ANNUAL REPORT

NCC 2006

CONTENTS

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.

Kanalhusen, Kristianstad, Sweden.

Kollegie, Viborg, Denmark.

FINANCIAL OVERVIEW OF 2006

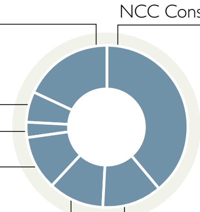
Stångåstrand, Linköping, Sweden.

Key figures

SEK M	2006	2005
Orders received	57,213	52,413
Net sales	55,876	49,506
Operating profit	2,392	1,748
Profit after financial items	2,263	1,580
Net profit for the year	1,708	1,187
Earnings per share after dilution, SEK	15.74	10.86
Ordinary dividend per share, SEK	8.00[1]	5.50
Extraordinary dividend per share, SEK	10.00[1]	10.00
Cash flow before financing	1,657	2,115
Cash flow per share after dilution, SEK	15.29	19.52
Return on shareholders' equity, %	27	18
Equity/assets ratio, %	22	25
Net indebtedness	430	496
Average number of employees during the year	21,784	21,001

1) Proposed dividend.

Net sales by business area, percent



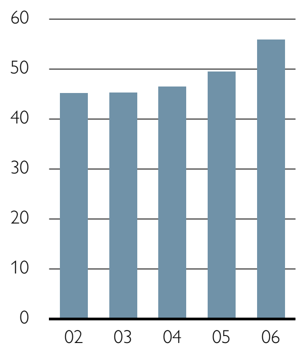
Cover:
LKAB's pelletizing plant in Kiruna, Sweden, is NCC's largest ongoing partnering project.

NCC's Construction units accounted for 76 percent (78) of net sales in 2006, and NCC Construction Sweden was the largest business area.

THE YEAR IN BRIEF

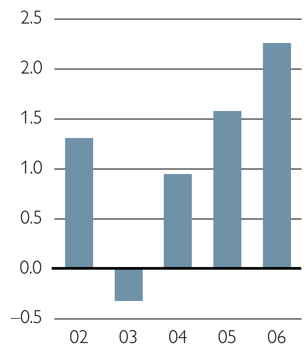
- 2006 was a highly successful year for NCC, when all of the financial objectives were achieved. The return on equity after tax was 27 percent, the cash flow was positive and net indebtedness amounted to SEK 0.4 billion at year-end.
- Profit after financial items amounted to SEK 2,263 M (1,580), the highest level in NCC's history.
- NCC's Construction units in Sweden and Finland reported record earnings in 2006, due to a healthy housing market and to improved margins in construction operations. In Norway, profitability was also favorable, while Denmark failed in significant aspects of its project control.
- NCC Roads capitalized on the strong construction climate and a mild autumn, and NCC Property Development utilized the robust real estate market and keen investor interest to complete a large number of favorable transactions. Expansion in Germany, where NCC is building housing in several major growth regions, yielded results. Similarly, the growth achieved in the Baltic countries generated surplus.
- Around the end of 2006, an agreement was reached concerning the sale of NCC Roads' Polish operations to Strabag of Austria.
- NCC's Board of Directors proposes an ordinary dividend of SEK 8.00 (5.50) per share, plus an extraordinary dividend of SEK 10.00 (10.00) per share, making a total of SEK 18.00 (15.50) per share.

Net sales, SEK billion



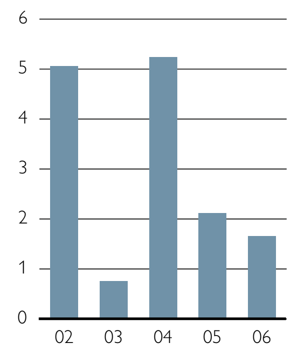
NCC's sales have increased gradually during recent years, because of the robust construction climate in the Nordic region. NCC's Construction units accounted for most of the increase. During 2006, NCC Roads increased its sales due to favorable weather and NCC Property Development sold several development properties.

Profit/loss after financial items, SEK billion



Profit for 2006 was the highest in NCC's history, amounting to SEK 2,263 M (1,580). The loss reported in 2003 was due mainly to impairment losses and restructuring measures.

Cash flow before financing, SEK billion



Cash flow in 2006 benefited from the healthy profitability of NCC's Construction units and NCC Roads. Investments in properties classed as current assets increased in NCC's Construction units and in NCC Property Development. During 2004, cash flow included payments from major sales of managed properties and property projects within NCC Property Development. Sales of property projects also occurred in 2005 and 2006, although the related payment will not be received until subsequent years.

Figures for 2002-2003 are not adapted to IFRS.

THIS IS NCC

FUTURE ENVIRONMENTS FOR WORKING, LIVING AND COMMUNICATION

NCC is one of the leading construction and property-development companies in the Nordic region. The Group had sales of SEK 56 billion in 2006, with 22,000 employees.

NORDIC REGION AS THE DOMESTIC MARKET

NCC is active throughout the value chain in its efforts to create environments for working, living and communication. NCC develops and builds residential and commercial properties, industrial facilities and public buildings, 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 the Baltic region, NCC builds housing on a proprietary basis and in Germany NCC mainly engages in the construction of single-family housing.

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

CONSTRUCTION

Housing, building and civil engineering

The Gurkörten property block, Sörbyängen, Örebro, Sweden

NCC's Construction units construct residential and office properties, other buildings, industrial facilities, roads, civil-engineering structures and other types of infrastructure, with a focus on the Nordic market. 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.

PROPERTY DEVELOPMENT

Development of commercial properties

Västra Hamnen, Malmö, Sweden.

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

Asphalt, aggregates, paving and road services

E4, Markaryd, Sweden.

NCC Roads' core business is the production of aggregates and asphalt, combined with paving operations and road services. NCC Roads is the leading player in the Nordic market. NCC Roads' main markets in 2006 were the Nordic countries, as well as Poland and St. Petersburg. Around the end of 2006, an agreement was reached concerning the sale of the business area's Polish operations.

REVIEW BY THE PRESIDENT

TRIMMED ORGANIZATION TOWARDS NEW GOALS

Alf Göransson and Olle Ehrlén.

NCC's financial statements for 2006 are also President and CEO Alf Göransson's final account of his time at NCC. He came to NCC in 2001, and during his slightly more than five years as CEO, he has driven a change process that has made the Company leaner, sharper and more profitable. During this period, NCC has also grown in its priority markets and segments. More efficient purchasing, new forms of cooperation and industrial construction have been key issues. On February 12, 2007, Olle Ehrlén, previously Deputy CEO of NCC AB and President of NCC Construction Sweden, took over as new President and CEO.

ALF GÖRANSSON, HOW DO YOU VIEW THE 2006 FISCAL YEAR?

It was a successful year for NCC, in which the after-tax return on equity was 27 percent, which was 9 percentage points higher than in the preceding year and well above our target of 15 percent. The total return on the share was 42 percent (78). In addition, profit exceeded SEK 2 billion, reaching SEK 2,263 M (1,580).

HOW WOULD YOU DESCRIBE THE PERFORMANCE OF THE VARIOUS GROUP UNITS?

NCC Construction in Sweden and Finland delivered record profits in 2006, in part due to a favorable housing market and in part to improved margins in construction operations. Profitability was also favorable in Norway, while Denmark failed in significant aspects of its project control. NCC Roads also noted its best year since the unit was established and improved both profits and returns, while NCC Property Development took advantage of the favorable property market and investor interest to execute a large number of sales.

AFTER TURNAROUND AND STREAMLINING PROCESS, 2006 WAS THE YEAR WHEN NCC STARTED TO GROW, ALTHOUGH IN SELECTED SEGMENTS AND IN SMALL STEPS. WHAT HAS HAPPENED?

Expansion in Germany, where we are now constructing housing in nearly all major growth markets, is proceeding as planned. In the Baltic countries, where we build housing on a proprietary basis, we built approximately 400 homes in 2006, and continue to grow. In St. Petersburg, we have

NCC is a driving force in the change process that is taking the construction industry into a new era. Industrialization and international purchasing are some of the factors that will change the landscape.

acquired development rights that will allow continued expansion of our proprietary housing operations.

NCC Roads is expanding in the Nordic market both organically and through acquisitions. The divestment of the Polish operations, which requires approval by the relevant competition authorities, will allow continued expansion by this business area in the Nordic region. The investments in NCC Road's Nordic operations, as well as the expansion in the Baltic countries, Russia and Germany, are intended to reduce NCC's relative dependency on the Nordic housing market over the coming years.

WHEN YOU CAME TO NCC, YOU TALKED A LOT ABOUT REDUCING THE FINANCIAL RISK. HOW DOES IT LOOK AFTER 2006?

NCC is virtually debt-free, generates positive cash flow and has a favorable financial position for meeting future challenges.

WHAT WAS NOT POSITIVE DURING 2006?

The Nordic construction industry has experienced an unprecedented upturn during the past year. Growth amounted to at least 6 percent, which is also reflected in NCC's orders received, which increased by 9 percent compared with 2005. With the economic upturn, however, many years of shortcomings and unwillingness to change in the construction industry became evident. As a result of unwillingness to try anything new, obstinacy in clinging to ingrained routines and forms of contracts and unawareness of what is available in other countries, we once again got caught in the classic trap of economic boom conditions. Resources are scarce, materials prices are highly inflated and wages are drifting upwards. These are factors that resulted in higher construction costs and shrinking margins in some parts of our operations.

IS IT POSSIBLE TO CHANGE THE CONSTRUCTION INDUSTRY?

Many wonder if we in the construction industry will ever learn. But we have learned, and I see proof of this in all the unsung heroes who are a source of inspiration in the Company. In fact, an extensive change process is taking place at NCC – and also within many of our major competitors, for that matter – that is moving this sector of society into a new era, an era of industrialization, technology platforms, international purchasing, enhanced logistics, shorter supply chains, foreign subcontractors and foreign labor. Within construction companies, an increase in added value and greater knowledge will change the landscape in the Nordic markets, and a restructuring of the industry has already begun, although few people have realized it because booming demand is overshadowing the changing landscape.

NCC'S LONG-TERM STRATEGY STANDS FIRM

OLLE EHRLÉN, NEW CEO OF NCC, HOW DO YOU VIEW YOUR NEW ROLE?

For several years, NCC has pursued a strategy the aims of which, put briefly, are to reduce overall construction costs and have the best employees. We will continue to develop that strategy, while ensuring that the change process that we have initiated is completed and that we achieve the goals we have set. We have begun changing NCC, and thus the industry, but there is much more to be done in all of our markets.

CAN YOU ELABORATE ON THAT?

Because influencing projects at an early stage is important, the forms of collaboration are very important. Through NCC Partnering, we can contribute expertise at an early stage and design a product that is optimal for the customer. By demonstrating our expertise and core values, we instill trust.

We have made considerable progress in increasing purchasing efficiency, which is an important parameter for reducing our costs. Volumes are a critical factor for success in purchasing, and an increase in volumes requires platform thinking and well-functioning logistics. That is why, in organizational terms, we have concentrated expertise in the three strategic areas of purchasing, production and technology in what we call Knowledge Centers.

Industrial construction is something with which we have been working in different ways, not least at Hallstahammar, where we now build apartment buildings in a production plant. However, it also is possible to apply industrial concepts to other projects, such as office buildings, single-family homes and bridges. We have technology platforms for flexible offices, for example, and are conducting such projects in Stockholm and Malmö.

WHAT ARE THE CRITICAL SUCCESS FACTORS?

Control over daily operations, or order and accountability in simple terms, is essential. In all work from planning and purchasing to logistics and follow-up, we can do an even better job, which in turn will increase efficiency and make work more fun. We must also have a clear organization that works well.

WHAT THREATS IS NCC FACING?

The greatest threats are not adapting sufficiently to the globalization under way in the construction industry and not taking advantage of the opportunities that arise for continuing to rationalize and improve production. Naturally, labor shortages can also restrict our growth, which is why one of our goals is to be an attractive employer.

NCC is virtually debt-free, has positive cash flow and a favorable financial position for meeting future challenges.

WHAT CHARACTERIZES YOUR LEADERSHIP?

I see myself as a long-term and goal-oriented CEO with 30 years of experience in the construction industry. I work through other people and try to make them feel involved. Shared values are fundamental.

WHAT WILL YOU FOCUS ON IN 2007?

Customers, employees and clarifying the goals for an efficient construction process are one priority. Another is continuing to reduce total construction costs and putting profitability ahead of volume. Then we must naturally achieve our established goals and be the leading company with respect to developing tomorrow's environments for working, living and communication.

Solna, February 2007

Alf Göransson

Olle Ehrlén

GROUP OVERVIEW

OPERATIONS IN 2006

CONSTRUCTION

Housing, building and civil engineering

NCC's Construction units construct residential and office properties, other buildings, industrial facilities, roads, civil-engineering structures and other types of infrastructure, with a focus on the Nordic market. 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.

Main markets

Sweden • Denmark • Finland and the Baltic countries • Norway • Germany

Rya combined power and heating plant, Gothenburg, Sweden.

PROPERTY DEVELOPMENT

Development of commercial properties

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.

Main markets

Sweden • Denmark • Finland • Norway

Opus Business Park, Helsinki, Finland.

ROADS

Asphalt, aggregates, paving and road services

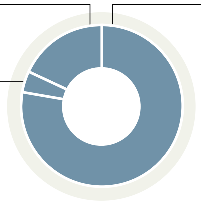
NCC Roads' core business is the production of aggregates and asphalt, combined with paving operations and road services. NCC Roads is the leading player in the Nordic market. NCC Roads' main markets in 2006 were the Nordic countries, as well as Poland and St. Petersburg. Around the end of 2006, an agreement was reached concerning the sale of the business area's Polish operations.

Main markets

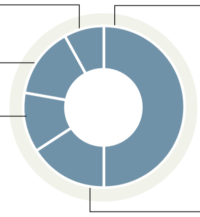
Sweden • Denmark • Finland • Norway

Landing strip at Kramfors/Sollefteå Airport, Sweden.

Business areas, share of net sales

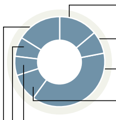


Net sales, per geographic market



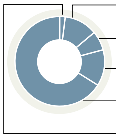
Products and customers

Product mix, share of net sales



During recent years, NCC has developed into an ever-larger player within residential construction.

Customer mix, share of net sales



The increasing share of residential construction within NCC has resulted in private customers becoming a more important customer group. Private customers also include companies.

Share of Group total

Net sales
SEK 42,813 M

76%

Operating profit
SEK 1,750 M

73%

Cash flow before financing
SEK 507 M

31%

Capital employed
SEK 6,171 M

65%

Average number of employees
15,639

72%

Sales of commercial property projects in 2006, examples

	City	Sales revenue, SEK M	Purchaser
Retail			
Home Center	Hyvinkää, Finland	176	I/S EjendomsInvest
Retail Viborg, Phase 1	Viborg, Denmark	83	Ejendomsudviklingsselskapet
Retail Park Kolding	Kolding, Denmark	64	K/S Kolding Retail
Hyvinkää Teboil	Hyvinkää, Finland	52	I/S EjendomsInvest
Keswell Kemi	Kemi, Finland	48	Alpha-Invest ApS (EU Invest)
Offices			
Kungsbron	Stockholm, Sweden	971	Vital Forsikring ASA
Lysaker Torg Bygg E	Oslo, Norway	683	Aberdeen Eiendom Holding II AS
Nordstaden, Hasselblad	Gothenburg, Sweden	436	Credit Suisse Asset Management
Kaggen	Malmö, Sweden	262	Alecta
Plaza Allegro	Vantaa, Finland	139	SEB Immobilien-Investment GmbH

Net sales
SEK 3,773 M

6%

Operating profit
SEK 472 M

20%

Cash flow before financing
SEK 616 M

37%

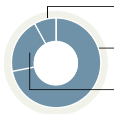
Capital employed
SEK 2,123 M

22%

Average number of employees
111

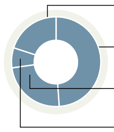
1%

Product mix, share of net sales



Asphalt and paving is by far the largest product group for NCC Roads.

Customer mix, share of net sales



NCC Roads' customer mix varies among products and countries. Central government, municipalities and county councils are major asphalt customers while there are more private customers for aggregates.

Net sales
SEK 10,044 M

18%

Operating profit
SEK 415 M

17%

Cash flow before financing
SEK 439 M

26%

Capital employed
SEK 3,075 M

32%

Average number of employees
4,342

20%

NCC IN PRACTICE

EFFICIENT PURCHASING REDUCES COSTS

NCC works systematically to reduce its purchasing costs for goods and services. Total purchasing amounts to nearly SEK 40 billion each year. NCC has its own purchasing offices in Poland, Germany, the Czech Republic, Russia and China, as well as professional purchasing resources throughout Europe.

During 2006, international purchases in the Group amounted to slightly more than SEK 1 billion. International purchases refer to direct purchases from countries other than the country in which the construction project is conducted. Compared with the best national alternative, the savings from these purchases outside the Nordic countries averaged approximately 20 percent.

Most purchases, however, still take place in the Nordic region, where NCC is working to coordinate purchases, take advantage of volume discounts, and purchase directly from manufacturers.

Although price is important, it is far from the only factor when choosing a supplier. Other factors are quality, product development, durability and being able to deliver the required volumes at the right time to the right place. NCC has thousands of workplaces, and the logistics of getting the right product to the right place are of great importance. As the construction process becomes more industrialized, the purchasing function also becomes increasingly important and involves predefined components and just-in-time delivery.

SPIDERS IN THE NET IN CHINA

Since 2005, NCC has been represented in China. Jan Lindholm leads a group of 10 people, mostly Chinese, who have specialist knowledge of various product ranges. During 2006, the focus was on stone, steel and plastic products, wooden products, ceramics, HVAC products/fittings and white goods. Before contracting a supplier, an assessment is made of various parameters, and the supplier shall comply with NCC's Code of Conduct (see www.ncc.info).

Personnel in Shanghai, China.

Students at Campus Johanneberg's student apartments in Gothenburg, Sweden.

REDUCED COSTS

NCC's large volumes mean that even small differences have effects. During 2006, NCC purchased electrical installation material at 40–60 percent lower prices in China, compared with the Nordic countries, windows from Poland at 30–40 percent lower prices and reinforcing rods from Belarus at 14 percent lower prices. When purchasing the reinforcing rods, Polish construction workers were employed for the work. Escalators were purchased separately without installation, which also reduced costs. At the same time, new Group-wide agreements were agreed for such products as windows and safety equipment, resulting in major cost reductions.

Aranäs High School, Kungsbacka, Sweden.

STRATEGIC ORIENTATION

FOCUS ON PURCHASING, INDUSTRIAL CONSTRUCTION, EMPLOYEES AND NCC PARTNERING

NCC's strategic orientation encompasses more efficient purchasing, more rational construction processes, having the right employees at all levels of the organization and continuing the development of construction assignments based on partnering contracts. Growth takes place within 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

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 at the right place. At the same time, prudent growth is to be generated in well-defined markets and segments.

Efficient purchasing reduces costs

NCC has been working for several years to reduce construction costs through more efficient purchasing. In part, this involves taking advantage of being a large purchaser of materials and services. However, it is also a question of comparing prices for equivalent products and services, obtaining better terms through coordination, negotiating framework agreements and conducting purchasing in international markets.

Work on industrialization of the construction process through new methods and new technology is closely linked to new purchasing channels and improved logistics at workplaces.

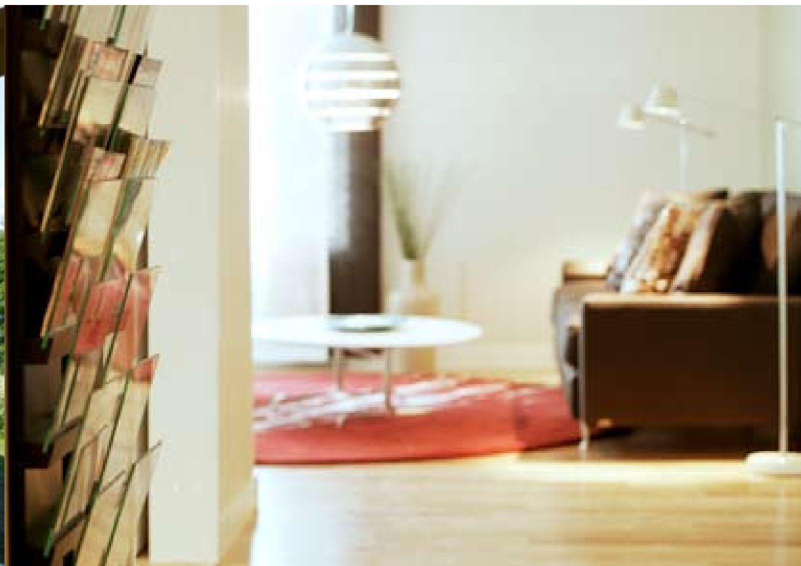
For the past two years, a special purchasing company, NCC Purchasing Group (NPG), has been in operation. During 2006, NCC had purchasing offices in Poland, Germany, Russia, the Czech Republic and China, as well as professional purchasing resources throughout Europe. NCC's total purchasing amounts to nearly SEK 40 billion per year. About one third of these purchases were coordinated during 2006 through various types of purchasing agreements on a Nordic, national or regional basis. To raise this share, increased effort is being made, primarily within the Construction units, to increase the use of technology platforms and concentrate purchasing expertise in strategic areas to Knowledge Centers in which purchasing work is linked to the technical design and production conducted in construction projects. Knowledge Centers have been established for control of design management, installation and building frames, for example.

A significant portion of purchasing involves employment of subcontractors for painting, electrical and HVAC installation and flooring, for example. Traditionally, subcontractor tenders have included both work and materials, which makes coordinated purchasing more difficult in these areas. In recent years, NCC has to an increasing extent started to purchase materials and labor separately.

In purchases from non-Nordic suppliers, which account for a small but rapidly growing volume, cost savings have averaged about 20 percent. To increase volumes at a faster rate, earlier planning is required in the various construction projects.

Tautra Convent, Frosta Municipality, Norway

Apartment block in Hallstahammar, Sweden, built with the NCC Komplett construction system.



In terms of prices, international purchasing results in both direct and indirect savings, since Nordic suppliers tend to increase the efficiency of their processes to be more competitive. This effect is particularly important in the prevailing boom economy, with signs of materials shortages and the emergence of inflationary pressure in certain segments.

Industrial construction enhances the construction process

NCC is at the cutting edge of technical development with respect to industrial construction. During 2006, the launch of the NCC Komplett construction system represented a technological leap for better housing. NCC Komplett means that 90 percent of the production of apartment blocks takes place in a production plant, with delivery in flat packages that are put together by assemblers in an assembly hall at the construction site. NCC Komplett results in higher quality, a better work environment, a halving of construction time and lower costs for housing construction. Despite the industrial production, there is considerable scope for individual preferences. During 2006, NCC built about 60 apartments with this construction system, and in 2007, production is expected to total about 400 apartments. Annual capacity in the production plant is 1,000 apartments. Read more about NCC Komplett at the www.ncc.info/teknikspranget website.

NCC is also improving the construction process in other respects, such as technology platforms, which provide a basic platform for construction of both residential housing and civil engineering projects. By introducing more industrial processes in all phases of construction, NCC can exploit economies of scale, assure high quality and ensure that experiences are reutilized. During 2006, for example, construction on the Västerport property development project in Stockholm and Kaggen in Malmö took place using technology platforms. Technology platforms can also be used for bridge construction, for example. Through platform thinking in the construction process, prerequisites are created for more efficient purchasing routines, improved logistics, better construction methods and production improvements. In addition, higher quality can be offered at unchanged costs.

Attracting and retaining the right employees

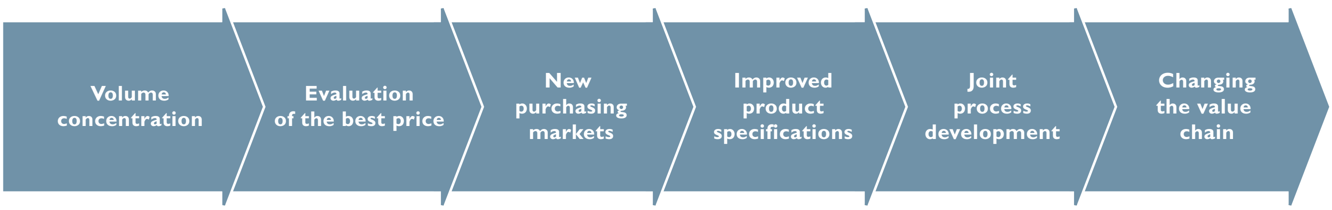
For NCC, as well as the industry as a whole, the generation shift now in progress is a challenge. Through retirement pensions alone, about half of the Company's employees are expected to leave the Company within the next ten years. In particular, many persons in supervisory positions, such as site managers, will leave the labor market. At the same time, increased expertise is needed in such areas as purchasing.

NCC's strategy includes being the industry's most attractive employer, which means retaining and developing the right employees. This is best accomplished through being a profitable and leading company and by offering attractive career and development opportunities. To attract tomorrow's workforce, what the company stands for is also important. NCC's values are honesty, respect, trust, focus, simplicity and responsibility. During 2006, recruitment campaigns and diversity projects were started. NCC has also been conducting active and successful work for several years to improve the work environment.

NCC Partnering

NCC has extensive experience from building residential housing, offices, industrial buildings, schools and other types of properties, roads, bridges and railways. This wealth of experience is offered to customers through NCC Partnering and other forms of cooperation. By entering a project at an early stage, NCC can leverage its experience to contribute to a simpler, faster and more cost-efficient project. In NCC Partnering, NCC works together with customers, users, architects and subcontractors to conduct high-quality projects at the right price and on schedule. Work takes place on the

Strategic purchasing processs



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

basis of full transparency, joint incentives between the parties and a focus on the project's best interests.

Experience from the projects completed to date is convincing. Cost levels have been either at or below the agreed prices, quality has been improved and deadlines met. This also means that disputes are rare. As NCC and its customers become more accustomed to this work method, there are substantial opportunities for further development of a rational construction process.

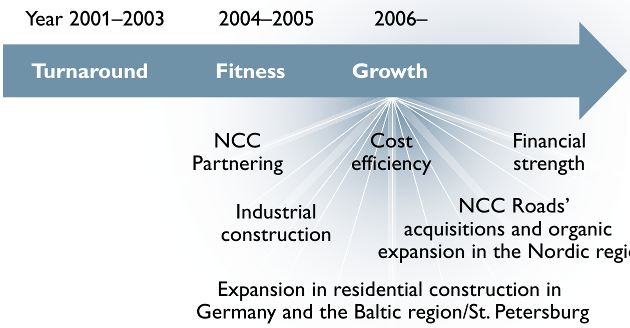
NCC's total sales in partnering contracts amounted to about SEK 7 billion in 2006, compared with SEK 5 billion in 2005. The largest partnering customer during the year was LKAB with its major investments in the build-out of mining operations in Kiruna and Malmberget, Sweden.

Growth in well-defined markets and segments

In recent years, NCC has begun cautious expansion in well-defined markets and segments.

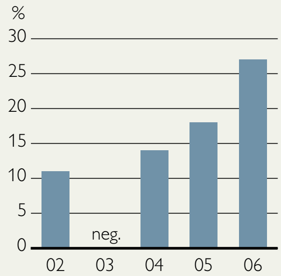
- NCC has developed into an increasingly large housing developer. During 2006, approximately one-third of sales were attributable to residential construction (proprietary and contract assignments).
- In Germany, NCC has a competitive small-homes concept. These operations have gradually expanded and, in 2006, NCC was represented in all major growth regions.
- NCC has expanded its residential construction in Eastern Europe. During 2006, construction began on some 400 homes in the Baltic countries, and land was acquired in St. Petersburg.
- Smaller acquisitions of quarries were made within NCC Roads in Sweden and Denmark.

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



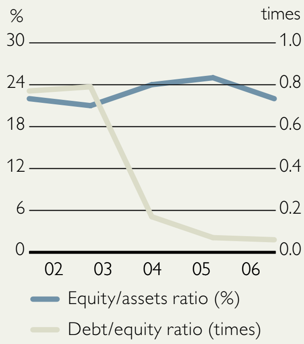

Kollegie, Viborg, Denmark.

Return on equity



The return on shareholders' equity has increased, primarily as a result of improved earnings and adaptation of the capital structure.

Debt/equity ratio and equity/assets ratio



The equity/assets ratio has been affected in recent years by dividends to shareholders and in 2006 primarily by increased investment in property and housing projects. Since 2004, the debt/equity ratio has been affected positively by the sale of development and property projects within NCC Property Development and strong earnings in NCC's Construction units.

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 in terms of 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 objective 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, 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 (based on current accounting rules).

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 too low and the contribution from both commercial development and the NCC Roads business area was insufficient. The continuous improvements achieved during recent years have led to higher margins and lower tied-up capital, as a result of which the return on equity objective was achieved and exceeded 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 Board of Directors proposes an ordinary dividend of SEK 8.00 per share for 2006, which corresponds to 50 percent of profit after taxes. In addition, an extraordinary dividend of SEK 10.00 is proposed.

Financial objectives and dividend

			Result					
		Target	2002	2003	2004	2005	2006	Five-year average
Return on shareholders' equity after tax, %		15	11	neg.	14	18	27	12
Debt/equity ratio, times[1]		<1	0.8	0.8	0.2	0.1	0.1	0.4
Cash flow before dividend, SEK M		positive	5,055	762	5,244	2,115	1,657	2,967
Ordinary dividend, SEK	Policy: As of 2005, at least 50% of profit after tax		2.75	2.75	4.50	5.50	8.00[2]	4.70
Extraordinary dividend, SEK			–	6.70[3]	10.00	10.00	10.00[2]	7.34

[1] New objective, as of 2005: Net indebtedness/Shareholders' equity.
[2] Proposed dividend.
[3] Pertains to Altima, which was spun off in 2003.

NCC IN PRACTICE

INDUSTRIAL CONSTRUCTION IS CHANGING THE INDUSTRY

In recent years, NCC has worked to develop industrialized construction and to industrialize the construction process. Great emphasis has been place on learning from industrial processes in, for example, the engineering sector, on taking advantage of the experience that NCC has gained from different types of construction projects and on creating repeatable production processes.

During 2006, NCC took a technological leap in terms of industrial housing construction. With the NCC Komplett construction system, NCC builds apartment blocks in production plants where 90 percent of the building is completed in the plant, while 10 percent is performed in a weather-proof assembly hall at the assembly site.

In other construction processes, NCC increasingly employs technology platforms, including defined technical solutions, control of project requirements and instructions for choosing production methods. This means that construction becomes repetitive, which in turn creates scope for continuous improvement. The platform concept simplifies building design, purchasing and construction, which by extension increases control over both costs and quality.

Assembly of the apartment block in Ursvik, Sundbyberg, Sweden, 90 percent of the building was completed in the factory.

Apartment block in Hallstahammar, Sweden, built according to the NCC Komplett construction system.

90 PERCENT COMPLETED IN THE PRODUCTION PLANT

The NCC Komplett construction system makes it possible to complete 90 percent of an apartment building in a production plant, with the remaining 10 percent completed in a weather-proof assembly hall at the assembly site. The system is flexible and, in principle, the apartments and the building exterior can be designed according to the architect's preferences. During 2006, some 60 apartments were built in the production plant, and in 2007, about 400 are planned. The first building was constructed in Hallstahammar (photo to the left), and current projects include Ursvik in Sundbyberg (photo above).

INDUSTRIAL CONSTRUCTION

Technology platforms
– Housing
– Buildings
– Civil engineering

Industrial construction systems
– NCC Komplett

PLATFORMS FOR CONTINUOUS IMPROVEMENT

NCC's Technology platforms are divided into three main groups: housing, buildings and civil engineering. Within each group, specific platforms have been developed for apartment blocks, single-family homes, offices and bridges. Swedish Office Buildings was taken into use on a larger scale in 2006, in projects including an office project in Stockholm and another in Malmö. The housing platform was used in about ten projects during 2006. Technology platforms are being enhanced continuously, and several other types will be completed in the future.

MARKET AND COMPETITORS

BOOM IN NORDIC CONSTRUCTION SECTOR

The Nordic construction market was characterized by strong conditions during 2006. Housing investments continued to increase, while civil engineering investments intensified and the market for commercial property projects strengthened. For 2007, continued growth of about 3 percent is expected in the Nordic market.

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 reacts most quickly to economic cycles, since sales are directly to consumers. Other building construction (offices, industrial and public premises), as well as the civil engineering market, is subject to a greater lag, since such projects are dependent on investment plans in other sectors. This also results in construction projects frequently being procured during one economic cycle and produced during the next. In addition, major projects generally extend over a longer period. Major infrastructure projects can also function as economic balances and are influenced by political decisions and national budget considerations.

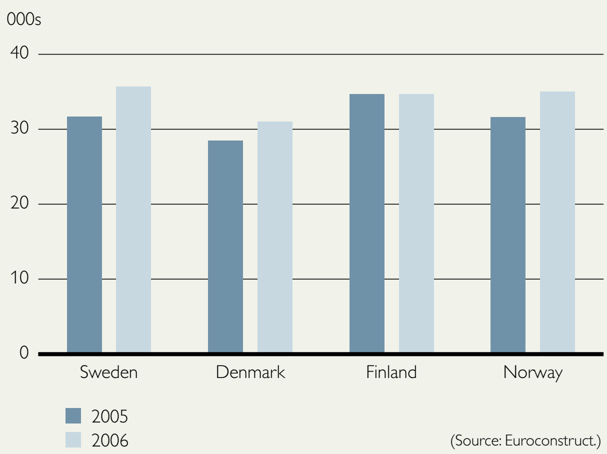
MARKET DEVELOPMENT

During 2006, construction investments in the Nordic region increased by a total of slightly more than 6 percent. NCC's assessment is that growth will slow somewhat during 2007 and that the market will increase by about 3 percent.

Housing

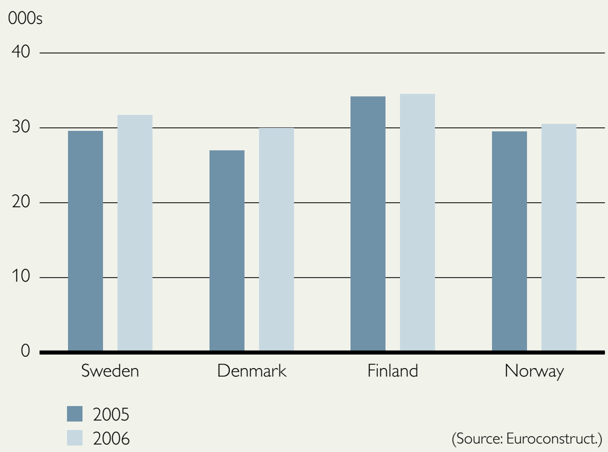
Demand for housing remained strong in all Nordic countries during 2006, due in part to low interest rates. NCC builds housing on assignment and on a proprietary basis (from concept and purchase of land to development and sale). In total, NCC began proprietary production of 4,706 (4,789) housing units and sold 4,035 (4,349) units during 2006. In recent years, NCC's position as a residential builder has been strengthened in all Nordic markets, and expansion is taking place in the Baltic countries and new operation established in St. Petersburg. NCC also builds houses in Germany, and these operations are gradually expanding to several German regions. Despite a generally weak German housing market, demand for NCC's products has been favorable in recent years.

Residential construction in the Nordic region,
total number of apartments and single-family homes, started



In Sweden and Norway, the number of housing starts during 2006 increased compared with 2005 due to healthy demand. The number of housing starts also rose in Denmark, although demand stagnated during the second half of 2006. In Finland, residential construction has remained at a stable high level in recent years. For the Swedish figures, the temporary effect of changed regulations for rental rights (what are known as the "Odell Slabs") has not been taken into account.

Residential construction in the Nordic region,
total number of apartments and single-family homes, completed



The number of finished homes rose during 2006, primarily in Sweden and Denmark. In Finland, the number of finished homes remained at a stable high level.

Civil engineering

The Nordic market for civil engineering grew stronger in 2006 and is expected to continue to grow during 2007. An expansive civil engineering market is positive for NCC's Construction units and for NCC Road's sales of asphalt and aggregate products.

Other buildings

Demand for office, industrial and retail premises and public buildings improved during 2006 and may increase further during 2007.

Commercial development

Market conditions for starting commercial property projects improved somewhat during 2006. Nonetheless, vacancy rates in the Nordic capitals at December 31, 2006 were still high, although declining. Interest among investors remained at a high level. Opportunities for selling attractive property projects are expected to remain favorable in 2007.

Outside the Nordic region

In Poland, NCC was primarily active in asphalt, aggregates and paving. At year-end 2006, a contract was signed with Austria's Strabag for the sale of NCC Roads' Polish asphalt operations. The transaction is subject to approval by the competition authorities.

In Germany, where NCC primarily develops housing, the construction market was generally weak, although some recovery was noted in certain market segments. In the Baltic countries, where NCC has increased its presence as a resi-dential builder in recent years, housing investments in-creased sharply, with continued growth expected in 2007. As of 2007, NCC will also build houses in the St. Petersburg region in Russia.

NCC's development rights for construction-initiated and sold proprietary housing, December 31, 2006

	Sweden		Denmark		Finland[1]		Norway		Germany		Group	
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
Number of development rights	11,000	8,700	1,034	393	8,787	7,590	2,117	1,577	1,152	1,155	24,090	19,415
Number of construction-iniated housing units	1,456	1,450	478	515	1,661	1,908	167	190	944	726	4,706	4,789
Number of sold housing units	1,347	1,416	332	587	1,464	1,607	178	179	714	560	4,035	4,349
Number of housing units under production	2,685	1,909	479	409	1,911	1,953	205	212	886	552	6,166	4,957
Number of unsold housing units that have been completed for more than six months	14	18	0	0	34	70	0	2	4	6	52	96

[1] Including the Baltic countries and St. Petersburg.

Construction markets in the Nordic region 2007

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 2006–2007

	Vacancy rate, %[1]		Rent, m² per year[2]			Yield, %[2]	
Stockholm	15	↘	3,900	(SEK)	↗	4.50	→
Copenhagen	5	→	1,900	(DKK)	↗	4.75	↘
Helsinki	8	↘	300	(EUR)	→	5.35	↘
Oslo	8	↘	2,000	(NOK)	↗	5.50	↘

[1] Refers to the metropolitan region.
[2] Refers to Central Business District.
(Source: NCC.)

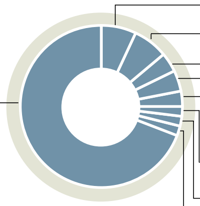
COMPETITORS

The Nordic construction market is national and very fragmented. In the local markets, NCC competes with many smaller contracting companies. Major civil engineering projects in the Nordic region are often procured in the face of international competition with Europe's major construction companies, with the largest projects frequently conducted in consortia.

At the Nordic level, NCC's primary 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 in housing construction. Within civil-engineering projects and road construction as well as asphalt and paving in the Nordic region, state and municipal production units, such as the Swedish Road Administration's Production Division in Sweden and Mesta in Norway, are other significant competitors. In Denmark and Finland, Colas and CRH are competitors in asphalt and aggregates.

NCC Property Development primarily works in the Nordic region's major cities. The number of competitors in property development is numerous, ranging from both individual property owners and traditional property companies to other major construction companies. In certain markets, there are also pure property development companies.

Market shares, percent



The Nordic construction market is highly fragmented. NCC is one of the two largest companies in the Nordic region, with a market share of 7 percent. The construction market in the Nordic region generated sales of approximately SEK 715 billion in 2006.
(Source: Euroconstruct)

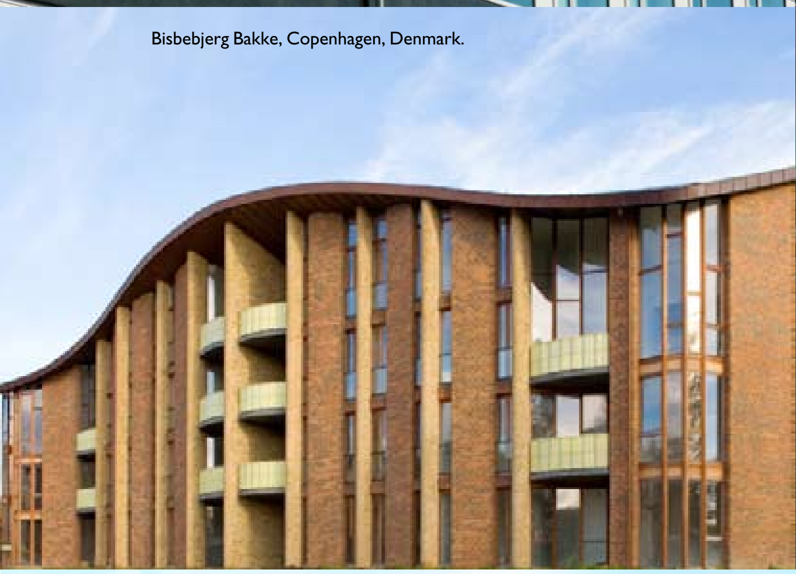
Competitors in the Nordic region, 2006

Key ratios and products	NCC	Skanska[1]	Peab	MT Højgaard[2]	Veidekke	YIT	Lemminkäinen	JM	Colas[2]	CRH[3]
Sales (SEK bn)	56	126	30	13	19	30	17	12	99	23
No. of employees (000s)	22	54	13	6	6	22	8	2	60	12
Housing	●	●	●	●	●	●	●	●		
Buildings	●	●	●	●	●	●	●	●		
Civil engineering	●	●	●	●	●	●	●			●
Asphalt and aggregates	●	●	●		●		●		●	●
Property development	●	●	●	●	●	●		●		
Market share, Nordic region, total (%)	7	7	4	2	3	4	2	2	–[4]	–[4]

[1] It is estimated that Nordic operations account for approximately SEK 53 billion of Skanska's sales.
[2] Pertains to the period October 2005 to September 2006.
[3] Pertains to the Materials Europe Division for the period July 2005 to June 2006
[4] Not available.


Aranäs High School, Kungsbacka, Sweden.


Westpark, Turku, Finland.


Bisbebjerg Bakke, Copenhagen, Denmark.


Västerport, Stockholm, Sweden.

3 NCC IN PRACTICE

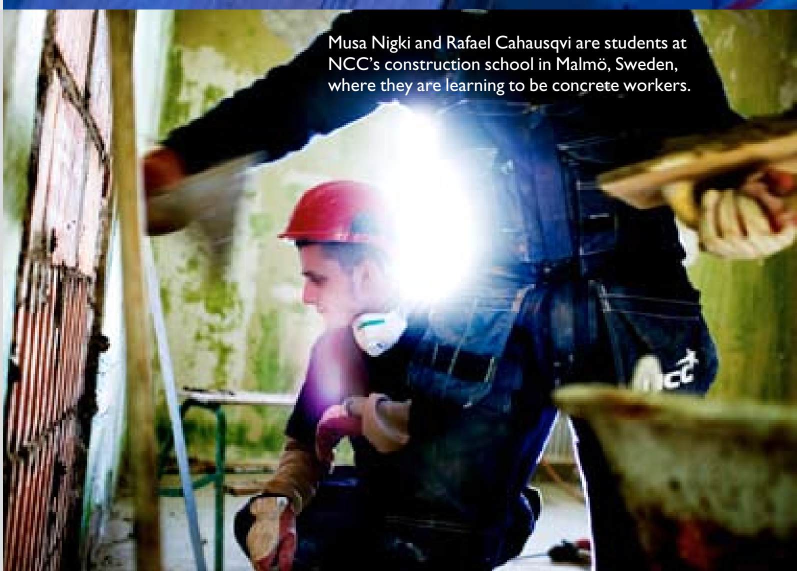
BEING THE MOST ATTRACTIVE EMPLOYER

The difference between a successful and a failed project is often human skills. The right employees in the right place, as well as continuous skills development and skills supply, are therefore of fundamental importance. NCC not only needs to recruit, but also to retain current employees, while leveraging the experience and skills of the generation of employees retiring from NCC. To work at NCC entails great challenges and many development opportunities. A site manager at NCC has a role that in many respects is similar to that of a president of a small company. Research and development of future construction processes takes place in NCC's own technical consulting company NCC Engineering.

The principal factor for being an attractive employer is to be profitable and successful, which is in harmony with NCC's vision of being the leading company with respect to developing tomorrow's environments for working, living and communication. To attract tomorrow's employees, it is also important to demonstrate what the Company stands for. NCC's core values are honesty, respect, trust, focus, simplicity and responsibility. NCC's business shall be characterized by humanity, innovativeness and competence.

INITIATIVES FOR INCREASING DIVERSITY

A Swedish construction site is often a middle-aged and male workplace. NCC wants to change this and welcomes more young people, women and people with non-Swedish origins. In Malmö, NCC has started an occupational training program for unemployed immigrants. During the first 40 weeks, theory and practical job training are alternated. Thereafter, the students are assigned to NCC workplaces together with their teachers. The total training is much longer than traditional labor-market programs.



Musa Nigki and Rafael Cahausqvi are students at NCC's construction school in Malmö, Sweden, where they are learning to be concrete workers.

Mehdi Shams-Ghamari, Apprentice of the Year, working on the Örekil Bridge, at the Saltkällan – Fläskeberget stage of the E6 road-construction project in Sweden.

Patricia Premate is an environment and quality coordinator.

SOCIAL RESPONSIBILITY IN PRACTICE

The work environment in a construction company is often exposed and filled with risks. Accordingly, preventive work-environment and health efforts are crucial and an example of how NCC takes its social responsibility in practice. During 2006, NCC received several awards for its work environment efforts, including Denmark's most prestigious prize for work-environment efforts, primarily within the Bispebjerg Bakke project in Copenhagen. NCC also received several awards for its work on the City Tunnel project in Malmö, Sweden. In Sweden, NCC has a low rate of sickness absence and few accidents compared with both other industries and other construction companies.

EMPLOYEES

MOTIVATED EMPLOYEES IN A LEARNING ORGANIZATION

A prerequisite for NCC's ability to grow without increasing its financial risk, is that the Company have lower costs and better employees than its competitors. What we mean by better employees is having more motivated and more skillful employees than the competitors.

NCC is fundamentally a specialized service company in which thousands of employees perform value-creating work for customers on a daily basis. Increased customer value and competitiveness require that NCC can live up to the demands placed on a well-functioning learning organization. This is an organization characterized by conscious learning on a daily basis, well-functioning training programs and skills transfer for the future. The driving force in a learning organization is leadership guided by values, with follow-ups in relation to goals and planned development and training activities.

LEADERSHIP AND MANAGEMENT BY OBJECTIVES

Since 1997, NCC has conducted an annual survey of the attitudes of all employees called HCI, Human Capital Index, which measures leadership, management and values. The results are broken down to all regional and local managers, who use the HCI results for the planning of personnel-development activities. Over the course of several years, the Group's results have improved continuously, indicating that NCC's efforts to develop good leaders have been effective. However, the survey also identifies areas where skills are inadequate and where there are opportunities for improving leadership.

Leadership style involves the manager's ability to motivate and develop employees and to instill trust. Management by objectives means setting goals and following them up. High values for leadership style and management by objectives generally result in a stable and profitable business over the long term. This conclusion is based on analyses performed by correlating NCC's HCI results with profitability at the business manager level.

The following table describes how leadership style and management by objectives have developed.

Percentage of NCC employees who think that ...

	… I have great confidence in my manager			… we have clear goals		
	2005		2006	2005		2006
NCC Construction Sweden	66	↗	67	59	↗	63
NCC Construction Denmark	82	↘	80	72	↘	70
NCC Construction Finland	78	↗	80	79	↘	78
NCC Construction Norway	82	→	82	81	↗	82
NCC Construction Germany	67	↘	63	89	↘	83
NCC Property Development	88	↗	97	92	↗	97
NCC Roads	69	↗	72	65	↗	67

The table shows a positive trend in primarily NCC Construction Sweden, NCC Construction Norway and NCC Roads, which is an effect of consistent work on leadership development and management by objectives. The table also shows units in which set-backs have occurred. In these units, various forms of corrective action have been taken, such as leadership development and the introduction of regular information meetings.

The HCI survey has a strong directive effect. The response rate is about 75 percent, although the difference between salaried and hourly employees is significant. The response rate for salaried employees exceeds 90 percent, while the corresponding figure for hourly employees is about 60 percent. The response rate is also closely linked to how managers use the HCI tool. The survey includes the question "Have you received verbal information about the results from the most recent survey?" On average, 80 percent receive information about the HCI for their own unit. This is a very satisfying figure that clearly shows how NCC's managers are driving the development of learning and motivation. The average value of 80 percent also includes a variation that clearly indicates that certain managers and units have an insufficient development drive. In these instances, measures are implemented as a natural part of work with the HCI survey.

The single most important tool for developing and guiding employees' learning is the annual career-development talk. NCC's general objective is that all employees should participate in an annual career-development talk that should naturally be perceived as very stimulating.

The proportion of NCC employees who participated in career-development talks is shown in the following table.

Percentage of employees who have had career-development talks

	2005		2006
NCC Construction Sweden	71	↗	72
NCC Construction Denmark[1)]	92	↘	89
NCC Construction Finland	62	↗	69
NCC Construction Norway	70	↘	67
NCC Construction Germany	58	↘	50
NCC Property Development	91	↗	97
NCC Roads	65	↗	66

1) Only arranges career-development talks with white-collar employees.

The conclusion is that NCC is approaching the goal of one career-development talk for each employee per year. At the same time, history and traditions are different in different countries, meaning that in the future it will also be necessary to set goals and follow up the trend for career-development talks.

Göran Skoglund, Andreas Dahlqvist and Magnus Fors are a few of the employees working on the Örekil Bridge in Sweden.

Katarina Jönsson mainly spent her time on the NCC project that is constructing a plant for the production of Absolut Vodka, on behalf of Vin- och Spritcentralen in Åhus, Sweden.

NCC'S VALUES

The foundation for how leadership is exercised and perceived is the Company's values. These values influence all decisions – both daily decisions that are taken more or less unconsciously and more strategic decisions that are taken after detailed analysis. NCC works hard to develop a deep-rooted leadership based on values. Given the perception of the construction industry as a sector marked by improprieties and shady activities, this is a success factor. With clear and responsible leadership, there are good prospects for eliminating this perception of the industry and NCC.

During the year, NCC conducted a large number of seminars and training programs focused on values. A clear example is the training program in basic leadership conducted within NCC Construction Sweden. Within NCC Roads, a leadership program is conducted called Value-based Leadership that focuses on this type of questions. NCC Construction Norway is conducting a very successful and extensive leadership program that emphasizes the experience of the participants and in which values are a central component. NCC Construction Finland conducted a leadership program for senior executives during the year. All managers receive training in business ethics, including competition law and legislation regarding bribes and corruption. These training programs take NCC's Code of Conduct as their starting point.

The table below shows how values were reflected in practice during 2006.

Percentage believing that NCC's company culture is characterized by ...

	NCC's Construction units					NCC	NCC
	SE	DK	FI	NO	GE	PD	Roads
... honesty	66	69	75	82	56	88	64
... trust	64	70	75	85	57	84	65
... respect	63	67	67	81	58	78	63
... focus	64	60	73	80	59	94	62
... simplicity	46	46	64	63	45	53	48
... responsibility	67	66	73	81	74	90	68

In relation to previous years, the trend was positive in most areas. This applied particularly to NCC Construction Sweden and NCC Roads. Nonetheless, much remains to be done, and initiatives to further strengthen the Group's shared values are implemented continuously. An important initiative was a revision of NCC's Code of Conduct, which is a document that describes, in terms of values, how relations must be handled with respect to suppliers and customers, for example. (Read the entire Code of Conduct at the www.ncc.info website.)

TRAINING AND SKILLS DEVELOPMENT

In the HCI survey, learning is measured on the basis of the following three questions, to which the results below refer to NCC Construction Sweden.

I am able to develop my knowledge and my skills at work	63%
I feel responsible for and am concerned about my development	81%
My manager cares about my development	57%

These are figures that convey an image of NCC as a successful and learning company. The starting point for continued skills development is the annual employee career-development talk that provides guidelines for the coming year at the individual level.

Within NCC, there are several examples of training initiatives that involved learning from experience and transferring knowledge to the next generation. In NCC Construction Sweden, NCC Construction Norway and NCC Roads (in Sweden and Denmark), training programs were conducted during 2006 in which skilled workers advanced to new positions. These programs are often conducted in cooperation with technical colleges.

New and increased competence is central in achieving a renewal of purchasing operations. During 2006, NCC therefore conducted extensive training in the area of international purchasing. This training is based on some twenty filmed reports of completed international purchases. About 1,500 line managers participated in this training during the year.

To further increase practical knowledge of NCC Partnering, the second stage of the Partnering Academy was completed during 2006. Participants were experienced project leaders of partnering projects.

During the year, NCC Property Development launched the Developers Program, an international specialist training in property development.

WORK ENVIRONMENT AND HEALTH

Work at a construction site always entails risks, which involve both work postures and the risk of accidents, since heavy lifting and the operation of machinery are frequent tasks. NCC has high ambitions and works constantly to prevent occupational injuries and accidents. In Sweden, NCC applies a Zero Vision for occupational accidents and sickness absence is low, in relation to both other industries and other construction companies.

A safe and secure workplace is something that every employee has a right to expect. This entails not only having the training and equipment needed to reduce and prevent accidents, but also knowledge of diet and how the body can be kept healthy and fresh.

During 2006, special attention was devoted to work and safety rules and recovery issues. A number of managers above the level of site supervisors up to the President of NCC Construction Sweden visited two worksites and talked about work and safety rules. Recovery centered largely on improving habits relating to stress and diet, in the form of lectures that have reached more than 2,000 employees around Sweden to date. The "Build Endurance" contest inspired employees to form better habits, such as eating snacks, not using snuff and doing morning warm-ups. The effect was increased efficiency and concentration, which reduced the risk of workplace accidents and increased the chances of remaining healthy. During 2007, the emphasis will be on the risk of falling and strain-related problems.

Sickness absence and occupational accidents in Sweden	2005	2006
Total sickness absence, %	4.0	4.2
– of which, long-term sickness absence, %	54.4	53.1
Sickness absence by gender, %		
– Men	4.1	4.3
– Women	2.7	2.3
Sickness absence by age, %		
– 29 years or younger	3.1	3.5
– Between 30 and 49 years	2.9	2.9
– 50 years or older	5.4	5.7
Occupational accidents, per 1 million worked hours		
– Blue-collar workers	13.3	14.9
– White-collar workers	1.2	0.6

Total sickness absence in Sweden rose somewhat in 2006, although the proportion of long-term absenteeism declined. Occupational accidents increased among skilled workers, due to a rise in the number of less serious accidents. However, there was a decline in serious accidents.

DIVERSITY

Diversity at NCC is in many respects a question of values. Everyone is welcome, regardless of gender, ethnicity, sexual preference or functional impairment. NCC's values of honesty, respect and trust are the guiding principles, but the individual's competence is naturally the decisive factor.

As the first company in the industry, NCC has joined the Swedish network "Fritt Fram", whose primary goal is that those who wish to be open about their sexual preferences shall be able to be so. All employees must be able to be themselves when at work, which for NCC is closely linked to the value of respect. As part of this work, training programs were started during 2006 to increase knowledge and awareness of how every individual can contribute to an open working atmosphere.

During 2006, NCC also initiated a project intended to ensure that more people with an immigrant background enter the construction industry (see also page 20).

THE ENVIRONMENT AND SOCIETY

LONG-TERM RESPONSIBILITY

The construction industry's impact and its ability to affect society and the environment are significant over both a short- and long-term perspective. The long-term environmental impact is in part a consequence of the long lifetime of buildings and civil engineering works. An energy-efficient building has positive effects on the environment for many generations to come. For NCC, the goal is to be the leading construction company with respect to responsible enterprise.

Selection of materials, land use, energy savings and handling of residual products and waste are all significant issues from an environmental perspective. Increasingly, people are becoming aware that these problems must be addressed by taking collective responsibility. The following facts illustrate a number of environmental issues from the perspective of the construction industry.

- Construction and operation of buildings account for more than 40 percent of total energy consumption in Europe. Of this amount, private households account for more than two thirds. The construction and operation of buildings consumes more energy in Europe than transports and fixed industries.
- Healthy indoor environments are of critical importance for all. Most people spend 90 percent of their time indoors. Studies have shown that schoolchildren improve their results by more than 10 percent when air quality improves.
- A large volume of chemicals is used by the construction industry. They are included in buildings and civil works with very long lifetimes, which increases demands for health and environmental assessments in materials selection.
- The construction industry's waste management is important for more efficient resource usage. Calculations have shown that one third of society's total waste volume is generated by construction operations.

NCC's ambition is to enter construction projects at an early stage, which is where NCC also has the greatest opportunities for controlling the construction process and identifying optimal solutions at every stage that reduce environmental impact and contribute to sustainable social development.

NCC'S ENVIRONMENTAL GOALS

In brief, the NCC Group's four overriding environmental goals are to:

- create healthy developed environments
- reduce climate impact
- reduce the use of harmful substances
- contribute to recycling of materials and used products.

To support attainment of environmental goals, environment, quality and work-environment management systems are used in NCC's various companies. Most NCC units are certified in accordance with ISO 14001.

At NCC, environmental responsibility is part of management responsibility and applies at all levels. In addition to always complying with legal and government requirements, the basic principle in the environmental work are to avoid environmental risks and to strive for improvements.

The international purchasing operations entail new challenges and opportunities with respect to controlling and reducing NCC's environmental impact. Environmental control and coordination of transports is ensured by NCC's central purchasing company, NCC Purchasing Group (NPG).

ENERGY EFFICIENCY

During 2006, the greenhouse effect became an issue not only for experts, but also for the general public. The UN, governments and expert groups reported on the effects of global warming. The EU's energy directive that regulates the energy performance of buildings took effect in January 2003. Some member states introduced these rules in national legislation during the year. The assessment received in the Folksam Climate Index 2006, in which NCC was acknowledged for such achievements as reduced carbon dioxide emissions and energy efficiency, was evidence of NCC's efforts in the climate field.

Denmark is one of the countries that implemented the EU directive in construction regulations during 2006. As a result, the Company is imposing new requirements on the air tightness of buildings and control of air leakage. NCC's initiative of building tight and ventilating well will result in a sound indoor climate. NCC Construction Denmark performs Blower Door tests in all new residential housing projects to check that the buildings are airtight.

In Finland, EU energy certificates will be introduced during 2007, meaning that an energy declaration must be prepared for all housing projects. In the future, NCC Construction Finland will report how energy consumption in newly produced residential units compares with various national energy classes for housing.

NCC Construction Finland actively markets a remote monitoring system for homes and buildings built by NCC. This system offers an opportunity to ensure high energy efficiency in the building through sound technical maintenance. In NCC Construction Finland's construction projects, Esti-model (part of the NCC EcoConcept) is widely used as a tool that enables optimization of the building's investment costs, lifetime estimates and environmental impact.

NCC Construction Germany has decided to offer its customers energy efficiency packages consisting of a terrestrial heat pump system and a ventilation system with heat recovery. This type of energy-saving product is currently relatively uncommon in Germany.

The EU's energy directive was introduced in Swedish legislation and construction regulations during 2006. In addition to requirements for energy declarations, more stringent requirements were also introduced for the energy consumption of buildings. To meet these requirements, NCC Construction Sweden implemented measures to improve technical solutions for installation, insulation and air tightness. Employee skills and expertise were increased through information and training programs. The Swedish market for what are called passive homes is increasing steadily. An energy-efficient passive home concept developed by NCC Construction Sweden won first prize in an EcoTech contest in Stockholm.

NCC is also very advanced with respect to developing commercial premises that meet the requirements of the EU projects Green Light® and Green Building. Green Light® involves creating good and energy-efficient lighting in offices. The goal for Green Building is 25 percent lower energy consumption in buildings compared with Swedish regulations, for example. NCC's project Kaggen in Malmö has been approved as Green Building.

With respect to energy efficiency in conjunction with car driving, NCC Construction Sweden introduced environmental and safety guidelines for vehicles during 2006. This marked the start of an EcoDriving training program and an initiative to increase the proportion of environmentally friendly cars in NCC's Swedish vehicle fleet.

CHEMICAL CONTROLS

NCC Construction Norway has introduced computerized system sheets called CoBuilder for the distribution and archiving of safety data. The system improves chemical controls and provides an excellent tool for replacing products that contain hazardous substances. NCC Construction Denmark is participating in the development of the Danish chemicals database, which has been in operation for two years. During 2006, a user-friendlier version was developed that helps individual projects to replace hazardous chemicals with less harmful alternatives.

NCC Construction Finland is focusing on emission classification of materials, a standard intended to reduce emissions from surface materials for indoor use. The guideline is to use surface materials with low emissions, meaning M1-classed materials, as far as possible.

Within NCC Construction Germany, work is in progress to reduce the use of hazardous substances in accordance with national laws and regulations. Favorable results were achieved, but further improvements are possible with respect to the work of subcontractors.

NCC Construction Sweden introduced the BASTA system during 2006. BASTA is a tool that is used to reduce the use of hazardous substances. The system was developed by the Swedish construction industry with partial funding from the EU's LIFE Fund. NCC also actively supported the new REACH chemicals legislation in the EU since it will provide support in work on avoiding hazardous chemical substances in production and buildings.

RECYCLING AND WASTE

In Denmark, a new contract was signed in December 2006 for handling waste from construction sites. Waste statistics at the project level can contribute to reducing costs for waste management and improving recycling.

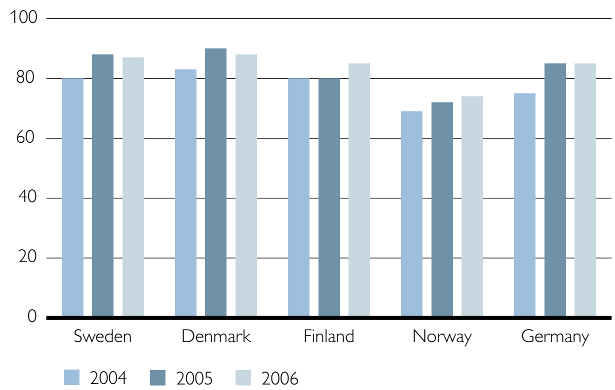
The goal in NCC Construction Norway is that every project must source sort at least 60 percent of its waste on site. Unsorted waste from construction sites is sorted at waste processing plants. A new waste-processing contract was signed in May 2006. In addition to the environmental improvements associated with increased recycling, the objective is to further reduce costs. Also in Finland, the goal is to sort 60 percent of all waste at source. In Germany, 85 percent of all waste, including demolition waste, is now recycled.

NCC Construction Sweden works closely with two waste-handling contractors that are the most successful from an environmental standpoint. The contracts include instructions and assistance at the construction site, as well as processing and recycling of waste at the waste-processing plant. The proportion of source-sorted waste is 60 percent, and a total of more than 87 percent of construction waste is recycled.

NCC Roads is increasingly recycling used asphalt. During the year, the proportion of recycled asphalt in the Nordic region amounted to 6.9 (6.4) percent of the volume of newly produced hot asphalt.

More detailed information on the focus of environmental work and current R&D projects is available at the www.ncc.info website.

Recycled construction waste, percent



The recycling rate in 2006 was at least 85 percent for most of the operations. The additional improvement noted during the year resulted in a further decline in the environmental impact and in construction costs.

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 • Ongoing/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. • Reduced operating expenses.	• Long-term relations. • Technical competence. • NCC Partnering. • Innovation. • Training. • Lifecycle approach. • Purchasing. • Industrialization. • Committed employees.	✓ Proprietary international purchasing organization. ✓ Training programs in project management. ✓ Dialog about values. ✓ Plant in Hallstahammar. ✓ Future Office study. • Increased scope for NCC Partnering. • Broadened lifecycle approach. • More in-depth customer surveys. • Technology platforms. • Continued work on company values. • Long-term initiatives involving research and development.
USERS	• Create healthy built environments. • No harmful substances. • Reduced impact on climate during useful life of buildings. • Satisfied users. • Effective and appropriate housing, commercial premises and plants, with low lifecycle costs.	• Technical competence. • Well-conceived design. • Innovation. • Energy efficiency. • Continuous dialog.	✓ Formulating concepts for computing lifecycle costs. ✓ NCC Concept House. ✓ Offer energy-efficient buildings. ✓ Future Office study. • Offer environmentally-labeled single-family homes. • Continued future-oriented studies.
SHAREHOLDERS	• Increased value growth. • 15 percent 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. • Committed employees.	✓ Intensified product and customer focus. ✓ Product concepts. ✓ Financially stronger company with limited risk exposure. • Profitable growth. • Competitiveness and 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.	✓ Management training. ✓ Human Capital Index. ✓ Career-development talks. ✓ "SeeMee", a recruitment system for internal and external recruitment. ✓ Reduced sickness absence. • Increased pride in working for NCC. • Increased diversity. • Strengthen the leadership. • Developed recruitment method. • Deeper contact with colleges and universities.
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.	✓ Increased coordination of purchases in the Group. ✓ Increased share of international purchasing. ✓ Own purchasing offices in several countries. • Continued implementation of shared fundamental values and Code of Conduct. • Introduction of national purchasing systems featuring e-trading. • Introduction of Knowledge Centers and intensified cooperation with strategic suppliers.
AUTHORITIES	• Provide best possible documentation prior to political decisions. • Participate in public debates on construction matters. • Long-term collaboration partner.	• Understanding for the role of the authorities. • Continuous dialog. • In-depth expertise.	✓ 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 (renewal in civil engineering industry). ✓ Work for strong EU-wide chemical legislation, REACH. • Continued dialog. • Reduced construction costs. • Broaden scope for NCC Partnering.
INDIRECT STAKEHOLDERS	• Increase awareness and knowledge of NCC. • Be perceived as open and credible. • Benchmark company in the industry.	• Participation in public debates. • Dialog with nearby residents. • Dialog with media.	✓ Debate articles concerning important and strategic matters. ✓ Involvement in member and industry organizations. • Long-term, systematic brand building. • Intensified dialog with various stakeholders.

4 NCC IN PRACTICE

DIALOG IS THE CORE OF NEW FORMS OF COOPERATION

NCC's strategic focus is to constantly increase the share of partnering contracts. Since this form of cooperation came into use six years ago, sales of NCC Partnering have increased to about SEK 7 billion. NCC wants to raise the share of NCC Partnering for several reasons:

More efficient risk management – The ongoing dialog between parties reduces project risks.

Financial reliability – Open-books accounting results in more reliable forecasts and more efficient cost control.

Higher quality – NCC Partnering utilizes everyone's skills and makes the construction process more efficient.

More satisfied customers – Follow-ups show that customers are more satisfied with NCC Partnering than with conventional construction.

Positive and constructive work environment – everyone is involved, thus promoting motivation and cross-pollination.

Lower costs – NCC Partnering reduces total construction costs.

NEW FORMS OF COOPERATION WITHIN NCC ROADS

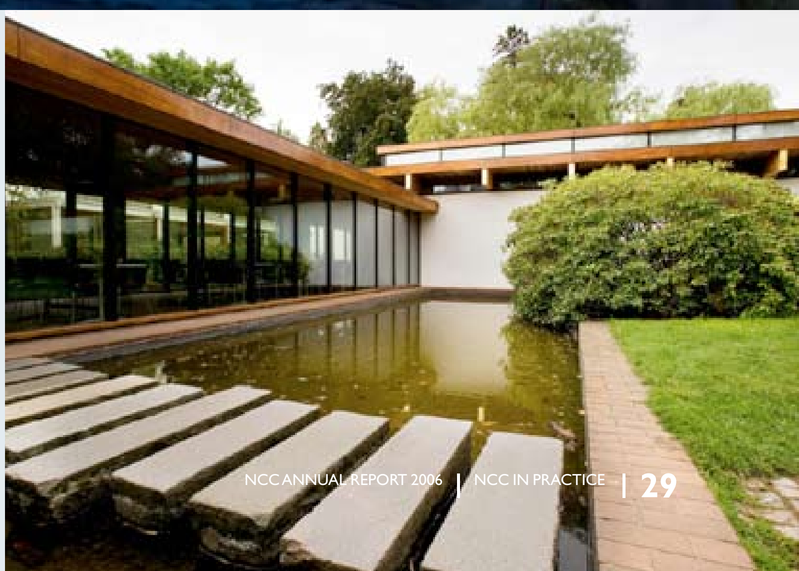
In Denmark, NCC Roads has established very close partnerships with customers with respect to paving, operation and maintenance of the municipal road networks. In Sweden, the "Road to Success" service was introduced to Swedish municipalities during 2006, and the first contract was signed with Mariestad Municipality. NCC guarantees a certain standard for the municipality's roads and streets over a period of 15 years.

NCC's projects in 2006 included the laying of sidewalks and the paving of roads at the Skogskyrkogården cemetery in Stockholm.

NCC is building LKAB's pelletizing plant in Kiruna, Sweden.
Pellet production is expected to start in March 2008.

PARTNERING PROJECTS WORTH BILLIONS

LKAB has been NCC's largest partnering customer in recent years. In conjunction with LKAB's expansion of its mining operations in northern Sweden, NCC's assignments included construction of a pelletizing plant in Malmberget, inaugurated in November 2006, several months before scheduled completion. In Norway, NCC is refurbishing St. Olavs Hospital in Trondheim, and in southern Sweden, NCC has several residential construction projects in progress. In Denmark, NCC's projects included renovation of the Louisiana Art Museum.



Louisiana, Humlebæck, Denmark.

NCC CONSTRUCTION SWEDEN

The construction market in Sweden remained strong in 2006. Profits continued to improve as a result of high demand and rationalization measures in recent years. Sales amounted to SEK 22.1 billion (19.4), and operating profit to SEK 1,131 M (764).

The sector showing the strongest growth in Sweden during the year was residential construction, driven by low interest rates and consumer confidence in continued favorable economic development. The number of housing units started during the year was 34,000, compared with 31,400 during 2005 (source: Euroconstruct).

Civil engineering investments also continued to increase, while industrial investments remained weak and office construction showed a slight increase.

STRONG DEMAND FOR HOUSING

NCC builds housing on a proprietary basis, primarily tenant-owned apartments and single-family homes, as well as on contract, with the public-utility housing companies of various municipalities as the largest customers. In the major metropolitan areas of Stockholm, Gothenburg and Malmö, as well as in university cities, demand has been favorable for several years, but low interest rates and the economic upswing in recent years have also resulted in increased demand and greater purchasing power in smaller communities.

The number of building starts for proprietary housing units during the year was 1,456 (1,450), with 1,347 (1,416) sold. Availability of attractive development rights is a prerequisite for continuing and expanding housing construction on a proprietary basis. At December 31, 2006, NCC Construction Sweden held more than 11,000 (8,700) development rights, of which 5,200 (4,600) were in Stockholm. Important acquisitions during the year included development rights in Ursvik in Sundbyberg, Sollentuna Center, Uppsala, Linköping and Gothenburg. Ursvik, one of the larger development areas in Stockholm, is where NCC plans to build 750 residential units.

PLATFORMS AND INDUSTRIAL CONSTRUCTION

In recent years, NCC has worked to improve and rationalize the construction process and to establish industrialized construction. A major step was taken in 2006 when NCC opened a production plant in Hallstahammar for serial production of apartment blocks. Industrial production is possible using the NCC Komplett construction system, in which 90 percent of an apartment building is completed in the production plant. The buildings are then assembled on site in assembly halls (see also pages 14–15).

In addition to industrial construction based on the NCC Komplett construction system, standardized platforms are also being developed for other residential construction, other buildings and bridges. Platform thinking allows a greater degree of standardization, which in turn simplifies purchasing work for construction. Strategic purchasing expertise has been concentrated in what are called Knowledge Centers. Construction of the first office building employing standardized platforms was started at Kungsholmen in Stockholm. This building will have 20,000 square meters of floor space and be ready for occupancy during 2008. Platforms have also been used in several residential housing projects.

PURCHASING AND NCC PARTNERING

In recent years, NCC has worked systematically to increase its competitiveness and competencies in order to improve the profitability of civil engineering operations. This has been accomplished by rationalizing risk management in complicated projects, broadening the supplier market by purchasing from foreign manufacturers, and working closer to customers within the NCC Partnering cooperative format.

NCC's position in civil engineering was strengthened through NCC Partnering, which is based on an open and trusting cooperation between all parties in a project. In recent years, NCC has conducted several partnering projects

Seatons allé in Lerum, Sweden.

SIDA in Stockholm, Sweden.

with LKAB, and in November 2006, the new pelletizing plant in Malmberget was delivered to the customer several months before the scheduled handover.

NCC also has several residential projects in progress through NCC Partnering, including projects in Järfälla and Linköping.

Most attractive construction company

The right employees in the right place will be a key success factor for NCC over the coming years. A number of activities were therefore launched to both attract new employees and to encourage talented employees to stay on and develop within NCC. These activities included a recruitment campaign started at the end of 2006 and a diversity project, which was initiated together with the county labor board in Malmö, intended to integrate immigrants into NCC.

For several years, NCC has also been working actively on various types of employee care programs to promote health and prevent accidents. This work has been successful, and NCC is the construction company with the best accident statistics in Sweden. During the year, a new extensive program was started to reduce the number of occupational accidents by half and to further reduce sickness absence. The program also includes various work environment issues. NCC is a participant in the major City Tunnel project in Malmö and was awarded the project's environmental prize during the year.

In a survey of 22,000 university graduates conducted by Universum, NCC was ranked as the best employer in the construction industry and received a Number Eight ranking among major Swedish companies.

OUTLOOK FOR 2007

Although demand is expected to remain robust in the year ahead, it will not be as strong as the growth noted during 2006.

For more detailed comments on the earnings and business trend in 2006, reference is made to the Report of the Board of Directors on pages 40–44.

Tuvan biogas facility in Skellefteå, Sweden.

Löjtnant block, Linköping, Sweden.

NCC CONSTRUCTION SWEDEN

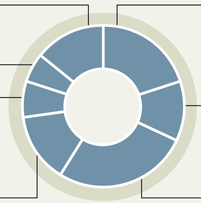
Share of Group total

Net sales	Operating profit	Cash flow before financing	Capital employed	Average no. of employees
39%	47%	63%	22%	41%

SEK M	2006	2005
Orders received	23,510	22,151
– of which for proprietary projects	3,880	4,493
Order backlog	17,287	15,593
Net sales	22,105	19,354
Operating profit	1,131	764
Capital employed at year-end	2,087	1,881
Cash flow before financing	1,048	1,223
Operating margin, %	5.1	3.9
Return on capital employed, %[1]	69.9	57.2
Investment in fixed assets	270	268
Investment in properties classed as current assets[2]	1,325	270
Properties classed as current assets	2,182	1,363
Average number of employees	8,881	8,042

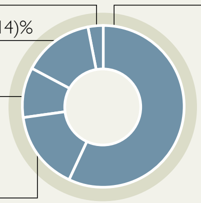
[1] Return figures are based on average capital employed.
[2] Mainly attributable to proprietary housing projects.

Product mix, share of net sales



Housing construction was the largest product group in NCC Construction Sweden, accounting for 27 percent (25) of sales in 2006. The increase was the result of NCC's strategic initiative of building housing on a proprietary basis and of the strong housing market in recent years. Infrastructure (roads, railways, bridges, etc.) remained a strong product group.

Customer mix, share of net sales



Strong demand for housing and business investments in Sweden resulted in an increase in the share of private customers. The proportion of municipal customers declined, on the other hand.

President Olle Ehrlén until February 11, 2007.

President Tomas Carlsson as of February 12, 2007.

Hospital, Helsingør, Denmark.

NCC CONSTRUCTION DENMARK

Strong economic growth, resource shortages for contractors and rising prices characterized the Danish construction market during 2006. For NCC Construction Denmark, a loss of SEK 35 M (profit: 209) was reported based on sales of SEK 6.5 billion (6.9).

During 2006, the Danish construction market was characterized by strong economic growth, resource shortages and rising prices. Personnel turnover within NCC was high during the year and reached 35 percent for certain occupational categories. A shortage of input goods, such as concrete components and electrical installations, caused delays in several projects that resulted in cost increases. This, in combination with weak project control, resulted in substantial losses during the year. Efforts to improve NCC Construction Denmark's profitability included the appointment of a new management and an increased emphasis on producing housing and offices on a proprietary basis, rather than competing under intense price pressure for external contracting projects.

Housing starts in Denmark during 2006 amounted to 31,000 (28,500) (source: Euroconstruct). NCC started construction on 478 (515) homes on a proprietary basis and sold 332 (587) homes. The decrease in sales was due to weaker market conditions. NCC has a strong profile as a residential builder in Denmark and is one of the leading companies in a fragmented market. The subsidiary NCC Enfamiliehuse and the renowned architect Henning Larsen developed a type house that generated considerable attention.

Among the most prestigious construction assignments during the year was the sculptural building designed by the artist Bjørn Nørgaard on Bispebjerg Bakke in Copenhagen.

For several years, NCC has been the leading player in Denmark with respect to the NCC Partnering cooperation concept. The proportion of partnering projects amounted to about one third of sales during the year, which was on par with 2005. The largest partnering project during 2006 was a shopping center in the Tuborg area of Copenhagen.

OUTLOOK FOR 2007

The Danish construction market is expected to remain strong during 2007, which is expected to result in a continued shortage of resources and intense competition.

For more detailed comments on the earnings and business trend in 2006, reference is made to the Report of the Board of Directors on pages 40–44.

NCC CONSTRUCTION DENMARK

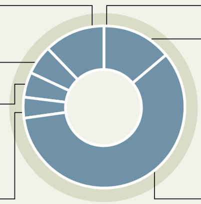
Share of Group total

Net sales	Operating profit	Cash flow before financing	Capital employed	Average no. of employees
11%	neg.	neg.	11%	10%

SEK M	2006	2005
Orders received	6,822	6,839
– of which for proprietary projects	2,091	1,857
Order backlog	4,604	4,439
Net sales	6,493	6,865
Operating profit	–35	209
Capital employed at year-end	1,032	602
Cash flow before financing	–860	424
Operating margin, %	–0.5	3.0
Return on capital employed, %[1]	–2.6	35.8
Investment in fixed assets	61	47
lInvestment in properties classed as current assets[2]	544	224
Properties classed as current assets	570	149
Average number of employees	2,075	2,017

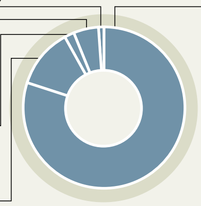
[1] Return figures are based on average capital employed.
[2] Mainly attributable to proprietary housing projects.

Product mix, share of net sales



NCC Construction Denmark primarily builds housing on behalf of external customers and on a proprietary basis. The strong Danish economy resulted in increased demand for retail-oriented projects, which increased NCC's construction of shopping centers.

Customer mix, share of net sales



Private customers accounted for the dominant share of sales in NCC Construction Denmark. The sales increase for residential construction was primarily attributable to private customers and resulted in a reduced share for public-utility housing companies.

President Søren Ulslev
until October 25, 2006.

President Torben Biilman
as of October 26, 2006.

NCC CONSTRUCTION FINLAND


Library, Lohja., Finland.

NCC Construction Finland benefited in 2006 from a continued strong housing market and increasingly rapid expansion in the Baltic countries. Sales during the year amounted to SEK 6.5 billion (5.8), and operating profit to SEK 390 M (320).

Total construction volume increased by about 11 percent in Finland during 2006, primarily due to a continued strong housing market. Demand for new homes has been high for several years, and in 2006, construction began on 34,700 (34,700) new residential units (source: Euroconstruct.). The primary driving forces in the market are the constant migration to cities and consumer confidence in personal economies. Somewhat higher interest levels during 2006 had a marginal impact on demand. During the year, NCC began construction of 1,248 (1,418) residential units on a proprietary basis and sold 1,176 (1,356).

New office construction increased, particularly in the Helsinki area, as a result of stable growth of the Finnish economy, which has resulted in greater willingness to invest. Construction was started together with NCC Property Development of several business parks in and around Helsinki and Tampere.

The proportion of repair, refurbishment and extension assignments increased during 2006. NCC's EcoConcept was also enhanced for the renovation market. The program, which takes the buildings' lifecycle into consideration, calculates such factors as the effects of increased investment on reducing a building's energy consumption. NCC Construction Finland also launched a tool that helps housing companies to estimate future repair requirements and to obtain a preliminary time schedule and cost estimate.

As a result of the increased volumes, the shortage of skilled labor, particularly work supervisors for construction projects, became increasingly evident. However, the number of applicants to construction programs at occupational schools has increased in recent years.

The Mormon temple in Espoo was the most demanding construction project in 2006, with particularly stringent quality requirements. The health center in Vantaa was named Renovation Project of the Year by the Finnish Construction Federation, and Sipoo, a hospital area rebuilt for housing, was named Environmental Project of the Year by a Finnish association of residential builders.

NCC Construction Finland also conducts operations in the Baltic countries and plans to build housing in St. Petersburg. During 2006, NCC began proprietary construction of 413 (490) housing units in the Baltic countries and sold 288 (251) units. In St. Petersburg, lots were acquired during the year, and residential production is expected to begin in late 2007.

OUTLOOK FOR 2007

The construction market is expected to continue to grow in 2007, although at a somewhat slower pace. Favorable demand is expected to continue in the Baltic countries and St. Petersburg.

NCC CONSTRUCTION FINLAND

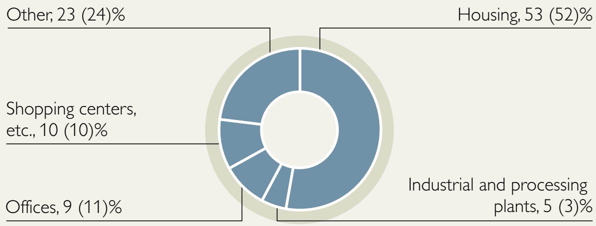
Share of Group total

Net sales	Operating profit	Cash flow before financing	Capital employed	Average no. of employees
12%	16%	2%	12%	11%

SEK M	2006	2005
Orders received	7,076	6,098
– of which for proprietary projects	2,989	2,565
Order backlog	4,525	4,007
Net sales	6,450	5,821
Operating profit	390	320
Capital employed at year-end	1,187	953
Cash flow before financing	32	267
Operating margin, %	6.0	5.5
Return on capital employed, %[1]	33.4	31.0
Investment in fixed assets	16	16
Investment in properties classed as current assets[2]	1,645	1,540
Properties classed as current assets	1,520	1,212
Average number of employees	2,501	2,384

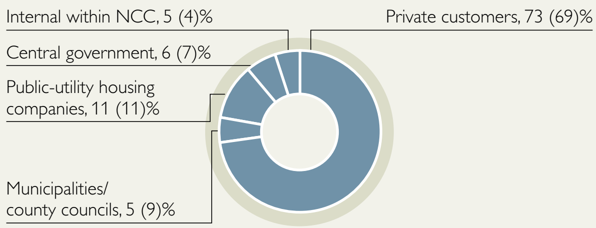
[1] Return figures are based on average capital employed.
[2] Mainly attributable to proprietary housing projects.

Product mix, share of net sales



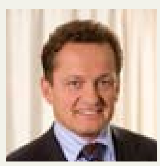
With the continued strong housing market, housing remained the dominant product group for NCC Construction Finland. The increase in industrial and processing plants, including logistics centers, was offset by a slight decline in office construction for external customers.

Customer mix, share of net sales



Private customers were the dominant customer group within both apartment and single-home construction, and demand from private customers increased during the year.

For more detailed comments on the earnings and business trend in 2006, reference is made to the Report of the Board of Directors on pages 40–44.



President Timo U. Korhonen

NCC CONSTRUCTION NORWAY


Tautra Convent, Frosta Municipality, Norway.

The Norwegian construction market was strong during 2006, primarily due to increased housing production. Demand also accelerated in other product areas. Sales amounted to SEK 6.0 billion (5.0) in 2006, and operating profit was SEK 179 M (202).

NCC Construction Norway's ambition is that approximately half of sales shall be derived from partnering projects that involve increasingly close cooperation with customers. A major step towards this goal was taken with the contract for renovation of St. Olavs Hospital in Trondheim. Valued at SEK 1,050 M, it was one of NCC's largest partnering contracts.

Strong market demand resulted in more intense competition for labor and higher prices for building materials. The decline in profit was due to impairment losses on projects in the Oslo region. NCC is working conscientiously to establish itself as the most attractive employer for both skilled workers and engineers. This is partly being accomplished through skills development and a focus on health, safety and environmental issues.

NCC Construction Norway is one of Norway's leading residential builders, with a particularly strong position in the Oslo region. With the three projects Bislett Stadium, Fredrikstad Stadium and Fornebu Arena, the company has also profiled itself as the "stadium builder."

Housing production in Norway was at a historically high level in 2006, with housing starts during the year totaling 35,000 (31,600) (source: Euroconstruct). The construction of commercial buildings has increased in recent years, and the civil engineering market also remained positive. Major assignments for the Norwegian oil industry and road construction are the primary factors underlying the increase. Road construction has been neglected for many years in Norway, meaning that there is a pent-up demand for investment in this sector.

Major projects during the year included a 7 kilometer tunnel between Finnøy and Stavanger, additional hospital construction in Trondheim and several major housing projects in the Oslo area, including 385 apartments in Nydalen in central Oslo.

OUTLOOK FOR 2007

The strong growth in the housing market in recent years is expected to show a more balanced trend during 2007. Civil engineering investments are expected to increase somewhat, primarily through increased investments in the railway sector, where several major projects may be started during the year.

For more detailed comments on the earnings and business trend in 2006, reference is made to the Report of the Board of Directors on pages 40–44.

NCC CONSTRUCTION NORWAY

Share of Group total

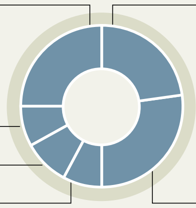
Net sales	Operating profit	Cash flow before financing	Capital employed	Average no. of employees
11%	7%	10%	6%	7%

SEK M	2006	2005
Orders received	7,982	5,953
– of which for proprietary projects	415	712
Order backlog	5,621	4,010
Net sales	6,002	4,983
Operating profit	179	202
Capital employed at year-end	608	531
Cash flow before financing	162	29
Operating margin, %	3.0	4.1
Return on capital employed, %[1]	33.8	50.6
Investment in fixed assets	48	35
Investment in properties classed as current assets[2]	18	0
Properties classed as current assets	271	271
Average number of employees	1,572	1,491

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

Product mix, share of net sales

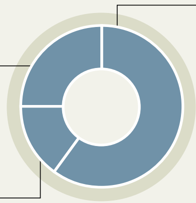
Other, 25 (26)%
Infrastructure, 23 (21)%
Shopping centers, etc., 8 (7)%
Offices, 9 (7)%
Industrial and processing plants, 8 (8)%
Housing, 27 (31)%



NCC Construction Norway is the NCC business area with the largest proportion of infrastructure construction. Housing construction, on a proprietary basis and on external contract, is nonetheless the largest product group. The category "Other" includes sports arenas, schools and hospitals.

Customer mix, share of net sales

Private customers, 60 (58)%
Central government, 25 (24)%
Municipalities/ county councils, 15 (18)%



The proportion of private customers increased as a result of business investments. The Norwegian government remained a major customer in 2006, which was in part due to a high proportion of civil engineering construction.

President Sven Christian Ulvatne

NCC CONSTRUCTION GERMANY

Housing, Hamburg, Germany.

The favorable profit trend in NCC Construction Germany during 2006 was primarily due to continued expansion in the housing sector. Sales in 2006 totaled SEK 1.8 billion (1.7), and operating profit amounted to SEK 85 M (0).

After several years of decline or stagnation in the German economy, a turnaround took place in 2006. Growth was the strongest since the reunification of the German states in 1990, resulting in a sharp increase in both consumption and employment. For the construction industry, the previous decline was reversed and some growth was achieved. The market for property investments expanded strongly with respect to both commercial objects and purely residential properties. Not least foreign investors have returned to the German market.

More than 80 percent of NCC Construction Germany's operations involve housing. The major share is produced on a proprietary basis, with NCC conducting projects extending from land acquisition to development, production and sale to the end customer. NCC works with the same concept in several areas and is now represented in all German growth regions (see map).

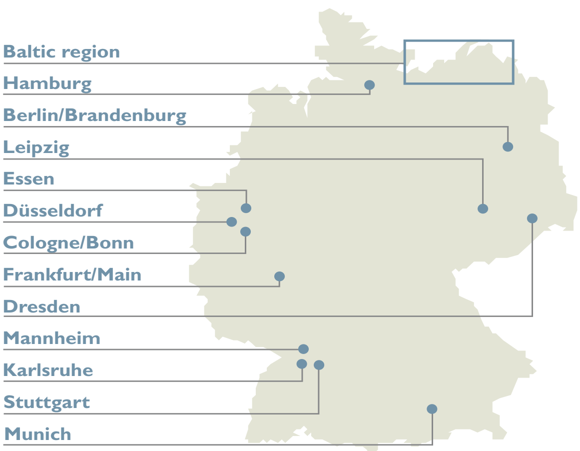
This expansion resulted in 944 (726) housing starts and sales of 714 (560) residential units. The clear focus on the housing segment has also resulted in NCC enhancing its knowledge of customer requirements and product design, thus enabling production to be further rationalized.

Operating profit improved to SEK 85 M (0), which was in all essential respects attributable to housing construction. Impairment losses on older projects were charged against the preceding year's profit.

OUTLOOK FOR 2007

The German construction market is expected to continue growing in 2007.

For more detailed comments on the earnings and business trend in 2006, reference is made to the Report of the Board of Directors on pages 40–44.



NCC's regional offices cover the major growth regions in Germany.

NCC CONSTRUCTION GERMANY

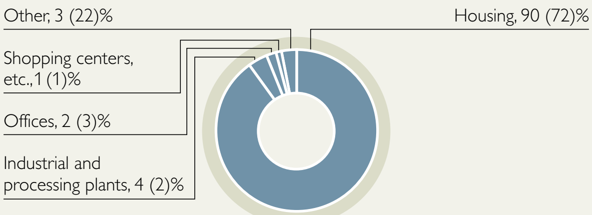
Share of Group total

Net sales	Operating profit	Cash flow before financing	Capital employed	Average no. of employees
3%	4%	8%	13%	3%

SEK M	2006	2005
Orders received	2,344	1,781
– of which for proprietary projects	2,021	1,309
Order backlog	1,818	1,287
Net sales	1,763	1,672
Operating profit	85	0
Capital employed at year-end[1]	1,257	1,454
Cash flow before financing	125	–337
Operating margin, %	4.8	0.0
Return on capital employed, %	6.1	0.1
Investment in fixed assets	12	40
Investment in properties classed as current assets[2]	530	187
Properties classed as current assets	598	927
Average number of employees	610	540

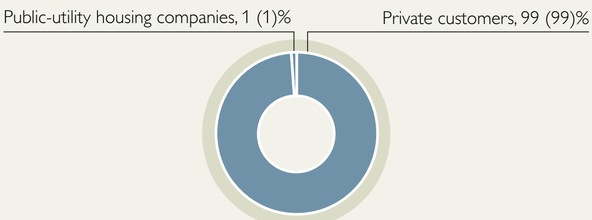
[1] Return figures are based on average capital employed.
[2] Mainly attributable to proprietary housing projects.

Product mix, share of net sales



The strategy of increasing production of housing projects continued during the year.

Customer mix, share of net sales



Customers are almost exclusively private and consist primarily of private persons purchasing single-family homes.

President Olle Boback

NCC PROPERTY DEVELOPMENT

During 2006, investors continued to show substantial interest in property markets throughout the Nordic region. Stable rent levels in combination with reduced yield requirements resulted in higher prices. In this strong market, NCC Property Development sold many new construction projects, as well as a large number of other properties. Sales amounted to SEK 3.8 billion (1.7), with operating profit of SEK 472 M (200).

NCC Property Development is a dedicated property developer focused on the Nordic and Baltic countries. Its operations are concentrated to the capital areas and a few larger cities. During 2006, operations were further streamlined through the sale of land holdings in Budapest. Property development means that NCC Property Development has the knowledge and the ability to understand the requirements of both investors and occupants and to transform these needs into products that fit into the surrounding society.

The rental market for offices was stable during 2006 and increased somewhat towards the end of the year in all markets in which NCC Property Development is active. Rent levels were largely unchanged with the exception of first-class locations, where slightly increasing rent levels were noted. A general trend is that advance planning among users is becoming shorter, thus posing a major challenge for landlords, property developers and construction companies. Even large premises can be demanded at relatively short notice.

EARLY DIVESTMENT REDUCES RISKS

Demand among investors remained high in all of NCC Property Development's domestic markets and in all types of projects. This reduced the average property yield for the transactions that were completed. The demand surplus increased during the year despite rising short-term interest rates and signals indicating continued increases. NCC was active in this favorable market and sold several objects. Projects sold included Kungsbron in Stockholm, Nordstaden in Gothenburg, Kaggen in Malmö, Lysaker Torg in Oslo and Plaza Allegro, Plaza Vivace and Phase 3 of Opus Business Park in Helsinki. The contracts contain various incentive clauses that may result in additional purchase payments.

The price difference between the various objects in the market depends on city and location, while quality is also beginning to gain greater importance. From the tenant's perspective, however, there is a clear trend toward premises that can offer high quality with respect to such parameters as ceiling height and flexibility, and not least technical installations. With rising energy prices, this aspect will also have a greater impact on the pricing of various objects on the mar-

Palace Hotel Sello, Espoo, Finland.

ket. Measured per square meter of floor space, energy consumption in a modern office building is less than half of that for a 40-year old building. With modern and more space-efficient buildings, the difference is even more pronounced.

INNOVATION CREATES TOMORROW'S OFFICE BUILDINGS

In Finland, NCC continued its successful development of Business Park facilities. These projects are built in stages, which makes it easy to match expansion to market demand. Not least the increasingly short lead times from decision to occupancy strengthen the Business Park concept, enabling construction to proceed in pace with demand.

Together with NCC Construction Sweden, NCC Property Development has developed a platform for office buildings. This is a technical platform that allows office buildings to be built more cost-effectively. Through standardized building design using ready-made system solutions, construction time is shorter than for a traditional object. NCC Property Development is employing this technology in the construction-initiated project Västerport in north-western Kungsholmen in Stockholm (20,000 square meters).

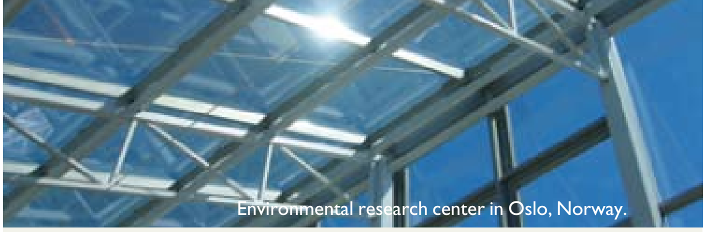
In Västra Hamnen in Malmö, NCC is building a new office building in accordance with the requirements for being classed as a Green Building. This is an EU project intended to reduce energy consumption in buildings and is the first project in the Nordic region to be built according to these requirements. Half of the building will be occupied by NCC's various units in Malmö, while the remaining space will be leased to external users.

OUTLOOK FOR 2007

Investor interest in acquiring leased projects is expected to remain favorable. With an improved labor market and greater employment during 2007, there are also prerequisites for higher rent levels.

Sold but as yet non-completed projects at December 31, 2006

Country (number)	Rentable floor space, 000s m²	Leasing rate, %
Sweden (3)	40	14
Denmark (4)	23	94
Finland (4)	23	93
Norway (1)	16	0
Total (12)	**102**	**36**


Environmental research center in Oslo, Norway.

NCC PROPERTY DEVELOPMENT

Share of Group total

Net sales	Operating profit	Cash flow before financing	Capital employed	Average no. of employees
6%	20%	37%	22%	1%

SEK M	2006	2005
Net sales	3,773	1,671
Gross profit	**535**	**95**
Administrative costs	–88	–83
Result from sale of subsidiaries	4	11
Result from development properties	**451**	**23**
Result from sales of managed properties	9	92
Operating net from managed properties	–5	17
Result from participations in associated companies	17	68
Operating profit	**472**	**200**
Specification of gross profit		
Result from sales of development properties	654	251
Operating net from development properties	17	29
Impairment loss, development properties		–71
Overhead costs and other items	–136	–114
Gross profit	**535**	**95**
Gross margin (property development), %	14.2	5.7
Operating margin (property development), %	12.0	1.4
Return on capital employed, %[1]	20.0	7.5
Property investments	1,048	839
Sales of properties	3,726	2,115
Capital employed at year-end	2,123	2,541
Cash flow before financing	616	975
Average number of employees	111	111

[1] Return figures are based on average capital employed.


President Mats Wäppling until December 31, 2006.


President Peter Wågström as of January 1, 2007.

For more detailed comments on the earnings and business trend in 2006, reference is made to the Report of the Board of Directors on pages 40–44.

Sold and construction-initiated projects at December 31, 2006

Country (number)	Project cost, SEK M	Completion rate, %	Rentable space, 000s m²	Occupancy rate, %	Yield, %	Operating net, SEK M[1]
Sweden (3)	638	27	32	20	7.8	50
Finland (3)	378	43	16	23	9.2	35
Germany (3)	470[2]	99	29	88	9.6	39
Total (9)	**1,486**	**52**	**77**	**41**	**8.7**	**124**

[1] Forecast operating net the year after sale based on full occupancy and excluding initial rent discounts.
[2] Of which, impairments posted in 2005 accounted for SEK 65 M.

NCC ROADS

NCC Roads' core business is the production of aggregates and asphalt, and paving and road service operations. During 2006, the emphasis was on being the local market leader, ensuring availability of stone materials and increasing coordination within the business area. Sales amounted to SEK 10.0 billion (8.7) with operating profit of SEK 415 M (313).


Cycle path by Stockholm Central Station.

During 2005, bitumen and energy prices rose sharply before stabilizing at a high level in 2006. Competition in all markets remained intense during the year. In the Danish and Norwegian markets, asphalt prices rose somewhat, while particularly prices on the Finnish market remained under pressure. In other markets, asphalt prices were largely unchanged. Prices rose in the aggregates market.

During 2006, NCC Roads continued to strengthen its customer and market focus. The systematic transfer of knowledge between business units was intensified, and the coordination of operating systems initiated in Sweden, Norway and Denmark in 2005 continued at a rapid pace. At year-end 2006, a contract was signed for the sale of the business area's Polish operations. The sale is subject to approval by the competition authorities.

MARKETS AND CUSTOMERS

The main markets for NCC Roads during 2006 were the Nordic countries, Poland and the St. Petersburg region. Sweden constitutes the single largest market, accounting for 36 percent of sales. The Nordic countries are largely mature and stable markets. In Poland, growth was favorable, which made it possible to further increase production capacity in 2006 and to sign a contract for the sale of these operations.

Operations in the various countries have a strong base in the form of framework agreements with municipal administrations. These agreements include various types of paving work and road service that are requested regularly during the year. Contract periods may be one or more years. In all countries, other public road administrations are also significant customers. The private market is also important, for example, for paving parking surfaces or factory areas and delivery of filler products. During 2006, NCC Roads strengthened its focus on being the local market leader and worked actively on price differentiation. Overall, NCC Roads increased its market shares in a growing market.

Based on a model from the Danish operation, NCC Roads in Sweden launched its "Road to Success" program with a view to Swedish municipalities. A first contract was signed with Mariestad Municipality. What is new is that NCC guarantees a certain standard for the municipality's streets and roads over a period of 15 years. For this, the municipality pays a fixed annual amount. Both parties benefit from the model. The municipality knows the exact cost and the exact product/service. NCC can plan over the long-term and thus work more cost-effectively.

SEASONAL AND VOLUME SENSITIVITY

Operations within NCC Roads are strongly influenced by seasonal variations, since paving cannot be performed during cold or rainy weather. Profitability within NCC Roads is sensitive to volume because of the large proportion of fixed costs. Business is 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. The principal input product from an economic standpoint is bitumen, an oil-based product, followed by aggregates. The proportion of total costs accounted for by bitumen increases with rising oil prices. NCC Roads purchases bitumen from several international suppliers, thus ensuring competitive prices. In longer contracts for asphalt work, there are clauses that regulate changes in bitumen prices. During 2006, NCC Roads coordinated purchasing and logistics with respect to bitumen between Sweden, Denmark and Norway.

NCC Roads is working actively to increase the efficiency of bitumen and energy consumption by developing energy-efficient paving stations, recycling asphalt granules and testing alternative fuels for paving machines and asphalt plants in order to decrease its oil dependency and the emission of greenhouse gases. During 2006, the proportion of recycled asphalt was 6.9 percent (6.4) of the newly produced amount of hot asphalt.

NCC Roads is self-sufficient with respect to aggregate products in most markets, through an extensive network of proprietary gravel pits and rock quarries and crushing plants.

To further secure the supply of stone materials from gravel pits close to urban areas, several strategic gravel pits and gravel companies were acquired during the year in Sweden and Denmark.

Important success factors for NCC Roads are having control over the entire value chain – aggregates, asphalt, paving and road service – and strengthening coordination between NCC Roads' business units for better utilization of joint resources.

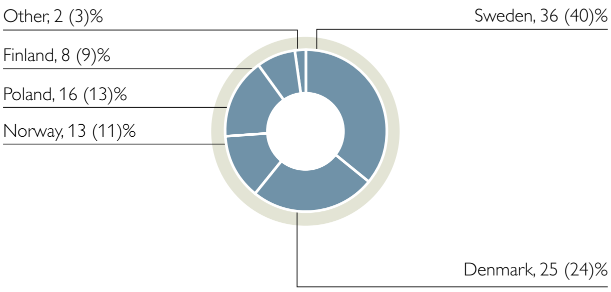
With a few exceptions, primarily in Denmark, there is not as yet any troubling shortage of labor. The risk that labor shortages may arise is expected to increase during 2007.

OUTLOOK FOR 2007

The total construction market is expected to increase somewhat during 2007. Nonetheless, the intense competition in NCC Roads' markets is expected to continue.

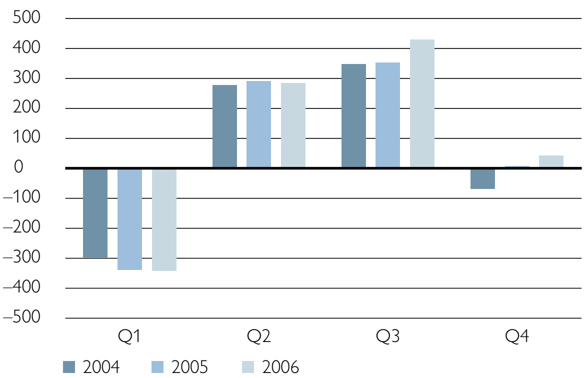
For more detailed comments on the earnings and business trend in 2006, reference is made to the Report of the Board of Directors on pages 40–44.

Geographic markets, share of net sales



The NCC Roads business area is divided into different geographic regions, Sweden is divided into three regions. Operations in Poland will be sold in 2007, subject to approval from the relevant competition authorities.

Operating profit, per quarter, SEK M



NCC Roads is affected by seasonal variations primarily because asphalt work cannot be performed in cold weather. This means that profit during the first and fourth quarters is normally weaker than during the rest of the year. In 2006, the seasonal variation was different, since the first quarter was characterized by exceptionally cold weather, while the fourth quarter was significantly warmer than normal.

NCC ROADS

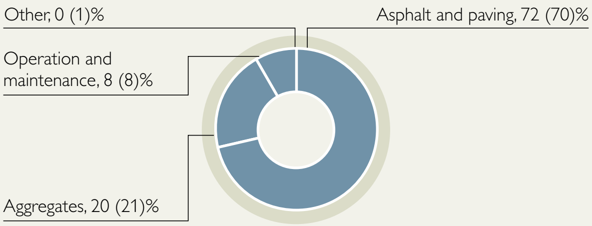
Share of Group total

Net sales	Operating profit	Cash flow before financing	Capital employed	Average no. of employees
18%	17%	26%	32%	20%

SEK M	2006	2005
Orders received	9,733	9,175
Order backlog	1,426	1,780
Net sales	10,044	8,708
Operating profit	415	313
Capital employed at year-end	3,075	3,171
Cash flow before financing	439	341
Operating margin, %	4.1	3.6
Return on capital employed, %[1]	12.7	9.2
Investment in fixed assets	376	287
Average number of employees	4,342	4,206

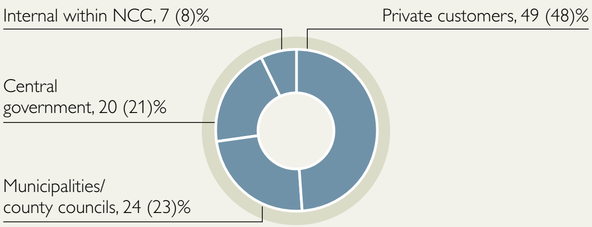
[1] Return figures are based on average capital employed.

Product mix, share of net sales



Asphalt, aggregates and paving accounted for 92 percent (91) of sales. The year 2006 was characterized by a high demand for aggregates.

Customer mix, share of net sales



The customer mix varies between products and countries. Central government, municipalities and county councils are major customers for asphalt purchases, while the proportion of private customers is greater for aggregates.

President Göran Svensson until August 31, 2006.

President Göran Landgren as of September 1, 2006.

REPORT OF THE BOARD OF DIRECTORS

The Board of Directors and the President of NCC AB (publ), corporate registration number 556034-5174 and headquartered in Solna, hereby submit the annual report and the consolidated financial statements for the 2006 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 development companies in the Nordic region. NCC develops and constructs residential and commercial properties, industrial facilities and public buildings, 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 primary geographical focus is on the Nordic region. In the Baltic countries, NCC builds housing on a proprietary basis and in Germany it mainly builds single-family homes.

OPERATIONS DURING THE YEAR

NCC achieved all of its financial objectives during 2006. The return on equity after taxes amounted to 27 percent (18). Net indebtedness was reduced slightly from SEK 0.5 billion a year ago to SEK 0.4 billion at year-end, mainly as a result of the favorable earnings. The 2006 Annual General Meeting approved the payment of extraordinary dividends of SEK 1.1 billion to the shareholders, in addition to ordinary dividends of SEK 0.6 billion. The total return on the NCC share in 2006 was 42 percent (78).

Market development

Conditions in the Nordic construction market were strong during 2006. Housing investments continued to increase, investments in civil engineering intensified and the market for commercial property projects strengthened. The conditions for asphalt and aggregates were favorable, thanks mainly to the strong construction market within, for example, civil engineering and infrastructure.

Changes in Group Management

President and Chief Executive Officer Alf Göransson left his position in February 2007 to become Chief Executive Officer of the security company Securitas. He was succeeded on February 12 by Olle Ehrlén, former President of NCC Construction Sweden and Deputy CEO of NCC AB. Tomas Carlsson, former head of NCC Construction Sweden's Western Region, took office as President of NCC Construction Sweden on February 12. Göran Landgren became the new President of NCC Roads on September 1, 2006, replacing Göran Svensson who returned to NCC Construction Sweden, where he had been active previously. Göran Landgren was previously Deputy President of NCC Construction Sweden, with responsibility for such activities as marketing and business development. On January 1, 2007, Peter Wågström took office as new President of NCC Property Development, succeeding Mats Wäppling who had left NCC to become Chief Executive Officer of the technical consultant company Sweco. Peter Wågström was previously head of NCC Property Development Sweden. Torben Biilmann became President of the NCC Construction Denmark business area on October 26, succeeding Søren Ulslev who had resigned from this position. Torben Biilmann was previously Deputy President of NCC Construction Denmark.

Sofie Emilie Stølan, 8 years, participated in the Children's Construction School in Oslo during summer 2006.

The Group's financial objectives

The Group's financial objective is that the return on equity after tax should amount to at least 15 percent. Net indebtedness should not exceed shareholders' equity and 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 9 percent (15) to SEK 57,213 M (52,413). The increase was attributable to the continuing strong construction market, where demand for new housing was high throughout the Nordic region. Orders received were also strong for other buildings and civil engineering operations. Orders received for proprietary housing projects totaled SEK 11,396 M (10,477), while orders for proprietary property projects amounted to SEK 1,931 M (598). During the year, construction started on 4,706 (4,789) proprietary housing units and 4,035 (4,349) units were sold.

Total project costs for completed property projects and property projects under construction amounted to SEK 1.5 billion (0.8). Costs incurred in all started projects totaled SEK 0.8 billion (0.6), which represents 54 percent (73) of the total project cost. The leasing rate on December 31, 2006 was 41 percent (60). In 2006, it was possible to a greater extent than in the preceding year to conduct sales of property development projects with a low leasing rate.

Net sales

Net sales rose 13 percent to SEK 55,876 M (49,506). Production was high in several Construction units after a long period of increases in orders received. Compared with 2005, NCC Property Development sold an increased number of development projects. The sales increase noted by NCC Roads was attributable to strong demand for aggregates, in particular, and also for asphalt in certain regions, as well as to favorable weather, particularly during the fourth quarter. During the year, NCC's residential construction activity rose in all markets where the Group is active, particularly in Sweden, where the increase was considerable. An upswing in building and civil engineering in Sweden also contributed to the increased sales.

Operating profit

Operating profit improved to SEK 2,392 M (1,748). The earnings improvement for the Group was attributable mainly to a strong trend for NCC Construction Sweden, particularly to a successful year for housing operations and also for other construction operations.

NCC Construction Finland also reported a favorable trend. As a result of a strong housing market in Finland and in the Baltic countries, where NCC Construction Finland has started up operations, the business area was able to report additionally improved earnings.

NCC Property Development's profit increased as a result of more sales of property-development projects compared with 2005. Profit for 2005 was also charged with impairment losses of SEK 71 M on foreign properties.

A positive trend for NCC Roads' asphalt and aggregates operations contributed to the improved earnings. The mild autumn in 2006 resulted in an unusually long season for the operations within NCC Roads, which also benefited from the favorable construction market.

NCC Construction Germany also contributed to the improved earnings. The programs to increase housing operations in Germany developed favorably, at the same time as profits for 2005 were charged with impairment losses relating to old projects and holdings in property funds.

NCC Construction Denmark reported a loss of SEK 35 M (profit: 209), due to impairments of projects and increased provisions for disputes.

A reduction in pension premiums invoiced by AMF improved earnings by SEK 74 M. A payment of SEK 43 M for a previously impaired receivable and an additional SEK 19 M pertaining to the reversal of provisions for legal disputes also had a favorable impact on earnings. Profit for 2005 included an impairment of SEK 60 M of a holding in a jointly owned company in Poland, as well as impairment of goodwill by SEK 15 M in the Polish subsidiary Hydrobudowa. Also refer to Note 10, Impairments and reversed impairments.

Orders received and order backlog, SEK billion

Figures for 2002–2003 are not adapted to IFRS.

Orders received continued to rise in 2006. The increase was attributable to the strong construction market in the Nordic region. Demand for both housing and other buildings was robust. The order backlog was at a very high level, despite an increase in the production rate in late 2006.

Profit after financial items

Profit after financial items totaled SEK 2,263 M (1,580). Low average interest rates and slightly lower net indebtedness, combined with NCC's decision to utilize an offer for the premature redemption of loans at a redemption discount, contributed to a reduction in net financial expense.

Net profit for the period after taxes

Net profit for the period after taxes amounted to SEK 1,708 M (1,187). NCC's tax rate for the year was 25 percent (25). Tax was affected favorably by the fact that the NCC Property Development business area sold several real estate projects and sites via sales of companies, which meant that the resulting gains were not subject to tax.

FINANCIAL POSITION

Profitability

The return on capital employed rose to 24 percent (17) because of the improved earnings and a decrease in capital employed. The return on equity after tax was 27 percent (18).

Cash flow

Cash flow before financing in 2006 amounted to SEK 1,657 M (2,115). Profit improved compared with the preceding year, at the same time as tied-up working capital declined, despite an increase in operational activity. Investments in properties classed as current assets increased in both NCC's Construction units and NCC Property Development. The decrease in cash flow from investments was due to the fact that sales of managed properties were higher in 2005 than in 2006.

Equity/assets and debt/equity ratio

On December 31, 2006, the equity/assets ratio was 22 percent (25). The debt/equity ratio, which amounted to a multiple of 0.1 (0.1), was affected by dividends to shareholders of SEK 1.7 billion (1.6) and increased investments in property and housing projects.

Seasonal effects

NCC is affected by seasonal variations, which mainly derive from the fact that paving and, to some extent, civil engineering operations cannot be conducted in cold weather conditions. As a result, profit during the first and fourth quarters is normally weaker than during the rest of the year. This seasonal variation was different during 2006, because the first quarter was affected by exceptionally cold weather and the fourth quarter by much warmer weather than usual.

BUSINESS AREAS

NCC Construction Sweden

Orders received by NCC Construction Sweden during 2006 rose 6 percent (11) to SEK 23,510 M (22,151). The upswing was mainly attributable to an increase in residential construction, and to high demand for other buildings. The market was characterized by excellent conditions and healthy general demand. Orders received within civil engineering operations were also favorable, although they declined somewhat compared with the preceding year. Operating profit amounted to SEK 1,131 M (764). The earnings increase was attributable to an additional rise in the margins on construction operations, combined with higher sales. Earnings were also affected positively by volume growth and the healthy profitability of housing projects, with the number of sold units amounting to 1,347 (1,416). The reason for the decrease in sold units was that the construction of projects commenced late during the year.

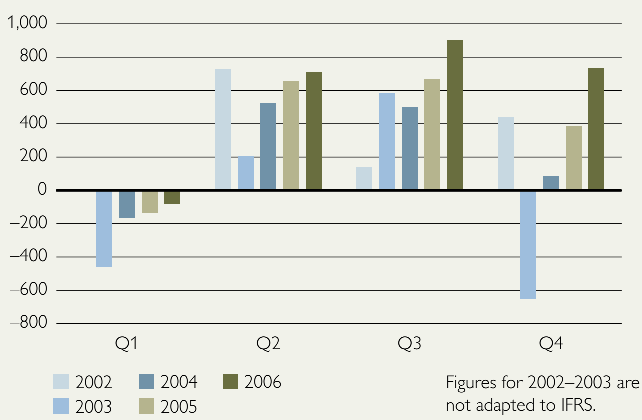
NCC Construction Denmark

Orders received by NCC Construction Denmark amounted to SEK 6,822 M (6,839). An operating loss of SEK 35 M (profit: 209) was reported. Large impairment losses were posted on a limited number of projects during the year, mainly for construction projects, due in particular to weak project control whereby existing operational systems were not used consistently. A shortage of skilled workers and subcontractors resulted in an increase in employee turnover, while rapid rises in the price of materials and subcontractors led to increased costs. Disputes were reviewed during the year, which resulted in impairments of receivables.

During autumn 2006, a new President was appointed for the business area, who has launched work on improving the

NCC is affected by seasonal variations, which mainly derive from the fact that asphalt and, to some extent, civil engineering operations cannot be conducted in cold weather conditions. As a result, profit during the first and fourth quarters is normally weaker than during the rest of the year. This seasonal variation was different during 2006, because the first quarter was affected by exceptionally cold weather and the fourth quarter by much warmer weather than usual.

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



Figures for 2002–2003 are not adapted to IFRS.

procedures for the control and follow-up of projects, reconsidering the realism of final-status forecasts and ensuring that the margins on new projects are sufficiently high and that risks, particularly in major projects, are identified and dealt with.

NCC Construction Finland

Orders received by NCC Construction Finland rose to SEK 7,076 M (6,839). In Finland, demand for housing remained strong in 2006, which enabled an increase in the start-up of proprietary projects. Expansion of proprietary housing operations into the Baltic region contributed to the increase in orders received. In the Helsinki region, more projects were secured within the other buildings segment, which also contributed to the increase in orders received. Operating profit rose to SEK 390 M (320). Uniform work on hand in most operations contributed to a further increase in the already healthy operating margin. Baltic operations made a contribution to earnings, as a result of increased sales of housing and of a number of land areas.

NCC Construction Norway

Orders received by NCC Construction Norway rose to SEK 7,982 M (5,953). The increase was due to a favorable level of orders received for civil engineering and housing projects in a strong market. Orders secured during the year included a contract for the Finnfast bridge and tunnel project and for construction of the Fornebu Arena in Oslo. Operating profit (EBIT) amounted to SEK 179 M (202). Despite the increase in volumes during the year, earnings did not reach the level reported in the preceding year, due to a decrease in project margins, whereby profit on a few orders primarily in the Oslo region was adjusted downwards during the year. The Norwegian market is being marked by a shortage of personnel and rising prices for input materials.

NCC Construction Germany

Orders received by NCC Construction Germany totaled SEK 2,344 M (1,781). The increase was attributable to proprietary housing development projects. Operating profit amounted to SEK 85 M (0). The increase in profit compared with the preceding year was attributable to an upswing in housing operations at improved margins. The preceding year was charged with impairment losses on old projects and property funds.

NCC Property Development

NCC Property Development's sales totaled SEK 3,773 M (1,671) and its operating profit amounted to SEK 472 M (200).

Property development

The sales volume in full-year 2006 was SEK 3,689 M (1,480). The real estate market was highly favorable during 2006 and projects could be sold before completion and with low leasing rates. Operating profit amounted to SEK 451 M (23). A number of property projects were sold at healthy capital gains during the year. The agreements for several projects include incentives that can have a positive impact on the sales price and earnings as leasing progresses. Project costs for completed or construction-initiated projects totaled SEK 1.5 billion (0.8) on December 31, 2006. Costs incurred in all initiated projects amounted to SEK 0.8 billion (0.6), corresponding to 54 percent (73) of total project costs. The leasing rate on December 31, 2006 was 41 percent (60).

Managed properties

During 2006, sales of managed properties totaled SEK 37 M (635), resulting in total capital gains of SEK 9 M (92). Rental revenues from managed properties amounted to SEK 5 M (39) during the year. The operating net was an expense of SEK 5 M (income: 17). The carrying amount for the managed properties remaining on December 31, 2006 was SEK 44 M (71). The remaining portfolio of managed properties is expected to be sold during 2007.

NCC Roads

NCC Roads' net sales in 2006 amounted to SEK 10,044 M (8,708). NCC Roads is severely affected by seasonal variations, because it cannot conduct its activity during cold weather. Its earnings benefited from the unusually mild autumn, which led to a long season for paving operations. Several gravel pits were acquired during the year in Sweden

Net sales and profit by business area

	Net sales		Operating profit (EBIT)	
SEK M	2006	2005	2006	2005
NCC Construction Sweden	22,105	19,354	1,131	764
NCC Construction Denmark	6,493	6,865	–35	209
NCC Construction Finland	6,450	5,821	390	320
NCC Construction Norway	6,002	4,983	179	202
NCC Construction Germany	1,763	1,672	85	0
NCC Property Development	3,773	1,671	472	200
NCC Roads	10,044	8,708	415	313
Total	**56,631**	**49,075**	**2,638**	**2,008**
Other items and eliminations	–755	431	–245	–261
Group	**55,876**	**49,506**	**2,392**	**1,748**

and Denmark and the strong conditions in the Nordic construction market resulted in increased demand.

Operating profit for 2006 amounted to SEK 415 M (313). Earnings were charged with goodwill impairment losses of SEK 20 M (43), of which the Finnish operations accounted for SEK 17 M (43), due to the intense competition and severe price pressure in the Finnish market.

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.

ENVIRONMENTAL IMPACT

The Group conducts operations subject to permit and reporting obligations in accordance with the Environmental Code, which involve the Swedish Parent Company and Swedish subsidiaries. Of the Group operations subject to permit and reporting obligations, it is mainly the asphalt and gravel pit operations conducted within NCC Roads that affect the external environment. The external environmental impact of these operations mainly comprises emissions to air and noise. For further information, see the Environment and Society section on page 25.

SENSITIVITY AND RISK ANALYSES

For NCC's Construction operations, a one-percentage-point increase in the margin has a much larger impact on earnings than a 5-10 percent increase in volume. This reflects the importance of pursuing a selective tendering policy and risk management in early project stages. For proprietary housing projects within NCC Construction, the major challenge is to have the right products in the market and to guide them through the planning process so they arrive in the market at the right time.

NCC Property Development's earnings are predominantly determined by sales. Opportunities to sell development 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 projects in progress could change the value of such projects.

NCC Roads' operations are affected by such factors as price levels and the volume of produced and paved asphalt. An extended season due to favorable weather conditions increases volumes and, because the proportion of fixed costs is high, the affect on the margin is considerable.

The NCC Group had a healthy financial position with low indebtedness in 2006. As a result, neither interest-rate changes nor amortization of the remaining debt using available cash assets would have a major impact on earnings. A continued reduction in net indebtedness from the current low level would have a continued favorable impact on profitability, while an increase in borrowing and in the dividends paid to shareholders, 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 Group's day-to-day operations, and 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 generate 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 there is a decrease in orders received 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

Sensitivity and risk analyses

	Change	Effect on profit after net financial items (annual basis), SEK M	Effect on return on equity, percentage points	Effect on return on capital employed, percentage points
NCC's Construction units				
Volume	+/– 5%	191	2.1	1.9
Operating margin	+/– 1 percentage point	428	4.7	4.2
NCC Property Development				
Sales volume, projects	+/– 10%	67	0.7	0.7
Sales margin, projects	+/– 1 percentage point	37	0.4	0.4
NCC Roads				
Volume	+/– 5%	39	0.4	0.4
Operating margin	+/– 1 percentage point	100	1.1	1.0
Capital rationalization	+/– 10%	16	0.2	0.8
Group				
Interest rate, borrowing	+/– 1 percentage point	14	0.2	
Decrease in net debt	SEK 500 M	24	0.3	1.2
Change in equity/assets ratio	– 5 percentage points	–73	7.2	

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 the maximum 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 2006, the NCC Group's net indebtedness should not exceed its shareholders' equity (also see "Financial objectives and dividend policy" 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 related to customers are handled within each particular business area.

OPERATIONAL RISKS

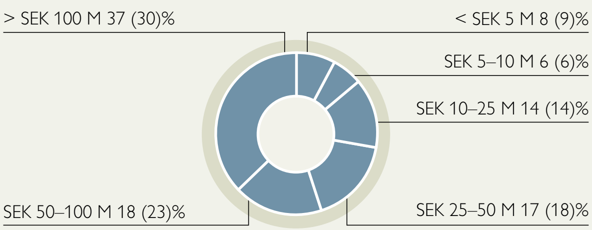
For a building contractor, the principal risk-limitation phase is during the contract-tendering process. NCC's overall strategy is to adopt a selective approach to tendering in order to reduce the proportion of unprofitable projects. This is particularly important in a declining market, when a company may be tempted to secure projects in order to maintain employment. In a growing market, however, it is important to be selective because an extensive tendering volume could result in a shortage of internal and external resources for handling all projects, which could lead to both weaker internal control and increased costs.

When selecting suitable contracts, NCC assigns priority to projects whose risks are identified, and are thus manageable and calculable. Most risks, such as contract risks and technological and production-related risks, are best managed and minimized in cooperation with the customer and other players during 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 the Construction units, NCC uses a process-controlled operational management system. Many Group units are quality and environmentally certified

DEVELOPMENT RISKS

Proprietary project development in 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 the timing of 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 is active and expanding. Proprietary housing and property projects are developed primarily in large growth communities in the Nordic countries, as well as in Germany and the Baltic countries. NCC has consciously decided to refrain from excessively niche-oriented projects intended 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 payment.

Orders received by project size, 2006, volume NCC's Construction units



Projects with a value exceeding SEK 100 M are accounting for a large and growing amount of NCC's sales. An increase in such large projects was noted primarily in Sweden and Norway. During 2006, more housing projects valued in excess of SEK 100 M were reported as orders in the Swedish operations, the largest of which were Ursvik in Sundbyberg and Rosenlundsterrassen in Stockholm. In Norway, a number of unusually large orders were received in 2006, which had no parallel in the preceding year, such as St Olavs Hospital, Highway 519, the new Lörenskog shopping center and the Fornebu Arena in Oslo

Major ongoing projects

Project		NCC's share of order value	Completion rate Dec 31, 2006	Estimated year of completion
Subway	Singapore	1,714	89%	2007
City Tunnel, Malmö	Sweden	1,428	50%	2009
Pelletizing plant, Kiruna	Sweden	1,257	62%	2008
Hospital, Trondheim	Norway	1,087	26%	2009
Norrortsleden Highway, Stockholm	Sweden	721	35%	2008
Tunnel, Riksvei 519	Norway	544	8%	2009
Lörenskog shopping center, Oslo	Norway	501	32%	2008
Shopping center, Aarhus	Denmark	496	16%	2008
Office, Kungsbron, Stockholm	Sweden	494	9%	2009
Shopping center, Tuborg, Copenhagen	Denmark	452	66%	2007
E18 Highway, Bjørvika, Oslo	Norway	413	31%	2011
Hospital, Linköping	Sweden	413	96%	2007
E6 Bridge, Örekilsälven, Munkedal	Sweden	413	63%	2008
Rya heat/power plant, Gothenburg	Sweden	384	92%	2007
Offices/retail Beridarebanan, Stockholm	Sweden	363	55%	2008
University building, Sönderborg	Denmark	348	89%	2007
Hospital, Trondheim	Norway	344	22%	2008
Housing, Bisbebjerg Bakke, Copenhagen	Denmark	344	91%	2007
Landscaping and artificial buildings, Hyllie-Vintrie, Malmö	Sweden	334	81%	2007
Road	Tanzania	320	92%	2007
Housing, Amerika Plads, Copenhagen	Denmark	306	57%	2007

SEASONAL RISKS

The asphalt operations of NCC Roads are subject to considerable seasonal variations, with most procurements secured during the spring, and asphalt production and paving activities conducted during the summer half year. Warm autumn weather could have 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 RISK

For several years, the prices of building products have increased at a rate that far exceeds general inflation. Increased demand due to growth in the construction sector, 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, has been trying out various ways of enhancing the efficiency of the construction process and as part of these efforts the purchasing function is a critical factor. Financially, this is the key to gaining control over the price trend.

Raw-material costs account for about one third of the price NCC Roads pays for paved asphalt. The main raw materials are the oil product bitumen followed by aggregates. NCC Roads purchases bitumen from several international suppliers. Purchasing and logistics involving bitumen are coordinated between Sweden, Denmark and Norway. Longer-term agreements with customers normally include price clauses that reduce NCC Roads' exposure to risks. 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 on which profit recognition is based. 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 completion rate. Profit recognition from NCC's proprietary housing projects is recognized as the worked-up rate (costs incurred in relation to the final status forecast) times the sales rate (number of sold apartments), which entails more cautious profit recognition

FOCUS

During 2006 and early 2007, 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 strong competencies. The international construction contract operations, which had tied up considerable capital and were associated with major risks, are scheduled to be fully discontinued in 2008, 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, credit, liquidity, currency, and cash flow risks. NCC's finance policy for managing financial risks was decided by the Board of Directors and forms a framework of guidelines and rules in the form of risk mandates and limits for finance activities. In the NCC Group's decentralized organization, finance activities are centralized in the NCC Corporate Finance unit in order to monitor the Group's overall financial risk positions, to achieve cost efficiency and economies of scale and to accu-

Flygeln, Louis de Geer Concert and conference house, Norrköping, Sweden.

mulate 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 handled within 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 or cash flow statement. At the end of 2006, NCC's operational net transaction exposure is not significant at present. 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 Group's translation exposure is covered in accordance with the instructions in NCC's finance policy.

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 2006, interest-bearing liabilities, including provisions for pensions, amounted to SEK 2,694 M (3,153) and the average period of fixed interest was 2.6 years (1.1).

Credit risks

NCC's investment regulations are reviewed continuously and characterized by caution. The policy is that no credit risks 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 3.2 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, including short-term investments exceeding three months, amounted to SEK 1.4 billion. Access to funds on December 31, 2006 corresponded to 8 percent of sales. Also refer to Note 1, Accounting principles, and Note 39, Financial instruments and risk management..

SIGNIFICANT DISPUTES

In the ongoing Swedish cartel process, the main hearing commenced in September 2006. The verdict in the first instance is expected on May 31, 2007. The Swedish Competition Authority's claim for competition-impeding damages from NCC amounts to SEK 382 M, which has been handled as a contingent liability. In the Finnish cartel matter, the trial started in November 2006 and the verdict is expected during spring 2007. In the case involving the nine municipalities that have sued construction companies, including NCC, for damages for cartel collusion, there has been a ruling that parties other than parties to municipal agreements can be sued. This process is in recess pending a verdict in the Swedish cartel trial. In July 2006, Økokrim, the economic crime agency in Norway, submitted its demands for fines of NOK 3 M and NOK 2 M to be imposed on NCC Construction Norway and NCC Roads, respectively, for breaches of competition law. The discussions with Økokrim had yet to be completed on March 1, 2007.

For further information, see Note 46, Pledged assets, contingent liabilities and contingent assets.


Örekil Bridge, E6 stage, Saltkällan – Rödberget.


Campus Johanneberg student apartments, Gothenburg, Sweden.

PERSONNEL

Number of employees

The average number of employees in the NCC Group was 21,784 (21,001). NCC's long-term efforts involving the work environment and health matters generate increasingly positive effects for every year that passes. In Sweden, however, sickness absence increased slightly in 2006, after having declined during the three preceding years. The number of occupational accidents at Swedish construction sites also rose slightly in 2006, although the accidents were of a more minor character than previously. Corresponding efforts that are also resulting in positive effects are also under way in the other Nordic operations. For further information, see the Employees section on page 22.

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 5, 2006 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, 2005 or 2006. 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, 2006, 5,684,003 shares had been sold against exercised options. Subsequently, the number of treasury shares totaled 351,389. At December 31, 2006 the number of shares outstanding was 108,084,433, excluding the repurchased shares. The Board will propose to the Annual General Meeting that it be authorized to repurchase Series A or B NCC shares up to the next Annual General Meeting in such a number that the Company's holding of its own 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. Including the proposed authorization, NCC will be entitled to repurchase an additional 9.7 percent of the shares outstanding.

OWNERSHIP STRUCTURE

The number of NCC shareholders at year-end was 28,589 (24,679), with Nordstjernan AB as the largest individual shareholders with 27 percent of the share capital and 54 percent of the voting rights. L E Lundbergföretagen AB was the second largest shareholder, accounting for 10 percent of the share capital and 20 percent of the voting rights. The ten largest shareholders jointly accounted for 56 percent of the share capital and 85 percent of the voting rights.

NOMINATION COMMITTEE

The Annual General Meeting appoints a Nomination Committee whose task is to nominate candidates to be elected Board Members and auditors by the Annual General Meeting. The Nomination Committee's assignment also includes submitting proposals regarding fees. At the Annual General Meeting on April 5, 2006, the following persons were elected as members of the Company's Nomination Committee: Viveca Ax:son Johnson (Board member, Nordstjernan), Ulf Lundahl (Executive Vice President, L E Lundbergföretagen), Mats Lagerqvist (President, Robur AB) and Johan Björkman (Chairman of the Board, Nordstjernan), with Johan Björkman as Committee Chairman. Tomas Billing, Chairman of the NCC Board of Directors, is a co-opted member of the Nomination Committee but has no voting right. No remuneration is paid to members of the Nomination Committee. The Nomination Committee held two meetings in 2006 to address the nomination of Board Members and auditors, as well as related fees, ahead of the 2007 Annual General Meeting.


SIDA, Stockholm, Sweden.

EVENTS AFTER THE CLOSE OF THE PERIOD

On January 2, 2007, it was announced that an agreement had been reached concerning the sale of NCC's Polish asphalt, aggregate and paving operations, NCC Roads Polska, to the Austrian company Strabag. The purchase price was SEK 1,050 M for a debt-free company, providing NCC with a positive effect on profit of approximately SEK 400 M. This transaction requires the approval of the relevant competition authorities. NCC Roads Polska's sales in 2006 corresponded to approximately 2.6 percent of NCC's sales and 2.4 percent of total assets.

In January, an agreement regarding the sale of the Västerport office project in Stockholm was reached with Credit Suisse Asset Management (CSAM). CSAM will provide a cash payment and the project will be handed over in summer 2008. The sale will initially provide a gain of approximately SEK 30 M, which can be recognized as profit when the conditions for the transaction have been fulfilled. NCC has issued rental guarantees for a period of three years after completion and established full provisions for these guarantees.

PARENT COMPANY

Commission agreement

Since January 1, 2002, NCC Construction Sweden 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 17,083 M (18,007). Profit of SEK 401 M (1,071) was reported after financial items. The Parent Company's earnings declined due to lower dividends from subsidiaries. The average number of employees was 8,065 (7,377).

OUTLOOK

NCC's assessment is that the Nordic construction market will grow by approximately 3 percent in 2007. However, NCC's growth in the Nordic region will be impeded by a shortage of skilled personnel, a situation that proved difficult in 2006 and will probably deteriorate in 2007.

PROPOSED DIVIDEND

In view of NCC's stronger financial position, the Board proposes an ordinary dividend of SEK 8.00 (5.50) per share, plus an extraordinary dividend of SEK 10.00 per share (10.00), making a total of SEK 18.00 (15.50) per share. The proposed record date for dividends is April 16, 2007. If the Annual General Meeting approves the Board's proposal, it is estimated that dividend payments, via VPC, will commence on April 19, 2007.

PROPOSED DISTRIBUTION OF UNAPPROPRIATED EARNINGS

The possible exercise of 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 funds available for distribution by the Annual General Meeting be appropriated as follows:

Earnings available for distribution:	2,832,149,338
To be disposed of as follows	
Ordinary dividend of SEK 8.00 per share to shareholders	864,675,464
Extraordinary dividend of SEK 10.00 per share to shareholders	1,080,844,330
To be carried forward	886,629,544
Total, SEK	**2,832,149,338**

The Board's statement regarding the proposed dividend will be available on NCC's website and be distributed to shareholders 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.

Kräftriket, Stockholm, Sweden.

CONSOLIDATED INCOME STATEMENT

WITH COMMENTS

SEK M	Note	2006	2005
	1, 26, 49, 50		
Net sales	2, 3	55,876	49,506
Production costs	4, 5, 6, 10	–50,729	–45,158
Gross profit		**5,147**	**4,347**
Sales and administration costs	4, 5, 6, 7	–2,795	–2,677
Result from property management	8	–5	17
Result from sales of managed properties	9	9	92
Result from sales of owner-occupied properties	9	22	19
Impairment losses on fixed assets	10	–22	–94
Result from sales of Group companies	11	7	–5
Result from participations in associated companies	10, 12	29	49
Operating profit	3, 13	**2,392**	**1,748**
Financial income		116	116
Financial expense	10	–245	–284
Net financial items	17	**–129**	**–168**
Profit after financial items		**2,263**	**1,580**
Tax on net profit for the year	31	–555	–393
NET PROFIT FOR THE YEAR	18, 45	**1,708**	**1,187**
Attributable to:			
NCC's shareholders		1,706	1,178
Minority interests		1	9
Net profit for the year		**1,708**	**1,187**
Earnings per share	19		
Before dilution			
Profit after tax, SEK		15.80	11.07
After full dilution			
Profit after tax, SEK		15.74	10.86

Net sales

Net sales for 2006 totaled SEK 55,876 M (49,506). Production was high after a long period of increased order bookings. Compared with 2005, NCC Property Development sold more development properties. Strong demand for primarily aggregates and also for asphalt in certain regions, combined with favorable weather, particularly during the fourth quarter, were the reasons behind the increase in net sales in NCC Roads. NCC's housing construction increased during the year in all markets where the Group has operations, primarily Sweden, where the increase was significant. Increased building and civil engineering construction in Sweden and Norway contributed to increased sales.

Result from property management

Property management is conducted within NCC Property Development. The operating loss within NCC Property Development was SEK 5 M (profit: 17).

Impairment losses

During 2006, impairment losses, excluding goodwill, amounted to SEK 12 M (139). Financial fixed assets in NCC Construction Germany were impaired, participations in associated companies were impaired by SEK 0 M (60) and owner-occupied properties were impaired by SEK 1 M (8).

Impairment losses, goodwill

NCC conducts impairment tests of the value of goodwill annually or more frequently when the need arises. Impairment losses for the year amounted to SEK 20 M (86), which pertained to NCC Roads.

Specification of total impairment losses [1)]

SEK M	2006	2005
Property projects within NCC Property Development[1)]		–71
Owner-occupied properties	–1	–8
Financial fixed assets	–10	
Participations in associated companies		–60
Goodwill within NCC Roads[2)]	–20	–43
Goodwill within NCC's Construction units[2)]		–43
Total impairment losses	**–32**	**–225**

The impairment losses for housing projects and property projects within NCC Property Development are included in Production costs. The impairment losses for participations in associated companies are included in Result from participations in associated companies.

1) The impairment losses correspond to the net of impairment losses and reversed impairment losses.

2) 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 or when indications of a change in value arise. The reasons for reporting impairment losses could be changed market conditions or return requirements that result in a lower recoverable value.

(Refer also to Note 10 Impairment losses and reversed impairment losses).

Operating profit

The Group's full-year operating profit improved to SEK 2,392 M (1,748). The Group's profit improvement was mainly attributable to the strong development in NCC Construction Sweden. Housing operations had a particularly successful year, but other construction operations also contributed to the improvement. NCC Construction Denmark reported a loss of SEK 35 M (positive: 209), due to impairments of projects and increased provisions pertaining to disputes.

The favorable construction market was also positive for NCC Roads' operations. NCC Property Development increased its profit as a result of the sale of more property development projects compared with 2005.

Profit after financial items

Profit after financial items totaled SEK 2,263 M (1,580). The low average interest rate and somewhat lower net indebtedness combined with premature redemption of loans contributed to the reduction in net financial expense. IAS 39, Financial Instruments, Recognition and Measurement, had only a marginal impact on earnings for the year.

Taxation

NCC's tax rate amounts to 25 percent (25). The tax was positively influenced when the NCC Property Development business area sold several property projects and land via company sales, which led to the profits not being taxed.

CONSOLIDATED BALANCE SHEET

WITH COMMENTS

SEK M	Note	2006	2005
	1, 26, 49, 50		
ASSETS			
Fixed assets			
Goodwill	21	1,700	1,772
Other intangible assets	21	113	61
Managed properties	23	65	71
Owner-occupied properties	22	796	865
Machinery and equipment	22	1,940	1,937
Participations in associated companies	25	47	44
Other long-term holdings of securities	28	242	265
Long-term receivables	30	2,477	916
Deferred tax assets	31	262	330
Total fixed assets		**7,642**	**6,263**
Current assets			
Property projects	32	1,955	2,005
Housing projects	32	4,905	3,884
Materials and inventories	33	1,517	1,013
Tax receivables		51	13
Accounts receivable		7,934	7,137
Worked-up, non-invoiced revenues	34	2,840	2,738
Prepaid expenses and accrued income		852	638
Other receivables	30	1,481	1,348
Short-term investments	28	173	153
Cash and cash equivalents	47	1,253	1,919
Total current assets		**22,961**	**20,848**
TOTAL ASSETS	45	**30,603**	**27,110**
EQUITY			
Share capital	35	867	867
Other capital contributions		1,844	1,844
Reserves		–20	61
Earnings brought forward including profit for the year		4,105	4,014
Shareholders' equity		**6,796**	**6,785**
Minority interest		75	94
Total shareholders' equity		**6,870**	**6,879**
LIABILITIES			
Long-term liabilities			
Long-term interest-bearing liabilities	36	2,023	2,004
Other long-term liabilities	41	561	392
Deferred tax liabilities	31, 37	461	199
Provisions for pensions and similar obligations	37, 38	119	143
Other provisions	37	2,157	1,611
Total long-term liabilities	39, 44	**5,321**	**4,348**
Current liabilities			
Current interest-bearing liabilities	36	552	1,052
Accounts payable		4,874	4,520
Tax liabilities		170	137
Project invoicing not yet worked up	40	4,823	4,367
Accrued expenses and prepaid income	43	4,592	3,271
Other current liabilities	41	3,400	2,535
Total current liabilities	39	**18,411**	**15,883**
Total liabilities		**23,732**	**20,231**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	45	**30,603**	**27,110**
Assets pledged	46		
Contingent liabilities	46		

Fixed assets

Goodwill

NCC subjects the value of goodwill to impairment testing annually or more often if this is warranted. This balance-sheet item was reduced by impairment losses of SEK 20 M (86) in NCC Roads, and also in NCC's Construction units in 2005. Goodwill decreased when exchange rates in foreign currencies declined in relation to SEK.

Long-term receivables

Receivables increased due to the sale of property projects in NCC Property Development.

Current assets

Housing projects

Investments in housing projects increased in NCC's Construction units, mainly in Sweden but also in Germany and the Baltic States.

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 2005.

Shareholders' equity

The change in shareholders' equity in 2006 consists mainly of net profit for the year, dividends to shareholders and the sale of treasury shares. Other changes in shareholders' equity consist of translation differences.

Long-term liabilities

Provisions

Provisions for rental guarantees increased as a result of the sale of property projects and at the end of 2006 were somewhat higher than the end of 2005, while other provisions declined.

Current liabilities

Current interest-bearing liabilities

Current interest-bearing liabilities declined compared with 2005 since payments received for sold property projects and the positive results in NCC's Construction units and NCC Roads were used to repay debts.

Accrued expenses and prepaid income

Accrued expenses and prepaid income rose as a result of the increase in the sale of construction-initiated property projects within NCC Property Development, but for which production is incomplete.

PARENT COMPANY INCOME STATEMENT

WITH COMMENTS

SEK M	Note	2006	2005
	1, 48		
Net sales	2, 42	17,083	18,007
Production costs	4, 5, 6	–15,392	–16,366
Gross profit		**1,691**	**1,640**
Sales and administration costs	4, 5, 6, 7	–1,099	–1,145
Impairment losses	10	–1	–8
Operating profit		**591**	**488**
Result from financial investments			
Result from participations in Group companies	10, 11	–228	643
Result from participations in associated companies	12	1	21
Result from other financial fixed assets	10, 14		4
Result from financial current assets	15	108	20
Interest expense and similar items	16	–71	–105
Profit after financial items		**401**	**1,071**
Appropriations	20	–117	538
Tax on net profit for the year	31	–80	–276
NET PROFIT FOR THE YEAR		**204**	**1,333**

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.

Parent Company sales during the year totaled SEK 17,083 M (18,007). Profit of SEK 401 M (1,071) was reported after financial items. In the Parent Company, profit is not recognized until final recognition of projects.

PARENT COMPANY BALANCE SHEET

WITH COMMENTS

SEK M	Note	2006	2005
	1, 48		
ASSETS			
Fixed assets			
Intangible fixed assets			
Intangible fixed assets	21	2	3
Total intangible fixed assets		**2**	**3**
Tangible fixed assets	22		
Owner-occupied properties, construction in progress		24	27
Machinery and equipment		121	110
Total tangible fixed assets		**146**	**137**
Financial fixed assets	29		
Participations in Group companies	24	6,347	6,593
Receivables from Group companies		165	25
Participations in associated companies	27	167	167
Receivables from associated companies		36	38
Other long-term holdings of securities		7	7
Deferred tax assets	31	170	142
Other long-term receivables		61	78
Total financial fixed assets		**6,952**	**7,050**
Total fixed assets		**7,099**	**7,190**
Current assets			
Properties classed as current assets	32		
Housing projects		334	440
Total current assets		**334**	**440**
Inventories, etc.			
Materials and inventories	33	2	1
Total inventories, etc.		**2**	**1**
Current receivables			
Accounts receivable		2,925	2,577
Receivables from Group companies		872	451
Receivables from associated companies		9	10
Other current receivables		130	404
Prepaid expenses and accrued income		354	329
Total current receivables		**4,291**	**3,772**
Short-term investments	47	**2,096**	**2,769**
Cash and bank balances	47	**989**	**863**
Total current assets		**7,711**	**7,845**
TOTAL ASSETS	45	**14,810**	**15,035**

SEK M	Note	2006	2005
	1, 48		
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity			
Restricted shareholders' equity			
Share capital	35	867	867
Statutory reserves		174	174
Total restricted shareholders' equity		**1,041**	**1,041**
Unrestricted shareholders' equity			
Profit brought forward		2,628	2,835
Net profit for the year		204	1,332
Total unrestricted shareholders' equity		**2,832**	**4,167**
Total shareholders' equity		**3,873**	**5,208**
Untaxed reserves	20	**431**	**314**
Provisions	37		
Provisions for pensions and similar obligations	38	13	14
Other provisions		645	553
Total provisions		**657**	**567**
Long-term liabilities	36, 39		
Liabilities to credit institutions		990	826
Liabilities to Group companies		2,042	2,327
Total long-term liabilities		**3,032**	**3,153**
Current liabilities	36, 39		
Liabilities to credit institutions			5
Advances from customers		121	255
Work in progress on another party's account	42	2,794	1,971
Accounts payable		1,773	1,539
Liabilities to Group companies		410	496
Liabilities to associated companies		14	29
Tax liabilities		104	117
Other liabilities		375	331
Accrued expenses and prepaid income	43	1,226	1,049
Total current liabilities		**6,817**	**5,792**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	45	**14,810**	**15,035**
Assets pledged	46	**12**	**14**
Contingent liabilities	46	**15,836**	**17,192**

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.

The Parent Company
Impairment has been posted of participations in Group companies to their value in the consolidated accounts.

CHANGES IN SHAREHOLDERS' EQUITY

WITH COMMENTS

GROUP	Shareholders' equity attributable to Parent Company's shareholders						
SEK M	Share capital	Other capital contributions	Reserves	Earnings brought forward	Total	Minority interests	Total equity
Opening balance, January 1, 2005	**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 directly against shareholders' equity			37	4	41		41
Change in minority interests						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 employee options program				57	57		57
Shareholders' equity on December 31, 2005	**867**	**1,844**	**61**	**4,014**	**6,785**	**94**	**6,879**
Change in translation reserve during the year			–33		–33	–3	–36
Change in fair value reserve during the year			–1		–1		–1
Change in hedging reserve during the year			–1		–1		–1
Tax reported against shareholders' equity			–46		–46		–46
Change in minority interests						4	4
Total change in net asset value reported directly against equity, excluding transactions involving Company shareholders	**867**	**1,844**	**–20**	**4,014**	**6,704**	**95**	**6,799**
Net profit for the year				1,706	1,706	1	1,707
Total change in net asset value, excluding transactions involving Company shareholders	**867**	**1,844**	**–20**	**5,720**	**8,410**	**96**	**8,506**
Dividends				–1,675	–1,675	–21	–1,696
Sale of treasury shares				59	59		59
Shareholders' equity on December 31, 2006	**867**	**1,844**	**–20**	**4,105**	**6,796**	**75**	**6,870**

Accounting of shareholders' equity in accordance with IFRS and the Swedish Companies 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. The transfer of value in the form of dividends from the Parent Company and Group 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 what there is coverage for.

Change in shareholders' equity

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

The dividend resolved in 2006 consisted of an ordinary dividend of SEK 5.50 per share and an extraordinary dividend of SEK 10.00 per share. The actual dividend payment slightly exceeded the amount proposed in the 2005 Annual Report, because more employee options had been exercised by the record date of April 10, 2006.

The treasury shares were sold as part of the exercise of the options that are issued to employees. (See Note 5 page 74.)

PARENT COMPANY

SEK M	Restricted share-holders' equity: Share capital	Restricted share-holders' equity: Statutory reserves	Unrestricted share-holders' equity: Profit brought forward	Unrestricted share-holders' equity: Net profit for the year	Total equity
Opening balance, January 1, 2005	**867**	**174**	**3,794**	**718**	**5,553**
Appropriations of profits			718	–718	
Group contributions provided [1]			–532		–532
Total change in net asset value reported directly against equity, excluding transactions involving Company shareholders	**867**	**174**	**3,980**		**5,021**
Net profit for the year				1,332	1,332
Total change in net asset value, excluding transactions involving Company shareholders	**867**	**174**	**3,980**	**1,332**	**6,353**
Dividends			–1,552		–1,552
Sale of treasury shares			350		350
Effect of employee options program			57		57
Shareholders' equity on December 31, 2005	**867**	**174**	**2,835**	**1,332**	**5,208**
Appropriations of profits			1,332	–1,332	
Group contributions received [1]			70		70
Total change in net asset value reported directly against equity, excluding transactions involving Company shareholders	**867**	**174**	**4,237**		**5,278**
Net profit for the year				204	204
Total change in net asset value, excluding transactions involving Company shareholders	**867**	**174**	**4,237**	**204**	**5,482**
Dividends			–1,675		–1,675
Sale of treasury shares			59		59
Profits from merger			7		7
Shareholders' equity on December 31, 2006	**867**	**174**	**2,628**	**204**	**3,873**

[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 69.

Specification of the item Reserves in shareholders' equity:

Translation reserve	2006	2005
Translation reserve, January 1	56	12
Translation differences during the year	–198	145
Less: Hedging of exchange-rate risks in foreign operations	167	–138
Tax attributable to exchange-rate risks in foreign operations	–46	38
Less: Translation differences attributable to divested operations	–2	–1
Translation reserve, December 31	**–23**	**56**

Fair value reserve		
Fair value reserve, January 1	4	
Available-for-sale financial assets:		
– Revaluation reported directly against shareholders' equity	–1	5
Tax attributable to revaluation during the year		–1
Fair value reserve, December 31	**3**	**4**

Hedging reserve		
Hedging reserve, January 1	1	
Adjustment for changed accounting principles: IAS 39, Financial instruments		–16
Cash flow hedges		
– Reported directly against shareholders' equity	–5	21
– Change in income statement	4	–4
Hedging reserve, December 31		**1**

Total reserves		
Reserves, January 1	61	12
Change in reserves during the year		
– Translation reserve	–79	44
– Fair value reserve	–1	4
– Hedging reserve	–1	1
Reserves, December 31	**–20**	**61**

Share capital
On December 31, 2006, the registered share capital amounted to 47,606,748 Series A shares and 60,829,074 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
Pertains 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 on cash flow hedging instruments attributable to hedging transactions that have not yet occurred.

Earnings 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.

CASH FLOW STATEMENT

WITH COMMENTS

SEK M	Note	Group 2006	Group 2005	Parent Company 2006	Parent Company 2005
OPERATING ACTIVITIES					
Profit after financial items		2,263	1,580	401	1,070
Adjustments for items not included in cash flow:					
– Depreciation		496	563	49	50
– Impairment losses		32	224	689	782
– Exchange-rate differences		258	–411		
– Result from sales of fixed assets		4	–147	–3	–22
– Result from associated companies		–7	14		
– Changes in provisions		413	–97	90	143
– Anticipated dividend				–454	–1,158
– Other		–14	11		
Total items not included in cash flow		1,182	157	371	–205
Taxes paid		–271	–291	–121	–72
Cash flow from operating activities before changes in working capital		**3,174**	**1,446**	**651**	**793**
Cash flow from changes in working capital					
Increase(–)/Decrease(+)in inventories		–536	–128		
Increase(–)/Decrease(+)in receivables		–1,136	–150	–196	–434
Increase(+)/Decrease(–)in liabilities		2,941	273	435	–132
Increase(+)/Decrease(–)in net work in progress				823	41
Increase(–)/Decrease(+)in properties reported as current assets, net		–2,271	604	78	382
Cash flow from changes in working capital		**–1,002**	**600**	**1,139**	**–142**
CASH FLOW FROM OPERATING ACTIVITIES		**2,171**	**2,046**	**1,790**	**651**
INVESTING ACTIVITIES					
Acquisition of subsidiaries	47	–18	–91	–453	–176
Sale of subsidiaries	47		85	14	4
Acquisition of buildings and land	47	–85	–325	–1	
Sale of buildings and land		73	706		
Acquisition of other financial fixed assets		–16	–15		11
Sale of other financial fixed assets		31	150		23
Acquisition of other fixed assets	47	–587	–548	–58	–41
Sale of other fixed assets		87	107	6	2
Cash flow from investing activities		**–514**	**69**	**–492**	**–176**
CASH FLOW BEFORE FINANCING		**1,657**	**2,115**	**1,298**	**475**
FINANCING ACTIVITIES					
Dividend paid		–1,675	–1,552	–1,675	–1,552
Sale of treasury shares		59	350	59	350
Group contributions				76	–396
Loans raised		690	89	145	817
Amortization of loans		–1,020	–1,681	–31	–5
Increase(–)/Decrease(+) in long-term interest-bearing receivables		–107	21	–124	79
Increase(–)/Decrease(+) in current interest-bearing receivables		–233	29	–296	283
Increase(+)/Decrease(–) in minority interests, etc.		–21			
Cash flow from financing activities		**–2,307**	**–2,745**	**–1,846**	**–423**
CASH FLOW DURING THE YEAR		**–649**	**–629**	**–548**	**52**
Cash and cash equivalents on January 1	47	**1,919**	**2,515**	**3,632**	**3,578**
Exchange-rate difference in cash and cash equivalents		–17	33		
Cash and cash equivalents on December 31	47	**1,253**	**1,919**	**3,085**	**3,632**

Cash flow from operating activities before changes in working capital

During the full-year, cash flow from operating activities before changes in working capital totaled SEK 3,174 M (1,446). Increased profits combined with costs that did not affect cash flow, such as increased provisions, particularly pertaining to rental guarantees for property projects, resulted in improved cash flow from operating activities before changes in working capital.

Cash flow from changes in working capital

During the full-year, cash flow from changes in working capital was a negative SEK 1,002 M (positive: 600). The working capital tied up in operations decreased compared with the preceding year, despite the increase in activities. Investments in properties classed as current assets increased significantly during 2006 compared with the preceding year.

Cash flow from investing activities

Cash flow from investing activities for the full-year amounted to a negative SEK 514 M (positive: 69).

Cash flow from financing activities

Cash flow for the full-year from financing activities was a negative SEK 2,307 M (negative: 2,745). During 2005, interest-bearing loans were amortized to a larger extent than 2006.

Total cash and cash equivalents including short-term investments with a maturity of more than three months amounted to SEK 1,426 M (2,072).

Cash and cash equivalents

GROUP	2006	2005
Short-term investments	**173**	**153**
Cash and bank balances	1,040	1,111
Investments with a maturity of less than three months	213	808
Cash and cash equivalents	**1,253**	**1,919**
Amount at year-end	**1,426**	**2,072**

The Group's unutilized restricted credits amounted to SEK 3 billion (3) 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:

	2006	2005
Exchange-rate differences in cash and cash equivalents	–17	33
Of which, exchange-rate differences in cash and cash equivalents attributable to cash and cash equivalents at the beginning of the year	–12	18
Exchange-rate differences in cash flow for the year	**–5**	**15**

Net indebtedness

Net indebtedness (interest-bearing liabilities – cash and cash equivalents – interest-bearing receivables) remained somewhat under the level of the preceding year. The change during the year was due to the fact that the strong profit resulted in cash flow from operations being higher than net investments in properties classed as current assets and dividends to shareholders.

Net indebtedness trend

SEK billion	Cash flow	Net indebtedness
Net indebtedness, January 1, 2006		–0.5
From operations	3.2	
Receipts from sales of property projects	1.0	
Gross investments in property projects	–1.0	
Receipts from sales of housing projects	2.9	
Gross investments in housing projects	–4.1	
Other changes in working capital	0.2	
Other investment activities, net	–0.5	1.7
Sales of treasury shares		0.1
Dividend		–1.7
Net indebtedness, December 31, 2006		**–0.4**

Parent Company

The Parent Company's cash flow from operating activities was affected positively by the increase in activities. At the same time, working capital tied up in operations increased, primarily in work in progress as a result of the increase in activities in the construction market. Investments in Group companies increased primarily as a result of acquisitions of land via companies. Cash flow from financing activities decreased, mainly as a result of dividends to shareholders and a certain increase in financing due to increased investments.

CONTENTS NOTES

NOTES

NOTE 1 | ACCOUNTING PRINCIPLES

The NCC Group complies with the International Financial Reporting Standards (IFRS) adopted by the EU and the interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC). The Group also complies with the Annual Accounts Act, the Swedish Financial Accounting Standards Council's recommendations RR 30:05, statements issued by the Swedish Financial Accounting Standards Council's Emerging Issues Task Force and industry-specific comments from the Swedish Construction Federation. The Annual Report and the consolidated financial statements were approved for issue by the Board of Directors on February 7, 2007. The consolidated income statement and balance sheet and the Parent Company's income statement and balance sheet will be subject to adoption by the Annual General Meeting on April 1, 2007.

NEW IFRS AND INTERPRETATIONS THAT HAVE YET TO BE APPLIED AND PROJECTS WITHIN IFRIC

A number of new standards, amendments of standards and statements of interpretation do not become effective until the 2007 fiscal year and have not been applied when preparing these financial reports.

IFRS 7 Financial instruments: Disclosures

Together with the related amendments to IAS 1 Presentation of Financial Statements, IFRS 7 requires disclosures concerning the importance of financial instruments to a company's financial position, as well as qualitative and quantitative disclosures concerning the nature and scope of the related risks. IFRS 7 and the related amendments in IAS 1 will result in additional disclosures in consolidated financial statements for 2007 in terms of the Group's financial instruments.

IFRIC 7 Applying the Restatement Approach under IAS 29 Reporting in Hyperinflationary Economies

The purpose of this interpretation is to determine how IAS 29 should be applied, particularly the reporting of deferred tax, when an economy is classified as hyperinflationary for the first time. IFRIC 7 will be applied as of the 2007 fiscal year but will not have any impact on the consolidated financial statements.

IFRIC 8 Scope of IFRS 2 Share-based Payment

This interpretation affects the reporting of share-based payments in cases where certain or all of the products and services that a company receives cannot be identified specifically. IFRIC 8 will be applied retrospectively in the consolidated financial statements for 2007 but will not have any impact on the Group's financial reporting.

IFRIC 9 Reassessment of Embedded Derivatives
The interpretation establishes that a new assessment of whether embedded derivatives may be detached from the host contract can only be done when the host contract is changed. IFRIC 9 will be applied as of the 2007 fiscal year but will not have any impact on the Group's financial reporting.

IFRIC 10 Interim Financial Reporting and Impairment
This recommendation forbids reversal of an impairment recognized during a prior interim period in respect of goodwill, investments in equity instruments or financial assets carried at acquisition value (cost). IFRIC 10 will be applied in the Group's financial reporting as of the 2007 fiscal year. The statement will be applied in a forward-looking manner starting from the date when the Group first applied the impairment rules stipulated in IAS 36 or the valuation rules in IAS 39, which means as of January 1, 2004 with respect to goodwill and as of January 1, 2005 with respect to financial instruments. Since no such reversals have been implemented, the statement will have no impact on the Group's financial reporting.

IFRIC project IAS 18 Revenue – Real Estate Sales
The project addresses the issue of how a sales agreement signed before completion of the property concerned should be reported. The interpretation applied by the NCC Group is that the ownership right is transferred as of the date of contract. The IFRIC project, however, appears to view the date of access as the time when the ownership right is transferred. In addition, the project may also pass judgment on the matter of how construction contracts according to IAS 11 shall be interpreted. The position taken by IFRIC could affect the Group's financial reporting and earnings. Since IFRIC has yet to establish its position on this matter, the final impact cannot be assessed.

PARENT COMPANY ACCOUNTS COMPARED WITH CONSOLIDATED ACCOUNTS

The Parent Company complies with the Annual Accounts Act (1995:1554) and the Financial Accounting Standards Council's RR 32:05 recommendation, Accounting for Legal Entities. The statements issued by the Financial Accounting Standards Council's Emerging Issues Task Force in respect of listed companies are also applied. As a result of an amendment of RR 32, published in December 2006, the Financial Accounting Standards Council, for tax reasons, has granted exemption from the requirement that listed parent companies must report certain financial instruments at fair value. Referring to the exemption rules, NCC has refrained from reporting certain financial instruments at fair value.

The accounting principles presented below differ from those used in the consolidated accounts:
- Subsidiaries
- Associated companies
- Income taxes
- Financial instruments
- Managed (investment) properties
- Leasing
- Construction contracts and similar assignments
- Pensions

The differences are presented under the respective headings below.

CONSOLIDATED ACCOUNTS

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. When the difference is negative, it is recognized directly in the income statement.

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. Shares in subsidiaries are reported

in the Parent Company in accordance with the acquisition value (cost) method. Only dividends received are recognized as revenue. 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. Only dividends received are recognized as revenue. 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. For further information, refer to Note 26, Participations in joint ventures consolidated in accordance with the proportional method.

Elimination of intra-Group transactions

Receivables, liabilities, revenues and costs, as well as unrealized gains, that arise when a Group company sells goods or services to another Group company are eliminated in their entirety. Unrealized losses are eliminated in the same way as unrealized gains, but only insofar as 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 companies.

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 in accordance with IAS 21, 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, are translated at year-end exchange rates, and all income statement items are translated at average exchange rates for the year. The translation difference arising in this connection is transferred directly to shareholders' equity. For divested subsidiaries, the accumulated translation difference is reported under consolidated profit/loss, in accordance with IAS 21.

REVENUES

With the exception of contracting assignments, the Group applies IAS 18, Revenues. For contracting assignments, IAS 11, Construction Contracts, and the Swedish Construction Federation's industry-specific comments pertaining to the reporting of construction contracts are 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 interests in the results of associated companies with operations consisting of property management. Rental revenues are distributed evenly over the leasing period. Also refer to 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, Impairments. 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 investments held 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, with the relating tax effect recognized in 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 on the basis of 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 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 is an option program 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 the option program, see Note 5, Personnel expenses.

INTANGIBLE ASSETS

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

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. 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 recoverable value of goodwill is less than the carrying amount, an impairment is posted. Previously impaired goodwill is not reversed. Goodwill in foreign operations is valued in the particular functional currency and is converted from this functional currency to the Group's reporting currency at the exchange rate prevailing on the balance-sheet date.

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 Property. 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 2006, plus one property that was newly built in 2006.

On December 31, 2006, there were no managed properties in the Parent Company.

LEASING

NCC complies with IAS 17, Leasing. 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 68. 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 building 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, and the Swedish Construction Federation's industry-specific comments 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 M 0	SEK M 5
According to percentage of completion	SEK M 2.5	SEK M 2.5

Proprietary 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.

For projects that are difficult to forecast, revenue is recognized in an amount corresponding to the worked-up cost, meaning that zero earnings are entered until the profit can be reliably estimated.

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 Invoiced revenues, not 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. Financial guarantees such as sureties are also included in financial instruments.

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 assets have been classified in the following categories for measurement: Financial assets at fair value through profit or loss, Investments held to maturity, Loan receivables and accounts receivable and Available-for-sale financial assets, Financial liabilities at fair value through profit or loss and Other financial liabilities. When entered for the first time, a financial instrument is classified on the basis of the purpose for which the instrument was acquired. This classification determines how the financial instrument is measured following the first reporting occasion, as described below.

Financial assets at fair value through profit or loss

This group includes the Group's derivative instruments with a positive fair value, cash and cash equivalents and short-term investments. Changes in fair value are reported among net financial items in the income statement. Derivative instruments that function as identified and effective hedging instruments are not included in this category. For an account of hedging instruments, see Hedge accounting below.

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 and possibility 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, although not value changes that derive from impairment, which are recognized in the income statement. 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 designated as effective hedging instruments. Changes in fair value are reported among net financial items.

This category also includes the Group's financial guarantee agreements. The NCC guarantee agreements that are subject to IAS 39 are issued on normal commercial terms and the income is accrued over the term of the agreements.

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

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, after taking tax effects into account. Any ineffectiveness is recognized in the income statement. When the hedged flow is recognized in the income statement, the value change 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. The hedged flows can be both contracted and forecast transactions.

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 proved. The value change is reported in shareholders' equity after taking tax effects into account. Any ineffectiveness 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.

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 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 hybrid (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

Receivables and liabilities in foreign currency are restated at the exchange rate prevailing on the balance-sheet date.

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, 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
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. When there is a difference between how pension costs are established in the legal entity and the Group, a provision or receivable is reported, which is not present valued, pertaining to the payroll tax based on this difference. Accordingly, the value of the defined benefit liability is the present value of anticipated future disbursements using a discount rate that 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 benefit 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 2006 or the preceding year. IFRS 2, Share-based Payment, is not applicable for NCC's option program from 2001.

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). The difference, compared with the principles applied by the Group, pertains mainly to how the discounting rate is determined, the fact that the calculation of defined benefit obligations is based on the current salary level without assuming future pay rises and the fact that all actuarial gains and losses are recognized in the income statement when they arise.

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 information on types of collateral, see Note 46, Pledged assets, contingent liabilities and contingent assets.

CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Contingent liabilities are reported in accordance with IAS 37, Provisions, Contingent Liabilities and Contingent Assets. For information on 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.

NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

Fixed (non-current) 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 2005 and 2006, 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 Company 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 the Parent Company in compliance with the Financial Accounting Standards Council's Recommendation RR 32:05, Accounting for Legal Entities, and for the Group's Swedish operations in accordance with the Financial Accounting Standards Council's Recommendation RR 30:05, Supplementary Accounting Rules for Groups. 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's senior management positions. The distribution is reported separately and the information pertains to conditions on the balance-sheet date.

NOTE 2 | DISTRIBUTION OF NET SALES

	Group		Parent Company	
	2006	**2005**	**2006**	**2005**
Construction contracts and housing projects	42,590	38,853	17,059	18,001
Asphalt, gravel and aggregate operations	9,359	8,708		
Property projects	3,735	1,617		
Rental revenue	79	95		
Other sales	113	233	24	6
Total	**55,876**	**49,506**	**17,083**	**18,007**
Sales distributed by operating segment[1)]				
NCC Construction Sweden			17,083	18,007
Total			**17,083**	**18,007**

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
2006									
External net sales	21,916	6,269	6,079	5,977	1,763	3,768	9,359	743	55,876
Internal net sales	189	224	371	25		5	685	–1,498	
Total net sales	22,105	6,493	6,450	6,002	1,763	3,773 [2)]	10,044	–755	55,876
Depreciation	–143	–37	–15	–25	–6	–3	–307	–19	–555
Impairment losses	–1				–10		–22		–32
Reversal of impairment losses				4				–4	
Result from associated companies						17	11	1	29
Operating profit	1,131	–35	390	179	85	472	415	–245	2,392
Assets, excluding deferred tax assets, financial receivables and investments	8,122	2,851	3,010	1,887	1,838	4,256	5,208	904	28,077
– of which, participations in associated companies					–5	–1	12	–1	6
Liabilities, excluding deferred tax liabilities and financial liabilities	9,380	2,423	2,922	2,565	675	3,964	4,158	1,360	27,447
Capital employed at year-end	2,087	1,032	1,187	608	1,257	2,123	3,075	–1,803	9,565
Cash flow before financing	1,048	–860	32	162	125	616	439	95	1,657
Gross investments	1,596	604	1,661	66	542	1,051	376	12	5,908
– of which, fixed assets	270	61	16	48	12	8	376	6	798
Average number of employees	8,881	2,075	2,501	1,572	610	111	4,342	1,692	21,784
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

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

2) Development projects amounting to SEK 3,689 M (1,480) and managed properties (reported net) amounting to SEK 37 M (635), making a total of SEK 3,726 M (2,115), were sold.

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 area grouped in accordance with the location of the assets. Tax assets have not been distributed by geographical area.

	Net sales		Assets		Gross investments			
							of which, in fixed assets	
GROUP	2006	2005	2006	2005	2006	2005	2006	2005
Sweden	28,134	22,993	13,950	12,346	2,022	958	385	585
Denmark	9,126	9,481	5,393	4,290	903	709	212	82
Finland	6,558	6,233	4,093	3,363	2,106	1,644	31	26
Norway	7,916	6,236	3,230	2,979	251	114	81	86
Other countries	4,142	4,563	3,623	3,789	626	324	89	122
Total	55,876	49,506	30,289	26,767	5,908	3,749	798	901

NOTE 4 | AVERAGE NUMBER OF EMPLOYEES

	2006		2005	
	No. of employees	Of whom, men	No. of employees	Of whom, men
Parent Company				
Sweden	8,065	7,537	7,377	6,872
Subsidiaries				
Sweden	2,546	2,361	2,370	2,201
Denmark	3,262	2,824	3,323	2,904
Estonia	59	53	53	47
Finland	2,616	2,233	2,554	2,206
Germany	610	510	540	453
Latvia	107	103	87	81
Lithuania	11	10	11	10
Norway	2,008	1,806	1,982	1,760
Poland	1,305	1,088	1,183	977
Russia	154	116	158	119
Singapore	301	274	367	340
Swaziland			99	90
Tanzania	525	500	431	366
Zambia	194	190	446	435
Other countries	21	20	20	18
Total in subsidiaries	13,719	12,088	13,624	12,007
Group total	21,784	19,625	21,001	18,879

Percentage of women	2006	2005
Distribution of company management by gender		
Group total, including subsidiaries		
– Boards of Directors	15.1	15.1
– Other senior executives	13.7	10.7
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

	2006			2005		
	Board of Directors and Presidents (of which, bonus)	Other employees	Total	Board of Directors and Presidents (of which, bonus)	Other employees	Total
Parent Company						
Sweden	17 (4.6)	2,788	2,805 (4.6)	14 (3.8)	2,594	2,608 (3.8)
Subsidiaries						
Sweden	17 (3.4)	914	931 (3.4)	13 (1.6)	806	819 (1.6)
Denmark	17 (2.7)	1,891	1,908 (2.7)	16 (3.5)	1,897	1,913 (3.5)
Estonia	1	8	9		6	6
Finland	12 (2.6)	853	865 (2.6)	11 (2.1)	804	815 (2.1)
Germany	4 (0.6)	189	193 (0.6)	3 (0.4)	182	185 (0.4)
Latvia		8	8		5	5
Lithuania		1	1		2	2
Norway	8 (1.7)	1,184	1,192 (1.7)	9 (1.3)	1,025	1,034 (1.3)
Poland	8 (0.5)	162	170 (0.5)	8 (0.4)	144	152 (0.4)
Russia		17	17	1	32	33
Singapore		46	46		38	38
Swaziland					4	4
Tanzania		22	22		21	21
Zambia		9	9		29	29
Other countries	2 (0.3)	6	8 (0.3)		4	4
Total in subsidiaries	69 (11.8)	5.310	5.379 (11.8)	61 (9.3)	4.999	5.060 (9.3)
Group total	86 (16.5)	8.098	8.184 (16.5)	75 (13.1)	7.593	7.668 (13.1)

NOTE 5 | cont. PERSONNEL EXPENSES

Wages, salaries, other remuneration and social security costs

	2006			2005		
	Wages salaries and other remuneration	Social security costs	Of which pensions costs[1)]	Wages salaries and other remuneration	Social security costs	Of which pensions costs[1)]
Parent Company	2,805	1,293	269	2,608	1,263	311
Subsidiaries	5,379	1,073	446	5,060	1,031	433
Group total	8,184	2,366	715	7,668	2,294	744

[1)] Of the Parent Company's pension costs, the Board of Directors and Presidents category accounted for SEK 5 M (6).The Company's outstanding pension commitments to this category amount to SEK 32 M (42).The reported pension costs include contributions to the pension foundation. The Board of Directors and Presidents category accounted for SEK 12 M (13) of the Group's pension costs. The Group's outstanding pension commitments to this category amount to SEK 39 M (48). 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	
%	2006	2005	2006	2005
Total sickness absence as a percentage of ordinary working time	4.2	4.0	4.4	4.3
Percentage of total sickness absence accounted for by uninterrupted sickness absence of 60 days or more	53.1	54.4	53.8	55.6
Sickness absence by gender:				
Men	4.3	4.1	4.5	4.4
Women	2.3	2.7	2.3	3.0
Sickness absence by age category:				
29 years or younger	3.5	3.1	3.7	3.0
Between 30 and 49 years	2.9	2.9	2.9	3.0
50 years or older	5.7	5.4	5.9	5.7

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 special 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 the approved by the Chairman of the Board.

Remuneration for the CEO and other senior executives consists of a basic salary, variable compensation, other benefits and pensions. The term "other senior executives" pertains to the executives who, together with the CEO, constitute Group Management. During 2006, there were ten such executives.

Variable compensation

The maximum variable compensation payable to CEO Alf Göransson in 2006 amounted to 50 percent of his basic salary. The variable compensation was based on financial targets established by the Board. The provision posted for 2006 corresponded to 50 percent of his fixed salary, meaning SEK 3,300,000 (2,700,000). For other senior executives, 40 to 50 percent of variable compensation for 2006 was based on basic salary and the fulfillment of financial goals and 0-10 percent of the compensation on individual goals, making a maximum variable compensation of 40–55 percent. The provision posted for variable compensation payments to other senior executives during 2006 corresponded to 5–50 percent (40–50) of basic salary.

Remuneration and other benefits during 2006

GROUP, SEK thousands	Total salary, remuneration and benefits	Of which, benefits	Of which, variable payments	Pension cost
Chairman of the Board	500			
Other Board members	1,700			
CEO	10,334	81	3,300	2,035
Other senior executives	28,910	479	7,869	9,004
Total	**41,444**	**560**	**11,169**	**11,039**

Remuneration and other benefits during 2005

GROUP, SEK thousands	Total salary, remuneration and benefits	Of which, benefits	Of which, variable payments	Pension cost
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 and a company car. 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.

Pensions

NCC's policy is that, apart from ITP, the pensions paid to senior executives shall be defined contribution commitments, which means that after paying the annual premium, NCC has no further commitments. 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 in 2006. This is a defined-contribution pension commitment. Other senior executives may retire at the age of 60 to 62. In Sweden, NCC pledges a defined contribution pension that is payable temporarily between ages 60 and 65 years, including survivor's cover. As of age 65, pension is generally payable from the ITP plan, plus in two cases from a supplementary pension plan 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 three cases 18 months, if their employment is terminated by the employer.

Options 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 and Board members 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 2001	2,533,500	8.10	1.31	65.20	2002-05-31 – 2007-02-28	0

The 1999 and 2000 option program expired in February 2005 and February 2006, respectively

Distribution of issued amount

	Other senior executives	Other employees	Total
Option program 2001	152,738	2,380,762	2,533,500

The number of options that were not exercised on December 31, 2006 was 257,880.

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 Alf Göransson took office in 2001 and was not covered by the above option programs.

NOTE 6 | DEPRECIATION

	Group 2006	Group 2005	Parent Company 2006	Parent Company 2005
Other intangible assets	–21	–12	–1	–1
Owner-occupied properties	–60	–54	–3	–3
Machinery and equipment	–473	–496	–45	–47
Total depreciation	**–555**	**–563**	**–49**	**–50**

NOTE 7 | FEES AND REMUNERATION TO AUDITORS AND AUDIT FIRMS

	Group 2006	Group 2005	Parent Company 2006	Parent Company 2005
Audit firms				
KPMG				
Auditing assignments	12	10	3	2
Other assignments	9	8	2	1
Other auditors				
Auditing assignments	2	2		
Other assignments	3	1		
Total fees and remuneration to auditors and audit firms	**26**	**21**	**5**	**3**

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

GROUP	2006 NCC Property Development	2006 Other	2006 Total	2005 NCC Property Development
Rental revenues	5	1	6	39
Other revenues				1
Operation and maintenance costs	–10	–1	–11	–23
Operating net	**–5**		**–5**	**17**

NOTE 9 | RESULT FROM SALES OF PROPERTIES

GROUP	2006 Managed properties NCC Property Development	2006 Owner-occupied properties	2006 Total	2005 Managed properties NCC Property Development	2005 Owner-occupied properties	2005 Total
Sales value	40[1)]	57	97	659 [1)]	74	733
Sales expenses	–1	2	1	–2	–27	–29
Carrying amount	–30	–37	–67	–565	–28	–593
Total	**9**	**22**	**31**	**92**	**19**	**111**

1) Including SEK 3 M (23) for utilization of a previous reserve for rental guarantees.

NOTE 10 | IMPAIRMENT LOSSES AND REVERSAL OF IMPAIRMENT LOSSES

	Group 2006	Group 2005	Parent Company 2006	Parent Company 2005
Production costs				
Housing projects	–1		–1	
Property projects within NCC Property Development		–71		
Result from participations in associated companies				
Associated companies		–60		
Financial expenses				
Other securities	–10			
Result from participations in subsidiaries				
Shares in subsidiaries			–688	–776
Result from other financial fixed assets				
Long-term receivables				2
Impairment loss, fixed assets				
Owner-occupied properties	–1	–8		–8
Goodwill within NCC's Construction units [1)]		–43		
Goodwill within NCC Roads[1)]	–20	–43		
Total	**–32**	**–225**	**–689**	**–782**

1) Goodwill impairment; refer also to Note 21

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

	Group 2006	Group 2005	Parent Company 2006	Parent Company 2005
Production costs	–1	–71	–1	
Impairment loss, fixed assets	–22	–94		
Impairment losses				–8
Result from participations in associated companies		–60		
Result from other financial fixed assets				2
Financial expenses	–10			
Result from participations in Group companies			–688	–776
Total	**–32**	**–225**	**–689**	**–782**

NOTE 11 | RESULT FROM PARTICIPATIONS IN GROUP COMPANIES

	Group 2006	Group 2005	Parent Company 2006	Parent Company 2005
Dividend			460	1 420
Capital gain on sale	7	–5		
Impairment losses			–688	–776
Total	**7**	**–5**	**–228**	**643**

NOTE 12 | RESULT FROM PARTICIPATIONS IN ASSOCIATED COMPANIES

GROUP	2006 Property operations	2006 Other	2006 Total	2005 Property operations	2005 Other	2005 Total
Participation in results of associated companies	5	12	18	68	5	73
Impairment losses					–60	–60
Capital gains on sales	12		12		36	36
Total	**17**	**12**	**29**	**68**	**–19**	**49**

PARENT COMPANY	2006	2005
Participation in results of associated companies	1	1
Capital gain on sales		20
Total	**1**	**21**

NOTE 13 | OPERATING EXPENSES

GROUP	2006	2005
Change in inventories	–494	–71
Personnel costs	10,550	9,962
Depreciation	555	563
Impairment losses	32	237
Reversal of impairment losses		–12
Total	**10,643**	**10,679**

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	2006	2005
Capital gain on sales		2
Revaluation during the year		2
Total		**4**

NOTE 15 | RESULT FROM FINANCIAL CURRENT ASSETS

PARENT COMPANY	2006	2005
Interest income, Group companies	65	62
Interest income, others	7	3
Exchange-rate differences	36	–45
Total	**108**	**20**

NOTE 16 | INTEREST EXPENSE AND SIMILAR INCOME STATEMENT ITEMS

PARENT COMPANY	2006	2005
Interest expense, Group companies	–49	–35
Interest expense, others	–70	–65
Exchange-rate differences	45	–8
Other financial items	3	3
Total	**–71**	**–105**

NOTE 17 | NET FINANCIAL ITEMS

GROUP	2006	2005
Interest income	97	94
Other investments, including derivatives:		
– Net change in value on revaluation of interest swaps	8	10
Other financial income	12	5
Net changes in value		6
Financial income	**116**	**116**
Interest expense	–215	–270
Other investments, including derivatives:		
– Net loss on divestment of available for sale financial assets		–1
– Net change in value on revaluation of financial investments	–4	
– Impairment loss on available for sale financial assets	–10	
Other financial expense	–16	–13
Financial expense	**–245**	**–284**
Net financial expense	**–129**	**–168**
Of which, changes in value calculated using valuation techniques	4	10

NOTE 18 | EFFECTS ON INCOME STATEMENT OF EXCHANGE-RATE CHANGES

Income statement for 2006 converted at 2005 exchange rates

GROUP	2006 exchange rates 2005[1]	2006	Exchange rate effect
Net sales	55,886	55,876	–10
Operating profit	2,395	2,392	–3
Profit after financial items	2,263	2,263	0
Net profit for the year	1,707	1,708	1

[1] Figures for 2006 converted at 2005 exchange rates.

Country	SEK	Currency	Average exchange rate Jan-Dec 2006	Average exchange rate Jan-Dec 2005	Year-end rate Dec 31 2006	Year-end rate Dec 31 2005
Denmark	100	DKK	124.07	124.41	121.38	125.82
EU	1	EUR	9.25	9.27	9.05	9.39
Norway	100	NOK	115.08	115.26	109.63	117.70
Poland	1	PLN	2.38	2.30	2.36	2.44
US	1	USD	7.38	7.44	6.87	7.96

NOTE 19 | EARNINGS PER SHARE

GROUP	2006		2005	
SEK	Before dilution	After dilution	Before dilution	After dilution
Earnings per share	15.80	15.74	11.07	10.86

NOTE 20 | APPROPRIATIONS AND UNTAXED RESERVES

	Appropriations		Untaxed reserves	
PARENT COMPANY	2006	2005	2006	2005
Accumulated depreciation in excess of plan				
– machinery and equipment	–5	–10	15	10
Tax allocation reserves		602		
Reserve in work in progress	–112	–54	416	304
Total	**–117**	**538**	**431**	**314**

NOTE 19 | cont. EARNINGS PER SHARE

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

	2006		2005	
SEK M	Before dilution	After dilution	Before dilution	After dilution
Net profit for the year attributable to Parent Company shareholders	1,706	1,706	1,178	1,178
Weighted average number of shares outstanding				
Thousands of shares				
Total number of shares, January 1	107,241	108,436	102,400	108,436
Sale of treasury shares	843		4,841	
Total number of shares, December 31	108,084	108,436	107,241	108,436
Weighted average of shares during the year	107,972	108,436	106,395	108,436

NOTE 21 | INTANGIBLE ASSETS

	Group					Parent Company
	Acquired intangible assets			Internally developed intangible assets	Total others	
2006	Goodwill	Usufructs	Other			Other
Reported acquisition value on January 1	**2,001**	**56**	**73**	**11**	**140**	**4**
Investments		35	22	7	64	
Divestment and scrappage		–2	–9		–11	
Reclassifications	–37	16	–24	11	3	
Translation difference during the year	–60	–2	–1	–1	–4	
Reported acquisition value on December 31	**1,904**	**103**	**61**	**28**	**192**	**4**
Accumulated amortization on January 1		**–29**	**–45**	**–3**	**–77**	**–1**
Divestment and scrappage		3	8		11	
Reclassifications		–9	17		8	
Translation difference during the year		1	1		2	
Amortization according to plan during the year		–8	–7	–6	–21	–1
Accumulated amortization on December 31		**–42**	**–26**	**–9**	**–77**	**–2**
Accumulated impairments on January 1	**–229**	**–2**			**–2**	
Reclassifications	37					
Translation differences during the year	8					
Impairments during the year	–20					
Accumulated impairments on December 31	**–204**	**–2**			**–2**	
Residual value on January 1	**1,772**	**25**	**28**	**8**	**61**	**3**
Residual value on December 31	**1,700**	**59**	**35**	**19**	**113**	**2**
2005						
Reported acquisition value on January 1	**1,926**	**46**	**49**	**1**	**96**	**7**
Investments	6	5	15	1	21	2
Divestment and scrappage	–1	–3	–9		–12	–5
Reclassifications	5	7	15	9	31	
Translation difference during the year	65	1	3		4	
Reported acquisition value on December 31	**2,001**	**56**	**73**	**11**	**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	–7	–3	–12	–1
Accumulated amortization on December 31		**–29**	**–45**	**–3**	**–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**	**12**	**1**	**31**	**2**
Residual value on December 31	**1,772**	**25**	**28**	**8**	**61**	**3**

Impairment testing of goodwill in cash-generating units

Goodwill totaling SEK 1,700 M is included in NCC's balance sheet. The item is distributed as follows among NCC's business areas:

Unit	2006	2005
NCC's Construction units	640	649
NCC Roads	1,060	1,123
NCC Group	**1,700**	**1,772**

There are goodwill values in NCC's construction units and 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 2006, that tied-up working capital will be the same as in 2006 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 not 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 with 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: The 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 6 to 9 percent, depending on the level of indebtedness and the total value in use.

The goodwill impairment losses 2006 totaling SEK 20 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 17 M, because of the current situation of low asphalt prices caused by overcapacity in the market, combined with high energy prices. Impairment of smaller NCC Roads operations, which are now being discontinued, accounted for the remaining SEK 3 M.

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 carrying amount. In the opinion of company management, an impairment requirement would not even arise if certain variations were assumed in the principal parameters.

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.

Amortization is included in the following lines in the income statement

	Group		Parent Company	
	2006	2005	2006	2005
Production costs	–15	–7		
Selling and administrative costs	–6	–5	–1	–1
Total	**–21**	**–12**	**–1**	**–1**

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

	Group		Parent Company	
	2006	2005	2006	2005
Total on line Impairment of fixed assets	–22	–94		
Of which, impairment of goodwill, based on the above	–20	–86		

NOTE 22 | TANGIBLE FIXED ASSETS

2006	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	**1,330**	**47**	**6,013**	**7,391**	**77**	**353**	**430**
Investments	71	6	623	700	1	58	58
Increase through company acquisitions			32	32			
Divestment and scrappage	–76		–429	–504		–30	–30
Decrease through company divestments			–1	–1			
Reclassifications	27	–51	–7	–31			
Translation difference during the year	–36	–1	–165	–201			
Reported acquisition value on December 31	**1,317**	**1**	**6,068**	**7,386**	**77**	**381**	**459**
Accumulated impairment losses and depreciation on January 1	**–513**		**–4,076**	**–4,589**	**–50**	**–243**	**–293**
Increase through company acquisitions			–6	–6			
Divestment and scrappage	39		312	351		28	28
Reclassifications	–1		3	1			
Translation difference during the year	14		114	128			
Impairment losses during the year[1)]	–1		–1	–1			
Depreciation during the year	–60		–473	–533	–3	–45	–48
Accumulated impairment losses and depreciation on December 31[2)]	**–522**		**–4,127**	**–4,649**	**–53**	**–260**	**–313**
Residual value on January 1	**818**	**47**	**1,937**	**2,801**	**27**	**110**	**137**
Residual value on December 31	**796**	**1**	**1,940**	**2,736**	**24**	**121**	**146**
Tax assessment value of facilities in Sweden							
– Buildings	183			183	12		12
– Land	136			136	9		9
Carrying amount of facilities in Sweden assigned tax assessment value	795			795	24		24

[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	–26		–97	–123

2006	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 company acquisitions	28		4	32			
Divestment and scrappage	–62		–478	–540		–37	–37
Decrease through company divestments	–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**
Divestment and scrappage	35		395	430		36	36
Decrease through company divestments	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 facilities in Sweden							
– Buildings	166			166	12		12
– Land	137			137	9		9
Carrying amount of facilities 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

NOTE 22 | cont. TANGIBLE FIXED ASSETS

Depreciation is included the following lines in the income statement:

PARENT COMPANY	2006	2005
Production costs	33	24
Selling and administrative costs	16	27
Total	48	50

Leased equipment

NCC leases vehicles and certain production equipment. Details about this are presented in Note 44. On December 31, 2006, the carrying amount of leased assets was SEK 189 M (176).

NOTE 23 | MANAGED PROPERTIES

GROUP	2006	2005
Fair value, January 1	**71**	**449**
Increase through company acquisitions		209
Investment in properties	2	4
Reclassifications	23	–28
Capital gains on sales	7	70
Sales revenue, divested properties	–37	–635
Translation differences	–2	2
Fair value, December 31	**65**	**71**
Tax assessment value of fixed assets in Sweden		
– Buildings	11	25
– Land	4	8

Managed properties are reported at fair value.
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 Notes 8 and 9.

NOTE 24 | PARTICIPATIONS IN GROUP COMPANIES

PARENT COMPANY Name of company, Corp. Reg. No., Registered office	Ownership, share, % [1]	No. of partici-pations [2]	Carrying amount 2006	Carrying amount 2005
Real estate companies:				
NCC Property Development AB, 556080-5631, Solna	100	84	1,931	2,179
Total participations in real estate companies			**1,931**	**2,179**
Other companies:				
Allmänna El Motala AB (formerly NCC Property Development Holding AB), 556145-1856, Solna	100	1		
Alsike Utvecklings AB, 556245-9542, Uppsala	100	16	2	2
Anjo Bygg AB, owned by Svelali AB, 556622-7517, Halmstad	100	1	33	33
Bergnäsets Ställningsmontage i Luleå AB, 556393-2838, 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	1
Detend AB , 556453-3072, Eskilstuna				8
Däldehög AB, 556268-5700, Gothenburg	100	9	41	41
Eeg-Henriksen AB, 556399-2642, Stockholm	100	5	1	1
Ekängens Handelsträdgård AB, 556188-6903, Linköping	100	1	4	4
Fastighets AB Vikingakullen, 556673-5832, Solna	100			
Fresta Fastighets AB, 556584-6705, Solna	100	1		
Frösunda Exploaterings AB, 556430-1876, Solna	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
Hotellus Fastighet 1 AB, 556554-6602, Solna	100	1		
Hydrobudowa S.A., KRS40301, Poland	100	2,853	119	179
JCC Johnson Construction Company AB, 556113-5251, Solna	100	1		
Lava Leasing AB, 556308-2139, Solna	100	660	2	
Luzern, AB, 556336-4727, Lund	100	1	3	3
Marielund 1:7 AB, 556522-7369, Stockholm	100	1	14	14
Metodbyggen AB, 556085-3243, Stockholm				3
Mälarstadens Exploaterings AB, 556336-2135, Södertälje	100	1		
NCC Bau & Holding GmbH, FB-nr201178a, Austria	100			
NCC Beckomberga nr 1 AB, 556617-6243, Stockholm	100	1	1	
NCC Construction Danmark A/S, 69 89 40 11, Denmark	100	400	115	115
NCC Construction Norway 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				1
NCC Immobilien GmbH, HRB 8906 FF, Germany	10[4]		132	12
NCC Industries AB, 556001-8276, Stockholm	100	15	22	107
NCC International AB, 556033-5100, Solna	100	1,000	307	307
NCC International Danmark A/S, 26 70 86 21, Denmark	100	300		
NCC Komponent AB, 556627-4360, Solna	100	1	65	31
NCC Leasing Alfa AB, 556522-7724, Solna	100	1		
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 Purchasing Group 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 Seminariet i Uppsala AB, 556698-6823, Solna	100	1	4	
NCC Södra Ekkällan AB, 556679-8780, Solna	100	1	2	
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	1		
Nybergs Entreprenad AB, 556222-1845, Gotland	100	10	11	11
Oppunda Bygg AB, 556174-2973, Norrköping				2
Portalgatan Förvaltnings AB, 556385-9296, Uppsala	100		1	1
Siab Investment AB, 556495-9079, Stockholm	100	1		
Sintrabergen Holding AB, 556498-1248, Stockholm	100	3		
Ställningsmontage och Industritjänst i Södra Norrland AB, 556195-2226, Solna	100	2	1	1
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	1	4
Tipton Ylva AB, 556617-6326, Stockholm	100	1	1	
Total participations in other companies			**4,416**	**4,414**
Total participations in Group companies			**6,347**	**6,593**

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.

Companies for which ownership shares and number of shares have not been specified were divested, merged or liquidated during the year.

Only directly owned subsidiaries are specified. The number of indirectly owned subsidiaries is 168 (167).

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	2006	2005
Carrying amount, January 1	**44**	**200**
Acquisition of associated companies		3
Divestment of associated companies		–12
Share in associated company losses[1]	4	–110
Reclassifications		–5
Impairment loss[2]		–54
Translation difference	–1	22
Carrying amount, December 31	**47**	**44**

[1] Share in the associated companies' net profit 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.

GROUP Name of company, Corp. Reg. No., Registered office	Ownership, share, % [1]	No. of partici-pations[2]	Carrying amount 2006	Carrying amount 2005
AS Baltifalt, 10217746, Estonia	35		8	6
Asfalt & Maskin AS, 960 585 593, Norway	50		3	1
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	13
NCC Wprinz Sp.Z.o.o, KRS0000239197, Poland	26		4	4
Rydbokrossen HB, 916609-3956, Solna	50		1	1
Sicione SA, A-48265169, Spain	31		7	7
Återvinnarna i Sverige AB, 556560-7883, Stockholm	50	10	2	2
Östhammarkrossen KB, 916673-1365, Uppsala	50		2	2
Other NCC-owned associated companies 18 (22)			2	3
Total			**47**	**44**

[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.

GROUP 2006	Country	Revenues	Profit	Assets	Liabilities	Equity	Shareholding, %
Associated company							
AS Baltifalt	Estonia	161	8	43	20	23	35

GROUP 2005	Country	Revenues	Profit/loss	Assets	Liabilities	Equity	Shareholding, %
Associated company							
PRInz S.A. Holding[1]	Poland	139	–114	103	189	–86	47
AS Baltifalt	Estonia	130	4	50	34	16	35

[1] The data for Prinz pertains to 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 venture's revenues, costs, assets and liabilities.

GROUP	2006	2005
Revenues	1,051	1,136
Costs	–990	–1,032
Profit	**61**	**104**
Fixed assets	117	100
Current assets	952	935
Total assets	**1,069**	**1,035**
Long-term liabilities	645	496
Current liabilities	279	296
Total liabilities	**924**	**792**
Net assets	**145**	**243**

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

GROUP	Shareholding, %
A2 Bau Development Gmbh	50
AF Cryo Tank	25
AF Isle of Grain	50
AF Lindahlplan	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
Granitsoppen AB	50
Granitsoppen, KB	50
Hercules-Trevi Foundations AB	50
Langebrokonsortiet - 2 I/S	50
NBV Beckomberga KB	25
Oraser AB	50
PULS Planerad Underhållsservice AB	50
Scanpile AB	50
Skattkärrs Byggnads AB	50
Stora Ursvik KB	50
SWTP Construction OY	33
Tipton Brown AB	33
Valtatie OY	50
Vänerbyggen Skattkärrs Byggnads AB & Co KB	50
Öhusen, KB	50

NOTE 27 | PARTICIPATIONS IN ASSOCIATED COMPANIES

Participations in associated companies included in financial fixed assets

PARENT COMPANY Name of company Corp. Reg. No., Registered office	Ownership %[1]	No. of participations[2]	Carrying amount 2006	Carrying amount 2005
Björnö Mark, KB, 916638-1419, Norrtälje	50		2	2
Callax Cargo AB, 556565-1147, Luleå	33		1	
Fastighets AB Strömstaden, 556051-7202, Norrköping	32	2	2	2
Oraser AB, 556293-2722, Stockholm	50	1	7	7
PULS Planerad Underhålls Service AB, 556379-1259, Malmö	50	15	8	8
Stora Ursvik KB, 969679-3172, Stockholm	50		130	130
Tipton Brown AB, 556615-8159, Stockholm	33	125	15	15
Återvinnarna i Sverige AB, 556560-7883, Stockholm	50	10	2	2
Other 15 (16)				1
Total			167	167

[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	2006	2005
Financial investments classified as fixed assets		
Financial assets that have been fair valued through profit or loss		
Other long-term holdings of securities	41	52
Investments held to maturity	201	213
Total	242	265
Short-term investments classified as current assets		
Financial assets that have been fair valued through profit or loss		
Interest-bearing securities	60	24
Investments held to maturity	113	129
Total	173	153

Carrying amount	2006	2005
Other long-term holdings of securities include:		
Unlisted securities		
Tuborg Nord B	11	12
Other, unlisted	30	40
Total	41	52

Investments held to maturity had an established interest rate ranging from 2.1 to 5.2 percent, and had due dates ranging from 0.5 to 3.5 years.

NOTE 29 | FINANCIAL FIXED ASSETS

PARENT COMPANY, 2006	Participations in Group companies	Receivables from 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	13,183	25	443	39	7	224	13,921
Assets added	454	143		1		28	626
Transferred within the Group	2						2
Reclassifications						–7	–7
Assets removed	–32	–3		–3		–9	–47
Translation difference during the year						–1	–1
Reported acquisition value on December 31	13,607	165	443	37	7	235	14,494
Accumulated write-ups on January 1	268						268
Accumulated write-ups on December 31	268						268
Accumulated impairment losses on January 1	–6,858		–276	–1		–4	–7,139
Assets removed	18						18
Impairment losses during the year	–688						–688
Accumulated impairment losses on December 31	–7,528		–276	–1		–4	–7,809
Residual value on December 31	6,347	165	167	36	7	231	6,952

PARENT COMPANY, 2005	Participations in Group companies	Receivables from 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

NOTE 30 | LONG-TERM RECEIVABLES AND OTHER RECEIVABLES

GROUP	2006	2005
Long-term receivables classified as fixed assets		
Receivables from associated companies and joint ventures	32	36
Receivables from sales of property and housing projects	1,520	223
Pension receivable, net	559	403
Derivatives held for hedging purposes	9	13
Other long-term receivables	358	241
Long-term receivables classified as fixed assets	**2,477**	**916**
Other receivables classified as current assets		
Receivables from associated companies and joint ventures	35	59
Receivables from sales of property and housing projects	773	842
Advance payments to suppliers	7	18
Derivatives held for hedging purposes	65	45
Other current receivables	601	384
Other receivables classified as current assets	**1,481**	**1,348**

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

	Group		Parent Company	
	2006	2005	2006	2005
Tax on net profit for the year				
Current tax cost	–264	–329	–108	–125
Deferred tax cost/revenue	–290	–64	28	–151
Total reported tax on net profit for the year	**–555**	**–393**	**–80**	**–276**

NOTE 31 | cont.. TAX ON NET PROFIT FOR THE YEAR, DEFERRED TAX ASSETS AND DEFERRED TAX LIABILITIES

	Group				Parent Company			
	2006		2005		2006		2005	
Effective Tax	Tax, %	Profit/loss	Tax, %	Profit/loss	Tax, %	Profit/loss	Tax, %	Profit/loss
Pretax profit		**2,263**		**1,580**		**284**		**1,608**
Tax according to Company's current tax rate	–28	–634	–28	–445	–28	–80	–28	–450
Effect of other tax rates for non-Swedish companies	2	40	3	43				
Impairment loss, Group goodwill		–1	–1	–16				
Other non-tax-deductible costs	–7	–165	–9	–145	–57	–163	–22	–361
Non-taxable revenues	8	185	3	41	54	154	31	492
Tax effect resulting from utilization of non-capitalized loss carryforwards		–8	2	32				
Tax attributable to prior years	1	29	6	99	3	9	3	45
Other		–1		–1				–1
Reported tax	**–25**	**–555**	**–25**	**–393**	**–28**	**–80**	**–17**	**–276**

Tax items reported directly against shareholders' equity

	Group		Parent Company	
	2006	2005	2006	2005
Deferred tax attributable to changed accounting principles		9		
Deferred tax in Group contributions received /granted			–176	–150
Other	–20	–6		
Total	**–20**	**3**	**–176**	**–150**

Change in deferred tax in temporary differences and loss carryforwards

	Group		Parent Company	
	2006	2005	2006	2005
Opening value	**131**	**141**	**142**	**294**
Acquisition of subsidiaries	–5	24		
Total reported tax on net profit for the year	–290	–64	28	–151
Tax items reported directly against shareholders' equity	–20	3		
Translation differences	–11	25		
Other	–4	2		
Closing value	**–199**	**131**	**170**	**142**

	Assets		Liabilities		Net	
GROUP	2006	2005	2006	2005	2006	2005
Tangible fixed assets	94	99			94	99
Financial fixed assets			–74	–10	–74	–10
Non-completed projects			–676	–532	–676	–532
Properties held for future development	39			–19	39	–19
Provisions	507	444	–50	–49	457	394
Personnel benefits/pension provisions	35	47	–156	–111	–121	–64
Loss carryforwards	153	230			153	230
Other	69	75	–140	–43	–71	33
Deferred tax asset/deferred tax liability	**897**	**896**	**–1 096**	**–765**	**–199**	**131**
Offsetting	–635	–566	635	566		
Net deferred tax asset/tax liability	**262**	**330**	**–461**	**–199**	**–199**	**131**

	Assets		Liabilities		Net	
PARENT COMPANY	2006	2005	2006	2005	2006	2005
Provisions	163	136			163	136
Personnel benefits/pension provisions	7	7			7	7
Deferred tax asset/deferred tax liability	**170**	**142**			**170**	**142**

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 the case for the participations owned by NCC companies in other countries.

Within the Group, there are also non-capitalized loss carryforwards corresponding to SEK 1.4 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.

NOTE 32 | PROPERTIES CLASSED AS CURRENT ASSETS

GROUP 2006	Development properties	Ongoing property projects	Completed property projects	Total property-development projects[2]	Properties held for further development, housing	Unsold completed housing	Total housing projects[3]	Total
Reported acquisition value on January 1	**1,616**	**34**	**655**	**2,305**	**3,043**	**915**	**3,958**	**6,263**
Investments	558	484	7	1 049	3 862	46	3,908	4,957
Increase through company acquisitions					154		154	154
Divestment and scrappage	–146	–588	–155	–889	–1,535	–536	–2,071	–2,960
Decrease through company divestments	–46			–46				–46
Reclassifications	–749	503	82	–164	–886	1	–885	–1 049
Translation difference during the year	–44	–8	–22	–74	–90	–21	–111	–185
Reported acquisition value on December 31	**1,189**	**425**	**567**	**2,181**	**4,548**	**405**	**4,953**	**7,134**
Accumulated impairment losses and depreciation on January 1	**–129**		**–171**	**–300**	**–55**	**–19**	**–74**	**–374**
Divestment and scrappage					9	3	12	12
Reclassifications	71	–3		68		15	15	83
Translation difference during the year	2		4	6				6
Impairment losses during the year[4]					–1		–1	–1
Accumulated impairment losses and and depreciation on December 31[1]	**–56**	**–3**	**–167**	**–226**	**-47**	**–1**	**-48**	**–274**
Residual value on January 1	**1,487**	**34**	**484**	**2,005**	**2,988**	**896**	**3,884**	**5,889**
Residual value on December 31	**1,133**	**422**	**400**	**1,955**	**4,501**	**404**	**4,905**	**6,860**
Tax assessment value of facilities in Sweden								
– Buildings	8			8	125		125	133
– Land	60	24		84	332		332	416
Carrying amount of facilities in Sweden with tax assessment values	162	172		334	1,066		1,066	1,400
[1] Accumulated impairment losses at year-end	–19		–167	–186	–45	–1	–46	–232

[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 units.
[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 2005	Development properties	Ongoing property projects	Completed property projects	Total property-development projects[2]	Properties held for further development, housing	Unsold completed housing	Total housing projects[3]	Partici-pations 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 facilities in Sweden									
– Buildings	33			33	181	19	200		233
– Land	48			48	307	15	322		370
Carrying amount of facilities 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 units.
[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	2006 Properties held for future development, housing	2006 Unsold completed housing	2006 Total housing projects	2005 Properties held for future development, housing	2005 Unsold completed housing	2005 Total housing projects
Reported acquisition value on January 1	**393**	**92**	**485**	**480**	**464**	**944**
Investments	4	14	18	29	51	80
Transferred within the Group	11		11			
Divestment and scrappage	–12	–27	–39	–16	–293	–309
Reclassifications	–55	–57	–112	–100	–130	–230
Reported acquisition value on December 31	**341**	**22**	**363**	**393**	**92**	**485**
Accumulated impairment losses on January 1	**–26**	**–19**	**–45**	**–32**	**–89**	**–121**
Transferred within the Group	–1		–1			
Divestment and scrappage		3	3	2	70	72
Reclassifications		15	15	4		4
Impairment losses during the year[1]	–1		–1			
Accumulated impairment losses on December 31	**–28**	**–1**	**–29**	**–26**	**–19**	**–45**
Residual value on January 1	**367**	**73**	**440**	**448**	**375**	**823**
Residual value on December 31	**313**	**21**	**334**	**367**	**73**	**440**
Tax assessment value of facilities in Sweden						
– Buildings	89		89	150	19	169
– Land	255		255	243	15	258
Carrying amount of facilities in Sweden with tax assessment values	313		313	366	73	439

[1] Included in the "Impairment losses" line in the income statement.

NOTE 33 | MATERIALS AND INVENTORIES

	Group 2006	Group 2005	Parent Company 2006	Parent Company 2005
Aggregates	311	346		
Building materials	75	82	2	1
Unsold portion of ongoing housing projects based on ownership right	1,074	511		
Other	57	74		
Total	**1,517**	**1,013**	**2**	**1**

NOTE 34 | WORKED-UP, NON-INVOICED REVENUES

GROUP	2006	2005
Worked-up revenues from non-completed contracts	8,463	8,442
Invoicing for non-completed contracts	–5,623	–5,704
Total	**2,840**	**2,738**

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
2006	**End of year**	**108,435,822**	**867**

[1] The par value was changed from SEK 25 to SEK 8.

NOT 35 | cont. SHARE CAPITAL

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
2006 Sale	–843,005
2006 End of year	**351,389**

The share capital is divided into 108,435,822 shares with a par value of SEK 8 each.

During 2006, 4,877,130 (2,368,005) Series A shares were converted into Series B shares

The shares are distributed as follows by class:

	Series A	Series B	Total
Number of shares	47,606,748	60,829,074	108,435,822

Series A shares carry ten voting rights each and series B shares carry one voting right

A specification of changes in shareholders' equity is presented on page 56. The Board of Directors proposes an ordinary dividend of SEK 8.00 per share, plus an extraordinary dividend of SEK 10.00 per share, corresponding to total dividends of SEK 1,945,519,794. Any exercise of options for the purchase of shares, in accordance with the option program for senior executives, could affect the total number of shares that qualify for dividend payments and thus also the total amount.

NOTE 36 | INTEREST-BEARING LIABILITIES

GROUP	2006	2005
Long-term liabilities		
Liabilities to credit institutions	1,606	1,733
Financial leasing liabilities	191	176
Other long-term loans	226	95
Total	**2,023**	**2,004**
Current liabilities		
Current portion of liabilities to credit institutions	511	978
Other current liabilities	41	74
Total	**552**	**1,052**
Total interest-bearing liabilities	**2,575**	**3,056**

For repayment schedules and terms and conditions, see Note 39.

NOTE 36 | cont. INTEREST-BEARING LIABILITIES

Financial leasing

For information on payment schedules for financial leasing liabilities, also see Note 44.

PARENT COMPANY	2006	2005
Long-term liabilities		
Liabilities to credit institutions	990	826
Group companies	711	923
Total	**1,701**	**1,750**
Current liabilities		
Current portion of liabilities to credit institutions		5
Associated companies	2	2
Group companies	98	309
Other current liabilities	8	12
Total	**108**	**327**
Total interest-bearing liabilities	**1,809**	**2,076**

NOTE 37 | PROVISIONS

GROUP 2006	Pensions	Taxes	Guarantees	Other	Total
On January 1	**143**	**199**	**952**	**659**	**1,953**
Provisions during the year	1	320	672	228	1,157
Amount utilized during the year	–2	-33	–109	–115	–194
Reversed, unutilized provisions		–7	–50	–34	–91
Reclassification		–3	–5	–3	–11
Translation differences	–23	–16	–15	–22	–75
On December 31	**119**	**461**	**1,445**	**712**	**2,738**

GROUP 2005	Pensions	Taxes	Guarantees	Other	Total
On January 1	**180**	**481**	**878**	**805**	**2,344**
Provisions during the year		156	281	172	609
Amount utilized during the year	–46	–113	–135	–137	–431
Reversed, unutilized provisions	–2	–4	–72	–81	–159
Trough company divestments		–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**

PARENT COMPANY 2006	Pensions	Guarantees	Other	Total
On January 1	**14**	**490**	**63**	**567**
Provisions during the year		111	2	113
Amount utilized during the year	–2		–21	–23
On December 31	**13**	**601**	**44**	**657**

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**

Specification of other provisions and guarantees

	Group		Parent Company	
	2006	2005	2006	2005
Provision for proprietary housing projects, recognized profit	4	4		
Restoration reserve	155	130		
Other	553	525	44	63
Other provisions	712	659	44	63
Guarantee commitments	1,445	952	601	490
Total	**2,157**	**1,611**	**645**	**553**

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 have maturities of approximately two to three 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.

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	2006	2005
Defined benefit plans:		
Current service cost	146	102
Interest expense	123	112
Expected return on plan assets	–196	–150
Actuarial gains (–) and losses (+) reported during the year	23	9
Losses (+) or gains (–) on reductions and payments		–2
Total cost of defined benefit plans	**96**	**71**
Total cost of defined contribution plans	**560**	**578**
Payroll taxes and return tax	**75**	**90**
Total cost of remuneration after terminated employment	**731**	**739**

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 2006 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 2006, the contributions for pension insurance arranged by Alecta amounted to SEK 68 M (65). Alecta's surplus may be distributed to the policyholders and/or the insured. At the end of 2006, Alecta's surplus in the form of its collective solvency rate amounted to 143.1 percent (128.5). 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.

Defined benefit obligations and the value of plan assets

GROUP	2006	2005
Obligations secured in full or in part in funds:		
Present value of defined benefit obligations	3,070	2,920
Fair value of plan assets	3,059	2,631
Net value of obligations funded in full or in part	11	289
Adjustments:		
Accumulated unrecognised actuarial gains (+) and losses (–)	–432	–542
Net obligation (obligation +, asset –)	**–421**	**–253**
Special payroll tax/employer contributions	–19	–7
Net amount in balance sheet (obligation +, asset –)	**–440**	**–260**
Net amount is reported in the following balance-sheet items:		
Financial fixed assets	–559	–403
Provisions for pensions and similar obligations	119	143
Net amount in balance sheet (obligation +, asset –)	**–440**	**–260**
Net amount is distributed among plans in the following countries:		
Sweden	–521	–376
Norway	81	116
Net amount in balance sheet (obligation +, asset –)	**–440**	**–260**

Change in obligation for defined benefit plans

GROUP	2006	2005
Obligation for defined-benefit plans, January 1	**2,920**	**2,340**
Benefits paid	–43	–36
Current service cost plus interest expense	265	217
Benefits redeemed		–1
Reductions	–8	–2
Actuarial gains and losses	–13	356
Exchange-rate differences	–51	46
Obligation for defined benefit plans, December 31	**3,070**	**2,920**

Change in plan assets

GROUP	2006	2005
Fair value of plan assets, January 1	**2,631**	**2,190**
Contribution by employer	252	240
Benefits paid	–36	–28
Compensation	–5	–4
Curtailments	–8	
Anticipated return	196	150
Actuarial gains and losses	67	51
Exchange-rate differences	–38	32
Fair value of plan assets, December 31	**3,059**	**2,631**
Plan assets consist of:		
Shares	879	630
Funds	378	250
Properties	88	87
Interest-bearing receivables	1,686	1,430
Other	28	234
Fair value of plan assets, December 31	**3,059**	**2,631**

Return on plan assets

GROUP	2006	2005
Fair value of plan assets	263	200
Expected return on plan assets	196	150
Unrecognised actuarial result for plan assets during the year (gain +)	**67**	**50**

Historical values

GROUP	2006	2005
Present value of defined benefit obligations	3,070	2,920
Fair value of plan assets	3,059	2,631
Surplus (-)/deficit (+) in the plan	**11**	**289**
Experience-based adjustment of plan assets	15	–49
Experience-based adjustment of benefit obligation	45	51

Actuarial assumptions, weighted average value, %

GROUP	2006	2005
Discount rate	4.1	4.1
Expected return on plan assets	6.3	6.7
Future salary increases	3.3	3.1
Future pension increases	2.1	2.1
Anticipated inflation	2.1	2.1

Pension liability according to the balance sheet

	Group		Parent Company	
	2006	2005	2006	2005
Provision for pensions, other	119	143	13	14

Cost of pension payments

PARENT COMPANY	2006	2005
Proprietary pension payments		
Proprietary costs, excluding interest expense	160	167
Interest expense	6	6
Cost of proprietary pension payments	166	173
Pension payments through insurance		
Insurance premiums	82	122
Subtotal	**248**	**295**
Special payroll tax on pension costs	65	76
Pension costs during the year	**313**	**371**

Capital value of pension obligation

PARENT COMPANY	2006	2005
Capital value of pension obligations pertaining to proprietary pension payments, January 1	1,630	1,490
Cost, excluding interest expense charged against profit	160	167
Interest expense	6	6
Pension payments	–33	–33
Capital value of pension obligations pertaining to proprietary pension, December 31	**1,763**	**1,630**

Fair value of especially detached assets

PARENT COMPANY	2006	2005
Fair value of especially detached assets, January 1	1,961	1,653
Return on especially detached assets	148	182
Payment to/from pension foundations	122	126
Fair value of especially detached assets, December 31	**2,231**	**1,961**
Fair value of especially detached assets consists of:		
Shares	631	502
Funds	280	233
Interest-bearing receivables	1,320	1,148
Other		78
Fair value of especially detached assets, December 31	**2,231**	**1,961**

The pension foundations have an interest-bearing receivable of SEK 990 M (800) from NCC AB. Otherwise, the pension foundations have no financial instruments issued by the Company or assets used by the Company.

Net pension obligation

PARENT COMPANY	2006	2005
Capital value of pension obligations pertaining to proprietary pension payments, January 1	1,763	1,630
Fair value of especially detached assets, January 1	2,231	1,961
Surplus on especially detached assets	481	345
Net reported pension obligation	**13**	**14**

Assumptions underlying defined benefit obligations

PARENT COMPANY	2006	2005
Discount rate, December 31	3.65	3.65

The pension calculations are based on the salary and pension level on the balance-sheet date.

NOTE 39 | FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

Finance policy
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, achieve cost efficiency and economies of scale and 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.

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 three 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 2006, NCC's interest-bearing liabilities amounted to SEK 2,694 M (3,153) and the average fixed interest term was 2.6 years (1.1).

Credit risks
NCC's investment regulations for financial credit risks are reviewed continuously and characterized by caution. NCC's exposure to credit risks pertaining to accounts receivable is monitored continuously in the Group.

Loan portfolio, December 31, 2006 (including interest swaps)

	SEK and foreign currencies		SEK and foreign currencies			SEK	
	Amortization		Fixed-interest loans during period		Average interest rate	Fixed-interest loans during period	Average interest rate
Maturity	SEK M	Percentage	SEK M	Percentage		SEK M	
2007	552	20	1,817	67	5.1	1,883	4.9
2008	768	29	90	3	6.0	48	5.1
2009	120	4	216	8	4.1		
2010	41	2					
2011	1,161	43	148	6	3.9	–11	5.6
2012 –	52	2	423	16	4.2		
Interest-bearing liabilities	**2,694**	**100**	**2,694**	**100**	**4.8**	**1,920**	**4.9**

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 3.2 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 1.4 billion. Access to funds on December 31 corresponded to 8 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 and cash flow statement. NCC's operational net transaction exposure is not significant at present. 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 Group's translation exposure is governed in accordance with instructions contained in NCC's finance policy.

The NCC Group's currency derivatives on December 31, 2006 were distributed as follows by currency. All contracts mature during 2007. The stated values include underlying principals.

Currency forward contracts at December 31, 2006

Counter-value at year-end rate in SEK M	2006	2005
Sell DKK	–2,474	–2,014
Sell EUR	–3,027	–3,049
Sell NOK	–1,005	–813
Sell PLN	–660	–682
Sell RUB	–65	
Sell SGD	–142	–155
Sell USD	–61	–60
Sell total	**–7,434**	**–6,773**
Buy DKK	110	144
Buy EUR	346	87
Buy NOK	124	20
Buy PLN	17	20
Buy USD	1	30
Buy total	**598**	**301**
Net	**–6,836**	**–6,472**

NOTE 39 | cont. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

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

On December 31, 2006, a nominal amount of SEK 200 M of the CP programs and a nominal amount of SEK 100 M of the MTN program had been utilized. Of NCC's total interest-bearing liabilities, investor-related loans accounted for 11 percent.

Carrying amount and fair value of interest-bearing financial instruments

The carrying amount and the fair value of interest-bearing financial instruments are presented in the table below. Since the carrying amount for interest-free financial instruments, such as accounts receivable and accounts payable, corresponds to the fair value, it is 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 change in 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.

Carrying amount and fair value of interest-bearing financial instruments

	2006		2005	
GROUP	Carrying amount	Fair value	Carrying amount	Fair value
Other long-term holdings of securities	201	197	213	214
Long-term receivables	345	345	293	293
Long-term receivables, interest swaps	9	9	13	13
Other receivables	292	292	80	80
Current receivable, currency derivatives	65	65	44	44
Short-term investments	173	173	153	153
Cash and cash equivalents	1,253	1,253	1,919	1,919
Assets	**2,338**	**2,334**	**2,715**	**2,716**
Less carrying amount of:				
– interest swaps	–9		–13	
– currency derivatives	–65		–44	
Interest-bearing assets	**2,264**	**2,334**	**2,658**	**2,716**
Long-term interest-bearing liabilities [1]	2,023	2,023	2,004	2,004
Long-term liabilities, interest swaps	3	3	11	11
Provisions for pensions and similar obligations	119	119	97	97
Current liabilities, interest-bearing	552	552	1,052	1,052
Current liabilities, interest swaps			8	8
Current liabilities, currency derivatives	19	19	54	54
Liabilities	**2,716**	**2,716**	**3,226**	**3,226**
Less carrying amount of:				
– interest swaps	–3		–19	
– currency derivatives	–19		–54	
Interest-bearing liabilities	**2,694**	**2,716**	**3,153**	**3,226**

[1] Employers reborrowing of SEK 990 M (800) from NCC's Pension Foundation is included.

Carrying amount and fair value of interest-bearing financial instruments

	2006		2005	
PARENT COMPANY	Carrying amount	Fair value	Carrying amount	Fair value
Long-term receivables	198	198	75	75
Other receivables	665	665	360	360
Short-term investments, NCC's internal bank	2,096	2,096	2,769	2,769
Cash and cash equivalents, NCC's internal bank	971	971	845	845
Cash and cash equivalents, external cash and bank balances	18	18	18	18
Current receivable, interest swaps		1		1
Current receivable, currency derivatives	22	22	21	21
Assets	**3,970**	**3,971**	**4,088**	**4,089**
Less carrying amount of:				
– currency derivatives	–22		–21	
Interest-bearing assets	**3,948**	**3,971**	**4,067**	**4,089**
Long-term interest-bearing liabilities [1]	1,701	1,701	1,750	1,750
Provisions for pensions and similar obligations	13	13	14	14
Current liabilities, interest-bearing	108	108	327	327
Current liabilities, currency derivatives	2	7	2	2
Liabilities	**1,824**	**1,829**	**2,093**	**2,093**
Less carrying amount of:				
– currency derivatives	–2		–2	
Interest-bearing liabilities	**1,822**	**1,829**	**2,091**	**2,093**

[1] Employers reborrowing of SEK 990 M (800) from NCC's Pension Foundation is included.

NOTE 40 | PROJECT INVOICING, NOT YET WORKED-UP

GROUP	2006	2005
Invoicing on non-completed contracts	34,890	23,355
Accrued revenues from non-completed contracts	–30,067	–18,988
Total	4,823	4,367

NOTE 41 | OTHER LIABILITIES

GROUP	2006	2005
Other long-term liabilities		
Liabilities to associated companies	19	19
Derivative instruments held for hedging	3	11
Other long-term liabilities	539	362
Total	561	392
Other current liabilities		
Advance payments from customers	257	307
Liabilities to associated companies	4	61
Derivative instruments held for hedging	19	61
Other current liabilities	3,120	2,106
Total	3,400	2,535

NOTE 42 | WORK IN PROGRESS ON ANOTHER PARTY'S ACCOUNT AND NET SALES

PARENT COMPANY	2006	2005
Invoicing excluding withheld amount	18,147	13,627
Withheld amount	296	199
Total invoicing	**18,443**	**13,826**
Costs incurred excluding reserve for losses	–15,703	–11,943
Reserve for losses	54	88
Total costs incurred	**–15,649**	**–11,855**
Total work in progress on another party's account	**2,794**	**1,971**
Profit-recognized invoicing		
Invoicing during the year	21,700	18,155
Invoiced but not recognized as profit on January 1	13,826	13,678
Less: Invoiced but not recognized as profit on December 31	–18,443	–13,826
Total revenues	**17,083**	**18,007**

NOTE 43 | ACCRUED EXPENSES AND PREPAID INCOME

	Group		Parent Company	
	2006	2005	2006	2005
Salary-related costs	1,467	1,315	845	775
Financial expense	16	23	1	
Prepaid rental revenues	9	6	3	3
Project-related costs	2,586	1,426	306	214
Administrative costs	175	239	14	5
Guarantee costs	59	58		
Operating and sales costs	197	108		
Other expenses	83	96	56	52
Total	**4,592**	**3,271**	**1,226**	**1,049**

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 2005, 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.

During 2006, NCC has signed a sale-leaseback agreement with the German finance group HSH Nordbank and its associated company AGV regarding properties in the Sonnengarten district, Berlin. The parties simultaneously signed an 18-year rental agreement. The agreement is reported as an operational lease.

Financial leasing

GROUP	2006	2005
Financial lessor		
Leasing contracts that expire:		
Later than one year but earlier than five years	26	31
Financial lessee		
Leasing contracts that expire:		
Within one year	31	30
Later than one year but earlier than five years	166	159
Future minimum leasing fees		
Within one year	32	33
Later than one year but earlier than five years	163	180
Present value of future leasing fees		
Within one year	30	31
Later than one year but earlier than five years	152	170
Reconciliation of future leasing fees and their present value		
Future minimum leasing fees	195	213
Less interest charge	–13	–12
Present value of future minimum leasing fees	**182**	**201**
Variable fees included in net profit for the year:		
Interest		
Leased machinery and equipment	6	4
Leased buildings	1	2
Total	**7**	**6**

No financial leasing contracts expire later than within five years.

Operational leasing

	Group		Parent Company	
	2006	2005	2006	2005
Operational lessor				
Future minimum leasing fees – lessor				
Distributed by maturity period:				
Within one year	2	6		2
Later than one year but earlier than five years	49	56	39	
Later than five years	2	323		40
Operational lessee				
Future minimum leasing fees – lessee				
Leasing contracts that expire:				
Within one year	471	410	5	7
Later than one year but earlier than five years	689	580	9	19
Later than five years	805	274	24	29
The year's cost for operational leasing amounts to	506	433	12	12

NOTE 45 | TRANSACTIONS WITH RELATED COMPANIES

The main companies that are closely related to the NCC Group are the Nordstjernan Group, companies in the Axel Johnson Group and the Lundberg Group, associated companies and joint ventures. The Parent Company has a close relationship with its subsidiaries; see Note 24, Participations in Group companies. For information on NCC's senior executives, see Note 5, Personnel costs.

Transactions involving NCC's associated companies and joint ventures were of a production nature.

The transactions were conducted on a purely commercial basis.

GROUP	2006	2005
Transactions with associated companies and joint ventures		
Sales to associated companies and joint ventures	160	99
Purchases from associated companies and joint ventures	105	68
Long-term receivables from associated companies and joint ventures	32	36
Current receivables from associated companies and joint ventures	49	68
Interest-bearing liabilities to associated companies and joint ventures	18	24
Current liabilities to associated companies and joint ventures	36	89
Transactions with the Nordstjernan Group		
Sales to Nordstjernan Group	27	24
Purchases from Nordstjernan Group	894	783
Current receivables from Nordstjernan Group	6	6
Current liabilities to Nordstjernan Group	89	79
Transactions with the Axel Johnson Group		
Sales to Axel Johnson Group	1	13
Purchases from Axel Johnson Group	3	6
Current liabilities to Axel Johnson Group	1	
Transactions with the Lundberg Group		
Sales to the Lundberg Group	78	175
Purchases from Lundberg Group	1	
Current receivables from Lundberg Group	32	11

PARENT COMPANY	2006	2005
Transactions with Group companies		
Sales to Group companies	105	173
Purchases from Group companies	401	522
Interest income from Group companies	64	62
Interest expense to Group companies	49	35
Dividend from Group companies	460	1 420
Long-term receivables from Group companies	165	25
Current receivables from Group companies	3,938	4,065
Interest-bearing liabilities to Group companies	809	1,232
Current liabilities to Group companies	1,642	1,591
Contingent liabilities to Group companies	10,919	11,960
Transactions with associated companies and joint ventures		
Sales to associated companies and joint ventures	61	51
Purchases from associated companies and joint ventures	84	64
Dividend from associated companies and joint ventures	1	
Long-term receivables from associated companies and joint ventures	36	38
Current receivables from associated companies and joint ventures	9	10
Interest-bearing liabilities to associated companies and joint ventures	2	2
Current liabilities to associated companies and joint ventures	12	27
Contingent liabilities to associated companies and joint ventures	8	8
Transactions with the Nordstjernan Group		
Sales to Nordstjernan Group	24	19
Purchases from Nordstjernan Group	567	479
Current receivables from Nordstjernan Group	6	5
Current liabilities to Nordstjernan Group	63	56
Transactions with the Axel Johnson Group		
Sales to Axel Johnson Group	1	13
Purchases from Axel Johnson Group	2	
Current liabilities to Axel Johnson Group	1	
Transactions with the Lundberg Group		
Sales to the Lundberg Group	76	51
Purchases from Lundberg Group	1	
Current receivables from Lundberg Group	32	11

NOTE 46 | PLEDGED ASSETS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

	Group		Parent Company	
	2006	2005	2006	2005
Pledged assets				
For own liabilities:				
Property mortgages	22			
Chattel mortgages	18	12		
Promissory note receivables	18	17		
Assets with attached liens, etc	189	176		
Restricted bank deposits	90	92	12	14
Total pledged assets	**338**	**297**	**12**	**14**
Contingent liabilities				
Own contingent liabilities:				
Guarantees on behalf of Group companies	,		10,919	11,960
Deposits and concession fees	1,643	2,917	1,643	2,917
Construction loans	2,386	1,562	2,255	1,463
Other guarantees and contingent liabilities	1,416	1,365	1,012	837
Held jointly with other companies:				
Liabilities in consortiums, partnerships and limited partnerships	112	98	7	15
Total contingent liabilities	**5,557**	**5,942**	**15,836**	**17,192**

There are no contingent assets.

In March 2003, the Swedish Competition Authority completed the investigation 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. In February 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. The main hearing commenced in September 2006 and was completed in February 2007. The City Court verdict is expected on May 31, 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 57 M. There has been a ruling that parties other than parties to municipal agreements can be sued. This process is in recess pending a verdict in the Swedish cartel trial.

During 2004, the Competition Authority in Finland sued a number of asphalt companies, including NCC subsidiaries, for cartel collusion. The claim against the NCC companies totals approximately SEK 100 M. NCC contests the charges of cartel collusion. The trial started in November 2006 and the verdict is expected during spring 2007.

In February 2003, the Norwegian Competition Authority reported a number of companies, including NCC, to Økokrim (the Norwegian economic crimes agency) for alleged breach of competition legislation. In July 2006, Økokrim submitted its demands for fines of NOK 3 M and NOK 2 M to be imposed on NCC Construction Norway and NCC Roads, respectively. The discussions with Økokrim had yet to be completed on March 1, 2007.

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. 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	2006	2005
Cash and bank balances	1,040	1,111
Short-term investments	213	808
Total according to balance sheet and cash flow statement	1,253	1,919

PARENT COMPANY	2006	2005
Cash and bank balances	989	863
Short-term investments	2,096	2,769
Total according to cash flow statement	3,085	3,632

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.

Acquisition of subsidiaries

According to acquisition analyses, the value of acquired assets and liabilities was as follows:

GROUP	2006	2005
Intangible assets	–10	–22
Buildings and land	–9	–33
Tangible fixed assets	–26	–11
Properties classed as current assets	–5	–28
Inventories	–2	–43
Accounts receivable and other current receivables	–16	–8
Cash and cash equivalents	–14	–4
Long-term liabilities	22	
Accounts payable and other current liabilities	11	9
Current interest-bearing liabilities	11	45
Deferred tax liability	6	
Purchase considerations paid	–32	–95
Acquired cash and cash equivalents	14	4
Impact on the Group's cash and cash equivalents	–18	–91

Sales of subsidiaries

GROUP	2006	2005
Buildings and land		27
Tangible fixed assets		36
Financial fixed assets		3
Properties classed as current assets		27
Inventories		30
Accounts receivable and other current assets		112
Cash and cash equivalents		22
Long-term liabilities		–68
Accounts payable and other current liabilities		–47
Current interest-bearing liabilities		–19
Minority interest		–10
Deferred tax liability		–13
Capital gains		7
Purchase considerations		107
Sold cash and cash equivalents		–22
Impact on the Group's cash and cash equivalents		85

No companies were sold during the year. The income statement amount called Result from sales of Group companies pertains to reversal of a reserve relating to sales completed in 2005.

Acquisition of tangible fixed assets

Group

Acquisitions of tangible fixed assets during the year amounted to SEK 619 M (846), of which SEK 0 M (0) was financed through loans.

Acquisitions of subsidiaries amounted to SEK 32 M (95), of which SEK 14 M (4) had no effect on cash flow.

Sales of subsidiaries amounted to SEK 0 M (107), of which SEK 0 M (22) had no effect on cash flow.

Parent Company

Acquisitions of tangible fixed assets during the year amounted to SEK 58 M (40), 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 88 M (80). Interest paid during the year amounted to SEK 185 M (207).

Parent Company

Interest received during the year amounted to SEK 72 M (64).Interest paid during the year amounted to SEK 111 M (88).

Cash flow attributable to joint ventures consolidated in accordance with the proportional method

GROUP	2006	2005
Operational activities	104	29
Investing activities	–4	109
Financing activities	128	–271
Total cash flow	228	–133

Cash and cash equivalents unavailable for use

GROUP	2006	2005
Restricted bank funds	90	92
Cash and cash equivalents in joint ventures	76	81
Total cash and cash equivalents unavailable for use	166	173

Transactions that do not give rise to disbursements

GROUP	2006	2005
Sales of assets through receipt of promissory note	146	47
Acquisition of an asset through financial leasing	89	81

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 AB's shares are listed on the Stockholm Stock Exchange (Nordic Exchange/Large Cap List).

The address to the Head Office is:
NCC AB
Vallgatan 3
SE-170 80 Solna

The consolidated accounts for 2006 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 27 percent of the share capital and 54 percent of the voting rights in NCC AB. Nordstjernan AB, Corporate Registration Number 556000-1421, has its registered Head Office in Stockholm.

NOTE 49 | 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 Annual 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. Also refer to Note 21, Intangible assets.

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.

Pension obligations
Changes in the actuarial assumptions that form the basis for the calculations made of, for example, the value of plan assets, as well as the trend in the pension obligation, could have an impact on NCC. Major effects could fall outside the "corridor" and thus affect the income statements. The actuarial assumptions are described in Note 38, Employee benefits.

Sureties and contingent liabilities
NCC's management has arrived at conclusions about the probability of the outcome of significant ongoing legal disputes on the basis of the information and knowledge that NCC currently possesses. The final outcome may be different from the assessed outcome.

NOTE 50 | EVENTS AFTER THE BALANCE-SHEET DATE

It was announced on January 2, 2007 that an agreement had been reached concerning the sale of NCC's Polish asphalt, aggregate and paving operations, NCC Roads Polska, to Austrian company Strabag. The purchase price was SEK 1,050 M for a debt-free company, providing NCC with a positive effect on profit of approximately SEK 400 M. This transaction requires the approval of the relevant competition authorities.

In January, an agreement regarding the sale of the Västerport office project in Stockholm was reached with Credit Suisse Asset Management (CSAM). CSAM will provide a cash payment and the project will be transferred in summer 2008. The sale will initially provide a gain of approximately SEK 30 M, which can be recognized as profit when the conditions for the transaction have been fulfilled. NCC has issued rental guarantees for a period of three years after completion and established full provisions for these guarantees.

President and Chief Executive Officer Alf Göransson left this position in February 2007 to become Chief Executive Officer of the security company Securitas. He was succeeded on February 12 by Olle Ehrlén, former President of NCC Construction Sweden and Deputy CEO of NCC AB.

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 7, 2007. 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 11, 2007 for adoption.

Solna, February 7, 2007

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 20, 2007

KPMG Bohlins AB

Per Bergman
Authorized Public Accountant

AUDITORS' REPORT

TO THE ANNUAL GENERAL MEETING OF NCC AB, 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 2006 fiscal year. The Company's Annual Report is included in the printed version of this document on pages 40-94. 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 is 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 Report, consolidated financial statements 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 assurance that the Annual Report and 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 Report has been prepared in accordance with the Annual Accounts Act and consequently provide a true and fair picture of the Company's and the Group's earnings and financial position in accordance with Generally Accepted Accounting Standards in Sweden. The consolidated accounts has been compiled in compliance with the International Financial Reporting Standards (IFRS) adopted by the EU and the Annual Accounts Act and provides an accurate 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 20, 2007
KPMG Bohlins AB

Per Bergman
Authorized Public Accountant

MULTI-YEAR REVIEW

INCOME STATEMENT, SEK M	1998	1999	2000	2001	2002	2003	2004	IFRS 2004	2005	2006
Net sales	34,160	37,460	38,728	47,521	45,165	45,252	45,437	46,534	49,506	55,876
Production costs	–30,832	–33,446	–34,641	–45,232	–40,950	–41,739	–41,809	–42,749	–45,158	–50,729
Gross profit	**3,328**	**4,014**	**4,087**	**2,289**	**4,215**	**3,513**	**3,628**	**3,785**	**4,347**	**5,147**
Selling and administrative expenses	–2,587	–3,062	–2,545	–4,004	–3,157	–2,717	–2,523	–2,577	–2,677	–2,795
Result from property management				254	103	50	29	45	17	–5
Result from sales of managed properties	323	163	640	229	322	–26	51	–60	92	9
Result from sales of owner-occupied properties						16	6	6	19	22
Impairment losses on fixed assets			–16	–282	–6	–64	–138	–149	–94	–22
Impairment losses/reversal of impairment losses on properties, NCC Property Development [1]		31	–44	–77	–4	–782	–69			
Result from participations in Group companies	1	7	–1	8	303	4	73	64	–5	7
Result from participations in associated companies	36	211	294	47	44	11	60	33	49	29
Operating profit/loss	**1,101**	**1,364**	**2,415**	**–1,536**	**1,820**	**5**	**1,117**	**1,147**	**1,748**	**2,392**
Financial income	190	363	503	529	327	219	148	209	116	116
Financial expense	–561	–476	–765	–1,123	–841	–547	–310	–412	–284	–245
Net financial items	**–371**	**–113**	**–262**	**–595**	**–514**	**–328**	**–162**	**–203**	**–168**	**–129**
Profit/loss after net financial items	**730**	**1,251**	**2,153**	**–2,130**	**1,306**	**–323**	**955**	**945**	**1,580**	**2,263**
Tax on profit for the year	–184	–408	–655	–121	–461	–77	–96	–68	–393	–555
Net profit/loss for the year	**546**	**843**	**1,498**	**–2,251**	**844**	**–400**	**859**	**876**	**1,187**	**1,708**
Attributable to:										
NCC shareholders	543	838	1,494	–2,269	821	–421	856	873	1,178	1,706
Minority interests	3	5	4	18	24	21	3	3	9	1
Net profit/loss for the year	**546**	**843**	**1,498**	**–2,251**	**844**	**–400**	**859**	**876**	**1,187**	**1,708**

BALANCE SHEET, SEK M	1998	1999	2000	2001	2002	2003	2004	IFRS 2004	2005	2006
ASSETS										
Fixed assets										
Goodwill	1,313	2,193	3,210	2,787	2,538	2,045	1,597	1,790	1,772	1,700
Other intangible assets	31	41	87	146	130	82	31	31	61	113
Managed properties	7,557	5,950	4,570	3,895	1,306	897	41	449	71	65
Owner-occupied properties and construction in progress	479	723	1,057	1,072	1,190	868	821	830	865	796
Machinery and equipment	1,440	1,961	3,218	3,242	3,055	1,926	1,803	1,848	1,937	1,940
Participations in associated companies	1,500	1,076	833	872	805	694	609	200	44	47
Other long-term holdings of securities	590	278	384	236	201	167	311	311	265	242
Long-term receivables	1,514	1,183	1,203	670	1,253	1,217	1,392	1,363	1,246	2,739
Total fixed assets	**14,424**	**13,405**	**14,562**	**12,920**	**10,478**	**7,896**	**6,605**	**6,822**	**6,263**	**7,642**
Current assets										
Property projects	2,174	3,276	4,036	5,477	4,215	3,755	2,002	2,105	2,005	1,955
Housing projects	1,154	1,870	3,152	3,335	3,358	3,510	3,495	4,005	3,884	4,905
Materials and inventories	428	495	721	669	727	575	604	949	1,013	1,517
Participations in associated companies				120	132	116	53			
Accounts receivable	5,460	5,291	7,140	6,880	6,401	6,167	6,185	6,476	7,137	7,934
Worked-up, non-invoiced revenues			1,135	3,507	2,683	2,420	2,696	2,998	2,737	2,840
Prepaid expenses and accrued income	574	1,411	909	689	884	692	582	587	638	852
Other receivables	1,110	911	2,831	2,551	2,620	2,399	1,912	1,819	1,361	1,532
Short-term investments	9	3	1			2	32	113	153	173
Cash and cash equivalents	3,126	2,368	2,206	3,164	3,717	2,463	2,574	2,514	1,919	1,253
Total current assets	**14,035**	**15,625**	**22,131**	**26,392**	**24,737**	**22,101**	**20,133**	**21,567**	**20,848**	**22,961**
TOTAL ASSETS	**28,459**	**29,030**	**36,693**	**39,312**	**35,215**	**29,997**	**26,738**	**28,389**	**27,110**	**30,603**
SHAREHOLDERS' EQUITY										
Shareholders' equity	9,671	9,795	9,971	7,322	7,597	6,188	6,728	6,715	6,785	6,796
Minority interests	25	30	20	94	83	78	84	84	94	75
Total shareholders' equity	**9,696**	**9,825**	**9,991**	**7,416**	**7,680**	**6,266**	**6,812**	**6,799**	**6,879**	**6,870**
LIABILITIES										
Long-term liabilities										
Long-term interest-bearing liabilities	2,260	3,878	4,757	4,826	4,924	4,267	3,148	3,485	2,004	2,023
Other long-term liabilities	20	20	2,212	24	20	38	34	343	392	561
Deferred tax liabilities	334	513	858	504	687	659	502	481	199	461
Provisions for pensions and similar obligations	1,356	1,445	884	1,022	1,168	20	180	180	143	119
Other provisions	651	657	714	1,370	1,475	1,472	1,641	1,683	1,611	2,157
Total long-term liabilities	**4,621**	**6,513**	**9,425**	**7,746**	**8,274**	**6,456**	**5,506**	**6,172**	**4,348**	**5,321**
Current liabilities										
Current liabilities, interest-bearing	4,801	3,505	6,073	8,904	4,987	4,125	1,107	1,187	1,052	552
Accounts payable	3,743	3,124	4,463	4,890	4,460	3,855	3,891	3,908	4,520	4,874
Tax liabilities	48	193	333	398	292	118	261	260	137	170
Invoiced, non-worked-up revenues	1,351	1,466	2,632	3,468	3,486	3,521	3,563	4,375	4,367	4,823
Accrued expenses and deferred income	2,236	2,511	2,472	3,548	3,003	3,161	3,231	3,305	3,271	4,592
Other current liabilities	1,963	1,893	1,304	2,942	3,033	2,497	2,368	2,383	2,535	3,400
Total current liabilities	**14,142**	**12,692**	**17,277**	**24,150**	**19,261**	**17,276**	**14,421**	**15,418**	**15,883**	**18,411**
Total liabilities	**18,763**	**19,205**	**26,702**	**31,896**	**27,535**	**23,732**	**19,926**	**21,590**	**20,231**	**23,732**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**28,459**	**29,030**	**36,693**	**39,312**	**35,215**	**29,997**	**26,738**	**28,389**	**27,110**	**30,603**

[1] As of 2004, Impairment losses/reversal of impairment losses on properties, NCC Property Development are reported as production costs.

KEY FIGURES	1998	1999	2000	2001	2002	2003	2004	IFRS 2004	2005	2006
Accounts, SEK M										
Net sales	34,160	37,460	38,728	47,521	45,165	45,252	45,437	46,534	49,506	55,876
Operating profit/loss	1,101	1,364	2,415	–1,536	1,820	5	1,117	1,147	1,748	2,392
Profit/loss after net financial items	730	1,251	2,153	–2,130	1,306	–323	955	945	1,580	2,263
Profit/loss for the year	546	843	1,498	–2,251	844	–400	859	876	1,187	1,708
Investments in fixed assets	1,315	2,761	4,298	2,269	1,662	1,102	850	866	901	798
Gross investments in properties, NCC Property Development	1,135	1,853	3,056	3,055	1,604	1,396	417	452	839	1,048
Sales of properties, NCC Property Development 1)	2,219	2,142	3,845	1,965	6,786	1,553	2,939	3,590	1,279	919
Cash flow, SEK M										
Cash flow from operating activities	881	–63	279	916	2,747	959	3,399	4,161	2,046	2,171
Cash flow from investing activities	–289	–542	–2,635	–1,662	2,308	–196	1,097	1,083	69	–514
Cash flow before financing	592	–605	–2,356	–746	5,055	762	4,517	5,244	2,115	1,657
Cash flow from financing activities	–1,066	–159	2,161	1,617	–4,452	–1,962	–4,380	–5,264	–2,745	–2,307
Change in cash and cash equivalents	–474	–764	–195	871	603	–1,199	115	–20	–596	–666
Profitability ratios										
Return on shareholders' equity, %	6	9	15	neg	11	neg	14	14	18	27
Return on capital employed, %	7	10	13	neg	10	1	10	9	17	24
Financial ratios at year-end										
Interest-coverage ratio, %	2.3	3.3	4.8	–1.1	2.4	0.5	3.6	3.6	6.9	11.5
Equity/assets ratio, %	34	34	27	19	22	21	25	24	25	22
Interest-bearing liabilities/total assets, %	29	30	32	37	31	28	16	17	12	9
Net indebtedness	3,627	5,296	8,118	10,306	5,816	4,891	679	1,149	496	430
Debt/equity ratio, times	0.4	0.5	0.8	1.4	0.8	0.8	0.1	0.2	0.1	0.1
Capital employed at year-end	18,077	18,628	21,705	22,153	18,759	14,678	11,098	11,503	10,032	9,565
Capital employed, average	17,745	18,974	19,797	22,999	20,770	17,770	13,152	14,054	10,930	10,198
Capital turnover rate	1.9	2.0	1.8	2.1	2.2	2.5	3.5	3.3	4.5	5.5
Share of risk-bearing capital, %	35	36	30	20	24	23	27	26	26	24
Average interest rate, %	6.1	5.3	5.5	5.6	5.3	4.6	4.8	4.8	4.8	4.8
Average period of fixed interest, years	1.6	2.3	1.6	1.2	1.3	0.9	1.3	1.3	1.1	2.6
Order status, SEK M										
Orders received	33,124	37,500	46,316	50,647	43,098	40,941	45,362	45,624	52,413	57,213
Order backlog	18,460	19,380	25,835	30,750	23,788	23,752	27,077	27,429	32,607	36,292
Per share data, SEK										
Profit/loss after taxes, before dilution	5.00	7.70	14.00	–21.60	7.95	–4.10	8.36	8.53	11.07	15.80
Profit/loss after taxes, after dilution	5.00	7.70	13.80	–21.60	7.55	–4.10	7.89	8.05	10.86	15.74
Cash flow before financing, after dilution	5.46	–5.58	–21.73	–6.88	46.63	7.03	41.67	48.38	19.52	15.29
P/E ratio, before dilution	12	13	5	neg	7	neg	10	10	13	12
Ordinary dividend	2.50	4.00	4.50	2.25	2.75	2.75	4.50	4.50	5.50	8.00 3)
Extraordinary dividend	3.00	7.00				6.70 2)	10.00	10.00	10.00	10.00 3)
Dividend yield, %	8.9	11.2	6.5	3.2	5.2	17.0	16.5	16.5	10.9	9.6
Dividend yield excl. extraordinary dividend, %	4.1	4.1	6.5	3.2	5.2	5.0	5.1	5.1	3.9	4.3
Shareholders' equity before dilution	89.20	90.30	93.90	69.75	74.20	60.45	65.70	65.58	63.30	62.86
Shareholders' equity after dilution	89.20	90.30	91.98	67.55	70.08	57.08	62.07	61.95	62.60	62.69
Share price/shareholders' equity, %	69	108	73	100	71	92	134	134	225	298
Share price at year-end, NCC B, SEK	61.50	98.00	69.00	70.00	53.00	55.50	88.00	88.00	142.50	187.50
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	108.4	108.4
Treasury shares at year-end			2.7	3.4	6.0	6.0	6.0	6.0	1.2	0.3
Total number of shares outstanding at year-end before dilution	108.4	108.4	105.7	105.0	102.4	102.4	102.4	102.4	107.2	108.1
Average number of shares outstanding before dilution during the year	108.4	108.4	107.0	105.0	103.6	102.4	102.4	102.4	106.4	108.0
Market capitalization before dilution, SEK M	6,669	10,564	7,353	7,347	5,366	5,625	8,984	8,984	15,282	20,242
Personnel										
Average number of employees	21,645	24,122	25,192	28,170	25,554	24,076	22,214	22,375	21,001	21,784

1) Pertains to the carrying amount for 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 99.

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. Rieber & Søn's asphalt and aggregate operations were also acquired.

2001 Earnings for 2001 were charged SEK 1,740 M for write-downs and provisions. A comprehensive restructuring and action program was introduced to improve profitability. As of 2001, sales of NCC Property Development's property 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 301 M.

2003 Earnings for 2003 were charged SEK 782 M for impairment losses within NCC Property Development and SEK 195 M for impairment losses within 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).

2005 Fiscal 2005 was a favorable year during which NCC achieved all of its financial objectives. The return on equity was 18 percent. Net indebtedness was reduced by SEK 0.5 billion. Orders received by NCC rose 15 percent to SEK 52.4 billion. Profit after financial items improved to SEK 1.6 billion (0.9).

QUARTERLY DATA

SEK M	Quarterly amounts, 2006 Q 1	Q 2	Q 3	Q 4	Full year 2006	Quarterly amounts, 2005 Q 1	Q 2	Q 3	Q 4	Full year 2005
NCC Group										
Orders received	13,157	14,990	12,455	16,612	57,213	11,490	14,142	11,863	14,918	52,413
Order backlog	35,950	37,077	36,157	36,292	36,292	31,143	33,387	32,660	32,589	32,607
Net sales	9,965	13,500	14,483	17,928	55,876	8,346	12,756	12,665	15,738	49,506
Operating profit/loss	–49	758	906	778	2,392	–99	696	714	437	1,748
Operating margin, %	–0.5	5.6	6.3	4.3	4.3	–1.2	5.5	5.6	2.8	3.5
Profit/loss after financial items	–82	710	901	733	2,263	–134	659	667	388	1,580
Profit/loss for the period attributable to NCC shareholders	–52	499	670	588	1,706	–96	474	480	328	1,187
Earnings per share after dilution, SEK	–0.48	4.61	6.18	5.43	15.74	–0.87	4.33	4.34	3.03	10.86
Average number of shares outstanding after dilution during the year, millions	108.4	108.4	108.4	108.4	108.4	108.4	108.4	108.4	108.4	108.4
NCC Construction Sweden										
Orders received	4,452	6,044	5,238	7,776	23,510	4,890	5,925	4,725	6,611	22,151
Order backlog	15,579	16,303	16,558	17,287	17,287	13,761	14,715	15,037	15,593	15,593
Net sales	4,479	5,428	5,008	7,191	22,105	3,788	4,992	4,407	6,168	19,354
Operating profit/loss	235	234	298	364	1,131	123	195	150	296	764
Operating margin, %	5.2	4.3	6.0	5.1	5.1	3.2	3.9	3.4	4.8	3.9
Capital employed	1,313	1,461	1,723	2,087	2,087	1,080	1,203	1,306	1,881	1,881
NCC Construction Denmark										
Orders received	1,800	2,438	1,027	1,558	6,822	1,145	1,755	1,809	2,130	6,839
Order backlog	4,612	5,290	4,945	4,604	4,604	4,254	4,397	4,238	4,439	4,439
Net sales	1,639	1,669	1,396	1,789	6,493	1,251	1,751	1,897	1,965	6,865
Operating profit/loss	15	8	–59	1	–35	35	57	71	46	209
Operating margin, %	0.9	0.5	–4.2	0.1	–0.5	2.8	3.2	3.8	2.3	3.0
Capital employed	705	752	841	1,032	1,032	607	564	582	602	602
NCC Construction Finland										
Orders received	1,795	2,092	1,397	1,792	7,076	1,657	2,169	924	1,347	6,098
Order backlog	4,466	4,864	4,629	4,525	4,525	4,005	4,727	4,228	4,007	4,007
Net sales	1,337	1,624	1,642	1,847	6,450	1,089	1,695	1,378	1,660	5,821
Operating profit/loss	73	104	108	105	390	76	98	106	39	320
Operating margin, %	5.4	6.4	6.6	5.7	6.0	7.0	5.8	7.7	2.4	5.5
Capital employed	1,126	1,264	1,254	1,187	1,187	1,025	1,096	1,165	953	953
NCC Construction Norway										
Orders received	2,990	1,834	1,299	1,860	7,982	2,077	1,140	1,480	1,256	5,953
Order backlog	5,617	5,772	5,442	5,621	5,621	3,951	4,209	4,500	4,010	4,010
Net sales	1,422	1,571	1,462	1,547	6,002	1,002	1,138	1,142	1,700	4,983
Operating profit/loss	30	70	53	25	179	60	32	38	72	202
Operating margin, %	2.1	4.5	3.6	1.6	3.0	6.0	2.8	3.4	4.2	4.1
Capital employed	562	603	628	608	608	388	450	482	531	531
NCC Construction Germany										
Orders received	308	255	745	1,036	2,344	332	502	313	633	1,781
Order backlog	1,390	1,046	1,463	1,818	1,818	1,188	1,331	1,209	1,268	1,287
Net sales	213	581	330	640	1,763	279	406	418	570	1,672
Operating profit/loss	–3	34	14	40	85	–2	14	–9	–3	0
Operating margin, %	–1.6	5.9	4.3	6.3	4.8	–0.6	3.4	–2.2	–0.5	0.0
Capital employed	1,470	972	1,120	1,257	1,257	1,099	1,308	1,379	1,454	1,454
NCC Property Development										
Net sales	30	213	1,326	2,207	3,773	54	282	413	922	1,671
Operating profit/loss	–12	23	171	291	472	0	69	53	78	200
Capital employed	2,715	2,335	2,525	2,123	2,123	3,329	3,690	3,128	2,541	2,541
NCC Roads										
Orders received	1,689	2,486	2,722	2,835	9,733	1,188	2,794	2,482	2,711	9,175
Order backlog	2,749	2,596	1,863	1,426	1,426	1,826	2,276	1,718	1,780	1,780
Net sales	733	2,604	3,451	3,256	10,044	649	2,398	3,012	2,649	8,708
Operating profit/loss	–342	285	429	43	415	–338	291	352	8	313
Operating margin, %	–46.7	10.9	12.4	1.3	4.1	–52.1	12.1	11.7	0.3	3.6
Capital employed	3,077	3,822	3,827	3,075	3,075	3,114	3,808	3,822	3,171	3,171

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.

CAPM (Capital Asset Pricing Model): A model used to determine the return requirement for an investment, based on the return on as risk-free an investment as possible (such as a treasury bill), which is then adjusted upwards to reflect the specific risk to which the investment is associated.

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: 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 liabilities and provisions 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, included 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.

Required yield: The property yield required by NCC Property Development's investors for their investment, which is to be achieved through rental guarantees.

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.

Share of risk-bearing capital: The total of shareholders' equity, minority interests and deferred tax liabilities as a percentage of 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 building design. 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 building 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 EcoConcept: 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.

CORPORATE GOVERNANCE

NCC AB is a Swedish public limited liability company whose shares are listed on the Stockholm Stock Exchange (Nordic Exchange/Large Cap). NCC AB is governed in accordance with Swedish company law. 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. NCC applies the Code, with the exception of the need to form an audit committee and remuneration committee within the Board. The reasons for these deviations are described below. This report is not part of the formal annual report documentation and has not been examined by the Company's auditors.

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 Post- och Inrikes Tidningar and in Dagens Nyheter. 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 convened to address amendments to the Articles of Association 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 General Meetings, shareholders may be accompanied by not more than two advisors, on condition that the shareholder has given the Company prior notice of this.

The 2006 Annual General Meeting was held on April 5 and was attended by 235 shareholders representing 55 percent of the share capital and 86 percent of the total number of voting rights.

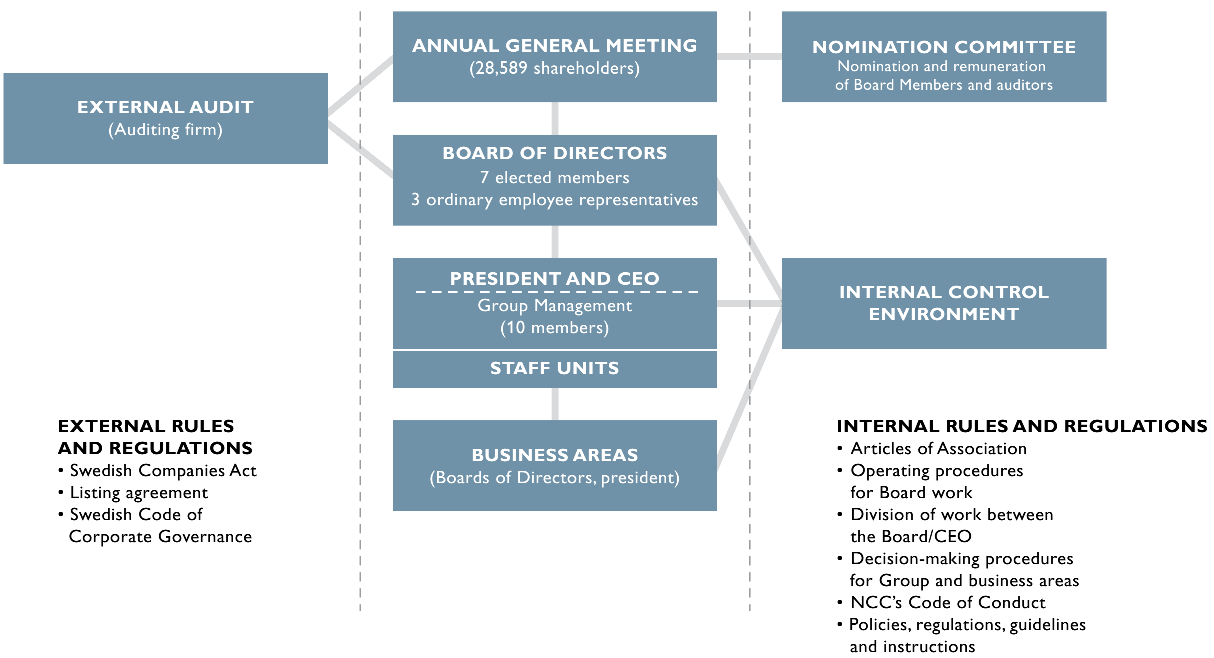
OWNERSHIP STRUCTURE AND VOTING RIGHTS

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 page 111, as is the ownership structure. 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 the shares are registered.

COMPOSITION OF THE BOARD

The Board shall consist of not fewer than five and not more than ten members 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 2006, there were seven elected Board Members, including the

NCC'S CONTROL STRUCTURE



CEO. The Board also included three representatives and two deputies for the employees. 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. Ulf Holmlund and Anders Rydin are independent in relation to NCC's major shareholders. CEO Alf Göransson was the only Board Member who is also a member of NCC's Group Executive Management. Information on individual Board Members is presented on pages 106–107.

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 5, 2006 re-elected Viveca Ax:son Johnson (Deputy Chairman of Nordstjernan), Ulf Lundahl (Deputy CEO of L E Lundbergföretagen), Johan Björkman (Chairman of Nordstjernan) and 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 2007 Annual General Meeting.

A report on the Nomination Committee's work ahead of the Annual General Meeting is presented on NCC's website www.ncc.info under the "Corporate Governance" tab.

BOARD DUTIES

In 2006, 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 a pre-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 senior legal 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 2006 fiscal year."

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.

Board meetings and attendance, 2006

	Feb. 8	April 5	April 26	Aug. 23	Nov. 7	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	✓	✓	✓	–	✓	✓

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 material 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 appropriately should be prepared by the Board as a whole, including the CEO in respect of certain matters. The fact that the Board is relatively small facilitates its work. The Board meets the auditors twice a year, including one occasion 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. A registered firm of accountants may also be appointed auditor of the Company. 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 5, 2006 addressed the matter of the election of auditors, and elected the KPMG Bohlins AB firm of accountants as the Company's auditors up to the Annual General Meeting in 2008. Authorized Public Accountant Per Bergman was appointed KPMG Bohlins AB's auditor in charge. For more information about auditors, see page 107.

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 5, 2006 resolved that the director fees for Board work in 2006 would total SEK 2,200,000 to be distributed among the Board Members elected by the Annual General Meeting, 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 should be addressed by the Board as a whole. Guidelines for salary and other remuneration for the Company's senior executives are resolved by the Annual General Meeting. Remuneration paid to the CEO is proposed by the Chairman and established by the Board. The CEO does not participate in this decision. Remuneration to other senior executives is proposed by the CEO and approved by the Chairman of the Board. Remuneration to the CEO and other senior executives consists of a fixed salary, variable remuneration, pension and other benefits. Framework conditions for variable remuneration are decided by the Board. The term "other senior executives" pertains to the executives who, in addition to 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 pages 73–74 of the Annual Report.

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). Alf Göransson was President and Chief Executive Officer throughout 2006 and to February 12, 2007, when he was succeeded by Olle Ehrlén.

DEPUTY CHIEF EXECUTIVE OFFICERS

The NCC Group had two Deputy Chief Executive Officers in 2006: Olle Ehrlén, President of NCC Construction Sweden, and Mats Wäppling, President of NCC Property Development, who was also in charge of NCC Roads, NCC Construction Germany and the remaining operations within the former business area NCC International Projects. Mats Wäppling left NCC on December 31, 2006. Effective February 12, 2007, Olle Ehrlén became President and Chief Executive Officer of NCC AB. No new Deputy Chief Executive Officers have been appointed.

GROUP MANAGEMENT

In 2006, NCC's Group Management consisted of the CEO, the Presidents of NCC Construction Sweden, NCC Construction Denmark, NCC Construction Norway, NCC Construction Finland, NCC Property Development and NCC Roads, plus the Financial Director and the Senior Vice Presidents for Corporate Communications and Corporate Legal

Affairs. Further information on members of Group Management is presented on pages 108–109.

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 addition to strategic and organizational matters, the areas regulated 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 confirmed by NCC AB's Board. Proprietary housing and property 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's Construction units in each 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 potentials, maintaining uniform systems for salaries, 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 were summarized in "NCC's Guidelines on Business Ethics – our Code of Conduct" – a document that was adopted by Group Management in 2003 and was revised in 2006 under the name Code of Conduct. The Code of Conduct describes the requirements that NCC – the Board of Directors, management and all employees – have to meet in terms of behavior and conduct and that NCC in turn expects its business partners to respect.

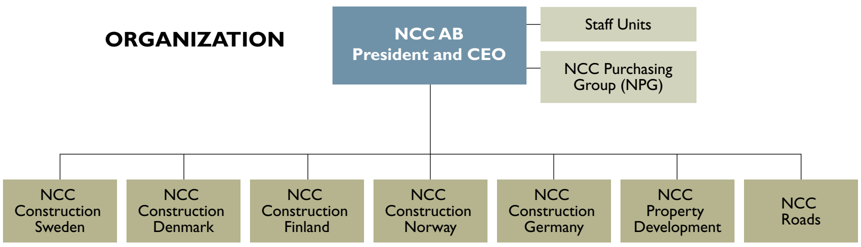
Every manager has an obligation, within his or her area of responsibility, to ensure that employees and business partners are informed about the contents of the Code of Conduct and urge to observe them. Managers within NCC must always set a good example. Adherence to the Code of Conduct is followed up continuously as a natural part of ongoing operations.

Repeated and serious violation of the Code of Conduct results in corrective action. If any of NCC's business partners repeatedly and 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 and the Code of Conduct are also available.

ORGANIZATION



INTERNAL CONTROL REPORT

THE BOARD OF DIRECTOR'S REPORT ON INTERNAL CONTROL PERTAINING TO FINANCIAL REPORTING FOR THE 2006 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. NCC applies "Regulation No. 1 – 2006" from the Swedish Corporate Governance Board pertaining to "Application of the code's rules relating to internal control reporting."

This report does not represent 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 within the NCC Group that is 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 regulations 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 the Board 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 Bohlins AB, 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 must be taken concerning the views that arise and these actions must be 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 well 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 Ekonomi (NCC's Intranet). Starnet Ekonomi 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 Ekonomi 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 for audit and reporting occasions, among others.
- Decision-making regulations.
- Attestation instructions.

All financial reporting must comply with the rules and regulations found on Starnet Ekonomi.

Financial reporting occurs in part in the form of figures in the Group-wide reporting system 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 Ekonomi. 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 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 Bohlins AB, also examine a selection of NCC's controls as part of its 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 control structure.

BOARD OF DIRECTORS AND AUDITORS

ELECTED BY THE ANNUAL GENERAL MEETING

Tomas Billing

Fredrik Lundberg

Antonia Ax:son Johnson

Ulf Holmlund

Anders Rydin

Marcus Storch

Alf Göransson

TOMAS BILLING

Chairman. Born 1963. Board member since 1999 and Chairman since 2001.
President of Nordstjernan AB. Chairman of Etac AB, Karolin Machine Tool AB, Välinge Flooring Technology AB and Nils Hanssons Åkeri AB. Board member of 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 AB, Sandvik AB and Industrivärden AB.
Shareholding in NCC AB: 0.

ANTONIA AX:SON JOHNSON

Born 1943. Board member since 1999.
Chairman of the Axel Johnson Group. Board member of Nordstjernan AB, the Axel and Margaret Ax:son Johnson Foundation, Axfood AB, Mekonomen 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, Anticimex Holding AB and Nils Hanssons Åkeri AB. Previous experience: President of LjungbergGruppen AB (1983–2003) and President of Fastighets AB Celtica (1993–2003), among other positions.
Shareholding in NCC AB: 5,000 Series B shares.

ANDERS RYDIN

Born 1945. Board member since 2003.
Board member of Cardo AB, Biotage AB, AP Fastigheter AB and IFL & HHS Holding 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 and of Mekonomen AB, 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, and until February 11, 2007. Previous experience: CEO of Svedala Industri AB (2000–2001), Business Area Manager of Cardo Rail (1998–2000) and President of Swedish Rail Systems AB, a contracting company in the Scancem Group (1993–1998), among other positions. Other assignments: Chairman of the Board of Lund Institute of Technology. Board member of Välinge Holding AB, Axel Johnson Inc., USA, 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.

MEMBERS APPOINTED BY EMPLOYEE ORGANIZATIONS

Lars Bergqvist

Sven Frisk

Ruben Åkerman

DEPUTY MEMBERS APPOINTED BY EMPLOYEE ORGANIZATIONS

Karl-Olof Fransson

Marita Mannerfjord

SECRETARY

Ulf Wallin

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.
Shop steward at NCC. Employee representative of Svenska Byggnadsarbetareförbundet (Swedish Building Workers' Union). Other assignments: Chairman of Svenska Byggnadsarbetareförbundet's 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.

The details regarding shareholdings in NCC pertain to directly held shares and shares held via private companies at December 31, 2006. 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.

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.

SECRETARY

ULF WALLIN

Born 1949. General counsel in NCC AB. NCC AB's Board Secretary since 1996.
Shareholding in NCC AB: 0.

AUDITORS

KPMG BOHLINS AB

Auditor in charge: Per Bergman.
Born 1946. Auditor of NCC since 2006. Other significant assignments: Auditor of Axfood AB, CashGuard AB, Enea AB, AB Sardus, Kooperativa Förbundet (KF), KPA, SBAB and AB Svensk Exportkredit (SEK).

MANAGEMENT

GROUP MANAGEMENT

Olle Ehrlén

Tomas Carlsson

Torben Biilmann

Timo U. Korhonen

Sven Christian Ulvatne

Peter Wågström

Göran Landgren

OLLE EHRLÉN

Born 1949. Deputy Chief Executive Officer and President of NCC Construction Sweden from 2001 until February 11, 2007. President and CEO of NCC since February 12, 2007. Employed by NCC 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 operations, among other positions. Other assignments: Chairman of the Swedish Construction Federation, Board member of Confederation of Swedish Enterprise.
Shareholding in NCC AB: 400 Series B shares and call options corresponding to 24,000 Series B shares.

TOMAS CARLSSON

Born 1965. President of NCC Construction Sweden since February 12, 2007. Employed by NCC since 1991. Previous experience: Regional Manager at NCC Construction Sweden Western Region (2005–2006), Head of NCC Roads' New Markets (Poland, Baltic countries and St. Petersburg) 2000–2005, Production Manager at Skanska 1999–2000 (Southern Link), Supervisor at NCC Industry (Ballast) 1997–1999, various positions within NCC's civil engineering operations (1991–1996), among other positions.
Shareholding in NCC AB: call options corresponding to 16,000 Series B shares.

TORBEN BIILMANN

Born 1956. President of NCC Construction Denmark since October 26, 2006. Employed by NCC since 1984 (what was then Rasmussen & Schiøtz, which was acquired by NCC in 1996). Previous experience: Deputy President of NCC Construction Denmark, with responsibility for such items as strategy, operational development and housing investments (2005–2006), various management positions within NCC Construction Denmark since 1990, among other positions.
Shareholding in NCC AB: 0.

TIMO U. KORHONEN

Born 1952. President of NCC Construction Finland since 2001. Employed by NCC 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: call options corresponding to 16,000 Series B shares.

SVEN CHRISTIAN ULVATNE

Born 1960. President of NCC Construction Norway since 2004. Employed by NCC since 2000. Previous experience: manager of NCC Region Nord/Vest Bygg, regional manager within construction and civil engineering at NCC Construction Norway, President of Sandnes Betong AS, President of Sandnes Eiendom AS, regional director at Block Watne AS, marketing manager at Aadnøy Entreprenør, among other positions. Other assignments: Chairman of Signatur Arkitekter AS.
Shareholding in NCC AB: call options corresponding to 16,000 Series B shares.

PETER WÅGSTRÖM

Born 1964. President of NCC Property Development since January 1, 2007. Employed by NCC since 2004. Previous experience: Head of NCC Property Development's Swedish operations (2004–2006), various management positions within Drott (currently Fabege) 1998–2004 and member of Drott's Group Management (2000–2004), various positions within Skanska's real estate operations (1991–1998), among other positions. Other assignments: Chairman of the Swedish Society of Real Estate Economics (SFF).
Shareholding in NCC AB: call options corresponding to 16,000 Series B shares.

GÖRAN LANDGREN

Born 1956. President of NCC Roads since September 1, 2006. Employed by NCC since 1981. Previous experience: Deputy President of NCC Construction Sweden with responsibility for marketing, business development and subsidiaries (2004–2006) and various positions within building and civil engineering operations at NCC (1981–2001). Employed by Peab as Head of the Civil Engineering Division (2001–2003).
Shareholding in NCC AB: 0.

Ann-Sofie Danielsson

Annica Gerentz

Ulf Wallin

OTHER SENIOR EXECUTIVES

Olle Boback

Charlotte Z. Lindstedt

Mats Pettersson

ANN-SOFIE DANIELSSON

Born 1959. Chief Financial Officer since March 1, 2007 and Financial Director since 2003. Employed by NCC 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: call options corresponding to 16,000 Series B shares.

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 of 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: call options corresponding to 16,000 Series B shares.

ULF WALLIN

Born 1949. General Counsel in NCC AB. NCC AB's Board Secretary. Employed by NCC 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.

The details regarding shareholdings in NCC pertain to holdings at December 31, 2006. 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.

OLLE BOBACK

Born 1953. President of NCC Construction Germany since 2001. Employed by NCC 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: call options corresponding to 16,000 Series B shares.

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), accountant at The Axel Johnson Group (1983–1989), among other positions.
Shareholding in NCC AB: 500 Series B shares and call options corresponding to 16,000 Series B shares.

MATS PETTERSSON

Born 1961. Vice President Human Resources since March 1, 2007, Personnel Manager within NCC Construction Sweden since 2005. Employed by NCC since 2005. Previous experience: personnel manager at Manpower (1999–2005), personnel manager at SSP Restaurants and at Eurest (1993–1999), head of cabin department and training, salesman and steward at Scanair (1985–1993), travel guide, site manager and seller Fritidsresor (1981–1985), among other positions.
Shareholding in NCC AB: 0.

THE NCC SHARE

TOTAL RETURN OF 42 PERCENT

The price of the NCC share rose by 32 percent in 2006. At year-end, the market price per Series B share was SEK 187.50 and NCC's market capitalization was slightly more than SEK 20 billion. The total return was 42 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 Nordic Exchange/Large Cap.

SHARE PERFORMANCE AND TRADING

In 2006, the price of Series B NCC shares rose 32 percent. This may be compared with the SIX General Index, which rose by 24 percent and the SIX Construction and Civil Engineering Index, which rose by 25 percent.

A total of 93.6 million (75.1) NCC shares were traded in 2006, at a combined value of slightly more than SEK 16 billion, corresponding to 87 percent (70) of the total number of NCC shares issued[1)]. The turnover rate for Series A NCC shares was 5 percent (4) and the rate for Series B shares was 151 percent (130)[1)]. The turnover rate for the Stockholm Stock Exchange as a whole was 145 percent.

OWNERSHIP STRUCTURE

Nordstjernan AB is the largest and L E Lundbergföretagen AB the second largest NCC shareholder. The proportion of foreign shareholders declined slightly during 2006 to 11.2 percent of the share capital, with the US and UK accounting for the largest holdings. The largest share sales during the year were made by Nordstjernan and JPMorgan. The largest purchases were made by AMF Pension which, together with Lannebo Funds, thus became new members of the ten largest shareholders.

SHARE REPURCHASES AND CONVERSIONS

During 2000–2003, NCC bought back slightly more than 6 million Series B shares within the framework of a rolling options program (also see Note 5, page 74). The number of treasury shares at year-end was 351,389.

In 1996, holders of Series A shares were provided with the opportunity to convert their Series A shares to B shares. During 2006, 4,877,130 (2,368,005) shares were converted and a total of 15.5 million shares have been converted since 1996. Written requests regarding conversion must be submitted to the Board of Directors.

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 8.00 (5.50) per share for 2006 plus an extraordinary dividend of SEK 10.00 (10.00), making a sum total of SEK 18.00 (15.50) per share.

In total, the proposed ordinary dividend amounts to SEK 865 M (590), 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) in 2006 was approximately 42 percent (78). The Stockholm Stock Exchange average, according to Six Return Index, was 28 percent (36).

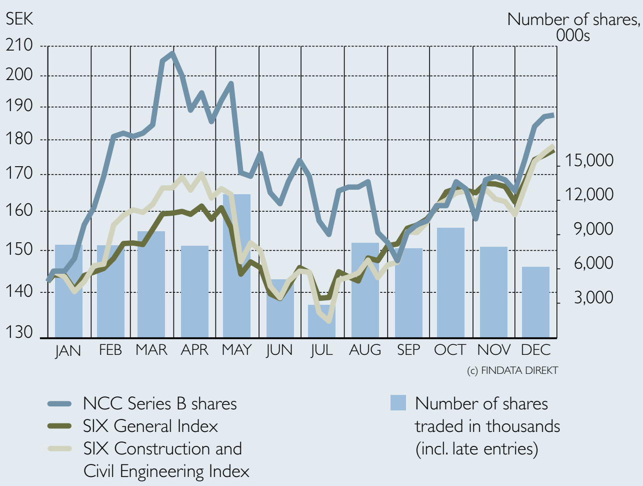
1) After deduction for treasury shares.

THE NCC SHARE ON THE STOCKHOLM STOCK EXCHANGE IN 2006

Share data

	Series A share	Series B share
Total number of shares	47,606,748	60,477,685
Round lot	100 shares	100 shares
Voting rights	10 votes	1 vote
Total share turnover	2,277,820	91,306,337
Number of shares traded per day	9,075	363,770
Turnover rate, %	5	151
Share price at start of year, SEK	142.50	142.50
Share price at year-end, SEK	187.00	187.50
Highest price paid, SEK	217.00	217.50
Lowest price paid, SEK	140.50	141.00
Beta value	0.84	1.23
Dividend, SEK	15.50	15.50
Total return, %	42	42

Share-price trend 2006



NCC share trend in past five years

	2002	2003	2004	2005	2006
Market price at year-end, NCC B share, SEK	53.00	55.50	88.00	142.50	187.50
Market capitalization, SEK M	5,366	5,625	8,984	15,282	20,242
Ordinary dividend, SEK	2.75	2.75	4.50	5.50	8.00[3]
Extraordinary dividend, SEK		6.70[1]	10.00	10.00	10.00[3]
Dividend yield, %	5.2	17.0[2]	16.5	10.9	9.6[3]
Total return, %[4]	–21	10	76	78	42
Number of shares at year-end (millions)	102.4	102.4	102.4	107.2	108.1

Key figures per share are presented in the Multi-year review on pages 96–97.

[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.

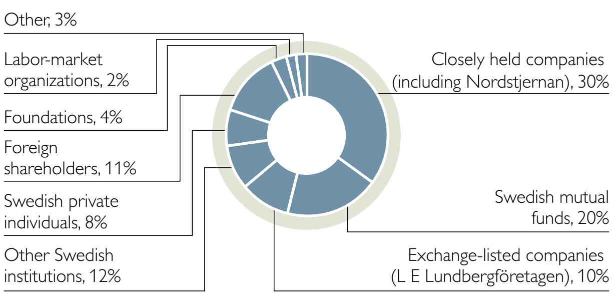
Distribution of shares by holding[1]

Holding	No. of share-holders	Percentage of total No. of share-holders	No. of shares	Percentage of share capital
1–500	20,789	72.7	3,778,685	3.5
501–1 000	4,266	14.9	3,540,247	3.3
1 001–10 000	3,116	11.0	8,858,430	8.1
10 001–100 000	310	1.1	9,708,734	9.0
100 001–1 000 000	101	0.3	32,706,392	30.4
1 000 001–	7	0.0	49,491,945	45.7
Total	28,589	100.0	108,084,433	100.0

[1] Calculated after a deduction for treasury shares.

(Source: VPC.)

Shareholder categories, percentage of share capital



Swedish institutions increased their ownership of NCC from 9 to 12 percent during 2006. Nordstjernan reduced its ownership somewhat.

Ownership structure at December 31, 2006

Shareholder	No. of series A shares	No. of series B shares	Percentage of[1] Share capital	Percentage of[1] Voting rights
Nordstjernan AB	29,000,000	–	26.7	54.0
L E Lundbergföretagen AB	10,850,000	–	10.0	20.2
Swedbank Robur Funds	2,928,971	2,752,099	5.2	6.0
AMF Pension	–	3,944,000	3.6	0.7
SEB Funds	–	2,650,869	2.4	0.5
Catella Funds	–	2,358,750	2.2	0.4
Alecta	–	1,620,400	1.5	0.3
Skandia Liv	1,138,175	410,870	1.4	2.2
Lannebo Funds	–	1,534,300	1.4	0.3
AMF Pension Funds	–	1,448,000	1.3	0.3
Total ten largest shareholders	43,917,146	16,719,288	55.7	84.9
Other shareholders in Sweden	3,474,436	31,858,802	33.1	12.5
Shareholders outside Sweden	215,166	11,899,595	11.2	2.6
Total	47,606,748	60,477,685	100.0	100.0
Treasury shares	–	351,389		
Total number of shares	47,606,748	60,829,074		

[1] After treasury shares have been deducted.

(Source: SIS Ägarservice and VPC.)

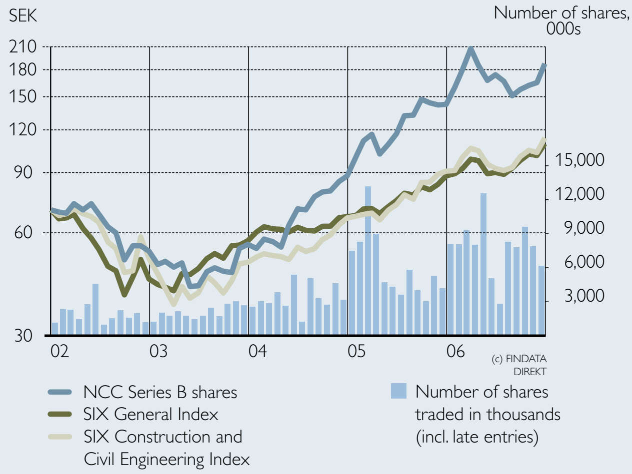
Series A and B shares[1]

	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 2000–2005	–10,627,804	10,627,804	
Shares repurchased during 2000–2004		–6,035,392	–6,035,392
Sale of treasury shares during 2005		4,840,998	4,840,998
No. of shares on Dec. 31, 2005	52,483,878	54,757,550	107,241,428
Conversion of Series A to Series B shares during 2006	–4,877,130	4,877,130	
Sale of treasury shares during 2006		843,005	843,005
No. of shares at Dec. 31, 2006[1) 2)]	47,606,748	60,477,685	108,084,433
Number of voting rights	476,067,480	60,477,685	536,545,165
Percentage of voting rights	89	11	100
Percentage of share capital	44	56	100
Closing price Dec. 31, 2006, SEK	187.00	187.50	
Market capitalization, SEK M	8,902	11,340	20,242

[1] Between January 1, 2007 and February 28, 2007, no additional Series A shares were converted into Series B shares..

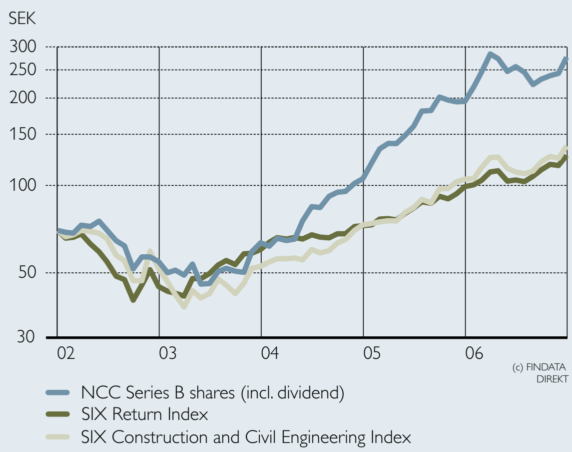
[2] At March 2, 2007, options corresponding to 330,251 shares had been exercised within the framework of the options programs in effect from 1999 to 2001. The program is closed. Also see Note 5, page 74.

Share-price trend and turnover, 2002–2006



The price of the NCC share rose 32 percent in 2006, compared with a rise of 24 percent for the SIX General Index.

Total return including dividend 2002–2006



In the past five years, the return on the NCC share has outperformed the Stockholm Stock Exchange average.

FINANCIAL INFORMATION

NCC will publish financial information regarding the 2007 fiscal year on the following dates:

April 11	**Annual General Meeting**
April 25	**Interim report, January–March**
August 23	**Interim report, January–June**
October 30	**Interim report, January–September**
February 2008	**Year-end report 2007**

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, Sweden, 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 11, 2007.

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, Sweden; 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 at the beginning of March.

NCC AB (publ) Corp.Reg.No: 556034-5174. Registered Head Office: Solna.
Addresses of the companies included in the NCC Group are available on the Internet at the www.ncc.info website.


Flygeln, Louis de Geer Concert and conference house, Norrköping, Sweden.

INDEX OF KEY WORDS

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NCC AB, SE-170 80 Solna, Sweden • Tel: +46 8 585 510 00 • Fax: +46 8 85 77 75
www.ncc.info