

Annual Report 1996





Contents

- Bo Ax:son Johnson 2
- NCC today 3
- Review by the President 4
- Business concept and strategy..... 6
- Financial objectives 8
- Human resources 9
- Environmental work 12
- NCCs markets 14
- Civil Engineering business area 18
- Building business area 24
- Industry business area 28
- Real Estate business area 32
- Invest business area 38
- Definitions 41
- Seven-year review 42
- Report of the Board of Directors 44
- The NCC share 48
- Financial accounts 50
- Accounting principles 56
- Comments and notes 59
- Proposed disposition of profits 65
- Auditors' Report 65
- Board of Directors and Auditors 66
- Executive Management and
Heads of Group Functions 68
- Addresses 70

Financial information

As a result of NCC's unconditional offer for Siab and the resulting merger work, NCC will not be publishing an interim report for the three months ended March 31, 1997.

- August 18, 1997: Interim report for the six-month period ending June 30, 1997
- November 10, 1997: Interim report for the nine-month period ending September 30, 1997
- February, 1998: Preliminary report on 1997 operations
- April 1998: Annual Report for 1997

These publications are sent automatically to NCC shareholders. Others wishing a copy of the publications should supply details of their name and address to NCC AB, Group Communications, S-170 80 Solna, Sweden (fax: +46-8-85 77 55). A complete specification of NCC's real estate portfolio and NCC's Environmental Report can be ordered from the same address.

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Summary

- Consolidated income after net financial items amounted to SEK 462 m. (230).
- Net income for the year after full tax amounted to SEK 340 m. (227), corresponding to SEK 4.20 (2.80) per share.
- Orders received by Construction Operations during 1996 rose 17 percent to SEK 18.0 billion (15.4), of which orders received outside Sweden accounted for SEK 6.8 billion (2.6).
- It is proposed that the dividend be raised to SEK 1.50 (1.25) per share.
- During 1996, NCC acquired the contracting operations of Rasmussen & Schiøtz, Denmark's largest construction company, and of Puolimatka, one of Finland's largest construction companies.
- Following fiscal year-end:
 - NCC made a public offer for Siab in February 1997.
 - NCC publicly lists NK Cityfastigheter AB, which consists of department store and shopping mall properties.

Key ratios

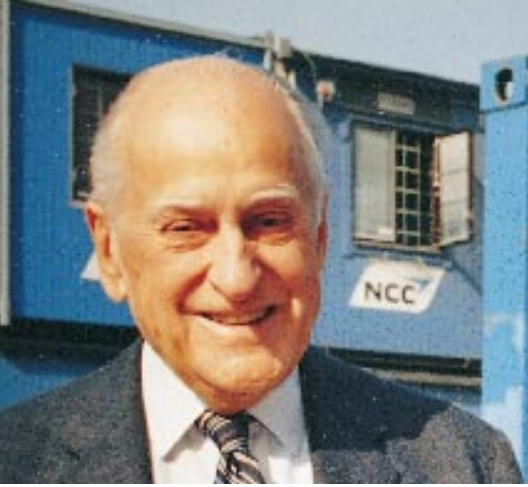
Key figures in brief

	1996	1995
Income after net financial items, SEK m.	462	230
Equity/assets ratio	28%	28%
Visible shareholders' equity per share, SEK	83,00	81,00
Earnings per share, SEK	4,20	2,80
Dividend per share, SEK	1,50¹	1,25

1) Board of Directors' proposal to Annual General Meeting

The Arlanda Link is scheduled to be ready for traffic in 1999. The photo shows rock extraction work in one of the tunnels.





"From a private conglomerate to a publicly listed construction and real estate company"

When Bo Ax:son Johnson took charge of Nordstjernen he not only became the head of a corporate empire, he also became administrator of his grandfather's, father's and brother's legacies. The company, which originally started with only a single steamship, had become one of Sweden's leading shipping lines during his grandfather's life. Under his father's management, the group expanded rapidly and consisted of hundreds of companies in a wide range of business sectors. These included Nynäs Petroleum, Avesta Järnverk, Försäkringsaktiebolaget Sirius, Nya Asphalt, Svenska Väg, Linjebuss, Lindholmens Varv and a number of engineering companies such as KMW, Motala Verkstad and Hedemora.

His brother, Axel Ax:son Johnson, who headed the group from the 1920s to 1980, modernized the fleet and established new line-traffic operations. He focused heavily on stainless steel operations in Avesta and developed the engineering operations, in addition to building up a computer company—Datema—within the group. Meanwhile, he also developed the group's international business.

In 1979, Bo Ax:son Johnson became President of Nordstjernen. In the following year, he took over his brother's role as Group CEO and Board Chairman. At the time, the Group had annual revenues of slightly more than SEK 12 billion, with about 29,000 employees in more than 300 companies active in a wide range of industries. The family empire to be managed by Bo Ax:son Johnson was a conglomerate that was difficult to supervise. An economic recession, leading to crises in the engineering, steel and shipping industries, did not make matters easier. Profitability in most of the companies was poor. Many of them were operating at a loss.

Those of us who have not inherited a family empire may find it difficult to see the enormity of the task of restructuring such a diverse group to adapt it to the modern, international business community. It requires a special driving force, along with a sustainable and targeted strategy. The temptation to cling to old traditions, instead of making radical decisions, must be great.

One of the first changes in the restructuring program was to distinguish the roles of owners, board and executive management. Another important step was to combine the group's companies in a number of business areas. Each business area received its own president who was given a specific task—either to develop operations in the area, or divest or terminate them.

A significant development for the group was the restructuring of Sweden's specialty steel industry, for which Bo Ax:son Johnson assumed main responsibility in 1983. This improved Avesta's performance and eventually led to the sale of NCC's holdings in Avesta, creating a strong capital base for NCC's expansion in construction operations.

Bo Ax:son Johnson never hesitated during the restructuring process which the Group has undergone since the mid-1980s. He impatiently and with great vision encouraged his colleagues in this radical transformation program. The old family-dominated conglomerate has now been transformed into a streamlined company, in the form of publicly listed NCC, which has a sound financial position and is a market leader in the Nordic construction industry.

Personally, I have found working with Bo Ax:son Johnson and participating in the restructuring process highly beneficial. His willingness to change and the confidence he has placed in his colleagues have permitted a development that is unique in Swedish corporate history. For more than 50 years, Bo Ax:son Johnson has worked in the Group and now that he is stepping down from active Board assignments, I—on behalf of all employees—would like to express our tremendous thanks for the noteworthy efforts he has made for the benefit of our company.

A handwritten signature in blue ink, appearing to read "Bernt Magnusson". The signature is fluid and cursive.

Bernt Magnusson
Chairman of the board

NCC today

NCC is a leading construction and real estate company. The Group's domestic markets are Sweden, Finland, Norway and Denmark. NCC is the leading roadwork and civil engineering company in Sweden and Norway. NCC's largest operations in Denmark are in the building sector. In Finland, NCC is one of leading players in the building market.

Outside the Nordic region, NCC engages in large-scale, technologically advanced civil engineering projects in selected markets.

NCC engages in real estate development aimed at external sales or internal property management. The Group has an extensive real estate portfolio, consisting 978,000 m² of floor space in Sweden and 144,000 m² in other markets.

The NCC Group is organized in five business areas: Civil Engineering, Building, Industry, Real Estate and Invest. NCC's operations in Denmark, Finland and Norway are conducted through the subsidiaries NCC Rasmussen & Schiøtz, NCC Puolimatka and NCC Eeg-Henriksen, respectively.

NCC has entered an aggressive phase of operations, with a view to further strengthening its market positions. The ultimate objective is to spearhead developments in the construction and real estate sector.

The Group has a total of approximately 17,000 employees and invoiced sales amounted to approximately SEK 23 billion in 1996.

NCC shares are listed on the Stockholm Stock Exchange.

At the beginning of 1997, NCC and Siab reached agreement regarding a merger. The merger will create the market leading construction and real estate company in Sweden and the rest of the Nordic region, with sales of approximately SEK 33 billion.





"Transformation from a leading leading Nordic construction

In two years, NCC has expanded from being a leading Swedish player into a leading Nordic construction and real estate company. As a result of the acquisitions of NCC Rasmussen & Schiøtz in Denmark, NCC Puolimatka in Finland and NCC Eeg-Henriksen in Norway, we consolidated our positions in all four home markets. At the beginning of 1997, NCC made an offer for Siab. This acquisition would raise our sales to approximately SEK 33 billion. The benefits of the acquisitions and the merger include strengthened competitiveness in the international project market.

Broader base for increased international competitiveness

Acquisitions in recent years are part of a long-term strategy and should be viewed against the background of NCC's longstanding involvement in the Nordic markets. We have been active in Denmark for about 25 years through the building contractor Armtom. In Norway, we have cooperated for several years with Eeg-Henriksen, which was initially a partly owned company. We are now focusing on projects aimed at capitalizing on the development potential among the Nordic companies. In our role as an industrial owner, our primary objective is to develop the companies so that they become strong players in each market. Another objective is to utilize the synergism created by a cohesive pan-Nordic structure.

Using the Nordic region as a base, we also intend to create the conditions for investments outside our home markets. A broader base of expertise, resources and financing offers us competitive advantages in major international projects. Through NCC Puolimatka we have already secured a bridgehead to Russia and the Baltic States, where our latest assignment involves construction of a corrugated paper mill outside St. Petersburg for AssiDomän. NCC Eeg-Henriksen's expertise in underground operations makes it a potential partner for NCC in many projects outside Norway.

Upturn expected in the Swedish market – but not during 1997

Despite their geographical proximity, the economic cycles of the Nordic markets are not synchronized. In Denmark and Norway, the decline in the construction business cycle started a few years earlier than in Sweden and Finland. For the past few years, the Finnish and Norwegian markets have experienced growth, while recovery in the Swedish and Finnish mar-

kets has only just commenced. A joint Nordic platform offers us the potential to balance fluctuations in the countries' business cycles. By moving resources across frontiers, the risk of over-heating in boom conditions and the need to cutback in periods of recession are reduced. This enhances our potential to develop and retain valuable skills.

In Sweden, recent falls in interest rates, GDP growth and rising property prices, combined with a potential housing shortage in expanding regions, herald an upturn in construction. The negative trend in construction during the 1990s is due essentially to the collapse of housing construction. Similarly, it is likely that residential construction will account for the sharpest growth. Road and civil-engineering investments, however, are expected to decline in the immediate future. The political decision at the beginning of February to abandon a major infrastructural project in Stockholm means the downturn will be sharper than previously forecast.

Future housing market

The recovery is taking time and the construction industry is currently characterized by disappointment, since the upturn anticipated in 1997 will not materialize. Rent regulation in the housing market, combined with reduced interest subsidies and increased tax expenses, mean that market conditions for new housing construction remain bleak. Commercial conditions are a prerequisite for renewed construction activity and for balanced demand and supply in the housing market. In NCC, we are preparing for future market adaptation through the development of new housing concepts in which consumers will be able to govern the production of housing to a greater extent than today.

Recovery in the real estate market

The real estate market in Sweden and in a number of other European countries is beginning to show more distinct signs of recovery. At NCC, we are now focusing on concentrating our portfolio on priority locations. We are also devoting efforts to reducing the portfolio of properties held for future development, increasing the efficiency of our management and administration activities, and optimizing our strategic land holdings. The objective is to reduce and further consolidate the real estate portfolio through major structural solutions. As part of this process, NK Cityfastigheter AB was formed at the beginning of 1997.

"Commercial conditions are a prerequisite for renewed construction activity and for balanced demand and supply in the housing market."

Jan Sjöqvist
President and CEO



Swedish player into a and real estate company"

Future infrastructural investments

The new infrastructure bill presented by the Swedish Government in 1996 entails a major reappraisal of the implications of infrastructural investments for the economy. Compared with the existing plan, the new proposal means that appropriations for investment in roads will be cut by 40 percent, with railroad investment reduced by 30 percent. These cutbacks are offset only slightly by the increased road maintenance schemes.

We at NCC feel that the bill is based on a dubious macro-economic equation that takes no account of welfare and traffic safety issues. We believe it is wrong to infer that there is a contradiction between a favorable environment and economic growth. Technological development offers the potential to achieve both. A healthy environment has long been a guiding criterion determining whether and how infrastructural investment should be conducted. Newly built roads and railways substantially reduce the impact on the environment and sharply reduce the number of traffic accidents.

The infrastructure bill also indicates that alternative financial solutions, designed to relieve the strain on government budget resources, will be more common in future. As a result of pressure on government finances, private financing is already utilized for infrastructural projects in other European countries. In Sweden, the Arlanda rail link is the first major infrastructural project that has been jointly financed by the government and private business. The willingness to accept alternative financing solutions can provide the conditions for well-needed investment activity.

Another possibility to offload the government budget would be to eventually convert the road and railway administrations into commercial public enterprises or limited liability companies. As in the case of the shipping and navigation administration, the civil aviation administration and Telia (Swedish Telecom), the users themselves—travelers—would pay the resulting costs, meaning both environmental and direct costs. This solution would minimize the risk of a misallocation of social resources, at the same time as investments would be financed through income instead of through politically determined appropriations.

NCC's human resources

The skills and commitment of each employee are crucial factors underlying our company's success. A lengthy series of training projects are continually in progress to develop our

know-how. These include management and specialist programs, as well as the development of site managers and skilled workers. NCC's programs include a project to provide environmental training for all employees before year-end 1998.

In recent years, NCC has developed a model to measure its "human resources." The model gauges such factors as performance, drive, leadership, expertise and organization. The monitoring of these factors is equally important as key financial data in appraising a company's future. Consequently, effective 1996, we will report key data for these figures in our annual report. The results of the annual internal attitude surveys form the basis for the future direction of the Group's development and training projects.

NCC is well equipped

The construction crisis at the beginning of the 1990s gave rise to a painful but necessary adjustment. Today, NCC is well equipped to meet future demands. We continuously focus on improving efficiency and productivity throughout the Group, as exemplified by the extensive IT project designed to computerize the entire construction process. Personnel development is a high-priority area. NCC's positions will be strengthened through advanced skills at all levels. New products and services are being developed with a distinct focus on the customer. The Group's environmental programs are entering a new phase through the establishment of concrete environmental objectives for all operations. In real estate operations, greater attention is being paid to the importance of concentrating the portfolio and boosting the efficiency of property management. Our combined Nordic base for know-how, resources and financing offers us competitive advantages both locally and in major international projects.

Solna, February 25, 1997

A handwritten signature in blue ink, appearing to read 'Jan Sjöqvist', written in a cursive style.

Jan Sjöqvist
President and CEO



From project concept to management and sale

Group structure

With domestic markets in Sweden, Finland, Norway and Denmark, NCC is one of the leading construction and real estate groups in the Nordic region. The Group is organized in five business areas: Civil Engineering, Building, Industry, Real Estate and Invest. NCC's operations in Denmark, Finland and Norway are conducted through the subsidiaries NCC Rasmussen & Schiøtz, NCC Puolimatka and NCC Eeg-Henriksen, respectively.

Overall business concept

- NCC shall be active throughout Sweden in the initiation, planning, development and implementation of building projects with the objective of satisfying both national and local customer requirements. NCC shall also manufacture and sell crushed products, asphalt products and ready-mixed concrete.
- In the remainder of the Nordic region, NCC shall operate via subsidiaries that occupy strong positions in the markets concerned.
- Outside the Nordic region, NCC shall primarily engage in major civil engineering projects in which NCC's competitive strengths in the form of technical and financial know-how can be utilized.
- In a limited number of locations in expansive areas of the Nordic region and the rest of Europe, NCC shall offer tenants high-quality and well-situated working and living environments and provide attractive properties for investors.

- NCC shall be considered the best and most price-competitive construction company in the market and the real estate company that provides the best service to its tenants.

Position in Nordic region remains strong

NCC's Nordic strategy is based on the assumption that a strong market position is a prerequisite for competitiveness in mature markets. NCC occupies a strong position in the Nordic construction and real estate market and aims to continue to strengthen its position. This is to be achieved through organic growth in all four markets, within the framework of the strategies of the various business areas. In certain cases, supplementary acquisitions may be considered.

NCC's strategy for the Nordic region is to

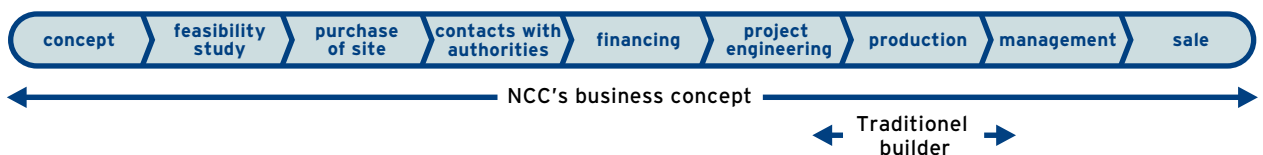
- create a strong Nordic construction company with a strong base in each country
- create a broader base in terms of expertise, resources and financing, which provides the strength to participate in major projects
- offset cyclical fluctuations.

Selective growth in project market

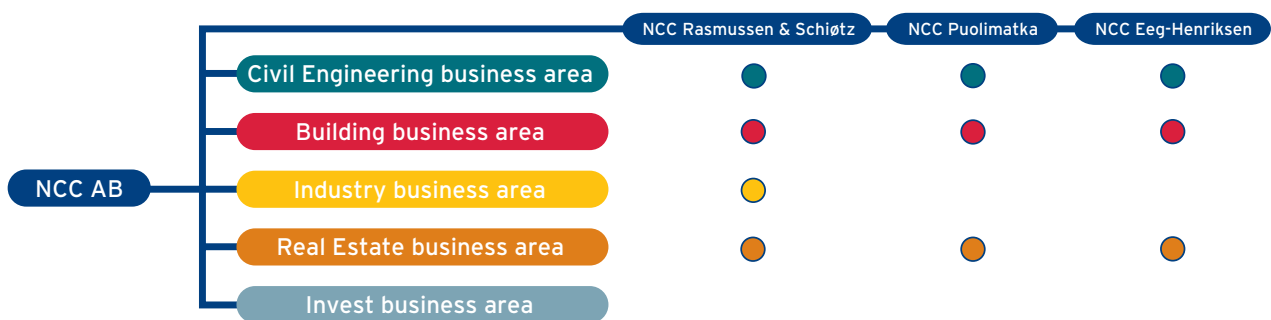
Projects in selected markets

Outside the domestic markets, NCC will focus primarily on individual projects in product areas where NCC has competitive advantages in the form of advanced technological and financial expertise. The combined expertise of the Nordic companies generates competitive benefits in the project mar-

NCC's construction and real estate concept



NCC's operations are based on a business concept that covers the entire building process, from the project concept to management and sale of properties. This creates synergistic benefits in building, civil engineering and real estate operations and in the development and production of materials within the Group. The market-based division into business areas generates opportunities for specialization and focusing in terms of customers, technology, development and expertise.



ket. Particularly complex projects both in and outside the Nordic region are conducted through the Major Projects unit which, organizationally speaking, is part of the Civil Engineering business area.

S.E.C. Alliance

To increase opportunities in the European market, NCC is a member of a strategic alliance, S.E.C. — Société Européenne de Construction S.A., which is headquartered in Brussels. The Alliance monitors such matters as infrastructural investments in the EU and the member companies cooperate in the development of new technology. In addition to NCC, S.E.C. consists of GTM Entrepouse from France, the British company John Laing and the German company Strabag. The four constituent companies have combined annual sales of approximately SEK 118 billion. The Öresund Link is an example of a project involving cooperation among Alliance companies; three of the four partners in Øresund Tunnel Contractors are S.E.C. members.

Concentration of real estate portfolio

The strategy for our real estate business is to concentrate the real estate portfolio, increase the turnover rate in the total portfolio and reduce the proportion of land held for future development. This is to be achieved mainly through project development, supplemented by sales in markets not assigned priority. In accordance with this real estate strategy, NK Cityfastigheter AB was formed at the beginning of 1997.

Prioritized areas

NCC will continue to strengthen its position within the framework of the above strategy. To achieve this, a number of areas have been identified as being of specific importance to the Group's growth. These areas will be assigned priority in the next few years.

Increased efficiency through IT development

A comprehensive project is under way in the information technology (IT) area, with the overall aim of enhancing the Group's efficiency. Construction sites and offices are being equipped with new forms of IT support, which boost the efficiency of the entire production and sales process.

Customer service

The division into business areas creates opportunities for specialization and focusing in terms of customers, technology, development and expertise. Within the business areas, increased importance is being assigned to the development of new concepts and products, as well as more efficient marketing.

Personnel development

NCC aims to strengthen its positions with the help of superior expertise at all levels of the organization. Areas assigned priority include management development programs and a new worksite organization.

Environment

NCC's objective is to be the industry's leading company from the viewpoint of conducting environmentally compatible construction and real estate activities. Environmental work is being further developed and tangible environmental goals are being established. Priority has been assigned to efforts to obtain environmental certification for operations.

Optimization of strategic land holdings

Increased importance is being attached to efforts to optimize NCC's strategic land holdings. In practice, this will involve either the development or the sale of low-yield development properties. At the same time, strategic land will be acquired.

Nordic operations

In order to advance the level of cooperation between the Nordic companies, development projects will be conducted with the dual aim of generating synergistic benefits and improving the Nordic companies' productivity and efficiency.

Société Européenne de Construction S.A. - 1995

	Sales SEK billion	Number of employees
GTM-Entrepouse	56.4	66,000
John Laing	10.0	8,000
Strabag	28.3	24,000
NCC*	23.0	17,000

* 1996

Objectives: value growth and financial balance

NCC's financial objective is to provide a healthy growth in the value of shareholder investments in the company and to expand under a condition of financial balance.

The Group's financial strength and value growth are expressed in terms of profitability and equity/assets ratios. The long-term objective over a business cycle is to attain an equity/assets ratio of 35 percent. In 1996, an equity/assets ratio of 28 percent (28) was achieved.

The principal profitability measurement is the return on equity. NCC's profitability objective is based on such factors as the return on the NCC share demanded by the stock market. According to assessments based on NCC's risk profile, the stock market requires a risk premium of 4 percent in addition to the interest rate on a risk-free long-term investment.

Viewed over a business cycle and assuming a risk-free long-term rate of return on investment of 6 percent, the required return on NCC's equity after full tax is approximately 10 percent. In 1996, the return on equity was 5 percent (4).

The corporate return on equity objective is then reformulated for each business area in the form of an objective for return on capital employed. Combined, the requirements set for the individual business area should match the Group's overall goal for return on equity.

Based on current tax rates, interest rates and NCC's equity/assets ratio target, the long-term objective for return on equity corresponds to a return of 11 percent on capital employed.

For construction operations, the net margin is the key operational control parameter. In 1996, this amounted to 5.5 percent (4.6) in Sweden. The net margin for the Group's total construction operations was 3.4 percent (4.1). Margins in the construction sector are lower than in, for example, industrial companies, due to such factors as less capital tied up in operations. The objective is to raise the net margin, through such means as comprehensive measures to increase the efficiency of the construction process.

The key financial objective for real estate operations is the return on operating capital employed. In 1996, this amounted to 5.4 percent (6.2) before tax. The aim is to increase the visible return through a number of operational and structural measures. This is to be achieved through such measures as reducing and concentrating the real estate portfolio, increasing the turnover rate in the portfolio of managed properties and increasing the focus on real estate development.

Financial objectives

Profitability goals	Actual							Corporate objective
	1990	1991	1992	1993	1994	1995	1996	
Shareholders' equity, % ¹	12	-6	-22	5	14	4	5	10
Capital employed, %	13	2	-3	8	12	8	7	11
Financial goals								
Equity/assets ratio, %	24	21	18	20	28	28	28	35

1) After full tax



Driving force of employees forms foundation for profitable business

Age structure and educational level in NCC

Like many other industrial companies in Sweden, NCC's employees have a high average age. The average age for skilled workers in December 1996, was 43.3 years. Among salaried employees, the average age was 45.4 years. The following figures apply to Swedish operations.

Salaried employees

Age	-35	36-50	51-65
Men	16%	35%	33%
Women	6%	6%	4%
Total	22%	41%	37%

Age	-35	36-50	51-65
Men	28%	36%	33%
Women	1%	1%	1%
Total	29%	37%	34%

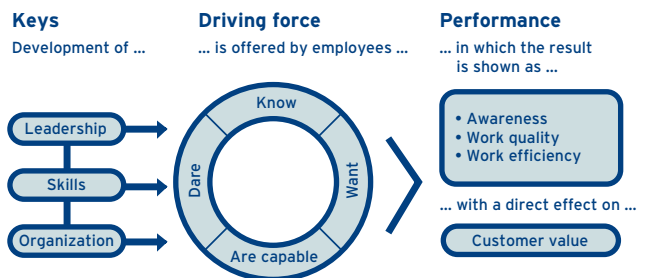
The primary factor underlying the high average age in the company is the dramatic decline in the construction business cycle that commenced at the beginning of the 1990s. The "building sector crisis" led to substantial cutbacks. According to the applicable labor market rules, this meant that a large portion of NCC's younger, well-educated employees, which had been recruited during the boom period of the 1980s, left the company. The proportion of university/college graduates in NCC is 6 percent. The corresponding proportion among salaried employees is 15 percent. According to Statistics Sweden, 2 percent of all employees in the construction industry have completed at least three years of further education following high school. The corresponding figure for manufacturing and processing industries is 6 percent.

To safeguard the company's future, considerable resources are now being invested in recruiting younger, well-educated employees, and in skills-development programs for those already employed.

Women account for approximately 8 percent of NCC's total workforce in Sweden. According to Statistics Sweden, the figure for the construction sector as a whole is equally low. NCC aims to achieve a more uniform distribution between men and women when recruiting new employees.

NCC's Human Resources – 1996 personnel survey

In recent years, NCC has developed a model to measure the Company's "human resources". The model is based on the concept that it is the driving force of NCC's employees that pro-



vides the basis for profitable transactions. The key to the successful development of this driving force is improvements in management, skills and organization.

In 1996, NCC undertook a new assessment of its human resources. A total of 4,800 employees engaged in Swedish operations were polled. The answers are shown in the form of an index for the two result variables — *performance* and *driving force*— and for the keys factors of *management*, *skills* and *organization*. The index is designed to serve as a direct signal for the development needs of various regional units within NCC. In total, NCC includes about 40 regional units. Through comparisons with the highest value, a development potential is identified, which acts as the basis for the unit's development objectives.

Human resources in NCC according to the 1996 personnel survey

	Highest value	Mean value	Lowest value
Performance	80	72	68
Driving force	69	61	57
Management:			
Management style	77	63	58
Control	75	65	53
Skills:			
Skills requirements	78	72	65
Skills evaluation	63	45	36
Organizational:			
Influence	75	58	47

The values in the table are shown in the form of an index ranging from 0 to 100. Each value has been estimated on the basis of several questions in the personnel survey.

Definitions:

- Performance - being aware of customer requirements and doing a quality job
- Driving force - the energy that employees devote to their work, their willingness to make an effort.
- Management style - the manager's ability to establish definite objectives and plans, to implement and organize.
- Skills requirements - ability to learn anew.
- Influence - potential to influence.



The driving force of employees is the foundation for profitable business. Improvements in leadership capabilities, skills and the organization strengthen this driving force.

The survey shows that, despite extensive programs, the value factor for skills development is low. The explanation is found in the difference between salaried employees and skilled workers. The salaried employees' index for skills development is 57, while that for skilled workers is 38. Among college-educated engineers, the index factor for skills development is 65. The difference between salaried employees and skilled workers also explains the low value factor for "on-the-job" learning as shown below.

Skills development at NCC

A very large number of training programs are in progress at NCC, in such areas as IT, technology and management. The programs are conducted and coordinated by the training function in all personnel units. But skills development involves a great deal more than training. It also covers how total learning within NCC should be inspired and controlled.

In NCC's assessment of its human resources, the index for *skills requirements* shows NCC's ability to solve today's tasks and thus conduct operations profitably. The index for *skills development* shows the ability to learn new skills and thus renew current operations. NCC's skilled workers offer major potential in this respect. NCC's long-term skills development is largely undertaken internally, although an important part of this is conducted in cooperation with technical colleges and training companies.

Individual development plans for each employee

The development of employee skills is a central point in annual employee interviews. In an employee interview, expectations and undertakings are joined together to arrive at a mutual "contract" of what is demanded and the training programs required to meet the objectives. NCC compiles a development plan for each employee.

On-the-job learning

One management task is to stimulate on-the-job learning. Through new tasks, by testing new methods or ways of working, the skills of all employees are improved. The index factor

for *skills development* derived from the 1996 personnel survey refers to both on-the-job learning and skills gained in training. Based on the development programs in progress, a sub-index is presented below for "on-the-job learning". The index shows the combined effect of the employee's perception that it is possible to learn something new on-the-job and the manager's involvement in proposing new working tasks.

Greater on-the-job learning can be attained through more active and inspiring leadership. A major program is in progress in this area.

On-the-job learning among NCC's employees

	Highest value	Mean value	Lowest value
Index	76	50	38

Learning for change

To ensure that NCC is prepared for future challenges, the Group focuses on the development of strategic management skills through regular annual management training programs. Other efforts involve targeted recruitment and training to attract employees with deeper and wider reference frameworks. R&D programs are also important. The table below shows the principal key ratios in learning for change.

Key ratios for learning for change in Swedish operations

Strategic management skills	
Number of persons with strategic management skills per SEK 1 billion in revenue	18
Technical development skills	
Number of college graduates and civil engineers per SEK 1 billion in revenue	29
Skills for renewal	
Number of trainee engineers per SEK 1 billion in revenue	7



Planning of a construction project, which includes such tasks as calculations, budgets and production schedules, is now undertaken at the building site with the help of IT support.

Systematic diversity

NCC's operations require that all employees assume considerable personal responsibility. To develop driving force, activities are conducted continually to develop management, organizational conditionals and skills.

NCC's corporate culture emphasizes management and skills. To ensure target-oriented development, NCC has created a system to continually monitor and develop human resources. The system inspired several new skills development projects during 1996.

Work on the road – focus on authorization for production

During 1996, a major educational program was undertaken in accordance with the competency requirements of the National Swedish Road Administration. The first stage consisted of educating 24 NCC instructors using instructors from the Swedish Road Administration. NCC's internal instructors have since trained 3,800 people in "Work on the Road" programs. This two-stage model for the training of internal instructors, who in turn train others, will be used in 1997 for the environmental training of all employees.

Active leadership – focus on operational leadership

The first stage of "Active leadership" is a survey in which employees reply to questions about managers' leadership skills and how workplaces function. The results from the survey form the basis for a discussion between managers and employees, which leads to a development program with concrete and practical measures to develop leadership and workplaces. The implementation of the plan is supported by continual seminars and training. During 1996, 200 operations managers, site managers and supervisors, as well as 1,800 skilled workers, received training in "Active Leadership."

Certified site managers – focus on learning for change

Measures to develop qualified production skills have the potential to affect more than 90 percent of NCC's costs. The certification system is based on detailed measurement of the skills requirements for successful production. In certification, the site manager also receives an educational check to facilitate

the development of leading-edge production skills. The task of the site manager is then to use these new leading-edge skills in training at his own workplace. During 1996, 52 NCC site managers received certification and follow-up training programs were started. In three years, NCC will have about 600 certified site managers.

20-credit business administration course – focus on learning for change

In cooperation with the Business Administration Institution at the University of Uppsala, NCC arranges a training project for young engineers. This training program is mainly a distance-learning course based on computerized communication between teachers and students. In June 1996, some 30 participants—mainly engineers—concluded their studies with very good results. In September, the next group of 33 participants started their studies.

IT – focus on "on-the-job learning"

A development of the computer back-up required in various functions is in progress at NCC. This is based on uniform basic skills in the handling of data. Consequently, NCC assigned priority to IT training during 1996. Some 25 percent of the total time is devoted to instructor-led IT training. To further underscore the need for broad IT skills, NCC has developed interactive computer-based training—referred to as the "Foundation". In August 1996, the Foundation had been installed in 1,800 PCs. NCC's "on-the-job training" in IT skills is realized with the help of this computerized training program, combined the potential to consult with colleagues.

Total training time distributed among various areas of skills

Information technology	25%
Production technology	15%
Production control	15%
Authorization for production	23%
Contracting legal affairs	6%
Management	16%



Integration and participation at all levels

NCC's principal strategic goal is to attain long-term profitability. We expect the Group's environmental efforts to both open new business opportunities and result in efficient work procedures.

Success in environmental work requires consideration for the environment in all activities and processes—in raw material selection, construction processes and real estate management. In recent years, NCC has introduced systems to integrate environmental aspects into all operations. Environmental management systems, environmental certification and extensive personnel training are examples of these.

NCC will continue to develop and improve internal environmental work. In the future, efforts to ensure that business concepts are made more compatible with environmental considerations will be assigned priority. Some of NCC's operations have long been connected with the environmental area. This focus will become even more distinct as NCC offers services and products that facilitate the building of sustainable and environmentally compatible communities. The Group's commitment is exemplified by NCC Civil Engineering's establishment of a new product area—Environment—during 1996. This product area offers products and services that improve the environment, such as the treatment of contaminated land, handling of leachate from landfill deposits, environmental dredging and erosion protection.

Skills and commitment of Group personnel

Change requires knowledge, commitment and participation. In 1996, NCC devoted considerable resources to the development of personnel skills in the environmental area.

During the year, the training of some 400 key people was completed. At the same time NCC, in cooperation with a training company, developed an environmental training program for all employees. The employees will be trained by the Group's own environmental training instructors. During 1996, the training of some 150 environmental instructors commenced. In the future, they will also function as "environmental ambassadors" and internal know-how resources in future environmental work. The objective is that 80 percent of the entire workforce will receive environmental training by year-end 1997.

NCC's environmental impact

The most significant environmental impact from NCC's operations derives from the use of fossil fuels for production, heating and transport. Consequently, a decrease in the use of fossil fuels and a decrease in building waste are the most important measures from the environmental viewpoint.

Our objective, over the next few years, is to reduce energy consumption by at least 5 percent per year.

The objective for residual products is to limit the amount sent to landfill to a maximum of 1.0 ton per SEK 1 m. of revenue.

Certification

NCC environmentally certified parts of its operations in 1995, making it one of the first companies in Sweden to do so. The objective for 1997 is to certify 20 units. No later than the year 2000, all manufacturing units will be certified. Certification will be based on the international ISO 14001 standard.

Key ratios

During 1996, key data was compiled for the Group as a whole, and for individual projects. The processing of all relevant key data has not been concluded and should instead be regarded as an ongoing process. The table below shows the overall key data identified for the Group. Key ratios that reflect transport are absent since, among other reasons, we have insufficient knowledge of transport operations conducted by subcontractors.

Development of environmental work at NCC

1994: Identification of environmental requirements and needs for measures.

Creation of environmental policy

1995: Strategic plan for the Group in the environmental area

Environmental organization

Environmental management system

Commencement of environmental certification

Environmental training for executives

1996: Strategic plans established for business areas

Training in environmental matters commences for all personnel

Key data for environmental impact are established

Formulation of environmental plans, demolition plans and specification of contents of building materials



NCC Machinery develops products that facilitate work at building sites. Newly developed products include a new type of waste shaft that eases the sorting of construction waste.

Environmentally hazardous waste is collected in an "environmental station" at the building site.

Experience from the key data now being introduced will provide the basis for an improved analysis of NCC's environmental performance.

Key data	1995	1996	Target 1997
Environmentally trained personnel, %	1.5	7	80
Building projects (> SEK 5 m.) with environmental plans, %	-	-	10
Amount of residual products sent to landfill, tons/SEK m.	-	0,9 ¹	1,0
Energy consumption, KWh per m ² of leasable space			
- electricity	75	77	≤ 73
- heating	132	134	≤ 127
Energy consumption, KWh/ton			
- crushed products	9	8,9	8,8
- concrete	14	13	12
- asphalt	74	76	74
Proportion of recycled concrete and asphalt in relation to total produced, %	2	3	10
Crushed rock/natural gravel ratio	70/30	70/30	72/28

1) In relation to revenues. Measurements were conducted in only one region with a relatively high degree of recycling. Total demolition not included.

Environmental costs

Environmental costs include costs associated with the restoration of land and water to acceptable levels. Costs arising from the handling of environmentally hazardous materials in connection with rebuilding and demolition can also be categorized as environmental costs. As yet, NCC does not have the information that can reliably establish the environmental costs related to land and real estate holdings. However, the general opinion is that there are no major environmental costs to be found in these areas.

Separate environmental report

NCC's environmental report for 1996 shows how environmental aspects are being integrated into operations, and how environmental work developed during the year. The report is available from NCC, Corporate Communications, S-170 80 Solna, tel: +46-8-655 20 00, fax: +46-8-85 77 75.

Environmental objectives in 1996

The following objectives were formulated in 1996

✓ Implementation of NCC Environmental Management System

Most aspects of the Environmental Management System have been applied. The environmental organization is functioning, work is monitored and projects are controlled in accordance with the Environmental Management System.

✓ Establishment of strategic plans for business areas

Strategic plans for the development of environmental efforts are currently in place for the business areas Building, Civil Engineering, Industry and Real Estate.

✓ A model establishing environmental objectives for building projects shall be developed and applied

A general framework for environmental plans was developed within the business areas Building and Civil Engineering in 1996. Environmental plans in accordance with the general framework were prepared for 50 projects, or approximately 1 percent.

✓ Environmental training: key groups in 1996, all employees not later than 1997

Environmental training is in progress.

✗ Environmental certification of five units

Certification has been postponed in order to be included in the certification of entire regions.

✓ Development of key data

Key data have been formulated and will be developed and supplemented along with new know-how and experience. See table of key data.

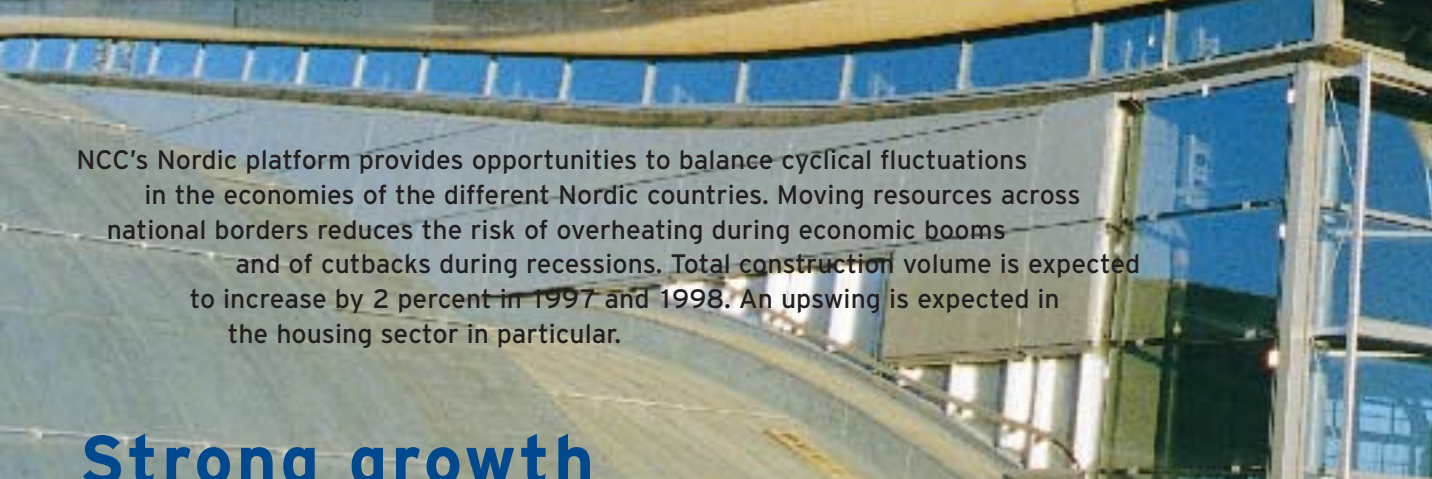
Objectives for 1997

NCC's overall objective is to be the industry leader in terms of the environmental compatibility of operations.

Environmental objectives have been established in the business areas in the field of training, integration of environmental aspects in operations, environmental certification and the minimization of waste.

Group-wide objectives for 1997:

- creation of routines governing how environmental aspects are considered in the purchase of goods and services
- environmental certification of twenty units
- integration of Nordic companies in Group-wide environmental work
- updating of Environmental Management System and environmental policy in accordance with the ISO 14001 requirements
- improvement of environmental performance in accordance with key data



NCC's Nordic platform provides opportunities to balance cyclical fluctuations in the economies of the different Nordic countries. Moving resources across national borders reduces the risk of overheating during economic booms and of cutbacks during recessions. Total construction volume is expected to increase by 2 percent in 1997 and 1998. An upswing is expected in the housing sector in particular.

Strong growth in Finland in next few years

Sweden

Sweden's National Economic Research Institute expects a favorable economic trend in 1997 and 1998, with annual GDP growth of about 2.5 percent. The forecasts are based on a continuing fall in interest rates, low inflation and increased private consumption. However, unemployment shows no downward tendency.

During 1996, overall construction turned slightly upwards for the first time since the start of the recession in the industry. The increase was due to continuing high industrial investment, as well as government subsidies for investment, repairs and renovation in the housing sector. However, the trend in 1997 looks weak and continuing growth in the industry is not expected before 1998.

The improvement in the economic trend, with rising disposable incomes and lower interest rates, favors housing construction in the long term. But to date the market conditions required for an upturn in the housing sector have been absent. During 1996, there were 13,000 housing starts. The increase in the immediate future is expected to be low, at about 1,000 in 1997 and 4,000 in 1998.

Investment in industrial building is considered to have passed the peak, but has steadied at a favorable level.

Road and civil engineering investments culminated in 1995 and declined slightly in 1996. Forecasts indicate a further decline in 1997 and 1998. The long-term trend depends on the Communication Committee's final report, which will be presented in March 1997, and will form the basis for transport investments in the period 1998 — 2007. One Committee proposal is to switch the focus from highway investments to operations and maintenance. As a result of the political agreement to abandon a major infrastructural project in Stockholm at the beginning of February, the downturn will be sharper than previously expected.

Denmark

The Danish economy is developing positively. GDP growth in 1996 was about 2 percent and is estimated to amount to nearly 3 percent in both 1997 and 1998. The improvement is attributable to increased domestic demand and increased exports. Inflation was 2.1 percent in 1996 and the forecast for 1997 is 2.5 percent.

The total volume of started up construction projects increased by about 2 percent in 1996. A similar increase is expected in 1997. The total volume of construction is expected to fall in 1998 as a result of decreased investment in civil engineering. Residential construction rose by 4 percent in 1996. A similar increase is expected in 1997, followed by a rise of 3 percent in 1998. Investments in other buildings, such as schools, rose by 8 percent in 1996. For 1997 and 1998, the increase is estimated to about 2 to 3 percent.

Investment in civil engineering is expected to fall in 1998. The decrease will be due to such factors as the winding down and completion of operations on the Great Belt link and ancillary roads for the Öresund link.

Finland

The Finnish economy also developed positively in 1996, with GDP growth of 3.2 percent, expected to reach approximately 4 percent in 1997. The currency is stable and the interest-rate differential vis-à-vis the German ten-year government bond has narrowed substantially. Inflation, which was 0.6 percent in 1996, is forecast to move up to 1.0 percent in 1997. Unemployment remained high throughout 1996, at 16.3 percent, but is expected to fall slightly in 1997. Total construction volume rose by 3 percent in 1996. Increases of 5 and 4 percent are expected in 1997 and 1998, respectively.

During 1996, about 23,000 new housing units were started. Forecasts indicate that the number will rise to 27,000 in 1997. The volume of renovation work in 1996 was larger than the volume of new housing starts. In 1997, renovation work is expected to increase by about 6 percent. Investments in other buildings and civil engineering projects are expected to rise slightly during 1997 and 1998.

Norway

The favorable economic trend in Norway, which has been sustained for a number of years, is expected to continue in 1997. During 1996, GDP growth was about 5 percent. Falling interest rates in recent years have had a positive impact on the construction industry. As a result of a moderate rate of inflation and a relatively austere fiscal policy, interest rates will probably remain at their current level in 1997. Latest reports indicate that unemployment in Norway is at its lowest level for many



From left:
Nikolai Paus, President, NCC Eeg Henriksen,
Jan Sjöqvist, President and Chief Executive Officer, NCC AB,
Markku Markola, President, NCC Poulimatka, and
Kaj Kristensen, President, NCC Rasmussen & Schiøtz.

years, at 4.2 percent. This factor, combined with a substantial increase in household income, means that housing starts are expected to increase from about 19,000 to 20,000 in 1997.

Investments in other buildings are forecast to increase by about 5 percent in 1997. The strong expansion in recent years is due to such projects as the building of the new Gardermoen Airport, the Oslo General Hospital and various school building projects as a result of a radical education reform. However, a decline of 3 percent is expected in 1998.

Activity in the civil engineering industry is expected to decrease in 1997 due to government cutbacks in highway investments. Railway investments are also expected to decrease as a result of lower activity at Gardermoen.

Overall construction investment is expected to increase by about 2 percent in both 1997 and 1998. During 1996, the increase was 3 percent.

NCC Rasmussen & Schiøtz has expanded and modernized a section of Kastrup Airport known as "Finger A".



Construction trend in Sweden

	1995 SEK billion	1996 %	1997 %	1998 %
Nordic region, total				
Housing, total	127	2	3	8
Other buildings	126	7	2	0
Roadwork and civil engineering	105	-1	0	-6
Total construction investments	358	3	2	1
Maintenance work	173	1	3	3
Total investments plus maintenance	531	3	2	2
Sweden				
Housing, total	26	12	-2	16
Other buildings	47	4	0	1
Roadwork and civil engineering	36	-2	-1	-4
Total construction investments	109	4	-1	3
Maintenance work	78	0	5	3
Total investments plus maintenance	187	2	1	3
Denmark*				
Housing, total	39	4	4	3
Other buildings	30	8	2	3
Roadwork and civil engineering	31	-1	3	-17
Total construction investments	100	3	3	-4
Maintenance work	39	0	-1	2
Total investments plus maintenance	139	2	2	-2
Finland*				
Housing, total	33	-6	8	8
Other buildings	19	9	2	1
Roadwork and civil engineering	15	2	3	2
Total construction investments	67	1	5	4
Maintenance work	28	8	6	3
Total investments plus maintenance	95	3	5	4
Norge				
Housing, total	29	1	2	7
Other buildings	30	11	5	-3
Roadwork and civil engineering	23	-3	-5	0
Total construction investments	82	4	2	2
Maintenance work	28	1	2	3
Total investments plus maintenance	110	3	2	2

*The value for 1998 is based on NCC's own assessment.
Source: Swedish Construction Federation and NCC.



NCC Rasmussen & Schiøtz participated in the building of the new Tuborg Nord area, north of central Copenhagen, overlooking the Øresund.



NCC Puolimatka's projects during the year included construction of an office building in Helsinki for ICL.

NCC's Nordic subsidiaries

NCC Rasmussen & Schiøtz

Effective October 1, NCC acquired the contracting operations of Denmark's largest construction company, Rasmussen & Schiøtz. The purchase price was DKK 310 m., following a capital contribution of DKK 150 m. from the seller to the acquired company. The acquisition included R&S Byg, R&S Anlegg, E-service and the associated companies RGS (33%) and Betonelement (50%).

Prior to this acquisition, NCC was represented in the Danish market through its subsidiaries Arnton, NCC Ejendomme and H. Poulsen & Co, which had combined sales of nearly DKK 600 m. Effective January 1, 1997, these companies have been integrated into NCC Rasmussen & Schiøtz.

NCC Rasmussen & Schiøtz is active in the civil engineering and building markets, as well as the building materials industry. The company is Denmark's largest player in the building market, with approximately 2,400 employees. The portions of Rasmussen & Schiøtz acquired by NCC reported earnings of SEK 8 m. Following the merger with Arnton and NCC Ejendomme, a loss of SEK 12 m. (income: 1) was reported after net financial items. Income-recognized invoicing amounted to SEK 1,4 billion (0.7).

NCC Puolimatka

On January 1, 1996, NCC acquired 51 percent of the shares in the Finnish building contractor Puolimatka. The remaining 49 percent of the shares were acquired in May 1996. The total purchase price was FIM 177 m. NCC Puolimatka occupies a strong position in the Finnish building market and is a market leader in the residential segment. Construction and real estate operations are being built up, partly with the help of the NCC Group's experience and expertise. NCC Puolimatka is active throughout Finland and holds its strongest position in the southwestern part of the country and in the Helsinki area.

NCC Puolimatka is also active in the Russian and the Baltic markets. The company's experience is of strategic importance and provides new opportunities for the NCC Group. NCC Puolimatka's largest projects in Russia have included construction of the Finnish Embassy and several military villages. Notable new orders include the construction of a corrugated board plant outside St Petersburg on behalf of AssiDomän. In total, the company's international operations declined during 1996 due to the unstable political situation in Russia, which also inhibited international investments.

Income-recognized invoicing amounted to approximately SEK 2.3 billion in 1996 and the number of employees was about 1,500. Income after net financial items totaled SEK 1 m. in 1996.

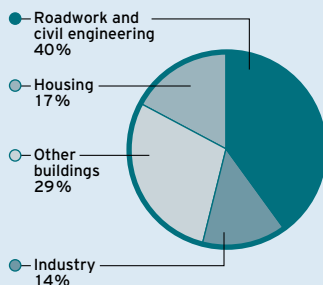


Kaj Kristensen, President of NCC Rasmussen & Schiøtz, and Jan Sjöqvist, Chief Executive Officer of the NCC Group, signing the acquisition agreement.



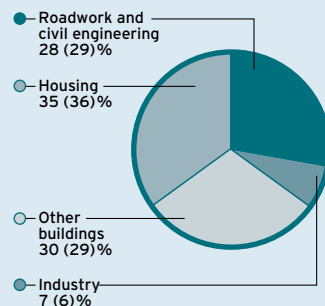
Nordic product mix 1996

NCC



Source: Swedish Construction Federation and NCC

The construction market



In Helsinki, NCC Puolimatka is engaged in the renovation of the Cabinet Building. Work includes reinforcement of the building's foundation and restoration of rooms.

NCC Eeg-Henriksen

NCC Eeg-Henriksen is Norway's third largest pure construction company. The company, which was originally a civil engineering operation, is celebrating its 75th anniversary in 1997. As a result of organic growth, revenues from building operations are now equal in size to those from civil engineering activities.

NCC Eeg-Henriksen holds a leading position in Norway's civil engineering market. The company holds particularly strong positions in major concreting contracts, such as bridges and offshore projects, power plants and tunnel facilities, as well as road-building contracts.

In the building sector, NCC Eeg-Henriksen occupies a strong position in the other buildings segment, which includes schools and hospitals. The customer structure in the civil engineering segment is dominated by public authorities, while the structure in the building segment is more diffuse, with the private sector as the principal customer category.

NCC Eeg-Henriksen had approximately 1,300 employees in 1996. Income after net financial items in 1996 amounted to SEK 24 m. (7). Income-recognized invoicing totaled SEK 2.5 billion (0.4).

Largest construction companies

Invoiced sales 1995, SEK m¹

Denmark	
NCC Rasmussen & Schiøtz	4,200
Højgaard & Schultz	2,827
Monberg & Thorsen	2,353
C G Jensen	1,915
H Hoffman & Sønner	1,469
Finland	
YIT	3,962
Lemminkäinen	3,231
NCC Puolimatka	2,232
Polar	2,070
Skanska Oy	1,723
Noway	
Veidekke	3,991
Selmer	3,809
NCC Eeg-Henriksen	2,475
Norwegian Contractors ²	2,159
Peab AS	901

1) Invoiced sales: relates to construction operations in the company concerned.
2) Only offshore



NCC Eeg Henriksen is participating in the expansion of Norway's large Gardermoen airport outside Oslo. The principal contracts include a section of an express railway, arrival bays and a railway station.

Largest construction companies in Sweden

SEK billion	1994		1995		1996	
	Market share	Invoicing for the year	Market share	Invoicing for the year	Market share	Invoicing for the year
Skanska	7.6%	14.5	8.4%	15.7	8.5%	16.3
NCC	6.0%	11.4	7.0%	13.0	6.3%	12.0
SIAB	4.0%	7.7	4.9%	9.1	4.3%	8.2
PEAB	4.0%	7.6	4.6%	8.6	4.6%	8.8
JM	1.5%	2.9	1.6%	3.0	2.0%	3.8
Others ¹	76.9%	147.2	73.5%	138.0	74.3%	142.4
	100%	191.3	100%	187.4	100%	191.5

Total invoiced sales according to the Swedish Construction Federation. 1995 prices.

1) This item includes operations conducted internally by central and local government authorities.

The Civil Engineering business area engages in construction, repair and maintenance activities in the Nordic roadwork and civil engineering market, as well as civil engineering projects in other selected geographic markets.

Advanced technical expertise and specialist skills, as well as a flexible organization, are important competitive factors.

Invoicing during the year amounted to SEK 7.2 billion (7.9), of which approximately SEK 2.2 billion (2.0) derived from projects outside Sweden.

Nordic base generates competitive benefits



Business concept

The Civil Engineering business area shall utilize its high level of expertise, quality and cost effectiveness to initiate, plan, refine and implement roadwork and civil engineering projects, through interaction with customers.

The Civil Engineering business area shall hold strong positions in Nordic markets. Based on its collective skills and resources, the business area will compete for major civil engineering projects in the Nordic region and other selected geographic markets.



Alf Algotsson
President of the business area



in other markets

Strategy

The objectives of the strategy are to further strengthen NCC's position in the Swedish market and to develop the civil engineering operations of the Group's newly acquired subsidiaries in the Nordic region in a manner that ensures that synergy and coordination potential is fully utilized. As a result, NCC will strengthen its positions in the Nordic markets.

In the market for projects outside the Nordic region, major civil engineering contracts shall be assigned priority. Cooperation within SEC (the Société Européenne de Construction alliance) shall be developed with a focus on major infrastructural projects.

Organization

The Civil Engineering business area is organized in the following units: Swedish Regions, Major Projects and Nordic Subsidiaries. Swedish operations, which are highly decentralized within Swedish Regions, are conducted in nine regions. Major Projects is responsible for large-scale and/or particularly complex projects both in and outside Sweden. The purpose of the Nordic Subsidiaries unit is to capitalize on synergistic potential and develop civil engineering operations in both the Nordic subsidiaries and Swedish operations.

Products

The Civil Engineering business area conducts construction, repair and maintenance activities in the following product areas:

- roads, bridges, tunnels and underground facilities
- railways and airports
- landscaping and land improvements
- road surfacing
- operation and maintenance of roads and municipal facilities
- other civil engineering projects, such as power plants, plants for process industries, water and sewage plants, harbors and quays.

Continued specialization

The business area's focus on specialization within specific market areas continued during 1996. Specialized units for such operations as road surfacing, underground projects, technologically complex bridges and the renovation of pipelines have been established for several years. To augment NCC's focus on environmental issues, a new product area for such issues has been established within Swedish Regions, which focuses on such activities as the decontamination of polluted land, environmental dredging, leach water treatment and sump gas facilities at landfills.

Hercules Grundläggning, a subsidiary that specializes in foundation and reinforcement contracts, holds a strong market position. Effective January 1, 1997, Byggs Sprutbetong, a rock reinforcement company, is part of Hercules Grundläggning.

Research and development

The advancement of NCC's technology is largely derived from participation in construction contracts and from close cooperation with other NCC units, primarily NCC Technology. Customers and suppliers are other important partners in NCC's development work.

In close cooperation with the Building business area, the Civil engineering business area is continuing to introduce new system-support activities. As part of the VINST project, which involves an operations-based information structure, new systems are gradually being introduced into virtually all operating sectors. NCC's construction control system was adapted to the ISO 9001 international quality standard in 1996. The overall objective is to generate synergistic benefits within resource management and through the reutilization of experiences gained from other projects and thus be able to provide products that offer customers superior value for money.

A number of research projects are conducted in direct conjunction with construction assignments. For example, research projects were conducted in connection with parts of the Arlanda Link contract. These included the design of ventilation facilities at tunnel access points and a doctorate thesis at the Royal Institute of Technology into the optimal design of grouting work from an insulation viewpoint.

The Drogden Tunnel is an important part of the 16-kilometer Öresund Link between Sweden and Denmark. When the Link is completed in the year 2000, this 3.7-kilometer tunnel will be the world's largest immersed tunnel in terms of volume.



In the road-surfacing area, R&D work is conducted continuously. Projects in 1996 included surfacing a new section of the E6 highway outside Halmstad as a research project.

A number of highway sections were completed during the year, including the E4 section at Molletofta, southern Sweden, the Stinneröd-Lerbo-Grohed section of the E6 and the Fors-Jordbro section of Highway 73.

The production of the prefabricated concrete tunnel segments used in the Öresund Link tunnel is based on state-of-the-art concreting technology, particularly with respect to controls of the hardening and temperature development of the concrete. NCC is continuing its research into this area within the framework of a larger European project.

Concreting technology is an important area, in which NCC is participating actively in a national Swedish research program known as High Performance Concrete.

NCC is also one of the industrial partners in the national Swedish Road/Tunnel/Bridge research program, and is participating in the form of several PhDs in engineering. Specific activities include research at the Chalmers Institute of Technology into road-construction dimensioning models.

Increased focus on skills development

The business area continued to invest in skills development activities during 1996. A site manager certification program was initiated and resulted in the certification of 24 site managers during the year. The aim is that another hundred site managers will be certified during 1997. The training program for international project managers continued. New rules for roadwork employees were introduced during 1996, which resulted in extensive training measures through the "Work on the road" course. Approximately 3,000 employees and about 800 subcontractors and suppliers received training during the year.

During 1996, the Civil Engineering business area implemented a comprehensive program for the discussion and securement of NCC's corporate culture within the business area. A couple of regions are conducting pilot projects designed to develop leadership skills connected to the corporate culture.

During 1996, the trainee program for recently graduated engineers continued at the same rate as in previous years.

The Swedish market

According to the Swedish Construction Federation, investments in roadwork and civil engineering projects in 1996 amounted to SEK 34.8 billion, an approximately 2-percent decrease in production volume compared with 1995. Activity in the roadwork and civil engineering markets, which has been at historically high levels during recent years, is now expected to decrease for a protracted period. As a result of the political agreement to abandon a major infrastructural project in Stockholm, major investments are being postponed.

During 1996, the Swedish Government presented its proposal regarding future infrastructural investments, whereby the total framework for investments during 1998–2007 was reduced from SEK 206 billion to SEK 188 billion. The proposal entails an approximately SEK 30 billion decrease in infrastructural investments and a realignment of expenditure in favor of operation and maintenance projects and various pro-environmental and traffic-safety programs. Roadwork investments will be reduced by approximately 40 percent and railway expenditure by 30 percent, compared with the current plan. The projected increase in the maintenance segment will probably be accounted for by proprietary operations of national and local government authorities.

The road-surfacing market declined sharply during 1996 to approximately 5.7 million tons. This was the lowest level since the 1950s and 1960s. The decrease was due to reduced expenditure in infrastructural expansion and cuts in the National Road Administrations' public tenders for road maintenance.

Other Nordic markets

The Norwegian civil engineering market has remained at a relatively high level for a number of years. A decline is expected following the completion of the large-scale civil engineering contracts connected to the Gardermoen Airport project. However, there are plans for a few other major infrastructural projects in the Oslo region. New projects are also planned in the hydro-power sector.

The Finnish economy is improving. However, volumes in the civil engineering market are very low. Public sector customers have very depressed economies.

In Denmark, civil engineering investments are expected to increase in 1997 and decrease sharply in 1998. The decrease is due to such factors as a downscaling and completion of contracts connected to the Great Belt Bridge and land-based access points to the Öresund Link.

Markets outside the Nordic region

Outside the Nordic region, the business area is engaged in major civil engineering projects in Central Europe, Russia, the Middle East and certain countries in Asia.

Although the need for infrastructural investments is substantial in Poland, the Czech Republic and Hungary, a shortage of financial resources and risk capital is a strongly inhibiting factor. Uncertainty about economic and political development



In February 1997, construction of the Arlanda Link reached a milestone, when the northern and southern tunnels converged under Sky City, at Arlanda Airport.



In connection with the Arlanda Link project, this railway bridge over the E4 highway north of Arlanda Airport is being constructed.

in Russia and the Baltic States is expected to result in considerable restraint with respect to infrastructural investments in the next few years.

In the Middle East, the level of investment is much lower than it was up to the end of the 1980s. There are many ideas for projects, but only a few are feasible.

The construction market in Southeast Asia is expansive. Investment activity in Malaysia has probably peaked, while the trend in such countries as Thailand and Indonesia is rising.

New financing solutions and expanded commitments, which occasionally encompass both part ownership and responsibility for operation and maintenance, are becoming increasingly important factors in the procurement of projects.

Many small and medium-sized projects

In Sweden, small and medium-sized projects dominate operations. A total of approximately 2,700 projects were undertaken within the business area during 1996.

Road-surfacing contracts are conducted on behalf of Swedish municipalities, the National Road Administration and private customers.

The new access road to Helsingborg, a highway project that has attracted considerable attention, was completed during the year. The new road, which is used by 28,000 vehicles per day, is a safer and more scenic route to Helsingborg. Since the road becomes narrower as it approaches the city center, drivers voluntarily adjust their speed to the prevailing conditions.

The approximately SEK 150 m. contract for the new Tranås bypass was completed during the year. A total of 12.5 kilometers of new highway, plus access facilities and three traffic intersections were built. The contract also included ten bridges and a roadside rest facility.

Notable new orders during 1996 included a new section of Highway 61 between Kil and Fagerås in the province of Värmland for approximately SEK 200 m., a bypass around Sigtuna, outside Stockholm, which includes a bridge over the Garnsviken bay, and 12 new bridges on the E4 highway past Mjölby.

NCC is also participating in the initial preparations for the Swedish side of the Öresund Link, which includes construction of a new railway bridge on the Continental line.

On the East Coast line outside Älvkarleby, extensive contracts related to two phases of the project are being completed.

NCC has also completed a BEST (Building, Electricity, Signaling and Telecommunications) contract for a double-track railway line. These are assignments that in the past the Swedish Railway Administration usually conducted on a proprietary basis.

Another major new assignment received during the year relates to the largest individual contract for Stockholm's new express tram line, worth slightly more than SEK 180 m.

Mälärbanan

The Mälärbanan project, which involves the expansion of the railway between Stockholm and Örebro for use by express trains, will be completed during spring 1997. NCC's share of this order, which is the first major Swedish railway contract undertaken on a turnkey basis, amounts to nearly SEK 1 billion.

Arlanda Link

Construction of the Arlanda Link has been under way since 1995. The Link, which will connect Stockholm Central Station to Arlanda Airport, is Sweden's first BOT (build, operate, transfer) project. Construction contracts relate to approximately 20 kilometers of railway and a total of 7 kilometers of bedrock tunnels, which involve considerable rock engineering work. Since the tunnel sections are only ten meters under the airport terminals, the safety and control requirements are rigorous.

Three railway stations are being built directly under the airport terminals at Arlanda, two for the airport commuter service and the third for through traffic. In this part of the contract, particular attention is also being paid to safety features. Stockholm Central Station is being rebuilt during 1997. Platform 1 is being converted into a terminal for the airport commuter service, to increase availability and improve passenger comfort. The Arlanda Link is expected to be ready for traffic in 1999.

In addition to NCC, the Arlanda Link Consortium (ALC) consists of the U.K. companies, GEC Alsthom and Mowlem, and the Swedish construction company Siab. The investment will total SEK 4.5 billion. The order value of NCC's construction assignments is SEK 1.1 billion.

NCC owns 22 percent of A-Train, which is the building proprietor for the Arlanda Link construction project and will operate the airport commuter service. See page 40.



The tunnel segments for the Öresund Link are built under controlled climatic conditions in the specially constructed plant at Copenhagen's Northern Harbor.

The Uri hydro-power plant in India, which is being completed during spring 1997, will generate 480 MW.

Covering of the M/S Estonia

Nordic Marine Contractors, an international consortium led by NCC, was commissioned at the beginning of 1996 to cover the M/S Estonia. The consortium included NCC's Norwegian subsidiary NCC Eeg-Henriksen, Jepsens ACZ, from Norway, and the Dutch company Smit Tak B.V. The order value was SEK 352 m. Following a decision by the Swedish Government in June 1996, work was suspended.

Intense construction activity at Öresund Link

Intense construction activity is in progress for the 3.7-kilometer immersed tunnel section of the Öresund Link. In December 1996, the first prefabricated tunnel segment was formed in a newly built plant in Copenhagen's Northern Harbor. A total of 160 tunnel segments will be formed. The segments are formed in a continuous process that will require 2,500 m³ of concrete. Each segment is slightly more than 8 meters high, 42 meters wide and 22 meters long. Eight segments are joined to form a 175-meter tunnel element. The elements are then

towed out and submersed in a dredged channel in the Öresund. At the same time, work is in progress on the artificial peninsular being constructed outside Copenhagen's Kastrup Airport, and on the artificial island being built just south of Saltholm.

Öresund Tunnel Contractors, which is led by NCC, consists of Dumez-GTM from France, John Laing Construction from the U.K., Boskalis Westminster Dredging BV from the Netherlands, and Pihl & Søn A/S, from Denmark. The order is worth approximately SEK 5 billion, of which NCC's share amounts to about SEK 1.2 billion. The consortium's contract is for the engineering and construction of the immersed tunnel. The Öresund Link is scheduled to be opened for traffic in the year 2000.

Norway's major airport

NCC and its subsidiary NCC Eeg-Henriksen are deeply involved in the expansion of Norway's large new airport in Gardermoen, outside Oslo. The principal contracts include construction of a section of the new express railway line, arrival bays and railway stations. The new Gardermoen Airport, which will be placed in operation in 1998, is a gigantic construction project, with investments totaling approximately NOK 20 billion. In total, NCC's share of the project is worth about SEK 1 billion.

Projects in Denmark

A number of the ancillary road contracts for the Öresund Link are in progress in Tårnby municipality. Among other assignments, Business area Civil Engineering and Armtom are building an overhead deck that will cover a 700-meter-long stretch of highway and railway. The project will be completed in the summer of 1997. In addition, NCC Rasmussen & Schiøtz is building bridges and 3 kilometers of highway between Tårnby and Kastrup. In total, NCC's share of the ancillary road assignments for the Öresund Link is worth about SEK 0.8 billion.

Projects outside the Nordic region

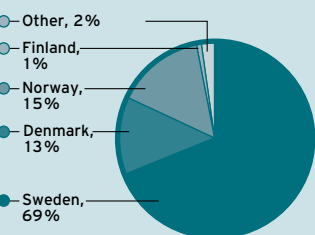
Outside the Nordic region, NCC mainly engages in large-scale civil engineering projects, such as civil defense projects, underground storage facilities, harbors and hydropower plants. A number of projects are in progress in Europe, mainly involving construction management assignments. Through NCC Puoli-



In Märsta, north of Stockholm, the Civil Engineering and the Building business areas are jointly constructing a combined heating power plant based on bio fuels.

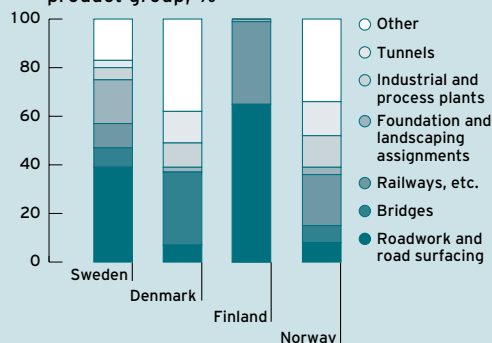
Invoiced sales 1996

by country, %



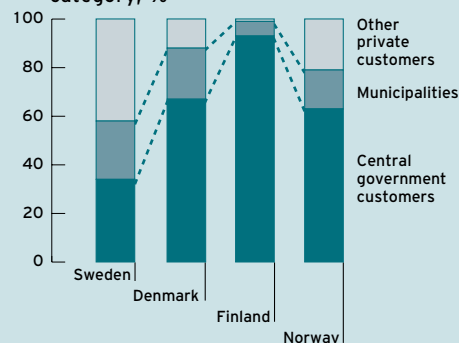
Product mix in Sweden

Invoicing for the year by product group, %



Customer structure

Invoicing for the year by customer category, %



matka, NCC occupies a strong position with respect to Swedish industries' investments in the Russian pulp and paper industry.

In the Middle East, Business area Civil Engineering is participating in several major projects by providing management and technical assistance.

Construction of the power plant in Uri, India, will be completed at the beginning of 1997. NCC's share of the project, which is being conducted through a Swedish-British consortium, amounts to approximately SEK 1.4 billion.

During 1996, a consortium consisting of NCC's Norwegian subsidiary NCC Eeg-Henriksen, Kvaerner Energy A/S and ABD Kraft A/S received a contract to build a hydro-power plant in Costa Rica. The order is worth NOK 270 m. of which NCC Eeg-Henriksen accounts for slightly more than half.

Earnings

Orders received by the Civil Engineering business area amounted to SEK 7.0 billion (7.9). The order backlog on December 31, 1996 was SEK 5.6 billion (6.6).

Invoicing for the year amounted to SEK 7,212 m. (7,946), and income-recognized invoicing totaled SEK 9,297 m. (6,584), corresponding to a degree of income recognition of 129 percent (83). Income after net financial items amounted to SEK 319 m. (192). The net margin was 3.4 percent (2.9). The improvement is attributable to the fact that a number of successful projects were recognized as income during the year.

Outlook

It is very likely that the Swedish, Danish and Norwegian civil engineering markets will decline somewhat during the years immediately ahead, while the Finnish market is expected to develop favorably. On the whole, zero growth is expected in the Nordic civil engineering markets in 1997. A decline is expected in 1998. As a result of the combined resources of its Nordic companies, NCC has a competitive advantage, particularly with respect to large-scale and complex civil engineering projects both in and outside the Nordic region.

NCC expects to be active in Southeast Asia on a project basis.

In view of the public offer for Siab, an assessment of earnings in 1997 will be submitted at a later date.

Civil Engineering business area

SEK m.	1994	1995	1996
Orders received	7,254	7,939	7,010
Order backlog	5,549	6,603	5,608
Income after net financial items	135	192	319
Operating capital employed at year-end	695	1,324	1,352
Cash flow	539	209	-369
Ratios			
Operating margin	0.2%	-0.3%	1.7%
Net margin	2.1%	2.9%	3.4%
Degree of income recognition	91%	83%	129%
Return on operating capital employed	20%	25%	28%
Other			
Average number of employees	5,872	6,409	6,033

INCOME STATEMENT, SEK m.

Invoicing for the year	7,044	7,946	7,212
Income-recognized invoicing	6,426	6,584	9,297
Operating expenses	-6,358	-6,525	-8,926
Depreciation according to plan	-52	-82	-209

Operating income after depreciation	16	-23	162
Net financial items	119	207	157
Share in income/loss of associated companies	0	8	0
Income after net financial items	135	192	319

BALANCE SHEET, SEK m.

Liquid assets	2,344	3,106	2,684
Current assets	1,730	1,911	1,768
Real estate held for resale	74	44	2
Fixed assets	419	766	552
TOTAL ASSETS	4,567	5,827	5,006
Net work in progress	1,790	2,115	1,112
Advances from suppliers	347	174	162
Other interest-free liabilities	1,706	2,023	2,365
Deferred tax liabilities	10	31	27
Interest-bearing liabilities	163	662	676
Minority interests	4	5	7
Equity	547	817	657
TOTAL LIABILITIES AND EQUITY	4,567	5,827	5,006

The Building business area engages in the construction, refurbishment and renovation of residential, industrial, educational, hospital and other properties. The key factors for operations are quality, cost efficiency, production development and environmental care, together with well-developed interaction with customers. Production volume during 1996 amounted to SEK 10.2 billion (6.5), of which markets outside Sweden accounted for SEK 3.9 billion (0.3).

New IT structure boosts production



Business concept

The Building business area shall be active throughout the Nordic region in the initiation, planning, development and implementation of building projects with the objective of satisfying both national and local customer requirements.

By engaging in extensive interaction with customers and ensuring high product quality, the business area shall be considered the best and most price-competitive building company in the market.



Kenneth Orrgren
President of the business area



efficiency

Strategy

NCC Building's strategy is to develop new concepts that meet customer requirements of the future.

During 1996, work aimed at developing a new housing strategy was initiated. In accordance with the housing strategy, the business area will increase its proprietary residential construction activity in the future and will also manage residential properties.

As a leading player in the Nordic construction market, NCC must be prepared to accept all types of major construction projects, while accepting the responsibilities of a local builder.

NCC Building continues to focus on increasing the efficiency of building activities, reutilizing experiences gained from other projects and measures to develop skills, mainly with the help of the new IT structure being built up for building contracting operations. The aim is that planning and project management will be conducted on-site using IT-based construction-control systems.

NCC's Construction Guarantee means that NCC makes a commitment that projects will be completed within the stipulated time and to the agreed quality and that any faults will be corrected within two weeks following final inspection.

Organization

The business area's operations are organized in the Swedish Regions and Nordic Region units. Swedish operations are conducted in 13 regions. A new function was established during the year, with the role of managing NCC Building's business operations in Sweden.

Customer orientation

The business area has started up a special school for sales engineers in order to enhance its professionalism and competitiveness. The first group of sales engineers was trained in 1996 and a new group is being trained during 1997.

Extensive training activities were also implemented during the year in the use of the customized computerized marketing system introduced in 1995.

To further improve interaction with customers, the Building business area will, as of 1997, continuously assess its performance, and work to improve it, using the Satisfied Customer Index.

The Swedish market

Residential construction in Sweden remained at a low level in 1996, with approximately 13,000 new housing starts reported. One subsegment that grew during the year and in which the business area has been successful consists of residences for students in towns with universities or colleges.

Swedish industry's investments in construction culminated in 1996 and are no longer increasing, according to Statistics Sweden's investment surveys.

In the market for other buildings, which includes commercial premises and public buildings, the favorable trend continued and a slight increase was recorded in 1996.

Other Nordic markets

The Danish market for newly built housing rose by 3,000 units during 1996 to 15,800 housing starts. Housing starts in 1997 and 1998 are expected to amount to 16,500 and 17,000, respectively, of which approximately half will receive government subsidies.

In Finland, the number of newly built housing units amounted to approximately 23,000 in 1996. Forecasts indicate an increase to 27,000 units in 1997. Investments in the market for other buildings are expected to rise by 2 and 1 percent in 1997 and 1998.

The number of housing starts in Norway is expected increase from about 19,000 to 20,000 units in 1997. Investments in the market for other buildings are expected to continue to increase in 1997 by 5 percent.

New housing for a new era

The deregulation of building standards and the changes in interest subsidies are resulting in new conditions in the building market. In the "New housing for a new era" project, the business area meets the demands imposed by Sweden's new housing and house-financing policy. Customers are offered a broad range of different types of housing. Additional ideas were developed and modified during the year.

Building service

During 1995, NCC Building introduced a Building Service concept in order to more distinctly market NCC's specialist skills in small-scale building contracts and projects. During 1996, the business area concentrated on efforts to enhance its market profile and on closer customer contact. Discussions are



In Gothenburg, NCC is participating in the renovation of the 120-year-old "Rehnströmska badet" which is being restored to an indoor bathing facility. NCC's part of the order is worth SEK 60 m.



In Gårda, Gothenburg, NCC is building 184 residential units for students, by rebuilding a textile mill. The first phase, consisting of 132 residential units, will be completed by spring 1997. An additional 52 units will be ready in September 1997.



The Building business area and NCC Technology have jointly conducted a development project regarding rational house-building methods, partly with the help of model-based CAD technology. The new technology was used in the "Växhuset" project in 1996, which entailed construction of single family houses outside Gothenburg.

under way with nationwide customers regarding national agreements.

Notable projects

In October 1996, NCC purchased the attractive Saltsjöqvarn site by the sea approach to Stockholm. The intention is to build approximately 600 residential units on the site. The project period is expected to be six years, with annual investments of SEK 150–200 m. The first tenants are scheduled to move in during 1998.

At the end of 1996, the world's largest board mill was completed in Skoghall, outside Karlstad. Inspection work is being conducted during the first quarter of 1997. NCC's part of this order, combined with supplementary orders, was worth approximately SEK 500 m. and employed 250 people.

In Norway, NCC Building and the Group subsidiary NCC Eeg-Henriksen are jointly engaged in the expansion of Oslo's new Gardermoen Airport. NCC's contract includes construction of the new terminal building. In total, NCC's part of the project is worth approximately SEK 1 billion.

Another major building contract relates to a new head office in Oslo for Christiania Bank og Kreditkassen. The SEK 430 m. contract is being undertaken jointly by NCC and NCC Eeg-Henriksen.

In October 1996, a consortium consisting of NCC Rasmussen & Schiøtz and Pihl & Søn, received a contract to build a new terminal building at Copenhagen's Kastrup Airport. The contract, which relates to arrival bays, arrival halls, lounges, transit halls and office buildings, is worth approximately SEK 300 m., of which NCC Rasmussen & Schiøtz accounts for half.

NCC Puolimatka is participating in construction projects in the Russian market in cooperation with the Swedish companies AGA and Tetra Laval. In October 1996, NCC Puolimatka was commissioned by AssiDomän to build a new corru-

gated board plant outside St Petersburg. The more than FIM 50 m. contract is scheduled to be completed in summer 1997.

Technology and research and development

NCC Technology and joint projects between various Group units account for a considerable proportion of the Group's research and development activities. The various business areas also conduct their own development operations, often in connection with specific building projects.

The so-called VINST project involves the introduction of an operations-based information structure in all operating sectors. The Building and Civil Engineering business areas are jointly responsible for conducting that part of the VINST project that entails adapting building management systems to new information technology. Ultimately, all construction sites will work within the framework of the same computerized systems and follow the same project procedures.

Building in dry conditions enhances the quality of the finished product and also improves the work environment. In cooperation with Jonsereids Miljösystem AB, NCC is developing a weather-protection system for building sites.

NCC Building's environmental efforts

During 1996, NCC Building participated actively in efforts to design a national standard for demolition plans. Following an audit of the building to be demolished, the demolition plan must differentiate between waste that is hazardous to the environment and health and waste material that can be recycled.

The business area has developed a unique environmental document, the Eco Profile, which is intended to be an aid in initiating a dialog with customers and government authorities about the ecological and environmental effects of a building project. The Eco Profile also takes technological and financial aspects into account.

In cooperation with the National Board of Housing, Building and Planning, NCC is implementing a study into environmental evaluations of buildings. A similar project has been under way in the U.K. for some time.

Personnel and skills development

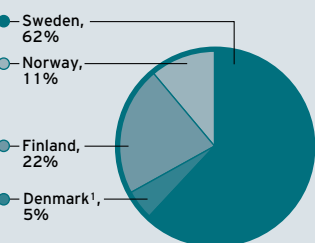
Like the Group's other business areas, NCC Building has to ensure that its future needs for management resources are satisfied. As part of these efforts, NCC has a well-developed trainee program for engineers, in which about 30 newly graduated engineers receive two years of practical training with a



In Halmstad, Sweden, NCC is building an 80-meter-high malthouse with an annual capacity of 75,00 tons of malt.

Invoiced sales 1996

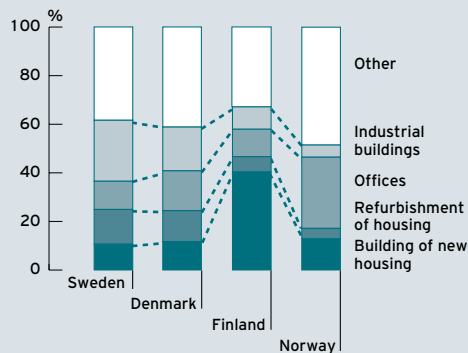
by country, %



1) Oct-Dec 1996

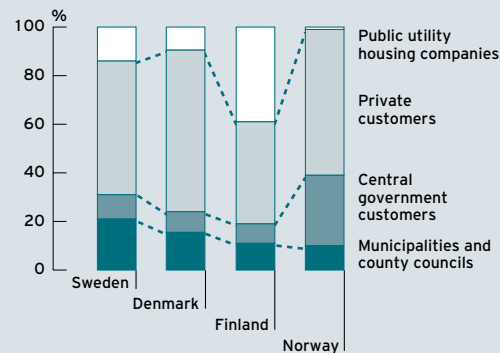
Product mix

Invoicing for the year by product group, %



Customer structure

Invoicing for the year by customer category, %



view to future employment within NCC. The business area also focuses on the recruitment of younger, more qualified employees — both skilled workers and college graduates.

A large number of employees, site managers, foremen and regional managers underwent the business area's comprehensive management training program, Active Management, during the year. To date, ten regions have started up work related to this project, and the other three will do so in 1997.

A large number of site managers received certification in accordance with NCC's own standard during the year. In NCC Building alone, approximately 300 site managers were certified during the first two years of the scheme. Certification involves an assessment and grading of technical, administrative and leadership skills.

The NCC Building business area also focuses on enhancing its employees' specialist expertise, by such means as various technical seminars.

Earnings

Invoicing for the year amounted to SEK 10,248 m. (6,532), and income-recognized invoicing totaled SEK 10,450 m. (6,856). The increased invoicing was attributable to the acquisition of the Nordic subsidiaries, corresponding to a degree of income recognition of 102 percent (105). Income after net financial items amounted to SEK 127 m. (119). The net margin was 1.2 percent (1.7).

Orders received by the Building business area amounted to SEK 10.3 billion (6.8). The order backlog was SEK 5.1 billion (3.3).

Outlook

The Building business area has consistently adapted its operations to the prevailing market conditions, while simultaneously taking the opportunity to train its employees. It has developed new products and new concepts. During 1997, the first phase of NCC's IT development project will be put into operation, which will boost the business area's efficiency.

NCC's division into business areas, with the aim of improving the dissemination of knowledge and the reutilization of experiences within the Group, has yielded results. Similar processes are now beginning to be implemented between the Nordic countries. Development projects have already been initiated that will generate coordination gains in such areas as method and technological development, purchasing, selection of materials, specialization and IT.

In view of the public offer for Siab, an assessment of earnings in 1997 will be submitted at a later date.

Building business area

SEK m.	1994	1995	1996
Orders received	5,882	6,787	10,269
Order backlog	2,434	3,299	5,086
Income after net financial items	102	119	127
Operating capital employed at year-end	416	545	757
Cash flow	348	-84	-194
Ratios			
Operating margin	0.3%	0.5%	0.6%
Net margin	1.4%	1.7%	1.2%
Degree of income recognition	117%	105%	102%
Return on operating capital employed	21%	28%	27%
Other			
Average number of employees	4,295	4,127	6,311

INCOME STATEMENT, SEK m.

Invoicing for the year	6,188	6,532	10,248
Income-recognized invoicing	7,236	6,856	10,450
Operating expenses	-7,210	-6,814	-10,329
Depreciation according to plan	-6	-6	-55
Operating income after depreciation	20	36	66
Net financial items	82	83	61
Income after net financial items	102	119	127

BALANCE SHEET, SEK m.

Liquid assets	1,149	1,100	1,414
Current assets	1,010	1,429	2,094
Real estate held for resale	173	240	370
Fixed assets	89	156	558
TOTAL ASSETS	2,421	2,925	4,436
Net work in progress	739	765	796
Other interest-free liabilities	1,251	1,642	2,950
Interest-bearing liabilities	47	139	303
Equity	384	379	387
TOTAL LIABILITIES AND EQUITY	2,421	2,925	4,436

The Industry business area is Sweden's leading producer of processed gravel and crushed products, asphalt products and ready mixed concrete. The business area is also one of the country's leading companies in the rental of building and construction machinery. Invoiced sales amounted to SEK 2.2 billion (2.2) in 1996.

Continued specialization through division



Business concept

The Industry business area satisfies the market's need for

- crushed products, asphalt and ready-mixed concrete by undertaking product development, manufacturing and sales activities;
- machinery, equipment and other supplies for building and construction operations by undertaking rental and sales activities.

Hans Kjellgren
President of the business area



into production and sales

Strategy

The focus of the strategy is to improve the return on capital employed in the business area's operations by means of specialization, research and development, combined with quality-assurance and environmental efforts.

The objective is to be regarded as the leading company in the industry in the eyes of customers, employees and shareholders.

Operations mainly focus on the Nordic markets, as well as the Baltic countries and Poland.

Organization

The Industry business area's operations are organized in NCC Machinery and NCC Ballast, each divided into five identical geographical regions. NCC Industry New markets is responsible for operations outside Sweden.

The business area is responsible for providing support in work environment matters to the entire NCC Group.

NCC Machinery underwent comprehensive restructuring in 1996. In order to facilitate specialization, operations were divided into three different product areas: Building Assistance, Rental Activities and Workshop Services.

Market

The Industry business area's customers are construction companies, municipalities and municipal companies and public enterprises. Private and cooperative business enterprises are other important customers. The Civil Engineering and Building business areas are the largest individual customers, although external customers account for more than 50 percent of sales.

NCC Industry is the leading player in the Swedish markets for crushed and asphalt products. NCC Machinery is Sweden's second-largest supplier of rental machinery, equipment and services for efficient building.

As a result of sharp cuts in central and local authority spending on new roads and road maintenance, demand for asphalt products was at a historically low level during 1996. Asphalt volumes declined by nearly 21 percent and volumes of crushed products fell by approximately 8 percent.

The low level of residential construction led to a 6-percent decrease in sales of concrete products. The market for NCC Machinery's product areas increased somewhat.

The total Swedish market was worth SEK 11 billion in 1996.

Total Swedish market

SEK billion	1996	1997, forecast
Crushed products	3.0	2.9
Asphalt	1.4	1.4
Concrete	1.5	1.5
Machinery	5.1	5.1
Total	11.0	10.9

Source: NCC

NCC Industry New markets

NCC Industry New markets main markets are the Nordic region, the Baltic countries, Poland and Germany.

International operations are conducted through cooperation with NCC's subsidiaries in Finland, Norway and Denmark, as well as NCC companies in the Baltic countries, Poland and Germany. The operations cover both Ballast's and NCC Machinery's product areas.

The business area also exports crushed products to Germany, Denmark, Latvia, Lithuania and Poland.

The business area's international activities during 1996 included the establishment of asphalt production plants in Riga, Latvia.

As a result of the Group's acquisition of NCC Rasmussen & Schiøtz, the Industry business area created a base for operations in Denmark during the year.

Product areas

NCC Machinery

NCC Machinery has more than 16 customer centers throughout Sweden.

Building Assistance consists of services that support and facilitate efficient construction, such as the dimensioning and installation of temporary electricity, cranes and lifts, structures and scaffolding, worksite accommodation and premises. *Building Assistance* also conducts a considerable amount of development work, such as in-house CAD systems for various project-establishment services and other calculation programs for worksite heating and temporary electricity.

A new type of roller designed in accordance with customer requirements and specifications was introduced during the year. Cooperation with customers has generated such benefits as increased efficiency and a better work environment.



Ready-mixed concrete being manufactured at one of Ballast's 35 concreting plants.



During 1996, seven of NCC Industry's laboratories received accreditation in accordance with the SSEN 45000 standard.



Transportation of machinery and materials is controlled and monitored with the help of satellites and computers. GPS-technology increases delivery reliability and the speed of delivery-related information.

Rental Activities consists of the rental of construction and civil engineering machinery, and sales of accessories. NCC Machinery offers more than 60,000 different items of machinery, ranging from nails and hand-held machinery to cranes, worksite accommodation and heavy rock-drilling tools.

Workshop Services consists of all types of workshop activities, such as the repair and maintenance of machines, electrical equipment, worksite accommodation and vehicles. The unit also undertakes various types of foundry work.

Ballast

Crushed-rock products are the basic materials used in all types of construction operations and are the raw material used in the production of asphalt and concrete. The raw materials are extracted from NCC's own quarries and are processed in approximately 80 plants.

Asphalt products are used for various types of surfacing applications. Standard products and NCC's own specialty products—including the VIACO series of surfacings with extra-long life and low maintenance costs—are produced in about 60 plants.

Ready-mixed concrete is used for house-building and civil engineering projects. In addition to standard concrete, a large number of the business area's own specially developed products are supplied, such as steel and plastic reinforced concrete, winter concrete and foam concrete. Ballast has 35 ready mixed concrete plants.

Technology and quality

The certification of plants in accordance with the ISO 9001 quality standard continues within the Industry business area. About 40 additional plants received certification during 1996. The objective is that all plants receive quality certification by 1998. The process leads to fewer defects, lower costs and increased competitiveness.

New IT-based support systems have been developed. Related training programs were arranged during 1996, and implementation of the systems commenced. The objective is to improve efficiency, contribute to increased decentralization and ultimately to improve profitability and increase competitiveness.

Research and development

NCC Industry's certified laboratories engage in the development, specification and control of products, materials and methods.

Product development is often undertaken in cooperation with customers. A project in cooperation with the National Road Administration, with the aim of developing a surfacing material with extreme wear resistance, bearing capacity and service life, was completed during 1996.

NCC Industry has also developed its own operations-based software for such purposes as energy planning and work-site establishments. The software provides assistance to customers in project dimensioning and cost calculation.

The business area also engages in several research projects, both independently and in collaboration with technical colleges and other research institutions.

Customer focus

The Industry business area aims to increase the degree of specialization, through such measures as a division of the organization into production and sales units. The purpose is to better satisfy customers' requests and requirements.

Annual customer opinion surveys are arranged, which form a basis for the future development of services and work approaches. The results are compiled in the Satisfied Customer Index (SCI) which provides a measurement of how well the business area satisfies its customers' requirements. The objective is to have an SCI rating of 85, corresponding to a grade of 4+.

Satisfied Customer Index

1994	1995	1996	Long-term target
72	76	74	85

Source: Research International

The factor of 74 for 1996 corresponds to a grade of 3+, which is fully acceptable but slightly lower than in 1995. Results were adversely affected by internal development work, which is required to meet the ultimate objective of 85.

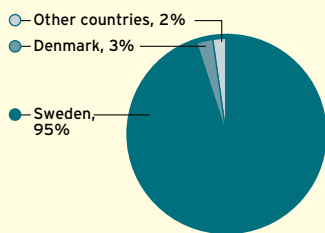
Environment

The Industry business area was the first in the sector to gain environmental certification for part of its operations in accordance with the British standard BS 7750. Work aimed at receiving environmental certification for the entire business area by the year 2000 was initiated during the year. The results of the certification work, such as lower energy consumption and reduced wastage, lead to both a better environment and reduced costs.

The use of natural resources from rock or gravel pits requires long-term planning. Before NCC places a pit in oper-

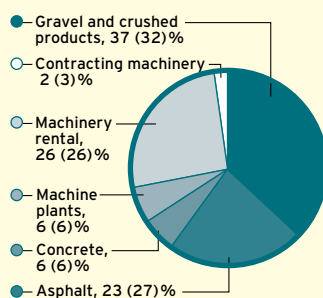
Sales 1996

by country, %



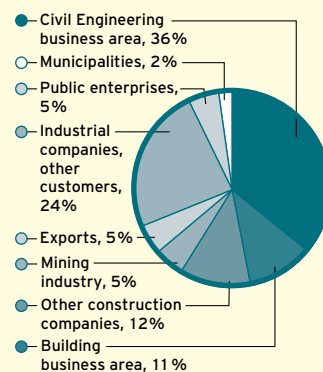
Product mix

Invoicing for the year by product group, including internal sales, %



Customer structure

Invoicing for the year by customer category, %



ation, it formulates a thorough plan covering the opening, operation and restoration of the pit. Restored gravel pits may be used as a recreational area, a housing or industrial site, or a landfill, for example. The goal is to create added value for society.

Since natural gravel is beginning to be in short supply in Sweden, NCC assigns priority to the use of crushed rock. Natural gravel already accounts for less than one third of the company's total production of crushed products.

Personnel

The Industry business area has approximately 1,400 employees. Recruitment activities focus on young, well-educated candidates. During 1996, the business area recruited about 15 recent college or university graduates with engineering or business administration degrees.

Skills development

NCC Industry assigns priority to training programs designed to increase the efficiency of computer usage at all levels of the company. Programs during 1996 included training in the use of new computerized management systems.

In addition, major environmental and quality-related training programs for all employees were initiated in 1996.

Investments

Gross investments in 1996 amounted to SEK 415 m. (201). Ballast's investments included completely new ready-mixed concrete plants in Staffanstorp and Stockholm and the acquisition of Skånebetong AB. NCC Machinery continued to invest in rebuilding and adapting its customer centers to the needs of customers, specifically in Gävle and Hässleholm during 1996.

Earnings

Invoiced sales amounted to SEK 2,189 m. (2,240). Income after net financial items was SEK 241 m. (261). The net margin was 11.0 percent (11.7).

Outlook

It is taking time for the anticipated upswing in the Swedish construction market to materialize. As a result, the demand in Ballast's product areas will be lower in 1997.

The lack of growth in the Swedish construction market is resulting in reduced demand for machinery products. However, the combined activities of Building Assistance, Rental Activities and Workshop Services are expected to enable NCC Machinery to report unchanged volumes in 1997.

The business area's quality and R&D-related efforts, combined with investments in technology and human resources, are expected to provide favorable conditions for boosting production efficiency.

Continued specialization of the organization through a division into production and sales will increase the focus on customer needs and improve the potential for product development in cooperation with customers. On the whole, this means that the Industry business area has every prospect of maintaining its strong position in all markets.

In view of the public offer for Siab, an assessment of earnings in 1997 will be submitted at a later date.

Industry business area

SEK m.	1994	1995	1996
Income after net financial items	205	261	241
Operating capital employed at year-end	632	526	676
Cash flow	266	217	-87

Ratios

Operating margin	12.1%	12.9%	11.9%
Net margin	10.0%	11.7%	11.0%
Return on operating capital employed	31%	43%	36%

Other

Average number of employees	1,375	1,413	1,343
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INCOME STATEMENT, SEK m.

Income-recognized invoicing	2,045	2,240	2,189
Operating expenses	-1,619	-1,788	-1,756
Depreciation according to plan	-179	-163	-173
Operating income after depreciation	247	289	260
Net financial items	-42	-28	-19
Income after net financial items	205	261	241

BALANCE SHEET, SEK m.

Liquid assets	115	15	18
Current assets	398	424	506
Fixed assets	696	708	931
TOTAL ASSETS	1,209	1,147	1,455
Interest-free liabilities	586	803	948
Deferred tax liability	34	18	36
Interest-bearing liabilities	370	148	227
Equity	219	178	244
TOTAL LIABILITIES AND EQUITY	1,209	1,147	1,455

The Real Estate business area has a real estate portfolio with a book value of approximately SEK 11.3 billion. The portfolio is dominated by commercial properties, most of which are newly built or recently refurbished.

Concentration of real estate portfolio and reduced proportion of



Business concept

Focusing on a limited number of locations in expansive areas of Sweden and the rest of Europe, NCC Real Estate shall offer its tenants high-quality and well-situated working and living environments and provide attractive properties for investors.



Magnus Mannesson
President of the business area



land for future development

Strategy

The Real Estate business area consists of three business operations: property development, property sales and property management. Properties are developed both for external sale and for management by the business area.

All three of these operations are undertaken in Sweden. In other markets, operations focus on development and sales activities.

Swedish property management operations concentrate on major cities and growth regions. NCC's prioritized areas are Sweden's major cities, Stockholm, Gothenburg and Malmö/Lund, as well as Jönköping, Linköping, Norrköping, Umeå, Uppsala and Västerås. Foreign operations shall be concentrated to Copenhagen, Helsinki, Oslo, Brussels and Düsseldorf.

The business area's strategy is to concentrate its real estate portfolio, increase the turnover rate in the total portfolio and reduce the proportion of land held for future development. This is to be achieved mainly through project development, supplemented by sales in markets not assigned priority.

NK Cityfastigheter AB

NCC formed NK Cityfastigheter AB in February 1997. The transaction is part of NCC's strategy of reducing and concentrating its real estate portfolio and increasing the turnover rate for managed properties.

NK Cityfastigheter AB will own, develop and lease retail and office premises in prime inner-city locations. The real estate portfolio consists of NK's properties in Stockholm and Gothenburg and shopping mall properties in another four towns. Properties with a book value of nearly SEK 2.2 billion are included in the transaction.

NCC is to list this company on the Stockholm Stock Exchange during spring 1997. NCC intends to sell 60-75 percent of the shares for a price ranging from SEK 55 to 64 per share. NCC will continue to be a major shareholder in the company, in order to capitalize on its value growth.

Healthier market conditions

Sweden

Following the decline at the beginning of the 1990s, demand for office properties has recovered during recent years. Market conditions are strongest in major cities, where demand is concentrated on modern premises either in inner-city locations or on the periphery of city centers. Rent levels have risen in major cities, while remaining relatively static in other markets. The market for retail premises is currently characterized by excess demand, which has resulted in increased rents.

Demand for housing continues to be strongest in major cities and towns with universities or colleges. Investor interest in residential properties has diminished recently, due to uncertainty regarding future political policy in the sector.

The number of property sales in Sweden has remained at a relatively stable level during the past five years and showed no tendency of increasing in 1996. However, a number of restructuring and shareholding deals were completed during the year. Many of these transactions involved the acquisition of entire portfolios.

Denmark/Copenhagen

The demand for large, attractively located commercial premises in Copenhagen increased noticeably during 1996. This led to a reduction in the vacancy rate to about 4 percent during the year. Office rents rose slightly in 1996 and are expected to continue moving up in 1997.

Despite the favorable conditions in the Copenhagen office market, there is relatively little new construction in progress. However, the investment market reported increased activity in 1996, largely attributable to falling interest rates, leading to lower returns on alternative investments.

Norway/Oslo

The vacancy rate for commercial premises decreased in 1996, amounting to 7 percent at year-end. The reduced vacancy rate has contributed to rising office rents in modern and attractively located property. Buoyant conditions in the Norwegian economy and the improved rental market for commercial premises have led to an increasing number of new property projects.

The favorable economic conditions also contributed to increased trading in the property investment market, although Norwegian buyers continued to require a high direct yield in relation to other European markets.

Mercatum is a corporate tenant in the Münchenbryggeriet property in Stockholm. A flexible and open office design was chosen to provide the right environment for innovation and creativity.



Brøndby,
south of
Copenhagen.



Svenska
balettskolan
in München-
bryggeriet,
Stockholm.



Forum
Gallerian in
Sundsvall.



Arendal in
Gothenburg.

Belgium/Brussels

The strong demand for office facilities continued in 1996 and a positive rent trend is also expected in 1997. The market situation resulted in the start-up of a number of development projects, both in central Brussels and in the surrounding areas.

The yield requirement in the investment market has remained static during the past three years. Increasing investor interest and expectations of a positive rent trend may reduce the yield requirement in 1997.

Germany

The German property market has been marked by falling prices and rents during the past three years. Office vacancies have increased in a number of markets and there is a risk of further deterioration in 1997.

The investment market has been kept buoyant by an increasing inflow of capital to German property funds. However, they have found it difficult to identify suitable investment properties and, consequently, have turned their sights on other markets, such as the UK and the Netherlands.

Real estate development

Real estate development operations encompass the entire chain of activities from market analysis and land procurement to production, renting and sales. Outside Sweden, operations focus mainly on the sale of development projects. In Sweden, projects are developed for sale as well as for renewing the property management portfolio.

Following the slump in the property market in the early 1990s, the business area did not resume operations involving development projects in the Swedish market until 1996. During the year, projects were started up in Kungälv, Gothenburg and Jönköping. In the years ahead, operations in priority markets will increase. An additional phase of the Mästerlotten housing project in Malmö, comprising 5,700 m², will commence during 1997.

Operations outside Sweden have been more intensive during recent years. During 1996, the following projects commenced:

- 23,000 m² of office space in Düsseldorf, 70 percent of which is rented by Ericsson,
- combined hotel/office property in Hamburg, totaling slightly more than 10,000 m²,
- nearly 25,000 m² of office space in Brussels, which was sold to Kredietbank to serve as an extension of their head office.
- an additional phase (of a total of six) in the Lysaker Torg project in Oslo, totaling some 10,000 m².

During the year, holdings of properties for future development decreased from SEK 1,220 m. to SEK 1,009 m., which was in line with the Real Estate business area's strategy.

Property management

The Real Estate business area's holdings of managed properties at year-end amounted to 1,122,000 m², of which 978,000 m² was in Sweden and 144,000 m² in other European markets. During 1996, 14,267 m² transferred to management operations, of which the Avenue du Port office property in Brussels accounted for 9,802 m². In addition, 35,351 m² was acquired, of which the acquisition of Rasmussen & Schiøtz accounted for 14,577 m². The Danish holdings are concentrated in the Copenhagen area. As a result of sales, the holdings of managed properties decreased by 20,636 m² during the year.

The business area's share of rentable floor space in partly owned properties decreased during the year from 170,120 m²



NK Cityfastigheter was listed on the Stockholm Stock Exchange in spring 1997. The company's real estate portfolio includes Domino in Norrköping, NK in Stockholm, St Per in Uppsala and NK in Gothenburg.

to 74,406 m². The decrease was mainly due to the divestment of 50 percent of the shares in Granit & Beton on July 1, 1996.

Rented space in the management portfolio in 1996 amounted to 106,744 m², of which 96,230 m² was in Sweden and 10,514 m² in other countries. In Sweden, leases for 138,067 m² were renegotiated. The vacancy rate in the total management portfolio at year-end was 10 percent (9). In the Swedish portfolio, the vacancy rate was 8 percent (7).

Property sales

Property sales operations include the sale of managed properties and related shares and participations. The sale of development projects is not included in operations.

During 1996, sales of wholly managed properties amounted to SEK 284 m. (31), with partly owned properties and shareholdings equivalent to the underlying property value totaling SEK 742 m. (400). Sales included the shareholding in the 50-percent owned company Granit & Beton, as well as the sale of the Mariboegs Gate and Byporten properties in Oslo.

Investments

Total gross investments in managed properties amounted to SEK 1,198 m. (990) in 1996, of which investments in Sweden accounted for SEK 489 m. (364) and investments in other markets for SEK 709 m. (626).

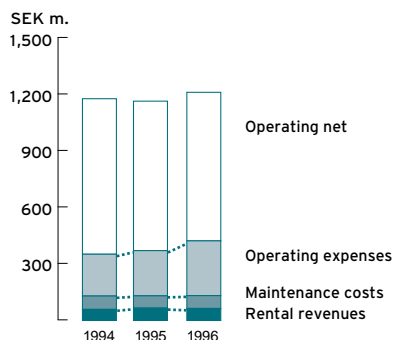
Gross investments in projects and land held for future development amounted to SEK 676 m. (422) in 1996, of which Sweden accounted for SEK 163 m. and other markets for SEK 513 m. Of the investments outside Sweden, the acquisition of Rasmussen & Schiøtz accounted for SEK 118 m.

Gross investments in managed properties amounted to SEK 522 m. (568). Of the acquisitions, NK in Gothenburg accounted for SEK 222 m. and the properties in Rasmussen & Schiøtz for SEK 140 m.

Valuation principles and revised valuation

In order to establish sustainable long-term property values, the portfolio underwent an internal valuation, based on the same principles as in previous years. The valuations are based on

Rental revenues, operating expenses and operating net



Estimated interest subsidies based on current regulation

	1997	1998	1999	2000	2001
SEK m.	37	20	14	10	7

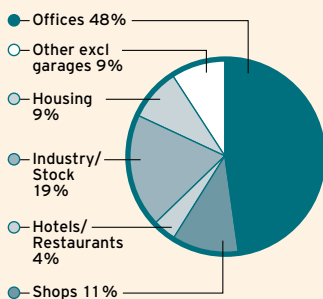
Duration of rental contracts

Annual rental revenues, MSEK	Sweden	Outside Sweden	Total	Proportion
1997	125	10	135	12%
1998	157	11	168	15%
1999	274	9	283	26%
2000	123	9	132	12%
After 2000	247	56	303	27%
Housing and other	87	2	89	8%
Total	1,013	97	1,110	100%

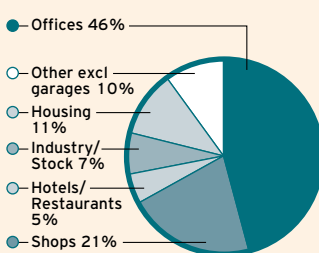
Vacancy rate – by floor space

Percent	Offices	Shops	Hotel/ restaurants	Industrial/ storage	Housing	Others excl. garages	Total
Sweden	11	4	2	8	5	5	8 (7)
Outside Sweden	36	8	0	11	3	6	27 (18)
Total	16	4	1	8	5	5	10 (9)

Rentable floor space



Rentable revenues, incl. interest subsidies



Lekatten in Malmö.

reasonable long-term yield requirements and estimated levels of rents and operating costs in a five-year perspective. Interest subsidies are excluded from the operating net and instead the present value of future interest subsidies is added to the capitalized operating net. Dependent on such factors as location, the required yield varies from 7 percent to 10 percent. Each individual property has been assigned a value based on its own specific conditions. In the event that conditions have changed, whereby a higher long-term value is arrived at, earlier write-downs of properties held for resale (total: SEK 2.3 billion in remaining portfolio) are reversed. The net result of the revised valuation in the Group accounts was zero (0).

Organization

Swedish operations are organized in three regions: Stockholm, Malmö and Gothenburg. They also included NK, which man-

aged the NK department stores in Stockholm and Gothenburg. In Denmark, Finland and Norway, the business area works via the Group-owned companies NCC Rasmussen & Schiøtz, NCC Puolimatka and NCC Eeg Henriksen. In Belgium and Poland, there are foreign subsidiaries that are part of the Real Estate business area's own organization.

Development of operations and quality

At the beginning of 1996, all development projects in the business area were organized in a joint project organization—Qraft 98. Benchmarking of the accounts and finance function, new business administration system, environment, IT and ISO adaptation projects are included in the project. During 1997, a new accounting and financial control system and a property system will be commissioned. ISO certification will be completed by year-end 1997.

Real estate operations in brief

	Rentable floor space 1,000 m ²	Rental revenues incl. interest subsidies ² , SEK m.	Operating net SEK m.	Book value SEK m.	Visible yield ³ , %
Stockholm	230	267	181	2,638	6.8
Gothenburg	117	107	78	843	9.2
Malmö/Lund	142	109	76	829	9.2
Other prioritized locations	206	192	121	1,923	6.3
Non-prioritized locations	232	219	159	1,678	9.5
NK	51	165	86	1,197	7.2
Total Sweden	978	1,059	701	9,108	7.7
Brussels	20	14	13	325	3.9
Copenhagen	37	29	25	355	7.1
London ¹	29	3	2	477	3.5
Oslo	45	56	39	548	7.2
Other locations	13	5	3	62	4.1
Total outside Sweden	144	107	82	1,767	4.6
Total managed properties	1,122	1,166	783	10,875	7.5
Reconciliation to income statement and balance sheet:					
Less:					
Group surplus values				-1,667	
Adjustments in accordance with property specification ⁴		30	6	-26	
In accordance with income statement and balance sheet		1,196	789	9,182	
Investments in progress				872	
Properties held for future development				1,009	
Shares and participations representing part ownership in real estate held for resale				266	
Total real estate held for resale				11,329	

1) Being confidential, rental revenues, operating net and visible yield do not include East India Dock.

2) The figures for rental revenues, including interest subsidies, and operating net relate to annual values.

3) Visible yield is calculated on the basis of average book value.

4) A complete specification of NCC's real estate portfolio can be ordered from NCC AB, Corporate Communications, S-170 80 Solna, Sweden; fax: +46-8-857775.



Barberaren in Östersund.

An extensive environmental strategy has been formulated to lay the foundation for restructuring work during the remainder of the 1990s. During 1996, all employees underwent a one-day environmental course. The objective is that employees will devote greater consideration to the environment in their everyday work, thereby making the Real Estate business area a leading industry player in terms of environmental compatibility and reducing energy and travel costs.

During the year, NCC Real Estate participated for the second time in the Swedish Customer Survey which gauges a Customer Satisfaction Index (CSI). The objective of the survey is to measure customer satisfaction and loyalty among tenants, based on an index ranging from 0 to 100. The average index ranking for the participating companies in 1996 was 60. NCC Real Estate scored 64 and was ranked third. Hufvudstaden was ranked first with a CSI of 69. The objective is to increase the CSI ranking and become Sweden's best landlord.

During the past three years, tenant perception of quality has been gauged through the Service Barometer. In 1996, NCC Real Estate obtained a total rating of 4.0 on a 5-point scale. Development work conducted in the service area has provided favorable results, and many customers feel that the level of service has improved during the year.

Earnings

Rental revenues amounted to SEK 1,220 m. (1,179). In total, a loss of SEK 4 m. (loss: 64) was reported after net financial items. A capital contribution of SEK 1.5 billion from NCC AB in January 1996 had a favorable impact on the business area's results.

Outlook

As a result of a favorable trend of rents during 1995 and 1996, leases will be renegotiated at higher rent levels during 1997. Improved rental activity in Sweden, combined with improved earnings from the foreign portfolio, are estimated to result in a higher operating net from real estate management operations in 1997.

In Sweden, an increase in sales and real estate development activity is expected. Higher activity is also planned in other markets. In 1997, a business plan for operations in the Finnish market will be formulated.

In view of the public offer for Siab, an assessment of earnings in 1997 will be submitted at a later date.

Real Estate business area

SEK m.	1994	1995	1996
Loss after net financial items	-663	-64	-4
Operating visible equity	2,394	2,213	3,599
Operating capital employed	11,301	10,907	11,063
Gross investments in real estate held for resale	219	990	1,198
Sales of real estate	436	448	561
Cash flow	-453	-741	-527
Ratios			
Return on operating capital employed	2%	6%	5%
Visible yield ²	9.5%	9.6%	8.9%
Vacancy rate, rents ¹	9%	8%	8%
Vacancy rate, floor space ¹	10%	9%	10%
Equity/assets ratio	19%	18%	29%
Other			
Average number of employees	302	306	303

1) "Vacancy rate, rents" refers to the shortfall of rental revenues during the year, "Vacancy rate, floor space" refers to floor space vacant at December 31.
2) Relates to book value excluding Group surplus values.

INCOME STATEMENT, SEK m.

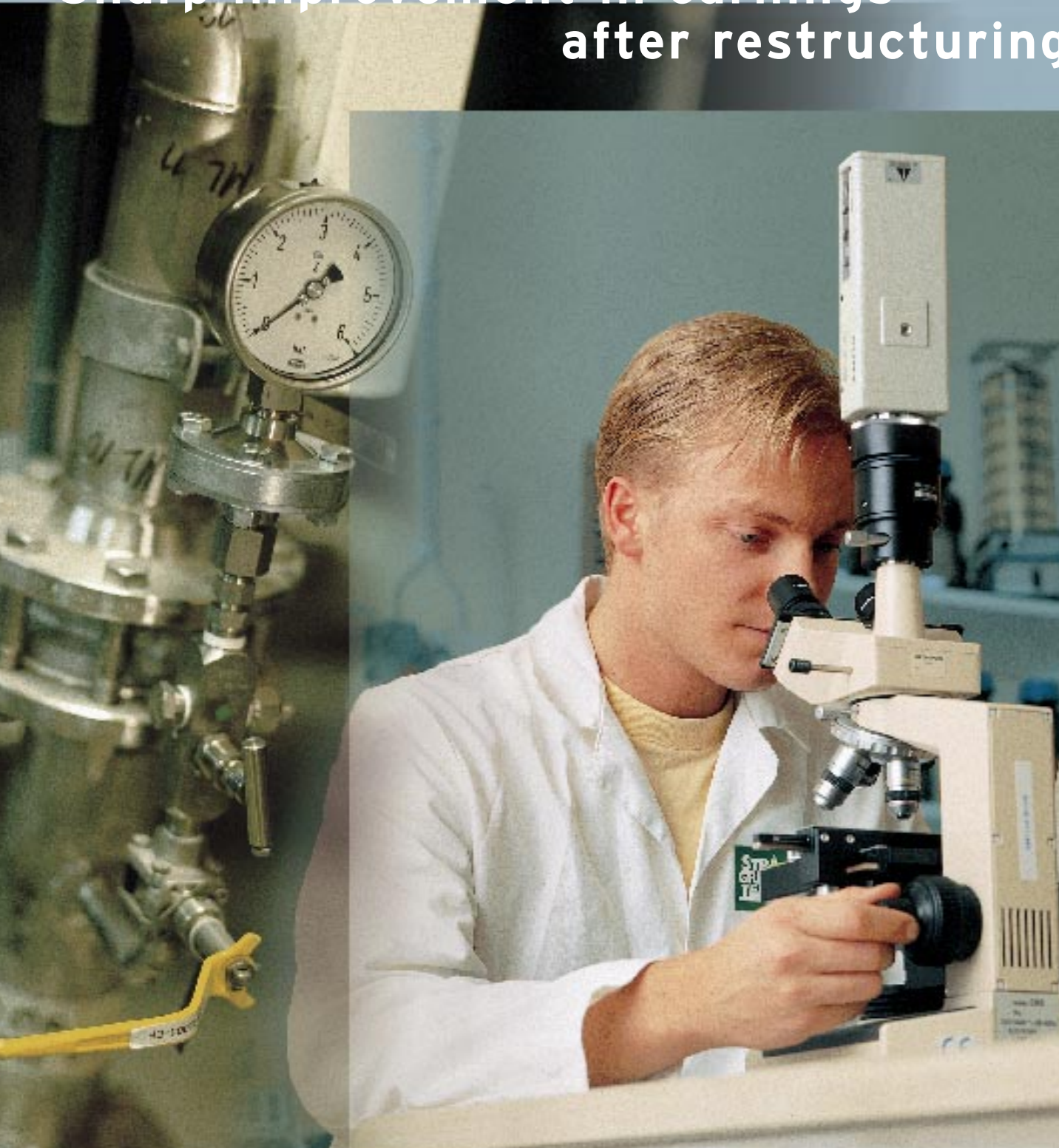
Property management			
Rental revenues	1,088	1,088	1,143
Interest subsidies	68	63	53
Other revenues	22	14	16
Operating, maintenance and renting costs	-352	-371	-423
Operating net	826	794	789
Depreciation according to plan	-121	-117	-126
Administrative costs	-82	-83	-85
Share in income/loss of associated companies	7	12	-5
Income, property management operations (A)	630	606	573
Sales of managed properties			
Sales revenues	428	34	356
Book values	-395	-43	-332
Sales expenses	-17	-13	-14
Share in income/loss of associated companies	0	37	-2
Income, property sales (B)	16	15	8
Property development			
Sales revenues	8	414	205
Book value	-10	-364	-188
Sales expenses	-116	-23	-23
Other operating revenues	12	14	8
Other operating expenses	-25	-24	-34
Share in loss of associated companies	-17	-9	-2
Income/loss, property development (C)	-148	8	-34
Net financial items, incl. renting costs (D)	-780	-693	-551
Revised valuation of real estate (E)	-381	0	0
Loss after net financial items (A-E)	-663	-64	-4

BALANCE SHEET, SEK m.

Liquid assets	239	229	249
Other current assets	2,012	552	529
Real estate held for resale	10,153	10,815	11,329
Properties classed as fixed assets	928	958	747
TOTAL ASSETS	13,332	12,554	12,854
Interest-free liabilities	1,442	1,000	1,021
Deferred tax liability	185	282	352
Interest-bearing liabilities	8,907	8,691	7,460
Minority interests	0	3	4
Equity	2,798	2,578	4,017
TOTAL LIABILITIES AND EQUITY	13,332	12,554	12,854

The Invest business area comprises subsidiaries and associated companies outside NCC's core business.

Sharp improvement in earnings after restructuring



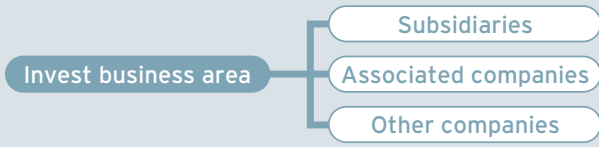
Business concept

The Invest business area shall develop and add value to the operations in the business area, and realize surplus values.

The Invest business area shall be the NCC Group's business development resource in terms of strategy, analysis and the implementation of structural transactions.



Tommy Nilsson
President of the business area



of Silja and NVS

Strategy

In certain cases, restructuring work involves actively seeking more suitable environments and owners for an operation and thereby releasing capital. In other cases, it may involve increased ownership, in order to create a stronger structure and thereby enhance the value of a business.

During 1996, the business area managed the Group's work related to the acquisition of Rasmussen & Schiøtz A/S.

Operations in subsidiaries

NVS conducts installation and service assignments involving heating, plumbing, sprinkler, industrial processes and energy savings applications. As a result of the acquisition of NBN Rör AB in 1995, NVS became a strong nationwide player in the industry, and the resulting synergistic benefits became noticeable in 1996 in the form of sharply improved earnings. The market for industrial installations was strong during 1996 but is expected to slacken slightly in 1997. The HVAC market remained at a low level due to low activity in the construction of new residential properties. NVS's total market showed a modest upswing. The company participated in several major state-of-the-art industrial projects, including forest industry assignments in Mönsterås, Skoghall and Ortvikén.

The company reported invoicing for the year of SEK 1,356 m. (1,055) and income-recognized invoicing of SEK 1,236 m. (1,068). NVS reported income of SEK 37 m. (loss: 19) after net financial items.

Stråbruken produces building materials and minerals. The company received ISO quality certification during 1995. This factor, combined with a strong focus on environmental matters, makes Stråbruken an attractive supplier. The continued weak activity in the market for new construction had a negative impact on Stråbruken. As a result of active marketing measures and exports, however, the company succeeded in increasing its volumes.

Invoiced sales amounted to SEK 320 m. (297). The company reported income of SEK 6 m. (5) after net financial items.



The renovation of Renströmska Badet in Gothenburg using hydraulically applied mortar. More than 2,000 tons of mortar were delivered.

NCC Prefab produces and markets prefabricated concrete building elements. The market for prefabricated concrete building elements was marked by decreased volume in 1996, which placed severe pressure on prices. The sector still suffers from substantial excess capacity.

The company reported income-recognized invoicing of SEK 80 m. (64), leading to a loss of SEK 5 m. (loss: 1) after net financial items.

Hedemora Diesel's operations include the sale, maintenance and servicing of diesel and gas engines.

Invoiced sales amounted to SEK 90 m. (153) and the company reported a loss after net financial items of SEK 3 m. (income: 12). The reason for the decrease in volume was that engine sales did not reach the levels of previous years.

Operations of associated companies

Silja

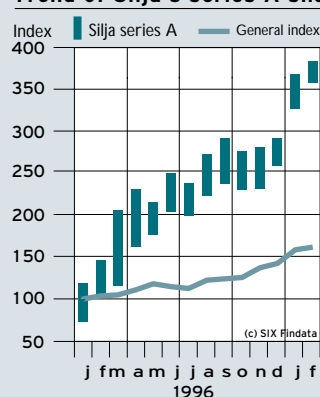
Silja is active in the passenger ferry/cargo carrying market. Its core operations are conducted through Silja Line, which is the leading shipping company in the Baltic Sea. Silja is also active in the English Channel through its subsidiary Sally UK. The company's U.S. cruise operations consist of three cruise vessels that have been chartered out.

NVS and Stråbruken are wholly owned subsidiaries of the Invest business area. At Stråbruken's development department in Motala, work focuses on screeding products, bricks and plaster. NVS is a successful player in the market for state-of-the-art industrial projects.



Silja's operations include cargo traffic operations in the Baltic Sea.

Trend of Silja's series A shares¹



1) According to the HEX market index (Dec. 31, 1995=100)

Silja's invoiced sales amounted to SEK 5.8 billion (6.2), of which approximately SEK 4.9 billion (5.0) was generated by Silja Line. The company reported a loss after net financial items of SEK 194 m. (loss: 637), of which Silja Line accounted for income of SEK 127 m. (loss: 154). A provision of SEK 107 m. for the closure and restructuring of English Channel operations was charged against income.

Silja's strategy is to focus its operations on the Baltic Sea. A restructuring program, combined with a recovery in Baltic Sea operations, improved earnings compared with 1995. The company is expected to break even in 1997. The program consists of a line-adapted product development strategy, an adaptation of capacity to demand and capital rationalization measures. The restructuring measures in the English Channel includes the formation of a new company. Silja owns one third of this company, which will operate high-speed catamarans.

NCC's shareholding in Silja was raised from 33 percent to 38 percent following the conversion of convertible debentures into shares in December 1996. NCC holds 40 percent of the voting rights. The book value of the shares in NCC's accounts is SEK 436 m. (302). On February 5, 1997, the market value of NCC's total investment in Silja was SEK 578 m., compared with SEK 306 m. at the beginning of 1996.

A-Train

During 1995, A-Train reached an agreement with the Kingdom of Sweden regarding the construction and operation of the Arlanda Link railway line. Construction work, which commenced during summer 1995, is proceeding as planned and the Link is expected to be placed in operation in 1999.

A-Train reported income after net financial items of SEK 25 m. (loss: 31). The Invest business area owns 22 percent of A-Train. The book value of the shareholding, combined with receivables, amounts to SEK 132 m. Also see page 21.

Other companies

The Invest business area owns shares in Storheden with a book value of SEK 6.8 m. NCC's shares in BPA, together with the option to subscribe for new BPA shares, have a book value of SEK 39 m. The shares correspond to 6.4 percent of the share capital and 6.1 percent of the voting rights.

The holding of shares in SIFAB had a book value of SEK 8.2 m. on December 31, 1996. A sales offer from Tornet for the shares was accepted. This resulted in a capital gain of SEK 1.8 m. at the beginning of 1997.

Earnings

In total, the business area reported a loss after net financial items of SEK 26 m. (loss: 230). The loss is mainly attributable to NCC's participation in Silja's results, which amounted to a loss of SEK 66 m. (loss: 208).

Outlook

The construction-related operations are expected to continue to develop favorably during 1997. Silja is expected to show an improvement in results.

Invest business area

SEK m.	Invoiced sales			Income/loss after net financial items		
	1994	1995	1996	1994	1995	1996
Associated companies						
Avesta Sheffield (23%) ¹				155		
Silja (33%) ²				-75	-208	-66
Other					-7	5
Subsidiaries						
NVS Nordiska						
Värme Sana	770	1,068	1,236	12	-19	37
NCC Prefab	100	64	80	-18	-1	-5
Stråbruken	298	297	320	-6	5	6
Hedemora Diesel	186	153	90	13	12	-3
Other items and eliminations	4	2	1	1,275	-12	0
Invest business area	1,358	1,584	1,727	1,356	-230	-26
Total assets				2,932	1,510	1,344
Average number of employees				1,376	1,635	1,830

The percentages in parentheses relate to NCC's shareholding in the associated company.

1) The Avesta Sheffield shareholding was sold in September 1994.

2) From January 1993 to March 1994, the Silja shareholding amounted to 40% of the share capital and voting rights. From April 1994 to November 1996, it amounted to 33% of the share capital and voting rights. As of December 1996, it amounts to 38% of the share capital and 40% voting rights.

Definitions

Capital employed: Total assets less interest-free short-term and long-term liabilities.

Average capital employed is calculated as the average of the balances at January 1, March 31, June 30, September 30 and December 31. The average rates for 1992 and earlier years are based on four-month values.

Cash flow:

Income/loss after net financial items

- Any included participations in the undistributed income of associated companies
- + Depreciation
- +/- Translation differences in shareholders' equity
- Tax paid
- +/- Decrease/increase in working capital
- Net investments in real estate held for resale
- Net investments in shares and participations
- Net investments in fixed assets
- = Cash flow

Degree of income recognition in contracting operations:

Income-recognized invoicing for the year as a percentage of the year's invoicing.

Direct return: The dividend as a percentage of the market price at year-end.

Equity/assets ratio: The total of visible shareholders' equity and minority interests as a percentage of total capital.

Gross investments: The sum of investments in fixed assets, shares and participations, as well as fixed assets and surplus values acquired through the acquisitions of companies.

Net debt: Interest-bearing liabilities less liquid assets less interest-bearing receivables.

Net investments: Closing balance less opening balance plus depreciation and write-downs less write-ups.

Net margin: Income after net financial items as a percentage of income-recognized invoicing.

Operating capital employed: The various business areas' total assets less interest-free short-term and long-term liabilities. In the business areas operational balance sheets, interest-free Group contributions implemented for tax purposes have been replaced by the resulting untaxed reserves in the Group. Average capital employed is calculated as the average of the balances at January 1, March 31, June 30, September 30 and December 31.

Operating margin: Operating income after depreciation as a percentage of income-recognized invoicing.

Profit per share after full tax: Net income for the year divided by the number of shares at the end of the year. In the event that a new share issue has been effected during the year, the number of shares is calculated as a weighted annual average.

The number of shares includes the shares that were subsequently added through the conversion of debenture loans. Net income has been increased by 72 percent (1992 and earlier: 70 percent) of the interest expense relating to these convertible loans in the respective years.

P/E ratio: Market price of the shares at year-end, divided by net income per share after full tax.

Return on visible equity after full tax: Net income for the year as a percentage of average visible equity.

Equity has been increased by the portion of the convertible debenture loans that was subsequently converted. Net income has been increased by 72 percent (1992 and earlier: 70 percent) of the interest expense relating to these convertible loans in the respective years.

Return on capital employed: Income after net financial items including participations in associated companies, following reversal of interest expenses, as a percentage of the average capital employed.

Share of risk-bearing capital: The total of shareholders' equity, minority interests, deferred tax liabilities and convertible debenture loans, which were subsequently converted as a percentage of total capital.

Visible equity: Reported equity. Average visible equity is calculated as the average of the balances at January 1, March 31, June 30, September 30 and December 31. The average rates for 1992 and earlier years are based on four-month values.

Seven-year review

Income statement, SEK m.	1990	1991	1992	1993	1994	1995	1996
Invoiced sales	23,158	21,524	20,082	17,574	16,496	16,573	22,990
Operating expenses	-22,048	-20,241	-18,953	-16,419	-15,307	-15,477	-21,556
Depreciation according to plan	-556	-566	-478	-432	-441	-444	-548
Subtotal	554	717	651	723	748	652	886
Major nonrecurring items	377	-496	-324	463	1,183		
Capital gains/losses on sales of real estate held for resale	206	78	411	146	-117	43	-20
Revised valuation of real estate held for resale		-417	-1,387	-371	-419		
Operating income/loss after depreciation	1,137	-118	-649	961	1,395	695	866
Net financial items	-304	-457	-570	-680	-527	-271	-344
Income in divested subsidiaries	14	6	24	10			
Shares in income/loss of associated companies	62	-98	-437	-116	90	-194	-60
Income/loss after net financial items	909	-667	-1,632	175	958	230	462
Taxes	-219	231	301	34	-141	2	-116
Minority interests	44	-26	18	12		-5	-6
Net income/loss	734	-462	-1,313	221	817	227	340
Balance sheet, SEK m.							
Liquid assets	2,117	2,377	1,731	2,539	3,810	2,687	2,650
Inventories	553	390	365	275	266	365	401
Interest-free receivables	5,132	4,289	3,579	3,494	3,623	4,148	4,283
Interest-bearing receivables	1,041	1,215	1,186	624	648	659	406
Real estate held for resale	10,579	12,432	11,899	11,696	12,078	12,806	13,367
Shares and participations	3,564	2,483	2,018	1,795	780	582	715
Other fixed assets	3,583	3,420	2,619	2,387	1,281	1,557	2,099
Total assets	26,569	26,606	23,397	22,810	22,486	22,804	23,921
Net work in progress	4,377	3,662	3,028	2,423	2,748	3,082	2,058
Interest-free liabilities	6,602	5,980	5,678	5,649	5,100	5,172	6,023
Deferred tax liabilities	871	581	264	205	289	318	438
Interest-bearing liabilities	7,272	9,633	9,014	8,954	7,513	7,758	8,704
Convertible debenture loans	1,129	1,088	1,088	1,002	460		
Minority interests	129	125	94	5	6	9	13
Equity	6,189	5,537	4,231	4,572	6,370	6,465	6,685
Total liabilities and equity	26,569	26,606	23,397	22,810	22,486	22,804	23,921
Ratios							
Return on visible equity incl. subsequently converted debenture loans after full tax	12%	-6%	-22%	5%	14%	4%	5%
Return on capital employed	13%	2%	-3%	8%	12%	8%	7%
Equity/assets ratio	24%	21%	18%	20%	28%	28%	28%
Share of risk-bearing capital	29%	26%	22%	23%	30%	30%	30%
Interest-bearing liabilities/total assets	27%	36%	39%	39%	33%	34%	36%
Other							
Average number employees	23,178	21,868	17,561	14,905	13,450	14,094	15,964

Major nonrecurring items were affected favorably by sales of shares and operations and negatively by such factors as costs for the discontinuation of operation.

Invoiced sales less costs incurred in work in progress = net work in progress. In other words, net work progress consists of advanced invoicing and worked-up income.

Risk-bearing capital is defined as the sum of equity, minority interests, deferred tax liabilities and subsequently converted debenture loans.

SEK m.	1990	1991	1992	1993	1994	1995	1996
Income/loss after net financial items	909	-667	-1,632	175	958	230	462
Visible equity	6,189	5,537	4,231	4 572	6,370	6,465	6,685
Visible equity incl. subsequently converted debenture loans	6,784	6,091	4,785	5,113	6,370	6,465	6,685
Capital employed at year-end	14,719	16,383	14,427	14,533	14,349	14,232	15,402
Net debt	5,243	7,129	7,185	6,793	3,515	4,412	5,648
Gross investments in fixed assets	2,194	931	265	226	330	575	1,085
Gross investments in real estate held for resale ¹	2,712	2,496	1,454	1,156	219	990	1,198
Sale of real estate held for resale ¹	501	501	1,323	1,473	436	448	561
Market value of listed Group companies ²	1,783	1,764	1,169	1,983	369	91	443
Undisclosed reserve in listed Group companies ²	-522	-516	-783	418	-94	-211	7
Book value in Group ²	2,305	2,280	1,952	1,565	463	302	436
Book value in Parent Company ^{2,3}	1,645	1,719	1,694	1,146	463	302	518
Data per share							
Visible equity, SEK	100.00	90.00	70.00	73.00	79.00	81.00	83.00
Income/loss after full tax, SEK	11.60	-6.10	-18.70	3.70	10.30	2.80	4.20
of which							
write-downs of properties after full tax, SEK		-4.70	-17.55	-5.40	-4.80		
major nonrecurring items after full tax, SEK	3.95	-6.95	-4.65	8.80	13.45		
Stock exchange price at year-end, NCC series B shares, SEK	47.60	30.90	13.36	54.00	65.50	78.00	90.00
Dividend, SEK	2.50	1.67			1.00	1.25	1.50⁴
P/E ratio after full tax	4			15	6	28	21
Direct return	5.3%	5.4%			1.5%	1.6%	1.7%
Stock exchange price/visible equity	48%	34%	19%	74%	82%	97%	108%
Number of shares							
average during the year, millions	68.0	68.0	68.0	69.1	79.5	80.1	80.1
at year-end, millions	68.0	68.0	68.0	70.2	80.1	80.1	80.1
Market value, SEK m.	2,459	1,561	713	2,532	5,447	6,294	7,212
Interest on subsequently converted debenture loans, SEK m.	75	65	61	50	6		

Net debt – defined as interest-bearing liabilities less liquid assets less interest-bearing receivables – rose by SEK 1,236 m. compared with the preceding year.

The convertible debenture loans which were subsequently converted into shares in 1990–1995 have been included for all years in the share data regarding shareholders' equity and the number of shares. In the income statement ratios, the convertible interest on these loans has been reposted after standard tax.

1) Relates to investments and sales in NCC Real Estate.

2) 1991–92 Avesta-Sheffield, NK, Silja, Scandiaconsult, 1993 Avesta-Sheffield, Silja, 1994, 1995, 1996 Silja.

3) See note 27.

4) Board of Directors' proposal to the Annual General Meeting.

Definitions see page 41, accounting principles see pages 56–58.

Board of Directors' Report

Significant events

- During 1996, NCC acquired the contracting operations of Rasmussen & Schiøtz, Denmark's largest construction company, and of Puolimatka, one of Finland's largest construction companies.
- In April 1996, a contract was signed regarding the sale of Phase 2 of the Avenue du Port real estate development project in central Brussels. The sales price was approximately SEK 400 m., of which building contracts accounted for approximately SEK 300 m. The project will be completed at the beginning of 1999.
- Effective July 1, 1996, NCC Real Estate sold all the shares in Granit & Beton to Storheden. Granit & Beton's properties have a total book value of SEK 1.4 billion. The effect of the sale on earnings was marginal.
- NCC entered into agreements in October regarding the leasing of slightly more than 17,000 m² of the Neues Zentrum Seestern property development project in Düsseldorf. The total investment is approximately SEK 450 m.
- In October, NCC purchased the Saltsjöqvarn site in Nacka, outside Stockholm, with the intention of building 600 residential units. The project period will be six years, with annual investments of SEK 150–200 m.
- In November, NCC and NCC Eeg-Henriksen were jointly commissioned to build a head office in Oslo for Christiania Bank og Kreditkassen. The total contract value is SEK 430 m.
- Following fiscal year-end:
 - NCC made a public offer for Siab in February 1997.
 - NCC publicly lists NK Cityfastigheter AB, which consists of department stores and shopping mall properties.

- NCC Puolimatka acquired land in the Helsinki and Turku areas for about SEK 150 m. Housing in an amount of SEK 900 m. will be built on the land.

NCC's offer for Siab

Following fiscal year-end, an agreement was reached regarding a merger of NCC and Siab. Siab shareholders are being offered four newly issued NCC shares for each multiple of seven Siab shares. The transaction will create a market-leading construction and real estate company in Sweden and the Nordic region, with combined sales of approximately SEK 33 billion and a real estate portfolio worth slightly more than SEK 17 billion. In addition, a strong base will be formed for increased internationalization. An increased volume in the domestic market will facilitate further efforts to develop new products and research and development activities, while enabling an enhancement of personnel skills. In addition, stronger financial capacity will be created to participate in major projects. The synergy potential is estimated to be in the range of SEK 200–300 m. annually.

NCC's profit per share is estimated to increase by slightly more than 30 percent as a result of the transaction, excluding merger costs which are expected to amount to approximately SEK 300 m. NCC's equity/assets ratio will not be affected.

NK Cityfastigheter AB

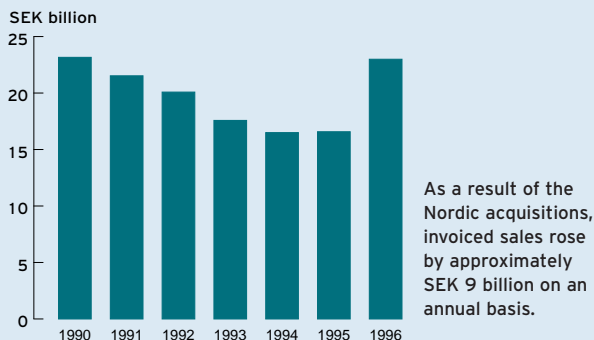
NCC formed NK Cityfastigheter AB in February 1997. NCC intends to list this company on the Stockholm Stock Exchange, by selling 60–75 percent of the shares for a price ranging from SEK 55 to 64 per share.

The sale is part of NCC's strategy of reducing and concentrating its real estate portfolio, increasing the turnover rate in the portfolio of managed properties and creating scope for increased real estate development. The new company will

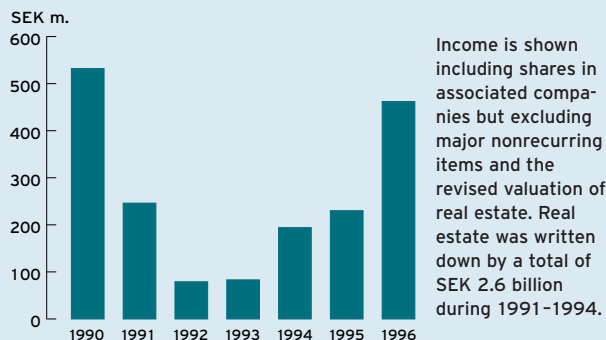
Sales and earnings by business area

SEK m.	Invoiced sales			Income/loss after net financial items		
	1994	1995	1996	1994	1995	1996
Civil Engineering	6,426	6,584	9,297	135	192	319
Building	7,236	6,856	10,450	102	119	127
Industry	2045	2,240	2,189	205	261	241
Eliminations	-1,222	-1,455	-1,433	37	16	0
Construction operations	14,485	14,225	20,503	479	588	687
Real Estate	1,190	1,179	1,220	-663	-64	-4
Invest	1,358	1,584	1,727	1,356	-230	-26
Others and eliminations	-537	-415	-460	-214	-64	-195
Group	16,496	16,573	22,990	958	230	462

Invoiced sales



Income after net financial items, excluding major nonrecurring items and the revised valuation of real estate



own, develop and lease retail and office premises in prime inner-city locations. Properties with a book value of SEK 2.2 billion are included in the transaction.

If it is assumed that NCC sells 67.5 percent of the shares at a price of SEK 59.50 per share, the mean price in the range, a capital gain of approximately SEK 100 m. will be generated, as well as a positive liquidity effect of approximately SEK 1 billion. The equity/assets ratio will increase by 1.5 percentage points as a result of the sale. The book value of the remaining 32.5-percent holding will be approximately SEK 300 m.

Invoiced sales

Consolidated invoiced sales amounted to SEK 22,990 m. (1995: 16,573, 1994: 16,496). The increase in invoiced sales is mainly attributable to the acquisition of the Nordic subsidiaries NCC Puolimatka, NCC Rasmussen & Schiøtz and NCC Eeg-Henriksen. For comparable units, invoiced sales amounted to SEK 17,646 m.

Earnings

The Group reported income after net financial items of SEK 462 m. (1995: 230, 1994: 958). The improvement was mainly attributable to increased earnings from NCC's construction and real estate operations and an improvement in Silja's results. A number of successful major projects, which had been in progress for several years, were recognized as income during the year. Excluding shares in associated companies, income amounted to SEK 522 m. (1995: 424, 1994: 104).

Revised valuation of properties

In order to establish sustainable long-term property values, the portfolio underwent an internal valuation, based on the same principles as in previous years. The valuations are based on rea-

sonable long-term yield requirements, taking into account the reductions in interest subsidies and anticipated vacancy rates. The net result of the revised valuation in the Group accounts was zero (1995: 0, 1994: -419).

Profit per share

Profit per share, after full tax, amounted to SEK 4.20 (1995: 2,80, 1994: 10,30).

Profitability

The return on capital employed was 7 percent (1995: 8, 1994: 12). The return on equity was 5 percent (1995: 4, 1994: 14).

Investments

The Real Estate Operations' gross investments in real estate held for resale amounted to SEK 1,198 m. (1995: 990, 1994: 219). Property sales amounted to SEK 561 m. (1995: 448, 1994: 436). The Group reported gross investments of SEK 305 m. (1995: 103, 1994: 321) in shares and SEK 1,085 m. (1995: 575, 1994: 330) in fixed assets, of which the acquisitions of the Nordic subsidiaries accounted for SEK 722 m.

Cash flow

Operations generated SEK 1,020 m. (1995: 700, 1994: 375). Working capital increased by SEK 426 m. (1995: decrease 1, 1994: increase 343) and net investments during the year amounted to SEK 1,925 m. (1995: 1,406, 1994: -500). Accordingly, cash flow before financing was negative in an amount of SEK 1,331 m. (1995: -709, 1994: 2,176). Transactions that had no effect on cash flow amounted to SEK 492 m. and expansionary investments SEK 810 m., including SEK 690 m. for the acquisition of the Nordic subsidiaries.

Change in income after net financial items

SEK m.	
Income after net financial items, 1995	230
Volume, Construction Operations	140
Operating margin, Construction Operations	31
Net financial items	-73
Loss on sale of real estate held for resale	-63
Income from associated companies	134
Income from subsidiary, NVS	56
Other changes	7
Income after net financial items, 1996	462

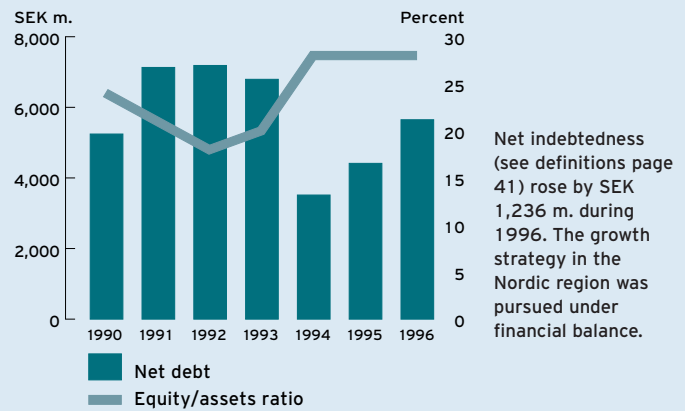
Sensitivity analysis

	Change	Effect on income on an annual basis, SEK m.
Construction operations		
Volume	5%	+/- 25
Operating margin	0,5% point	+/- 100
Real estate operations		
Rental revenues	5%	+/- 7
Vacancy rate, rents	1% point	+/- 12
Group		
Interest rates	1% point	+/- 15
Net debt	10%	+/- 40

Consolidated earnings are affected by changes in the construction operations volume and operating margin, the real estate operations vacancy rates and rent levels and the interest-rate level and net debt in the Group.

When calculating the change in rents, only rental revenues relating to contracts that will be renegotiated during 1997 have been taken into account. Sensitivity to interest rates has been assessed after taking into account the terms of fixed interest for interest-bearing liabilities and receivables. As a result, this item reflects the actual impact on earnings of changed interest rates in 1997.

Net indebtedness and equity/assets ratio



Financing and liquidity

At December 31, 1996, NCC's net debt (interest-bearing liabilities less liquid assets, less interest-bearing receivables) amounted to SEK 5,648 m. (1995: 4,412, 1994: 3,515).

Interest-bearing liabilities amounted to SEK 8,704 m. (1995: 7,758, 1994: 7,973) on December 31, 1996, of which SEK 3,971 m. (1995: 3,204, 1994: 2,939) related to current and SEK 4,733 m. (1995: 4,554, 1994: 5,034) to non-current liabilities. At year-end, the average duration of the borrowing portfolio was 2.5 (1995: 2.8, 1994: 2.4) years.

The average interest rate for the entire borrowing portfolio on December 31, 1996 was 7.5 percent (1995: 8.5, 1994: 8.8). The average interest rate for the Swedish-krona denominated borrowing portfolio was 8.6 percent (1995: 9.3, 1994: 9.6).

At year-end 1996, liquid assets amounted to SEK 2,650 m. (1995: 2,687, 1994: 3,810).

The NCC Group's net financial items amounted to an expense of SEK 344 m. (1995: -271, 1994: -527). The change was due mainly to the acquisition of the Nordic subsidiaries.

Financial risk management

NCC's financial risks are managed centrally in accordance with the Group's finance policy. Actions are limited by Group-wide limits governing interest-rate, currency, liquidity and credit risks.

Interest-rate risks were managed successfully during 1996. The return on funds invested externally outperformed the corresponding market index.

The Group's financial assets in foreign currencies are matched by liabilities in the corresponding currency and other currency exposure is hedged in accordance with the finance policy.

Credit risks resulting from financial investments were managed successfully and 1996 was another year in which NCC incurred no credit losses.

Equity/assets ratio and debt/equity ratio

NCC's equity/assets ratio amounted to 28 percent (1995: 28, 1994: 28) at year-end 1996.

On December 31, 1996, the share of risk-bearing capital amounted to 30 percent (1995: 30, 1994: 30).

NCC's debt/equity ratio, defined as net indebtedness divided by shareholders' equity including minority interests, amounted to a multiple of 0.8 (1995: 0.7, 1994: 0.6) at year-end.

Risk management in the IT area

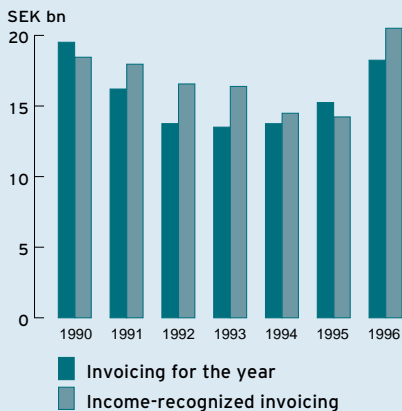
Since 1995, NCC has been part of a strategic partnership with WM-data. The introduction of state-of-the-art information technology (IT) in the construction sector is one of the principal means of increasing productivity and profitability. As a result of the "VINST" project, one of the most comprehensive development projects conducted within NCC, the Group is advancing its positions in the IT area. To be successful in this area, NCC needs a resourceful partner with the required experience and expertise. During negotiations, IT security was a major issue, which WM-data resolved in a reassuring manner. NCC has also outsourced the operation and maintenance of existing computer operations.

In co-operation with WM-data, NCC implemented a project in 1995 and 1996 which resulted in an IT Security Manual and an IT Security Plan. An IT security organization was formed, in connection with which an IT Security Manager was employed. The IT Security Plan includes the security accreditation of new systems, authorization controls of all systems, an

Borrowing portfolio

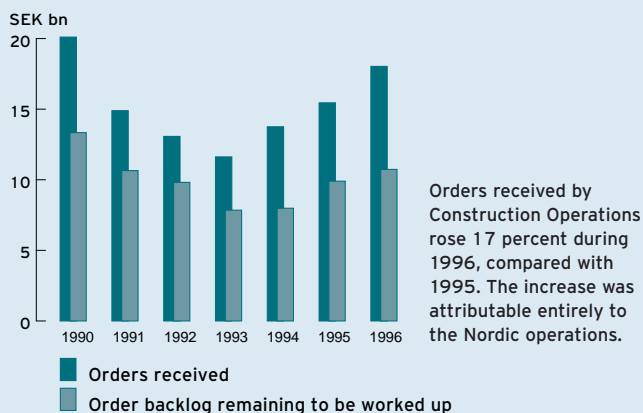
Dec. 31, 1996	SEK and foreign currencies		SEK and foreign currencies			SEK	
	Amortization Amount	Percentage	Fixed interest rate during period Amount	Percentage	Average interest rate	Fixed interest rate during period, SEK m.	Average interest rate
SEK m.							
1997	3,971	46%	5,637	65%	7.4%	3,241	8.4%
1998	1,814	21%	1,364	16%	8.1%	1,114	8.8%
1999	534	6%	452	5%	7.2%	237	8.7%
2000	634	7%	613	7%	7.2%	115	8.9%
2001	403	5%	346	4%	8.0%	332	8.2%
2002-	1,348	15%	292	3%	7.0%	10	8.5%
Interest-bearing liabilities	8,704	100%	8,704	100%	7.5%	5,049	8.6%
Liquid assets	2,650		2,650			1,689	
Interest-bearing receivables	406		406			202	
Net debt	5,648		5,648			3,158	

Invoicing by NCC's Construction Operations



Invoicing for the year for Construction Operations amounted to SEK 18,241 m. (15,243), of which operations outside Sweden accounted for SEK 6,284 m. (2,249). Income-recognized invoicing amounted to SEK 20,504 m. (14,225), equal to a degree of income recognition of 112 percent (93). The degree of income recognition for Sweden operations was 108 percent (99).

Orders received and order backlog for NCC's Construction Operations



Orders received by Construction Operations rose 17 percent during 1996, compared with 1995. The increase was attributable entirely to the Nordic operations.

Construction Operations

Orders received by the NCC Group's Construction Operations (the Civil Engineering, Building and Industry business areas) during 1996 amounted to SEK 18.0 billion (15.4), of which markets outside Sweden accounted for SEK 6.8 billion (2.6). The order backlog was SEK 10.7 billion (9.9), with markets outside Sweden accounting for SEK 5.5 billion (2.9).

The Construction Operations' invoicing for the year amounted to SEK 18,241 m. (15,243), of which markets outside Sweden accounted for SEK 6,283 m. (2,249). Income-recognized invoicing amounted to SEK 20,503 m.

(14,225), of which SEK 7,582 m. (1,333) was accounted for by markets outside Sweden. The degree of income recognition was 112 percent (93). The degree of income recognition for Swedish operations was 108 percent (99).

Income after net financial items was SEK 687 m. (588). The operating margin (defined as operating income after depreciation as a percentage of income-recognized invoicing) on Construction Operations was 2.4 (2.2) percent. The net margin (defined as income after net financial items as a percentage of income-recognized invoicing) on Construction Operations was 3.4 (4.1) percent.

SEK m.	Orders received		Order backlog remaining to be worked up		Invoicing for the year		Income recognized invoicing	
	Jan-Dec 1996	Jan-Dec 1995	Dec. 31 1996	Dec. 31 1995	Jan-Dec 1996	Jan-Dec 1995	Jan-Dec 1996	Jan-Dec 1995
Sweden	11,259	12,832	5,197	6,989	11,958	12,994	12,921	12,892
Nordic region	6,603	2,403	5,326	2,274	6,161	1,474	6,705	1,146
Other markets	168	213	211	639	122	775	877	187
Construction operations, total	18,030	15,448	10,734	9,902	18,241	15,243	20,503	14,225

The Nordic region consists of the subsidiaries NCC Puolimatka, NCC Eeg-Henriksen and NCC Rasmussen & Schiøtz.

overhaul of NCC's encrypting networks, training of all computer coordinators and measures to handle the millennium problem. In connection with the accreditation of new systems, all new systems are checked to ensure that they will manage the move into the year 2000. Virtually all new systems will be replaced at least a year prior to the new millennium.

Personnel

The average number of employees in the NCC Group during 1996 was 15,964 (1995: 14,094, 1994: 13,450).

Parent Company

The Parent Company reported income-recognized invoicing of SEK 11,860 m. (1995: 11,510, 1994: 11,643). Income after net financial items amounted to SEK 418 m. (1995: 397, 1994: 1,834).

The average number of employees was 8,399 (1995: 8,653, 1994: 8,623).

New accounting principles in 1997

As a result of Sweden's new Annual Report Act, which became effective on January 1, 1997, and a new recommendation from the Swedish Construction Federation, income from NCC's contracting operations will be recognized on a percentage of

completion basis in the consolidated accounts. Due to the new accounting principle, worked up income that was part of work in progress at January 1, 1997 will be credited directly to restricted shareholders' equity, after taking deferred tax into account. The effect of the realignment on the 1996 accounts is that Group equity/assets ratio and the share of risk-bearing capital each increase by approximately 2 percentage points. Application of the new accounting principle will result in considerable seasonal variations in NCC's earnings. Since production activity is lower during the winter half of the year, earnings for the second and third quarters will exceed the level for the first and final quarters of the year.

Outlook for 1997

In view of the public offer for Siab, NCC's assessment of earnings in 1997 will be submitted at a later date.

Proposed dividend

The Board of Directors proposes that the dividend for fiscal year 1996 be raised to SEK 1.50 (1995: 1.25, 1994: 1.00).

Annual General Meeting

The Annual General Meeting will be held at 5:00 p.m. on Thursday, April 24, 1997, at China Teatern, Stockholm, Sweden.

The NCC Share

During 1996, approximately 17.1 million (21.5) NCC shares were traded on the Stockholm Stock Exchange. The shares traded corresponded to 21 percent (27) of the total number of NCC shares issued. At year-end, the stock market price of NCC's Series B shares was SEK 90 (78). The highest price paid for Series B shares during the year was SEK 97, and the lowest SEK 61.

Dividend policy

The Board of Directors' objective in the long term is to distribute one third of income after taxes as dividends to NCC's shareholders. Where applicable, however, major nonrecurring items and the revised valuation of real estate must be taken into account.

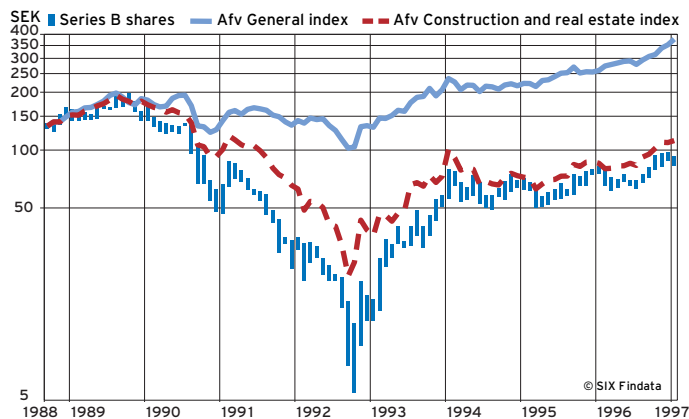
The Board of Directors proposes that a dividend of SEK 1.50 be paid for the 1996 fiscal year. The dividend for 1995 was SEK 1.25 per share.

Per share data

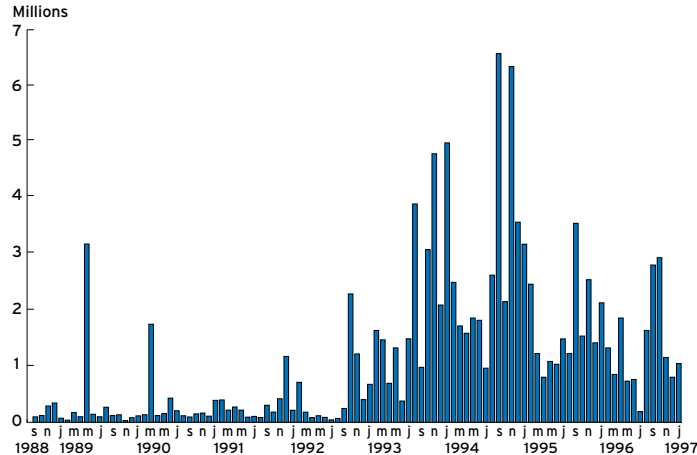
	1996	1995
Income after full tax, SEK	4.20	2.80
Visible shareholder' equity, SEK	83.00	81.00
Dividend, SEK	1.50 ¹⁾	1.25
Stock exchange price/visible shareholders' equity	108%	97%

1) The Board of Directors' proposal to the Annual General Meeting.

Trend of NCC shares

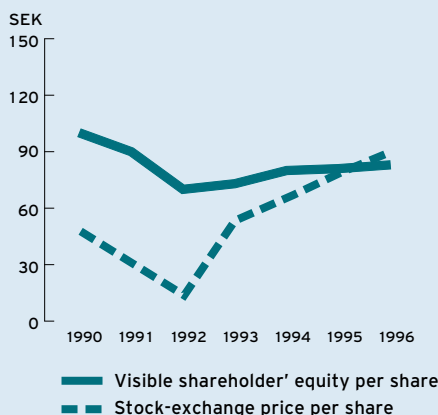
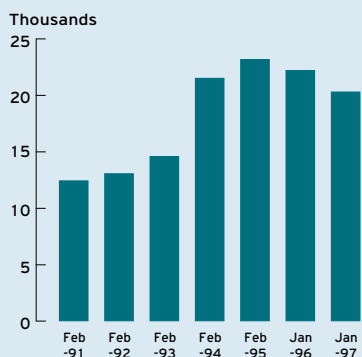


Number of Series B shares traded



Number of shareholders

Shareholders' equity per share



In the share data, the convertible debentures that were subsequently converted into shares have been included in shareholders' equity.

The figures for earlier years have been recalculated to take into account the bonus issue element of the 1994 new issue. The recalculation has been implemented in accordance with recommendations issued by the Swedish Association of Financial Analysts.

Number of shares

	Series A shares	Series B shares	Total
January 1997	44,002,963	36,129,762	80,132,725

Each Series A share entitles the holder to ten votes and each Series B share to one vote. The par value of each share is SEK 25. A round lot amounts to 200 shares.

Changes in share capital

	Number of shares	Share capital SEK m.
1988 Start of year	6,720,000	672
Split 1:4	20,160,000	-
Directed placement, in connection with the acquisition of ABV	16,259,454	407
1991 Conversions of debentures	1,449,111	36
1993 Conversions of debentures	468,928	11
Directed placement in connection with purchase of minority-held NK shares	1,838,437	46
1994 New issue	19,841,991	496
Conversions of debentures	13,394,804	335
1996 Year-end	80,132,725	2,003

Distribution of shares, January 31, 1997

Holding, no. of shares	Shareholders		Shareholding		
	Number	Percent	Number of shares held	Percent of share capital	Average No. shares per shareholder
1-1,000	18,194	89.8	5,893,086	7.4	324
1,001-10,000	1,875	9.3	4,847,991	6.0	2,586
10,001-100,000	119	0.6	3,590,241	4.5	30,170
100,001-	57	0.3	65,801,407	82.1	1,154,411
Total	20,245	100.0	80,132,725	100.0	3,958

Ownership structure, January 31, 1997

	Shares, %	Votes, %
Nordstjernan AB	43.5	67.9
Sparbankernas Aktiefonder	7.9	5.2
Fjärde AP-fonden	3.4	5.1
Handelsbankens Fonder & Pensionsstiftelse	5.2	4.3
Försäkringsbolaget SPP	4.9	2.9
Nordbankens Fonder & Pensionsstiftelse	5.6	1.6
Skandinaviska Enskilda Bankens Aktiefonder	3.6	0.6
Trygg-Hansa	1.7	0.5
AMF	1.5	0.2
Försäkringsbolaget Skandia	0.6	0.2
Other	22.1	11.5
Total	100.0	100.0

The number of institutions that own NCC shares is 315.

The proportion of institutional shareholders corresponds to 93 percent of the voting rights and 88 percent of share capital.

The proportion of foreign ownership corresponds to 1 percent of the voting rights and 3 percent of share capital.

Consolidated income statement

SEK m.		1994	1995	1996
Invoiced sales	Note 1	16,496	16,573	22,990
Operating expenses		-15,307	-15,477	-21,556
Major nonrecurring items	Note 2	1,183		
Capital gains/losses on sales of real estate held for resale		-117	43	-20
Operating income before depreciation		2,255	1,139	1,414
Depreciation according to plan	Note 3	-441	-444	-548
Revised valuation of real estate held for resale		-419		
Operating income after depreciation	Note 4	1,395	695	866
Dividends		2	8	4
Interest income		249	590	219
Interest expenses	Note 5	-772	-869	-590
Currency exchange differences		12	3	27
Other financial items		-18	-3	-4
Share in loss/income of associated companies	Note 6	91	-187	-56
Less: Dividends received		-1	-7	-4
Income after net financial items		958	230	462
Tax	Note 7	-141	2	-116
Income after tax		817	232	346
Minority interests	Note 8	0	-5	-6
Net income for the year		817	227	340

Consolidated balance sheet

SEK m.		Dec 31, 1994	Dec 31, 1995	Dec 31, 1996
ASSETS				
Liquid assets	Note 9	3,810	2,687	2,650
Accounts receivable		2,592	3,059	3,275
Inventories	Note 10	266	365	401
Other current assets	Note 11	1,272	1,058	1,070
Total current assets		7,940	7,169	7,396
Real estate held for resale	Note 12	12,078	12,806	13,367
Shares and participations	Note 27	780	582	715
Long-term receivables	Note 13	407	690	344
Goodwill, etc.	Note 14	59	254	579
Fixed assets under construction		2	19	8
Fixed assets	Note 15	1,220	1,284	1,512
Total fixed assets		2,468	2,829	3,158
Total assets		22,486	22,804	23,921
LIABILITIES AND EQUITY				
Accounts payable		1,607	2,012	2,298
Other current interest-free liabilities	Note 16	3,488	3,102	3,678
Current interest-bearing liabilities	Note 17	2,479	3,204	3,971
Convertible debenture loans		460		
Total current liabilities		8,034	8,318	9,947
Invoicing		10,698	14,009	12,593
Costs incurred		-7,950	-10,927	-10,535
Net work in progress		2,748	3,082	2,058
Long-term interest-free liabilities		5	58	47
Deferred tax liabilities	Note 7	289	318	438
Long-term interest-bearing liabilities	Note 18	4,482	3,951	4,075
Provision for pensions	Note 19	552	603	658
Total long-term liabilities		5,328	4,930	5,218
Total liabilities		16,110	16,330	17,223
Minority interests		6	9	13
Share capital	Note 22	2,003	2,003	2,003
Restricted reserves		1,965	2,121	2,164
Unrestricted reserves incl. net income for the year		2,402	2,341	2,518
Total equity	Note 23	6,370	6,465	6,685
Total liabilities and equity		22,486	22,804	23,921
Pledged assets	Note 24	5,811	5,707	4,301
Contingent liabilities	Note 25	2,000	2,289	2,253

Consolidated statement of changes in financial position

SEK m.	1994	1995	1996
Income before tax	958	230	462
Depreciation	441	444	548
Write-down of properties and shareholding, etc.	392	195	-2
Shares in income/loss of associated companies	245	-10	159
Capital gains/loss on sale of shares and fixed assets	-1,645	2	36
Translation differences	2	136	-30
Dividends		-80	-100
Tax	-18	-44	-9
Funds provided from operations (A)	375	873	1,064
Increase/decrease in inventories	9	-99	-36
Increase in accounts receivable and other current assets	-144	-253	-228
Increase/decrease in current interest-free liabilities	-533	19	862
Increase in net work in progress	325	334	-1,024
Change in working capital (B)	-343	1	-426
Net funds provided from operations (A+B)	32	874	638
Net investments in real estate held for resale	219	-1,064	-744
Gross investments in fixed assets	-330	-575	-1,085
Gross investments in shares	-321	-103	-305
Investments (C)	-432	-1,742	-2,134
Sales (excl real estate held for resale) (D)	2,576	159	165
Operating capital after investments¹ (A+...+D)	2,176	-709	-1,331
Increase/decrease in current interest-bearing liabilities	-573	265	767
Decrease/increase in long-term liabilities	-1,416	-398	180
Increase/decrease in long-term receivables	-9	-283	347
Increase in minority interests, etc.	6	2	
New share issue	1,087		
External financing (E)	-905	-414	1,294
Net change in liquid assets (A+...+E)	1,271	-1,123	-37
Liquid assets at year-end	3,810	2,687	2,650

1) Cash flow for 1996 includes SEK 492 m. for items that had no effect on cash flow.

Parent company income statement

SEK m.		1994	1995	1996
Invoiced sales		11,643	11,510	11,860
Operating expenses		-11,704	-11,468	-11,663
Major nonrecurring items	Note 2	1,156		
Income from merger	Note 20	166		
Operating income/loss before depreciation		1,261	42	197
Depreciation according to plan	Note 3	-136	-114	-115
Operating income/loss after depreciation		1,125	-72	82
Dividends on shares in subsidiaries		396	29	4
Group contributions from subsidiaries		183	186	245
Dividends on other shares		1	3	3
Interest income		279	330	184
Interest expenses		-137	-78	-83
Currency exchange differences		0	-2	-21
Other financial items		-13	1	4
Income after net financial items		1,834	397	418
Appropriations	Note 21	-857	-335	-447
Income before tax		977	62	-29
Tax		-1	-2	0
Net income for the year		976	60	-29

Parent company balance sheet

SEK m.		Dec 31, 1994	Dec 31, 1995	Dec 31, 1996
ASSETS				
Liquid assets	Note 9	4,791	3,089	881
Accounts receivable		1,717	1,913	1,558
Inventories		10	11	14
Other current assets	Note 11	1,277	920	850
Total current assets		7,795	5,933	3,303
Real estate held for resale		140	179	285
Shares and participations in subsidiaries	Note 27	6,108	6,459	9,275
Shares and participations in other companies	Note 27	579	413	636
Long-term receivables	Note 13	302	640	518
Goodwill, etc.	Note 14	4	4	4
Fixed assets	Note 15	387	394	411
Total fixed assets		7,380	7,910	10,844
Total assets		15,315	14,022	14,432
LIABILITIES AND EQUITY				
Accounts payable		1,051	955	920
Other current interest-free liabilities	Note 16	2,766	1,295	1,347
Current interest-bearing liabilities	Note 17	316	306	226
Convertible debenture loans		460		
Total current liabilities		4,593	2,556	2,493
Invoicing		9,195	9,406	7,923
Costs incurred		-7,129	-7,180	-6,321
Net work in progress		2,066	2,226	1,602
Interest-free liabilities to subsidiaries		1,575	2,226	2,584
Other interest-free long-term liabilities		1	1	0
Interest-bearing long-term liabilities	Note 18	35	35	672
Provisions for pensions	Note 19	534	580	634
Total long-term liabilities		2,145	2,842	3,890
Total liabilities		8,804	7,624	7,985
Untaxed reserves	Note 21	123	30	208
Share capital	Note 22	2,003	2,003	2,003
Legal reserve		1,639	1,639	1,639
Unrestricted reserves		1,770	2,666	2,626
Net income for the year		976	60	-29
Total equity	Note 23	6,388	6,368	6,239
Total liabilities and equity		15,315	14,022	14,432
Pledged assets	Note 24	39	94	287
Contingent liabilities	Note 25	4,945	4,928	8,609

Statement of changes in parent company's financial position

SEK m.		1994	1995	1996
Income before appropriations and tax		1,668	397	418
Depreciation		136	114	115
Write-down of shareholding, etc.		465	4	47
Capital gains on sales of shareholdings, etc.		-1,610	-19	-21
Group contribution and other appropriations related to subsidiaries		-739	-431	-245
Dividends			-80	-100
Tax		-1	-2	
Funds provided from operations	(A)	-81	-17	214
Increase in inventories				-3
Decrease/increase in other current assets		-666	160	425
Decrease/increase in current interest-free liabilities		889	-1,567	17
Increase/decrease in net work in progress		-41	160	-624
Change in working capital	(B)	182	-1,247	-185
Net funds provided from operations	(A+B)	101	-1,264	29
Net investments in real estate held for resale		-4	-39	-105
Gross investments in fixed assets		-91	-154	-130
Gross investments in shares		-1,096	-192	-3,120
Investments	(C)	-1,191	-385	-3,355
Sales	(D)	2,522	58	28
Operating capital after investments	(A+...+D)	1,432	-1,591	-3,298
Decrease in current interest-bearing liabilities		-621	-470	-80
Increase/decrease in long-term interest-free liabilities		-488	651	357
Increase/decrease in long-term interest-bearing liabilities		-488	46	691
Increase/decrease in long-term receivables		177	-338	122
New share issue		1,087		
External financing	(E)	-333	-111	1,090
Net change in liquid assets	(A+...+E)	1,099	-1,702	-2,208
Liquid assets at year-end		4,791	3,089	881

Accounting principles

Consolidated accounting: The Group has been consolidated in accordance with the Swedish Accounting Standards Council's recommendations regarding consolidated accounts and includes the Parent Company, all companies in which the Parent Company has a controlling interest and associated companies. Consolidation is based on the following main principles:

- Companies in which the Parent Company directly or indirectly owns shares carrying more than 50 percent of the voting rights or otherwise has a controlling influence are consolidated in their entirety, less minority interests in constituent companies. ("Full consolidation" in accordance with the purchase method.)
- The Group's share of earned income in associated companies is consolidated. Associated companies are companies in which the Group has holdings of between 20 and 50 percent of the voting rights, or in which the Group otherwise has a substantial influence. Note 27 contains a list of Group and associated companies.
- Limited liability companies that undertake foreign contracting projects in forms similar to those of a consortium — that is, with joint ownership and control and for limited periods of time — are consolidated in accordance with the proportional accounting method.

In the purchase method, the consolidated acquisition value of shares in subsidiaries is eliminated against the shareholders' equity (including the equity portion of untaxed reserves) in each subsidiary at the date of acquisition.

The equity in the acquired subsidiary is calculated on the basis of a market valuation of assets and liabilities at the date of acquisition (a so-called acquisition analysis). These market values constitute the acquisition value for consolidation purposes. The difference between the acquisition value of shares in subsidiaries and the estimated value of equity assigned during the acquisition analysis is reported as consolidated goodwill.

Surplus values attributed to specific assets are depreciated over the period that the assets are depreciated in the subsidiaries. Goodwill arising in this connection is at present amortized over periods of five to twenty years.

In the equity method, the book value of shares in associated companies is adjusted by the percentage of the Group's shares in the income of associated companies, less dividends received.

Acquired companies and divested companies are included in the consolidated Income Statement for the period when shares in such companies are held. As of 1993, the accumulated translation difference is reported as a portion of the gain or loss finally realized when calculating the consolidated gain or loss on the sale of companies.

The current rate of exchange (current method) is used in translating income statements and balance sheets of foreign companies to Swedish kronor. All assets and liabilities in the balance sheets of subsidiaries have accordingly been translated at year-end exchange rates, and all income statement items at average exchange rates for the year. The translation differences thus arising have been taken directly to shareholders' equity.

Internal pricing: Market prices are applied on intercompany sales.

Depreciation: Depreciation according to plan on machinery and equipment, buildings and land improvements, patents, goodwill and surplus value etc. has been calculated on the basis of the acquisition value and estimated economic life.

The depreciation rates vary depending on the type of asset: goodwill, at present from 5 to 20 percent, machinery and equipment from 2.5 to 33 percent, buildings from 1.4 to 5 percent, land improvements from 3.7 to 4 percent, pits and quarries at actual depletion of net worth and managed properties at 1 percent.

The acquisition costs of the goodwill relating to the acquisition of NCC Puolimatka and NCC Rasmussen & Schiøtz are amortized according to plan by an amount of 5 percent annually. The reasons for selecting this amortization period are that the acquisitions are part of NCC's Nordic strategy and are long term, that NCC Puolimatka and NCC Rasmussen & Schiøtz have a strong market position and that market and technological conditions are considered to be such that the economic life of the acquisitions will probably be at least 20 years. NCC will appraise the booked residual value of the acquired goodwill each year and, if necessary, the amount will be written down or the planned amortization period adjusted.

Liquid assets: Liquid assets include cash and bank deposits and short-term investments. Short-term investments are defined as bonds and other interest-bearing instruments.

Short-term investments are valued at the lower of acquisition and market value at year-end. This principal applies to the entire portfolio. Accordingly, unrealized losses are eliminated against unrealized gains. Any surplus loss is reported as a financial expense, while corresponding gains are not reported.

Interest accrued on short-term investments is accrued in accordance with customary principles.

Receivables and liabilities in foreign currency: In accordance with the recommendation of the Swedish Accounting Board, receivables and liabilities in foreign currencies have been translated at the rate prevailing at year-end. The difference between the acquisition value and the year-end value has been added to/charged against income. Unrealized exchange-rate gains on long-term receivables and liabilities have been reported as a foreign exchange reserve among untaxed reserves. The change during the year is reported as an appropriation.

Exchange-rate differences relating to loans undertaken to finance foreign contracts have been reported among income for the year in which the project was recognized as income.

Group companies have assumed loans in foreign currencies in order to hedge a portion of net investments in foreign subsidiaries, and in foreign associated companies consolidated in accordance with the equity method. Effective January 1, 1996, these loans are valued in the Parent Company and the consolidated accounts at the year-end rate. In the consolidated income statement, the exchange-rate differences on these loans, after taking deferred tax into account, have been included directly in equity to the extent that they correspond to translation differences included in this item during the year.

Inventories: These items have been valued in accordance with the lowest-value principle, meaning to the lower of costs or market value. Manufactured products are valued at the lower of manufacturing value and sales value less sales overheads. Deductions for obsolescence were applied as appropriate. (The specific principles applying to real estate held for resale are described below.)

Real estate held for resale: Real estate held for resale is reported under the following categories:

- managed properties
- ongoing investments in managed properties
- properties held for future development
- shares and participations representing joint ownership in real estate held for resale.

Managed properties consist of the Group's holding of completed buildings retained under proprietary management. Expenses incurred in the construction of managed properties are reported as ongoing investments in managed properties up to the date at which the property is brought under management. Effectiv January 1, 1996, a property placed under management during the year is reclassified from investments in progress to managed property as of January 1 of the following year. Depreciation commences at the same date.

Holdings of undeveloped land and redevelopment properties intended for future development are reported as properties held for future development.

The acquisition value of real estate held for resale includes:

- acquisition costs
- planning costs
- production costs for new buildings, extensions or renovations.

Costs incurred in ongoing investments in real estate held for resale include capitalized interest expenses within the framework of actual interest payments.

Real estate held for resale is valued at the lower of acquisition cost and actual value.

The Group does not intend to divest the managed properties in the years ahead, except to a limited extent. The Group's turnover of managed properties is so low that such properties are managed for an average of a full business cycle. Accordingly, it is not considered necessary to write down the value of property investments that are economically sound in the event that a temporary decrease in value — when considered in such an extensive time frame — is incurred.

In order to establish sustainable long-term values, an internal valuation has been undertaken. The valuations are based on reasonable long-term yield requirements and estimated levels of rents, taking the reduction in interest-rate subsidies into account, as well as vacancy rates in a five-year perspective. Dependent on location and other factors, the required yield varies from nearly 7 percent to slightly more than 10 percent. Each property has been valued in accordance with its own conditions. The deficit values of individual properties have not been offset against the surplus values of others.

A write-down of a property held for resale made in one year's financial statements may in a subsequent year's financial statements be reversed up to the lower of acquisition cost and

actual value. A write-down of a Swedish property classified for tax purposes as a property held for resale constitutes a tax-deductible cost, whereby the reversal is a taxable revenue.

Property management operations: Results from property management operations consist of the operating net less depreciation according to plan and administration costs relating to the property management operations. The item also includes corresponding shares in the results of associated companies after a deduction for net financial items. The operating net is the sum of rental revenues (including other income and interest subsidies), less running, maintenance and rental costs. In addition to adaptations of properties to tenant requirements, external rental fees, property tax and other external rental costs, the rental costs also include costs for the own rental organization.

Sales of managed properties: The results of sales of properties classified as managed properties at the sales date are reported under the heading Sales of managed properties. In addition to external sales costs, the sales costs include costs for own sales activities. The sales results are charged with overhead costs for both completed and non-completed transactions.

Property development: Revenues and expenses (excluding interest payments) attributable to the balance sheet items Investments in progress and Properties held for future development are reported under the heading Property development. The term also includes results from other real estate projects, such as land sold together with an assignment to construct a building on the land sold. Up to and including 1996, income from such projects was not reported as income from sales until completion. As of 1997, the principle of percentage of completion is applied.

The item results from property development consists of the total of results of sales of investments in progress, properties held for future development and other real estate projects, as well as the operating net from properties held for future development, plus administration costs relating to the property development business. The item also includes corresponding shares in the results of associated companies after a deduction for net financial items. In addition to external sales costs, the sales costs also include costs for own sales activities. The sales results are charged with overhead costs for both completed and non-completed transactions.

Work in progress in contracting operations: Contracts not completed at year-end are reported in the Balance Sheet as work in progress. The invoicing amount is equivalent to the sum billed to the customer, exclusive of advances that are not matched by work performed and inclusive of amounts withheld by the customer in accordance with contract. Costs incurred are directly referable to the construction project concerned and include:

- costs of installation materials, consumption materials and construction tools
- wages, salaries and remuneration and all pay-roll surcharges for hourly-rated employees, supervisors and other staff on site
- costs of subcontracts and other external and internal services
- external and internal machine rentals and transport costs.

To the extent that losses actually occur, the estimated costs of such items have been deducted from costs incurred, and the amounts have been charged against the income each year.

The difference between invoicing and costs incurred is referred to as "net work in progress." This net figure is affected both by the profitability of work in progress and the rate of invoicing on outgoing and incoming invoices. The invoicing pace does not always match that at which contract work is progressing. Work in progress therefore contains an amount that has not yet been recognized as income.

Deferred tax liability: The deferred tax liability is calculated on the basis of the anticipated tax rate for the following year in the countries concerned. When calculating the size of the tax liability, it is taken into account that a part of untaxed reserves can be reversed without tax consequences by utilizing tax loss carryforwards. The fact that the consolidated accounts include provisions and write-downs for which it has not yet been possible to make tax claims is also taken into account. In connection with changes in tax rates, the change in the tax liability is reported in the tax cost for the year.

Acquisition of ABV: The goodwill totaling SEK 614 m. arising in connection with the merger with ABV in 1988 has been written down directly against the premium in connection with the issue of new shares at that time. If this method had not been applied, the goodwill on this strategic acquisition would have been amortized over a period of 20 years.

No deferred tax is reported for the surplus value of the properties deriving from the merger with ABV. If this acquisition were to be reported in accordance with the Financial Accounting Standards Council's recommendation regarding consolidated accounts, which came into effect in 1992, it would have resulted in an increased deferred tax liability and an increased amount of goodwill.

If the ABV acquisition was reported in accordance with the principal rule and not according to the transitional regulations of the Financial Accounting Standards Council's recommendation, the balance sheet effects at December 31, 1996 would have been an increase of SEK 663 (723) m. in reported goodwill, an increase of SEK 342 (350) m. in the reported deferred tax liability and an increase of SEK 321 (373) m. in equity. The Group's net income for 1996 would have been reduced by SEK 52 m. (54), due to increases in amortization of goodwill by SEK 60 m. (60) and deferred tax revenues by SEK 8 m. (6). This corresponds to approximately -0.65 (-0.70) per share.

Exchange rates

Country	SEK	Currency	Average exchange rate Jan - Dec		Year-end rate Dec 31	
			1996	1995	1996	1995
Belgium	100	BEF	21.67	24.22	21.46	22.62
Cyprus	1	CYP	14.40	15.81	14.62	14.56
Denmark	100	DKK	115.72	127.39	115.55	120.00
Finland	100	FIM	146.13	163.51	147.95	152.90
The Netherlands	100	NLG	398.08	444.84	393.85	414.95
Norway	100	NOK	103.86	112.64	106.55	105.20
Great Britain	1	GBP	10.46	11.26	11.60	10.33
Germany	100	DEM	446.06	498.28	442.05	464.45

Comments and notes

Amounts in SEK m., unless otherwise specified.

NOTE 1 INVOICED SALES

Region	Recognized as income			For the year		
	1994	1995	1996	1994	1995	1996
Sweden	14,335	14,964	15,191	13,232	15,136	14,275
EU-countries	807	1,006	3,967	913	1,080	3,930
Other Western Europa	1,183	501	2,904	683	679	2,307
Eastern Europe	11	14	61	8	12	52
The Middle East	42	39	809	480	376	41
Asia, other	8	4		435	338	23
Other regions	110	45	58	113	44	120
Total invoiced sales	16,496	16,573	22,990	15,864	17,665	20,748
Export from Sweden (including sales to Group companies)	305	194	1,146	1,158	867	345

NOTE 2 MAJOR NONRECURRING ITEMS

	Group			Parent Company		
	1994	1995	1996	1994	1995	1996
Gain on sales of shares and operations	1 224			1 610		
Restructuring costs for discontinuation of operations	-14					
Write-down of - shares in subsidiaries				-384		
- shares in other companies	-4			-70		
Other	-23					
Total major nonrecurring items	1 183	0	0	1 156	0	0

NOTE 3 DEPRECIATION ACCORDING TO PLAN

	Group			Parent Company		
	1994	1995	1996	1994	1995	1996
Real estate held for resale	-139	-141	-145			-4
Goodwill, etc	-8	-12	-43	-1	-1	
Machinery and equipment	-287	-275	-329	-130	-108	-105
Buildings	-2	-14	-17	-5	-5	-5
Land improvements	-5	-2	-14	0	0	-1
Total depreciation according to plan	-441	-444	-548	-136	-114	-115

NOTE 4 OPERATING INCOME AFTER DEPRECIATION BY BUSINESS AREA

Group	1994	1995	1996
Civil Engineering	16	-24	162
Building	20	36	66
Industry	247	289	260
Eliminations	36	16	
Construction operations	319	317	488
Real Estate	71	536	550
Invest	1 232	-27	26
Other and eliminations	-227	-131	-198
Group	1 395	695	866

NOTE 5 INTEREST EXPENSES

Group	1994	1995	1996
Interest expenses	-799	-906	-615
Capitalization of interest expenses	27	37	25
Group	-772	-869	-590

During the period of construction of a property held for resale, interest is capitalized within the framework of actual interest expenses; see accounting principles.

Interest expenses

Interest expenses related to interest swaps and OM futures have been offset against the corresponding interest income.

NOTE 6 SHARES IN INCOME/LOSS OF ASSOCIATED COMPANIES

Associated companies	Income/loss after net financial items excluding minority interests	NCC's shares in income/loss
Silja Oy, 32,7% until Nov, 38% from Dec	-127	-66
A-train AB 22,1%	25	6
Other		4
Total shares in income/loss of associated companies		-56

The item "income from sales of real estate held for resale" includes a loss of SEK 72 m. (income: 36) for shares in income/loss of associated companies. This corresponds to the share in the associated companies that represents part ownership of real estate held for resale.

NOTE 7 TAX

Group	1994	1994	1995	1995	1996	1996
Swedish income tax	-7	1%	-43	10%	-4	0%
Foreign tax	-11	1%	-1	0%	-5	17%
Total Group tax, excl. deferred tax and shares in associated companies	-18	2%	-44	10%	-9	2%
Deferred tax ¹	-74		1		-108	
Shares in taxes of associated companies	-49		45		1	
Total tax	-141	15%	2	-1%	-116	25%

1) See accounting principles

The percentage figures refer to tax costs in relation to income before tax.

The NCC Group in Sweden has been subject to tax audit relating to the 1991 and 1992 fiscal years. Decisions regarding matters for which it had been concluded that no provisions were necessary correspond to a tax cost of SEK 17 m. The decisions have been appealed. The amount of SEK 17 m. is included in contingent liabilities.

The untaxed reserves in the Group that are now divided into deferred tax and shareholders' equity include such items as SEK 1,184 m. (969) for excess depreciation, SEK 17 m. (0,6) for the transitional reserve and SEK 40 m. (48) for the tax equalization reserve based on wages and salaries.

NOTE 8 MINORITY INTERESTS

Group	1994	1995	1996
Minority interests in income/loss after net financial items	0	-6	-7
tax	0	1	1
Total minority interests	0	-5	-6

NOTE 9 LIQUID ASSETS

	Group			Parent Company		
	1994	1995	1996	1994	1995	1996
Cash and bank deposits ¹	836	1,276	1,406	193	336	174
Short-term investments at NCC Treasury				4,572	2,696	687
Other short-term investments	2,974	1,391	1,243	26	57	20
Capital placement share ²		20	1			
Total liquid assets	3,810	2,687	2,650	4,791	3,089	881

1) Deposits in foreign currency amounting to SEK 420 m. are included in the figures for the Group.

2) A complete statutory specification of shares and participations was appended to the Annual Report that was submitted to the Swedish Patent- och Registrations Office. This specification can be ordered from NCC AB, S-170 80 Solna, Sweden.

NOTE 10 INVENTORIES

Group	1994	1995	1996
Crushed products	103	111	151
Construction supplies	99	184	200
Other	64	70	50
Total inventories	266	365	401

NOTE 11 OTHER CURRENT ASSETS

	Group			Parent Company		
	1994	1995	1996	1994	1995	1996
Interest-free receivables at subsidiaries				501	521	418
Prepaid expenses and accrued income	198	323	307	463	144	117
Advances to suppliers	5	9	8			
Restricted accounts with Bank of Sweden for General investment reserves	2					
Other interest-free receivables	794	680	510	126	144	130
Total interest-free items	999	1,012	825	1,090	809	665
Interest-bearing receivables at subsidiaries				139	101	167
Other interest-bearing receivables	273	46	245	48	10	18
Total interest-bearing items	273	46	245	187	111	185
Total other current assets	1,272	1,058	1,070	1,277	920	850

NOTE 12 REAL ESTATE HELD FOR RESALE

Group	1994	1995	1996
Managed properties	10,062	10,494	10,901
Ongoing investments in managed properties	352	534	872
Properties held for future development	1,170	1,220	956
Shares and participations representing joint ownership in real estate held for resale ¹	246	275	266
Real estate held for resale in real estate operations	11,830	12,523	12,995
Real estate held for resale in construction operations	248	283	372
Total real estate held for resale	12,078	12,806	13,367
Properties in Sweden:			
Assessed value	5,102	5,122	4,918
Managed properties:			
Acquisition cost	12,402	13,042	13,219
Accumulated depreciation according to plan	-2,340	-2,548	-2,318
Residual value, managed properties	10,062	10,494	10,901
Properties held for future development:			
Acquisition cost	1,649	1,791	1,501
Accumulated depreciation according to plan	-479	-571	-545
Residual value, properties held for future development	1,170	1,220	956
Real estate value held for resale in construction operations:			
Acquisition cost	271	306	397
Accumulated depreciation according to plan	-23	-23	-25
Residual value, real estate held for resale in construction operations	248	283	372

1) Shares and participations representing joint ownership in real estate held for resale.

Company	Holding in percent	Number of shares	Par value in local currency (1,000s)	Book value (SEK m.)
Ankaret Invest SA	50	5,000	BEF 5,000	7
Bergen Airport Hotel ANS	50	1	NOK	19
Ejendomsinteressentskabet Tuborg Nord B	15	1	DKK 25,574	30
Fastighets AB Vreten	33	9,000	SEK 900	1
HB Norslundfastigheter	67	1	SEK 23,078	23
KB Jonglören	30		SEK 3,060	1
Punkt Fastighets AB	50	205,000	SEK 8,200	26
Ruthensparre i Karlskrona HB	50	1	SEK 800	1
Sicione SA	31	1,186,643	ESP 1,187	118
Utvecklingsbolaget Sjötullen i Sundsvall AB	20	1,000	SEK 100	1
Steninge Fastighetsutveckling AB	50	500	SEK 50	32
Söderby Park Fastighet AB	50	1	SEK 500	19
Uminova Fastighets AB	50	2,400	SEK 2,400	3
Other companies				-2
Shares in equity generated after acquisition				-13
Shares and participations in associated companies representing joint ownership in real estate held for resale				266

NOTE 13 LONG-TERM RECEIVABLES

	Group			Parent Company		
	1994	1995	1996	1994	1995	1996
Interest-free receivables at subsidiaries				186	296	294
Other interest-free receivables	32	77	182	2	47	46
Total interest-free receivables	32	77	182	188	343	340
Interest-bearing receivables at subsidiaries				88	78	176
Convertible debenture loans		215				
Other interest-bearing receivables	375	398	162	26	219	2
Total interest-bearing receivables	375	613	162	114	297	178
Total long-term receivables	407	690	344	302	640	518

Convertible debenture loan has been converted to shares in Silja Oy in an amount of SEK 215 m.

NOTE 14 GOODWILL, ETC.

	Group			Parent Company		
	1994	1995	1996	1994	1995	1996
Goodwill etc						
Acquisition cost	108	306	715	6	6	6
Accumulated depreciation according to plan	-54	-74	-158	-2	-2	-2
Residual value	54	232	557	4	4	4
Usufructs						
Acquisition cost	9	27	27	1	1	1
Accumulated depreciation according to plan	-4	-5	-5	-1	-1	-1
Residual value	5	22	22	0	0	0
Total residual value	59	254	579	4	4	4

NOTE 15 FIXED ASSETS

	Machinery and equipment			Buildings			Land and other fixed property			Total		
	1994	1995	1996	1994	1995	1996	1994	1995	1996	1994	1995	1996
Group												
Acquisition cost	2,861	3,198	3,570	205	435	500	178	180	165	3,244	3,813	4,235
Accumulated depreciation according to plan	-2,075	-2,356	-2,519	-139	-137	-158	-34	-36	-46	-2,248	-2,529	-2,723
Write-up	786	842	1,051	66	298	342	144	144	119	996	1,284	1,512
Residual value	786	842	1,051	290	298	342	144	144	119	1,220	1,284	1,512
Assessed value ¹				348	307	302	175	153	161	523	460	463
Parent Company												
Acquisition cost	1,264	1,333	1,184	146	149	151	56	56	56	1,466	1,538	1,391
Accumulated depreciation according to plan	-1,035	-1,094	-926	-35	-41	-45	-9	-9	-9	-1,079	-1,144	-980
Residual value	229	239	258	111	108	106	47	47	47	387	394	411
Accumulated excess depreciation	-57	-2	-31	-12	-16	-16				-69	-18	-47
Book value	172	237	227	99	92	90	47	47	47	318	376	364
Assessed value				109	106	106	61	62	63	170	168	169

The Group's gross investments in fixed assets, which totaled SEK 1,085 m. (575) include investments in: machinery and equipment in an amount of SEK 588 m. (363) and properties of SEK 71 m. (62).

1) Relates to properties in Sweden.

NOTE 16 OTHER CURRENT INTEREST-FREE LIABILITIES

	Group			Parent Company		
	1994	1995	1996	1994	1995	1996
Payables to subsidiaries				1,534	140	212
Tax liabilities	42	20	26		1	1
Accrued expenses and prepaid income	1,947	1,804	1,681	693	650	646
Advances from customers	370	242	265	69	45	33
Other	1,129	1,036	1,706	470	459	455
Total other current interest-free liabilities	3,488	3,102	3,678	2,766	1,295	1,347

NOTE 17 CURRENT INTEREST-BEARING LIABILITIES

	Group			Parent Company		
	1994	1995	1996	1994	1995	1996
Payables to parent company			235			
Payables to subsidiaries				198	189	193
Overdraft facilities	31		59			10
Loans	2,388	3,029	3,672	58		
Others		175	5		117	23
Provisions for pensions (see Note 19)	60			60		
Total current interest-bearing liabilities	2,479	3,204	3,971	316	306	226

NOTE 18 INTEREST-BEARING LIABILITIES

	Group			Parent Company		
	1994	1995	1996	1994	1995	1996
Current interest-bearing liabilities	2,479	3,204	3,971	316	306	226
Convertible debenture loans, current portion	460			460		
Long-term interest-bearing liabilities to subsidiaries						512
Long-term interest-bearing liabilities	4,482	3,951	4,075	35	35	160
Provisions for pensions	552	603	658	534	580	634
Total interest-bearing liabilities	7,973	7,758	8,704	1,345	921	1,532

Specification of the Group's interest-bearing liabilities

Currency	1994		1995		1996	
	Amount	SEK m.	Amount	SEK m.	Amount	SEK m.
Swedish kronor MSEK	5,600	5,600	4,459	4,459	5,049	5,049
Pounds sterling MGBP	45	521	40	417	30	352
German marks MDEM	77	369	77	358	65	287
Norwegian kronor MNOK	549	606	1,248	1,313	1,261	1,344
Danish kronor MDKK	189	232	323	388	912	1,054
Belgian francs MBEF	2,426	569	2,378	538	2,055	441
Other currencies		76		285		177
Total		7,973		7,758		8,704
Of which current liabilities		2,939		3,204		3,971
Total long-term liabilities		5,034		4,554		4,733
Repayment plan						
	1996	1,034	1997	1,251	1998	1,814
	1997	991	1998	1,145	1999	534
	1998	1,181	1999	507	2000	634
	1999	656	2000	391	2001	403
	2000-	1,172	2001-	1,260	2002-	1,348
Total long-term liabilities		5,034		4,554		4,733

Specification of terms of fixed interest and average interest rates for SEK

Term of fixed interest		Of which		Average interest
		Amount	SEK m.	
1997	5,637	3,241	8.38%	
1998	1,364	1,114	8.79%	
1999	452	237	8.70%	
2000	613	115	8.85%	
2001	346	332	8.24%	
2002-	292	10	8.53%	
Total interest-bearing liabilities	8,704	5,049	8.56%	

In accordance with the Group's finance policy, derivatives are used as a complement to traditional borrowing in order to attain a desired interest-rate structure. The derivatives in effect at December 31, 1996 are included in the above. Derivatives were used for approximately 14 percent (8) of interest-bearing liabilities.

NOTE 19 PROVISIONS FOR PENSIONS

	Group			Parent Company		
	1994	1995	1996	1994	1995	1996
Provisions for FPG/PRI pensions	607	599	654	589	576	631
Provisions for other pensions	5	4	4	5	4	3
Total provisions for pensions	612	603	658	594	580	634
Of which, current portion, FPG/PRI	60			60		
Total long-term	552	603	658	534	580	634

NOTE 20 INCOME FROM MERGER

Income from merger is attributable to the difference between the book value in the Parent Company's accounts of shares in subsidiaries and the value of assets and liabilities transferred from subsidiaries (excl. the deferred tax liability relating to untaxed reserves). Assumed untaxed reserves SEK 368 m. are reported among appropriations.

NOTE 21 UNTAXED RESERVES AND APPROPRIATIONS

Parent Company	Untaxed reserves			Appropriations		
	1994	1995	1996	1994	1995	1996
Accumulated depreciation in excess of plan						
- managed properties		8	7		- 8	1
- machinery and equipment	57	2	31	-57	55	-29
- buildings	12	16	16	-12	-4	0
Tax-equalization reserve				7		
Reserve for obsolescence in work in progress	54	4	154	-54	51	-150
Appropriations in limited partnerships				-2	2	
Group contributions and capital contributions				-739	-431	-269
Other untaxed reserves						
Total	123	30	208	-857	-335	-447

Untaxed reserves assumed as a result of the merger in 1994 are included as follows: SEK 31 m. in the change in excess depreciation of machinery and equipment, SEK 11 m. in excess depreciation of buildings, SEK 303 m. in the tax-equalization reserve and SEK 23 m. in the reserve for work in progress

NOTE 22 SHARE CAPITAL

The share capital is divided into 80,132,725 shares with a par value of SEK 25 each, distributed as follows by class of shares:

	Series A shares	Series B shares	Total
Unrestricted	44,002,963	36,129,762	80,132,725

Each Series A share entitles the holder to ten votes and each Series B share to one vote.

NOTE 23 CHANGE IN EQUITY

	Group		Parent Company	
	Restricted	Unrestricted	Restricted	Unrestricted
Balance on Dec. 31, 1995	4,124	2,341	3,642	2,726
Dividends		-100		-100
Transfer between restricted and unrestricted capital	68	-68		
Translation differences	-10	5		
Change in hedging of shares in subsidiaries and associated companies	-15			
Net income for the year		340		-29
Closing balance on Dec. 31, 1996	4,167	2,518	3,642	2,597
of which participations in associated companies:				
Closing balance on Dec. 31, 1995	53			
Transfer between restricted and unrestricted capital	-71	71		
Change in Group structure				
Translation differences, etc.	18			
Net income for the year		-159		
Closing balance on Dec. 31, 1996	0	-88		

NOTE 24 PLEDGED ASSETS

	Group			Parent Company		
	1994	1995	1996	1994	1995	1996
Property mortgages	5,771	5,178	3,951	39	12	12
Floating charges	20	20	4			
Shares in subsidiaries			133			133
Shares in associated companies		82	87		82	87
Assets with attached liens	20	407	91			55
Deposits in restricted accounts		20	35			
Total pledged assets	5,811	5,707	4,301	39	94	287

NOTE 25 CONTINGENT LIABILITIES

	Group			Parent Company		
	1994	1995	1996	1994	1995	1996
Held jointly with other companies:						
Liabilities in partnership and limited partnerships	1,370	1,592	863	401	549	227
Own contingent liabilities:						
On behalf of subsidiaries				4,137	3,941	7,635
Other guarantees and contingent liabilities	630	697	1,390	407	438	747
Total contingent liabilities	2,000	2,289	2,253	4,945	4,928	8,609

NOTE 26 SPECIFICATION OF WAGES, SALARIES AND OTHER REMUNERATIONS AND AVERAGE NUMBER OF EMPLOYEES BY WORKPLACE

Wages, salaries and other remunerations: ¹ SEK m.	Group			Parent Company		
	1994	1995	1996	1994	1995	1996
Board of Directors and presidents (of which bonuses)	23 (1)	31 (2)	28 (2)	4	8 (1)	8 (1)
Other	2,787	2,876	3,092	1,827	1,860	1,881
Total wages, salaries and other remunerations	2,810	2,907	3,120	1,831	1,868	1,889
Payroll overhead	1,132	1,213	1,403	810	861	887

Average number of employees by workplace	Group			Parent Company		
	1994	1995	1996	1994	1995	1996
Sweden	11,202	11,387	11,314	8,623	8,454	8,399
EU countries	446	707	2,707		199	
Other Western Europe	33	250	1,266			
Eastern Europe	19	17	38			
The Middle East	67	98	58			
Asia, other	1,682	1,634	581			
Other regions	1	1				
Total, average number of employees	13,450	14,094	15,964	8,623	8,653	8,399

1) A complete statutory specification of wages, salaries and other remunerations and average number of employees by workplace was appended to the Annual Report that was submitted to the Swedish Patent and Registration Office. This specification may be obtained from NCC AB, S-170 80, Solna, Sweden.

Senior executives – employment conditions and remuneration

The President of the Company is subject to a one-year period of notice and will receive two years of severance payment, which is adjustable against remuneration received in the form of a salary or otherwise from a new employer, should the President terminate his employment. Between the ages of 55 and 60, pension is payable temporarily in an amount of 50 percent of the most recently paid salary; between the ages of 60 and 65 years, pension is payable in an amount of 60 percent if the President terminates the agreement, and in an amount of 70 percent if the Company terminates the agreement. As of age 65, a conventional retirement pension is payable corresponding to Sweden's ITP (individual supplementary pension) scheme.

Members of Group Management may retire at the age of 60, are subject to a one-year period of notice and generally receive 1.5 years of severance payment, payable following termination of their employment by the employer.

Remuneration to the Chairman and the President is determined by the Compensation Committee.

During the period January-August 1996 and in addition to the Board fees shown below, the Chairman received remuneration and benefits from the Company in an amount of SEK 3,812,000. A benefit in the form of free accommodation was not utilized. The employment agreement with the Chairman expired on September 1, 1996. Instead pension is now paid in accordance with the terms and conditions stated earlier.

During 1996, the President received remuneration and benefits from the Company in a combined amount of SEK 3,498,000, including a bonus of SEK 600,000 for 1995. The bonus for 1996 will be established following approval of the financial accounts for that year.

The six Board members elected by the Annual General Meeting, with the exception of the President, received fixed fees approved by the Annual General Meeting totaling SEK 1,200,000, of which the Deputy Chairman of the Board, Bo Ax:son Johnson, received SEK 625,000. Remuneration received by the external members of the business areas' boards of directors remained unchanged at SEK 6,000 per meeting attended.

NOTE 27 SHARES AND PARTICIPATIONS

	Book value, December 31		
	1994	1995	1996
Shares and participations in associated companies:			
Parent Company's holdings	479	394	616
Subsidiaries' holdings	149	79	93
Shares in equity generated after acquisition	11	28	-82
Total associated companies¹	639	501	627
Shares and participations in other companies:			
Parent Company's holdings	90	19	20
Subsidiaries' holdings	40	62	68
Total other companies¹	130	81	88
Other holdings:			
Parent Company's holdings	10		
Subsidiaries' holdings	1		
Total other holdings¹	11	0	0
Total shares and participations¹	780	582	715
Shares and participations in subsidiaries:			
Parent Company's holdings	6,108	6,459	9,275
Total shares and participations in subsidiaries	6,108	6,459	9,275

Shares and participations in associated companies:

	Holding in percent	Number of shares	Par value in local currency (1,000s)	Book value SEK m.
Parent Company's holdings				
A-Train AB	22	1,107,150	SEK 11,071	87
Fabriksbetong, AB	50	1,050	SEK 105	3
Kvidinge Stenkross, AB	38	2,500	SEK 250	2
Lava Leasing AB (fd Air Lava AB) 2		91	600,000 SEK	600
Silja Oy Ab, Finland series A shares	38	4,897,540	FIM 20,927	289
Silja Oy Ab, Finland series K shares	38	3,385,602	FIM 67,712	229
Västerbottens Byggbetong AB	36	28,960	SEK 2,896	4
Other companies (7)				0
Total				616
Subsidiaries' holdings:				
Aabenrå Granit I/S	50	1	DKK 250	-1
Betonelement A/S	50	30,000	DKK 60,000	46
Eskilstuna Betongfabriks AB	33	266	SEK 266	3
Gladökrossen, HB	50		SEK 1	1
Norrvikens Trädgårdar, AB	27	48,250	SEK 4,825	5
Närkes Kross & Asfaltprodukter & Co KB	50		SEK 1	1
RGS 90 A/S	33	12,100	DKK 36,300	28
Rydbokrossen HB	50		SEK 1	1
Scanspac KB	50	10	SEK 1	5
Scanstone GmbH	30	1	DEM 45	1
Sörmlands Asfalt- och Krossprodukter & Co KB, AB	50		SEK 1	1
Tampereen Teknologikeskus OY	29	650	FIM 650	1
Vika Utveckling AS	50	1,000	NOK 50	1
Östhammarskrossen, HB	50		SEK 2	2
Other companies (35)				-2
Total				93
Shares in equity generated after acquisition				-82
Total associated companies				627

Shares and participations in other companies:

	Holding in percent	Number of shares	Par value in local currency (1,000s)	Book value SEK m.
Parent Company's holdings				
Participation in brf Hornblåsaren, Stockholm		1	SEK 1,889	2
Participation in brf Störtloppet, Åre		1	SEK 600	1
BPA, warrants	2	1,664,850	SEK 666	1
SIFAB, B	2	242,150	SEK 6,054	8
Storheden, B	1	166,485	SEK 6,659	7
Other companies (18)				1
Total				20
Subsidiaries' holdings:				
Wewers Tegelvaerker A/S, Danmark	15	15,409	DKK 10,786	14
BPA, A	6	4,162,128	SEK 104,054	38
Brf Beväringen 6		1	SEK 6	6
Øyrane Eiendom AS	7	1,290	NOK 1,290	1
Ankenesstrand Servicesenter	24		NOK 2	2
Deposita	100	16	DKK 1,538	2
I/S Baydan	50	1	DKK 1,046	1
Helsingin Puhelinyhdistys		209	FIM 621	1
Other companies (59)				3
Total				68
Total, other companies				88

Shares and participations in subsidiaries:

	Holding in percent	Number of shares	Par value in local currency (1,000s)	Book value SEK m.
AB Binab	100	1,000	SEK 100	8
AB Cressida	100	100,000	SEK 10,000	10
AB Gelleråsen	100	12,500	SEK 1,250	6
AB Luzern	100	500	SEK 50	3
AB NCC Finans	100	60,000	SEK 60,000	75
AB Nordiska Kompaniet	100	19,460,666	SEK 97,303	540
Ballast Nord AB	100	500	SEK 50	6
Ballast Syd AB	100	3,000	SEK 300	5
Ballast Väst AB	100	3,000	SEK 300	19
Ballast Öst AB	100	8,000	SEK 800	3
Byggs Sprutbetong AB	100	1,000	SEK 100	11
Försäkrings AB Norden	100	500,000	SEK 50,000	72
Hedemora Diesel AB	100	30,000	SEK 3,000	12
Hercules Grundläggning AB	100	196,000	SEK 19,600	59
Jordskorpan Väst AB	100	10,000	SEK 1,000	1
Kasper Höglund AB	100	11,000	SEK 1,100	1
Kompri HB	75		SEK 247	2
Metodbyggen AB	100	20,000	SEK 2,000	7
Mobile Asphalt SIA	40	1,326	LVL 40	1
NCC Bygg A/S, Norge	100	6,700	NOK 1,000	85
NCC Eeg- Henrikesen Gruppen AS	100	11,730,680	NOK 46,923	884
NCC Fastigheter AB	100	84,000	SEK 84,000	4,815
NCC Industries AB	100	15,000	SEK 15,000	107
NCC International AB	100	500,520	SEK 5,052	306
NCC Invest BV	100	40	NLG 40	58
NCC Nordic Construction Company AB	100	3,808,640	SEK 380,864	1,018
NCC Prefab AB	100	150,000	SEK 15,000	26
NCC Puolimatka Oy	100	2,055	FIM 24,660	278
NCC R & S A/S (fd NCC Holding A/S)	100	200,000	DKK 200,000	550
NCC Reinsurance AG, Schweiz	100	1,500	CHF 1,500	70
NCC Specialföretag AB	100	275,000	SEK 27,500	33
NCC Treasury AB	100	120,000	SEK 12,000	17
Nordic Invest (Cyprus) Ltd	100	250,000	CYP 250	3
NVS Nordiska Värme Sana AB	100	100,000	SEK 10,000	69
Nybergs Entreprenad AB	100	1,000	SEK 1,000	12
Stråbruken AB	100	16,700	SEK 16,700	86
Svenska Fräs- o Asfalt återvinning AB	60	4,125	SEK 413	6
Westerholm & Co AB	100	500	SEK 50	2
Åsby Grus och Betong AB	100	500	SEK 50	7
Other companies (17)				2
Total				9,275

1) A complete statutory specification of shares and participations was appended to the Annual Report that was submitted to the Swedish Patent and Registration Office. This specification may be obtained from NCC AB, S-170 80, Solna, Sweden.

2) In the Parent Company, the value of the shareholding in NCC Fastigheter AB has been written up by SEK 60 m. The shareholding in Silja Oy Ab has been written down by SEK 6 m.

Proposed disposition of unappropriated earnings

The Group's unrestricted shareholders' equity amounts to SEK 2,518 m. It is proposed that no transfers be made to restricted shareholders' equity. The Board of Directors and the President propose that the funds at the disposal of the Annual General Meeting:

• earnings retained from previous year	SEK	2,626,100,400
• net profit for the year	SEK	<u>-28,697,257</u>
	SEK	2,597,403,143

be disposed as follows:

• dividend to the shareholders	SEK	120,199,088
• be carried forward	SEK	<u>2,477,204,055</u>
	SEK	2,597,403,143

Solna, February 25, 1997

Bernt Magnusson
Chairman of the board

Bo Ax:son Johnson

Hans Larsson

Lars Bergqvist

Jan Ekman

Jacob Palmstierna

Carl Wilhelm Ros

Jonte Söderström

Kosti Markkanen

Jan Sjöqvist
President and CEO

Auditors' report

We have examined the Annual Report, the Consolidated Financial Statements and the Accounting Records as well as the administration of the Board of Directors and President for the financial year 1996. Our examination was carried out in accordance with Swedish generally accepted auditing standards.

Parent Company

The Annual Report has been prepared in accordance with the Swedish Companies Act.

We recommend

- that the Income Statement and the Balance Sheet be adopted,
- that the unappropriated earnings be distributed in accordance with the proposal in the Report of the Board of Directors, and
- that the members of the Board of Directors and the President be discharged from liability for the financial year 1996.

Group

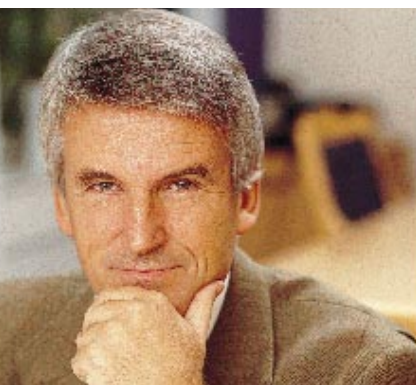
The Consolidated Financial Statements have been prepared in accordance with the Swedish Companies Act. We recommend that the Consolidated Income Statement and the Consolidated Balance Sheet be adopted.

Solna, March 10, 1997

Sten Lundvall
Authorized Public Accountant

Willard Möller
Authorized Public Accountant

● Elected by Annual General Meeting



Bernt Magnusson

Member and Chairman of the NCC AB Board. Born 1941. Member since 1985, Chairman since 1991.

Chairman of Swedish Match S.A. Deputy chairman of Avesta Sheffield AB. Board member of Burmah Castrol plc, Silja Oy Ab, Höganäs AB, ICB Shipping AB, Nordbanken AB, Nordstjernan AB, the Federation of Swedish Industries and the Stockholm Chamber of Commerce.

Shareholding in NCC AB: 186,838 series B shares.



Bo Ax:son Johnson

Honorary Doctor of Technology. Born 1917. Member since 1952, Chairman 1980-1991. Deputy Chairman since 1991.

Chairman of Nordstjernan AB, the Axel and Margaret Ax:son Johnson Foundation and the Axel and Margaret Ax:son Johnson Philanthropic Foundation.

Shareholding in NCC AB: 25,000 series A shares, 384,142 series B shares.



Hans Larsson

President of Nordstjernan AB. Born 1942. Board member since 1992. Deputy Chairman since 1994.

Chairman of AB Linjebuss and BTL AB. Board member of AB Catena, Handelsbanken, Mo och Domsjö AB and others.

Shareholding in NCC AB: 25,000 series B shares.



Jan Ekman

Bank executive. Deputy Chairman of Handelsbanken. Born 1929. Board member since 1985. Chairman of WMI Sellbergs AB and SAKAB. Board member of Gränges AB, INGKA Holding BV, Amsterdam, PLM AB, Svenska Statoil AB, Waste Management International plc, London, and others. Member of the Banking Advisory Group of the International Finance Corporation (IFC), Washington.

Shareholding in NCC AB: 16,000 series B shares.

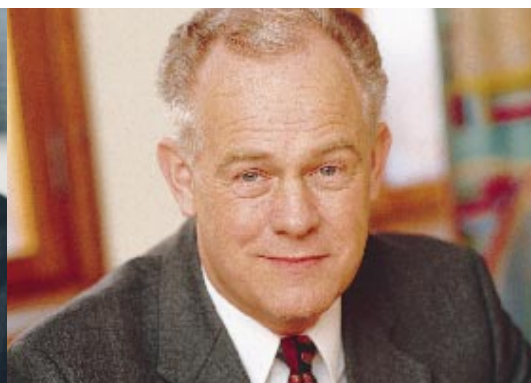


Jacob Palmstierna

Honorary Doctor of Economics. Born 1934. Board member since 1991.

Chairman of AB Catena, Nordbanken AB and Siemens Elema AB. Board member of Avesta Sheffield AB, ICB Shipping AB, Nordstjernan AB and others.

Shareholding in NCC AB: 470 series B shares.



Carl Wilhelm Ros

Executive Vice President of Telefonaktiebolaget L M Ericsson. Born 1941. Board member since 1994.

Board member of the Fourth AP Fund, LKAB Trygg-Hansa AB, Trygg-Hansa Life and others.

Shareholding in NCC AB: 1,000 series B shares.



Jan Sjöqvist

President and CEO of NCC AB. Born 1948. Board member since 1994.

Board member of Silja Oy Ab and AB Linjebuss.

Shareholding in NCC AB: 60,089 series B shares.

Warrants on shares in NCC AB: Corresponding to 50,000 series B shares.

Appointed by employee organizations



Lars Bergqvist

Employee representative for the Swedish Association of Supervisors. Born 1951. Board member since 1991.

Shareholding in NCC AB: 1,251 series A and 78 series B shares.



Jonte Söderström

Employee representative for the Swedish Building Workers' Union. Born 1965. Board member since 1994.

Member of the executive council of the Swedish Building Workers' Union.



Kosti Markkanen

Employee representative for the Swedish Building Workers' Union. Born 1938. Board member since 1996.

Board member of the Swedish Building Workers' Union's Department 2, Malmö.

Shareholding in NCC AB: 115 series A shares.

Deputy members



Karl-Olof Fransson

Employee representative for SEKO, the National Union for Service and Communications. Born 1941. Deputy member since 1993.

Chairman of SEKO, Section Väg-Ban Sydost.



Ivar Olsson

Employee representative for the Swedish Factory Workers' Union. Born 1935. Deputy member since 1991.

Shareholding in NCC AB: 125 series B shares.



Lennart Andersson

Employee representative for the Swedish Industrial Salaried Employees' Association. Born 1935. Deputy member since 1994.

Secretary

Ulf Wallin

Head of legal affairs in NCC AB. Born 1949. Secretary of NCC AB's Board since 1996.

Other details: page 69.

Auditors

Sten Lundvall, Authorized Public Accountant

KPMG Bohlins AB

Auditor of NCC since 1982.

Willard Möller, Authorized Public Accountant

SET, Svensson, Erikson & Tjus Revisionsbyrå AB

Auditor of NCC since 1991.

Deputy Auditors

Thomas Jansson, Authorized Public Accountant

KPMG Bohlins AB

Deputy auditor of NCC since 1991.

Stefan Andersson, Authorized Public Accountant

SET, Svensson, Erikson & Tjus Revisionsbyrå AB

Deputy auditor of NCC since 1992.

Shareholdings include those of spouse, children and related companies.



Jan Sjöqvist
 President and Chief Executive Officer. Born 1948. Employed since 1985. See page 66.

Alf Algotsson
 Civil Engineering
 Born 1941. Employed since 1969. Board member and Deputy Chairman of the Swedish Construction Federation. Chairman of NCC Eeg-Henriksen AS, Norway and Øresund Tunnel Contractors. Board member of NCC Rasmussen & Schiøtz A/S, Denmark and NCC Puolimatka Oy, Finland. Deputy member of the Swedish Employers Confederation.
Shareholding in NCC AB: 7,000 series B shares.
Warrants on shares in NCC AB: Corresponding to 35,000 series B shares.

Kenneth Orrgren
 Building
 Born 1942. Employed since 1967. Chairman of NCC Puolimatka Oy, Finland and NCC Rasmussen & Schiøtz A/S, Denmark. Board member of NCC Eeg-Henriksen AS, Norway, AB Previa Rikshälsan and AB Bostadsgaranti. Member of Section Board I at the Chalmers Institute of Technology and board member of the Western Sweden Chamber of Commerce.
Shareholding in NCC AB: 2,100 series B shares.
Warrants on shares in NCC AB: Corresponding to 20,000 series B shares.

Hans Kjellgren
 Industry
 Born 1944. Employed since 1964. Board member of Employers Association of Swedish Building Material Manufacturers and EAPA.
Warrants on shares in NCC AB: Corresponding to 35,000 series B shares.



Magnus Mannesson
 Real Estate
 Born 1952. Employed since 1977. Board member of NCC Rasmussen & Schiøtz A/S, Denmark and NCC Eeg-Henriksen AS, Norway.
Warrants on shares in NCC AB: Corresponding to 35,000 series B shares.

Tommy Nilsson
 Invest
 Born 1944. Employed since 1968. Board member of BPA AB, Silja Oy Ab and NCC Puolimatka Oy, Finland and A-Train AB.
Shareholding in NCC AB: 10,000 series B shares.
Warrants on shares in NCC AB: Corresponding to 35,000 series B shares.

Gunnar Liljeström
 Personnel and Legal Affairs
 Born 1943. Employed since 1974.
Shareholding in NCC AB: 6,500 series B shares.
Warrants on shares in NCC AB: Corresponding to 35,000 series B shares.



Corporate Communications

Hans-Olof Karlsson

Born 1946. Employed since 1989.

Board member of Byggförlaget.

Shareholding in NCC AB: 1,000 series B shares.

Warrants on shares in NCC AB: Corresponding to 10,000 series B shares.



Financial Control and IT

Bo Friberg

Born 1957. Employed since 1988.



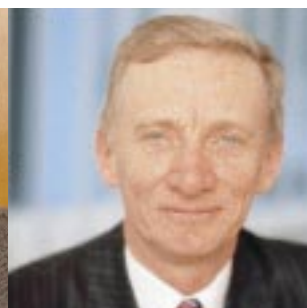
Finance

Staffan Bennerdt

Born 1954. Employed since 1985.

Board member of Industrins Finansförening.

Warrants on shares in NCC AB: Corresponding to 10,000 series B shares.



NCC Technology and R&D

Lennart Apleberger

Born 1943. Employed since 1968. Member of Section Board V at the Chalmers Institute of Technology.

Shareholding in NCC AB: 380 series A and 56 series B shares.

Shareholdings include those of spouse, children and related companies.



Warrants on shares in NCC AB: Corresponding to 6,000 series B shares.



Environment

Sten Hebert

Born 1949. Employed since 1995.

Warrants on shares in NCC AB: Corresponding to 10,000 series B shares.

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Environmental Report 1996



Real Estate 1996



NCC's Environmental Report and NCC Real Estate 1996 can be ordered from NCC AB, S-170 80 Solna, Sweden. Fax: +46-8-85 77 75; Tel: +46-8-655 20 00.

The reports may also be ordered via our e-mail address: info@ncc.se or through our web site: www.ncc.se.



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