Annual report
2019

Contents

2,214

Cash flow from operating activities (SEK M)

58,048

Orders received (SEK M)

1,296

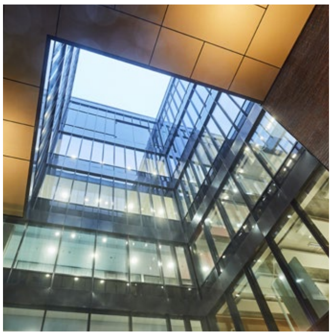
Operating profit (SEK M)

Safety is a high priority area at NCC, and our vision is zero accidents. In 2019, the accident frequency rate for NCC as a whole declined and all business areas made positive progress.

7.0

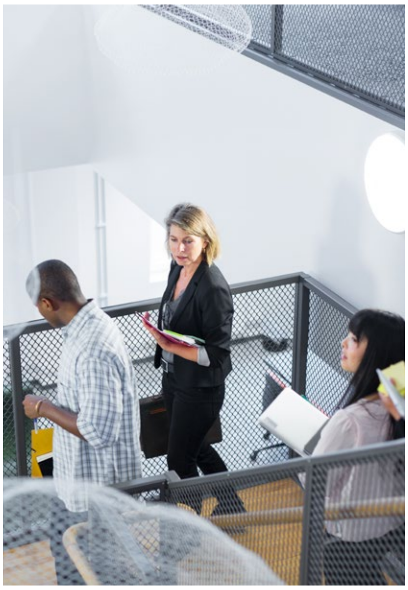
Accident frequency (9.5)

Cover photo: Valle Wood, Oslo.



58,234
Net sales (SEK M)

12,245
Paved roads (km)



100
Pipelines (km)

In 2019, NCC renewed nearly 100 kilometers of water and sewage lines in the Nordic region. Read more about trenchless pipeline installation on page 90.

SMART LEARNING ENVIRONMENTS

In 2019, NCC had more than 70 school projects in progress. One of them was the Brogårdaskolan School in Bjuv, southern Sweden, an innovative place of learning that puts educational needs at the forefront. Read more on page 8.

On the right track

NCC is one of the Nordic region's leading construction and property development companies. We stand on a stable and profitable foundation based on healthy demand, a multitude of frequently long-term customer relationships and employees with solid expertise, broad experience and strong technical know-how. The core of our business is managing and delivering successful construction projects.

In addition to everyday work in all of these projects and in our industrial and property development operations, the focus in 2019 was on creating conditions for a sustainable improvement in profitability and launching efforts to define the company's future strategic orientation and operational model. During the year, our performance and rate of change was favorable. NCC enters 2020 as a stronger company with higher profitability.

NCC is a Nordic construction company with commercial property development and industrial production. The company engages in both small-scale assignments and major complex projects. We have five business areas, but fundamentally have three different businesses: Construction and civil engineering operations, industrial operations and commercial property development. The conditions in these businesses vary, as do their priorities and expectations. However, there are strong and key links between all of the operations.

In 2019, we implemented important parts of the action plan adopted in late 2018 with the aim of stabilizing NCC and creating a platform for a sustainable improvement in profitability. I can confirm that we have made significant improvements, and that these have been made in all business areas and in all countries.

- **Distinct organization and the right teams**
  We have strengthened the organization in a number of key positions and clarified the structure.
- **Exit unprofitable businesses**
  Most of the small-scale operations and assets identified for sale in autumn 2018 have been sold or closed down. Divestment of the Road Services division is under way.
- **Program to turn profitability around**
  A structured action program is under way in a number of identified departments in the company.
- **Skills enhancement and improved processes**
  Internal processes for selecting, securing and implementing projects have been strengthened and we have launched the NCC Project Management Academy.

Focus on projects

Work is now focusing on ensuring that these improvements become permanent, that the progress continues and that we build more resilient and sustainable profitability for the future throughout the company. Key components include a clear focus on the projects, in the form of stronger internal processes prior to tendering, and investing in skills development and knowledge transfer both in and outside the company. We have also initiated a comprehensive project involving the company's future IT architecture. This is to make it possible for NCC to work in a more data-driven manner and to utilize the opportunities that increased digitalization entails throughout the value chain.

A major change process was also launched during the year, with the focus on creating a joint operational model for NCC in the medium and long term. A large number of employees are involved in identifying and prioritizing activities and creating a foundation for a clear direction moving forward. This work will result in a distinct base for NCC in the future that is firmly rooted in the company.

Profitability ahead of volume

To increase the stability of the company, we have made it clear that we must choose the right tenders and prioritize profitability ahead of volume. Risks associated with tenders are balanced against the earnings potential. With stronger internal processes for the tendering stages, we are able to analyze the risk in every project and make distinct choices. There have been a number of attractive projects and our orders received have been satisfactory. We are gradually approaching higher and more stable profitability within project operations.

However, a lower risk profile does not mean lowering our ambitions. We must endeavor to always make continuous improvements, we must undertake complex projects and we must be a professional partner to our customers and the most attractive employer in the industry.

Performance during the year

NCC reported improved earnings in 2019. Operating profit was SEK 1,296 M, equal to an operating margin of 2.2 percent. Although this was better than in 2018, we have some way to go before achieving our objective of an operating margin of ≥4 percent. If we disregard the remeasurements and restructuring costs charged against the third and fourth quarters of 2018, and which resulted in a significant operating loss in 2018, operating profit improved by 36 percent. Net sales increased slightly.

Orders received were slightly lower year-on-year but there were variations among the business areas. In the Nordic construction operations, orders received rose sharply, driven primarily by major projects in Denmark, while there was a slight decline in Sweden. Due to conscious decisions to increase profitability through selective tendering procedures, orders received by the Road Service division, which is to be divested, declined. Orders received by the remaining civil engineering operations were on a par with the preceding year, if the large-scale order for the Centralen project, which was booked in 2018, is excluded. Industrial

operations were on the same level as in 2018. The total order backlog is larger than it was a year ago.

Earnings in all of the business areas active in construction and civil engineering continue to be impeded by projects with low profitability and by more cautious recognition of profit at early project stages. Earnings will improve as the project portfolio is renewed and replenished, and as the actions to improve profitability have an impact.

Activity in property development was high. A number of important sales were implemented during the year, such as the Valle Wood and Valle View office projects in Norway, and adjacent development rights in the Helsfyr area, two office properties in Fredriksberg, Finland, and the K12 property in Järva krog in Solna, Stockholm, where NCC has its new Head Office. Leasing activity was high.

NCC has the financial strength needed to drive and develop the business. Toward year-end, the company generated a strong cash flow. The return on shareholders' equity was 32 percent, exceeding the target of 20 percent. NCC's net debt comprises pension debt, lease liability and other net debt. The financial objective is that other net debt in relation to EBITDA will be less than 2.5. At the end of 2019, NCC had net cash, meaning no net debt at all in this respect. NCC's dividend policy states that at least 40 percent of after-tax profit for the year is to be distributed to the shareholders.

Favorable market conditions despite signs of economic weakening

The market in the Nordic region is largely favorable. There are, however, challenges, such as increased competition from mid-size companies that are emerging in local markets, and the establishment of non-Nordic players. But there are also major opportunities moving forward. The economies of the Nordic countries are robust and we are experiencing healthy demand in general, driven by such factors as population growth and urbanization. In Sweden, demand has weakened somewhat from a very high to a more normal but strong level.

We noted that levels in the Nordic housing market stabilized during the year. In Sweden, rental apartments accounted for two thirds of orders received, which reflects the changes in the market. In general, demand for renovation and refurbishment is strong. In Norway and Sweden, public sector initiatives are driving the infrastructure market, which is resulting in many attractive projects. Demand for asphalt and stone materials in Norway and Sweden is stable, driven by a strong civil engineering market.

Complex market conditions impacting the industry

The need for investments in, for example, infrastructure expansion is great virtually throughout the Nordic region and functional transportation facilities are vital for a functioning society. NCC links towns with rural areas through smart and sustainable infrastructure solutions. The planning and preparation horizon for many of the investments encompassed by NCC's offering is long, often as much as 15–20 years, and can extend over entire business cycles. Infrastructure construction can rarely be managed separately from other construction. In Stockholm, for example, the build-out of the Eastern Link is necessary to cope with the region's growing traffic situation. In this project, we can clearly see the problems resulting from the long processing periods required for projects of this magnitude.

Well-founded decisions, checks and legislation aimed at preserving and protecting valuable areas are important; however, the lack of predictability and the protracted period required for decisions both prior to and during projects has an adverse impact on implementation and completion of major projects that are of vital importance to a well-functioning society. This is leading to delays in the projects, and often results in conventional solutions that no one questions, rather than investigating innovative new opportunities that drive development forward. This is also pushing up costs. A more long-term approach among all those involved – customers, politicians and construction companies – would benefit the stability of residential construction and social infrastructure.

Construction projects are characterized by the fact that the conditions change over the course of the project, due to technical factors or other changes, and therefore project planning has to be updated and changes regulated. Regulation of these changes is a natural feature of the industry and they are usually managed as they arise. In Norway, the market has been characterized for a number of years by an exceptionally high conflict level, which is creating a climate in which it is difficult to conduct good business, with alarming consequences for future investment levels. Commercial conditions in Norway have also entailed other impediments; for example, in the event of a dispute with customers, the construction company is required to pay VAT on the entire sum before the amount has even been addressed, which can delay projects by several years when conflicts are postponed until after the project close.

We are pleased that the Norwegian government has now decided to examine this and that there are indications of a more collaborative climate.

Digitalized work methods for increased productivity and higher customer value

The Swedish construction sector is in the middle of a comprehensive digitalization migration process and we will see an increasingly rapid pace in terms of digital progress in the future. NCC was quick to utilize this cutting-edge technology and has a high level of maturity and understanding of the benefits represented by digitalization. The real power comes when we can use the data we integrate in our own projects and systems relating to how we build successfully, and use this in new projects. An increasingly integrated and controlled information flow between processes in the construction projects will contribute to shorter lead-times, higher quality and improved productivity. On this basis, a project has been launched to develop our IT architecture and renew our systems and our work methods. The project process will extend over a number of years and is expected to result in even better decision-making support and reduced risk levels through more efficient work methods.

Responsible enterprise entails working sustainably

The purpose of NCC's sustainability work is to help create conditions for people to work, reside, travel and live in a sustainable manner. NCC supports the UN's Global Compact and its ten principles in the areas of human rights, labor conditions, the environment and anticorruption. They form the foundation for NCC's future development, as defined in our sustainability framework. In our communication on progress (CoP), we describe the measures we are taking to integrate the Global Compact and its principles into our business strategy, culture and daily operations. Our sustainability work also encompasses the UN's global Sustainable Development Goals (SDGs). NCC has selected four global goals where we have the greatest potential to contribute through societal solutions, and has identified a further 11 targets that are fundamental to our operations and offerings.

A key feature of our sustainability work is limiting the environmental impact generated by our operations. For example, we are working to recycle asphalt and, to date, NCC has converted 25 of a total of 28 asphalt plants in Sweden to being fueled by biofuel rather than oil.

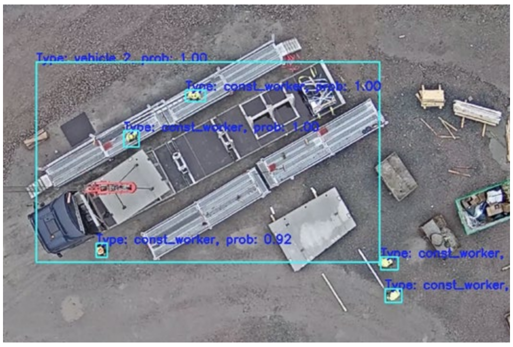
During the year, NCC provided the capital market with an opportunity to invest in green projects by issuing green bonds in a combined amount of SEK 1.6 billion. The proceeds will be used to finance green investments, primarily in sustainable property development projects and further conversion to renewable energy sources at asphalt plants.

High level of safety vital for the operations

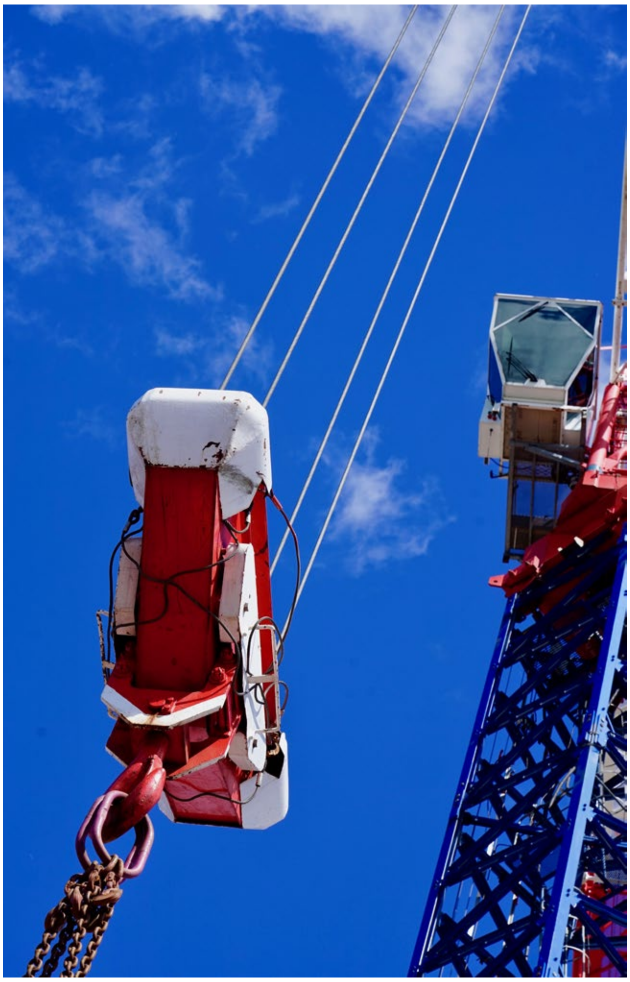
One of our most important priorities for the operations involves the work environment and safety. NCC is striving for a zero accident work environment and our aim must always be to make worksites 100 percent safe and secure. The trend progressed in the right direction in 2019 with lower accident figures than before, but we are not content and these efforts must continue to be prioritized. During the year, responsibility for safety was clarified and decentralized to business areas to a greater extent, with fewer and clearer processes. We thereby achieve more focused work with the potential to take targeted actions in respect of preventive safety measures, where there is cause to do so. This could involve anything from education and training to support from Group staffs and increased management presence.

Our worksites are characterized by a strong safety culture and, during 2019, nine out of ten were completely free from accidents leading to absence from work.

Although safety awareness and caring about oneself and one's work colleagues is completely fundamental to a high safety level, modern technology and digitalization can contribute to further raising the level of safety. For example, NCC is testing how AI technology, in the form of digital safety barriers and object identification, can help to make crane lifts safer by increasing control of what is happening directly under the crane.



The AI technology tests using digital safety barriers at Ångströmslaboratoriet, in Uppsala, Sweden, have shown that it is possible to both discover, and by extension also warn, employees who are in or about to enter a risk zone.



Securing key competencies

In recent years, we have noted a distinct trend that projects are becoming increasingly complex and comprehensive, a factor that demands a lot from employees, both at NCC and in the customers' organizations, and this relates in particular to project-managing engineers. Since the construction industry is facing major challenges in respect of competency supply, NCC works in various ways to cope with this development through frequent contacts with universities and colleges, trainee positions, apprenticeship schemes and other activities that enhance interest in the industry and in NCC.

During the year, we also highlighted issues related to skills development internally throughout the company. Employees are offered further training in managing projects, but also in the form of leadership training courses. Our platform for promoting knowledge is NCC Project Management Academy, through which we offer further training with a variety of orientations. NCC Project Management Academy's greatest initiative is a skills inventory and development program designed to improve the project management competencies of the company's just over 500 project managers in the various countries. Based on the results, customized development initiatives are formulated at both an individual and organizational level. The initiatives range from workshops with expert functions to mentorship.

Work in progress

In November, we moved into our new Head Office located in the middle of the city district that NCC is developing around Järva Krog. The focus is on a productive work environment that will promote health and sustainability for both employees and inhabitants of the new city district.

We can look back on a year of action and perseverance. The strategic actions we took in 2018 and 2019 have started to generate results. We worked systematically with the action program and change process during the year and I am proud of the progress we have made. However, a lot of work remains before the measures gain their full impact. The focus in 2020 will be on keeping to the charted course for developing and strengthening NCC as one of the leading construction companies in the Nordic region.

With that, I would like to thank our employees, customers, business partners and shareholders for the past year. I look forward to a continued stable and sustainable development in 2020.

Solna, March 2020

Tomas Carlsson
President and CEO

We're building for the future

NCC is one of the leading construction and property development companies in the Nordic region, with sales of more than SEK 58 billion and 15,500 employees. NCC is active throughout the value chain in its efforts to create environments for work, living and communication.

CONSTRUCTION AND CIVIL ENGINEERING

NCC Infrastructure

Builds infrastructure for travel, transportation, energy and water. Operations comprise projects of all sizes and encompass solutions ranging from water and sewage treatment, storm water management and wind power to roads, railways, bridges and tunnels. Although the business area is Nordic, operations are mainly conducted in Sweden.

NCC Building Sweden

Builds and renovates sustainable housing, offices, healthcare buildings, schools, sports facilities and public buildings for public and private customers in Sweden. With advanced skills in sustainability, digitalization and partnering, NCC Building Sweden develops projects jointly with customers starting at the early stages.

NCC Building Nordics

Builds and renovates sustainable housing, offices, healthcare buildings, schools, sports facilities and public buildings for public and private customers in Denmark, Finland and Norway. Renovation of existing housing and offices has become an increasingly important part of the operations in recent years.

INDUSTRY

NCC Industry

Offers products and services for construction and infrastructure projects in Sweden, Norway, Denmark and Finland. Operations comprise production of stone materials and asphalt products, paving works and foundation engineering. These components form a natural supply chain that is well integrated into NCC's construction and civil engineering operations.

DEVELOPMENT

NCC Property Development

Develops and sells sustainable office, logistics, commercial and public services properties in prime locations in defined growth markets in the Nordic region. Operations are characterized by close cooperation with the customers to create flexible, customized and healthy worksites.

FINANCIAL OBJECTIVES AND DIVIDEND POLICY

NCC has established the following financial objectives for the Group:

Operating margin: ≥4%
Outcome 2019: 2.2%

Annual return on equity after tax: ≥20%
Outcome 2019: 32%

Corporate Net debt: <2.5 times EBITDA
Outcome 2019: –0.03 times EBITDA

Dividend policy: ≥40% of after-tax profit is to be distributed to shareholders
Outcome 2019: 62%

The three businesses and business areas pursue the following profitability and return targets:

Construction and civil engineering
Operating margin: ≥3.5%
Outcome 2019
NCC Infrastructure: 1.2%
NCC Building Sweden. 2.5%
NCC Building Nordics: 2.0%

Industry
Operating margin: ≥4%
Outcome 2019: 3.9%
Return on capital employed: ≥ 10%
Outcome 2019: 9.0%

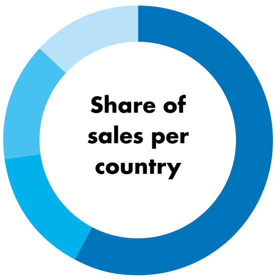
Development
Operating margin: ≥10%
Outcome 2019: 10.2%
Return on capital employed: ≥ 10%
Outcome 2019: 6.2%

1,700
Total construction market sales in the Nordic region, SEK bn[1)]

SWEDEN NORWAY DENMARK FINLAND
NCC's geographical markets

3%
NCC's market share[1)]

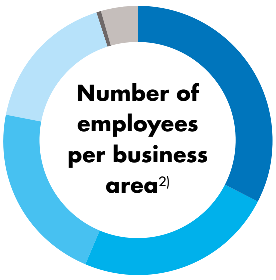
SALES 2019

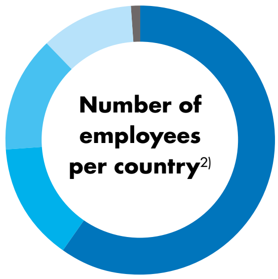


- NCC Infrastructure, 29%
- NCC Building Sweden, 23%
- NCC Building Nordics, 19%
- NCC Industry, 19%
- NCC Property Development, 5%
- Road Services (for sale), 5%

- Sweden, 58%
- Norway, 15%
- Denmark, 14%
- Finland, 13%

EMPLOYEES 2019





- NCC Infrastructure, 4,967
- NCC Industry, 3,650
- NCC Building Sweden, 3,325
- NCC Building Nordics, 2,582
- NCC Property Development, 109
- Other, 640

- Sweden, 9,163
- Denmark, 2,151
- Norway, 2,120
- Finland, 1,671
- Other, 168

CLOSED-LOOP FACILITY OF THE FUTURE

At Högbytorp, in Upplands-Bro Municipality, northern Stockholm, NCC has constructed a new cogeneration plant for the energy company E.ON. The cogeneration plant is part of a larger closed-loop facility designed to satisfy the need for sustainably generated energy from a growing Stockholm region.

The new closed-loop facility will produce electricity, district heating and biogas from recovered energy. It includes the cogeneration plant constructed by NCC and a biogas facility for Hitachi Zosen Inova (HZI), for which NCC was responsible for earth and construction works.

Complex civil engineering works
The assignment to construct the new cogeneration plant included both technologically complex construction and installation works and advanced earth, concreting and civil engineering works.

The plant will utilize a full 99 percent of the energy in the fuel. Metals will be recovered from the ash that remains after incineration, while hazardous substances will be taken care of and phased out of the ecocycle.

NCC's combined competencies yield effects
The cogeneration plant was constructed as part of a partnering project between E.ON and NCC. This cooperative format is ideal for complex projects where the final design is not obvious at the beginning. NCC contributed competencies from its earthworks, civil engineering and building departments in Stockholm to create a sustainable solution for our customer and society as a whole.

Högbytorp
- Customer: E.ON
- Construction period: 2017–2019
- Contract format: Partnering
- Contract value: SEK 750 M

[1)] Source: Euroconstruct November 2019.
[2)] Refers to the average number of employees.

Read about more of our projects on the following spread →

We develop projects with the aim of finding smart new solutions for both small and major problems. Read more about a number of recently completed projects.

"In 2019, the National Board of Housing, Building and Planning recognized the Brogårdaskolan school as a prime example of a new school building"

The new Brogårdaskolan school

- Customer: Municipality of Bjuv
- Construction period: Summer 2017–January 2019
- Contract format: Partnering
- Contract value: SEK 150 M

Read more about the project in our digital annual report.

INNOVATIVE SCHOOL COMPLETED AS PART OF A PARTNERING PROJECT

The development and construction of schools is an important social initiative and a priority for NCC. The new Brogårdaskolan School in Bjuv, southern Sweden was completed in 2019.

The project was completed through a partnering project in close cooperation between the municipality, architects and NCC. The school has been built from the "inside out," putting educational needs at the forefront. All of the spaces can be used for educational activities and the school's outdoor environment offers a complementary educational environment. In addition, all of the classrooms are close to the surrounding nature.

Focus on the needs of operations

The school's design is based on a new and innovative approach to how a school should work, with the focus on an environment of learning and high educational values. It has evolved from the needs of operations, and through the considerable involvement of both teaching staff and pupils. This makes the school sustainable over time and means that in can be used in the optimal way for educational activities.

The new school was built beside the old one and has space for 470 pupils. The building has a three-section brick body with abundant indoor natural lighting and teaching spaces that face north.

Roof vegetation contributes to a soft transition between the building and the landscape, and has a positive impact on the local environment, by both preserving biodiversity and reducing the volume of surface water.

The Falkoner Center following renovation.

DB SCHENKER FINLAND, NATIONWIDE PAVING CONTRACT

In 2019, NCC and Schenker renewed their long-term contract for the maintenance of paving at logistics centers in Finland. Under the contract, NCC and DB Schenker's terminal managers will jointly devise maintenance planning for a facility, resulting in a more cost-effective maintenance. Parts of DB Schenker's facilities in Finland are paved with NCC's specialty products, NCC Viaco and NCC Strongphalt, both of which are sustainable paving products and designed for heavy vehicles. Most of the paving is also conducted using NCC Green Asphalt, a product that reduces carbon emissions by up to 25 percent.

DB Schenker Lundo

- NCC has conducted works at newly constructed plants in Nurmijärvi, Vantaa, Pori and Lieto, near Turku. 70,500 square meters of paving was laid at the Lieto terminal site in 2019.

PROPERTY DEVELOPMENT FROM START TO FINISH

NCC has sold the Valle Wood and Valle View office projects, including the remaining development rights in the Helsfyr district of Oslo, to Valle Eiendom Holding AS, one of Pareto Securities' newly formed property companies, for nearly SEK 2 billion. The development, construction and sale of Valle Wood and Valle View are prime examples of NCC's strengths as a full-service property development supplier.

Revitalizing urban development
In this urban-development project, NCC was an active driver in making the Valle district a vital part of the Norwegian capital. The office projects have been built in phases, with Valle Wood being completed in summer 2019 and is Norway's largest solid-wood commercial property.

Phase 2, Valle View, has started and been leased to the Norwegian Directorate of Immigration (UDI), with completion scheduled for the second quarter of 2021. Both of the projects are planned to be environmentally certified according to BREEAM Excellent.

Valle Wood and Valle View

- Customer: Valle Eiendom Holding AS
- Construction period: Valle Wood completed in 2019 and Valle View scheduled for 2021
- Contract value: SEK 2 Bn

Refurbishment boosted entire city district

After more than two years of construction, refurbishment and expansion, the Falkoner Center in Frederiksberg, Copenhagen, is ready. ATP Ejendomme and NCC have transferred responsibility for the building to Scandic Hotels, which opened the refurbished hotel and conference center in August 2019. The refurbishment, which was performed in parallel projects in a complex building while the operations of a number of tenants were still in progress, was successful thanks to close cooperation between the developer, the architect and the consultant.

The refurbished building boosts the surrounding city district, benefiting tenants, users and neighbors.

The Falkoner Center is an excellent example of NCC's longstanding experience of large-scale, complex refurbishment projects with a focus on early involvement and close cooperation with the developer and the consultant.

The Falkoner Center

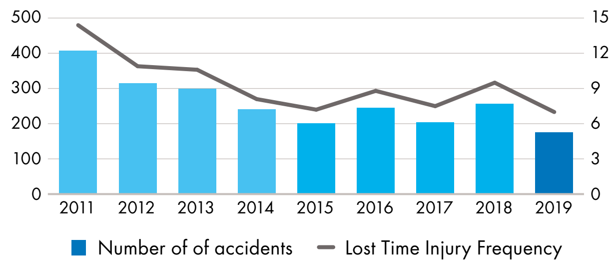
- Customer: ATP Ejendomme A/S
- Construction period: October 2016–June 2019
- Contract format: Division into phases (early involvement)
- Contract value: SEK 640 M

A safe workplace where skills grow

NCC pursues an objective of becoming the company with the best project managers in the industry. To achieve this, major skills development initiatives were implemented in 2019, which included extensive employee competency mapping, individual and organizational development and customized training programs for key positions. Competent employees working in a safe environment are NCC's principal asset.

Safety – NCC's highest priority

Since employees in the construction and civil engineering industry are exposed to various types of risks at worksites, considerable safety awareness forms the foundation for all NCC operations. NCC had its lowest accident frequency rate ever in 2019. The reasons include a more thorough analysis of data, which led to targeted actions in high-risk areas and units, together with an additional increase in safety awareness. Read more about NCC's safety work in the sustainability report on p. 83.



↑
Lost Time Injury Frequency – work related accidents with one day or more absence from ordinary duties per one million worked hours.

Continuous skills development for a sustainable career

NCC is active in an industry that is currently making great strides forward, not least in relation to digitalization and efficient project management. NCC wants to spearhead this development. Accordingly, NCC conducts active skills development work throughout the employees' careers and in order to become a pioneer in creating a modern, learning organization that adapts to today's rapid advances. It should be possible for NCC's employees to develop throughout their careers, for example, from being a carpenter to a supervisor orfrom a site manager to a project manager for megaprojects.

Focus on project managers through NCC Project Management Academy

In addition to continuous skills development of employees and managers, NCC has launched an extensive and targeted initiative to develop the skills of its project managers – the NCC Project Management Academy. This initiative, which was launched in 2018, is a prerequisite if NCC is to continue to deliver the most profitable projects to our customers and be an attractive employer.

→
"Attending the NCC Mega Project Management Program gives me greater understanding of the differences between managing a large and a megaproject. I'm getting lots of inspiration, a network of colleagues with the same challenges and new knowledge," says Trine Tindborg (project manager, Kronløbsøen megaproject in Copenhagen), who joined the program in September 2019.

Gender breakdown of employees

15%
Women (14)

85%
Men (86)

Gender breakdown of management teams[1]

32%
Women

68%
Men

[1] In 2019, the number of management teams in the survey was expanded to include all management teams from the Executive Team to department management or the equivalent.

It comprises both training and other programs, such as competency mapping and individual development plans.

Competency mapping and development

A key feature of the NCC Project Management Academy during 2019 was a mapping of employees competency and development designed to enhance the project management skills of the company's just over 500 project managers in the various countries. Tests and discussions are used as tools to map every project manager's strengths and improvement areas. The results take the form of customized development initiatives at both an individual and organizational level. The initiatives are primarily implemented locally and range from workshops with expert functions to mentorship.

The art of leading megaprojects

Successfully managing projects is a core operation at NCC and is the foundation for everything we do. Really large projects are both complex and challenging. NCC's Mega Project Management Program is a development program aimed at project managers responsible for projects of SEK 1 billion and above. The program extends over one year and two rounds of programs have started to date, attended by a total of 35 experienced project managers. All of the participants are assigned a mentor during the course of the program.

Diversity and inclusion yield efficient teams

NCC is convinced that companies and work groups comprising employees with different backgrounds, genders, skills and experiences have greater potential to achieve better results, increase their innovativeness and simultaneously deliver greater social value.

NCC works actively to broaden its recruitment base to increase diversity, attract more candidates to the construction industry and create an inclusive culture that enables our employees to thrive and enjoy their work.

Workshops on NCC's values

NCC is a value-guided company. In 2019, nearly half of the employees in the business areas NCC Infrastructure in Sweden and NCC Building Sweden participated in workshops on NCC's core values. These have been led by 100 internal moderators. Through this program, the employees have enhanced their knowledge of NCC's values and gained new insights into diversity and inclusion. The initiative will continue in 2020.

Active efforts to recruit women to the industry and develop their skills

Stella has been running since 1998 and is NCC's network for female engineers and academics. Its aim is to support women at NCC, enabling them to exchange experiences, evolve in their roles and be able to assume senior positions at NCC. There are still too few woman in production – which is why Stella, with its 500 active members, is needed.

Examples of activities to broaden the recruitment base

NCC is active in a variety of forums and networks:

- Teknikspranget – traineeships for attracting more people to engineering studies in Sweden
- Kompetensbygget – traineeships for future civil engineers in Sweden
- Arbetsledarsskolan (The Supervisor Academy) – a two-year internal program targeting blue-collar employees working for NCC in Sweden who want to advance in their careers as supervisors.
- Trainee programs in Finland and Sweden
- Apprenticeships, traineeships and degree projects in Sweden, Norway, Finland and Denmark
- The Diversitas network, Norway's leading network for diversity and equal opportunity in the industry.
- Dansk Byggeris Kvinderåd, a Danish forum established to attract more women to the industry.

←
Martin Florin has attended the Supervisor Academy, He was encouraged by his boss to apply. Martin changed occupation, from a carpenter to a supervisor. "It was fantastic attending an in-house course that gave me the chance to grow. Otherwise, I would have probably eventually applied for a position in another company. One wants to develop and grow."

NCC's core values

NCC's values and Code of Conduct function as a compass for both employees and business partners. They form the foundation for how we behave and act in everyday working life and provide guidance in our decisions.

Our four values

- Honesty
- Respect
- Trust
- Pioneering spirit

Report of the Board of Directors

The Board of Directors and the President of NCC AB (publ), corporate identity number 556034-5174 and headquartered in Solna, Sweden, hereby submit the Annual Report and the consolidated financial statements for the 2019 fiscal year.

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.

GROUP RELATIONSHIP

From January 22, 2003 through May 20, 2016, NCC AB was a subsidiary of Nordstjernan AB, corporate identity number 556000-1421. At the end of 2019, Nordstjernan had an ownership corresponding to 48 percent (47) of the voting rights in NCC AB, thus making NCC an associated company of Nordstjernan.

OPERATIONS

NCC is one of the leading Nordic construction and property development companies, with the Nordic region as its home market. NCC is active throughout the value chain – developing commercial properties and constructing housing, offices, industrial facilities and public buildings, roads, civil engineering structures and other types of infrastructure. NCC also offers input materials used in construction and provides paving.

OPERATIONS DURING THE YEAR

Market

In general, market conditions remain favorable in the long term, though in certain submarkets a more cautious attitude could be noted, which is prolonging decision processes. The economies of the Nordic countries are robust, and NCC's experience is that demand is good. The need for public buildings such as schools, hospitals and retirement homes is driven by growing cities and the demographic trend. Demand for housing has stabilized. In general, there is a good demand for renovation and refurbishment.

Public-sector infrastructure initiatives are fueling the Nordic infrastructure market, resulting in a continued strong market in Norway and Sweden. Due to intense competition from both domestic and international players, NCC only tenders offers for projects that meet the risk profile and profitability requirements NCC has set. Demand for asphalt and stone materials in Norway and Sweden is stable, driven by a strong civil engineering market.

Low yield requirements from investors and high demand for new premises that are modern and sustainable, primarily in major city areas, are providing favorable market conditions in the Nordic property market.

Changes in Board of Directors and senior executives

Carola Lavén, who was Business Area Manager of NCC Property Development and a member of the Executive Team (ET), left this position on July 22, 2019. On May 15, 2019, Joachim Holmberg was appointed the new Business Area Manager of NCC Property Development and member of the Executive Team. He assumed his new position on September 1, 2019.

On December 6, 2019, NCC announced that the Nomination Committee proposes that Alf Göransson will be elected new Chairman of the Board. The Nomination Committee also proposes Simon de Château as a new Board member. Board members Tomas Billing and Ulla Litzén have declined reelection. The six other Board members will be nominated for reelection.

Orders received

Orders received amounted to SEK 58,048 M (61,842). The decrease during the year was mainly due to a major project (Centralen) in NCC Infrastructure, which was registered among orders in 2018. Orders received by NCC Building Nordics were higher than in the preceding year, while NCC Building Sweden reported lower orders received. Changes in exchange rates impacted orders received by SEK 628 M (1,067).

Order backlog

The Group's order backlog amounted to SEK 57,800 M (56,837) at year-end. The higher order backlog was primarily attributable to NCC Building Nordics' Danish operations, which had a high level of orders received during the year. The increase was offset somewhat by lower orders received by NCC Building Sweden. In NCC Infrastructure, one large project (Centralen) was registered among orders in 2018. Changes in exchange rates had a positive impact of SEK 456 M (542) on the order backlog.

Net sales

Net sales totaled SEK 58,234 M (57,346) during 2019. The increase in net sales was mainly attributable to NCC Building Nordics and NCC Property Development but NCC Infrastructure and NCC Industry also noted a year-on-year increase. Only NCC Building Sweden showed a year-on-year decline, due to a decrease in orders received in 2018. Changes in exchange rates had a positive impact of SEK 519 M (1,077) on sales.

Net profit for the year

The NCC Group's operating profit for 2019 was SEK 1,296 M (–764). The operating result in 2018 was impacted strongly by the provisions, revaluations and impairment losses done in late 2018. Excluding the

ORDERS RECEIVED, ORDER BACKLOG, NET SALES AND EARNINGS PER BUSINESS AREA

	ORDERS RECEIVED		ORDER BACKLOG		NET SALES		OPERATING PROFIT/LOSS	
SEK M	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018
NCC Infrastructure	16,601	21,271	20,389	21,037	17,425	16,936	212	–743
NCC Building Sweden	12,741	15,075	16,561	18,709	14,851	15,701	364	453
NCC Building Nordics	16,080	11,229	15,807	11,313	11,769	10,753	231	–227
NCC Industry	12,852	12,943	2,967	3,092	12,971	12,968	511	350
NCC Property Development					3,056	2,157	313	–181
Total	**58,274**	**60,519**	**55,725**	**54,152**	**60,071**	**58,514**	**1,631**	**–347**
NCC Road Services	1,617	3,609	2,816	3,749	2,624	2,855	20	–251
Other and eliminations	–1,843	–2,286	–740	–1,063	–4,461	–4,024	–355	–166
Group	**58,048**	**61,842**	**57,800**	**56,837**	**58,234**	**57,346**	**1,296**	**–764**

effects of these items, profit for the year improved in four of the business areas and finished at the same level in NCC Building Sweden. More projects were recognized in profit in NCC Property Development in 2019, compared with 2018, which contributed to improved earnings. In NCC Building Nordics, higher margins in both ongoing and newly started projects contributed to improved earnings.

Other and eliminations amounted to SEK –355 M (–166). This item included SEK –204 M (–187) for NCC's Head Office and results from minor subsidiaries and associated companies.

Net financial items amounted to SEK –112 M (–85). The increased lease liability due to the new IFRS 16 accounting standard impacted net financial items by SEK –42 M during the year. Profit after financial items totaled SEK 1,184 M (–849). Profit after tax for the year amounted to SEK 875 M (–750).

Comprehensive income for the year

Comprehensive income for the year totaled SEK 576 M (–1,352). The change derived mainly from net profit for the year and the remeasurement of defined-benefit pension plans, for which a minor reduction in the inflationary assumption and a larger reduction in the discount rate resulted in an increase in the pension debt in 2019. Any tax effects from the above transactions are recognized separately refer also to Note 24, Tax on net profit for the year, deferred tax assets and deferred tax liabilities.

BUSINESS AREA

NCC Infrastructure (excl. Road services)

NCC Infrastructure's orders received totaled SEK 16,601 M (21,271), with the year-on-year difference due to the order registration of the Centralen project (SEK 4.7 billion) in Gothenburg in the first quarter of 2018.

The earth and groundworks segment accounted for the largest share of orders received, and Sweden still constituted a large proportion of total orders received. Examples of projects included in orders received during the year were D14 Mindemyren in Norway, about SEK 0.9 billion, the Western Link in Umeå, SEK 0.4 billion, and the Arninge travel hub in Täby, Stockholm, SEK 0.4 billion.

The order backlog declined year-on-year to SEK 20,389 M (21,037) at year-end.

Net sales rose to SEK 17,425 M (16,936) during the year. The higher level of sales is primarily attributable to Norway, which has major ongoing projects. Earth and groundworks, roads and railways jointly accounted for nearly 70 percent of NCC Infrastructure's net sales.

Sweden is NCC Infrastructure's largest market, accounting for 75 percent (80) of sales, followed by Norway with 19 percent (15).

Operating profit improved and amounted to SEK 212 M (–743). Earnings improved in all divisions, with Civil Engineering Norway recording the largest improvement. The favorable earnings trend during the year resulted from improved profitability in ongoing projects and a somewhat larger volume. Earnings in the previous year were negatively impacted by revaluations.

NCC has decided to divest NCC Road Services and is thus recognizing this operation separately in the table below and in Note 15, Assets held for sale.

KEY FIGURES

NCC Infrastructure excl. Road Services

SEK M	**2019**	2018
Orders received	16,601	21,271
Net sales	17,425	16,936
Operating profit/loss	212	–743
Operating margin, %	1.2	–4.4
Average no. of employees	4,462	4,737
Cash flow before financing	331	–368

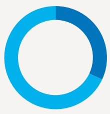
Target: operating margin ≥3.5%

KEY FIGURES

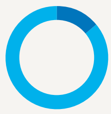
Road Services

SEK M	**2019**	2018
Orders received	1,617	3,609
Net sales	2,624	2,855
Operating profit/loss	20	–251
Operating margin, %	0.7	–8.8
Average no. of employees	505	549
Cash flow before financing	2	–113

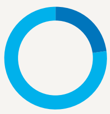
SHARE OF NCC TOTAL



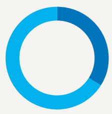
Net sales, **32** (32)%



Operating profit, **14**%



Capital employed, **23** (24)%



Average number of employees, **34** (34)%

BUSINESS AREA

NCC Building Sweden

Orders received by NCC Building Sweden in 2019 amounted to SEK 12,741 M (15,075). The share of housing units increased year-on-year, corresponding to nearly one-third of total orders received for the year. More than two-thirds of these were rental units.

One of the major projects registered in orders during the year was the new Masthuggskajen city district at an order value of SEK 1.4 billion. The housing category's share of orders received increased again following a decline in 2018 to 30 percent (17) of orders received.

The order backlog decreased to SEK 16,561 M (18,709) at year-end.

Net sales in 2019 decreased year-on-year to SEK 14,851 M (15,701). Housing remained the largest individual category, accounting for 29 percent, although a slight year-on-year decline was noted, followed by renovation and refurbishment, at just over 20 percent.

Operating profit amounted to SEK 364 M (453). Earnings were lower than in the preceding year. This includes a provision owing to a dispute related to the Rågården project. Operating profit was also impacted by the work on long-term improvements to profitability in certain sections of the operation. Earnings in 2018 were negatively impacted by revaluations.

KEY FIGURES

SEK M	**2019**	2018
Orders received	12,741	15,075
Net sales	14,851	15,701
Operating profit/loss	364	453
Operating margin, %	2.5	2.9
Average no. of employees	3,325	3,732
Cash flow before financing	371	385

Target: operating margin ≥3.5%

SHARE OF NCC TOTAL

BUSINESS AREA

NCC Building Nordics

Orders received by NCC Building Nordics amounted to SEK 16,080 M (11,229). In Denmark, orders received remained strong and the increase in orders received for the full year was attributable primarily to Danish operations. Housing units represented approximately one-third of total orders received, followed by renovation and refurbishment, which in terms of volume are at roughly the same level as in 2018.

One of the major projects included in orders during 2019 was the development of a new city district on the island of Papirøen in central Copenhagen at an order value of some SEK 1.7 billion.

The order backlog increased to SEK 15,807 M (11,313) at year-end.

NCC Building Nordics' net sales increased in 2019 to SEK 11,769 M (10,753). The increase was mainly attributable to Finland. The categories housing as well as renovation and refurbishment, which both increased during the year, were equally large in 2019. The education category also increased during the year, while the offices category declined.

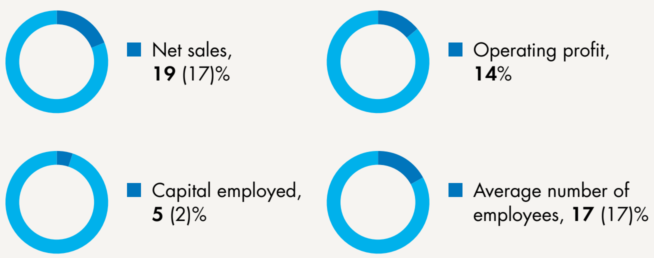
Operating profit amounted to SEK 231 M (–227), with the earnings improvement resulting from a better margin on orders received during the year, while 2018 was adversely impacted by revaluations.

KEY FIGURES

SEK M	**2019**	2018
Orders received	16,080	11,229
Net sales	11,769	10,753
Operating profit/loss	231	–227
Operating margin, %	2.0	–2.1
Average no. of employees	2,582	2,722
Cash flow before financing	187	400

Target: operating margin ≥3.5%

SHARE OF NCC TOTAL



BUSINESS AREA

NCC Industry

NCC Industry's net sales amounted to SEK 12,971 M (12,968). The foundation engineering operations in the Hercules division grew as a result of major projects in Sweden, Denmark and Norway, while asphalt and stone materials operations decreased somewhat because volumes were slightly lower than in 2018. Sold volumes of stone materials totaled 28,339 thousand tons (29,275). The net decrease was due to lower volumes of sold stone materials in Denmark and Norway, although volumes were higher in Finland. The asphalt operation's sales were lower year-on-year in all countries apart from Norway. Sold volumes of asphalt totaled 6,100 thousand tons (6,415).

Operating profit amounted to SEK 511 M (350). Earnings were higher year-on-year in all divisions, with major improvements noted in primarily the Danish asphalt plant operations and Hercules's Norwegian operations. Earnings in 2018 were negatively impacted by revaluations in the third quarter.

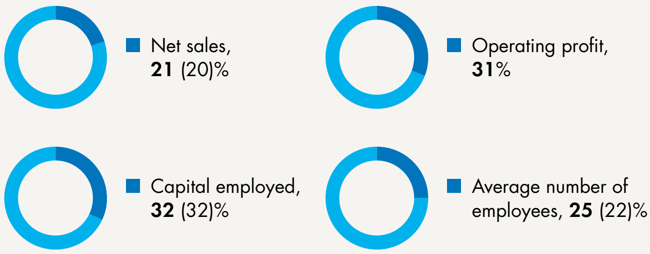
KEY FIGURES

SEK M	**2019**	2018
Net sales	12,971	12,968
Operating profit/loss	511	350
Operating margin, %	3.9	2.7
Capital employed	5,507	4,902
Return on capital employed, %	9.0	7.1
Average no. of employees	3,650	3,768
Stone materials, 1,000 tons[1]	28,339	29,275
Asphalt, 1,000 tons[1]	6,100	6,415

[1] Sold volume.

Targets: operating margin ≥4%, return on capital employed ≥10%

SHARE OF NCC TOTAL



BUSINESS AREA

NCC Property Development

Net sales for NCC Property Development improved in 2019 to SEK 3,056 M (2,157). Operating profit increased year-on-year to SEK 313 M (–181).

During the year, eleven (nine) projects were recognized in profit, of which seven in Denmark, two in Norway and two in Sweden. Earnings from projects recognized in profit, sales of land and development rights, as well as previous sales, contributed to the improved earnings. The operating net in 2019 was SEK 60 M (38).

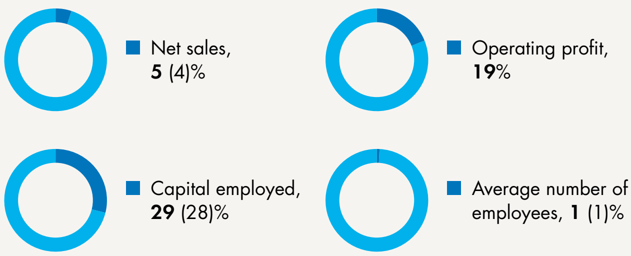
Eight (five) property projects were started during the year, of which six were office projects, one a logistics project and one school. At the end of 2019, 15 projects (18) were ongoing or completed but not yet recognized in profit at a total project cost of SEK 4.4 billion (2.7), equal to a completion rate of 44 percent (35), while the leasing rate was 51 percent (49). Leases were signed for some 98,800 square meters (71,200) during the year.

KEY FIGURES

SEK M	**2019**	2018
Net sales	3,056	2,157
Operating profit/loss	313	–181
Operating margin, %	10.2	–8.4
Capital employed	4,935	4,314
Return on capital employed, %	6.2	–3.9
Average no. of employees	109	94

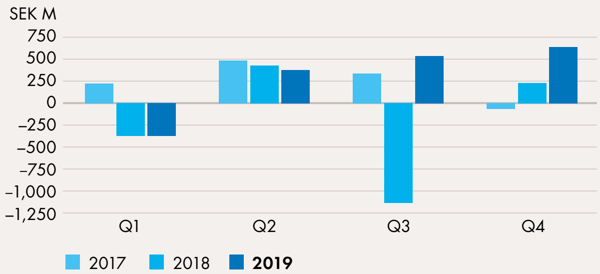
Targets: operating margin ≥10%, return on capital employed ≥10%

SHARE OF NCC TOTAL



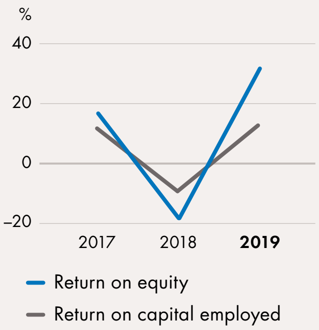
PROFIT/LOSS AFTER FINANCIAL ITEMS

Activity is generally lower in the first quarter, which leads to reduced earnings. During the third quarter of 2018, a comprehensive analysis of operations resulted in revaluations that affected profit. A number of actions were then launched in the fourth quarter of 2018 that were designed to build a strong base for the business. Earnings improved steadily in 2019.



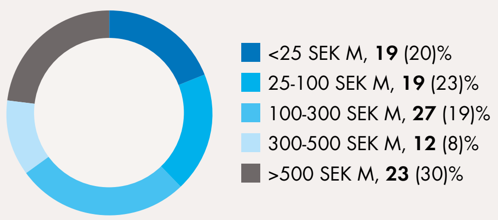
PROFITABILITY

An action program to improve profitability was launched in 2018. In 2018, profitability declined, primarily due to provisions, revaluations and restructuring costs connected to the action program. Profitability improved in 2019.



PROJECT SIZE OF ORDERS RECEIVED, CONSTRUCTION & CIVIL ENGINEERING (NCC INFRASTRUCTURE, NCC BUILDING SWEDEN, NCC BUILDING NORDICS, NCC ROAD SERVICES)

Orders received for projects of the magnitude of SEK 100–500 M increased the most during the year, while other project sizes declined. The greatest decline was noted for project sizes larger than SEK 500 M. The diagram reflects SEK 47 billion of the total orders received of SEK 58 billion. The Group's total orders received also include NCC Industry.



MAJOR ONGOING PROJECTS

Projects >SEK 500 M		NCC's share of order value	Completion rate, Dec 31, 2019, %	Estimated year of completion
Railway section, Centralen, Gothenburg	SE	5,075	24%	2026
Production facility, Gruvön Mill	SE	2,909	99%	2020
Tunnel construction, Faroe Islands	NO	2,904	46%	2024
Railway tunnel, Korsvägen, Örgryte	SE	2,290	19%	2026
National Highway 4, Hadeland	NO	1,785	99%	2020
Railway section, Venjar–Eidsvoll Nord, Eidsvoll	NO	1,723	30%	2023
Children's hospital extension, Gothenburg	SE	1,583	85%	2021
University Hospital, Örebro	SE	1,492	85%	2021
Railway section, Lund Arlöv	SE	1,430	42%	2022
Housing and commercial premises, Aarhus	DK	1,368	6%	2022
Tunnel construction, Gvammen-Aarhus	NO	1,349	99%	2020
Man-made island with housing & parking, Copenhagen	DK	1,305	3%	2023
Hospital project, Oulu	FI	1,265	12%	2023
New hospital for Hovedstaden region, Hillerød	DK	1,245	1%	2024
University buildings, Uppsala University	SE	956	33%	2021
Expansion of hospital, Ryhov	SE	915	71%	2021
Destination hotel, Liseberg	SE	875	1%	2022
Reconstruction of an office building into a Hilton hotel, Copenhagen	DK	858	21%	2021
Light Rail line, Bybanen, Bergen	NO	846	5%	2022
Hotel at railway station, Helsinki	FI	782	52%	2021
Train maintenance depot, Hässleholm	SE	780	93%	2020
Interchange, Häggvik	SE	774	48%	2021
Interchange, Gothenburg	SE	748	95%	2020
Housing units, Tuborg Havn, Copenhagen	DK	734	53%	2021
Hospital, Jönköping	SE	729	94%	2020
Expansion of gates, Landvetter Airport	SE	720	83%	2020
Ice hockey facility, Oslo	NO	711	82%	2020
Housing, Uppsala	SE	682	27%	2023
Interchange, Hjulsta	SE	675	66%	2022
Housing, preschool & stores, Stockholm	SE	659	73%	2021
Reconstruction of Sergelhuset, Stockholm	SE	610	75%	2020
Offices, Hellsfyr, Oslo	NO	589	27%	2020
New build of condominiums, Copenhagen	DK	584	20%	2022
Police station, Rinkeby, Stockholm	SE	577	84%	2020
Cultural district, Örebro	SE	571	41%	2021
Housing renovation, Roskilde	DK	559	1%	2023
Housing, Linköping	SE	543	81%	2020
Healthcare center, Finspång	SE	528	75%	2020

FINANCIAL POSITION

Profitability

The return on equity was 32 percent (–18). The return on capital employed was 13 percent (–9).

Capital employed

At December 31, 2019, capital employed amounted to SEK 10,382 M (7,619). The increase was due to the transition to IFRS 16 Leases, a larger project portfolio in NCC Property Development and increased cash and cash equivalents.

Net debt

Net debt amounted to SEK –4,489 M (–3,045). The year-on-year change was mainly due to the changed accounting standard according to IFRS 16 Leases and to higher pension debt. Corporate net debt was positive, meaning net cash of SEK 83 M (–766) was reported at year-end. The average maturity period for interest-bearing liabilities, excluding pension debt according to IAS 19, was 37 months (34) at year-end. NCC's unutilized committed lines of credit at year-end amounted to SEK 3.7 billion (3.6), with an average remaining maturity of 22 (33) months.

Equity/assets and debt/equity ratio

On December 31, 2019, the equity/assets ratio was 10 percent (11). The debt/equity ratio was a multiple of 1.5 (1.0).

CASH FLOW

Cash flow from operating activities amounted to SEK 2,214 (–375) in 2019, which was impacted by positive accounting effects from the new accounting standard, IFRS 16 Leases, in an amount of SEK 575 M. Otherwise, the improvement was attributable to better earnings and a higher rate of advance payments in NCC Property Development.

Cash flow from investing activities amounted to SEK –701 M (–782). Investments in machinery and equipment primarily occurred in NCC Industry.

Cash flow from financing activities was SEK –308 M (–717). The change was mainly due to lower dividends to the shareholders in 2019, compared with 2018.

Total liquid assets including short-term investments with a maturity exceeding three months amounted to SEK 2,478 M (1,269).

SEASONAL EFFECTS

NCC Industry's operations and certain operations in NCC Building Sweden and NCC Building Nordics are impacted by seasonal variations due to cold weather. Earnings in the first and final quarters are normally weaker than the rest of the year.

BRANCHES OUTSIDE SWEDEN

The Parent Company has branches in Norway, Denmark and Finland. However, no operations are conducted in the branches in Denmark and Finland.

ENVIRONMENTAL IMPACT

The Group conducts operations subject to permit obligations under the Environmental Code in the Swedish Parent Company and the Swedish subsidiaries.

Of the Group operations subject to permit and reporting obligations, it is mainly the asphalt and gravel pit operations, plus a number of piling plants, conducted by NCC Industry that affect the external environment, as well as the construction and civil engineering operations conducted by NCC Building Sweden, NCC Building Nordics and NCC Infrastructure. Within NCC Industry, quarries and harbors are subject to permit obligations, while asphalt and piling production is generally subject to reporting obligations. Permits for quarries are renewed continuously. NCC Industry also conducts recycling operations that are subject to permit obligations. Some of these include landfills, which are also subject to permit obligations. No significant injunctions according to the Environmental Code exist.

STATUTORY SUSTAINABILITY REPORT

In accordance with Chapter 6, Section 11 and Chapter 7, Sections 31 a-c of the Swedish Annual Accounts Act, NCC has decided to prepare the Parent Company's and the Group's statutory sustainability report as a separate report that is not part of the official annual accounts. The Sustainability Report encompasses all subsidiaries and is defined on p. 91.

EMPLOYEES

The average number of employees in the NCC Group in 2019 was 15,273 (16,523).

In all of our markets, NCC has collective agreements that regulate minimum wages, working hours and employees' rights in relation to the employer. Like other companies in the industry, NCC uses subcontractors and consultants when required. Subcontractors are most prevalent in NCC Building Sweden and NCC Building Nordics but are also used in other business areas.

NCC is a values-guided company and the objective is that all employees will be able to take decisions and actions based on the Group's shared values: Honesty, Respect, Trust and Pioneering Spirit. Since NCC's business partners have an important role to play in the operations, they are also expected to respect and live up to NCC's values.

Together with NCC's values, NCC's policy for health and safety constitutes the foundation for creating a healthy and safe workplace.

Health and safety incidents are reported to Synergi, the Group's digital system, which functions as both a Web system and an app. The system is used to report accidents and close calls, as well as negative and positive observations. According to Synergi, injuries caused by slips, trips and falls and the use of handheld equipment are the most prevalent accidents at NCC. Three areas at a high risk of serious injuries have been identified as focus areas in order to secure access to competencies, support and procedures in line with NCC's zero vision for accidents: working at heights, heavy lifts by construction cranes and work in heavily trafficked environments.

During 2019, the Group continued to implement and improve work methods and procedures in health and safety work that have been developed in recent years. NCC had its lowest accident frequency rate to date in 2019.

REMUNERATION

A description of salary, compensation and terms of employment of the President and CEO and other employees in the company is presented in Note 5, Number of employees, personnel expenses and remuneration of senior executives, pp. 41–44. The guidelines proposed to the 2020 AGM largely comply with those resolved by the 2019 AGM but have been revised and adapted to the new rules according to Swedish Companies Act and the Swedish Code of Corporate Governance; see below.

Guidelines in 2019 for determining salary and other remuneration of the CEO and other members of the Executive Team (ET)

The Board has evaluated the application of the guidelines for salary and other remuneration of the CEO and other members of the company's ET, as resolved by the 2019 AGM, and the applicable remuneration structures and remuneration levels in the company. During 2019 the Board has exercised its right to deviate from the guidelines in special cases and due to specific circumstances. For further information, see note 5.

Board's motion concerning guidelines for determining salary and other remuneration of the President and CEO and other members of the ET

Successful implementation of the company's business strategy and safeguarding its long-term interests, including its sustainability, is a prerequisite for the company's ability to recruit and retain high-quality employees. To achieve this, the company must be able to offer competitive remuneration. These guidelines make it possible for senior executives to be offered competitive total remuneration.

Long-term share-based incentive programs that are performance-based have been established in the company. Since they have been adopted by the Annual General Meeting (AGM), they are not encompassed by these guidelines. The long-term share-based incentive program that the Board of Directors has proposed for adoption by the 2020 AGM is not encompassed for the same reason.

Forms of remuneration

Remuneration shall be market-aligned and may comprise the following components: fixed cash salary, variable cash remuneration, pension benefits and other benefits. The AGM may also – regardless of these guidelines – adopt remuneration based on, for example, share and share price-related incentive schemes.

Fixed remuneration. When determining the fixed salary, the individual executive's sphere of responsibility, experience and achieved results are to be taken into account. The fixed salary is to be revised annually.

Variable remuneration. The short-term variable remuneration must be related to the fixed salary, and be based on the outcome in relation to established targets, which are measured annually.

The reason for paying variable remuneration is to motivate and reward value-generating activities that support achievement of NCC's long-term business strategy and interests. The criteria for paying variable cash remuneration thus essentially comply with the Group's long-term operational and financial objectives.

The variable cash remuneration is primarily based on a financial objective (EBIT), with a smaller portion based on the number of worksite accidents (resulting in more than four days of absence from regular work per one million worked hours), adapted functional targets or operational targets. When the measurement period has ended, the extent to which the criteria have been met will be assessed/established. The Board of Directors is responsible for assessing the variable cash remuneration paid to the CEO. The CEO is responsible for the assessment of variable cash remuneration paid to other senior executives. The assessment of the financial objectives is based on the Annual Report. The outcome in relation to established targets for variable remuneration is measured after the performance period; meaning following fiscal year-end.

Assuming that the long-term share-based incentive program is adopted by the 2020 AGM, the short-term variable remuneration for the CEO will be capped at 65 percent of fixed salary. For other members of the ET, it will be capped at 40 percent of fixed salary. The variable short-term remuneration is to be revised annually.

It is estimated that the company's commitments for the short-term incentive program in relation to the executives concerned will cost the company at the maximum outcome about SEK 21.5 M including social security fees. Should the AGM not vote in favor of a long-term performance-based incentive program, the variable remuneration payable to the CEO will be capped at 75 percent of fixed salary and that for other members of the ET will be capped at 50 percent of fixed salary, which is estimated to correspond to a cost at maximum outcome of about SEK 26 M including social security fees.

The short-term variable remuneration is pensionable, except for remuneration paid to the CEO.

Pensions and other benefits. NCC is endeavoring to move gradually towards defined-contribution solutions, which entail that NCC pays contributions that represent a specific percentage of the employee's salary. The CEO has a defined-contribution pension with a premium pledge capped at 40 percent of contractual fixed salary. Other members of the ET who are active in Sweden and have an employment contract subject to Swedish terms and conditions, are entitled, in addition to basic pension, which is normally based on the ITP plan (the collectively bargained agreement on pension for white collar workers), to receive a defined-contribution supplementary pension capped at 30 percent of pensionable salary increments exceeding 30 income base amounts. Pensionable salary is defined in accordance with ITP, Department 2. Members of the ET who have employment contracts under the terms and conditions of another country are covered by pension solutions in accordance with local practices, which must comply with the principles stated in these guidelines to the extent possible.

NCC aims to harmonize the retirement age of the ET at 65 years.

Other benefits. NCC provides other benefits, such as medical insurance and a car benefit, to members of the ET. The combined amount of such benefits in relation to total remuneration may constitute only a limited value and correspond essentially to the costs normally arising in the market, in total not more than 5 percent of annual cash salary.

Termination of employment

Periods of notice and severance pay. A member of the ET who terminates employment at NCC's initiative normally has a six-month period of notice and is entitled to severance pay corresponding 12 months of fixed salary. During the said 12 months, the severance pay is deductible from remuneration received from a new employer. The period of notice is six months if employment is terminated on the initiative of a member of the ET, with no right to severance pay.

Salary and employment conditions for employees

In the preparation of the Board of Directors' proposal for these remuneration guidelines, salary and employment conditions for employees of the company have been taken into account by including information on the employees' total remuneration, the components of the remuneration and increase and growth rate of the remuneration over time, in the Board of Directors' basis of decision when evaluating whether the guidelines and the limitations set out herein are reasonable. The development of the gap between the remuneration to executives and remuneration to other employees will be disclosed in the remuneration report prior to the next AGM.

Decision-making process for determining, reviewing and implementing the guidelines

The Board shall formulate a motion for new guidelines at least every fourth year and submit the motion for resolution by the AGM. The guidelines are to apply until new guidelines have been adopted by the AGM. The Board of Directors is also mandated to monitor and evaluate variable remuneration programs for the ET, the application of guidelines for remuneration of senior executives and applicable remuneration structures and remuneration levels in the company. Neither the CEO nor other members of the ET may participate in the Board of Directors' processing of and decisions on remuneration-related matters, insofar as they are impacted by these matters.

Deviations from the guidelines
The Board shall be entitled to partly or fully deviate from the guidelines if there is special reason to do so in an individual case and such deviation is necessary to satisfy the company's long-term interests, including its sustainability, and to safeguard the company's financial solidity.

Long-term performance-based incentive program
The Board proposes that the AGM resolve to introduce a long-term performance-based incentive program for Members of the ET, and for other senior executives and key employees within the NCC Group (LTI 2020). The proposal essentially matches the long-term performance-based incentive program adopted by the AGM in April 2019. A total of 164 executives are included in LTI 2019. The Board is of the opinion that incentive programs of this type benefit the company's long-term development. The purpose of LTI programs is to ensure a focus on the company's long-term profitability and to minimize the number of worksite accidents. It is proposed that LTI 2020 encompass a total of approximately 180 participants within the NCC Group.

More detailed information on the proposal and earlier long-term incentive programs is available at www.ncc.se. Also refer to Note 5, Number of employees, personnel expenses and remuneration of senior executives, on pp. 41–44.

THE NCC SHARE
At December 31, 2019, NCC's registered share capital comprised 13,209,129 Series A shares and 95,226,693 Series B shares, of which 530,267 were held in treasury. The shares have a quotient value of SEK 8.00 each. Series A shares carry 10 votes and Series B shares one vote each. All shares provide the same entitlement to participation in the company's assets and profit and to an equally large dividend. At the request of the holder, Series A shares can be converted into Series B shares. Such a request must be made in writing to the Board of Directors, which takes decisions on such matters on a continuous basis. After a conversion decision is made, this is reported to Euroclear Sweden AB for registration. Conversions become effective when the shares are registered. During the year, 128,766 Series A shares were converted to Series B shares.

In 2019, NCC bought back 128,217 Series B shares at an average price of SEK 150.49, corresponding to 0.12 percent of the share capital. No shares were sold or distributed during the year. Thereafter, the company holds 530,267 Series B shares in treasury at an average price of SEK 186.78.

The number of NCC shareholders at year-end was 42,010 (48,863), with Nordstjernan AB as the largest individual holder accounting for 17 percent (17) of the share capital and 48 percent (47) of the voting rights. No other shareholder accounts for more than 10 percent of the voting rights. The ten largest shareholders jointly accounted for 51 percent (56) of the share capital and 66 percent (67) of the voting rights.

To cover commitments according to the long-term performance-based incentive program LTI 2019, the AGM on April 9, 2019 authorized the Board, until the next AGM, to buy back a maximum of 867,487 Series B shares and to transfer a maximum of 300,000 Series B shares to participants in LTI 2019. The shares may be bought back on Nasdaq Stockholm at a price per share within the registered span of share prices at the particular time. It is also to be possible to transfer a maximum of 500,000 Series B shares via Nasdaq Stockholm to cover costs, mainly for compensation for dividends, social security fees and payments on the basis of the synthetic shares, pursuant to outstanding long-term performance-based incentive programs (LTI 2016, LTI 2017 and LTI 2018) and LTI 2019.

CORPORATE GOVERNANCE REPORT
The Corporate Governance Report is included as a separate section of NCC's 2019 Annual Report and does not constitute a feature of the formal annual report documentation; refer to the Corporate Governance section on pp. 94–103.

EVENTS AFTER THE BALANCE-SHEET DATE
Catarina Molén-Runnäs took office as Business Area Manager of NCC Building Nordics on January 13, 2020. She replaced Klaus Kaae, who remains at NCC as senior advisor. Catarina began her career at NCC and has since worked in property development across the Nordic region.

PARENT COMPANY
The Parent Company's net sales pertain to charges to Group companies. The average number of employees was 58 (71). Write-downs of shares and participations totaled SEK –50 M (–644). Profit after financial items was SEK 358 M (–445). Total dividends to the shareholders in 2019 amounted to SEK 432 M.

APPROPRIATION OF PROFITS
The Board of Directors proposes that the profit will be appropriated as follows:

	2,240,367,885
be appropriated as follows:	
To be distributed to shareholders	539,527,775
To be carried forward	1,700,840,110
Total, SEK	**2,240,367,885**

The resolution concerning the proposed dividend will be made taking into account the company's future profits, financial position and capital requirements, as well as the macroeconomic conditions.

The Board's proposal for the 2019 fiscal year is a dividend of SEK 5.00 per share. The dividend will be divided into two payment occasions. April 3, 2020 is proposed as the record date for the first payment of SEK 2.50 and November 2, 2020 for the second payment of SEK 2.50. If the AGM approves the Board's motion, it is estimated that the first dividend will be paid via Euroclear Sweden AB on April 8, 2020 and the second dividend on November 5, 2020. The Board's statement regarding the proposed dividend and the buyback of NCC's own shares will be available on the company's website and be distributed to shareholders at the AGM.

Material risks and uncertainties

Management of operational, strategic and financial risks is a key prerequisite for NCC's business and efficient risk management is a necessity for a stable and profitable company. The aim of risk management is to identify risks, assess the efficiency of existing controls and strengthen and develop preventive measures. NCC has conducted a measurement of the company's risks and describes below the risks regarded as most probable and that are estimated to have the greatest impact on NCC's potential to achieve its objectives in the long and the short term.

RISK AREA	DESCRIPTION	CONTROL ACTIVITIES
OPERATIONAL AND STRATEGIC RISKS		
COMPETENCY SUPPLY AND LEADERSHIP	The successful recruitment, retention and development of necessary skills is crucial for the company. Development of managers is essential, firstly to deliver quality in projects and, secondly, to retain personnel with the desired skills.	Competency mapping and development plans are prepared for key positions. Group-wide skills development programs for project management and leadership. Future managers/leaders are identified and development plans are devised. Succession planning occurs within all business areas and corporate staff functions.
PROJECT MANAGEMENT	Within contracting operations, the main operating risks are project selection and project management.	NCC assigns priority to submitting tenders with identified risks that are manageable and calculable. Various contract formats and partnerships with customers facilitate the management of different risks. These operating risks are counteracted through NCC's project selection, assessment of tenders and operational control systems.
WORK ENVIRONMENT	Many operations in the Group feature risky elements for workers that are subject to considerable demands regarding correct training and safety equipment, and not least an established culture that has the safety and health of employees as its highest priority.	Safety efforts are assigned top priority and are a mandatory aspect of all management team meetings. At Group level, distinct guidelines are set for safety work, and instructions are devised for each business area, all in order to achieve the vision of zero accidents at our worksites. All reported incidents are analyzed with the aim of improving the injury-prevention effort, with a particular focus on creating a culture that encourages safe work.
SUPPLY CHAINS	The company is highly dependent on suppliers and subcontractors. Accordingly, this entails that NCC is exposed to a risk of not being able to secure deliveries of such critical materials as steel and bitumen. The supply chains in the construction sector represent a risk of inadequate control of, for example, subcontractors labor conditions. There is a risk that subcontractors do not comply with laws, rules and business ethics. There is also a risk associated with quality assurance of materials from national and international suppliers.	NCC works systematically to assess and expand its control of the supply chain and to secure access to critical materials. The quality of suppliers is primarily assured by signing central framework agreements that must be followed. Purchasing that transcends central agreements must also comply with established processes and use templates developed for quality control. Tools for ensuring traceability include logbooks and digital standardized identification of construction products (GTIN). NCC has a thorough process for evaluating suppliers in risk areas in order to prevent human rights crimes.
COMPLIANCE	Since NCC is a player in society with a broad customer and supplier base, all employees are strictly required to act in accordance with the company's Code of Conduct. Employees who potentially breach internal rules or break the law represent a risk.	NCC has focused continuously and actively on the company's values for a number of years and provides training in the Code of Conduct. Efforts in 2020 include further development of a training program addressing competition law.
IT SECURITY	Updating and developing IT systems and applications is crucial for improving the efficiency of the company's processes. Over the coming years, the company will be updating a number of systems.	NCC monitors technical advances, safeguards long-term management and control of the reliability of IT infrastructure, and its integration into processes for supporting and protecting the operations.

RISK AREA	DESCRIPTION	CONTROL ACTIVITIES
FINANCIAL RISKS & REPORTING		
INTEREST RATE RISK	The interest rate risk is the risk that changes in market rates will adversely affect NCC's cash flow or the fair value of financial assets and liabilities.	NCC's Finance Policy has been adopted by NCC's Board of Directors and constitutes a framework for risk mandates and limits in the NCC Group. The Group's financial activities are organized centrally, thus providing an adequate overview of financial positions and risks. Refer also to Note 37.
EXCHANGE RATE RISK	The exchange rate risk is the risk that exchange rate changes will adversely affect NCC's income statement, balance sheet or cash flow statement.	
REFINANCING RISK	Refinancing risk is the risk that opportunities for financing will be limited and/or that the cost will be higher when loans that expire have to be refinanced, which could adversely impact NCC's operations, earnings and financial position.	
LIQUIDITY RISK	The liquidity risk refers to the risk that NCC does not have sufficient payment capacity at a given time, which could adversely impact the Group's ability to fulfill its payment obligations.	
CREDIT AND COUNTER-PARTY RISKS IN FINANCIAL OPERATIONS	Credit and counterparty risks in financial operations refers to the risk that NCC's financial counterparties are unable to fulfill their obligations to NCC.	
CUSTOMER CREDIT RISK	Customer credit risk refers to the risk that NCC's customers are unable to honor payments to NCC for delivered goods and services.	At NCC, customer credit risks are managed through Group-wide procedures for identifying and assessing risks, both before agreements are reached with customers and continuously in operational follow-ups. NCC's credit risk in accounts receivable is highly diversified given the large number of projects of varying sizes and types in a multitude of customer categories.
PERCENTAGE-OF-COMPLETION PROFIT RECOGNITION	In assignments involving construction contracts, NCC applies percentage-of-completion profit recognition, whereby profit is recognized at the pace of completion. Should the anticipated profit from a project deteriorate during the project's production period, this could result in a need to reverse profit recognized earlier.	By means of project management, meaning continuous monitoring of production calculations, reconciliation of work completed, project forecasts, etc., it is possible to ascertain that the information is accurate.

SENSITIVITY AND RISK ANALYSES

The figures are based on the outcome in 2019.

	Change	Result effect after net financial items, SEK M (annual basis)	Effect on return on equity, (percentage points)	Effect on return on capital employed (percentage points)	Comments
NCC INFRASTRUCTURE EXCL. ROAD SERVICES					
Volume	+/– 5%	46	1.3	0.5	For NCC Infrastructure, a one-percentage-point increase in the margin has a significantly larger impact on earnings than a 5-percent increase in volume. This reflects the importance of pursuing a selective tendering policy and focusing on risk management in early project stages.
Operating margin	+/– 1 percentage point	174	4.9	1.8	
NCC BUILDING SWEDEN					
Volume	+/– 5%	47	1.4	0.5	For NCC Building Sweden, a one-percentage-point increase in the margin has a significantly larger impact on earnings than a 5-percent increase in volume. This reflects the importance of pursuing a selective tendering policy and focusing on risk management in early project stages.
Operating margin	+/– 1 percentage point	149	4.2	1.5	
NCC BUILDING NORDICS					
Volume	+/– 5%	38	1.1	0.4	For NCC Building Nordics, a one-percentage-point increase in the margin has a significantly larger impact on earnings than a 5-percent increase in volume. This reflects the importance of pursuing a selective tendering policy and focusing on risk management in early project stages.
Operating margin	+/– 1 percentage point	118	3.4	1.2	
NCC INDUSTRY					
Volume	+/– 5%	49	1.4	0.5	NCC Industry's 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 impact on the margin is material.
Operating margin	+/– 1 percentage point	130	3.7	1.3	
Capital rationalization	+/– 10%	7	0.2	0.8	
NCC PROPERTY DEVELOPMENT					
Sales volume, project	+/– 10%	55	1.6	0.6	NCC Property Development's earnings are predominantly determined by sales. The potential to sell property projects is largely dependent on the leases signed with tenants. An increased leasing rate facilitates a higher sales volume. The value of a property is also determined by the difference between operating expenses and rent levels, and thus a change in the rent levels or operating economy of ongoing projects could change the value of such projects.
Sales margin, project	+/– 1 percentage point	30	0.9	0.3	
GROUP					
Changed interest rate, net debt*	+/– 1 percentage point	16	0,5		On December 31, 2019, net debt amounted to SEK 4,489 M (3,045).

* Excluding pension debt according to IAS 19.

Consolidated income statement

SEK M	Note 1, 4, 20, 33	**2019**	2018	2019 pro forma excl. IFRS 16[1]
Net sales	3	58,234	57,346	58,234
Production costs	5, 6, 8, 10, 16, 25	–54,134	–55,205	–54,139
Gross profit		**4,101**	**2,140**	**4,095**
Selling and administrative costs	5, 7, 16, 17	–2,811	–2,875	–2,818
Capital gain from sales of owner-occupied properties	17	–11	12	–11
Impairment loss and reversal of impairment losses, fixed assets	8, 16, 17	–22	–82	–22
Capital gain from sales of Group companies	9	18		18
Result from participations in associated companies and joint ventures		21	42	21
Operating profit/loss		**1,296**	**–764**	**1,283**
Financial income	12	34	36	34
Financial expenses	12	–146	–121	–110
Net financial items		**–112**	**–85**	**–76**
Profit/loss after financial items		**1,184**	**–849**	**1,208**
Tax on net profit for the year	24	–309	99	–314
Net profit/loss for the year		**875**	**–750**	**894**
Attributable to:				
NCC's shareholders		873	–756	892
Non-controlling interests		2	6	2
Net profit/loss for the year		**875**	**–750**	**894**
Earnings per share				
Before and after dilution				
Profit/loss after tax, SEK		8.09	–7.00	8.27
Number of shares, millions				
Total number of issued shares		108.4	108.4	108.4
Average number of shares outstanding before and after dilution during the year		108.0	108.1	108.0
Number of shares outstanding on December 31		107.9	108.0	107.9

[1] In the pro forma accounts, leases are recognized as operating leases under IAS 17. The pro forma information is unaudited.

Consolidated statement of comprehensive income

SEK M	Note	**2019**	2018	2019 pro forma excl. IFRS 16[1]
Net profit/loss for the year		**875**	**–750**	**894**
Items that have been recycled or can be recycled to net profit/loss for the year[2]				
Exchange differences on translating foreign operations		43	90	43
Change in hedging/fair value reserve			–30	
Tax attributable to hedging of exchange-rate risk in foreign operations	24		6	
Fair value changes for the year in cash flow hedges		–4	–19	–4
Fair value changes in cash flow hedges transferred to net profit/loss for the year		12	–11	12
Tax attributable to cash flow hedges	24	–2	6	–2
		49	**41**	**49**
Items that cannot be recycled to net profit/loss for the year				
Revaluation of defined-benefit pension plans	30	–443	–818	–443
Tax relating to items that cannot be recycled to net profit/loss for the year		95	175	95
		–348	**–643**	**–348**
Other comprehensive income for the year		**–299**	**–602**	**–299**
Comprehensive income for the year		**576**	**–1,352**	**595**
Attributable to:				
NCC's shareholders		574	–1,358	594
Non-controlling interests		2	6	2
Total comprehensive income during the year		**576**	**–1,352**	**595**

[1] In the pro forma accounts, leases are recognized as operating leases under IAS 17. The pro forma information is unaudited.
[2] Also see the specification of the item Reserves in shareholders' equity, p. 29.

Consolidated balance sheet

SEK M	Note	**2019**	2018	2019 pro forma excl. IFRS 16[1)]
ASSETS	1, 20, 33, 37			
Fixed assets				
Goodwill	16	1,893	1,861	1,893
Other intangible assets	16	368	339	368
Right-of-use assets	2, 34	1,579	493	342
Owner-occupied properties	17	894	915	894
Machinery and equipment	17	2,516	2,559	2,516
Long-term holdings of securities	19, 21	114	119	114
Long-term interest-bearing receivables	23	144	195	144
Other long-term receivables		34	119	34
Deferred tax assets	24	524	531	518
Total fixed assets		**8,065**	**7,133**	**6,823**
Current assets				
Right-of-use assets	34	51		
Properties held for future development	25	1,391	1,633	1,391
Ongoing property projects	25	3,042	2,292	3,042
Completed property projects	25	936	308	936
Participations in associated companies	25	263	226	263
Materials and inventory	26	993	902	993
Tax receivables		50	146	50
Accounts receivable	37	8,674	9,629	8,674
Worked-up, non-invoiced revenues	3	1,260	1,276	1,260
Prepaid expenses and accrued income		1,516	1,418	1,575
Current interest-bearing receivables		226	163	226
Other receivables	23	555	608	555
Short-term investments	21, 36	63	72	63
Cash and cash equivalents	36	2,416	1,197	2,416
Assets held for sale	15	392		255
Total current assets		**21,826**	**19,868**	**21,698**
TOTAL ASSETS		**29,890**	**27,001**	**28,521**

1) The pro forma figures show leases recognized in accordance with IAS 17, which entails a lower net debt of SEK 1,252 M at December 31, 2019. The pro forma information is unaudited.

Consolidated balance sheet, cont'd.

SEK M	Note	**2019**	2018	2019 pro forma excl. IFRS 16[1]
EQUITY	1			
Share capital	27	867	867	867
Other capital contributions		1,844	1,844	1,844
Reserves		–23	–72	–23
Profit/loss brought forward, including profit/loss for the year		357	292	372
Shareholders' equity		**3,044**	**2,931**	**3,060**
Non-controlling interests			17	
Total equity		**3,044**	**2,948**	**3,060**
LIABILITIES	1, 20, 33, 37			
Long-term liabilities				
Long-term interest-bearing liabilities	2, 28, 32, 34	3,568	1,342	2,740
Other long-term liabilities	31	52	8	52
Provisions for pensions and similar obligations	30	2,840	2,279	2,840
Deferred tax liabilities	24	170	297	170
Other provisions	29	2,777	2,563	2,777
Total long-term liabilities		**9,407**	**6,488**	**8,579**
Current liabilities				
Current interest-bearing liabilities	28, 32, 34	796	1,051	372
Accounts payable		4,275	5,164	4,275
Tax liabilities		100		100
Invoiced revenues not worked up	3	6,254	6,311	6,254
Accrued expenses and deferred income	32	3,767	3,452	3,767
Provisions	29	24	68	24
Other current liabilities	31	1,878	1,520	1,878
Liabilities attributable to assets held for sale	15	344		211
Total current liabilities		**17,439**	**17,566**	**16,882**
Total liabilities		**26,846**	**24,054**	**25,461**
TOTAL EQUITY AND LIABILITIES		**29,890**	**27,001**	**28,521**

[1] The pro forma figures show leases recognized in accordance with IAS 17, which entails a lower net debt of SEK 1,252 M at December 31, 2019. The pro forma information is unaudited.

Parent Company income statement

SEK M	Note 1	2019	2018
Net sales		246	174
Gross profit		**246**	**174**
Selling and administrative costs	5, 7, 8	–344	–376
Operating profit/loss		**–98**	**–202**
Result from financial investments			
Result from participations in Group companies	8, 9	482	–208
Result from other financial fixed assets		13	12
Result from financial current assets		3	
Interest expense and similar items	11	–42	–47
Profit/loss after financial items		**358**	**–445**
Appropriations	14	577	545
Tax on net profit for the year	24	–102	–101
NET PROFIT FOR THE YEAR		833	–1

Parent Company statement of comprehensive income

SEK M	2019	2018
Net profit/loss for the year	833	–1
Total comprehensive income during the year	**833**	**–1**

Parent Company balance sheet

SEK M	Note	2019	2018
ASSETS	1, 22, 37		
Fixed assets			
Tangible fixed assets			
Machinery and equipment	17	3	24
Total tangible fixed assets		**3**	**24**
Financial fixed assets			
Shares in Group companies	18	4,511	5,518
Other long-term holdings of securities		45	45
Deferred tax assets	24	5	8
Total financial fixed assets		**4,562**	**5,571**
Total fixed assets		**4,565**	**5,595**
Current assets			
Current receivables			
Accounts receivable			1
Receivables from Group companies		1,032	745
Other current receivables		1	3
Tax receivables		84	110
Prepaid expenses and accrued income		6	17
Total current receivables		**1,123**	**875**
Balance in NCC Treasury AB	36	164	161
Total current assets		**1,287**	**1,036**
TOTAL ASSETS		**5,852**	**6,631**

SEK M	Note	2019	2018
TOTAL EQUITY AND LIABILITIES	1, 37		
Equity			
Restricted equity			
Share capital	27	867	867
Statutory reserves		174	174
Total restricted equity		**1,041**	**1,041**
Unrestricted equity			
Profit/loss brought forward		1,407	1,850
Net profit/loss for the year		833	–1
Total unrestricted equity		**2,240**	**1,850**
Total equity		**3,281**	**2,891**
Provisions			
Provisions for pensions and similar obligations	30		1
Other provisions	29	6	7
Total provisions		**6**	**8**
Long-term liabilities			
Liabilities to Group companies	28		1,044
Long-term interest-bearing liabilities[1]	28	800	1,000
Other long-term liabilities		3	1
Total long-term liabilities		**803**	**2,045**
Current liabilities			
Accounts payable		12	25
Liabilities to Group companies	28	1,474	1,232
Current interest-bearing liabilities[1]	28	200	
Other liabilities		18	355
Accrued expenses and deferred income	32	57	75
Total current liabilities		**1,761**	**1,687**
TOTAL EQUITY AND LIABILITIES		**5,852**	**6,631**

[1] Pertains to loan from the NCC Group's Pension Foundation.

Changes in equity

with comments

GROUP

SEK M	Share capital	Other capital contributions	Reserves	Profit/loss brought forward	Total	Non-controlling interests	Total equity
	EQUITY ATTRIBUTABLE TO PARENT COMPANY SHAREHOLDERS						
Opening equity, Jan 1, 2018	**867**	**1,844**	**–113**	**2,569**	**5,167**	**12**	**5,179**
Net profit/loss for the year				–756	–756	6	–750
Other comprehensive income			41	–643	–602		–602
Total comprehensive income			**41**	**–1,399**	**–1,358**	**6**	**–1,352**
Sale/Acquisition of company shares				–11	–11		–11
Performance-based incentive program				–4	–4		–4
Dividend				–864	–864		–864
Total transactions with the Group's shareholders				**–879**	**–879**		**–879**
Equity on Dec 31, 2018	**867**	**1,844**	**–72**	**292**	**2,931**	**17**	**2,948**
Net profit/loss for the year				873	873	2	875
Other comprehensive income			49	–348	–299		–299
Total comprehensive income			**49**	**525**	**574**	**2**	**576**
Divestment and dividends to non-controlling interests				–15	–15	–18	–33
Sale/Acquisition of company shares				–19	–19		–19
Performance-based incentive program				5	5		5
Dividend				–432	–432		–432
Total transactions with the Group's shareholders				**–461**	**–461**	**–18**	**–479**
Equity on Dec 31, 2019	**867**	**1,844**	**–23**	**357**	**3,044**	**0**	**3,044**

If the earlier policies for recognition of pensions according to IAS 19 had been applied, equity would have been SEK 3,274 M higher and net debt SEK 2,840 M lower at December 31, 2019.

TRANSLATION RESERVE

The translation reserve includes all exchange-rate differences that arise from the translation of the financial statements of foreign operations that have compiled their reports in a currency other than that in which the consolidated financial statements are presented, in NCC's case, SEK. The translation reserve also includes exchange-rate differences that arise from the remeasurement of liabilities and currency forward contracts entered into as instruments 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 that such assets have been sold or their value impaired.

HEDGING RESERVE

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

REVALUATION RESERVE

The revaluation reserve arises from step acquisitions, multi-stage acquisitions, meaning an increase in the fair value of previously owned portions of net assets resulting from step acquisitions.

Changes in equity, cont'd.

PARENT COMPANY

SEK M	RESTRICTED SHAREHOLDERS' EQUITY		UNRESTRICTED SHAREHOLDERS' EQUITY		
	Share capital	Statutory reserves	Profit/loss brought forward	Net profit/loss for the year	Total share-holders' equity
Opening equity, Jan 1, 2018	**867**	**174**	**1,824**	**903**	**3,768**
Appropriation of profits			903	–903	
Total comprehensive income during the year				–1	–1
Sale/Acquisition of company shares			–11		–11
Dividend, cash			–864		–864
Performance-based incentive program			–4		–4
Equity on Dec 31, 2018	**867**	**174**	**1,850**	**–1**	**2,891**
Appropriation of profits			–1	1	
Total comprehensive income during the year				833	833
Merger gain			4		4
Sale/Acquisition of company shares			–19		–19
Dividend, cash			–432		–432
Performance-based incentive program			6		6
Equity on Dec 31, 2019	**867**	**174**	**1,407**	**833**	**3,281**

SPECIFICATION OF THE ITEM RESERVES IN EQUITY

GROUP	**2019**	2018
Translation reserve		
Translation reserve, January 1	–43	–109
Exchange differences on translating foreign operations	43	90
Gain/loss on hedging of exchange-rate risk in foreign operations		–30
Tax attributable to hedging of exchange-rate risk in foreign operations		
Translation difference attributable to divested operations		6
Translation reserve, December 31	**0**	**–43**
Fair value reserve		
Fair value reserve, January 1		
Fair value changes on available-for-sale financial assets recognized in profit/loss		
Fair value reserve, December 31	**0**	**0**
Hedging reserve		
Hedging reserve, January 1	–29	–7
Fair value changes for the year in cash flow hedges	–4	–18
Fair value changes on cash flow hedges recycled to net profit/loss for the year	12	–11
Tax attributable to cash flow hedges	–2	6
Hedging reserve, December 31	**–23**	**–29**
Revaluation reserve		
Revaluation reserve, January 1	1	2
Transfer to retained earnings		–1
Revaluation reserve, December 31	**1**	**1**
Total reserves		
Reserves, January 1	–72	–113
Change in reserves during the year		
– Translation reserve	43	66
– Fair value reserve		
– Hedging reserve	6	–23
– Revaluation reserve		–1
Reserves, December 31	**–23**	**–72**

Cash flow statements

SEK M	Note	GROUP 2019	GROUP 2018	GROUP 2019 pro forma excl. IFRS 16[1]	PARENT COMPANY 2019	PARENT COMPANY 2018
OPERATING ACTIVITIES						
Profit/loss after financial items, remaining operations		**1,184**	**–849**	**1,208**	**358**	**–445**
Adjustments for items not included in cash flow:						
– Depreciation/amortization	6	1,407	663	808	2	2
– Impairment loss and reversal of impairment losses	8	22	453	22	50	682
– Exchange-rate differences		–13	–17	–13		
– Result from sales of fixed assets		–35	–148	–35		
– Changes in provisions	29	318	711	318	–2	–1
– Anticipated dividend					–120	–1
– Other		2	–25	2	7	
Total items not included in cash flow		**1,700**	**1,637**	**1,101**	**–62**	**683**
Tax paid		–110	–53	–110	–74	–59
Cash flow from operating activities before changes in working capital		**2,774**	**735**	**2,199**	**222**	**179**
Cash flow from changes in working capital						
Sales of property projects		2,116	1,436	2,116		
Investments in property projects		–3,281	–2,602	–3,281		
Other changes in working capital		605	55	605	–35	–9
Cash flow from changes in working capital		**–560**	**–1,110**	**–560**	**–35**	**–9**
Cash flow from operating activities		**2,214**	**–375**	**1,639**	**187**	**169**
INVESTING ACTIVITIES						
Acquisition of subsidiaries/operations	36		–59		–80	–1,488
Sale of subsidiaries	36		75			
Investments in buildings and land	17	–92	–100	–92		
Sale of buildings and land		29	35	29		
Investments in other financial fixed assets		–11		–11		
Sale of other financial fixed assets		4	47	4		
Investments in other fixed assets		–790	–929	–790		–18
Sale of other fixed assets		158	150	158	19	
Cash flow from investing activities		**–701**	**–782**	**–701**	**–60**	**–1,506**
Cash flow before financing		**1,512**	**–1,157**	**938**	**127**	**–1,337**
FINANCING ACTIVITIES						
Dividend paid		–450	–864	–450	–432	–864
Acquisition/sale of company shares		–19	–11	–19	–19	–11
Group contributions received					545	55
Loans raised		2,024	68	2,024	586	385
Amortization of loans		–1,960	–263	–1,385		
Increase (–) / Decrease (+) in long-term interest-bearing receivables		58	380	58		
Increase (–) / Decrease (+) in current interest-bearing receivables		39	–26	39	–804	–30
Increase (+) in non-controlling interests, etc.						
Cash flow from financing activities	36	**–308**	**–717**	**267**	**–124**	**–466**
Cash flow for the year		**1,204**	**–1,874**	**1,204**	**3**	**–1,802**
Cash and cash equivalents, January 1		**1,197**	**3,063**	**1,197**	**161**	**1,963**
Exchange-rate difference in cash and cash equivalents		15	8	15		
Cash and cash equivalents, December 31	36	**2,416**	**1,197**	**2,416**	**164**	**161**
Short-term investments with a maturity exceeding three months		63	72	63		
Total liquid assets at year-end		**2,478**	**1,269**	**2,478**	**164**	**161**

[1] In the pro forma accounts, leases are recognized as operating leases under IAS 17. The pro forma information is unaudited.

For additional disclosures, refer to Note 36 Cash flow statement

→
NCC's new Head Office in Solna, which was inaugurated in November 2019.

Notes

CONTENTS NOTES

Note 1 Accounting policies

The NCC Group applies the International Financial Reporting Standards (IFRS) adopted by the EU and the interpretive statements issued by the IFRS Interpretations Committee (IFRIC). The Group also applies the Swedish Annual Accounts Act and RFR 1 Supplementary Accounting Rules for Groups. The Annual Report and the consolidated financial statements were approved for issue by the Board of Directors on March 5, 2020. 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 for adoption on April 1, 2020.

NEW IFRS AND AMENDMENTS TO IFRS APPLIED FROM 2019

IFRS 16 Leases is applied as of January 1, 2019. IFRS 16 Leases replaces the previous standard IAS 17 Leases. NCC has elected to implement the standard according to the modified retrospective approach, which entails discounting future lease payments to present value and recognizing them as finance lease liability. The same amount has been used for estimating right-of-use assets. No comparative figures have been restated for periods prior to 2019.

IFRS 16 entails that the terms financial and operating leases cease to exist and instead NCC as the lessee is to recognize a right-of-use asset and a lease liability for all leases. Exceptions are leases with a leasing term of less than 12 months and low-value leases, less than SEK 50,000. The right-of-use asset represents a right to use the underlying asset and the lease liability represents a commitment to pay leasing fees.

NCC recognizes right-of-use assets with the associated lease liability for vehicles, heavy production machinery, leased premises and site leaseholds/land leases. The balance sheet has been changed, including right-of-use assets recognized under tangible fixed assets as well as under current assets. The associated lease liability is included in current and long-term interest-bearing liabilities. Right-of-use assets are depreciated over the term of the lease.

The costs for these leases have been recognized in profit or loss as depreciation and interest expense, respectively. The lease payment is divided into an interest component and a amortization component. The operating result has been impacted positively and net financial items have been impacted negatively. IFRS 16 also entails that cash flow from operating activities increases and cash flow from financing activities decreases.

When discounting future lease payments for the vehicles and heavy machinery leased by the Group, NCC uses the interest rate implicit in each lease as the discount rate. In respect of other lease fees, such as leased commercial premises and site leaseholds/land leases, the respective subsidiary's incremental borrowing rate is used as the discount rate.

The incremental borrowing rate of the individual subsidiary is based on the legal entity's financial strength, the country and the term of the lease in question. For transitional effects, refer to Note 2.

NEW IFRS AND AMENDMENTS TO IFRS WHOSE APPLICATION HAS YET TO COMMENCE

A number of new standards and interpretations enter into force for fiscal years beginning after January 1, 2019 and these have not been applied in the preparation of these financial statements. These new standards and interpretations are not expected to have a material impact on the Group's financial statements in the current or forthcoming periods, nor on future transactions.

PARENT COMPANY ACCOUNTS COMPARED WITH CONSOLIDATED FINANCIAL STATEMENTS

The Parent Company has prepared its annual report in accordance with the Annual Accounts Act and recommendation RFR 2 Accounting for Legal Entities. The Parent Company recognizes Group contributions received and granted as appropriations, which is in accordance with the alternative rule in RFR 2. For tax reasons, the Swedish Financial Reporting Board has granted exemption from the requirement that listed parent companies must recognize certain financial instruments at fair value. NCC applies the exemption rules and has thus refrained from recognizing certain financial instruments at fair value.

Within the areas described below, the Parent Company's accounting policies differ from the Group's:

- Subsidiaries
- Associated companies
- Joint arrangements
- Construction and similar projects
- Leasing
- Income taxes
- Financial instruments
- Pensions
- Borrowing costs

The differences are presented under the respective headings below.

CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements 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 arrangements and associated companies.

Purchase method

Business combinations are recognized in accordance with the purchase method. This method entails that the acquisition of a subsidiary is regarded as a transaction whereby the Group indirectly acquires the subsidiary's assets and takes over its liabilities. The fair value on the date of acquisition of the acquired identifiable assets and assumed liabilities, as well as any non-controlling interests, is determined in the acquisition analysis.

In the event of a business combination in which transferred consideration, any non-controlling interests and the fair value of previously owned interests (in connection with gradual acquisitions) exceed the fair value of the acquired assets and assumed liabilities that are recognized separately, the difference is recognized as goodwill. When the difference is negative, what is known as a bargain acquisition, this is recognized directly in net profit for the year.

Acquired and divested companies are included in the consolidated income statement, balance sheet and cash flow statement during the holding period.

Subsidiaries

Companies in which the Parent Company has a controlling interest, normally through a direct or indirect holding carrying more than 50 percent of the voting rights, are consolidated in their entirety. Controlling interest is defined as power over the investee, exposure or the right to variable returns from its involvement with the investee and the ability to exercise its power over the investee to affect the investor's returns. Participations in subsidiaries are recognized in the Parent Company at cost. Should the recoverable amount of shares in subsidiaries fall below the fair value, an impairment loss is recognized. Dividends received are recognized as revenue. For information on NCC's subsidiaries, refer to Note 18, Participations in Group companies.

Non-controlling interests

In companies that are not wholly owned subsidiaries, non-controlling interests are recognized as the share of the subsidiaries' equity held by external shareholders. This item is recognized as part of the Group's equity. Non-controlling interests are recognized in profit or loss. Information about the share of profit attributable to non-controlling interests is disclosed in conjunction with the consolidated income statement.

The effects of transactions with non-controlling interests are recognized in equity if they do not give rise to a change in controlling interest.

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. For information on the Group's participations in associated companies, refer to Note 19.

Participations in associated companies are consolidated in accordance with the equity method.

NCC's share in associated companies relates to their operations and its share in the results of associated companies is recognized in profit or loss as "Result from participations in associated companies," which is part of operating profit. Amounts are recognized net after taxes.

In the Parent Company, associated companies are recognized at cost less any impairment losses. Dividends received are recognized as revenue.

Joint arrangements

Joint arrangements are defined by NCC 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. Joint arrangements are divided into joint ventures, which are consolidated according to the equity method, or into joint operations, which are consolidated according to the proportional method. For additional information, see Note 19, Participations in associated companies and joint ventures, and Note 20, Participations in joint operations.

In the Parent Company, joint arrangements are recognized at cost less any impairment losses. Dividends received are recognized as revenue.

Elimination of intra-Group transactions

Receivables, liabilities, revenue and costs, as well as unrealized gains and losses, 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 arrangements and associated companies, in an amount corresponding to the Group's holding. Refer to Note 33, Related-party transactions.

Transfer pricing

Market prices are applied for transactions between Group entities.

Foreign subsidiaries, associated companies and joint arrangements

Foreign subsidiaries, associated companies and joint arrangements are recognized using the functional currency and are translated to the reporting currency. For NCC, the functional currency is defined as the local currency used in the reporting entity's accounts. The Parent Company's functional currency is SEK. The reporting currency is defined as the currency in which the Group's overall accounting is conducted, in NCC's case SEK.

REVENUE

NCC's revenues are recognized according to IFRS 15 Revenue from Contracts with Customers, meaning when the customer gains control over the sold goods or services. This can occur either by NCC's performance obligations being fulfilled over time (on a percentage-of-completion basis) or at a point in time. NCC's revenues essentially comprise:

- Revenues from construction and similar projects
- Revenues from commercial property development
- Revenues from sales of asphalt, stone materials, etc.

Revenues from construction and similar projects

The construction contracts mean that NCC performs work on land belonging to the customer and thus creates an asset that is controlled by the customer in pace with the asset's completion. In turn this means that NCC recognizes revenues over time by applying percentage-of-completion profit recognition.

Application of the percentage-of-completion recognition of revenue and profit entails that profit is recognized in pace with 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: total revenues attributable to the construction 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: total costs attributable to the construction contract, which corresponds to project revenues.
- Completion rate (worked-up rate): recognized costs in relation to estimated total project costs.

The fundamental condition for revenue recognition based on percentage of completion is that estimate-at-completion of total project revenues and costs can be quantified reliably. As a consequence of percentage-of-completion profit recognition, the trend of earnings in ongoing projects is reflected immediately in the financial statements. Percentage-of-completion profit recognition is subject to a component of uncertainty. Due to unforeseen events, the final profit of the projects may occasionally be higher or lower than expected. It is particularly difficult to anticipate profit at the beginning of the project period and for technologically 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. As soon as this is possible, the project switches to percentage-of-completion profit recognition.

Provisions posted for potential loss-making contracts are charged against profit for the relevant year. Provisions for losses are posted as soon as they become known.

Contract modifications covering change orders and contract claims for shortcomings in tender specifications and similar items are recognized when the modifications are enforceable. When assessing whether the modifications are enforceable, all relevant facts and circumstances are to be considered. If the parties fail to agree on the price, the revenue is only to be recognized insofar as it is highly probable that a material reversal of accumulated recognized revenues will not arise when the parties reach agreement.

Balance-sheet items such as "worked-up, non-invoiced revenues" and "Invoiced revenues not worked up" are recognized in gross amounts on a project-by-project basis. Projects for which worked-up revenues exceed invoiced revenues are recognized as current assets, while projects for which invoiced revenues exceed worked-up revenues are recognized as a current interest-free liability. Refer to Note 3, Revenue recognition. The customer is normally invoiced on account during the term of the project.

The following example illustrates how the percentage-of-completion profit recognition 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 100 and the anticipated profit from the project is 10. On December 31 of year 1, NCC's costs for the project amount to 45, in line with expectations. Since NCC has completed half of the work and the project is proceeding as planned, NCC recognizes half of the anticipated profit of 10, that is 5, in the accounts for Year 1. Profit 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.

Profit	Year 1	Year 2
Profit recognition on completion	0	10
According to percentage-of-completion profit recognition	5	5

For agreements that contain both a contract and an operation and maintenance service, the revenue must be allocated to the various parts. The part of the agreement that pertains to the contract-related service is recognized on a percentage-of-completion basis. The operation and maintenance part is recognized as revenue on an even basis over the maturity or when the benefits are transferred to NCC.

Revenues from commercial property development

NCC's net sales include revenues from sales of properties classed as current assets. Sales include both land and the building constructed by NCC on the land.

Normally, the sale of land and construction of a building constitute a performance obligation and are recognized jointly. Payment is normally received in conjunction with date of occupancy. In rare cases, depending on the terms and conditions of the agreements, the sale of land (or land with construction under way) constitutes one performance obligation and construction of a building another.

Revenues are recognized at the point in time when control is transferred to the buyer. Control is transferred over time (on a percentage-of-completion basis) unless NCC has an alternative use for the sold property and NCC is entitled to payment from the customer for work completed to date, in which case the revenue is recognized by applying percentage-of-completion profit recognition. If one of the above criteria is not fulfilled, the revenue is to be recognized at a point in time – on completion and handover to the customer. Since NCC always contractually agrees on delivery of a certain property to the customer, and the property cannot be sold to anyone else, NCC never has an alternative use for the sold property. Concerning the question of whether NCC is entitled to payment, certain legislation contains factors that indicate that NCC has such an entitlement, while other legislation indicates that this is not the case. Moreover, legal praxis has not been developed in this context. NCC's overall assessment is that in normal cases the uncertainty concerning NCC's entitlement to payment is so great that the revenue should be recognized at a point in time, on completion of the property and handover to the customer.

It could also be the case that property projects are sold with guarantees of certain leasing to tenants or with a stipulation that a supplementary purchase consideration be paid when a certain leasing rate has been achieved. In connection with the date of sale, any rental guarantees are recognized as prepaid income, which is then recognized as revenue as leasing progresses. The supplementary purchase consideration is recognized as revenue when the agreed leasing rate has been achieved.

Revenues from sales of asphalt, stone materials, etc.

Revenues from sales of asphalt, stone materials, etc. are recognized at a point in time, which is the point in time of delivery to the customer.

DEPRECIATION/AMORTIZATION

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 and other assets that have an indefinite life are not amortized but 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 their particular useful life.

Depreciation/amortization rates vary in accordance with the table below:

Intangible fixed assets	
Rights-of-use	In pace with confirmed depletion of net asset value
Software	12.5–33 percent
Other intangible assets	10–33 percent
Tangible fixed assets	
Owner-occupied properties	1.4–10 percent
Land improvements	3.7–5 percent
Pits and quarries	In pace with confirmed depletion of net asset value
Fittings in leased premises	14–20 percent
Machinery and equipment	5–33 percent

The distribution of the depreciation/amortization posted in profit or loss and balance sheet is presented in Comments to the income statement, Note 6, Depreciation, Note 16, Intangible assets, Note 17, Tangible fixed assets and Note 34, Leasing.

IMPAIRMENT LOSSES

This section does not apply to impairment of inventory, assets that arise during the course of a construction contract, deferred tax assets, financial instruments, assets connected to pensions or assets classified as investments available for sale, since the existing standards for these types of assets contain specific requirements regarding recognition and valuation.

When necessary, although at least once a year, NCC conducts impairment testing of the assets' carrying amounts. An impairment requirement arises when the recoverable amount is less than the carrying amount. The distribution of impairment losses in the income statement and balance sheet is described in comments to the income statement; Note 8, Impairment losses; Note 16, Intangible assets and Note 17, Tangible fixed assets.

The term impairment is also used in connection with remeasurement of properties classified as current assets. Valuations of these properties are based on the lowest value principle and comply with IAS 2 Inventory.

LEASING

NCC as a lessee

IFRS 16 Leases is only applied in the consolidated financial statements. In accordance with RFR2, NCC has decided not to apply IFRS 16 for NCC AB. All leasing fees in NCC AB are expensed continuously.

The Group's leases are recognized as right-of-use assets and corresponding lease liability as of the date the leased asset becomes available for use by the Group. Exceptions are leases with a leasing term of less than 12 months and low-value leases, less than SEK 50,000, which are thus expensed continuously.

The right-of-use asset represents a right to use the underlying asset and the lease liability represents an commitment to pay leasing fees. NCC has right-of-use assets with associated lease liability for vehicles, heavy production machinery, leased premises and site leaseholds/land leases. Right-of-use assets are recognised under tangible fixed assets and current assets, respectively. The associated lease liability is included in current and long-term interest-bearing liabilities. Rights-of-use assets are depreciated over the term of the lease, with the exception of site leaseholds/land leases, which are not depreciated. The costs for these capitalized leases are recognized as depreciation and interest expense, respectively. The lease payment is divided into an interest component and a amortization component.

When discounting future lease payments for most of the vehicles and heavy machinery leased by the Group, NCC uses the interest rate implicit in each lease as the discount rate. In respect of other lease fees, such as leased commercial premises and site leaseholds/land leases, the respective subsidiary's incremental borrowing rate is used as the discount rate.

The incremental borrowing rate of the individual subsidiary is based on the legal entity's financial strength, the country and the term of the lease in question.

Additional disclosures on leasing with NCC as the lessee are presented in Note 34, Leasing.

NCC as a lessor

A lessor must classify its leases as either operating or financial leases. A financial lease is a lease under which the financial risks and advantages associated with ownership of an asset are transferred in all significant respects from the lessor to the lessee. An operating lease is a lease that is not a financial lease. NCC as a lessor only has operating leases and income from these are recognized as revenue continuously.

Additional disclosures on leasing with NCC as the lessor are presented in Note 34, Leasing.

Sale-and-leaseback

A sale-and-leaseback transaction means that NCC as the seller transfers an asset to a buyer at the same time as NCC as a lessee enters into a lease with the buyer. This occurs, for example, when NCC sells an office project and simultaneously signs a lease covering all or parts of the property.

When NCC's sale fulfills the requirements for profit recognition according to IFRS 15, NCC as the seller and lessee must assess the value of the right-of-use asset attributable to the lease at the share of the carrying amount on the date of sale that accrues to the right-of-use asset retained by NCC. This also means that NCC can only recognize a capital gain on that part of the right-of-use asset that is not retained by NCC.

TAXES

Income taxes comprise current tax and deferred tax. Taxes are recognized in profit or loss, except when the underlying transactions are recognized in other comprehensive income, with the relating tax effects recognized in other comprehensive income. Current tax is tax that is to be paid or received during the current fiscal year. This also includes adjustments of current tax attributable to prior periods.

Deferred tax is recognized on the basis of temporary differences between recognized and taxable values of assets and liabilities and for carry-forward of unused tax losses. For information on tax on net profit for the year and deferred tax assets and liabilities, refer to Note 24.

Deferred tax assets and liabilities are calculated based on the tax rate determined for the following year in each particular country. When changes occur in tax rates, the change is recognized in profit or loss in the consolidated financial statements or in other comprehensive income for the tax items included there.

In the Parent Company, untaxed reserves are recognized that consist of the taxable temporary difference arising 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 profit or loss, as an appropriation. Group contributions received and paid are recognized in the Parent Company's profit or loss as appropriations.

RECOGNITION OF OPERATING SEGMENTS

An operating segment is part of the Group that conducts business operations from which it generates revenues and incurs costs and for which independent financial information is available. Furthermore, the earnings of an operating segment are followed up by the chief operating decision maker, who in NCC's case is the CEO, for evaluation of results and for allocating resources to the operating segment. The reporting of operating segments concurs with the reports presented to the CEO. Also refer to Note 4 Reporting by operating segment.

EARNINGS PER SHARE

The calculation of earnings per share is based on the Group's net profit for the year attributable to Parent Company shareholders and on the weighted average number of shares outstanding during the year. The calculation of earnings per share is not affected by preference shares or convertible debentures, since the Group has no such items. Share awards in the long-term incentive program, LTI, can give rise to dilution.

INTANGIBLE FIXED ASSETS

Intangible fixed assets are recognized at cost less accumulated impairment losses and amortization.

Goodwill arises from acquisitions of companies and operations. Goodwill is not amortized but is impairment tested annually. 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 rates prevailing on the balance-sheet date.

Usufructs consist primarily 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, also refer to Note 16 Intangible assets. This type of usufructs is not covered by IFRS 16, Leases.

TANGIBLE FIXED ASSETS

NCC's property holdings are recognized divided into:

- Owner-occupied properties
- Properties classified as current assets

Properties classified as current assets are held for development and sale as part of operations. The principles applied for the categorization, valuation and profit recognition of properties classified 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. They are recognized at cost less accumulated depreciation and any impairment losses. Land is not depreciated. Also refer to Note 17, Tangible fixed assets.

Machinery and equipment

Machinery and equipment is recognized at cost less accumulated depreciation and any impairment losses.

FINANCIAL FIXED ASSETS

Financial fixed assets are recognized at fair value or amortized cost. Impairment losses are posted if the fair value is less than the cost. Also see the "Financial instruments" section below. For information on the value and type of assets, refer to Note 22 Financial fixed assets. The Parent Company recognizes participations in subsidiaries at cost and, where applicable, taking into account write-ups or impairment losses.

PROPERTIES CLASSIFIED AS CURRENT ASSETS

Group property holdings classified as property projects are measured as inventory when the intention is to sell the properties on completion. Property projects are measured at the lower of cost and net realizable value. Cost includes a reasonable share of indirect costs. Property projects are defined as properties held for development and sale in NCC Property Development.

Property projects

Property projects within NCC Property Development are recognized divided as follows:

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

For a distribution of values, refer to Note 25, Properties classified as current assets.

Properties held for future development

Properties held for future development consist of NCC's holding of land and 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 classified 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 classified 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. The smallest unit that can be classified is an entire building that can be sold separately.

Completed property projects

Completed property projects can only be derecognized from the balance sheet due to a sale.

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 related to ongoing projects is capitalized. Other borrowing costs are expensed on a current account basis. Property development means that the input of the developer – NCC Property Development – is concentrated to 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. Development expenditure is capitalized when it pertains to land or properties owned by NCC or over which it has control.

Commercial property projects are recognized continuously in the balance sheet at the lower of cost 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.

Properties held for future development that are included in the project portfolio, meaning ones that 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.

INVENTORY
Inventory is measured at the lower of cost and net realizable value. For a distribution of inventory values, refer to Note 26 Materials and inventory.

FINANCIAL INSTRUMENTS
Acquisitions and divestments of financial instruments are recognized on the date of transaction, meaning the date on which the company undertakes to acquire or divest the asset.

Financial instruments recognized 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 recognized under liabilities. Financial guarantees such as sureties are also included in financial instruments.

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

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

Financial instruments are classified in the following categories for measurement:
- Financial assets measured at fair value through profit or loss,
- Financial assets measured at fair value through other comprehensive income (equity instruments),
- Financial assets measured at amortized cost,
- Financial liabilities measured at fair value through profit or loss,
- Derivatives used in hedge accounting, and
- Other liabilities.

When entered for the first time, a financial asset is classified on the basis of NCC's business model for managing the financial asset and the character of the expected cash flows. Financial assets are only reclassified if the business model for the asset has been modified. A financial liability is recognized at amortized cost, apart from derivatives measured at fair value.

Financial assets measured at fair value through profit or loss
This category includes the Group's derivatives with a positive fair value and interest-bearing securities for which NCC's business model is to maximize the return on the asset within given risk limits. Fair value changes are recognized in financial items in profit or loss. A derivative instrument that is an identified and effective hedging instrument is not included in this category. For an account of hedging instruments, see Derivatives used in hedge accounting below.

Financial assets measured at amortized cost
These include accounts receivable and loan receivables, as well as investments in interest-bearing securities where the objective of the business model is to receive contractual cash flows up to maturity. These cash flows are received at predetermined points in time and solely comprise payment of principals and interest on the outstanding principals. Investments in interest-bearing securities held to maturity with a remaining maturity exceeding 12 months after the balance-sheet date are recognized as long-term interest-bearing receivables. Other investments are recognized as short-term investments.

Financial assets measured at fair value through other comprehensive income (equity instruments)
Holdings of shares and participations that are not recognized as subsidiaries, associated companies or joint arrangements are recognized here. These assets are measured at fair value.

Financial liabilities measured at fair value through profit or loss
This category includes the Group's derivatives with a negative fair value, with the exception of derivatives that function as an identified and effective hedging instrument; see Derivatives used in hedge accounting below. Fair value changes are recognized in financial items.

Derivatives used in hedge accounting
Derivatives used in hedge accounting are measured at fair value in the balance sheet. The change in value of an effective hedging instrument is recognized in the hedging reserve in shareholders' equity through other comprehensive income.

Other financial liabilities
Loans and other financial liabilities, such as accounts payable, are included in this category. Liabilities are recognized at amortized cost.

Impairment
NCC assesses expected loan losses based on prospective information for those financial assets recognized at amortized cost and FVOCI. A loss reserve is established in one of the following ways:
- for loss events that may be expected to be incurred within 12 months
- for loss events that may be expected to be incurred during the entire life of the asset.

A loss risk reserve for the entire life of the asset is established if, on the reporting date, the credit risk for the financial asset has risen significantly since initial recognition and, if this is not the case, a loss risk reserve is established within 12 months.

For accounts receivable and contract assets with or without a significant financing component, a loss risk reserve for the entire life of the asset is always established. Although each invoice is measured individually, provisions are noted for invoices that are more than 60 days overdue unless special circumstances apply.

Hedge accounting
NCC applies hedge accounting in the following categories: hedging of exchange-rate risk in transaction flows, hedging of the Group's interest maturities and hedging of the price risk associated with bitumen and electricity. If the hedge no longer fulfills the criteria for hedge accounting or the hedging instrument is sold, matures, is settled or redeemed, hedge accounting ceases prospectively. When the hedge accounting of cash flow hedges has ceased, the amount that has been accumulated in the hedging reserve is kept in shareholders' equity until:
- it is included in the cost of the non-financial item at initial recognition (applies for hedging of a transaction that results in recognition of a non-financial item) or
- it is reclassified to profit or loss in the same period or periods that the hedged expected cash flow impacts profit/loss (applies for other cash flow hedges).

If the hedged cash flow is no longer expected to arise, the amount that has been accumulated in the hedging reserve is reclassified immediately to profit or loss.

Hedging of exchange-rate risk in transaction flows
Currency exposure associated with future flows is hedged by using currency forward contracts. 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 forward rate of currency forward contracts is recognized in other comprehensive income, after taking tax effects into account and being accumulated in the hedging reserve. Any ineffectiveness is recognized in profit or loss. Transfers of amounts from the hedging reserve to reflect the carrying amount of the purchase are effected so that this is recognized at the forward rate. The hedged flows can be both contracted and forecast transactions.

Hedging of the Group's interest maturities
Interest rate derivatives are used to manage the interest rate risk. Hedge accounting occurs where effective hedging relationships can be proved. Changes in value, after considering income tax effects, are recognized in other comprehensive income and accumulated in the hedging reserve. Any ineffectiveness is recognized in financial items. By hedging interest rates, variable interest on parts of NCC's financing becomes fixed.

Hedging of price risks associated with bitumen and electricity
By entering into oil forward contracts, NCC Industry hedges its price risk for bitumen when major contracts are to be performed later than two months following receipt of the order. These oil forward contracts are classified as cash flow hedges and fulfill effectiveness requirements, whereby all changes resulting from changed prices are recognized in other comprehensive income and accumulated in the hedging reserve.

To smooth out fluctuations in the Swedish electricity market, NCC has elected, using electricity derivatives entered into gradually over a period of three years, to accumulate the volume of electricity until the particular date of delivery. Changes in effective hedges are recognized in other comprehensive income and accumulated in the hedging reserve, and, in the event of ineffectiveness, the changes are recognized in operating profit/loss.

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

Exchange rate differences arising from the translation of operating receivables and liabilities are recognized in operating profit/loss, while exchange rate differences arising from the translation of financial assets and liabilities are recognized in net financial items.

Financial instruments in the Parent Company
Financial instruments in the Parent Company are recognized at acquisition value less any impairment losses and taking into account the impact on earnings accrued up to fiscal year-end. In respect of the qualitative and quantitative risk information, reference is made to the disclosures made for the Group above, since Group-wide risk management is applied.

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
Recognition of Group and shareholder contributions
Group contributions and shareholder contributions in the Parent Company are recognized in accordance with their financial impact. Group contributions received and granted are recognized as appropriations. Shareholder contributions granted are recognized as a part of the investment in the subsidiary and are thus subject to customary impairment testing.

Repurchased shares
The repurchase of shares, including repurchase costs, has been charged directly against retained earnings. Similarly, the sale of such shares results in an increase in retained earnings. Refer to Note 27 Share capital, for more information on repurchased shares.

EMPLOYEE BENEFITS
Share-based remuneration
Instrument issued under the NCC Group's share-based remuneration plan comprise share awards and synthetic (cash-settled) shares.

The fair value of allotted share awards is recognized as a personnel cost accompanied by a corresponding increase in shareholders' equity. The fair value is estimated at the date of allotment by means of an adjustment of the discounted value of the future dividends for which the plan participants will not qualify.

Synthetic shares give rise to an undertaking to the employee, which is measured at fair value and recognized as a cost accompanied by a corresponding increase in liabilities. The fair value of the synthetic shares comprises the market price of the Series B NCC share at the particular financial report occasion adjusted by the discounted value of the future dividends for which the plan participants will not qualify.

At each financial report occasion, the Parent Company makes an assessment of the probability of whether the performance targets will be achieved. Costs are calculated on the basis of the number of shares and synthetic shares that are estimated to be settled at the close of the vesting period.

When settlement of the share awards and synthetic shares occurs, social security fees must be paid for the value of the employees' benefit. These vary in the different countries in which NCC is active. During the period in which the services are performed, provisions are also posted for these calculated social security fees based on the fair value of the share awards and the synthetic shares, respectively, on the reporting date.

To satisfy NCC AB's undertakings in accordance with the option programs, NCC AB has bought back Series B shares. These are recognized as shares held in treasury and thus reduce shareholders' equity.

For a description of the NCC Group's share-based remuneration program, refer to Note 5.

Post-employment remuneration
NCC 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 commitments 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	Defined-benefit pension commitments	Defined-contribution pension commitments
Sweden	●	●
Denmark		●
Finland		●
Norway	●	●
Other countries		●

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 commitment. Each unit is calculated separately and they jointly constitute the total commitment on the balance-sheet date. The intention of the principle is to expense pension payments straight-line over 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 in the Group, a provision or receivable for Swedish pension plans is recognized for 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 30, Pensions. The interest rate on first-class housing bonds is used as the basis for calculating the discount rate for Swedish pension plans. Swedish defined-benefit pension commitments are funded in the NCC Group's Pension Foundation. For funded plans, the fair value of plan assets reduces the computed commitment. Changes in plan assets and commitments stemming from experience-based adjustments and/or changes in actuarial assumptions, known as actuarial gains and losses, are recognized directly in other comprehensive income in the period in which they arise.

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 recognized as an expense during the period in which the employees perform the services covered by the fee.

The Parent Company is covered by the ITP plan, which does not require any payments by the employees. The difference, compared with the principles applied by the Group for recognizing pension debt, pertains mainly to how the discount rate is determined, the fact that the calculation of defined-benefit commitments is based on the current salary level without assuming future salary increases and the fact that all actuarial gains and losses are recognized in profit or loss when they arise.

Severance payments

In conjunction with notice of employment termination, a provision is recognized 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 redundancy. 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 remuneration for every personnel category or position, as is a time schedule for the plan's implementation.

PROVISIONS

Provisions differ from other liabilities in that there is a degree of uncertainty concerning when payment will occur or concerning the size of the amount required to settle the provision. Provisions are recognized in the balance sheet when a legal or informal commitment exists due to an event that has occurred, it is probable that an outflow of resources will be required to settle the commitment and the amount can be estimated reliably.

Guarantee commitments

Provisions for future costs arising due to guarantee commitments are recognized 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 made when such commitments arise. Provisions are made for that portion of restoration that arises for start-up of a quarry and construction of plants at pits and quarries, and on a continuous basis when activities are related to additional extractions at pits and quarries.

A restructuring provision is recognized when a detailed or formal restructuring plan has been established and the restructuring has either started or been announced publicly. No provisions are posted for future operating expenses.

FIXED ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

Fixed assets held for sale and assets and liabilities attributable to discontinued operations will be recognized separately in the balance sheet among current assets and current liabilities, respectively.

BORROWING COSTS

Borrowing costs attributable to qualifying assets are capitalized as a portion of the capitalized asset's cost when the borrowing costs total a significant amount. A qualifying asset is an asset that takes a significant period of time to get ready for its intended use or sale, which in NCC's case is more than a year. For NCC, the capitalization of borrowing costs is most relevant in the construction of property projects. Other borrowing costs are expensed on a continuous basis in the period in which they are incurred. In the Parent Company, borrowing costs are expensed in their entirety in the period in which they are incurred.

PLEDGED ASSETS

NCC recognizes collateral pledged for company or Group liabilities and/or commitments as pledged assets. These may be liabilities, provisions included in the balance sheet or commitments not recognized in the balance sheet. The collateral may be related to assets entered in the balance sheet or mortgages. Assets are recognized at the carrying amount and mortgages at nominal value. Shares in Group companies are recognized at their value in the Group.

For information on types of collateral, refer to Note 35, Pledged assets, sureties, guarantees and contingent liabilities.

CASH FLOW STATEMENT

The cash flow statement is prepared using the indirect method, pursuant to IAS 7, Statement of Cash Flows. The recognized cash flow includes only transactions that involve cash payments and disbursements. For information on the effects on cash flow from acquired and divested subsidiaries, refer to Note 36 Cash flow statement.

CRITICAL ESTIMATES AND ASSESSMENTS

Estimates and assessments that affect the Group's accounting records have been made on the basis of what is known when the Annual Report was issued. These estimates and assessments, by definition, will rarely correspond to the actual outcome. Particular attention must be paid to this during economic conditions characterized by major uncertainty in terms of the construction market and the global financial market, which has been the case during recent years. The assessments that are most critical to NCC are reported below.

Percentage-of-completion profit recognition

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.

The assessment of project revenues and project costs is based on 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. The assessment component means that the final result may differ from the profit accrued based on percentage-of-completion. For the reported data, refer to Note 3, Revenue recognition.

Revenue recognition of property development projects

Property sales are recognized at the point in time when control is transferred to the buyer. The point in time primarily depends on the assessment of which point in time NCC is entitled to payment. This normally does not occur until the project is completed and handed over to the customer, at which time the revenue is recognized in full. However, assessments are made on an contract-by-contract basis.

Valuation of properties classified as current assets

NCC's properties classified as current assets are recognized at the lower of cost and net realizable value.

The assessment of net realizable value is based on a series of assumptions such as sales prices, production costs, the price of land, rent levels and yield requirements plus the possible timing of production start and/or sale. NCC continuously monitors developments in the market and tests the assumptions made on an ongoing basis.

In some cases, the difference between the carrying amount and the estimated net realizable value is of a minor value. A change in the assumptions made could give rise to an additional impairment requirement.

Valuation of goodwill

Goodwill is measured at the lower of cost and recoverable amount.

Several assumptions and estimates are made concerning future conditions, which are taken into account when calculating the discounted cash flow upon which the estimated recoverable amount has been based. Important assumptions include expected growth, margins and the discount rate. If these assumptions change, the value of the remaining goodwill could be affected; refer to Note 16 Intangible assets, for information on the assumptions and estimates made.

Valuation of receivables

NCC's accounts receivable, including receivables for sold property projects, are measured at amortized cost, meaning the amount expected to be received less an amount for doubtful receivables. Also see the Financial instruments/impairment losses section above and Note 37.

Guarantee commitments

Provisions for future costs arising due to guarantee commitments are recognized at the estimated amounts required to settle the commitment on the balance-sheet date. This estimate is based on calculations, assessments by company management and experiences gained from past transactions; refer to Note 29, Other provisions.

Pension obligations

Recognized amounts are affected by changes in the actuarial assumptions that form the basis for calculations of the plan assets and pension commitments. These actuarial assumptions are described in Note 30 Pensions, as is a sensitivity analysis.

Guarantee obligations, legal disputes, etc.

Within the framework of its regular business operations, NCC occasionally becomes a party to claims or legal procedures. In such cases, an assessment is made of NCC's obligations and the probability of a negative outcome for NCC. NCC's assessment is based on information and knowledge currently possessed by the company. In several cases, these are difficult assessments and the final outcome could differ from the current estimation.

Measurement of leases

When measuring leases according to IFRS 16, NCC uses a discount rate, either upon the measurement of vehicles and heavy machinery or the interest rate implicit in the respective lease, or for leased premises and site leaseholds/land leases, the incremental borrowing rate of the respective subsidiary. In the event of a change in these discount rates, future lease payments in the form of the lease liability will be remeasured, which will result in accounting effects for the Group as a whole.

Note 2 Effects of amended accounting policies

IFRS 16 Leases is applied as of January 1, 2019.

Upon transition to IFRS 16, the Group recognizes lease liabilities attributable to leases that were previously classified as operating leases in accordance with the regulations of IAS 17 Leases. These liabilities have been measured at the present value of future minimum leasing fees. When calculating this, the implicit interest rate for the lease or the various lessees has been used, depending on the asset that has been leased. The Group's weighted average incremental borrowing rate applied for lease liabilities on January 1, 2019 was 2.18 percent.

The figures below show the effects of the transition from IAS 17 Leases to reporting in accordance with IFRS 16 Leases.

Other information on Leases is presented in Note 34.

BALANCE SHEET

SEK M	Reported balance sheet, December 31, 2018	Adjustments Jan 1, 2019	Adjusted balance sheet, Jan 1, 2019
ASSETS			
Right-of-use assets	493	1,494	1,987
Other fixed assets	6,640		6,640
Total current assets	19,868	–80	19,788
Total assets	**27,001**	**1,414**	**28,415**
EQUITY AND LIABILITIES			
Total equity	2,948		2,948
Interest-bearing lease liability	493	1,414	1,907
Interest-bearing liabilities	2,393		2,393
Other liabilities	21,167		21,167
Total equity and liabilities	**27,001**	**1,414**	**28,415**

BRIDGE FROM OPERATING LEASE TO RECOGNITION ACCORDING TO IFRS 16

Commitments for operating leases at December 31, 2018	1,612
Discounted using the Group's incremental borrowing rate	–244
Added: liabilities for financial leases at Dec 31, 2018	493
Added: effect of changes in index	126
Lease liability recognized on January 1, 2019	**1,987**

Note 3 Revenue recognition

	NCC Infrastructure	NCC Building Sweden	NCC Building Nordics	Subtotal, construction and civil engineering	NCC Industry	NCC Property Development	Other and eliminations	Group
Order backlog, December 31, 2019	23,205	16,561	15,807	**55,572**	2,967		–739	**57,800**
External net sales 2019	19,637	13,697	10,864	**44,197**	11,036	2,998	3	**58,234**
External net sales 2018	19,347	14,800	9,861	**44,008**	11,209	2,113	15	**57,346**
POINT IN TIME FOR REVENUE RECOGNITION								
Over time (percentage-of-completion)	●	●	●		●			
Specific point in time					●	●		

Revenues from construction and civil engineering operations are recognized successively over time, on a percentage-of-completion basis (recognized costs in relation to estimated total project costs). Invoicing is conducted on an ongoing basis according to agreement over the course of the project. This also applies to parts of NCC Industry's operations. However, most of NCC Industry's revenues are recognized at a point in time in conjunction with delivery to the customer of asphalt and stone materials, which is reflected in customer payments. For NCC Property Development too, revenues are normally recognized at a point in time (upon completion of the property), which normally coincides with the receipt of payment from the customer.

In all significant respects, the order backlog in construction and civil engineering operations is expected to be recognized as revenue over the coming 24 months, the majority of which within the coming year. In all significant respects, NCC Industry's order backlog is expected to be recognized as revenue during the coming year. For information regarding NCC Property Development's as yet unfulfilled performance obligations, see note 25. For information on orders received, see p. 12.

WORKED-UP, NON-INVOICED REVENUES

GROUP	**2019**	2018
Worked-up revenues from ongoing contracts	24,462	26,683
Invoicing for ongoing contracts	–23,101	–25,407
Reclassifications[1]	–100	
Total	**1,260**	**1,276**

INVOICED REVENUES NOT WORKED UP

GROUP	**2019**	2018
Invoicing for ongoing contracts	56,444	53,494
Worked-up revenues from ongoing contracts	–50,090	–47,182
Reclassifications[1]	–100	
Total	**6,254**	**6,311**

[1] Attributable to assets held for sale. Refer also to Note 15.

Worked-up revenues from ongoing projects including recognized gains less recognized loss reserves amounted to SEK 74,552 M (73,865).

Revenues recognized in 2019 that emanate from work performed in 2018 or earlier are not estimated to amount to material sums.

In all significant respects, invoiced revenues, not worked up at December 31, 2018 or earlier are adjudged to have been recognized in 2019.

Note 4 Reporting by operating segment

NCC's business operations are divided into five operating segments based on the parts of the organization monitored by the President and CEO, who is the chief operating decision maker. Each operating segment has a president who is responsible for the daily operations and regularly reports on the results of the segment's performance to the Executive Team. The following segments were identified based on this reporting procedure:

NCC Infrastructure supplies entire infrastructure projects (such as tunnels, roads and railways), from design and construction to production and service.

NCC Building Sweden and NCC Building Nordics primarily build housing and offices, but also construct such public premises as schools and hospitals and such commercial premises as stores and warehouses.

NCC Industry's operations are based on production of stone materials and asphalt, as well as piling works and paving.

NCC Property Development develops and sells commercial properties in metropolitan regions in Sweden, Norway, Denmark and Finland.

All transactions between the various segments are conducted on a purely commercial basis.

The segment reporting also recognizes Swedish pension costs using Swedish accounting standards and adjustments of IFRS in "Other and eliminations." "Other and eliminations" may occasionally also include certain items, primarily impairment losses and provisions, attributable to the activities conducted in the segments. Other and eliminations also includes the Parent Company.

GROUP, 2019	NCC Infrastructure	NCC Building Sweden	NCC Building Nordics	NCC Industry	NCC Property Development	Total segments	Other and eliminations	Group
External net sales	19,637	13,697	10,864	11,036	2,998	58,231	3	58,234
Internal net sales	412	1,154	905	1,935	59	4,465	–4,465	
Total net sales	20,049	14,851	11,769	12,971	3,056	62,696	–4,462	58,234
Depreciation/amortization	–411	–55	–132	–710	–14	–1,322	–84	–1,407
Impairment losses and reversed impairment losses				–22		–22		–22
Share in associated company profits		11		6	4	21		21
Operating profit/loss	232	364	231	511	313	1,651	–355	1,296
Net financial items								–112
Profit/loss after financial items								1,184
Capital employed				5,507	4,935			

GROUP, 2018	NCC Infrastructure	NCC Building Sweden	NCC Building Nordics	NCC Industry	NCC Property Development	Total segments	Other and eliminations	Group
External net sales	19,347	14,800	9,861	11,209	2,113	57,331	15	57,346
Internal net sales	444	900	891	1,758	45	4,038	–4,038	
Total net sales	19,791	15,701	10,753	12,968	2,157	61,369	–4,023	57,346
Depreciation/amortization	–245	–31	–21	–439	–6	–742	–43	–785
Impairment losses and reversed impairment losses	–44			–2	–368	–413	–39	–453
Share in associated company profits		–1		6	36	42		42
Operating profit/loss	–993	453	–227	350	–181	–597	–166	–764
Net financial items								–85
Profit/loss after financial items								–849
Capital employed				4,902	4,314			

OTHER AND ELIMINATIONS

	EXTERNAL NET SALES		OPERATING PROFIT/LOSS	
	2019	2018	**2019**	2018
NCC's Head Office, results from minor subsidiaries and associated companies, as well as the remaining portions of NCC International	3	15	–204	–187
Eliminations of inter-company gains			–24	11
Other Group adjustments (essentially comprising the difference in accounting policies between segments and the Group pertaining to such items as pensions)			–126	10
Total	**3**	**15**	**–355**	**–166**

Note 4 Reporting by operating segments, cont.

GEOGRAPHIC AREAS

	ORDERS RECEIVED		ORDER BACKLOG		NET SALES		FIXED ASSETS[1]	
	2019	2018	**2019**	2018	**2019**	2018	**2019**[2]	2018
Sweden	31,693	38,218	33,596	36,501	33,979	35,489	3,034	2,628
Denmark	13,114	5,939	10,032	4,496	8,421	8,062	1,932	1,621
Finland	6,646	8,512	6,837	7,661	7,400	6,989	521	413
Norway	6,595	9,173	7,335	8,179	8,435	6,807	2,000	1,480
St. Petersburg								27

[1] Pertains to fixed assets (incl. right-of-use assets according to Note 34) that are not financial instruments, deferred tax assets, assets pertaining to post-employment remuneration and rights arising in accordance with insurance agreements.

[2] of which, SEK –237 M in reclassifications attributable to assets held for sale; see Note 15.

Note 5 Number of employees, personnel expenses and remuneration of senior executives

AVERAGE NO. OF EMPLOYEES

	2019		2018	
	Number of employees	of whom men	Number of employees	of whom men
Parent Company				
Sweden	58	24	71	36
Subsidiaries				
Sweden	9,105	7,775	9,826	8,502
Norway	2,120	1,936	2,190	1,984
Finland	1,671	1,352	1,796	1,482
Denmark	2,151	1,876	2,256	1,962
Poland	40	28	351	340
Other countries	128	100	33	28
Total in subsidiaries	**15,215**	**13,067**	**16,452**	**14,298**
Group total	**15,273**	**13,091**	**16,523**	**14,334**

Percentage of women, %	**2019**	2018
Gender breakdown within the Board of Directors and the Executive Team on the balance-sheet date		
– Board of Directors	36.4	45.5
– AGM-elected Board members	50.0	62.5
– Executive Team	25.0	37.5
– Executive Team, employed in the Parent Company	66.7	66.7

The Board of Directors is defined as the Parent Company's Board of Directors. Only the Parent Company's Board of Directors and the Executive Team are regarded as senior executives. The definition has been changed compared with 2018 and the comparative figures above have been recalculated.

SALARIES AND OTHER REMUNERATION DISTRIBUTED BETWEEN MEMBERS OF THE BOARD AND SENIOR EXECUTIVES[1] AND OTHER EMPLOYEES

	2019			2018		
	Board of Directors and senior executives (of which, bonus)	Other employees	Total	Board of Directors and senior executives (of which, bonus)	Other employees	Total
Parent Company						
Sweden	31	84	115	46	62	108
Social security expenses			72			70
– of which, pension costs	6	22	28	8	21	29
Pension commitment	1			6		
Group	**60**	**9,332**	**9,392**	**102**	**9,726**	**9,828**
	(7.4)			(4.1)		
Social security expenses			2,902			2,968
– of which, pension costs			828			950
Pension commitment	3			15		

[1] The senior executives category comprises 3 individuals (4) in the Parent Company and 6 individuals (27) in subsidiaries. The definition senior executive applies solely to the Parent Company's Board of Directors and the Executive Team, incl. the CEO, as of 2019. The comparative figures above have not been recalculated.

EMPLOYMENT CONDITIONS AND REMUNERATION OF SENIOR EXECUTIVES

The Chairman of the Board and other AGM-elected Board members receive director fees according to an AGM resolution for work on the Board of Directors and committees. No pensions are paid to Board members. 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 of other senior executives in the Executive Team (ET) is proposed by the CEO and approved by the Chairman of the Board.

Remuneration of the CEO and other senior executives consists of fixed and variable remuneration, other benefits and pensions. The term "other senior executives" refers to the people who together with the CEO constitute the ET.

FIXED REMUNERATION OF THE CEO

President and CEO Tomas Carlsson receives a fixed monthly salary of SEK 750,000.

VARIABLE REMUNERATION

For CEO Tomas Carlsson, the short-term variable remuneration is capped at 65 percent of fixed remuneration and based on the outcome of established targets, which are mainly financial. Short-term variable remuneration for other senior executives in 2019 is capped at 40 percent of fixed remuneration. The maximum percentages above for the CEO and other senior executives are adjusted downward by 10 percentage points for those persons who participated in LTI 2019.

Note 5 cont. Number of employees, personnel expenses and remuneration of senior executives

During 2019 the Board has exercised its right to deviate from the guidelines in one special case due to specific circumstances, where a new employed senior executive received a bonus of 53 percent of fixed remuneration during the employment period. The Board's reason to deviate from the guidelines was to be able to recruit the person best suited for the position.

PENSION CONDITIONS FOR THE PRESIDENT AND CEO

In 2019, CEO Tomas Carlsson was covered by a defined-contribution pension plan with a premium limit of maximum 40 percent of his contractual fixed remuneration. Tomas Carlsson's retirement age is 65 years.

PENSION CONDITIONS FOR OTHER SENIOR EXECUTIVES

Other senior executives employed in Sweden are covered by a defined-benefit ITP plan with a retirement age of 65, and, in accordance with the current policy, of a supplementary defined-contribution pension commitment of 30 percent of pensionable remuneration exceeding 30 income base amounts. For other senior executives employed outside Sweden, the various pension conditions in those countries of employment will apply.

TERMINATION TERMS

President and CEO Tomas Carlsson has a period of notice of six months from NCC and six months should he resign at his own request. If employment is terminated by NCC, severance pay is payable for 18 months. The severance pay is not pensionable and does not carry entitlement to vacation pay or other benefits. For a period of six months following the period of notice, the President and CEO, should NCC so demand, is required to observe a ban on working for competitors. During such a period, the President and CEO receives remuneration corresponding to basic monthly salary. Remuneration is not payable for periods when the President and CEO receives severance pay. Other senior executives are subject to six to 12 months' period of notice from NCC, or six months' notice if the senior executive resigns of his/her own accord.

If employment is terminated by NCC, severance pay is normally payable for 12 months. The severance pay will, with one exception, be reduced by an amount corresponding to any remuneration received from a new employer or own business. During the period of notice, senior executives may not take up a new position with another employer or conduct their own business activities without NCC's written consent.

SHARE-BASED REMUNERATION

The prerequisites and conditions for allotment are listed below.

LONG-TERM INCENTIVE PROGRAM

The AGM in April 2019 resolved, in accordance with the Board's motion, to establish a long-term performance-based incentive program for senior executives and key personnel within the NCC Group (LTI 2019). The purpose of LTI 2019 is to ensure a focus on the company's long-term profitability and growth, to minimize the number of serious worksite accidents and create prerequisites for retaining and recruiting key personnel.

LTI 2019 is a three-year performance-based plan under which the participants were allotted, free of charge, performance-based share awards providing entitlement to Series B shares and to performance-based synthetic shares providing entitlement to cash remuneration. Participants resident in Denmark only receive share awards and not synthetic shares. In view of the introduction of LTI 2019, the maximum short-term variable remuneration payable to the participants was adjusted downwards by five or ten percentage points of their basic salary. LTI 2019 runs parallel in all significant respects to the LTI program adopted by the 2018 AGM.

Performance targets

The number of shares and the cash amount that will finally be allotted/disbursed depends on the extent to which certain predetermined targets are achieved in the performance period (January 1, 2019 through December 31, 2021).

The fundamental prerequisites for an outcome from LTI 2019 is that the NCC Group reports a pretax profit during the program period of 2019–2021 and during the final year of the program (meaning 2021).

The targets that have been set for LTI 2019 comprise the profitability during the vesting period, and a reduction in the number of serious worksite accidents as at the end of 2021. In respect of the financial objective, 100 percent is disbursed if the overall operating margin reaches or exceeds 4.0 percent. Target fulfillment is measured for a three-year period (2019–2021). 0 percent is awarded/disbursed if target fulfillment does not reach an overall operating margin of 2.5 percent. Within the target range, allotment/payment will occur linearly. For assessment of the second target, an internationally established benchmark figure for the industry will be used based on the number of worksite accidents resulting in more than four days of absence from ordinary work per million working hours. Allotment/disbursement of 100 percent will occur if the ratio for 2021 is less than 3.5, while 0 percent will be allotted/disbursed if it exceeds 6.0. Within the range of 3.5 and 6.0, allotment/payment will occur linearly. At the end of 2019, NCC's benchmark was 4.1.

REMUNERATION, PROVISIONS AND OTHER BENEFITS IN 2019

SEK 000s	Total remuneration and benefits[1]	of which, benefits	of which, variable remuneration[2]	of which, provision for share-based remuneration[3]	Pension cost	Pension commitment
Chairman of the Board Tomas Billing	1,100					
Member of the Board Viveca Ax:son Johnson	500					
Member of the Board Carina Edblad[4]	171					
Member of the Board Geir Magne Aarstad	600					
Member of the Board Mats Jönsson	625					
Member of the Board Birgit Nørgaard	500					
Member of the Board Ulla Litzén	675					
Member of the Board Angela Langemar Olsson	625					
Member of the Board Alf Göransson[5]	454					
CEO Tomas Carlsson	17,453	98	2,841	1,410	3,600	484
Other senior executives[6]	8,615	135	1,236	363	1,901	928
Total Parent Company	**31,318**	**233**	**4,077**	**1,773**	**5,501**	**1,412**
Other senior executives in subsidiaries[7]	28,494	477	3,341	997	5,846	1,100
Total senior executives	**59,811**	**710**	**7,418**	**2,770**	**11,346**	**2,512**

1) Remuneration and benefits include committee fees and pertain to vacation compensation, reduced working hours, company cars and, where appropriate, severance pay.

2) Variable remuneration pertains to the amounts expensed for each fiscal year, which can deviate from future paid out remuneration.

3) Amounts reserved/reversed during the year for the closed LTI program 2016, and the ongoing LTI programs 2017, 2018 and 2019.

4) Carina Edblad stepped down from the Board at the AGM on April 9, 2019.

5) Alf Göransson was elected (new election) at the AGM on April 9, 2019.

6) This includes the positions of CFO, as well as Head of Development & Operations Services for the whole of 2019.

7) This includes the Heads of NCC Infrastructure, NCC Building Sweden, NCC Building Nordics, NCC Industry for the whole of 2019. The former Head of NCC Property Development, Carola Lavén, was included through July 22, 2019, and the current Head of NCC Property Development is included as of September 1, 2019.

Note 5 cont. Number of employees, personnel expenses and remuneration of senior executives

REMUNERATION, PROVISIONS AND OTHER BENEFITS IN 2018

SEK 000s	Total remuneration and benefits[1]	of which, benefits	of which, variable remuneration[2, 9]	of which, provision for share-based remuneration[3]	Pension cost	Pension commitment
Chairman of the Board Tomas Billing	1,134					
Member of the Board Viveca Ax:son Johnson	500					
Member of the Board Carina Edblad	591					
Member of the Board Geir Magne Aarstad	573					
Member of the Board Mats Jönsson	625					
Member of the Board Birgit Nørgaard	500					
Member of the Board Ulla Litzén	675					
Member of the Board Angela Langemar Olsson[4]	454					
CEO Tomas Carlsson[5]	9,145	55	2,643	270	2,400	181
Former Acting CEO Håkan Broman[5, 10]	4,138	22		–255	412	
Other senior executives[6]	9,700	131	731	–1,154	2,384	5,808
Other senior executives, severance pay[7]	17,556	208			2,660	
Total Parent Company	**45,590**	**417**	**3,373**	**–1,139**	**7,856**	**5,989**
Other senior executives employed by subsidiaries[8]	22,524	393	2,066	–570	3,484	1,285
Total senior executives	**68,114**	**810**	**5,439**	**–1,709**	**11,340**	**7,274**

1) Remuneration and benefits include committee fees and pertain to vacation compensation, reduced working hours, company cars and, where appropriate, severance pay.

2) Variable remuneration pertains to the amounts expensed for each fiscal year.

3) Amounts reserved/reversed during the year for the ongoing LTI programs 2015, 2016, 2017 and 2018.

4) Angela Langemar Olsson was elected at the AGM on April 11, 2018.

5) Håkan Broman held the position of Acting President and CEO through May 6, 2018. Tomas Carlsson assumed the position of President and CEO on May 7, 2018.

6) This included the positions of Chief Financial Officer for the whole of 2018 and the Head of Development & Operations Services as of October 8. The positions of Senior Legal Counsel, Head of Corporate Relations and Head of Purchasing were included up to August 28.

7) Pertains to the former Senior Legal Counsel, the Chief Financial Officer and the Head of Corporate Relations.

8) This included for the entire 2018 the positions of Head of NCC Building Nordics (and previously NCC Building), NCC Industry, NCC Infrastructure and NCC Property Development. The position of Head of NCC Building Sweden was included as of October 1. One of the executives worked on a consultancy basis and the stated remuneration comprised a consulting fee.

9) Five other senior executives received a discretionary bonus in 2018 regarding their performance during 2017.

10) NCC's pension commitments for Håkan Broman are recognized on the row Other senior executives because he will not retire in the capacity of Acting CEO.

Allotment

–The participants are divided into three categories: CEO; other members of the Executive Team, business area management; and other key personnel. The allotment value is 50 percent of annual salary for the CEO, 30 percent of annual salary for other members of the Executive Team and either 15 percent or a maximum of 30 percent of annual salary for other key personnel.

The share price that is to form the basis for calculating the number of share awards and synthetic shares is to correspond to the average last price paid during a period of the first ten trading days after the AGM.

Scope and costs of the program

Assuming a share price of SEK 137.80 and the maximum outcome, meaning full achievement of the performance targets in terms of both shares and cash amount, it is estimated that the cost of LTI 2019, including costs for social security fees, will be approximately SEK 79.9 M, corresponding to the value of about 0.53 percent of the total number of shares.

The value that a participant may receive at maximum allotment of Series B shares and cash payment is capped at an amount per share that corresponds to 400 percent of the share price, calculated on the basis of the average price paid during a period of the first ten trading days after the AGM.

Buyback of company shares

In order to cover commitments in accordance with LTI 2019, meaning to cover costs for securing delivery of Series B shares, including costs for social security fees and payments on the basis of the synthetic shares, the AGM resolved to authorize the Board to make decisions on one or several occasions during the period up to the following AGM to buy back a maximum of 867,487 Series B shares. The shares are to be acquired on Nasdaq Stockholm and may only be acquired at a price within the registered span of share prices at the particular time, by which is meant the span between the highest price paid and the lowest asked price. The shares are to be paid for in cash. The Board decided to buy back Series B shares to cover commitments under the company's long-term incentive program and 128,217 Series B shares were bought back in the second quarter of 2019.

Transfer of treasury shares

To secure delivery of Series B shares under LTI 2019, the AGM resolved to permit the transfer of no more than 300,000 Series B shares to the participants of LTI 2019. The prerequisites and conditions for allotment are listed above, according to which all share awards are regulated through physical delivery of the shares. The AGM also resolved to permit the transfer of a maximum of 500,000 Series B shares to cover costs, mainly for compensation for dividends, social security fees and payments on the basis of the synthetic shares, arising from previously outstanding long-term performance-based incentive programs (LTI 2016, LTI 2017 and LTI 2018) as well as LTI 2019.

LTI 2016

The performance period for LTI 2016 expired on December 31, 2018. The fundamental requirements for the outcome – a pretax profit for the NCC Group, calculated in total for the entire program period of 2016–2018 and during the final year of the program, 2018 – were not fulfilled, and the performance targets for the program were not achieved either. Accordingly, no shares were allotted and no cash payment was made.

LTI 2017

A new LTI program was launched in 2017 in accordance with an AGM resolution. The program is essentially the same as previous LTI programs. The overall operating margin and annual growth for the period is used as the financial performance objective. The performance period for LTI 2017 was from January 1, 2017 through December 31, 2019. Since the outcome was not achieved during the performance period, no allotment will be paid.

LTI 2018

A new LTI program was launched in 2018 in accordance with an AGM resolution. The program is essentially the same as previous LTI programs. The overall operating margin for the period is used as the financial performance objective. The performance period for LTI 2018 is from January 1, 2018 through December 31, 2020.

LTI 2019

A new LTI program was launched in 2019 in accordance with an AGM resolution. The program is essentially the same as previous LTI programs. The overall operating margin for the period is used as the financial performance objective. The performance period for LTI 2019 is from January 1, 2019 through December 31, 2021.

Note 5 cont. Number of employees, personnel expenses and remuneration of senior executives

	GROUP		PARENT COMPANY	
NUMBER OF	Share awards	Synthetic options	Share awards	Synthetic options
Outstanding at the beginning of the period	304,832	304,832	47,540	47,540
Allocated during the period	221,666	153,778	35,992	35,992
Exercised during the period	–78,440	–78,440	–13,780	–13,780
Forfeited during the period	–28,833	–28,833	–1,267	–1,267
Outstanding at the end of the period	**419,225**	**351,337**	**68,485**	**68,485**
Puttable at the end of the period	0	0	0	0

All share awards and synthetic options have a redemption price of SEK 0.
Share awards and synthetic options outstanding have a remaining maturity of two and a half years to a half year, respectively.

FAIR VALUE AND ASSUMPTIONS SHARE AWARDS LTI 2017

	2019		2018	
	Group	Parent Company	Group	Parent Company
Fair value on date of valuation, SEK 000s	0	0	3,081	318
Share price, SEK	225.48	225.48	225.48	225.48
Redemption price, SEK	0	0	0	0
Option maturity, years	0.5	0.5	1.5	1.5
Risk-free interest rate, %	1.77	1.77	1.67	1.67

SHARE AWARDS LTI 2018

	2019		2018	
	Group	Parent Company	Group	Parent Company
Fair value on date of valuation, SEK 000s	3,838	720	1,546	270
Share price, SEK	157.30	157.30	157.30	157.30
Redemption price, SEK	0	0	0	0
Option maturity, years	1.5	1.5	2.5	2.5
Risk-free interest rate, %	1.77	1.77	1.67	1.67

SHARE AWARDS LTI 2019

	2019	
	Group	Parent Company
Fair value at date of valuation, SEK 000s	6,509	1,072
Share price, SEK	151.14	151.14
Redemption price, SEK	0	0
Option maturity, years	2.5	2.5
Risk-free interest rate, %	1.77	1.77

Dividend has been calculated as a five-year average of NCC AB's dividends. All fair values and assumptions are the same for all participants in the program.

PERSONNEL EXPENSES FOR SHARE-BASED REMUNERATIONS

	2019		2018	
	Group	Parent Company	Group	Parent Company
Share awards	6	1	–4	–1
Synthetic shares	5	1	–3	–2
Social security expenses	3	1	–2	–1
Total personnel expenses for share-based remunerations	**14**	**3**	**–9**	**–4**
Total carrying amount pertaining to liability for synthetic shares	8	2	8	1
Total real value of the liability pertaining to vested benefits	8	2	8	1

The amounts during 2018 are reversed, credited, costs.

Note 6 Depreciation/amortization

	GROUP		PARENT COMPANY	
	2019	2018	**2019**	2018
Intangible assets	–59	–65		
Owner-occupied properties	–58	–40		
Owner-occupied properties, right-of-use assets	–270			
Machinery and equipment	–559	–559	–2	–2
Machinery and equipment, right-of-use assets	–461	–122		
Total depreciation/amortization	**–1,407**	**–785**	**–2**	**–2**

Note 7 Fees and remuneration to audit firms

	GROUP		PARENT COMPANY	
	2019	2018	**2019**	2018
Audit firms				
PwC				
Auditing assignments	16	18	3	7
Audit in addition to the audit assignment	2	0	2	
Tax consultations		0		
Other services	1	1	1	0
Other auditors				
Auditing assignments	0	0		
Audit in addition to the audit assignment		0		
Tax consultations		0		
Total fees and remuneration to auditors and audit firms	**19**	**19**	**6**	**7**

During 2019, PwC received approximately SEK 1 M for non-audit services. The services primarily comprised various types of consultation involving accounting and sustainability issues, but no valuation services.

Auditing assignments amounted to SEK 16 M, of which PwC Sweden accounted for SEK 9 M. Accounting activities in addition to the audit assignment amounted to SEK 2 M, of which SEK 2 M to PwC Sweden. PwC Sweden did not perform any tax consultancy for NCC. Other services assignments amounted to SEK 1 M, of which SEK 1 M to PwC Sweden.

Note 8 Impairment losses

	GROUP		PARENT COMPANY	
	2019	2018	**2019**	2018
Impairment losses on current assets				
Properties held for future development		–130		
Completed properties		–240		
Total impairment losses on current assets		**–370**		
Impairment losses on participations in subsidiaries				
Shares in subsidiaries			–50	–644
Total impairment losses on participations in subsidiaries			**–50**	**–644**
Impairment losses on other fixed assets				
Owner-occupied properties	–13	–3		
Machinery and equipment	–8	–2		
Goodwill in NCC Infrastructure		–36		
Other intangible assets	–1	–41		–38
Impairment losses on other fixed assets	**–22**	**–82**		**–38**
Total impairment losses	**–22**	**–453**	**–50**	**–682**

Note 9 Result from participations in Group companies

	GROUP		PARENT COMPANY	
	2019	2018	**2019**	2018
Dividend			533	435
Capital gain/loss on sale	18			
Impairment losses			–50	–644
Total	**18**	**0**	**482**	**–208**

Note 10 Operating expenses by type of cost

GROUP	**2019**	2018
Production-related goods and services, plus raw materials and supplies	43,153	43,943
Change in inventory	91	138
Personnel expenses	12,295	12,762
Depreciation/amortization	1,407	785
Impairment losses	22	453
Total production costs, and selling and administrative costs	**56,967**	**58,080**

Note 11 Interest expense and similar items

PARENT COMPANY	**2019**	2018
Interest expense, Group companies	–17	–1
Interest expense to credit institutions	–18	–17
Financial portion of pension cost	–3	–3
Interest expense, others	–4	
Other financial items		–25
Total	**–42**	**–47**

Note 12 Net financial items

GROUP	**2019**	2018
Interest income on financial assets held for trading	2	
Interest income on investments held to maturity	1	1
Interest income on loans and accounts receivable	9	12
Interest income on bank balances	2	1
Net gain on available-for sale financial assets	13	13
Net gain on financial assets/liabilities held for trading	2	1
Net exchange-rate changes	2	5
Other financial income	3	2
Financial income	**34**	**36**
Interest expense on financial liabilities measured at amortized cost	–129	–96
Interest expense on financial liabilities held for trading		–9
Other financial expenses	–17	–16
Financial expenses[1)]	**–146**	**–121**
Net financial items	**–112**	**–85**
Of which, changes in value calculated using valuation techniques	4	6

1) Interest payments of SEK 53 M (29) have been capitalized.

Note 13 Effects on profit or loss of exchange-rate changes

GROUP	2019 exchange rates 2018[1)]	**2019**	Exchange-rate effect
Net sales	57,715	58,234	519
Operating profit	1,283	1,296	13
Profit after financial items	1,173	1,184	11
Net profit for the year	866	875	9

1) Figures for 2019 converted at 2018 exchange rates.

			AVERAGE EXCHANGE RATE JAN–DEC		YEAR-END RATE	
Country	SEK	Currency	**2019**	2018	**2019**	2018
Denmark	100	DKK	141.83	137.61	140.04	137.41
EU	1	EUR	10.59	10.26	10.46	10.26
Norway	100	NOK	107.47	106.83	105.97	102.70
Russia	1	RUR	0.15	0.14	0.15	0.13

Note 14 Appropriations

	APPROPRIATIONS	
PARENT COMPANY	**2019**	2018
Group contributions received	*577*	545
Total	***577***	**545**

Note 15 Assets held for sale

NCC has decided to divest NCC Road Services in the Infrastructure business area. The division is therefore recognized separately as of the fourth quarter of 2018. In 2019, the division had net sales of SEK 2,624 M and an operating profit of SEK 20 M. Below is the division's share in the consolidated balance sheet.

GROUP	**2019**
Right-of-use assets	137
Owner-occupied properties	4
Machinery and equipment	96
Total fixed assets	**237**
Materials and inventory	15
Worked-up, non-invoiced revenues	100
Prepaid expenses and accrued income	40
Total current assets	**155**
TOTAL ASSETS	**392**
Profit/loss brought forward including profit/loss for the year	**47**
Long-term liabilities	
Long-term interest-bearing lease liabilities	82
Current liabilities	
Current interest-bearing lease liabilities	52
Invoiced revenues not worked up	100
Accrued expenses and deferred income	111
Total current liabilities	**263**
TOTAL LIABILITIES AND EQUITY	**392**

Note 16 Intangible assets

	GROUP				PARENT COMPANY
	ACQUIRED INTANGIBLE ASSETS				
2019	Goodwill	Usufructs	Other	Total other	Development expenses
Recognized cost on January 1	2,092	264	594	858	38
Investments		2	22	24	
Divestment and scrappage		–6		–6	
Reclassifications		18	44	62	
Translation differences during the year	35	4	5	9	
Recognized cost on December 31	2,127	282	665	947	38
Accumulated amortization on January 1	-1	-170	-294	-464	
Divestment and scrappage		5	1	5	
Translation differences during the year	–1	–2	–2	–4	
Amortization according to plan during the year		–10	–49	–59	
Accumulated amortization on December 31	-2	-177	-344	-522	
Accumulated impairment losses on January 1	-229	-15	-40	-56	-38
Translation differences during the year	–3				
Impairment losses for the year		–1		–1	
Accumulated impairment losses on December 31	-232	-16	-40	-57	-38
Residual value on January 1	1,861	79	260	339	0
Residual value on December 31	1,893	89	280	368	0

	GROUP				PARENT COMPANY
	ACQUIRED INTANGIBLE ASSETS				
2018	Goodwill	Usufructs	Other	Total other	Development expenses
Recognized cost on January 1	2,041	292	478	770	38
Investments		4	74	78	
Increase through acquisitions			46	46	
Divestment and scrappage		–45	–9	–54	
Reclassifications		7		7	
Translation differences during the year	51	6	5	11	
Recognized cost on December 31	2,092	264	594	858	38
Accumulated amortization on January 1	-1	-171	-246	-417	
Divestment and scrappage		8	8	16	
Reclassifications		8		8	
Translation differences during the year		–2	–3	–5	
Amortization according to plan during the year		–12	–53	–65	
Accumulated amortization on December 31	-1	-170	-294	-464	
Accumulated impairment losses on January 1	-191	-16	-2	-18	
Divestment and scrappage			2	2	
Translation differences during the year	–2	1		1	
Impairment losses for the year	–36		–41	–41	–38
Accumulated impairment losses on December 31	-229	-15	-40	-56	-38
Residual value on January 1	1,848	105	230	335	38
Residual value on December 31	1,861	79	260	339	0

NOTE 16 Intangible assets, cont'd

IMPAIRMENT TESTING OF GOODWILL IN CASH-GENERATING UNITS

Goodwill in NCC's balance sheet is distributed among NCC's business areas, segments, as follows:

Operating segments	**2019**	2018
NCC Infrastructure	257	255
NCC Building Sweden	233	233
NCC Building Nordics	343	334
NCC Industry	1,060	1,039
The NCC Group	**1,893**	**1,861**

As part of its internal governance, NCC monitors goodwill at a business area level and goodwill is impairment tested at this level.

Annual impairment testing is conducted in conjunction with the third quarter based on the future cash flow of the units, taking into account the market's yield requirement and the units' risk profile. In most cases, the impairment risk is adjudged to be low and, in these cases, testing occurs using a simplified model, whereby the following critical assumptions have been used.

Long-term growth: In all cases, a long-term sustainable growth rate of 2.0 (2.0) percent has been assumed when the forecast period is over, which reflects anticipated long-term growth in the market.

Operating margin: Expected operating margin has been set at a three-year average. The assumption has been based on previous experience.

Working capital and reinvestment requirement: The requirement has been assumed to match the figure for 2019, with a growth rate equal to the sustainable long-term growth rate. The assumption has been based on previous experience and estimates of future requirements.

Discount rate: The weighted average cost of capital (WACC) is calculated for the various units on the basis of beta value, and local conditions in respect of market rates and tax, as well as a market-based capital structure for the various operations. The latter is based on the operational risk and the opportunities to leverage the operation. Although the discount rates vary among the different cash-generating units, in NCC's scenario it totals 8.9 percent (7.3) percent before and 7.0 percent (6.1) after tax.

Impairment and risk analyses

The year's impairment testing was based on cash flow forecasts for 2020–2021. The average growth rate during the forecast period corresponds to about 2 percent for all business areas.

The anticipated operating margin is based on the latest available forecast for each of the business areas.

The year's impairment testing showed that there was no impairment requirement for any of the segments in the event of an increase in the discount rate by half of a percentage point. Nor was there any impairment requirement in the event of a decrease in the operating margin by half of a percentage point or a decrease in net sales by one percentage point.

OTHER INTANGIBLE ASSETS

Rights-of-use include the right to use gravel and rock pits for a determined period. The periods may vary but the rights normally pertain to longer periods.

Amortization of quarries 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 applied on a straight-line basis.

AMORTIZATION IS INCLUDED IN THE FOLLOWING LINES IN THE INCOME STATEMENT

	GROUP	
	2019	2018
Production costs	–59	–65
Total	**–59**	**–65**

Note 17 Tangible fixed assets

2019	GROUP Owner-occupied properties	GROUP Machinery and equipment	GROUP Total	PARENT COMPANY Machinery and equipment
Recognized cost on January 1	**1,524**	**7,937**	**9,461**	**82**
Investments	100	810	909	33
Reclassification to tangible fixed assets held for sale	–4	–96	–100	
Divestment and scrappage	–59	–583	–642	
Reclassifications	–9	–403	–412	–52
Translation differences during the year	20	92	112	
Recognized cost on December 31	**1,571**	**7,757**	**9,328**	**62**
Accumulated impairment losses and depreciation on January 1	**–609**	**–5,400**	**–6,008**	**–57**
Divestment and scrappage	7	461	468	
Reclassifications	3	295	298	
Translation differences during the year	–8	–51	–59	
Impairment losses for the year[1]	–13	–8	–21	
Depreciation during the year	–58	–559	–617	–2
Accumulated impairment losses and depreciation on December 31[1]	**–677**	**–5,262**	**–5,938**	**–59**
Accumulated write-ups at beginning of the year		**21**	**21**	
Accumulated write-ups on December 31		**21**	**21**	
Residual value on January 1	**915**	**2,559**	**3,474**	**24**
Residual value on December 31	**894**	**2,516**	**3,410**	**3**
[1] Accumulated impairment losses on December 31	–36	–55	–91	

2018	GROUP Owner-occupied properties	GROUP Machinery and equipment	GROUP Total	PARENT COMPANY Machinery and equipment
Recognized cost on January 1	**1,445**	**7,568**	**9,012**	**63**
Investments	100	887	987	18
Increase through acquisitions		14	14	
Divestment and scrappage	–42	–661	–703	
Reclassifications	–5	–1	–7	
Translation differences during the year	26	131	157	
Recognized cost on December 31	**1,524**	**7,937**	**9,461**	**82**
Accumulated impairment losses and depreciation on January 1	**–565**	**–5,295**	**–5,859**	**–55**
Divestment and scrappage	18	543	561	
Reclassifications	–8		–8	
Translation differences during the year	–12	–85	–97	
Impairment losses for the year[1]	–3	–2	–6	
Depreciation during the year	–40	–559	–598	–2
Accumulated impairment losses and depreciation on December 31[1]	**–609**	**–5,400**	**–6,008**	**–57**
Accumulated write-ups at beginning of the year		**21**	**21**	
Accumulated write-ups on December 31		**21**	**21**	
Residual value on January 1	**880**	**2,294**	**3,173**	**8**
Residual value on December 31	**915**	**2,559**	**3,474**	**24**
[1] Accumulated impairment losses on December 31	–23	–46	–69	

Note 18 Shares in Group companies

PARENT COMPANY Name of company, Corp. ID No., Registered office	Ownership share, %[1]	No. of shares[2]	CARRYING AMOUNT 2019	2018
Property companies:				
NCC Property Development Nordic AB, 556743-6232, Solna	100	1	962	962
Total participations in property companies			**962**	**962**
Other companies:				
Eeg-Henriksen AB, 556399-2642, Stockholm[4]				1
JCC Johnson Construction Company AB, 556113-5251, Solna[4]				
NCC Danmark A/S, 69 89 40 11, Denmark	100	400	132	116
NCC Construction Norge AS, 911 274 426, Norway	100	17,500	1,119	1,119
NCC Sverige AB, 556613-4929, Solna	100	500	413	412
NCC Försäkrings AB, 516401-8151, Solna	100	500	78	78
NCC Industries AB, 556001-8276, Stockholm[4]				22
NCC International AB, 556033-5100, Solna	100	1,000	4	41
NCC Nordic Construction Company AB, 556065-8949, Solna[4]				1,018
NCC Purchasing Group AB, 556104-9932, Stockholm	100	2	1	1
NCC Suomi Oy, 1765514-2, Finland	100	4	94	94
NCC Industry Nordic AB, 556144-6732, Solna	100	275	1,641	1,640
NCC Skakt Aps, 36 95 64 88, Denmark[3]				
NCC Treasury AB, 556030-7091, Solna	100	120	16	16
Nordic Road Services Holding AB 559172-2227, Solna	100	50	52	
8Industries AB 559149-5550, Solna	100	500		
Total shares in other companies			**3,549**	**4,557**
Total shares in Group companies			**4,511**	**5,518**

1) The ownership share corresponds to the shareholding.
2) Number of shares in thousands.
3) Holding was sold to subsidiaries in the NCC Group during the year.
4) The company was merged into NCC AB in December 2019.

NCC essentially owns 100 percent of all subsidiaries, whereby these are consolidated in their entirety according to the purchase method. NCC's assessment is that it has no controlling interest in any holdings in which the ownership share amounts to 50 percent or less.

Only directly owned subsidiaries have been specified. The number of indirectly owned subsidiaries is 137 (132). Companies for which ownership shares and number of shares have not been specified were divested, merged or liquidated during the year, or alternatively became indirectly owned subsidiaries in NCC's current structure.

Note 19 Investments in associated companies and joint ventures

GROUP Name of company, Corp. ID No., Registered office	Ownership share, %[1]	No. of partici-pations[2]	CARRYING AMOUNT 2019	2018
Asfalt & Maskin AS, 960 585 593, Norway	50		7	7
Hercules-Trevi Foundation AB, 556185-3788, Stockholm	50	1	2	10
Oraser AB, 556293-2722, Stockholm	50	1	5	5
Sjaellands Emulsionsfabrik I/S, 18004968, Denmark	50		6	7
SHH Invest nr 49 AB, 556889-3746, Stockholm	50	1	16	8
Östhammarkrossen KB, 916673-1365, Uppsala	50		5	5
Other NCC-owned associated companies 10 (10)			1	1
Total			**40**	**42**

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

Note 20 Joint operations

The consolidated financial statements include the items below that constitute the Group's interests in the joint operations' net sales, costs, assets and liabilities.

GROUP	2019	2018
Revenue	860	465
Expenses	–823	–478
Profit/loss	**37**	**–13**
Fixed assets	33	2
Current assets	1,462	494
Total assets	**1,495**	**496**
Long-term liabilities	15	7
Current liabilities	1,370	406
Total liabilities	**1,385**	**413**
Net assets	**110**	**83**

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

SPECIFICATION OF JOINT OPERATIONS

GROUP	Shareholding, %
Arandur OY	33
ARC konsortiet	50
Handelsbolag NCC-DPR Data Centre	50
HNB Fjernvarme	70
Holding Big Apple Housing Oy	50
Kiinteistö Oy Polaristontti 2	50
Kiinteistö Oy Polaristontti 3	50
Milman Miljömuddring	50
NCC-LHR Gentofte Konsortiet	65
NCC-OHL Lund-Arlöv, four tracks	50
NCC-SMET konsortiet	50
NCC-SMET konsortiet Østerbro Tunnel Konsortiet	50
NCC-W&F West Link Contractors	60
NFO konsortiet I/S	50
Polaris Business Park Oy	50

Note 21 Financial investments

GROUP	2019	2018
Financial investments classified as fixed assets		
Fair value through other comprehensive income, equity instruments		
Unlisted securities	74	77
Total	**74**	**77**
Short-term investments classified as current assets		
Financial assets measured at amortized cost		
Interest-bearing securities	10	72
Investments held to maturity		
Interest-bearing securities	52	
Total	**63**	**72**

Investments held to maturity had an established interest rate ranging from –0.4 percent (–0.4) to 0.7 percent (0.7), and had due dates ranging from 11 to 45 months.

During the year, financial fixed assets were impaired by SEK 0 M (0).

Note 22 Financial fixed assets

PARENT COMPANY, 2019	Participations in Group companies	Other long-term securities	Other long-term receivables[1]	Total
Recognized cost on January 1	**13,924**	**45**	**8**	**13,977**
Assets added	70			70
Transferred within the Group	14			14
Reclassifications	–3,618			–3,618
Assets removed	–3,842		–2	–3,844
Recognized cost on December 31	**6,548**	**45**	**5**	**6,599**
Accumulated write-ups at beginning of the year				
Accumulated write-ups on December 31				
Accumulated impairment losses on January 1	–8,406			–8,406
Reclassifications	3,618			3,618
Assets removed	2,801			2,801
Impairment losses for the year	–50			–50
Accumulated impairment losses on December 31	–2,037			–2,037
Residual value on December 31	**4,511**	**45**	**5**	**4,562**

PARENT COMPANY, 2018	Participations in Group companies	Other long-term securities	Other long-term receivables[1]	Total
Recognized cost on January 1	12,440	45	6	12,491
Assets added	1,484		2	1,486
Recognized cost on December 31	13,924	45	8	13,977
Accumulated write-ups at beginning of the year				
Accumulated write-ups on December 31				
Accumulated impairment losses on January 1	–7,762			–7,762
Impairment losses for the year	–644			–644
Accumulated impairment losses on December 31	–8,406			–8,406
Residual value on December 31	5,518	45	8	5,571

[1] The item also includes deferred tax assets.

Note 23 Long-term interest-bearing receivables and other receivables

GROUP	**2019**	2018
Long-term interest-bearing receivables classified as fixed assets		
Receivables from associated companies and joint ventures	5	
Interest-bearing securities[1]	128	184
Other long-term receivables	11	11
Long-term interest-bearing receivables classified as fixed assets	**144**	**195**
Other receivables classified as current assets		
Receivables from associated companies and joint ventures	7	11
Receivables from divested property and housing projects	101	45
Advance payments to suppliers		1
Derivative instruments held for hedging	60	160
Other current receivables	386	390
Other receivables classified as current assets	**555**	**608**

[1] For due dates, refer to Note 21, Financial investments.

NCC's subsidiary, NCC Försäkrings AB, as an insurance company, must have investment assets that cover technical liabilities for own account. In 2019 and 2018, these requirements were fulfilled. These investment assets pertain to interest-bearing securities, as specified above.

Note 24 Tax on net profit for the year, deferred tax assets and deferred tax liabilities

	GROUP		PARENT COMPANY	
	2019	2018	**2019**	2018
Tax on net profit for the year				
Current tax cost	–320	–48	–99	–102
Deferred tax revenue/cost	12	147	–2	2
Total recognized tax on net profit for the year	**–309**	**99**	**–102**	**–101**

	GROUP				PARENT COMPANY			
	2019		2018		**2019**		2018	
Effective tax	Tax, %	Profit/loss	Tax, %	Profit/loss	Tax, %	Profit/loss	Tax, %	Profit/loss
Pretax profit		1,184		–849		935		100
Tax according to company's current tax rate	–21 %	–253	–22 %	187	–21 %	–200	–22 %	–22
Effect of other tax rates for non-Swedish companies	0 %	–5	–1 %	10				
Amended tax rate[1]			2 %	–17				
Other non-tax-deductible costs	–3 %	–30	16 %	–140	–1 %	–13		–157
Non-taxable revenues	9 %	105	–12 %	101	13 %	118	100 %	100
Tax effects resulting from non-capitalized tax loss carryforwards			0 %	–3			2 %	2
Tax attributable to prior years	–4 %	–52	5 %	–38	0 %	1	–24 %	–24
Other		–74	0 %	–2	–1 %	–7		
Recognized tax	**–26 %**	**–309**	**–12 %**	**99**	**–11%**	**–102**	**–101 %**	**–101**

1) Effective 2019, the tax rate in Sweden was changed from 22 percent to 21.4 percent, and in Norway from 23 percent to 22 percent.

Current tax has been calculated based on the nominal tax prevailing in the country concerned. Insofar as the tax rate for future years has been amended, the changed rate is used for calculating deferred tax.

NOTE 24 Tax on net profit for the year, deferred tax assets and deferred tax liabilities, cont'd.

TAX ITEMS RECOGNIZED DIRECTLY IN OTHER COMPREHENSIVE INCOME

	GROUP	
	2019	2018
Current tax on hedging instruments		6
Deferred tax on cash flow hedges	–2	6
Deferred tax attributable to the revaluation of defined-benefit pension plans	95	175
Total	**93**	**187**

CHANGE IN DEFERRED TAX IN TEMPORARY DIFFERENCES AND TAX LOSS CARRYFORWARDS

	GROUP		PARENT COMPANY	
	2019	2018	**2019**	2018
Opening carrying amount	234	–100	8	6
Acquisition of subsidiaries		13		
Recognized tax on net profit for the year	12	164	–2	2
Amended tax rate[1)]		–17		
Tax items recognized in other comprehensive income	–2	6		
Tax item, revaluation of defined-benefit pension plans recognized in other comprehensive income	95	175		
Translation differences	14	–8		
Other	2	1		
Closing carrying amount	**354**	**234**	**5**	**8**

[1)] Effective 2019, the tax rate in Sweden was changed from 22 percent to 21.4 percent, and in Norway from 23 percent to 22 percent.

	ASSETS		LIABILITIES		NET	
GROUP	**2019**	2018	**2019**	2018	**2019**	2018
Tangible fixed assets	10			–12	10	–12
Financial fixed assets				–1		–1
Non-completed projects			–948	–989	–948	–989
Properties held for future development			36	–1	36	–1
Untaxed reserves			–172	–187	–172	–187
Provisions	266	462			266	462
Personnel benefits/pension provisions	621	500			621	500
Loss carryforwards[1)]	487	411			487	411
Other	43	70	12	–19	55	51
Deferred tax assets/Deferred tax liability	**1,427**	**1,443**	**-1,072**	**-1,209**	**354**	**234**
Offsetting	–903	–912	903	912		
Net deferred tax assets/deferred tax liability	**524**	**531**	**-170**	**-297**	**354**	**234**

[1)] Of the Group's deferred tax assets concerning loss carryforwards totaling SEK 487 M (411), SEK 475 M (398) pertains to operations in Norway. The loss carryforwards may be utilized against future profits, with no time limitations, and NCC's assessment is that there are factors that convincingly indicate that this will be the case. The operations have a track record of operating at a profit, market conditions are favorable and the losses incurred are a function of structural and project-specific difficulties. To manage these, NCC has initiated a comprehensive action program that is proceeding as planned.

	ASSETS		LIABILITIES		NET	
PARENT COMPANY	**2019**	2018	**2019**	2018	**2019**	2018
Provisions	5	4			5	4
Other		4				4
Net deferred tax assets/deferred tax liability	**5**	**8**			**5**	**8**

Temporary differences between the carrying amount and the taxable value of directly owned participations do not normally arise for participations held as business assets in Swedish companies. Nor do they arise from other participations owned by NCC companies in other countries.

Note 25 Properties classified as current assets

GROUP, 2019	Properties held for future development	Ongoing property projects	Completed property projects	Total property projects [1]	Properties held for future development, housing	Completed housing units	Participations in associated companies	Total
Recognized cost on January 1	**1,751**	**2,303**	**403**	**4,457**		**63**	**226**	**4,745**
Investments	530	2,666	52	3,248			33	3,281
Divestment and scrappage	–213	–1,174	–821	–2,208				–2,208
Reclassifications	–631	–761	1,391		51		5	56
Translation differences during the year	32	19	8	58	–2			56
Recognized cost on December 31	**1,469**	**3,053**	**1,033**	**5,555**	**49**	**63**	**263**	**5,930**
Accumulated impairment losses on January 1	**–118**	**–11**	**–95**	**–225**		**–63**		**–287**
Divestment and scrappage	43			43				43
Reclassifications					–51			–51
Translation differences during the year	–3		–2	–5	2			–3
Accumulated impairment losses on December 31	**–78**	**–11**	**–97**	**–186**	**–49**	**–63**		**–298**
Residual value on January 1	**1,633**	**2,292**	**308**	**4,233**	**0**	**0**	**226**	**4,459**
Residual value on December 31	**1,391**	**3,042**	**936**	**5,369**	**0**	**0**	**263**	**5,632**

[1] Pertains primarily to properties classified as current assets recognized in NCC Property Development.

GROUP, 2018	Properties held for future development	Ongoing property projects	Completed property projects	Total property projects [1]	Completed housing units	Participations in associated companies	Total
Recognized cost on January 1	**1,693**	**1,039**	**916**	**3,649**	**150**		**3,797**
Investments	670	1,652	55	2,378		224	2,602
Divestment and scrappage	–219	–190	–1,260	–1,668	–91		–1,760
Reclassifications	–430	–210	647	7		2	9
Translation differences during the year	36	11	45	92	4		96
Recognized cost on December 31	**1,751**	**2,303**	**403**	**4,457**	**63**	**226**	**4,745**
Accumulated impairment losses on January 1	**3**		**–46**	**–43**	**–150**		**–193**
Divestment and scrappage	3		193	196	91		287
Reclassifications	–5			–5			–5
Translation differences during the year			–2	–2	–4		–6
Impairment losses for the year	–119	–11	–240	–370			–370
Accumulated impairment losses on December 31	**–118**	**–11**	**–95**	**–225**	**–63**	**0**	**–287**
Residual value on January 1	**1,696**	**1,039**	**870**	**3,605**	**0**	**0**	**3,605**
Residual value on December 31	**1,633**	**2,292**	**308**	**4,233**	**0**	**226**	**4,459**

[1] Pertains primarily to properties classified as current assets recognized in NCC Property Development.

Ongoing property projects comprise 13 projects, six of which, with a carrying amount of SEK 990 M, have been sold but are not yet recognized in profit. Profit will be recognized in 2020 and 2021 on completion and handover to the customer.

Note 26 Materials and inventory

GROUP	**2019**	2018
Stone materials	649	581
Building materials	167	140
Other	192	181
Reclassifications[1]	–15	
Total	**993**	**902**

[1] Attributable to assets held for sale, also see Note 15.

Note 27 Share capital

Changes in share capital		Number of shares	Share capital, SEK M
2018	**End of year**	**108,435,822**	**867**
2019	**End of year**	**108,435,822**	**867**

Series B shares in treasury		Number of shares
2017	**End of year**	**353,232**
2018	Sales	–31,952
2018	Distribution of shares to participants in incentive programs	–20,343
2018	Repurchases	101,022
2018	**End of year**	**402,050**
2019	Repurchases	128,217
2019	**End of year**	**530,267**

The share capital is divided into 108,435,822 shares with a quotient value of SEK 8 each. During the year, 128,766 Series A shares (48,373) were converted into Series B shares.

The shares are distributed into the following classes:

	Series A shares	Series B shares	Total
Number	13,209,129	95,226,693	108,435,822

Series A shares carry ten voting rights each and Series B shares one voting right. A specification of changes in shareholders' equity is presented on p. 28.

SERIES A AND B SHARES	Series A shares	Series B shares	Total Series A and Series B
No. of shares on Dec. 31, 2017	**13,386,268**	**94,696,231**	**108,082,499**
Conversion of Series A to Series B shares 2018	–48,373	48,373	
Treasury shares 2018		–101,022	–101,022
Sale of treasury shares 2018		31,952	31,952
Distribution of shares to participants in incentive programs, 2018		20,343	20,343
No. of shares on Dec. 31, 2018	**13,337,895**	**94,695,877**	**108,033,772**
Conversion of Series A to Series B shares 2019	–128,766	128,766	
Treasury shares 2019		–128,217	–128,217
Distribution of shares to participants in incentive programs, 2019			
No. of shares on Dec. 31, 2019	**13,209,129**	**94,696,426**	**107,905,555**
Number of voting rights	132,091,290	94,696,426	226,787,716
Percentage of voting rights	58	42	100
Percentage of share capital	12	88	100
Closing price, Dec. 31, 2019	154.50	153.20	
Market capitalization, SEK M	2,041	14,507	16,548

Note 28 Interest-bearing liabilities

GROUP	**2019**	2018
Long-term liabilities		
Liabilities to credit institutions and investors[1]	2,504	1,006
Lease liabilities	1,140	321
Other long-term loans	5	15
Reclassification to assets held for sale	–82	
Total	**3,568**	**1,342**
Current liabilities		
Current portion of liabilities to credit institutions and investors[1]	200	778
Liabilities to associated companies	12	25
Lease liabilities, current portion	592	173
Other current liabilities	45	75
Reclassification to assets held for sale	–52	
Total	**796**	**1,051**
Total interest-bearing liabilities	**4,364**	**2,393**

[1] Including loan of SEK 1,000 M (1,000) from the NCC Group's Pension Foundation, of which, SEK 200 M (0) is current.

For repayment schedules and terms and conditions, see Note 37 Financial instruments and financial risk management.

Interest-bearing long-term liabilities pertaining to pensions is recognized in the balance sheet under Provisions for pensions and similar obligations.

PARENT COMPANY	**2019**	2018
Long-term liabilities		
Loan from the NCC Group's Pension Foundation	800	1,000
Total	**800**	**1,000**
Current liabilities		
Group companies	1,470	1,231
Loan from the NCC Group's Pension Foundation	200	
Other current liabilities		350
Total	**1,670**	**1,581**
Total interest-bearing liabilities	**2,470**	**2,581**

For repayment schedules and terms and conditions, see Note 37 Financial instruments and financial risk management.

Note 29 Other provisions

GROUP, 2019	Guarantees	Other	Total
On January 1	1,335	1,296	2,631
Provisions during the year	519	475	994
Amount utilized during the year	–418	–398	–816
Reversed, unutilized provisions	–60	–6	–66
Reclassifications		38	38
Translation differences	13	7	20
On December 31	1,389	1,412	2,801

GROUP, 2018	Guarantees	Other	Total
On January 1	1,078	835	1,913
Provisions during the year	541	762	1,303
Amount utilized during the year	–298	–291	–589
Reversed, unutilized provisions	–3	–18	–21
Translation differences	18	8	26
On December 31	1,335	1,296	2,631

PARENT COMPANY, 2019	Guarantees	Other	Total
On January 1		7	7
Amount utilized during the year		–1	–1
On December 31		6	6

PARENT COMPANY, 2018	Guarantees	Other	Total
On January 1		8	8
Amount utilized during the year		–1	–1
On December 31		7	7

SPECIFICATION OF OTHER PROVISIONS AND GUARANTEES

	GROUP		PARENT COMPANY	
	2019	2018	**2019**	2018
Restoration reserve	198	200		
Restructuring costs	24	68		–1
Other	1,190	1,028	6	8
Other provisions	1,412	1,296	6	7
Guarantee commitments	1,389	1,335		
Total	2,801	2,631	6	7

GUARANTEE COMMITMENTS

Guarantee provisions pertain to anticipated future expenses. 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.

RESTORATION RESERVE

The restoration reserve is attributable to NCC Industry. The provisions are intended to cover future costs for restoring quarries used to mine aggregates and stone. The provisions are posted continuously, once the future costs have been identified. Accordingly, the reserves are utilized at the same rate as restoration occurs.

OTHER

The provisions comprise additional costs plus uncertainty in projects as well as outstanding claims and legal matters. Part of the provisions is intended to cover project losses arising in operations and is utilized gradually as the project is worked up.

Note 30 Pensions

The NCC Group has defined-benefit pension plans in Sweden and Norway.

In Sweden, NCC's pension commitment comprise largely the ITP plan that covers employees born prior to 1979. The plan provides retirement pension based on the final salary and is funded in NCC Group's Pension Foundation. The number of paid-up holders and pensioners is about 70 percent of the total portfolio. In addition, there are five small defined-benefit plans, all of which are blocked from new vesting. Four of these plans are funded in NCC Group's Pension Foundation and the fifth is insured in a life insurance company.

The Board of Directors of NCC Group Pension Foundation consists of an equal number of representatives for the NCC Group and employees covered by the ITP plan. The Board holds meetings four times per year and addresses the Foundation's quarterly accounts, investment strategy, reference portfolio and sensitivity analyses. Under certain conditions, the NCC Group can request compensation from the Foundation for pension payments. There are no minimum funding requirements for the ITP2 plan.

The risks associated with the Swedish pension plans are:
- Interest-rate risk; that with lower interest rates and the resulting lower discount rate, the debt will increase.
- Salary increase risk: the debt will increase with higher pay rises.
- Volatility of assets; the portfolio contains mostly share funds, whose prices can rise and fall sharply in the short term, but the long-term aim of the portfolio is to generate the best possible return.
- Useful life assumption; the longer the individuals covered by the plan live, the higher the commitment.

In Norway, the commitment comprises two small pension systems pertaining to supplementary pensions that are not funded and where no new vesting occurs. Since the plans are small, with no new vesting, the risks in these plans are significantly smaller than described above.

PENSION COST

GROUP	**2019**	2018
Defined-benefit plans:		
Current service cost	236	226
Interest expense	169	160
Estimated return on plan assets	–121	–129
Total cost of defined-benefit plans	**284**	**257**
Total cost of defined-contribution plans	544	693
Payroll taxes and yield tax	–107	–167
Total cost of post-employment remuneration	**721**	**783**

Current service cost is recognized in operating profit and interest expenses, while the estimated return on plan assets is recognized in net financial items.

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 Swedish Financial Reporting Board, UFR 10, Recognition of ITP2 Pension Plan financed through insurance in Alecta, this constitutes a multi-employer defined-benefit plan. For the 2019 fiscal year, NCC did not have access to the type of information required for recognizing its proportional share of the plan's commitment, plan assets and costs, which makes it impossible to recognize these plans as defined-benefit plans. Accordingly, the ITP (individual supplementary pension) plans that are secured through insurance in Alecta are recognized as a defined-contribution plan. The NCC Group's share of the total savings premium for ITP2 in Alecta is 0.19 percent (0.20).

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 methods and assumptions, which do not comply with IAS 19. The collective solvency rate is normally allowed to vary between 125 and 155 percent. If Alecta's collective solvency rate falls below 125 percent or exceeds 155 percent, measures must be taken to create conditions for returning the solvency rate to the normal interval. In the event of low solvency, one measure could be to raise the agreed price for new subscriptions and increase existing benefits. In the event of high solvency, one measure can be to introduce premium reductions. At the end of 2019, Alecta's surplus in the form of its collective solvency rate was 148 percent (142).

Note 30 PENSIONS, cont'd.

DEFINED-BENEFIT OBLIGATIONS AND THE VALUE OF PLAN ASSETS

GROUP	2019	2018
Obligations secured in full or in part in funds:		
Present value of defined-benefit obligations	8,159	7,044
Fair value of plan assets	5,871	5,207
Net value of obligations funded in full or in part	**2,288**	**1,837**
Special payroll tax/employer contributions	552	442
Net amount in balance sheet (commitment +, asset –)	**2,840**	**2,279**
Net amount is recognized in the following balance-sheet items:		
Provisions for pensions and similar obligations	2,840	2,279
Net amount in balance sheet (obligation +, asset –)	**2,840**	**2,279**
Net amount is distributed among plans in the following countries:		
Sweden	2,829	2,264
Norway	11	15
Net amount in balance sheet (obligation +, asset –)	**2,840**	**2,279**

CHANGE IN OBLIGATION FOR DEFINED-BENEFIT PLANS

GROUP	2019	2018
Obligation for defined-benefit plans on January 1	**7,044**	**6,388**
Remuneration paid	–200	–188
Current service cost plus interest expense	403	386
Actuarial gains and losses on changed experience-based assumptions	112	102
Actuarial gains and losses on changed financial assumptions	798	355
Exchange-rate differences		
Obligation for defined-benefit plans on December 31	**8,158**	**7,044**

The weighted average maturity for the plans is 21 years (22).

CHANGE IN PLAN ASSETS

GROUP	2019	2018
Fair value of plan assets on January 1	**5,208**	**5,254**
Contribution by employer	5	44
Compensation	–18	–18
Estimated return	122	129
Actuarial gains and losses	555	–201
Fair value of plan assets on December 31	**5,871**	**5,208**
The plan assets comprise:		
Swedish stock market, listed	1,131	741
International stock market, listed	1,098	1,134
Hedge funds, listed	774	726
Interest-bearing securities, listed	1,857	1,593
Interest-bearing securities, unlisted	1,011	1,013
Fair value of plan assets on December 31	**5,871**	**5,208**

There is no effect of the lowest funding requirements or asset ceiling.

ACTUARIAL ASSUMPTIONS, WEIGHTED AVERAGE VALUE, %

GROUP	2019	2018
Discount interest rate, %	1.60	2.35
Future salary increases, %	2.80	3.00
Anticipated inflation, %	1.80	2.00
Useful life assumption at 65 years, years	**22.5**	**22.4**

In Sweden, DUS14 is applied.

SENSITIVITY ANALYSIS; PERCENTAGE IMPACT ON THE SIZE OF THE ASSUMPTION AT DECEMBER 31, 2019

GROUP	Increase, %	Decrease, %
Discount interest rate, 0.5 percentage points change	–8.7	9.1
Future salary increases, 0.5 percentage points change	3.2	–3.0
Anticipated inflation, 0.5 percentage points change	7.6	–7.3
Useful life assumption at 65 years, 1 year change	4.3	–4.4

The above sensitivity analysis does not constitute a forecast from the company but only a mathematical calculation.

The sensitivity analysis is based on a change in an assumption, while all other assumptions remain constant. In practice, it is not probable that this will occur and any changes in the assumptions could be correlated. When calculating the sensitivity analysis, the same method is used as in the calculation of the pension liability in the balance sheet.

The Group estimates that SEK 0 M will be paid in 2020 to funded and unfunded defined-benefit plans.

PENSION COSTS

PARENT COMPANY	2019	2018
Proprietary pension payments		
Proprietary costs, excluding interest expense	12	10
Interest expense	3	3
Cost of proprietary pension payments	**15**	**13**
Pension payments through insurance		
Insurance premiums	18	21
Subtotal	**33**	**34**
Special payroll tax on pension costs	3	4
Pension costs during the year	**36**	**38**

CAPITAL VALUE OF PENSION OBLIGATIONS

PARENT COMPANY	2019	2018
Capital value of pension obligations pertaining to proprietary pension payments on January 1	181	177
Cost, excluding interest expense, charged against profit	12	10
Interest expense	3	3
Pension payments	–9	–9
Capital value of pension obligations pertaining to proprietary pension payments on December 31	**188**	**181**

FAIR VALUE OF ESPECIALLY DETACHED ASSETS

PARENT COMPANY	2019	2018
Fair value of especially detached assets on January 1	216	218
Return on especially detached assets	12	8
Payment from pension foundations	–10	–10
Benefits transferred to NCC Sverige AB		
Fair value of especially detached assets on December 31	**218**	**216**
Fair value of especially detached assets distributed as:		
Shares	83	78
Funds	28	30
Interest-bearing receivables	107	108
Fair value of especially detached assets on December 31	**218**	**216**

The NCC Group's Pension Foundation has an interest-bearing receivable of SEK 1,000 M (1,000) from NCC AB.

Otherwise, the pension foundations have no financial instruments issued by the company or assets used by the company.

Note 30 PENSIONS, cont'd.

NET PENSION OBLIGATION

PARENT COMPANY	**2019**	2018
Capital value of pension obligations pertaining to proprietary pension payments on December 31	188	181
Fair value of especially detached assets on December 31	218	216
Surplus on especially detached assets	30	36
Net recognized pension obligation	**0**	**1**

ASSUMPTIONS FOR DEFINED-BENEFIT OBLIGATIONS

PARENT COMPANY	**2019**	2018
Discount interest rate on December 31	1.60	2.35

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

Note 31 Other liabilities

GROUP	**2019**	2018
Other long-term liabilities		
Derivative instruments held for hedging	1	5
Other long-term liabilities	51	3
Total	**52**	**8**
Other current liabilities		
Advances from customers	853	536
Liabilities to associated companies	7	5
Derivative instruments held for hedging	73	50
Liabilities, property acquisitions	1	2
Other current liabilities	943	926
Total	**1,878**	**1,520**

Note 32 Accrued expenses and deferred income

	GROUP		PARENT COMPANY	
	2019	2018	**2019**	2018
Payroll-related costs	2,327	2,111	38	60
Financial expenses	1	1		
Prepaid rental revenues	2	3		
Prepaid revenues from rental guarantees	92	47		
Project-related costs	1,022	912		
Administrative costs	102	23	12	8
Operating and sales costs	298	302	3	3
Other expenses	33	52	4	4
Reclassifications[1)]	–111			
Total	**3,767**	**3,452**	**57**	**75**

[1)] Attributable to assets held for sale, also see Note 15.

Note 33 Related-party transactions

The companies classified as being closely related to the NCC Group are primarily NCC's subsidiaries, associated companies and joint arrangements.

The Parent Company has a related party relationship with its subsidiaries; see Note 18, Participations in Group companies. For information on NCC's senior executives, see Note 5, Number of employees, personnel expenses and remuneration of senior executives. For transactions with the NCC Group's Pension Foundation, see Notes 30 and 37.

Transactions involving NCC's associated companies and joint operations were of a production nature. The transactions were conducted on normal market terms.

GROUP	**2019**	2018
Transactions with associated companies and joint arrangements		
Sales to associated companies and joint arrangements	66	45
Purchases from associated companies and joint arrangements	24	18
Dividend from associated companies	5	1
Long-term receivables from associated companies and joint arrangements	5	
Current receivables from associated companies and joint arrangements	20	24
Interest-bearing liabilities to associated companies and joint arrangements	12	25
Operating liabilities to associated companies and joint arrangements	11	9

PARENT COMPANY	**2019**	2018
Transactions with Group companies		
Purchases from Group companies		58
Interest income from Group companies	3	1
Interest expense to Group companies	17	1
Dividend from Group companies	533	435
Current receivables from Group companies	1,196	906
Interest-bearing liabilities to Group companies	1,470	1,226
Operating liabilities to Group companies	4	1,050
Guarantee obligations to Group companies	21,087	19,309

Note 34 Leasing

The new accounting policy, IFRS 16, Leases, has been applied since January 1, 2019. This entails that right-of-use assets are recognized with the associated lease liability for the framework leases that the Group has entered into concerning cars, trucks, heavy production machinery, owner-occupied properties, such as leased commercial premises, and site leaseholds/land leases.

The costs for these leases have been recognized in profit or loss as depreciation and interest expense, respectively. The lease payment has been divided into an interest component and a amortization component. Following the introduction of the new accounting standard, operating profit was positively impacted and net financial items negatively impacted, while cash flow from operations increased and cash flow from financing activities declined.

GROUP	2019
Income statement	
Depreciation of right-of-use assets	–731
Interest expense for lease liabilities	–42
Total costs, capitalized leases	**–773**
Leases with a low value and a short useful life	–1,695
Total costs, non-capitalized leases	**–1,695**
Total costs, leases	**–2,468**

CASH FLOW

Total cash flow concerning leases was SEK –748 M in 2019.

GROUP – LEASE LIABILITIES

	2019	2018
Current lease liabilities	540	173
Long-term lease liabilities	1,058	320
Total lease liabilities	**1,598**	**493**

For an analysis of the lease liability's maturities, refer to Note 37.

	GROUP		PARENT COMPANY	
	2019	2018	**2019**	2018
Lessor				
Future lease payments				
Distributed by maturity period:				
Lease payments during the year	27			
Non-discounted future lease payments that expire:				
Within one year	45	17		47
Later than one year but earlier than five years	150	78		63
Later than five years	62	12		

PARENT COMPANY	2019	2018
Lessee		
Future lease payments		
Non-discounted leases that expire:		
Within one year	8	52
Later than one year but earlier than five years	2	70
Later than five years		
Total future non-discounted lease payments	**10**	**122**

The Parent Company's expensed lease fees amounted to SEK 60 M (62).

RIGHT-OF-USE ASSETS

2019	Owner-occupied properties	Machinery & equipment	Land leases	Total
Recognized cost on January 1		800		800
Increase in leases during the year	120	496		615
Transitional effect, IFRS 16	–3	1,497		1,494
Transferred within the NCC Group	945	–996	51	0
Reclassifications[1]	–22	–180		–202
Divestment and scrappage	–14	–48		–62
Translation differences during the year	–9	–48	–2	–58
Recognized cost on December 31	**1,017**	**1,521**	**49**	**2,588**
Accumulated depreciation on January 1		–307		–307
Transferred within the NCC Group	1	–1		0
Reclassifications[1]	10	55		65
Divestment and scrappage	8			8
Translation differences during the year	2	3	2	7
Depreciation during the year	–270	–461		–731
Accumulated depreciation on December 31	**–249**	**–710**	**2**	**–958**
Residual value on January 1		**493**		**493**
Residual value on December 31	**768**	**811**	**51**	**1,630**

[1] Reclassifications pertain to the transfer of SEK –137 M net to Assets held for sale; see Note 15.

Note 35 Pledged assets, sureties, guarantees and contingent liabilities

	GROUP		PARENT COMPANY	
	2019	2018	**2019**	2018
Pledged assets				
For own liabilities:				
Assets subject to liens, etc.	479	493		
Restricted bank funds				
Total	**479**	**493**		
Other pledged assets	8	9		
Total assets pledged	**487**	**502**		
Guarantee obligations				
Own contingent liabilities:				
Sureties on behalf of Group companies			21,087	19,309
Other guarantees and contingent liabilities	459	455	369	368
Held jointly with other companies:				
Liabilities in consortiums, trading companies and limited partnerships	184	147		
Total guarantees and guarantee obligations[1]	**643**	**602**	**21,456**	**19,678**

[1] Since sureties for former wholly owned subsidiaries of NCC AB in the Bonava Group have not been eliminated, sureties still remaining as outstanding in NCC AB on behalf of Bonava companies have been included in this item (for the Group 367 (367) and for the Parent Company 367 (367)). The remaining volume, which includes collateral for agreements concerning future development and has beneficiaries in the form of municipalities and private-sector companies, will continue to be managed during 2020. As a result of agreements between NCC AB and Bonava AB, however, NCC AB has been indemnified by Bonava AB for all commitments. In addition, NCC AB has received guarantees from credit insurance companies for the remaining outstanding commitments on behalf of now wholly owned Bonava companies.

ASSETS SUBJECT TO LIENS
Pertains to leased equipment in the form of cars and trucks.

GUARANTEES ON BEHALF OF GROUP COMPANIES
Guarantees on behalf of Group companies have mainly been issued as collateral for:
- utilized guarantee limits with banks and insurance companies
- NCC Treasury AB's borrowing
- fulfillment of construction contracts.

CONTINGENT LIABILITIES, ETC.
Claims and legal procedures
In its continuous business operations, NCC occasionally becomes a party to claims or legal procedures. Within the framework of particularly its contracting operations, NCC makes what it considers to be justifiable claims against clients but the clients may partially or fully contest such claims. In many cases, the client may make counterclaims. In other cases, clients may direct claims against NCC for, inter alia, alleged shortcomings in NCC's execution of the ordered work. The aggregated amounts are significant. NCC's financial statements reflect NCC's best assessment of the outcome but it cannot be excluded that the final outcome could in certain cases differ significantly from the currently made assessments.

Competition issues
In the wake of the Finnish asphalt cartel (1994–2002), which was finally concluded in respect of competition-infringement fees in 2009, former customers have directed claims of about EUR 71 M against NCC jointly with other construction companies. In Helsinki District Court's 2013 verdict in five of the cases, NCC was ordered to pay about EUR 1 M. In 2016, the Finnish Court of Appeal in Helsinki changed this verdict, whereby NCC will not have to pay damages.

In a number of cases, the counterparties have applied for leave to appeal to the Supreme Court (SC), which has announced that it will hear one of the cases in which NCC is the defendant. The hearing will be restricted to addressing matters pertaining to statutory limitation and whether the principle of financial succession will be applied in respect of the right to damages. The SC requested an opinion from the EU Court of Justice, which announced its verdict in March 2019. This provides an opportunity to claim damages from NCC. Subsequently, the SC in Finland has decided to once again refer the case to the Court of Appeal for determination.

Operations subject to permit obligations
NCC conducts operations subject to permit obligations in the form of, for example, asphalt and gravel pit operations, plants and landfills. NCC occasionally engages in a dialogue with the authorities concerned compliance with the terms and conditions for conducting the operations. Such matters are handled within the framework of the operating activities. In the unlikely event that NCC is found to have breached the applicable permits without being able to take necessary actions, this could result in significant costs.

Note 36 Cash flow statement

CASH AND CASH EQUIVALENTS

GROUP	**2019**	2018
Cash and bank balances	2,416	1,197
Total cash and cash equivalents	**2,416**	**1,197**
Short-term investments with a maturity exceeding three months	63	72

PARENT COMPANY	**2019**	2018
Balance in NCC Treasury AB	164	161
Total according to cash flow statement	**164**	**161**

Short-term investments have been classified as cash and cash equivalents/cash and bank balances 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 FIXED ASSETS
Group
Acquisitions of intangible and tangible fixed assets, excluding right-of-use lease assets, amounted to SEK 934 M (1,089) during the year, of which SEK 0 M (0) was financed through loans.

Acquisitions of non-controlling interests totaled SEK 0 M (3), of which SEK 0 M (0) had no effect on cash flow. Sales of subsidiaries and non-controlling interests amounted to SEK 15 M (75), of which SEK 15 M (0) had no effect on cash flow.

Parent Company
Acquisitions of intangible and tangible fixed assets during the year amounted to SEK 33 M (18), 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 arises.

DISCLOSURES ABOUT INTEREST RECEIVED AND PAID
Group
Interest received during the year amounted to SEK 14 M (14). Interest paid during the year amounted to SEK 136 M (128).

Parent Company
Interest received during the year amounted to SEK 3 M (1). Interest paid during the year amounted to SEK 42 M (21).

CASH FLOW DERIVED FROM PARTICIPATIONS IN JOINT OPERATIONS

GROUP	**2019**	2018
Operating activities	82	81
Change in working capital	39	163
Investing activities	–38	–2
Financing activities	42	–135
Total cash flow	**125**	**107**

CASH AND CASH EQUIVALENTS UNAVAILABLE FOR USE

GROUP	**2019**	2018
Cash and cash equivalents in joint operations	128	154
Total cash and cash equivalents unavailable for use	**128**	**154**

TRANSACTIONS THAT HAD NO EFFECT ON PAYMENTS

GROUP	**2019**	2018
Increase in right-of-use assets, leases	2,110	227

Note 36 Cash flow statement, cont'd.

NON-CASH CHANGES IN FINANCING ACTIVITIES

GROUP	CB 2018	Cash flow	NON-CASH ITEMS New leases	Interest indexing	Exchange-rate differences	CB 2019
Interest-bearing liabilities	1,908	770			7	2,685
Interest-bearing receivables	–429	97			–101	–433
Lease liabilities	493	–706	1,980	–42	7	1,732
Total liabilities, financing activities	**1,972**	**161**	**1,980**	**–42**	**–88**	**3,983**
Dividend		–450				
Acquisition of company shares		–19				
Cash flow from financing activities		–308				

PARENT COMPANY	CB 2018	Cash flow	NON-CASH ITEMS Group contributions 2019	Exchange-rate differences/ other	CB 2019
Interest-bearing liabilities	2,577	–107			2,470
Long-term interest-free liabilities	1,045	–1,042			3
Total liabilities in financing activities	**3,622**	**–1,149**			**2,473**
Interest-bearing receivables	–744	318	–577		–1,003
Total financing activities	**2,878**	**–831**	**–577**		**1,470**

OTHER CHANGES IN WORKING CAPITAL

SEK M	GROUP **2019**	2018
Increase (–) / Decrease (+) in inventory	–97	–127
Increase (–) / Decrease (+) in receivables	950	–573
Increase (+) / Decrease (–) in liabilities	–248	755
Other changes in working capital	**605**	**55**

TREND IN NET DEBT

GROUP, SEK M	**2019 Jan–Dec**	2018 Jan–Dec
Net debt, January 1	–3,045	–149
Cash flow before financing	1,512	–1,157
Leasing IFRS 16	–1,942	
Acquisition/sale of company shares	–19	–11
Change in pension debt	–561	–872
Exchange-rate difference in cash and cash equivalents	15	8
Dividend paid	–450	–864
Net debt, closing balance	**–4,489**	**–3,045**

Note 37 Financial instruments and financial risk management

FINANCE POLICY (PRINCIPLES FOR RISK MANAGEMENT)

Through its business operations, the Group is exposed to financial risks. These financial risks are defined as refinancing, liquidity, interest rate, exchange rate, credit, counterparty and guarantee capacity risks. NCC's Finance Policy for managing financial risks has been adopted by NCC's Board of Directors and constitutes a framework of guidelines and rules in the form of risk mandates and limits for finance activities.

Within the NCC Group's decentralized organization, financial activities are centralized to NCC Group Treasury, partly in order to monitor the Group's overall financial risk positions, and partly to achieve cost-effectiveness and economies of scale and to accumulate expertise, while protecting Group-wide interests. Within NCC, risks associated with the Group's interest and exchange rates, credit, refinancing, counterparty, liquidity and price risks associated with oil-based products are managed by NCC's internal bank, NCC Treasury AB. Price risks associated with electrical products and customer credit risks are handled within each business area.

CONTRACTUAL CONDITIONS

NCC is subject to a net debt/equity ratio covenant restriction that is associated with the syndicated credit facility of EUR 325 M (325) that was signed with a group of banks and has a remaining term to maturity of two years. NCC meets the requirements for the financial covenants.

REFINANCING RISK

The refinancing risk is defined as the risk that NCC will not be able to obtain financing at a given time or that creditors will have difficulty in meeting their commitments. NCC strives to spread its risk among various sources of financing (market-financing programs, bank loans and other loan structures) in order to secure the Group's long-term access to borrowed capital.

NCC's policy for its refinancing risk is to ensure that the Corporate Debt[1] has a maturity structure that minimizes the Group's exposure from the perspective of the refinancing risk. The maturities of the debt portfolio must be well-diversified over time. The norm concerning distribution is that the capital maturity period must be at least 18 months. At December 31, capital maturity period for Corporate Debt[1] of SEK 2,766 M (2,392) was 37 months (34).

[1] Interest-bearing liabilities excluding pension debt according to IAS 19 and excluding lease liability according to IFRS 16. Comparative figures include lease liability according to IAS 17.

MATURITY STRUCTURE, LOAN[1][2]

Matures	**2019[3]** Amount	Proportion, %	2018[4] Amount	Proportion, %
	INTEREST-BEARING LIABILITIES			
2019			1,051	44
2020	256	9	146	6
2021	209	8	112	5
2022	1,050	38	55	2
2023	300	11	1,029	43
2024	950	34		
Total	**2,766**	**100**	**2,392**	**100**

[1] Of which, loan of SEK 1,000 M (1.000) from the NCC Group's Pension Foundation.
[2] Excluding pension debt according to IAS 19.
[3] Excluding lease liability according to IFRS 16.
[4] Including lease liability of SEK 493 M according to IAS 17.

Note 37 Financial instruments and financial risk management, cont.

NCC has the following investor-related market financing programs:

MARKET FINANCING PROGRAMS

	Limit	Utilized nom SEK M
Commercial paper (CP) program in Finland	EUR 300 M	
Commercial paper (CP) program in Sweden	SEK 4,000 M	
Medium Term Note (MTN) in Sweden[1]	SEK 5,000 M	1,700
Total		**1,700**

Market financing programs accounted for 61 percent (28)[2] of NCC's total interest-bearing Corporate Debt.

[1] Green bonds, of which a nominal amount of SEK 1,600 M is listed on Nasdaq Stockholm.
[2] Including lease liability of SEK 493 M according to IAS 17.

LIQUIDITY RISKS

The liquidity risk refers to the risk that NCC does not have sufficient payment capacity at a given time, which could adversely impact the Group's ability to fulfill its payment obligations. To achieve adequate flexibility and cost-effectiveness, while ensuring that future financing requirements are satisfied, NCC's Finance Policy states that the Group's payment capacity must correspond to at least 7 percent of annual consolidated sales, with at least 5 percent of this in the form of unutilized committed credit facilities. Payment capacity is defined as the Group's cash and cash equivalents, short-term investments and unutilized committed credit facilities, less market financing programs with a remaining maturity of less than three months. At the end of the year, the volume of unutilized committed credit facilities was SEK 3,654 M (3,587), with a capital maturity period of 1.8 years (2.8). Available cash and cash equivalents are invested in banks or in interest-bearing instruments with good creditworthiness and a liquid secondary market. At December 31, the Group's cash and cash equivalents, including short-term investments, amounted to SEK 2,478 M (1,268). Payment capacity on December 31 corresponded to 11 percent (8) of sales.

The table below shows the Group's financial liabilities (including interest payments) and net settled derivative instruments classified as financial liabilities. For financial instruments carrying variable interest rates, the interest rate pertaining on the balance sheet date has been used. Amounts in foreign currency have been translated to SEK based on the exchange rate applying on the balance sheet date. The amounts in the tables are the contractual undiscounted cash flows.

ANALYSIS OF MATURITIES (AMOUNTS INCLUDING INTEREST)[1]

	2019						2018				
	Total	<3 months	3 months–1 year	1–3 years	3–5 years	>5 years	Total	<3 months	3 months–1 year	1–3 years	3–5 years
Loan from the NCC Group's Pension Foundation	1,026	200	10	413	403		1,090		18	36	1,036
Interest-bearing liabilities	1,837	51	24	894	868		903	621	261	21	
Lease liabilities	1,882		633	776	269	204	502		176	241	85
Interest rate swaps							2	2			
Oil forward contracts	1	1					8	2	6		
Accounts payable	4,275	4,275					5,164	5,164			
Total	**9,021**	**4,527**	**667**	**2,083**	**1,540**	**204**	**7,669**	**5,789**	**461**	**298**	**1,121**

[1] Excluding pension debt according to IAS 19.

The table below shows the Group's gross settled derivatives. The amounts in the table are the contractual undiscounted cash flows.

ANALYSIS OF MATURITIES (AMOUNTS INCLUDING INTEREST)

	2019				2018			
	Total	<3 months	3 months–1 year	>1 year	Total	<3 months	3 months–1 year	>1 year
Currency forward contracts								
– outflow	–8,833	–7,466	–1,242	–125	–6,064	–4,205	–1,714	–145
– inflow	8,809	7,444	1,239	126	6,148	4,277	1,729	142
Net flow from gross settled derivatives	**–24**	**–22**	**–3**	**1**	**84**	**72**	**15**	**–3**

INTEREST RATE RISKS

The interest rate risk is the risk that changes in market rates will adversely affect NCC's cash flow or the fair value of financial assets and liabilities. NCC's main financing sources are shareholders' equity, cash flow from operating activities and borrowing. NCC's policy for the interest rate risk is that the fixed interest maturity period of the company's Corporate Debt[1] when exposure is reduced by the period of fixed interest on cash and cash equivalents[2] should normally be 12 months subject to a mandate to deviate from this figure by +/–6 months, and that the interest rate maturity structure of the Corporate Debt should be adequately spread over time. If the available borrowing vehicles are not compatible with the desired interest rate structure for the Corporate Debt, interest rate swaps are the main instruments used to adapt the structure. In the financial statements, hedge accounting is applied when there is an effective connection between the hedged loan and interest rate swaps. When assessing effectiveness, NCC ensures that the financial correlation between interest rate swaps and underlying loans has been fulfilled by having the interest rate swaps denominated in the same currency, and that maturities, the timing of interest payments, nominal amounts and interest rate bases correspond with underlying loans. Interest rate swaps have the same quantity as underlying loans. Ineffectiveness may arise if the points in time for the cash flow in the interest rate swaps do not fully match those of underlying loans.

The fixed interest maturity period for Corporate Debt[1] when reduced by the period of fixed interest on cash and cash equivalents[2] was 15 months (5), including interest rate swaps linked to Corporate Debt. Cash and cash equivalents[2] amounted to SEK 2,478 M (1,268) and the fixed interest maturity period for these assets was 0.5 months (2).

At the end of year, NCC's interest-bearing Corporate Debt[1] amounted to SEK 2,766 M (2,392) and the fixed interest maturity period was 14 months (6).

On December 31, 2019, NCC had interest rate swaps linked to Corporate Debt[1] with a nominal value of SEK 590 M (100). At the same date, the interest rate swaps had a fair value of SEK 7 M (–2) net, comprising long-term receivables of SEK 7 M (0) and other current liabilities of SEK 0 M (2). The interest rate swaps have due dates ranging from 2.5 (0.2) to 4.8 (0.2) years with an average fixed interest rate of –0.03 percent (1.58). An increase in interest rates by one percentage point would result in a change of SEK 12 M (–2) in net profit for the year, based on the interest-bearing assets and liabilities, including interest rate swaps, existing on the balance sheet date. An increase in interest rates by one percentage point would result in a change of SEK 4 M (0) in net profit for the year and a change of SEK 11 M (0) in other comprehensive income resulting from a change in fair value of the Group's interest rate swaps.

[1] Interest-bearing liabilities excluding pension debt according to IAS 19, and excluding lease liability according to IFRS 16, including interest rate swaps linked to Corporate Debt. Comparative figures include lease liability according to IAS 17.
[2] Cash and cash equivalents and short-term investments.

Note 37 Financial instruments and financial risk management, cont.

MATURITY STRUCTURE, FIXED INTEREST[1)]

	2019[2)]		2018[3)]	
	INTEREST-BEARING LIABILITIES, INCL. INTEREST-RATE SWAPS			
Matures	Amount	Proportion, %	Amount	Proportion, %
2019			2,368	99
2020	2,161	78		
2021	15	1	24	1
2022	290	10		
2023	100	4		
2024	200	7		
Total	**2,766**	**100**	**2,392**	**100**

1) Excluding pension debt according to IAS 19.
2) Excluding lease liability according to IFRS 16.
3) Including lease liability of SEK 493 M according to IAS 17.

EXCHANGE RATE RISKS

The exchange rate risk is the risk that changes in exchange rates will adversely affect the consolidated income statement, balance sheet or cash flow statement.

TRANSACTION EXPOSURE

In accordance with the Finance Policy, transaction exposure must be eliminated as soon as it becomes known. Hedges relate to contractual and probable forecast flows, mainly through currency forward contracts. Contracted gross exposure in each currency is to be hedged at a rate of 100 percent. Forecast exposure is hedged successively over time, which entails that the quarters that are closest in time are hedged to a greater extent than the following quarters. Accordingly, each quarter is hedged on several occasions and is covered by several hedged contracts that have been entered into at different times. The target is to hedge 90 percent of the forecast for the current quarter and 70 percent of the forecast for the following quarter, followed by 50, 30 and 10 percent, respectively, in the following quarters. In the financial statements, hedge accounting is applied when the requirements for hedge accounting are fulfilled. Currency forward contracts that hedge the cash flow are denominated in the same currency, are in the same amount and have the same due date as the hedged cash flow. Ineffectiveness may arise if a change occurs at the point of time when the future cash flow will arise or if there is a change in the contractual or forecast cash flow.

The following table shows the sum of the Group's gross inflows and gross outflows of various currencies, the portion hedged during the year and the exchange rate risk for each currency in the unhedged currency flows. The exchange rate risk shows the change in profit for the year should the SEK exchange rate change by 5 percent in relation to every single currency due to losses from the translation of unhedged accounts payable/accounts receivable.

	2019				2018			
Countervalue in SEK M	Gross in and outflows	Hedged proportion SEK M	Hedged portion, %	Exchange rate risk 5% after tax on unhedged portion	Gross in and outflows	Hedged proportion SEK M	Hedged portion, %	Exchange rate risk 5% after tax on unhedged portion
EUR	2,085	1,767	85	13	2,210	1,607	73	24
DKK	171	34	20	5	269	54	20	8
NOK	287	163	57	5	245	101	41	6
PLN	73	67	92		153	142	93	
Other	36	11	30	1	42	38	89	
Total	**2,652**	**2,041**	**77**	**24**	**2,919**	**1,942**	**67**	**38**

The currency forward contracts used to hedge contracted and forecast transactions are classified as cash flow hedges. During 2019, no cash flow hedges were closed, because it was no longer probable that the expected cash flow would be achieved.

FORECAST CURRENCY FLOWS (NET)

The table below shows forecast currency flows during 2020 (2019) through the first quarter of 2021 (Q1 2020), the outstanding hedge position at year-end and the hedged portion.

	Q1 2020			Q2 2020			Q3 2020			Q4 2020			Q1 2021			TOTAL		
Countervalue in SEK M (2019)	Net outflow	Hedge position	Hedged portion, %	Net outflow	Hedge position	Hedged portion, %	Net outflow	Hedge position	Hedged portion, %	Net outflow	Hedge position	Hedged portion, %	Net outflow	Hedge position	Hedged portion, %	Net outflow	Hedge position	Hedged portion, %
EUR	156	141	90	169	118	70	150	75	50	136	41	30	135	13	10	745	388	52
Target value %			**90**			**70**			**50**			**30**			**10**			

	Q1 2019			Q2 2019			Q3 2019			Q4 2019			Q1 2020			TOTAL		
Countervalue in SEK M (2018)	Net outflow	Hedge position	Hedged portion, %	Net outflow	Hedge position	Hedged portion, %	Net outflow	Hedge position	Hedged portion, %	Net outflow	Hedge position	Hedged portion, %	Net outflow	Hedge position	Hedged portion, %	Net outflow	Hedge position	Hedged portion, %
EUR	226	203	90	219	153	70	181	91	50	139	42	30	139	14	10	904	503	56
Target value %			**90**			**70**			**50**			**30**			**10**			

CONTRACTUAL CURRENCY FLOWS (GROSS)

The table below shows the outstanding hedge position at year-end for the sum of contractual gross inflows and gross outflows per currency.

	2019				2018			
Countervalue in SEK M	Total	<3 months	3 months–1 year	>1 year	Total	<3 months	3 months–1 year	>1 year
EUR	598	295	257	46	662	147	438	77
NOK	178	175	3		349	298		51
PLN	2	1	1		71	45	26	
CZK	111	2	43	67				
Other	6	3	3					
Total	**895**	**476**	**306**	**113**	**1,082**	**490**	**464**	**128**

The hedges fulfill effectiveness requirements, meaning that all changes resulting from changed exchange rates are recognized in other comprehensive income. The net fair value of currency forward contracts used for hedging transaction exposure amounted to SEK –9 M (–32). Of this amount, other long-term receivables of SEK 1 M (0), other receivables of SEK 4 M (9), other long-term liabilities of SEK 0 M (5) and other current liabilities of SEK 13 M (37) have been recognized in the balance sheet.

Note 37 Financial instruments and financial risk management, cont.

TOTAL HEDGE POSITION

The tables below show the sum of forecast net outflows and contractual gross inflows and gross outflows, outstanding hedge positions at year-end, the hedged portion and average forward rates per currency in SEK.

	2019				2018			
	Total	<3 months	3 months–1 year	>1 year	Total	<3 months	3 months–1 year	>1 year
Total of forecast net outflows and contractual gross inflows and gross outflows, countervalue SEK M	1,640	632	760	248	1,986	716	1,003	267
Total hedge position, countervalue SEK M	1,283	617	540	126	1,585	693	750	142
Hedged portion, %	78	98	71	51	80	97	75	53
Average forward rate in SEK regarding total hedge position:								
EUR currency forward contracts	10.58	10.54	10.62	10.58	10.07	10.07	10.05	10.22
NOK currency forward contracts	1.06	1.06	1.03		1.06	1.06		1.07
PLN currency forward contracts	2.45	2.47	2.43		2.26	2.29	2.20	
CZK currency forward contracts	0.40	0.41	0.40	0.40				

CURRENCY DISTRIBUTION OF FINANCING

According to NCC's Finance Policy, Group assets are to be financed in local currency. External and internal borrowing in the NCC Group occurs mainly through the central treasury unit and is then transferred to the business areas and subsidiaries in the form of internal loans. Lending is denominated in local currency, while external financing largely occurs in SEK and EUR. Parts of the Group's loans and liquidity are converted through currency derivatives into the currencies of the Group's assets. The following tables illustrate NCC's financing and the currency swap agreements for financing. The stated values include underlying principals.

INTEREST-BEARING LIABILITIES[1]

	2019[2]		2018[3]	
Countervalue in SEK M	Amount	Proportion, %	Amount	Proportion, %
EUR	15	1	24	1
NOK	4		105	4
SEK	2,747	99	2,263	95
Total	**2,766**	**100**	**2,392**	**100**

[1] Excluding pension debt according to IAS 19.
[2] Excluding lease liability according to IFRS 16.
[3] Including lease liability of SEK 493 M according to IAS 17.

FINANCING VIA CURRENCY DERIVATIVES[1]

Countervalue in SEK M	**2019**	2018
Buy +/ Sell – DKK	1,617	337
Buy +/ Sell – EUR	391	421
Buy +/ Sell – NOK	–2,677	–2,876
Buy +/ Sell – PLN	27	
Buy +/ Sell – RUB		–32
Net	**-641**	**-2,150**

[1] Currency swaps.

TRANSLATION EXPOSURE

According to NCC's Finance Policy, the Group's translation exposure is not to be hedged.

THE GROUP'S NET INVESTMENTS IN FOREIGN SUBSIDIARIES

The table below shows the Group's net investments in foreign subsidiaries and the exchange rate risk associated with translation exposure. At December 31, 2019, a 5-percent depreciation of the SEK in relation to other currencies would result in a change of SEK 0 M (0) in net profit for the year and a change of SEK 129 M (106) in other comprehensive income.

	2019		2018	
Countervalue in SEK M	Net investment	Exchange rate risk, 5%	Net investment	Exchange rate risk, 5%
DKK	1,660	83	1,339	67
EUR	312	16	283	14
NOK	604	30	499	25
RUB	2		–3	
Total	**2,578**	**129**	**2,118**	**106**

Note 37 Financial instruments and financial risk management, cont.

PRICE RISKS

Price risks associated with bitumen

A large part of NCC Industry's sales of paving contracts in NCC Industry are subject to indexed prices, whereby the index in relation to the customer matches the index used by the supplier for pricing bitumen, which means that NCC Industry is not exposed to any risk arising from a change in the price of bitumen. There are also cases of fixed price contracts that are not indexed, whereby NCC Industry is exposed to a risk should the price of bitumen change. The price risk associated with purchasing is managed by NCC Treasury via oil forward contracts. As of 2020, due to a change in the index base for pricing bitumen used with NCC's largest supplier, there are also contracts at indexed prices whereby the index in relation to the customer does not match the index used by the supplier for pricing bitumen. As a result, NCC Industry is exposed to a risk that the two indexes develop in different directions. This risk is managed by NCC Treasury through oil forward contracts on both the customer and the supplier side. The policy is to hedge larger customer contracts when the work is to be performed later than two months from the ordering date. NCC ensures that oil derivatives are priced using the same underlying index as that which applies to suppliers/customers and that the number of purchased/sold tons of bitumen per month exceeds the number of hedged tons of bitumen per month. Ineffectiveness may arise if the point in time of the purchases of bitumen deviates from the derivatives' due date.

The table below shows the Group's purchases of bitumen and the portion hedged via oil forward contracts during the year.

	2019			2018		
Tons	Purchases bitumen	Hedged portion, tons	Portion hedged via oil forward contracts, %	Purchases bitumen	Hedged portion, tons	Portion hedged via oil forward contracts, %
Total	284,214	58,495	21	310,057	41,676	13

The following table shows the Group's forecast volume of purchases of bitumen, the outstanding hedge position at year-end and the portion hedged via oil forward contracts. The hedges fulfill effectiveness requirements, meaning that all changes due to price adjustments are recognized in other comprehensive income. The forward contracts used to hedge forecast purchases of bitumen are classified as cash flow hedges.

	2019				2018			
	Total	<3 months	3 months–1 year	>1 year	Total	<3 months	3 months–1 year	>1 year
Forecast volume of purchases of bitumen (tons)	885,145	7,859	316,992	560,294	649,701	7,859	316,992	324,850
Hedge position through oil forward contracts (tons)	19,139	4,783	6,638	7,718	29,719	2,960	22,146	4,613
Hedged portion, %	2	61	2	1	5	38	7	1
Hedge position countervalue, SEK M	51	11	17	23	79	11	58	10
Hedged price per ton (average price in SEK)	2,663	2,300	2,606	2,937	2,663	3,585	2,629	2,233

The net fair value of oil forward contracts used for hedging the price risk related to bitumen was SEK 1 M (–4). Of this amount, other receivables of SEK 2 M (3), other long-term liabilities of SEK 0 M (1) and other current liabilities of SEK 1 M (7) have been recognized in the balance sheet.

Given outstanding oil forward contracts on the balance sheet date, a 10-percent increase in the price of bitumen at December 31, 2019 would give rise to a change of SEK 3 M (5) in other comprehensive income and of SEK 0 M (0) in net profit for the year. The sensitivity analysis assumes that all other factors remain unchanged.

Price risks associated with electricity

As part of efforts to ensure calculable costs for electricity, NCC has elected to use electricity derivatives to smooth out price fluctuations occurring in the electricity market. NCC progressively hedges the price for up to three years and builds up the volume of electricity contracts until the particular delivery date.

The hedges fulfill effectiveness requirements, meaning that all changes due to price adjustments are recognized in other comprehensive income. The forward contracts used to hedge contracted purchases of electricity are classified as cash flow hedges.

At year-end, the outstanding volume of electricity derivatives amounted to SEK 41 M (43), of which SEK 4 M (4) will fall due within three months, SEK 19 M (18) in three to 12 months and SEK 18 M (21) after one year.

The net fair value of electricity derivatives used for hedging the price risk related to electricity was SEK 0 M (21). Of this amount, other receivables of SEK 0 M (21) and liabilities of SEK 0 M (0) have been recognized in the balance sheet.

CREDIT RISKS

Credit and counterparty risks in financial operations

NCC's investment regulations for financial credit risks are revised continuously and are characterized by caution. Transactions are only entered into with creditworthy counterparties with credit ratings of at least A– (Standard & Poor's) or the equivalent international rating, as well as local banks with a minimum rating equal to the creditworthiness of the country in which NCC has operations. ISDA's (International Swaps and Derivatives Association) framework agreement on netting is used with all counterparties with respect to derivative trading. The investment regulations specify maximum credit exposure and maturity for various counterparties.

Total counterparty exposure with respect to derivative trading, calculated as the net receivable per counterparty, amounted to SEK 127 M (210) at the end of 2019. The net receivable per counterparty is calculated in accordance with the market-to-market approach, i.e. the market value of the derivative plus a supplement for the change in risk (1% of the nominal amount). Calculated gross exposure to counterparty risks pertaining to cash and cash equivalents and short-term investments amounted to SEK 2,478 M (1,268).

Credit risks in accounts receivable

The risk that the Group's customers will not fulfill their commitments, meaning that payment is not received from the customers, is a credit risk. The credit rating of the Group's customers is checked, whereby information on the customers' financial position is obtained from various credit reporting agencies. For major accounts receivable, the risk of loan losses is limited through various types of collateral, such as bank guarantees, blocks on building loans, parent company guarantees and other payment guarantees.

Note 37 Financial instruments and financial risk management, cont.

AGE ANALYSIS OF ACCOUNTS RECEIVABLE INCLUDING RECEIVABLES FOR DIVESTED PROPERTY PROJECTS

	2019		2018	
GROUP	Gross	Reserve for doubtful receivables	Gross	Reserve for doubtful receivables
Not past-due accounts receivable	6,033		6,960	
Past-due accounts receivable 1–30 days	1,005		1,020	
Past-due accounts receivable 31–60 days	44	–1	310	
Past-due accounts receivable 61–180 days	459	–12	280	–6
Past-due accounts receivable > 180 days	3,230	–1,890	2,437	–1,230
Total	**10,771**	**–1,903**	**11,007**	**–1,236**

Collateral for accounts receivable was received in an amount of SEK 0 M (0).

Receivables expired >180 days are essentially caused by ongoing discussions/claims with the client and are not connected to a question about the client's creditworthiness.

Reserve for doubtful receivables expired >180 days essentially relates to former claims and not to anticipated payment capacity. Apart from these claims, customer bad debts are low, which results in low reserves.

RESERVE FOR DOUBTFUL RECEIVABLES

GROUP	**2019**	2018
On January 1	–1,236	–902
Provision for the year	–791	–371
Reversal of previously posted impairment losses	111	34
Translation differences	12	4
On December 31	**–1,903**	**–1,236**

CARRYING AMOUNT AND FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amount and fair value of financial instruments are presented in the tables below. In NCC's balance sheet, mainly short-term investments (held for trading) and derivatives are measured at fair value. Short-term investments are measured according to prices quoted on a well-functioning secondary market for the same instruments.

The measurement at fair value of currency forward contracts, oil forward contracts and electricity forward contracts is based on customary models with observable input data such as interest rates, exchange rates and commodity prices. The measurement of interest rate swaps is based on forward interest rates based on observable yield curves. The discount has no significant impact on the measurement of derivatives.

For financial instruments recognized at amortized cost – accounts receivables, current interest-bearing receivables, other receivables, cash and cash equivalents, accounts payable and other interest-free liabilities – the fair value does not materially deviate from the carrying amount. For long-term interest-bearing receivables and short-term investments held to maturity, the fair value is based on the price listed in a well-functioning secondary market. For short and long-term bond loans listed on Nasdaq Stockholm, the fair value was calculated according to prices listed in a well-functioning secondary market. The fair value for unlisted long-term bonds and long-term liabilities to credit institutions, was calculated by discounting future cash flows with current market rates for similar financial instruments. The assessment is that the fair value of other long-term and current interest-bearing liabilities did not materially deviate from the carrying amount.

Note 37 Financial instruments and financial risk management, cont.

The carrying amount and fair value of financial instruments are presented in the following table.

CLASSIFICATION OF FINANCIAL INSTRUMENTS

GROUP, 2019	Financial assets measured at fair value through profit or loss[1]	Derivatives used in hedge accounting	Financial assets measured at amortized cost	Financial assets measured at fair value through other comprehensive income, equity instruments	Financial liabilities measured at fair value through profit or loss[1]	Other liabilities	Total carrying amount	Total fair value
Long-term holdings of securities				74			74	74
Long-term interest-bearing receivables			144				144	144
Other long-term receivables	1	7					8	8
Accounts receivable			8,674				8,674	8,674
Current interest-bearing receivables			226				226	226
Other receivables	55	5	108				168	168
Short-term investments	10		52				63	63
Cash and cash equivalents			2,416				2,416	2,416
Total assets	**66**	**12**	**11,620**	**74**			**11,773**	**11,773**
Long-term interest-bearing liabilities[2]						3,568	3,568	3,569
Other long-term liabilities		1				51	52	52
Provisions for pensions and similar obligations						2,840	2,840	2,840
Current interest-bearing liabilities[3]						796	796	797
Accounts payable						4,275	4,275	4,275
Accrued expenses and deferred income						1	1	1
Other current liabilities		13			60	8	81	81
Liabilities attributable to assets held for sale						133	133	133
Total liabilities		**14**			**60**	**11,673**	**11,747**	**11,749**

1) Statutorily measured at fair value.
2) Loan of SEK 800 M from the NCC Group's Pension Foundation is included
3) Loan of SEK 200 M from the NCC Group's Pension Foundation is included.

GROUP, 2018	Financial assets measured at fair value through profit or loss[1]	Derivatives used in hedge accounting	Financial assets measured at amortized cost	Financial assets measured at fair value through other comprehensive income, equity instruments	Financial liabilities measured at fair value through profit or loss[1]	Other liabilities	Total carrying amount	Total fair value
Long-term holdings of securities				77			77	77
Long-term interest-bearing receivables			195				195	196
Other long-term receivables			96				96	96
Accounts receivable			9,629				9,629	9,629
Prepaid expenses and accrued income			1				1	1
Current interest-bearing receivables			163				163	163
Other receivables	127	33	56				216	216
Short-term investments	72						72	72
Cash and cash equivalents			1,197				1,197	1,197
Total assets	**199**	**34**	**11,337**	**77**			**11,647**	**11,647**
Long-term interest-bearing liabilities[2]						1,342	1,342	1,343
Other long-term liabilities		5				3	8	8
Provisions for pensions and similar obligations						2,279	2,279	2,279
Current interest-bearing liabilities						1,051	1,051	1,051
Accounts payable						5,164	5,164	5,164
Other current liabilities		46			4	8	58	58
Total liabilities		**51**			**4**	**9,846**	**9,902**	**9,902**

1) Statutorily measured at fair value.
2) Loan of SEK 1,000 M from the NCC Group's Pension Foundation is included.

Note 37 Financial instruments and financial risk management, cont.

PARENT COMPANY, 2019	Financial assets measured at amortized cost	Financial assets measured at fair value through other comprehensive income, equity instruments	Other liabilities	Total carrying amount	Total fair value
Other long-term holdings of securities		45		45	45
Current receivables from Group companies	1,032			1,032	1,032
Balance in NCC Treasury AB	164			164	164
Total assets	**1,197**	**45**		**1,242**	**1,242**
Long-term interest-bearing liabilities[1]			800	800	800
Other long-term liabilities			3	3	3
Accounts payable			12	12	12
Current interest-bearing liabilities[1]			200	200	200
Current liabilities to Group companies			1,474	1,474	1,474
Total liabilities			**2,489**	**2,489**	**2,489**

[1] Loan of SEK 1,000 M from the NCC Group's Pension Foundation is included.

PARENT COMPANY, 2018	Financial assets measured at amortized cost	Financial assets measured at fair value through other comprehensive income, equity instruments	Other liabilities	Total carrying amount	Total fair value
Other long-term holdings of securities		45		45	45
Accounts receivable	1			1	1
Current receivables from Group companies	745			745	745
Balance in NCC Treasury AB	161			161	161
Total assets	**907**	**45**		**952**	**952**
Long-term interest-bearing liabilities[1]			1,000	1,000	1,000
Long-term liabilities to Group companies			1,044	1,044	1,044
Other long-term liabilities			1	1	1
Accounts payable			25	25	25
Current liabilities to Group companies			1,232	1,232	1,232
Other current liabilities			350	350	350
Total liabilities			**3,652**	**3,652**	**3,652**

[1] Loan of SEK 1,000 M from the NCC Group's Pension Foundation is included.

The classification categories Financial assets measured at fair value through profit or loss and Financial liabilities measured at fair value through profit or loss are not applicable for the Parent Company. No reclassifications of financial assets and liabilities among the above categories were effected during the year. It has been determined that the fair value of the Parent Company's financial instruments did not materially deviate from the carrying amount.

In the tables below, disclosures are made concerning how fair value was determined for the financial instruments that are continuously measured at fair value and the financial instruments not measured at fair value in NCC's balance sheet.

When determining fair value, assets have been divided into three levels. No transfers were made between the levels during the period and no significant changes were made with respect to measurement methods, data or assumptions used.

Level 1: in accordance with prices quoted on an active market for the same instruments. This category does not apply for the Parent Company.
Level 2: on the basis of directly or indirectly observable market data that is not included in Level 1. This category does not apply for the Parent Company.
Level 3: on the basis of input data that is not observable in the market.

	2019				2018			
GROUP	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value								
Financial assets measured at fair value through profit or loss								
Short-term investments	10			10	72			72
Derivative instruments		56		56		127		127
Derivative instruments used in hedge accounting		12		12		34		34
Financial assets measured at fair value through other comprehensive income								
Equity instruments			74	74			77	77
Financial assets not measured at fair value								
Long-term interest-bearing receivables	144			144	196			196
Short-term investments	52			52				
Total assets	**206**	**68**	**74**	**348**	**268**	**161**	**77**	**506**
Financial liabilities measured at fair value								
Financial liabilities measured at fair value through profit or loss								
Derivative instruments		60		60		4		4
Derivative instruments used in hedge accounting		14		14		51		51
Financial liabilities not measured at fair value								
Other interest-bearing liabilities	1,600	2,898		4,498	79	2,315		2,394
Total liabilities	**1,600**	**2,972**		**4,572**	**79**	**2,370**		**2,449**

Note 37 Financial instruments and financial risk management, cont.

OFFSETTING OF FINANCIAL INSTRUMENTS

NCC has binding framework agreements on netting (ISDA agreements) with all counterparties for derivative trading, whereby NCC can offset receivables and liabilities should a counterparty become insolvent or in another event. The following table sets out the gross financial assets and liabilities recognized and the amounts available for offsetting. NCC has not offset any amounts in the balance sheet.

	2019		2018	
GROUP	Financial assets	Financial liabilities	Financial assets	Financial liabilities
Recognized gross amount[1]	68	74	161	55
Amount included in the netting agreement	–46	–46	–52	–52
Net amount after netting agreement	**22**	**28**	**109**	**3**

[1] The gross carrying amount of financial assets includes SEK 1 M (0) for derivatives measured at fair value through profit or loss in other long-term receivables, SEK 55 M (127) in other receivables, SEK 7 M (0) for derivatives used in hedge accounting for other long-term receivables and SEK 5 M (33) in other receivables.
The gross carrying amount of financial liabilities includes derivatives measured at fair value through profit or loss in other long-term liabilities in an amount of SEK 0 M (0), other current liabilities of SEK 60 M (4), derivatives used in hedge accounting of other long-term liabilities of SEK 1 M (5) and other current liabilities of SEK 13 M (46).

The Parent Company has no derivatives outstanding.

Note 38 Information about the Parent Company

NCC AB, Corporation Identity Number 556034-5174, is a limited liability company registered in Sweden, with its Head Office in Solna. NCC AB's shares are listed on the Nasdaq Exchange Stockholm/Large Cap List.

The address of the Head Office is NCC AB, Herrjärva Torg 4, SE-170 80 Solna, Sweden.

The consolidated financial statements for 2019 relate to the Parent Company and its subsidiaries, jointly designated the Group. The Group also includes shareholdings in associated companies and joint ventures.

At December 31, 2019, Nordstjernan AB accounted for 17 percent of the share capital and 48 percent of the voting rights in NCC AB. Nordstjernan AB, Corporate Identity Number 556000-1421, has its registered Head Office in Stockholm.

Note 39 Events after the balance-sheet date

Catarina Molén-Runnäs took office as Business Area Manager of NCC Building Nordics on January 13, 2020. She replaced Klaus Kaae, who remains at NCC as senior advisor.

Note 40 Appropriation of the company's profit

The Board of Directors proposes that the available funds	2,240,367,885
Be appropriated as follows:	
Ordinary dividend to shareholders of SEK 5.00 per share[1]	539,527,775
To be carried forward	1,700,840,110
Total, SEK	2,240,367,885

[1] The total amount of the proposed dividend is calculated based on the number of shares outstanding on March 5, 2020.

Adoption

The Board of Directors and the CEO hereby give their assurance that the consolidated financial statements and the Annual Report have been compiled in compliance with international accounting standards, IFRS, as adopted by the EU, and with generally acceptable accounting practices and thus provide a fair and accurate impression of the financial position and earnings of the Group and the Parent Company. The Reports of the Board of Directors for both the Group and the Parent Company accurately review the Group's and the Parent Company's operations, financial positions and earnings and describe the significant risks and uncertainties facing the Parent Company and the companies included in the Group.

The Annual Report and the consolidated financial statements were approved for issue by the Board of Directors on March 5, 2020. 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 for adoption on April 1, 2020.

Solna, March 5, 2020

Tomas Billing
Chairman of the Board

Geir Magne Aarstad
Board member

Viveca Ax:son Johnson
Board member

Alf Göransson
Board member

Mats Jönsson
Board member

Angela Langemar Olsson
Board member

Ulla Litzén
Board member

Birgit Nørgaard
Board member

Karl-Johan Andersson
Board member
Employee representative

Karl G Sivertsson
Board member
Employee representative

Harald Stjernström
Board member
Employee representative

Tomas Carlsson
President and CEO

Our audit report was submitted on March 6, 2020
PricewaterhouseCoopers AB

Ann-Christine Hägglund
Authorized Public Accountant
Auditor in Charge

Erik Bergh
Authorized Public Accountant

Auditor's report

To the general meeting of the shareholders of NCC AB (publ), corporate identity number 556034-5174

REPORT ON THE ANNUAL ACCOUNTS AND CONSOLIDATED ACCOUNTS

Opinions

We have audited the annual accounts and consolidated accounts of NCC AB (publ) for the year 2019. The annual accounts and consolidated accounts of the company are included on pages 12–69 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of parent company and the group as of 31 December 2019 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2019 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the group.

Our opinions in this report on the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the parent company's audit committee in accordance with the Audit Regulation (537/2014) Article 11.

Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Our audit approach

Audit scope

We designed our audit by determining materiality and assessing the risks of material misstatement in the consolidated financial statements. We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the NCC Group, the accounting processes and controls, and the industry in which NCC operates.

In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the group operates.

In a business such as NCC's, our risk assessment is particularly influenced by the impact of the Board of Directors' and management's estimates and judgements on the financial statements. We have assessed the highest risk for misstatements in the financial statements to be the percentage-of-completion revenue recognition in some of the ongoing projects in NCC Building Sweden, NCC Building Nordics and NCC Infrastructure. In addition, we have identified a number of other risks that also reflect components of estimates and judgements, e.g, warranty provisions and disputes. As in all of our audits, we also addressed the risk of the Board of Directors' and management overriding internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud. Based on the risk assessment the central audit team developed an audit strategy according to which the group audit mirrors NCC's organisation and which starts in an audit of the five business areas. As a part of this strategy the audit has focused on the largest units within each business area, which are subject to a so-called full audit. The central audit team performs the audit of the parent company and the consolidated accounts and issues, based on the audit strategy, instructions to the audit teams for each business area. We also perform a centralised audit of, e.g., selected controls in the financial processes handled by NCC's group common shared service centre as well as of relevant controls over NCC's group common information systems. The results of these examinations are shared with local audit teams.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as a whole. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Key audit matters

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters.

KEY AUDIT MATTER	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER
Revenue and results recognition in construction projects Revenue and results recognition in construction projects 2019 revenue in NCC's construction and civil engineering operations amount to approximately SEK 44 (44) billion. In all material respects revenue is related to construction projects and is recognised over time, i.e., applying percentage-of-completion. This means that recognised revenue and costs in construction projects are based on assumptions and estimates on future outcome as documented in the project forecasts. These forecasts include estimates of costs for, e.g., labour, material, subcontractors and warranty obligations. From time to time, the latter may require updated estimates also for completed projects. As applicable, forecasts also include assessments of claims on customers relating to, e.g, change or additional orders and deficiencies in tender conditions. The elements of assumptions and estimates means that final results may deviate from those now reported. Given the elements of assumptions and estimates makes this a key audit matter. *Refer to the sections "Revenue from construction and similar projects", "Critical estimates and assessments" (subsections "Percentage-of-completion profit recognition of projects", "Guarantee commitments" and "Guarantee obligations, legal disputes, etc") in note 1 Accounting Policies as well as note 3 Revenue recognition, note 29 Other provisions and note 35 Pledged assets, sureties, guarantees and contingent liabilities (subsection "Contingent liabilities etc").*	We have evaluated and on a sample basis tested selected key controls in so-called tollgates in NCC's project process, from calculation to current project reporting. We have also evaluated processes, routines and methodology for project completion. We have performed analytical reviews of revenue and margins reported and evaluated management's routines for follow-up of the projects financial results and also discussed the latter with management. On a sample basis, we have examined revenue and the recognised project costs on which the determination of completion ratio is based. We have also tested the mathematical accuracy of the percentage-of-completion profit calculation. In NCC Infrastructure and NCC Building Sweden, we have made site visits on certain projects. We have discussed with NCC the principles, methods and assumptions on which estimates are based, including those forming the basis for warranty provisions for projects already completed. For selected projects, we have performed more in-depth procedures including, e.g., reading contract excerpts, review of project forecasts and discussions with project leaders and controllers on judgements, assumptions and estimates. We have also obtained opinions from NCC's legal advisers on selected disputes. We have kept a dialogue also with group management and the audit committee on NCC's estimates and the principles, methods and assumptions on which these are based. Our overall view is that NCC's assumptions and estimates lie within an acceptable range. However, we have communicated that many times these are difficult judgemental matters and that final outcome may deviate from the current assumptions, estimates and judgments.

Other Information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1–11, 74–93 and 104–105. The Board of Directors and the Managing Director are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Director's and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, The Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intend to liquidate the company, to cease operations, or has no realistic alternative but to do so.

The Audit Committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

A further description of our responsibility for the audit of the annual accounts and consolidated accounts is available on Revisorsinspektionen's website: www.revisorsinspektionen.se/revisornsansvar. This description is part of the auditor´s report.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Director's and the Managing Director of NCC AB (publ) for the year 2019 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Director's and the Managing Director be discharged from liability for the financial year.

Basis for Opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Responsibilities of the Board of Director's and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group' equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company´s organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

A further description of our responsibility for the audit of the administration is available on Revisorsinspektionen's website: www.revisorsinspektionen.se/revisornsansvar. This description is part of the auditor's report.

PricewaterhouseCoopers AB, 113 97 Stockholm, was appointed auditor of NCC AB (publ) by the general meeting of the shareholders on the 9 April 2019 and has been the company's auditor since the 5 April 2017.

Stockholm 6 March 2020
PricewaterhouseCoopers AB

Ann-Christine Hägglund
Authorized Public Accountant
Partner in charge

Erik Bergh
Authorized Public Accountant

Multi-year review

INCOME STATEMENT, SEK M	2012	IAS 19 2012	2013	2014	2015	Excluding Bonava in 2015	2016	2017	IFRS 15 2017	2018	2019
Net sales	57,227	57,227	57,823	56,867	62,495	53,116	52,934	54,608	54,441	57,346	58,234
Production costs	–51,724	–51,731	–52,027	–51,176	–56,009	–48,683	–48,484	–50,460	–50,460	–55,205	–54,134
Gross profit	**5,503**	**5,495**	**5,796**	**5,691**	**6,486**	**4,432**	**4,450**	**4,148**	**3,981**	**2,140**	**4,101**
Selling and administrative costs	–2,978	–2,988	–3,130	–3,117	–3,405	–2,765	–2,912	–2,933	–2,933	–2,875	–2,811
Result from sales of owner-occupied properties	3	3	6	20	7	7	–10	1	1	12	–11
Impairment losses on fixed assets	–2	–2	7		–40	–39	–97	–7	–7	–82	–22
Capital gain from sales of Group companies	6	6		3			2	21	21		18
Result from participations in associated companies	5	5	1	8	–9	26	20	11	11	42	21
Operating profit/loss	**2,537**	**2,519**	**2,679**	**2,604**	**3,039**	**1,661**	**1,453**	**1,242**	**1,075**	**–764**	**1,296**
Financial income	74	74	75	46	50	39	26	39	39	36	34
Financial expenses	–348	–315	–354	–416	–433	–78	–138	–130	–130	–121	–146
Net financial items	**–274**	**–241**	**–279**	**–370**	**–383**	**–39**	**–112**	**–91**	**–91**	**–85**	**–112**
Profit/loss after financial items	**2,263**	**2,277**	**2,400**	**2,234**	**2,656**	**1,623**	**1,341**	**1,150**	**983**	**–849**	**1,184**
Tax	–364	–367	–411	–396	–536	–302	–225	–141	–106	99	–309
Profit/loss for the period	**1,899**	**1,910**	**1,989**	**1,838**	**2,120**	**1,321**	**1,116**	**1,009**	**877**	**–750**	**875**
Attributable to:											
NCC's shareholders	1,894	1,905	1,986	1,835	2,113	1,315	1,113	1,004	872	–756	873
Non-controlling interests	5	5	3	3	6	6	3	5	5	6	2
Profit/loss for the period	**1,899**	**1,910**	**1,989**	**1,838**	**2,120**	**1,321**	**1,116**	**1,009**	**877**	**–750**	**875**

AMENDED ACCOUNTING POLICIES – IAS 19. COMPARATIVE FIGURES FOR 2012 HAVE BEEN RESTATED.

Changes have occurred in the recognition of employee benefits, for which the revised IAS 19 has been applied since January 1, 2013. Comparative figures for 2012 have been recalculated. In brief, the amendment of IAS 19 meant that the opportunity to utilize the corridor method has been discontinued, entailing that actuarial gains and losses arising must be recognized directly against Other comprehensive income in the period they arise. Furthermore, the return on plan assets must be calculated using the same rate as the discount rate for the pension commitment. The interest-rate component in the pension commitment and the anticipated return on plan assets are now recognized in net financial items.

AMENDED ACCOUNTING POLICIES– IFRS 15, COMPARATIVE FIGURES FOR 2017 HAVE BEEN RESTATED.

In the Annual Report, comparative figures for 2017 been restated due to the application of IFRS 15 as of January 1, 2018. This applies for all tables and figures pertaining to 2017, unless otherwise stated. The amendment entails briefly that the requirements have been strengthened in respect of recognizing revenues deriving from contract modifications related to alterations and supplementary work, compensation for shortcomings in tender specifications and similar items. The changes affect the Building Sweden, Building Nordics and Infrastructure business areas.

BALANCE SHEET, SEK M	2012	IAS 19 2012	2013	2014	2015	Excluding Bonava in 2015	2016	2017	IFRS 15 2017	2018	**2019**
ASSETS											
Fixed assets											
Goodwill	1,827	1,827	1,802	1,865	1,792	1,770	1,851	1,848	1,848	1,861	1,893
Other intangible assets	204	204	267	389	439	377	275	335	335	339	368
Right-of-use assets										493	1,579
Owner-occupied properties	662	662	704	774	826	776	814	880	880	915	894
Machinery and equipment	2,395	2,395	2,502	2,487	2,417	2,356	2,569	2,712	2,712	2,559	2,516
Long-term holdings of securities					97	92	125	129	129	119	114
Long-term interest-bearing receivables					354	271	361	575	575	195	144
Other long-term receivables					307	203	62	26	26	119	34
Deferred tax assets					204		97	239	338	531	524
Participations in associated companies	9	9	9	52							
Other long-term holdings of securities	158	158	131	156							
Long-term receivables	1,859	615	496	671							
Total fixed assets	**7,114**	**5,870**	**5,910**	**6,395**	**6,435**	**5,845**	**6,154**	**6,743**	**6,843**	**7,133**	**8,065**
Current assets											
Right-of-use assets											51
Properties held for future development					2,050	2,050	1,780	1,696	1,696	1,633	1,391
Ongoing property projects					2,013	2,013	1,440	1,039	1,039	2,292	3,042
Completed property projects					367	367	808	870	870	308	936
Properties held for future development, housing					3,749		16				
Participations in associated companies										226	263
Capitalized project development costs					969						
Ongoing proprietary housing projects					6,987						
Completed housing units					583						
Property projects	5,321	5,321	5,251	5,059							
Housing projects	11,738	11,738	12,625	13,246							
Materials and inventory	655	655	673	746	696	691	713	764	764	902	993
Tax receivable					33	13	42	241	241	146	50
Accounts receivable	7,725	7,725	7,377	7,178	7,083	6,619	7,682	8,882	8,882	9,629	8,674
Worked-up, non-invoiced revenues	782	782	918	1,066	1,400	1,394	1,737	1,671	1,554	1,276	1,260
Prepaid expenses and accrued income	1,544	1,544	1,325	1,415	1,262	936	1,061	1,170	1,170	1,418	1,516
Current interest-bearing receivables					106	1,752	152	167	167	163	226
Other receivables	1,277	1,277	1,024	1,048	1,301	901	446	687	687	608	555
Short-term investments	168	168	143	242	190	190	190	41	41	72	63
Cash and cash equivalents	2,634	2,634	3,548	2,592	4,177	3,592	3,093	3,063	3,063	1,197	2,416
Assets held for sale											392
Total current assets	**31,844**	**31,844**	**32,883**	**32,592**	**32,967**	**20,518**	**19,161**	**20,292**	**20,174**	**19,868**	**21,826**
TOTAL ASSETS	**38,958**	**37,713**	**38,793**	**38,987**	**39,402**	**26,363**	**25,315**	**27,035**	**27,018**	**27,001**	**29,890**
EQUITY											
Shareholders' equity	8,974	7,634	8,658	8,847	9,691	4,962	5,553	5,516	5,168	2,931	3,044
Non-controlling interests	15	15	17	20	23	20	13	12	12	17	
Total equity	**8,988**	**7,649**	**8,675**	**8,867**	**9,714**	**4,982**	**5,566**	**5,528**	**5,179**	**2,948**	**3,044**
LIABILITIES											
Long-term liabilities											
Long-term interest-bearing liabilities	7,102	7,102	7,029	6,957	5,887	3,865	2,288	1,669	1,669	1,342	3,568
Other long-term liabilities	841	841	299	548	609	158	54	54	54	8	52
Deferred tax liabilities	725	436	414	268	322	456	407	438	438	297	170
Provisions for pensions and similar obligations	9	393	125	585	338	338	1,008	1,407	1,407	2,279	2,840
Other provisions	2,435	2,435	2,070	2,017	1,970	1,612	1,686	1,889	1,889	2,563	2,777
Total long-term liabilities	**11,113**	**11,208**	**9,937**	**10,376**	**9,126**	**6,429**	**5,443**	**5,456**	**5,456**	**6,488**	**9,407**
Current liabilities											
Current interest-bearing liabilities	2,141	2,141	2,515	2,526	3,154	1,900	723	919	919	1,051	796
Accounts payable	4,659	4,659	4,096	3,960	4,694	4,176	4,427	5,179	5,179	5,164	4,275
Tax liabilities	122	122	58	117	287	135	115	95	95		100
Invoiced revenues not worked up	4,241	4,241	4,264	4,408	4,244	4,239	4,355	5,574	5,905	6,311	6,254
Accrued expenses and deferred income	3,748	3,748	3,888	3,952	4,012	3,172	3,205	3,207	3,207	3,452	3,767
Provisions					59	59	21	24	24	68	24
Other current liabilities	3,945	3,945	5,360	4,782	4,112	1,270	1,460	1,052	1,052	1,520	1,878
Liabilities attributable to assets held for sale											344
Total current liabilities	**18,855**	**18,856**	**20,181**	**19,745**	**20,562**	**14,951**	**14,306**	**16,051**	**16,382**	**17,566**	**17,439**
Total liabilities	**29,968**	**30,063**	**30,118**	**30,120**	**29,688**	**21,380**	**19,749**	**21,507**	**21,838**	**24,054**	**26,846**
TOTAL EQUITY AND LIABILITIES	**38,958**	**37,713**	**38,793**	**38,987**	**39,402**	**26,363**	**25,315**	**27,035**	**27,018**	**27,001**	**29,890**

KEY FIGURES	2012	IAS 19 2012	2013	2014	Excluding Bonava in 2015	2016	2017	IFRS 15 2017	2018	2019
Financial statements, SEK M										
Net sales[3]	57,227	57,227	57,823	56,867	53,116	52,934	54,608	54,441	57,346	58,234
Operating profit/loss[3]	2,537	2,519	2,679	2,604	1,661	1,453	1,242	1,075	–764	1,296
Profit/loss after financial items[3]	2,263	2,277	2,400	2,234	1,623	1,341	1,150	983	–849	1,184
Profit/loss for the year[3]	1,899	1,910	1,989	1,838	1,321	1,116	1,009	877	–750	875
Investments in fixed assets	1,345	1,345	1,055	987	1,092	1,406	1,238	1,238	1,669	2,992
Investments in property projects	2,692	2,692	3,890	2,255	1,858	1,612	1,152	1,152	2,602	3,281
Investments in housing projects[1]	8,997	8,997	7,912	9,712	9,725	3,154				
Cash flow, SEK M										
Cash flow from operating activities	–26	–26	2,532	1,345	4,061	1,170	2,158	2,158	–375	2,214
Cash flow from investing activities	–906	–906	–870	–771	–730	–1,181	–797	–797	–782	–701
Cash flow before financing	–932	–932	1,661	574	3,331	–11	1,361	1,361	–1,157	1,512
Cash flow from financing activities	2,774	2,774	–741	–1,515	–1,713	–1,087	–1,392	–1,392	–717	–308
Change in cash and cash equivalents	1,838	1,838	914	–956	1,586	–1,084	–30	–30	–1,866	1,219
Profitability ratios										
Return on equity, %[6]	23	28	26	22	26	19	18	17	–18	32
Return on equity, %[7]	23	28	26	22	26	118	18	17	–18	32
Return on capital employed, %[6]	15	17	15	14	17	13	13	12	–9	13
Return on capital employed, %[7]	15	17	15	14	17	63	13	12	–9	13
Financial ratios at year-end, SEK M										
EBITDA %[6]	5.6	5.6	5.9	5.8	6.2	4.7	3.6	3.3	0.8	4.7
EBITDA %[7]	5.6	5.6	5.9	5.8	6.2	17.0	3.6	3.3	0.8	4.7
Interest coverage ratio, multiple[6]	7.0	7.5	7.8	6.4	7.1	6.6	9.8	8.5	–6.0	9.1
Interest coverage ratio, multiple[7]	7.0	7.5	7.8	6.4	7.1	31.1	9.8	8.5	–6.0	9.1
Equity/assets ratio, %	23	20	22	23	25	22	20	19	11	10
Interest-bearing liabilities/total assets, %	24	26	25	26	24	16	15	15	17	25
Net cash +/Net debt –	–6,061	–6,467	–5,656	–6,836	–4,552	–222	–149	–149	–3,045	–4,489
Debt/equity ratio, multiple	0.7	0.8	0.7	0.8	0.5	0.0	0.0	0.0	1.0	1.5
Capital employed at year-end	18,241	17,285	18,345	18,935	19,093	9,585	9,523	9,174	7,619	10,382
Capital employed, average	16,632	15,755	18,005	18,531	18,672	13,474	9,418	9,138	8,780	9,936
Capital turnover rate, multiple	3.4	3.6	3.2	3.1	3.3	4.1	5.8	6.0	6.5	5.9
Share of risk-bearing capital, %	25	21	23	23	25	24	22	21	12	11
Closing interest rate, %[2]	3.6	3.6	3.3	2.8	2.8	2.6	2.0	2.0	1.3	1.1
Average interest-rate maturity, years[2]	1.1	1.1	1.2	1.1	0.9	0.9	0.6	0.6	0.5	1.2
Order status, SEK M										
Orders received[3]	55,759	55,759	56,979	61,379	51,492	56,506	56,990	56,777	61,842	58,048
Order backlog[3]	45,833	45,833	47,638	54,777	41,538	47,940	51,806	51,734	56,837	57,800
Per share data, SEK										
Profit/loss after taxes, before and after dilution[6]	17.51	17.62	18.40	17.01	19.59	11.61	9.29	8.07	–7.00	8.09
Profit/loss after taxes, before and after dilution[7]	17.51	17.62	18.40	17.01	19.59	73.81	9.29	8.07	–7.00	8.09
Cash flow from operating activities, after dilution	–0.24	–0.24	23.46	12.47	37.65	10.88	19.97	19.97	–3.47	20.50
Cash flow before financing, after dilution	–8.61	–8.61	15.40	5.32	30.88	–0.05	12.59	12.59	–10.71	14.01
P/E ratio, before dilution[6]	8	8	11	15	13	19	17	19	–20	19
P/E ratio, before dilution[7]	8	8	11	15	13	3	17	19	–20	19
Dividend, ordinary	10.00	10.00	12.00	12.00	3.00	8.00	8.00	8.00	4.00	5.00[4]
Dividend yield, %	7.3	7.3	5.7	4.9	1.1	3.5	5.1	5.1	2.9	3.3
Shareholders' equity, before and after dilution	82.97	70.58	80.24	82.04	89.85	51.39	51.04	47.81	27.13	28.21
Share price/shareholders' equity, %	164	193	262	301	293	439	308	329	508	543
Share price at year-end, NCC B	136.20	136.20	209.90	246.80	263.00	225.40	157.30	157.30	137.80	153.20
Number of shares, millions										
Total number of issued shares[5]	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	0.4	0.4	0.6	0.6	0.6	0.4	0.4	0.4	0.4	0.5
Total number of shares outstanding before dilution at year-end	108.0	108.0	107.8	107.8	107.9	108.1	108.1	108.1	108.0	107.9
Average number of shares outstanding before dilution for the period	108.2	108.2	107.9	107.8	107.9	108.1	108.1	108.1	108.1	107.9
Market capitalization before dilution, SEK M	14,706	14,706	22,625	26,574	28,369	24,325	16,997	16,997	14,896	16,548
Personnel										
Average no. of employees	18,175	18,175	18,360	17,669	17,872	16,793	17,762	17,762	16,523	15,273

1) This includes investments in the unsold share of ongoing proprietary housing projects and costs incurred before project starts.

2) Excluding liabilities attributable to Swedish tenant-owner associations and Finnish housing companies, as well as pension debt according IAS 19.

3) As of 2015, Bonava has been excluded.

4) Dividend for 2019 pertains to the Board of Directors' motion to the AGM.

5) All shares issued by NCC are common shares.

6) When calculating the key figure, the impact on earnings of SEK 6,724 M that arose from the spinoff of Bonava has been excluded.

7) When calculating the key figure, the impact on earnings of SEK 6,724 M that arose from the spinoff of Bonava has been included.

For definitions of key figures, see page 105.

Quarterly data

	QUARTERLY AMOUNTS, 2019				FULL YEAR	QUARTERLY AMOUNTS, 2018				FULL YEAR
SEK M	Q1	Q2	Q3	Q4	2019	Q1	Q2	Q3	Q4	2018
Group										
Orders received	15,501	16,070	12,769	13,708	58,048	17,521	13,834	12,738	17,750	61,842
Order backlog	61,370	63,027	61,658	57,800	57,800	58,851	58,741	56,587	56,837	56,837
Net sales	11,434	14,610	13,951	18,239	58,234	10,894	14,349	14,269	17,832	57,346
Operating profit/loss	–352	411	568	670	1,296	–364	452	–1,108	256	–764
Profit/loss after financial items	–370	380	536	639	1,184	–372	427	–1,133	229	–849
Profit/loss after tax	–314	322	459	408	875	–296	341	–955	160	–750
Earnings per share after dilution, SEK	–2.88	2.85	4.21	3.91	8.09	–2.73	3.12	–8.87	1.47	–7.00
Cash flow before financing	–140	–1,109	–814	3,575	1,512	–815	–1,710	–574	1,942	–1,157
Equity/assets ratio, %	10	8	7	10	10	18	15	11	11	11
Net cash +/Net debt –	–4,844	–6,352	–8,124	–4,489	–4,489	–1,011	–3,084	–4,169	–3,045	–3,045
NCC Infrastructure										
Orders received	4,840	3,428	4,466	3,868	16,601	9,497	3,740	5,423	6,220	24,880
Order backlog	22,460	21,770	22,002	20,389	20,389	25,195	24,118	24,923	24,786	24,786
Net sales	3,649	4,192	4,213	5,371	17,425	4,294	4,990	4,515	5,992	19,791
Operating profit/loss	8	81	46	78	212	–11	51	–883	–150	–993
Operating margin, %	0.2	1.9	1.1	1.4	1.2	–0.3	1.0	–19.6	–2.5	–5.0
NCC Building Sweden										
Orders received	2,579	2,368	3,687	4,107	12,741	3,677	3,111	2,394	5,893	15,075
Order backlog	17,619	16,261	16,717	16,561	16,561	19,367	18,422	17,435	18,709	18,709
Net sales	3,669	3,726	3,192	4,264	14,851	3,649	4,057	3,380	4,614	15,701
Operating profit/loss	110	76	75	103	364	111	147	86	109	453
Operating margin, %	3.0	2.0	2.4	2.4	2.5	3.0	3.6	2.6	2.4	2.9
NCC Building Nordics										
Orders received	4,187	6,210	2,683	3,001	16,080	1,915	3,349	2,488	3,477	11,229
Order backlog	13,132	16,738	16,694	15,807	15,807	10,384	11,501	11,110	11,313	11,313
Net sales	2,567	2,803	2,914	3,485	11,769	2,299	2,571	2,720	3,162	10,753
Operating profit/loss	34	46	53	99	231	11	34	–193	–78	–227
Operating margin, %	1.3	1.6	1.8	2.8	2.0	0.5	1.3	–7.1	–2.5	–2.1
NCC Industry										
Orders received	3,372	3,991	2,450	3,040	12,852	2,867	4,106	2,913	3,058	12,943
Order backlog	5,188	5,487	3,631	2,967	2,967	4,855	5,380	3,940	3,092	3,092
Net sales	1,265	3,721	4,311	3,674	12,971	1,165	3,625	4,301	3,876	12,968
Operating profit/loss	–385	322	387	187	511	–411	324	283	155	350
Operating margin, %	–30.5	8.6	9.0	5.1	3.9	–35.3	8.9	6.6	4.0	2.7
Capital employed	5,409	6,397	6,393	5,507	5,507	4,456	5,733	5,540	4,902	4,902
NCC Property Development										
Net sales	411	321	335	1,989	3,056	285	115	397	1,361	2,157
Operating profit/loss	–20	40	19	273	313	16	–16	–326	144	–181
Capital employed	4,746	5,534	6,107	4,935	4,935	4,591	4,985	4,383	4,314	4,314
Operating margin, %	–4.8	12.5	5.6	13.7	10.2	5.5	–13.9	–82.1	10.6	–8.4
NCC Road Services										
Orders received	849	268	388	112	1,617					
Order backlog	4,013	3,697	3,481	2,816	2,816					
Net sales	662	635	592	735	2,624					
Operating profit/loss	–5	6	4	14	20					

The asphalt and civil engineering operations of NCC Industry and certain units within NCC Building and NCC Infrastructure are affected by seasonal variations in their production caused by cold weather conditions. The first quarter is normally weaker than the rest of the year.

A decision has been taken to divest NCC Road Services within NCC Infrastructure, and accordingly, this division is presented separately as of 2019.

Sustainability report

NCC is one of the Nordic region's leading construction and property development companies and is active throughout the value chain with the task of creating environments for work, living and communication. The construction industry has a major environmental impact and NCC plays an important role in the transition toward a more sustainable society. We aim to proactively contribute to reducing the use of nonrenewable resources, increase societal value and develop new technical solutions, products and work methods that promote a sustainable development for customers, the Group and society at large.

For NCC, this involves taking into account the needs of current and future generations, increasing the company's competitiveness and ability to generate profitable growth and taking long-term responsibility in day-to-day operations. Our vision is to renew the industry and provide superior sustainable solutions.

Five business areas interacting to reduce climate impact
With five business areas that complement each other in an extensive operation, NCC has the potential to lower the climate impact of its own manufacturing of materials and production as well as of the operation and maintenance of its finished products. NCC Industry's asphalt production accounts for the majority of the Group's own carbon emissions. By switching from fossil to renewable fuels, the climate impact has been mitigated in recent years. NCC Building and NCC Infrastructure have developed standard solutions, prefabricates and processes for which precise amounts of materials are ordered, thus reducing waste generated at construction sites. NCC prioritizes sustainable materials and products and enables the recovery and reuse of the waste that arises from the construction process. NCC is a leader in constructing commercial properties and housing units with low energy requirements and, through NCC Property Development, can provide support in urban planning concerning the health and wellbeing of people in both office buildings and their surroundings.

Future trends and demands on NCC's capabilities
The world's awareness of climate challenges accelerated in 2019. The Nordic countries have set ambitious climate targets, which will shape the industry and the solutions needed in the years ahead. As part of the industry's desire to reach the emissions targets that have been set, we will see an increased focus on renovation of existing buildings and infrastructure, on energy use at construction sites and on the energy needed to produce building materials. We also note increasing requirements from the market for circular processes – the reuse and recycling of materials.

NCC thus needs to work proactively on how the Group can produce and use materials even more efficiently and analyze and measure the climate footprint of both its own and its suppliers' product manufacturing and energy consumption to an even greater extent, to be able to report climate emissions throughout the value chain.

The global goals and NCC's sustainability framework

UN's Agenda 2030 shows NCC's potential to exert influence
The UN and leaders of the world have united behind 17 goals and 169 sub-targets to tackle the most urgent social, economic and environmental challenges in the period up to 2030.

On the basis of these goals, we can evaluate whether NCC is on the right path in respect of its offering. The Agenda targets can also be used to predict the demands that will be placed on NCC in the future. Agenda 2030 and the global goals thereby help to ensure that NCC's business strategies create long-term value for the company and for the societies in which the company is active by enabling change where it is needed the most.

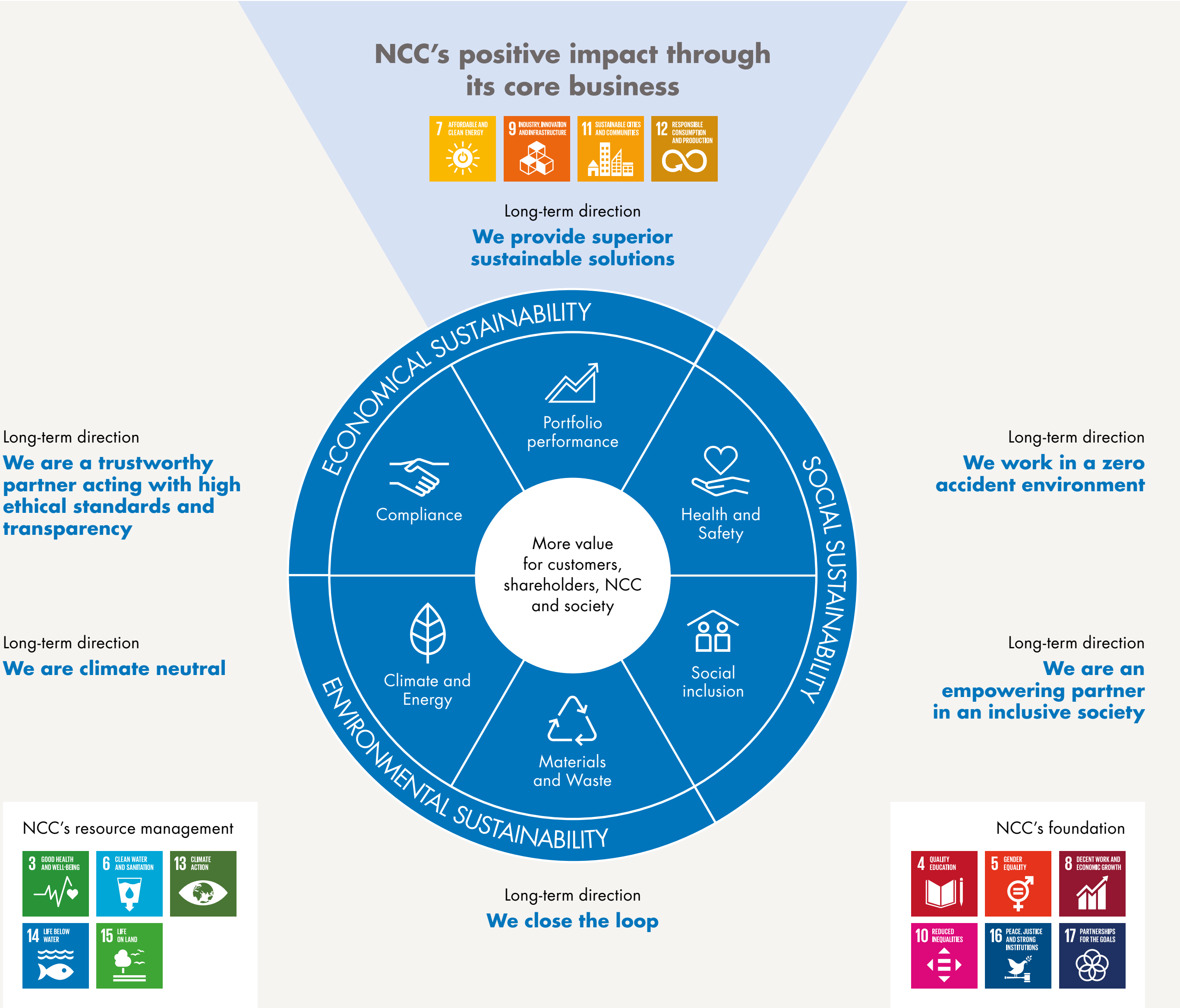
NCC has selected four global goals where the Group has the greatest potential to contribute through various societal solutions, and another 11 goals that are fundamental to NCC's operations and offerings. NCC has also evaluated the global goals at the sub-target level and selected about 50 of the 169 sub-targets as relevant and guiding for NCC. NCC intends to continue to implement the global goals in its operations, in part by developing new solutions and involving more functions in the Group.

NCC's positive impact through the core business
NCC's expertise, knowledge and solutions will be imperative to the achievement of sustainable development at places where people work, reside, travel and live. Accordingly, NCC plays an important role in the Nordic contribution to achieve global goals 7, 9, 11 and 12. This encompasses creating inclusive societies by building housing and infrastructure that everyone can afford and that remove physical and mental barriers in cities. It also involves being resource-efficient by creating circular material flows and independence from fossil fuels, and building resilient societies that can cope with the effects of climate change, such as heavy rain and extreme heat.

NCC's resource management
NCC has long been proactive in the work to formulate offerings and work methods that improve the situation for people and the environment. Accordingly, NCC regards global goals 3, 6, 13, 14 and 15 as fundamental to its operations and a prerequisite for long-term access to the natural resources needed by NCC.

Intelligent buildings and sustainable infrastructure can promote people's health and well-being. By integrating green areas into urban environments and promoting various species in our quarries, NCC also contributes to improving biodiversity and sustainable ecosystems.

Although the Nordic region currently has relatively favorable access to water, NCC regards clean water and life below water as important goals to promote, for example, through ecosystem services and water efficiency throughout the value chain.



NCC's foundation

NCC is a value-guided company and, in that capacity, it can contribute to achieving goals 4, 5, 8, 10, 16 and 17. We enhance knowledge and expertise in society through, for example, the schools we build and the training we provide to employees, which contributes to achieving global goal 4. NCC complies with principles for equality, reduced inequality and decent labor conditions, and economic growth, which are directly linked to global goals 5, 8 and 10. The company will also continue to promote employment for young people, ensure a safe work environment and proactively work to end all types of discrimination. Cooperation and partnerships with various stakeholders are fundamental to make the transformation to a sustainable world by 2030, as reflected in global goals 16 and 17.

Read more at: www.ncc.group/globalgoals.

The sustainability framework

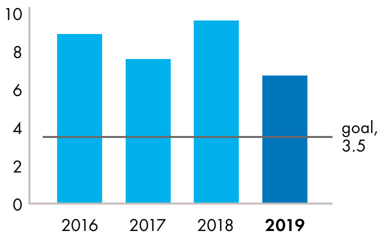
NCC's sustainability work is the foundation for the Group's future development. The purpose of NCC's sustainability work is to create conditions for people to work, reside, travel and live in a sustainable manner, and to increase value for shareholders, customers and society as a whole. NCC's sustainability framework illuminates the most important areas for our sustainability work: Health and Safety, Social inclusion, Materials and Waste, Climate and Energy, Compliance and Portfolio performance. These areas link closely with the Sustainable Development Goals and show that NCC has an important role to play in the transition of society.

NCC has set targets for 2016–2020 for all areas in the framework. The targets and outcomes for the year are reported on p. 81. For each area, there are also long-term sustainability objectives that relate to the changed market conditions, outline the path ahead and provide a direction and stability for the Group's long-term sustainability work.

FOCUS AREA	DESCRIPTION AND EXAMPLES OF AREAS	LONG-TERM SUSTAINABILITY OBJECTIVE
Health and Safety	• Safe and secure worksites • Design and choices of materials that promote good health for all stakeholders in the value chain	We work in a zero accident environment
Social inclusion	• Better quality of life for workers, customers and society • Diversity and equality of workforce • Increased social sustainability in procurement processes • Empower local communities	We are an empowering partner in an inclusive society
Materials and Waste	• Non-hazardous materials • Circular supplies • Resource efficiency and waste reduction	We close the loop
Climate and Energy	• Less energy used and less greenhouse gases • Climate adaptation • Biodiversity as an asset	We are climate neutral
Compliance	• Fair business and no corruption • Supply chain control and transparency • Sustainable purchasing	We are a trustworthy partner acting with high ethical standards and transparency
Portfolio performance	• Provide superior sustainable solutions to our customers and the society	We provide superior sustainable solutions

TARGETS FOR 2020 AND OUTCOME IN 2019

Accident frequency



Target for 2020

50%

reduction in number of accidents compared with 2015.

Accident frequency[1)]

≤3.5

[1)] Worksite accidents resulting in one day or more of absence from work per million worked hours.

Outcome 2019

7.0

The accident frequency declined from 9.5 in 2018 to 7.0 in 2019, which is the lowest level recorded since measurements began. Proactive work to improve analyses and a long-term focus contributed to the positive outcome. Occupational health and safety remains one of our foremost focus areas for 2020 and our long-term aim of halving accidents between 2015 and 2020 stands firm.

Target, gender: No gender should represent a higher share of a team than 70%[1)]

Outcome 2019

45%

[1)] Management teams

Target, diversity: The team should mirror society.

Outcome 2019

46%

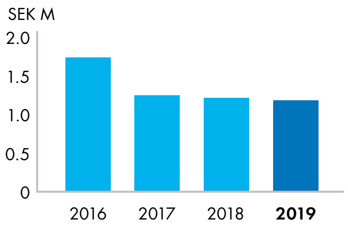
Target, age: No age group (<34 years, 35–49 years, >50 years) should represent a higher share of a business area than 70 percent.

Outcome 2019

The target has been fulfilled at business area level. NCC is also striving to meet the target for age diversity in all operational teams, which the various business areas are monitoring.

As of 2019, the number of management teams in the survey was expanded to include all management teams from the Executive Team to department management or the equivalent. NCC also noted positive development during the year in terms of ethnic diversity.

Ton waste per turnover SEK M



Target for 2020

70%

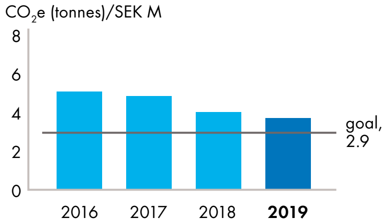
of NCC's building and construction waste is reused or material recycled by 2020. The number of tons of building and construction waste per SEK M turnover is decreasing.

Outcome 2019

56%

As a result of targeted action and commitment within the organization, the amount of construction waste was reduced in 2019, in both absolute terms and in relation to turnover of the construction operations. The total amount of waste decreased by 25 percent compared with 2015 and 7 percent compared with 2018. The amount of waste per SEK 1 M turnover was reduced from 1.64 tons/SEK M in 2015 to 1.14 tons/SEK M in 2019, or by 31 percent.

Emissions of greenhouse gases from its own operations per turnover SEK M



Target for 2020

50%

reduction in CO_2 emissions by 2020, compared with 2015.

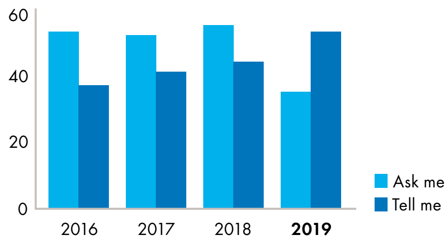
Outcome 2019

37%

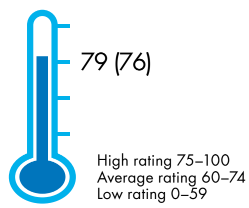
Carbon emissions, related both to purchased fuels and to electricity, district heating and district cooling, have declined since the base year 2015. This was due to energy-efficiency improvements, an increased use of renewable fuels and a transition to electricity from renewable sources. Relative to turnover, NCC's greenhouse gas emissions from own operations have been reduced by 37 percent since 2015.

CULTURE Our aim is to have a strong compliance culture in NCC, and very active compliance work.
PERCEPTION We track all employees' perception of our compliance culture in the employee survey, NCC Pulse, with the aim of significantly increasing the index score during 2016–2020.
TRANSPARENCY We disclose our number of Tell Me matters and Ask Me questions in our Annual Report.

Number of Ask-me questions and Tell-me matters



Index rating in NCC Pulse



To be able to track NCC's portfolio performance in line with the market's increasing demand for sustainable products and services, NCC measures the company's portfolio performance by monitoring net sales of sustainable products, services and concepts. Work is under way to develop a governing follow-up process for sustainable offerings.

Sustainability governance

Sustainability work in NCC is governed, inter alia, by the Group's framework for sustainability, the Code of Conduct and other policies, such as a Sustainability Policy featuring an Environmental Policy, a Health and Safety Policy and a Diversity Policy.

NCC supports the UN's Global Compact initiative and has thus taken a stance in relation to issues involving human rights, labor conditions, the environment and anti-corruption. NCC also complies with the UN declaration on human rights, the ILO's declaration on fundamental principles and rights at work, the OECD's principles and norms for multinational companies and the Rio Declaration on the precautionary approach, which entails that NCC undertakes to prevent and minimize risks in the environmental area.

Code of Conduct

NCC's Code of Conduct describes the expected conduct of all parties concerned – employees, managers, Board members and business partners – and is based on NCC's values and the voluntary initiatives undertaken by the Group, such as the World Economic Forum's Partnering Against Corruption Initiative (PACI) and the UN Global Compact. Principles for human rights, work methods, the environment and anti-corruption are stated in these initiatives. All employees receive regular training in the Code of Conduct's fundamentals and are expected to comply with these principles in their daily work.

NCC's Executive Team is responsible for compliance with the Code of Conduct, which is continuously followed up within the framework of operating activities. Awareness of the Code of Conduct at NCC is very high. According to NCC's employee survey, NCC Pulse, employees believe to an increasing extent that NCC's values and Code of Conduct provide guidance in their work.

NCC's Code of Conduct for suppliers

NCC's business partners play an important role in the operations and NCC expects that they will also respect and live up to the Group's values. In 2019, NCC implemented a Code of Conduct adapted for suppliers. This applies to all parties who supply NCC with products, personnel or services, including direct and indirect suppliers, service suppliers, subcontractors, intermediaries and agents, as well as, where relevant, employees of suppliers and their subcontractors and agents.

NCC Compass

NCC Compass is a support to managers and employees in their daily work, and makes it easier for them to make the right decisions. The tool is easily accessible on the company's intranet and, in addition to requirements, guidelines and general advice, also features an Ask Me and a Tell Me function.

The Ask Me function was created to assist employees in making the right decisions. This function is managed by 55 specially trained employees, Navigators, who are available throughout the company to answer questions in the local language. All questions are documented and followed up to enable procedures and guidelines to be clarified and developed wherever uncertainty prevails.

The Tell Me function is a whistleblower function through which employees and other stakeholders, anonymously if they so wish, can report their suspicions about behaviors and actions that contradict the Code of Conduct. All reports are investigated in an impartial and thorough manner by specially trained internal resources jointly, when needed, with external expertise, to guarantee legally secure treatment.

The Ask Me function received 35 questions (55) during the year, which was fewer than in 2018. The main reason for the decline was that the number of questions related to everyday operating activities was lower. Many questions were about business entertainment and gifts. Frequently asked questions are compiled in NCC Compass. In 2019, 30 (27) suspected cases were reported in the Tell Me function, which was in line with the preceding year. A number of incidents were also reported in other ways. This resulted in a total of 53 (44) cases that warranted investigation. The incidents involved such matters as fraud and theft, conflicts of interests and other transgressions from NCC's Code of Conduct. Of the matters closed during the year, three led to dismissal and 21 to other actions, such as the employees deciding to resign, to changes in procedures and processes or to targeted communication measures.

Information on how the Group manages personal data and any inquiries and incidents in accordance with GDPR is available on both NCC's external website and intranet.

NCC continuously provides compliance, anti-corruption and GDPR training to its employees. During the year, 1,900 employees received compliance training and 1,500 received GDPR training.

Sustainability organization

The CEO is ultimately responsible for NCC's sustainability efforts. Sustainability work is governed by the Group's SVP Corporate Sustainability in cooperation with the sustainability managers of each business area. The group meets regularly and sets shared targets, while following up on the sustainability work. The SVP Corporate Sustainability is responsible for implementation and has a staff that works daily with sustainability issues. Operational sustainability work is performed in NCC's business areas. The unit cooperates with other functions in the organization, such as representatives of purchasing and HR functions. NCC's compliance efforts are conducted via the NCC Group Compliance Officer together with selected representatives in each business area and Group staff.

NCC'S POLICIES

Area	Anti-corruption	The environment	Social issues incl. HR and human rights
Policies	• Code of Conduct • Code of Conduct for Suppliers • NCC Compass	• Code of Conduct • Code of Conduct for Suppliers • Sustainability Policy featuring an Environmental Policy	• Code of Conduct • Code of Conduct for Suppliers • NCC Compass • Health and Safety Policy • Diversity Policy • Directive on alcohol and drug use
Main areas	• Business ethics • Compliance and tools for business ethics	• Environmental responsibility • Product and service development • Precautionary approach	• Human rights • Occupational health and safety • Recruitment • Training and education

Employees

NCC has collective agreements that regulate minimum wages, working hours and employees' rights in relation to the employer in all markets. 93 percent of NCC's employees are covered by collective agreements. In Sweden and Norway, all employees are covered by collective agreements. In Denmark and Finland, fewer are covered by collective agreements; local agreements are applied instead. Like other companies in the industry, NCC uses subcontractors and consultants when required. Subcontractors are most prevalent in NCC Building Sweden and NCC Building Nordics but are also used in other business areas.

Subcontractor chain for a clear picture of subcontractors

NCC, together with the company Infobric, has designed the digital service UE-kedja (Subcontractor Chain), which makes it easier to track all the subcontractors active at construction sites, and who has been commissioned for what. This service has been tested with favorable results in a number of projects. NCC is maintaining a close dialog with Infobric and implementation will continue in the year ahead.

EMPLOYMENT CONTRACTS 2019

	PERMANENT EMPLOYMENT		TEMPORARY EMPLOYMENT		
NUMBER OF EMPLOYEES	Men	Women	Men	Women	
Sweden	7,469	1,347	288	48	
Norway	1,319	154	50	11	
Denmark	1,912	275	34	7	
Finland	1,169	281	45	6	
Total, NCC	**11,869**	**2,057**	**417**	**72**	**14,415**

EMPLOYMENT CONTRACTS, WHITE-COLLAR EMPLOYEES 2019

	FULL-TIME		PART-TIME	
NUMBER OF EMPLOYEES	Men	Women	Men	Women
Sweden	3,411	1,262	42	65
Norway	492	127	3	7
Denmark	725	221	11	30
Finland	727	241	25	11
Total, NCC	**5,355**	**1,851**	**81**	**113**

Employee data pertains to the number of employees at the end of 2019 and was collected from the Group's HR and payroll system.

Health and Safety

GRI 403 Occupational health and safety, and GRI 404 Training and education.

Health and safety include both a safe and secure worksite for the Group's employees and subcontractors and good labor conditions and a healthy work-life balance. Health and safety also pervades the products and services provided by NCC, such as healthier buildings, improved indoor climate and well-planned outdoor environments.

Important events 2019

- Group directive for occupational health and safety
- Test of digital safety barriers at worksites
- Inauguration of Sweden's first physical safety training park

Occupational health and safety

Health and safety work at NCC's worksites is governed by the Group's Health and Safety Policy. During the year, health and safety efforts were further clarified through a Group directive for occupational health and safety, which specifies the measures that are compulsory at NCC's worksites.

In recent years, NCC has developed processes and tools, and improved the safety culture, to achieve the vision of zero accidents. However, since it is impossible to completely avoid human error, work to develop safety barriers to separate people from the risk of an accident continues. NCC has identified three high-risk areas: working at heights, heavy lifts by construction cranes and work in heavily trafficked environments. Using an additional measurement ratio, NCC is strengthening its follow-up of activities for serious accidents leading to protracted absence from work. In 2019, tests of digital safety barriers were conducted together with external suppliers to study the risk arising from interaction between people and heavy lifts by cranes. Using cameras fitted to a tower crane's boom, images are collected that are then processed in a computer placed inside the crane cabin. This is done to immediately warn the crane operator and any people on the ground, and thus avoid a risky situation.

NCC has also identified a number of risk areas for the Group's employees and subcontractors that could lead to illness, such as working with asbestos, strain injuries and working with quartzite dust.

Health and safety incidents are reported to Synergi, the Group's digital system, which functions as both an online system and an app. The system is used to report and follow up accidents, incidents and negative and positive observations. Since the introduction of Synergi, an increase in reporting has been noted and there is now a qualitative amount of data that enables detailed and precise analyses in preventive occupational health and safety work.

Activities during the year

Every year, a number of activities are conducted to increase occupational health and safety awareness. In May, the Health and Safety Week is arranged, at which all worksites reserve time for activities related to occupational health and safety. The focus at offices throughout the Nordic region was primarily on the organizational and social work environment. On September 4, the Awareness Day was held for the ninth consecutive year, with the focus on behavior and values, and how these affect occupational health and safety work. Tools were

ABSENTEE RATE[1], NCC EMPLOYEES

	Sickness leave, % All types of illness and poor health		Lost day rate[2] Sickness absence due to injuries	
	2019	2018	**2019**	2018
Sweden	2.9	3.7	18.39	21.63
Norway	4.7	4.8	15.01	16.52
Denmark	3.6	4.1	27.03	38.54
Finland	3.8	3.6	52.83	59.59
Total	**3.1**	**3.8**	**23.08**	**27.44**

[1] Collected through Synergi and payroll systems.
[2] Number of lost working days during the year per 100 full-time employees.

INCIDENTS AND OBSERVATIONS, NCC EMPLOYEES AND SUBCONTRACTORS

	2019	2018
Sweden	8,413	6,494
Norway	5,290	5,012
Denmark	6,440	8,385
Finland	17,825	14,412
Total	**37,969**	**34,303**

We note a continued positive trend in the reporting level and quality of Synergi, NCC's reporting and analysis system, which provides a solid foundation for NCC's strategic occupational health and safety work.

WORK-RELATED INJURIES, INJURY FREQUENCY AND FATALITIES

		Injuries[1] Injuries resulting in one day or more of sickness absence		Injury frequency Injuries resulting in one day or more of sickness absence per million hours worked		Injuries Injuries resulting in four days or more of sickness absence		Injury frequency Injuries resulting in four days or more of sickness absence per million hours worked		Work-related fatalities	
		2019	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018
Sweden	NCC employees	116	148	7.5	9.5	65	86	4.2	5.5	0	0
	Subcontractors	133	113	14.4	12.8					1	0
Norway	NCC employees	10	20	3	5.4	7	16	2.1	4.3	0	0
	Subcontractors	4	10	0.6	2.8					0	0
Denmark	NCC employees	28	44	8	13.4	12	26	3.4	8	0	0
	Subcontractors	28	32	8.9	9.5					0	0
Finland	NCC employees	20	34	7.2	11.6	17	21	6.1	7.2	0	0
	Subcontractors	53	39	13.3	14.5					0	0
Total	**NCC[2]**	**176**	**257**	**7.0**	**9.5**	**103**	**156**	**4.1**	**5.8**	**0**	**0**
	Subcontractors	**218**	**194**	**9.5**	**9,7**					**1**	**0**

[1] Crushing/cuts and trips/falls are the most common injuries.
[2] Total NCC employees, including Safida Montage

downed at 9:00 a.m. at all of NCC's worksites. A Group-wide discussion was held at worksites, during which all employees reflected and put forward thoughts and ideas on how the worksite can be made safer and what each individual can do to foster a good safety culture.

On October 7, Sweden's first physical safety training park was inaugurated, with NCC as one of the arranging parties. The industry-wide safety training park enables employees of the construction industry to practice and refine safety awareness in real-life environments, thus strengthening the safety culture. The Swedish safety training park is based on a concept from Finland, which currently has three safety training parks. NCC is a multi-year partner to the Finnish concept, which has greatly benefited the company's safety culture.

Skills development

Attracting, developing and retaining employees so that the right expertise is available in the future is a key issue for the industry. Today, there is considerable focus on digitalization and efficient project management, which are areas where NCC aims to take the lead. NCC works in many ways to create a sustainable career for its employees, by means of continuous skills development. Employees are offered continuous skills development in the form of traditional courses, e-learning or mentorship and through development initiatives adapted to the requirements of the individual and NCC's needs. During the year, NCC took several actions to further enhance the skills of key personnel among the production workforce. These included a widespread effort to map the competency of project managers in order to adapt skills development at the individual and team level, a new training course in general project management and the continuation of joint training of project managers for megaprojects in all Nordic countries.

Sustainability training for employees

Sustainability is a high-priority area and, since the launch of sustainability training in 2017, just over 4,500 white collar employees at NCC have completed or started a digital interactive course in sustainability comprising the six components of NCC's sustainability framework.

HOURS OF TRAINING

	2019			
	Women	Men	Total	2018
Hours of training, Sweden				
White-collar employees	16,1	23,1	21,2	34,8
Blue-collar employees	15,2	9,0	9,1	13,7
Hours of training, Nordic region				
White-collar employees	13,4	17,8	16,6	27,5
Blue-collar employees	6,3	6,6	6,6	8,7

Since a large part of the training activities is managed and administered locally in the various countries and projects, these are not reported in the above account.

Social inclusion

GRI 405 Diversity and equal opportunity and GRI 406 Non-discrimination.

NCC endeavors to be a driving force in efforts to achieve an inclusive society. By means of cooperation with other players in society and via increased dialog with citizens, NCC enables the construction of healthy, safe/secure and inclusive environments. This is exemplified by NCC's "Socialt hållbara projekt" (Socially sustainable projects) concept, which defines and clarifies projects in respect of work involving social aspects.

Diversity and equal opportunity

Diversity and equal opportunity are important elements of NCC's efforts to offer an inclusive worksite where employees perform, develop and have job satisfaction. This also constitutes a key issue in terms of satisfying NCC's recruitment and competency needs. The guiding framework for efforts to promote diversity and equality are the Group's Diversity Policy, diversity targets for 2016–2020 (read more on p. 81), NCC's Code of Conduct and NCC Compass.

NCC's Diversity Policy is based on the conviction that diversity contributes to increased business value, and that NCC will become a better business partner for customers if the company reflects the society that NCC is involved in building. The Code of Conduct and NCC Compass clarify how NCC supports and respects international human rights conventions. Equal treatment and providing the same opportunities must apply regardless of gender, transgender identity or expression, sexual orientation, ethnicity, religious beliefs, functional disability or age. NCC does not accept any form of discrimination and acts forcefully when incidents are reported.

Initiative for increased diversity

NCC is pursuing a number of proactive initiatives for increasing diversity and equality, both in the construction industry and in the Group. Through NCC Diversity Councils, good examples regarding diversity are disseminated to bring about a tangible increase in diversity in the Group.

NCC worked systematically on its values during the year. Nearly half of the employees in NCC Infrastructure in Sweden and NCC Building Sweden attended value-based workshops. A total of 100 moderators from the various business areas have been trained in holding these workshops and will thereafter act as ambassadors in core values-related activities, while disseminating and enhancing knowledge of NCC's values, diversity and inclusion within the organization. The initiative will continue in 2020.

NCC's womens network Stella is a driver for more gender-equal norms in the construction industry and is working to promote an increase in female managers. The network also pursued such practical issues as parental salaries, increased flexitime, bans on discriminatory photos at the worksite, workwear for women and succession planning, and also influenced the formation of a Diversity Committee within NCC. The network currently has around 500 members and offers network meetings, lectures and workshops.

In 2019, a pilot project was started in Rinkeby within the framework of NCC's partnership with Fryshuset. This partnership is a feature of NCC's role as a community developer and NCC believes that it can lead to inclusive construction sites, inspire young people to study and promote integration into society.

Starting in 2019, NCC participated in the "Tekniksprånget" (Technology Leap), an internship program whereby Swedish employers and the government jointly invest in ensuring the future supply of competencies to the industry by attracting more young people to tertiary technical programs.

With a focus on dialog and multidisciplinary cooperation in the fields of climate and sustainability, CONCITO, the Center for Building Preservation in Raadvad, Denmark, arranged the NCC Winter Academy for the fifth consecutive year. This event, which is arranged by NCC in cooperation with the Center for Building Preservation, was held in Copenhagen in March and the theme was construction, housing and sustainability. The vision for the NCC Winter Academy is to collaborate with and educate young people through meetings between students and various occupational groups in society.

Important events 2019

- Value-based workshops
- Participation in the Tekniksprånget
- Socially sustainable projects

GENDER DIVERSITY AT NCC

PROPORTION, %	2019 Women	2019 Men	2018 Women	2018 Men
Board of Directors	50	50	63	37
Executive Team	25	75	38	62
Management teams	32	68	40	60
Managers	17	83	14	86
Employees	15	85	14	86
White-collar employees	26	74	26	74
Workers	2.4	97.6	2.6	97.4

As of 2019, the number of management teams in the survey has been expanded to include all management teams from the Executive Team to department management or the equivalent.

AGE DIVERSITY AT NCC

PROPORTION, %	2019 ≤34 years	2019 35–49 years	2019 ≥50 years	2018 ≤34 years	2018 35–49 years	2018 ≥50 years
Board of Directors	0	13	87	0	13	87
Executive Team	0	38	62	0	38	62
Management teams	4	51	45	3	43	54
Managers	9	49	42	10	46	43
Employees	29	34	37	29	34	37
White-collar employees	25	40	35	25	40	35
Workers	32	29	39	34	28	38

Non-discrimination

No confirmed cases of violations of human rights were reported during the year. In NCC's employee satisfaction survey, NCC Pulse, 5 percent (6) responded that they had experienced discrimination due to gender or age, harassment or bullying during 2019, a decrease compared with 2018. NCC has formulated an action plan to counter harassment, discrimination and bullying. The discrimination issue is also being illuminated in conjunction with value-based workshops in management teams and workshops in operating activities. NCC's Ask Me/Tell Me function is available for all types of issues, both external and internal, where events that are perceived as not being compliant with NCC's Code of Conduct can be reported anonymously.

NCC has also developed an e-learning course, Värderingskollen (Values Check), to help employees reflect on how NCC's values can be used in daily work in order to contribute to a work climate where everyone feels a sense of job satisfaction and included.

There are also risks of human rights crimes in NCC's value chain and they could also arise at the purchasing level in risk areas. NCC has a thorough process for supplier assessment in third countries, which includes assessing and ensuring that we do not do business with suppliers who do not respect human rights. No violations were reported during the year. Also refer to the risk section on p. 20.

Materials and Waste

GRI 301 Materials and GRI 306 Effluents and waste.

The construction process is material intensive and considerable resources are required for completing a building or structure. Thus, it is of great importance that resources are used as effectively as possible. NCC's long-term objective is to close the loop by prioritizing sustainable materials and products and minimizing and responsibly managing the waste that arises from the construction process, as well as by means of project engineering and design that facilitates reuse and recycling. The aim for 2016–2020 is to increase the proportion of materials sent for reuse or materials recycling while reducing the total amount of waste. Read more on p. 81.

Traceability throughout the production chain

NCC aims to produce buildings and civil engineering structures that are content-declared and only comprise products that are sound from an environmental and health perspective. Ultimately, the aim is that buildings will increasingly be designed to allow for their input materials to be recycled when the service life of the building expires. In addition to applying the rules and regulations set forth by the EU, such as REACH, NCC uses various tools and databases that provide guidance on how to phase out the most hazardous substances. A crucial link in the transition to sound and recyclable products is to impose appropriate requirements on suppliers and to work with traceability throughout the production chain.

Circular initiatives

The construction waste generated at construction sites represents great potential because it can be used in other projects. By cooperating both cross-functionally within NCC and with suppliers, new ways of reducing construction waste and reintroducing it into production are being developed. For example, NCC has launched a platform, Reused by NCC, which enables projects to share surplus materials with other projects within the Group. NCC Building's increased use of the flooring industry's return systems for installation residue is another example of a contribution to a circular flow. By updating contract templates and information to the departments, awareness is increased and more distinct processes are created. Together with the flooring industry, NCC has also developed a traceability system for flooring residue, which facilitates greater control of return flows for plastics in the industry.

NCC, together with Axfood, H&M, Houdini, IKEA, SSAB, Tarkett and the Swedish Recycling Industries' Association, has launched the Circular Sweden corporate forum. The aim is to move policies and development forward towards more circular material flows. The point of departure is that resource-efficient societal responsibility is an important part of the solution to climate change and that a shift from linear to circular material flows is necessary to maintain welfare levels in the future.

In Denmark, NCC has been active in the "Gentræ" project, an industry-wide innovation project within the framework of "Circular Construction Challenge – Rethink Waste". This project involves the collection of surplus wood from construction sites for resale as recycled wood.

NCC is also continuously improving its recycling capacity in a growing number of asphalt plants, enabling more ecologically adapted operations. In 2019, recycled asphalt granulate accounted for 25 percent (21) of hot asphalt production.

NCC cooperates closely with the Group's waste-management partners in a number of areas to enable the recycling or reuse of materials. Examples include the use of recovered concrete as construction materials in the reinforcing and bearing structure, garden waste that becomes new topsoil, metal scrap that is recycled into new metals, corrugated board that becomes new paper and shrink wrap that is used in the production of new plastic. NCC also contributes to

Important events 2019

- Far-reaching work on the standardization of products
- Increased use of the flooring industry's recycling system for installation residue and development of a traceability system for flooring residue
- Continued increase in rate of sorting and returns of pallets for reuse

WASTE PER TYPE AND DISPOSAL METHOD

	2019		2018	
	total weight, tons	%	total weight, tons	%
Non-hazardous waste				
Sorting (mixed waste)	9,802	19	11,083	21
Energy recycling (combustible waste)	8,894	18	12,112	22
Landfill	2,887	6	3,863	7
Reuse/materials recycling	27,662	55	26,548	49
Special treatment (hazardous waste)	813	2	629	1
Total amount of waste	**50,058**		**54,054**	

The data has been collected from NCC's waste-management partners.

As a result of targeted action and commitment within the organization, the amount of construction waste was reduced in 2019, in both absolute terms and in relation to turnover of the construction operations. The total amount of waste decreased by 25 percent compared with 2015 and 7 percent compared with 2018. The amount of waste per SEK 1 M of turnover was reduced from 1.64 tons/SEK M in 2015 to 1.14 tons/SEK M in 2019, or by 31 percent. Work is continuing to reduce the amount of waste and to ensure that the rate of sorting continues to increase during 2020. The statistics cover traditional construction waste. Soil, stone and fill materials, which are directly dependent on the projects' geography, are sorted separately and reused to a large extent and are thus not included in statistics in the table.

research projects in collaboration with other players concerning the recycling of flat glass, concrete, plastics and gypsum and is an active partner in strategic innovation initiatives, such as Smart Built Environment, InfraSweden2030 and Re:Source.

Recycling of construction pallets

Every year, NCC handles large amounts of construction pallets, which are occasionally thrown in containers at construction sites. NCC Building Sweden and NCC Infrastructure have implemented an initiative to increase the proportion of pallets that are resold to the Byggpall returnable system, an industry initiative aimed at collecting and recycling construction pallets. The initiative contributes to financial savings through reduced container costs and compensation for returned pallets, while also reducing the amount of waste at construction sites and carbon emissions from the production of new pallets. In 2019, NCC returned just over 41,000 pallets.

STANDARDIZATION THROUGHOUT THE PRODUCTION CHAIN

Increased standardization is a key component of a more sustainable use of materials. A large amount of the work involving articles is currently conducted manually, which often leads to high costs and difficulties in optimizing construction and management from a sustainability viewpoint.

The Swedish construction industry was the first in the world to agree on a joint system for the naming of products in the form of a Global Trade Item Number, GTIN, designed to meet future demands for a digitalalized, traceable and sustainable construction process. Each unique product is assigned a GTIN, which can be utilized in a bar code and read by a scanner. This unique identification provides traceability and serves as a platform for an unbroken information flow concerning the construction products from manufacturing and project design to management and demolition.

NCC has also participated in work to devise an open system for describing sustainability information about an article in a standardized and internationally usable format. Available article information facilitates, for example, procurement based on sustainability parameters, reduced waste, increased useful life of buildings, increased reuse and recycling and better measurement and reporting of climate impact.

Climate and Energy

GRI 302 Energy and GRI 305 Emissions.

Since the construction industry emits considerable amounts of greenhouse gas emissions, climate change is a high-priority matter for NCC. By using new technology, for example, emissions from production, operation and maintenance of finished products are being reduced. Accordingly, NCC is able to contribute to lower climate impact throughout the value chain.

Important events 2019

- Leadership level in CDP's climate change program
- New process developed for environmental product declarations
- Service for excavation rubble for reduced climate impact developed together with Volvo Trucks

Towards fossil neutrality

Increasingly efficient energy consumption, internal process improvements, more resource-efficient products and a transition from fossil fuels to more sustainable energy sources are high on NCC's agenda for reducing the Group's climate impact. These measures also contribute to increased competitiveness and reduced costs for the Group's customers. NCC is also working to influence external players towards improving the industry's sustainability work, such as by supporting advances in procurement and through lifecycle analyses and training. NCC joined Fossil-free Sweden in 2018. This initiative forms a platform for collaboration and dialog among more than 300 players intent on making Sweden independent of fossil fuels. In April 2018, the construction and civil engineering industry submitted a joint roadmap, signed by NCC, to the Swedish government showing how the industry aims to use existing technology to halve its emissions by 2030. Work to follow up the roadmap continued in 2019 and NCC is working internally on an action plan that is expected to be completed in the first half of 2020. In Finland, similar work is under way to formulate a road map, in which NCC is also involved.

Since December 2019, NCC, through involvement in three task forces, has been participating in the Danish government's climate initiative with the aim of delivering a number of recommendations for how the construction sector will reduce its emissions of greenhouse gases to meet the government's target of a 70-percent reduction by 2030.

NCC's asphalt production accounts for approximately 60 percent of the Group's own carbon emissions. A large share of the carbon emissions derives from the combustion of fossil fuels at the 63 stationary plants that produce hot asphalt. By switching to renewable fuels, such as wood pellets or bio-oil, and reducing the moisture level in stone materials and asphalt granulate, the climate impact has been mitigated in recent years. In Sweden, NCC has converted 27 of a total of 32 asphalt plant for the use of biofuel. NCC is also endeavoring to develop more sustainable products, in part by increasing the portion of recycled asphalt in production. Another example of environmental activities is NCC Green Asphalt, hot asphalt produced by a manufacturing method that generates significantly lower carbon emissions than conventional production of hot asphalt. NCC currently has some 60 facilities that can produce NCC Green Asphalt, which corresponds to more than 80 percent of the facilities. The recycling rate for asphalt (reclaimed asphalt pavement or RAP), is 25 percent (21). To reduce the Group's other carbon emissions, NCC's business areas are working on a range of initiatives such as energy-efficiency improvements, an increased mix of renewable fuel in machinery and vehicles, energy-efficient portacabins and a continued transition to green-labeled electricity. In Norway, a considerable focus is on fossil-free worksites, meaning that only fossil-free fuels or electric machinery will be used at worksites. In 2019, six of NCC's worksites in Norway were fossil free.

NCC participates annually in the CDP's climate change program, in which additional details about the Group's energy consumption and emissions are reported. In 2019, NCC was ranked at the leadership level for the second consecutive year, which is higher than the average for the construction sector and for the total of 8,400 companies that responded to the questionnaire.

Definitions

For calculating emissions, conversion from consumption to emissions has been conducted in accordance with the Greenhouse Gas Protocol. The market-based calculation method is used to measure greenhouse gas emissions from electricity and heating. NCC does not use climate

ELECTRICITY USE IN THE ORGANIZATION

MWh	2019	Change compared with base year 2015, %	2018	2017	2016
Electricity from renewable sources[1]	157,204	54	152,259	118,754	108,927
Other electricity	13,535	–90	18,559	55,259	102,861
Electricity, total	**170,736**	**–27**	**170,817**	**174,013**	**211,787**

[1] Hydroelectric and wind power.

A key aspect of work toward achieving the target of halving greenhouse gas emissions by 2020 is improved energy efficiency, and replacing fossil-based energy with energy from renewable sources. In 2019, 92 percent of all electricity purchased by NCC was either eco-labeled as "Bra Miljöval" (good environmental choice) or origin-labeled using guarantees of origin. The amount of fossil-based electricity has been reduced by 90 percent since 2015.

DISTRICT HEATING/DISTRICT COOLING USE WITHIN THE ORGANIZATION

MWh	2019	Change compared with base year 2015, %	2018	2017	2016
District cooling	598	187	624	22	1,286
District heating	42,508	–14	29,156	29,207	48,933
District heating/ district cooling, total	**43,106**	**–13**	**29,780**	**29,229**	**50,219**

The need for district heating and district cooling varies from year to year. The amount of district heating and district cooling that is purchased depends to a large extent on the projects that were under way during the year, their placement and the phase at which they found themselves.

compensation. Information on purchases of fuels, electricity and heating/cooling energy is collected from NCC's suppliers. The Credit360 support system is used to compile the statistics.

Measurement of carbon emissions in three scopes

NCC measures its operations' carbon emissions in scope 1 and 2, with scope 1 referring to emissions related to the use of fuel in asphalt plants and from own vehicles and machinery, while scope 2 refers to emissions related to the production of the electricity, district heating and district cooling used by the operations. Scope 3 refers to indirect emissions from purchased material and external services, travel, subcontractors' vehicles and machinery, transportation, demolition of the Group's products and waste. In many industries, the largest emissions are in scope 3, which is why it is important to also measure and set targets for these. In construction and civil engineering, considerable indirect emissions derive from key input materials, such as concrete, steel and transportation. NCC has started to map these emissions and will gradually take relevant actions to reduce its climate footprint in scope 3. In 2019, for example, NCC implemented a new system for more efficient collection and measurement of carbon emissions in order to increase its understanding of the climate impact of various choices of materials. The intention is for suppliers to able to report their data directly in the system in the future and to thus more clearly illuminate scope 3.

Climate impact of concrete

NCC Infrastructure, together with data from suppliers, has calculated the climate impact of concrete and computed statistics on the use of concrete for 2017 and 2018. The business area has set the target of reducing its climate impact by 10 percent by 2020 compared with 2018, in part through employee training, to thereby create conditions for more sustainable choices of concrete.

TCFD

NCC supports the recommendations that the TCFD (Task Force on Climate-related Financial Disclosures) has formulated concerning reporting of climate-related information. By working with climate-related risks, knowledge is enhanced and thus also opportunities to make well-founded decisions, develop new products and services, manage forthcoming regulations and become more competitive.

USE OF FUEL WITHIN THE ORGANIZATION

MWh	2019	Change compared with base year 2015, %	2018	2017	2016
Renewable fuels	137,273	31	111,879	114,206	87,893
Fossil fuels	854,982	–17	889,356	951,544	906,966
Fuels, total	**992,255**	**–13**	**1,001,234**	**1,065,750**	**994,859**

NCC continues to reduce its use of fossil fuels. Since 2015, their use has been reduced by 17 percent, due largely to the continued conversion to biofuels in the Swedish asphalt plants.

GREENHOUSE GAS EMISSIONS FROM NCC'S OPERATIONS

MARKET-BASED	2019	Change compared with base year 2015, %	2018	2017	2016
Greenhouse gas emissions[1] CO_2e (tons, 000)	216	–31	227	260	267
– of which, scope 1[2]	209	–18	217	234	223
– of which, scope 2[3]	7	–88	10	26	44
Net sales, SEK M	58,234	10	57,346	54,608	52,934
CO_2e (ton)/SEK M	3.7	–37	4.0	4.8	5.0

[1] Greenhouse gases N_2O, CH_4 and CO_2 are included in the calculations.
[2] Refers to direct emissions from NCC's operations, of which –0.6 (tons 000) derived from the combustion of biomass (2019).
[3] Refers to indirect emissions from electricity and heat.

Carbon emissions, related both to purchased fuels and to electricity, district heating and district cooling, have declined since the base year 2015. This was because of energy-efficiency improvements, an increased use of renewable fuels and a transition to electricity from renewable sources. Relative to sales, NCC's greenhouse gas emissions from own operations have been reduced by 37 percent since 2015.

Risks and opportunities

Climate change is expected to affect both societies and people, and can be linked to both risks and opportunities for NCC. The Group manages this through risk assessments, climate adaptation of operations and targeted efforts to reduce NCC's climate impact. Demand for new business models is also growing, as customers become aware of the opportunities that, for example, digitization and sharing services can generate.

Sustainable products and services

As awareness of climate change increases, as well as the changes this entails in cities and societies, the customers' requirements and demand for NCC's offering could change and this could benefit more sustainable products and services. Through strategic sustainability and product development work, the Group ensures that its offerings match the requirements of customers. Products developed by NCC include NCC Drænstabil – a stone-material product that prevents flooding by ensuring that water quickly and readily penetrates the soil. NCC is also working on site- and project-adapted solutions for outdoor environments, whereby development and construction are combined with retained diversity of natural services, such as temperature regulation, noise abatement, surface water management, esthetics and opportunities for recreation. Furthermore, NCC is reviewing its production processes and working to enhance the efficiency of these so as to gradually reduce the negative environmental impact.

NEW SERVICE FOR EXCAVATION RUBBLE FOR REDUCED CLIMATE IMPACT

NCC and Volvo Trucks have jointly developed a digital service to increase the efficiency of loading and removal of excavation rubble. By having diggers and trucks that remove clay, earth and stone connected to a digital weighbridge, the load capacity of the vehicles can be optimized for each transport. During the year, the service was tested at NCC's construction site for the Centralen subproject of the West Link and calculations indicate that the number of truck journeys can be reduced by up to 8,000, corresponding to a 1,000-ton reduction in carbon emissions during the course of the eight-year project.

Internal processes

NCC depends on a large quantity of raw materials, fuel and other resources to conduct its operations. Changes in supply, price and availability of these products due to climate change, and future taxation of fuel, energy or carbon dioxide could affect NCC's cost base. To minimize the impact, NCC endeavors to achieve a long-term reduction of its climate impact, phase out fossil fuels and move towards a more circular use of raw materials. Climate change, such as extreme weather and flooding, could also lead to changed construction processes and changed conditions for conducting construction and civil engineering operations. The risk of flooding, erosion and earthquakes could negatively impact the safety of employees, as well as the storage of materials at construction sites. NCC manages this risk by performing risk assessments of all projects.

Environmental product declarations and LCAS

An environmental product declaration (EPD) describes the environmental impact of a product or service and helps customers make more informed product choices. NCC has developed a process for making its own EPDs for stone and asphalt products from the NCC Industry business area. The process was certified by Bureau Veritas in November 2019. With knowledge of a product's environmental performance, NCC can conduct systematic work to reduce the product's carbon footprint. NCC used life cycle analyses, LCAs, to formulate EPDs. Using LCA calculations, NCC is able to make simulations and then implement changes in production that reduce the environmental impact. In Finland for the past ten years, NCC has been using an inhouse-developed calculation tool to calculate the carbon footprint.

EPDs are an important step in NCC's endeavors to increase transparency and also enable NCC to deliver requested scope 3 information to its customers, which few suppliers in the industry can do today.

External expectations for climate calculations

External suppliers, such as the Swedish Transport Administration, require climate calculations for all projects with a value exceeding SEK 50 M. This means that as early as in the tendering phase, NCC analyzes and offers various alternatives for meeting the targets set for the project. The more stringent requirements thus affect the work tools used in operations at the tendering phase, and these adaptations are currently a work in progress.

Compliance

GRI 205 Anti-corruption, GRI 206 Anti-competitive behavior, GRI 305 Supplier environmental assessment and GRI 414 Supplier social assessment.

NCC will always be a trustworthy partner acting with high ethical standards and transparency. The Group's Code of Conduct is an important feature of the compliance agenda, both as an internal compass for describing how the Group should act and as external communication to clarify NCC's expectations of its suppliers and business partners. The Code of Conduct constitutes a component of NCC's agreements with suppliers. Other stakeholders are informed about the Code of Conduct through NCC's website, contracts and agreements. NCC works continuously to ensure compliance with its Code of Conduct in all of the Group's partnerships, and to ensure that no violations occur, for example, in connection with competitive situations and in terms of business ethics. NCC is a member of Transparency International Supplies Forum Sweden, complies with the Code of Business Conduct issued by the Swedish Anti-Corruption Institute and has a policy and guidelines for its anti-corruption efforts. NCC also cooperates with industry colleagues to promote healthy business practices. In cooperation with most other industry players in Sweden, a joint policy has been formulated: "Agreement on counteracting bribery and corruption." NCC also participated in the formation of a Swedish Ethical Trading Initiative (ETI), a joint initiative to promote good labor conditions in producing countries.

Following an analysis based on the risk of noncompliance with NCC's Code of Conduct, three areas have been identified as being of particular importance to NCC: bribery and corruption, competition law and conflicts of interest. During the year, NCC dealt with seven cases of suspected corruption involving, inter alia, breach of trust, fraud and embezzlement. Six cases of conflicts of interest involving transactions with own companies, organizations and related parties that contravened NCC's rules were also dealt with during the year.

Important events 2019

- Code of Conduct for suppliers implemented
- Participation in the formulation of a Swedish Ethical Trading Initiative (ETI)

Sustainable purchasing

Developing sustainable and competitive purchasing is a key issue for NCC. The Group's Code of Conduct is the foundation for purchasing work and NCC works systematically to minimize risks and increase control. In 2019, NCC implemented a Code of Conduct for suppliers. Read more under Sustainability governance on p. 82.

NCC has business relationships with several thousand suppliers through its purchases of everything from building materials and subcontractors to travel and office supplies. By far the majority of NCC's suppliers are Nordic, but NCC also has suppliers in other regions such as Poland, the Baltic countries and China. The supplier base consists of framework agreement suppliers, international suppliers and Nordic project sourcing suppliers. Work on reducing the number of suppliers is under way and includes increasing the proportion of purchases under framework agreements. The aim is to reduce NCC's purchasing costs and to facilitate increased control. To be able to manage NCC's staffing requirements during work peaks, NCC has developed its own staffing company, Safida Montage. Safida Montage has been tasked with securing NCC's capacity and competence supply of skilled workers and to transparently show that the right wages and terms and conditions are provided. This initiative minimizes NCC's risks and simultaneously strengthens control and healthy competitiveness in the industry.

NCC works continuously on developing the quality of follow-up in relation to the Group's suppliers. According to NCC's purchasing processes, an assessment of a new supplier must be conducted before any cooperation commences. The scope of this assessment varies depending on the type of supplier. However, NCC still has no quantitative data to report on the follow-up of supplier assessments (in terms of the entire Group). To assess, monitor and develop non-Nordic suppliers, NCC focuses specifically on audits of social responsibility, quality, environment and work environment. To ensure compliance with NCC's requirements and advances in these areas, NCC applies a one- to three-year supplier-assessment and supplier-performance audit cycle. Noncompliances that are noted during the supplier assessment and that is not corrected according to the action plan could lead to termination of cooperation with the supplier. For suppliers in high-risk countries (according to Amfori BSCI's definition), audits performed by internal staff are combined with third-party audits performed with the help of external experts.

Portfolio performance

GRI G4 Construction and Real Estate Sector Supplement: Marketing and labeling.

The Group's product portfolio includes a wide range of sustainable products, concepts and services that add value for NCC's stakeholders and also help the Group achieve its long-term sustainability targets and strengthen its competitiveness and ability to generate long-term profitable growth.

Sustainability-certified projects

NCC offers its customers all the types of environmental certifications that are available to both buildings and civil-engineering structures. Nordic Swan Ecolabel, Miljobyggnad, CEEQUAL, BREEAM, LEED, DGNB and Citylab are used for housing and infrastructure projects, as well as whole city districts. BREEAM and DGNB are used for the projects that NCC develops itself.

NCC has also developed its own certification system, named "Sustainable Sites", to create a shared platform upon which to base the sustainability work at all NCC worksites, regardless of country or type of operation. The tool is mandatory for all projects in NCC Building Sweden with a project value exceeding SEK 50 M and in NCC Infrastructure Sweden for projects with a project value exceeding SEK 100 M.

Sustainable solution and worksites

NCC contributes to favorable social and urban development by providing sustainable solutions. In 2019, NCC Industry worked on developing its portfolio of sustainable products, services and methods and collected them in three concepts under the joint heading of "Smart choices for a better world":

- **Green concepts** – Solutions for reducing environmental impact in a lifecycle perspective. Examples of products include NCC Green Asphalt and NCC Machine Sand.
- **Climate resilience concept** – Solutions for managing negative effects of climate change, such as heavy precipitation and high water flows. Examples of products include NCC Armour Stone and NCC DrænStabil.
- **Considerate concept** – Solutions for increasing wellbeing during work and leisure time, such as for noise reduction and security solutions. This is exemplified by NCC ViacoQuiet.

NCC Kielo, a method for creating and retaining biodiversity in NCC's quarries, is an example of a method that supports smart choices for a better world.

Important events 2019

- Smart choices for a better world – concept for sustainable products, services and methods
- Issuance of green bonds with a value of SEK 1.6 billion

Green corporate bonds for green projects

For the first time ever, NCC issued green bonds of SEK 1.6 billion in 2019 that were listed on Nasdaq Stockholm. Furthermore, NCC refinanced SEK 100 M on the basis of a green private placement. The intention is to finance investments in sustainable property development projects, conversion to renewable energy sources in asphalt production, reuse at construction sites and other green investments.

The green framework for the bonds has been verified by the Center for International Climate and Environmental Research (CICERO), an independent research center connected to the University of Oslo. The framework is classified as Medium Green, the second highest level in CICERO's ratings, and the governance structure is Excellent, which is the highest rating.

TRENCHLESS PIPELINE UPGRADES YIELD ENVIRONMENTAL GAINS

Excavation in connection with pipeline installation results in a considerable strain on the environment. The widespread use of transportation and machinery entails considerable energy consumption and carbon emissions. The method also entails the use, processing and production of such finite resources as gravel, stone materials and asphalt products and has an adverse environmental footprint.

NoDig is an NCC service for sustainable upgrading of pipelines that minimizes the need of excavation. Instead of digging up water and sewage lines and replacing them, existing lines are upgraded in a climate-smart manner by only excavating at two ends of the line. The service is cost effective and results in less disruption of the street environment, shortens the project period, requires significantly less resources and considerably reduces the climate footprint.

SUSTAINABILITY-CERTIFIED BUILDINGS

	NORDIC SWAN ECOLABEL	BREEAM		LEED		DGNB		MILJÖBYGGNAD	
CERTIFICATION SYSTEMS	Number	Grade	Number	Grade	Number	Grade	Number	Grade	Number
NCC		Pass		Bronze		Bronze		Bronze	
		Good		Silver		Silver		Silver	9
		Very Good	5	Gold	4	Gold		Gold	3
		Excellent	4	Platinum		Platinum			
	3	Outstanding							
Total 2019 (2018)	3 (15)		9 (3)		4 (0)		0 (2)		12 (48)

That buildings are constructed to satisfy ambitious certification requirements has become a matter of course in many construction projects; however, it is not equally self-evident that the building will be actually certified. As of 2019, preliminary certifications are not included in the table; only certifications implemented during the year.

Stakeholder dialog and materiality analysis

NCC uses analyses of strategic issues, driving forces in society and the results of stakeholder dialogs to define the most significant sustainability issues. The method for defining these significant issues follows the GRI guidelines and comprises identification, prioritization and validation. The participants in stakeholder dialogs are selected by the various business areas on the basis of relevance; for example, if they are affected by the Group's work.

In 2016, a web-based stakeholder survey was conducted to solidify NCC's sustainability framework and enable stakeholders to provide feedback on NCC's significant issues. More than 2,800 stakeholders from Sweden, Norway, Denmark and Finland participated in the survey, jointly representing employees, suppliers, customers, investors and students. The results of the survey reflected considerable commitment to NCC's sustainability work and shared views about the focus areas defined in the sustainability framework. The questions that were highlighted by the stakeholders were healthy and safe workplaces, sound business practices and no corruption, no discrimination at NCC's workplaces, healthy buildings and designs and choices of materials based on health-related and environmental criteria.

Other types of dialog are also implemented regularly, for example, in the form of a quarterly customer survey (Net Promoter Score) and an employee survey (NCC Pulse). NCC also measures the Group's reputation among decision-makers, interest organizations and the general public.

Regular checks will continue to be carried out with NCC's stakeholders to ensure that NCC's priorities are relevant for the market, society and NCC.

ECONOMIC VALUE GENERATED AND DISTRIBUTED

SEK M	2019	2018
Economic value generated		
Customers	58,262	57,400
Economic value distributed		
Suppliers	–44,673	–45,366
Employees	–9,392	–9,828
Lenders	–112	–85
State (expensed tax and social security fees)	–3,211	–2,869
Shareholders	–540[1]	–432[1]
Economic value retained	**334**	**–1,180**

[1] Proposed dividend.

NCC's material aspects

On the basis of NCC's sustainability framework, the Group has identified 14 material aspects according to the GRI Standards. The material aspects pervade every link of the value chain, and their significant impact on the value chain is presented in the table below.

MATERIAL TOPICS AND BOUNDARIES

	Significant impact		
	of suppliers	of NCC's operations	of customers
ECONOMIC IMPACT			
Economic performance		●	
Anti-corruption	●	●	
Anti-competitive behavior	●	●	
ENVIRONMENTAL IMPACT			
Material		●	●
Energy		●	●
Emissions		●	
Waste/effluents[1]		●	
Supplier assessment	●	●	
SOCIAL IMPACT			
Health and Safety		●	
Training		●	
Diversity/equality		●	
Supplier assessment	●	●	
Non-discrimination		●	
Product and service labeling		●	●

[1] Limited to NCC's building and construction operations.

ABOUT THIS REPORT

The company reports its sustainability work annually as part of the NCC Annual Report. Since 2010, the guidelines of the Global Reporting Initiatives (GRI) for the reporting of sustainability information have been applied. The Sustainability Report, which pertains to the 2019 fiscal year, has been prepared according to GRI Standards Core and also constitutes NCC's Communication on Progress under the UN Global Compact.

More detailed sustainability information and performance indicators are presented on pp. 78–91. For the GRI index, refer to the following pages. The report has not been examined by a third party. The Report on the 2019 fiscal year was published on March 9, 2020. Unless otherwise stated, all the information pertains to the entire NCC Group.

Contact: Chief Financial Officer Susanne Lithander, +46 8 585 510 00, susanne.lithander@ncc.se

STATUTORY SUSTAINABILITY REPORT

This statutory Sustainability Report has been issued by the Board of Directors of NCC AB but is not part of the formal Annual Report documentation. The Sustainability Report in accordance with the Annual Accounts Act is included in the Annual Report on the following pages: pp. 1–11, pp. 20–22 and pp. 78–91.

NCC's business model and sustainability framework are presented on pp. 78–79, environment on pp. 80–81 and 86–89, social conditions on pp. 80–81, 85 and 89, personnel on pp. 80–81 and 83–85, human rights on pp. 80–82, 85 and 89 and anticorruption on pp. 80–82 and 89. Risk descriptions are presented on pp. 20–22.

Unless otherwise stated, the information pertains to the entire NCC Group, including subsidiaries.

AUDITOR'S STATEMENT ON THE STATUTORY SUSTAINABILITY REPORT

To the general meeting of the shareholders in NCC AB, corporate identity number 556034-5174

Engagement and responsibility

It is the Board of Directors who is responsible for the statutory sustainability report for the year 2019 on the pages set out in the left hand box and for that it has been prepared in accordance with the Annual Accounts Act.

Scope of examination

Our examination has been conducted in accordance with FAR's recommendation RevR 12 The auditor's statement on the statutory sustainability report. This means that our examination of the statutory sustainability report is substantially different and less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with a sufficient basis for our opinion.

Opinion

A statutory sustainability report has been prepared.

Stockholm 6 March 2020
PricewaterhouseCoopers AB

Ann-Christine Hägglund
Authorized Public Accountant
Auditor-in-charge

Erik Bergh
Authorized Public Accountant

GRI index

GRI standard	Disclosure		UN Global Compact Principles	Page reference	Omissions
GRI 101: Foundation 2016 GRI 102: General Disclosures 2016					
	Organizational profile				
	102-1	Name of the organization		12	
	102-2	Activities, brands, products and services		6–7, 12, 15–17	
	102-3	Location of headquarters		12	
	102-4	Location of operations		6–7	
	102-5	Ownership and legal form		19, 94	
	102-6	Markets served		6–7, 13–15	
	102-7	Scale of the organization		1, 6–7, 13–15, 22–23, 83	
	102-8	Information on employees and other workers		83	
	102-9	Supply chain		89–91	
	102-10	Significant changes to the organization and its supply chain		22	
	102-11	Precautionary Principle or approach	7	82	
	102-12	External initiatives		82, 86–89	
	102-13	Membership of organizations		82, 85–89	
	Strategy				
	102-14	Statement from senior decision-maker		2–5	
	102-15	Key impacts, risks and opportunities		20–21, 78	
	Ethics and integrity				
	102-16	Values, principles, standards and norms of behavior	1–10	11, 78–79, 82, 89–91	
	Governance				
	102-18	Governance structure		82, 94–95	
	Stakeholder engagement				
	102-40	List of stakeholder groups		91	
	102-41	Collective bargaining agreements	3	83	
	102-42	Identifying and selecting stakeholders		91	
	102-43	Approach to stakeholder engagement		91	
	102-44	Key topics and concerns raised		91	
	Reporting practice				
	102-45	Entities included in the consolidated financial statements		45	
	102-46	Defining report content and topic Boundaries		91	
	102-47	List of material topics		91	
	102-48	Restatements of information			No restatements.
	102-49	Changes in reporting			No changes.
	102-50	Reporting period		12, 91	
	102-51	Date of most recent report		91	
	102-52	Reporting cycle		91	
	102-53	Contact point for questions regarding the report		91	
	102-54	Claims of reporting in accordance with the GRI Standards		91	
	102-55	GRI content index		92–93	
	102-56	External assurance		91	
GRI 200: Economic standards					
	Economic performance				
GRI 103: Management approach 2016	103-1–3	Explanation of the material topic, its Boundary and management approach		78–81, 91	
GRI 201: Economic Performance 2016	201-1	Direct economic value generated and distributed		91	
	201-2	Financial implications and other risks and opportunities due to climate change		88–89	
	201-3			18, 41–44	
	Anti-corruption		10		
GRI 103: Management Approach 2016	103-1–3	Explanation of the material topic, its Boundary and management approach		78–82, 91	
GRI 205: Anticorruption 2016	205-1	Operations assessed for risks related to corruption		89	
	205-2	Communication and training about anti-corruption policies and procedures		82, 89	
	205-3	Confirmed incidents of corruption and actions taken		82, 89	
	Anti-competitive behavior		10		
GRI 103: Management approach 2016	103-1–3	Explanation of the material topic, its Boundary and management approach		78–82, 91	
GRI 206: Anti-competi-tive Behavior 2016	206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices		55	

GRI standard	Disclosure		UN Global Compact Principles	Page reference	Omissions
GRI 300: Environmental standards					
	Material		7, 8, 9		
GRI 103: Management Approach 2016	103-1–3	Explanation of the material topic, its Boundary and management approach		78–81, 82, 86–87, 91	
GRI 301: Materials	301–2	Recycled input materials used		86	Material in NCC's industrial operations.
	Energy		7, 8, 9		
GRI 103: Management Approach 2016	103-1–3	Explanation of the material topic, its Boundary and management approach		78–81, 87–89, 91	
GRI 302: Energy 2016	302-1	Energy consumption within the organization		87–89	
	302-4	Reduction of energy consumption		87–89	
	Emissions		7, 8, 9		
GRI 103: Management Approach 2016	103-1–3	Explanation of the material topic, its Boundary and management approach		78–81, 87–89, 91	
GRI 305: Emissions 2016	305-1	Direct (Scope 1) GHG emissions		87–89	
	305-2	Energy indirect (Scope 2) GHG emissions		87–89	
	305-4	GHG emissions intensity		81, 87–89	
	305-5	Reduction in GHG emissions		81, 87–89	
	Waste and effluents		7, 8, 9		
GRI 103: Management Approach 2016	103-1–3	Explanation of the material topic, its Boundary and management approach		78–81, 87–89, 91	
GRI 306: Effluents and waste 2016	306-2	Waste by type and disposal method		86–87	
	Supplier environmental assessment		7, 8, 9		
GRI 103: Management Approach 2016	103-1–3	Explanation of the material topic, its Boundary and management approach		78–82, 89, 91	
GRI 308: Supplier Environmental Assessment 2016	308-1	New suppliers that were screened using environmental criteria		89	Quantitative data is not available due to limitations in the data collection. Actions have been taken to improve the possibilities of reporting on this disclosure in the future.
GRI 400: Social standards					
	Occupational health and safety				
GRI 103: Management Approach 2016	103-1–3	Explanation of the material topic, its Boundary and management approach		78–81, 83–84, 91	
GRI 403: Occupational Health and Safety 2016	403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities		83–84	Data on sickness absence and lost day rate for subcontractors, as well as data per gender, is not available due to limitations in the data collection
	403-3	Workers with high incidence or high risk of diseases related to their occupation		83–84	
	Training		1–10		
GRI 103: Management Approach 2016	103-1–3	Explanation of the material topic, its Boundary and management approach		78–81, 83–84, 91	
GRI 404: Training and Education 2016	404-1	Average hours of training per year per employee		84	Only reported on Group level and for Sweden due to limitations in the data collection.
	Diversity and equal opportunity		6		
GRI 103: Management Approach 2016	103-1–3	Explanation of the material topic, its Boundary and management approach		78–82, 85, 91	
GRI 405: Diversity and Equal Opportunity 2016	405-1	Diversity of governance bodies and employees		85	Age breakdown is reported in accordance with the categories in NCC's diversity objectives.
	Non-discrimination		6		
GRI 103: Management Approach 2016	103-1–3	Explanation of the material topic, its Boundary and management approach		78–82, 85, 91	
GRI 406: Non-discrimination 2016	406-1	Incidents of discrimination and corrective actions taken		85	
	Supplier social assessment		1–6, 10		
GRI 103: Management Approach 2016	103-1–3	Explanation of the material topic, its Boundary and management approach		78–82, 89, 91	
GRI 414: Supplier Social Assessment 2016	414-1	New suppliers that were screened using social criteria		89	Quantitative data is not available due to limitations in the data collection. Actions have been taken to improve the possibilities of reporting on this disclosure in the future.
	Marketing and labeling		9		
GRI 103: Management Approach 2016	103-1–3	Explanation of the material topic, its Boundary and management approach		78–81, 90, 91	
GRI G4: Construction and Real Estate Sector Supplement	CRE8	Type and number of sustainability certifications, rating and labeling schemes for new construction, management, occupation and redevelopment		90	

Corporate Governance Report

NCC AB is a Swedish public limited liability company whose shares are registered for trading on Nasdaq Stockholm. NCC AB is governed in accordance with Swedish company law and other rules that apply to listed companies, which include the Swedish Code of Corporate Governance (for further information concerning the Code, refer to www.corporategovernanceboard.se). NCC AB has applied the Code since it was introduced in 2005. During the year, NCC AB complied with Nasdaq Stockholm's Rule Book for Issuers and generally accepted practices on the stock market. This report has been issued by the Board of Directors of NCC AB but is not part of the formal Annual Report documentation.

How NCC is governed

1 GENERAL SHAREHOLDER MEETINGS

The procedures for notifying shareholders of General Meetings are stipulated in the Articles of Association.

Official notice of meetings shall be made in the form of an announcement in Post- och Inrikes Tidningar and on the company's website www.ncc.se. Confirmation that the Official notice has been issued will be announced in Dagens Nyheter and Svenska Dagbladet.

According to the Swedish Companies Act, notice of the Annual General Meeting (AGM) shall be issued not earlier than six weeks and not later than four weeks prior to the Meeting.

Notice of Extraordinary General Meetings (EGMs) convened to address amendments to the Articles of Association shall be issued not earlier than six weeks and not later than four weeks prior to the Meeting. Notice of other EGMs 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. There are no stipulations in the Articles of Association concerning the appointment and dismissal of Board Members or concerning amendments of the Articles of Association.

1 SHARE 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 carries one vote. All shares provide the same entitlement to participation in the company's assets and profit and to an equally large dividend. For a breakdown of the number of shares and voting rights, as well as the shareholder structure, see ncc.se. 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 conversion matters. After a conversion decision is made, this is reported to Euroclear Sweden AB for registration. Conversions become effective when the shares are registered. The number of shareholders at year-end was 42,010, with Nordstjernan AB as the largest individual holder accounting for 16.83 percent of the share capital and 47.62 percent of the voting rights.

2 BOARD OF DIRECTORS, AUDIT COMMITTEE AND PROJECT COMMITTEE

The Board shall consist of not fewer than five and not more than ten members elected by the AGM. The employees are represented on the Board. The members of the Board are elected for a period of one year. During 2019, eight Board Members were elected by the AGM The Board also included three representatives and two deputies for the employees. For information on individual Board members, see p. 101. The Audit Committee comprises Members of the Board Ulla Litzén, Angela Langemar Olsson and Mats Jönsson. The Chair of the Audit Committee is Ulla Litzén. The Project Committee comprises Board Members Alf Göransson and Geir Magne Aarstad. The Project Committee is chaired by Alf Göransson.

2 CHAIRMAN OF THE BOARD

The Chairman of the Board is Tomas Billing (for details concerning the Chairman's age, professional experience, assignments outside the company and holdings of shares in the company, refer to p. 101). The Chairman of the Board directs the work conducted by the Board and maintains regular contact with the President and CEO, in order to continuously monitor the Group's operations and development. The Chairman represents the company in ownership matters and is a co-opted member of the Nomination Committee but has no voting right.

3 PRESIDENT AND CHIEF EXECUTIVE OFFICER

The President and CEO of the company is Tomas Carlsson (for details concerning the CEO's age, professional experience, assignments outside the company and holdings of shares in the company, refer to p. 103.) The Board has established instructions for the division of duties between the Board and the CEO, and for financial reporting to the Board (also refer to "Board of Directors' report on internal control," p. 98).

3 DEPUTY CHIEF EXECUTIVE OFFICER

The company has not appointed any Deputy Chief Executive Officer.

3 EXECUTIVE TEAM

NCC's Executive Team (ET) consists of the President and CEO, the Heads of NCC Infrastructure, NCC Building Sweden, NCC Building Nordics, NCC Industry and NCC Property Development, the Chief Financial Officer and Head of Operational Development and IT. For information on members of the ET, see p. 103.

The ET mainly focuses on strategic and other Group-wide matters and generally meets once per month.

4 GOVERNANCE OF BUSINESS AREAS

The Group is composed of business areas. Each business area is led by a business area manager and has a board of directors whose members include NCC AB's CEO, CFO and Senior Legal Counsel. For certain decisions, the approval of the CEO, NCC AB's Board Chairman or Board of Directors is required.

The individual Group-staff heads are responsible for Group-wide functional issues that fall under the position and mandate of the individual head of Group staff.

5 NOMINATION COMMITTEE

The AGM elects a Nomination Committee whose task is to nominate candidates to the AGM for election as Chairman of the Meeting, Chairman of the Board and Board members, and to propose the fees to these officers. Another task of the Nomination Committee is to nominate auditors and propose the fees to be paid to them. The Nomination Committee's work complies with the instructions adopted by the AGM.

5 EVALUATION OF THE BOARD AND AUDITORS

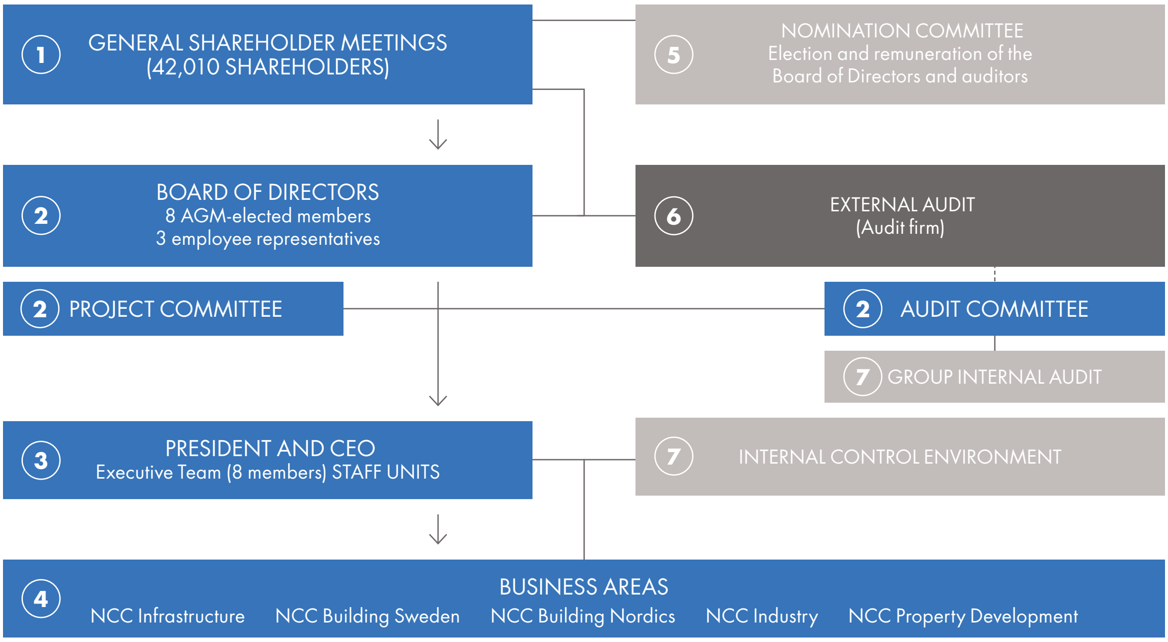
The Board of Directors is evaluated within the framework of the Nomination Committee's work. The Board also performs an annual evaluation of its work and the format for performing Board work, which also constitutes part of the Nomination Committee's evaluation (refer also to "Work of the Board of Directors," p. 96).

The Audit Committee also assists the Nomination Committee in evaluating the work of the auditors.

6 AUDITORS

The AGM appoints an Authorized Public Accountant to examine the company's Annual Report, consolidated financial statements, accounting records and the company's management by the Board and the CEO. A registered firm of accountants may also be appointed auditor of the company. The Nomination Committee nominates auditors. The current auditor is appointed for a period of one year. The registered firm of accountants PricewaterhouseCoopers AB (PwC) will serve as NCC's auditor until the close of the AGM in 2020. Authorized Public Accountant Ann-Christine Hägglund has been appointed PwC's auditor-in-charge. For more information on elected auditors, see p. 100.

NCC'S CONTROL STRUCTURE 2019



7 INTERNAL GOVERNANCE AND CONTROL

NCC's operations require a considerable amount of delegated responsibility. Group-wide rules of procedures are in place to clarify exactly who is entitled to make decisions 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. On top of the rules of procedure for decision making, a number of other Group-wide governing documents govern communication, finance, Code of Conduct, the environment and work environment.

The number of ongoing 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 business area manager, the CEO, CFO and Senior Legal Counsel. Tenders for projects exceeding SEK 300 M are subject to special assessment and must be confirmed by the CEO. Tenders for projects exceeding SEK 500 M are subject to special assessment at Group level and by the CEO and must be confirmed by the NCC AB Board. Proprietary property development projects representing an investment exceeding SEK 50 M must be approved by the CEO and such projects exceeding SEK 150 M must be authorized by NCC AB's Board. Decisions regarding investments corresponding to less than SEK 50 M are the responsibility of the particular business area.

Concerning internal audit, see page 99, item 5, Follow-up.

7 CODE OF CONDUCT

A comprehensive program to develop and implement the Group's values has been under way for some time. These values have been translated into norms and rules governing how NCC employees are to behave in various situations. These regulations are summarized in a 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 the requirement that they be observed. NCC managers must always set a good example. Adherence to the Code of Conduct is followed up continuously as a natural part of operating activities.

During the year, a Code of Conduct for Suppliers was implemented to additionally clarify what NCC expects of suppliers in terms of compliance with NCC's Code of Conduct.

NCC Compass is a governing document with a focus on providing straightforward and tangible guidance to the organization, in order to prevent the risk of irregularities. Five areas have been identified as especially important in NCC Compass: bribery and corruption, competition law, conflicts of interest, diversity and the handling of personal data. NCC Compass is available via NCC's intranet. All NCC employees can make use of the content of NCC Compass and seek guidance. NCC has also appointed and provided special training to 55 employees in business ethics and how NCC Compass is to be applied in various situations. These employees are called Navigators since their assignment is to assist employees at NCC to correctly navigate the areas covered by NCC's Code of Conduct. In addition, NCC has introduced advanced system support for internal and external reporting of irregularities, all within the framework of the values-driven and transparent corporate culture that NCC is working to refine. The purpose of NCC's procedures and support is make employees feel at ease and have the courage to ask questions in difficult situations, rather than letting ignorance or thoughtlessness lead them to take the wrong decisions or behave in an undesired manner. The work methods include guidelines covering such areas as how to handle the most prevalent risk situations. Implementation combined with training programs and discussions with NCC employees continued during the year. All NCC employees are covered by the training programs. Further training in the area is provided in the form of shorter, e-learning courses. During the year, online training in GDPR also continued to be provided to NCC employees.

Employees who suspect unethical behavior or improper action should firstly report this to their immediate superior. A procedure for reporting anonymously is also in place. The function has two purposes: firstly, to protect the reporting party and, secondly, to make sure that the reported matter is dealt with securely. All tips containing sufficient information result in an investigation. Disciplinary action will be taken where called for.

IMPORTANT EXTERNAL RULES AND REGULATIONS

- Swedish Companies Act
- Listing agreement of NASDAQ OMX Stockholm
- Swedish Code of Corporate Governance
- Annual Accounts Act
- Bookkeeping Act
- Market Abuse Regulation

INTERNAL RULES AND REGULATIONS

- Articles of Association
- Rules of procedure for Board work and instructions for the CEO
- Audit Committee's rules of procedure
- Project Committee's rules of procedure
- Rules of procedure for the Group and business areas
- NCC's Code of Conduct and NCC Compass
- Finance Policy and Information Policy
- Other governing documents in the form of policies, directives, regulations, guidelines and instructions

Corporate governance at NCC in 2019

Annual general meeting 2019

NCC's Annual General Meeting (AGM) was held at Norra Latin in Stockholm on April 9, 2019. 297 shareholders were present representing 47.9 percent of the share capital and 65.6 percent of the total number of votes. The minutes of the 2019 AGM and from previous AGMs are available at www.ncc.se. The 2019 AGM passed the following resolutions, among others:

Dividend for the 2018 fiscal year of SEK 4.00, divided into two payments.

Tomas Billing, Viveca Ax:son Johnson, Geir Magne Aarstad, Mats Jönsson, Angela Langemar Olsson, Ulla Litzén and Birgit Nørgaard were reelected as Members of the Board. Alf Göransson was newly appointed to the Board. Reelection of Tomas Billing as Chairman of the Board.

It was resolved that director fees would total SEK 4,600,000, excluding remuneration for committee work, distributed so that the Chairman of the Board would receive SEK 1,100,000 and that each other AGM-elected member would receive SEK 500,000. The adopted fees for the Chairman and per Board member are unchanged. Fees to the members of the Audit Committee are payable as follows: the chair of the Committee will receive SEK 175,000 and each other member will receive SEK 125,000. A special fee is paid to the members of the Project Committee, which amounts to SEK 125,000 for the chair and SEK 100,000 for each other member.

Guidelines were adopted for determining the salary and other remuneration of the CEO and other members of the company's management. It was also resolved to introduce a long-term performance-based incentive program (LTI 2019) for senior executives and key personnel.

To cover the commitment under LTI 2019, the AGM authorized the Board, until the next AGM, to buy back a maximum of 867,487 Series B shares and to transfer a maximum of 300,000 Series B shares to the participants of LTI 2019. It is also to be possible to transfer a maximum of 500,000 Series B shares via Nasdaq Stockholm to cover costs, mainly for compensation for dividends, social security fees and payments on the basis of the synthetic shares, pursuant to outstanding long-term performance-based incentive programs (LTI 2016, LTI 2017, LTI 2018 and LTI 2019).

Income statements and balance sheets for 2018 were adopted and discharge from liability was granted to the Board and the CEO.

Work of the board of directors

In 2019, NCC's Board held nine scheduled meetings and the statutory meeting directly after the AGM. The Board's work focuses primarily on strategic issues, the adoption and follow-up of operational goals, business plans, the financial accounts, major investments and divestments, plus other decisions that, in accordance with NCC's rules of procedures, have to be addressed by the Board. The Board has established rules of procedure 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 a number of worksite visits in connection with Board meetings. In addition to the CEO and the CFO, other senior NCC executives participated in Board meetings in order to present matters. NCC's Senior Legal Counsel was secretary of the Board.

The tasks of the Audit Committee, within the framework of the work of the Board, include monitoring the company's financial reporting and preparing matters related to the company's financial statements and audit in accordance with Chapter 8, Section 49 b of the Swedish Companies Act, and to fulfill the duties pursuant to EU ordinance No. 537/2014. In 2019, the Audit Committee held seven meetings at which all members were present. In December 2018, in accordance with the Swedish Code of Corporate Governance, the Board of Directors established an independent internal audit function, Group

BOARD OF DIRECTORS 2019

						BOARD MEETINGS AND ATTENDANCE 2019									
	Elected (year)	Independent in relation to the company and the Executive Team	Independent in relation to major shareholders	Board fees, SEK 000s	Fees for work on committees, SEK 000s	Jan 29	Apr 9	Apr 9 (statutory)	Apr 26	Apr 28	Jun 26	Jul 18	Oct 25	Oct 27	Dec 6
Board members elected by the AGM															
Tomas Billing	1999	Yes	No	1,100		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Viveca Ax:son Johnson	2014	Yes	No	500		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Carina Edblad[1)]	2014	Yes	Yes	137	34	✓	✓								
Geir Magne Aarstad	2017	Yes	Yes	500	100	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Angela Langemar Olsson	2018	Yes	No	500	125	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Mats Jönsson	2017	Yes	Yes	500	125	✓	✓	✓	✓			✓	✓	✓	✓
Ulla Litzén	2008	Yes	Yes	500	175	✓			✓	✓	✓	✓	✓	✓	✓
Birgit Nørgaard	2017	Yes	Yes	500			✓	✓	✓	✓	✓	✓	✓	✓	✓
Alf Göransson[2)]	2019	Yes	Yes	363	91			✓		✓	✓	✓	✓	✓	✓
Employee representatives															
Karl G. Sivertsson	2009			–		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Karl-Johan Andersson	2011			–		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Harald Stjernström	2018			–		✓	✓	✓			✓	✓	✓	✓	✓

[1)] Carina Edblad stepped down from the Board at the AGM on April 9, 2019.

[2)] Alf Göransson was elected to the Board at the AGM on April 9, 2019.

Internal Audit, which has since conducted audits of the entire Group on assignment from the Audit Committee and the Board of Directors. The Board's evaluation of its work was conducted by the Board engaging in separate interviews of other Members. The results of these interviews were then compiled and discussed by the Board. Documentation for this matter was presented to the Nomination Committee.

The Board's Project Committee, which assists in the preparation, analysis and decisions regarding tenders in contracting operations for projects exceeding SEK 1.5 billion. In 2019, the Committee addressed five projects and held five meetings, which all members attended.

Buyback of company shares

The company holds 530,267 Series B shares to cover its commitments under long-term incentive programs. In 2019, 0 shares were sold to cover costs, 0 shares were transferred to participants in LTI 2016 and 128,217 shares were bought back.

Remuneration of the Executive Team

According to the Swedish Code of Corporate Governance (the Code), the Board must establish a remuneration committee to prepare matters involving remuneration and other terms of employment for executive management. If, as in the case at NCC, the Board considers it more appropriate, the entire Board may fulfill the duties of a remuneration committee. Guidelines for salary and other remuneration for the company's ET are resolved by the AGM. Remuneration paid to the CEO is proposed by the Chairman and adopted by the Board. Remuneration of other senior executives is proposed by the CEO and approved by the Chairman. Remuneration of the CEO and other senior executives consists of a fixed salary, variable remuneration, pension and other benefits. The 2019 AGM resolved on a long-term performance-based incentive program (LTI 2019), comprising the CEO, members of the ET and an additional approximately 160 executives in the Group. LTI 2019 is a three-year program that entitles the participants to receive Series B shares, assuming that certain performance targets have been achieved at the end of the program; i.e. the end of 2021. Short-term variable remuneration is decided by the Board. The variable remuneration potentially payable to the CEO and other senior executives is linked to predetermined and measurable criteria, which have also been designed to promote long-term value generation in the company. The maximum outcome of variable remuneration is also subject to distinct limits. The Board follows up and evaluates application of the remuneration program applicable for the company's senior executives. The term "other senior executives" pertains to the executives who, in addition to the CEO, comprise the Executive Team. A specification of salaries and other remuneration paid to Board members, the CEO and senior executives is presented in Note 5, on p. 41–44.

Nomination Committee 2019

The AGM on April 9, 2019 reelected Viveca Ax:son Johnson (Chair of the Board of Nordstjernan AB), Anders Oscarsson (equity manager AMF/AMF Fonder) and Simon Blecher (fund manager Carnegie Funds) as members of the Nomination Committee, with Viveca Ax:son Johnson as Chair. 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 was paid to members of the Nomination Committee. The Diversity Policy applied by the Nomination Committee complies with Article 4.1 of the Swedish Code of Corporate Governance. The Nomination Committee's proposals to the 2020 AGM are available at ncc.se.

BOARD OF DIRECTORS' WORKING YEAR 2019

In addition to such standing items as investments and divestments within NCC Property Development and Finance

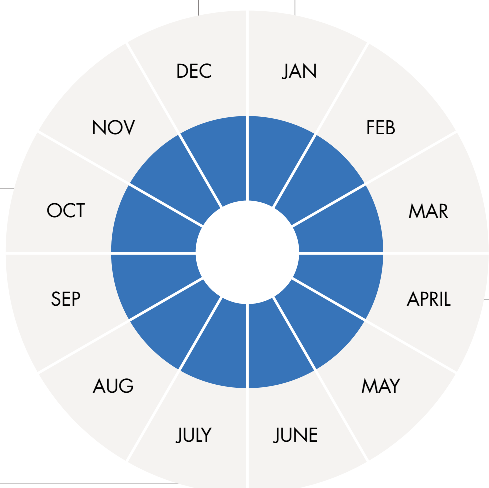
BOARD MEETING DECEMBER 6
- Strategy matters
- Audit
- Budget
- Internal control
- Bonus system
- Review of NCC Infrastructure and the Communication function
- Board's evaluation of its own work

BOARD MEETING OCTOBER 27
- Quarterly report

BOARD MEETING OCTOBER 25
- Management development/succession planning
- Challenges facing the business
- Review of NCC Industry

BOARD MEETING JULY 18
- Semi-annual report

BOARD MEETING JUNE 26
- Review of Norwegian operations
- Worksite visit Oslo
- Debriefing, compliance work
- Debriefing, health and safety issues
- Debriefing, sustainability issues
- Divestment of operations



BOARD MEETING JANUARY 29
- Centralen Project, Gothenburg
- Year-end accounts 2018
- Annual Report
- Proposed appropriation of profits
- Motions to the AGM
- Motion concerning guidelines for salary and other remuneration
- Corporate Governance Report
- Definitive audit report
- Debriefing, compliance work

BOARD MEETING APRIL 9
- Information prior to the AGM
- Evaluation of the ET
- Review of NCC Building Sweden and the Development and Operations Services (DOS) function

ANNUAL GENERAL MEETING APRIL 9

STATUTORY MEETING APRIL 9
- Company signatories appointed
- AGM resolution in respect of buyback and transfer of company shares, etc.
- Board Committees

BOARD MEETING APRIL 26
- Finance function
- LTI matters
- Competitor analysis
- Finance Policy
- Revision of rules of procedure and procedures for decisions

BOARD MEETING APRIL 28
- Quarterly report

Board of Directors' report on internal control

The Board's responsibility for internal control is regulated in the Swedish Companies Act and in the Swedish Code of Corporate Governance. The Corporate Governance Report must contain disclosures concerning the principal features of the company's internal-control and risk-management systems in connection with financial reporting and in the preparation of the company's consolidated financial statements. Information on this is provided in this section.

1 RISK ASSESSMENT AND RISK MANAGEMENT

As a feature of its internal control efforts, NCC implements methodical risk assessment and risk management for ensuring that the risks to which NCC is exposed, and that can impact the internal control and financial reporting, are addressed within the company's established processes.

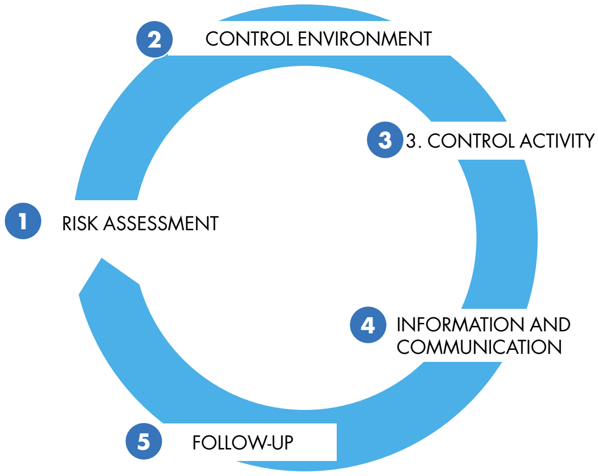
The material risks that have to be taken into account include market risks and operating risks as well as the risk of errors in financial reporting. With respect to the latter, systematic and documented updates occur once annually. The material risks that have to be considered mainly comprise the risk of errors in percentage-of-completion profit recognition and items based on estimates and assessments, such as valuations of land held for future development and ongoing property-development, goodwill and provisions.

At NCC, risks are followed up in several different ways, including via:

- **Regular status checks** with the business area manager and financial manager of each particular business area. Representing NCC AB, the CEO and the CFO always attend these meetings. The status checks address such matters as orders received, earnings, major ongoing and problematical projects, cash flow and outstanding accounts receivable. The meetings also address tenders and major investments, in accordance with the rules of procedure.
- **Business area meetings** in the various business areas, which are held at least five times per year. The meetings are minuted. Those participating in the meeting, in addition to the head of the business area and members of its management team, are NCC AB's CEO, CFO and Senior Legal Counsel. These meetings address the complete income statement, balance sheet and cash flow statement in terms of both outcome, forecast and alternative budget. Forecasts are formulated and are checked in connection with the quarters ending March, June and September, and for the following-year budget in November. The meetings also address tenders, investments and sales, in accordance with the rules of procedure. Investments and divestments of properties exceeding SEK 150 M must be approved by NCC AB's Board. All investments exceeding SEK 50 M must be approved by NCC AB's CEO.
- **Major tenders** submitted by the business area (exceeding SEK 300 M) must be confirmed by NCC AB's CEO. Tenders exceeding SEK 500 M must be confirmed by NCC AB's Board. The Project Committee must be involved in tenders exceeding SEK 1,500 M. Projects exceeding SEK 300 M are also monitored via the NCC Project Trend Report (PTR) process.
- NCC AB's Board receives **monthly financial reports** and NCC's current financial status is presented at each Board meeting.
- Quarterly follow-up of material claims and disputes, which are also reported to the Board.

Financial risk positions, such as interest rate, credit, liquidity, exchange rate and refinancing 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, that it must manage financial matters. Risks that could also influence reporting include breach of NCC's Code of Conduct and discrepancies in insurance coverage. These risks are monitored by the Compliance function and the insurance company NCC Försäkringsaktiebolag.

For more information on governance and control of NCC, see the Group's website www.ncc.se. The information also includes such documents as the Articles of Association and the Code of Conduct.



2 CONTROL ENVIRONMENT

The Board has overall responsibility for internal control and financial reporting. A good control environment is characterized by the company having prepared and complied with established policies, directives, guidelines, manuals and job descriptions. These must be documented and kept available. In NCC, this means that the Board establishes rules of procedure for the Board's work each year. The Board also prepares an instruction concerning the division of duties between the Board and the CEO. According to this instruction, the CEO is responsible for ensuring that work on the internal control contributes to an efficient control environment.

The NCC Group is an international organization that governs and conducts its operations in a Nordic operational structure. Operational management of the Group is based on rules of procedure within the NCC Group that are adopted annually by the Board. The rules of procedure stipulate the matters that require the Board's approval or confirmation. In turn, this is reflected in the corresponding rules of procedure and attestation regulations applying to the business areas. The basis for the internal control of financial reporting comprises everything that is documented and communicated in governing documents, such as internal policies, directives, guidelines, instructions and other manuals. The NCC Group's legal governance occurs on the basis of a uniform corporate structure with subsidiaries in each country.

For more information on governance and control of NCC, see the Group's website www.ncc.se. The information also includes such documents as the Articles of Association and the Code of Conduct.

3 CONTROL ACTIVITIES

At NCC, the management of risks is based on a number of control activities that are conducted at various levels for business areas, Shared Service Centers (SSCs) and staff units.

The purpose of the control activities is to ensure both the efficiency of the Group's processes and efficient internal control of identified risks. Operational control systems form the basis for the established control structure for the business operations and these focus on important stages in the business operations, such as investment decisions, assessment of tenders and permission to start up projects. NCC attaches considerable weight to project follow-up.

A strong focus is placed on ensuring the correctness of the business transactions included in the financial reporting.

For a number of years, NCC has had several SSCs, in part NCC Business Services (NBS), which manages most of the financial transactions of the

Nordic operations, and in part the Human Resources Services (HRS), which manages NCC's payroll administration for the Nordic countries. There is also Development & Operations (DOS), which has central responsibility for the shared IT systems in NCC.

The functions require that their processes include activities that manage identified risks in a manner that is efficient for NCC in relation to the cost incurred. The units systematically and continuously develop their processes, using control matrixes that connect risks and control and ensure that the control is documented and that proof of control exists.

4 INFORMATION AND COMMUNICATION

Information and communication regarding the internal policies, directives, guidelines, manuals and codes to which the financial reporting is subject are available on NCC's Intranet (MyNCC).

The information also contains methodology, instructions and supporting documentation in the form of checklists etc., and overall time schedules. It is a living regulatory system that is updated regularly through the addition of, for example, new regulations concerning IFRS and Nasdaq Stockholm. NCC's CFO has principal responsibility. MyNCC includes, among other documents, the following:

- Policies and regulations for the valuation and classification of assets, liabilities, revenues and expenses.
- Definitions of the terms used within NCC.
- Accounting and reporting instructions.
- Framework for self-evaluation of internal controls.
- Accounting function's organization
- Time schedules for audit and reporting occasions, among others.
- Rules of procedure.
- Attestation instructions

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

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 specially formulated templates. Instructions and regulations concerning both written and figure-based reporting are available on MyNCC. Regular training programs and conferences are arranged for management and financial control personnel in respect of joint principles and frameworks concerning the requirements to which the internal control is subject.

The status of internal control is reported annually at a meeting of the NCC AB Board. Debriefing also occurs at business area level. The CFO of the NCC Group is responsible for ensuring that information and communication regarding the internal control have been established and are effective.

5 FOLLOW-UP

Follow-ups to safeguard the efficiency and quality of the internal controls are conducted in various ways within NCC. NCC has developed a system (framework) for documented self-evaluation of internal control. Self-assessments are performed regularly for NCC's business areas, staff units and Group offices and comprise a component of the Board's assessment of internal control.

Operational control systems, the very basis of NCC's operations, are evaluated through audits of business areas' operations, during which any shortcomings are rectified. The internal controls are 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, or external consultants are engaged with suitable expertise for the assignment.

The Audit Committee held seven meetings during 2019 and PwC participated in all of these. The duties of the Audit Committee in terms of financial reporting include monitoring the efficiency of the company's internal controls, internal audit and risk management. The Board of Directors has established an independent internal audit function, Group Internal Audit. The function is led by the Chief Audit Executive and is responsible for providing independent and objective assurance and evaluation of risk management and internal control processes. The function plans its work in consultation with the Audit Committee and it reports directly to the Board of Directors through the Audit Committee. The Board meets the auditors at least once a year. In addition, the Chairman of the Board has direct contact with the auditors on a number of occasions during the year. Prior to these meetings, views from the audit of the business areas and subsidiaries have been presented to the Board meetings held in the particular business area/subsidiary or to the respective business area management. The views that arise are to be considered and followed up within the particular unit. NCC's auditor also reviewed the company's nine-month report.

AUDITOR'S STATEMENT ON THE CORPORATE GOVERNANCE STATEMENT

To the general meeting of the shareholders in NCC AB, corporate identity number 556034-5174

Engagement and responsibility

It is the board of directors who is responsible for the corporate governance statement for the year 2019 on pages 94–103 and for that it has been prepared in accordance with the Annual Accounts Act.

Scope of examination

Our examination has been conducted in accordance with FAR's standard RevU 16 The auditor's examination of the corporate governance statement. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

Opinions

A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 second paragraph points 2–6 of the Annual Accounts Act and chapter 7 section 31 second paragraph of the same law are consistent with the annual accounts and the consolidated accounts and are in accordance with the Annual Accounts Act.

Stockholm 6 March 2020
PricewaterhouseCoopers AB

Ann-Christine Hägglund
Authorised Public Accountant
Auditor-in-charge

Erik Bergh
Authorised Public Accountant

Board of Directors

Auditors – PricewaterhouseCoopers AB

Ann-Christine Hägglund

Auditor-in-charge. Born 1966.
Other significant assignments: Auditor-in-Charge at JM, Byggmax and Business Sweden.

Erik Bergh

Authorized Public Accountant. Born 1979.
Other significant assignments: Co-signing auditor in Cloetta AB and Radisson Hospitality AB.

The details regarding shareholdings in NCC pertain to shares that were directly owned, owned via related parties or owned via companies at December 31, 2019.

1 Tomas Billing

Chairman. Born 1963. M.Sc. in Economics

Board member since 1999 and Chairman since 2001.

Other assignments: Chairman of the Board of Röko AB and Arboritec Holding AB. Board member of Etac AB, BiJaKa AB, Hotscreen Holding AB, Beths Beauty Holding AB, Centrum för rättvisa (Center for Justice) and the Hilma af Klints Verk Foundation.

Previous experience includes: CEO of Nordstjernan AB and of Hufvudstaden AB.

Shareholding in NCC AB: 20,600 Series A shares and 115,400 Series B shares.

2 Geir Magne Aarstad

Born 1960. M.Sc. in Engineering

Board member since 2017 and member of the Project Committee.

Other assignments: Chairman and partner of GRAA AS.

Previous experience includes: CEO of AL Rahhi Contracting Company Ltd (Saudi Arabia) (2009–2011), CEO of Skanska Norway (2004–2009) and regional head of Skanska Norway (2001–2004).

Shareholding in NCC AB: 5,200 Series B shares via private companies.

3 Viveca Ax:son Johnson

Born 1963.

Board member since 2014.

Other assignments: Chairman of the Board of Nordstjernan AB and the Axel and Margaret Ax:son Johnson Foundation for Public Benefit. Board member of Bonava AB, Rosti Group AB, FPG Media AB and the Axel and Margaret Ax:son Johnson Foundation.

Previous experience includes: Deputy Chairman of Nordstjernan (1997–2007), Chairman since 2007, as well as various positions in the Nordstjernan Group.

Shareholding in NCC AB: 64,000 Series B shares (including related-party holdings), as well as 25,000 Series A shares and 41,000 Series B shares via private companies.

4 Alf Göransson

Born 1957. International B.Sc. in Economics and Business Administration

Board member since 2019 and chairman of the Project Committee.

Other assignments: Chairman of the Board of Loomis and AxFast and Board member of Sweco, Attendo, Hexpol, Melker Schörling AB and Sandberg Development Group.

Previous experience includes: CEO of Securitas (2007–2018), CEO of NCC (2001–2007) and CEO of Svedala Industri (2000–2001).

Shareholding in NCC AB: 4,000 Series B shares.

5 Mats Jönsson

Born 1957. M.Sc. in Engineering

Board member since 2017 and member of the Audit Committee.

Other assignments: Chairman of the Board of Tengbom and Lekolar and Board member of Coor and Assemblin.

Previous experience includes: President and CEO of Coor Service Management (2004–2013), Business Unit Manager of Skanska Services (2000–2004) and Division Manager of Skanska Sweden (1998–2000).

Shareholding in NCC AB: 20,000 Series B shares.

6 Angela Langemar Olsson

Born 1970. M.Sc. in Economics

Board member since 2018 and member of the Audit Committee. Senior Investment Manager at Nordstjernan AB.

Other assignments: Chairman of the Board of Sunparadise Group AG.

Previous experience includes: CFO at Nordstjernan AB, Group Controller at Hufvudstaden AB and Assistant Controller at Swedish Match AB.

Shareholding in NCC AB: 5,700 Series B shares.

7 Ulla Litzén

Born 1956. M.Sc. Economics and MBA

Board member since 2008 and chairman of the Audit Committee.

Other assignments: Board member of AB Electrolux, Husqvarna AB, Ratos AB and Epiroc AB.

Previous experience includes: CEO of W Capital Management AB (2001–2005) and Vice President of Investor AB (1996–2001).

Shareholding in NCC AB: 6,900 Series B shares.

8 Birgit Nørgaard

Born 1958. M.Sc. Economics and MBA

Board member since 2017.

Other assignments: Chairman of the Board of Norisol A/S, Deputy Chairman of the Board of NNE A/S, Danska Statens IT Råd och Dansk Vækstkapital I. Board member of DSV A/S, WSP Global Inc., RGS Nordic A/S, ABP and Dansk Vækstkapital II.

Previous experience includes: President and CEO of Carl Bro A/S (2003–2010), COO of Grontmij NV (2006–2010) and CFO of Danisco Distillers A/S (1993–2000).

Shareholding in NCC AB: 3,000 Series B shares.

Employee representative

9 Karl-Johan Andersson

Born 1964. Paver.

Board member since 2011. Employed since 1984. Shop steward in NCC. Employee representative of SEKO (Union for Employees in the Service and Communication Sectors).

Other assignments: Chairman of SEKO's Road and Rail Department in Skåne. Chairman of SEKO's negotiating organization at NCC.

Shareholding in NCC AB: 0.

Employee representative

10 Bengt Göransson

Born 1959. Installation Manager

Deputy Board member since 2017. Shop steward in NCC. Employee representative of Unionen.

Shareholding in NCC AB: 295 Series B shares.

Employee representative

11 Mats Johansson

Born 1955. Carpenter.

Deputy Board member since 2011. Employed since 1977. Construction carpenter and shop steward at NCC, as well as officer for occupational health and safety issues. Employee representative of Svenska Byggnadsarbetareförbundet (Swedish Building Workers Union).

Other assignments: Board member of AB Ronneby Industrifastigheter and Deputy Chairman of Byggnadsarbetareförbundet in the Småland/Blekinge region.

Shareholding in NCC AB: 510 Series B shares.

Employee representative

12 Karl G. Sivertsson

Born 1961. Carpenter and crane operator.

Board member since 2009. Employed since 1981. Shop steward in NCC. Employee representative of Svenska Byggnadsarbetareförbundet (Byggnads).

Other assignments: Board member of Byggnads' Central Northern Sweden region and deputy member of Byggnads' central committee.

Shareholding in NCC AB: 200 Series B shares.

Employee representative

13 Harald Stjernström

Born 1962. Project Manager within NCC Building, Building Stockholm Dept.

Board member since 2018. Employed since 1984. Shop steward in NCC. Employee representative of Ledarna (Swedish Association of Supervisors).

Shareholding in NCC AB: 0.

SECRETARY OF THE BOARD

Ann-Marie Hedbeck

Born 1972. Master of Laws

NCC AB's Senior Legal Counsel since 2018.

Previous experience includes: Chief Legal Counsel in NCC Infrastructure and Senior Legal Counsel at Skanska AB. Employed by NCC since 2017.

Shareholding in NCC AB: 0.

Executive Team

1 Tomas Carlsson

President and CEO

Born 1965. M.Sc. in Engineering and MBA.

President and CEO since May 7, 2018.

Previous experience includes: CEO of Sweco (2012–2018), Head of NCC Construction Sweden (2007–2012) and Regional Manager of NCC Construction Western Sweden (2005–2006).

Other assignments: Board member of Alimak Group AB.

Shareholding in NCC AB: 30,270 Series B shares and 299,128 call options on Series B shares.

2 Joachim Holmberg

Head of NCC Property Development business area

Born 1971. Head of NCC Property Development since 2019. Employed by NCC since 2019.

Previous experience includes: Head of Skanska Sweden's Commercial Project Development (2014–2019), Operational Development Head of Skanska Sweden's commercial project development (2012–2014), District Manager Skanska Sweden (2007–2012), Project Manager Skanska Sweden (2003–2007),

Shareholding in NCC AB: 3,000 Series B shares.

3 Ylva Lagesson

Head of Development & Operations Services

Born 1971. M.Sc. in Engineering

Head of Development & Operations Services since 2018. Employed by NCC since 2018.

Previous experience: CEO of Nobelhuset AB (2017–2018). Prior to that, such positions as Deputy Division Manager of NCC Building, Head of Market and Operational Development at NCC Construction Sweden and a number of construction contract and production roles.

Shareholding in NCC AB: 3,000 Series B shares.

4 Henrik Landelius

Head of NCC Building Sweden business area

Born 1975. M.Sc. in Engineering

Head of NCC Building Sweden since 2018. Employed by NCC for a total of 12 years.

Previous experience includes: Division Manager of NCC Building Sweden (2016–2018), Vice President of NCC Construction Sweden (2014–2016), Head of Project Development Fastighets AB L E Lundberg, CEO of Byggnads AB L E Lundberg (2011–2013) and Business Manager NCC Construction Sweden (2005–2011).

Shareholding in NCC AB: 1,500 Series B shares and 14,957 call options on Series B shares.

5 Susanne Lithander

Chief Financial Officer

Born 1961. B.Sc. in Economics

Chief Financial Officer since 2018. Employed since 2018.

Previous experience includes: CFO of Billerud Korsnäs (2011–2018), CEO of Mercuri International and several key positions at Ericsson.

Shareholding in NCC AB: 1,935 Series B shares.

6 Catarina Molén-Runnäs

Head of NCC Building Nordics business area

Born 1966. M.Sc. in Engineering

Head of NCC Building Nordics since January 13, 2020. Employed by NCC since 2020.

Previous experience: CPO Nordic Choice Hotels (2013–2020), CEO Nordic Property Management (2013–2020), Director Technical Services Scandic Hotels (2004–2012). Prior to that, various positions including 10 years at NCC (1988–1998).

Shareholding in NCC AB: 0

7 Kenneth Nilsson

Head of NCC Infrastructure business area

Born 1961.

Head of NCC Infrastructure since 2018. Employed by NCC since 2018.

Previous experience includes: 30 years of experience from various executive positions at Skanska, such as Deputy CEO of Skanska Sweden AB and Head of Skanska's Road and Civil Engineering operations in Sweden, CEO of Skanska OY and Head of Skanska's construction and civil engineering operations in Finland.

Shareholding in NCC AB: 14,957 call options on Series B shares.

8 Jyri Salonen

Head of NCC Industry business area

Born 1965. M.Sc. in Business and Economics

Head of NCC Industry since 2016. Employed by NCC since 2008.

Previous experience includes: Business Area Manager of NCC Roads (2015), Division Manager of NCC Roads Services (2014), Business Unit Manager of NCC Roads in Finland (2009–2013) and various positions at ExxonMobil internationally and Esso in Finland.

Shareholding in NCC AB: 3,017 Series B shares and 29,912 call options on Series B shares.

Senior Management Team

Maria Grimberg, Head of Communication
Ann-Marie Hedbeck, General Counsel
Marie Reifeldt, Head of HR
Harri Savolainen, Head of Purchasing

Carola Lavén was Business Area Manager of NCC Property Development and a member of the Executive Team through July 22, 2019.
Klaus Kaae was Business Area Manager of NCC Building Nordics and a member of the Executive Team through January 12, 2020.

The details regarding shareholdings in NCC pertain to shares that were directly owned, owned via related parties or owned via companies at December 31, 2019.

Financial information and contact details

NCC will publish financial information regarding the 2020 fiscal year on the following dates:

April 1	Annual General Meeting
April 28	Interim report, January-March
July 17	Interim report, January-June
November 6	Interim report, January-September
January 2021	Year-end report 2020

NCC's interim reports are downloadable from the NCC Group's website, www.ncc.se, where all information regarding the NCC Group is organized in English and Swedish versions. The website also includes an archive of interim reports dating back to 2009 and annual reports dating back to 1996. NCC does not print or distribute its interim reports or Annual Report.

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 relevant key figures. NCC's press releases are available on the website.

NCC's financial information can be ordered either by using the order form available on the www.ncc.se, website, by e-mailing ir@ncc.se, writing to NCC AB, SE-170 80 Solna, Sweden, or calling NCC AB at +46 8 585 510 00. The person at the NCC Group responsible for shareholder-related issues and financial information is Maria Grimberg (Tel: +46 70 896 12 88; e-mail: ir@ncc.se).

Annual General Meeting (AGM)
The AGM will be held at 4:30 p.m. on April 1, 2020. Location: Norra Latin, Drottninggatan 71 B, Stockholm. Notification can be made via NCC's website www.ncc.se, by regular mail to NCC AB c/o Euroclear Sweden AB, Box 191, SE-101 23 Stockholm, or by telephone to +46 8 402 92 54 no later than March 26, 2020. Notification should include name, personal identification number (corporate identity number), address, telephone number and the number of any advisors.

Registration at the Meeting will begin at 3:30 p.m. Notice of the AGM is available on the NCC Group's website, www.ncc.se, and was published in Post- och Inrikes Tidningar on March 3, 2020. Confirmation that the official notification had been issued was announced in Dagens Nyheter and Svenska Dagbladet.

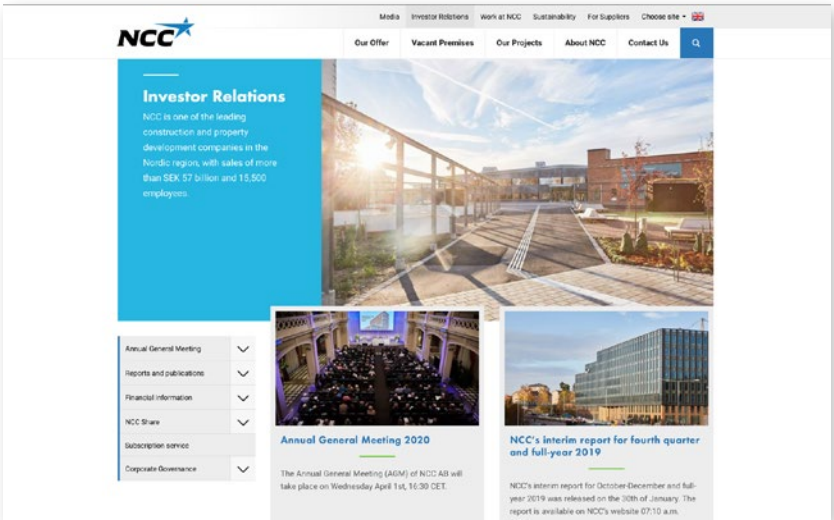
NCC AB (publ), Corp. Reg. No. 556034-5174, Registered Head Office: Solna. Addresses to the companies in the NCC Group are available at www.ncc.se.

Shareholder information on NCC.com
All financial information concerning the NCC Group and everything that concerns you as an NCC shareholder is available on NCC's website under the Investor Relations tab.

SHAREHOLDER SERVICE
From our Shareholder Service, you can subscribe for the information you would like to receive.

SHARE-PRICE INFORMATION
Share-price information with a 15-minute delay is available and you can also see the total return (including reinvested dividends) and compare NCC's share performance with that of Nordic competitors.

LIST OF ANALYSTS
Here, you will find a list of the analysts who regularly monitor NCC.



MORE INFORMATION/ CONTACT PERSON
Maria Grimberg,
Head of Communication
Tel: + 46 70 896 12 88
E-mail: ir@ncc.se

Definitions/glossary

Financial key figures

Return on shareholders' equity: Net profit for the year according to the income statement excluding non-controlling interests, as a percentage of average shareholders' equity.

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 capital employed is used to optimize the Group's capital allocation and value generation.

Corporate net debt: Interest-bearing liabilities and provisions for pensions and similar obligations (pension debt according to IAS 19) excluding lease liability (IFRS 16) and excluding pension debt (IAS 19) less cash and cash equivalents, short-term investments and interest-bearing receivables.

Dividend yield: Dividend as a percentage of the market price at year-end.

Operating net: Profit from property management before depreciation.

EBITDA: Operating profit in accordance with the income statement with depreciation and impairment losses reversed (not construction-related projects) including impairment losses on properties classed as current assets excluding depreciation according to IFRS 16, Leases.

Average interest-rate maturity: The remaining interest-rate maturity weighted by interest-bearing liabilities outstanding.

Average shareholders' equity: Average of recognized shareholders' equity at January 1, March 31, June 30, September 30 and December 31.

Capital turnover rate: Net sales divided by average capital employed.

Net investments: Closing balance less opening balance plus depreciation and impairment losses less write-ups of fixed assets and properties classified as current assets.

Net sales: The net sales of construction operations are recognized in accordance with the percentage-of-completion profit recognition principle. These revenues are recognized in pace with the gradual completion of construction projects within the company. Property sales are recognized on the date when material risks and benefits are transferred to the buyer, which normally coincides with the transfer of ownership. In the Parent Company, net sales correspond to recognized sales from completed projects.

Net debt/EBITDA: Corporate net debt divided by EBITDA.

Orders received: Value of received projects and changes in existing projects during the period concerned. Proprietary projects for sale are also included among assignments received, assuming that a decision to initiate the assignment has been taken, as well as sold completed housing units from inventory.

Order backlog: Year-end value of the remaining unrecognized project revenues for projects received, including proprietary projects for sale that have not been completed.

P/E ratio: Year-end market price of the shares, divided by earnings per share after taxes.

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.

Interest coverage ratio: Profit after financial items following the reversal of financial expenses divided by financial expense.

Operating margin: Operating profit as a percentage of net sales.

Debt/equity ratio: Net debt divided by shareholders' equity.

Equity/assets ratio: Shareholders' equity as a percentage of total assets.

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.

Total return: Share-price performance during the year plus dividend paid divided by share price at the beginning of the year.

Total net debt: Interest-bearing liabilities and provisions for pensions and similar obligations (pension debt according to IAS 19) less cash and cash equivalents, short-term investments and interest-bearing receivables.

Closing date interest rate: Nominal interest weighted by interest-bearing liabilities outstanding on the balance-sheet date.

Exchange-rate effect: Impact of changes in various exchange rates on current reporting in NCC's consolidated accounts on translation into SEK.

Exchange-rate difference: Exchange-rate changes attributable to movements in various exchange rates when receivables and liabilities in foreign currency are translated into SEK.

Buyback of company shares (treasury shares) in share data: Treasury shares have been excluded from calculations of key figures based on the number of shares outstanding.

Sector-related definitions

Required yield: The yield required by buyers in connection with acquisitions of property projects. Operating revenues less operating and maintenance expenses (=operating net) divided by the market value.

Properties: In descriptions of operations, "properties" refers to buildings, housing or land.

NCC Partnering: A cooperation format applied in the construction and civil engineering industry, whereby the developer, 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.

Leasing rate: The percentage of anticipated rental revenues that corresponds to signed leases (also called leasing rate based on revenues).

Production: NCC and Narva.

This is a translation of the Swedish original.
In case of discrepancies between this English translation and the Swedish original, the latter shall prevail.

Photographers: Apelöga p 1. Trine Gaarder Stenberg cover. Carina Gran cover inside, p 10. Jonathan Grevsen p 8. Claes Henschel p 5. Joakim Kröger cover inside, p 1, 3, 5, 7, 9, 10, 31, 100, 102. Microsoft p 5. Erik Mårtensson p 11. Damir Prcic p 1, 8. Schenker Pori p 9.

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NARVA

NCC is one of the leading construction and property development companies in the Nordic region, with sales of more than SEK 58 billion and 15,500 employees. With the Nordic region as its home market, NCC is active throughout the value chain – developing commercial properties and constructing housing, offices, industrial facilities and public buildings, roads, civil engineering structures and other types of infrastructure.

NCC also offers input materials used in construction and provides paving and road services. NCC creates future environments for working, living and communication based on responsible construction operations that result in sustainable interaction between people and the environment.

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