

Acting CEO Håkan Broman's speech at NCC's Annual General Meeting on April 11, 2018

Mr. Chairman, honorable shareholders, ladies and gentlemen.

This picture, as you can see, is of a part of the Eastern Link, an infrastructure project in Luleå, which has been named Building of the Year 2017. This is where we are building a new water and wastewater system for the residents of Luleå, to enable the expansion of the city of Luleå.

2017 was a year of lower earnings, a change of management and a focus on reversing the trend in NCC. Two business areas performed well, one performed less well and one performed poorly. Industry had its best year ever and Property Development also had a good year. However, our two largest business areas, Building and Infrastructure, underperformed in terms of earnings. For this reason, we now have a new head of our infrastructure business - Kenneth Nilsson. And this is also why the Board appointed a new CEO - Tomas Carlsson, who will start on May 7.

As Acting CEO since October 30, I have focused on two main areas – profitability and safety. Along with the other members of the Executive Management Team, I have worked on a number of profitability-enhancing measures with increased focus on project management and project follow-up.

We have cut our costs by scaling back on a number of activities, reducing the number of consultants, decentralizing support functions to bring them closer to our business activities and reducing the number of salaried employees in the organization.

Safety has been my other major priority. Our workplaces must be safe and free of accidents. More on that shortly. First, let's take a look at 2017.

In 2017, we did not achieve our sales growth and operating margin targets. But we had continued strong orders received, which, combined with cost savings and the focus on profitability, creates a better platform for 2018.

Orders received increased 9 percent to nearly SEK 57 billion. Sales increased to SEK 54.6 billion and operating profit was slightly more than SEK 1.2 billion. Total profit after tax for NCC amounted to slightly more than SEK 1 billion. Earnings per share after tax were SEK 9.29.

This year, the Board has proposed to the AGM a dividend in line with last year, namely, SEK 8 per share. The proposed dividend for 2017 corresponds to 86 percent of profit after tax, well above the target dividend of at least 40 percent. The Board of Directors has also proposed that the dividend be paid on two occasions: SEK 4 per share in April and SEK 4 per share in November.

The NCC share price declined 30 percent in 2017, which is poorer than the stock exchange in its entirety. During the past five years, the NCC has had a total return of 113 percent, which is somewhat better than the stock exchange.

In terms of our financial objectives, our financial position is strong, but we still have some way to go as regards to sales in general and the operating margin, in particular. The operating margin is what we are primarily focusing on.

NCC is to achieve an operating margin of at least 4 percent. In 2017, the margin was 2.3 percent, which was too low. Sales increased 3.2 percent in 2017. The return on equity was 18.4 percent, compared with the target of more than 20 percent. At year-end 2017, NCC had net cash and the equity/assets ratio amounted to 20 percent, meaning that it was in line with the target. As I have said, safety in our workplaces is a highly prioritized area. We have a zero vision. We should not have any accidents at all.

We have had a downward trend in accident figures since 2011, except for 2016. In 2017, the number of accidents was down to an accident frequency of 7.5. In two years, the number of accidents is to be reduced by more than 50 percent.

Accordingly, during 2017, we intensified our work to change attitudes and behavior that is not acceptable. We will scrutinize and support the units in NCC that do not meet the targets. We are moving our health and safety resources much closer to the line than before. It is in production that they are needed most.

We are endeavoring to successively introduce the same safety mindset as, for example, in the airline industry, where safety is crucial for the business. We are working to integrate a safety approach into our processes and to create safety barriers, such as fall protection and safety demarcations, at our worksites. Using safety barriers, we can prevent the human factor from triggering accidents in the long term.

For the third consecutive year, we will hold our “Health and Safety Week” throughout the organization this May, in addition to Awareness Day, which we hold in September each year. All work at NCC comes to a complete standstill on Awareness Day for joint discussions on how the work environment and safety can be improved. The theme last autumn was Daily Safety Briefings. This means that, every day before work commences, our worksites hold a safety briefing, at which we discuss relevant risks and how to act in a safe manner in relation to the activities to be undertaken on the particular day.

For our sustainability efforts, we have a framework, with targets set for the constituent parts. For example, NCC will reduce emissions of greenhouse gases from its own operations by 50 percent by 2020. In 2017, emissions were reduced by 19 percent. Another target is that 70 percent of NCC’s building and construction waste is to be reused or recycled by 2020.

In 2017, 45 percent of building and construction waste was reused or recycled. Another prioritized area is that we work consistently on the basis of our values

and our Code of Conduct, and that we as a company conduct our business in a sustainable manner and have zero tolerance for all forms of discrimination.

As a support for our employees, we have NCC Compass – with clear guidelines and a whistleblower function, Tell me, through which employees and external stakeholders can anonymously report suspicions of behavior that is in breach of our Code of Conduct. The Ask Me function was created to assist employees in making ethically correct decisions. In 2017, we received 41 reports. Four of these led to termination of employment and 16 resulted in other disciplinary measures.

NCC is a key player in society and we take responsibility for what we do - when we build housing units so that people can afford to live there, hospitals, schools, roads, bridges, offices and all that is needed for our cities to be able to grow in a sustainable and inclusive manner. Based on this, I would like to show a few projects that we have carried out or are currently working on. NCC is involved in meeting the growing need for housing throughout the Nordic region, housing units that people can afford to live in. We have more than 200 housing projects under construction.

At the same time, we are refurbishing existing areas with sustainability and profitability in focus. In conjunction with NCC's refurbishment of the more than 400 housing units in Sorgenfrivang in Copenhagen, energy consumption is being reduced by 66 percent. Early collaboration, so-called strategic partnering, is becoming increasingly commonplace when NCC builds or refurbishes. Our cooperation with Stockholmshem to upgrade rental apartment buildings is a good example of this.

An inclusive city needs attractive workplaces that contribute to the wellbeing of employees. NCC has several concepts for the workplaces of the future with the highest sustainability standards. In Copenhagen, we are developing a new head office on behalf of EY, with about 8,000 square meters of office space and a focus on a healthy indoor climate and low energy consumption.

In Solna, we are involved in developing the new Järva Krog city district, with a total of 11,000 workplaces, 2,000 housing units and 160,000 square meters of premises for offices, retail and services. This is where we are also constructing NCC's new head office, which will be finished at the end of 2019.

NCC is creating superior sustainable solutions for the infrastructure of the future. We are engaged in many major projects in the Nordic region. On the Faroe Islands, we are involved in constructing two road tunnels that are tens of kilometers in length, a project that is in the billions of kronor category.

In Western Sweden, we have been very successful in securing tenders. For example, we won two key stages of a new dual-track railway tunnel - the Western Link, a multi-billion kronor project. A significant key to success is the way NCC is working with digitalization.

NCC is involved in developing the infrastructure of the future. An example of this is eRoadArlanda. The world's first e-road with tracks in the road surface that we took part in the launch of earlier today, with others including Infrastructure Minister Tomas Eneroth.

Well-functioning healthcare is becoming increasingly important for our societies, with their ageing populations. NCC is far advanced in this and is currently working on about a dozen different major hospital projects in the Nordic region. We work with early involvement and digital solutions with virtual planning, and the follow-up of construction projects. The Queen Silvia Children's Hospital in Gothenburg, Södersjukhuset in Stockholm, Järvenpää in Finland and Hörgården home for the elderly in Copenhagen are some examples.

It is important to contribute to effective and well-functioning education. NCC is working on some fifty school projects in the Nordic region. We are more than proud of the Royal College of Music, which was completed in 2017 and which you as shareholders were able to visit at the AGM last year. In Finland, NCC is successfully conducting several different school projects. We are first in the Nordic region to have a connected school, in which data from the school building itself is a part of the teaching.

NCC's responsibility for the city also involves aspects that are not always visible – material and functions that are entirely essential. In 2017, we had a fantastic year for our stone, gravel and asphalt production.

Using new technology, we are also modernizing our quarries. We will be first in the industry to have fully digitalized customer stations with generous opening hours for our customers, who want to buy or sell stone, gravel, asphalt and other materials.

At the same time, we are now incorporating our digital activities for areas including building materials, logistics and transport. The objective is to scale up the business and have the possibility of bringing in external capital. This is where we are putting Loop Rocks, among others.

If we are going to capitalize on the growing market, we need to attract and include more people in the company. In the long term, the goal is for our employees to reflect society. One initiative to integrate people born abroad is NCC New Start, an education program aimed at foreign-born engineers who are seeking employment. In a few weeks' time, a second round of 18 engineers in Stockholm and Gothenburg will complete a 30-week training program, in which theory has been alternated with practical work through NCC, Kunskapsskolan and the Job Center.

The ambition is to be able to offer the participants employment after completion of their training. Approximately 13 percent of NCC's employees are women. I wish that there were many more.

NCC wants to bring in more women to all of our worksites. Accordingly, we have implemented the site manager program in Sweden for women only. NCC is also working to achieve equal-gender teams, with the aim that no gender will account for more than 70 percent of a work team. In cooperation with Introduce a Girl to Engineering day (IGEDay), NCC is opening selected Swedish construction sites to young women for one day.

In 2017, NCC participated in PEPP, a multi-level mentorship program, whereby NCC employees act as mentors for women studying engineering, who act in turn as mentors for girls studying at high school.

To get children and young people to show an interest in mathematics and construction from a young age, NCC is the Nordic sponsor of the Math Center and is the driving force behind NCC's Children's Construction School in several locations.

Taking in trainees is a way of attracting young people to our industry. In total, NCC took in 1,714 trainees, summer employees and apprentices in our four Nordic countries.

To be able to attract new employees, it is important to measure and evaluate how contented our employees are and how they view NCC. Nine years of surveys show that we have a high degree of dedicated employees. According to Universum's annual survey, Sweden's Ten Best Employers, NCC was named one of the ten most appreciated employers in 2017.

I will now come back to where I started. We have had additional focus on profitability and safety during the months that I have been Acting CEO. And we have implemented a number of measures that will have an effect in the long term. Now it will soon be time for me to hand over to our new CEO Tomas Carlsson, and I am certain that Tomas will develop NCC in the best possible way.

Thank you