

Summary

- Pro forma consolidated income after net financial items, excluding merger costs, amounted to SEK 74 m. (273). Including merger costs, a loss of SEK 375 m. was reported after net financial items.
- Net income after full tax and excluding merger costs amounted to SEK 276 m. (159) which corresponds to SEK 2.60 (2.00) per share. Including merger costs, a net loss of SEK 173 m. was reported, which corresponds to a loss of SEK 1.60 per share.
- A dividend of SEK 1.50 (1.50) per share is proposed.
- Total orders received by construction operations rose 9 percent to SEK 29.8 billion (27.3). On a pro forma basis, orders received by NCC's Swedish construction operations declined by 9 percent during the year to SEK 18.3 billion (20.0). The impact of a weak Swedish construction market was offset by the trend in other Nordic countries.
- Contracted sales of properties in 1997 totaled SEK 7.3 billion and generated a gain.
- NCC's financial position was strengthened by a strong cash flow of slightly more than SEK 4 billion. The debt/equity ratio was reduced by 50 percent to a multiple of 0.4.
- Conditions in the Swedish real estate market have improved, particularly in NCC's prioritized locations.
- It is forecast that 1998 earnings will improve by an amount largely corresponding to the coordination gains.

KEY FIGURES IN BRIEF

	1997	1996
Income after net financial items excluding merger costs, SEK m. ¹	74	273
Equity/assets ratio	33%	30%
Earnings/loss per share excluding merger costs, SEK	2.60	2.00
Dividend per share, SEK	1.50 ²	1.50

1) Pro forma, see page 62.

2) Board of Directors' proposal to Annual General Meeting



BO AX:SON JOHNSON

Bo Ax:son Johnson died on May 9, 1997, at an age of 79. Bo Ax:son Johnson was active in the Nordstjernan Group for 52 years, the last 18 of which as Chairman of Nordstjernan.

During these years, Bo Ax:son Johnson became intimately associated with Sweden's industrial history and the restructuring processes that Swedish industry and commerce underwent.

When Bo Ax:son Johnson took over management of the company, Nordstjernan was a multi-faceted conglomerate containing hundreds of companies active in many different business areas. During his years in charge, operations were concentrated and Nordstjernan was transformed into a financially strong and market-leading construction and real estate company. NCC was formed as a result of Nordstjernan subsidiary JCC's merger with ABV.

Up to April 1997, Bo Ax:son Johnson served as Chairman of the Board of Nordstjernan and Deputy Chairman of NCC.

Always a visionary, Bo Ax:son Johnson was the driving force behind the transformation process that NCC has undergone since the mid-1980s, most recently manifested in the form of the NCC/Siab merger.

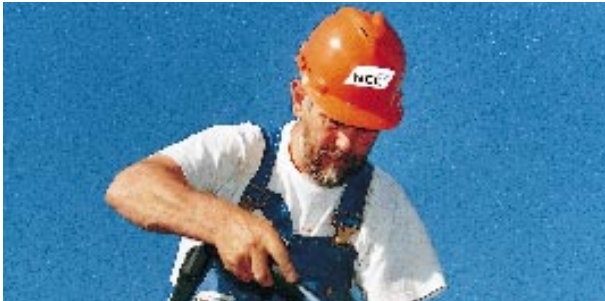
As a token of the Board of Directors' appreciation of Bo Ax:son Johnson's efforts, the "Bo Ax:son Johnson Award for Prominent Achievements in the Construction Sector" has been established. The award will be presented annually, commencing with NCC's 1998 Annual General Meeting.

Leading Nordic construction and real estate company

Increased resources, increased profitability

On February 17, 1997, NCC decided to make a public offer to shareholders in Siab. Four NCC shares were offered for each multiple of seven shares in Siab. When the acceptance period had closed at the beginning of May, slightly more than 99 percent of the shareholders in Siab had accepted the offer. On June 17, the Swedish Competition Authority approved the transaction and the formal merger could be implemented. The Nordic region's leading construction and real estate company had been formed.

The merger of Siab and NCC was a way of countering the effects of Sweden's weak construction market. It was also a way to meet competition from overseas companies, both in the domestic Nordic market and in prioritized markets in other parts of the world.



In the new NCC, the increased level of general expertise deriving from the merger will be noticeable at every location and in each project.



NCC and Siab become one. At a press conference on February 18, 1997, NCC's Chairman Bernt Magnusson and Siab's Chairman Fredrik Lundberg presented the merger plans.

Siab and NCC have focused on increased specialization and business development for some time, as illustrated by the division of operations into business areas. With its increased resources, the new NCC will be provided with new opportunities for the development of methods, materials, forms of cooperation and employees. Combined with the benefits of scale generated by the merger, this will result in increased customer benefits and improved profitability. It is estimated that the coordination gains will amount to approximately SEK 400 m. annually.

Successful merger work

Merger work has been characterized by speed and the dedication and commitment of employees in both companies. These factors, combined with the two companies complementary characters in terms of expertise and geographic coverage, are the main reasons why the merger work has been so successful. Essentially, the merger of the companies has now been completed. Head offices, regional offices and local offices have been combined. Nearly 600 employees became superfluous to needs and have left the Group. There have been very few losses of key employees. The Industry business area has succeeded in reducing the number of customer centers by 40 percent.

It was agreed that the merged company would be called NCC. During the summer of 1997, all Siab signs were removed and replaced by NCC signs.



NCC today

NCC has annual sales of slightly more than SEK 30 billion, with more than 20,000 employees. The Group is organized in six business areas: Civil Engineering, Housing, Building, Industry, Real Estate and Invest. NCC shares are listed on the Stockholm Stock Exchange.

In the Group's domestic markets — Sweden, Denmark, Finland and Norway — NCC builds roads and civil engineering facilities, residences, industrial premises, hospitals, offices and other buildings. NCC also produces building materials. In selected markets outside the Nordic region, NCC engages in large-scale, technologically advanced civil engineering projects.



NCC develops real estate for external sale or internal property management.



NCC builds roads and civil engineering facilities, residences, industrial premises, hospitals, offices and other buildings.

NCC develops real estate for external sale or internal property management. The Group has an extensive real estate portfolio, consisting of 824,000 m² of floor space in Sweden and 116,000 m² in other markets. In Sweden, the objective is to concentrate the real estate portfolio to about ten expansive regions, in which coordination of the Group's construction operations can generate considerable synergistic benefits in terms of property and project development.

NCC tomorrow

The new NCC's vision is that the Group will become the leading construction and real estate company with respect to volume, profitability, quality, the environment, efficiency and development power. NCC shall represent innovativeness in terms of the products delivered, its way of solving problems and the way it uses new materials and methods. NCC's way of nurturing the environment and traditions will enable it to accept responsibility for satisfying customer requirements, while meeting the demands of society at large. The increased level of general expertise deriving from the merger will be noticeable at every location and in each project conducted by the new NCC. We combine the dedication of the local firm with the continuity and strength of a major company.

Two successful companies with fine traditions

NCC

- 1875 Nya Asfalt is formed
- 1890 Nordstjernen is formed
- 1916 AB Armerad Betong is formed
- 1917 AB Vägförbättringar is formed
- 1930 Svenska Väg is formed
- 1977 Armerad Betong and Vägförbättringar are merged to form ABV
- 1982 Nya Asfalt and Svenska Väg are merged to form JCC
- 1988 ABV and JCC are merged to form NCC, Nordic Construction Company
- 1991 Nordstjernen and NCC are merged
- 1991 NCC is listed on the Stockholm Stock Exchange
- 1995 Acquisition of Puolimatka in Finland and Eeg-Henriksen in Norway
- 1996 Acquisition of Rasmussen & Schiøtz in Denmark
- 1997 Merger of NCC and Siab

Siab

- 1944 Siab is formed
- 1952 Acquisition of FG Larssons Byggnads AB
- 1965 Acquisition of Byggnads AB Bäckströms & Co
- 1970 Acquisition of Hermanssons Byggnads AB
- 1977 Acquisition of Bygg-Sjögren
- 1979 Acquisition of AB A Huse & Co
- 1979 Acquisition of Bygg Oleba
- 1980 Acquisition of Byggnads AB Kvissberg & Bäckström
- 1990 Acquisition of Diös AB
- 1991 Acquisition of Industriebau Fürstenwalde GmbH, in eastern Germany
- 1992 Acquisition of NPL
- 1994 Acquisition of Lundbergs Construction Operations
- 1995 Acquisition of Kraftbyggarna
- 1997 Merger of Siab and NCC

Structural transactions create

The merger of Siab and NCC is the largest transaction ever in the Swedish construction industry. During 1997, two independently successful construction and real estate companies were combined to form the foundation for an even stronger company, in terms of both human and production resources. The new NCC has approximately 20,000 employees who generate sales of slightly more than SEK 30 billion. As a result of the merger, we have further advanced our positions, both in the domestic Nordic markets and in those countries where we are active on a project basis.

The merger represented a huge step towards realizing NCC's over-riding Corporate vision of becoming the industry leader in terms of profitability and volume. Using this as a basis, we intend to develop strong international operations. In all markets in which it is active, NCC shall be regarded as the leading construction and real estate company from the viewpoint of quality, the environment, efficiency and development power.

WIDESPREAD SUPPORT FOR THE MERGER

For NCC, 1997 was one of the most eventful years ever. I am particularly pleased about the commitment and support shown by the entire organization during the merger process. This enabled the merger work to be conducted quickly and efficiently.

Although the merger of Siab and NCC should be viewed in the light of NCC's over-riding Corporate vision, developments in the Swedish construction market provided another motive.

Over the past seven years, conditions in Sweden's construction and real estate market have changed radically. Due to the collapse in residential construction, investments in building reached a new all-time low in 1997. According to the Swedish Construction Federation, investments in construction amounted to SEK 104 billion in 1997, compared with SEK 177 billion in 1990. During the same period, the market has become exposed to increasing international competition. The merger of Siab and NCC is a way of countering the effects of the depressed situation in Sweden.

In NCC's domestic market — the Nordic countries of Sweden, Denmark, Finland and Norway — total investments in construction rose by 2 percent in 1997. Although this is a modest growth rate, it shows that the Nordic base functions as an equalizer of cyclical conditions. Finland is showing by far the highest growth rate, namely 12 percent. Construction investments in Sweden decreased by 9 percent during 1997, making it the only Nordic market in which construction activity declined.

SUCCESSFUL YEAR FOR REAL ESTATE OPERATIONS

As a result of the favorable trend in the real estate market, a number of major property transactions were possible during

1997. We entered into contracts representing total property sales of nearly SEK 7 billion, which improved the balance between construction and real estate operations. NK Cityfastigheter, which owns properties with a book value of slightly more than SEK 2 billion, was formed at the beginning of 1997 and subsequently listed on the Stockholm Stock Exchange. In December, agreements were signed regarding the sale of most of NCC's non-priority properties, which are spread out in some 50 locations, for a price of slightly more than SEK 3 billion. These and other transactions are part of a multi-year strategy aimed at reducing the real estate portfolio and concentrating operations in about ten metropolitan and growth regions, in which we intend to operate as major players in the fields of project and property development.

ESTABLISHMENT OF OPERATIONS IN SOUTHEAST ASIA

Today, NCC is the leading player in the Nordic construction and real estate market. The Group's strong base, in the form of resources and financing, provides us with the strength to participate in really large projects both within and outside the domestic market. As part of our international endeavors, representational offices have been opened in Indonesia and the Philippines. The INS alliance has been formed jointly by NCC, Impregilo from Italy and Strabag from Germany, with the aim of increasing the member companies' strength and impact, while simultaneously enabling them to share risks and opportunities, which are usually considerable in the market for major infrastructural projects. Initially, the current financial crisis in Southeast Asia will dampen developments somewhat. However, the projects that are currently being processed are largely of a type that has been assigned high priority in the region, namely energy and transport infrastructures.

BETTER PROSPECTS FOR 1998 — BUT SOME UNPREDICTABLE FACTORS

The construction markets of Denmark, Finland and Norway are developing well. Although the Swedish market offers considerable potential, there are no signs of an immediate upswing. With respect to real estate operations, a favorable trend is noticeable in all of NCC's markets.

We entered 1998 with an organization that has been adapted to the current market situation. Most of the coordination gains generated by the merger with Siab will be realized during the year. During 1998, we will implement additional measures to capitalize on the synergies between NCC and Siab, and those between NCC and the Nordic subsidiaries. Based on the combination of these factors, I expect a substantial improvement in earnings during 1998.

However, there are a few unpredictable factors that make it difficult to plan for the future. During 1998, the Swedish Government will adopt a national plan for Sweden's transport

strong platform for the future

infrastructure, which will apply for the years 1998–2007. In my opinion, the report presented by the so-called Communications Committee lacks the substance to form the basis for a responsible transport policy. It is in the interest of the whole of Sweden, that the Government dares to take all aspects of the matter into account when approving the final plan. These aspects include international competitiveness, regional balance, growth, welfare, employment and the environment.

In the housing segment, some deregulation has occurred during recent

years. It is now essential that additional steps are taken to complete the adaption to normal market conditions, since the system of basing rents on utility value is resulting in imbalance and inhibiting demand for new production.

NCC is not asking for additional grants or subsidies to the sector. However, a reasonable level of taxation is a prerequisite for enabling consumers to pay for new residences.

A normal apartment is subject to a total level of taxation of 65 percent.

There are no indications that the housing bill to be presented by the Government in March will contain proposals aimed at reducing the high level of taxation.

Giving the current market conditions, NCC is focusing on housing production for proprietary management, based on a total-package concept, in areas where we can identify profitable projects in the currently limited housing market.

STRONG PLATFORM FOR THE FUTURE

The structural transactions implemented in 1997 in both the construction and the real estate sector have created a strong platform for the future. Our competitiveness and financial position have been significantly strengthened and we can now face the challenges of the future with confidence.

Jan Sjöqvist
President



Industry leader in the Nordic region

GROUP STRUCTURE

With Sweden, Finland, Norway and Denmark as its domestic markets, NCC is the leading construction and real estate company in the Nordic region. The Group is organized in six business areas: Civil Engineering, Housing, 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. In Germany, NCC is active via the subsidiary NCC Siab.

CORPORATE VISION

NCC's Corporate vision is to:

- be the industry leader in the Nordic region in terms of profitability and volume and to use this as a basis to develop strong international operations.
- be regarded as the leading construction and real estate company in terms of quality, the environment, efficiency and development power in all markets in which it is active.
- be regarded as a young, exciting company in which the focus is on innovativeness, participation and the expertise of each employee.

THE GROUP'S STRATEGIC FOCUS

NCC has formulated the following strategy, which is designed to guide efforts to achieve the Corporate profitability objectives and generate increased shareholder value.

Stronger position in the Nordic region

NCC's strategy for the Nordic region is based on the conviction that a strong market position is a prerequisite for competitiveness in mature markets. NCC currently occupies a leading position in the Nordic construction and real estate market and

aims to additionally strengthen this position. This will be achieved through organic growth in all four domestic markets: Sweden, Denmark, Finland and Norway. Supplementary acquisitions may also be considered.

NCC's strategy for the region is to create a leading Nordic construction company with a strong base in each country. This will create a broader base in terms of expertise, resources and financing, which will provide the strength to participate in major projects. The broader base will also serve to offset cyclical fluctuations.

Stronger position in neighboring markets

During 1997, NCC decided to establish operations in Poland. With respect to emerging markets, NCC's strategy is to expand on the basis of local presence. Ultimately, NCC aims to attain such a strong position in Poland that this country may be viewed as a domestic market.

In Berlin-Brandenburg, Germany, NCC builds residences through NCC Siab. The strategy for this market is to continue to engage in project development in the housing niche.

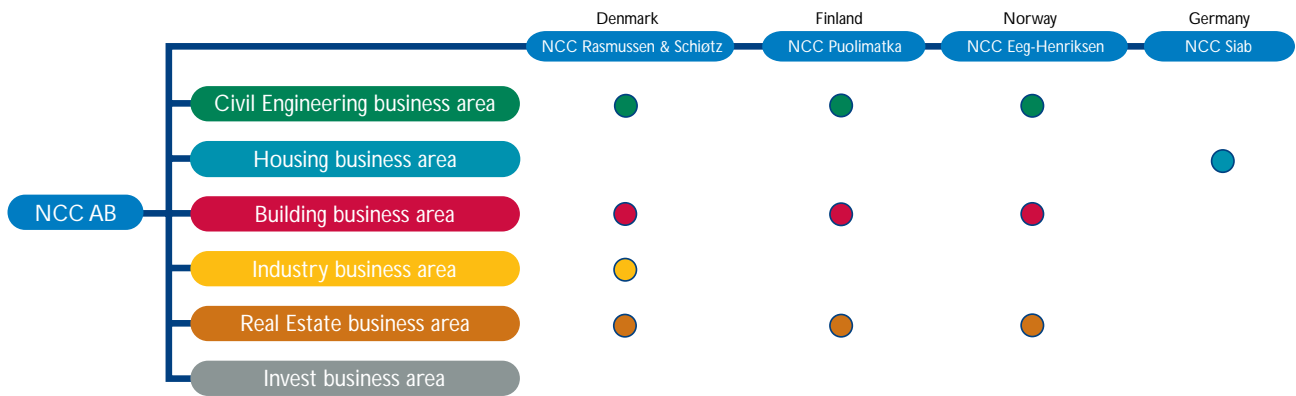
Selective growth in projects market

In selected markets, NCC works on a project basis in product areas where the Group's advanced technological and financial expertise serves as a competitive tool. The combined expertise of the Nordic companies yields competitive benefits in the projects market. Complex projects both within and outside the Nordic region are conducted through the Major Projects unit which, organizationally speaking, is part of the Civil Engineering business area. In addition to the Nordic region, the selected markets are the Baltic countries, Central Europe, Russia, the Middle East and Southeast Asia.

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 the management and sale of properties. This creates synergistic benefits in housing, building, civil engineering and real estate operations and in the development and production of materials. The market-based division into business areas generates opportunities for specialization and focusing in terms of customers, technology, development and expertise.



To enhance the Group's opportunities to engage in major infrastructural projects in the European market, NCC has joined a strategic alliance, S.E.C. (Société Européenne de Construction S.A.). The Alliance monitors such matters as infrastructural investments in the EU. In addition to NCC, S.E.C. consists of Dumez-GTM Entrepouse from France, the British company John Laing and the German company Strabag. The companies have combined annual sales exceeding SEK 100 billion.

Within the framework of the INS alliance, NCC, Impregilo from Italy and Strabag from Germany established joint representational offices in Manila and Djakarta during the year, with the aim of strengthening positions in the Southeast Asian construction market, which has expanded sharply during the 1990s. Despite the international turbulence that arose during 1997, NCC has concluded that Southeast Asia has a long-term need of investments in the infrastructure.

INS Alliance, 1996

	Sales, SEK, billion	Number of employees
Strabag	19.6	19,600
Impregilo	13.2	31,600
NCC*	32.1	22,400

* 1997, pro forma

Adaptation and concentration of real estate portfolio

In the real estate sector, the strategy is to concentrate the Group's real estate portfolio, maintain a high turnover rate in the portfolio of managed properties and adapt real estate development activities to market conditions. Operations are to concentrate on a few expansive locations in which we are able to capitalize on the synergies between construction operations and real estate development.

Focus on prioritized areas

The Corporate vision is to be realized by means of the strategic orientation described. A number of key areas have been identified which are of vital importance in this process. The following five key areas have been assigned priority during the next few years.

Quality

Quality systems are a tool used for the management, control and development of operations. Routines are established to ensure that operations are conducted in a rational manner. As a result, customer expectations are fulfilled and operations become increasingly effective, factors that result in satisfied customers and increased profitability.

Siab was Sweden's first nation-wide construction and real estate company to receive quality certification in accordance

with the ISO 9001 standard. During 1997, a coordinated quality assurance system was established, which builds on the quality efforts conducted by Siab and NCC prior to the merger.

The aim is that NCC's Swedish operations will have received ISO 9001 certification before the end of 1999. Training and implementation programs are currently under way in all business areas. The ultimate aim is that the whole of NCC will be quality certified.

Environment

NCC's objective is to be industry leader from the viewpoint of conducting environmentally compatible construction and real estate operations. NCC's environmental work is being further developed and tangible environmental goals established. The aim is that the Group's Swedish operations will have received environmental certification by the year 2000.

NCC's strategy in the environment area also includes the development of pro-environmental projects that generate business opportunities.

VINST project and other IT activities

A comprehensive information technology (IT) project has been under way since 1995 with the overall aim of enhancing the Group's efficiency and profitability. Efforts designed to study and introduce new IT systems are undertaken within the framework of the so-called VINST project, whose ultimate aim is to implement an operations-based information structure. In the next few years, new forms of IT support will be delivered to virtually all areas of operation within the Group. Construction sites and offices are receiving new forms of IT support that boost the efficiency of the entire production and sales process.

To date, this work has resulted in the installation of an efficient, standardized IT infrastructure. A uniform e-mail environment for more than 3,000 users has been installed. The Internet and Intranet have become natural tools for many employees. In the Real Estate business area, a new property administration system and a new accounts system have been introduced. The Industry business area is introducing new systems for Ballast and Machinery operations. The personnel function has introduced new systems for personnel administration and payroll processing. All business areas will introduce new accounts systems before 1999. IT support for construction operations will be introduced in 1999.

Purchasing

The role of the purchasing function was strengthened during 1997. In the short term, the strategy is to generate benefits of scale through the increased purchasing volume resulting from the merger of Siab and NCC. Longer term, the aim is to raise expertise and other disciplines at all levels, from worksites to



the Corporate offices. For example, all purchasing is to be undertaken through a new purchasing system, which is part of the VINST project.

Create synergism

The ability to capitalize on the synergistic potential created by the merger of Siab and NCC, and that existing between Swedish operations and the Nordic subsidiaries, is an important success factor. Integrated strategic activity is under way with the aim of generating synergistic benefits and improving productivity and efficiency. Ongoing cooperative efforts include purchasing and IT projects.

During the year, the Nordic subsidiaries formed the foundation for a strategy designed to boost profitability through

specialization. The purpose of the strategy is that the various leading-edge skills found within the Group—in such areas as underground, remote-controlled tunnel drilling, pipeline renovation and foundation engineering operations—will be concentrated in a specific Nordic country. In addition, a number of specialist product competencies have been defined, including gasoline stations, mobile phone stations and environmental-care products.

The collective expertise contained in the new NCC, including the Nordic subsidiaries, will facilitate penetration of new geographic markets. As a result of the Group's market know-how, NCC received a number of contracts outside the Nordic region during 1997. This also contributed to the decision to establish operations in Poland.

NCC'S OVER-RIDING CORPORATE STRATEGY

- Strengthen positions in the Nordic region and other neighboring countries
- Selective growth in the projects market
- Adaptation and concentration of the real estate portfolio
- Focus on prioritized areas
 - Quality
 - Environment
 - IT
 - Purchasing
 - Synergism

Value appreciation combined with financial balance

The NCC Group's financial objective is to provide shareholders with a healthy return in the form of dividends and appreciation in the value of their invested capital and to expand under a condition of financial balance.

The Group's value appreciation and financial strength 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 1997, an equity/assets ratio of 33 percent (30) was achieved.

The principal profitability measurement is the return on shareholders' 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 3.5 percent in addition to the interest rate on a risk-free long-term investment.

The risk-free long-term interest rate is estimated to amount to approximately 5.5 percent, which means the required return on NCC's shareholders' equity after full tax is 9 percent. Since this ratio is affected by the trend of inflation, the target ratio will vary over time. NCC's ambition is to be able to exceed these minimum requirements.

During the past few years, the return has been clearly insufficient. Due to the sharp decline in the construction market and the real estate crisis, considerable resources had to be devoted to restructuring measures and increasing operational efficiency. To date, this work has not attained its full impact.

The return on equity objective for the Group 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 areas should match the Group's overall goal for return on shareholders' equity.

Based on current tax rates, interest rates and NCC's equity/assets target, the long-term objective for return on equity corresponds to a return of 10 percent on capital employed.

For construction operations, the net margin is the key operational control parameter. In 1997, this amounted to 1.8 percent (2.2). Margins in the construction sector are generally lower than in, for example, industrial companies, due to such factors as a lower level of capital tied up in operations. The objective is to raise the net margin, mainly through further 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 1997, this amounted to 4 percent (5) before tax. The aim is to increase the visible return through a number of operational and structural measures. These include increased focus on real estate development, increasing the turnover rate in the portfolio of managed properties and concentrating the real estate portfolio.

In addition to the general financial objectives, the NCC Group has formulated cash flow and dividend objectives. The objective for cash flow is that it remain positive viewed over the long term. A negative cash flow may be accepted temporarily; for example, if it is the result of strategic new investments, since these are designed to increase cash flow, and consequently the Group's value, in the long term.

The dividend objective is that approximately 30 percent of annual income after full tax is to be distributed to shareholders. Where applicable, however, major nonrecurring items must be taken into account.

Financial requirements

Profitable goals	Outcome					Corporate objective
	1993	1994	1995	1996	1997	
Return on:						
Shareholders' equity, % ¹	1	12	4	2	3	≥ 9
Capital employed, % ¹	6	11	8	5	5	≥ 10
Financial goals						
Equity/assets ratio, %	22	31	31	30	33	35
Cash flow, SEK m.	734	2,176	-709	-1,331	4,136	positive

1) After full tax, 1997 excluding merger costs.



Leader in expertise, innovative-ness and development power

AGE STRUCTURE

As a result of the dramatic decline in the Swedish construction and real estate market during the 1990s, NCC's employees have a relatively high average age. In December 1997, the average age for salaried employees was 45 years, while that for skilled workers was 43 years. The following figures apply to NCC's Swedish operations.

Age	-35	36-45	46-55	56-	Total
Salaried employees	22%	21%	40%	17%	100%
Skilled workers	29%	22%	34%	15%	100%

STRATEGIC RECRUITING

The major strength in the composition of the NCC workforce lies in the enormous cumulative experience of its employees. Over the long term, however, the high average age of employees could pose a problem in specific years, in the form of increased personnel turnover due to retirement.

NCC's Swedish operations implement goal-oriented recruitment strategies and skills-development programs, in order to compensate for retirement losses and to secure the future leadership of the Company.

Despite a relatively high overall average age, 22 percent of salaried employees and 29 percent of skilled workers are under the age of 35. In absolute terms, this means that there are 1,200 salaried employees and 2,300 skilled workers who are extremely important from a developmental and renewal perspective.

A key group among the salaried employees are college-educated engineers. Since 1992, NCC has been operating a very successful two-year engineer trainee program. Despite the economic recession, annual recruitment of 40-60 newly graduated college engineers into the student engineering program has continued.

In December 1997, there were 612 college-educated engineers at NCC, with an average age of 37 years. This age distribution reflects the consequences of a conscious recruitment program; 270 of those engineers are younger than 35. Many of NCC's future managers and specialists can be found in this group.

Percentage of college-trained engineers

Age	-35	36-45	46-55	56-
Percentage	44%	28%	21%	7%

This poses both a great opportunity and a challenge. Since young, well-educated engineers are highly attractive and mobile in the labor market, it is essential that NCC focuses on new ways of thinking, to encourage participation and to develop the skills of all Group employees.

NCC utilizes established methods for identifying managers and specialists, as well as for employee interviews and individual development plans. As part of its focus on college-educated engineers under the age of 35, NCC plans to implement special programs during 1998. At the same time, efforts to refine recruitment procedures will continue, by offering college and university students trainee positions and training at NCC after only two years of college studies.

PERSONNEL SURVEY 1997

NCC has developed a model to measure, analyze and control developmental efforts. The model has two main purposes. One is to clarify, for outside stakeholders, the performance and driving force nurtured among NCC employees. The other purpose is to use the model as a tool for achieving continuous improvement. Managers at different levels of the Group receive an analysis of the human resources in their units, which they can use to form the basis for personal development plans for employees.

In the 1997 personnel survey, 10,000 employees engaged in Swedish operations were polled. Responses were presented in the form of an index for the two result variables—performance and driving force—as well as for the key factors of management ability, skills and organization.

A comparison between 1996 and 1997 results shows that the indexed levels for performance and driving force increased by one index unit.

Areas in which decreases occurred include management ability and skills development. Management goes hand in hand with leadership. The decrease is attributable to the merger of NCC and Siab. In a process where two corporate cultures are mixed together, many people find themselves under new managers, managers who have received new tasks and new employees. In such a situation, extreme demands are imposed on management and managers become an obvious target for criticism. The index value for management style actually increased, which is a very positive result, given this background.



The low scores for skills development can be explained by the significant differences between skilled workers and salaried employees. Skills development involves developing the ability to solve the problems arising in everyday work. Accordingly, developing skills involves combining on-the-job learning with training, which must be planned individually for each employee. This is also a central aspect of management, which provides another explanation for the decline. The merger has required so much energy that questions related to skills development have, in many cases, been postponed until the future.

RESPONSIBILITY FOR SKILLS DEVELOPMENT SHARED BETWEEN EMPLOYEE AND MANAGER

The goal is to have high-quality annual employee interviews with all salaried employees and, in the long term, with all skilled workers.

The percentage of salaried employees who have undergone employee interviews decreased from 81 to 72 percent during the year, since Siab did not conduct employee interviews to the same extent as NCC. The most gratifying factor is that quality has increased significantly.

In employee interviews, expectations, requests and NCC's strategic requirements are joined together to formulate an individual development plan. A very important aspect of this is to impart the idea of systematic learning for change, and to create the leadership required for tomorrow's challenges.

LEARNING FOR CHANGE

Long-term competitiveness is based upon the ability to develop and change. In order to assure this, it is necessary to lay out specific goals and then follow them up. This is an important aspect of modern management information. Within NCC we use key ratios to measure learning for change.

All of these ratios are moving in the right direction. The dramatic increase in the number of certified site managers is the result of a very deliberate effort to develop skills within construction operations. A total of 229 site managers have been certified within the Civil Engineering, Housing and Building business areas.

NORDIC COOPERATION

The 1997 description on human resources focuses only on NCC's Swedish operations. An important challenge is to create synergistic effects between the Nordic subsidiaries, including an improved exchange of information in order to gain an overview of the composition of Nordic personnel. The first steps towards an exchange of personnel were taken during 1997. Swedish employees were offered employment within the Norwegian operations as a result of favorable developments in the Norwegian building market.

Personnel survey	1997	1996 ¹
Performance	73	72
Driving force	62	61
Management		
Management style	58	56
Control	60	61
Skills		
Skills requirements	72	72
Skills development	40	42
Organization		
Influence	58	58
Cooperation/support	54	48

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 develop relationships, be honest and take care of individual employees
- Control — the manager's ability to establish definite objectives and plans, and then implement and organize them.
- Skills requirement — ability to solve contemporary problems.
- Skills development — ability to learn anew.
- Influence — potential to influence.
- Cooperation/support — support provided by established routines, attitudes to cooperation

1) As a result of the experiences derived from the 1996 personnel survey, certain questions in the 1997 survey were reformulated. Accordingly, certain minor changes in the index values for 1996 have been made to facilitate comparability with 1997.

Employee interviews within NCC according to personnel survey

	1997	1996
Percentage of salaried employees who have had an employee interview	72%	81%
Quality of employee interviews — percentage of those who had an employee interview who viewed the employee interview as being good	70%	56%

Key ratios for learning for change

	1997	1996
Strategic management skills		
– Number of persons with strategic management skills per SEK 1 billion in revenues	21	18
Technical development skills		
– Number of civil engineers and college graduates per SEK 1 billion in revenues	31	29
Skills for renewal		
– Number of college-trained engineers under the age of 30 per SEK 1 billion in revenues	8	7
– Number of certified site managers per billion in revenues	12	5



One of NCC's overall environmental objectives is to provide environmental training to all employees. To date, 74 percent of the number of employees in Sweden have undergone company-adapted environmental training.

Environmental objectives influence work throughout the organization

Environmental work within the Group is guided by the general Corporate vision and NCC's environmental policy. All levels of the organization establish specific environmental goals annually. The intention is that the Corporate environmental objectives will shape work throughout the organization. Each business area will also formulate specific operations-related goals. The environmental goals will then be transformed into physical action at the regional level and in individual projects. Environmental work will be followed up and refined continuously by establishing new goals, improved working methods and enhanced expertise.

During 1997, NCC became Sweden's first major construction and real estate company to decide to introduce an environmental management system in accordance with the ISO 14001 standard and that all of its Swedish operations will qualify for environmental certification not later than in the year 2000. Efforts to this end are in progress.

To date, NCC's environmental activities have focused on Swedish operations, in which goal-oriented environmental work based on an efficiently functioning organization has been established. A Group-wide Environmental Council, with members representing all business areas, has been established. In 1998, the environmental organization will focus on integrating the operations conducted outside Sweden.

ENVIRONMENTAL OBJECTIVES AND KEY RATIOS IN 1997

NCC's overall Corporate vision includes the objective that NCC is to be the leading construction and real estate company in terms of environmental considerations. In accordance with this vision, NCC is endeavoring to attain the following long-term objectives:

- The entire Group is to receive environmental certification according to ISO 14001 by the year 2000.
- Swedish operations are to receive environmental certification not later than in the year 2000. Ultimately, the entire Group is to be certified.
- Generation of new environment-related business opportunities

As part of work to achieve these goals, four general objectives were established for 1997: sorting of waste at source; environmental training; use of NCC's Environmental Database; and formulation of at least one specific environmental objective for each business area.

FOLLOW-UP OF RESULTS OF 1997 ENVIRONMENTAL OBJECTIVES

All key ratios are based on NCC's Swedish operations. A more detailed account is presented in NCC's 1997 Environmental Report.

Sorting of waste at source within business areas

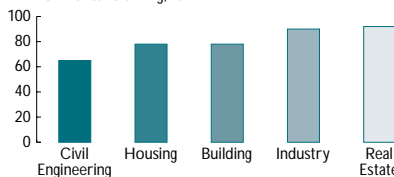
Projects/units that sort waste at source, %



An average of 87 percent of all projects/units sort their waste at source. We are continuing to develop systems that enable the reuse or recycling of an increasing proportion of materials.

Environmental training of all employees within business areas

Environmental training, %



To date, 74 percent of the Group's employees have undergone company-customized environmental training. Efforts to attain continuous improvements in the environmental competence of all employees is essential in order to increase their participation in and dedication to environmental work.

USE OF NCC'S ENVIRONMENTAL DATABASE IN PROJECT PLANNING AND PURCHASING

NCC has applied a system of environmental labeling since 1995. Materials are rated into four levels: Recommended, Approved, Accepted, Avoid. Information is stored in the database, which is also available on NCC's Intranet. During 1997, approximately 500 building products were registered and the pace of work is accelerating. During 1998, the "Prohibited" rating will be added. In 1997, the environmental database was available to all members of the environmental and purchasing organizations, and to approximately 250 other employees in Sweden with a particular interest in environmental matters.

... long-term environment
guide all our operations.
At NCC we think before we act.



NCC is Sweden's first major construction and real estate company to decide to introduce an environmental management system in accordance with the ISO 14001 standard and that all of its Swedish operations will receive environmental certification not later than in the year 2000.

50553



CONSUMPTION OF RESOURCES WITHIN NCC AB

The following key ratios for NCC's Swedish operations are based on studies of a limited number of projects. The results will be followed up in 1998. With respect to energy consumption and transportation work, standard formulas have been used to estimate emissions of CO₂.

Residual products	
Recycled	51,000 ton
Dangerous waste	400 ton
Energy	22,000 ton
Filling materials	251,000 ton
Landfill	19,000 ton
Total	343,400 ton
Transports*	
Fuel	112,000 m ³
Emission of CO ₂	356,000 ton
Energy	
Electricity, heat	592,000 MWh
Emissions of CO ₂	50,000 ton
Consumption of water	2,950,000 m³

* Excluding journeys by salaried employees that are not directly connected to a project.

OTHER KEY RATIOS

The NCC Group made the following environmental investments in 1997.

Since it is difficult to distinguish environmental investments from other investments, the following lists only contains items that are considered essential from an environmental viewpoint.

Environmental investments, SEK m.

Environmental training	17
Group-wide resources	7
Research and technological development	4
Machinery and equipment	9

NCC paid the following environmental taxes and fees in 1997:

Environmental taxes and fees, SEK m.

Natural gravel tax	15
Carbon dioxide tax, relates to oil and gas	28
Indirect carbon dioxide tax via fuel	114
Energy tax, relates to electricity, oil and gas	29
Indirect energy tax, via fuels	230

The potential future environmental costs for NCC mainly pertain to:

Future restoration costs

Restoration of gravel pits	Funds have been reserved
Building holdings	Inventory in progress
Land holdings	Inventory in progress

Additional information is available in NCC's Environmental Report for 1997, which can be ordered from NCC.

Technology, research and development

NCC's research and development activities encompass everything from knowledge-enhancing research to industrially oriented product and method development. R&D work is conducted both at Group level and by NCC's various business areas. The Group's R&D unit directs and is responsible for research designed to enhance the level of expertise, while the business areas account for product and method development within their specific areas of operation. The collective R&D activities are directed and coordinated by NCC's R&D.

Construction activities are currently being shaped by three technical development areas which NCC regards as areas of major focus:

- Environmental considerations
- Application of IT
- More efficient building

An important aspect of the R&D work designed to enhance the level of expertise in the Group consists of contacts with colleges and universities, participation in national and international programs, cooperation with industrial researchers and coordinated R&D work NCC's Nordic subsidiaries.

During 1997, NCC had eight industrial researchers, who are active at the four "V" *technical colleges* and who conduct research within NCC's prioritized areas.

The dissemination of new knowledge and the introduction of research findings are key factors in efforts to improve the performance of NCC's construction operations. In this context, NCC Technology plays an important role, through its approximately 140 specialists in the fields of project engineering, design and technical development in the civil engineering, building and installation areas. NCC Technology is an important link between the development of technology and its application in projects. This does not only involve applying the right knowledge, but also disseminating and generating new knowledge in interaction with the Group's business operations.



Continued strong growth in Finland and Norway

NCC's domestic markets are Sweden, Denmark, Finland and Norway. Total investments in construction in the Nordic region increased by 2 percent during 1997. By far the strongest growth occurred in Finland, where construction investments increased by 12 percent. Swedish construction investments dropped by 9 percent, making Sweden the only country where construction investments decreased.

NCC also has operations in the Berlin-Brandenburg region of Germany.

SWEDEN

Total investments in construction in 1997 were lower than the level forecast at the beginning of the year. There was a further decline in the production of new housing, which reached a new record low. Industrial and public sector construction investments also decreased.

For 1998, it is hoped that low interest rates and increased domestic demand will lead to a turnaround in the construction business cycle.

Production of new housing in 1998 is expected to increase from 9,000 housing units to around 12,000-13,000 units. The market will be dominated by single-family houses and tenant-owner apartments in good locations in growth areas, since high property taxes and unemployment weaken prospects for new construction of rental apartments.

Positive developments are expected within the other buildings sector. However, public sector construction is expected to stagnate, mostly as a result of the municipalities' tight budgets.

It is estimated that industrial construction will decline in 1998, but at a much slower rate than in 1997. Demand is currently limited following the large industrial investments that were made during the 1990s. The financial crisis in Asia has negatively affected Swedish export industries, and could further dampen industrial investments.

Road and civil engineering projects are expected to increase slightly in 1998 as a result of increased investments in the energy sector.

The real estate market for offices and stores has recovered in recent years, especially in major city regions. Demand for industrial space has, however, declined. Housing markets are developing positively in major cities and growth regions.

DENMARK

Construction investment in Denmark increased 4 percent in 1997. During 1997, construction began on 17,500 apartments, an increase of 9 percent compared with the previous year. The granting of permits for government-subsidized housing construction was halted in the middle of the year, but the effects of the construction stoppage will not be noticed until 1998. Private housing construction is expected to increase during 1998, which means that the number of new apartments will be on a par with 1997.

Investment in the other buildings sector increased by 9 percent during 1997. In 1998, it is estimated that growth will stagnate as a result of decreased investments in agriculture. Industrial and commercial property construction will continue to grow, however.

During 1998, completion of the large-scale road and civil engineering projects for the Great Belt and Öresund Links will take place. This, along with diminishing activity in energy and environmental areas, means that the road and civil engineering market will decrease in the next few years. Things look somewhat brighter in the railway sector, where building permits have been granted for an expansion of a commuter train service.

The real estate market in Copenhagen has seen relatively little growth in recent years. Changes in rental laws, construction projects related to the Öresund Link and the strong Danish economy give rise to hopes for a more positive trend in the next few years.

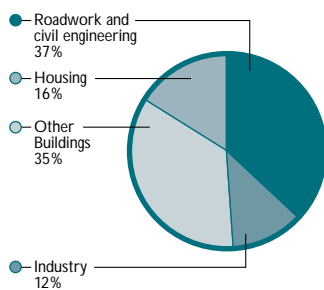
FINLAND

Housing construction increased more than expected during 1997 and housing starts numbered just over 30,000 (23,600). Housing investments are expected to increase further in 1998. Reduced government subsidies are negatively affecting investments and it is uncertain whether this decline will be offset by privately financed construction. It is estimated that the number of housing starts will decrease in 1998 compared with 1997. Construction is concentrated mostly in the Helsinki region and certain growth areas. The sharp growth in 1997 and regional concentration resulted in increased construction costs.

Investments within the other buildings sector increased by 9 percent during 1997. A slower growth rate is expected during 1998.

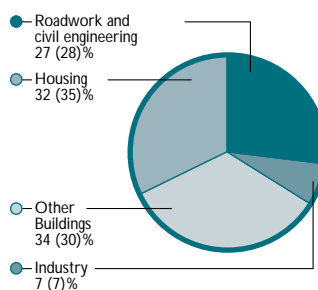
Nordic product mix 1997

NCC



Source: Swedish Construction Federation and NCC

The construction market



Civil engineering investments increased by 3 percent in 1997 and a slightly lower growth rate is expected for 1998. The construction companies' orders are below the long-term average level.

The real estate market has developed positively, and there is considerable demand for modern offices in Helsinki, which has led to increased prices and rents. This positive trend is expected to continue in 1998.

NORWAY

Economic conditions are favorable for the construction industry. Construction investment has increased by 3–7 percent per year since 1993. An annual growth rate of 1–2 percent is expected in 1998 and 1999. Investments in housing increased by approximately 10 percent in 1997.

As a result of the strong Norwegian economy, investments in other buildings were larger than expected during 1997, especially in Oslo and the rest of eastern Norway. However, a slackening is expected in 1998.

Road and civil engineering investments are dominated by public sector orders and have been holding steady at around NOK 20 billion per year since 1993. Following a small decline in 1997, an increase of approximately 5 percent is expected in 1998. Decreased activity, as a result of the completion of the Gardermoen railway line, should be offset by increased investments in road construction and the energy sector.

In the commercial real estate market, demand for office buildings in central Oslo has resulted in sharply rising rents and considerable construction of new office space.

Construction trend

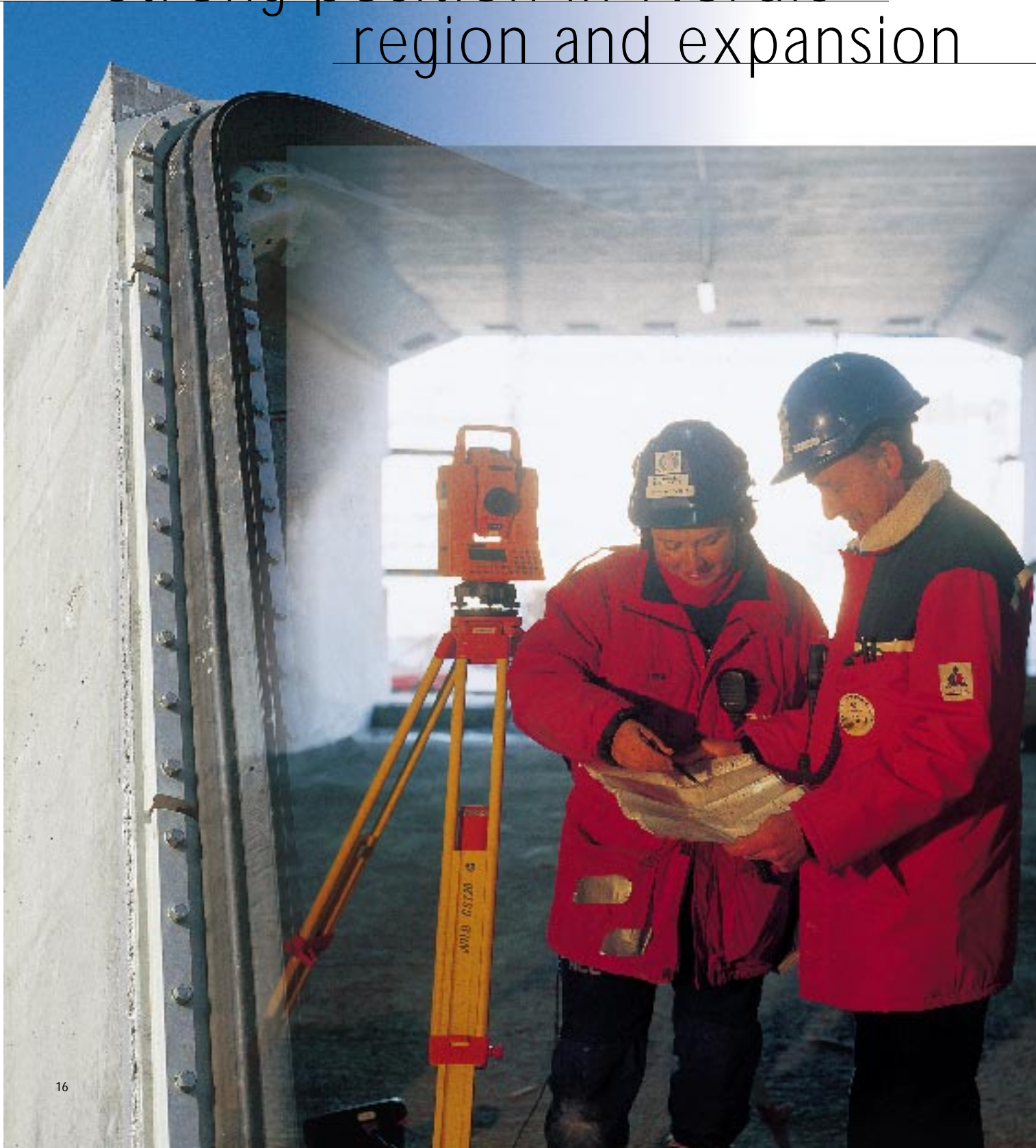
	1996 SEK billion	1997 procent	1998 procent	1999 procent
Nordic region, total				
Housing	116	3	8	6
Other buildings	142	5	2	1
Roadwork and civil engineering	103	-2	1	-3
Total construction investments	361	2	3	1
Maintenance work	174	2	1	0
Total investments plus maintenance	535	2	3	1
Sweden				
Housing	32	-26	9	13
Other buildings	47	-4	1	3
Roadwork and civil engineering	35	-2	2	3
Total construction investments	114	-9	3	5
Maintenance work	79	5	2	0
Total investments plus maintenance	193	-3	3	3
Denmark				
Housing	29	10	3	0
Other buildings	30	9	2	-2
Roadwork and civil engineering	27	-7	-6	-22
Total construction investments	86	4	0	-8
Maintenance work	46	-2	-3	-1
Total investments plus maintenance	132	2	-1	-6
Finland				
Housing	28	20	15	10
Other buildings	27	9	9	5
Roadwork and civil engineering	19	3	2	2
Total construction investments	74	12	9	6
Maintenance work	19	3	3	3
Total investments plus maintenance	93	10	8	5
Norway				
Housing	28	10	4	3
Other buildings	37	11	-1	-2
Roadwork and civil engineering	22	-2	5	1
Total construction investments	87	7	2	1
Maintenance work	30	2	2	2
Total investments plus maintenance	117	6	2	1

Source: Swedish Construction Federation and NCC.

THE CIVIL ENGINEERING BUSINESS AREA engages in construction, repair and maintenance activities in the Nordic roadwork and civil engineering market, as well as in selected markets in other parts of the world. The business area is the leading civil engineering contractor in terms of quality, the environment, efficiency and development resources. Research and development is conducted into both quality and environmental matters.

Net sales amounted to SEK 10.7 billion (10.8), of which approximately SEK 3.3 billion (2.7) derived from operations outside Sweden.

Strong position in Nordic region and expansion





BUSINESS CONCEPT

The Civil Engineering business area shall utilize its high level of expertise, quality and cost effectiveness to initiate, plan, refine and implement civil engineering projects in the Nordic region and other selected markets, through interaction with customers.

The business area shall engage in major civil engineering projects in prioritized markets outside the Nordic region.

The Civil Engineering business area shall also be able to offer financing solutions and undertake the operation and maintenance of facilities.



Lars Wuopio
President of the business area

in international projects market

STRATEGY

The Civil Engineering business area's strategies are focused on strengthening its position within the Nordic countries, and on expanding in international project markets.

The main strategy for strengthening the Swedish market is continued specialization. In addition, a number of areas of strategic growth have been defined, focusing mainly on the energy sector, environmental improvements, and the operation, maintenance and servicing of roads and municipal facilities.

The synergistic effects and advantages of cooperation among the subsidiaries in the Nordic countries will be capitalized on. During 1997, a common focus for the development of products and ideas was established, while the specialization process continued. A number of product areas and areas of expertise were prioritized including foundation work, pipeline renovation, underground projects and slipform/concreting assignments.

In the project market outside the Nordic region, the strategy is to focus on selective growth, partly through the expansion of internal operations, and partly through joint ventures with foreign companies in strategic alliances, such as the INS alliance.

PRODUCTS

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

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

THE MARKET AND OPERATIONS IN SWEDEN

The Swedish civil engineering market is controlled, to a large degree, by political decisions. In 1997, the market was marked

by some uncertainty and civil engineering investments declined by 2 percent. Once there is a more clear picture regarding the future policy for energy supply, infrastructure and metropolitan development, the volume of investment will probably increase slightly.

In Sweden, small and medium-sized projects dominate operations. A total of approximately 2,000 projects were undertaken during 1997. Of these, 80 percent had contract values of less than SEK 5 m.

During the first half of 1997, two sections of the Ostkustbanan railway project were completed. The work encompassed 4.6 kilometers of new double tracks and an expansion to double tracks on another 5.2 kilometers of railway. Spring also saw the inauguration of the new section of the E20 highway in the municipality of Strängnäs. The new section encompassed 11 kilometers of four-lane highway, including six bridges, in a contract worth slightly more than SEK 200 m. In June 1997, a new section of Highway 32 in Småland was completed. The section included 13 kilometers of newly built road and 10 bridges.

A new high-speed tram link is being constructed in central Stockholm. NCC's part of this contract relates to construction of the 400-meter long Oxhålsbron bridge, which will have a shipping clearance height of 24 meters. On the island of Lidingö outside Stockholm, NCC is conducting a large ground-decontamination project for AB Svenska Shell. The project involves cleaning industrial land for a future residential area.

During 1997, the Civil Engineering business area was commissioned by the National Road Administration to oversee continued repairs of the Öland bridge. The total value of this order is SEK 135 m. The contract is to be completed by autumn 1999.

In July 1997, the business area received a contract for ground and bridge work on the ongoing expansion of the Väst kustbanan railway. The contract is worth SEK 170 m. and work began in August 1997.

A number of other contracts for the operation and maintenance of roads were also received during 1997.

The market for road-surfacing projects shrank in 1997 by 15-20 percent, but it is expected to increase in 1998. The market for foundation construction also weakened in 1997. A healthy supply of orders within the NCC subsidiary, Hercules Grundläggning AB will, however, maintain volume during 1998.

The Öresund Tunnel, the largest immersed tunnel in the world in terms of volume, is an important part of the Öresund Link between Sweden and Denmark. The tunnel connects an artificial peninsula by Kastrup with the artificial island of Pepparholm.



Directly under Stockholm Arlanda Airport, three stations are being built, two for the Arlanda Express and one for through traffic.



In Malaysia, NCC is represented by the jointly owned company, Siab (M) Sdn Bhd.

OPERATIONS AND MARKETS IN THE REST OF THE NORDIC REGION

NCC Eeg-Henriksen is engaged in a number of major civil engineering projects, including several tunnel projects, of which the Sogn og Fjordane tunnel is the largest. Tunnels are also being built in Bergen for a large water treatment plant and the 1,820 meter long Røling tunnel is being constructed between Oslo and Akershus. Construction related to the expansion of Gardermoen Airport was another major project undertaken during 1997. NCC Eeg-Henriksen is a member of an international consortium that is building a power plant in Costa Rica.

Civil engineering projects within NCC Puolimatka were negligible in 1997. NCC Puolimatka has the main responsibility for the NCC Group's operations in Russia, where the energy sector is a growth market.

In Denmark, NCC Rasmussen & Schiøtz is involved in several important projects, including the Öresund Link land approaches on the Danish side. NCC Rasmussen & Schiøtz is also a member of the consortium building the Mini-metro subway in Copenhagen.

PROJECT MARKETS

In spring 1997, the Uri hydro-power plant in Kashmir which NCC had been working on for six years in a consortium together with Skanska, ABB, Kværner and Sweco, was inaugurated and turned over to the Indian authorities. The total value of the project was SEK 5.5 billion, of which NCC's portion was approximately SEK 1.4 billion.

NCC is part of an international consortium which, in September 1997, received the concession to build a portion of the A2 Highway in Poland. The concession relates to 362 kilometers of highway, from west of Warsaw to the German border — an order which could be worth a total of SEK 3 billion for NCC. This section of highway will become a part of the Polish highways program, which has a goal of expanding the highway system in Poland by 2,600 kilometers before the year 2015.

In the Middle East, the Civil Engineering business area is providing management and technical assistance services in some major projects.

NOTABLE PROJECTS

Öresund Tunnel

NCC is the lead company in Øresund Tunnel Contractors, ØTC, which is building the 3.7-kilometer long tunnel that is part of the Öresund Link. The immersed tunnel is being constructed using tunnel segments which are manufactured in a factory in Copenhagen's north harbor. The tunnel segments are subsequently towed out into the Öresund straits and submerged into place in a dredged channel on the sea floor. The construction period extends between 1995 and 2000, when

the entire Öresund Link will be open for traffic. NCC's share of the project is worth approximately SEK 1.2 billion.

Arlanda Link

The Arlanda Link, which will connect Stockholm Central Station to Arlanda Airport, is the first large-scale infrastructure project in Sweden to be jointly financed by both government and private industry as a BOT (Build-Operate-Transfer) project.

When the Arlanda Link is ready in 1999, NCC will continue to be responsible for operation of the link for another 45 years through A-Train AB. See the Invest business area, page 40.

Highway E18/E20 Örebro-Arboga

Construction began in September 1997 on a highway between Örebro and Arboga. The project, worth SEK 530 m. for NCC, involves the construction of 26 kilometers of new highway. The road will be ready in September 2000.

Mälärbanan

The Mälärbanan project, which involves the expansion of the railway between Stockholm and Örebro for use by express trains, was inaugurated in October 1997. The Mälärbanan is built for high-speed trains of the future with speeds of up to 200 km/hour, and encompasses a total of 190 kilometers of railway. The turnkey contractor for the project was Konsortiet Mälärbanan, in which NCC had a 44-percent share, corresponding to almost SEK 1 billion. The contract involved both planning and production.

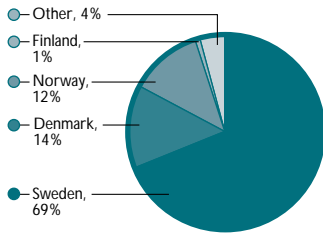
RESEARCH AND DEVELOPMENT

The Civil Engineering business area utilizes several techniques which are the direct result of internal R&D work; for example, machine control using GPS technology, usage of heat scanners for more even road-surfacing quality, the "cold technique" for road-surfacing operations and environmentally sound, resource-efficient road and railway construction.

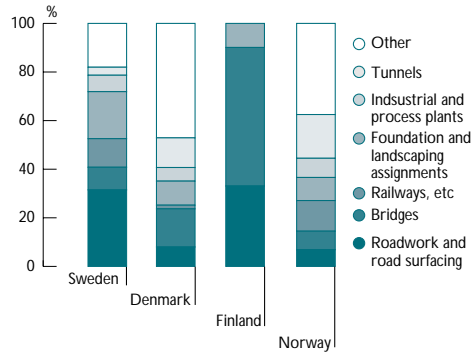
Industrial research is often undertaken in close cooperation with institutes of technology and universities. Examples of research areas include the High Performance Concrete program, Road/Tunnel/Bridge research programs and environmentally driven product development. A number of research projects are being operated in conjunction with construction projects, including a research program studying ventilation design and a doctoral project studying the optimal design for concrete injection activities, both on the Arlanda Link. Production of the concrete tunnel segments for the Öresund Link tunnel is based on advanced concrete technology, particularly with respect to controlling the hardening of the concrete. NCC is continuing its research into this area within the framework of a larger European project.

Net sales 1997

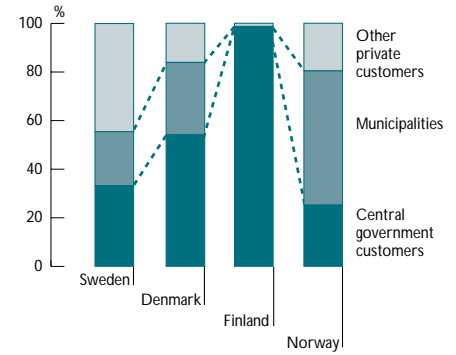
by country, %

**Product mix**

Net sales by product group, %

**Customer structure**

Net sales by customer category, %

**ORGANIZATION**

One of the consequences of the merger of Siab and NCC is that Civil Engineering Sweden has started to operate on the basis of seven geographic regions. International operations within the Major Projects unit are organized in geographic regions, in order to better focus on the respective markets' structure and conditions. The Nordic Coordination unit is responsible for business operations between the Nordic markets and coordinates civil engineering operations within the Nordic subsidiaries. The business area also includes the wholly-owned subsidiary, Hercules Grundläggning AB.

EARNINGS

Orders received by the Civil Engineering business area amounted to SEK 10,0 billion (9,5). The order backlog at the end of 1997 was SEK 6.4 billion (7.2). The decline was due to a product-mix shift towards smaller projects.

Net sales amounted to SEK 10,746 m., compared with SEK 10,841 m. in 1996. The decline in Sweden due to the weak construction market was offset by growth in the other Nordic markets.

Income after net financial items amounted to SEK 141 m. (78). The net margin was 1.3 percent (0.7). The improvement was attributable to a higher operating margin, as a result of strong production earnings from several major projects.

FUTURE

The civil engineering market in Sweden is currently expected to grow by about 2 percent in 1998. Public sector construction should move in a positive direction, as budget constraints are relaxed and the tax base increases. There are large potential investments to be made in the areas of environment and energy.

In the other Nordic countries, the general construction trend is pointing upwards.

Orders received from the projects market are expected to increase in 1998. In 1998, the Civil Engineering business area is expected to report income after net financial items that exceeds the 1997 result.

Civil Engineering business area

Pro forma

SEK m.	1997	1996
Orders received	10,012	9,520
Order backlog	6,404	7,241
Income after net financial items	141	78
Operating capital employed at year-end	1,856	1,675
Cash flow	-430	
Ratios		
Operating margin	0.3%	-0.9%
Net margin	1.3%	0.7%
Return on operating capital employed ^{1,2}	10.0%	6.7%
Other		
Average number of employees	7,336	7,804

INCOME STATEMENT, SEK m.

	1997	1996
Net sales	10,746	10,841
Production expenses	-9,952	-10,220
Gross income	794	621
Selling and administrative expenses	-766	-717
Capital gain on sales of Group companies	28	-96
Income/loss on sales of properties	113	174
Income/loss after net financial items ³	141	78

BALANCE SHEET, SEK M.

	1997	1996
Buildings and land	85	94
Tangible and intangible fixed assets	338	305
Shares and participations	7	8
Interest-bearing receivables	140	100
Interest-free receivables	2,379	2,037
Liquid assets	2,840	3,050
TOTAL ASSETS	5,789	5,594
Equity	1,004	920
Minority interests	14	12
Interest-bearing liabilities and allocations	778	550
Interest-free liabilities and allocations	3,062	3,048
Project invoicing not yet worked up	931	1,064
TOTAL EQUITY AND LIABILITIES	5,789	5,594

1) The ratios above are based on an operational balance sheet, whereby taxable interest-free Group contributions have been eliminated against the resulting untaxed reserves in the Group.

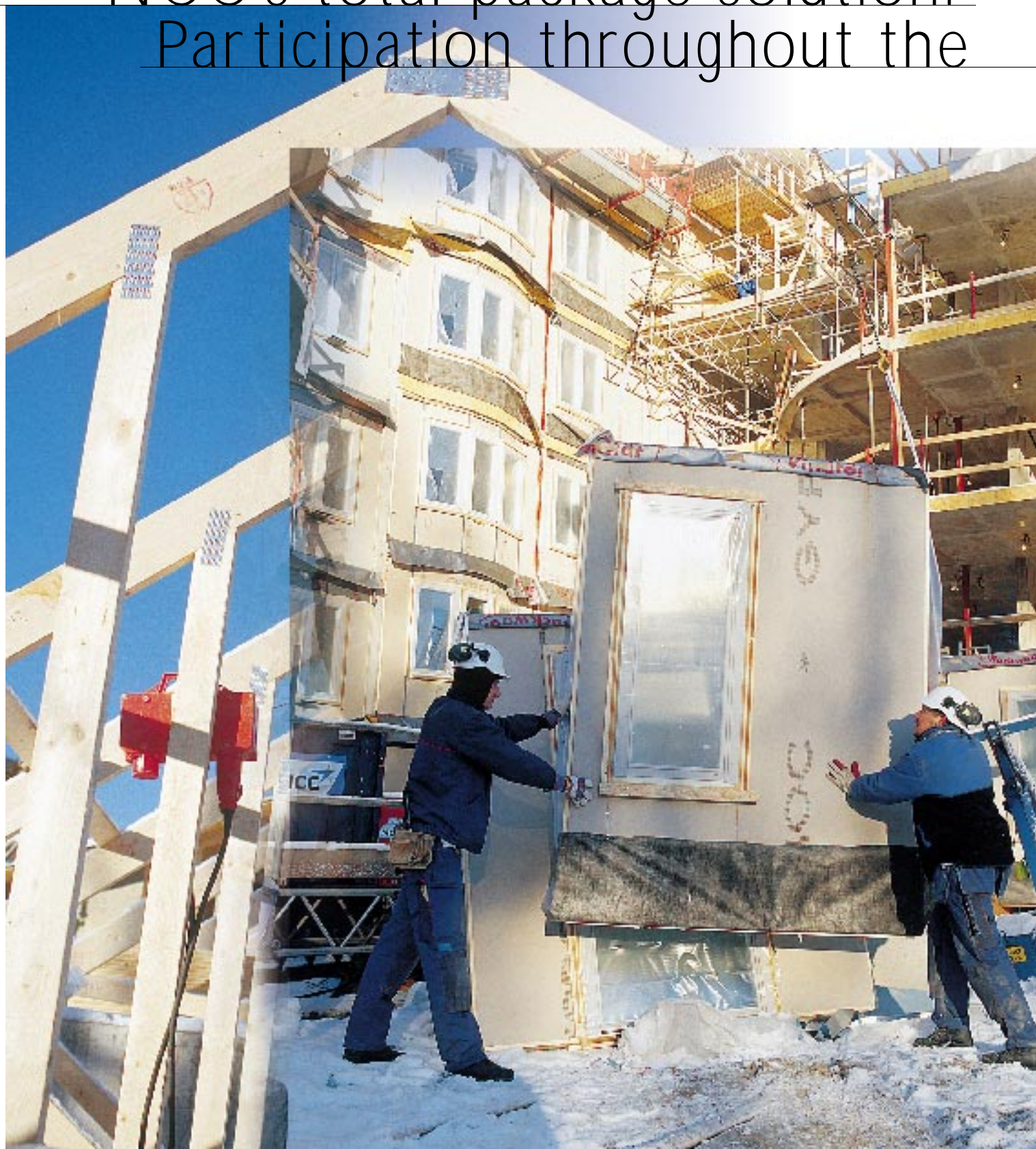
2) In 1997, this ratio was computed on the basis of average capital employed during the year. In 1996, it was based on the year-end figure.

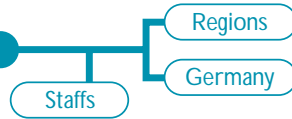
3) See page 46.

THE HOUSING BUSINESS AREA is responsible for the Group's building of residential properties, which includes everything from the concept, procurement of land, planning, building and sale of a property to the service and maintenance of housing projects. The Housing business area also renovates, refurbishes and extends residential properties. As a result of access to its own land for the production of housing and an aggressive focus on its own projects, NCC is becoming increasingly less dependent on traditional major customers.

Net sales in 1997 amounted to SEK 2.0 billion (2.0). Total residential construction within the Group amounted to about SEK 5 billion, of which a considerable proportion was accounted for by the Building business area's operations in Sweden and the rest of the Nordic region.

NCC's total-package solution: Participation throughout the





Lennart Ericsson
President of the business area

BUSINESS CONCEPT

Based on a high level of expertise and well-functioning concepts and methods, the Housing business area shall initiate, develop and implement housing projects in selected markets.

The Housing business area shall undertake projects on a proprietary basis and conduct building and rebuilding contracts in accordance with the business area's quality-assurance system.

In Sweden, proprietary operations shall be concentrated in growth regions. Outside Sweden, the business area shall mainly be active in the Berlin-Brandenburg region of Germany and the Warsaw area of Poland.

project construction chain

STRATEGY

The objective established for the Housing business area is that it shall become the leading player in the market by offering customers housing solutions based on the customers' own wishes, specifications and requirements, and use this as the basis for generating healthy profitability.

To achieve this, the Housing business area has developed a concept for proprietary construction operations, a so-called total-package solution. The aim is to integrate this work approach into operations to such an extent that it accounts for at least 70 percent of new production.

The business area is continuing to develop its organization and processes in the direction of increased specialization. Efforts to generate improvements in other areas continue, particularly with respect to quality, the environment, installation, purchasing and industrialized construction.

NCC'S TOTAL-PACKAGE SOLUTION

NCC's total-package concept entails involvement at every stage of a housing project—from concept, procurement of land, planning, building and sale of a property to service and maintenance.

By being in control of a project from the concept stage, NCC is able to influence detailed plans and develop ideas that match the customers' requirements, wishes and specifications. Involvement in the entire process and fewer intermediaries facilitates more efficient production and thus makes projects more profitable. It also enables NCC to charge the right price for the products it develops.

In conventional building contracts, valuable knowledge is lost when a project is transferred from one player to another. NCC's total-package solution enables this knowledge to be retained within the project and thus increases quality. During 1997, the total-package concept was supplemented through the addition of documents for environmental auditing.

A total-package approach also increases opportunities for advance planning in terms of volumes and employment occasions. Although the project time schedule may still be affected by external factors, the business area has much more control over matters, compared with a situation involving orders from traditional building contractors.

HOUSING MARKET

A number of factors indicate that an upswing will occur in the housing market. Sweden's relatively low interest rates are contributing to increased optimism, despite the fact that the real interest rate remains relatively high. The lending propensity of banks and financial institutions is increasing. Prices of rented apartment blocks, detached houses and tenant-owned apartments are increasing, particularly in good locations. The population trend is favorable in a number of locations. According to estimates from the National Board of Housing, Building and Planning, housing starts will amount to 25,000 to 30,000 units annually within a period of a few years.

During the years immediately ahead, the housing that is built will consist primarily of well-situated single-family dwellings and tenant-owned apartments in large towns or in cities with universities. The customers will be people who are able to pay for a good location and standard. As a result, the Housing business area has decided to focus on proprietary projects in growth regions.

The business area's customers consist of end customers—that is, the consumers who live in the residences and purchase housing directly from the Housing business area—and such large customers as municipal housing companies, HSB, Riksborgen and private property owners. The activity of large customers is expected to remain relatively low in the next few years.

In Sweden, the Housing business area engaged in approximately 1,000 housing starts conducted in the form of 16 proprietary projects and approximately 300 building contracts. At year-end, 1,100 housing units were under proprietary construction.

NCC's housing starts in Germany amounted to 677 in 1997 and 713 housing units were under construction at year-end.

SWEDISH OPERATIONS

Acquisition of Flexihus

The operations of Flexihus AB were acquired on December 1, 1997. The company produces large-volume modules for multi-family dwellings and other buildings and engages in highly-developed industrial production. The products are completed in a factory and assembled at building sites. This method of production enables the same architectural and design variation as houses built on site.

As a result of the acquisition of Flexihus, the Housing business area improved its capacity to develop and conduct rational housing production. It will be possible to satisfy the



At the Housing Fair in Staffanstorp, NCC's exhibits included the "House of Light".



The Schäfergarten project in Berlin, which consists of 135 housing units, was completed in 1997.

anticipated upswing in the housing market while reducing the risk of cost increases.

New suburb in Frösunda

The Housing business area is building a completely new suburb in Frösunda, which is close to both rural areas and central Stockholm. When fully developed, this suburb will contain 1,700 housing units and 70,000 m² of office space. As part of Phase 1, which commenced in spring 1997, 139 tenant-owned apartments are being built in three apartment blocks. Phase Two, which involves 103 housing units, was initiated during the autumn of 1997.

Saltsjöqvarn

In December 1997, the Housing business area commenced production of a project at Saltsjöqvarn, close to the sea approach to Stockholm. With its well-known mill buildings and waterside location, Saltsjöqvarn will become one of Stockholm's most attractive housing areas.

Two-thirds of the homes will be newly built, with the remainder deriving from the remodeling of buildings of cultural importance.

Housing fair in Staffanstorp

The Housing business area was a well-appreciated participant in the 1997 Housing Fair in Staffanstorp, providing six of a total of 25 buildings. The House of Light, in which air, light and space are combined with meticulous attention to detail, was one of the items that attracted the greatest interest. NCC Housing is currently planning a new housing area in Staffanstorp.

Bågen property block, Umeå

During summer 1997, the Housing business area commenced construction of the Bågen property block, a ten-minute walk from central Umeå. Close proximity to the city and the River Umeåälven make Bågen one of the most attractive areas in Umeå. A total of 145 tenant-owned apartments are being built in four phases. Two phases comprising a total of 84 apartments were initiated in 1997. Work on the remainder is scheduled to commence in 1998.

HOUSING BUSINESS AREA'S OPERATIONS OUTSIDE SWEDEN

The wholly owned German companies NCC Siab Immobilien GmbH and NCC Siab Bau GmbH are active in the Berlin-Brandenburg region.

Building activity in this region is high, with volume matching that of the entire Swedish housing market.

The companies focus their operations on the building of housing and, like NCC's Swedish operations, they engage in proprietary project development. Operations also include turnkey contracts on behalf of external customers.

Despite a declining market and the structural crisis experienced by the German building industry since 1995, the companies have succeeded in consolidating and expanding their market position. Orders received during 1997 were favorable. As a result, a large proportion of the anticipated sales for 1998 was already in the order books at the beginning of the year.

The Schäfergarten project, close to Berlin's orbital highway, has attracted particular attention. Schäfergarten is a housing area comprising 135 terraced houses that were completed in 1997. The project was implemented within the framework of the "Garten concept." This concept was formulated in cooperation with IKEA, which also accounts for some of the marketing. The concept includes a voucher from IKEA, which is included in the sales price. The voucher is used by the house purchaser in the selection of kitchen and bathroom fittings, and for floor and wall coverings.

During 1997, the establishment of operations in Poland was initiated, based on the experiences derived from, and concepts used in, NCC's German operations.

ORGANIZATION

The Housing business area is divided into seven regions in Sweden, plus three special companies for operations in other markets, two of which are based in Germany and the third in Poland.

In three of the regions, the Housing business area works in accordance with a production-based organization, while the organizations in the other four regions are based on construction management. In those regions where the Housing business area does not yet have its own production resources, the Building business area will complete the construction and rebuilding projects initiated by the Housing business area.

PERSONNEL AND SKILLS DEVELOPMENT

At year-end, the Housing business area had 310 salaried employees and 426 skilled workers in Sweden. The low proportion of skilled workers is due to the construction management type of organization in certain regions.

During the year, 10 site managers received certification. A certification training program adapted to the business area's needs will be formulated during spring 1998.

At year-end, German operations had approximately 580 employees, of whom 180 were salaried employees and 400 skilled workers.

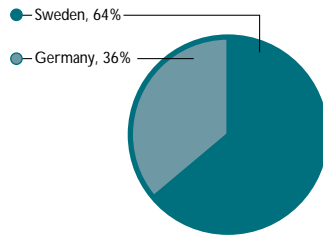
During spring 1998, the business areas operations will receive certification in accordance with the ISO 9001 Standard.

EARNINGS

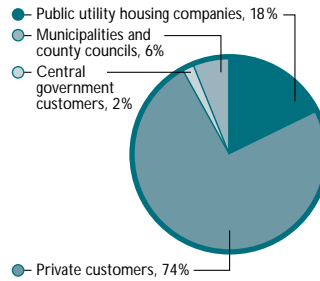
Orders received by the Housing business area amounted to SEK 2.0 billion (2.3). The order backlog at the end of 1997 was SEK 1.5 billion (1.5). Net sales amounted to SEK 2,041

Net sales 1997

by country, %

**Customer structure 1997**

Net sales by customer category, %



m (1,966). A loss of SEK 2 m. (income: 34) was reported after net financial items. The net margin was negative at 0.1 percent (positive: 1.7). A loss was reported by Swedish operations, due to the negative market trend, while German operations generated favorable earnings.

FUTURE

An upswing in the housing market is expected at some time in the future, which will result in stable growth. During 1997, slightly more than 1,000 housing starts were undertaken in accordance with the total-package concept. The order backlog, which rose sharply in 1997, includes an increasing proportion of proprietary housing projects, mainly involving tenant-owned or ownership right properties. Engaging in proprietary projects increases the potential for efficient production.

As a result of the strategic direction selected by the Housing business area, the foundation has now been laid for forceful action in the growing and, in many respects, changed housing market. The conscious focus on total-package projects is of decisive importance to the business area's success. NCC owns land that represents building rights corresponding to approximately 10,000 housing units. Approximately 60 percent of these land assets are located in Greater Stockholm. The land holdings will constitute a major benefit in future project development activities.

Earnings for 1998 are expected to improve compared with the preceding year.

Housing business area

Pro forma

SEK m.	1997	1996
Orders received	2,001	2,252
Order backlog	1,548	1,453
Income after net financial items	-2	34
Operating capital employed at year-end	808	277
Cash flow	-421	
Ratios		
Operating margin	0.3%	1.1%
Net margin	-0.1%	1.7%
Return on operating capital employed ^{1,2}	4%	12%
Other		
Average number of employees	1,190	1,460

INCOME STATEMENT, SEK m.

Net sales	2,041	1,966
Production expenses	-1,866	-1,834
Gross income	175	132
Selling and administrative expenses	-170	-111
Capital gain on sales of Group companies	1	0
Income/loss on sales of properties	-1	0
Operating income	5	21
Financial items	-7	13
Income/loss after net financial items ³	-2	34

BALANCE SHEET, SEK M.

Buildings and land	73	31
Tangible and intangible fixed assets	58	13
Shares and participations	7	11
Real estate held for future development	452	397
Interest-bearing receivables	132	4
Interest-free receivables	617	355
Liquid assets	117	9
TOTAL ASSETS	1,456	820
Equity	251	236
Interest-bearing liabilities and allocations	571	41
Interest-free liabilities and allocations	482	384
Project invoicing not yet worked up	152	159
TOTAL EQUITY AND LIABILITIES	1,456	820

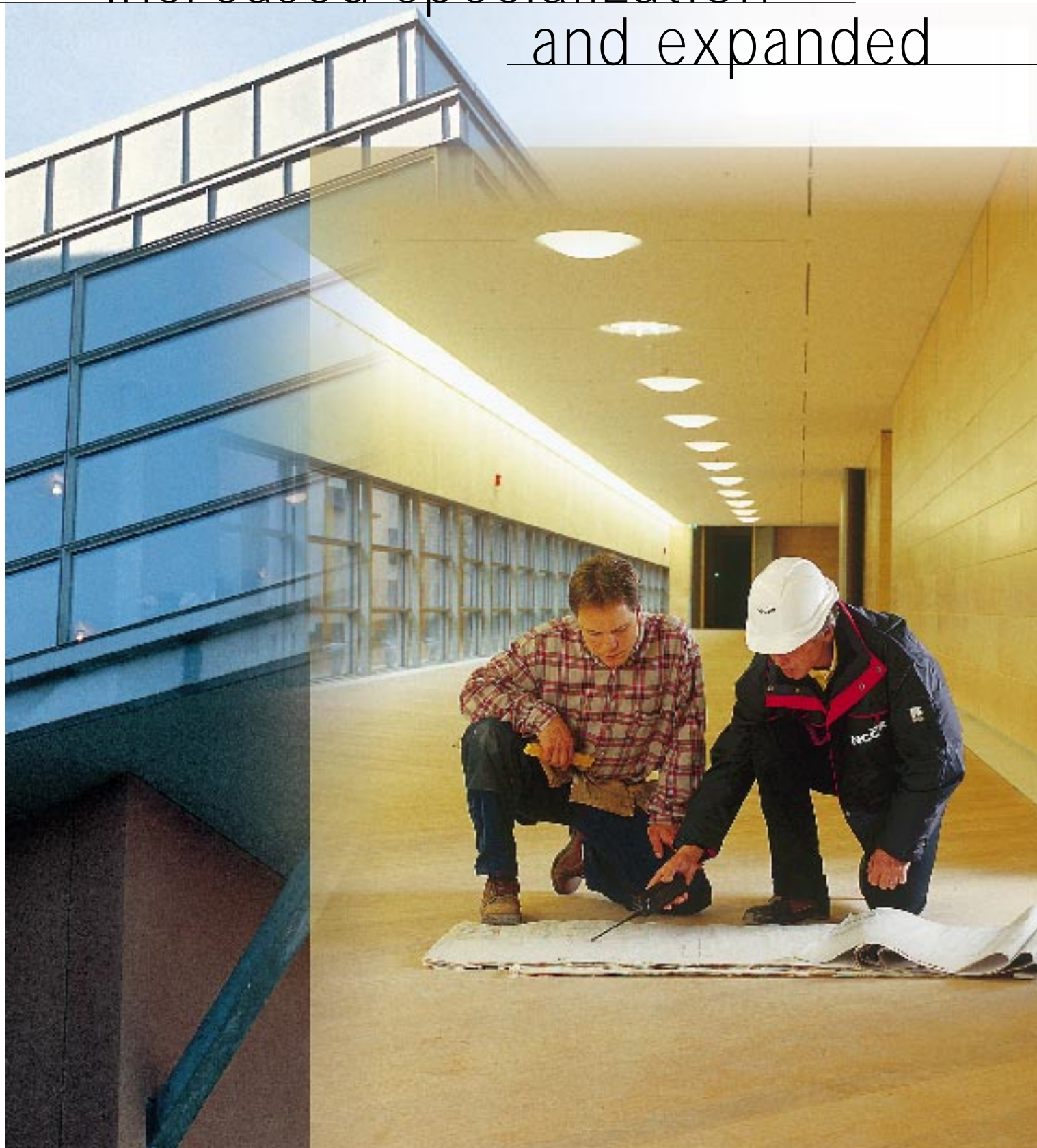
1) The ratios above are based on an operational balance sheet, whereby taxable interest-free Group contributions have been eliminated against the resulting untaxed reserves in the Group.

2) In 1997, this ratio was computed on the basis of average capital employed during the year. In 1996, it was based on the year-end figure.

3) See page 46.

THE BUILDING BUSINESS AREA engages in the construction, rebuilding and renovation of such properties as industrial plants, offices, schools and hospitals. Key factors in operations are quality, cost-effectiveness, production development and environmental considerations, combined with a well-developed dialog with customers. Net sales amounted to SEK 15.7 billion (14.6), of which approximately SEK 6.7 billion (3.9) derived from operations outside Sweden.

Increased specialization and expanded



Building business area

Staffs

Swedish Regions

Nordic Region



Kenneth Orrgren
President of the business area

BUSINESS CONCEPT

The Building business area shall be active throughout the Nordic region in the initiation, planning, development and implementation of building projects and in providing services throughout the Nordic region. By engaging in extensive interaction with customers, the business area shall create added value and formulate attractive business ideas.

IT structure

STRATEGY

The strategy of the Building business area is to develop new building concepts that meet the future needs of customers.

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

Efforts continue to focus on more efficient production, on utilizing experiences gained from other projects and measures to develop skills, especially through increased specialization and a well developed IT structure. The aim is that planning and project management will be conducted on-site using IT-based construction-control systems.

ORGANIZATION

The merger of Siab and NCC involved a reorganization which has resulted in housing construction being concentrated into its own division - the Housing business area. All other building operations are concentrated in the Building business area. In those locations where the Housing business area does not yet have its own production resources, the Building business area will continue to provide those housing competencies.

The Building business area's Swedish operations are divided into four geographic areas encompassing a total of 14 regions. The function of the Nordic Coordination unit is to utilize and develop synergistic effects, within the Nordic subsidiaries and the Swedish operation.

PRODUCTS

The Building business area specializes in new construction, extension and remodeling activities within the industrial and other buildings sectors. "Other buildings" include schools, hospitals, cultural buildings, offices and laboratories.

For several years, the business area's regional offices have operated special units for Building Service; that is, a maintenance and repair operation which could generate larger projects. During 1997, Building Service accounted for approximately 14 percent of the total revenues of the division.

The subsidiary Däldehög is active in new construction and maintenance of gasoline stations throughout Europe. Another

successful area within the business area is the construction of GSM stations.

MARKETS

The Building business area operates in Sweden, Denmark, Finland and Norway.

The volume of tenders in the Swedish market for other buildings, which includes commercial premises and public buildings, increased slightly during 1997. A marginal increase in investment is expected in 1998. Due to the poor finances of several municipalities and county councils, there is some degree of uncertainty as to whether a number of public sector building projects that have already been approved will be implemented.

Swedish industries have recently completed several large construction investments, and the current level is projected to be sustained until the year 2000. Total volume is expected to decrease marginally during 1998.

During the year, a number of customers signed national contracts for Building Service. Customers can be found in both the private and the public sector. The market for maintenance and repair is expected to increase marginally in 1998.

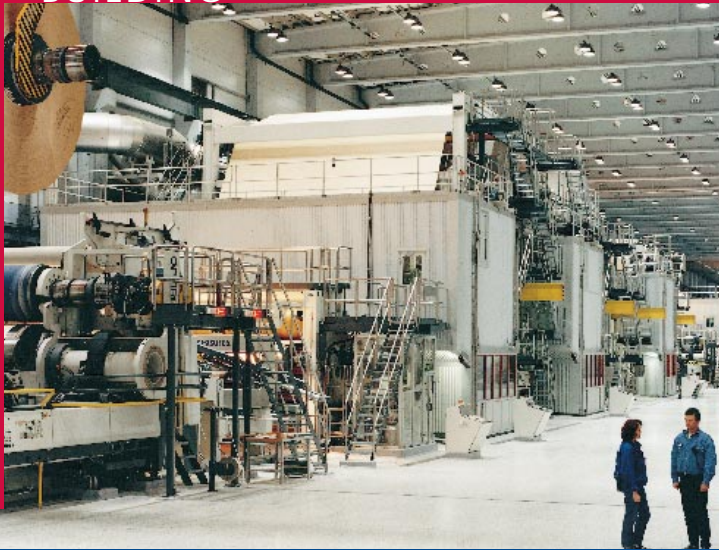
In Norway, the positive developments seen in the building market in 1997 are expected to continue in 1998. NCC's Norwegian building operations showed increased profitability based on strong volume growth in 1997. Even the Danish and Finnish building markets are continuing to look positive. In Denmark, NCC has reduced its overhead expenses significantly, which is expected to considerably strengthen NCC's position in the future. In Finland, NCC is counting on maintaining its market share and high growth in volume.

NOTABLE PROJECTS

In February 1998, the new Museum of Modern Art in Stockholm opened to the general public. Museum construction, which was commissioned by the National Real Estate Administration, began on August 31, 1994. Altogether, the museum covers 20,000 m², of which 6,000 m² belongs to the Museum of Architecture. The total order value was approximately SEK 200 m.

During the year, NCC completed a comprehensive renovation of the Renströmska Baths in Gothenburg, under commission from Kulturfastigheter i Göteborg AB. The original building was constructed in the 1870s but had been closed since 1956. The total value of NCC's contract was approximately SEK 100 m.

The Museum of Modern Art in Stockholm was opened in February 1998. The Spanish architect Rafael Moneo has created a unique environment for the general public's enjoyment of art.



The KM8 cartonboard machine in Skoghall, Sweden, which was inaugurated in March 1997, was built by NCC on behalf of Stora.



NCC's Norwegian subsidiary NCC Eeg-Henriksen is constructing the terminal building for the new airport in Oslo.



NCC has completed a comprehensive renovation of the Renströmska Baths in Gothenburg. The original building was constructed in the 1870s.

The City of Stockholm is also investing in new swimming facilities. NCC is constructing a new facility, of international quality, in proximity to the old Eriksdalsbadet swimming pool, built in 1962. The project totals SEK 350 m. The new Eriksdalsbadet facility will open in July 1999.

The world's largest cartonboard machine, the KM8 at Skoghall, was inaugurated in March 1997. Stora invested more than SEK 3 billion in the project, of which NCC's general contract accounted for SEK 500 m.

Last year, NCC won the Building Contractor Association's repair and renovation prize for the renovation of the Royal Institute of Technology's main building. In their motivation, the jury stated that, "They have managed to blend old and the new architecture, integrating modern necessities into a fine, old environment. By using the space more efficiently, large new areas and study environments have been created that will last for many centuries."

NCC is constructing several ICA-Maxi hypermarkets around Sweden. Environmental aspects are taken into consideration in terms of materials, equipment, construction techniques and possible future demolition.

NCC Rasmussen & Schiøtz is building one of the world's largest salt water aquariums at the Nordsjø Museum in the northern part of Jutland in Denmark. The main attraction will be an enormous elliptical concrete tank that holds 4.5 million liters of water. The project is worth about SEK 100 m.

In Norway, construction continues on Gardermoen, Oslo's new airport. The airport will be inaugurated in the autumn of 1998. The terminal building is part of NCC Eeg-Henriksen's contract, a project that is worth approximately NOK 1 billion.

Commissioned by the Swedish PLM Group, NCC Puolimatka is building a beverage can plant in the Moscow area. The contract is worth approximately FIM 130 m. (ca. SEK 200 m.). NCC Puolimatka is also building a cartonboard plant in St. Petersburg for Assi Domän, and a gas plant in Moscow for AGA.

PERSONNEL AND SKILLS DEVELOPMENT

Since 1995, employees, site managers, foremen and regional managers have undergone a comprehensive management training program known as Active Management. To date, 400 people have completed this program which has helped to improve understanding of the manager's importance and ability in terms of developing more efficient work groups. This program will continue in 1998.

In order to elevate and assure the level of competence among site managers, and in order for them to manage pre-qualification documents, NCC is working on the systematic certification of site managers. Technical, administrative and leadership skills are evaluated. The goal of the program is to provide participants with leading-edge expertise within a certain area, to create a network for the exchange of information and to spread knowledge within the internal organization.

During 1997, 21 environmental auditors were trained at the same time as all personnel underwent basic environmental training.

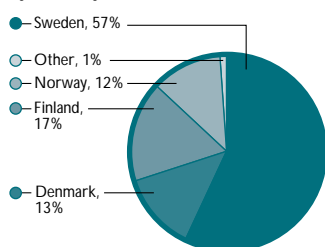
RESEARCH AND DEVELOPMENT

A comprehensive R&D program is under way within the Building business area. Work is conducted both internally, within the business area, and externally, through joint projects with NCC Technology, technical colleges, industry and customers.

One example is the Dry Construction project where NCC, together with Jonsered Environmental Systems, has developed a system of weather protection for construction sites. The system includes roof and facade protection which helps to increase construction productivity, reduce inspection criticisms, shorten drying times and give the buildings a longer life span.

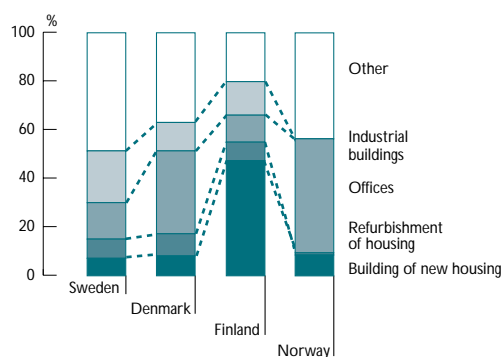
Net sales 1997

by country, %



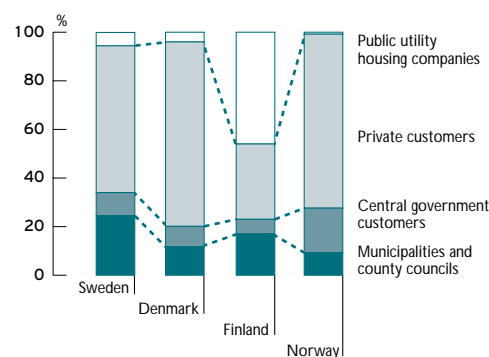
Product mix

Net sales by product group, %



Customer structure

Net sales by customer category, %



EARNINGS

Orders received by the Building business area amounted to SEK 17.1 billion (14.6). At the end of 1997, the order backlog was SEK 8.8 billion (7.9). The increase was mainly attributable to the acquisition of NCC Rasmussen & Schiøtz in Denmark. Finland and Norway also showed strong growth.

Net sales amounted to SEK 15,700 m. (14,635). The decline in the Swedish market was more than offset by growth in the other Nordic markets.

Income after net financial items amounted to SEK 181 m. (229). The net margin was 1.2 percent (1.6). The deterioration was due to a lower financial net, mainly in Sweden, as a result of reduced liquidity and lower interest rates.

OUTLOOK

The Nordic market for other buildings is expected to increase by a total of 2 percent during 1998. In Sweden, that increase is anticipated to be 1 percent. NCC Housing's strategy is focused primarily on maintaining its current market position. The new organization will be consolidated, in terms of the merger of Siab and NCC and also in terms of the Nordic subsidiaries. Intensive work is currently under way to capitalize on the synergistic potential provided by these acquisitions.

In 1998, stable development is expected in all of the building markets in the Nordic countries, especially in Finland. Earnings are expected to improve in 1998 compared to the preceding year.

The Danish subsidiary NCC Rasmussen & Schiøtz is building one of the world's largest salt water aquariums at the Nordsjo Museum in the northern part of Jylland in Denmark.



Building business area

Pro forma

SEK m. 1997 1996

Orders received	17,071	14,606
Order backlog	8,804	7,887
Income after net financial items	181	229
Operating capital employed at year-end	1,580	1,265
Cash flow	-58	

Ratios

Operating margin	0,6%	0,8%
Net margin	1,2%	1,6%
Return on operating capital employed ^{1,2}	12%	21%

Other

Average number of employees	9,369	9,297
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INCOME STATEMENT, SEK m.

Net sales	15,700	14,635
Production expenses	-14,586	-13,568
Gross income	1,114	1,067
Selling and administrative expenses	-1,011	-943
Capital gain on sales of Group companies	-1	0
Income/loss on sales of properties	1	0
Operating income	103	124
Financial items	78	105
Income/loss after net financial items ³	181	229

BALANCE SHEET, SEK M.

Buildings and land	30	136
Tangible and intangible fixed assets	237	230
Shares and participations	9	6
Real estate held for future development	418	296
Interest-bearing receivables	587	82
Interest-free receivables	2,807	2,630
Liquid assets	1,587	2,118
TOTAL ASSETS	5,675	5,498
Equity	886	853
Minority interests	1	0
Interest-bearing liabilities and allocations	541	121
Interest-free liabilities and allocations	3,564	3,696
Project invoicing not yet worked up	683	828
TOTAL EQUITY AND LIABILITIES	5,675	5,498

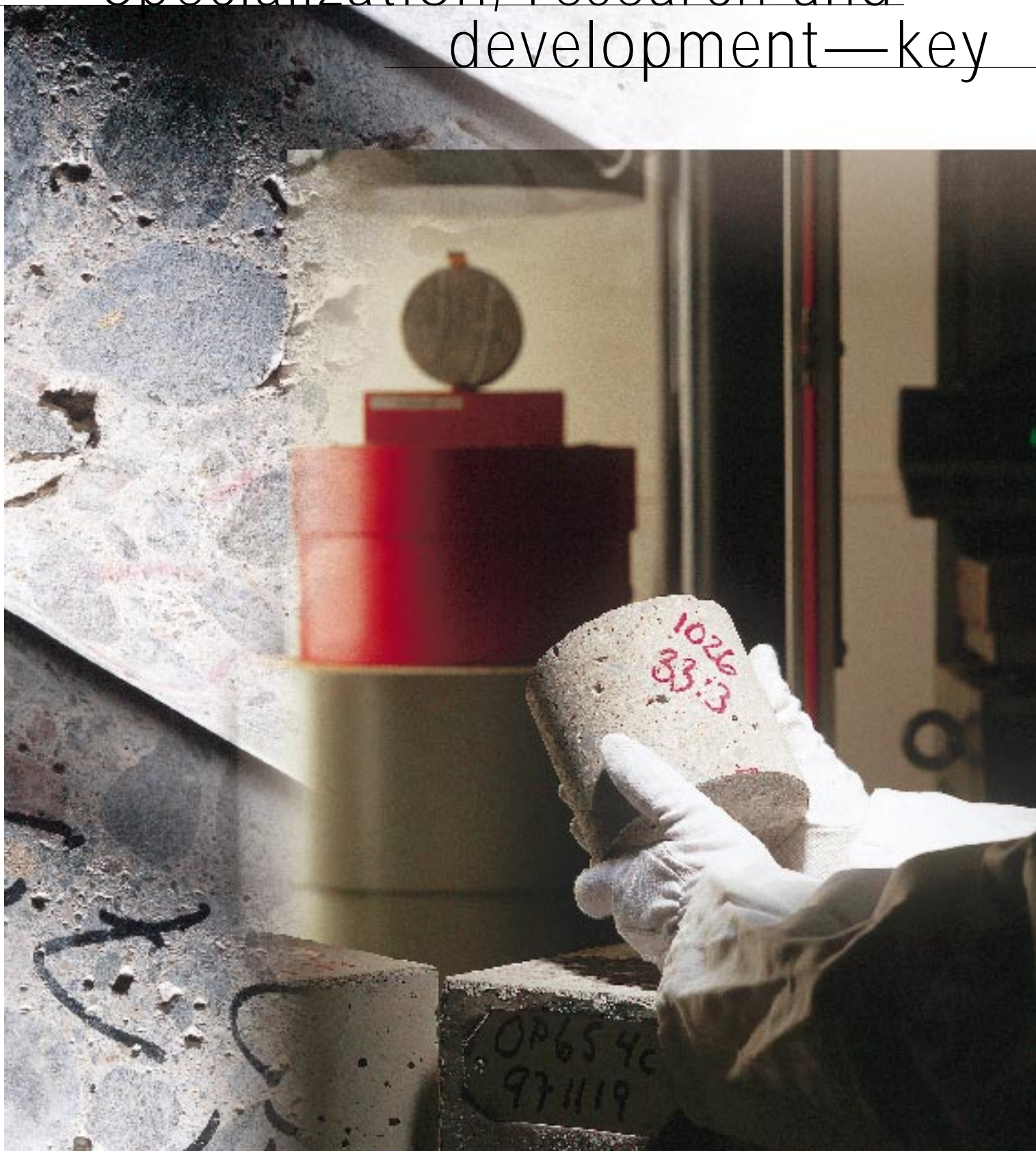
1) The ratios above are based on an operational balance sheet, whereby taxable interest-free Group contributions have been eliminated against the resulting untaxed reserves in the Group.

2) In 1997, this ratio was computed on the basis of average capital employed during the year. In 1996, it was based on the year-end figure.

3) See page 46.

THE INDUSTRY BUSINESS AREA is Sweden's leading producer of 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. Net sales in 1997 amounted to SEK 2.6 billion (2.6).

Specialization, research and development—key





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.

The objective of operations—which mainly focus on the Nordic markets, as well as the Baltic countries, Poland and Germany—is to be regarded by customers, employees and shareholders as the leading company in the industry.



Hans Kjellgren
President of the business area

concepts for the business area

ORGANIZATION

The Industry business area's Swedish operations are organized into Ballast and NCC Machinery, each of which are divided into five geographically identical regions. International operations are handled by NCC Industry New Markets.

PRODUCT AREAS

NCC Machinery has 20 customer centers throughout Sweden, with operations in three product areas:

Building Assistance—which 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.

Rental Activities—which consists of the rental of construction and civil engineering machinery, and sales of accessories. NCC Machinery offers more than 80,000 different items of machinery, ranging from nails and hand-held machinery to cranes, worksite accommodation and heavy rock-drilling tools.

Workshop Services—which consists of all types of workshop activities, including repair, maintenance and various special services such as foundry work and electronics repair.

Ballast has approximately 180 plants and facilities in Sweden, which conduct operations in three product areas:

Crushed-rock products—which are the basic materials used in most 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 crushed-rock plants.

Asphalt products—which are used for various types of surfacing applications. Standard products as well as the company's own specialty products—including the VIACO series of surfacings—are produced at Ballast plants.

Ready-mixed concrete—which is used for building and civil engineering projects. In addition to standard concrete, specialty products such as fiber concrete, vibration-free concrete and quick-drying concrete are also manufactured.

THE SWEDISH MARKET

In 1997, Swedish demand for the business area's products declined further to historically low levels. The total Swedish market value was worth SEK 9.9 billion, compared with SEK 10.9 billion in 1996. The decline was due primarily to cut-backs in both new construction and road maintenance, as well as the very low level of residential construction.

SEK billion	Total Swedish market	
	1997	1998, forecast
Crushed products	2.6	2.6
Asphalt	1.3	1.4
Concrete	1.4	1.4
Machinery	4.6	4.8
Total	9.9	10.2

Demand for NCC Machinery's products has corresponded to the general trend in the construction industry. In 1997, demand decreased approximately 10 percent.

Despite the soft market conditions, the Industry business area was able to retain its market share in all production areas in 1997.

Ballast is Sweden's leading supplier of crushed and asphalt products. Other major players include Skanska, Scancem and Vägverket Produktion. There are also a large number of small, local companies mostly providing crushed rock products.

NCC Machinery is Sweden's leading supplier of services, rental machinery and equipment for construction and civil engineering operations. Many of the larger construction companies have their own machinery operations.

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

INTERNATIONAL OPERATIONS

International operations, which are managed and coordinated by NCC Industry New Markets, include the product areas of both Ballast and NCC Machinery. Markets include the Nordic countries as well as Poland, Germany, Estonia, Latvia and Lithuania. During the past year, preparations were also made for establishing a presence in Russia. Demand in these countries has increased and is expected to increase further in the next few years.

The Industry business area has its own authorized laboratories for the control and development of products.



Since gravel is beginning to be in short supply in Sweden, NCC prioritizes the use of crushed rock in preference to natural gravel.

Industry operations are conducted in the Nordic markets through NCC's subsidiaries in Denmark, Norway and Finland.

In Poland, Germany and the Baltic States, NCC Industry New Markets uses its own subsidiaries and associated companies to control operations. The business area has six plants in operation or under construction in these countries, primarily asphalt plants. In 1997, the business area increased its shareholding in the Estonian company Tasfil Sp.z o.o and in the German company Scanstone GmbH. It also created several subsidiaries: NCC Industri Latvia SIA in Latvia and NCC Kwarcyt Sp. z. o.o in Poland. During the year it also acquired 45 percent of the shares in the Polish company Skalnik Sp.z o.o.

The Industry business area also exports crushed-rock products from Sweden to Germany, Denmark, Norway, Latvia, Lithuania and Poland.

SIGNIFICANT EVENTS IN 1997

At the time of the merger between NCC and Siab, there were a total of 33 customer centers for machinery operations. Following a comprehensive restructuring, operations have been concentrated to 20 customer centers. These cutbacks have meant the loss of approximately 165 jobs.

NCC Ballast was not affected as much by the merger. A smaller number of asphalt plants and associated companies were absorbed into regular operations. In addition, NCC made certain limited concessions to the National Competition Authority by agreeing to sell Siab's shares in Swerock AB and Clifton AB following the restructuring, and to shut down five smaller asphalt plants.

At the end of 1997, NCC AB and Skanska Anläggning AB reached an agreement regarding the discontinuation of seven jointly held companies. The asphalt and crushed-rock plants and the quarries for these companies were divided up evenly between NCC Industry and Skanska.

STRATEGY

Throughout the 1990s, the Industry business area has actively striven to develop from a contracting company into a modern industrial company. The road to success has included increased specialization, investments in research and development, environmental and quality certification, purchasing changes and IT technology.

Specialization and increased customer focus

A more specialized organization for NCC Ballast was introduced during 1997, based on a division into Raw Materials Supply, Production and Sales. NCC Machinery was reorganized in 1996 into the specialized units Building Assistance, Rental Activities and Workshop Services. Through specialization, the business area is able to increase the efficiency of oper-

Building Assistance consists of services that support efficient construction, such as the installation of temporary electricity, scaffolding and worksite accommodation.

ations, improve skills and be more responsive to the demands and wishes of the customer.

Customer opinion surveys are arranged each year by the Industry business area, which form a basis for the future development of services and work approaches. The results are compiled in the Satisfied Customer Index (SCI). In 1997, the result of the SCI was 74 percent, which is an acceptable score considering the great changes that have taken place as a result of the merger of NCC and Siab. The long-term target for the SCI is 85 percent.

Satisfied Customer Index

1994	1995	1996	1997	Long-term target
72%	76%	74%	74%	85%

Source: Eureka Marknadsfakta

Research and development

Several research projects are being conducted in cooperation with customers, universities and other research organizations. Examples of current projects within NCC Ballast include the reuse of recycled asphalt surfacing in new production and the usage of completely crushed rock instead of natural gravel in the production of cement. NCC Machinery has also developed special equipment for the production of recycled asphalt.

The Industry business area has 23 certified laboratories of its own which conduct testing and development of products, materials and methods. Eleven of the laboratories are accredited by Swedac, according to the SSEN 45000 standards, which means that they are approved as official and impartial testing facilities.

Quality and environment

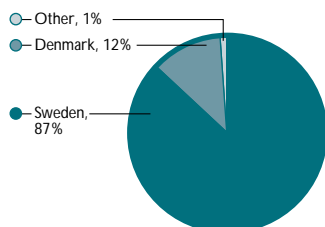
The Industry business area continued to work on quality and environmental issues during 1997. The goal for 1998 is to become certified in accordance with the ISO 9001 quality standard. Certification will lead to fewer mistakes, lower costs and increased competitiveness.

In May, the Stockholm region of NCC Ballast received environmental certification in accordance with the ISO 14001 standard. This was a step in the process towards environmental certification of the entire business area by the year 2000. Certification will lead to a better environment and reduce costs.

The Industry business area's use of natural resources from rock or gravel pits is in line with a concept known as The Natural Way. Before NCC places a pit in operation, 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. Since gravel is in short supply in Sweden, the use of crushed rock is prioritized over natural gravel in production.

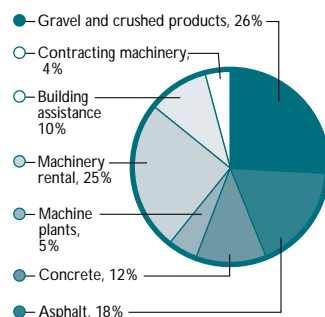
Net sales 1997

by country, %



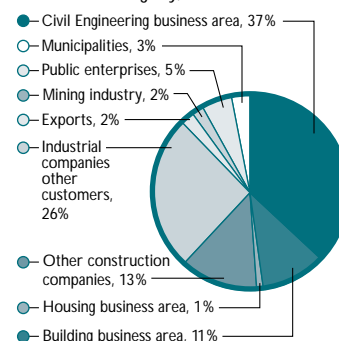
Product mix

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



Customer structure

Invoicing for the year by customer category, %



IT and purchasing

New IT-based control systems were developed and implementation efforts intensified in 1997. The systems improve efficiency, contribute to increased decentralization and boost competitiveness.

The business area also actively worked on increasing efficiency in purchasing, handling of materials, storage and transports. Among other developments, a new position was created in 1997 to manage developments within the materials administration unit. Transports of NCC Ballast and NCC Machinery are now partially controlled and monitored by the use of satellites, computers and GPS technology. NCC Machinery uses its own internally developed CAD program to dimension temporary heating and electrical systems for construction sites.

PERSONNEL AND SKILLS DEVELOPMENT

During 1997, the Industry business area had a total of 1,825 employees, with 1,582 employed in Sweden and 243 in other countries.

Training programs within NCC Industry during 1997 focused on certain strategic areas such as environment, quality and IT. All employees participated in an environmental training program during the past year. Training in the new computerized support system and a new financial management system were also prioritized.

INVESTMENTS

Gross investments in 1997 amounted to SEK 344 m. (415). The decrease was due in part to the weakened market and in part to reorganization measures that were a consequence of the merger of NCC and Siab.

EARNINGS

The business area's net sales during 1997 amounted to SEK 2,603 m. (2,633) of which SEK 378 m. derived from operations outside Sweden.

Income after net financial items amounted to SEK 210 m. (278). The net margin was 8.1 percent (10.5). Margins in Sweden were depressed by the weak market trend. In addition, non-Swedish operations, which showed a lower margin than Swedish operations, increased their share of total sales.

OUTLOOK

The sharp downturn in demand for the business area's products is expected to level out in 1998, and to subsequently turn around. The upturn is expected to be just a few percent, but with large local variations. Growth in the Nordic countries and in other countries around the Baltic Sea is expected to contribute to increased revenues for the business area. This applies to all product areas.

The strategic investments made in specialization, research and development, quality, environment, purchasing and IT will provide positive conditions for NCC Industry to maintain or improve its strong position in the market.

Earnings for 1998 are expected to improve compared with the preceding year.

Industry business area

Pro forma

SEK m.	1997	1996
Income after net financial items	210	278
Operating capital employed at year-end	1,376	1,126
Cash flow	-182	

Ratios

Operating margin	10,1%	13,1%
Net margin	8,1%	10,5%

Other

Average number of employees	1,825	1,568
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INCOME STATEMENT, SEK m.

Net sales	2,603	2,633
Production expenses	-2,232	-2,165
Gross income	371	468
Selling and administrative expenses	-143	-146
Share in associated companies	36	19
Capital gain on sales of Group companies	0	2
Capital gain on sales of associated companies	-2	
Income/loss on sales of properties	0	2
Operating income	262	345
Financial items	-52	-67
Income after net financial items ¹	210	278

BALANCE SHEET, SEK m.

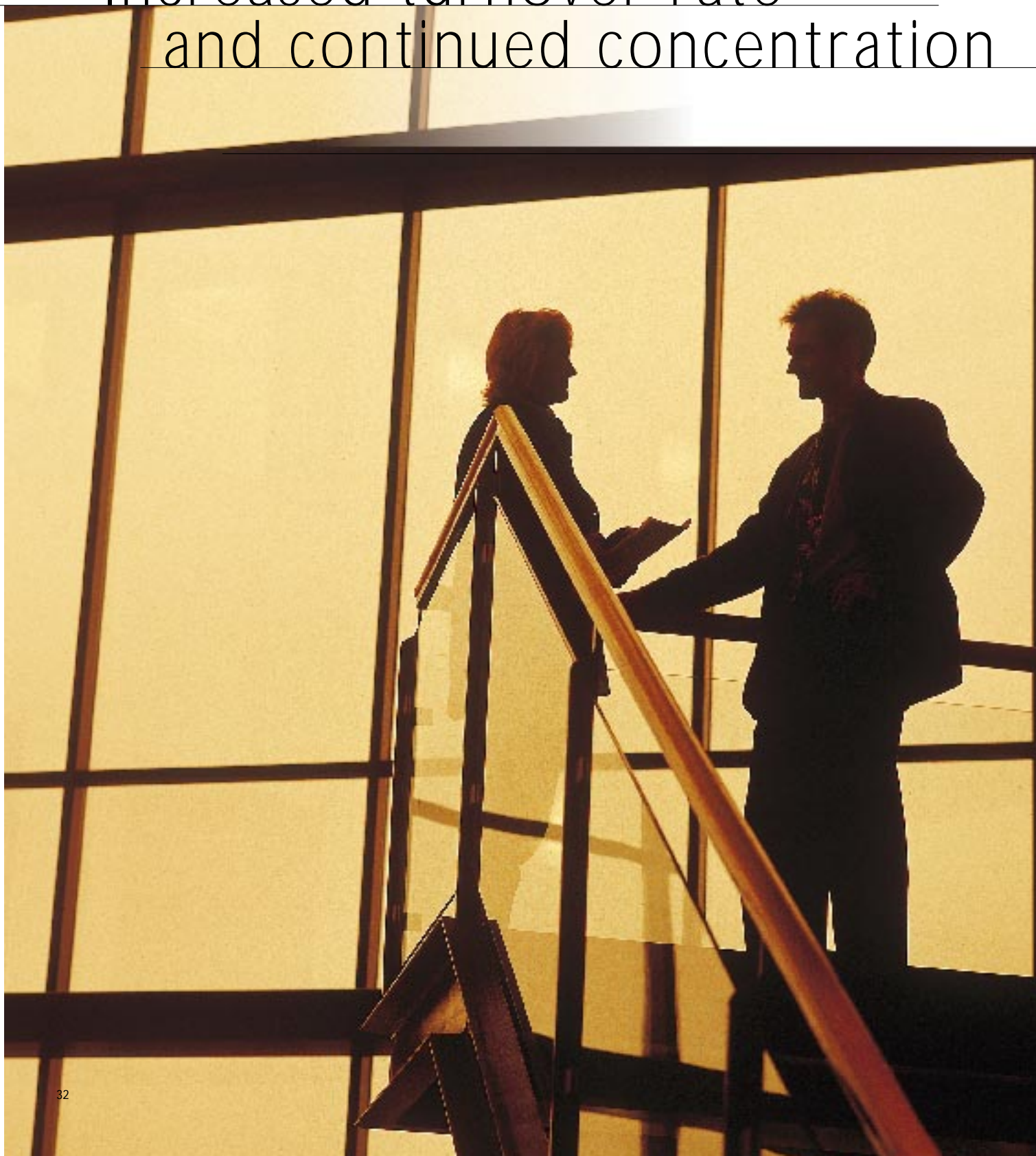
Buildings and land	307	236
Tangible and intangible fixed assets	808	853
Shares and participations	307	209
Interest-bearing receivables	20	32
Interest-free receivables	644	539
Liquid assets	26	18
TOTAL ASSETS	2,112	1,887
Equity	264	370
Minority interests	2	0
Interest-bearing liabilities and allocations	859	512
Interest-free liabilities and allocations	987	1,005
TOTAL EQUITY AND LIABILITIES	2,112	1,887

1) See page 46.

THE REAL ESTATE BUSINESS AREA engages in project and real estate development, real estate management and real estate sales.

The business area has properties with a book value of approximately SEK 10.6 billion. The portfolio consists largely of commercial premises, most of which are either newly built or have been renovated in recent years.

Increased turnover rate and continued concentration





Magnus Mannesson
President of the business area

BUSINESS CONCEPT

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

of real estate portfolio

STRATEGY

The Real Estate business area consists of three business operations: real estate development, real estate sales and real estate management.

All three operations are undertaken on a long-term basis in Sweden. In other markets, operations focus on project development.

Swedish 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. In addition to the other Nordic countries, foreign operations are to concentrate on Brussels and Düsseldorf.

The business area's strategy is to increase the turnover rate in the total portfolio, reduce the proportion of land held for future development and continue to concentrate the real estate portfolio. This is to be achieved mainly through project and real estate development, as well as by sales.

ACQUISITION OF SIAB

As a result of the merger with Siab, the Swedish real estate portfolio increased by approximately 447,000 m² in 60 locations, compared with 40 prior to the acquisition. At the same time, the book value rose by approximately SEK 3.8 billion. Since Siab's portfolio contained a large proportion of residential space, the proportion of residential space rose from 11 percent to 16 percent. The proportion of rentable floor space in nonprioritized areas rose from 26 to 36 percent. In order to concentrate the portfolio in fewer locations, sales activities were intensified during autumn 1997.

NCC SELLS NONPRIORITIZED PROPERTIES TO AMERICAN INVESTMENT COMPANY

In December 1997, the Real Estate business area sold a total of 129 properties with a book value of SEK 3.3 billion and comprising rentable floor space of approximately 494,000 m² to the U.S. investment companies Morgan Stanley and GE Capital. As a result of the sale, the real estate portfolio was concentrated and capital was released for project and real estate development. The transaction resulted in a capital loss of SEK 255 m. The divested properties are located in 50 municipalities, most of which are considered nonprioritized

areas by NCC. The transaction means that the business area has completely exited from 30 nonprioritized areas. The portfolio included 66 properties acquired from Siab, which corresponded to 47 percent of the combined rentable floor space.

FLOTATION OF NK CITYFASTIGHETER AB

As part of the strategy of concentrating the real estate portfolio, NK Cityfastigheter AB was formed in February 1997. The company includes the two NK properties in Stockholm and Gothenburg with combined rentable floor space of 130,000 m². The sale generated a capital gain of SEK 160 m. Following NK Cityfastigheter's listing on the Stockholm Stock Exchange in March 1997, NCC retained 33 percent of the shares in order to capitalize on the company's value appreciation.

TENANTS FOUND FOR 90 PERCENT OF EAST INDIA DOCK

In October 1997, the Swedish telecom company Telia signed a lease on 1,400 m² of floor space in the East India Dock property, London. In December, three other leases were signed for a total of 25,000 m² of the floor space. Accordingly, slightly less than 90 percent of this 56,000 m² property has now been leased. East India Dock is owned equally by NCC and SPP.

MARKET

Sweden

Demand for office premises is strongest in major metropolitan regions. In the retail market, the trend is towards a concentration to prime locations and newly established retail locations outside the city centers. As a result of rationalization measures within industry and weak market conditions, demand for industrial premises slackened. In the housing market, vacancy rates decreased during the year.

Continued growth in the Swedish economy, combined with low market interest rates and rising real rents, stimulated interest in investments in properties and shares in real estate companies. The newly established Real Estate Index makes it easier to analyze the various companies' portfolios and properties. The index was established by NCC and 11 other property owners at the beginning of 1997 and it relates to a real estate portfolio with a combined value of approximately SEK 120 billion.

Denmark/Copenhagen

The Copenhagen real estate market is beginning to show signs of activity following years of stagnation. Several Danish com-

In 1997 the project Grönvold Gård in Norway was completed. The project contains more than 7,000 m² and is fully leased.



Lekatten 8, 9, Malmö



Münchenbryggeriet (Ludvigsberg 16-18), Stockholm

panies are relocating to Copenhagen, which is boosting demand for office premises. The vacancy rate has decreased to between 3 and 4 percent in the city center and rents are rising slowly. A legislative change regarding rents for commercial premises increases Danish property owners' scope to set individual rents in the future.

New building activity rose during the year, particularly in areas around the harbor and Örestaden on the island of Anager, where major office and housing projects are planned. The increasing activity led to a decrease in the yield on prime properties from 7 to approximately 6 percent during the year.

Finland/Helsinki

Since 1993, the Helsinki market for commercial premises has been hallmarked by falling vacancy rates and increasing rent levels. As a result of high demand, the vacancy rate for premises in central Helsinki is about 4 percent. Several projects are currently under way in the Helsinki area.

Interest in real estate investment increased in 1997, although liquidity is still relatively low. The increasing interest has not been reflected in the yield, which has remained virtually unchanged since 1995 at about 6.5-7 percent for prime offices. Insurance companies, pension funds and other funds have been the most active investors.

Norway/Oslo

Considerable demand for commercial premises in central Oslo has resulted in a shortage of larger premises. The vacancy rate fell from 7 to 6 percent during the year in the most central districts and rents rose by approximately 20 percent.

These developments have resulted in substantial production of new office premises, particularly in peripheral areas of Oslo. Most projects are fully rented prior to completion. There is considerable interest in property investments in Oslo and the yield has fallen to about 7 percent.

Belgium/Brussels

Despite increased activity in the office rental market in Brussels, the total vacancy rate rose to 9 percent during the year, due to increased supply. Rents remained stable during the year and were not affected by the increased supply.

As a result of falling interest rates and a lower return on alternative investments, interest in real estate investments has increased. Overseas investors, particularly German funds, are showing major interest in the Brussels market. Despite this, the required yield for prime properties remained static during the year at 6.5-7 percent.

Germany/Düsseldorf

Düsseldorf is the major German city that showed the largest rent increase, albeit marginal, during 1997. The vacancy rate remained stable at about 8 percent.

Due to a declining rent trend, interest in investment in German office properties is beginning to diminish. Investors are showing greater interest in shopping centers, department stores and industrial premises, which generate a better yield. The required yield for offices in Düsseldorf remains low, at approximately 5.5 percent.

PROJECT AND REAL ESTATE DEVELOPMENT

Project development involves the development of properties for immediate sale. The purpose of real estate development is to transfer the developed items to the business area's portfolio of managed properties.

In Sweden, there was virtually no real estate development activity during most of the 1990s. However, three new projects were initiated during 1996 and 1997. The Vakten property in Jönköping was transferred to management on January 1, 1997, and the Gårda property in Gothenburg was transferred on January 1, 1998. The third project, a shopping center in Kungsbacka, was sold in connection with the Morgan Stanley/GE Capital transaction.

During 1997, the planning and preparation of several new projects were initiated. To date, activity has concentrated mainly on the Stockholm region, with a particular emphasis on the northern suburbs.

In Solna, Stockholm, project planning for the rebuilding and extension of NCC's Head Office was completed and construction is scheduled to commence as planned in 1998. In Frösundavik, also in Solna, project planning of commercial building rights is under way.

In Linköping, two centrally located properties were acquired which will be redeveloped. A centrally located residential property is also being developed in this town.

Activity in Oslo accelerated in 1997. Three phases of the six-phase Lysaker project were sold on January 1, 1998, yielding a healthy capital gain. Two phases are still in the project stage. Another project, Grönvold Gård, was completed in 1997, as was the Brugata project at the beginning of 1998. Both projects had been fully rented prior to completion. The objective for 1998 is to commence construction on one or two other projects, in addition to the Lysaker project. Moreover land has been purchased in Helsefyr, eastern Oslo, for future development.

In Helsinki, the Spektri Kvintti project was started up and then sold at a healthy gain. The start-up of new projects is planned for 1998.

In Germany, expansion work related to the Seestern project in Düsseldorf continued. The first phase was sold to a German real estate fund and the second was started up in 1997. Additional phases are scheduled for initiation during 1998. In Hamburg, the Kielerstrasse hotel and office property, of which approximately 70 percent has been rented, was completed during 1998.



Rålsen 1, Jönköping



East India Dock, London

In Brussels, construction continues of the Avenue du Port 2 project, which has been sold to Kredietbank.

During the year, holdings of properties for future development decreased from SEK 1,330 m. to SEK 1,299 m.

REAL ESTATE MANAGEMENT

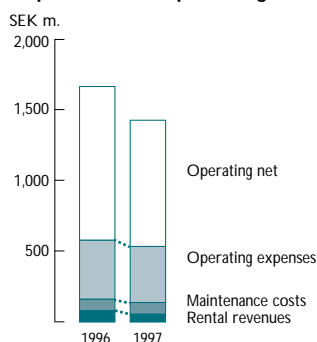
The Real Estate business area's holdings of managed properties declined during 1997 by 620,000 m² to 944,000 m², of which 818,000 m² was in Sweden, 72,000 m² in other Nordic countries and 54,000 m² in other overseas markets. During 1997, 20,000 m² was transferred to management operations and 42,000 m² was acquired. As a result of sales, rentable floor space decreased by 685,000 m² during the year, of which the transaction with Morgan Stanley and GE Capital accounted for 494,000 m² and the sale of NK Cityfastigheter for 130,000 m².

Effective January 1, 1998, 14,000 m² was transferred to management operations, relating to the Gårda 15:1 property in Gothenburg and the Grönvold Gård property in Oslo. As a result of sales that became effective in January 1998, managed floor space decreased by 17,000 m².

The business area's share of rentable floor space in partly owned properties amounted to 172,000 m² at year end, of which the holding in NK Cityfastigheter accounted for 42,000 m².

The vacancy rate in the total management portfolio at year-end was 11 percent (11). In the Swedish portfolio, the vacancy rate was 10 percent (9). The sales to Morgan Stanley and GE Capital increased the vacancy rate by 1.8 percentage points in the Swedish portfolio. Outside Sweden, the vacancy rate was 20 percent (27).

Rental revenues, operating expenses and operating net



Vacancy rate – by floor space

Dec 31, 1997* Percent	Offices/ Shops	Restaurants/ Hotel	Industry/ Storage	Housing	Others excl garages	Total Dec 31, 1997	Total Dec 31, 1996
Sweden	10	6	9	6	14	10	9
Outside Sweden	25	28	0	8	9	21	27
Total	12	9	9	6	14	11	11

* Incl changes as of Jan 1, 1998.

The average yield declined from 7.8 percent to 7.3 percent in 1997, mainly due to reduced interest subsidies. During 1997, the average yield for the properties remaining in the Group decreased to 7.0 percent (8.1), due to reduced interest subsidies and property sales in nonprioritized areas with higher requirements on yield. Administration costs remained virtually unchanged compared with 1996. During 1998, these costs are expected to decrease, as a result of the reduced real estate portfolio and merger gains.

Interest subsidies are expected to decrease by approximately SEK 40 m. in 1998 and then ebb out.

REAL ESTATE SALES

Real estate sales operations include the sale of managed properties and related shares and participations. The sale of development projects is included in real estate development operations.

The pace of activity was intense during 1997, with sales of wholly managed properties totaling SEK 5,948 m. (436), of which SEK 5,449 m. was in Sweden, SEK 499 m. in other Nordic countries. The transaction with Morgan Stanley and GE Capital accounted for SEK 2,943 m. and the sale of NK Cityfastigheter for SEK 2,249 m. With the exception of these sales, the largest transactions related to Fyrstikkorget, (SEK 232 m.) and Godthaab Lysakerfjorden (SEK 124 m.) Laustrupparken, Copenhagen (SEK 128 m.) and Inom Vallgraven 60:9–10, Gothenburg (SEK 117 m.) and four properties in Karlstad (SEK 101 m.), which means the business area has now completely discontinued operations in this location.

Estimated interest subsidies based on current regulation

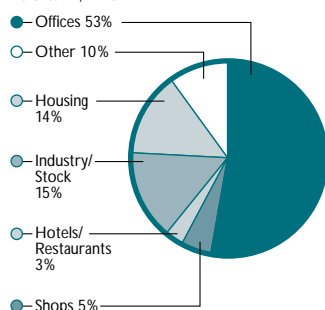
	1998	1999	2000	2001	2002
SEK m.	15,1	10,2	5,3	1,1	0,8

Duration of rental contracts

Annual rental revenues, SEK m.	Sweden	Outside Sweden	Total	Proportion
1998	62	17	79	9%
1999	165	7	172	21%
2000	111	6	117	14%
2001	119	3	122	15%
After 2001	171	40	211	25%
Housing	94	16	110	13%
Other	20	1	21	3%
Total	742	90	832	100%

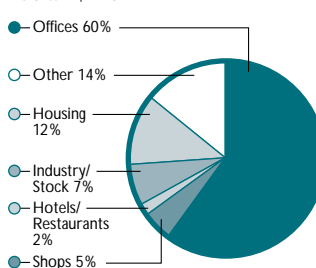
Rentable floor space

As of Jan 1, 1998



Rentable revenues

As of Jan 1, 1998



INVESTMENTS

Investments in properties, shares and participations in 1997 totaled SEK 990 m. (1,288), of which investments in Sweden accounted for SEK 443 m. (579), investments in other Nordic countries SEK 347 m. (526) and investments in other markets SEK 200 m. (183).

Of total gross investments, investments in managed properties accounted for SEK 374 m. (612), while investments in projects and land held for future development amounted to SEK 616 m. (676).

PERSONNEL AND ORGANIZATION

As a result of the merger with Siab, operations are now organized in four rather than three regions, in order to increase proximity to customers and the market. A new staff for environmental and quality matters was formed to sharpen the business area's focus in these strategically important areas.

The business area had an average of 322 employees during the year, of which Swedish operations accounted for 246.

In connection with the sale of a large proportion of the business area's properties towards the end of 1997, approximately 40 employees in the real estate management unit were offered employment by the purchasing company. As a result, the number of employees in the business area will decrease during 1998.

BUSINESS AND QUALITY DEVELOPMENT

As part of the Qraft 98 project, new accounting and financial control routines and systems, and a new property system were introduced during the year, and the entire accounting and financial control function was reorganized. Environmental and quality work, which was formerly conducted within the framework of this project, was transferred to the new staff for environmental and quality matters, which was formed after the merger.

During 1997, quality efforts focused on combining the two real estate companies' quality systems and extracting the best work methods from each company.

The Swedish Customer Survey which was previously used to measure customer satisfaction in a large number of sectors, including real estate, was terminated during the year. However, several of the real estate companies that had participated in the survey decided to commission independent consulting companies to undertake a similar survey, known as the Real Estate Barometer. In 1997, the best company in the sector was Vasakronan with a Customer Satisfaction Index (CSI) of 73, followed closely by NCC's Real Estate business area with a score of 71, reflecting an increase of 7 percentage points compared with the preceding year.

Real estate operations in brief

	Rentable floor space 1,000 m ²	Rental revenues incl. interest subsidiaries, SEK m.	Operating net SEK m.	Operating net SEK m.	Book value SEK m.	Visible yield, %
Stockholm	236	290	2	196	2,907	6.7
Göteborg	71	69	0	50	553	9.0
Malmö/Lund	143	89	19	72	842	8.5
Other prioritized locations	257	196	11	128	1,950	6.6
Non-prioritized locations	111	93	2	70	667	10.4
Total Sverige	818	737	33	516	6,919	7.5
Brussels	20	14	-	4	323	1.1
Copenhagen	27	21	-	19	233	8.1
Düsseldorf	1	1	-	1	16	3.5
Oslo	40	34	-	25	408	6.0
Other locations	38	9	-	-1	119	-0.5
Total outside Sweden	126	79	-	47	1,098	4.2
Total managed properties	944	815	33	562	8,017	7.0
Reconciliation to income statement and balance sheet						
East India Dock portion that was leased during December 1997		5		-9	458	
Properties sold during the year		520	21	340		
Other adjustments in accordance with Real Estate 1997		-2		2	-17	
According to income statement and balance sheet		1,338	55	895	8,458	
Investment in progress					843	
Properties held for future development					1,299	
Shares and participations that represent joint ownership in properties					1,043	
Total real estate held for resale					11,642	

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 reasonable long-term yield requirements and estimated levels of rents and operating costs in a five-year perspective. Interest-rate subsidies are excluded from the operating net and instead the present value of future interest-rate 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 1,6 billion in the remaining portfolio) are reversed. The revised valuation of the real estate portfolio resulted in SEK 0 m. (-8) in the Group.

Market valuations are undertaken to establish the opening values of properties acquired or taken over during the fiscal year as a result of company acquisitions. These valuations assess the price that could be attained in the market within a reasonable period of time, normally approximately six months.

EARNINGS

Revenues amounted to SEK 1,790 m. (1,676). The rise was attributable to increased project development. In total, the business area reported a loss of SEK 105 m. (loss: 90) after net financial items.

Rental revenues etc amounted to SEK 1,439 m. (1,676). The decline was due to property sales. Real estate management operations reported income of SEK 648 m. (769).

The total volume of properties sold by the business area in 1997 amounted to SEK 5.9 billion (0.4), which resulted in a capital loss of SEK 77 m. (gain: 8).

Sales volume within real estate development operations amounted to SEK 0.6 billion (0.2). A loss of SEK 26 m. (loss: 34) was reported, mainly due to increased investments in development operations.

Following fiscal year-end, NCC sold properties in Oslo for SEK 0,7 billion which generated a capital gain of SEK 108 m.

If the sale in Oslo in January 1998 is added to total real estate sales in 1997, the total volume amounts to SEK 7.3 billion and a capital gain was generated.

The financial net improved to an expense of SEK 650 m. (expense: 825), as a result of lower interest rates and property sales.

OUTLOOK

In the next few years, the business area's sharper focus on real estate development should generate increased profits in the form of capital gains on sales and an improved yield on the portfolio of managed properties. The favorable rent trend prevailing in the markets where the business area is active will also boost earnings.

If sales of properties are excluded, earnings in 1998 will be adversely affected by the transaction with Morgan Stanley and GE Capital. As a result of the sale, which related to properties in nonprioritized locations, the operating net will decrease by an amount that will not be fully matched by the reduction in interest expense. In a slightly longer term, this should be offset by faster growth in rental revenue and a more favorable appreciation in the value of the remaining portfolio, as well as improved cost effectiveness.

On the whole, income after net financial items for 1998 is expected to be favorable.

Real Estate business area

Pro forma

SEK m.	1997	1996
Loss after net financial items	-105	-90
Operating capital employed at year-end	12,557	16,277
Gross investments	990	1,288
Sales of real estate ⁴	6,580	641
Cash flow	4,620	
Ratios		
Return on operating capital employed ¹	4%	5%
Visible yield ²		
excl. administrative costs	7.3%	7.8%
incl. administrative costs	6.3%	6.9%
Vacancy rate, rents ³	9%	9%
Vacancy rate, floor space ³	11%	11%
Equity/assets ratio	40%	35%
Other		
Average number of employees	322	410

1) The figures for 1997 are based on an average value, while those for 1996 are based on the closing values.

2) When computing the direct yield for 1997, a five-point average for the real estate portfolio has been applied. The book value of the managed priorities sold to Morgan Stanley/GE Capital (SEK 3,204 m.) is included in the amount at December 31, 1997, since the sale was effected late in the year, namely on December 29, 1997.

3) The vacancy rate refers to the situation at December 31.

4) Including worked up revenues.

INCOME STATEMENT, SEK m.

Property management		
Rental revenues	1,338	1,535
Interest subsidies	55	117
Other revenues	18	16
Operating, maintenance and renting costs	-516	-579
Operating net	895	1,089
Depreciation according to plan	-153	-195
Administrative costs	-125	-124
Share in income/loss of associated companies	31	-1
Income, property management operations (A)	648	769
Sales of managed properties		
Sales revenues	5,948	436
Book value	-5,955	-411
Sales expenses	-71	-14
Share in income of associated companies	1	-3
Income, property sales (B)	-77	8
Property development		
Sales revenues etc	633	205
Book value	-593	-188
Sales expenses	-49	-23
Other operating revenues	28	8
Other operating expenses	-48	-34
Share in income/loss of associated companies	3	-2
Income/loss, property development (C)	-26	-34
Net financial items (D)	-650	-825
Revised valuation of real estate (E)	0	-8
Income/loss after net financial items (A-E) ⁵	-105	-90

BALANCE SHEET, SEK m.

Buildings and land	10,599	16,163
Tangible and intangible fixed assets	18	27
Shares and participations	1,043	611
Interest-bearing receivables	894	243
Interest-free receivables	1,673	1,050
Liquid assets	505	249
TOTAL ASSETS	14,732	18,343
Equity	6,096	6,353
Minority interest	6	10
Interest-bearing liabilities and allocations	6,914	10,361
Interest-free liabilities and allocations	1,716	1,619
TOTAL EQUITY AND LIABILITIES	14,732	18,343

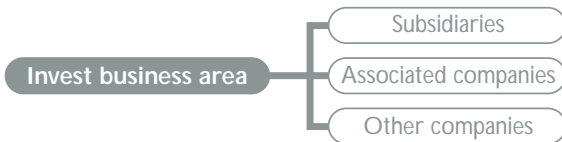
5) See page 46.

NCC INVEST

comprises subsidiaries and associated companies outside NCC's core business.
Income for 1997 amounted to SEK 67 m. (loss: 24).

Continued restructuring and further





Tommy Nilsson
President of the business area

BUSINESS CONCEPT

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

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

concentration

STRATEGY

In certain cases, business development 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 stronger structures and thereby enhance the value of a business. During 1997, the Invest business area continued to focus its efforts on finding structural solutions for the constituent units. As part of this process, Stråbruken AB and NCC Prefab AB were divested in April 1997.

During 1997 and the early part of 1998, the business area participated in the work that has been initiated to streamline the Silja Group's structure by presenting Silja Line as a financially independent company and whereby the current Silja Oy Ab will simultaneously be renamed Neptun Maritime Abp. The purpose of these measures is to make the values contained in Silja Line's business more transparent.

In 1997, the Invest business area also initiated work related to NCC's acquisition of Siab AB.

SALE OF STRÅBRUKEN AND NCC PREFAB

Stråbruken, which manufactures building materials and minerals, and NCC Prefab, which manufactures prefabricated concrete building units, were divested during spring 1997, thereby generating a capital gain of SEK 104 m. The purchaser was Optiroc, which is part of the Scancem Group. The acquisition of Stråbruken has yet to be approved by the Swedish Competition Authority and the parties have been summoned to a district court hearing.

OPERATIONS OF 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. The resulting synergistic benefits started to become noticeable in 1996 in the form of sharply improved earnings. Earnings for 1997 were also satisfactory.

During 1997, Drammens Rör, Norway, was acquired as part of efforts to create a Nordic installation company.

The market for industrial installations was strong during 1996 but slackened somewhat in 1997. The HVAC market remained depressed due to low construction activity in the housing sector. NVS's total market showed a slight decline. The company participated in several major state-of-the-art industrial projects, including forest industry assignments in Mönsterås, Skoghall and Ortviken. In 1998, the market is expected to remain at the same level as in 1997.

Net sales totaled SEK 1,151 m. (1,356). NVS reported income of SEK 37 m. (38) after net financial items.

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

Net sales amounted to SEK 77 m. (90) and the company reported income of SEK 1 m. after net financial items (loss: 3). The decrease in volume was due to service and spare parts sales not reaching the levels of the preceding year.

OPERATIONS OF ASSOCIATED COMPANIES

Silja

Silja is active in the passenger ferry/cargo carrying market. Its core operations are conducted through Silja Line, 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.

Silja's sales amounted to SEK 5.3 billion (5.8), of which approximately SEK 4.9 billion (4.9) was generated by Silja Line. The company reported a loss after net financial items of SEK 115 m. (loss: 194), of which an income of approximately SEK 145 m. (income: 86) was accounted for by Silja Line.

Silja continued to experience problems in its English Channel operations, which are subject to extremely intense competition and have been operating at a substantial loss. At the beginning of 1998, an agreement was reached regarding the divestment of Sally UK's share in Holyman Sally, which conducts passenger traffic operations in the English Channel. The divestment will reduce Silja's operating losses and relieve the company of its transport obligations in the English Channel.

NCC's shareholding in Silja amounts to 38 percent of the share capital and 40 percent of the voting rights. The book value of the shares in NCC's accounts is SEK 365 m. (436).

NVS, a wholly owned subsidiary of the Invest business area, conducting cold-room installations at Sweden Post's properties in Stockholm.



The Arlanda Express train service will commence in 1999. The shuttle link between Stockholm Central Station and Stockholm Arlanda Airport will increase the punctuality and comfort of passengers.

On March 12, 1998, the market value of NCC's total investment in Silja was SEK 450 m., compared with SEK 443 m. at the beginning of 1997.

On February 11, 1998, Silja Oy Ab's Board of Directors decided to demerge Silja Line, to enable it to operate as a financially independent company. Concurrently, it was decided that Silja Oy Ab would be renamed Neptun Maritime Abp.

A-Train

During 1995, an agreement was reached 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. Organizational, manning and planning measures for the start-up of operations are also progressing in line with the original plans. The train service will be marketed under the Arlanda Express name. The current trend of passenger volume at Stockholm Arlanda Airport is favorable, which should benefit Arlanda Express operations.

A-Train reported income after net financial items of SEK 1 m. (25). NCC owns 44 percent of A-Train. The book value of the shareholding, combined with receivables, amounts to SEK 306 m. Also see page 18.

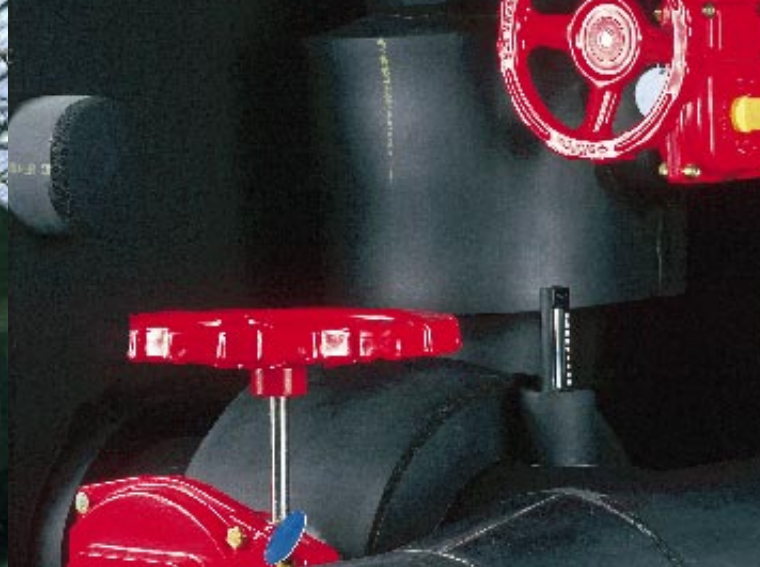
OTHER COMPANIES

The Invest business area owns shares in Storheden with a book value of SEK 5.9 m. NCC's shares in BPA, together with an option to subscribe for new BPA shares, have a book value of SEK 39 m. This corresponds to 6.4 percent of the share capital and 6.1 percent of the voting rights. The market value of these holdings on March 12 amounted to SEK 108 m.

The SIFAB shareholding was sold at the beginning of 1997 and generated a capital gain of SEK 1.8 m.

EARNINGS

In total, NCC Invest reported an income of SEK 67 m. (loss: 24) after net financial items of which the capital gains from the sale of Stråbruken and Prefab accounted for SEK 104 m. NCC Invest's income was charged with SEK 44 m. (charge: 66) due to its 38-percent participation in the loss reported by Silja.



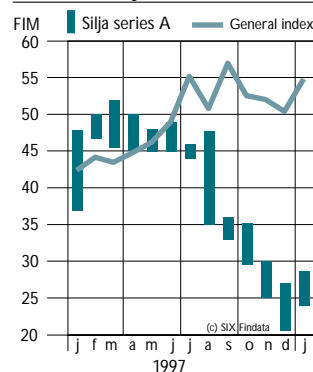
NVS conducts installation and service assignments involving heating, plumbing, sprinkler, industrial processes and energy savings applications.

Invest business area

Pro forma SEK m.	Net sales		Income/loss after net financial items	
	1997	1996	1997	1996
Associated companies				
Silja (38%) ¹			-44	-66
A-train (44,2%)			0	11
Subsidiaries				
NVS Nordiska				
Värme Sana	1,151	1,356	37	38
NCC Prefab ²	14	75	-2	-5
Stråbruken ²	61	320	-15	6
Hedemora Diesel	77	90	1	-3
Adeca	74	129	-7	-3
Capital loss on sale of subsidiaries			104	
Other items and eliminations	2	1	-7	-2
NCC Invest	1,379	1,971	67	-24
Total assets			1,327	1,542
Average number of employees			1,527	2,009

The percentages in parentheses relate to NCC's shareholding in the associated company.
 1) Until November 1996, the Silja shareholding amounted to 40% voting rights and 33% of the share capital. As of December 1996, the Silja shareholding amounts to 40% voting rights and 38% of the share capital.
 2) Stråbruken and NCC Prefab were divested in April 1997.

Trend of Silja's series A shares





Leading Nordic construction and real estate company

NCC'S SUBSIDIARIES

NCC is a leading construction and real estate company in the Nordic region. Outside Sweden, NCC is active through wholly owned subsidiaries in the Nordic domestic markets and in Germany.

NCC RASMUSSEN & SCHIØTZ

NCC Rasmussen & Schiøtz is responsible for NCC's operations in the Danish market. This company was acquired in 1996 and, effective January 1, 1997, was merged with the companies NCC already owned in Denmark: Armton, NCC Ejendomme and H. Poulsen. As a result of the merger with Siab, NCC Rasmussen & Schiøtz also took over the NPL civil engineering company from Siab during 1997.

In 1997, the Danish civil engineering, building and residential construction markets were characterized by high activity, as were industrial and real estate operations. Net sales amounted to SEK 3.4 billion. The order backlog at year-end was approximately SEK 2.0 billion (1.4), which provides a sound base for 1998 operations. Notable projects undertaken by Rasmussen & Schiøtz in 1997 included contracts related to the Öresund Link. The Lautruppark property was sold at a profit during the year. Income of SEK 42 m. (loss: 12) was reported after net financial items. The number of employees during 1997 was approximately 2,300.

A decline in the Danish civil engineering market is noticeable. However, during 1998 and 1999 this will be partially offset by work related to Copenhagen's minimetro railway system. In the building area, cooperation with real estate operations also made a positive contribution.

The President of NCC Rasmussen & Schiøtz is Kaj Kristensen. The Chairman is Kenneth Orrgren.

NCC PUOLIMATKA

NCC Puolimatka, which was acquired during 1996, is responsible for operations in the Finnish market. The company is also active in the Russian and Baltic markets.

In 1997, net sales amounted to SEK 3.0 billion (2.3). Income of SEK 24 m. (16) was reported after net financial items. As a result of a sharp increase in demand in a limited number of locations, the cost of subcontractor services rose sharply. This had an adverse impact on earnings, since the proportion of construction volume accounted for by state-subsidized contracts conducted at fixed prices represented more than 50 percent of domestic residential construction. The order backlog at year-end was SEK 1.6 billion (1.1). The number of employees during 1997 was approximately 1,700.

NCC Puolimatka holds a strong position in the Finnish building market and is one of the country's leading residential builders. The proportion of subsidized construction work is expected to decline to approximately 30 percent, with a corresponding increase expected in privately funded construction. As of 1997, NCC Puolimatka also engages in real estate development. The Spektri Kvintti project was sold during 1997. The company will continue to engage in the development of office properties in and around the capital. During 1998, the Stella Business Park, in Esbo, and Leppäsuo in Helsinki are under development.

In the Russian market, NCC Puolimatka received an industrial order from Sweden's PLM in 1997. Although the unstable political situation is inhibiting international investment in Russia, NCC Puolimatka's long-established presence and experience in the market provides the potential for strong growth in the country when conditions stabilize.

The President of NCC Puolimatka is Markku Markkola. The Chairman is Kenneth Orrgren.

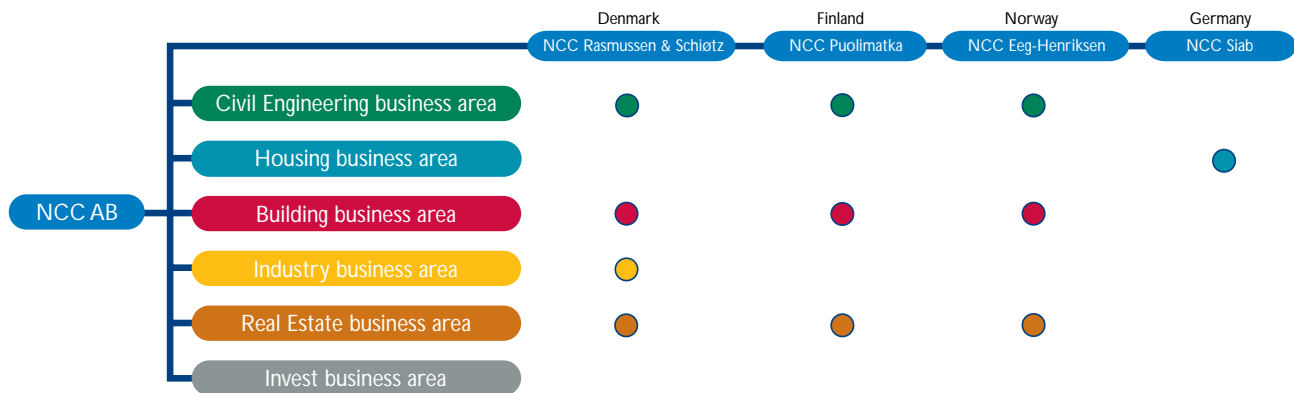
NCC EEG-HENRIKSEN

The Norwegian subsidiary, NCC Eeg-Henriksen, was acquired in 1995, prior to which NCC had held a 20-percent interest in the company.

A new management was appointed in 1997. The number of employees at year-end was approximately 1,500.

In 1997, net sales amounted to SEK 2.8 billion (2.2), an increase of 27 percent compared with 1996. A loss of SEK 15 m. (income: 12) was reported after net financial items. The low earnings were attributable to losses incurred in a number of major civil engineering projects. On the other hand, building and real estate operations reported improved earnings compared with the preceding year. The year-end order backlog was SEK 2.0 billion (2.1).

NCC Eeg-Henriksen increased its share of the other buildings market segment during the year, partly as a result of the cooperation between NCC's Nordic units, since Swedish personnel were used to strengthen the Norwegian organization due to a lack of qualified engineers in certain Norwegian oper-



Kaj Kristensen
President, NCC Rasmussen & Schiøtz



Markku Markkola
President, NCC Puolimatka



Paul Lødøen
President, NCC Eeg-Henriksen



Kurt Nordgren
President, NCC Siab

ations. In 1998, continued growth is expected within building operations. NCC's share of the civil engineering segment has declined slightly. In contrast to the expansive building market, there has been no growth in the civil engineering market.

The Norwegian real estate market is currently strong and NCC Eeg-Henriksen is engaged in several new projects, particularly in Oslo. Three properties that are part of the Lysaker Torg project in Oslo were sold at the beginning of January 1998. The sales price of approximately SEK 700 m, generated a capital gain of about SEK 100 m.

The President of NCC Eeg-Henriksen is Paul Lødøen. The chairman is Alf Algottsson.

NCC SIAB

In connection with the merger of Siab and NCC, the German company NCC Siab was incorporated in the NCC Group. Since 1991, this company has been active in the Berlin-Brandenburg region of Germany. Operations focus primarily on housing and comprise both building construction on behalf of external customers and project development for NCC's own account. The company has approximately 580 employees and a satisfactory earnings trend.

Orders received in 1997 were favorable, particularly in view of the general market trend. In other words, the company succeeded in capitalizing on the structural changes in the industry to strengthen its market position. The order backlog at year-end was SEK 523 m. (447).

During 1997, a European purchasing function was established in Berlin. The purpose of such an international procurement-management function is to optimize purchases of building materials and subcontractor services.

NCC Siab is an active participant in the Group's quality-assurance and environmental programs and its plans include receiving ISO 9001 certification for its operations during 1998.

In 1997, net sales amounted to SEK 733 m. (542). Income of SEK 46 m. (34) was reported after net financial items.

The President of NCC Siab is Kurt Nordgren. The Chairman is Hans Engebretsen.

Largest construction companies

Net sales 1996, SEK billion¹

Denmark	
NCC Rasmussen & Schiøtz	3.3
Højgaard & Schultz	2.7
Monberg & Thorsen	2.6
C G Jensen	2.3
H Hoffmann & Sønner	1.6
Finland	
YIT	4.1
Lemminkäinen	2.7
NCC Puolimatka	2.3
Skanska Oy	1.6
Polar	1.6
Norway	
Veidekke	3.9
Selmer	3.8
NCC Eeg Henriksen	2.2
Aker ²	1.6
Peab AS	1.4

1) Net sales: relates to construction operations in the country concerned. NCC's evaluation.
2) Only offshore

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.

Cash flow:

Income/loss before taxes

- + Depreciation
- /+ Write-up/down of real estate, shares, etc.
- Undistributed income from associated companies
- /+ Capital gains from sales of fixed assets and operations
- +/- Translation differences
- Dividend paid
- Tax paid
- +/- Decrease/increase in working capital
- Net investments in real estate held for resale
- Gross investments in building and land
- Gross investments in fixed assets
- Gross investments in shares
- Sales
- = Cash flow

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, with the exception of Siab.

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 net sales.

Net sales: The net sales of construction operations are reported in accordance with the percentage of completion principle and are matched by revenues worked up during the year. These revenues are reported in pace with the gradual completion of construction projects within the Group. Within the

Real Estate business area, net sales correspond to rental revenues, interest subsidies, etc. In the Parent Company, net sales correspond to income-recognized sales from completed projects. Within other operations, net sales correspond to invoicing for the year.

Operating 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 net sales.

Profit per share after full tax: Net income for the year divided by the number of shares at the end of the year.

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 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 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.

Five-year review

Income statement, SEK m.	1993	1994	1995	1996	1997	pro forma 1996	pro forma 1997
Net sales	15,769	15,794	17,294	22,149	29,581	31,782	32,077
Production expenses	-14,052	-13,868	-15,263	-19,856	-26,631	-28,427	-29,029
Gross income	1,717	1,926	2,031	2,293	2,950	3,355	3,048
Selling and administration expenses	-1,262	-1,234	-1,322	-1,665	-2,288	-2,475	-2,501
Income/loss on sales of properties	146	-117	43	-19	-74	-18	-72
Revised valuation of real estate held for resale	-371	-419					
Share in income/loss of associated companies	-116	90	-194	-55	26	-42	29
Capital gain in sales of Group companies	10			5	105	5	105
Merger costs	463	1,183			-449		-449
Operating income	587	1,429	558	559	270	825	160
Net financial items	-680	-527	-271	-348	-474	-552	-535
Income/loss after net financial items	-93	902	287	211	-204	273	-375
Tax	109	-125	-14	-47	35	-83	79
Minority interests	12		-5	-5	-4	-6	-4
Net income/loss	28	777	268	159	-173	184	300
Balance sheet, SEK m.							
Buildings and land	12,628	12,012	12,785	13,279	11,119	16,276	11,119
Tangible and intangible fixed assets	994	928	1,115	1,630	2,750	2,834	2,750
Shares and participations	2,024	1,026	856	985	2,222	1,401	2,222
Properties held for future development	232	173	189	288	899	1,311	899
Interest-bearing receivables	624	648	659	406	1,412	485	1,412
Interest-free receivables	3,769	3,889	4,513	4,683	6,333	6,046	6,333
Liquid assets	2,539	3,810	2,687	2,650	3,609	3,842	3,609
Total assets	22,810	22,486	22,804	23,921	28,344	32,195	28,344
Shareholders equity	5,113	6,883	7,065	7,121	9,237	9,553	9,237
Minority interests	5	6	9	13	25	24	25
Interest-bearing liabilities and allocations	9,956	7,973	7,758	8,704	8,956	11,958	8,956
Interest-free liabilities and allocations	6,064	5,588	5,723	6,631	8,519	8,539	8,519
Project invoicing not yet worked up	1,672	2,036	2,249	1,452	1,607	2,121	1,607
Total equity and liabilities	22,810	22,486	22,804	23,921	28,344	32,195	28,344
Ratios, %							
Return on visible equity incl. subsequently converted debenture loans after full tax ¹	1	12	4	2	-2	2	-3
Return on capital employed ²	6	11	8	5	3	6	2
Equity/assets ratio	22	31	31	30	33	30	33
Share of risk-bearing capital	27	33	33	32	33	32	33
Interest-bearing liabilities/total assets	44	35	34	36	32	37	32
Other							
Average number employees	14,905	13,450	14,094	15,964	20,283	22,787	22,434

Sales of shares and operations had a positive effect on major nonrecurring items, while such factors as costs for the merger of NCC and Siab had a negative impact.

Risk-bearing capital is defined as the sum total of shareholders' equity, minority interests, deferred tax liabilities and the debenture loans that were subsequently converted into shares.

1) Excluding merger costs 3% 1997; 2% pro forma 1997

2) Excluding merger costs 5% 1997; 4% pro forma 1997

SEK m.	1993	1994	1995	1996	1997	pro forma 1996	pro forma 1997
Income/loss after net financial items	-93	902	287	211	-204	273	-375
Visible equity	5,113	6,883	7,065	7,121	9,237	9,553	9,237
Visible equity incl. subsequently converted debenture loans	5,654	6,883	7,065	7,121	9,237	9,553	9,237
Capital employed at year-end	15,074	14,862	14,832	15,838	18,218	21,535	18,218
Net debt	6,793	3,515	4,412	5,648	3,935	7,631	3,935
Gross investments in fixed assets	226	330	575	1,163	569		
Gross investments in properties ¹	1,156	219	990	1,198	679	1,288	694
Sales of properties ¹	1,473	436	448	561	6,227	641	6,227
Market value of listed Group companies ²	1,983	369	91	705	377		
Undisclosed reserve in listed Group companies ²	418	-94	-211	215	-33		
Book value in Group ²	1,565	463	302	490	410		
Book value in Parent Company ^{2, 3}	1,146	463	302	572	410		
Data per share							
Visible equity, SEK	80.60	85.90	88.20	88.90	85.20	88.10	85.20
Income/loss after full tax, SEK	0.90	9.80	3.30	2.00	-1.60	1.70	-2.80
of which							
write-downs of properties after full tax, SEK	-5.40	-4.80					
major nonrecurring items after full tax, SEK	8.80	13.45			-4.65		-4.14
NCC series B shares, SEK	54.00	65.50	78.00	90.00	83.50		
Dividend, SEK		1.00	1.25	1.50	1.50 ⁴		
P/E ratio after full tax	59	7	23	45	33		
Direct return, %		1.5	1.6	1.7	1.8		
Stock exchange price/visible equity, %	67	76	88	101	98		
Number of shares							
average during the year, millions	69.1	79.5	80.1	80.1	96.6	108.4	108.4
at year-end, millions	70.2	80.1	80.1	80.1	108.4	108.4	108.4
Market value, SEK m.	2,532	5,447	6,294	7,212	8,960		
Interest on subsequently converted debenture loans, SEK m.	50	6					

Net indebtedness — defined as interest-bearing liabilities less liquid assets less interest-bearing receivables — decreased by SEK 1,713 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 the Real Estate business area. Within the Real Estate business area, reclassifications have been made of real estate held for resale into real estate classified as fixed assets. See accounting principles.

2) 1993: Avesta-Sheffield, Silja, 1994–1995: Silja, 1996: Silja, BPA, Sifab, Storheden, 1997: Silja, BPA, Storheden.

3) See notes 16 and 17.

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

Accounting principles: pages 60–62.

Board of Directors' Report

SIGNIFICANT EVENTS

- Acquisition of Siab
 - As of May 1, 1997, Siab is consolidated in the NCC Group.
 - Integration work has proceeded as planned. Merger costs, which totaled SEK 449 m., are charged in their entirety against net income for the year.
 - Annual coordination gains as a result of the merger are estimated at SEK 400 m., most of which will be generated as of 1998.
- Sales of properties
 - In December 1997, properties were sold for approximately SEK 3 billion, mainly from NCC's nonprioritized portfolio, to Morgan Stanley and GE Capital. The sale generated a capital loss of approximately SEK 255 m.
 - The Siab acquisition added 494,000 m² to NCC's real estate portfolio, of which 232,000 m² was sold in connection with the Morgan Stanley/GE Capital transaction.
 - At the beginning of 1997, NK Cityfastigheter was formed and listed on the Stockholm Stock Exchange. The capital gain was SEK 160 m.
 - In January 1998, NCC Eeg-Henriksen sold three properties from the Lysaker Torg office project in Oslo. The capital gain was SEK 108 m.
 - Sales of properties in 1997, as well as the sale in Oslo in January 1998, totaled SEK 7.3 billion and generated a gain.

- NCC, the German construction company Strabag and the Italian construction company Impregilo established representation offices in Southeast Asia during spring 1997.
- Also during spring 1997, NCC sold its subsidiaries Stråbruken and NCC Prefab, as part of efforts to streamline operations. The capital gain was slightly more than SEK 100 m.
- In December 1997, agreements were signed regarding the leasing of a total of 25,000 m² of the East India Dock property, London. Accordingly, nearly 90 percent of the property is now rented.

READER GUIDANCE

As a result of the acquisition of Siab, pro forma accounts have been prepared for 1996 and 1997 based on the assumption that the acquisition became effective on January 1, 1996, see page 62.

NET SALES

Pro forma

Consolidated net sales amounted to SEK 32,077 m., compared with SEK 31,782 m. in the preceding year. The increase was attributable to the fact that NCC Rasmussen & Schiøltz was included in the Group for only three months in 1996. Swedish sales declined due to weak conditions in the Swedish construction market.

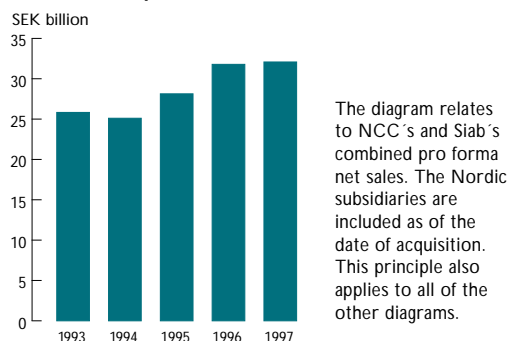
Net sales and earnings by business area

Pro forma SEK m.	Net sales		Income/loss after net financial items	
	Jan–Dec 1997	Jan–Dec 1996	Jan–Dec 1997	Jan–Dec 1996
Civil Engineering	10,746	10,841	141	78
Housing	2,041	1,966	–2	34
Building	15,700	14,635	181	230
Industry	2,603	2,633	210	277
Eliminations	–1,875	–1,813		
Construction operations	29,215	28,262	530	619
Real Estate	1,790	1,676	–105	–90
Invest	1,379	1,971	67	–24
Merger costs Siab			–449	
Acquisition costs ¹			–136	–106
Others and eliminations ²	–307	–127	–282	–126
Group	32,077	31,782	–375	273

1) Acquisition costs include goodwill amortization related to the acquisition of the Nordic subsidiaries and Siab, as well as interest on the purchase consideration for the Nordic subsidiaries. At December 31, 1997, the goodwill totaled SEK 1,268 m. The purchase consideration for the Nordic subsidiaries was SEK 1,051 m.

2) The deterioration was due to a large provision related to a legal dispute in Siab prior to the acquisition.

Net sales, pro forma



EARNINGS

Pro forma

Excluding merger costs, consolidated income after net financial items totaled SEK 74 m. (273) which, taking into account the major real estate transaction of December 1997, was in line with the previously issued forecast. The decrease was due to construction operations and to a large provision related to a legal dispute in Siab prior to the acquisition. The capital loss on the Morgan Stanley/GE Capital transaction was offset by the sale of NK Cityfastigheter, Stråbruken and NCC Prefab. Including merger costs, which amounted to SEK 449 m, a loss of SEK 375 m. was reported after net financial items.

Legal

Excluding merger costs, consolidated income after net financial items totaled SEK 245 m. (211). The difference between income after net financial items in the legal accounts and the corresponding pro forma result is mainly attributable to Siab's negative results for the first four months of 1997. The negative result was mainly due to a large provision for a legal dispute.

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 reasonable long-term yield requirements and estimated levels of rents and operating costs in a five-year perspective. Interest-rate subsidies are excluded from the operating net and instead the present value of future interest-rate 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 1,6 billion in the remaining portfolio) are reversed. In the Group, the revised valuation amounted to SEK 0 m. (-8).

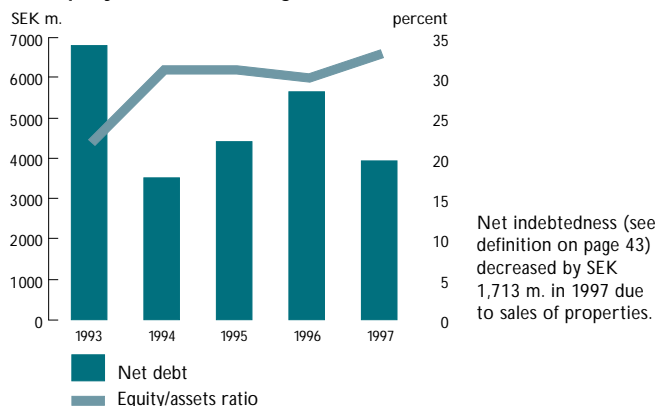
Market valuations are undertaken to establish the opening values of properties acquired or taken over during the fiscal year as a result of company acquisitions. These valuations assess the price that could be attained in the market within a reasonable period of time, that is approximately six months.

PROFITABILITY

Pro forma

Excluding merger costs, the return on shareholders' equity was 2 percent (2). The return on capital employed, excluding merger costs, was 4 percent (6).

Net indebtedness and equity/assets ratio, legal



EARNINGS PER SHARE

Legal

After full tax, a loss of SEK 1.60 (income: 2.00) was reported per share. After full tax and excluding merger costs, earnings of SEK 2.60 (2.00) were reported per share.

INVESTMENTS

Legal

The Group's investments in real estate amounted to SEK 989 m. (1,174). The Group's gross investments in other fixed assets amounted to SEK 1,121 m. (1,468). The acquisition of Siab resulted in increases of SEK 4,226 m. in the book value of real estate and of SEK 1,495 m. in other fixed assets.

CASH FLOW

Legal

The Group's cash flow, before financing, amounted to approximately SEK 4.1 billion (neg: 1.3). The change was mainly attributable to sales of properties.

FINANCING AND LIQUIDITY

Legal

NCC's net indebtedness (interest-bearing liabilities less liquid assets less interest-bearing receivables) on December 31, 1997 amounted to SEK 3,935 m. (5,648). The decrease was attributable to sales of properties.

Interest-bearing liabilities on December 31, 1997 amounted to SEK 8,956 m. (8,704), of which SEK 4,383 m. (3,971) related to current and SEK 4,573 m. (4,733) to long-term liabilities.

The average interest rate for the entire borrowing portfolio on December 31, 1997 was 7.0 percent (7.5). The average interest rate for the Swedish-krona denominated borrowing portfolio was 7.8 percent (8.6). At year-end, the average duration of the borrowing portfolio was 1.4 (1.6) years.

Sensitivity analysis

	Change	Effect on income on an annual basis, SEK m.
Construction operations		
Volume	5%	+/- 117
Operating margin	0,5% point	+/- 146
Real estate operations		
Rental revenues	5%	+/- 4
Maintenance costs	5%	+/- 15
Vacancy rate, rents	1% point	+/- 9
Group		
Interest rates	1% point	+/- 12
Amortization of loans	10%	+/- 29

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 1998 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 1998.

At year-end 1997, liquid assets amounted to SEK 3,609 m. (2,650). The large amount of cash assets is attributable to the consideration received for the Morgan Stanley/GE Capital transaction at the end of December 1997.

Pro forma, the NCC Group's net interest items amounted to an expense of SEK 538 m. (expense: 564). The improvement was due to lower interest rates.

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. The Group also has specialist expertise in project financing, which is concentrated in NCC Finance.

EQUITY/ASSETS RATIO AND DEBT/EQUITY RATIO

Legal

On December 31, 1997, NCC's equity/assets ratio was 33 percent (30).

The share of risk-bearing capital amounted to 33 percent (32).

The debt/equity ratio (net indebtedness divided by shareholders' equity including minority interests) amounted to a multiple of 0.4 (0.8). The 50-percent reduction was attributable to property sales.

PREPARATIONS FOR EMU

In view of the fact that European Monetary Union will be realized as of 1999, NCC initiated preparatory adaptation work during 1997. This work, which is being conducted on a project basis and managed by NCC Finance, includes both functional questions and strategic matters related to business areas. NCC has appointed in-house officials to be responsible for each prioritized area, and tangible plans for possible measures to adapt to EMU are currently being processed.

RISK MANAGEMENT IN IT AREA - SMOOTH TRANSITION INTO THE YEAR 2000

NCC has appointed an official with operational responsibility for ensuring that the transition into the year 2000 will not jeopardize operations. An inventory of all IT systems and other systems containing date circuits has, on the whole, been implemented. Older systems are estimated to be replaced or upgraded during 1998. The analysis of built-in date circuits in other items of equipment showed that these were satisfactory.

PERSONNEL

Pro forma

The average number of employees in the NCC Group during 1997 was 22,434, compared with 22,787 in 1996.

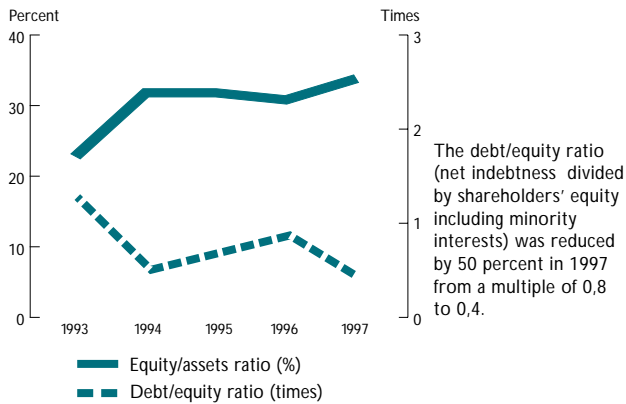
PROPOSED DIVIDEND

The Board of Directors proposes that a dividend of SEK 1.50 (1.50) per share be paid for the 1997 fiscal year.

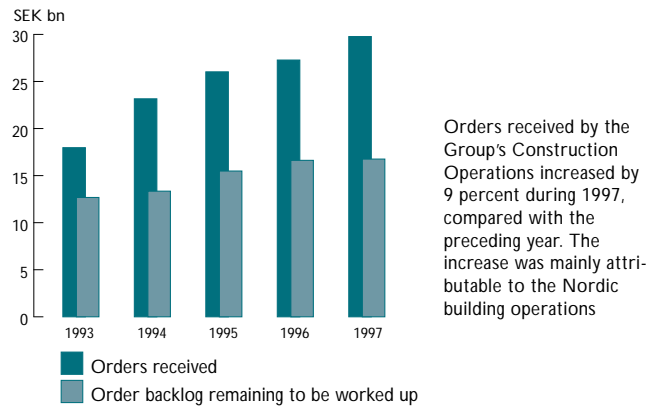
Borrowing portfolio

Dec. 31, 1997	SEK and foreign currencies		SEK and foreign currencies			SEK	
	Amortization SEK m.	Percentage	Fixed interest rate during period SEK m	Percentage	Average interest rate	Fixed interest rate during period, SEK m.	Average interest rate
1998	4,383	49%	4,441	50%	6.5%	2,715	6.7%
1999	1,407	16%	2,242	25%	7.4%	1,053	8.9%
2000	828	9%	1,416	16%	6.8%	527	8.3%
2001	633	7%	609	7%	8.1%	480	8.8%
2002	109	1%	215	2%	7.0%	62	6.3%
2003-	1,596	18%	33	0%	8.5%	0	0.0%
Interest-bearing liabilities	8,956	100%	8,956	100%	7.0%	4,837	7.8%
Liquid assets	3,609		3,609			1,707	
Interest-bearing receivables	1,412		1,412			1,244	
Net debt	3,935		3,935			1,886	

Debt/equity ratio and equity/assets ratio, legal



Orders received and order backlog for NCC's Construction Operations, pro forma



CONSTRUCTION OPERATIONS

Orders received by the NCC Group's construction operations (the Civil Engineering, Housing, Building and Industry business areas) during 1997 amounted to SEK 29.8 billion (27.3), of which markets outside Sweden accounted for SEK 11.5 billion (7.3). The increase was attributable to Nordic building operations. The order backlog was SEK 16.8 billion (16.6), of which markets outside Sweden accounted for SEK 7.0 billion (5.8).

Invoicing for the year by construction operations totaled SEK 28,492 m. (27,308). Net sales amounted to SEK 29,215 m. (28,262), of which markets outside Sweden accounted for SEK 11,017 m. (7,252). The increase was attributable to expansion in Finland, Norway and

Denmark, which account for 35% of net sales. NCC's decline in Sweden followed the general market trend.

The operating margin (operating income after depreciation as a percentage of net sales) for construction operations was 1.4 percent (1.4). Despite the weak Swedish construction market, operating income improved slightly compared with the preceding year as a result of strong production earnings from several major projects, which were received under better market conditions. The net margin (income after net financial items as a percentage of net sales) was 1.8 percent (2.2). The deterioration was due mainly to lower interest rates. Income after net financial items amounted to SEK 530 m. (619).

Pro forma SEK m.	Orders received		Order backlog remaining to be worked up		Invoicing for the year		Net sales	
	Jan-Dec 1997	Jan-Dec 1996	Dec 31 1997	Dec 31 1996	Jan-Dec 1997	Jan-Dec 1996	Jan-Dec 1997	Jan-Dec 1996
Sweden	18,270	19,996	9,719	10,800	17,579	20,504	18,198	21,010
Nordic region	10,916	6,620	6,470	5,326	10,231	6,178	9,858	6,153
Other markets	586	660	567	495	682	626	1,159	1,099
Construction Operations	29,772	27,276	16,756	16,621	28,492	27,308	29,215	28,262

The Nordic region consists of the subsidiaries NCC Poullmatka and NCC Eeg Henriksen. NCC Rasmussen & Schiøtz are included in the Nordic region as of October 1, 1996. The other markets include NCC Siab.

ANNUAL GENERAL MEETING

The Annual General Meeting will be held at 5:00 p.m. on Thursday, April 23, 1998, at Heaven (formerly the Palladium), Stockholm, Sweden.

The NCC Share

During 1997, approximately 18.4 million (17.1) NCC shares were traded on the Stockholm Stock Exchange. The shares traded corresponded to 19 percent (21) of the total number of NCC shares issued. At year-end, the stock market price of NCC's Series B shares was SEK 83,50 (90). The highest price paid for Series B shares during the year was SEK 110, and the lowest SEK 70.

DIVIDEND POLICY

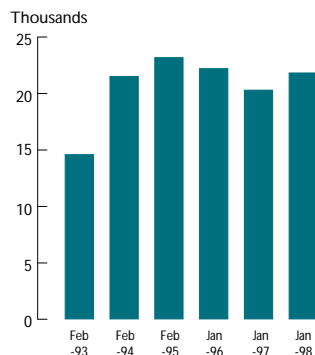
The Board of Directors' objective in the long term is to distribute one third of income after taxes as dividends to NCC's shareholders. Where applicable, however, major nonrecurring items must be taken into account.

The Board of Directors proposes that a dividend of SEK 1.50 be paid for the 1997 fiscal year, which is unchanged compared with the preceding year.

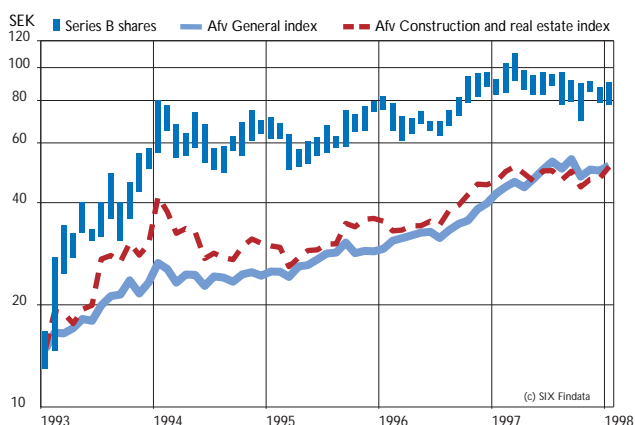
Per share data	1997	1996
Income after full tax, SEK	-1.60	2.00
Earnings excluding merger costs, SEK	2.60	2.00
Visible shareholder ¹ equity, SEK	85.20	88.90
Dividend, SEK	1.50 ¹	1.50

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

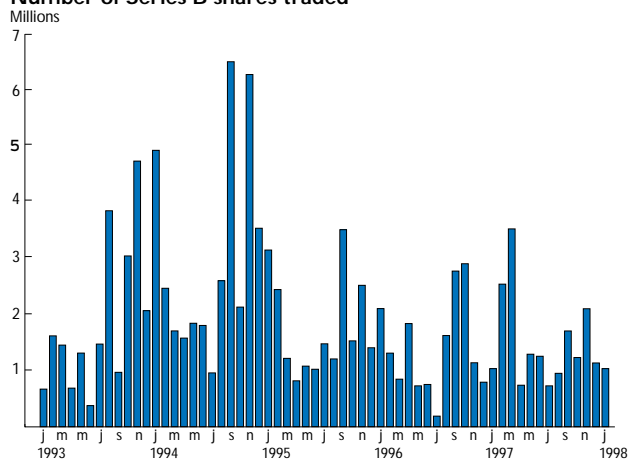
Number of shareholder



Trend of NCC shares



Number of Series B shares traded



Market value	Number of shares	Market value, SEK m Dec 31, 1997	Market value, SEK m Dec 31, 1996
A shares	63,111,682	5,175	3,960
B shares	45,324,140	3,785	3,252
Total	108,435,822	8,960	7,212

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
1997	Directed placement in connection with the acquisition of Siab	28,303,097	708
1997	Year-end	108,435,822	2,711

Distribution of shares, January 31, 1998

Holding, no. of shares	Shareholders		Shareholding		Average No. shares per shareholder
	Number	percent	Number of shares held	Percent of share capital	
1-1000	19,600	90,0	4,164,477	3.8	212
1001-10 000	1947	9,0	4,699,250	4.3	2,414
10 001-100 000	139	0,6	4,275,232	4,0	30,757
100 001-	79	0,4	95,296,863	87,9	1,206,289
Total	21,765	100,0	108,435,822	100,0	4,982

Ownership structure, January 31, 1998

	Shares, %	Votes, %
Nordstjernen AB	32.1	47.8
LE Lundbergföretagen AB	12.9	16.3
Föreningsparbankens Fonder	12.0	10.1
Fjärde AP-fonden	3.2	4.1
Svenska Handelsbankens Fonder & Pensionsstiftelse	4.3	4.1
Försäkringsbolaget SPP	4.8	2.3
Svenska Industritjänstemannaförbundet	1.0	1.5
Nordbankens Fonder & Pensionsstiftelse	4.9	1.3
Försäkringsbolaget Skandia	1.0	1.0
Trygg Hansa/SE-Bankens Fonder	2.8	0.6
Other	21.0	10.9
Total	100.0	100.0

The number of institutions that own NCC shares is 302.

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

The proportion of foreign ownership corresponds to 2 percent of the voting rights and 4 percent of share capital.

Consolidated income statement

SEK m.		1997	1996
Net sales	Note 1	29,581	22,149
Production and management costs	Note 2	-26,631	-19,856
Gross income		2,950	2,293
Selling and administrative expenses		-2,288	-1,665
Result from sales of properties	Note 3	-74	-19
Result from participations in associated companies	Note 4	26	-55
Result from sales of participations in Group companies	Note 5	105	5
Merger costs		-449	
Operating income	Note 6	270	559
Result from other financial fixed assets	Note 8	23	27
Result from financial current assets	Note 9	164	193
Interest expense and similar items	Note 10	-661	-568
Loss/income after financial items	Note 11	-204	211
Tax on net income for the year	Note 24	35	-47
Minority interests		-4	-5
Net loss/income for the year		-173	159

Consolidated balance sheet

SEK m.		Dec 31, 1997	Dec 31, 1996
ASSETS			
Intangible fixed assets	Note 12	1,427	579
Buildings and land	Note 13	10,262	12,313
Machinery and equipment		1,323	1,051
New construction in progress		856	965
Tangible fixed assets	Note 14	12,441	14,329
Participation in associated companies	Note 16	2,100	895
Receivables from associated companies		154	65
Other long-term holdings of securities		122	90
Other long-term receivables		1,315	279
Financial fixed assets	Note 17	3,691	1,329
FIXED ASSETS		17,559	16,237
Properties held for future development	Note 18	899	288
Materials and inventories	Note 19	453	401
Advances to suppliers		17	8
Inventories, etc.		470	409
Accounts receivable		4,605	3,275
Current receivables from associated companies		102	100
Other current receivables		650	655
Prepaid expenses and accrued income		450	307
Current receivables		5,807	4,337
Short-term investments		2,307	1,244
Cash and bank balances		1,302	1,406
CURRENT ASSETS		10,785	7,684
TOTAL ASSETS		28,344	23,921

INTEREST-BEARING/INTEREST-FREE ASSETS

	Dec 31, 1997			Dec 31, 1996		
	Interest-bearing	Interest-free	Total	Interest-bearing	Interest-free	Total
Financial fixed assets	1,213	2,478	3,691	162	1,167	1,329
Current receivables	199	5,608	5,807	245	4,092	4,337
Short-term investments	2,307		2,307	1,243	1	1,244
Cash and bank balances	1,302		1,302	1,406		1,406
Other current and fixed assets		15,237	15,237		15,605	15,605
Total assets	5,021	23,323	28,344	3,056	20,865	23,921

Consolidated balance sheet

SEK m.		Dec 31, 1997	Dec 31, 1996
SHAREHOLDERS' EQUITY AND LIABILITIES			
Share capital	Note 20	2,711	2,003
Restricted reserves		4,914	2,541
Restricted shareholders' equity		7,625	4,544
Unrestricted reserves		1,785	2,418
Net loss/income for the year		-173	159
Unrestricted shareholders' equity		1,612	2,577
SHAREHOLDERS' EQUITY	Note 21	9,237	7,121
Minority interests		25	13
Provisions for pensions and similar obligations	Note 23	1,272	702
Provisions for taxes	Note 24	177	608
Provisions	Note 25	794	514
Provisions		2,243	1,824
Bond loans		100	100
Liabilities to credit institutions	Note 26	3,126	3,975
Liabilities to associated companies		216	
Other liabilities		132	3
Long-term liabilities		3,574	4,078
Liabilities to credit institutions	Note 26	4,290	3,959
Advances from customers		218	265
Project invoicing not yet worked up		1,607	1,452
Accounts payable		3,151	2,298
Liabilities to associated companies		42	3
Tax liabilities		42	26
Other liabilities		1,507	1,210
Accrued expenses and prepaid revenues		2,408	1,672
Current liabilities		13,265	10,885
SHAREHOLDERS' EQUITY AND LIABILITIES		28,344	23,921
Mortgages and other comparable collateral for own liabilities and provisions		4,384	4,214
Others assets pledged and comparable collateral		247	87
Assets pledged	Note 29	4,631	4,301
Contingent liabilities	Note 29	3,284	2,563

INTEREST-BEARING/INTEREST-FREE LIABILITIES AND PROVISIONS

	Dec 31, 1997			Dec 31, 1996		
	Interest-bearing*	Interest-free	Total	Interest-bearing*	Interest-free	Total
Bond and subordinated loans	7,416		7,416	7,934		7,934
Other liabilities	310	9,113	9,423	112	6,917	7,029
Provisions	1,230	1,013	2,243	658	1,166	1,824
Minority interest		25	25		13	13
Shareholders' equity		9,237	9,237		7,121	7,121
Total shareholders' equity and liabilities	8,956	19,388	28,344	8,704	15,217	23,921

* See note 27

Statement of changes in consolidated financial position

SEK m.	1997	1996
Loss/income before tax	-204	211
Depreciation	651	548
Write-down of properties and shareholdings, etc.		-2
Shares in income/loss of associated companies	-26	159
Capital gains on sale of fixed assets and operations	-73	42
Translation differences	28	-31
Dividends to shareholder	-120	-100
Tax	-18	-9
FUNDS PROVIDED FROM OPERATIONS (A)	238	818
Increase/decrease in material and inventories	-24	-36
Increase/decrease in accounts receivable and other current assets	-135	-228
Increase/decrease in current interest-free liabilities	484	888
Increase of project invoicing not yet worked up	-644	-797
CHANGE IN WORKING CAPITAL (B)	-319	-173
NET FUNDS PROVIDED FROM OPERATIONS (A+B)	-81	645
Net investments in real estate held for resale	-126	-96
Gross investments in buildings and land	-863	-1,078
Gross investments in fixed assets	-569	-1,163
Gross investments in shares	-510	-305
Expenses acquisition of Siab	-42	
INVESTMENTS (C)	-2,110	-2,642
SALES (D)	6,327	666
OPERATING CAPITAL AFTER INVESTMENTS (A+...+D)	4,136	-1,331
Increase/decrease in current interest-bearing liabilities	312	767
Increase/decrease in long-term liabilities	-3,506	180
Increase/decrease in long-term receivables	-937	347
Increase/decrease in minority interest, etc.	-8	0
FUNDS GENERATED EXTERNALLY (E)	-4,139	1,294
NET CHANGE IN LIQUID ASSETS (A+...+E)	-3	-37
OPENING CASH AND BANK BALANCE IN SIAB	962	
LIQUID ASSETS AT YEAR-END	3,609	2,650

Parent Company income statement

SEK m.		1997	1996
Net sales	Note 1	10,379	11,860
Production and management costs	Note 2	-9,573	-10,919
Gross income		806	941
Selling and administrative expenses		-1,010	-811
Result from sales of properties	Note 3	2	
Write-downs of properties		-415	
Operating income	Note 6	-617	130
Result from participations in Group companies	Note 7	405	202
Result from participations in associated companies	Note 4	-151	2
Result from other financial fixed assets	Note 8	6	23
Result from financial current assets	Note 9	105	162
Interest expense and similar items	Note 10	-108	-101
Loss/income after financial items	Note 11	-360	418
Appropriations	Note 22	-19	-447
Tax on net income for the year	Note 24	4	
Net loss for the year		-375	-29

Parent Company balance sheet

SEK m.		Dec 31, 1997	Dec 31, 1996
ASSETS			
Intangible fixed assets	Note 12	0	4
Buildings and land	Note 13	216	207
New construction in progress		2	
Machinery and equipment		266	259
Tangible fixed assets	Note 14	484	466
Participations in Group companies	Note 15	11,053	9,278
Receivables from Group companies		554	470
Participations in associated companies	Note 16	776	616
Receivables from associated companies		67	46
Other long-term holdings of securities		41	20
Other long-term receivables		53	2
Financial fixed assets	Note 17	12,544	10,432
FIXED ASSETS		13,028	10,902
Properties held for future development	Note 18	393	227
Inventories	Note 19	20	14
Accounts receivable		1,695	1,558
Receivables from Group companies		1,457	585
Receivables from associated companies		7	8
Other receivables		191	140
Prepaid expenses and accrued income		92	117
Current receivables		3,442	2,408
Short-term investments		685	707
Cash and bank balances		468	174
CURRENT ASSETS		5,008	3,530
TOTAL ASSETS		18,036	14,432

INTEREST-BEARING/INTEREST-FREE ASSETS

	Dec 31, 1997			Dec 31, 1996		
	Interest-bearing	Interest-free	Total	Interest-bearing	Interest-free	Total
Financial fixed assets	248	12,296	12,544	179	10,253	10,432
Current receivables	962	2,480	3,442	185	2,223	2,408
Short-term investments at NCC Treasury	685		685	687		687
Short-term investments, other				20		20
Cash and bank balances, NCC Treasury	325		325	28		28
Cash and bank balances, other	143		143	146		146
Other current and fixed assets		897	897		711	711
Total assets	2,363	15,673	18,036	1,245	13,187	14,432

Parent Company balance sheet

SEK m.		Dec 31, 1997	Dec 31, 1996
SHAREHOLDERS' EQUITY AND LIABILITIES			
Share capital (108,435,822 shares)	Note 20	2,711	2,003
Legal reserve		1,639	1,639
Premium reserve		1,751	
Restricted shareholders' equity		6,101	3,642
Retained earnings or loss		2,477	2,626
Net loss for the year		-375	-29
Unrestricted shareholders' equity		2,102	2,597
SHAREHOLDERS' EQUITY			
Untaxed reserves	Note 21	8,203	6,239
Provisions for pensions and similar obligations	Note 22	27	208
Other provisions	Note 23	1,204	634
	Note 25	169	82
Provisions		1,373	716
Bond loans		100	100
Liabilities to credit institutions	Note 26	54	60
Liabilities to Group companies		3,444	3,096
Liabilities to associated companies		207	
Long-term liabilities		3,805	3,256
Liabilities to credit institutions	Note 26	0	10
Advances from customers		67	33
Work in progress on the account of others	Note 28	1,459	1,601
Accounts payable		1,077	920
Liabilities to Group companies		493	405
Liabilities to associated companies		6	2
Tax liabilities		2	2
Other liabilities		549	476
Accrued expenses and prepaid revenues		975	564
Current liabilities		4,628	4,013
SHAREHOLDERS' EQUITY AND LIABILITIES		18,036	14,432
Mortgages and other comparable collateral for own liabilities and allocations		61	200
Others assets pledged and comparable collateral		87	87
Assets pledged	Note 29	148	287
Contingent liabilities	Note 29	8,399	8,613

INTEREST-BEARING/INTEREST-FREE LIABILITIES AND PROVISIONS

	Dec 31, 1997			Dec 31, 1996		
	Interest-bearing	Interest-free	Total	Interest-bearing	Interest-free	Total
Bond and subordinated loans	54		54	70		70
Liabilities to credit institutions	1,230	7,149	8,379	828	6,371	7,199
Other liabilities	1,204	169	1,373	634	82	716
Shareholders' equity and untaxed reserves		8,230	8,230		6,447	6,447
Total shareholders' equity and liabilities	2,488	15,548	18,036	1,532	12,900	14,432

Statement of changes in parent company's financial position

SEK m.		1997	1996
Income/loss before appropriations and tax		-360	418
Depreciation		120	115
Write-down of shareholdings, etc.		202	47
Capital gains on sale of shareholdings, etc.		-254	-21
Group contributions and other appropriations related to subsidiaries		-200	-245
Dividend to shareholders		-120	-100
Tax		4	
FUNDS PROVIDED FROM OPERATIONS	(A)	-608	214
Increase/decrease in materials and inventories		-6	-3
Increase/decrease in accounts receivables and other current assets		-1,034	425
Increase/decrease in current interest-free liabilities		653	17
Increase/decrease in net work in progress		-142	-624
CHANGE IN WORKING CAPITAL	(B)	-529	-185
NET FUNDS PROVIDED FROM OPERATIONS	(A+B)	-1,137	29
Net investments in real estate held for resale		-166	-102
Gross investments in fixed assets		-147	-130
Gross investments in shares		-2,923	-3,123
INVESTMENTS	(C)	-3,236	-3,355
SALES	(D)	1,032	28
OPERATING CAPITAL AFTER INVESTMENTS	(A+...+D)	-3,341	-3,298
Increase/decrease in current interest-bearing liabilities		104	-80
Increase/decrease in interest-free long-term liabilities			357
Increase/decrease in interest-bearing long-term liabilities		1,206	691
Increase/decrease in long-term receivables		-156	122
New share issue		2,459	
FUND GENERATED EXTERNALLY	(E)	3,613	1,090
NET CHANGE IN LIQUID ASSETS	(A+...+E)	272	-2,208
LIQUID ASSETS AT YEAR-END		1,153	881

Accounting principles

Changed accounting principle: As of 1997, the Group's contracting assignments are reported in accordance with the percentage of completion method, in conformance with the Swedish Construction Federation's recommendation. In this Annual Report, including the Five-year Review, figures for comparative years have been recomputed in accordance with the new accounting principle.

The accumulated effect of the change is reported as an adjustment item in opening shareholders' equity for 1996. The Parent Company, however, continues to recognize contracting revenues as income on completion of assignments.

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 participations in associated companies are consolidated in accordance with the equity method. 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. Notes 15 and 16 contain lists of Group and associated companies.
- Companies that are not subsidiaries and which undertake 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 shareholders' 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 purchase 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 shareholders' equity assigned in the purchase 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 amortized over the estimated economic life of the assets, which currently means five to 20 years.

In the equity method, the book value of shares in associated companies is adjusted by the Group's shares in the income of associated companies, less dividends received. As in the case of full consolidation, a purchase analysis is made. The resulting surplus values are depreciated over their estimated life; this depreciation also affects the book value of shares.

Acquired and divested companies are included in the consolidated Income Statement for the period when shares in such companies are held.

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 arising in this connection have been taken directly to shareholders' equity.

When calculating the consolidated gain/loss on a divestment, the accumulated translation difference is reported as part of final realized income.

Internal pricing: Market prices are applied for deliveries between Group units.

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

nomical life in the consolidated accounts. In the event of a permanent loss in value, assets are written down.

The depreciation rates vary depending on the type of asset: goodwill currently 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 cost of goodwill related to the acquisition of NCC Eeg Henriksen is depreciated according to plan at a rate of 10 percent annually. The acquired goodwill in NCC Puolimatka and NCC Rasmussen & Schiøtz is depreciated according to plan at a rate of 5 percent annually. These depreciation periods have been chosen because the acquisitions were part of NCC's Nordic strategy and are long term, because the acquired companies have strong market positions and market and because technical conditions were assessed to be such that the economic life of the acquisitions should be at last 10 and 20 years, respectively.

The acquisition cost of the goodwill related to the acquisition of Siab is depreciated over a period of 20 years, due to the strategic nature of the acquisition, which should be viewed in relation to the anticipated coordination gains.

NCC assesses the booked residual value of acquired goodwill each year, at which time any necessary write-down or adjustment of depreciation plans are undertaken.

Short-term investments: Short-term investments are defined as bonds and other interest-bearing instruments and are valued at the lower of acquisition and market value at year-end. This valuation principle 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 in the Parent Company's accounts.

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. In the Parent Company and consolidated accounts, these loans have been assigned values based on the year-end rate. In the consolidated income statement, exchange-rate differences on these loans, after taking deferred tax into account, are entered directly in shareholders' equity in an amount corresponding to the translation differences for the year.

Inventories: Inventories have been valued in accordance with the lowest-value principle, meaning at the acquisition or the replacement value, whichever was the lower. 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 properties classified as current assets are described below.)

Properties classified as fixed or current assets: Real estate has been reclassified in accordance with a new recommendation from the Swedish Construction Federation. The category of managed properties, which according to the previous recommendation was reported as a current asset, is now reported as a fixed asset. Such holdings have the character of fixed assets in that they form a base for ongoing property management operations. The managed properties entered as fixed assets in this manner may be the subject of a sale in future without this affecting their classification as fixed assets, as long as the long-term purpose of the actual management operations is maintained.

In the balance sheet, properties classified as fixed assets are included in Building and land, while properties classified as current assets are included in Properties held for future development

Building and land are divided into the following categories:

- properties used in NCC's operations
- managed properties
- properties held for future development

Managed properties consist of the Group's holding of completed buildings under proprietary management. The properties held for future development that are reported as fixed assets are those intended to be used for the construction of managed properties or properties used in NCC's operations.

The properties held for future development that are reported as current assets consist of holdings of undeveloped land and redevelopment properties intended for future development by construction operations.

The acquisition value of properties includes:

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

Costs incurred for the construction of managed properties are reported as investments in progress until the property is transferred to management. Properties transferred to management during a year are reclassified from investments in progress to managed properties as of January 1 of the following year. Depreciation commences as of the same date.

Production costs for ongoing investments in properties include capitalized interest expenses within the framework of actual interest payments.

Properties classified as current assets are valued at the lower of acquisition value and actual value.

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, internal valuations are undertaken each year. 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.

If a property classified as a current asset is written down in one year's financial statements, a reversal to the lower of acquisition cost and actual value must be posted in a subsequent year's financial statements if the reason for the write-down has been fully or partly removed.

If a property classified as a fixed asset is written down, a reversal must be posted, in accordance with the Annual Accounts Act, when the reason for the write-down has been fully or partly removed. This also applies to write-downs effected before the Act came into force.

A write-down of a property classified for tax purposes as a current asset constitutes a tax-deductible cost, and its reversal is a taxable revenue.

Real Estate business area — Real estate management: Results from real estate management operations consist of the operating net less depreciation according to plan and administration costs relating to the real estate 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 and other revenues. (including other income and interest subsidies), less running, maintenance and rental costs. The operating net includes property tax and rental costs, costs for adaptations of properties to tenant requirements and external rental fees, in addition to costs for the unit's own rental organization.

Real Estate business area — 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 the unit's own sales activities. The sales results are charged with overhead costs for both completed and non-completed transactions.

Real Estate business area — Real Estate 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 Real estate 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 1996, results from these projects were not recognized as sales income until completion. As of 1997, the percentage of completion principle is applied. Since the amount worked up at year-end 1996 was insignificant, items for that year have not been recalculated.

The item results from real estate 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, and administration costs relating to the real estate 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 the unit's own sales activities. Sales results are charged with overhead costs for both completed and non-completed transactions.

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

- project revenue — the value of all revenues related to the contract. The revenues must be of such a character that the recipient can credit them to income in the form of actual payment received or another form of payment.
- project cost — all costs corresponding to project revenues related to the particular contract.
- work-up rate — the proportion of the contract worked up in relation to the total project.

The fundamental condition for recognizing income on a degree of completion basis is that it is possible to reliably calculate project revenues and project costs and that the work-up rate is determined in a manner that is relevant with respect to the demand for reliability.

There may be individual projects for which it is not possible to reliably calculate project revenues and project costs when the final accounts are being prepared. In such cases, the revenue is determined with the help of so-called zero recognition, which entails reporting them at a revenue corresponding to the worked up costs; that is, zero income is reported until such time as it is possible to determine the actual income. The switch to degree of completion is undertaken as soon as possible.

The following examples illustrate how continuous income recognition will be applied. On January 1 of year 1, NCC receives a contract regarding the construction of a building. The project is estimated to take two years to complete. The contract price is SEK 100 m. and the anticipated profit from the project is SEK 5 m. On December 31 of year 1, NCC's costs for the project amount to SEK 47.5 m., which is in line with expectations. Since NCC has completed half of the work and the project is proceeding as planned, NCC books half of the anticipated profit of SEK 5 m., that is SEK 2.5 m., in the accounts for year 1. If NCC had followed the earlier accounting principles, the entire profit would have been reported, but not until the end of year 2 or the beginning of year 3, depending on when the final financial settlement with the customer was agreed.

Income	Year 1	Year 2
According to earlier principle ¹	SEK 0 m.	SEK 5 m.
According to continuous income recognition	SEK 2.5 m.	SEK 2.5 m.

1) Income recognition on completion

The advantage of continuous income recognition is that accounts more rapidly provide information on the trend of earnings. However, continuous income recognition gives rise to one disadvantage. Unforeseen events may result in the final profit being higher or lower than the company expected. It is particularly difficult to anticipate profit at the beginning of the project period and for technically complex projects or those that extend over a long period. Accordingly, the earnings reported by construction companies in the future may fluctuate more extensively compared with the past. Considered over a longer time

perspective, however, the average profit resulting from the two accounting methods should concur.

The switch to the degree of completion method will have a particularly noticeable impact on the quarterly reports of building contractors. Prior to 1997, income for each quarter consisted of one fourth of estimated full-year income. As of 1997, income instead reflects work actually completed during the quarter and income corresponding to this work. Since production is lower during the winter half of the year, operations during the first and final quarters normally yield lower income compared with the third and fourth quarters. This will amplify the seasonal variations already noticeable in NCC's quarterly reports and which mainly derive from Silja's operations, which are subject to equivalent seasonal variations.

Provisions have been posted for estimated losses, to the extent these exist, and these have been charged against income for the relevant year.

Parent Company — work in progress in contracting operations: Contracts not completed at year-end are reported in the Parent Company balance sheet as work in progress. The invoicing amount is equivalent to the sum billed to the customer, excluding advances that are not matched by work performed and including 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 payroll 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 income for the particular 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 for work completed 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.

Leasing and rental agreements: The total acquisition value of financial car-leasing agreements entered into in 1997 amounted to approximately SEK 23 m. Reporting of these contracts in accordance with the Financial Accounting Standards Council's recommendation would give rise to considerable additional work and would not affect assessments of the Group's earnings and financial position.

With respect to other rental agreements, Group companies rent most of their premises internally and the properties in which operations are conducted are owned by Group companies. The amount for external rental agreements regarding premises, and normal leasing of office machinery and similar equipment, is insignificant.

Acquisition of ABV: The goodwill totaling SEK 614 m. arising in connection with the merger with ABV in 1988 was 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 were reported in accordance with the main rule and not with the transitional rule stated in the Financial Accounting Standards Council's recommendation, the balance sheet effects at December 31, 1997 would have been an increase of SEK 603 m. (663) in reported goodwill, an increase of SEK 221 m. (342) in the reported deferred tax liability and an increase of SEK 382 m. (321) in reported shareholders' equity. The Group's net income for 1997 would have increased by SEK 61 m. (decrease: 52), due to increases in amortization of goodwill by SEK 60 m. (60) and deferred tax revenues of SEK 121 m. (8). This corresponds to approximately SEK 0.56 (-0.65) per share. As a result of the divestment of properties to Morgan Stanley/GE Capital, slightly more than SEK 400 m. of the surplus values related to the ABV acquisition were realized during 1997.

Siab acquisition: The merger with Siab became effective on May 1, 1997 and Siab's income statement is included in the consolidated accounts as of that date.

When preparing the consolidated accounts for the merged NCC/Siab, the Financial Accounting Standards Council recommendation (RR1:96) has been applied. The total purchase price for Siab has been estimated at SEK 2,500 m.

In the balance sheet prepared for the purchase of Siab, assets and liabilities were valued at market price on the actual acquisition date. NCC made a valuation of Siab's properties, which resulted in them being included in the acquisition balance sheet at a value that is SEK 750 m. lower than the book value in Siab's accounts. The final goodwill amount was subsequently estimated at SEK 875 m.

Income in the consolidated income statements for NCC/Siab is charged with depreciation according to plan in a net amount of SEK 37 m. annually. Amortization of goodwill, SEK 44 m. annually, will take place over 20 years, in view of the scope and strategic value of the merger.

Pro forma accounts: In order to illuminate the financial accounts of the new NCC after the merger with Siab, pro forma income statements and balance sheets are presented for 1996 and 1997. The Nordic subsidiaries are included in the pro forma accounts as of the date of acquisition applicable to each company.

The consolidated income statement for the new NCC is prepared as if the merger became effective on January 1, 1996 and the consolidated balance sheet for the new NCC is prepared on the basis of the balance sheets for NCC and Siab at December 31, 1996. In this context, adjustments were made in order to conform with the new degree of completion accounting principles for building contractors.

In contrast to the prospectus published in connection with the offer to shareholders in Siab AB, the pro forma accounts for the new NCC do not assume that the shares in NK Cityfastigheter were sold on December 31, 1995; instead, they are based on the actual sales date of March 1997.

Exchange rates

Country	SEK	Currency	Average exchange		Year-end rate	
			Jan-Dec	1996	Dec 31	1996
Belgium	100	BEF	21.34	21.67	21.31	21.46
Cyprus	1	CYP	14.93	14.40	15.02	14.62
Denmark	100	DKK	115.61	115.72	115.45	115.55
Finland	100	FIM	147.14	146.13	145.30	147.95
Germany	100	DEM	440.42	446.06	439.75	442.05
Great Britain	1	GBP	12.50	10.46	13.12	11.60
The Netherlands	100	NLG	391.34	398.08	390.25	393.85
Norway	100	NOK	108.00	103.86	107.20	106.55

Comments and notes

Amounts in SEK m., unless otherwise specified

NOTE 1 NET SALES

OPERATING SECTORS	Group		Parent Company	
	1997	1996	1997	1996
Construction operations:				
Invoicing for the year			10,277	10,306
Invoiced but not recognized as income on January 1			7,923	9,406
Less: Invoiced but not recognized as income on December 31			-7,895	-7,923
Total revenues in construction operations			10,305	11,789
Civil Engineering	10,152	8,174	4,717	5,582
Housing	1,530		436	
Building	14,540	10,329	5,300	6,431
Industry	2,491	2,188	554	619
Elimination	-1,797	-1,513	-702	-843
Total net sales in Construction Operations	26,916	19,178	10,305	11,789
Real estate operations:				
Rental revenues, etc	1,228	1,167		
Invoicing	351			
Interest subsidies	55	53		
Total revenues in real estate operations	1,634	1,220		
Invest	1,339	1,843	1	1
Others and eliminations	-308	-92	73	70
Total other revenues	1,031	1,751	74	71
Total net sales	29,581	22,149	10,379	11,860
Geographic markets				
Sweden	18,047	14,614	10,379	11,860
Denmark	4,056	1,583		
Finland	2,734	2,126		
Other EU countries	776	107		
Norway	3,221	2,788		
Eastern Europe	234	61		
Russia	222			
Middle East	34	809		
South America	88			
Rest of world	169	61		
Total net sales	29,581	22,149	10,379	11,860

Intra-Group purchases and sales

Of the Group's total purchases and sales measured in terms of SEK, transactions with other Group companies accounted for 11.7 percent of purchases and 3.3 percent of sales.

NOTE 2 PRODUCTION AND MANAGEMENT COSTS

	Group		Parent Company	
	1997	1996	1997	1996
Production and management costs, excl. property tax	-26,573	-19,813	-9,572	-10,916
Property tax	-58	-43	-1	-3
Total production and management costs	-26,631	-19,856	-9,573	-10,919

NOTE 3 RESULT FROM SALES OF PROPERTIES

	Group		Parent Company	
	1997	1996	1997	1996
Sales value less sales expenses	6,227	527	17	
Book value	-6,301	-546	-15	
Result from sales of properties	-74	-19	2	

The results for the Group also include sales of indirectly owned properties; that is, sales of participations in real estate managing associated companies.

NOTE 4 RESULT FROM PARTICIPATIONS IN ASSOCIATED COMPANIES

Group	1997		1996	
	Real estate operations	Others	Real estate operations	Others
Participation in results from associated companies	23	-9	-1	-54
Capital gains/loss on sales of participations	8	-2		
Reversal of write-downs	6			
Total result from participations in associated companies	37	-11	-1	-54

The amounts above include SEK 2.6 m. in earnings from associated companies. The equity accounting method is not used for these associated companies because they are of minor importance to providing an accurate picture.

Parent Company	1997		1996	
	Real estate operations	Others	Real estate operations	Others
Dividend		3		2
Write-down		-154		-5
Reversal of write-downs				5
Total result from participations in associated companies		-151		2

NOTE 5 RESULT FROM SALES OF PARTICIPATIONS IN GROUP COMPANIES

Group	1997	1996
	Real estate managing Group companies	1
Other Group companies	104	5
Total	105	5

NOTE 6 OPERATING INCOME

Operating sectors	Group		Parent Company	
	1997	1996	1997	1996
Civil Engineering	32	-85	-11	119
Housing	32		-64	0
Building	78	61	-89	57
Industry	243	265	37	92
Construction operations	385	241	-127	268
Real Estate business area	477	547		
Invest	57	-34	-18	-11
Merger costs	-449		-415	
Others and eliminations	-200	-195	-57	-127
Total operating income	270	559	-617	130
Operating income includes depreciation in an amount of	-651	-548	-120	-115
Income includes acquisition costs				

NOTE 7 RESULT FROM PARTICIPATIONS IN GROUP COMPANIES

Parent Company	1997		1996	
	Real estate companies	Others	Real estate companies	Others
Dividend				4
Group contributions		213		245
Capital gain/loss on sales	152	87		4
Write-downs		-47		-183
Reversal of write-downs				131
Other				1
Total result from participations in Group companies	152	253		202

Amounts in SEK m., unless otherwise specified

NOTE 8 RESULT FROM OTHER FINANCIAL FIXED ASSETS

	Group		Parent Company	
	1997	1996	1997	1996
Dividends received	2			
Interest income, Group companies			2	4
Interest income, others	16	27	1	19
Exchange-rate differences	2			
Capital gain/loss on sales	5		4	
Write-downs	-2		-1	
Total result from other financial fixed assets	23	27	6	23

NOTE 9 RESULT FROM OTHER FINANCIAL CURRENT ASSETS

	Group		Parent Company	
	1997	1996	1997	1996
Interest income, Group companies			82	132
Interest income, others	164	191	23	30
Capital gain/loss on sales		2		
Total result from financial current assets	164	193	105	162

NOTE 10 INTEREST EXPENSE AND SIMILAR ITEMS

	Group		Parent Company	
	1997	1996	1997	1996
Interest expense, Group companies			-60	-38
Interest expense, others	-688	-620	-52	-41
Capitalization of interest expense	27	25		
Exchange-rate differences on loans	0	27	4	-22
Total interest expense and similar items	-661	-568	-108	-101

NOTE 11 INCOME AFTER FINANCIAL ITEMS

Operating sector	Group		Parent Company	
	1997	1996	1997	1996
Civil Engineering	122	73	117	302
Housing	22		-69	
Building	125	122	-83	113
Industry	196	241	121	196
Construction operations	465	436	86	611
Real Estate business area	-107	-4		
Invest	68	-25	-61	38
Merger costs	-449		-415	
Others and eliminations	-181	-196	30	-231
Total income/loss after net financial items	-204	211	-360	418

Income includes acquisition costs

NOTE 12 INTANGIBLE FIXED ASSETS

	Usu-fructs	Group		Parent Company	
		Good-will	Other	Usu-fructs	Good-will
On January 1	27	652	21	1	6
New acquisitions		929	11		
Divestment and scrappage	-1	-41	-7		-4
Reclassifications		-3			
Translation difference		-1			
Closing accumulated acquisition value	26	1536	25	1	2
Opening depreciation according to plan	-5	-104	-10	-1	-2
Divestment and scrappage	1	36			
Depreciation according to plan during the year	-1	-74	-3		
Closing accumulated depreciation according to plan	-5	-142	-13	-1	-2
Closing planned residual value	21	1394	12		

NOTE 13 BUILDINGS AND LAND

	Group		Parent Company	
	1997	1996	1997	1996
Managed properties	8,526	10,905	51	55
Properties used in operations	488	450	165	152
Properties held for future redevelopment	1,248	958		
Total buildings and land	10,262	12,313	216	207

Amounts in SEK m., unless otherwise specified

NOTE 14 TANGIBLE FIXED ASSETS

Group	Managed properties	Properties used in operations	Properties held for future redevelopment	Machinery and Equipment	New construction in progress	Total
On January 1	13,710	665	1,503	3,570	887	20,335
New acquisitions	3,795	227	601	1,462	486	6,571
Divestment and scrappage	-6,516	-199	-99	-541	-161	-7,516
Reclassifications	175	-24	-168	2	-350	-365
Translation difference	151	-1	-6	-63	1	82
Closing accumulated acquisition value	11,315	668	1,831	4,430	863	19,107
Opening depreciation and write-downs	-2,811	-205	-545	-2,519	-7	-6,087
Through acquired companies	-604	-51	-148	-635		-1,438
Divestment and scrappage	923	64	6	423		1,416
Reclassifications	-113	24	101			12
Translation difference during the year	-87	2	3	39		-43
Depreciation according to plan and write-downs	-138	-18		-415		-571
Closing accumulated depreciation according to plan ²	-2,830	-184	-583	-3,107	-7	-6,711
Through acquired companies	41	4				45
Closing accumulated revaluations	41	4				45
Closing planned residual value	8,526	488	1,248	1,323	856	12,441
Tax assessment value	4,440	482	211			5,133
1) The acquisition value includes interest in an amount of	200				2	202
2) Accumulated write-downs at year-end	-1,148		-402			-1,550

Parent Company	Managed properties	Properties used in operations	Properties held for future redevelopment	Machinery and Equipment	New construction in progress	Total
On January 1	60	208		1,184		1,452
New acquisitions		2		57	1	60
Divestment and scrappage		-1		-22		-23
Closing accumulated acquisition value	60	209		1,219	1	1,489
Opening depreciation according to plan	-5	-48		-925		-978
Divestment and scrappage		17		82		99
Depreciation according to plan during the year	-4	-6		-110		-120
Closing accumulated depreciation according to plan	-9	-37		-953		-999
Revaluations during the year					1	1
Closing accumulated revaluations					1	1
Opening write-downs of acquisition value		-7				-7
Closing accumulated write-downs		-7				-7
Closing planned residual value	51	165		266	2	484
Tax assessment value		192				192

Amounts in SEK m., unless otherwise specified

NOTE 15 PARTICIPATIONS IN GROUP COMPANIES

Parent Company	Organization number	Registered office	Shareholding % ¹	Number of Participation ²	Book value	Market or similar value
Real estate companies						
NCC Fastigheter AB	556080-5631	Solna	100	84	4 815	
Total participations in real estate companies					4 815	
Other companies						
Ballast Nord AB	556109-8954	Umeå	100		6	
Ballast Stockholm AB	556078-3515	Stockholm	100		0	
Ballast Syd AB	556137-8893	Lund	100	3	5	
Ballast Väst AB	556181-6496	Göteborg	100	3	19	
Ballast Öst AB	556063-6697	Linköping	100	8	3	
Binab i Stockholm AB	556050-6130	Solna	100	1	7	
Castle Aviation BV		Nederländerna	100		0	
Cressida AB	556085-2468	Solna	100	100	10	
Fabriksbetong AB	556065-0599	Norrköping	100	2	6	
Fabriksbetong KB	969620-6052	Norrköping	95		0	
Flexi-Hus AB	556524-3390	Solna	100	1	0	
Försäkrings AB Norden	516401-8151	Solna	100	500	73	
Hedemora Diesel AB	556018-7113	Hedemora	100	30	11	
Hercules Grundläggning AB	556129-9800	Stockholm	100	196	59	
JCC Johnson Construction Company AB	556113-5251	Solna	100	1	0	
Jordskorpan Väst AB	556171-7058	Halmstad	100	10	1	
Kasper Höglund AB	556009-9433	Solna	100	11	1	
Kompri HB	916765-5738	Malmö	75		2	
Kvidinge Stenkross AB	556090-5332	Åstorp	100	5	4	
LeBris LLC	79L	Isle of Man	100		0	
Luzern, AB	556336-4727	Lund	100		3	
Metodbyggen AB	556085-3243	Stockholm	100	2	6	
Mobile Asphalt SIA	003222930	Lettland	60	1	1	
NCC Allemansfond AB	556136-3978	Solna	100	2	0	
NCC Bygg AS	959 606 803	Norge	100	7	85	
NCC Eeg-Henriksen Gruppen AS	911 274 426	Oslo	100	11 731	841	
NCC Finans AB	556223-6371	Solna	100	60	75	
NCC Flygpendeln AB	556302-3307	Solna	100	1	0	
NCC Industri Latvia SIA	000325053	Lettland			0	
NCC Industri Polska SP Z.O.O	810821432	Polen	100		0	
NCC Industries AB	556001-8276	Solna	100	15	107	
NCC International AB	556033-5100	Solna	100	500	307	
NCC Invest BV	332.639.925	Amstelveen	100		58	
NCC Leasing Alfa AB	556522-7724	Solna	100	1	0	
NCC Nordic Construction Company AB	556065-8949	Solna	100	3 809	1 018	
NCC Puolimatka Oy	607434	Finland	100	2	279	
NCC Rasmussen & Schiøtz A/S	212887	Danmark	100	200	550	
NCC Reinsurance AG	CH-0203003243-9	Schweiz	100	3	78	
NCC Specialföretag AB	556144-6732	Solna	100	275	33	
NCC Treasury AB	556030-7091	Solna	100	120	17	
Nico Water & Services Cyprus Ltd in liquidation	42263	Cypern	100	10	0	
Nordic Invest Ltd	40505	Cypern	100	250	3	
NVS Nordiska Varme Sana AB	556053-6194	Malmö	100	100	69	
Nybergs Entreprenad AB	556222-1845	Gotland	100	1	12	
Renopipe AB	556305-1191	Solna	100	1	1	
SIAB AB A Fr	556087-2508	Solna	100	37 353	1 672	
SIAB AB B Fr	556087-2508	Solna	100	12 442	801	
Skene Bygg AB	556083-0316	Mark	100		0	
Svenska Fräs o Asfaltsätvinnning AB	556214-7354	Markaryd	60	4	6	
Westerholm & Co AB	556218-5396	Solna	100	1	2	
Åsby Grus AB	556185-9728	Eskilstuna	100	1	7	
Total participations in other companies					6 238	
Total participations in Group companies					11 053	

1) The shareholding corresponding to the voting rights for the total number of shares held

2) Number of shares in thousands

Only directly owned subsidiaries are specified. The number of indirectly owned subsidiaries is 243. A complete specification may be ordered from NCC AB.

Amounts in SEK m., unless otherwise specified

NOTE 16 PARTICIPATIONS IN ASSOCIATED COMPANIES

	Organization number	Registered office	Share-holding % ¹	Number of Participation ²	Parent Company Book value	Group Book value	Market or similar value
A-Train AB	556500-3745	Stockholm	44	2 214	87	174	
Aabenraa Granit I/S	225121	Aabenraa	50			1	
Ankaret Invest SA	526.209	Belgien	50	5 000		10	
Bergen Airport Hotel ANS	951 261 971	Bergen	50			7	
Betonelement A/S	202624	Esbjerg	50			51	
Bitumenemulsion i Norden AB	556487-8741	Stockholm	50	1		1	
Björnö Mark KB	916638-1419	Täby	50			1	
Bovård i Sverige AB	556429-6126	Uppsala	40			9	
Cliffon AB	556221-2919	Klippan	22			9	
Dalkarlen Byggnads AB	556329-5251	Norrköping	50			1	
Ejendomsinteressentskabet Tuborg Nord B	225802	Gentofte	15			32	
Eskilstuna Betong Fabrik AB	556061-9826	Eskilstuna	33			3	
Fastighets AB Strömstaden	556051-7202	Norrköping	32			2	
Fastighets AB Vreten i Västerås	556417-3952	Västerås	33			2	
Fastighetsbolaget Mulön AB	556541-4546	Luleå	48			1	
Fastighetsbolaget Nica HB	556628-5867	Norrälja	49			1	
Fastighetsbolaget Svava HB	916513-3209	Uppsala	50			1	
Gladökrossen, HB	969615-7917	Uppsala	50			1	
Gräslöken nr 1 KB	916444-6586	Göteborg	50			20	
H-Tec Services i Eskilstuna AB	556453-3072	Eskilstuna	50			4	
Hemavan BV	33.223.370	Nederländerna	50			-4	
Holmenbyggarna Byggnads AB & Co KB	916693-1783	Norrköping	50			53	
I/S Baydan & Rasmussen & Schiøtz Vest A/S	229142	Birkerød	50			1	
Jonglören 1, KB	916824-0977	Halmstad	30			1	
Junebyggen Byggnads AB Pilten	916701-5651	Jönköping	50			7	
Järnvägsparken HB	916618-3310	Norrälja	49			8	
Kiruna Grus & Stenförädling AB	556074-8237	Kiruna	45			30	
Konsert- & Kongresshusbolaget i Växjö AB	556315-5943	Växjö	49			-11	
Kvillebacken i Göteborg nr 1 KB	916444-2403	Göteborg	50			3	
Kvillebacken nr 2 KB	916559-4228	Göteborg	50			2	
Lava Leasing AB	556308-2139	Göteborg	50	600	2	209	
Lumosi AB	556528-1051	Stockholm	33			12	
NK Cityfastigheter AB	556008-6281	Stockholm	33	6 331	310	308	367
Norrvikens Trädgårdar, AB	556245-3356	Båstad	27			1	
Norslundsfastigheter, HB	916464-2309	Solna	50			23	
Närkes Kross och Asfaltprodukter, KB	916500-1372	Örebro	50			1	
Ploveje Aps	51137	Herning	25			1	
Projektformidling Nord A/S	191726	Alborg	46			4	
Ruthensparre i Karlskrona HB	916429-8813	Karlskrona	50			1	
Rydbokrossen, HB	916609-3956	Solna	50			1	
Råstof og Genanvendelse Selskabet af 1990 A/S	197776	Köpenhamn	50			52	
Scania Asfalt KB	916761-7019	Malmö	48			1	
Scanstone GMBH		Tyskland	50		1	1	
Sicione SA	A-48265169	Spanien	31	1 125		116	
Silja OY Ab, Finland: A-aktier	5916	Helsingfors	38	4 898	204	204	160
Silja OY Ab, Finland: K-aktier	5916	Helsingfors	38	3 386	161	161	126
SKALNIK SP Z.O.O		Polen	45			2	
Sollentuna Centrum Fastighets AB	556393-1046	Sollentuna	50			-10	
Steninge Fastighetsutveckling AB in liquidation	556140-8971	Sigtuna	50			1	
Storvreta Centrum HB	916514-6029	Staden	50			15	
Sweroc AB	556081-3031	Uppsala	26			140	
Söderby Park Fastigheter HB	916630-4817	Stockholm	50			19	
Sörmlands Asfalt och Krossprodukter, KB	952000-1950	Nyköping	50			1	
Tasfil Estland AS		Estland	38	1	1	1	
Trelleborgs Hamnfront HB	916762-1938	Trelleborg	33			2	
Uminova Fastighets AB	556269-4728	Umeå	50			4	
Utvecklingsbolaget Sjtullen i Sundsvall AB	556421-5480	Sundsvall	20			1	
Vägmästarna i Bergslagen AB	556408-1437	Vansbro	33			3	
Västerbottens Byggbetong AB	556072-7876	Umeå	36	29	4	1	
Wasaterminalen AB	556118-8722	Stockholm	33			397	
WKSM SA		Polen	3	12		1	
Östhammarskrossen, KB	916673-1365	Uppsala	50			2	
Other, 76 ³					6	3	
Group participations in associated companies					776	2 100	

Undistributed accumulated participations in the income of associated companies is deposited in an equity participation reserve, which is part of the Group's hidden reserves.

The equity participation reserve for directly owned associated companies amounts to SEK 24.3 m.

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

2) Number of shares in thousands.

3) Including companies consolidated in the balance sheet and income statement in accordance with the proportional method. A complete specification may be ordered from NCC AB.

Amounts in SEK m., unless otherwise specified

NOTE 17 FINANCIAL FIXED ASSETS

Group	Participations in associated companies	Receivables associated companies	Other longterm securities	Other receivables	Total
Acquisition value on January 1	1,293	65	98	279	1,735
Assets added	1,460	89	58	1,036	2,643
Assets removed	-64		-24		-88
Closing accumulated acquisition value	2,689	154	132	1,315	4,290
Opening write-downs of acquisition value	-398		-8		-406
Write-downs during the year	-31		-2		-33
Reclassifications	-160				-160
Closing accumulated write-downs	-589		-10		-599
Closing planned residual value	2,100	154	122	1,315	3,691

The securities above include listed shares

	Book value	Market value
Total value of these shares	46	91

Parent Company	Participations in Group companies	Receivables, Group companies	Participations in associated companies	Receivables associated companies	Other longterm securities	Other receivables	Total
Opening acquisition value	9,631	470	850	46	23	2	11,022
Assets added	2,888	84	314	21	31	51	3,389
Assets removed	-1,042				-8		-1,050
Closing accumulated acquisition value	11,477	554	1,164	67	46	53	13,361
Opening write-downs of acquisition value	-352		-233		-4		-589
Assets removed	-25		-1				-26
Write-downs during the year	-47		-154		-1		-202
Closing accumulated write-downs	-424		-388		-5		-817
Closing planned residual value	11,053	554	776	67	41	53	12,544

NOTE 18 PROPERTIES HELD FOR FUTURE REDEVELOPMENT

	Group		Parent Company	
	1997	1996	1997	1996
Properties held for future redevelopment, buildings and land	802	288	393	227
Ongoing investments in properties held for future development	97			
Total properties held for future redevelopment	899	288	393	227
<i>Buildings and land</i>				
On January 1	299		237	
New acquisitions	805		178	
Divestment and scrappage	-260		-20	
Reclassifications	-12			
Translation difference	-21			
Closing accumulated acquisition value ¹	811		395	
Opening depreciations and write-downs	-7		-5	
Divestment and scrappage	23		3	
Through acquired companies	-27			
Translation difference during the year	2			
Closing accumulated depreciation and write-downs ²	-9		-2	
Closing planned residual value	802		393	
Tax assessment value	263		233	
1) Acquisition values include capitalized interest in an amount of	6			
2) Accumulated write-downs at year-end	-5			

NOTE 19 MATERIALS- AND INVENTORIES

	Group		Parent Company	
	1997	1996	1997	1996
Crushed products	179	151		
Building materials	218	200		
Other	56	50	20	14
Total materials and inventories	453	401	20	14

NOTE 20 SHARE CAPITAL

The share capital is divided into 108,435,822 shares with a par value of SEK 25 each, distributed as follows by class of shares:

	Series A shares	Series B shares	Total
Unrestricted	63,111,682	45,324,140	108,435,822

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

NOTE 21 CHANGE IN SHAREHOLDERS' EQUITY

Group	Restricted equity		Unrestricted equity	
	Share capital	Restricted reserves	Unrestricted reserves	Net income/loss
Balance on Dec 31, 1996	2,003	2,164	2,178	340
Change in accounting principles		377	240	-181
Opening balance, January 1, 1997	2,003	2,541	2,418	159
New share issue	708	1,751		
Reversal of write-up of participations in associated companies			-35	
Transfer between unrestricted and restricted capital		619	-619	
Dividend			-120	
Translation differences, etc.		3	-18	
Other profit allocations			159	-159
Net income/loss for the year				-173
Closing balance on Dec 31, 1997	2,711	4,914	1,785	-173

Parent Company	Restricted equity			Unrestricted equity	
	Share capital	Legal reserve	Premium reserve	Retained earnings	Net income/loss
Balance on Dec 31, 1996	2,003	1,639		2,626	-29
Change in accounting principles				240	-181
Opening balance, January 1, 1997	2,003	1,639		2,626	-29
New share issue	708		1,751		
Dividend				-120	
Other profit allocations				-29	29
Net income/loss for the year					-375
Closing balance on Dec 31, 1997	2,711	1,639	1,751	2,477	-375

Amounts in SEK m., unless otherwise specified

NOTE 22 UNTAXED RESERVES AND APPROPRIATIONS

Parent Company	Untaxed reserves		Appropriations	
	1997	1996	1997	1996
Accumulated depreciation in excess of plan				
– buildings and land	22	23	1	1
– machinery and equipment	1	31	30	–29
Other untaxed reserves	3		–3	
Reserve for obsolescence in work in progress	1	154	153	–150
Group contributions and capital contributions			–200	–269
Total untaxed reserves and appropriations	27	208	–19	–447

NOTE 23 PROVISIONS FOR PENSIONS

Parent Company	Group		Parent Company	
	1997	1996	1997	1996
Provisions for FPG/PRI pensions	1,186	654	1160	630
Provisions for other pensions	86	48	44	4
Total provisions for pensions	1,272	702	1,204	634

NOTE 24 PROVISIONS FOR TAXES AND TAXES ON NET INCOME FOR THE YEAR

Group	1997		1996	
	Deferred tax due to different principles for computing revenues from contracting assignments when reported by the Group and by other legal entities in the Group		234	
Other taxes		–57		438
Total provisions for taxes		177		608
		1997		1996
Swedish income tax		–6		–4
Foreign tax		–12		–5
Total Group tax, excl. deferred tax and shares in associated companies		–18		–9
Deferred tax		74		–39
Shares in taxes of associated companies		–21		1
Total tax		35		–47
		1997		1996
Parent company		4		4
Total tax		4		4

NOTE 25 OTHER PROVISIONS

Parent Company	Group		Parent Company	
	1997	1996	1997	1996
Guarantees	206	145	24	31
Other provisions	588	369	145	51
Total other provisions	794	514	169	82

NOTE 26 LIABILITIES TO CREDIT INSTITUTIONS

Parent Company	Group		Parent Company	
	1997	1996	1997	1996
Overdraft facility (Limit)	48	59		10
	(248)			
Other liabilities to credit institutions	7,368	7,875	54	60
Total liabilities to credit institutions	7,416	7,934	54	70
Pledged collateral	4,384	4,214	61	200

NOTE 27 INTEREST-BEARING LIABILITIES

Group	1997		1996	
	Current interest-bearing liabilities	4,383		3,971
Long-term interest-bearing liabilities	3,343		4,075	
Provisions for pensions	1,230		658	
Total interest-bearing liabilities	8,956		8,704	

Currency	1997		1996	
	Amount	SEK m.	Amount	SEK m.
Swedish kronor	MSEK 4,837	4,837	5,049	5,049
Pounds sterling	MGBP 41	537	30	352
German marks	MDEM 124	544	65	287
Norwegian kronor	MNOK 1,048	1,124	1,261	1,344
Danish kronor	MDKK 727	842	912	1,054
Belgian francs	MBEF 2,222	475	2,055	441
Finnish mark	MFIM 379	551	120	177
Other currencies		46		
Total		8,956		8,704
Of which, current liabilities		4,383		3,971
Total long-term liabilities		4,573		4,733
Repayment plan	1999	1,407	1998	1,814
	2000	828	1999	534
	2001	633	2000	634
	2002	109	2001	403
	2003-	1,596	2002-	1,348
Total long-term liabilities		4,573		4,733

NOTE 28 WORK IN PROGRESS ON THE ACCOUNT OF OTHERS

Parent Company	1997		1996	
	Invoiced sales	7,895		7,923
Costs incurred	–6,436		–6,322	
Total work in progress on the account of others	1,459		1,601	

NOTE 29 OTHER PLEDGED COLLATERAL AND CONTINGENT LIABILITIES

Parent Company	Group		Parent Company	
	1997	1996	1997	1996
Pledged collateral				
<i>For own liabilities:</i>				
Property mortgages	3,822	3,951	10	12
Chattel mortgages	93	4		
Shares in subsidiaries		133		133
Assets with attached liens	127	91	51	55
Restricted bank deposits	342	35		
Total	4,384	4,214	61	200
<i>Other pledged collateral:</i>				
Property mortgages on behalf of subsidiaries	247	87	87	87
Shares in associated companies				
Total	247	87	87	87
Total pledged collateral	4,631	4,301	148	287
Contingent liabilities				
<i>Own contingent liabilities:</i>				
Guarantees on behalf of Group companies			7,937	7,635
Other guarantee and contingent liabilities	1,102	1,017	329	747
<i>Held jointly with other companies:</i>				
Liabilities in partnerships and limited partnership	2,182	1,546	133	231
Total	3,284	2,563	8,399	8,613

Amounts in SEK m., unless otherwise specified

NOTE 30 AVERAGE NUMBER OF EMPLOYEES

	1997		1996	
	Total number of employee	Of whom men	Total number of employee	Of whom men
<i>Parent Company</i>				
Sweden	10,261	9,666	8,399	7,910
<i>Subsidiaries</i>				
Sweden	3,399	3,019	2,915	2,581
Belgium	10	6	10	6
Costa Rica	9	9		
Denmark	2,639	572	1,254	1,183
Finland	1,634	1,422	1,437	1,250
India	16	16	581	581
Latvia	16	15		
The Netherlands	1		1	
Norway	1,601	1,488	1,266	1,137
Poland	48	43	7	4
Russia	19	18	22	16
Saudi Arabia	38	38	58	58
United Kingdom	2	1	5	3
Germany	580	580		
Hungary	10	8	9	6
Total in subsidiaries	10,022	7,235	7,565	6,825
Group total	20,283	16,901	15,964	14,735

NOTE 31 WAGES, SALARIES AND OTHER REMUNERATIONS

Wages, salaries and other remuneration by country and distributed among Board of Directors and presidents and other employees	1997			1996		
	Board of Directors and presidents (of which bonuses)	Other employees	Total	Board of Directors and presidents (of which bonuses)	Other employees	Total
Parent Company						
Sweden	6	2,590	2,596	8	1,881	1,889
Total in Parent Company	6	2,590	2,596	8	1,881	1,889
(of which bonuses)	(1)		(1)	(1)		(1)
Subsidiaries						
Sweden	14	805	819			
(of which bonuses)	(1)		(1)			
Belgium	1	3	4			
Denmark	12	891	903			
Finland	4	370	374			
India		3	3			
The Netherlands	1		1			
Norway	5	560	565			
Poland		6	6			
Ryssia		9	9			
Saudi Arabia		6	6			
United Kingdom		1	1			
Germany	3	123	126			
(of which bonuses)	(2)		(2)			
Hungary		3	3			
Total in subsidiaries	40	2,780	2,820			
(of which bonuses)	(3)		(3)			
Group total	46	5,370	5,416			
(of which bonuses)	(4)		(4)			

Wages, salaries, other remuneration and social security expenses	1997			1996	
	Wages, salaries and other remuneration	Social security expenses	of which pension costs*)	Wages, salaries and other remuneration	Social security expenses
Parent Company	2,596	1,089	152	1,889	887
Subsidiaries	2,820	666	1,892	1,231	516
Group total	5,416	1,755	2,044	3,120	1,403

*) Of the Parent Company's pensions costs, the Board of Directors and President account for SEK 1,919 thousand. The Company's outstanding pension commitments to these persons amounts to SEK 46,162 thousand. The stated pension costs are reported net after compensation from the pension foundation. Of the Group's pensions costs, Boards of Directors and Presidents account for SEK 7,903 thousand. The Group's outstanding pension commitments to these persons amounts to SEK 68,294 thousand. The stated pension costs are reported net after compensation from the pension foundation.

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, payable if employment is terminated by the employer. The payment is adjustable against remuneration received in the form of a salary or otherwise from a new employer, should the President terminate his employment. A temporary pension is payable between age 55 and 60, in an amount of 50 percent of the most recently paid salary and between age 60 and 65 in an amount of 60 percent, if employment is terminated by the President, and of 70 percent if employment is terminated by the Company. As of age 65, customary old-age pension corresponding to the ITP plan (individual supplementary pension) is payable, as well as a life-long pension with a current capital value of SEK 0.8 m.

The contracted retirement age for vice presidents is 60, with a three-year period of notice. There are no agreements regarding severance pay. Other 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 if employment is terminated by the employer.

Remuneration to the President is determined by the Compensation Committee, which consists of Jan Ekman, Hans Larsson and Bernt Magnusson.

During 1997, the Chairman received the Board fees shown below and a pension.

During 1997, the President received remuneration and benefits from the Company in an amount of SEK 3,887 thousand, including a bonus of SEK 700 thousand for 1996. The bonus for 1997 will be established following approval of the financial accounts for that year.

As approved by the 1997 Annual General Meeting, fees totaling SEK 1,226 thousand were paid to members of the Board during 1998. The corresponding decision at the 1996 Annual General Meeting amounted to SEK 1,200 thousand. During 1997, SEK 150 thousand was paid to the Chairman of the Board and SEK 292 thousand to the former Vice Chairman Bo Ax:son Johnson. External Board members who are also members of business area Boards received remuneration of SEK 7 thousand per attended Board meeting.

Proposed disposition of unappropriated earnings

The Group's unrestricted shareholders' equity amounts to SEK 1,612 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	2,477,204,055	
• net loss for the year	SEK	<u>-375,200,338</u>	
	SEK	2,102,003,717	

be disposed as follows:

• dividend to shareholders			
SEK 1,50 per share	SEK	162,653,733	
• to be carried forward	SEK	<u>1,939,349,984</u>	
	SEK	2,102,003,717	

Solna, March 2, 1998

Bernt Magnusson

Fredrik Lundberg

Hans Larsson

Ulric von Rosen

Lars Bergqvist

Jan Ekman

Jacob Palmstierna

Carl Wilhelm Ros

Per Welin

Jonte Söderström

Kosti Markkanen

Jan Sjöqvist
President and CEO

Auditor's report

To the general meeting of the shareholders of NCC AB.
Registered Number 556034-5174

We have audited the parent company and the consolidated financial statements, the accounts and the administration of the board of directors and the managing director of NCC AB for 1997. These accounts and the administration of the Company are the responsibility of the board of directors and the managing director. Our responsibility is to express an opinion on the financial statements and the administration based on our audit.

We conducted our audit in accordance with Generally Accepted Auditing Standards in Sweden. Those Standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and their application by the board of directors and the managing director, as well as evaluating the overall presentation of information in the financial statements. We examined significant decisions, actions taken and circumstances of the Company in order to be able to determine the possible liability to the Company of any board member or the

managing director or whether they have in some other way acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association. We believe that our audit provides a reasonable basis for our opinion set out below.

In our opinion, the parent company and the consolidated financial statements have been prepared in accordance with the Annual Accounts Act and consequently we recommend

- that the income statements and the balance sheets of the Parent Company and the Group be adopted, and
- that the profit of the Parent Company be dealt with in accordance with the proposal in the Report of the Board of Directors.

In our opinion, the board members and the managing director have not committed any act or been guilty of any omission, which could give rise to any liability to the Company. We therefore recommend

- that the members of the board of directors and the managing director be discharged from liability for the financial year.

Solna, March 17, 1998

Sten Lundvall
Authorized Public Accountant

Willard Möller
Authorized Public Accountant

● Appointed by the Annual General Meeting



Bernt Magnusson

Born 1941
Member and Chairman of the NCC AB Board. 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, MeritaNordbanken Abp, the Federation of Swedish Industries and the Stockholm Chamber of Commerce. Adviser to the European Bank for Reconstruction and Development.
Shareholding in NCC AB: 186,838 series B shares.



Fredrik Lundberg

Born 1951
President and Chief Executive Officer of L E Lundbergföretagen AB. Deputy chairman of NCC AB Board since 1997. Chairman of Mo och Domsjö AB. Board member of L E Lundbergföretagen AB and Bilja AB.
Shareholding in NCC AB: 301,540 series A shares and 74,464 series B shares.



Hans Larsson

Born 1942
President of Nordstjernan AB. NCC Board member since 1992. Deputy Chairman since 1994.
Chairman of Althin Medical AB. Board member of Bilja AB, BTL AB, Handelsbanken AB, Mo och Domsjö AB and others.
Shareholding in NCC AB: 25,000 series B shares.



Ulric von Rosen

Born 1944
Chairman of Nordstjernan AB, the Axel and Margaret Ax:son Johnson Foundation and AB Sangtec Medical. NCC Board member since 1997.
Shareholding in NCC AB: 1,000 series A shares.



Jan Ekman

Born 1929
Bank executive. Deputy Chairman of Handelsbanken. NCC Board member since 1985. Chairman of WMI Sellbergs AB and SAKAB. Board member of Catella AB, Granges AB, INGKA Holding B V, Amsterdam, PLM AB, Svenska Statoil AB, Waste Management International plc, London, and others. Member of the Advisory Panel of the International Finance Corporation (IFC), Washington.
Shareholding in NCC AB: 16,000 series B shares.



Jacob Palmstierna

Born 1934
Honorary Doctor of Economics. NCC Board member since 1991.
Chairman of Bilja AB and Siemens Elema AB. Deputy Chairman of MeritaNordbanken Abp. Board member of Avesta Sheffield AB, ICB Shipping, Nordstjernan AB and others.
Shareholding in NCC AB: 470 series B shares.



Carl Wilhelm Ros

Born 1941
First Vice President, Telefonaktiebolaget L M Ericsson. NCC Board member since 1994. Board member of the Fourth AP Fund, LKAB and others.
Shareholding in NCC AB: 1,000 series B shares.



Per Welin

Born 1936
NCC Board member since 1997. Board member of Allgon, Autoliv AB, L E Lundbergföretagen AB, Mo och Domsjö AB, Östgöta Enskilda Bank and others.



Jan Sjöqvist

Born 1948
President of NCC AB. NCC Board member since 1994. Board member of Stora AB and Silja Oy Ab.
Shareholding in NCC AB: 60,089 series B shares.
Warrants in NCC AB: corresponding to 50,000 series B shares.

NOMINATION COMMITTEE

In view of NCC's concentrated ownership situation, no formal Nomination Committee has been appointed. The principal owners are contacted by the Chairman of the Board in ample time prior to the Annual General Meeting to obtain proposals regarding the composition of NCC AB's Board of Directors. Other shareholders are also given an opportunity to submit proposals to the Chairman of the Board.

The Board of Directors has held 10 board meetings during the year.

● 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 of the Swedish Building Workers' Union. Born 1965. Board member since 1994.
Member of the executive council of the Swedish Building Workers' Union.



Kosti Markkanen

Representative of the Swedish Building Workers' Union. Born 1931. Board member since 1996. Member of Department 2 (in Malmö) of the Swedish Building Workers' Union.
Shareholding in NCC AB: 115 series A shares.

● Deputy members



Karl-Olof Fransson

Employee representative for SEKO (union for employees in the service and communication sectors). Born 1941. Deputy member since 1993.
Chairman of SEKO's road and rail department in southeast Sweden.



Marita Mannerfjord

Employee representative for the Swedish Industrial Salaried Employees' Association. Born 1944. Deputy member since 1998.

● Secretary



Ulf Wallin

Senior legal counsel in NCC AB. Born 1949. NCC AB's Board Secretary since 1996.
Warrants in NCC AB: Corresponding to 2,000 series B shares.

● Auditors

Regular Auditors

Sten Lundvall,
Authorized Public Accountant
KPMG Bohlins AB
Auditor of NCC since 1982.

Willard Möller,
Authorized Public Accountant
SET 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 Revisionsbyrå AB
Deputy auditor of NCC since 1992.

Shareholdings include those of spouse, children and related companies.



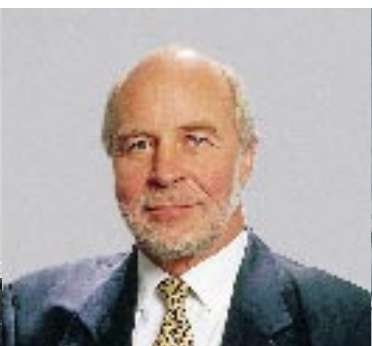
Jan Sjöqvist

President and Chief Executive Officer. Born 1948. Employed since 1985. Other data: see page 72.



Lars Wuopio

President of Civil Engineering business area. Born 1939. Employed since 1987. Board member of the Swedish Construction Federation. Chairman of the Board member of KTH Bygghälsa. *Shareholding in NCC AB: 2,857 series B shares. Warrants in NCC AB: Corresponding to 25,000 series B shares.*



Lennart Ericsson

President of Housing business area. Born 1942. Employed since 1964. Chairman of the Board member of Norrköpings konsert- och kongress AB.



Kenneth Orrgren

President of Building business area. Born 1942. Employed since 1967. Board member of AB Previa Rikshälsan, Section Board I at the Chalmers Institute of Technology and the Western Sweden Chamber of Commerce. *Shareholding in NCC AB: 2,100 series B shares. Warrants in NCC AB: corresponding to 20,000 series B shares.*



Hans Kjellgren

President of Industry business area. Born 1944. Employed since 1964. Board member of the Employers' Association of Swedish Building Material Manufacturers and EAPA. *Warrants in NCC AB: corresponding to 35,000 series B shares.*



Magnus Mannesson

President of Real Estate business area. Born 1952. Employed since 1977. Board member of NK Cityfastigheter AB. *Warrants in NCC AB: corresponding to 35,000 series B shares.*



Tommy Nilsson

President of Invest business area. Born 1944. Employed since 1968. Board member of BPA AB, Silja Oy AB and A-Train AB. *Warrants in NCC AB: corresponding to 35,000 series B shares.*



Hans Engebretsen

Environment and Quality. Born 1944. Employed since 1979. Board member of A-Train AB. *Shareholding in NCC AB: 6,000 series B shares.*



Gunnar Liljeström

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



Bo Friberg

Business Control and IT. Born 1957. Employed since 1988.



Corporate Communications

Hans-Olof Karlsson

Born 1946. Employed since 1989.
Board member of Byggförlaget.
Shareholding in NCC AB: 1,000 series B shares.
Warrants in NCC AB: corresponding to 10,000 series B shares.

Finance

Staffan Bennerdt

Born 1954. Employed since 1985.
Chairman of the Board of Industrins
Finansförening.
Shareholding in NCC AB: 1,000 series B shares.
Warrants in NCC AB: corresponding to 10,000 series B shares.

Technology and R&D

Lennart Apleberger

Born 1943. Employed since 1968.
Chairman of Section Board V at the
Chalmers Institute of Technology.
Shareholding in NCC AB: 380 series A and
56 series B shares.
Warrants in NCC AB: corresponding to 6,000 series B shares.



SEC alliance and EU matters

Lars Wirdemark

Born 1938. Employed since 1964. Board
member of Société Européenne de
Construction S.A., the INS Alliance and
A-Train AB.
Warrants in NCC AB: corresponding to
10,000 series B shares.

Purchasing

Klas Frisk

Born 1957. Employed since 1999.

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FINANCIAL INFORMATION

May 13, 1998	Interim report for the three-month period ending March 31, 1998
August 18, 1998	Interim report for the six-month period ending June 30, 1998
November 10, 1998	Interim report for the nine-month period ending September 30, 1998

These reports are sent automatically to NCC shareholders who wish to receive them. Others requiring a copy of these reports can order them from to NCC AB, tel: +46 8 652 2000; fax: +46 8 85 77 75; e-mail: info@ncc.se; or www.ncc.se. NCC's Environmental Report and NCC's Real Estate for 1997 can be ordered in the same way.



www.ncc.se



Order NCC's Environmental Report for 1997 and NCC's Real Estate Report for 1997



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Cover:
 NCC is the lead company in Øresund Tunnel Contractors, ØTC, which is building the 3.7-kilometer long tunnel that is part of the Øresund Link.



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NCC

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