the adopted income statement and balance sheet, another goal is that cash flow must be positive, to ensure that there is an underlying real earnings capacity in the Group, so that the return is not based upon what, from a valuation viewpoint, are profit or capital adjustments in the accounts.

Proprietary housing and property-development projects, and machinery-intensive NCC Roads, account for most of the capital requirement, and thus also the financing requirement. The contracting operations have limited capital requirements but are subject to major seasonal and, to some extent, cyclical changes in working capital. In order to take these fluctuations within large parts of the Group operations into account, the return requirement has to be reached on a calendar-year basis, as must the target of a positive cash flow. For the same reason, the goal that net indebtedness should not exceed shareholders' equity also applies to the close of each quarterly period.

The internally focused analysis that forms the foundation for the above financial objectives is checked regularly against other companies active in NCC's markets and against the return required from NCC by the capital market. This comparison ensures that the objectives are reasonable when viewed from a shareholder perspective.

Within the various business areas, business operations are followed up on a local basis with the aim of steering them towards the Group's financial objectives. Accordingly, the main financial key figures from an operational viewpoint are the operating margin, return on capital employed and cash flow. In addition, other important operation-related objectives are set to support NCC's strategy, in such areas as the work environment, customer satisfaction, product quality, environmental impact and contract loyalty in, for example, the purchasing area.

FULFILLMENT OF OBJECTIVES

During 2001–2004, NCC did not fulfill the return on equity objective, because the margins from contracting operations were insufficient and the contribution from both commercial development and the NCC Roads business area was too low. The transformation that occurred in conjunction with NCC's Turnaround program and the continuous improvements achieved since then resulted in substantially high margins and lower tied-up capital, as a result of which the return on equity objective was achieved for the first time in 2005.

DIVIDEND POLICY

NCC's policy with respect to the ordinary dividend is to distribute at least half of profit after taxes as dividends. The reason for establishing this level is to generate a healthy return for NCC's shareholders and to provide NCC with the potential to invest in core business and thus to ensure that future growth can be created while maintaining financial stability. The proposed ordinary dividend of SEK 5.50 per share for 2005 corresponds to 50 percent of profit after taxes. In addition, an extraordinary dividend of SEK 10.00 per share is proposed.

Financial objectives and dividend

	Target	Result 2001	2002	2003	2004	2005	Five-year average
Return on shareholders' equity after tax, %	15[1]	neg	11	neg	14	18	1
Debt/equity ratio, times[2]	<1	1.4	0.8	0.8	0.2	0.1	0.6
Cash flow before financing, SEK M	Positive	–746	5,055	762	5,244	2,115	2,486
Ordinary dividend, SEK	Policy: As of 2005, at least 50% of profit after tax	2.25	2.75	2.75	4.50	5.50[3]	3.55
Extraordinary dividend, SEK				6.70[4]	10.00	10.00[3]	5.34

1) The objective was 12 percent until the end of 2001.
2) New objective, as of 2005: Net indebtedness/Shareholders' equity.
3) Proposed dividend.
4) Pertains to Altima, which was spun off in 2003.

NCC'S STRATEGY IN PRACTICE

COORDINATED PURCHASES LEAD TO MORE VALUE FOR MONEY

Purchasing is one of the principal areas in efforts to reduce NCC's costs. At the beginning of 2005, NCC Purchasing Group AB (NPG) was formed in order to coordinate and add more weight to the purchasing function.

NPG focuses on three principal areas:

Coordinating purchasing volumes. As a large construction company, NCC is able to achieve the best possible purchasing terms for its purchases, because most of the construction projects within the Group have similar needs. This means that individual units can capitalize on the entire Group's strength, and that suppliers who offer the most value for money for the entire Group can be chosen. Examples of areas where NCC has concluded Nordic purchasing agreements include parquet flooring, whiteware, plasterboard, insulation, elevators, doors, road markings, work wear, tires and office equipment.

Reviewing product and service specifications in order to minimize the number of different varieties is an important aspect of purchasing.

New purchasing markets. Since 2005, NCC has its own purchasing offices in the Baltic countries, Poland, Germany and

Jamil Dagher, international purchaser within NCC Purchasing Group AB (NPG).

China, as well as professional resources for purchasing throughout Europe. In 2005, purchasing volumes from foreign suppliers rose sharply. Efforts designed to expose Nordic players to competition will continue and NCC expects to establish offices in additional new purchasing markets in 2006.

Systematizing and developing purchases. Costs are cut and quality enhanced if routine purchases are reduced, overall know-how of purchasing is increased and work aimed at introducing new purchasing methods is accelerated. The use of NCC Price Bank enables comparisons of the prices of purchases, ensuring that the best price is obtained for products and services in all construction projects. The NCC-Shop is NCC's own electronic warehouse for effective sub-orders of consumables. Work in this area will be intensified in 2006, to create a complete Group-wide purchasing system throughout NCC.

NPG's operations will be developed towards increased numbers of service and product specialists. Work aimed at improving purchases in terms of price, quality and other terms is never completed. Improving, refining and reducing the cost of purchases is a continuous process.

MARKET AND COMPETITORS

UPSWING – CONTINUED GROWTH IN 2006

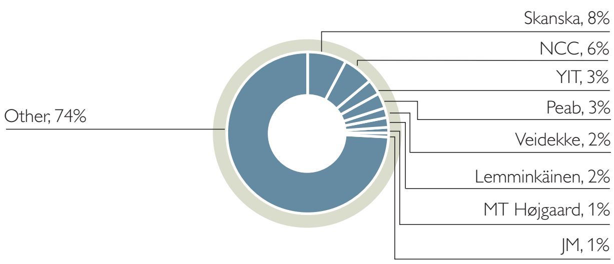
Following a couple of weak years, the Nordic construction market regained momentum in 2005 and grew by approximately 4 percent. Residential investments rose sharply, while the market for the construction of new commercial property projects remained low. In total, market growth of 3–4 percent is also expected for 2006, with an increasing civil engineering market making a strong contribution.

As a rule, the construction market follows the general economic trend, measured in terms of GDP, but with a time lag of at least one year. The housing market, where sales focus directly on consumers, reacts fastest to the economic trend. The time lag for other buildings (offices, industrial and public premises) and the local civil engineering market is greater, since developments here depend on the investment plans of other industries. This results in construction projects frequently being procured in one economic cycle and produced during the next. Larger projects also extend over a longer period of time. Major infrastructure projects can function as economic balances and are affected by political positions and national budget considerations.

MARKET TREND

Total construction investments in the Nordic region during 2005 rose by 4 percent. NCC anticipates growth of the same magnitude in 2006, with the civil engineering market playing a much greater role in the growth. The housing market is expected to remain strong. Production of other buildings recovered somewhat in 2005 but growth in 2006 is expected to be marginal.

Market shares, percent



The Nordic construction market is highly fragmented. NCC is the second largest company in the Nordic region, with a market share of 6 percent. The construction market in the Nordic region generated sales of approximately SEK 720 billion in 2005.

Housing

Demand for housing was high during 2005 in all Nordic countries, due in part to low interest rates. Housing sales continued to increase in all markets. In total, NCC started proprietary production of 4,789 (3,158) housing units and sold 4,349 (3,595). During recent years, NCC's position as a residential builder has been strengthened in all Nordic markets. NCC also engages in residential construction in Germany, where operations are now gradually being expanded into several other German cities.

Civil engineering

The civil engineering market in the Nordic region became stronger in 2005 and, according to NCC, is expected to continue to grow in 2006. Several large infrastructure projects are planned, particularly in Sweden, where the start-up of construction on the Norra Länken project (traffic bypass around Stockholm) is expected. In Norway, continued investments are expected in the energy sector. A growing civil engineering market is positive from the viewpoint of NCC's Construction units and NCC Roads' sales of asphalt and aggregates products.

Other buildings

Although demand for offices, industrial, commercial and public buildings recovered somewhat in 2005, no growth is expected in 2006. The main reason is the continuing high vacancy rates in the office market, outsourcing in the indus-

Construction markets in the Nordic region 2006

Segment	Sweden	Denmark	Finland	Norway
Housing	↗	↗	↗	↗
Buildings	→	→	→	→
Civil engineering	↗	↗	N.A.1)	↗
Total	↗	↗	→	↗

1) NCC is not active in this market.
(Source: NCC.)

Real estate markets in the Nordic region 2005

	Vacancy rate, %		Rent, m² per year1)			Yield, %1)	
Stockholm	17	↘	3,650	(SEK)	→	5.00	→
Copenhagen	7	↘	1,800	(DKK)	→	5.50	↘
Helsinki	8	↘	300	(EUR)	→	5.90	↘
Oslo	9	↘	2,000	(NOK)	↗	5.60	→

1) Pertains to Central Business District.
(Source: NCC.)

trial sector and the fact that new investment in, for example, production plants is often placed outside the Nordic region.

Commercial projects

The market climate for initiating commercial projects has been weak during recent years and vacancy rates in the Nordic capitals remained high at the end of 2005. However, investor interest in properties with a high occupancy rate remained strong. The opportunities for selling attractive property projects are expected to remain favorable in 2006.

Outside the Nordic region

In Poland, where NCC's operations consist mainly of asphalt, aggregates and paving, the market is outperforming the Nordic countries in terms of growth. Market growth in 2006, according to NCC's assessment, will be approximately 10 percent. In the St. Petersburg area, which is also a growing market for NCC Roads, demand is rising steadily. In Germany, where NCC mainly develops housing, the general construction market is weak, although a slight recovery has occurred in certain submarkets. In the Baltic countries, where NCC increased its presence as a residential builder during 2005, housing investments have risen sharply during recent years and a continued rise is expected in 2006.

COMPETITORS

The Nordic construction market is national and highly fragmented. NCC is one of the largest players in the Nordic region, and the Group's share of total construction investments is about 6 percent. In local markets, NCC competes with many smaller contractors. Larger civil engineering projects in the Nordic region are often procured in international competition with Europe's largest construction companies and the really major civil engineering projects are often managed by consortiums. This internationalization could eventually result in more major players permanently establishing positions in, primarily, metropolitan areas of the Nordic region.

On a Nordic basis, NCC's foremost competitors are Skanska and Peab of Sweden, MT Højgaard of Denmark, Veidekke of Norway and YIT and Lemminkäinen of Finland. In Sweden, JM is a major competitor for residential housing projects. In the Nordic market for civil engineering projects, road construction and asphalt and paving, state-owned and municipal production units, such as the Swedish Road Administration's Production Division in Sweden and Mesta in Norway, are major competitors.

NCC conducts proprietary property development in parallel with its traditional construction contracts. NCC Property Development operates in the Nordic region's largest metropolitan areas. There are many competing companies in the property development sector, ranging from private property owners to traditional real estate companies and other large construction companies. In certain markets, particularly in Denmark, there are also pure property development companies, such as Sjælsø Gruppen.

NCC's development rights, construction-initiated and sold proprietary housing units within NCC, December 31, 2005

	Sweden		Denmark		Finland[1]		Norway		Germany		Group	
	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
Number of development rights	8,700	10,200	393	493	7,590	6,834	1,577	1,633	1,155	1,185	19,415	20,402
Number of construction-initiated housing units	1,450	1,155	515	345	1,908	1,229	190	68	726	335	4,789	3,158
Number of sold housing units	1,416	1,450	587	629	1,607	1,057	179	133	560	303	4,349	3,595
Number of sold housing units under production	1,909	1,993	409	317	1,953	1,412	212	141	552	245	4,957	4,132
Number of unsold housing units that have been completed for more than six months	18	110	0	8	70	6	2	18	6	9	96	151

[1] Including the Baltic countries.

Competitors in the Nordic region, 2005

Key ratios and products	NCC	Skanska[1]	Peab	MT Højgaard[2]	Veidekke	YIT	Lemminkäinen	JM	Colas	CRH[3][4]	Heidelberg Cement[2][5]
Sales (SEK billion)	50	125	25	10	17	25	15	10	90	24	7
Number of employees (thousands)	21	54	11	5	6	21	8	2	56	10	4
Housing	●	●	●	●	●	●	●	●			
Building	●	●	●	●	●	●	●	●			
Civil engineering	●	●	●	●	●	●	●				
Asphalt, aggregates, concrete	●	●	●		●		●		●	●	●
Property development	●	●	●	●	●	●		●			
Machinery rental		●	●	●							

[1] It is estimated that Nordic operations account for approximately SEK 51 billion of Skanska's sales.
[2] Pertains to the period October 2004 to September 2005.
[3] Pertains to the period July 2004 to June 2005.
[4] Pertains to the Materials Europe Division.
[5] Pertains to the Northern Europe Division.

NCC'S STRATEGY IN PRACTICE

INDUSTRIAL CONSTRUCTION

In 2002, NCC launched a development project for industrial construction in order to find a method for the industrial construction of apartment blocks that shortened the construction period, reduced costs and enhanced quality.

Previous industrial initiatives in the construction sector have not made particularly great progress. The traditional construction process has remained virtually intact and thus no major productivity gains have been made. These initiatives have mainly entailed various types of modules with a relatively low completion rate. The progress that has occurred mainly focused on the construction of wooden houses or smaller multi-family dwellings. With respect to apartment blocks, the modules often consisted of ready-molded walls or floor structures. Final production, the largest part of the construction process, still had to be done at the construction site.

Accordingly, a simple fine-tuning of the existing construction process would not be enough to pave the way for something really new. This would require a technology leap and an industrial process offering continuous improvements and productivity hikes.

NCC started from scratch in its efforts to think in new terms and challenge the conventional approach to construc-

Fredrik Arnheim is responsible for NCC's development project involving industrial construction. In April 2006, a newly built plant in Hallstahammar, Sweden, will be inaugurated, which will offer the most modern residential construction in the world.

tion. The company derived inspiration and knowledge from the manufacturing industry, the leader in this area.

In NCC's opinion, the result is the most industrialized construction process in the world, which provides architects and developers with considerable freedom to design both building exteriors and residential floor plans. The manufacturing costs will be much lower than housing built on site or based on other industrial construction systems, at the same time as the solid development work put into the project has succeeded in boosting quality and control to a very high level.

In April 2006, serial production will commence in a newly built plant in Hallstahammar, Sweden, which is strategically located with excellent transport facilities to densely populated regions. A new residential area in Eskilstuna will account for the first deliveries. A full-scale show house has been built in Hallstahammar and will be ready for occupancy in May.

NCC believes that this industrial construction initiative will decisively change the sector's opinion of what can be achieved through innovative thinking and cross-industry learning from leading companies in the manufacturing industry.

More information about the construction system will be published on NCC's www-ncc.info website in conjunction with the official inauguration of the plant on April 25, 2006.

THE ENVIRONMENT AND SOCIETY

RESPONSIBLE CONSTRUCTION

Society's need of workplaces, housing and communication generates large numbers of construction projects every year. Accordingly, construction operations play an important role in the development of societies. At the same time, construction gives rise to considerable environmental effects. NCC's objective is to be the leading construction company in terms of responsible enterprise.

As a result of the use of land, materials and energy, and the resulting residual products/waste, there is a considerable need for responsible action to minimize the environmental impact. The following facts illuminate the magnitude of the challenges:

- A healthy indoor climate is of vital importance to everyone. Most people spend 90 percent of their time indoors.
- The use of energy in buildings accounts for approximately 40 percent of total energy consumption in Europe. The potential to rapidly reduce energy consumption and emissions of greenhouses gases is greater in this area than within the transport sector.
- Many chemical substances are used in the construction sector, as part of building structures that have a very long life, which means that the choice of construction materials should be subject to exceptional demands from a health and environmental viewpoint.
- Construction operations generate large amounts of waste. Calculations show that about one third of the total amount of waste in society derives from construction projects.

On the whole, this means that customers, employees and many other stakeholders will subject construction companies to increasing demands for responsible action and actual improvements. NCC's objective is to be the leading construction company in terms of responsible enterprise.

NCC's greatest opportunity to affect the way its projects develop is during the early phases. By participating in and controlling the entire construction process, NCC can aim for optimal solutions at every level that contribute to reducing the environmental impact and to sustainable development.

NCC'S ENVIRONMENTAL OBJECTIVES

NCC's Code of Conduct stipulates a number of environmental objectives, which entail in brief that NCC must:

- Create healthy living environments.
- Reduce the impact on the climate.
- Reduce the use of harmful materials.
- Contribute to the recovery and recycling of materials and used products.

Environmental responsibility is a managerial responsibility. This applies at all levels of NCC and the basic principle for environmental efforts always entails complying with legal and public regulations, avoiding environmental risks, aiming for improvements and focusing on customer requirements.

EFFICIENT TOOLS

Engaging in an early dialog with customers during the project-planning stage creates the best opportunities for ambitious environmental efforts. NCC Partnering – which is based on an open dialog between NCC and the customer – enhances the opportunities to achieve an efficient environmental adaptation of construction projects. A study of 35 major building developers in Denmark shows that customers believe that Partnering can improve the health and safety efforts of construction projects.

NCC has refined its NCC EkoConcept, which provides the potential to optimize the environmental aspects of a project from a lifecycle viewpoint. This calculation model, which is being used successfully in Finland, has been adapted to enable its use in refurbishment projects. As a result of this shift away from construction cost to lifecycle cost, greater priority is assigned to investments aimed at reducing energy consumption. Environmental considerations frequently lead to a lower total cost.

NCC Construction Finland has also introduced a monitoring system that has been applied in a couple of projects since 2005. The aim is to safeguard the technical maintenance of buildings and to optimize the lifecycle cost when the building is put into operation. At the same time, users receive information that facilitates environmentally compatible behavior.

NCC is also refining a system and procedures for exchanging experiences gained from projects where the environmental ambition has been high, and is also refining methods for measuring the environmental efforts of various units.

ENERGY EFFICIENCY

Society is facing major changes in the energy area. Rising costs – and increasing concern about the risk of climate changes – are reinforcing efforts to rapidly reduce the use of fossil fuels. Within the EU, the Kyoto Protocol, consisting of efforts to strengthen and prolong international agreements, continues. At the same time, the EU has decided to enforce an energy directive that will include such requirements as the energy declaration of buildings. This process commences in 2006 and will entail an increased focus on the need for greater energy efficiency. In Denmark, political agreement has been reached regarding a 25-percent reduction in the use of energy in new buildings as of 2006 and an objective to achieve a further 25-percent reduction as of 2010.

In Finland, new rules were introduced in 2003 regarding insulation, indoor climate and ventilation. The aim is to reduce the use of energy for heating and hot water by 25–30 percent. According to a study conducted by NCC Construction Finland, it is estimated that energy consumption in new buildings was reduced by 34 percent between 2003 and 2005.

A follow-up of energy efficiency within NCC Construction Sweden also revealed potential to reduce energy consumption in newly produced buildings. During 1997–2005, it is estimated that energy consumption in newly produced housing built on a proprietary basis was reduced by 24 percent. A study conducted by NCC on behalf of the Swedish Energy Agency also shows that house buyers are willing to pay extra for energy-efficient single-family houses, when they see that the increased financing cost is offset by lower operating expenses.

NCC Roads is working actively to develop sustainable paving based on more environmentally compatible and energy-efficient asphalt-production and paving techniques. NCC has also conducted positive trials involving low-temperature asphalt (hot asphalt with a lower manufacturing temperature), which reduces energy consumption in the production process by 20–30 percent.

CONTROL OVER CHEMICALS

NCC actively supports EU efforts to create a Community-wide chemical legislation, known as REACH, that expands the liability of producers and suppliers to evaluate products and provide information about their content. Community-wide rules are essential in efforts to safeguard product quality and to improve competition in the building materials sector.

NCC Construction Sweden is also one of the initiators of BASTA, an industry-wide information system that will facilitate the phase-out of environmentally hazardous substances. In 2003–2005, NCC Construction Sweden participated actively in the development of the system, which started to be used in Swedish construction operations in 2005.

RECYCLING AND WASTE

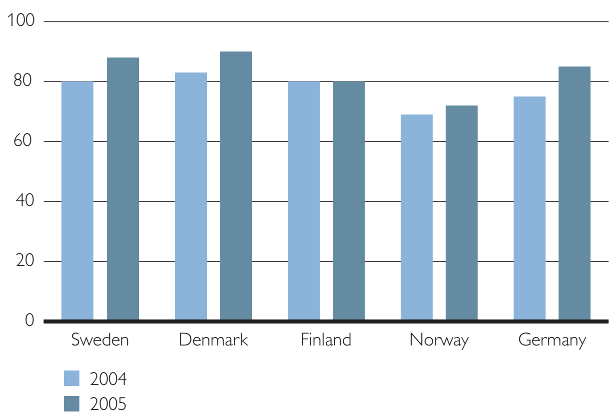
At construction sites, waste is sorted to maximize opportunities for material recycling or energy recovery. Most NCC operations have a recycling rate exceeding 80 percent.

NCC Roads continued to focus on the reuse of asphalt. In 2005, the proportion of recycled asphalt amounted to 6.4 percent of the production volume of new hot asphalt.

MORE INFORMATION

More detailed information about the focus of environmental efforts and current R&D projects is available on the Group's website www.ncc.info

Recycled construction waste, percent



Most of the operations are showing a recycling rate of at least 80 percent. The improvements that occurred in 2005 reduced both the environmental impact and construction costs.

BUILDING THAT IS WARMED BY BODY HEAT
In 2005, NCC and the White arkitekter architectural firm proved that it is fully possible to build apartment blocks without traditional heating systems. Calculations show that annual energy purchases for heating, hot water and household electricity can be reduced to about 60 kWH per square meter. This is equal to a decrease of 65 percent compared with traditional energy solutions. The payback period for the additional investment is about ten years.

NCC'S STAKEHOLDERS

NCC faces expectations and demands from many different stakeholders. How NCC lives up to these expectations is a decisive factor for the Group's success in its business operations. The matrix below summarizes NCC's aims and objectives, the success factors for achieving these goals, and examples of measures designed for each stakeholder category.

	AIMS AND OBJECTIVES	SUCCESS FACTORS	ACTIONS/MEASURES ✓ Implemented • Pending
CUSTOMERS	• Strong, long-standing customer relations. • Customer value in all activities. • High level of competency. • Contribute to sustainable social development. • Satisfied customers. • Reduced construction costs.	• Long-term relations. • Technical competency. • NCC Partnering. • Innovation. • Training. • NCC EkoConcept. • Purchasing. • Industrialization.	✓ Proprietary international purchasing organization ✓ Training programs in project management ✓ Dialog about values. ✓ Formulation of Code of Conduct. • Increased scope for NCC Partnering. • Broadened lifecycle approach. • More in-depth customer surveys. • Plant in Hallstahammar. • Housing platforms. • Continued work on company values.
USERS	• Create healthy built environments. • No harmful substances. • Reduced climate impact during use of buildings. • Satisfied users.	• Technical competence. • Well-conceived design. • Innovation. • Energy efficiency. • Continuous dialog.	✓ Future-oriented studies of new values. ✓ Formulating concepts for computing lifecycle costs (NCC EkoConcept). ✓ NCC Concept House. • Offer environmentally labeled, energy-efficient buildings. • Offer NCC EkoConcept to customers throughout the Nordic region.
SHAREHOLDERS	• Increased value growth. • 15% return on shareholders' equity after tax. • Positive cash flow. • Financial stability. • At least half of after-tax profit distributed to shareholders	• Focus on core business. • Simple organizational structure and decision-making channels. • Customer value in all activities. • Purchasing. • Industrial construction. • Growth efforts.	✓ Reorganization. ✓ Focus on the Nordic region. ✓ Intensified product and customer focus. ✓ Product concepts. ✓ Financially stronger company with reduced risk exposure. • Profitable growth. • Improved competitiveness and increased profitability.
EMPLOYEES	• Open internal dialog. • Low level of sickness absence and zero work-related accidents. • Motivation, commitment and innovation. • Committed employees. • Most attractive employer. • Modern personnel relations.	• Clear, value-guided and supportive leadership. • Influence over own work. • Recruit and retain the best employees. • Simple and clear-cut internal communication. • Safe work environment. • Modern collective agreements. • Good development opportunities.	✓ Simpler and clearer organization and responsibilities. ✓ Management training. ✓ Human Capital Index. ✓ Career-development talks. ✓ "SeeMee", recruitment system for internal and external recruitment. ✓ Reduced sickness absence. • Increased pride in working for NCC. • Increased diversity. • Strong leadership. • Developed recruitment method.
SUPPLIERS	• Strong, long-standing relations with a limited number of suppliers. • Reduced costs. • Increase in international purchases.	• Efficient purchasing process. • Technical competence. • Knowledgeable product-range teams. • International networks/ purchasing organization.	✓ E-trading system in certain countries. ✓ Coordinated purchasing across national boundaries. ✓ Training in cooperation with suppliers. ✓ Increased share of international purchasing. • Continued implementation of shared fundamental values and Code of Conduct. • Increased scope for NCC Partnering. • Intensified cooperation with strategic suppliers. • Own purchasing offices in several countries.
AUTHORITIES	• Provide best possible documentation prior to political decisions. • Participate in social debates on construction matters.	• Understanding for the role of the authorities. • Continuous dialog.	✓ Dialog with municipal administrations, government authorities and departments and other decision-makers. ✓ Discussions regarding new forms of procurement and construction costs. ✓ Establishment of FIA in Sweden, (for modernizing the civil engineering industry). • Continued dialog. • Reduced construction costs. • Broaden scope for NCC Partnering. • Work for strong EU-wide chemical legislation, REACH.
INDIRECT STAKEHOLDERS	• Increase awareness and knowledge of NCC. • Be perceived as open and credible. • Reference company in the industry.	• Participation in public debates. • Dialog with nearby residents. • Dialog with media.	✓ Debate articles concerning important, strategic matters. ✓ Involvement in member organizations and industry organizations. • Long-term, systematic brand building. • Intensified dialog with various stakeholders.

EMPLOYEES

POSITIVE TREND TOWARDS EVER-IMPROVED LEADERSHIP

During recent years, NCC has worked determinedly to achieve good leadership, employees who share the company's values and on health maintenance and rehabilitation. A stated ambition is that this work will lead to more committed employees who remain and develop within the Group. Another aim of these efforts is to ensure that the best external resources are attracted to NCC.

The overall objective for the Group is to achieve stable and sustainable growth. Personnel relations and leadership have a major impact on this. A study of 80 business managers within NCC Construction Sweden showed a direct correlation between good leadership and profitability. The more the employee values his/her manager, the greater the profitability the unit can show.

These effects are noticeable within several areas. Good managers and committed employees, combined with preventive action against accidents and illness and efficient action when anyone falls ill or has an accident, increase employee performance. In turn, this leads to increased profitability in the NCC Group. Employees who are treated with respect and given responsibility generate an excellent return on this investment.

All NCC employees participate in an annual Group-wide survey (Human Capital Index, HCI), which measures leadership performance, employee opinions of their workplace and their understanding and acceptance of the values that form the foundation of NCC's corporate culture. The results have been improving for several years, indicating that NCC's long-term focus on superior leadership has borne fruit. The survey is also an important tool in efforts to identify shortcomings in competencies or opportunities to improve leadership skills.

SKILLS SUPPLY FOR LONG-TERM PROFITABILITY

NCC and the construction industry in general are facing the major challenge of retaining and recruiting the right employees. The average age in the Group is 46 years. In the next ten years, about 40 percent of NCC Construction Sweden's employees, including a large number of site and project managers, will retire. This recruitment need is being compounded by the fact that the industry is expanding. From a recruitment viewpoint, a key characteristic of growth phases is that companies always endeavor to recruit competent employees and, particularly, key personnel from other companies in the same business. Accordingly, it is necessary to both be able to recruit new employees and retain existing ones.

To facilitate recruitment efforts and to ensure that competent employees do not leave the company, it is important that all employees feel proud about working for the company and see a future in this. Both of these criteria are measured in the annual Human Capital Index survey (HCI), which focuses on all NCC employees.

The following table shows how pride in working for NCC is increasing and that willingness to stay with the company remains high.

What do employees think about NCC?

Percentage that believes that …	2003		2004		2005
… I am proud of working at NCC	65	↗	69	↗	72
… I would really like to keep on working at NCC	74	↗	79	→	79

The need for recruitment applies to all personnel groups but is particularly acute for certain key strategic groups. Analyses, conducted at two levels, are made of age distribution within NCC, to form a foundation for systematic skills supply. For certain key groups who deal with Group-wide matters, analyses are made of the Group as a whole, while analyses of other groups are conducted country by country. The following are the results of a Group-level analysis of the age distribution of purchasers.

Age distribution among purchasers

	Less than 40 years	41–50 years	More than 50 years	Average age
NCC Construction in				
– Sweden	20%	17%	63%	50 years
– Denmark	58%	21%	21%	39 years
– Finland	33%	45%	22%	43 years
– Norway	42%	46%	13%	41 years

This age distribution has arisen because the various countries apply completely different recruitment principles. A more in-depth analysis shows that NCC Construction Sweden has recruited older employees with considerable experience of the sector, while NCC Construction Denmark has recruited college and university graduates with only limited experience of the sector. Against the background of this analysis, recruitment and training of purchasers within NCC Construction Sweden will be intensified with a focus on the Danish model. This will result in an increased rate of renewal of the purchasing function in Sweden.

Another analysis that was conducted on a country-by-country basis applied to site managers at NCC Construction Sweden. Of a total of 738 site managers, 345 are older than 55 years, which is clear evidence of the great recruitment need for this critical key role.

NCC Construction Sweden is arranging with great success a two-year course for foremen, as a way of filling the vacancies through in-house skills development. The target group consists of foremen who lack theoretical technical qualifications and blue-collar workers who aim to become foremen. The course sandwiches work practice with theoretical studies and is being arranged in close cooperation with the Royal Institute of Technology in Stockholm. All of those who have completed the course have been appointed to the intended position of foreman or site manager. A school for foremen is also being arranged by NCC Roads in Sweden with a similar objective.

In addition to satisfying the recruitment need, skills supply is particularly important because NCC is switching its focus to purchasing, Partnering and industrial construction, areas in which NCC needs to provide supplementary competencies. Accordingly, NCC will increasingly gain the character of being a company for highly skilled white-collar workers with its own educational organization.

The fundamental aim is to make NCC an attractive employer, with a modern, value-based leadership approach that sees individuals and supports their development.

DEVELOPING LEADERSHIP WITHIN NCC

Good leadership leads to healthy profitability. Developing leadership entails affecting values, approaches and work formats, which requires consistency and a long-term attitude. Accordingly, several leadership development programs are pursued at various levels within NCC – from operational and strategic needs – as well as a systematic analysis of leader candidates.

Values are the foundation for all modern leadership, which are then expressed in leadership style and control. Leadership determines how the decisions that have been taken are implemented.

A company must have considerable implementation power, which is continuously strengthened so that new challenges can be accepted. Obviously, the implementation power is particularly important when a company, such as NCC, is in the middle of a strategic reorientation with respect to purchasing, Partnering and industrial residential construction. Implementation power is measured in the annual employee survey. NCC shows a stable positive trend.

Implementation power within the NCC Group

	2003		2004		2005
Percentage of employees in the NCC Group that agree with the following statement: "When a decision is taken everyone supports it and ensures that it is implemented"	46	↗	52	↗	55

The basis of leadership, the values, must be developed and rooted within the company, and increasing numbers of employees must live up to the values. Within NCC, values are developed on a continuous basis as a feature of leadership training programs. They bear fruit and result in increasing numbers perceiving that the operations match their own values. The trend is positive but there is still room for considerable improvement.

How NCC's values are reflected in reality, 2005

Percentage that believe that NCC's corporate culture is characterized by …	NCC Construction in Se	Dk	Fi	No	Ge	NCC PD	NCC Roads
… honesty	63	71	80	78	61	81	63
… trust	59	74	78	80	62	77	65
… respect	58	72	70	77	66	76	62
… focus	60	69	74	77	69	92	62
… simplicity	42	55	69	59	53	57	46
… responsibility	65	74	75	79	79	82	67

Leadership gains expression as *Leadership style* and *Control*. *Leadership style* is all about the approach to leadership and the atmosphere between the manager/leader and the employee, while *Control* entails setting goals, rooting them and following them up, keeping things in order and maintaining distinct roles. The greater the value reflected in *Leadership style* and *Control*, the greater the strength of leadership and implementation power. In these respects, NCC shows a positive trend.

There are different development trends in the different parts of the Group. Against this background, all units formulate action plans and implement measures aimed at further developing leadership. The total HCI material is broken down to all operational units, whereby every manager/leader can see what needs improving.

Ever improved leadership

Percentage of NCC employees who think that …	… I have great confidence in my manager 2003		2004		2005	… we have clear goals 2003		2004		2005
NCC Group	67	↗	70	↗	72	63	↗	66	↗	67
NCC Construction in										
– Sweden	63	↗	66	→	66	58	↗	59	→	59
– Denmark	80	→	80	↗	82	68	↗	70	↗	72
– Finland	75	↗	78	→	78	75	↗	78	↗	79
– Norway	78	↗	81	↗	82	80	↗	84	↘	81
– Germany	53	↗	65	↗	67	83	↗	84	↗	89
NCC Property Development	80	↘	73	↗	88	63	↗	70	↗	85
NCC Roads	61	↗	63	↗	69	54	↗	58	↗	65

The annual career-development talks held with all employees are an important tool in developing leadership, motivation and skills. Each country has different traditions in this respect, which results in NCC's various units not keeping pace with each other.

Career-development talks

Percentage that had career-development talks	2004		2005
NCC Group	62	↗	68
NCC Construction Sweden	70	↗	72
NCC Construction Denmark	–		92[1)]
NCC Construction Finland	60	↗	62
NCC Construction Norway	65	↗	70
NCC Construction Germany	72	↘	71[1)]
NCC Property Development	87	↗	91
NCC Roads	48	↗	65

1) Only has career-development talks with white-collar workers.

Naturally the upward trend from 62 percent in 2004 to 68 percent in 2005 is very positive. A deeper analysis shows that career-development talks with white-collar workers normally maintain a high and thoroughly acceptable level. Accordingly, the increase in the trend is largely due to a rise in career-development talks with blue-collar workers. This is an important change because there is considerable potential to develop the role of blue-collar workers.

HCI A FEATURE OF THE REWARDS SYSTEM

Since NCC has a highly decentralized organization with a large number of business units, this increases the focus on the importance of good leadership. Virtually all line managers with profit responsibility have a portion of their bonus linked to the way their HCI trends develop. In addition to being positive for the company and manager's immediate subordinates, the HCI is now directly linked to individual pay.

Since 2005, a large number of line managers are part of an internal ranking system based on profitability. As of 2006, this ranking also affects the bonus, whereby those who deliver an earnings margin that is better than average qualify for the bonus, while the others do not.

WORK ENVIRONMENT

NCC's long-term focus on the work environment and health matters is generating increasingly positive effects for every year that passes. In Sweden, sickness absence declined for the third consecutive year in 2005 and continued improvement occurred in Norway. The costs also declined. A decrease in sickness absence in Sweden by 0.1 percent results in a cost saving of SEK 3 M. During 2005, sickness absence decreased from 4.5 to 4.0 percent, thus generating costs savings of SEK 15 M. The employer contributions paid by NCC were also reduced as a result of the low sickness absence. In Sweden, the Co-financing Act became effective on January 1, 2005, which results in employers paying 15 percent of the payroll cost of people on long-term sick leave. In return, the employer pays reduced employer contributions. This system benefits companies with few people on long-term sick leave and motivates efforts to focus on this area. With its relatively low sickness absence, NCC estimates that the total net saving during 2005 was SEK 1.6 M.

For several years, NCC has been the construction company in Sweden with the lowest number of occupational accidents. Although the number of occupational accidents increased slightly in 2005, the accidents that occurred were less serious than in the past. NCC's efforts to enhance the health competencies of individuals contribute to physical and psychological improvements among the employees, so that they manage to work both today and in the future. These efforts are exemplified by the morning warm-ups with which many employees start their day.

Sickness absence and occupational accidents in Sweden

	2004	2005
Total sickness absence, %	4.5	4.0
– accounted for long-term sickness absence, %	60.0	54.4
Sickness absence by gender, %		
– Men	4.6	4.1
– Women	3.2	2.7
Sickness absence by age, %		
– 29 years or younger	3.1	3.1
– Between 30 and 49 years	3.3	2.9
– 50 years or older	6.0	5.4
Occupational accidents, per million worked hours		
– Blue-collar workers	12.6	13.3
– White-collar workers	1.3	1.2

Although occupational accidents rose slightly in 2005, the number of occupational accidents over the past ten years has been halved.

NEW WORKWEAR REDUCES RISK OF ACCIDENTS

During autumn 2005, the Group's new uniform workwear with well-conceived safety details was introduced. For example, all occupational categories wear warning clothes as outer garments, with reflective features over the shoulder section. The new workwear is a tool in efforts to achieve the objective of accident-free workplaces.

NCC'S STRATEGY IN PRACTICE

BEING THE MOST ATTRACTIVE COMPANY IN THE SECTOR

NCC's growth strategy entails having lower costs and better employees than competitors. Retaining existing and recruiting the right employees is one of the success factors in efforts to achieve growth, which is why NCC devotes considerable attention to being the most attractive construction company in all of the markets in which the Group is active.

The decisive factors in how attractive a company is perceived by employees include profitability, leadership, work environment and development opportunities.

Profitability is of key importance to being perceived as an attractive company. A profitable company is a successful company, which provides development opportunities both for the company and the individual. This also creates security. Profitability also includes the ability to offer employees competitive wages and other benefits, such as the expanded parental insurance provided in Sweden. The Children's Construction School "Barnens Byggskola", a summer school for the children of NCC employees, is another popular element.

Leadership is closely associated with profitability. This includes everything from the control of an individual project to driving the process of change in the sector, in terms of, for example, purchasing behavior. A survey conducted within NCC Construction Sweden revealed a positive correlation between leadership and profitability. Accordingly, stronger

Camilla Holm-Lövgren, project manager at Hammarby Sjöstad.

leadership results in both increased profitability and greater job satisfaction. For a few years, NCC has assigned a premium to leadership by having a certain portion of the line managers' bonus linked to leadership development. Leadership also determines whether employees enjoy their work and remain with the company.

The work environment is a critical factor. Many workplaces are exposed to duties that are associated with risk, which means that preventing accidents and injuries is highly important. When accidents and illness still arise, rapid and effective rehabilitation is needed.

Development opportunities are often of decisive importance to whether employees remain with the company. NCC's vision is to be the leading company in the development of tomorrow's environments for working, living and communication. The major transformation of the work conducted in the construction industry being pursued by NCC is giving rise to new challenges, which are providing development opportunities to employees, such as working in new forms of partnerships (NCC Partnering) and with new processes (industrial construction).

NCC CONSTRUCTION SWEDEN

Higher operating profit, improved margins and an increase in orders received characterized the 2005 fiscal year for NCC Construction Sweden. The successes are attributable to a construction market that remained favorable and the results of the rationalization and cost-efficiency measures of the past years. In 2005, sales amounted to SEK 19.4 billion (17.5) and operating profit totaled SEK 764 M (475).

The Swedish construction market continued to improve in 2005. According to the trade association, the Swedish Construction Federation, growth was approximately 8 percent, with the largest increase reported within residential construction. Industrial investments declined and office construction also remained weak, although a mild recovery could be observed during the second half of the year. High vacancy rates in the office market, particularly in the important Stockholm area, is impeding new investment.

Orders received by NCC Construction Sweden increased by 11 percent in the strong market. Both civil engineering investments and residential construction gained market share due to the favorable amount of orders received. Improved risk management, a focus on profitability, fewer loss-making projects and a stronger management accounted for the growth in profitability. The improved coordination of purchases also contributed to the profitability growth, as did the continued rise in projects within the NCC Partnering cooperation concept.

CONTINUED FOCUS ON RESIDENTIAL CONSTRUCTION

The economic growth in Sweden combined with low interest rates has resulted in a particularly strong residential construction market. Housing production is conducted partly on a proprietary basis and partly under contract, in which the municipalities and their public-utility housing companies are the largest customers.

In 2005, construction began on 1,450 (1,155) proprietary housing units and 1,416 (1,450) housing units were sold. A crucial factor for continued success and the opportunity to construct sought-after housing units is accessibility to attractive development rights. At year-end, NCC Construction Sweden held more than 8,700 (10,200) development rights for housing units, of which 4,600 were in the Stockholm area. In 2005, NCC acquired strategic sites in, among other regions, Malmö and Linköping.

Two key success factors for NCC are receptivity to the prevailing market conditions with regard to such elements as architecture, price and an effective sales organization. NCC conducts a market analysis and risk assessment for each project. Construction is not started until a certain proportion of the projects have been reserved by customers.

A successful example of land development is Frösunda in Solna. Only a few kilometers from the center of Stockholm, NCC has been creating a completely new urban district since 1996, comprising approximately 1,400 apartments to date. NCC has also constructed and sold offices and completed civil engineering projects in this area (including roads, streets and various outdoor environments). Other large housing projects during 2005 included Östra Hamnen in Västerås and Vågmästaren in Karlstad. In Linköping, NCC is constructing the Löjtnanten property block in Partnering cooperation with AB Stångåstaden and White arkitekter.

PLATFORMS AND INDUSTRIAL CONSTRUCTION

A strong trend in the efficiency enhancement of the construction process entails working with standardized platforms for both residential and office construction, a trend that also characterizes NCC's development work. The challenge is to find a technology that can offer variation and individual solutions. In 2005, NCC developed a platform for office construction that will be used in the construction of NCC's own new office in Malmö.

When it comes to industrialized construction, NCC has worked on a development project for apartment buildings since 2002. During 2004, comprehensive test operations were conducted, and in 2005, the technology and design were further developed. The construction system will be brought into commercial use in 2006. Manufacturing is conducted in a plant in Hallstahammar and serial production will begin in the spring of 2006. The system represents a substantial leap in technology for NCC and the entire industry (read more about this on pages 18–19).

STRONGER POSITION WITHIN INFRASTRUCTURE CONSTRUCTION

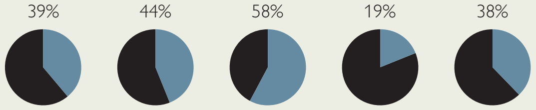
In recent years, NCC has worked systematically to improve its competitiveness and competence, and thus improve the profitabil-

NCC CONSTRUCTION SWEDEN

President Olle Ehrlén

Share of Group total

Net sales	Operating profit	Cash flow before financing	Capital employed	Average No. of employees
39%	44%	58%	19%	38%



SEK M	2005	2004
Orders received	22,151	19,878
– of which for proprietary projects	4,493	2,607
Order backlog	15,593	12,553
Net sales	19,354	17,518
Operating profit	764	475
Capital employed at year-end	1,881	1,473
Cash flow before financing	1,223	683
Operating margin, %	3.9	2.7
Return on capital employed, %[1)]	57.2	37.5
Investment in fixed assets	268	210
Investment in properties classed as current assets[2)]	270	325
Properties classed as current assets	1,363	1,702
Average number of employees	8,042	7,940

1) Return figures are based on average capital employed.
2) Mainly attributable to proprietary housing projects.

ity of civil engineering operations. This was accomplished by enhancing the effectiveness of risk management in complicated projects, expanding the supplier market by purchasing from foreign manufacturers and working closer to the customer within the framework for NCC Partnering.

In 2005, this work started to yield an effect through increased profitability and by strengthening NCC's position within infrastructure construction. Among other projects, NCC has been contracted to build the Hyllie station within the City Tunnel project in Malmö. NCC has a combined order volume of slightly more than SEK 1.8 billion in the City Tunnel project, of which the Hyllie station accounts for SEK 225 M.

In the spring of 2005, NCC was awarded the contract to construct the Norrortsleden highway in the Stockholm area, a project that is valued at about SEK 700 M. To date, the contract is the largest design and build contract in the country and offers NCC the possibility to contribute at an early stage to the project's selection of technical solutions and to secure a total-package project.

The structure of the contract offers the possibility of optimizing the lifecycle of the project, which reduces the total cost for the customer when future maintenance costs are also taken into account.

In northern Sweden, NCC developed its cooperation with LKAB during the year, with regard to the continued investment in mining operations in Norrbotten. The cooperation is typically conducted within the framework of NCC Partnering, and in December, NCC secured the contract to construct an additional pelletizing plant, which on this occasion is in Kiruna. The order value is SEK 1.1 billion, which is the largest Partnering project for NCC and the Nordic region to date. NCC is already constructing a similar plant in Malmberget.

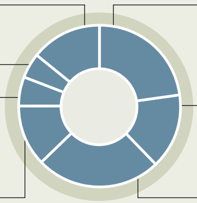
OUTLOOK FOR 2006

Demand is expected to continue to develop favorably in the year ahead and NCC anticipates growth of 4 to 5 percent in 2006. Principally, increased investment in infrastructure, particularly in the Stockholm area, is expected. Despite the indications of a recovery in demand for office construction, it is believed that the segment will remain weak in 2006. Demand for housing will remain at a high level, although the expected interest-rate hikes may have some dampening effect.


Academicum, Gothenburg.

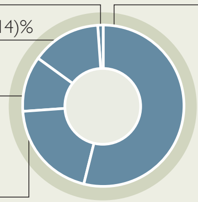

Gym in the Turning Torso, Malmö.

Product mix, share of net sales



High activity in a number of projects, such as the City Tunnel and several road projects, contributed to an increase in the share of infrastructural projects. As a result of strong demand in the housing market, the share of residential construction remained high.

Customer mix, share of net sales



During 2005, private customers in Sweden accounted for 54 percent of NCC Construction Sweden's sales. As a result of robust demand for housing and a few major industrial projects in Sweden, the importance of private customers increased.

NCC PARTNERING RESULTS IN MORE SATISFIED CUSTOMERS AND REDUCES RISKS

The initiative involving the NCC Partnering cooperation format was launched about five years ago. Since then, its development has been rapid. In 2005, sales from Partnering projects totaled approximately SEK 5 billion, or 19 percent of NCC's Construction units' total sales.

Increasing the share of Partnering projects is important for several reasons:

More efficient risk management. The various players in a Partnering project engage in an open dialog concerning risk, which reduces the probability that the risk will become reality.

More secure finances. Open-books accounting increases budget reliability. This provides incentives for all parties to pay the right price for the right things. For 90 percent of Partnering projects, the final cost is equal to or less than the customer's budget requirement.

Improved quality. NCC Partnering capitalizes on the competencies of all those involved and makes the construction process more efficient.

More satisfied customers. On point after point, customers rank NCC Partnering higher than traditional construction projects, particularly in terms of error statistics.

Positive and constructive work environment. NCC Partnering results in an educational cross-fertilization between

Willy Hermansson, SWECO FFNS, Catharina Jogården, NCC Construction Sweden, Conrad Grut, NCC Construction Sweden, and Lars Svensson from Riksbyggen.

various occupational categories and in committed employees and project participants.

Reduced construction costs. NCC Partnering is also an instrument that helps NCC reduce construction costs. By becoming involved at an early planning stage, it is possible to capitalize on the expertise represented by NCC in terms of international purchases and industrial construction.

The fact that NCC Partnering is working so well also increases NCC's profitability. Experiences gained from the projects that have been implemented indicate margins on NCC Partnering that are 1 to 1.5 percentage points higher, although at a lower invoicing volume.

Traditional construction entails the risk that the individual participants will pursue their own interests and not have the best interests of the project in mind. Such an approach is not conducive to communication, information exchanges or the transfer of experiences, which limits the knowledge that can be used in future projects.

Successful Partnering projects require knowledge and understanding of this different process. Within NCC, 500 employees in the Nordic region have undergone basic training and nearly 50 participants have graduated from various specialist courses arranged by NCC's Partnering Academy.

NCC CONSTRUCTION DENMARK

The Danish construction and civil engineering market grew in 2005, mainly due to increased housing construction. Sales rose to SEK 6.9 billion (5.3) and operating profit to SEK 209 M (149).

NCC Construction Denmark is the country's second largest construction company with operations throughout Denmark, except for the company's civil engineering operations, which are concentrated in Sjælland. NCC is also the leading player within housing development. The Danish market is highly fragmented.

HOUSING GROWTH

In 2005, demand for housing remained favorable. NCC Construction Denmark increased both its sales and earnings in the segment and expanded operations geographically. Combined, 587 (629) proprietarily developed homes were sold during 2005 and housing starts amounted to 515 (345). A growing number of housing projects are developed in cooperation with partners, in cases where, for example, the sale of land can be conducted at an early stage.

The total Danish housing market is expected to amount to 27,500 new homes in 2006. In the future, the largest market will be central Copenhagen, where NCC has been one of the leading players for a number of years. In addition, a significant amount of the new housing will be constructed in the larger cities along the east coast of Jylland, where the company is expanding through, among other activities, land acquisitions.

PARTNERING AND PURCHASING

NCC is the leading player in Denmark within the cooperation concept NCC Partnering. In 2005, the proportion of Partnering projects amounted to about one third of sales. The year's major projects included the housing project at Bispebjerg Bakke in Copenhagen, the modernization of the Louisiana art museum, the renovation of the Amtssjukhuset hospital in Glostrup and the construction of large civil engineering projects for the municipalities of Roskilde and Copenhagen.

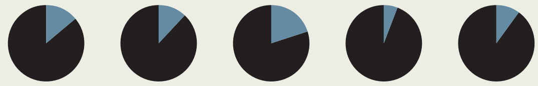
Efforts to coordinate purchasing activities have been intensified, and in 2005, about 30 percent of all purchasing went via central purchasing agreements.

OUTLOOK FOR 2006

The Danish construction market is expected to continue to grow in 2006, especially within the housing sector. In 2005, the demographic trend and an increasing demand for labor resulted in tougher competition for employees and this development is expected to continue in 2006. NCC Construction Denmark is increasing its focus on skills development and its efforts to retain employees, through such initiatives as training projects.

NCC CONSTRUCTION DENMARK

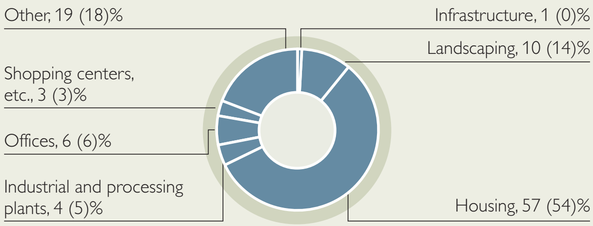
Share of Group total



SEK M	2005	2004
Orders received	6,839	6,186
– of which for proprietary projects	1,857	1,293
Order backlog	4,439	4,307
Net sales	6,865	5,277
Operating profit	209	149
Capital employed at year-end	602	658
Cash flow before financing	424	111
Operating margin, %	3.0	2.8
Return on capital employed, %[1]	35.8	26.6
Investment in fixed assets	47	33
Investment in properties classed as current assets[2]	224	154
Properties classed as current assets	149	214
Average number of employees	2,017	1,991

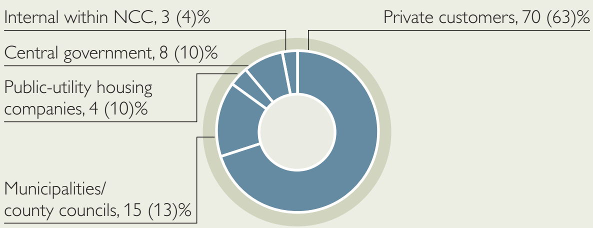
1) Return figures are based on average capital employed.
2) Mainly attributable to proprietary housing projects.

Product mix, share of net sales

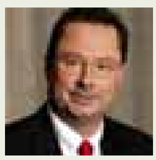


Demand for new housing was strong and residential construction continued to grow in 2005. A smaller share of the Danish unit's civil engineering operations pertained to the infrastructure.

Customer mix, share of net sales



Private customers accounted for the predominant share of sales. The increase in housing sales was mainly attributable to private customers, while the share of sales to public-utility housing companies decreased.



President Søren Ulslev

Vignette photo: Multi-family housing unit in Hillerød.

NCC CONSTRUCTION FINLAND

Nearly half of NCC Construction Finland's operations comprise proprietary housing development. Sales in 2005 amounted to SEK 5.8 billion (5.4) and operating profit totaled SEK 320 M (230).

Prospects in Finland for both housing and building construction appear favorable. In 2005, 32,000 new housing units were constructed. The repair and renovation sector also demonstrates favorable demand, while inadequate public finances are holding back the construction of public premises.

EXPANSION WITHIN HOUSING

NCC Construction Finland (including the Baltic countries) initiated construction on 1,908 (1,229) proprietary housing units and 1,607 (1,057) were sold.

A new single-family dwelling concept called Idéhuset (Idea House) was developed to better satisfy the individual wishes and requirements of the customers. The first four of these houses were constructed in Vanda.

NCC Construction Finland's subsidiaries in Estonia, Latvia and Lithuania initiated proprietary construction of about 400 apartments. In 2005, 60 housing units were completed. Through land acquisitions, NCC now holds more than 1,800 development rights in the Baltic region for future production. NCC also plans to commence housing construction in St. Petersburg.

NEW COMMERCIAL PROJECTS

Demand for commercial premises remained unchanged in 2005. Orders were received from NCC Property Development for three projects that were sold to the Danish property fund Ejendomsinvest prior to completion. In 2006, NCC Construction Finland constructed a large department store in Lohja and in Turku a commercial project will be developed close to Finland's third IKEA store. In Hämeenlinna, NCC will develop the city's center, a project that will include the decking over of an expressway running through the community.

During the autumn, NCC Construction Finland completed the Sello shopping center in Leppävaara, which was Finland's largest project in 2005. NCC's share of the project totaled approximately EUR 70 M. The project will continue in 2006 with construction of an adjacent hotel.

On the border between Haparanda and Tornio, the construction of a new urban district is under way. NCC Construction Finland has a Partnering agreement with Tornio city and has already commenced construction of residences for senior citizens.

NCC Construction Finland has developed a model for calculating life-cycle costs – NCC EkoConcept. The concept entails that NCC, in its role as a contractor, also assumes responsibility for, and plays an active role in, the property's environmental impact and future maintenance. Completed NCC EkoConcept projects are a school and a health center in Espoo.

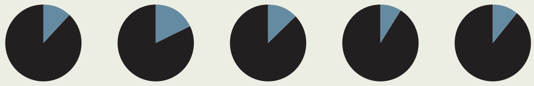
OUTLOOK FOR 2006

In recent years, the Finnish construction market has principally grown as a result of strong housing demand. In 2006, the housing market is expected to remain at the same level as in 2005.

NCC CONSTRUCTION FINLAND

Share of Group total

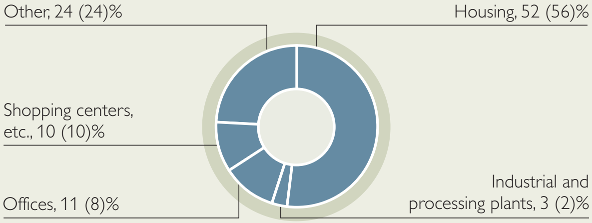
Net sales	Operating profit	Cash flow before financing	Capital employed	Average No. of employees
12%	18%	13%	9%	11%



SEK M	2005	2004
Orders received	6,098	4,853
– of which for proprietary projects	2,565	1,863
Order backlog	4,007	3,411
Net sales	5,821	5,418
Operating profit	320	230
Capital employed at year-end	953	938
Cash flow before financing	267	196
Operating margin, %	5.5	4.2
Return on capital employed, %[1]	31.0	24.4
Investment in fixed assets	16	21
Investment in properties classed as current assets[2]	1,540	1,321
Properties classed as current assets	1,212	1,013
Average number of employees	2,384	2,321

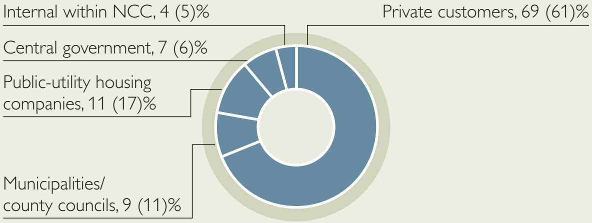
1) Return figures are based on average capital employed.
2) Mainly attributable to proprietary housing projects.

Product mix, share of net sales



Because the residential market remained strong, housing continued to be the predominant product for NCC in Finland. The increase in office construction was due to continued project development in cooperation with NCC Property Development (Opus 3 and Plaza Alto) and to a number of major projects on behalf of external customers, such as Nokia Kara Phone.

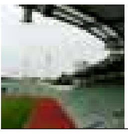
Customer mix, share of net sales



Private residential customers accounted for the main increase during 2005. In the housing market, demand from private customers exceeded demand from public-utility housing companies. The customer mix was also affected by the privatization of public-sector processes (decrease in municipalities/increase in private customers).

President Timo U. Korhonen

Vignette photo: Sello Shopping Center, Espoo.



NCC CONSTRUCTION NORWAY

In 2005, the positive development continued for NCC Construction Norway. Sales increased to SEK 5.0 billion (4.0), resulting in an operating profit of SEK 202 M (112).

The positive earnings are attributable to a favorable market for housing, renovation and civil engineering contracts. NCC Construction Norway also focused on more selective tendering. The company is Norway's third largest construction contractor and holds a market share of approximately 4 percent.

BREAKTHROUGH FOR NCC PARTNERING

During the past two years, NCC Construction Norway, the market leader within this form of cooperation, has secured Partnering orders totaling SEK 4 billion. An increasing number of public and private customers recognize NCC Partnering as a tool to gain control over costs and the implementation of various projects.

INCREASED RESIDENTIAL CONSTRUCTION

NCC constructs housing in, among other areas, Oslo, Stavanger, Bergen and Trondheim. In 2005, at Lysaker Brygge in Oslo, NCC completed the city's largest residential project consisting of 354 apartments, at the same time as commencing a new project comprising 382 apartments in Nydalen. The quality assurance work and zero-error ambitions of NCC have been systematized and yielded measurable results. The number of proprietary housing starts was 190 (68) and 179 (133) homes were sold.

SUCCESSFUL PROJECTS GENERATE NEW ASSIGNMENTS

The construction of four LNG tankers for the Statoil Snøhvit project in Hammerfest represented a technological breakthrough. In cooperation with Statoil, a new concept for the world market was developed and an additional project for the construction of three LNG tankers south of London, in cooperation with Balfour Beatty, was initiated in the autumn of 2005.

The construction of Bislett Stadium in Oslo was completed in record time and directly contributed to NCC securing the contract for the construction of the Fredrikstad Stadium. Renovation of Karl Johans gate in Oslo was another project that received considerable attention.

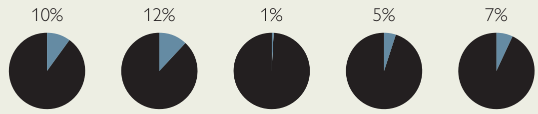
OUTLOOK FOR 2006

The Norwegian construction market is expected to grow in 2006. Residential construction is forecast to remain at a high level, at the same time as the civil engineering sector is expected to grow. Since demand for skilled workers is considerable, there will be an increasing need for a larger proportion of foreign labor.

NCC CONSTRUCTION NORWAY

Share of Group total

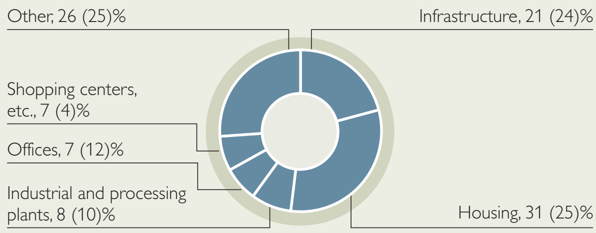
Net sales	Operating profit	Cash flow before financing	Capital employed	Average No. of employees



SEK M	2005	2004
Orders received	5,953	4,342
– of which for proprietary projects	712	162
Order backlog	4,010	2,790
Net sales	4,983	3,985
Operating profit	202	112
Capital employed at year-end	531	340
Cash flow before financing	29	301
Operating margin, %	4.1	2.8
Return on capital employed, %[1]	50.6	44.0
Investment in fixed assets	35	39
Investment in properties classed as current assets[2]		5
Properties classed as current assets	271	245
Average number of employees	1,491	1,491

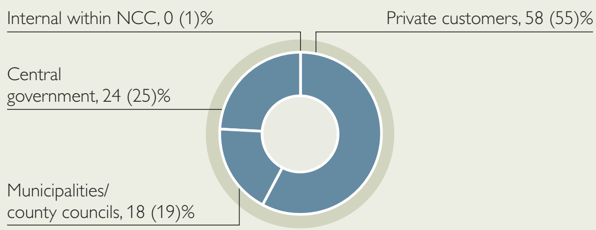
[1] Return figures are based on average capital employed.
[2] Mainly attributable to proprietary housing projects.

Product mix, share of net sales



High demand in the residential market resulted in several housing projects conducted on contract, while proprietary construction remained unchanged. The situation in the civil engineering market improved in 2005. The volume of infrastructural projects rose, despite the decrease in the percentage of sales. The largest project within "Other" was the Bislett Stadium, plus schools and hospitals.

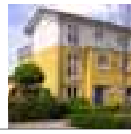
Customer mix, share of net sales



The percentage of private residential customers increased due to the growth in housing contracts. The Norwegian government continued to be a major NCC customer in 2005, due in part to a relatively high share of civil engineering construction.

President Sven Christian Ulvatne

Vignette photo: Bislett Stadium, Oslo.



NCC CONSTRUCTION GERMANY

Housing production within NCC Construction Germany continued to expand in 2005. The company established itself in three new sub-markets. Sales amounted to SEK 1.7 billion (1.2) and earnings of SEK 0 M (31) were reported.

The decline in the German construction market continued in 2005. The general uncertainty that led to the restraint in private consumption was exacerbated by the decision to hold the general election at an earlier date. Unlike the situation in other European countries, the low interest rates have not resulted in any noticeable stimulation of the German housing market. Despite a weak market, NCC was able to increase sales due to a well-defined and differentiated product.

NCC GAINS MARKET SHARE

More than 70 percent of NCC Construction Germany's sales pertain to residential construction, mainly in projects where NCC can control the entire value-chain from land acquisitions to development, production and the sale to the end customers. This concept is applied in the Berlin-Brandenburg area, in Rhein-Ruhr, in Dresden and Leipzig and also in the Baltic sea region. In 2005, NCC initiated similar types of activities in the strongly expanding region of Hamburg, in the Rhein-Main region, where it opened an office in Frankfurt, and in the attractive Rhein-Neckar (Mannheim-Heidelberg-Ludwigshafen) region. This expansion, together with NCC's increased market share in existing markets resulted in higher sales. The number of sold proprietary housing units was 560 (303). The number of proprietary housing starts amounted to 726 (335). A total of 39 percent of the projects are outside Berlin-Brandenburg.

Slightly less than one third of operations comprise construction contracts for external customers. In 2005, NCC completed the Hohe Düne hotel and conference facility in Rostock – a five-star spa and conference hotel with 368 rooms.

Due to the weak property market in 2005, NCC increased its provisions for rental guarantees granted on previously completed properties and housing projects, which resulted in a particularly negative effect on operating profit.

OUTLOOK FOR 2006

The German construction market is expected to remain sluggish in 2006. However, NCC's potential to continue to capture market shares is regarded as favorable. The strategy of carefully selected customers in contracting operations, as well as the continued expansion in housing development in growing regions, offers a firm foundation for growth.

NCC CONSTRUCTION GERMANY

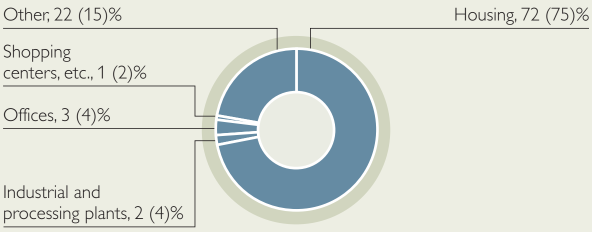
Share of Group total

Net sales	Operating profit	Cash flow before financing	Capital employed	Average No. of employees

SEK M	2005	2004
Orders received	1,781	1,292
– of which, proprietary housing projects	1,309	661
Order backlog	841	683
Net sales	1,672	1,164
Operating profit	0	31
Capital employed at year-end[1)]	1,454	1,070
Cash flow before financing	–337	–1
Operating margin, %	0.0	2.7
Return on capital employed, %	0.1	2.5
Investment in fixed assets	40	9
Investment in properties classed as current assets[2)]	187	135
Properties classed as current assets	927	878
Average number of employees	540	510

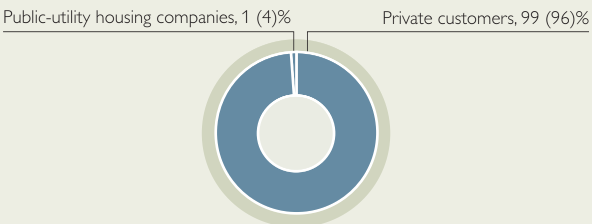
1) Return figures are based on average capital employed.
2) Mainly attributable to proprietary housing projects.

Product mix, share of net sales



In Germany, NCC mainly engages in residential construction.

Customer mix, shares of net sales



NCC's customers in Germany are mainly private individuals who purchase homes.

President Olle Boback

Vignette photo: BUGA-Park, Potsdam.

The Airport Plaza Business Park, Alto Building. In Vanda, outside Helsinki, NCC is building another office property.

NCC PROPERTY DEVELOPMENT

For NCC Property Development, the 2005 fiscal year was characterized by the continued keen interest shown by investors in property projects with a high occupancy rate. Demand significantly exceeded supply, which resulted in a reduced yield requirement. Furthermore, investors started to seek improved yields from projects that require additional effort, such as shopping centers and pure development projects. Sales in 2005 amounted to SEK 1.7 billion (4.1) and operating profit to SEK 200 M (170).

In 2005, the rental market trend was more sluggish than the investor market. The vacancy rates in Stockholm, Copenhagen and Oslo declined by a percentage point or so compared with 2004, while the rate in Helsinki remained relatively unchanged. The situation in Helsinki can be explained by the increasing amount of new production in the Finnish capital, at the same time as rent levels remained relatively unchanged.

For NCC Property Development, the particularly strong investor market resulted in a more rapid process between project development and sale, which is in line with the ambition to limit capital tied-up in the business. In several instances during the year, development projects were sold prior to completion and on a number of occasions, even before construction had commenced.

DEVELOPS PROPERTIES IN THE NORDIC REGION

NCC Property Development operates as a Nordic player through the development and sale of commercial properties in growth markets in Sweden, Denmark, Norway and Finland. Target groups consist of users seeking efficient and inspirational premises, as well as investors seeking properties that will generate stable and secure returns over time.

The investor market has changed considerably during the past five years. Previously, the Nordic property market was largely a national business, while today buyers outside the Nordic region account for most of the property transactions. This is attributable to substantial investment demand from various types of financial players: property funds, other asset managers, venture-capital companies, insurance companies and so forth. The driving force behind the sizeable interest is that property offers what few other assets can deliver – a stable and long-term calculable return.

The driving force behind user demand for new premises, despite the relatively high vacancy rate, may be the need for more rational premises. Company acquisitions and mergers often require new premises to take advantage of the synergy effects. In the retail sector, the development of new shopping centers outside urban areas is an additional factor that propels property development.

SALES OF SEK 1,480 M IN 2005

In 2005, sales of property projects totaled SEK 1,480 M (3,815). In certain cases, NCC granted rental guarantees in connection with the sales. However, the strong demand for investment objects reduced the need for such guarantees. At year-end, the maximum risk exposure, that is, the maximum risk less the provisions posted, amounted to SEK 0 M (56).

At the beginning of 2005, NCC had ten completed and construction-initiated property projects with a value totaling SEK 847 M and a completion rate of 89 percent. During the year, five of these projects were sold at a total project cost of SEK 297 M and a sales value of SEK 358 M.

In addition, the following large projects were sold:
- Scanpark Lejerbo and Falconer Plads in Copenhagen
- Company House in Kolding
- NCC 3 in Helsinki and
- two retail projects – Spar Nissas and Tammisto – in Helsinki.

The total sales volume of these projects was SEK 686 M, resulting in a capital gain of SEK 60 M after full provisions were made for rental guaranties.

COMPLETED AND ONGOING PROPERTY PROJECTS

At year-end 2005, project costs for completed and ongoing property projects totaled SEK 0.8 billion (0.9). At the same time, costs incurred amounted to SEK 0.6 billion (0.7), corresponding to 73 percent (89) of total project costs. The leasing rate, which consists of contracted rental revenues as a percentage of estimated rental revenues when the properties are fully leased, was 60 percent (84). Total rentable floor space was 46,200 square meters, of which 30,500 square meters, or 66 percent, was leased.

LARGE UPCOMING PROJECTS AND PROPERTIES HELD FOR FUTURE DEVELOPMENT

At year-end 2005, NCC Property Development held development rights totaling 1,065,000 square meters, of which 35 percent was office property, 27 percent retail property and 23 percent logistical property. A selection of the largest projects to be commenced in the next few years is presented below:

Kungsbron, Stockholm: Office building near Norra Bantorget with total floor space of 20,000 square meters. Tenant negotiations are in progress and construction is ready to commence.

Västerport, Stockholm: Office building in northwest Kungsholmen with total floor space of about 20,000 square meters. The project will be constructed in two phases. Tenant negotiations are in progress and construction is ready to commence.

Hasselblad, Gothenburg: Office building with total floor space of 13,000 square meters in a prime location by the river, close to the opera house. Tenant negotiations are in progress and construction is ready to commence.

Koggen, Malmö: An office building in Västra hamnen with total floor space of 13,000 square meters. The first phase was sold to the Alecta insurance company. Construction is ready to begin on phases two and three.

Politigrunden, Copenhagen: A combined project with total floor space of 16,500 square meters, comprising offices, stores and an apartment hotel at Kalvbod Brygge in central Copenhagen.

Helsinki: The successful development of NCC business parks continues in sub-phases totaling 4,000 to 6,000 square meters each, in and around Helsinki.

Akerselva Atrium, Oslo: Office building with a prime location in central Oslo and with 15,000 square meters of floor space.

MANAGED PROPERTIES

At the beginning of 2005, NCC held six managed units with a book value of SEK 527 M, including the shares in Tuborg Nord B (15 percent). During the year, Sollentuna centrum, Holmenbyggarna in Norrköping, the office division in Tuborg Nord B in Copenhagen, and the office hotel in Ølstykke, near Copenhagen, were sold. The sales volume totaled SEK 771 M, of which the sale of participations in Tuborg Nord B accounted for SEK 136 M. Capital gains from sales of managed properties amounted to SEK 160 M, of which Tuborg Nord B (which is reported as a result from participations in associated companies) accounted for SEK 68 M.

The remaining managed properties are Värjan 16 in Alingsås, Cross Point in Brussels (50 percent) and the housing section of Tuborg Nord B (15 percent) with a combined book value totaling SEK 71 M.

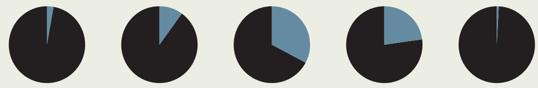
OUTLOOK FOR 2006

The rental market is anticipated to develop slightly better in 2006. Demand for property projects with a high leasing rate is expected to remain particularly favorable.

NCC PROPERTY DEVELOPMENT

Share of Group total

Net sales	Operating profit	Cash flow before financing	Capital employed	Average No. of employees
3%	10%	33%	23%	1%



SEK M	2005	2004
Net sales	1,671	4,059
Gross profit	**95**	**267**
Administrative costs	–83	–88
Result from sale of subsidiaries	11	
Result from development properties	**23**	**179**
Result from sales of managed properties	92	–52
Operating net from managed properties	17	51
Impairment loss, managed properties		–16
Result from participations in associated companies	68	7
Operating profit	**200**	**170**
Specification of gross profit		
Result from sales of development properties	251	402
Operating net from development properties	29	34
Impairment loss, development properties	–71	–39
Overhead costs and other items	–114	–130
Gross profit	**95**	**267**
Gross margin (property development), %	5.7	6.6
Operating margin (property development), %	1.4	4.4
Return on capital employed, %[1)]	7.5	3.9
Property investments	839	452
Sales of properties	2,115	4,782
Capital employed at year-end	2,541	3,206
Cash flow before financing	975	3,586
Average number of employees	111	113

1) Return figures are based on average capital employed.

President Mats Wäppling

Expressway 26 at Skultorp, in Skaraborg. NCC Roads' assignment included asphalt paving of one of the sections of this project.

NCC ROADS

NCC Roads' core business is production of aggregates and asphalt as well as paving and road maintenance. In 2005, the streamlining of the operation was essentially completed and focus was shifted to achieving a market-leading position locally and securing deliveries of stone materials. Sales amounted to SEK 8.7 billion (8.1), generating an operating profit of SEK 313 M (258).

The 2005 fiscal year was characterized by rising bitumen and energy prices and continued intense competition. In the Danish and Norwegian markets, asphalt prices rose slightly, while prices fell in the Swedish and Finnish markets. Prices remained stable in other markets and within aggregates. In 2005, as part of the streamlining of operations, NCC continued to divest a number of operations, including parts of its Baltic operations. A number of smaller non-core operations will be sold at an appropriate time.

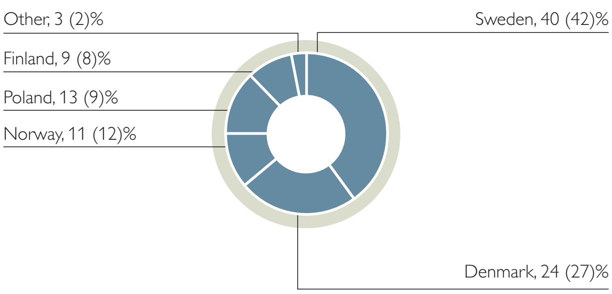
NCC Roads has further reduced costs by continuing its efforts to develop more efficient production processes for aggregates, asphalt and paving. The systematic transfer of expertise between the business units was intensified and coordination of the operational management system in Sweden, Norway and Denmark was initiated.

MARKETS AND CUSTOMERS

The main markets for NCC Roads are the Nordic countries as well as Poland and the St. Petersburg area. Sweden is the largest single market, accounting for 40 percent of sales. Essentially, the Nordic countries are mature and stable markets, while Poland offers significant growth potential.

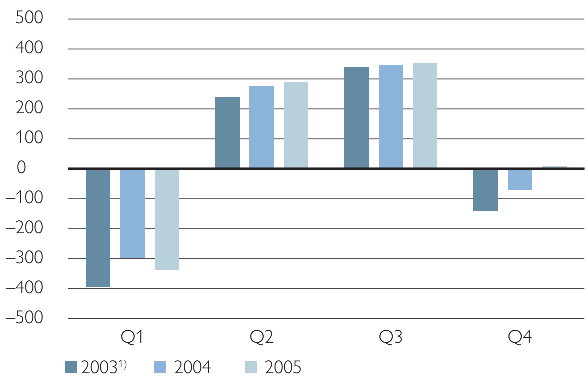
Operations in the various countries are based firmly on framework agreements with municipal authorities for the various types of paving and road maintenance activities that may be required over the course of a year. The agreements

Geographic markets, share of net sales



Essentially, the Nordic countries are mature and stable markets, while Poland offers significant growth potential.

Operating profit, per quarter, SEK M



NCC Roads' operations are subject to sharp seasonal fluctuations, because paving activities cannot be conducted during the winter half of the year. This results in major losses during the first quarter of the year and favorable earnings during primarily the third quarter.

1) The figures have not been adapted to IFRS.

extend over one or several years. In all countries, other public road administrations are also significant customers. The private market is also important; for example, for paving contracts for parking lots or factory sites and the delivery of filler products.

OPPORTUNITIES AND RISKS

Profitability within NCC Roads is volume-sensitive due to the large proportion of fixed costs. Operations are dependent on general construction trends and government allocations for road construction and maintenance. In conjunction with paving contracts, NCC Roads also tries to cultivate complementary assignments in the nearby area. The profitability of these smaller contracts is favorable, since they allow relatively high fixed costs to be distributed over larger volumes.

Raw material costs account for about one-third of the price of laid asphalt. Bitumen, an oil-based product, followed by aggregates are the principal input materials. The proportion of costs for bitumen rises in pace with increases in crude-oil prices. NCC Roads purchases bitumen from several international suppliers, which ensures competitive prices. Long-term paving contracts usually contain clauses regulating changes in the price of bitumen.

NCC Roads works actively to enhance the efficiency of bitumen and energy consumption by developing energy-efficient paving techniques, recycling asphalt granulate and testing alternative fuels for paving machines to decrease oil dependency and emissions of greenhouse gases. In 2005, the proportion of recycled asphalt amounted to 6.4 percent of the production volume of new hot asphalt.

NCC Roads is self-sufficient in many markets with regard to aggregates, through a comprehensive network of proprietary gravel pits and rock quarries as well as crushing plants. Approximately 80 percent of all aggregates are sold to external customers, with the remainder used in proprietary asphalt production. To further secure the supply of stone materials from gravel pits close to urban districts, NCC acquired a number of gravel pits in central and western Sweden and in Denmark during the year.

An important success factor for NCC Roads is control of the entire value chain – aggregates, asphalt, paving and road maintenance – and strengthening internal coordination to take better advantage of joint resources.

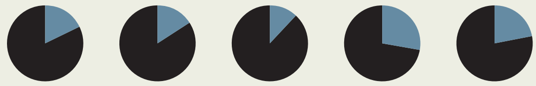
OUTLOOK FOR 2006

Despite certain growth in the overall construction market during 2006, no change is expected in the intense competition and price pressure in NCC Roads' markets, although the price structure will almost certainly be more differentiated than previously.

NCC ROADS

Share of Group total

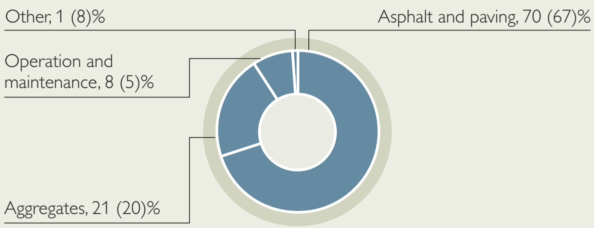
Net sales	Operating profit	Cash flow before financing	Capital employed	Average No. of employees
18%	16%	12%	28%	22%



SEK M	2005	2004
Orders received	9,175	8,325
Order backlog	1,780	1,273
Net sales	8,708	8,104
Operating profit	313	258
Capital employed at year-end	3,171	3,210
Cash flow before financing	341	742
Operating margin, %	3.6	3.2
Return on capital employed, %[1]	9.2	7.2
Investment in fixed assets	287	453
Average number of employees	4,206	4,632

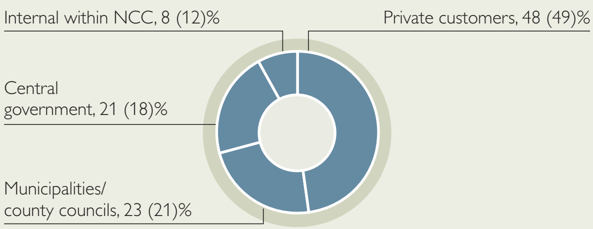
1) Return figures are based on average capital employed.

Product mix, share of net sales



Asphalt, aggregates and paving accounted for 91 percent (87) of NCC Roads' sales. NCC Roads is the market leader for asphalt and aggregates. Within "Other," the figure for 2004 includes concrete operations corresponding to 4 percent of sales. These operations were sold in 2004.

Customer mix, share of net sales



The customer mix varies from product to product and country to country. Central government authorities, municipalities and county councils are major customers for asphalt. Private customers mainly purchase aggregates. Sweden has more internal sales than Denmark.

President Göran Svensson

REPORT OF THE BOARD OF DIRECTORS

NCC AB, CORP. REG. NO. 556034-5174, REGISTERED HEAD OFFICE IN SOLNA

The Board of Directors and the President of NCC AB (publ), corporate registration number 556034-5174, hereby submit the annual report and the consolidated financial statements for the 2005 fiscal year.

GROUP RELATIONSHIP

Since January 2003, NCC AB has been a subsidiary of Nordstjernan AB, corporate registration number 556000-1421.

OPERATIONS

NCC is one of the leading construction and property-developing companies in the Nordic region.

NCC is active throughout the whole value chain in its efforts to create environments for working, living and communication. NCC develops residential and commercial property projects and builds offices, industrial facilities, roads, civil-engineering structures and other types of infrastructure. NCC also offers input materials used in construction, such as aggregates and asphalt, and conducts paving, operation and maintenance operations in the roads sector. The Group's core operations are conducted in the Nordic region. In Poland, NCC is mainly active in the asphalt, aggregates and paving segments. In the Baltic countries, NCC builds homes on a proprietary basis, while the main product in Germany is single-family homes.

BUSINESS TREND DURING THE YEAR

The 2005 fiscal year was a good year and NCC achieved all of its financial objectives. The return on shareholders' equity after tax was 18 percent. Net indebtedness was reduced from SEK 1.1 billion a year ago to SEK 0.5 billion at the end of 2005. In addition, dividends of about SEK 1.6 billion were paid to shareholders. The total return on the NCC share in 2005 was 78 percent.

Stronger market

The Nordic construction market was strong throughout 2005. Demand for new housing remained buoyant throughout the Nordic region, and the civil engineering market also developed well. Investors continued to show a keen interest in property projects, although conditions in the rental market deteriorated slightly. The conditions for asphalt and aggregates were favorable for most of the year, thanks to the relatively warm autumn in parts of the Nordic region. The price and volume trend was favorable for aggregate operations, although price pressure in the asphalt segment was intense throughout the year

The Group's financial objectives

The Group's financial objectives are that the return on equity after tax should amount to at least 15 percent, at the same time as net indebtedness does not exceed shareholders' equity. In addition, the Group should generate a positive cash flow. The dividend policy is that at least half of profit after taxes be distributed.

ORDERS RECEIVED

Orders received by the Group rose 15 percent to SEK 52,413 M (45,624). The increase was attributable to a continuingly strong construction market, with high demand for newly built housing throughout the Nordic region and an increase in civil engineering projects in Norway and Sweden. Orders received for proprietary housing projects totaled SEK 10,935 M (6,587), while orders received for proprietary property projects amounted to SEK 598 M (508).

During the year, construction started on 4,789 (3,158) proprietary housing units and 4,349 (3,595) units were sold.

Orders received and order backlog, SEK billion

On December 31, 2005, the order backlog was approximately SEK 4.7 billion higher than a year earlier. Housing and relatively large civil engineering projects, such as the City Tunnel in Malmö, a pelletizing plant in Kiruna, Norrortsleden in Stockholm and Havnelageret in Oslo, accounted for a considerable share of the order backlog.

At the end of the year, total costs for completed and construction-initiated property projects, excluding housing projects, totaled SEK 0.8 billion (0.9). Costs incurred in these projects amounted to SEK 0.6 billion (0.7), which corresponds to 73 percent (89) of total project costs. The occupancy rate on December 31, 2005 decreased to 60 percent (84) because several projects were not initiated until the end of the year.

NET SALES AND EARNINGS

Net sales

Net sales totaled SEK 49,506 M (46,534). The increase was due to growth within NCC's Construction units and within NCC Roads. Sales of proprietary housing projects accounted for a considerable share of the increase, with particularly strong growth noted in Denmark and Germany. Sales during the year-earlier period included a greater amount of sales of commercial properties, as well as sales related to the former NCC International Projects business area.

Operating profit

Full-year operating profit improved to SEK 1,748 M (1,147). The improvement in consolidated earnings was due mainly to the continuingly strong housing market in the Nordic region and to increased profitability for Nordic contracting operations compared with 2004. Earnings were charged with impairment losses totaling SEK 225 M (261). Also see Note 10, Impairment losses and reversed impairment losses.

Profit after financial items

Profit after financial items amounted to SEK 1,580 M (945). The improved financial net was attributable to a reduction in net indebtedness and lower interest rates compared with 2004. The transition to IAS 39, Financial Instruments, had only a marginal impact on earnings during the year.

Profit for the year

Net profit for the year amounted to SEK 1,187 M (876). NCC's tax rate was approximately 25 percent, as a result of the tax deduction for an impairment of the shares in NCC Property Development's holding company in the Netherlands, which was granted during the fourth quarter.

FINANCIAL POSITION

Profitability

The return on capital employed rose to 17 percent (9) because of the improved earnings and a reduction in capital employed. Compared with 2004, capital employed mainly decreased as an effect of the sale of properties within NCC Property Development. The number of unsold completed housing units decreased to approximately 200 (300) in 2005, primarily in Sweden, which also affected capital employed. The return on equity after tax was 18 percent (14).

Cash flow

Cash flow before financing in 2005 amounted to SEK 2,115 M (5,244). The main reasons for the decrease were the major sales of properties completed during 2004, which had a positive impact on cash flow during that year. Cash flow excluding sales of properties, which is equal to cash flow from NCC's Construction units and NCC Roads, improved.

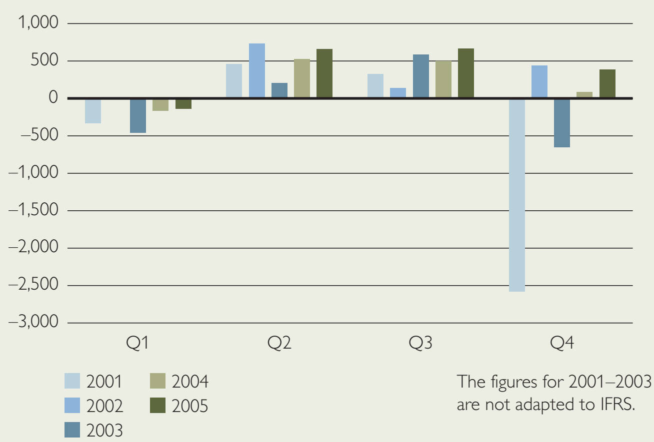
Equity/assets and debt/equity ratios

On December 31, 2005, the equity/assets ratio was 25 percent (24). The debt/equity multiple of 0.1 (0.2) continued to decline because the positive cash flow was used to repay interest-bearing loans.

Seasonal effects

NCC Roads is characterized by major seasonal fluctuations resulting from the difficulties in performing paving work during the winter months. This also applies to the paving work conducted by NCC's Construction units.

Profit/loss after financial items, per quarter, SEK M



Profit after financial items varies over the year because large parts of the operations are dependent on favorable weather. As a rule, earnings are higher in the second and third quarters. Major property transactions and impairment losses can have an influence on individual quarters, which offsets the seasonal variation.

BUSINESS AREAS

NCC Construction Sweden

Orders received by NCC Construction Sweden rose 11 percent to SEK 22,151 M (19,878). The increase was attributable to an increase in residential construction, mainly resulting from the start-up of more propriety projects. Increased orders were also noted within infrastructure (road projects), industrial and retail projects. Although the market for office projects remained soft, a number of relatively large projects helped to increase orders received. Geographically, Skåne, Stockholm and Norrland were the strongest civil engineering markets, with a number of major projects being secured, including a pelletizing plant for LKAB worth SEK 1.1 billion.

Operating profit amounted to SEK 764 M (475). Earnings were affected positively by strong sales of housing and the healthy profitability of housing projects, with the number of sold units rising to 1,416 (1,450). Since margins from construction contract operations also increased during the year, this factor, combined with the higher sales, boosted earnings.

NCC Construction Denmark

Orders received by NCC Construction Denmark rose to SEK 6,839 M (6,186). The increase was due to demand for housing, which remained strong and resulted in the start-up of proprietary projects, as well as increased orders for external housing contracts. During the final quarter, there was also an increase in orders received within the other buildings segment in the Copenhagen area, where a shopping center worth approximately SEK 430 M was the largest individual project. The order situation in Jutland was not equally favorable, which led to a decrease in orders received in this region.

Operating profit for 2005 amounted to SEK 209 M (149). Housing operations have grown for the past three years, which has led to increased profitability. On the other hand, the operating margin for other construction operations was not satisfactory.

NCC Construction Finland

Orders received by NCC Construction Finland rose to SEK 6,098 M (4,853). In Finland, demand for housing was strong in 2005, which enabled an increase in the start-up of proprietary projects. In the Helsinki region, more projects were secured within the other buildings segment, which also helped to increase orders received. Operating profit rose to SEK 320 M (230). During 2005, the trend within other buildings was also favorable, which contributed to a further increase in the already strong operating margin.

NCC Construction Norway

Orders received by NCC Construction Norway in 2005 rose to SEK 5,953 M (4,342). The increase was due to favorable orders for civil engineering and housing projects. Operating profit improved to SEK 202 M (112), mainly as a result of the volume growth and of improved margins on civil engineering operations.

NCC Construction Germany

Orders received by NCC Construction Germany totaled SEK 1,781 M (1,292). The increase was attributable to proprietary housing development projects. Operating profit amounted to SEK 0 M (31). Favorable profitability within primarily housing operations was offset by increased provisions for rental guarantees placed for commercial property and housing projects and impairment losses on old projects and housing funds.

Net sales and profit by business area

SEK M	Net sales 2005	Net sales 2004	Operating profit 2005	Operating profit 2004
NCC Construction Sweden	19,354	17,518	764	475
NCC Construction Denmark	6,865	5,277	209	149
NCC Construction Finland	5,821	5,418	320	230
NCC Construction Norway	4,983	3,985	202	112
NCC Construction Germany	1,672	1,164	0	31
NCC Property Development	1,671	4,059	200	170
NCC Roads	8,708	8,104	313	258
Total	**49,075**	**45,524**	**2,008**	**1,425**
Other items and eliminations	431	1,010	–261	–278
Group	**49,506**	**46,534**	**1,748**	**1,147**

NCC Property Development

NCC Property Development develops and sells commercial property projects. The gradual divestment of managed properties continued in 2005. The business area's sales totaled SEK 1,671 M (4,059) and its operating profit amounted to SEK 200 M (170).

Property development

The sales volume for full-year 2005 was SEK 1,480 M (3,815). Investor interest in property projects exceeded supply and the opportunity to sell properties was determined by the ability to find tenants for projects on which construction had been initiated. Demand for office premises was low and was driven mainly by relocations to more modern premises.

Operating profit amounted to SEK 23 M (179). During the year, a number of property projects were sold at healthy capital gains. Earnings also benefited from the sale of subsidiaries.

Project costs for construction-initiated projects totaled SEK 0.8 billion (0.9) on December 31, 2005. Costs incurred in all initiated projects amounted to SEK 0.6 billion (0.7), corresponding to 73 percent (89) of total project costs. The leasing rate on December 31, 2005 declined to 60 percent (84) because several projects were not started up until the end of the year.

Managed properties

During 2005, sales of managed properties totaled SEK 635 M (967), resulting in combined capital gains of SEK 92 M (loss: 52).

Rental revenues from managed properties amounted to SEK 39 M (122). The operating net was SEK 17 M (51).

Most of the remaining portfolio of managed properties was sold during the year. The book value of the managed properties remaining on December 31, 2005 was SEK 71 M (449).

NCC Roads

NCC Roads' net sales in 2005 amounted to SEK 8,708 M (8,104). Since NCC Roads is subject to seasonal variations, because it cannot conduct its operations during cold weather, the company benefited from the warm weather in the late autumn. The increasingly strong civil engineering market in the Nordic region also had a favorable impact on NCC Roads, in the form of increased demand for paving work.

Operating profit for 2005 amounted to SEK 313 M (258). Earnings were charged with goodwill impairment losses of SEK 43 M pertaining to the Finnish asphalt operations, due to the intense competition and severe price pressure in this market. Earnings for 2004 included capital gains of SEK 74 M on the sale of operations and a charge of SEK 122 M for goodwill impairment losses.

Full-year earnings, which were higher than in 2004, also benefited from the rationalization measures and productivity improvements initiated in previous years.

ACQUISITION AND DIVESTMENT OF SUBSIDIARIES AND ASSOCIATED COMPANIES

In April, NCC Roads sold subsidiaries in Denmark and Norway that were previously part of NCC Norskilt Traffic Safety. The purchaser was the Norwegian sign manufacturer Euroskilt. The sale was in line with NCC's strategy of focusing on the profitable core business. The transaction had no impact on the NCC Group's earnings.

In June, NCC International Denmark sold its majority interest in Inyatsi Construction Ltd, of Swaziland. The purchaser was the then minority shareholder Litfole Lenyatsi Ltd and the sale generated a capital loss of SEK 13 M. The sale of Inyatsi was in line with NCC's strategy of concentrating its operations to the countries around the Baltic Sea.

Also in June, NCC Roads A/S in Denmark sold its 43-percent shareholding in the Lithuanian company UAB NCC Fegda. The purchasers were four partners in the company and the sales price was SEK 69 M. The sale of UAB NCC Fegda marked NCC Road's exit from the Baltic asphalt market.

In December, NCC sold the office services company Consess for SEK 31 M to Coor Service Management, generating a capital gain of SEK 11 M. In addition, NCC's operation in Greenland was sold for SEK 15 M.

The Polish civil engineering company PRInz, in which NCC held a 47-percent interest, was declared bankrupt following a period of liquidity problems. This had an adverse impact of SEK 60 M on earnings.

BRANCHES OUTSIDE SWEDEN

The NCC Construction Sweden business area also conducts operations via a branch in Norway. NCC also has branches connected to individual projects in Singapore, Russia and Zambia.

Sensitivity and risk analyses

	Change	Effect on profit after financial items (annual basis), SEK M	Effect on return on equity, percentage points	Effect on return on capital employed, percentage points
NCC Construction				
Volume	+/– 5%	176	1.9	1.6
Operating margin	+/– 1% percentage point	387	4.2	3.5
NCC Property Development				
Sales volume, projects	+/– 10%	26	0.3	0.2
Sales margin, projects	+/– 1% percentage point	15	0.2	0.1
NCC Roads				
Volume	+/– 5%	35	0.4	0.3
Operating margin	+/– 1% percentage point	87	1.0	0.8
Capital rationalization	+/– 10%	16	0.2	0.5
Group				
Interest rate, borrowing	+/– 1% percentage point	14	0.2	
Decrease in net debt	SEK 500 M	24	0.3	0.8
Change in equity/assets ratio	–5% percentage point	–66	3.9	

ENVIRONMENTAL IMPACT

The Group conducts operations subject to permit obligations in accordance with the Environmental Code. This applies to the Swedish Parent Company and Swedish subsidiaries. Of the Group operations subject to permit and reporting obligations, it is mainly the asphalt, concrete and gravel pit operations conducted within NCC Roads that affect the external environment. The external environmental impact mainly comprises emissions to air and noise.

SENSITIVITY AND RISK ANALYSES

Within NCC's Construction units, the importance of pursuing a selective tendering policy and risk management in early project stages is distinctly noticeable from the major impact on earnings of a one-percentage-point increase in the margin, in relation to a 5-percent increase in volume.

For proprietary housing projects within NCC's Construction units, the major challenge is to have the right products and to drive the projects through the planning process to the market at the right time.

NCC Property Development's earnings are predominantly determined by sales. However, opportunities to sell property projects are affected by the leases signed with tenants, whereby an increased leasing rate facilitates higher sales. The value of a property is also determined by the difference between operating expenses and rent levels, which means that a change in the rent levels or operating economy of ongoing projects could generate an increase in value.

NCC Roads' operations are affected by such factors as price levels and the volume of produced and paved asphalt. The operations are extremely sensitive to volume. The seasonal variation leads to increased volume during an extended season, and because the proportion of fixed costs is high, the marginal effect is considerable.

In 2005, the NCC Group had a healthy financial position with low indebtedness. As a result, neither interest-rate changes nor amortization of the remaining debt using available cash assets would have had a major impact on earnings. A continued reduction in net indebtedness from the current level would have a continued favorable impact on profitability, while an increase in borrowing and the dividend – and thus a lower equity/assets ratio – would have an adverse impact on earnings, but boost the return on equity.

RISK MANAGEMENT

Through its business operations, NCC is exposed to various risks, which could be financial or operational. The operational risks relate to the operations and services offered on a daily basis. They could be purely operative, or apply to tenders or project development, seasonal exposure or assessments of the earnings capacity of a project. In addition, property damage or personal injury could arise. The financial risk should be viewed against the background of the capital requirements of NCC's various operations. Contracting operations normally have a positive cash flow at the beginning of projects but a neutral or negative cash flow towards the end. During a business cycle, the cash generated in this manner could be needed if orders received slacken during an economic recession and, accordingly, the financial assets of contracting operations should exceed their liabilities, which means they should have no net debt.

Proprietary housing and property development ties up capital throughout the course of the projects; firstly, through investment in land, then during the development phase and finally during the sale of the project. The financing of these projects varies with time. Initially, uncertainty is considerable and borrowing should be low, while the borrowing on a finished property can be much higher.

NCC Roads mainly has capital employed in fixed assets (quarries, crushing plants, asphalt plants, paving machinery, etc). To the extent possible, the aim here is to invest in mobile plants to achieve maximized capacity utilization.

To a large extent, investments in these fixed assets can be financed with loans, but are subject to limitations in terms of, for example, cyclical and seasonal risks.

On the whole, this means that based on the type of product mix in 2005, the NCC Group's net indebtedness should not exceed its shareholders' equity (also see "Financial objectives" on page 13). The management of the Group's financial risks such as interest-rate, currency, liquidity and financing risks is centralized, in order to minimize and control the Group's risk exposure. Credit risks involving customers are managed by the various business areas.

OPERATIONAL RISKS

For a building contractor, the principal limitation phase for operational risks is during the contract-tendering process. NCC pursues a selective tendering policy in order to minimize the proportion of unprofitable projects. This is particularly important in a declining market, when it could be tempting to secure projects in order to maintain employment. In a growing market, however, it is important to be selective because an excessive tendering volume could result in a shortage of internal resources for handling all the projects, which could lead to both weaker internal control and increased costs if the construction market overheats.

When tendering for contracts, NCC assigns priority to projects whose risks are identified, and are thus manageable and calculable. Most risks, such as contract risks and technical and production-related risks, are best managed and minimized in cooperation with the customer and other players at early stages of the project. Accordingly, new cooperation formats, such as NCC Partnering, are key features of efforts to limit risk. Project control is of decisive importance to minimizing problems and thus costs. In order to control and follow-up operations within NCC's Construction units, NCC uses a process-controlled operational management system. Several Group units are quality and environmentally certified.

DEVELOPMENT RISKS

Proprietary project development of both residential and commercial properties includes a contract risk and a development risk. Every project concept must be adapted to local market preferences and the planning requirements imposed by public authorities. State-of-the-art skills are required to optimize projects that have to be processed by, for example, local municipalities and possibly have to pass an appeals process. To reduce these risks, NCC has successively limited the markets in which the Group operates and expands. Proprietary residential and property projects are conducted primarily in large growth communities in the Nordic countries, as well as in Germany and the Baltic countries. Moreover, NCC has consciously decided to refrain from excessively niche-oriented projects for narrow target groups, since earnings in this sector have historically not corresponded with their higher inherent risks. Risk limitation is achieved through demands for high leasing rates when a construction project is started, and tied-up capital is reduced through early sales.

SEASONAL RISKS

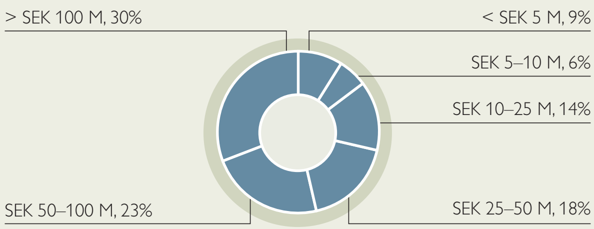
The asphalt operations of the NCC Roads business area are subject to considerable seasonal variations, with most pro-

Major ongoing projects[1)]

Project	NCC's share of order value	Completion rate, Dec. 31, 2005	Scheduled completion
Subway C822, Singapore	1,546	87%	2006
City tunnel, Sweden	1,317	26%	2009
Pelletizing plant, Kiruna, Sweden	1,134	1%	2008
Pelletizing plant, Kiruna, Sweden	700	76%	2006
Norrortsleden road project, Sweden	695	2%	2008
Subway C825, Singapore	571	90%	2006
Shopping center and parking Arkade, Denmark	428	14%	2007
E18 road project Bjørvika, Norway	424	2%	2011
E6 road project Örekilsälven, Sweden	414	27%	2008
Rya combined power and heating plant, Sweden	375	78%	2007
Hospital Linköping, Sweden	366	48%	2007
Housing, Bispebjerg Bakke, Denmark	350	58%	2006
Tunnel, Faeroe Islands	335	83%	2006
Morogoro Dodoma Road, Tanzania	332	55%	2006
University building, Sydforsk, Denmark	327	66%	2006
E4 road project, past Markaryd E4, Sweden	300	96%	2006

1) Contracting projects exceeding SEK 300 M on behalf of external customers.

Project size of orders received in 2005, NCC's Construction units



Housing projects account for most of the volume growth and several of them are in the SEK 50–100 M price range. A large part of NCC's sales derives from projects with a value exceeding SEK 100 M. The orders received in 2005 included orders for the construction of a pelletizing plant for LKAB and the Norrortsleden roads project.

curements secured during the spring, and asphalt production and paving activities conducted during the summer half year. Warm autumn weather has a favorable effect on production, while long, cold winters have negative effects on earnings. To manage these risks, NCC Roads offers road-related products and services that encompass the entire value chain. Repair and maintenance activities, for example, complement paving operations over the year. NCC's Construction units also show some seasonal variations.

PRICE RISKS

For several years, the prices of building products have increased at a rate that far exceeds inflation. Deficient competition, decentralized structures in the form of local construction projects and suppliers, limited coordination and an irrational construction process are a few of the reasons. For some time, NCC has been trying out various ways of increasing the efficiency of the construction process and, as part of these efforts, the purchasing function is a critical factor and, financially, is the key to gaining control over price development.

Raw-material costs account for about one third of the price NCC Roads pays for paved asphalt. The main raw materials are bitumen followed by aggregates. NCC Roads purchases bitumen from several international suppliers. Longer-term agreements with customers normally include price clauses. In several markets, NCC Roads is self-sufficient in terms of aggregates.

RISK FOR ERRORS IN PROFIT RECOGNITION

NCC and other companies in the sector apply the percentage-of-completion method for recognizing profit from contracting operations, whereby profit is recognized in parallel with completion, which means before the final result is established. The risk that actual profit will deviate from percentage-of-completion profit recognition is minimized through NCC's project-management model, which ensures the necessary follow-up and control of all construction projects that form the basis for profit recognition. If the final result of a project is expected to be negative, the entire loss from the project is immediately charged against earnings, regardless of the project's degree of completion. Profit recognition from proprietary housing projects is recognized as the worked-up rate (costs incurred in relation to the final status forecast) multiplied by the sales rate (number of sold apartments), which entails more cautious profit recognition.

FOCUS

During 2005, NCC continued to discontinue operations positioned outside the core business or outside the geographical domestic markets, at the same time as certain growth occurred in those areas where NCC has strong positions.

A fundamental aspect of NCC's strategy is to work in markets that are known and with products and services for which the Group has considerable expertise. The international construction operations, which had tied up considerable capital and are associated with major risks, are scheduled to be fully discontinued in 2007, which will reduce NCC's risk exposure in markets where NCC has limited knowledge.

FINANCIAL RISK

Finance policy

Through its business operations, the Group is exposed to financial risks. These financial risks are interest-rate, price, credit, liquidity, currency and cash flow risks. NCC's finance policy for managing financial risks was decided by NCC AB's Board of Directors and forms a framework of guidelines and rules in the form of risk mandates and limits for finance activities.

Within the NCC Group's decentralized organization, finance activities are centralized to NCC Corporate Finance in order to monitor the Group's overall financial risk positions, to achieve cost efficiency and economies of scale and to accumulate expertise, while protecting Group-wide interests. Within NCC, risks associated with the Group's exchange and interest rates, credit and liquidity are managed by NCC's internal bank, NCC Treasury AB. Credit risks related to customers are managed by each particular business area.

Currency risks

The currency risk is the risk that changes in exchange rates will adversely affect the consolidated income statement, balance sheet and cash flow statement. NCC's operational net transaction exposure is not significant. In accordance with the finance policy, transaction exposure must be eliminated as soon as it becomes known, mainly by using currency forward contracts. Exposure affecting financial flows, such as loans and investments, is mainly hedged by means of currency swaps.

Interest-rate risks

The interest-rate risk is the risk that changes in interest rates will adversely affect NCC's net interest items and/or cash flow. NCC's main financing sources are shareholders' equity, cash flow from operating activities and borrowing. Interest-bearing borrowing exposes the Group to an interest-rate risk. NCC's finance policy stipulates guidelines governing the average maturity of borrowing. NCC aims for a good balance between long and short periods of fixed interest. If the interest terms of available borrowing vehicles are not compatible with the desired structure for NCC's loan portfolio, interest swaps are the main instruments used to adapt the structure. At the end of 2005, NCC's interest-bearing liabilities amounted to SEK 3,153 M (4,704) and the average maturity was 1.1 years (1.3).

Credit risks

NCC's investment regulations are reviewed continuously and characterized by caution. The policy is that no credit losses be incurred within operations.

Liquidity risks

To achieve adequate flexibility and cost efficiency, the Group's access to funds consists essentially of committed lines of credit. On December 31, the volume of unutilized committed lines of credit amounted to SEK 3.1 billion. Available cash and cash equivalents are invested in banks or interest-bearing instruments with good credit ratings and liquid secondary markets. At year-end, the Group's cash and cash equivalents amounted to SEK 1.9 billion. Access to funds on December 31 corresponded to 10 percent of sales.

Also refer to Note 1, Accounting principles and Note 39, Financial instruments and financial risk management.

SIGNIFICANT DISPUTES

The Swedish Competition Authority has demanded that NCC pay a penalty fee of SEK 382 M for alleged contract-tendering collusion and the illegal dividing-up of markets. NCC believes that it has favorable prospects of bringing about a reduction in the definitive penalty fee during the forthcoming main hearing, which will commence in September 2006.

Nine municipal authorities have sued companies, including NCC, for damages due to cartel collusion, whereby the combined claim for damages totals approximately SEK 56 M.

In 2004, the Competition Authority in Finland sued a number of asphalt companies, including NCC subsidiaries and the jointly owned company Valtatie, for cartel collusion. The claim against the subsidiaries totals approximately SEK 100 M. NCC contests the charges of cartel collusion.

In Norway, the Norwegian economic crimes agency has reported a number of companies, including NCC, for alleged breach of competition legislation. NCC's own investigations cannot exclude the possibility that a ten-year old invoice was intended as so-called "loser fees," as previously announced by NCC. Subsequently, the police inquiry has continued.

The competition-impairing fees claimed by the Competition Authorities in Sweden and Finland have been reported as contingent liabilities, as have the damages claimed in Sweden.

For further information about the cartel processes, see Note 46, Pledged assets, contingent liabilities and contingent assets.

RESEARCH AND DEVELOPMENT

As part of the business conducted by the NCC Group, resources are continuously invested in research and development conducted in-house or in cooperation with customers and suppliers. The main R&D areas concerned relate to NCC's core building and civil engineering operations, as well as a general orientation that includes industrialized and sustainable construction and information technology. A large amount of development work is conducted as part of ongoing business projects.

PERSONNEL

Number of employees

The average number of employees in the NCC Group was 21,001 (22,375). The decrease was due mainly to continued downsizing following rationalization measures and sales of subsidiaries.

NCC's long-term efforts involving the work environment and health matters are generating increasingly positive effects for every year that passes. In Sweden, sickness absence declined for the third consecutive year in 2005. The number of occupational accidents at Swedish construction sites rose slightly in 2005, although the accidents were of a less serious character than in the past. Corresponding efforts that are also resulting in positive effects are under way in the other Nordic operations.

Pension foundation

The NCC Group's pension foundation was registered in April 2003. The purpose of the foundation is to secure pension commitments covered by the national pension plan, as well as other pension commitments that NCC AB and other companies in the NCC Group's Swedish operations have made or will make in the future to employees and surviving relatives of employees. Also refer to Note 38, Employee Benefits.

REPURCHASE OF OWN SHARES

The Annual General Meeting on April 4, 2005 renewed the Board's authorization to repurchase a maximum of 10 percent of the total number of NCC shares. No shares were repurchased in 2004 or 2005. Since the original repurchase authorization was granted at the 2000 Annual General Meeting, NCC has repurchased 6,035,392 Series B shares at an average price of SEK 73.35, corresponding to 5.6 percent of the total number of shares. At December 31, 2005, 4,840,998 shares had been sold in return for exercised options. Subsequently, the number of treasury shares totaled 1,194,394. Excluding the treasury shares, the number of shares outstanding is 107,421,428. The Board proposes that it be authorized by the Annual General Meeting to repurchase Series A or B NCC shares up to the next Annual General Meeting in such a number that the holding of treasury shares does not exceed 10 percent of the total number of NCC shares at any point in time. Share purchases must be effected via the Stockholm Stock Exchange at a price per share that is within the band of share prices registered at each particular time. The reason for repurchasing shares is to adjust NCC's capital structure and to cover the Company's commitments under the outstanding option programs for executive management. Including the proposed authorization, NCC will be entitled to repurchase an additional 8.9 percent of the shares outstanding.

OWNERSHIP STRUCTURE

The number of NCC shareholders at year-end was 24,679 (24,103), with Nordstjernan AB as the largest individual shareholder with 32.3 percent of the share capital and 55.8 percent of the voting rights. L E Lundbergföretagen was the second largest shareholder, accounting for 10.1 percent of the share capital and 18.7 percent of the voting rights. The ten largest shareholders jointly accounted for 59.7 percent of the share capital and 84.5 percent of the voting rights.

COMPOSITION OF THE BOARD

During 2005, seven Board Members were elected by the Annual General Meeting, including the CEO. In addition, the employees had three representatives and two deputies. Three of the Board members (Antonia Ax:son Johnson, Tomas Billing and Marcus Storch) were dependent on the principal owner Nordstjernan and one of the members (Fredrik Lundberg) was dependent on the second largest shareholder L E Lundbergföretagen. CEO Alf Göransson is the only Board Member who is also a member of NCC's Group Executive Management. Information on individual Board Members is presented on pages 108–109.

BOARD DUTIES

In 2005, NCC's Board held six scheduled meetings plus the statutory meeting held directly after the Annual General Meeting, making a total of seven meetings. The number of meetings complied with the established schedule. The Board's work focuses primarily on strategic issues, business plans, the financial accounts and major investments and divestments, plus other decisions that, in accordance with the NCC's decision-making procedures, have to be addressed by the Board. Reporting on the progress of the Company's operations and financial position was a standing item on the agenda. The Board has established operating procedures for its work and instructions for the division of duties between the Board and the CEO, as well as for financial reporting to the Board. The Board made several worksite visits in connection with Board meetings. Other senior executives within NCC participated in Board meetings in order to present matters. NCC's General Counsel was secretary of the Board.

NOMINATION ACTIVITIES

The Annual General Meeting elects a Nomination Committee, which nominates candidates to the Annual General Meeting for election as Board members, proposes the fees to be paid to Board members and nominates auditors and the fees to be paid to them. The Annual General Meeting held on April 4, 2005 re-elected Viveca Ax: son Johnson (Deputy Chairman of Nordstjernan), Ulf Lundahl (Deputy CEO of L E Lundbergföretagen) and Johan Björkman (Chairman of Nordstjernan) and elected Mats Lagerqvist (President of Robur) to the Nomination Committee, with Johan Björkman as chairman. Tomas Billing , Chairman of the NCC Board, was a co-opted member of the Committee, but had no voting right. No remuneration was paid to members of the Nomination Committee, which held two meetings to address proposals regarding Board membership, auditors and fees ahead of the 2006 Annual General Meeting.

CHANGED ACCOUNTING PRINCIPLES

REPORTING IN ACCORDANCE WITH IFRS

As of January 1, 2005, the NCC Group applies the International Financial Reporting Standards (IFRS) approved by the European Commission. For the effects of IFRS on full-year 2004, see Note 49, Transition to IFRS.

For a more detailed description of the effects of IFRS on the Swedish accounting principles previously used by NCC and the effects on comparative quarterly figures for 2004, reference is made to the press release dated May 3, 2005 with the title "Reporting in accordance with International Financial Reporting Standards (IFRS)" (see www.ncc.info/ifrs).

The financial accounts of the Parent Company, NCC AB, have been compiled in accordance with generally acceptable accounting practices in Sweden and applicable legislation.

EVENTS AFTER THE BALANCE-SHEET DATE

No significant events have occurred after the balance-sheet date that could affect the adoption of the income statements and balance sheets.

PARENT COMPANY

Commission agreement

Since January 1, 2002, NCC Construction Sverige AB has been conducting operations on a commission basis on behalf of NCC AB.

Net sales and earnings

Parent Company sales during the year totaled SEK 18,007 M (17,055). Profit of SEK 1,071 M (888) was reported after financial items. The improved earnings reported by NCC Construction Sverige AB also led to a substantial improvement in Parent Company earnings compared with prior year. In the Parent Company, profit is not recognized until final recognition of projects. The average number of employees was 7,377 (7,369).

OUTLOOK

NCC's assessment of the market trend is that it will grow by 3–4 percent in 2006. Investments in civil engineering are expected to rise particularly substantially during 2006, not least because of major infrastructure investments.

PROPOSED DIVIDEND

Against the background of NCC's strengthened financial position, the Board proposes an ordinary dividend of SEK 5.50 (4.50) per share, plus an extraordinary dividend of SEK 10.00 (10.00) per share, making a total of SEK 15.50 (14.50) per share. The proposed record date for dividends is April 10, 2006. If the Annual General Meeting approves the Board's proposal, it is estimated that dividend payments, via VPC, will commence on April 13, 2006.

PROPOSED DISTRIBUTION OF UNAPPROPRIATED EARNINGS

The exercise of any options from the options program for senior executives could affect the number of shares that qualify for dividends. In view of this, the Board may supplement its proposal for the distribution of unappropriated earnings by the time of the Annual General Meeting.

The Board of Directors proposes that the earnings available for distribution:	4,167,414,701
To be disposed of as follows:	
Ordinary dividend of SEK 5.50 per share to shareholders	589,910,013
Extraordinary dividend of SEK 10.00 per share to shareholders	1,072,563,660
To be carried forward	2,504,941,028
Total, SEK	**4,167,414,701**

The Board's statement regarding the proposed dividend will be available on NCC's website and be distributed at the Annual General Meeting.

AMOUNTS AND DATES

Unless otherwise indicated, amounts are stated in SEK millions (SEK M). The period referred to is January 1–December 31 for income-statement items and December 31 for balance-sheet items.

Rounding-off differences may arise.

CONSOLIDATED INCOME STATEMENT

WITH COMMENTS

SEK M	Note	2005	2004
	1, 50		
Net sales	2, 3	49,506	46,534
Production costs	4, 5, 6, 10	–45,158	–42,749
Gross profit		**4,347**	**3,786**
Sales and administration costs	4, 5, 6, 7	–2,677	–2,577
Result from property management	8, 10	17	45
Result from sales of managed properties	9	92	–60
Result from sales of owner-occupied properties	9	19	6
Impairment losses, fixed assets	10	–94	–149
Result from sales of Group companies	11	–5	64
Result from participations in associated companies	10, 12	49	33
Operating profit	3, 13	**1,748**	**1,147**
Financial income		116	209
Financial expense	10	–284	–412
Net financial items	17	**–168**	**–203**
Profit after financial items		**1,580**	**945**
Tax on net profit for the year	31	–393	–68
NET PROFIT FOR THE YEAR	18, 45	**1,187**	**876**
Attributable to			
NCC's shareholders		1,178	873
Minority interests		9	3
Net profit for the year		**1,187**	**876**
Earnings per share	19		
Before dilution			
Profit after tax, SEK		11.07	8.53
After full dilution			
Profit after tax, SEK		10.86	8.05

The consolidated income statement differs from the one published in the 2004 Annual Report due to the transition to IFRS.

Net sales

Consolidated net sales for 2005 totaled SEK 49,506 M (46,534). The increase was attributable to growth within NCC's Construction units and in NCC Roads. Sales of proprietary housing projects accounted for a substantial portion of the increase, with particularly strong growth noted in Denmark and Germany. Sales for 2004 included larger amounts from sales of commercial properties and sales related to the former NCC International Projects business area.

Result from property management

Property management is conducted within NCC's business area, NCC Property Development. The operating net for NCC Property Development was SEK 17 M (51).

Result from sales of managed properties

During 2005, NCC Property Development sold properties that generated gains of SEK 92 M (loss: 52). In the rest of the Group, sales of managed properties generated a capital gain of SEK 0 M (loss: 8).

Result from sales of owner-occupied properties

Within NCC Construction Norway and NCC Roads, sales of owner-occupied properties generated a capital gain of SEK 19 M (6).

Impairment losses

During 2005, impairment losses, excluding goodwill, amounted to SEK 139 M (124). NCC Property Development posted impairment losses on property projects in an amount of SEK 71 M (39), while impairment losses on participations in associated companies amounted to SEK 60 M (5). Impairment losses on owner-occupied properties amounted to SEK 8 M (12). In 2004, impairment losses on housing projects and managed properties totaled SEK 54 M.

Impairment of goodwill

NCC conducts impairment tests of the value of goodwill annually or more frequently when the need arises. Impairment losses of SEK 86 M (137) were charged against net profit for the year. The goodwill pertained mainly to NCC's Construction units and NCC Roads.

Specification of total impairment losses[1)]

SEK M	2005	2004
Housing projects		–38
Property projects within NCC Property Development[2)]	–71	–39
Managed properties[2)]		–16
Owner-occupied properties	–8	–12
Participations in associated companies	–60	–5
Goodwill within NCC Roads[3)]	–43	–122
Goodwill within NCC's Construction units[3)]	–43	–15
Machinery and equipment		–6
Other securities		–8
Total impairment losses	**–225**	**–261**

1) The impairment losses for housing and property projects within NCC Property Development are included in Production costs. The impairment losses for managed properties are included in Result from property management and the impairment losses for participations in associated companies are included in Result from participations in associated companies.

2) The impairment losses consist of a reported net amount of impairment losses and reversed impairment losses.

3) Impairment losses on goodwill pertained to subsidiaries whose value in use proved to be lower than the carrying value following impairment testing. The booked residual value of goodwill is subject to impairment testing annually and whenever indications of a change in value arise, necessary impairments are posted. The reasons for reporting impairment losses could be changed market conditions or return requirements that result in a lower value in use.

Operating profit

The Group reported full-year operating profit of SEK 1,748 M (1,147). The Group's earnings improvement was mainly attributable to a continued robust housing market in the Nordic region and to better profitability within Nordic contracting operations, compared with 2004.

Profit after financial items

Profit after financial items totaled SEK 1,580 M (945) during 2005. The improvement in net financial items was attributable to a reduction in net indebtedness and lower interest rates compared with the preceding year. The transition to IAS 39, Financial Instruments, had only a marginal impact on earnings during the year.

Tax

NCC's tax rate for 2005 amounted to approximately 25 percent (7), following the approval received during the fourth quarter pertaining to a tax deduction for an impairment of shares in NCC Property Development's Dutch holding company. The low tax rate in 2004 was due to the positive effects of a tax settlement in Germany and a tax ruling pertaining to Fastighets AB Siab.

Net profit for the year

Net profit for the year amounted to SEK 1,187 M (876).

CONSOLIDATED BALANCE SHEET

WITH COMMENTS

SEK M	Note	2005	2004
	1, 50		
ASSETS			
Fixed assets			
Goodwill	21	1,772	1,790
Other intangible assets	21	61	31
Managed properties	23	71	449
Owner-occupied properties	22	865	830
Machinery and equipment	22	1,937	1,848
Participations in associated companies	25	44	200
Other long-term holdings of securities	28	265	311
Long-term receivables	30	916	741
Deferred tax assets	31	330	622
Total fixed assets		**6,263**	**6,822**
Current assets			
Property projects	32	2,005	2,105
Housing projects	32	3,884	4,005
Materials and inventories	33	1,013	949
Tax receivables		13	139
Accounts receivable		7,137	6,476
Worked-up, non-invoiced revenues	34	2,738	2,998
Prepaid expenses and accrued income		638	587
Other receivables	30	1,348	1,680
Short-term investments	28	153	113
Cash and cash equivalents	47	1,919	2,514
Total current assets		**20,848**	**21,567**
TOTAL ASSETS	45	**27,110**	**28,389**
EQUITY			
Share capital	35	867	867
Other capital contributions		1,844	1,844
Reserves		61	12
Profit brought forward, including current-year profit		4,014	3,992
Shareholders' equity		**6,785**	**6,715**
Minority interest		94	84
Total shareholders' equity		**6,879**	**6,799**
LIABILITIES			
Long-term liabilities			
Long-term interest-bearing liabilities	36	2,004	3,485
Other long-term liabilities	41	392	343
Deferred tax liabilities	31, 37	199	481
Provisions for pensions and similar obligations	37, 38	143	180
Other provisions	37	1,611	1,683
Total long-term liabilities	39, 44	**4,348**	**6,172**
Current liabilities			
Current liabilities, interest-bearing	36	1,052	1,187
Accounts payable		4,520	3,908
Tax liabilities		137	260
Project invoicing not yet worked up	40	4,367	4,375
Accrued expenses and prepaid income	43	3,271	3,305
Other current liabilities	41	2,535	2,383
Total current liabilities	39, 41	**15,883**	**15,418**
Total liabilities		**20,231**	**21,590**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	45	**27,110**	**28,389**
Assets pledged	46		
Contingent liabilities	46		

The consolidated balance sheet differs from the one published in the 2004 Annual Report due to the transition to IFRS. In addition, the new Annual Accounts Act no longer requires that the Group's shareholders' equity be divided into restricted and unrestricted reserves.

Fixed assets

Goodwill

NCC subjects the value of goodwill to impairment testing annually or more often if this is required. The balance was reduced by impairment losses of SEK 86 M (137) in NCC's Construction units and NCC Roads. To a certain extent, the impairment losses were offset by an increase in the value of goodwill in foreign currencies following a rise in exchange rates.

Managed properties

NCC Property Development continued to reduce its portfolio of managed properties through divestments in 2005.

Deferred tax assets

Deferred tax assets decreased because NCC's high earnings led to increased utilization of tax-loss carryforwards. In addition, the netting of assets and liabilities against each other increased when Denmark introduced co-taxation.

Current assets

Accounts receivable

NCC Roads' extended season and a favorable fourth quarter for NCC's Construction units resulted in an increase in accounts receivable compared with 2004.

Shareholders' equity

The opening balance has been adjusted for the effects of the changed accounting principles. The current-year change in shareholders' equity consists of net profit for the year, dividends to shareholders and sales of treasury shares. Other changes in shareholders' equity were translation differences and the effects of personnel options program.

Long-term liabilities

Deferred tax liabilities

Deferred tax liabilities decreased due to such factors as a reduced provision for deducted profit in proprietary housing projects. In addition, the netting of assets and liabilities against each other increased when Denmark introduced co-taxation.

Long-term interest-bearing liabilities

Long-term interest-bearing liabilities decreased compared with 2004 because proceeds received from sales of managed properties and healthy project liquidity within NCC's Construction units could be used to amortize debt.

Current liabilities

Accounts payable

NCC Roads' extended season and a favorable fourth quarter for NCC's Construction units resulted in an increase in accounts payable compared with 2004.

PARENT COMPANY INCOME STATEMENT

WITH COMMENTS

SEK M	Note	2005	2004
Net sales	1, 48 2, 42	18,007	17,055
Production costs	4, 5, 6	–16,366	–15,930
Gross profit		**1,640**	**1,125**
Sales and administration costs	4, 5, 6, 7	–1,145	–1,082
Result from sales of owner-occupied properties	9		6
Impairment losses	10	–8	–44
Operating profit		**488**	**5**
Result from financial investments			
Result from participations in Group companies	10, 11	643	844
Result from participations in associated companies	10, 12	21	1
Result from other financial fixed assets	10, 14	4	2
Result from financial current assets	15	20	108
Interest expense and similar items	16	–105	–72
Profit after financial items		**1,071**	**888**
Appropriations	20	538	66
Tax on net profit for the year	31	–276	–236
NET PROFIT FOR THE YEAR		**1,333**	**718**

The Parent Company income statement differs from the consolidated income statement in terms of, for example, its presentation and certain designations of items, because the Parent Company's income statement is compiled in accordance with the Annual Accounts Act while the Group complies with IFRS.

The Parent Company's profit-recognized invoicing during the year totaled SEK 18,007 M (17,055). Profit of SEK 1,071 M (888) was reported after financial items. The improved earnings reported by NCC Construction Sweden also led to an improvement in Parent Company earnings compared with 2004. In the Parent Company, profit is not recognized until final recognition of projects.

PARENT COMPANY BALANCE SHEET

WITH COMMENTS

SEK M	Note	2005	2004
	1, 48		
ASSETS			
Fixed assets			
Intangible fixed assets			
Intangible fixed assets	21	3	2
Total intangible fixed assets		**3**	**2**
Tangible fixed assets	22		
Owner-occupied properties and construction in progress		27	38
Machinery and equipment		110	119
Total tangible fixed assets		**137**	**157**
Financial fixed assets	29		
Participations in Group companies	24	6,593	7,084
Receivables from Group companies		25	189
Participations in associated companies	27	167	166
Receivables from associated companies		38	42
Other long-term holdings of securities		7	7
Deferred tax assets	31	142	294
Other long-term receivables		78	115
Total financial fixed assets		**7,050**	**7,897**
Total fixed assets		**7,190**	**8,056**
Current assets			
Properties classed as current assets	32		
Housing projects		440	823
Total current assets		**440**	**823**
Inventories, etc.			
Materials and inventories	33	1	1
Total inventories, etc.		**1**	**1**
Current receivables			
Accounts receivable		2,577	2,365
Receivables from Group companies		451	753
Receivables from associated companies		10	23
Other current receivables		404	244
Prepaid expenses and accrued income		329	226
Total current receivables		**3,772**	**3,611**
Short-term investments		**2,769**	**2,735**
Cash and bank balances		**863**	**843**
Total current assets		**7,845**	**8,013**
TOTAL ASSETS		**15,035**	**16,069**

SEK M	Note	2005	2004
	1,48		
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity			
Restricted shareholders' equity			
Share capital	35	867	867
Restricted reserves		174	174
Total restricted shareholders' equity		**1,041**	**1,041**
Unrestricted shareholders' equity			
Unrestricted reserves		2,835	3,794
Net profit for the year		1,332	718
Total unrestricted shareholders' equity		**4,167**	**4,512**
Total shareholders' equity		**5,208**	**5,553**
Untaxed reserves	20	**314**	**852**
Provisions	37		
Provisions for pensions and similar obligations	38	14	18
Other provisions		553	407
Total provisions		**567**	**425**
Long-term liabilities	36, 39		
Liabilities to credit institutions		826	831
Liabilities to Group companies		2,327	2,379
Total long-term liabilities		**3,153**	**3,210**
Current liabilities	36, 39		
Liabilities to credit institutions		5	5
Advances from customers		255	97
Work in progress on another party's account	42	1,971	1,930
Accounts payable		1,539	1,424
Liabilities to Group companies		496	781
Liabilities to associated companies		29	2
Tax liabilities		117	64
Other liabilities		331	669
Accrued expenses and prepaid income	43	1,049	1,057
Total current liabilities		**5,792**	**6,029**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**15,035**	**16,069**
Assets pledged	46	**14**	**12**
Contingent liabilities	46	**17,192**	**18,838**

The Parent Company balance sheet differs from the consolidated balance sheet in terms of, for example, its presentation and certain designations of items, because the Parent Company's balance sheet is compiled in accordance with the Annual Accounts Act while the Group complies with IFRS.

CHANGES IN SHAREHOLDERS' EQUITY

WITH COMMENTS

GROUP

SEK M	Share capital	Other capital contributions	Reserves	Earnings brought forward	Total	Minority interests	Total equity
	Shareholders' equity attributable to Parent Company shareholders						
Opening balance, January 1, 2004	**2,711**			**3,358**	**6,069**	**78**	**6,147**
Change in translation reserve during the year			12		12	7	19
Total change in net asset value reported directly against equity, excluding transactions involving Company shareholders	**2,711**		**12**	**3,358**	**6,081**	**85**	**6,166**
Net profit for the year				873	873	3	876
Total change in net asset value, excluding transactions involving Company shareholders	**2,711**		**12**	**4,231**	**6,954**	**88**	**7,042**
Reduction of share capital and statutory reserves	–1,844	1,844					
Dividends				–282	–282	–4	–286
Effects of personnel options program				43	43		43
Shareholders' equity on December 31, 2004	**867**	**1,844**	**12**	**3,992**	**6,715**	**84**	**6,799**
Adjustment for changed accounting principles:							
IAS 39, Financial instruments			–16	–15	–31		–31
Adjusted shareholders' equity, January 1, 2005	**867**	**1,844**	**–4**	**3,977**	**6,684**	**84**	**6,768**
Change in translation reserve during the year			6		6	1	7
Change in fair value reserve during the year			5		5		5
Change in hedging reserve during the year			17		17		17
Tax reported against shareholders' equity			37	4	41		41
Change in minority interest						3	3
Total change in net asset value reported directly against equity, excluding transactions involving Company shareholders	**867**	**1,844**	**61**	**3,981**	**6,753**	**88**	**6,841**
Net profit for the year				1,178	1,178	9	1,187
Total change in net asset value, excluding transactions involving Company shareholders	**867**	**1,844**	**61**	**5,159**	**7,931**	**97**	**8,028**
Dividends				–1,552	–1,552	–3	–1,555
Sale of treasury shares				350	350		350
Effects of personnel options program				57	57		57
Shareholders' equity on December 31, 2005	**867**	**1,844**	**61**	**4,014**	**6,785**	**94**	**6,879**

PARENT COMPANY

SEK M	Share capital	Statutory reserves	Unrestricted reserves	Net result for the year	Total equity
	Restricted shareholders' equity		Unrestricted shareholders' equity		
Opening balance, January 1, 2004	2,711	1,639	1,175	–97	5,428
Reduction of share capital and statutory reserves	–1,844	–1,465	3,309		
Other profit allocations			–97	97	
Effect of personnel options program			43		43
Dividend			–282		–282
Group contributions[1]			–354		–354
Net profit for the year				718	718
Shareholders' equity on December 31, 2004	**867**	**174**	**3,794**	**718,**	**5,553**
Allocation of profit			718	–718	
Effect of personnel options program			57		57
Dividend			–1,552		–1,552
Sale of treasury shares			350		350
Group contributions[1]			–532		–532
Net profit for the year				1,332	1,332
Shareholders' equity on December 31, 2005	**867**	**174**	**2,835**	**1,332**	**5,208**

[1] In accordance with URA 7, a statement from the Financial Accounting Standards Council's Emerging Issues Task Force. See the Reporting of Group and Shareholder Contributions section of the accounting principles, page 68.

Share capital
On December 31, 2005, the registered share capital amounted to 52,483,878 Series A shares and 55,951,944 Series B shares. The shares have a par value of SEK 8 each. Series A shares carry ten votes each and Series B shares one vote each.

Other capital contributions
Other capital contributions pertain to shareholders' equity contributed by the owners. A reduction of share capital in 2004 is included in this item.

Translation reserve
The translation reserve includes all exchange-rate differences that arise on the translation of the financial reports of foreign operations that have compiled their reports in a currency other than that in which the consolidated financial statements are presented. The translation reserve also includes exchange-rate differences that arise from the revaluation of liabilities and currency forward contracts entered into as instruments intended to hedge net investments in foreign operations.

Fair value reserve
The fair value reserve includes the accumulated net change in the fair value of available-for-sale financial assets up to the time the asset is credited to the balance sheet.

Hedging reserve
The hedging reserve includes the effective portion of the accumulated net change in the fair value of cash flow hedging instruments attributable to hedging transactions that have not yet occurred.

Profit brought forward including net profit for the year
This item includes funds earned by the Parent Company and its subsidiaries, associated companies and joint ventures.

Specification of reserves in shareholders' equity item

Translation reserve	2005	2004
Translation reserve, January 1	12	
Translation differences during the year	145	–15
Less: Hedging of exchange-rate risks in foreign operations	–138	38
Tax attributable to exchange-rate risks in foreign operations	38	–11
Less: Translation differences attributable to divested operations	–1	
Translation reserve, December 31	**56**	**12**

Fair value reserve	2005	2004
Fair value reserve, January 1		
Available-for-sale financial assets:		
– Revaluation reported directly against shareholders' equity	5	
Tax attributable to revaluation during the year	–1	
Fair value reserve, December 31	**4**	

Hedging reserve	2005	2004
Hedging reserve, January 1		
Adjustment for changed accounting principles:		
IAS 39, Financial instruments	–16	
Cash flow hedges:		
– Reported directly against shareholders' equity	21	
– Reversed in income statement	–4	
Hedging reserve, December 31	**1**	

Total reserves	2005	2004
Reserves, January 1	12	
Change in reserves during the year:		
– Translation reserve	44	12
– Fair value reserve	4	
– Hedging reserve	1	
Reserves, December 31	**61**	**12**

Reporting of shareholders' equity according to IFRS and the new Annual Accounts Act

Shareholders' equity now includes the minority share in equity. The Annual Accounts Act that came into effect on January 1, 2006 no longer requires that the Group's shareholders' equity be divided into restricted and unrestricted reserves. Value transfers in the form of dividends from the Parent Company shall instead be based on a statement prepared by the Board of Directors concerning the proposed dividend. This statement must take into account the prudence regulation contained in the Act, in order to avoid dividends being paid in an amount that exceeds the amount for which there is coverage.

Change in shareholders' equity

The change in shareholders' equity consists of net profit for the year, dividends to shareholders, the sale of treasury shares and the effect of the adaptation to IAS 39. Other changes in shareholders' equity are translation differences and the effects of personnel options program. Any tax effects resulting from the above transactions are reported separately in shareholders' equity.

The dividend resolved in 2005 consisted of an ordinary dividend of SEK 4.50 per share and an extraordinary dividend of SEK 10.00 per share. The actual dividend payment slightly exceeded the amount proposed in the 2004 Annual report, because more employee options were redeemed by the record date of April 7, 2005.

Treasury shares were sold as part of the redemption of options that are issued to employees.

Changed accounting principle, financial instruments

As of January 1, 2005, IAS 39, Financial instruments, is applied. The comparative figures for 2004 have not been adjusted. The accumulated effect of the changed principle, an amount of SEK 31 M, was previously reported in NCC's interim reports during 2005 and in the press release dated May 3, 2005, with the title "Reporting in accordance with International Financial Reporting Standards (IFRS)" (see www.ncc.info/ifrs).

Certain effects of IAS 39, Cash flow hedging, are now reported on a continuous basis as a change in shareholders' equity and not over the income statement. For more detailed information about IAS 39, see Note 1, Accounting principles.

CASH FLOW STATEMENT

WITH COMMENTS

SEK M	Note	Group 2005	Group 2004	Parent Company 2005	Parent Company 2004
OPERATING ACTIVITIES					
Profit after financial items		1,580	945	1,070	888
Adjustments for items not included in cash flow:					
– Depreciation		563	644	50	48
– Impairment losses		224	261	782	1,265
– Exchange-rate differences		–411	–52		–8
– Result from sales of fixed assets		–147	–167	–22	–30
– Result after financial items, associated companies		14	–3		
– Changes in provisions		–97	160	143	25
– Anticipated dividend				–1,158	–1,988
– Other		11	46		–4
Total items not included in cash flow		157	890	–205	–692
Taxes paid		–291	–166	–72	–90
Cash flow from operating activities before changes in working capital		**1,446**	**1,668**	**793**	**106**
Cash flow from changes in working capital					
Increase (–)/Decrease (+) in inventories		–128	–374		–1
Increase (–)/Decrease (+) in receivables		–150	889	–434	126
Increase (+)/Decrease (–) in liabilities		273	–121	–132	291
Increase (–)/Decrease (+) in net work in progress				41	–153
Increase (–)/Decrease (+) in properties reported as current assets, net		604	2,098	382	316
Cash flow from changes in working capital		**600**	**2,493**	**–142**	**579**
CASH FLOW FROM OPERATING ACTIVITIES		**2,046**	**4,161**	**651**	**685**
INVESTING ACTIVITIES					
Acquisition of subsidiaries	47	–91	–3	–176	–146
Sale of subsidiaries	47	85	450	4	17
Acquisition of buildings and land	47	–325	–268		
Sale of buildings and land		706	1,129		6
Acquisition of other financial fixed assets		–15	4	11	–23
Sale of other financial fixed assets		150	174	23	117
Acquisition of other fixed assets	47	–548	–560	–41	–56
Sale of other fixed assets		107	157	2	4
Cash flow from investing activities		**69**	**1,083**	**–176**	**–81**
CASH FLOW BEFORE FINANCING		**2,115**	**5,244**	**475**	**604**
FINANCING ACTIVITIES					
Dividend paid		–1,552	–282	–1,552	–282
Sale of treasury shares		350		350	
Group contributions				–396	–354
Loans raised		89	379	817	1,610
Amortization of loans		–1,681	–5,413	–5	–118
Increase (–)/Decrease (+) in long-term interest-bearing receivables		21	6	79	–46
Increase (–)/Decrease (+) in current interest-bearing receivables		29	51	283	–265
Increase (+)/Decrease (–) in minority interests, etc.			–5		
Cash flow from financing activities		**–2,745**	**–5,264**	**–423**	**545**
CASH FLOW DURING THE YEAR		**–629**	**–20**	**52**	**1,149**
Cash and cash equivalents on January 1	47	**2,515**	**2,509**	**3,578**	**2,429**
Exchange-rate difference in cash and cash equivalents	47	33	25		
Cash and cash equivalents on December 31	47	**1,919**	**2,514**	**3,630**	**3,578**

Cash flow from operating activities before changes in working capital

Cash flow declined slightly compared with the preceding year. Operations contributed strong earnings, which increased paid taxes. There was a decrease in adjustments of items not affecting cash flow, as a result of exchange-rate effects and lower provisions, particularly within NCC Property Development.

Cash flow from changes in working capital

Increased volumes, primarily in certain of NCC's Construction units, did not increase working capital because of the healthy liquidity of the projects. Large payments from property sales were included in the 2004 figures, which resulted in considerable cash flow.

Cash flow from investing activities

The change compared with the preceding year was due to NCC Property Development implementing a number of major sales of managed properties in 2004 and the sale of operations within NCC Roads in 2004.

Cash flow from financing activities

In April, NCC distributed dividends totaling SEK 1,552 M to the shareholders. Previously repurchased treasury shares were sold for SEK 350 M during the year. As a result of property sales in 2004, it was possible to amortize large amounts of loans.

Cash and cash equivalents and short-term investments

Group	2005	2004
Short-term investments	**153**	**113**
Cash and bank balances	1,111	1,411
Investments with a maturity of less than three months	808	1,103
Cash and cash equivalents	**1,919**	**2,514**
Amount at year-end	**2,072**	**2,627**

The Group's unutilized credits amounted to SEK 4 billion (4.1) at year-end.

Information about transactions that did not give rise to cash flow

Cash flow was affected by exchange-rate differences in cash and cash equivalents estimated at:

Group	2005	2004
Cash flow was affected by exchange-rate differences in liquid assets estimated at:		
Exchange-rate differences in cash and cash equivalents	33	25
Exchange-rate differences in cash and cash equivalents attributable to:		
Cash and cash equivalents at the beginning of the year	18	10
Cash flow during the year	15	15

Net indebtedness

Net indebtedness decreased in 2005. The change in net indebtedness during the year was due primarily to the reported profit and to sales of treasury shares, which was offset by dividends to shareholders, SEK 1,552 M.

Net indebtedness, trend

SEK billion	Cash flow	Net indebtedness
Net indebtedness, January 1, 2005		–1.1
From operations	1.4	
Receipts from sales of property projects	0.7	
Gross investments in property projects	–0.6	
Gross investments in housing projects	–2.2	
Other changes in working capital	0.1	
Receipts from sales of housing projects	2.5	
Other investment activities	0.1	2.0
Sales of treasury shares		0.3
Dividend		–1.6
Net indebtedness, December 31, 2005		**–0.5**

Parent Company

The Parent Company's cash flow from operating activities was affected positively by payments of dividends pertaining to 2004. At the same time, tied-up working capital increased. Cash flow from financing activities decreased, mainly as a result of dividends to shareholders.

CONTENTS NOTES

NOTES

NOTE 1 ACCOUNTING PRINCIPLES

The NCC Group complies with the International Financial Reporting Standards (IFRS) adopted by the EU, including the International Accounting Standards (IAS) and the interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) and the Standing Interpretations Committee (SIC). The Group also complies with the Annual Accounts Act, the Swedish Financial Accounting Standards Council's recommendations RR 30 and 31, statements issued by the Swedish Financial Accounting Standards Council's Emerging Issues Task Force, recommendations issued by the Industry and Commerce Stock Exchange Committee and sector-specific comments from the Swedish Construction Federation. The Swedish Companies Act (2005:551), which became effective on January 1, 2006, has also been observed. This is the first annual report issued by NCC in accordance with IFRS and for information on the transition to IFRS, refer to Note 49.

CHANGE IN ACCOUNTING PRINCIPLES

Effective January 1, 2005, NCC applies IAS 39, Financial Instruments: Recognition and Measurement.

In accordance with IAS 39, derivative instruments are to be recognized at fair value in the balance sheet. Changes in fair value are recognized in the income statement, apart from those cases in which the derivative instruments are used as effective hedging instruments, in which case the change in fair value is instead reported directly against shareholders' equity. Formerly, derivative instruments did not need to be recognized before the underlying item was realized.

Securities held for trading and which are acquired with a view to short-term divestment are recognized at fair value and changes in their fair value are recognized in the income statement. In cases where the financial assets are held more long term but are available for sale, the change in their fair value is recognized against shareholders' equity until the asset has been divested. Other financial instruments are recognized at accrued acquisition value in the balance sheet. Formerly, the financial assets that are now recognized at fair value were recognized at the lower of acquisition value and fair value.

The effects of the transition to IAS 39 are recognized directly against shareholders' equity, which from NCC's viewpoint had a negative impact of SEK 31 M. During 2005, IAS 39 affected earnings by SEK 8 M. The effects are seen in both operating profit and net financial items. The effect of the application of IAS 39 on NCC's income statement and balance sheet is presented in the "Change in shareholders' equity" specification and in Note 39, Financial instruments and financial risk management. In accordance with the transitional rules contained in IFRS 1, comparative figures have not been adjusted.

For further information, reference is made to the Financial Instruments section below.

PARENT COMPANY ACCOUNTS COMPARED WITH CONSOLIDATED ACCOUNTS

The Parent Company complies with the Financial Accounting Standards Council's RR 32 recommendation, Accounting for Legal Entities. The accounting principles presented below differ from those used in the consolidated accounts:

- Associated companies
- Income taxes
- Managed properties
- Leasing
- Construction contracts and similar assignments
- Financial instruments
- Pensions

The differences are presented under the respective headings below.

CONSOLIDATED ACCOUNTS

The Group's transition to IFRS has been conducted in accordance with IFRS 1, First Time Adoption of International Financial Reporting Standards. The consolidated accounts include the Parent Company and the companies and operations in which the Parent Company, directly or indirectly, has a controlling interest, as well as joint ventures and associated companies.

Purchase method

The acquisition of business operations is handled in accordance with the purchase method as stipulated in IFRS 3, Business Combinations. A characteristic of the purchase method is that acquired assets, liabilities and contingent liabilities are entered at market value, after due consideration for deferred tax on the acquisition date. If the acquisition value of a subsidiary exceeds the market value of the subsidiary's net assets, taking contingent liabilities into account, the difference is entered as Group goodwill.

Surplus values attributed to specific assets are amortized over the same period as that applied by the acquired legal entity. Goodwill arising in this connection is not amortized but is subject to continuous impairment testing. Other acquired intangible assets are amortized over their estimated useful life. Acquired and divested companies are included in the consolidated income statement, balance sheet and cash flow statement for the holding period.

Subsidiaries

Companies in which the Parent Company, directly or indirectly, owns shares carrying more than 50 percent of the voting rights, or otherwise has a controlling influence, are consolidated in their entirety. For information on NCC's subsidiaries, see Note 24, Participations in Group companies.

Minority interest

In companies that are not wholly owned subsidiaries, minority interest is reported as the share of the subsidiaries' equity held by external shareholders. This item is recognized as part of the Group's shareholders' equity. The minority share is recognized in the income statement. Information about the minority share of profit is disclosed in conjunction with the income statement.

Associated companies

Associated companies are defined as companies in which the Group controls 20–50 percent of the voting rights. Companies in which the Group owns less than 20 percent of voting rights but exercises a significant influence are also classified as associated companies. See Note 25, Participations in associated companies, for information about the Group's participations in associated companies, and Note 27 for the Parent Company's participations in associated companies.

Participations in associated companies are consolidated in accordance with the equity method, in compliance with IAS 28, Investments in Associates.

In the equity method, the book value of shares in associated companies is adjusted by the Group's shares in the profit of associated companies less dividends received. As in the case of full consolidation of subsidiaries, an acquisition analysis is made. Fixed assets are recognized at fair value and are depreciated during their estimated useful life. This depreciation affects that carrying value of associated companies. Any goodwill that arises is not amortized but is subject to continuous impairment testing. NCC's share in the results of associated companies is recognized in the income statement as "Result from participation in associated companies," which is part of operating profit. Amounts are reported net after taxes.

In the Parent Company, associated companies are reported at acquisition value less any impairment losses. See Note 12, Result from participations in associated companies, for information about results from participations in associated companies.

Joint ventures

Joint ventures are reported in compliance with IAS 31, Interests in Joint Ventures. Joint ventures are defined as projects conducted in forms similar to those of a consortium, meaning subject to joint control. This could take the form of, for example, jointly owned companies that are governed jointly. NCC consolidates joint ventures in accordance with the proportional method. Accordingly, NCC's share of the joint venture's income statements and balance sheets is added to the corresponding line in NCC's accounts in the same manner as the reporting of subsidiaries.

Elimination of intra-Group transactions

Profits and losses that arise when a Group company sells goods or services to another Group company are eliminated in their entirety, provided there are no impairment requirements. This also applies to joint ventures and associated companies, in an amount corresponding to the Group's holding. See Note 45, Transactions with related parties.

Internal pricing

Market prices are applied for transactions between Group entities.

Foreign subsidiaries and joint ventures

Foreign subsidiaries are recognized using the functional currency and are translated to the reporting currency based on the current exchange rate method in accordance with IAS 21, The Effects of Changes in Foreign Exchange Rates. The functional currency is defined as the local currency used in the reporting entity's accounts. The reporting currency is defined as the currency in which the Group's overall accounting is conducted, in NCC's case SEK. All assets and liabilities in the subsidiaries' balance sheets, including goodwill, have been translated at year-end exchange rates, and all income statement items have been translated at average exchange rates for the year. The translation difference arising in this connection is transferred directly to shareholders' equity. As of January 1, 2004, accumulated translation differences have been reset at zero, in accordance with the transitional rules in IFRS 1, First Time Adoption of IFRS. For divested subsidiaries, the accumulated translation difference is reported under consolidated profit, in accordance with IAS 21.

REVENUES

With the exception of contracting assignments, the Group applies the IAS 18, Revenue. For contracting assignments, IAS 11, Construction Contracts is applied; see section called Construction Contracts and similar assignments.

Properties in the income statement

NCC's sales include revenues from sales of properties reported as current assets. Sales also include rental revenues from properties reported as current assets.

Property sales are booked at the time when an unconditionally binding purchase contract has been signed or when the terms of an unconditionally binding purchase contract have been fulfilled. This applies to both direct sales of properties and indirect sales via the sale of companies. Although the formal legal ownership rights might have been transferred to the purchaser at a date that is later than the date of contract, this does not affect the date for reporting the sale. It could also be the case that property projects are sold before construction is completed, in certain cases even before it has even started. For NCC Property Development's purposes, such sales are divided into two transactions. The first transaction – sale of a property project – comprises the realization of a property value that has been accumulated at several levels, such as site acquisition, formulation of a detailed development plan, design of a property project, receipt of a building permit and leasing to tenants. This value accumulation is finally confirmed by means of the sale. The second transaction is the contracting assignment, meaning implementation of construction work on the sold property. The first transaction is recognized as profit on the date of contract, in the manner stated above, and the second transaction is recognized as profit in accordance with the percentage of completion method.

One of the prerequisites for being able to recognize profit from a property project is that the project's leasing rate is sufficiently high. Insofar as the signed leases on the sales date do not provide the buyer with an adequate return in accordance with the agreed initial return requirement, the difference is normally covered by a rental guarantee provided by the seller. When calculating the capital gain, sufficient provision must be posted for such rental guarantees. Rental guarantees normally account for a minor portion of the sale. Based on a calculation of the maximum risk for the provided rental guarantees, an assessment is made of the probable outcome. The probable outcome is assessed on the basis of the rental and market situation for each individual project, in accordance with the prudence principle. If the leasing rate is less than 67 percent, a gain for the property project may only be recognized if the maximum risk is less than the calculated gain (before the provision for rental guarantees).

Result from property management

Results from property-management operations consist of the operating net and revaluations to fair value (impairments and reversal of previous impairments). This item also includes the results of interests in associated companies with operations consisting of property management. Rental revenues are distributed evenly over the leasing period. Also see Note 8, Result from property management.

Result from sales of managed and owner-occupied properties

These items include the realized result of sales of managed and owner-occupied properties. Sales and administrative costs include costs for the company's own sales work. Earnings are charged with overhead costs for both completed and non-implemented transactions. See income statement and Note 9, Result from property sales.

DEPRECIATION

Straight-line depreciation according to plan is applied in accordance with the estimated useful life, with due consideration for any residual values at the close of the period, or after confirmed depletion of net asset value, in those cases when the asset does not have an indefinite life. Goodwill that has an indefinite life is subject to systematic impairment testing. NCC applies so-called component depreciation, whereby each asset with a considerable value is divided into a number of components that are depreciated on the basis of the useful life. Depreciation/amortization rates vary in accordance with the table below:

Usufructs	In line with confirmed depletion of net asset value
Software	20–33 percent
Other intangible assets	Over their estimated useful life
Buildings	1.4–10 percent
Land improvements	3.7–5 percent
Pits and quarries	In line with confirmed depletion of net asset value
Fittings in leased premises	20 percent
Machinery and equipment	5–33 percent

The distribution of the depreciation posted in the income statement and balance sheet is contained in comments to the income statement, Note 6, Depreciation, Note 21, Intangible assets and Note 22, Tangible fixed assets.

IMPAIRMENT

Assessments to determine impairment requirements are made in accordance with IAS 36, Impairment of Assets. The section on impairments does not apply to inventories, assets that arise during the course of a construction assignment, deferred tax assets, financial instruments, assets connected to employee benefits or assets classified as investment available for sale, since the existing standards for these types of assets contain specific requirements regarding recognition and valuation. An impairment requirement arises when the recoverable value is less than the carrying amount. For information on impairments, see Note 10, Impairments and reversed impairments.

NCC conducts annual impairment tests of reported asset values, for indications of whether values have declined. In the event that the recoverable value is lower than the carrying amount, an impairment is posted. If the basis for impairment has been removed, impairments posted earlier are reversed. Impairments are reported in the income statement. With respect to goodwill, see the Intangible Assets section below.

The term impairment is also used in connection with revaluations of properties classed as current assets. Valuations of these properties, however, are based on the lowest value principle and comply with IAS 2, Inventories.

INCOME TAXES

The Group applies IAS 12, Income Taxes. Reported tax consists of current tax and deferred tax. Taxes are reported in the income statement, with the exception of cases in which underlying transactions are reported directly under shareholders' equity. Current tax is tax due for payment or receipt during the current fiscal year, which also includes adjusted tax attributable to previous periods.

Deferred tax is reported as temporary differences between reported and taxable values of assets and liabilities, and has to be paid in the future. Deferred tax assets represent a reduction of future tax attributable to temporary tax-deductible differences, tax loss carryforwards and other unutilized tax deductibles. Deferred tax liabilities and assets are calculated on the basis of the expected tax rate that will apply in the following year in each particular country. When changes occur in tax rates, the change is reported in the consolidated income statement. Tax loss carryforwards are recognized to the extent that it is considered likely they will result in lower tax payments in the future. For information on tax on current-year profit and deferred tax assets and liabilities, see Note 31.

In the Parent Company, untaxed reserves are reported, which consist of the taxable temporary difference that arises because of the relationship between reporting and taxation in the legal entity. Untaxed reserves are recognized gross in the balance sheet and the change is recognized gross in the income statement, as an appropriation.

REPORTING BY SEGMENT

To adapt its financial accounts to reporting in accordance with IAS 14, Segment Reporting, NCC has divided its operations into primary and secondary segments.

The Group's primary segments are business areas and the secondary segments are geographical markets. NCC's business areas are NCC's Construction units in the various countries, NCC Property Development and NCC Roads. The geographical markets are Sweden, Denmark, Finland, Norway and other countries. For reporting by segment, see Note 3, Segment reporting.

EARNINGS PER SHARE

Earnings per share are reported in accordance with IAS 33, Earnings per Share. The item is reported in direct connection to the consolidated income statement. The calculation of earnings per share is not affected by preferred shares or convertible debentures, since the Group has no such items. However, there are option programs that may create a dilution effect. A dilution effect arises only if the present value of the subscription price is lower than the share's market price during the period. If the number of shares changes during the year, a weighted average is computed for the period's outstanding shares. For further information on option programs, see Note 5, Personnel expenses.

INTANGIBLE ASSETS

NCC applies IAS 38, Intangible Assets. Intangible assets are reported at acquisition cost less accumulated depreciation.

Goodwill arising from acquisitions of companies and operations is valued in accordance with the regulations specified in IFRS 3, Business Combinations. Goodwill is no longer amortized according to plan. In future, the booked residual value of goodwill will be subject to impairment testing in connection with every reporting occasion, or if there is an indication of a change in value. In those cases where the value in use of goodwill is less than the carrying value, an impairment is posted. Previously impaired goodwill is not reversed. Goodwill that arose because of acquisitions implemented before January 1, 2004 is subject to the accounting principles applying at the time. Goodwill in foreign operations is valued in the particular functional currency.

Usufructs consist of the right to utilize rock pits and gravel quarries, which are depreciated in parallel with confirmed depletion of net asset value based on volumes of extracted stone and gravel. For the distribution of value, see Note 21, Intangible assets.

TANGIBLE FIXED ASSETS

NCC's property holdings are divided into:
- Owner-occupied properties
- Managed properties
- Properties reported as current assets

Properties reported as current assets are held for development and sale as part of operations. These properties are valued and reported in accordance with IAS 2, Inventories. The principles applied for the categorization, valuation and profit recognition of properties reported as current assets are presented under the Current assets section below.

Owner-occupied properties

Owner-occupied properties are held for use in the company's own operations for the purpose of production, the provision of services or administration. Owner-occupied properties are valued and recognized in accordance with IAS 16, Property, Plant and Equipment.

Owner-occupied properties are reported at acquisition value less accumulated depreciation and any accumulated impairment. Impairment requirements are established in accordance with IAS 36, Impairment of Assets. Also see Note 22, Tangible fixed assets.

Managed properties

Managed properties are held to generate rental income or value growth, or a combination of both. These properties are valued in accordance with IAS 40, Investment Properties. At present, the managed properties comprise the remaining holding of completed property projects available for leasing at December 31, 2001, less property sales completed through year-end 2005.

Managed properties are recognized at fair value. NCC conducts internal valuations to determine the fair value. The fair value (market value) of managed properties, according to the internal valuations, is calculated in the form of a return value based on the cash flow method. The method defines market value as the present value of cash flow (operating net less any investments) over a 10-year period and the present value of the anticipated selling price after year ten. This selling price is computed as a perpetual capitalization of the operating net in year 11. The cost of capital is used as the required yield.

The required yield varies between 8 and 10 percent, depending on the property's location. Each property has been valued in accordance with its own conditions.

On December 31, 2005, there are no managed properties in the Parent Company.

LEASING

NCC complies with IAS 17, Leases. In the consolidated financial statements, leasing is classified as either financial or operational. Financial leasing exists if the financial risks and benefits associated with ownership are essentially transferred to the lessee. All other cases are regarded as operational leasing. Assets leased in accordance with financial leasing agreements are capitalized in the consolidated balance sheet. Corresponding obligations are entered as long-term and current liabilities. Leased assets are depreciated, while leasing payments are reported as interest and debt amortization. The assets are reported in the balance sheet under appropriate asset items. Operational leasing is reported over the income statement. Leasing fees are distributed on the basis of use, which could differ from the leasing fee paid during the year under review. For further information on leasing, see Note 44. In the legal entity, the Parent Company, all leasing agreements are reported in accordance with the regulations for operational leasing.

FINANCIAL FIXED ASSETS

Financial fixed assets are reported at fair value or accrued acquisition value. Impairments are posted if the fair value is less than the acquisition cost. Also see the Financial instruments section on page 67. For information on the value and type of assets, see Note 29, Financial fixed assets. For valuations of participations in associated companies, joint ventures and financial instruments, see the respective headings. The Parent Company reports shares in Group companies at acquisition cost less, where applicable, impairments.

CURRENT ASSETS

Properties reported as current assets

With the exception of managed and owner-occupied properties, the Group's property holdings are reported as current assets, under the heading Property and housing projects, when the intention is to sell the properties on completion. Property projects are defined as properties held for development and sale within NCC Property Development. Housing projects pertain to unsold residential properties, undeveloped land and properties held for future development in construction operations within NCC's Construction units. Properties classified as current assets are valued in accordance with IAS 2, Inventories.

Property projects

Property projects within NCC Property Development are divided as follows:

- Properties held for future development
- Ongoing property projects
- Completed property projects

For a distribution of values, see Note 32, Properties classed as current assets.

Properties held for future development, property development

Properties held for future development consist of NCC's holding of land/development rights intended for future property development and sale. Properties comprising leased buildings are classified as properties held for future development in cases where the intention is to demolish or refurbish the buildings.

Ongoing property projects

Properties held for future development are reclassified as ongoing property projects when a definitive decision is taken about a building start and when the activities required in order to complete the property project have been initiated. An actual building start is not necessary.

Ongoing property projects include properties under construction, extension or refurbishment.

Ongoing property projects are reclassified as completed property projects when the property is ready for occupancy, excluding adjustments to tenant requirements in those properties whose premises are not fully leased. The reclassification is effective not later than the date of approved final inspection. If a project is divided into phases, each phase must be reclassified separately. In this context, a phase always comprises an entire building that can be sold separately.

Completed property projects

Completed property projects can only be removed from the balance sheet as a result of a sale or, if they remain unsold, by being reclassified as managed properties.

Valuation of commercial property projects

The acquisition value of commercial property projects includes expenditure for the acquisition of land and for project design /property development, as well as expenditure for construction, extension or refurbishment. Expenditure for borrowing costs is not included but is expensed on a current account basis. Property development means that the input of the developer – NCC Property Development – is concentrated on the activities that do not pertain to actual construction. These activities are evaluation of project concepts, acquisition of land, work on the detailed development plan, project development, leasing and sale. These activities are conducted by the company's own employees and by external architects and other technical consultants. Expenditure for the company's own employees within the project development organization and for consultants is capitalized after the project has been classified in the balance sheet as an ongoing project. Prior to this, the costs are expensed on a current account basis.

Commercial property projects are reported continuously in the balance sheet at the lower of acquisition value and net realizable value, which is the selling value (market value) less estimated costs for completion and direct selling costs.

The market value of completed property projects is calculated in accordance with the yield method, which means that the continuous yield (operating net) on the property at full leasing is divided by the project's estimated yield requirement. Unleased space in excess of normal vacancy is taken into account in the form of a deduction from the value based on the assumed leasing rate.

The market value of ongoing property projects is calculated as the value in completed condition, as described above, less the estimated remaining cost of completing the project.

The properties held for future development that are included in the project portfolio, meaning that they are held for development and sale, are normally valued in the same manner as ongoing projects, as described above. Other properties held for future development are valued on the basis of a value per square meter of development right or a value per square meter of land.

Housing projects

Housing projects are divided between:
- Properties held for future development
- Finished, unsold residential properties

For a distribution of values, see Note 32, Properties classed as current assets.

Ongoing housing projects are reported as contracts. The reclassification from properties held for future development to ongoing projects occurs when a decision to initiate construction has been taken.

Properties held for future development, housing

Properties held for future development are NCC's holdings of land/development rights for future housing development. Properties with leased buildings are classified as properties held for future development if the intention is to demolish or refurbish the property.

Completed, unsold residential properties

Project costs for completed unsold residential properties are reclassified from ongoing housing projects to current assets at the date of final inspection.

Properties classed as current assets and completed unsold housing are valued at the lower of acquisition value and fair value. Fair value is defined as net realizable value less anticipated sales overheads.

Properties classed as current assets transferred from subsidiaries

Due to the commission relationship between NCC AB and NCC Construction Sverige AB, certain properties that are included in housing projects will be reported in NCC AB's accounts, even if the ownership right remains with NCC Construction Sverige AB until the properties are sold to customers.

INVENTORIES

NCC applies IAS 2, Inventories. Inventories are valued at the lower of acquisition value and net realizable value. For ongoing proprietary housing projects with several contractual parties (single-family dwellings and apartments held on the basis of ownership rights), project costs for unsold housing units are capitalized as inventories. For a distribution of inventory values, see Note 33, Materials and inventories.

CONSTRUCTION CONTRACTS AND SIMILAR ASSIGNMENTS

Income recognition of construction projects based on percentage of completion method

The Group complies with IAS 11, Construction Contracts, in respect of the recognition of contracting assignments.

Application of the percentage of completion method entails income recognition in pace with the degree of completion of the project. To determine the amount of income worked up at a specific point in time, the following components are required:

- Project revenue – Revenues related to the contract. The revenues must be of such a character that the recipient can credit them to income in the form of actual payment received or another form of payment.
- Project cost – Costs attributable to the construction assignment, which correspond to project revenues.
- Completion rate (work-up rate) – Booked costs in relation to estimated total assignment costs.

The fundamental condition for income recognition based on percentage of completion is that project revenues and costs can be quantified reliably.

For projects whose revenues and costs cannot be reliably calculated when the final accounts are being prepared, zero recognition is applied. In such cases, the project is reported as revenue corresponding to the worked up costs; that is, zero income is reported until such time as the actual income can be determined. As soon as this is possible, the project switches to the percentage of completion method.

The following examples illustrate how the percentage of completion method is applied. On January 1 of Year 1, NCC receives a contract regarding the construction of a building. The project is estimated to take two years to complete. The contract price is SEK 100 M and the anticipated profit from the project is SEK 5 M. On December 31 of year 1, NCC's costs for the project amount to SEK 47.5 M, which is in line with expectations. Since NCC has completed half of the work and the project is proceeding as planned, NCC books half of the anticipated profit of SEK 5 M, that is SEK 2.5 M, in the accounts for Year 1. Income recognition on completion means that profit is not recognized until the end of Year 2, or the beginning of Year 3, depending on when the final financial settlement with the customer was agreed.

Income	Year 1	Year 2
Income recognition on completion	SEK 0 M	SEK 5 M
According to percentage of completion	SEK 2.5 M	SEK 2.5 M

Housing projects

When determining income from proprietary housing projects, income from the project is calculated by multiplying the completion rate with the sales rate. The sales rate refers to the sold portion of the project.

Example: Sales rate of 50 percent
Completion rate of 50 percent

In the above example, earnings based on the percentage of completion method during Year 1 would be only SEK 1.25 M, rather than the SEK 2.5 M based on the completion rate.

Effects of percentage of completion

As a consequence of income recognition based on the percentage of completion method, the trend of earnings is reflected immediately in the financial accounts. However, percentage of completion gives rise to one disadvantage. Due to unforeseen events, the final profit may occasionally be higher or lower than expected. It is particularly difficult to anticipate profit at the beginning of the project period and for technically complex projects or projects that extend over a long period.

Provisions posted for potential losses are charged against income for the relevant year. Provisions for losses are posted as soon as they become known.

Balance-sheet items such as "worked up/non-invoiced" and "invoiced/not worked up" are booked in gross amounts on a project-by-project basis. Projects for which worked-up revenues exceed invoiced revenues are reported as current assets, while projects for which invoiced revenues exceed worked-up revenues are reported as a current interest-free liability. See Note 34, Worked-up, non-invoiced revenues and Note 40 Project invoicing, not yet worked up.

Work in progress in Parent Company

NCC does not apply percentage-of-completion profit recognition in the Parent Company. Projects that are not completed at year-end are reported in the Parent Company accounts as work in progress. The invoicing amount is equivalent to the amount billed to the customer, including amounts withheld by the customer in accordance with contract terms. Advances not matched by work performed reduce the invoiced amount. Costs incurred by a particular construction worksite include:

- Cost of installation materials, consumption materials and construction tools.
- Wages, salaries and remuneration, including social security fees, for hourly-rated employees, supervisors and other staff on site.
- Cost of subcontracts and other external and internal services.
- External and internal machine rentals and transport costs.

Work in progress on another party's account comprises the difference between invoicing and costs incurred. Income is recognized when the project is completed. As a result of this accounting method, this entry may include profits not entered as income. When a project is expected to incur a loss, a provision is posted for such a loss. For details, see Note 42, Work in progress on another party's account and net sales.

FINANCIAL INSTRUMENTS

Financial instruments are reported in compliance with IAS 32, Financial Instruments: Disclosure and Presentation and IAS 39, Financial instruments: Recognition and Measurement.

Financial instruments reported on the asset side of the balance sheet include cash and cash equivalents, loan receivables, accounts receivable, financial investments and derivatives. Accounts payable, loan payables and derivatives are reported under liabilities.

A financial asset or financial liability is entered in the balance sheet when the company becomes a party to the instrument's contractual terms and conditions. Accounts receivable are entered in the balance sheet when invoices have been sent. Accounts payable are entered when invoices have been received.

A financial asset is removed from the balance sheet when the contractual rights have been realized or expired. The same applies to portions of financial assets. A financial liability is removed from the balance sheet when the contractual obligation has been fulfilled or otherwise terminated. This also applies to part of the financial liability.

In accordance with IAS 39, financial instruments have been classified in the following categories for measurement: Financial assets recognized at fair value through profit or loss. Held to maturity Investments, Loans and accounts receivable and Available-for-sale financial assets, Financial liabilities fair valued through profit or loss and Other financial liabilities.

Financial assets at fair value through profit or loss

This group includes the Group's derivative instruments with a positive fair value, with the exception of derivative instruments that are identified as effective hedging instruments. Short-term investments are also included here. Changes in fair value are reported among net financial items in the income statement.

Held-to-maturity investments

Investments intended to be held to maturity comprise interest-bearing securities with fixed or calculable payments and a determined maturity that were acquired with the intention of being held to maturity. Investments intended to be held to maturity are measured at accrued acquisition value. Assets with a remaining maturity exceeding 12 months after the balance-sheet date are reported as fixed assets. Other assets are reported as current assets.

Loans and accounts receivable

Loans and accounts receivable are measured at accrued acquisition value, meaning the amount expected to be received less an amount for doubtful receivables, which is assessed on an individual basis. Since the expected maturity of an account receivable is short, a nominal value without discounting is reported.

Available-for-sale financial assets

This category includes financial assets that do not fall into any of the other categories, or those assets that the company has elected to classify into this category. Holdings of shares and participations that are not reported as subsidiaries, associated companies or joint ventures are reported here. These assets are recognized at fair value and the value change is reported directly in shareholders' equity. Impairments are posted when there are objective reasons for assuming that an impairment is required. When the asset is sold, the accumulated profit/loss, which was previously reported in shareholders' equity, is reported in the income statement.

Financial liabilities at fair value through profit or loss

This category includes the Group's derivative instruments with a negative fair value, with the exception of derivative instruments that are identified and effective hedging instruments. Changes in fair value are reported among net financial items.

Other financial liabilities

Loans and other financial liabilities, such as accounts payable, are included in this category. Liabilities are recognized at accrued acquisition value.

Hedge accounting

Financial derivatives are recognized in the balance sheet at fair value. The change in fair value is recognized in the income statement, apart from cases where the derivative instrument is designated as an effective hedging instrument. NCC applies hedge accounting in the following categories: Hedging of currency risk in transaction flows, hedging of net investments and hedging of the Group's interest maturities.

Hedging of currency risk in transaction flows

Currency exposure associated with future flows is hedged by using currency forward contracts, so-called "cash flow hedging." The currency forward contract that hedges this cash flow is recognized at fair value in the balance sheet. When hedge accounting is applied, the change in fair value attributable to changes in the exchange rate for the currency forward contract is recognized in shareholders' equity. Any ineffectiveness is recognized in the income statement. The effect on earnings arising from changes in the interest-rate difference between the various currencies is recognized in net financial items. When the hedged flow is recognized in the income statement, the change in value of the currency forward contract is moved from shareholders' equity to the income statement, where it offsets the exchange-rate effect of the hedged flow.

In the opening balance at January 1, 2005, the accumulated change in the value of the interest-rate difference between the various currencies is reported in retained earnings. The accumulated value change pertaining to exchange-rate changes is reported in the hedging reserve within shareholders' equity.

Hedging of net investments

Group companies have currency hedged their net investments in foreign subsidiaries, associated companies and joint ventures. In the consolidated accounts, the exchange-rate differences on these hedging positions, after taking tax effects into account, are moved directly to shareholders' equity, insofar as they are matched by the year's translation differences within shareholders' equity. Any surplus amount, so-called ineffectiveness, is reported among net financial items.

Hedging of the Group's interest maturities

Interest-rate derivatives – "cash flow hedging" – are used to manage the interest-rate risk. Hedge accounting occurs in cases where an effective hedging relationship can be achieved. Past-due interest and the accrued portion of the interest on interest swaps are reported among interest expense. Other changes in value are reported in shareholders' equity. Any ineffectiveness is reported among net financial items. Other non-hedge-accounted interest-rate derivatives are recognized at fair value. The change in fair value is reported among net financial items. What NCC achieves by hedging interest rates is that the variable interest on parts of the Group's financing becomes fixed interest.

In the opening balance at January 1, 2005, all interest-rate derivatives have been recognized at fair value. The accumulated change in the value of interest-rate derivatives for which hedging items are lacking is reported in retained earnings. Other interest-rate derivatives are reported in the hedging reserve within shareholders' equity. The opening balance for the hedging reserve consists of both interest-rate derivatives for which hedge accounting will be conducted in the future and those for which it will not be conducted. When hedge accounting is not to be applied, the opening balance for the hedging reserve will be reversed over the remaining maturity of the interest-rate derivatives. The reserve is reversed over the income statement.

Embedded derivatives

An embedded derivative is a part of either a financial agreement or a commercial put or call contract that is equivalent to a financial derivative instrument. An embedded derivative must be reported separately only if:

- the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract's cash flow, and
- a separate "stand alone" derivative with the same terms as the embedded derivative would meet the definition of a derivative, and
- the combined instrument is not measured at fair value in the balance sheet, while changes in its fair value are reported in profit or loss.

If the contractual terms and conditions meet the criteria for embedded derivative, this, in common with other financial derivatives, is measured at fair value, with changes in value recognized in profit or loss.

Receivables and liabilities in foreign currency

Currency swaps are used to hedge an asset or liability against exchange-rate risks.

Exchange differences arising from the translation of operational receivables and liabilities are reported in operating profit, while exchange differences arising from the translation of financial assets and liabilities are recognized in net financial items. Reporting is conducted in accordance with IAS 21, The Effects of Changes in Foreign Exchange Rates.

Exchange differences on loans raised to finance foreign contracts are recognized in profit/loss, when the particular project is recognized as profit/loss.

Financial instruments in the Parent Company

Financial instruments in the Parent Company are reported at acquisition value less any impairment losses.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash, bank balances and short-term investments with a maturity of less than three months at the date of acquisition.

SHAREHOLDERS' EQUITY

Reporting of Group and shareholder contributions

Group contributions and shareholder contributions in the Parent Company are reported in accordance with URA 7, Group and shareholder contributions, a statement from the Emerging Issues Task Force of the Financial Accounting Standards Council.

These contributions are booked in accordance with their financial impact, which in the case of NCC is directly against shareholders' equity, following due consideration for tax.

Treasury shares

NCC's treasury shares, including repurchase costs, have been charged directly against retained earnings. Similarly, the sale of such shares results in an increase in retained earnings. See Note 35, Share capital, for more information on treasury shares.

PROVISIONS

Provisions are reported in accordance with IAS 37, Provisions, Contingent Liabilities and Contingent Assets, apart from provisions related to personnel, for which IAS 19, Employee Benefits, is applied.

Employee benefits

NCC complies with IAS 19, Employee Benefits, whereby pension benefits are computed with due regard for projected future salary increases, inflation and other factors.

This standard differentiates between defined-contribution pension plans and defined-benefit pension plans. Defined-contribution plans are pension plans for which the company pays fixed fees to a separate legal entity and does not assume any obligations for payments of additional fees, even if the legal entity lacks sufficient assets to pay benefits accrued for employment up to and including the balance-sheet date. Other pension plans are defined-benefit plans.

Country of operation	Defined-benefit pension obligations	Defined-contribution pension obligations
Sweden	X	X
Denmark		X
Finland	X	X
Norway	X	X
Germany		X
Other countries		X

There are several defined-contribution and defined-benefit pension plans in the Group, some of which are secured through assets in dedicated foundations or similar funds. The pension plans are financed through payments made by the various Group companies. Calculations of defined-benefit pension plans are based on the Projected Unit Credit Method, whereby each term of employment is considered to create a future unit of the total final obligation. All units are computed separately and, combined, represent the total obligation on the balance-sheet date. The principle is intended to provide linear expensing of pension payments during the term of employment. The calculation is made annually by independent actuaries. Accordingly, the value of the defined-benefit liability is the present value of anticipated future disbursements using a discount rate, which corresponds to the interest stated in Note 38, Employee benefits. The outstanding term of interest corresponds to the pension obligations.

For funded plans, the fair value of plan assets reduces the computed obligation. Funded plans with assets that exceed the obligations are reported as financial fixed assets. Estimated actuarial gains and losses within the 10-percent corridor are not reported. It is not until the actuarial gains or losses fall outside the corridor that revenues and expenses are reported. The results are distributed over the anticipated average remaining term of employment for the pension obligations.

This reporting method is applied for all identified, defined-benefit pension plans in the Group. The Group's disbursements related to defined-contribution pension plans are reported as an expense during the period in which the employees perform the services covered by the fee.

In conjunction with notice of employment termination, a provision is posted only if the company is contractually obliged to terminate an employment position before the normal time, or when payments are made as an offering to encourage voluntary termination. For cases in which the company implements personnel cutbacks, a detailed plan is prepared that covers at least the workplace concerned, positions, and the approximate number of affected employees and disbursements for every personnel category or position, as is a time schedule for the plan's implementation. If severance payment requirements arising from personnel cutbacks extend beyond 12 months after fiscal year-end, such payments are discounted.

Share-related options have been issued in previous years, and for these, employees that were offered an opportunity to acquire these options paid the market value. The option program has not given rise to any expenses, either on issue or later, and will not give rise to any liquidity outflow in the future. No option programs were issued during 2005 or the preceding year. NCC's outstanding option programs, 1999–2001, are not subject to IFRS 2, Share-based Payment.

The Parent Company is covered by the ITP plan, which does not require any payments by the employees. Within the Parent Company, pensions are reported in accordance with Recommendation 4, Reporting of Pension Liability and Pension Cost, which was issued by FAR (the Institute for the Accounting Profession in Sweden).

Guarantee commitments

Provisions for future costs arising due to guarantee commitments are reported at the estimated amounts required to settle the commitment on the balance-sheet date. The computation is based on calculations, executive management's appraisal and experience from similar transactions.

Other provisions

Provisions for restoration costs are posted when such obligations arise. Provisions are posted for that portion of restoration that arises for start-up of a quarry and construction of plants at pits and quarries, and on current account when activities are related to additional extractions at pits and quarries.

BORROWING COSTS

Borrowing costs are reported in accordance with the main rule stipulated in IAS 23 Borrowing Costs, whereby all borrowing costs are expensed on current account in the period in which they are incurred.

PLEDGED ASSETS

NCC reports collateral pledged for company or Group liabilities and/or obligations as pledged assets. These liabilities and/or obligations may or may not be included in the balance sheet. The collateral may be related to assets or mortgages entered in the balance sheet. Assets are recognized at book value and mortgages at nominal value. Shares in Group companies are recognized at their value in the Group. For the type of collateral, see Note 46, Pledged Assets, contingent liabilities and contingent assets.

CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Contingent liabilities are normally reported in accordance with IAS 37, Provisions, Contingent Liabilities and Contingent Assets.

For the distribution and size of contingent liabilities, see Note 46, Pledged assets, contingent liabilities and contingent assets.

CASH FLOW STATEMENT

The cash flow statement is prepared using the indirect method, in accordance with IAS 7, Cash Flow Statement. The reported cash flow includes only transactions that involve cash payments and disbursements. For information on the effects on cash flow of acquired and divested subsidiaries, see Note 47, Cash flow statement.

FIXED ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

Fixed assets held for sale and operations that are being discontinued are reported in accordance with IFRS 5, Non-Current Assets Held For Sale and Discontinued Operations.

The fixed assets must be available for immediate sale and it must be highly probable that the sale will be effected within a year from the reclassification. Operations that are being discontinued are defined as any part of a company that is being discontinued in accordance with a cohesive plan and which can comprise an independent organizational unit or a major line of business or geographical area. For 2004 and 2005, no fixed assets or operations covered by the above standard have been identified.

INFORMATION ABOUT RELATED COMPANIES

Transactions and agreements with related legal and physical entities are reported in accordance with IAS 24, Related Party Disclosures.

Since inter-company transactions are eliminated in the NCC Group, they are not covered by the accounting requirement. The standard does not require any expansion of the Parent Company's financial statements, since they are prepared at the same time as the consolidated accounts. An expanded accounting obligation arises for companies that report in accordance with the equity method. For information on the scope of these transactions, see Note 45, Transactions with related parties.

EVENTS AFTER THE BALANCE SHEET DATE

Events after the balance sheet date are reported in accordance with IAS 10, Events after the Balance Sheet Date.

NCC considers positive or negative events that confirm a condition that was relevant on the balance sheet date. If events occur after the balance sheet date that are not of such nature that they should be considered when the income statement and balance sheet are finalized, but are so significant that a lack of information about them would affect opportunities for readers to make correct assessments and well-founded decisions, NCC will provide information about every such event.

GOVERNMENT ASSISTANCE

Government support is reported in accordance with IAS 20, Accounting for Government Grants and Disclosure of Government Assistance.

Government assistance is an action by the government designed to provide a financial advantage that is limited to a single company or a category of companies that fulfills certain criteria. Government grants are support from governmental authorities in the form of transfers of resources to a company in exchange for the company's fulfillment or future fulfillment of certain conditions regarding its operations. Government is defined as states, federal governments, public authorities or similar organizational bodies, regardless of whether they are local, national or international. Grants related to assets are reported as a reduction of the carrying amount for the asset. Grants related to profit are reported as a reduction in the expenses for which the subsidy is intended to cover.

SICKNESS ABSENCE AND GENDER DISTRIBUTION

Sickness absence and gender distribution among senior executives are reported in compliance with the Financial Accounting Standards Council's Recommendation RR32, Accounting for Legal Entities. Information is provided about employee absence from work due to sickness during the fiscal year. Information about gender distribution is reported as the distribution between men and women among the members of the Board, Presidents and other persons in NCC senior management positions. The distribution is reported separately and the information pertains to conditions on the balance-sheet date.

INCOME STATEMENT

The income statement for the Parent Company in the Annual Report is prepared in compliance with the Annual Accounts Act and sector-specific comments issued by the Swedish Construction Federation stating that sales and administration costs must be reported as one item.

The Group complies with the presentation shown in IAS 1, Presentation of financial statements.

NOTE 2 DISTRIBUTION OF NET SALES

	Group 2005	Group 2004	Parent Company 2005	Parent Company 2004
Construction contracts and housing projects	38,853	34,195	18,001	17,036
Asphalt, gravel and aggregate operations	8,708	8,104		
Property projects	1,617	3,815		
Rental revenue	95	150		12
Other sales	233	270	6	7
Total	**49,506**	**46,534**	**18,007**	**17,055**
Sales distributed by operating segment[1]				
NCC Construction Sweden			18,007	17,055
Total			**18,007**	**17,055**

[1] For the distribution in the Group, see Note 3.

NOTE 3 SEGMENT REPORTING

Segment reporting is prepared for the Group's business segments and geographical areas. Since the Group's internal reporting system is based on the follow-up of the return on the Group's operations, business segments are the primary basis of division.

The earnings, assets and liabilities of segments include directly attributable items, and items that can be allocated to the segments in a reasonable and reliable manner. Non-allocated items consist of interest and dividend income, gains on sales of financial investments and interest expense, as well as losses on the sale of financial investments. Assets and liabilities that have not been allocated to a segment are deferred tax assets and deferred tax liabilities, financial investments and financial receivables and liabilities.

The segments' investments in tangible and intangible fixed assets include all investments.

Market-based pricing is applied for intra-Group transactions.

Business segments

Business segments are the Group's primary segments. The Group consists of the following business segments:

NCC's Construction units, which construct housing, offices, other buildings, industrial facilities, roads, civil-engineering structures and other types of infrastructure, with a focus on the Nordic region.

NCC Property Development, which develops and sells commercial properties in defined Nordic growth markets.

NCC Roads, whose core business is the production of aggregates and asphalt, combined with paving operations and road services.

	NCC Construction								
GROUP	Sweden	Denmark	Finland	Norway	Germany	NCC Property Development	NCC,Roads	Other and eliminations[1]	Group
2005									
External net sales	19,078	6,682	5,553	4,976	1,672	1,598	7,970	1,977	49,506
Internal net sales	276	183	268	7		73	738	–1,545	
Total net sales	19,354	6,865	5,821	4,983	1,672	1,671[2]	8,708	432	49,506
Depreciation	–131	–37	–15	–22	–4	–5	–306	–43	–563
Impairment losses	–17		–7	–7		–80	–43	–83	–237
Reversal of impairment losses				3		9			12
Result from associated companies	1					68	36	–56	49
Operating profit	764	209	320	202	0	200	313	–260	1,748
Assets, excluding deferred tax assets, financial receivables and investments	6,926	1,852	2,382	1,795	1,792	3,061	4,877	1,437	24,122
– of which, participations in associated companies					–5		7		2
Liabilities, excluding deferred tax liabilities and financial liabilities	7,929	2,318	2,337	2,380	410	2,352	3,587	2,445	23,758
Capital employed at year-end	1,881	602	953	531	1,454	2,541	3,171	–1,101	10,032
Cash flow before financing	1,223	424	267	29	–337	975	341	–807	2,115
Gross investments	538	271	1,556	35	227	841	287	–6	3,749
– of which, fixed assets	268	47	16	35	40	215	287	–7	901
Average number of employees	8,042	2,017	2,384	1,491	540	111	4,206	2,210	21,001
2004									
External net sales	17,270	5,056	5,140	3,969	1,164	3,992	7,102	2,841	46,534
Internal net sales	248	221	278	16		67	1,002	–1,832	
Total net sales	17,518	5,277	5,418	3,985	1,164	4,059[3]	8,104	1,009	46,534
Depreciation	–115	–43	–15	–17	–4	–6	–330	–114	–644
Impairment losses	–50		–12	–1	–5	–90	–130	–11	–299
Reversal of impairment losses						32		6	38
Result from associated companies	–4					5	32		33
Operating profit	475	149	230	112	31	170	258	–278	1,147
Assets, excluding deferred tax assets, financial receivables and investments	6,807	1,858	2,437	1,386	1,580	3,804	4,626	1,714	24,212
– of which, participations in associated companies					–5		25	8	28
Liabilities, excluding deferred tax liabilities and financial liabilities	7,209	1,911	2,207	1,983	644	2,972	3,145	3,133	23,204
Capital employed at year-end	1,473	658	938	340	1,070	3,206	3,210	608	11,503
Cash flow before financing	683	111	196	301	–1	3,586	742	–374	5,244
Gross investments	535	187	1,342	44	144	455	453	85	3,245
– of which, fixed assets	210	33	21	39	9	14	453	87	866
Average number of employees	7,940	1,991	2,321	1,491	510	113	4,632	3,377	22,375

[1] NCC's Head Office, results from minor subsidiaries and associated companies (including PRInz), the remaining portions of the former NCC International Projects business area, including Polish construction operations, eliminations of inter-company transactions, inter-company gains and other corporate adjustments are included under this heading.

[2] During 2005, development projects amounting to SEK 1,480 M and managed properties (reported net) amounting to SEK 635 M, making a total of SEK 2,115 M, were sold.

[3] During 2004, development projects amounting to SEK 3,211 M and managed properties (reported net) amounting to SEK 967 M, making a total of SEK 4,178 M, were sold. Including the sales revenue for Kista Science Tower, the total is SEK 4,782 M.

NOTE 3 cont., SEGMENT REPORTING

Geographical areas

The Group's segments are divided into four geographical areas and other countries. Operations in the other countries account for less than 10 percent of sales.

Geographical areas are the Group's secondary segment. The information that is presented pertaining to the segments' external revenues relates to the geographical areas grouped in accordance with where the customers are located. The information pertaining to segments' assets and investments during the year in tangible and intangible fixed assets is based on geographical areas grouped in accordance with the location of the assets. Tax assets have not been distributed by geographical area.

GROUP	Net sales 2005	Net sales 2004	Assets 2005	Assets 2004	Gross investments 2005	Gross investments 2004	of which, in fixed assets 2005	of which, in fixed assets 2004
Sweden	22,993	22,136	12,346	12,954	958	862	585	410
Denmark	9,481	8,022	4,290	4,036	709	591	82	256
Finland	6,233	6,356	3,363	3,594	1,644	1,460	26	44
Norway	6,236	5,039	2,979	2,579	114	122	86	107
Other countries	4,563	4,981	3,789	4,465	324	210	122	49
Total	**49,506**	**46,534**	**26,767**	**27,628**	**3,749**	**3,245**	**901**	**866**

NOTE 4 AVERAGE NUMBER OF EMPLOYEES

	2005 No. of employees	2005 Of whom, men	2004 No. of employees	2004 Of whom, men
Parent company				
Sweden	7,377	6,872	7,369	6,856
Subsidiaries				
Sweden	2,370	2,201	2,324	2,154
Denmark	3,323	2,904	3,592	3,182
Estonia	53	47	4	3
Finland	2,554	2,206	2,682	2,324
Germany	540	453	511	439
Latvia	87	81	24	23
Lithuania	11	10	79	64
Norway	1,982	1,760	2,290	2,061
Poland	1,183	977	1,233	1,024
Russia	158	119	186	147
Singapore	367	340	408	376
Swaziland	99	90	462	425
Tanzania	431	366	505	440
Zambia	446	435	638	603
Other countries	20	18	68	50
Total in subsidiaries	**13,624**	**12,007**	**15,006**	**13,315**
Group total	**21,001**	**18,879**	**22,375**	**20,171**

Percentage of women	2005	2004
Distribution of company management by gender		
Group total, including subsidiaries		
– Boards of Directors	15.1	15.5
– Other senior executives	10.7	10.8
Parent Company		
– Board of Directors	10.0	10.0
– Other senior executives	27.3	27.3

NOTE 5 PERSONNEL EXPENSES

Wages, salaries and other remuneration distributed by members of the board and presidents and other employees

	2005 Board of Directors and Presidents	2005 Other employees	2005 Total	2004 Board of Directors and Presidents	2004 Other employees	2004 Total
Parent,company						
Sweden	14	2,594	2,608	15	2,566	2,581
Total in Parent Company	**14**	**2,594**	**2,608**	**15**	**2,566**	**2,581**
of which, bonus	(3.8)		(3.8)	(5.7)		(5.7)

NOTE 5 cont., PERSONNEL EXPENSES

Wages, salaries and other remuneration distributed by members of the board and presidents and other employees

	2005 Board of Directors and Presidents	2005 Other employees	2005 Total	2004 Board of Directors and Presidents	2004 Other employees	2004 Total
Subsidiaries						
Sweden	13	806	819	10	735	745
(of which, bonus)	(1.6)		(1.6)	(1.0)		(1.0)
Denmark	16	1,897	1,913	19	1,785	1,804
(of which, bonus)	(3.5)		(3.5)	(1.9)		(1.9)
Estonia		6	6			
Finland	11	804	815	9	763	772
(of which, bonus)	(2.1)		(2.1)	(1.3)		(1.3)
Germany	3	182	185	3	159	162
(of which, bonus)	(0.4)		(0.4)			
Latvia		5	5		2	2
(of which, bonus)	(0)		(0)	(0.1)		(0.1)
Lithuania		2	2		5	5
Norway	9	1,025	1,034	14	982	996
(of which, bonus)	(1.3)		(1.3)	(2.0)		(2.0)
Poland	8	144	152	3	113	116
(of which, bonus)	(0.4)		(0.4)			
Russia	1	32	33	1	23	24
Singapore		38	38		38	38
Swaziland		4	4		25	25
Tanzania		21	21		14	14
Zambia		29	29		26	26
Other countries		4	4		24	24
Total in subsidiaries	**61**	**4,999**	**5,060**	**59**	**4,694**	**4,753**
(of which, bonus)	(9.3)		(9.3)	(6.3)		(6.3)
Group total	**75**	**7,593**	**7,668**	**74**	**7,260**	**7,334**
(of which, bonus)	(13.1)		(13.1)	(12.0)		(12.0)

Wages, salaries, other remuneration and social security costs

	2005 Wages, salaries and other remuneration	2005 Social security costs	2005 of which, pensions costs[1]	2004 Wages, salaries and other remuneration	2004 Social security costs	2004 of which, pensions costs[1]
Parent Company	2,608	1,263	311	2,581	1,275	328
Subsidiaries	5,060	1,031	433	4,753	1,116	420
Group total	**7,668**	**2,294**	**744**	**7,334**	**2,391**	**748**

[1] Of the Parent Company's pension costs, the Board of Directors and Presidents category accounts for SEK 6 M (5). The Company's outstanding pension commitments to this category amount to SEK 42 M (44). The reported pension costs include contributions to the pension foundation. The pension cost included in the table above has been calculated in accordance with the Pension Security Act.

Of the Group's pension costs, the Board of Directors and Presidents category accounts for SEK 13 M (13) and the Group's outstanding pension commitments to this category amount to SEK 48 M (50). The reported pension costs include contributions to the pension foundation.

NOTE 5 **cont., PERSONNEL EXPENSES**

Sickness absence

The below figures concerning sickness absence pertain to the NCC Group's Swedish operations

	Group		Parent company	
%	2005	2004	2005	2004
Total sickness absence as a percentage or ordinary working time	4.0	4.5	4.3	4.7
Percentage of total sickness absence accounted for by uninterrupted sickness absence of 60 days or more	54.4	60.0	55.6	60.7
Sickness absence by gender:				
Men	4.1	4.6	4.4	4.8
Women	2.7	3.2	3.0	3.4
Sickness absence by age category:				
29 years or younger	3.1	3.1	3.0	3.2
Between 30 and 49 years	2.9	3.3	3.0	3.4
50 years or older	5.4	6.0	5.7	6.3

Senior executives' employment conditions and remuneration

The Chairman of the Board and other Board members elected by the Annual General Meeting, excluding the CEO, receive director fees in an amount decided by the Annual General Meeting. No fee is paid to the Nomination Committee.

Remuneration for the CEO is proposed by the Chairman of the Board and decided by the Board. Remuneration for other members of Group Management is proposed by the CEO and approved by the Chairman of the Board.

Remuneration for the CEO and other senior executives consists of a basic salary, variable compensation and other benefits such as pensions, etc. The term "other senior executives" pertains to the executives who, together with the CEO, comprise Group Management. During 2005, there were ten such executives.

Variable compensation

The maximum variable compensation payable to CEO Alf Göransson in 2005 amounted to 50 percent of his basic salary. The variable compensation was based on financial targets established by the Board. The provision posted for 2005 corresponded to 50 percent of his fixed salary, meaning SEK 2,700,000 (2,270,400).

For other senior executives, 40 to 50 percent of variable compensation for 2005 was based on basic salary and the fulfillment of financial goals and 0–5 percent of the compensation on individual goals, making a maximum variable compensation of 40 to 50 percent. The provision posted for variable compensation payments to other senior executives during 2005 corresponded to 40–50 percent (25–50) of basic salary.

Remuneration and other benefits during the year 2005

GROUP, SEK thousands	Total salary, remuneration and benefits	Of which, benefits	Of which, variable payments	Pension costs
Chairman of the Board	500			
Other Board members	1,700			
CEO	8,653	65	2,700	1,677
Other senior executives	28,535	429	9,173	7,769
Total	**39,388**	**494**	**11,873**	**9,446**

Remuneration and benefits pertain to vacation compensation, reductions in working time, company car, etc. Variable payments pertain to expensed amounts for the particular fiscal year. Pension costs in the table above are stated in accordance with the Pension Security Act.

Remuneration and other benefits during the year 2004

GROUP, SEK thousands	Total salary, remuneration and benefits	Of which, benefits	Of which, variable payments	Pension costs
Chairman of the Board	400			
Other Board members	1,300			
CEO	7,285	58	2,270	1,224
Other senior executives	31,621	572	7,532	9,129
Total	**40,606**	**630**	**9,802**	**10,353**

Remuneration and benefits pertain to vacation compensation, reductions in working time, company car, etc. Variable payments pertain to expensed amounts for the particular fiscal year. The total for 2004 included severance payments of SEK 3,054,000. Pension costs in the table above are stated in accordance with the Pension Security Act.

Pensions

President and Chief Executive Officer Alf Göransson's retirement age is 60 years, with annual pension premiums corresponding to 30 percent of the fixed annual salary. This is a defined-contribution pension commitment, which means that NCC has no additional obligation after having paid the annual premium.

Other senior executives may retire at the age of 60 to 62. In Sweden, there is a defined-contribution pension that is payable temporarily between ages 60 and 65 years, including survivor cover. Pension from the ITP plan is generally payable as of age 65, plus a supplementary defined-contribution pension pledged by NCC. Instead of this, one senior executive receives annual payments of pension premiums that correspond to 35 percent of his fixed annual salary; this is a defined-contribution pension commitment. Pensions payable to other senior executives in other countries are subject to similar terms and conditions.

Severance pay

The CEO Alf Göransson is subject to a 12-month period of notice and is entitled to receive 12 months of severance pay, if his employment is terminated by the employer. Such payment is adjustable against remuneration from other employment or assignments. Other senior executives are subject to six to 12 months' notice and are entitled to six to 12 months of severance payment, in two cases 18 months, if their employment is terminated by the employer.

Option program

A rolling options program was in effect for senior NCC executives (about 200) during 1999–2001. The options program was discontinued as of 2002. Allotment of options was based on two conditions – the return on equity and the NCC share's performance in relation to a comparative index comprising shares in Nordic construction companies. The intention is to use treasury shares to cover allotments of options.

Other options

In addition to the option programs described above, certain of NCC's senior executives have acquired call options in NCC on normal commercial terms.

Allotments from the option programs have been made as follows:

	Issued number	Acquisition price, SEK	Shares per option	Exercise price, SEK	Exercise date	Benefit
Option program 2000	3,135,172	6.90	1.25	70.90	May 31, 2001 – Feb. 28, 2006	0
Option program 2001	2,533,500	8.10	1.25	68.40	May 31, 2002 – Feb. 28, 2007	0

The 1999 option program expired in February 2005.

Distribution of issued amount

	Other senior executives	Other employees	Total
Option program 2000	126,355	3,008,817	3,135,172
Option program 2001	152,738	2,380,762	2,533,500

The number of options that were not exercised on December 31, 2005 was 955,515.

In the assessment of the Board of Directors, all of the options were transferred on commercial terms. The Chairman and other Members of the Board were not covered by the option programs, which were directed to employees. The CEO took office in 2001 and was not covered by the above option programs.

NOTE 6 DEPRECIATION

	Group 2005	Group 2004	Parent Company 2005	Parent Company 2004
Other intangible assets	–12	–15		
Owner-occupied properties	–54	–58	–3	–3
Machinery and equipment	–496	–571	–47	–45
Total depreciation	**–563**	**–644**	**–50**	**–48**

NOTE 7 FEES AND REMUNERATION TO AUDITORS AND AUDIT FIRMS

	Group 2005	Group 2004	Parent Company 2005	Parent Company 2004
Audit firms				
KPMG				
Auditing assignments	10	12	2	2
Other assignments	8	8	1	2
Other auditors				
Auditing assignments	2	2		
Other assignments	1	1		
Total fees and remuneration to auditors and audit firms	**21**	**23**	**3**	**4**

Auditing assignments are defined as examinations of the Annual Report and financial accounts, as well as of the administration of the Board of Directors and President, other duties that the Company's auditors are obliged to conduct and advice or other assistance required due to observations made during such examinations or during the performance of such other duties. All other work is defined as other assignments.

NOTE 8 RESULT FROM PROPERTY MANAGEMENT

	2005	2004		
	NCC Property Development	NCC Property Development	Other	Total
Rental revenues	39	122	15	137
Other revenues	1	1		1
Operation and maintenance costs	–23	–72	–5	–77
Operating net	17	51	10	61
Revaluation of managed properties	0	–16		–16
Total	**17**	**35**	**10**	**45**

Managed properties were revalued in 2005, which had an impact of SEK 0 M (neg: 16) on earnings.

NOTE 9 RESULT FROM SALES OF PROPERTIES

	2005			2004			
	Managed properties			Managed properties			
GROUP	NCC Property Development	Owner-occupied properties	Total	NCC Property Development	Other	Owner-occupied properties	Total
Sales value	659[1]	74	733	967	1	178	1 146
Sales expenses	–2	–27	–29	–133	–3		–136
Book value	–565	–28	–593	–886	–6	–172	–1,064
Total	**92**	**19**	**111**	**–52**	**–8**	**6**	**–54**

1) Including an SEK 23 M utilization of a previous reserve for rental guarantees.

PARENT COMPANY	Owner-occupied properties 2005	Owner-occupied properties 2004
Sales value		12
Book value		–6
Total		**6**

During 2005, there were no managed properties in the Parent Company.

NOTE 10 IMPAIRMENT LOSSES AND REVERSAL OF IMPAIRMENT LOSSES

	Group 2005	Group 2004	Parent Company 2005	Parent Company 2004
Production costs				
Housing projects		–38		–44
Property projects within NCC Property Development	–71	–39		
Machinery and equipment		–6		
Result from property management				
Revaluation of managed properties, see Note 8		–16		
Result from participations in associated companies				
Associated companies[1)]	–60	–5		–5
Financial expenses				
Other securities		–8		
Result from participations in subsidiaries				
Shares in subsidiaries			–776	–1,213
Result from other financial fixed assets				
Long-term receivables			2	–3
Impairment loss, fixed assets				
Owner-occupied properties[2)]	–8	–12	–8	
Goodwill within NCC's Construction units[3)]	–43	–15		
Goodwill within NCC Roads[3)]	–43	–122		
Total	**–225**	**–261**	**–782**	**–1,265**

Impairment losses have been reported under the following headings in the income statement

	Group 2005	Group 2004	Parent Company 2005	Parent Company 2004
Production costs	–71	–83		
Result from property management		–16		
Impairment loss, fixed assets	–94	–149		
Impairment losses			–8	–44
Result from participations in associated companies	–60	–5		–5
Result from other financial fixed assets			2	–3
Financial expenses		–8		
Result from participations in Group companies			–776	–1 213
Total	**–225**	**–261**	**–782**	**–1 265**

1) NCC's share in the Polish associated company Prinz, which has been declared bankrupt, was impaired to zero.
2) The book value of the owner-occupied properties was impaired to adapt it to the remaining useful life.
3) Goodwill impairment, also see Note 21.

NOTE 11 RESULT FROM PARTICIPATIONS IN GROUP COMPANIES

GROUP	2005	2004
Capital gains/losses on sales	–5	64

PARENT COMPANY	2005	2004
Dividend	1,420	2,040
Capital gain on sale		17
Impairment losses	–776	–1 213
Total	**643**	**844**

NOTE 12 RESULT FROM PARTICIPATIONS IN ASSOCIATED COMPANIES

	2005			2004		
GROUP	Property operations	Other	Total	Property operations	Other	Total
Participation in results of associated companies	68	5	73	5	22	27
Impairment losses		–60	–60		–5	–5
Capital gains on sales		36	36		11	11
Total	**68**	**–19**	**49**	**5**	**28**	**33**

PARENT COMPANY	2005	2004
Participation in results of associated companies	1	3
Impairment losses		–5
Capital gains on sales	20	3
Total	**21**	**1**

NOTE 13 OPERATING EXPENSES

GROUP	2005	2004
Change in inventories	–71	–365
Personnel costs	9,962	9,725
Depreciation	563	644
Impairment losses	237	299
Reversal of impairment losses	–12	–38
Total	**10,679**	**10,265**

Purchases of production-related goods and services, as well as raw materials and supplies, are reported as production costs.

NOTE 14 RESULT FROM OTHER FINANCIAL FIXED ASSETS

PARENT COMPANY	2005	2004
Capital gain on sales	2	5
Impairment losses		–3
Revaluation during the year	2	
Total	**4**	**2**

NOTE 15 RESULT FROM FINANCIAL CURRENT ASSETS

PARENT COMPANY	2005	2004
Interest income, Group companies	62	74
Interest income, others	3	11
Exchange-rate differences	–45	23
Total	**20**	**108**

NOTE 16 INTEREST EXPENSE AND SIMILAR INCOME STATEMENT ITEMS

PARENT COMPANY	2005	2004
Interest expense, Group companies	–35	–57
Interest expense, others	–65	–74
Exchange-rate differences, etc.	–8	12
Other financial items	3	47
Total	**–105**	**–72**

NOTE 17 NET FINANCIAL ITEMS

GROUP	2005	2004
Interest income	94	138
Other investments, including derivatives:		
– Net gain on divestment of available-for-sale financial assets		4
– Net change in value on revaluation of interest swaps	10	
Other financial income	5	66
Net changes in value	6	
Financial income	**116**	**209**
Interest expense	–270	–370
Other investments, including derivatives:		
– Net loss on divestment of available-for-sale financial assets	–1	
– Impairment loss on available-for-sale financial assets		–8
Other financial expense	–13	–17
Net changes in value		–17
Financial expense	**–284**	**–412**
Net financial items	**–168**	**–203**
Of which, changes in value calculated using valuation techniques	10	

The valuation principles applied in 2005 differ from those used in 2004 because of the introduction of IAS 39, Financial instruments, which means that financial investments were not market valued in 2004.

NOTE 18 EFFECTS ON INCOME STATEMENT OF EXCHANGE-RATE CHANGES

Income statement for 2005 converted at 2004 exchange rates

GROUP	2005 exchange rates 2004[1]	2005	Exchange-rate effect
Net sales	48,686	49,506	820
Operating profit	1,729	1,748	19
Profit after financial items	1,571	1,580	9
Net profit for the year	1,145	1,187	42

1) Figures for 2005 converted at 2004 exchange rates..

EXCHANGE RATES

			Average exchange rate Jan–Dec		Year-end rate 31 Dec	
Country	SEK	Currency	2005	2004	2005	2004
Denmark	100	DKK	124.41	122.60	125.82	121.10
EU	1	EUR	9.27	9.12	9.39	9.00
Norway	100	NOK	115.26	109.00	117.70	108.75
Poland	1	PLN	2.30	2.02	2.44	2.21
US	1	USD	7.44	7.35	7.96	6.62

NOTE 19 EARNINGS PER SHARE

GROUP	2005		2004	
SEK	Before dilution	After dilution	Before dilution	After dilution
Earnings per share	11.07	10.86	8.53	8.05

The numerator and denominators used in the calculation of earnings per share above were calculated in the manner shown below.

	2005		2004	
SEK M	Before dilution	After dilution	Before dilution	After dilution
Net profit for the year attributable to Parent Company shareholders	1,178	1,178	873	873
Weighted average number of shares outstanding				
Thousands of shares				
Total number of shares, January 1	102,400	108,436	102,400	108,436
Sale of treasury shares	4,841			
Total number of shares, December 31	107,241	108,436	102,400	108,436
Weighted average number of shares during the year	106,395	108,436	102,400	108,436

NOTE 20 APPROPRIATIONS AND UNTAXED RESERVES

	Appropriations		Untaxed reserves	
PARENT COMPANY	2005	2004	2005	2004
Accumulated depreciation in excess of plan				
– machinery and equipment	–10		10	
Tax allocation reserves	602			602
Other untaxed reserves		–5		
Reserve in work in progress	–54	71	304	250
Total	**538**	**66**	**314**	**852**

NOTE 21 INTANGIBLE ASSETS

	Group				Parent Company
2005	Goodwill	Usufructs	Other	Total other	Other
Reported acquisition value on January 1	**1,926**	**46**	**50**	**96**	**7**
Investments	6	5	16	21	2
Divestment and scrappage	–1	–3	–9	–12	–5
Reclassifications	5	7	24	31	
Translation difference during the year	65	1	3	4	
Reported acquisition value on December 31	**2,001**	**56**	**84**	**140**	**4**
Accumulated amortization on January 1		**–26**	**–37**	**–63**	**–5**
Divestment and scrappage		1	8	9	5
Reclassifications		–1	–8	–9	
Translation difference during the year		–1	–1	–2	
Amortization according to plan during the year		–2	–10	–12	–1
Accumulated amortization on December 31		**–29**	**–48**	**–77**	**–1**
Accumulated impairments on January 1	**–136**	**–2**		**–2**	
Translation differences during the year	–7				
Impairments during the year	–86				
Accumulated impairments on December 31	**–229**	**–2**		**–2**	
Residual value on January 1	**1,790**	**18**	**13**	**31**	**2**
Residual value on December 31	**1,772**	**25**	**36**	**61**	**3**

	Group				Parent Company
2004	Goodwill	Usufructs	Other	Total other	Other
Reported acquisition value on January 1	**2,123**	**49**	**100**	**149**	**5**
Investments		1	6	7	2
Divestment and scrappage	–174	–10		–10	
Reclassifications	–25	6	–56	–50	
Translation difference during the year	2				
Reported acquisition value on December 31	**1,926**	**46**	**50**	**96**	**7**
Accumulated amortization on January 1		**–21**	**–44**	**–65**	**–5**
Divestment and scrappage		2		2	
Reclassifications		–3	18	15	
Translation difference during the year					
Amortization according to plan during the year		–4	–11	–15	
Accumulated amortization on December 31		**–26**	**–37**	**–63**	**–5**
Accumulated impairments on January 1		**–2**		**–2**	
Translation differences during the year	1				
Impairments during the year	–137				
Accumulated impairments on December 31	**–136**	**–2**		**–2**	
Residual value on January 1	**2,123**	**26**	**56**	**82**	
Residual value on December 31	**1,790**	**18**	**13**	**31**	**2**

NOTE 21 **cont., INTANGIBLE ASSETS**

Impairment testing of goodwill in cash-generating units
Goodwill totaling SEK 1,772 M is included in NCC's balance sheet. The item is distributed as follows among NCC's business areas:

SEK M	2005	2004
NCC's Construction units	646	668
NCC Roads	1,123	1,112
Other units	3	10
NCC Group	**1,772**	**1,790**

There are considerable goodwill values in NCC's Construction units as well as in NCC Roads. Impairment testing of these units has been conducted by discounting future cash flow after tax and thus calculating their value in use. The future cash flow has been calculated using the following method:

Unless another course of action arises from discussions with the management of the various cash-generating units, a five-year forecast has been prepared. This forecast is based on the assumption that sales will grow at a sustainable rate (1.5 percent) based on the figures for 2005, that tied-up working capital will be the same as in 2005 and that the future margins will be the average of those for the most recent four years.

In certain cases, the profitability of the units has reached a turnaround stage and in others the future market prospects are the same as the historical track record. In these cases, sales and capital requirements have been adjusted based on a five-year business plan produced by the local management of the cash-generating unit.

Important variables:
Sales: The general socio-economic development, the investment plans of other industries, public finances and investment plans, monetary policy and the interest rate trend, local market conditions and the price trend.

Operating expenses: Anticipated wage trends, the cost trend for building materials and at the subcontractor level (mainly applies to NCC's Construction units), bitumen and energy prices (mainly applies to NCC Roads) and ongoing internal action programs to boost operational efficiency.

Capital requirements: NCC's Construction units often apply pre-invoicing, which means that increased sales do not result in an increased need of working capital. However, the segments that develop housing have a need for working capital that is determined by the forthcoming production and sales rate for new projects.

NCC Roads' operations mainly tie up capital in gravel and rock pits and machinery. The need to reinvest in order to maintain capacity is largely determined by the future capacity utilization rate.

The cash flow that is forecast after five years is based on a sustainable growth rate in terms of both revenues and costs, and a constant capital turnover.

Subsequently, the cash flow is discounted using a weighted capital cost, for which the required return on shareholders' equity is calculated in accordance with the Capital Asset Pricing Model and the interest on net indebtedness is calculated in accordance with the current market cost of NCC's borrowing.

Assumptions regarding required return:
Risk-free interest rate: Ten-year treasury bond, or similar financial investment offering the lowest possible risk.
The market's risk premium: 4.5 percent
Beta: Since the trend in the construction industry largely tracks the general socio-economic trend, the beta has been set at one (1).
Interest expense: In accordance with NCC's cost for borrowing with a five-year duration.
Tax rate: Based on the tax rate prevailing in the various countries.
Debt/equity ratio: Company management's estimate of reasonable indebtedness based on a balance sheet with no goodwill. This is in accordance with NCC's internal governance concerning the indebtedness of units. Based on this approach, the equity/assets ratio generally varies from 20 to 30 percent.

Based on the above assumptions, the required return after tax varies from approximately 5 to 9 percent, depending on the level of indebtedness and the total value in use.

The goodwill impairment losses totaling SEK 86 M are based on the following assumptions:

Company management's estimate, based on the conducted valuations, is that NCC Roads' Finnish operations have an impairment requirement of SEK 43 M, of which the jointly owned company Valtatie accounts for SEK 15 M, because the current situation of low asphalt prices caused by overcapacity in the market is expected to remain unchanged for longer than previously estimated. It is estimated that NCC's Construction units have an impairment requirement of SEK 28 M, most of which, SEK 18 M, pertains to a subsidiary in Sweden, for which conditions in the niche in which the subsidiary is active have deteriorated. An impairment loss of SEK 15 M has also been posted for NCC's Polish subsidiary Hydrobudowa.

Sensitivity analysis
The impairment tests that have been conducted and which do not indicate an impairment requirement have been based on such a margin that company management estimates that reasonably possible changes in individual parameters would not cause the value in use to fall below the book value. In the opinion of company management, an impairment requirement would not even arise if certain variations were assumed in the principal parameters.

With respect to NCC Roads' asphalt operations in Finland, including the jointly owned company Valtatie, there continues to be certain uncertainty regarding certain variables in the valuation. This uncertainty is mainly attributable to a scenario in which the sharp increase in the cost of energy and bitumen continues, combined with continued overcapacity and a price war in the market. A long-term reduction in the margin by 0.5 of a percentage point would result in an impairment requirement of approximately SEK 20 M. However, this scenario is not regarded as probable and such an impairment has not been posted.

Other intangible assets
Usufructs include the right to use gravel and rock pits for a determinate period. The periods vary but the rights normally pertain to longer periods. Amortization occurs in pace with confirmed depletion of net asset value, based on the volume of extracted rock and gravel.

The other intangible assets consist mainly of software and licenses. The periods of use range from three to five years and amortization is posted on a straight-line basis by 20 percent or 33.3 percent annually.

Amortization is included in the following lines in the income statement

	Group		Parent Company	
	2005	2004	2005	2004
Production costs	–7	–13		
Selling and administrative costs	–5	–2	–1	
Total	**–12**	**–15**	**–1**	

Impairment losses are included in the following lines in the income statement

	Group		Parent Company	
	2005	2004	2005	2004
Production costs	–86	–137		
Total	**–86**	**–137**		

NOTE 22 TANGIBLE FIXED ASSETS

2005	Group Owner-occupied properties	Group Construction in progress	Group Machinery and equipment	Group Total	Parent Company Owner-occupied properties	Parent Company Machinery and equipment	Parent Company Total
Reported acquisition value on January 1	**1,264**	**38**	**5,790**	**7,092**	**77**	**351**	**428**
Investments	62	42	529	633		40	40
Increase through acquisitions	28		4	32			
Divestment and scrappage	–62		–478	–540		–37	–37
Decrease through sales of companies	–48		–142	–190			
Reclassifications	40	–34	99	105			
Translation difference during the year	47	1	212	260			
Reported acquisition value on December 31	**1,330**	**47**	**6,013**	**7,391**	**77**	**353**	**430**
Accumulated impairment losses and depreciation on January 1	**–472**		**–3,942**	**–4,414**	**–39**	**–232**	**–271**
Increase through acquisitions							
Divestment and scrappage	35		395	430		36	36
Decrease through sales of companies	20		105	125			
Reclassifications	–17		–4	–21			
Translation difference during the year	–15		–134	–149			
Reversal of impairment losses			3	3			
Impairment losses during the year[1]	–8		–3	–11	–8		–8
Depreciation during the year	–54		–496	–550	–3	–47	–50
Accumulated impairment losses and depreciation on December 31[2]	**–513**		**–4,076**	**–4,590**	**–50**	**–243**	**–293**
Residual value on January 1	**792**	**38**	**1,848**	**2,678**	**38**	**119**	**157**
Residual value on December 31	**818**	**47**	**1,937**	**2,801**	**27**	**110**	**137**
Tax assessment value of fixed assets in Sweden							
– Buildings	166			166	12		12
– Land	137			137	9		9
Book value of fixed assets in Sweden assigned tax assessment value	**809**			**809**	**27**		**27**

1) Impairment losses on owner-occupied properties are included in the line "Impairment losses" in the income statement. Impairment losses on machinery and equipment are included in the line "Production costs."

2) Accumulated impairment losses at year-end –33 –102 –135

2004	Group Owner-occupied properties	Group Construction in progress	Group Machinery and equipment	Group Total	Parent Company Owner-occupied properties	Parent Company Machinery and equipment	Parent Company Total
Reported acquisition value on January 1	**1,188**	**3**	**5,948**	**7,139**	**76**	**356**	**433**
Investments	48	36	508	592		54	54
Increase through acquisitions	115		135	250			
Divestment and scrappage	–83		–672	–755		–59	–59
Decrease through sales of companies	–75		–166	–241			
Reclassifications	61	–1	–18	42			
Translation difference during the year	10		55	65			
Reported acquisition value on December 31[1]	**1,264**	**38**	**5,790**	**7,092**	**76**	**351**	**428**
Accumulated impairment losses and depreciation on January 1	**–442**		**–4,077**	**–4,519**	**–35**	**–242**	**–278**
Increase through acquisitions			–1	–1			
Divestment and scrappage	17		543	560		55	55
Decrease through sales of companies	29		110	139			
Reclassifications	–5		84	79			
Translation difference during the year	–1		–24	–25			
Impairment losses during the year	–12		–6	–18			
Depreciation during the year	–58		–571	–629	–3	–45	–48
Accumulated impairment losses and depreciation on December 31[2]	**–472**		**–3,942**	**–4,414**	**–38**	**–232**	**–271**
Accumulated write-ups on January 1	**127**		**90**	**217**			
Divestment and scrappage	112		–59	–171			
Reclassifications	–16		–31	–47			
Translation difference during the year	1			1			
Accumulated write-ups on December 31[3]	**0**		**0**	**0**			
Residual value on January 1	**873**	**3**	**1,961**	**2,837**	**41**	**114**	**155**
Residual value on December 31	**792**	**38**	**1,848**	**2,678**	**38**	**119**	**157**
Tax assessment value of fixed assets in Sweden							
– Buildings	157			157	10		10
– Land	120			120	9		9
Book value of fixed assets in Sweden assigned tax assessment value	**785**			**785**	**38**		**38**

1) Impairment losses on owner-occupied properties are included in the line "Impairment losses" in the income statement. Impairment losses on machinery and equipment are included in the line "Production costs."

2) Accumulated impairment losses at year-end –29 –94 –123

3) The write-ups arose in 2000 via acquired companies.

NOTE 22 cont., TANGIBLE FIXED ASSETS

Depreciation is included in the following lines in the income statement

PARENT COMPANY	2005	2004
Production costs	24	18
Selling and administrative costs	27	30
Total	**50**	**48**

Leased equipment

The Group leases vehicles and certain production equipment. Details about this are presented in Note 44. On December 31, 2005, the book value of leased assets was SEK 176 M (174).

NOTE 23 MANAGED PROPERTIES

Managed properties are reported at fair value.

GROUP	2005	2004
Fair value, January 1	449	1,422
Increase through acquisitions	209	
Investment in properties	4	10
Reclassifications	–28	–76
Effect of revaluation during the year		–16
Capital gain on sale	70	76
Sales revenue, divested properties	–635	–968
Translation differences	2	1
Fair value, December 31	71	449
Tax assessment value of fixed assets in Sweden		
– Buildings	25	161
– Land	8	53

NCC conducts internal valuations to determine fair value. In accordance with the internal valuations, the fair value of managed properties is calculated as a return value based on the cash flow method. This method defines market value as the present value of cash flow (operating net less any investments) over a ten-year period, plus the present value of an estimated residual value depending on the property's location. Each property has been assessed on its own merits.

At present, there are no managed properties in the Parent Company.

For information about the effect of managed properties on net profit for the period, see Note 8.

NOTE 24 PARTICIPATIONS IN GROUP COMPANIES

PARENT COMPANY Name of company, Corp. Reg. No., Registered office	Ownership share, %[1]	No. of partici-pations[2]	Book value 2005	Book value 2004
Real estate companies:				
NCC Property Development AB, 556080-5631, Solna	100	84	2,179	2,862
Total participations in real estate companies			**2,179**	**2,862**
Other companies:				
Alsike Utvecklings AB, 556245-9542, Uppsala	100	16	2	2
Anjo Bygg AB, owned by Svelali AB, 556622-7517, Halmstad	100	1	33	52
Bergnäsets Ställningsmontage i Luleå AB, 556393-2833, Luleå	100	1	2	2
Bostads AB Vägkarlen, 556420-5036, Uppsala	100	1		
Dansk Beton Teknik A/S, 62 47 01 19, Denmark	100		1	3
Detend AB, 556453-3072, Eskilstuna	100	50	8	8
Däldehög AB, 556268-5700, Gothenburg	100	9	41	41
Eeg-Henriksen AB, 556399-2642, Stockholm	100	5	1	
Ekängens Handelsträdgård AB, 556188-6903, Linköping	100	1	4	4
Entitan Lundgren & Co, KB, 916442-3767, Gothenburg	100			
Fastighets AB Vikingakullen, 556673-5832, Solna	100			
Fresta Fastighets AB, 556584-6705, Solna	100	1		
Frösunda Exploaterings AB, 556430-1876, Stockholm	100	1		
Frösunda Exploaterings KB, 916636-6451, Stockholm	98[3]		1	1
Fågelbro Mark AB, 556234-0868, Stockholm	100	200	36	36
Gradera AB, 556667-8131, Trelleborg	100	10		
Hercules Grundläggning AB, 556129-9800, Stockholm	100	196	59	59
Hydrobudowa S.A., KRS40301, Poland	100	2,853	179	
JCC Johnson Construction Company AB, 556113-5251, Solna	100	1		
Jordskorpan Väst AB, 556171-7058, Halmstad				1
Linder & Antonsson Byggnads AB, 556099-5614, Gothenburg	100	1		
Luzern, AB, 556336-4727, Lund	100	1	3	3
Marielund 1:7 AB, 556522-7369, Stockholm	100	1	14	
Metodbyggen AB, 556085-3243, Stockholm	100	20	3	3
Mälarstadens Exploaterings AB, 556336-2135, Södertälje	100	1		
NCC Bau & Holding GmbH, FB-nr201178a, Austria	100			
NCC Construction Danmark A/S, 69 89 40 11, Denmark	100	400	115	115
NCC Construction Norge AS, 911 274 426, Norway	100	17,500	160	160
NCC Construction Sverige AB, 556613-4929, Solna	100	500	50	50
NCC Försäkrings AB, 516401-8151, Solna	100	500	78	78
NCC GmbH, HRB 7808 FF, Germany	100		1	1
NCC Immobilien GmbH, HRB 8906 FF, Germany	10[4]		12	12
NCC Industries AB, 556001-8276, Stockholm	100	15	107	107
NCC International AB, 556033-5100, Solna	100	1,000	307	307
NCC International Denmark A/S, 26 70 86 21, Denmark	100	300		
NCC Komponent AB, 556627-4360, Stockholm	100	1	31	6
NCC Leasing Alfa AB, 556522-7724, Solna	100	1		
NCC Måleri i Uppsala AB, 556174-4078, Uppsala				4
NCC Nordic Construction Company AB, 556065-8949, Solna	100	3,809	1,018	1,018
NCC Polska Sp. Z.o.o., KRS20513, Poland	100	65		
NCC Property Development Holding AB, 556145-1856, Solna	100	1		
NCC Purchasing Group AB (f.d. Siab Trading AB), 556104-9932, Stockholm	100	2	1	1
NCC Rakennus Oy, 1765514-2, Finland	100	4	391	391
NCC Reinsurance AG, CH-0203003243-9, Switzerland	100	3	77	77
NCC Roads Holding AB, 556144-6732, Solna	100	275	1,633	1,633
NCC Treasury AB, 556030-7091, Solna	100	120	17	17
NCC Tunnelling AB, 556599-3413, Solna	100	10		
Nils P Lundh, AB, 556062-7795, Solna	100	10		
Nybergs Entreprenad AB, 556222-1845, Gotland	100	10	11	11
Nytt boende i Solna AB (f.d. Det ljuva livet i Sverige AB), 556459-6988, Solna	100	1		
Oppunda Bygg AB, 556174-2973, Norrköping	100	6	2	2
Per Jacobsson Fastighets AB, 556380-1231, Tjörn	100	1		
Portalgatan Förvaltnings AB, 556385-9296, Uppsala	100		1	
Sintrabergen Holding AB, 556498-1248, Stockholm	100	3		
Ställningsmontage och Industritjänst i Södra Norrland AB, 556195-2226, Solna	100	2	1	1
Svappavaara Åkeri och Byggnads AB, 556111-3712, Kiruna				2
Svenska Industribyggen AB, 556087-2508, Stockholm	100	1		
Söderby Park Fastigheter HB, 916630-4817, Stockholm	100		10	10
Södertäljebyggare Exploaterings KB, 916635-5900, Södertälje	100	1	4	4
Total participations in other companies			**4,414**	**4,222**
Total participations in Group companies			**6,593**	**7,084**

1) The ownership share corresponds to the shareholding.
2) Number of shares in thousands.
3) Remaining 2 percent is owned by Frösunda Exploaterings AB.
4) 90 percent is owned by NCC Property Development BV.

Only directly owned subsidiaries are specified. The number of indirectly owned subsidiaries is 167 (180).

A complete specification is available on NCC's website www.ncc.info or may be ordered from NCC AB.

NOTE 25 PARTICIPATIONS IN ASSOCIATED COMPANIES CONSOLIDATED IN ACCORDANCE WITH THE EQUITY METHOD

GROUP	2005	2004
Book value, January 1	**200**	**460**
Acquisition of associated companies	3	5
Divestment of associated companies	–12	–34
Share in associated company losses[1]	–110	–22
Reclassifications	–5	–220
Impairment loss[2]	–114	–5
Reserve PRInz[2]	60	
Translation difference[2]	22	17
Book value, December 31	**44**	**200**

1) Share in the associated companies' loss after taxes and minority interest in the associated companies.
2) For 2005, the impairment loss of SEK 114 M on the participation in PRInz was reduced by utilizing a reserve of SEK 60 M. The net impairment loss on PRInz is SEK 60 M.

Name of company. Corp. Reg. No., Registered office	Ownership share, %[1]	Number of partici-pations[2]	Book value 2005	Book value 2004
AS Baltifalt, 10217746, Estonia	35		6	4
Gladökrossen HB, 969615-7917, Uppsala	50		4	4
Glysisvallen AB, 556315-5125, Hudiksvall	50	1	1	1
NCC Kral Sp.Z.o.o, KRS0000135789, Poland	50	4	13	10
NCC Wprinz Sp.Z.o.o, KRS0000239197, Poland	51		4	
Rydbokrossen HB, 916609-3956, Solna	50		1	1
Östhammarkrossen KB, 916673-1365, Uppsala	50		2	2
PRInz S.A. Holding, KRS44078, Poland	47	240		114
NCC Fegda, 1080175, Lithuania				39
Other NCC-owned associated companies 27 (38)			13	25
Total			**44**	**200**

1) The ownership share corresponds to the proportion of votes for the total number of shares.
2) Number of shares in thousands.

Figures from the income statements and balance sheets of the principal associated companies are presented below.

2005	Country	Revenues	Profit/loss	Assets	Liabilities	Equity	Shareholding, %
Associated company							
PRInz S.A. Holding[1]	Poland	139	–114	103	189	–86	47

2004	Country	Revenues	Profit/loss	Assets	Liabilities	Equity	Shareholding, %
Associated company							
PRInz S.A. Holding	Poland	1,375	17	875	715	160	47
UAB NCC Fegda	Lithuania	191	20	90	14	77	44
Total		**1,566**	**37**	**965**	**729**	**237**	

1) Pertains to values at October 27, 2005.

NOTE 26 PARTICIPATIONS IN JOINT VENTURES CONSOLIDATED IN ACCORDANCE WITH THE PROPORTIONAL METHOD

The consolidated financial statements include the items below that constitute interests in the joint ventures' revenues, costs assets and liabilities.

GROUP	2005	2004
Revenues	1,136	1,574
Costs	–1,032	–1,466
Profit	**104**	**108**
Fixed assets	100	291
Current assets	935	1,249
Total assets	**1,035**	**1,540**
Long-term liabilities	496	740
Current liabilities	296	500
Total liabilities	**792**	**1,240**
Net assets	**243**	**300**

The joint venture category also includes partly owned contracts, for which NCC has a contractual joint influence together with the other partners.

Specification of joint ventures

	Shareholding, %
A2 Bau Development Gmbh	50
AF Cryo Tank	25
AF Fagereng	50
AF Gøtatunnel	33
AF Ledningsrenovering Vest	67
AF Ledningsrenovering Øst	50
AF Lindahlplan	50
AF NCC Fornebu	60
AF Nordøyatunneln	42
AF RV 35 Grualia-Slettmoen	67
AF Strandvn. 15	50
AF Sundøyabrua	50
Ankaret Invest SA	50
Arandur OY	33
Bergbyggarna i Norr HB	50
Björnö Mark, KB	50
Bolig Interessentskabet Tuborg Nord	50
C825 Circle Line Project	35
Callax Cargo AB	33
Däldehög Miljö AB	50
Eurogate, HB	50
Fastighets AB Strömstaden	32
Frederiksberg Centerbyg A/S	33
Granitsoppen AB	50
Granitsoppen, KB	50
Hercules-Trevi Foundations AB	50
Langebrokonsortiet – 2 I/S	50
Kalvebodskonsortiet	50
Langebrokonsortiet	50
NBV Beckomberga KB	25
JV NCC-Aarsleff	50
NP Konsortiet	50
NV-Återvinning i Halland AB	50
Oraser AB	50
PULS Planerad Underhållsservice AB	50
RHM-konsortiet I/S	50
Rosersbergs Exploaterings AB	50
RS Pihl I/S	50
Skattkärrs Byggnads AB	50
Stora Ursvik KB	50
SWTP Construction OY	33
Tipton Brown AB	33
Valtatie OY	50
Ventilationskonsortiet	50
Vänerbyggen Skattkärrs Byggnads AB & Co KB	50
Västra Hamnporten AB	50
Västra Hamnporten KB	50
Öhusen, KB	50

NOTE 27 PARTICIPATIONS IN ASSOCIATED COMPANIES

Participations in associated companies included in financial fixed assets

PARENT COMPANY Corp. Reg. No., Registered office	Ownership share, %[1]	Number of partici-pations[2]	Book value 2005	Book value 2004
Björnö Mark, KB, 916638-1419, Norrtälje	50		2	2
Fastighets AB Frötunaland, 556432-1551, Norrtälje	50	1		
Fastighets AB Strömstaden, 550651-7202, Norrköping	32	2	2	2
Granitsoppen AB, 556462-4194, Norrköping	50	1		
NV-Återvinning i Halland AB, 556630-4142, Varberg	50	1		
Oraser AB, 556293-2722, Stockholm	50	1	7	7
PULS Planerad Underhålls Service AB, 556379-1259, Malmö	50	15	8	8
Skattkärrs Byggnads AB, 556334-8316, Norrköping	50	1		
Stora Ursvik KB, 969679-3172, Stockholm	50		130	130
Tipton Brown AB, 556615-8159, Stockholm	33	125	15	15
Ursvik Exploaterings AB, 556611-6892, Stockholm	50	1		
Återvinnarna i Sverige AB, 556560-7883, Stockholm	50	10	2	2
Öhusen, KB, 969697-7793, Malmö	50	1		
Other 9 (9)			1	
Total			**167**	**166**

1) The ownership share corresponds to the proportion of votes for the total number of shares.
2) Number of shares in thousands.

NOTE 28 FINANCIAL INVESTMENTS

GROUP	2005	2004
Financial investments classified as fixed assets		
Financial assets that have been fair valued through profit or loss		
Other long-term holdings of securities	52	115
Investments held to maturity	213	196
Total	**265**	**311**
Short-term investments classified as current assets		
Financial assets that have been fair valued through profit or loss		
Interest-bearing securities	24	
Investments held to maturity	129	113
Total	**153**	**113**

The valuation principles applied in 2005 differ from those used in 2004 because of the introduction of IAS 39, Financial instruments, which meant that financial investments were not market valued in 2004.

Book value	2005	2004
Other long-term holdings of securities include:		
Unlisted securities		
Tuborg Nord B[1]	12	78
Other, unlisted	40	36
Total	**52**	**115**

1) Portions of the Tuborg Nord B holding were sold during 2005.

NOTE 29 FINANCIAL FIXED ASSETS

PARENT COMPANY, 2005	Participations in Group companies	Receivables, Group companies	Participations in associated companies and joint ventures	Receivables from associated companies and joint ventures	Other long-term securities	Other long-term receivables	Total
Reported acquisition value on January 1	**12,905**	**189**	**448**	**45**	**7**	**413**	**14,007**
Assets added	99	6	1	3			109
Transferred within the Group	194						194
Reclassifications	–6		–6				–12
Assets removed	–9	–170		–9		–190	–378
Translation difference during the year						1	1
Reported acquisition value on December 31	**13,183**	**25**	**443**	**39**	**7**	**224**	**13,921**
Accumulated write-ups on January 1	**268**						**268**
Accumulated write-ups on December 31	**268**						**268**
Accumulated impairment losses on January 1	**–6,089**		**–282**	**–3**		**–4**	**–6,378**
Assets removed	5			2			7
Reclassifications	2		6				8
Impairment losses during the year	–776						–776
Accumulated impairment losses on December 31	**–6,858**		**–276**	**–1**		**–4**	**–7,139**
Residual value on December 31	**6,593**	**25**	**167**	**38**	**7**	**220**	**7,050**

PARENT COMPANY, 2004	Participations in Group companies	Receivables, Group companies	Participations in associated companies and joint ventures	Receivables from associated companies and joint ventures	Other long-term securities	Other long-term receivables	Total
Reported acquisition value on January 1	**12,895**	**167**	**447**	**24**	**116**	**326**	**13,975**
Assets added	10	46	12	21	2	99	190
Transferred within the Group			6			–15	–9
Reclassifications		–5	–17			3	–19
Assets removed		–19			–111		–130
Reported acquisition value on December 31	**12,905**	**189**	**448**	**45**	**7**	**413**	**14,007**
Accumulated write-ups on January 1	**268**						**268**
Accumulated write-ups on December 31	**268**						**268**
Accumulated impairment losses on January 1	**–5,012**		**–287**				**–5,299**
Transferred within the Group	135						135
Assets removed	1						1
Reclassifications			10			–4	6
Impairment losses during the year	–1,213		–5	–3			–1,221
Accumulated impairment losses on December 31	**–6,089**		**–282**	**–3**		**–4**	**–6,378**
Residual value on December 31	**7,084**	**189**	**166**	**42**	**7**	**409**	**7,897**

NOTE 30 LONG-TERM RECEIVABLES AND OTHER RECEIVABLES

GROUP	2005	2004
Long-term receivables classified as fixed assets		
Receivables from associated companies and joint ventures	36	20
Receivables from sales of property and housing projects	223	444
Pension receivable, net	403	219
Derivatives held for hedging purposes	13	
Other long-term receivables	241	58
Long-term receivables classified as fixed assets	**916**	**741**
Long-term receivables classified as current assets		
Receivables from associated companies and joint ventures	59	40
Receivables from sales of property and housing projects	842	993
Advance payments to suppliers	18	11
Other current receivables	429	636
Long-term receivables classified as current assets	**1,348**	**1,680**

NOTE 31 TAX ON NET PROFIT FOR THE YEAR AND DEFERRED TAX ASSETS AND DEFERRED TAX LIABILITIES

	Group		Parent Company	
	2005	2004	2005	2004
Tax on net profit for the year				
Current tax cost	–329	–403	–125	–299
Deferred tax cost/revenue	–64	334	–151	63
Total reported tax on net profit for the year	**–393**	**–68**	**–276**	**–236**

EFFECTIVE TAX	Group 2005 Tax, %	Group 2005 Profit	Group 2004 Tax, %	Group 2004 Profit	Parent Company 2005 Tax, %	Parent Company 2005 Profit	Parent Company 2004 Tax, %	Parent Company 2004 Profit
Pretax profit		**1,580**		**945**		**1,608**		**953**
Tax according to Company's current tax rate	–28	–445	–28	–264	–28	–450	–28	–267
Effect of other tax rates for non-Swedish companies	3	43	3	33				
Impairment loss, Group goodwill	–1	–16	–2	–30				
Other non-tax-deductible costs	–9	–145	–10	–95	–22	–361	–42	–397
Non-taxable revenues	3	41	16	157	31	492	60	572
Tax effect resulting from utilization of non-capitalized tax loss carryforwards	2	32	10	97				
Tax attributable to prior years	6	99	3	28	3	45	–15	–145
Other		–1		6		–1		1
Reported tax	**–25**	**–393**	**–7**	**–68**	**–17**	**–276**	**–25**	**–236**

Tax items reported directly against shareholders' equity

	Group		Parent Company	
	2005	2004	2005	2004
Deferred tax attributable to changed accounting principles	9	–2		
Deferred tax in Group contributions received /granted			–150	73
Other	–6			
Total	**3**	**–2**	**–150**	**73**

Change in deferred tax in temporary differences and tax loss carryforwards

	Group		Parent Company	
	2005	2004	2005	2004
Opening value	141	–219	294	230
Acquisition of subsidiaries	24	4		
Total reported tax on net profit for the year	–64	324	–151	63
Tax items reported directly against shareholders' equity	3	–2		
Translation differences	25	4		
Other	2	31		
Total	**131**	**142**	**142**	**294**

GROUP	Assets 2005	Assets 2004	Liabilities 2005	Liabilities 2004	Net 2005	Net 2004
Tangible fixed assets	99	82			99	82
Financial fixed assets			–10	–3	–10	–3
Non-completed projects			–532	–433	–532	–433
Properties held for future development		10	–19		–19	10
Provisions	444	324	–49	–344	394	–20
Personnel benefits/Pension provisions	47	50	–111	–56	–64	–6
Tax loss carryforwards	230	432			230	432
Other	75	101	–43	–20	33	81
Deferred tax asset/deferred tax liability	**896**	**998**	**–765**	**–856**	**131**	**142**
Offsetting	–566	–376	566	376		
Net tax asset/deferred tax liability	**330**	**622**	**–199**	**–481**	**131**	**142**

The deferred tax assets and deferred tax liabilities are offset when this is possible in view of the particular country's tax legislation.
As a result of the co-taxation system introduced in Denmark in 2005, deferred tax assets can now be offset against liabilities, which was not previously possible.

PARENT COMPANY	Assets 2005	Assets 2004	Liabilities 2005	Liabilities 2004	Net 2005	Net 2004
Financial fixed assets				–1		–1
Provisions	136	95			136	95
Personnel benefits/Pension provisions	7	8			7	8
Tax loss carryforwards		191				191
Deferred tax asset/deferred tax liability	**142**	**294**			**142**	**294**
Offsetting		–1		1		
Net tax asset/deferred tax liability	**142**	**293**		**1**	**142**	**294**

Temporary differences between the book and taxable value of directly owned participations do not normally arise for participations held as business assets in Swedish companies. Nor is this likely for the participations owned by NCC companies in other countries.

Within the Group, there are also non-capitalized tax loss carryforwards corresponding to SEK 1.5 billion (2.1). These mainly derive from operations conducted outside Sweden, primarily in Germany, and are not expected to be utilized to offset future profits.

All of the tax loss carryforwards in the Parent Company are capitalized.

NOTE 32 PROPERTIES CLASSED AS CURRENT ASSETS

GROUP, 2005	Properties held for future development	Ongoing property projects	Completed property projects	Total property development projects[2]	Properties held for future development, housing	Unsold completed housing	Total housing projects[3]	Participations in associated companies	Total
Reported acquisition value on January 1	**1,585**	**63**	**770**	**2,418**	**3,012**	**1,144**	**4,156**	**18**	**6,592**
Investments	484	111	31	626	2,076	64	2,140		2,766
Increase through company acquisitions					81		81		81
Divestment and scrappage	–422	–143	–200	–765	–1 463	–340	–1,803		–2,568
Decrease through company divestments					–25		–25		–25
Reclassifications	–88	2	28	–58	–718	15	–703	–18	–779
Translation difference during the year	57	1	26	84	80	32	112		196
Reported acquisition value on December 31	**1,616**	**34**	**655**	**2,305**	**3,043**	**915**	**3,958**		**6,263**
Accumulated impairment losses and depreciation on January 1	**–211**		**–102**	**–313**	**–61**	**–90**	**–151**	**–18**	**–482**
Divestment and scrappage	50		6	56	3	71	74		130
Reclassifications	34			34	4		4	18	56
Translation difference during the year	–2		–4	–6	–1		–1		–7
Reversal of impairment losses	4			4					4
Impairment losses during the year [4]	–4		–71	–75					–75
Accumulated impairment losses and depreciation on December 31 [1]	**–129**		**–171**	**–300**	**–55**	**–19**	**–74**		**–374**
Residual value on January 1	**1,374**	**63**	**668**	**2,105**	**2,951**	**1,054**	**4,005**		**6,110**
Residual value on December 31	**1,487**	**34**	**484**	**2,005**	**2,988**	**896**	**3,884**		**5,889**
Tax assessment value of fixed assets in Sweden									
– Buildings	33			33	181	19	200		233
– Land	48			48	307	15	322		370
Book value of fixed assets in Sweden with tax assessment values	**290**			**290**	**1,290**	**73**	**1,363**		**1,653**
[1] Accumulated impairment losses at year-end	–87		–171	–258	–54	–19	–73		–331

[2] Pertains to properties classed as current assets reported in NCC Property Development.

[3] Pertains to properties classed as current assets reported in NCC Construction Sweden, NCC Construction Denmark, NCC Construction Finland, NCC Construction Norway and NCC Construction Germany.

[4] Impairment losses are included in "Production costs" in the income statement.

Ongoing housing projects are reported under inventories and worked-up, not invoiced; see Notes 33 and 34, respectively.

GROUP, 2004	Properties held for future development	Ongoing property projects	Completed property projects	Total property development projects[2]	Properties held for future development, housing	Unsold completed housing	Total housing projects[3]	Participations in associated companies	Total
Reported acquisition value on January 1	**2,244**	**1,134**	**1,905**	**5,283**	**2,168**	**1,398**	**3,566**		**8,849**
Investments	221	167	50	438	1,741	179	1,920		2,358
Increase through company acquisitions					–9	29	20		20
Divestment and scrappage	–830	–866	–1,568	–3,264	–80	–308	–388		–3,652
Decrease through company divestments					–1,210		–1,210		–1,210
Reclassifications	–58	–372	382	–48	419	–153	266	18	236
Translation difference during the year	8		1	9	–17	–1	–18		–9
Reported acquisition value on December 31	**1,585**	**63**	**770**	**2,418**	**3,012**	**1,144**	**4,156**	**18**	**6,592**
Accumulated impairment losses and depreciation on January 1	**–540**	**–293**	**–77**	**–910**	**–56**		**–56**		**–966**
Divestment and scrappage	361	250	2	613	9		9		622
Reclassifications	–2	43	–42	–1		–90	–90	–18	–109
Translation difference during the year			4	4	–1		–1		3
Reversal of impairment losses			30	30	6		6		36
Impairment losses during the year [4]	–30		–19	–49	–19		–19		–68
Accumulated impairment losses and depreciation on December 31 [1]	**–211**		**–102**	**–313**	**–61**	**–90**	**–151**	**–18**	**–482**
Residual value on January 1	**1,704**	**841**	**1,827**	**4,372**	**2,112**	**1,398**	**3,510**		**7,882**
Residual value on December 31	**1,374**	**63**	**668**	**2,105**	**2,951**	**1,054**	**4,005**		**6,110**
Tax assessment value of fixed assets in Sweden									
– Buildings	68		13	81	227	32	259		340
– Land	85		3	88	360	22	382		470
Book value of fixed assets in Sweden with tax assessment values	**318**		**88**	**406**	**1,320**	**125**	**1,445**		**1,851**
[1] Accumulated impairment losses at year-end.	–165		–102	–267	–59	–90	–149	–18	–434

[2] Pertains to properties classed as current assets reported in NCC Property Development.

[3] Pertains to properties classed as current assets reported in NCC Construction Sweden, NCC Construction Denmark, NCC Construction Finland, NCC Construction Norway and NCC Construction Germany.

[4] Impairment losses are included in "Production costs" in the income statement.

Ongoing housing projects are reported under inventories and worked-up, not invoiced; see Notes 33 and 34, respectively.

NOTE 32 cont. PROPERTIES CLASSED AS CURRENT ASSETS

PARENT COMPANY	2005 Properties held for future development, housing	2005 Unsold completed housing	2005 Total housing projects	2004 Properties held for future development, housing	2004 Unsold completed housing	2004 Total housing projects
Reported acquisition value on January 1	**480**	**464**	**944**	**638**	**586**	**1,224**
Investments	29	51	80	39	158	197
Divestment and scrappage	–16	–293	–309	–63	–234	–297
Reclassifications	–100	–130	–230	–134	–46	–180
Reported acquisition value on December 31	**393**	**92**	**485**	**480**	**464**	**944**
Accumulated impairment losses on January 1	**–32**	**–89**	**–121**	**–24**		**–24**
Divestment and scrappage	2	70	72	10		10
Reclassifications	4		4	1	–89	–88
Impairment losses during the year [1]				–19		–19
Accumulated impairment losses on December 31	**–26**	**–19**	**–45**	**–32**	**–89**	**–121**
Residual value on January 1	**448**	**375**	**823**	**614**	**586**	**1,200**
Residual value on December 31	**367**	**73**	**440**	**448**	**375**	**823**
Tax assessment value of facilities in Sweden						
– Buildings	150	19	169	75	32	107
– Land	243	15	258	268	22	290
Book value of facilities in Sweden with tax assessment values	**366**	**73**	**439**	**448**	**125**	**573**

[1] Included in the "Impairment losses" row in the income statement.

NOTE 33 MATERIALS AND INVENTORIES

	Group 2005	Group 2004	Parent Company 2005	Parent Company 2004
Aggregates	346	304		
Building materials	82	63	1	1
Unsold portion of ongoing housing projects based on ownership right	511	340		
Other	74	242		
Total	**1,013**	**949**	**1**	**1**

NOTE 34 WORKED-UP, NON-INVOICED REVENUES

GROUP	2005	2004
Worked-up revenues from non-completed contracts	8,442	7,757
Invoicing for non-completed contracts	–5,704	–4,759
Total	**2,738**	**2,998**

NOTE 35 SHARE CAPITAL

Changes in share capital		Number of shares	Share capital, SEK M
1988	Start of year	6,720,000	672
	Split, 1:4	20,160,000	–
	Directed placement in connection with the acquisition of ABV	16,259,454	407
1991	Conversions of debentures	1,449,111	36
1993	Conversions of debentures	468,928	11
	Directed placements in connection with purchase of minority-held NK shares	1,838,437	46
1994	New issue	19,841,991	496
	Conversions of debentures	13,394,804	335
1997	Directed placements, in connection with the acquisition of Siab	28,303,097	708
2004	Reduction of share capital[1]		–1,844
2005	**End of year**	**108,435,822**	**867**

[1] The par value was changed from SEK 25 to SEK 8.

Holdings of Series B shares		Number of shares
2000	Repurchases	2,775,289
2001	Repurchases	699,300
2002	Repurchases	2,560,800
2003	Repurchases	3
2005	Sale	–4,840,998
2005	**End of year**	**1,194,394**

The share capital is divided into 108,435,822 shares with a par value of SEK 8 each.

During 2005, 2,368,005 (3,187,942) Series A shares were converted into Series B shares.

NOTE 35 cont. SHARE CAPITAL

The shares are distributed as follows by class:

	Series A	Series B	Total
Number of shares	52,483,878	55,951,944	108,435,822

Series A shares carry ten voting rights each and Series B shares carry one voting right.

NOTE 36 INTEREST-BEARING LIABILITIES

GROUP	2005	2004
Long-term liabilities		
Liabilities to credit institutions	1,733	3,098
Financial lease liabilities	176	173
Other long-term loans	95	214
Total	**2,004**	**3,485**
Current liabilities		
Current portion of liabilities to credit institutions	978	1,142
Other current liabilities	74	45
Total	**1,052**	**1,187**
Total interest-bearing liabilities	**3,056**	**4,672**

For repayment schedules and terms and conditions, see Note 39.

Financial leasing

For information on payment schedules for financial leasing liabilities, also see Note 44.

PARENT COMPANY	2005	2004
Long-term liabilities		
Liabilities to credit institutions	826	831
Group companies	923	688
Other	14	18
Total	**1,764**	**1,537**
Current liabilities		
Current portion of liabilities to credit institutions	5	5
Associated companies	2	1
Group companies	309	601
Other current liabilities	12	9
Total	**327**	**616**
Total interest-bearing liabilities	**2,091**	**2,153**

NOTE 37 PROVISIONS

GROUP, 2005	Pensions	Taxes	Guarantees	Other	Total
On January 1	180	481	878	805	2,344
Provisions during the year		156	281	172	312
Amount utilized during the year	–46	–113	–135	–137	–134
Reversed, unutilized provisions	–2	–4	–72	–81	–159
Via sold companies		–3	–1	–53	–57
Reclassification	–2	–345	–16	7	–356
Translation differences	13	26	18	–54	3
On December 31	**143**	**199**	**952**	**659**	**1,953**

GROUP, 2004	Pensions	Taxes	Guarantees	Other	Total
On January 1	171	715	602	870	2,151
Provisions during the year	7	32	350	105	520
Amount utilized during the year		–243	–131	–91	–284
Reversed, unutilized provisions		–71	–36	–31	–138
Via acquired companies		1	2		3
Via sold companies		–2		–6	–8
Reclassification	2	49	89	–74	66
Translation differences			2	32	34
On December 31	**180**	**481**	**878**	**805**	**2,344**

PARENT COMPANY, 2005	Pensions	Guarantees	Other	Total
On January 1	18	370	37	425
Provisions during the year		120	21	141
Amount utilized during the year	–4		–32	–36
Reclassification			37	37
On December 31	**14**	**490**	**63**	**567**

PARENT COMPANY, 2004	Pensions	Guarantees	Other	Total
On January 1	18	301	81	400
Provisions during the year		69	36	105
Amount utilized during the year			–15	–15
Reversed, unutilized provisions			–32	–32
Reclassification			–33	–33
On December 31	**18**	**370**	**37**	**425**

Specification of other provisions

	Group		Parent Company	
	2005	2004	2005	2004
Guarantee commitments	952	878	490	370
Provision for proprietary housing projects, recognized profit	4	153		
Restoration reserve	130	112		
Other	525	540	63	37
Other provisions	659	805	63	37
Total	**1,611**	**1,683**	**553**	**407**

Guarantee commitments

Guarantee provisions pertain to anticipated future costs. To estimate a future guarantee cost, individual assessments are made from project to project. Standard percentage rates are used for the calculation of the size of the future cost, whereby the standard percentage is varied depending on the nature of the project. In order to eliminate various risks, a provision for guarantee claims is posted at the rate at which the risks are expected to arise after having been identified. Initially, the guarantee cost is posted for each project. This means that the cost can be recognized and booked gradually for each project. The longest maturity for a guarantee provision is ten years, while most of them are for two years.

Provision for proprietary housing projects, recognized profit

For the proprietary housing projects, provisions are posted for the difference between completed projects and the profit-recognition principle that entails that only profit corresponding to the completion rate multiplied by the sales rate should be recognized.

NOTE 37 cont. PROVISIONS

Restoration reserve

The restoration reserve is mainly attributable to NCC Roads and its activities. The provisions are intended to cover future costs for restoring pits used to mine gravel and aggregates. The provisions are posted continuously, once the future costs have been identified. Accordingly, the reserves are utilized at the same rate as restoration needs arise.

Other

The provisions consist of additional costs and for uncertainty in projects, such as outstanding disputes and legal matters. Part of the provisions is intended to cover losses that arise in operations and is utilized gradually as the project is worked up.

NOTE 38 EMPLOYEE BENEFITS

Pension costs

GROUP	2005	2004
Defined-benefit plans		
Cost of pensions earned during the year	102	106
Interest expense	112	104
Anticipated return on plan assets	–150	–121
Actuarial gains (–) and losses (+) reported during the year	9	
Losses (+) or gains (–) on reductions and payments	–2	–17
Total cost of defined-benefit plans	**71**	**72**
Total cost of defined-contribution plans	**578**	**579**
Payroll taxes and return tax	**90**	**124**
Total cost of remuneration after terminated employment	**739**	**775**

The entire cost during the year of remuneration after terminated employment is included in operating profit.

NCC secures commitments for disability pensions and family pensions for white-collar employees in Sweden through insurance in Alecta. According to a statement from the Financial Accounting Standards Council's Emerging Issues Task Force, URA 42, this constitutes a defined-benefit plan that covers several employers. For the 2005 fiscal year, NCC did not have access to the type of information required for reporting these plans as defined-benefit plans. Accordingly, the ITP (individual supplementary pension) plans that are secured through insurance in Alecta are reported as a defined-contribution plan. In 2005, the contributions for pension insurance arranged by Alecta amounted to SEK 65 M (66). Alecta's surplus may be distributed to the policyholders and/or the insured. At the end of 2005, Alecta's surplus in the form of its collective solvency rate amounted to 128.5 percent (128.0). The collective solvency rate consists of the market value of Alecta's assets as a percentage of its insurance obligations, calculated in accordance with Alecta's actuarial accounting assumptions, which do not comply with IAS 19.

The reductions pertain to the current year's effect of the Finnish TEL pension plan, which following a legal amendment in Finland partly changed character from a defined-benefit to a defined-contribution plan.

Defined-benefit obligations and the value of plan assets

GROUP	2005	2004
Obligations secured in full or in part in funds:		
Present value of defined-benefit obligations	2,920	2,352
Fair value of plan assets	2,631	2,115
Net value of obligations funded in full or in part	289	237
Adjustments:		
Accumulated non-reported actuarial gains (+) and losses (–)	–542	–312
Net obligation	**–253**	**–75**
Special payroll tax/employer contributions	**–7**	**36**
Net amount in balance sheet (obligation +, asset –)	**–260**	**–39**
Net amount is reported in the following balance-sheet items:		
Financial fixed assets	–403	–219
Provisions for pensions and similar obligations	143	180
Net amount in balance sheet (obligation +, asset –)	**–260**	**–39**
Net amount is distributed among plans in the following countries:		
Sweden	–376	–155
Norway	116	114
Finland		2
Net amount in balance sheet (obligation +, asset –)	**–260**	**–39**

NOTE 38 cont. EMPLOYEE BENEFITS

Reconciliation of net liability for pensions in the balance sheet

GROUP	2005	2004
Net amount in the balance sheet at the beginning of the fiscal year (obligation +, asset –)	–39	88
Cost of defined-benefit plans	71	72
Payment of remuneration	–29	–6
Compensation	3	
Receipts of contributions from the company (–)	–240	–212
Effects of acquired/divested operations	3	–17
Redemption of obligations	–1	–1
Exchange-rate differences	10	1
Correction of preceding year's payroll tax	–38	
Net obligation	**–260**	**–75**
Special payroll tax/Employer contributions		**36**
Net amount in balance sheet, December 31 (obligation +, asset –)	**–260**	**–39**

Return on plan assets

GROUP	2005	2004
Fair value of plan assets	200	134
Anticipated return on plan assets	150	121
Non-reported actuarial result for plan assets during the year (gain +)	**50**	**13**

Actuarial assumptions

Weighted average value, %	2005	2004
Discount interest rate	4,1	4,9
Anticipated return on plan assets	6,7	6,6
Future salary increases	3,1	3,3
Future pension increases	2,1	2,3
Anticipated inflation	2,1	2,1

Pension liability according to the balance sheet

	Group		Parent Company	
	2005	2004	2005	2004
Provision for pensions, other	143	180	14	18

NOTE 39 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

Finance policy (principles for risk management)

Through its business operations, the Group is exposed to financial risks. These financial risks are interest-rate, credit, liquidity, and currency risks. NCC's finance policy for managing financial risks was decided by NCC's Board of Directors and forms a framework of guidelines and rules in the form of risk mandates and limits for finance activities.

Within the NCC Group's decentralized organization, finance activities are centralized to NCC Corporate Finance in order to monitor the Group's overall financial risk positions, to achieve cost efficiency and economies of scale and to accumulate expertise, while protecting Group-wide interests. Within NCC, risks associated with the Group's exchange and interest rates and liquidity are managed by NCC's internal bank, NCC Treasury AB. Credit risks related to customers are managed by each particular business area.

Contractual condition

NCC has a covenant in the form of the debt/equity ratio that is linked to a credit facility of EUR 200 M concluded with a bank syndicate, with a remaining term to maturity of about four years.

Interest-rate risks

The interest-rate risk is the risk that changes in interest rates will adversely affect NCC's net interest items and/or cash flow. NCC's main financing sources are shareholders' equity, cash flow from operating activities and borrowing. Interest-bearing borrowing exposes the Group to an interest-rate risk. NCC's finance policy stipulates guidelines governing the average maturity of borrowing. NCC aims for a good balance between long and short periods of fixed interest. If the interest terms of available borrowing vehicles are not compatible with the desired structure for NCC's loan portfolio, interest swaps are the main instruments used to adapt the structure. At the end of 2005, NCC's interest-bearing liabilities amounted to SEK 3,153 M (4,704) and the average maturity was 1.1 years (1.3).

Credit risks

NCC's investment regulations for financial investments are reviewed continuously and characterized by caution. The policy is that no credit losses be incurred within operations.

Liquidity risks

To achieve adequate flexibility and cost efficiency, the Group's access to funds consists essentially of committed lines of credit. On December 31, the volume of unutilized committed lines of credit amounted to SEK 3.1 billion. Available cash and cash equivalents are invested in banks or interest-bearing instruments with good credit ratings and liquid secondary markets. At year-end, the Group's cash and cash equivalents amounted to SEK 1.9 billion. Access to funds on December 31 corresponded to 10 percent of sales.

Currency risks

The currency risk is the risk that changes in exchange rates will adversely affect the consolidated income statement, balance sheet or cash flow statement. NCC's operational net transaction exposure was not significant in 2005. In accordance with the finance policy, transaction exposure must be eliminated as soon as it becomes known, mainly by using currency forward contracts. Exposure affecting financial flows, such as loans and investments, is mainly hedged by means of currency swaps.

The NCC Group's currency derivatives on December 31, 2005 were distributed as follows by currency. All contracts mature during 2006. The stated values include underlying principals.

Loan portfolio, December 31, 2005 (including swaps)

	SEK and foreign currencies		SEK and foreign currencies			SEK	
	Amortization		Fixed-interest loans during period		Average	Fixed-interest loans	Average
MATURITY	SEK M	Percentage	SEK M	Percentage	interest rate	during period, SEK M	interest rate
2006	1,052	34	2,594	82	4.8	1,582	4.9
2007	270	9	207	7	4.6	118	5.3
2008	675	21	93	3	5.9	55	5.0
2009	4		212	7	4.1		
2010	918	29					
2011–	234	7	47	1	3.6	–12	5.6
Interest-bearing liabilities	**3,153**	**100**	**3,153**	**100**	**4.8**	**1,743**	**4.9**
Cash and cash equivalents	1,919		1,919			698	
Interest-bearing receivables	738		738			673	
Net indebtedness	**496**		**496**			**372**	

NOTE 39 cont. FINANCIAL INSTRUMENT

Currency forward contracts at December 31, 2005

Counter-value at year-end rate in SEK M	2005	2004
Sell DKK	–2,014	–2,253
Sell EUR	–3,049	–2,498
Sell LTL		–32
Sell NOK	–813	–817
Sell PLN	–682	–928
Sell SGD	–155	–126
Sell USD	–60	–65
Sell total	**–6,773**	**–6,719**
Buy DKK	144	231
Buy EUR	87	504
Buy NOK	20	184
Buy PLN	20	243
Buy SGD		61
Buy USD	30	3
Buy total	**301**	**1,226**
Net	**–6,472**	**–5,493**

Market financing programs

NCC has established the following investor-related market financing programs:

- Commercial Paper (CP) program in Finland with a limit of EUR 300 M
- Commercial Paper program in Sweden with a limit of SEK 3,000 M
- Medium Term Note (MTN) in Sweden with a limit of SEK 3,000 M
- Serial loan under MTN documentation (Top-issue) with a limit of EUR 100 M

On December 31, 2005, SEK 0 M of the CP programs and SEK 375 M of the MTN and Tap issue-programs had been utilized. Of NCC's total interest-bearing liabilities, investor-related loans accounted for 16 percent.

Book value and fair value of interest-bearing financial instruments

The book value and the fair value of interest-bearing financial instruments are presented in the table below. Interest-free financial instruments, such as accounts payable and accounts receivable, are reported at fair value and are not included in the table.

Official market quotations on the balance-sheet date are used for establishing the fair value.

The fair value of currency derivatives is calculated by means of a valuation of the interest-rate margin on the remaining maturity. Discounted cash flow is used for calculating the fair value of interest-rate swaps. The discount interest rate is the market-based interest rate for similar instruments at year-end.

Book value and fair value of interest-bearing financial instruments

	2005		2004	
GROUP SEK M	Book value	Fair value	Book value	Fair value
Other long-term holdings of securities	213	214	196	204
Long-term receivables	293	293	454	454
Long-term receivables, interest swaps	13	13		
Other receivables	80	80	277	277
Current receivable, currency derivatives	44	44		
Short-term investments	153	153	113	115
Cash and cash equivalents	1,919	1,919	2,483	2,483
Assets	**2,715**	**2,716**	**3,523**	**3,533**
Less book value of:				
– interest swaps	–13			
– currency derivatives	–44			
Book value of interest-bearing assets	**2,658**	**2,716**	**3,523**	**3,533**
Long-term interest-bearing liabilities[1]	2,004	2,004	3,485	3,485
Long-term liabilities, interest swaps	11	11		
Provisions for pensions, and similar obligations	97	97	32	32
Current liabilities, interest-bearing	1,052	1,052	1,187	1,187
Current liabilities, interest swaps	8	8	22	56
Current liabilities, currency derivatives	54	54	21	34
Liabilities	**3,226**	**3,226**	**4,747**	**4,794**
Less book value of:				
– accrued interest	–19		–22	
– currency derivatives	–54		–21	
Book value of interest-bearing liabilities	**3,153**	**3,226**	**4,704**	**4,794**

1) Repayment of SEK 800 M (800) from NCC's Pension Foundation is included.

NOTE 39 cont. FINANCIAL INSTRUMENT

Book value and fair value of interest-bearing financial instruments

	2005		2004	
PARENT COMPANY	Book value	Fair value	Book value	Fair value
Long-term receivables	75	75	154	154
Other receivables	360	360	644	644
Short-term investments, NCC's internal bank	2,769	2,769	2,735	2,735
Cash and cash equivalents, NCC's internal bank	845	845	823	823
Cash and cash equivalents, external cash and bank balances	18	18	20	20
Current receivable, interest swaps		1		1
Current receivable, currency derivatives	21	21	9	7
Assets	**4,088**	**4,089**	**4,385**	**4,384**
Less book value of:				
– currency derivatives	–21		–9	
Book value of interest-bearing assets	**4,067**	**4,089**	**4,376**	**4,384**
Long-term interest-bearing liabilities[1]	1,750	1,750	1,519	1,519
Provisions for pensions, and similar obligations	14	14	18	18
Current liabilities, interest-bearing	327	327	616	616
Current liabilities, interest swaps				1
Current liabilities, currency derivatives	2	2		
Liabilities	**2,093**	**2,093**	**2,153**	**2,154**
Less book value of:				
– currency derivatives	–2			
Book value of interest-bearing liabilities	**2,091**	**2,093**	**2,153**	**2,154**

1) Repayment of SEK 800 M (800) from NCC's Pension Foundation is included.

NOTE 40 PROJECT INVOICING, NOT YET WORKED-UP

GROUP	2005	2004
Invoicing on non-concluded contracts	23,355	23,480
Accrued revenues from non-concluded contracts	–18,988	–19,105
Total	**4,367**	**4,375**

NOTE 41 OTHER LIABILITIES

GROUP	2005	2004
Other long-term liabilities		
Liabilities to associated companies	19	3
Derivative instruments held for hedging	11	
Other long-term liabilities	362	340
Total	**392**	**343**
Other current liabilities		
Advance payments from customers	307	268
Liabilities to associated companies	61	41
Derivative instruments held for hedging	61	
Other current liabilities	2,106	2,074
Total	**2,535**	**2,383**

NOTE 42 WORK IN PROGRESS ON ANOTHER PARTY'S ACCOUNT AND NET SALES

PARENT COMPANY	2005	2004
Invoicing excluding withheld amount	13,627	13,476
Withheld amount	199	202
Total invoicing	**13,826**	**13,678**
Costs incurred excluding reserve for losses	–11,943	–11,858
Reserve for losses	88	110
Total costs incurred	**–11,855**	**–11,748**
Total work in progress on another party's account	**1,971**	**1,930**
Profit-recognized invoicing		
Invoicing during the year	18,155	16,069
Invoiced but not recognized as profit on January 1	13,678	14,664
Less: Invoiced but not recognized as profit on December 31	–13,826	–13,678
Total revenues	**18,007**	**17,055**

NOTE 43 ACCRUED EXPENSES AND PREPAID INCOME

	Group 2005	Group 2004	Parent Company 2005	Parent Company 2004
Salary-related costs	1,315	1,228	775	750
Financial expense	23	84		1
Prepaid rental revenues	6	43	3	5
Project-related costs	1,426	1,308	214	220
Administrative costs	239	176	5	11
Guarantee costs	58	12		
Operating and sales costs	108	100		
Other expenses	96	354	52	70
Total	**3,271**	**3,305**	**1,049**	**1,057**

NOTE 44 LEASING

In Finland, Norway and Denmark, framework agreements have been concluded for the operational leasing of cars and light goods vehicles, including relating administrative services. The agreements are based on variable interest rates. A separate agreement is required for the acquisition of leased objects and the extension of leasing agreements.

In Sweden, framework agreements have been concluded for the financial leasing of cars and light goods vehicles. The agreements are based on variable interest rates. NCC recommends purchasers and leasing agreements for individual vehicles can be extended.

Within NCC Roads, framework agreements have been concluded for the operational leasing of production equipment for road maintenance operations. The agreements are based on variable interest rates and pertain to Sweden, Norway, Denmark and Finland.

During the year, NCC AB took over an operational leasing agreement on a property in Norway that runs until December 31, 2011. The property is leased to a number of other tenants on operational leasing contracts.

Financial leasing

GROUP	2005	2004
Financial lessor		
Leasing contracts that expire:		
Later than one year but earlier than five years	31	
Later than five years		35
Financial lessee		
Leasing contracts that expire:		
Within one year	30	43
Later than one year but earlier than five years	159	131
Later than five years		24
Future minimum leasing fees		
Within one year	33	37
Later than one year but earlier than five years	180	127
Later than five years		41
Present value of future leasing fees:		
Within one year	31	36
Later than one year but earlier than five years	170	112
Later than five years		35
Reconciliation of future leasing fees and their present value:		
Future minimum leasing fees	213	205
Less interest charge	–12	–21
Present value of future minimum leasing fees	**201**	**184**
Variable fees included in net profit for the year: Interest		
Leased machinery and equipment	4	5
Leased buildings	2	2
Total	**6**	**7**

Operational leasing

	Group 2005	Group 2004	Parent Company 2005	Parent Company 2004
Operational lessor				
Future minimum leasing fees – lessor (leased premises)				
Distributed by maturity period:				
Within one year	6	17	2	
Later than one year but earlier than five years	56	73		
Later than five years	323	300	40	32

NOTE 44 cont. LEASING

	Group 2005	Group 2004	Parent company 2005	Parent company 2004
Operational lessee				
Future minimum leasing fees – lessee				
Leasing contracts that expire:				
Within one year	410	315	7	1
Later than one year but earlier than five years	580	553	19	27
Later than five years	274	288	29	
The year's cost for operational leasing amounts to	433	312	12	10

NOTE 45 TRANSACTIONS WITH RELATED COMPANIES

The main companies that are closely related to NCC are the Nordstjernan Group, companies in the Lundberg Group, associated companies and joint ventures.

Transactions involving NCC's associated companies and joint ventures were of a production nature.

The transactions were conducted on a purely commercial basis.

GROUP	2005	2004
Transactions with associated companies and joint ventures		
Sales to associated companies and joint ventures	106	74
Purchases from associated companies and joint ventures	68	18
Long-term receivables from associated companies and joint ventures	36	20
Current receivables from associated companies and joint ventures	68	53
Interest-bearing liabilities to associated companies and joint ventures	24	22
Current liabilities to associated companies and joint ventures	89	46
Transactions with the Nordstjernan sphere		
Sales to Nordstjernan Group	6	
Purchases from Nordstjernan Group	293	
Current receivables from Nordstjernan Group	1	
Current liabilities to Nordstjernan Group	11	
NCC administers the payment of salaries on behalf of Nordstjernan Invoicing amounted to approximately SEK 0.1 M		
Transactions with the Axel Johnson Group		
Sales to the Axel Johnson Group	13	
Transactions with the Lundbergs sphere		
Sales to the Lundbergs sphere	59	29
Interest income from the Lundbergs sphere		4
Current receivables from the Lundbergs sphere	11	98

PARENT COMPANY	2005	2004
Transactions with Group companies		
Sales to Group companies	173	2,208
Purchases from Group companies	522	486
Interest income from Group companies	62	75
Interest expense to Group companies	35	57
Dividend from Group companies	1,420	2,040
Long-term receivables from Group companies	25	189
Current receivables from Group companies	4,065	4,311
Interest-bearing liabilities to Group companies	1,232	1,289
Current liabilities to Group companies	1,591	1,871
Contingent liabilities to Group companies	11,960	13,427
Transactions with associated companies and joint ventures		
Sales to associated companies and joint ventures	51	7
Purchases from associated companies and joint ventures	64	20
Long-term receivables from associated companies and joint ventures	38	42
Current receivables from associated companies and joint ventures	10	23
Interest-bearing liabilities to associated companies and joint ventures	2	1
Current liabilities to associated companies and joint ventures	27	2
Contingent liabilities to associated companies and joint ventures	8	

NOTE 46 PLEDGED ASSETS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

	Group 2005	Group 2004	Parent Company 2005	Parent Company 2004
Pledged assets				
For own liabilities:				
Property mortgages		73		
Chattel mortgages	12	16		
Promissory note receivables	17	17		
Assets with attached liens, etc.	176	167		
Restricted bank deposits	92	86	14	12
Total pledged assets	**297**	**359**	**14**	**12**
Contingent liabilities				
Own contingent liabilities:				
Guarantees on behalf of Group companies			11,960	13,427
Deposits and concession fees	2,917	2,545	2,917	2,489
Construction loans	1,562	1,708	1,463	1,491
Sureties				
Other guarantees and contingent liabilities	1,365	1,497	837	1,193
Held jointly with other companies:				
Liabilities in consortiums, partnerships and limited partnerships	98	61	15	238
Total contingent liabilities	**5,942**	**5,811**	**17,192**	**18,838**

There are no contingent assets.

In March 2003, the Swedish Competition Authority completed the investigation that was started in 2001 into alleged contract-tendering collusion and the illegal dividing-up of markets within asphalt operations. In its writ, the Competition Authority demanded a penalty fee totaling SEK 1.6 billion for anti-competition activities, of which NCC, after a 30-percent reduction for its cooperation in the investigations, accounted for SEK 472 M. At the beginning of 2006, the Competition Authority reduced its demand first to SEK 447 M and then to SEK 382 M. The reason for the reduction was that the fee was based on NCC's sales in 2002 rather than in 2001. NCC believes that it has favorable prospects of bringing about a reduction in the penalty fee during the forthcoming main hearing, which will start at the end of September 2006. The city court verdict is expected during spring 2007.

Nine municipal authorities have sued companies, including NCC, for damages due to cartel collusion. The combined claim for damages from all of the companies involved totals approximately SEK 56 M. In September 2004, the question of whether persons other than contractual parties with municipalities could be sued was addressed by Stockholm City Court. In November 2004, the Court ruled in favor of this possibility. This ruling has been appealed.

During 2004, the Competition Authority in Finland sued a number of asphalt companies, including NCC subsidiaries and the jointly owned company Valtatie, for cartel collusion. The claim against the subsidiaries totals approximately SEK 100 M. NCC contests the charges of cartel collusion.

In February 2003, the Norwegian Competition Authority reported a number of companies, including NCC, to the Norwegian economic crimes agency for alleged breach of competition legislation. NCC's own investigations cannot exclude the possibility that a ten-year old invoice was intended as so-called "loser fees," something that NCC has made public. Subsequently, the police inquiry has continued.

The competition-impairing fees claimed by the Swedish Competition Authorities in Sweden and Finland have been reported as contingent liabilities, as have the damages claimed in Sweden. Any provision that has an impact on NCC's earnings will be posted when it becomes possible to reliably estimate the size of the penalty.

NOTE 47 CASH FLOW STATEMENT

Cash and cash equivalents

GROUP	2005	2004
Cash and bank balances	1,111	1,411
Short-term investments	808	1,103
Total according to balance sheet and cash flow statement	1,919	2,514

PARENT COMPANY	2005	2004
Cash and bank balances	863	843
Short-term investments	2,769	2,735
Total according to balance sheet and cash flow statement	3,632	3,578

The short-term investments have been classified as cash and cash equivalents based on the following considerations:

– They are subject to an insignificant risk of value fluctuation
– They can easily be converted into cash funds.
– They have a maturity of not more than three months from the date of acquisition.

NOTE 47 cont. CASH FLOW STATEMENT

Acquisition of subsidiaries

According to acquisition analyses, the value of acquired assets and liabilities was as follows:

GROUP	2005	2004
Intangible assets	–22	
Buildings and land	–33	
Tangible fixed assets	–11	
Properties classed as current assets	–28	–3
Inventories	–43	
Accounts receivable and other current receivables	–8	–2
Cash and cash equivalents	–4	–1
Accounts payable and other current liabilities	9	2
Current interest-bearing liabilities	45	
Purchase considerations paid	**–95**	**–4**
Acquired cash and cash equivalents	4	1
Impact on the Group's cash and cash equivalents	**–91**	**–3**

Sales of subsidiaries

GROUP	2005	2004
Intangible assets		173
Buildings and land	27	69
Tangible fixed assets	36	90
Financial fixed assets	3	
Properties classed as current assets	27	
Inventories	30	36
Accounts receivable and other current assets	112	76
Cash and cash equivalents	22	39
Long-term liabilities	–68	–4
Accounts payable and other current liabilities	–47	
Current interest-bearing liabilities	–19	–58
Minority interest	–10	
Deferred tax liability	–13	–5
Capital gains	7	73
Purchase considerations	**107**	**489**
Sold cash and cash equivalents	–22	–39
Impact on the Group's cash and cash equivalents	**85**	**450**

Acquisition of tangible fixed assets

Group

Acquisitions of tangible fixed assets during the year amounted to SEK 846 M (806), of which SEK 0 M (0) was financed through loans.

Acquisitions of subsidiaries amounted to SEK 95 M (4), of which SEK 4 M (1) had no effect on cash flow.

Sales of subsidiaries amounted to SEK 107 M (489), of which SEK 22 M (39) had no effect on cash flow.

Parent Company

Acquisitions of tangible fixed assets during the year amounted to SEK 40 M (54), of which SEK 0 M (0) was financed through loans.

Since the Parent Company has only insignificant amounts of cash and cash equivalents in foreign currency, no exchange-rate differences in cash and cash equivalents arose during the year.

Information about interest paid/received

Group

Interest received during the year amounted to SEK 80 M (128).Interest paid during the year amounted to SEK 207 M (323).

Parent Company

Interest received during the year amounted to SEK 53 M (84).Interest paid during the year amounted to SEK 100 M (120).

Cash flow attributable to joint ventures consolidated in accordance with the proportional method

GROUP	2005	2004
Operational activities	29	–113
Ilnvesting activities	109	133
Financing activities	–271	–71
Total cash flow	**–133**	**–51**

NOTE 47 **cont. CASH FLOW STATEMENT**

Cash and cash equivalents unavailable for use

GROUP	2005	2004
Restricted bank funds	92	86
Cash and cash equivalents in joint ventures	81	241
Total cash and cash equivalents unavailable for use	173	327
Transactions that do not give rise to disbursements		
Sales of assets through receipt of promissory note	47	185
Acquisition of an asset through financial leasing	81	2

NOTE 48 **INFORMATION ABOUT THE PARENT COMPANY**

NCC AB, Corp. Reg. No: 556034-5174, is a limited liability company registered in Sweden, with its Head Office in Solna. NCC's shares are listed on the Stockholm Stock Exchange's O List.

The address to the Head Office is:
NCC AB
Vallgatan 3
SE-170 80 Solna

The consolidated accounts for 2005 relate to the Parent Company and its subsidiaries, jointly designated the Group. The Group also includes shareholdings in associated companies and joint ventures.

NCC AB is consolidated as a subsidiary in Nordstjernan AB's consolidated accounts. Nordstjernan AB accounts for 32.3 percent of the share capital and 55.8 percent of the voting rights in NCC AB. Nordstjernan AB, Corporate Registration Number 556000-1421, has its registered Head Office in Stockholm.

NOTE 49 **TRANSITION TO IFRS**

As of January 1, 2005, the NCC Group applies the IFRS accounting principles adopted by the European Commission. The 2005 Annual Report is the first annual report compiled in accordance with the IFRS accounting principles.

Review of the transition to IFRS

A review of the most significant effects of the transition to IFRS is presented below. Information about how NCC's earnings and financial position would have been affected in 2004 if IFRS had been applied rather than the former accounting principles is also presented.

IAS 1, Minority interests

Minority interests are reported as part of shareholders' equity and are no longer deducted from earnings (IAS 1, Presentation of financial statements). Minority interests are reported separately in shareholders' equity and in conjunction with net profit for the year, where the amount that accrues to the Company's shareholders and to minority shareholders is also specified.

IAS 16, Tangible fixed assets

Significant parts of assets, in relation to the asset's total value, are to be depreciated separately. NCC applies so-called component depreciation, whereby each asset with a major value is divided into a number of components, which are depreciated on the basis of their useful life.

NOTE 49 **cont. TRANSITION TO IFRS**

IAS 23, Borrowing costs

NCC's borrowing expenses related to property projects are charged against earnings for the period to which they apply. Previously, borrowing expenses for property projects whose completion would take considerable time were capitalized.

IAS 31, Shares in joint ventures

As of the introduction of IFRS, the proportional consolidation method is applied. This means that NCC's share of the joint venture's or the contract's income statements and balance sheets is added to the corresponding row in NCC's accounts, in the same way as is done in the accounts of the subsidiary.

IAS 40, Managed (Investment) properties

Managed properties are measured at fair value, meaning market value. A change that arises in a managed property's fair value is included in net profit for the period when the change in value occurred. As a result of this principle, no depreciation or impairment losses are posted for properties that are fair valued.

IAS 11, Construction contracts

During the autumn of 2004, the Swedish Construction Federation issued a supplement to its sector recommendations regarding percentage-of-completion recognition of profit from housing projects for sale. The recommendation is based on IAS 11, Construction Contracts. The degree of sales elimination in proprietary housing production projects is treated as the work-up rate multiplied by the sales rate. Previously, NCC applied the lower of the work-up rate and the sales rate. This supplement results in more cautious profit recognition than previously.

IFRS 2, Share-based payment

NCC's outstanding option programs, 1999–2001, are not subject to IFRS 2, Share-based payment.

IFRS 3, Business combinations

In the transition to this recommendation, NCC has chosen to apply the exemptions included in the retroactive application rules in accordance with IFRS 1, First time adoption of IFRS, which means that no adjustments will be made for companies acquired before 2004. During 2004, NCC completed a minor acquisition. Recalculation to IFRS of this acquisition would have no material impact on the income statements and balance sheets.

Amortization according to plan of goodwill has been discontinued. In future, the booked residual value of goodwill will be subject to impairment testing at the close of every accounting period. In the event that the book value is less than the goodwill's value in use, an impairment loss is posted.

IAS 12, Income taxes

To reflect the adjustments that have been made, deferred tax has been booked in accordance with IAS 12, Income taxes.

Miscellaneous

The application of IFRS has also created minor effects on the following items: short-term investments (IAS 7 Cash Flow Statement), leasing (IAS 17 Leases) and guarantee costs (IAS 37, Provisions, contingent liabilities and contingent assets). With respect to short-term investments, investments with a maturity exceeding three months from the acquisition date are reported as current receivables, interest-bearing.

With respect to other exceptions that have retroactive applications in accordance with IFRS 1, First time adoption of IFRS, NCC has chosen to zero adjust translation differences pursuant to IAS 21, The Effects of changes in foreign exchange rates.

The following income statements and balance sheets show the effects of the transition to IFRS.

INCOME STATEMENT, NCC Group, January 1 – December 31, 2005

	Outcome Jan–Dec 2004	IFRS 3 Goodwill	IAS 31 Joint ventures	IAS 11 Sales-rate-elimination	IAS 40 Fair value	IAS 23 Capitalized interest	IAS 16 Component depreciation	IAS 17 Leasing	Other	IFRS Jan–Dec 2004
Net sales	45,437		972	153					–27	46,534
Production costs	–41,809	174	–896	–195		19	–5	61	–4	–42,656
Gross profit	**3,628**	**174**	**75**	**–42**		**19**	**–5**	**61**	**–31**	**3,878**
Sales and administration costs	–2,523		–20	1				–62	26	–2,577
Result from property management	29		5		10					45
Result from sales of properties	57		1		–111					–54
Impairment losses	–207	–43	6		2					–242
Result from participations in Group companies	73								–8	64
Result from participations in associated companies	60		–28							33
Operating profit	**1,117**	**131**	**39**	**–41**	**–99**	**19**	**–5**	**–1**	**–13**	**1,147**
Result from financial fixed assets	45		–4							41
Result from financial current assets	103		–1							102
Interest expense and similar income-statement items	–310		–28			–8				–346
Profit after financial items	**955**	**131**	**6**	**–41**	**–99**	**11**	**–5**	**–1**	**–13**	**945**
Tax on net profit for the year	–96	–9		10	30	–4	1		1	–68
Net profit for the year	**859**	**122**	**6**	**–31**	**–69**	**7**	**–4**	**–1**	**–12**	**876**
Attributable to:										
– NCC's shareholders	856	122	6	–31	–69	7	–4	–1	–12	873
– Minority interests	3									3
Net profit for the year	**859**	**122**	**6**	**–31**	**–69**	**7**	**–4**	**–1**	**–12**	**876**

BALANCE SHEET, NCC Group, December 31, 2005

	Outcome Jan–Dec 2004	IFRS 3 Goodwill	IAS 31 Joint ventures	IAS 11 Sales-rate-elimination	IAS 40 Fair value	IAS 23 Capitalized interest	IAS 16 Component depreciation	IAS 17 Leasing	Other	IFRS Jan–Dec 2004
Buildings and land	821		10							830
Managed properties	41		407							449
Machinery and equipment	1,803		51				–6			1,848
Goodwill	1,597	131	74						–12	1,790
Other intangible assets	31									31
Financial fixed assets	2,312	–9	–454	14					11	1,874
Total fixed assets	**6,605**	**122**	**88**	**14**			**–6**		**–1**	**6,822**
Inventories	615		4	340						959
Property projects	2,002		136			–32				2,105
Housing projects	3,495		510							4,005
Participations in associated companies	53		–53							
Current receivables, interest-bearing	330		–27						87	390
Current receivables, interest-free	11,033		137	–340					762	11,593
Short-term investments	1,216								–113	1,103
Cash and cash equivalents	1,389		23							1,412
Total current assets	**20,133**		**730**			**–32**			**736**	**21 567**
Total assets	**26,738**	**122**	**819**	**14**		**–32**	**–6**		**735**	**28 389**
Shareholders' equity	6,728	122	21	–109	1	–28	–6		–14	6,715
Minority interest	84									84
Total shareholders' equity	**6,812**	**122**	**21**	**–109**	**1**	**–28**	**–6**		**–14**	**6,799**
Long-term liabilities, interest-bearing	3,150		342						–7	3,485
Long-term liabilities, interest-free	33		337						–26	343
Provisions	2,323		12	–3	–1	–4			16	2,344
Long-term liabilities	**5,506**		**691**	**–3**	**–1**	**–4**			**–17**	**6,172**
Current liabilities, interest-bearing	1,107		80							1,187
Current liabilities, interest-free	13,314		26	125					766	14,231
Current liabilities	**14,421**		**107**	**125**					**766**	**15,418**
Total shareholders' equity and liabilities	**26,738**	**122**	**819**	**14**		**–32**	**–6**		**735**	**28,389**
Return on capital employed	10									9
Return on equity	14									14
Capital employed	11,098									11,503
Net indebtedness	–679									–1,149
Equity/assets ratio, %	25									24

NOTE 50 CRITICAL ESTIMATES AND ASSESSMENTS

Estimates and assessments that affect the Group's accounting principles have been made on the basis of what is known when the report was issued. The estimates and assessments may, at a later date, be changed because of such factors as changes in external factors.

The assessments that are most critical to NCC are reported below.

Percentage-of-completion recognition of profit from construction contracts
A fundamental condition for being able to estimate percentage-of-completion profit recognition is that project revenues and project costs can be established reliably. This reliability is based on such factors as compliance with NCC's systems for project control and that project management has the necessary skills. Project control also includes a number of estimates and assessments that depend on the experience and knowledge of project management in respect of project control, training and the prior management of projects.

There is a risk that the final result will differ from the profit accrued based on percentage-of-completion.

Impairment of properties classed as current assets
Several assumptions are made about future conditions and estimates that form the basis for calculations of the return requirement that determines the net realizable value that is compared with the estimated project cost, which in turn determines the size of any impairment loss. If these conditions change, the value of the remaining properties could change.

Impairment of goodwill
Several assumptions and assessments are made about the future conditions that form the basis for calculations of the cash flow that determines the recoverable value. Based on the recoverable value, the size of any impairment losses is then calculated. If these conditions change, the value of the remaining goodwill could also change.

Exposure to foreign currencies
Changes in exchange rates in markets in which NCC is active could have an impact on NCC. NCC's exposure to exchange rates is described in Note 18.

Guarantee commitments
The provisions for guarantee commitments are based on calculations, assessments made by company management and experience of similar transactions. A prerequisite for the reliability of these assessments is that NCC's production and materials maintain the same quality and standard as in prior years.

Taxes
Changes in tax legislation in Sweden and other countries in which NCC is active and interpretations of current legislations and regulations could result in changes in the tax liabilities and assets reported by NCC.

Pension commitments
Changes in assessments in Sweden regarding whether or not Alecta pensions should be regarded as defined-contribution schemes could have an impact on NCC's future pension liability. Changes in the actuarial assumptions that form the basis for the calculations made of, for example, return and the value of plan assets, as well as the trend in the pension liability, could have an impact on NCC. Major effects could fall outside the "corridor" and thus affect the income statements and balance sheets.

The Board of Directors and President hereby give their assurance that the Annual Report has been compiled in compliance with generally acceptable accounting practices for listed companies. The information provided complies with the conditions actually prevailing within the business operations and nothing of material importance has been omitted that could influence the impression of the Group or the Parent Company created by the Annual Report.

The Annual Report and the consolidated accounts were approved for issue by the Board of Directors on February 8, 2006. The consolidated income statement and balance sheet and the Parent Company's income statement and balance sheet will be presented to the Annual General Meeting on April 5, 2006 for adoption.

Solna, February 8, 2006

Tomas Billing
Chairman of the Board

Antonia Ax:son Johnson

Lars Bergqvist

Sven Frisk

Ulf Holmlund

Fredrik Lundberg

Anders Rydin

Marcus Storch

Ruben Åkerman

Alf Göransson
President and CEO

Our audit report was submitted on February 21, 2006

Bo Ribers
Authorized Public Accountant

Carl Lindgren
Authorized Public Accountant

AUDITORS' REPORT

TO THE ANNUAL GENERAL MEETING OF NCC AB SHAREHOLDERS, REGISTERED NUMBER: 556034-5174

We have audited the annual report, the consolidated financial statements, the accounts and the administration of the Board of Directors and the President of NCC AB for the 2005 fiscal year. The Board of Directors and the President are responsible for these accounts and the administration of the Company, and for ensuring that the Annual Accounts Act is applied when the annual report and the consolidated financial statements are compiled, and that the International Financial Reporting Standards (IFRS) adopted by the EU and the Annual Accounts Act are applied for compiling the consolidated accounts. Our responsibility is to express an opinion on the annual accounts, consolidated accounts and the administration based on our audit.

We conducted our audit in accordance with Generally Accepted Auditing Standards in Sweden. Those standards require that we plan and perform the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and their application by the Board of Directors and the President, evaluating the material estimations made by the Board of Directors and President when compiling the annual report and the consolidated financial statements, and evaluating the overall presentation of information in the annual report and consolidated financial statements. We examined significant decisions, actions taken and circumstances of the Company in order to be able to determine the possible liability to the Company of any Board member or the President or whether they have in some other way acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association. We believe that our audit provides a reasonable basis for our opinion set out below.

The annual accounts and consolidated accounts have been prepared in accordance with the Annual Accounts Act and consequently provide a true and fair picture of the Company's earnings and financial position in accordance with Generally Accepted Auditing Standards in Sweden. The consolidated financial statements have been compiled in accordance with the International Financial Reporting Standards adopted by the EU and with the Annual Accounts Act and provide a true and fair impression of the Group's earnings and financial position. The Report of the Board of Directors is compatible with the other parts of the annual report and consolidated financial statements.

We recommend that the Annual General Meeting adopt the income statements and balance sheets of the Parent Company and the Group, that the profit in the Parent Company be dealt with in accordance with the proposal in the Report of the Board of Directors, and that the members of the Board and the President be discharged from liability for the fiscal year.

Solna, February 21, 2006

Bo Ribers	Carl Lindgren
Authorized Public Accountant	*Authorized Public Accountant*

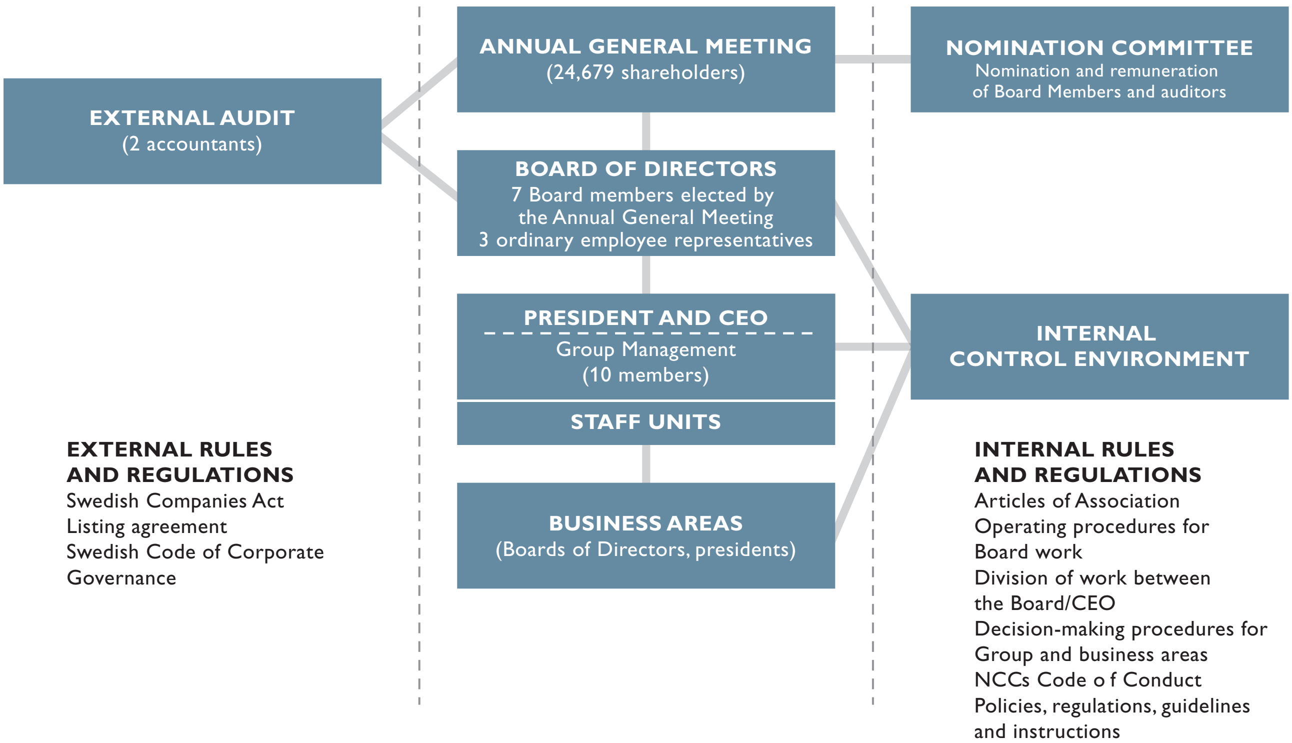
CORPORATE GOVERNANCE

CORPORATE GOVERNANCE REPORT 2005

NCC AB is a Swedish public limited liability company whose shares are listed on the Stockholm Stock Exchange. NCC AB is governed in accordance with Swedish company law, which means that the Articles of Association are a core document. NCC also complies with other applicable Swedish and international laws and regulations. In addition, NCC complies with the Stockholm Stock Exchange's listing agreement, which since July 1, 2005 also includes the Swedish Code of Corporate Governance.

In practice, NCC started to apply the Swedish Code of Corporate Governance during 2005. NCC applies the Code and in cases where it does not comply explanations are given. This report is not part of the formal annual report documentation and has not been examined by the Company's auditors.

NCCS CONTROL STRUCTURE



GENERAL SHAREHOLDER MEETINGS

The procedures for notifying shareholders of General Meetings are stipulated in the Articles of Association. Notice of meetings shall be made in the form of an announcement in the Official Gazette (Post- och Inrikes Tidningar), and in Dagens Nyheter or another national Swedish newspaper. Notice of the Annual General Meeting shall be issued not earlier than six weeks and not later than four weeks prior to the Meeting. Notice of Extraordinary General Meetings shall be issued not earlier than six weeks and not later than two weeks prior to the Meeting.

General Meetings may be held in the municipalities of Stockholm, Solna or Sigtuna. At a General Meeting, each person is entitled to exercise unlimited voting rights on the full number of shares that he or she owns or represents. Shareholders may be accompanied by not more than two assistants, on condition that the shareholder has given the Company prior notice of this.

The 2005 Annual General Meeting was held on April 4 and was attended by 245 shareholders representing 58 percent of the share capital and 85 percent of the total number of voting rights.

OWNERSHIP STRUCTURE AND VOTING RIGHTS

NCC shares are issued in two series, designated Series A and Series B shares. Each Series A share carries ten votes and each Series B share one vote. All of the shares carry identical rights to participation in the Company's assets and profits and identical entitlement to dividends. The distribution of shares and voting rights is shown on pages 6–7.

On request, Series A shares may be converted into Series B shares. A written conversion request must be submitted to the Company's Board, which makes continuous decisions on such matters. Following a conversion decision, the matter is reported to VPC for registration. Conversions become effective when they are registered.

COMPOSITION OF THE BOARD

The Board shall consist of not fewer than five and not more than ten members, with not more than eight deputies, elected by the Annual General Meeting. The employees are represented on the Board. The Board Members are elected for a period of one year. During 2005, there were seven elected Board Members, including the CEO. In addition, the employees had three representatives and two deputies. Three of the Board members (Antonia Ax:son Johnson, Tomas Billing and Marcus Storch) were dependent on the principal owner Nordstjernan and one of the members (Fredrik Lundberg) was dependent on the second largest shareholder L E Lundbergföretagen. CEO Alf Göransson is the only Board Member who is also a member of NCC's Group Executive Management. Information on individual Board Members is presented on pages 108–109.

NOMINATION ACTIVITIES

The Annual General Meeting elects a Nomination Committee whose role is to nominate candidates to the Annual General Meeting for election as Board members, propose the fees to be paid to Board members and nominate auditors and the fees to be paid to them. The Annual General Meeting held on April 4, 2005 re-elected Viveca Ax: son Johnson (Deputy Chairman of Nordstjernan), Ulf Lundahl (Deputy CEO of L E Lundbergföretagen) and Johan Björkman (Chairman of Nordstjernan) and elected Mats Lagerqvist (President of

Robur) to the Nomination Committee, with Johan Björkman as chairman. Tomas Billing, Chairman of the NCC Board, was a co-opted member of the Committee, but had no voting right. No remuneration was paid to members of the Nomination Committee, which held total two meetings to address nominations of Board members, auditors and fees ahead of the 2006 Annual General Meeting.

BOARD DUTIES

In 2005 NCC's Board held six ordinary meetings plus the statutory meeting held directly after the Annual General Meeting, making a total of seven meetings. The number of meetings complied with the established schedule. The Board's work focuses primarily on strategic issues, business plans, the financial accounts and major investments and divestments, plus other decisions that, in accordance with the NCC's decision-making procedures, have to be addressed by the Board. Reporting on the progress of the Company's operations and financial position was a standing item on the agenda. The Board has established operating procedures for its work and instructions for the division of duties between the Board and the CEO, as well as for financial reporting to the Board. The Board made several worksite visits in connection with Board meetings. Other senior executives within NCC participated in Board meetings in order to present matters. NCC's General Counsel was secretary of the Board.

On several occasions, NCC has evaluated the matter of establishing separate Board committees to deal with remuneration and audit-related issues. NCC has decided not to establish such committees and instead to address remuneration and audit-related issues within the framework of ordinary Board work (also see the section entitled "Work involving accounting and audit matters" below).

CHAIRMAN OF THE BOARD

The Chairman of the Board directs the work conducted by the Board and maintains continuous contact with the CEO, in order to continuously monitor the Group's operations and development. The Chairman represents the Company in ownership matters.

WORK INVOLVING ACCOUNTING AND AUDIT MATTERS

According to the Swedish Code of Corporate Governance, the Board must document and disclose information about the manner in which the Board assures the quality of financial reporting and communicates with the Company's auditors. This information is contained in the "Board report on internal controls pertaining to financial reporting for the 2005 fiscal year." On December 15, 2005, the Swedish Cor-

Board meetings and attendance, 2005

	Feb. 8	April 4	May 11	Aug. 18	Oct. 28	Dec. 5
Board members elected by the Annual General Meeting						
Tomas Billing	✓	✓	✓	✓	✓	✓
Antonia Ax:son Johnson	✓	✓	✓	✓	✓	✓
Ulf Holmlund	✓	✓	✓	✓	✓	✓
Fredrik Lundberg	✓	✓	✓	✓	✓	✓
Anders Rydin	✓	✓	✓	✓	✓	✓
Marcus Storch	✓	✓	✓	✓	✓	✓
Alf Göransson	✓	✓	✓	✓	✓	✓
Regular employee representatives						
Lars Bergqvist	✓	–	✓	✓	✓	✓
Sven Frisk	–	✓	✓	✓	✓	–
Ruben Åkerman	✓	✓	✓	✓	✓	✓

porate Governance Board decided on transitional rules for the 2005 report. NCC has elected to comply with the Corporate Governance Board's transitional rules pertaining to the information contained in the report.

The CEO is responsible for ensuring that the Board receives continuous reports and information of such a quality that the Board is able to make well-founded assessments. Business and financial reports are presented at each scheduled Board Meeting. Quarterly and year-end reports constitute the Company's fundamental financial reporting, which is supplemented by business unit information from NCC's internal reporting system. Each scheduled Board Meeting also addresses matters of major significance in terms of principle or major financial importance.

According to the Swedish Code of Corporate Governance, the Board must establish an audit committee. NCC does not comply with the Code on this point. The Board's reasons for deviating from the Code are that financial accounting and the audit are important matters that should be prepared by the Board as a whole and the fact that the Board's relatively limited size, with six members elected by the Annual General Meeting, excluding the CEO, enables such work to be conducted efficiently. The Board meets the auditors twice a year, at one of these meetings without the presence of executive management. In addition, the Chairman of the Board meets with the auditors on a number of occasions during the year.

The Board of Directors is evaluated within the framework of the Nomination Committee's work. In addition, the Board performs an annual evaluation of its work and the format for performing Board work, which constitutes part of the Nomination Committee's evaluation.

For the purpose of examining the Company's Annual Report, financial statements and internal controls, as well as the Company's management by the Board of Directors and President, the Annual General Meeting appoints a maximum of three Authorized Public Accountants, with a maximum of three deputies. The Nomination Committee evaluates the audit work and nominates auditors. Auditors are appointed for a period of four years. The Annual General Meeting on April 7, 2004 addressed the matter of the election of auditors, which is done every fourth year, and elected Bo Ribers and Carl Lindgren as the Company's auditors up to the Annual General Meeting held in 2008. Helene Willberg and Björn Flink were elected their deputies. All the auditors are Authorized Public Accountants employed by KPMG Bohlins AB. For more information about auditors, see page 109.

REMUNERATION OF THE BOARD OF DIRECTORS

The Nomination Committee proposes the fees to be paid to the Board of Directors. The Annual General Meeting on April 4, 2005 resolved that the director fees for Board work in 2005 would total SEK 2,200,000 to be distributed among the elected Board Members, with the exception of CEO Alf Göransson, who does not receive any director fees. The Chairman received SEK 500,000, the Deputy Chairman SEK 400,000 and the four other Board Members received SEK 325,000 each. The employee representatives do not receive director fees.

REMUNERATION OF EXECUTIVE MANAGEMENT

According to the Swedish Code of Corporate Governance, the Board must establish a remuneration committee to prepare matters relating to remuneration and other terms of employment for executive management. NCC does not comply with the Code on this point. The Board's reasons for deviating from the Code are that the Board believes that remuneration matters can be adequately addressed by the Chairman of the Board and other Members of the Board. The principles for the remuneration of executive management are decided by the Board (see below). Remuneration for the CEO is proposed by the Chairman of the Board and decided by the Board. The CEO does not participate in this decision. Remuneration for other members of Group Management is proposed by the CEO and approved by the Chairman of the Board. Remuneration for the CEO and other senior executives consists of a basic salary, variable compensation and other benefits such as pensions. Framework conditions for variable compensation are decided by the Board. The term "other senior executives" pertains to the executives who, together with the CEO, comprise Group Management. A specification of salaries and other remuneration paid to the CEO, senior executives and Board Members is presented in Note 5, Personnel Costs, on page 73 of the Annual Report.

According to the Swedish Code of Corporate Governance, the Board must present a proposal to the Annual General Meeting, for its approval, concerning the principles to apply for the remuneration and other terms of employment for executive management. NCC does not comply with the Code on this point because determining terms, conditions and principles for remuneration, and other terms of employment, for executive management falls within the Board of Directors' area of responsibility. The principles concerning remuneration and other terms of employment for executive management are reported by the Chairman of the Board at the Annual General Meeting.

PRESIDENT AND CHIEF EXECUTIVE OFFICER

The Board of Directors has established instructions for the division of duties between the Board and the CEO, and for financial reporting to the Board (also refer to "Work involving accounting and audit matters" above).

DEPUTY CHIEF EXECUTIVE OFFICERS

The NCC Group had two Deputy Chief Executive Officers in 2005: Olle Ehrlén, President of NCC Construction Sweden, and Mats Wäppling, President of NCC Property Development, who is also in charge of NCC Roads, NCC Construction Germany and the remaining operations within NCC International Projects.

GROUP MANAGEMENT

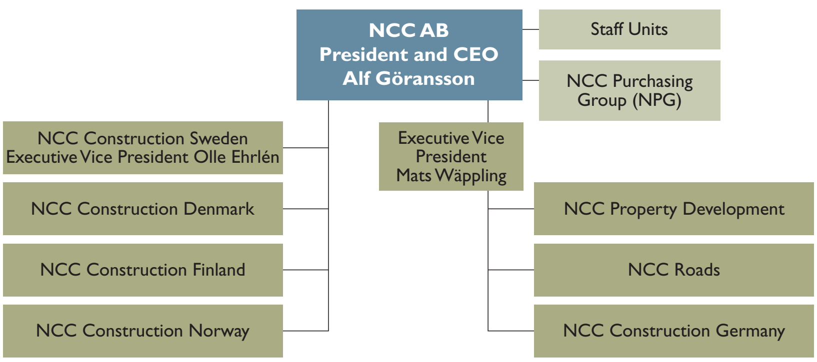
In 2005, NCC's Group Management consisted of the CEO, the Presidents of NCC Construction Sweden, NCC Construction Denmark, NCC Construction Finland, NCC Construction Norway, NCC Property Development and NCC Roads, plus the Financial and Business Control and the Senior Vice President Corporate Communications and Senior Vice President Legal Affairs. Further information on members of Group Management in 2005 is presented on pages 110–111.

Group Management mainly focuses on strategic matters and generally meets once per month.

INTERNAL GOVERNANCE

NCC's operations require a considerable amount of delegated responsibility. Procedures have been formulated within the Group in order to clarify exactly who is to do what at each stage of the decision-making process. In addi-

REPORTING ROUTES



tion to strategic and organizational matters, the areas regulated explicitly include investments and divestments, rental and leasing agreements, financing, sureties, guarantees, the assessment of tenders and business agreements.

The number of projects in production varies from year to year but totals several thousands. The organization of each project varies according to the specific project's size and complexity. Each project is led by a project manager who is responsible for product format, purchases, financial aspects, production, quality, completion and handover to the customer. Major projects are monitored on a monthly basis by the CEO and the Financial Director. Tenders for projects exceeding SEK 300 M are subject to special assessment and must be approved by the CEO. Tenders for projects exceeding SEK 500 M must be authorized by NCC AB's Board. Proprietary housing and property-development projects representing an investment exceeding SEK 10 M must be approved by the CEO and such projects exceeding SEK 100 M must be authorized by NCC AB's Board.

GOVERNANCE OF BUSINESS AREAS

The Group comprises business areas that constitute separate subsidiaries managed by presidents. Each business area has a Board of Directors. For certain decisions, the approval of the CEO or NCC AB's Board Chairman or Board of Directors is required. The decision-making procedure consists of proposals, endorsement, decisions and confirmation. A matter requiring a decision is normally processed by the entity that initiated the matter or which is responsible for it in terms of function. Many types of decisions are preceded by consultation. Country managers (the heads of NCC Construction's operations in a particular country) are responsible for initiating coordination in matters involving several NCC units in the particular country. Such matters include safeguarding the Group's brands and image, utilizing synergistic potential, maintaining uniform salary systems, business control, accounting and IT, and coordinating salary-setting and personnel policies.

CODE OF CONDUCT

A comprehensive program to formulate and implement the values that are to hallmark NCC's operations has been under way in recent years. These values have been translated into norms and rules governing how NCC employees are to behave in various situations. They are summarized in "NCC's Guidelines on Business Ethics – Our Code of Conduct" – a document that was adopted by Group Management in 2003 and applies to all employees.

Clarifications and supplementary information is found in the Group's policies for specific areas, such as Purchasing, Information, Accounting and Human Resources.

Every manager has an obligation, within his or her area of responsibility, to ensure that employees and business partners are informed about the guidelines and their compliance. Managers within NCC must always set a good example and act in accordance with NCC's values. Adherence to the Code of Conduct is followed up continuously as a natural part of ongoing operations.

Repeated or serious violation of the Code of Conduct by NCC employees results in legal actions in labor courts. If any of NCC's subcontractors or suppliers repeatedly or seriously violates NCC's Code of Conduct, cooperation is discontinued.

The Compliance Program, consisting of a comprehensive training program in business ethics and competition law, was introduced in 2002. The program is now an integral part of NCC's ordinary training of newly appointed managers and has been received by approximately 2,000 managers within the Group since 2002. The program is a specified part of the employment relationship.

Further information on control and corporate governance within NCC is presented on the Group's website – www.ncc.info – where other pertinent documents, such as the Articles of Association, the Code of Conduct and various policies, are also available.

INTERNAL CONTROL REPORT

THE BOARD OF DIRECTORS REPORT ON INTERNAL CONTROL PERTAINING TO FINANCIAL REPORTING FOR THE 2005 FISCAL YEAR

In accordance with the Swedish Companies Act and the Swedish Code of Corporate Governance, the Board of Directors is responsible for internal control. This report has been prepared pursuant to Sections 3.7.2 and 3.7.3 of the Swedish Code of Corporate Governance and is thus limited to the internal control of financial reporting. On December 15, 2005, the Swedish Corporate Governance Board decided on the transitional rules that would apply to the report issued for 2005. Under the transitional rules, it is possible to limit the internal control report to a description of how the internal control is organized, without issuing a statement concerning how well it functioned and without having it examined by the auditors. In this report, NCC has decided to apply the Governance Board's transitional rules. This report does not constitute a part of the formal annual report documentation.

The NCC Group is a decentralized international organization with business areas structured in a corporate format based on rules concerning the companies' governance in accordance with company law. Each year, the Board of Directors establishes rules of procedure for the work of the Board of Directors and an instruction concerning the division of work between the Board and the Chief Executive Officer. Operational management of the Group is based on decision-making regulations within the NCC Group that are adopted annually by the Board. The decision-making regulations stipulate the matters that require the Board's approval or confirmation. In turn, this is reflected in the decision-making and attestation regulations applying for the subsidiaries. At Board meetings, the CEO and, where applicable, subsidiary presidents present the matters that require treatment by the Board.

The CEO must ensure that the Board receives factual, exhaustive and relevant information to enable it to make well-founded decisions, and to keep the Board continuously informed of the development of the company's operations and its financial position.

In addition, NCC's auditors, KPMG, must report the results of their examination and their proposed measures to the NCC Board on two occasions per year (in December and February), including one occasion without the attendance of company management. Prior to these meetings, views from the audit of the business areas and subsidiaries must have been presented to the Board meetings held in the particular business area/subsidiary or to the respective business area management. Actions are taken concerning the views that arise and these actions are followed up systematically within the particular unit.

The **control environment**, comprising the organization, decision-making paths, authorities and responsibilities that are documented and communicated in control documents, as internal policies, guidelines, manuals and codes, forms the basis for the internal control pertaining to financial reporting.

Information and communication regarding the internal policies, guidelines, manuals and codes to which the financial reporting is subject is available on NCC Starnet Financials (NCC's Intranet). Starnet Financials is a living regulatory system that is updated regularly through the addition of, for example, new regulations concerning the IFRS and the listing agreement with the Stockholm Stock Exchange. NCC's Financial Director has principal responsibility for Starnet Financials which, among other documents, contains the following:

- Policies and regulations for the valuation and classification of assets, liabilities, revenues and costs.
- Definitions of the terms used within NCC.
- Accounting and reporting instructions.
- The organization of the financial control function.
- Time schedules of audit and reporting occasions, among others.
- Decision-making regulations.
- Attestation instructions.

All financial reporting must comply with the rules and regulations found on Starnet Financials.

Financial reporting occurs in part in the form of figures in the Group-wide reporting system (Hyperion) and in part in the form of written comments in accordance with a specially formulated template. Instructions and regulations concerning both written and figure-based reporting are available on Starnet Financials. The rules and regulations are updated under the auspices of the Financial Director. In addition, regular training programs and conferences are arranged for management and financial control personnel to ensure that they receive continuous information about the Group-wide principles that apply and the requirements to which the internal control is subject. This is within the Financial Director's sphere of responsibility.

NCC applies a **risk-assessment and risk-management** policy to ensure that the risks to which the company is exposed are managed within the established framework. The material risks that have to be taken into account are operating risks, development risks, seasonal risks, the risk of errors in profit recognition, financial risks and insurance risks.

Within NCC, this is done in several different ways:

- **Monthly meetings** with the president and financial manager of each particular business area. These meetings are always attended by the CEO or Deputy CEO and the Financial Director of NCC AB. The monthly meetings address such matters as orders received, earnings, major ongoing or problematical projects, cash flow and outstanding accounts receivable, etc. The meetings also address tenders and major investments, in accordance with the decision-making regulations.
- **Board meetings** in the various business areas, which are held at least five times per year. Minutes are taken of these meetings. The members of each particular board always include at least NCC AB's CEO or Deputy CEO and the Financial Director, and meetings of the major business areas also include the Senior Legal Counsel, the Finance Director and the Senior Vice President Corporate Communications. These meetings address the complete income statement, balance sheet and cash flow statement in terms of both outcome and forecast, alternatively budget. These meetings also address tenders and **investments**, in accordance with the decision-making regulations. Investments and divestments of real estate exceeding SEK 100 M must be approved by NCC AB's Board. All investments in machinery exceeding SEK 20 M must be approved by NCC AB's CEO.
- **Major tenders** to be submitted by the business area (exceeding SEK 300 M) must be specially approved by NCC AB's CEO. Tenders exceeding SEK 500 M must be endorsed by NCC AB's Board.
- NCC AB's Board receives monthly **financial reports** and the current financial status is presented at each Board meeting.

Financial risk positions, such as interest rate, credit, liquidity, exchange rate and financing risks, are managed by the specialist function, NCC Corporate Finance. **NCC's finance policy** stipulates that NCC Corporate Finance must always be consulted and, in cases where Corporate Finance sees fit, must manage financial matters.

The financial reporting and management of risks within NCC is also based on ensuring that a number of **control activities** are conducted at various levels of the companies and business areas. This occurs in part via the IT systems that support the various operational processes and in part through appropriately designed manual controls intended to prevent, discover and correct faults and nonconformities. Great importance is attached to ensuring that only approved business transactions are included in the financial reporting. NCC also attaches considerable weight to the follow-up of projects.

Follow-ups conducted to safeguard the quality of the internal controls are conducted in various ways within NCC. Controls to ensure that projects are running smoothly are evaluated through operational audits, which lead to continuous evaluations and follow-ups to check that any shortcomings are being rectified. The internal controls are also followed up via Board work within the various business areas and, in cases where it is considered that targeted action is required, the financial control and controller organization is utilized.

The auditors elected by the Annual General Meeting, KPMG, also examine a selection of NCC's controls as part of their audit process.

In view of the follow-ups conducted via the operational audits and through the financial control and controller organization, the Board is of the opinion that there is no need for a special internal examination function.

In the light of the above, the Board of Directors considers that NCC has a well-balanced internal control structure.

Statement from NCC's auditors

We have been assigned by the Board of Directors of NCC to examine this report. Nothing has come to our attention that indicates that this report does not provide an accurate description of the internal control structure pertaining to financial reporting within NCC.

Solna, February 21, 2006

Bo Ribers
Authorized Public Accountant

Carl Lindgren
Authorized Public Accountant

MULTI-YEAR REVIEW

INCOME STATEMENT, SEK M	1998	1999	2000	2001	2002	2003	2004	2005
Net sales	34,160	37,460	38,728	47,521	45,165	45,252	46,534	49,506
Production costs	–30,832	–33,446	–34,641	–45,232	–40,950	–41,739	–42,749	–45,158
Gross profit	**3,328**	**4,014**	**4,087**	**2,289**	**4,215**	**3,513**	**3,785**	**4,347**
Selling and administrative expenses	–2,587	–3,062	–2,545	–4,004	–3,157	–2,717	–2,577	–2,677
Result from property management				254	103	50	45	17
Result from sales of managed properties	323	163	640	229	322	–10	–54	111
Result from sales of owner-occupied properties								
Impairment losses			–16	–282	–6	–64	–149	–94
Impairment losses/reversal of impairment losses of properties within NCC Property Development[1)]		31	–44	–77	–4	–782		
Result from sales of Group companies	1	7	–1	8	303	4	64	–5
Result from participations in associated companies	36	211	294	47	44	11	33	49
Operating profit/loss	**1,101**	**1,364**	**2,415**	**–1,536**	**1,820**	**5**	**1,147**	**1,748**
Financial income	190	363	503	529	327	219	209	116
Financial expense	–561	–476	–765	–1,123	–841	–547	–412	–284
Net financial items	**–371**	**–113**	**–262**	**–595**	**–514**	**–328**	**–203**	**–168**
Profit/loss after net financial items	**730**	**1,251**	**2,153**	**–2,130**	**1,306**	**–323**	**945**	**1,580**
Tax on net profit for the year	–184	–408	–655	–121	–461	–77	–68	–393
Net profit/loss for the year	**546**	**843**	**1,498**	**–2,251**	**844**	**–400**	**876**	**1,187**
Attributable to:								
NCC's shareholders	543	838	1,494	–2,269	821	–421	873	1,178
Minority interests	3	5	4	18	24	21	3	9
Net profit/loss for the year	**546**	**843**	**1,498**	**–2,251**	**844**	**–400**	**876**	**1,187**

BALANCE SHEET, SEK M	1998	1999	2000	2001	2002	2003	2004	2005
ASSETS								
Fixed assets								
Goodwill	1,313	2,193	3,210	2,787	2,538	2,045	1,790	1,772
Other intangible assets	31	41	87	146	130	82	31	61
Managed properties	7,557	5,950	4,570	3,895	1,306	897	449	71
Owner-occupied properties and construction in progress	479	723	1,057	1,072	1,190	868	830	865
Machinery and equipment	1,440	1,961	3,218	3,242	3,055	1,926	1,848	1,937
Participations in associated companies	1,500	1,076	833	872	805	694	200	44
Other long-term holdings of securities	590	278	384	236	201	167	311	265
Financial fixed assets	1,514	1,183	1,203	670	1,253	1,217	1,363	1,246
Total fixed assets	**14,424**	**13,405**	**14,562**	**12,920**	**10,478**	**7,896**	**6,822**	**6,263**
Current assets								
Property projects	2,174	3,276	4,036	5,477	4,215	3,755	2,105	2,005
Housing projects	1,154	1,870	3,152	3,335	3,358	3,510	4,005	3,884
Inventories, etc.	428	495	721	669	727	575	949	1,013
Participations in associated companies				120	132	116		
Accounts receivable	5,460	5,291	7,140	6,880	6,401	6,167	6,476	7,137
Worked-up, non invoiced revenues			1,135	3,507	2,683	2,420	2,998	2,737
Prepaid expenses and accrued income	574	1,411	909	689	884	692	587	638
Other receivables	1,110	911	2,831	2,551	2,620	2,399	1,819	1,361
Short-term investments	9	3	1			2	113	153
Cash and bank equivalents	3,126	2,368	2,206	3,164	3,717	2,463	2,514	1,919
Total current assets	**14,035**	**15,625**	**22,131**	**26,392**	**24,737**	**22,101**	**21,567**	**20,847**
Total assets	**28,459**	**29,030**	**36,693**	**39,312**	**35,215**	**29,997**	**28,389**	**27,110**
SHAREHOLDERS' EQUITY AND LIABILITIES								
Shareholders' equity								
Shareholders' equity	9,671	9,795	9,971	7,322	7,597	6,188	6,715	6,785
Minority interests	25	30	20	94	83	78	84	94
Total shareholders' equity	**9,696**	**9,825**	**9,991**	**7,416**	**7,680**	**6,266**	**6,799**	**6,879**
Long-term liabilities								
Long-term liabilities, interest-bearing	2,260	3,878	4,757	4,826	4,924	4,267	3,485	2,004
Long-term liabilities, interest-free	20	20	2,212	24	20	38	343	392
Deferred tax liabilities	334	513	858	504	687	659	481	199
Provisions for pensions and similar obligations	1,356	1,445	884	1,022	1,168	20	180	143
Other provisions	651	657	714	1,370	1,475	1,472	1,683	1,611
Total long-term liabilities	**4,621**	**6,513**	**9,425**	**7,746**	**8,274**	**6,456**	**6,172**	**4,348**
Current liabilities								
Current liabilities, interest-bearing	4,801	3,505	6,073	8,904	4,987	4,125	1,187	1,052
Accounts payable	3,743	3,124	4,463	4,890	4,460	3,855	3,908	4,520
Tax liabilities	48	193	333	398	292	118	260	137
Project invoicing not yet worked up	1,351	1,466	2,632	3,468	3,486	3,521	4,375	4,367
Accrued expenses and prepaid income	2,236	2,511	2,472	3,548	3,003	3,161	3,305	3,271
Current liabilities, interest-free	1,963	1,893	1,304	2,942	3,033	2,497	2,383	2,535
Total liabilities	**14,142**	**12,692**	**17,277**	**24,150**	**19,261**	**17,276**	**15,418**	**15,883**
Total shareholders' equity and liabilities	**28,459**	**29,030**	**36,693**	**39,312**	**35,215**	**29,997**	**28,389**	**27,110**

1) As of 2004, impairment losses/reversal of impairment losses within NCC Property Development are reported as Production costs.

KEY FIGURES, SEK M	1998	1999	2000	2001	2002	2003	2004	2005
Accounts								
Net sales	34,160	37,460	38,728	47,521	45,165	45,252	46,534	49,506
Operating profit/loss	1,101	1,364	2,415	–1,536	1,820	5	1,147	1,748
Profit/loss after financial items	730	1,251	2,153	–2,130	1,306	–323	945	1,580
Net profit/loss during the year	546	843	1,498	–2,251	844	–400	876	1,187
Investments in fixed assets	1,315	2,761	4,298	2,269	1,662	1,102	866	901
Gross investments in properties, NCC Property Development	1,135	1,853	3,056	3,055	1,604	1,396	452	839
Sales of properties, NCC Property Development[1]	2,219	2,142	3,845	1,965	6,786	1,553	3,590	1,279
Cash flow								
Cash flow from operating activities	881	–63	279	916	2,747	959	4,161	2,046
Cash flow from investing activities	–289	–542	–2,635	–1,662	2,308	–196	1,083	70
Cash flow before financing	592	–605	–2,356	–746	5,055	762	5,244	2,115
Cash flow from financing activities	–1,066	–159	2,161	1,617	–4,452	–1,962	–5,264	–2,745
Change in cash and cash equivalents	–474	–764	–195	871	603	–1,199	–20	–629
Profitability ratios								
Return on shareholders' equity, %	6	9	15	neg	11	neg	14	18
Return on capital employed, %	7	10	13	neg	10	1	9	17
Financial ratios at year-end								
Interest-coverage ratio, %	2.3	3.3	4.8	–1.1	2.4	0.5	3.6	6.9
Equity/assets ratio, %	34	34	27	19	22	21	24	25
Interest-bearing liabilities/total assets, %	29	30	32	37	31	28	17	12
Net indebtedness	3,627	5,296	8,118	10,306	5,816	4,891	1,149	496
Debt/equity ratio, times	0.4	0.5	0.8	1.4	0.8	0.8	0.2	0.1
Capital employed at year-end	18,077	18,628	21,705	22,153	18,759	14,678	11,503	10,032
Capital employed, average	17,745	18,974	19,797	22,999	20,770	17,770	14,054	10,930
Capital turnover rate, times	1.9	2.0	1.8	2.1	2.2	2.5	3.3	4.5
Share of risk-bearing capital, %	35	36	30	20	24	23	26	26
Average interest rate, %	6.1	5.3	5.5	5.6	5.3	4.6	4.8	4.8
Average period of fixed interest, years	1.6	2.3	1.6	1.2	1.3	0.9	1.3	1.1
Order status								
Orders received	33,124	37,500	46,316	50,647	43,098	40,941	45,624	52,413
Order backlog	18,460	19,380	25,835	30,750	23,788	23,752	27,429	32,161
Per share data								
Profit/loss after taxes, before dilution, SEK	5.00	7.70	14.00	–21.60	7.95	–4.10	8.53	11.07
Profit/loss after taxes, after full dilution, SEK	5.00	7.70	13.80	–21.60	7.55	–4.10	8.05	10.86
Cash flow before financing, SEK	5.46	–5.58	–21.73	–6.88	46.63	7.03	48.38	19.52
P/E ratio	12	13	5	neg	7	neg	10	13
Ordinary dividend, SEK	2.50	4.00	4.50	2.25	2.75	2.75	4.50	5.50[3]
Extraordinary dividend, SEK	3.00	7.00				6.70[2]	10.00	10.00[3]
Dividend yield, %	8.9	11.2	6.5	3.2	5.2	17.0	16.5	10.9
Dividend yield excl. extraordinary dividend, %	4.1	4.1	6.5	3.2	5.2	5.0	5.1	3.9
Shareholders' equity, SEK	89.20	90.30	93.90	69.75	74.20	60.45	65.58	63.30
Share price/shareholders' equity, %	69	108	73	100	71	92	134	225
Share price at year-end, NCC B, SEK	61.50	98.00	69.00	70.00	53.00	55.50	88.00	142.50
Number of shares, millions								
Total number of issued shares	108.4	108.4	108.4	108.4	108.4	108.4	108.4	108.4
Repurchase of shares at year end			2.7	3.4	6.0	6.0	6.0	1.2
At year-end	108.4	108.4	105.7	105.0	102.4	102.4	102.4	107.2
Average during the year	108.4	108.4	107.0	105.0	103.6	102.4	102.4	106.4
Market capitalization	6,669	10,564	7,353	7,347	5,366	5,625	8,984	15,282
Personnel								
Average number of employees	21,645	24,122	25,192	28,170	25,554	24,076	22,375	21,001

1) Pertains to book value of development and managed properties.
2) Extraordinary dividend in 2003 pertains to all shares in Altima.
3) Board of Directors' motion to the Annual General Meeting.

Figures for 1998 to 2003 are not IFRS adjusted
Figures for 2004 are not adjusted for IAS 39, Financial Instruments.
For definitions of key figures, see page 107.

1998 Earnings improved as a result of coordination gains from the merger with SIAB, an increase in project development and the sale of properties.

1999 The main reason for the increase in earnings was an improvement in the construction operations of foreign subsidiaries. The sale of the Neptun Maritime and BPA shareholdings contributed a capital gain of SEK 201 M. Asphalt and ballast operations were acquired from Superfos, a Danish construction group.

2000 Earnings for 2000 included surplus pension funds from Alecta amounting to SEK 912 M. The main reason for the improved earnings was a high rate of activity within real estate operations. The Rieber Group's asphalt and aggregate operations were also acquired.

2001 Earnings for 2001 were charged SEK 1,740 M for impairment losses and provisions. A comprehensive restructuring and action program was introduced to improve profitability. As of 2001, sales of NCC Property Development's property development projects were reported as part of net sales. The effect for 2001 was an approximately SEK 1.5 billion increase in sales.

2002 Operations were affected by the action program initiated in 2001. Restructuring measures were implemented in the Nordic countries. The phase-out of non-core operations was initiated. The sale of the subsidiary NVS generated a capital gain of SEK 303 M.

2003 Earnings for 2003 were charged SEK 782 M for the impairment losses of NCC Property Development and SEK 195 M for the impairment losses of NCC Roads, including restructuring measures. The subsidiary Altima was spun off. Altima's earnings for full-year 2003 are included.

2004 The transformation of NCC into a financially stronger company with a healthy core business was completed. Properties were sold for nearly SEK 5 billion and net indebtedness was reduced by SEK 3.7 billion to SEK 1.1 billion. Profit after financial items improved to SEK 0.9 billion (loss: 0.3).

QUARTERLY DATA

	Quarterly amounts, 2005 Q1	Q2	Q3	Q4	Full year 2005	Quarterly amounts, 2004 Q1	Q2	Q3	Q4	Full year 2004
Group										
Orders received, SEK M	11,490	14,142	11,863	14,918	52,413	10,636	12,529	9,670	12,789	45,624
Order backlog, SEK M	30,708	32,938	32,218	32,161	32,161	26,898	28,245	26,685	27,429	27,429
Net sales, SEK M	8,346	12,756	12,665	15,738	49,506	8,424	12,695	11,909	13,506	46,534
Operating profit/loss, SEK M	–99	696	714	437	1,748	–101	582	541	126	1,147
Profit/loss after financial items, SEK M	–134	659	667	388	1,580	–165	525	497	88	945
Net profit for the period, SEK M	–96	474	480	328	1,187	–131	461	434	112	876
Earnings per share, SEK	–0.87	4.33	4.34	3.03	10.86	–1.25	4.24	3.94	1.05	8.05
NCC Construction Sweden										
Orders received, SEK M	4,890	5,925	4,725	6,611	22,151	4,601	4,899	3,418	6,961	19,878
Order backlog, SEK M	13,761	14,715	15,037	15,593	15,593	11,123	11,604	10,908	12,553	12,553
Net sales, SEK M	3,788	4,992	4,407	6,168	19,354	3,629	4,427	4,124	5,338	17,518
Operating profit/loss, SEK M	123	195	150	296	764	83	148	148	96	475
Operating margin, %	3.2	3.9	3.4	4.8	3.9	2.3	3.3	3.6	1.8	2.7
Capital employed, SEK M	1,080	1,203	1,306	1,881	1,881	1,213	1,166	1,428	1,473	1,473
NCC Construction Denmark										
Orders received, SEK M	1,145	1,755	1,809	2,130	6,839	1,138	1,897	1,484	1,667	6,186
Order backlog, SEK M	4,254	4,397	4,238	4,439	4,439	3,431	4,003	4,273	4,307	4,307
Net sales, SEK M	1,251	1,751	1,897	1,965	6,865	1,186	1,278	1,200	1,613	5,277
Operating profit/loss, SEK M	35	57	71	46	209	13	42	52	43	149
Operating margin, %	2.8	3.2	3.8	2.3	3.0	1.1	3.3	4.3	2.6	2.8
Capital employed, SEK M	607	564	582	602	602	627	523	601	657	657
NCC Construction Finland										
Orders received, SEK M	1,657	2,169	924	1,347	6,098	1,068	1,854	1,221	710	4,853
Order backlog, SEK M	4,005	4,727	4,228	4,007	4,007	3,845	4,172	4,121	3,411	3,411
Net sales, SEK M	1,089	1,695	1,378	1,660	5,821	1,240	1,490	1,232	1,455	5,418
Operating profit/loss, SEK M	76	98	106	39	320	82	52	41	55	230
Operating margin, %	7.0	5.8	7.7	2.4	5.5	6.6	3.5	3.3	3.8	4.2
Capital employed, SEK M	1,025	1,096	1,165	953	953	966	889	960	938	938
NCC Construction Norway										
Orders received, SEK M	2,077	1,140	1,480	1,256	5,953	1,250	721	908	1,463	4,342
Order backlog, SEK M	3,951	4,209	4,500	4,010	4,010	2,796	2,532	2,486	2,790	2,790
Net sales, SEK M	1,002	1,138	1,142	1,700	4,983	927	957	934	1,167	3,985
Operating profit/loss, SEK,M	60	32	38	72	202	29	26	18	39	112
Operating margin, %	6.0	2.8	3.4	4.2	4.1	3.2	2.7	1.9	3.4	2.8
Capital employed, SEK,M	388	450	482	531	531	322	396	308	340	340
NCC Construction Germany										
Orders received, SEK M	332	502	313	633	1,781	279	369	295	349	1,292
Order backlog, SEK M	753	882	767	841	841	648	735	656	683	683
Net sales, SEK,M	279	406	418	570	1,672	203	273	370	318	1,164
Operating profit/loss, SEK M	–2	14	–9	–3	0	4	7	18	2	31
Operating margin, %	–0.6	3.4	–2.2	–0.5	0.0	2.2	2.7	4.8	0.6	2.7
Capital employed, SEK M	1,099	1,308	1,379	1,454	1,454	1,194	1,177	1,107	1,070	1,070
NCC Property Development										
Net sales, SEK M	53	282	413	922	1,671	247	1,512	681	1,619	4,059
Operating profit/loss, SEK M	0	69	53	78	200	21	76	–1	74	170
Capital employed, SEK M	3,329	3,690	3,128	2,541	2,541	6,618	5,683	4,272	3,206	3,206
NCC Roads										
Orders received, SEK M	1,188	2,794	2,482	2,711	9,175	1,268	2,805	2,392	1,860	8,325
Order backlog, SEK M	1,826	2,276	1,718	1,780	1,780	1,610	2,099	1,622	1,273	1,273
Net sales, SEK M	649	2,398	3,012	2,649	8,708	727	2,304	2,865	2,208	8,104
Operating profit/loss, SEK M	–338	291	352	8	313	–297	277	346	–69	258
Operating margin, %	–52.1	12.1	11.7	0.3	3.6	–40.8	12.0	12.1	–3.1	3.2
Capital employed, SEK M	3,114	3,808	3,822	3,171	3,171	3,601	4,242	3,854	3,210	3,210

DEFINITIONS / GLOSSARY

FINANCIAL DEFINITIONS

Average interest rate: Nominal interest weighted by interest-bearing liabilities outstanding.

Average period of fixed interest: The remaining period of fixed interest weighted by interest-bearing liabilities outstanding.

Average shareholders' equity: Average shareholders' equity is calculated as the average of the balances at January 1, March 31, June 30, September 30 and December 31.

Capital employed: Total assets less interest-free liabilities including deferred tax liabilities. Average capital employed is calculated as the average of the balances at January 1, March 31, June 30, September 30 and December 31.

Capital turnover rate: Net sales divided by average capital employed.

Debt/equity ratio: Net indebtedness divided by shareholders' equity.

Dividend yield: The dividend as a percentage of the market price at year-end.

Earnings per share, after taxes: Net profit for the year attributable to NCC shareholders divided by the weighted number of shares during the year in question.

Equity/assets ratio: The total of shareholders' equity as a percentage of total assets.

Exchange-rate difference: Exchange-rate changes attributable to movements in various exchange rates when receivables and liabilities in foreign currencies are translated into SEK.

Exchange-rate effect: The impact of changes in various exchange rates on current reporting in NCC's consolidated accounts on translation into SEK.

Interest-coverage ratio: Profit after financial items plus financial expense divided by financial expense.

Net indebtedness: Interest-bearing provisions and liabilities less financial assets including cash and cash equivalents.

Net investments: Closing balance less opening balance plus depreciation and impairment losses less write-ups.

Net margin: Profit after net financial items as a percentage of net sales.

Net sales: The net sales of construction operations are reported in accordance with the percentage of completion principle. These revenues are reported in pace with the gradual completion of construction projects within the Group. In the Parent Company, net sales correspond to income-recognized sales from completed projects. Within other operations, net sales correspond to invoicing for the year.

Operating margin: Operating profit as a percentage of net sales.

Operating net: Result from property management before depreciation.

Order backlog: Value at the end of the year of the remaining non-worked-up project revenues for projects received, including proprietary projects for sale that have not been completed.

Orders received: Value of received projects and changes in existing projects during the period concerned. Proprietary projects for sale, if a decision to initiate the assignment has been taken, are also included among assignments received.

P/E ratio: Market price of the shares at year-end, divided by earnings per share after taxes.

Profit margin: Profit after financial items as a percentage of net sales.

Repurchase of Company shares in share data: Repurchased shares have been excluded from calculations of key figures based on the number of shares outstanding.

Return on capital employed: Profit after financial items including results from participations in associated companies following the reversal of interest expense in relation to average capital employed.

Return on equity: Net profit for the year according to the income statement excluding minority share as a percentage of average shareholders' equity.

Return on total capital: Profit after financial items including result from participations in associated companies plus financial expense as a percentage of average total assets.

Total return: Share-price performance during the year plus dividend paid divided by share price at the beginning of the year.

SECTOR-RELATED TERMS

Aggregates: Rock materials resulting from the disintegration of rock through crushing; also called macadam.

Ballast: Normal term for gravel, disintegrated materials, mainly rock materials, used for construction and civil engineering purposes.

Buildings/other buildings: In descriptions of operations, this term pertains to commercial buildings, mainly offices, retail outlets, shopping malls and garages.

Development right: The right to develop a site. With respect to housing, a development right corresponds to a home (apartment or detached house) with an average of approximately 90 square meters of floor space.Ownership, or an option on ownership, of the site concerned is a prerequisite for being granted access to a development right.

Contract forms:

Negotiated contract/mutual-trust contract: When NCC cooperates on an exclusive basis with the customer throughout the construction process – from planning to final inspection.

General contract/implementation contract: When NCC conducts construction work on behalf of a client who has conducted the project-design work. NCC appoints and is responsible for the subcontractors.

Turnkey contract/design and build contract: When NCC has turnkey responsibility for a project, from the concept and project-design stage right through to completion.

Construction costs: The cost of constructing a building, including building accessories, utility-connection fees, other contractor-related costs and VAT. Construction costs do not include the cost of land.

LNG: Liquefied Natural Gas.

Leasing rate: The percentage of anticipated rental revenues that corresponds to signed leases (also called leasing rate based on revenues).

Macadam: Rock materials resulting from the disintegration of rock through crushing; also called aggregates.

NCC EkoConcept: Customer offering based on a calculation of the lifecycle costs of projects.

NCC Partnering: A cooperation format applied in the construction and civil engineering industry, whereby the client, consultants and contractor establish open and trusting cooperation at an early stage of the process based on shared goals, joint activities and joint financial targets in order to optimize the project.

Properties: In descriptions of operations, "properties" refers to buildings, housing or land.

Proprietary project: When NCC, for its own development purposes, acquires land, designs a project, conducts construction work and then sells the project.

Total-package project: When NCC is responsible for the entire chain of services, from concept to project sale.

BOARD OF DIRECTORS AND AUDITORS

ELECTED BY THE ANNUAL GENERAL MEETING

TOMAS BILLING

Chairman. Born 1963. Board member since 1999 and Chairman since 2001.
President of Nordstjernan AB. Chairman of Karolin Machine Tool AB, Välinge Holding AB and Nils Hanssons Åkeri AB. Board member of Sirius Machinery AB and Engelsberg Industriutveckling AB. Previous experience: President of Hufvudstaden AB and Monark Bodyguard AB, among other positions.
Shareholding in NCC AB: 17,000 Series A shares, 39,000 Series B shares.

FREDRIK LUNDBERG

Deputy Chairman. Born 1951. Board member and Deputy Chairman since 1997.
President and Chief Executive Officer of L E Lundbergföretagen AB. Chairman of Cardo AB, Holmen AB and Hufvudstaden AB. Board member of L E Lundbergföretagen AB, Svenska Handelsbanken and Industrivärden AB.
Shareholding in NCC AB: 0.

ANTONIA AX:SON JOHNSON

Born 1943. Board member since 1999.
Chairman of Axel Johnson AB. Board member of Nordstjernan AB, the Axel and Margaret Ax:son Johnson Foundation, Axfood AB and Åhléns AB, as well as several companies in The Axel Johnson Group.
Shareholding in NCC AB: 167,400 Series A shares and 72,400 Series B shares via private companies.

ULF HOLMLUND

Born 1947. Board member since 2004.
Board member of LjungbergGruppen AB and Anticimex Holding AB. Previous experience: President of LjungbergGruppen AB (1983–2003) and President of Fastighets AB Celtica (1993–2003).
Shareholding in NCC AB: 5,000 Series B shares.

ANDERS RYDIN

Born 1945. Board member since 2003.
Chairman of Handelshögskolan Förvaltning AB and subsidiaries. Board member of Cardo AB, Biotage AB, Eldon AB, IFL & HHS Holding AB and Enskilda Securities AB. Member of the Royal Swedish Academy of Engineering Sciences' Investment Council. Previous experience includes: Finance Director of AGA AB (1978–1991), Investor AB (1991–1997) and Skandinaviska Enskilda Banken AB (1997–2003).
Shareholding in NCC AB: 2,000 Series B shares.

MARCUS STORCH

Born 1942. Board member since 1998.
Chairman of the Nobel Foundation. Deputy Chairman of Axel Johnson AB and Axfood AB. Board member of Dagens Industri AB, AB Hannells Industrier and Nordstjernan AB, the Royal Swedish Academy of Sciences and the Royal Swedish Academy of Engineering Sciences. Previous experience: President of AGA AB (1981–1997), among other positions.
Shareholding in NCC AB: 20,000 Series B shares via private companies.

ALF GÖRANSSON

Born 1957. Board member since 2002.
President and CEO of NCC since 2001. Previous experience: CEO of Svedala Industri AB (2000–2001), Business Area Manager of Cardo Rail (1998–2000) and President of Swedish Rail Systems AB (1993–1998), contracting company in the Scancem Group, among other positions. Other assignments: Chairman of the Board of Lund Institute of Technology. Board member of Välinge Holding AB and the Stockholm Chamber of Commerce.
Shareholding in NCC AB: 4,000 Series B shares.
No significant holdings in companies with which NCC has commercial undertakings.


Tomas Billing


Fredrik Lundberg


Antonia Ax:son Johnson


Ulf Holmlund


Anders Rydin


Marcus Storch


Alf Göransson

The details regarding shareholdings in NCC pertain to directly held shares and shares held via companies at December 31, 2005. For updated information about shareholdings, see the Group's www.ncc.info website, under Investor relations/The NCC share, which includes information from the Swedish Financial Supervisory Authority's insider register.

MEMBERS APPOINTED BY EMPLOYEE ORGANIZATIONS

LARS BERGQVIST

Born 1951. Construction engineer.
Board member since 1991. Employed since 1975. Shop steward at NCC. Employee representative of Ledarna (Swedish Association of Supervisors). Other assignments: Chairman of Byggcheferna (Union of Construction Managers) and Deputy Chairman of Ledarna.
Shareholding in NCC AB: 200 Series B shares.

SVEN FRISK

Born 1946. Carpenter.
Board member since 1999. Employed since 1978. Carpenter and Shop steward at NCC. Employee representative of Svenska Byggnadsarbetareförbundet (Swedish Building Workers' Union). Other assignments: Chairman of Swedish Building Workers' local union branch in Gothenburg.
Shareholding in NCC AB: 0.

RUBEN ÅKERMAN

Born 1945. Carpenter.
Board member since 2004. Employed since 1964. Shop steward at NCC. Employee representative of Svenska Byggnadsarbetareförbundet (Swedish Building Workers' Union). Other assignments: Chairman of NCC AB's Codetermination Council and European Workers Council (EWC).
Shareholding in NCC AB: 0.

Lars Bergqvist

Sven Frisk

Ruben Åkerman

DEPUTY MEMBERS APPOINTED BY EMPLOYEE ORGANIZATIONS

KARL-OLOF FRANSSON

Born 1941. Paver.
Deputy Board member since 1993. Employed since 1968. Shop steward at NCC. Employee representative of SEKO (Union for Employees in the Service and Communication Sectors). Other assignments: Member of SEKO's Central Negotiating Committee, Chairman of SEKO's Road and Rail Department in southeast Sweden.
Shareholding in NCC AB: 0.

MARITA MANNERFJORD

Born 1944. Health-maintenance counselor.
Deputy Board member since 1998. Employed since 1968. Employee representative of SIF (Swedish Industrial Salaried Employees' Association). Administrator in Work Environment and Health. Other assignments: Member of NCC AB's Central Codetermination Council and the European Workers Council (EWC). In charge of health maintenance at NCC's Head Office.
Shareholding in NCC AB: 0.

Karl-Olof Fransson

Marita Mannerfjord

AUDITORS

BO RIBERS

Born 1942. Authorized Public Accountant KPMG. Auditor of NCC since 2000. Other significant assignments: Auditor of HL Display, Hufvudstaden, L E Lundbergföretagen, Prevas and Ångpanneföreningen and Chairman of the Quality Council at FAR (Institute for the Accounting Profession in Sweden) 1998–2005.

CARL LINDGREN

Born 1958. Authorized Public Accountant KPMG. Auditor of NCC since 2004. Other significant assignments: Auditor of Intentia, Intrum Justitia, Investor, NTG, Skandia Liv and Skistar.

SECRETARY

ULF WALLIN

Born 1949. General Counsel in NCC AB. NCC AB's Board Secretary since 1996. Shareholding in NCC AB: 0.

NCC's Group Management on a hike in the Norwegian mountains outside Stavanger in June 2005.
From left: Sven Christian Ulvatne, Ulf Wallin, Timo U. Korhonen, Søren Ulslev, Ann-Sofie Danielsson, Olle Ehrlén, Alf Göransson, Mats Wäppling, Annica Gerentz and Göran Svensson.

MANAGEMENT

GROUP MANAGEMENT

ALF GÖRANSSON

Born 1957. President and CEO of NCC since 2001. Employed since 2001. Previous experience: CEO of Svedala Industri AB (2000–2001), Business Area Manager of Cardo Rail (1998–2000) and President of Swedish Rail Systems AB (1993–1998), contracting company in the Scancem Group, among other positions. Other assignments: Chairman of the Board of Lund Institute of Technology. Board member of Välinge Holding AB and the Stockholm Chamber of Commerce. Shareholding in NCC AB: 4,000 Series B shares.
No significant holdings in companies with which NCC has commercial undertakings.

TIMO U. KORHONEN

Born 1952. President of NCC Construction Finland since 2001. Employed during 1988–1993 and since 1998. Previous experience: regional manager at Puolimatka, Business Area President at Lemminkäinen Construction and President of NCC International, among other positions. Other assignments: Board member of Finnish Federation of Building Industries and Mutual Pension Insurance Company Etera. Shareholding in NCC AB: 0.

OLLE EHRLÉN

Born 1949. Deputy Chief Executive Officer and President of NCC Construction Sweden since 2001. Employed since 1973. Previous experience: Regional Manager at NCC Building Stockholm, Construction Staff Manager within civil engineering operations, Business & Technological Development Manager within construction operations and Department Manager within rebuilding operation among other positions. Other assignments: Chairman of the Swedish Construction Federation. Board member of Confederation of Swedish Enterprise. Shareholding in NCC AB: 4,400 Series B shares.

GÖRAN SVENSSON

Born 1954. President of NCC Roads since 2003. Employed since 1978. Previous experience: regional manager, most recently of Civil Engineering's Stockholm/ Mälardalen Region, department manager, foreman and supervisor, among other positions. Shareholding in NCC AB: 0.

MATS WÄPPLING

Born 1956. Deputy Chief Executive Officer and President of NCC Property Development since 2003. Employed by NCC since 2003. Previous experience: mainly various senior positions within the Skanska Group (1979–2002), including President of the Skanska Project Development and Real Estate business areas and, most recently, Executive Vice President (2001–2002). Other assignments: Board member of Pandox AB and Sweco AB. Shareholding in NCC AB: call options corresponding to 93,743 Series B shares.

SØREN ULSLEV

Born 1955. President of NCC Construction Denmark since 2001. Employed since 1980. Previous experience: Vice President of NCC Rasmussen & Schiøtz A/S, among other positions. Other assignments: Board member of Dansk Byggeri. Shareholding in NCC AB: 0.

In a number of the Group's regions, we also proved during 2005 that an ounce of motivation and conviction is worth more than ton of facts.

Alf Göransson, CEO

OTHER SENIOR EXECUTIVES

ANN-SOFIE DANIELSSON
Born 1959. Financial Director since 2003. Employed since 1996. Previous experience: Finance Director and Group Controller at NCC AB (1999–2003), Group Accounts Manager at NCC AB (1996–1999) and Group Accounts Manager at Nynäs AB (1993–1995), among other positions. Authorized Public Accountant at Tönnerviksgruppen and KPMG (1984–1992). Shareholding in NCC AB: 0.

ANNICA GERENTZ
Born: 1960. Senior Vice President Corporate Communications at NCC since 2004. Employed by NCC since 2000. Previous experience: Investor Relations Manager at NCC AB (2000–2004), president and journalist at Börsveckan (1998–2000), editor of Risk & Försäkring newsletter (1996–1998), journalist at Nyhetsbyrån Direkt (1989–1996), editorial manager and journalist at Dagens Industri (1987–1989) and journalist at Expressen (1983–1987), among other positions. Shareholding in NCC AB: 0.

OLLE BOBACK

Born 1953. President of NCC Construction Germany since 2001. Employed since 1974. Previous experience: department and regional manager within NCC's German operations, among other positions. Active in Germany for 20 years. Other assignments: Board member of Swedish Chamber of Commerce, Germany, and of Construction Federation in Berlin-Brandenburg. Shareholding in NCC AB: 0.

ULF WALLIN
Born 1949. General Counsel in NCC AB. NCC AB's Board Secretary. Employed since 1994. Previous experience: General Counsel at Teli AB (1990–1994), banking lawyer at SEB, Skaraborgsbanken (1987–1990), corporate lawyer at Svenska Varv (Celsius) (1981–1987) and positions in Swedish court system (1978–1981), among other positions. Shareholding in NCC AB: 0.

SVEN CHRISTIAN ULVATNE
Born 1960. President of NCC Construction Norway since 2004. Employed since 2000. Previous experience: manager of NCC Region Nord/Vest Bygg, regional manager within construction and civil engineering at NCC Construction Norway, President of AS Betong Sandnes, President of Sandnes Eiendom, regional director at Block Watne AS, marketing manager at Aadnøy Entreprenør, among other positions. Other assignments: Chairman of Signatur Arkitekter. Shareholding in NCC AB: 0.

CHARLOTTE Z. LINDSTEDT

Born 1959. Finance Director since 2004. Employed by NCC since 1989. Previous experience: President of NCC Treasury (1998–2004), senior trader at NCC Treasury (1989–1998) and accountant at The Axel Johnson Group (1983–1989), among other positions. Shareholding in NCC AB: 500 Series B shares.

The details regarding shareholdings in NCC pertain to holdings at December 31, 2005. Shareholdings are updated on the Group's www.ncc.info website, under Investor relations/The NCC share, where information pertaining to the Swedish Financial Supervisory Authority's Insider Register is also available.

FINANCIAL INFORMATION

NCC will publish financial information regarding the 2006 fiscal year on the following dates:

April 5	**Annual General Meeting**
April 26	**Interim report, January–March**
August 23	**Interim report, January–June**
November 7	**Interim report, January–September**
February 2007	**Year-end report 2006**

NCC's interim reports are downloadable from the NCC Group's Internet website, www.ncc.info, where all information regarding the NCC Group is organized in English and Swedish versions. There are also links to brief descriptions in other languages, such as French, Spanish, Polish and Russian. The website also includes an archive of interim reports dating back to 1997 and an archive of annual reports dating back to 1996. Since 2003, NCC has not printed or distributed its interim reports.

The price performance of NCC's Series A and B shares, updated every 15th minute of each day of trading, is presented under the "Investor Relations" tab, as are key financial figures. All press releases issued by NCC since 1997, sorted by year, and a search function are also available on the website.

NCC's financial information can be ordered either by using the order form available on the www.ncc.info website or by e-mailing NCC AB at info@ncc.se, writing to NCC AB, SE-170 80 Solna, calling NCC AB at +46 8 585 510 00 or faxing NCC AB at +46 8 85 77 75.

The person within the NCC Group responsible for shareholder-related issues and financial information is Annica Gerentz, Senior Vice President Corporate Communications (Tel: +46 8 585 522 04; e-mail: ir@ncc.se).

ANNUAL GENERAL MEETING

The Annual General Meeting will be held at 4:30 p.m. on April 5, 2006.
Venue: Grand Hôtel, Vinterträdgården, Royals' Entrance, Stallgatan, Stockholm, Sweden.
Notification can be made by post to the following address: NCC AB, Lisbeth Karlsson, SE-170 80, Solna; via the Group's website www.ncc.info, by telephone to +46 8 585 522 61; fax to +46 8 585 517 56; or e-mail to lisbeth.m.karlsson@ncc.se. Notifications should include name, personal identification number (corporate registration number), address, telephone number and registered shareholding.

Registration at the Annual General Meeting will begin at 3.30 p.m. The official notification of the Annual General Meeting is available on the NCC Group's Internet website, www.ncc.info, and was published in Swedish daily newspapers on March 6.

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Addresses of the companies included in the NCC Group are available on the Internet at www.ncc.info

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