



# NCC 2003



## CONTENTS

Summary of 2003	1
Review by the President	2
The NCC share	6
Strategic orientation	8
Risks and risk management	12
Market and competitors	13
NCC in the community	14
Employees	16
Environmental efforts	19
Group overview	20
NCC's Construction units	22
– NCC Construction Sweden	24
– NCC Construction Denmark	26
– NCC Construction Finland	27
– NCC Construction Norway	28
– NCC Construction Germany	29
– NCC International Projects	30
NCC Property Development	31
NCC Roads	34
Report of the Board of Directors	38
Income statements	44
Balance sheets	46
Changes in shareholders' equity	48
Cash flow statements	49
Accounting principles	50
Notes	56
Proposed disposition of unappropriated earnings	73
Auditors' Report	73
Multi-year review	74
Quarterly data	76
Definitions / Glossary	77
Corporate governance	78
Board of Directors and Auditors	80
Senior executives	82
Financial information	84
Index of key words	85

This is a translation of the original Swedish Annual Report. In the event of differences between the English translation and the Swedish original, the Swedish Annual Report shall prevail.

NCC creates future environments for work, living and communication. The photos on the front cover show living environments in apartments in Upplands-Bro that were built in accordance with an NCC concept called "La Dolce Vita". At the Centralhuset building in Gothenburg, a notable example of NCC's state-of-the-art approach to office construction, the choice of larchwood timber for the façade reduces maintenance needs. Traffic environments are improved by the construction of 2+1 roads, which enhance road safety.

Photo: Henrik Ottosson and Ulf Celander

The photos on the opposite page show an interior view of the Sund Department of Sotra Senior High School outside Bergen, Norway, 2+1 roads with median cable barriers in Skaraborg, Sweden, and an exterior view of Centralhuset in Gothenburg.

Photo: Henrik Ottosson and Ulf Celander

# NCC 2003

## FOCUS

Focusing on a successful business approach means assigning priority to profitability rather than volume. Our competitive edge is developed in close cooperation with customers. NCC focuses on devoting all of its time and resources to satisfying customer needs in the best possible manner.

## SIMPLICITY

Simplicity means minimizing all forms of bureaucracy that restrict the business and do not generate added value for our customers. Simple, straightforward solutions boost our efficiency. Doing business with NCC must be as simple as possible.

## RESPONSIBILITY

Building the environments of the future and thus contributing to sustainable social development entails a major responsibility. Responsible enterprise creates value for customers and, within NCC, accepting personal responsibility is a matter of course.

# TOMORROW'S ENVIRONMENTS FOR WORKING, LIVING AND COMMUNICATIONS

NCC is one of the leading construction and property-developing companies in the Nordic region. The Group had annual sales of SEK 45 billion in 2003, with 24,000 employees.

## **FOCUS ON THE NORDIC REGION**

NCC is active throughout the value chain in its efforts to create environments for work, living and communications. NCC develops residential and commercial property projects and builds offices, industrial facilities, housing, roads, civil engineering structures and other types of infrastructure. NCC also offers input materials used in construction, such as aggregates, asphalt and ready-mixed concrete, and conducts paving, operation and maintenance operations in the roads sector. The Group's geographical focus is on the Nordic region. In other selected markets, NCC also undertakes large-scale, technologically advanced civil engineering projects.

## **EXPECT A BIT MORE**

NCC's vision is that the customer should be able to expect a bit more from NCC when it comes to developing future environments for work, living and communications. We shall operate as a young, exciting company that is distinguished by its customer focus, simple straightforward solutions and responsible action.



## CONSTRUCTION

NCC's Construction units develop residential projects and build offices, industrial facilities, housing, roads, civil engineering structures and other types of infrastructure. In 2003, operations were conducted in Sweden, Norway, Denmark, Finland and Germany.

In addition, NCC International Projects conducts large, technologically advanced civil engineering projects in a number of selected international markets.

## PROPERTY DEVELOPMENT

NCC Property Development develops commercial properties in Nordic growth markets and offers them to investors. The properties are to be characterized by inspiring environments that help businesses and individuals to achieve outstanding results. The business area's property development profile has been enhanced during recent years, in pace with the sale of virtually all of its managed properties.



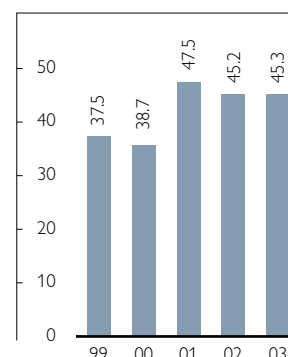
## ROADS

NCC Roads' core operations are aggregates, asphalt, paving and road maintenance. The business area has assets in the form of asphalt plants, ready-mix concrete facilities and gravel and rock pits. NCC Roads is active mainly in the Nordic region but also in Poland, the Baltic countries and the S:t Petersburg area of Russia.

# SUMMARY OF 2003

- The Group's streamlining and concentration on core business continued during 2003. Concrete operations, ready-mix concrete plants and the shareholding in A-Train AB were divested. Altima was spun off to NCC's shareholders. Properties were sold for a total of SEK 2.0 billion.
- Net indebtedness was reduced to SEK 4.9 billion (5.8).
- The strategy adopted in 2001 of assigning priority to profitability ahead of volume generated favorable effects in all Construction units. Although NCC Construction Sweden and NCC Construction Denmark's sales declined by slightly more than 20 percent compared with the boom period experienced two years ago, their operating profit improved sharply. Following two loss-making years, NCC Construction Norway reported a profit for 2003.
- The Nordic construction market remained weak in 2003 and no growth is expected in 2004 or 2005. NCC's focus in the years ahead will be on enhancing the Group's competitiveness by sharpening efficiency and improving product and concept development, while further strengthening the Group's financial position.
- NCC reports a loss for 2003, due mainly to write-downs within NCC Property Development.

**Net sales**  
1999–2003, SEK billion



At the end of the 1990s, NCC's sales increased as a result of, among other factors, several acquisitions. During 2002, sales decreased due to consolidation measures, the phase-out of operations, a selective tendering policy and weaker market conditions.

## Key figures

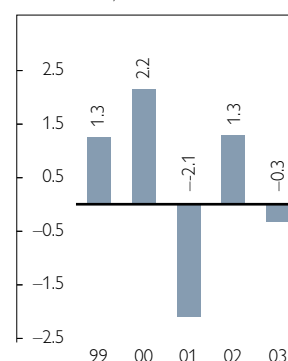
	2003	2002 <sup>1)</sup>
Orders received, SEK M	40,941	43,098
Sales, SEK M	45,252	45,165
Operating profit/loss (EBIT), SEK M	5	1,820
Profit/loss after financial items (EBT), SEK M	-323	1,306
Earnings/loss per share after tax, SEK	-4.10	7.95
Dividend per share, SEK	2.75 <sup>2)</sup>	2.75 <sup>3)</sup>
Cash flow before financing, SEK M	762	5,055
Return on shareholders' equity, % <sup>1)</sup>	neg	11
Equity/assets ratio, %	21	22
Average number of employees	24,076	25,554

<sup>1)</sup> The result for 2002 included a capital gain of SEK 301 M from the sale of the subsidiary NVS.

<sup>2)</sup> Proposed dividend.

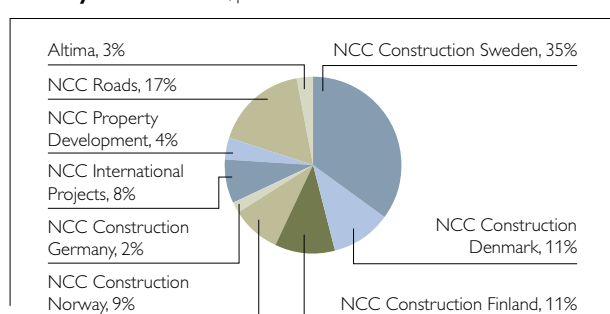
<sup>3)</sup> In addition, shares in Altima Group AB were spun off in December 2003, whereby shareholders received one Altima share per ten NCC shares held. The Swedish National Tax Board has established that the dividend value of Altima shares is SEK 6.70 per NCC share.

**Profit/loss after financial items (EBT)**  
1998–2003, SEK billion



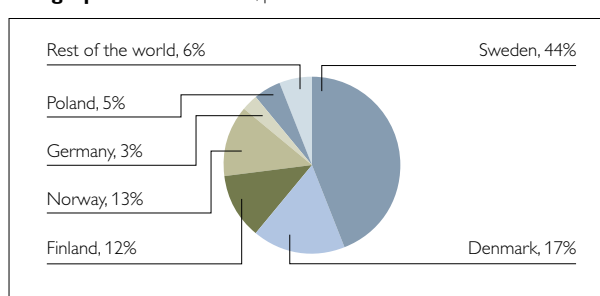
A loss of SEK 323 M was reported after financial items for 2003. The loss was due mainly to write-downs within NCC Property Development. The loss for 2001 was due mainly to write-downs and provisions.

## Sales by business area, percent



NCC Construction Sweden accounted for 35 percent of consolidated sales in 2003.

## Geographic markets Sales, percent



The NCC Group's geographical focus is on the Nordic region and Sweden is the largest single market. During 2003, operations in Sweden accounted for 44 percent of total consolidated sales. Denmark is the second largest market, followed by Norway and Finland.

# REVIEW BY THE PRESIDENT

## ENTERING THE “FITNESS PHASE”

I measure my own and NCC’s success by looking at the bottom line of the income statement. The figure for 2003 indicates that we were unsuccessful. Despite reporting a loss, however, I still feel that NCC developed satisfactorily during the year:

- All Construction units reported profitable results in 2003, reduced tied-up capital and showed a positive margin trend. In addition, several units outperformed competitors in terms of profit margins.
- Although NCC Roads was adversely affected by a sharp decline in volumes and prices, the business area took forceful actions during the second half of the year to reduce costs, sharpen efficiency and improve its profitability. A number of non-core operations were sold, which reduced tied-up capital and increased capital return.
- NCC Property Development, under a new management, launched a restructuring program during the spring that halved its organization and adopted a new strategy that is less

speculative and concentrates on the Nordic region. Considerable property write-downs were posted in the final accounts for 2003.

- Sales and administrative costs were reduced additionally during the year. These costs were reduced to 6 percent of sales in 2003, compared with nearly 9 percent a few years ago.
- Employee pride in working for NCC continued to increase during 2003 and ever-larger numbers of NCC employees are staying with the company. This positive job-satisfaction trend is evident from our extensive Human Capital Index, which is described in greater detail on pages 16–17 and is possibly attributable to our greater focus on ethical values, leadership and skills development. Nevertheless, we continued to reduce the number of employees during the year, we divested operations and we became even more economical in our daily activities.
- Our dedicated efforts to transform our values – focus, simplicity and responsibility – into practical actions have gained support



The Turnaround action program has been completed. NCC has become leaner and sharper. In the years ahead, our organization, products and services will be toned up for future growth. NCC is now entering the Fitness Phase.

among customers, shareholders and employees. A Code of Conduct has been adopted. In addition, about 1,500 employees attended training in competition legislation during the year.

- The total return to shareholders – defined as the share-price trend during the year plus the ordinary dividend and the value of the spinoff of Altima shares – was approximately 22 percent.

#### **BECOMING BETTER WHERE NCC IS STRONG**

The Turnaround action program was launched in September 2001 with the aim of reversing the Group's negative trend. Our strategy of assigning priority to profitability ahead of volume has generated favorable effects within all Construction units in recent years. Although NCC Construction Sweden and NCC Construction Denmark's sales declined by slightly more than 20 percent compared with 2001, their operating profit improved sharply, and NCC Construction Norway is now generating profits following two loss-making years. The unsatisfactory consolidated result that was reported for 2003, despite these successes, was due to a reduction in volumes and price pressure within NCC Roads, weak rental markets and write-down requirements that led to operating losses within NCC Property Development.

The strategy we have pursued in the past few years stands firm. This means that we will continue to focus on product and service areas in which we have specialist skills and on markets that we know. Geographically, NCC will focus primarily on the Nordic region. We have adopted a cautious approach to submitting tenders since 2001, a policy that still applies. We are avoiding risks that cannot be calculated and "strategic" projects and are instead concentrating on business in areas where we know we can make money. We will become better in areas where we are strong and will thus become smaller, sharper and more profitable. At the same time, we will move on to the next stage in the Group's development – the Fitness Phase. We will now tone up both the organization and our products and services, to prepare them for future growth.

#### **THE FITNESS PROGRAM**

We believe that the Nordic construction market will be weaker in 2004 than in 2003 and we do not expect any growth in 2005. The positive aspect of such a trend is that implementing changes is easier when markets are weak. We intend to exploit the recession in order to enhance our own efficiency and to

Every week, Alf Göransson (left) visits one of the Group's many projects. In Frösunda-Solna, just outside Stockholm, NCC has built residential and office properties, in addition to conducting roadwork and civil engineering activities. Jeanette Henriksson and Anders Fredriksson (right) are salespeople who sell residential properties in Stockholm.

Photo: Henrik Ottosson



Alf Göransson engaged in a discussion with Bernt Olsson, site manager at one of NCC's projects in central Stockholm.

Photo: Henrik Ottosson

promote changes in the unbending and conserving structures that characterize our industry. In 2004 and 2005, NCC will focus on boosting the Group's competitiveness by sharpening our efficiency and improving our product and concept development, while further strengthening the Group's financial position. The ultimate aim is that by honing our competitiveness, we will be able to grow faster than our competitors when the Nordic construction market picks up again, which we estimate will occur in 2006. The main cornerstones in the change process will be:

- **NCC Partnering.** NCC is about to become the industry's benchmark company for NCC Partnering. And we can demonstrate that NCC Partnering leads to lower costs, higher quality for our customers and better margins for us. The foundations are rock-solid valuation work, combined with open books and constructive cooperation among all parties.
- **NCC EkoConcept.** NCC has formulated a unique model for optimizing the total cost of a building project, by calculating investment, operating and maintenance costs, as well as the environmental impact. This model, which has been used successfully in Finland, is now being introduced throughout the Group.

- **Platforms.** We are creating standard modules that can be combined in various ways in order to create cost-effective office and housing solutions.
- **Industrialized housing construction.** We will increasingly use "flat packages" containing a high degree of added value, which are built in factories and assembled on site. This will reduce construction costs and increase quality. At the same time, it will facilitate considerable architectural freedom and a wide selection of optional features for end consumers.
- **Internal efficiency.** Rationalization and simplifications of routine activities will reduce administrative costs and improve the profit margins on our projects. Efficient management, control and follow-ups are the basis for increased profitability and reduced project risks.
- **Purchasing.** Group-wide coordination of purchasing and better utilization of the large purchasing volumes that arise in a major construction company, will lead to reduced construction costs and improved margins.
- **Financial strength.** The focus on core business, divestment of non-core operations, no managed properties and a smaller real estate portfolio, as well as a better capital turnover rate, will enable NCC to gradually become a much stronger company in financial terms in the years ahead.



During 2004, NCC will enter the next phase, called Fitness. The organization, products and services will be toned up for future growth. The main cornerstones in this program of change will be special cooperation formats (NCC Partnering, NCC Eko-Concept), industrialization of the construction process, purchasing coordination and a focus on core business, which will contribute to making NCC a financially strong company.

#### PRICE – STILL REMAINS OUR PRINCIPAL COMPETITIVE TOOL

Competitiveness can be described in many ways, but in most cases there is no point in our submitting a tender if we cannot offer a competitive price, or the lowest lifecycle cost. There are few exceptions to this rule, and these usually involve another competitive factor that still results in the lowest total cost for the customer. In response to this claim, it is sometimes stated that there is a conflicting relationship between profitability and price as competitive tools. My aim is that in a couple of years NCC will outperform the market, meaning our competitors, in terms of growth, which requires that the amounts included in our cost calculations are lower than the average for our competitors. Lower costs result in more competitive prices and higher growth. We have not achieved these aims yet, but the Fitness phase will advance our positions considerably.



**COORDINATED PURCHASES OFFER GREAT POTENTIAL**

Since there is no historical evidence of any correlation between size and profitability in the construction industry, the time has now come to explain why we need to be a large construction company.

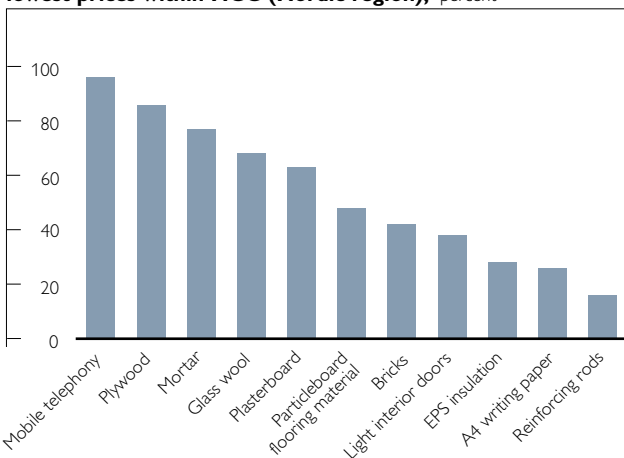
Part of the answer can be found in the considerable potential offered by purchasing. Today, 2 percent of the Group’s purchasing is coordinated on a Nordic basis. At the same time, we know that for large amounts of our purchases there is a 10 to 100-percent difference between the highest and lowest price that NCC pays for the same product in the various Nordic countries. For example, the price of mortar in the country with the highest price is 40 percent higher than in the country with the lowest price.

Attempts at coordinating purchasing have been made in the past without any notable success. The key to success is emphasizing the importance of purchasing within the line organization. Other prerequisites for success include increasing the number of national and Nordic purchasing agreements, while at the same time enhancing customer loyalty to agreements already reached. Competition among suppliers must increase and the supply chains must be shortened. New, international suppliers are needed in the market, a development that we want to facilitate, and we must devise better systems for comparing prices among countries. During 2003, we established a foundation for the creation of new purchasing patterns. When these are firmly in place, we will be able to fully exploit our large volumes and thus be able to offer customers the best price, while concurrently improving our margins.

**INCREASING THE VALUE WE ADD**

In order to further enhance our margins, we need to increase our share of the value-adding process. This requires in turn that we penetrate the sub-supplier level and to a greater extent pur-

**Difference between highest and lowest prices within NCC (Nordic region), percent**



Coordinated purchases within the Nordic region offer considerable potential for the NCC Group. Today, only 2 percent of the Group’s purchasing is coordinated.

chase materials and purchase project-planning services separately, or perform them on a proprietary basis and then undertake or procure the installation work separately. This marks a radical change within NCC and in terms of developments within the sector. In fact, the actual trend in the market at large has been in the opposite direction, with NCC’s share of the value-adding process being halved in the past 15 to 20 years. I do not believe in a continued reduction in the value we add, which would increasingly make us a construction management company, since this would confine us to permanently low operating margins. I would prefer to conduct more work on a proprietary basis rather than reducing the value we add. I also believe that this path will lead to lower construction costs, compared with what a specialist construction management company can achieve.

**INDUSTRIALIZED, SUSTAINABLE AND EFFICIENT CONSTRUCTION**

This new phase, the Fitness Phase, will entail new challenges, both for me and for all other NCC employees. As a large construction company, we spearhead change in the sector and we want to conduct construction operations in an industrialized, sustainable and efficient manner. Coordinating purchases and increasing the value we add are key ingredients in our efforts to reduce total construction costs and create a competitive edge for NCC, which is in turn a prerequisite for generating growth. The values of our employees form the foundation for the way we act in relation to customers and other stakeholders and are also an important instrument for my ability, as Chief Executive Officer, to control the organization. Put simply, we must all speak the same language and have the same values.

The Fitness Phase will take us a step closer to our long-term profitability objective of a 15-percent return on equity after taxes.

It would be difficult to find a more challenging and exciting position than managing NCC, and I am convinced that change is the only route to success.

Solna, March 2004

Alf Göransson  
President and  
Chief Executive Officer



# THE NCC SHARE

## TOTAL RETURN OF 22 PERCENT FOR 2003

The price of the NCC share rose by approximately 5 percent in 2003. At year-end, the market price per Series B share was SEK 55.50. NCC's market capitalization at the end of 2003 was about SEK 5.6 billion. Regularly updated share data, share-price information, ownership statistics and a list of relevant stock analysts are available on NCC's website [www.ncc.info](http://www.ncc.info)

NCC's shares were initially listed on Stockholmsbörsen's O List in 1988, under the Nordstjernan name. The shares moved to the Exchange's A List in 1989. As of November 18, 2002 the shares are again traded on the O List, because shares traded on the O List are subject to lower inheritance and gift tax than shares on the A List. The number of NCC shareholders at the end of 2003 was 22,808 (23,769). Series A shares carry ten voting rights and Series B shares carry one voting right each.

### SHARE PERFORMANCE AND TRADING

The highest price paid per Series B NCC share during 2003, SEK 57.50, was quoted on September 12 and the lowest price, SEK 40.50, on May 28. At year-end, the market price per B share was SEK 55.50 (53.00), corresponding to an approximately 5-percent increase during the year. Stockholmsbörsen as a whole (according to the Affärsvärlden General Index) rose by about 30 percent during 2003. The sector index (AFV Construction and Civil Engineering Index), however, fell by approximately 3 percent. At year-end, NCC B shares had weightings of 0.25 percent (0.33) in the General Index and 8.04 percent (8.25) in the sector index.

During 2003, an average of 16,502 (16,747) Series A shares and 98,811 (96,312) Series B shares were traded per day. A total of 29.1 million (28.2) NCC shares were traded during the year, corresponding to 28 percent (28) of the total number of NCC shares issued (excluding repurchased shares).

The price of NCC shares fluctuated less than the General Index. The beta value for 2003 was 0.56 (0.38), meaning that volatility in the price of NCC shares was 44 percent (62) less than that of the General Index during the year.

### SHARE REPURCHASES AND CONVERSIONS

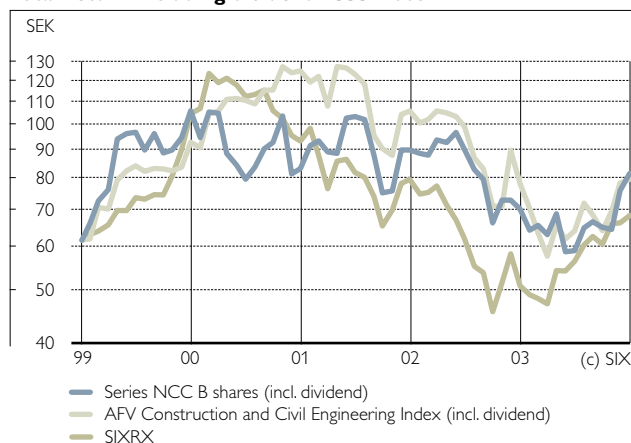
During 2000–2003, NCC bought back a total of 6,035,392 Series B shares. The intention is to use the repurchased shares to cover obligations under NCC's rolling options program (also see Note 32 page 70), which was discontinued in 2002. Three shares were repurchased in 2003. The reason for repurchasing was to arrive at an even number of shares in connection with the spinoff of Altima shares. Less the repurchased shares, the total number of shares outstanding at year-end was 102,400,430.

According to a decision made at the 1996 Annual General Meeting, a paragraph was added to the Articles of Association entitling holders of Series A shares to convert their Series A shares to B shares. During 2003, 2,892,296 (860,383) Series A shares were converted to B shares. Written requests regarding conversion must be submitted to the Board of Directors, which makes decisions regarding possible conversions on an ongoing basis.

### DIVIDEND

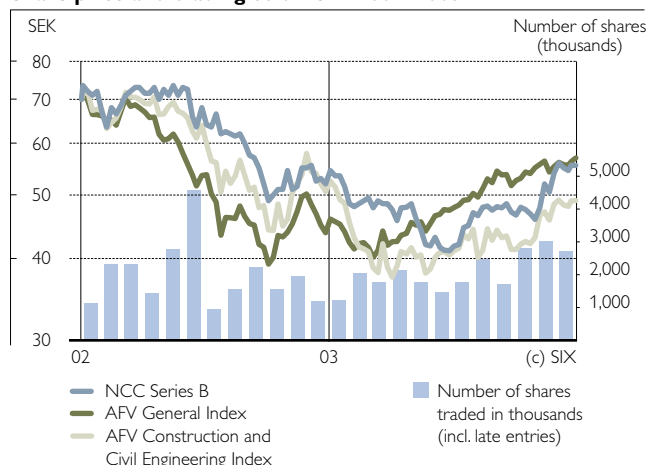
NCC's dividend policy is to distribute approximately half of profit after taxes to shareholders. In 2002, NCC distributed a cash dividend of SEK 2.75 per NCC share plus one Altima share per ten NCC shares held. The Swedish National Tax Board has established that the dividend value of Altima shares is SEK 6.70 per NCC share. The total return (dividend plus share price performance) for NCC B shares in 2003 was approximately 22 percent (minus 20), compared with the stock-exchange average (according to Six Return Index) of 34 percent (minus 36). The Board of Directors proposes a dividend of SEK 2.75 (2.75) per share for 2003.

Total return including dividend 1999–2003



On average, the total return (share performance including dividend) on NCC B shares has outperformed the stock exchange in the past five years.

Share price and trading volume in 2002–2003



The price of NCC's B share rose by 5 percent in 2003. In the past two years, the NCC share has largely tracked the General Index and marginally outperformed the Sector Index.

## Share data

	2003	2002	2001
Profit/loss after tax, SEK	-4.10	7.95	-21.60
Shareholders' equity, SEK	60.45	74.20	69.75
Dividend, SEK	2.75	2.75 <sup>1)</sup>	2.25
Market price/shareholders' equity, %	92	71	100

<sup>1)</sup> In addition, shareholders received one Altima share per ten NCC shares held.

## A and B shares<sup>1)</sup>

	Series A shares	Series B shares	Total A and B shares
No. of shares on Dec. 31, 1999	63,111,682	45,324,140	108,435,822
Conversion of Series A to Series B shares during 2000	-665,914	665,914	
Shares repurchased during 2000	0	-2,775,289	-2,775,289
No. of shares on Dec. 31, 2000	62,445,768	43,214,765	105,660,533
Conversion of Series A to Series B shares during 2001	-653,264	653,264	
Shares repurchased during 2001	0	-699,300	-699,300
No. of shares on Dec. 31, 2001	61,792,504	43,168,729	104,961,233
Conversion of Series A to Series B shares during 2002	-860,383	860,383	
Shares repurchased during 2002	0	-2,560,800	-2,560,800
No. of shares on Dec. 31, 2002	60,932,121	41,468,312	102,400,433
Conversion of Series A to Series B shares during 2003	-2,892,296	2,892,296	
Shares repurchased during 2003	0	-3	-3
No. of shares on Dec. 31, 2003	58,039,825	44,360,605	102,400,430
Number of voting rights	580,398,250	44,360,605	624,758,855
Percentage of voting rights	93	7	100
Closing price, Dec. 30, 2003, SEK	54.50	55.50	
Market capitalization, SEK M	3,163	2,462	5,625

<sup>1)</sup> Between January 1 and February 25, 2004, 442,110 Series A shares were converted into Series B shares.

## Ownership structure at December 31, 2003<sup>1)</sup>

Shareholder	No. of Series		Percentage of Share Voting rights	
	A shares	B shares	Share capital	rights
Nordstjernan AB	32,169,805	4,023,390	35.3	52.1
L E Lundbergföretagen	10,721,140	3,242,860	13.6	17.7
Robur mutual funds	5,296,276	531,832	5.7	8.6
Eikos mutual funds	1,209,250	2,765,000	3.9	2.4
Svenska Handelsbanken	1,402,431	936,213	2.3	2.4
Swedish Industrial Salaried Employees Association	-	2,242,804	2.2	0.4
Livförsäkrings AB Skandia	1,313,175	830,624	2.1	2.2
Ram One Fund	94	1,770,000	1.7	0.3
Baltic Sea Foundation	-	1,482,973	1.4	0.2
SEB mutual funds	-	1,465,400	1.4	0.2
State Street	4,470	1,232,575	1.2	0.2
Skandinaviska Enskilda Banken	567,106	644,600	1.2	1.0
The Knowledge Foundation	615,000	385,000	1.0	1.1
Carlson funds	-	792,750	0.8	0.1
Futuris fund	-	730,000	0.7	0.1
FPG/AMFK	283,700	349,300	0.6	0.5
Handelsbanken mutual funds	-	614,844	0.6	0.1
Pictet & Cie	-	582,100	0.6	0.1
Third AP Fund	-	575,400	0.6	0.1
Metroland BVBA	-	500,000	0.5	0.1
<b>Total largest 20 shareholders</b>	<b>53,582,447</b>	<b>25,697,665</b>	<b>77.4</b>	<b>89.9</b>
Others	4,457,378	18,662,940	22.6	10.1
<b>Total</b>	<b>58,039,825</b>	<b>44,360,605</b>	<b>100</b>	<b>100</b>
Repurchased shares	-	6,035,392		
<b>Total number of shares</b>	<b>58,039,825</b>	<b>50,395,997</b>		

<sup>1)</sup> Calculated after a deduction for repurchased shares. (Source:VPC.)

## The largest changes in shareholdings during 2003<sup>1)</sup>

Owner	No. of Series A shares	No. of Series B shares	Total No. of shares	Percentage of Share Voting rights	
				Share capital	rights
Nordea mutual funds	-395,200	-2,320,900	-2,716,100	-1.00	-2.65
Ram One Fund	94	1,347,000	1,347,094	0.22	1.32
State Street	634	1,228,439	1,229,073	0.20	1.20
Baltic Sea Foundation	-	1,020,000	1,020,000	0.16	1.00
Robur mutual funds	619,572	-1,530,675	-911,103	0.74	0.89
Third AP Fund	-1,075,400	180,400	-895,000	-1.69	-0.87
Second AP Fund	-155,250	-647,321	-802,571	-0.35	-0.78
Confederation of Swedish Enterprises	-	-800,000	-800,000	-0.13	-0.78
Swedish Industrial Salaried Employees Association	-1,069,256	1,602,856	533,600	-1.45	0.52
Nordstjernan AB	25,105	370,650	395,755	0.10	0.39

<sup>1)</sup> Calculated after a deduction for repurchased shares. (Source:VPC.)

## Distribution of shares by holding<sup>1)</sup>

No. of shares held	No. of shareholders	Percentage of total shareholders	No. of shares	Percentage of share capital
1-500	18,050	79.1	2,690,909	2.6
501-1,000	2,559	11.2	2,090,228	2.0
1,001-2,000	1,156	5.1	1,809,289	1.8
2,001-5,000	586	2.6	1,952,146	1.9
5,001-10,000	186	0.8	1,431,875	1.4
10,001-20,000	100	0.4	1,481,587	1.5
20,001-50,000	77	0.3	2,433,944	2.4
50,001-100,000	24	0.1	1,753,797	1.7
100,001-500,000	48	0.2	11,453,890	11.2
500,001-1,000,000	10	0.0	7,286,433	7.1
1,000,001-5,000,000	10	0.0	17,859,137	17.4
10,000,001-	2	0.0	50,157,195	49.0
<b>Total</b>	<b>22,808</b>	<b>100.0</b>	<b>102,400,430</b>	<b>100.0</b>

<sup>1)</sup> After a deduction for repurchased shares. (Source:VPC.)

## Geographic distribution of shareholdings<sup>1)</sup>

Country	No. of shareholders	No. of Series A shares	No. of Series B shares	Percentage share capital
Sweden	22,377	57,746,576	38,750,154	94.2
United States	44	51,357	2,165,863	2.2
Switzerland	25	83,040	909,409	1.0
Netherlands	4	60,689	504,652	0.5
United Kingdom	80	11,237	735,174	0.7
Luxembourg	20	8,188	373,914	0.4
Australia	7	28,509	130,105	0.1
Germany	26	25,852	58,640	0.1
France	16	1,515	169,328	0.2
Belgium	13	500	163,603	0.2
<b>Total for the ten largest countries with shareholdings</b>	<b>22,612</b>	<b>58,017,463</b>	<b>43,960,842</b>	<b>99.6</b>
Total other countries	196	22,362	399,763	0.4
<b>Total</b>	<b>22,808</b>	<b>58,039,825</b>	<b>44,360,605</b>	<b>100</b>

<sup>1)</sup> Calculated after a deduction for repurchased shares. (Source:VPC.)

## Changes in share capital

	No. of shares issued	Share capital, SEK M
1988 Start of year	6,720,000	672
Split 1:4	20,160,000	-
Directed placement, in connection with 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 acquisition of Siab	28,303,097	708
2003 Year-end	108,435,822	2,711

# STRATEGIC ORIENTATION

## INDUSTRIALIZED, SUSTAINABLE AND EFFICIENT CONSTRUCTION

**NCC's financial objective is a 15-percent return on shareholders' equity after tax. The strategic orientation for achieving this target is to focus on and develop the core operations that provide the Group with a competitive edge. Geographically, NCC focuses on the Nordic market.**

NCC's overall strategy since 2001 has been to concentrate on core operations, focus on the Nordic market, prioritize profitability above volume and change work methods in the industry. To increase profitability, it is necessary to reduce construction costs, make the construction process more efficient and promote new forms of cooperation in the industry. NCC's overall objective is to develop industrialized methods that facilitate industrial, sustainable and efficient construction, with the aim of increasing the Group's profitability.

### CONCENTRATING ON CORE OPERATIONS

The focus on core operations has entailed streamlining. The installation company Nordisk Värme Sana (NVS) and a consid-

erable number of the Group's managed properties were sold during 2002. Concrete operations in the Baltic States, Poland, St Petersburg, Finland and Norway were divested in 2003. A number of ready-mix concrete facilities were sold in Sweden, and in Denmark the holding in Betonelement was sold. The Group's interest in A-Train was also sold, and toward the end of the year the subsidiary Altima was spun off to NCC's shareholders. Efforts aimed at selling the remaining managed properties and all non-Nordic properties were intensified.

### FOCUS ON THE NORDIC MARKET

NCC's Construction units are focusing on the Nordic market. The German operation currently functions mainly as a specialist residential construction company in a geographically delineated market. NCC International Projects is concentrating its growth to infrastructure projects in the Nordic and Baltic regions, while also undertaking a limited number of projects in a few selected international markets, primarily within the framework of Nordic aid projects.



In Sundsvall, central Sweden, NCC is constructing Sweden's first five-story building entirely in wood. It is a unique project involving the use of new production technology. The floors and solid wood wall units are prefabricated. The project also marks the first time that residential apartments have been built in Sundsvall since 1990. White arkitekter performed the design work. 3D illustration: White arkitekter



"Optibo" is a research project in flexible living. The total floor area of an apartment is 25 square meters, but the unit can be transformed into several different rooms and the potential area corresponds to a three-room apartment of 75–80 square meters. The apartment is controlled from a panel, enabling the kitchen to be transformed into a living room or bedroom by pressing buttons. For example, the bathtub is recessed under the floor. Read more on the project's website: [www.optibo.se](http://www.optibo.se)

Photo: Bert Leandersson

During 2003, NCC Property Development adopted a strategy of concentrating on the Nordic region, which involved initiating efforts to accelerate the phase-out of non-Nordic property holdings.

In addition to the Nordic region, Poland and the St Petersburg area are important markets for NCC Roads.

### **CHANGED WORK METHODS IN THE INDUSTRY**

NCC aims to change the construction industry, and an overriding objective is to reduce construction costs. To build less expensively, NCC plans to build durably and efficiently, using industrialized methods. The keys to success will be new forms of cooperation with customers and suppliers, a new approach to sustainable and durable construction, whereby the entire lifecycle cost is addressed during the project-development phase, and a more efficient construction process. The basic prerequisites for driving the necessary changes in the industry are the existence of a stable valuation base within the NCC Group, combined with an ethical approach to business that is shared by all employees.

#### **New forms of cooperation**

The traditional way of working in the construction industry is to submit tenders, after which the assignment is performed in accordance with the specifications on which the winning bid was based. Nonconformities that arise during the course of a project result in additional charges, which could lead to disputes between the client and the builder, or other parties. NCC's aim is to increase cooperation with all the parties involved in a project. NCC's cooperation format for achieving a better, more cost-effective construction process is called NCC Partnering. In Denmark, NCC has been applying the NCC Partnering concept highly successfully for several years, and such projects accounted for 25 percent of NCC Construction Denmark's sales in 2003. The number of projects based on NCC Partnering or a similar format also increased during the year in Sweden, Norway and Finland.

#### **Industrialized construction**

A key element in reducing construction costs and construction times is increasing the rate of industrialization. This can be achieved through greater use of prefabricated and ready-to-assemble units, whereby an increasing proportion of the work is performed in a factory environment. A large proportion of the

production of single-family houses in the Nordic region is already industrialized, and in Germany NCC markets a "ready-built" concept that offers considerable freedom of choice based on a standardized platform. NCC also aims to serially produce multifamily dwellings, in order to offer prospective residents homes that cost less. Demand in the lower price segment is healthy, particularly in Sweden. NCC made investments in this strategically important area in 2003 and plans to make further investments during 2004.

#### **Durable construction**

The construction industry's traditional approach to construction costs is to concentrate the calculations on the actual construction process. NCC's aim is to look increasingly at a project's total cost throughout its entire lifecycle. In this type of calculation, such factors as durability, operation and maintenance will be included in the total cost of the project. A lifecycle approach also encourages energy-efficient construction using durable materials that reduce maintenance. In Finland, NCC has for several years been applying the NCC EkoConcept, a model for calculating lifecycle costs. The concept is now being adapted for use in the other Nordic countries and will gradually be offered to NCC's customers in all markets.

#### **Efficient construction**

For several years, construction costs have risen more than inflation, one reason being that construction is not a rationalized process and involves numerous parties. NCC is working strategically to change the construction process and make it more efficient. Other processes can also be modified by introducing changed forms of cooperation and a higher degree of industrialization. Purchasing is the key process in financial terms. An intensive program is under way within the NCC Group to coordinate purchasing and make it more efficient.

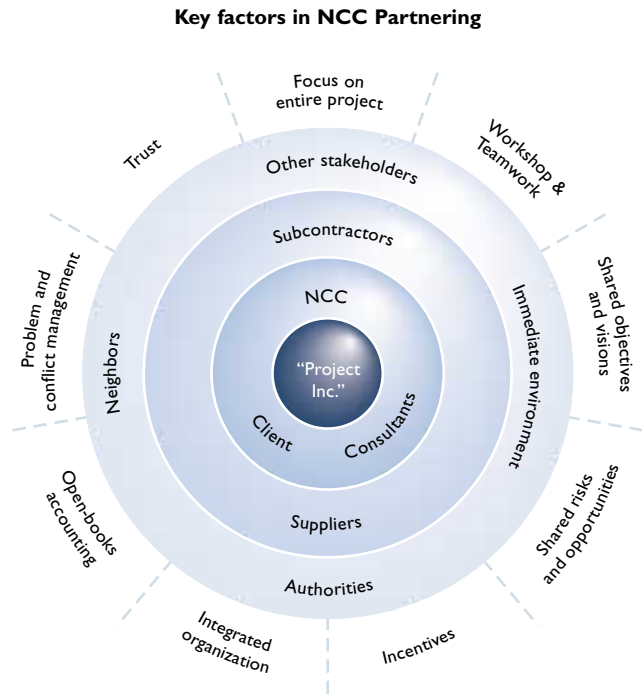
### **VALUES – BUSINESS ETHICS**

NCC aims to be the company that takes the lead in developing, changing and industrializing the construction process. Driving the process requires clear leadership, with each individual's attitude and actions contributing to change. A prerequisite for this is an organization and employees characterized by stable and shared values. NCC has been working systematically on

values since 2001, a process that was intensified during 2002 and 2003 and will continue to be assigned a high priority in the future. A number of training programs were implemented during 2003, notably in the area of competition law. During the year, Group Management also formulated NCC's Code of Conduct, a comprehensive document defining the Group's position on issues such as business ethics, human rights, the work environment and environmental responsibility, and how these issues are to be addressed and monitored. The document "NCC's guidelines on business ethics – our code of conduct" can be read on the Group website, [www.ncc.info](http://www.ncc.info), where the policies adopted in different areas are also posted.

### REDUCED FINANCIAL RISK

The Turnaround action program, which has been under way since 2001, has reduced the financial risk in the NCC Group. Net indebtedness has decreased, while profitability has risen. The task of further reducing financial risk is assigned the highest priority. Operational risks have been reduced through improved supervision and control of projects and a considerably more selective tendering policy. Profitability is prioritized above volume when tendering for contracts.



NCC Partnering is a structured form of cooperation whereby the client, consultants and contractor jointly resolve a building assignment. The prerequisites for success are that all of the parties focus on the project and cooperate with each other with the aim of generating the best possible results in all respects.

## PLATFORM LAID FOR INDUSTRIALIZED CONSTRUCTION

During 2003, NCC took several initiatives aimed at rapidly building its expertise in industrialized residential construction. The objective is to develop an industrialized production process that will cut construction costs and radically reduce the amount of work done on-site. Promising results have been obtained from preliminary studies. In addition to increased productivity and lower costs, industrialized construction is expected to improve quality, since it permits better control of the entire process – for example, the risk of damage caused by damp is handled far more systematically. Industrialized construction could also improve access to labor – a factor that threatens to become a serious bottleneck for the industry in Sweden during the next ten years.

During 2003, as part of the focus on industrialized residential construction, a special company was formed and premises acquired in Sweden. Operations during 2004 will concentrate on further development of the technology and design of the construction system, as well as extensive testing activities.



During 2003, NCC made further advances in its efforts to develop industrialized construction. Parts of production have already assumed a more industrialized form. In, for example, Amhult, at Gothenburg's former Torslanda Airport, NCC is building a garden city consisting of 300 rental units in row houses or semi-detached houses. Construction is based in part on prefabricated modules that are assembled on site.

Photo: Magnus Gotander

## FINANCIAL OBJECTIVES

The aim of NCC's strategy is to increase profitability and a target of a 15-percent return on shareholders' equity after tax has been. Other targets are an equity/assets ratio of 30 percent and positive cash flow. The dividend policy is that about half of after-tax profit should be distributed to shareholders.

Within operational activities, the results of business units are measured in terms of profit after net financial items and return on capital employed. Compared with NCC Roads and

NCC Property Development, NCC's Construction units generally have smaller capital requirements. Continuous efforts are under way to reduce tied-up capital in all units.

## GROWTH FOR STABLE PROFITABILITY

For NCC, 2001–2003 was a consolidation period. Beginning in 2004, NCC is entering a phase where the aim is to enhance efficiency and build platforms that facilitate growth combined with increased profitability.

### Financial objectives

	Target	Result					5-year average
		1999	2000	2001	2002	2003	
Return on shareholders' equity after tax, % <sup>1)</sup>	15	7	9	neg	8	neg	2
Equity/assets ratio, %	at least 30	34	27	19	22	21	25
Cash flow, SEK M	Positive	-605	-2,356	-746	5,055	762	422
Dividend, SEK	50% of profit after tax	4.00 <sup>2)</sup>	4.50	2.25	2.75 <sup>3)</sup>	2.75 <sup>4)</sup>	3.25

<sup>1)</sup> Excluding items affecting comparability.

<sup>2)</sup> In addition, an extra dividend of SEK 7.00 per share was distributed.

<sup>3)</sup> In addition, shares in Altima were spun off, whereby shareholders received one Altima share per ten NCC shares held (regardless of share class). The Swedish National Tax Board has established that the dividend value of Altima shares is SEK 6.70 per NCC share.

<sup>4)</sup> Proposed dividend.

Up to and including 2001, NCC's profitability target was a 12-percent return on shareholders' equity after tax. Since this target was not achieved, a comprehensive process of change was initiated in autumn 2001 to increase the Group's profitability. As of 2002, the profitability target is a 15-percent return on shareholders' equity after tax.

## NCC EKOCONCEPT FOR SUSTAINABLE AND DURABLE CONSTRUCTION

In Finland during the past few years, NCC has developed a model – NCC EkoConcept – that takes into account the total cost of a project during its entire lifecycle. The model is based on the customer's long-term needs and the project's investment costs, operating costs, durability and environmental impact. NCC EkoConcept covers the planning phase, the actual construction phase and maintenance for up to 25 years. The EkoKalkylen software, a key tool in the model, enables the creation of costing and control models for projects.

NCC EkoConcept was introduced in the Finnish market in 2002 and, during the same year, NCC completed its first project based on the model – a school with a swimming pool and sports hall in Espoo. In autumn 2002, the client, Espoo City, signed an agreement for the construction of a health center in Hagalund, also based on NCC EkoConcept.

NCC believes that NCC EkoConcept offers considerable potential among customers in both the public and private sectors. The concept is currently being adapted to other Nordic markets and will gradually be

offered to NCC's customers in all markets. During 2003, significant progress was made in Denmark, which is already at the leading edge of cooperation based on NCC Partnering.



The cost calculation for constructing the swimming pool and sports hall in Espoo, Finland, was based on the building's total lifecycle cost. Subsequently, Espoo City also placed an order for construction of a health center based on NCC EkoConcept.

Photo: Voitto Niemelä

# RISKS AND RISK MANAGEMENT

## SELECTIVE TENDERING REDUCES RISK EXPOSURE

### RISKS AND RISK MANAGEMENT

For a building contractor, the principal risk-limitation phase is during the contract-tendering process. NCC's overall strategy is to adopt a selective approach to tendering in order to reduce the proportion of unprofitable projects. When selecting suitable contracts, NCC assigns priority to projects whose risks are identified, manageable and calculable. NCC has refrained from tendering bids for certain projects. In addition, several tenders during 2003 were probably unsuccessful because NCC chose to offer solutions that reduced its risks.

Most risks, such as contract risks and technological and production-related risks, are best managed and minimized in cooperation with the customer and other players during early stages of the project. Accordingly, new cooperation formats, such as NCC Partnering, are key features of efforts to limit risk.

Project control is of decisive importance to minimizing problems and thus costs. To ensure efficient control and follow-up of operations, NCC uses a process-controlled operations-management system. A large proportion of Group units are also quality and environmentally certified.

### PROFIT RECOGNITION

NCC and other companies in the sector apply the percentage-of-completion method for recognizing profit from contracting

operations. Profit recognition from NCC's proprietary housing projects is based on the lower of the worked-up rate or sales rate. This eliminates the risk of recognizing profit from proprietary projects before a sale has been completed.

Profit from contracting projects with a value exceeding SEK 100 M is not recognized until 50 percent of the project has been worked up. In other words, no profit is booked until half of the project has been completed and when a clearer estimation of the financial outcome can be made. Further information on profit recognition is presented in Accounting Principles, pages 50–55.

### FINANCIAL CONTROL AND RISK MANAGEMENT

The financial risks to which the Group and its various projects are exposed are managed within the framework of Corporate Finance's operations. This Corporate Staff consists of several specialist units, namely: *NCC Structured Finance*, which devises specially adapted financial solutions; *NCC Insurance/Risk Management*, which focuses on insurance operations and claims-limitation work; and *NCC Treasury AB*, which manages the Group's financial flows and risks, is responsible for borrowing and functions as an internal bank. A description of NCC's financial risk exposure during 2003 is presented in Note 25, page 66.

### Sensitivity analysis

	Change	Effect on profit after net financial items (annual basis), SEK M	Effect on return on equity, percentage points	Effect on return on capital employed, percentage points
<b>NCC Construction units incl. NCC International Projects</b>				
Sales	+/-5%	147	1.4	0.8
Operating margin	+/-1 percentage point	368	3.6	2.1
Sales, proprietary housing projects	+/-10%	62	0.6	0.4
<b>NCC Roads</b>				
Sales	+/-5%	35	0.3	0.2
Operating margin	+/-1 percentage point	79	0.8	0.4
Capital rationalization	+/-10%	21	0.2	0.0
<b>NCC Group</b>				
Interest rate, borrowing	+/-1 percentage point	21	0.2	
Decrease in net debt		24	0.2	1.3



# MARKET AND COMPETITORS

## CONSTRUCTION AND PROPERTY MARKETS REMAIN WEAK IN 2004 AND 2005

**The Nordic construction market was weak in 2003 and is not expected to grow during 2004 and 2005. The market for the initiation of commercial property projects remained sluggish in 2003 and is not expected to increase during 2004 or 2005 either.**

As a rule, the construction market follows the general economic trend, measured in terms of GDP. Historically, demand for construction is late cyclical, which is partly due to construction projects often being procured during one economic cycle and produced during the next. Larger projects also extend over a longer period of time. Infrastructure projects are often affected by political positions and national budget considerations.

Construction investments in the Nordic region declined in 2003, and no growth is expected during 2004 and 2005. The market for commercial property-development projects was weak during both 2002 and 2003 and no recovery is expected in 2004 or 2005. Consequently, NCC's strategic focus is to adapt its operations to a weak market situation and to create products experiencing stronger demand, such as low-cost housing. Great caution is being exercised with respect to initiating new property-development projects.

The Nordic construction market is national and highly fragmented. Despite being the second largest player in the Nordic market, NCC's share of total construction investments corresponds to less than 10 percent. In local markets, NCC competes with many smaller contractors and the potential for coordination gains between different countries is limited. Larger civil engineering projects in the Nordic region are often procured in international competition with Europe's largest construction companies.

NCC conducts project development in parallel with its traditional construction assignments. Competitors are other construction companies but also certain property companies. In certain markets, primarily in Denmark, specialist property-development companies also operate.

In the Nordic region, NCC's foremost competitors are Skanska and Peab of Sweden, MT Højgaard of Denmark, Veidekke of Norway and YIT and Lemminkäinen of Finland. In Sweden, JM is a major competitor with regard to residential construction. Public road-construction agencies are significant competitors for civil engineering projects.

For more detailed comments on each market, see the business area descriptions on pages 22–36.

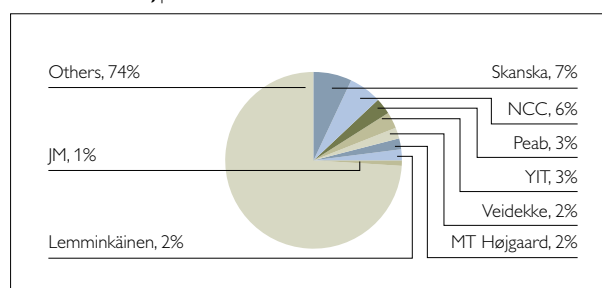
### Competitors in the Nordic region, 2003

Key data and products	NCC	Skanska	Peab	MT		YIT	Lemminkäinen	JM
				Højgaard <sup>1)</sup>	Veidekke			
Sales, SEK billion	45,252	132,879	20,086	11,882	12,908	16,100	12,411	7,787
No. of employees	24,076	69,669	10,492	6,225	7,027	11,990	7,167	2,368
Housing	•	•	•	•	•	•	•	•
Building	•	•	•	•	•	•	•	•
Civil engineering	•	•	•	•	•	•	•	•
Asphalt, aggregates, concrete	•	•	•	•	•	•	•	•
Property development	•	•	•	•	•	•	•	•
Machinery operations	•	•	•	•	•	•	•	•

<sup>1)</sup> Pertains to 2002.

The Nordic construction market is fragmented and characterized by the existence of thousands of small firms. Accordingly, NCC competes with many small-scale building contractors in local markets. It is estimated that Nordic operations account for approximately SEK 50 billion of Skanska's total sales.

### Market shares, percent



Sales in the Nordic construction market in 2003 totaled approximately SEK 690 billion, distributed approximately equally between Sweden, Norway, Denmark and Finland. The market is fragmented and although NCC is the second largest company in the Nordic region, its market share is only 6 percent. (Source: Euroconstruct)

# NCC IN THE COMMUNITY

## SOCIALLY RESPONSIBLE ENTERPRISE GENERATES LONG-TERM VALUE

### MANAGEMENT BY VALUES

In 2003, a Code of Conduct was formulated in the Group and adopted by Group Management. As a result of extensive dialog with NCC employees during recent years, the values that are to characterize the Group were identified. Three fundamental values - honesty, respect and trust - were identified, as were three values of decisive importance to generating profitable business - focus, simplicity and responsibility. These values are also reflected in NCC's vision: "The customer should be able to expect a bit more from NCC when it comes to developing future environments for work, living and communications. We shall operate as a young, exciting company that is distinguished by its customer focus, simple straightforward solutions and responsible action." NCC's vision and values form the platform for the type of actions that are to hallmark all NCC employees. The purpose of the Code of Conduct, which is outlined below, is to further clarify what these values mean in practice in NCC's daily activities. The Code of Conduct is presented in its entirety on the Group website [www.ncc.info](http://www.ncc.info), where the various policies underlying the Code are also found.

### Ethical approach to business

NCC's aim is to be the leading construction company in terms of socially responsible enterprise. NCC wants to be viewed by customers and stakeholders as a reliable and honorable company that always lives up to its commitments. NCC accepts its responsibility to adhere to high standards of ethics and business morals and such responsibility is an issue for Group Management – and for managers at all levels, down to the individual employee.

A basic requirement is that we act within the framework of laws, agreements and international conventions. It is totally unacceptable for anyone not to fully respect and comply with competition rules, environmental legislation, labor laws and agreements, safety requirements, or other provisions that set the parameters for our operations.

NCC does not permit any form of pricing collaboration, cartel building or abuse of its market dominance, and in all phases of its operations the Group supports ethically correct and unrestricted competition in regard to bids, tenders, procurement and purchasing. NCC and its employees must never resort to bribes, inducements or any illicit form of payment in relations with customers, suppliers, authorities or other decision-makers for the purpose of, for example, soliciting or retaining business.

### Human rights, work environment and employment conditions

NCC supports and respects international conventions and human rights and promotes diversity and equality. All employees must be treated equally and have equal opportunities, regardless of ethnic or national origin, skin color, gender, sexual orientation, religion, political opinions, nationality, social origin or other special personal characteristics.

All operations and the projects in which the Group is involved shall be characterized by a safe, healthy and hygienic work environment. NCC applies a zero vision in regard to work-related accidents and personal injury.

### Responsibility for the environment

In all its undertakings, NCC strives to create optimal conditions in terms of environmental impact and energy and resource efficiency during the entire lifecycle of each structure. In all its operations, NCC strives to continually reduce climate change, focusing primarily on the energy and transport areas, and conform to or surpass the requirements stated in national or international regulations or agreements concerning the reduction of emissions to air, land and water. The use of harmful substances shall be reduced and the handling, storage and landfill disposal of hazardous waste must be performed in a safe and environmentally compatible manner. When conducting its operations, NCC shall contribute to the recovery/recycling of materials and used products.

### External image of NCC

NCC conducts regular surveys of how it is viewed externally. In 2003, NCC received much less media coverage than in 2002, when it was subject to extremely large amounts of coverage due to the Cartel affair. During 2003, the media publicity involving NCC was much less value laden. "La Dolce Vita", NCC's special housing concept, attracted a positive media response in 2003. The negative publicity mainly involved cartels and NCC's financial results.

### Publicity in the media

(Average full-year values)

Year	1997	1998	1999	2000	2001	2002	2003
Number of features, approx	5,100	6,000	6,700	5,700	6,000	7,000	5,300
Positive, %	25	15	10	9	10	8	7
Negative, %	13	12	7	8	10	27	28
Neutral, %	62	73	83	83	80	65	65

During 2003, NCC measured its media publicity each month. These measurements showed that, compared with other large and well-known companies, NCC receives a high level of media publicity. Each month, media coverage in Sweden amounts to slightly more than 60 million exposure occasions, divided among about 440 articles, press, radio and television features and news agency reports. (Source: Observer Media Intelligence.)

## NCC's STAKEHOLDERS

NCC faces expectations and demands from many different stakeholders. How NCC lives up to these expectations is a decisive factor for the Group's success in its business operations. The matrix below summarizes NCC's aims and objectives, the success factors for achieving these goals, and examples of measures designed for each stakeholder category.

	AIMS AND OBJECTIVES	SUCCESS FACTORS	MEASURES IMPLEMENTED	MEASURES PENDING
CUSTOMERS	<p>Strong, long-standing customer relations.</p> <p>Customer value in all activities.</p> <p>High level of competence.</p> <p>Contribute to sustainable social development.</p> <p>Satisfied customers.</p>	<p>Personal relations.</p> <p>Technical competence.</p> <p>NCC Partnering.</p> <p>Innovation.</p> <p>Training.</p>	<p>NCC Partnering introduced Group-wide.</p> <p>Training programs in project management, etc.</p> <p>Dialog about values.</p> <p>Formulation of Code of Conduct.</p>	<p>Increased scope for NCC Partnering.</p> <p>Lifecycle approach.</p>
USERS	<p>Create healthy built environments.</p> <p>No harmful substances.</p> <p>No climate-changing impact during useful life of buildings.</p> <p>Satisfied users.</p>	<p>Technical expertise.</p> <p>Well-conceived design.</p> <p>Innovation.</p> <p>Energy efficiency.</p> <p>Continuous dialog.</p>	<p>Future-oriented studies of new values.</p> <p>Formulating concepts for computing lifecycle costs (NCC EkoConcept).</p>	<p>Offer environmentally labeled buildings.</p> <p>Offer NCC EkoConcept to customers throughout the Nordic region.</p>
SHAREHOLDERS	<p>Increased value growth.</p> <p>15% return on shareholders' equity.</p> <p>Positive cash flow.</p> <p>30% equity/assets ratio.</p> <p>Approx. half of after-tax profit distributed to shareholders.</p>	<p>Focus on core business.</p> <p>Simple organizational structure and decision-making channels.</p> <p>Customer value in all activities.</p>	<p>Reorganization.</p> <p>Focus on Nordic region.</p> <p>Intensified product and customer focus.</p> <p>Product concepts.</p>	<p>Profitable growth.</p> <p>Strong financial position.</p>
EMPLOYEES	<p>Open internal dialog.</p> <p>Low level of sickness absence and zero work-related accidents.</p> <p>Motivation, commitment and innovation.</p> <p>Satisfied employees.</p>	<p>Clear, value-guided and supportive leadership.</p> <p>Influence over own work.</p> <p>Recruit and retain the best employees.</p> <p>Simple and clear internal communication.</p> <p>Safe work environment.</p>	<p>Simpler and clearer organization and responsibilities.</p> <p>Management training.</p> <p>Career-development talks.</p> <p>"SeeMee", recruitment system for internal and external recruitment.</p> <p>Formulation of Code of Conduct.</p>	<p>Increased pride in working for NCC.</p>
SUPPLIERS	<p>Strong, long-standing relations with a limited number of suppliers.</p> <p>Reduced costs.</p>	<p>Personal relations.</p> <p>Efficient purchasing process.</p> <p>Technical competence.</p> <p>Knowledgeable product-range teams.</p> <p>Innovation.</p>	<p>E-trading system.</p> <p>Coordinated purchasing across national boundaries.</p> <p>Training in cooperation with suppliers.</p>	<p>Implementation of shared fundamental values and Code of Conduct.</p> <p>Increased scope for NCC Partnering.</p>
AUTHORITIES	<p>Provide best possible documentation prior to political decisions.</p>	<p>Understanding for the role of the authorities.</p> <p>Continuous dialog.</p>	<p>Dialog with municipal administrations and government authorities and departments.</p> <p>Discussions regarding new forms of procurement and construction costs.</p> <p>Establishment of FIA, for modernizing the civil engineering industry.</p>	<p>Continued dialog.</p> <p>Reduced construction costs.</p> <p>Adaptation of legislation to broaden scope for NCC Partnering concept.</p>
INDIRECT STAKEHOLDERS	<p>Be perceived as open and credible.</p> <p>Increase awareness of and knowledge about NCC.</p>	<p>Participation in public debates.</p> <p>Dialog with nearby residents.</p> <p>Dialog with media.</p>	<p>Involvement in member organizations and industry organizations.</p> <p>Brand campaign.</p>	<p>Long-term, systematic brand-building.</p> <p>Dialog with stakeholders.</p>

# EMPLOYEES

## LEADERSHIP FOR ENTREPRENEURIAL RENEWAL

**NCC's ambition is to spearhead change and advances within the industry. Clearly defined leadership that engages and attracts employees with the right skills is a strategic success factor. Personnel-oriented initiatives during 2003 focused on supporting and ensuring entrepreneurial renewal.**

NCC's strategic focus – in the form of a greater share of project development, refined forms of commercial cooperation and the vision of driving change in the industry – subjects the company to different requirements, compared with traditional building contractors. Not only is it essential for employees to have the right skills and experience to perform their duties but it is also equally important that management is based on shared values. The aim of the work NCC has conducted in the field of values since 2001 is to create a corporate culture in which all employees agree about what NCC represents and what values apply. These values are outlined in NCC's Code of Conduct, which was adopted by Group Management in 2003. The extent to which leadership actually works and how well it highlights NCC's values is measured through a Human Capital Index (HCI), based on an annual survey of all personnel. The survey results are used as a basis for development activities in all areas of operations and countries.

During 2003, seminars were held throughout NCC on how to apply the Code of Conduct in practical situations in order to reflect the Group's values. Courses in competition legislation were also arranged throughout the Group as an important element of NCC's Compliance Program – the special agreement covering around 1,500 NCC managers. The HCI survey for 2003 showed that the training programs produced the desired results. Increasing numbers of employees, regardless of country, consider that NCC's operations are in harmony with the Group's values. Management by values is clearly working.

### How the values are reflected in reality

(results of HCI survey in 2003)

Percentage that believed that ...		Sweden	Norway	Finland	Germany
... the work climate is characterized by	honesty	52	79	67	48
	trust	48	78	67	56
	respect	49	77	56	52
... operations are characterized by	focus	46	70	67	45
	simplicity	33	51	60	39
	responsibility	55	73	70	70

Every year, through the HCI survey, the NCC Group measures how the above values are reflected in operations. The results from the 2003 survey show that the impact of management by values was greater than in prior years. Employees in Denmark were asked if they were aware of NCC's values and 73 percent responded that they were well aware of them.

### ENTREPRENEURIAL RENEWAL

#### REQUIRES OPEN AND HONEST LEADERSHIP

Successful entrepreneurial renewal requires the existence of the following basic criteria among employees: security within the organization, pride in the company and deep-seated trust in managers. It also requires an open and honest style of leadership. Leadership for renewal entails building on the above factors in order to improve the organization's efficiency, create new business, identify and develop future managers and specialists and clearly state the values that apply.

In the past three years, the HCI survey has revealed a clear trend of greater pride in the company. Accordingly, an increasing share of NCC's employees envisage a future with the company, a positive trend that is largely a result of the conscious process of change, combined with a comprehensible vision and clearly-defined leadership.

#### Positive trend regarding pride and confidence in the future

(results of HCI survey in 2003)

Percentage that believed that ...	1999	2000	2001	2002	2003
... I am proud of working at NCC	60	52	56	58	62
... I would really like to keep on working at NCC	73	66	70	71	73

The results pertain to Swedish operations. However, the same trend was noted in all markets and the level was much higher in certain of them. In Norway, for example, 74 percent were proud of working at NCC and 82 percent would really like to keep on working for the company.

NCC measures how leadership is exercised in practice by studying the percentage of employees who have great confidence in their manager and who feel that their manager is open and honest. In general, the level of confidence is high but since there is room for improvement, leadership is an area where major initiatives are under way. A good example is found in NCC Construction Sweden, which initiated a series of courses and seminars for the entire management team during 2002 and 2003. The process is continuing with training for regional management teams during 2004. The result will be managers who instill trust through openness and honesty.

#### Management in practice varies from country to country

(results of HCI survey in 2003)

Percentage that believed that ...	Sweden	Norway	Denmark	Finland	Germany
... I have great confidence in my manager	64	78	79	75	53
... my manager is open and honest	67	80	74	73	60

The way management functions in practice is measured by studying the percentage of employees that have confidence in their manager. While the levels are generally high, the scope for improvement is considerable.

## MORE EFFICIENT OPERATIONS

A well-functioning system of skills development and career-development talks is an important tool for increasing operational efficiency. The challenge is to conduct high-class career-development talks with white-collar employees and to increase the number of career-development talks with blue-collar employees. Actions were taken during 2003 to improve performance in this respect, but with varying results. The proportion of white-collar employees who attended career-development talks has risen slightly to around 90 percent and has remained at this high level in recent years. For blue-collar workers, the percentage is still low, but has risen in Sweden.

### Career-development talks with about 90 percent of white-collar employees

(results of HCI survey in 2003)

Proportion who attended career-development talks (%)	White-collar		Blue-collar	
	2003	2002	2003	2002
Sweden	89	83	48	42
Norway	87	59	15	20
Denmark	87	n.a.	n.a.	n.a.
Finland	81	69	20	23
Germany	35	n.a.	24	n.a.

The reasons for the relatively low percentage of career-development talks with blue-collar employees include the fact that different initiatives have been taken in the various countries and that there are different views of occupational roles. Although career-development talks are not compulsory, the ambition is that as many employees as possible should participate every year.

All NCC operations provide targeted supplementary training for employees based on the outcome of career-development talks.

During 2003, the number of training days increased for both white-collar and blue-collar employees in most markets, partly as a result of several new training programs, an important aspect of which was training in competition legislation. New training initiatives are continuously under way throughout the Group. NCC Construction Norway has adopted a conscious strategy of training blue-collar employees in actual production environments, with the aim of linking new knowledge with application of that knowledge. Similar initiatives have been taken within NCC Construction Sweden where, in cooperation with major suppliers, blue-collar employees have been trained in practical building production. This training has focused on leading-edge methods and solutions. During 2003, NCC Construction Sweden also initiated a major, long-term venture to train blue-collar workers to become supervisors. The project is being conducted in close cooperation with the Royal Institute of Technology (KTH) in Stockholm. A similar venture has been carried out successfully in Finland. New training initiatives in Denmark and Finland related mainly to the new NCC Partnering and NCC EkoConcept business concepts.

### Number of training days

	White-collar		Blue-collar	
	2003	2002	2003	2002
Sweden	3.4	3.7	1.0	0.7
Norway	2.2	0.7	0.3	0.3
Denmark	5.0	3.3	1.0	0.6
Finland	1.7	3.4	0.4	0.6

During 2003, the number of training days rose in most markets, in part because of the courses in competition law and new business concepts.



One of NCC's major projects during 2003 involved the refurbishment of Trygg-Hansa's head office in Fleminggatan, central Stockholm. The project was implemented on a NCC Partnering basis with the customer. NCC employees Kjell Johansson and Stig Qvist devoted most of their working hours during 2003 to the project, which included building a completely new building interior.

Photo: Henrik Ottosson

## NEW BUSINESS CONCEPTS

During 2003, NCC's Human Resources function focused on providing training about new business concepts. Continued training programs involving NCC Partnering were implemented during 2003, with NCC Construction Denmark taking a leading role. A total of 300 employees attended basic and intermediate training in marketing the NCC Partnering concept.

The direction of NCC Partnering training has been changed, so that such programs are now integrated into regular planning and construction management training. More in-depth training in the NCC Partnering concept focuses on sharing experiences, developing leading-edge expertise within sales and tenders, managing NCC Partnering projects and advanced project-management skills.

With regard to NCC EkoConcept, NCC's lifecycle-oriented concept, NCC Construction Finland has been the driving force, implementing a two-stage training program: a basic course for project managers and a more advanced course for people who prepare estimates for NCC projects. During the year, NCC Construction Finland also developed an advanced NCC Eko-Concept course for design engineers.

## MANAGEMENT SUPPLY AND VALUES

Managers and specialists are key personnel from the viewpoint of entrepreneurial renewal. During 2003, the Human Resources function introduced clearly defined procedures aimed at ensuring an adequate supply of future managers and specialists and also established desired criteria for NCC managers. One such criterion is that managers must demonstrate through their actions that they live up to NCC's values. An individual development plan is compiled for each manager with the potential to advance in his or her career. This plan is then followed up during the annual skills inventory. The reasons for conducting a skills inventory for managers include increasing internal mobility within the Group in order to achieve a higher skills level and a more flexible NCC. Eleven managers from the skills inventory conducted at the end of 2003 were identified as possible candidates for top management positions at Group or business area level within the next twelve months. Thirty-seven candidates are ready to enter management positions at the level immediately below. NCC regards this as a good balance with regard to future requirements.



One of the major civil engineering projects in Sweden during 2003 was the ongoing construction of the Göta Tunnel, which is part of the Göta Link designed to improve traffic flows in Gothenburg. During autumn 2003, the project was three months ahead of schedule, thanks to NCC Partnering-based cooperation with the customer. Conny Johansson and Anna Norén are two of NCC's many employees working on the project.

Photo: Ulf Nylén, BLR-fotograferna

# ENVIRONMENTAL EFFORTS

## TAKING RESPONSIBILITY FOR SUSTAINABLE DEVELOPMENT

NCC helps to create the society of the future in the form of homes, offices, industrial buildings, civil engineering structures and infrastructural projects. Since building the environments of tomorrow entails a great responsibility, NCC regards accepting this responsibility as a natural corporate value. Taking responsibility is also in harmony with NCC's ambition, as a major construction company, to contribute to the sustainable development of society.

NCC's opportunities to affect the development of a project are greatest during its early stages. Through involvement and control over the entire construction process, NCC can seek optimum solutions at every level, thus helping to reduce the environmental impact and contributing to sustainable social development. During 2003, NCC's working methods were reviewed in accordance with a sustainability-analysis model.

### SUSTAINABILITY ANALYSIS SHOWS THE WAY

The sustainability analysis showed that NCC's environmental work should continue in accordance with previously determined guidelines, which encompass areas offering considerable improvement potential. This entails focusing on minimizing energy consumption, emissions from transport and machinery

and the use of harmful substances, while promoting the economical use of materials and healthy indoor environments. The results of the sustainability analysis are presented in greater detail on the Group website, [www.ncc.info](http://www.ncc.info)

Environmental impact can be viewed from two angles. Firstly, from the perspective of the construction process, whose effects are direct. Secondly, from a lifecycle perspective, which requires that the products delivered by NCC function over an extended period of time and that the future indirect environmental impact of these products is taken into account.

Opportunities to affect the design of a building are greatest during the planning stage, where the foundation is laid for shaping the utilization phase from a lifecycle perspective. For NCC to enter the process at an early stage, a continual and open dialog with customers, employees, suppliers, authorities and other stakeholders is essential. NCC's concept for improved cooperation is called NCC Partnering (also see pages 9–10).

### LIFECYCLE PERSPECTIVE – A NATURAL PART OF PROJECTS

Today, the lifecycle perspective is an integral part of evaluations when NCC conducts proprietary projects. Elucidating lifecycle costs with respect to future energy consumption, maintenance costs and so forth allows customers to choose the alternatives that are most economically advantageous over the long term. In Finland, NCC has developed NCC EkoConcept (also see page 11), a system for addressing lifecycle costs in connection with project development.

Locally, each business area has secured the expertise and tools required to support operational efforts. More than half of the Group's various units are environmentally certified, most of these in Sweden.

During 2003, the responsibility accepted by NCC for environmental issues and sustainable development was embodied by its participation in and commitment to the "ByggaBo" dialog in the Swedish BLICC network and by the Group assuming responsibility for a number of development projects in the area. Research and development activities conducted during 2003 with clear connections to advances in the environmental area included the following EU projects. IDEEB, whose aim is to optimize all of the parameters involved in energy-efficient buildings, EBOB, which is intended to elucidate user behavior in office buildings and to determine how smart technology can be used to avoid unnecessary consumption, and SolEL and PV Nord, whose aim is to stimulate advances in solar cell technology.



The Sund Department of Sotra Senior High School outside Bergen, Norway, was designed and built in harmony with nature. Rooms with large glass sections admit an abundance of light and provide a sensation of close contact with the natural surroundings. The interiors are also hallmarked by their open-landscape layout. The school was designed by Fortunen, a Norwegian architectural firm. Photo: Henrik Ottosson

# GROUP OVERVIEW

## OPERATIONS IN 2003

### CONSTRUCTION UNITS



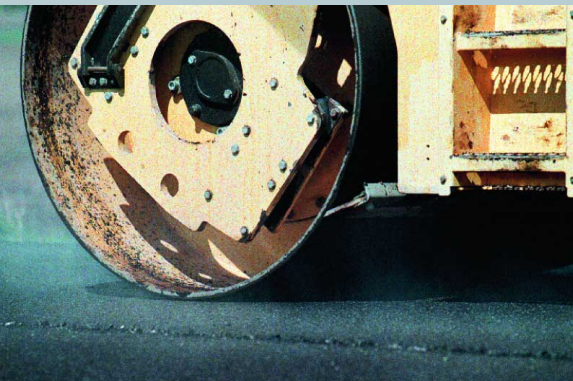
NCC's Construction units develop residential projects and build offices, industrial facilities, housing, roads, civil engineering structures and other types of infrastructure, with a focus on the Nordic region. In addition, NCC International Projects conducts large, technologically advanced civil engineering projects in a number of selected international markets. Construction of housing and buildings is mainly concentrated in Nordic locations experiencing high growth. Operations in Germany primarily involve residential construction. NCC's Construction units accounted for approximately 77 percent of the Group's total sales in 2003 and 75 percent of the total number of employees.

### PROPERTY DEVELOPMENT



NCC Property Development develops commercial properties in Nordic growth markets and offers them to investors. The properties are to be characterized by inspiring environments that help businesses and individuals to achieve outstanding results. During 2003, the business area was restructured and it focused on leasing and sales of existing projects. NCC Property Development accounted for only a marginal share of Group's sales during 2003 but for a larger portion of tied-up capital.

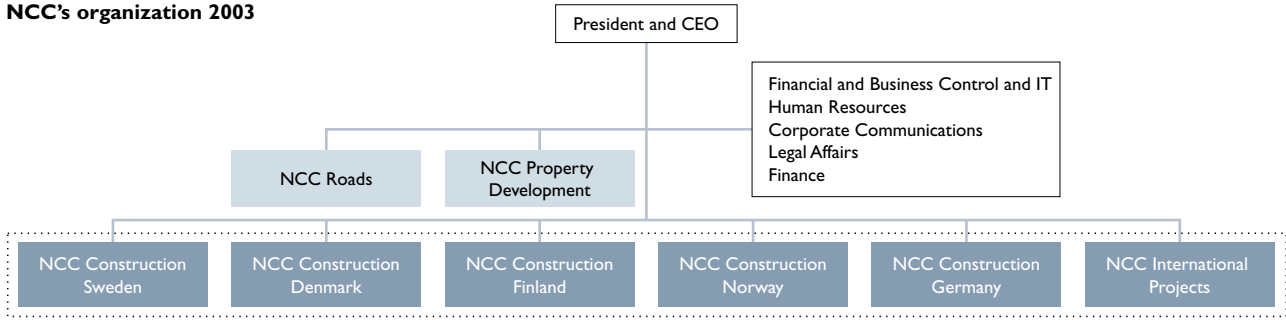
### ROADS



NCC Roads' core operations are aggregates, asphalt, paving and road maintenance. The business area has assets in the form of asphalt plants, ready-mix concrete facilities and gravel and rock pits. NCC Roads is active mainly in the Nordic region but also in Poland, the Baltic countries and the St. Petersburg area of Russia. The business area accounted for approximately 17 percent of the Group's total sales in 2003.



**NCC's organization 2003**



	Net sales	Operating profit	Cash flow before financing	Capital employed	Average no. of employees
<b>Share of Group total</b>	<p>SEK 36,786 M 77%</p>	<p>SEK 976 M 90%</p>	<p>SEK 681 M 57%</p>	<p>SEK 5,536 M 38%</p>	<p>18,112 75%</p>
<b>Share of Group total</b>	<p>SEK 2,052 M 4%</p>	<p>loss SEK 780 M neg.</p>	<p>neg. SEK 171 M neg.</p>	<p>SEK 6,197 M 42%</p>	<p>152 1%</p>
<b>Share of Group total</b>	<p>SEK 7,919 M 17%</p>	<p>SEK 44 M 4%</p>	<p>SEK 509 M 43%</p>	<p>SEK 3,716 M 25%</p>	<p>4,642 19%</p>
<b>GROUP TOTAL</b>	<b>SEK 45,252 M</b>	<b>SEK 5 M</b>	<b>SEK 762 M</b>	<b>SEK 14,678 M</b>	<b>24,076</b>

# NCC's CONSTRUCTION UNITS

## INCREASING SHARES OF NORDIC MARKET



During 2003, NCC built Sweden's first fully automated car park at St. Eriksplan in central Stockholm, with space for 46 cars. The driver drives the car into a hatch and then gets out and locks the door. An overhead winch then parks the car automatically and the driver never needs to enter the garage. When the car is collected, it emerges in the right direction. The whole process takes less than two minutes. The automated car park takes up far less space than a traditional car park.

Photo: Bruno Ehrh

NCC's Construction units develop residential projects and build offices, industrial facilities, housing, roads, civil engineering structures and other types of infrastructure, focusing on the Nordic market. In addition, NCC International Projects conducts large, technologically advanced civil engineering projects in a number of selected international markets. In Germany, operations primarily involve residential construction.

The long-term growth trend in the Nordic construction market approximately tracks economic growth (GDP). Construction demand is late-cyclical, meaning that the effects of the economic downturn that characterized the first few years of the 21st century were not felt in the construction sector until 2003. The Nordic construction market did not grow during 2003 and NCC does not expect any growth in 2004 or 2005.

Conditions in the construction market vary from country to country, region to region and segment to segment. Political game rules are highly important, not least where decisions regarding major investments in highways, railways, tunnels and bridges are concerned. Although increased activity has been observed in terms of discussions on privately financed infrastructure projects, few projects were actually started up during 2003.

### **Housing forms vary in the Nordic region**

Housing policies and incentives for the construction of public buildings and housing are key factors affecting construction in different countries. The shape of housing also varies. In Finland, privately owned homes are commonplace, which has contributed to increased demand. In Sweden, the combination of a regulated rental market and a sharp increase in construction costs in recent years has limited the production of housing in the lower-price segment. In Denmark, demand for housing in the upper-price segment was strong during 2003. In Oslo, demand for new housing slackened in 2003. NCC implemented a number of strategic initiatives in 2003 aimed at reducing construction costs, to enable the company to offer high-quality, inexpensive housing to households with normal incomes. Such housing projects were implemented in Upplands-Bro, Upplands Väsby, Malmö and Umeå during the year.

### Coordinated development work

The various construction units are harmonizing their development activities with respect to new forms of cooperation, industrialized building, a more efficient construction process and the construction of sustainable buildings and housing.

### Specialist organization

NCC's geographical focus is on the Nordic region. In Germany, the Group conducts residential construction operations in a concentrated niche, mainly in the Berlin-Brandenburg area. Since large and technically advanced civil-engineering projects require specialist expertise, they are conducted in a separate organization, NCC International Projects. In the Nordic region, these projects often have an order value of SEK 300 M or more and are implemented jointly with local NCC Construction units. An example of such a project is the Snøhvit project in Hammarfest in northern Norway, where NCC International Projects is cooperating with NCC Construction Norway on the construction of four concrete storage tanks for Norway's first Liquid Natural Gas (LNG) terminal. The end customer is Statoil. Outside the Nordic region, International Projects is active in a small number of international markets in Europe, Central America and Southeast Asia.

### Actions taken have produced results

The major changes implemented during 2001 and 2002 led to improved earnings during 2003. Costs were reduced and the profitability of the various projects increased, leading to higher margins. Volumes fell during the year, as a result of a weaker market and a more selective tendering policy, which meant that NCC refrained from submitting tenders for several projects.

Earnings from the various Construction units varied from quarter to quarter during 2003, due partly to NCC's cautious profit-recognition policy. For projects generating revenues of more than SEK 100 M, no profit is recognized before 50 per cent of the project has been completed, which leads to a one-off effect on earnings when the project passes the halfway stage. The A2 Expressway project in Poland is a notable example of such a project during 2003. The Snøhvit project will reach 50-percent completion during 2004.

### Development rights,

housing starts and proprietary sales of residential units at December 31

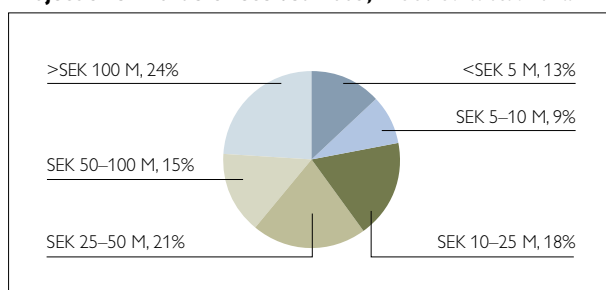
NCC Group	2003	2002
Development rights	21,479	22,412
Housing starts	2,751	2,213
Residential units sold	3,371	3,226
Unsold residential units completed more than six months previously	269	207

### Major construction projects in progress<sup>1)</sup>

Project	NCC's share of order value	Completion rate, Dec 31, 2003	Scheduled year of completion
A2 Expressway, Poland	2,887	78%	2004
Circle Line C822, Singapore	950	33%	2006
Lysaker Brygge, phases I-III, Norway	611	43%	2005
Snøhvit/Tractebel, Norway	598	49%	2005
Shopping center, Alberg, Finland	652	22%	2005
Circle Line C825, Singapore	594	41%	2006
Copenhagen Mini Metro, Denmark	504	99%	2004
Danish, Denmark	477	89%	2004
E4 Expressway, Markaryd, Sweden	394	11%	2006
Brujuela, Dominican Republic	339	81%	2004
Trollhättan Tunnel, Sweden	356	44%	2005
Byåsen Secondary School, Norway	365	68%	2004
Frøsilo, Denmark	300	18%	2005

<sup>1)</sup> Contracting projects on behalf of an external customer with an order value exceeding SEK 300 M.

### Project size in orders received 2003, NCC's Construction units



NCC has thousands of large and small projects in progress throughout the Nordic region. Projects with an order value of less than SEK 10 M accounted for 22 percent of total orders received in 2003, while orders with a value exceeding SEK 100 M accounted for 24 percent.

### Nordic construction market 2004 and 2005

Forecast market growth trend, %	Sweden		Denmark		Norway		Finland	
	2004	2005	2004	2005	2004	2005	2004	2005
Housing	0	3	0	2	-0,5	0,5	2	1
Building	-10	-4	-1	-1	0	0	-3	0
Civil Engineering	1	1	-9	-6	3	0	3	2
<b>Total</b>	<b>-3</b>	<b>0</b>	<b>-2</b>	<b>0</b>	<b>1</b>	<b>0</b>	<b>1</b>	<b>1</b>

(Source: NCC.)

NCC's assessment is that the Nordic contracting market as a whole will not grow during 2004 and 2005.

**NCC Construction Sweden's business trend was favorable during 2003 despite a weaker market for building and housing construction. The strategy of prioritizing profitability over volume produced results and the share of NCC Partnering-based projects increased. Sales declined to SEK 16.9 billion and operating profit of SEK 412 M was reported, resulting in the margin improving to 2.4 percent.**

The Swedish construction market slackened during 2003, primarily in the Stockholm area. The negative trend was due particularly to a decline in private commercial construction. Civil engineering investments, however, picked up slightly.

A 'wait-and-see' approach prevailed in the housing market during the first half of 2003, especially in metropolitan regions, although sales increased considerably during the second half of the year. Housing is an attractive future market and demand for cost-efficient forms of housing, such as rental apartments, is robust.

## **REDUCED CONSTRUCTION COSTS**

NCC regards reducing construction costs as a strategic success factor and intensive efforts were taken in this direction during 2003. In 2002, NCC's entry – "La Dolce Vita" – won the "Build so we can afford to live" contest arranged by SABO, the Swedish Association of Municipal Housing Companies. In September 2003, residents moved in to the first such project in Upplands-Bro. During the year, agreements were also signed for the production of more than 100 apartments in Södertälje, Upplands Väsby and Karlstad. In Malmö, two apartment buildings with total of 52 apartments were built during 2003 in cooperation with the HSB and Malmö Kommunala Bostadsbolag (MKB) housing associations, as part of the "Holistic Perspective" housing development project. Demand for the apartments was very high, partly due to the low rent.

Access to development rights is another factor of strategic importance to building attractive housing. Since 2000, the number of housing-development rights held by NCC has increased by 33 percent. Another strategic factor is the ability to offer a well-developed range of optional features, to facilitate greater freedom of choice. NCC introduced such a program in 2003.

## **ACQUISITION OF ANJOBYGG**

During spring 2003, NCC acquired Anjobygg AB in Halmstad, with sales of approximately SEK 300 M and 170 employees. The company commands a strong market position, especially within civil engineering and heavy industry, and is mainly active in southern and central Sweden. Operations are based on expert-

ise in civil engineering and concrete assignments, as well as process know-how in a number of specialist fields. The acquisition enhances and supplements NCC's long-term strategy of concentrating activities around its core operations.

## **NEW FORMS OF COOPERATION AND OFFERINGS**

The NCC Partnering concept gained a greater impact in 2003. Several successful NCC Partnering projects were concluded during the year and new ones started. Notable examples include:

- NCC Construction Sweden's NCC Partnering agreement with Signalisten (a municipality housing company in Solna) and SWECO FFNS Arkitekter AB regarding the joint project design and construction of 60 new rental apartments with garages in the northern Råsunda area of Solna.
- New housing production in cooperation with Riksbyggen in Växjö and HSB in Malmö.
- Rebuilding and extension work at Trygg-Hansa's head office in Stockholm.
- A production and maintenance agreement with Härnösand Municipality.
- Track and rebuilding work at Kolbäck railway station.

A project involving the design of an integrated concept for sustainable construction and estimated lifecycle costs was also initiated. Existing and extended guarantees will be another natural progression as it becomes possible to assume responsibility at every stage of the process.

## **VALUES AND VISIBLE LEADERSHIP**

In NCC's annual survey of employees' opinions on important aspects of leadership (HCI Index), increased ratings were achieved for the following factors: management style, influence and development (also see page 16). During 2003, further steps were taken in the formulation of shared values, including group discussions at workplaces using specific examples based on everyday situations.

## **SIMPLICATIONS AND EFFICIENCY IMPROVEMENTS**

A comprehensive project to devise a process-oriented operational support system incorporating the previous environmental management and quality management systems was implemented during 2003.

The operational support system meets the ISO 9001 and 14001 standards and NCC Construction Sweden will continue to be certified in accordance with the quality and environmental management standards.

The system will be fully deployed during 2004 and will lead to more simplified and efficient operations.

Electronic processing of supplier invoices will be introduced during 2004 as a step in the Group's e-commerce policy.

#### OUTLOOK FOR 2004

The market is expected to remain weak in 2004 and 2005. An important factor determining construction investments is the scope outlined by the government and parliament for building public roads and railways. A political agreement to bring forward certain road and railway projects during 2005–2015, as well as loan financing for these projects, was reached in December 2003.

Demand in the housing market is likely to remain slack, especially in the Stockholm region and in the upper price segments, while demand in the lower price segments is expected to increase. Efforts to reduce construction costs will continue and will include industrialized construction. NCC Partnering is another area of focus and the goal is to make this format an established method of cooperation in all units.

#### NCC's housing-development rights, Sweden

Year	Number	of which, in Stockholm region
2000	8,800	4,600
2001	12,800	6,600
2002	13,000	7,100
2003	11,700	6,600

The reason for the reduction in development rights is that produced housing units exceeded the number of housing-development rights acquired in 2003.

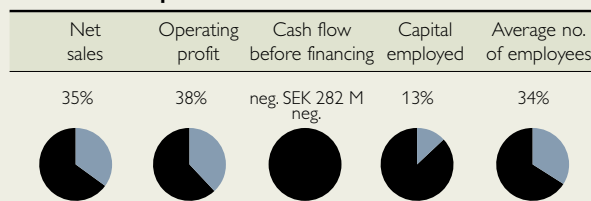


The "Holistic Perspective" project in Malmö is an example of how total construction costs can be reduced through well-functioning cooperation between several parties. Malmö Kommunala Bostadsbolag (MKB), HSB and NCC are cooperating on a joint project to build rental apartments for households with normal incomes. The apartments attracted considerable interest.

Photo: Berne Lundkvist

#### NCC CONSTRUCTION SWEDEN

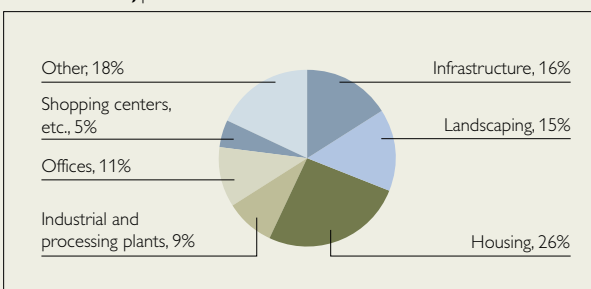
##### Share of Group total



SEK M	2003	2002
Orders received	17,058	15,927
Order backlog	9,836	9,532
Net sales	16,899	17,562
Operating profit, EBIT	412	406
Capital employed at year-end	1,911	2,675
Cash flow before financing	-282	47
Operating margin, %	2.4	2.3
Return on capital employed, % <sup>1)</sup>	23.6	19.3
Investments in fixed assets and properties classed as current assets	352	155
Properties classed as current assets	1,361	1,159
Average number of employees	8,147	8,843

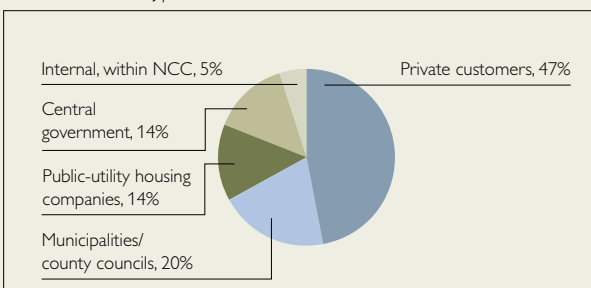
<sup>1)</sup> Return figures are based on average capital employed.

##### Product mix, percent



In 2003, NCC Construction Sweden operated with a broad product base and held strong positions in virtually all market segments. In terms of sales, residential construction was the largest segment, accounting for 26 percent.

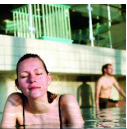
##### Customer mix, percent



During 2003, private customers accounted for 47 percent of NCC Construction Sweden's sales. Private customers include tenant-owner associations, the customers who order the construction of tenant-owned apartments.



President Olle Ehrlén



# NCC CONSTRUCTION DENMARK

The Danish construction and civil engineering market was marked by stagnation and price competition during 2003. Despite the weak market conditions, NCC Construction Denmark improved its market position and increased its margin. Sales amounted to SEK 5.4 billion, resulting in operating profit of SEK 45 M.

The Danish construction and civil engineering market is characterized by a large number of players with relatively small market shares. During 2003, competition was fierce and price pressure substantial. The residential construction market was slightly more positive.

## NCC PARTNERING YIELDS INCREASED PROFITABILITY

In recent years, NCC Construction Denmark has focused on consolidating operations and creating stable and continuous profitability.

NCC Construction Denmark has implemented more than 50 NCC Partnering projects in the construction and civil engineering segments in recent years. The conclusion is clear: these projects generate better results in terms of quality, satisfied customers, working environment, activity time and profitability. This cooperation format is becoming increasingly commonplace in Denmark, partly as a result of new government regulations stating that all governmental procurement must be based on NCC Partnering contracts. At year-end, NCC Partnering contracts comprised 25 percent of sales.

One of the largest projects in 2003 was the construction of new premises for the Danish Broadcasting Corporation in the Ørestad district of Copenhagen. The reason why the Corporation chose NCC as the contractor was its good previous experience of the Group in terms of minimal faults and a work environment with a low level of risk for employees. Another major project was the Bruuns shopping mall in Århus, which was completed ahead of schedule. The customer was the Steen & Strøm property company.

During 2003, NCC also undertook housing production at Tuborg, Carlsberg's disused brewery area in the Hellerup suburb of Copenhagen. The project was conducted as a NCC Partnering arrangement with Carlsberg. The close cooperation generated cost reductions that could instead be used for quality improvements.

## FOCUS ON QUALITY AND SAFETY

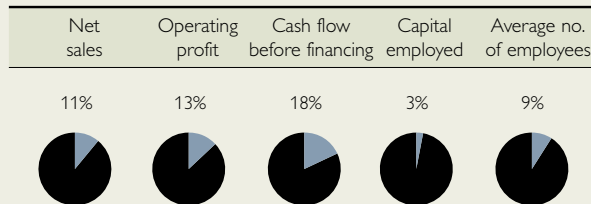
NCC Construction Denmark's decision to prioritize profitability ahead of volume is reflected in its earnings, while investments in quality and safety also produced the desired results. Efficiency has improved through the systematic collection of experience and expertise from completed projects, which are utilized in efforts to make future projects even better.

## OUTLOOK FOR 2004

The market is expected to remain weak in 2004, with a slightly more positive outlook for housing production, mainly in the Copenhagen area. NCC is considered to have good competitive potential, not least due to the company's NCC Partnering experience and expertise.

## NCC CONSTRUCTION DENMARK

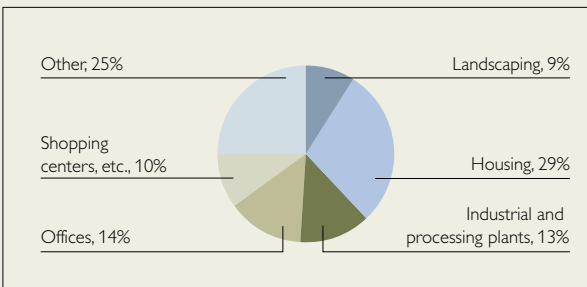
### Share of Group total



SEK M	2003	2002
Orders received	4,362	5,377
Order backlog	3,092	4,348
Net sales	5,440	5,689
Operating profit, EBIT	145	144
Capital employed at year-end	421	511
Cash flow before financing	211	122
Operating margin, %	2.7	2.5
Return on capital employed, % <sup>1)</sup>	40.2	27.0
Investments in fixed assets and properties classed as current assets	252	153
Properties classed as current assets	208	154
Average number of employees	2,113	2,484

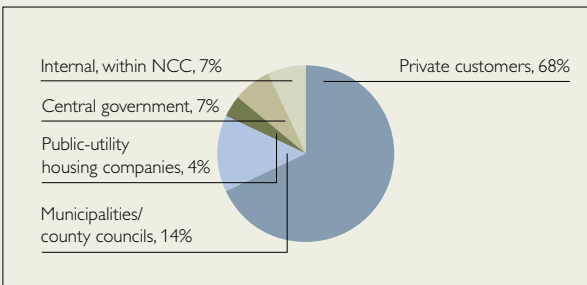
<sup>1)</sup> Return figures are based on average capital employed.

### Product mix, percent



Within NCC Construction Denmark, the proportion of shopping centers and housing rose during 2003, while the importance of office construction declined.

### Customer mix, percent



NCC Construction Denmark mainly sells products to private customers. Municipalities and county councils constituted a relatively large customer category during 2003, due in part to the construction of schools.



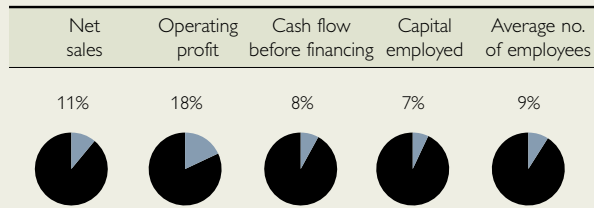
President Søren Ulslev



# NCC CONSTRUCTION FINLAND

## NCC CONSTRUCTION FINLAND

### Share of Group total

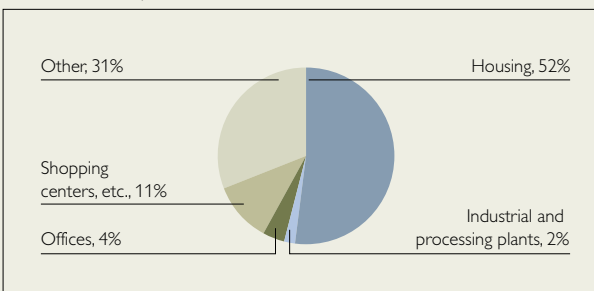


SEK M	2003	2002
Orders received	6,030	4,954
Order backlog	3,820	2,888
Net sales	5,055	4,696
Operating profit, EBIT	197	226
Capital employed at year-end	1,018	1,122
Cash flow before financing	97	425
Operating margin, %	3.9	4.8
Return on capital employed, % <sup>1)</sup>	16.7	19.2
Investments in fixed assets and properties classed as current assets <sup>2)</sup>	1,242	1,139
Properties classed as current assets	910	890
Average number of employees	2,145	2,098

<sup>1)</sup> Return figures are based on average capital employed.

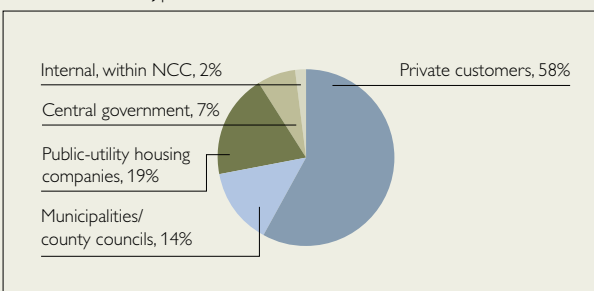
<sup>2)</sup> Mainly attributable to proprietary housing projects.

### Product mix, percent



In Finland, NCC mainly constructs housing, as clearly reflected in NCC Construction Finland's product mix for 2003, in which residential construction accounted for 52 of sales. The share of shopping centers built in Finland was also relatively large, amounting to 11 percent.

### Customer mix, percent



The large share of residential construction in Finland is also reflected in the customer structure, with private customers accounting for 58 percent and the equivalent to Sweden's public utility housing companies for 19 percent.



**President** Timo U. Korhonen

**NCC Construction Finland is primarily active in the building and residential segments. Housing production has comprised an increasing share of Finnish operations in recent years and thus accounts for a significant share of earnings. During 2003, NCC Construction Finland's sales totaled SEK 5.1 billion, generating earnings of SEK 197 M.**

The residential construction market in Finland remained strong in 2003, due partly to continued low interest rates and a high level of optimism in the country. During 2003, NCC completed about 3,000 housing units in Finland, including approximately 1,100 on a proprietary basis. At year-end, 42 housing units had been completed and were awaiting sale and 521 housing units were still under construction.

NCC's largest project in Finland during 2003 was the second phase of the Alberga commercial center, a joint project run as a consortium with several parties, with NCC accounting for 50 percent. The second phase, valued at EUR 150 M (approximately SEK 1.4 billion), is scheduled for completion in 2005. According to the plans, an additional three office buildings will be constructed, entailing a total investment of approximately EUR 50 M (SEK 450 M).

NCC Construction Finland has been developing a lifecycle concept for the past few years, and intensified this work during 2003. This strategic activity entails that NCC, in its role as contractor, assumes responsibility for costs throughout a project's lifecycle and also actively participates in future maintenance. Examples of projects for which the lifecycle concept has been applied include a school, a sports hall and a swimming center in the town of Espoo. Construction of a health center in Espoo based on a similar concept, known as NCC EkoConcept, also commenced in 2003. This concept involves estimating the future impact on the lifecycle and the environment. Long-term maintenance agreements form an integral part of the process – for example, NCC has a 25-year maintenance agreement for the school project in Espoo.

NCC Construction Finland also operates a number of specific projects in Russia and the Baltic States. In Tallinn, NCC Construction Finland is building the Ülemiste shopping mall on behalf of the Norwegian company Lindstow International AS for a total of EUR 30 M (approximately SEK 270 M). NCC has also built housing in Tallinn and Riga.

### OUTLOOK FOR 2004

The residential construction market is expected to remain favorable during 2004, assuming continued low interest rates, urbanization and optimism regarding Finland's future economy. However, the market for the construction of office buildings and other buildings is expected to remain soft. Industrial investments are expected to remain at a low level, while investments in renovation work are expected to increase slightly. Although many Finnish municipalities have extensive investment requirements, a large number of projects are expected to be postponed due to an insufficient tax base, which is likely to impede market development.

# NCC CONSTRUCTION NORWAY

During 2003, activities within NCC Construction Norway continued to be characterized by the comprehensive process of change. The actions taken have had the desired effect, generating a considerable increase in earnings during 2003. Sales amounted to SEK 4.4 billion, resulting in operating profit of SEK 58 M.

The Norwegian construction market remained sluggish in 2003, although a slight increase was observed in investments in civil engineering projects. The market for residential construction and other buildings was weak.

## PROFITABILITY AHEAD OF VOLUME

During autumn 2002, a number of forceful actions were taken to reverse the negative trend within NCC Construction Norway. The key strategic issues were prioritizing profitability ahead of volume at all levels, applying a selective project-tendering policy, improving the quality of tendering and enhancing the control and follow-up of projects. The measures have had the intended effects, resulting in improved earnings and operating margins. Order bookings declined in 2003, partly because NCC refrained from submitting tenders for several projects. Housing construction, which reported substantial losses in 2002, focused on increasing sales and reducing costs in 2003 and showed a profit for the year. In 2003, 218 housing units were sold, compared with 165 in 2002.

NCC was involved in several large and demanding civil engineering projects during 2003, including clearing the seabed around the Haakonsværn naval base. This project demonstrated NCC's expertise in environmental projects. The renovation and expansion project at the Elkem/Alcoa aluminum plant in Mosjøen was delivered at the agreed price three months ahead of schedule. NCC Construction Norway and NCC International Projects are joint subcontractors to Tractebel of Belgium for the expansion of the Snøhvit gas field.

## A GROWING NUMBER OF NCC PARTNERING CONTRACTS

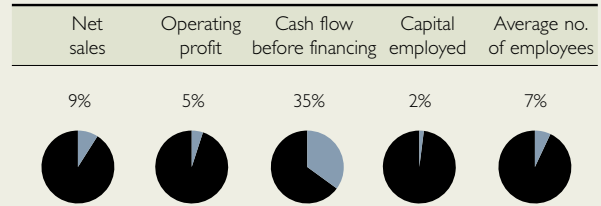
NCC's strategic investment in NCC Partnering projects has begun to produce results. In Kristiansand in the county of Vest-Agder, NCC completed the conversion of Kvadraturen High School on behalf of the county council during 2003. The project was finished ahead of schedule and at a lower cost than estimated. The contract was based on a NCC Partnering arrangement, whereby the cost savings were divided among the customer, NCC and the other parties involved in the project. Two new NCC Partnering contracts were initiated in Oslo during 2003, including one for the construction of 124 housing units.

## OUTLOOK FOR 2004

The market is expected to remain weak during 2004, with a slight increase predicted in civil engineering investments. A number of new proprietary housing projects will be started up during 2004.

## NCC CONSTRUCTION NORWAY

### Share of Group total

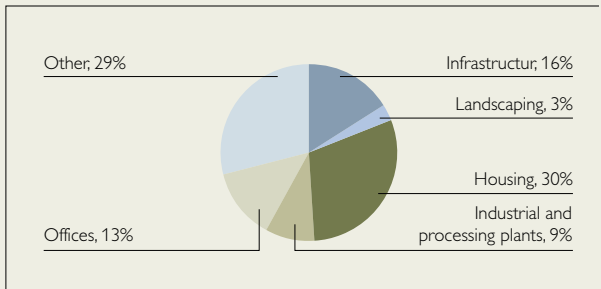


SEK M	2003	2002
Orders received	3,235	4,658
Order backlog	2,412	4,115
Net sales	4,417	4,260
Operating profit, EBIT	58	-359
Capital employed at year-end	282 <sup>2)</sup>	993
Cash flow before financing	411	98
Operating margin, %	1.3	-8.4
Return on capital employed, % <sup>1)</sup>	10.6	neg
Investments in fixed assets and properties classed as current assets	26	183
Properties classed as current assets	269	406
Average number of employees	1,720	2,008

<sup>1)</sup> Return figures are based on average capital employed.

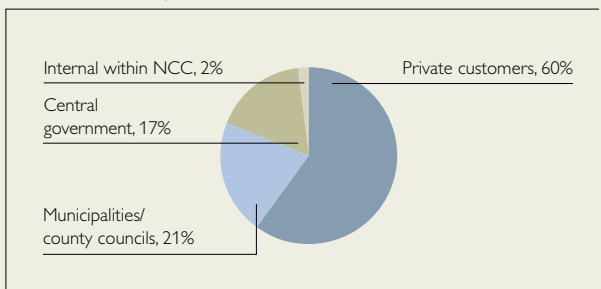
<sup>2)</sup> The decrease in capital employed compared with 2002 was due mainly to the reduced number of housing projects on which construction has commenced.

### Product mix, percent



During 2003, the share of residential construction within NCC Construction Norway rose to 30 percent. The item "Other" mainly includes construction of schools, hospitals and power plants.

### Customer mix, percent



The Norwegian government was a major customer of NCC in Norway during 2003. In relation to the other Nordic countries, municipalities and county councils also comprised a large customer category. The share of private customers rose, in part due to increased housing sales during the year.



### President Sven Christian Ulvatne

On January 1, 2004, Sven Christian Ulvatne succeeded Jan Svensson, who had served as acting President since autumn 2002.

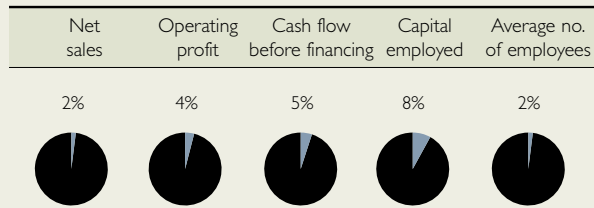




# NCC CONSTRUCTION GERMANY

## NCC CONSTRUCTION GERMANY

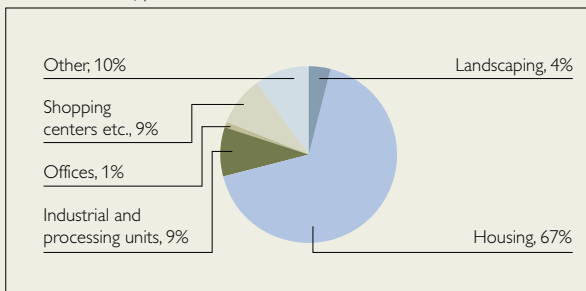
### Share of Group total



SEK M	2003	2002
Orders received	1,063	806
Order backlog	560	610
Net sales	1,106	966
Operating profit, EBIT	48	47
Capital employed at year-end	1,102	1,317
Cash flow before financing	57	126
Operating margin, %	4.3	4.9
Return on capital employed, % <sup>1)</sup>	4.9	4.8
Investments in fixed assets and properties classed as current assets	49	8
Properties classed as current assets	810	765
Average number of employees	525	533

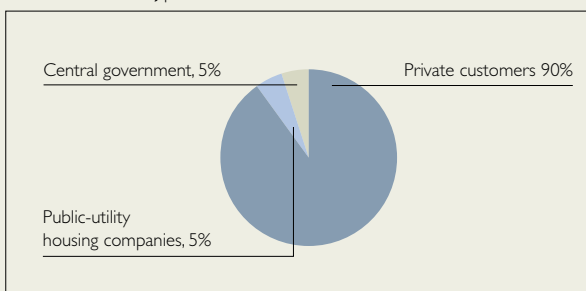
<sup>1)</sup> Return figures are based on average capital employed.

### Product mix, percent



NCC's activity in Germany mainly involves residential construction of detached and row houses. Construction work is mainly concentrated in the Berlin-Brandenburg area.

### Customer mix, percent



NCC Germany's focus on residential construction is also reflected in the customer structure, with private customers accounting for 90 percent, mainly consisting of private individuals investing in single-family units.



**President** Olle Boback

**NCC Construction Germany focuses mainly on the construction of terraced houses and detached houses in Berlin-Brandenburg. Despite a soft market, sales increased to SEK 1.1 billion in 2003 and operating profit of SEK 48 M was reported.**

Total construction investments have reflected the weak and sometimes non-existent growth in the German economy in recent years. The market remained sluggish in 2003 and was marked by fierce price competition and firms being forced out of business. Despite the weak market conditions, NCC Construction Germany increased its sales and market share during 2003, selling a total of 493 (240) housing units.

### OPERATIONS

NCC Construction Germany focuses mainly on housing construction, primarily terraced houses and detached houses in the lower price segment. Customers are young families looking to buy their first home and members of the older generation.

The houses are mainly built of brick, since this is popular among German customers. The use of standardized prefabricated kits has enabled NCC to reduce its construction costs, giving the company a competitive edge. Prefabricated wall units are formed in a factory by subcontractors and then assembled on site. The roofs are manufactured in another factory and then lifted in place in one piece. NCC cooperates closely with subcontractors who supply and fit windows, doors and floors. This building technique also enables detached houses to be produced in a similar manner and sold to customers who own their own plot of land. This segment is growing rapidly within NCC in Germany and 133 houses were sold during 2003.

Although customers are unable to change the exterior, they still have considerable freedom of choice as the list of accessories and optional features contains more than 1,300 different alternatives, ranging from kitchen appliances to tiling, door handles and skirting boards. NCC also offers customers the "i-plus" concept – a hi-tech service covering everything from comfort, security and energy-savings to multi-media and health.

### CAUTIOUS EXPANSION

In 2003, NCC started up some 50 new housing projects in Germany, with proprietary projects accounting for about 75 percent. No projects are started before a specified number of housing units have been sold. This requirement also applied to the slight expansion initiated in the single-family dwelling segment in 2003, through the acquisition of development rights in the Rheine-Ruhr area.

About a quarter of 2003 sales derived from various commercial construction projects, the largest being the Adlershofer Tor shopping mall in Berlin, with an order value of about SEK 200 M.

### OUTLOOK FOR 2004

The German construction market is expected to remain sluggish in 2004. However, NCC is assessed to have good potential to continue capturing market share within the production of single-family dwellings in the Berlin-Brandenburg area.

# NCC INTERNATIONAL PROJECTS

**NCC International Projects conducts large and technically advanced civil engineering projects in Nordic markets, jointly with local NCC Construction units, and in selected international markets. Sales amounted to SEK 3.9 billion in 2003, generating an operating profit of SEK 116 M.**

During 2003, NCC's international operations continued to pursue a strategy of concentrating on a limited number of selected markets, but with a more clearly defined focus on large infrastructure projects in the Nordic region. Operations specialize in a small number of product areas, such as underground, hydropower/water-treatment and major infrastructure projects.

NCC International Projects has been assigned primary responsibility for Nordic projects exceeding SEK 300 M, due to the complex nature of such projects. Notable examples of projects in progress include a tunnel in Trollhättan, Sweden – a dual-track railway tunnel scheduled to open in 2005 – and the Snøhvit project in northern Norway, where NCC is building four concrete gas-storage tanks.

Work on reinstating traffic along a collapsed section of the S:t Petersburg subway system was completed at the end of the year. As of spring 2004, the 500,000 commuters now being forced to take the bus every day between two subway stations will once again be able to travel by train instead. Also in S:t Petersburg, work on the Southwest Wastewater Treatment Plant (SWTP) was initiated during 2003. Upon completion, the facility will treat water for almost 800,000 inhabitants in the city. The project – the first Public-Private-Partnership (PPP) project of its kind in Russia – is a joint venture between NCC, Skanska and the Finnish construction company YIT.

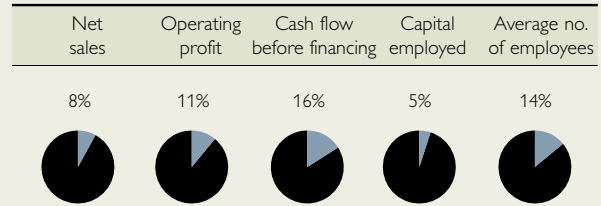
In Southeast Asia, work continued on the two-stage extension of the Circle Line subway system in Singapore. In cooperation with a local partner, NCC is building a total of about 9 km of tunnels and six stations. An additional contract, regarding the fitting of four subway station interiors, was signed during the year.

In Greenland, a NCC Partnering contract regarding the construction of the country's first ever high-rise building was signed early in the year. The nine-story building is being built in the capital city, Nuuk. During the autumn, an order was also secured for the construction of a tunnel between two islands in the Faeroe Islands. NCC has previously built a similar tunnel – the first of its kind in the country – linking the capital city and the airport.

In late November, the second phase of the A2 Expressway project in Poland was opened for traffic. More than 100 km of expressway are now complete and open for westbound traffic from Konin to Poznan. The A2 project is a PPP arrangement

## NCC INTERNATIONAL PROJECTS

### Share of Group total



SEK M	2003	2002 <sup>1)</sup>
Orders received	1,317	3,307
Order backlog	3,094	5,586
Net sales	3,869	1,793
Operating profit, EBIT	116	96
Capital employed at year-end	802	1,470
Cash flow before financing	187	331
Operating margin, %	3.0	5.4
Return on capital employed, % <sup>2)</sup>	11.7	9.9
Investments in fixed assets and properties classed as current assets	90	180
Properties classed as current assets	–	10
Average number of employees	3,462	3,171

<sup>1)</sup> Figures for 2002 include amounts for the former NCC Construction Poland, such as for Hydrobudowa.

<sup>2)</sup> Return figures are based on average capital employed.

### Ongoing projects



NCC's international operations focus primarily on the Nordic market, but the business area also undertakes projects in the rest of Europe, Southeast Asia, Central America and Southeast Africa.



**President** Per Nielsen

involving the construction of a 150-km section of expressway, a large number of bridges and service areas.

An extensive review of operational processes was undertaken in 2003 and quality and environmental work was also assigned high priority.

### OUTLOOK FOR 2004

The level of activity within international civil engineering projects is expected to remain unchanged during 2004.

# NCC PROPERTY DEVELOPMENT

## FOCUS ON LEASING



Bruuns Galleri, which is being developed by NCC Property Development, is one of Denmark's largest construction projects. The project is located in central Aarhus and comprises approximately 90,000 square meters of commercial floor space. In addition to a high-rise building, the project includes a large supermarket, five specialist retail stores and about 70 smaller retail outlets, as well as a ten-screen movie theater and a parking garage for 1,200 cars. Photo: Thomas Gunge

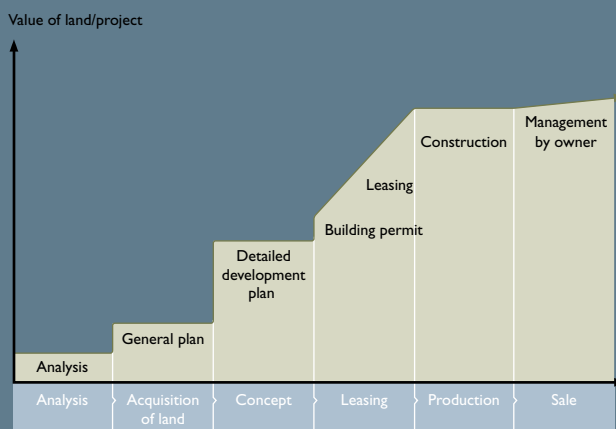
NCC Property Development develops commercial properties in Nordic growth markets and offers them to investors. The properties are to be characterized by inspiring environments that help businesses and individuals to achieve outstanding results. During 2003, the business area was restructured and increased its focus on leasing and sales of existing projects. An operating loss of SEK 780 M was reported for 2003, due to write-downs of property holdings.

NCC's property development profile has been enhanced during recent years in pace with the sale of virtually all of its managed properties. Few new real estate projects were started up in 2003, due to the weakened state of the Nordic market for commercial properties.

NCC Property Development underwent restructuring during 2003, which was required because of the weaker market conditions, combined with the NCC Group's increasing focus on the Nordic market. During the year, the business area concentrated its efforts on leasing and selling existing projects and sharpening its operational efficiency. The phase-out of non-Nordic property holdings was accelerated during the year and the number of employees was halved to approximately 100.

At the end of 2003, NCC's real estate portfolio within Property Development consisted of projects and properties held for future development with a book value of SEK 3.8 billion and

### Value generation in a property development project



The value of a property-development project rises as development work progresses. Successful property-development projects always begin with a well-conceived idea. Other success factors include access to attractive land and the ability to find tenants as early as possible. NCC is active throughout the value-generation process and its involvement ends with the sale of a project.

managed properties with a value of SEK 0.8 billion. In connection with the compilation of the annual accounts, write-downs totaling SEK 782 M were posted.

#### PROPERTY DEVELOPMENT AS A BUSINESS CONCEPT

Property development begins with an idea, which in turn is based on a notion of what future workplaces or other commercial premises will look like and where they should be located. Operations have focused mainly on office projects, although NCC's initiatives related to the development of commercial projects, such as shopping malls, are gradually increasing. Starting from the initial concept, the development work proceeds in stages – with NCC Construction implementing the actual construction work – and is completed, as far as NCC is concerned, when the property is sold.

The value of a project changes as the development process progresses. Key steps include when a detailed development plan that supports the proposed use is approved, and when tenants sign leases.

#### COMPETITORS

NCC conducts property development in parallel with its traditional building contracts. The Group has numerous competitors, including other construction companies and real estate companies that, in addition to property-management activities, also develop landholdings and add value to existing properties. Other competitors are specialist property-development companies. The number of competitors varies from market to market.

#### MARKETS

NCC's geographical focus is on the Nordic region and its metropolitan cities. Prioritized locations are Stockholm, Gothenburg and Malmö in Sweden, Copenhagen and Aarhus in Denmark, Oslo in Norway, and Helsinki and Tampere in Finland.

The year 2003 was characterized by continued weak rental markets throughout the Nordic region. However, investors continued to show substantial interest in properties. As a result of the weak market situation, NCC has adopted a very cautious attitude toward starting new projects in recent years.

#### Sales of property projects

During 2003, property projects were sold for SEK 1,789 M, generating a capital gain of SEK 145 M.

Major project sales during the year included Grani Shopping Center and NCC Building 2 in Helsinki, Helsingør Panorama in Oslo, Centralhuset (excluding hotel premises) in Gothenburg and Obuda Gate and two retail projects in Budapest. A number of project sales, comprising a total of 9,590 square meters, were linked to rent guarantees. The maximum risk resulting from the guarantees is SEK 59 M, for which necessary provisions have been posted.

Rent guarantees outstanding for projects sold before 2003 comprised a total of 24,500 square meters at year-end, a decrease of 16,200 square meters during 2003. The maximum risk amounts to SEK 215 M, a decrease of SEK 182 M during 2003.

In the accounts for 2003, an estimate has been made of the probable outcome of the issued leasing guarantees and a corresponding provision has been posted.

#### Completed and ongoing property projects

*Completed property projects* are projects that are ready for occupancy, apart from any remaining adjustments to specific tenant requirements in cases where the project is not already fully leased. *Ongoing property projects* are projects about which a definitive decision has been taken regarding a building start and for which the activities required to complete the property project have been initiated. However, an actual building start on the property is not necessary.

At the end of 2003, projects costs for completed and ongoing property projects totaled SEK 2.9 billion (4.6). Costs incurred in all projects amounted to SEK 2.7 billion (3.3), corresponding to 94 percent (72) of total project costs. The leasing rate was 50 percent (40), measured in terms of contracted rental revenues as a percentage of estimated total rental revenues when the properties are fully leased. Total rentable floor space was 139,500 square meters, of which 74,000 square meters, or 53 percent, was leased.

The single largest real estate project, Kista Science Tower, is being implemented via a limited partnership – Kista Science

#### Completed and ongoing property projects, December 31, 2003, SEK M

Country (number)	Project cost	Rate of completion, %	Rentable floor space, m <sup>2</sup>	Leasing rate, %	Yield	Operating net <sup>1)</sup>
Sweden (6)	1,558	94	66	44	7.6	118
Denmark (3)	207	97	10	54	7.5	16
Finland (3)	425	88	21	66	8.7	37
Belgium (2)	252	99	14	34	7.3	18
Germany (3)	486	95	29	63	7.2	35
<b>Total</b>	<b>2,928</b>	<b>94</b>	<b>140</b>	<b>50</b>	<b>7.7</b>	<b>224</b>

<sup>1)</sup> Forecast operating net during year after completion, based on full leasing and excl. initial rent discounts.

Tower KB – with the real estate company Vasakronan. Based on an independent valuation, NCC's holding in Kista Science Tower at December 31, 2003 was written down and this write-down is included in total write-downs of SEK 782 M (see Report of the Board of Directors, pages 38–43).

Construction of Kista Science Tower was completed in February 2004. In 2001, 50 percent of the project was sold to Vasakronan. This transaction included options to buy or sell the remaining 50 percent on commercial market terms. The earliest date for Vasakronan to exercise its purchase option is June 1, 2004. NCC can exercise its sell option on November 1, 2004 at the earliest. In February 2004, 31 percent of the total office space had been leased, corresponding to a leasing rate of 25 percent (in relation to expected rental revenues).

### Properties held for future development

The holding of properties held for future development consists of land/development rights and project properties intended for further development and sale, as well as land not intended for further development but for sale in its present condition, in certain cases after additional planning work.

Land/development rights and project properties intended for development and sale correspond to a gross area, excluding garage space, of approximately 634,000 square meters, of which office space accounts for about 450,000 square meters and retail space for about 77,000 square meters. Project-development work will be performed at a pace permitted by market conditions.

### Real estate markets, Nordic region 2003

	Vacancy rate, %	Annual rent, m <sup>2</sup>	Required yield, %
Stockholm (SEK)	18 ↗	3,500 ↘	6.5–7.0 →
Helsinki (EUR)	7 →	300 →	6.5–7.0 →
Oslo (NOK)	11 →	1,550 →	6.9 →
Copenhagen (DKK)	8 →	1,675 ↘	6.5 →

(Source: NCC.)

### Sales of properties in 2003

Property	Price, SEK M	Capital gain
Grani Shopping Center, Helsinki	142	
NCC Building 2, Helsinki	209	
Helsfyr Panorama, Oslo	423	
Centralhuset, Gothenburg	405	
Obuda Gate, Budapest	252	
Airport Retail Park, Budapest	146	
Denmark (5 properties)	122	
Other	90	
<b>Total property projects</b>	<b>1,789</b>	<b>144</b>
<b>Total managed properties</b>	<b>171</b>	<b>-29</b>
<b>Total</b>	<b>1,960</b>	<b>115</b>

### Managed properties

The book value of managed properties at the end of 2003 was SEK 820 M (1,109), distributed among 14 units. During 2003, 17 properties were sold for SEK 171 M (3,025), generating a loss of SEK 29 M (gain: 253).

At the end of 2003, the portfolio of Swedish managed properties had a book value of SEK 661 M (903). The market value, according to an independent valuation at the end of 2003, was SEK 764 M (1,123).

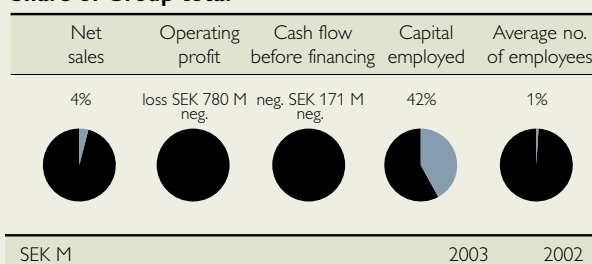
A complete, quarterly updated specification of all completed and ongoing property projects, managed properties and properties held for future development is presented on NCC's Group website: [www.ncc.info](http://www.ncc.info)

### OUTLOOK FOR 2004

Since the Nordic office market is expected to remain weak during 2004, particularly in Stockholm and Oslo, the approach to the start-up of new projects will be highly restrictive. The focus for the next few years will be on leasing ongoing and completed projects in all markets and selling the remaining managed properties and other properties outside the Nordic region.

### NCC PROPERTY DEVELOPMENT

#### Share of Group total



#### Income statement

	2003	2002
Net sales	2,052	4,150
Result from development properties	-757	351
Result from managed properties	12	349
Restructuring costs	-35	0
<b>Operating profit/loss</b>	<b>-780</b>	<b>700</b>

#### Key figures

	2003	2002
Property investments	1,396	1,604
Sales of properties	1,960	6,920
Capital employed at year-end	6,197	6,649
Cash flow before financing	-171	3,116
Gross margin (property development), %	neg	14.6
Operating margin (property development), %	neg	8.5
Return on capital employed, % <sup>1)</sup>	neg	11.3
Average number of employees	152	223

<sup>1)</sup> The return figure is based on average capital employed.



**President** Mats Wäppling

# NCC ROADS

## FROM AGGREGATES TO ROAD MAINTENANCE



During 2003, construction of 2+1 roads with median cable barriers generated considerable business for NCC Roads. The two-lane sections improve the flow of traffic, while the cable barriers reduce the risk of accidents. Existing roads are being remodeled to increase capacity, which means that the customer, in this case Sweden's state-operated National Road Administration, need not to invest in completely new sections of road.

Photo: Henrik Ottosson

NCC Roads' core operations are aggregates, asphalt, paving and road maintenance. In 2003, operations were marked by low volumes in certain markets and depressed prices for primarily asphalt and aggregate products. Sales in 2003 totaled SEK 7.9 billion and operating profit declined to SEK 44 M.

NCC Roads is active mainly in the Nordic region and also in Poland, the Baltic countries and the S:t Petersburg area of Russia. Some aggregate products are exported, primarily from Norway and Sweden to countries bordering the Baltic Sea. Typical customers are construction companies and central or local government authorities, which contract NCC for the paving of public highway networks.

### **TOUGH MARKETS IN 2003**

The market for NCC Roads' various products and services is affected to a large extent by the general trend in the construction industry. The operations are also exposed to intense competition, with the physical establishment of operations, close-to-market access to raw materials and customer relations as key competitive factors. The market for aggregates, asphalt and ready-mixed con-

crete is extremely local by nature. Since asphalt mixes and ready-mixed concrete are perishable goods and expensive to transport, competition in a geographically limited market can be very intense, resulting in substantial price fluctuations. This is exemplified by Denmark, the geographical market within NCC that showed the weakest business trend during 2003. In Norway and Sweden, operations were affected by increased competition from the countries' public road administrations' own production units.

The whole of the Nordic market for asphalt, aggregates and ready-mixed concrete was marked by strong price pressure during 2003, resulting in lower volumes in certain markets and significantly reduced margins. This was the main reason for the sharp deterioration in earnings. Accordingly, necessary rationalization measures were implemented, including workforce downsizing in certain parts of Norway and Sweden. In the Danish organization, personnel

were laid off, units coordinated and three asphalt plants closed down. The business area's head office was moved from Copenhagen to Stockholm during 2003 and a new president was appointed.

In line with the Group's focus on core operations, ready-mix concrete operations were sold in Norway, Estonia, Latvia, Poland, St Petersburg and Stockholm. In total, concrete operations with annual sales of approximately SEK 400 M were sold. The divestments had a marginal impact on earnings. The remainder of the ready-mix concrete business – which consists of standard and specialty products manufactured in proprietary plants – was incorporated within the existing business units in Sweden and Denmark. Combined, these changes meant that at the beginning of 2004, the business area's organization better matched the prevailing market conditions.

The weak operating result for 2003 was due primarily to lower price levels in several markets, but was also affected by restructuring costs of SEK 70 M, mainly related to workforce reductions. In addition, goodwill in highway-marking operations was written down by SEK 55, while restoration reserves were increased and write-downs of SEK 70 M were posted, primarily for inventories of aggregates, which were written down by SEK 50 M.

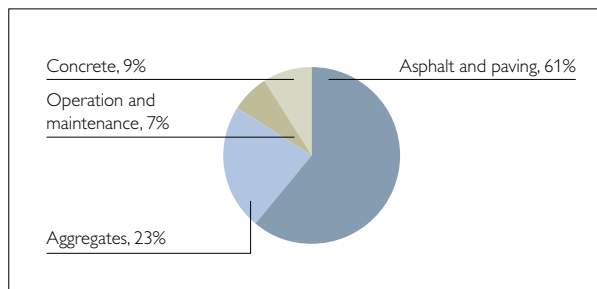
#### GROWTH IN POLAND

Operations in Poland have developed positively in the past two years. In 2003, two strategic municipal contracts were secured and deliveries commenced on the A2 Expressway project (for which NCC International Projects is constructing one of the stages). During 2003, NCC was the largest single asphalt producer in Poland and had access to its own quarries. To achieve growth and facilitate further development, NCC Roads' Polish operations became an independent business unit in January 2003.

#### VALUE CHAIN

NCC Roads' operations encompass the entire value chain, from aggregate products, asphalt and paving to the operation and maintenance of roads. This positions NCC as a full-service supplier from which customers can purchase all or parts of the company's range of products and services, which include the following items:

#### Product mix, percent



Asphalt, aggregates and paving accounted for 84 percent of NCC Roads' sales in 2003. NCC Roads is the leading company in the Nordic market for asphalt and aggregates.

#### Aggregates

In the crushing plants, rock material from gravel and rock pits is processed into different aggregate products. Crushing is also conducted on site at construction locations and quarries. The aggregate products are used as base material in all construction and paving operations.

#### Asphalt

NCC conducts its own production of standard and specialty asphalt products with different properties. It also offers a series of proprietary asphalt mixes, with features including self-draining or sound-dampening properties. The company's own laboratories continuously perform quality-control checks of the products. Recycled asphalt is being used increasingly. In 2003, recycled material accounted for about 8 percent of all asphalt products in Sweden.

#### Paving

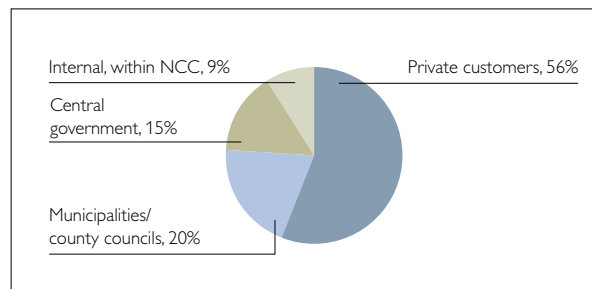
NCC performs all types of paving operations, from the laying of new surfaces to maintenance activities. Operations also include preventive and emergency maintenance of all types of asphalt surfaces. In addition, the business area undertakes Design, Construct and Maintain (DCM) contracts for the maintenance of specific stretches of a highway, or for the long-term maintenance of an entire highway network.

NCC Roads develops its own work methods to ensure the quality of highways. During both the production and laying of asphalt, it is possible to use company-developed thermal cameras to check that the temperature is maintained at a uniform level. This extends the operational lifetime of roads.

#### Operations and maintenance

NCC Roads assumes turnkey responsibility for roads, both during and after their construction. The latter can include cleaning, snow clearance, sanding, or the upkeep of decorative plants and grassed areas.

#### Customer mix, percent



During 2003, NCC Roads' customer structure varied from product to product and country to country. Central government authorities and municipalities were major customer categories in the asphalt segment, particularly in Sweden, while private customers dominated the aggregates segment. Internal sales to NCC were much lower in Denmark than in Sweden.

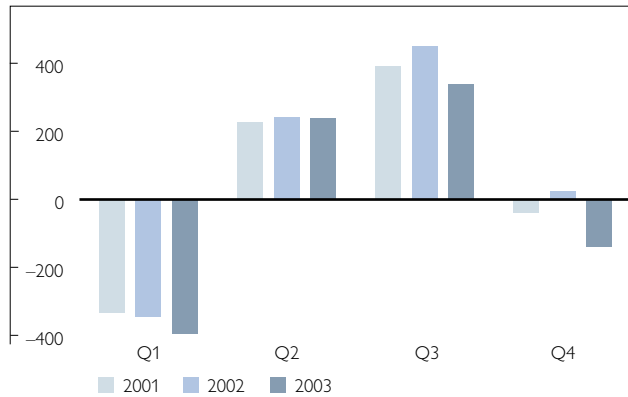
## OPPORTUNITIES AND RISKS

Demand for aggregate and asphalt products is highly seasonal, since a large part of the operations cannot be conducted during the winter half of the year. As a result, most of NCC Roads' revenues are generated during May to October. This also means that while earnings are generally negative during the first part of the year, this situation is offset by the profits generated during the second and third quarters.

Raw-material costs constitute about one third of the price of the laid asphalt. Bitumen, an oil-based product, and aggregate products are the principal raw materials for asphalt production.

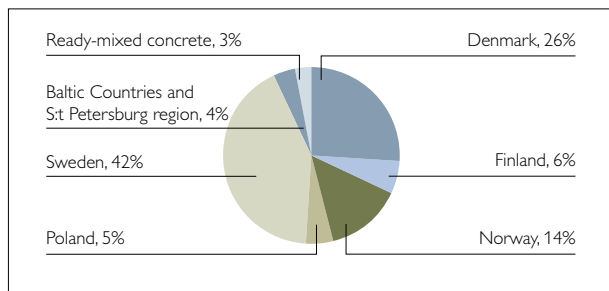
Within NCC Roads, the purchase of bitumen and cement is coordinated through international procurement agreements. This results in competitive and stable purchase prices. To assure long-term and stable access to aggregate products, NCC Roads owns most of the crusher plants needed to meet Group demands.

### Operating profit per quarter



NCC Roads' operations are subject to sharp seasonal fluctuations, because paving activities cannot be conducted during the winter half of the year. This results in major losses during the first quarter of the year and favorable earnings during primarily the third quarter. The fourth-quarter loss 2003 was due mainly to restructuring costs and write-downs.

### Geographic markets Sales, percent



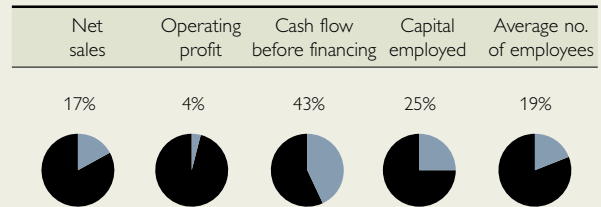
The NCC Roads business area is divided into geographical regions, plus a unit for ready-mixed concrete. Denmark is the largest unit, followed by Norway. Sweden is divided into three regions, of which Southwest Sweden is the largest.

## OUTLOOK FOR 2004

It is estimated that the Nordic construction market will remain weak during 2004. In the Polish market, demand is expected to increase slightly. Competition in the Nordic market will remain severe, as will the pressure on prices, particularly for asphalt and aggregates.

### NCC ROADS

#### Share of Group total



SEK M	2002	Pro forma 2001
Orders received	8,090	8,429
Order backlog	1,053	908
Net sales	7,919	8,341
Operating profit, EBIT	44	373
Capital employed at year-end	3,716	4,758
Cash flow before financing	509	251
Operating margin, %	0.6	4.5
Return on capital employed, % <sup>1)</sup>	1.5	8.7
Investments in fixed assets and properties classed as current assets	336	484
Average number of employees	4,642	4,908

<sup>1)</sup> Return figures are based on average capital employed.

### The largest Nordic players in various segments 2002

	Asphalt	Aggregates	Ready-mixed concrete
NCC	■	■	■
Skanska	■	■	■
Lemminkäinen	■	■	■
Production units within government road administrations in Sweden, Norway and Finland		■	
Veidekke	■	■	
CRH	■	■	■
HeidelbergCement		■	■
Unicon Beton			■
RMC			■
Colas	■	■	
Peab	■	■	■

(Source: NCC.)



**President** Göran Svensson, who succeeded Hans Gormsen on September 8, 2003



# ACCOUNTS

## FINANCIAL REPORT PAGES 38–72

The Trygg-Hansa-house, Stockholm, Sweden.

Photo: Henrik Ottosson

The FIH-house, Copenhagen, Denmark.

Photo: Adam Mørk



Photo: Klas Andersson



Amhults garden city, Gothenburg, Sweden.

Photo: Magnus Gotander



Bagsværd swimming baths, Denmark.

Photo: Niels Busch

# REPORT OF THE BOARD OF DIRECTORS

NCC AB, CORP. REG. NO. 556034-5174

## SIGNIFICANT EVENTS DURING THE YEAR

### Loss caused by write-downs

NCC reports a loss for 2003, due mainly to write-downs within NCC Property Development. Price pressure, write-downs and workforce cutbacks within NCC Roads also had an adverse impact on earnings. NCC Property Development and NCC Roads were restructured during the year and new management teams were appointed. The result for 2002 included a capital gain of SEK 301 M from the sale of the subsidiary NVS and considerable gains from major property divestments.

### Action program contributed to increased profitability within Construction units

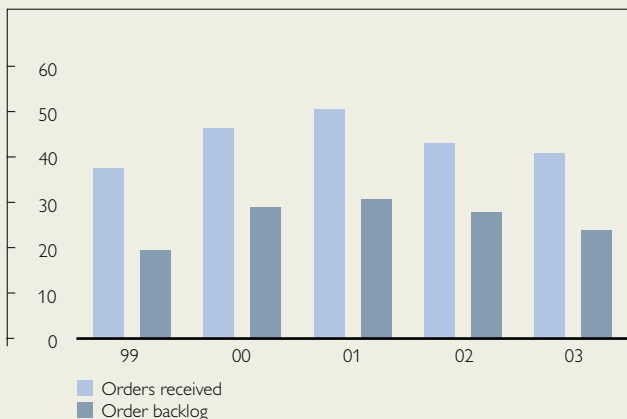
The strategy adopted in 2001 of assigning priority to profitability ahead of volume generated favorable effects in all Construction units in 2003. Although NCC Construction Sweden and NCC Construction Denmark's sales declined by slightly more than 20 percent compared with the boom period experienced two years ago, their operating profit improved. Following two loss-making years, NCC Construction Norway reported a profit for 2003.

### Continued streamlining of operations

The Group's streamlining and concentration on core business continued during 2003. Concrete operations in Finland, Norway, Poland, the Baltic countries and St Petersburg were divested, as were ready-mix concrete plants in Sweden and the company Mobil Asphalt. The shareholdings in Betonelement AS of Denmark and A-Train AB were also sold. The subsidiary Altima was spun off to NCC's shareholders. Properties were sold for a total of SEK 2.0 billion.

### Orders received and order backlog

SEK billion



Since 2001, the NCC Group has shown reductions in both orders received and the order backlog. The decreases are due to the phase-out of operations, a more selective tendering policy, more stringent profitability requirements and weaker market conditions. Excluding proprietary projects, orders received in 2003 declined by about 8 percent.

### Spinoff of Altima to NCC's shareholders

NCC's Annual General Meeting on April 10, 2003 resolved to spin off Altima to NCC's shareholders. The record date for the spinoff was December 12, 2003. As a result, shareholders received one Altima share for each multiple of ten NCC shares held (regardless of class). On December 10, 2003, Ramirent of Finland made a public offer for all the Altima shares. By January 23, 2004, the offer had been accepted by 94.6 percent of Altima's shareholders and Ramirent decided to complete the takeover. Altima shares were delisted from Stockholmsbörsen on February 12, 2004. The Swedish National Tax Board has established that the dividend value of Altima shares is SEK 6.70 per NCC Share and that the acquisition value per Altima share is SEK 67.

### Weak market

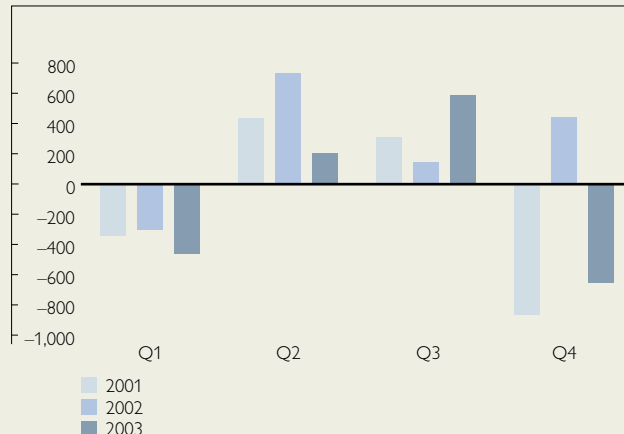
The Nordic construction market remained weak in 2003 and no growth is expected in 2004 or 2005. The weak market conditions required adaptations to operations and the organization.

### ORDERS RECEIVED, NET SALES AND EARNINGS

Orders received by the NCC Group during 2003 amounted to SEK 40,941 M (43,098). Proprietary property-development projects accounted for SEK 263 M (699) of total orders received and proprietary housing-development projects for SEK 4,973 M (3,750). The main reason for the decrease in orders received was that no major new orders were secured within NCC International Projects. The order backlog on December 31, 2003 was SEK 24 billion (28).

### Profit/loss after financial items (EBT)

excluding items affecting comparability<sup>1)</sup>, SEK M



<sup>1)</sup> See Multi-year review, footnote 3, on page 74.

NCC's earnings for different quarters are characterized by considerable seasonal variations, mainly because the proportion of asphalt, aggregates and paving operations is relatively large and the degree of activity in these segments is extremely limited during the winter. Earnings for the fourth quarter of 2001 were affected by write-downs and provisions. Earnings for the fourth quarter of 2003 were also affected by write-downs within NCC Property Development and by restructuring costs and write-downs within NCC Roads.

### **Net sales**

Consolidated net sales for 2003 totaled SEK 45,252 M (45,165). Excluding sales of real estate projects, net sales rose to SEK 43,462 M (41,270). The main reason for the increase was a high work-up rate within the A2 Expressway project in Poland.

### **Earnings**

The Group's full-year operating profit (EBIT) for 2003 amounted to SEK 5 M (1,820). The main negative factors affecting full-year results were weakened real estate markets and write-downs within NCC Property Development and weaker earnings within NCC Roads. The deterioration in NCC Roads' earnings was due to reduced volumes in certain markets, lower asphalt prices and restructuring costs, as well as write-downs of goodwill and inventories.

The year-earlier figure included a capital gain of SEK 301 M from the sale of the subsidiary NVS. Earnings for 2002 also included gains from a large number of property sales, which enabled NCC Property Development to report operating profit of SEK 700 M, compared with the loss of SEK 780 M for 2003 after write-downs of SEK 782 M.

A full-year loss of SEK 323 M (profit: 1,306) was reported after financial items. Net financial items amounted to an expense of SEK 328 M (expense: 514). The improved financial net was mainly attributable to reduced net indebtedness compared with the preceding year and lower average interest rates on borrowing.

## **PERSONNEL**

### **Number of employees**

The average number of employees in the NCC Group was 24,076 (25,554). The decrease is due mainly to downsizing measures within the framework of the Turnaround action program.

### **Pension foundation**

The NCC Group's pension foundation was registered in April 2003. The purpose of the foundation is to secure pension commitments covered by the national pension plan, as well as other pension commitments that NCC AB and other companies in the NCC Group's Swedish operations have made or will make in the future to employees and surviving relatives of employees. Accordingly, provisions for PRI are no longer posted. Also refer to Note 24.

## **FINANCIAL POSITION**

### **Profitability**

The return on capital employed was 1.3 percent (10.3). The return on equity was negative (positive: 11.2) due to the considerable write-downs charged against earnings in 2003.

### **Investments and financing**

Cash flow before financing during 2003 amounted to SEK 762 M (5,055). On December 31, 2003, NCC's net indebtedness (interest-bearing liabilities less liquid assets less interest-bearing receivables) amounted to SEK 4,891 M (5,819). The decrease in net indebtedness was due to improved cash flow from operations, reduced investments during the year, the spin-off of Altima and property sales.

### **Equity/assets and debt/equity ratios**

The equity/assets ratio on December 31 was 21 percent (22). The debt/equity ratio (net indebtedness divided by shareholders' equity including minority share) was 0.8 (0.8) at year-end.

## **FINANCIAL RISK MANAGEMENT**

### **Interest-rate risks**

Within an established framework, NCC aims for a good balance between long and short periods of fixed interest. The average period of fixed interest in the portfolio of debts was 0.9 years (1.3).

### **Currency risks**

The Group's finance policy stipulates that known currency risks must be eliminated. The business operations' transaction exposure is hedged via NCC Treasury, mainly through currency forward contracts. NCC's translation exposure is limited through investments outside Sweden that are financed with loans in corresponding currencies or through currency forward contracts.

### **Credit risks**

NCC's investment regulations are reviewed continuously and characterized by caution. The aim is that no credit losses will be incurred on the financial investment assets within business operations.

### **Liquidity risks**

To achieve adequate flexibility and cost efficiency, the Group's access to funds consists essentially of committed lines of credit. On December 31, the volume of unutilized committed lines of credit totaled SEK 4.1 billion. Available funds are invested primarily in banks or interest-bearing instruments with good credit ratings and solid secondary markets. At year-end, the Group's liquid assets amounted to SEK 2.5 billion.

## **RESEARCH AND DEVELOPMENT OPERATIONS**

As part of the business conducted by the NCC Group, resources are continuously invested in research and development conducted in-house or in cooperation with customers and

also suppliers. The main R&D areas concerned are related to NCC's building and civil engineering operations, as well as Group-wide programs, such as industrialized construction, sustainable construction and information technology. A large amount of development work is conducted as part of business projects in progress.

#### **ENVIRONMENTAL IMPACT**

The Group conducts operations subject to permit obligations in accordance with the Environmental Code. This applies to the Swedish Parent Company and Swedish subsidiaries. Of the Group operations subject to permit and reporting obligations, it is mainly the asphalt, concrete and gravel pit operations conducted within NCC Roads that affect the external environment. The external environmental impact of these operations mainly comprises atmospheric emissions and noise.

#### **PARENT COMPANY**

Parent Company sales during the year totaled SEK 16,547 M (16,177). A loss of SEK 108 M (profit: 2,187) was reported after financial items. The average number of employees was 7,382 (8,329).

#### **GROUP RELATIONSHIP**

Since January 2003, NCC AB has been a subsidiary of Nordstjernan AB, Corporate Registration Number 556000-1421, whose Registered Head Office is in Stockholm.

#### **COMMISSION AGREEMENT**

Since January 1, 2002, NCC Construction Sverige AB conducts its operations on behalf of NCC AB under a special agreement.

#### **NCC's REPURCHASE OF OWN SHARES**

The Annual General Meeting on April 10, 2003 renewed the Board's authorization to repurchase a maximum of 10 percent of the total number of NCC shares. Three shares were repurchased in 2003 at a price of SEK 52 each. This transaction was conducted to arrive at an even number of shares in connection with the spinoff of Altima shares. Since the original repurchase authorization was granted at the 2000 Annual General Meeting, NCC has repurchased 6,035,392 Series B shares at an average price of SEK 73.35, corresponding to 5.6 percent of the total number of shares. Excluding the repurchased shares, the number of shares outstanding is 102,400,430.

The Board proposes that it be authorized by the Annual General Meeting to repurchase Series A or B NCC shares up to the next Annual General Meeting in such a number that the Company's holding of its own shares does not exceed 10 percent of the total number of NCC shares at any point in time. Share purchases must be effected via Stockholmsbörsen at a price per share that is within the band of share prices registered at each particular time. The reason for repurchasing shares is to adjust

NCC's capital structure. Based on the proposed authorization, the Company will be entitled to repurchase an additional 4.4 percent of the total number of issued shares.

#### **PROPOSED DIVIDEND**

The Board proposes that a cash dividend of SEK 2.75 (2.75) be paid per share. The proposed record date for dividends is April 14, 2004. If the Annual General Meeting approves the Board's proposal, it is estimated that payment of the dividend, under the auspices of VPC, will commence on April 19, 2004.

#### **CHANGED CAPITAL STRUCTURE**

As a result of NCC's strategy of focusing on core business, assigning priority to profitability ahead of volume and divesting properties, the Group is expected to be less capital intensive in the future. In view of this and the fact that NCC has too little unrestricted equity in relation to total capital, the capital structure is to be changed in order to facilitate making the requisite adjustments. Accordingly, the Board will propose that the Annual General Meeting resolve to transfer SEK 3.3 billion from restricted shareholders' equity to unrestricted equity during 2004, by reducing the share capital and legal reserves.

#### **ANNUAL GENERAL MEETING**

The Annual General Meeting will be held at 4:30 p.m. on April 7, in Vinterträdgården, at the Grand Hôtel, Stockholm, Sweden.

#### **NOMINATION ACTIVITIES**

Nominations to the Board fall within the framework of the Nomination Committee's duties. The Nomination Committee consists of Viveca Ax:son Johnson, Erik Åsbrink and Johan Björkman, who is chairman. Tomas Billing, Chairman of the NCC Board, is a co-opted member of the Committee, but has no voting right. Shareholders representing more than 50 percent of total voting rights in the Company propose that the Nomination Committee for the Annual General Meeting in 2004 should be expanded through the addition of Ulf Lundahl. It is proposed that all other members be re-elected. Ulf Lundahl, aged 51, is a Master of Business Administration. Since January 1, 2004, he has been Deputy CEO of the L E Lundberg Group. He was president of Östgöta Enskilda Bank from 1992 to 2000.

The Nomination Committee elected by the 2003 Annual General Meeting proposes that Antonia Ax:son Johnson, Tomas Billing, Alf Göransson, Fredrik Lundberg, Anders Rydin and Marcus Storch be reelected and that Ulf Holmlund be newly elected to the Board. Accordingly, the Board will be expanded by one member. Ulf Holmlund, 56, is a graduate engineer. During 1983–2003, he was President and Chief Executive Officer of LjungbergGruppen AB, a real estate company, and he is currently a member of this company's board. Ulf Holmlund has also been a member of Altima AB's board.

The Nomination Committee proposes that Bo Ribers be reelected and Carl Lindgren be newly elected as the Company's auditors, and that Helene Willberg and Björn Flink be newly elected as the Company's deputy auditors. All of the auditors are Authorized Public Accountants from KPMG Bohlins AB. Auditors will be elected for a four-year period extending up to the 2008 Annual General Meeting.

#### **REPORTING IN ACCORDANCE WITH IFRS**

In line with the requirements to which publicly traded companies in the EU will become subject as of 2005, NCC will report in accordance with IFRS (International Financial Reporting Standards). Accordingly, the 2004 Annual Report will be the last one compiled in accordance with the Financial Accounting Standards Council's recommendations. In the interim report for the first quarter of 2005 and the 2005 Annual Report, income statements and balance sheets (financial statements) for 2004 in accordance with IFRS will be reconciled with statements compiled in accordance with the company's current accounting principles.

The effects on NCC of the introduction of these accounting principles are being studied continuously. Based on currently known facts, the greatest difference will arise in the reporting of pensions, which as of 2004 will be reported in accordance with RR29 Employee Benefits. The net effect of the changed principle on January 1, 2004 will be SEK 59 M after taxes. Accordingly, equity will be reduced by SEK 59 M.

The following are other differences between NCC's current accounting principles and the forthcoming IFRS principles:

- Component depreciation will also be applied for business and investment properties that are reported in accordance with the "acquisition value method." Each property will be divided into several components with individual depreciation schedules.
- Building contracts. The definition of profit recognition for proprietary housing projects. The Swedish Construction Federation is currently preparing its sector-wide interpretation of this matter.

There are also a number of accounting principles that have yet to be finalized that could affect NCC. The most important of these are:

- Reporting of financial instruments, which will entail that more instruments are reported at current value and will also sharpen requirements regarding the type of hedging measures that are permissible.
- The goodwill and certain intangible assets will no longer be amortized according to plan. Instead, it will become mandatory to assess write-down requirements each year.

The company's financial reports will be affected by changed requirements regarding classification and disclosure resulting from IFRS. These changes will probably affect NCC's key figures. By February 2004, the company had yet to make sufficient progress with the introduction of IFRS to be able to quantify these changes.

A review of accounting procedures to be able to collect the

data required for IFRS-based reporting was initiated during 2003. During 2004, the company will also compile the information to be included in comparative figures in interim reports and the annual report for 2005. Since August 2003, a steering committee managed by NCC's Chief Financial Officer, and a number of working groups have been focusing on such matters.

Initial training of relevant employees has been conducted and the training programs will be supplemented continuously during 2004. NCC also intends to inform the capital market during the fourth quarter of 2004 of the more exact effects that the introduction of IFRS will have on the Group.

#### **DISCONTINUED OPERATION**

Altima was spun off to NCC's shareholders in December. Altima's earnings are consolidated for the entire year. The company is not included in the consolidated balance sheet at December 31. In the cash flow statement, Altima's cash balance at the time of the spinoff is reported under financing activities.

#### **CARTEL COLLABORATION IN THE ASPHALT INDUSTRY**

In March 2003, the Swedish Competition Authority completed its investigation into alleged contract-tendering collusion and the illegal dividing-up of markets within asphalt operations. In its writ, the Competition Authority demanded a penalty fee totaling SEK 1.6 billion for anti-competition activities, of which NCC, after a 30-percent reduction for its cooperation in the investigations, accounted for SEK 472 M. NCC believes that, by means of the forthcoming legal process, it has favorable prospects of bringing about a reduction in the penalty fee when the verdict is pronounced, which is not expected until 2005, at the earliest. Until further notice, NCC is posting the amount as a contingent liability. Any provision that has an impact on NCC's earnings will be posted when it becomes possible to reliably estimate the size of the penalty.

During the year, two municipal authorities sued NCC and other companies for damages due to alleged cartel collaboration. On February 27, 2003, the Norwegian Competition Authority reported a number of companies, including NCC, to the Norwegian economic crimes agency for alleged breach of competition legislation. As already announced, NCC's own investigations could not exclude the possibility that a ten-year old invoice was intended for so-called "loser fees". The police inquiry proceeded throughout the year.

In Finland, the Competition Authority's investigations into alleged cartel collaboration in the asphalt industry also continued during the year. However, NCC has not found anything suggesting that the company has been involved in activities that breach competition legislation.

Comprehensive internal training programs concerning corporate culture, values, ethical practices and business morals has been provided to all employees. About 1,500 NCC employees received training in competition legislation a compliance

program, which is part of the employment relationship. This program is now part of NCC's ordinary offering of training courses. In addition, compliance with competition legislation is monitored regularly via career-development talks.

## **SIGNIFICANT EVENTS AFTER YEAR-END**

### **Sale of A-Train AB finalized**

On October 10, 2003, an agreement was concluded with the Australian investment firm Macquarie Bank regarding the sale of NCC's 44-percent stake in A-Train, which operates the Arlanda Express airport rail link. The other co-owners of A-Train AB also agreed to sell their shareholdings to Macquarie. The sale was finalized on January 15, 2004. The capital loss from the sale of A-Train has been charged against NCC's earnings for 2003.

## **OUTLOOK**

NCC's assessment is that the Nordic construction market will be weaker in 2004 than in 2003 and that no growth will occur in 2005. The Nordic real estate market is also expected to remain weak, with high vacancy rates during 2004 and 2005.

In the past few years, NCC has undergone a consolidation and streamlining process within the framework of the Turn-around program. During 2004, the Group is entering its next phase of development – the Fitness Phase – during which both the organization and products and services will be toned up, in preparation for future growth. NCC's focus in 2004 and 2005 will be on enhancing the Group's competitiveness by sharpening efficiency and improving product and concept development.

Key cornerstones in this process will be NCC's special cooperation format NCC Partnering, which has been applied successfully, particularly in Denmark. NCC EkoConcept – NCC's unique model, developed in Finland, for optimizing the total cost and lifecycle costs of a building project – is another important concept. Both of these concepts are being implemented gradually in other countries. Other cornerstones include the creation of cost-effective standard modules for office and housing construction, the development of industrialized construction, which was initiated during 2003, increased internal efficiency and the coordination of purchasing. NCC will also become a financially stronger company, by divesting non-core operations, selling the remaining managed properties and continued downsizing of the real estate portfolio.

## **BUSINESS AREAS**

### **Construction units**

Orders received by **NCC Construction Sweden** during 2003 rose to SEK 17,058 M (15,927) and NCC increased its market shares. Increased orders were mainly noted within civil engineering operations in northern Sweden, while declines in building and housing projects were reported in Stockholm, due to reduced initiation of proprietary projects. Net sales declined, due mainly to earlier restructuring measures.

Operating profit (EBIT) for the year amounted to SEK 412 M (406). The improvement was primarily due to cost reductions resulting from the action programs implemented since 2001. The operating margin increased to 2.4 percent (2.3).

Orders received by **NCC Construction Denmark** amounted to SEK 4,362 M (5,377). The decline was due to a continued weak market for offices and other buildings in the Copenhagen area, as well as a deterioration of the market in Jutland. Orders received for housing projects increased slightly, however. Operating profit (EBIT) for the year amounted to SEK 145 M (144) and the operating margin improved to 2.7 percent (2.5). The magnitude of housing operations increased during the year and the margins on these projects improved.

Within **NCC Construction Finland**, orders received and sales rose as a result of continued favorable demand for housing, combined with major orders for shopping malls and public premises in the Helsinki region. Operating profit (EBIT) amounted to SEK 197 M (226). Earnings were kept at a satisfactory level mainly because of a high proportion of housing production and healthy demand for newly built apartments.

Orders received by **NCC Construction Norway** in 2003 amounted to SEK 3,235 M (4,658). The downturn compared with the preceding year was due mainly to more cautious project tendering, with profitability assigned priority ahead of volume. During the fourth quarter, however, an increase in orders received was noted in the Oslo area. Full-year net sales rose as a result of a high work-up rate for a number of major projects, including the Snøhvit project in northern Norway. Earnings improved as a result of the forceful actions taken previously, which led to write-downs and provisions being charged against year-earlier earnings. The measures have produced the intended results for both contracting and housing operations. The operating result (EBIT) for 2003 was profit of SEK 58 M (loss: 359).

Orders received by **NCC Construction Germany** amounted to SEK 1,063 M (808), with proprietary housing projects accounting for most of the increase. Operating profit (EBIT) amounted to SEK 48 M (47).

Orders received by **NCC International Projects** amounted to SEK 1,317 M (3,307). A number of major orders were received in 2002 but this was not the case in 2003. Operating profit (EBIT) amounted to SEK 116 M (96) for 2003. Sales and earnings increased, mainly as a result of a high work-up rate for the A2 Expressway project in western Poland.

### **NCC Property Development**

A gradual restructuring of NCC Property Development was initiated during 2003, due to the recession in the Nordic office market. The phase-out of real estate holdings and operations in Belgium, Poland, Germany and Hungary was initiated. In connection with the compilation of the year-end accounts, an independent valuation of significant parts of NCC's Swedish real estate portfolio and an internal valuation of all properties were conducted.

As a consequence of these valuations, properties and property-related assets were written down by a total of SEK 782 M, which was the main reason for the business area reporting a full-year (EBIT) operating loss of SEK 780 M (profit: 700). Major property sales that generated substantial gains were implemented in 2002, while significantly fewer sales were completed during 2003 and the resulting gains were lower.

#### Property development

The sales volume in 2003 was SEK 1,789 M (3,895), resulting in an operating loss of SEK 757 M (profit: 351). The loss was due mainly to the write-down of properties. The write-downs pertained to the non-Nordic real estate holdings and to a number of property projects and property-related assets in Sweden, including Kista Science Tower. A number of major projects were sold in 2003, including Helsingør Panorama in Oslo for SEK 423 M, Centralhuset in Gothenburg for SEK 405 M, Obuda Gate in Hungary for SEK 252 M and NCC Building 2 in Helsinki for SEK 208 M.

Project costs for construction-initiated projects totaled SEK 2.9 billion (4.6) on December 31, 2003. Costs incurred in all initiated projects amounted to SEK 2.7 billion (3.3), corresponding to 94 percent (72) of total project costs. The leasing rate was 50 percent (40). The leasing rate is low in relation to the completion rate and a highly restrictive approach is being applied to the initiation of construction of new projects.

#### Managed properties

During 2003, sales of managed properties totaled SEK 171 M (3,025), resulting in a loss of SEK 29 M (gain: 253). Rental revenues from managed properties amounted to SEK 164 M (301) during the year. The operating net was SEK 47 M (134). The

decline compared with the year-earlier period was due mainly to the reduced portfolio of managed properties.

The book value of the remaining portfolio of managed properties was SEK 820 M at year-end, with Swedish properties accounting for SEK 661 M. According to an independent valuation of NCC's Swedish managed properties conducted in connection with the compilation of the year-end accounts, the market value of the properties on December 31, 2003, was SEK 764 M.

#### NCC Roads

NCC Roads' net sales in 2003 amounted to SEK 7,919 M (8,341). The business trend in 2003 was marked by price pressure and reduced volumes in certain markets.

Operating profit (EBIT) for 2003 declined to SEK 44 M (373). The main reasons for the weak operating profit were lower price levels and thus reduced margins in several markets, and restructuring costs related mainly to workforce cutbacks amounting to SEK 70 M, of which SEK 17 M was charged against fourth-quarter earnings. In addition, goodwill in road-marking operations was written down by SEK 55 M, which was charged in its entirety against fourth-quarter earnings, while restoration reserves were increased and write-downs of SEK 70 M were posted, primarily for inventories of aggregates, of which SEK 50 M was charged against fourth-quarter earnings. Gains from sales of concrete operations during the year were marginal.

#### Altima

Altima's net sales during 2003 amounted to SEK 1,268 M (1,390). Operating profit (EBIT) for 2003, with the company reported as an NCC subsidiary, amounted to SEK 59 M (158). Altima was spun off to NCC shareholders and listed on Stockholm's O List in December 2003.

#### Net sales and profit by business area

SEK M	Net sales		Operating profit (EBIT)	
	Jan.-Dec. 2003	Jan.-Dec. 2002	Jan.-Dec. 2003	Jan.-Dec. 2002
NCC Construction Sweden	16,899	17,562	412	406
NCC Construction Denmark	5,440	5,689	145	144
NCC Construction Finland	5,055	4,696	197	226
NCC Construction Norway	4,417	4,260	58	-359
NCC Construction Germany	1,106	,966	48	47
NCC International Projects	3,869	1,793	116	96
NCC Property Development	2,052	4,150	-780	700
NCC Roads	7,919	8,341	44	373
Altima	1,268	1,390	59	158
<b>Total</b>	<b>48,025</b>	<b>48,847</b>	<b>299</b>	<b>1,791</b>
Other items and eliminations	-2,773	-3,682	-294	-272
	45,252	45,165	5	1,519
<b>Items affecting comparability</b>				
Result from sale of NVS				301
<b>Group</b>	<b>45,252</b>	<b>45,165</b>	<b>5</b>	<b>1,820</b>

# INCOME STATEMENTS

MSEK		Group		Parent company	
		2003	2002	2003	2002
Net sales	Note 27	45,252	45,165	16,547	16,177
Production costs		-41,739	-40,950	-15,419	-14,929
<b>Gross profit</b>		<b>3,513</b>	<b>4,215</b>	<b>1,128</b>	<b>1,248</b>
Sales and administration costs		-2,717	-3,157	-1,079	-1,071
Result from property management	Note 2	50	103		
Result from sales of managed properties	Note 3	-10	322	3	206
Write-downs/reversal of write-downs of properties		-9	-6	-4	-3
Write-downs within NCC Property Development		-782	-4		
Write-down of goodwill		-55			
Result from participations in associated companies	Note 4	-26	10		
Result from sale of NVS			301		
Result from sales of participations in other Group companies	Note 5	4	2		
Result from sales of participations in associated companies	Note 6	37	34		
<b>Operating profit</b>		<b>5</b>	<b>1,820</b>	<b>48</b>	<b>380</b>
Result from participations in Group companies	Note 7			-154	1,837
Result from participations in associated companies				-70	-18
Result from other financial fixed assets	Note 8	51	58	-2	5
Result from financial current assets	Note 9	168	269	144	260
Interest expense and similar items	Note 10	-547	-841	-74	-277
<b>Profit/loss after financial items</b>		<b>-323</b>	<b>1,306</b>	<b>-108</b>	<b>2,187</b>
Appropriations	Note 11			74	-494
Tax on net profit for the year	Note 23	-77	-461	-63	57
Minority interests		-21	-24		
<b>NET PROFIT/LOSS FOR THE YEAR</b>		<b>-421</b>	<b>821</b>	<b>-97</b>	<b>1,750</b>
<b>Profit/loss per share</b>					
<i>Before dilution</i>					
Profit/loss after tax, SEK		-4.10	7.95		
<i>After dilution<sup>1)</sup></i>					
Profit/loss after tax, SEK		-4.10	7.95		

<sup>1)</sup> Based on the share price at December 30, there was no dilution effect.



**Result from property management** consists of the operating net from managed properties less depreciation according to plan. The managed properties are found mainly within NCC Property Development, although other units have minor holdings.

**Write-downs within NCC Property Development** were posted following independent valuations of properties and property-related assets.

**Write-downs of goodwill** pertain to road-marking operations within the NCC Roads business area.

**Results from participations in associated companies** pertain in part to earnings and write-downs resulting from the A-Train AB shareholding, which was sold in January 2004, and in part to results from associated companies within NCC Construction Denmark and NCC Roads.

**Results from sales of participations in associated companies** pertain mainly to the capital loss from the sale of A-Train AB. NCC's share in A-Train results amounted to a loss of SEK 65 M, of which the capital loss account for SEK 48 M.

**Effects of changed currency exchange** rates had a negative impact of approximately SEK 670 M on sales in 2003. Such changes had a favorable impact of SEK 14 M on operating earnings and of SEK 44 M on net earnings for the year. For further details of exchange-rate effects, see Note 41.

**The Parent Company income statement** consists in part of the Headquarters' overhead expenses. However, most of the revenues and costs derive from NCC Construction Sweden AB, a company that conducts commission assignments on behalf of NCC AB. Parent Company income is recognized in accordance with the completed contract method. Also see accounting principles on pages 50–55.

#### Depreciation/amortization

SEK M	2003	2002
Goodwill	215	222
Other intangible assets	16	17
Buildings and land	79	80
Managed properties	14	29
Machinery and equipment	779	828
<b>Total</b>	<b>1,103</b>	<b>1,176</b>

# BALANCE SHEETS

## ASSETS

SEK M		Group		Parent company	
		Dec 31, 2003	Dec 31, 2002	Dec 31, 2003	Dec 31, 2002
<b>Intangible fixed assets</b>	Note 12	<b>2,127</b>	<b>2,668</b>		<b>16</b>
Buildings and land		1,762	2,487	41	87
New construction in progress		3	9		
Machinery and equipment		1,926	3,055	114	69
<b>Tangible fixed assets</b>	Note 13	<b>3,691</b>	<b>5,551</b>	<b>155</b>	<b>156</b>
Participations in Group companies	Note 14			8,151	9,664
Receivables from Group companies				167	118
Participations in associated companies	Note 15	694	805	160	176
Receivables from associated companies		73	128	24	73
Other long-term holdings of securities		167	201	116	152
Other long-term receivables		1,144	1,125	326	191
<b>Financial fixed assets</b>	Note 16	<b>2,078</b>	<b>2,259</b>	<b>8,944</b>	<b>10,374</b>
<b>FIXED ASSETS</b>		<b>7,896</b>	<b>10,478</b>	<b>9,099</b>	<b>10,546</b>
Property development projects, directly owned	Note 17	3,755	4,214		
Housing development projects, directly owned	Note 17	3,510	3,358	1,200	1,044
Participations in associated companies	Note 15	116	132		
<b>Properties classed as current assets</b>		<b>7,381</b>	<b>7,704</b>	<b>1,200</b>	<b>1,044</b>
Materials and inventories	Note 18	575	727		
Advances to suppliers		15	94		
<b>Inventories, etc.</b>		<b>590</b>	<b>821</b>		
Accounts receivable		6,145	6,401	2,264	2,272
Receivables from Group companies				613	928
Current receivables from associated companies		115	266	16	66
Worked-up, non-invoiced revenues	Note 19	2,421	2,683		
Other current receivables		2,292	2,261	498	810
Prepaid expenses and accrued income		692	884	202	243
<b>Current receivables</b>		<b>11,665</b>	<b>12,495</b>	<b>3,593</b>	<b>4,319</b>
<b>Short-term investments</b>		<b>1,174</b>	<b>1,071</b>	<b>2,061</b>	<b>2,258</b>
<b>Cash and bank balances</b>		<b>1,291</b>	<b>2,646</b>	<b>368</b>	<b>989</b>
<b>CURRENT ASSETS</b>		<b>22,101</b>	<b>24,737</b>	<b>7,222</b>	<b>8,610</b>
<b>TOTAL ASSETS</b>	Note 20	<b>29,997</b>	<b>35,215</b>	<b>16,321</b>	<b>19,156</b>

**Total assets** decreased sharply between December 31, 2002 and December 31, 2003, mainly due to the spinoff of shares in the subsidiary Altima (Total assets of SEK 1.5 billion on December 31, 2002). Other reasons for the decrease in total assets include write-downs and sales of property-related assets within NCC Property Development. Total assets within NCC Roads were reduced through divestments of operations and write-downs, mainly of inventories and goodwill.

**Group goodwill** relates mainly to the strategic acquisitions effected in 1995–2000 (see Accounting principles). The spinoff of Altima reduced Group goodwill by SEK 114 M. Within the NCC Roads business area, goodwill was written down by SEK 55 M in 2003. There were no write-downs in 2002.

**Properties classed as current assets** are found within the Construction units and in NCC Property Development. The properties classed as current assets in the Construction units

## SHAREHOLDERS' EQUITY AND LIABILITIES

SEK M		Group		Parent company	
		Dec 31, 2003	Dec 31, 2002	Dec 31, 2003	Dec 31, 2002
Share capital	Note 21	2,711	2,711	2,711	2,711
Restricted reserves		3,081	3,386	1,639	1,639
<b>Restricted shareholders' equity</b>		<b>5,792</b>	<b>6,097</b>	<b>4,350</b>	<b>4,350</b>
Unrestricted reserves		817	679	1,175	635
Net profit/loss for the year		-421	821	-97	1,750
<b>Unrestricted shareholders' equity</b>		<b>396</b>	<b>1,500</b>	<b>1,078</b>	<b>2,385</b>
<b>SHAREHOLDERS' EQUITY</b>		<b>6,188</b>	<b>7,597</b>	<b>5,428</b>	<b>6,735</b>
<b>Minority interests</b>		<b>78</b>	<b>83</b>		
<b>Untaxed reserves</b>	Note 11			<b>918</b>	<b>991</b>
Provisions for pensions and similar obligations	Note 22	20	1,168	18	1,075
Provisions for taxes	Note 23	659	687		
Other provisions	Note 24	1,471	1,475	382	562
<b>Provisions</b>	Note 24	<b>2,150</b>	<b>3,330</b>	<b>400</b>	<b>1,637</b>
Liabilities to credit institutions	Note 25, 29	4,198	4,923	978	40
Liabilities to Group companies				2,208	2,427
Liabilities to associated companies		6	1	6	
Other liabilities		101	20	5	
<b>Long-term liabilities</b>		<b>4,305</b>	<b>4,944</b>	<b>3,197</b>	<b>2,467</b>
Liabilities to credit institutions	Note 25, 29	3,520	4,098	45	311
Advances from customers		352	625	96	98
Project invoicing not yet worked up	Note 26	3,521	3,486		
Work in progress on another party's account	Note 29			2,083	1,999
Accounts payable		3,849	4,460	1,346	1,641
Liabilities to Group companies				1,216	1,238
Liabilities to associated companies		248	135	8	6
Tax liabilities		117	292		127
Other liabilities		2,508	3,162	473	698
Accrued expenses and prepaid revenues	Note 28	3,161	3,003	1,111	1,208
<b>Current liabilities</b>		<b>17,276</b>	<b>19,261</b>	<b>6,378</b>	<b>7,326</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>	Note 29	<b>29,997</b>	<b>35,215</b>	<b>16,321</b>	<b>19,156</b>
Mortgages and other comparable collateral for own liabilities and provisions		1,476	2,641	41	68
Others assets pledged and comparable collateral			285		47
<b>Assets pledged</b>	Note 30	<b>1,476</b>	<b>2,926</b>	<b>41</b>	<b>115</b>
<b>Contingent liabilities</b>	Note 30	<b>7,601</b>	<b>8,159</b>	<b>21,193</b>	<b>22,074</b>

consist of both properties held for future development and unsold housing. Within NCC Property Development, the properties classed as current assets consist of completed projects, ongoing property projects and properties held for future development.

The **equity/assets ratio** at the end of 2003 was 21 percent. The Group's long-term objective is 30 percent.

**The Parent Company balance sheet** consists in part of

NCC Construction Sweden AB, which conducts commission assignments on behalf of NCC AB, and in part of the Headquarters' assets and liabilities. The Parent Company's balance sheet is based on income recognized in accordance with the completed contract method (see Accounting Principles on pages 50–55). The Parent Company balance sheet also contains untaxed reserves, which are distributed in the consolidated income statement among shareholders' equity and deferred tax.

# CHANGES IN SHAREHOLDERS' EQUITY

## GROUP

SEK M	Restricted shareholders' equity		Unrestricted shareholders' equity		Total capital
	Share capital	Restricted reserves	Unrestricted reserves	Net result for the year	
<b>Opening balance, January 1, 2002</b>	<b>2,711</b>	<b>3,980</b>	<b>2,900</b>	<b>-2,269</b>	<b>7,322</b>
Exchange-rate differences		-116	1		-115
Hedging of equity in foreign subsidiaries		-9	16		7
<b>Total changes in shareholders' equity not reported in the income statement</b>		<b>-125</b>	<b>17</b>		<b>-108</b>
Other profit allocations			-2,269	2,269	
Repurchase of Company shares			-202		-202
Transfer between restricted and unrestricted equity		-469	469		
Dividend			-236		-236
Net profit for the year				821	821
<b>Shareholders' equity on December 31, 2002</b>	<b>2,711</b>	<b>3,386</b>	<b>679</b>	<b>821</b>	<b>7,597</b>
Exchange-rate differences		-131	-38		-169
Hedging of equity in foreign subsidiaries		1	95		96
Translation differences in sold companies			2		2
<b>Total changes in shareholders' equity not reported in the income statement</b>		<b>-130</b>	<b>59</b>		<b>-71</b>
Other profit allocations			821	-821	
Effects associated with options program			5		5
Transfer between restricted and unrestricted equity		-175	175		
Dividend			-808		-808
Write-down of goodwill, Altima			-114		-114
Net loss for the year				-421	-421
<b>Shareholders' equity on December 31, 2003</b>	<b>2,711</b>	<b>3,081</b>	<b>817</b>	<b>-421</b>	<b>6,188</b>

## PARENT COMPANY

SEK M	Restricted shareholders' equity		Unrestricted shareholders' equity		Total capital
	Share capital	Legal reserves	Unrestricted reserves	Net result for the year	
<b>Opening balance, January 1, 2002</b>	<b>2,711</b>	<b>1,639</b>	<b>1,988</b>	<b>-1,354</b>	<b>4,984</b>
Other profit allocations			-1,354	1,354	
Repurchase of Company shares			-202		-202
Dividend			-236		-236
Group/capital contributions <sup>1)</sup>			439		439
Net profit for the year				1,750	1,750
<b>Shareholders' equity on December 31, 2002</b>	<b>2,711</b>	<b>1,639</b>	<b>635</b>	<b>1,750</b>	<b>6,735</b>
Other profit allocations			1,750	-1,750	
Effects associated with options program			5		5
Dividend			-766		-766
Group contributions <sup>1)</sup>			-449		-449
Net loss for the year				-97	-97
<b>Shareholders' equity on December 31, 2003</b>	<b>2,711</b>	<b>1,639</b>	<b>1,175</b>	<b>-97</b>	<b>5,428</b>

<sup>1)</sup> In accordance with a statement from the Financial Accounting Standards Council's Emerging Issues Task Force. See the Reporting of Group Contributions section of the accounting principles, page 53.

## Specification of accumulated exchange-rate differences in shareholders' equity:

	Dec. 31, 2003	Dec. 31, 2002
Accumulated exchange-rate differences, January 1	115	223
Exchange-rate differences during the year in foreign subsidiaries	-169	-115
Effect during the year of hedging of net investments in foreign subsidiaries	96	7
Accumulated exchange-rate differences realized during the year through divestment of foreign operations	2	
<b>Total exchange-rate differences during the year</b>	<b>-71</b>	<b>-108</b>
<b>Accumulated exchange-rate differences, December 31</b>	<b>44</b>	<b>115</b>

# CASH FLOW STATEMENTS

SEK M	Group		Parent company	
	2003	2002	2003	2002
<b>CONTINUING OPERATIONS</b>				
Profit/loss after financial items	-323	1,306	-108	2,187
Adjustments for items not included in cash flow, etc.	2,601	741	1,316	192
Tax	-503	-565	-384	-328
<b>Cash flow from continuing operations before changes in working capital</b>	<b>1,775</b>	<b>1,482</b>	<b>824</b>	<b>2,051</b>
<b>Cash flow from changes in working capital</b>				
Change in inventories	142	-151		
Change in receivables	20	702	355	414
Change in interest-free liabilities	-720	-391	-761	-306
Change in net work in progress			84	91
Change in properties reported as current assets, net	-259	1,105	-145	-181
<b>Cash flow from changes in working capital</b>	<b>-817</b>	<b>1,265</b>	<b>467</b>	<b>18</b>
<b>CASH FLOW FROM CONTINUING OPERATIONS</b>	<b>958</b>	<b>2,747</b>	<b>357</b>	<b>2,069</b>
<b>INVESTING ACTIVITIES</b>				
Acquisition of subsidiaries	-49		-612	-3,665
Sale of subsidiaries	136	261	252	2,223
Acquisition of buildings and land	-178	-478		
Sale of buildings and land	254	3,163	55	212
Acquisition of other financial fixed assets	-80	-165	-132	-162
Sale of other financial fixed assets	167	248	48	183
Acquisition of other fixed assets	-708	-1,107	-84	-21
Sale of other fixed assets	262	386	2	9
<b>Cash flow from investing activities</b>	<b>-196</b>	<b>2,308</b>	<b>-471</b>	<b>-1,221</b>
<b>CASH FLOW BEFORE FINANCING</b>	<b>762</b>	<b>5,055</b>	<b>-114</b>	<b>848</b>
<b>FINANCING ACTIVITIES</b>				
Dividend paid	-282	-236	-282	-236
Spinoff of Altima, liquid assets	-112			
Repurchase of Company shares		-202		-202
Group contributions			-444	468
Loans raised	812	1,565		17
Amortization of loans	-2,850	-5,313	-422	-2,153
Change in long-term interest-bearing receivables	41	-302	-27	626
Change in current interest-bearing receivables	448	65	471	521
Change in minority interests, etc.	-18	-29		
<b>Cash flow from financing activities</b>	<b>-1,961</b>	<b>-4,452</b>	<b>-704</b>	<b>-959</b>
<b>CASH FLOW DURING THE YEAR</b>	<b>-1,199</b>	<b>603</b>	<b>-818</b>	<b>-111</b>
<b>Liquid assets on January 1</b>	<b>3,717</b>	<b>3,164</b>	<b>3,247</b>	<b>3,358</b>
<b>Exchange-rate difference in liquid assets</b>	<b>-53</b>	<b>-50</b>		
<b>Liquid assets on December 31</b>	<b>2,465</b>	<b>3,717</b>	<b>2,429</b>	<b>3,247</b>

## Net indebtedness

SEK billion	Cash flow	Net indebtedness
Net indebtedness, January 1, 2003		-5.8
From operations	1.8	
Tied-up working capital	0.6	
Gross investments in real estate projects, NCC Property Development <sup>1)</sup>	-1.4	
Other investment operations	0.2	1.2
Dividend	-0.3	-0.3
<b>Net indebtedness, December 31, 2003</b>		<b>-4.9</b>

<sup>1)</sup> Change in working capital.

**Adjustment for items not included in cash flow** pertains mainly to depreciation, write-downs, exchange-rate differences, capital gains/losses and accrued expenses, such as interest expenses, etc., which are charged against earnings but do not affect liquidity. Also see Note 35.

**Taxes** during 2003 pertain largely to operations in Sweden, where, for example, one-time payments (SEK 200 M) were made for ongoing tax matters, in order to avoid penalty interest and tax surcharges. A supplementary tax payment of SEK 95 M was also made for 2002. Other tax payments were connected to the fact that it was not always possible to offset profits against losses, in cases where the profits and losses arose in different countries.

**Change in interest-free liabilities** pertains mainly to a decrease in accounts payable and changes in fees to authorities in Sweden compared with the preceding year.

**Sales of subsidiaries** pertain mainly to the sale of units within NCC Roads.

# ACCOUNTING PRINCIPLES

The Group complies with the Annual Accounts Act and the recommendations issued by the Financial Accounting Standards Council (RR) and the Swedish Industry and Commerce Stock Exchange Committee (NBK).

## NEW ACCOUNTING PRINCIPLES

The following new accounting principles, which were introduced on January 1, 2003, are applied by the NCC Group as of the beginning of the 2003 fiscal year:

RR 25	Reporting by segment
RR 26	Events after the balance sheet date
RR 27	Financial instruments
RR 28	Government subsidies

The new accounting principles had no impact on NCC's earnings and balance sheet.

NCC Group decided in advance, effective 2001, to apply IAS 40, which corresponds to RR 24 Investment Properties, a recommendation that was introduced in 2003.

## CONSOLIDATED ACCOUNTS

The consolidated accounts have been prepared in accordance with the Swedish Accounting Standards Council's recommendation (RR 1:00) regarding consolidated accounts and include 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.
- Companies that are not subsidiaries and which undertake projects in forms similar to those of a consortium – that is, with joint ownership and control for an activity conducted for a limited period of time – are consolidated in accordance with the proportional accounting method, based on the Swedish Accounting Standards Council's RR14 recommendation regarding joint ventures.
- The Group's participations in other associated companies are consolidated in accordance with the equity method, based on the Swedish Accounting Standards Council's RR13 recommendation regarding associated companies. Associated companies are companies in which the Group controls between 20 and 50 percent of the voting rights, or in which the Group otherwise has a substantial influence. Notes 14 and 15 contain lists of Group and associated companies.

- A characteristic of the purchase method is that assets and liabilities are entered at market value, after taking deferred tax into account, in accordance with an established acquisition analysis. If the acquisition value of shares in a subsidiary exceeds the computed market value of the subsidiary's net assets, the difference is entered as consolidated goodwill.
- Surplus value attributed to specific assets is amortized 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, an acquisition analysis is made. The resulting surplus value is amortized over its estimated life; this amortization also affects the book value of shares. The profits/losses from associated companies are reported in the income statement under the "Result from participations in associated companies" heading, among operating profit. This income statement item also includes surplus value in associated companies. Dividends from associated companies are reported in the Parent Company among financial items under the "Result from participations in associated companies" heading.
- Acquired and divested companies are included in the consolidated income statement for the holding period.
- The 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 been translated at year-end exchange rates and all income statement items at average exchange rates for the year. The translation difference arising in this connection has been transferred directly to shareholders' equity. When calculating the consolidated gain/loss on a sale of a subsidiary, the accumulated translation difference is reported as part of final realized gain/loss.
- Gains/losses arising when a Group company sells a product or service to another Group company are eliminated.

## INTERNAL PRICING

Market prices are applied for deliveries between Group units.

## DEPRECIATION

Depreciation according to plan of machinery and equipment, buildings and land improvements, patents, etc., and of those portions of surplus value related to goodwill and other assets, has been calculated on the basis of the Group's original acquisition value for the particular asset and its estimated economic life.

The depreciation/amortization rates vary depending on the type of asset. For goodwill, the annual rate is from 5 to 20 percent, for 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 the goodwill in NCC Construction Norway related to the 1995 acquisition of EEG Henriksen is amortized according to plan at a rate of 10 percent annually. The acquired goodwill in NCC Construction Finland (Puolimatka in 1996) and NCC Construction Denmark (Rasmussen & Schiøtz in 1995 and Superfos Construction in 1999) is amortized at a rate of 5 percent annually, as is the 2000 acquisition of Rieber Roads. These amortization 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 because technical and market conditions were assessed to be such that the economic life of the acquisitions should be at least 10 and 20 years, respectively.

The acquisition cost of the goodwill related to the acquisition of Siab during 1997 is amortized according to plan at an annual rate of 5 percent, due to the strategic nature of the acquisition.

NCC assesses the booked residual value of acquired goodwill each year. In cases where the book value of the goodwill is lower than the useful value, a write-down is posted.

### **WRITE-DOWNS**

Assessments of whether write-downs are required are made in accordance with the rules of the Financial Accounting Standards Council's RR 17 recommendation, Write-downs. The write-down need is determined by the market value or estimated useful value of the particular asset.

When the basis of the write-down has been fully or partly removed, the write-down posted previously for tangible assets is reversed.

Write-downs of properties are reported as current assets assessed in accordance with the lower of cost or market value principle, which could require a reversal of earlier write-downs.

### **PROPERTIES IN THE INCOME STATEMENT**

As of January 1, 2002, NCC's sales include revenues from sales of properties reported as current assets. NCC's sales also include rental revenues from properties held for development and sale.

Within NCC Property Development, income recognition occurs when the legal ownership right to a property or the company that owns a property is transferred to the purchaser. This

could arise from the sale of a property project at an early stage; for example, when construction has not been completed (in certain cases, when it has not even been initiated). In the consolidated accounts, such sales are divided into two main transactions. The first transaction – sale of a project – comprises the realization of a property value that has been accumulated at several levels, such as site acquisition, formulation of a detailed development plan, design of a property project, receipt of building permit and leasing to tenants. This accumulation of value is finally confirmed when the project is sold to an investor. The second transaction comprises the building contract, whereby income recognition within NCC Contracting is undertaken in accordance with the percentage of completion method.

Insofar as the signed leases on the sales date do not provide the buyer with a sufficient return (in accordance with the agreed initial return requirement), the differential must normally be covered by a rental guarantee provided by the seller. When calculating the capital gain, sufficient provision must be posted for such rental guarantees. Normally, rental guarantees of this type account for a minor portion of sales.

One of the prerequisites for being able to recognize profit from a property project is that the project's leasing rate is sufficiently high. Based on a calculation of the maximum risk associated with the granting of a rental guarantee, an assessment is made of the probable outcome. The probable outcome is assessed on the basis of the rental and market situation for each individual project, in accordance with the prudence principle. If the occupancy rate is less than 67 percent, a gain for the property project may only be recognized if the maximum risk is less than the calculated gain (before the provision for rental guarantees).

### **NCC Property Development**

#### **– Result from sales of managed properties**

The results of sales of properties classified as managed properties at the sales date are reported under the heading Result from sales of managed properties. In addition to external sales costs, the sales costs include costs for the unit's own sales activities. Profit is charged with overhead costs for both completed and non-completed transactions.

### **NCC Property Development**

#### **– Result from property management.**

Results from property-management operations consist of the operating net less depreciation according to plan. 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, less running, main-

tenance and rental costs. The operating net includes property tax and rental costs, costs for adaptations of properties to tenant requirements and external rental fees.

### GROUP – CONSTRUCTION PROJECTS 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 revenues – 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 costs – 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 percentage 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. As soon as this is possible, the project switches to the percentage of completion method. For all projects exceeding SEK 100 M, NCC applies zero recognition as long as the work-up rate for the project corresponds to a degree of completion of less than 50 percent.

The following examples illustrate how the percentage of completion method is applied. On January 1 of year 1, NCC receives a contract regarding the construction of a building. The project is estimated to take two years to complete. The contract price is SEK 100 M and the anticipated profit from the project is SEK 5 M. On December 31 of year 1, NCC's costs for the project amount to SEK 47.5 M, which is in line with expectations. Since NCC has completed half of the work and the project is proceeding as planned, NCC books half of the anticipated profit of SEK 5 M, that is SEK 2.5 M, in the accounts for year 1. Income recognition on completion means that profit is not recognized until the end of year 2 or the beginning of year 3, depending on when the final financial settlement with the customer was agreed.

Income	Year 1	Year 2
Income recognition on completion	SEK 0 M	SEK 5 M
According to percentage of completion	SEK 2.5 M	SEK 2.5 M

The result of proprietary housing projects is based on either the rate of completion or the rate of sale, whichever is lower (also see below regarding the percentage of completion method and the methods for reporting income within contracting operations). Applying this principle means that if the sales rate for a project is less than the work-up rate, earnings from the project are calculated on the basis of the sales rate.

Example: Sales rate of 25 percent

Work-up rate of 50 percent

In the above example, earnings based on the percentage of completion method during Year 1 would be only SEK 1.25 M, rather than the SEK 2.5 M based on the work-up rate.

The advantage of the percentage of completion method is that accounts more rapidly provide information on the trend of earnings. However, percentage of completion gives rise to one disadvantage. Unforeseen events may result in the final profit being higher or lower than expected. It is particularly difficult to anticipate profit at the beginning of the project period and for technically complex projects or those that extend over a long period.

Provisions have been posted for estimated losses, to the extent these exist, and these have been charged against income for the relevant year. Provisions for losses are posted as soon as they become known.

NCC complies with the Financial Accounting Standards Council's RR10 recommendation, for the reporting of contracting assignments. One of the results of the recommendation is that balance-sheet items such as "worked up/non-invoiced" and "invoiced/not worked up" are booked in gross amounts on a project-by-project basis. Projects for which worked-up revenues exceed invoiced revenues are reported as current assets, while projects for which invoiced revenues exceed worked-up revenues are reported as a current interest-free liability.

### 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 “balance in work in progress.” This figure is affected both by the profitability of work in progress and the rate of invoicing on outgoing and incoming invoices. The invoicing rate 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.

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

## REPORTING OF GROUP CONTRIBUTIONS

Group contributions and shareholder contributions in the Parent Company are reported in accordance with the principles recommended in a statement from the Financial Accounting Standards Council’s Emerging Issues Task Force. Accordingly, Group and capital contributions are booked as equity and thus have no impact on Parent Company income.

## INTANGIBLE FIXED ASSETS

Intangible fixed assets are entered at acquisition cost less accumulated amortization according to plan.

Goodwill that arises from acquisitions of companies is valued in accordance with the rules of the Financial Accounting Standards Council’s RR 1:00 Recommendation – consolidated accounting. Goodwill in foreign operations is valued in the local currency; also see comment under consolidated accounts.

## PROPERTIES

### Classification of properties

In the balance sheet, properties classified as fixed assets are included in Buildings and land, while properties classified as current assets are included in Properties classed as current assets.

### Buildings and land

Buildings and land are divided into the following categories:

- Managed properties and
- Properties used in operations.

Managed properties comprise the existing holding of completed property projects available for leasing at December 31, 2001, less the property sales completed during 2002 and 2003. Although NCC does not intend to retain these properties long term but to sell them when business or market conditions are appropriate, the holding is still to be reported as properties classed as fixed assets. However, the value of this balance sheet

item will gradually decline to zero as the properties are sold. No new managed properties will be added.

The reasons for not classifying managed properties as current assets are that, since 2001, NCC has complied with IAS 40 Investment Property, which has now been introduced in Sweden as RR 24 Investment Properties, and that it is desirable, for internal and external follow-up purposes, to separate “old property projects” (managed properties) from the more streamlined property-development operations that NCC has been conducting for the past few years.

### Properties classed as current assets

The properties classified as current assets pertain to the properties held for development and sale within property-development operations (NCC Property Development) as well as unsold housing, undeveloped land and redevelopment properties intended for future development by construction operations (NCC Construction).

Within NCC Property Development, the properties classified as current assets are divided up as follows:

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

Proprietary projects within NCC Construction are reported as:

- Housing-development projects.

### Properties held for future development

Properties held for future development consist of NCC’s holding of land/development rights intended for future property development. Properties containing existing building/s that are leased out are classified as “Properties held for future development” in cases where the intention is to demolish or refurbish the existing buildings.

### Ongoing property projects

Properties held for future development are reclassified as ongoing property projects at the time a definitive decision is taken about a building start and when the activities required in order to complete the property project have been initiated. However, an actual building start on the property is not necessary. Since, in most cases, such activities have been initiated even before a definitive decision about a building start has been taken, the reclassification often coincides with the date of the decision.

As of the date of reclassification to ongoing property projects, interest expense is capitalized. The supporting data for capitalization also includes the book value of the property at the reclassification date.

Ongoing property projects consist of properties being built or extended or properties undergoing major refurbishment.

Ongoing property projects are reclassified as completed property projects as of the date when the property is ready for occupancy (excluding adjustments to tenant requirements), but

not later than the date of approved final inspection. If a project is divided into phases, each phase must be reclassified separately. In this context, a phase always comprises an entire building that can be sold separately.

Capitalization of interest expense should normally cease as of the date of reclassification as completed projects. In certain cases, however, capitalization ceases at an earlier date. If a part of the building has been taken over from the contractor (final inspection has been conducted) and/or occupancy has occurred, capitalization pertaining to this part is not permissible.

### **Completed property projects**

Completed property projects cannot be subject to reclassification. A completed property project can only be removed from the balance sheet as a result of a sale.

### **Housing-development projects**

Housing-development projects comprise property held for future development, such as development rights and land, and completed unsold properties.

When a decision is made to initiate housing projects, costs already incurred for project development and land are transferred to the project. Other project costs are expensed as they arise.

Completed unsold properties are reclassified from project costs to housing-development projects in the balance sheet. This is done when the housing is ready for occupancy or not later than the date of approved final inspection.

### **Valuation of properties**

The acquisition value of properties includes:

- Acquisition costs
- Planning costs
- Production costs for new buildings, extensions and renovations.

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

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

Completed unsold housing is valued at lower of acquisition value (costs booked on the completed project) or current value. Current value is defined as net sales value less anticipated selling overheads.

In order to estimate the need for any write-downs, internal valuations are undertaken each year. Most of the properties in Sweden are subject to independent valuations.

The market value of managed properties, in accordance with the internal valuation, is calculated in the form of a return value, according to the cash-flow method. Accordingly, the market value consists of the present value of cash flow (operating net less any investments) over a ten-year period and the present value of the estimated sales price at the end of the computation period (year 10).

This sales price is computed on the basis of the estimated operating net in year 11 divided by the estimated yield requirement.

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.

The market value of completed property projects is estimated on the basis of the return calculation for the project, according to the yield method. According to this method, the property's current yield (operating net) based on full occupancy is divided by the assumed yield requirement. Vacant space above and beyond normal vacancy is taken into account in the form of a deduction from the value based on assumptions regarding the leasing rate.

The market value of ongoing property projects is calculated in two stages. In stage 1, the project is valued in its completed state, that is, at the close of the year of completion, in the manner described above for a completed property project. In stage 2, the market value is computed as follows:  $\text{Costs incurred} / \text{Total project costs} \times \text{Estimated market value in the completed state}$ . A prerequisite for permitting this proportioning is that the calculated market value according to Stage 1 exceeds the total project cost. If the market value is less than the total project cost, a write-down to market value is posted.

The market value of properties classed as current assets, which are included in the project portfolio, meaning they are held for development and sale, is normally calculated in the manner described above for an ongoing property project. In certain other cases, properties held for future development are valued on the basis of a value per square meter of development rights or a value per square meter of land.

### **PARENT COMPANY**

#### **Properties classed as current assets transferred from subsidiaries**

Due to the commission relationship between NCC AB and NCC Construction Sverige AB, certain properties that are included in housing projects will be reported in NCC AB's accounts even though the ownership right remains with NCC Construction Sverige AB. The ownership right remains with NCC Construction Sweden AB until such time as its properties have been sold to customers. NCC Construction Sweden AB pays property tax for these properties until they are taken over by the customer.

### **LEASING**

In the consolidated financial statements, leasing is classified as either financial or operational. Financial leasing exists if the financial risks and benefits associated with ownership are essentially transferred to the lessee. All other cases are regarded as operational leasing. Briefly speaking, financial leasing means that the fixed asset concerned is reported as an asset item in the balance sheet, while a corresponding liability is entered on the liability

side of the balance sheet. In the income statement, leasing costs are divided between depreciation and interest expense. Operational leasing means that the asset and corresponding liability are not entered in the balance sheet. In the income statement, leasing fees are spread over the years based on the rate of use, which may differ from the leasing fee paid during the year concerned.

In the Parent Company, all leasing agreements are entered in accordance with the rules for operational leasing.

#### **RECEIVABLES AND LIABILITIES IN FOREIGN CURRENCY**

Receivables and liabilities in foreign currencies have been translated at the year-end exchange rate. The difference between the acquisition value and the year-end value has been added to/charged against profit. Exchange-rate differences relating to loans undertaken to finance foreign contracts are entered in the result for the year in which the project was recognized as income.

In order to hedge a portion of net investments in foreign subsidiaries and in foreign associated companies consolidated in accordance with the equity method, Group companies have assumed loans in corresponding foreign currencies. In the Parent Company and consolidated accounts, these loans are entered at values based on the year-end exchange rate. In the consolidated accounts, exchange-rate differences on these loans, after taking tax effects into account, are entered directly in shareholders' equity in an amount corresponding to the year's translation differences in shareholders' equity.

#### **INVENTORIES**

Inventories have been valued in accordance with the lowest-value principle. Requisite provisions have been posted for the risk of obsolescence. The specific principles applying to properties classified as current assets are described above.

#### **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.

#### **PROVISIONS**

Pension commitments are reported in accordance with local accounting practices in the country concerned. The portion of pension commitments that is covered by assets in a pension foundation is not entered in the balance sheet.

For information about deferred tax liabilities, see the comments below.

Provisions are posted for restoration costs, where such an obligation exists, in part to cover the portion that pertains to

restoration required for building purposes and in part current requirements, when this is connected to recycling.

#### **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. In accordance with the Financial Accounting Standards Council's RR 9 Recommendation, Income Taxes, estimates are made of temporary taxable differences related to assets and liabilities. This means that a deferred tax liability has been calculated based on the temporary taxable differences that are to become liable for payment in the future. The deferred tax receivables represent a reduction of future tax attributable to temporary tax-deductible differences, tax loss carryforwards and other tax deductions.

In connection with changes in tax rates, the change in the tax liability is reported in Tax costs for the year.

#### **REPURCHASES OF NCC SHARES**

Repurchased NCC shares have been entered directly in unrestricted shareholders' equity, including the costs resulting from the repurchases.

#### **PRO FORMA ACCOUNTS**

In order to illuminate the financial accounts of NCC after the merger with Siab, pro forma income statements and balance sheets are presented for 1997 in the Multi-year Review for the Group. The Nordic subsidiaries are included in the pro forma accounts as of the date of acquisition applicable to each company, with the exception of Superfos, which is included pro forma for the whole of the 1999 fiscal year (the acquisition became effective in mid-February 1999).

As of January 1, 2002, NCC's sales include revenues from sales of properties reported as current assets. The pro forma amount for 2001 has been recalculated in accordance with the new classification.

#### **ACQUISITION OF ABV**

The goodwill totaling SEK 614 M that arose 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 according to plan at an annual rate of 5 percent.

If the ABV acquisition had been 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, 2003 would have been an increase of SEK 124 M (154) in reported goodwill and an increase of SEK 124 M (154) in reported shareholders' equity. The Group's net profit for 2003 would have decreased by SEK 31 M (31), due to increases in amortization of goodwill by SEK 31 M (31). This corresponds to minus SEK 0.30 (minus 0.30) per share.

# NOTES

AMOUNTS IN SEK M, UNLESS OTHERWISE SPECIFIED.

## NOTE 1 OPERATION UNDER TERMINATION

NCC's Annual General Meeting on April 10, 2003 resolved to spin off Altima to NCC's shareholders. The Altima shares were distributed to NCC's shareholders on December 12, 2003.

Altima constituted a business area within NCC and was consolidated up to and including December 31, 2003. In this report, Altima is treated as an operation under termination. This business sector's sales, earnings, cash flow and net assets, adjusted for intra-Group transactions, are reported below.

	Remaining operations		Operation under termination		Group total	
	2003	2002	2003	2002	2003	2002
Net sales	44,733	44,713	1,268	1,390	45,252	45,165
Operating expenses	-44,788	-43,051	-1,209	-1,232	-45,247	-43,345
<b>Operating profit/loss</b>	<b>-55</b>	<b>1,662</b>	<b>59</b>	<b>158</b>	<b>5</b>	<b>1,820</b>
Net financial items	-296	-467	-32	-47	-328	-514
<b>Profit/loss after financial items</b>	<b>-351</b>	<b>1,195</b>	<b>27</b>	<b>111</b>	<b>-323</b>	<b>1,306</b>
Taxes	-73	-427	-5	-34	-77	-461
Minority interest	-21	-24			-21	-24
<b>Net profit/loss for the year</b>	<b>-445</b>	<b>744</b>	<b>22</b>	<b>77</b>	<b>-421</b>	<b>821</b>
Cash flow from continuing operations	727	2,615	231	132	958	2,747
Investment activities	-195	2,586	-1	-278	-196	2,308
Financing activities	-1,684	-4,626	-277	174	-1,961	-4,452
<b>Cash flow for the year</b>	<b>-1,152</b>	<b>575</b>	<b>-47</b>	<b>28</b>	<b>-1,199</b>	<b>603</b>
Fixed assets	7,896	9,303		1,175	7,896	10,478
Current assets	22,101	25,196		358	22,101	24,737
<b>Total assets</b>	<b>29,997</b>	<b>34,499</b>		<b>1,533</b>	<b>29,997</b>	<b>35,215</b>
<b>Total liabilities</b>	<b>23,809</b>	<b>27,233</b>		<b>1,202</b>	<b>23,809</b>	<b>27,618</b>
<b>Net assets</b>	<b>6,188</b>	<b>7,266</b>	<b>0</b>	<b>331</b>	<b>6,188</b>	<b>7,597</b>

## NOTE 2 RESULT FROM PROPERTY MANAGEMENT

GROUP	2003	2002
Rental revenues	181	302
Other revenues	1	21
Operation and maintenance costs	-118	-191
<b>Operating net</b>	<b>64</b>	<b>132</b>
Depreciation according to plan	-14	-29
<b>Total</b>	<b>50</b>	<b>103</b>

## NOTE 3 RESULT FROM SALES OF MANAGED PROPERTIES

	Group		Parent company	
	2003	2002	2003	2002
Sales value less sales expenses	603	3,104	45	374
Book value	-613	-2,782	-42	-168
<b>Total</b>	<b>-10</b>	<b>322</b>	<b>3</b>	<b>206</b>

## NOTE 4 RESULT FROM PARTICIPATIONS IN ASSOCIATED COMPANIES

GROUP	2003			2002		
	Real estate operations	Others	Total	Real estate operations	Others	Total
Participation in results of associated companies	3	40	43	-4	17	13
Write-downs		-69	-69		-3	-3
<b>Total</b>	<b>3</b>	<b>-29</b>	<b>-26</b>	<b>-4</b>	<b>14</b>	<b>10</b>

## NOTE 5 RESULT FROM SALES OF PARTICIPATIONS IN GROUP COMPANIES

GROUP	2003	2002
Other Group companies		4
<b>Total</b>		<b>4</b>

## NOTE 6 RESULT FROM SALES OF PARTICIPATIONS IN ASSOCIATED COMPANIES

GROUP	2003			2002		
	Real estate operations	Others	Total	Real estate operations	Others	Total
Capital gains/losses on sales	3	34	37	-3	37	34
<b>Total</b>	<b>3</b>	<b>34</b>	<b>37</b>	<b>-3</b>	<b>37</b>	<b>34</b>

## NOTE 7 RESULT FROM PARTICIPATIONS IN GROUP COMPANIES

PARENT COMPANY	2003	2002
Dividend		1,210
Capital gain/loss on sales		-1
Write-downs		-1,383
Reversal of write-downs		20
<b>Total</b>		<b>-154</b>

**NOTE 8 RESULT FROM OTHER FINANCIAL FIXED ASSETS**

	Group		Parent company	
	2003	2002	2003	2002
Dividends received	1	1		1
Interest income, others	55	54		2
Exchange-rate differences	-1	1		1
Capital gain/loss on sales	-4	2	-2	1
Write-downs	-2			
Reversal of write-downs	2			
<b>Total</b>	<b>51</b>	<b>58</b>	<b>-2</b>	<b>5</b>

**NOTE 9 RESULT FROM FINANCIAL CURRENT ASSETS**

	Group		Parent company	
	2003	2002	2003	2002
Interest income, Group companies			101	197
Interest income, others	165	270	18	42
Exchange-rate differences	3	-1	25	21
<b>Total</b>	<b>168</b>	<b>269</b>	<b>144</b>	<b>260</b>

**NOTE 12 INTANGIBLE FIXED ASSETS**

2003	Group				Parent company
	Usufructs	Good-will	Other	Total	Other
On January 1	55	3,758	131	3,944	20
New acquisitions	2	19	8	29	
Divestment and scrappage	-5	-244	-22	-271	-15
Reclassifications		-8	-15	-23	
Translation difference during the year	-3	-160	-2	-165	
<b>Closing accumulated acquisition value</b>	<b>49</b>	<b>3,365</b>	<b>100</b>	<b>3,514</b>	<b>5</b>
Opening amortization according to plan	-19	-974	-37	-1,030	-4
Divestment and scrappage		73	1	74	
Reclassifications		8	4	12	
Translation difference during the year	1	46	1	48	
Amortization according to plan during the year	-3	-210	-13	-226	-1
<b>Closing accumulated amortization according to plan</b>	<b>-21</b>	<b>-1,057</b>	<b>-44</b>	<b>-1,122</b>	<b>-5</b>
Opening write-downs		-246		-246	
Divestment and scrappage		22		22	
Translation differences during the year		16		16	
Write-downs during the year	-2	-55		-57	
<b>Closing accumulated write-downs</b>	<b>-2</b>	<b>-263</b>		<b>-265</b>	
<b>Closing planned residual value</b>	<b>26</b>	<b>2,045</b>	<b>56</b>	<b>2,127</b>	

**NOTE 10 INTEREST EXPENSE AND SIMILAR INCOME STATEMENT ITEMS**

	Group		Parent company	
	2003	2002	2003	2002
Interest expense, Group companies			-68	-188
Interest expense, others	-598	-935	-73	-99
Capitalization of interest expense	47	84		
Exchange-rate differences, etc.	-19	25	20	11
Other financial items	23	-15	47	-1
<b>Total</b>	<b>-547</b>	<b>-841</b>	<b>-74</b>	<b>-277</b>

**NOTE 11 APPROPRIATIONS AND UNTAXED RESERVES**

PARENT COMPANY	Appropriations		Untaxed reserves	
	2003	2002	2003	2002
Accumulated depreciation in excess of plan – buildings and land	1	11		1
Other untaxed reserves	-4	-361	597	592
Reserve in work in progress	77	-144	321	398
<b>Total</b>	<b>74</b>	<b>-494</b>	<b>918</b>	<b>991</b>

**NOTE 12 cont. INTANGIBLE FIXED ASSETS**

2002	Group				Parent company		
	Usufructs	Good-will	Other	Total	Usufructs	Other	Total
On January 1	73	3,857	121	4,051	22	20	42
New acquisitions	5	46	17	68			
Divestment and scrappage	-19	-127	-4	-150			
Transferred operations					-22		-22
Reclassifications	-4	-8		-12			
Translation difference during the year		-10	-3	-13			
<b>Closing accumulated acquisition value</b>	<b>55</b>	<b>3,758</b>	<b>131</b>	<b>3,944</b>		<b>20</b>	<b>20</b>
Opening amortization according to plan	-16	-820	-25	-861	-7	-3	-10
Divestment and scrappage		60	2	62			
Transferred operations					7		7
Reclassifications		6		6			
Translation difference during the year		1		1			
Amortization according to plan during the year	-3	-221	-14	-238		-1	-1
<b>Closing accumulated amortization according to plan</b>	<b>-19</b>	<b>-974</b>	<b>-37</b>	<b>-1,030</b>		<b>-4</b>	<b>-4</b>
Opening write-downs		-250	-7	-257			
Reclassifications		3		3			
Translation differences during the year		1	7	8			
<b>Closing accumulated write-downs</b>		<b>-246</b>		<b>-246</b>			
<b>Closing planned residual value</b>	<b>36</b>	<b>2,538</b>	<b>94</b>	<b>2,668</b>		<b>16</b>	<b>16</b>

**NOTE 13 TANGIBLE FIXED ASSETS**

2003	Group					Parent company			
	Managed Properties	Properties used in operations	New construction in progress	Machinery and equipment	Total	Managed Properties	Properties used in operations	Machinery and equipment	Total
On January 1	2,230	1,524	9	8,067	11,830	40	76	291	407
New acquisitions	96	76	5	792	969			88	88
Via acquired companies		5		10	15				
Divestment and scrappage	-406	-52	-5	-462	-925	-39		-23	-62
Via sold companies		-349		-2,139	-2,488				
Reclassifications	-187	29	-6	-57	-221				
Translation difference	-8	-52		-288	-348				
<b>Closing accumulated acquisition value<sup>1)</sup></b>	<b>1,725</b>	<b>1,181</b>	<b>3</b>	<b>5,923</b>	<b>8,832</b>	<b>1</b>	<b>76</b>	<b>356</b>	<b>433</b>
Opening write-downs and depreciation	-927	-456		-5,072	-6,455	-1	-31	-222	-254
Via acquired companies				-5	-5				
Divestment and scrappage	87	7		285	379			22	22
Via sold companies	10	98		1,297	1,405				
Reclassifications	14	2		37	53				
Translation difference during the year	2	9		161	172				
Write-downs and depreciation during the year	-14	-85		-791	-890		-4	-42	-46
<b>Closing accumulated write-downs and depreciation<sup>2)</sup></b>	<b>-828</b>	<b>-425</b>		<b>-4,088</b>	<b>-5,341</b>	<b>-1</b>	<b>-35</b>	<b>-242</b>	<b>-278</b>
Opening write-ups	3	113		60	176	3			3
Divestments and scrappage	-3			33	30	-3			-3
Reclassifications		-4		-2	-6				
<b>Closing accumulated write-ups, net<sup>3)</sup></b>		<b>109</b>		<b>91</b>	<b>200</b>				
<b>Closing planned residual value</b>	<b>897<sup>4)</sup></b>	<b>865</b>	<b>3</b>	<b>1,926</b>	<b>3,691</b>		<b>41</b>	<b>114</b>	<b>155</b>
<sup>1)</sup> The acquisition value includes capitalized interest in an amount of	2				2				
<sup>2)</sup> Accumulated write-downs at year-end	-46	-19			-65				
<sup>3)</sup> The write-ups arose in 2000 via acquired companies									
<sup>4)</sup> NCC Property Development's share is SEK 820 M (1,109)									
<b>Tax assessment value</b>	<b>854</b>	<b>42</b>			<b>896</b>		<b>19</b>		<b>19</b>
<b>Book value of properties assigned tax assessment value</b>	<b>896</b>	<b>866</b>			<b>1,762</b>		<b>41</b>		<b>41</b>
<b>Accumulated current value at year-end</b>	<b>1,003</b>								

Current value has been calculated using the yield method. This method is based on present-value calculations of anticipated future cash flow over five or ten years, and the present value of the estimated residual value at the end of the calculation period. Residual value has been calculated by means of perpetual capitalization of an estimated normal market operating net for the year following the final year of the calculation period.

**NOTE 13 cont. TANGIBLE FIXED ASSETS**

2002	Group					Parent company			
	Managed Properties	Properties used in operations	New construction in progress	Machinery and equipment	Total	Managed Properties	Properties used in operations	Machinery and equipment	Total
On January 1	5,401	1,351	8	8,300	15,060	102	419	3,158	3,679
New acquisitions	138	175	8	985	1,306		1	21	22
Via acquired companies		19		33	52				
Divestment and scrappage	-3,308	-85		-925	-4,318		-5	-193	-198
Via sold companies	-6	-44		-144	-194	-3			-3
Transfer within NCC Group								-2,695	-2,695
Reclassifications	16	122	-7	-97	34	-59	-339		-398
Translation difference	-11	-14		-85	-110				
<b>Closing accumulated acquisition value<sup>1)</sup></b>	<b>2,230</b>	<b>1,524</b>	<b>9</b>	<b>8,067</b>	<b>11,830</b>	<b>40</b>	<b>76</b>	<b>291</b>	<b>407</b>
Opening write-downs and depreciation	-1,509	-403		-5,119	-7,031	-25	-157	-2,321	-2,503
Via acquired companies		-6		-20	-26				
Divestment and scrappage	603	22		663	1,288		1	188	189
Via sold companies		15		81	96				
Transfer within NCC Group								1,960	1,960
Reclassifications	11	-7		108	112	24	129		153
Translation difference during the year	1	5		56	62				
Write-downs and depreciation during the year	-33	-82		-841	-956		-4	-49	-53
<b>Closing accumulated write-downs and depreciation<sup>2)</sup></b>	<b>-927</b>	<b>-456</b>		<b>-5,072</b>	<b>-6,455</b>	<b>-1</b>	<b>-31</b>	<b>-222</b>	<b>-254</b>
Opening write-ups	3	116		61	180	4			4
Reclassifications						-1			-1
Translation difference during the year		-3		-1	-4				
<b>Closing accumulated write-ups, net<sup>3)</sup></b>	<b>3</b>	<b>113</b>		<b>60</b>	<b>176</b>	<b>3</b>			<b>3</b>
<b>Closing planned residual value</b>	<b>1,306</b>	<b>1,181</b>	<b>9</b>	<b>3,055</b>	<b>5,551</b>	<b>42</b>	<b>45</b>	<b>69</b>	<b>156</b>
<sup>1)</sup> The acquisition value includes capitalized interest in an amount of	20				20				
<sup>2)</sup> Accumulated write-downs at year-end	-116	-20			-136				
<sup>3)</sup> The write-ups arose in 2000 via acquired companies									
<b>Tax assessment value</b>	<b>1,259</b>	<b>45</b>			<b>1,304</b>	<b>68</b>	<b>14</b>		<b>82</b>
<b>Book value of properties assigned tax assessment value</b>	<b>1,254</b>	<b>1,181</b>			<b>2,435</b>	<b>42</b>	<b>46</b>		<b>88</b>

**NOTE 14 PARTICIPATIONS IN GROUP COMPANIES**

PARENT COMPANY Name of company, Corp. Reg. No., Registered office	Ownership share, % <sup>1)</sup>	No. of partici- pations <sup>2)</sup>	Book value	
			2003	2002
<b>Real estate companies:</b>				
NCC Property Development AB, 556080-5631, Solna	100	84	3,932	5,224
<b>Total participations in real estate companies</b>			<b>3,932</b>	<b>5,224</b>
<b>Other companies:</b>				
Alsike Utvecklings AB, 556245-9542, Uppsala	100	16	2	2
Altima Group AB, 556223-6371, Solna				195
Anjo Bygg AB, owned by Svelali AB, 556622-7517, Halmstad	100	1	52	
Bergnäsets Ställningsmontage i Luleå AB, 556393-2838, Luleå	100	1	2	2
Bostads AB Vägkarlen, 556420-5036, Uppsala	100	1		
Dansk Beton Teknik A/S, 62 47 01 19, Denmark	100		4	4
La Dolce Vita i Sverige AB, 556459-6988, Norrköping	100	1		
Drevviken Fastighetsbolag, KB, 916623-1804, Stockholm				
Däldehög AB, 556268-5700, Gothenburg	100	9	41	41
Ekängens Handelsträdgård AB, 556188-6903, Linköping	100	1	5	4
Fastighetsbolaget Fiskvik HB, 916671-2704, Enköping	100			
Fogden i Täby AB, 556058-2115, Täby	100			
Fresta Fastighets AB, 556584-6705, Solna	100	1	4	
Frösunda Exploaterings AB, 556430-1876, Stockholm	100	1		
Frösunda Exploaterings KB, 916636-6451, Stockholm	100		1	1
Fågelbro Mark AB, 556234-0868, Stockholm	100	200	36	34
Gasmotorselskabet ApS, 10 36 95 41, Denmark				
Göteborgs Monteringsbyggen KB, 957201-2863, Gothenburg	100			
Hercules Grundläggning AB, 556129-9800, Stockholm	100	1	59	59
H-Tek Service i Eskilstuna AB, 556453-3072, Eskilstuna	100	50	8	8
JCC Johnson Construction Company AB, 556113-5251, Solna	100	1		1
Jordskorpan Väst AB, 556171-7058, Halmstad	100	10	1	1
Kompri HB, 916765-5738, Malmö				2
Linder & Antonsson Byggnads AB, 556099-5614, Gothenburg	100	1		
Luzern AB, 556336-4727, Lund	100	1	3	3
Metodbyggen AB, 556085-3243, Stockholm	100	20	3	3
NCC Bau & Holding GmbH, FB-nr201178a, Austria	100			
NCC Bygg AS, 959 606 803, Norway				85
NCC Construction Danmark A/S, 69 89 40 11, Denmark	100	10	115	115
NCC Construction Norge AS, 911 274 426, Norway	100	17,500	160	48
NCC Construction Sverige AB, 556613-4929, Solna	100	500	50	50
NCC Försäkrings AB, 516401-8151, Solna	100	500	78	78
NCC GmbH & Co. Deutsche Holding KG, HRA 1435FF, Germany	100		1	1

PARENT COMPANY Name of company, Corp. Reg. No., Registered office	Ownership share, % <sup>1)</sup>	No. of partici- pations <sup>2)</sup>	Book value	
			2003	2002
<b>Other companies cont.</b>				
NCC Immobilien GmbH, HrB 59164, Germany	100		12	12
NCC Industries AB, 556001-8276, Stockholm	100	15	107	107
NCC International AB, 556033-5100, Solna	100	1,000	307	307
NCC Komponent AB, 556627-4360, Stockholm	100	1		
NCC Leasing Alfa AB, 556522-7724, Solna	100	1		
NCC Måleri i Uppsala AB, 556174-4078, Uppsala	100	3	4	4
NCC Nordic Construction Company AB, 556065-8949, Solna	100	3,809	1,018	1,018
NCC Polska Sp. Z.o.o., KRS20513, Poland	100	64		
NCC Property Development Holding AB, 556145-1856, Solna	100	1		
NCC Rakennus Oy, 1765514-2, Finland	100	4	391	499
NCC Reinsurance AG, CH-0203003243-9, Switzerland	100	3	77	77
NCC Roads Holding AB, 556144-6732, Solna	100	275	1,633	1,633
NCC TeleCom Espana S.L, B82732454, Spain				
NCC Treasury AB, 556030-7091, Solna	100	120	17	17
NCC Tunnelling AB, 556599-3413, Solna	100	10		
Nils P Lundh AB, 556062-7795, Solna	100	1		
Nordisk Ekoteknik AB, 556305-1191, Solna	100	1		
Norske Siab A/S, 918 355 367, Norway	100	5		
Nybergs Entreprenad AB, 556222-1845, Gotland	100	1	12	12
Nystanet KB, 969621-2738, Solna				
Olof Nordlund AB, 556234-6394, Gothenburg	100	1		
Oppunda Bygg AB, 556174-2973, Norrköping	100	6	2	2
Per Jacobsson Fastighets AB, 556380-1231, Tjörn	100	1		
Siab Trading AB, 556104-9932, Stockholm	100	2	1	1
Skene Bygg AB, 556083-0316, Mark	100			
Skurups Fjärrvärme AB, 556578-3312, Solna	100	1		
Ställningsmontage och Industritjänst i Södra Norrland AB, 556195-2226, Solna	100	2	1	2
Svappavaara Åkeri och Byggnads AB, 556111-3712, Kiruna	100	4	2	2
Svenska Industribyggen AB, 556087-2508, Stockholm	100	1		
Söderby Park Fastigheter HB, 916630-4817, Stockholm	100	200	10	10
Vindelbrinken AB, 556547-5638, Gothenburg				
Åsane Byggmesterforretning AS, 962 116 663, Norway	100			
Åsland Pukkverk AS, 963 703 449, Norway	100			
<b>Total participations in associated companies</b>			<b>4,219</b>	<b>4,440</b>
<b>Total participations in Group companies</b>			<b>8,151</b>	<b>9,664</b>

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

<sup>2)</sup> Number of shares in thousands.

Only directly owned subsidiaries are specified. The number of indirectly owned subsidiaries is 198. A complete specification may be ordered from NCC AB.



**NOTE 15 PARTICIPATIONS IN ASSOCIATED COMPANIES**

Name of company, Corp. Reg. No, Registered office	Ownership share, % <sup>1)</sup>	No. of participations <sup>2)</sup>	Group		Parent company	
			Book value 2003	Book value 2002	Book value 2003	Book value 2002
<b>Participations in associated companies included in financial fixed assets</b>						
Aabenraa Granit I/S, 32 87 07 16, Denmark	50			1		
Ankaret Invest SA, 526.209, Belgium	50		2	-1		
Asfalt og Maskin Utleie AS, 960 585 593, Norway	50			2		
A-Train AB, 556500-3745, Stockholm				42		46
BeTe Asfalt AS, 970 907 092, Norway	50		3	2		
Betonelement A/S, 20 26 24, Denmark				61		
Betongfabriken i E-tuna KB, 969639-5145, Eskilstuna	50		1	1		
Björnö Mark KB, 916638-1419, Täby	50		2	2	2	2
Bolig Interessentskabet Tuborg Nord I/S, 25 62 84 70, Denmark	50		56	37		
Dalkarlen, Byggnads AB, 556329-5251, Norrköping	50			1		
Dansk Asfaltfabrik A/S, 52 53 22 13, Denmark	50			1		
Däldehöög Miljö AB, 556587-9573, Gothenburg	50	3				
Ejendomsinteressentskabet Hylkedalsvej, LEV 22 91 42, Denmark	50		2	2		
Ejendomsinteressentskabet Tuborg Nord B, LEV 22 58 02, Denmark	15		71	66		
Eskilstuna Betong AB, 556061-9826, Eskilstuna	50		1	1		
Fabriksbetong AB, 556065-0599, Norrköping	50	1	1	1		
Fastighets AB Strömstaden, 550651-7202, Norrköping	32	2	2	2	2	2
Gladökrossen HB, 969615-7914, Uppsala	50		4	4		
Glysisvallen AB, 556315-5125, Hudiksvall	25		1	1		
Holmenbyggarna Dalkarlen KB, 916693-1783, Norrköping	50		35	50		
Holst Shipping Agency I/S, 14 37 24 07, Denmark	50		1	2		
International Marking Systems GmbH, HRB 13604, Germany	37			2		
Järnvägsparken HB, 916618-3310, Norrtälje				4		
Kiinteistö OY Allonpelto, 0616543-9, Finland						
Kiinteistö OY Tarvonlinna, 0746077-1, Finland						
Kiinteistö OY Tarvonvieri, 0701118-3, Finland						
KP-Kaupunkiprojektien Kehitys Oy, 1065042-9, Finland	33					
Kruszywa Slaskie Sp z.o.o., RHB17650, Poland	30					
Lapis Polaris AB, 556372-4516, Sorsele	50					
Lundström Asfalt AS, 960 358 104, Norway	50					
Marine Mastic Ltd, 3036206, England	33					
Miljöfabriken 2000 AB, 556585-0848, Malmö	50					
Mälärstaden Exploaterings AB, 556336-2135, Södertälje	33					
NCC Fegda, 1080175, Latvia	43		54	44		
NCC Kral SP.Z.o.o., KRS0000135789, Poland	50	4	8	9		
PRInz (Przedsiębiorstwo Robot Inżynieryjnych Spolka Akcyjna Holding), KRS44078, Poland	47	240	100	131		
Projektformidling Nord A/S, 19 17 26, Denmark	50		1	1		
PULS Planerad Underhålls Service, 556379-1259, Malmö	50	15	14	11	8	8
Rakentäjien Ekopark Oy, 1579367-2, Finland				3		
Rydbokrossen HB, 916609-3956, Solna	50		1	2		
Sicione SA, A-48265169, Spain	31		7	7		
Sollentuna Centrum AB, 556393-1046, Sollentuna	50		28	14		
Storvreta C HB, 916514-6029, Uppsala	50			14		
Talter, AS, 10.114.029, Estonia	50	4	20	16		
Tipton Brown Stockholm AB, 556615-8159, Stockholm	33	125	15	15	15	15
Ursvik Exploaterings KB, 969679-3172, Stockholm	50		130	100	130	100
Valtatie OY, 323.470, Finland	50	468	118	145		
Återvinnarna i Sverige AB, 556560-7883, Stockholm	50	10	2	2	2	2
Östhammarkrossen KB, 916673-1365, Uppsala	50		2	2		
Other 43 (49) <sup>3)</sup>			12	5	1	1
<b>Subtotal</b>			<b>694</b>	<b>805</b>	<b>160</b>	<b>176</b>

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

<sup>2)</sup> Number of shares in thousands.

<sup>3)</sup> Including companies consolidated in the balance sheet and income statement in accordance with the proportional method.

**NOTE 15 cont. PARTICIPATIONS IN ASSOCIATED COMPANIES**

Name of company, Corp. Reg. No, Registered office	Ownership share, % <sup>1)</sup>	No. of participations <sup>2)</sup>	Group		Parent company	
			Book value 2003	Book value 2002	Book value 2003	Book value 2002
<b>Participations in associated companies included in properties classed as current assets</b>						
Kista Science Tower KB, 969660-7820, Stockholm	50			45		
Koy Polaris 1834546-1, Finland	50		36	21		
Koy,Signaali 1, 1859547-9, Finland	50		13	14		
Koy,Signaali 2, 1859561-2, Finland	50		11	13		
Koy,Signaali 3, 1859569-8, Finland	50		12	13		
Koy,Signaali 4, under formation, Finland	50		10			
Koy,Signaali 5, under formation, Finland	50		9			
Västra Hamnporten KB, 969667-0976, Malmö	50		25	26		
<b>Subtotal</b>			<b>116</b>	<b>132</b>		
<b>Total participations in associated companies</b>			<b>810</b>	<b>937</b>	<b>160</b>	<b>176</b>

Undistributed accumulated participations in the results of associated companies are deposited in an equity participation reserve, which is part of the Group's restricted reserves. The equity participation reserve for directly owned associated companies amounts to SEK 77 M.

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

<sup>2)</sup> Number of shares in thousands.

A complete specification is available from NCC AB.

**NOTE 16 FINANCIAL FIXED ASSETS**

GROUP, 2003	Participations in associated companies	Receivables, associated companies	Other long-term securities	Other long-term receivables	Total
Acquisition value on January 1	1,182	128	366	1,125	2,801
Assets added	163	31	18	643	855
Assets removed	-90	-86	-46	-582	-804
Translation difference during the year	-43		-7	-33	-83
<b>Closing accumulated acquisition value</b>	<b>1,212</b>	<b>73</b>	<b>331</b>	<b>1,153</b>	<b>2,769</b>
Opening write-downs of acquisition value	-377		-165		-542
Assets removed	9				9
Write-downs during the year	-151		-3	-9	-163
Translation difference during the year	1		4		5
<b>Closing accumulated write-downs</b>	<b>-518</b>		<b>-164</b>	<b>-9</b>	<b>-691</b>
<b>Closing planned residual value</b>	<b>694</b>	<b>73</b>	<b>167</b>	<b>1,144</b>	<b>2,078</b>

GROUP, 2002	Participations in associated companies	Receivables, associated companies	Other long-term securities	Other long-term receivables	Total
Acquisition value on January 1	1,367	148	400	522	2,437
Assets added	175		150	603	928
Assets removed	-326	-20	-185		-531
Translation difference during the year	-34		1		-33
<b>Closing accumulated acquisition value</b>	<b>1,182</b>	<b>128</b>	<b>366</b>	<b>1,125</b>	<b>2,801</b>
Opening write-downs of acquisition value	-375		-164		-539
Write-downs during the year	-3				-3
Translation difference during the year	1		-1		
<b>Closing accumulated write-downs</b>	<b>-377</b>		<b>-165</b>		<b>-542</b>
<b>Closing planned residual value</b>	<b>805</b>	<b>128</b>	<b>201</b>	<b>1,125</b>	<b>2,259</b>

THE SECURITIES ABOVE INCLUDE:	2003		2002	
	Book value	Market capitalization	Book value	Market capitalization
Sea Container Ltd.	107	109	143	87
OM-gruppen	3	2	3	1
Other unlisted shares	57		55	
<b>Total</b>	<b>167</b>		<b>201</b>	

**NOTE 16 cont. FINANCIAL FIXED ASSETS**

PARENT COMPANY, 2003	Participations in Group companies	Receivables, Group companies	Participations in associated companies	Receivables, associated companies	Other long-term securities	Other long-term receivables	Total
Acquisition value on January 1	13,029	118	394	73	152	191	13,957
Assets added	534	117	68	5		139	863
Transferred within the Group	-180						-180
Reclassifications		-13					-13
Assets removed	-488	-52	-15	-54	-36	-4	-649
Translation difference during the year		-3					-3
<b>Closing accumulated acquisition value</b>	<b>12,895</b>	<b>167</b>	<b>447</b>	<b>24</b>	<b>116</b>	<b>326</b>	<b>13,975</b>
Opening write-ups	270						270
Assets removed	-2						-2
<b>Closing accumulated write-ups, net</b>	<b>268</b>						<b>268</b>
Opening write-downs of acquisition value	-3,635		-218				-3,853
Assets removed	4						4
Reversed write-downs	20						20
Reclassifications	-18		-69				-87
Write-downs during the year	-1,383						-1,383
<b>Closing accumulated write-downs</b>	<b>-5,012</b>		<b>-287</b>				<b>-5,299</b>
<b>Closing planned residual value</b>	<b>8,151</b>	<b>167</b>	<b>160</b>	<b>24</b>	<b>116</b>	<b>326</b>	<b>8,944</b>

PARENT COMPANY, 2002	Participations in Group companies	Receivables, Group companies	Participations in associated companies	Receivables, associated companies	Other long-term securities	Other long-term receivables	Total
Acquisition value on January 1	11,800	723	362	116	311	331	13,643
Assets added	3,663		35		144		3,842
Reclassifications					-122		-122
Assets removed	-2,434	-605	-3	-43	-181	-140	-3,406
<b>Closing accumulated acquisition value</b>	<b>13,029</b>	<b>118</b>	<b>394</b>	<b>73</b>	<b>152</b>	<b>191</b>	<b>13,957</b>
Opening write-ups	273						273
Assets removed	-3						-3
<b>Closing accumulated write-ups, net</b>	<b>270</b>						<b>270</b>
Opening write-downs of acquisition value	-3,394		-162		-122		-3,678
Assets removed	115		-38				77
Write-downs during the year	-356		-18				-374
Omklassificeringar					122		122
<b>Closing accumulated write-downs</b>	<b>-3,635</b>		<b>-218</b>				<b>-3,853</b>
<b>Closing planned residual value</b>	<b>9,664</b>	<b>118</b>	<b>176</b>	<b>73</b>	<b>152</b>	<b>191</b>	<b>10,374</b>

**NOTE 17 PROPERTIES CLASSED AS CURRENT ASSETS**

GROUP, 2003	Completed property projects	Ongoing property projects	Properties classed as current assets	Total property- development projects <sup>3)</sup>	Housing- development projects <sup>4)</sup>	Total
On January 1	1,434	1,231	1,759	4,424	3,404	7,828
New acquisitions	174	858	240	1,272	1,667	2,939
Divestment and scrappage	-780	-471	-107	-1,358	-1,271	-2,629
Via sold companies					-10	-10
Reclassifications	1,177	-1,218	217	176	-144	32
Translation difference	-21	-20	-2	-43	-80	-123
<b>Closing accumulated acquisition value<sup>1)</sup></b>	<b>1,984</b>	<b>380</b>	<b>2,107</b>	<b>4,471</b>	<b>3,566</b>	<b>8,037</b>
Opening write-downs and depreciation		-1	-209	-210	-46	-256
Divestment and scrappage			2	2	1	3
Via sold companies					1	1
Reclassifications	13		-32	-19	-10	-29
Translation difference during the year			6	6	2	8
Write-downs and depreciation during the year	-134	-63	-298	-495	-4	-499
<b>Closing accumulated write-downs and depreciation<sup>2)</sup></b>	<b>-121</b>	<b>-64</b>	<b>-531</b>	<b>-716</b>	<b>-56</b>	<b>-772</b>
<b>Closing planned residual value</b>	<b>1,863</b>	<b>316</b>	<b>1,576</b>	<b>3,755</b>	<b>3,510</b>	<b>7,265</b>
<sup>1)</sup> Acquisition value includes capitalized interest in an amount of	79	22	1	102		102
<sup>2)</sup> Accumulated write-downs at year-end	-134	-63	-483	-680	-56	-736
<sup>3)</sup> Pertains to properties classed as current assets reported in NCC Property Development.						
<sup>4)</sup> Pertains to properties classed as current assets reported in NCC Construction Sweden, NCC Construction Denmark, NCC Construction Finland, NCC Construction Norway and NCC Construction Germany.						
<b>Tax assessment value</b>	<b>179</b>	<b>153</b>	<b>197</b>	<b>529</b>	<b>456</b>	<b>985</b>
<b>Book value of properties assigned tax assessment value</b>	<b>1,805</b>	<b>285</b>	<b>1,456</b>	<b>3,546</b>	<b>2,112</b>	<b>5,658</b>

**NOTE 17 cont. PROPERTIES CLASSED AS CURRENT ASSETS**

GROUP, 2002	Completed property projects	Ongoing property projects	Properties classed as current assets	Total property-development projects <sup>3)</sup>	Housing-development projects <sup>4)</sup>	Total
On January 1		4,028	1,689	5,717	3,391	9,108
New acquisitions	47	1,209	183	1,439	1,525	2,964
Via acquired companies					46	46
Divestment and scrappage	-1,582	-870	-69	-2,521	-202	-2,723
Via sold companies					-1,258	-1,258
Reclassifications	2,968	-3,046	-27	-105	-47	-152
Translation difference	1	-90	-17	-106	-51	-157
<b>Closing accumulated acquisition value<sup>1)</sup></b>	<b>1,434</b>	<b>1,231</b>	<b>1,759</b>	<b>4,424</b>	<b>3,404</b>	<b>7,828</b>
Opening write-downs and depreciation		14	-255	-241	-56	-297
Divestment and scrappage			5	5	3	8
Reclassifications		-15	36	21	8	29
Translation difference during the year			5	5	3	8
Write-downs and depreciation during the year					-4	-4
<b>Closing accumulated write-downs and depreciation<sup>2)</sup></b>		<b>-1</b>	<b>-209</b>	<b>-210</b>	<b>-46</b>	<b>-256</b>
<b>Closing planned residual value</b>	<b>1,434</b>	<b>1,230</b>	<b>1,550</b>	<b>4,214</b>	<b>3,358</b>	<b>7,572</b>
<sup>1)</sup> Acquisition value includes capitalized interest in an amount of	60	47	4	111		111
<sup>2)</sup> Accumulated write-downs at year-end			-191	-191	-46	-237
<sup>3)</sup> Pertains to properties classed as current assets reported in NCC Property Development.						
<sup>4)</sup> Pertains to properties classed as current assets reported in NCC Construction Sweden, NCC Construction Denmark, NCC Construction Finland, NCC Construction Norway and NCC Construction Germany.						
<b>Tax assessment value</b>		<b>291</b>	<b>133</b>	<b>424</b>	<b>627</b>	<b>1,051</b>
<b>Book value of properties assigned tax assessment value</b>		<b>1,220</b>	<b>1,537</b>	<b>2,757</b>	<b>2,154</b>	<b>4,911</b>

PARENT COMPANY	2003 Housing-development projects	2002 Housing-development projects
On January 1	1,065	885
New acquisitions	90	37
Divestment and scrappage	-60	-16
Reclassifications	129	159
<b>Closing accumulated acquisition value</b>	<b>1,224</b>	<b>1,065</b>
Opening write-down of acquisition value	-21	-21
Divestment and scrappage	1	3
Write-downs during the year		-3
Translation differences during the year	-4	
<b>Closing accumulated write-downs</b>	<b>-24</b>	<b>-21</b>
<b>Closing planned residual value</b>	<b>1,200</b>	<b>1,044</b>
<b>Tax assessment value</b>	<b>237</b>	<b>607</b>
<b>Book value of properties assigned tax assessment value</b>	<b>614</b>	<b>629</b>

**NOTE 18 MATERIALS AND INVENTORIES**

GROUP	2003	2002
Aggregates	377	408
Building materials	54	71
Other	144	248
<b>Total</b>	<b>575</b>	<b>727</b>

**NOTE 19 WORKED-UP, NON-INVOICED REVENUES**

GROUP	2003	2002
Worked-up revenues from non-completed contracts	7,688	6,533
Invoicing for non-completed contracts	-5,267	-3,850
<b>Total</b>	<b>2,421</b>	<b>2,683</b>

**NOTE 20 INTEREST-BEARING/INTEREST-FREE ASSETS**

	Group						Parent company					
	2003		Total	2002		Total	2003		Total	2002		Total
Interest-bearing	Interest-free	Interest-bearing		Interest-free	Interest-bearing		Interest-free					
Financial fixed assets	684	1,394	2,078	711	1,548	2,259	107	8,837	8,944	87	10,287	10,374
Current receivables	372	11,293	11,665	834	11,661	12,495	379	3,214	3,593	851	3,468	4,319
Short-term investments in NCC's internal bank							2,061		2,061	2,258		2,258
Short-term investments	1,172	2	1,174	1,068	3	1,071						
Cash and bank balances, NCC's internal bank							336		336	909		909
Cash and bank balances	1,291		1,291	2,646		2,646	32		32	80		80
Other current and fixed assets		13,789	13,789		16,744	16,744		1,355	1,355		1,216	1,216
<b>Total</b>	<b>3,519</b>	<b>26,478</b>	<b>29,997</b>	<b>5,259</b>	<b>29,956</b>	<b>35,215</b>	<b>2,915</b>	<b>13,406</b>	<b>16,321</b>	<b>4,185</b>	<b>14,971</b>	<b>19,156</b>

**NOTE 21 SHARE CAPITAL**

Changes in share capital	Number of shares	Share capital, SEK M
1988 Start of year	6,720,000	672
Split,1:4	20,160,000	
Directed placement in connection with the acquisitions of ABV	16,259,454	407
1991 Conversions of debentures	1,449,111	36
1993 Conversions of debentures	468,928	11
Directed placements in connection with purchase of minority-held NK-shares	1,838,437	46
1994 New issue	19,841,991	496
Conversions of debentures	13,394,804	335
1997 Directed placements, in connection with the acquisition of Siab	28,303,097	708
<b>2003 Year-end</b>	<b>108,435,822</b>	<b>2,711</b>

A total of 2,775,289 Series B shares were repurchased during 2000, 699,300 during 2001, 2,560,800 during 2002 and 3 during 2003, making a sum total of 6,035,392 repurchased Series B shares.

The share capital is divided into 108,435,822 shares with a par value of SEK 25 each.

**The shares are distributed as follows:**

	Series A	Series B	Total
Number of shares	58,039,825	50,395,997	108,435,822

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

**NOTE 22 PROVISIONS FOR PENSIONS**

	Group		Parent company	
	2003	2002	2003	2002
Provisions for FPG/PRI pensions		1,109		1,057
Provisions for other pensions	20	59	18	18
<b>Total provisions for pensions</b>	<b>20</b>	<b>1,168</b>	<b>18</b>	<b>1,075</b>

See Note 24 for changes between years.

**NOTE 23 TAX ON NET PROFIT FOR THE YEAR, DEFERRED TAX RECEIVABLES AND DEFERRED TAX LIABILITIES**

TAX ON NET PROFIT FOR THE YEAR	Group				Parent company			
	2003		2002		2003		2002	
	Tax, %	Loss	Tax, %	Profit	Tax, %	Loss	Tax, %	Profit
<b>Reconciliation of effective tax rate</b>								
Pretax profit/loss		-323		1,306		-34		1,694
Tax according to Company's current tax rate	-28	90	-28	-366	-28	10	-28	-474
Effect of other tax rates for non-Swedish companies	-8	24	-2	-22				
Amortization of Group goodwill	16	-51	-4	-53				
Other non-tax-deductible costs	41	-131	-1	-10		-451	-8	-141
Unutilized tax-loss carryforwards in Norway	0		-4	-56				
Non-taxable revenues	-24	79				369	33	565
Tax effect resulting from utilization of non-capitalized tax loss carryforwards	17	-55	4	56			5	88
Tax attributable to prior years	9	-30	-1	-10	-27	9	1	19
Other	1	-3						
<b>Reported tax</b>	<b>24</b>	<b>-77</b>	<b>-35</b>	<b>-461</b>	<b>-63</b>	<b>3</b>	<b>3</b>	<b>57</b>

**DEFERRED TAX RECEIVABLES AND DEFERRED TAX LIABILITIES**

GROUP	Assets		Liabilities		Net	
	2003	2002	2003	2002	2003	2002
<b>Reported deferred tax receivables and liabilities derive from the following:</b>						
Tangible fixed assets			-6	-8	-6	-8
Financial fixed assets	2			-35	2	-35
Non-completed projects			-454	-607	-454	-607
Properties classed as current assets	19			-78	19	-78
Provisions	248	485	-374	-328	-126	157
Personnel benefits/pension provisions	8	8			8	8
Interest-bearing liabilities				-2		-2
Tax loss carryforwards	302	305			302	305
Other	104	66	-79	-86	25	-20
<b>Deferred tax receivable<sup>1)</sup> / deferred tax liability</b>	<b>683</b>	<b>864</b>	<b>-913</b>	<b>-1,144</b>	<b>-230</b>	<b>-280</b>
Offsetting	-254	-457	254	457		
<b>Net tax receivable / deferred tax liability</b>	<b>429</b>	<b>407</b>	<b>-659</b>	<b>-687</b>	<b>-230</b>	<b>-280</b>

<sup>1)</sup> Reported among other long-term receivables, Note 16.

PARENT COMPANY	Assets		Liabilities		Net	
	2003	2002	2003	2002	2003	2002
<b>Reported deferred tax receivables and liabilities derive from the following:</b>						
Financial fixed assets			-1	-1	-1	-1
Provisions	100	174			100	174
Personnel benefits/pension provisions	8	8			8	8
Tax loss carryforwards	123				123	
<b>Deferred tax receivable/deferred tax liability</b>	<b>231</b>	<b>182</b>	<b>-1</b>	<b>-1</b>	<b>230</b>	<b>181</b>
Offsetting	-1	-1	1	1		
<b>Net tax receivable/deferred tax liability</b>	<b>230</b>	<b>181</b>	<b>0</b>	<b>0</b>	<b>230</b>	<b>181</b>

**NOTE 24 PROVISIONS**

GROUP	Pensions	Taxes	Guarantees	Other	Total
On January 1	1,168	687	911	564	3,330
Reserve posted during the year		144	160	236	540
Amount utilized during the year	-7	-189	-124	-206	-526
Reversed, unutilized reserves	-42	-3		-22	-67
Via acquired companies		11		6	17
Via sold companies	-4	-15		-2	-21
Reclassification	-33	31	4	-9	-7
Transferred to pension foundation <sup>1)</sup>	-1,056				-1,056
Translation differences	-6	-7	-5	-42	-60
<b>On December 31</b>	<b>20</b>	<b>659</b>	<b>946</b>	<b>525</b>	<b>2,150</b>

<sup>1)</sup> After transfer to the pension foundation, the amount was reloaned and was thereafter reclassified as long-term liabilities to credit institutions. Also see section on the pension foundation under Personnel heading in the Report of the Board of Directors, page 39.

PARENT COMPANY	Pensions	Guarantees	Other	Total
On January 1	1,074	354	208	1,636
Reserve posted during the year			10	10
Amount utilized during the year		-53	-136	-189
Reclassification			-1	-1
Transferred to pension foundation <sup>1)</sup>	-1,056			-1,056
<b>On December 31</b>	<b>18</b>	<b>301</b>	<b>81</b>	<b>400</b>

**Specification of other provisions**

	Group		Parent company	
	2003	2002	2003	2002
Guarantee commitments	946	911	301	354
Reserve for projects with a work-up rate exceeding the sales rate	202	145		
Restoration reserve	101	121		
Accrued costs	81	99		
Relocation costs		33		
Other provisions	141	166	81	208
<b>Total other provisions</b>	<b>1,471</b>	<b>1,475</b>	<b>382</b>	<b>562</b>

**NOTE 25 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT****Finance policy (Principles for risk management)**

Through its business operations, the Group is exposed to financial risks, or more specifically interest-rate risks, credit risks, liquidity risks and currency risks. NCC's finance policy for managing financial risks was decided by the Board of Directors and forms a framework of guidelines and rules in the form of risk mandates and limits for finance activities.

Within the NCC Group's decentralized organization, finance activities are centralized to NCC Corporate Finance Staff, in order to monitor the Group's overall financial risk positions, to achieve cost efficiency and economies of scale and to accumulate expertise while capitalizing on Group-wide interests. Within NCC, risks associated with exchange and interest rates, credit and liquidity are managed by the Group's internal bank, NCC Treasury AB.

**Contractual terms and accounting principles**

Financial assets are valued at the lower of acquisition or current value. Cash assets in accounts denominated in a currency other than the local currency are translated at the year-end rate. Financial investments and shares and participations are valued at the

lower of acquisition value or market value at year-end, a valuation principle that is applied to the portfolio as a whole. This means that unrealized losses are offset against unrealized gains. Any loss that remains following offsetting is reported as a financial expense, while a corresponding gain is not reported. Financial liabilities are valued at acquisition. Interest rate swaps and currency swaps are entered at acquisition value.

**Interest-rate risks and maturities**

The interest-rate risk is the risk that changes in interest rates will adversely affect NCC's net interest items and/or cash flow. NCC's main financing sources are shareholders' equity, cash flow from business operations and borrowing. Interest-bearing borrowing exposes the Group to an interest-rate risk. NCC's finance policy stipulates guidelines governing the average maturity of borrowing. NCC aims for a good balance between long and short periods of fixed interest. If the interest terms of available borrowing vehicles are not compatible with the desired structure for NCC's loan portfolio, interest swaps are the main instruments used to adapt the structure.

At year-end, NCC's net indebtedness totaled SEK 8,412 M (11,078) and the average period of fixed interest was 0.9 years (1.3).

**LOAN PORTFOLIO, DECEMBER 31, 2003**

	SEK and foreign currencies		SEK and foreign currencies			SEK	
	Amortization		Fixed-interest loans during period		Average	Fixed-interest loans	
	SEK M	Percentage	Belopp	Percentage	interest rate	during period, SEK M	Average interest rate
2004	4,124	49%	5,732	68%	4.4%	2,715	4.8%
2005	2,172	26%	565	7%	6.9%	432	3.6%
2006	876	11%	876	11%	5.8%	163	6.2%
2007	285	3%	284	3%	4.7%	291	4.6%
2008	618	7%	618	7%	3.3%		
2009-	317	4%	317	4%	4.1%	223	4.1%
<b>Total loans</b>	<b>8,392</b>	<b>100%</b>	<b>8,392</b>	<b>100%</b>	<b>4.6%</b>	<b>3,824</b>	<b>4.7%</b>
Pension liability	20		20				
<b>Interest-bearing liabilities</b>	<b>8,412</b>		<b>8,412</b>			<b>3,824</b>	
Liquid assets	2,465		2,465			1,701	
Interest-bearing receivables	1,056		1,056			811	
<b>Net indebtedness</b>	<b>4,891</b>		<b>4,891</b>			<b>1,312</b>	

**Credit risks**

NCC's investment regulations are reviewed continuously and characterized by caution. The policy is that no credit losses should be incurred on financial investments in business in operations.

**Liquidity risks**

To achieve adequate flexibility and cost efficiency, the Group's access to funds consists essentially of committed lines of credit. On December 31, the portion of unutilized committed lines of credit amounted to SEK 4.1 billion. Available funds are invested primarily in banks or interest-bearing instruments with good credit ratings and solid secondary markets. At year-end, the Group's liquid assets amounted to SEK 2.5 billion. Access to funds on December 31 corresponded to 14 percent of sales.

**Market financing programs**

NCC has established the following investor-related market financing programs:

- Commercial Paper (CP) Program in Finland with a limit of EUR 300 M.
- Commercial Paper Program in Sweden with a limit of SEK 3,000 M.
- Medium Term Note (MTN) in Sweden with a limit of SEK 3,000 M.
- Serial loan under MTN documentation with a limit of EUR 100 M.

At December 31, 2003, SEK 1,168 M had been utilized under the CP programs and SEK 1,172 M under MTN and Tap-issue programs. Investor-related loans accounted for 30 percent of NCC's total interest-bearing liabilities.

**Currency risks**

The currency risk is the risk that changes in exchange rates will adversely affect the consolidated income statement, balance sheet or cash flow statement. NCC's operational net transaction exposure is not significant at present. In accordance with the finance policy, transaction exposure must be eliminated as soon as it becomes known, mainly by using currency forward contracts. Exposure affecting financial flows, such as loans and investments, is mainly hedged by means of currency swaps. The NCC Group's currency derivatives on December 31, 2003 were distributed as follows in terms of currency. All contracts expire during 2004. The amounts stated include underlying principal amounts.

NCC's transaction exposure is hedged either by financing investments outside Sweden with borrowing in corresponding currencies or through currency forward contracts.

**Reported value and current value of interest-bearing financial instruments**

The reported value and current value of interest-bearing financial instruments are presented in the table below. Interest-bearing financial instruments, such as accounts payable and accounts receivable, are reported at current value and are not included in the table.

Official market quotations on the balance-sheet date are used for establishing the current value.

The value of interest swaps includes underlying principal amounts.

**Currency forward contracts at December 31, 2003**

Counter-value in SEK M	
Sell DKK	-1,599
Sell EUR	-2,837
Sell LTL	-32
Sell LVL	-20
Sell NOK	-1,402
Sell PLN	-543
Sell USD	-252
<b>Sell total</b>	<b>-6,685</b>
Buy DKK	122
Buy EUR	624
Buy LVL	12
Buy NOK	437
Buy USD	25
<b>Buy total</b>	<b>1,220</b>
<b>Net</b>	<b>-5,465</b>

**Reported value and current value of interest-bearing financial instruments**

GROUP	2003		2002	
	Reported value	Current value	Reported value	Current value
Financial fixed assets	684	689	711	717
Current receivables	372	372	834	834
Short-term investments	1,172	1,173	1,068	1,068
Cash and bank balances	1,291	1,291	2,646	2,646
Currency derivatives	50	33		
<b>Assets</b>	<b>3,569</b>	<b>3,558</b>	<b>5,259</b>	<b>5,265</b>
Less reported value of:				
– other currency derivatives	-50			
<b>Reported value of interest-bearing receivables</b>	<b>3,519</b>	<b>3,558</b>	<b>5,259</b>	<b>5,265</b>
Liabilities to credit institutions	7,718 <sup>1)</sup>	7,718	9,021	9,021
Other liabilities	674	674	889	889
Provisions	20	20	1,168	1,168
Interest swaps receivable	-3,411	-3,429	-4,783	-4,794
Interest swaps payable	3,450	3,539	4,816	4,942
Currency derivatives			64	73
<b>Liabilities</b>	<b>8,451</b>	<b>8,522</b>	<b>11,175</b>	<b>11,299</b>
Less reported value of:				
– accrued interest	-39		-33	
– other currency derivatives			-64	
<b>Reported value of interest-bearing liabilities</b>	<b>8,412</b>	<b>8,522</b>	<b>11,078</b>	<b>11,299</b>

<sup>1)</sup> Reported value and current value of interest-bearing financial instruments.

**Reported value and current value of interest-bearing financial instruments**

PARENT COMPANY	2003		2002	
	Reported value	Current value	Reported value	Current value
Financial fixed assets	107	107	87	87
Current receivables	379	379	851	851
Short-term investments, NCC's internal bank	2,061	2,061	2,258	2,258
Cash and bank balances, NCC's internal bank	336	336	909	909
Cash and bank balances	32	32	80	80
Currency derivatives				
<b>Assets</b>	<b>2,915</b>	<b>2,915</b>	<b>4,185</b>	<b>4,185</b>
Liabilities to credit institutions	1,023	1,023	351	351
Other liabilities	1,814	1,814	1,806	1,806
Provisions	18	18	1,075	1,075
Interest swaps receivable	-146	-147	-241	-242
Interest swaps payable	150	156	249	259
<b>Liabilities</b>	<b>2,859</b>	<b>2,864</b>	<b>3,240</b>	<b>3,249</b>
Less reported value of:				
– accrued interest	-4		-8	
<b>Reported value of interest-bearing liabilities</b>	<b>2,855</b>	<b>2,864</b>	<b>3,232</b>	<b>3,249</b>

**NOTE 26 INVOICED REVENUES, NOT WORKED-UP**

GROUP	2003		2002	
Invoiced sales	22,022		25,989	
Costs incurred	-18,501		-22,503	
<b>Total work in progress on another party's account</b>	<b>3,521</b>		<b>3,486</b>	

**NOTE 27 NET SALES AND WORK IN PROGRESS ON ANOTHER PARTY'S ACCOUNT**

PARENT COMPANY	2003		2002	
Invoiced sales	14,664		15,438	
Costs incurred	-12,581		-13,439	
<b>Total work in progress on another party's account</b>	<b>2,083</b>		<b>1,999</b>	

**Profit-recognized invoicing**

Invoicing during the year	15,773	17,261
Invoiced but not recognized as profit on January 1	15,438	15,816
Invoiced but not recognized as profit on January 1 (transferred operations)		-1,462
Less: Invoiced but not recognized as profit on December 31	-14,664	-15,438
<b>Total revenues</b>	<b>16,547</b>	<b>16,177</b>

**NOTE 29 INTEREST-BEARING/INTEREST-FREE LIABILITIES AND PROVISIONS**

SEK M	Group						Parent company					
	2003			2002			2003			2002		
	Interest-bearing	Interest-free	Total	Interest-bearing	Interest-free	Total	Interest-bearing	Interest-free	Total	Interest-bearing	Interest-free	Total
Liabilities to credit institutions	7,718 <sup>1)</sup>		7,718	9,021		9,021	1,023		1,023	351		351
Other liabilities	674	13,189	13,863	889	14,295	15,184	1,814	6,739	8,553	1,806	7,636	9,442
Provisions	20	2,130	2,150	1,168	2,162	3,330	18	382	400	1,075	562	1,637
<b>Total liabilities and provisions</b>	<b>8,412</b>	<b>15,319</b>	<b>23,731</b>	<b>11,078</b>	<b>16,457</b>	<b>27,535</b>	<b>2,855</b>	<b>7,121</b>	<b>9,976</b>	<b>3,232</b>	<b>8,198</b>	<b>11,430</b>

<sup>1)</sup> Reported value and current value of interest-bearing financial instruments.

**NOTE 30 PLEDGED COLLATERAL AND CONTINGENT LIABILITIES**

	Group		Parent company	
	2003	2002	2003	2002
<b>Pledged collateral</b>				
<i>For own liabilities:</i>				
Property mortgages	1,057	1,941		
Chattel mortgages	42	82		
Assets with attached liens, etc.	177		41	68
Restricted bank deposits	200	618		
<b>Total</b>	<b>1,476</b>	<b>2,641</b>	<b>41</b>	<b>68</b>
<b>Other pledged collateral:</b>				
Shares in associated companies		285		47
<b>Total pledged collateral</b>	<b>1,476</b>	<b>2,926</b>	<b>41</b>	<b>115</b>
<b>Contingent liabilities</b>				
<i>Own contingent liabilities:</i>				
Guarantees on behalf of Group companies			15,439	15,857
Other guarantees and contingent liabilities <sup>1)</sup>	6,253	6,368	5,522	5,713
<i>Held jointly with other companies:</i>				
Liabilities in consortiums, partnerships and limited partnerships	1,348	1,791	232	504
<b>Total</b>	<b>7,601</b>	<b>8,159</b>	<b>21,193</b>	<b>22,074</b>

<sup>1)</sup> Other guarantees and contingent liabilities also include tax demands in an amount of SEK 381 M from German tax authorities. The main basis for these claims is that the tax authorities have ignored the fact that the properties are owned by Dutch companies, applying a so-called transparency rationale. The decisions have been appealed and NCC is of the opinion that the tax authorities' demand for SEK 431 M is inaccurate and that the final tax demand will be approximately SEK 50 M, an amount for which a provision has been posted.

<sup>2)</sup> In March, the Swedish Competition Authority filed a lawsuit at Stockholm District Court against the asphalt companies, including NCC, suspected of illegal cartel collusion. The Competition Authority has requested that NCC be ordered to pay a penalty fee of SEK 472 M for breach of competition legislation. NCC believes that, by means of the forthcoming legal process, it has favorable prospects of bringing about a reduction in the penalty fee when the verdict is pronounced, which is not expected until 2005, at the earliest. Any provision that has an impact on NCC's earnings will be posted when it becomes possible to reliably estimate the size of the penalty.

**NOTE 28 ACCRUED EXPENSES AND PREPAID INCOME**

	Group		Parent company	
	2003	2002	2003	2002
Accrued salary-related costs	1,115	1,186	694	762
Accrued financial expense	84	144		
Prepaid rental revenues	28	22	8	9
Accrued project-related costs	1,496	916		
Accrued administrative costs	194	425		
Accrued guarantee costs	61	123		
Accrued operating and sales costs	22	24		
Other accrued expenses	161	163	409	437
<b>Total</b>	<b>3,161</b>	<b>3,003</b>	<b>1,111</b>	<b>1,208</b>

**NOTE 31 AVERAGE NUMBER OF EMPLOYEES**

	2003		2002	
	No. of employees	Of whom, men	No. of employees	Of whom, men
<b>Parent Company</b>				
Sweden	7,382	6,876	8,329	7,786
<b>Subsidiaries</b>				
Sweden	3,204	2,954	3,325	3,036
Austria	1	1	3	3
Belgium	12	6	11	7
China	8	4	17	11
Czech Republic			8	8
Denmark	3,917	3,471	4,304	3,658
Dominican Republic	366	357	153	143
Estonia	55	53	51	41
Faeroe Islands	2	2	28	25
Finland	2,474	2,111	2,423	2,136
Germany	527	461	535	469
Hungary	6	3	9	5
Latvia	60	56	93	83
Lithuania	99	82	220	191
Netherlands	2	1	16	12
Nicaragua	63	52	365	305
Norway	2,654	2,389	3,097	2,770
Poland	1,273	1,059	980	770
Russia	276	231	181	84
Singapore	225	209	115	100
Swaziland	321	309	321	309
Tanzania	579	523	488	446
United Kingdom	2	1	2	1
Zambia	562	508	478	437
Other countries	6	5	2	2
<b>Total in subsidiaries</b>	<b>16,694</b>	<b>14,848</b>	<b>17,225</b>	<b>15,052</b>
<b>Group total</b>	<b>24,076</b>	<b>21,724</b>	<b>25,554</b>	<b>22,838</b>



**NOTE 31 cont. AVERAGE NUMBER OF EMPLOYEES**

	Dec. 31, 2003	Dec. 31, 2002
Percentage of women		
<b>Distribution of company management by gender</b>		
<i>Group total, including subsidiaries</i>		
– Board of Directors	4,8	3,3
– Other senior executives	8,0	7,3
<i>Parent Company</i>		
– Board of Directors	11,1	11,1
– Other senior executives	16,7	8,3

**NOTE 32 PERSONNEL EXPENSES****Wages, salaries and other remuneration distributed by board of directors and presidents and other employees**

	2003			2002		
	Board of Directors and Presidents	Other employees	Total	Board of Directors and Presidents	Other employees	Total
<b>Parent Company</b>						
Sweden	14	2,517	2,531	12	2,825	2,837
<b>Total in Parent Company</b>	<b>14</b>	<b>2,517</b>	<b>2,531</b>	<b>12</b>	<b>2,825</b>	<b>2,837</b>
(of which bonuses)	(0,4)		(0,4)	(1,8)		(2,2)
<b>Subsidiaries</b>						
Sweden	12	951	963	17	971	988
(of which bonuses)	(1,2)		(1,2)	(2,3)		(2,3)
Austria	1		1	1	1	2
Belgium		5	5		5	5
China		2	2		2	2
Costa Rica		1	1			
Czech Republic					2	2
Denmark	21	1,855	1,876	28	1,848	1,876
(of which bonuses)	(0,6)		(0,6)	(4,1)		(4,1)
Dominican Republic		21	21		11	11
Estonia		5	5		3	3
(of which bonuses)	(0,1)		(0,1)			
Finland	6	697	703	5	872	877
(of which bonuses)	(0,8)		(0,8)	(0,1)		(0,1)
Faeroe Islands					4	4
Germany	3	158	161	3	140	143
Honduras		1	1			
Hungary		2	2			
Latvia		5	5		8	8
(of which bonuses)	(0,1)		(0,1)			
Libya		1	1			
Lithuania		8	8		6	6
Malaysia		1	1			
Netherlands					1	1
Nicaragua		2	2		15	15
Norway	6	1,067	1,073	7	1,332	1,339
(of which bonuses)				(0,5)		(0,5)
Poland	4	106	110	6	285	291
(of which bonuses)				(2,8)		(2,8)
Russia	1	32	33		13	13
(of which bonuses)	(0,1)		(0,1)			
Singapore		22	22		12	12
Swaziland		14	14		13	13
Tanzania		15	15		15	15
United Kingdom		1	1		1	1
Zambia		13	13		13	13
<b>Total in subsidiaries</b>	<b>54</b>	<b>4,985</b>	<b>5,039</b>	<b>67</b>	<b>5,573</b>	<b>5,640</b>
(of which bonuses)	(2,9)		(2,9)	(9,8)		(9,8)
<b>Group total</b>	<b>68</b>	<b>7,502</b>	<b>7,570</b>	<b>79</b>	<b>8,398</b>	<b>8,477</b>
(of which bonuses)	(3,3)		(3,3)	(11,6)		(11,6)

**NOTE 32 cont. PERSONNEL EXPENSES****Wages, salaries, other remuneration and social security costs**

	2003			2002		
	Wages salaries and other remuneration	Social security costs	Of which, pensions costs <sup>1)</sup>	Wages salaries and other remuneration	Social security costs	Of which, pensions costs <sup>1)</sup>
Parent Company	2,531	1,245	296	2,837	1,454	412
Subsidiaries	5,039	1,090	453	5,640	1,079	375
<b>Group total</b>	<b>7,570</b>	<b>2,335</b>	<b>749</b>	<b>8,477</b>	<b>2,533</b>	<b>787</b>

<sup>1)</sup> Of the Parent Company's pension costs, the Board of Directors and Presidents category accounts for SEK 8 M (15). The Company's outstanding pension commitments to this category amount to SEK 47 M (47). The reported pension costs include contributions to the pension foundation.

Of the Group's pension costs, the Board of Directors and Presidents category, including current and former members, accounts for SEK 14 M (20). The Group's outstanding pension commitments to this category amount to SEK 48 M (48). The reported pension costs include contributions to the pension foundation.

Sickness absence	Jan. 1, 2003 – Dec. 31, 2003
Total sickness absence as a percentage of ordinary working time	4,6%
Percentage of total sickness absence accounted for by uninterrupted sickness absence of 60 days or more	2,7%
<b>Sickness absence by gender:</b>	
Men	4,7%
Women	3,4%
<b>Sickness absence by age category:</b>	
29 years or younger	3,4%
Between 30 and 49 years	3,4%
50 years or older	6,2%

The above information regarding sickness absence pertains to the NCC Group's Swedish operations.

**Senior executives' employment conditions and remuneration***Principles*

The Chairman of the Board and other Board members elected by the Annual General Meeting, excluding the CEO, receive director fees in an amount decided by the Annual General Meeting. No special fee is paid to the Nomination Committee.

Remuneration for the CEO is decided by the Board. Remuneration for other members of Group Management is decided by the CEO and the Board.

Remuneration for the CEO and other senior executives consists of a basic salary, variable compensation, other benefits and pensions, etc. The term "other senior executives" pertains to the eleven persons who, together with the CEO constitute Group Management.

*Variable compensation*

The maximum variable compensation payable to the CEO in 2003 amounted to 50 percent of his basic salary. The variable compensation was based on financial targets established by the Board. The provision posted for 2003 amounted to SEK 0.

Deputy CEO Mats Wäppling received a guaranteed payment for 2003 of 25 percent of his basic salary plus variable compensation of not more than 25 percent of basic salary, of which 15 percentage points pertained to financial goals and 10 percentage points to individual goals. The provision posted during 2003 amounted to 35 percent of basic salary.

The maximum variable compensation payable to Deputy CEO Olle Ehrlén for 2003 was 50 percent of his basic salary. Financial goals accounted for 45 percentage points and individual goals 5 percentage points of the variable compensation. The provision posted for 2003 corresponded to 28 percent of his basic salary.

The principle for other senior executives for 2003 was that variable compensation based on financial goals would not exceed 20 to 45 percent of basic salary and compensation based on individual goals would not exceed 5 to 10 percent, making a maximum variable compensation of 25 to 50 percent. The provision posted for variable compensation payments to other senior executives during 2003 corresponded to 0 to 50 percent of basic salary.

For 2003, the CEO and other members of Group Management also had an opportunity to receive a "Turnaround compensation" of a maximum of 50 percent of their basic salary based on the achievement of financial goals. No compensation was paid for 2003 based on this parameter, which no longer applies as of 2004.

**Remuneration and other benefits during the year**

SEK thousands	Total salary, remuneration and benefits	Of which, variable compensations	Pension costs
Chairman of the Board	400		
Other Board members	1,050		
CEO	5,232		1,263
Other senior executives	34,899	3,460	6,484
<b>Total</b>	<b>41,581</b>	<b>3,460</b>	<b>7,747</b>

Remuneration and benefits pertain to vacation compensation, reductions in working time, company car, etc.

Variable compensations pertain to expensed accounts for the 2003 fiscal year. The sum total includes severance payments of SEK 10,882,000.

**NOTE 32 cont. PERSONNEL EXPENSES***Pensions*

The CEO's retirement age is 60 years, with annual pension premiums corresponding to 25 percent of the fixed annual salary.

Deputy CEO Mats Wåppling's retirement age is 60 years, with annual pension premiums corresponding to 35 percent of the fixed annual salary.

Deputy CEO Olle Ehrlén's retirement age is 60 years (see pension model below).

Other senior executives may retire at the age of 60 to 62. In Sweden, a pension corresponding to the ITP plan is generally payable as of age 65, plus a supplementary pension based on straight-line earnings. The temporary pension payable at age 60 and the supplementary pension payable at age 65 are fee based. The temporary pension payable at age 60 includes survivor's cover. A three-year average of paid-out variable compensation also forms the basis for pensions under the ITP plan. Pensions payable to other senior executives in other countries are subject to similar terms and conditions.

*Severance pay*

The CEO is subject to a 12-month period of notice and is entitled to receive 12 months of severance payment, if his employment is terminated by the employer. Such payment is adjustable against remuneration from other employment or assignments.

Deputy CEO Mats Wåppling is subject to six months' notice and is entitled to 12 months' severance payment, if his employment is terminated by the employer.

Deputy CEO Olle Ehrlén is subject to 12 months' notice and is entitled to 18 months' severance payment, if his employment is terminated by the employer.

Other senior executives are subject to six to 12 months' notice and are entitled to up to 18 months of severance payment, if their employment is terminated by the employer.

*Options program*

A rolling options program was in effect for senior NCC executives (about 200) during 1999-2001. The options program was discontinued as of 2002. Allotment of options was based on two conditions – the return on equity and the NCC share's performance in relation to a comparative index comprising shares in Nordic construction companies. The intention was to use repurchased shares to cover allotments of options.

For 1999, options corresponding to 1,366,708 Series B shares were allotted, which carry entitlement to purchases of shares during the period May 31, 2000 to February 28, 2005 at an exercise price of SEK 102.50 per share. For 2000, options corresponding to 3,135,172 Series B shares were allotted, which carry entitlement to purchases of shares during the period May 31, 2001 to February 28, 2006 at an exercise price of SEK 88.00 per share. For 2001, options corresponding to 2,533,500 Series B shares were allotted, which carry entitlement to purchases of shares during the period May 31, 2002 to February 28, 2007 at an exercise price of SEK 85.00 per share. The number of underlying shares and the exercise prices were adjusted during 2004 due to the spinoff of shares in the subsidiary Altima.

**NOTE 33 FEES AND REMUNERATION TO AUDITORS AND AUDIT FIRMS**

	Group		Parent company	
	2003	2002	2003	2002
<b>Audit firms</b>				
<b>KPMG</b>				
Auditing assignments	16	16	3	2
Other assignments	13	28		11
<b>Other auditors</b>				
Auditing assignments	1	1		
Other assignments	4	3		
<b>Total fees and remuneration to auditors and audit firms</b>	<b>34</b>	<b>48</b>	<b>3</b>	<b>13</b>

Auditing assignments are defined as examinations of the Annual Report and financial accounts, as well as of the administration of the Board of Directors and President, other duties that the Company's auditors are obliged to conduct and advice or other assistance required due to observations made during such examinations or during the performance of such other duties. All other work is defined as other assignments.

**NOTE 34 CASH FLOW STATEMENT**

The Cash Flow Statement has been prepared in accordance with the RR7 indirect method, with the following modifications:

The change in interest-bearing long-term receivables and short-term interest-bearing receivables is reported under financing activities.

**Acquisition of subsidiaries**

The value of acquired assets and liabilities based on established acquisition analyses was as follows:

GROUP	2003	2002
Intangible fixed assets	-20	
Buildings and land	-9	
Tangible fixed assets	-4	
Financial fixed assets	-4	
Properties classed as current assets	-11	
Accounts receivable and other current receivables	-52	
Liquid assets	-11	
Accounts payable and other current liabilities	39	
Deferred tax liability	12	
<b>Purchase considerations paid</b>	<b>-60</b>	
Acquired liquid assets	11	
<b>Impact on the Group's liquid assets</b>	<b>-49</b>	

**Sales of subsidiaries**

GROUP	2003	2002
Intangible fixed assets	9	63
Buildings and land	97	29
Tangible fixed assets	26	32
Financial fixed assets		5
Inventories	2	
Accounts receivable and other current assets	27	443
Liquid assets	10	182
Long-term liabilities	-33	-8
Accounts payable and other current liabilities	-14	-570
Deferred tax liability		-36
Capital gains	22	303
<b>Purchase considerations</b>	<b>146</b>	<b>443</b>
Sold liquid assets	-10	-182
<b>Impact on the Group's liquid assets</b>	<b>136</b>	<b>261</b>

**Spinoff of subsidiaries**

<i>Altima</i>		
Intangible fixed assets	116	
Buildings and land	162	
Tangible fixed assets	698	
Financial fixed assets	18	
Inventories	51	
Accounts receivable and other current assets	191	
Liquid assets	112	
Long-term liabilities	-256	
Accounts payable and other current liabilities	-427	
Deferred tax liability	-24	
<b>Distribution of assets and liabilities</b>	<b>641</b>	
Of which, liquid assets	-112	

**Acquisition of tangible fixed assets***Group*

Acquisitions of tangible fixed assets during the year amounted to SEK 873 M (1,585), of which SEK 3 M (20) was financed through loans.

*Parent Company*

Acquisitions of tangible fixed assets during the year amounted to SEK 84 M (21), of which SEK 0 M (0) was financed through loans.

**NOTE 34 cont. CASH FLOW STATEMENT****Liquid assets**

	Group		Parent company	
	2003	2002	2003	2002
Cash and bank balances	1,291	2,646	368	989
Short-term investments	1,174	1,071	2,061	2,258
<b>Amount at year-end</b>	<b>2,465</b>	<b>3,717</b>	<b>2,429</b>	<b>3,247</b>

At year-end, short-term investments in the balance sheet amounted to SEK 1,174 M (1,071), of which SEK 1,061 M (828) consisted of financial instruments with maturities of up to three months. The Group's unutilized credit facilities at year-end amounted to SEK 4.1 billion (3.8).

**Information about transactions that did not result in cash flow**

GROUP	2003	2002

**Cash flow was affected by exchange-rate differences in liquid assets, estimated at**

Exchange-rate differences in liquid assets	-53	-50
--	-----	-----

**Exchange-rate differences in liquid assets were attributable to**

Liquid assets on January 1	-25	-23
Cash flow during the year	-28	-27

Acquisitions of companies amounted to SEK 60 M (0), of which SEK 11 M (0) had no effect on cash flow. Sales of subsidiaries amounted to SEK 146 M (443), of which SEK 10 M (182) had no effect on cash flow.

**Parent Company**

Since the Parent Company has only insignificant amounts of liquid assets in foreign currency, no exchange-rate differences in liquid assets arose during the year.

**Information about interest payments***Group*

Interest payments received during the year amounted to SEK 209 M (130). Interest payments made during the year amounted to SEK 511 M (807).

*Parent Company*

Interest payments received during the year amounted to SEK 199 M (238). Interest payments made during the year amounted to SEK 129 M (265).

**NOTE 35 CASH FLOW STATEMENT, ITEMS NOT INCLUDED IN CASH FLOW**

	Group		Parent company	
	2003	2002	2003	2002
Depreciation	1,103	1,176	47	54
Write-downs	897	23	1,436	359
Exchange-rate differences, hedging effects	572	149		
Loss from sales of fixed assets	-18	-751		-279
Loss after financial items, associated companies	-50	-34		
Changes in provisions	-12	267	-178	58
Other	109	-89	11	
<b>Total</b>	<b>2,601</b>	<b>741</b>	<b>1,316</b>	<b>192</b>

**NOTE 36 LEASING****Financial leasing**

	2003	2002
<b>Leasing contracts that expire:</b>		
Within one year	30	46
Within more than one year but less than five years	99	61
Later than five years	0	0

	2003		2002	
	Depreciation	Interest	Depreciation	Interest
<b>Variable fees included in profit/loss for the year</b>				
Leased machinery and equipment	60	9	46	7
Leased buildings				1
<b>Total</b>	<b>60</b>	<b>9</b>	<b>46</b>	<b>8</b>

**Variable fees included in****profit/loss for the year**

Leased machinery and equipment	60	9	46	7
Leased buildings				1
<b>Total</b>	<b>60</b>	<b>9</b>	<b>46</b>	<b>8</b>

Within the Group, there is a double financial leasing contract, for which the leasing payment streams are pledged against each other and are thus offset. The gross amount of the offset payment streams is SEK 95 M (184).

**Operational leasing**

	2003	2002
<b>Future minimum leasing fees – lessor (leased premises)</b>		
<i>Distributed by maturity period:</i>		
Within one year	117	224
Within more than one year but less than five years	48	362
Later than five years	26	0
<b>Future minimum leasing fees – lessor (leased machinery)</b>		
Rental contracts that expire within one year	0	542
<b>Leasing costs</b>		
<i>The Group's future payment obligations for operational leasing contracts are distributed as follows in terms of time:</i>		
<i>Leasing contracts that expire:</i>		
Within one year	319	140
Within more than one year but less than five years	542	405
Later than five years	118	95
<b>Costs for operational leasing during the year amounted to</b>	<b>373</b>	<b>90</b>

**Future minimum leasing fees – lessor (leased premises)***Distributed by maturity period:*

Within one year	117	224
Within more than one year but less than five years	48	362
Later than five years	26	0

**Future minimum leasing fees – lessor (leased machinery)**

Rental contracts that expire within one year	0	542
--	---	-----

**Leasing costs**

*The Group's future payment obligations for operational leasing contracts are distributed as follows in terms of time:*

<i>Leasing contracts that expire:</i>		
Within one year	319	140
Within more than one year but less than five years	542	405
Later than five years	118	95

**Costs for operational leasing during the year amounted to 373 90**

**NOTE 37 EXCHANGE RATES**

Country	SEK	Currency	Average exchange rate		Year-end exchange rate	
			Jan–Dec 2003	Jan–Dec 2002	Dec. 31 2003	Dec. 31 2002
			Denmark	100	DKK	122,90
EU	1	EUR	9,13	9,16	9,06	9,17
Norway	100	NOK	114,66	122,00	107,85	125,92
Poland	1	PLN	2,09	2,38	1,93	2,29
United Kingdom	1	GBP	13,22	14,57	12,84	14,10
United States	1	USD	8,13	9,73	7,19	8,79

**NOTE 38 TRANSACTIONS WITH RELATED COMPANIES**

The main companies that are closely related to NCC are Nordstjerman, companies in the Lundberg sphere and associated companies.

Transactions involving companies in the Nordstjerman and Lundberg spheres were mainly of an administrative nature and of a very minor scope.

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

Transactions were conducted on a purely commercial basis.

**NOTE 39 OPERATING SECTORS**

GROUP 2003	Construction					International Projects	Property Develop- ment	Roads	Altima	Others and eliminations	Group
	Sweden	Denmark	Finland	Norway	Germany						
Net sales	16,899	5,440	5,055	4,417	1,106	3,869	2,052	7,919	1,268	-2,773	45,252
External net sales	16,093	5,174	4,946	4,329	1,106	3,869	1,999	7,206	519	11	45,252
Depreciation/amortization	-96	-58	-30	-43	-3	-95	-19	-482	-196	-81	-1,103
Result from participation in associated companies	-3	35	4		-7		6	29		-53	11
EBIT	412	145	197	58	48	116	-780	44	59	-294	5
Operating capital <sup>1)</sup>	-331	-157	428	-316	1,052	-297	2,806	2,019		36	5,240
of which, operating assets	6,086	1,601	1,655	1,701	1,466	2,044	6,326	5,112		58	26,049
of which, operating liabilities	6,417	1,758	1,227	2,017	414	2,341	3,520	3,093		22	20,809
Capital employed at year-end	1,911	421	1,018	282	1,102	802	6,197	3,716		-771	14,678
Equity participations in associated companies	6	50	1		-11		10	31		10	97
Gross investments	352	252	1,242	26	49	90	1,477	336	150	130	4,104
of which, fixed assets	184	25	17	22	6	90	113	336	150	159	1,102
Average number of employees	8,147	2,113	2,145	1,720	525	3,462	152	4,642	980	190	24,076

<sup>1)</sup> Operating capital  
Interest-free assets less interest-free liabilities, including (proposed) dividend and interest-free provisions.

GROUP 2002	Construction					International Projects	Property Develop- ment	Roads	Altima	Others and eliminations	Group
	Sweden	Denmark	Finland	Norway	Germany						
Net sales	17,562	5,689	4,696	4,260	966	1,793	4,150	8,341	1,390	-3,682	45,165
External net sales	16,173	5,412	4,552	3,788	966	1,792	4,100	7,907	452	23	45,165
Depreciation/amortization	-96	-59	-35	-57	-4	-88	-33	-519	-205	-80	-1,176
Result from participation in associated companies	-1	20	-2		-14	4	-7	62		-18	44
EBIT	406	144	226	-359	47	96	700	373	158	29 <sup>2)</sup>	1,820
Operating capital <sup>1)</sup>	-1,752	7	362	226	1,130	-158	3,287	2,428	893	-38	6,385
of which, operating assets	6,378	1,849	1,552	2,237	1,473	2,043	6,860	5,916	1,469	-235	29,542
of which, operating liabilities	-8,130	-1,842	-1,190	-2,011	-343	-2,201	-3,573	-3,488	-576	197	-23,157
Capital employed at year-end	2,675	511	1,122	993	1,317	1,470	6,649	4,758	1,289	-2,025	18,759
Equity participations in associated companies	4	54	-3		-4	9	13	31		-10	94
Gross investments	155	153	1,139	183	8	180	1,667	484	389	268	4,626
of which, fixed assets	33	39	19	22	3	180	171	484	389	322	1,662
Average number of employees	8,843	2,484	2,098	2,008	533	3,171	223	4,908	1,057	229	25,554

<sup>1)</sup> Operating capital  
Interest-free assets less interest-free liabilities, including (proposed) dividend and interest-free provisions.

<sup>2)</sup> Incl. sale of subsidiary, NVS.

**NOTE 40 GEOGRAPHICAL MARKETS**

GROUP, SEK M	Net sales		Assets		Gross investments		of which, in fixed assets	
	2003	2002	2003	2002	2003	2002	2003	2002
Sweden	19,759	20,771	13,891	15,721	1,330	1,481	582	813
Denmark	7,542	8,605	4,902	5,730	440	516	153	326
Finland	5,464	5,191	2,838	2,839	1,457	1,416	82	95
Norway	6,018	5,615	3,127	4,346	406	428	77	176
Other countries	6,469	4,983	4,570	6,117	471	785	208	252
<b>Total</b>	<b>45,252</b>	<b>45,165</b>	<b>29,328</b>	<b>34,753</b>	<b>4,104</b>	<b>4,626</b>	<b>1,102</b>	<b>1,662</b>

Net sales revenues from external customers distributed by the geographical area. Reported value of assets and investments distributed by the geographical area in accordance with where the assets are located. Tax receivables have not been distributed by geographical market.

**NOTE 41 EXCHANGE-RATE EFFECTS ON  
INCOME STATEMENT DURING 2003**

Income statement for 2003 translated at 2002 exchange rates; change in each currency in SEK.

GROUP, SEK M	2003 2002 exchange rates <sup>1)</sup>	2003	Exchange- rate effect
Net sales	45,922	45,252	-670
Operating profit/loss	-9	5	14
Profit/loss after financial items	-359	-323	36
Net profit/loss	-465	-421	44

<sup>1)</sup> Figures for 2003 translated at 2002 exchange rates.

# PROPOSED DISPOSITION OF UNAPPROPRIATED EARNINGS

The Group's unrestricted shareholders' equity amounts to SEK 396 M. No transfer to restricted shareholders' equity is proposed.

The Board also proposes that the Annual General Meeting authorize the Board to make decisions regarding the acquisition of Series A and Series B NCC shares in a number that may not exceed 10 percent of the total number of Company shares at any point in time.

Any options exercised for share purchases as part of the options program for senior Company executives could affect the number of

shares that carry dividend rights. In view of this, the Board may complement its proposal regarding the disposition of unappropriated earnings by the time of the Annual General Meeting.

Unappropriated earnings in the Parent Company at the disposal of the Annual General Meeting:	1,078,223,164
To be distributed as follows:	
Dividend of SEK 2.75 per share to shareholders	281,601,183
To be carried forward	796,621,981
	<b>SEK 1,078,223,164</b>

Solna, February 13, 2004

Tomas Billing  
*Chairman*

Antonia Ax:son Johnson

Lars Bergqvist

Sven Frisk

Fredrik Lundberg

Kosti Markkanen

Anders Rydin

Marcus Storch

Alf Göransson  
*President and CEO*

## AUDITORS' REPORT

TO THE ANNUAL GENERAL MEETING OF NCC AB SHAREHOLDERS, REGISTERED NUMBER: 556034-5174

We have audited the annual report, the consolidated financial statements, the accounts and the administration of the Board of Directors and the President of NCC AB for the 2003 fiscal year.

These accounts and the administration of the Company are the responsibility of the Board of Directors and the President. 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 President, as well as evaluating the overall presentation of information in the annual accounts and the consolidated accounts. We examined significant decisions, actions taken and

circumstances of the Company in order to be able to determine the possible liability to the Company of any Board member or the President or whether they have in some other way acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

We believe that our audit provides a reasonable basis for our opinion set out below.

The annual accounts and consolidated accounts have been prepared in accordance with the Annual Accounts Act and consequently provide a true and fair picture of the Company's and the Group's earnings and financial position in accordance with Generally Accepted Auditing Standards in Sweden.

We recommend that the Annual General Meeting adopt the income statements and balance sheets of the Parent Company and the Group, that the profit in the Parent Company be dealt with in accordance with the proposal in the Report of the Board of Directors, and that the members of the Board and the President be discharged from liability for the fiscal year.

Solna, February 25, 2004

Bo Ribers  
*Authorized Public Accountant*

Carl Lindgren  
*Authorized Public Accountant*

# MULTI-YEAR REVIEW

INCOME STATEMENT, SEK M	Pro forma <sup>1)</sup>				Pro forma <sup>2)</sup>		
	1997	1998	1999	2000	2001	2002	2003
Net sales	32,077	34,160	37,460	38,728	47,521	45,165	45,252
Production costs	-29,026	-30,832	-33,446	-34,641	-43,711	-40,950	-41,739
<b>Gross profit</b>	<b>3,051</b>	<b>3,328</b>	<b>4,014</b>	<b>4,087</b>	<b>3,810</b>	<b>4,215</b>	<b>3,513</b>
Selling and administrative expenses	-2,502	-2,587	-3,062	-3,457	-4,004	-3,157	-2,717
Result from property management					254	103	50
Result from sales of properties	-63	323	163	640	229	322	-10
Result from participations in associated companies	20	-158	66	23	34	10	-26
Result from sales of Group companies	105	1	7	-1	8	2	4
Result from sales of participations in associated companies	-2	194	50	271	13	34	37
Write-downs/reversal of write-downs of properties			31	-60	-140	6	-9
Write-downs within Property Development						-4	-782
Write-downs of goodwill							-55
Items affecting comparability <sup>3)</sup>	-449		201	912	-1,740	301	
<b>Operating profit/loss</b>	<b>160</b>	<b>1,101</b>	<b>1,470</b>	<b>2,415</b>	<b>-1,536</b>	<b>1,820</b>	<b>5</b>
Net financial items	-535	-371	-219	-262	-594	-514	-328
<b>Profit/loss after net financial items</b>	<b>-375</b>	<b>730</b>	<b>1,251</b>	<b>2,153</b>	<b>-2,130</b>	<b>1,306</b>	<b>-323</b>
Tax	79	-184	-408	-655	-121	-461	-77
Minority interests	-4	-3	-5	-4	-18	-24	-21
<b>Net profit/loss</b>	<b>-300</b>	<b>543</b>	<b>838</b>	<b>1,494</b>	<b>-2,269</b>	<b>821</b>	<b>-421</b>

BALANCE SHEET, SEK M							
Goodwill	1,394	1,313	2,193	3,210	2,787	2,538	2,045
Managed properties	8,526	7,557	5,950	4,570	3,895	1,306	897
Buildings and land, construction in progress	1,736	1,593	2,041	2,361	1,071	1,190	868
Tangible and intangible fixed assets	1,356	1,471	2,002	3,360	3,388	3,185	2,008
Shares and participations	2,222	2,090	1,354	1,217	1,228	1,138	977
Property-development projects <sup>4)</sup>	856	1,060	1,958	2,677	5,477	4,214	3,755
Housing-development projects <sup>5)</sup>	899	1,154	1,870	3,152	3,335	3,358	3,510
Interest-bearing receivables	1,412	1,618	1,138	1,389	1,266	1,545	1,056
Interest-free receivables, etc.	6,334	7,468	8,153	12,550	13,701	13,024	12,416
Liquid assets	3,609	3,135	2,371	2,207	3,164	3,717	2,465
<b>Total assets</b>	<b>28,344</b>	<b>28,459</b>	<b>29,030</b>	<b>36,693</b>	<b>39,312</b>	<b>35,215</b>	<b>29,997</b>
Shareholders' equity	9,237	9,671	9,795	9,922	7,322	7,597	6,188
Minority interests	25	25	30	20	94	83	78
Interest-bearing liabilities and provisions	8,956	8,381	8,803	11,714	14,736	11,078	8,412
Interest-free liabilities and provisions	10,126	10,382	10,402	15,037	17,160	16,457	15,319
<b>Total equity and liabilities</b>	<b>28,344</b>	<b>28,459</b>	<b>29,030</b>	<b>36,693</b>	<b>39,312</b>	<b>35,215</b>	<b>29,997</b>

RATIOS							
Return on equity <sup>6)</sup> , %	2	6	7	9	neg	8	neg
Return on capital employed <sup>6)</sup> , %	4	7	8	9	2	9	1
Equity/assets ratio, %	33	34	34	27	19	22	21
Interest-bearing liabilities/total assets, %	32	29	30	32	37	31	28

OTHER							
Average number employees	22,434	21,645	24,122	25,192	28,170	25,554	24,076

<sup>1)</sup> Pro forma accounts for 1997, in which Siab is merged with NCC.

<sup>2)</sup> Changed accounting principles regarding NCC Property Development, see page 55.

<sup>3)</sup> 1997: costs related to the merger of NCC and Siab. 1999: sale of shares in Silja Abp and BPA. 2000: Refund from Alecta. 2001: restructuring costs. 2002: sale of NVS.

<sup>4)</sup> Pertains to properties classed as current assets reported in NCC Property Development.

<sup>5)</sup> Pertains to properties classed as current assets reported in NCC Construction Sweden, NCC Construction Denmark, NCC Construction Finland, NCC Construction Norway and NCC Construction Germany.

<sup>6)</sup> Excluding items affecting comparability.

KEY FIGURES, SEK M	Pro forma 1997	1998	1999	2000	Pro forma 2001	2002	2003
Operating profit/loss (EBIT)	160	1,101	1,470	2,415	-1,536	1,820	5
Operating profit/loss (EBIT), excl. items affecting comparability	609	1,101	1,269	1,503	137	1,519	5
Profit/loss after net financial items (EBT)	-375	730	1,251	2,153	-2,130	1,306	-323
Profit/loss after net financial items (EBT), excl. items affecting comparability	74	730	1,050	1,241	-465	1,005	-323
Shareholders' equity	9,237	9,671	9,795	9,922	7,322	7,597	6,188
Capital employed at year-end	18,218	18,077	18,628	21,705	22,153	18,759	14,678
Capital employed, average	20,430	17,745	18,974	19,797	22,998	20,770	17,770
Net debt	3,935	3,627	5,296	8,118	10,306	5,819	4,891
Gross investments in properties, Property Development	694	1,135	1,853	3,056	3,055	1,604	1,396
Sales of properties, Property Development	6,227	2,219	2,142	3,845	1,965	6,786	1,553
Gross investments in other fixed assets	569	1,001	2,365	3,493	1,943	1,332	930

DATA PER SHARE							
Shareholders' equity, SEK	85.20	89.20	90.30	93.90 <sup>1)</sup>	69.75	74.20	60.45
Profit/loss after tax before dilution effects, SEK	-2.80	5.00	7.70	14.00	-21.60	7.95	-4.10
Profit/loss after tax excl. items affecting comparability, SEK	1.40	5.00	6.40	8.00	-5.25	5.85	-4.10
Profit/loss after tax after dilution effect, SEK <sup>2)</sup>	-2.80	5.00	7.70	13.80	-21.60	7.95	-4.10
Profit/loss after tax excl. items affecting comparability, SEK	1.40	5.00	6.40	7.90	-5.25	5.85	-4.10
Market price, NCC series B shares, SEK	83.50	61.50	98.00	69.00	70.00	53.00	55.50
Dividend, SEK.	1.50	2.50 <sup>3)</sup>	4.00 <sup>4)</sup>	4.50	2.25	2.75 <sup>5)</sup>	2.75 <sup>6)</sup>
Cash flow before financing, SEK	38.94	5.46	-5.58	-22.00	-7.11	48.80	7.44
P/E ratio after tax	neg	12	13	5	neg	7	neg
P/E ratio after tax, excl. items affecting comparability	61	12	15	9	neg	9	neg
Direct return, %.	1.8	8.9	11.2	6.5	3.2	5.2	17.0
Direct return, excl. extra dividend, %	1.8	4.1	4.1	6.5	3.2	5.2	5.0
Stock exchange price/shareholders' equity, %	98	69	108	73	100	71	92
<b>Number of shares</b>							
Total, millions	108.4	108.4	108.4	108.4	108.4	108.4	108.4
Average during the year, millions	108.4	108.4	108.4	107.0	105.0	103.6	102.4
At year-end, millions	108.4	108.4	108.4	105.7	105.0	102.4	102.4
Market value, SEK M	8,960	6,669	10,564	7,353	7,347	5,366	5,625

<sup>1)</sup> Adjustments have been made in accordance with the Financial Accounting Standards Council's RR9 recommendation regarding income tax.

<sup>2)</sup> Dilution effect taking options programs into account; the share price at December 30, 2003 did not give rise to dilution.

<sup>3)</sup> In addition, Hufvudstaden shares with a value of SEK 3 per NCC share were spun off.

<sup>4)</sup> In addition, an extraordinary dividend of SEK 7 per share was paid.

<sup>5)</sup> In addition, shares in Altima Group AB spun off, whereby shareholders received one Altima share per ten NCC shares held (regardless of share class). The Swedish National Tax Board has established that the dividend value of Altima shares is SEK 6.70 per NCC share.

<sup>6)</sup> The Board of Directors' proposal to the Annual General Meeting.

For accounting principles, see pages 50-55.

# QUARTERLY DATA

	Quarterly amounts, 2003				Jan–Dec 2003	Quarterly amounts, 2002				Jan–Dec 2002
	Q1	Q2	Q3	Q4		Q1	Q2	Q3	Q4	
<b>Group</b>										
Orders received, SEK M	10,044	11,715	9,087	10,095	40,941	9,613	10,309	11,748	11,428	43,098
Net sales, MSEK	8,631	10,860	11,735	14,026	45,252	8,675	12,331	11,113	13,046	45,165
Operating profit/loss (EBIT), SEK M	–391	323	651	–578	5	96	883	258	583	1,820
Profit/loss after financial items (EBT), SEK M	–459	205	584	–653	–323	0	730	139	437	1,306
Earnings per share, SEK	–3.15	0.80	4.00	–5.75	–4.10	0.30	4.55	0.65	2.45	7.95
<b>Construction Sweden</b>										
Orders received, SEK M	4,145	5,147	3,517	4,249	17,058	3,980	3,767	4,199	3,981	15,927
Order backlog, SEK M	10,094	11,332	10,890	9,836	9,836	11,237	10,303	10,706	9,532	9,532
Net sales, MSEK	3,596	4,028	3,969	5,306	16,899	3,890	4,688	3,801	5,183	17,562
Operating profit/loss (EBIT), SEK M	33	106	112	161	412	9	146	54	197	406
Operating margin (EBIT), %	0.9	2.6	2.8	3.0	2.4	0.2	3.1	1.4	3.8	2.3
<b>Construction Denmark</b>										
Orders received, SEK M	769	1,026	1,153	1,414	4,362	1,060	1,603	1,250	1,464	5,377
Order backlog, SEK M	3,785	3,401	3,196	3,092	3,092	4,212	4,440	4,421	4,348	4,348
Net sales, MSEK	1,224	1,394	1,265	1,557	5,440	1,434	1,379	1,295	1,581	5,689
Operating profit/loss (EBIT), SEK M	1	84	42	18	145	35	27	12	70	144
Operating margin (EBIT), %	0.1	6.0	3.3	1.2	2.7	2.4	2.0	0.9	4.4	2.5
<b>Construction Finland</b>										
Orders received, SEK M	2,072	1,463	1,167	1,328	6,030	1,478	1,251	1,015	1,210	4,954
Order backlog, SEK M	3,940	4,086	3,949	3,820	3,820	3,061	3,124	3,072	2,888	2,888
Net sales, MSEK	1,040	1,292	1,195	1,528	5,055	963	1,210	1,086	1,437	4,696
Operating profit/loss (EBIT), SEK M	35	43	52	67	197	43	70	71	42	226
Operating margin (EBIT), %	3.4	3.3	4.4	4.4	3.9	4.5	5.8	6.5	2.9	4.8
<b>Construction Norway</b>										
Orders received, SEK M	808	821	683	923	3,235	1,287	263	1,683	1,425	4,658
Order backlog, SEK M	3,725	3,352	2,807	2,412	2,412	3,598	2,756	3,797	4,115	4,115
Net sales, MSEK	903	1,011	1,220	1,283	4,417	1,128	1,254	712	1,166	4,260
Operating profit/loss (EBIT), SEK M	–17	–6	51	30	58	–28	–78	–266	13	–359
Operating margin (EBIT), %	–1.9	–0.6	4.2	2.3	1.3	–2.5	–6.2	–37.4	1.1	–8.4
<b>Construction Germany</b>										
Orders received, SEK M	225	227	240	371	1,063	209	200	285	112	806
Order backlog, SEK M	665	596	541	560	560	724	671	720	610	610
Net sales, MSEK	173	294	278	361	1,106	243	262	237	224	966
Operating profit/loss (EBIT), SEK M	3	11	19	15	48	11	18	–30	48	47
Operating margin (EBIT), %	1.7	3.7	6.8	4.2	4.3	4.5	6.9	–12.7	21.4	4.9
<b>International Projects</b>										
Orders received, SEK M	540	417	181	179	1,317	639	189	900	1,579	3,307
Order backlog, SEK M	5,359	4,937	3,633	3,094	3,094	4,522	4,367	4,731	5,586	5,586
Net sales, MSEK	999	676	1,409	785	3,869	427	274	502	590	1,793
Operating profit/loss (EBIT), SEK M	–30	3	102	41	116	7	29	16	44	96
Operating margin (EBIT), %	–3.0	0.4	7.2	5.2	3.0	1.6	10.6	3.2	7.5	5.4
<b>Property Development</b>										
Net sales, MSEK	256	272	73	1,451	2,052	294	1,719	908	1,229	4,150
Operating profit/loss (EBIT), SEK M	20	–77	–25	–698	–780	82	517	–54	155	700
<b>Roads</b>										
Orders received, SEK M	1,436	2,671	2,311	1,672	8,090	1,013	3,122	2,540	1,754	8,429
Order backlog, SEK M	1,571	2,025	1,519	1,053	1,053	981	1,566	1,198	908	908
Net sales, MSEK	762	2,204	2,805	2,148	7,919	836	2,327	2,919	2,259	8,341
Operating profit/loss (EBIT), SEK M	–394	238	339	–139	44	–345	242	451	25	373
Operating margin (EBIT), %	–51.7	10.8	12.1	–6.5	0.6	–41.3	10.4	15.5	1.1	4.5
<b>Altima</b>										
Net sales, MSEK	298	318	318	334	1,268	345	350	328	367	1,390
Operating profit/loss (EBIT), SEK M	2	12	26	19	59	34	34	41	49	158
Operating margin (EBIT), %	0.7	3.8	8.2	5.7	4.7	9.9	9.7	12.5	13.4	11.4



# DEFINITIONS / GLOSSARY

## FINANCIAL DEFINITIONS

**Average shareholders' equity:** Reported shareholders' equity. Average shareholders' equity is calculated as the average of the balances at January 1, March 31, June 30, September 30 and December 31.

**Beta value:** Volatility in the price of NCC shares in relation to the entire stock market.

**Capital employed:** Total assets less interest-free liabilities. Average capital employed is calculated as the average of the balances at January 1, March 31, June 30, September 30 and December 31.

**Debt/equity ratio:** Net indebtedness divided by shareholders' equity, including minority interest.

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

**Earnings per share after full tax:** Net profit for the year as a percentage of the number of shares at the end of the year.

**EBIT:** Operating profit (Earnings Before Interest and Tax)

**EBT:** Profit after financial items (Earnings Before Tax).

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

**Exchange-rate difference:** Exchange-rate changes attributable to movements in various exchange rates when receivables and liabilities in foreign currencies are translated into SEK.

**Exchange-rate effect:** The impact of changes in various exchange rates on current reporting in NCC's consolidated accounts on translation into SEK.

**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:** Profit after net financial items as a percentage of net sales.

**Net sales:** The net sales of construction operations are reported in accordance with the percentage of completion principle. These revenues are reported in pace with the gradual completion of construction projects within the Group. In the Parent Company, net sales correspond to income-recognized sales from completed projects. Within other operations, net sales correspond to invoicing for the year.

**Operating margin:** Operating profit as a percentage of net sales.

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

**Repurchase of Company shares in share data:** Repurchased shares have been excluded from calculations of key figures based on the number of shares outstanding.

**Return on equity:** Net profit for the year as a percentage of average shareholders' equity.

**Return on equity after tax:** Net profit for the year according to the income statement as a percentage of average shareholders' equity.

**Return on capital employed:** Profit after financial items including participations in associated companies, following reversal of interest expenses, as a percentage of 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 assets.

**Total return:** Cash dividend plus dividend value of Altima shares in relation to average value of the share price at the beginning and the end of the year.

## SECTOR-RELATED TERMS

**Aggregates:** Rock materials resulting from the disintegration of rock through crushing; also called macadam.

**Assessment of tenders:** Internal process conducted in connection with all forms of tenders, in order to reduce the risks associated with various projects.

**Ballast:** Normal term for disintegrated materials, mainly rock materials, used for construction and civil engineering purposes.

**BOT:** Build-Operate-Transfer. Privately financed infrastructure investments.

**BOT/PPP:** Examples of privately financed infrastructure investments.

**Buildings/other buildings:** In descriptions of operations, this term pertains to commercial buildings, mainly offices, retail outlets, shopping malls and garages.

**Civil engineering:** In descriptions of operations, civil engineering refers to work on roads, railways, bridges and tunnels.

**Concrete:** A material based on rock materials, cement and water, that is used in the forming of building and civil-engineering structures. It can be purchased either as ready-mixed concrete or prefabricated concrete.

*Ready-mixed concrete:* Liquid concrete mix produced at a plant, from which vehicles equipped with rotating containers deliver the mix to construction sites for onsite forming work.

*Prefabricated concrete:* Concrete elements formed in a plant and then transported to construction sites for assembly.

**Construction costs:** The cost of constructing a building, including building accessories, utility-connection fees, other contractor-related costs and VAT. Construction costs do not include the cost of land.

### Contract forms

*Negotiated contract/mutual-trust contract:* When NCC cooperates on an exclusive basis with the customer throughout the construction process – from planning to final inspection.

*General contract/implementation contract:* When NCC conducts construction work on behalf of a client who has conducted the project-design work. NCC appoints and is responsible for the subcontractors.

*Turnkey contract/design and build contract:* When NCC has turnkey responsibility for a project, from the concept and project-design stage right through to completion.

**Development right:** The right to develop a site. With respect to housing, a development right corresponds to a home (apartment or detached house) with an average of approximately 90 square meters of floor space. Ownership, or an option on ownership, of the site concerned is a prerequisite for being granted access to a development right.

**Leasing rate:** The percentage of anticipated rental revenues that corresponds to signed leases (also called leasing rate based on revenues).

**Macadam:** Rock materials resulting from the disintegration of rock through crushing; also called aggregates.

**NCC Partnering:** A structured form of cooperation applied in the construction industry, whereby the client, consultants and contractor jointly resolve a construction assignment based on a trusting form of cooperation in which all partners work with open books and each partner has professional skills that supplement those of the other partners throughout the construction process.

**Properties:** In descriptions of operations, "properties" refers to buildings, housing or land.

**Proprietary project:** When NCC, for its own development purposes, acquires land, designs a project, conducts construction work and then sells the project.

**Rock materials:** Rock that has disintegrated either naturally, through erosion, whereby sand, gravel or moraine is formed, or through mechanical impact, whereby aggregates, such as macadam, are produced.

**Total-package project:** When NCC is responsible for the entire chain of services, from concept to project sale.

# CORPORATE GOVERNANCE

## NOTIFICATION OF GENERAL SHAREHOLDER MEETINGS

The procedures for notifying shareholders of General Meetings are stipulated in the Articles of Association. Notice of a General Meeting shall be made in the form of an announcement in the Official Gazette (Post- och Inrikes Tidningar), and in Dagens Nyheter or another national Swedish newspaper. Notice of the Annual General Meeting shall be issued not earlier than six weeks and not later than four weeks prior to the Meeting. Notice of Extraordinary General Meetings shall be issued not earlier than six weeks and not later than two weeks prior to the Meeting.

General Meetings may be held in the municipalities of Stockholm, Solna or Sigtuna. At a General Meeting, each person is entitled to exercise unlimited voting rights on the full number of shares that he or she owns or represents. Shareholders may be accompanied by not more than two assistants, on condition that the shareholder has given the Company prior notice of this.

The 2003 Annual General Meeting was held on April 10 and was attended by 180 shareholders representing 53,963,771 Series A shares and 11,147,498 Series B shares, which in total represented 550,785,208 voting rights.

## OWNERSHIP STRUCTURE AND VOTING RIGHTS

NCC shares are issued in two series, designated Series A and Series B shares. A maximum of 70 million Series A shares and 114 million Series B shares may be issued. Each Series A share carries ten votes and each Series B share one vote. The distribution of shares and voting rights, and the changes during 2003, are shown on pages 6–7.

On request, Series A shares may be converted into Series B shares. A written conversion request must be submitted to the Company's Board stipulating the number of shares to be converted. Conversions shall be reported for registration without delay and become effective as soon as they are registered.

## COMPOSITION OF THE BOARD OF DIRECTORS

The Board shall consist of not fewer than five and not more than ten members, with not more than eight deputies, elected by the Annual General Meeting. The employees shall also be represented on the Board. During 2003, there were six elected Board Members, including the President. Three of the members had connections with the principal owner Nordstjernan. The Board also included three employee representatives, with three deputies. Further information on individual Board Members is presented on pages 80–81.

## NOMINATION ACTIVITIES

The Annual General Meeting elects a Nomination Committee, whose role is to nominate candidates for Board membership, propose the fees to be paid to Board members and nominate auditors. The Annual General Meeting held on April 10 elected Viveca Ax:son Johnson, Erik Åsbrink and Johan Björkman to the Nomination Committee, with Johan Björkman as chairman. Tomas Billing, Chairman of the NCC Board, is a co-opted member of the Committee, but has no voting right. At the 2004 Annual General Meeting, shareholders representing more than 50 percent of the total number of voting rights in NCC AB will propose that the Nomination Committee be expanded through the addition of Ulf Lundahl, Deputy CEO of the L E Lundberg Group.

## BOARD OF DIRECTORS AND BOARD DUTIES

During 2003, NCC's Board consisted of six elected members: Tomas Billing (Chairman), Fredrik Lundberg (Deputy Chairman), Antonia Ax:son Johnson, Marcus Storch, Anders Rydin and Alf Göransson (NCC's President and CEO). The Board also had three members, with deputies, representing the employees. At the 2004 Annual General Meeting, it will be proposed that the Board be expanded through the addition of Ulf Holmlund, former President and CEO of LjungbergGruppen AB, among other executive positions.

Other senior executives within NCC attended Board meetings to present various issues and to serve as Board secretary. There were eight Board Meetings in 2003 at which minutes were recorded, which complied with the established schedule.

The Board's work focuses primarily on strategic issues, business plans, the financial accounts and major investments and divestments, plus other decisions that, in accordance with the NCC's decision-making procedures, have to be addressed by the Board. The Board has established operating procedures for its work and instructions for the division of duties between the Board and the CEO, as well as for financial reporting to the Board.

## CHAIRMAN OF THE BOARD

The Chairman of the Board directs the work conducted by the Board and maintains continuous contact with the CEO, in order to continuously monitor the Group's operations and development. The Chairman represents the Company in ownership matters. In the Chairman's absence, Board Meetings are directed by the Deputy Chairman.

## REPORTING

The CEO is responsible for ensuring that the Board receives continuous reports and information of such a quality that the Board is able to make well-founded assessments. Business and financial reports are presented at each scheduled Board Meeting. Quarterly reports and the year-end report constitute the Company's fundamental financial reporting, which is supplemented by business unit information from NCC's internal reporting system. Scheduled Board Meetings also address matters of major significance in terms of principle or of major financial importance.

## EVALUATION OF BOARD WORK

The Board's work is evaluated within the framework of the Nomination Committee's activities. In addition, the Board conducts an annual evaluation of its work and the format for performing such work.

## BUSINESS CONTROL AND AUDITS

The Board has decided not to form an Audit Committee but to manage audit-related matters within the confines of regular Board work. The Board and the auditors meet twice per year, including one occasion without the presence of Executive Management. In addition, the Chairman of the Board meets the auditors on a number of occasions during the year. For the purpose of examining the Company's annual report and financial accounts, and the administration of the President and the Board, not more than three Authorized Public Accountants, with not more than three deputies, are elected at the Annual General Meeting. Bo Ribers and Carl Lindgren of KPMG were the auditors in 2003.

The Nomination Committee evaluates audit work and nominates auditors to serve for periods of four years. The election of auditors will be on the agenda at the Annual General Meeting in April 2004.

#### **BOARD REMUNERATION**

The Annual General Meeting in April 2003 resolved that the director fees for Board work in 2003 would total SEK 1,450,000 to be distributed among the elected Board Members, with the exception of CEO Alf Göransson, who does not receive any director fees. The Chairman received SEK 400,000, the Deputy Chairman SEK 300,000 and the three other Board Members SEK 250,000 each. The Nomination Committee's proposal to the 2004 Annual General Meeting is that director fees will total SEK 1,700,000. The reason for the increase is the addition of one Board Member. It is proposed that the directors fees be allocated to elected Board Members who are not employees of the Company.

#### **REMUNERATION TO THE CEO AND EXECUTIVE MANAGEMENT**

Remuneration to the CEO is determined by the Board. Remuneration to other members of Group Management is determined by the CEO and the Board Chairman. Remuneration to the CEO and other senior executives consists of a basic salary, variable compensation, other benefits and pensions, etc. The term "other senior executives" pertains to the eleven persons who, together with the CEO, comprise Group Management. The composition of Group Management is shown on pages 82–83. A specification of salaries and other remuneration paid to the CEO, senior executives and Board Members is presented in Note 32 on page 69.

#### **PRESIDENT AND CHIEF EXECUTIVE OFFICER**

The Board of Directors has established instructions for the division of duties between the Board and the CEO, and for financial reporting to the Board.

#### **DEPUTY CHIEF EXECUTIVE OFFICERS**

The NCC Group had two Deputy Chief Executive Officers in 2003: Olle Ehrlén, President of NCC Construction Sweden, and Mats Wäppling, President of NCC Property Development. In the CEO's absence, a Deputy CEO deputizes for him.

#### **GROUP MANAGEMENT**

In 2003, NCC's Group Management consisted of the CEO, the Presidents of NCC Construction Sweden, NCC Construction Denmark, NCC Construction Norway, NCC Construction Finland, NCC International Projects, NCC Property Development and NCC Roads, plus the Chief Financial Officer and the Senior Vice Presidents for Corporate Human Resources, Corporate Communications and Corporate Legal Affairs. Further information on members of Group Management is shown on pages 82–83.

Group Management mainly focuses on strategic matters and generally meets once per month.

#### **INTERNAL CONTROL AND GOVERNANCE**

NCC's operations require a considerable amount of delegated responsibility. Procedures have been formulated within the Group in order to clarify exactly who is to do what in each stage of the decision-making process. In addition to strategic and organizational matters, the areas covered explicitly include investments and divestments, rental and leasing agreements, financing, sureties, guarantees and business agreements.

The number of projects in production ranges varies from year to year but totals several thousands. The organization of projects varies according to the specific project's size and complexity. Each project is led by a project manager who is responsible for product format, purchases, financial aspects, production, quality, completion and handover to the customer. Projects representing sales exceeding SEK 100 M are monitored on a monthly basis by the CEO and CFO. Tenders for projects exceeding SEK 300 M are subject to special assessment and must be approved by the CEO. Tenders for projects exceeding SEK 500 M must be authorized by NCC AB's Board. Proprietary projects exceeding SEK 10 M must be approved by the CEO and such projects exceeding SEK 100 M must be authorized by NCC AB's Board.

#### **GOVERNANCE OF BUSINESS AREAS**

The Group comprises business areas that constitute separate subsidiaries managed by presidents. Each business area has a Board of Directors. For certain decisions, the approval of the CEO or NCC AB's Board Chairman or Board of Directors is required. The decision-making procedure consists of proposals, endorsement, decisions and confirmation. A matter requiring a decision is normally processed by the entity that initiated the matter or which is responsible for it in terms of function. Many types of decisions are preceded by consultation.

Country managers are responsible for initiating coordination in matters involving several NCC units in the particular country. Such matters include safeguarding the Group's brands and image, utilizing synergistic potential, maintaining uniform salary systems, business control and IT, and coordinating salary-setting and personnel policies.

#### **CODE OF CONDUCT**

A comprehensive program to formulate the values that are to hallmark NCC's operations has been under way in recent years. These values have been translated into norms and rules governing how NCC employees are to behave in various situations and are summarized in "NCC's guidelines on business ethics – our code of conduct" – a document that was adopted by Group Management in 2003 and is distributed to all employees.

To facilitate work in this area, a number of concrete, elucidating examples of what the guidelines mean in everyday situations have been formulated to serve as discussion material. Within NCC's large and decentralized organization, implementing these discussions in a manner that encompasses all employees is an extensive and time-consuming process. Clarifications and supplementary information is found in the Group's policies for specific areas, such as the Environment, Quality, Purchasing, Information, Accounting and Human Resources.

Every manager has an obligation, within his or her area of responsibility, to ensure that employees and business partners are informed about and urged to observe NCC's guidelines. Managers within NCC must always set a good example and act in accordance with NCC's values. The guidelines are followed up continuously as a natural part of ongoing operations.

Repeated and serious violation of the Code of Conduct by NCC employees results in legal actions in labor courts. If any of NCC's subcontractors or suppliers repeatedly and seriously violate NCC's guidelines, cooperation is discontinued.

The Compliance Program, training courses in business ethics and competition law introduced in 2002 for 1,500 managers within the Group, was implemented in 2003 and is a compulsory part of the managers' employment relationship.

Further information on corporate governance within NCC is presented on the Group's website – [www.ncc.info](http://www.ncc.info) – where other pertinent documents, such as the Articles of Association, the Code of Conduct and various policies, are also available.

# BOARD OF DIRECTORS AND AUDITORS

## ELECTED BY THE ANNUAL GENERAL MEETING



Tomas Billing



Fredrik Lundberg



Alf Göransson



Antonia Ax:son Johnson



Anders Rydin



Marcus Storch

### **TOMAS BILLING**

Chairman. Born 1963. Member since 1999 and Chairman since 2001. President of Nordstjernan AB. Chairman of Karolin Machine Tool AB and Vålinge Holding AB. Board member of Mydata Automation AB. Previous experience: President of Hufvudstaden AB and Monark Bodyguard AB, among other executive positions. Shareholding in NCC AB: 10,000 Series A shares, 21,000 Series B shares and call options corresponding to 280,000 Series A shares.

### **ANTONIA AX:SON JOHNSON**

Born 1943. Board member since 1999. Chairman of Axel Johnson AB. Board member of Nordstjernan AB, the Axel and Margaret Ax:son Johnson Foundation, Axfood AB, Åhléns AB, and Xerox Corporation, USA. Shareholding in NCC AB: 166,000 Series A shares and 29,702 Series B shares via companies, plus a private holding of 23,985 Series B shares.

### **FREDRIK LUNDBERG**

Deputy Chairman. Born 1951. Member and Deputy Chairman since 1997. President and Chief Executive Officer of L E Lundbergföretagen AB. Chairman of Cardo AB, Holmen AB and Hufvudstaden AB. Board member of L E Lundbergföretagen AB, Svenska Handelsbanken and Stadium AB. Shareholding in NCC AB: 301,540 Series A shares and 74,464 Series B shares via private companies.

### **ANDERS RYDIN**

Born 1945. Board member since 2003. Chairman of Handelshögskolan Executive Education AB. Board member of Cardo AB, Enskilda Securities AB, SEB TryggLiv AB, SEB Kort AB, Kapitalmarknadsgruppen and the Swedish Association for Share Promotion. Previous experience: Executive Vice President and Chief Financial Officer of AGA AB (1978–1991), Investor AB (1991–1997) and Skandinaviska Enskilda Banken AB (1997–2003). Shareholding in NCC AB: 2,000 Series B shares.

### **ALF GÖRANSSON**

Born 1957. Board member since 2002. President and CEO of NCC since 2001. Previous experience: CEO of Svedala Industri AB (2000–2001), Business Area Manager of Cardo Rail (1998–2000) and President of Swedish Rail Systems AB (1993–1998), contracting company in the Scancem Group, among other positions. Shareholding in NCC AB: 1,000 Series B shares and call options corresponding to 95,000 Series A shares.

### **MARCUS STORCH**

Born 1942. Board member since 1998. Deputy Chairman of Axel Johnson AB, Axfood AB and the Nobel Foundation. Board member of Dagens Industri AB, AB Hannells Industrier and Nordstjernan AB, the Royal Academy of Sciences and the Royal Academy of Engineering Sciences. Previous experience: President of AGA AB (1981–1997), among other positions. Shareholding in NCC AB: 0.

The details regarding shareholdings in NCC pertain to directly held shares and shares held via private companies at December 31, 2003.

## MEMBERS APPOINTED BY EMPLOYEE ORGANIZATIONS

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Lars Bergqvist



Sven Frisk



Kosti Markkanen

## DEPUTY MEMBERS APPOINTED BY EMPLOYEE ORGANIZATIONS

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Karl-Olof Fransson



Sven-Roland Jansson



Marita Mannerfjord

### LARS BERGQVIST

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Born 1951. Board member since 1991. Employee representative of Ledarna (Swedish Association of Supervisors). Deputy Chairman of Ledarna. Shareholding in NCC AB: 117 Series A and 78 Series B shares.

### SVEN FRISK

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Born 1946. Board member since 1999. Employee representative of the Swedish Building Workers' Union. Shareholding in NCC AB: 0.

### KOSTI MARKKANEN

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Born 1938. Board member since 1996. Representative of the Swedish Building Workers' Union. Member of Department 2 (in Malmö) of the Union. Shareholding in NCC AB: 0.

### KARL-OLOF FRANSSON

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Born 1941. Deputy Board member since 1993. Employee representative of SEKO (Union for Employees in the Service and Communication Sectors). Chairman of SEKO's Road and Rail Department in southeast Sweden. Shareholding in NCC AB: 100 Series B shares.

### SVEN-ROLAND JANSSON

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Born 1942. Deputy Board member since 2002. Employee representative of the Swedish Metal Workers' Union. Board member of the Swedish Metal Workers' Union, Dept 1, Stockholm. Shareholding in NCC AB: 205 Series A shares and 136 Series B shares.

### MARITA MANNERFJORD

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Born 1944. Deputy Board member since 1998. Employee representative of SIF (Swedish Industrial Salaried Employees' Association). Shareholding in NCC AB: 100 Series B shares.

## SECRETARY

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### ULF WALLIN

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Born 1949. Senior legal counsel in NCC AB. NCC AB's Board Secretary since 1996. Shareholding in NCC AB: call options corresponding to 32,833 Series B shares.

## AUDITORS

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### BO RIBERS

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Born 1942. Authorized Public Accountant KPMG. Auditor of NCC since 2000.

### CARL LINDGREN

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Born 1958. Authorized Public Accountant KPMG. Deputy auditor of NCC since 1998.

# SENIOR EXECUTIVES

## CHIEF EXECUTIVE OFFICER AND DEPUTY CEO's



**ALF GÖRANSSON**<sup>1)</sup>

Born 1957. President and Chief Executive Officer since 2001. Employed since 2001. Previous experience: CEO of Svedala Industri AB (2000–2001), Business Area Manager of Cardo Rail (1998–2000) and President of Swedish Rail Systems AB (1993–1998), contracting company in the Scancem Group, among other positions. Shareholding in NCC AB: 1,000 Series B shares and call options corresponding to 95,000 Series A shares.



**OLLE EHLÉN**<sup>1)</sup>

Born 1949. Deputy Chief Executive Officer and President of NCC Construction Sweden since 2001. Employed since 1973. Previous experience: Regional Manager at NCC Building Stockholm, Construction Staff Manager within civil engineering operations, Business & Technological Development Manager within construction operations and Department Manager within rebuilding operations. Other assignments: Board Member (Deputy Chairman) of the Swedish Construction Federation, the Confederation of Swedish Enterprise and Formas. Shareholding in NCC AB: 145 Series A shares, 2,400 Series B shares and call options corresponding to 15,000 Series A shares and 28,699 Series B shares.



**MATS WÅPLING**<sup>1)</sup>

Born 1956. Deputy Chief Executive Officer and President of NCC Property Development. Employed by NCC since 2003. Previous experience: mainly various senior positions within the Skanska Group (1979–2002), including President of the Skanska Project Development and Real Estate business areas and, most recently, Executive Vice President (2001–2002). Other assignments: Board Member of Pandox AB and Sweco AB. Shareholding in NCC AB: call options corresponding to 400,000 B shares.

## LINE MANAGERS



**OLLE BOBACK**

Born 1953. President of NCC Construction Germany. Employed since 1974. Previous experience: department and regional manager within NCC's German operations, among other positions. Active in Germany for 20 years. Other assignments: Board member of Swedish Chamber of Commerce, Germany. Shareholding in NCC AB: call options corresponding to 37,643 Series B shares.



**TIMO U. KORHONEN**<sup>1)</sup>

Born 1952. President of NCC Construction Finland since 2001. Employed during 1988–1993 and since 1998. Previous experience: regional manager at Puolimatka, Business Area President at Lemminkäinen Construction and President of NCC International. Other assignments: Board member of Finnish Federation of Building Industries. Shareholding in NCC AB: call options corresponding to 27,000 Series A shares and 90,915 Series B shares.



**PER NIELSEN**<sup>1)</sup>

Born 1948. President of NCC International Projects since 2001. Employed since 1976. Previous experience: Business Area President, head of international projects, Project Director for Øresund Tunnel Contractors and various senior executive positions in civil engineering sector; among other positions. Shareholding in NCC AB: call options corresponding to 43,343 Series B shares.



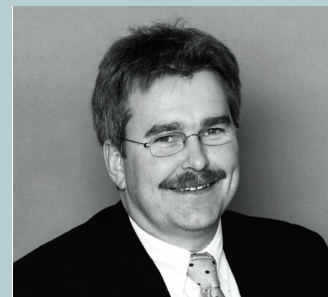
**GÖRAN SVENSSON**<sup>1)</sup>

Born 1954. President of NCC Roads since September 2003. Employed since 1978. Previous experience: regional manager, most recently of Civil Engineering's Stockholm/Mälardalen Region, department manager, foreman and supervisor. Shareholding in NCC AB: call options corresponding to 26,078 Series B shares.



**SØREN ULSLEV**<sup>1)</sup>

Born 1955. President of NCC Construction Denmark since 2001. Employed since 1980. Previous experience: Vice President of NCC Rasmussen & Schiøtz A/S. Other assignments: Board member of Dansk Byggen. Shareholding in NCC AB: call options corresponding to 30,000 Series A shares and 132,595 Series B shares.



**SVEN CHRISTIAN ULVATNE**<sup>1)</sup>

Born 1960. President of NCC Construction Norway since January 2004. Employed since 2000. Previous experience: manager of NCC Region Nord/Vest Bygg, regional manager within NCC Construction Norway, President of AS Betong Sandnes, President of Sandnes Eiendom, regional director at Block Watne AS, marketing manager at Aadnøy Entreprenør; among other positions. Other assignments: Chairman of the Board of Signatur Arkitekter. Shareholding in NCC AB: 0

## STAFF MANAGERS

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**STAFFAN BENNERDT**

Born 1954. Finance Director. Employed since 1985. Previous experience: credit analyst at Handelsbanken, Cash Manager at Nordstjernan, Chief Financial Officer of JCC, Treasurer of NCC Treasury AB, among other positions. Other assignments: board member of Society of International Treasurers (SIT), member of board of governors at AMFK and FPG. Shareholding in NCC AB: call options corresponding to 36,206 Series B shares.



**ANN-SOFIE DANIELSSON<sup>1)</sup>**

Born 1959. Chief Financial Officer. Employed since June 2003. Previous experience: senior accountant, corporate accounting manager and Authorized Public Accountant at KPMG, among other positions. Shareholding in NCC AB: call options corresponding to 18,299 Series B shares.



**HANS-OLOF KARLSSON<sup>1)</sup>**

Born 1946. Senior Vice President Corporate Communications. Employed since 1989. Previous experience: journalist, information officer; including position at Volvo Aero (1975–1989). Other assignments: Board member at Byggförlaget. Shareholding in NCC AB: 1,000 Series B shares and call options corresponding to 31,176 Series B shares.



**ULF WALLIN<sup>1)</sup>**

Born 1949. Senior legal counsel in NCC AB. NCC AB's Board Secretary. Employed since 1994. Previous experience: Senior legal counsel at Teli AB (1990–1994), banking lawyer at SEB, Skaraborgsbanken (1987–1990), corporate lawyer at Svenska Varv (Celsius) (1981–1987) and positions in Swedish court system (1978–1981), among other positions. Shareholding in NCC AB: call options corresponding to 32,833 Series B shares.



**ELISABETH WALLIN MONONEN<sup>1)</sup>**

Born 1959. Senior Vice President Human Resources. Employed since 2003. Previous experience: various personnel management positions within ABB, most recently as Vice President Human Resources for the Alstom Group's Industrial Turbines segment, as well as Vice President Human Resources for Alstom Sweden (1999–2003), and personnel manager within various units of the ABB Group (1992–1999), among other positions. Shareholding in NCC AB: 0.

<sup>1)</sup> Member of Group Management.

# FINANCIAL INFORMATION

NCC will publish financial information regarding the 2004 fiscal year on the following dates:

<b>April 7</b>	<b>Annual General Meeting</b>
<b>May 11</b>	<b>Interim report, January–March</b>
<b>August 19</b>	<b>Interim report, January–June</b>
<b>November 11</b>	<b>Interim report, January–September</b>
<b>February 2005</b>	<b>Year-end report 2004</b>

NCC's interim reports are downloadable from NCC's Group website, [www.ncc.info](http://www.ncc.info), where all information regarding the NCC Group is organized in English and Swedish versions. The website also includes an archive of interim reports dating back to 1997 and an archive of annual reports dating back to 1996, as well as a real-estate specification that is updated on a quarterly basis. As of 2003, NCC does not print and distribute its interim reports.

The price performance of NCC's Series A and B shares, updated every 15th minute of each day of trading, is presented under the "Investor Relations" tab, as are key financial figures. All press releases issued by NCC since 1997, sorted by year, and a search function are also available on the website.

NCC's financial information can be ordered either by using the order form available on the [www.ncc.info](http://www.ncc.info) website or by e-mailing NCC AB at [info@ncc.se](mailto:info@ncc.se), writing to NCC AB, SE-170 80 Solna, calling NCC AB at +46 8 585 510 00 or faxing NCC AB at +46 8 85 77 75.

The person within the NCC Group responsible for shareholder-related issues and financial information is Annica Gerentz, Investor Relations Manager, at Corporate Communications (Tel: +46-585 522 04; e-mail: [annica.gerentz@ncc.se](mailto:annica.gerentz@ncc.se)).



## THE ANNUAL GENERAL MEETING

The Annual General Meeting will be held at 4:30 p.m. on April 7, 2004.

Venue: Grand Hôtel, Vinterträdgården, Royals' Entrance, Stallgatan, Stockholm, Sweden.

Registration at the Meeting will begin at 3.30 p.m. The official notification of the Annual General Meeting is available on the Group's website, [www.ncc.info](http://www.ncc.info), and was published in Swedish daily newspapers on March 8.

**NCC AB (publ) Corp. Reg. No: 556034-5174. Registered Head Office: Solna**

Addresses of the companies included in the NCC Group are available on the [www.ncc.info](http://www.ncc.info) website.



# INDEX OF KEY WORDS

The index of key words below is designed to help you find your way around NCC's Annual Report more quickly.

Annual General Meeting	45	Liabilities	44, 51, 60, 65, 70	Recruitment	18, 19
Assets	50, 53, 59, 60, 62, 70	Liquidity	45, 49, 67	Remunerations	66
Auditors	67, 74, 75	Management	76	Rental guarantee	35, 55
Beta value	6, 73	Market capitalization	6, 7, 71	Rental revenues	35, 36, 47, 52, 58
Bonus	66	Market shares	9	Repurchase of shares	6, 7, 45, 57, 63, 73
Brand	15	Market value	37, 43, 55	Restructuring	8, 27, 30, 32, 42, 46
Cartel	40, 42, 45	Minority interest	48, 51, 70	Restructuring costs	43, 44, 47, 48, 70
Cash flow	23, 44, 49, 67, 71	Net indebtedness	44, 71, 73	Return ratios	
Code of Conduct	15	Nomination Committee,		(on shareholders equity)	8, 71
Competitors	8, 9, 26, 28–30, 34, 41	nomination work	45, 74, 75	Risks	15, 16, 35, 40, 44, 45
Compliance program	42	Occupational injuries	19	Sensitivity analysis	44
Construction market	8, 9, 24–26, 28, 30–31	Operating margin	44, 72, 73	Share capital	7, 63
Conversion of shares	6, 7	Operating net	36, 47, 55, 56, 58	Share data	7, 71
Corporate Governance	[xx]	Options	76, 77	Share price trend	6, 80
Definitions	73	Order backlog	42, 43, 72	Shareholders	6, 7
Depreciation	48, 53	Orders received	1, 42, 43, 72	Shareholders' equity	7, 51, 63, 70, 71
Development rights	26, 27, 29, 78	Organization	9, 27, 42	Shares	6, 7
Development value	10	Outlook for 2003	46	Surplus value	43, 53
Direct return	36, 55, 71, 73	Partnering	3, 12, 13, 78	Sustainability; analysis, perspective	15, 20
Dividend	1, 6, 7, 45, 69, 71	Pensions	51, 63, 66	Tax loss carryforwards	43, 64
Dividend policy	11	Periods of fixed interest	44	Taxes	48, 57, 64, 70
Environmental impact	45	Portfolio of debts	44	Tender, tendering	12, 13, 16, 26, 42, 46, 78
Equity/assets ratio	44, 50, 70, 71, 73	Profit recognition	16, 55, 56	Total return	6, 73
Ethics	14, 18	Profitability targets	71	Training	14, 18
Exchange rate	68, 73	Properties		Vacancy rates	37, 47
Financial objectives	71	– For future development	36, 50, 52, 54, 63, 70	Valuation of properties	43, 52, 55
Financing	44	– Completed	35, 36, 54, 63	Values, corporate	17, 19, 42
Forecast	5, 46	– Managed	37, 43, 47, 48, 52, 54, 58, 70	Value chain	10
Goodwill	48, 50, 53, 57, 70	– Ongoing projects	36, 54	Variable compensation	[xx]
Group structure	23	– Sold	35, 37	Vision	cover flap
Human Capital Index (HCI)	17	Proposed disposition of		Wages, salaries and remuneration	66
Industrialized construction	[xx]	unappropriated earnings	69	Write-downs	43, 48, 53, 55, 70
Investments	44, 55, 70, 71, 73	Public Procurement Act	9, 12	Yield	36, 55, 71, 73
Items affecting comparability	43, 47, 70	Publicity (in the media)	15		
Key figures	1, 71	R&D	14		
Leasing rate	35, 36, 46, 47				

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